PitchBook

EMERGING TECH RESEARCH

Launch Report: Enterprise SaaS

VC trends and industry overview

Q1 2023

REPORT PREVIEW

The full report is available through the PitchBook Platform.

Contents

Executive summary	3
Vertical overview	4
Q2 2022-Q1 2023 timeline	7
Enterprise SaaS landscape	8
Enterprise SaaS VC ecosystem market map	9
VC activity	11
Segment overview	**14**
Customer relationship management (CRM)	15
Enterprise resource planning (ERP)	24
Supply chain management (SCM)	33
Analytic platforms (AP)	41
Knowledge management systems (KMS)	49
Other application software (OAS)	57
Appendix	65

Institutional Research Group

Analysis

Derek Hernandez Senior Analyst, Emerging Technology
derek.hernandez@pitchbook.com
pbinstitutionalresearch@pitchbook.com

Data

Alyssa Williams Data Analyst

Publishing

Report designed by **Joey Schaffer, Julia Midkiff** & **Megan Woodard**

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Q2 2022-Q1 2023 timeline

M&A

June 8, 2022

Oracle closes its acquisition of Cerner for $28.3 billion to expand into major health systems and leverage its own database technology. This continues the competition in healthcare platforms, including Microsoft's $19.7 billion acquisition of Nuance, which closed in March 2022, and a PE leveraged buyout of Athenahealth for $17.0 billion, which closed in January 2022.

News

November 30, 2022

ChatGPT launches with massive success, crossing 1 million users in five days. Major disruptions are predicted across all enterprise SaaS segments, exemplified by Microsoft's cumulative $13 billion invested in OpenAI as well as major pivots and rollouts by Google, Meta, and others.

VC deal

March 15, 2023

Stripe raises $6.5 billion at a valuation of $50.0 billion, down significantly from $95.0 billion in March 2021. The lower valuation is indicative of the IPO exit remaining largely unavailable in 2023 and its considerable strain on valuations.

VC exit

August 15, 2022

Aptly named Rubicon becomes the last company in our enterprise SaaS segment to go public at a valuation above $1 billion with a $1.7 billion SPAC deal. Since then, Rubicon's enterprise value has decreased by more than 80%, in line with many recent exits.

News

January 4, 2023

Amazon confirms that 18,000 of its employees will be laid off, later increasing this figure to 27,000 employees. Salesforce cuts 10% of its workforce—around 8,000 employees—on the same day. From 2022 into 2023, effectively every leading enterprise SaaS vendor is affected by layoffs, including Microsoft, Google, SAP, Meta, Stripe, and Zoom.

Take-private

March 12, 2023

Qualtrics announces it will be acquired for $12.5 billion in a take-private buyout by Silver Lake and CPP Investments. Along with Coupa and Citrix, Qualtrics is the latest of several companies being acquired by PE firms in multibillion dollar deals despite persistently high costs of capital.

Q1 VC deal count summary

363
total deals

-8.6%
QoQ growth

-42.7%
YoY growth

-24.7%
TTM growth

Q1 VC deal value summary

$13.9B
total deal value

18.5%
QoQ growth

-33.5%
YoY growth

-31.0%
TTM growth

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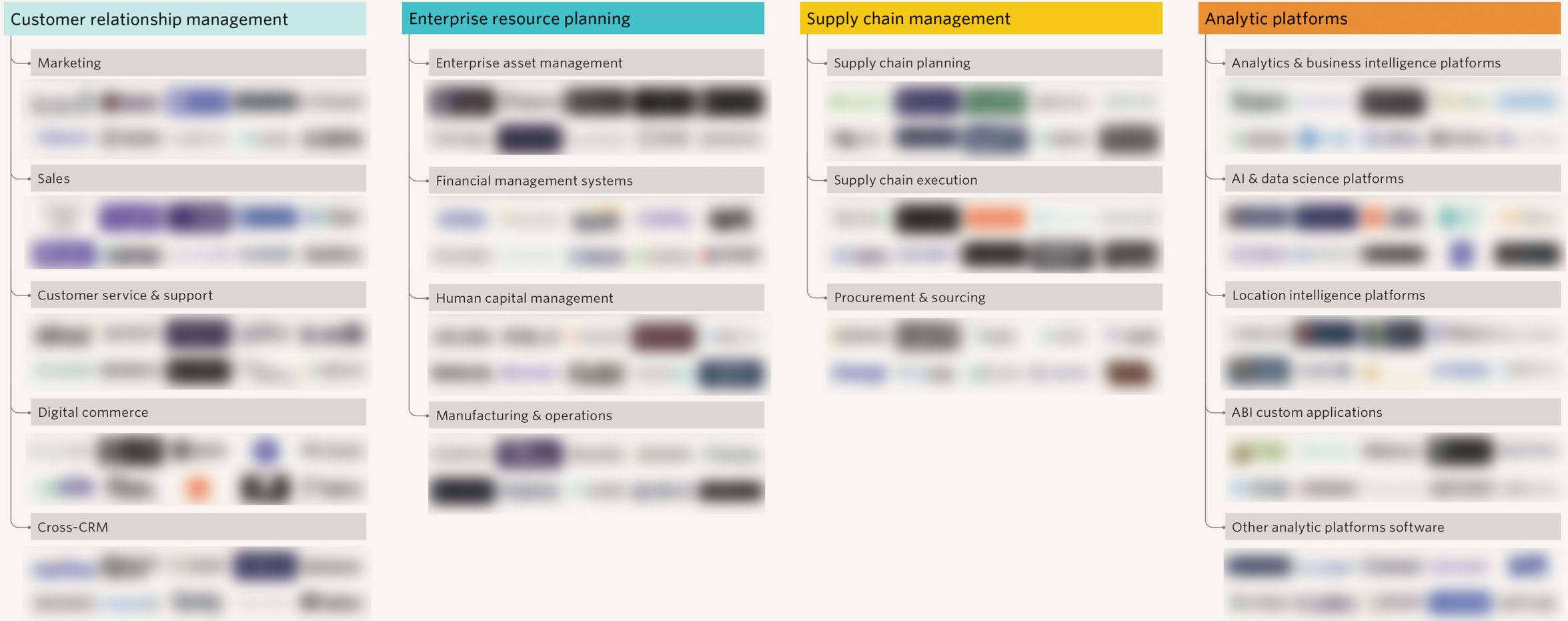
Enterprise SaaS landscape

1. Customer relationship management
2. Enterprise resource planning
3. Supply chain management
4. Analytic platforms
5. Knowledge management systems
6. Other application software

Enterprise SaaS VC ecosystem market map

Click to view the interactive market map on the PitchBook Platform.

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.



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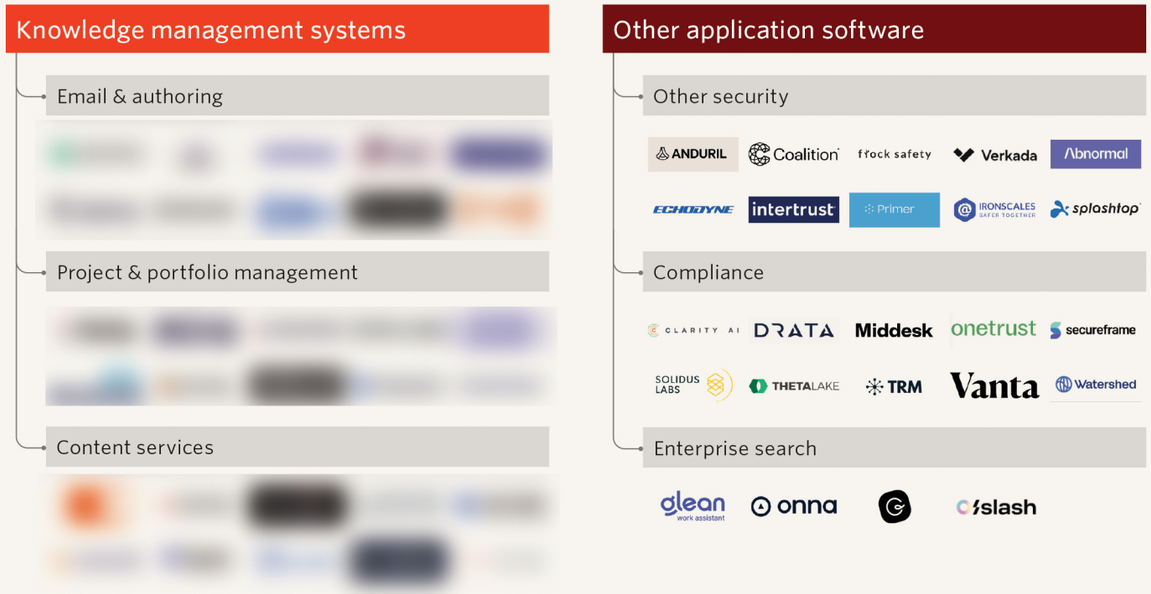
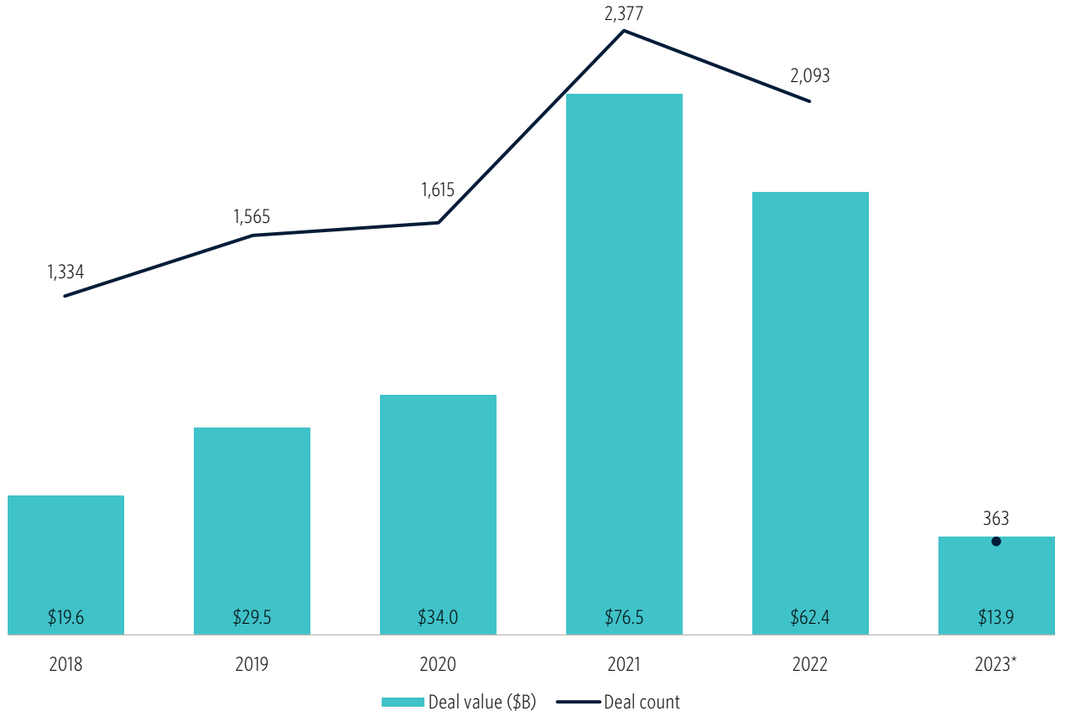


VC activity

Despite a challenging environment throughout 2022, the enterprise SaaS sector remained strong across both deal count and deal value, second only to the blowout of 2021. In 2022, enterprise SaaS companies raised $62.4 billion across 2,093 deals, down just 18.4% in deal value and 11.9% in deal count, despite a night-and-day shift in the markets from 2021, which saw $76.5 billion raised across 2,377 deals. Importantly, 2022 totals eclipsed the next-highest amounts prior to 2021, with 29.6% more deals and 83.4% greater deal value than the prior record set in 2020. Overall, steady deal count and deal value persisted in 2022 despite rising interest rates, ongoing COVID-19 disruptions, market volatility, and major geopolitical eruptions. We expect overall deal count and value to remain resilient in 2023 despite our expectation for continued headwinds.

Notably, the 2022 deal count and deal value were heavily skewed to ERP, which held 36.2% of the deal count and 37.1% of the deal value, and CRM, which held 28.0% of the deal count and 28.1% of the deal value. Together, these segments represent almost two-thirds of the total of each metric. The next-largest segments were AP, with 14.9% of the deal count and 11.4% of the deal value, and SCM, with 7.4% of the deal count and 10.1% of the deal value. The remaining two segments contributed mid-single digits to the overall count and value, with KMS holding 8.6% of the deal count and 5.4% of the deal value and OAS holding 5.0% of the deal count and 7.9% of the deal value. We anticipate enterprises will continue to emphasize their revenue-generating and customer-focused segments, notably the CRM segment, with additional investments to continue across our manufacturing & operations subsegment of ERP, especially in solutions specific to certain verticals, such as medical technology, insurance technology, and agricultural technology.

Enterprise SaaS VC deal activity



Source: PitchBook • Geography: US • *As of March 31, 2023

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Customer relationship management (CRM)

Overview

CRM software automates and optimizes the customer-facing operations of a business. CRM spans the lifetime of a customer, from discovering new prospects and marketing to them, to securing transactions through sales, to customer success and engagement through ongoing services and support. Salesforce is the market leader and an exemplary CRM vendor.

While CRM technology solutions may be industry-specific, most are sector-agnostic. These solutions scale by working to address universal business challenges, such as sales and marketing. Certain technologies provide specialized solutions depending on the enterprise and/or customer base. Every solution nonetheless aims to maximize the lifetime value of each customer by serving and deepening the relationship with the enterprise.

The five subsegments within CRM address common demands across enterprises. These subsegments include:

- **Marketing:** Most enterprises begin their customer lifecycle with direct and indirect marketing to prospects in an effort to develop enough interest to create ongoing clients. Marketing is a vital business effort that operates across numerous channels, including digital and advertising technology (adtech), B2B, and account-specific channels. These often address distinct customer segments or attempt to create multiple touchpoints across diverse mediums. In addition, loyalty management involves marketing to current clients and may overlap with ongoing customer service and support efforts. We include the management of digital assets (videos, infographics, and demos) used for internal and external marketing purposes in this subsegment as well. Examples of marketing software offerings include: 1) multichannel marketing, 2) account-based marketing, 3) digital and adtech, 4) B2B marketing automation, 5) loyalty management, and 6) digital asset management.

- **Sales:** The lifeblood of every enterprise is its ability to execute sales. CRM software delivers sales execution, enablement, and force automation software. These softwares enable existing salesforces within an enterprise, especially in conjunction with performance management technologies. In addition, partner relationship management software enables and leverages third-party sellers that drive indirect sales channels. Digital optimization software for pricing, quoting, and product configuration also provides another leverage point for many enterprises. Finally, customer success management—the engagement of customers to ensure their desired outcomes—has experienced outsize growth in recent years as SaaS and subscription revenue grows, especially in relation to opportunities to upsell and cross-sell, along with attrition management. Examples of sales software offerings include: 1) salesforce automation, enablement, and performance management; 2) partner relationship management; 3) price optimization; 4) recurring revenue management; and 6) customer success.

- **Digital commerce:** With the explosion of e-commerce through Web 2.0 developments and deployments of 4G and 5G enabling constant connectivity with these platforms, digital commerce has become a distinct, meaningful, and pervasive touchpoint with clients. Simply put, digital commerce is the trade between buyers and sellers enabled by digital technologies. To this end, enterprises are employing platforms to create an interactive self-service medium to access salable goods, creating a digital storefront. In addition, these platforms often employ sophisticated digital search technologies to meet specific customer needs. Finally, enterprises may create their own digital marketplaces—exclusive of third-party marketplaces, such as Amazon, eBay, and Alibaba—to invite other sellers to service end customers, either B2B or B2C.

About PitchBook Emerging Tech Research

Independent, objective, and timely market intel

As the private markets continue to grow in complexity and competition, it's essential for investors to understand the industries, sectors and companies driving the asset class.

Our Emerging Tech Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

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PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Paul Condra Head of Emerging Technology Research

Additional research

Eric Bellomo
eric.bellomo@pitchbook.com
Gaming
E-Commerce

Brendan Burke
brendan.burke@pitchbook.com
Internet of Things
Information Security
Artificial Intelligence & Machine Learning

Aaron DeGagne
aaron.degagne@pitchbook.com
Medtech
Digital Health

Alex Frederick
alex.frederick@pitchbook.com
Agtech
Foodtech

Jonathan Geurkink
jonathan.geurkink@pitchbook.com
Supply Chain Tech
Mobility Tech

Derek Hernandez
derek.hernandez@pitchbook.com
Enterprise SaaS

Ali Javaheri
ali.javaheri@pitchbook.com
Emerging Spaces

Robert Le
robert.le@pitchbook.com
Web3/DeFi
Insurtech
Crypto

John MacDonagh
john.macdonagh@pitchbook.com
Carbon & Emissions Tech
Clean Energy Tech

Rebecca Springer
rebecca.springer@pitchbook.com
Healthcare Services
Healthcare IT

Rudy Yang
rudy.yang@pitchbook.com
Fintech

Coming soon
Biotech
Pharmatech