

OPEXEngine

News from the Operating Front

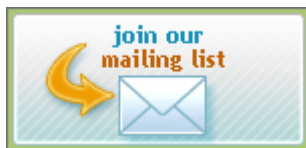
October '08

Quick Links

[Public SaaS Vendors' 1H '08 and 1H '07 Sales and Marketing Ratios](#)

[2008 Software Operating Benchmarks Industry Report](#)

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2008 Software Operating Metrics Benchmarking

Available NOW for purchase

See in-depth operating benchmarks for:

- Revenues
- Profit margins
- Sales expense and compensation expense
- Headcounts for major job categories
- Employee



The OPEXEngine 2008 Mid-Sized Software Operating Benchmarking Industry Report is available NOW for purchase

- Over 70 Pages of detailed benchmarks and analysis
- Graphical depictions of the latest operating expense trends
- Based on confidential input directly from leading software vendors

This report is used by our clients to review strategic growth models, compare '09 budget assumptions, and provides context for executive and board-level decision-making on operating models. A Fidelity Investments Senior Vice President reports on behalf of a Fidelity-investment in an application software vendor:

"OPEXEngine's 2008 software operating benchmarks provided invaluable information that will enable us to both evolve our strategy and to make operational changes that will drive growth in profitability. My colleagues are very pleased with the level of benchmark detail that you provide and with the pragmatic manner that it is communicated in your report."

Click here for the Table of Contents, a list of benchmark groupings (by revenues, by public/private, SaaS or perpetual license models, by '08 growth expectations, and more) and the Report's introduction: www.opexengine.com

Software S&M Expense Trends

This month we examined H1'08 Sales and Marketing expenses for 10 publicly traded SaaS vendors. It is interesting to observe how these leading vendors placed their bets in the first half of this year as they navigate both a rocky economy and publicly stated aggressive '08 growth goals. Sales and Marketing expense is strong indicator of how aggressively vendors are pursuing revenue growth. The metrics we track include:

- H108 S&M expense as a percent of revenues,
- H108 S&M expense as a percent of revenue plus the change

- productivity
- North American, EMEA and Asia Pac revenues and expenses
- Renewal rates by dollar and customer renewals
- Average sales quotas
- Net new customer growth per month
- over 100 budgetary and strategic software operating ratios
- ...and much more...

Benchmarks grouped by comparable revenues and for SaaS model companies, as well as for perpetual license models and mixed (perpetual + subscription revenues)

For more information contact lauren@opexengine.com

- in deferred revenues. We use this metric as a proxy for bookings,
- H108 S&M expense as a percent of total expense,
- H108 S&M expense per employee. We use end of '07 employee figures which we view as S&M expense per ramped employee,
- H107 data for all the above metrics

As you prepare to meet the challenges that 2009 will bring, it may be useful to note the different approaches that these vendors have taken with their largest operating expense, S&M.

- Salesforce.com, Omniture, Netsuite and SuccessFactors all invest more than 50% of their operating budget on S&M. They are each able to generate roughly a corresponding amount of revenue growth.
- Omniture & Concur Technologies have also employed acquisition strategies that provide an additional growth engine, propelling them to growth that is as high as 150% of their investment in S&M.
- Ultimate and Taleo are approaching the market with a more controlled approach to growth. They invest less than 50% in S&M which generates a more conservative growth rate. This enables them to achieve profitability, something which is more elusive to several of the high flying players.
- Finally, there are DealerTrack and RightNow which are investing 60-90% of their operating expenses in S&M to jumpstart their growth, which was stalled in recent quarters.

The bottom line is that investments in S&M are clearly a key driver of growth, but management must determine the proper mix that suits overall objectives for the year. And, of course, heavy investments in S&M without resulting revenue growth rates cannot be sustained. Our goal at OPEXEngine is to provide you with the data you need to be successful in your revenue and profitability goals and determine the right mix for your operational strategy.

S&M results for the 10 publicly taded SaaS companies we have tracked are at the following link:

<http://www.opexengine.com/softwarereports.html>

The 2008 Software Operating Metrics Benchmarking Survey reports detailed, confidential benchmarks for mid-sized, b-2-b software companies with revenues between \$5M-250M, both SaaS and non-SaaS vendors. Please contact us if you are interested in receiving these detailed, confidential benchmarks.

For more information about software operating benchmarks or metrics, feel free to contact OPEXEngine at: **781-891-4149** or lauren@opexengine.com.

About OPEXEngine

OPEXEngine works with high technology companies to develop comprehensive operating benchmarks that enable them to manage

and plan their businesses more efficiently. Our mission is to deliver useful operating information to help drive profitability and revenue growth. We work closely with our clients to ensure that data and reporting are relevant to their individual needs. OPEXEngine was founded by operating executives with decades of experience in finance, sales, marketing, and general management of technology companies.

Contact us today for information about:

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