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2024 B2B SaaS **PERFORMANCE METRICS** Benchmark Report

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**Benchmarks from CY-23*

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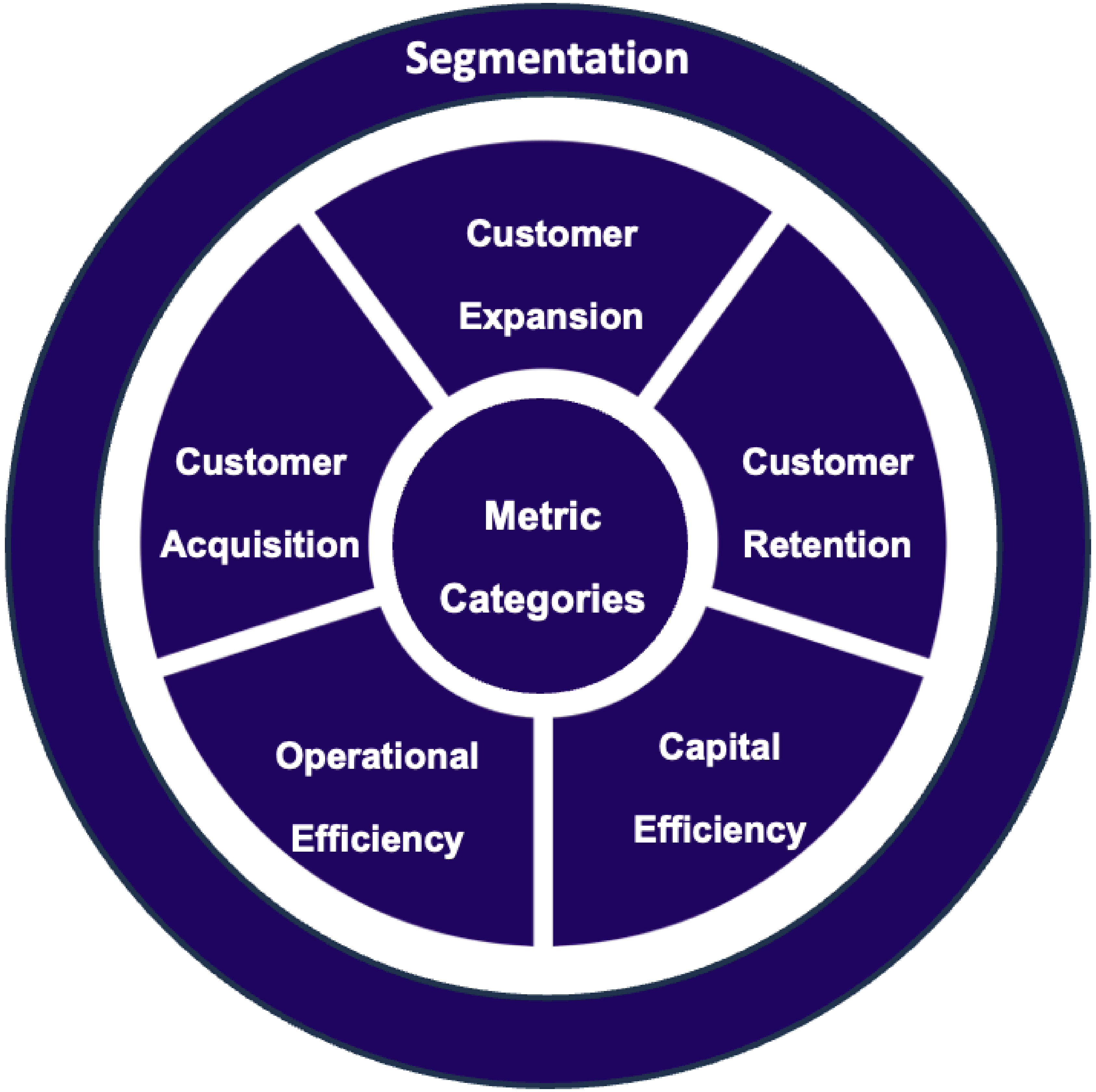
What you can find in this report

Our Approach

Curate a detailed and extensive collection of B2B SaaS Performance Metrics and calculate their associated Benchmarks ensuring statistical significance. This involves capturing a large population and array of financial metrics and key performance indicators specific to private B2B SaaS companies.

The objective is to establish a continuously evolving benchmarking index that reflects the nuanced and trending landscape of B2B SaaS, providing insights for evaluation, enabling comparison of internal metrics to “like company” benchmarks, and enabling strategic decision-making leading to more efficient revenue growth and increased revenue growth performance.



Executive Summary

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2023 was a year that saw B2B SaaS companies focus on efficient revenue growth – the catch phrase of the year. This year's SaaS Performance Metrics Benchmarking research uncovered that "growth at any cost" has been replaced with "lower growth at reduced efficiency".

The above statement is based upon the insights uncovered from the performance metrics data provided by ~ 1,000 B2B SaaS companies that participated in this year's benchmarking research.

The 2024 SaaS Performance Metrics Benchmark report highlights several examples of metrics that exhibited decreasing revenue growth efficiency trends in 2023 as measured by customer acquisition and expansion efficiency metrics including Blended CAC Ratio, New CAC Ratio, CAC Payback Period, and Net Revenue Retention. Sales and Marketing expenses were reduced across the board from the 2022 benchmarks report and 2023 growth rates were lower across the board.

The positive news is the SaaS industry is comprised of founders and CEO's that are optimists. Planned growth rates, with the notable exception of companies in the less than $1M ARR segment, are planned to be higher in 2024 than actual growth rates in 2023.

Every benchmark in this report can be filtered by company profile attribute including: 1) Company Size; 2) Average Annual Contract Value; 3) Go-to-Market Motion; 4) Pricing Model; 5) Target Customer Segment; 6) Product Category and; 7) Region of the World using the below link.

benchmarkit.ai/2024benchmarks

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Customer ACQUISITION Benchmarks

New Customer CAC Ratio

By Fiscal Year

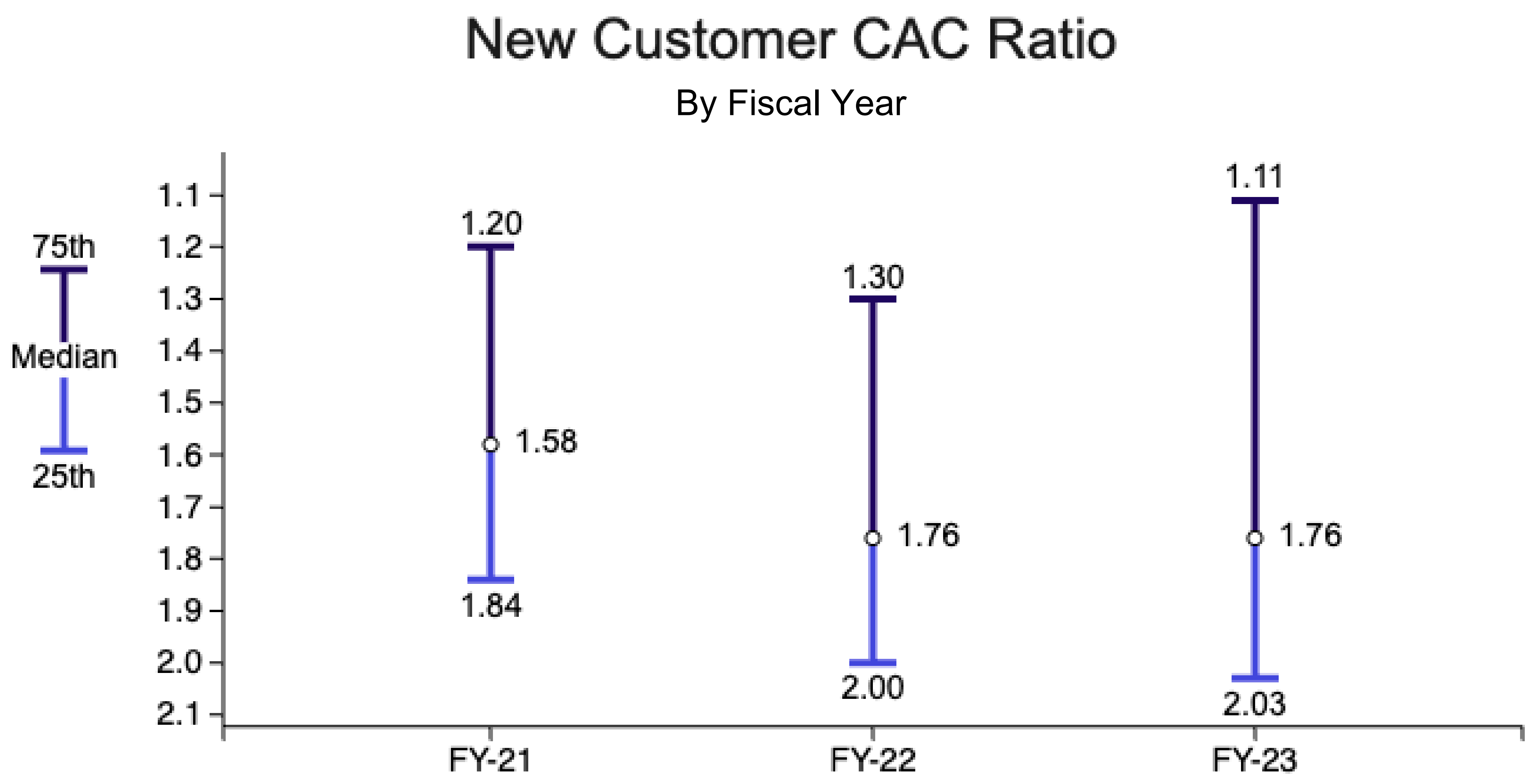
Findings and Insights

Despite the focus on “Growth Efficiency” we saw Sales and Marketing expenses incurred to acquire $1 of ARR from new name customers remain fairly level at a median of $1.76. This was after excluding statistical outliers that if left in the benchmark calculation would have increased the New Name CAC Ratio to $1.85 at median.

The top quartile increased slightly to $2.03 in 2023, up from $2.00 in 2022 and $1.84 in 2021.

Though not shown within the benchmarks due to the models we use to identify and remove statistical outliers, we saw a material increase in companies investing $2.50 or more to acquire $1 ARR from new customers, which was a concerning data point.

Companies will need to evolve their Go-to-Market strategies and tactics to grow revenue more efficiently in 2024 and beyond, We recommend targeting a New CAC Ratio goal of $1.50 or lower for companies with an ACV greater than $10K.



New Customer CAC Ratio

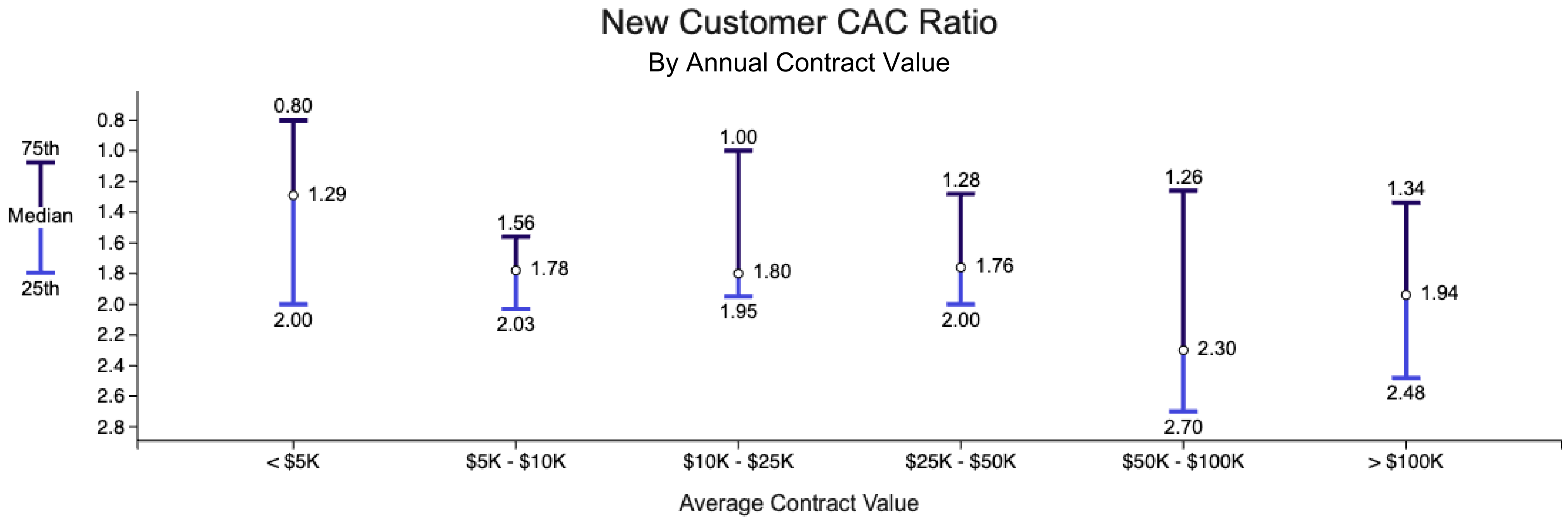
By ACV

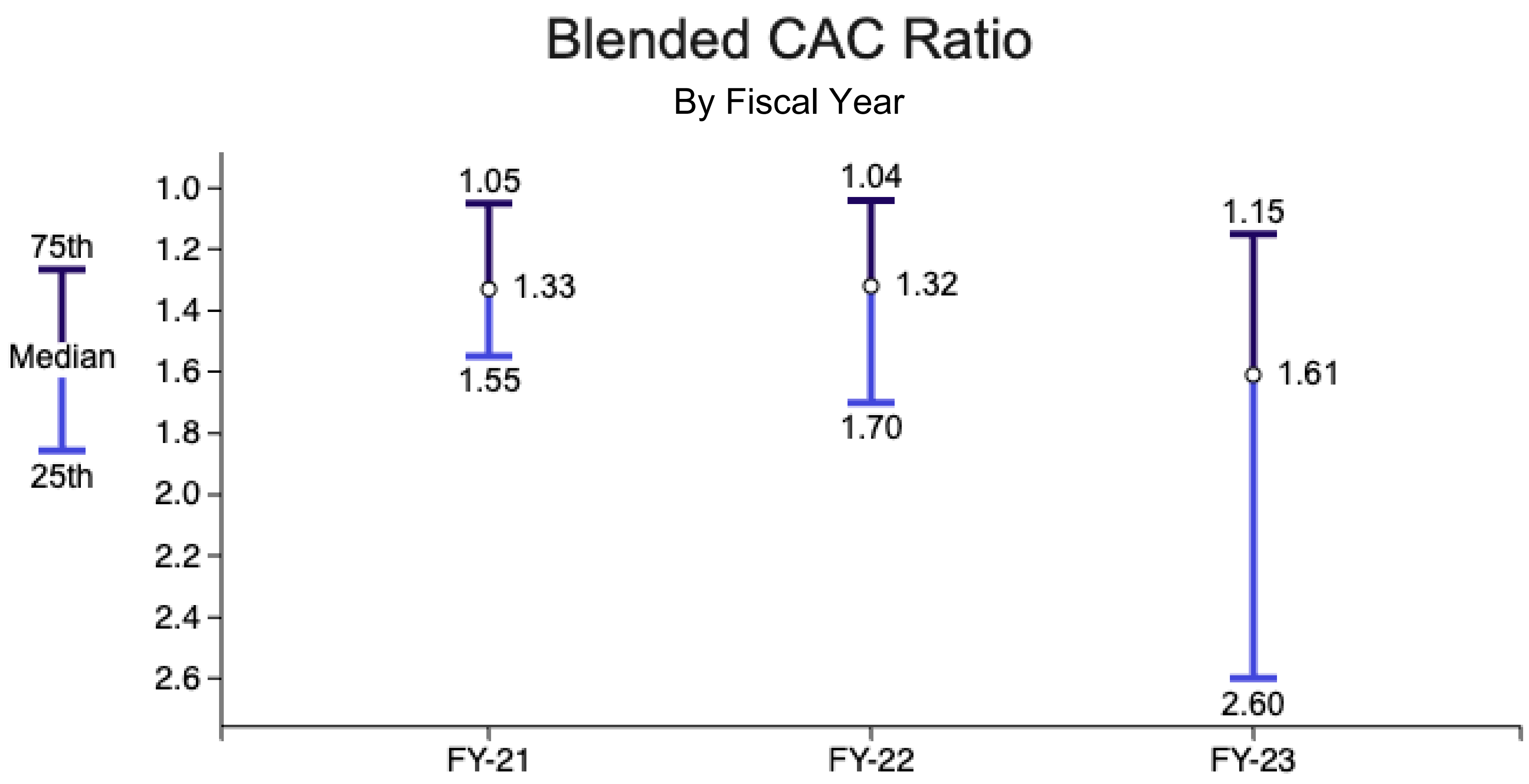
Findings and Insights

New Customer CAC Ratio typically increases as the annual contract value (ACV) increases which is highlighted in this chart.

It is interesting to note that ACVs between $5K - $10K, $10K - $25K and $25K - $50K all display similar New CAC Ratios, while New CAC Ratio increases dramatically beginning at $50K ACV.

Larger ACV solutions continue to exhibit higher costs to acquire a customer. These higher costs associated higher value ARR solutions should be analyzed in context of GRR, NRR, Customer Lifetime Value to CAC Ratio and Growth Rate to fully understand the impact on longer term revenue levels, cash generation capacity and enterprise value potential.





Blended CAC Ratio

By Fiscal Year

Findings and Insights

Revenue growth efficiency was an elusive goal in 2023 as measured by not only New CAC Ratio, but also the Blended CAC Ratio which measures the how much Sales and Marketing expenses were incurred to acquire $1 New ARR from the combination of New Name Customers and Existing Customer Expansion.

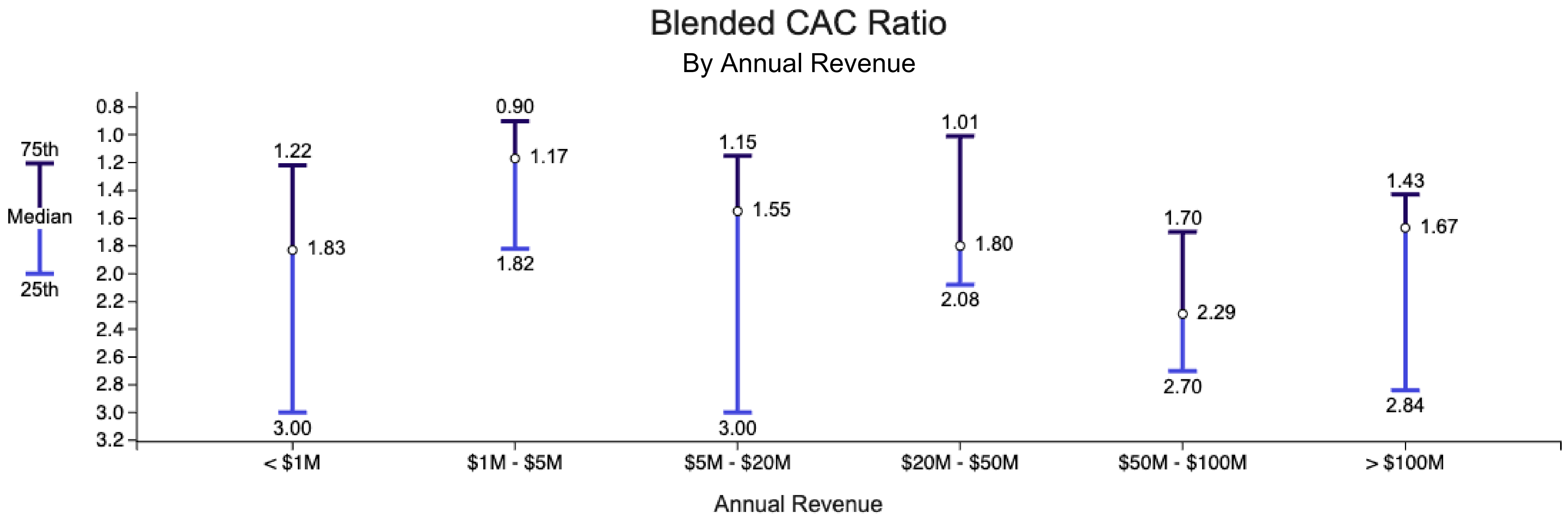
Notice the dramatic increase in the median Blended CAC Ratio from $1.32 in 2022 to $1.61 in 2023. This $.29 increase in 2023 represents a 22% increase over 2022 – by no means representing improved revenue growth efficiency.

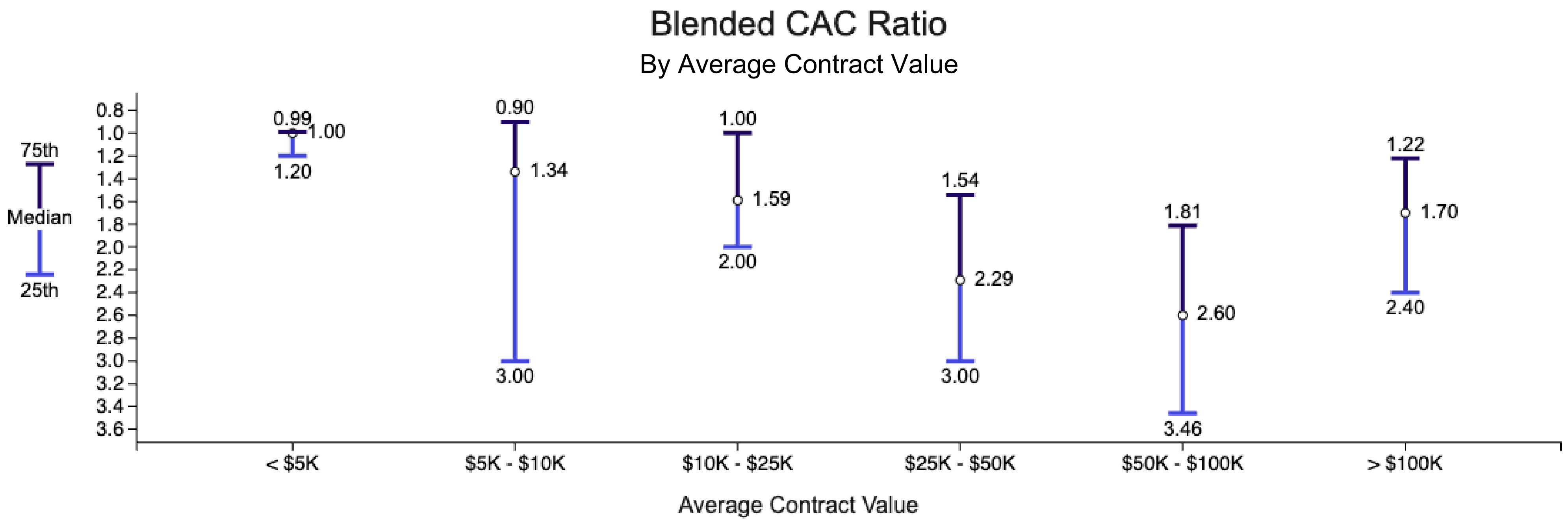
Later in this report, we also highlight the cost to generate $1 of expansion ARR from existing customers also increased and is a material factor in the increased Blended CAC Ratio.

Allocating additional resources to existing customer expansion because “it’s easier and cheaper” without measuring and understanding the cost of growing expansion ARR is a key factor in this large increase in an era of revenue growth efficiency.

Blended CAC Ratio

By ARR and ACV





Findings and Insights

Blended CAC Ratio mirrors the similar increase in the CAC Payback Period as companies scale.

This year's benchmarks highlight the challenge of growing in earlier stage companies in 2023 (< $1M) and how that challenge increases as a company approaches both $20M ARR and $50M ARR.

Contributing factors to $20M - $100M ARR stage companies having a higher Blended CAC Ratio is often associated with expansion into new target customer segments or entering new geographic areas in pursuit of sustained growth at higher revenue levels.

Blended CAC Ratio is highly correlated to annual contract value – though from this year's research it appears the greater than $100K ACV cohort found some growth efficiency!

CLTV To CAC Ratio

By Fiscal Year

Findings and Insights

The Customer Lifetime Value to CAC Ratio is a favorite compound, multi-variable metric for SaaS investors. It measures the gross margin adjusted lifetime value of customers after factoring in the annual churn rate.

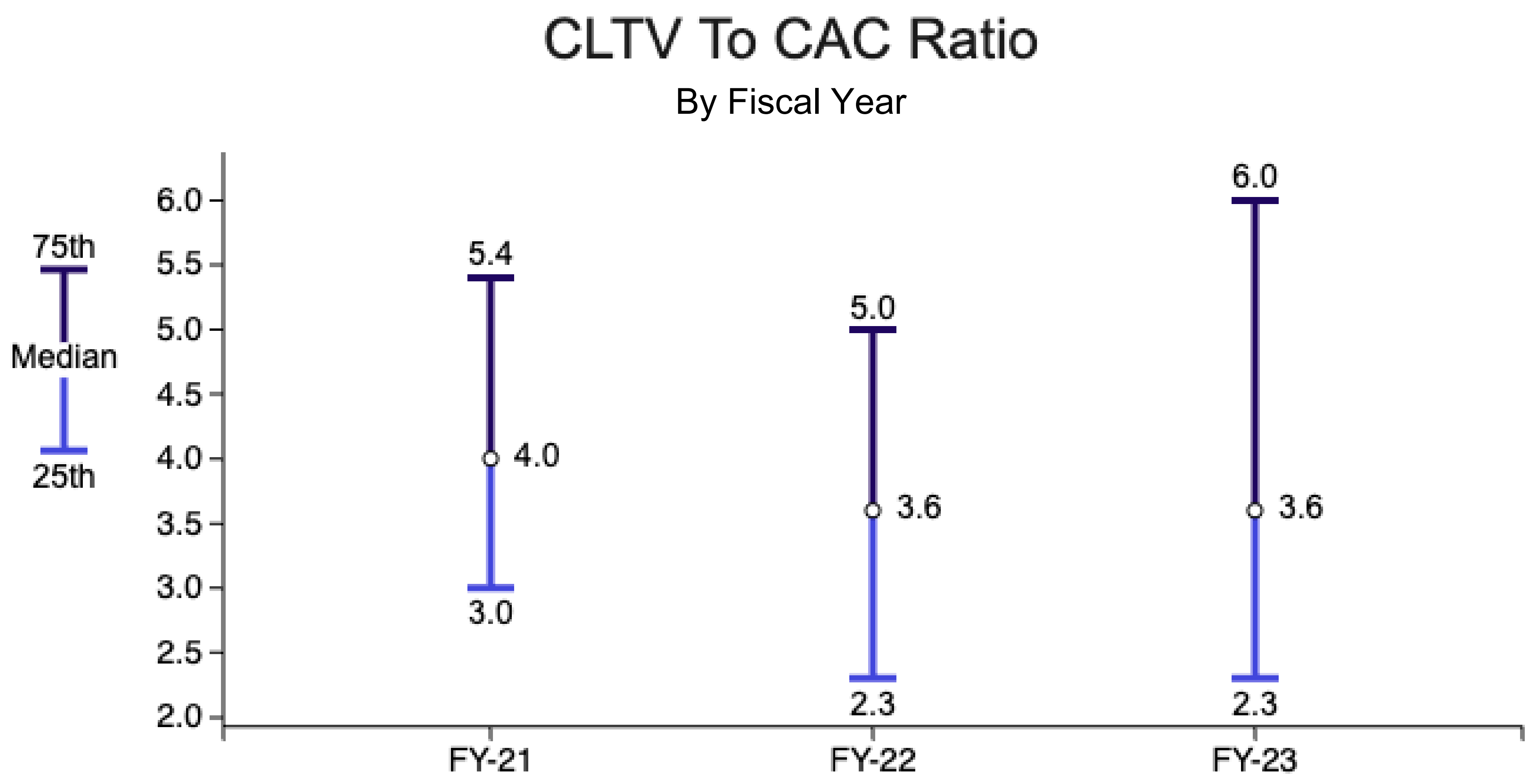
Best practice is to calculate the Customer Lifetime Value to CAC Ratio by customer segment to understand which customer profiles produce the highest Customer Lifetime Value to CAC Ratio.

Customer Lifetime Value Calculation Formula:

$$\frac{\text{ARPA x Subscription Gross Margin}}{\text{1 – Gross Revenue Retention Rate}}$$

Customer Lifetime Value to CAC Ratio Formula:

$$\frac{\text{Customer Lifetime Value}}{\text{Average Customer Acquisition Cost}}$$



CAC Payback Period (Months)

By ACV

Findings and Insights

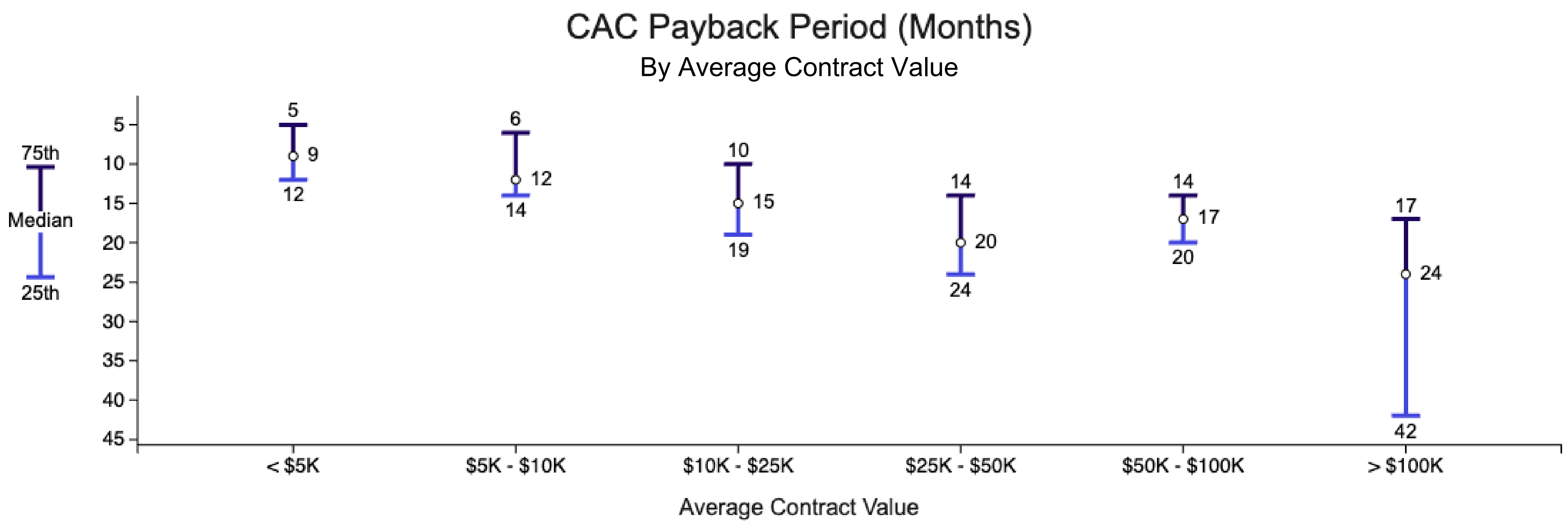
Customer Acquisition Cost Payback Period calculates how many months is required to payback the cost of acquiring a customer on a gross margin adjusted basis.

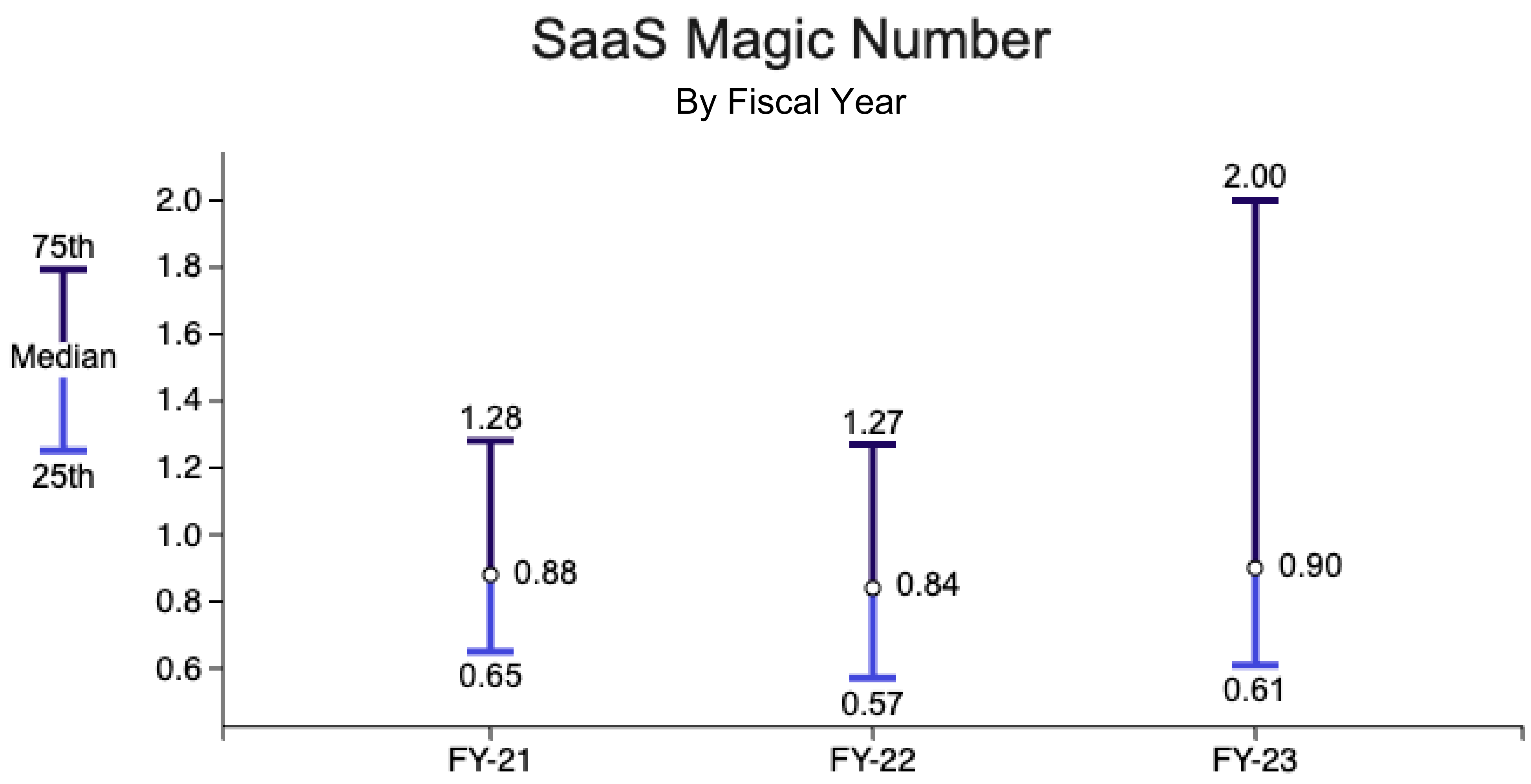
The standard calculation formula as defined by the SaaS Metrics Standards Board is:

$$\frac{\text{Sales and Marketing expenses to acquire New Customers}}{\text{Contracted ARR from New Customers x Gross Margin}} \times 12$$

This is a different calculation than typically used for public SaaS companies as they do not report contracted ARR. Public SaaS companies CAC Payback Period is commonly calculated using Net New ARR in the denominator versus newly acquired Contracted ARR (CARR)

CAC Payback Period is most instructive when viewed by ACV, which has the highest correlation to its value.





SaaS Magic Number

By Fiscal Year

Findings and Insights

The SaaS Magic Number is similar in concept to the Blended CAC Ratio though it not only includes New ARR from new logo customers and existing customer expansion, it also includes the impact of down-sells and churn.

The calculation formula is:

$$\frac{\text{(Current Quarter's Revenue} - \text{Previous Quarter's Revenue)} \times 4}{\text{Previous Quarter's Sales and Marketing Expenses}}$$

Historically a SaaS Magic number over .75 suggested that efficient growth has been minimally attained and it's acceptable to invest more in Sales and Marketing to accelerate growth.

There are several issues with the SaaS Magic Number, including that is does not provide granular operational insights into what is driving efficient or inefficient growth as it combines four different growth factors into one calculation including: 1) New Customer ARR; 2) Existing Customer Expansion ARR; 3) Down-sell ARR and; 4) Churned ARR

We do not read much into this benchmark as it does not reflect the benchmark trends in NRR or the CAC Ratio(s).

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Customer RETENTION Benchmarks

Gross Revenue Retention Rate
By Fiscal Year

Findings and Insights

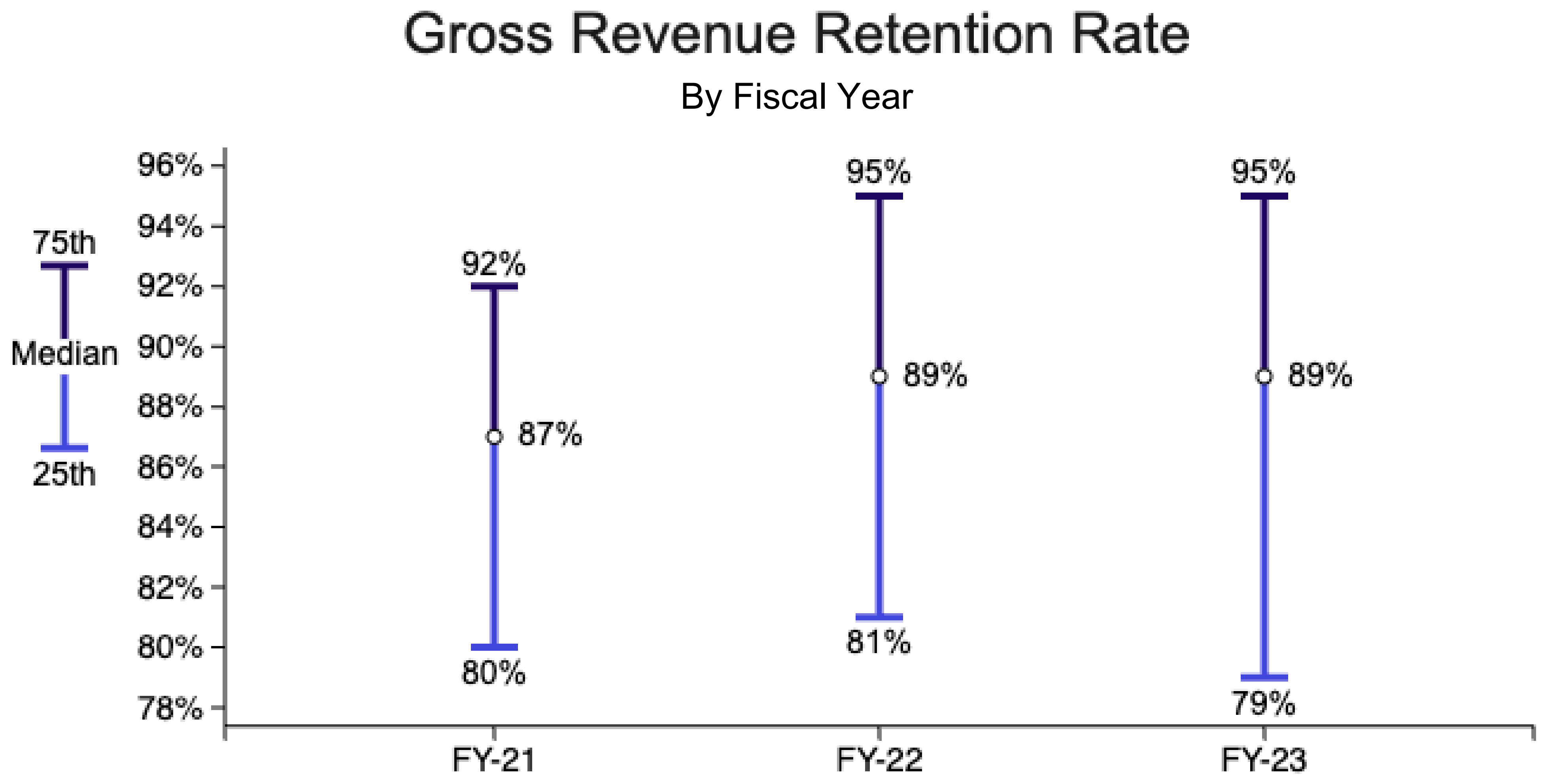
Gross Revenue Retention (GRR) measures the percentage of ARR maintained period over period for a specific cohort of customers. Calculating GRR on a rolling 3/6/12 month period is a best practice, all on an annualized basis

GRR is most correlated to average ACV – especially in the less than $5K ACV segment which experiences the highest ARR churn.

The industry has done a great job of maintaining existing customer ARR in 2023 – though we do note that the bottom quartile decreased to 79% GRR versus the 81% GRR in 2022.

Companies sometimes overlook Gross Revenue Retention Rate in favor of Net Revenue Retention (NRR) which is a mistake as a high performing up-sell and cross-sell motion, or a Usage-Based Pricing model can hide lower performing customer retention trends.

It is a best practice to view Gross Revenue Retention and Net Revenue Retention together and to benchmark against companies with a similar ACV.



Gross Revenue Retention Rate
By ACV and Pricing Model

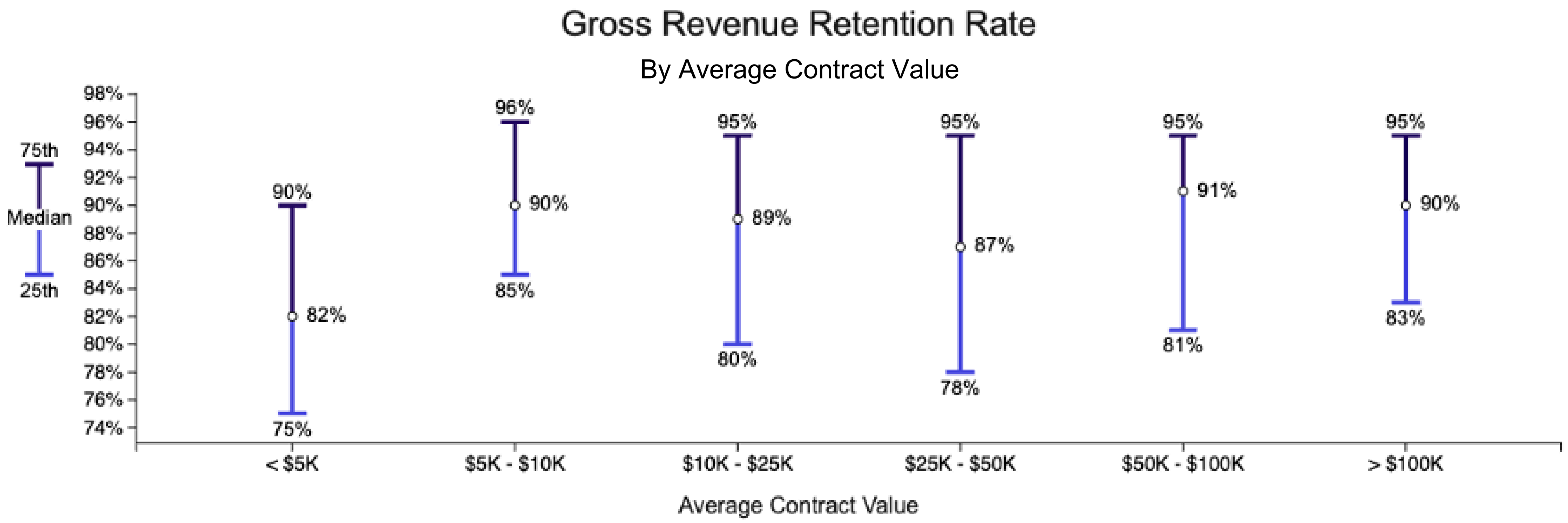
Findings and Insights

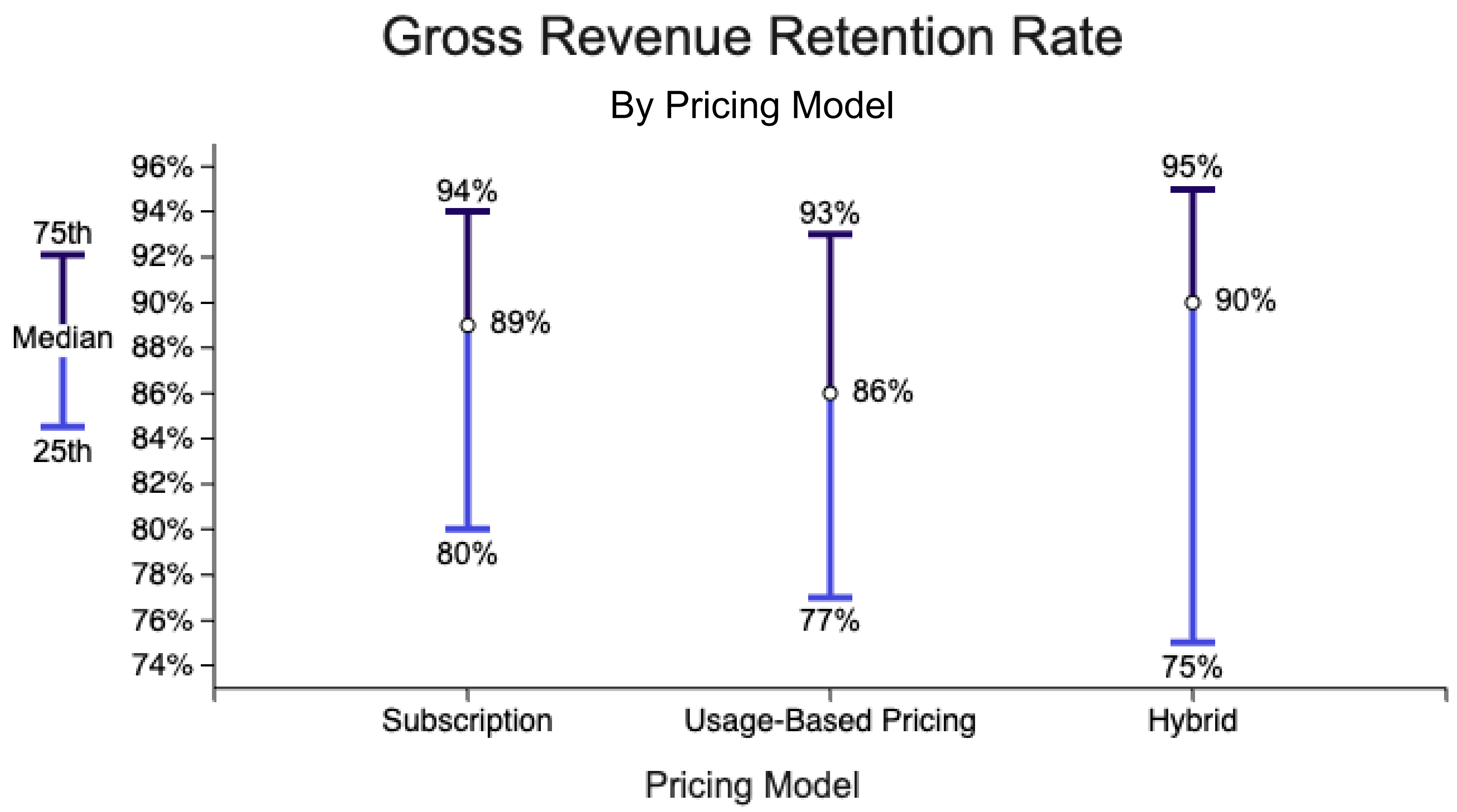
The top chart highlights that as ACV increases typically you will see a higher GRR. This year's research had an anomaly in the $25K - $50K ACV range.

This year's benchmarks reflect the 90%+ GRR historically associated with ACVs greater than $100K.

There were not enough research participants to break out the less than $1K and $1K - $5K segments. Historically solutions under $1K will have a Gross Revenue Retention rate below 80%.

It is interesting to note that Usage-Based Pricing models have a 3% lower GRR at median and also a 3% lower GRR at the 25th percentile.





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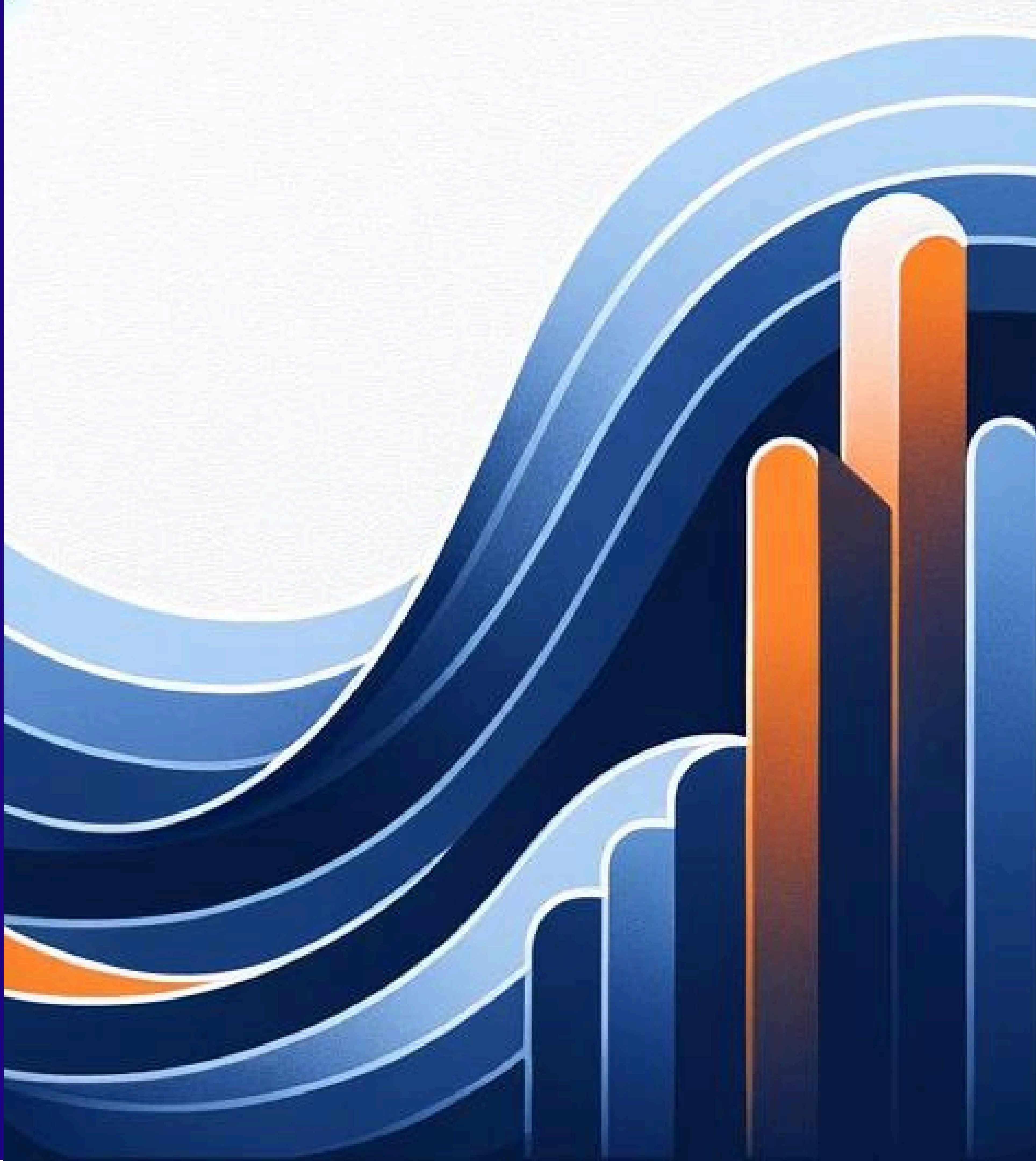
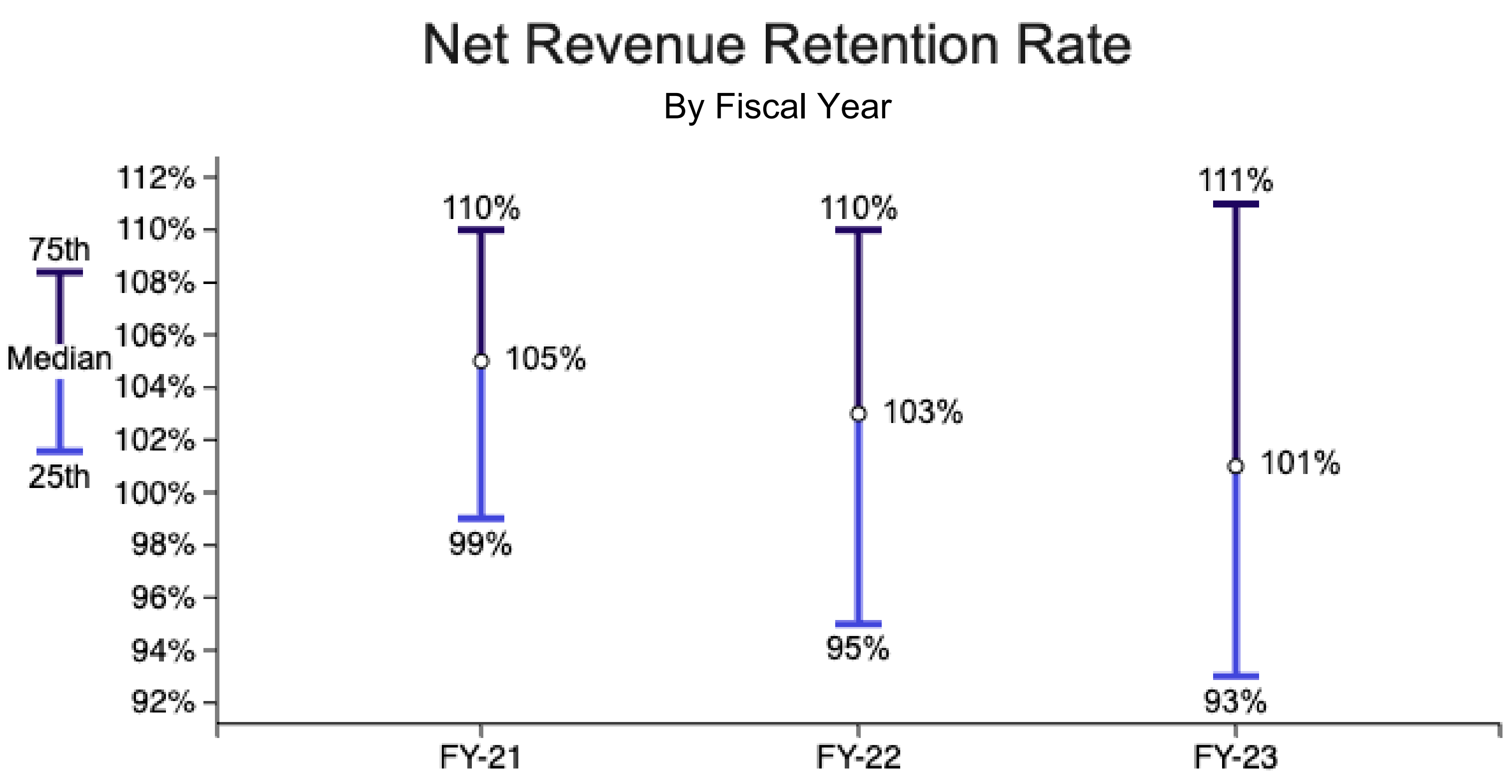
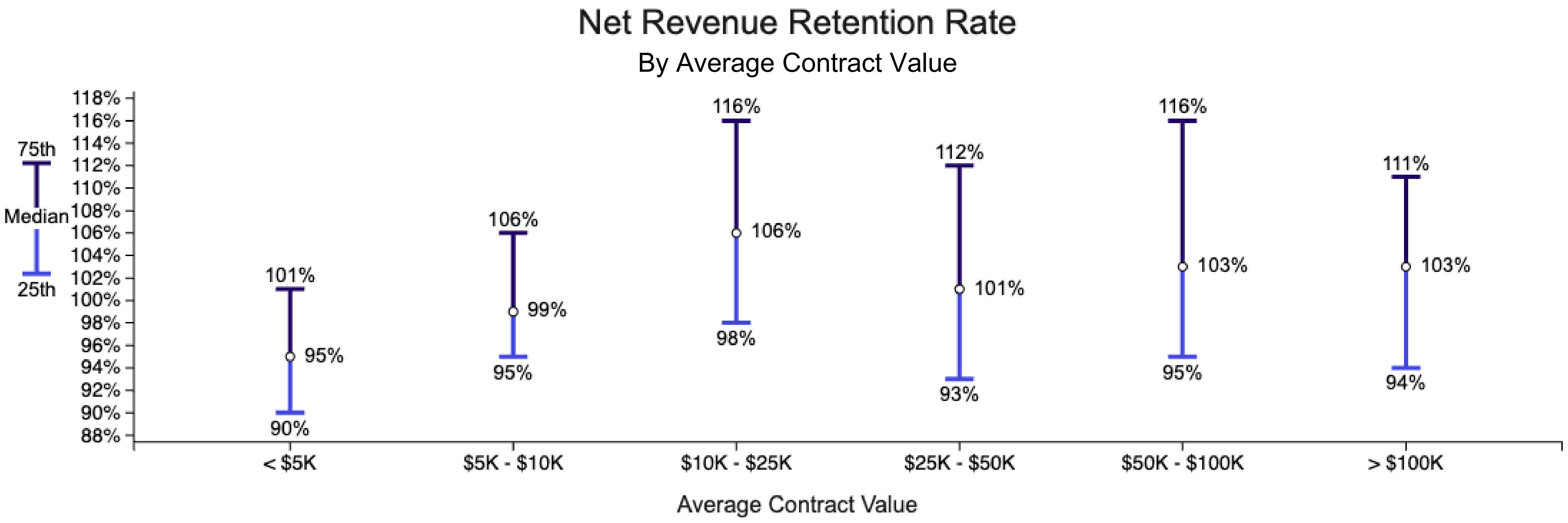
Customer EXPANSION Benchmarks







Net Revenue Retention Rate
By Fiscal Year

Findings and Insights

The Net Revenue Retention Rate (NRR) measures the percentage of ARR that is maintained period over period for a specific cohort of customers including churn, down-sells, up-sells and cross-sells.

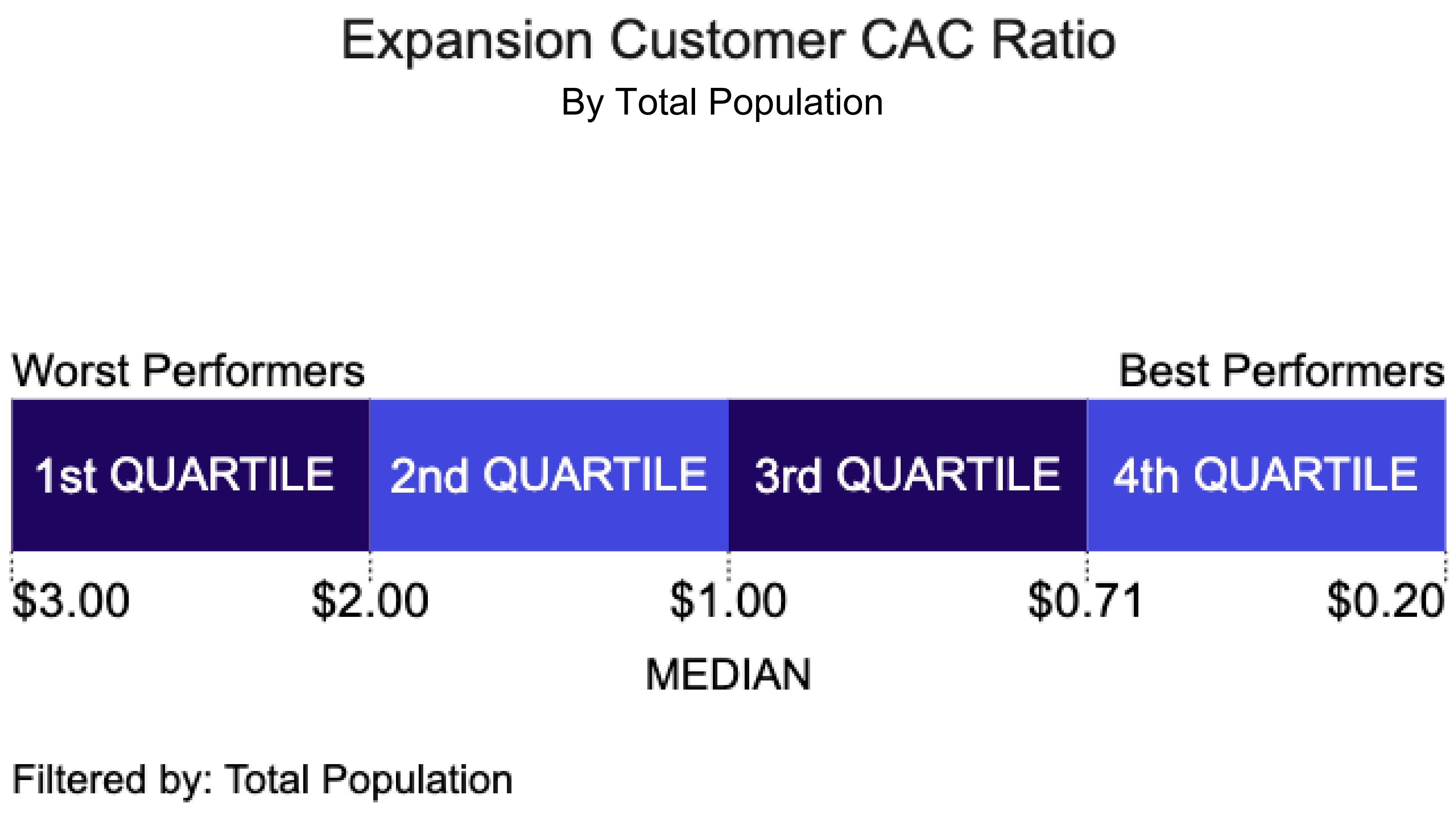
Over the past three years NRR has decreased in private SaaS companies each year, and currently stands at a median of 101% representing a 4% decrease since 2021.

Similarly, public SaaS and Cloud company NRR has decreased in the same period from ~ 120% in 2022 to ~ 110% in 2023.

NRR is not as highly correlated to ACV as GRR. In this year's research it was surprising to see the highest NRR at median was in the $10K- $25K ACV range. We would not predict this to remain at this level in this segment in 2024.

Companies in the lower than $5K ACV range have historically struggled to maintain a 100% NRR Rate while companies in the > $100K ACV typically have the highest NRR rates.

Expansion Customer CAC Ratio
By Total Population



Findings and Insights

The Expansion CAC Ratio measures how much Sales and Marketing expense, including Customer Success is incurred to expand existing customer ARR by $1.

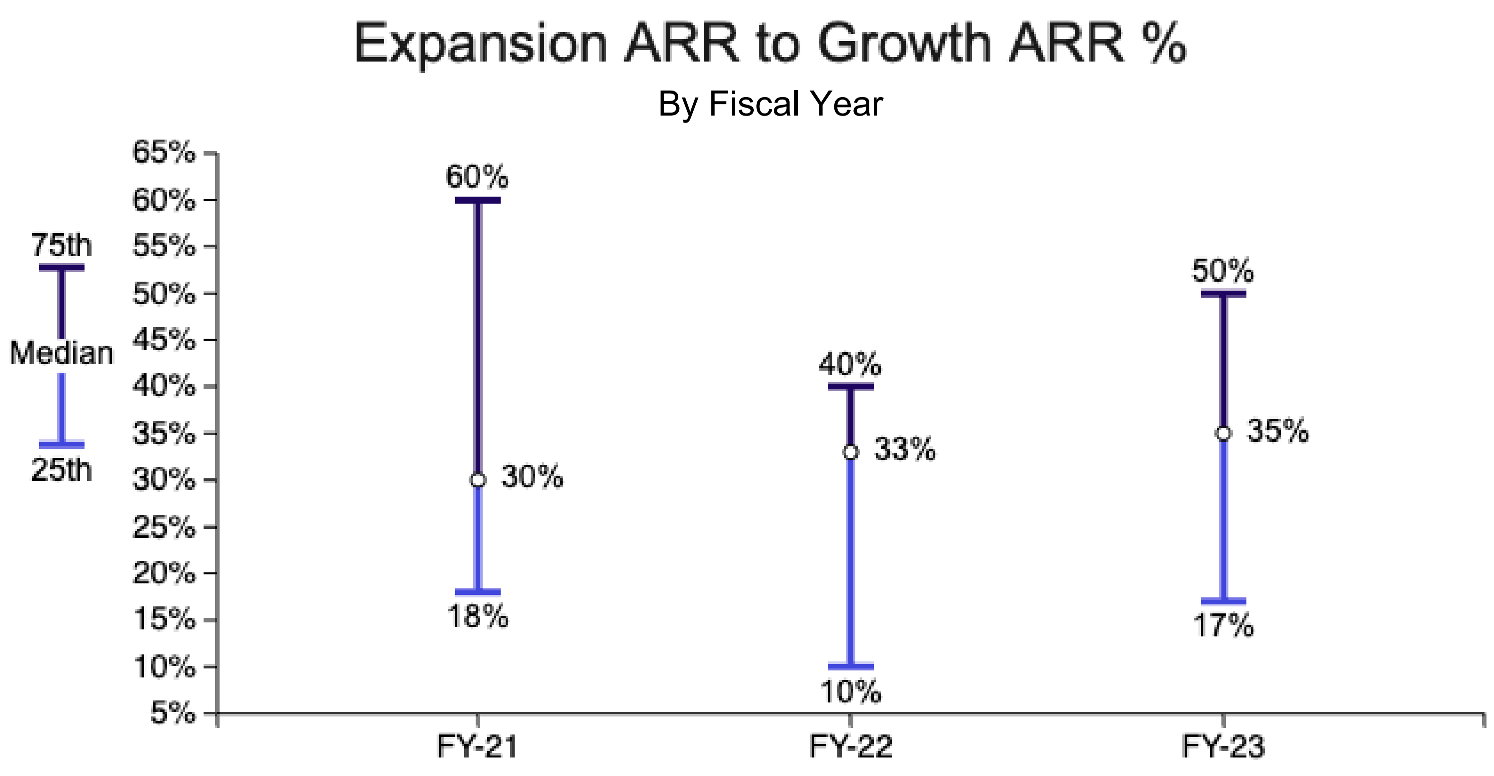
It is widely assumed that expansion ARR is more cost effective to generate than new logo ARR, even though less than 20% of companies actually measure Expansion CAC Ratio to support this belief.

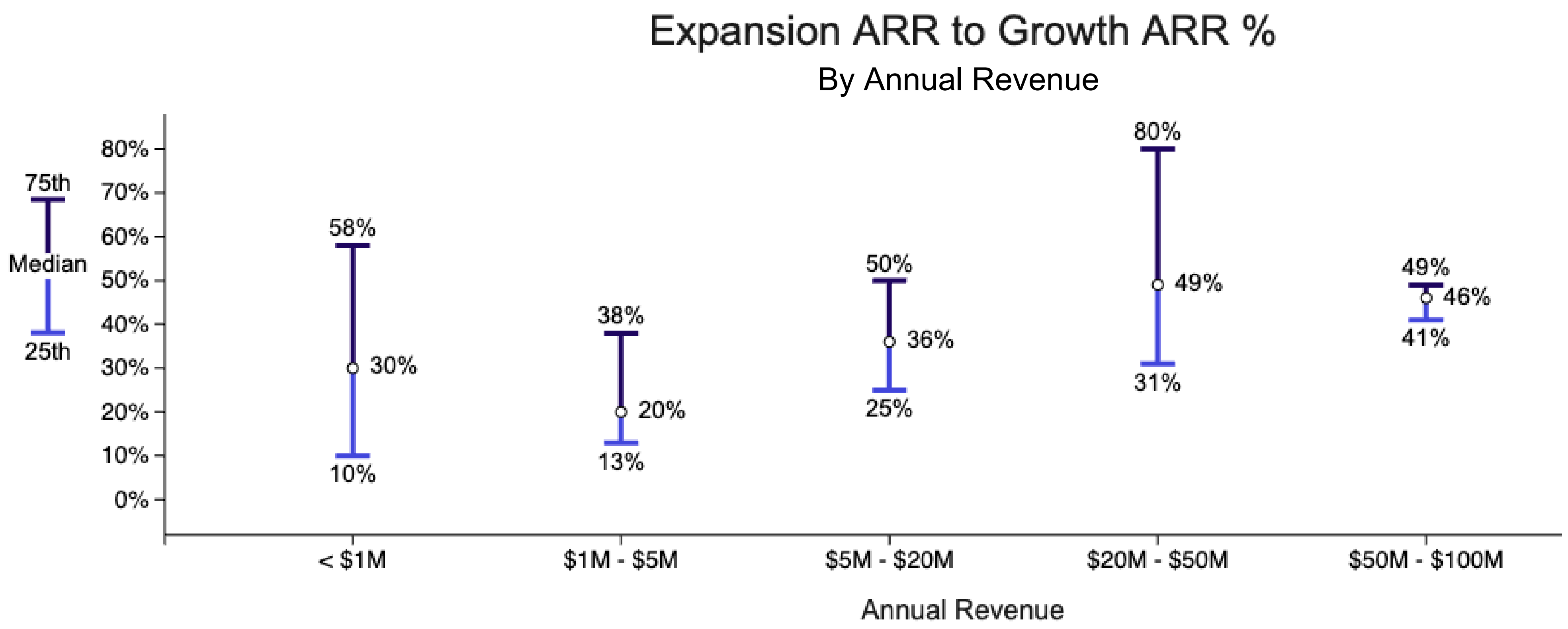
We did not publish the Expansion CAC Ratio in 2022 due to the number of companies that calculated this metric. However, for the companies that did report the benchmark it was $.69 at median across the entire population.

In 2023, the majority of SaaS companies re-allocated resources from new customer pursuits to existing customer retention and expansion. This is a factor in the 2023 Expansion CAC Ratio being $1.00 at median.

This new benchmark represents a 45% year over year increase in the cost to expand one dollar of ARR with an existing customer. Efficient revenue growth from existing companies also requires new innovative expansion strategies and tactics.

Expansion ARR to Growth ARR %





Findings and Insights

Traditional wisdom says existing customer expansion ARR should be at a median of 30% of total new ARR. This held true for several years, but in 2022 it increased to 33% and in 2023 has increased to 35% at median.

Expansion ARR as a percentage of total new ARR should be viewed in context of company size for more accurate comparisons.

As companies scale, they often develop enhanced up-sell and cross-sell motions including introducing new products or pricing packages developed to expand existing customer ARR and increase the Average Revenue Per Account (ARPA).

The bottom chart highlights that companies approaching $50M ARR and above are close to having 50% of their growth ARR generated by existing customer expansion.

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Operational **EFFICIENCY** Benchmarks

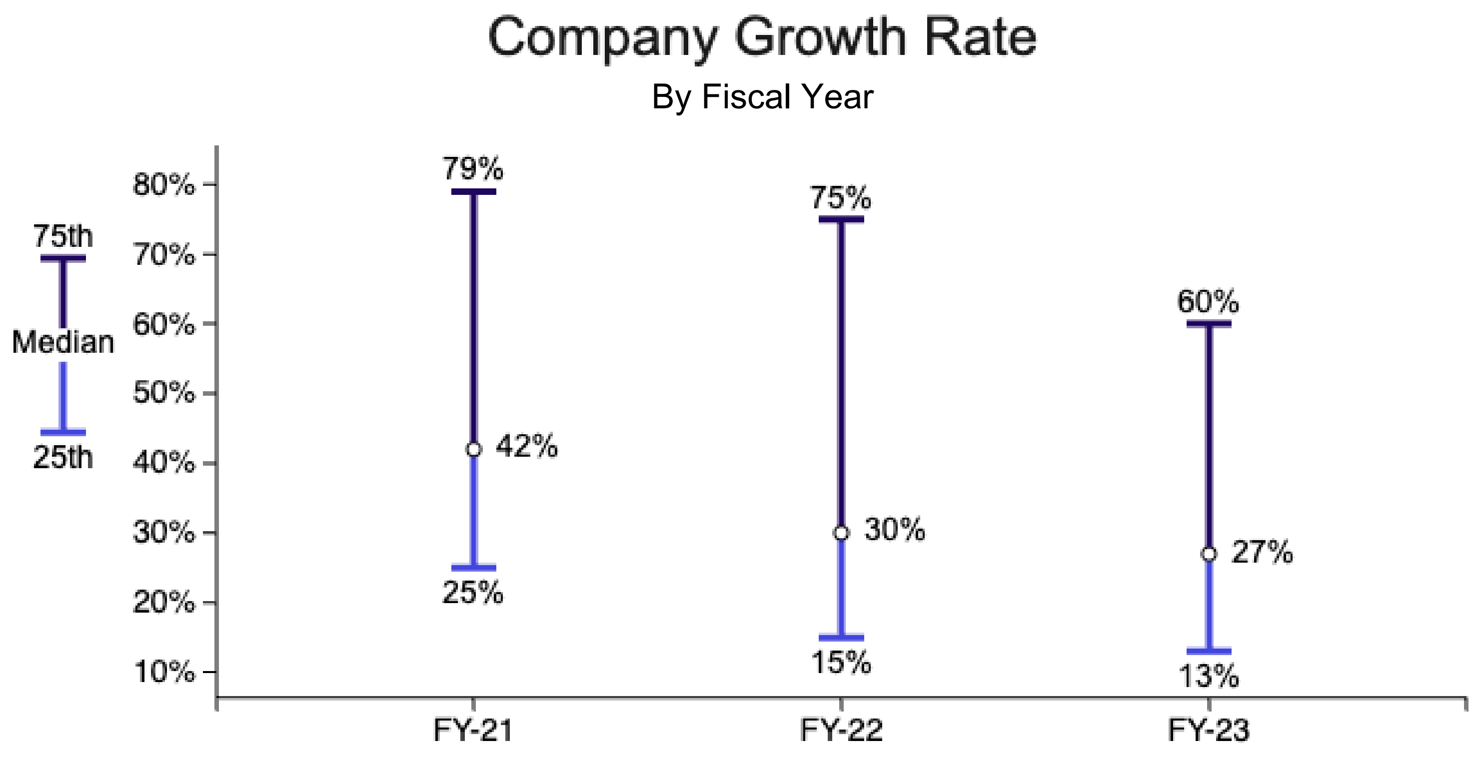
Company Growth Rate
By Fiscal Year

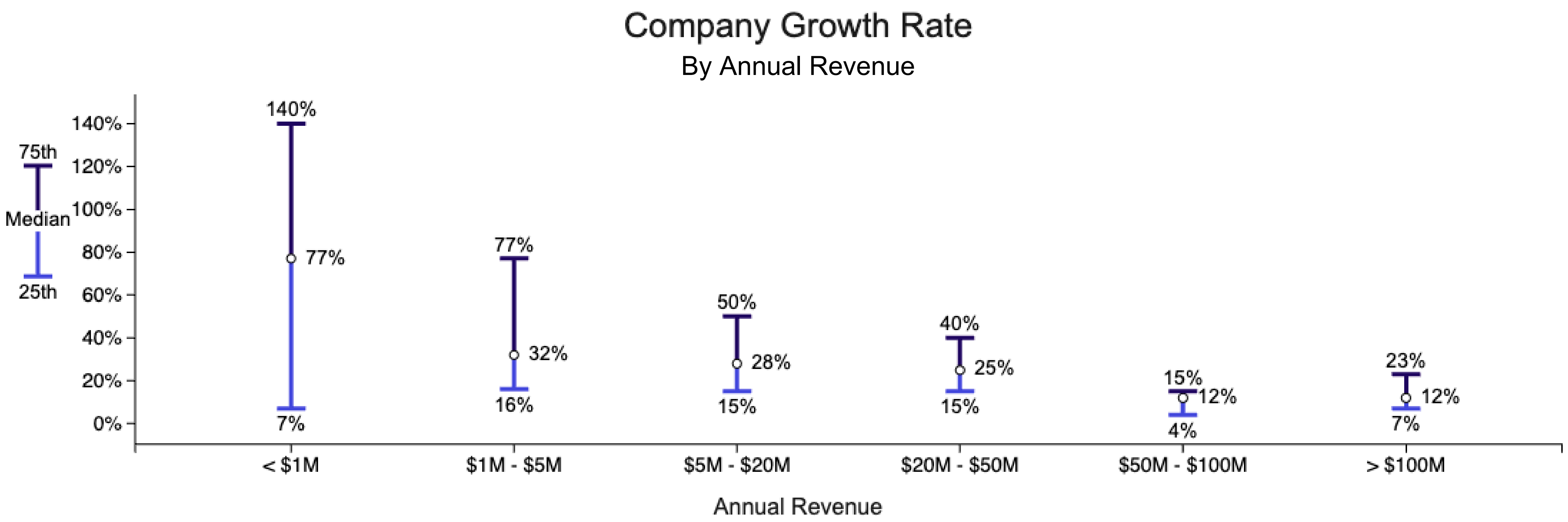
Findings and Insights

Growth rates in 2023 reflect the reduction in growth rates that first appeared beginning in the second half of 2022.

Company size, as measured by revenue or ARR is highly correlated to growth rates. The $50M - $100M and > $100M segments experienced the lowest median growth rates in 2023 at 12%. These private company benchmarks are similar to the 2023 median public company growth rates.

Visit our interactive benchmarks to analyze how other company profile attributes such as Go-to-Market motion, pricing models and region of the world are correlated to the 2023 growth rates.





2023 Growth Rate vs 2024 Growth Rate Plan

By Total Population

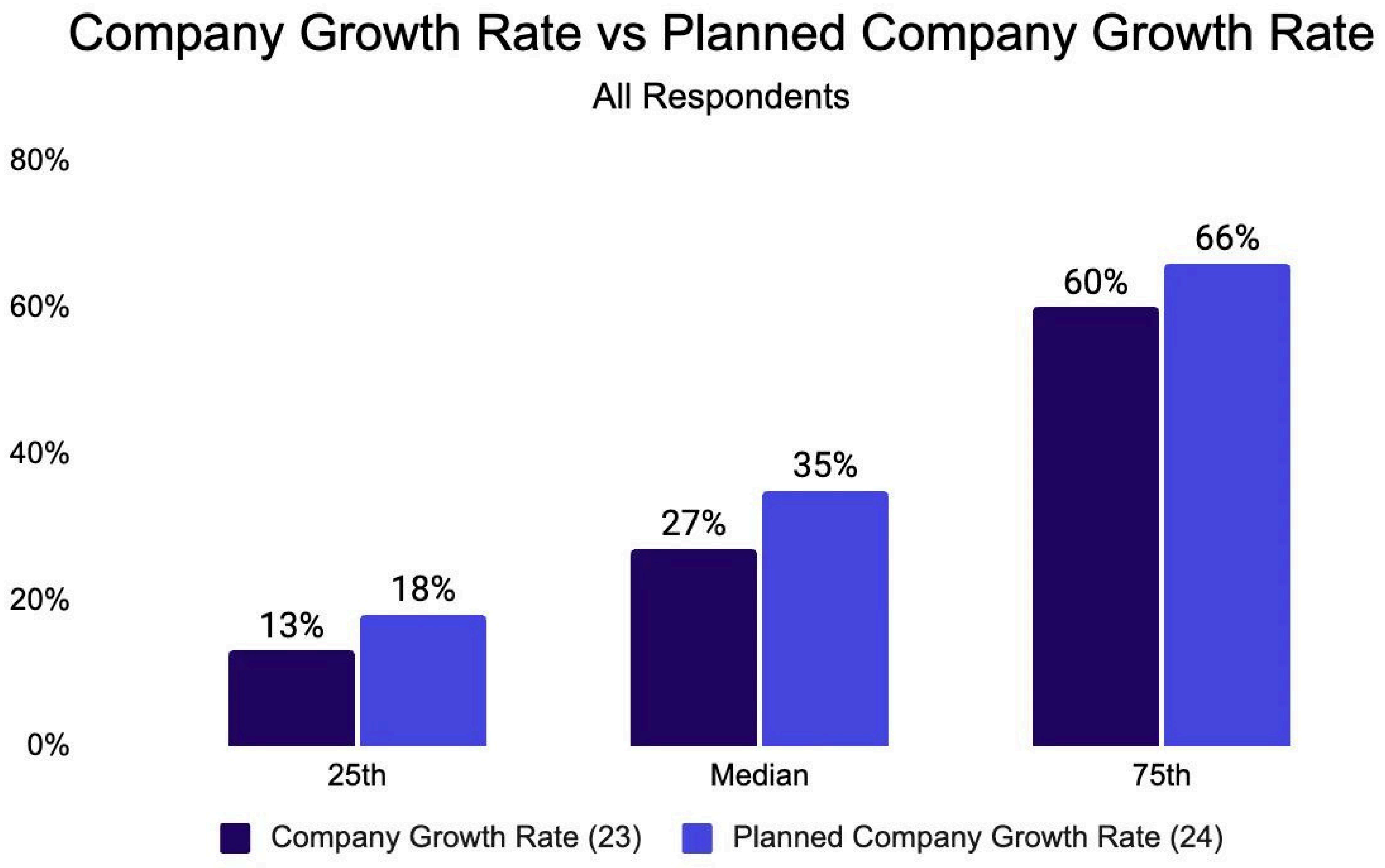
Findings and Insights

Median growth rate across the population was 27% in 2023 with the 75th percentile starting at 60%.

The same group of companies from this year's benchmarking population have a planned growth rate of 35% at median in 2024, with the top quartile beginning at 66% Year over Year growth.

Though an 8% increase in growth may not seem dramatic – on a holistic basis that is a 30% increase in growth rates in a buyer environment that has not exhibited a return to that level of growth.

Companies will be well served to ensure their customer acquisition and customer expansion unit economics are in a position that "WHEN" buyer momentum increases they can quickly accelerate Sales and Marketing investment when buyer behavior begins to align with the vendor optimism exhibited by the 2024 planned growth rates.



2023 Growth Rate vs 2024 Growth Rate Plan
By ARR

Findings and Insights

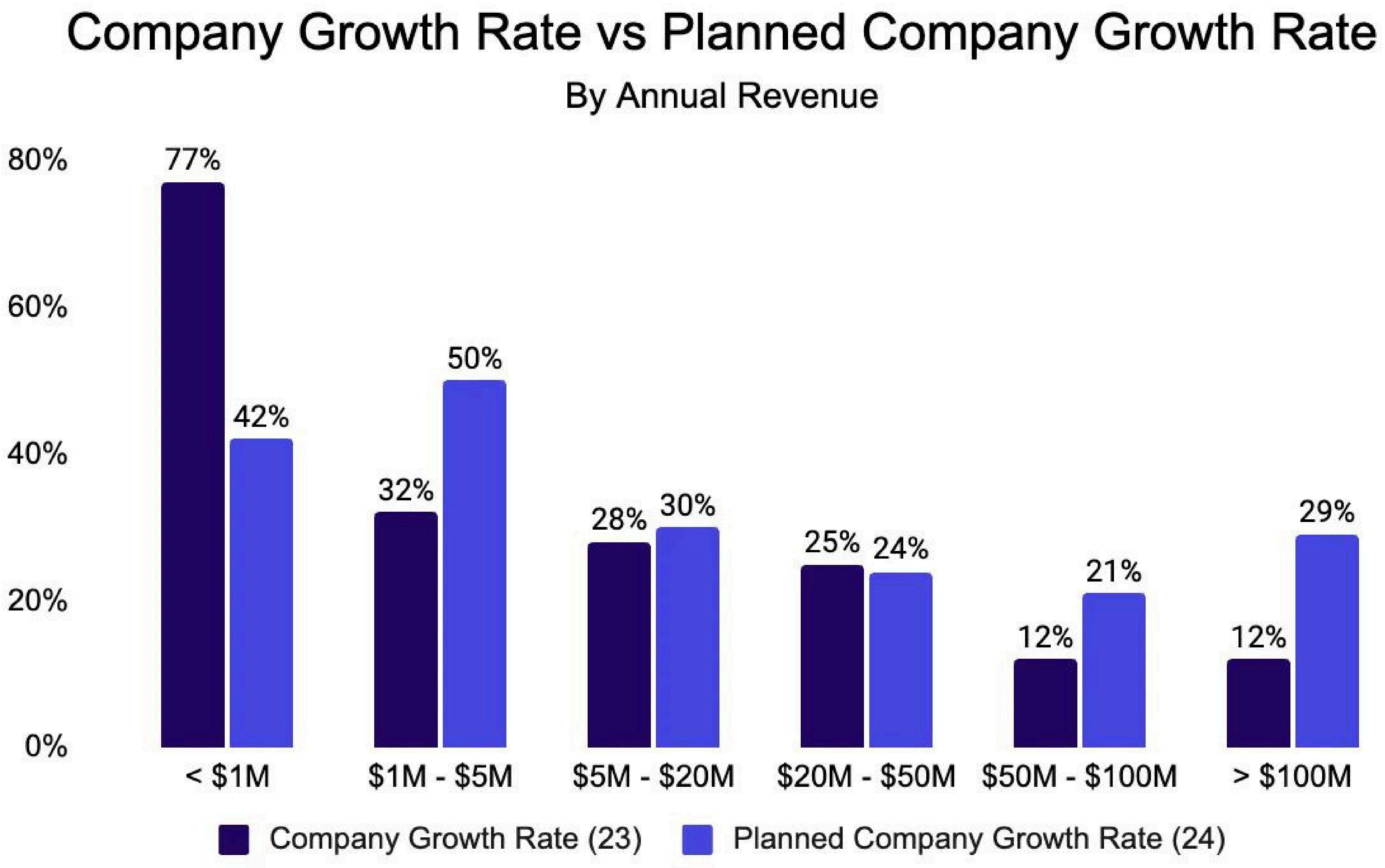
Planned Growth Rates for 2024 highlight the pervasive, optimistic culture across the B2B SaaS industry.

With the notable exception of companies under $1M ARR, every segment plans for higher growth in 2024 than they experienced in 2023.

The most notable increase in growth expectations is in the $1M - $5M ARR segment who experienced 32% growth at median in 2023 and are planning for a 50% growth rate in 2024.

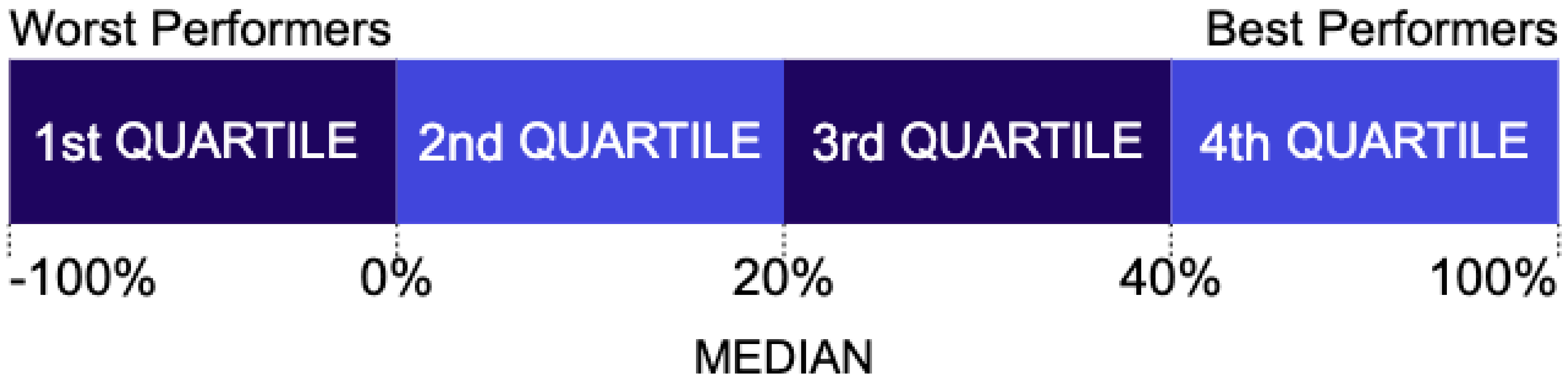
Similarly, companies in the $50M - $100M ARR range are planning for 21% Year over Year growth, an increase of 9% from their actual 12% growth rate in 2023.

Lastly, companies at scale, as defined by greater than $100M ARR in this research are planning for 29% growth in 2024, a staggering 17% increase in growth versus their 12% actual growth rate in 2023.



Rule of 40

By Total Population



Filtered by: Total Population

Rule of 40

By Total Population

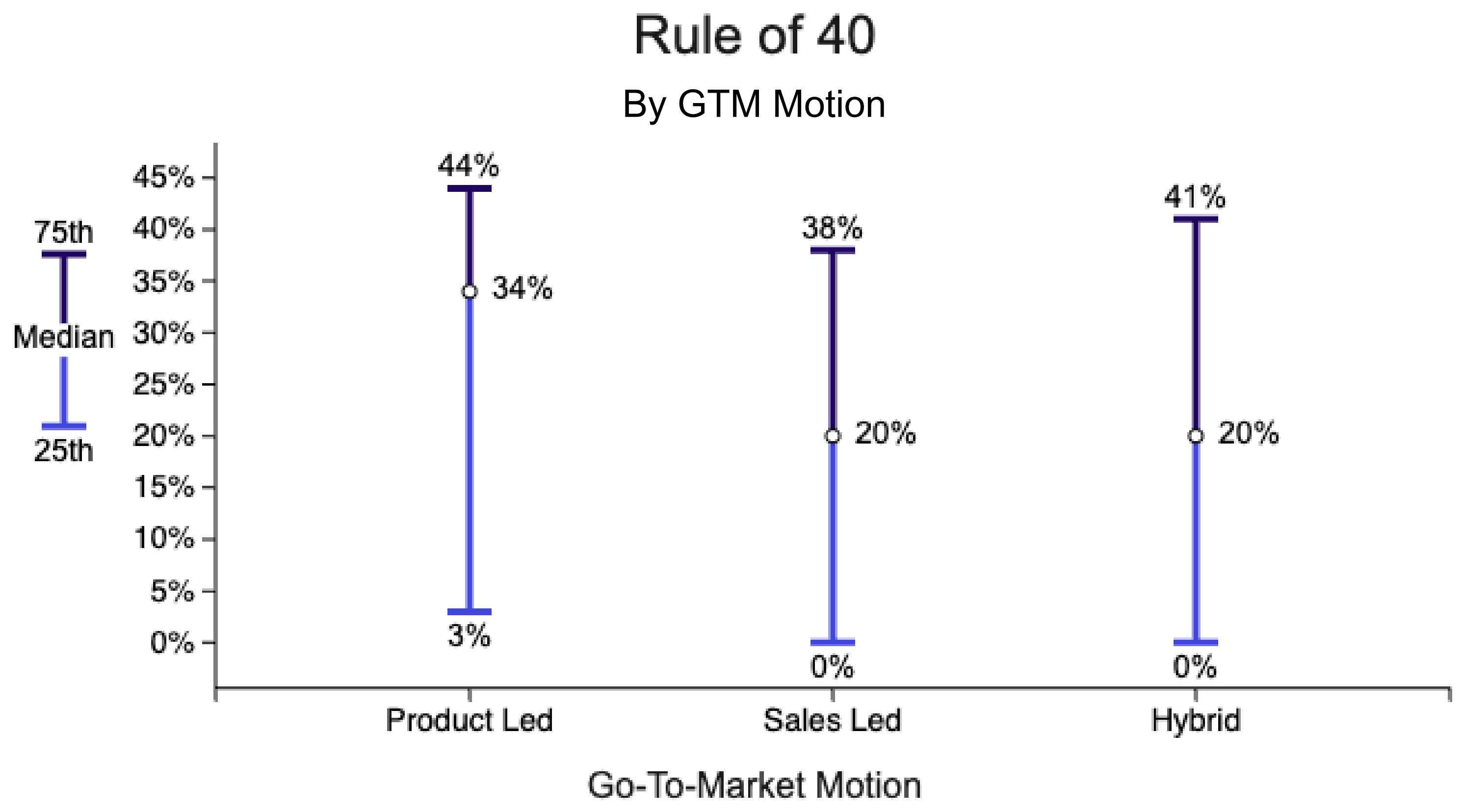
Findings and Insights

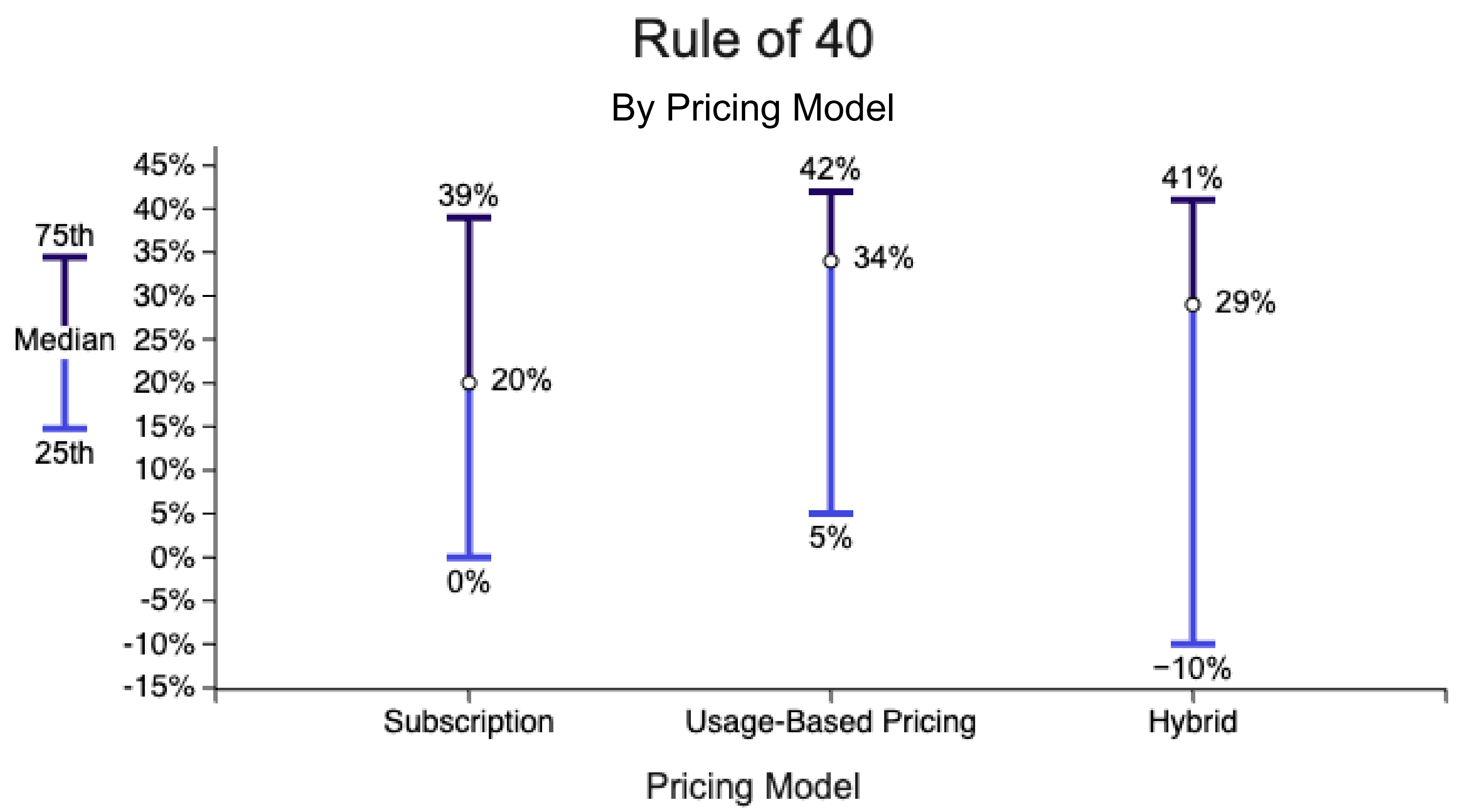
The Rule of 40 measures the combination of growth rate and operating profitability. The most commonly used profitability metric used in calculating the Rule of 40 is free cash flow margin. Some companies use EBITDA instead of FCF margin as the profitability factor.

The Rule of 40 is an investor metric used to determine if a SaaS company is growing profitably – though often high growth can make up for lower profitability – but not no profitability as a company scales.

There is a debate on the right combination of growth and profitability for companies as they scale over $50M. Though there is no perfect combination, though Meritech Capital has conducted a two-factor regression and discovered that public companies with a growth rate of greater than 30% and a Free Cash Flow Margin of 10% - 20% have the largest enterprise value to revenue multiples.

Bessemer Venture Partners recently introduced the Rule of X which highlights current growth is ~ 2.3x more correlated to enterprise value to revenue multiples than profitability.





Rule of 40

By GTM Motion and Pricing Model

Findings and Insights

Across the population participating in this year's benchmarking research, it was interesting to note that Product-Led Growth companies exhibited a higher "Rule of 40" at 34 versus Sales-Led Growth companies with a "Rule of 40" at 20.

On a stand-alone basis this could suggest Product-Led Growth companies perform better as measured by the Rule of 40 metric.

However, no single metric should be viewed or used in isolation. Each metric's benchmark be evaluated in context of other company profile attributers including revenue size and Customer Acquisition Cost efficiency metrics including CAC Payback Period, CAC Ratio and Net Revenue Retention.

Mathematical purists will highlight that the Rule of 40, which adds two percentages together should be shown as a whole number versus a percentage.

Gross Margin

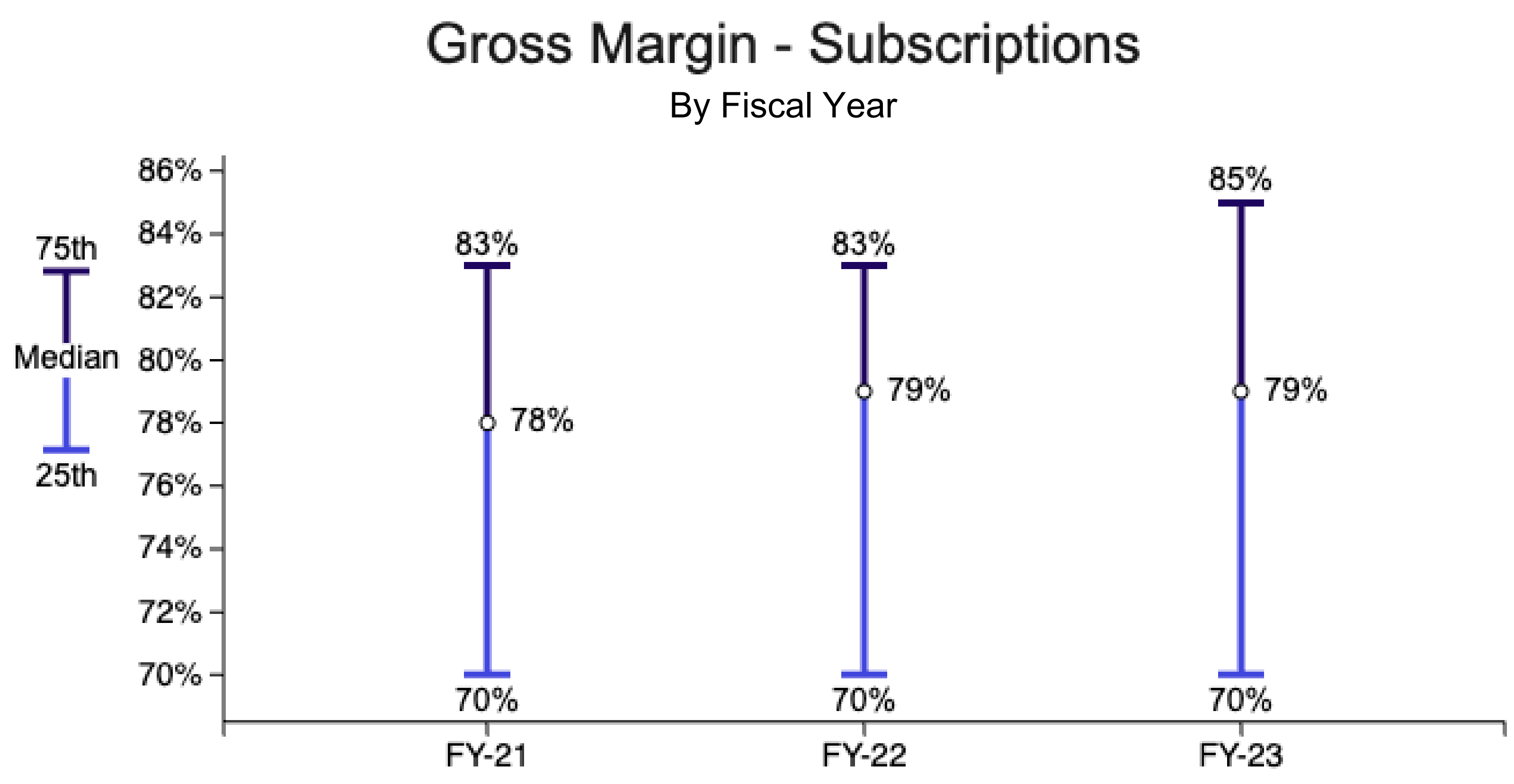
By Fiscal Year

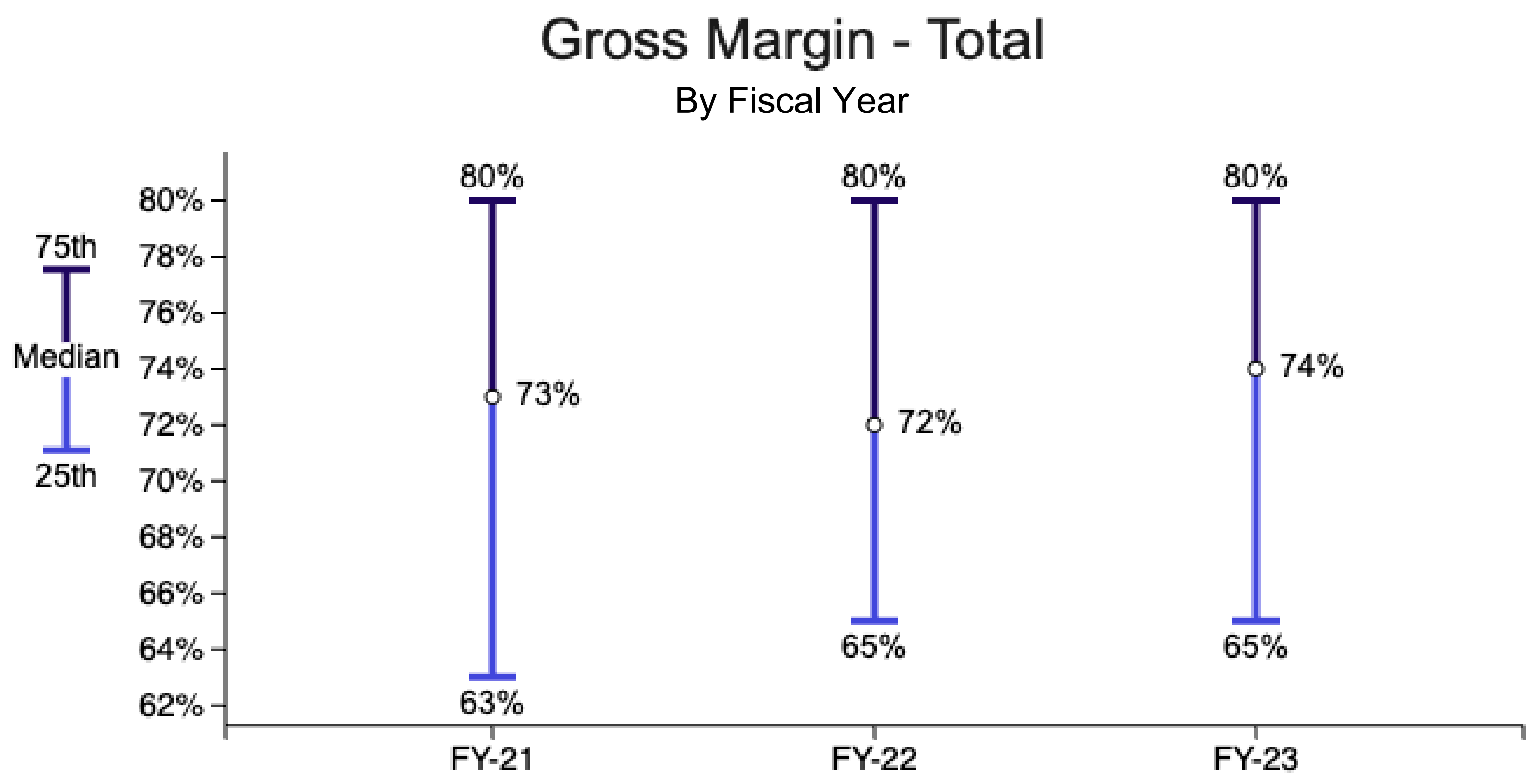
Findings and Insights

Gross Margin is the measurement that shows the percentage of revenue that remains after subtracting the Cost of Goods Sold (COGS). Gross Margin, especially on subscription revenue has been one of the most stable SaaS metrics over time.

Gross Margin on software subscriptions was 79% at median in 2023, which is the same as 2022. The entry level to the top quartile increased to 85% in 2023 as companies exploited opportunities to reduce Cost of Goods Sold including more programmatic cloud cost management and automated customer service initiatives.

Total Gross Margin includes the impact of Professional Services which often has gross margins in the 20% - 35% range, and for some companies can be closer to 0% if they view services as a mechanism to accelerate time to revenue, increase customer satisfaction and reduce customer churn.





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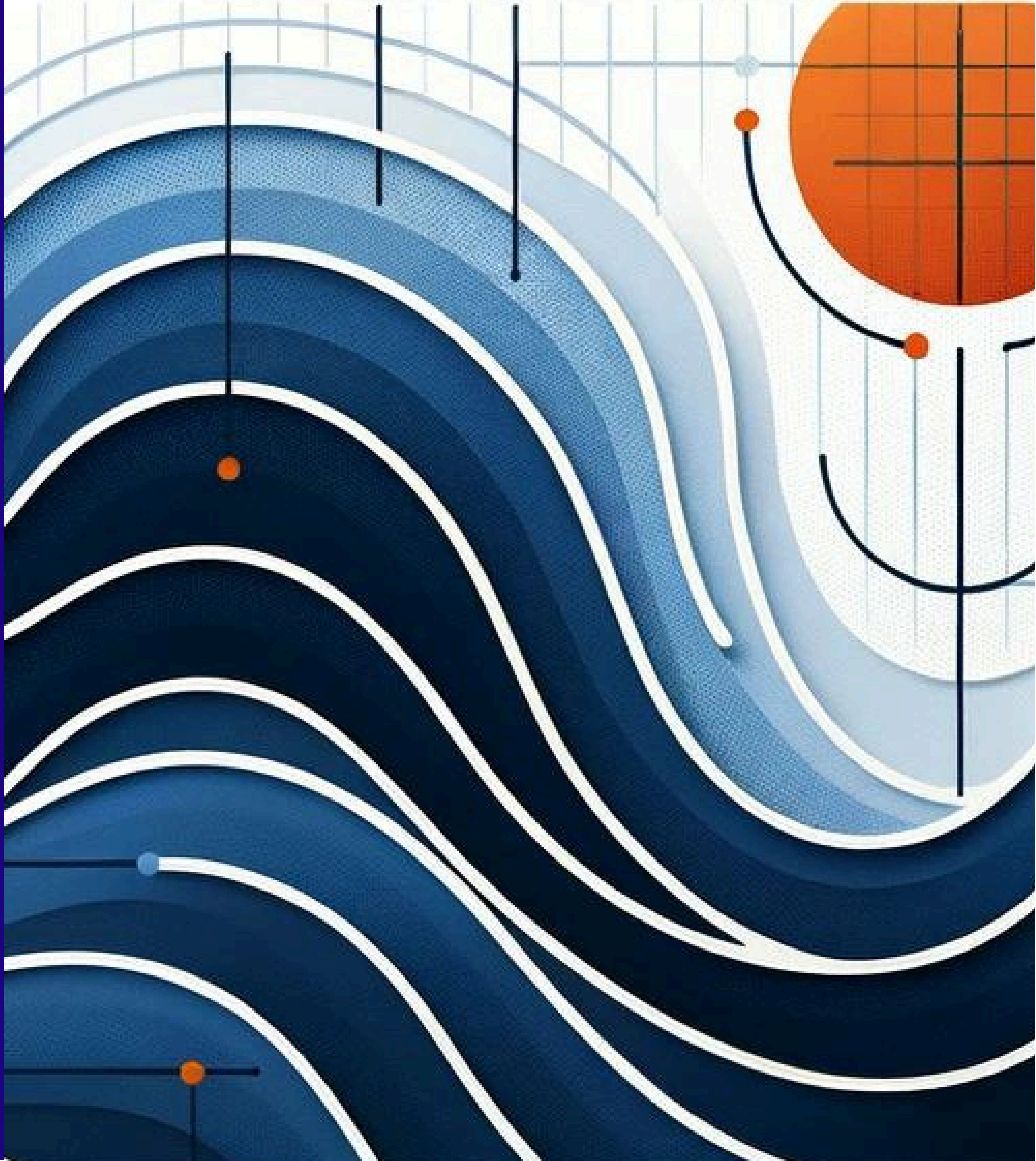
Capital EFFICIENCY Benchmarks



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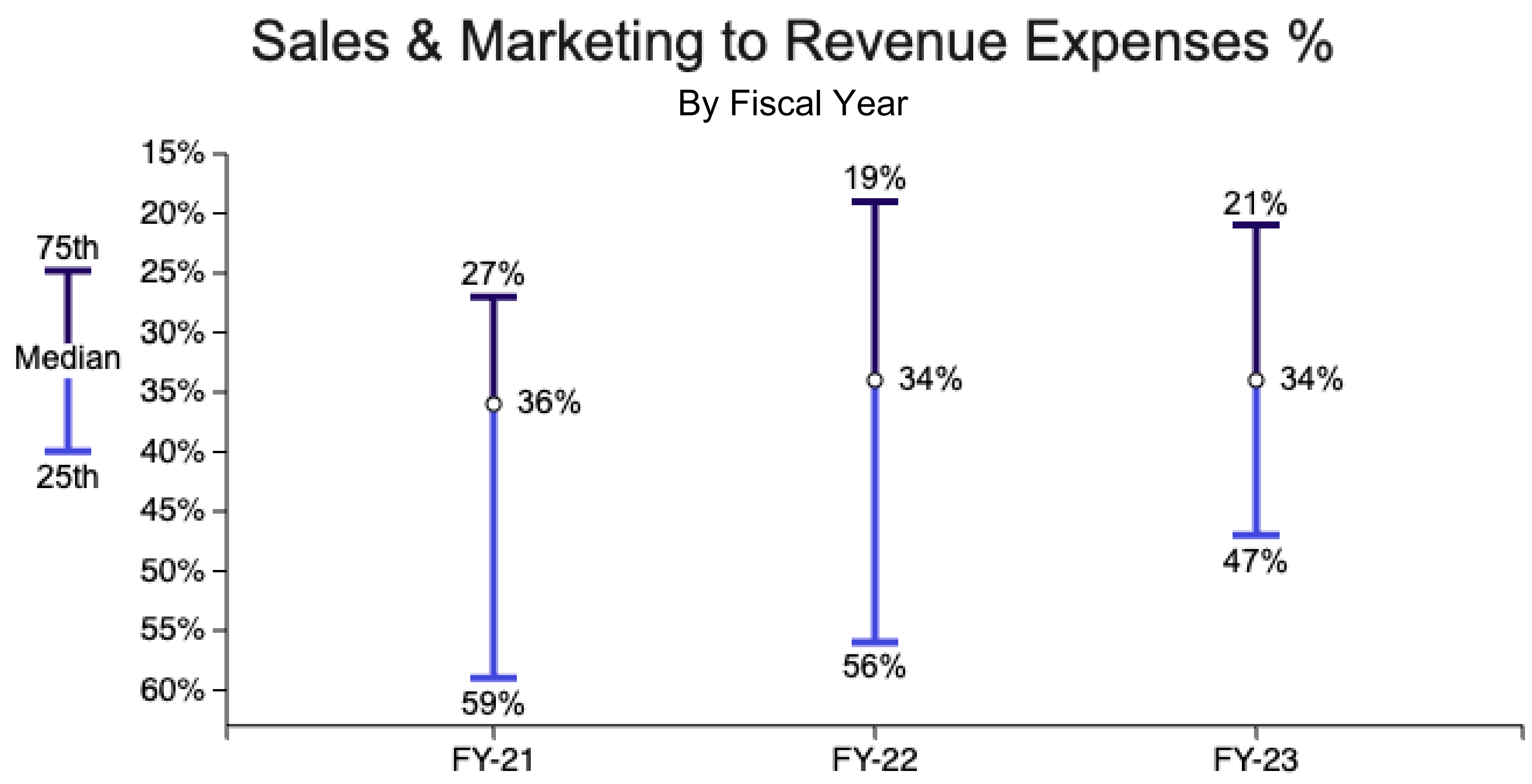
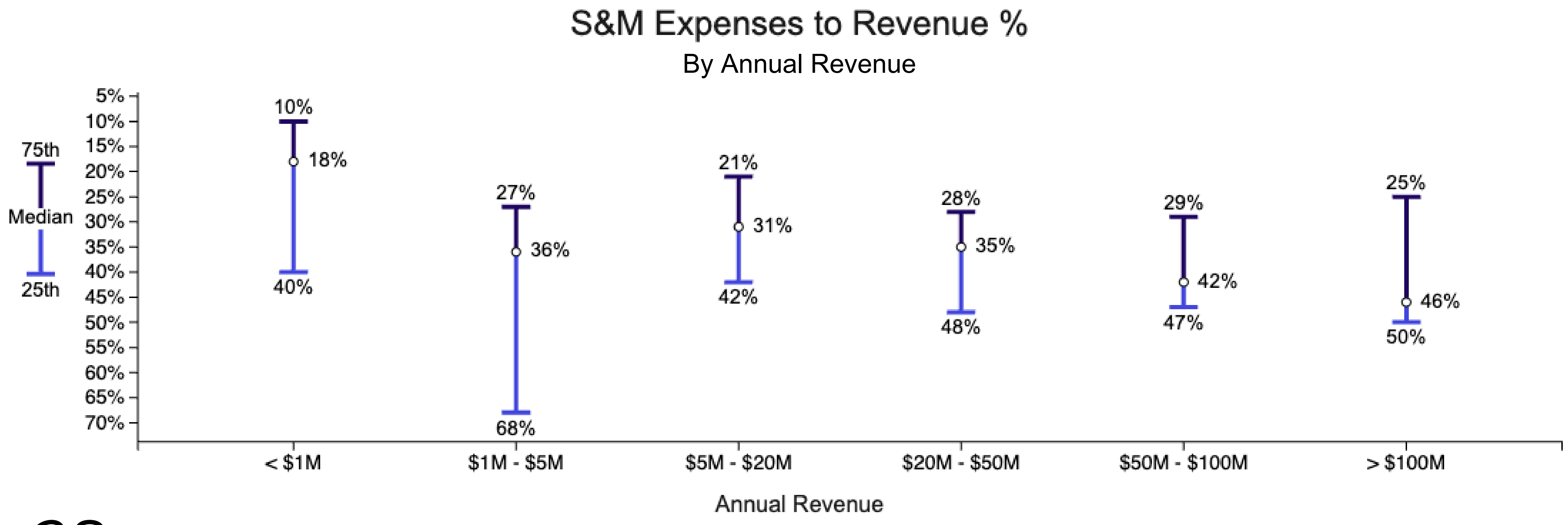




S&M Expenses to Revenue %
By Fiscal Year

Findings and Insights

Sales and Marketing expenses measured as a percentage of revenue is a long-standing measurement to determine how much S&M expense was allocated compared to total revenue.

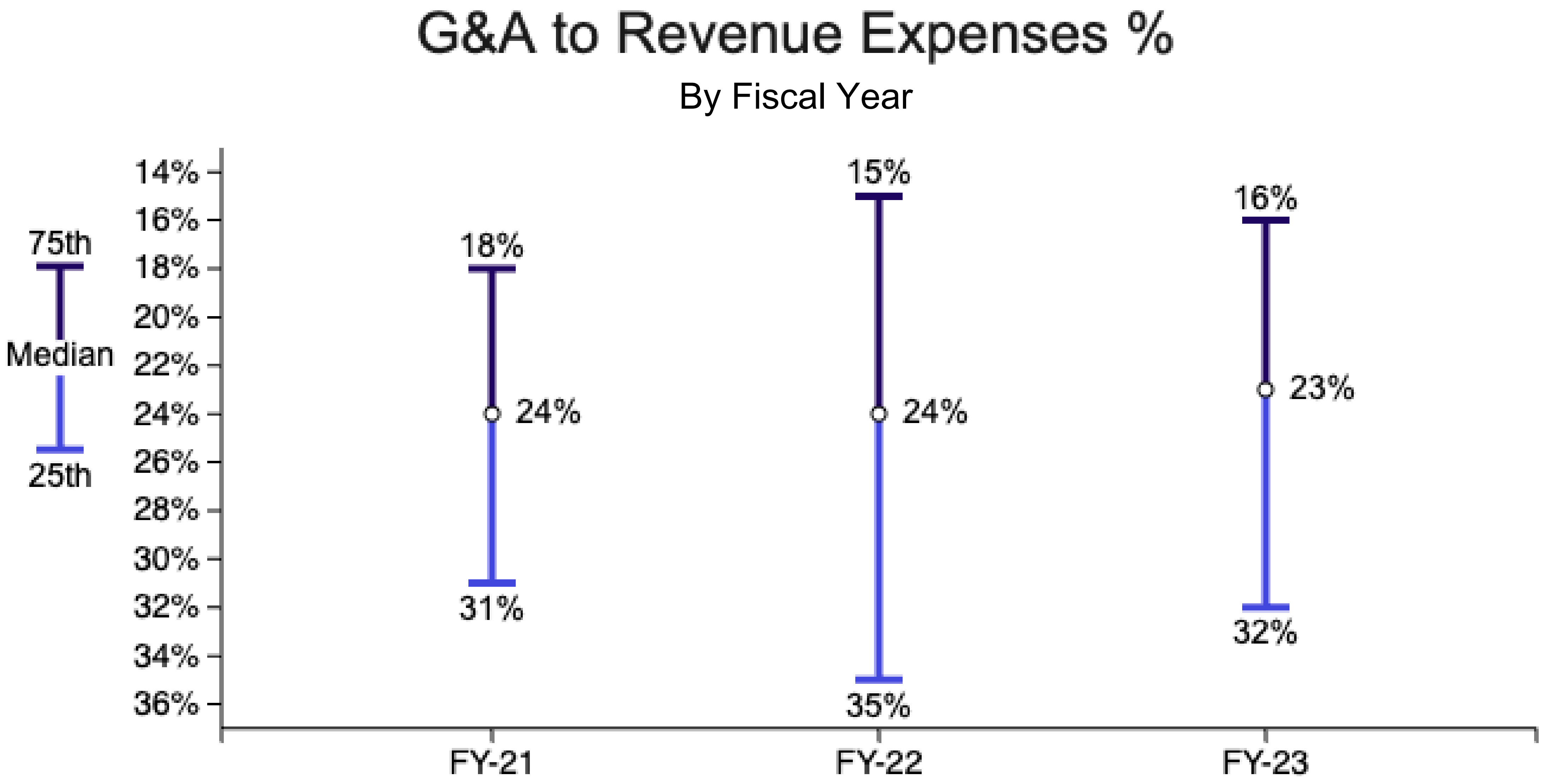
Though not as instructive as CAC efficiency metrics to understand the unit economics of acquiring, retaining and growing customers, it is a useful metric to benchmark a company against similar, like companies.

After seeing a decrease in Sales and Marketing expenses in 2022 to 34% of revenue at median, it remained fairly level across the population 2023.

It is important to note the ranges between the 25th percentile and 75th percentile compressed in 2023. The first quartile now begins at 47% versus 56% in 2022 and the top quartile now begins at 21%.

A counter intuitive datapoint is that the percentage of investment in Sales and Marketing increases as a company scales.

G&A Expenses to Revenue %
By Fiscal Year



Findings and Insights

General and Administrative (G&A) expenses measured as a percentage of revenue is a long-standing measurement to determine how much capital is allocated to administrative resources including Finance, Human Resources and the CEO.

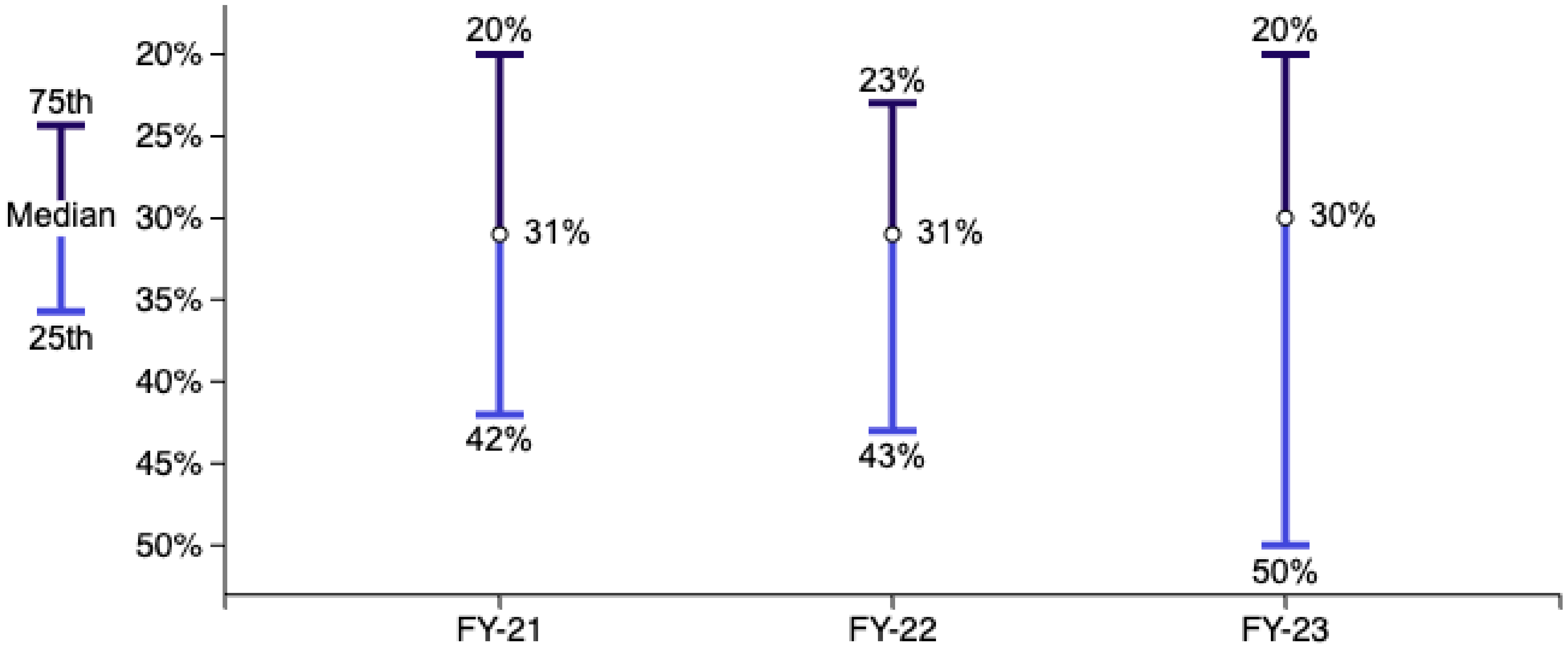
The percentage of G&A expenses to revenue typically decreases as a percentage of revenue as a company scales.

In the early days of a company's evolution, this number can be higher as the CEO and head of Finance expenses are traditionally captured In G&A.

Viewing G&A expenses as a percentage of revenue should be done in context of company size.

R&D Expenses to Revenue %

By Fiscal Year



R&D Expenses to Revenue %
By Fiscal Year

Findings and Insights

Research and Development (R&D) expenses measured as a percentage of revenue is a long-standing measurement to determine how much capital is allocated to software development which is a primary function in R&D for SaaS companies

In software and SaaS companies, R&D is a key to sustained competitive advantage. Often the most innovative SaaS companies will over index on software development investment throughout its life.

It is interesting to note that this metric remained fairly stable at median over the past three years, however the increased focus on expense management did decrease the top quartile entry point to 20% in 2023 versus 23% in 2022.

As with most metrics and their associated benchmarks, this metric should be viewed in context of company size and as is highlighted on the following page - by Go-to-Market motion.

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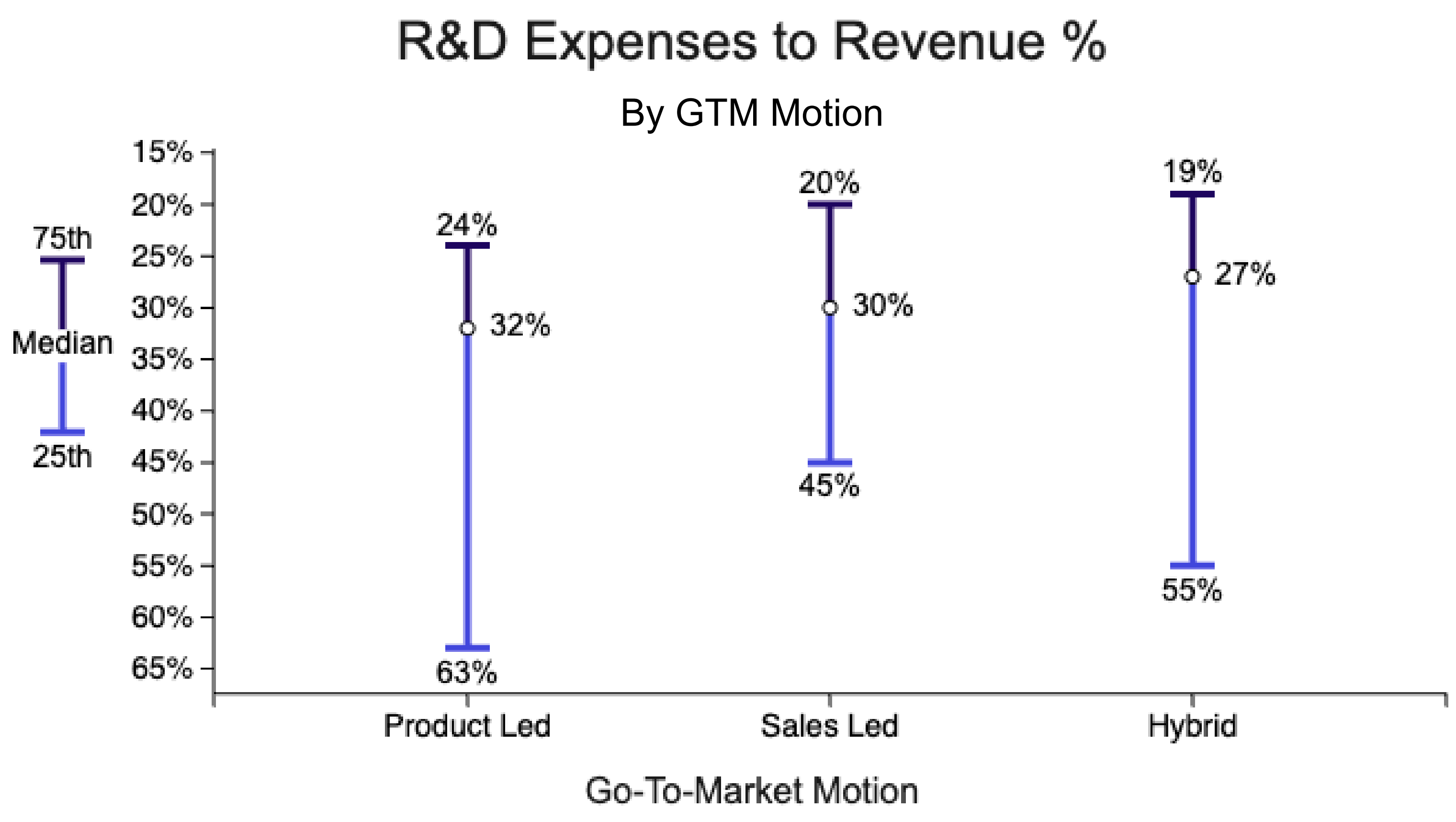
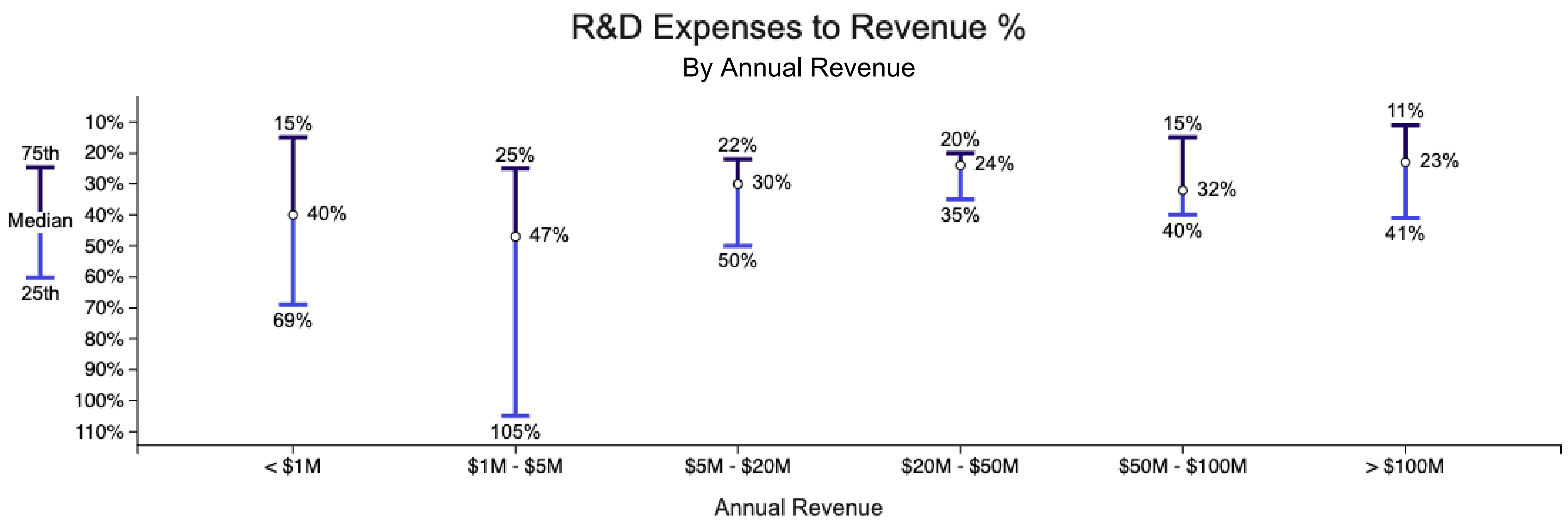




R&D Expenses to Revenue %

By GTM Motion and ARR

Findings and Insights

Research and Development (R&D) expenses in Product-Led Growth companies is higher at median (32%) than in Sales-Led Growth companies (30%). This is logical as the product takes on more responsibility for customer on-boarding and conversion to paid accounts with a PLG motion.

Additionally, Product-Led Growth (PLG) companies in the top quartile spend 63% of revenue on R&D versus 45% in Sales-Led Growth companies.

PLG companies often invest more on user on-boarding, user conversion and user experience within the application to make a customer “self-service” model a better experience resulting in higher conversion and higher activation rates.

R&D as a percentage of revenue in smaller companies is typically higher as it is the initial center of focus in the early days. As companies scale there is a wide range of investments that continue to be made in product evolution and innovation based upon the company profile, focus and product category.

ARR per Employee Ratio

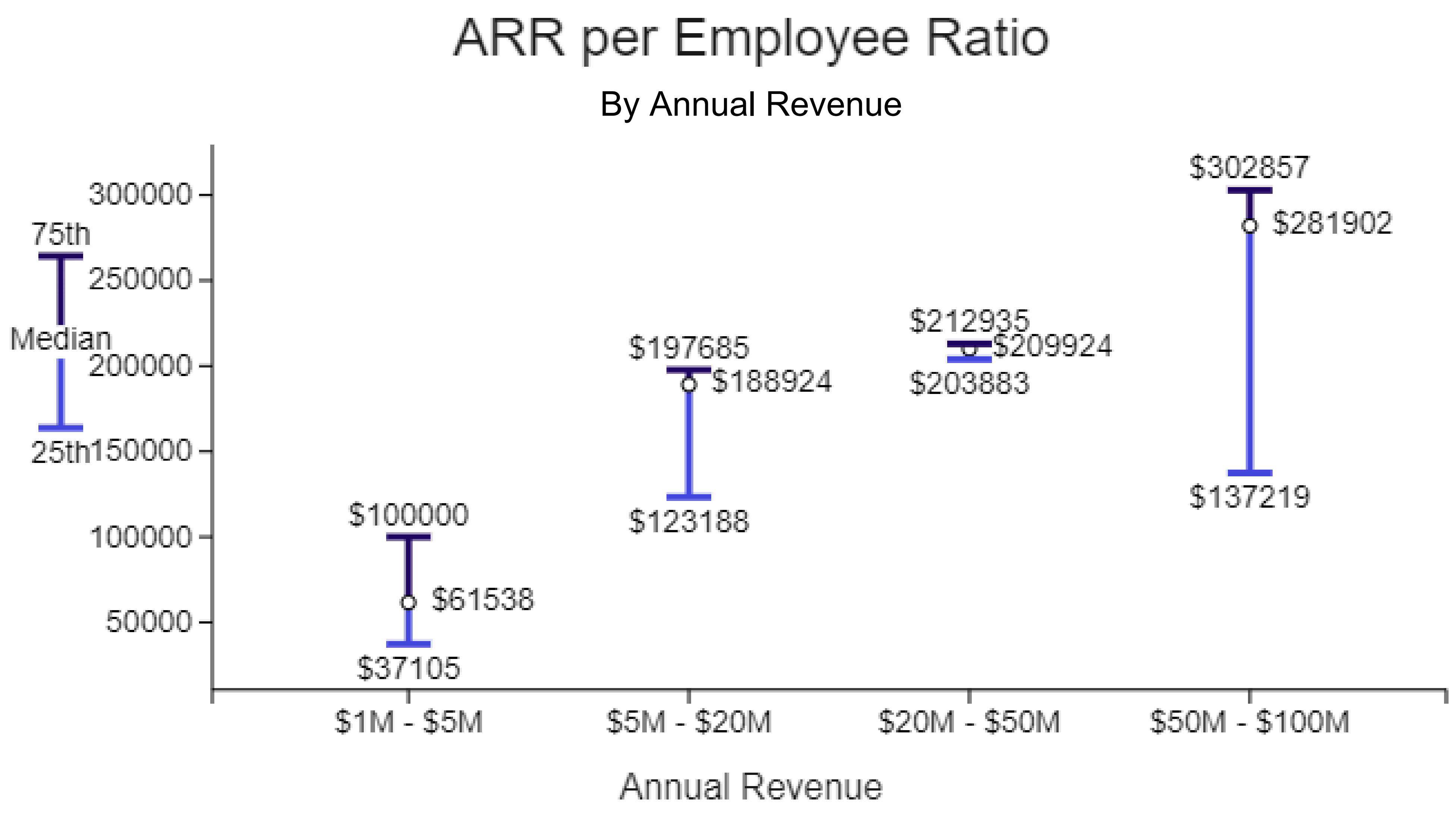
By Company Size

Findings and Insights

Annual Recurring Revenue (ARR) per Employee increased in importance as the SaaS industry entered the era of cautious capital in 2022 and 2023...and continues in 2024.

This metric increases as a company grows, and for companies considering entering the public market should be $300K and above.

In this year's research, companies in the $50M - $100M made great progress towards the $300K per employee range, at $281,902 at median.



ARR:Capital Ratio

By Fiscal Year

Findings and Insights

The Annual Recurring Revenue (ARR) to Capital Ratio measures how much ARR is generated per dollar of capital raised.

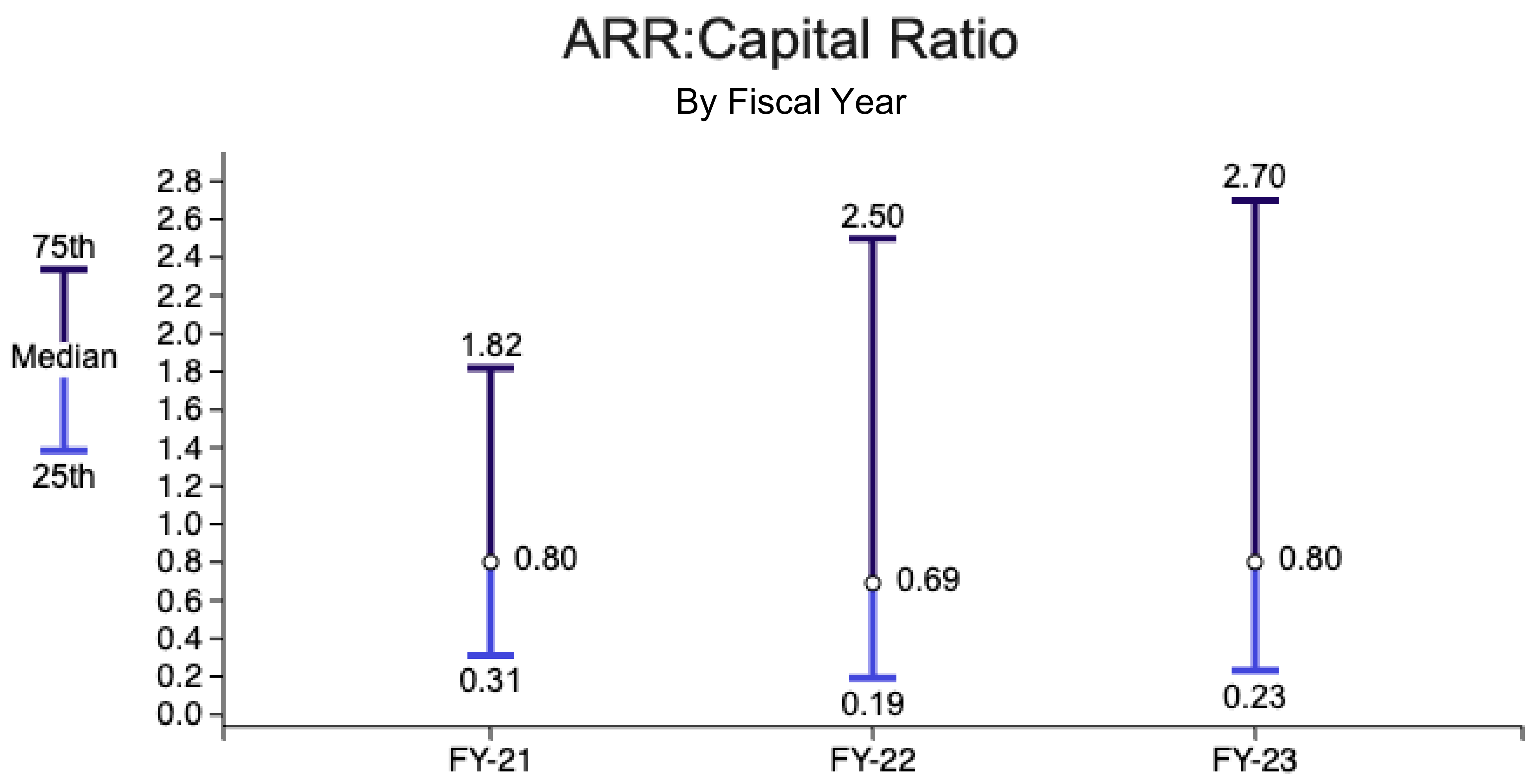
One of the key variables not captured in this metric is cash that has been raised but not yet consumed which is why Bessemer Venture Partners created the Cash Conversion Score which removes cash on hand from the calculation.

The goal is to reach and then move to an ARR to Capital Ratio to over 1.0. Once this ratio is above 1.0 it shows that the ARR is now greater than the capital raised to generate ARR.

With the reduced growth rates in 2023, coupled with the high level of external capital raised in the 2020 – 2021 timeframe, the median ratio decreased in 2023 to .80.

Effectively this benchmarks says that for every $1 of external capital raised $.80 of ARR has been generated across the population.

It is important to analyze this in context of company size which is highlighted on the next page.



ARR:Capital Ratio

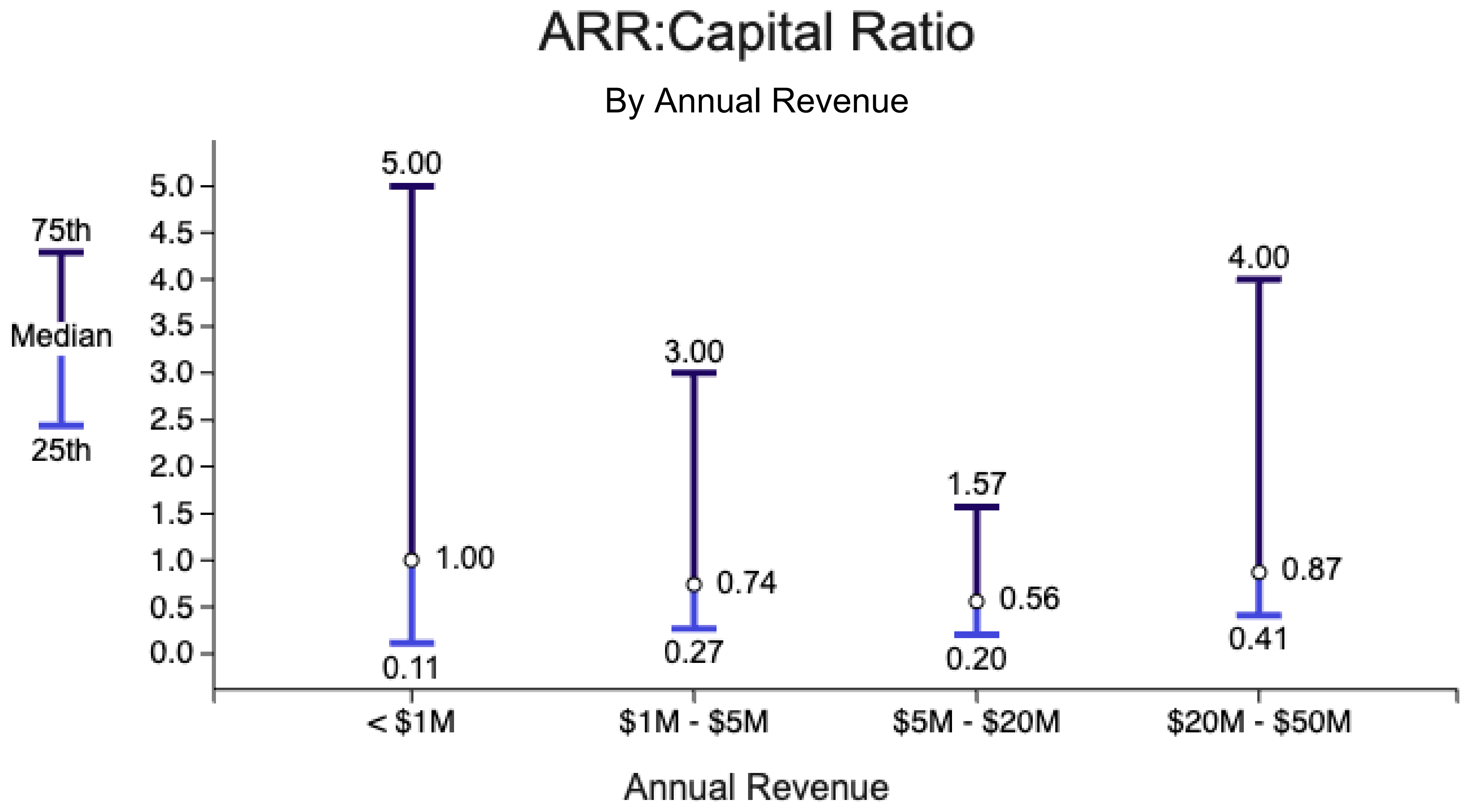
By Company Size

Findings and Insights

The Annual Recurring Revenue (ARR) to Capital Ratio measures how much ARR is generated per dollar of capital raised. The value is historically lower in venture backed Series A and Series B companies, typically with a value below 1. The ratio begins to show material improvement as a company scales to $50M ARR and above.

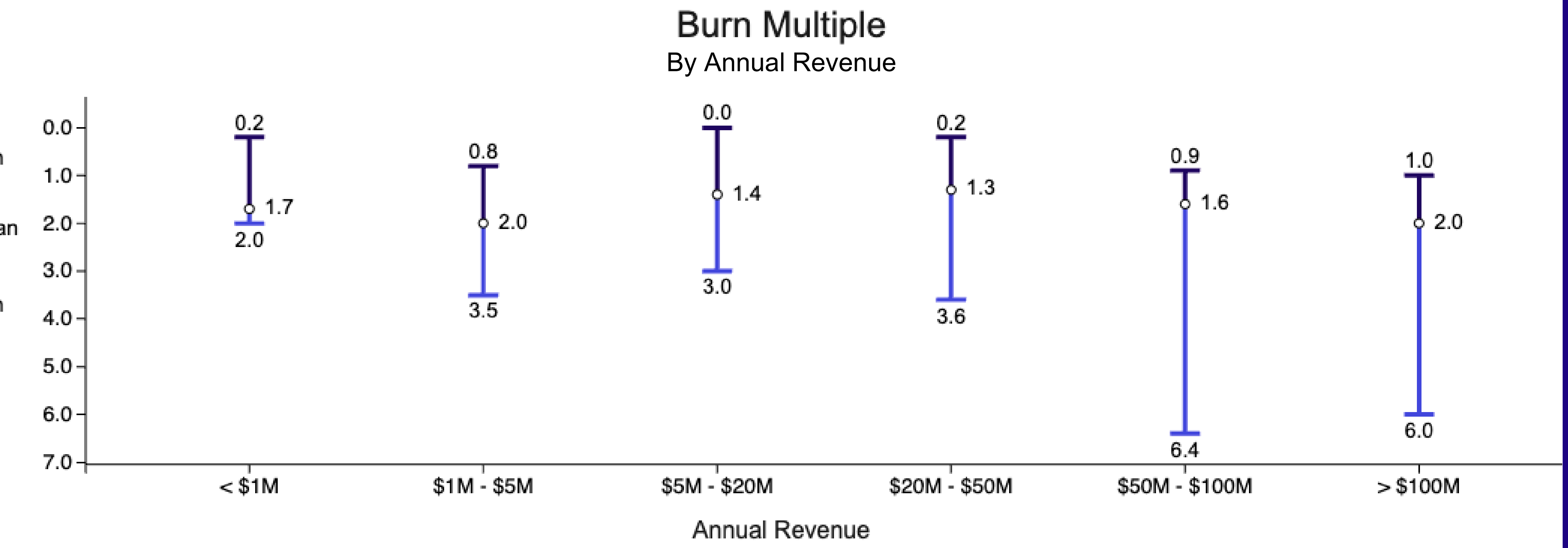
In this chart segmented by annual revenue, that trend line is highlighted by the .87 median for companies in the $20M - $50M range, which is materially higher than the .56 median for companies in the $5M - $20M range.

Unfortunately, the data we had for companies larger than $50M ARR did not meet the statistical significance threshold we require to publish a benchmark – though traditional wisdom suggests it should be close to or greater than 1.



Burn Multiple

By Company Size



Findings and Insights

The Burn Multiple measures how much cash is burned measured against Net New ARR as calculated by:

Net Burn / Net New ARR = Burn Multiple

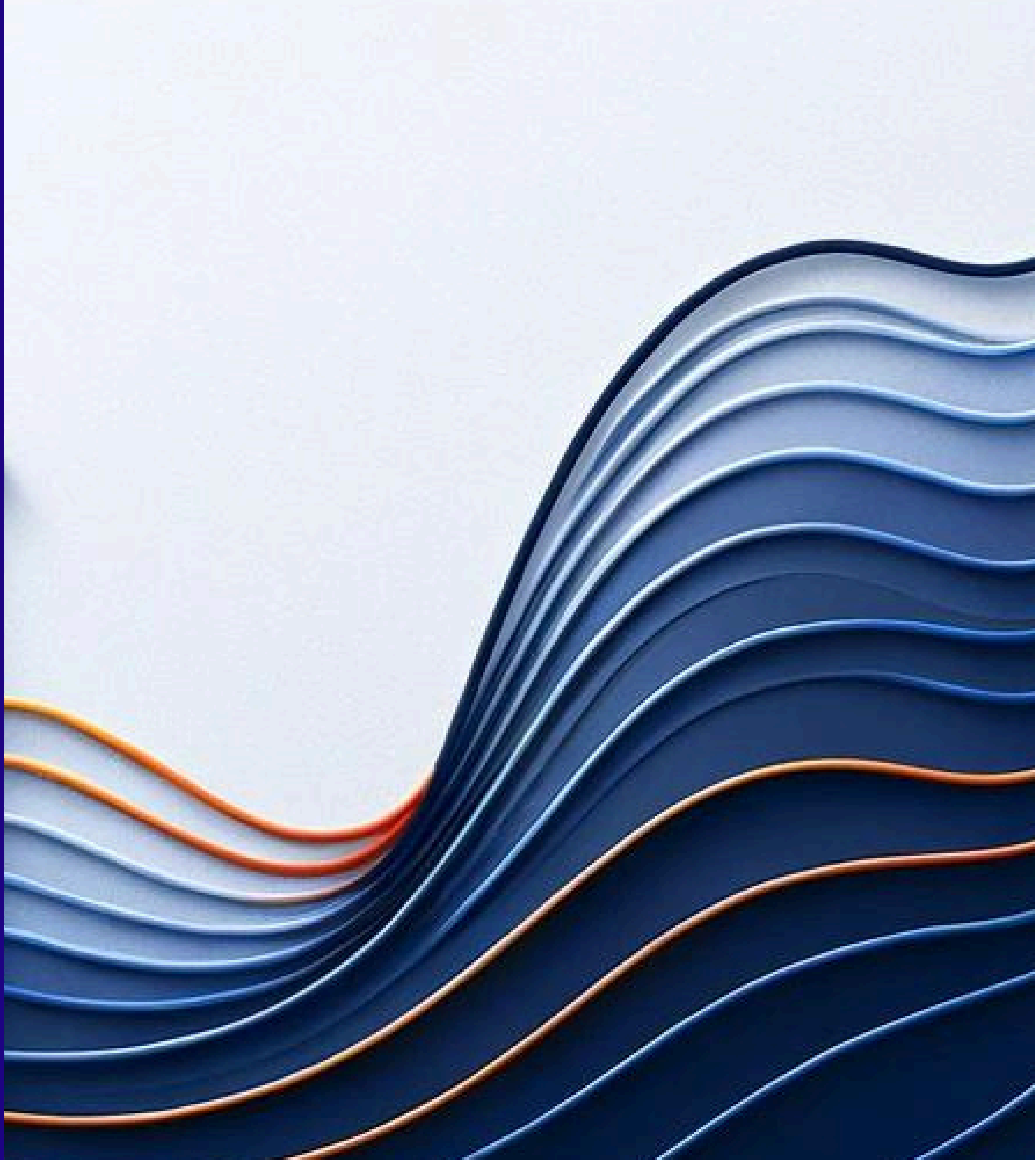
Net Burn is measured by subtracting cash operating expenses from cash revenue.

Burn multiple is an investor centric method to understand how efficient portfolio companies are growing ARR against consuming cash. Burn multiples in the 1 – 2 range are considered good, and any thing below 1 is considered great for venture backed companies.

Companies with a Burn Multiple greater than 2 become concerning, especially if they are in the $20M ARR or greater range.

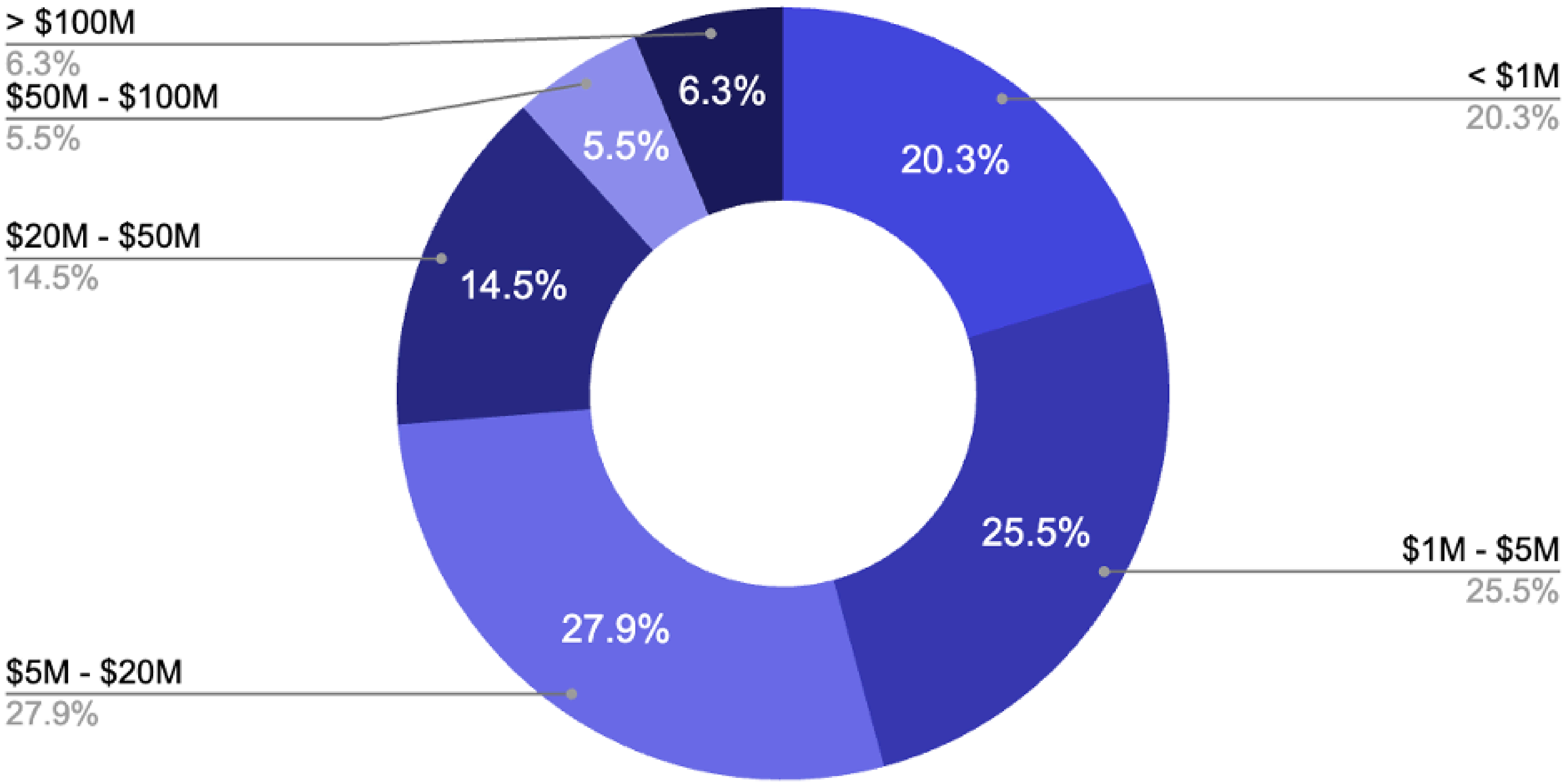
An interesting point in 2023 was that with the reduced growth rates that companies in the $50M and above range experienced resulted in burn multiples which were approaching the 2.0 and above that serves as a red flag to investors.

Participant Profile



Participant Profile

By Fiscal Year



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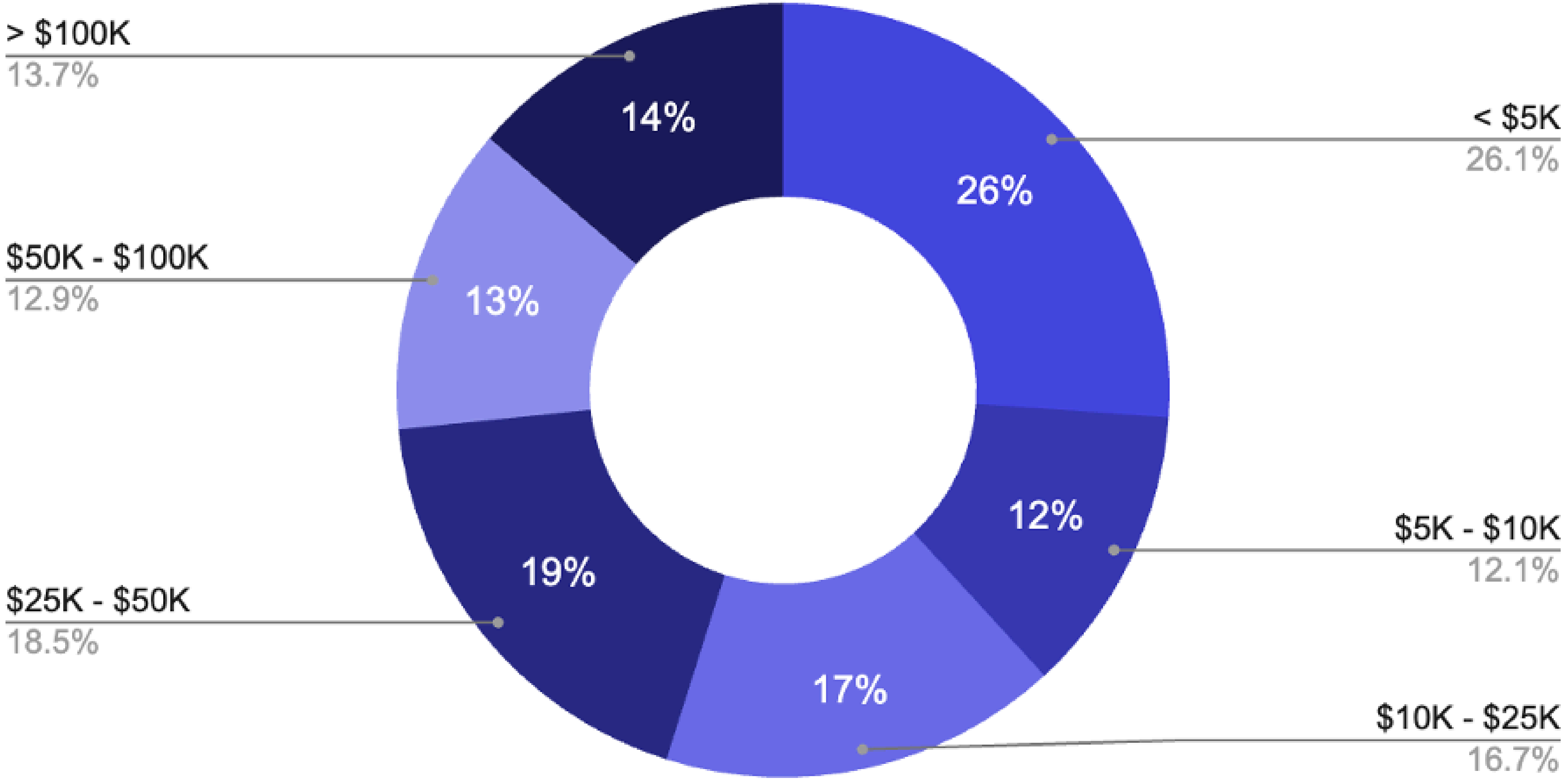
Participant Profile

By Average Contract Value



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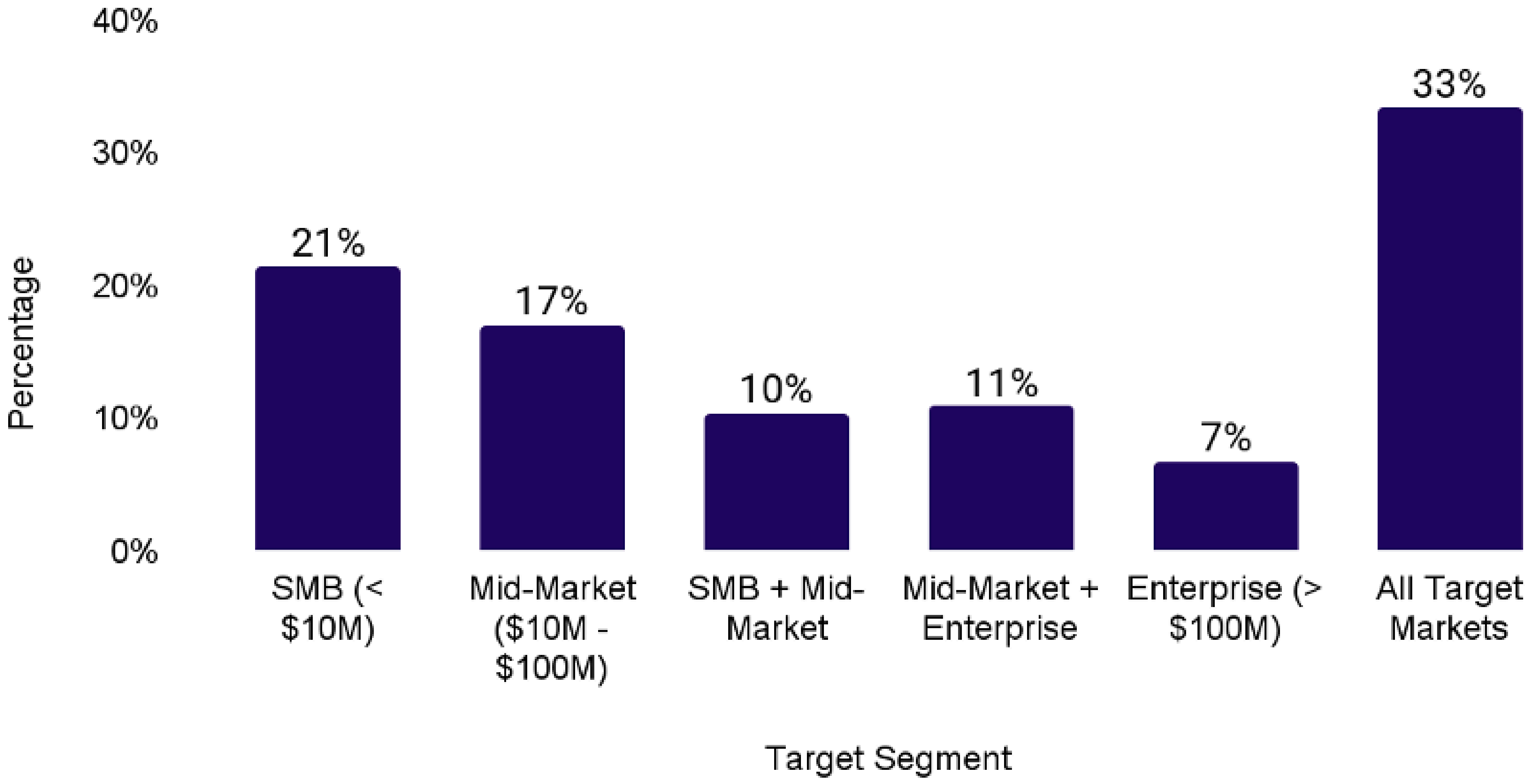
Participant Profile

By Primary Target Segment



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Participant Profile

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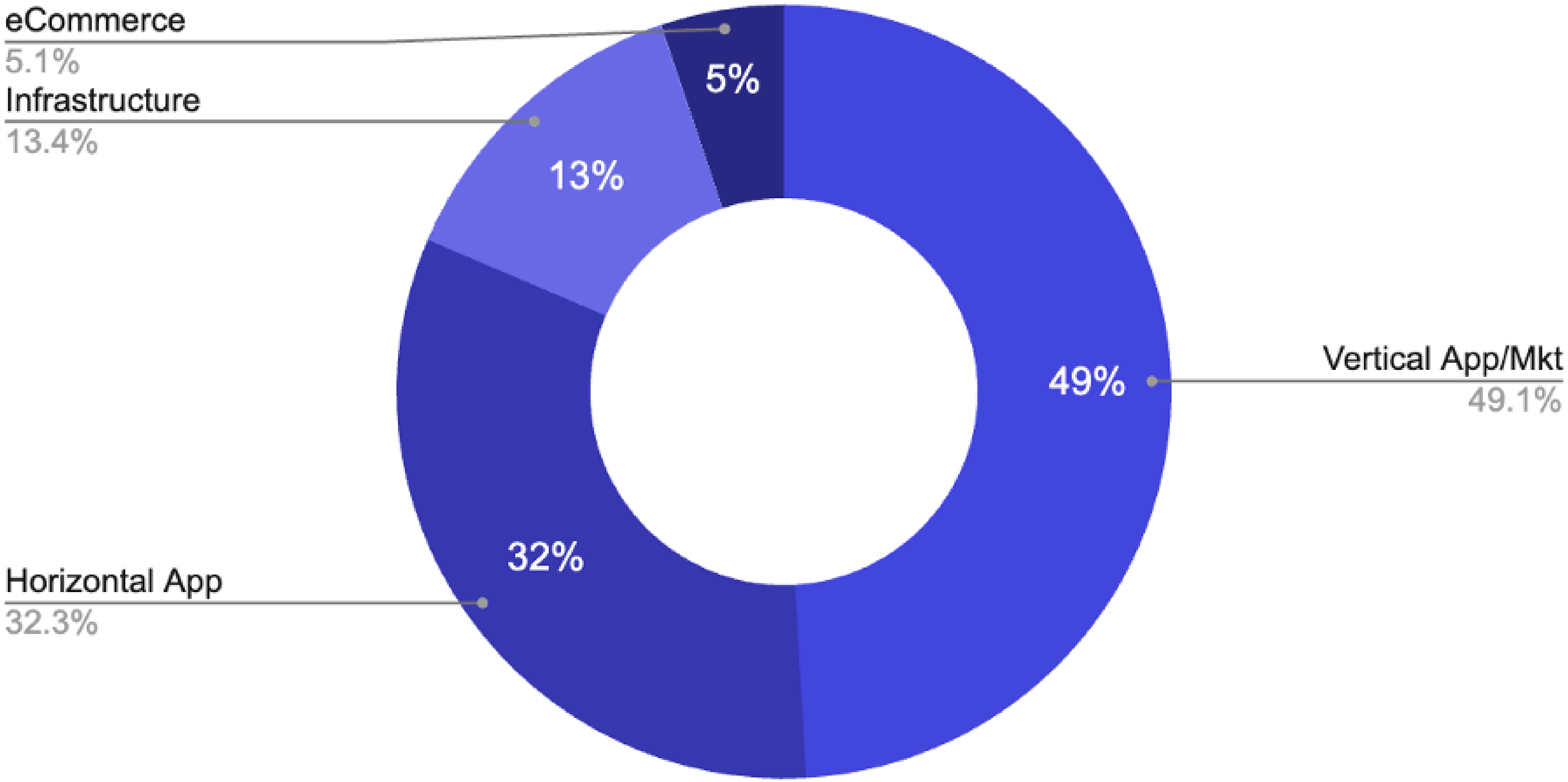
By Solution Type



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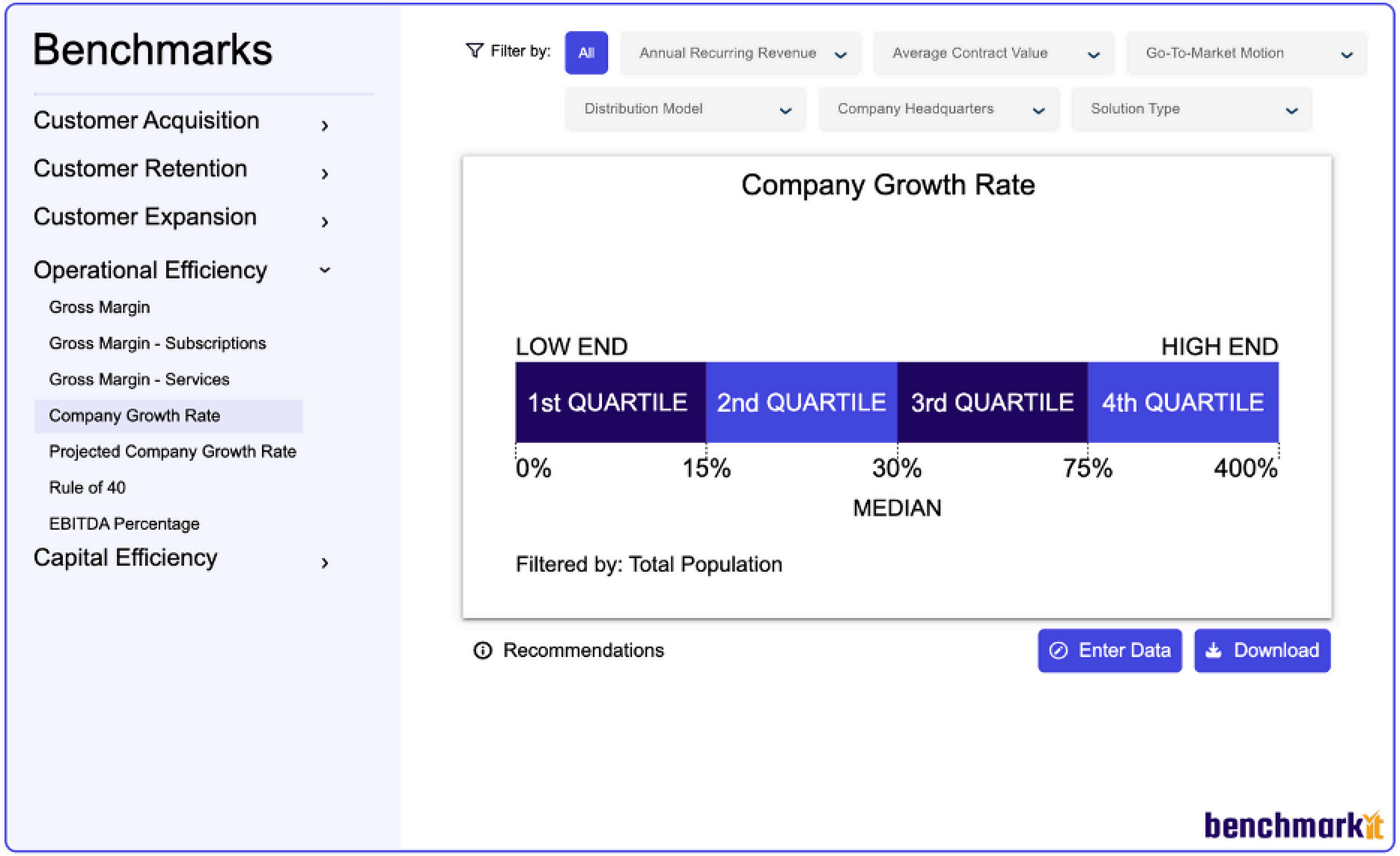
Interactive Benchmarks

Interactive Benchmarks



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