2024 GTM Benchmarks

Public and private company sales & marketing benchmarks. What's good? What's bad?

ONLYCFO
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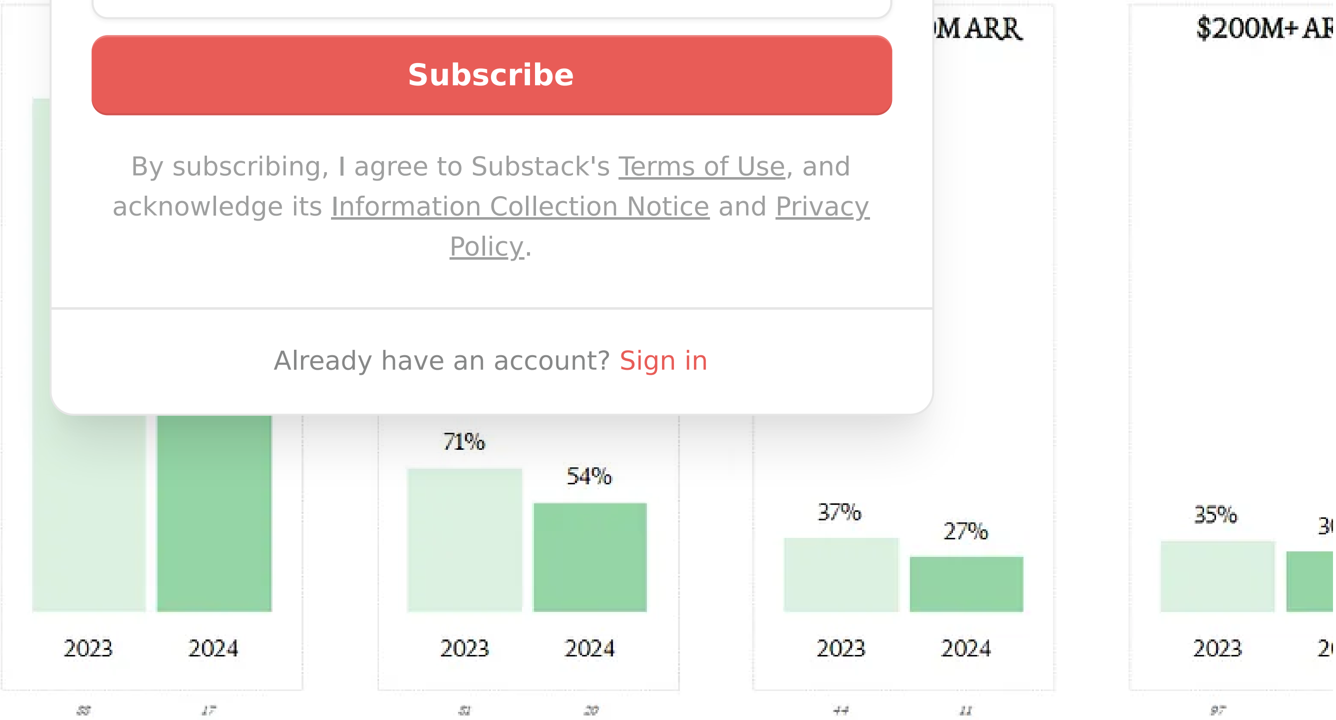


source: ICONIQ

that the most impacted by slowing revenue growth are startups and the least im
are the large at-scale companies.

	ARR Growth by ARR Size			
	<$25M	$25 - 100M	$100 - 200M	$20
2023 ARR growth	253%	71%	37%	
2024 ARR growth	168%	54%	27%	
Endurance	66%	76%	73%	

For companies <$25M in ARR, 2024 growth is only 66% of what it was in 2023. Growth for this bucket dropped 85 percentage points over one year!! That is HUGE…

On the other hand, more mature at-scale companies only saw ARR growth decay slightly — 35% growth in 2023 vs 30% in 2024 (86% endurance).

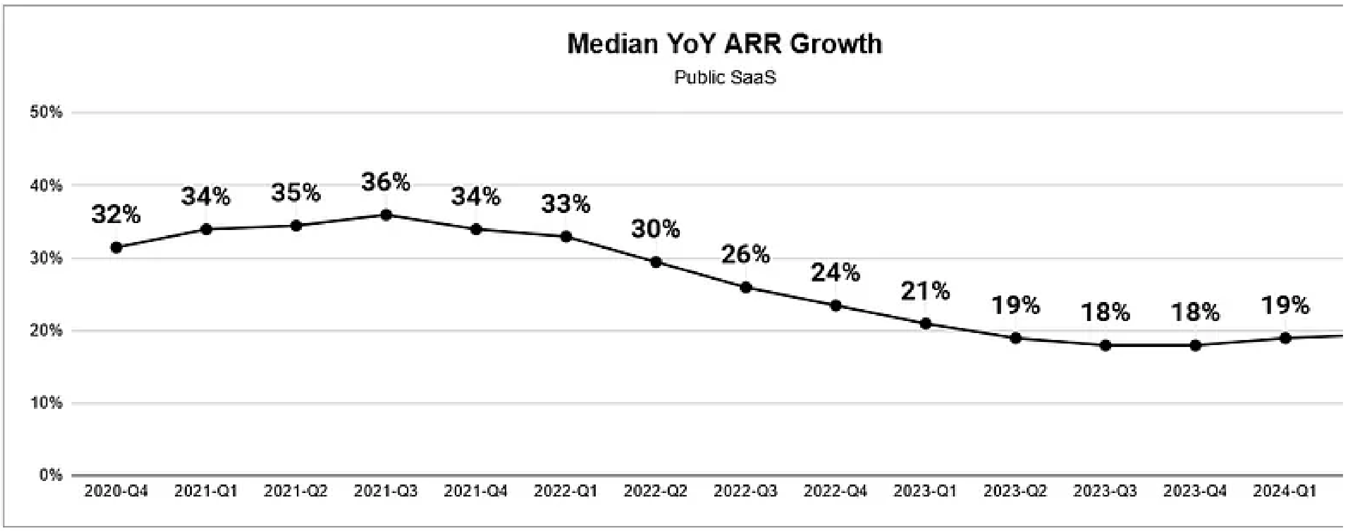
> **What does the differences in declining revenue growth tell us?**

Two possible explanations that I see continuing to play out:

1. **Fear of buying from startups.** “Nobody got fired by buying from [name a bi
regarded company]”. Buying from startups for any critical and/or highly visi
tool feels A LOT riskier today because of the startup company risk in this environment and buyers are a lot less willing to bet their career on an unpr
tool today.
2. **Vendor consolidation push.** We are all trying to be more efficient so many o
are consolidating tools and focusing on larger vendors that can meet several
versus lots of different point solutions.

Early stage companies need to continue to further de-risk the purchase decision

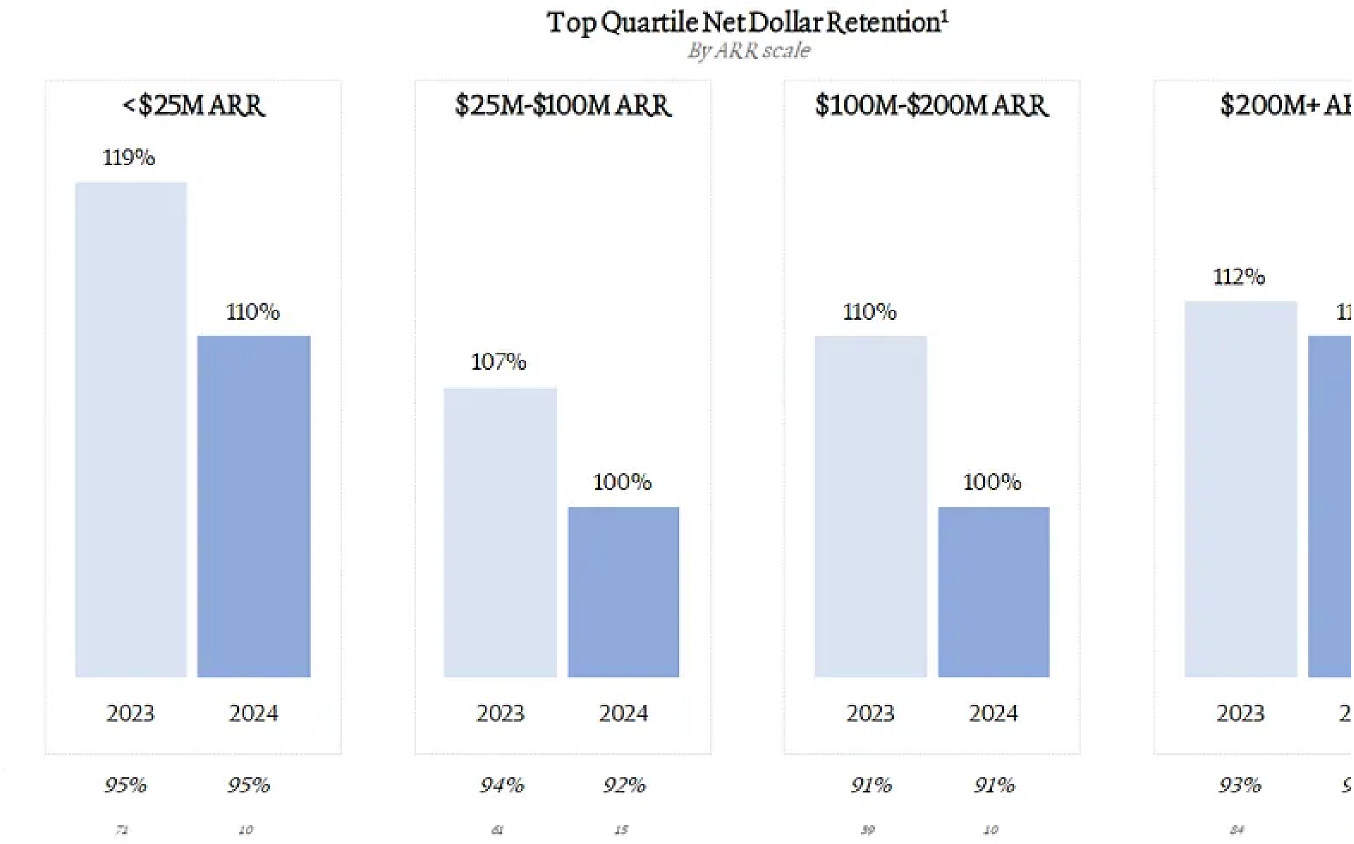
The below public company benchmark data tells a similar story for mature clou
companies. On the bright side it looks like ARR growth actually started to pick
Q2.



BenchSights

NRR is Falling

NRR (net revenue retention, aka NDR) has been falling since 2021 for most companies. This NRR story lines up with the overall ARR growth decline discus above. It's hard to grow fast when the easy expansion opportunities are declining churn is increasing.



source: ICONIQ

Public company benchmarks: public companies follow a similar pattern. And t
bigger they are, the harder they fall — Snowflake's NRR dropped 47 percentage
since 2021! That is 47% of easier ARR growth that just vanished.

BenchSights

LTV/CAC Thoughts

I am generally not a fan of private company LTV/CAC benchmarks for a few reas

- For companies with <$25M in ARR the calculation is usually misleading:
  - Not a fully built out GTM motion so CAC isn't realistic for when you ar actually at scale. Startups bragging about their LTV/CAC of 15+ is just s

and CAC numbers

- There are way too many variables in LTV/CAC to make it a useful operating metric.

Understanding the LTV/CAC ratio is important because it is ultimately what dri cloud valuations, but don’t over analyze it. In many ways the LTV/CAC ratio is li discounted cash flow (DCF) model - in theory it is perfect, but in practice it is al very wrong.

source: ICONIQ

Contract Term Length is Increasing

I actually found the below a bit surprising - contract terms are increasing. Most companies I speak with are trying to limit multi-year contracts on the vendor sic sign multi-year deals with large companies.

source: ICONIQ

My contract term length policy: any new vendor must be one year max (with very exception) and then we can consider multi-year if certain criteria are met:

- Discount for multi-year is worth it
- Software is critical
- Internal champion signs in blood that they need it and won't switch
- Confidence in vendor and roadmap/innovation

CAC Ratio

The CAC (customer acquisition cost) ratio has skyrocketed since 2021. The belo chart from BenchSights shows the CAC ratio for public cloud companies.

BenchSights

In Q1 2021 it cost public cloud companies $1.61 to acquire $1.00 in ARR, but to
costs them $2.26 for $1.00 in ARR. That is a 40% increase!

Sales Attainment

A big reason for this massive CAC increase is the drop in sales rep attainment. W
sales reps are beating quota everyone is happy because not only are sales reps ma
piles of money, but each incremental dollar in sales is much more efficient.

Large company quota attainment has continued to decline while smaller compar
sales quota attainment has started to recover.

Benchmarking Caveats

When comparing benchmarks, it's important to consider the population and firmographics of the benchmark data before trying to compare. Benchmark data usually separated by:

1. Public company
2. Private company

Public Company:

When comparing public companies data then of course you can just use the pub available data sets of the most relevant companies. It is important to consider re scale and other company specific factors when making comparisons.

Private Company:

Private company benchmark data is not as straight forward though because of th following:

- **They don't have individual company data** so you don't really know what you comparing against. For example, some benchmark reports just show top qua metrics. Companies are often not top quartile in every metric so if you comp all the top quartile benchmarks your expectations may be unrealistic
- High **diversity in accounting and metric definitions** amongst private compa The earlier stage companies may define and do things VERY different so the is less reliable.
- Very **different firmographics** of companies in data set. Understanding who

For example, I referenced a recent GTM report from ICONIQ above. ICONIQ produces some of my favorite private company software reports. But it's importa remember that ICONIQ's investment portfolio is comprised of super high growt backed companies (they get some of the very best companies in the world). It is probably not very relevant to a bootstrapped company or highly profitable comp that has a goal to be acquired.

Benchmarks Lag:

Like all benchmarking reports, the data is lagging because it is reporting on historicals. In a quickly changing environment, companies should understand th benchmarks but also consider how things are changing and adapt to where you v to be (not where other companies have been).

In today's faced pace and quickly changing environment with generative AI, companies need to skate to where the puck is going, not where it was….otherwise will be left behind. Benchmarks are informative though on trends, but just reali things can change quickly and they may not indicate where you want to be.

Concluding Thoughts

My constant reminder on benchmarks: **Make sure you understand what you are comparing.** I see way too many people blindly compare to some irrelevant bench

For private companies, ask your investors for benchmarks most relevant to your company. They have lots of data and can share anonymized portfolio company da and/or provide insight on where they think you should be.

Understand the benchmarks, but skate to where the puck is going and not wher has been.

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Mr.incognito Aug 22, 2024

Liked by OnlyCFO

From the vantage point of a ~25M ARR bootstrapped SaaS company; we've also s dip in NRR like you've outlined here, largely from a significant drop in expansion c to prior years. Great job collecting all this data and packaging it into a quick, easy understand post so at least we know we're not alone.

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Brian Weisberg Aug 30, 2024

Liked by OnlyCFO