

How realistic are your 2022 targets?

Benchmarking data from 400 companies

For tech companies anticipating the approach of 2022 that are starting to think of realistic targets in a, hopefully, post-lockdown world.

This document lays out some of the most useful (and potentially crucial) data benchmarks that should be informing you of your next steps.

These benchmarks have been compiled from a survey of 400 companies, using pre-covid data from 2020. The companies are global, so they provide a good gauge for setting 2022 targets.

1. Revenue Growth
2. Number of employees
3. Sales & Marketing Spend
4. Months to recover Customer Acquisition Cost
5. R&D spend as a % of annual revenue

For each of these metrics, we provide both an average and a range based on the size of the company.

Annual Revenue →	£500k	£1M	£7M	£10M	£10-30M	£10-30M
Revenue Growth Rate	100% (12-177%)	60% (31-100%)	40% (22-84%)	45% (25-70%)	50% (18-75%)	21% (14-40%)
Employees	10 (5-19)	25 (18-40)	52 (33-88)	93 (75-161)	220 (135-300)	495 (249-1000)
Sales & Marketing Spend (% of ARR)	20% (12-38%)	30% (20-40%)	30% (20-40%)	35% (20-55%)	30% (20-40%)	29% (10-46%)
Months to Recover CAC	10 (5-15)	11 (8-15)	11 (10-15)	15 (11-30)	15 (11-20)	15 (11-20)
R&D Spend (% of ARR)	68% (33-80%)	54% (33-70%)	40% (30-60%)	32% (22-45%)	28% (20-40%)	22% (10-30%)

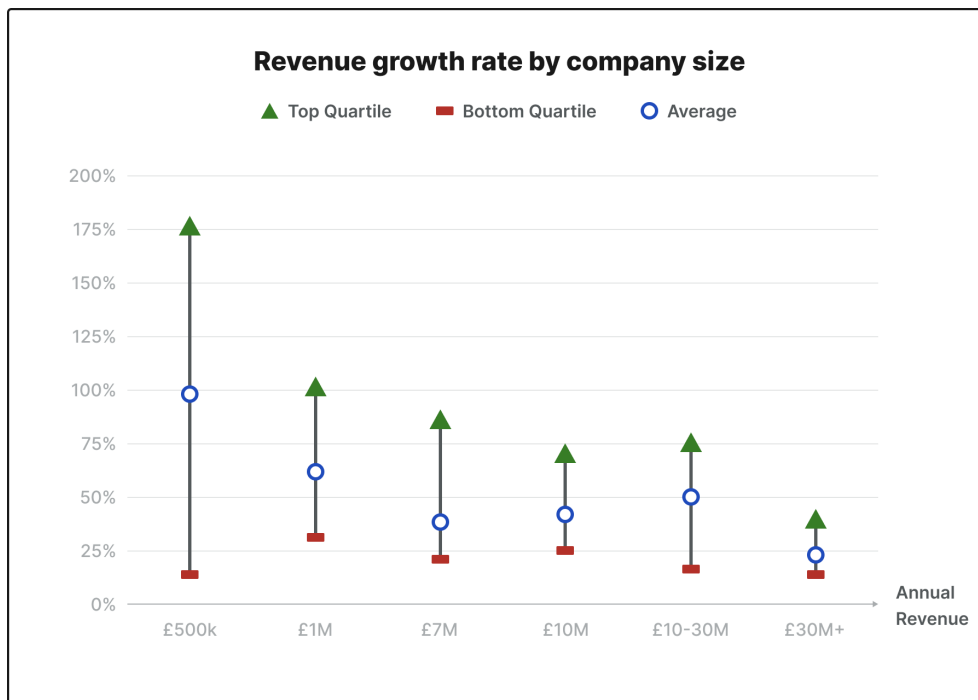
1. Revenue Growth Rate

Revenue growth rate is the % increase in sales year on year, using directly comparable data, excluding one-off items such as acquisitions and divestitures.

Revenue Growth Rate

$$= \frac{\text{Revenue in the current year} - \text{Revenue in the prior year}}{\text{Revenue in the prior year}} \times 100$$

Revenue growth typically declines as companies grow. In Image 1, you can see that the average or median growth rate, shown by the blue circle, generally falls as companies get larger. Companies that reach £10M annual revenue typically experience a growth spurt. This is most typically driven by an increase in marketing spend, as can be seen in table 2 below.



While revenue growth is the most important component of budgeting, many companies will have debates on the most appropriate hiring and spending plans. The benchmarks shown in image 2 below are useful input to these conversations.

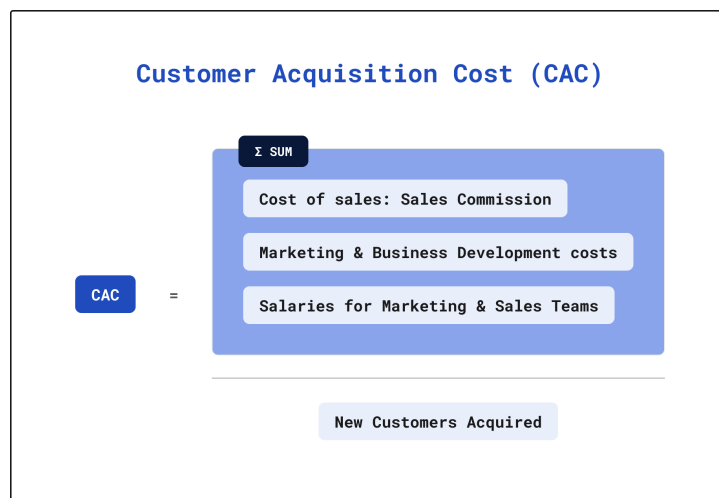
2. Number of Employees

This metric is straightforward. Long term contactors are typically counted as employees, anyone working on a permanent or semi-permanent basis with the company.

3. Sales & Marketing Spend

This metric typically includes the full cost of the sales and marketing teams: salaries, on costs for the marketing or sales employees, external advertising or marketing spend, tools used by these teams (such as Hubspot), even sales commission. The metric is calculated by dividing these costs by annual revenue.

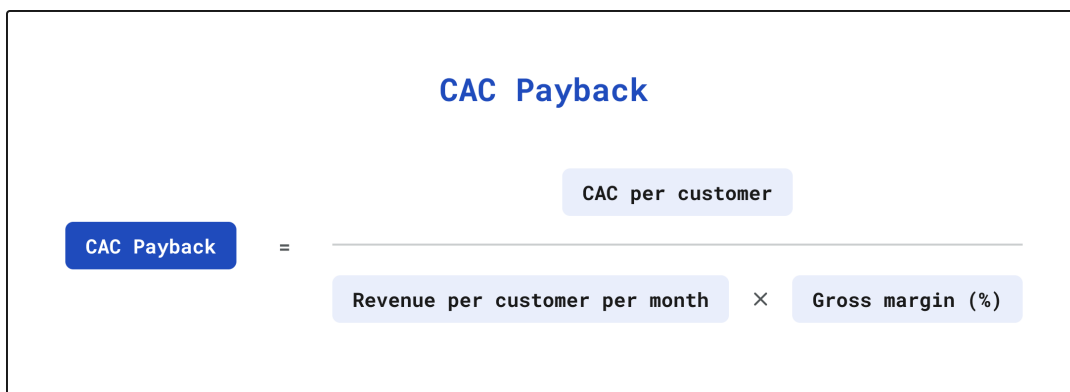
4. Months to recover CAC



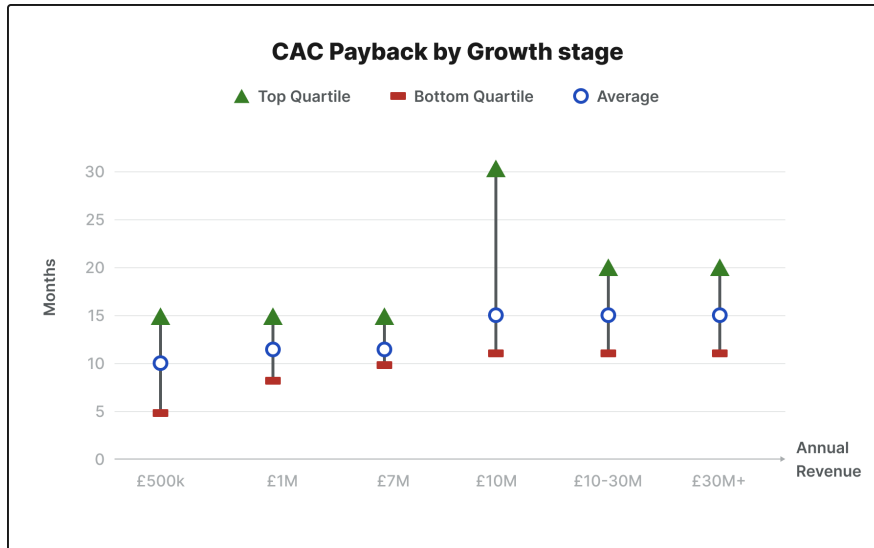
Customer Acquisition Costs typically includes all costs to acquire a new customer.

- Marketing and advertising
- Business development costs
- Salaries for the sales and market teams
- Sales commission and sales incentive schemes

These costs are allocated to each customer, as shown below.



“Months to recover CAC” compares the cost of acquiring a single customer to the contribution from this customer, usually measured as revenue per customer multiplied by Gross Margin.



The answer from this equation is the time in months required to recoup the cost of acquiring a customer. The smaller the number the better. Interestingly, as companies become larger, this number typically increases, with a clear increase in spend as companies reach £10M annual revenue.

5. R&D spend as a % of annual revenue

R&D spend is broadly defined to include the cost of tech team salaries, specifically for employees working on new functionality. Related support costs are included, including employer taxes, pension costs, even the cost of any software or tools used in the development process.

These costs are divided by annual revenue.

Conclusion

Benchmarks allied with reliable and well-presented internal data provide a profound and powerful tool for keeping your business tracking onto year end targets. With it, executives can penetrate a sea of irrelevant information and quickly deduce where they need to apply their personal acumen and analysis to provide a fundamental fix.

ScaleXP automates **all** the calculations in this article.

With the flexibility to customise the metrics to your specific business requirements. Reporting against targets is automated each month, making it easy to understand progress and share data across teams.

If you would like to know more, please email us at admin@scalexp.com to arrange a demo.

Over the course of 2022, we will continue to publish regular articles with useful data on how to measure and track performance.

Follow us on LinkedIn to stay updated - <https://www.linkedin.com/company/scalexp>