NORWEST

2023 Sales & Marketing Benchmark Report

Venture-Backed Companies Survey Results

December 2023

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Background & methodology of survey

Rapidly changing market conditions should be considered when reviewing this benchmarking data. This report is intended to be point of reference and should not be taken as recommendations or legal advice.

Audience

This inaugural Sales & Marketing Benchmark survey was fielded during Aug-Sep of 2023 to Norwest's active VC-backed portfolio companies based in North America and Israel.

Focus Areas

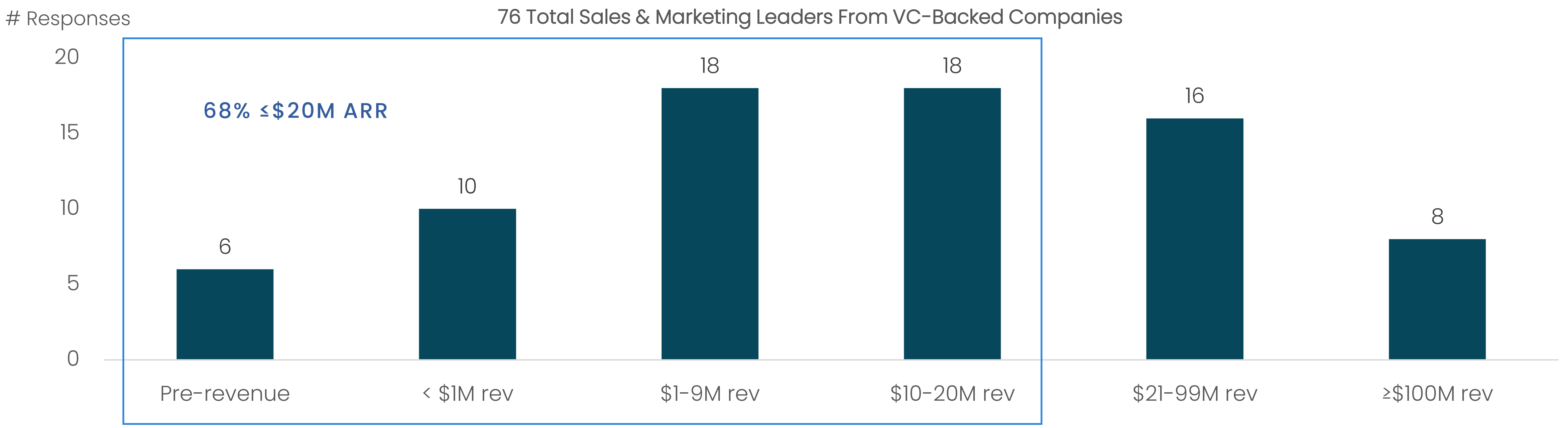
The survey measures reported benchmarks around marketing and sales budgets, team sizes, team reporting structures, and GTM program priorities.

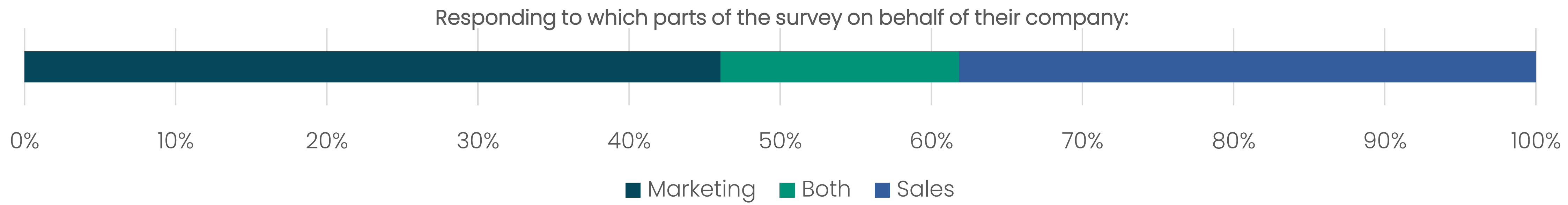
Respondents

76 sales and marketing leaders from 52 VC-backed companies participated in our survey, representing a cross-section of stages and sizes.

Questions about the survey or the results? Please email rcohen@nvp.com

Respondent characteristics





Respondent characteristics

PLG

57%
no or almost no PLG-motion

9%
PLG influences all or almost all of their GTM strategy

CONTRACT LENGTHS

47%
1-year contracts

46%
Multi-year contracts

DEAL SIZES (ACV)

34%
> $100K

33%
$50-$100K

33%
< $50K

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Key Takeaways

Heavy reliance on “cash in the bank” to scale sales & marketing—this may not persist in 2024

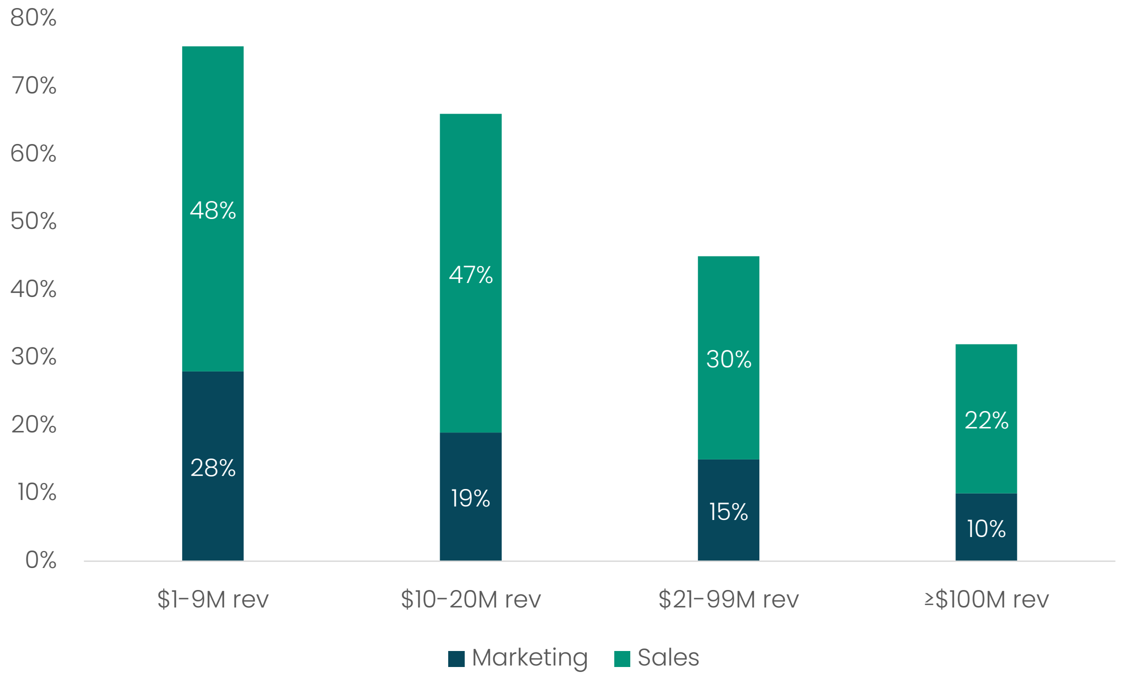
Early-stage, VC-backed startups report investing as much as 76% of their last fiscal year’s closing revenue into their sales and marketing budgets this FY.

The ratio of sales & marketing budget-to-revenue decreases as companies find product-market fit, with the largest drop happening sometime after $20M in revenue.

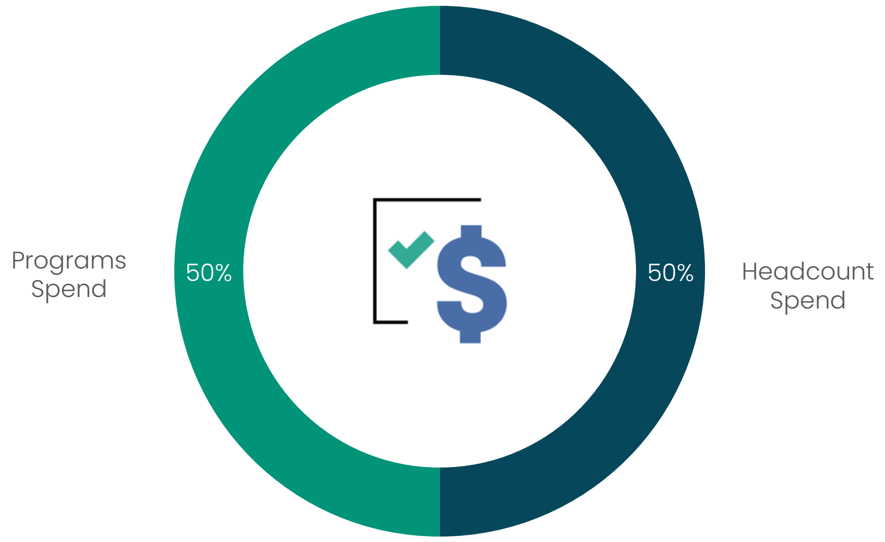
OUR TAKE:

In 2024, companies may need to challenge themselves to shift to “sustainable growth” models. Be wary of scaling marketing and sales before you’ve proven market fit with repeatable sales motions and high retention rates. We expect to see this ratio of budget-to-revenue to decrease in the coming years to extend cash runway.

Reported combined marketing and sales budgets (headcount + programs) as a percentage of last fiscal year’s ending revenue:



What % of marketing budget do companies allocate to headcount/payroll vs programs/technology?



Across all stages, marketing leaders report 50% of budget goes toward people (FTEs)

Across all company sizes and structures, marketing leaders report on average that half of their budgets are being spent on hiring and retaining people needed to build and run their programs.

OUR TAKE:

As we expect cash burn to slow down, we anticipate marketing teams will first be challenged to reduce headcount to retain paid programs budgets, thus reducing spend on marketing FTEs closer to 40%.

This trend may not hold, however. Your programs are only as good as the human strategy and tactical excellence behind them. If efficiency (CAC) suffers, we may see marketers experiment with retaining headcount and executing more creative, organic programs.

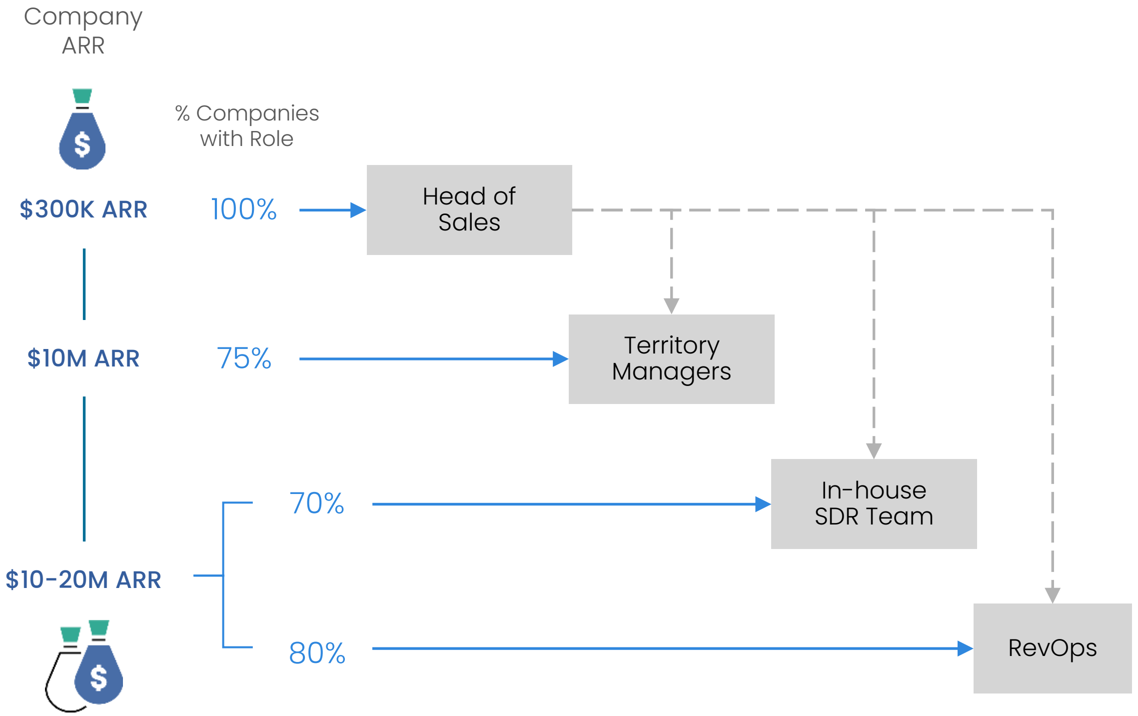
Around $10M ARR, companies have built out sales orgs, including Managers, RevOps, and in-house SDRs

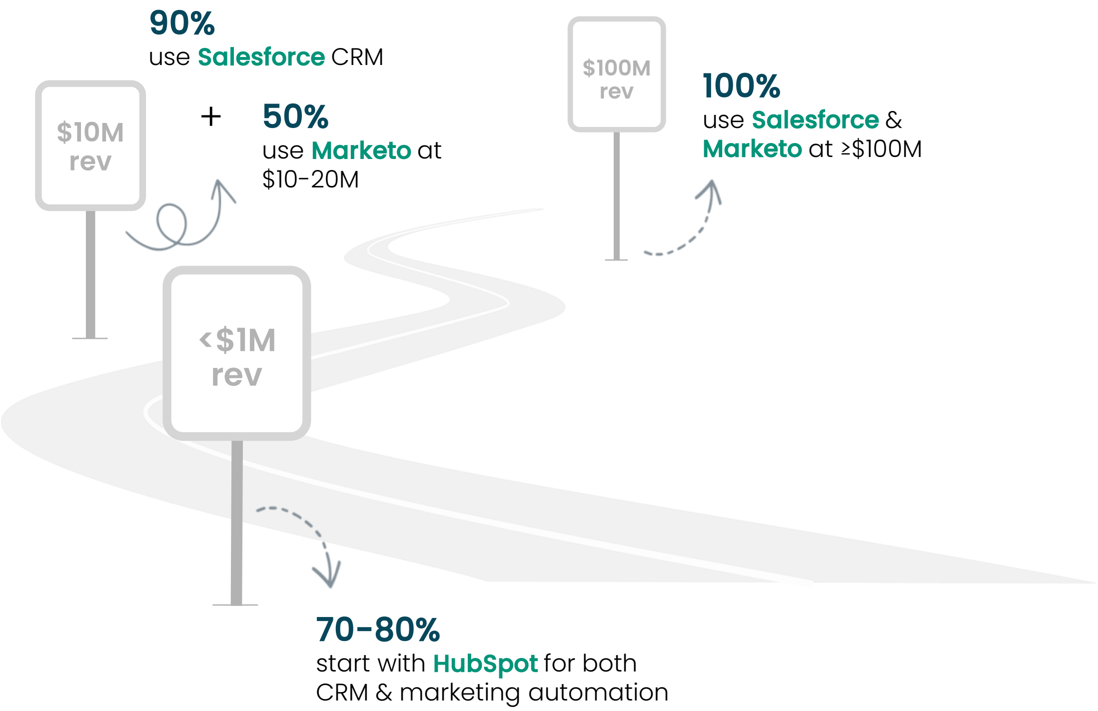
The companies in our sample set have brought on a head of sales early, indicating a desire to scale quickly past founder-led selling. By around $10M ARR, a healthy majority of companies report having built out a management layer for their AEs and brought RevOps and BDR/SDR teams in-house.

OUR TAKE:

Avoid the temptation to add in an AE territory management layer too early. On average we see territory managers effectively manage about 5-7 AEs. Bringing RevOps and SDRs in-house around $10M ARR typically makes sense to develop operational excellence as you start to scale.

When companies reported hiring these key functions of their sales orgs:





Companies favor HubSpot in early days—Salesforce quickly unseats as CRM, though

Three clear players dominated the responses about CRM and marketing automation platform use. HubSpot is used most often under $10M in revenue, at which time ~90% of companies say they're on Salesforce for CRM. While Marketo adoption is a bit slower for marketing automation, at over $100M revenue 100% of companies report using both Salesforce and Marketo.

OUR TAKE:

This speaks to HubSpot's roots as an SMB company that began with marketing and expanded into CRM. The dynamic is compounded when marketing and sales leaders come into the org, and they bring their experience and preferences for Marketo and Salesforce.

However, HubSpot's enterprise-grade capabilities have received a lot of coverage in recent years. We may see companies stick with it longer in the future, since it often represents a lower total cost of ownership compared to more complex platforms. Or they may explore platforms designed for ease of use, like Copper CRM and Act-On.

Marketing leaders overwhelmingly report to CEO—including Head of Marketing as first hire in

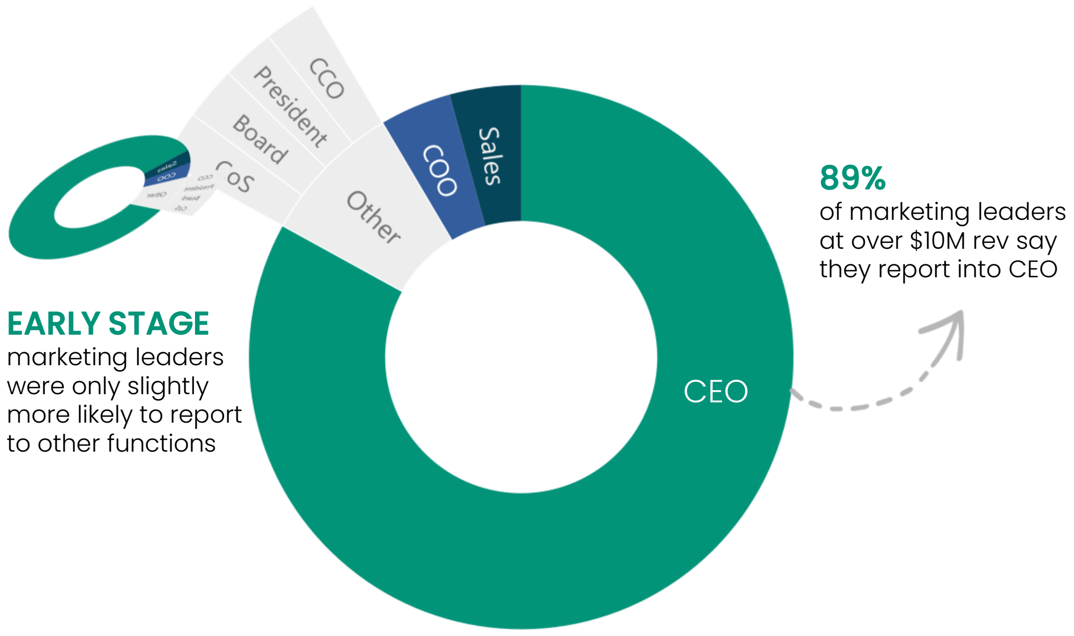
83% of all marketing respondents say they report into the CEO (inclusive of CMO, VP, and Head of), and that number increases to 89% after $10M in revenue. In the earliest stage companies, the marketing leader role is one of many hats the CEO may wear (e.g. answering they report into the board).

OUR TAKE:

Strategic GTM alignment—and consistent execution—happens when product, marketing, and sales operate in lockstep. The CEO is critical to creating this alignment. For example, when marketing leaders report to sales functions, the strategic, longer tail demand generation or category development may suffer as they over-rotate toward short-term objectives. If this happens, it could impact your growth for years to come.

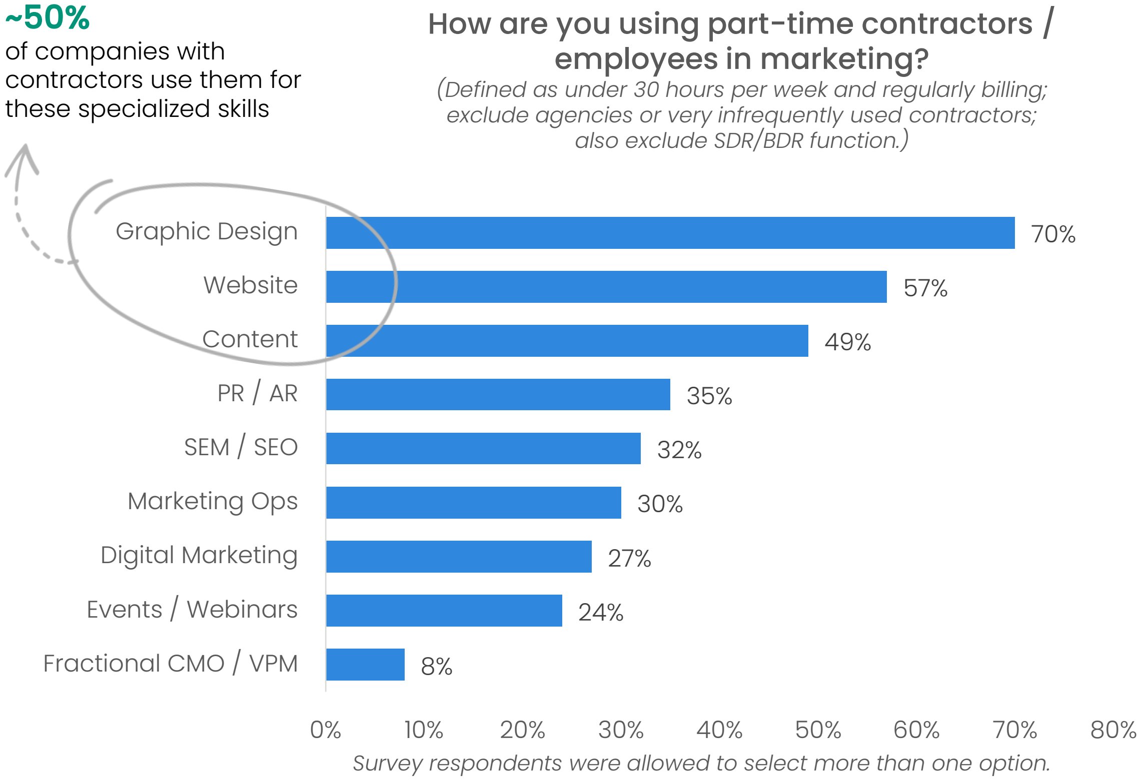
Additionally, this reporting line is frequently a deal-breaker for hiring top talent VPs and CMOs.

[Marketing leader], who do you report into?



Marketing leaders prefer using contractors for more defined deliverables

~50%
of companies with contractors use them for these specialized skills



OUR TAKE:

Companies may be able to adjust spend more effectively by contracting for specialty skills like graphic design and copywriting, enabling them to get deep expertise that is right-sized for their budget. For programs that are “always on,” like digital and webinars, the contractor model may become less cost-effective, leading them to hire an FTE or select an agency with more full-service offerings.

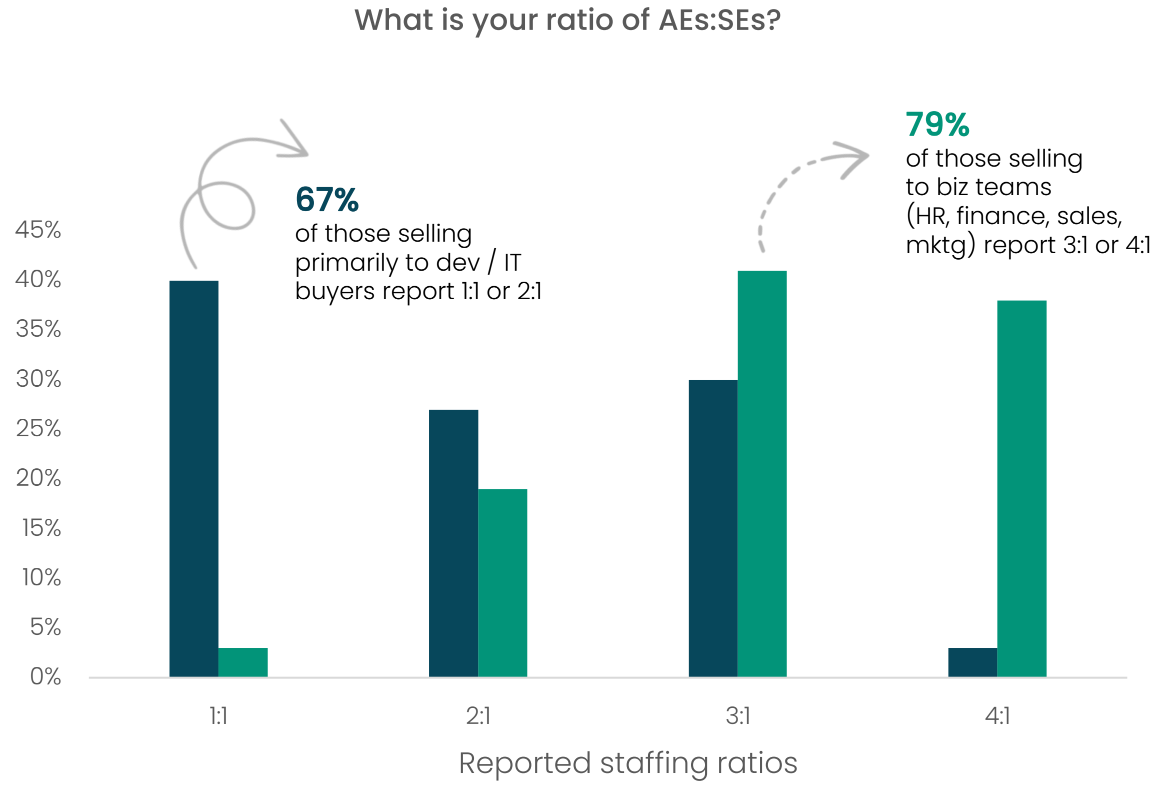
Marketing leaders who report using contractors to augment their team tend to favor using them for more specialized functions rather than for generalist functions. We see less usage for program support core to their operations and demand gen channels. Graphic design, website updates, and content development tend to lend themselves to more deliverable-based scopes of work versus retainers.

The personas that companies sell into influence their AE:SE staffing ratio

We asked sales leaders to share how they staff their SEs compared to the number of AEs. The results show a much higher number of SEs at companies who sell primarily to R&D teams (developers, devops, product) or IT/security, compared to the lower 3:1 or 4:1 ratios favored by those who sell primarily into business users, like sales, marketing, HR, and finance.

OUR TAKE:

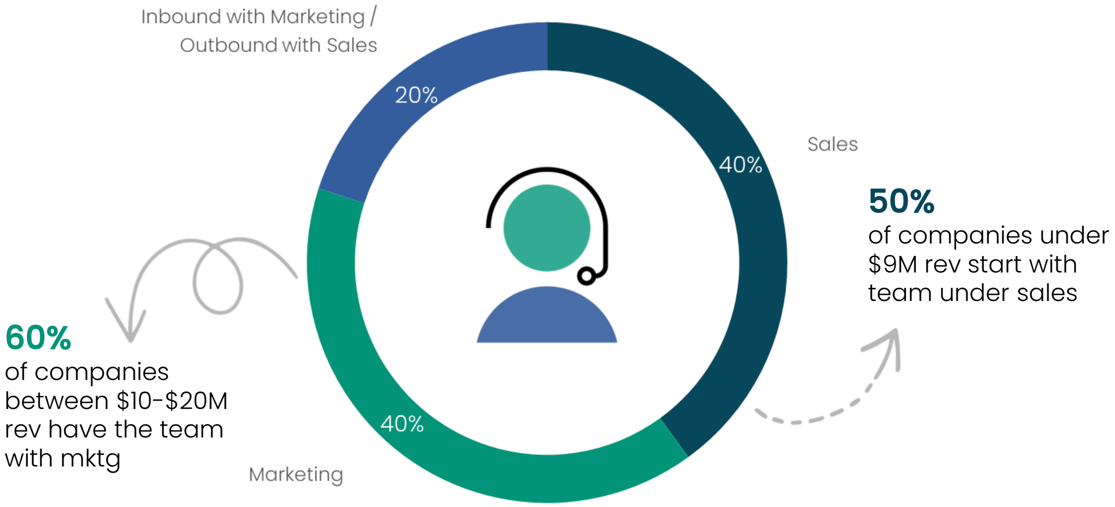
Technical sales and platform sales require more complex integrations and POCs, which seems to influence the higher staffing ratios in that segment. Leaders with high SE coverage should have processes in place to monitor SE capacity and ensure efficient utilization of the team. Don't rely on ratios alone.

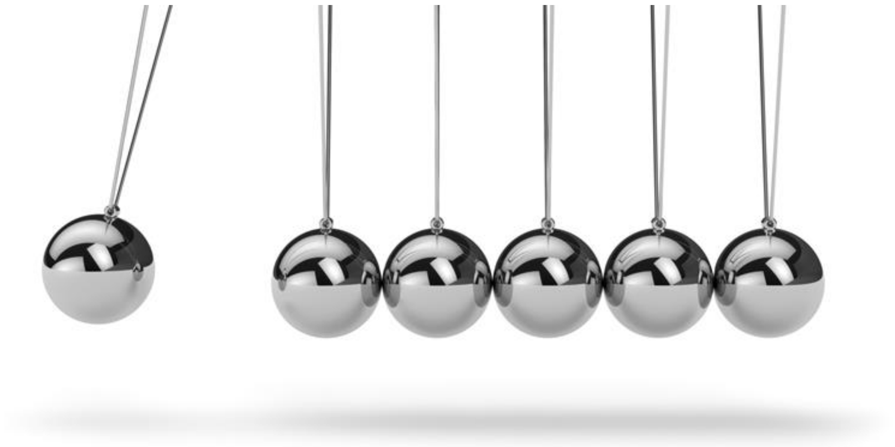


SDR/BDR team reporting lines aren't a silver bullet for alignment

We asked marketing and sales leaders who their SDR / BDR teams report to, even giving them an option to indicate a split reporting structure between both marketing and sales. The earliest stage companies start with the team under sales and around $10M ARR many start to move the team to marketing.

Do you have any of the SDR / BDR function reporting into Sales or Marketing?





OUR TAKE:

Early-stage companies tend to have low volumes of inbound leads, making most SDR / BDR activity outbound by necessity (regardless of what the team is called). This may be why the team starts under sales.

As the marketing engine gets up and running, those companies start feeling "pain" from slow inbound "speed to lead" or ineffective outbound "spray and pray," resulting in conversion rate friction. The antidote to that pain is to create strong alignment between marketing and the SDR team so the demand gen function can operate as a holistic unit.

Marketing plans to source 50% of pipeline, while sales plans to push more on outbound to hit targets

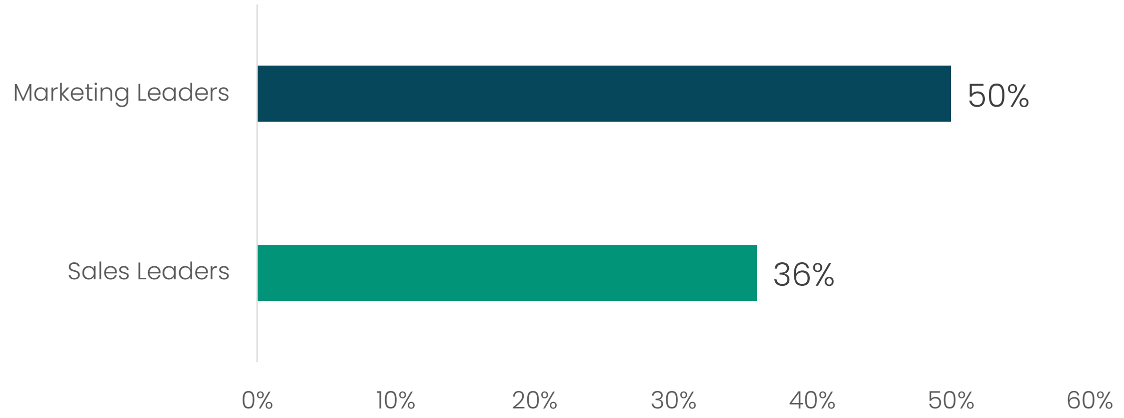
Marketers answered on average they plan to contribute 50% of the pipeline, and sales leaders offered a more conservative number of 34% that they expect from marketing. Sales leaders also expect their AEs and outbound BDRs to source up to 41% of deals (combined) on average.

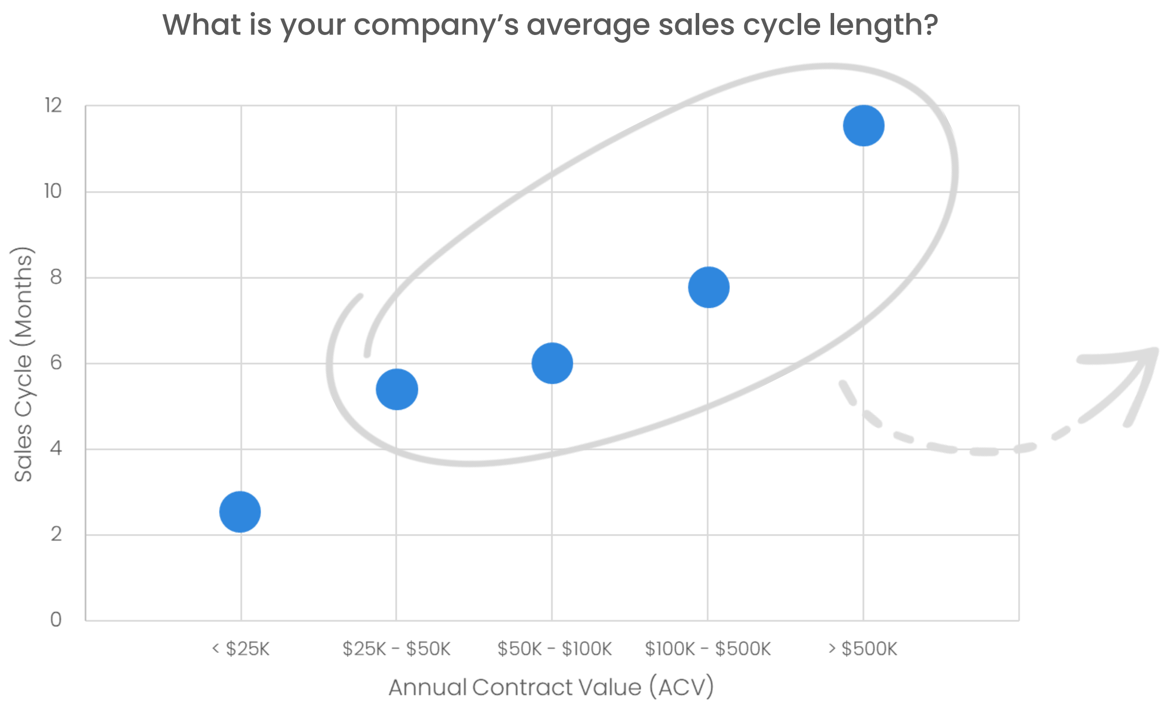
OUR TAKE:

Sales leaders are taking a conservative approach to building their plans and creating high expectations of their AEs and outbound BDR teams to hunt for new opportunities. This is prudent.

It’s possible to take it a step further by giving both marketing and sales shared goals and incentives for sourcing the number of deals needed to hit target and keep transparent lines of communication open. Reach-goals can help drive high performance and creative approaches to working together.

What % of pipeline do you plan to be sourced by marketing?





Even mid-market is seeing 6-month sales cycles—with enterprise deals taking 8+ months

Companies with annual contract values (ACV) of over $50K comprised two-thirds of our respondents. On average, most reported 6-8 month sales cycles, with the largest upmarket deals (>$500K ACV) reporting to be as long as 12 months.

OUR TAKE:

While the corresponding length of sale to enterprise deal size is unsurprising, even mid-market sales (ACVs of $25-$100K) need to plan for deals that take ~6 months to close. Creating a velocity model can help you predictably hit targets multiple quarters out.

Remember, if deals take upwards of 6 months to close, it's unlikely an account is going to have a budgeted project at the time of the very first marketing touch. Marketing into some enterprise accounts may take several more months to years before that account is ready to buy.

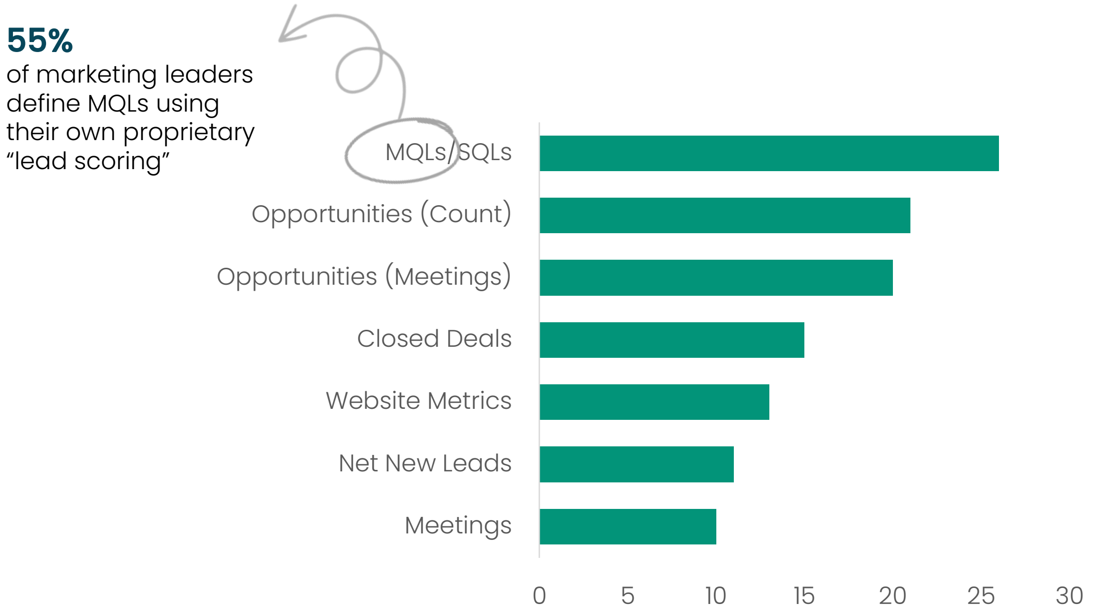
The MQL is dead... long live the MQL

We asked marketing leaders to share the top 3 KPIs their organizations are managing toward. MQLs/SQLs ranked clearly as the #1 KPI, followed by opportunities and closed deals. Very few marketers are prioritizing any brand awareness KPIs, such as share-of-voice and social reach. And even with the rise of ABM programs, very few leaders prioritize measuring account engagement.

OUR TAKE:

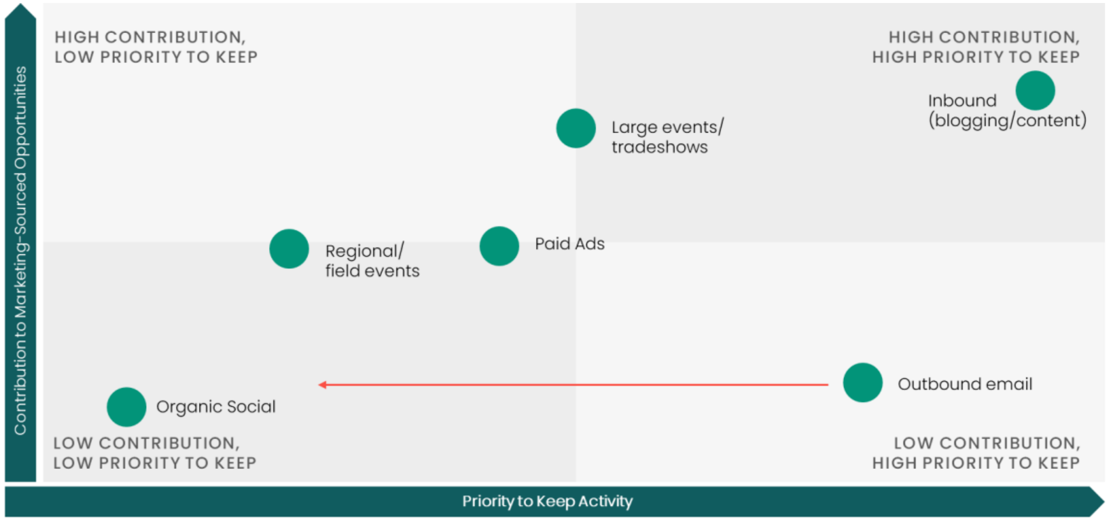
Despite popular criticisms of MQLs, companies still rely heavily on this traditional metric. The up-funnel KPIs marketing leaders prioritize appear to be the easiest to measure (website visits, lead quantity, meetings), not necessarily those that align with their strategy. Revenue will always be king, but don't lose sight of the KPIs that will give insight into how you're fueling new demand so you don't squeeze the bottom of your funnel dry.

What are the top 3 KPIs your marketing org manages to?



The options listed above are truncated to show the top 7 marketing KPIs marketing leaders selected.
See page 54 of this report for the full set of KPIs and marketing leaders' answers.

Two questions:
Which marketing programs drive your marketing-sourced opportunities?
If your budget were cut, what programs would you prioritize keeping?



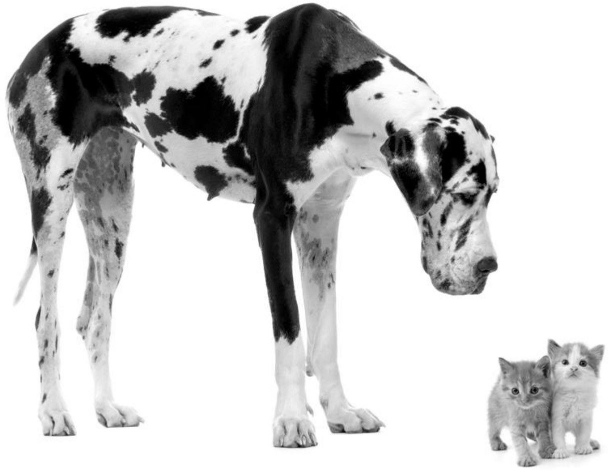
Marketers should avoid the temptation to over-rotate on email

We asked marketing leaders to rank up to five programs they'd prioritize keeping if their budgets were cut — and we compared these answers to the channels they say are driving opportunities. While outbound email ranked second-lowest on performance, it was the second-highest program among those they say they'd keep doing.

OUR TAKE:

As we go into 2024 with possible economic headwinds, this is a good time for marketers to ensure that they're putting wood behind the right arrows – the ones that contribute most to the sales pipe.

Email is tempting to keep doing because it's "low cost." But consider the costs of building an engaged database and the human capital to set up and run email blasts. You'll continue to get diminishing returns from this effort if you're not fueling it with creative ways to reach new audiences and engage them.



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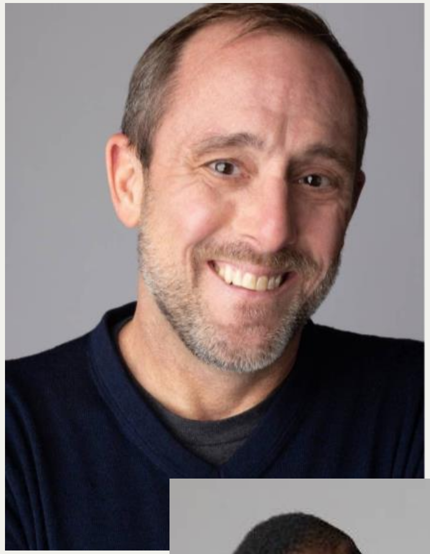
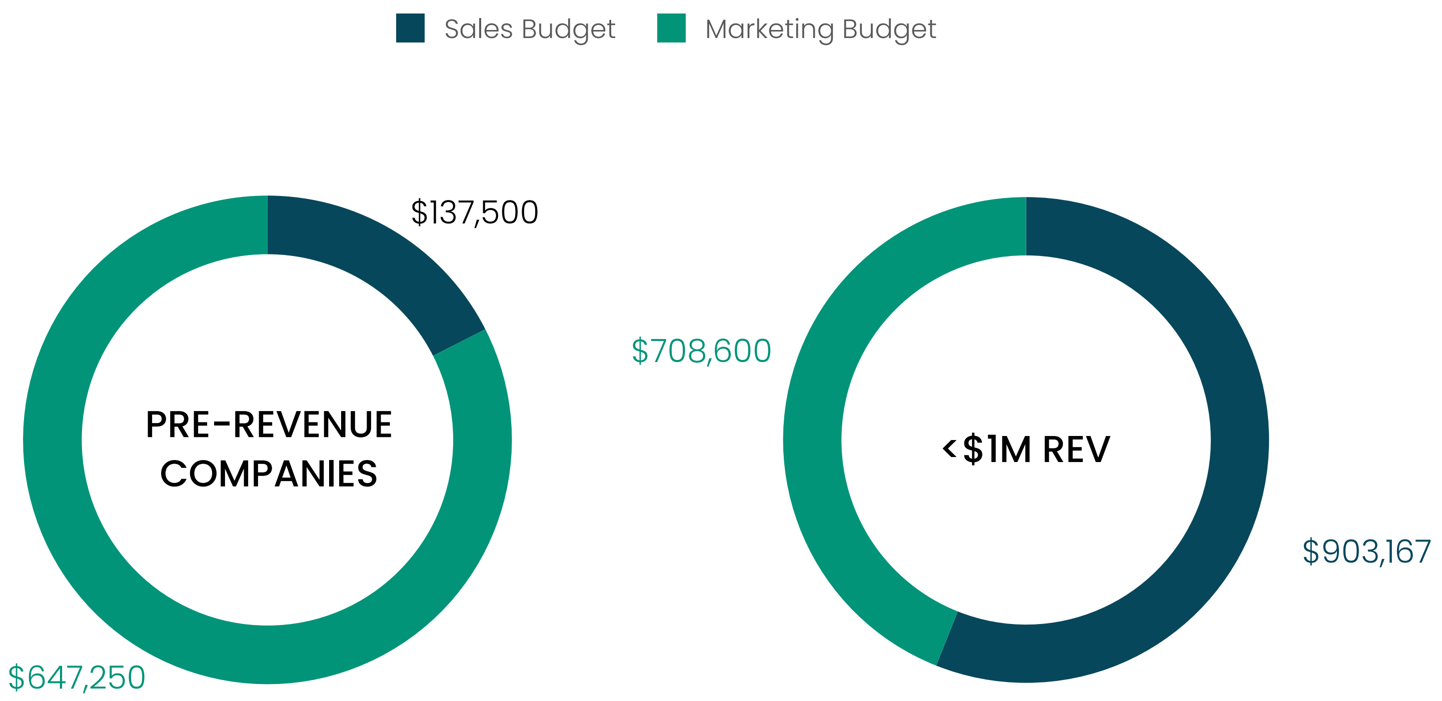
Detailed Findings

Budgets



Sales and marketing budgets under $1M revenue

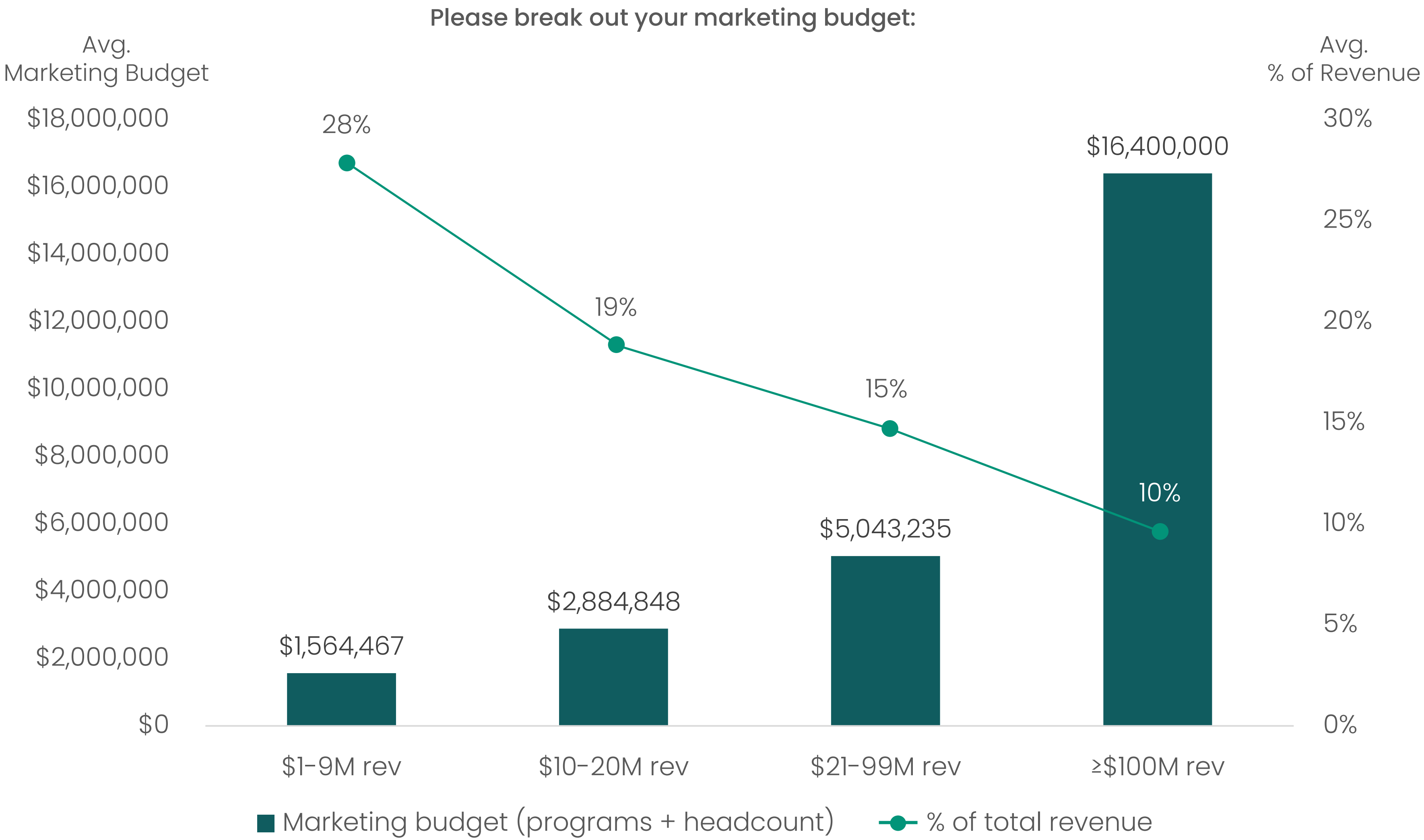
Please break out your marketing and/or sales budget:



Marketing budgets remains fairly steady under $1M rev.

Companies quickly start to ramp up budgeted investment in sales team after generating first dollars in.

Marketing budget as a % revenue

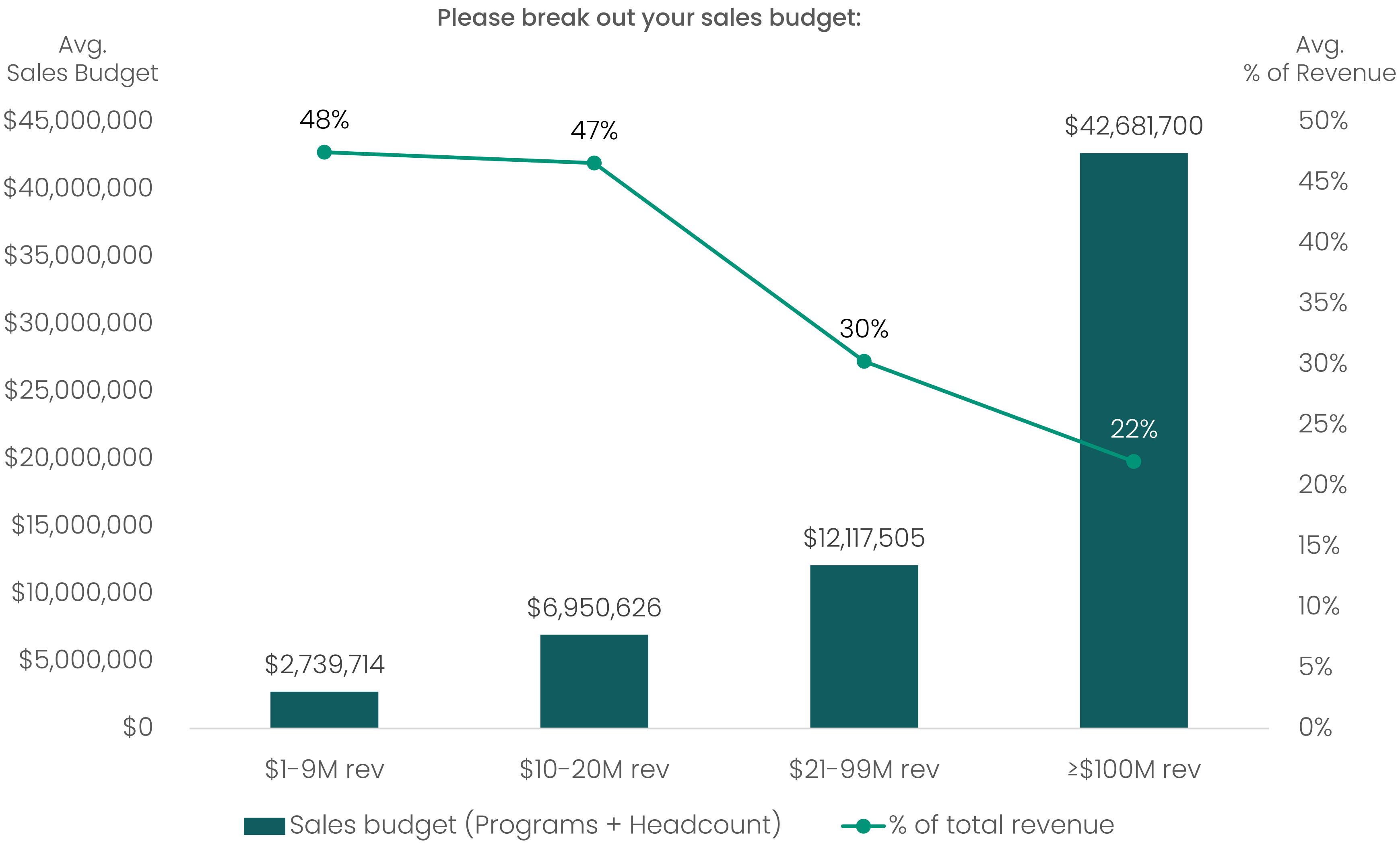


ALL COHORTS

50%
Payroll

50%
Programs

Sales budget as a % of revenue

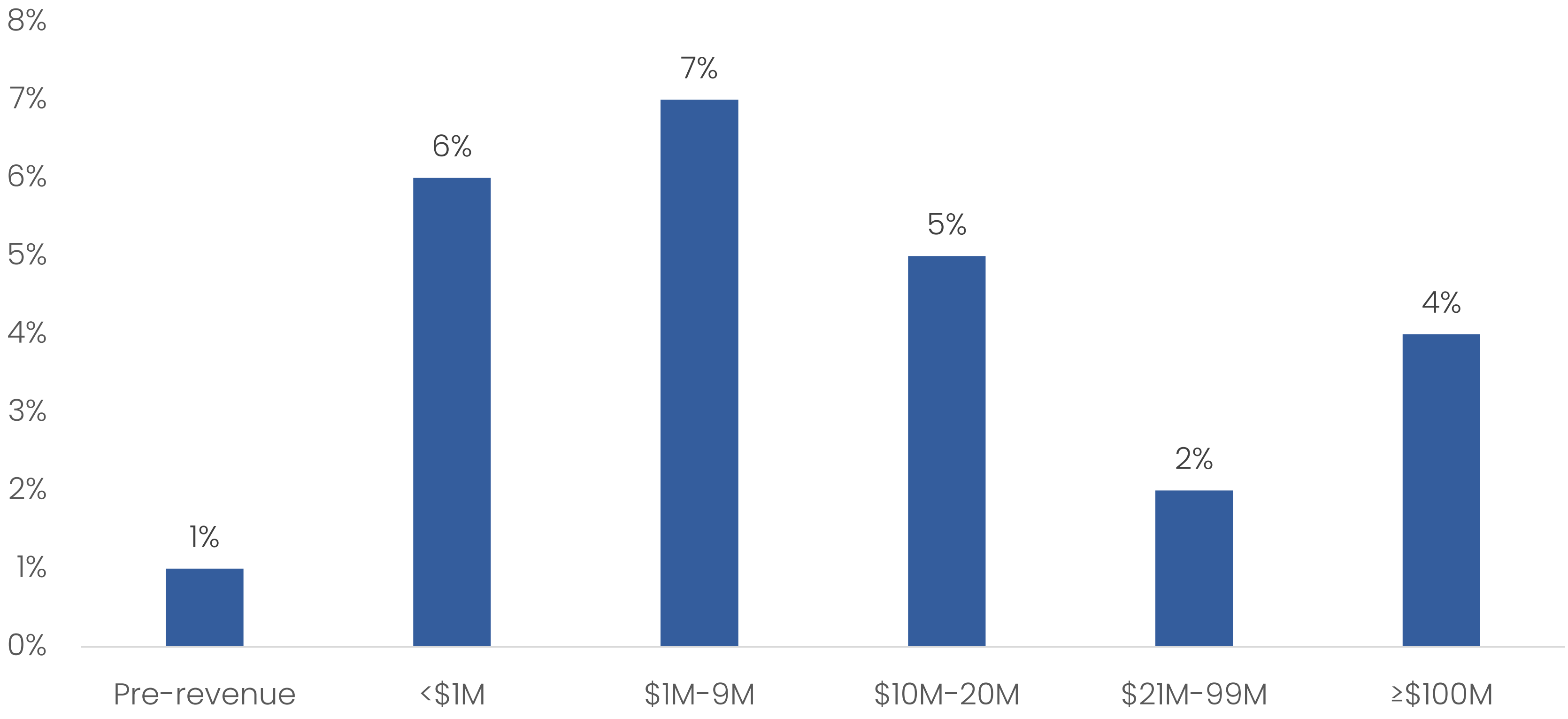


ALL COHORTS

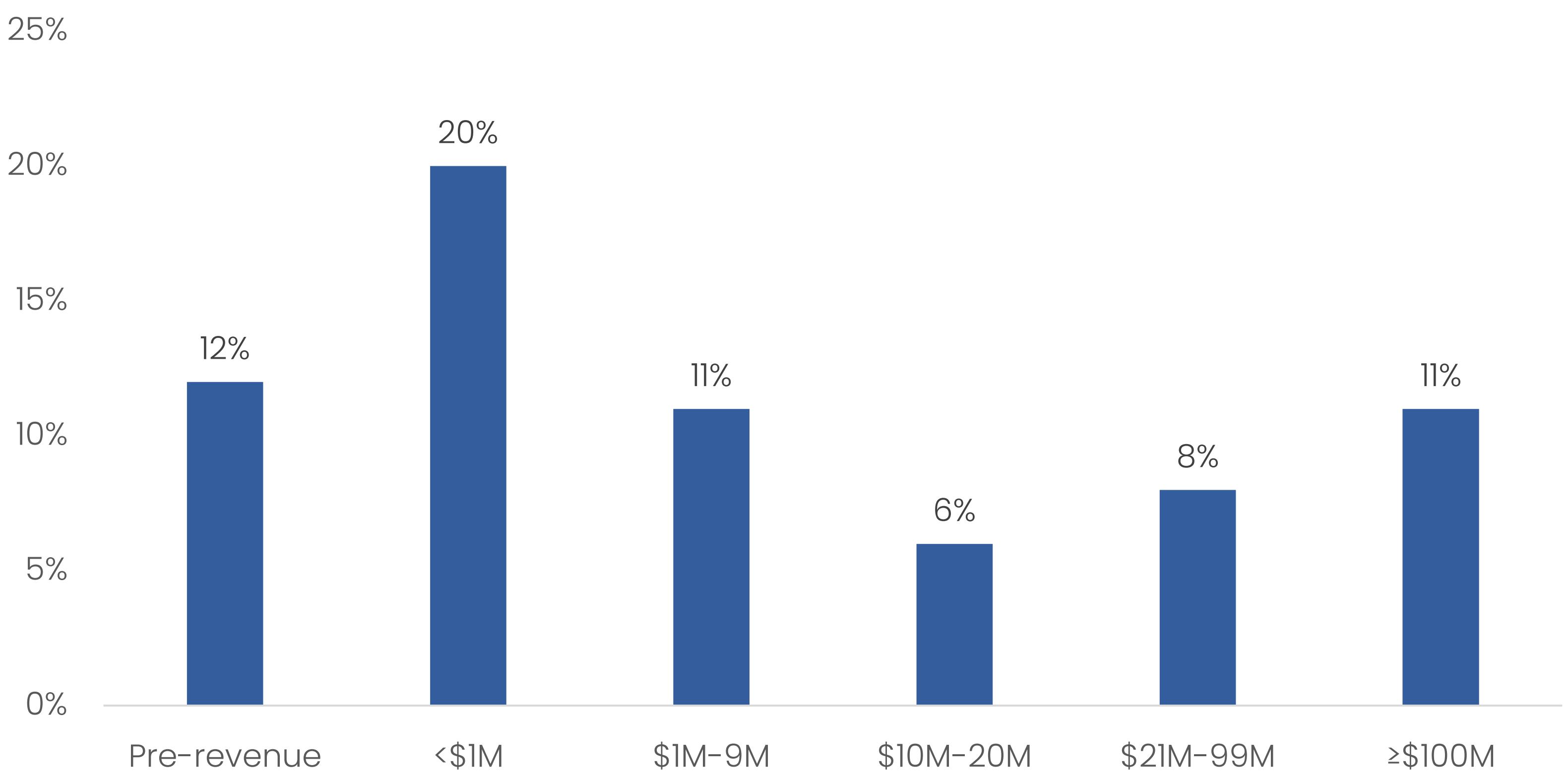
80%
Payroll & Commissions

20%
Programs

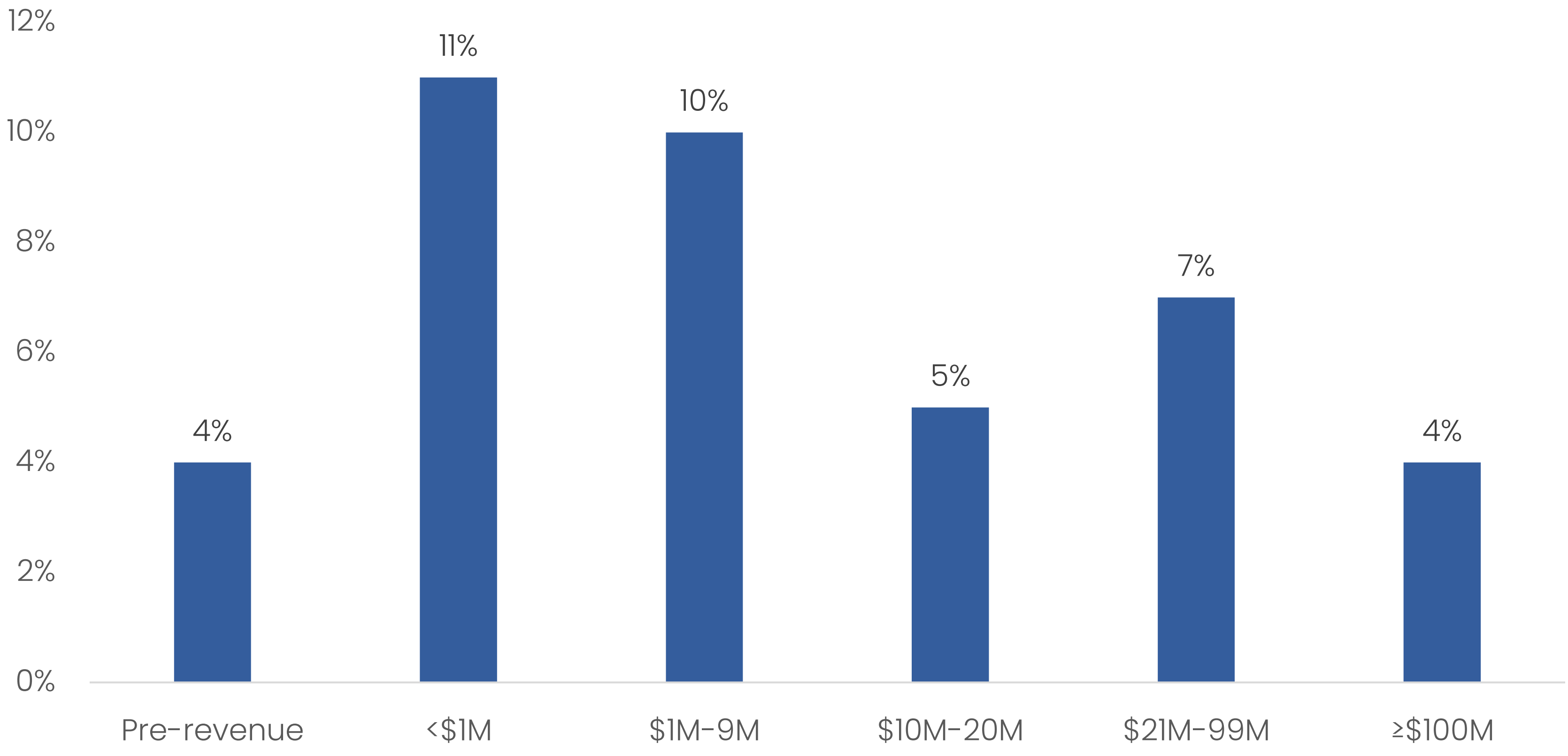
Analyst Subscriptions: Avg. % marketing programs budget



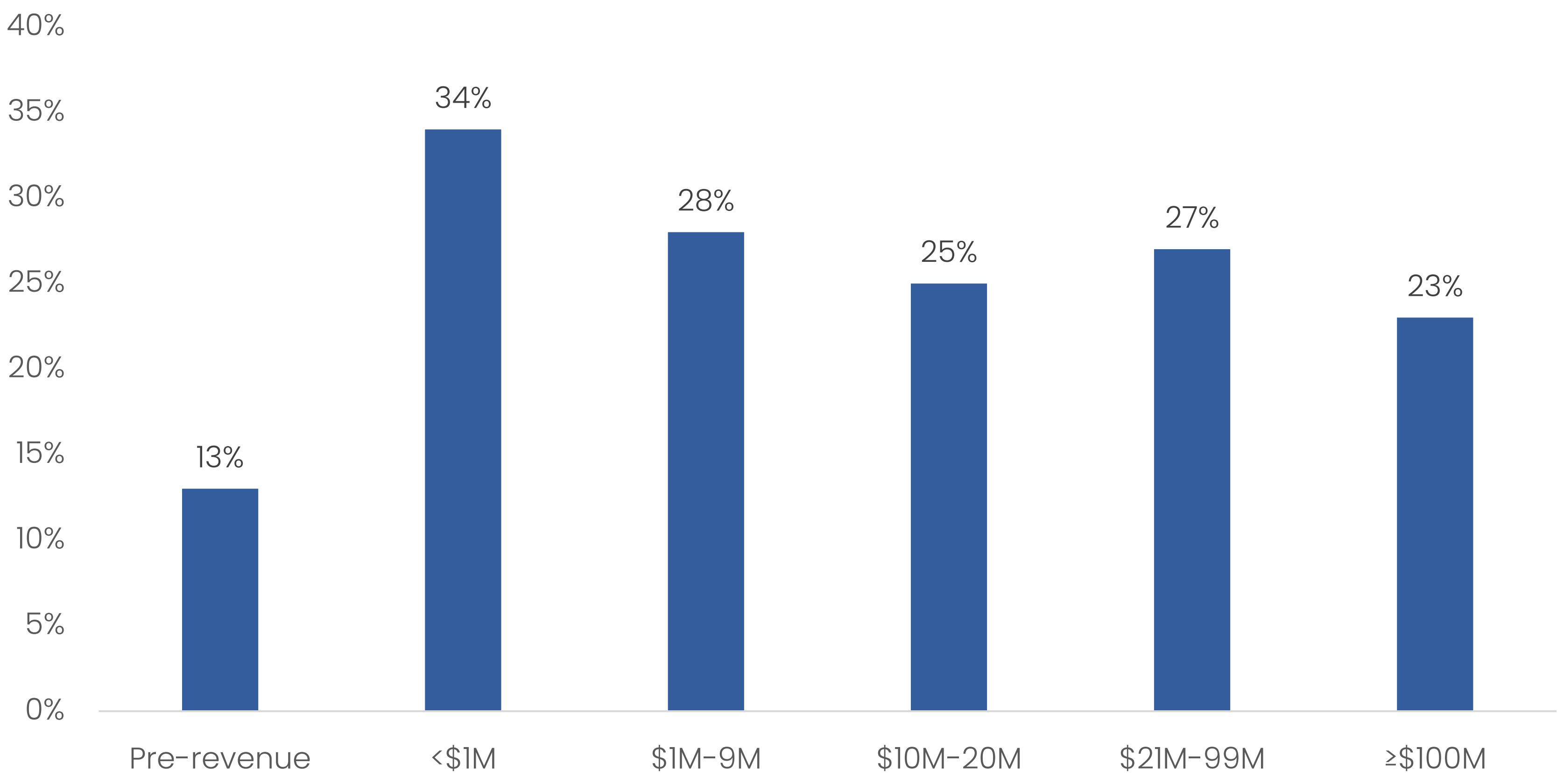
Brand & PR: Avg. % marketing programs budget



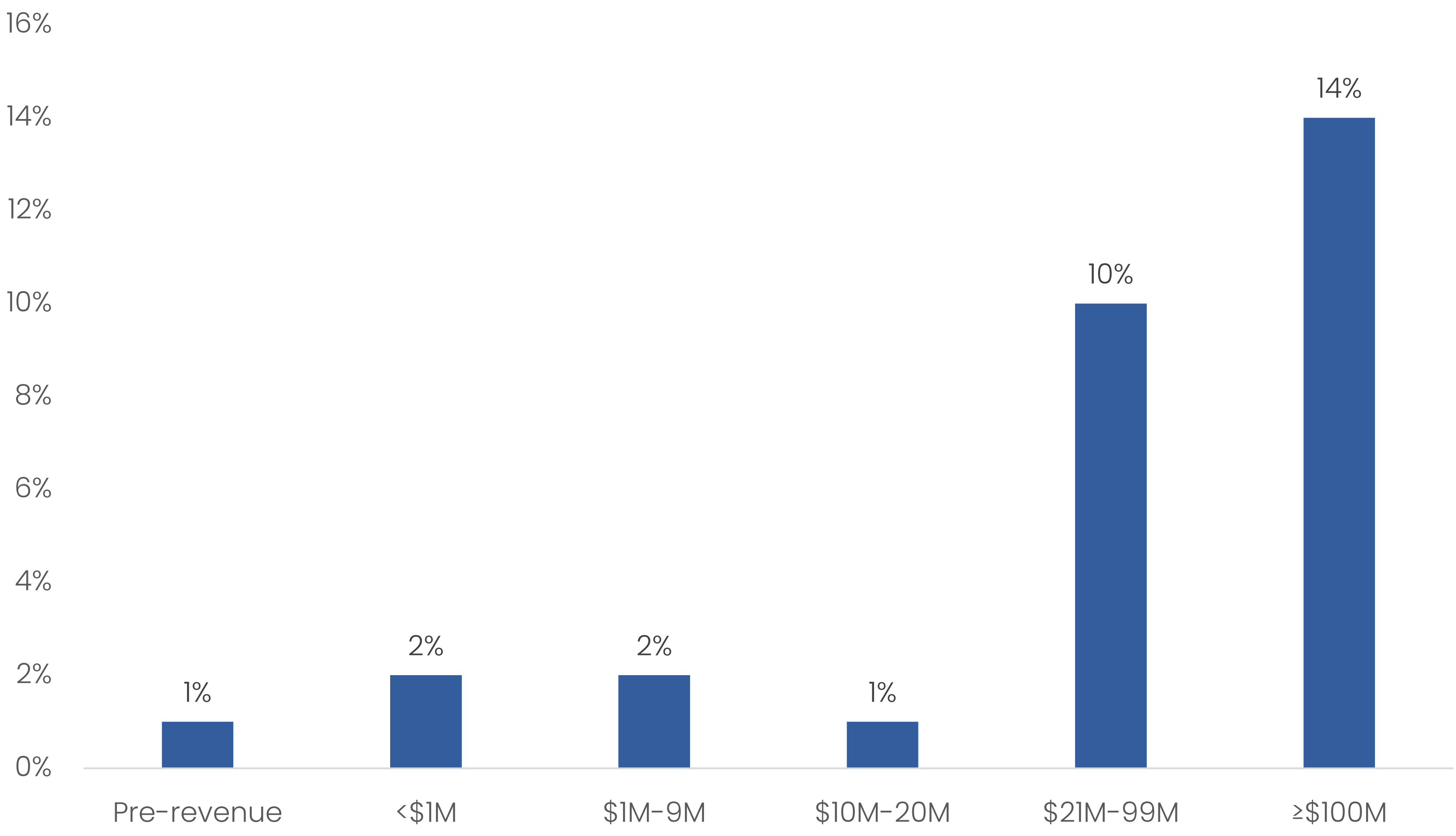
Content: Avg. % marketing programs budget



Tradeshows / Events: Avg. % marketing programs budget



Field Marketing: Avg. % marketing programs budget



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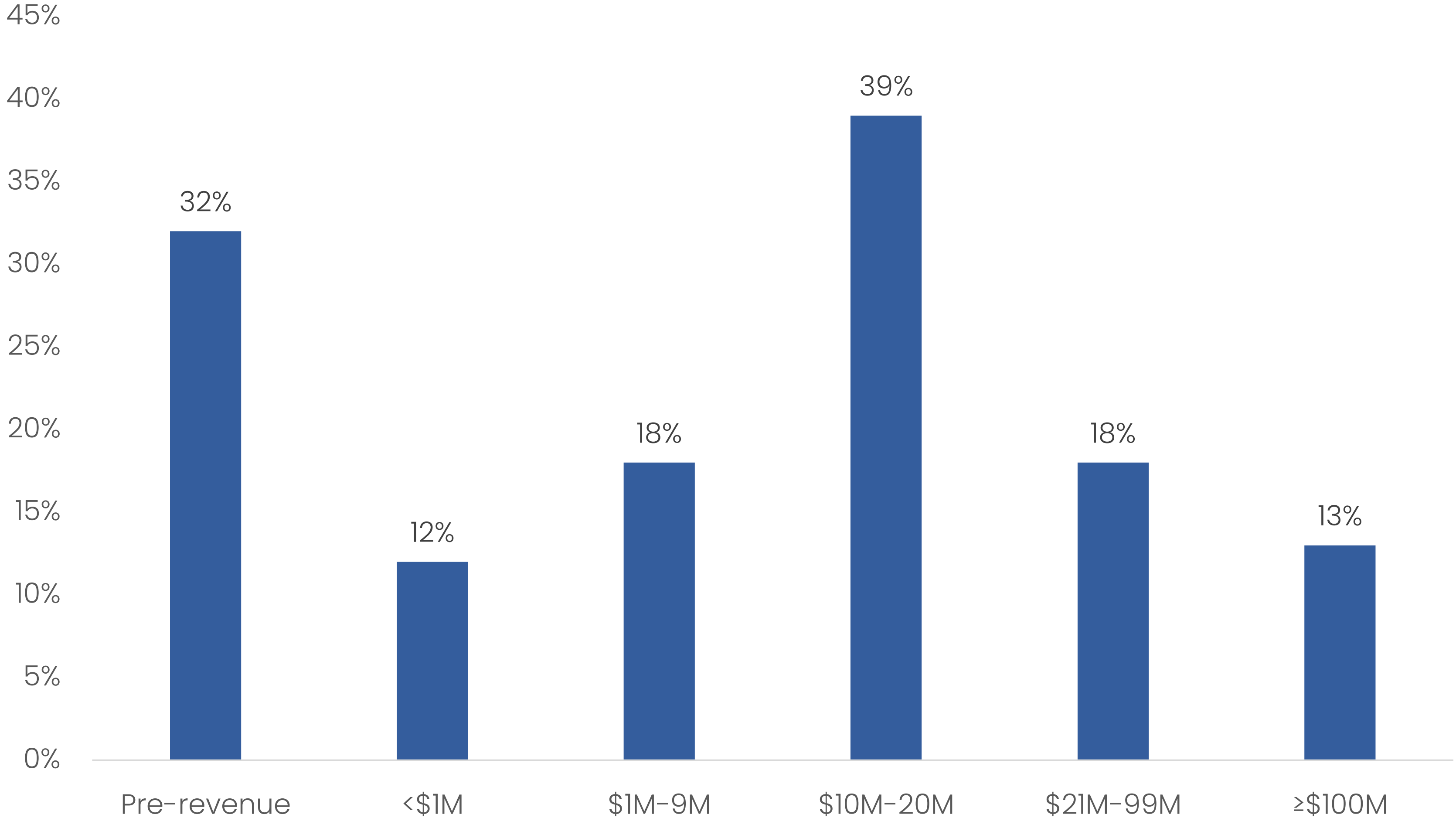
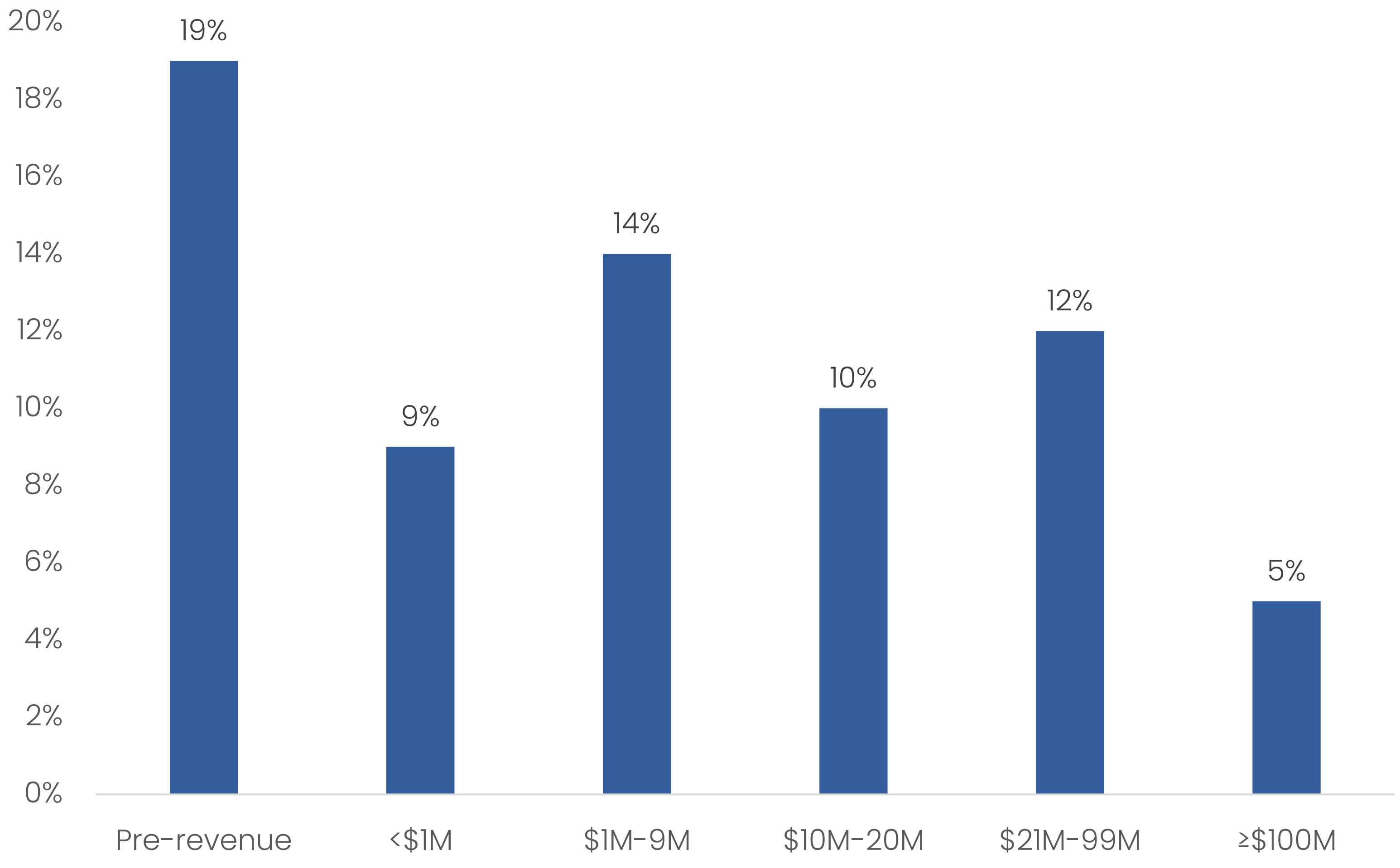
Paid Ads / Digital: Avg. % marketing programs budget



Other Demand Gen: Avg. % marketing programs budget



"OTHER DEMAND-GEN" DETAILS SHARED IN FREE TEXT FIELD:

- Webinars
- Content Syndication
- Sponsorships
- Partner Marketing
- Referral Programs
- Review Sites
- Customer Marketing

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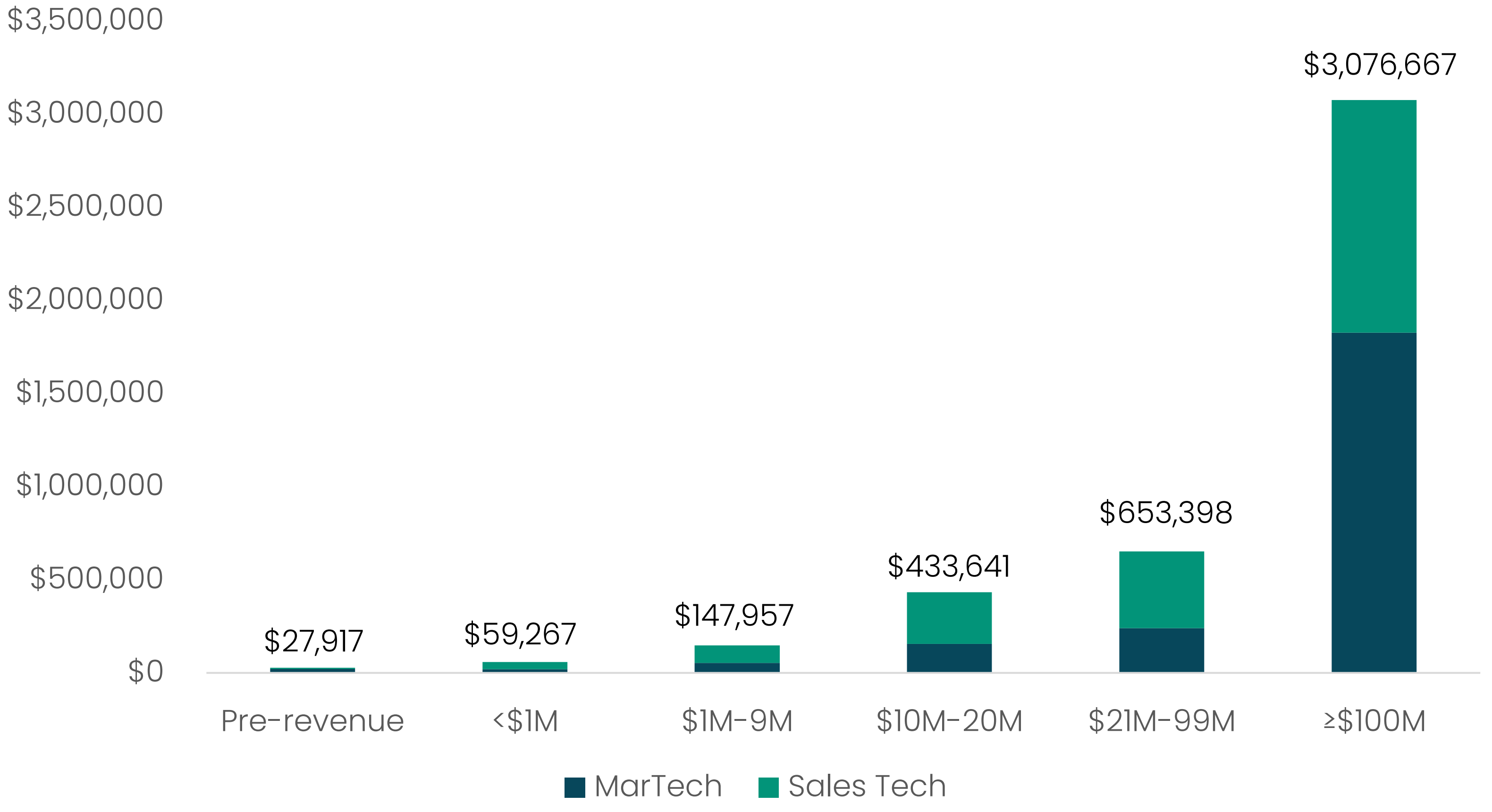
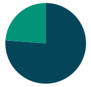
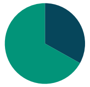
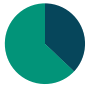
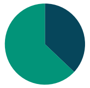
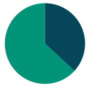
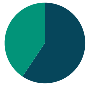
Combined tech stack budget as companies grow



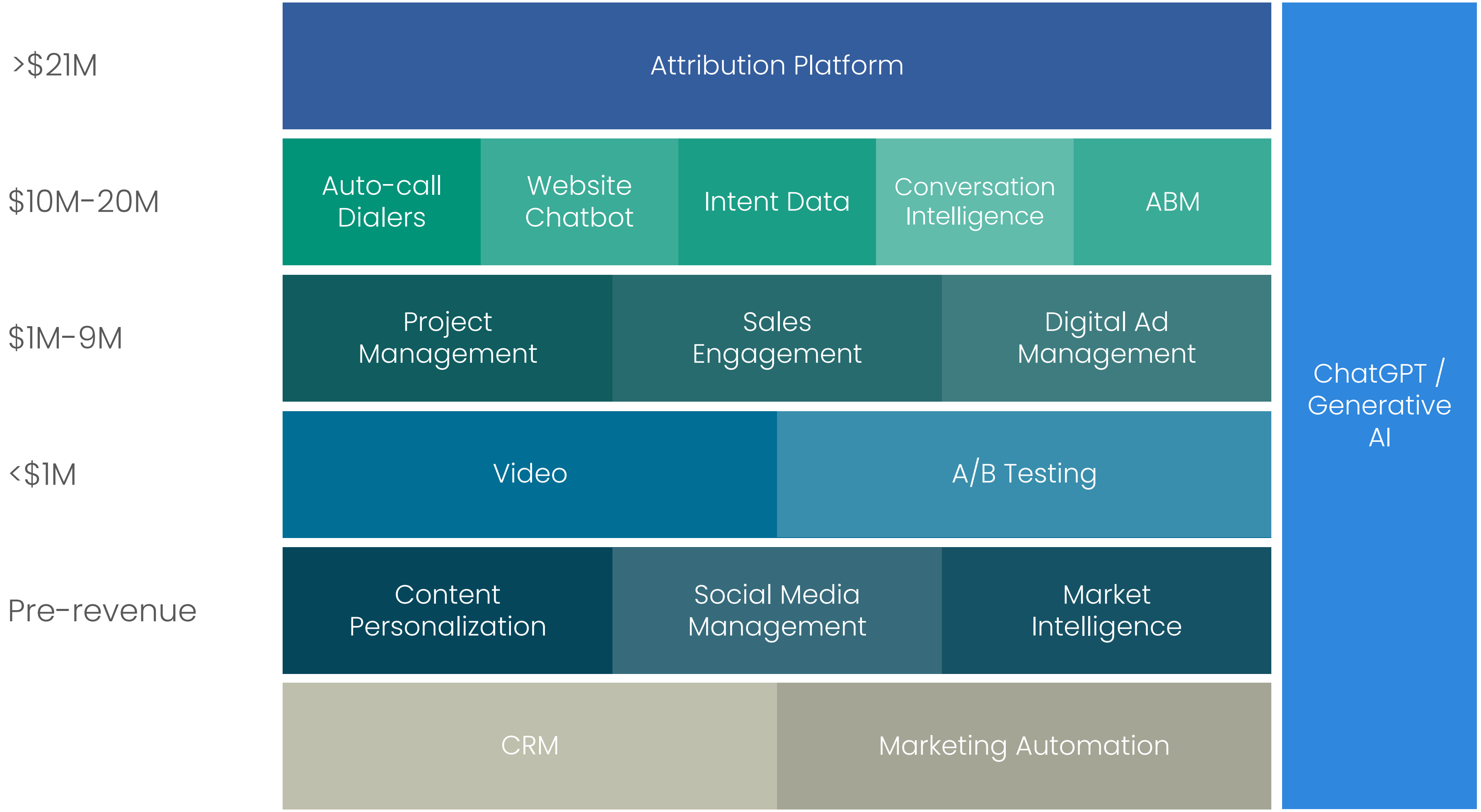
Martech & sales tech breakdown by revenue

Revenue cohort	Martech budget	Sales tech budget	Total tech budget	Budget distribution
PRE-REVENUE	$21,250	$6,667	$27,917	
<$1M REV	$19,600	$39,667	$59,267	
$1-9M REV	$54,814	$93,143	$147,957	
$10-20M REV	$157,124	$267,517	$424,641	
$21-99M REV	$240,750	$412,648	$653,398	
≥$100M REV	$1,826,667	$1,250,000	$3,076,667	

Martech

Sales tech

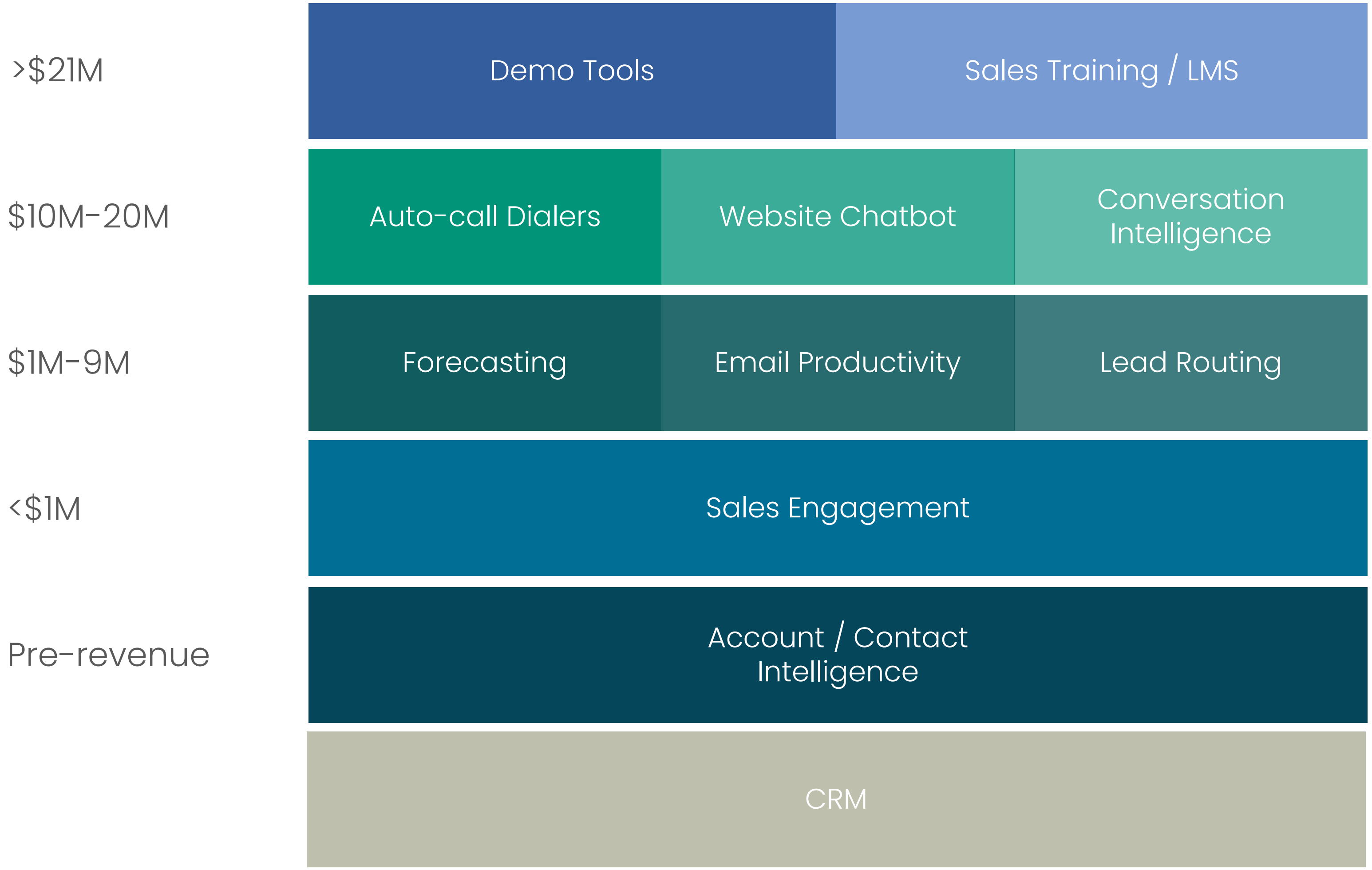
Martech use as companies grow in revenue



This slide shows a visual representation of how marketing leaders answered the question of what software / tech they were using at different revenue sizes.

For example, a market intelligence tool (like ZoomInfo, Seamless.ai) was frequently reported as one of the first parts of their martech stack, heavily represented under $1M in revenue.

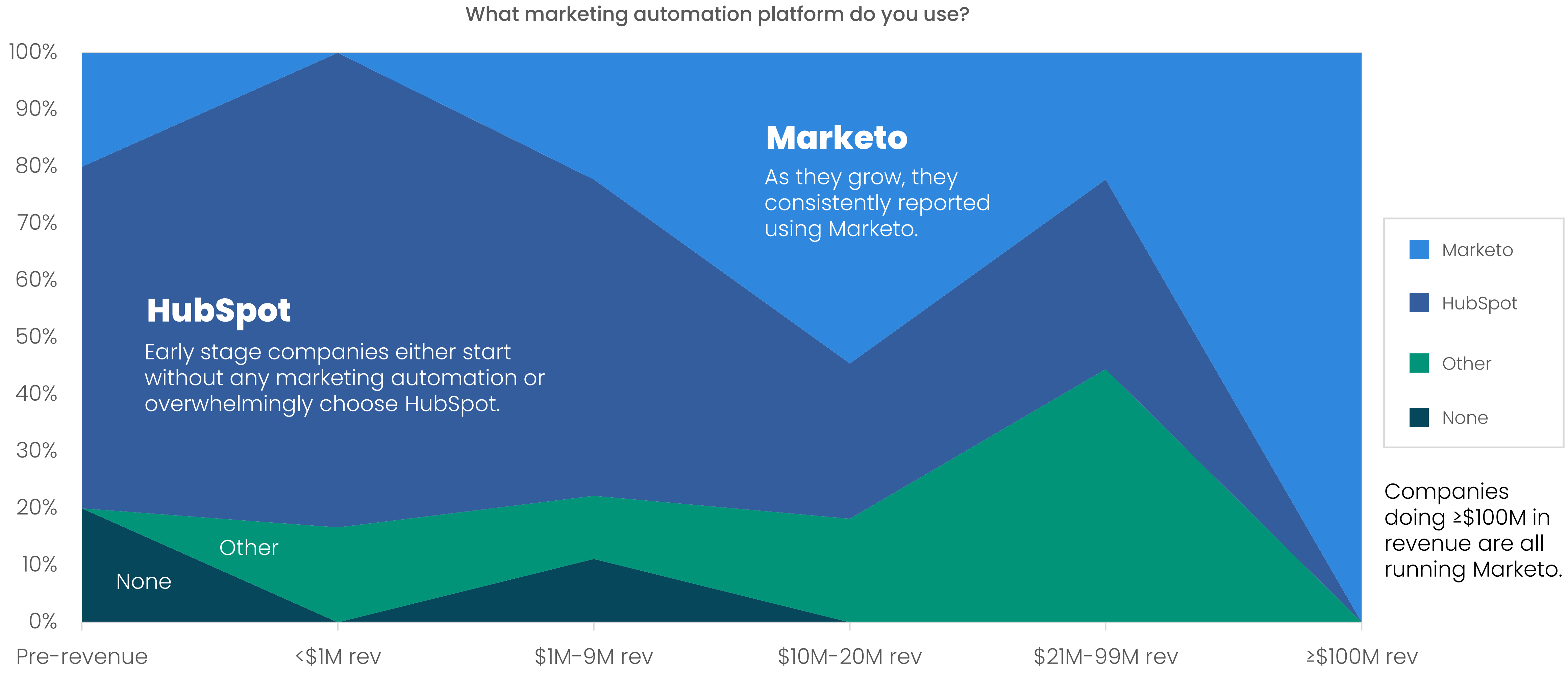
Sales tech use as companies grow in revenue



This slide shows a visual representation of how sales leaders answered the question of what software / tech they were using at different revenue sizes.

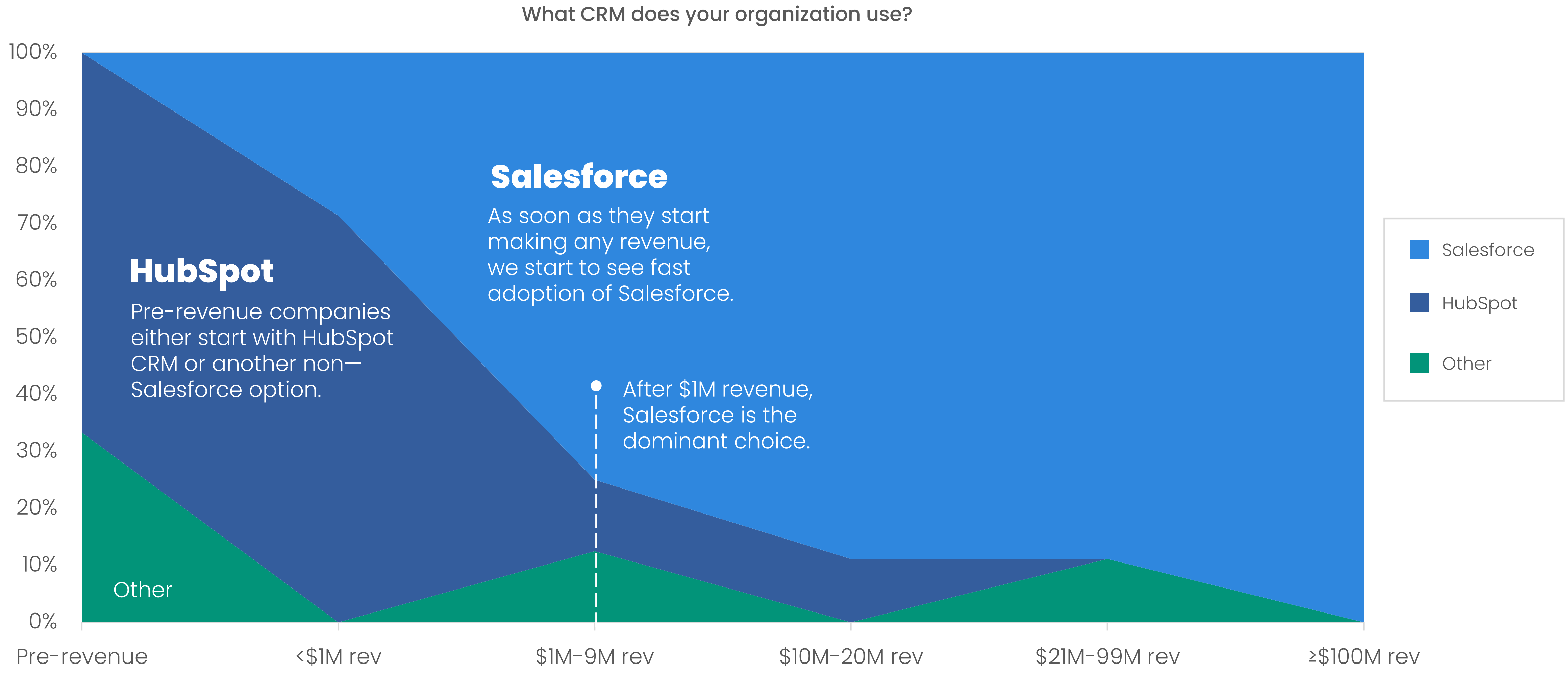
For example, a sales engagement tool (like Outreach or Salesloft) was frequently reported as one of the first parts of their sales tech stack, heavily represented under $1M in revenue.

Marketing automation platform use as companies grow

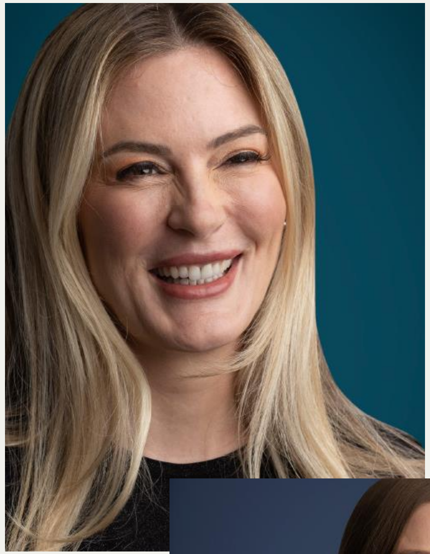


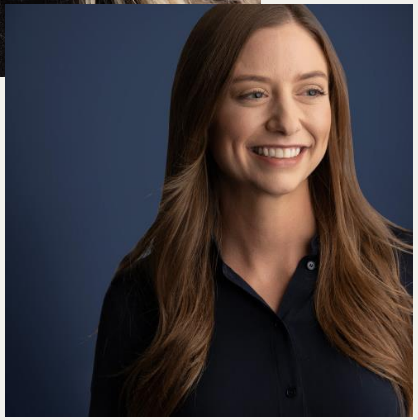
Companies doing ≥$100M in revenue are all running Marketo.

CRM platform use as companies grow



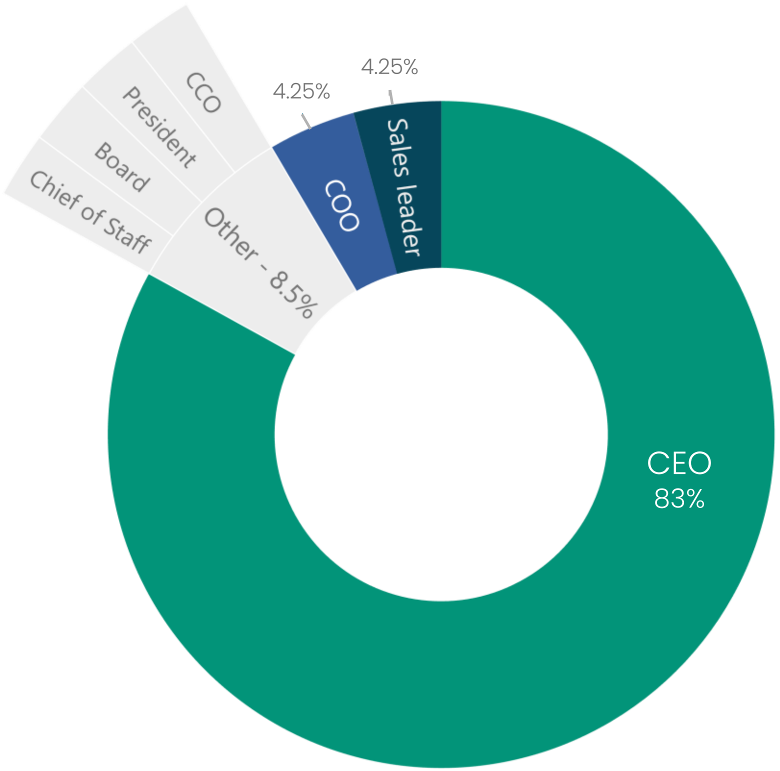
Headcount & Teams





Marketing leader overwhelmingly reporting to CEO

[Marketing leader] Who do you report into?

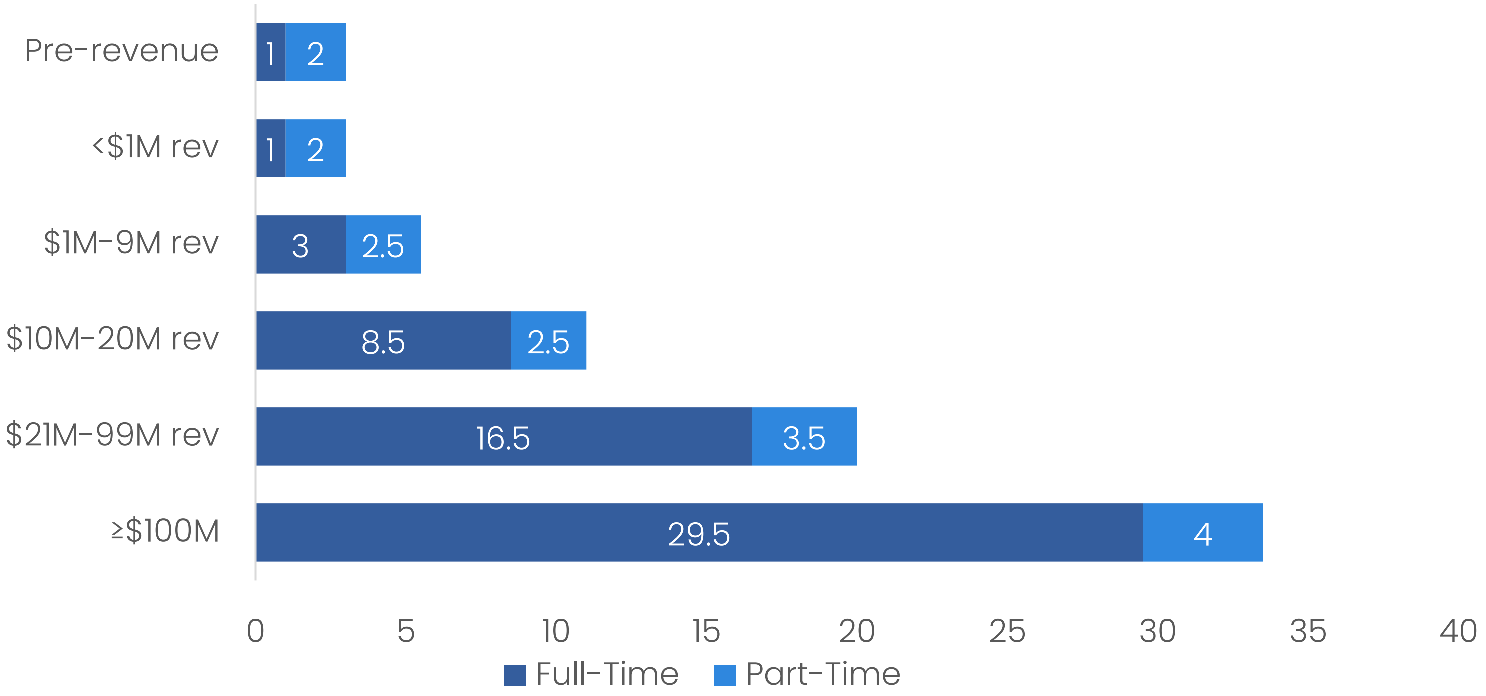


83% of marketing leaders answered that they report directly into the CEO.

This includes a range of leveling, including CMO, VP of Marketing, and Head of Marketing roles.

Average marketing team size

How many full-time employees and part-time contractors/employees do you have in marketing?
(Exclude inside sales, SDRs/BDRs, if part of your marketing org.)



CONTRACTOR SUPPORT

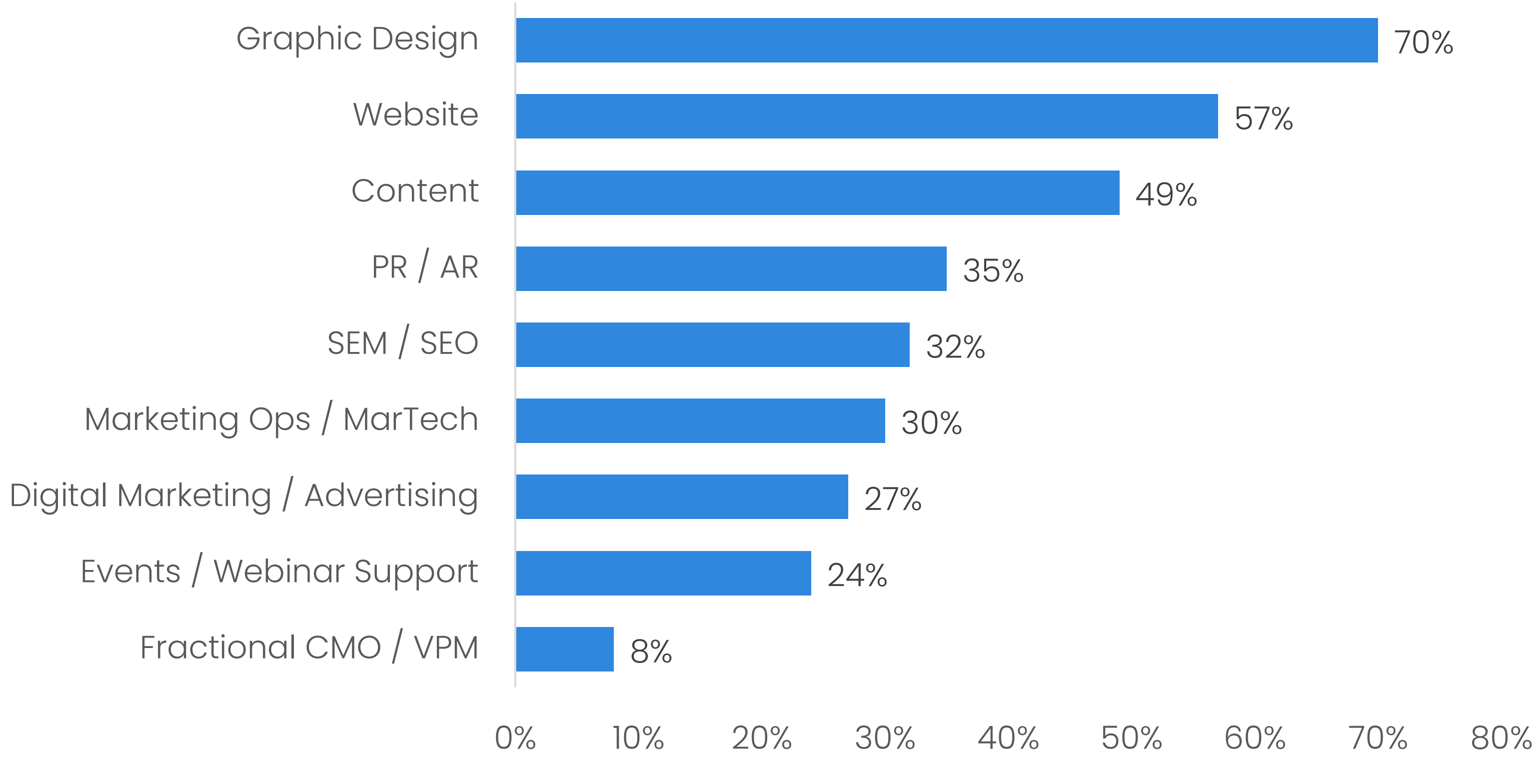
Graphic Design

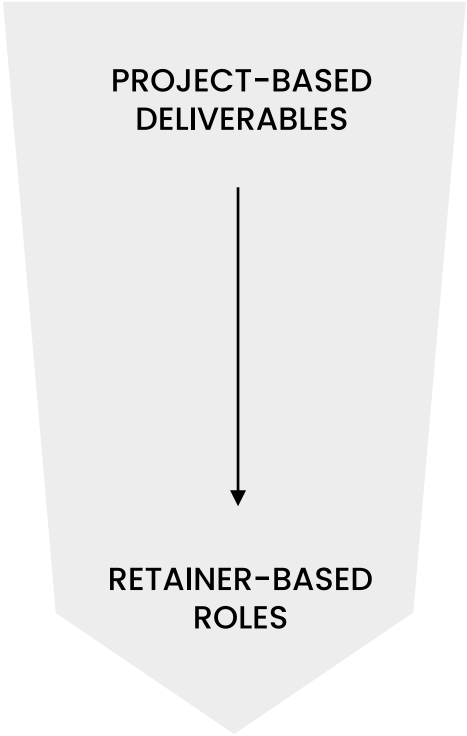
Content

Website

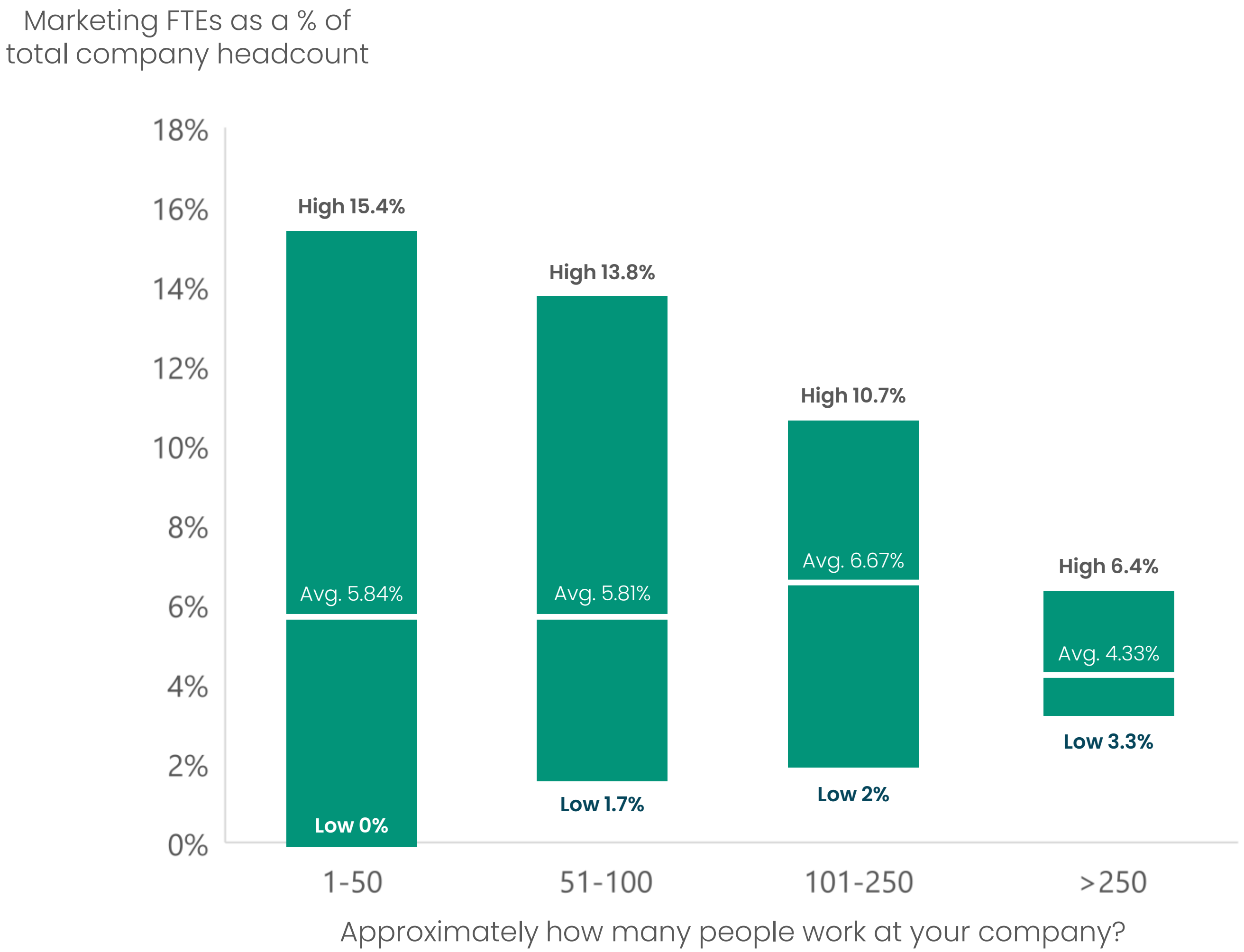
Contractors preferred for specialized skills with concrete deliverables

How are you using part-time contractors / employees in marketing?
(Check all that apply.)

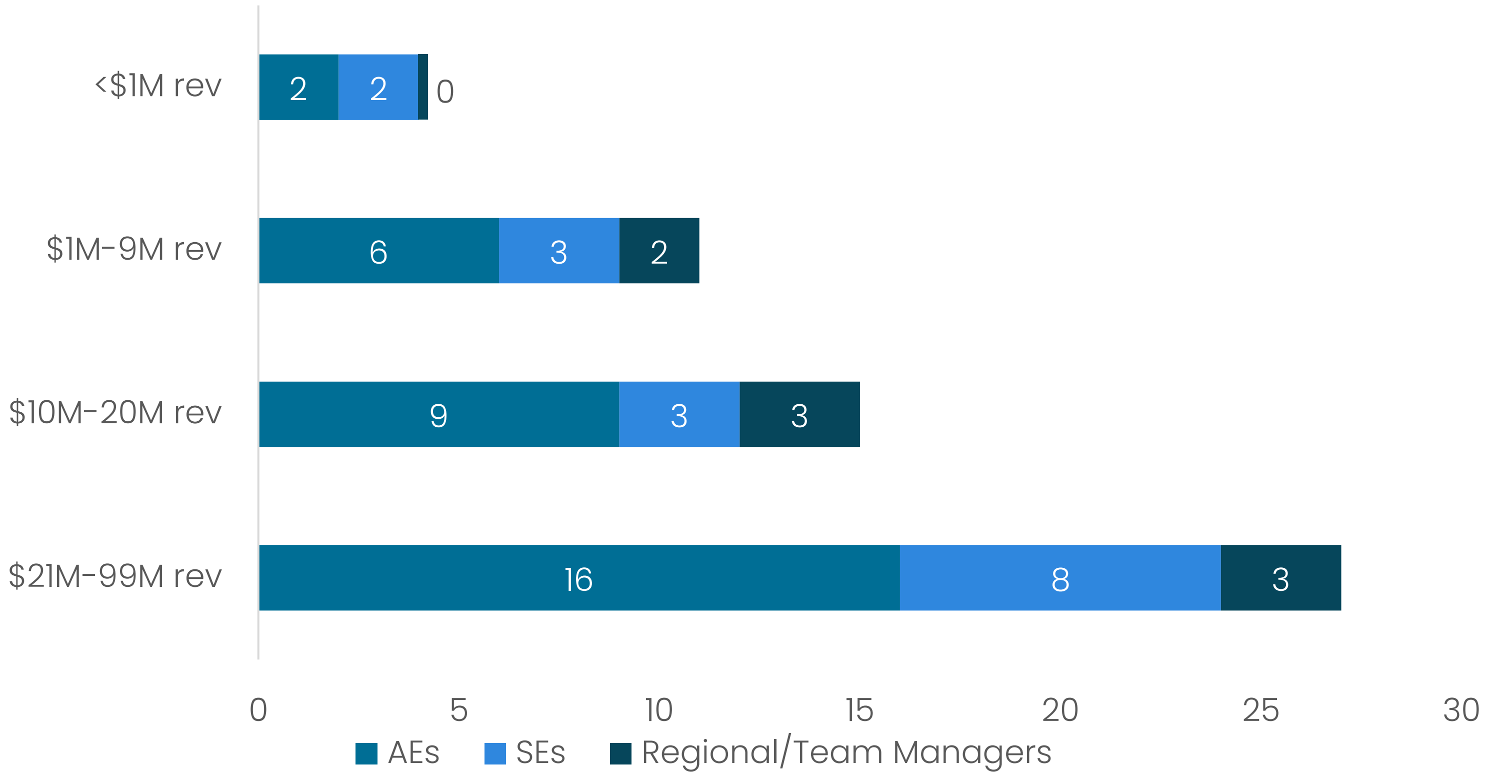




Marketing team size as a % of total FTEs



Average field sales **team size** (AEs, SEs, and territory managers)

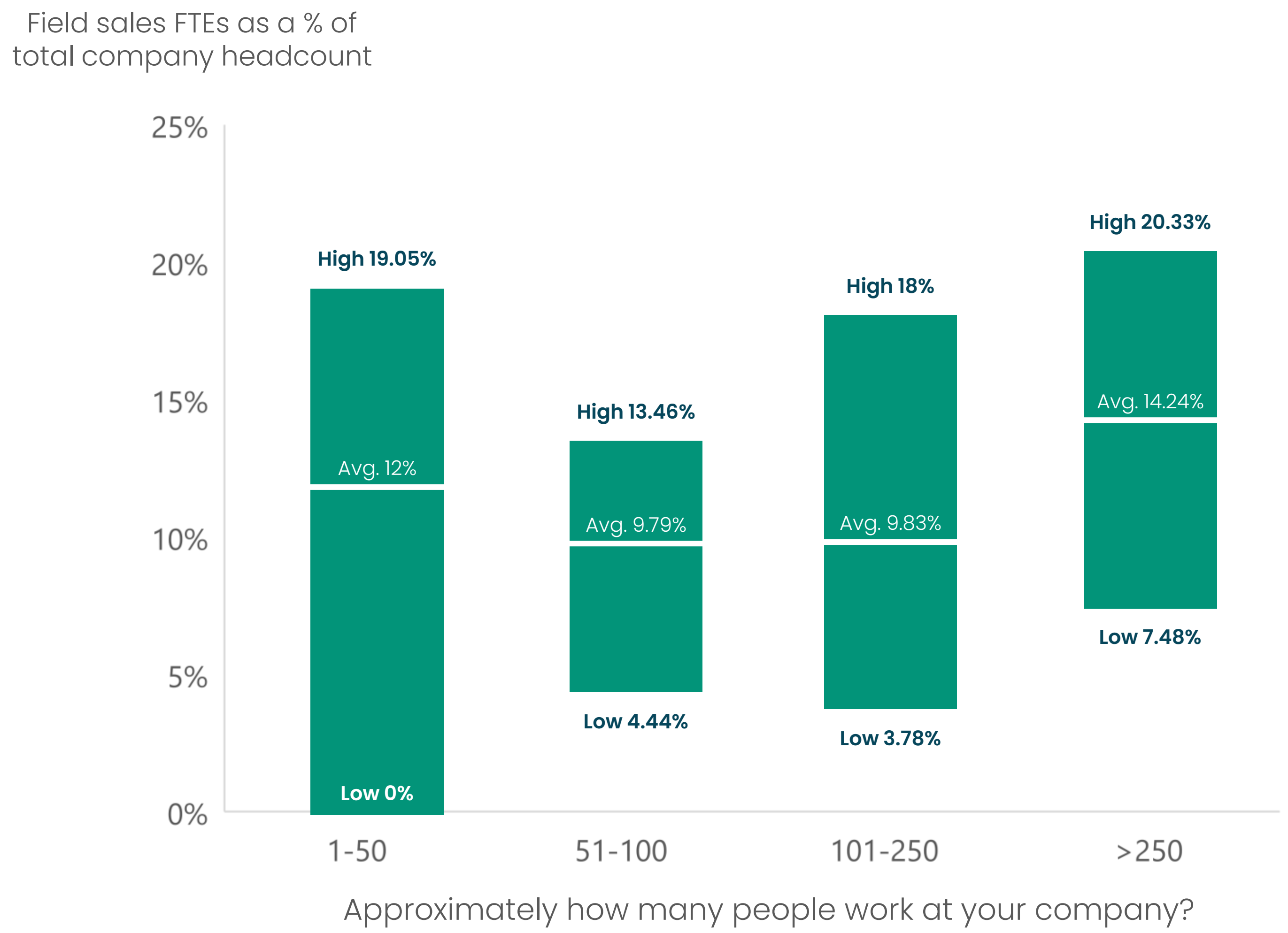


EARLY & LATE-STAGE TRENDS

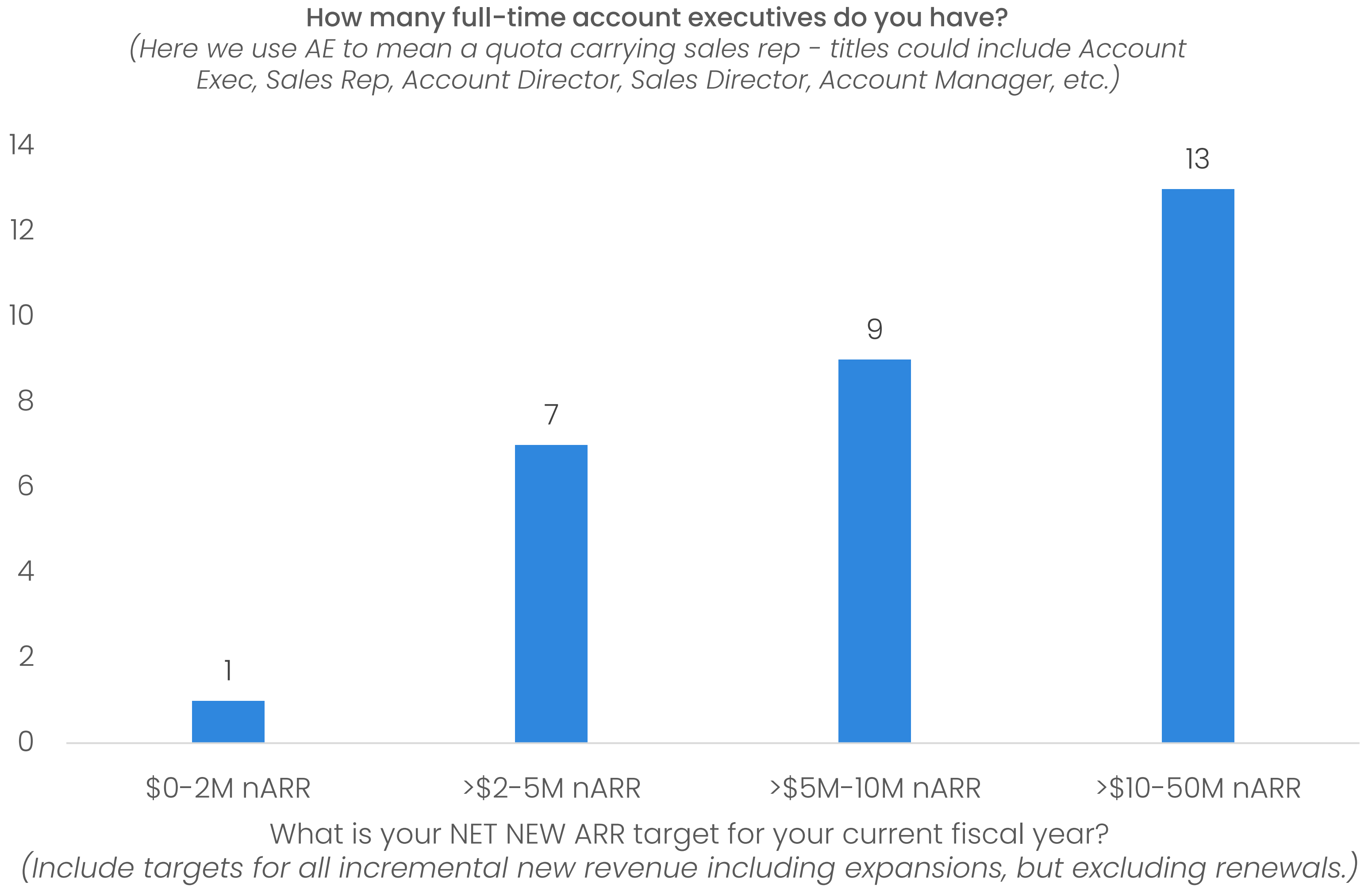
Pre-revenue companies
No field sales team

≥$100M rev companies
50-175 AEs
25-45 SEs
6-20 Team Managers

Field sales team size as a % of total FTEs (AEs, SEs, and territory managers)



How AE teams scale with net new revenue targets



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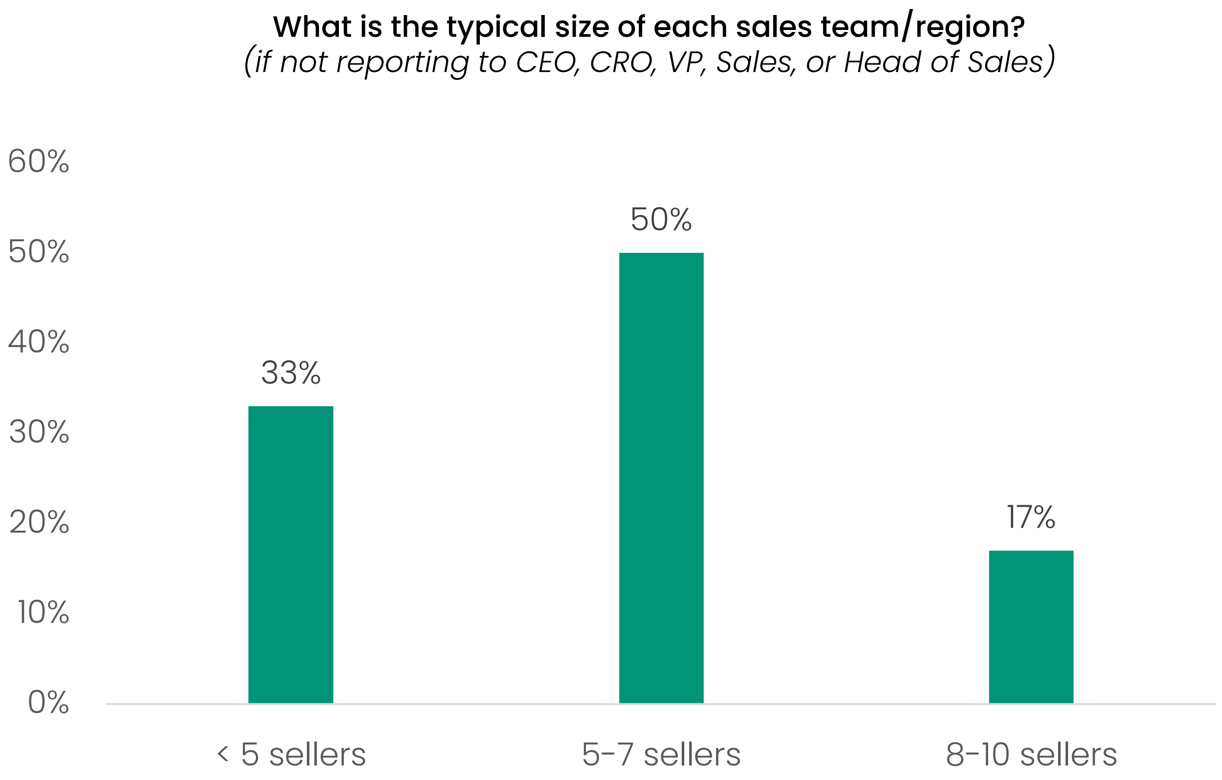
Sales team sizes per field/team manager



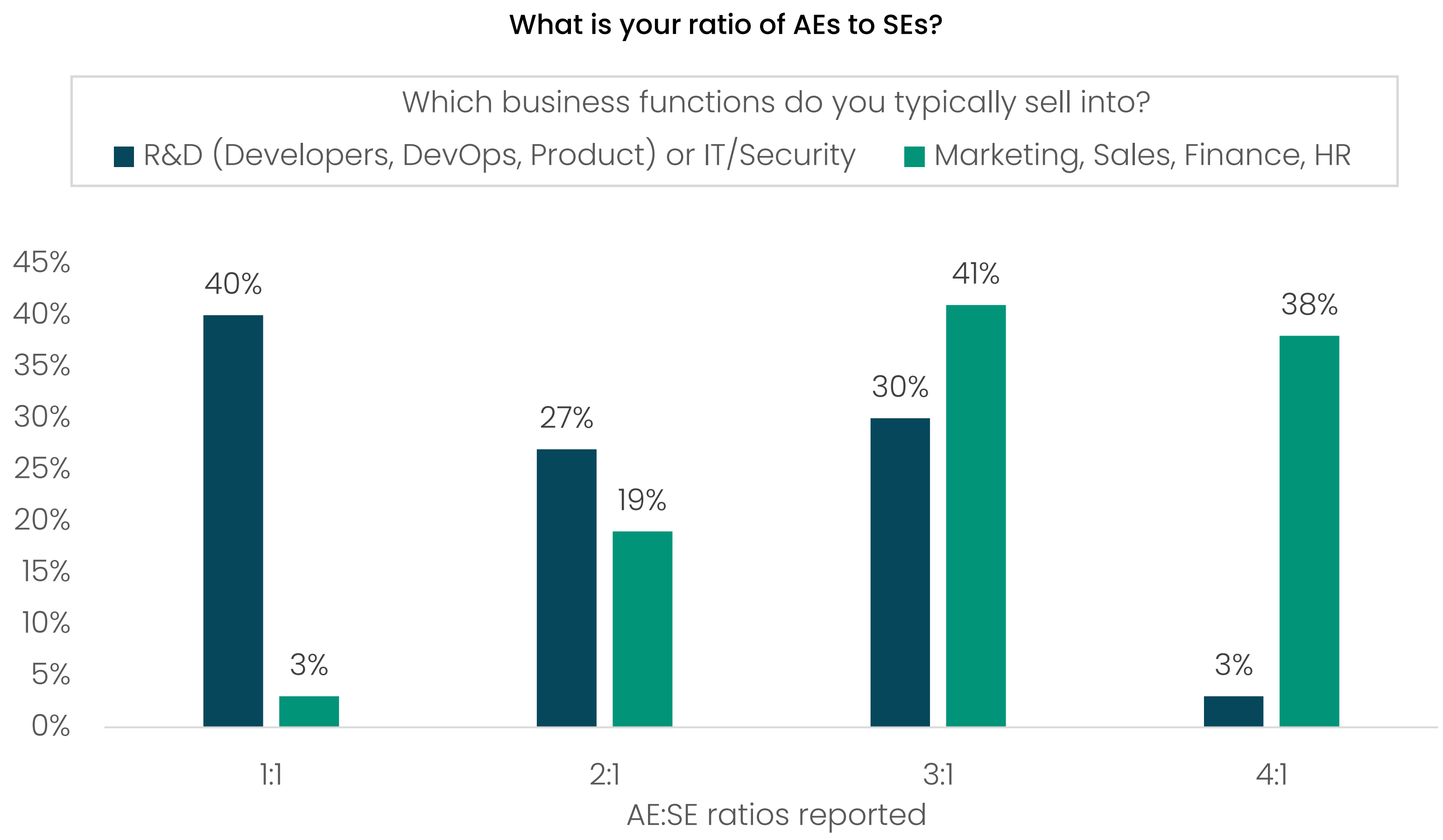
100% of companies reported having some head of sales after **$300K ARR**.

75% of companies after **$10M ARR** have management team layer

83% of companies after **$20M ARR** have management team layer

0% reported having more than **10 sellers** per team/region

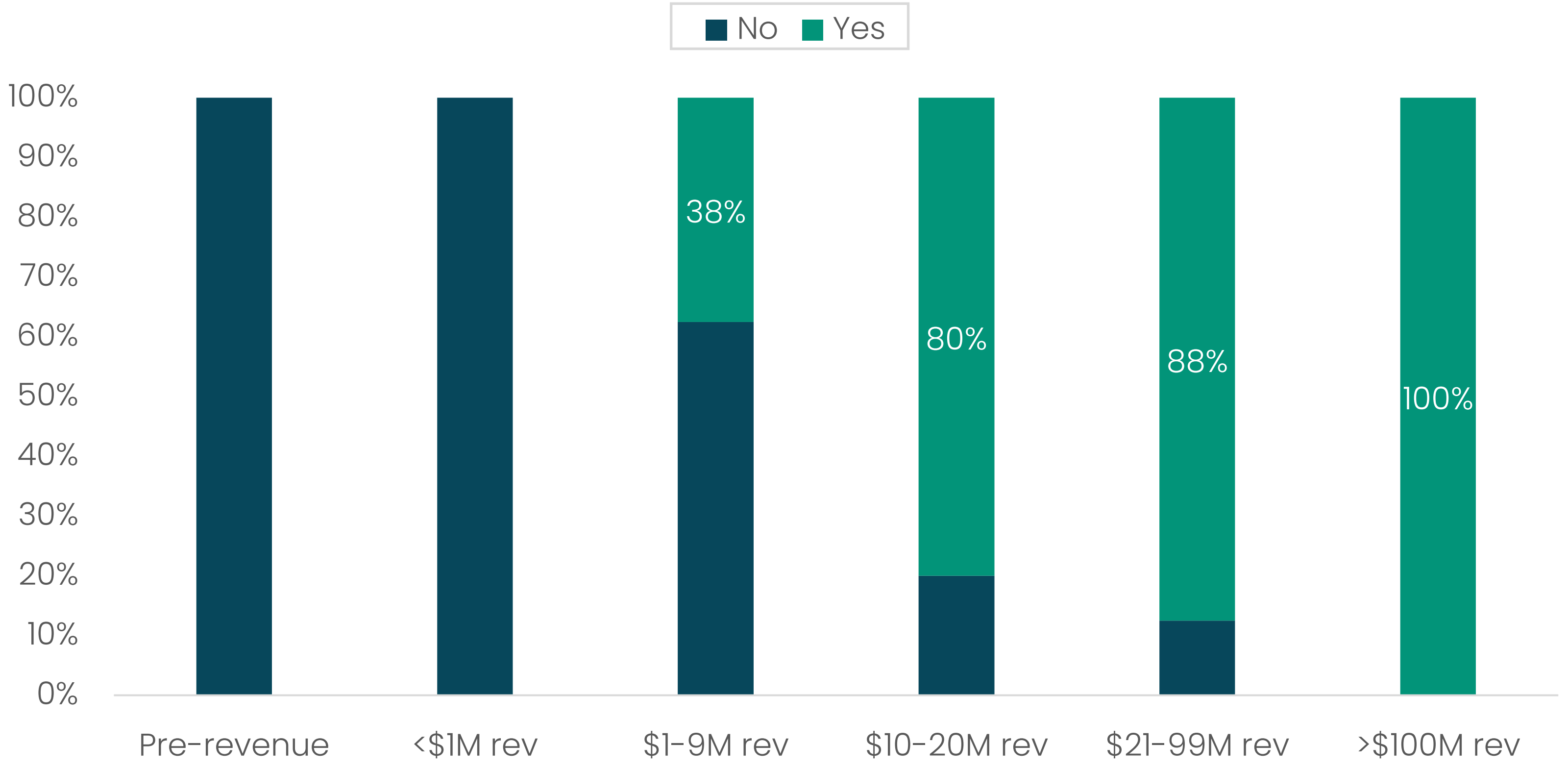
AE:SE ratios change depending on personas targeted



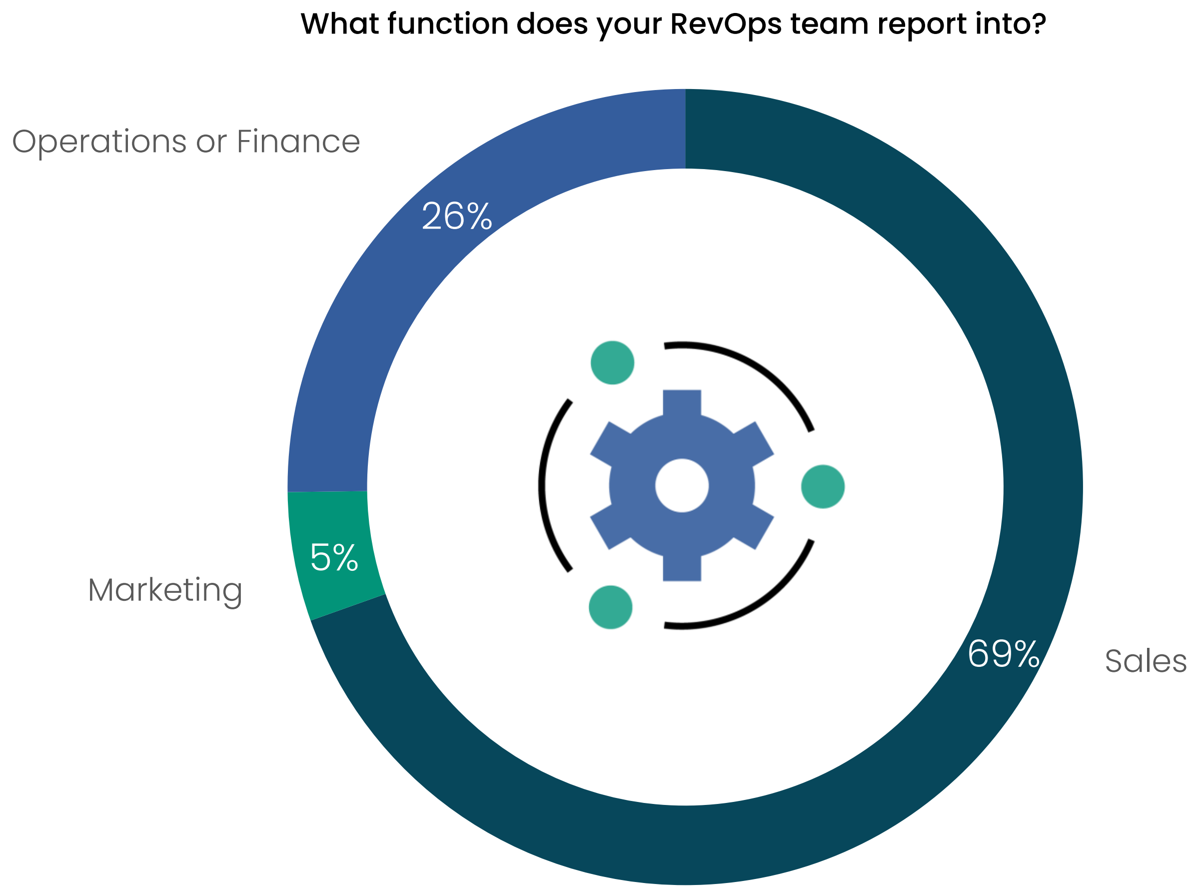
The type of solution being sold and how technical the sale is typically resulted a higher AE:SE reported coverage (1:1 or 2:1), while solutions targeting business users typically had lower reported coverage (4:1 or 3:1).

RevOps: When to hire

Does your company have a dedicated RevOps function/team?
(Here we use RevOps to mean the person or team dedicated to defining quotas, territories, and comp plans as well as running the RevOps tech stack.)

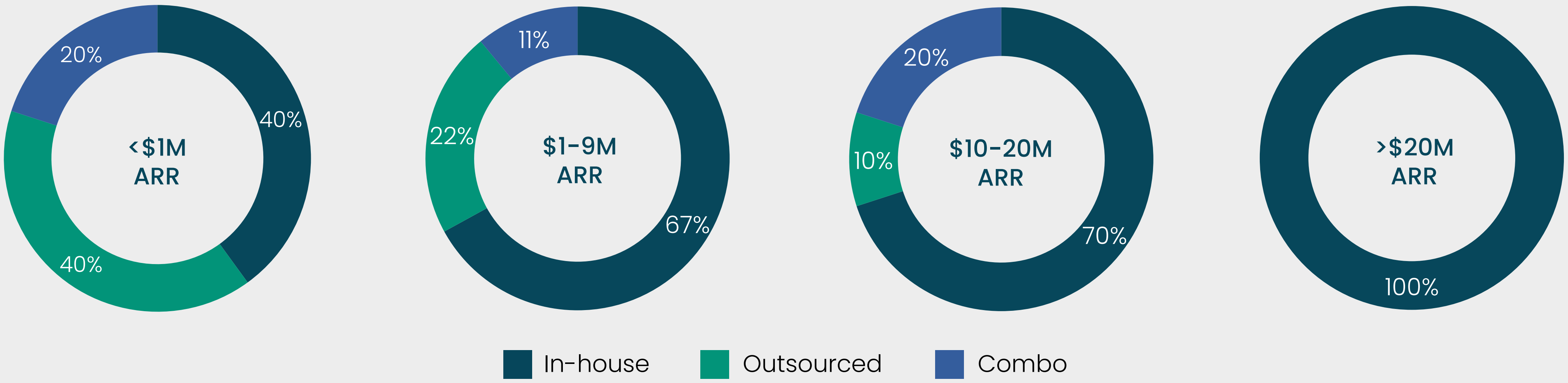


RevOps: Who they report into



SDR/BDR teams: When to hire

Is your SDR / BDR function in-house, outsourced, or combo?



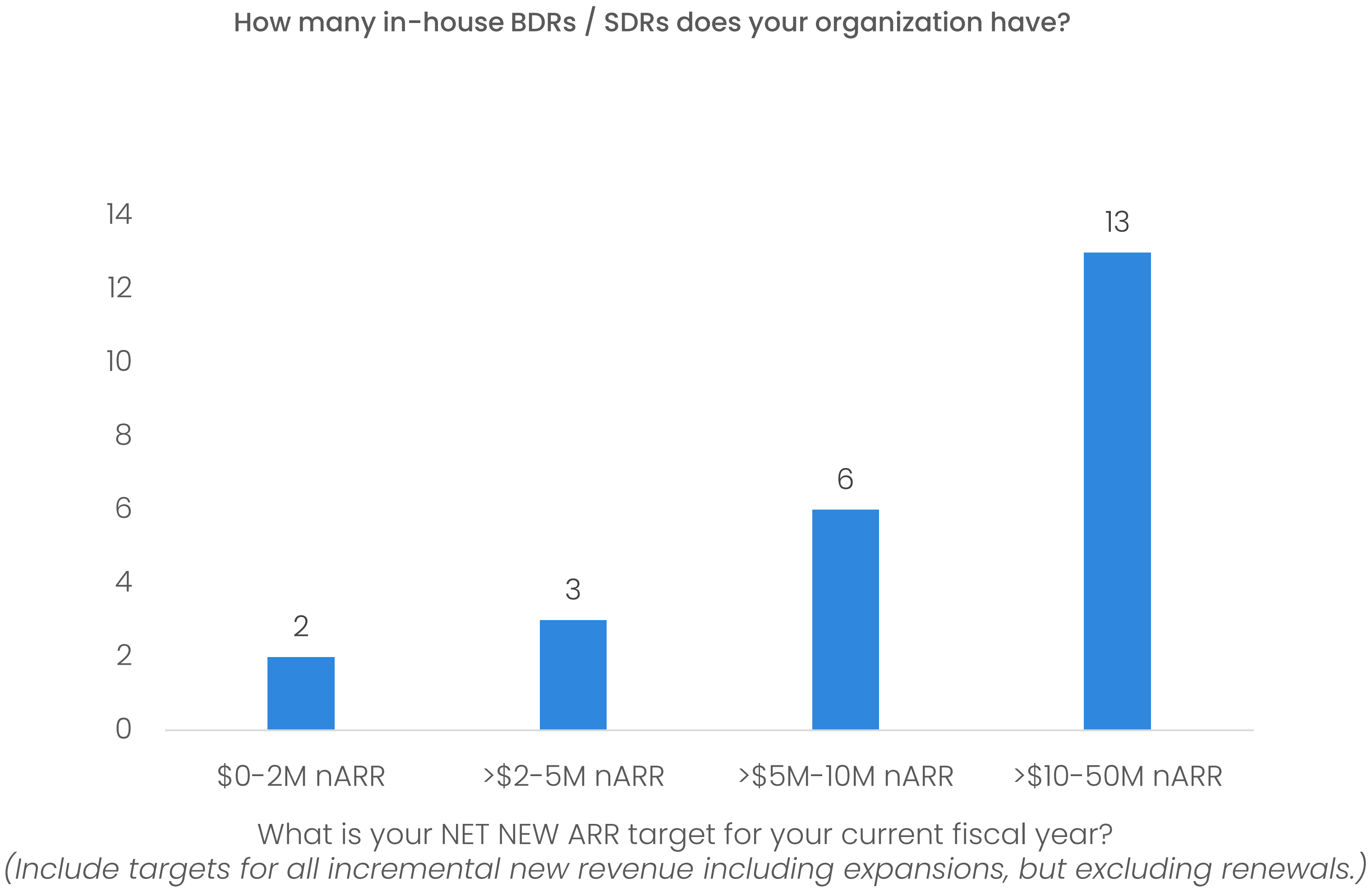
78%

of companies who use outsourced BDR / SDR agency report the work is scoped by # of FTEs the agency puts on their account.

$25K

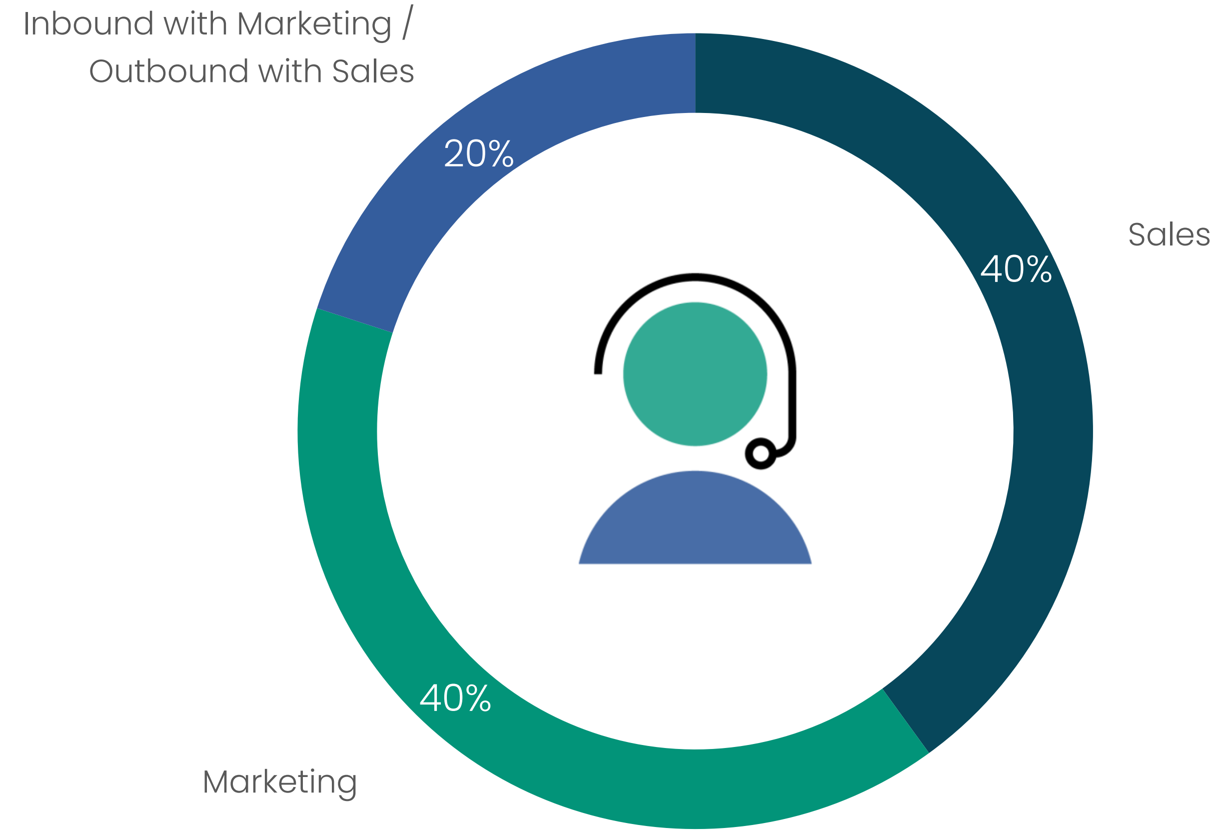
is the average monthly spend reported for an outsourced SDR agency.

How SDR/BDR teams scale with net new revenue targets

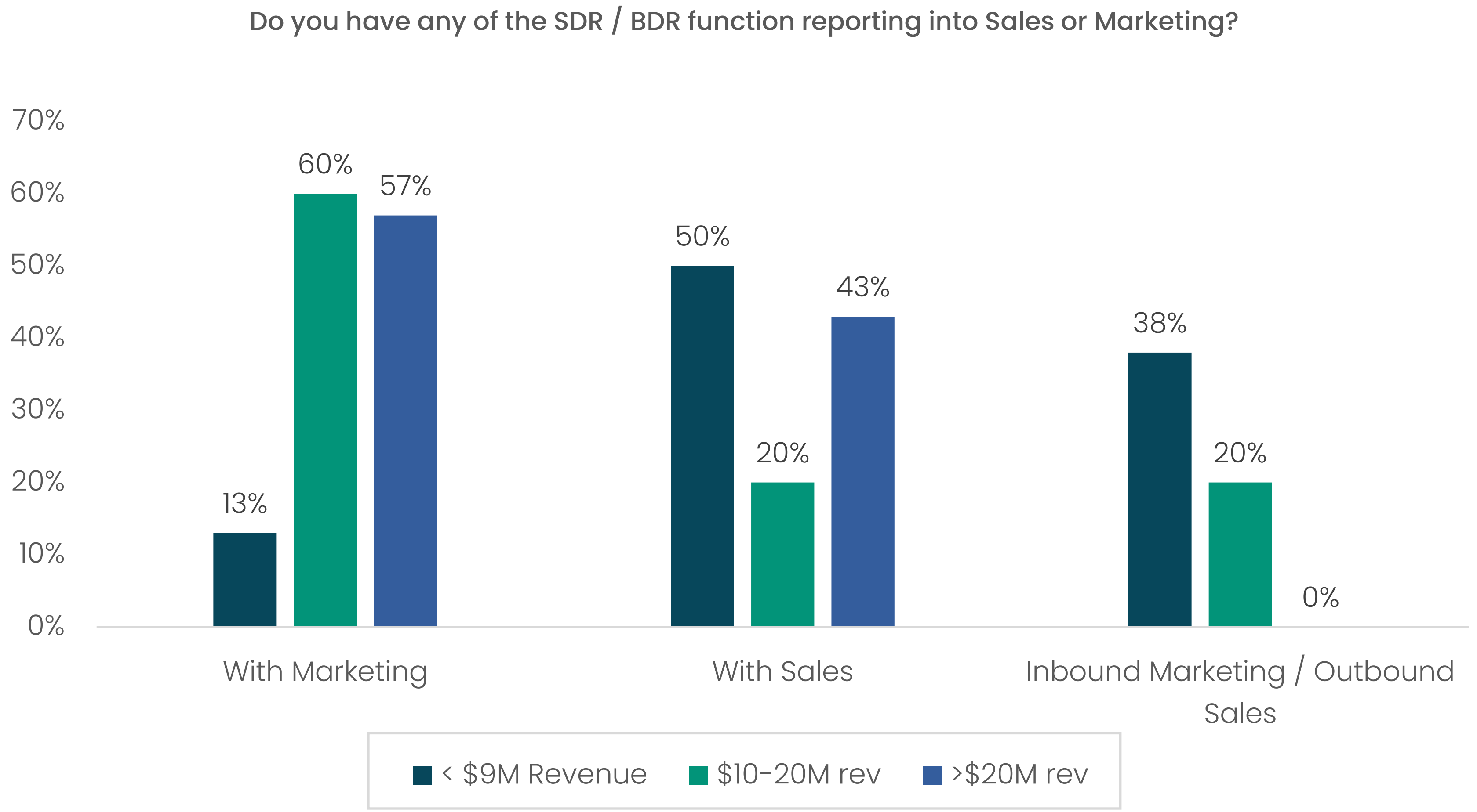


SDR/BDR teams: Who they report into

Do you have any of the SDR / BDR function reporting into Sales or Marketing?



SDR/BDR teams: Reporting shifts as companies grow



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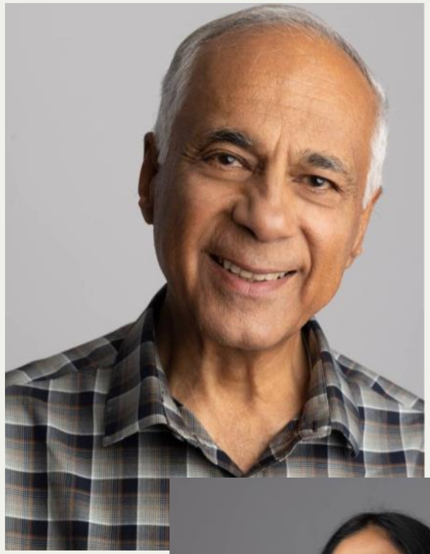
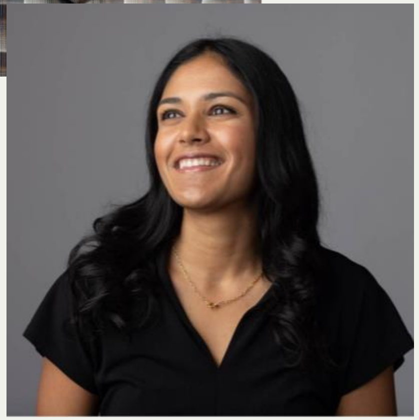
2023 Sales & Marketing Benchmark Survey

Pipeline & Deal Creation





What top 3 KPIs does your marketing org manage to?

FUNNEL

PIPELINE

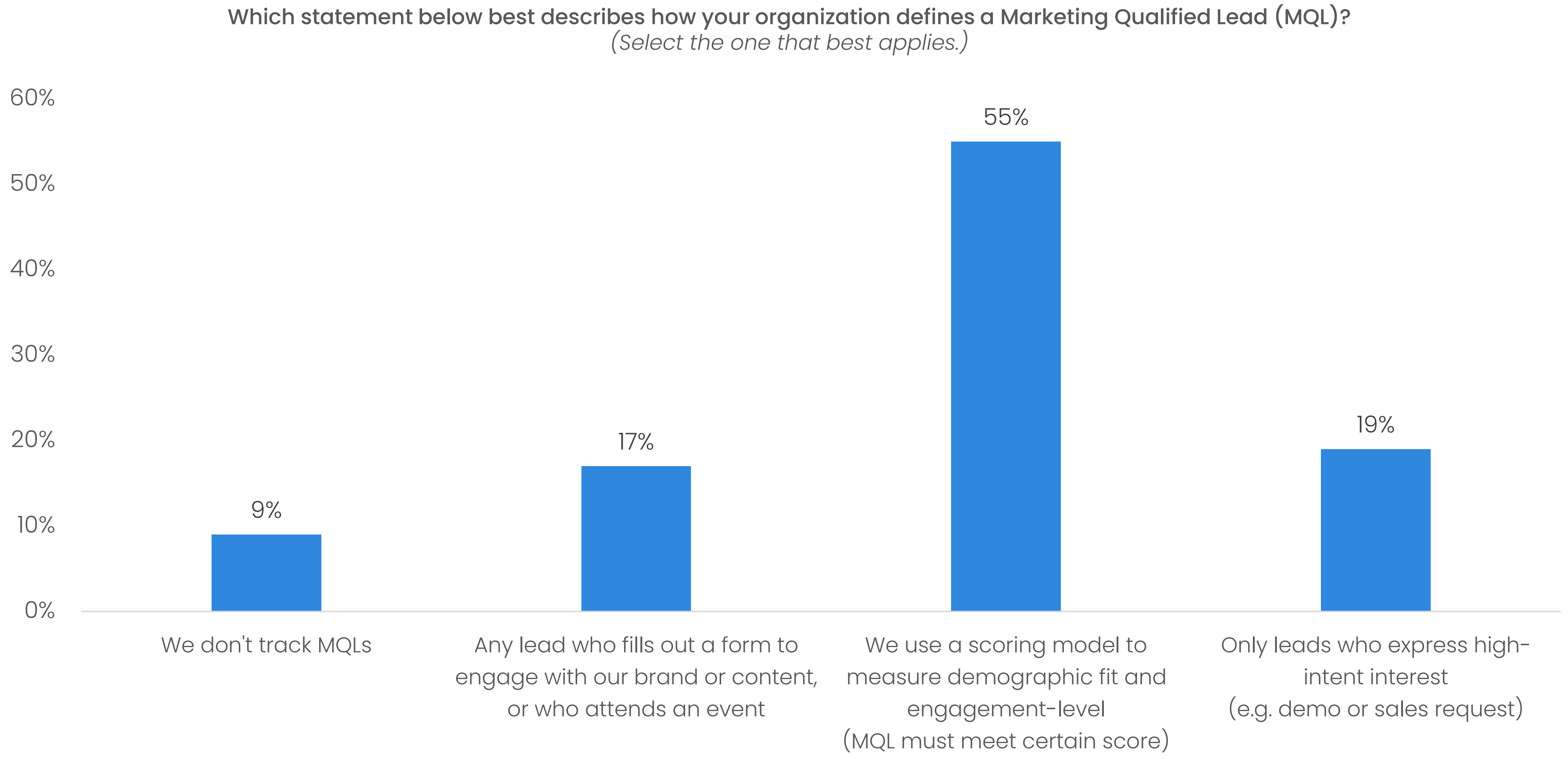
	Pre-revenue	<$1M rev	$1M-9M rev	$10M-20M rev	$21M-99M rev	≥$100M	Total
SHARE OF VOICE	0	0	0	1	0	2	3
SOCIAL REACH	2	0	0	0	0	0	2
SOCIAL ENGAGEMENT	2	0	1	0	1	0	4
WEBSITE METRICS	1	0	1	3	6	2	13
NET NEW LEADS	3	3	4	0	1	0	11
ENGAGED LEADS	0	1	1	0	1	0	3
ENGAGED ACCOUNTS	2	1	0	1	1	0	5
MQLS / SQLS	1	2	7	5	7	4	26
OPPORTUNITIES (COUNT)	2	5	4	4	3	2	20
OPPORTUNITIES ($$)	0	2	5	10	4	0	21
MEETINGS	0	0	4	5	0	1	10
WIN RATE	0	0	0	0	1	1	2
CLOSED DEALS	2	4	2	4	2	1	15

Brand awareness and earned brand coverage metrics are not a top priority for most.

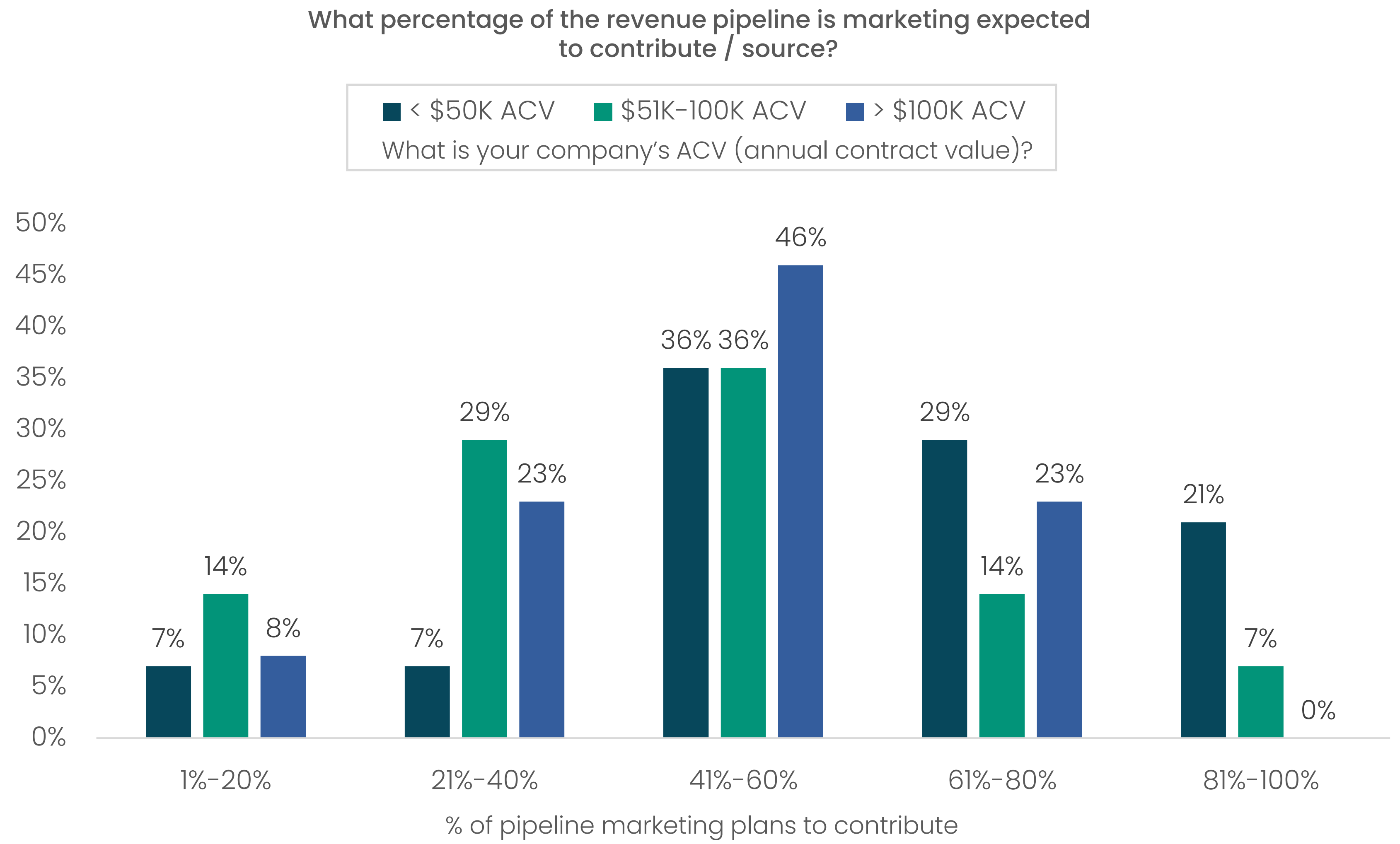
Despite ABM investments, “Engaged Accounts” are low on list of top KPIs.

Contrary to popular opinion, MQLs still appear to be the “hero metric” for marketing.

MQL definitions as reported by marketing leaders



What % of pipeline do marketing leaders plan to contribute?



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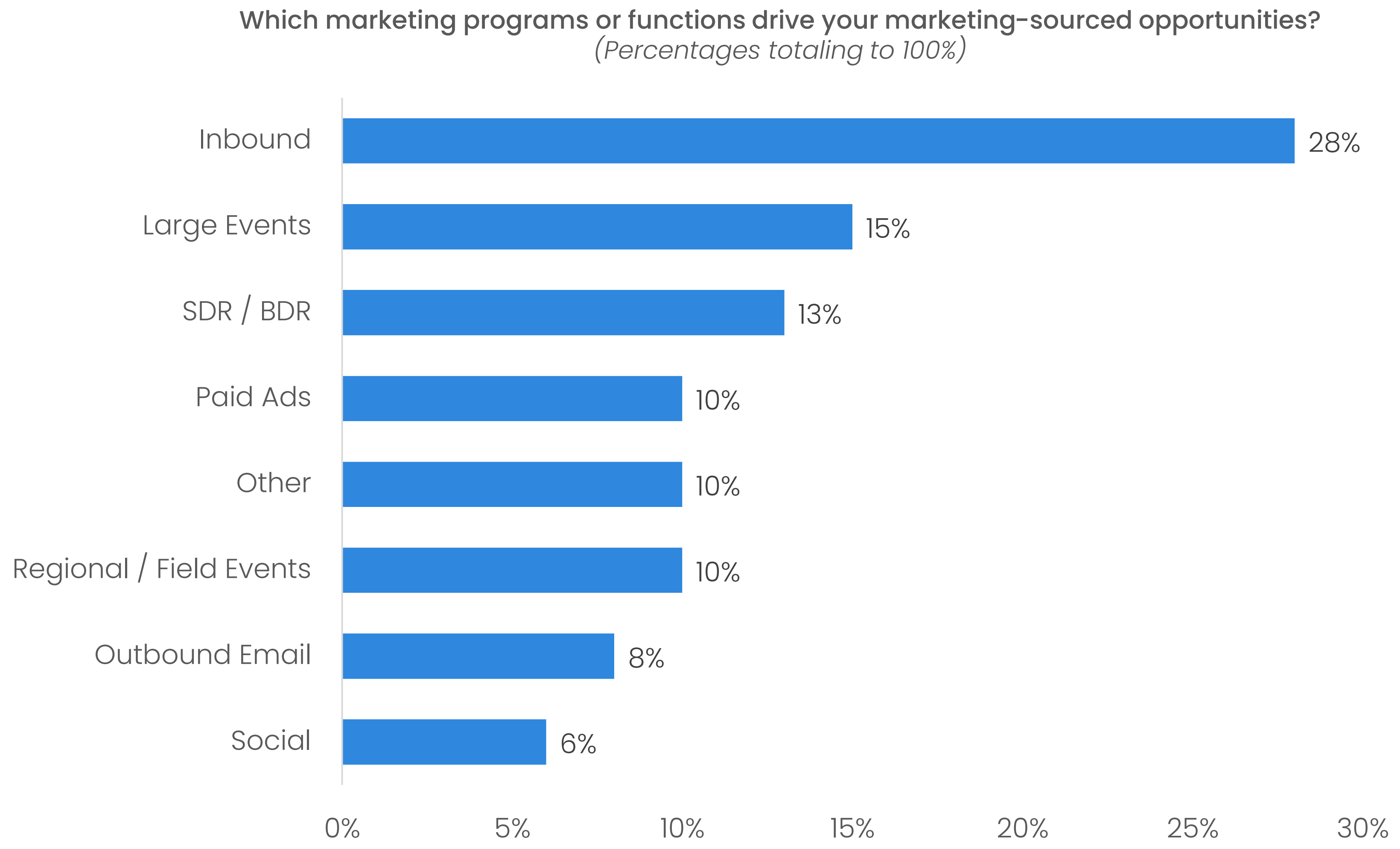
Which marketing programs drive marketing-sourced opportunities?



If budgets were cut, which marketing programs would marketing leaders prioritize keeping?

(Select up to 5.)

	Pre-revenue	<$1M	$1M-$9M	$10M-20M	$21M-99M	≥$100M	Total
BLOGGING / CONTENT / SEO	4	4	5	7	4	2	26
PARTNER MARKETING	1	1	2	2	0	2	8
REGIONAL / FIELD EVENTS	0	2	3	0	4	2	11
MULTIMEDIA CONTENT	2	1	0	2	1	2	8
TRADESHOWS / LARGE EVENTS	1	2	5	7	4	1	20
PAID SEARCH	1	0	1	8	6	0	16
PAID SOCIAL MEDIA	0	0	2	1	4	0	12
COMPANY-HOSTED EVENTS	0	2	3	4	3	0	7
ANALYST SUBSCRIPTIONS	0	1	1	4	2	1	9
ORGANIC SOCIAL MEDIA	3	3	5	1	1	1	14
EMAIL MARKETING	4	3	8	6	3	1	17
WEBINARS	2	1	5	3	5	1	17
TRADITIONAL PR	1	1	1	1	3	0	7
DISPLAY ADVERTISING	0	0	0	2	1	0	3
DIRECT MAIL	0	0	0	0	0	0	0

Content consistently ranked as a top initiative to keep under budget pressure.

Paid search and tradeshows are higher priority for growth-stage companies.

Email marketing and organic social ranked higher for earlier stage companies.

Direct mail appears to be easily cut.

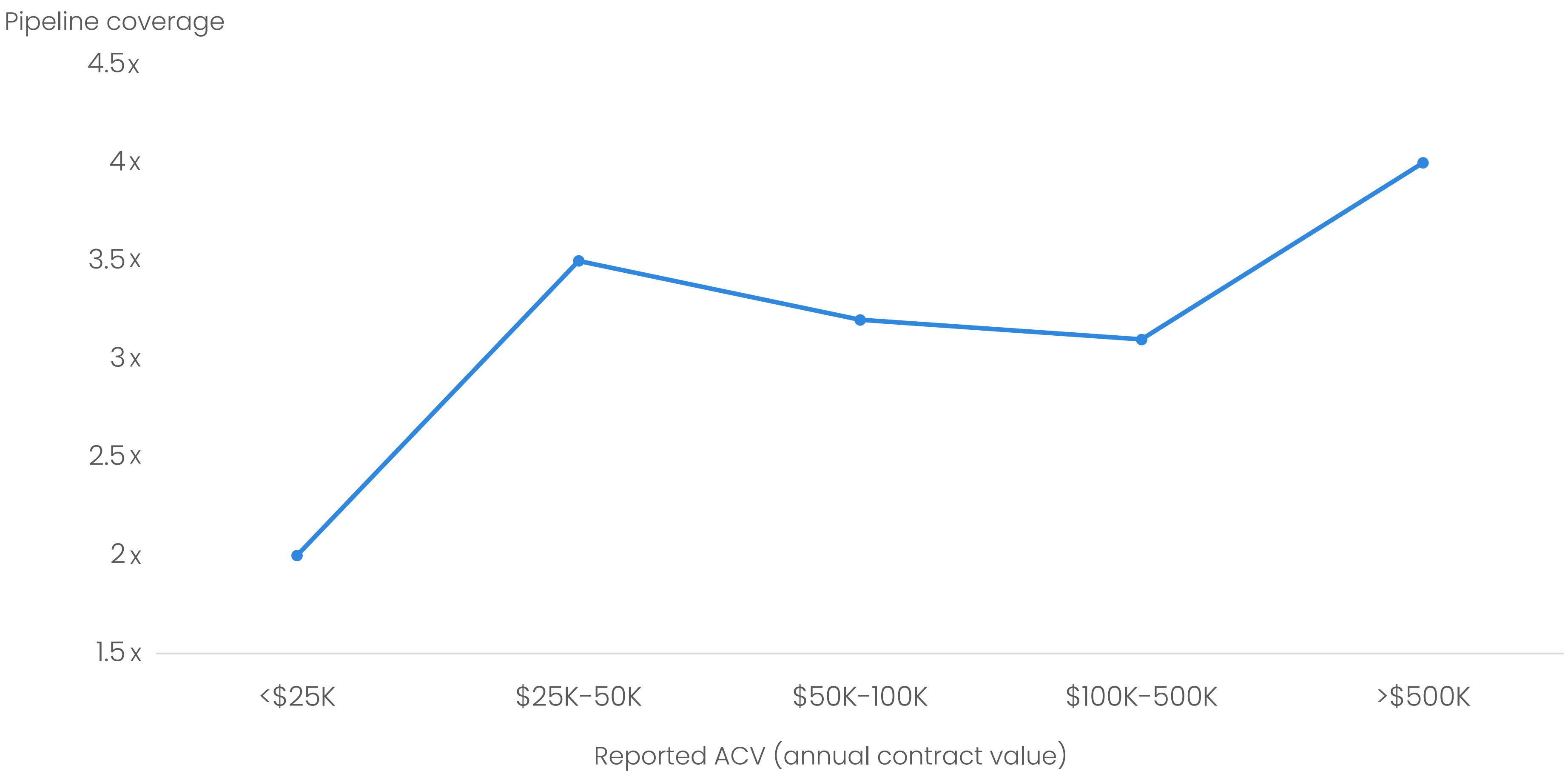
Average pipeline coverage by reported ACV

As deal sizes go up, sales leaders want increased pipeline coverage.

Only 2x quota for companies with ACV <$50K.

Up to 4x quota for companies with ACV >$500K.

How much qualified pipeline coverage do you plan for to achieve revenue targets?



Average quota attainment as companies grow in revenue

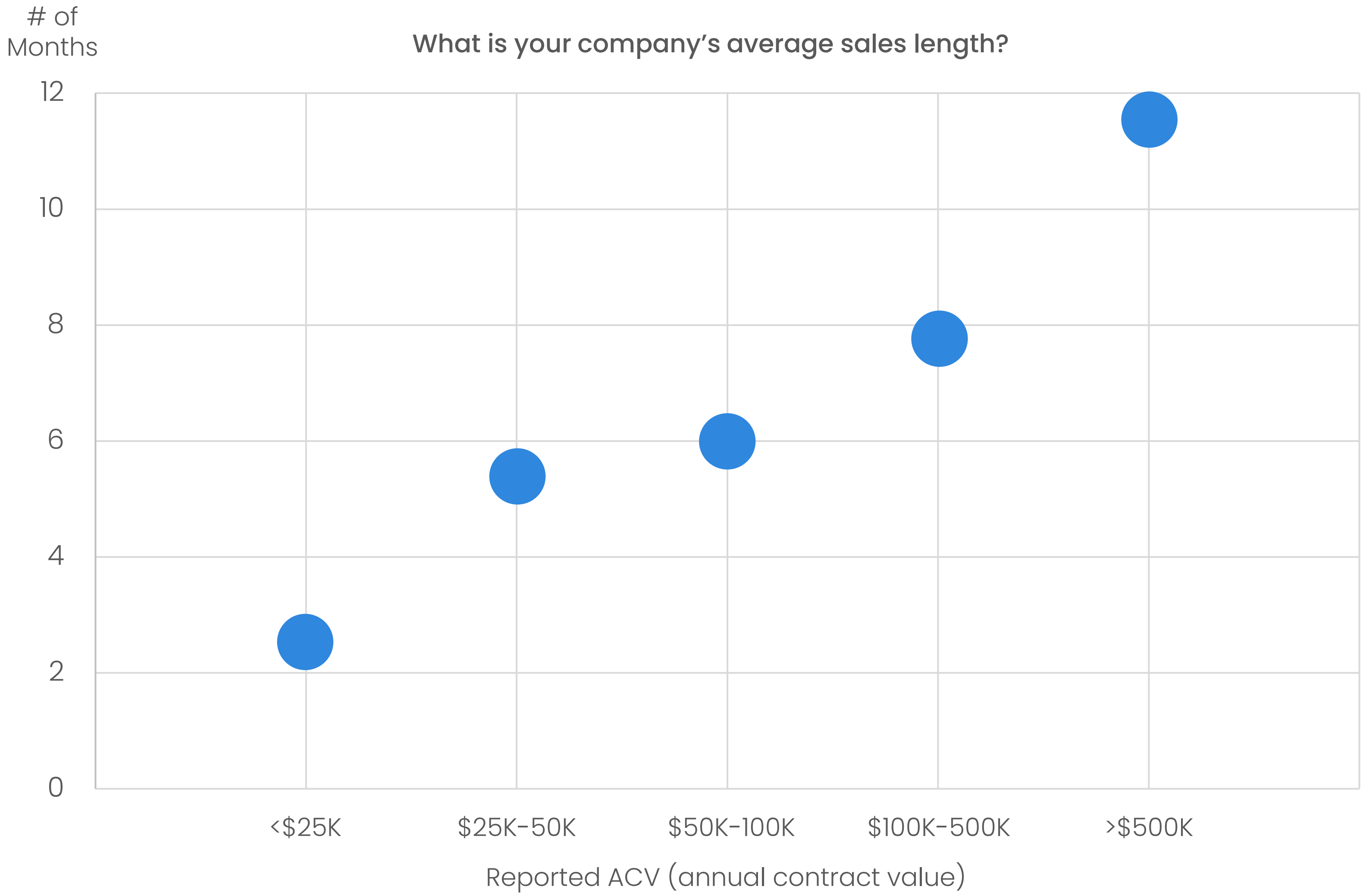
What was your average quota attainment for your AEs/field sales reps last year?

Quota attained	Pre-revenue	<$1M rev	$1-9M rev	$10-20M rev	$21-99M rev	≥$100M
91% - 100%			13%			
81% - 90%			37%	10%	50%	100%
71% - 80%		14%	24%	40%	13%	
61% - 70%			13%		25%	
51% - 60%		29%	13%	20%		
LESS THAN 50%	100%	57%		30%	13%	

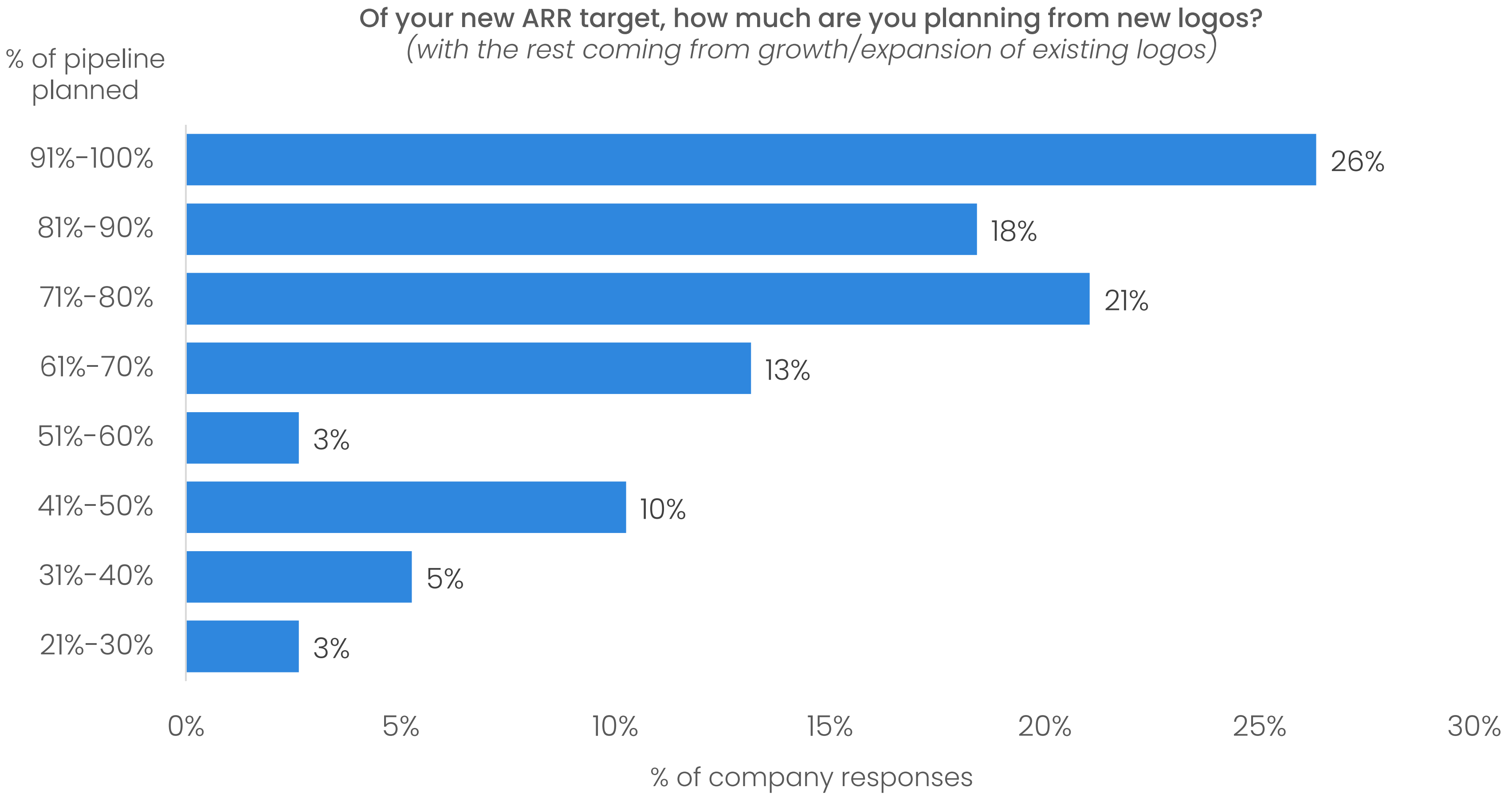
As they mature and grow in revenue, companies get better at setting and meeting quota.

Average sales cycle length by deal size

As expected, the length of the sales cycle grows predictably with ACV, with two-thirds of companies saying greater than 6 months.



% of pipeline planned to be sourced **from new logos**



The majority of companies under $20M rev are planning to source over 80% of pipeline from their new logos (compared to 44% of all companies at various revenue sizes).

Disclosures

- The data in this report was collected from 52 Norwest portfolio companies between August 17 to September 17, 2023 by Savanta, a third-party full-service market research company. Responses collected included 75 respondents who fully completed the survey and 1 respondent who only partially completed the survey.

- Rapidly changing market conditions should be considered when reviewing this benchmarking data. This report is intended to be point of reference and should not be taken as a recommended course of action or legal advice.

- References to “companies” refers to portfolio companies surveyed through the 2023 Norwest Sales & Marketing Benchmark Survey.

- Throughout this report, there may be references to statistically significant differences. This means that an observed difference has been mathematically determined to be an actual difference that did not occur due to random fluctuations in the data. Statistical testing was done at a 90% confidence level which means that there is at least a 90% probability that the difference did not occur due to chance.

Thank You

Questions about the survey or the results?
Please email Renée Cohen | rcohen@nvp.com

