



SaaS Industry- Industry Report

AI Integration and Platform Consolidation

**Reshape the US SaaS
Industry Outlook**

August 2026



Abstract

This comprehensive report examines the structural evolution, financial performance, and market dynamics driving the US Software-as-a-Service (SaaS) industry. Driven by enterprise cloud migration and software modernization, the sector is experiencing a major shift as artificial intelligence (AI) transitions from a standalone tool into the foundational operating layer of modern software platforms.

To control software costs and eliminate operational fragmentation, enterprise buyers are prioritizing platform consolidation, favoring unified, multi-product solutions over standalone point applications. This structural shift is altering go-to-market strategies, accelerating the adoption of usage-based and outcome-linked monetization models, while strengthening specialized vertical SaaS solutions across key industries. Against a backdrop of strong tech spending, resilient M&A activity, and concentrated private investment, this report evaluates macro growth drivers, private equity (PE) trends, and strategic implications for software providers navigating an increasingly value-driven market.



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Executive Summary

The broader US technology sector is experiencing significant expansion as investment accelerates across AI infrastructure, cybersecurity, and software systems. Within this landscape, the US SaaS industry continues to lead globally, driven by cloud migration, application modernization, and enterprise platform consolidation. Supported by these tailwinds, the US SaaS market is projected to reach \$356.6 billion by 2033, growing at a CAGR of 10%.

AI is rapidly becoming the foundational operating layer across modern enterprise software. Rather than acting as standalone tools, AI models and autonomous agents are now deeply embedded into core workflows spanning software engineering, customer support, and product management. This operational shift is especially pronounced among early-stage vendors, with 43% of SaaS companies generating under \$1 million in annual recurring revenue (ARR) deeply embedding AI into their daily operations.

In addition to product innovation, monetization models are evolving from traditional per-seat subscriptions toward hybrid, usage-based, and outcome-linked pricing. Simultaneously, demand is rising for specialized vertical platforms and integrated software stacks over standalone point solutions. SaaS providers combining proprietary data, embedded intelligence, and clear return on investment (ROI) will continue to gain the strongest competitive advantage.

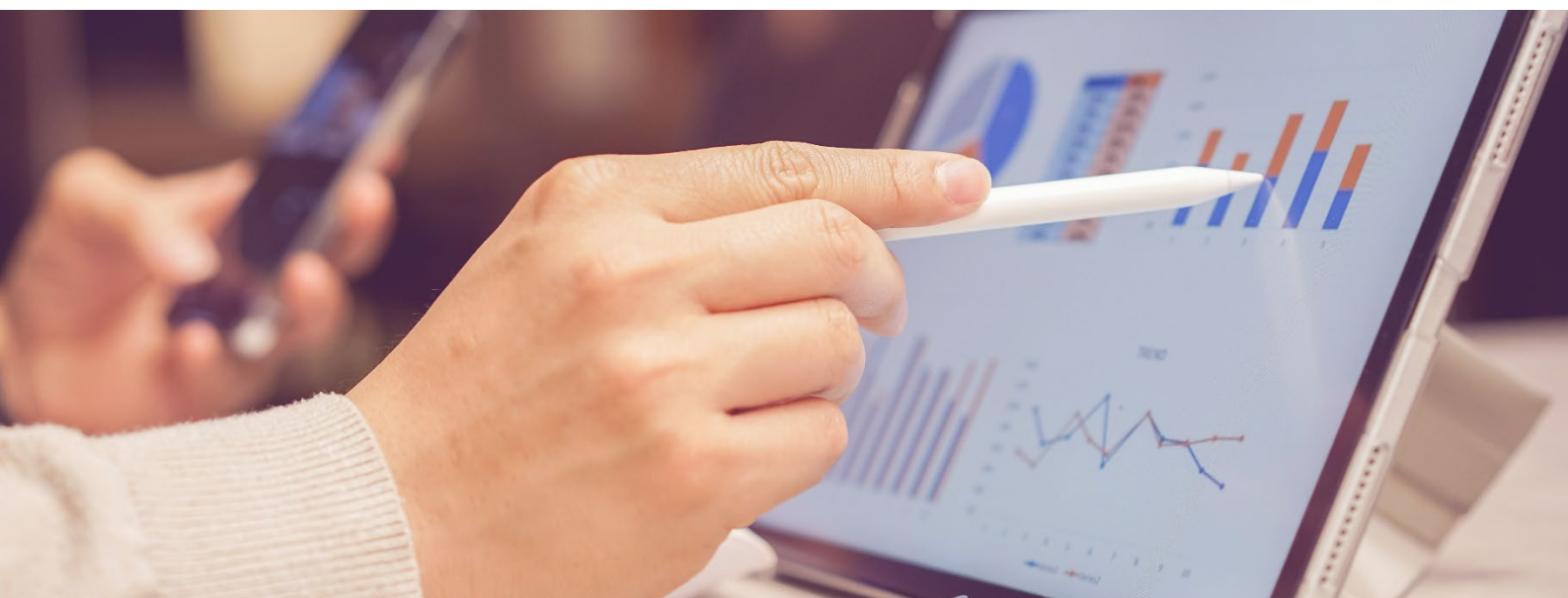
\$356.6 Billion

is the projected market size of the US SaaS industry by 2033, growing at a CAGR of 10%, as per Grand View Research



43%

of SaaS companies with less than \$1 million in ARR have deeply integrated AI into their daily workflows, as per 2025 High Alpha SaaS Benchmark





US Technology Sector | Market Highlights

US Technology Spending Accelerates as AI Infrastructure and Software Investment Expands

US technology spending is projected to reach \$2.9 trillion in 2026, supported by AI-optimized computing, software, cybersecurity, and data infrastructure.

\$2.9 Trillion

projected US technology spending in 2026

8.3%

projected YoY spending growth

25%

projected growth in computer-equipment spending

11.8%

projected growth in software spending

Source: Forrester

Market Drivers



AI Infrastructure Leads Spending Growth

Demand for AI-optimized servers is expected to drive 25% growth in US computer-equipment spending. The Media and Information sector, which includes hyperscalers, is projected to generate 43% of total US technology-spending growth.



Software Demand Strengthens

US software spending is projected to expand 11.8% in 2026, supported by investment in cybersecurity, databases and AI platforms, materially faster than the 8.3% growth projected for the broader technology market.



AI Adoption Expands Across US Businesses

As of May 3, 2026, approximately 42% of information sector businesses are expected to use AI during the following six months.

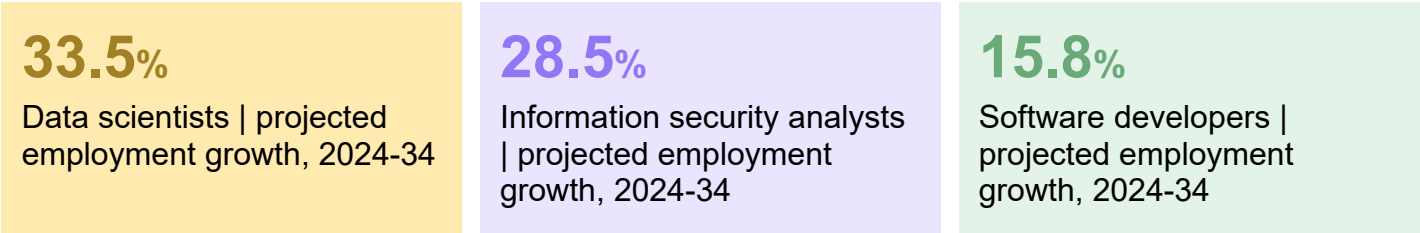


Financial Services and Government Anchor Technology Demand

US financial services technology spending is projected to reach \$495 billion in 2026, representing 17.1% of total US technology spending, while government technology spending is expected to reach \$357 billion, accounting for 12.3% of the total.



Technology Talent Remains a Structural Growth Area

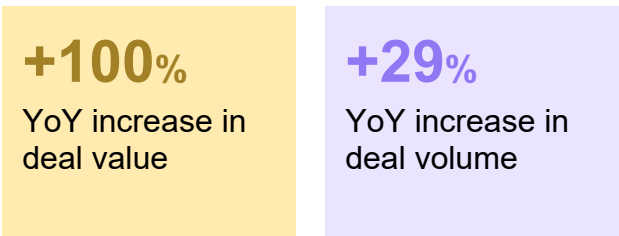


Source: US Bureau of Labor Statistics

Investor Implication: US technology growth is becoming increasingly concentrated in AI infrastructure, software, data and cybersecurity. Companies that convert technology investment into measurable customer outcomes should be better positioned as buyers apply greater scrutiny to AI-related spending.

US Technology M&A Accelerates as Buyers Pursue AI, Software and Digital Infrastructure

Technology was the most active sector in EY's US deal analysis during April-June 2026, supported by capability-led acquisitions and platform consolidation.



ources: EY Insights Analysis and Dealogic

Technology M&A Momentum

US Technology M&A	April-June 2025	April-June 2026
Deal Value	\$170.7 Billion	\$340.9 Billion
Deal Volume	130	168

Sources: EY Insights Analysis and Dealogic

What Buyers Are Prioritizing

AI Capabilities	AI-model development, coding, automation and enterprise-data capabilities.
Platform Consolidation	Broader product coverage, cross-selling potential and stronger competitive positioning.
Digital Infrastructure	Connectivity, computing and cybersecurity platforms supporting enterprise AI deployment.
Build-versus-buy	Non-technology companies acquiring software assets to accelerate AI adoption and modernization.

Selected Capability-led Transactions

Acquisition	Value	Strategic Rationale
ServiceNow-Armis	\$7.8 Billion	Added cyber-exposure management and asset intelligence across IT, operational technology, and connected devices.
SAP-Dremio	Undisclosed	Expanded SAP's ability to combine enterprise data and support real-time analytics and agentic-AI workloads.
SAP-Reltio	Undisclosed	Added master-data-management capabilities to unify, cleanse, and prepare enterprise data for AI applications.

US Technology Funding Remains Strong but Highly Concentrated

\$400+ billion was raised by US startups during the first half of 2026, surpassing every previous full-year investment total, although most capital flowed to AI companies and funding rounds of \$100 million or more, as per PitchBook.

Investor Implication: Record funding indicates strong capital availability for technology, but its concentration among scaled AI companies suggests that smaller and non-AI technology businesses continue to face a selective financing environment.





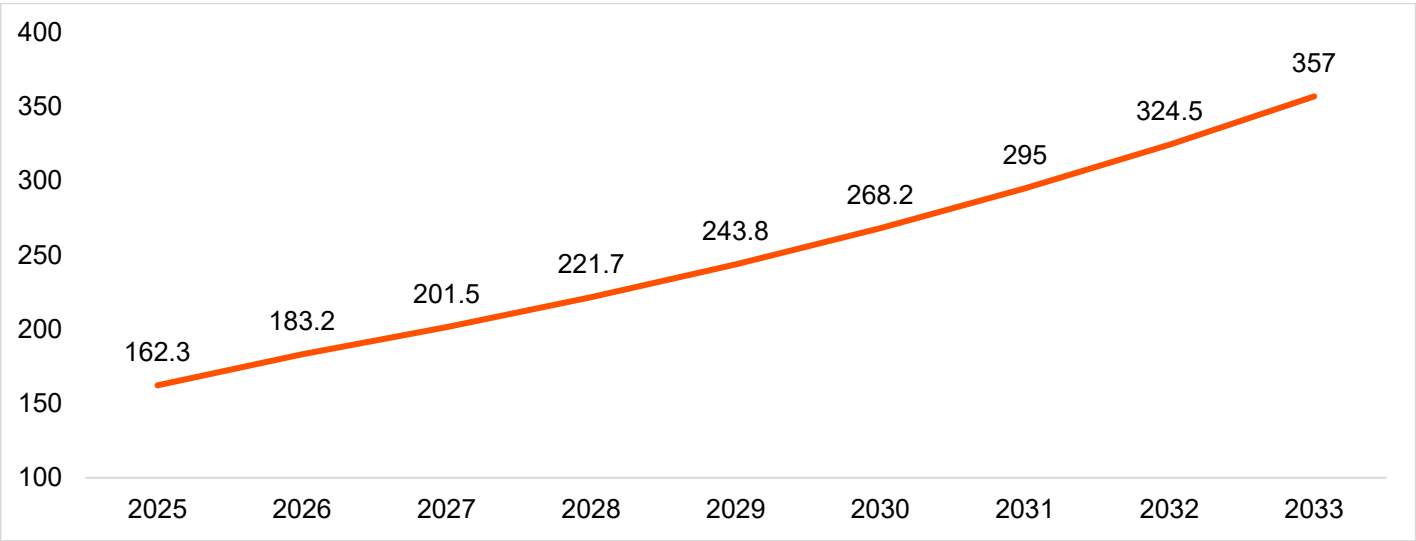
US SaaS Industry | Market Overview

The US SaaS industry is the world’s largest and most advanced cloud-software market, supported by enterprise technology spending, a startup ecosystem, and application-software vendors. The US market generated \$162.3 billion in 2025 and is projected to reach \$356.6 billion by 2033, expanding at a CAGR of 10% during 2026–2033, as per Grand View Research. Hybrid-cloud SaaS is expected to grow fastest as enterprises combine public-cloud scalability with greater control over sensitive data and regulated workloads.

The industry spans horizontal applications such as customer relationship management (CRM), enterprise resource planning (ERP), collaboration, and analytics, alongside vertical platforms for healthcare, finance, construction, and retail. AI is becoming central to product development as High Alpha’s 2025 survey found that 70% of companies had launched AI features and another 22% had them on their product roadmaps. Growth is increasingly supported by AI-led automation, continued migration from on-premise systems, demand for integrated, industry-specific platforms, and rising cybersecurity and compliance requirements. However, customers are placing greater pressure on vendors to demonstrate measurable returns, control consumption costs, and simplify complex software portfolios. The US SaaS market is therefore expected to remain a global innovation center while shifting toward AI-native products, usage-linked monetization, and multi-product platforms.

The US SaaS market leads globally, driven by enterprise adoption, hybrid deployment, and specialized sector solutions. Deep integration of AI and automated tools fuels innovation, while clients increasingly demand cost efficiency and proven value. Consequently, vendors are shifting toward intelligent, multi-product platforms to maintain their competitive advantage.

Figure 1: US SaaS Market Size (in \$Billions)



Source: Grand View Research



Macro Drivers



Cloud Migration and Application Modernization:

Cloud adoption is expanding SaaS demand, with the US market projected to reach \$813 billion by 2030 and grow at 20.3% annually, as per Grand View Research.



Enterprise AI Adoption and Workflow Automation:

AI integration is strengthening SaaS demand, with 19.8% of US businesses using AI and adoption reaching 37% among large firms, as of May 3, 2026, as per the US Census Bureau.



Hybrid Work and Distributed Operations:

Persistent remote work is supporting collaboration SaaS, with 35.4 million US workers teleworking and 65.4% of computer and mathematical professionals working remotely in 2025, as per the BLS.



Expanding Small-Business Customer Base:

The broad SME ecosystem supports scalable SaaS adoption. As of February 2026, 36.2 million US small businesses represent 99.9% of all businesses, as per the SBA.



Cybersecurity and Data-Governance Pressure:

Rising cyber risk is increasing security SaaS demand, with US breaches averaging \$10.2 million, as per IBM, and 1,008,597 internet-crime complaints recorded in 2025, as per the FBI.



Emerging US SaaS Trends

Platform Consolidation and SaaS Stack Rationalization

Platform consolidation and SaaS stack rationalization are reshaping the US SaaS market as enterprises reduce vendor sprawl, control software costs, and simplify increasingly complex technology environments. Instead of buying disconnected best-of-breed tools, organizations are concentrating spending on strategic platforms that combine multiple workflows, provide unified data, and strengthen governance. The urgency is rising as worldwide software spending is forecast to grow 15.1% to \$1.4 trillion in 2026, as per Gartner. Meanwhile, organizations maintain 305 SaaS applications on average, with annual SaaS spending rising 8% to \$55.7 million, even though 36% of licenses remain unused, as per Zylo. These figures expose persistent duplication, fragmented ownership, and weak renewal discipline, reinforcing the case for rationalization.

Major vendors are responding by broadening their platforms and embedding more functions within shared architectures. Salesforce's Data 360 connects data across Sales, Service, Marketing, and Commerce, supporting its Customer 360 proposition and reducing reliance on disconnected engagement tools. ServiceNow's acquisition of Moveworks adds an AI assistant, enterprise search, and agentic workflows to a platform already spanning IT, HR, customer service, security, finance, and procurement. For customers, consolidation is expected to improve procurement leverage, data consistency, governance, and user experience, but it also increases switching costs and vendor concentration risk. For investors, the shift favors providers with broad product coverage, deep workflow integration, and credible cross-selling capabilities that will likely strengthen retention and expand wallet share. Standalone point solutions face greater displacement risk and must demonstrate superior functionality, measurable ROI, and durable integration value to survive renewal scrutiny and maintain relevance within increasingly standardized enterprise technology stacks.

15.1%

is the projected growth in worldwide software spending in 2026, as per Gartner



36%

of SaaS licenses remained unused, as per Zylo





Evolution of SaaS Monetization from Subscription to Usage and Outcome-Based Pricing

US SaaS monetization is moving beyond per-seat subscriptions as AI agents tie customer value and vendor delivery costs directly to usage activity. According to High Alpha's 2025 SaaS Benchmarks survey of over 800 companies (69% headquartered in the US), 53% of those formally monetizing AI used subscriptions, while 31% used hybrid, 11% usage-based, and 5% outcome-based pricing. Variable models correlated with stronger performance, as outcome-priced companies recorded roughly 65% YoY growth compared to around 34% for subscription-led peers, while hybrid models delivered the highest median net revenue retention at nearly 105%.

US vendors are operationalizing this shift. Salesforce expanded Agentforce in August 2025 with pay-as-you-go Flex Credits, allowing customers to pay for actions consumed without an upfront commitment. In April 2026, HubSpot moved Breeze Customer Agent from \$1 per handled conversation to \$0.50 per resolved conversation and priced Prospecting Agent at \$1 per lead recommended for outreach, linking charges to measurable business results.

The transition improves flexibility and lets vendor revenue expand with customer value, but reduces billing predictability. According to Zylo, 78% of 218 IT leaders encountered unexpected AI- or consumption-related charges over the past year. Consequently, hybrid models combining recurring platform fees with metered usage or outcomes are emerging as the bridge between revenue stability and value-aligned monetization.

Rise of Vertical SaaS and Industry-Specific Software Platforms

Vertical SaaS is accelerating in the US as businesses replace horizontal tools with platforms built around industry workflows, regulations, data, and payments. According to the 2025 Tidemark Vertical & SMB SaaS Benchmark Report, a survey of 200-plus companies found 59% of vertical SaaS vendors now offer multiple products. Their median addressable market reached \$513 million, more than twice the \$250 million for single-product peers, as specialized vendors expand into operating platforms.

US companies demonstrate this platformization. Toast now combines restaurant POS, payments, digital ordering, payroll, marketing, lending, and AI-enabled operations.

The company ended 2025 serving 164,000 locations, with ARR rising 26% to more than \$2 billion. Procore is extending its construction platform beyond project collaboration into portfolio planning, common-data infrastructure, and embedded AI agents. In 2Q26, Procore generated \$375 million of revenue, up 16% YoY, while customers contributing over \$100,000 of ARR increased 14% to 2,871.

Vertical specialization creates workflow ownership, data advantages, and switching costs because the software becomes embedded in mission-critical operations. It also enables cross-selling of payments, financial services, analytics, marketplaces, and AI. As industry platforms capture more workflows and transaction volume, vertical SaaS is evolving from category-specific software into the digital operating system for fragmented US industries.

31%

of companies formally monetizing AI used hybrid pricing, as per High Alpha's 2025 SaaS Benchmarks Report



59%

of vertical SaaS vendors offered multiple products in 2025, as per Tidemark Vertical & SMB SaaS Benchmark Report





Operationalizing AI in the US SaaS Industry

AI Becomes the Foundational Layer for SaaS Workflows and Productivity

AI is transitioning from a standalone employee assistant into a foundational operating layer across the US SaaS industry. Enterprise software providers are deeply embedding copilots and autonomous agents across core functions, including software engineering, product management, customer support, sales, marketing, finance, and knowledge management. Rather than focusing solely on isolated content or code generation, SaaS platforms are linking proprietary product and customer data directly with advanced AI models and automated workflow systems. This integration enables organizations to accelerate release cycles, deliver hyper-personalized engagement, automate service delivery, and scale overall output without a proportional increase in headcount.

This shift is evident in the 2025 High Alpha SaaS Benchmark, which shows that 43% of SaaS companies with less than \$1 million in ARR have deeply integrated AI into their daily workflows. Furthermore, according to Google's 2025 DORA study, 90% of software professionals used AI at work, and more than 80% reported higher productivity. Moreover, 59% reported improved code quality, although 30% had little or no trust in AI-generated code, reinforcing the need for human oversight.

Leading US SaaS companies demonstrate measurable operational value. Salesforce's support agent handled 4.3 million inquiries and resolved 70% by June 2026. ServiceNow generated \$500 million in annualized value from internal AI in 2025, including \$100 million of operating-expense savings. Moreover, Dropbox reported that 96% of employees used AI weekly, while 49% redirected the resulting time savings toward higher-value work. Execution quality will separate leaders. Ultimately, companies combining proprietary data, embedded agents, governance, and performance measurement will convert AI adoption into durable operating advantage.

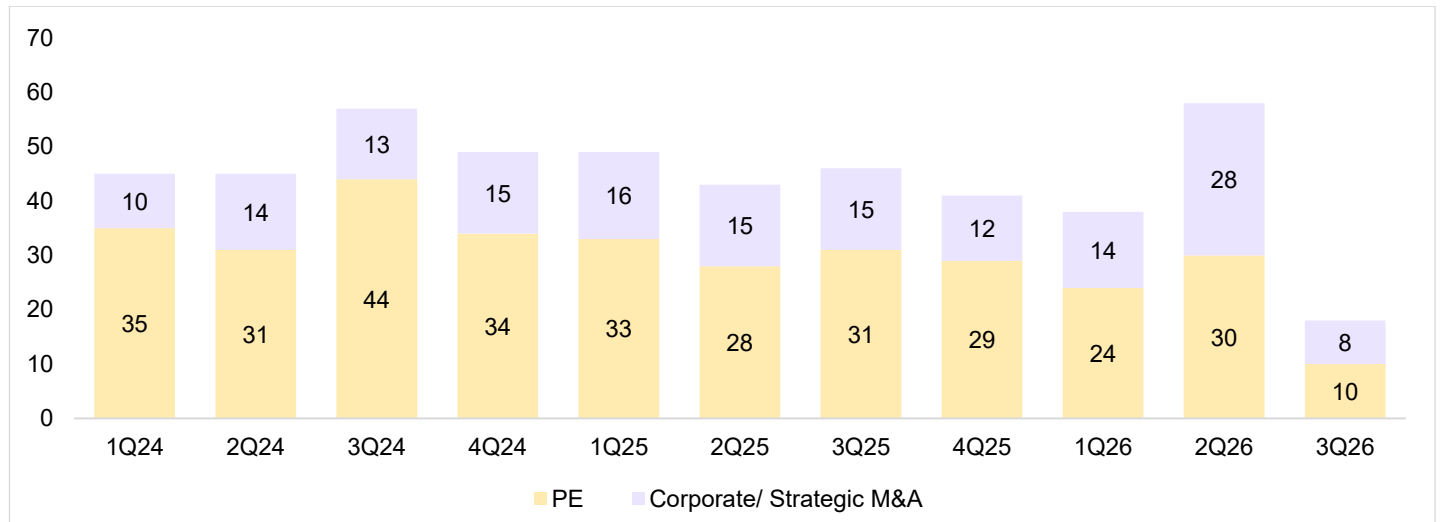
AI is becoming embedded across engineering, support, go-to-market, and knowledge workflows in US SaaS firms. The results demonstrate that AI will likely improve software development, automate customer service, lower operating expenses, and redirect employee time toward higher-value activities. Companies combining proprietary data, embedded agents, governance, and clear performance measurement will gain the strongest operating advantages.

90%

of software professionals used AI at work and more than 80% reported higher productivity, as per Google's 2025 DORA Study

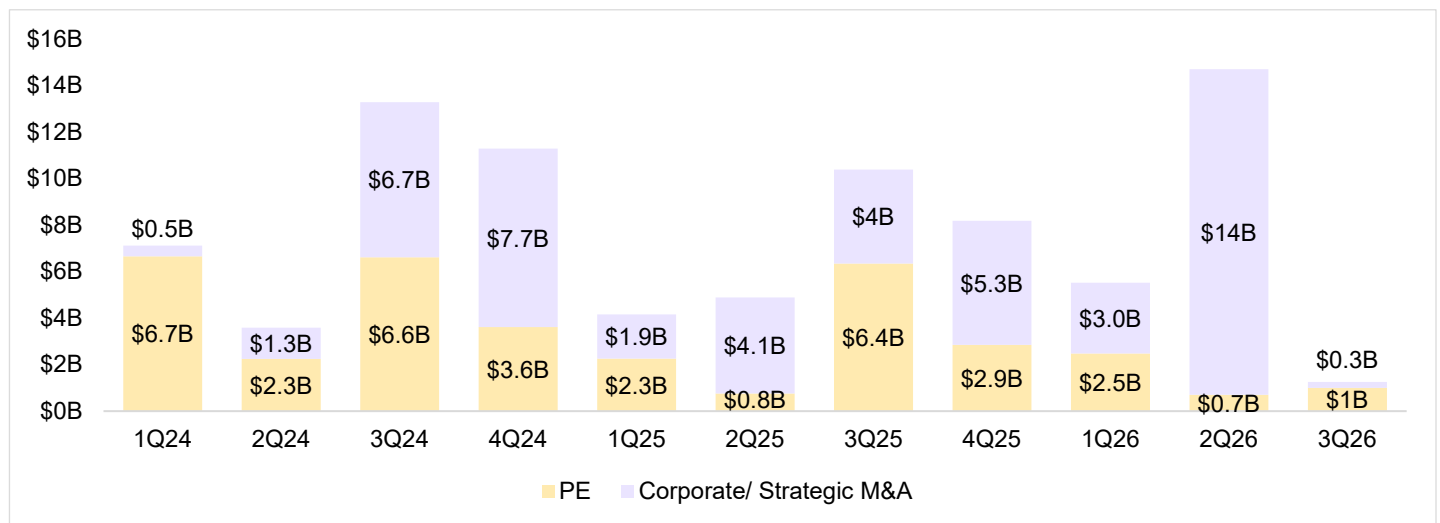
Key US SaaS Deals

Figure 2: SaaS Lower Middle Market and Middle Market Deal Count



Source: PitchBook, data as of July 31, 2026

Figure 3: SaaS Lower Middle Market and Middle Market Capital Raised

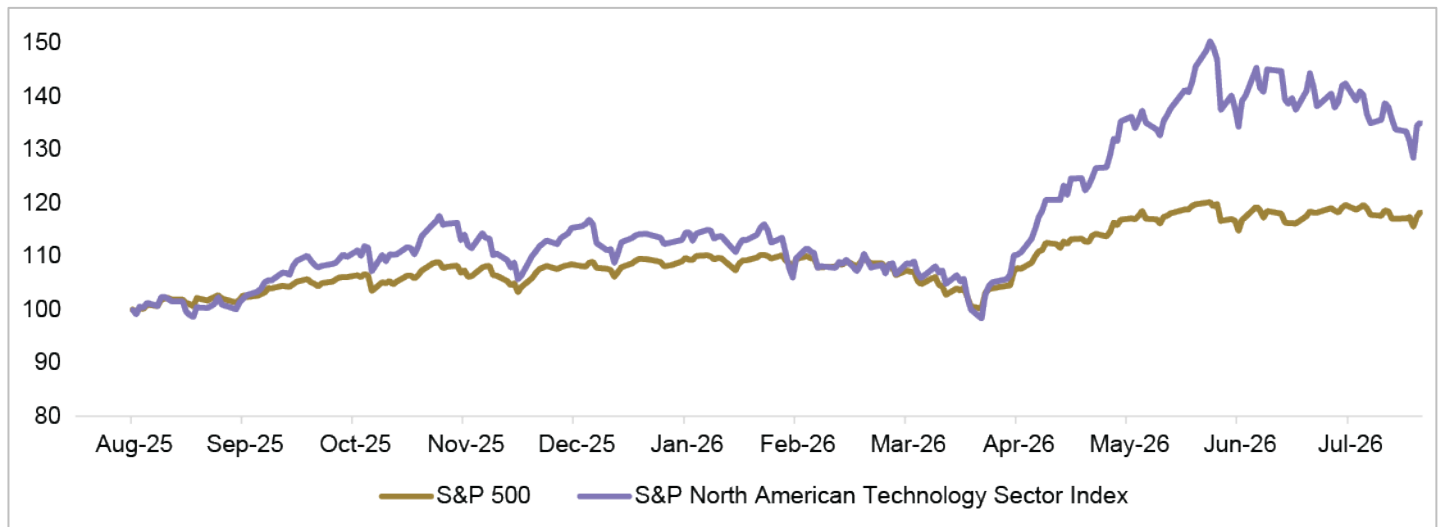


Source: PitchBook, data as of July 31, 2026

SaaS Lower Middle Market and Middle Market Deal Summary

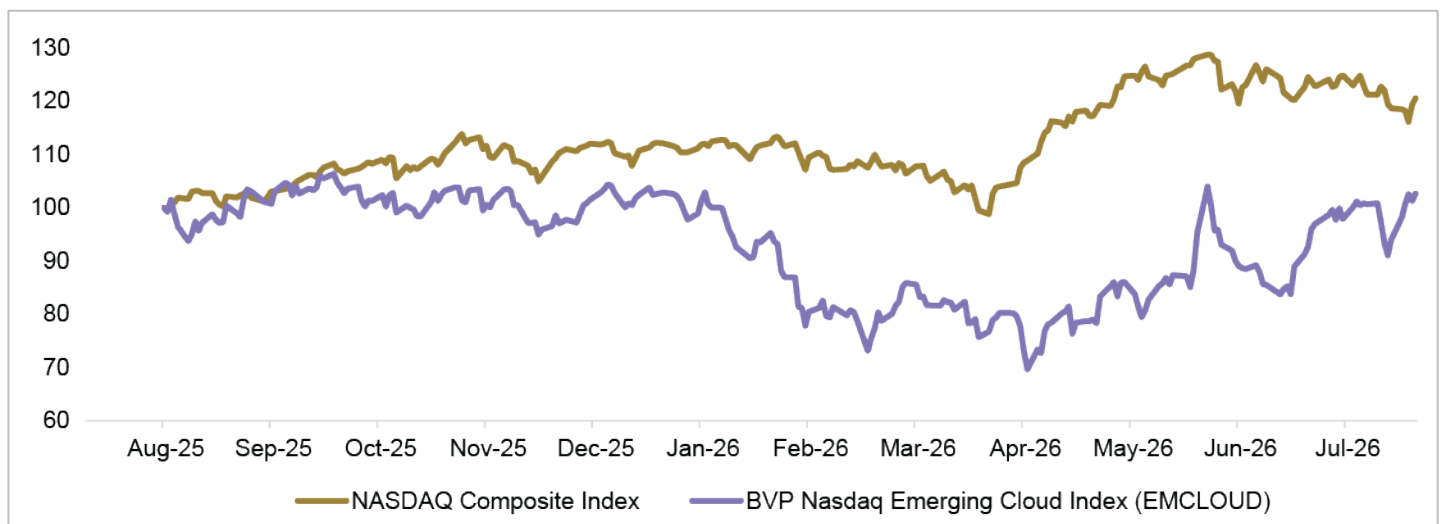
Companies 456	Deals 489	Investors 646	Exits 295	Largest Deal \$3.6B	Capital Invested \$80B
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Figure 4: S&P North American Technology Sector Index YTD Performance



Source: S&P Global, data as of July 31, 2026

Figure 5: BVP Nasdaq Emerging Cloud Index (EMCLOUD) YTD Performance



Source: NASDAQ, data as of July 31, 2026



Key Private Equity Deals Tombstones

August 19, 2026,

Ridgeview
PARTNERS

to Acquire

PINEWOOD.AI

a provider of cloud-based dealership management and automotive retail software, for approximately \$739 million.

August 18, 2026,



Invests (Majority)

Queue-it

a provider of cloud-based online traffic orchestration solutions, for an undisclosed amount.

June 8, 2026,



to Acquire

Kneat

a provider of cloud-based validation lifecycle management software, for approximately \$467 million.

March 31, 2026,



Invests (Majority)



a provider of cloud-based centralized bank integration and payment automation platform, for an undisclosed amount.

March 3, 2026,



Invests (Majority)



a provider of cloud-based enterprise compensation management software, for an undisclosed amount.

March 3, 2026,



Invests (Majority)



a provider of cloud-based maintenance and compliance software, for an undisclosed amount.

January 15, 2026,



Invests (Majority)



a provider of digital dining solutions serving non-commercial foodservice, for an undisclosed amount.

January 15, 2026,



to Invest (Joint Control)



a provider of cloud-based student housing and residential-community management software, for an undisclosed amount.

January 8, 2026,



to Invest (Majority)



a provider of AI-powered contract lifecycle management SaaS solutions, for an undisclosed amount.

SaaS Upcoming Events

TechCon 365 – Microsoft 365, Data & Power Platform Conference	August 24–28, 2026	Hyatt Regency San Francisco Downtown SOMA, 50 Third Street, San Francisco, CA
Practical Founders Summit 2026	August 25–26, 2026	Royal Palms Resort, Phoenix, Arizona
API World 2026	September 1–3, 2026	Santa Clara Convention Center, Santa Clara, CA



About Straive SG Analytics

SG Analytics (SGA), a Straive company, is a global leader in data, analytics, and AI consulting - specializing in turning data into actionable insights and operationalizing AI at scale.

With deep domain expertise in BFSI, Capital Markets, TMT (Technology, Media & Telecom), Supply Chain & Manufacturing, and other high-growth industries, SGA empowers clients with Ins(AI)ghts for Business Success.

A **Great Place to Work**® certified company, SGA's 1,400+ experts operate across the U.S.A, U.K and India. Recognized by Gartner, Everest Group, ISG, and featured in the Deloitte Technology Fast 50 India 2024 and Financial Times & Statista APAC 2025 High Growth Companies, SGA is redefining decision-making at the intersection of data, innovation, and AI deployment.

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