Trajectory Series Bootcamp

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Session 1 Agenda

- Intro
- Traction and Product/Market Fit
- Pricing and Metrics that Matter

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Resources

- 14 Revenue Model Excerpt
- Today's Slides

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About Dave

- 5X founder, Board Member, former SVP Programs at UP Global (Startup Weekend + Startup America)
  - Startup Next creator
  - Startup Week
- Senior Partner, Fearless.fund
- Author – "Trajectory: Startup – Ideation to Product Market/Fit"
- >15 transactions – 8 sell side, 2 buy side now with NextPath Advisors

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Rules of the Road

- Ask questions as we go – especially if I talk too fast!
  - Meta questions please! Not just about your company
- Don't Ramble – I'll interrupt
- Virtually…
  - Network – you need to build you network for the future starting today
  - #GiveFirst – you have complimentary skills around you

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Score Yourself	1-4
Team: Why you, balanced team (talents, diversity), domain experts, serially successful founders, great company experience	
Idea: Are you solving a problem? New or existing problem, big category (vs tool), early/late continuum, technical achievable, pain pill or vitamin	
Product: do you have a product, how mature, customer first, solid design, clear roadmap to scale	
Market/Customer: big market (TAM/SOM), cash available, new or nascent market?	
Competition: How many incumbents, funding status, are you incremental better or 10X better?	
Traction: Customer validation, revenue, improving unit economics?	
Timing: Why now? Are you late, early, too early?	
Revenue Model/Finance: How will you monetize your idea? Do you have a basic budget on spending, big or small economics	
IP/Moat: Is your idea defensible? Can you build a moat over time?	
Clear Ask: What do you need help with? Advice, funding, introduction, help finding staff?	
Total out of 40	

Venture Ready

Fast NO

- Market
- Team
- Product
- Traction
- <Likely up-market buyer>

Slow Yes

- Idea
- Competition
- Business Model/Finance
- Timing
- Intellectual Property/Moat
- Clear Ask

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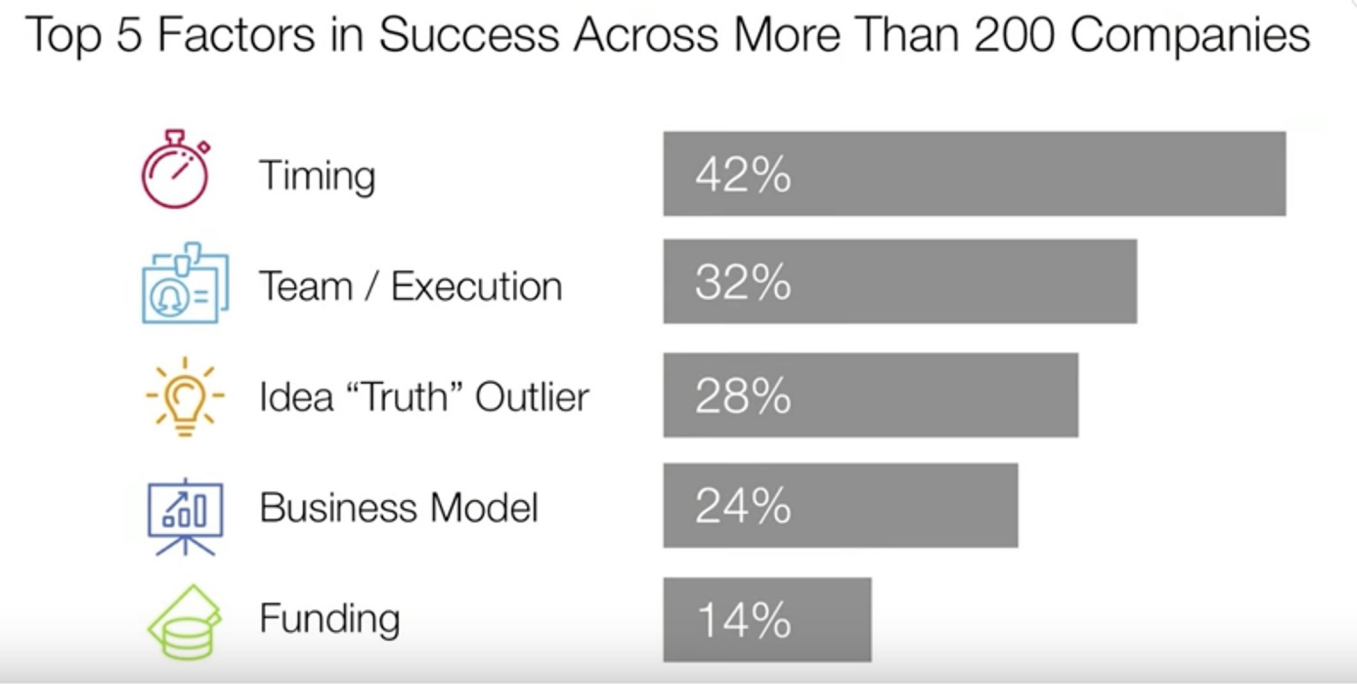
Judging a Startup – Bill Gross

Ultimate success – AT SCALE – Assumes good market



https://www.ted.com/talks/bill_gross_the_single_biggest_reason_why_start_ups_succeed?language=en

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Addressing the Weaknesses

- Where were you weak
- How would you answer differently
- What can you change now – before final pitches?

- Don’t ignore the elephant in the room – investors won’t!

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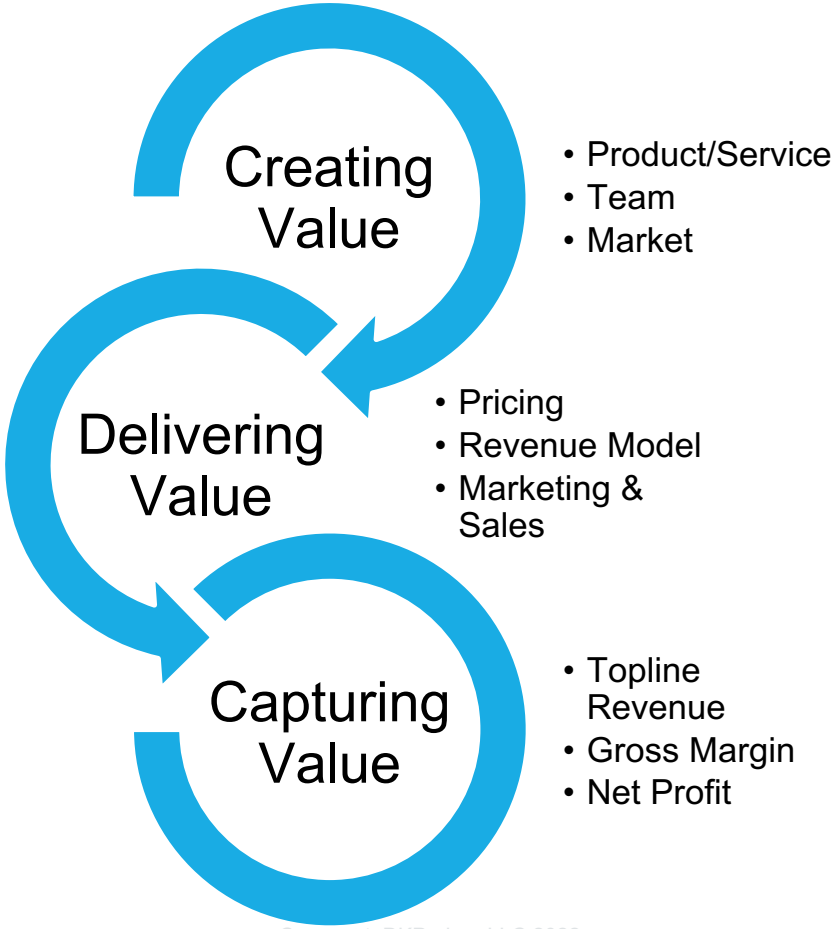
Business Model Breakdown



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Creating Value

- Product or Service or combination
- Cost to Build – Team
  - Engineering
  - Design
  - Hosting
  - Manufacturing
- Cost of Delivery & Support

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Delivering Value

- Revenue Model
- Pricing
- Customer Acquisition Cost (CAC)
  - Marketing Methods and Spend
  - Sales Models
- Lifetime Value (LTV)
- Note Promotions are not pricing or revenue models (e.g. freemium is a promotion)

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Capturing Value

- What's left over!
- Topline Revenue
- Gross Margins
- Net Profit

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Two Startup Epochs

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Epochs

- BC
- Pre Internet
- Pre Game of Thrones

- AD
- Post Internet
- Post Game of Thrones

- Pre Product-Market Fit
- Risk Capital

- Post Product-Market Fit
- Growth Capital

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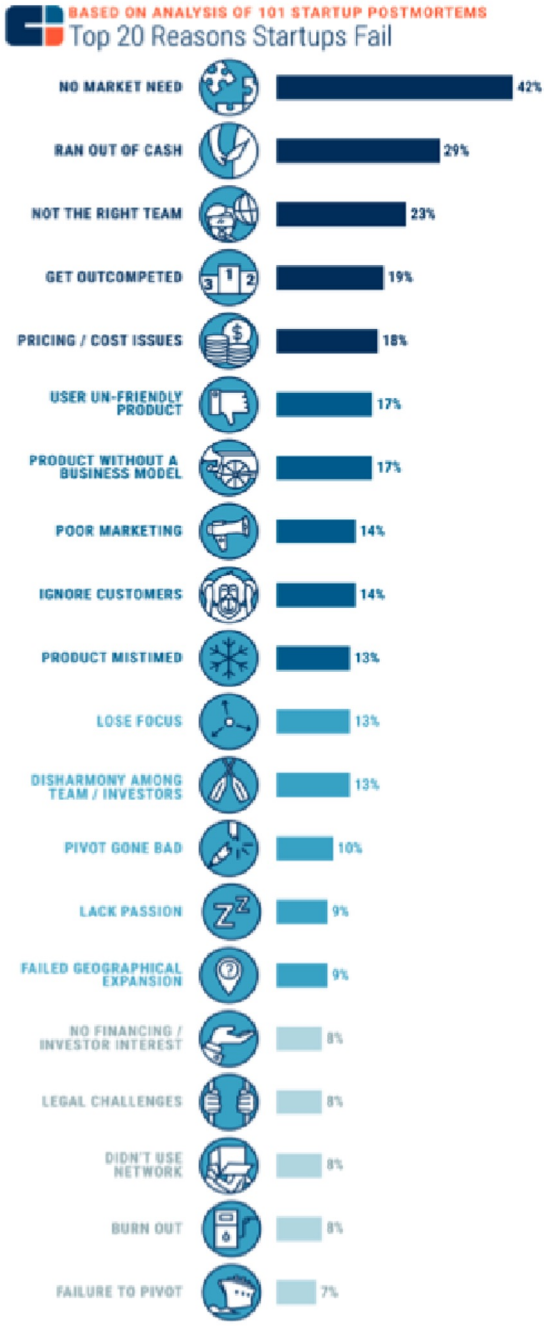
Why Startup Fail



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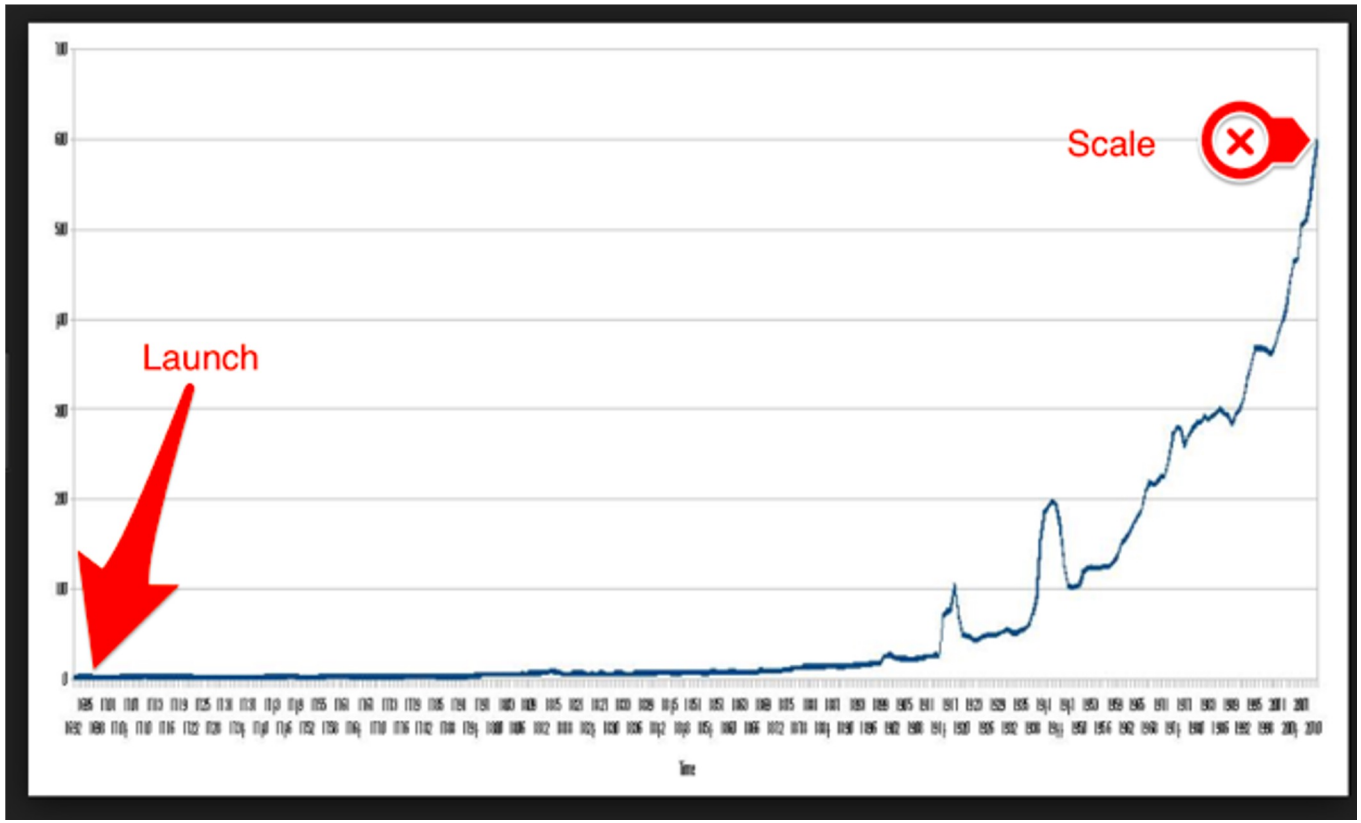
Launch & Survive



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What Matters Most?

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Some Calculus

- Great Team in Bad Market = Failure or meh result
- OK team + Great Market = could be great result
- Great Product + no path to revenue = failure
- OK product + great monetization = make $$

- Great market + great team + great product + solid monetization + great execution = monster result

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Product/Market Fit = Math

- PMF means being in a good market with a product that can satisfy that market (no more pivots required)
- Pre-PMF looks like compound interest, early options:
  1. **Traffic is increasing**
  2. **Leads are increasing**
  3. **Customer count is increasing**
  4. **ACV/MRR is increasing**
  5. **Time to close is decreasing**

  = Miracle of Compound Interest

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Post – PMF

- Predictable & Scalable Revenue
- Customer profiles
  - Cohort analysis
- Churn
- Scalable marketing
- Hypothesis + Data

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Tools

- Google Analytics
- Google Tag Manager
- Google Forms/Sheets or CRM (Hubspot)

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From TAM to Customer Profiles

- TAM is abstraction, PMF makes it real
- Customer Profiles Matter
  - First 10 customers
  - First 100 customers
  - First 1000 customers
- Start narrow and expand Ideal Customer Profile (ICP)

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Product Market Pull

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5 Steps to Embrace “Test Driven Learning”

5 Steps to Embrace “Test-Driven Learning”

1. **Define your who, what, why statement**
   Articulate what problem do you think your customers want you to solve.

2. **Be Scientific**
   Create a testable hypothesis against the problem.

3. **Build an Audience Matrix (of real people and/or companies)**
   Build audiences that acutely represent your vision.

4. **Test For Resonance**
   Go into the market and run experiments that prove or refute your hypothesis.

5. **Measure**
   Evaluate your results and see where you were correct.

6. **Iterate or Kill**
   Reflect on your work and see if you’ve gained or lost conviction in the idea..

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Classic Story

A well-known celebrity thinks there is a big opportunity for an on-demand chef marketplace.

Answers he came prepared with...

What's the problem?	"We were travelling and tried to hire a personal chef. It was a disaster and we weren't able to hire one. There must be a better way!"
Do people want this?	"Yes! I spoke with a bunch of my friends. They have all had this experience."
Do chefs want to do this?	"I have a personal chef at home and she said she knew of many chefs who want to do this, but it's inefficient currently."
Is there a big market?	"It's huge and growing. Personal chef companies have grown over 300% in the last 5 years, but there is no marketplace."

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So, how did we validate this?

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We tested the concept to over 100,000 people.

What do we do to validate an idea digitally?

Invented a brand	We built a brand called ChefJoy, aimed at being “the easiest way to hire a personal chef.”
Created a website with several landing pages	We built several different landing pages to test value props and visuals against each audience segment.
Ran ads to several segments on Facebook.	We ran dozens of ads to 100,000 people, across a wide variety of segments, measuring CTR, CPC, CPM, and Scale.
Collected signups.	We drove 1,000s of people to landing pages and measured their willingness to use an app to find a personal chef.

Timeline: 11 days | Budget: $850

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Our first results, showed us low consumer demand.

Luxury Travel Chef for **Parents**

Impressions

24,636

Clicks / CTR

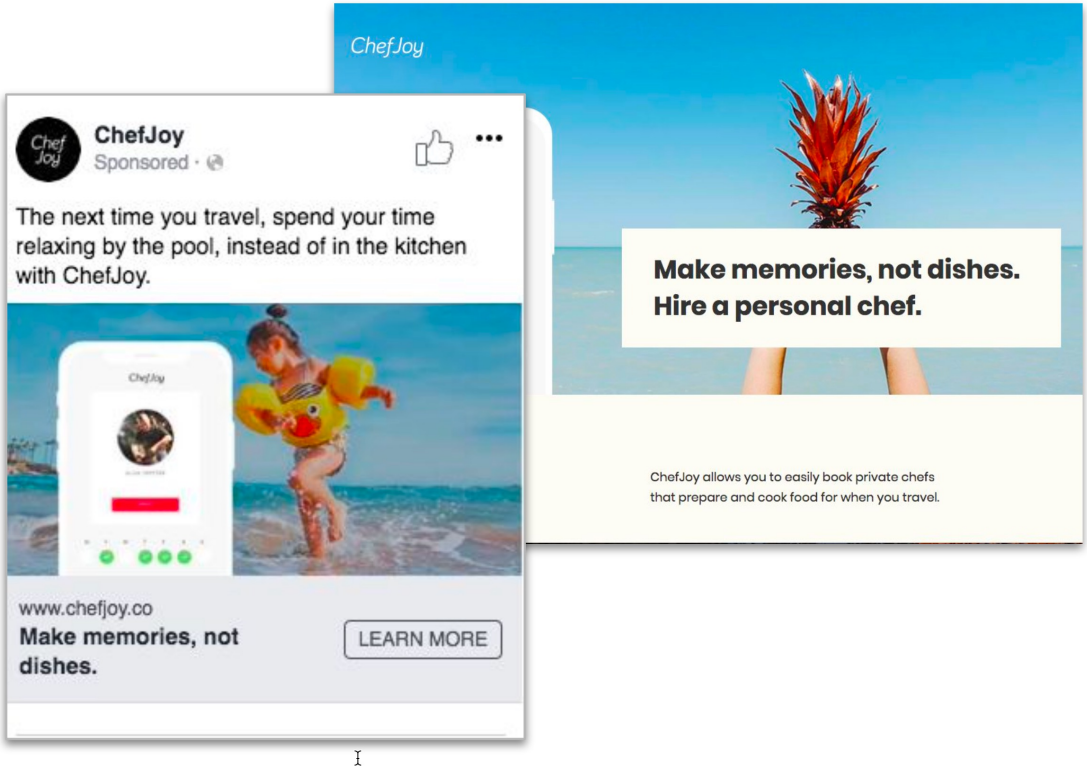
89 / 0.36%

Cost Per Click

$2.95

Conversions / Conv. Rate

0%



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Our first results, showed us low consumer demand.

Luxury Travel Chef for **Groups**

Impressions

14,655

Clicks / CTR

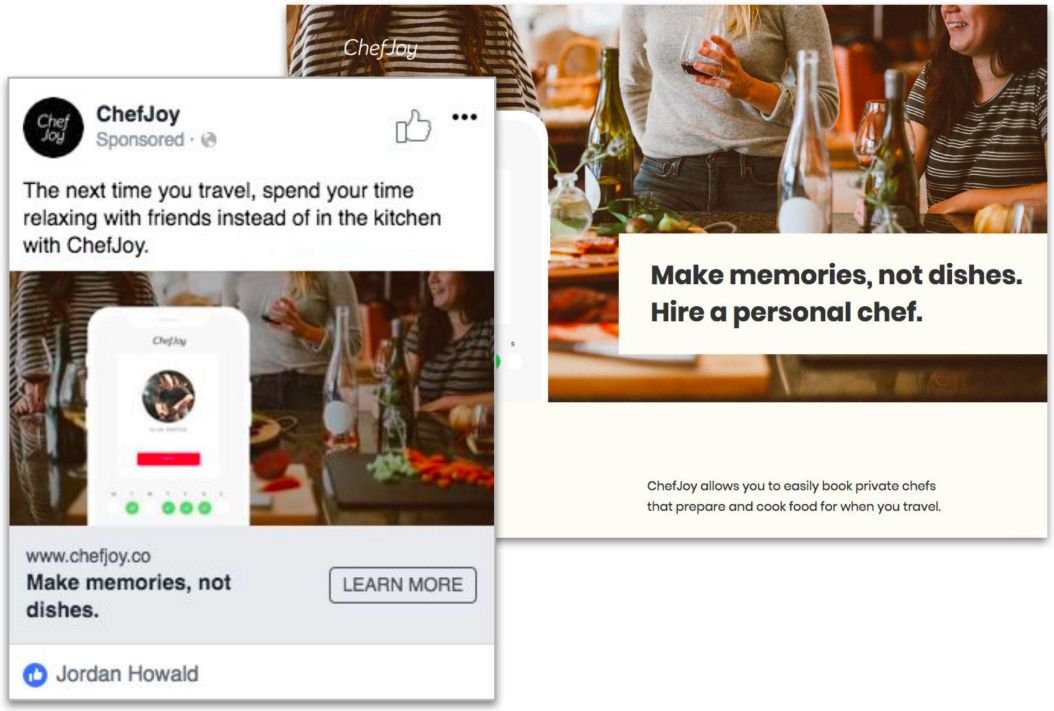
76 / 0.52%

Cost Per Click

$1.13

Conversions / Conv. Rate

0%



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Our first results, showed us low consumer demand.

Luxury Travel Chef for **Couples**

Impressions

23,527

Clicks / CTR

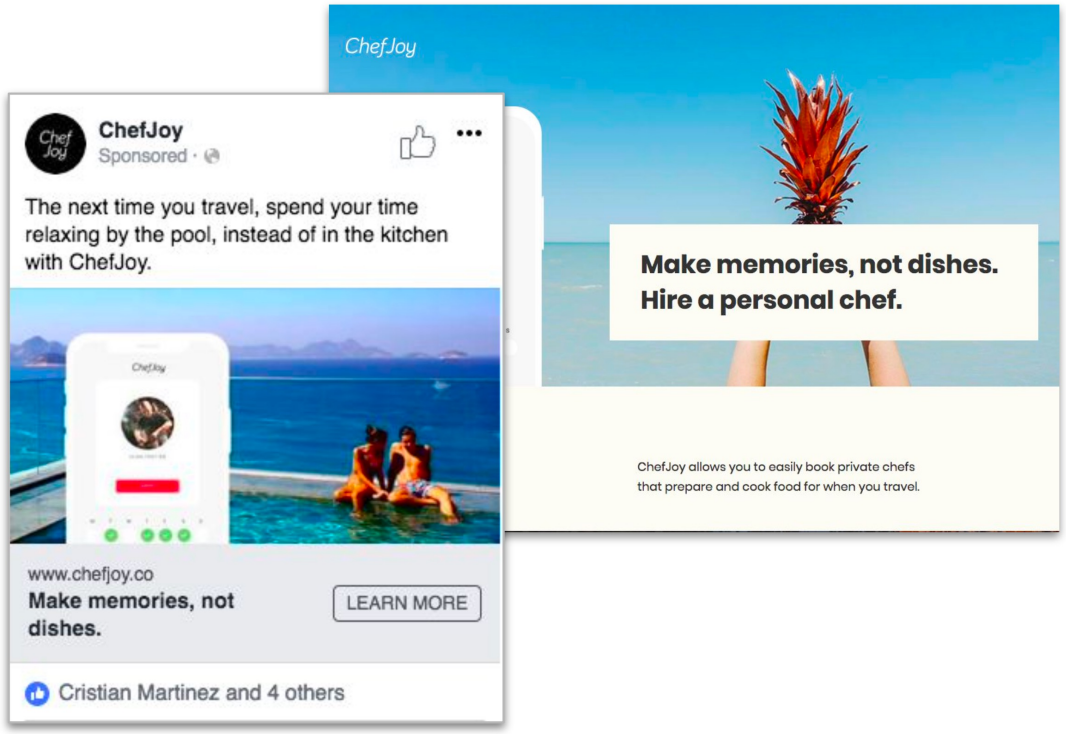
92 / 0.39%

Cost Per Click

$0.85

Conversions / Conv. Rate

1%



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Iteration 2 —

We tested the concept of a luxury chef for families for their daily lives.

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What were the tests & results?

Personal Chef for Families

Impressions

22,076

Clicks / CTR

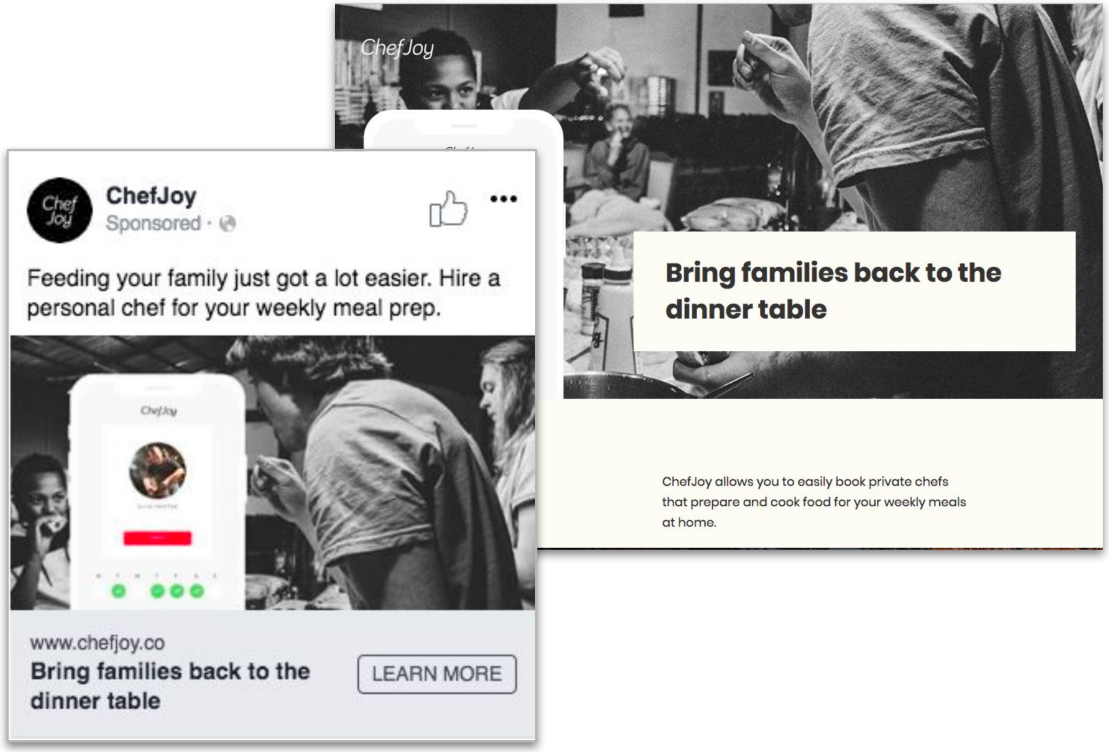
20 / 0.48%

Cost Per Click

$1.65

Conversions / Conv. Rate

0%



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Iteration 3 —

We tested the concept of a luxury chef for new parents and friends of new parents.

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What were the tests & results?

Personal Chef for New Parents

Impressions

17,182

Clicks / CTR

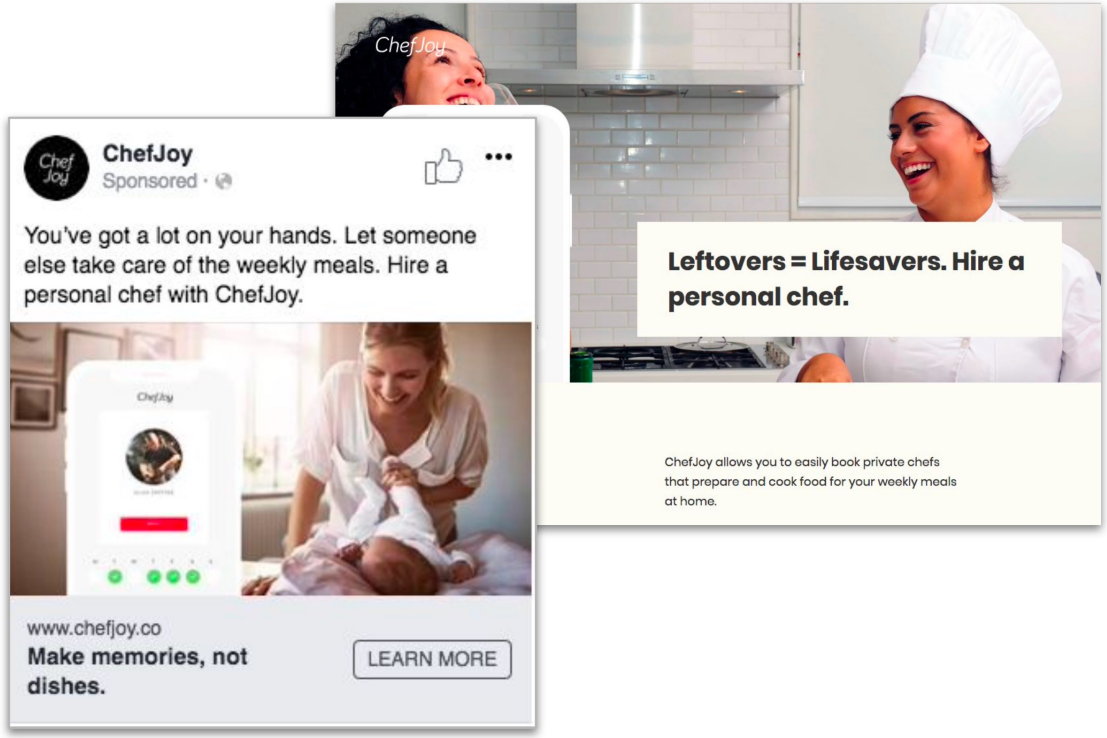
50 / 0.29%

Cost Per Click

$1.44

Conversions / Conv. Rate

1%



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What were the tests & results?

Personal Chef for Millenial Parents

Impressions

5,248

Clicks / CTR

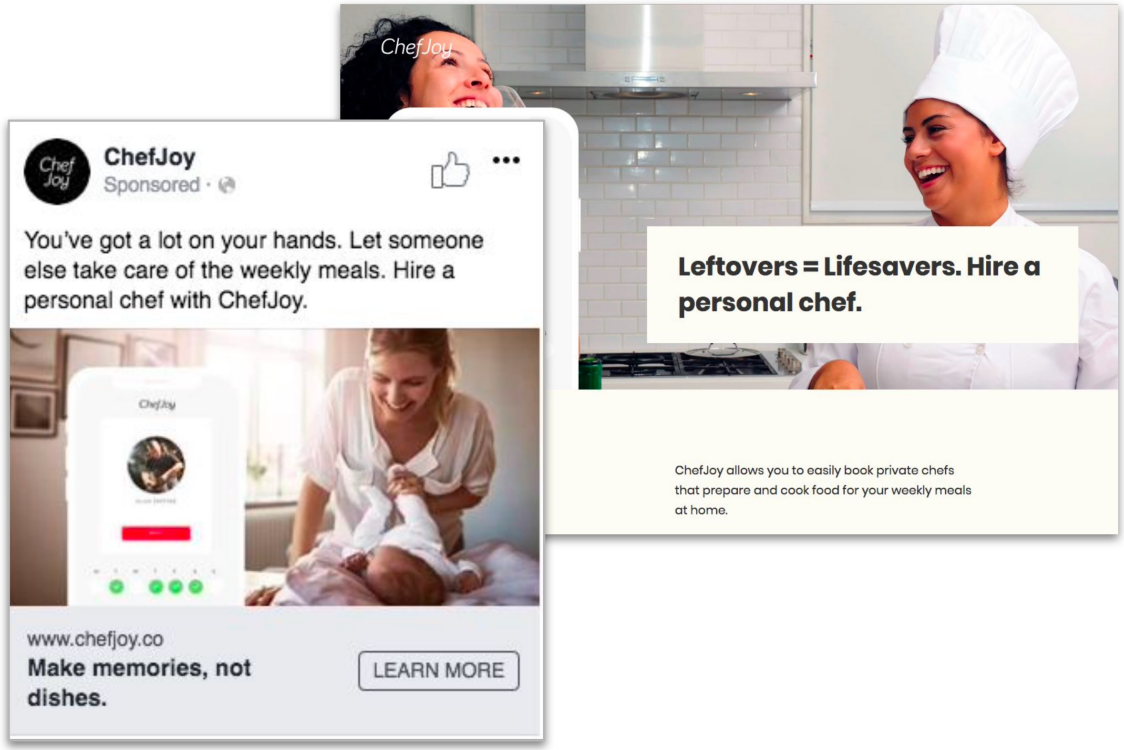
19/ 0.36%

Cost Per Click

$1.03

Conversions / Conv. Rate

1%



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In total, we tested against 5 market segments

Segment	Impressions	Clicks	CTR	CPC	Leads	CPLead
Travel Parents	24,636	89	0.36%	$2.95	0	N/A
Travel Groups	14,655	76	0.52%	$1.13	1	$14.86
Travel Couples	23,527	92	0.39%	$0.85	0	N/A
Families at Home	22,076	20	0.48%	$1.65	0	N/A
New Parents	17,182	50	0.29%	$1.44	2	$10.16

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Synthesized Learnings —

Building a VC-backed business in chefs for home or travel doesn't look appetizing, validated through systematic testing to 100,000 people.

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Pricing

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Your price will be wrong! Increase it every year and grandfather early customers for a period of time

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Art or Science?

- Pricing is an informed decision based on data and proven revenue models
- Benchmarks
  - Comparable products
- Don't start too low
- Cost base vs Value based
  - What is the alternate for the "Job to be Done"?

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Pricing needs to cover

- Cost of Building
- Cost of Delivering and support
- Cost of Selling
  - Customer Acquisition Cost
  - Marketing expense
  - Marketing team
  - Sales expense
  - Sales Team

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Cost vs. Value Based

- Cost based is mark up over expense
  - Pay rate vs bill rate
  - Mark up from cost of goods
- Value based is what you can charge for it
  - Can be a range
  - Depends on product maturity

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Jobs to Be Done Framework

- Clayton Christensen – HBS
  - *"When we buy a product, we essentially 'hire' something to get a job done. If it does the job well, when we are confronted with the same job, we hire that same product again. And if the product does a crummy job, we 'fire' it and look around for something else we might hire to solve the problem."*
- What job is your customer hiring your product to do?
  - Does it replace 20% of a staff person's time
  - Does it save them money, make them money

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Product Pricing

- First Product
  - Staged pricing – up or down over time
- Second Product
  - Staged pricing – up or down over time
  - Launch timeline based on product road map
- Services?
  - Could it improve you sales cycle

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Tiers

Trial Level

- Low commitment
- Lower features?

Best Option

- Optimize for ICP or Segment

Top Tier

- Call for price (meh)

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Terms

- Month to month
- Annual Contracts
- Multi-year contracts
- Proposals vs. clickable terms of service
- How about the data?

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A/B Testing

- With your hypothesis
- Hide the current pricing page
- Drive traffic to Pricing landing pages
  - Squeeze page
  - Test pricing
- Unbounce or other tool to tack
  - Optimizes based on conversions

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Promotions

- Freemium
- Time based
- Early adopter based
- Percentage discount
- Grandfather early users

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* Prices subject to change

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Common Errors

- Setting pricing too low
- Too opaque of a price will frustrate customer – especially if it's low
- Knowing the answer vs testing
- Positioning as "me too" just like your competitor, but less
- Same price for all customers
- "Free for Life!"

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Where to Start

- Pick your primary/secondary model
- Do a competitive analysis
- Building a pricing hypothesis
- A/B Test
- Three tiers, maximum
- Price high and promo the discount based on time to close

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Deliverables

- Venture Ready Score _____
- 10 slides
- What are your traction metrics?
- Pricing and Promotions

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Metrics that Matter

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What to track – best practices

- Marketing Metrics – "Marketing Motion"
  - Ad Spend
  - Traffic
  - Marketing Qualified Leads (MQLs)
- Sales Metrics "Sales Motion"
  - Outbound/Inbound
  - MQL to SQL Conversion
- Business Development – Partnerships
  - What's in it for them?
- Pricing

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What are your key metrics?

- How much traffic today, last month
  - Main drivers of traffic today
  - Google Analytics
  - Google Tag Manager
- Lead capture/form data
  - Call to Action (CTA)
    - Demo, white paper
- Demo feedback
- Time to close

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Dave's Madlibs Pitch

Hi, I'm <your name here>, and my company <your Company name here> the problem I'm solving is <insert problem here>. Our product <insert product info here> is designed for our target customer of <insert target customer here>. We make money by <insert method here> and our team is the right team because <insert why you're awesome here>. I need help with <insert help needed here>.

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