

Trajectory Series Bootcamp – Session 3

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Agenda

- ▣ How Startups Make \$\$
- ▣ Sales, Marketing, BD, Go-to-Market
- ▣ Product
- ▣ Company Roadmaps

How Startups Make Money

How not to make money?

- ❑ Small transaction values are bad
- ❑ Small percentages are bad
- ❑ Not being able to capture value is bad
- ❑ Lumpy sales cycles are bad
- ❑ Long sales cycles are bad
- ❑ Pricing too low could kill your idea before you start

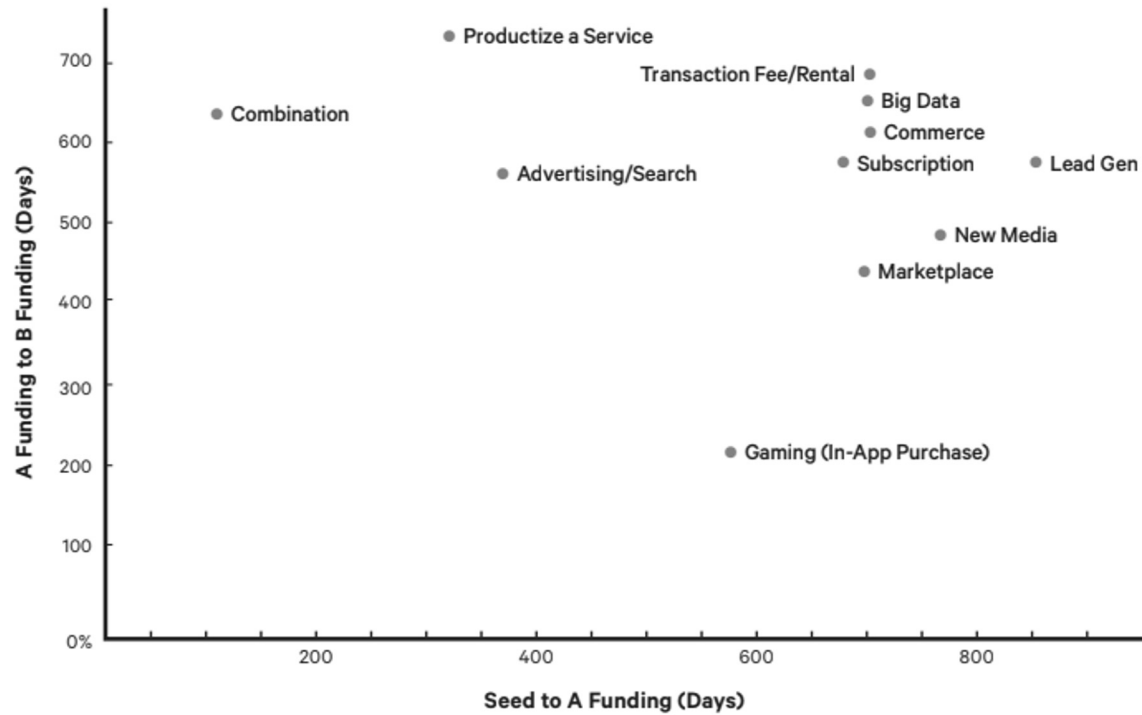
How to Monetize Your Startup: Revenue Models

Business and Revenue Models

- Business Models – abstract framework of Creating, Delivering and Capturing Value
- Revenue Models (part of business model) is the framework of revenue, pricing, who pay
- Models Lean toward Tech and Product

The Data

- ☞ Background – revenue templates
 - ☞ 2654 companies from Crunchbase
 - ☞ 5+ year tracking
 - ☞ Surprises
 - ☞ Seed 1-10
 - ☞ Combinations models
 - ☞ * on short time from Seed to A
 - ☞ Failures
 - ☞ Wayback Machine
 - ☞ >80% lacked clear CTA and Value Prop



1. Fee for Service

- Example: Consulting Services company
- Use: B2B & B2C
- Key Metrics
 - Project Revenue
 - Cost of delivering (usually time)
 - Gross Margin
- Services are hard to scale because they require people to deliver including Restaurant, Contractors, etc.
- Services include markup on cost of goods sold

2. Productize a Service

- Your offerings is generally complex and requires services to deploy
 - Gross margin on Services >35%
 - Product development comes with services
- Use: B2C & B2B
- Examples: Moz, service company convert to tools.
- Challenges – difficult to make the transition away from services

3. Commerce

- Example: [Amazon](#), [AmazonSupply](#)
- Use: B2C & B2B
- Key Metrics:
 - ▣ Wholesale or cost of goods sold
 - ▣ Average Margin %
 - ▣ Average Basket
- Commerce – Physical Goods- Wholesale, cost of goods, retail, average margin, physical good
- Notes: Can mature into marketplace

4. Subscription

- ▣ Example: [Salesforce](#), [Box](#), [Spotify](#)
- ▣ Use: B2C & B2B
- ▣ Key Metrics
 - ▣ Average Revenue Per User (ARPU)
 - ▣ Conversion ratio – e.g. trial to purchase
 - ▣ Churn
- ▣ Challenges: MVP won't be enough to be Kick Ass Product
- ▣ Notes: Highest multiple, forecastable revenue

5. Metered Service

- Example: Twilio, AWS, UiPath, Plaid Tech
- Use: Favors B2B
- Key Metrics
 - ▣ Average Revenue Per User (ARPU)
 - ▣ Usage growth over time
 - ▣ Churn
- Challenges: infrastructure required at launch
- Notes: Highest multiple, forecastable revenue



The API Economy

6. Transaction Fees/Rental

- ▣ Example: [99Designs](#), [KickStarter](#), [Elance](#), [Chugg](#)
- ▣ Use: B2C & B2B
- ▣ Key Metrics
 - ▣ Average transaction revenue
 - ▣ Fee % per transaction
 - ▣ Number of transactions
- ▣ Challenges: Margins are small (15%), need efficiency
- ▣ Notes: Don't start too low

7. Marketplaces

- Example: [eBay](#), [Alibaba](#)
- Use: B2C & B2B
- Key Metrics
 - ▣ Average Transaction Amount
 - ▣ Number of Monthly Transactions
 - ▣ Commission %
- Challenges: two sided market places require you start with one side, value to seller & Product market fit (x2)
- Notes: critical mass or marketplace required

8. Combinations

- Combinations business models happen for two reasons
 - You don't know which model is right
 - At scale you can expand revenue sources
- Examples: Hardware sensors + software services to create data analytics
- Challenges – most require scale or at least traction

9. Gaming


- ▣ Example: [King.com/Candy Crush](https://www.king.com/candy-crush)
- ▣ Use: B2C Only
- ▣ Key Metrics:
 - ▣ Downloads
 - ▣ % play
 - ▣ Average in app purchase
- ▣ Challenges – tends to be “hit driven business”
- ▣ Notes: use in first 21 days is a predictor of success

10. Lead Generation

- ▣ Example: [Mint.com](https://www.mint.com), [AllStarDirectories](https://www.allstardirectories.com), [NetQuote](https://www.netquote.com)
- ▣ Use: B2C & B2B
- ▣ Key Metrics
 - ▣ Cost to generate traffic
 - ▣ % conversion of form data
 - ▣ Price per lead
- ▣ Challenges: Highly competitive, barrier of entry is low
- ▣ Notes: Conversion rates average 0.06%

11. New Media

- Example: SnapChat, Clubhouse
- Use: B2C only
- Key Metrics:
 - ▣ K-Factor (Viral Co-efficient)
 - Network effect of inviting others to join
- Challenges – K-Factor is hard. Little revenue until scale
- Notes: Everyone wants to! Not happening in B2B
- No revenue actually required – GREAT multiple



This is the
Non-
Revenue
Model

12. Advertising/Search

- ▣ Example: Google, Facebook
- ▣ Use: B2B – advertisers pay, users are free
- ▣ Key Metrics
 - ▣ Traffic
 - ▣ Click
 - ▣ Avg. revenue/click
- ▣ Challenges – Scale, need >1M uniques/month to consider the option

13. Big Data

- ▣ Examples: [PatientsLikeMe](#)
- ▣ Use: B2B
- ▣ Key Metrics:
 - ▣ Per API Call
 - ▣ Per record pricing
 - ▣ Frequency/recency
- ▣ To monetize data, you need to have the data in advance or massive cash

14. Licensing

- Example: Think Microsoft office license or server license – before subscription. Content Licensing
- Use: B2B
- Key Metrics:
 - Duration of license
 - Upgrades & maintenance (20-25% annually)
- Use can be based on vertical market or geography

Revenue Models– Pick Two

1. Fee for Service
2. Productize a Service
3. Commerce
4. Subscription
5. Metered Service
6. Transaction Fee/Rental
7. Marketplace
8. Combinations
9. Gaming
10. Lead Generation
11. New Media
12. Advertising/Search
13. Big Data
14. Licensing

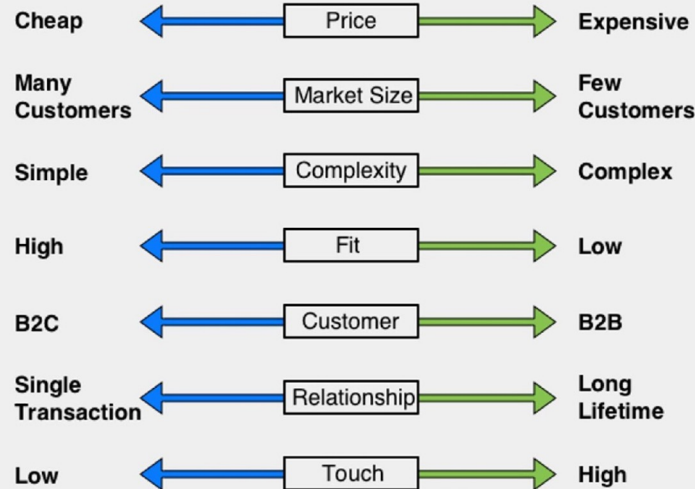
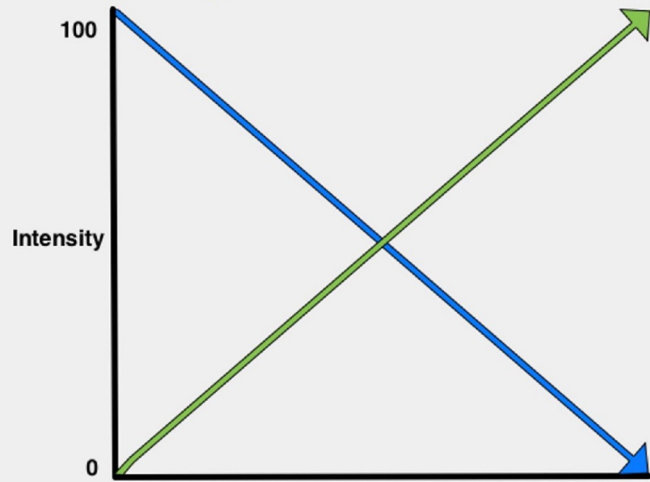
Public Multiples

	Model	Example	Price/Sales Ratio (TTM)
1	Services	Stride, Accenture	.75-1.5X
2	Productize a Service	SWAir, IBM	1-2X
3	Commerce	Wayfair, Lululemon	4-5X
4	Subscription	Salesforce, Spotify	8-12X
5	Metered Service	Twilio, AWS, UiPath	24X
6	Transaction Fee/Rental	TripAdvisor, Chegg	12-15X
7	Marketplace	eBay, UBER	4-8X
8	Combinations	SmartSheet, Amazon	8-12X
9	Gaming	Activision - Blizzard	7-10X
10	Advertising/Search	Alphabet, Facebook	7-9X
11	New Media v. Old	Snap	3-23X
12	Big Data	Splunk, Plaid Tech	8-10X
13	Lead Generation	Chime, Mint	4-5X
14	Licensing	Broadcom, Oracle	5-9X

Marketing – Finding the right customers

Marketing

Sales



<https://review.fIRSTROUND.com/>

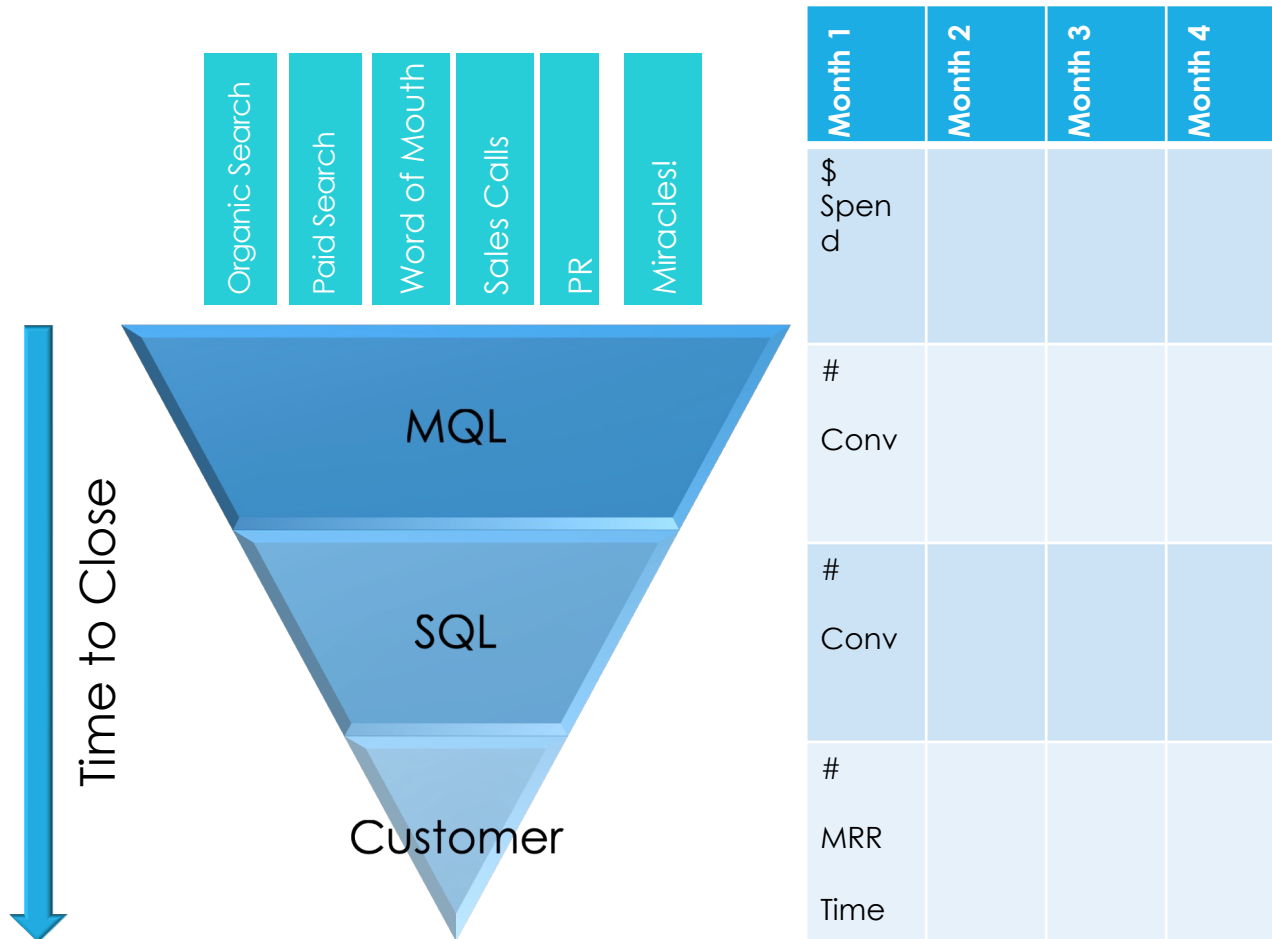
Marketing – Finding Customers

- Messaging/Value Proposition
 - Does it resonate with the target customer segment
 - They are the hero of the story
 - Is it repeatable?

- Strategy
 - Outbound first
 - Inbound second

Key Metric Terms

- ❑ State your hypothesis
 - ❑ CAC – Customer Acquisition Cost
 - ❑ LTV – Life Time Value
 - ❑ ARPU – Average Revenue per User/account
 - ❑ MRR, ARR, ACV
 - ❑ Churn – or retentions
 - ❑ Time to Close
 - ❑ Customer engagement
 - ❑ Time on Site/App
 - ❑ Frequency



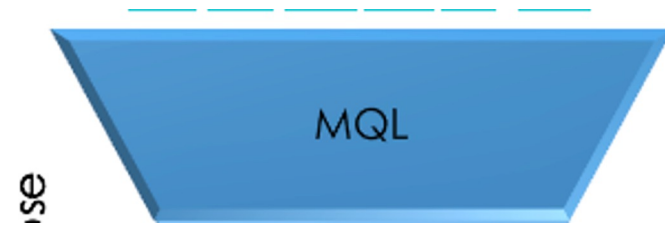
Marketing Channels

- Paid Search
- Organic Search
- Word of mouth
- Sales calls
- Public Relations
- Affiliate
- Email marketing
- Social



Marketing Qualified Leads

- Define qualified vs list
- Suspects
- Prospects
- Qualified Prospects



Sales Qualified Leads

- Hand off to Sales
- Identify steps to close
- Number of calls



Time to Close

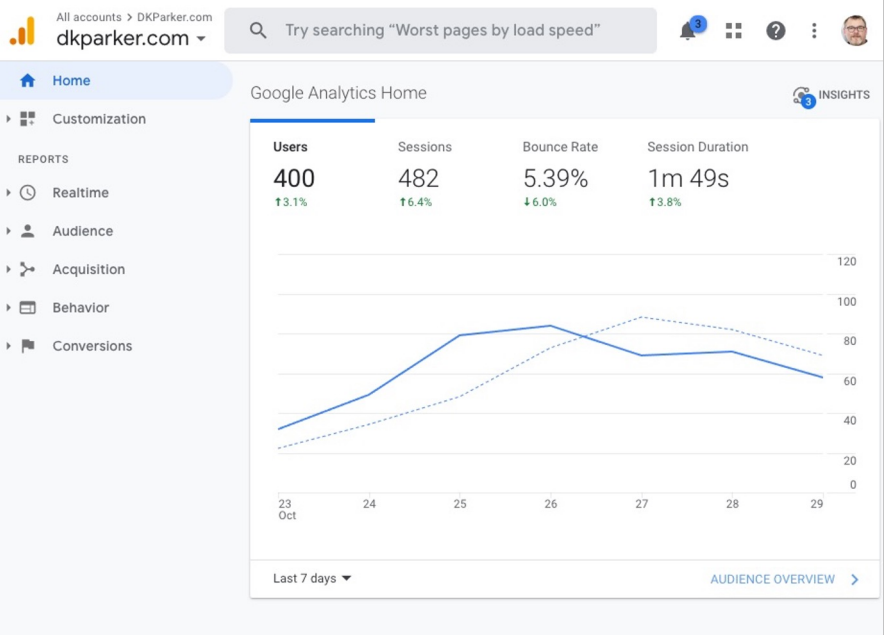
- Lead attribution
- Source time
- Compressing or Expanding
- Trend by source



Tracking

- Data allows you to know where to double down and where to hold back
- Conversion ratios

Month 1	Month 2	Month 3	Month 4
\$ Spent			
# Conv			
# Conv			
# MRR Time			



Results for "tag manager"

Search instead for [tagmanager](#)

Category Service Options Seller Details Budget Delivery Time

Pro services Subscription services Online sellers

796 services available Sort by **Relevance**

Ad by tracking_expert
Level 2 Seller

I will setup google analytics, tag manager, ad conversions, facebook...

★ 5.0 (6)

STARTING AT \$10

Ad by tracking_expert
Level 2 Seller

I will setup google tag manager, fb pixel, pinterest tracking, conversion tracking

★ 5.0 (92)

STARTING AT \$10

Google Analytics & Tag Manager

<https://analytics.google.com/>
<https://tagmanager.google.com/>

Customer Matrix Example

Ideal Customer Profile	Value Prop 1 “Explore Careers”	Value Prop 2 “Get a Scholarship”	Value Prop 3 “Find a Job”
Students – college bound			
Students – non college bound			
Parents – help you students			

Using AI

- ▣ Write your headlines and ads
- ▣ Rewrite using ChatGPT
 - ▣ To improve click-through rates
 - ▣ To improve SEO
- ▣ Use tools like SEMRush to define keywords, traffic, and competition.
- ▣ Use Jasper.ai to write blog posts on all of those topics

Advertising Networks

- ▣ Google AdWords – shows search intent
- ▣ LinkedIn – B2B ads based on title, company size
- ▣ Meta/FB/IG – is based on interest and demographic
- ▣ TikTok – is based on interest and demographic
- ▣ Snap – is based on interest and demographic
- ▣ Retargeting networks – AdRoll, Google, FB, Mailchimp
 - ▣ Ads follow you around the internet

Websites & SEO

- ▣ Your site needs more than a landing page!
- ▣ How you get to 20 pages
- ▣ Based on value prop and target customer
 - ▣ SEO headlines for blog content
 - ▣ Summary paragraph
 - ▣ 600-800 words
 - ▣ Call to Action
 - ▣ Recorded content – testimonials

Building a List

B2B

- ▣ ICP's are companies
- ▣ User profiles
- ▣ Buy a list
 - ▣ ZoomInfo or similar
- ▣ Scrape a list
 - ▣ LinkedIn
 - ▣ Virtual Assistant

B2C

- ▣ Advertising
- ▣ Social Media
- ▣ Subscribe to Email list

Call to Action (CTA)

- ▣ “Learn More” or “Book a Time”
- ▣ Hubspot Free Edition
 - ▣ Form capture
 - ▣ Calendar tool – book a time
 - ▣ CRM list capture
 - ▣ Notifications for new subscribers
 - ▣ Lead status
 - ▣ Tasks (sequenced tasks)

ROAS vs ROI

- Return on Advertising Spend is a cash on cash return for marketing spend, over time. E.g. , if you spend \$1,000, how long (days) does it take to get \$1,000 in revenue, and what is the total revenue, e.g., 4X return?
 - Ad Revenue/Ad Cost x100
 - Will help you rank your campaign performance
- Return on Investment – is a bigger picture topic that focus on profit
 - Net Income/Total Cost x100

30/60/90 Plan

- Budget
 - Total spend per month
- Channels
 - Top channels
- Tracking
 - What are your key metrics?
 - Traffic
 - Conversion
 - How will you track time to close?

Sales – capturing value creation

How will they buy?

- ▣ Web Direct – place the order to buy on the web
- ▣ Direct – outbound sales, inside/outside
- ▣ Indirect/Channel – fulfills demand, doesn't generate
- ▣ Retail – BestBuy, etc

Sales Model Hypothesis

	Known Market	Unknown Market	Low Price Point	High Price Point	Known Search Words	Unknown Search words
Web Direct	✓		✓		✓	
Direct	✓	✓		✓	✓	✓
Indirect	✓		✓		✓	
Retail						

Sales is Activity Driven

- Responding to inbound leads
- List purchases
- Outbound outreach
 - Emails
 - Calls
- Track total sales leads per month and source

Sales Motion

- You're sales person #1
- Master the sales script the can be replicated
- Build a sales process and cadence, e.g.
 - Sales call, demo, white paper, proposal
 - Designed to get to next step
- Close with “Recommend”, you're the expert, ask for the order
- Don't stand in the way of scalable sales – you're not required to close every deal

First Sales Hires

- Hire doers – that have been trained
- Don't hire before the product is ready to sell
 - They will move into “strategy mode” and not want to go sell
- Transactional sales process or educational sales process?
 - Price/availability
 - Educational – takes time to mature – see customer journey map
- Salespeople are good at selling themselves, and occasionally good at selling your product

Sales Compensation

- General compensation philosophy
 - "below market with upside in commission/bonus"
- Incentivize activities early only, results as you know product/market fit
- Comp plan should have goals/quota that can be adjusted as the product is easier to sell
 - Quota is always "wrong" but is easier to change than the comp plan
- 6 Rules for Startup Sales Comp [blog post](#)

Tools

- Hubspot Free for CRM
- Track contacts, documents, white papers, proposals
- Set reminders, tasks and calendar invites

Workshop

Write out your sales script

- Hi, I'm Name, from Company Name, our company provide a product helps companies like Name/Yours value proposition (make money/save money, get to market faster, increase recruiting). Most of our clients see the biggest benefit from _____ to _____. What do you use today for that function?
- End with a question, start engagement

Write out a Sales Job Description

- Where did the person get trained?
- What skills do you need them to have?
 - Proposal writing?
 - Demos
- What experience do they need
 - Industry
 - Price point

Sales

- ▣ Model – Pick one, why?
- ▣ Strategy
 - ▣ Who
- ▣ Tactics
 - ▣ How
- ▣ Tools
 - ▣ Sales tools

Business Development

Business Development

- ▣ Strategic relationships
- ▣ Who has the list you want
- ▣ How do you get the partnership

Business Development

- Strategy
 - Who should you get as a partner
 - How will you build the relationship?
 - What channels
- Tactics
 - Messaging/Value proposition
- Tools
 - CRM

Go-to-market plan

Go-to-Market Plan

- ▣ Revenue Model
- ▣ Marketing
- ▣ Sales
- ▣ Business development plan
- ▣ Pricing

What to track – best practices

- Marketing Metrics – “Marketing Machine”
 - 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

Before the Program

- ▣ What are your priority tests?
- ▣ Do you need product final to do that test?

Five Factors of PMF

1. Traffic – monthly web traffic
2. Leads (demos or downloads)
3. Customers (conversion rates)
4. Time to close
5. Annual (average) contract value increasing

Trends – is traffic trending, are leads converting.
All five equal the “magic of compound interest”

Post – PMF

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

PMF Scorecard

- ▣ ***How would you feel if you could no longer use [product]?***
 - ▣ The answers are the following:
 - ▣ Very disappointed
 - ▣ Somewhat disappointed
 - ▣ Not disappointed
 - ▣ I no longer use [product]

Shout out to:
Sean Ellis
Andrew Chen

Tracking Over Time

- ▣ Churn Rate
- ▣ Net Negative Churn
- ▣ NPS vs CSAT
- ▣ Product usage level
 - ▣ Frequency
 - ▣ Recency
- ▣ Growth Rate

Product

Product Vision

- ▣ Product vision is important
 - ▣ Long term features
- ▣ Startup with PROBLEM not product – pivot product/features around the problem
- ▣ It won't be what you ship first
- ▣ What the world looks like before your product
- ▣ What the world looks like after your product

Minimum Viable Product (MVP)

- ▣ Narrow and list features
- ▣ PowerPoint/Keynote first as your demo
- ▣ What screens do you need to show (e.g. do you need to really show registration – answer no)
- ▣ Have them rank the features
- ▣ Prioritize the build based on the feedback
- ▣ More Customer Development Interviews!

Product Roadmap

- ▣ What Features, When
- ▣ Quarterly targets based on
 - ▣ Budget
 - ▣ Available developers

Cost to Build

Estimating Costs

- Write specification
 - Required for launch
- Design & Flow
 - Post project on Fiverr.com
 - PPT/Keynote first with design
- Test design and flow
- Revise specification

MVP Mechanics

- MVP Series
 - [Blog 1](#) – Launching a product
 - [Blog 2](#) – Writing a spec
 - [Blog 3](#) – picking a vendor
 - [Blog 4](#) – Contracts, Monitoring Progress

- Cost to market and sell – Next Month!

Company Roadmap

Company Roadmap

- ▣ Quarterly Targets
 - ▣ Product
 - ▣ Milestones
 - ▣ People
 - ▣ Hires
 - ▣ # and who
 - ▣ Customers
 - ▣ Onboarded
 - ▣ Revenue
 - ▣ Cash out date

This is a
Supporting Slide

Roadmap Cont.

- ▣ Roadmap is NOT dependent on fundraising
 - ▣ If you raise capital, you move things forward in the roadmap
 - ▣ E.G. items from Q4 move to Q2 next year
- ▣ Where will you be in 18 and 36 months
- ▣ Does it map to your financial model
- ▣ Maps to use of proceeds

Quarterly Roadmap – 18 Months

Quarterly Milestones	Q1 2021		Q2 2021		Q3 2021		Q4 2021		
		Priority (ABC)	Impact (H/M/L)		Priority (ABC)	Impact (H/M/L)		Priority (ABC)	Impact (H/M/L)
Marketing Customer Acquisition (Owner)									
Marketing Budget	\$4,500								
Marketing Channels	Trade Show					Trade Show			
New Marketing Qualified Leads	22			30		38			45
Leads passed to sales									
Return on Advertising Spend (ROAS)									
LTV:CAC Ratio	4.7			5.1		5.5			5.7
Sales									
Reps headcount									
SDR/Customer Success headcount									
New Sales Qualified Leads	8			10		12			15
New Closed Customer	2			3		4			5
Time to Close									
Average Contract Value (ACV)									
Repeat Customers	4			6		8			10
Revenue (Owner)									
Billings	Revenue Splits								
Major Accounts									

Highlight Key Milestones

- ▣ This is a bit of an eye chart, so highlight key milestones
- ▣ Product ship dates
- ▣ First revenue
- ▣ Key hires

Company/Product Roadmap Examples



Product Roadmap Infographics



What is “Traction?”

Predictable/Forecastable Revenue

- ▣ De-risking your <time> investment
- ▣ Predictable revenue moves you from valuations based on trailing 12 to future 12
- ▣ Target customer
- ▣ Sales Cycle
- ▣ Tools trail Strategy and Tactics

Customer Acquisition Hypothesis

- Cost of Customer Acquisition (CAC)
- Lifetime value of Customer (LTV)
 - 36 month calculation in a mature business, 12 months for you
- **Time** to close sale
 - How does this change with product/market maturity?
- Churn/Retention
- Average Revenue/measure (User, Account, etc)
- Word of mouth vs. Virality

Pitch Reviews

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>.