



**2022
European
SG&A Study
and Scorecard**

Leaner, Smarter, Stronger

In 2021, SG&A efficiency improved in European companies

Europe's largest 1,000 publicly traded companies... have made progress in at least one respect: median SG&A costs fell 6.8% as a percentage of revenue in 2021. While the performance was not as strong as in North America...it was still a notable gain and a sign that despite the havoc wrought by the pandemic, many European companies made real progress.

The 2022 European SG&A Study and Scorecard calculates the selling, general and administrative (SG&A) expenses as a percentage of revenue of the 1,000 largest listed companies in Europe, based on the latest publicly available data.

In some ways, the years of the COVID-19 pandemic seem like lost years now – an era when personal and professional routines were turned upside down. However, The Hackett Group's analysis of the performance of Europe's largest 1,000 publicly traded companies suggests that they have made progress in at least one respect: median SG&A costs fell 6.8% as a percentage of revenue in 2021.

While the performance was not as strong as in North America – where median SG&A expenses fell 7.9% – it was still a notable gain and a sign that despite the havoc wrought by the pandemic, many European companies made real progress during that difficult time. It is worth noting that from a historical perspective, The Hackett Group's research showed that in recent years, median SG&A costs at European companies had remained stable, dropping by just 1.3% between 2012 and 2020. However, some industries saw greater reductions, including telecommunications (36.0% reduction), information technology (IT) (16.0% reduction), and health care (11.7% reduction). Top quartile performers did better overall, managing to cut SG&A costs by 9.5% from 2012 to 2022. Performers in the third quartile also did slightly better than the median, reducing SG&A costs by 2.9% between 2012 and 2020.

That gradual slide accelerated in 2021 when median SG&A costs dropped to 13.7% as a percentage of revenue – down from 14.7% in 2020.

Interestingly, little of this improvement could be seen at the sector level. In six of 11 sectors, the SG&A percentage didn't budge. Real estate lost ground to 6% from 5%, and of the four sectors where SG&A costs got leaner, the leaders were utilities (to 4% from 6%) and materials (to 11% from 12%).

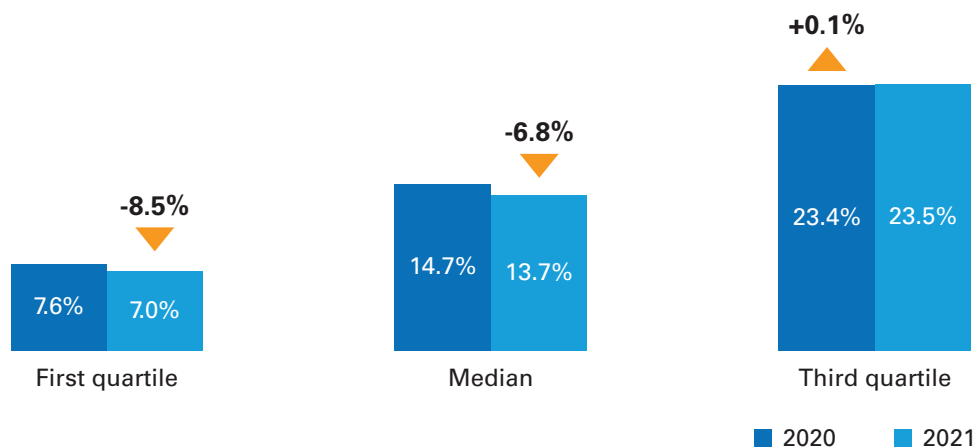
Winner takes most

Most of the movement came from the top quartile performers. Those firms' SG&A costs fell by 8.5% as a percentage of revenue – to 7.0% from 7.6%. They outperformed the median, which trimmed 6.8%, decreasing costs to 13.7% from 14.7%, and the third quartile, which actually lost ground in 2021, rising 0.1% – to 23.5% from 23.4%.

With a recession looming, most European companies will find few opportunities to increase sales. To make progress, business leaders will have to turn inward. Fortunately, SG&A efficiency is a rich target. Using The Hackett Group's internal benchmarking data analytics, we estimate that a typical \$10B company that now has average SG&A performance could save \$388M by becoming a Digital World Class™ company in the SG&A functions. The general and administrative functions alone – finance, human resources, IT and procurement – would yield as much as \$130M.

Unlocking this potential requires substantial investment, effort and time. With sufficient application, it is possible for an average company to capture a third of these savings within 18 months and reach Digital World Class status in two to five years, depending on the size, scale, and complexity of the organization.

2020 and 2021 SG&A cost as a % of revenue – First Quartile, Median and Third Quartile Values





Four ways to win

What does it take to become an SG&A leader? In our work providing benchmarking and advice to some of the world's most successful companies, we have observed that four factors give top performers the winning edge:

1. Top quartile companies invest more in their digital transformation.

From robotic process automation and machine learning to artificial intelligence and advanced analytics, they have applied every tool they can to make their SG&A functions run better, faster, and more cheaply, reducing transactional work, streamlining analysis, and saving on staffing costs.

2. High performers know how to prioritize. They do not introduce technology indiscriminately. Smart companies know it's critical to align SG&A transformation with business priorities. Even when multiple functions require improvement, executives at these top companies have stayed focused on their most important objectives. Empirically quantifying areas with the greatest improvement potential and understanding root causes enable organizations to focus scarce resources to maximize return on investment and drive results that stick.

3. Lean leaders cut costs only where a process can be optimized.

Without a technical improvement that permits a permanent reduction in SG&A, they understand that cost-cutting is likely to be a false economy.

4. Top companies have a strong culture of performance management.

They typically have managers who are open to change, willing to learn from others and unafraid to ask tough questions. They follow an agile decision-making framework that gives them the ability to make the right decision quickly, based on a platform that links good benchmarking, measurement, and a strong transformational program.

The digital challenge

This widening gap between the digital haves and have-nots is a cause for concern for companies that aren't in the top tier. It means competition with the leaders in their sector will be even more intense in the coming year.

Top-ranked companies, with a hyper-efficient sales and administration machine, have more cash to invest in research and development, talent, mergers and acquisitions, and more advanced IT systems. They are also in a much better position to cope with inflation, supply chain disruptions and whatever other black swans fly our way. The challenge now for digital laggards is to create a scalable, agile approach to SG&A tailored to their needs that lets them find the greatest opportunities for improvement.

BEST & WORST companies in Europe SG&A cost management

COMPANY	EXCHANGE:TICKER	GICS INDUSTRY	SG&A% REVENUE		
			2021	1YR % CHANGE	2020
CONSUMER DISCRETIONARY					
Immsi S.p.A.	IMS-IT	Consumer Discretionary	2%	-86%	12%
Cineworld Group plc	CINE-GB	Consumer Discretionary	4%	-82%	19%
Atlantia S.p.A	ATL-IT	Consumer Discretionary	7%	-80%	33%
Brenntag Societas Europaea	BNR-DE	Consumer Discretionary	6%	-64%	17%
Travis Perkins plc	TPK-GB	Consumer Discretionary	22%	-50%	44%
MFE-MEDIAFOREUROPE N.V.	MFEB-IT	Consumer Discretionary	20%	50%	13%
Stockmann Oyj Abp	STOCKA-FI	Consumer Discretionary	18%	59%	11%
MT Højgaard Holding A/S	MTHH-DK	Consumer Discretionary	5%	73%	3%
Greek Organisation of Football Prognostics SA	OPAP-GR	Consumer Discretionary	40%	80%	22%
J D Wetherspoon plc	JDW-GB	Consumer Discretionary	31%	128%	14%
Median Performance			17%		17%

CONSUMER STAPLES					
Fonciere Euris SA	EURS-FR	Consumer Staples	0.4%	-87%	3%
C&C Group Plc	CCR-GB	Consumer Staples	9%	-49%	17%
Schouw & Co A/S	SCHO-DK	Consumer Staples	6%	-32%	9%
Aryzta AG	ARYN-CH	Consumer Staples	28%	-32%	41%
SailMar ASA	SALM-NO	Consumer Staples	9%	-30%	13%
Distribuidora Internacional de Alimentacion SA	DIA-ES	Consumer Staples	10%	9%	9%
Glanbia Plc	GL9-IE	Consumer Staples	13%	10%	12%
La Doria S.p.A.	LD-IT	Consumer Staples	2%	13%	2%
Sudzucker AG	SZU-DE	Consumer Staples	13%	16%	11%
JDE Peet's NV	JDEP-NL	Consumer Staples	24%	18%	20%
Median Performance			16%		17%

NM = not measured

■ BEST ■ WORST

COMPANY	EXCHANGE:TICKER	GICS INDUSTRY	SG&A% REVENUE		
			2021	1YR % CHANGE	2020
ENERGY					
Tullow Oil plc	TLW-GB	Energy	3%	-58%	8%
Repsol SA	REP-ES	Energy	8%	-45%	14%
Galp Energia, SGPS S.A.	GALP-PT	Energy	2%	-43%	3%
Equinor ASA	EQNR-NO	Energy	1%	-41%	1%
TechnipFMC plc	FTI-US	Energy	11%	-37%	18%
SBM Offshore NV	SBMO-NL	Energy	5%	49%	4%
RAK Petroleum Plc	RAKP-NO	Energy	3%	63%	2%
Saipem S.p.A.	SPM-IT	Energy	9%	71%	5%
DNO ASA	DNO-NO	Energy	2%	107%	1%
Harbour Energy Plc	HBR-GB	Energy	3%	747%	0%
Median Performance			5%		5%

FINANCIALS					
Poste Italiane SpA	PST-IT	Financials	1%	-88%	7%
Quilter Plc	QLT-GB	Financials	5%	-66%	15%
Chesnara Plc	CSN-GB	Financials	7%	-59%	16%
AURELIUS Equity Opportunities SE & Co. KGaA	AR4-DE	Financials	12%	-55%	26%
St. James's Place Plc	STJ-GB	Financials	10%	-47%	20%
Prudential plc	PRU-GB	Financials	18%	28%	14%
AerCap Holdings NV	AER-US	Financials	7%	28%	5%
Seaway 7 ASA	SEAW7-NO	Financials	2%	53%	1%
Eurazeo SA	RF-FR	Financials	0.2%	179%	0.1%
Legal & General Group Plc	LGEN-GB	Financials	20%	253%	6%
Median Performance			17%		17%

NM = not measured

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COMPANY	EXCHANGE:TICKER	GICS INDUSTRY	SG&A% REVENUE		
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HEALTH CARE					
BioNTech SE	07N3P3-E	Health Care	7%	-95%	143%
Medios AG	ILM1-DE	Health Care	1%	-31%	1%
Oriola Corp	OKDBV-FI	Health Care	3%	-28%	5%
Bayer AG	BAYN-DE	Health Care	44%	-21%	56%
Mallinckrodt public limited company	MNKKQ-US	Health Care	36%	-21%	45%
Shop Apotheke Europe NV	SAE-DE	Health Care	27%	26%	21%
STERIS Plc (Ireland)	STE-US	Health Care	30%	28%	24%
Elekta AB	EKTA.B-SE	Health Care	27%	42%	19%
RWS Holdings plc	RWS-GB	Health Care	35%	50%	24%
Genmab A/S	GMAB-DK	Health Care	61%	75%	35%
Median Performance			30%		32%

INDUSTRIALS					
DSV A/S	DSV-DK	Industrials	2%	-82%	13%
Star Bulk Carriers Corp.	SBLK-US	Industrials	4%	-43%	7%
Humana AB	HUM-SE	Industrials	4%	-43%	7%
Logwin AG	TGHN-DE	Industrials	3%	-41%	5%
WALLENIUS WILHELMSEN ASA	WAWI-NO	Industrials	8%	-40%	13%
John Wood Group PLC	WG-GB	Industrials	7%	68%	4%
TUI AG	TUI-GB	Industrials	13%	71%	8%
Costain Group PLC	COST-GB	Industrials	4%	90%	2%
Rolls-Royce Holdings plc	RR-GB	Industrials	16%	206%	5%
CTT - Correios de Portugal SA	CTTPT	Industrials	23%	271%	6%
Median Performance			13%		13%

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INFORMATION TECHNOLOGY					
Adyen NV	ADYEN-NL	Information Technology	2%	-30%	2%
CANCOM SE	COK-DE	Information Technology	3%	-28%	4%
ams-OSRAM AG	AMS-CH	Information Technology	20%	-26%	27%
Informa Plc	INF-GB	Information Technology	7%	-21%	9%
Amadeus IT Group SA	AMS-ES	Information Technology	9%	-21%	11%
Logitech International S.A.	LOGN-CH	Information Technology	25%	14%	22%
VK Company Limited	07NT7YE	Information Technology	7%	15%	6%
SAP SE	SAP-DE	Information Technology	53%	15%	46%
InPost S.A.	INPSTNL	Information Technology	2%	157%	1%
TietoEVRY Oyj	TIETO-FI	Information Technology	10%	225%	3%
Median Performance			17%		17%

MATERIALS					
Caltagirone SpA	CALTIT	Materials	0.1%	-100%	22%
Eramet SA	ERA-FR	Materials	1%	-65%	2%
Recticel SA	REC-BE	Materials	12%	-61%	30%
Grupa Azoty Zaklady Azotowe Pulawy SA	ZAP-PL	Materials	9%	-39%	15%
Granges AB	GRNG-SE	Materials	6%	-37%	9%
Cementir Holding N.V.	CEM-IT	Materials	26%	23%	21%
Vidrala, S.A.	VID-ES	Materials	26%	29%	20%
Svenska Cellulosa Aktiebolaget SCA	SCA.B-SE	Materials	14%	34%	11%
Ferroglobe PLC	GSM-US	Materials	17%	45%	12%
Viscofan, S.A.	VIS-ES	Materials	22%	62%	14%
Median Performance			11%		12%

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REAL ESTATE					
ADLER Real Estate AG	ADLDE	Real Estate	2%	-61%	5%
YIT Oyj	YITFI	Real Estate	7%	-44%	13%
Land Securities Group PLC	LAND-GB	Real Estate	10%	-39%	17%
Icade SA	ICAD-FR	Real Estate	2%	-12%	2%
Cushman & Wakefield Plc	CWK-US	Real Estate	13%	-8%	14%
Bonava AB	BONAV.B-SE	Real Estate	5%	24%	4%
LEG Immobilien SE	LEG-DE	Real Estate	8%	25%	6%
Heimstaden AB	HEIM.PREFSE	Real Estate	4%	33%	3%
Deutsche Wohnen SE	DWNI-DE	Real Estate	2%	37%	2%
SRV Yhtiöt Oyj	SRV1V-FI	Real Estate	1%	52%	1%
Median Performance			6%		5%

TELECOMMUNICATION SERVICES					
Orange Polskiej S.A.	OPL-PL	Telecommunication Services	2%	-27%	2%
Deutsche Telekom AG	DTE-DE	Telecommunication Services	2%	-27%	2%
SES SA	05H85D-E	Telecommunication Services	7%	-24%	10%
Telefonica SA	TEF-ES	Telecommunication Services	2%	-14%	2%
Telenor ASA	TELNO	Telecommunication Services	19%	-10%	22%
BT Group plc	BTA-GB	Telecommunication Services	3%	17%	3%
Tele2 AB	TEL2.B-SE	Telecommunication Services	23%	20%	19%
Telefonica Deutschland Holding AG	O2D-DE	Telecommunication Services	5%	22%	4%
Telenet Group Holding NV	TNET-BE	Telecommunication Services	27%	30%	21%
mobilezone holding AG	MOZN-CH	Telecommunication Services	5%	110%	2%
Median Performance			11%		11%

NM = not measured

 BEST WORST

COMPANY	EXCHANGE:TICKER	GICS INDUSTRY	SG&A% REVENUE		
			2021	1YR % CHANGE	2020
UTILITIES					
Edison SpA	EDNR-IT	Utilities	1%	-80%	7%
Uniper SE	UN01-DE	Utilities	0.3%	-74%	1%
Repower AG	REPI-CH	Utilities	2%	-49%	3%
E.ON SE	EOAN-DE	Utilities	3%	-46%	5%
Fortum Oyj	FORTUM-FI	Utilities	1%	-46%	2%
Red Electrica Corp. SA	REDE-ES	Utilities	18%	10%	16%
Electricite de Strasbourg SA	ELEC-FR	Utilities	4%	13%	3%
EDP Renovaveis SA	EDPR-PT	Utilities	2%	21%	1%
Societatea Energetica Electrica S.A.	ELRO	Utilities	4%	23%	3%
GELSENWASSER AG	WWVG-DE	Utilities	135%	238%	40%
Median Performance			4%		6%

NM = not measured

 BEST WORST

SCORECARD METHODOLOGY

The Hackett Group's 2022 European SG&A Study and Scorecard calculates SG&A cost performance based on the 2021 publicly available annual financial statements of the 1,000 largest public companies with headquarters in Europe. The report takes an industry-based approach to ranking companies according to selling, general and administrative (SG&A) expense relative to revenue.

Companies are classified according to the GICS industry classification system, using data sourced from FactSet. For purposes of the report and presenting the results, we have grouped certain industries together. Historical comparisons within the survey are made on a like-for-like basis.

SG&A expense = All the operating costs not associated with production nor purchase of goods and/or services for sale, but rather the costs of marketing and selling these goods or services and other indirect expenses of administrative and general nature, incurred in the ordinary course of business, including research and development.

DSO = Accounts receivable/(One-day revenue)

- Year-end trade receivables net of allowance for doubtful accounts, divided by one day of average revenue
- A decrease in DSO represents an improvement, and an increase is a deterioration

DIO = Inventory/(One-day COGS)

- Year-end inventory balance divided by average days cost of goods sold (COGS)
- A decrease is an improvement, and an increase is a deterioration

DPO = Accounts payable/(One-day COGS)

- Year-end trade accounts payable balance divided by average days COGS
- An increase in DPO represents an improvement, and a decrease is a deterioration

CCC = (DSO + DIO - DPO)

- Year-end DSO + DIO - DPO performance (in days as calculated above)

THE HACKETT GROUP

1000 Abernathy Road NE
Suite 1400
Atlanta, GA 30328

T. +1 770 225 3600
T. 1 888 842 2538 (toll-free)
W. www.thehackettgroup.com

London

20 St Dunstan's Hill
London, EC3R 8HL
United Kingdom

T. +44 20 7398 9100



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