



Vertical & SMB SaaS Benchmark *Report*


2025



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1) Introduction



Thank You to Our Benchmarking Survey Partners



BY THE NUMBERS

Who is Tidemark?

Tidemark is a community of investors, entrepreneurs, and operators who are energized by ideas, love to compete, and are driven to give back.

We are a growth equity firm that makes investments of \$20—150M in companies from the mid-single-digit millions to hundreds of millions of ARR to support the next generation of category leaders.

We also have a foundation. Tidemark gives 10% of its carried interest to the **Tidemark10 Foundation** to support sustainability, Mainstreet empowerment, and mental and social health.

24

Exits

15

IPOs

14

VSaaS companies
>\$100M ARR

7

VSaaS Companies
>\$500M ARR

24

VSaaS / SMB
Investments

\$30-150M

Check Size

Experience Working with VSaaS & SMB Leaders¹

¹ This list includes current Tidemark portfolio companies and prior investments made by Tidemark deal team members at their prior investment firms in which they were on the Board or were a Board Observer

Note: Greyed out logos indicate an investment made by a Tidemark deal team member prior to their tenure at Tidemark

Travel

onfly

klook **SiteMinder**

Trades

ServiceTitan

Legal

LEGALZOOM

nexl **Clio**

Automotive

CCC
INTELLIGENT SOLUTIONS

Pets

Rover

Accounting

KARBON
xero

Restaurants

toast

Education

timelycare

Healthcare

Jane

Creators

kajabi

Agriculture

AgVend
dutchie

Supply Chain

Avetta

A *Note* From the Tidemark Team

Our inaugural 2024 Benchmark Report quantified the Vertical SaaS trends we've seen over decades of investing, grounding the frameworks of our [Vertical SaaS Knowledge Project](#) in real-world data.

Many of the core tenets from last year hold true — own the Control Point, go multi-product, monetize through Fintech, and so on — but we now see execution maturing with higher stakes. Vertical SaaS is no longer “just starting to unfold” as we noted in our 2024 report. It's scaling up, professionalizing, and raising the bar on what great looks like. The industry is at a key inflection point.

Companies are doubling down on proven levers while also embracing a new reality: **AI is no longer an experiment; it's a core part of the playbook.** This year's data shows AI adoption is widespread, customer attach is strong, and monetization is real.

For operators, the message is one of validation and urgency: get the fundamentals right, and use AI to deepen them. Those who act quickly will see stronger growth, retention, and defensibility; those who hesitate risk being left behind. **And with AI as a new layer, Vertical SaaS is redefining industries one workflow at a time.**

For incumbents, this is an edge: owning the workflow and the data means you can integrate AI defensibly. For AI-native challengers, you must find your wedge and use the “Integrate & Surround” strategy to attack where incumbents already have gravity. We explore these strategies in more detail in our Systems of Action series [here](#).

Use these insights to calibrate your strategy and identify new opportunities — or pitfalls to avoid. We at Tidemark are more bullish than ever on the Vertical SaaS opportunity because the data shows it's no longer theory; it's happening on the ground. Vertical SaaS has arrived, and it's redefining industries one workflow at a time.

We hope this report helps you in your quest to win, expand, and extend in your category. As always, we're here to support the builders of the next great vertical platforms.

Use This Data to Benchmark Your Business, Inform Your Product Planning *and More*

Every business is unique, and benchmarks are not a one-size-fits-all verdict on performance.

We encourage readers to use the metrics in this report as guideposts — a way to gauge where your company stands relative to peers and to spark deeper inquiry.

For each metric (growth rate, retention, ARPA, etc.), consider the context: vertical market dynamics, customer profile, and company stage can all influence the numbers. The median values and distributions presented are meant to inform strategic planning, not dictate it. Use this report to identify questions and opportunities, and combine it with your internal data and judgment.





2) Behind the Benchmarks: The 2025 Survey Participants

Data Gathered *Directly* from Vertical SaaS Companies

We gathered data directly from over 200 Vertical SaaS companies worldwide. Most were founded in the past 10 years, spanning a broad mix of sectors, company sizes, funding stages, and geographies.

The dataset reflects the diversity of the Vertical SaaS ecosystem — from newer startups to growth-stage leaders, operating across different vertical markets.

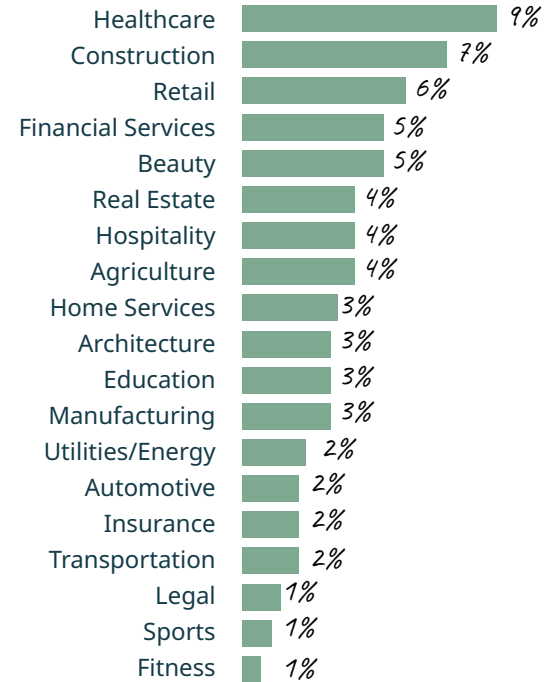
We also saw a wide distribution — companies founded anywhere from the early 2010s up through 2023 were included — capturing nearly a decade of Vertical SaaS knowledge.

No single vertical dominates the sample. The breakdown of respondents by vertical is well spread, underscoring that the Vertical SaaS movement is widespread across niches.

Callout: Only 17% of respondents are “repeat respondents” (those who filled out last year’s benchmarking survey).

>200
total VSaaS companies

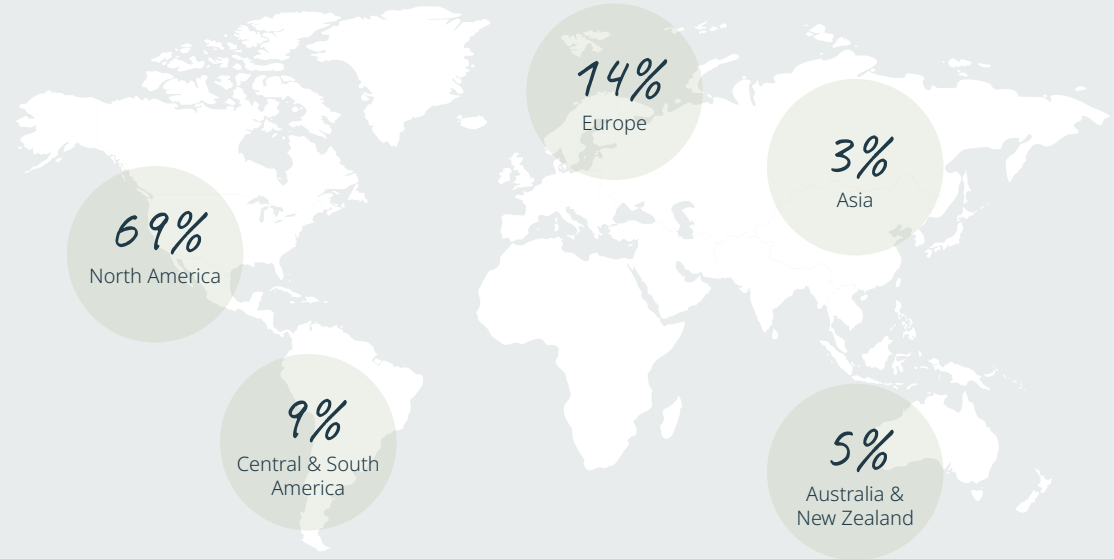
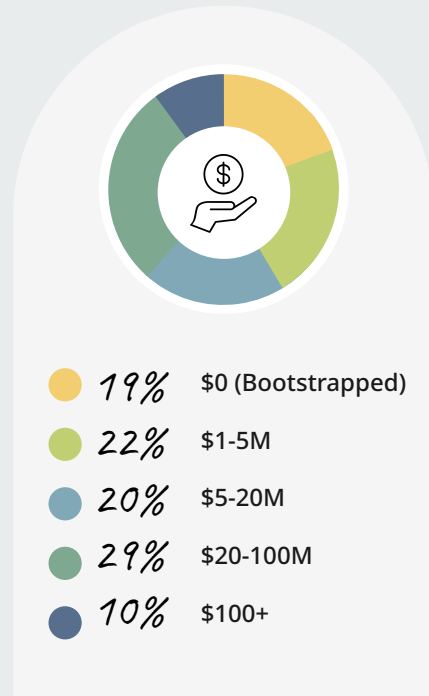
Breakdown of Respondents by Vertical



*Remaining 31% categorized in “Other”

Data Collected from Vertical SaaS Companies Across a Range of Funding Stages and Geographies

Respondents represent a healthy mix of funding stages — from bootstrapped companies and seed-stage companies to late-stage growth startups that have raised significant capital — and a diverse geographic footprint.





3) Overview of The Vertical SaaS Knowledge Project Framework

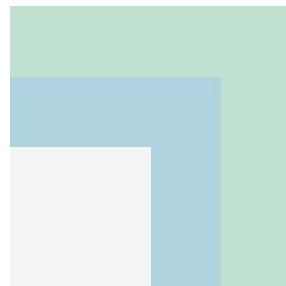
What is the VSKP Framework?

*Tidemark's VSKP Framework outlines the three steps
Vertical SaaS companies must follow on the route to category
leadership:*

-  **1 Win The Category: Occupy the Control Point**
Own the critical system

-  **2 Expand Offerings: Go Multi-Product**
Grow ARPA and develop multiple integrated products

-  **3 Extend Through the Value Chain**
Extend offerings to key stakeholders throughout the value chain



VSKP Framework
Win - Expand - Extend

[Explore the VSKP here](#)

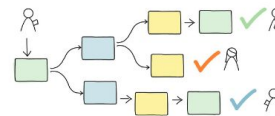
¹ ARPA = Average Revenue Per Account

Win The Category: Occupy the Control Point

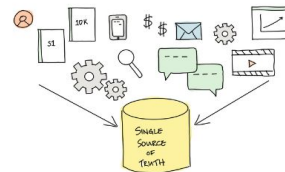
The **Control Point** is the most important system, the last to be thrown out before an owner ceases operations. Control Points often have one or more of the three types of “**Vertical SaaS Gravity**”:

- 1 WORKFLOW GRAVITY**
The system that other systems integrate into
- 2 DATA GRAVITY**
The system that holds and creates the most critical information
- 3 ACCOUNT OWNERSHIP GRAVITY**
The user/sponsor of your software is the highest-ranking individual in the customer organization

Control Point Forces



Workflow Gravity



Data Gravity



Account Ownership

[Read our essay on Control Points](#)



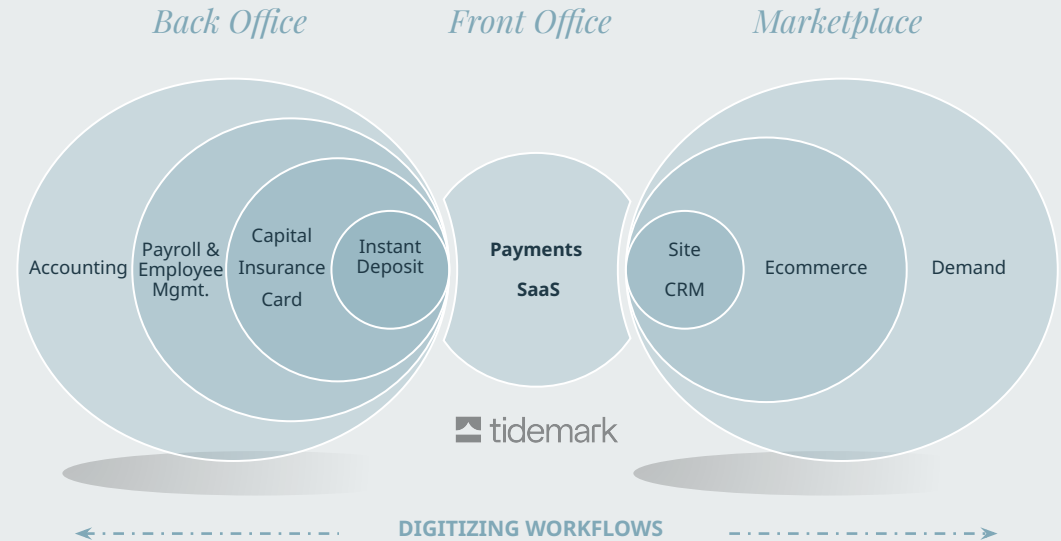
Expand Offerings: Go Multi-Product

At some point in your company's journey, you start to hit the ceiling on location count in your geography, and growth slows. As you saturate your segment, you will start to see increases in customer acquisition costs (CAC) and close times.

You need to go multi-product.

Think about sequencing products based on targeting pools of merchant spend. Analyze where your merchants spend the most capital to **find what matters**.

Example: Multi-Product Strategy Starting from POS



<i>Employee</i>	<i>Fintech</i>	Point of Sale & Operations	<i>Commerce</i>	<i>Guest</i>
<ul style="list-style-type: none"> • Payroll • Employee lending • Health insurance 	<ul style="list-style-type: none"> • Instant deposit & lending • Workers' compensation • Corporate card 		<ul style="list-style-type: none"> • CRM • Review management • Loyalty 	<ul style="list-style-type: none"> • Channel management • Online/ mobile ordering • Contactless delivery

Extend Through the Value Chain

Extending through the value chain is VSaaS in its highest form.

Vertical SaaS companies can sell not just to the merchant, but also to the merchant's suppliers, employees, and consumers.

If successful, you can **repeat the cycle**:
Win, Expand, and Extend.

Businesses that succeed on this path are superlative, with Control Points across multiple constituents and interlocking workflows.

This is the frontier – the cutting edge.



[Read more about extending through the value chain](#)





4) Benchmarking
Through the Lens of
the VSKP Framework

5) Win the Category: Control Point Momentum

Here we examine how a company's primary product (its Control Point) influences its trajectory. The data shows that the choice of Control Point — whether it's a POS system, CRM, fintech product, etc. — has ripple effects on growth, retention, and expansion opportunities.

We'll unpack:

- Which Control Point categories are most common
- How different Control Points correlate with funding and retention
- Typical pathways from a given Control Point into multi-product expansion

Ultimately, this section shows why where you start in Vertical SaaS can shape your growth journey.



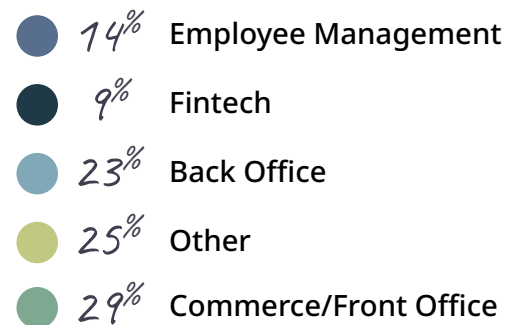
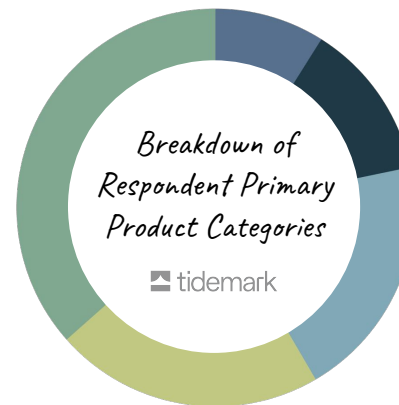
Where Are the Control Points?

Vertical SaaS companies tend to start in a few key functional categories.

In our survey, the most common primary product categories were Commerce/Front Office and Back Office solutions. In fact, Commerce-related software (e.g., POS, e-commerce, scheduling) made up about 29% of primary products, and Back Office (e.g., accounting, payroll) about 23%. These two areas together constitute more than half of all respondents' core products.

A couple important callouts:

- **“Other” vs. Niche:** ~25% of companies labeled their primary product as “Other,” which often means a niche workflow or a unique vertical-specific system that doesn’t neatly fit standard labels.
- **Fintech as a Second Act:** The fact that pure Fintech is the least common starting point, yet ubiquitous as an expansion product (as we’ll see later), suggests Fintech often comes second. Indeed, companies that didn’t start in fintech frequently add it later.



Beyond the Category: Top Primary Products

Drilling one level deeper, what specific products are most companies offering as their primary? The top five primary product types in our sample were Practice Management, CRM, Accounting, POS, and Inventory Management. In fact, three of the top four products are the same as our 2024 report.

This underscores a key insight: it's crucial to **"start where the work (and data) is."** Practice Management and POS systems handle day-to-day transactions and scheduling; CRMs manage critical customer data; Accounting handles financial data.

These are all systems where either the *worker lives in the software* or the *core data lives in the software* – which is exactly what makes them strong Control Points.

By beginning at the heart of operations (where critical data and daily workflow live), a Vertical SaaS company earns trust and relevance, making it easier to later extend into additional products.



When choosing your beachhead product, ask: "Where does the target user spend most of their time, or what system holds the most critical information for the business?"

Breakdown of Respondents by Primary Product



*Remaining percent categorized in "Other"

Different Control Points, Different Retention Profiles

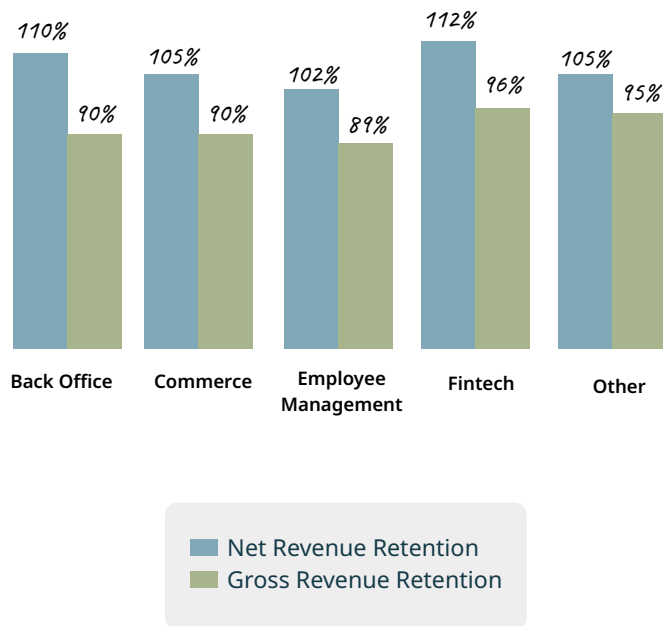
One of the big advantages of winning a Control Point is superior customer retention. When you're embedded in the core operations of a customer, churn tends to be low — your product is simply too critical to rip out easily.

Our 2024 report showed that companies with Fintech and Back Office Control Points exhibited the highest gross and net retention, with Employee Management Control Points also showing strong NRR.

In 2025, we see a similar pattern, with slight shifts: Fintech-led companies hold the strongest retention profile, closely followed by Back Office. Notably, Employee Management, which last year was a leader in NRR, dropped in retention.

While one driver could be a change in survey respondents, the unchanged truth is that owning the primary workflow still correlates with high retention: even with some year-over-year changes, those who dominate their customers' core systems generally enjoy the lowest churn rates.

Retention Strength Varies by Control Point

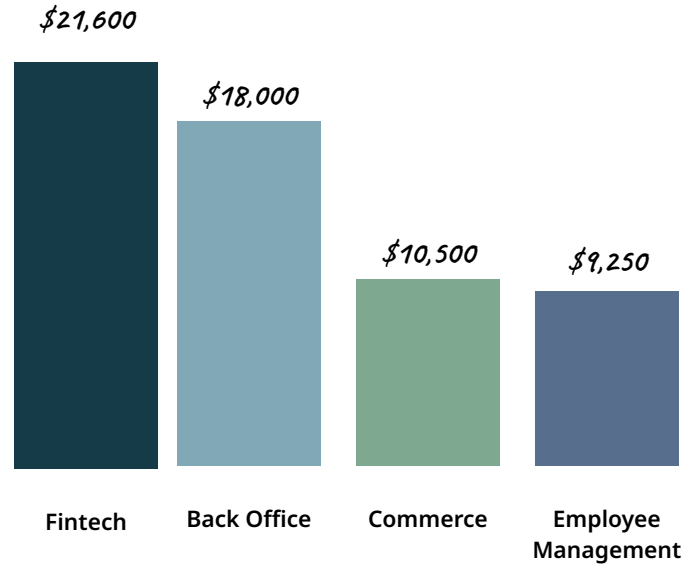


ARPA: Highest for Commerce & Back Office

Average Revenue Per Account (ARPA) tends to differ by primary product category.

This year, we observed that companies whose primary product is in Fintech or Back Office categories report the highest ARPA on average.

Median ARPA by Primary Product Category



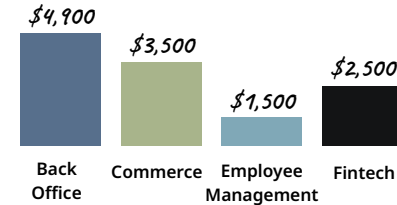
Go-To-Market Efficiency: The State of CAC

As expected, longer sales cycles correlate with higher CAC. Companies reporting an average sales cycle of 30+ days had substantially higher median CAC than those closing deals in under a month.

This is intuitive — longer cycles often mean larger customers or more complex integrations, requiring more sales touchpoints and higher cost of sales.

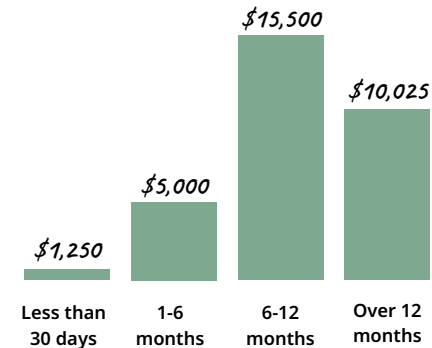
The implication: When benchmarking CAC, be sure to compare against companies with similar target customer profiles and deal complexities.

Median CAC by Category



tidemark

Median CAC by Average Sales Cycle



tidemark

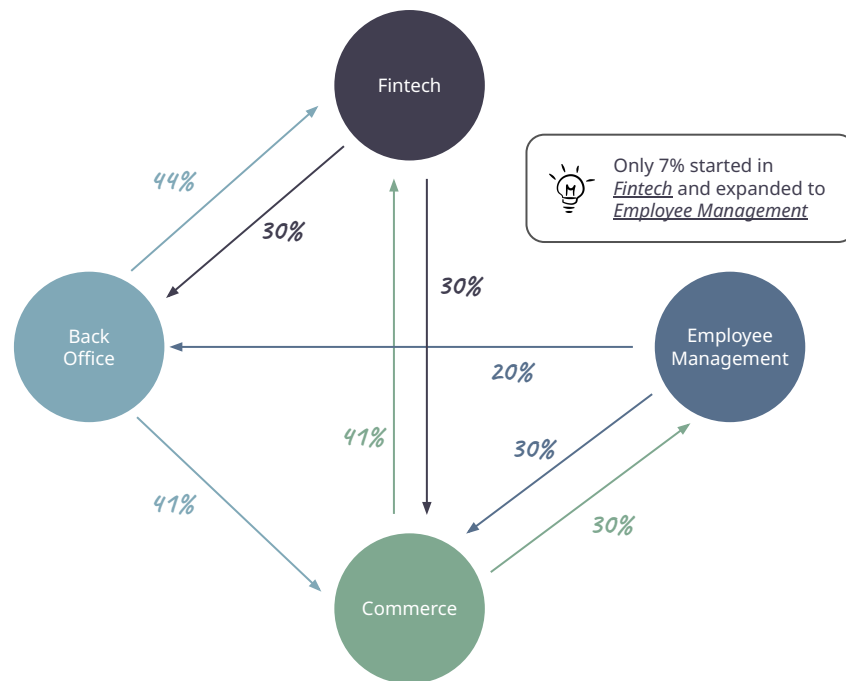
From Control Points to Expansion — Where You Start Signals Where You Go

A company's starting point (primary product) often predicts its expansion path or what the first add-on product will be.

We found that the majority of expansion pathways lead to Fintech as a common second product, regardless of origin. For example, 44% of respondents who started with a Back Office product eventually expanded into Fintech, and 41% of those who started in Commerce also expanded into Fintech. Fintech is a highly attractive adjacency — likely because every industry has money flows that a vertical platform can facilitate and monetize.

We can visualize these pathways as a flow from each primary category as shown to the right.

Overall, the data suggests a degree of path dependence: your initial beachhead (the problem you solve first) often sets up the logical sequence for subsequent products. And in Vertical SaaS, payments/Fintech is often that logical next step for expansion (we'll explore this further in the multi-product section).



6) Expand: Going Multi-Product Drives Growth

Here we'll explore the strategies and outcomes of going multi-product. Vertical SaaS companies, almost by design, are positioned to expand beyond a single offering — and 2025 data shows multi-product remains key to accelerating growth.

We'll examine how many products companies are offering; how going multi-product affects market size (TAM), customer segments served, and retention and growth metrics; and which areas are most popular for expansion.



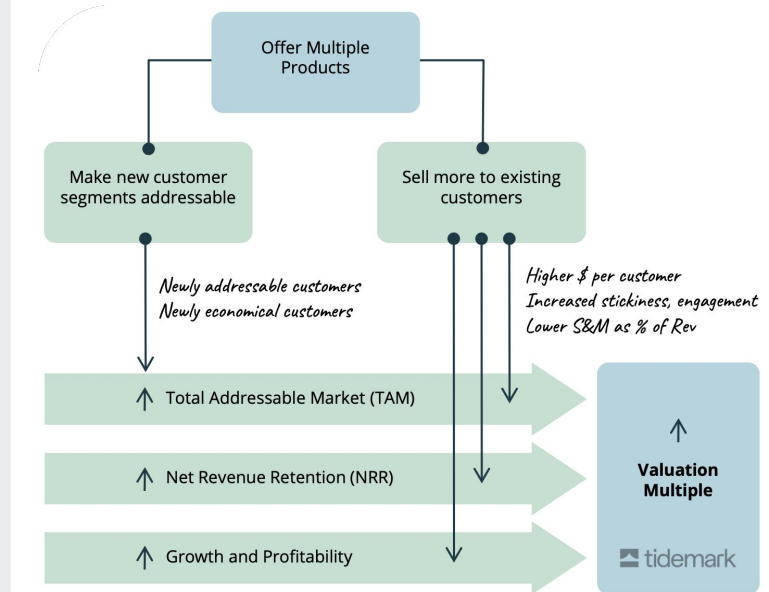
Vertical SaaS Vendors Are Born to Be Multi-Product

Getting product expansion right is one of the hardest challenges at the growth stage. It's both an art and science, and arguably it's becoming more dynamic now than ever with the rise of AI-enabled products.

Rather than chasing surface area for its own sake, operators in our survey are doubling down on a few key principles:

1. **Sequence intelligently from the core:** If your anchor is a CRM, your next product might naturally be marketing automation or payments. The expansion should make intuitive sense to your customer.
2. **Leverage Fintech strategically:** Many are making Fintech products a default part of the platform, not just an optional add-on. This often means building Fintech in-house or tightly integrating it so that it drives revenue from day one of customer onboarding.
3. **Use AI as an accelerant, not a standalone SKU:** Increasingly, companies are embedding AI features into their existing products to enhance value, rather than selling "AI modules" separately. AI is seen as a way to boost the core product's stickiness and capabilities (we'll dive deeper into AI later on).

Multi-product success in 2025 comes from focused expansion that amplifies the core value proposition, rather than a scattershot approach. Next, we'll look at how many products companies have and what multi-product expansion yields.



How Many Products Do Vertical SaaS Companies Offer?

Our data shows that multi-product organizations can target a much larger customer universe and tend to grow faster than single-product companies. In our survey, 59% of companies reported offering more than one product, while 41% remain single-product businesses.

And once companies make that leap, they rarely stop at two. Instead, they often expand to three, five, or even ten-plus products, embracing a suite of solutions rather than a simple add-on.

That said, breadth alone isn't proof of strength. In the slides that follow, we'll analyze how product count correlates with performance, distinguishing strategic expansion and market penetration from surface-level diversification with limited adoption.

Distribution of Products Offered by Respondents



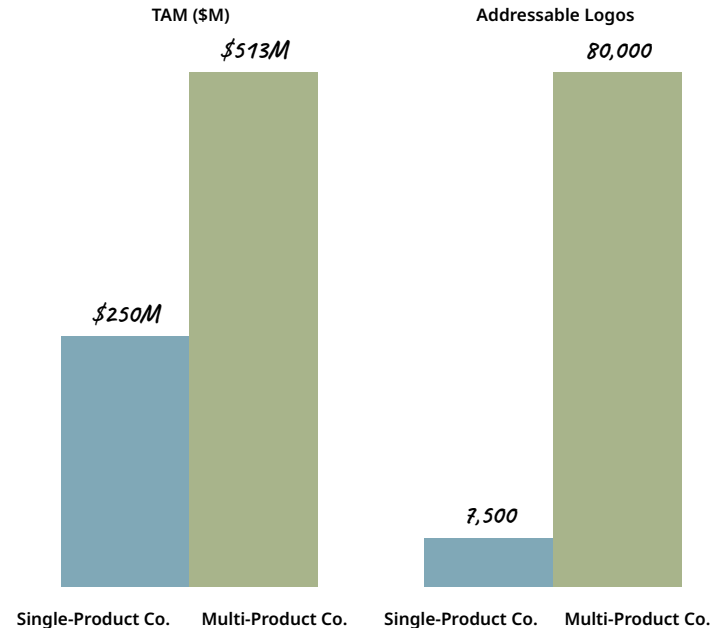
When you Go Multi-Product, Your Opportunities Expand

One clear benefit of going Multi-Product is an expansion of market opportunity. Multi-Product VSaaS companies in our survey report significantly larger reachable markets than their Single-Product counterparts.

Specifically, the median addressable customer count for Multi-Product companies was on the order of 80,000 potential logos, versus only about 7,500 for single-product companies. Multi-Product firms often find new customer segments to sell into as they broaden their offerings.

Likewise, median estimated TAM roughly doubles when going from single to Multi-Product. Single-Product companies cited a median TAM around \$250M, whereas Multi-Product companies' median TAM was about \$513M. By offering more, they either can upsell more value per customer or appeal to adjacent market segments, effectively increasing the pie.

Single vs Multi-Product Companies: Addressable Logos and TAM



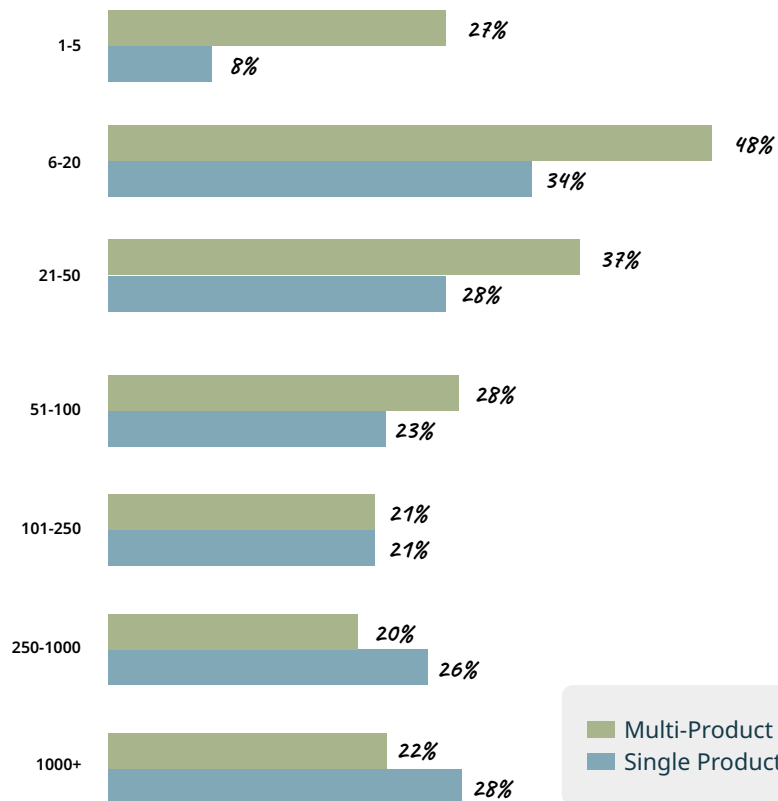
Multi-Product Companies Often Serve a Broader Range of Customer Sizes

Consider the smallest customer segment (businesses with 1-5 employees). Only about 8% of Single-product companies, compared to 27% of Multi-Product companies, in our survey serve that micro-SMB segment.

Why the difference? Multi-Product companies might offer a more comprehensive solution that makes even the smallest customers viable to serve (e.g., bundling several needed functions together and expanding ACV). Or they may have started with slightly larger customers and later added simpler products that allow them to go downstream to smaller clients.

Either way, Multi-Product vendors appear more able (or willing) to cover both ends of the market — from very small businesses to larger ones — whereas single-product vendors might focus on a narrower band.

Breakdown of Respondents by ICP Segment Served



Multi-Product = Higher Retention and Faster Growth

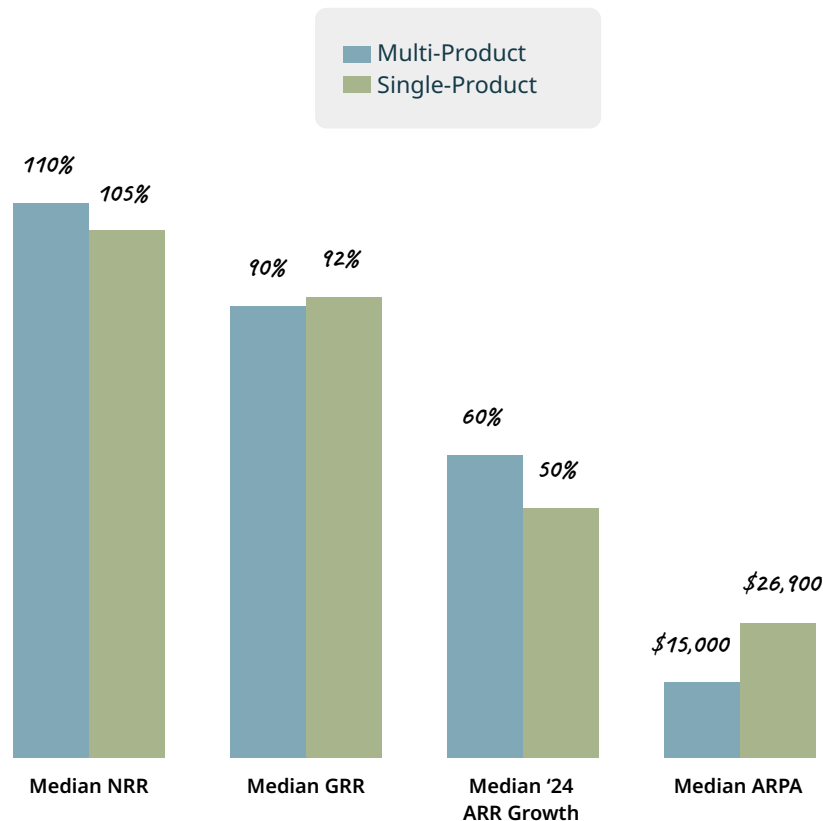
Multi-Product businesses are seeing tangible performance benefits.

Using median 2024 ARR growth, Multi-Product companies grew about 21% faster than their Single-Product peers.

Interestingly, median GRR was 2% lower for Multi-Product companies at 90% which could indicate that churn dynamics are more tied to Control Point stickiness than product breadth.

That said, NRR is where Multi-Product shines. NRR for Multi-Product firms tends to exceed 100% (often 110%+ for best-in-class), whereas many Single-Product firms hover around 100% or slightly below unless they raise prices. Multi-Product firms can achieve >100% NRR more easily by cross-selling new modules.

In sum, Multi-Product strategy pays off in growth velocity and in extracting more value over time from each customer (higher NRR), with little downside to core retention.



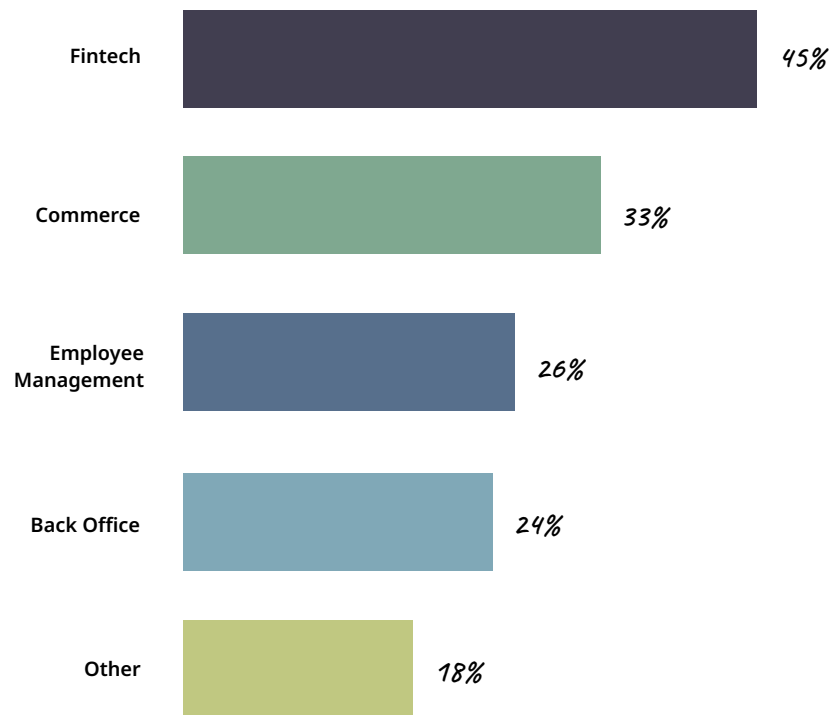
Of Expansion Areas, Fintech Takes the Crown

If there's one expansion category that Vertical SaaS companies pursue most, it's Fintech.

In 2025, Fintech is the top expansion direction: among companies that started in another product category (Commerce, Back Office, etc.), 45% expanded into a Fintech product as their second product. This makes Fintech the most common new arena when going Multi-Product.

Why Fintech? Because Fintech directly monetizes the transactions and financial flows already happening on your software. It's often low-hanging fruit once you have the customer's core system. For example, many practice management or POS companies realized, "We can offer payments ourselves instead of letting a third-party processor take that cut."

Fintech Leads Expansion Paths



Within Fintech: Payments Dominates Expansion

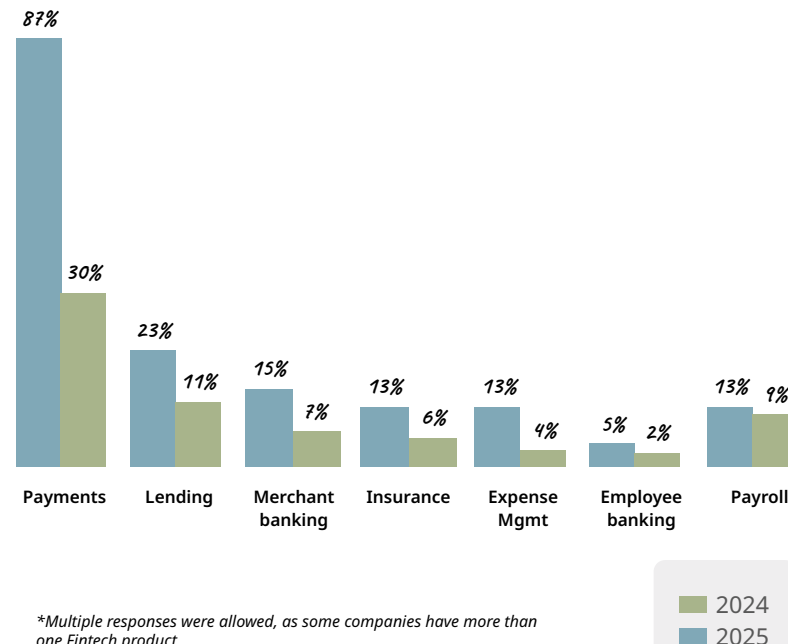
A whopping 87% of companies with a Fintech offering had payments in their portfolio, making it almost ubiquitous. This is also up from 30% last year. While the sample set is not apples-to-apples, this is still a noticeable change.

This distribution shows that payments is the first stop on the Fintech journey for most — nearly everyone does payments — and then a subset branch into lending or other financial services.

It mirrors what we see in the market: payments is often easiest to integrate and immediately valuable, while things like lending or insurance require more specialized capability.

Notably, payments contributed an average of ~\$4.2K in incremental ARR per customer for those who had it. That's a substantial boost. Effectively, adding payments could increase the revenue you get from each customer by a few thousand dollars on average, which is huge in SMB SaaS economics.

Payments Lead Fintech Expansion



VSaaS Companies are Increasing Stickiness with Payments

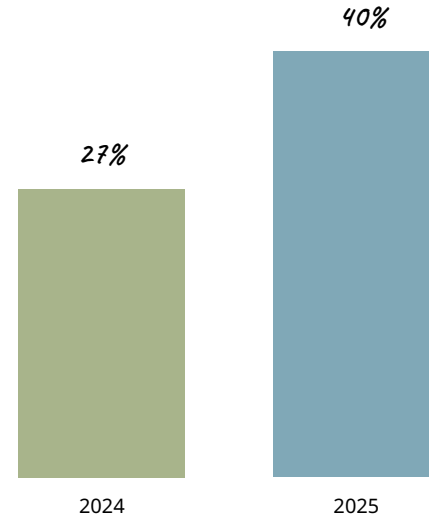
Fintech attach rates have historically been lower than pure software modules — not every software customer opts into payments or lending.

However, payments attach is rapidly on the rise. In our survey, the median payments attach rate was ~40%, up from about 27% the year prior.

We believe this trend indicates that Vertical SaaS companies are getting better at driving payments adoption, whether by bundling it, making it the default option, or just through market maturity as customers grow more comfortable with all-in-one solutions.

Why does attach = stickiness? Because if a customer uses you for payments processing, the hassle to switch away is much higher — it's deeply embedded in their cash flow. Rising payments attach means increasing platform stickiness. We're seeing VSaaS companies truly become the central bank/payment hub of their customers.

Median Payments Attach Rate



Thinking about adding payments?

Ronnie Gurion, COO at Clío, shares how Clío scaled their payments offering from a feature into a powerful revenue stream.

A Sizable Portion of Respondents Made Payments Mandatory

Some companies implement it softly, e.g., automatically enrolling all new customers on their Payments offering making opt-out very difficult.

The fact that 31% are doing it means it's becoming normalized in some markets.

Some well-known companies that make Payments mandatory:

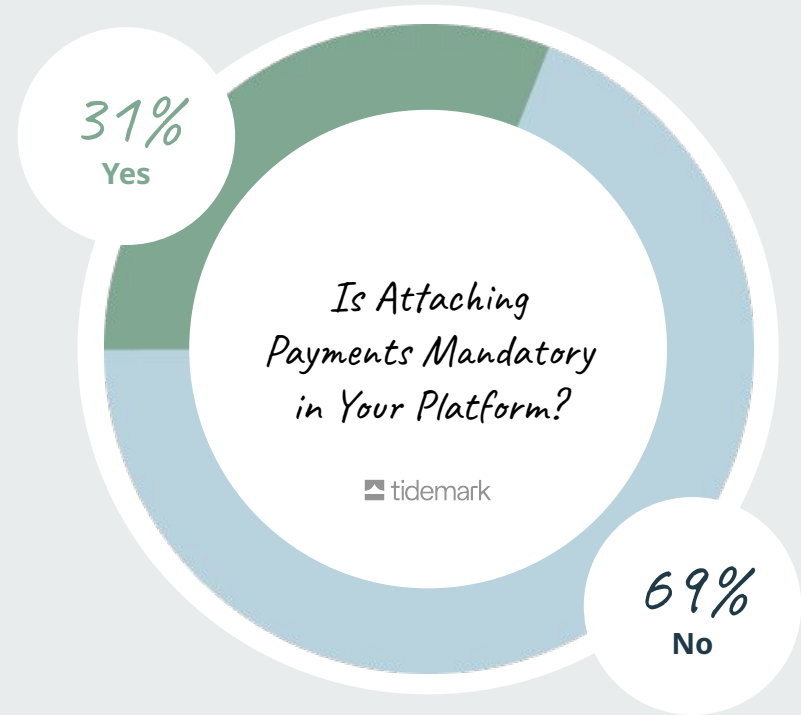
 toast

 Square

 shopify

 BOULEVARD

 mindbody



stripe Seven Proven Strategies to Increase Adoption of Payments

Rising payments attach rates in 2025 marks the shift from payments as a "bolt-on" product to a primary revenue driver for Vertical SaaS platforms. But what are the best ways to incentivize merchants to adopt and begin processing payments quickly?

Stripe, the market leader for embedded payments, shares with Tidemark some of the best practices for turning payments into a growth engine:

1. Start selling outcomes: Craft a compelling value proposition that translates features into tangible benefits meaningful to your core customers.

Many platforms lead with "integrated checkout" and "unified reporting" instead of what users actually care about: more revenue, less manual work, and fewer headaches. Your biggest competitor is the status quo—"We'll just keep doing what we're doing." Instead, show prospects exactly how much they're losing to failed payments, manual reconciliation, or poor checkout conversion. Then, demonstrate how your payment solution solves their problems—translating features into specific benefits that matter to them.

2. Market in a way that matters: Most platforms spread messaging across different customer types and wonder why it doesn't stick. To effectively sell integrated payment solutions, you need to know exactly who you're talking to, their unique pain points, and who influences their decisions. Content marketing (case studies, webinars and workshops, educational blog posts), digital marketing channels (paid advertising, organic social media), and communications (email marketing) are effective marketing strategies to reach your target audience and increase awareness of your payments offering.

3. Optimize your conversion funnel: Most platforms lose users between sign-up and the first transaction. To help users get to revenue faster, platforms should measure key conversion milestones—from providing an email to accepting first payment to processing over \$1,000. For example, if the root cause of drop-off is onboarding (i.e., a confusing or difficult setup process), you can boost self-serve conversion by improving the onboarding flow with in-app task lists, UI/UX improvements, and automated nurturing campaigns.

stripe Seven Proven Strategies to Increase Adoption of Payments

4. Empower your sales team to sell: The timing and ownership of payment conversations significantly affect adoption rates. Define who will own selling payments, and at what point in your sales cycle they will engage (e.g., bundling with software to new customers, driving adoption among existing customers, etc.). You can also motivate sellers by aligning incentives—with clearly outlined metrics and KPIs—that integrate smoothly into existing compensation without diluting focus on core software sales. Train sellers to become payment consultants who reveal pain points, combat objections, and understand payment flows, authorization rates, interchange fees, and compliance requirements.

5. Build iteratively: You don't need every payment feature ready at launch. Prioritize the capabilities that drive higher transaction costs, reduce customer churn, or enable you to serve larger customers. Start with core processing, add local payment methods based on demand, and then layer on financial services as you scale.

6. Track key metrics: You need metrics that tell you where to focus your effort and budget to maximize payment revenue growth.

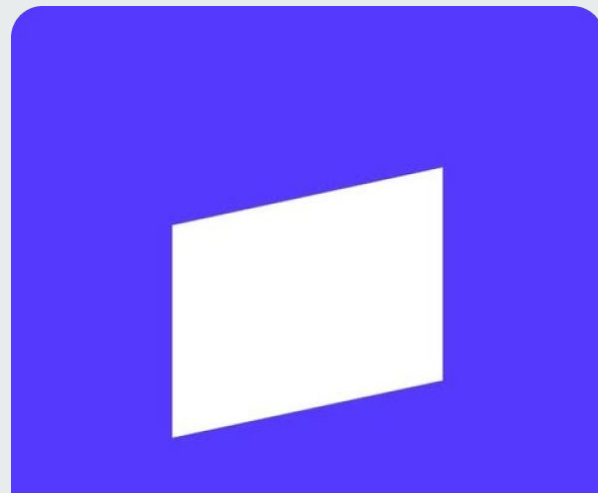
- **Payments attach rate:** This is the percentage of active and eligible software users using a payment product or feature.
- **Payments share of wallet:** This is the percentage of a business's payments processed through your platform.
- **Attach rate for new subscribers:** This measures how well you drive payments adoption for new businesses during sign-up.
- **Attach rate for existing users:** This measures how well you're getting existing software users to adopt your payments offering.
- **Other important metrics:** These might include user benefits (e.g., faster payments, higher conversion rates, etc.), time to go live, customer retention and churn rates, and customer lifetime value. Evaluate your data by cohorted time periods to track how campaigns and product updates improve your metrics over time.

stripe Seven Proven Strategies to Increase Adoption of Payments

7. Drive the right behaviors: Drive adoption through smart design. Customers who have to actively choose payments often don't. So make embedded payments the standard option, not an add-on. Position your solution as the obvious choice through better reporting, faster payouts, and more support—especially at merchant onboarding, where early success predicts long-term retention. You can also use financial incentives, such as sign-up bonuses, free devices, or SaaS discounts, to accelerate adoption.

It's clear that making payments a primary revenue driver requires more than a technical solution. It requires careful user research and segmentation, listening actively to customers, positioning yourself as a true partner, and staying the course. Meaningful results take time.

If you're considering building your payments business, Stripe's payment experts have just launched more than 100 guides, videos, and checklists that are purpose-built for our vertical SaaS partners.



Partner with Stripe to accelerate your growth

[Learn more about the Stripe Partner Ecosystem and resources available for building, marketing, selling, and scaling your payments solution.](#)



Beyond Fintech: Other Expansion Products to Explore

Fintech isn't the only path. Many Vertical SaaS companies also expand into other product areas to deepen customer value.

One interesting angle is how different expansion products bring different willingness-to-pay and attach rates. In our survey, we gathered data on a few common (non-Fintech) expansion products and their average incremental ARR per customer as shown to the right.

These averages show that not all expansions are equal — some (CRM, Scheduling) command higher dollars than others (like Time Tracking).

The takeaway: Pricing and packaging matter immensely. As you expand beyond your core, consider how to price each add-on.

Incremental ARR per customer by expansion product:

1. Time Tracking:

Adds about **\$2.1K** in ARR per customer on average. A popular add-on in verticals where hourly work or billing is key (e.g., field services, law). Generally lower price point, hence moderately low incremental ARR.

2. CRM:

If not the core product, adding a CRM module yields roughly **\$3.8K** additional ARR per customer. Significant, as CRM is often a high-value module enabling sales and marketing capabilities.

3. Inventory Management:

About **\$2.6K** incremental ARR. Important in retail, manufacturing verticals; typically a mid-value add-on.

4. Insurance:

Offers around **\$2.4K** incremental ARR. Some VSaaS are beginning to resell or facilitate insurance (e.g., liability insurance) as a product.

5. Employee Scheduling & Comms:

Roughly **\$3.6K** incremental ARR. Workforce-management tools (scheduling, messaging) can be a valuable upsell, especially in retail, hospitality verticals.

7) Extending Through the Value Chain

Here we explore the rare but powerful strategy of extending through the value chain — when Vertical SaaS companies create offerings for their customers' customers, suppliers, or employees.

This is VSaaS at its most expansive, turning a single-vertical software provider into a multi-sided platform.

We will look at how common (or uncommon) these extensions are in practice, with data on how many companies have tried supplier-focused, employee-facing, or consumer-facing products. We'll also discuss why these strategies are pursued and provide examples of what these extensions can look like.



Extend Through the Value Chain

Extending through the value chain is VSaaS in its highest form.

The Vertical SaaS Vendor can sell not just to the merchant, but also to the merchant's suppliers, employees, and consumers.

If successful, you can **repeat the cycle: Win, Expand, and Extend**.

Only a minority of VSaaS companies manage true extensions because it's almost like starting a new business line. But we are seeing more evidence that it's possible today than ever before.

Often extensions come once a company has mastered Win and Expand — and usually Multi-Product too — essentially when they've saturated a lot of their core opportunity and are looking for the next horizon.



[Read more about extending through the value chain](#)





Key Extension Pathways: *Supplier*

Some Vertical SaaS platforms extend *upstream* to serve their customers' suppliers.

For example, if you provide software to retail stores, you might build a marketplace or procurement system for those retailers to order from wholesalers.

By managing inventory, you gain insight into supply needs, potentially enabling you to connect suppliers with your merchants.

Why it works: Your merchant software already engages with supplier data (orders, stock levels). Providing a portal or marketplace for suppliers leverages that engagement. It can turn into a new revenue source (transaction fees on supplier orders, etc.) and makes your software even more indispensable.

17%

of companies have an Inventory Management product, which is often a stepping stone to a supplier network extension

[Explore how CCC extended to the Supplier to become the Industry Platform](#)





Key Extension Pathways: *Employee*

Many SMBs struggle with hiring, paying, and retaining employees — which are critical to their success. Vertical SaaS platforms can extend into solving these problems.

The number of companies who offer an employee extension product are small but notable — these are nascent areas.

Why it matters: For many SMBs, labor is the largest cost and a major headache. If your platform helps them manage employees (scheduling, payroll etc.), extending to support **the employees themselves** (financial products, training, job matching) provides huge additional value. It also means you might acquire users who are the employees, creating a B2B2C dynamic.

3.4%

of companies offer an
Employee Banking product

3.4%

of companies offer a
Recruiting Marketplace

[Read more about extending
to the employee](#)





Key Extension Pathways: *Consumer*

Consumer extensions are potentially the most lucrative pathways, but also the most challenging.

Here the idea is to help your merchants **get more customers or revenue** — e.g., through **Demand Generation, Advertising, or a Consumer Marketplace** that connects end-consumers with your merchants.

Why it's big: Bringing customers to your merchants is the ultimate value prop — it directly drives their top-line. It also can be highly profitable (marketplace fees, lead generation fees). But it's like starting a consumer business, requiring marketing to end-users, which is not trivial. The 17% indicates some companies are trying, especially where digital marketplaces in their vertical are not yet dominated by incumbents.

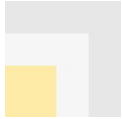
17%

of respondents offer
a consumer-facing
“Extend” product

[Read more about extending
to the consumer](#)



Explore Even More Frameworks from Tidemark's Vertical SaaS Knowledge Project



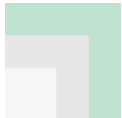
All the Data! Reporting & Analytics, and the Coming Battle for Data Gravity

How Generative AI is reshaping data control — and what incumbents can do to stay ahead.



Beyond the System of Record: Becoming an Industry Ledger

How VSaaS companies can create an unassailable position in their markets (and continue “extending beyond the value chain”).



Know Your (Operational) TAM

For VSaaS companies, understanding your Operational TAM — not just “hand-wavy” market size — can be the difference between sustained growth and hitting an unexpected wall.



Formation and Access- 10x Your Take Rate!

We are seeing a new control point pattern we call “Formation and Access,” which may be the most disruptive pattern we’ve seen in Vertical SaaS since the introduction of embedded payments.

We'll dive into our frameworks on AI in the last section!

8) State of AI in Vertical SaaS



Overview

In this final section, we turn our focus to the intersection of Artificial Intelligence and Vertical SaaS. We wanted to quantify how it's actually being adopted and monetized among Vertical SaaS companies.

We surveyed companies on whether they have AI-driven products, what those products do, how they're built (models and tech), attach rates, and monetization strategies. The results show that AI adoption in Vertical SaaS rapidly accelerating, moving from novelty to a standard component of product strategy.

Key themes we explore

Adoption rates of AI products

Common AI use-case categories

How companies are charging for AI

Speed of AI development

The performance uplift for companies with AI

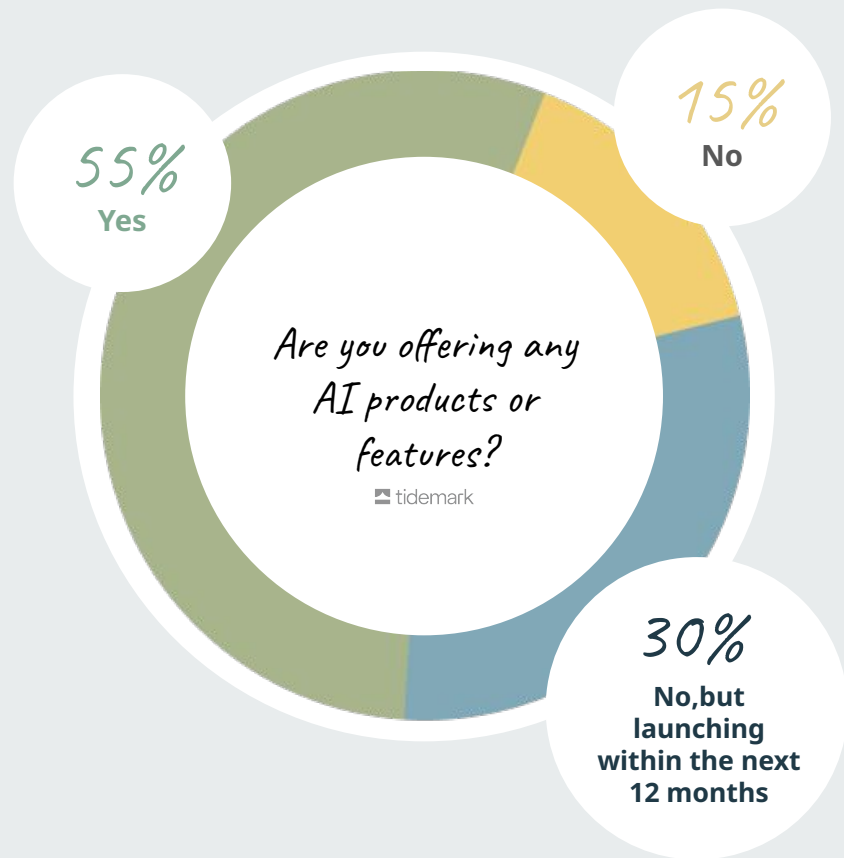
AI x Vertical SaaS Companies: On the Rise

AI Adoption is High: Over half of Vertical SaaS companies are now AI-enabled.

In our survey, 55% of respondents have an AI product or feature in market today, and another 29% plan to launch one by end of 2025.

That means that in the near future, roughly 84%, or about five out of six could have AI in play. AI in VSaaS is no longer fringe; it's becoming mainstream.

Many teams that were merely considering AI have now shipped something. It's clear that AI has moved from buzzword to baseline capability in the Vertical SaaS world within a year. Every company now feels the urgency to have an AI strategy, whether it's embedding GPT-powered assistants, automating data entry with ML, or offering predictive analytics to their customers.



AI Products Span Front-Office to Back-Office

AI is being applied widely across various functional categories within Vertical SaaS platforms.

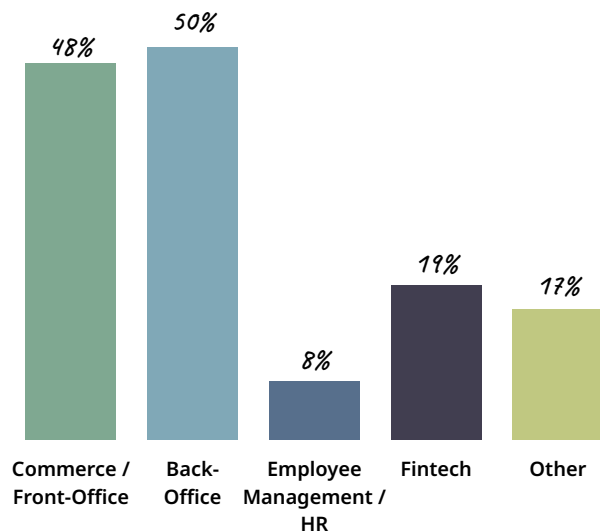
We asked companies which part of the customer's workflow their AI offerings serve, and the responses spanned Front-Office, Back-Office, and everything in between.

The top areas were Back-Office and Commerce/Front-Office. About 48% of AI products target Back-Office functions, and 50% target Commerce or front-of-house operations.

This means many AI features are helping with things like accounting automation, inventory optimization (Back-Office) or sales/marketing enhancements, customer service bots (Front-Office).

The takeaway is that AI in vertical SaaS is not confined to one department or type of task. Companies are finding applications wherever there is repetitive work, data-driven decision-making, or predictive needs in their target vertical.

Which category or categories does your AI offering serve?



Prioritizing your AI product strategy starts with understanding the Jobs-to-be-Done of your Hero Users.

Read our thinking in [Systems of Action — Part 1: Hero Tools](#)

Strong Customer Uptake on AI Features

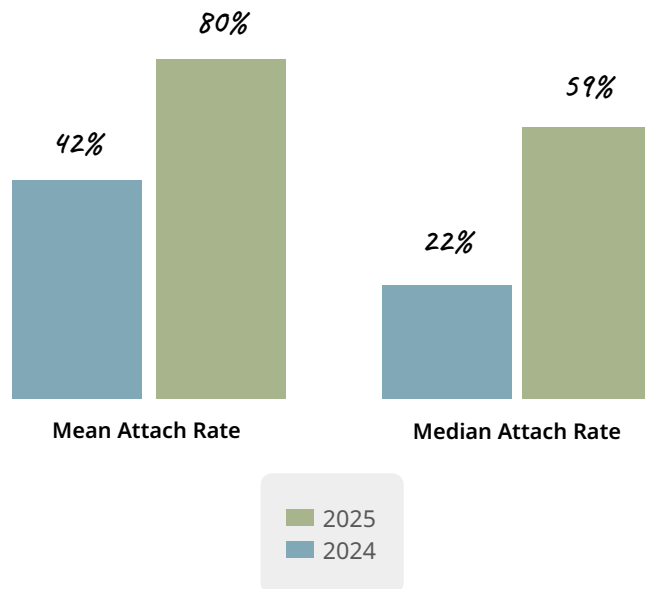
Not only are many companies building AI features, but their customers are using them at high rates.

We looked at AI product attach rates — i.e., among the companies offering an AI feature, what percentage of their customers have adopted it. The results are impressive: AI features are attaching at nearly 80% on average.

This suggests that when a Vertical SaaS company rolls out an AI-powered capability, a large majority of its client base ends up using it.

We also suspect that many companies rolled out initial AI features for free or as part of existing modules (to drive adoption), as seen last year when many opted for free offerings. That helped increase utilization rates. Now, as we'll see, companies are beginning to charge in various ways.

AI Attach Rate (2024 vs. 2025)



Rapid AI Innovation: Speed to Market

Vertical SaaS companies are not delaying when it comes to AI — they're building and launching AI features at breakneck speed.

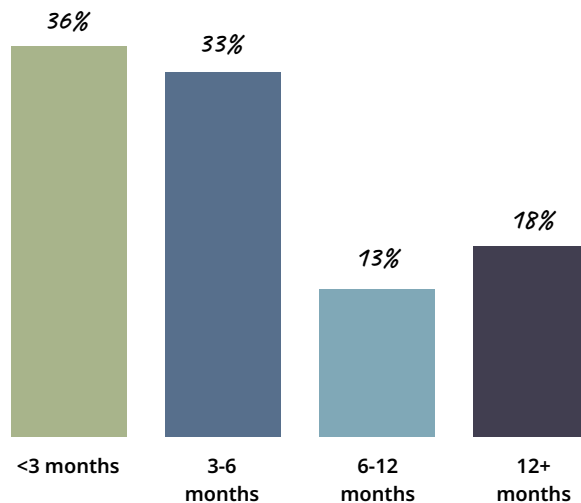
About 35% of companies built and launched their AI product in under 3 months — an incredibly short timeframe in the world of product development.

In fact, many moved even faster: some indicated just four to eight weeks. This agility is partly thanks to readily available AI infrastructure.

Velocity is a competitive factor. If your competitor can roll out an AI quoting assistant in two months, you can't afford a 12-month internal project. Everyone has to move faster.

Also, quick launches doesn't mean low quality. The key insight is that Vertical SaaS teams treated AI not as a moonshot R&D effort, but as an urgent feature build. It shows in the numbers — **more than one-third delivered something in a single quarter.**

How long did it take you to build and launch your AI product?



Under the Hood: OpenAI Dominates as the Chosen Model

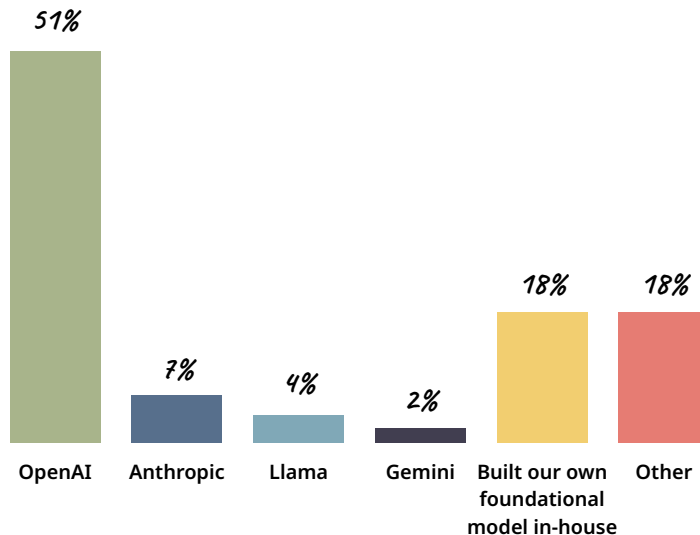
When it comes to the AI engines powering these new features, OpenAI's models are the clear favorites among Vertical SaaS companies.

This isn't too surprising — OpenAI's API accessibility and head-start in capabilities made it the go-to for many product teams.

However, reliance on OpenAI also means some cost considerations and dependency risks.

Over time, we might see more diversification or proprietary fine-tuned models as companies mature in their AI approach. But in the short term, "just use OpenAI" was the pragmatic route, and our data confirms that's what most did.

What underlying foundational model are you using to power your AI product?



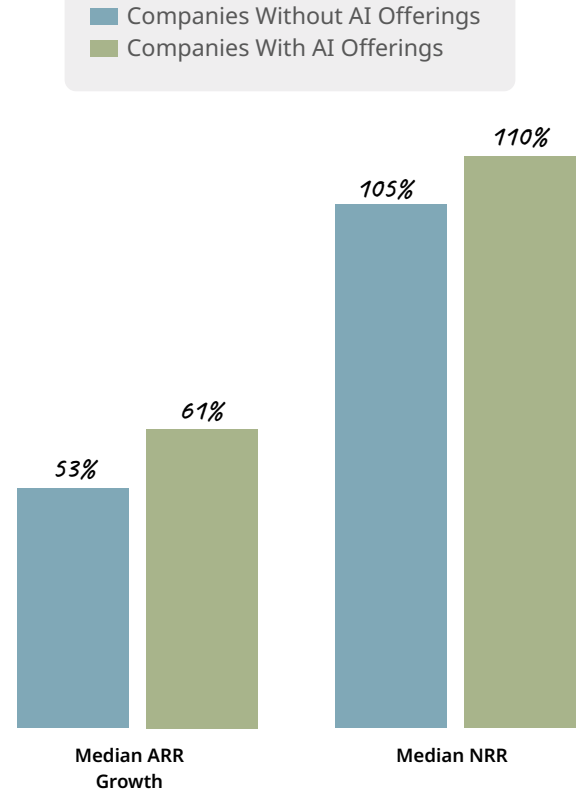
AI-Enabled Companies Outperform

Does offering AI features translate into any measurable business performance differences? Our data provides an early hint that companies embracing AI are seeing strong outcomes.

We compared key metrics for companies with an AI product vs. those without. The AI adopters showed higher median growth and retention. Notably, the median ARR growth rate for companies with at least one AI product was **61%**, compared to **53%** for those with no AI offerings.

That's an eight percentage-point difference in growth, which is substantial in context. It may reflect the fact that many high performers are also the ones quick to adopt AI, or that AI features are driving more customer value and sales, or both.

Of course, correlation isn't causation — adopting AI doesn't automatically make your growth jump — but it's often true that forward-thinking, innovative companies (who adopt things like AI early) also excel in other areas. And there are logical benefits: AI features can improve product stickiness (driving better retention) and unlock new upsell opportunities or pricing power (driving more growth).



Monetization: The End of “Free” AI and Emergence of Pricing Models

In 2024, many Vertical SaaS companies treated their fledgling AI features as value-adds — sometimes given free to users as an experiment or loyalty benefit.

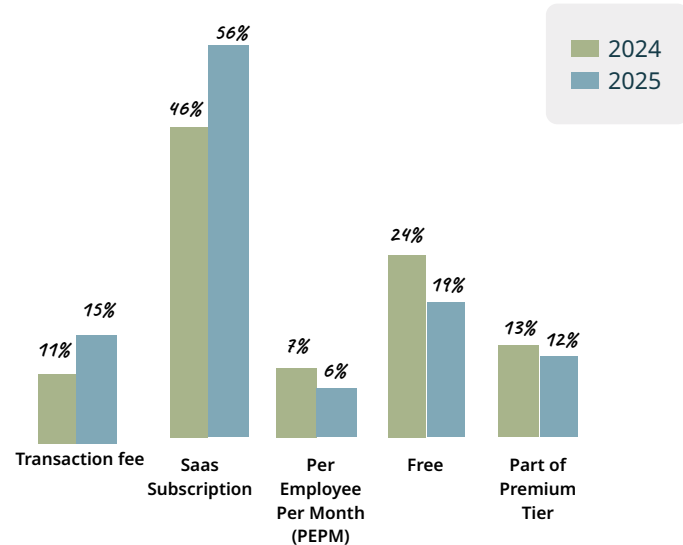
That is changing rapidly. 2025 marks the beginning of real monetization discipline for AI in Vertical SaaS. Just 19% of respondents with an AI product now offer it completely free of charge, down from 24% a year ago. In other words, the majority have found a way to charge for AI, and the ones still giving it away are shrinking fast (likely only doing so while in beta or to drive initial adoption).

In fact, **86%** of companies with AI features are now charging in some form.

How exactly are they charging? Our survey shows a mix of monetization models, often depending on how the AI feature delivers value.

(Note these percentages sum to over 100% because some companies use multiple models — e.g., a base subscription fee plus overage charges for heavy usage — reflecting hybrid monetization strategies.)

AI Product Monetization Structures (2024 vs. 2025)



Reflections on a New Wave of AI-Driven Vertical SaaS

2025 is the year Vertical SaaS moves from AI exploration to AI monetization. Adoption is high, and companies are wisely focusing on charging for that value — whether directly or through tiered packaging. We see operators no longer shy about treating AI as a distinct selling point, even amid ongoing experimentation in how it's delivered. Importantly, the context of the workflow is defining AI pricing: if an AI feature deeply integrates into the core Job-to-be-Done, it might be bundled and used to justify higher subscription tiers; if it's more of a power tool used sporadically, usage-based or outcome-based pricing might make more sense.

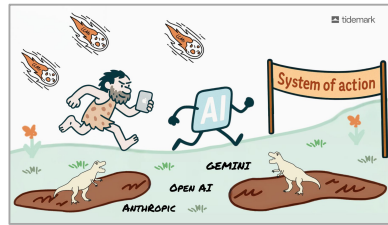
Perhaps the most encouraging sign is that **adoption of AI by customers is strong**, which validates that these features are meaningful. Vertical SaaS companies, by virtue of owning rich industry-specific data and processes, have an opportunity to build very defensible AI **Systems of Action** — ones that incumbents or new entrants will find hard to match without that embedded position.

Those who own the Control Point and integrate AI to deepen that control — e.g., by automating more of the workflow, providing predictive insights, or creating network effects with data — are best positioned to ride this next wave. In contrast, an AI point-solution has to earn its place; a Vertical SaaS platform with AI has it by default. This dynamic means the incumbent vertical platforms actually have an edge (if they move quickly) in the AI era, even as AI-native startups emerge,

In conclusion, **AI is not a separate chapter for Vertical SaaS so much as a new layer across the entire playbook.** It reinforces the core themes: it can make Control Point products more indispensable, it can become a new Multi-Product expansion vector, and it can even be a form of extension (for example, providing AI insights to a customer's end-consumers or suppliers). As we've seen, the companies that weave AI into their strategy are growing faster and charging smarter. The challenge now is to stay ahead of the curve — to keep innovating on AI capabilities while aligning them with what customers value and will pay for. If 2024 was about proving AI's potential in vertical software, 2025 is about operationalizing and monetizing it.

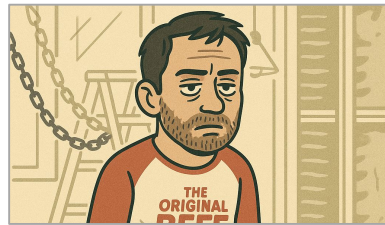
Are you a Vertical SaaS incumbent looking to protect your Control Point? Or are you a Native AI player moving quickly to create your wedge?

Check out Tidemark's AI frameworks for strategies and tactics to build for the agentic era.



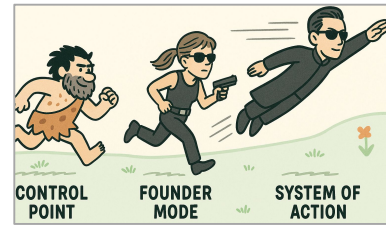
*System of Action – Part 1:
Hero Tools*

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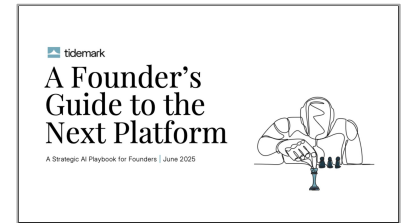
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