SaaSiest

BENCHMARK REPORT 2024

How are SaaS companies approaching 2024?

2023 was a tumultuous year.

Macroeconomic factors like skyrocketing inflation, high interest rates, and geopolitical uncertainty caused slowdowns for both consumers and businesses. Sales cycles started to lengthen. Growth-at-all-costs – practically a pandemic-fueled imperative – was tempered with a renewed focus on capital efficiency and profitability. Free-flowing capital seemed to dry up. And valuations started to course-correct to pre-pandemic levels.

What did this turbulence mean for B2B SaaS leaders in northern Europe strategically and operationally?

The SaaSiest Company is excited to help provide guidance and clarity with our **SaaSiest Benchmark Report 2024**, the second edition of our independent study of SaaS metrics specifically for northern Europe-headquartered B2B SaaS companies.

In this report, we benchmark core SaaS metrics – like sales cycles, deal sizes, win rates, churn, and more – based on company sizes and funding types. We examined leader sentiment, go-to-market approaches, profitability expectations, and the top challenges keeping execs up at night to get insight into how companies are pivoting in the face of adversity. And we asked investors to weigh in with their own observations and predictions gleaned from their overarching industry and portfolio experiences.

The theme for meeting 2024 head-on seems to be one of cautious optimism. Companies that leveraged these challenging market conditions to get "better, leaner, and meaner" are emerging as the winners while the weaker players falter. Where do you stand?

METHODOLOGY

The SaaSiest Company conducted this study online from November 22, 2023 to January 8, 2024 among 143 SaaS companies and 45 investment firms headquartered in northern European countries.

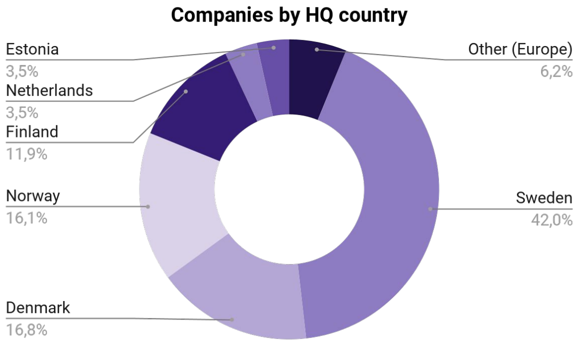
At a glance: SaaS company respondent profiles

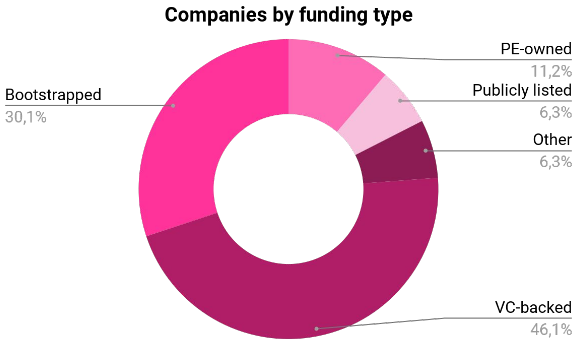
143
SaaS companies

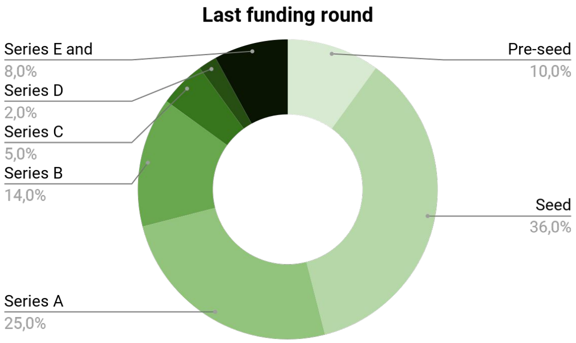
€11,5M
Average 2023 ARR

44,3%
Average 2023 ARR growth

€25,4k
Average 2023 ACV





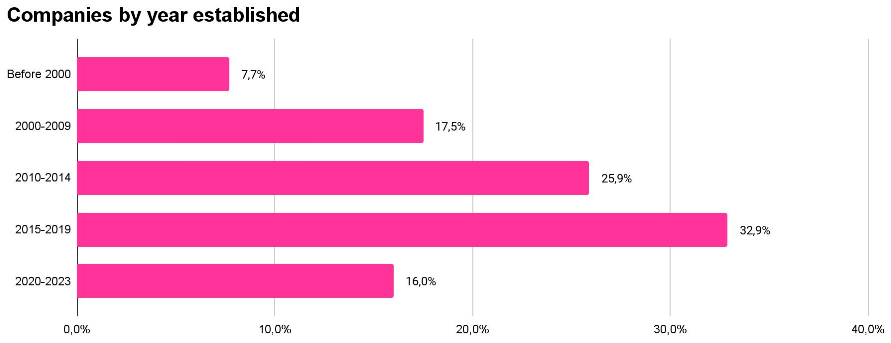


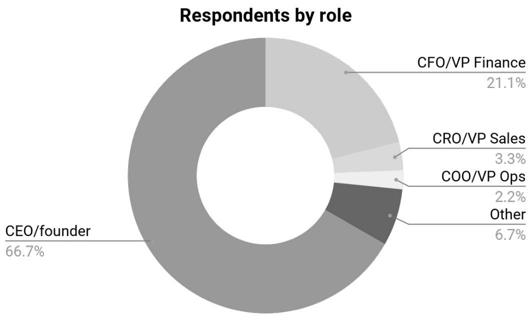
At a glance: SaaS company respondent profiles

43%
ARR from outside the domestic market

78
Average FTEs

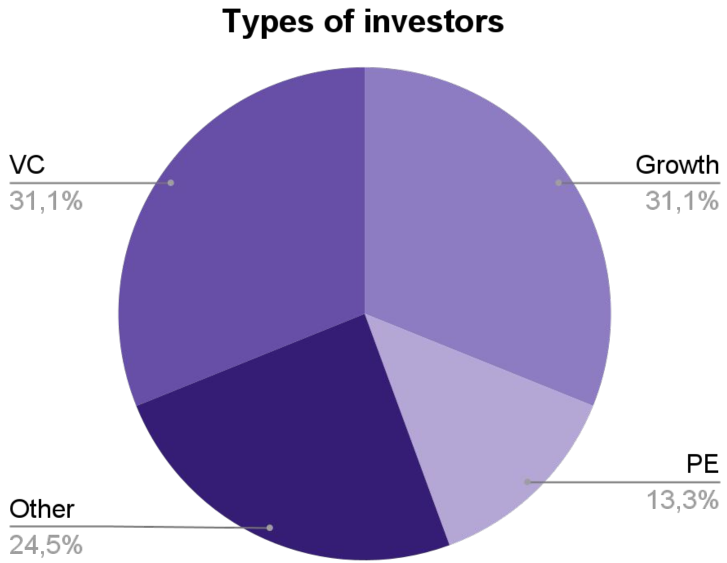
€148k
Average revenue per FTE





Investor outlook

At a glance: Investor respondent profiles



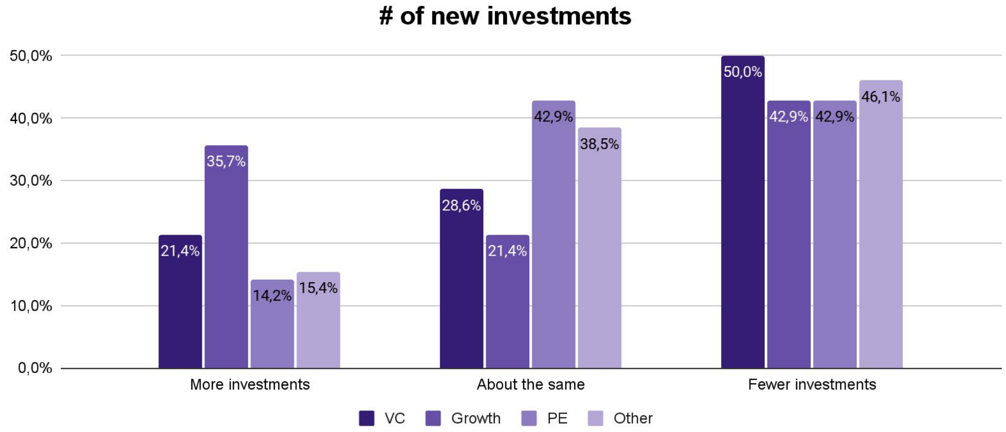
45

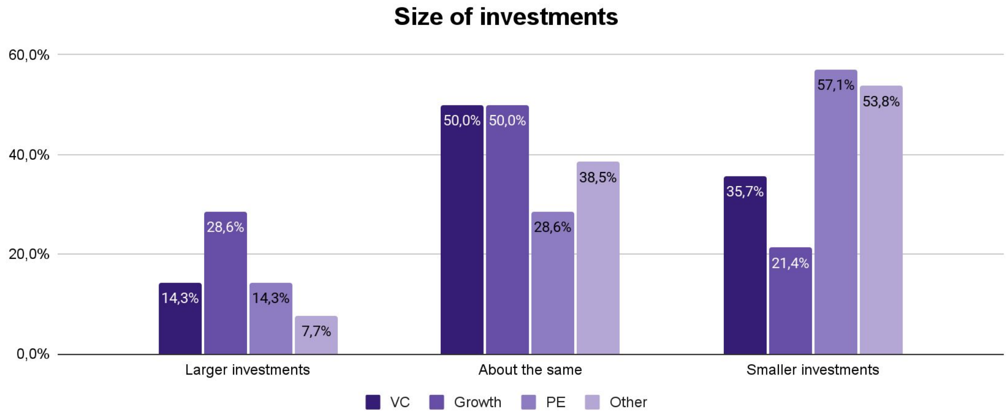
Investment firms focusing on European B2B SaaS companies

There were fewer investments in 2023 vs 2022, and the vast majority were of the same size or smaller.

45,8% of investment firms surveyed reported making fewer investments in B2B SaaS companies in 2023 versus in 2022 with only 22,9% making more investments. Most conservative were PE firms, of which only 14,3% invested in more companies than the year before. Conversely, growth funds were most bullish with 35,7% making more investments.

Deal sizes were also smaller in 2023 with only 16,7% of firms reporting larger investments. Again bucking the trend are growth funds, 28,6% of which made larger investments than in 2022.





Investors predict that sustainable growth and retention is the biggest challenge facing B2B SaaS companies in 2024

"We're more optimistic about financial markets and the investment environment in 2024, however with a continuous focus on profitability and reasonable cash burn rather than unhealthy growth."

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Investors weighed in on the state of B2B SaaS in 2023

While the B2B SaaS industry continued to face challenges in 2023 due to economic conditions and competition, investors pointed to its resilience and felt that there remain opportunities for growth, especially for companies that are able to efficiently manage their growth and operations and maintain a strong value proposition. The following key themes emerged.

SaaS is resilient even in an uncertain macroeconomic environment

The funding environment and growth trajectories were impacted by broader macro volatility, slower sales cycles, and risk aversion in 2023. However, B2B SaaS continued to be seen as a growing and resilient sector.

2023 saw a tougher funding environment that emphasized healthy growth

Growth financing and valuations were more difficult, with more focus on profitability versus pure growth. However, there was still healthy growth, especially for companies providing differentiated value.

Business models adapted to prioritize efficiency and retention

A recurring theme is the shift towards better operational efficiency, profitability, and focus on margins. Companies appeared to be getting "leaner and meaner" with a stronger focus on cash in 2023.

Product value and differentiation was key

Differentiation was critical in an increasingly competitive market with rapid innovation. Companies with a strong product and explicit value proposition – and a focus on being necessary ("medicine") versus nice-to-have ("vitamins") – were able to grow and be profitable.

> “2023 was a poor year but we have seen the bottom now. And the good thing is that everyone has been forced to get better, leaner, and meaner.”

Predictions for 2024

In 2024, investors anticipate a maturing B2B SaaS market facing macro uncertainty with reward going to efficient, profitable companies while weaker players consolidate or disappear. There's some cautious optimism but most see a selective environment ahead.

Economic uncertainty ahead …

Many investors mentioned challenging macroeconomic conditions, volatility, and uncertainty in 2023 that will carry into 2024 to some extent. This could make fundraising and exit environments continue to be difficult.

… but investors are cautiously optimistic

While many investors see challenges ahead, some do express optimism about improvement in market conditions, rebounding valuations, and increased investor appetite with a possibility of higher valuations due to available capital (dry powder). However, funding is expected to be selective, favoring companies with strong KPIs and profit.

Continued focus on efficiency and profitability

Multiple investors emphasized the need for SaaS companies to focus on efficient growth, sound unit economics, and profitability to thrive in the current environment. Fast growth at all costs is out.

Consolidation and M&A activity

Investors referenced consolidation, fewer deals, a shaking out of weaker companies that have not proven their growth drivers, and more M&A activity as a result. The market is maturing and there will be fewer winners, which favors more mature SaaS companies.

"Challenging times ahead – but manageable."

"2024 will be a hard year in the real economy but investor appetite will pick up."

Nils Vold
Partner
Verdane

"... investors are particularly focused on underlying profitability, strong unit economics, and cash flow."

"In these tough economic times, SaaS companies are thriving by focusing on profitability. As Verdane is one of Europe's most active growth investors in software, I can tell you that investors are particularly focused on underlying profitability, strong unit economics and cash flow. In a more challenging macro it's critical to not only pay attention to NRR but also your GRR, which is important to understand the value of your existing customers over time."

"Also key to success is using fully loaded CAC, especially if your product offering is complex. Product, RnD and CS cost can often be part of CAC and incremental costs can be hidden if. Build a SaaS metrics dashboard you can live by to ensure data-driven decision making. And of course, prioritise cash flow"

All about that SaaS

Louise Barnekow
CEO
Mynewsdesk

"...it's clear that the SaaS industry is entering this new year not just with lessons learned but with a refined approach that promises more disciplined, sustainable, and profitable growth."

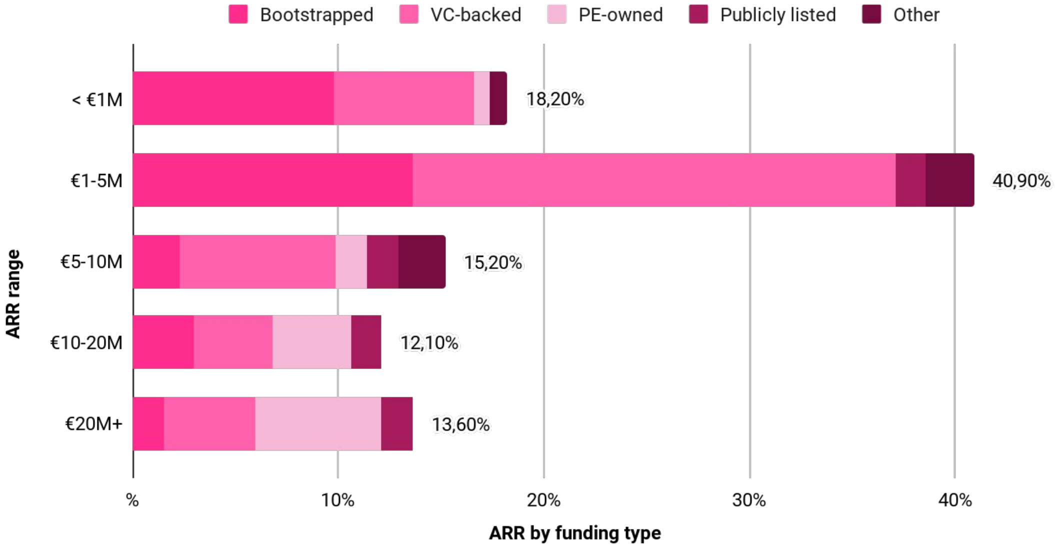
"The last year has forced a lot of companies to undergo a healthy reality check on their value proposition, something which has been super important. The challenges of the past year have acted as a catalyst, compelling SaaS companies to refine their understanding of their ICP and to critically assess which segments of their customer base are truly profitable over a longer period of time.

"Because of this, SaaS companies are sharper and better prepared for profitable and sustainable growth in the year to come. As we stand on the threshold of 2024, it's clear that the SaaS industry is entering this new year not just with lessons learned but with a refined approach that promises more disciplined, sustainable, and profitable growth.

"The companies that have navigated the tumultuous waters of 2023 are now better equipped, sharper in their strategic focus, and more resilient."

SaaS companies enjoyed an average of 44,6% YoY growth from 2022 to 2023

The majority of SaaS companies in the study (59,1%) earned a 2023 ARR of under €5M with bootstrapped and VC-backed companies accounting for 91% of those.



On average, companies in all categories posted strong double-digit growth in 2023 with companies €5M and under seeing the highest growth rates as a percentage of total ARR.

ARR range	Average ARR	Average YOY growth
<€1M	€434K	41,8%
€1-5M	€2,8M	60,6%
€5M-10M	€8,3M	37,4%
€10M-20M	€16,2M	26,3%
€20M+	€51,5M	24,9%
All	**€11,5M**	**44,6%**

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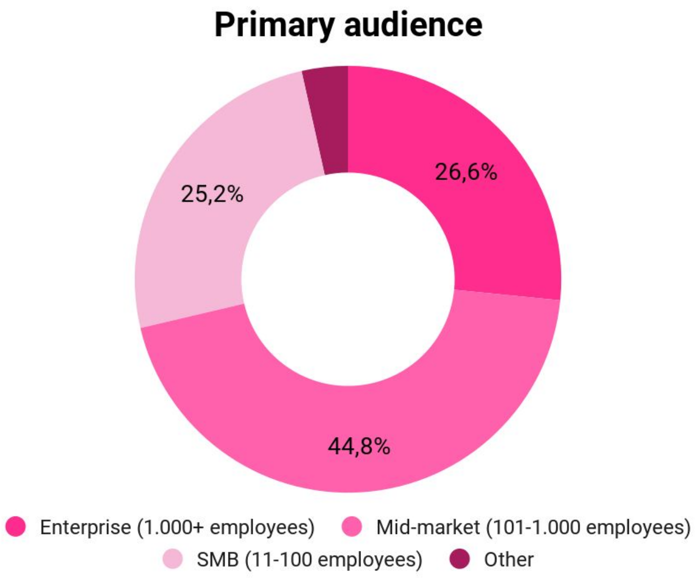
The majority of companies are focused on the mid-market

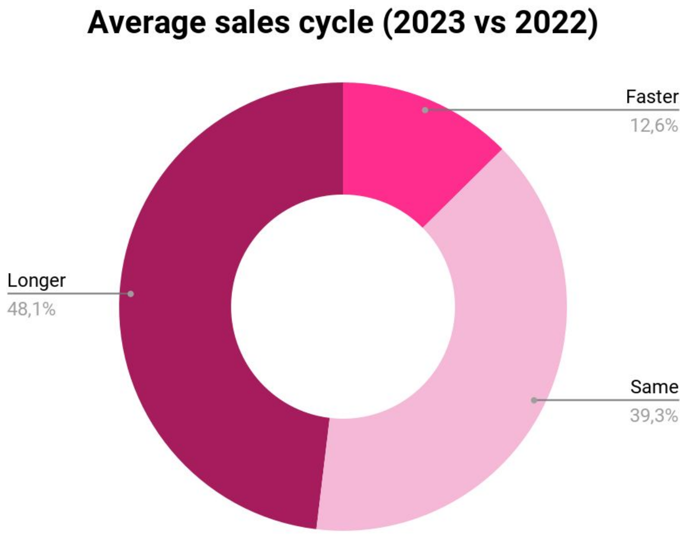


€25.428 Average ACV

Audience	ACV
Enterprise (1.000+ employees)	€49.265
Mid-market (101-1.000 employees)	€21.738
SMB (11-100 employees)	€8.913

The top market for all products €50k and under is mid-market companies whereas the enterprise market is the top audience for products above €50k. SMB was not the top target for any ACV range.

Nearly half of all companies struggled with longer deal cycles



5 months Average sales cycle across all companies and ACVs

ACV range	Average sales cycle (months)	ACV range	Average sales cycle (months)
<€5.000	2,4	€25.001 - 50.000	6,6
€5.000-10.000	4,5	€50.001 - 100.000	6,8
€10.001 - 25.000	5,6	€100.000+	9,6

Almost half (48,1%) of all companies experienced longer sales cycles in 2023 versus in 2022 whereas fewer than 13% reported shorter sales cycles.

Hardest hit were bootstrapped companies, of which only 7,5% reported deals closing faster than in 2022 with 52,5% of deals taking longer to close.

The average sales cycle for mid-market deals (101-1.000 employees) was most affected with 53,3% taking longer to close. Only 6,3% of companies focused on the SMB market (11-100 employees) saw a faster deal cycle, the lowest of any audience.

The average win rate was 28,7%

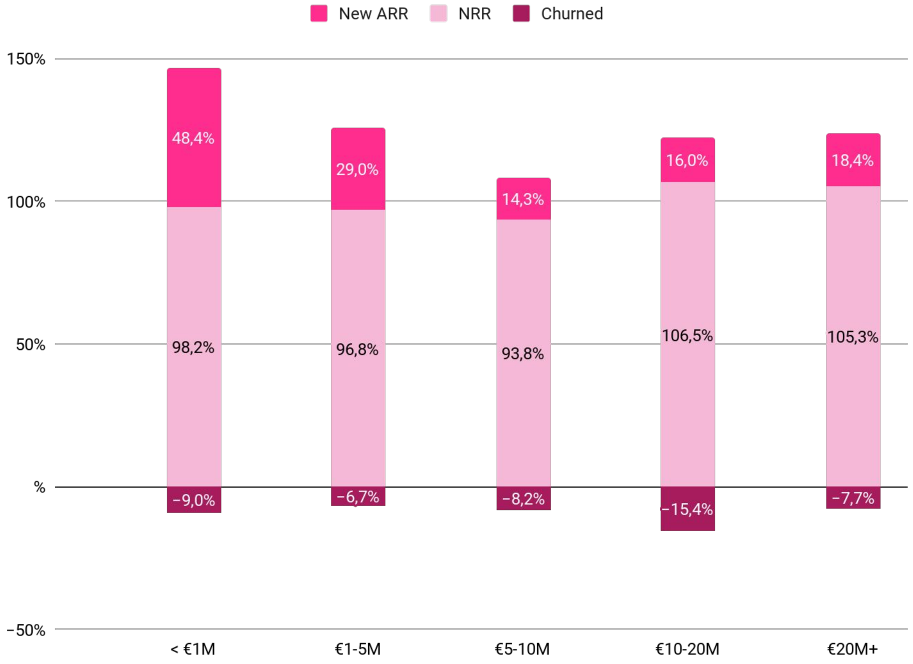
Average win rates were fairly healthy across the board in 2023.

ACV range	Average win rate
<€5.000	29,3%
€5.000-10.000	27,0%
€10.001 - 25.000	25,1%
€25.001 - 50.000	31,3%
€50.001 - 100.000	37,5%
€100.000+	31,1%

Audience	Average win rate
Enterprise (1.000+ employees)	30,1%
Mid-market (101-1.000 employees)	27%
SMB (11-100 employees)	29,6%

Company type	Average win rate
Bootstrapped	29,8%
VC/growth-backed	27,1%
PE-owned	26,3%
Publicly listed	27,9%

Companies added nearly 28% in new client revenue while NRR dropped by 6%



2023	2022
27,6% ▲ Average New ARR	**19,6%** Average New ARR
99% ▼ Average NRR	**105,2%** Average NRR
8,6% ▼ Average Churn	**5,3%** Average Churn

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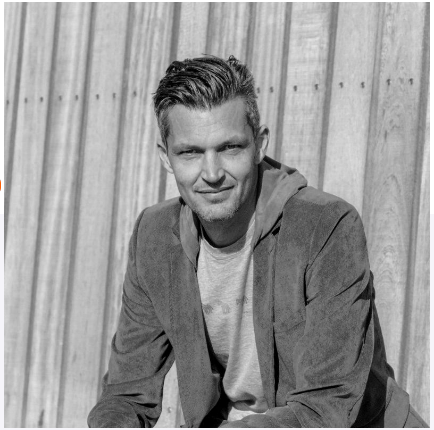

Rasmus Holst
CEO
LMS365

“It is great to see the Nordics SaaS community paying it forward and sharing data for all of us to better navigate the future. ”

“We are all wondering if we are doing great, and the SaaSiest report gives us perspective on the KPIs we have navigated well and where we still need to improve compared to our colleagues.

“Most importantly, the report gives great insight into the level of a classical Nordic trait of scaling sensibly – NRR under pressure, longer sales cycles and lower funding tells us all to be very cautious of delivering ‘economic and sustainable growth’ and not just chase the next round of funding.

“Lastly, the takeaway is that many in the ecosystem have been quick to adapt to this change – it has not been easy by the numbers we see in the report – but one of the things we are not measuring in the report has been even more difficult .... the mood of the teams and the self-perceptions of ‘growth winners’ had to return to old deeds of running a business. That communication and change in direction has been the most difficult for many of us, and we all know that we will not make the next year’s KPIs without the team.”

Prices are going up 7,4% in 2024

versus a 6% increase in 2023

7,4%

Average price increase for 2024

▲ 1,4% FROM 2023

Products in every ACV range will see a price increase that exceeds 2023's average increase of 6%. Products selling in the €10K-100K range had above-average price increases in 2023. Conversely, in 2024, price adjustments will be most significant at the high and low ends of the range with the greatest increase at €5K-10K, the category with the lowest increase in 2023 (4,2%).

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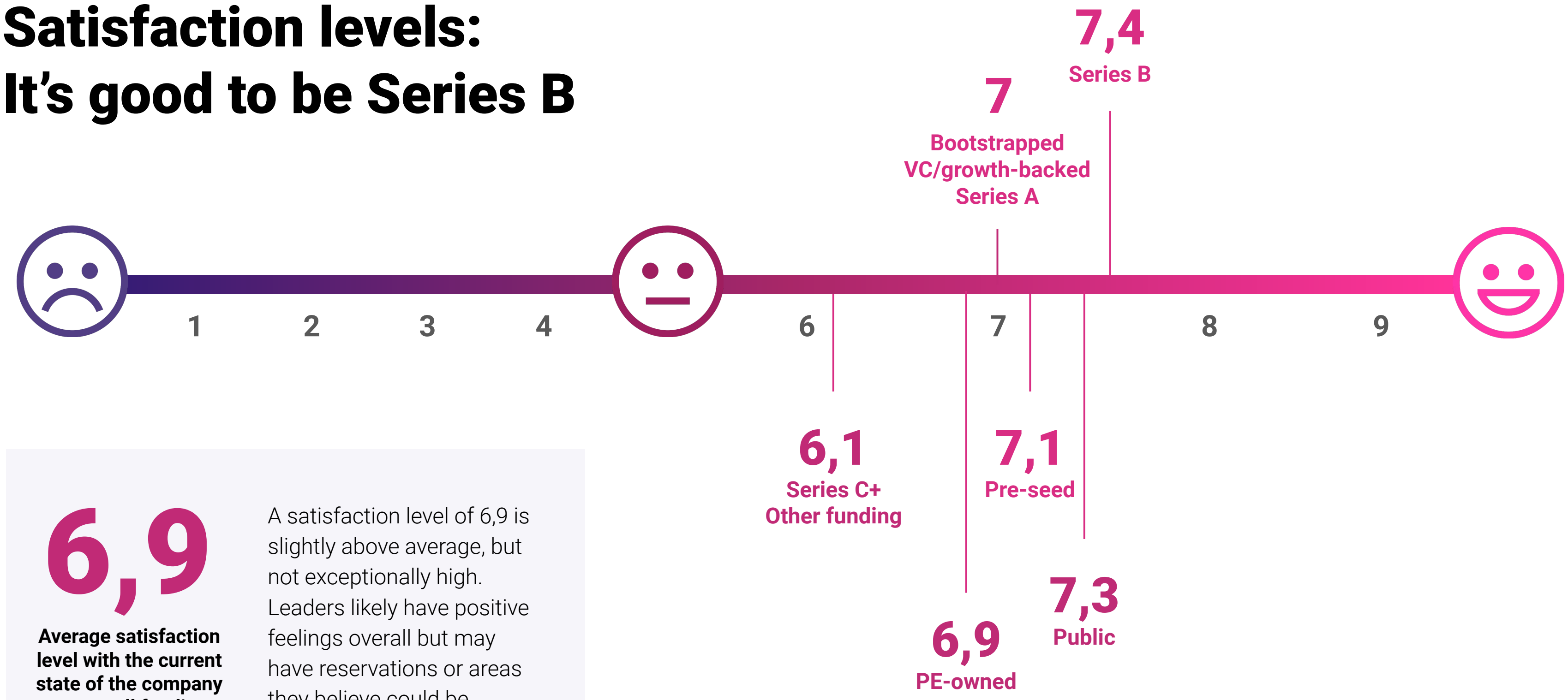
Satisfaction levels: It's good to be Series B



6,9

Average satisfaction level with the current state of the company across all funding types and rounds

A satisfaction level of 6,9 is slightly above average, but not exceptionally high. Leaders likely have positive feelings overall but may have reservations or areas they believe could be improved upon.

Sales-led was the preferred GTM motion in 2023

Primary GTM approach	ALL	Enterprise	Mid-market	SMB
Sales-led	46,9%	47,4%	48,4%	41,7%
Mix of channels	27,3%	28,9%	29,7%	22,2%
Self-service/PLG	14,0%	13,2%	12,5%	19,4%
Partner-led	7,0%	5,3%	6,3%	11,1%
Marketing-led	4,9%	5,3%	3,1%	5,6%

Sales-led continues to be the number-one approach for all target audiences and ACV ranges, whereas **marketing-led** was the least relied-upon GTM motion across the board. In fact, only 3,2% of companies with a growth rate above the 44,3% average chose marketing-led as their primary approach.

Product-led growth saw a slight lift from 8,9% in 2022 to 14% in 2023. However, it declined slightly (1,8%) as a preferred approach for companies with an ACV under €5K. More companies with above-average growth relied on **partner-led growth**: 12,9% vs the 7% average across all companies.

GTM execution was by far the #1 challenge across all companies

Top challenges in 2024	
Go-to-market execution	57,3%
International expansion	36,4%
Long sales cycle	35,0%
Product execution	34,3%
Market conditions	27,3%
Finding the right talent	22,4%
Product-market fit	19,6%
Cash flow	15,4%

Marketers need to be on top of their game!

Go-to-market execution was by far the #1 challenge across all companies as well as being the #1 challenge for each type of company.

At the bottom of leaders' worries? Exit strategy (3,5%), competitive pressure (5,6%), and AI adoption (7,7%).

Bootstrapped

1. GTM execution: 58,1%
2. International expansion: 41,9%
3. Product execution: 39,5%

VC-backed

1. GTM execution: 57,6%
2. Long sales cycle: 33,3%
2. Market conditions: 33,3%

PE-owned

1. GTM execution: 62,5%
2. Long sales cycle: 50,0%
3. International expansion: 43,8%

Publicly listed

1. GTM execution: 55,6%
1. Product execution: 55,6%
2. Long sales cycle: 44,4%
2. International expansion: 44,4%

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Bob Thomas
Partner
Oxx

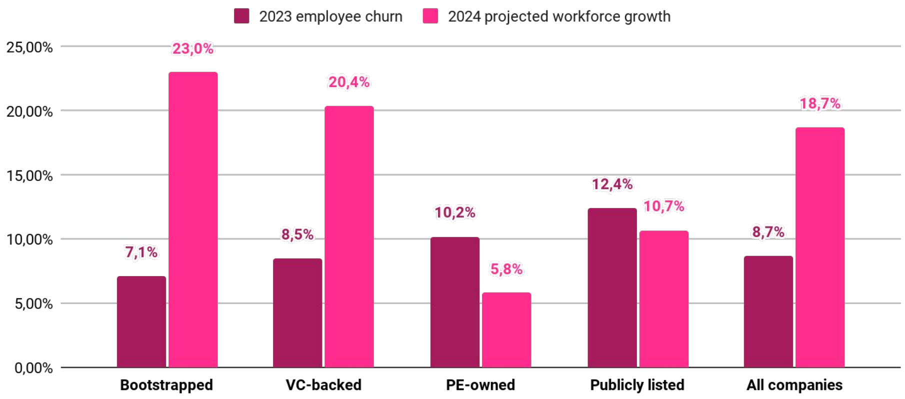
"Given the tough market conditions of 2023, it's not surprising that the SaaSiest Benchmark Report 2024 finds that GTM execution is the biggest challenge facing companies."

"Many companies didn't meet their 2023 growth ambitions. Positive signals suggest conditions will improve in 2024, but it's unlikely that economic conditions will improve such that software buyer demand will rebound across all sectors.

"Our observation is that the best B2B SaaS companies are carefully using benchmarks (such as those in this survey) as a guide for spending: remaining attentive to buyer demand signals from your target customer segment and responding in an agile manner.

"By focusing on the drivers of Go-To-Market Fit that are within the company's control – positioning, pricing, customer onboarding, hiring, and so forth – companies are able to gauge the growth vs. capital expenditure trade-off carefully, achieve Go-To-Market Fit, and approach the warming capital markets in the best position possible."

SaaS companies will increase hiring over 2023 workforce growth



Bootstrapped	VC-backed	PE-owned	Publicly listed	All companies
40 Average FTEs	**77** Average FTEs	**178** Average FTEs	**91** Average FTEs	**78** Average FTEs
€112K Average ARR/FTE	**€96K** Average ARR/FTE	**€259K** Average ARR/FTE	**€153K** Average ARR/FTE	**€148K** Average ARR/FTE

18,7%

Projected workforce growth in 2024

▲ 4,4% FROM 2023

With a 3,5% higher employee churn rate in 2023 versus 2022, SaaS companies will pick up the pace on hiring in 2024. On average, companies plan to grow their workforce by over 18,7% in 2024, outpacing the projected 14,3% workforce growth in 2023 and the employee churn rate of 8,7%.

PE-owned companies will not fully backfill employees lost the previous year (for the second year in a row). The same is true for publicly listed companies. In contrast, bootstrapped companies lead the charge with a projected 23% growth in headcount in 2024, followed closely by VC-backed companies, which are anticipating hiring 20,4% more headcount in comparison to its 13,1% projected hiring plan in 2023.

Erik Bakstad
CEO & Co-founder
Ardoq

“Over the last few years, we have seen a big shift from ‘growth at any cost’ to effective growth.”

“At Ardoq we make extensive use of benchmarks from a wide range of sources. In the past, it has been difficult to find benchmarks specifically from Nordic SaaS companies, so we are big supporters of SaaSiest’s initiative to collect, compile, and share anonymous benchmarks.

“Over the last few years, we have seen a big shift from ‘growth at any cost’ to effective growth. Having benchmarks on efficiency metrics, for example ARR/FTE or ‘magic number’, is helpful to align our own budgets and plans.”

Unlike in 2023, most SaaS companies will beat inflation with salary increases in 2024

4,7%
Average salary increase
▼ 0,3% FROM 2023

3,4%
EU inflation rate (Dec 2023)*
▼ 7% FROM 2023

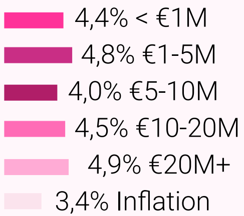
74,6%
Companies increasing salaries by 3,4% or more
▲ 55,1% FROM 2023

8,7%
Companies not increasing salaries
▼ 6,2% FROM 2023

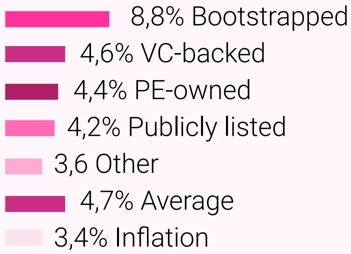
75% will beat inflation

Three out of four (74,6%) SaaS companies will keep pace with inflation, adjusting employees' salaries in 2024 by more than the December 2023 EU inflation rate of 3,4%. In comparison, only one in five SaaS companies beat inflation in 2023 with rates hovering around the 10% mark as of December 2022.

Ave salary increases by ARR



Ave salary increases by funding



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Source: YCharts, December 2023

Daniel Eisenberg
Head of Expansion
Deel

“Our data from workers and customers across more than 160 countries shows that salaries are increasing in most regions and terminations are declining overall.”

“Last year, we’ve seen the global remote workforce skyrocket to over 250,000. The Nordics are no exception to this trend, experiencing a 40% growth in global hiring. The need for companies to stay competitive, coupled with a talent shortage and technological advances, drives this development and will continue to do so in 2024. Our data from workers and customers across more than 160 countries shows that salaries are increasing in most regions and terminations are declining overall. This growth is now expanding beyond tech into more traditional industries and roles, highlighting the adaptability of global remote work in the face of evolving economic landscapes.”

Women are still vastly underrepresented in top-tier management and board positions

SURVEY RESPONDENTS

15,6%

Female representation in director-level and above management positions of SaaSiest survey respondents

27,5%

Female representation on boards of SaaSiest survey respondents

EUROPEAN AVERAGES

35,1%

Female representation in management positions across companies in the EU

41%

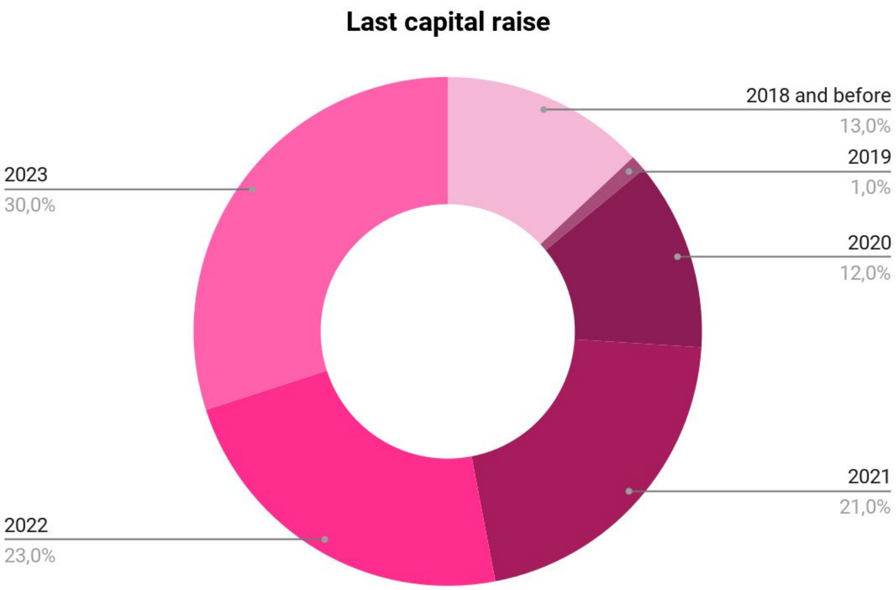
Female representation on the boards of the Nordics' top 100 companies in 2023

SaaS companies lag the EU average and the Nordics' top 100 companies in female representation

The 2023 Nordic Spencer Stuart Board Index found that of the top 100 companies in Denmark, Finland, Norway, and Sweden, 41% of board positions were occupied by women in 2023. In the EU, 35,1% of managerial positions are held by women. Compare this to responding SaaS companies in this study, which dramatically underperforms both indexes.

*Sources: Spencer Stuart, Eurostat

Multiples are down from pandemic highs and are normalizing



69,9% Percentage of companies in the study that have taken funding

9,4x Average multiple for 2023

74% Percentage of funded companies that raised capital in the last three years

AI adoption is making strides, but it's not pervasive yet

Most extensive use	Moderate or extensive use	Not using at all
1. Integrated into the product (21,8%)	1. Engineering (51,1%)	1. HR (58,2%)
2. Marketing (17,4%)	2. Marketing (47,0%)	2. Finance (55,1%)
3. Product and engineering (15,7%)	3. Product (45,5%)	3. Customer operations (30,5%)

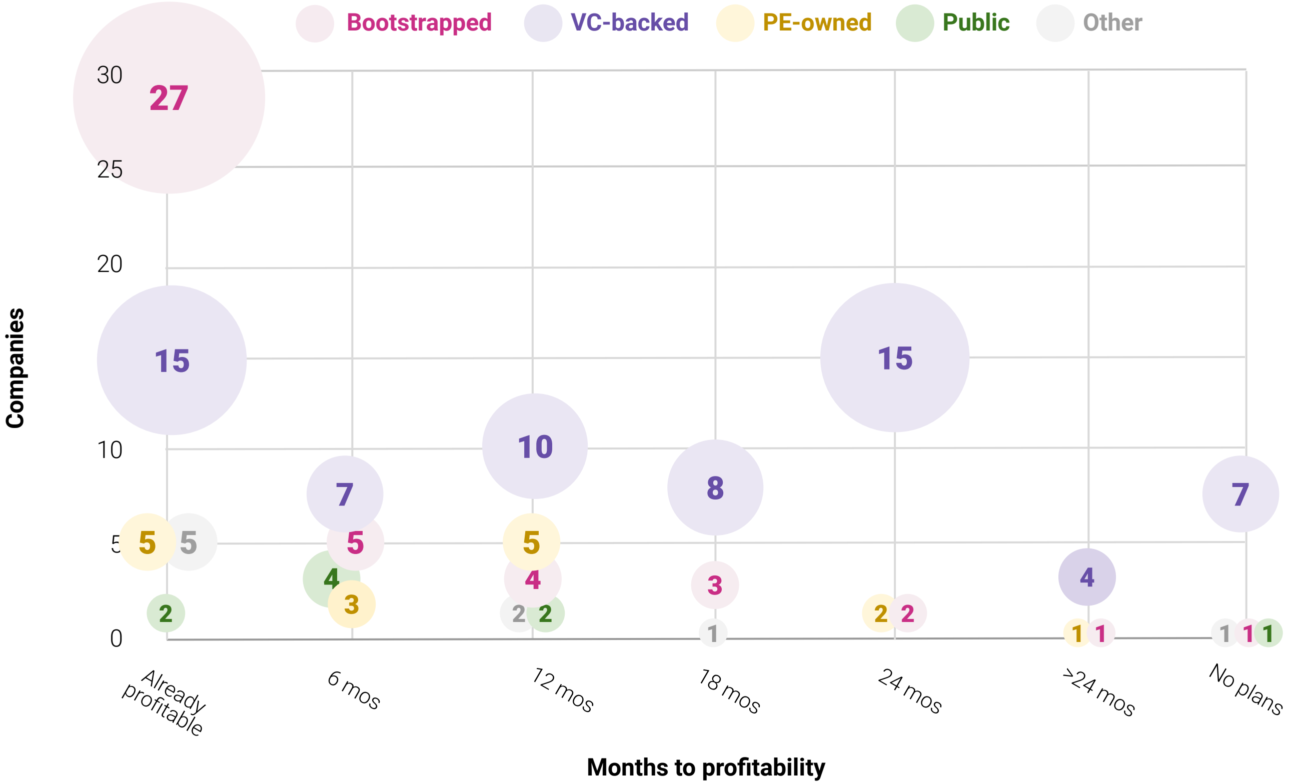
Product, engineering, and marketing are leading the charge with AI usage, but other areas of the company lag.

72,2% of all SaaS products in the study have AI integrated into them to some extent though only 21,8% of all products make extensive use of AI.

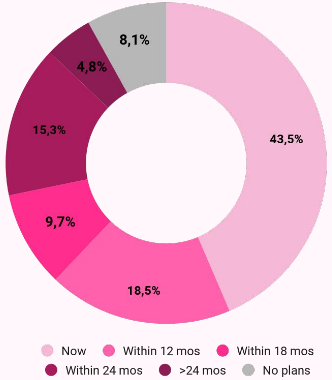
Unsurprisingly, engineering teams show the most adoption of AI across the company with over half (51,1%) making moderate or extensive use of AI. While marketing was number two in extensive usage, the same isn't true of its sales counterpart – only 4,7% of sales teams make extensive use of AI and 20,2% make moderate use of AI.

Despite the hype, adoption of AI is not consistent across all teams. HR teams report the least usage with 58,2% not using AI at all.

88,8% of companies are or will be profitable within two years



Two-thirds will be profitable in 2024



Of the SaaS companies that are or will be profitable by the end of 2024, 37,5% are bootstrapped, 33,3% are VC-backed, and 13,5% are PE-owned.

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Cedric Notz
CEO and co-founder
Float

“We also see a lot more companies trending toward profitability; however, the ones that have reached profitability are now starting to invest more in growth.”

“A great report with a lot of in-depth data about the SaaS industry. We see a lot of similarities with our portfolio companies, where revenue growth in the SaaS industry has been very strong in 2023 even in a difficult year. We also see a lot more companies trending toward profitability; however, the ones that have reached profitability are now starting to invest more in growth. We see 2024 as another strong year for the SaaS industry overall.”

Core metrics show capital efficiency …

▲ 4,6% FROM 2022

▼ 2,7% FROM 2022

▲ 2,1% FROM 2022

▼ 5,5% FROM 2022

▼ 3,1% FROM 2022

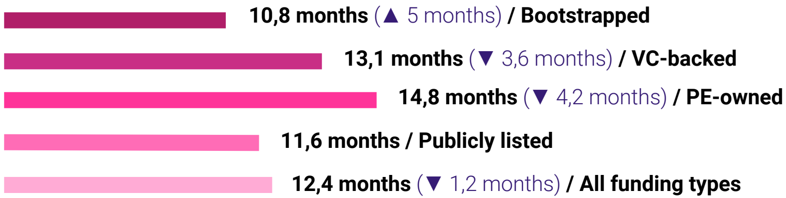
% of total revenue

71%
Gross margin
▼ 5% FROM 2022

7,1:1
LTV:CAC ratio
▲ 1% FROM 2022

Burn multiple
21,7% IMPROVEMENT

Payback period (in months)



… however, the decrease in gross margin could be a result of higher churn rates (9,1% in 2023 vs 5,3% in 2022) and lower NRR (97,7% in 2023 vs 105,1% in 2022) and may indicate increased cost of service.

Frederic Laziou
CEO
Puzzel

“2023 was a rollercoaster ride, and 2024 promises to be just as thrilling. Yet, amidst the whirlwind, I remain optimistic!”

“In the tumultuous landscape of 2024, two imperatives stand out to me: nailing your niche and intensifying the pursuit of not only profitable but efficient profitable growth.

“In the dense jungle of SaaS providers, differentiation is paramount. To stand out, we must define our positioning and ICP with laser precision. Mediocrity won't cut it in a sea of options and I am convinced that we are all better off being known for being the best at something (rather than vendor #22 in a very large TAM).

“I want to highlight the importance of efficiency in the quest for profitable growth. Efficiency in GTM is key (CAC/LTV, CAC payback) not forgetting how to drive efficient retention and expansion (GRR/NRR/CEC). Similarly, I see a need to thoroughly follow up investment in product development ensuring that every dollar spent on R&D yields tangible returns.”

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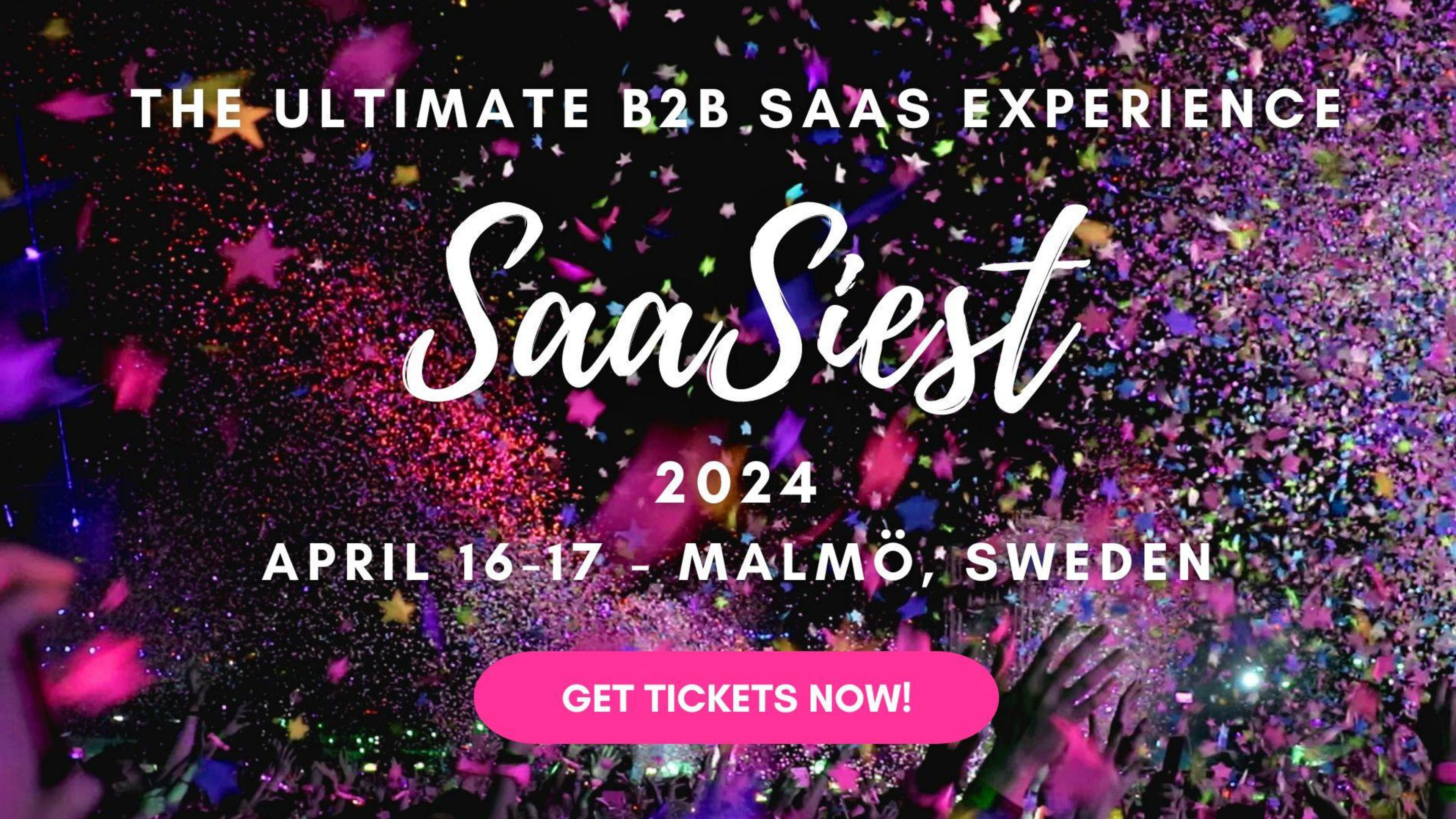
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The SaaSiest Company’s mission

SaaSiest is a community-based initiative run by Thomas Sjöberg and Daniel Nackovski with the purpose of facilitating dialogue and knowledge exchange to help European B2B SaaS professionals and companies reach their full potential.

Join us on our mission to make European SaaS companies the most successful in the world!

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