

# Insights on SaaS for Business



Exploring opportunities and challenges  
across the SaaS business landscape

**GOCARDLESS**

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# Introduction & Methodology

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Over the past few decades the business world has been changing fast – and the speed of innovation only continues to increase as technology becomes more prevalent in all sectors.

In tandem with these changes, the subscription economy is creating radical shifts in how we work. More companies than ever before now rely on the cloud-based platforms and applications they use every day to get the job done.

Much has been written about the rise of SaaS in the [consumer context](#), but far less research has been conducted into how it works in the business context. In this report, we aim to explore the latter area in more depth to discover additional insights.

More than half (53%) of the 1000+ companies we surveyed as part of this report had at least one active SaaS subscription, while six per cent had 26 or more. There were also

distinct differences in adoption rates dependant on the size of businesses, with 42% of small businesses using only 1-5 SaaS tools, while 14% of larger businesses were using as many as 26 different tools, or more. This shows how widely SaaS adoption for businesses can vary, but also shows that the market still has space to grow.

We also wanted to explore where B2B SaaS might head in the future, in particular focusing on business perceptions of SaaS, and how it is likely to develop over time.

Read on to explore the findings of our research and learn from some of the leading lights of SaaS, who we interviewed for this report. Uncover the most popular SaaS subscriptions, find out how these are paid for and discover the opportunities, threats and challenges that currently exist on the subscriptions landscape.

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All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1025 senior decision makers from businesses with up to 250 employees, broken down into segments for small, medium and large organisations in GB. Fieldwork was undertaken between 21st - 29th November 2016. The figures have been weighted and are representative of business size.

# Key findings

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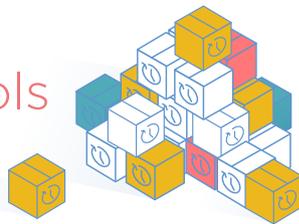
**37%** of all businesses choose SaaS because of regular **product updates**



of businesses say SaaS tools are essential for **finance & accounting**

followed closely by **sales** at 20%

Some businesses we spoke to use **more than 26** different SaaS tools



**75%** of larger businesses consider SaaS tools essential, while **over 56%** already use them in their business



of small businesses don't use SaaS tools at all, offering a **major opportunity for SaaS providers**

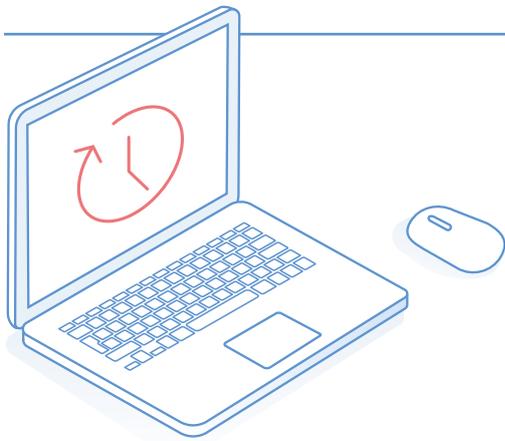
**Direct Debit** is the preferred way to pay for all businesses with

**60%** saying they

felt comfortable using it

# Observations & Actionable Insights

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## Shift to SaaS driven by frequent product updates and payment flexibility

Regular product updates are the most popular reason for businesses to use SaaS subscriptions, with 37% choosing SaaS for this reason. SaaS providers should capitalise on this trend. Users get excited about the latest software updates -- we recommend thinking strategically about how you can energise users with regular changes and upgrades to their experience.

Another compelling option is to offer a range of special offers and perks aimed at regular subscribers, such as exclusive events. This could also be a useful approach for non-software subscription businesses, such as magazines or newspapers, that by definition can't offer the

same upgrades as SaaS.

Using SaaS is not just good for the businesses buying the subscriptions. Subscriptions are also a great business model for providers who are selling SaaS, ensuring they have regular and predictable cash flow, which is essential especially at the early stages of growing a SaaS business.

You don't have to be a software company to think like one. For inspiration, just look at companies like HelloFresh, who constantly update their fans with new recipes and cookery tips every month

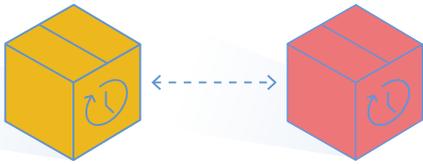
## Driving the bottom line comes first in SaaS choices

It's clear that businesses prioritise certain types of subscriptions where the immediate value is apparent. SaaS adoption rates were highest for finance and accounting tools, with 26% of businesses saying that SaaS tools were essential in those areas, followed closely by sales at 20%. Many businesses are ahead of the curve in choosing the SaaS tools that have the most significant effect on their bottom line.

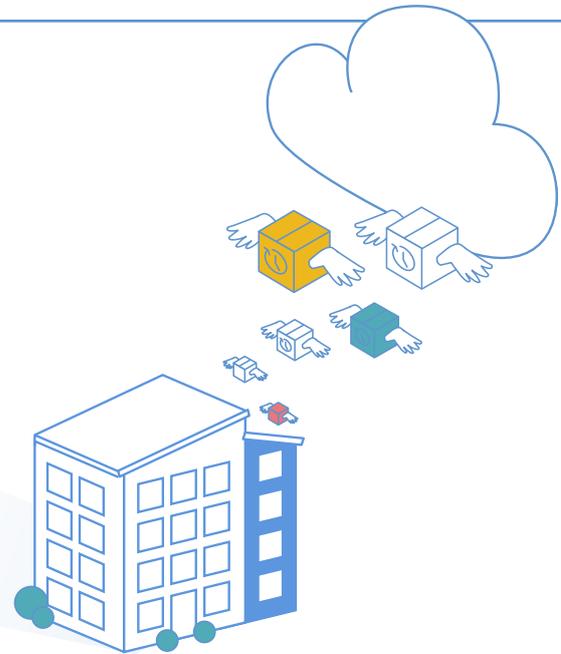
In contrast, areas where the benefits take longer to become apparent, such as marketing, customer service and business intelligence, require larger investments of resources before businesses can reap the rewards.

Also, perhaps due to similar reasons, communication and project management SaaS tools are yet to gain widespread popularity. That means there are real opportunities here for SaaS businesses working in these areas to educate users on how to maximise the value of their products.

## The API era has arrived



Some businesses were clearly comfortable with SaaS, reflected in their use of **more than 26 different SaaS tools**. In addition, businesses are using SaaS across a variety of different business areas, meaning it's key for them to be able to join those dots. For example, the importance of linking customer data to payments data using API technology. Interoperability is not just a nice to have; it's crucial when selecting which subscriptions to adopt and how to get the most value possible from your data. APIs are an essential part of achieving interoperability.



## Larger businesses lead the SaaS shift

It's clear that large businesses understand the value of SaaS, as many are already ahead of the curve when it comes to SaaS adoption. A substantial **75%** of those we spoke to consider SaaS tools essential, but only **56%** already use them in their business. The discrepancy between these results may suggest issues such as lack of internal buy-in from key stakeholders, or lack of time needed to implement new SaaS tools alongside or in place of existing legacy systems.

With **14%** of large businesses already using 26 or more SaaS tools and **25%** increasing their investment in these tools over the past year, the future is bright for SaaS providers. There's a particular opportunity for vendors selling HR, marketing and customer service products, where adoption rates in large businesses are as low as **16%**.

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## But small businesses also offer big opportunities

According to our research, **41%** of small businesses don't use any SaaS tools at all. With well documented benefits, this raises the question of exactly what is limiting their adoption of SaaS. It could be as simple as lack of awareness, which presents a prime opportunity for SaaS providers to market the benefits of their products to small businesses.

By educating companies about key SaaS benefits such as increasing efficiency, streamlining processes and automating manual tasks, along with lower initial fees and easy adoption, SaaS providers can make a major impact on the experience these businesses offer their customers. For SaaS providers, selling to smaller businesses is an important avenue to pursue, because many of these are scaling quickly and could represent significant revenue if they become the 'next big thing'.

## Businesses prefer frictionless payment methods

Convenience was the second most popular reason for businesses to choose SaaS, so taking payments should be as smooth as the rest of the customer experience. This means companies providing SaaS

subscriptions should think about their payment setup and if necessary, consider reviewing it to ensure it's as streamlined as possible.

Businesses of all sizes were most comfortable paying for subscriptions using Direct Debit, with **23%** saying it was the payment method they were most comfortable using. Meanwhile, over **20%** reported that they weren't at all comfortable paying by credit card, debit card or PayPal. This reflects results seen on the consumer side of subscriptions, where the [recent YouGov survey](#) we commissioned on consumer attitudes to payments revealed a similar preference for Direct Debit.

Convenience and the ability to spread payments via instalments allows businesses to offer additional value to customers. SaaS companies should consider offering the maximum amount of flexibility when it comes to taking payments. They should also be sure to always include Direct Debit among their payment options for subscriptions.

# Expert Analysis

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Our experts:

**zendesk**

Nick Peart

**CHARTMŌGUL**

Nick Franklin

**Notion**  
Capital

Jos White

**SaaS**Stock  
Dublin 2017

Alex Theuma

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## The history of business subscriptions

Nick Peart, ZenDesk



In Adobe, around 2003/4, we started to notice a difference in the way we were releasing products. More big publishers and media agencies realising they had to upgrade when new software came out. They were starting to ask about signing 3x year agreements where they'd guarantee annual releases.

The interesting thing for me: SaaS has always been there. It was just called something different. Back then it was just a "maintenance contract". So you'd sell the software and an agreement for X years. It's really the delivery method that's the new bit, the cloud aspect particularly.

Jos White, Notion Capital



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We were building MessageLabs before the term SaaS even existed. We said we were an internet-based service. Then the term SaaS started to emerge in 2002, 2003 and we realised that's what we'd built, just because we thought it was a better way to solve the problem.

Nick Franklin, Chartmogul



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One challenge was education. We'd sometimes call people up and they'd ask "Well, is there something to download?" Or, "How do I get started?" We'd have to explain that it's Software as a Service. Back then most people weren't aware of it.

Alex Theuma, Founder at SaaStock



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Obviously the technology shift was integral -- it is now cheaper and easier than ever to create a SaaS business. But secondly, people are more comfortable with the idea of not owning something anymore.

This is a big behavioural shift. When SaaS was a new category there was originally resistance from the majority. That meant companies like Salesforce had to do a lot of education around why subscriptions were a much better model.

## Growth

Nick Peart, ZenDesk



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What we're seeing is a coupling of that old subscription model with the technical cloud delivery side of things. The subscription economy was always there but technology has enabled it to blossom.

Jos White, Notion Capital



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As the internet infrastructure became more mature and powerful, you had this perfect storm where the client/server model started to look more and more outdated. Big up front cost, low levels of satisfaction and by the time you got it set up, out of date anyway.

Nick Franklin, Chartmogul



I think what drove the explosion is that until SaaS emerged onto the scene most software was expensive, hard-to-use and hard to maintain. Now the cost of starting a software business has become so low, you just need two or three people to get together to build a product on a framework like Ruby on Rails or node.js. Then the next step is to scale it.

Subscriptions are great for the customer because they reduce the risk. If the customer doesn't like a service, they can just cancel it. For the business it's great too because they get a predictable stream of revenue. It also helps them develop their product because, if they're getting a lot of cancellations, they can get feedback quickly and identify where to improve.

Alex Theuma, Founder at SaaSStock



Instant access brings so many benefits. The customer experience is so much better and users can quickly try out a service, then if it's not for them, they can stop paying for it.

The other beauty with SaaS is you can push updates to users whenever you want. Why would consumers want to own something that is vastly out of date anymore? With SaaS they always have the latest and greatest version of a piece of software.

## The threats and challenges around subscriptions

Nick Peart, ZenDesk



I think there's still a wave of IT people that fear both change and loss of control. They need to realise the opportunities to be more agile and customer-focused by using the right tools for the customer. As opposed to the traditional thinking about choosing the tools to serve the organisation.

This is the cusp of the argument for me. If you're very inwardly-focused and organisation first, then you are going to find it hard to respond to market dynamics.

Jos White, Notion Capital



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In the tech world, we tend to assume everyone has the same infrastructure, capacity and devices we do. This isn't always true.

For SaaS to be effective you need connectivity and you need bandwidth. Particularly with B2B SaaS. These tools can be business critical like CRM, training tools, even email plugins and you rely on them for the business to succeed. You need very very high levels of availability, stability and It's definitely improving but not ubiquitous yet.

Nick Franklin, Chartmogul



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Adoption in some areas is still slow. There's still a huge chunk of the market that could take many years to move to the cloud. Look at areas like banking, Government and healthcare.

The bigger you are, the less nimble you are. Procurement teams have more decisions to make and more considerations to take into account. When a tech company wants to buy a piece of software they don't usually call in the expensive consultants, whereas the Government and big banks might.

Alex Theuma, Founder at SaaSStock



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For businesses there are some big issues around security and data protection. There are hundreds of SaaS tools being used inside businesses but the CIO never authorised the use of them. Bill and Mary may have brought Slack in to chat but without any sign off. This world of shadow IT is rampant and CIOs need to find a way to get a grip on it.

# The opportunity

Nick Peart, ZenDesk



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The rise of the Internet of Things (IoT) offers a major opportunity for SaaS vendors. With the increasing prevalence of open APIs, vendors can easily enable a range of products to talk a common language. This allows lots of different SaaS tools to communicate with each other in real time and gather data from the real world. It would be true integration and would bring true business benefits.

Jos White, Notion Capital



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In traditional software, the general horizontal markets were captured first, followed by a second wave of industry-specific packages. These would have had less success if the horizontals hadn't already been taken care of.

A similar situation is unfolding for SaaS but at a faster pace. Typical examples include Salesforce in CRM and Netsuite in accounting. But now there are new examples emerging, such as SaaS for gyms, or for the construction industry. As the market grows, you can still build sizeable companies in a way that would have been far less straightforward just a few years ago.

If you look at construction, a very high proportion of employees don't spend much time at a desk or computer. Instead, they're out and about on site, relying on their mobile devices instead of a laptop or desktop. We see that as an important opportunity for the use of SaaS applications, which are often built mobile first. There's a huge opportunity to empower remote disparate workers who will never have a computer but instead have a smartphone in their pocket.

I don't know if people understand just how dominant mobile is now. People are already spending more time on the internet via mobile than PC. It's well past 50% now. Kids spend more time on mobile than watching TV.

Nick Franklin, Chartmogul



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Well we're talking about third generation SaaS companies now. A lot of the early players were taking an existing market from on premise to the cloud. This is what Salesforce did for CRM.

The second generation of SaaS startups then added a layer of great user experience and design to this new element. It's how Zendesk beat a lot of the traditional players trying to move into the SaaS space. This stage is all about consumerisation and accessibility.

Now we're in the third wave and focus is key. You either have to create something new -- or focus down on a specific vertical. Think about real time tools like Slack and Intercom that literally couldn't have existed offline.

Finally there's the increasing number of API-first SaaS companies. This is where graphical UI isn't even used by all users, but the product is enabling other technologies on a company's website. Examples include sites like Twilio, Contentful and Clearbit.

Alex Theuma, Founder at SaaSStock



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We're going to reach a point where everything done on paper or locally on your machine will become a SaaS product. Soon businesses may go from having twenty SaaS tools to having hundreds -- and that could be problematic.

So while I think it's still quite nascent there are some tools like Cardlife App and Squirb which are very early stage that allow you to manage SaaS subscriptions and keep track of them. I think there's real potential here.

# Final thoughts



Nick Peart, ZenDesk

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Looking back at retailers in the 50s, you could walk into a corner shop and the shopkeeper would know you and understand why you were there. Now with greater access to data we may see a return to those days.

Tech came along initially with a script we had to follow where customers were forced down a certain path. But now with bots, algorithms and the ability to process data quickly, you can start to predict whether a person is going to be a customer. This will give us increased focus, allowing us to deliver a more personalised experience and ultimately help us to become more successful.



Jos White, Notion Capital

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We have to remember that with only 20% of software in the cloud there's a long way to go. The market is 10-15 years old. So we're in many generations now. The first generation was actually putting software in the cloud, the second generation was making it work for mobile and then the third one was to make it take advantage of huge amounts of data.

Now it's less data on demand and more insight on demand, using machine-learning to make the business more successful. The evolution is toward the data, insight-on-demand, fusing software with data, and artificial intelligence (AI).



Alex Theuma, Founder at SaaStock

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Customer centricity is key. The old legacy software didn't put the customer first and that was a big mistake. It's this focus on the customer that really kicked off the subscription economy. Learning about your customer, putting your customer first in your business is very much a pillar and even the essence of SaaS.

# Conclusion

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As we've seen in this report, SaaS has evolved significantly since it first emerged in the 2000s. In the early days, business people were more likely to be uncomfortable with paying for a product that they didn't physically own.

This meant early SaaS providers such as Salesforce had to work hard to convince people of the value of cloud-based services. But today, with the concept of cloud services becoming widely accepted, less education is needed to bring businesses into the SaaS fold.

As a result, a much wider variety of SaaS products have appeared on the market. Added benefits of SaaS include the ability for business customers to test drive products before committing in the long-term, as well as instant product updates making sure businesses always have access to the latest and greatest version of the software.

It appears we're only at the tip of the iceberg in terms of what can be achieved.

In this report, 24 per cent of decision makers surveyed reported that their businesses had no SaaS subscriptions at all, while 23 per cent said they 'didn't know'. This strongly suggests that, despite the rapid uptake of SaaS tools, there remain many businesses and industries with significant opportunity for growth in SaaS use. And with only 20% of software in the cloud, there's still a long way to go. As our experts pointed out, it's going to be 'less data on demand but insight on demand'.

The evolution of SaaS for businesses is likely to head in the direction of data and insight-on-demand, fusing software products with data and artificial intelligence.

We're excited about being there, with you, to watch it all unfold.

## GOCARDLESS

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GoCardless is the UK's leading Direct Debit provider, offering a simple way to take recurring payments and ensuring you get paid on time, every time. It takes just minutes to sign up and get started. [Sign up today](#) and join over 20,000 other merchants processing over £1.5 billion in payments.

# Full data, methodology and appendix

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All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1025 senior decision makers from businesses of all sizes (B2B) in GB. Fieldwork was undertaken between 21st - 29th November 2016. The survey was carried out online. The figures have been weighted and are representative business size.

Which areas of your business would you consider software subscriptions as essential? (all that apply)

- Business Intelligence & Analytics e.g. Moz
- Communication & Collaboration e.g. Slack
- Project Management e.g. Asana
- Sales e.g. Salesforce
- Website & eCommerce e.g. Shopify
- Marketing e.g. Mailchimp
- Customer Service e.g. Intercom
- Finance and Accounting e.g. Xero

How many services does your business subscribe to?

- None
- 1-5
- 6-10
- 11+
- 26+
- Don't know

How has your spend on subscriptions changed in the last year

- Greatly increased
- Increased
- Decreased
- Greatly decreased
- Don't know

On a scale from 0 to 10 how comfortable would you be paying for a digital or physical monthly subscription by each of these options?

- Credit Card
- Debit Card
- Direct Debit
- Paypal
- Other

0 - Not at all comfortable

1

2

.....

10 - Very comfortable

What makes your business choose to pay via subscription instead of a one off payment? (ranking)

- Convenience
- No concerns about losing service or fines due to late payments
- Manage cost of subscription by spreading out over months vs one off payment
- Benefits of regular updates and upgrades to the product
- Cost savings
- Regular payment dates
- Lack of disruption from expiring/lost cards
- Clear payment terms
- Renewal reminders or updates
- Other - please enter