Dive into the latest SaaS trends

Chapter One • SaaS Growth Trends

Powered by the Productiv SaaS Intelligence™ Platform

2023 State of SaaS

The market can change in a moment. From the pandemic and war in Ukraine to supply chain issues and inflation, the past few years have introduced a variety of new challenges for businesses to address. And they've changed the way businesses use technology with a renewed focus on efficient growth.

As the SaaS Management Platform of choice for some of the world's most innovative companies, we've seen firsthand how technology investments are evolving — from the number of apps departments use to the length of contracts businesses sign.

Now it's time for us to share that knowledge with you. We analyzed **over 100 billion app usage data points across nearly 100 million SaaS licenses over 3 years** to develop a comprehensive understanding of the state of SaaS in 2023.

In this chapter, we'll examine the size and make up of SaaS portfolios. Be sure to check out the other chapters in the series for insights into SaaS spend, consolidation, and usage.

3 year trend data

Nearly 100 million SaaS licenses

Over 100 billion app usage data points

SaaS Growth Trends

While the average SaaS portfolio grew 32% over the past two years, the percentage of shadow IT dropped for the first time in four years, from 59% to 51%, as companies hone in on greater SaaS governance and cost optimization.

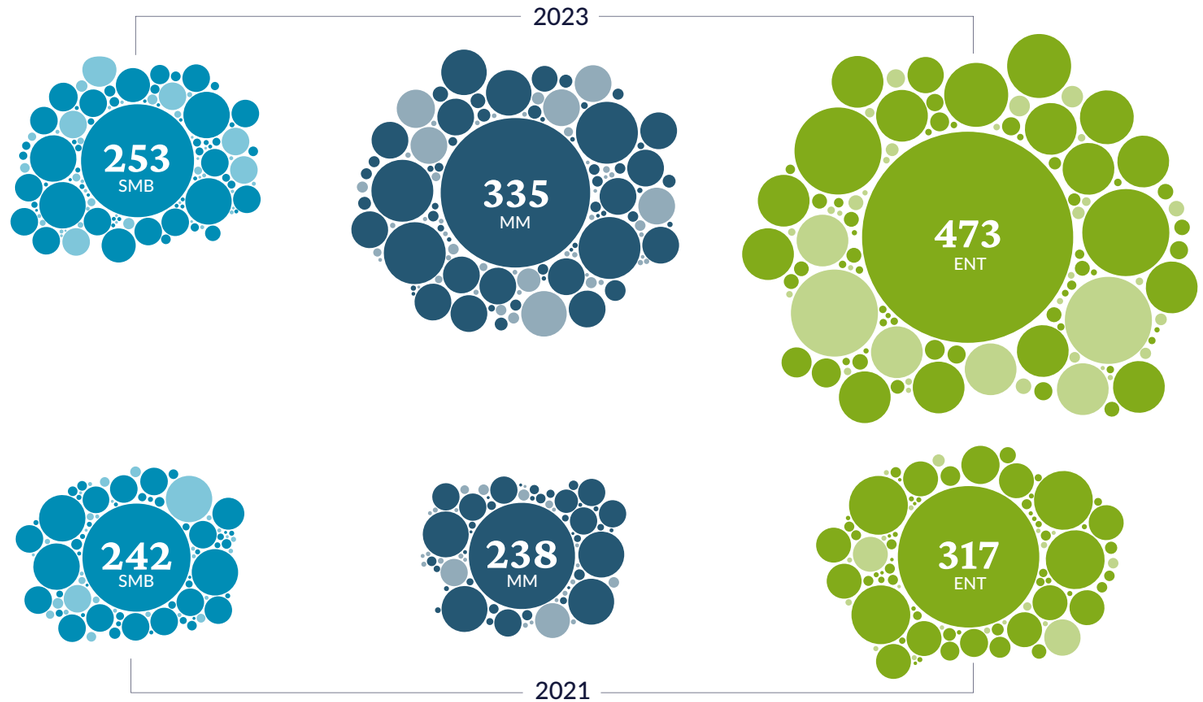
As SaaS portfolios grow, so does the need for effective SaaS governance. By establishing policies and procedures for the acquisition, deployment, and management of SaaS apps, organizations can ensure SaaS apps are providing value and not introducing avoidable risk.

But in order to effectively establish those policies, organizations must first gain full visibility to their SaaS portfolios. This includes shadow IT, SaaS apps that are purchased and expensed by employees without IT oversight. IT often lacks visibility into what these tools are, how much they cost, and to what extent they are used.

SaaS portfolio sizes reached an all-time high in 2023 with 371 SaaS apps in the average SaaS portfolio

Key Takeaways:

- Though the overall percentage of shadow IT decreased in 2023, SaaS sprawl continued as organizations and employees proceeded to purchase more SaaS apps to get work done.
- While all business segments saw increases in portfolio size, the percentage of growth was correlated to company size.
- Between 2021 and 2023:
  - Enterprise portfolios increased 49%
  - Mid-market portfolios increased 41%
  - Small and medium-sized business portfolios increased 5%



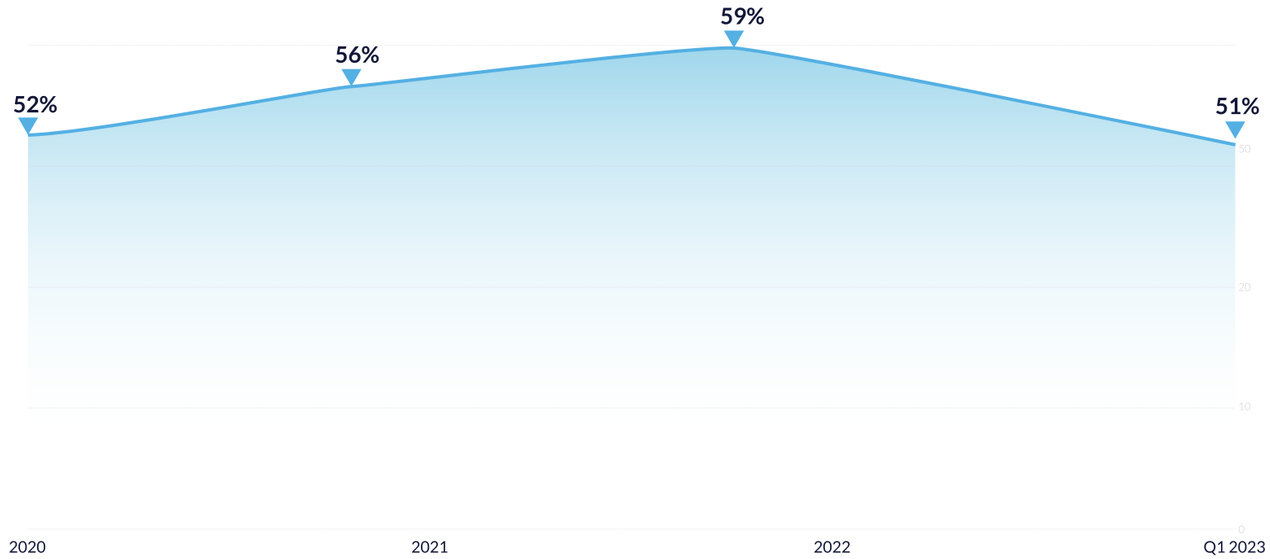
Average SaaS portfolio size 2021-2023 | Productiv

Note: Small and medium-sized business (SMB) defined as <500 employees, mid-market (MM) between 500 – 2,000, and enterprise (ENT) >2,000.

The percentage of Shadow IT fell for the first time since 2020, from 59% to 51%, signaling an increase in SaaS governance actions

Key Takeaways:

- The percentage of SaaS apps identified as shadow IT consistently rose between 2020 and 2022 as companies rapidly grew and employees acquired their own tools to stay productive during times of remote and hybrid work.
- In 2023, this trend reversed as the shadow IT percentage dropped 8 points to 51%, the lowest it's ever been over the last 4 years.
- Though organizations may still be hesitant to retire applications, as seen through the continued growth in portfolio sizes, this pullback in shadow IT is evidence of a stronger focus on SaaS governance. By establishing formal contracts with vendors, for example, organizations are hoping to increase their ability to control sprawl and excess spend.
- There is still work to be done as shadow IT continues to account for more than half of the applications in the average SaaS portfolio.



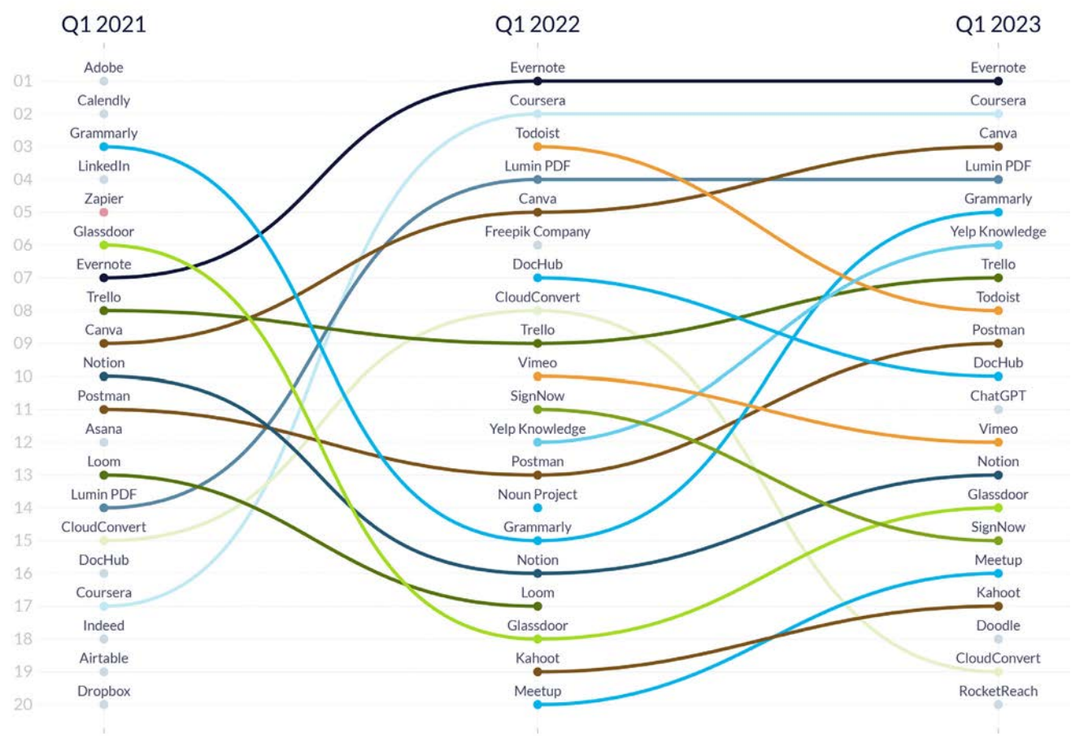
Percentage of Apps Categorized as Shadow IT | Productiv

Note: "Shadow IT" defined as SaaS apps detected solely through a combination of Google Social Login and employee-expenses (e.g. Expensify, SAP Concur).

Shadow IT driven by a multitude of use cases; Evernote ranks #1 for two years straight

Key Takeaways:

- The note-taking and task management app Evernote appeared as shadow IT in the most number of organizations in both 2022 and 2023.
- The self-service design tool Canva increased in prevalence each year to become the third most popular shadow IT in 2023.
- ChatGPT burst onto the scene in 2023 and was quickly adopted by employees at many organizations.
- In addition to ChatGPT, the meeting scheduling tool Doodle and the lead generation tool RocketReach appeared on the top 20 for the first time in 2023.



Most Popular Shadow IT across 2021 - Q1 2023 | Productiv

Note: "Most popular Shadow IT" defined by number of customers with the app identified to be discovered through a combination of Google Social Login and expenses.

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Click here for insights into more trends from our 2023 report, including:

SaaS spend trends

How much businesses pay per employee on SaaS as well as how term lengths for SaaS contracts signed in 2022 differ from those signed in 2021 for small and medium-sized business, mid-market, and enterprise segments.

SaaS consolidation trends

How the number of apps per category has changed over time, as well as average license consumption by company size.

SaaS usage trends

Which applications are being used by the highest number of companies and how the list has changed over the past three years; see how app stacks vary by function.

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Dive into the latest SaaS trends

Chapter Two • SaaS Spend Trends

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In this chapter, we'll examine how much businesses spend on SaaS per employee and how SaaS contract lengths have changed. Be sure to check out the other chapters in the series for insights into SaaS growth, consolidation, and usage.

3 year trend data

Nearly 100 million SaaS licenses

Over 100 billion app usage data points

SaaS Spend Trends

SaaS spend per employee now averages $9,643, and one-year contracts have increased as a percentage of all contracts from 79% in 2020 to 85% in 2022.

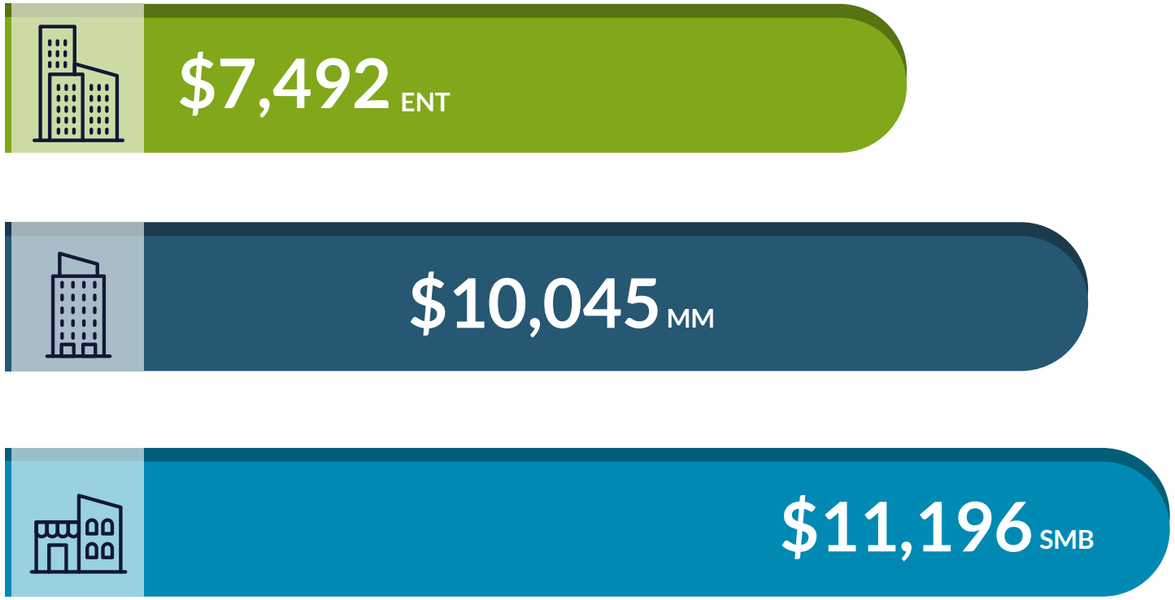
With the macroeconomic picture pushing organizations to reduce overheads, CFOs are driving more strategic initiatives to enhance oversight of their software spend. We found that the proportions of contract term lengths for SaaS agreements were shifting even before 2022 and continue to shift toward shorter term lengths.

In 2021 and 2022, work environments were moving from remote to hybrid. Many organizations wanted the flexibility of shorter contracts, allowing them to adjust their portfolios more quickly if their needs change. Shorter term contacts can also be less risky for businesses with fluctuating budgets.

SaaS spend per employee averages $9,643, with enterprises spending less per employee

Key Takeaways:

- The small and medium-sized business (SMB) segment spend 11% more per employee than the mid-market (MM) segment organizations, who spend 34% more than the enterprise (ENT) segment.
- The inverse relationship between company size and SaaS spend per employee is likely driven by larger volume discounting and enterprise-wide licensing agreements, as well as efficiency of scale with consumption based SaaS apps.



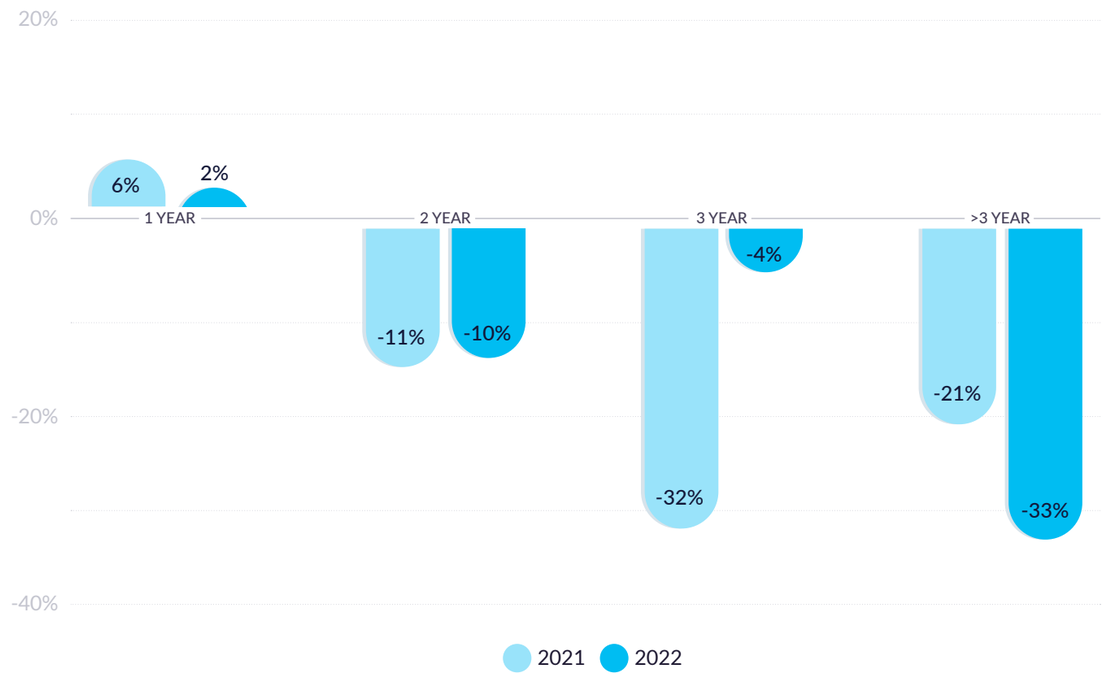
Average Managed SaaS Spend per Employee | Productiv

Note: Spend does not include IaaS, PaaS, and associated infrastructure spend (e.g. GCP, AWS, Datadog, Snowflake) and associated labor costs; small and medium-sized business (SMB) defined as <500 employees, mid-market (MM) between 500 – 2,000, and enterprise (ENT) >2,000.

Companies are signing more 1-year contracts than ever, up from 79% of all contracts in 2020 to 85% in 2022

Key Takeaways:

- The proportion of 1-year contracts increased by 6% in 2021 and 2% in 2022.
- The proportion of contracts longer than 1 year declined relative to the previous year in both 2021 and 2022.
- The share of contracts with 3-year and greater than 3-year terms are declining the most, and their biggest slow downs happened at different times.



Change in Proportion of Contracts with Term Length, All Segments | Productiv

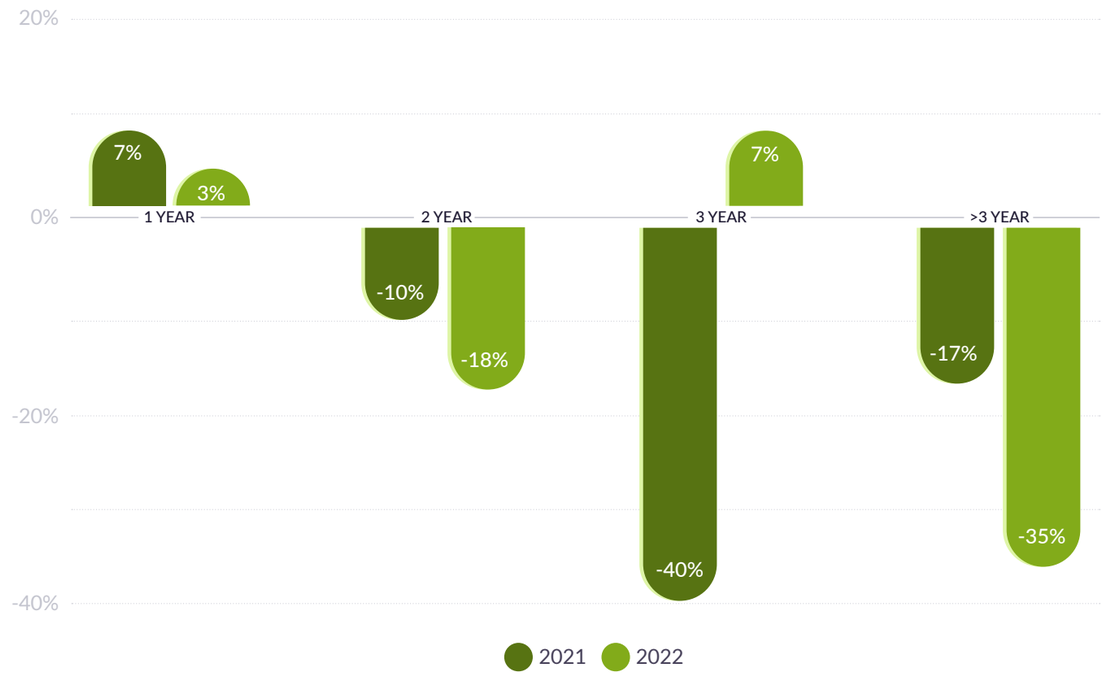
Note: Data is based on contracts added by customers to Productiv. The change in proportion of contracts has been normalized to account for an increase in the number of contracts from 2020 to 2021 and from 2021 to 2022.

ENTERPRISE:

The proportion of contracts with a term of 3-years made a comeback with a 7% increase in ‘22 after a 40% decrease in ‘21

Key Takeaways:

- The enterprise segment had the largest decrease in the proportion of 3-year contracts in 2021, but it was followed by a rebound in 2022.
- The proportion of 1-year contracts increased more rapidly in the enterprise segment than the small and medium-sized business and mid-market segments for both 2021 and 2022.
- The proportion of contracts with term lengths greater than 3 years had the largest decline for any segment in 2022.



Change in Proportion of Contracts with Term Length, ENT Segment | Productiv

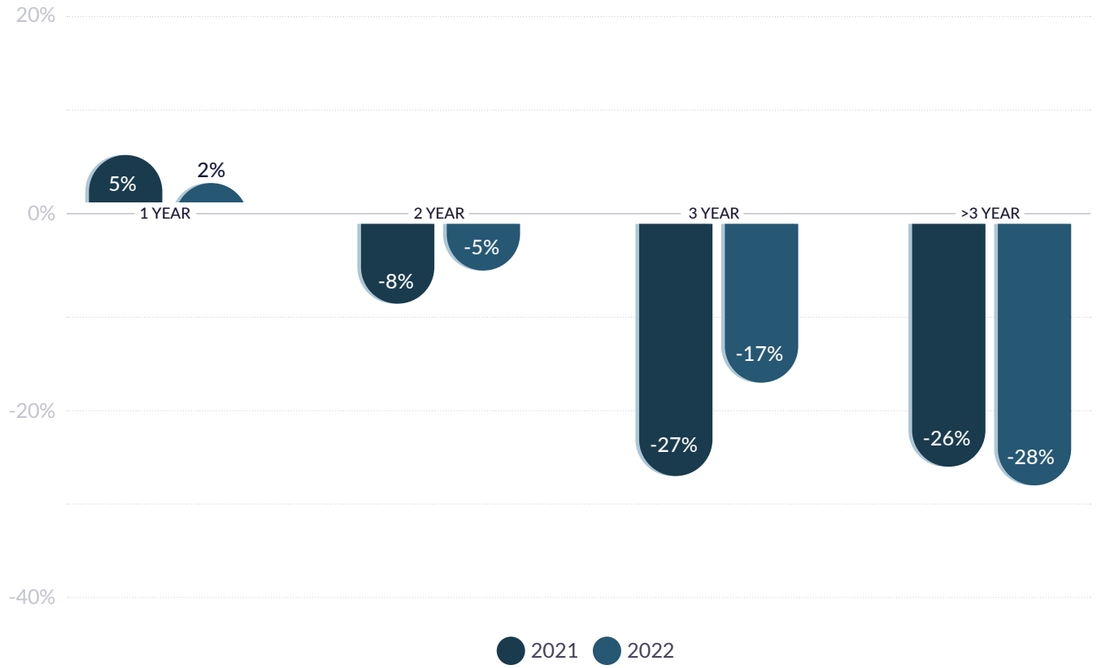
Note: Data is based on contracts added by customers to Productiv. The change in proportion of contracts has been normalized to account for an increase in the number of contracts from 2020 to 2021 and from 2021 to 2022.

MID-MARKET:

The proportion of contracts that were 3-years and longer contracted by over 20% in both ‘21 and ‘22

Key Takeaways:

- Unlike the enterprise segment examined on the previous page, the mid-market segment continued to see a contraction in the share of 3-year contracts in 2022.



Change in Proportion of Contracts with Term Length, MM Segment | Productiv

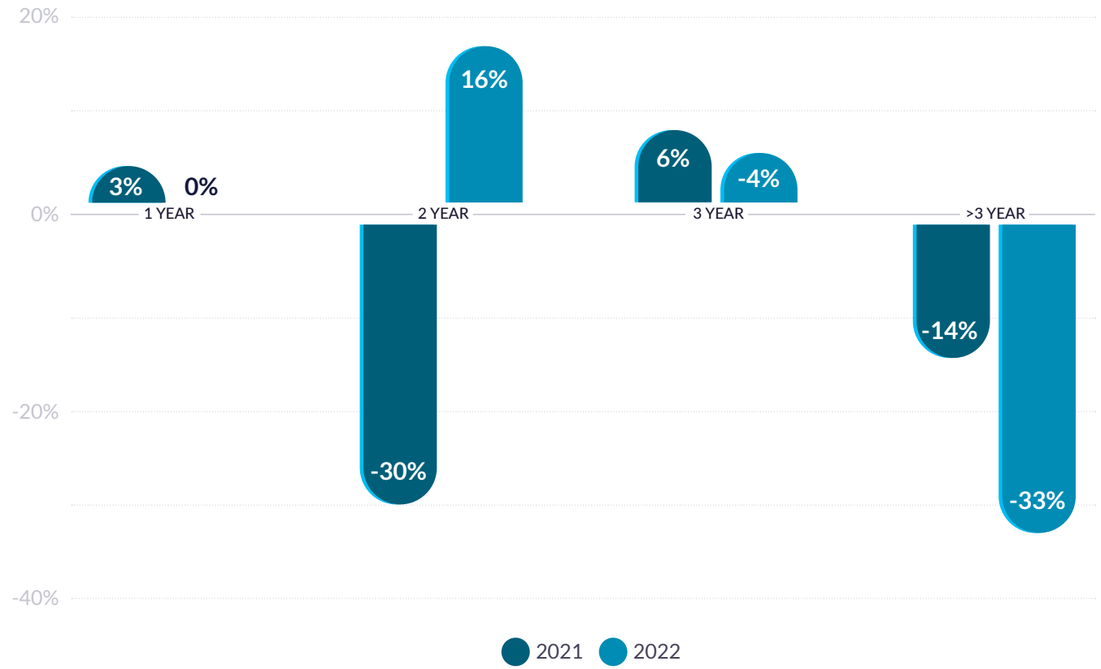
Note: Data is based on contracts added by customers to Productiv. The change in proportion of contracts has been normalized to account for an increase in the number of contracts from 2020 to 2021 and from 2021 to 2022.

SMALL & MEDIUM-SIZED BUSINESS:

The proportion of 2-year contracts rebounded significantly by 16% in ‘22

Key Takeaways:

- The growth in the proportion of 1-year contracts was lower for small and medium-size businesses than for the mid-market and enterprise segments.
- In 2021, the proportion of 2-year contracts contracted and 3-year contracts increased, with a reversal of this trend in 2022.



Change in Proportion of Contracts with Term Length, SMB Segment | Productiv

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Chapter Three • SaaS Consolidation Trends

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3 year trend data

Nearly 100 million SaaS licenses

Over 100 billion app usage data points

SaaS Consolidation Trends

The number of SaaS apps per key category reduced by 11% and license usage increased by 2% in 2023, showcasing concerted SaaS app consolidation and license rightsizing efforts, but the average portfolio is still far from rationalized.

Once you gain full visibility into the SaaS apps departments are using, how they use them, and how much they cost, you can start to identify opportunities for rationalization through license rightsizing and SaaS app consolidation.

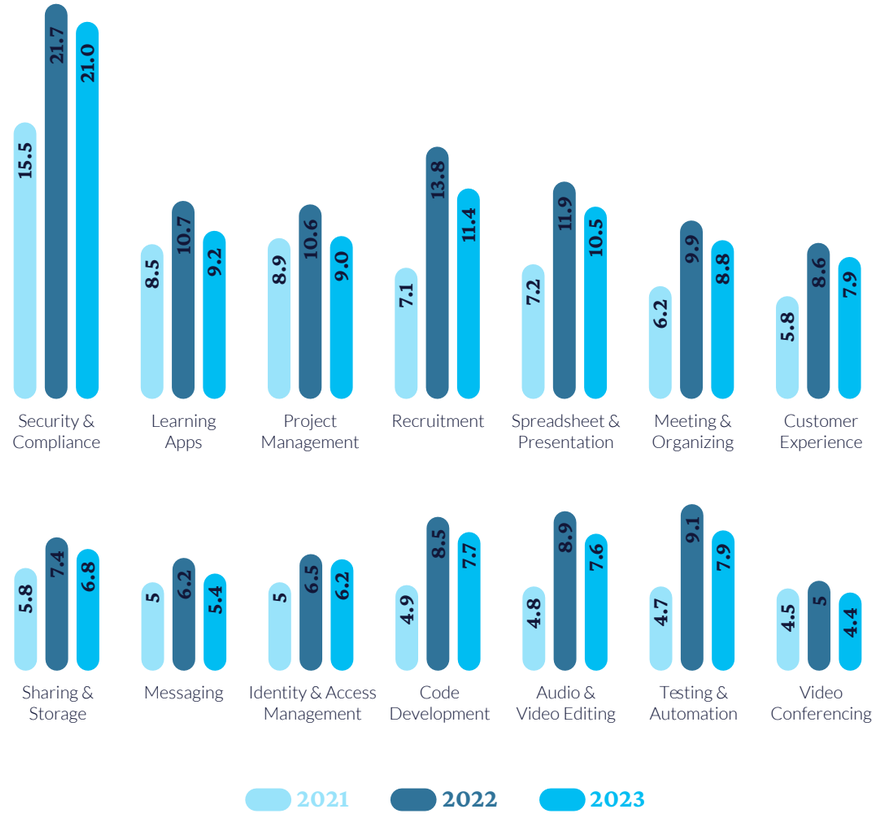
The ease with which SaaS apps can be purchased and deployed has led to an increase in the number of SaaS apps used by every department since 2021. Not only that, but the number of SaaS apps per category (e.g. Project Management and Recruitment) has risen as well.

Though the overall three-year trend is up, between 2022 and 2023 we did see a reduction in the number of SaaS apps in key categories and the percent of license waste. This shows us that companies are starting to focus more on rationalization, but they still have a lot of work ahead of them.

Companies consolidated 11% of SaaS apps across key categories from 2022 to 2023, but opportunities remain compared to 2021 levels

Key Takeaways:

- SaaS sprawl picked up substantially from 2021 to 2022, with a 48% increase in the number of SaaS apps across these 14 key categories.
- Between 2022 and 2023, there was actually an 11% decrease in the number of SaaS apps across these 14 categories as companies focused on identifying and consolidating duplicate SaaS.
    - Security & Compliance and Identify & Access Management were the least impacted categories.
    - Recruitment was the most impacted category.
- Despite the recent dip, the number of SaaS apps per category in 2023 is still larger than in 2021, suggesting that more rationalization opportunities exist.



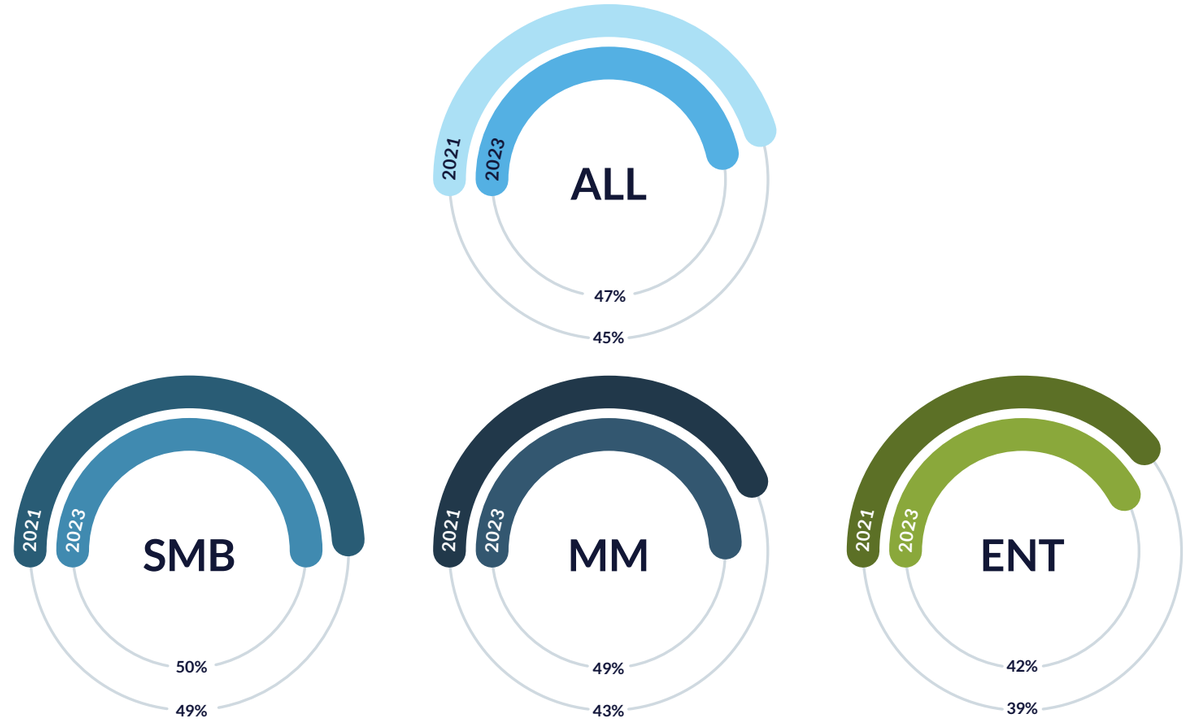
Average Number of SaaS per Category from 2021 to 2023 | Productiv

Note: The average number of SaaS apps for an average company in each key category, across 2021-2023. Categorizations based on Productiv's out-of-the-box definitions, excludes categories out of the top 14.

SaaS license usage improved across all segments since 2021 with an average license usage of 47%

Key Takeaways:

- While the biggest takeaway has to be that more than half of licenses continue to go unused over a 90 day period, there have been improvements in 2023, with the average percent of license usage increasing to 47% from 45%.
- License usage increased across all segments, with the largest absolute growth in the mid-market (MM) segment, up 6 points to 49% from 43%
- The small and medium-sized business (SMB) segment saw the highest levels of average license usage at 50%



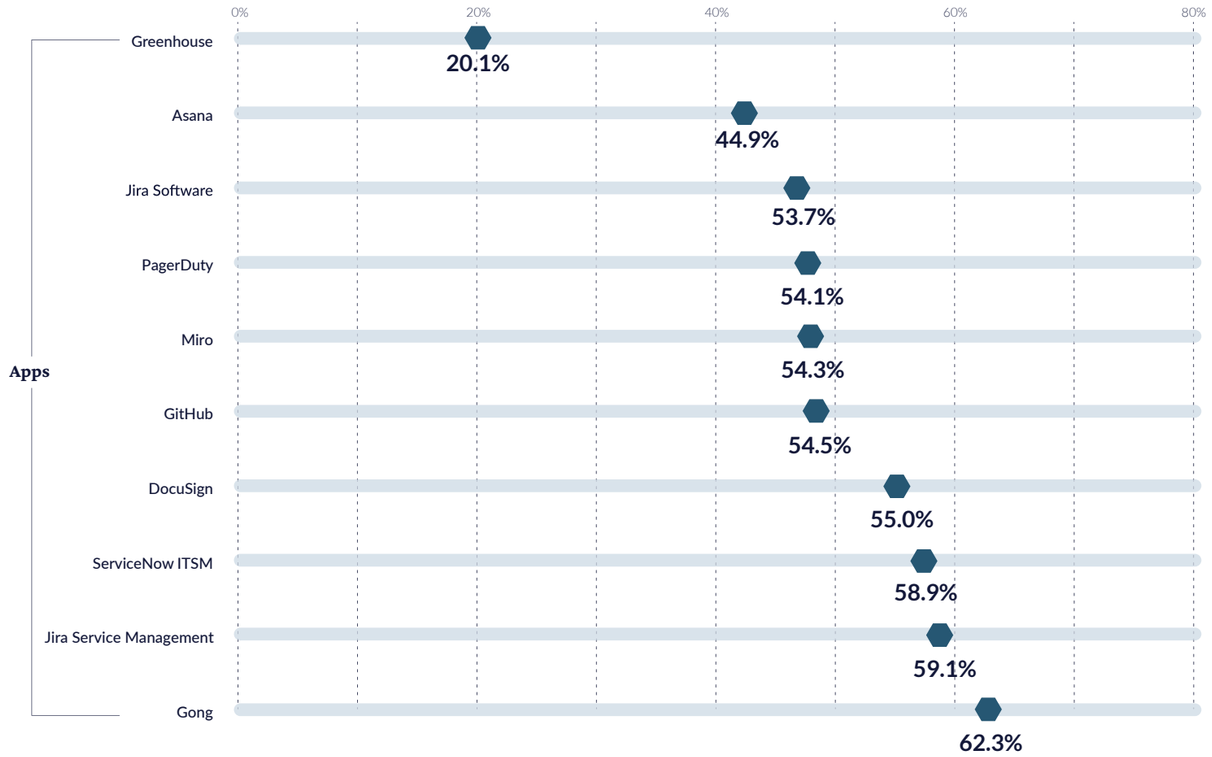
Average SaaS License Utilization in 2021 and 2023 | Productiv

Note: Usage defined as the percent of provisioned licenses that are active licenses over a 90 day period. Small and medium-sized business (SMB) defined as <500 employees, mid-market (MM) between 500 – 2,000, and enterprise (ENT) >2,000.

SaaS apps with the lowest license usage span categories; Greenhouse lags, likely impacted by a pullback in hiring in 2023

Key Takeaways:

- Many of the SaaS apps with the lowest license usage are point solutions, such as Greenhouse, Jira, PagerDuty, and DocuSign.
- The list is not dominated by any one category in particular, with apps in Recruitment, Project Management, Sharing & Storage, and more showing low levels of license usage.
- Greenhouse tops the list, dropping from 37% percent usage in 2022 to just over 20% usage in 2023.
- It's important to keep in mind some SaaS apps listed have ROI not tied to the percent of license usage. For example, examining the number of envelopes sent in DocuSign may be more useful.



SaaS With Lowest License Utilization Over 90 Days in Q1 2023 (Excluding Productivity Suites) | Productiv

Note: SaaS apps with the least number of licenses used (defined as the percent of provisioned licenses that are active licenses) over a 90 day period; only shown for SaaS apps with more than 15 licenses. This analysis excluded birthright SaaS apps: Google Suite, Microsoft Suite, Zoom, Slack, Productiv, Envoy.

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Chapter Four • SaaS Usage Trends

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3 year trend data

Over 100 million SaaS licenses

Over 100 billion app usage data points

SaaS Usage Trends

The average number of SaaS apps used by each department grew by 27% to an average of 87 SaaS apps in 2023. Four SaaS apps we have dubbed "The Quad" (LinkedIn, Salesforce, Atlassian Cloud, and DocuSign) alongside Lucidchart dominate the SaaS app stacks for most teams. ChatGPT is used by all departments, making a strong debut across Marketing, Engineering, and Product tech stacks.

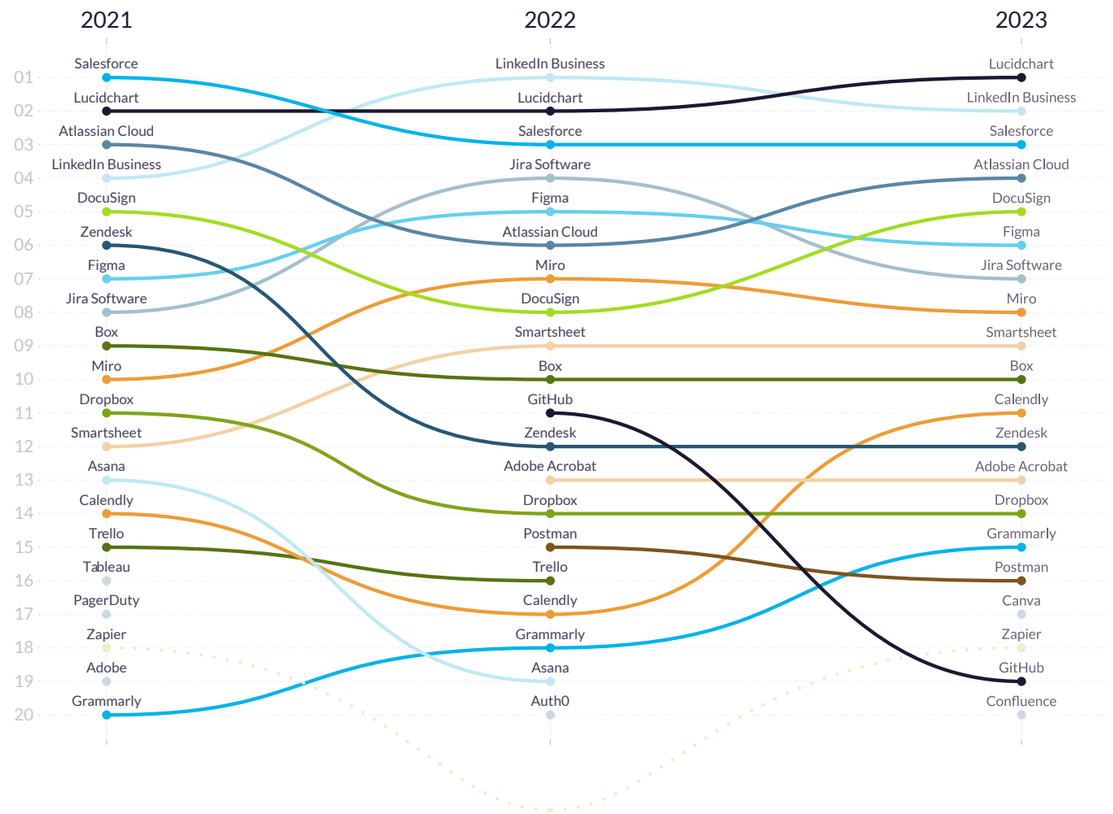
An organization's tech stack is constantly evolving. Changing market conditions, shifting business strategies, and emerging technologies all play a role in how organizations and departments select which tools to buy, renew, and retire.

So, what SaaS apps have departments been buying and dropping over the last few turbulent years? Let's find out.

PLG + strong execution = Lucidchart tops the charts as the SaaS app used by the most companies in 2023

Key Takeaways:

- Salesforce, LinkedIn, Atlassian Cloud, and DocuSign — which we have dubbed "The Quad" — dominate the top rankings across departments year over year.
- Lucidchart beat out The Quad to top the chart in 2023 and preserved its lead over Miro, another digital collaboration platform with similar features. Lucidchart is used by 86% of Productiv customers.
- Box and Smartsheet have held steady in the middle of the top 20 rankings.
- Calendly climbed the highest in the ranks between 2022 and 2023, possibly driven by the rise in hybrid work.
- Grammarly's strong PLG motion seems to have helped to drive adoption and a 4-point rise in 2023.
- Asana dropped off the list in 2023 with project management SaaS apps a target of consolidation.



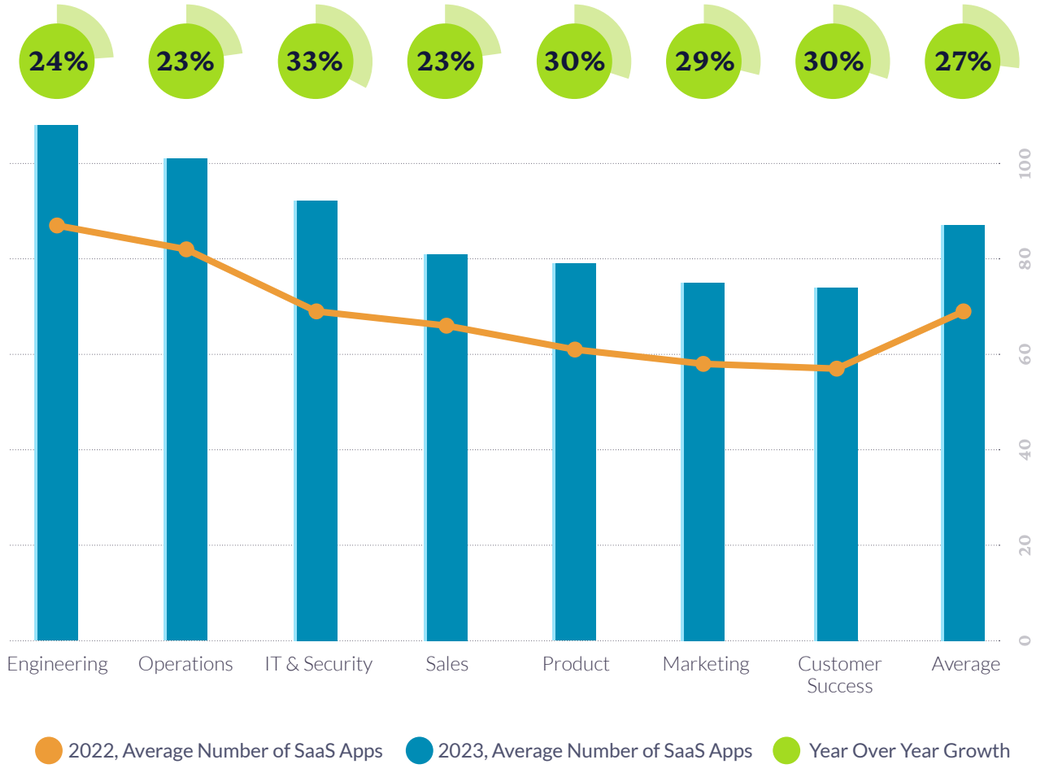
Top 20 Most Used Apps (Across All Business Functions) | Productiv

Note: The top 20 SaaS app analysis is based on the number of Productiv customers using the SaaS apps. It includes data across all customer segments ENT, MM, SMB. This analysis excluded birthright SaaS apps: Google Suite, Microsoft Suite, Zoom, Slack, Productiv, Envoy, AWS, GCP, Azure.

Tool proliferation continues with an average of 83 SaaS apps per team; Engineering teams lead with 108 SaaS apps

Key Takeaways:

- Despite the desire to keep SaaS proliferation in check, the average number of SaaS apps per team grew 27% from 2022 to 2023.
- Engineering continues to be the department with the most SaaS apps, increasing from 87 to 108. Our later analysis shows an increase in data science tools as well as developer productivity and collaboration SaaS apps.
- IT & Security saw the largest percentage growth in the number of SaaS apps at 33%, driven by point solution tools as well as apps to help them uncover greater ROI across the business.
- Customer Success saw the second highest percent growth as the importance of customer retention magnified between 2022 and 2023.



Average Number of Apps per Team | Productiv

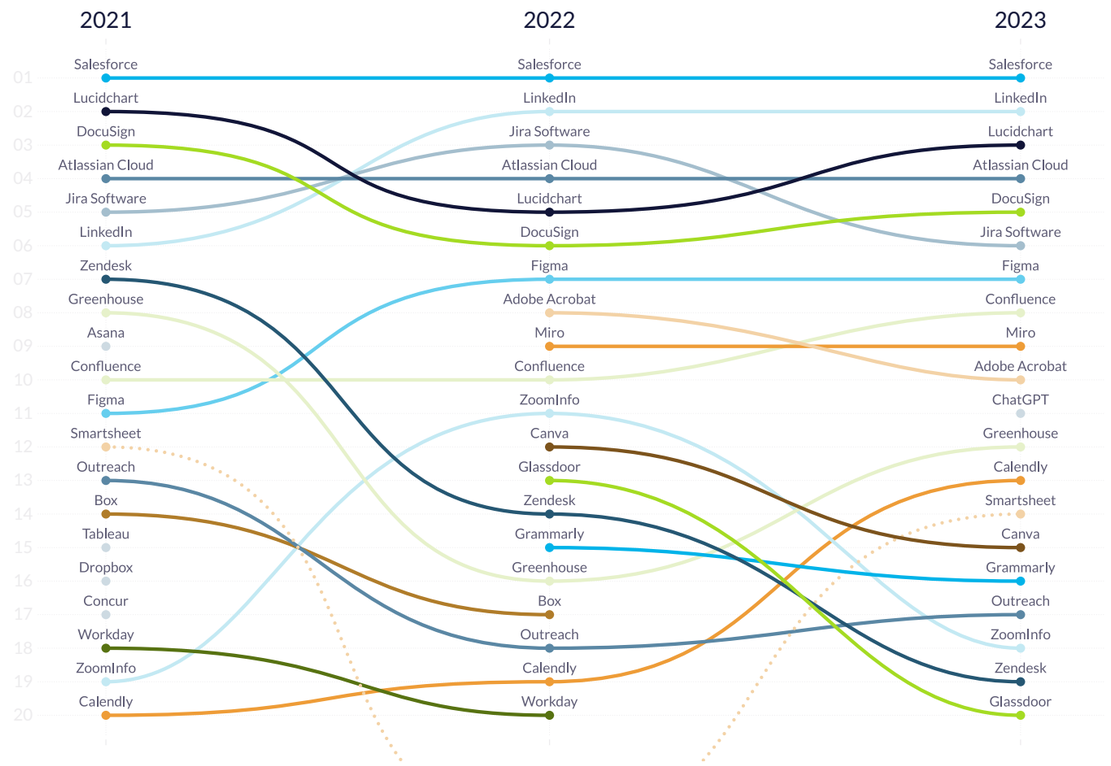
Note: Analysis based on Productiv proprietary data from 2022 and 2023.

SALES:

“The Quad” continues to dominate the Sales SaaS app stack; ChatGPT debuts at 11th spot

Key Takeaways:

- No surprise here — Salesforce takes the top spot all three years for Sales.
- The top 5 SaaS apps also stay remarkably consistent across years with The Quad of Salesforce, LinkedIn, Atlassian Cloud, and DocuSign holding strong.
- ChatGPT made a strong debut in 2023, clocking in at 11.
- Calendly gained ground each year and is beginning to solidify its position as a core Sales tool.
- Zendesk dropped in the rankings year over year



Top 20 Apps by Business Function: Sales | Productiv

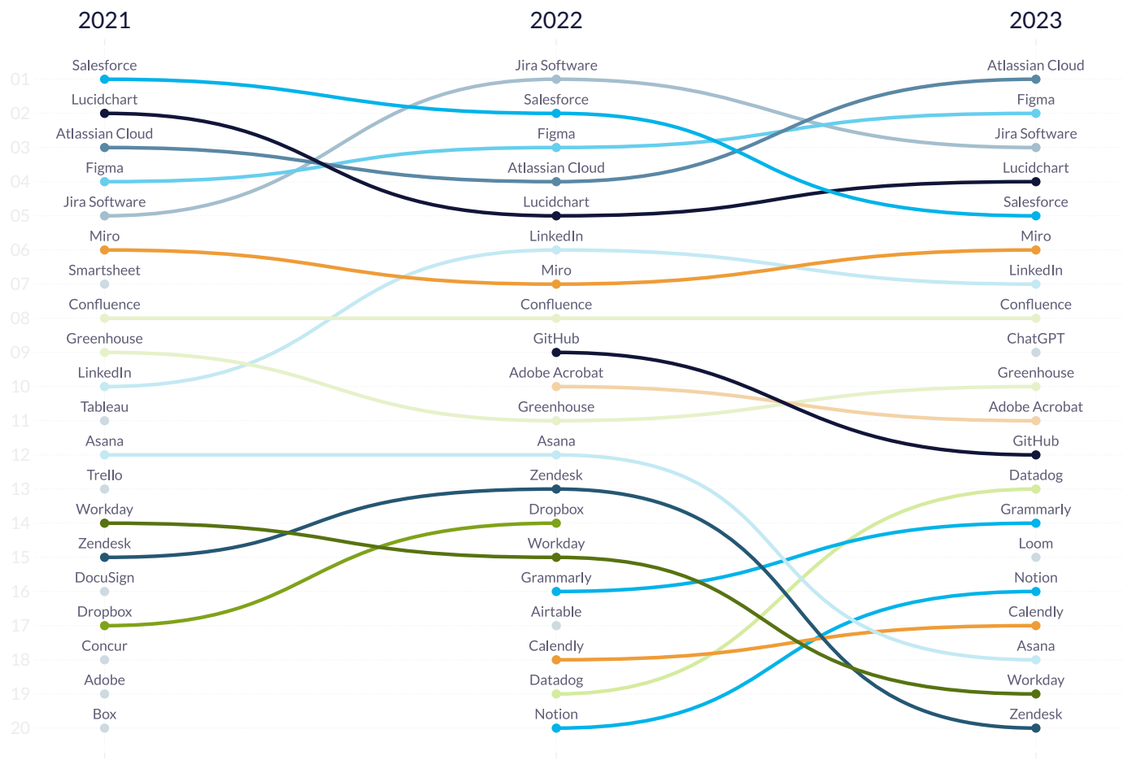
Note: Analysis based on Productiv proprietary data from 2021, 2022, and 2023.

PRODUCT:

“The Quad” remains strong; ChatGPT, Loom, Notion see strong debuts

Key Takeaways:

- The top 5 tools for Product remained steady year over year, with these positions occupied by the obvious larger vendors.
- ChatGPT again showed strong traction, with a top 10 debut for Product teams in 2023.
- Datadog rose from 19th to 13th between 2022 and 2023 as cloud and app monitoring becomes more mainstream.
- Loom and Notion broke into the top 20 in 2023 with growing adoption among Product teams.
- Asana dropped in 2023 after holding steady from 2021 to 2022, possibly as a result of strong competition and consolidation in project management tools.



Top 20 Apps by Business Function: Product | Productiv

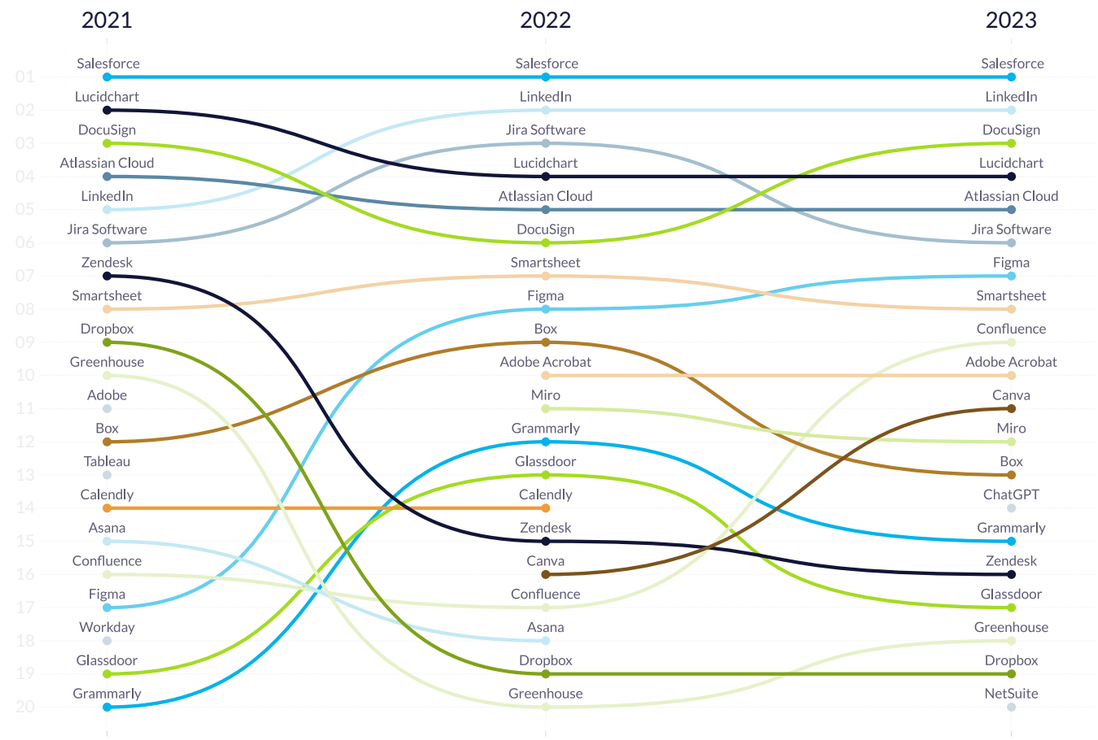
Note: Analysis based on Productiv proprietary data from 2021, 2022, and 2023.

OPERATIONS:

“The Quad” locks down the top 5; surprise ChatGPT debut for operations teams

Key Takeaways:

- Again, the top 5 spots across all three years were dominated by The Quad — Salesforce, LinkedIn, Atlassian Cloud, and DocuSign.
- The 5-10 spots also remained relatively consistent for Operations between 2021 and 2023.
- Confluence made an 8-rank jump to plant itself into the top 10 SaaS apps for Operations in 2023.
- ChatGPT also revealed its use to Operations teams, debuting at the 14th spot in 2023.



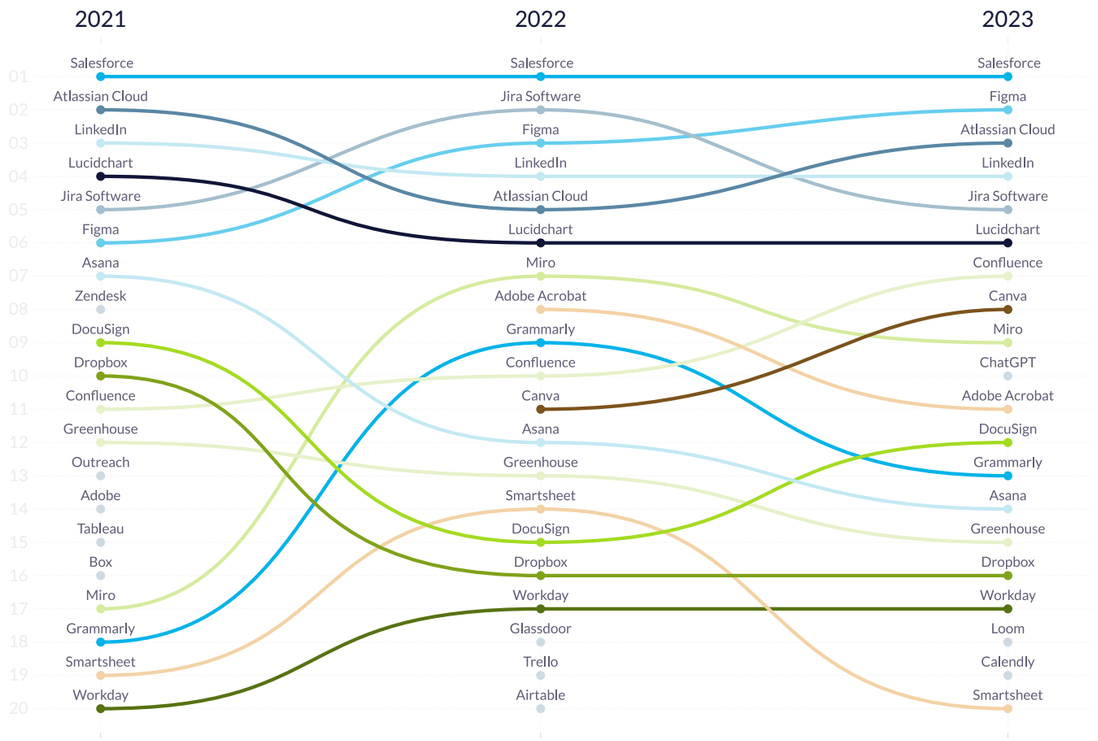
Top 20 Apps by Business Function: Operations | Productiv

MARKETING:

“The Quad” never drops from the top 5 as Canva carves out a spot as a new marketing staple; ChatGPT debuts at 10th

Key Takeaways:

- The big players remained consistent across Marketing.
- Canva debuted on the top 20 list in 2022, then gained traction to rise into the top 10 in 2023. It’s becoming a core marketing tool for creating and collaborating on banners, posters, email templates, social media templates, and other DIY graphics.
- A lot of marketers are experimenting with ChatGPT for generative AI, copywriting, research, and more.
- Loom debuted at 18th in 2023 and is becoming a tool for choice in marketing for video recording.



Top 20 Apps by Business Function: Marketing | Productiv

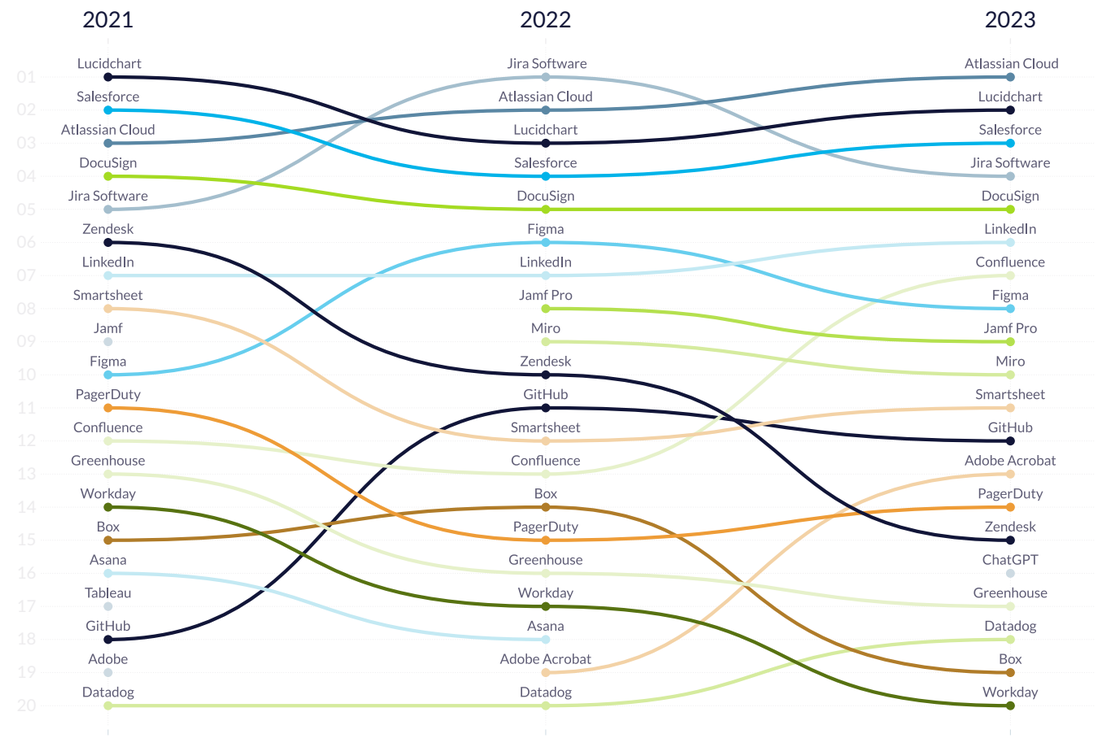
Note: Analysis based on Productiv proprietary data from 2021, 2022, and 2023.

IT & SECURITY:

“The Quad” stays in the top 10; ChatGPT and Datadog enter the top 20

Key Takeaways:

- IT and Security teams get access to all corporate SaaS apps usually as administrators, which skews this list away from what would traditionally be considered IT & Security SaaS apps.
- With that said, we can see that Jamf Pro is now an important tool for IT & Security teams given its strong position in the top 10.
- Zendesk continued to drop in ranking.
- ChatGPT made its debut at the 16th spot.



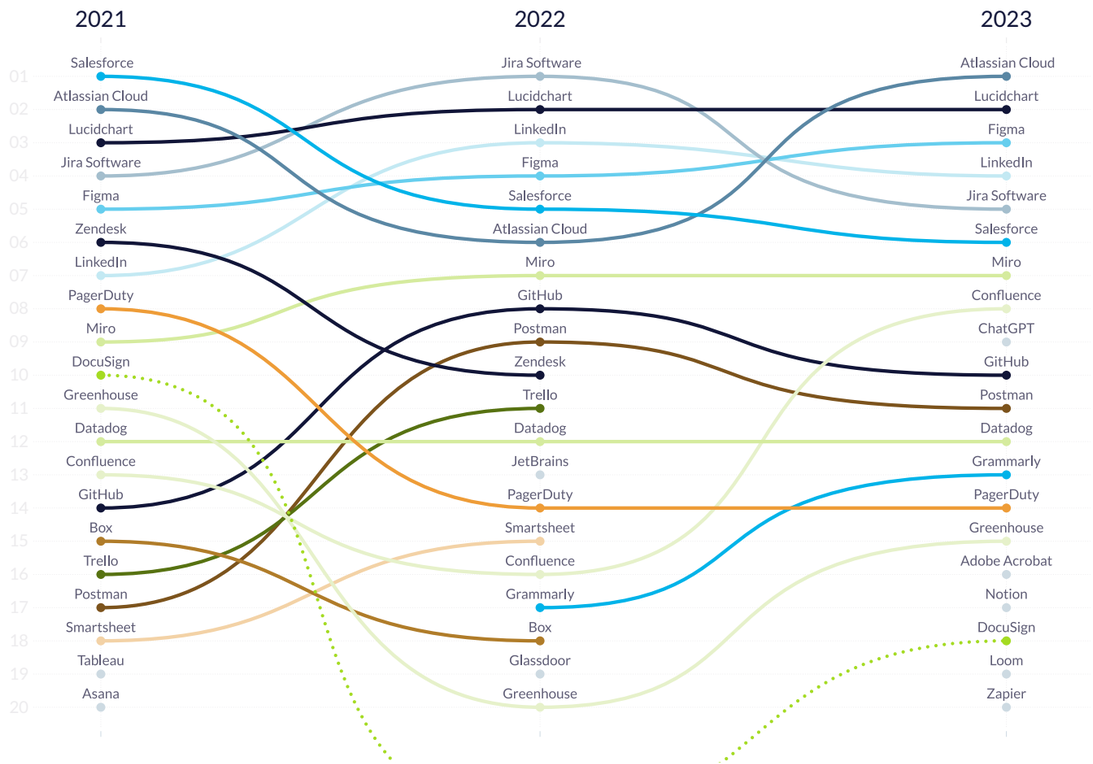
Top 20 Apps by Business Function: IT & Security (IT) | Productiv

ENGINEERING:

Figma rises year over year while Datadog maintains its strong position; ChatGPT, Notion, Loom debut in top 20

Key Takeaways:

- Engineering teams are known for rapid adoption of the best tools and we see that with the changes in ranks for various SaaS apps year over year. However, despite that variation, members of The Quad and Figma held strong positions.
- Miro settled into a solid position in the Engineering stack, landing 7th in 2023.
- ChatGPT made its highest debut across all teams at 9th in 2023.
- Datadog held strong at 12th across all three years.
- Notion and Loom rose into the top 20 in 2023.
- Smartsheet, Trello, Zendesk, Box, JetBrains, and Glassdoor all dropped out of the top 20 in 2023.



Top 20 Apps by Business Function: Engineering | Productiv

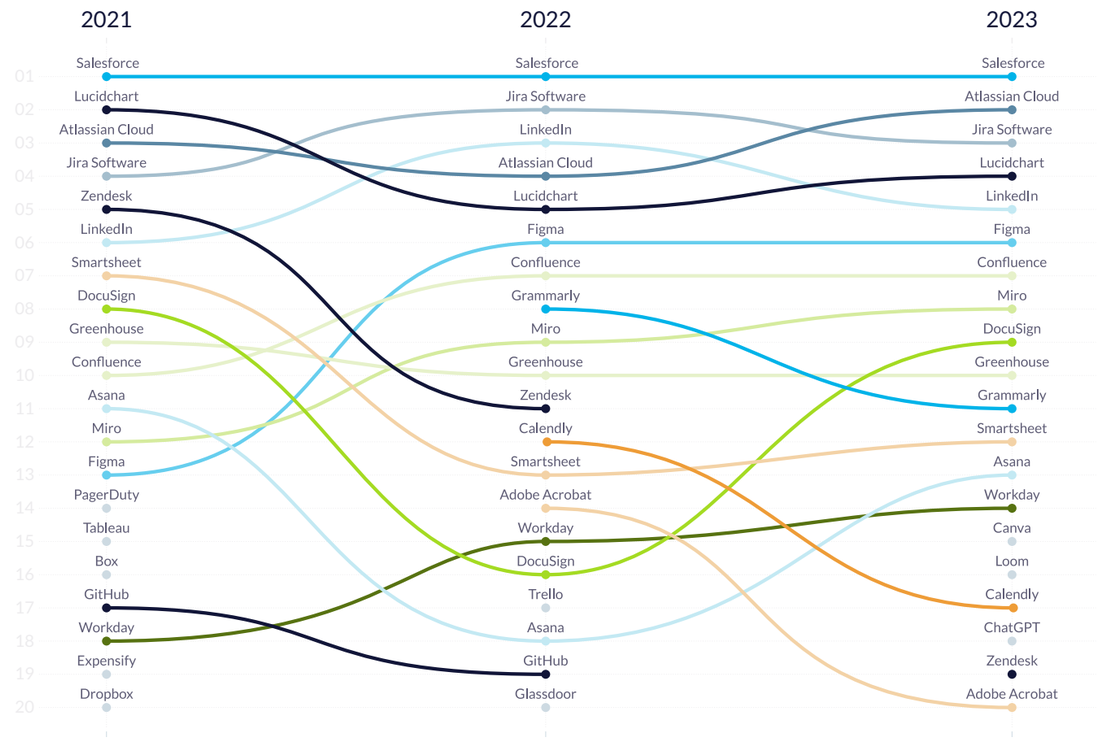
Note: Analysis based on Productiv proprietary data from 2021, 2022, and 2023.

CUSTOMER SUCCESS:

“The Quad” and best-of-breed “one use-case” SaaS apps are staple CS tools

Key Takeaways:

- The top 10 list of SaaS apps for Customer Success (CS) remained largely unchanged with some minor shuffling across the years.
- Zendesk, which has been a key CS tool, saw declines year over year.
- Loom and Canva gained traction to appear in the top 20 for the first time in 2023.
- ChatGPT has tremendous potential for CS teams and debuted at 18th in 2023.
- Both Trello and GitHub dropped off the top 20 list in 2023.



Top 20 Apps by Business Function: Customer Success | Productiv

Want to explore more of 2023's top SaaS trends?

Click here for insights into more trends from our 2023 report, including:

SaaS growth trends

How the size of SaaS portfolios and the amount of shadow IT has changed over time, as well as the top shadow apps from the last three years.

SaaS spend trends

How much businesses pay per employee on SaaS as well as how term lengths for SaaS contracts signed in 2022 differ from those signed in 2021 for small and medium-sized business, mid-market, and enterprise segments.

SaaS consolidation trends

How the number of apps per category has changed over time, as well as average license consumption by company size.

Report Methodology

The findings in this report are based on analysis of anonymized data from businesses using Productiv. We looked at hundreds of active instances of the Productiv platform and collected data between Q1 of 2021 and Q1 of 2023.

Productiv tracks SaaS application usage by aggregating and joining data from HR systems, finance and expense management systems, and contract management systems and files, as well as integrations with SaaS applications, Single-Sign-On (SSO) tools, and Cloud Access Security Broker (CASB) providers.

Shadow IT, or what our platform refers to as Discovered Apps, is based on non-managed applications with a data source from 1) an expense or finance system, 2) network monitoring tools, or 3) Google single sign-on (SSO).

Organizations have been segmented into three groups: small and medium-size business segment (250 - 500 employees), mid-market segment (500 – 2,000 employees), and enterprise segment (>2,000 employees); average customer size of ~5,700 employees. The Productiv customer base is mainly focused in the following industries: Technology, Media, and Business and Financial Services.

About Productiv

Productiv is the only SaaS Intelligence™ platform for the modern enterprise. More than a SaaS management solution, Productiv aligns IT, procurement, finance, and business leaders with trusted data to optimize spend and drive operational excellence across SaaS portfolios. This employee-centric, data-driven approach combines billions of employee app usage data-points with vendor contract and organizational data, enabling teams to easily come together to govern and rationalize SaaS portfolios while streamlining procurement. Founded in 2018 and backed by Accel, IVP and Norwest Venture Partners, Productiv is on a mission to align IT and business leaders to unlock the most value out of their SaaS portfolio at scale.