DESIGN BLUEPRINT

INTRODUCTION

The Winning By Design Blueprint Series provides practical advice for every part of a SaaS sales organization. In this Blueprint we provide insights where growth comes from and how to structure your sales approach to capture that growth.

UNDERSTANDING GROWTH

Historically growth of a sales team was based on the revenue starting with $0M on day 1 of the year. Doubling revenue would require hiring 2x as many people. However in a SaaS model, the customer acquisition team can grow revenue to $1M in year 1. If the same team keeps performing at the same growth, it will achieve $2M in year 2 - whilst the renewals come in at 100%. This misunderstanding in growth can cause many misunderstandings in a world where no one is educated on sales.

Figure 1. Growth rate depicted from traditional B2B sales teams vs. SaaS Sales teams

Growth rate reduces when a sales team keeps acquiring the same revenue [$]. In order to keep growing at the same growth rate, it requires a significant investment in the acquisition efforts as depicted in Figure 2.

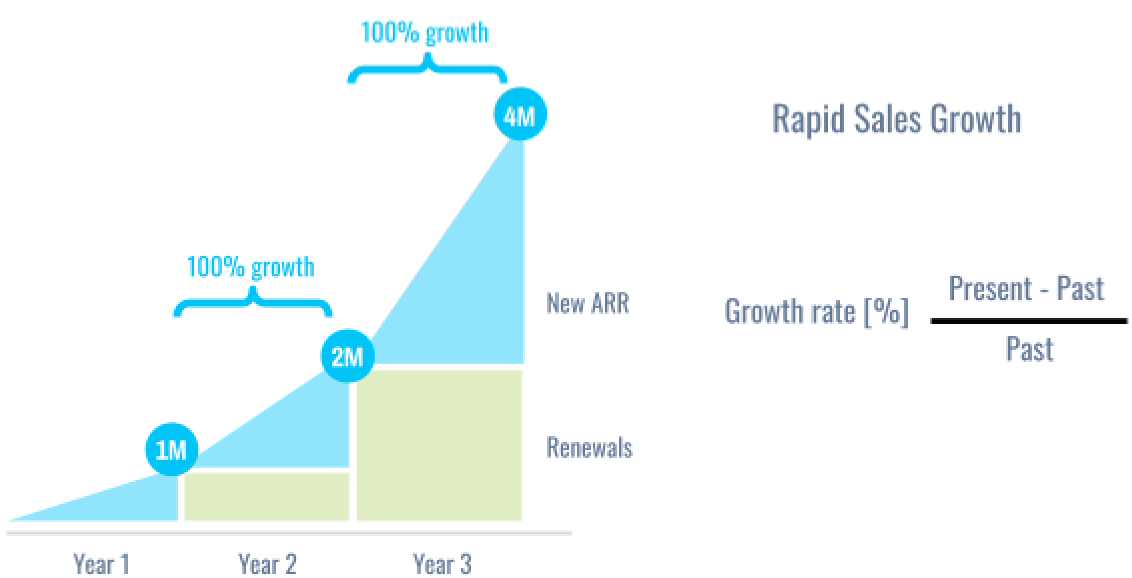

Figure 2. SaaS Growth Rate

GROWTH POTENTIAL

What is new in today's B2B software world, is that products sold against an OpEx (SaaS) model experience an exponential growth due to a variety of factors;

- An increase in Online Spend - B2B customers are increasing their online spend. Previously they may have only spent $1,000 when buying a SaaS service online. Now the services have matured where buyers are relatively comfortable spending 20x in online services. In person meetings are no longer required.
- An increase in Market Size - Every seller now operates in a global marketplace with 10x more buyers, and these same buyers are more accustomed to buying from remote providers.
- A compressed Sales Cycle - Today's B2B customers buy a lot faster than ever before. They no longer are buying for a solution 12-18 months from now, but rather they are shopping for a solution for an immediate problem.

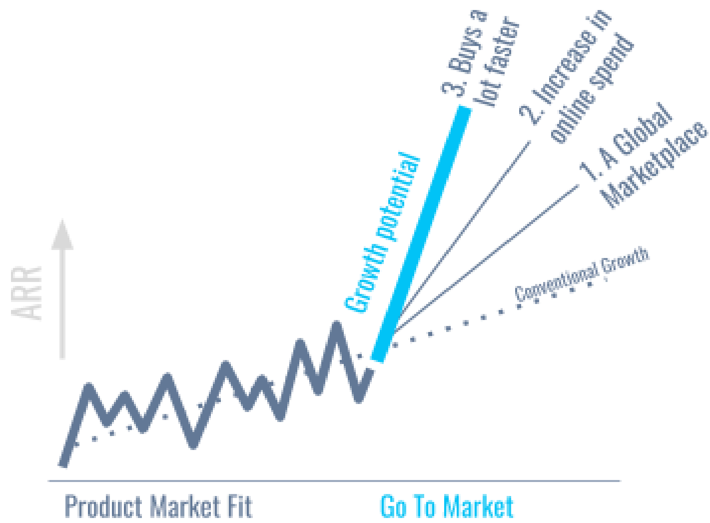

Figure 3. Understanding Growth Potential

Table 1 How the numbers add up

Era	Increase in Online Spend	Increase in Market Size	Compressed Sales Cycle	Exponential Growth Potential
2010	$1,000	1% of a **national** market with 100 opportunities	270 days	$1,000 in 1 deal in 270 days
2020	$10,000	1% of a **global** market with 1,000 opportunities	90 days	$100,000 in 10 deals in 90 days

WHEN TO ACCELERATE?

One of the most recent trends is the use of "growth hacking". Growth hacking is a process of taking shortcuts. One of these key shortcuts, is to use automated forms of outbound to identify leads that want to have a meeting, and to ultimately use low-cost sales resources to run those meetings in an effort to close. Originally this worked well, in particularly post 2008 when a SaaS solution, with its OPEX offering, stood out from the conventional CAPEX solutions. Case in point with Salesforce's cloud CRM vs. SAP and Oracle's on-site/perpetual license model. Today everyone offers a SaaS/OPEX solution and no longer does Sales Hacking provide the desired results.

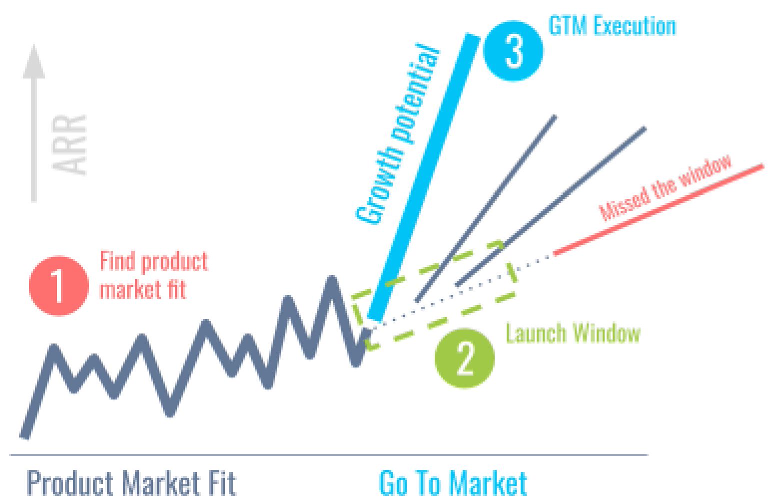

Figure 4 Early stages of growth

Table 2 The keys of each stage to achieve growth rate

Stage 1 Find Product Market Fit	Stage 2 Hit the Launch Window	Stage 3 Execute the GTM plan
This is the moment that a mature product is in a market with plenty of growth potential. This stage is one of the hardest to do in a market where innovative solutions are launching constantly and the markets are never constant. However, founders are often passionate and well equipped in dealing with this situation.	A common mistake is that when the product market fit is achieved, but the company waits too long to scale to meet the market potential. Thus the company ultimately misses the launch window. This results in becoming #4, #5 of the list of solutions with a sliver of market share. Today the launch window has shrunk from 18-36 months to 9-18 months.	The third and final hurdle to hit rapid growth, is to execute the right Go To Market plan, often attributed to growing sales. It is the least understood topic, due to lack of education. Success of Executing the GTM is not measured in growth rate [%] or revenue [ARR] but rather against the growth potential.

CASE IN POINT In 2015 Randy had grown sales from $800k to $4M in ARR. A formidable feat celebrated with a new round of funding. In 2016 Randy was on track to grow the business from $4M to $6M with a big deal that could take it close to $7M. Randy was let go in July. Why? In 2015 Randy had kept pace with the growth in the market. However the growth accelerated substantially in 2016. Competitors were increasing their market share and Randy was falling behind.

STAGE 1. FIND PRODUCT MARKET FIT

One of the keys to growth in today's business model, is to identify the most effective and efficient GTM model using a variety of sales and marketing channels.

The challenge is that organizations are primarily looking at the result, not using metrics to measure effectiveness and efficiency of each GTM strategy. This is needed to scale the business.

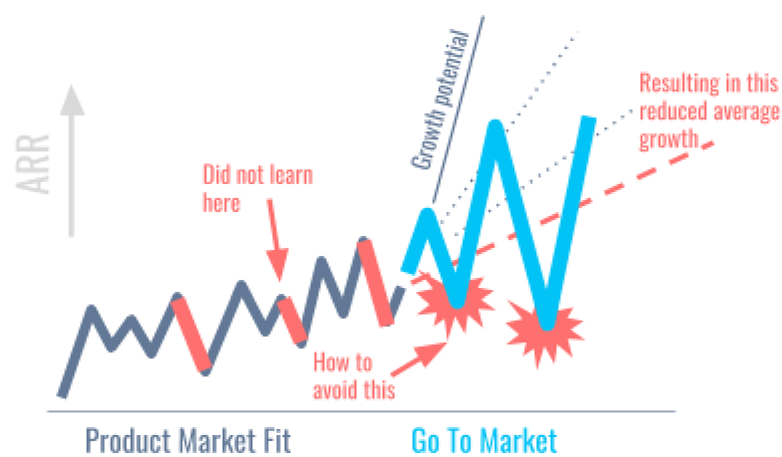

Figure 5 Impact of sales hacking visualized

Keys to growth you have to identify during Product/Market Fit

- WHAT is the value proposition that prioritizes the solution offered?
- WHO is the audience that has a real problem and is willing to take action?
- HOW to get to the audience with the real problem in an *efficient* and *effective* way?

Due to the lack of measuring effectiveness and efficiency, the failures are also amplified by 10x. This means there is no real growth which results in a lower valuation of the company, and the firing of the sales leadership. The replacement sales leader lacks the context of the growth hacking results and blames this on poor sales execution of the sales people. The sales leader starts hiring new people… and with it the downward spiral continues.

CASE IN POINT Many SaaS companies can demonstrate the ability to get to $1M in ARR by pursuing 10,000 prospects with the "hack" of high frequency email chains to setup demos. However as these companies quadruple their sales teams they scale failure. This mimics tuna fishing with a fishing trawler using fine nets that destroy an entire ecosystem to catch a single tuna.

STAGE 2. HIT THE LAUNCH WINDOW

How do you know when you are in a launch window? There are three clear tell tale signs;

I. INCREASE IN PRICE - Instead of $24,000 in ARR, you start winning clients at $48,000 ARR. This is indicative that you offer real value, and that your customers start to understand the impact of the value on their business.

II. INCREASE IN WIN-RATE - Win-rate is measured as the number of Sales Qualified Leads needed to win one deal. Instead of winning 1 out of 4.8 deals you now win 1 out of 3 deals. This is indicative of a stronger position in the market.

III. DECREASE IN SALES CYCLE - The Sales Cycle is measured between SQL and WIN stage. For example the average sales cycle is now 71 days instead of 84 days. This indicates your customers are prioritizing your solution.

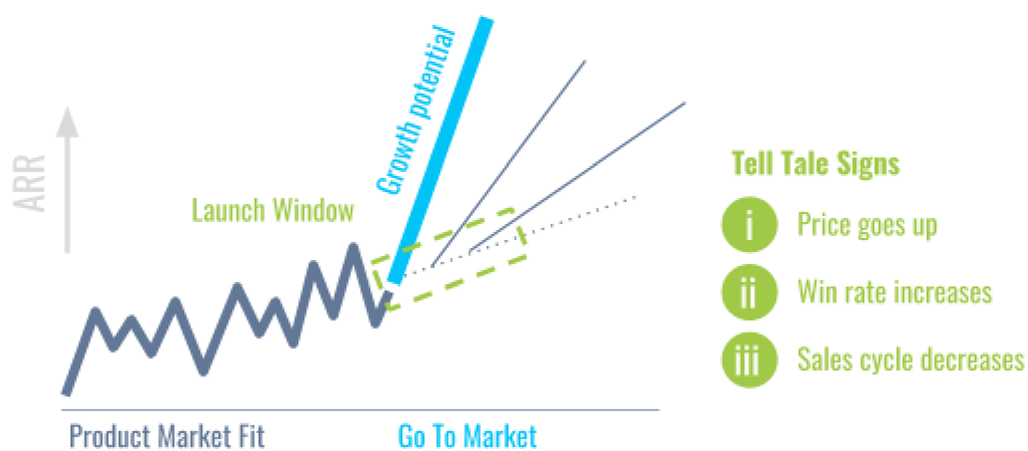

Figure 6 Tell tale signs of being in the launch window

What do these tell tale signs have in common? They are data driven - factors you can measure, and when entered accurately and interpreted correctly, they can be leveraged to make a data driven decision.

CASE IN POINT Common mistakes we find that can lead you to believe you are in a launch window

Not distinguishing outliers: One of our client's database showed a single $200,000 annual contract (ACV) Enterprise deal with a 270 day sales cycle among dozens of $12,000 ACV deals with 28 days sales cycles. Such a deal will offset all other deals.

Not entering the data correctly: An untrained sales manager gets a lead (SQL) and following a discovery call disqualifies it. Two months later the same lead re-enters and a new opportunity is created - the deal closes in a matter of weeks. The lead now is categorized with a short sales cycle as the history was never taken into account.

Both examples indicate you need to a) segment your data, and b) ensure correct data entry

STAGE 3. EXECUTE THE GTM PLAN

To meet the growth potential, a Go To Market (GTM) plan is imperative.

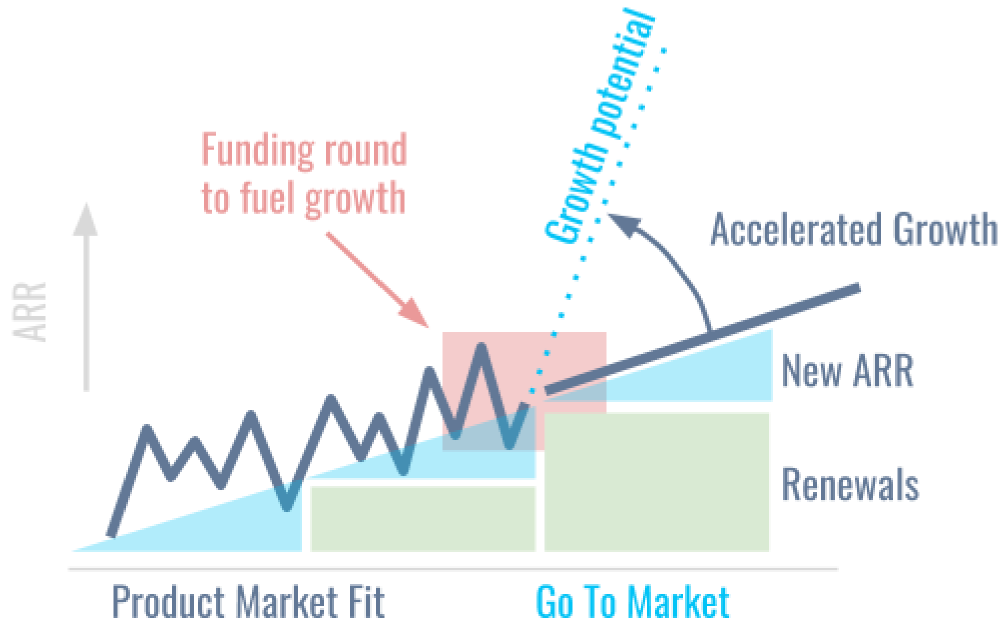

Figure 7 When funding is used to scale growth

In this case, we use the world's most common GTM plan: to achieve $30M. Do 3x of what you were doing that got you to $10M. As you can observe in the figure below, even when we grow the sales team by 3x, and they perform admirably the scaling still remains a challenge.

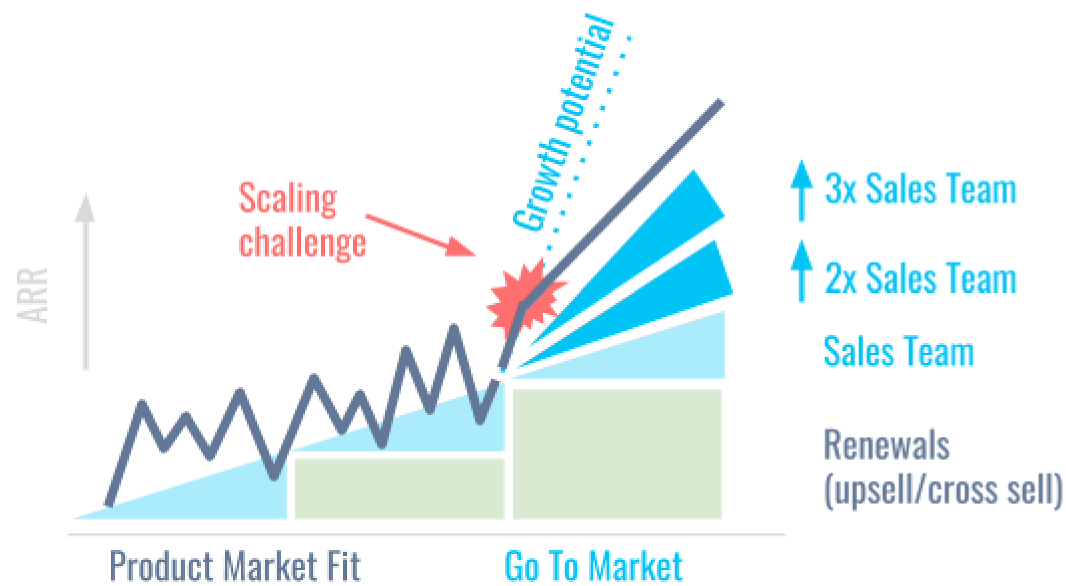

Figure 8 Just growing the sales team does not achieve the desired growth rate

This is commonly experienced in companies who depend primarily on an "outbound" approach. They find out the hard way that tripling the sales team, and tripling the activities does not triple the result. What is required is a more modern GTM model that has layers of revenue.

To avoid a scaling problem you have to think of your revenue as if it has layers. For example:

- Added regional teams to increase coverage and decrease dependence on your local market
- Add new products/services to uplift the price, and create upsell / cross sell opportunities
- Pursue new accounts for example from SMB to Mid Market to Enterprise
- Add a strategic partnership that opens a new segment, for example Healthcare, Government, etc.

Going after bigger deals is not just taking your best sales people and giving them a list with bigger companies. This requires that you segment the market, and develop a new GTM plan for that market.

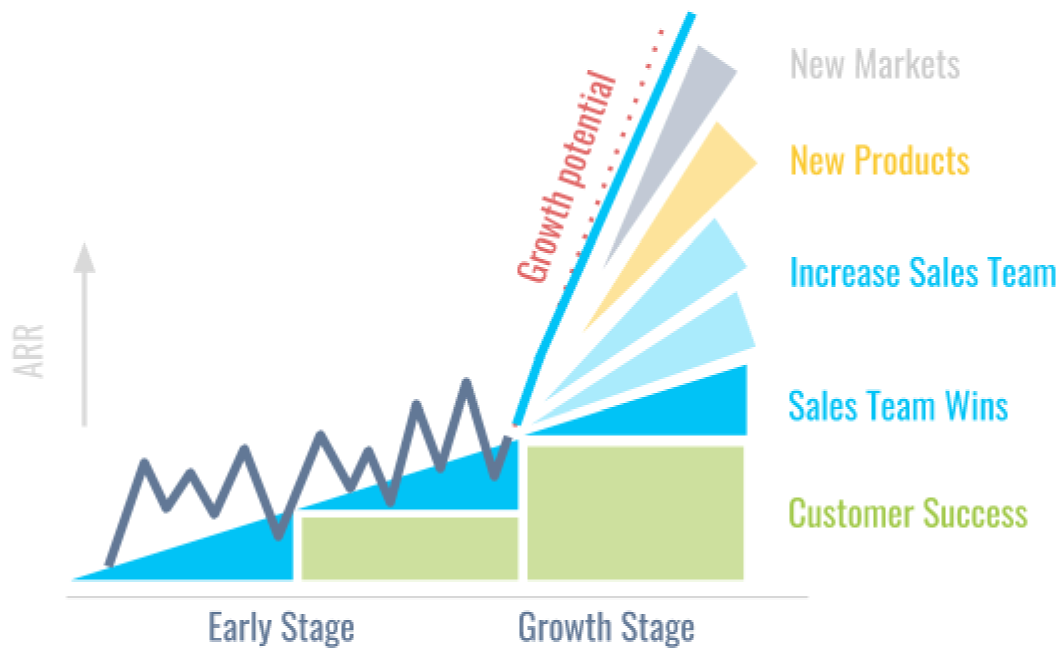

Figure 9 Layering of revenue. Each layer may need a different GTM strategy

END.