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Q1 2023 market map: SaaS cost optimization and management

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Not engaging with our portfolio companies as well as with new companies we meet, and because the "operational" and "efficiency" are two words that are often grouped with "growth" in every sentence.

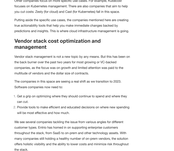
Three months into 2023, investors continue to use buzz words like "responsible growth," "business efficiency" and "quality marketing" when explaining how VC-backed companies should be actively managed. The only thing they can't seem to agree on is how a company can actively reduce its burn rate without slowing down growth in the near term.

Over the past few months, we have examined, alarm(ist) and reviewed over 50 companies that we define as "third degree, gross margin enhancing businesses."

What does this mean? The third degree part of that has to do with how investors are investing at the door to see improvements every quarter. Companies that can help you with long-term efficiencies will not help you since it takes time to raise money in six, 12 or 18 months.

The "gross margin enhancing" part of this definition is important because simply reducing costs is fair game for growth will not work. Likewise, maximizing growth with little sensitivity around costs won't work in 2023.

Bain
3rd Degree Gross Margin Enhancers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