



GLOBAL SUBSCRIPTION- AS-A-SERVICE (SAAS) MARKET REPORT

Market research – June 2026

Now, for tomorrow





Scope & Definition

Scope & Definition

This report informs a mergers-and-acquisitions and growth-equity thesis on the global Software-as-a-Service (SaaS) industry, combining a quantified read of market size, segmentation and end-user demand (Sections 2 to 4) with an analysis of the industry's ecosystem, competition, value chain and deal flow (Sections 5 to 10). It is written as of June 2026, uses the most recent fiscal-year data available, and flags figures predating Q4 2024 inline. This opening section fixes the boundaries of the analysis: what counts as SaaS, the geographies in view, the strategic questions the report answers, and the methodology and sourcing that underpin every figure that follows.

Industry Definition

SaaS, for the purposes of this report, means cloud-delivered, subscription-based software businesses. The definition spans three layers of the market. Horizontal B2B SaaS covers cross-industry functions: CRM, ERP, HR, finance and billing, marketing, collaboration and developer tooling, anchored by names such as [Salesforce](#), [SAP](#), [Workday](#) and HubSpot.

Vertical B2B SaaS covers industry-specific platforms for hospitality, travel, real estate, healthcare, legal, logistics, insurance, construction and agritech, anchored by [Veeva](#), [Toast](#), [ServiceTitan](#) and Procore. B2C and prosumer subscription software covers consumer apps, edtech, fintech apps, wellness and creator tools.

The definition is deliberately ownership-agnostic. It includes bootstrapped and venture-backed scale-ups, private-equity-owned platforms, public pure-play SaaS vendors, and the SaaS arms of larger software and platform groups such as [Microsoft](#), [Oracle](#) and Adobe. What unifies them is the commercial model: recurring revenue, multi-tenant cloud delivery, and monetization through subscriptions, usage, or outcomes rather than perpetual licenses.

Several adjacent categories are excluded to keep the analysis clean. Pure IT-services firms and consultancies, bespoke custom-software development shops, on-premise legacy licensing, hardware-led businesses, and non-software digital marketplaces or e-commerce pure-plays all fall outside scope. The distinction matters for diligence: a business that reports gross merchandise volume or transaction take rates (a marketplace) is economically different from one that reports annual recurring revenue and net revenue retention (SaaS), and the two are not valued on the same basis.

A platform whose revenue is principally marketplace commission rather than subscription is treated as ecosystem context, not as in-scope SaaS.

Geographic Scope

The report is global, with explicit attention to the growth differentials between regions. North America, led by the United States, is the dominant market, holding roughly 47% to 48% of worldwide SaaS revenue. Western Europe (the UK and Ireland, the DACH countries, France and Benelux, the Nordics, Iberia and Italy) is the second pole, structurally under-consolidated relative to the US and therefore a focus for buy-and-build.

Asia-Pacific (India, China, Japan, Australia and Southeast Asia) is the fastest-scaling region, with India alone hosting roughly 250 companies above \$10m of ARR. Latin America, the Middle East and Africa are treated as emerging SaaS markets where sovereign and growth capital is beginning to enter.

The report keeps that global frame throughout. Sections 2 to 4 size the worldwide market and break it down by region and subsegment: the United States anchors North America's roughly 45 to 48 percent revenue share, Western Europe forms the second pole, Asia-Pacific (India above all, on a path toward USD



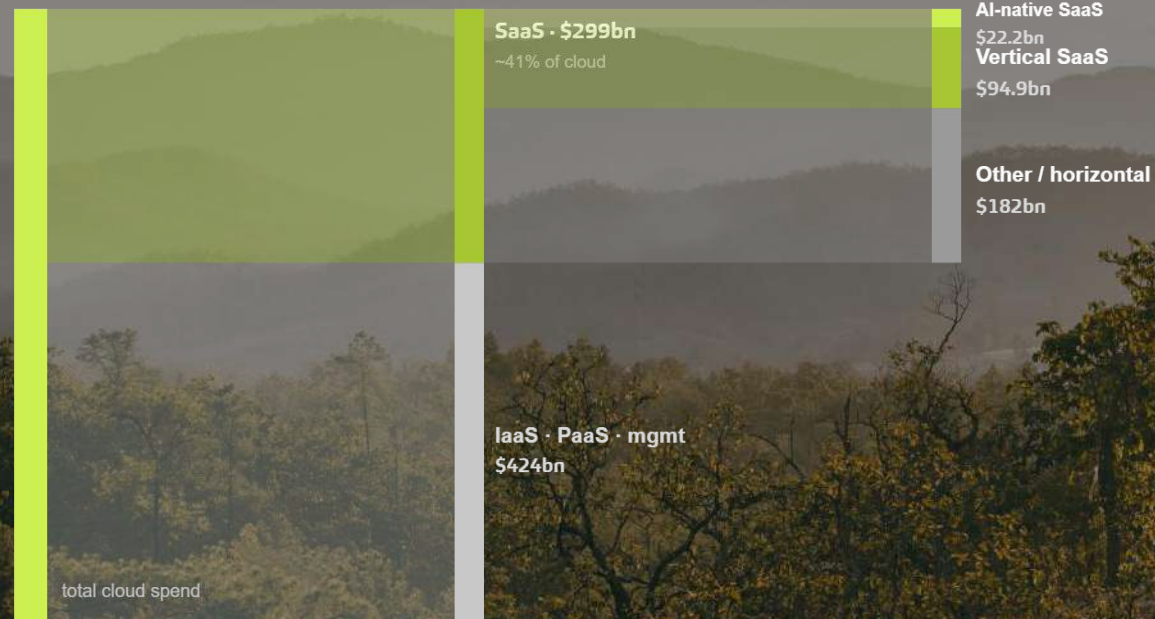
Size, Growth, Trends & Drivers

SIZE & GROWTH · 2025, \$BN

SaaS is the largest slice of a \$723bn cloud market

Gartner public-cloud spend flows into SaaS; SaaS in turn splits AI-native, vertical & the rest

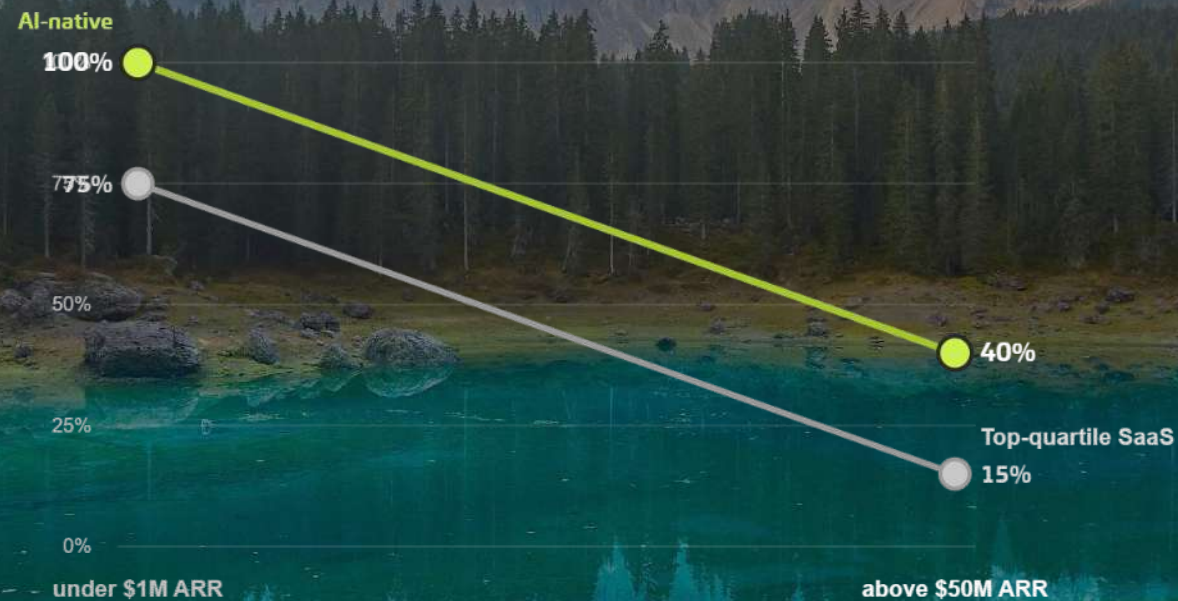
Public cloud · \$723bn



TRENDS · AI-NATIVE VS BENCHMARK

AI-native firms grow 2–3× the top-quartile SaaS pace

Median YoY growth by ARR stage (ICONIQ State of Software); the gap widens with scale



AI-native names also convert trials to paid at higher rates and grow ~3× faster with ~5 pts lower gross margin.



Segmentation

Segmentation

Executive Summary

Screening a USD 400bn, ~30,800-company industry requires segmentation on economically meaningful axes, not the generic CRM/ERP/HR categories vendor taxonomies use. Eight axes (deployment, buyer type, regulatory intensity, switching cost, vertical vs horizontal, ACV, pricing model, buying behavior) collapse into one valuation-driving dichotomy: **Commodity/Compliance-Led** segments that win on price, certification and reliability (defensibility from regulatory lock-in, 3-6x ARR, PE roll-up economics) versus **High-Complexity/Value-Added** segments that win on deep workflow embedding, proprietary data, network effects or AI capability (7-15x-plus multiples, strategic and growth-equity demand). Across eleven segments, vertical SaaS with embedded fintech is the core long thesis (95 percent-plus gross retention, 2x-5x revenue-per-customer), devtools and data infrastructure is the most defensible horizontal category (consumption pricing, AI workload pull, best-in-class NRR), and the AI-native application layer is the highest-growth, highest-variance segment (triple-digit growth against 52 percent gross margins and 25-127x ARR valuations). The critical success factor splits accordingly: distribution efficiency plus an unimpeachable certification stack at the commodity end, depth of workflow ownership plus a defensible data or AI moat at the value-added end.

- **Two groupings:** Commodity/Compliance-Led derives pricing power from regulation and switching cost; High-Complexity/Value-Added derives it from proprietary data, deep integration and AI capability, the more defensible end for investors.
- **Vertical SaaS:** [Veeva](#), [Toast](#), [ServiceTitan](#), [Procore](#) and Guidewire own end-to-end regulated workflows with 95 percent-plus GRR; embedded fintech ([Toast](#) at ~80 percent of revenue from financial services) is the core long thesis and the most active PE roll-up zone.
- **DevTools and data infra:** [Datadog](#), [Snowflake](#), [Databricks](#) and [MongoDB](#) run consumption pricing aligned to AI workload growth, conferring the highest NRR among horizontals and premium multiples on data gravity.
- **AI-native layer:** [Cursor](#) ran USD 100m to USD 2bn ARR in ~13 months, [Glean](#) and Harvey to ~USD 200m; explosive growth but 52 percent margins, inference-cost risk and 25-127x valuations make this the highest-variance segment.
- **HR and HCM:** compound platforms (Rippling near USD 1bn run-rate, Deel ~USD 800m) win via land-and-expand and embedded payroll fintech, with multi-country compliance the moat and clear PE appetite ([Dayforce](#) take-private).
- **Horizontal CRM and ERP:** [Salesforce](#), [Microsoft](#), [SAP](#) and [Oracle](#) anchor mission-critical systems of record with very high switching cost; the deal action is mid-market and vertical tuck-ins, not displacing the giants.
- **Regional champions:** serial acquirers ([Visma](#) at EUR 2.96bn ARR, 15 deals in H1 2025) and global-first cohorts ([Zoho](#), [Freshworks](#)) win on local compliance and distribution, a fertile cross-border roll-up zone.
- **B2C and prosumer:** Duolingo (USD 1bn revenue, ~73 percent margin) and Spotify (281m subscribers, ~31 percent margin) show the spread; AI premium tiers drive ARPU while engagement and churn are the swing variables.

COMPETITIVE · THE LONG TAIL

~30,800 SaaS companies — 17,000 of them in the US

Each icon ≈ 1,000 companies; the US hosts over half the world's SaaS vendors



 **United States — ~17,000 vendors (55%)**

 **Rest of world — ~13,800 vendors**



End-Users

End-Users

Executive Summary

Global SaaS demand resolves into six end-user profiles distinguished by regulatory exposure, risk and scale, and criticality determines pricing power and price elasticity. The **large enterprise** runs an average of 473 applications and treats systems of record as existential, buying through committee-based, security-gated procurement; the mid-market buys consolidated suites and compound platforms on time-to-value; the SMB buys self-serve and price-led with high logo churn; the regulated enterprise (healthcare, financial services, public sector) buys non-discretionary, certification-gated software where no SOC 2, HIPAA or FedRAMP means no deal; the developer/PLG buyer adopts bottoms-up on consumption pricing; and the consumer/prosumer buys discretionary, engagement-driven subscriptions. Go-to-market mirrors the split, from PLG and self-serve for SMB to trust-led enterprise selling and hyperscaler marketplaces for regulated buyers. Pricing is mid-migration from seat to usage and outcome (Gartner: 40 percent by 2030), and retention is engineered through embedded workflows, with median NRR at 101 to 106 percent (115 to 125 percent enterprise, 90 to 105 percent SMB) the metric that underwrites the whole model.

- **Large enterprise:** runs ~473 applications and treats ERP, CRM and HCM as existential; ranks security, integration and reliability first, with very high switching costs and low price elasticity for systems of record.
- **Regulated enterprise:** in healthcare, financial services and public sector the certification stack (SOC 2, HIPAA, FedRAMP, DORA/NIS2) is a binary gate; demand is non-discretionary and price elasticity is low because compliance is non-negotiable.
- **Stated vs revealed:** RFPs state security and features drive decisions, but the revealed winner in 2026 is often the platform the buyer is already consolidating toward, as 54 percent of CIOs run active consolidation programs.
- **Developer/PLG:** bottoms-up adoption converts free tiers to enterprise contracts ([Cursor](#), [Datadog](#), [Snowflake](#)); the product is the marketing and usage-based pricing aligns expansion to value.
- **Pricing shift:** seat pricing undervalues software when one user plus an agent does the work of ten, so vendors reprice around resolutions (Intercom USD 0.99), conversations (Agentforce ~USD 2) and FTE-equivalent agents.
- **Retention benchmarks:** median NRR runs 101 to 106 percent (115 to 125 percent enterprise, 90 to 105 percent SMB), GRR ~88 to 91 percent, and CAC payback ~15 to 18 months; only ~11 to 30 percent of companies clear the Rule of 40.
- **Embedded-fintech gap:** vertical SaaS outside restaurants, commerce and trades leaves 80 percent-plus of a USD 185bn embedded-finance opportunity uncaptured, the clearest value-creation lever for a PE platform.
- **Consolidation gap:** 68 percent of CIOs are cutting vendors but Zylo finds 51 percent of licenses unused; SaaS-management platforms (BetterCloud, Zylo, Vendr) are the tooling that owns the consolidation workflow.

DRIVERS · VENDOR SPRAWL & WASTE

Half of SaaS licenses go unused — fueling consolidation

Zylo SaaS Management Index (40M+ licenses); the highest waste rate on record

51%

licenses unused

106

avg SaaS tools per company

68%

of CIOs are consolidating vendors

23%

avg cut in vendor count (18 mo)

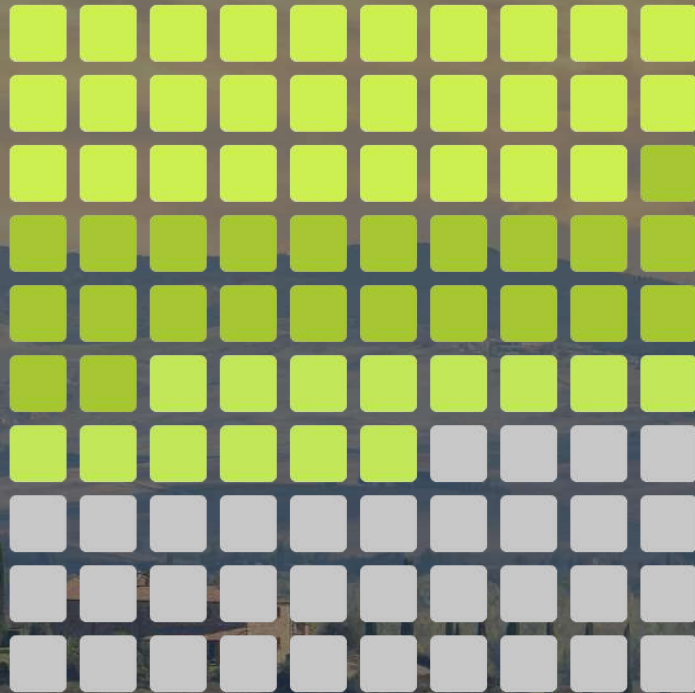


Supplier Ecosystem

SUPPLIER ECOSYSTEM · GLOBAL CLOUD INFRASTRUCTURE

A ~67% hyperscaler oligopoly — 100 squares = the market

Each square ≈ 1% of cloud infrastructure spend (Synergy, Q1 2026)



	AWS	29%
	Microsoft Azure	23%
	Google Cloud	14%
	Others	34%

Top three = 67% · Q1 2026 spend

\$129bn/quarter, a >\$500bn run rate.

Structural Interdependencies and Switching Costs

The defining structural feature of the SaaS supply chain is asymmetric lock-in. Cloud was framed by a16z partners Sarah Wang and Martin Casado in their 2021 essay "The Cost of Cloud, a Trillion Dollar Paradox" as a force that "you're crazy if you don't start in the cloud; you're crazy if you stay on it" [17]. They estimated an \$8 billion aggregate cloud bill across 50 top public software companies, with roughly \$100 billion of market value suppressed by cloud's margin drag, and noted public-cloud list prices can run 10 to 12x the cost of running equivalent workloads in-house [17].

Repatriation, they found, typically recovers one-third to one-half of cloud spend [17]. Yet repatriation remains rare because switching costs are severe: re-architecting around proprietary services ([AWS](#) DynamoDB, [Google](#) BigQuery, Azure-native AI) creates deep technical entanglement.

SUPPLIER ECOSYSTEM · CLOUD GROWTH

AI workloads re-ranked the field

Latest-quarter cloud revenue growth, YoY %

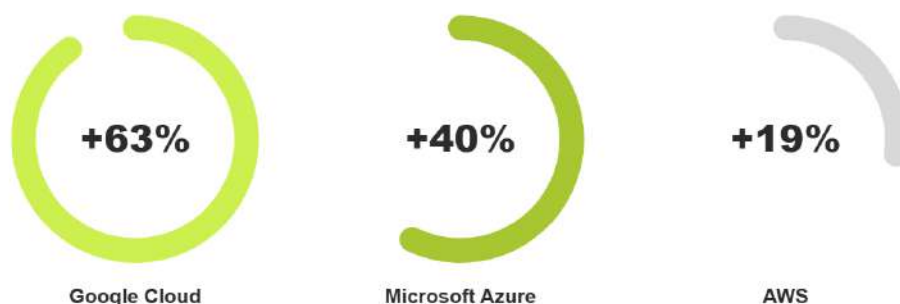


Figure 12. Hyperscaler cloud growth: AI workloads re-ranked the field.

Cloud as a share of COGS is the single most important unit-economics fact in SaaS. Historically, classic SaaS gross margins sat at 75-80%. The AI era is compressing that band. ICONIQ Capital's January 2026 State of AI: Bi-Annual Snapshot, drawing on roughly 300 software executives, reported average AI-product gross margin at 52% projected for 2026, up from 45% in 2025 and 41% in 2024, against 75-85% for traditional SaaS [18].



Complementary Products & Solutions

Defining the Complementary Landscape

Eight complement categories matter most for the global SaaS industry in 2026:

Integration / iPaaS. [Zapier](#), [Workato](#), [MuleSoft](#) ([Salesforce](#)), [Boomi](#), and [Make](#) connect SaaS apps to each other. [MuleSoft](#) holds roughly 18% of the iPaaS market and [Boomi](#) ~14% [1]. The category exists because the average enterprise runs 106 SaaS applications (down from a 2022 peak of 130 per BetterCloud), each generating data silos that must be bridged [2]. North America accounted for roughly 52% of iPaaS revenue in 2025 [3].

Analytics, BI, and embedded analytics. [Power BI](#), [Tableau](#) ([Salesforce](#)), [Looker](#) ([Google](#)), and embedded-analytics vendors turn SaaS-generated data into decisions. Embedded analytics inside a vertical SaaS product is a differentiation lever that raises switching costs.

Data warehouses and lakehouses. [Snowflake](#) and [Databricks](#) function as both suppliers (Section 5) and complements: SaaS vendors increasingly let customers pipe product data into a customer-owned warehouse, and "data sharing" creates network effects that deepen lock-in.

AI copilots and agent layers. The fastest-growing complement category. [Salesforce](#) Agentforce, [Microsoft 365](#) Copilot (priced at \$30/user/month, 15 million paid seats as of Q2 FY26), and ServiceNow's AI agents extend core platforms into "digital labor" [4]. These are sold as premium add-ons that reprice the base seat.

Vertical add-on modules. Industry-specific extensions (e.g., payments, scheduling, dispatch in home-services SaaS) deepen workflow embedding. ServiceTitan's embedded payments processed \$62 billion of gross transaction volume by mid-2024, illustrating how a vertical add-on can exceed the core SaaS TAM [5].

Payments, billing, and monetization. [Stripe](#) Billing, [Chargebee](#), [Zuora](#), and [Maxio](#) let SaaS vendors operationalize subscription and usage pricing. As pricing shifts from per-seat to usage and outcome models (Section 7), billing infrastructure becomes mission-critical.

Security and compliance add-ons. [Vanta](#), [Drata](#), and [Secureframe](#) (compliance) plus identity ([Okta](#)) and security posture tools attach to core SaaS to satisfy enterprise procurement.

App marketplaces and ecosystems. [Salesforce](#) AppExchange, the IDC-estimated "[Salesforce](#) Economy" earning \$6.19 per \$1 of [Salesforce](#) revenue by 2026, plus marketplaces from [Atlassian](#), [ServiceNow](#), and [HubSpot](#), turn third-party developers into a distribution and lock-in flywheel [6].





Substitute Products & Solutions

serve regulated buyers, which is precisely the trigger point that returns customers to professional SaaS. A data uncertainty: the "SaaSocalypse" market-cap and seat-decline figures come largely from trade press and should be treated as directional pending audited disclosures.

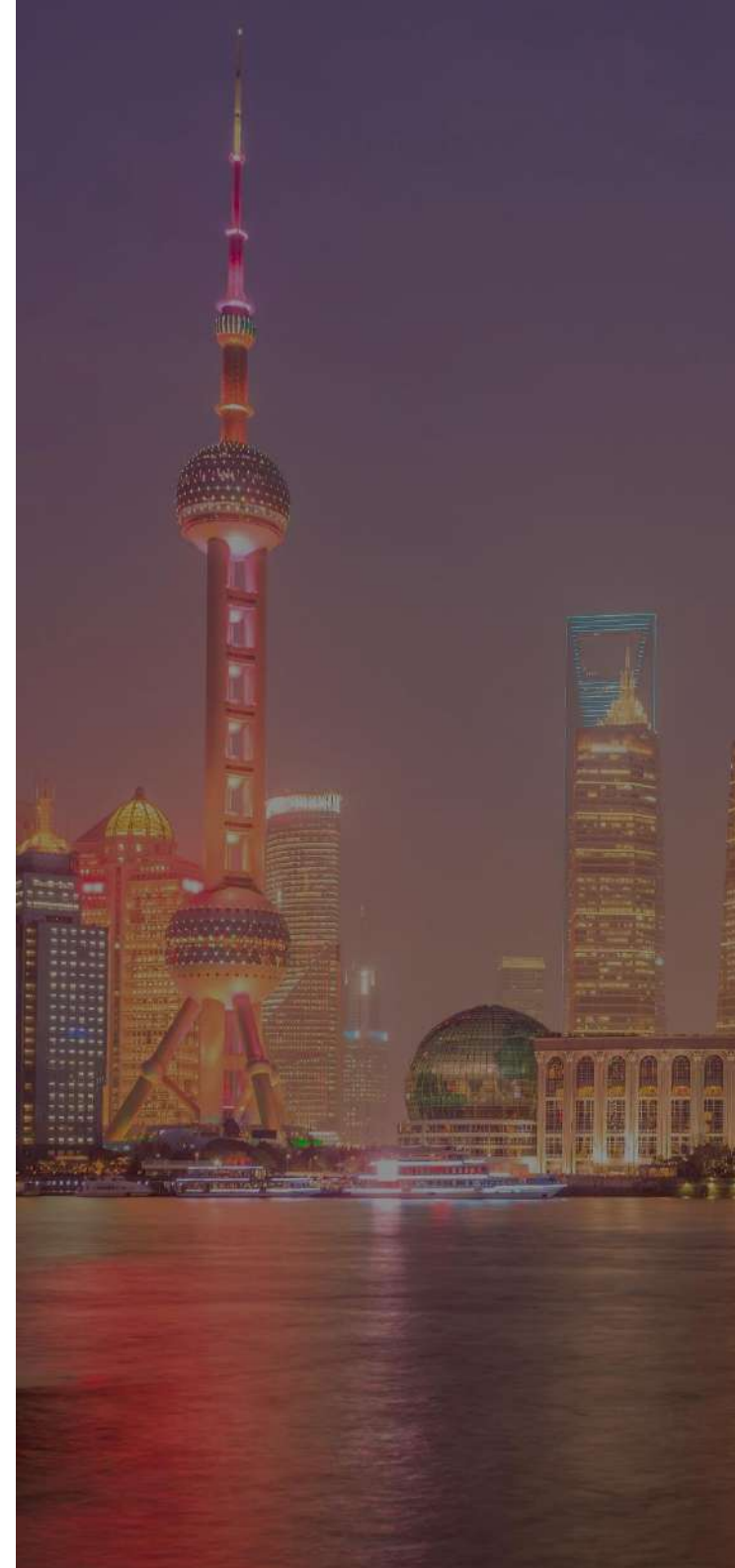
Strategic M&A and Defensive Positioning

The substitution wave reshapes both buy-side and sell-side strategy. For incumbents, the defensive playbook is to convert from AI-enhanced tool to AI-native platform and to reprice around outcomes before being forced to: [Salesforce](#) launched an Agentic Enterprise License Agreement for fixed-price Agentforce access, and [ServiceNow](#) shifted to consumption pricing for AI agents [17]. The acquisition logic for incumbents is to buy the substitute: acquiring AI-native point tools and agent platforms neutralizes the threat and accelerates the platform transition.

1 billion) [18].

For PE and growth equity, the thesis bifurcates. Take-privates concentrate on the least-substitutable, cash-generative, mission-critical assets: the [Smartsheet](#) (\$8.4 billion, closed January 2025), [OneStream](#) (\$6.4 billion, closed April 2026), and [Dayforce](#) (\$12.3 billion, closed February 2026) take-privates total over \$27 billion in ~13 months, all betting on durable recurring revenue insulated from substitution [19]. Public SaaS multiples have re-rated hard: the SaaS Capital Index median fell to 3.4x ARR by May 2026 and Aventis Advisors to 3.4x by March 2026, down from 18-19x at the 2021 peak, with Aventis attributing the drop to investors who "aggressively discount SaaS valuations on the back of AI disruption fears" [20]. Meanwhile AI-native private rounds price at 15-30x ARR (35-45x for foundation models), a dispersion that defines the bifurcated market [21].

The decision-relevant conclusion: substitution risk should be priced directly into SaaS valuation as a function of substitutability. The recommended posture is to underwrite least-substitutable vertical and consumption-priced assets at premium multiples, to discount seat-priced horizontal point tools, and to treat AI-native substitutes as either acquisition targets (to neutralize threat) or as the new platform core.





Competitive Landscape

SUBSTITUTES · VALUATION DISPERSION 2026

A bifurcated market — AI-native vs repriced seats

EV/ARR (×); the same ARR is worth 3–4× more or less depending on the AI moat





Value Chain

Value Chain

Executive Summary

Value in global SaaS is migrating decisively toward two poles, the **AI-model-plus-data layer** and the **application-workflow layer**, while undifferentiated middleware and generic delivery commoditize, a shift the public market already prices through the 8.2x platform versus 3.9x point-solution multiple gap. The chain runs through seven stages: infrastructure and cloud, the model and AI layer, platform and core SaaS, data and integration, application and workflow, distribution and go-to-market, and customer success and retention. Value creation concentrates where proprietary data, workflow lock-in and switching cost compound, and leaks at stages that are substitutable. Three control points confer bargaining power: the system of record, the data and integration layer that governs whether agents can act safely, and distribution, where product-led growth is becoming the choke point for AI-native products. The principal bottleneck of 2026 is data readiness for AI, which flipped the data and integration stage from commoditized plumbing to strategic control point. Acquirers buy up the value-capture gradient, toward data, AI and workflow-embedded applications, away from commoditizing middleware.

- **Seven stages:** from infrastructure and cloud through the model layer, platform, data and integration, application and workflow, distribution and customer success; profit concentrates at the data, AI and workflow poles.
- **Core delivery quality:** platform and core SaaS remains the highest-quality profit pool at 75-85% subscription gross margins, with the system of record setting integration terms for everything downstream.
- **Control points:** the system of record, the governed data and integration layer, and distribution confer pricing latitude; whoever controls ETL and governance controls whether AI agents can act safely.
- **Data bottleneck:** agents cannot act without governed, integrated data, which flipped the data and integration stage from commoditized middleware to strategic control point and justified the [Informatica](#) price.
- **Unit economics:** median NRR compressed to 101-106% in 2025, with enterprise at 115-125%; expansion revenue now drives durable growth as existing customers generate roughly 40% of new ARR.
- **Margin by stage:** resold infrastructure runs 30-50% and is pressured by inference cost; platform and application stages run 70-85%; the model layer is thin until fused with proprietary data and distribution.
- **M&A follows value:** capability deals cluster at the data and model stages while vertical and application deals (Roper, Constellation, [Toast](#)) target workflow lock-in and embedded payments that resist AI.
- **Emerging profit pools:** the governed-data-plus-agent layer, vertical workflow with embedded fintech, and proprietary-model-plus-distribution fusion; undifferentiated middleware and seat-priced point tools are the declining stages.

Value in global SaaS is migrating decisively toward two poles, the AI/model-plus-data layer and the application/workflow layer, while the undifferentiated middleware and generic delivery stages commoditize, a shift the public market already prices through the 8.2x platform versus 3.9x point-solution multiple gap [1]. This section maps the chain stage by stage, quantifies margins, and draws the M&A implications.

Value Chain Framework and Mapping

The SaaS value chain runs through seven stages from infrastructure to retention:

- "Infrastructure/cloud" (compute, storage, networking): [AWS](#), Azure, [Google](#) Cloud, [Oracle](#) Cloud.
- "Model/AI layer" (foundation models, inference): [OpenAI](#), [Anthropic](#), plus open and proprietary in-house models.
- "Platform/core SaaS" (system of record, multi-tenant platform): [Salesforce](#), [SAP](#), [ServiceNow](#), Workday.
- "Data/integration" (ETL, catalog, governance, MDM): [Informatica](#), [MuleSoft](#), HashiCorp-style infra automation.
- "Application/workflow" (the functional product the user touches): vertical and horizontal apps.
- "Distribution/GTM" (app stores, channel, product-led growth): hyperscaler marketplaces, PLG motions.
- "Customer success/retention" (onboarding, expansion, renewal): the NRR engine.

Value creation concentrates where proprietary data, workflow lock-in, and switching cost compound (stages 3, 5, and increasingly 2 when fused with proprietary data); value capture leaks at stages that are substitutable (raw infrastructure resold, generic middleware, undifferentiated distribution).

Upstream Enabling Layers and Core Delivery

The "infrastructure/cloud" layer is high-margin for the three hyperscalers but a cost center (COGS) for SaaS vendors who resell it. The strategic fact of 2024-2026 is that AI inference has re-inflated this layer's importance: AI infrastructure software is projected to reach roughly \$230 billion in 2026, up from \$60 billion in 2024 [2]. For SaaS vendors, rising inference costs compress gross margin unless offset by proprietary models, which is precisely why [Anysphere](#) built Composer to move roughly half of Cursor's queries off paid third-party models and restore gross-margin positivity [3].

The "model/AI layer" is the fastest-shifting profit pool. Foundation-model providers ([OpenAI](#), [Anthropic](#)) are scaling revenue at unprecedented rates, but the layer is capital-intensive and margin-thin at the model level; the value accrues to whoever fuses the model with proprietary data and distribution. This is the



M&A Landscape & Transactions
