



2022 trends in SaaS buying

Our second annual SaaS buying trends report, sharing what we've learned from saving our customers over \$240M in SaaS spend — and what we anticipate 2023 will bring.

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A year of turbulence and transformation

Two years after COVID's arrival, we're settling into the "new normal." The shift toward remote work in 2020 is now the preference for many people. Remote and hybrid work is here to stay, so HR and IT teams have been busy making it happen. Digital transformation, once a long-term objective, is now a top priority.

The global economic outlook continues to change rapidly, even after the pandemic phase of COVID. Organizations finding their footing after stay-at-home orders and efforts to grow post-pandemic are now preparing for a new challenge: a looming recession. They're down-shifting from growth mode into cash preservation, resulting in more changes for SaaS buying.

In our latest Trend Report, our SaaS buying experts highlight the changes shaping 2022, and offer their views on what it might mean for 2023. Read on for:

- ✓ A recap of spending and deal flow 2022 YTD
- ✓ Highlights of the changing landscape of SaaS buying
- ✓ Our predictions for software buying over the coming year

Looking back, to look forward

Part of our mission at Vendr is to help companies save money on SaaS. With the help of data insights, expert buying advice, and negotiation assistance, our customers saved an average of 20% on their SaaS spending in 2022.

1

2

Our annual growth numbers reflect our commitment to helping teams build strong tech stacks.

3

\$137k

AVERAGE DEAL GROWTH

\$250M+

CUSTOMER INVESTMENT

20%

AVERAGE SAAS SAVING

500+

CUSTOMERS WORLDWIDE

The broader SaaS industry has seen record-breaking growth since Q2 2021. According to research from [Gartner](#):

- Market indicators point to a 3% annual growth of IT spending, even considering economic factors like inflation, housing, and market fluctuations.
- Software spend is growing much faster. Worldwide software spend is forecast to grow 9.6% in 2022 to total \$806 billion, up from to \$735 billion in 2021. That's expected to grow another 11.8% to reach \$902 billion in 2023.



Vendr at a glance

CUMULATIVE	Dec 2021	July 2022
Customers	200+	500+
Total savings	\$100M	\$248M
Deals completed	4,000+	13,000+
Processed spend	\$500M	\$1.5B
Total suppliers	1,200+	2,000+

Have questions as you read through our Trend Report?

Send them to trends@vendr.com

Influence

2022 industry trends so far: The caution after the chaos

2021 saw a [38% increase in SaaS adoption](#), with businesses eager to hit the ground running as pandemic restrictions and austerity dwindled. But the frenetic pace of SaaS software buying experienced through the second half of 2021 started downshifting in Q1 2022.

Unfortunately, the anticipated emergence of a full-steam economic recovery gave way to the rise of a perfect storm of continued supply chain issues, global unrest, and resulting inflation.

Four key factors are influencing SaaS purchasing

1 Inflation, recession & supply chains

Inflation and commodities price increases are now hot topics, with pricing for gas, food, products, and housing reaching record highs. Additionally, shifting consumer spending habits are driving changes for businesses. Most businesses are scaling back the growth-fueled spending of last year as recession concerns mount.

2 Ongoing public health concerns

The public health outlook is also shifting, causing businesses to exercise caution in spending on travel, marketing, etc. Though air travel and in-person events are back in demand, health concerns and rising airline costs are likely to stay on the Finance team's radar for 2022 and beyond. This may drive the continued adoption of [software tools that enable virtual events](#).

3 The new world of work

One pandemic effect still playing out in boardrooms and job interviews: the where and how of working life.

The pandemic proved that businesses can survive and thrive in a remote-first model. The move to remote work has opened doors — and discussions — concerning the future of work. Flexibility is the buzzword. Workers see the value in returning to the office (at least part-time) but want options.

Organizations are choosing their path, with some big names calling their workers back to the office and others committing to remote-first or hybrid models. This topic will continue to inform tech stack decisions this year and next.

4 Digital transformation

Despite the uncertainty on the economic front, digital transformation is a top trend for 2022.

Businesses trying to do more under hiring constraints are finding solutions via various software tools.

Nearly 75% of organizations call digital transformation a priority in 2022, up from 54% the year before. Businesses' desire to find ways to transform into leaner operations digitally will continue to boost the adoption of tools designed to create savings and increase time-saving automation.

Analysis

2022 trends in SaaS

The move toward cash flow savings began early in 2022, with January's economic reports featuring the biggest 12-month inflation leap since 1982, the close of the [Great Inflation](#). That January saw a jump from 7.0% to 7.5%. As of June, [that number had risen to 9.1%](#).

In addition to inflation, [housing market indicators](#) and a recent [yield curve inversion](#) (when short-term bond rates offer higher interest than the 10-year bond) are prompting businesses to begin recession prep.

2022 trends in SaaS

As a result, we're seeing these trends emerge in SaaS:

Buckling up for economic volatility

With recession talk growing, businesses are battening the hatches. This shift toward cautious decision-making is showing up first in less recession-resistant industries, with retail, travel, and hospitality already making changes. Layoffs, hiring freezes, and rescinded job offers have been on the rise across multiple sectors, including [technology](#), [automakers](#), and B2C services.



I'm seeing customers in industries that provide a 'nice-to-have' service cutting back on their contracts more than others, as they are likely anticipating a downturn.

– Aubrey Zimmerman

Senior Executive Buyer, Vendra

KEY TAKEAWAY

Start looking at ways to reduce costs and free up cash flow for the coming year. Don't just look for what to cut, but which software tools can help you realize those cost savings.

Increasing diligence in software selection and renewal

Deal scrutiny is at an all-time high, with organizations focusing on the quality of a deal and the value each line item brings to the organization. Decision-makers are asking more questions, investigating the business need, and looking for the best value-adds for the software they buy.

Stakeholders are getting savvier about buying, too. Our 2021 report predicted that better approval processes and stakeholder education would lead to better deal outcomes.

Procurement works best when it's a team effort. So stakeholders are coming to the table better prepared to present their business cases, support negotiations, and choose tools that meet their needs.

A due diligence plan can help you cut to the chase in buying software and avoiding costly missed renewals. With an efficient process, teams can get what they need without the fuss. It lets buyers stay on top of an evolving tech stack, ask good questions at renewal time, and make the best decisions.



As software options have increased, so has the complexity associated with buying. Stakeholders are learning the importance of having Finance, Procurement, IT, Legal, Security, etc. on their side, and are tapping them in earlier in the process.

– Michael Murray

Enterprise Account Exec, Vendr

KEY TAKEAWAY

Don't let renewal dates get ahead of you. By researching early and increasing your lead time to renewals by even two weeks, you can increase your savings by 50%.

Tighter budgets, flattening adoption

While “budget freezes” are not widespread, the once loosened budget constraints for SaaS buying seen in mid-to-late 2021 are over. The pace of new SaaS purchases has slowed. This cooling off mirrors other areas of the business. Leaders are adjusting their hiring cadence to make do with leaner staffing numbers.

While tool cuts may not be on the horizon for every organization, many choose to curtail planned upgrades or expansions. Others are pruning license numbers due to slowed hiring, freezes, and planned or potential layoffs.



Businesses are beginning realignment of what's important to them versus initiating a 'budget freeze'.

– John Merklinger

Manager/ Executive Buying, Vendra

KEY TAKEAWAY

Companies are beginning to reallocate budgets, tighten their belts, and prepare to keep afloat. While SaaS buying won't stop, the need to present an iron-clad business case to Finance has never been higher.



I'm not seeing companies less likely to renew, but I have seen customers lately re-evaluate all of their line items in a contract and start redlining products out of the agreement that are not essential.

I would say there is more due diligence of their prior spending on whether it is completely necessary at this time.

- Aubrey Zimmerman

Senior Executive Buyer, Vendr

De-duplication takes priority

Looser budgets and tolerance for departmental tool preference added to stack complexity over the last two years. The focus was on getting tools and making up for lost time. But duplication is expensive. With the near future uncertain, companies are lessening their duplicate tooling, and looking for ways to streamline SaaS spending.

Teams are being asked to use the software tools already in the stack. Though specific teams may prefer a particular tool or service, opportunities for savings are once again heavily influencing decisions about software purchasing.



Marketing and operations are seeing the most cuts — video tools, sales enablement, etc.

– John Merklinger

Manager/ Executive Buying, Vendr

KEY TAKEAWAY

Visibility is the key to using your current stack wisely. Find ways to increase transparency in the stack to help teams access tools and use them effectively.

Focus on core tools for savings and value

Companies set on streamlining are looking for tools and services that drive value creation or maximize cost savings. They're letting go of tools that don't provide broad and/or deep impact. For some organizations, thinning out the tech stack has already begun.

For buyers seeking finance approval on new purchases, the best bet is to find software that reduces reliance on other tooling needs. Finance teams will focus on eliminating waste and duplicative spending, so positioning your product as a consolidation tool will likely resonate.



Mission-critical products are still being purchased. If you want to buy a fringe product, you should be prepared to put together a business case for your Finance team.

– Michael Murray

Enterprise Account Exec, Vendr

KEY TAKEAWAY

Look for opportunities to add value while subtracting bloat. Consider total cost and cost-savings potential when deciding what stays and what goes.



Predictions

2023 predictions: Agility is key

While uncertainty and supply chain concerns will continue to drive inflation, there's room for everyone to get what they need from a software deal. We predict software buying will change in some specific ways over the next 12-18 months.

2023 predictions

Cautionary budget approach

Budget season for 2023 will focus on preserving cash flow, especially if economic declines continue through the year's second half. Look for more austerity measures heading into 2023 and a focus on reallocating spending to the functions vital for stability during economic uncertainty.

Increased reliance on the workhorse tools that drive value

Fringe products will take a backseat to the core functionality as teams look for ways to preserve cash. Products enabling teams to stay agile and responsive will take priority over niche use cases. Finance and IT will look to what they already own versus adding new solutions to address needs.

Continued process optimization and visibility to optimize finances

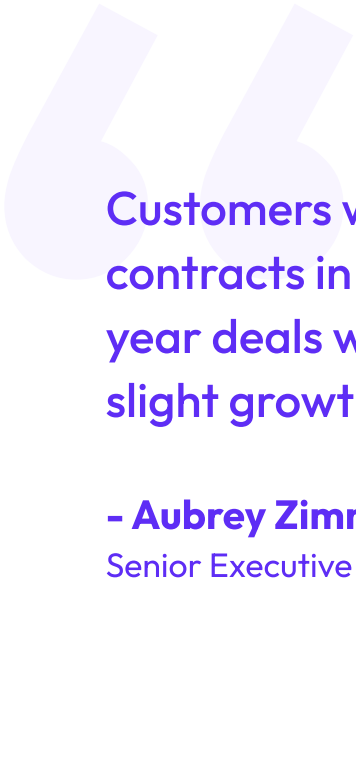
Process optimization is one of the best ways to control tail spend and ensure that solutions are used to the best advantage. And organizations will focus more heavily on optimizing processes to realize savings. Tools that increase the visibility of options will help ensure you make the most of what you have.

Continuing stakeholder involvement and education

Stakeholder and end-user education will play a big part in ensuring tool adoption. The efforts made in 2021 and 2022 to include stakeholders in the buying process will continue. By increasing transparency and creating good training programs, organizations can flatten spending and ride out the economic downturn without losing productivity or momentum in their recovery.

Upward price trends in response to inflation and uncertainty

As prices rise, so will supplier prices in the software industry. The kindness factor of 2020 and 2021 that saw suppliers working with clients to serve their needs without price hikes are now meeting reality. Expect renewal prices to rise, in some cases steeply. Suppliers will recognize that flattened demand will require a nuanced approach to pricing and negotiation, so concessions outside of price may be available if you ask.



Customers who are looking to lock in better contracts in times of uncertainty are signing two-year deals with their vendors or trying to commit to slight growth to show a give/get with discounts.

- Aubrey Zimmerman

Senior Executive Buyer, Vendr

Future

The future of SaaS in 2023: Cost savings & growth

Whatever changes the economy may bring in 2023, the SaaS industry will continue along its decade-long growth curve. Organizations will focus on securing the best tools for their teams now with a more careful eye on budgets and value creation.

We believe this more thoughtful approach to software buying can be a force for good. Businesses will enjoy better stack management, stronger tool utilization, and more education for stakeholders as they become further integrated into the buying process.

Though 2023 will likely offer a more temperate approach to software selection, the added efficiency and cost savings will lead to a stronger ROI in the long run.



The no-brainer SaaS buying platform that pays for itself

Get a free savings analysis from Vendr