benchmarkit

ANNUAL BENCHMARK REPORT

2026

SaaS and AI Metrics Benchmarks

The definitive performance benchmarking report for B2B SaaS and AI-native software companies drawn from 342 companies and segmented by company size, annual contract value, pricing model, solution type, and GTM motion.

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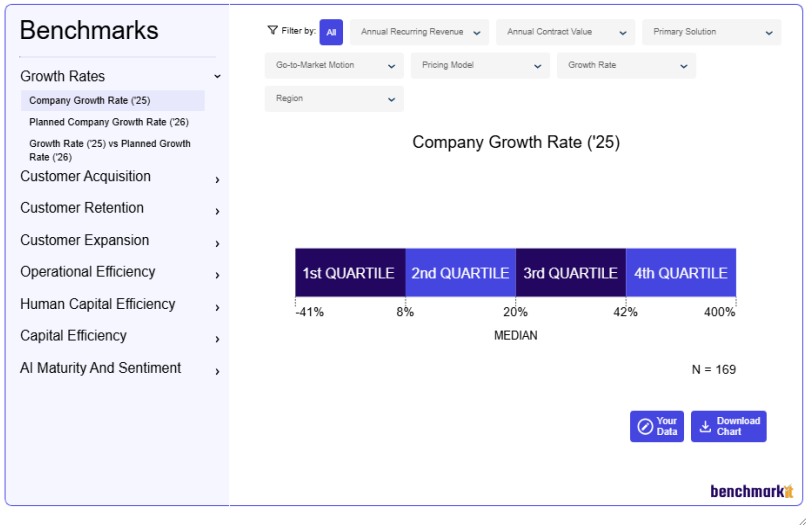
Publication Date

Interactive Benchmarks

2026 Benchmarks - Filter by Your Company Profile



CY-22 to CY-25 Longitudinal Benchmarks

Interactive benchmarks at: www.benchmarkit.ai/2026-saas-ai-native-metrics

NAVIGATION

Table of Contents

Operating efficiency has recovered, but the opportunity structure has changed

2025 produced the largest single-year efficiency gain in five years, yet the data reveals a market transitioning to a new operating model, not returning to a prior one.

+11%

CAC Payback Period Improvement

18 mo. → 16 mo. (CY-24 to CY-25). Largest single-year gain in four years.

-6%

Growth Rates Continue to Decline

26% → 20% median. Fourth consecutive year of decline from 30% in ‘22 to 20% in ‘25.

+10 pts

Rule of 40 Inflection

15% → 25% median. Most significant improvement in five years of benchmarking.

-4%

Gross Revenue Retention Decline

88% → 84% median. Top quartile fell 95% → 91%. A market-level dynamic.

OUR POINT OF VIEW

The 2025 “recovery” is real in the cost line and fragile in the revenue line

Efficiency improved because companies reduced S&M and R&D investments, not because the business became more durable. Gross retention fell 4 points in the same year. The median company is more profitable and less defensible than it was twelve months ago.B2B SaaS is undergoing a structural transition in four dimensions simultaneously. (1) Pricing architecture is bifurcating (seat-based 98% NRR vs. usage-based 108% NRR). (2) Headcount economics are being rewritten by AI-native operating models, where ARR-per-employee benchmarks are unrecoverable through cost cuts alone. (3) New logo acquisition is being arbitraged as buyers evaluate incumbents and AI-native challengers in parallel. (4) Growth rates have structurally decelerated to a 20% median, down from 30% in CY-22. Companies with top-quartile unit economics are the ones reinvesting in GTM and outperforming on growth. The efficiency gain and the growth rate decline are two sides of the same transition.

Implication: The median company freed roughly 2 percent of revenue from S&M, 8 percent from R&D, and 7 percent from G&A in a single year, while losing 6% of growth at the median. The question every board should be asking in Q1: Is capital being returned (Path A), sprinkled (Path B), or redeployed into structural advantage (Path C)? The data says fewer than one in four are choosing C. Growth rate compression to a 20% median is not a temporary condition. It is the output of the same structural forces that drove the efficiency gains. Companies that have achieved top-quartile unit economics are the ones successfully reinvesting in GTM. The efficiency gain and the growth rate decline are two sides of the same transition.

n = 342 B2B SaaS and AI-native software companies

Four converging forces are restructuring B2B SaaS competitive economics.

Each force is independently measurable, mutually reinforcing, and accelerating. None reverses in 2026.

01 ACCELERATING

AI-Native Cost Models Are Resetting Human Capital Benchmarks

$175K	median ARR per employee in CY-25
+17%	year-over-year improvement, driven by AI-assisted R&D
–8%	R&D as % of revenue (35% → 27%)

The 75th percentile now operates at $253K ARR per employee while the median sits at $175K - a 1.4x gap that headcount cuts alone cannot close.

02 STRUCTURAL

108% usage-based vs. 95% seat-based - a 13-point NRR gap

95%	median NRR for seat-based companies (below 100% threshold)
108%	median NRR for usage-based companies
13pts	structural NRR gap, compounding annually

Every year, the usage-based cohort compounds its installed base ~13 points faster than the seat-based cohort.

03 INTENSIFYING

Buyer Evaluation Is Now Dual-Track: Incumbent vs. AI-Native

–4pts	median GRR decline (88% → 84%), the largest single-year drop
–4pts	75th percentile GRR (95% → 91%); top performers not immune
Longer	sales cycles with elevated ROI scrutiny across categories

New logo acquisition increasingly competes against "do nothing and wait for AI-native option."

04 PERSISTENT

Median Growth Rates Continue to Compress

25%	median Rule of 40, still well below 40% investor threshold
20%	median growth in CY-25, down from 30% in CY-22. 75th percentile fell from 75% to 42% over four years.
Regulatory	and security friction extending enterprise procurement timelines

Growth is no longer the lever it once was, which is precisely why efficiency and retention now determine enterprise value.

n = 342 participants | Direction tags reflect five-year benchmark trajectory

Five moats separate top-quartile performers from the median in 2026

Each moat is measurable in the benchmark data and actionable within the 12-month planning horizon.

01 **Workflow Depth & Switching Cost**	**5.6x** **Vertical SaaS CLTV:CAC** *vs. 4.1x horizontal*	THE DATA Vertical SaaS achieves a 5.6x median CLTV:CAC versus 4.1x for horizontal SaaS. Deep workflow integration produces structural retention that horizontal AI tools cannot easily replicate.	RECOMMENDED ACTION Audit product surface area for AI displacement risk. Reinforce embedded workflows; sunset features exposed to commodity AI substitution.
02 **Pricing Model as a Strategic Lever**	**+10pts** **NRR advantage** *108% usage vs. 98% seat*	THE DATA Seat-based NRR (98%) sits below breakeven; usage-based (108%) clears it comfortably. The 10-point spread is structural, not cyclical - it reflects how revenue is ***architected***, not how well the company is run.	RECOMMENDED ACTION Begin usage, outcome, or hybrid pricing pilot within the next two quarters. Investor scrutiny on pricing architecture will intensify in CY-26 reporting cycles.
03 **Expansion as a Revenue Function**	**$0.80** **Expansion CAC** *vs. $1.63 New Name CAC (53% cheaper)*	THE DATA Expanding a customer costs $0.80 per dollar of new ARR. Acquiring one costs $1.63 **- more than 2x as expensive.**	RECOMMENDED ACTION Move expansion ownership out of CS and into a dedicated revenue function with quota, pipeline, and ratio targets.
04 **AI Adoption as Operating Model Transformation**	**10%** **25th pct R&D as % revenue** *27% median; 35% three years ago*	THE DATA The 25th percentile for R&D as % revenue decreased to 22%, a level achievable only through AI-assisted engineering productivity. Headcount rationalization alone cannot produce this margin profile.	RECOMMENDED ACTION Treat AI as an operating model redesign owned by the CEO and CFO. IT-led AI initiatives will fall further behind annually.
05 **Measurement Precision as Competitive Advantage**	**26% vs 20%** **Planned growth greater than actual growth** *6% plan for '26 and 20% actual for '25*	THE DATA Fewer than 20% of companies formally track actual vs. planned growth rate variance with root-cause analysis. The four-year pattern of systematic over-forecasting is a measurement and accountability gap.	RECOMMENDED ACTION Establish a quarterly metrics to review all metrics and unit economics (beyond revenue) including Expansion CAC, AI R&D ratio, and Gross Profit per Million Tokens. What is not measured cannot be managed or allocated.

Moats are ranked by feasibility of action within FY-26 planning horizon, not by potential upside

The 18-month window to convert efficiency gains into a structural advantage

How B2B SaaS leadership teams redeploy 2025 capital in 2H-26 and CY-27 will determine whether the performance gap to the frontier closes or widens beyond recovery.

THE MOMENT

Efficiency gains have freed capital. The decision is where to redeploy it.

PATH A
Restore Operating Margin

OUTCOME

Transient Recovery

THE PLAY

Bank the 2025 efficiency gains. Maintain current pricing architecture, expansion model, and GTM motion. Distribute capital to investors.

THE CONSEQUENCE

Performance reverts to previous levels within 18-24 months as AI-native competitors compound their structural advantages.

PATH B
Incremental Reinvestment

OUTCOME

Median Drift

THE PLAY

Add AI features that can be charged for to the existing product. Only increase S&M spend in proportion to pipeline and new ARR growth, as unit economics improve.

THE CONSEQUENCE

Tracks median benchmark trajectory, which is a 20% growth rate and declining, not a stable target. Median is the leading edge of the risk zone – find a way to 4th quartile.

PATH C
Operating Model Redesign

OUTCOME

Top-Quartile Trajectory

THE PLAY

Transition pricing architecture, build expansion as a revenue function, redesign R&D and GTM organizations around AI productivity, and instrument new metrics.

THE CONSEQUENCE

Captures the structural advantages that the benchmark data shows compounding annually for top-quartile performers.

Based on 2026 planned-growth and reinvestment data, an estimated 60%+ of the benchmark population is on Path A or B. Fewer than one in four is resourcing Path C…the path that produces the top-quartile spread documented throughout this report

Path outcomes modeled against five-year benchmark trajectories

Eight findings define the 2026 benchmark landscape.

Four describe the efficiency recovery. Four describe the structural pressures that make the recovery insufficient on its own.

THE EFFICIENCY RECOVERY | Findings 1–4

1

GTM Efficiency Has Inflected

- 11% CAC Payback Period | Magic Number > 1.0 | Blended CAC Ratio: $1.30

Driven by GTM rationalization, not spending volume. Blended CAC Ratio improved to $1.30. The efficiency is real; the question the rest of the report answers is whether it is durable.

2

Rule of 40 Posts Largest Single-Year Gain in 5 Years

15% → 25% median | Top quartile reaches 43%

Subscription + Usage models lead the cohort at 43% (75th percentile), validating hybrid pricing.

3

Human Capital Efficiency Has Structurally Reset

$175K median ARR/employee | +17% YoY

R&D fell 8 points to 27% of revenue. Top quartile reached 22% R&D, achievable only through AI productivity.

4

Software Gross Margin Held the Line at 80%+

80% median software margin | Stable through 4 years

Industry-wide AI infrastructure costs have not yet compressed software margin at the median.

THE STRUCTURAL PRESSURES | Findings 5–8

5

Retention Is Deteriorating Market-Wide

GRR: 88% → 84% | 75th percentile: 95% → 91%

A market-level structural dynamic, not company-level execution. Top performers were not immune.

6

Pricing Model Is a Structural Determinant of NRR

Usage 108% vs. Seat 98% | 10 percent gap

Pricing architecture is not a neutral commercial choice. It determines whether revenue compounds or decays.

7

Expansion Dependency Is Rising

40% of Net New ARR from expansion at median | 44% in low-growth cohort

When expansion crosses 40%, it signals substitution for new logo growth, not amplification of it.

8

Median Growth Has Structurally Decelerated

30% → 20% median (CY-22 to CY-25) | 75th percentile: 75% → 42%

Growth is now the output of unit economics. Companies with top-quartile NRR, GRR, CAC Payback, and Magic Number grow faster. The rest are planning optimistically against a 4-year trend that has not supported growth re-acceleration.

n = 342 participants | Findings synthesized across all eight benchmark sections

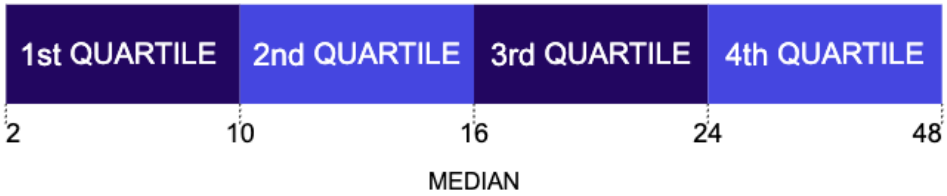
01

CUSTOMER ACQUISITION

Benchmarking CAC Payback Period, Blended CAC Ratio, New Name CAC Ratio, CLTV to CAC, and the SaaS Magic Number across growth rate, ARR band, ACV, GTM motion, pricing model, and solution type.

CAC Payback Period

By Total Population



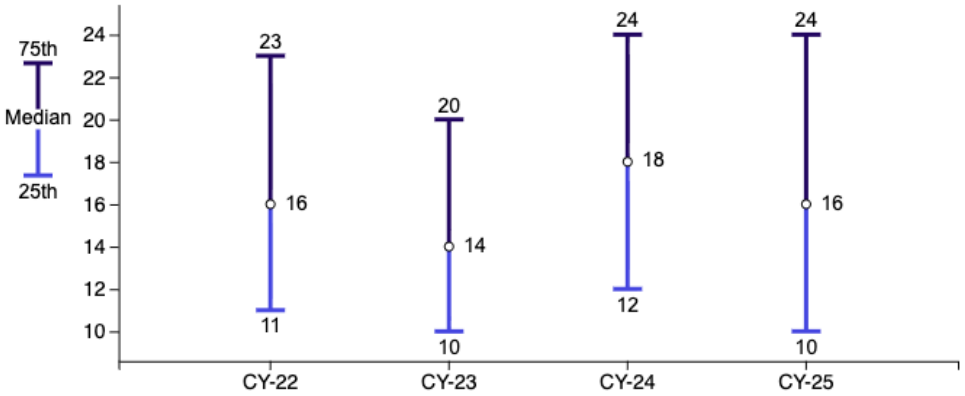
Key Insights

- The median CAC Payback Period is 16 months. This sits inside the broadly cited 12-18 month target zone for efficient B2B SaaS businesses, but the spread from first quartile (10 months) to fourth quartile (24 months) signals significant performance stratification within the sample
- The top quartile achieves payback in 6 months or less, representing a compounding advantage: faster recovery of CAC means more capital available to redeploy into growth, creating a structural efficiency gap between top performers and the rest of the market
- A 4th quartile payback of 48 months is economically precarious in today's capital environment. At that duration, a company must sustain a customer relationship for four full years just to recover acquisition costs, before generating any margin contribution

N = 198

CAC Payback Period

By YoY ('22 vs '23 vs '24 vs '25)



Key Insights

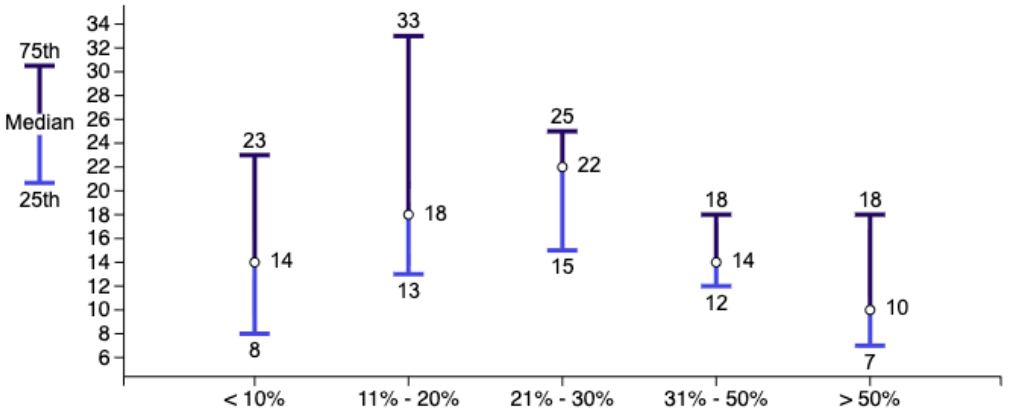
- Median CAC Payback improved from 18 months in CY-24 to 16 months in CY-25, an 11% improvement year-over-year. This is tied for the most significant single-year improvement in the four-year trend, signaling that operational efficiency initiatives and GTM rationalization are producing measurable results
- The 25th percentile dropped from 12 months in CY-24 to 10 months in CY-25. Top performers are pulling away from the pack, achieving payback timelines that approach or exceed SaaS efficiency gold standards
- CY-23 showed a median of 14 months, which then worsened to 18 months in CY-24 before recovering sharply in CY-25. The CY-24 deterioration likely reflects the GTM investment made to find growth, with 2025 representing the acceptance of more modest growth

N = 198

01 CUSTOMER ACQUISITION

CAC Payback Period

By '25 Growth Rate



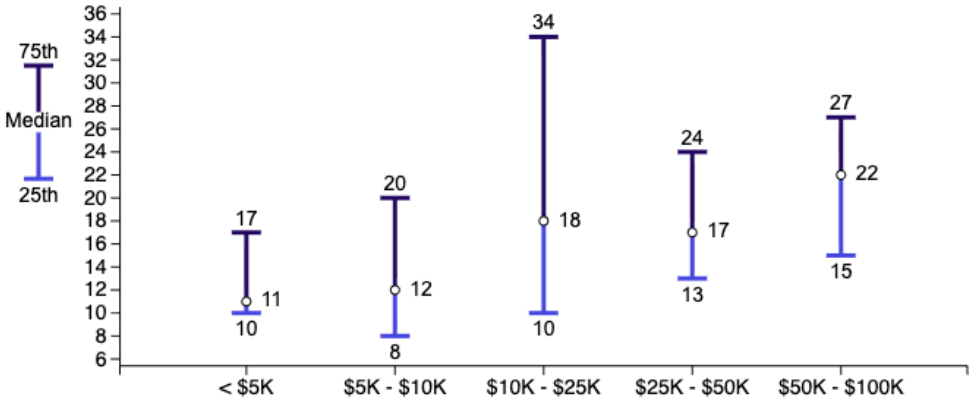
Key Insights

- The fastest growing companies have a median CAC Payback of 10 months, compared to 18 months for companies growing 11-20%
- High-growth companies are not sacrificing acquisition efficiency for growth - they are achieving both simultaneously
- Slower-growing companies have a median payback of 14 months, which is surprisingly competitive. This suggests low-growth companies have disciplined CAC management
- The 21-30% growth cohort shows the highest median at 22 months. This counterintuitive result may indicate that some companies are in accelerated investment mode and absorbing elevated CAC to find more growth, before efficiency gains materialize

N = 198

CAC Payback Period

By Average Contract Value



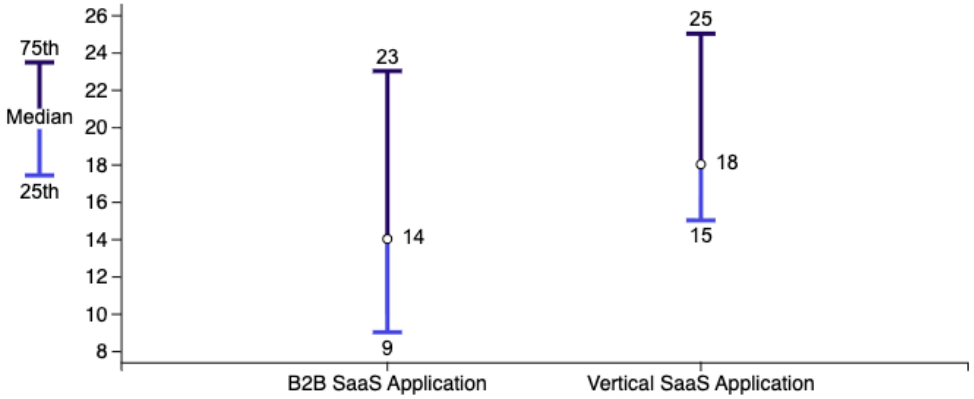
Key Insights

- Lower-ACV companies (<$5K) achieve an 11-month median payback, which is a little long for smaller ACVs. High-volume, low-touch digital acquisition can recover CAC quickly despite smaller deal values
- Enterprise ACVs ($50K-$100K) carry the longest median at 22 months, consistent with longer cycles and higher field sales costs. The 25th percentile of 15 months, however, shows that efficient enterprise acquisition is achievable

N = 198

CAC Payback Period

By Solution Type



Key Insights

- Vertical SaaS carries an 18-month median versus a 14-month CAC Payback Period for horizontal B2B SaaS
- Smaller TAMs, specialized sales requirements, and longer evaluation cycles structurally elevate CAC in vertical markets
- The 75th-percentile spread (23 months B2B vs. 25 months Vertical) is notably similar, suggesting that the underperformance floor is a company-level execution issue rather than a market structure problem

N = 198

Blended CAC Ratio

By Total Population

Key Insights

- Median Blended CAC Ratio is $1.30, meaning $1.30 of S&M expenses per dollar of new ARR. Top-quartile performers achieve $1.08, generating a structural reinvestment advantage that compounds materially over time
- Fourth-quartile companies at $1.78 remain within an acceptable range. Companies approaching $4.60, however, face a more fundamental question: is the business model fundamentally inefficient, or is GTM transformation required? At that ratio, no reasonable LTV assumption justifies continued investment at current acquisition cost

N = 122

Blended CAC Ratio

By Average Contract Value

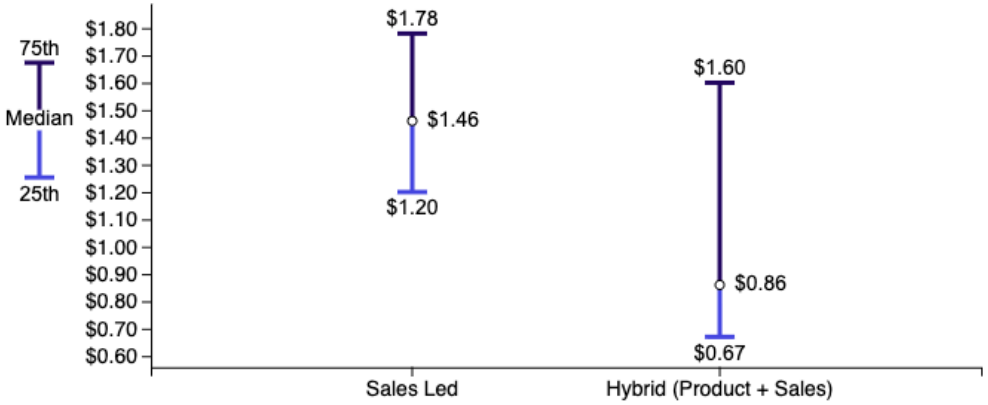
Key Insights

- Higher ACV traditionally has a higher Blended CAC Ratio. The $50K-$100K ACV band carries the highest median ($1.71) due to field sales costs, longer cycles, and procurement complexity
- Low-ACV companies (<$5K) achieve a $0.80 median. High-volume digital acquisition models can be effective at low price points, particularly where PLG or low-touch inbound dominates pipeline

N = 122

Blended CAC Ratio

By Go-to-Market Motion



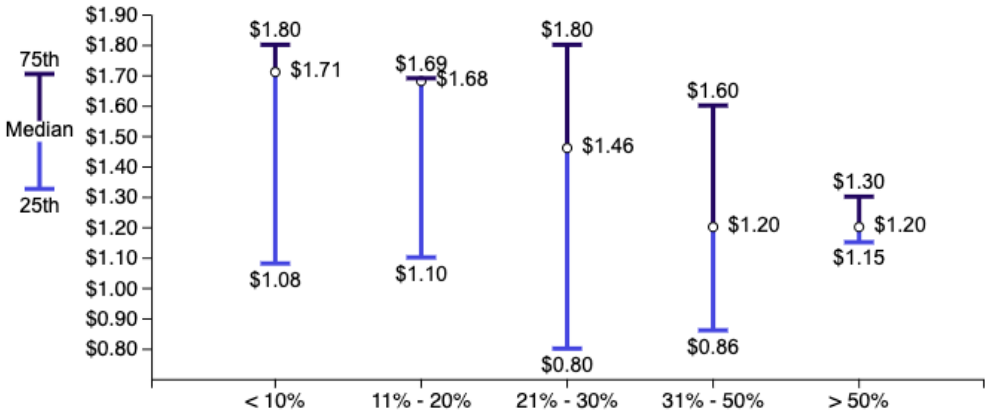
Key Insights

- Hybrid (PLG & SLG) companies have a median Blended CAC Ratio of $.86, which is materially more efficient than a pure Sales-Led Growth motion
- Often the primary driver of a lower Blended CAC Ratio in PLG companies is the reduced Sales cost for initial customer acquisition, and then a mature expansion motion facilitated by Marketing and Customer Success. Hybrid GTM motion companies will often see their Blended CAC Ratio increase as they move towards $50M and above, due to the incremental cost of dedicated expansion resources

N = 122

Blended CAC Ratio

By '25 Growth Rate



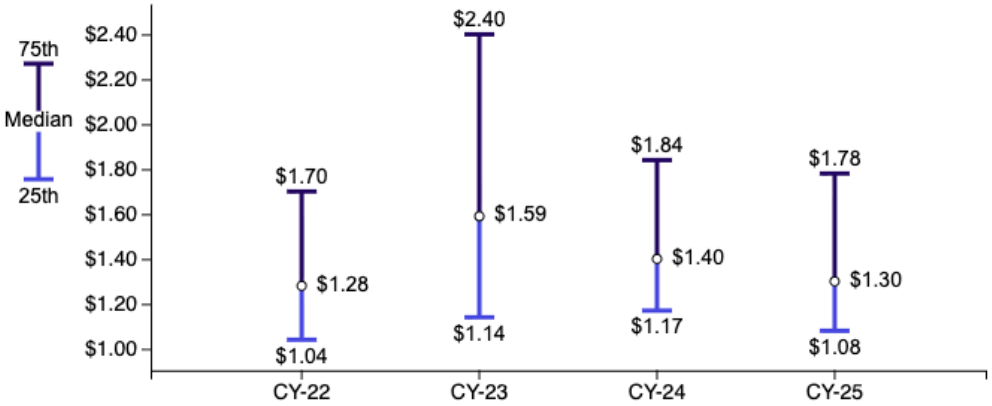
Key Insights

- The fastest-growing companies have a median Blended CAC Ratio of $1.20, highlighting the ability to invest more in growth due to superior unit economics. High growth and GTM efficiency coexist; they are not mutually exclusive
- It stands out that the slowest-growing companies also have the highest Blended CAC Ratio. The inverse relationship between CAC efficiency and growth rate reinforces the core finding: superior unit economics create the investment capacity

N = 122

Blended CAC Ratio

By YoY ('22 vs '23 vs '24 vs '25)



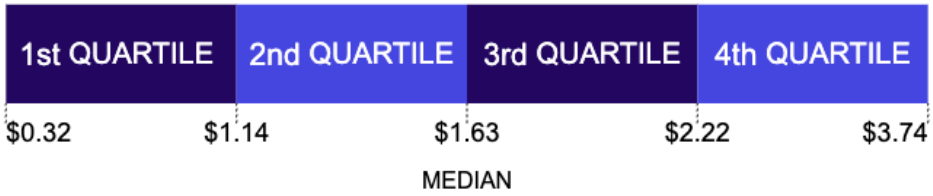
Key Insights

- The median Blended CAC Ratio decreased 7% year-over-year, from $1.40 in CY-24 to $1.30 in CY-25. This is the second consecutive year of decline, reflecting the industry-wide pivot to GTM efficiency
- Over the past two years, the Blended CAC Ratio has decreased by ~19%, highlighting the potential to increase GTM efficiency, and when factoring in that the fastest growing companies have a Blended CAC Ratio of $1.20, it proves that a more efficient CAC does not decrease growth

N = 122

New CAC Ratio

By Total Population



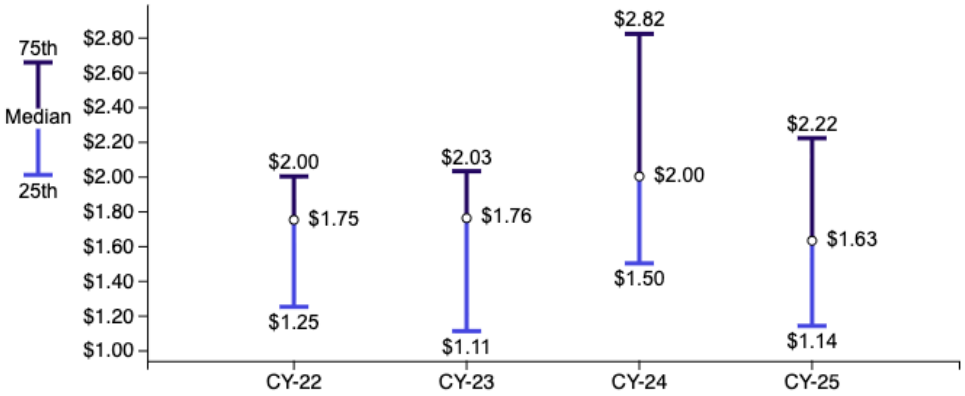
Key Insights

- Median New Name CAC Ratio is $1.63, meaning that companies invest that much in Sales and Marketing to generate $1 of New customer ARR
- It is important to note that at 25th percentile, companies are investing $1.14 in Sales and Marketing to generate $1 of New ARR, a 40% more efficient customer acquisition motion that enables additional ARR growth for the same S&M investment

N = 128

New CAC Ratio

By YoY ('22 vs '23 vs '24 vs '25)



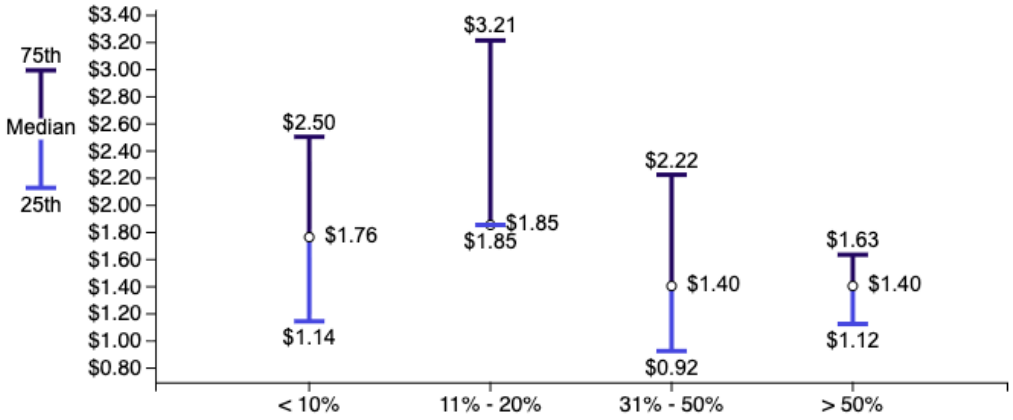
Key Insights

- New Name CAC Ratio improved ~ 19% year-over-year, from $2.00 in CY-24 to $1.63 in CY-25. The efficiency gains in Blended CAC are driven primarily by these new logo improvements, not just expansion optimization
- Even the most efficient CAC companies reduced their New CAC Ratio by 24%, suggesting that additional efficiency is always available

N = 128

New CAC Ratio

By '25 Growth Rate



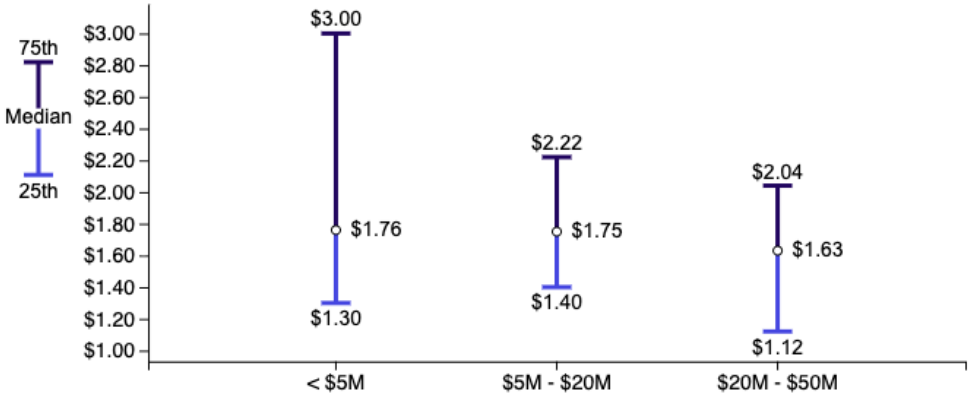
Key Insights

- High-growth companies have a $1.40 median New CAC Ratio, more efficient than either the < 10% segment ($1.76) or the 11% - 20% segment ($1.85)
- The fastest growers are acquiring new logos materially more efficiently than mid-growth competitors. The data points to brand investment and answer-engine optimization (AEO) as primary drivers of lower inbound CAC
- Investing in brand and AEO to drive additional new ARR from inbound hand-raisers is a good way to decrease CAC and accelerate growth rates

N = 128

New CAC Ratio

By Annual Recurring Revenue



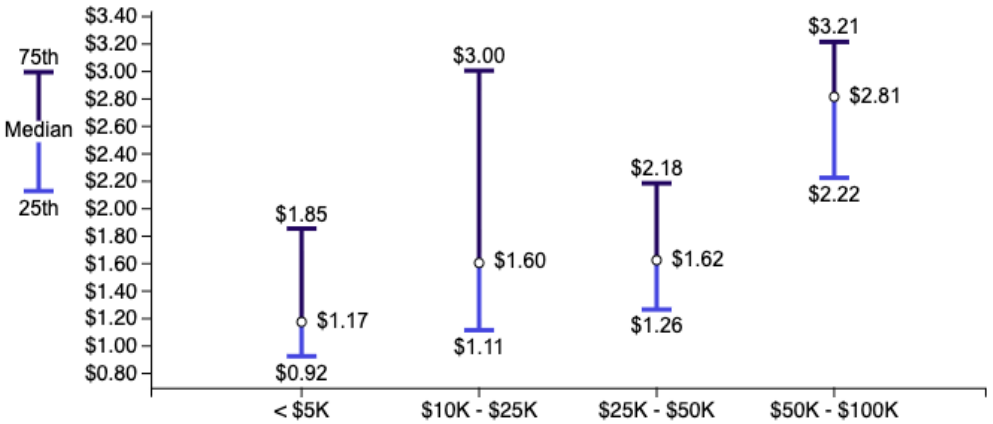
Key Insights

- The $20M-$50M ARR band emerges as the efficiency sweet spot at a $1.63 New CAC Ratio (median). This is often when GTM processes begin to mature
- Sub $5M companies carry the highest median ($1.76) due to weak pipeline infrastructure, limited content engines, and a lack of brand equity that forces a more expensive outbound-heavy acquisition motion

N = 128

New CAC Ratio

By Average Contract Value



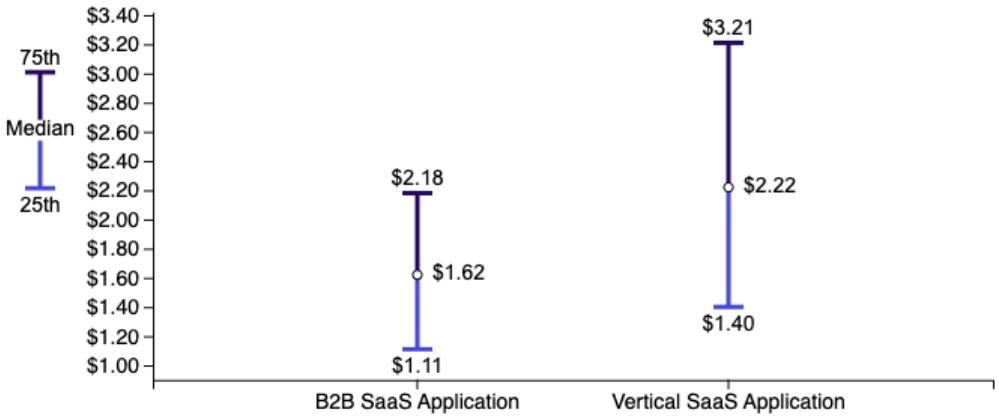
Key Insights

- The $50K-$100K ACV band carries the highest New Name CAC Ratio ($2.81 median), confirming that enterprise new logo acquisition is more expensive due to long cycles, field sales costs, and procurement complexity – comparing CLTV:CAC Ratio with this metric is a best practice
- Best-in-class companies, as measured by New CAC Ratio, are typically in the lower ACV segments due to a higher dependency on digital and/or product-led growth motions

N = 128

New CAC Ratio

By Solution Type



Key Insights

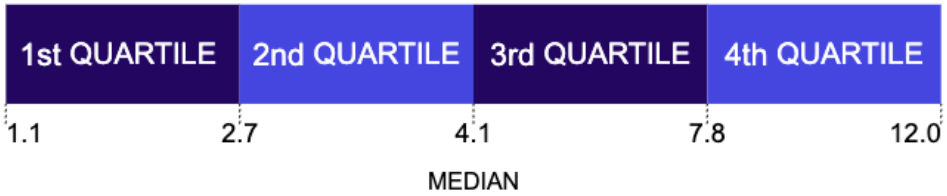
- Vertical SaaS companies carry a $2.22 median New Name CAC versus $1.62 for horizontal B2B SaaS
- Smaller TAMs, specialized sales knowledge, and longer evaluation cycles impose a structural floor on vertical market acquisition efficiency
- Vertical market business models face longer payback periods and capital efficiency challenges that require deliberate management and a higher priority focus on Customer Lifetime Value and the CLTV:CAC Ratio

N = 128

01 CUSTOMER ACQUISITION

CLTV To CAC Ratio

By Total Population



Key Insights

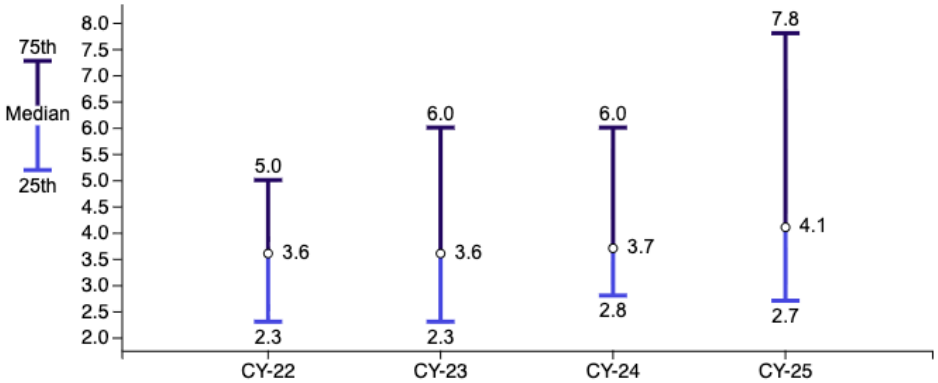
- Median CLTV to CAC Ratio is 4.1x, exceeding the widely cited 3:1 benchmark
- Top-quartile performance at 7.8x represents the compounding advantage of strong retention and efficient acquisition
- The 1st quartile floor of 1.1x represents businesses where acquisition costs barely exceed lifetime value. These companies must either dramatically cut CAC or significantly improve retention + expansion ARR before generating a positive return on any customer acquired

N = 146

01 CUSTOMER ACQUISITION

CLTV To CAC Ratio

By YoY ('22 vs '23 vs '24 vs '25)



Key Insights

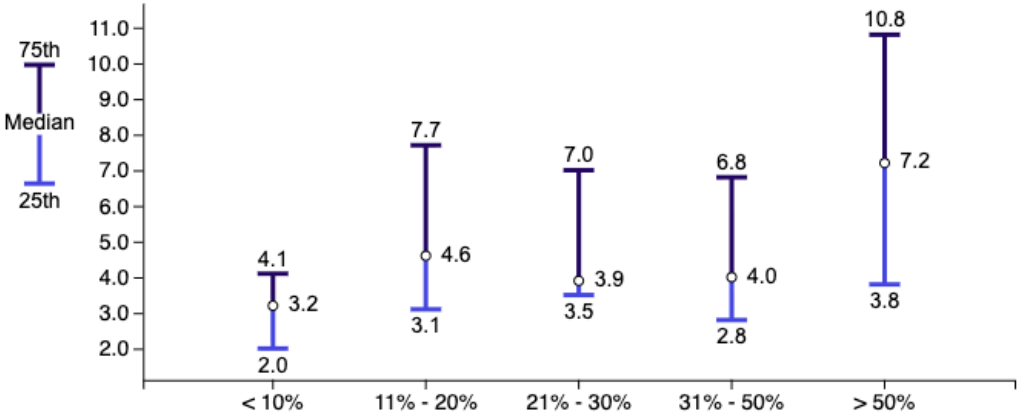
- The 75th percentile jumped 30% year-over-year, from 6.0x to 7.8x. Top operators are not just maintaining their advantage; they are extending it as efficiency initiatives compound on strong retention & expansion unit economics
- CY-22 through CY-24 showed a flat median (3.6-3.7x).
- The CY-25 uptick to 4.1x marks a genuine inflection point in unit economics recovery, not cyclical noise

N = 146

01 CUSTOMER ACQUISITION

CLTV To CAC Ratio

By '25 Growth Rate



Key Insights

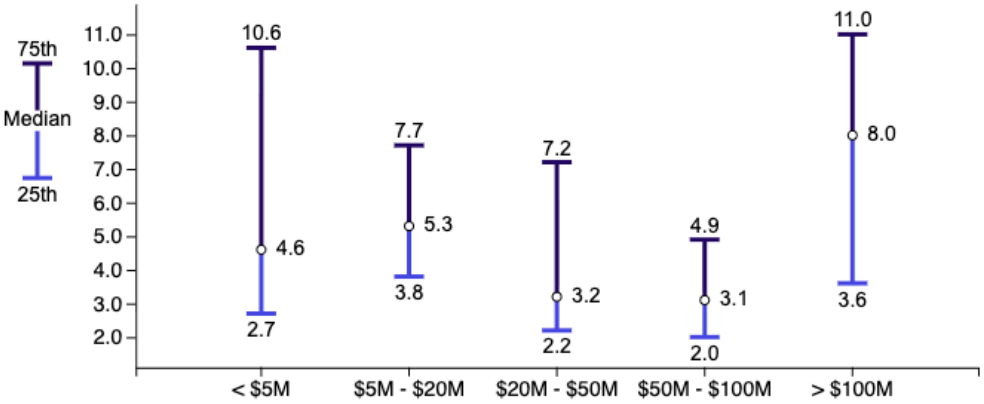
- Companies growing above 50% achieve a 7.2x median CLTV to CAC. These companies demonstrate that strong product-market fit and efficient GTM can coexist with aggressive expansion. The top quartile here generates the strongest case for aggressive customer acquisition as a value-creating activity
- Low-growth companies (<10%) are trapped at a 3.2x median, right at the traditional 3:1 threshold. Slow growth constrains CLTV accumulation while acquisition costs persist, creating a reinforcing cycle difficult to break without deliberate investment in GTM effectiveness

N = 146

01 CUSTOMER ACQUISITION

CLTV To CAC Ratio

By Annual Recurring Revenue



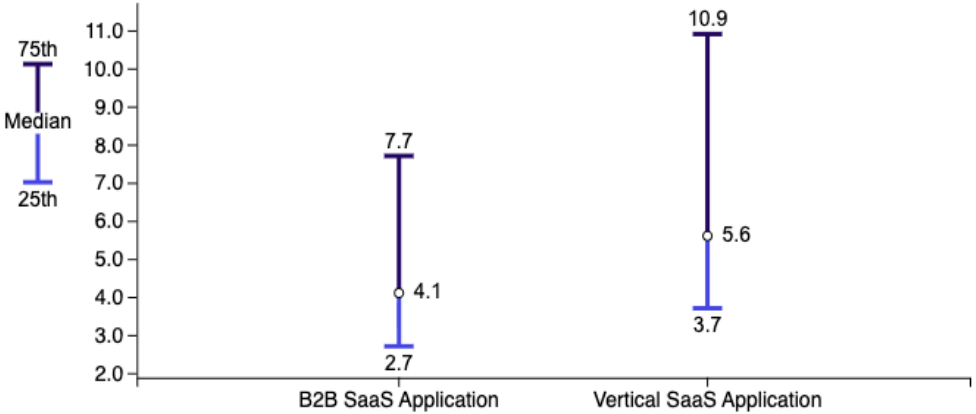
Key Insights

- The >$100M ARR band achieves the highest median CLTV to CAC (8.0x), reflecting brand leverage, installed-base expansion, and optimized sales and marketing infrastructure
- The $20M-$50M and $50M-$100M bands both sit near 3.1x, where investment to expand GTM capacity, customer segments, and geographic coverage can temporarily compress customer acquisition cost efficiency and unit economics

N = 146

CLTV To CAC Ratio

By Solution Type



Key Insights

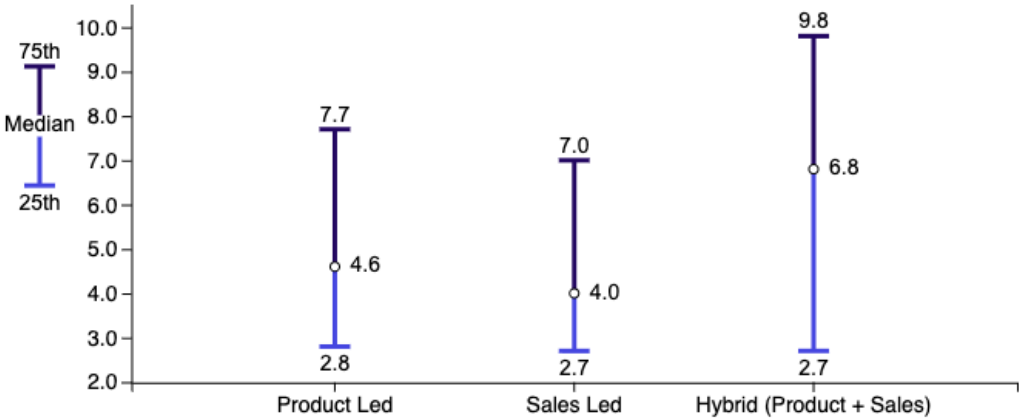
- Vertical SaaS companies achieve a higher median CLTV to CAC (5.6x) than horizontal SaaS (4.1x) despite higher acquisition costs, suggesting the higher initial CAC is justified by higher lifetime value
- Deeper workflow integration, value chain integration, multi-product deployments and higher switching cost moats in vertical industry solutions sustain superior lifetime value

N = 146

01 CUSTOMER ACQUISITION

CLTV To CAC Ratio

By Go-to-Market Motion



Key Insights

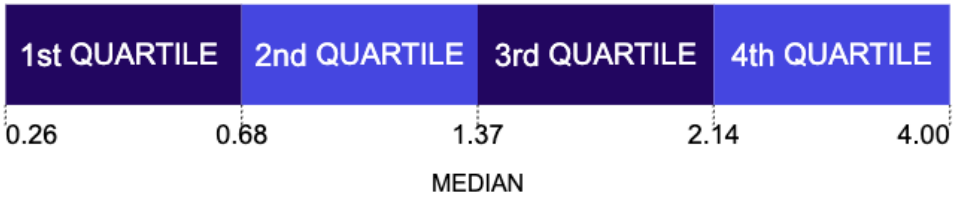
- Hybrid GTM companies lead at 6.8x median, combining PLG's lower acquisition cost with sales-assisted expansion
- Best-in-class Sales-led companies (75th percentile: 7.0x) generate strong CLTV:CAC ratios through high ACVs and multi-year enterprise contracts, demonstrating that the enterprise relationship model, executed well, creates durable unit economics

N = 146

01 CUSTOMER ACQUISITION

SaaS Magic Number

By Total Population



Key Insights

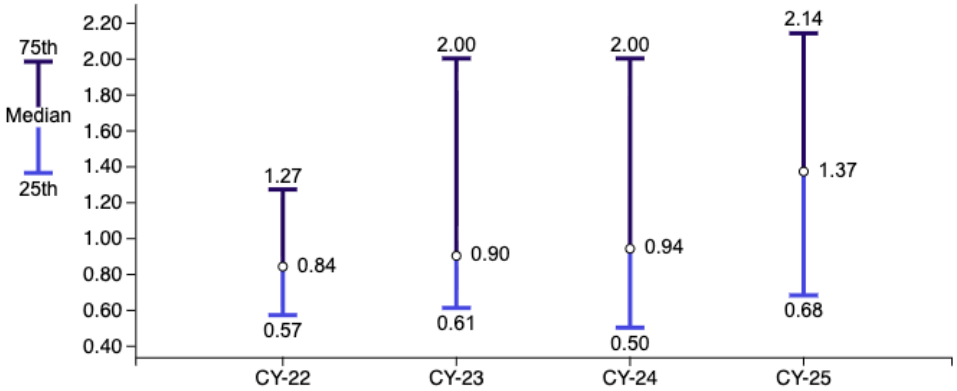
- Median Magic Number is 1.37, well above the critical 1.0 threshold for the first time in recent years
- The median B2B SaaS company is generating net-positive returns on S&M investment , a meaningful signal of achieving efficient GTM unit economics
- The 25th percentile at 0.68 places the bottom half of the market below the 0.75 minimum for sustainable investment. Companies in this zone should audit GTM efficiency before increasing S&M spend

N = 132

01 CUSTOMER ACQUISITION

SaaS Magic Number

By YoY ('22 vs '23 vs '24 vs '25)



Key Insights

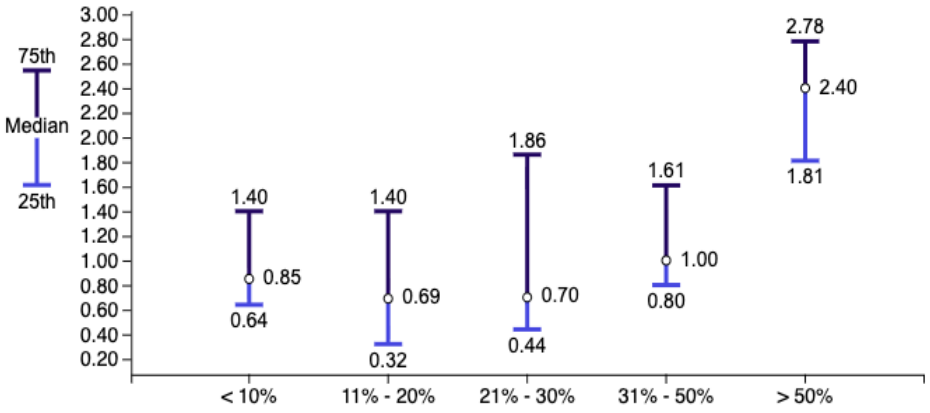
- The Magic Number improved from 0.94 in CY-24 to 1.37 in CY-25, crossing 1.0 for the first time in the four-year trend
- The 75th percentile has expanded steadily from 1.27 in CY-22 to 2.14 in CY-25, indicating that the market is bifurcating between a top tier with compounding GTM advantages and a bottom tier that has not yet achieved the minimum .75 – 1.0 SaaS Magic Number that justifies additional GTM investment

N = 132

01 CUSTOMER ACQUISITION

SaaS Magic Number

By '25 Growth Rate



Key Insights

- Companies growing above 50% achieve a 2.40 median Magic Number, ~75% better than the total population
- Even the bottom quartile of high-growth companies (31-50% growth, 25th percentile: 0.80) exceeds the minimum .75 floor, confirming that strong growth companies have established a GTM efficiency floor
- Companies growing between 11% - 30% are below the minimum threshold of .75, are spending S&M without proportional operating profit expansion — a reinforcing cycle that may require a GTM model reset, not incremental optimization

N = 132

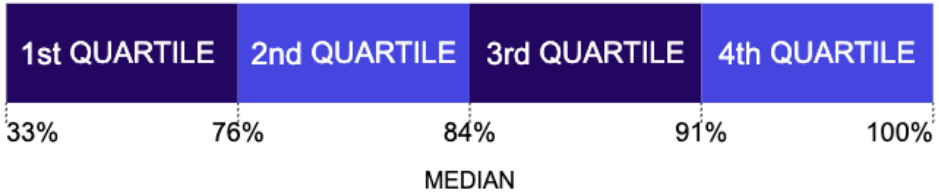
02

CUSTOMER RETENTION

Benchmarking Gross Revenue Retention Rate across total population, year-over-year trend, growth rate cohorts, and Average Contract Value, the most critical leading indicator of ARR durability in this year’s benchmarks

Gross Revenue Retention

By Total Population



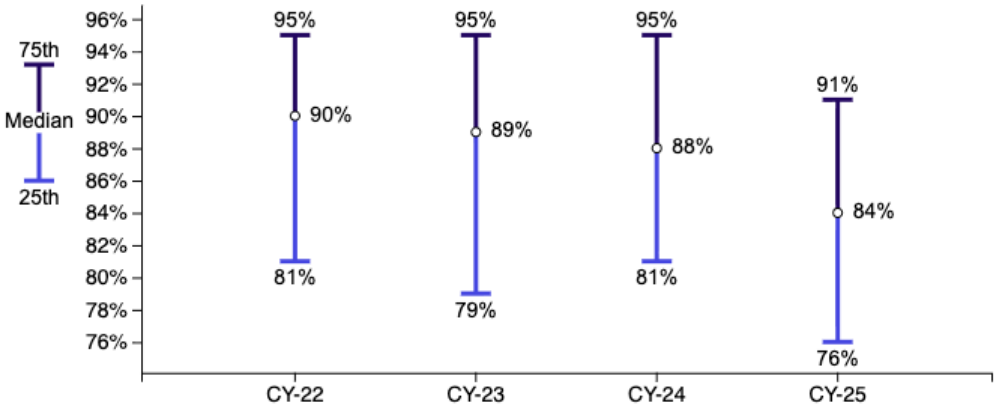
Key Insights

- Median GRR at 84% is below the 85-90% goal for strong B2B SaaS retention
- At 84%, companies lose 16% of their existing ARR annually to churn and contraction, requiring significant expansion revenue to hit the 100% NRR minimum goal
- Top-quartile GRR above 91% transforms retention into a growth strategy. Companies below the 1st-quartile starting point at 76% must replace a full quarter of existing ARR annually before any growth investment, creating an urgent structural problem

N = 226

Gross Revenue Retention

By YoY ('22 vs '23 vs '24 vs '25)



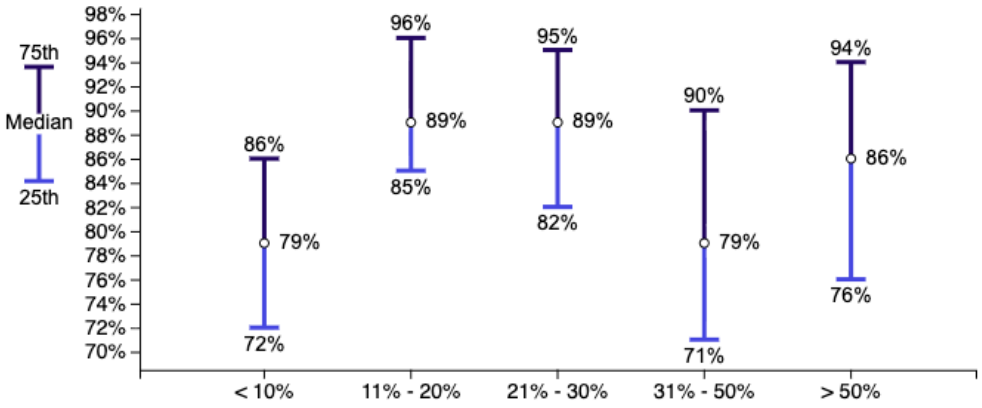
Key Insights

- Median GRR declined 4 points year-over-year, from 88% in CY-24 to 84% in CY-25
- The 25th percentile dropped from 81% to 76% and the 75th percentile fell from 95% to 91%, highlighting structural headwinds for every B2B SaaS company
- This is the most significant single-year deterioration in the four-year trend and the most alarming data point in the 2026 benchmarks
- Even top performers are experiencing headwinds, confirming this is a market-level dynamic

N = 226

Gross Revenue Retention

By '25 Growth Rate



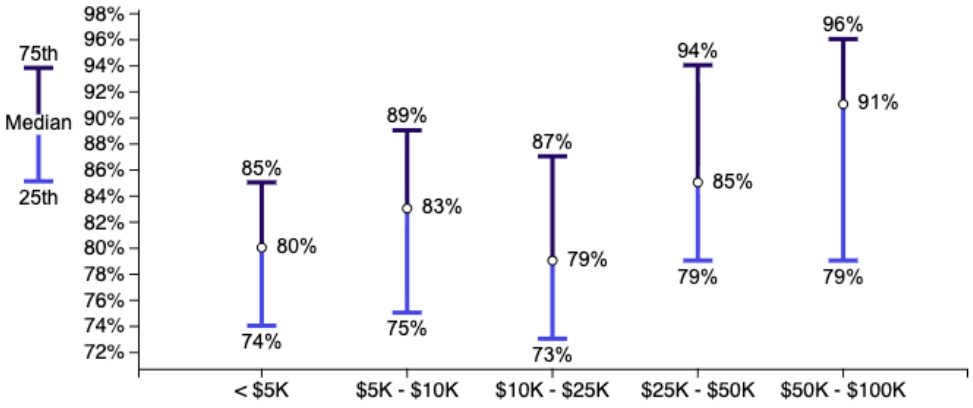
Key Insights

- The 11-20% growth cohort achieves the highest median GRR (89%), outperforming faster-growing companies
- Low-growth companies (<10%) show a 79% median GRR, 5 points below the overall median
- Poor retention and slow growth create a compressing efficiency spiral: low GRR forces higher new logo requirements at higher CAC

N = 226

Gross Revenue Retention

By Average Contract Value



Key Insights

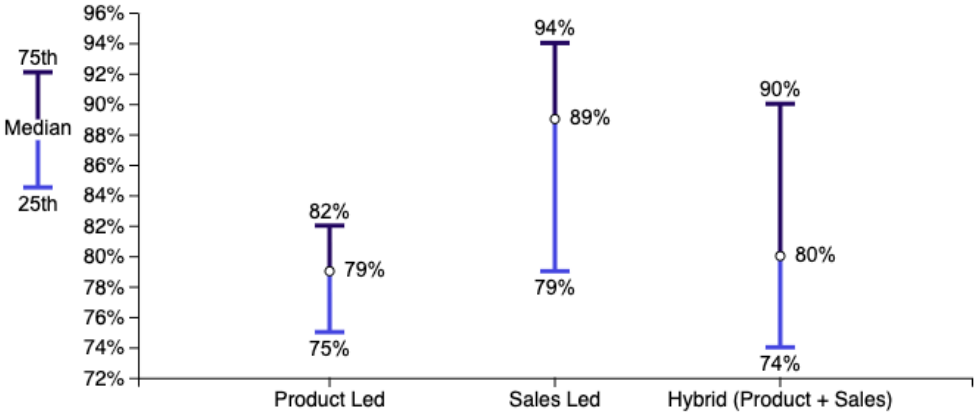
- Enterprise ACV companies ($50K-$100K) achieve the highest median GRR (91%), reflecting the structural retention advantages of enterprise level contracts, multi-stakeholder relationships, and deep workflow integration
- Sub-$5K ACV companies show an 80% median GRR, 11 points below enterprise. SMB retention is inherently volatile; this cohort must offset lower retention with high-volume, efficient acquisition

N = 226

03 CUSTOMER EXPANSION

Gross Revenue Retention

By Go-to-Market Motion



Key Insights

- Sales-led companies achieve the highest median GRR at **88%**, outperforming PLG (79%) and Hybrid (80%) by 8–9 percentage points. Enterprise sales relationships create durable retention frameworks that self-service PLG models cannot easily replicate

- The structural advantage of high-touch sales relationships, including executive sponsors, dedicated CSMs, and formal QBR cadences, translates directly into superior gross retention outcomes. Companies relying purely on product-led motions must invest in commercial overlays to close this gap

N = 226

SECTION 03

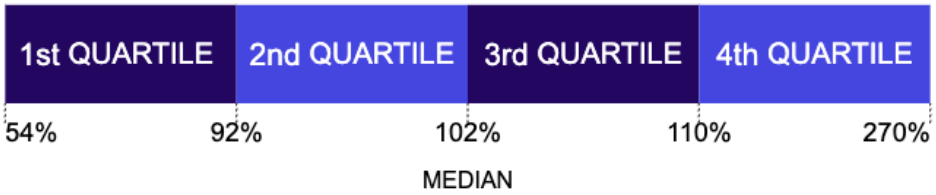
CUSTOMER EXPANSION

How SaaS companies are monetizing their installed base and where expansion economics are strengthening or stalling across NRR, expansion CAC, and expansion ARR mix.

03 CUSTOMER EXPANSION

Net Revenue Retention

By Total Population



Key Insights

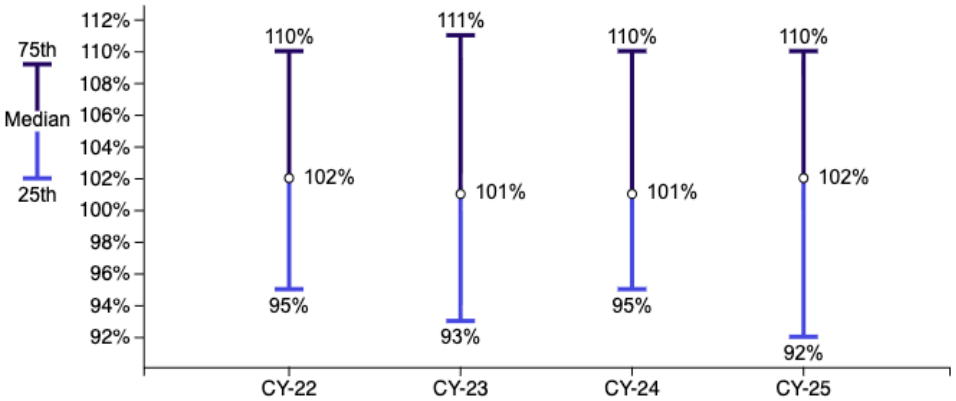
- NRR at 102% is above the minimum 100% threshold, but any deterioration in retention or expansion momentum quickly pushes the cohort below breakeven, elevating new logo pressure
- Top-quartile NRR at 110% enables meaningful ARR growth from the existing customer base, reducing dependence on new logo acquisition to sustain revenue targets
- Companies at the 25th percentile must replace 8% of existing ARR annually through new logos before generating any net growth, a compounding burden that raises CAC investment requirements

N = 230

03 CUSTOMER EXPANSION

Net Revenue Retention

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



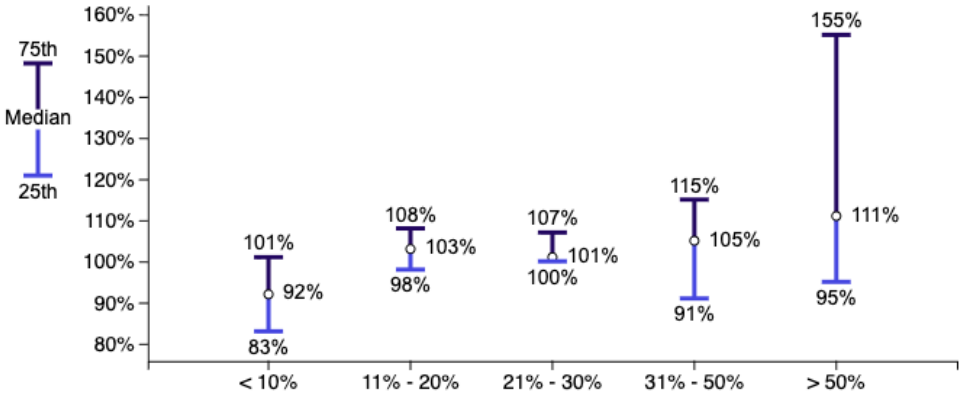
Key Insights

- The 25th percentile dropped from 95% in CY-24 to **92% in CY-25,** worse than the 2023 trough (93%)
- The bottom half of the market has not recovered from prior retention challenges even as the median increased by one percent
- The 75th percentile is holding steady at 110%, suggesting this is a good target to be a top quartile NRR company
- Expansion engines face headwinds from buyer budget scrutiny, slower upsell decision cycles, and deferred commitments driven by AI-native option evaluation

N = 230

Net Revenue Retention

By 2025 Growth Rate



Key Insights

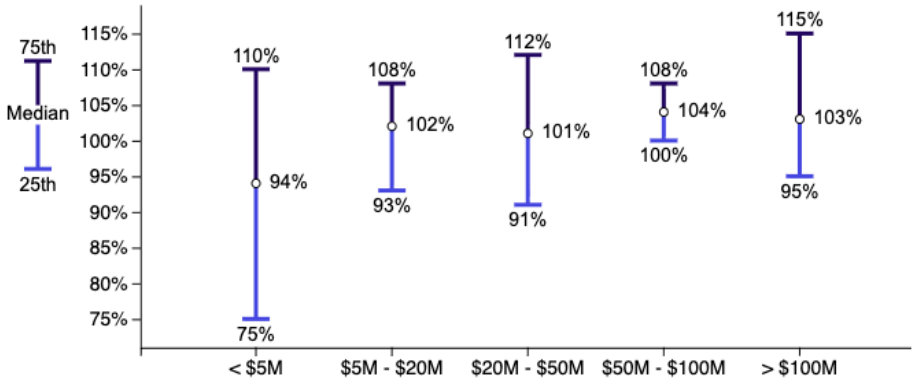
- Companies growing above 50% achieve an 111% median NRR, with the 75th percentile reaching 155% - a key to their high-growth performance
- These companies are not growing purely through new logo acquisition. Product adoption, utilization, and an effective post-sales motion are directly fueling their expansion revenue at scale
- Low-growth companies carry a **92% median NRR** — below the minimum 100% threshold. A shrinking installed base compounds the new logo acquisition challenge, creating a deeply unfavorable growth equation that demands urgent strategic action

N = 230

03 CUSTOMER EXPANSION

Net Revenue Retention

By Annual Recurring Revenue



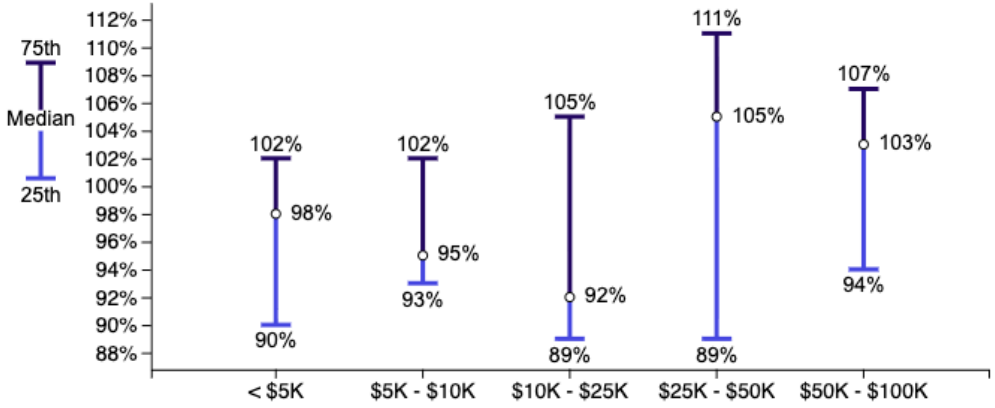
Key Insights

- **Companies > $100M ARR show 103% median NRR**, 75th percentile at 115%. Scale creates expansion advantages: more product surface area, stronger CS infrastructure, and multi-product cross-sell opportunities
- Companies in the $20M - $50M range at **101% median,** the inflection point where companies are building expansion infrastructure but have not yet fully translated those investments into strong expansion ARR
- **Companies less than $5M with a 94% median NRR face the** steepest expansion challenges, lacking the installed base depth and CS resources needed to drive systematic growth

N = 230

Net Revenue Retention

By Average Contract Value



Key Insights

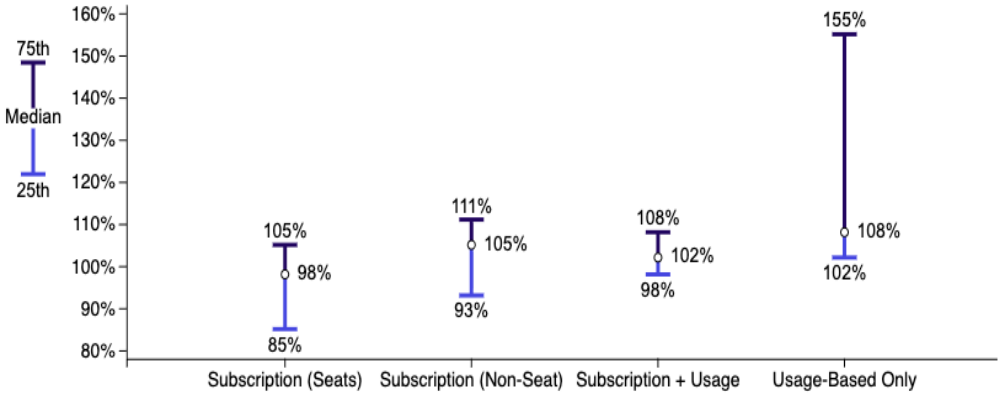
- The $25K–$50K ACV band achieves a **105% median NRR**, the highest in the dataset. Enterprise relationships with annual expansion reviews and multi-product opportunities drive superior expansion economics
- This is the first year NRR in the $10K - $25K ACV segment dropped **below 100%** - a new signal
- Sub-$5K ACV companies show a 98% median NRR; SMB customers expand slowly, churn more frequently, and provide fewer upsell opportunities

N = 230

03 CUSTOMER EXPANSION

Net Revenue Retention

By Pricing Model



Key Insights

- Usage-based models create organic expansion as customers grow usage, automatically translating product success into revenue. The 75th percentile reaches 155%. A critical question: how is "New ARR" distinguished from "Expansion ARR" in UBP models?
- Hybrid pricing combining fixed fees with usage charges delivers solid NRR. The structure provides revenue floor predictability while enabling organic expansion through consumption growth
- Seat-only pricing at a 98% NRR is **below 100% NRR minimum goal**, supporting the narrative that seats are under attack. Seat count compression creates NRR headwinds requiring active management and pricing model evolution

N = 230

Expansion CAC Ratio

By Total Population

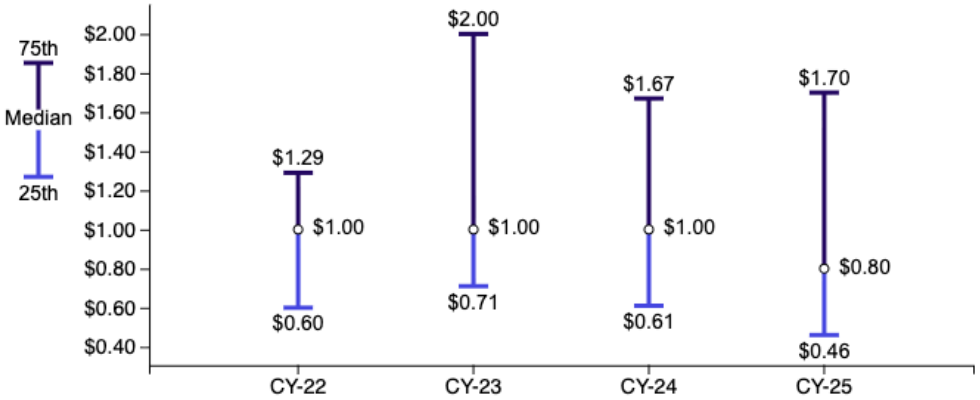
Key Insights

- The **median Expansion CAC is $0.80** - materially more efficient than New Name CAC at $1.63
- Expanding existing customers costs measurably less per dollar of new ARR than acquiring new logos
- This quantifies the economic rationale for investing in expansion motions, and even additional near adjacent products
- Expansion CAC is a critical metric for companies building land-and-expand GTM strategies

N = 74

Expansion CAC Ratio

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



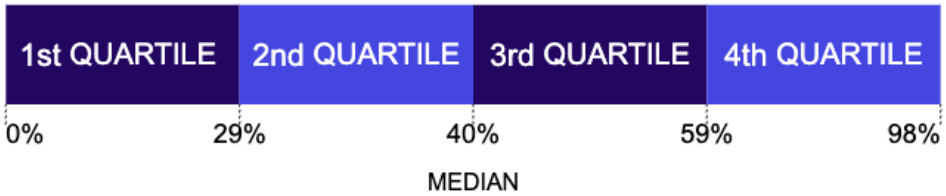
Key Insights

- Expansion CAC has been one of the least-tracked performance metrics over the prior four years. It was encouraging to see approximately **20% of companies actively measuring it in 2025 -** a signal of maturing GTM operations
- Expansion CAC improved from **$1.00 in CY-24 to $0.80 in CY-25** - a 25% efficiency gain. The two-year plateau at $1.00 (CY-23/CY-24) followed by this sharp CY-25 improvement confirms that 2025 operational changes specifically addressed expansion efficiency
- Improvements are most pronounced in companies where expansion ARR represents 50% or more of total New ARR, reflecting deliberate investment in expansion playbooks and account management discipline

N = 74

Expansion ARR to New ARR (%)

By Total Population



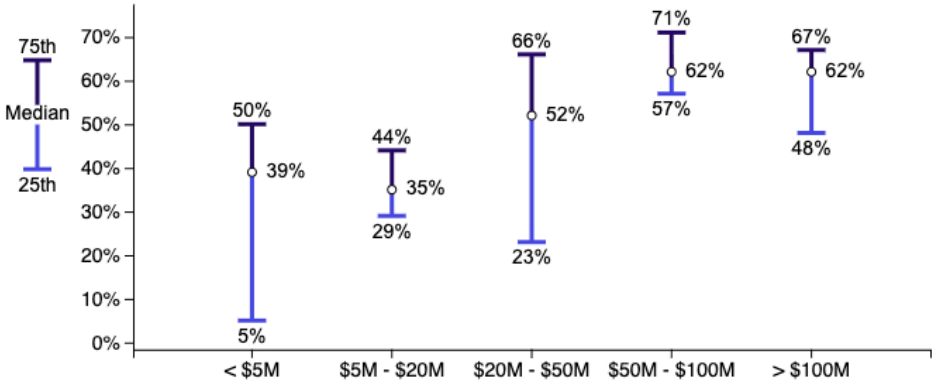
Key Insights

- Expansion ARR represents **40% of Total New ARR** at the median, creating a meaningful growth multiplier but leaving companies heavily dependent on new logo acquisition
- Top-quartile performers above 59% approach a balanced model where expansion provides nearly equal fuel to new logos
- Companies at the 1st-quartile floor of 29% are heavily dependent on new logo acquisition and are more vulnerable to any pipeline slowdown

N = 114

Expansion ARR to New ARR (%)

By Annual Recurring Revenue



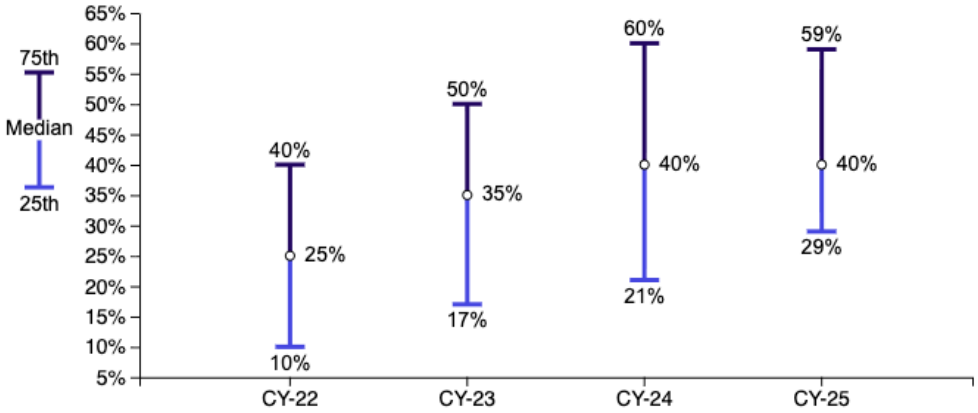
Key Insights

- **62% median expansion ratio** for companies > $100M reflects a larger absolute expansion opportunity in the installed base and more mature CS infrastructure capable of executing systematic expansion motions
- The 62% median for larger companies also highlights the **increasing challenge of new customer acquisition** in the early stages of the AI era, pushing companies to lean further into expansion as a primary growth lever
- Companies lower than $20M in revenue with 35% - 39% of total new ARR coming from expansion signifies the growing importance of the expansion motion, especially in PLG and/or Usage-Based Pricing model companies

N = 114

Expansion ARR to New ARR (%)

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



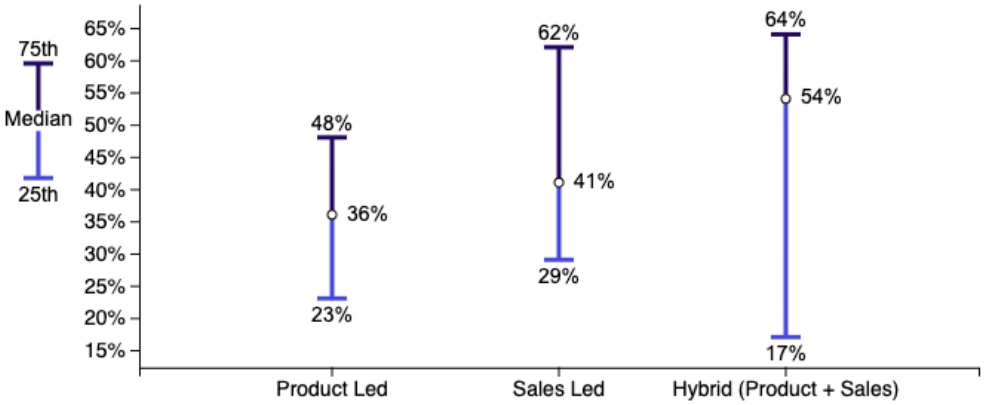
Key Insights

- **In both CY-24 and CY-25, t**he median for expansion ARR as a percentage of total new ARR at 40% is both good and bad news
- The good news is that expansion ARR is holding stable, but with the investment being made by SaaS companies in new AI features, it will be interesting to follow the trajectory of those companies with the most aggressive AI product strategy and new product introductions
- The bottom quartile made the strongest progress, from 10% in CY-22 to **29% in CY-25,** representing the segment with the most headroom

N = 114

Expansion ARR to New ARR (%)

By Go-to-Market Motion



Key Insights

- **The Hybrid GTM Motion Leads at 54% Median:** Companies combining PLG and Sales-led GTM achieve the highest median expansion ratio (54%), blending product-driven adoption with sales-assisted expansion. However, hybrid companies also show the **highest expansion variance** (25th percentile: 17%), confirming that execution quality matters most in hybrid models

- **PLG Underperforming Expectations:** PLG companies show the lowest expansion ratio at **36% median**, despite theoretical organic expansion advantages. Many have not yet built the commercial overlay or in-app upsell recommendations needed to fully monetize usage growth into expansion ARR

N = 114

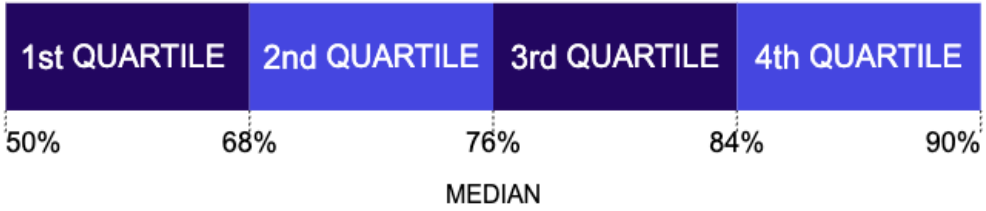
04

OPERATIONAL EFFICIENCY

A deep dive into gross margin, Rule of 40, and expense ratios — examining how the industry is navigating the shift from growth-at-all-costs to disciplined, sustainable unit economics in 2025.

Gross Margin — Total Revenue

By Total Population



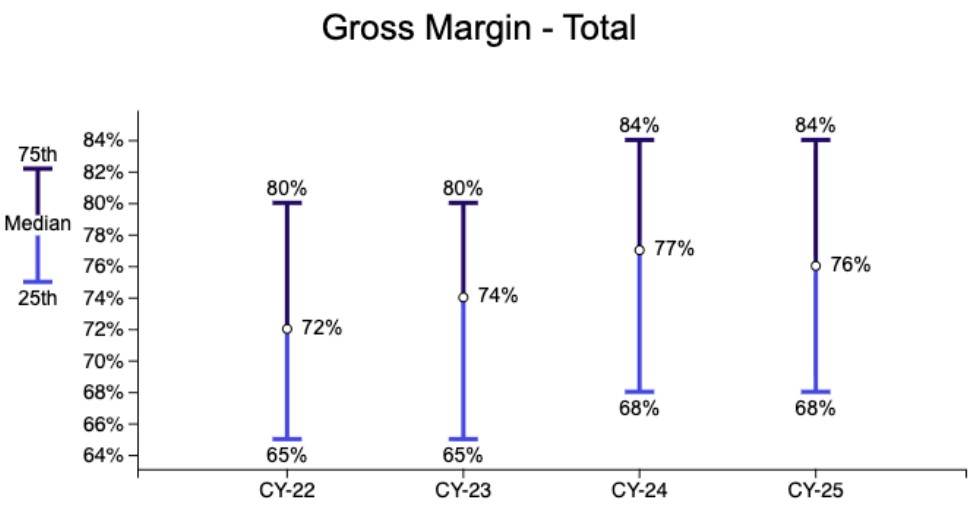
Key Insights

- **Median: 76%:** At the low end of the 75–85% range for strong B2B SaaS. The wide-spread reflects the mix of pure software companies and those with significant services revenue that compresses margin, and potentially early AI integration costs
- **AI Cost Hypothesis:** Margin compression may suggest AI integration is decreasing gross margin, though this hypothesis could not be proven with available data. Next year's benchmark will specifically isolate AI-native product margins
- **Top Quartile: 84%+:** Provides the margin infrastructure to invest aggressively in R&D and S&M while maintaining operating profitability — a structural advantage in competitive markets

N = 228

Gross Margin — Total Revenue

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



Filtered by: Total Population

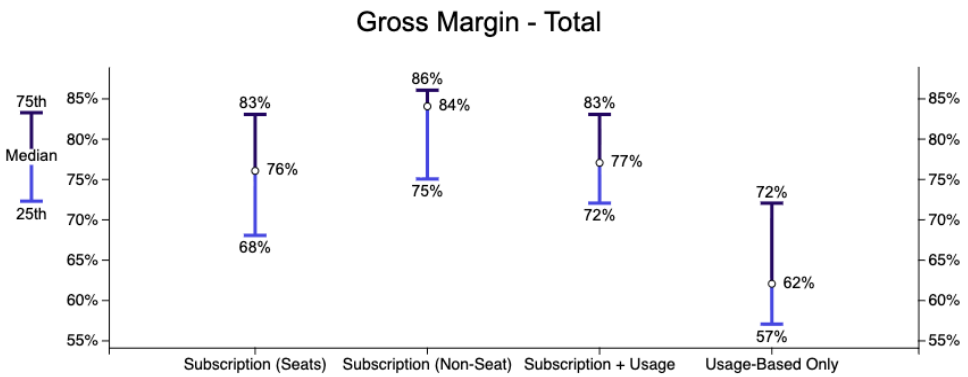
Key Insights

- **Modest Median Decline:** Median gross margin decreased modestly from **77% in CY-24 to 76% in CY-25**. This marginal compression is within normal range and likely reflects the transitional cost of integrating AI capabilities into existing product lines
- **Upper Distribution Improving:** The 75th percentile improved from 80% in CY-22/23 to **84% in CY-24/25**, driven by infrastructure optimization, AI-driven automation, and a favorable shift in the subscription-to-services revenue mix for top performers
- Next year, the benchmark will capture Gross Margin separately for legacy SaaS products and Native-AI products to track the emerging margin divergence between product types

N = 228

Gross Margin — Total Revenue

By Pricing Model



By Pricing Model

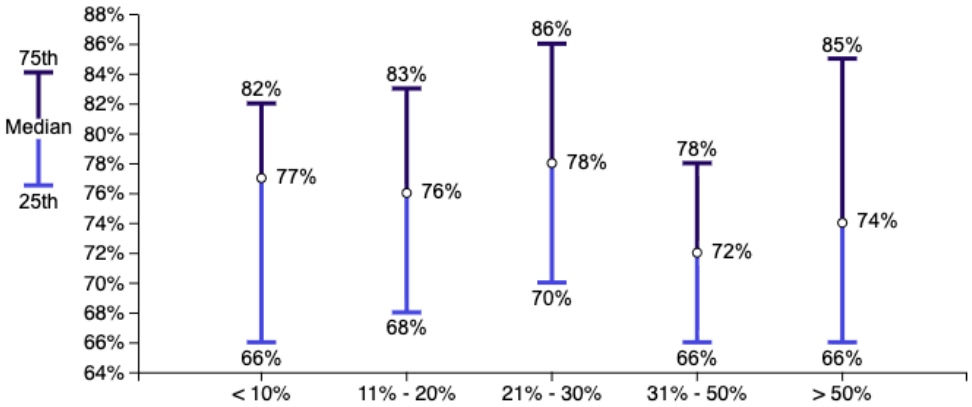
Key Insights

- **Usage-Based: Lowest at 62%:** Usage-based-only pricing models show the lowest median gross margin at **62%**, reflecting higher infrastructure and compute costs — particularly during the usage ramp period before economies of scale normalize unit COGS
- **Subscription Variants: 76–84%:** All three subscription variants cluster between 76% and 84%. Non-seat subscription leads, likely reflecting fixed minimum usage commitment contracts that price on value rather than resource consumption — a superior margin structure

N = 228

Gross Margin — Total Revenue

By 2025 Growth Rate



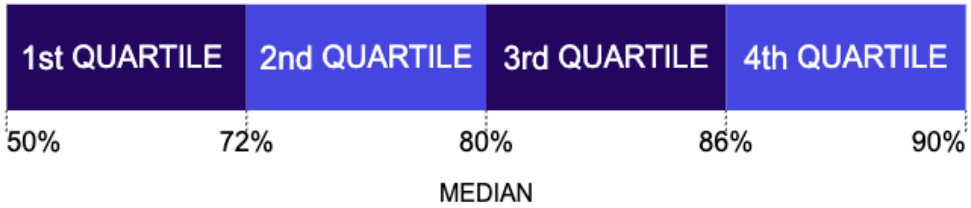
Key Insights

- **21–30% Growth: Highest Margin at 78%:** This cohort has optimized cost structures without the infrastructure overhead that accompanies hyper-growth, achieving the sweet spot of strong margin and solid growth simultaneously
- **High-Growth (>50%): 74% Gross Margin Median:** Rapid scaling often requires temporary services and CS overhead before automation normalizes the cost structure. These companies accept near-term margin compression in exchange for market share capture

N = 228

Gross Margin — Software

By Total Population



Filtered by: Total Population

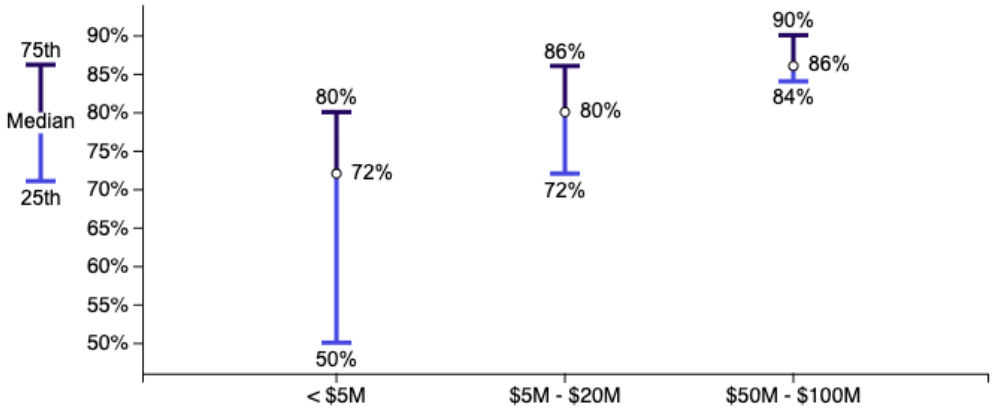
Key Insights

- **Median: 80% Software Margin:** Software Gross Margin is 4 points higher than total revenue gross margin at **80%**. This gap reflects the dilutive impact of professional services and non-software revenue on the blended margin — confirming software delivery remains healthy
- **The Bottom Quartile Challenge:** The 1st-quartile floor of **50%** reflects companies not yet optimizing software delivery economics. LLM inference costs, cloud infrastructure, and per-customer customization are the primary contributors. Top-quartile performance above 86% represents a fully scaled SaaS delivery model

N = 232

Gross Margin — Software

By Annual Recurring Revenue



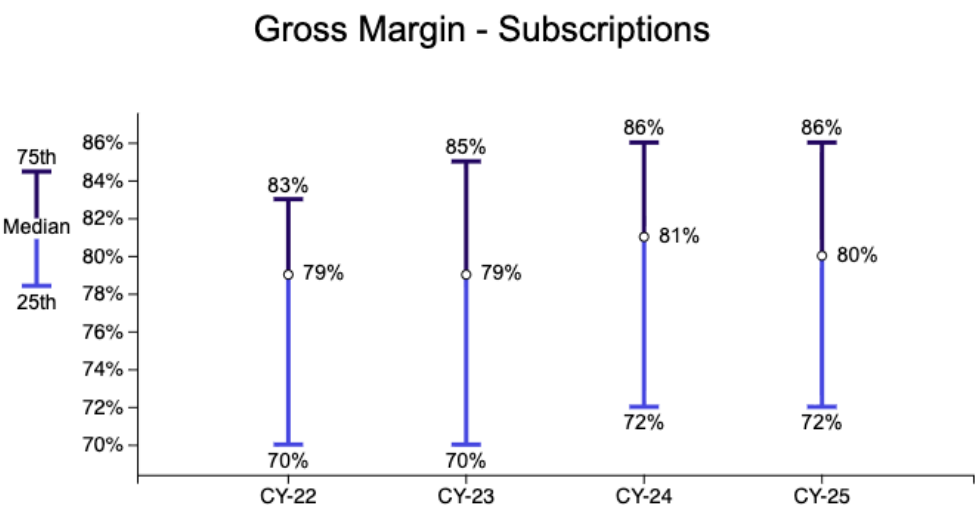
Key Insights

- **Scale Drives Margin Improvement:** Software gross margin improves with scale, from **72% at sub-$5M ARR to 86% at $50M–$100M**. The path from early stage to scale represents a 14-point margin expansion opportunity through operational leverage
- **Tight Distribution at Scale:** The $50M–$100M band shows a narrow distribution (84–90%), confirming that at this scale, operational excellence determines position within a narrow performance band rather than structural factors
- **AI Cost Instrumentation Best Practice:** SaaS companies integrating AI in a meaningful way should instrument the ability to capture and measure the impact of variable AI costs including inference, RAG, network, on software gross margins separately from core product COGS

N = 232

Gross Margin — Software

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



Filtered by: Total Population

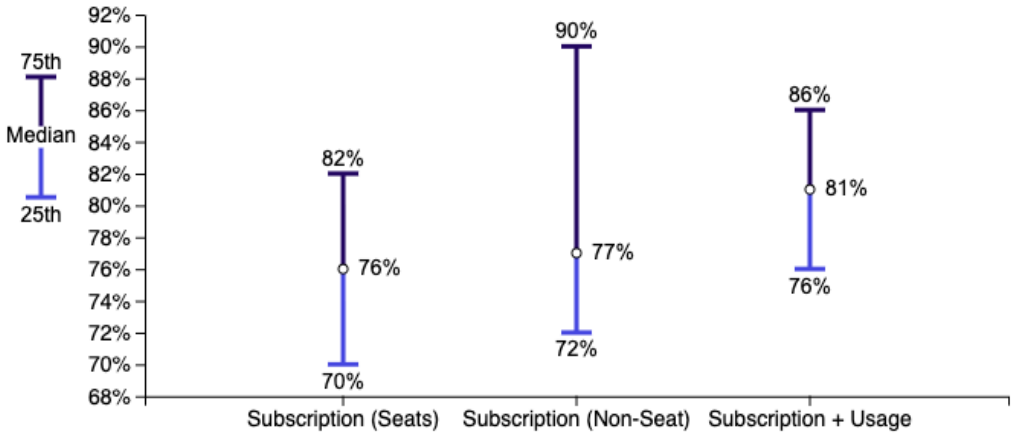
Key Insights

- **Remarkable Stability: 79–81%:** Median software gross margin held stable at **79–81% across all four years**. Industry-wide LLM and AI infrastructure costs have not yet materially compressed software margins at the median — a reassuring signal for the broader market
- **Bottom Quartile Gradual Improvement:** The 25th percentile improved gradually from **70% in CY-22 to 72% in CY-25**, reflecting incremental optimization by lower-margin operators. The consistency across years provides a stable benchmark for planning software gross margin targets

N = 232

Gross Margin — Software

By Pricing Model



Key Insights

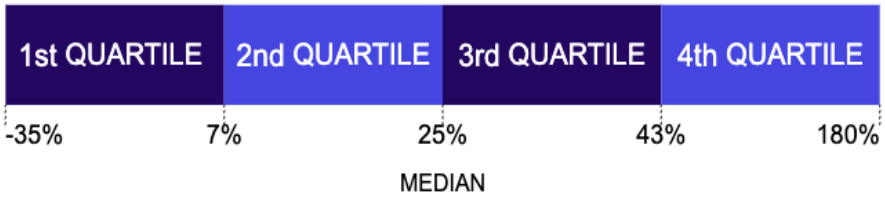
- **Consistent Floor: 70–72%:** All three pricing models show 25th percentiles clustered at 70–72%, confirming a consistent subscription gross margin floor **regardless of pricing model**. Structural model choice does not determine the baseline margin floor
- **Hybrid Model Outperforms:** Companies with a hybrid fixed-fee + usage model are driving superior gross margins, potentially due to a cost-plus pricing approach for variable usage components, effectively passing AI infrastructure costs to customers
- **Upper Distribution Differentiator:** The differentiation between models happens in the upper distribution. Model-specific cost structures determine the ceiling, not the floor - meaning pricing model choice is a lever for top-quartile performance optimization

N = 232

04 OPERATIONAL EFFICIENCY

Rule of 40

By Total Population



Key Insights

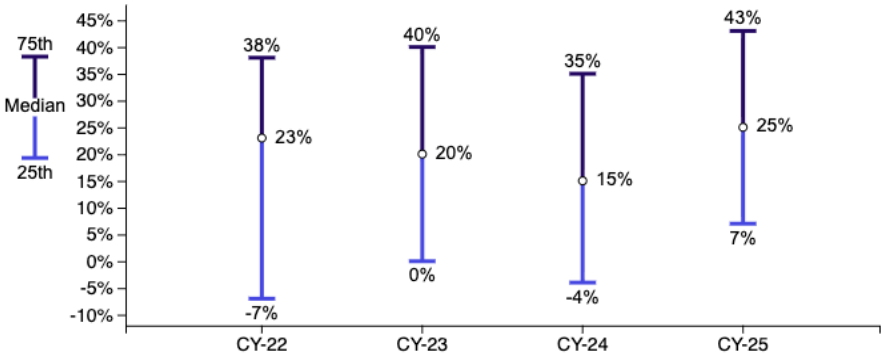
- **Median at 25% — 15 Points Below Target:** Median Rule of 40 is 25%, well below the 40% investor benchmark — though it's important to note that Rule of 40 becomes more meaningful as companies approach ~$20M ARR and above. More than **half the market underperforms** the standard threshold

- **Top Quartile: 43%+:** Top-quartile performers above 43% have found the growth-efficiency combination that drives premium valuations in both public and private markets. This cohort typically generates the free cash flow needed to self-fund growth investments without external capital dependency

N = 110

Rule of 40

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



Filtered by: Total Population

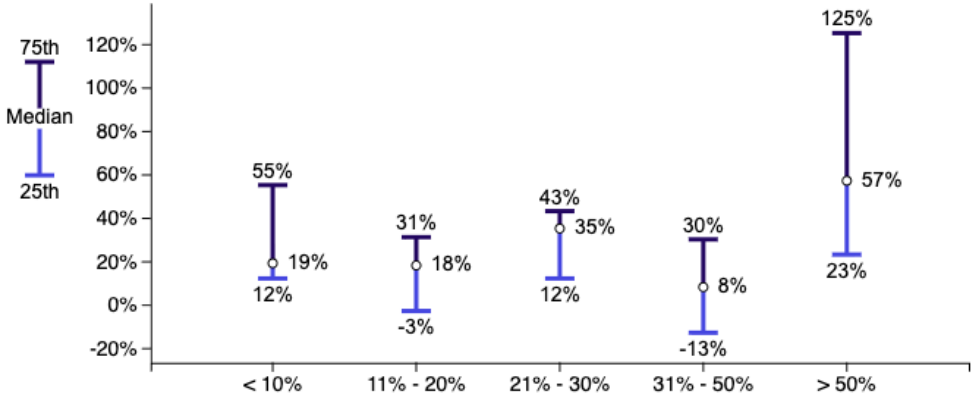
Key Insights

- **Largest Single-Year Gain in 5 Years:** Median Rule of 40 improved **10 points year-over-year**, from 15% in CY-24 to 25% in CY-25, the largest single-year gain in our five-year benchmarking history, reflecting broad industry improvement in both growth efficiency and operating margins
- **CY-24 Was the Low Point:** CY-24's 15% median was the trough. The recovery to 25% in CY-25 is meaningful and directionally encouraging, though the median still falls significantly below the 40% investor threshold
- **Bottom Quartile Turns Positive:** The 25th percentile moved from **-4% in CY-24 to +7% in CY-25** - bringing the bottom quartile from negative to positive territory. Efficiency gains were not limited to top performers; the entire distribution improved

N = 110

Rule of 40

By 2025 Growth Rate



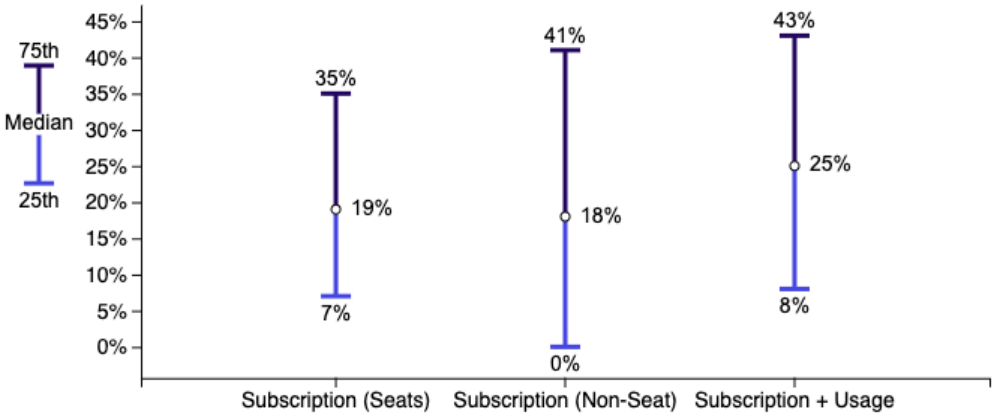
Key Insights

- **>50% Growth: Only Cohort Above 40:** The only cohort exceeding the benchmark at the median – **57. 75th percentile of 125** is often due to a lower base of revenue and growth biases the benchmark. These companies represent the convergence of product-market fit, GTM efficiency, and operational discipline
- **31–50% Growth: Counterintuitive at 8:** The 31–50% growth band shows a **median Rule of 40 of just 8,** lower than the <10% cohort (19%). Investment required to achieve this growth level compresses operating margins, not yet offset by the growth contribution
- **Strategic Implication:** The combination of high growth and high profitability is achievable — but requires exceptional product-market fit and GTM efficiency simultaneously. Mid-range growth cohorts face the hardest tradeoff between investment and efficiency

N = 110

Rule of 40

By Pricing Model



Key Insights

- **Subscription + Usage Leads:** Subscription + Usage companies achieve the highest 75th percentile at **43%** — just above the 40% threshold. The hybrid model combines predictable base revenue with expansion upside, creating a favorable Rule of 40 structure for top performers
- **Non-Seat Subscription Lags:** Non-seat subscription companies show the lowest median at **18%**, suggesting heavier relative S&M or R&D investment not yet translating into Rule of 40 performance. This may reflect companies in active market expansion phase before efficiency gains materialize

N = 110

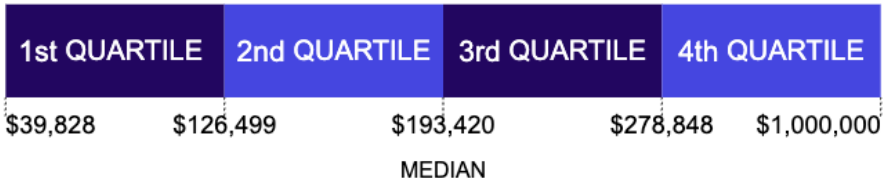
05

HUMAN CAPITAL EFFICIENCY

ARR per employee, S&M, G&A, R&D, and AI expense ratios — measuring how effectively B2B SaaS companies are converting headcount into revenue in an era of AI-driven productivity transformation.

ARR per Employee

By Total Population



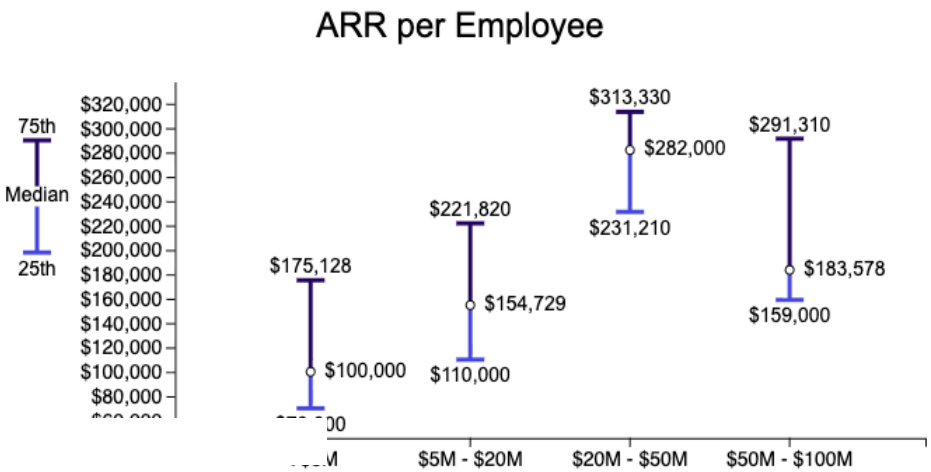
Key Insights

- **$193K Median ARR/Employee**. The overall benchmark for B2B SaaS labor leverage in 2025. Though it is most relevant to view ARR per Employee at each segment of revenue growth
- **$278,848 Top Quartile**. Approaching the $300K+ threshold for best-in-class private SaaS labor leverage
- **$126K Bottom Quartile**. Falls below fully-loaded employee cost in most SaaS markets — best evaluated in context of company size

N = 96

ARR per Employee

By Annual Recurring Revenue



By Annual Recurring Revenue

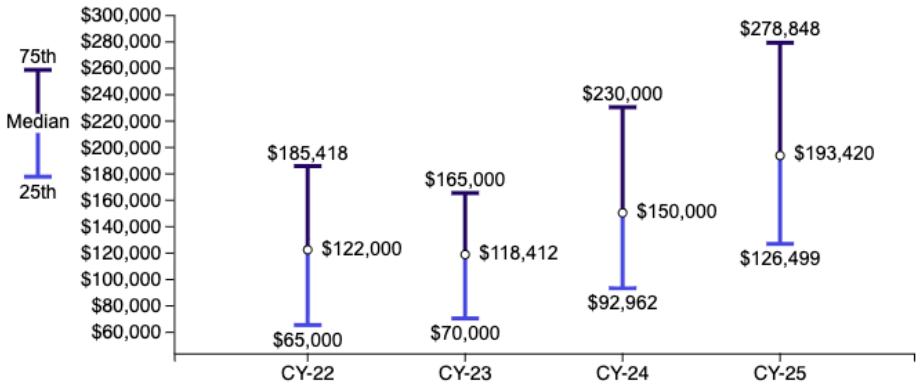
Key Insights

- **$20M–$50M ARR: Peak Efficiency at $282K:** This band is the efficiency inflection point, companies have achieved scale without the management layers that dilute productivity at larger size. The $282K median is notably higher than previous benchmarks and reflects the impact of disciplined hiring and AI-assisted productivity tools
- **The $50M+ Expansion Tax:** Companies entering the $50M band are often aggressively expanding into new ICPs or geographies, investing in people ahead of GTM ROI. Above $100M, management layers and support overhead dilute to a **median of $ 206K**. Maintaining above $250K at scale requires deliberate organizational discipline

N = 96

ARR per Employee

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



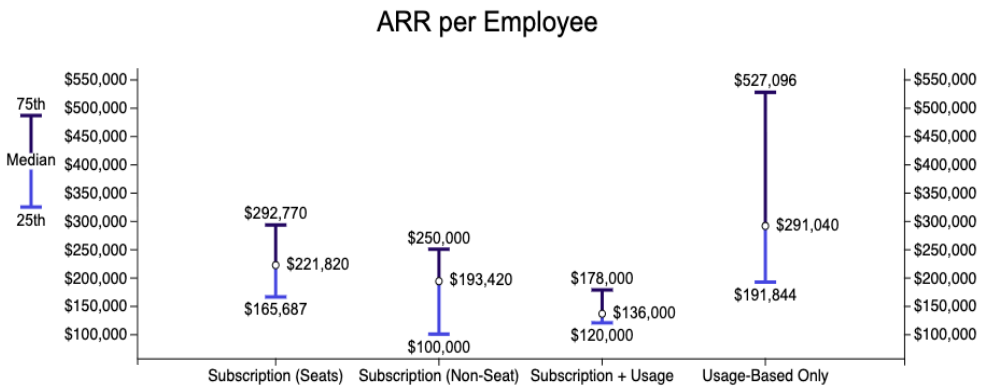
Key Insights

- **29% Year-over-Year Improvement:** Median ARR per Employee improved from **$150K to $193K** - a 29% single-year gain driven by two simultaneous dynamics: revenue growth in the numerator and deliberate headcount rationalization in the denominator
- **Top Quartile Reaches $279K:** The 75th percentile reached **$278,848 in CY-25**, a 20% increase driven by AI-assisted productivity tools, lean organizational design, and increasing revenue efficiency across GTM unit economics, a tangible marker of the AI productivity dividend arriving in SaaS operations

N = 96

ARR per Employee

By Pricing Model



By Pricing Model

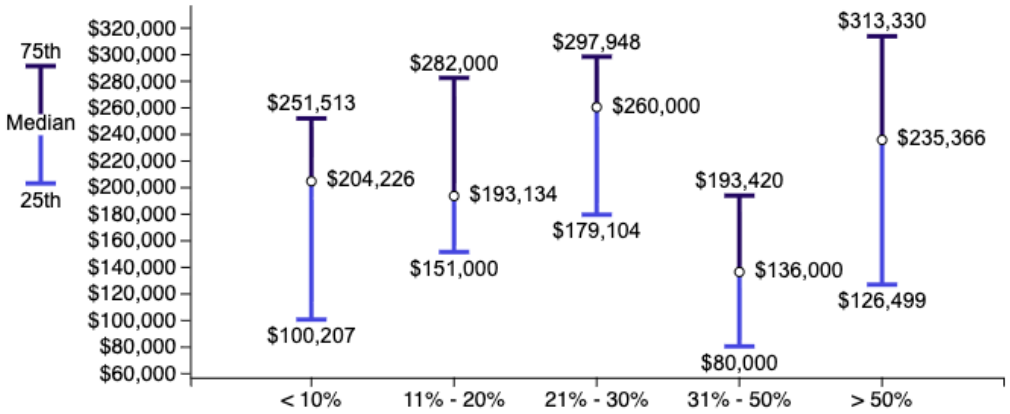
Key Insights

- **Usage-Based Leads at $291K:** Usage-based companies achieve the highest median ARR per Employee at **$291K**. Consumption-based revenue scales with usage growth and CPU utilization, often without requiring proportional headcount additions to close and grow existing accounts — creating a structurally superior labor efficiency model
- **Interpret With Caution:** This benchmark should be evaluated alongside distribution model, company size, and product type. High ARR/Employee in UBP models can reflect both genuine efficiency and definitional differences in how usage-driven ARR growth is classified relative to headcount requirements

N = 96

ARR per Employee

By 2025 Growth Rate



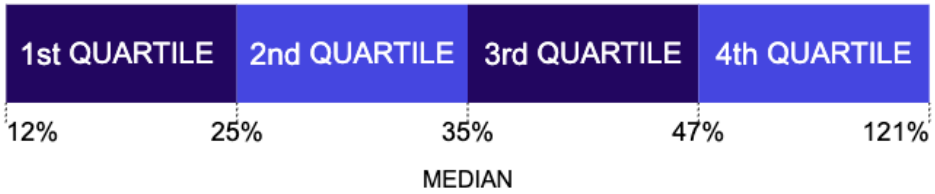
Key Insights

- **High-Growth (>50%): $235K Median:** Contrary to the assumption that fast growth requires proportional headcount, the fastest growers are also the most labor-efficient. Strong product-market fit drives efficient acquisition without linearly scaling GTM resources
- **31%-50% Growth: Lowest at $136K:** Mid-range, high-growth companies show the lowest median and widest IQR. They are often adding headcount in anticipation of growth not yet fully materialized in ARR, creating temporary efficiency dilution while the investment horizon extends

N = 96

S&M Expenses as % of Revenue

By Total Population



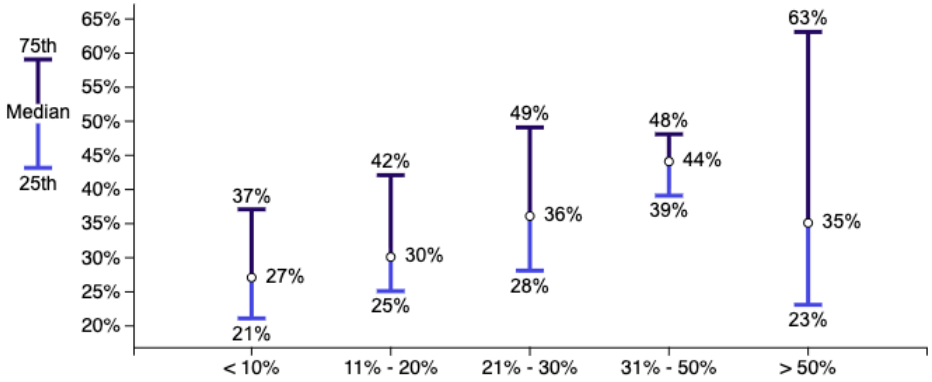
Key Insights

- Sales and Marketing as a percentage of revenue at a median of 35%, closely aligns to that of much larger, public companies, highlighting that this level of investment in Sales and Marketing is being used as the benchmark for a majority of companies during the annual budgeting process
- Total-population benchmarks for S&M require careful interpretation. Sample composition is material, and S&M as a percentage of revenue correlates most strongly with company size, though a notable finding is that S&M investment is also highly correlated to growth rate

N = 196

S&M Expenses as % of Revenue

By 2025 Growth Rate



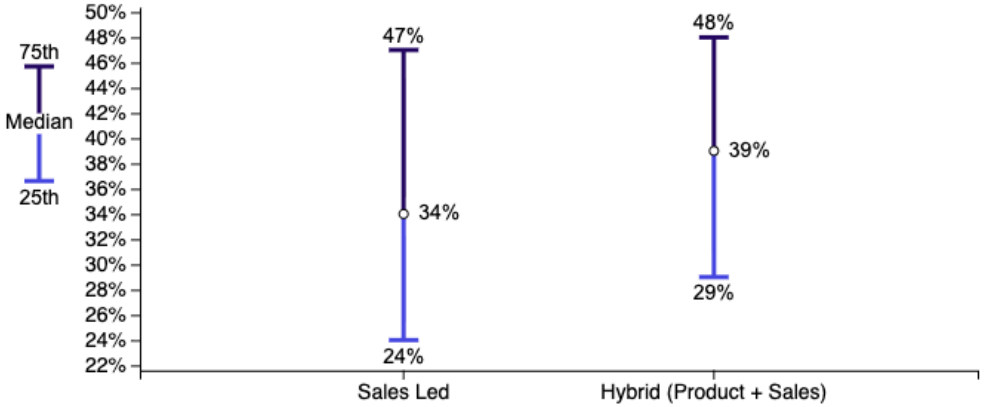
Key Insights

- **31–50% Growth: Highest S&M at 44%:** Consistent with history — companies investing aggressively to achieve 31–50% growth carry the highest median S&M ratio. This reflects the investment required to sustain high growth rates in competitive SaaS markets
- **The >50% Growth Anomaly:** Companies growing above 50% invest 35% of revenue in Sales and Marketing. It's interesting that this is exactly the same investment for the whole population and is lower than that for companies in both the 21% - 30% range and the 31% - 50% growth rate range.
- Often, those companies with superior unit economics are best positioned to grow faster without burning the same level of capital as slower-growing companies

N = 196

S&M Expenses as % of Revenue

By Go-to-Market Motion



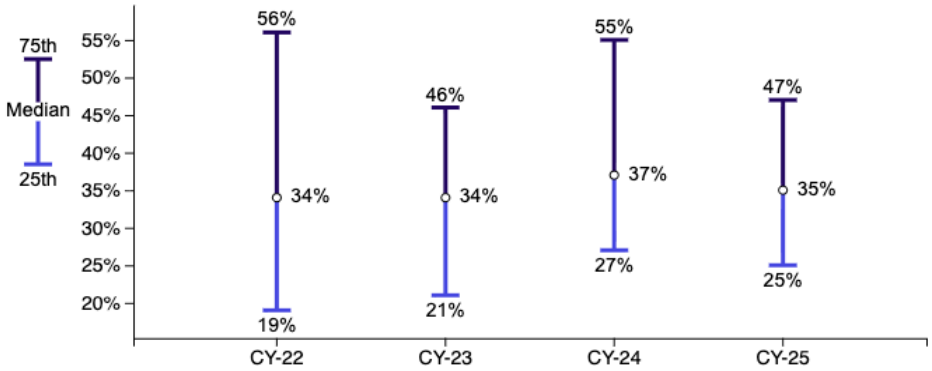
Key Insights

- While many assume that integrating a Product-Led growth motion will lead to more efficient Go-to-Market, the reality is typically different. As PLG companies evolve into larger companies that also are moving into more enterprise class market segments, and/or adding additional products they invest in more Sales and Account Management functions which increased total S&M expenses
- Another key factor in the higher S&M expense ratio, is that the PLG motion continues to leverage the Growth Marketing function for new customer acquisition and expansion, while simultaneously leverage direct sales resources to close larger, enterprise class agreements with increased minimums

N = 196

S&M Expenses as % of Revenue

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



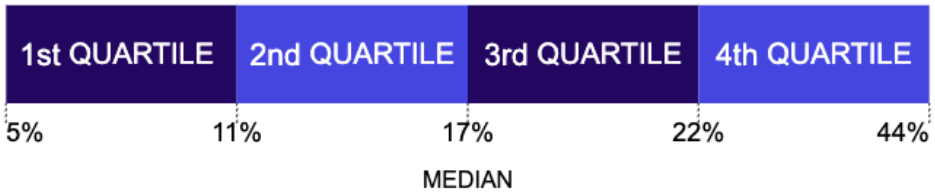
Key Insights

- Median S&M as a % of revenue declined 2 percent YoY — from 37% in CY-24 to 35% in CY-25. This is the first year we have seen a decrease, though we are still slightly higher than in CY-22 and CY-23
- The most aggressive investors in S&M, those in the fourth quartile, have decreased their level of investment from 55% in CY-24 to 47% in CY-25, highlighting the goal to increase efficiency even in the highest spending companies
- **AI-Native Playbook Adoption:** This is a strong signal that legacy SaaS companies are finally adopting AI-native company playbooks, seeing the revenue growth efficiencies that have been chased since 2023 begin to materialize at scale across the population

N = 196

G&A Expenses as % of Revenue

By Total Population



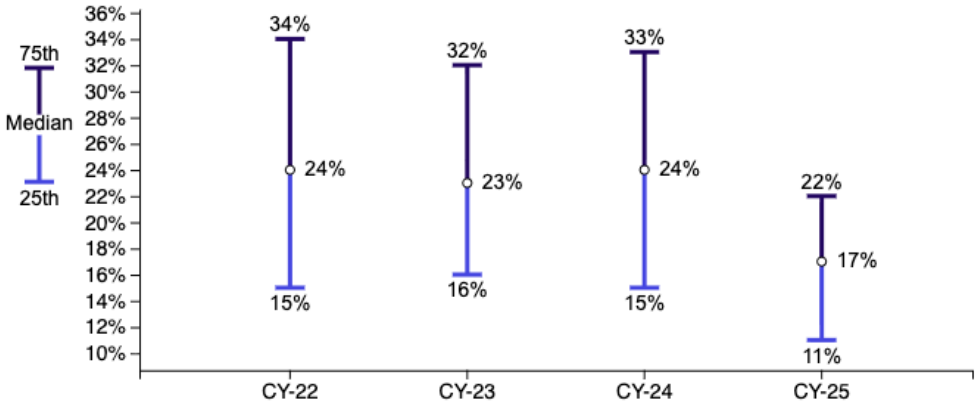
Key Insights

- **Median: 17% — Above Target:** At the high end of the 8–12% efficiency target for scaled SaaS. The wide distribution reflects stage differences, earlier-stage companies carry structurally higher G&A as revenue scales up to absorb fixed overhead
- **Top Quartile: 11% or Below:** These companies have built lean administrative functions that free capital for R&D and S&M investment, approaching public-company G&A efficiency in a private market context
- **75th Percentile: 22% — A Concern:** 22% G&A should not be a sustained level unless the company is very early stage. For most companies, this represents a material operating leverage opportunity that is being left on the table

N = 176

G&A Expenses as % of Revenue

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



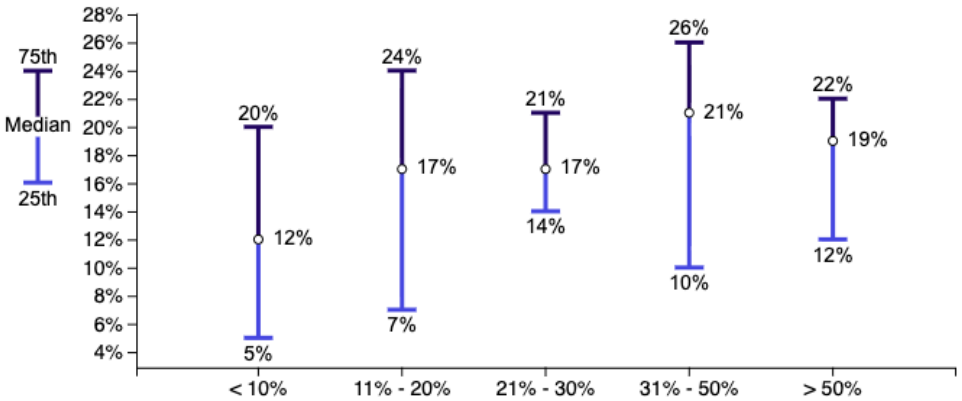
Key Insights

- **7-Point Reduction Over Three Years:** Median G&A improved from **24% in CY-22/23 to 17% in CY-25**, reflecting systematic administrative overhead reduction through automation, headcount rationalization, and deliberate prioritization of operational efficiency
- **Bottom Quartile Approaches Public Standards:** The 25th percentile improved from 15% to **11%**, approaching public-company administrative efficiency in private market companies. The 75th percentile remains at 22%, confirming that a quarter of the market still carries G&A that constrains operating leverage

N = 176

G&A Expenses as % of Revenue

By 2025 Growth Rate



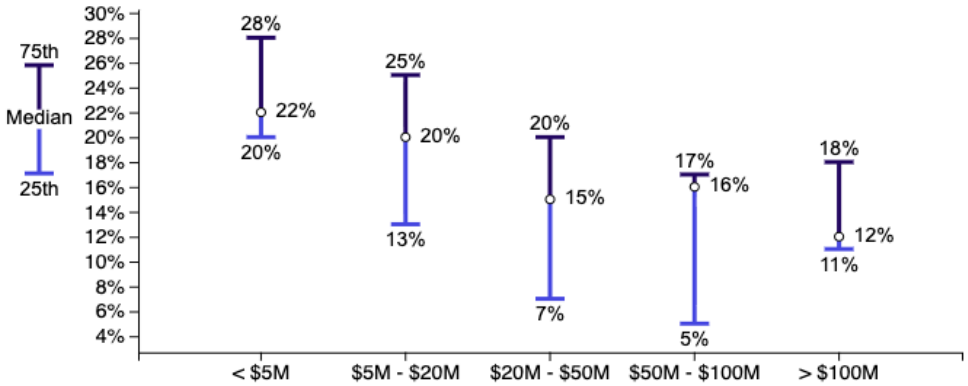
Key Insights

- **High-Growth: 19% G&A — Above Cohort Average:** Companies growing above 50% show a **19% median G&A**, higher than slower-growing cohorts. Fast-growing companies often invest in administrative infrastructure ahead of revenue, finance, legal, HR in preparation for the scale they are pursuing
- **<10% Growth: Leanest at 12%:** Slow-growth companies show the leanest G&A at 12% median, reflecting years of overhead reduction driven by profitability necessity rather than operational excellence
- **31–50% Growth: Highest at 25%:** The 31-50% growth cohort shows the highest median G&A at 21% and is a target for tighter management. This could signal a lack of operational rigor that is being masked by high growth rates, a vulnerability when growth decelerates

N = 176

G&A Expenses as % of Revenue

By Annual Recurring Revenue



By Annual Recurring Revenue

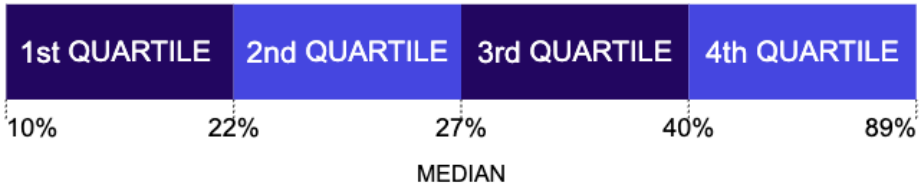
Key Insights

- **Sharp Decline with Scale:** G&A as a percentage of revenue declines sharply with scale, from **22% at sub-$5M to 12% above $100M**. Scale is the primary G&A efficiency lever. This is among the most consistent relationships in all of our benchmark data
- **Convergence at Scale:** The >$100M band shows a narrow range (11% -18%), reflecting operational maturity and G&A convergence among scaled companies
- Focusing on G&A expenses, and leveraging AI to increase the productivity of G&A processes, such as Finance and Human Resources, is an effective strategy that does not come at the expense of competitive risk or reduced revenue growth impact

N = 176

R&D Expenses as % of Revenue

By Total Population



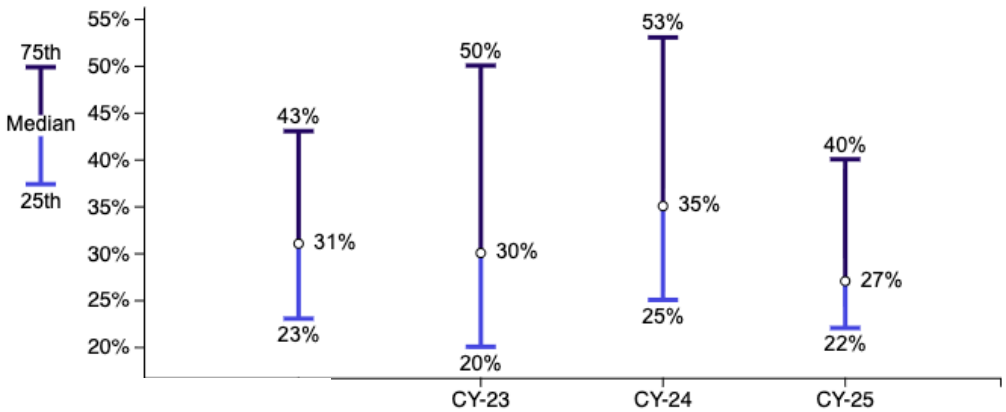
Key Insights

- **Median: 27% of Revenue:** Consistent with meaningful product investment in B2B SaaS. This level reflects a healthy balance between product development commitment and revenue efficiency across the benchmark population
- **Bottom Quartile: 10% Floor:** These companies have either reached product maturity or have leveraged AI coding tools to dramatically reduce development costs — achieving the same or greater output with a significantly smaller engineering cost base
- **75th Percentile at 40%:** Suggests either earlier-stage companies or significant AI product investment. Must always be viewed in context of growth rates, not just company size — high R&D can be an investment or an inefficiency depending on the trajectory

N = 192

R&D Expenses as % of Revenue

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



Filtered by: Total Population

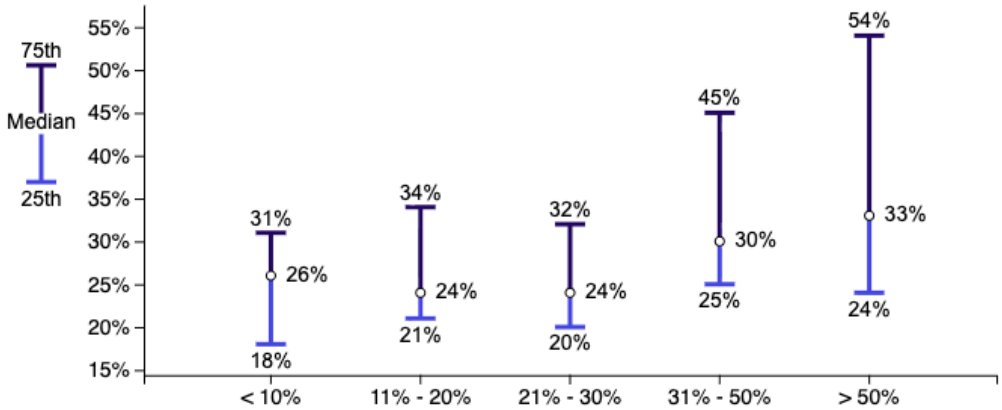
Key Insights

- **8-Point Decline in a Single Year:** Median R&D declined from **35% in CY-24 to 27% in CY-25**. Combined with the simultaneous S&M reduction, the data signals that 2025 was the year profitability became the primary operating objective across the SaaS industry
- **Two Schools of Thought:** For companies with strong moats and expanding AI TAM, this R&D reduction is counterintuitive and potentially dangerous. For companies focused on profitability without clear short-term growth acceleration, it reflects sound operating discipline. The right answer is company-context specific

N = 192

R&D Expenses as % of Revenue

By 2025 Growth Rate



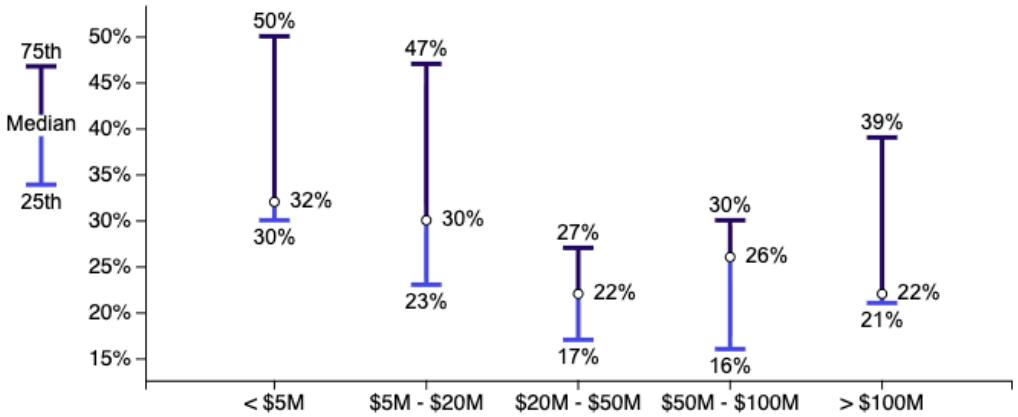
Key Insights

- **High-Growth (>50%): 33% R&D:** The highest R&D investment of any cohort. These companies believe product differentiation is the primary driver of growth trajectory — and they are allocating capital accordingly to maintain their competitive advantage
- **Slow-Growth (<10%): 26% R&D:** Companies at just 16% R&D risk accelerating competitive disadvantage through continued underinvestment. They face elevated risk of displacement through vendor consolidation or innovative AI-native upstarts that prioritize product development above all else

N = 192

R&D Expenses as % of Revenue

By Annual Recurring Revenue



Key Insights

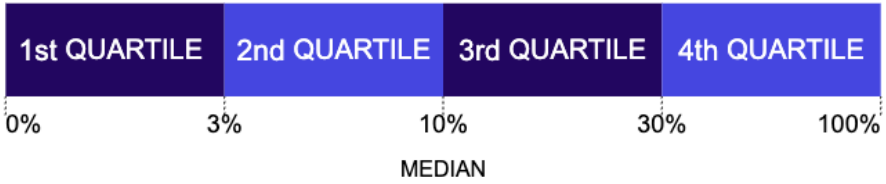
- **Decline from 32% to 22% with Scale:** R&D as a percentage of revenue declines from **32% at sub-$5M to 22% above $100M**. The sharpest efficiency transition occurs at $20M–$50M (22% vs. 32% at $5M–$20M), reinforcing this band as the R&D leverage inflection point alongside GTM efficiency

- **A Critical Strategic Question:** These benchmarks raise an important question: Are larger companies ceding product innovation and leadership to new challengers? At 16% R&D, legacy players face a real risk of being outpaced by AI-native competitors investing 3x as much in AI specific product development relative to revenue

N = 96

AI Expenses as % of R&D Expenses

By Total Population



Key Insights

- **Median: Just 10% of R&D:** Reflecting the early stages of AI-specific engineering investment. Despite all the market conversation around AI, the median company is allocating only a small fraction of its R&D budget specifically to AI capabilities (N=46, small sample, interpret directionally)
- **Top Quartile: 30%+ AI R&D:** Companies allocating 30% or more of R&D to AI are making it a core product strategy priority – not just a feature investment. These companies are building AI as a structural competitive moat
- **The Metric to Watch:** The extreme range reflects companies making small AI feature investments versus those where AI model training and infrastructure is the primary engineering activity. This metric will be a **critical differentiator** to track as AI-native companies scale in the coming years

N = 46

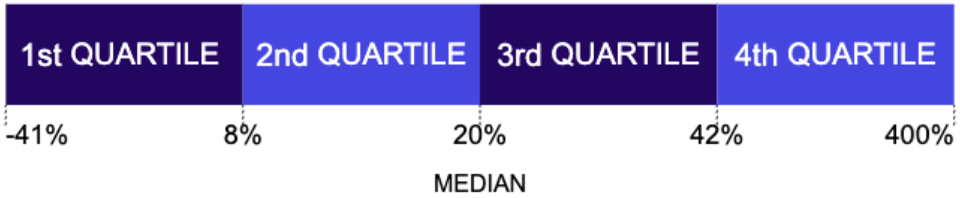
06

CAPITAL EFFICIENCY

Examining burn multiple trends and how efficiently B2B SaaS companies are converting invested capital into new ARR across company sizes, growth rates, and ARR bands.

Growth Rate

By Total Population



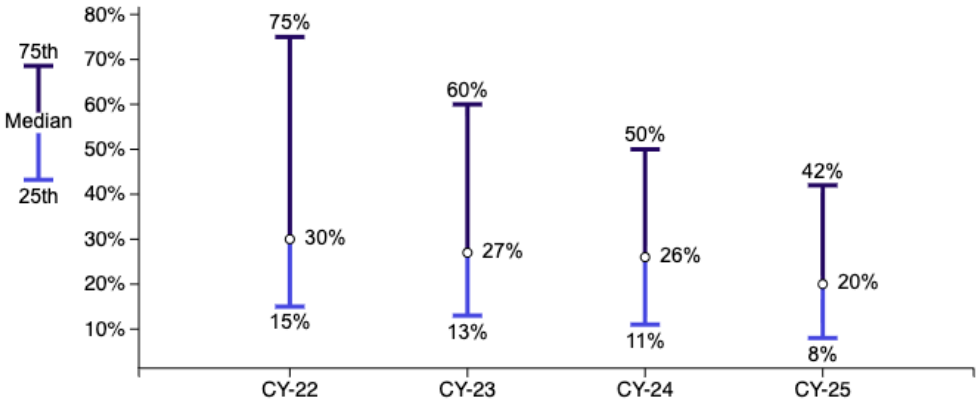
Key Insights

- Growth at a median of 20% highlights the challenges the traditional B2B SaaS company faces as the industry matures. The next page shows the continued decrease in growth rates since 2022
- With an 8%+ growth rate being the hurdle for being included in the 2nd quartile and the fourth quartile now starting at 42%, it highlights the need for better customer acquisition, retention and expansion unit economics to be able to invest in growth. This is a key finding in this year's report, whereas those companies with the best unit economics are investing more in the GTM function, and as a result are achieving higher growth rates
- Being able to "shrink" GTM expenses is only one part of the equation; being able to achieve superior unit economics enables more investment in growth

N = 338

Growth Rate

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



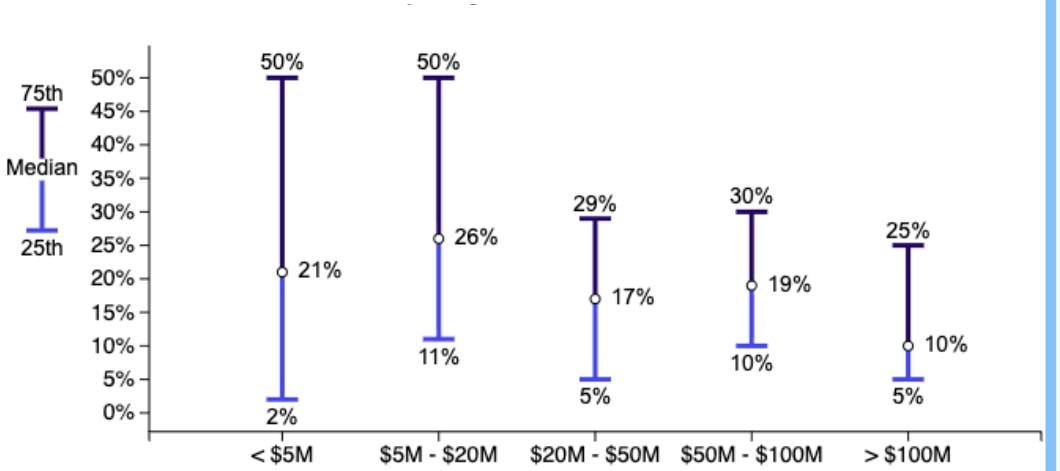
Key Insights

- The most consistent benchmark trend over the past four years has been the decreased growth rate across the board – declining from 30% median in ‘22 to 20% in ‘26
- The median growth rate has decreased by 10% (30% to 20% over the past four years, while the 75th percentile has decreased 28% - from 75% in ’22 to 42% in ‘26
- A consistent finding across the board is that growth rates are correlated to a combination of strong GTM unit economics and the associated ability to confidently increase investment in the growth engine that is GTM
- Taking a serious look at fundamentally re-engineering the GTM playbook across acquisition, retention and expansion is no longer a novel idea; it is table stakes to find efficient growth and achieve top quartile status

N = 338

Growth Rate

By Annual Recurring Revenue



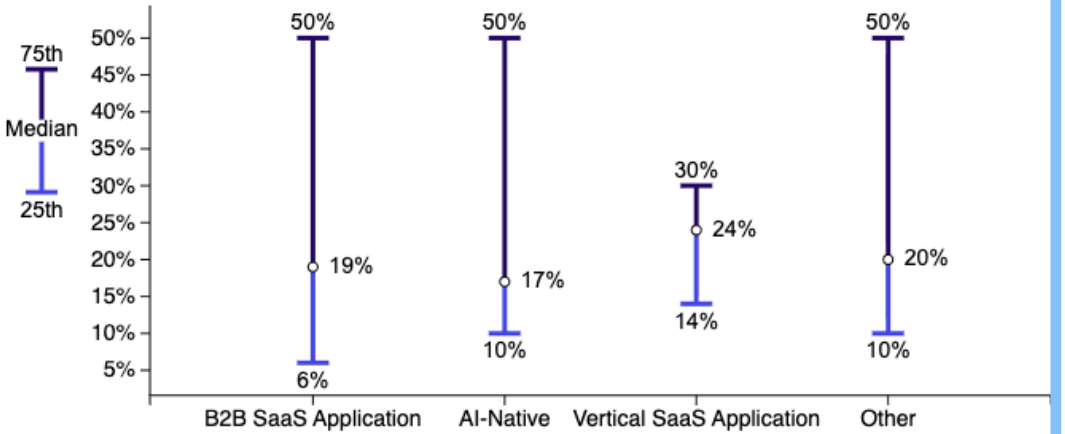
Key Insights

- It is interesting that the smallest companies (< $5M) are struggling to find growth, while those in the $5M - $20M range, who have achieved Product Market Fit and have a well-defined ICP, are growing the fastest at 26% median
- In these early days of AI-Native applications, it is critical for SaaS vendors to quickly identify their ICP, while achieving enough brand awareness to compete efficiently and effectively against the “I can do this with an LLM” or “ I will consolidate my SaaS point solutions into the associated system of record platform” I have in place
- For companies greater than $100M, growing less than the 25% top quartile, will make the challenges to win in the AI era more difficult in the 2H-26 and 2027

N = 338

Growth Rate

By Solution Type



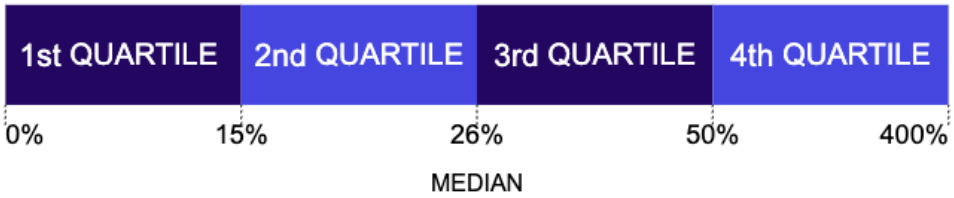
Key Insights

- In what on the surface could be a counterintuitive finding, AI-Native application companies are finding growth more difficult than expected. With the barrier to software development decreasing, the number of new “AI-Native Applications” has dramatically increased, while many companies are also experimenting with the “build” option. This dynamic is making growth rates in the LLM, AI coding, and customer service hard to replicate
- Vertical SaaS and AI companies are outperforming horizontal SaaS and AI applications, with a median growth rate of 24% versus 17% - 19% for traditional SaaS and AI-Native companies
- These benchmarks suggest approaching the market from a deep vertical angle may be the best initial GTM strategy, unless other horizontal plays like coding and service are available

N = 338

Planned ‘26 Growth Rate

By Total Population



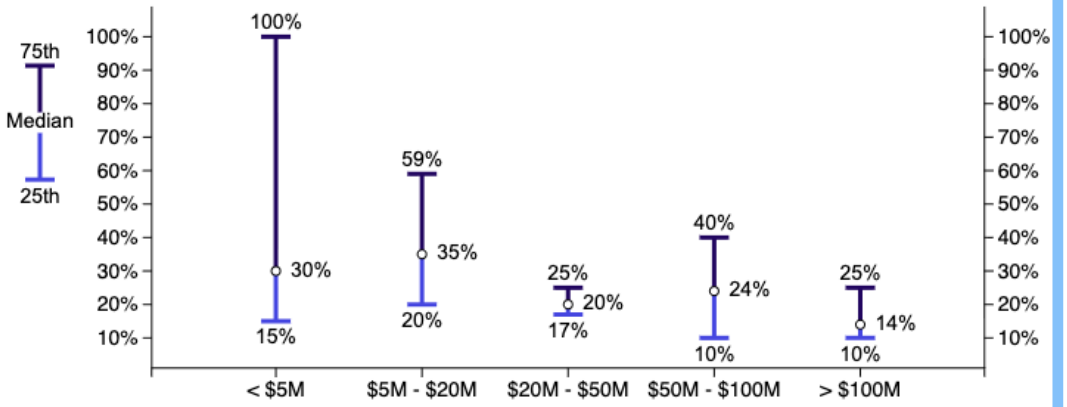
Key Insights

- For 4 years in a row, the optimism of B2B SaaS companies and their founders is demonstrated by the planned next year growth rates being higher than their actual previous year growth rates
- With a 26% median planned growth rate for ‘26 versus the 20% median achieved in ‘25, it is obvious that the under-commit and over-deliver mindset has not yet taken over
- Companies that have achieved increasingly efficient GTM unit economics for at least 2-4 consecutive quarters are positioned for increasing GTM investments. Take a hard look at your **NRR, GRR, CAC Payback Period, CAC Ratio, and SaaS Magic Number**, and if all are in the top quartile – accelerating GTM investment to accelerate growth is prudent – otherwise, it’s time to throw out the existing GTM playbook and take an AI-First approach

N = 262

Planned ‘26 Growth Rate

By Annual Recurring Revenue



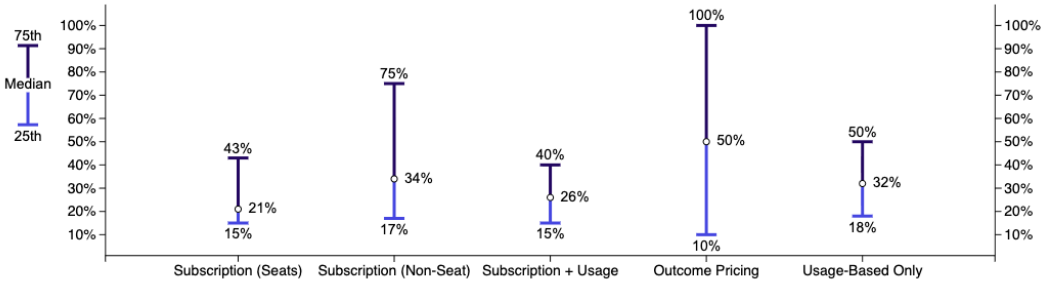
Key Insights

- Across all company size segments, the planned ‘26 growth rates are higher than the actual growth rates in ‘25
- This trend, or maybe I should say “phenomena” is most common in the under $20M ARR segment – hoping they have found their Product Market Fit and Ideal Customer Profile that will lead to accelerated growth
- In the “broken record” department, growth is currently a by product of superior unit economics and the ability to invest more across the GTM organization. Look at the big five performance metrics (NRR, GRR, CAC Ratio, CAC Payback Period and SaaS Magic Number) to determine if incremental investment in growth is prudent, or primarily a path to reducing Rule of 40 performance

N = 262

Planned ‘26 Growth Rate

By Pricing Model



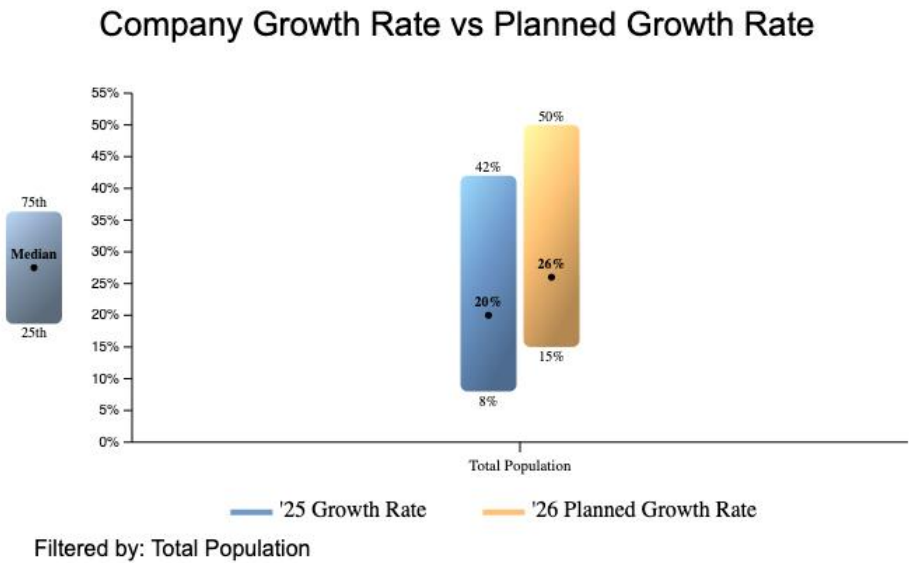
Key Insights

- Another interesting finding is that companies who are beginning to rely upon “outcome pricing” as the most optimistic in their ‘26 growth, with a median planned growth of 50%. It will be important to track performance vs plan over time for this early stage pricing model
- Though usage pricing can ultimately lead to faster growth rates as customers experience the value and can easily justify incremental investments, it is important to note that tracking usage trends and product utilization is critical in early stage companies leveraging Usage-Based Pricing

N = 262

‘25 vs ‘26 Growth Rate

By Total Population



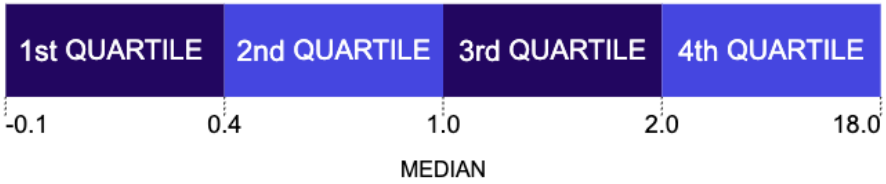
Key Insights

- This chart makes clear that the majority of participating companies continue to display founder optimism, planning growth re-acceleration that the prior four years of benchmark data have not supported at the median
- Though we appreciate that optimism, it often comes with increased budget allocations to meet those aggressive goals that are not backed with historical trending data
- A prudent approach is to ensure the unit economics are carefully measured against the goals, and to immediately re-evaluate GTM processes and investment allocations until such unit economic goals – analyzed against benchmarks are achieved

N = 262

Burn Multiple

By Total Population



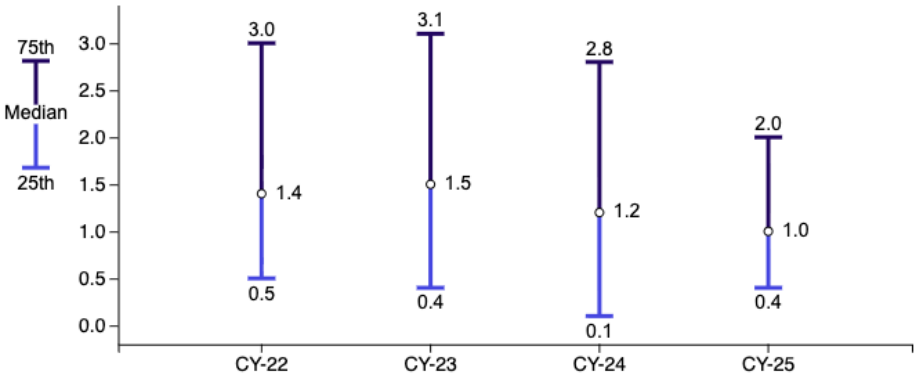
Key Insights

- Burn Multiple measures how many dollars of net cash burn are required to generate each dollar of net new ARR. A lower Burn Multiple indicates more efficient use of capital. Best-in-class targets: <1.0x for scaling companies, <0.5x for efficient growers
- The Burn Multiple distribution reflects the wide range of capital efficiency across the benchmark population. Companies in the top quartile have achieved meaningful operating leverage, generating new ARR with minimal net cash consumption. The bottom quartile continues to burn significant capital for each dollar of new ARR added, a profile that raises durability questions in a tighter funding environment

N = 62

Burn Multiple

Year-over-Year: CY-22 vs. CY-23 vs. CY-24 vs. CY-25



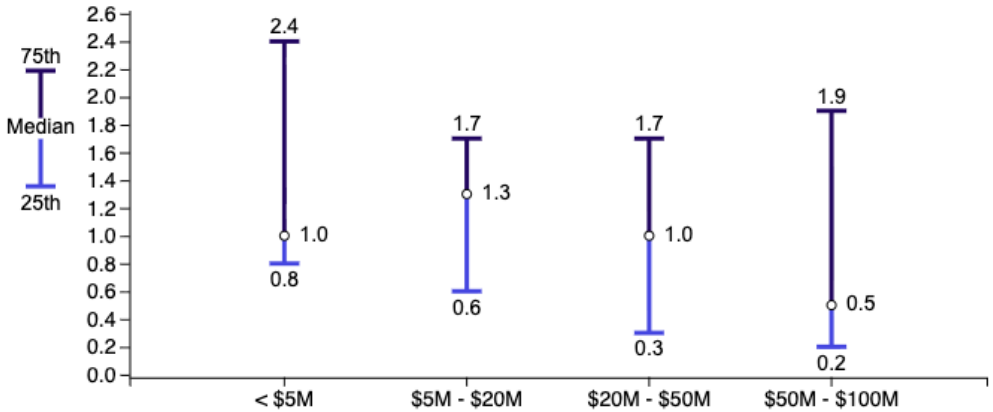
Key Insights

- **Multi-Year Trend:** The year-over-year progression of Burn Multiple reflects the industry's shift from growth-at-all-costs investing to capital-efficient ARR generation. The same macro forces driving S&M and R&D reductions are visible in improving Burn Multiple trends across the population
- **Efficiency Gains Are Real:** Burn Multiple improvements align with the broader efficiency narrative observed across S&M expense ratios, headcount discipline, and G&A optimization. Companies that improved Burn Multiple most aggressively are typically the same companies showing Rule of 40 gains in 2025

N = 62

Burn Multiple

By Annual Recurring Revenue



Key Insights

- **Early Stage: Highest Burn:** Sub-$5M ARR companies show the highest Burn Multiple, reflecting the cost of building initial GTM infrastructure, product-market fit iterations, and early team investment ahead of meaningful revenue generation
- **Scale Drives Efficiency:** Burn Multiple improves materially as companies scale through ARR bands. At larger ARR levels, existing revenue absorbs fixed infrastructure costs, and each new dollar of ARR requires proportionally less net burn to generate
- **Benchmark in Context:** Burn Multiple should always be evaluated alongside growth rate and runway — a higher Burn Multiple at fast growth and with significant runway may be a deliberate and rational investment strategy, not a warning signal

N = 62

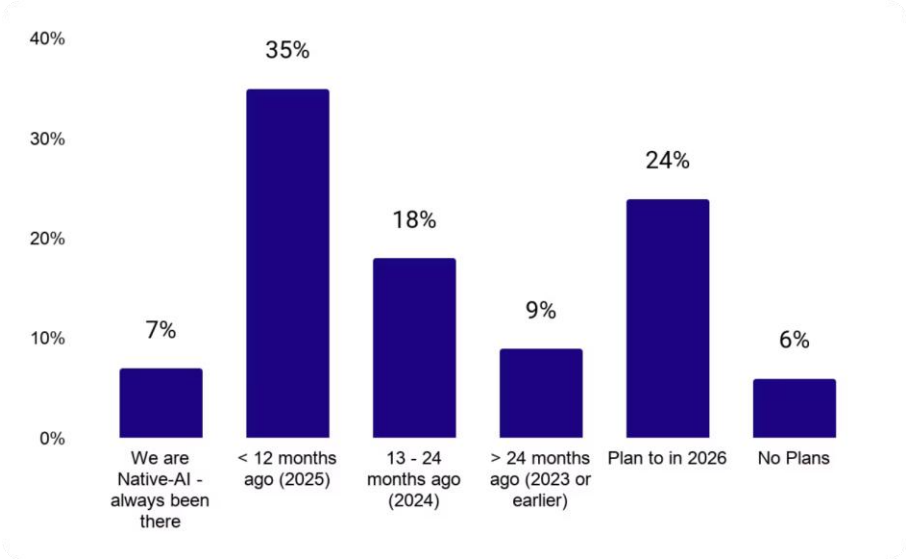
07

The Frontier: AI Maturity and Monetization

Tracking product integration timelines, monetization strategies, pricing architecture, and LLM adoption patterns across 254 B2B SaaS and AI-native software companies.

AI Product First Introduced In Product

By Total Population



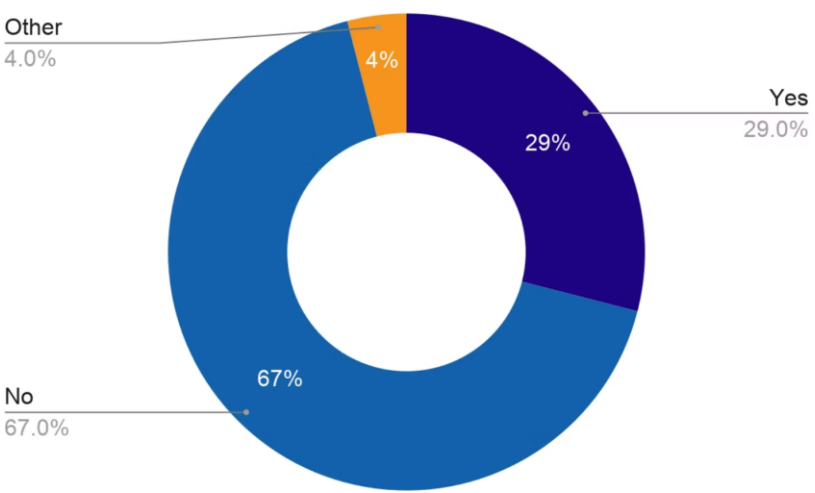
Key Insights

- 35% of respondents introduced AI into their product within the past 12 months, making it the single largest cohort. Combined with those who plan to add AI in 2026 (24%), nearly 6 in 10 B2B SaaS companies are either newly AI-enabled or on the immediate launchpad
- **Only 9% shipped AI more than 24 months ago.** The long tail of early movers is thin, which means the first-mover advantage from 2023 has not yet compounded into durable differentiation for most
- 6% of participants report no plans to add AI to their product. In a market where 94% are either already AI-enabled or planning to become so, this cohort faces a meaningful product-market positioning risk as buyer expectations evolve

N = 254

Charge For AI Functionality

By Total Population



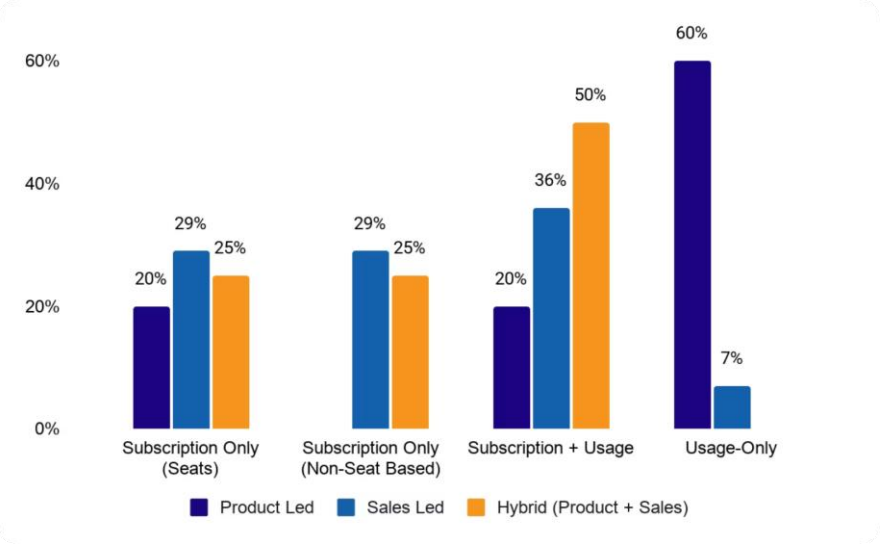
Key Insights

- 67% of B2B SaaS companies with AI functionality do not charge incrementally for it, treating AI as a feature rather than a monetization lever. This suggests most vendors are still in a value-proof phase, bundling AI to accelerate adoption rather than optimizing for near-term revenue
- Only 29% of respondents currently charge separately for AI. Given the significant infrastructure and LLM costs associated with AI features, companies that cannot monetize directly are absorbing margin pressure without a clear ROI recovery mechanism
- The 4% in the 'Other' category likely reflects hybrid or experimental pricing structures, an early signal that the market has not yet converged on a standard AI monetization model

N = 156

AI Pricing Model

By Go-to-Market Motion



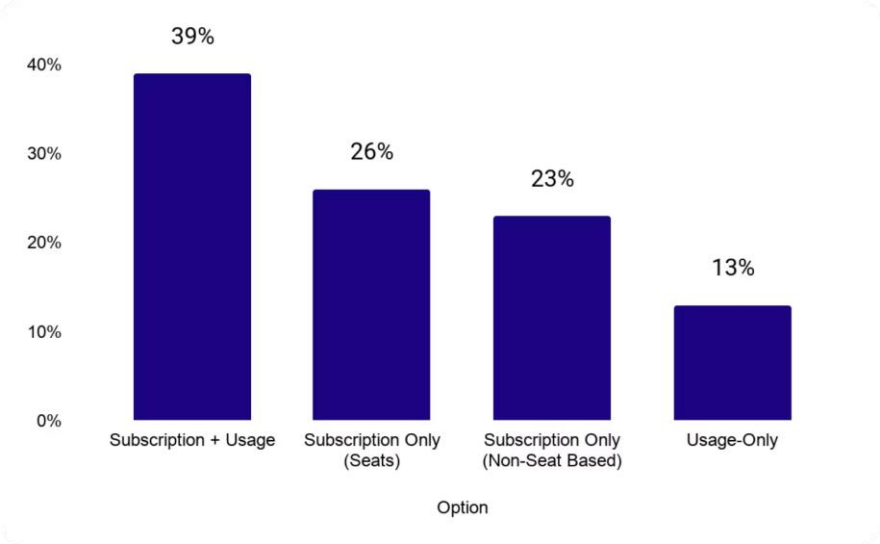
Key Insights

- Product-led companies show a striking preference for Usage-Only AI pricing at 60%, compared to just 7% for Sales-led. This reflects PLG's natural alignment with consumption-based models, where usage is the value received proof point
- Sales-led companies lean heavily toward Subscription + Usage at 36% for their AI solutions . Enterprise companies are structuring AI pricing around predictability and negotiations, which favors hybrid models that can be packaged into annual contracts
- Hybrid (Product + Sales) companies split more evenly across models, with Subscription + Usage at 50% being the most common. This middle-of-market segment appears to be testing pricing structures rather than converging on one approach

N = 156

AI Pricing Model

By Total Population



Key Insights

- Subscription + Usage (39%) is the dominant AI pricing model among those who do charge, reflecting a pragmatic hybrid approach. Pure subscription signals predictability; the usage overlay signals that vendors want upside tied to actual AI consumption - a rational structure given variable LLM costs
- Subscription Only (Seats) at 26% and Subscription Only (Non-Seat Based) at 23% together account for nearly half of AI pricers, indicating that a large share of the market is defaulting to familiar SaaS pricing structures for AI rather than building consumption-native models
- Only 13% use Usage-Only pricing. Despite significant market discussion around consumption-based AI monetization, the data shows this model remains a minority approach — likely due to revenue predictability concerns and buyer resistance to open-ended usage cost

N =156

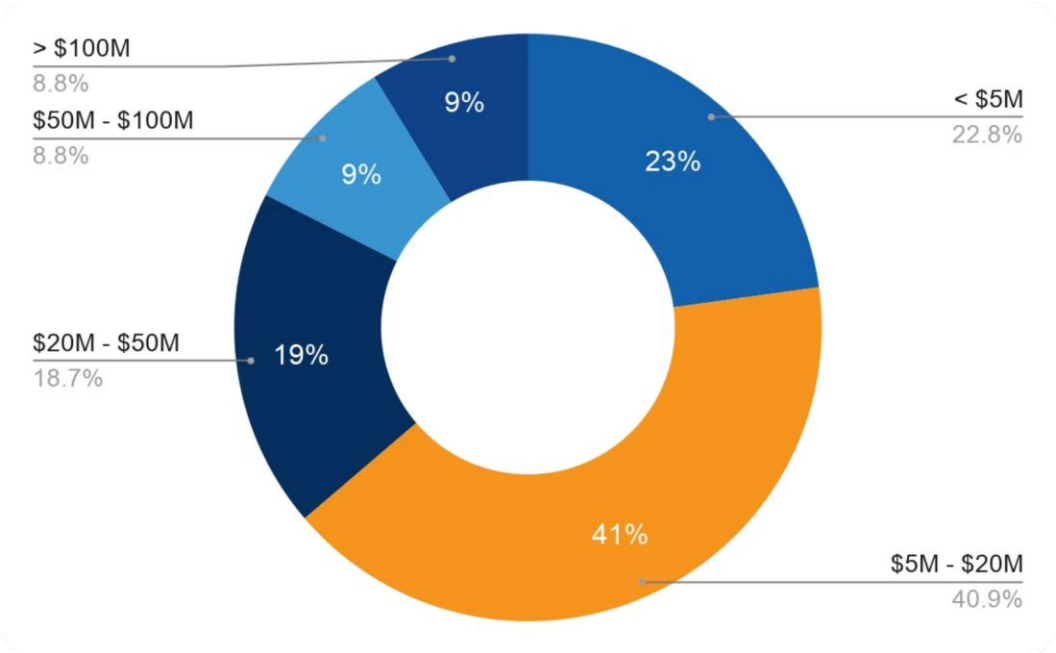
SECTION 09

PARTICIPANT PROFILE

A snapshot of the 342 companies that participated in this year's benchmark — segmented by ARR, average contract value, solution type, and go-to-market motion to provide context f
interpreting all benchmark comparisons.

Participant Profile

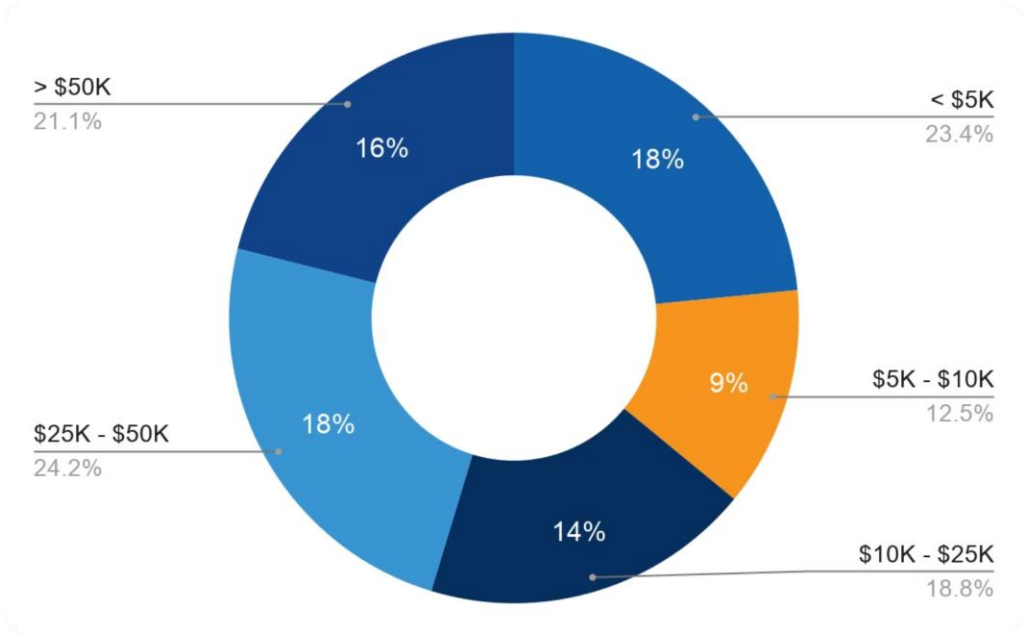
Annual Recurring Revenue Distribution



N = 342

Participant Profile

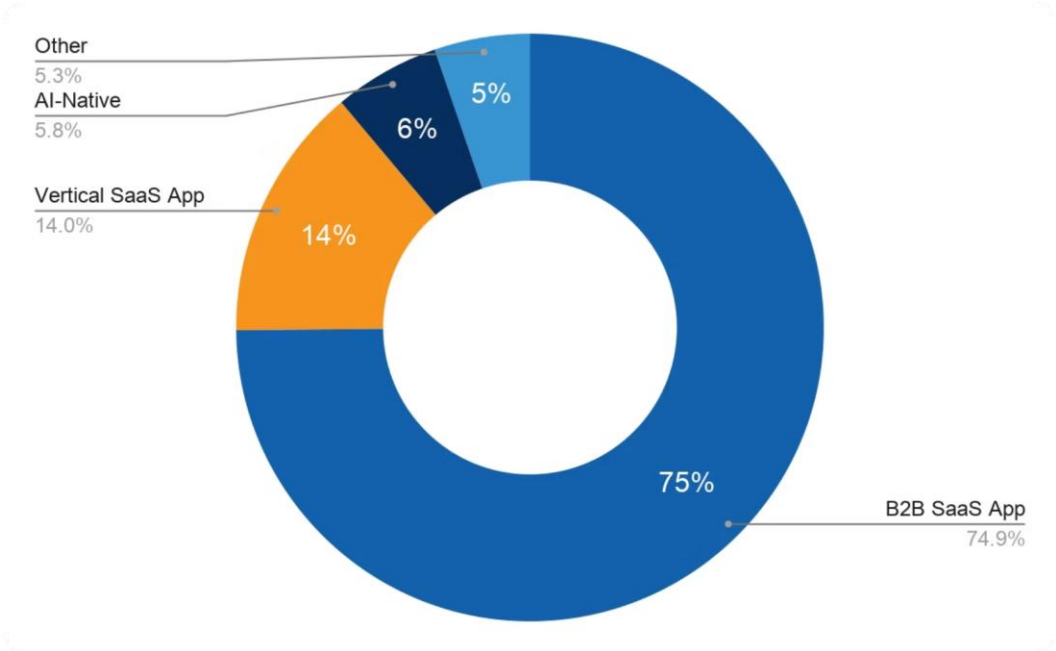
Average Contract Value Distribution



N = 342

Participant Profile

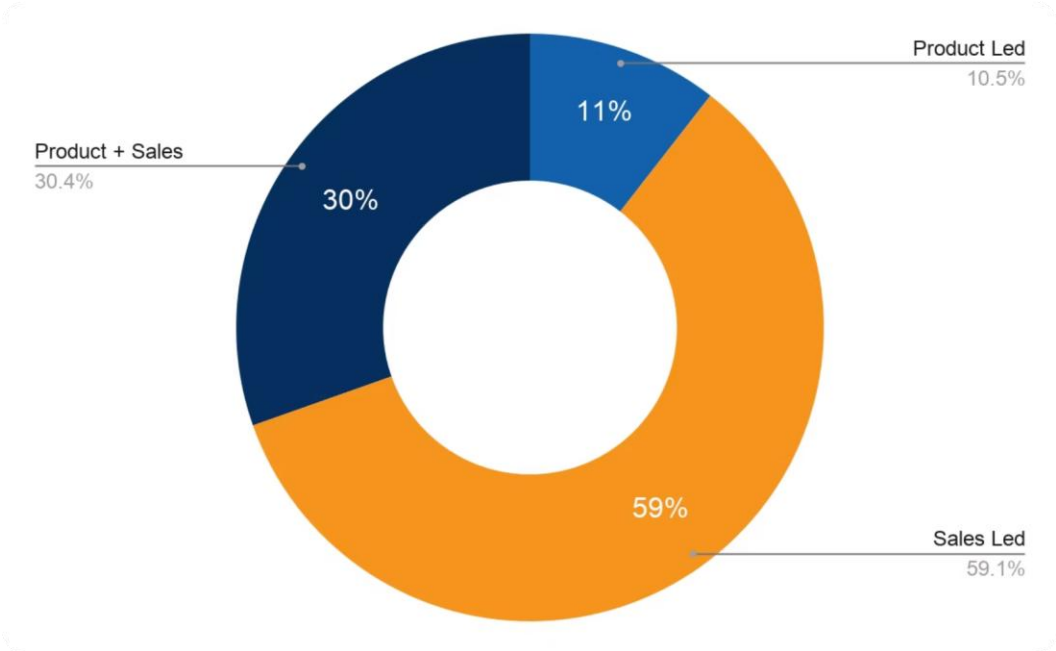
Solution Type



N = 342

Participant Profile

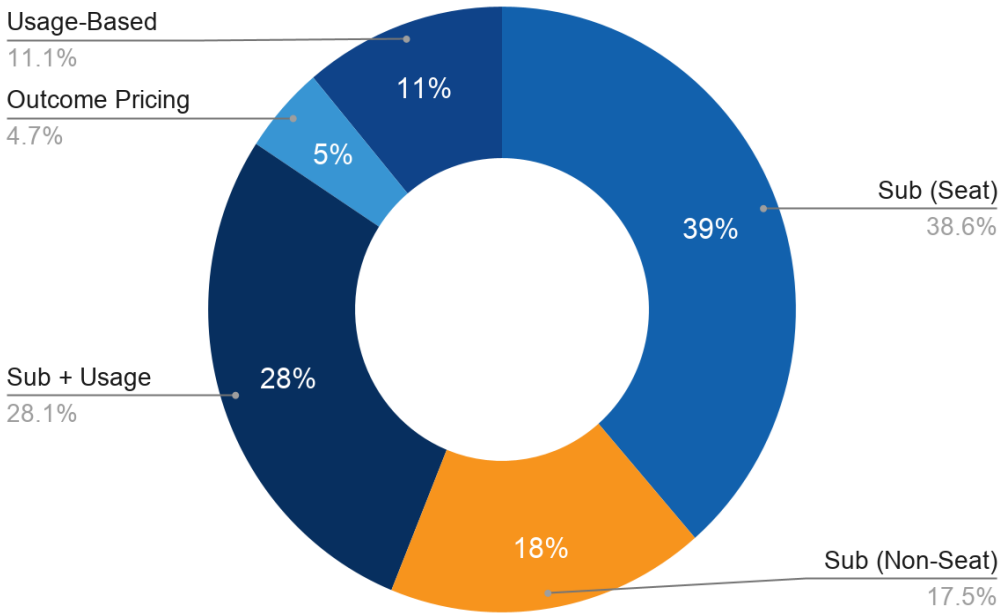
Go-to-Market Motion



N = 342

Participant Profile

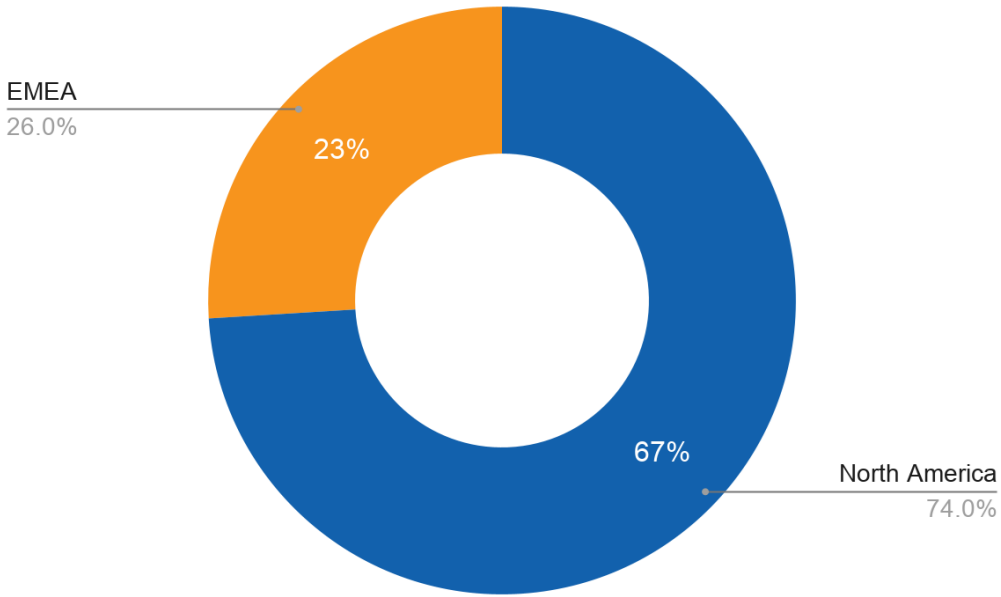
Pricing Model



N = 342

Participant Profile

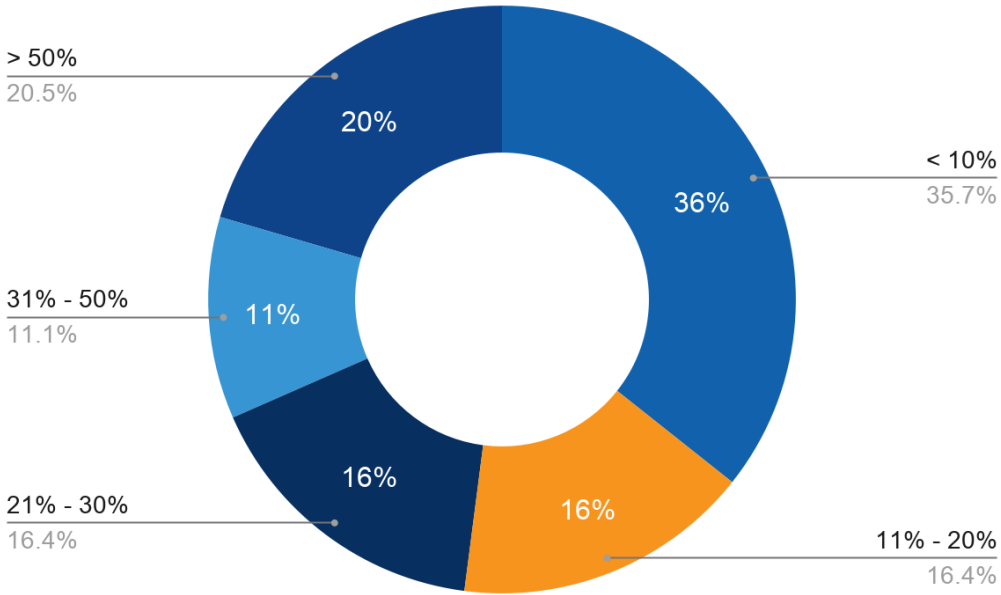
Region of World



N = 342

Participant Profile

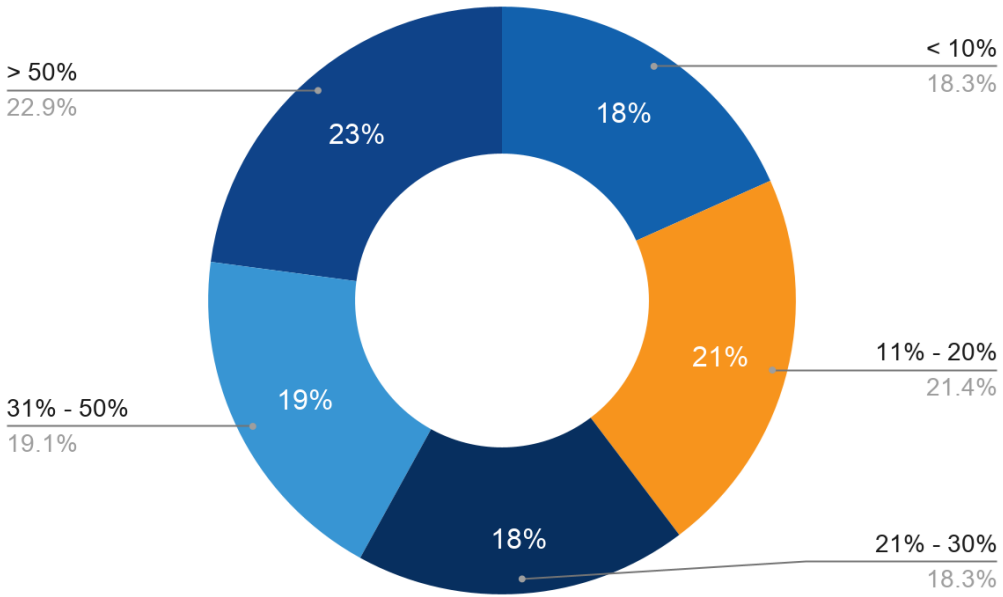
Growth Rate (2025)



N = 342

Participant Profile

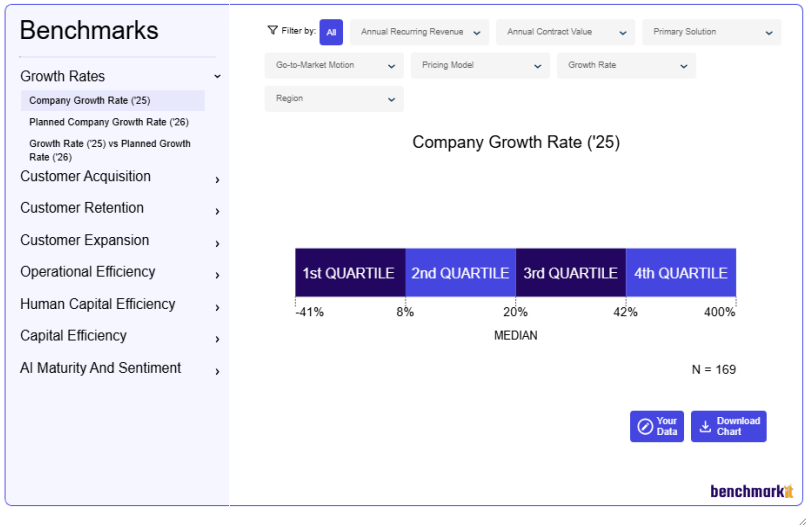
Planned Growth Rate (2026)



N = 342

Interactive Benchmarks

2026 Benchmarks - Filter by Your Company Profile



CY-22 to CY-25 Longitudinal Benchmarks

Interactive benchmarks at: www.benchmarkit.ai/2026-saas-ai-native-metrics

SUMMARY

About Benchmarkit

Benchmarkit is the leading B2B SaaS and AI-native software benchmarking company, delivering the industry's most comprehensive annual performance metrics survey across the full spectrum of SaaS operating metrics.

342 Participants

B2B SaaS and AI-native software companies across ARR band, ACV, GTM motion, pricing model, growth rate, and solution type

Quartile Reporting

All metrics reported as medians and quartile distributions — enabling precise peer benchmarking against same-stage, same-motion cohorts

Four-Year Trend Data

Year-over-year comparisons across CY-22 through CY-25 providing the longitudinal context to distinguish structural trends from cyclical noise

Interactive Benchmarking Platform

Access benchmarkit.io to filter all metrics by your company's ARR, ACV, GTM motion, pricing model, and growth rate for personalized benchmarking

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