Benchmarking Cost Structures:
A Comprehensive Guide for HR Leaders

Executive Summary

Every company asks: Are we spending too much, too little, or about the right amount compared to our peers? Benchmarking cost structures provides a systematic, fact-based way to answer this. By comparing your company's revenue, costs, and profitability against a basket of similar companies, leaders gain insights into efficiency, competitiveness, and areas for improvement.

Benchmarking is more than just a numbers exercise – it is a strategic tool. Done well, it guides resource allocation, informs board discussions, supports investor communications, and ultimately helps balance growth with profitability.

Why Benchmark Cost Structures?

Benchmarking helps HR teams

- Identify inefficiencies: Detect overspending or underinvestment across functions.
- Align with strategy: Understand whether deviations from peers reflect deliberate strategic choices.
- Improve communication: Translate complex financial data into simple insights for boards, investors, and teams.
- Drive continuous improvement: Track progress against competitors over time.

Importantly, benchmarking contextualizes financial performance against industry norms, helping companies see whether their spending truly supports growth and competitive positioning.

The Power of Benchmarking

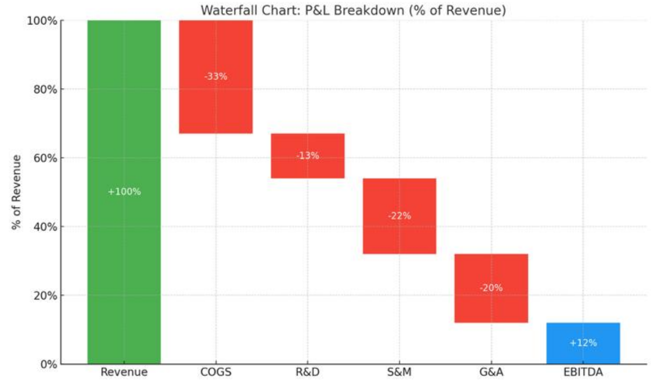
According to Strategy&, benchmarking can actively reduce costs and optimize resource allocation by revealing opportunities relative to best practices.

Benefits include:

- Providing numerical standards for comparison.
- Identifying internal process gaps versus competitors.
- Supporting strategic choices by showing where investment drives advantage.
- Enabling cost optimization without undermining growth investments.

By embedding benchmarking into planning cycles, companies can respond more agilely to market shifts and maintain financial health.

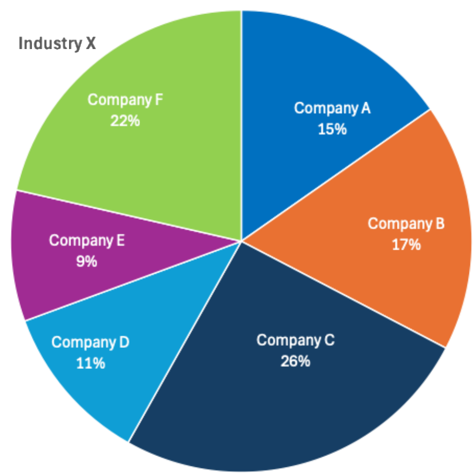
Identifying the Right Peer Group



The foundation of meaningful benchmarking is choosing the right companies.

1. Start with Industry peers: Choose companies in the same industry.
2. Select companies with similar offerings, e.g., hardware vs. software, services vs product.
3. Business model alignment: Avoid mixing models, i.e., product licensing vs. software as a service, product sale vs. leasing.
4. Size Matters: Benchmark against firms within a similar revenue band. A $100 million company looks very different than a $10 billion giant.
5. Geographic scope: Regional differences matter. For instance, U.S. SaaS companies often spend more on Sales & Marketing than their European peers.
6. Excluding outliers: Remove companies affected by restructures, one-off charges, or fundamentally different economics.

Key Metrics to Benchmark



Benchmarking should start with high-level P&L lines, expressed as % of revenue to allow comparability:

- Revenue = Total sales.
- COGS (Cost of Goods Sold) = All direct costs of producing the goods or services that a company sells during a specific period.
- R&D (Research & Development) = Product development and innovation.
- S&M (Sales & Marketing) = growth and customer acquisition.
- G&A (General & Administrative) = corporate overhead such as HR and finance.
- EBITDA = operational profitability.
- Net Profit = bottom line profit after tax.

Benchmarking & Analyzing

1. **Identify competitors** within your industry: Start broad, narrow by size, business model, and geography.
2. **Collect reliable data:** Use public filings, industry reports, and trusted databases.
3. **Normalize:** Convert data to % of revenue, standardize currencies, and adjust for accounting differences.

4. **Analyze**: Compare averages, medians, ranges, and distributions. Example: Our R&D spend is 28% of revenue, while peers range 10-15% and spend 13% on average.
5. Identify gaps and Interpret contextually: Higher-than-average R&D may be a deliberate growth investment, higher S&M may indicate aggressive growth or inefficiency, lower G&A reflects lean operations or underinvestment in operational controls.
6. Implement and review: Use findings to drive actions, then refresh annually or quarterly.

Presenting the Findings

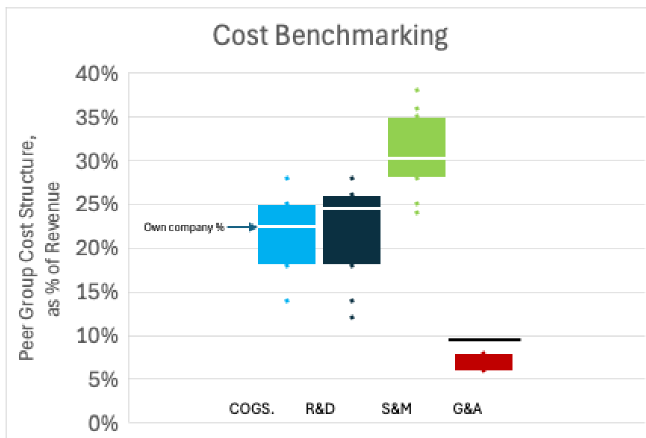
Clarity is critical, especially for non-financial audiences. Useful visuals include:

- Stacked bar charts – show peer averages vs. your company.
- Box-and-whisker plots – highlight peer ranges.
- Waterfall charts – walk from revenue to profit.
- Scatter plots – link scale to cost intensity.
- Selection funnel diagrams – illustrate how peers were chosen.

Always accompany visuals with plain takeaways; for example, “Our R&D spend is above the peer median, reflecting a deliberate focus on innovation.”

Refinements for Deeper Insight

Once high-level benchmarking is complete, refinements can unlock greater value:



- Gross margin analysis: Break COGS into hosting, support, delivery.
- Sub-function splits: Distinguish digital vs. field sales, or innovation vs. maintenance in R&D.
- Regional benchmarks: Compare across markets, e.g., NA vs. Europe.
- Stage-based benchmarks: Growth-stage companies may appropriately overspend on S&M as compared to mature companies.
- Unit economics: Complement P&L with CAC, LTV, and payback periods.
- Process/strategic benchmarking: Assess productivity, conversion rates, client onboarding, or NPS.

Common Challenges and How to Avoid Them

- Ambiguously defined scope: Always clarify objectives and metrics.
- Outdated data: Use the latest filings and refresh regularly.
- Comparability gaps: Normalize across accounting differences.
- Over-focusing on averages: Benchmarks are guides, not mandates.

- Lack of context: Explain why deviations exist (strategy, stage, or inefficiency).
- Bias and lack of buy-in: Involve cross-functional teams to ensure credibility.

Conclusion

Benchmarking cost structures is both an art and a science. At the highest level, it helps you see whether your spending is in line with peers. At a deeper level, it highlights where to lean in (R&D, innovation) and where to streamline (support, overhead).

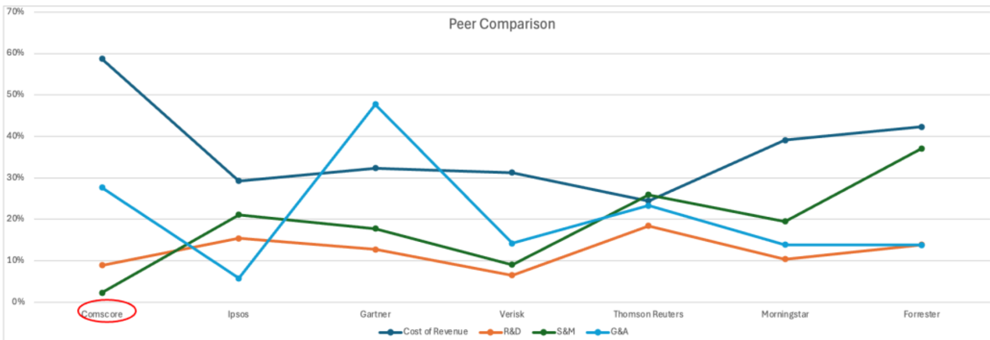
By identifying the right peer group, normalizing data, analyzing patterns, and contextualizing insights, companies can turn benchmarking into a powerful decision-making tool. When integrated with strategy and refreshed regularly, it enables sharper competitive positioning, smarter resource allocation, and sustainable growth.

A Case Study:
Benchmarking for a Market Information Services Company

We recently helped a customer benchmark against their peers in the Market Information Services space. They initially identified the following basket of companies, for which we sourced the latest annual financials from public databases such as Yahoo! Finance, Google Finance, Bloomberg, and from the company disclosures. We then translated all the financials to USD.

$ Billion	Comscore	Ipsos	Gartner	Verisk	Thomson Reuters	Morningstar	Forrester
Total Revenue (USD B)	0.36	2.60	6.26	2.88	7.32	2.35	0.41
Cost of Revenue (USD	0.21	0.76	2.02	0.90	1.79	0.92	0.17
R&D (USD B)	0.03	0.40	0.80	0.19	1.35	0.24	0.06
S&M (USD B)	0.008	0.55	1.11	0.26	1.90	0.46	0.15
G&A (USD B)	0.10	0.15	2.99	0.41	1.71	0.33	0.06
Other Op Ex (USD B)	0.07	0.03	0.20	0.06	0.45	0.19	0.02
EBITDA (USD B)	-0.03	0.46	1.73	1.64	3.04	0.77	-0.05
Operating Income (US	0.01	0.37	1.17	1.30	1.92	0.46	0.01
Net Income (USD B)	-0.07	0.24	1.26	0.96	1.63	0.40	-0.09

We then normalized by converting all numbers to % of the company's revenue.



Comscore stood out as an Outlier, with much higher COGS structure than the others. This company is a vertical specialist (media), while the others are horizontal information services firms that provide research, analytics, and data across many industries. That makes Comscore a somewhat "different animal" in the basket.

Cost Structure	Comscore	Ipsos	Gartner	Verisk	Thomson Reuters	Morningstar	Forrester	Average	Average excl Outliers		
Cost of Revenue	59%	29%	32%	31%	24%	39%	42%	40%	33%	1 STD below average	1 STD above average
R&D	9%	15%	13%	7%	18%	10%	14%	11%	13%		
S&M	2%	21%	18%	9%	26%	19%	37%	17%	22%		
G&A	28%	6%	48%	14%	23%	14%	14%	19%	20%		
Other Op Ex	19%	1%	3%	2%	6%	8%	4%	6%	4%		
EBITDA Margin	-10%	18%	28%	57%	42%	33%	-12%	22%	27%	1 STD above average	1 STD below average
Operating Income	1%	14%	19%	45%	26%	20%	3%	18%	21%		
Net Income	-20%	9%	20%	33%	22%	17%	-22%	9%	13%		

Peer Group Norms: Excluding the outlier Comscore, the peer group shows more balanced cost structures, with Cost of Revenue ~33%, R&D ~13%, S&M ~22%, and G&A ~20%. This provides a reliable baseline for horizontal information services firms.

Strategic Levers: Deviations highlight strategy choices:

- Higher R&D (Ipsos, Thomson Reuters) signals emphasis on innovation and product development.
- Elevated G&A (Gartner) reflects scaling overhead or investments in corporate functions.
- Low S&M (Comscore) suggests reliance on established client bases rather than aggressive customer acquisition.

Implications for Leaders: For HR and business executives, these patterns are not just financial, but also reflect talent allocation priorities. High S&M spend implies large commercial headcount, while high R&D correlates with technical talent intensity. G&A efficiency, meanwhile, reflects HR, finance, and operational scalability.

Conclusion

Benchmarking demonstrates that cost structures are as much about strategic choices and talent models as they are about financial discipline. For CHROs, this analysis provides a lens to evaluate whether people investments align with industry norms and competitive positioning.

The case study demonstrates that while vertical specialists, such as Comscore, may diverge structurally, the broader peer group reveals consistent patterns that can inform workforce planning, productivity targets, and organizational design.

For CHROs partnering with CFOs and COOs, benchmarking becomes a bridge: translating financial data into actionable workforce insights. When used consistently, it empowers leadership teams to balance innovation with efficiency, ensure competitiveness in talent-heavy functions, and drive sustainable growth.