India SaaS Report 2020

An insight into the India SaaS ecosystem and the future roadmap for founders and investors

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LAMBDATEST  LoveLocal  MyGate  ninjacart  POSTMAN

SecurityAdvisor  Vernacular.ai  zenoti

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Executive summary

India SaaS landscape: Onwards and upwards

The Indian Software as a Service (SaaS) landscape is on the cusp of a transformation. Over the last five years, the number of funded SaaS companies has more than doubled and the number of SaaS companies drawing Series C or later stage capital has quadrupled, representing significant traction.

Indian SaaS companies have evolved from the rise of a few upstarts in the 2010s to a multibillion-dollar industry today. The first group of Indian SaaS companies to emerge were horizontal players, such as Zoho and Freshworks, which leveraged India’s cost and talent advantage to target global small and medium-sized businesses (SMBs). Over time, several different archetypes of Indian SaaS companies have emerged. Today, Indian SaaS companies have different areas of focus, which can be classified across multiple vectors: 1) size of customer, 2) type of solution and 3) geography of focus.

First-gen founders, including Sridhar Vembu and Girish Mathrubootham, have played a pivotal role in India’s SaaS journey. They actively engaged in building a community of budding entrepreneurs, resulting in the development of many new ventures and immense job creation. For example, Freshworks created an entrepreneurship cascade of more than 25 companies, including Voonik, Revv and SurveySparrow, which in turn have already created 500 to 1,000 jobs.

In addition, India now has a thriving ecosystem of enablers comprising domestic and global SaaS investors; over a hundred SaaS angels with four or more investments; incubators and accelerators such as xto10x and Flipkart Leap; and SaaS development events and initiatives sponsored by communities such as SaasBOOMi.

As we move forward, we expect four key archetypes of Indian SaaS companies to gain further traction:

- **SMB-focused SaaS companies**, such as Zoho and Freshworks, targeting global markets with easy-to-use horizontal offerings

- **Vertical-specific SaaS companies**, such as Locus and Innovaccer, disrupting underserved verticals like healthcare and logistics

- **Globally competitive companies in emerging tech**, such as Postman in application programming interface (API) management and Hasura in GraphQL

- **India initiators** with SaaS and business-to-business (B2B) tech products tailored for the domestic Indian market, such as Darwinbox and MyGate.
The domestic Indian market has traditionally been challenging to monetise owing to lower awareness and higher price sensitivity compared to global markets. However, Indian SaaS companies are trying to scale through specific initiatives: 1) investment in market creation via freemium offerings, 2) innovative monetisation models and 3) clear articulation of benefits to the customer with tangible return on investment (ROI) metrics. Companies such as Vernacular.ai are closing large, global-sized contracts by targeting marquee customers in the Indian market.

With distinct competitive advantages enhanced by a level playing field around the world, Indian-heritage SaaS companies are well poised to reach $18 billion to $20 billion in revenue and capture 7% to 9% share of the global SaaS market by 2022. We have already witnessed companies such as Zoho, Freshworks, Druva and Icertis break through the $100 million annual recurring revenue (ARR) mark, with a healthy pipeline of companies well placed to follow over the next 12 to 18 months.

**Winning formula for Indian SaaS founders**

In our experience, leading SaaS companies exhibit a combination of key winning characteristics across important pillars, such as vision and strategy, how-to-win imperatives and organisation enablers.

- **Vision and strategy**: Playing in a large, well-defined market and having a thoughtful, differentiated product vision

- **How to win**: Investing time in achieving the right product-market fit, designing pricing and go-to-market (GTM) motions to support the product, and maintaining a strong focus on customer success

- **Enablers**: Setting up a global organisation with a culture of innovation and teamwork

Specifically in the current Covid-19 world, it is critical for Indian SaaS companies to possess four winning abilities:

- **Embrace remote selling**, as Covid-19 is pushing enterprises to become comfortable with completing large deals over digital channels

- **Set up an effective enterprise sales engine** to focus on moving upmarket and expanding to large global markets at an early stage

- **Create a strong product-market fit** to solve a specific use case by working with early customers and sharpening the value proposition in an increasingly competitive market

- **Foster employee success and innovation** within the organisation even as the workforce becomes more distributed and remote in nature
Freshworks is a great example of a company that exhibited several winning characteristics over the course of its journey. In the early stage, Freshworks ventured into the large and growing customer support software market and targeted the long tail of global SMBs. It used the early funds to experiment with various marketing channels and sharpened the online acquisition model. In the growth stage, Freshworks effectively mastered remote sales through around-the-clock service and placed clear emphasis on building a motivated work environment that allows employees to experiment, play to their strengths and learn through cross-functional work. In recent years, Freshworks has strengthened its enterprise sales engine and expanded the channel ecosystem to more than 400 worldwide partners.

These winning characteristics vary based on the geography and scale of the target customer segment. To cater to global SMBs, it is critical to have an inside sales edge and an effective self-serve model. To serve enterprises effectively, it is important to build a robust enterprise sales engine with the right coverage plan and a focus on prompt customer service.

Fund-raising is another important focus area for founders, and it is critical to approach investors well prepared. Investors are looking for companies that exhibit the following characteristics:

- **Play in a large and growing market**
- **Have a clear right to win** with a sharp thesis on differentiation – product-led, distribution-led or pricing-led
- **Design a strong business model** that ties revenue expansion to customer growth
- **Have a capable founding team** with complementary skill sets
- **Demonstrate a clear understanding of critical assumptions** and challenges behind the expansion plan

As they scale their businesses, founders must carefully track a few important metrics to measure success. These include the magic number, Rule of 40, ratio of lifetime value (LTV) to customer acquisition cost (CAC), churn, net revenue retention rate, customer Net Promoter Score® (NPS) and employee satisfaction. For example, leading US public SaaS companies demonstrate success across these metrics: magic number is 1.1, Rule of 40 is 50%, LTV-to-CAC is 9, churn is 5%, net revenue retention rate is 120%, customer NPS is 40% and employee satisfaction is 4.2/5.
Implications for investors

SaaS in India has recently witnessed significant funding traction, surpassing a billion dollars of annual investment in 2019. Even amidst Covid-19, SaaS has been a prominent investment theme with growing share of venture capital (VC)/growth equity investments. SaaS investments constituted 15% of VC/growth equity investments in first half of 2019 and rose to 20% of VC/growth equity investments in the same period in 2020. With the growing investor focus on SaaS, we expect six key themes to become more salient going forward:

- **Infrastructure management tools and platforms** (e.g., Hasura, LambdaTest) will continue to proliferate. The DevOps community provides an attractive opportunity given its high degree of standardisation, strong network effects and large local developer base to build and test tools.

- **Increase in remote working** with strong Covid-19 tailwinds will continue to drive salience for select categories such as collaboration and productivity tools (e.g., Airmeet, Flock).

- **Tools fuelling the API economy** (e.g., Postman, Setu, YAP) will continue to grow and expand as APIs become central to modern application development. They provide significant advantages to the development process and accelerate time-to-market for businesses.

- **Intelligent automation of business processes** enabled by advancements in artificial intelligence (AI) and cognitive computing will drive use cases such as speech recognition (e.g., Vernacular.ai, Observe.AI) and chatbots (e.g., Yellow Messenger), and allow for automation of contact centre functions.

- **B2B tech platforms and marketplaces** leveraging software are expected to entrench and disrupt existing value chains. As an example, Ninjacart eliminates intermediaries in the fresh food supply chain to improve speed and efficiency.

- **E-commerce enablement solutions** will continue to grow to address the needs of a rapidly growing e-commerce market. Specialised solutions are disrupting different e-commerce building blocks (e.g., Vue.ai in recommendation/personalisation, Avataar.me in assisted selling). Broader end-to-end players are targeting underserved segments ripe for disruption (e.g., Instamojo building payment and store solutions for SMBs and LoveLocal digitising local grocery stores).

SaaS founders also believe that investors can meaningfully add value to their businesses. Before investment, founders appreciate investors who evaluate different companies with a customised assessment lens, taking into consideration how metrics like growth and adoption vary by target customer segments and industries. Post-investment, founders value investors who mentor in making critical decisions (e.g., international expansion), facilitate prospective customer introductions in new geographies and segments, support with hiring key leadership roles particularly in sales and product, and encourage portfolio companies to experiment and solve complex challenges through innovation.
**Glossary:** SaaS and Indian SaaS definitions used in this report

<table>
<thead>
<tr>
<th><strong>Software as a service (SaaS)</strong></th>
<th><strong>Indian SaaS companies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery of software applications on the cloud as a service, classified into three distinct archetypes</td>
<td>SaaS companies founded domestically by Indian founders (or founders of Indian origin) and have majority of their workforce in India, serving both domestic and global customers</td>
</tr>
<tr>
<td>Horizontal business applications (e.g., Customer Relationship Management [CRM], Enterprise Resource Planning [ERP], Human Capital Management [HCM])</td>
<td>Indian or Indian-origin founders</td>
</tr>
<tr>
<td>Horizontal infrastructure applications (e.g., security, testing, data management)</td>
<td>Majority of employee workforce based in India</td>
</tr>
<tr>
<td>Vertical-specific business applications (e.g., healthcare applications, e-commerce enablement)</td>
<td></td>
</tr>
</tbody>
</table>

Sources: IDC; Gartner; Bain analysis
Indian SaaS landscape: Onwards and upwards

- Over the last five years, the number of funded SaaS companies has doubled and the number of SaaS companies drawing Series C or later stage capital has quadrupled, representing significant traction.

- Indian SaaS companies have evolved from the early years to become broad-based. Today there are company archetypes across vectors: horizontal and vertical solutions, enterprise and SMB/mid-market solutions, companies serving domestic (“India for India”) and global (“India for the world”) markets, companies catering to established segments (e.g., customer support), and emerging tech opportunities (e.g., API management).

- With distinct competitive advantages enhanced by a level playing field around the world, Indian-heritage SaaS companies are well poised to reach $18 billion to $20 billion in revenue and capture 7% to 9% share of the global SaaS market by 2022.

- First-gen founders have played a pivotal role in this transformation. They actively engaged in building a community of budding entrepreneurs, resulting in the development of many new ventures and immense job creation.

- India now has a thriving ecosystem of enablers comprising SaaS investors, incubators and accelerators, and government initiatives. There are more than a hundred SaaS angels with four or more investments.

- The impact of these enablers can be witnessed in SaaS companies’ faster trajectory to scale in recent years. Over 50 companies have breached the $10 million ARR milestone, and many more are expected to follow.

- While the domestic market has been challenging, SaaS companies are creating scale offerings through specific initiatives: investment in market creation via freemium offerings, innovative monetisation models and clear articulation of benefits to the customer with tangible ROI metrics.
India SaaS Report 2020

Figure 1: The Indian SaaS landscape witnessed tremendous traction in the past five years

<table>
<thead>
<tr>
<th>5 years ago</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>SaaS companies founded have nearly doubled</td>
<td>4K–5K companies</td>
</tr>
<tr>
<td>More companies have raised funds...</td>
<td>~500 companies</td>
</tr>
<tr>
<td>...and have drawn significant late-stage (Series C and above) capital</td>
<td>~10 companies</td>
</tr>
<tr>
<td>~4K–5K companies</td>
<td>7K–8K companies</td>
</tr>
<tr>
<td>~500 companies</td>
<td>~1.2K companies</td>
</tr>
<tr>
<td>~10 companies</td>
<td>40+ companies</td>
</tr>
</tbody>
</table>

Note: Late-stage funding refers to Series C and above where funding stage is known; number of companies calculated by end of 2015 and September 2020
Sources: Tracxn; Bain analysis

Figure 2: Indian SaaS companies have evolved from a few upstarts in the 2010s to a multibillion-dollar industry today

1 Horizontal business products targeting SMBs globally (2011–present)
   - Rise of horizontal solutions, primarily ERP or CRM related
   - Targeting global SMBs using cost arbitrage and benefiting from strong customer service talent
   - Indian information technology (IT) giants (TCS, Infosys) developing customer service and engineering talent en masse
   - Setup of India operations by big tech companies (Google, Microsoft), gradual return of trained product managers
   - Zoho, Kissflow, Freshworks, Chargebee, Agile CRM

2 Vertical SaaS businesses disrupting underserved markets (2015–present)
   - Companies disrupting underserved markets and verticals by replacing legacy processes
   - Rise of public cloud with entry and growth of Amazon Web Services, Google Cloud Platform and Azure

3 Broad-based horizontal and vertical solutions serving enterprises and SMBs (2018–present)
   - SaaS companies witnessing bottom-up adoption within enterprises and catering to different verticals
   - Building category leadership in emerging tech (e.g., APIs, GraphQL, cybersecurity)
   - Rise of trained SaaS talent from Wave 1 and Wave 2 SaaS companies
   - Development of ecosystem and better access to capital
   - Postman, Hasura, BrowserStack, Yellow Messenger, Acceldata

Note: Start-ups are placed in different waves based on their traction by funding (i.e., Series A/B funding date)
Sources: Market participant interviews; Bain analysis
Figure 3: They can be classified into three distinct archetypes based on their application

<table>
<thead>
<tr>
<th>Archetype</th>
<th>Description</th>
<th>Subsegments</th>
<th>Illustrative list of players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical-specific business</td>
<td>Software used to support processes in specific verticals</td>
<td>Fintech, Healthcare, Logistics, Retail and digital commerce, Other (hospitality, field service management, etc.)</td>
<td>Vymo, PayNearby, Setu, Tookitaki, Innovaccer, CareStack, Freight Tiger, Locus, BlackBuck, Avataar.me, Unbxd, Vue.ai, DataWeave, Zenoti, RateGain, Innovapptive, Zinier</td>
</tr>
<tr>
<td>infrastructure applications</td>
<td>Software used to build, run and manage the tech stack of organisations</td>
<td>Functional and performance testing, DevOps tools (e.g., API management), Security, Other infrastructure (data management, middleware, storage, integration)</td>
<td>BrowserStack, LambdaTest, Postman, Hasura, Securinix, SecurityAdvisor, Druva, Acceldata, Indus OS</td>
</tr>
<tr>
<td>Horizontal business applications</td>
<td>Software used to support business processes in companies across verticals</td>
<td>CRM, ERP suites, Martech and analytics, Collaboration and productivity, HCM, Others (e.g., sales enablement, contract management, expense management)</td>
<td>Freshworks, Zoho, HighRadius, CleverTap, MoEngage, Whatfix, Flock, Revv, Kissflow, Darwinbox, greytHR, MindTickle, Icertis, SirionLabs, Happay</td>
</tr>
</tbody>
</table>

Sources: Market participant interviews; Bain analysis

Figure 4: Indian SaaS companies are targeting both enterprises and SMBs across domestic and global markets

Sources: Market participant interviews; Bain analysis
Figure 5: Indian SaaS companies have distinct competitive advantages over their global peers, further accentuated by a level playing field

- **Low-cost structure and frugal mindset**
  Significantly lower personnel costs compared with developed countries for similar talent. Clear focus on sustainable growth and cash management
  - 85% and 74% lower salary for entry level developer and sales resource respectively vs. US

- **Depth and abundance of engineering talent**
  Access to a wide pool of skilled talent base built on the back of large number of domestic engineering graduates and matured IT workforce
  - 100K+ SaaS developers
  - ~1.5M engineering graduates annually

- **Effective customer service**
  Flexible models (around-the-clock service) with trained service workforce via IT and Business Process Outsourcing (BPO) industries
  - 120K inside sales talent
  - Second-largest English speaking population

- **Salience of products from Indian founders**
  Wide acceptance of world-class products built and managed by Indian founders across the globe
  - Serving large global base
  - Freshworks (~200K clients)
  - Kissflow (150+ countries)

Sources: National Association of Software and Service Companies (NASSCOM) reports, Riding the Storm Towards the Giant India SaaS Opportunity, July 2020; Indian SaaS – The Next Big Thing, March 2016; market participant interviews; Gartner; Bain analysis

Figure 6: They are also building new capabilities to drive the next wave of growth

- **Category creation**
  Building new categories and establishing leadership position with a strong focus on user experience and innovation driving bottom-up adoption
  - Postman (API Management)
  - BrowserStack, LambdaTest (Functional and performance testing)

- **Global sales motions**
  Building effective sales organisations by setting up headquarters in the US and learning from early winners
  - 70%+ SaaS revenue from outside India

- **Enterprise product strategy**
  Developing products addressing the complexities (scale deployments, migration, security and compliance) of serving enterprise clients
  - HighRadius, Druva serving 50+ Fortune 500 clients

- **Product management talent**
  Bringing functional talent together cohesively and building enterprise-grade products; improving with multinational corporations (MNCs), especially global SaaS companies with Indian founders setting up large research and development (R&D) centres in India
  - Large product teams set up in India by MNCs and global SaaS companies (Microsoft, Amazon, Google, Nutanix, Cohesity, AppDynamics)

Sources: NASSCOM reports, Riding the Storm Towards the Giant India SaaS Opportunity, July 2020; Indian SaaS – The Next Big Thing, March 2016; market participant interviews; Gartner; Bain analysis
**Figure 7:** Indian SaaS companies are using these competitive advantages to tap into a large and expanding global opportunity

<table>
<thead>
<tr>
<th>Global SaaS market ($B)</th>
<th>Drivers of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>~15% CAGR</td>
<td></td>
</tr>
<tr>
<td>~20% CAGR</td>
<td></td>
</tr>
<tr>
<td>0 → ~80 2016</td>
<td></td>
</tr>
<tr>
<td>0 → ~145 2019</td>
<td></td>
</tr>
<tr>
<td>0 → ~230 2022E</td>
<td></td>
</tr>
<tr>
<td>~300</td>
<td></td>
</tr>
<tr>
<td>~15% CAGR</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing solutions</th>
<th>New segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wider adoption by large enterprises shifting from legacy systems and moving towards digitalisation</td>
<td>Growing adoption within SMBs and under-penetrated verticals with increasing digital penetration and shift from manual process</td>
</tr>
<tr>
<td>Prevalence of new use cases driven by technological advancements (e.g., AI, Internet of Things [IoT]) and shift to mobile workloads</td>
<td>Greater requirement for tailored solutions to fulfil needs of micro and small businesses, erstwhile left underserved by tech</td>
</tr>
</tbody>
</table>

Sources: IDC; Gartner; Bain analysis

**Figure 8:** Indian SaaS companies will continue to grow and nearly double their share in the global market in the coming years

<table>
<thead>
<tr>
<th>Indian SaaS revenue ($B)</th>
<th>Growing share of Indian SaaS companies in global market</th>
</tr>
</thead>
<tbody>
<tr>
<td>~5–6 2019</td>
<td>From global market</td>
</tr>
<tr>
<td>~18–20 2022</td>
<td>Overall ~45%</td>
</tr>
<tr>
<td>~200 2022E</td>
<td>From domestic market</td>
</tr>
<tr>
<td>~150 202E</td>
<td>~50%</td>
</tr>
<tr>
<td>~250 2022</td>
<td>~35%</td>
</tr>
<tr>
<td>~3%–4%</td>
<td>7%–9%</td>
</tr>
<tr>
<td>~7%–9%</td>
<td></td>
</tr>
</tbody>
</table>

Note: India SaaS revenue includes SaaS revenues of both software and IT firms such as Tally and Ramco, and for pure-play SaaS companies such as Zoho and Freshworks. Sources: NASSCOM reports, Riding the Storm Towards the Giant India SaaS Opportunity, July 2020; Indian SaaS—The Next Big Thing, March 2016; IDC; market participant interviews; Bain analysis
Figure 9: Many companies reached the $100 million annual recurring revenue (ARR) club in the past few years, with many more expected to follow

Number of SaaS companies

<table>
<thead>
<tr>
<th>Revenue run rate ($M)</th>
<th>5 years ago</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$100M</td>
<td>1</td>
<td>4–5</td>
</tr>
<tr>
<td>$50M–$100M</td>
<td>1</td>
<td>5–6</td>
</tr>
<tr>
<td>$20M–$50M</td>
<td>2–3</td>
<td>15–20</td>
</tr>
</tbody>
</table>

Note: Based on latest available ARR data in 2019 or 2020; number of companies is directional
Sources: Tracxn; Crunchbase; Bain analysis

Figure 10: Innovation and investment enable a faster trajectory to success

Note: Based on latest available ARR data in 2019 or 2020; only companies with more than $20M in ARR are shown; trajectory shown for Zoho, Freshworks is illustrative in nature
Sources: Capital IQ; Tracxn; Crunchbase; Bain analysis
**Figure 11:** Compared to a decade ago, Indian SaaS companies now have a more robust ecosystem of enablers to support them in their journey

*An active player is any investment entity that has made an investment in India in 2019

**GeM stands for Government eMarketplace

Sources: AVCJ; Venture Intelligence; Tracxn; Preqin

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**Figure 12:** First-gen entrepreneurs play a pivotal role in the creation of an ecosystem by cascading down learnings to a generation of new founders

<table>
<thead>
<tr>
<th>Primary entrepreneurial venture</th>
<th>Sridhar Vembu</th>
<th>Girish Mathrubootham</th>
</tr>
</thead>
<tbody>
<tr>
<td>Success and impact of flagship entity created by entrepreneur</td>
<td><strong>Entrepreneurship cascade</strong></td>
<td><strong>Paying it forward</strong></td>
</tr>
<tr>
<td>Zoho</td>
<td>Companies founded by ex-employees of primary venture</td>
<td>Investments in other companies/ventures and social impact</td>
</tr>
<tr>
<td>$500M+ annual revenue</td>
<td>40+ start-ups by alums, including Freshworks, Chargebee, Facilio</td>
<td><strong>$10M</strong> invested in five start-ups</td>
</tr>
<tr>
<td>8,000+ employees</td>
<td>4K–5K jobs created within new enterprises</td>
<td><strong>10K+</strong> nonprofits provided with Zoho creator platform under BigTech donations programme</td>
</tr>
<tr>
<td>500+ channel partners</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Freshworks</th>
<th>S200M+ annual revenue</th>
<th>25+ start-ups by alums, including Voonik, SurveySparrow, Revv</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,000+ employees</td>
<td><strong>500–1,000</strong> jobs created within new enterprises</td>
<td><strong>$450M+</strong> raised by portfolio companies</td>
</tr>
<tr>
<td>300+ channel partners</td>
<td></td>
<td><strong>$10K+</strong> credits rolled out across products to support 1K+ companies under Freshworks for Startups initiative</td>
</tr>
</tbody>
</table>

---

Note: Multiple early-stage companies have sprung from Freshworks in past 1 to 2 years, leading to fewer jobs created to date

Sources: Tracxn; LinkedIn; Bain analysis
Figure 13: Lessons learned from previous experiences enable the rise of experienced founders

**Enablers for rise of next-gen leaders**

- **Avoid pitfalls**
  Opportunity to learn under successful leaders and understand their playbooks

- **Work with customers on the front-line**
  Understand and solve for international customers and their pain points

- **Build world-class products**
  Create global products and scale teams to deliver growth

- **Access to capital**
  Access to funding through close connections within the ecosystem

1.2K+ Second-time SaaS founders with prior learnings

Note: Second-time SaaS founders are those who have started a SaaS company after their first entrepreneurial venture
Sources: Tracxn; Bain analysis

Figure 14: Four key archetypes of SaaS companies will continue to gain traction

- **SMB-focused SaaS**
  Companies with an easy-to-use horizontal offering targeting global markets
  Zoho
  Kissflow
  Freshworks

- **Vertical-specific SaaS**
  Companies disrupting under-served verticals (hospitality, logistics, wellness)
  Zenoti
  Locus
  Innovaccer

- **Globally competitive product**
  Companies creating categories in emerging tech with differentiated capabilities
  Postman
  BrowserStack
  Hasura

- **Burgeoning domestic-market-creating**
  India ‘initiators’ with SaaS and B2B tech products tailored to the Indian market
  Darwinbox
  MyGate

Sources: Market participant interviews; Bain analysis
Figure 14a: **SMB-focused SaaS companies** are flourishing given the vast and growing SMB market opportunity

<table>
<thead>
<tr>
<th>Global spending on software by company size ($B)</th>
<th>Number of customers</th>
<th>Number of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart1.png" alt="Bar chart" /></td>
<td>~400K</td>
<td>~180</td>
</tr>
<tr>
<td>~200K</td>
<td>~150</td>
<td></td>
</tr>
<tr>
<td>~15K</td>
<td>~50</td>
<td></td>
</tr>
<tr>
<td>~10K</td>
<td>~160</td>
<td></td>
</tr>
</tbody>
</table>

Note: Spending on software includes enterprise expenditure on application and infrastructure or system software; number of customers and countries updated in September 2020 based on available data

Sources: Gartner; company websites; Bain analysis

Figure 14b: **Vertical-specific SaaS solutions** are gaining prevalence due to evolving industry characteristics and macro-level shifts

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Description</th>
<th>Industry characteristics</th>
<th>Macro shifts</th>
<th>New data sources</th>
</tr>
</thead>
</table>
| Legacy systems and manual processes | Extensive presence of legacy systems and processes presents opportunity to drive efficiency through verticalised software | Extent of direct end-customer interaction | High-cost structure | High Selling, General & Administrative (SG&A) expenses/
Cost of Goods Sold (COGS) present savings opportunity via verticalised software |
| Extensive presence of legacy systems and processes presents opportunity to drive efficiency through verticalised software | Higher interaction frequency and quality drives need to improve customer experience (CX) enabled by verticalised software | Industry-specific data sources, workflows and compliance require verticalised software | Changing customer expectations | Digitisation and mobile adoption have changed consumer expectations and delivery |
| Higher interaction frequency and quality drives need to improve customer experience (CX) enabled by verticalised software | Industry-specific data sources, workflows and compliance require verticalised software | New data sources | New data sources (IoT sensors) have created use cases to drive operations and service efficiency requiring specialised software to harness this data |
| Legal (document management) | Banking and Financial Services (BFS) (e.g., API-based faster onboarding) | Freight and logistics (e.g., fleet management) | Heavy manufacturing (preventive maintenance) | Retail (custom e-commerce applications) |
| Insurance (policy administration management) | Life sciences (e.g., risk and compliance management) | Utilities (analytics for energy efficiency) | Insurance (claim management) | BFS (risk assessment analytics) |
| Retail (e.g., omni-channel consumer insights) | | | | Healthcare providers (AI for diagnostics) |
| | | | | Auto (connected cars) |

Sources: Market participant interviews; Bain analysis
Figure 14c: Globally competitive companies in emerging tech, specifically catering to developers, are creating category-leading plays

Postman

- Sought to create an easy tool for API testing (2012)
- Find and solve a dev problem in a niche that’s on the cusp of exponential growth
- Built a database tool with GraphQL API to handle transactional data (2015)
- First version launched as an open-source REST** client on Chrome app store (2012)
- Get early traction with users through free/open source offerings
- Launched as an automation engine on simplified Kubernetes*** clusters over GitHub (2016)
- Hosted dev conferences, created transparent product roadmaps and contributed back to the open-source community
- Develop product-user fit through an active user community
- Sustained developer engagement (19K+ stars on GitHub), hosted dev conferences, 5K-member active discord community
- Drive product-led growth through strong bottom-up adoption
- Reached ~50M downloads globally for their free version
- Monetise via enterprise-grade offerings
- Working with 50+ large companies*
- Vision to simplify data access for applications on modern architectures

Hasura

- Get early traction with users through free/open source offerings
- Launched as an automation engine on simplified Kubernetes*** clusters over GitHub (2016)
- Sustained developer engagement (19K+ stars on GitHub), hosted dev conferences, 5K-member active discord community
- Drive product-led growth through strong bottom-up adoption
- Reached ~50M downloads globally for their free version
- Monetise via enterprise-grade offerings
- Working with 50+ large companies*
- Vision to simplify data access for applications on modern architectures

* Large companies have >2,000 employees
** REST, or Representational State Transfer, is a type of API that helps web applications communicate with each other
*** Kubernetes is an open-source platform for managing containerised applications
Source: Bain analysis

Figure 14d: Two types of India ‘initiators’ are addressing the burgeoning domestic demand

<table>
<thead>
<tr>
<th>Pure play SaaS companies</th>
<th>SaaS-enabled B2B platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value proposition</strong></td>
<td><strong>Create value for multiple stakeholders within the supply chain enabled by technology</strong></td>
</tr>
<tr>
<td>Solve domestic challenges by focusing on customisations and local innovation in absence of global players</td>
<td></td>
</tr>
<tr>
<td><strong>Monetisation</strong></td>
<td><strong>Revenue from transactions and services over the platform</strong></td>
</tr>
<tr>
<td>Subscription revenue based on usage</td>
<td></td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
</tr>
<tr>
<td>Darwinbox, greytHR (HCM)</td>
<td>Ninjacart (Fresh food supply)</td>
</tr>
<tr>
<td>MyGate (Gated community management)</td>
<td>Freight Tiger, BlackBuck (Logistics)</td>
</tr>
<tr>
<td>Yellow Messenger (Chatbot)</td>
<td>Infra.Market (Construction supply)</td>
</tr>
<tr>
<td>Vernacular.ai (Speech recognition)</td>
<td>Zetwerk (Heavy manufacturing)</td>
</tr>
</tbody>
</table>

Sources: Market participant interviews; Bain analysis
Figure 15: Traditionally, the domestic market presented multiple challenges for SaaS companies

<table>
<thead>
<tr>
<th>Awareness</th>
<th>Invest in market creation</th>
<th>Examples</th>
<th>Zoho introduced free plan for cloud accounting software to target Indian SMBs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low awareness about using software to solve business problems</td>
<td>Consideration</td>
<td>Create a compelling value proposition, Demonstrate tangible returns to customer</td>
</tr>
<tr>
<td></td>
<td>Establish strong customer acquisition engine via product demos, freemium offerings, trainings, etc.</td>
<td>Purchase</td>
<td>Price-sensitive buyers with lower software budgets than global counterparts</td>
</tr>
<tr>
<td></td>
<td>Lower willingness to pay for software; use in-house, low-cost resources</td>
<td>Post-purchase</td>
<td>Greater need for customisations and post-sales service; lack of do-it-yourself (DIY) culture</td>
</tr>
<tr>
<td></td>
<td>Monetise through avenues such as services, transactions, or a marketplace on top of the software layer</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Articulate benefits to customer through tangible ROI metrics</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provide rapid implementation and regularly add new features/services to enhance value proposition</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Create products with intuitive user interface (UI)/user experience (UX) to allow for self-serve models and reduced dependence on post-sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase potential TAM Play in broad markets with potential for adjacencies, and enter geographies that exhibit traits similar to the Indian market (South East Asia [SEA], Middle East and Africa [MEA]) but have a higher propensity to pay</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Market participant interviews; Bain analysis

Figure 16: However, companies are creating scale offerings by effectively addressing these challenges
2. Winning formula for Indian SaaS founders

• Leading SaaS companies exhibit a combination of key winning characteristics across three important pillars:
  – Vision and strategy: Playing in a large, well-defined market and having a thoughtful, differentiated product vision
  – How to win: Investing time in achieving the right product-market fit, designing pricing and GTM motions to support the product, and maintaining a strong focus on customer success
  – Enablers: Setting up a global organisation with a culture of innovation and teamwork

• In the current environment, it is critical for Indian SaaS companies to possess four winning abilities:
  – Embrace remote selling as Covid-19 is pushing enterprises to develop comfort in completing large deals over digital channels
  – Set up an effective enterprise sales engine to focus on moving upmarket and expanding to large global markets at an early stage
  – Create a strong product-market fit to solve a specific use case by working with early customers and sharpening the value proposition in an increasingly competitive market
  – Foster employee success and innovation within the organisation even as the workforce becomes more distributed and remote in nature

• The importance of these winning characteristics will vary depending on the geography and size of customers being served. It is critical to have an inside sales edge and an effective self-serve model to cater to global SMBs, whereas to serve enterprises it is important to build a robust enterprise sales engine with the right coverage plan and a focus on prompt customer service.

• Investors are looking for companies that exhibit the following characteristics:
  – Play in a large and growing market
  – Have a clear right to win (product-led, distribution-led or cost advantage-led)
  – Have a strong business model that leverages usage-based pricing
  – Have a capable founding team with complementary skills to address challenges
  – Demonstrate a clear understanding of critical assumptions and challenges behind the expansion plan
Figure 17: Leading SaaS companies exhibit a combination of key winning characteristics during their journey

<table>
<thead>
<tr>
<th>Vision and strategy</th>
<th>How to win</th>
<th>Enablers</th>
<th>Operating model</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision</td>
<td>Go-to-market (GTM)</td>
<td>Channel sales</td>
<td>Remote sales</td>
<td>Remote sales</td>
</tr>
<tr>
<td></td>
<td>Enterprise sales</td>
<td>Pricing model</td>
<td>Enterprise sales</td>
<td>Enterprise sales</td>
</tr>
<tr>
<td></td>
<td>Product-market fit</td>
<td>Marketing engine</td>
<td>Product-market fit</td>
<td>Product-market fit</td>
</tr>
<tr>
<td></td>
<td>Customer success</td>
<td>Network effects</td>
<td>Customer success</td>
<td>Customer success</td>
</tr>
<tr>
<td></td>
<td>Vision and strategy</td>
<td>Where to play: core</td>
<td>Where to play: adjacency</td>
<td>Where to play: adjacency</td>
</tr>
<tr>
<td>Have a differentiated product vision that can be rolled out in phases</td>
<td>Play in a market with a large and growing TAM, or moderate TAM with low penetration</td>
<td>Scope adjacencies that can increase potential TAM</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Focus area for Indian SaaS companies in current times

Sources: Market participant interviews; Bain analysis

Figure 18: In current times, Indian SaaS companies must possess four winning characteristics

- **Remote sales**: Covid-19 is driving greater comfort in doing large deals over digital channels
- **Enterprise sales**: Increasing focus on moving upmarket and expanding to large global markets (e.g., the US) from an early stage
- **Product-market fit**: Higher competitive intensity is driving companies to sharpen value proposition
- **Culture**: Increasingly distributed and remote nature of workforce, spread across the globe

Sources: Market participant interviews; Bain analysis
**Figure 18a:** SaaS companies must embrace remote selling as enterprises have developed greater comfort in doing large deals over digital channels post-Covid-19

<table>
<thead>
<tr>
<th>Customer behavioural changes</th>
<th>Implications for sales and marketing</th>
<th>How to enhance selling with technology</th>
</tr>
</thead>
</table>
| Increased digital discovery  | • Double down on digital marketing spending to accelerate demand generation  
                                 | • Focus on improving online user engagement | • Digital branding and messaging: Refine value proposition and positioning to ensure that tone is empathetic in nature  
                                                                                     |                                                                                     | • Predictive segmentation: Understand how to segment customers to enable tailored outreach |
|                              | • Adapt sales motions from in-person efforts to digital channels | • Account planning: Use tools to improve coordination and visibility into individual accounts |
|                              | • Redeploy field reps and shift to tech-driven sales by learning how to better engage customers virtually | • Predictive selling: Use advanced analytics to guide reps on the best actions for current pipeline |
|                              | • Digital brand and messaging: Refine value proposition and positioning to ensure that tone is empathetic in nature | • Virtual pitches: Perfect the virtual pitch and use sales enablement tools to train and empower sales force |

Sources: Market participant interviews; Bain analysis

**Figure 18b:** They must make a concerted effort from the get-go to set up a global GTM model for enterprise sales

<table>
<thead>
<tr>
<th>Activity</th>
<th>How to drive success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Setup</strong></td>
<td></td>
</tr>
<tr>
<td>Think global from Day 1</td>
<td>• Assess global markets based on size and growth of market, competitive intensity and right to win</td>
</tr>
<tr>
<td>Get the right first set of customers</td>
<td>• Use personal and investor networks to acquire initial customers, ideally marquee and reference-able</td>
</tr>
<tr>
<td></td>
<td>• Iterate with those customers to strike the right product-market fit</td>
</tr>
<tr>
<td><strong>Ramp-up</strong></td>
<td></td>
</tr>
<tr>
<td>Build a sales organisation and define roles</td>
<td>• Hire an experienced sales leader in a new geography and ensure that they champion the culture</td>
</tr>
<tr>
<td>Map out route-to-market</td>
<td>• Plan account coverage by plotting each account’s share of wallet and addressable opportunity; allocate resources between inside sales and outbound activities accordingly</td>
</tr>
<tr>
<td></td>
<td>• Plan named accounts by using advanced analytics to understand buying patterns of enterprises for similar tools</td>
</tr>
<tr>
<td><strong>Scale</strong></td>
<td></td>
</tr>
<tr>
<td>Scale teams while monitoring key coverage ratios</td>
<td>• Plan ramp-up of team in-sync with quota targets, bake in scale-driven productivity improvements</td>
</tr>
<tr>
<td></td>
<td>• Maintain optimum ratio of specialists (specialty sellers) to generalists (account executives)</td>
</tr>
<tr>
<td></td>
<td>• Use the insights and relationships developed by account managers to optimise upsells and renewals</td>
</tr>
<tr>
<td>Optimise motions and handoffs</td>
<td>• Map swim lanes of activities throughout the sales cycle, with adjustments for product, segment, etc.</td>
</tr>
<tr>
<td></td>
<td>• Develop renewal strategy to match client’s budget cycles, and ensure seamless transition between sales teams and customer success teams</td>
</tr>
</tbody>
</table>

Sources: Market participant interviews; Bain analysis
Figure 18c: SaaS companies must also work closely with early customers to create an offering that can satisfy market needs and keep evolving

1. Target a specific problem
   - Identify the key pain point(s) you intend to solve with your use case
   - Do not go too wide in the early days, trying to solve multiple problem statements or for different user segments

2. Build a minimum viable product
   - Have a bias for speed and trials, instead of taking a long time to create the perfect prototype
   - Select right infrastructure partners at an early stage to build a stable product

3. Iterate with initial customers
   - Establish a method to collect extensive feedback from early customers as well as end users to validate key product hypotheses
   - Focus on solving for long-term solutions that are defensible

4. Align the commercial model
   - Bolster your product by setting up sales and customer success teams in alignment with product requirements
   - Set up teams to deliver product feedback from customers and requirements from broader market (through blogs, social media, etc.) for product development

5. Evolve for changing market
   - Define the product roadmap with clearly defined boundaries on customisations
   - Do not remain rigid to early market fit; keep advancing the offering for additional use cases for changing customer expectations

Sources: Market participant interviews; Bain analysis

Figure 18d: It is important to create a great place to work to sustain competitive advantage, as successful companies demonstrate high employee advocacy

Glassdoor ratings of successful companies (illustrative)

<table>
<thead>
<tr>
<th>Company</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postman</td>
<td>4.9</td>
</tr>
<tr>
<td>Yellow Messenger</td>
<td>4.6</td>
</tr>
<tr>
<td>Zoho</td>
<td>4.4</td>
</tr>
<tr>
<td>Freshworks</td>
<td>4.3</td>
</tr>
<tr>
<td>Zenoti</td>
<td>4.3</td>
</tr>
<tr>
<td>India SaaS average</td>
<td>4</td>
</tr>
</tbody>
</table>

Articulate the core ambition succinctly in three or four simple goals to ensure clarity of direction

Shared ambition and values

Leaders to drive key values through active participation in initiatives such as hackathons and conferences meant to immerse frontline employees

Document roles, processes and winning behaviours as companies expand, accounting for potential areas of conflict

Winning culture

Insurgent mindset with scale

Employee success and innovation

Promote innovation by spending 10%–15% of time on new projects with potential for significant impact

Recruit early hires based on their depth of market understanding and fit with company vision rather than just credentials

Empower key roles with the right tech tools to provide relevant information required for swift decision making

Note: India SaaS average rating is based on top 30 India SaaS companies using latest available revenue
Sources: Market participant interviews; Bain analysis; Glassdoor
Figure 19: Freshworks, as an example, has exhibited several winning characteristics over the course of its journey

Early stage (2010–2012)

Where to play
Ventured into the large and growing customer support software market; targeted long tail of global SMBs

User experience
Relentless focus on creating a frictionless experience for online customer across entire journey; intuitive UI/UX for DIY behaviour

Marketing engine
Early funds ($40K as BizSpark winners) used to experiment with various marketing channels and sharpen online acquisition model


Remote sales
Around-the-clock service to allow quick and efficient sales prospecting and closure on top of freemium model

Customer success
Effective land-and-expand strategy with bottom-up adoption for their popular products (e.g., Freshdesk) to cross-sell the wider product suite

Culture
Clear emphasis on building a motivated work environment that allows employees to experiment, play to their strengths and learn through cross-functional work

Late stage (2016–present)

Enterprise sales engine
Founder-led expansion into large markets; shift towards direct sales model; hosts user conferences for sales, IT, support professionals

Channel sales
Expanded their channel ecosystem to 400+ worldwide partners and grow to 700+ apps on Freshworks marketplace

Customer centricity
First CRM provider to natively integrate customer success software into their suite and solve for end-to-end user engagement

India for India

SMB
Have low barrier to try through a freemium model

Enterprise
Play in a large market, and target verticals with high digital penetration and willingness to pay for software (e.g., banking, insurance, e-commerce)

SMB
Have clearly articulated value to customer through ROI metrics

Enterprise
Have clearly articulated value to customer through ROI metrics

SMB
Have additional monetisation avenues (e.g., marketplace, services) on top of a core SaaS offering

Enterprise
Focus on providing prompt and effective customer service

India for the world

SMB
Create a strong digital marketing engine by leveraging effective customer acquisition models like blogs, social media, etc.

Enterprise
Have clear right-to-win through differentiated product features, effective distribution model or better pricing

SMB
Use network effects to build a strong user community and enable bottom-up adoption

Enterprise
Have a self-serve model

SMB
Design the pricing model to drive revenue expansion with increased customer usage

Enterprise
Disproportionately focus on customer success using India’s customer service edge

Sources: Market participant interviews; Bain analysis
**Figure 21:** Investors want SaaS founders to consider five key things as they raise funds

1. **Don’t lose sight of the market size**
   - Play in a large and growing market

2. **Have a strong right to win**
   - Be clear on your competitive moat – product-led, distribution-led and/or pricing-led differentiation that delivers a strong value proposition

3. **Have a strong business model**
   - Design a business model that ties revenue expansion with customer growth: (1) increase in engagement per user and (2) increase in number of users

4. **Build a thoughtful founding team**
   - Understand your skills and have a founding team that complements them; have a clear up-front plan to fulfil the remaining skill gaps

5. **Have a tangible understanding of growth**
   - Have a meticulous and internally consistent expansion plan built up with appropriate assumptions for size of pipeline, win rates and capabilities required to deliver the growth

**Sources:** Market participant interviews; Bain analysis

---

**Figure 22:** As SaaS founders scale their businesses, they should carefully track key metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
<th>Leading US public SaaS average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magic number</td>
<td>(Change in quarterly revenue)*4/(S&amp;M spending in previous quarter)</td>
<td>~1.1</td>
</tr>
<tr>
<td>Rule of 40</td>
<td>ARR Growth rate + EBITDA %</td>
<td>~50%</td>
</tr>
<tr>
<td>LTV/CAC</td>
<td>LTV=(Revenue per customer/Customer churn %) – Customer Acquisition Cost</td>
<td>~9</td>
</tr>
<tr>
<td>Churn</td>
<td>Number of customers lost in the period/number of customers in previous period</td>
<td>~5%</td>
</tr>
<tr>
<td>Net revenue retention rate</td>
<td>Percentage of annual revenue retained from existing customers (net upgrades, downgrades and churn)</td>
<td>~120%</td>
</tr>
<tr>
<td>Customer NPS</td>
<td>Customer Net Promoter Score®</td>
<td>40%</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>Employee satisfaction score measured on a scale of 1 to 5</td>
<td>~4.2/5 (Glassdoor overall ratings)</td>
</tr>
</tbody>
</table>

**Note:** Companies included in US public SaaS: Anaplan, Atlassian, Blackbaud, Blackline, Ceridian, Cloudera, Coupa, HubSpot, MongoDB, New Relic, Okta, ServiceNow, Shopify, Slack, Smartsheet, Twilio, Veeva, Workday, Zendesk, Zoom, Zscaler

**Sources:** Capital IQ; company reports; Bain analysis; Gartner
Investments in SaaS rose to $1.3 billion in 2019, a 60% increase over the previous year. Horizontal business software was the largest subsegment, accounting for two-thirds of all SaaS investments. Vertical-specific SaaS grew the fastest, albeit on a small base.

SaaS continued as a prominent theme, even amidst Covid-19, with a growing share of VC/growth investments in the first half of 2020.

Investors see multiple attractive investment opportunities in SaaS over the next few years. Going forward, six key themes will become more notable from an investment perspective:

- Infrastructure management tools and platforms to serve an attractive DevOps community
- Increasingly remote nature of work, with Covid-19 tailwinds driving salience for categories such as productivity tools
- Proliferating API universe driven by the role of APIs in modern enterprise architecture
- Intelligent automation of business processes with the rise of cognitive computing
- Disintermediation of value chains with the rise of B2B tech platforms
- E-commerce enablement through both specialised and end-to-end solutions

Before investment, founders particularly appreciate investors who evaluate different plays in a customised manner, taking into consideration how different metrics like growth or adoption vary by target customer segments and industries.

After investment, founders value investors who:

- Mentor/guide in making critical decisions (e.g. international expansion)
- Provide support in acquiring initial customers in new geographies and segments, and developing commercial excellence
- Assist in hiring key leadership roles particularly in sales and product
- Drive experimentation within their portfolio companies

Implications for investors
**Figure 23:** SaaS witnessed significant funding traction in the past two years and will continue to gain investor focus.

![Graph showing India SaaS investments from 2018 to 2019 with CAGR ('18–'19)](image)

**India SaaS investments ($B)**

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR ('18–'19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>~60%</td>
</tr>
<tr>
<td>2019</td>
<td>~0.8</td>
</tr>
</tbody>
</table>

**Sources:** Bain private equity deals database; Bain India Private Equity Survey, December 2019 (n=28)

**Figure 24:** Horizontal business software was the largest SaaS subsegment in 2019, with growth resulting from the increase in deal volume.

**India: Deal volume for SaaS subsegments**

<table>
<thead>
<tr>
<th>Year</th>
<th>Horizontal business</th>
<th>Horizontal infra</th>
<th>Vertical business</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>52</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>2019</td>
<td>72</td>
<td>11</td>
<td>8</td>
</tr>
</tbody>
</table>

**India: Average deal value for SaaS subsegments ($M)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Horizontal business</th>
<th>Horizontal infra</th>
<th>Vertical business</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>12.4</td>
<td>20.1</td>
<td>5.0</td>
</tr>
<tr>
<td>2019</td>
<td>12.0</td>
<td>13.7</td>
<td>5.5</td>
</tr>
</tbody>
</table>

**Note:** Deal volume includes deals where deal value is unknown; average deal value is only for deals with known value

**Source:** Bain private equity deals database
**Figure 25:** Even post-Covid-19, SaaS is a prominent investment theme with growing share of VC and growth equity investments

India VC deal value ($B) and deal count (Jan to June):

- Strong growth momentum

![Chart showing India VC deal value and deal count](chart.png)

Source: Bain private equity deals database

**Figure 26:** Six key themes will become more salient going forward

- **Infrastructure management tools and platforms for developers**
- **Increasingly remote nature of work**
- **Growing API universe**
- **Intelligent automation of business processes driven by AI/machine learning (ML)**
- **Disintermediation of value chains and rise of B2B tech platforms**
- **E-commerce enablement solutions with differentiated tech capabilities**

**Subsegments which will benefit**

- Tools built for new technologies (e.g., containers, Kubernetes)
- Remote collaboration and productivity tools
- Data democratization (low-/no-code development platforms)
- Employee engagement, onboarding, culture and learning platforms
- Rise of both vertical-specific (e.g., fintech) and vertical-agnostic (e.g., testing, gateways) plays
- Workflow and process automation
- Conversational AI-based tools (e.g., chatbots, voice assistants)
- Disrupting existing value chains
- Supplementing existing value chains
- Tech enabled marketplaces
- Specialised solutions (e.g., app/site search, assisted selling)
- End-to-end platform players

Sources: Market participant interviews; Bain analysis
Figure 26a: The DevOps community presents an attractive opportunity for SaaS products

What makes DevOps professionals such an attractive community of users?

- **Born-on-the-Internet community**
  - A purposeful online community allows for easy discovery of DevOps problems and real-time user feedback

- **High degree of global standardisation**
  - Technologies and processes used for DevOps are fairly standard across the globe, allowing for a truly global approach to building products

- **Network effects**
  - DevOps professionals typically play cross-functional roles and often use the product across their teams, leading to rapid bottom-up adoption within enterprises

- **Large local developer and support base**
  - Having access to a large set of DevOps professionals domestically makes it easier to build and test DevOps tools from India for the world

Sources: Market participant interviews; Bain analysis

Figure 26b: An increase in remote working, with strong tailwinds from Covid-19, drives salience for select categories

<table>
<thead>
<tr>
<th>Growing employee preference for working from home (WFH) post-Covid-19</th>
<th>Leading to acceleration in growth for select segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Hippo Video Engage platform for sales enablement</td>
</tr>
<tr>
<td>Few half-days</td>
<td>greytHR cloud-based payroll and HR software for SMBs</td>
</tr>
<tr>
<td>1–4 days per month</td>
<td>Flock Online collaboration and communication platform</td>
</tr>
<tr>
<td>1 day/week</td>
<td>Airmeet Virtual meetup and summit platform for communities</td>
</tr>
</tbody>
</table>

Note: Airmee details are for Q2 2020

Sources: Global Work-from-Home Experience Survey, 2020 (n=2,865, representative of ‘white collar’ office-based workers); SimilarWeb
**Figure 26c:** APIs are core to a modern enterprise architecture and allow connections between both internal and external applications

<table>
<thead>
<tr>
<th>Customer-facing applications</th>
<th>Third-party solutions/ API apps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional (e.g., mobile/web)</td>
<td>External services (e.g., payments)</td>
</tr>
<tr>
<td>New-age (e.g., virtual reality [VR])</td>
<td>External services (e.g., maps)</td>
</tr>
</tbody>
</table>

**What makes APIs pivotal to modern development?**

- **Product development**
  - Greater agility: Improve agility by decoupling front- and back-end development, and independently upgrade modules within applications
  - Improved flexibility: Increased flexibility for developers/end-users to use best-in-class technologies across application modules
  - Better access to data and applications: Enhanced data flow within and across different enterprise departments through multiple data end points

- **Business model**
  - Faster time to market: Reduced time to develop and deploy applications driven by easier integration and access to internal and third-party modules
  - Revenue and distribution expansion: Ability to offer a business service as an API to other businesses and the ability to seamlessly use other business services offered as APIs

---

**Figure 26d:** Automation has evolved from basic scripting to robotic process automation, with AI and cognitive computing rapidly gaining salience

<table>
<thead>
<tr>
<th>High</th>
<th>3–5 years to present</th>
<th>Rapidly gaining salience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scripting</td>
<td>2 Process automation (RPA, process mining)</td>
<td>3 Intelligent automation</td>
</tr>
<tr>
<td>1. Basic codification of repetitive tasks and coordination of activities to create simple workflows</td>
<td>2. Highly rule-based processes that can be run repeatedly at high intensity</td>
<td>• AI-driven processes that can simulate human thought process for analysing data and can adapt to changing conditions with reduced human intervention</td>
</tr>
<tr>
<td>2. Examples: microbots, macros, scripts</td>
<td>3. End-to-end automation of workflows and linking of multiple processes</td>
<td>• Examples: chatbots (Yellow Messenger), speech recognition (Uniphore, Observe.AI)</td>
</tr>
</tbody>
</table>

**Sophistication**

- **Low**
  - Structured data and static conditions

**Sources:** Market participant interviews; Bain analysis
**Figure 26:** B2B tech players are leveraging software to disrupt value chains

<table>
<thead>
<tr>
<th>Disrupting existing value chain</th>
<th>Complementing existing value chain</th>
<th>Tech-driven marketplace</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NINJACART</strong></td>
<td><strong>FREIGHT TIGER</strong></td>
<td><strong>INFRA.MARKET</strong></td>
</tr>
<tr>
<td>• Disrupting fresh food produce supply chain by eliminating intermediaries</td>
<td>• Transform logistics supply chain by enabling better control over shipments for both people and businesses</td>
<td>• Reform construction supply market via marketplace for builders &amp; dealers/ manufacturers</td>
</tr>
<tr>
<td>• Use technology and analytics to solve for inefficiencies in supply chain and create value for farmers and retailers</td>
<td>• Use technology to improve visibility and predictability for shippers and transporters</td>
<td>• Create a qualified discovery platform to aggregate customer demand and use technology to solve for inefficiencies in supply</td>
</tr>
</tbody>
</table>

**Value chain impacted**

**Business model for monetisation**

**Monetisation from margin over goods transacted on platform, with dedicated apps for retailers, farmers and supply chain partners to enable value creation**

**Monetisation primarily from platform services (neutral network, visibility, fulfilment); launched freight financing for delivery partners**

**Monetisation from margin over goods transacted on platform and other services (credit solutions, fulfilment services, order-tracking software)**

**Market position and scale**

**Serving 50K+ stores with a network of 25K+ farmers across seven major cities**

**Leading freight network with 3K+ logistics delivery partners and 200+ large customers**

**Working with 140+ construction projects and 70+ clients**

Sources: Market participant interviews; Bain analysis
**Figure 26f:** Specialised solutions are disrupting e-commerce building blocks and end-to-end players are rapidly developing the Indian e-commerce ecosystem

<table>
<thead>
<tr>
<th>Description</th>
<th>Use cases</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation/ personalisation</td>
<td>Product recommendations with purchase history and behavioural data of similar individuals</td>
<td>Vue.ai (Automates marketing and personalisation for fashion/apparel retail)</td>
</tr>
<tr>
<td></td>
<td>Real-time personalisation through differentiation across landing pages, sorting order</td>
<td>Unbxd (Search optimisation and relevance improvement for websites)</td>
</tr>
<tr>
<td></td>
<td>Dynamic bundling through upselling and cross-selling</td>
<td>Avataar.me (Life-sized 3D/AR experience creation for brands)</td>
</tr>
<tr>
<td>App/site search (image/voice/text)</td>
<td>Digital commerce search for matching products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Guided navigation experience using instant filters (e.g., size, price, colour) on search</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Voice-powered shopping and image searches (picture uploads to search look-alikes)</td>
<td></td>
</tr>
<tr>
<td>Assisted selling</td>
<td>Videos, 360-degree demonstrations of products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>VR/AR solutions creating an interactive, real-life shopping experience</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conversational commerce offering a guided buying experience through chatbots</td>
<td></td>
</tr>
</tbody>
</table>

**Description**

- **Recommendation/personalisation engine to create an individualised customer experience**
- **Query, filter and sort relevant products; often powered by voice/image search and natural language processing**
- **Digital experience plug-ins, enabling virtual product experience**

**Use cases**

- **Product recommendations with purchase history and behavioural data of similar individuals**
- **Real-time personalisation through differentiation across landing pages, sorting order**
- **Dynamic bundling through upselling and cross-selling**
- **Digital commerce search for matching products**
- **Guided navigation experience using instant filters (e.g., size, price, colour) on search**
- **Voice-powered shopping and image searches (picture uploads to search look-alikes)**
- **Videos, 360-degree demonstrations of products**
- **VR/AR solutions creating an interactive, real-life shopping experience**
- **Conversational commerce offering a guided buying experience through chatbots**

**Examples**

- **Vue.ai** (Automates marketing and personalisation for fashion/apparel retail)
- **Unbxd** (Search optimisation and relevance improvement for websites)
- **Avataar.me** (Life-sized 3D/AR experience creation for brands)

**Horizontal digital commerce enablers in attractive markets**

- **Provide services across the value chain, including web store, inventory, payments, fulfilment management**
- **India-focused offering and service model customised to solve local challenges**

**Vertical specialists driving online penetration**

- **Provide wide range of services for predominantly offline and low e-commerce penetration verticals like grocery or auto**

**Description**

- **Create region-specific first-mover advantage and moats with robust brand and network of local partners to gain traction before global leaders**
- **Dominate regional markets where e-commerce penetration is rapidly rising**

**Thesis for development**

- **Develop vertical-specific expertise and moats with a dedicated network of suppliers, micro-fulfilment centres and partners**
- **Establish market dominance in verticals with low penetration but growing traction**

**Examples**

- **Instamojo** (Payment gateway and store services provider for SMBs)
- **LoveLocal** (Digitalisation for local stores)
- **Jumbotail** (Wholesale food and grocery platform)

**Sources:** Market participant interviews; Bain analysis
**Figure 27:** SaaS founders value support from investors across critical areas throughout their journey

<table>
<thead>
<tr>
<th>Before investment</th>
<th>After investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tailored assessment</strong></td>
<td><strong>Enable learning</strong></td>
</tr>
<tr>
<td>Adopt different metrics to evaluate different plays (prioritise different metrics for emerging tech plays like AI SaaS as compared to horizontal/vertical SaaS plays)</td>
<td>Develop SaaS playbooks and share key learnings</td>
</tr>
<tr>
<td><strong>Commercial excellence</strong></td>
<td><strong>Support in building the right team</strong></td>
</tr>
<tr>
<td>Assist in securing initial customers, especially in new geographies through networks</td>
<td>Use network to assist in hiring key leadership positions, especially within sales and product</td>
</tr>
<tr>
<td>Provide mentorship and help think through critical decisions (international expansion)</td>
<td>Support in developing GTM motions (especially if expanding globally)</td>
</tr>
<tr>
<td>Support in picking right set of business metrics to monitor across stages</td>
<td>Bring in valuable mentors and advisors to guide founders/teams</td>
</tr>
<tr>
<td><strong>Freedom to experiment</strong></td>
<td></td>
</tr>
<tr>
<td>Inspire founders and teams to perform regular business experiments with users and iterate to solve complex challenges through innovation</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Market participant interviews; Bain analysis
Bold ideas. Bold teams. Extraordinary results.

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