



In the swiftly evolving landscape of the SaaS market of 2024, companies are navigating a complex matrix of challenges and opportunities that are reshaping profitability dynamics. The market has witnessed a surge in competition from traditional players as well as innovative, agile newcomers that specialize in a specific aspect of business functionality. Leaders of successful growth stage SaaS companies often find themselves trying to look around the corner at what is next for their customers and for products to help edge the competition. This can be even more challenging given that companies are facing significant tightening in investor funding, a continuous push to grow CAGR ahead of market expectations and new security and privacy threats from emerging technologies such as generative artificial intelligence.

Leadership teams face tough challenges in each of those areas, but they also should closely look at each issue as an opportunity to capitalize and mature their organization's presence in the market.

## Competitive Trends in the SaaS Marketplace



### Increased Competition

New entrants continue to be disruptive at a rapid pace.



### Generative AI

Gen AI has created new opportunities in product development and operational efficiency.



### CAGR

The global SaaS Market is expected to grow at a 6.3% CAGR through 2027 to reach \$344 billion.



### M&A Integration

Companies that have grown inorganically and haven't taken a disciplined approach to integration risk the inability to scale and capture revenue.



### Investor Funding

SaaS market has outperformed in raising capital. PE firms are targeting companies that have leveraged Gen AI in product and operations.



### Security and Privacy

Security for SaaS platforms remains a high priority, as demand increases for collaboration and productivity tools as well as low code/no code capabilities.

## Technology Driving Competitive Advances

Increased competition in the SaaS sector has become the defining narrative for 2024. As the U.S. market experiences a rapid surge in growth, there's a noticeable influx of new entrants, each vying for a foothold and causing disruption at an unprecedented speed. This competitive fervor isn't just spontaneous — it is significantly propelled by recent technological advancements. Notably, the integration of generative AI has emerged as a pivotal factor, with SaaS companies actively seeking products that enhance their capabilities and set them apart in the crowded marketplace.



**35 percent** of SaaS businesses have already integrated AI solutions into their operations. Furthermore, another **42 percent** are gearing up to harness the power of AI in the imminent future.\*

A&M has already played a transformative role in helping companies define AI governance and implementation strategies across domains to prepare their businesses for the future.

## Profitability and Cost Optimization



As the SaaS landscape grows, the narrative is steadily pivoting from a sales-only focus to one that includes internal cost optimization and bolstered profitability. One such example is that as companies grow and need to provide more support to their clients, they have an opportunity to consider the most efficient mechanism to provide that service and drive tiered service delivery models that leverage more automation and have less reliance solely on human interaction. Technology advances such as chatbots, knowledgebases, automation and AI can drive the cost of service down as well as meet clients where they want by providing anytime, anywhere, anyhow services to those who do not necessarily want to speak to a person unless their questions can't be answered via technology.

Many SaaS companies have a growth strategy that is robust, but to maintain a sustainable and profit-centric business model, the sum of the company's growth rate and profit margin should exceed 40 percent. This Rule of 40 benchmark, popularized by Brad Feld, serves as a litmus test, helping leaders gauge if a firm's expansion endeavors are harmoniously aligned with its profit-generation capabilities. In an industry where growth can sometimes overshadow profitability, this metric ensures that businesses strike the right balance, setting them on a path of long-term success. A&M has helped SaaS companies find the right balance between growth and margin and, more importantly, which levers to pull in each category to help maximize the revenue generated from each sale.

## How A&M Can Help



At A&M, we have been engaged by CEOs, COOs and CPTOs to assess the readiness of an organization to scale. Our SaaS Maturity Assessment is the first step in building out a commercial and operational excellence plan that can allow SaaS companies to identify key opportunities for effective and efficient growth as part of their maturation journey.

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With over 9,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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