The new generation of intelligent SaaS applications delivers benefits that impact every user across each functional area in the enterprise, which makes SaaS a strategic imperative for sustainable growth and profitability.

Next-Gen SaaS Serves as the Automation Engine for Modernization and Business Transformation

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Introduction

The past several years have forever altered executives' perceptions of time to business value. We live with the business reality of increasingly compressed timelines, expanding complexity, and the constantly changing needs of customers. Value creation largely depends on digital technologies to keep pace with consumer expectations. Results from IDC longitudinal research highlight the dramatic change in the use of digital technologies to deliver value. According to the research, 39% of businesses have adopted a digital-first strategy, deploying digital technologies at scale. Data and intelligent analytics provide the beacon for navigating continuous disruption and promptly responding with appropriate course corrections. Large and growing volumes of data drive businesses to the cloud. According to IDC's 2022 *Worldwide Industry CloudPath Survey*, 36% of companies indicated that data has grown well beyond the capacity of existing systems. The explosion of data is a key driver from legacy to SaaS.

Nearly half of the useful data that businesses need to support timely and accurate decisions remains isolated in regional, functional, and application silos, impeding change efforts and exposing the company to increased risk of disruption from digitally determined competitors. Operating at this speed with efficiency requires a substantial investment in current and emerging digital technologies that allow the business to connect efficiently and automate end-to-end processes and workflows to drive scalability, agility, and resilience. Many of the desired outcomes for cloud-based application migration highlight improvements in customer and user experience, efficiency, and time to market; these improvements require the type of intelligent automation that is the hallmark of a new generation of SaaS. SaaS application platform services strengthen the value of SaaS applications by enabling users to extend, connect, and enhance the performance of SaaS. Figure 1 shows the range of benefits that SaaS application buyers have come to expect. Modern SaaS applications deliver benefits that impact every function and, therefore, every user in the enterprise, making SaaS a strategic imperative for sustainable growth and profitability.
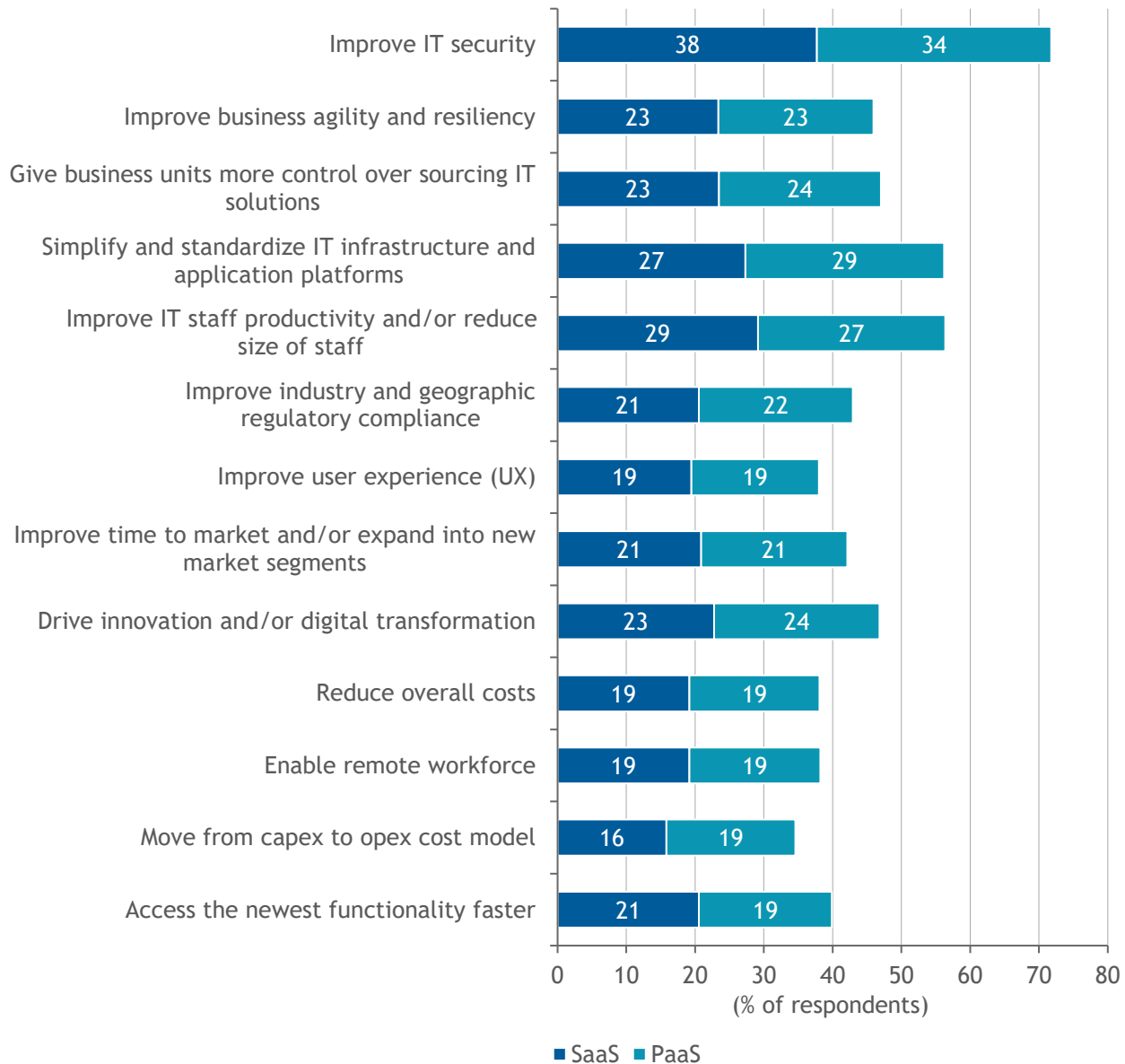

AT A GLANCE

KEY STATS

According to IDC research:

» 36% of companies indicate data exceeds the capacity of existing systems, triggering the move to SaaS.

» By 2026, SaaS application revenue will exceed $370 billion, representing a five-year CAGR of 16%.

» More than half of businesses with over 5,000 employees have 100–500 SaaS applications deployed, and 12.3% of large enterprises use more than 500 SaaS applications.

FIGURE 1: *Anticipated SaaS Application and Application Platform Benefits*

Q *While in the evaluation process, what benefits did you expect to achieve from purchasing SaaS applications?*

Benefit	SaaS	PaaS
Improve IT security	38	34
Improve business agility and resiliency	23	23
Give business units more control over sourcing IT solutions	23	24
Simplify and standardize IT infrastructure and application platforms	27	29
Improve IT staff productivity and/or reduce size of staff	29	27
Improve industry and geographic regulatory compliance	21	22
Improve user experience (UX)	19	19
Improve time to market and/or expand into new market segments	21	21
Drive innovation and/or digital transformation	23	24
Reduce overall costs	19	19
Enable remote workforce	19	19
Move from capex to opex cost model	16	19
Access the newest functionality faster	21	19

(% of respondents)

■ SaaS ■ PaaS

n = 2,070

Source: IDC's Worldwide Industry CloudPath Survey, 2022

Application Modernization as a Strategic Imperative

Much has been written about updating legacy on-premises enterprise applications with feature-rich, cloud-enabled SaaS business applications. The shift commenced with systems of engagement like CRM and marketing automation because of the need to drive continuous improvement in the customer experience and marketing ROI. Over time and due to dramatic changes in market trends and buyer behavior, the shift to SaaS expanded to include systems of record that had a profound enterprisewide impact. The drivers for this change and the range of benefits enterprises anticipate present a compelling case that all businesses must consider and address without hesitation to deal with change.
In the case of SaaS, the benefits far outweigh any change-related risks. Events of the past three years demonstrate the risk of not replacing legacy applications with the new generation of SaaS applications. IDC research highlights the pervasiveness of SaaS applications across industries. More than half of businesses with over 5,000 employees have 100–500 SaaS applications deployed, and 12.3% of large enterprises use more than 500 SaaS applications. Table 1 presents current and planned SaaS usage, highlighting the robust demand for SaaS across industries and functional markets (application categories).

TABLE 1. *Cross-Industry SaaS Application Use (% of Respondents)*

Q *Please indicate whether your company uses a SaaS application for each of the following software categories (currently using and firm plans to implement within 12 months).*

	Financial Services n = 452	Manufacturing n = 470	Life Sciences n = 79	Oil and Gas n = 140	Retail n = 421	Wholesale Distribution n = 166	Media and Entertainment n = 84	Utilities n = 74	Healthcare n = 36	Hospitality and Food Service n = 66
Enterprise resource planning (ERP)	84	85	86	85	85	77	82	77	72	76
Supply chain management (SCM)	83	87	82	86	89	82	80	76	75	68
Sales force automation	80	87	85	81	85	79	80	66	75	74
Finance (FI)	89	86	75	83	86	80	82	80	67	79
Procurement	80	82	78	86	81	80	79	76	69	68
Core human resources (HR)	85	84	81	83	83	78	80	73	75	77
Enterprise asset management (EAM)	81	82	89	86	82	74	80	76	67	70
Treasury management	84	79	78	81	81	74	85	74	58	68
Accounts payable (AP)	84	85	86	84	85	83	79	82	75	71
Accounts receivable (AR)	84	82	85	83	85	78	76	76	72	71
Digital commerce (DC)	83	84	82	79	89	78	76	77	72	70
Payroll	87	84	84	86	88	89	79	81	83	74
Talent management	79	78	82	78	78	77	80	70	64	71
Facility management	79	79	80	79	79	75	79	69	50	65
Field service management	82	80	82	80	79	80	73	76	58	62

Source: IDC's Worldwide Industry CloudPath Survey, 2022

Investments in SaaS applications continue to pay dividends. In many cases, the realized benefits of SaaS far exceed the expected benefits documented in the business case. Looking at the current adoption rates might lead one to believe the market is nearing a saturation point for SaaS applications. The reality is that continued disruption and changes in customer needs in tandem with near continuous supplier innovation ensure a bright future for SaaS. IDC forecasts that SaaS application revenue will exceed $370 billion by 2026, representing a five-year CAGR of 16%. The new generation of SaaS applications reflects decades of supplier investment in the capabilities and features digital enterprises need most. AI and machine learning transform business applications into automation powerhouses. Top-tier SaaS providers have removed much of the heavy lifting required to apply intelligent automation to tackle some of an organization's biggest challenges. The value contained in vast data stores across the enterprise would remain untapped without intelligent

automation embedded in next-gen SaaS applications that power end-to-end processes and workflows to support continuous innovation in user and customer experiences. Conversations with healthcare, media, and manufacturing IT executives reveal the profound impact of SaaS applications and supporting platforms on innovation and the volume of successful digital initiatives. The executive director of IT for a global media company described the efficiencies gained by moving from on-premises ERP to public cloud SaaS. The time from business requirement scoping to final digital product delivery and integration was reduced from three weeks to two days. The executive explained how the team could satisfy more requirements, reducing the overall backlog and avoiding opportunity costs associated with competing priorities. This example is repeated in case after case, and the value compounds as the business matures in its digital competency. SaaS has allowed organizations to successfully transition work performed exclusively in a central location to work performed by a fully functioning distributed workforce. With this capability, companies can tap into talent pools across geographies. SaaS applications and platforms featuring low-code tools and prebuilt integrations enable end-to-end workflows that create superior user and customer experiences.

The New Face of Cloud Application Migration

Enterprises navigating the previously uncertain waters of cloud application migration benefit from the years of experience and innovation of SaaS providers and the global solution providers responsible for numerous successful deployments. The risk, uncertainty, and disruption caused by business transformation have been mitigated with time-tested frameworks, methodologies, and automation. Moving from a legacy application to a modern, cloud-native intelligent SaaS application is faster and more precise.

Definitions

Public cloud SaaS refers to software built for multitenancy within an enterprise. SaaS is turnkey, with all required resources pre-integrated. SaaS is on demand, dynamic, and fine-grained. Provisioning and management are addressed via dashboards and APIs.

Next-gen SaaS applications are intelligent business systems that apply machine learning and advanced analytics to enable rapid business performance improvements, leveraging data and content to support informed decision making. Next-gen SaaS features a modular, composable design based on containerized services to allow increased flexibility, portability, and innovation. These robust systems are intuitive and user centric and learn via usage how to optimize performance based on context, persona, device type, and network performance, among other dimensions.

Benefits

Businesses migrating to a modern SaaS application ecosystem can take advantage of the considerable experience of global systems integrators (GSIs), many of which have embedded deep industry and domain experience into frameworks and reusable assets to accelerate the time to value and minimize disruption. Businesses describe the range of benefits experienced as a result of moving to SaaS, including increased security, greater agility, continuous improvements in user and customer experiences, accelerated adoption of machine learning and intelligent analytics for faster and more accurate decisions, and improved remote worker collaboration and productivity.

Considering Wipro

Wipro is a leading global consulting and technology solution provider focused on implementing innovative solutions that address clients' most complex business transformation needs. The company's approach leverages deep domain expertise combined with a holistic portfolio of capabilities in consulting, design, engineering, operations, and emerging technologies designed to help clients achieve their aspirations and build future-ready sustainable businesses. Wipro is recognized globally by over 1,400 clients across 66 countries for its comprehensive services portfolio, unwavering commitment to sustainability, and good corporate citizenship. Wipro's products and platforms enable clients to access the full potential of AI-enabled automation to drive transformation with speed and precision. Flexible product offerings can be delivered "as a service" or as outcome-based models that are easy to deploy and are designed to accelerate rapid time to value.

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Challenges

The complexities and far-reaching implications of enterprise transformation require a significant investment in change management programs to drive deeper engagement, collaboration, and impactful communication. Ineffectively navigating change remains a leading cause of an enterprise transformation falling short of desired outcomes. According to IDC research, the business challenges of working with professional services firms include high cost (48.6%), limited availability of training (25.7%), inability to recommend or add applications to improve business process efficiency (25.7%), and prolonged/inefficient implementation and deployment (23.8%).

Conclusion

IDC research shows that investments in cloud-enabled SaaS business applications generate returns that exceed customer expectations. SaaS providers and implementation partners continue to deliver innovation faster and more efficiently. New methodologies for assessing, deploying, integrating, and optimizing SaaS applications transform the process into a rapid and more predictable experience. Enterprises waiting for the right time to move quickly realize that the market and competitive landscape are unrecognizable. Legacy systems cannot respond to changes in customer demand for continuous improvements in value delivery. Postponing the move will make taking advantage of future innovations like generative AI more difficult. The next-gen SaaS applications leverage emerging technologies like generative AI and embedded distributed ledger to extend the value of previous generations. There is no better time to engage and make the shift to prepare for future SaaS innovation.

About the Analyst

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Frank Della Rosa is Research Vice President responsible for SaaS, Business Platforms, and Industry Cloud. Mr. Della Rosa's core research analyzes current market conditions and trends and provides strategic guidance to technology suppliers and midmarket and enterprise technology buyers. Ongoing research highlights various SaaS and cloud computing aspects, including hybrid and multicloud application deployments, business platforms, cloud marketplaces, buyer behavior, and global trends across vertical and functional markets. Mr. Della Rosa's research covers emerging ISVs' journey to SaaS, SaaS management platforms, market forecasts, and supplier market shares.

IDC Custom Solutions

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