

5 emerging SaaS trends for your business

 By [Andrew Bourne](#)

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In the past few months, businesses around the world have embraced cloud technology to pivot and survive. Cloud-based apps allow businesses to continue their operations remotely. However, if you have chosen cloud software for your business recently, you know that the SaaS industry is a crowded marketplace. For every single business requirement, there are hundreds, if not thousands, of vendors to choose from.



Andrew Bourne, region manager: Africa at Zoho Corporation

The pandemic has thrown the SaaS industry into sharp relief, highlighting both its shortcomings and its many advantages. It should come as no surprise that the industry is expected to grow this year to US\$116-billion this year (up from just under \$100-billion in 2019). But is that growth sustainable?

Even as the market adoption for SaaS grows, here are some other driving trends:

1. Lack of profitability

SaaS is notoriously a low-margin business. The percentage of profitable companies in the SaaS market is, surprisingly, in the low single digits, despite the market growth figures. At a time when VC funding is drying up, only those vendors that can prove they are on track to be profitable will make themselves more visible and relevant in the future. Those that cannot make that leap will most likely be a part of someone else's consolidation story.

2. Rise of the Suites

In a bubble, features tend to masquerade as products and products tend to masquerade as companies. During a

recession/depression, this reverses. Products become features and categories consolidate. This gives rise to product suites which are either built from the ground up or assembled through acquisition. Already, bigger SaaS players are strengthening their offering by either building new products, or more often acquiring companies.

3. Consolidation

A SaaS industry with tens of thousands of companies is unsustainable. How many CRM companies do we need? 10? 20? 50? We have more than 5 000 currently. This suggests that many of them are likely to be consolidated and in multiple areas. Oversupply combined with the rise of the suites suggests that consolidation is inevitable.

4. Differentiation

The vast majority of SaaS companies today are built on top of the big three players' cloud infrastructure. It could be a matter of time before the big players start bubbling up to the application layer from the infrastructure layer. There comes a point where SaaS vendors have to show real differentiation. Just as we saw hundreds of calculators and flashlight apps on smartphones during the early days which disappeared after some of these were baked into the OS. The same is likely to occur in the SaaS industry. When that happens, how will SaaS players differentiate themselves? That could determine the survival (or not) of many companies.

5. Mobile first

Even as emerging market countries start to make investments in connectivity, the majority of them are likely to remain mobile-first markets. How well SaaS companies pivot to mobile-first will determine their success in these markets. In South Africa, for instance, smartphone penetration is at over 80%, with less than a quarter of the population accessing the internet through a laptop or desktop. The mobile strategy of the vendors will determine their relevancy.

ABOUT ANDREW BOURNE

Andrew Bourne is Zoho's regional manager for the Africa region and is based in Cape Town, South Africa. He has more than 15 years of experience in sales and marketing and has spent the last five years focusing on the implementation and testing of various business technologies. He is very passionate about Zoho and has exceptional insight into the business and marketing world.

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