OPTIMAL SLIDES FOR THE

GO-TO-MARKET SECTION OF THE BOARD DECK

STAGE 2 CAPITAL

Best practices and a downloadable slide template from Stage 2 Capital Co-Founder Mark Roberge

Take a look at these slides...

... from a startup board deck. The first slide represents a typical accounting balance sheet that includes Assets, Liabilities, and Equity. The second slide displays the percentage of customers using the product every week, organized by signup date. Which slide provides more valuable insights into a startup's performance?

The Banana Stand

BALANCE SHEET	Period 1	Period 2	Period 3	Period 4	Period 5
Transaction Description	Invest Cash	Raise Debt	Banana Stand	Inventory (100)	Sale (100)
Value	$ 500	$ 500	$ 600	$ 100	$ 200
ASSETS					
Current Assets					
Cash	500	1,000	400	300	500
Accounts Receivable	-	-	-	-	-
Inventory	-	-	-	100	-
Total Current Assets	**500**	**1,000**	**400**	**400**	**500**
Fixed Assets					
PP&E (No Depreciation for Now)	-	-	600	600	600
TOTAL ASSETS	**500**	**1,000**	**1,000**	**1,000**	**1,100**
LIABILITIES					
Current Liabilities					
Accounts Payable	-	-	-	-	-
Notes Payable	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-
Long Term Liabilities					
Debt	-	500	500	500	500
TOTAL LIABILITIES	-	**500**	**500**	**500**	**500**
EQUITY					
Contributed Capital	500	500	500	500	500
Retained Earnings	-	-	-	-	100
TOTAL EQUITY	**500**	**500**	**500**	**500**	**600**
TOTAL LIABILITIES & EQUITY	**500**	**1,000**	**1,000**	**1,000**	**1,100**
Check	-	-	-	-	-

Customers Acquired	Month	1	2	3	4	5	6	7	8	9	10	11	12
24	January	3%	27%	33%	37%	40%	39%	44%	45%	45%	52%	55%	56%
26	February	2%	26%	30%	36%	38%	40%	38%	42%	43%	44%	49%	
29	March	3%	27%	34%	40%	43%	46%	49%	50%	49%	53%		
38	April	5%	43%	58%	64%	68%	68%	71%	73%	70%			
43	May	4%	49%	58%	63%	66%	71%	69%	73%				
41	June	3%	39%	48%	59%	65%	71%	73%					
37	July	5%	40%	50%	62%	70%	72%						
39	August	7%	56%	72%	76%	81%							
50	September	12%	68%	75%	77%								
55	October	6%	70%	78%									
48	November	9%	73%										
49	December	9%											

For me, it is obvious.

At the early stage, customer engagement and value realization is the most important analysis. The spend on office supplies last quarter is not. Yet, I would approximate that 90% of the startups I see at this stage have a beautifully architected balance sheet, and close to 0% have the cohort analysis. It appears that startups have drawn too much inspiration from public companies' board meetings and decks, where standard accounting reports are crucial, and have not adjusted to the unique needs of a startup.

This eBook aims to inspire an evolved approach by providing insights on the go-to-market section of the board deck, encompassing sales, marketing, and customer success. Additionally, a slide template is available along with this eBook. The eBook explains the purpose behind each slide.

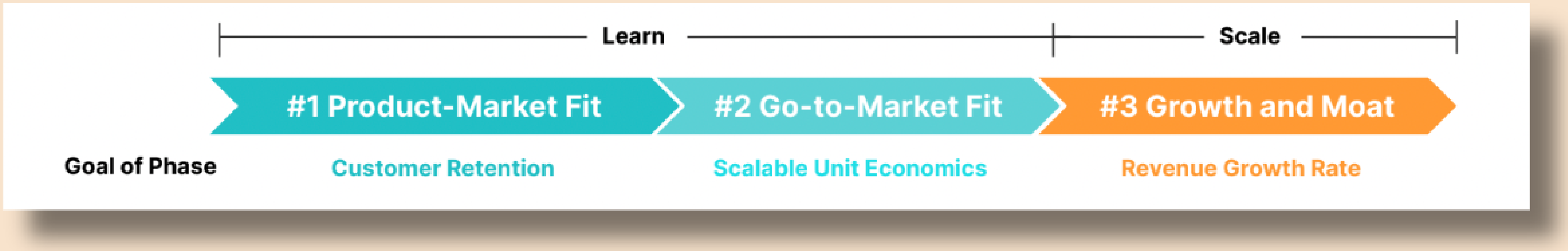
INTRODUCTION

While brainstorming on the optimal GTM slides, the Stage 2 Capital team found optimization depended on two variances in the startup context. The first variance was related to the go-to-market context, specifically the product price and sales strategy. We consolidated this variance into three distinct go-to-market contexts and created a separate eBook and slide template for each one. The three contexts are listed below. **This eBook focuses on the first context**.

1. Sales-Led Growth with a Small Annual Contract Value (SLG - Small ACV)
2. Sales-Led Growth with a Large Annual Contract Value (SLG - Large ACV)
3. Product-Led-Growth (PLG)

The second variance was the startup's stage. At Stage 2 Capital, a core attribute of our Science of Scaling methodology is the evolution of the north star KPI the startup should focus on as the startup progresses through a set of well-defined growth phases. The GTM section of the board deck should align and reinforce this evolution. For this reason, we have developed a set of board slides for each phase. The four phases are:

1. Pre-Revenue
2. Finding Product-Market-Fit
3. Finding Go-to-Market-Fit
4. Establishing Growth



This eBook, along with the accompanying slide template, is structured according to these phases. In each section, the first slide reports the north star KPI for that phase, the next slides provide quantitative and qualitative detail on that KPI result, and the final slides verify that the KPIs from prior phases are still healthy.

A common theme in the recommended slides is to mitigate the pothole that most organizations fall into — premature focus on customer acquisition and revenue growth at the expense of repeatable customer success creation.

INTRODUCTION

Finally, one generic best practice for board meetings is **maximize discussion time and minimize report out time**. Board decks should be sent at least 2 days in advance of the meetings. A standard expectation should be that all attendees have reviewed the deck prior to the meeting. Each section should begin with a brief, 2-minute reminder out of the contents, and most of the time, say 15-20 minutes, is spent addressing questions and discussion.

PHASE 1

Slides for the GTM Section of the Board Deck for Pre-Revenue Business

Stage Description:

Attribute	Description
Revenue	Pre-revenue or Early Revenue (<$50K ARR)
Customers	< 10
Funding	Pre-seed
Product Status	Alpha
GTM Team	Founder-led

Goal description:

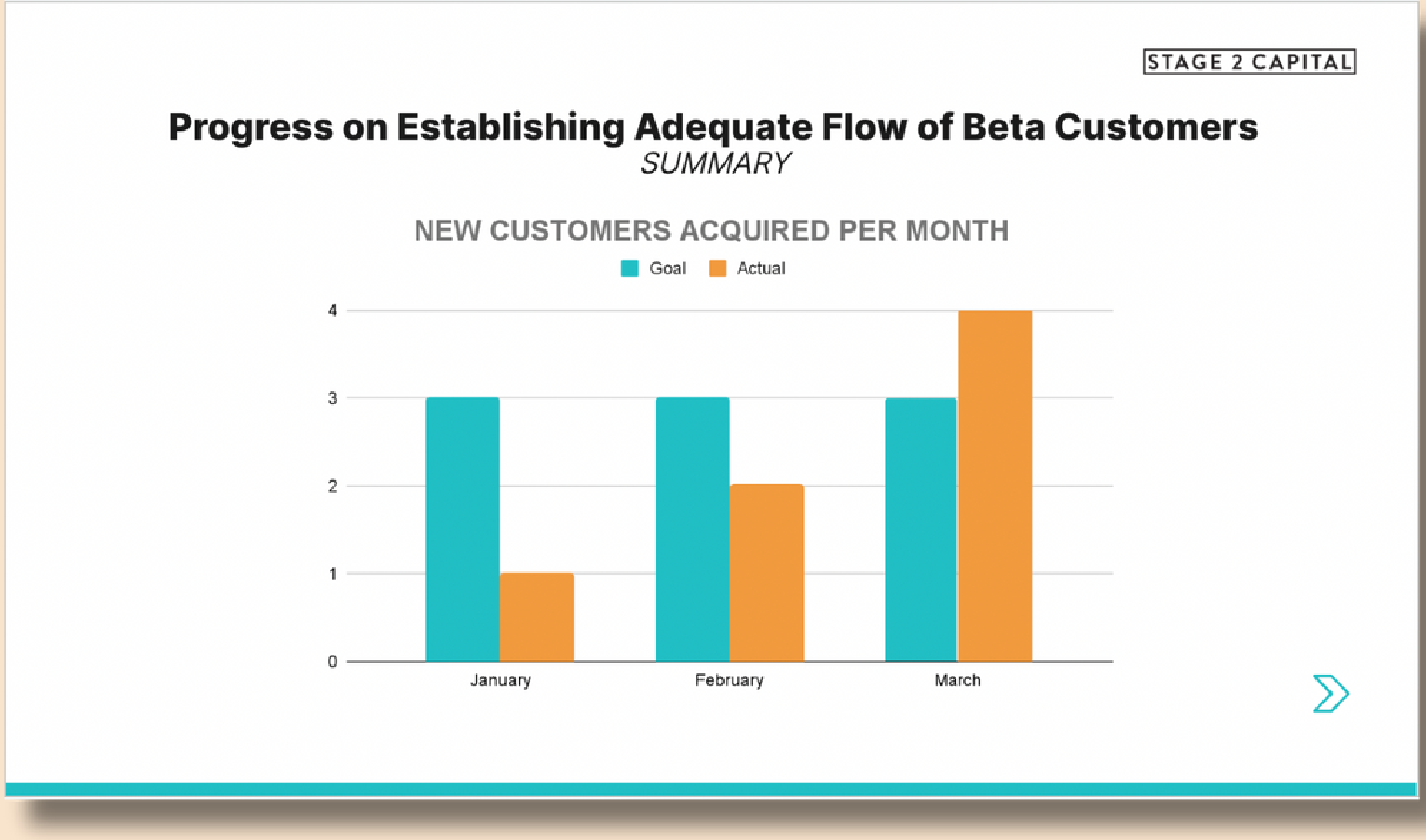
Establish a flow of customers to start iterating on and measuring product-market-fit

KPI:

>3 new customers per month

Slides for GTM Section:

Slide 1 reports out the phase KPI. Is the company acquiring enough customers each month to adequately assess product-market fit? Note, 3 customers per month is a bare minimum. More is preferred, but over 10 customers per month is probably too many at this stage.

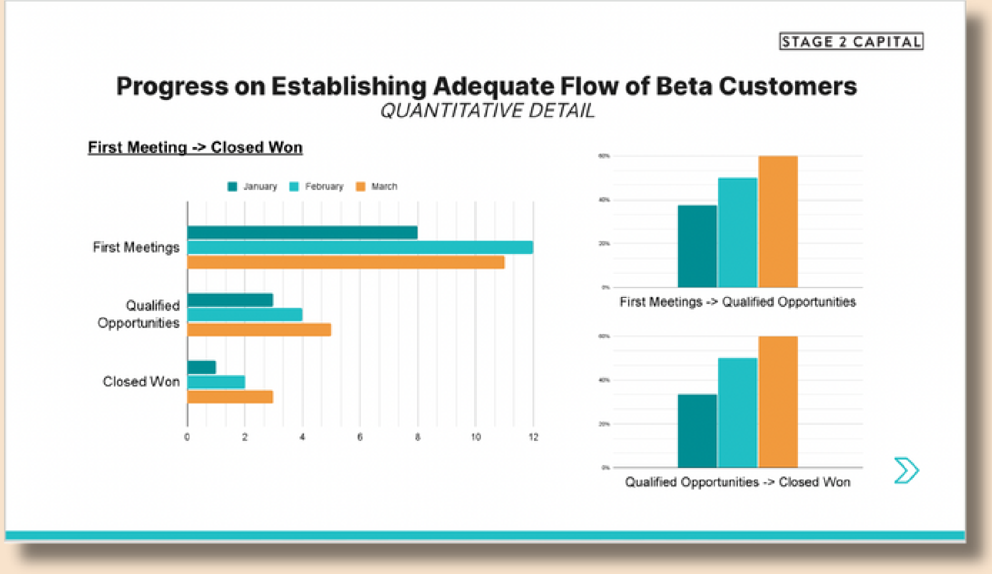


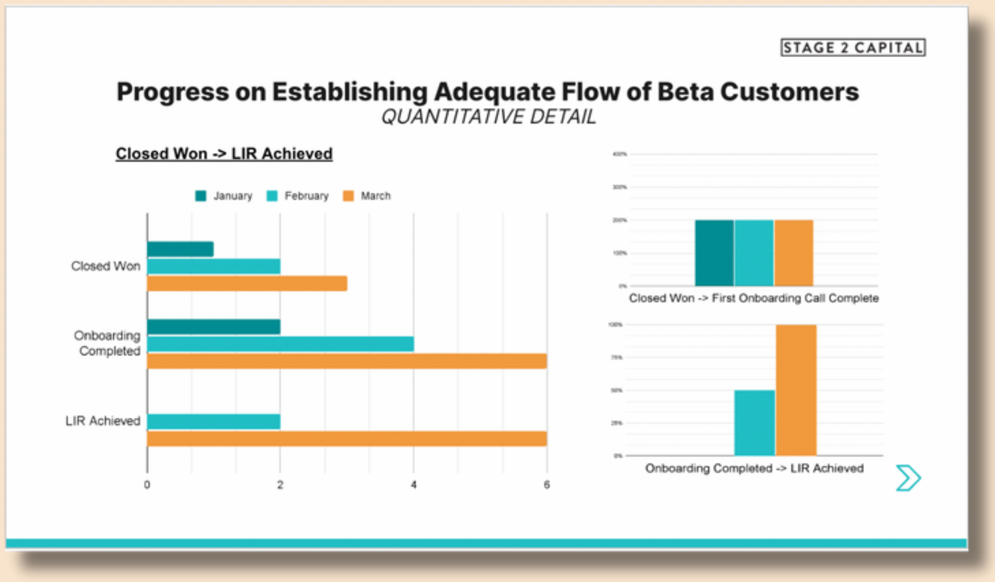
PHASE 1 — CONTINUED:

Slides 2 and 3 illustrate the quantitative detail of the startup's pursuit toward adequate customer acquisition volume. These slides allow the board and executive team to better diagnose where the key blockers exist in achieving the phase KPI. For example, is the startup struggling more with getting sales meetings or converting the meetings into customers?

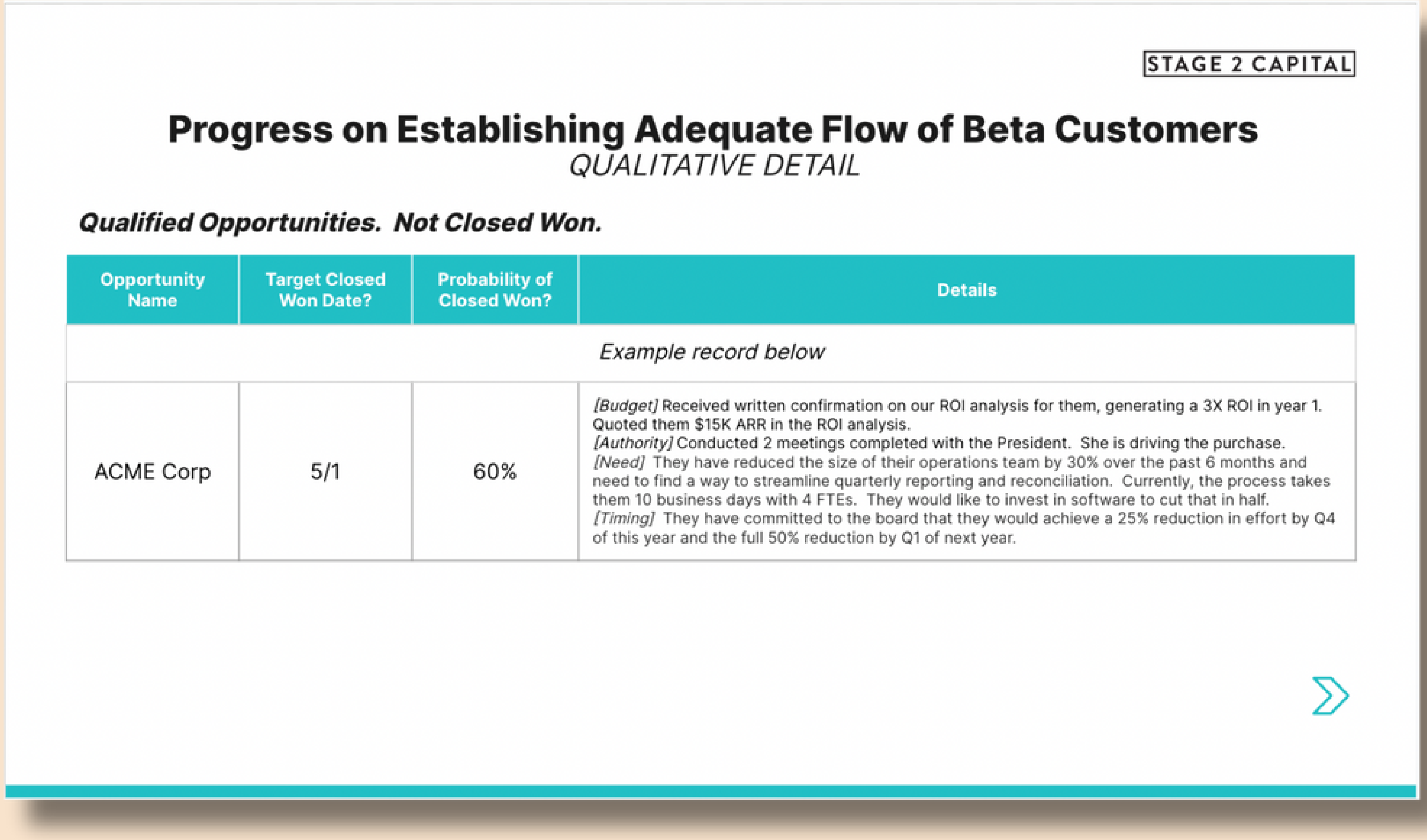
Slide 2 illustrates the phases from first meeting to customer. Slide 3 shows the progress from customer to successful customer. LIR stands for "Leading Indicator of Retention" and is the metric we use at Stage 2 Capital to define a successful customer. You can read more on the best practices of LIR definition for your business here.

The data in the charts represent activity in the month. If a prospect has a first meeting in January but doesn't become a customer until March, the first meeting is recorded in January and the customer conversion is recorded in the March data.





Slides 4 through 6 illustrate the qualitative detail of the startup's pursuit toward adequate customer acquisition volume. Slide 4 focuses on sales opportunities that are still open but have not become customers yet. The chart includes the forecasted win date and probability. It also elaborates on the discovery and qualification notes that have been accumulated during the sales process. This information helps the board and executive team to see patterns in the challenges and opportunities prospective buyers are prioritizing.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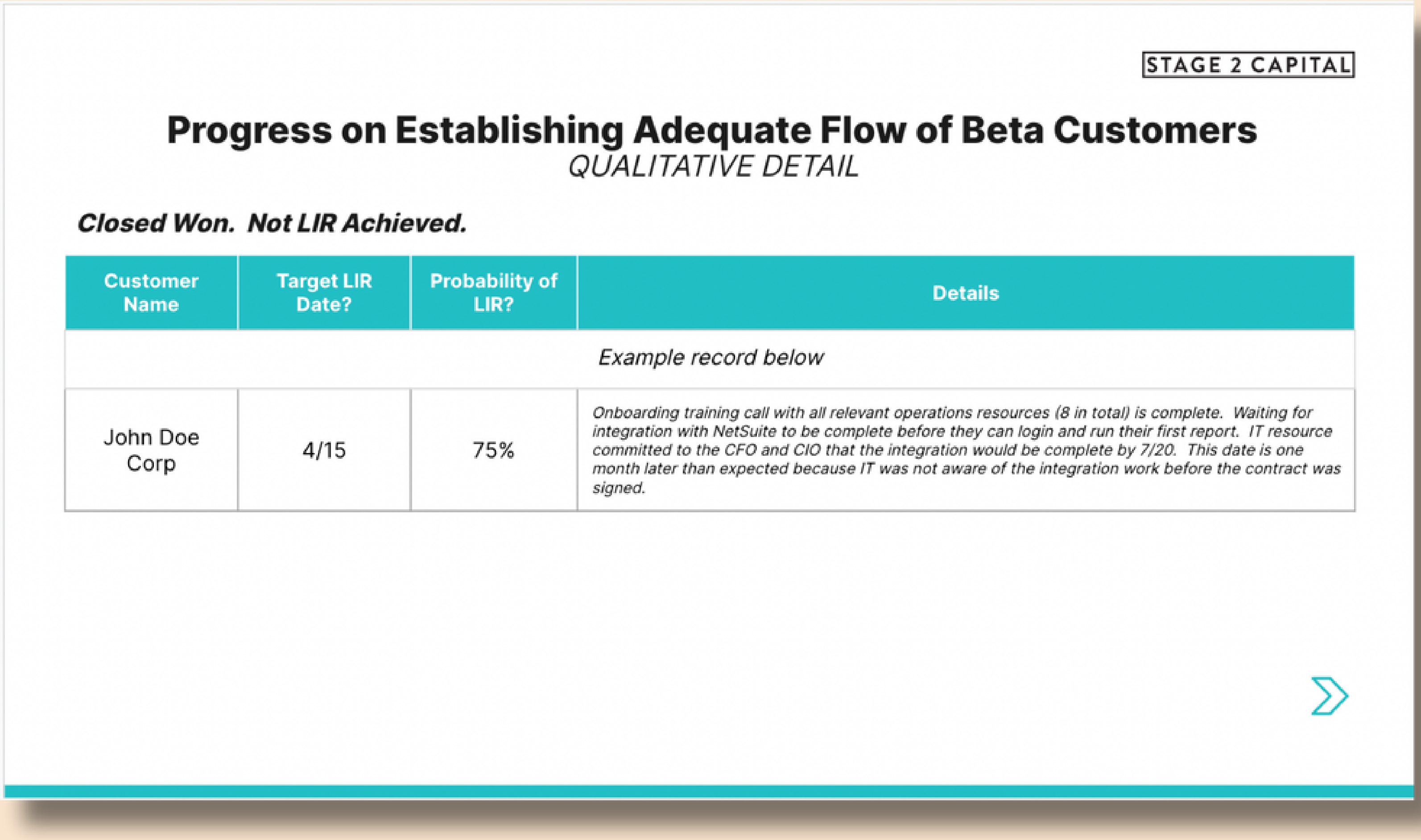
Progress on Establishing Adequate Flow of Beta Customers
QUALITATIVE DETAIL

Qualified Opportunities. Not Closed Won.

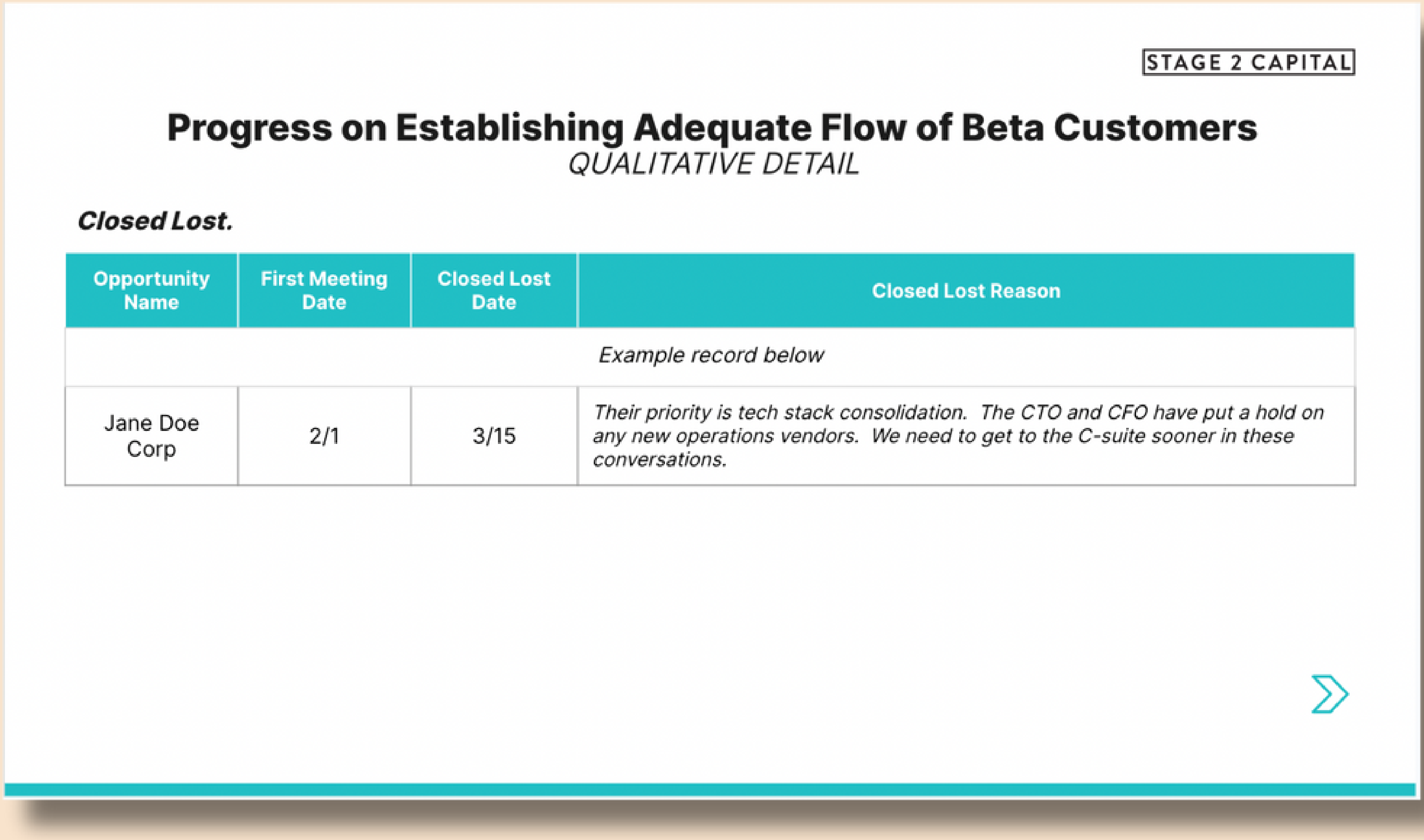
Opportunity Name	Target Closed Won Date?	Probability of Closed Won?	Details
			Example record below
ACME Corp	5/1	60%	*[Budget]* Received written confirmation on our ROI analysis for them, generating a 3X ROI in year 1. Quoted them $15K ARR in the ROI analysis. *[Authority]* Conducted 2 meetings completed with the President. She is driving the purchase. *[Need]* They have reduced the size of their operations team by 30% over the past 6 months and need to find a way to streamline quarterly reporting and reconciliation. Currently, the process takes them 10 business days with 4 FTEs. They would like to invest in software to cut that in half. *[Timing]* They have committed to the board that they would achieve a 25% reduction in effort by Q4 of this year and the full 50% reduction by Q1 of next year.

PHASE 1 — CONTINUED:

Slide 5 focuses on new customers that have not achieved their LIR yet. The chart includes the forecasted date by which LIR achievement is expected and the probability of achieving LIR by that date. It also elaborates on the onboarding progress, especially on any change management or product issues. This information helps the board and executive team to understand product gaps or onboarding blockers.



Slide 6 focuses on sales opportunities that were closed as lost. The chart includes the date of the first sales meeting and the date of the closed-lost event. It also elaborates on the reasons for the closed-lost status. This information helps the board and executive team understand where the short-term opportunities do and do not exist in the market, so the startup can hone their Ideal Customer Profile (ICP).



PHASE 1 — CONTINUED:

Additional Commentary:

1. Information on scalable demand generation methods, such as cold outreach or inbound lead generation, is purposely left out. With a requirement of only 3+ customers per month, we do not recommend startups focus on the development of scalable demand generation methods like cold outreach or content marketing. Instead, we recommend startups leverage less scalable but higher success methods like introductions via their networks, attendance at events, etc. We do not recommend tremendous focus on Customer Acquisition Cost (CAC) or optimized pricing per customer. We are simply looking for a reasonable flow of customers to use the product and help the company realize product-market fit.
2. Frequent sales film reviews is an important, and often overlooked, operational cadence. We encourage the team to block out an hour, many times per week, if not every day, to listen to the first meeting with prospective buyers. The more frequently these reviews occur, the faster the team aligns with the product-market opportunity in front of them.
3. These slide recommendations assume revenue, cash flow, and cash burn are handled in the Finance section. We don't mean to undermine the importance of managing cash at this stage of the business. However, we find that startup teams are too focused on maximizing sales to offset their burn as opposed to determining where the scalable product-market opportunity exists using the cash that they have. This comment applies to future sections, as well.

PHASE 2:

Slides for Go-to-Market Section of Board Deck for Startup Finding Product-Market-Fit

Stage Description:

Attribute	Description
Revenue	Typically <$250K
Customers	Typically 10-50
Funding	Seed
Product Status	Beta
GTM Team	Founder-led or could have one salesperson to accelerate customer flow and test/learn/iterate cycles

Goal description:

Achieve product-market-fit as defined by the Leading Indicator of Retention (LIR)

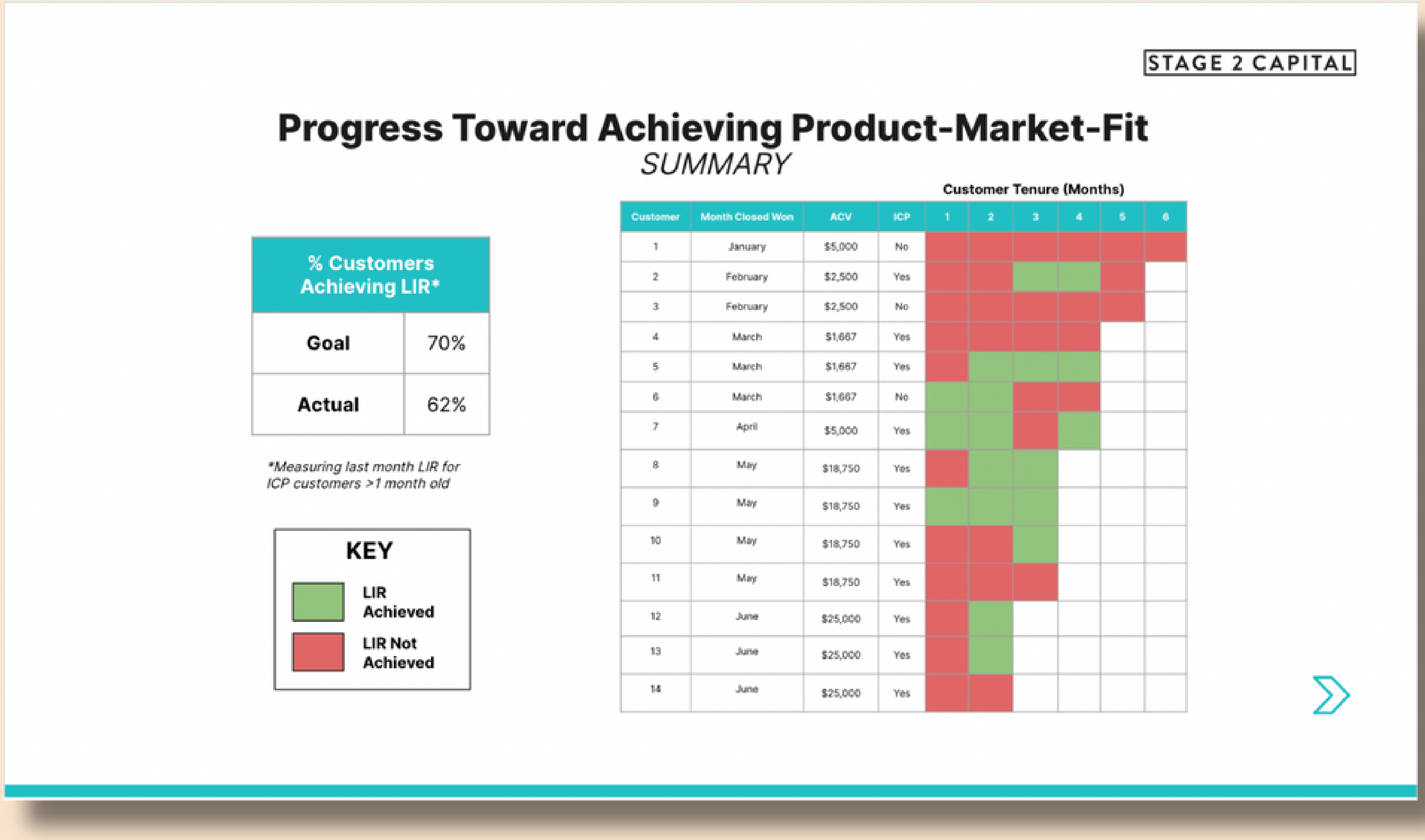
KPI:

70% of customers in ICP achieve LIR every month

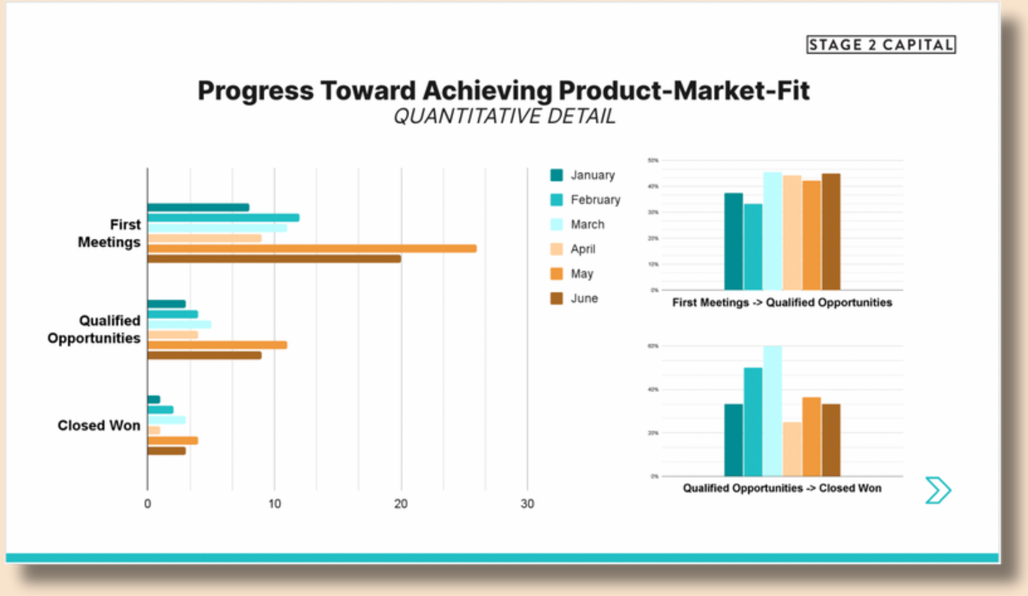
Slides for GTM Section:

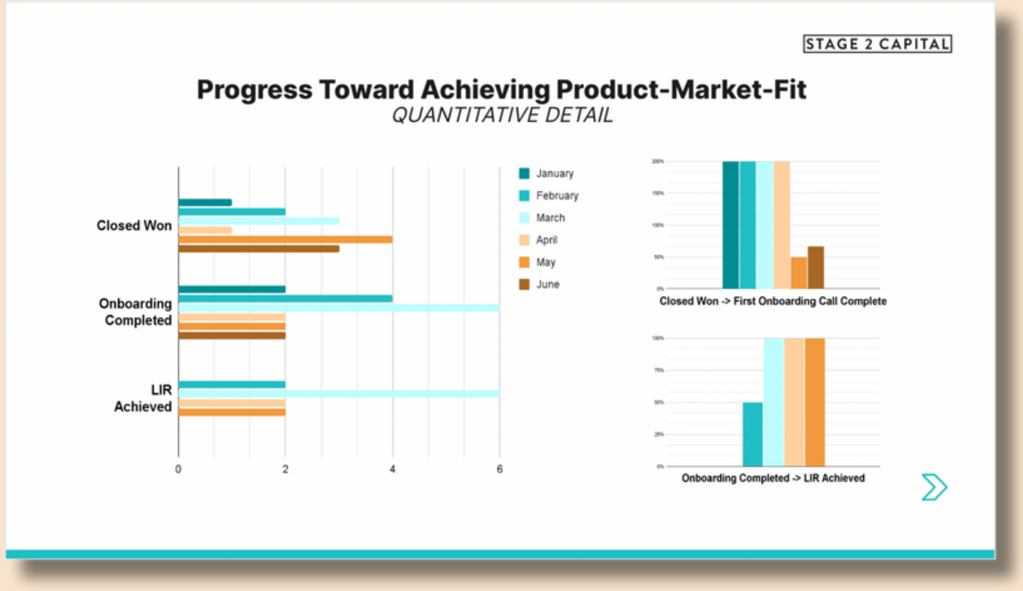
Slide 1 reports out the phase KPI. Is the company converting most customers into successful customers that will renew, expand, and refer? Each row represents a different customer. The chart shows the month the customer was acquired, the Annual Contract Value (ACV), whether the customer is still in the ICP (as of today's definition of ICP), and a month-by-month evaluation of whether the customer achieved the LIR in that month. The table in the upper left analyzes where the startup stands relative to its LIR achievement goal. That analysis should not include customers acquired in the prior month, as those customers will take time to progress through on-boarding and the startup should not be penalized for those new customers.

PHASE 2 — CONTINUED:

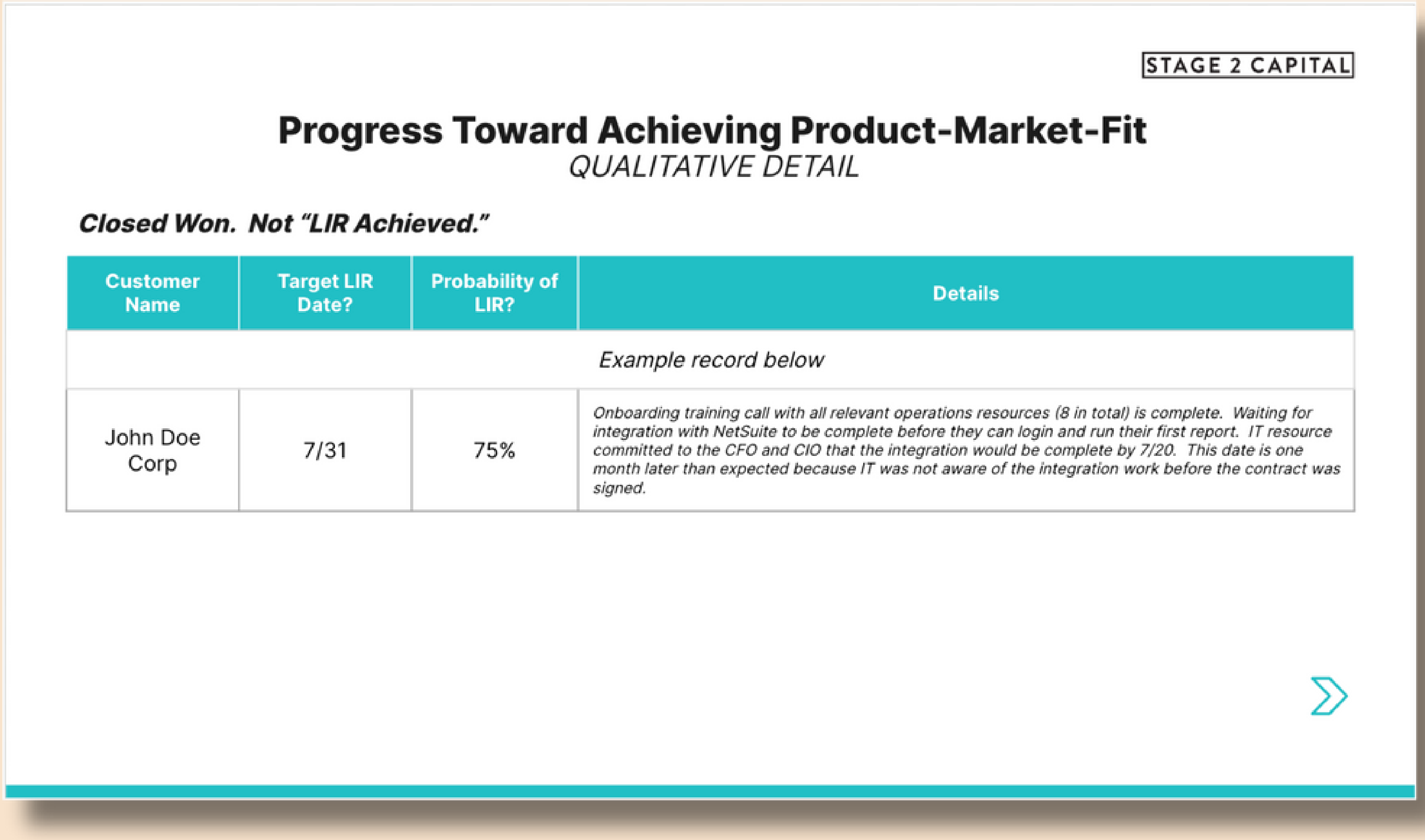


Slides 2 and 3 illustrate the quantitative detail of the startup's pursuit toward consistent LIR achievement and, in turn, product-market fit. These slides allow the board and executive team to better diagnose where the key blockers exist in achieving this phase's KPI. For example, is the startup struggling to get the product working during onboarding or getting the customer to realize the expected value once the product is set up?





Slide 4 illustrates the qualitative detail of the startup's pursuit towards consistent LIR achievement. It focuses on new customers that have not achieved their LIR yet and is the same as Slide 5 in the prior section.



PHASE 2 — CONTINUED:

Slide 5 illustrates the Ideal Customer Profile (ICP) definition. Attempting to establish product-market fit for every business in the world is a fools' errand. Instead, startups should focus in on a market that can get them to $10M or $20M in revenue, buying them time to develop their product further and expand into additional markets. At this stage, ICP definition is an iterative process, fostered by the feedback loops we are creating in analyzing our sales and onboarding funnels. The startup may struggle with customers in a particular industry, geography, size, etc. As they do, they may decide to remove that segment of the market from their ICP definition. They should stop selling customers in that segment. The LIR analysis should only be conducted on customers in their ICP.

One issue we see in this process is companies claiming that every churned customer was not an ICP because they dynamically change the definition as churns occur. The explicit definition with revision history reported at the board level helps to mitigate this behavior.

In the slide framework, the "green" column defines the perfect ICP customers. When SDRs and email marketers build outbound target account lists, they should focus only on the "green" column customers. When product leaders consider product development trade-offs, they should only focus on the "green" column customers.

The "red" column defines customers that should be avoided at this stage. Sellers should immediately disqualify them, CSMs should deny them as customers, and the CEO should back the decision at this stage.

The "yellow" column should only be sold to if the prospect comes inbound. This column allows for the company to accommodate a high buyer intent product that happens to fall in a mediocre fit customer segment. These customer attributes should not be pursued through outbound channels or prioritized with product decisions. However, they can be sold to if they are inbound and have high intent.

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Progress Toward Achieving Product-Market-Fit

IDEAL CUSTOMER PROFILE (ICP) DEFINITION

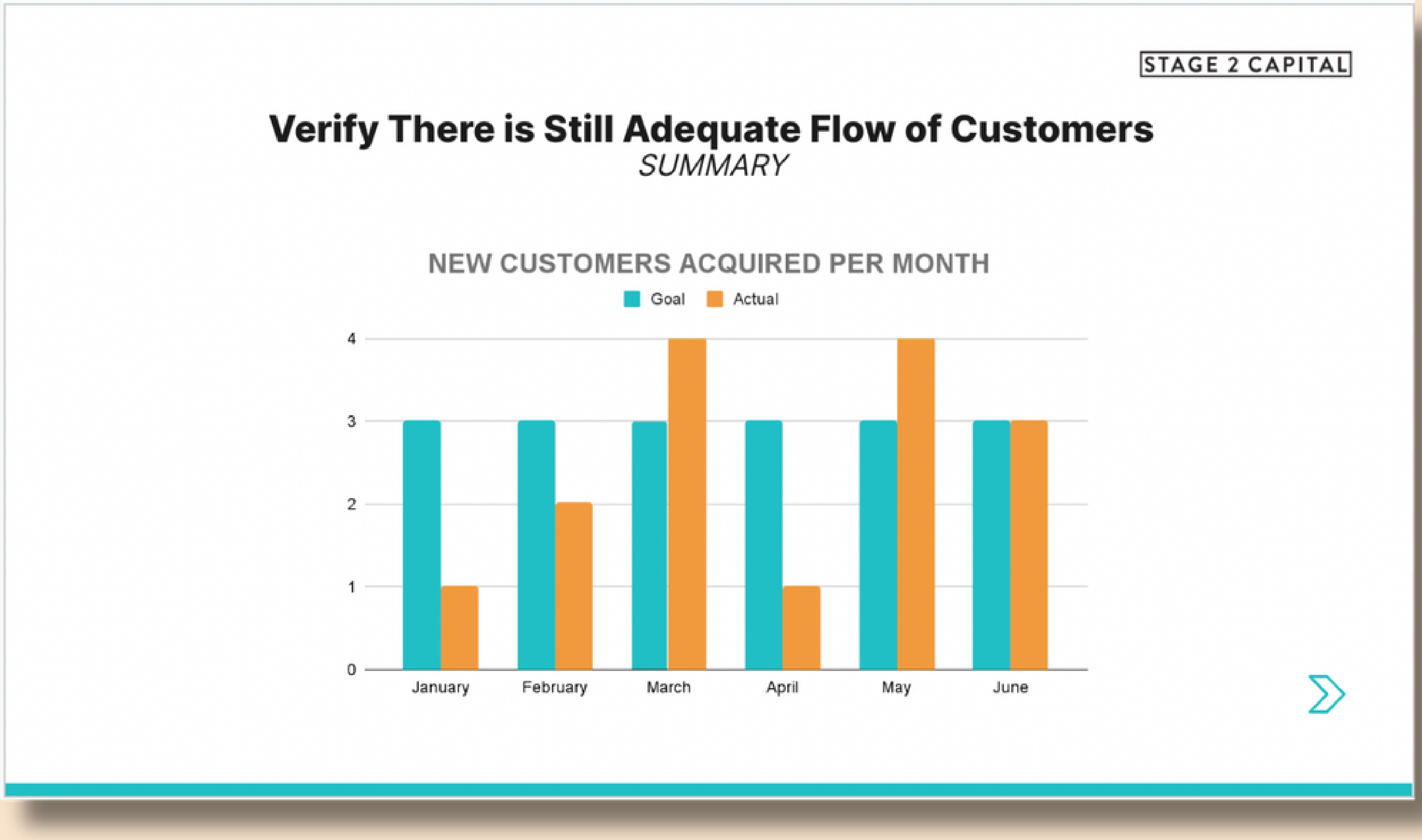
Criteria	Target and sell to	Do not target — only sell if inbound lead	Disqualify immediately — do not sell to
Number of Employees	>50 AND <1,000	>10 AND <5,000	<10 OR >5,000
Industry	Technology, Finance, Health Care	Industrials, Media	Government, Non-Profit
Location	U.S./Canada	English-speaking countries	Non-English speaking countries
Operations Team	> 3 FTEs	>1 FTE	Outsourced or 0 FTEs
FP&A Tech Stack	Oracle, NetSuite, Anaplan		All others

Change History

Revision Date	Revision	Customers Moved to Non-ICP
March	Changed "Number of Employees" "Red" from "<10 OR >10,000" to "<10 OR >5,000"	Customer 1, Customer 3
May	Added Non-Profit to "Red" for Industry	Customer 6
June	Added Anaplan as a "Green" Tech Stack option	

PHASE 2 — CONTINUED:

Slide 6 verifies that the startup is still achieving the prior phase's KPI, in this case, acquiring enough customers each month to adequately assess product-market fit. The slides are the same as Slide 1 in the prior section. If the startup is unable to achieve this KPI consistently, they should revert back to the prior phase and address the issue.



Additional Commentary:

1. As in the last section, we are still recommending the company not focus on scalable demand generation capabilities like cold outreach or content marketing. We find that startups can achieve the LIR targets with between 20 and 50 customers. This level of customer acquisition volume is still achievable through non-scalable but high-conversion channels like network referrals, events, etc. That said, it can be effective to add a resource, such as a Sales Development Representative or Paid Digital Marketer, to accelerate new sales meetings. Again, the intent is not to operationalize a scalable demand generation channel yet. The startup must first discover which product-market combination to optimize the go-to-market on.

PHASE 3:

Slides for GTM Section of Board Deck for Startup Finding Go-To-Market-Fit

Stage Description:

Attribute	Description
Revenue	Typically greater than $250K but less than $1M
Customers	Typically 20 - 100
Funding	Seed - Series A
Product Status	General Release
GTM Team	1-3 AEs and maybe a sales leader. Someone needs to be skilled at GTM playbook development

Goal description:

Achieve go-to-market-fit as defined by the Leading Indicator of Unit Economics (LIUEs)

KPI:

Payback period <12 months

Slides for GTM Section:

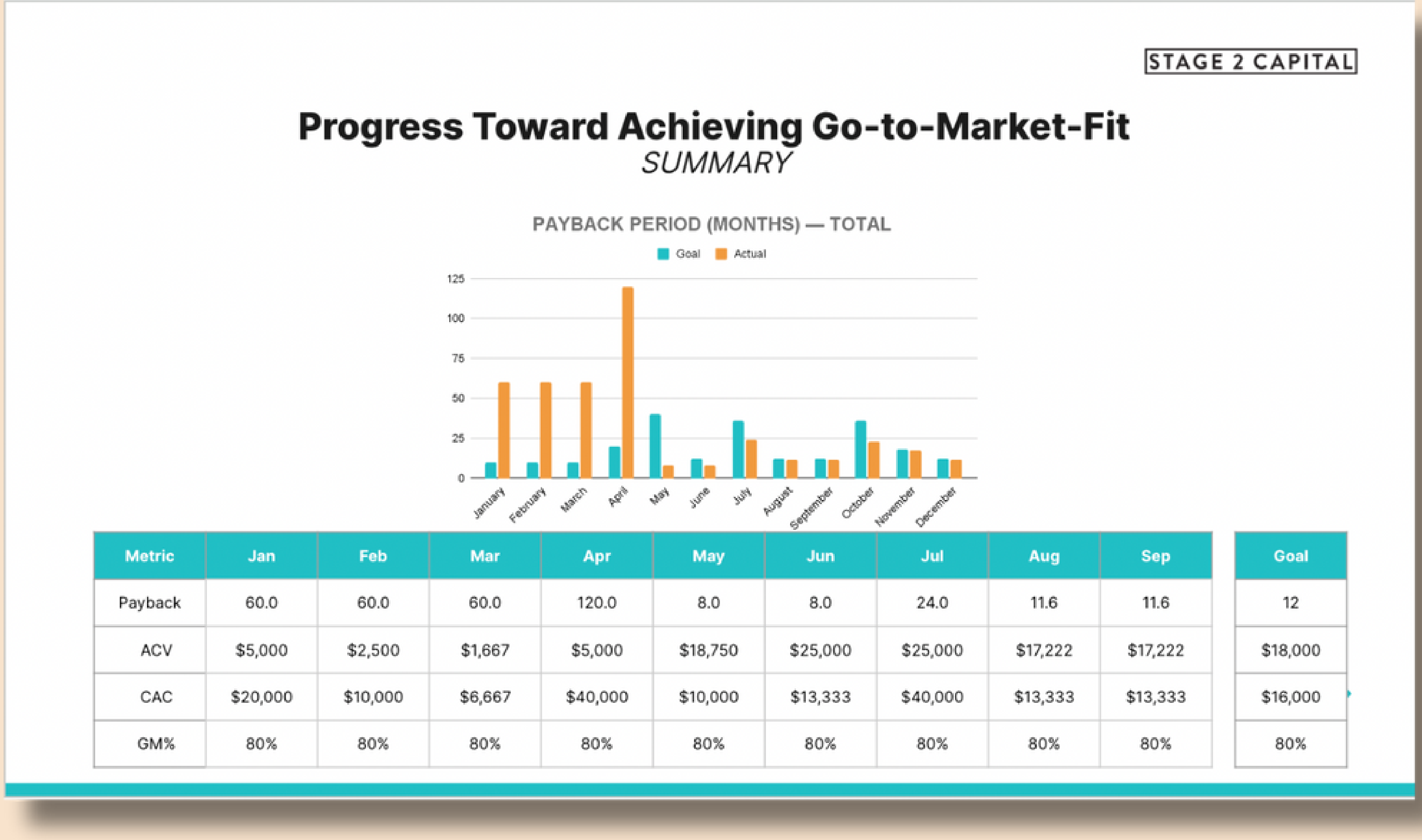
Slide 1 reports out the phase KPI. During the past phase, we established that when a customer is acquired, a large percentage of these customers will see success with the product and will be positioned to renew, expand, and refer. At this phase, the startup needs to establish it can acquire customers profitably, as represented by unit economics. There are a number of unit economic metrics to choose from including payback periods, LTV/CAC ratios, the magic number, burn ratios, etc. We find payback period to be best. For more on the reason and the specifics around calculating payback, see this article.

This slide illustrates the startup's pursuit of go-to-market fit, as measured by a payback period of less than 12 months. The metric is measured monthly. The bottom of the slide reports out the key inputs to the payback period, average Annual Contract Value (ACV), average Customer Acquisition Cost (CAC), and the Gross Margin (GM%) for the customers acquired in each month. The payback period is calculated as:

Payback = [CAC] / ([ACV]*[GM%])

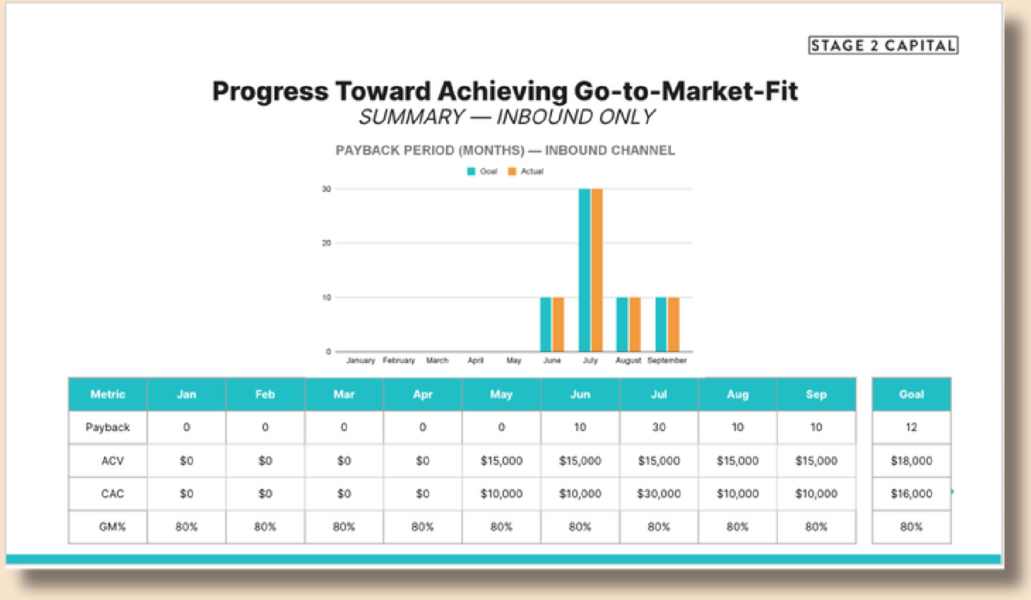
PHASE 3 — CONTINUED:

The small table in the lower right illustrates the goals for these metrics for the startups go-to-market fit model. If customer acquisition volume is on the lower end, it is useful to analyze these metrics by quarter to start. However, hopefully the startup increases customer acquisition velocity such that this metric can be evaluated monthly.

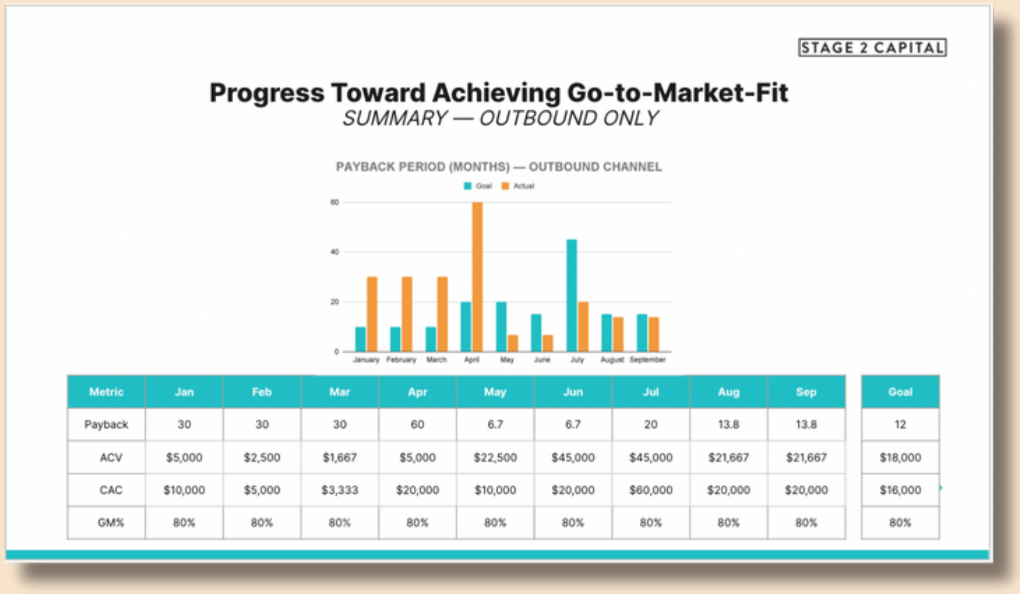


Metric	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Goal
Payback	60.0	60.0	60.0	120.0	8.0	8.0	24.0	11.6	11.6	12
ACV	$5,000	$2,500	$1,667	$5,000	$18,750	$25,000	$25,000	$17,222	$17,222	$18,000
CAC	$20,000	$10,000	$6,667	$40,000	$10,000	$13,333	$40,000	$13,333	$13,333	$16,000
GM%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%

Slides 2 and 3 show the same data as Slide 1 but segmented by demand generation channel. Slide 2 shows the data for sales opportunities originating from Inbound leads only. Slide 3 shows the data for sales opportunities originating from Outbound prospecting only. Oftentimes, the unit economic performance differs significantly by demand generation channel. The startup does not need to prove go-to-market fit across multiple demand generation channels to proceed to the growth phase. It simply needs to prove out one demand generation channel. Therefore, segmenting the unit economic results by demand generation channel is critical at this stage of the business. Proving the unit economics of one demand generation channel is a pre-requisite to moving to the growth phase. Otherwise, the startup will add sales people without having a scalable method to generate sales meetings and the cash burn will rise to unsustainable levels.



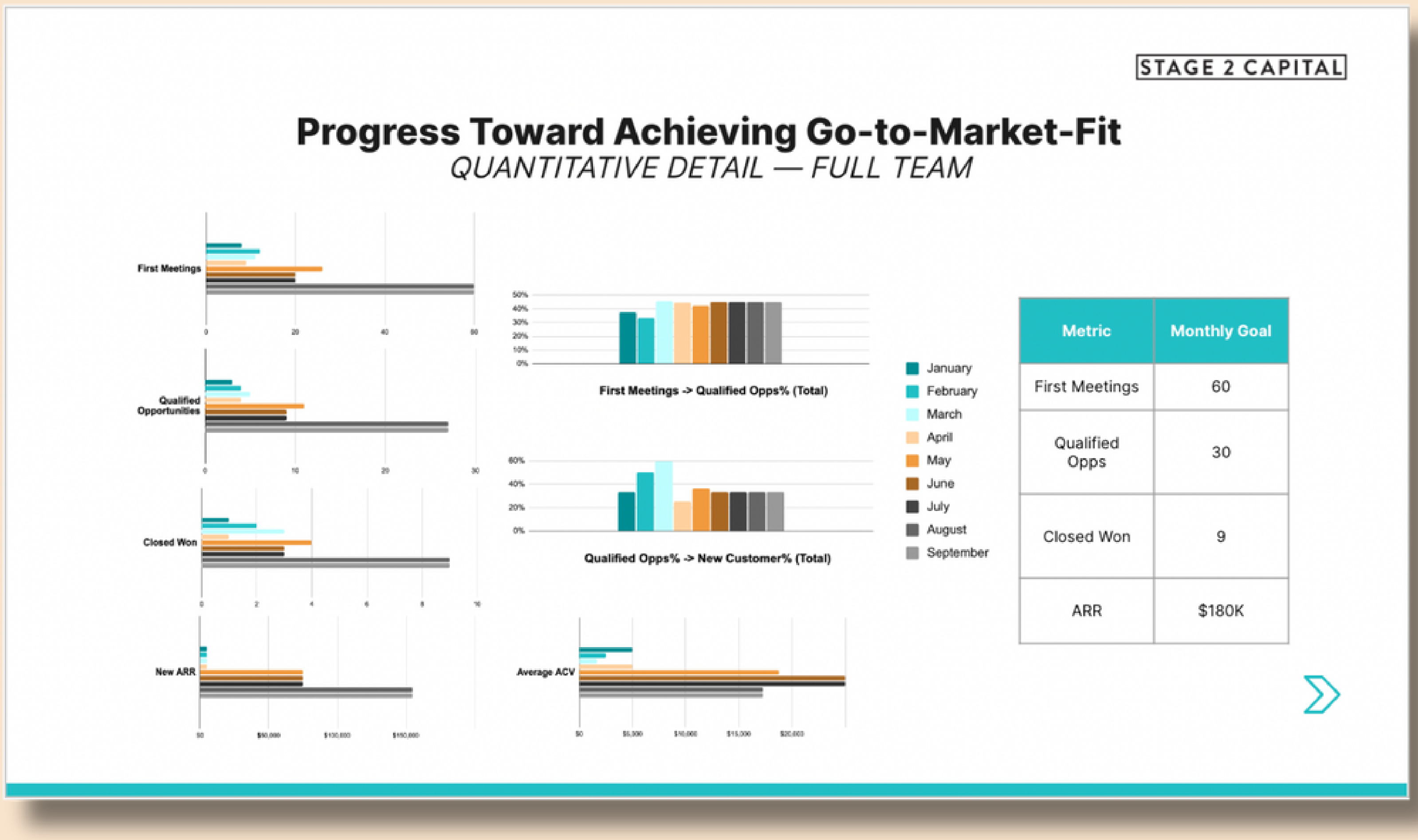
Metric	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Goal
Payback	0	0	0	0	0	10	30	10	10	12
ACV	$0	$0	$0	$0	$15,000	$15,000	$15,000	$15,000	$15,000	$18,000
CAC	$0	$0	$0	$0	$10,000	$10,000	$30,000	$10,000	$10,000	$16,000
GM%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%



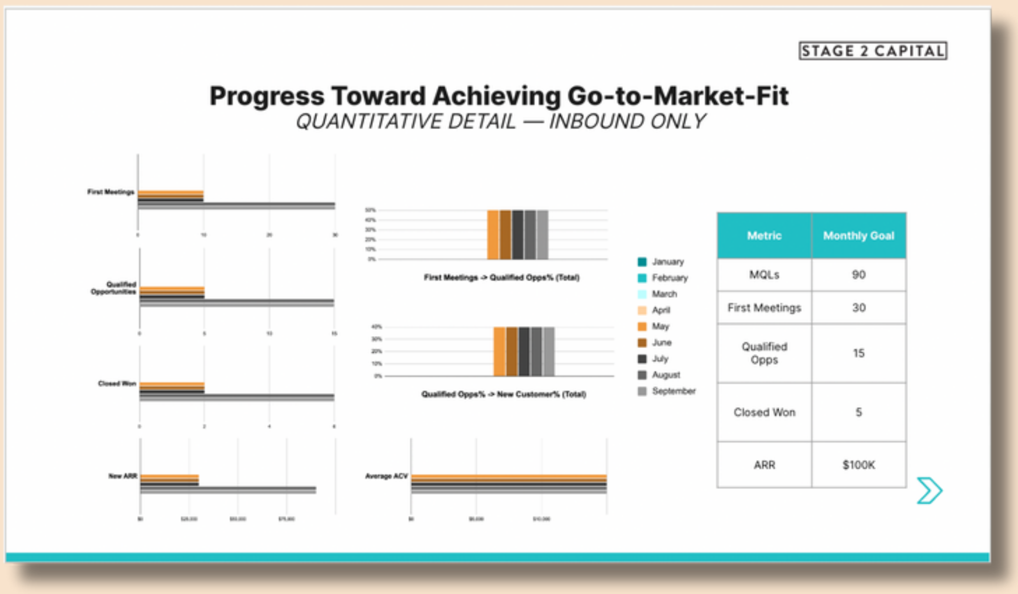
Metric	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Goal
Payback	30	30	30	60	6.7	6.7	20	13.8	13.8	12
ACV	$5,000	$2,500	$1,667	$5,000	$22,500	$45,000	$45,000	$21,667	$21,667	$18,000
CAC	$10,000	$5,000	$3,333	$20,000	$10,000	$20,000	$60,000	$20,000	$20,000	$16,000
GM%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%

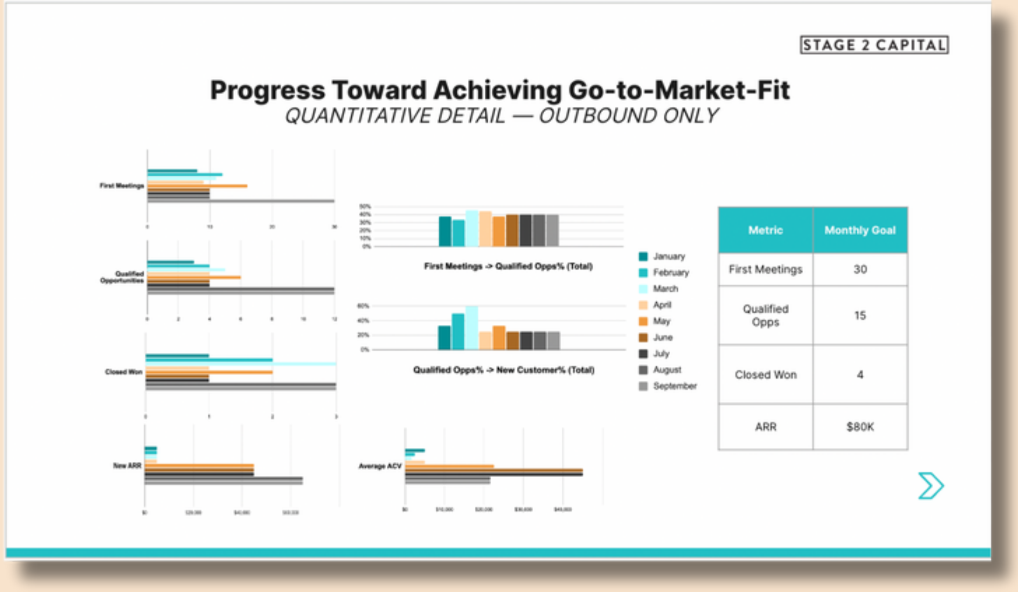
PHASE 3 — CONTINUED:

Slide 4 shows the quantitative detail behind the startup's pursuit of acceptable unit economics. The slide is very similar to the funnel slides in the past section. The slide adds Annual Recurring Revenue (ARR) productivity at the bottom of the funnel and the corresponding ACV to the right side. On the right side of the slide are the funnel goals for each month that would enable unit economic achievement.



Slides 5 and 6 show the same quantitative detail as Slide 4 but segments the data by Inbound versus Outbound. In Slide 5, Marketing Qualified Leads (MQLs) are added to the funnel. Because the startup is simply trying to achieve go-to-market fit in one demand generation channel, granular analysis by channel is critical.

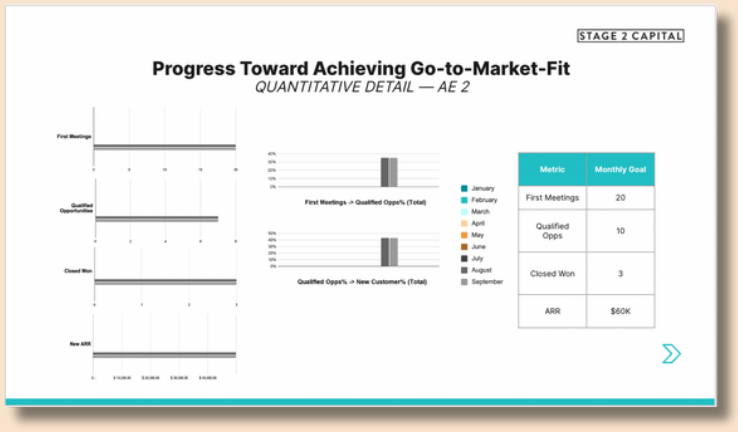


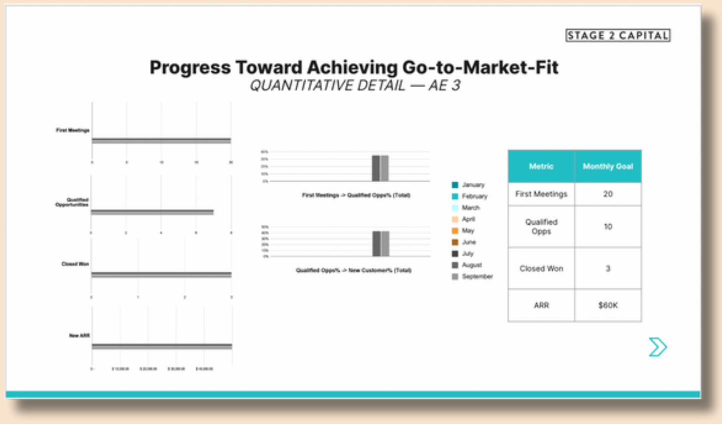


Slides 7 through 9 show the same quantitative detail as Slide 4 but segment the data by each account executive (AE). We assume the team has 3 AEs. While Slides 5 and 6 illustrate whether one of our demand generation channels yields scalable unit economics, the analysis in Slides 7 through 9 illustrate whether the startup can get an AE to produce at levels that yield strong unit economics. Strong AE hiring, onboarding, and coaching processes are needed to achieve this goal. Setting an appropriate quota and corresponding sales compensation plans are key driver's of these outcomes. Similar to proving one demand generation channel, the goal here is to get at least one AE to achieve these goals consistently. If one AE hits the goal, it is likely the startup can find other AEs with similar capabilities that will also output strong unit economics. Getting at least one AE to achieve these goals consistently...

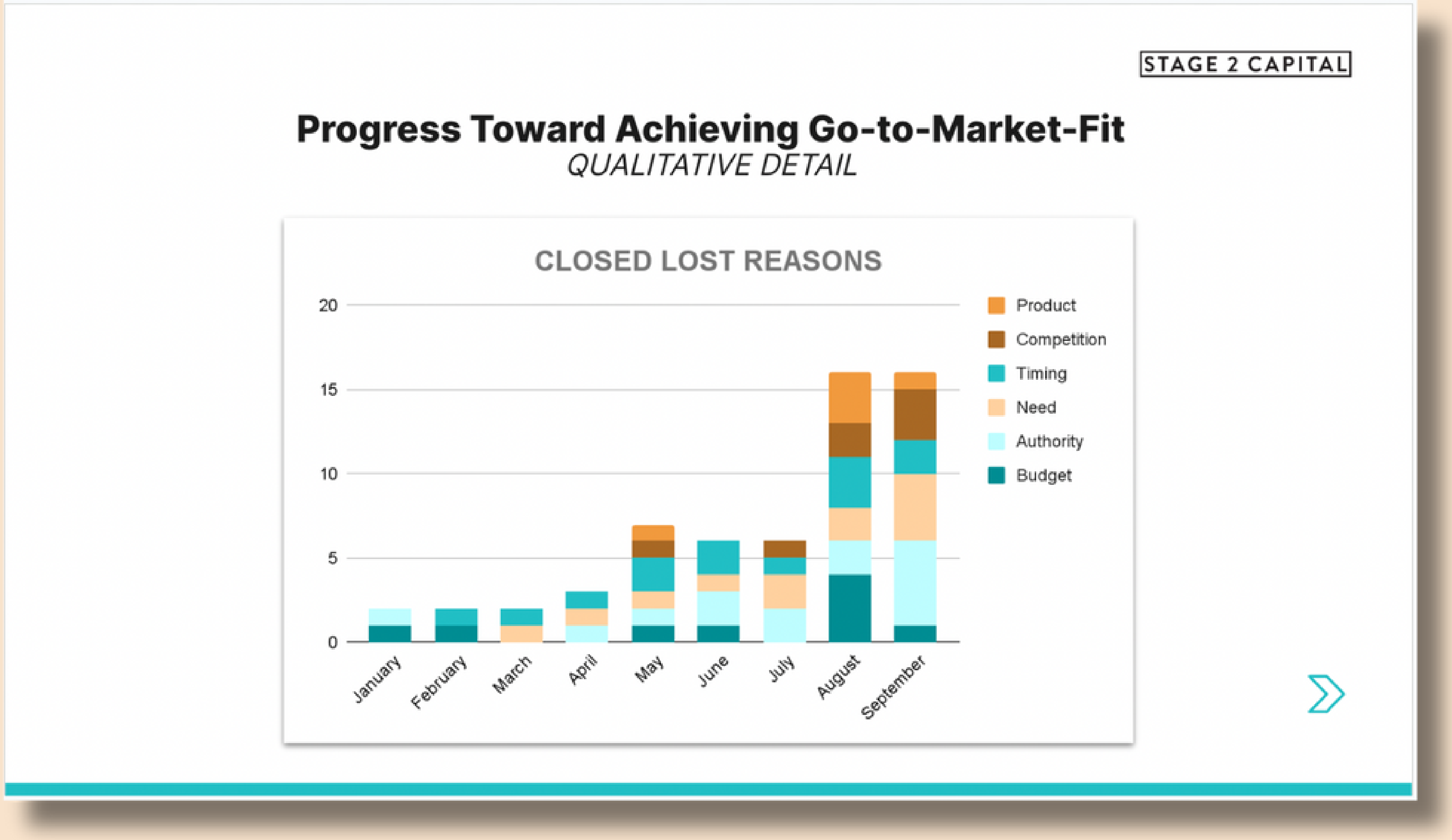
PHASE 3 — CONTINUED:

.... is a prerequisite to moving to the growth phase. Otherwise, the startup will add salespeople without having a scalable hiring, onboarding, coaching, and compensation model and the cash burn will raise to unsustainable levels. I rarely see boards and executive teams analyze individual AE performance at the board level. However, one AE reaching goals consistently is a critical data point to proper funnel diagnosis. An AE's consistent attainment minimizes the likelihood that demand quality, macro conditions, product messaging, and other factors are preventing the business from scaling.





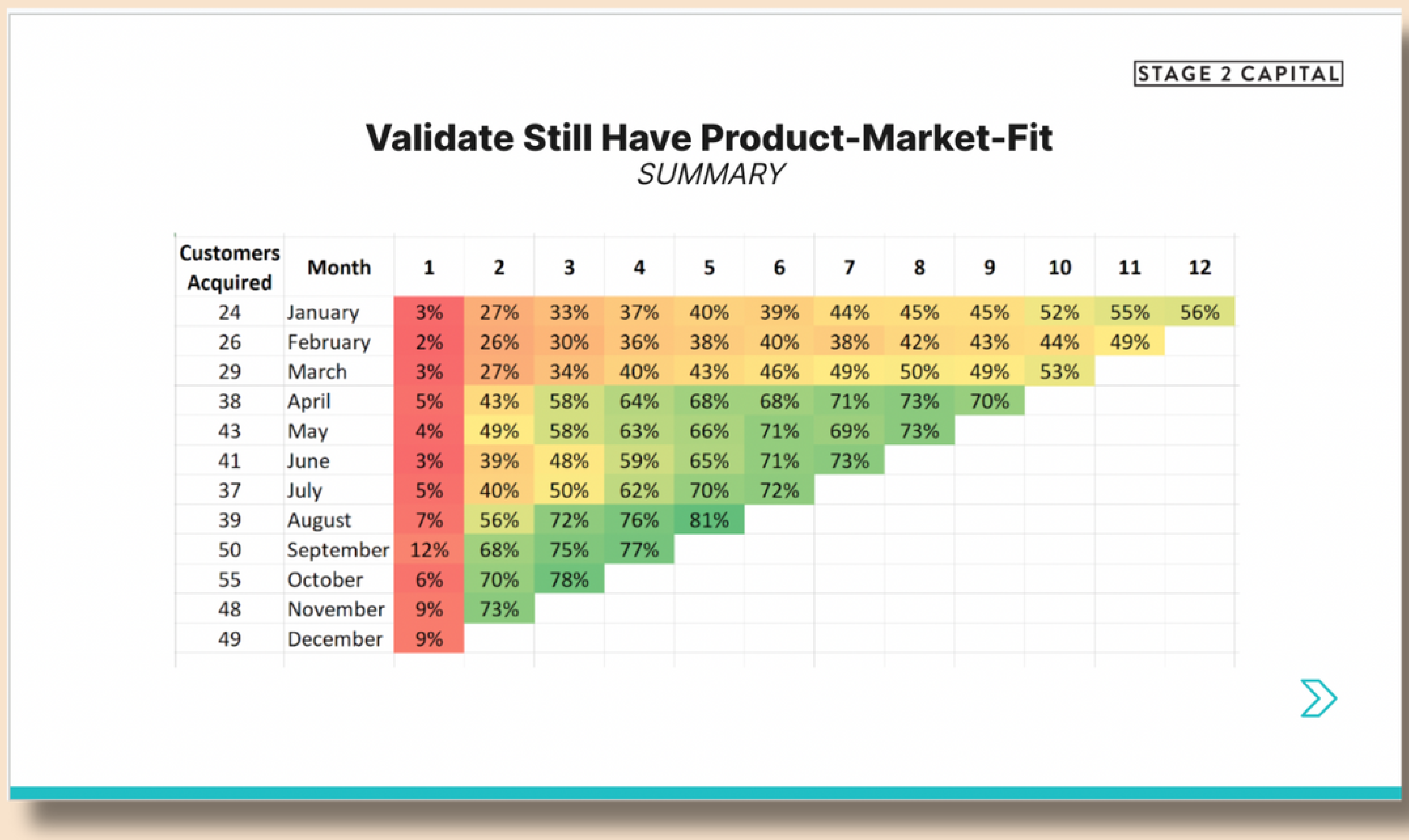
Slides 10 shows the reasons why sales opportunities are Closed Lost each month. The analysis builds off of Slide 5 in the first section, but at this stage, reports the results out quantitatively to better see patterns with an ever increasing sales funnel. This analysis helps the board and executive team analyze the most common issues blocking higher conversion rates. For example, a high concentration of product gaps suggest more investment in product development versus a high concentration of need deficiencies suggest a pivot in customer value proposition (CVP).



Slide 11 verifies that the startup is still achieving the prior phase's KPI, in this case, product-market fit as measured by consistent LIR attainment. With increased customer acquisition velocity, the report is evolved to show the percentage of customers achieving LIR each month, organized into cohorts of customer acquisition month. In this example, the chart shows that 38 customers were acquired in April. In the first month 5%, or 2 of those customers, achieved LIR but by the 4th month, 64%, or 24 of those customers, achieved the LIR. It is common that LIR attainment and product-market fit are compromised as the startup adds sales people and experiments with scalable demand generation channels. Therefore.....

PHASE 3 — CONTINUED:

.... ongoing verification that LIR attainment is strong is critical.


STAGE 2 CAPITAL

Validate Still Have Product-Market-Fit

SUMMARY

Customers Acquired	Month	1	2	3	4	5	6	7	8	9	10	11	12
24	January	3%	27%	33%	37%	40%	39%	44%	45%	45%	52%	55%	56%
26	February	2%	26%	30%	36%	38%	40%	38%	42%	43%	44%	49%	
29	March	3%	27%	34%	40%	43%	46%	49%	50%	49%	53%		
38	April	5%	43%	58%	64%	68%	68%	71%	73%	70%			
43	May	4%	49%	58%	63%	66%	71%	69%	73%				
41	June	3%	39%	48%	59%	65%	71%	73%					
37	July	5%	40%	50%	62%	70%	72%						
39	August	7%	56%	72%	76%	81%							
50	September	12%	68%	75%	77%								
55	October	6%	70%	78%									
48	November	9%	73%										
49	December	9%											

Additional Commentary:

1. While the startup should add its first professional AEs and potentially a leader at this stage, it should refrain from continually adding more AEs until this phase is completed. It is best to have more than one AE, to provide more opportunities to prove that at least one AE to the goal, but should not hire more than four AEs to avoid taking on too much cash burn and stretch the small team too thin with hiring and onboarding tasks at this stage.
2. Similarly with demand generation channels, it is advantageous to test more than one channel to maximize the likelihood that one will work. However, testing more than 3 at a time will likely overstretch the team. The selection of which demand generation channels to test is very contextual to the startup. This article elaborates on the topic.
3. Some startups separate the sales, marketing, and customer success sections. We recommend incorporating them as a single, streamlined section to avoid duplicate, inconsistent reporting and to culturally demonstrate that the pursuit of scalable revenue is a cross-functional team effort.
4. The startup needs product-market fit and go-to-market fit in one market and demand generation channel combination to move to the growth phase. In doing so, only that demand generation channel scales and AEs are only added to sell to the proven market. The startup will scale that demand generation channel in that market while continuing to iterate with other markets and demand generation channels to expand total addressable market (TAM).

PHASE 4:

Slides for Go-to-Market Section of Board Deck for Startup in Growth Phase

Stage Description:

Attribute	Description
Revenue	Typically $500K+
Customers	Typically 50+
Funding	Series A
Product Status	General Release

Attribute	Description
Revenue	Typically $500K+
Customers	Typically 50+
Funding	Series A
GTM Team	Sales leader in place. Plan to add salespeople bi-monthly and eventually monthly.

Goal description:

Establish predictable, scalable revenue growth capability

KPI:

1. >200% Y/Y growth. (Expected growth rate trends down with scale)
2. Forecast revenue within 10% each month.

Slides for GTM Section:

Slide 1 reports out the phase KPI. During the past phase, we established that when a customer is acquired, a large percentage of these customers will see success with the product and will be positioned to renew, expand, and refer. At this phase, the startup needs to establish it can acquire customers profitably, as represented by unit economics. There are a number of unit economic metrics to choose from including payback periods, LTV/CAC ratios, the magic number, burn ratios, etc. We find payback period to be best. For more on the reason and the specifics around calculating payback, see this article.

PHASE 4 — CONTINUED:

This slide illustrates the startups' pursuit of go-to-market fit, as measured by a payback period of less than 12 months. The metric is measured monthly. The bottom of the slide reports out the key inputs to the payback period, average Annual Contract Value (ACV), average customer acquisition cost (CAC), and the gross margin (GM%) for the customers acquired in each month. The payback period is calculated as:

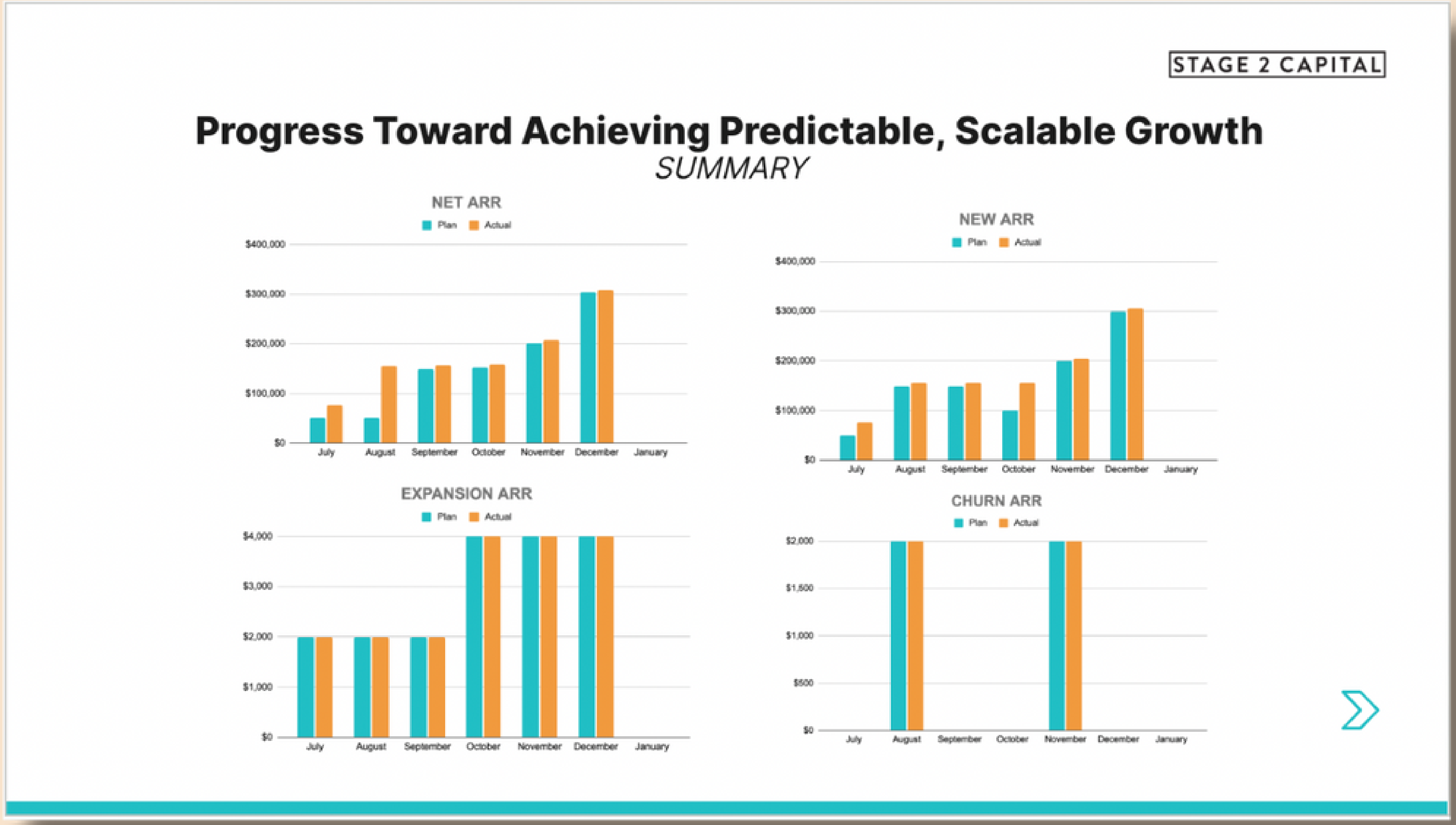
Payback = [CAC] / ([ACV]*[GM%])

Slide 1 reports out the phase KPIs. The primary metric is Net ARR, shown in the upper left corner. The chart shows 2 versions of Net ARR on a monthly basis: Plan and Actual. The Plan is the goal that was set out in the annual plan. The Actual is the end result after the month. For example, in November, the annual plan had called for the team to do $202,000 in Net ARR. They actually finished with $207,000 in Net ARR. Teams often confuse the Plan with the Forecast. The ability to forecast accurately demonstrates a great degree of control by the go-to-market teams on the operation. As the company scales, accurate forecasting will become critical to identify downswings and upswings before they occur and adjust the rest of the operation as needed.

Net ARR is an output of the other three metrics on the chart: New ARR, Expansion ARR, and Churn ARR.

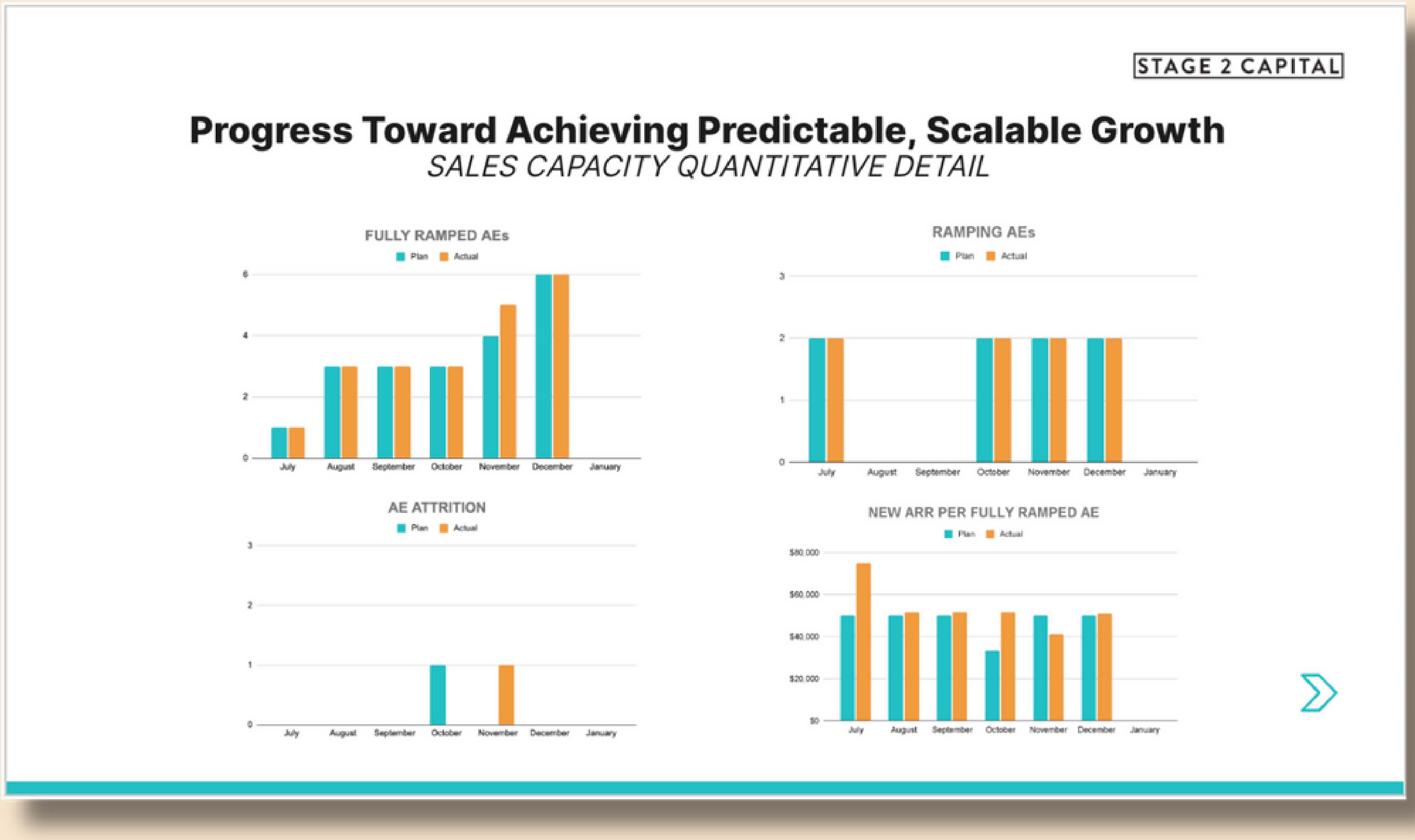
[Net ARR] = [New ARR] + [Expansion ARR] - [Churn ARR]

New ARR is the ARR from new customers that the sales team acquires in that month. Expansion ARR is the sum of the increase in ARR from existing customers. Churn ARR is the sum of downgrades and cancellations from the existing customers. A Plan and Actual metric is reported in all of the charts.



PHASE 4 — CONTINUED:

Slides 2 shows the Plan and Actual results of the sales capacity necessary to achieve the growth goals. One component of scaling is hiring AEs, ramping them, and developing them to full productivity. The chart in the upper left shows how many fully ramped AEs the company planned to have currently has. By December, they planned to have 6 fully ramped AEs, and they do. If they were short, it would be very difficult for the team to hit the plan ARR without the fully staffed AE team to do so. Fully-Ramped AEs is the result of the Ramping AEs and the AE Attrition. The chart in the upper right shows the Ramping AEs, which are the AEs recently hired that haven't fully ramped yet. They planned to hire 2 AEs in July, October, November, and December. The lower left chart shows the AE Attrition. They planned to have an AE attrit in October but instead had an AE attrit in November. The lower right chart shows the ARR per AE each month. The product of the Fully Ramped AEs and the ARR per AE yields the New ARR production.

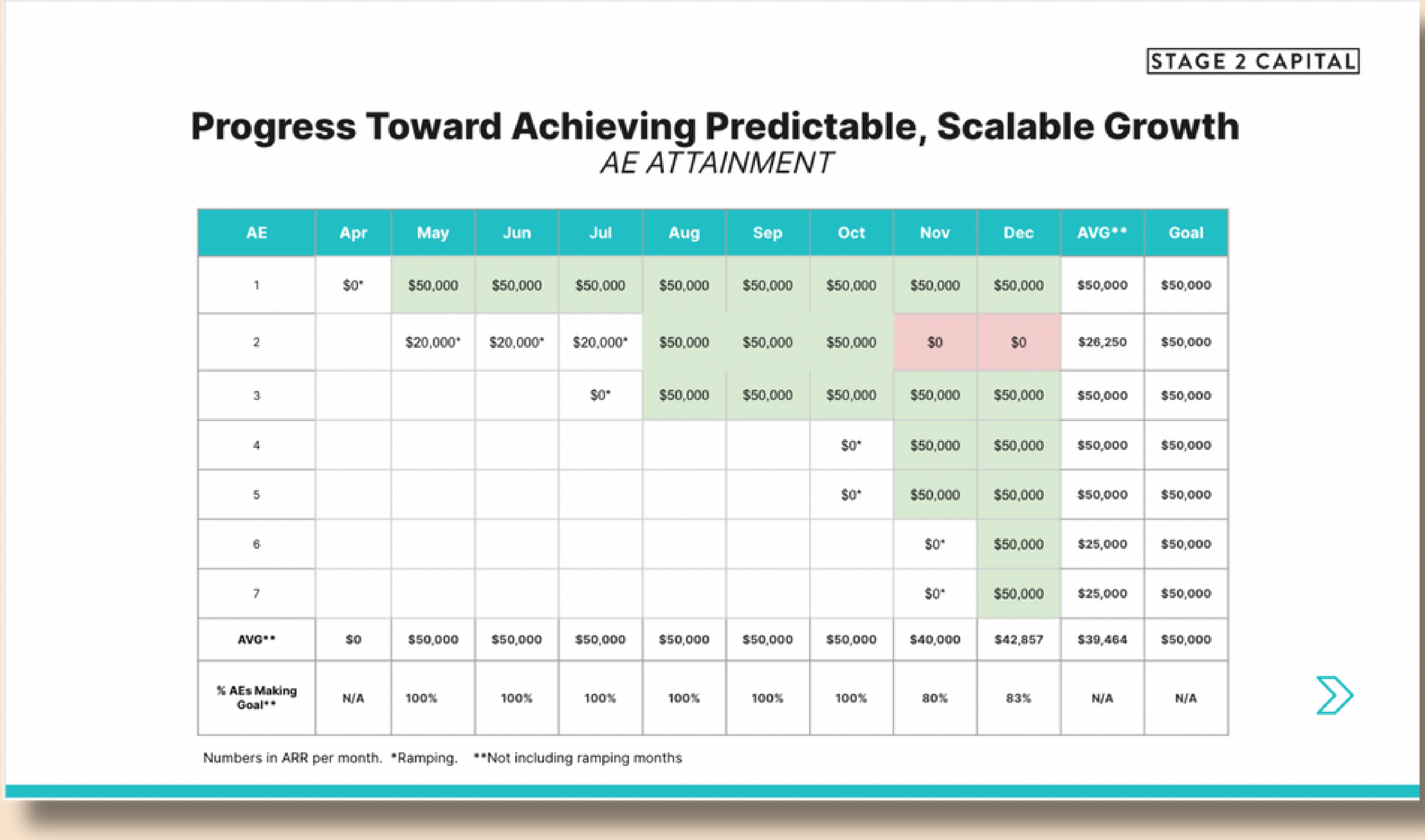


Slide 3 shows the New ARR production per AE per month. The chart illustrates when each AE is hired and ramping. The chart also illustrates the percentage of AEs that achieve quota each month. This metric is rarely reported but critical to the evaluation of the scalability and predictability of the team. If the company is making a goal, but 2 AEs are coming in at 300% of their individual goals and 8 AEs are missing substantially, the sustainable scalability of the business is unlikely. However, if the company is making goal and it is doing so because 8 out of 10 AEs consistently hit their individual goals, that is a much more sustainable outcome. An ideal target is between 70% and 90% of AEs exceeding the goal each month. Less than 70% and the culture may start to suffer. Greater than 90% and the quotas are likely too low.

It is also useful for boards and executives to see the performance by AE as it helps to eliminate certain diagnosis from team underperformance. When companies miss the sales goal, it is difficult to evaluate if the issue is demand generation, sales execution, macroeconomic, competition, etc. However, when you have a cohort of AEs that....

PHASE 4 — CONTINUED:

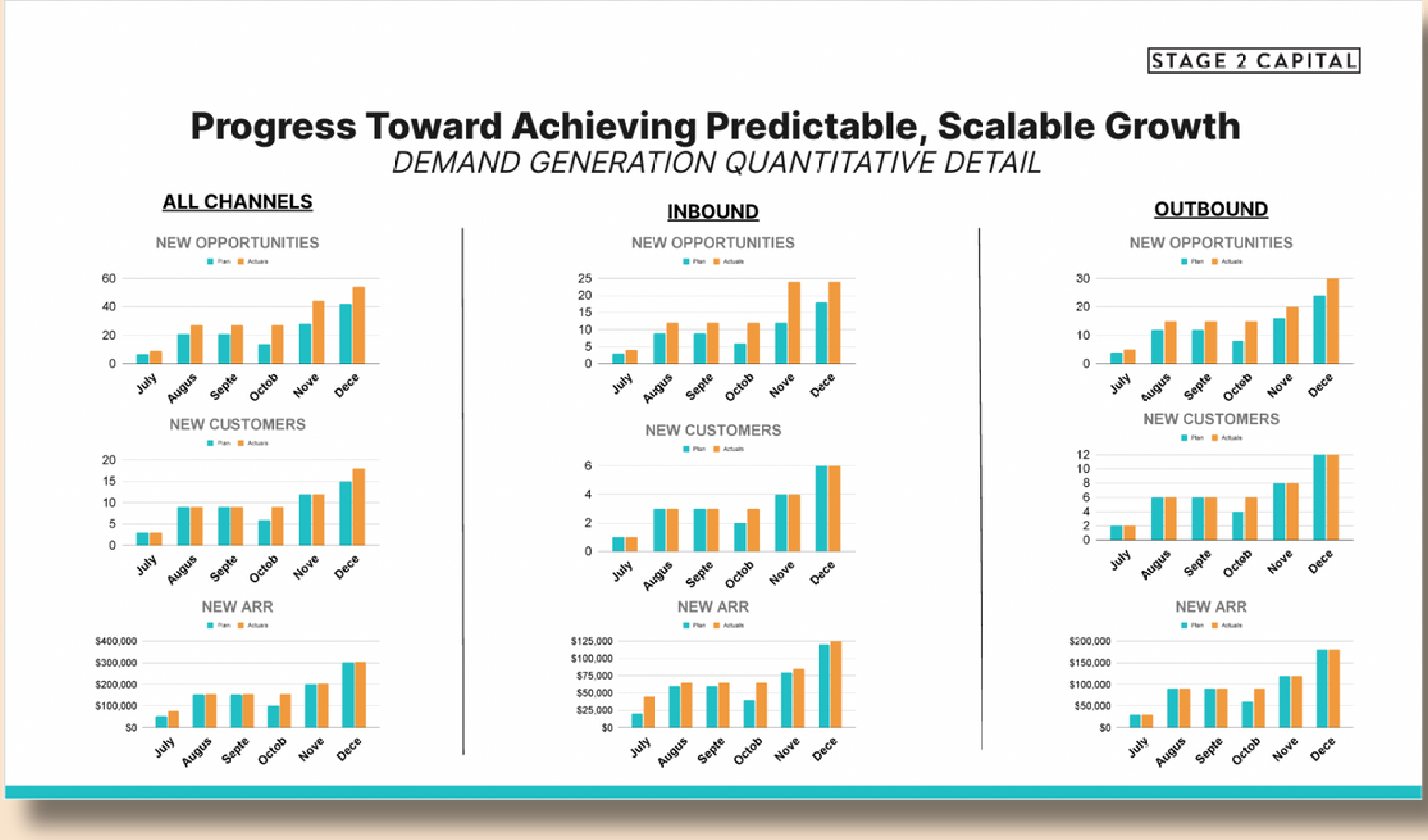
… consistently hit a goal, diagnoses like macroeconomic, demand generation, and competition become unlikely. However, when certain AEs consistently hit goal and then simultaneously all begin to miss goal, there is likely something beyond sales performance at play.



AE	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	AVG**	Goal
1	$0*	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
2		$20,000*	$20,000*	$20,000*	$50,000	$50,000	$50,000	$0	$0	$26,250	$50,000
3				$0*	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
4							$0*	$50,000	$50,000	$50,000	$50,000
5							$0*	$50,000	$50,000	$50,000	$50,000
6								$0*	$50,000	$25,000	$50,000
7								$0*	$50,000	$25,000	$50,000
AVG**	$0	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$40,000	$42,857	$39,464	$50,000
% AEs Making Goal**	N/A	100%	100%	100%	100%	100%	100%	80%	83%	N/A	N/A

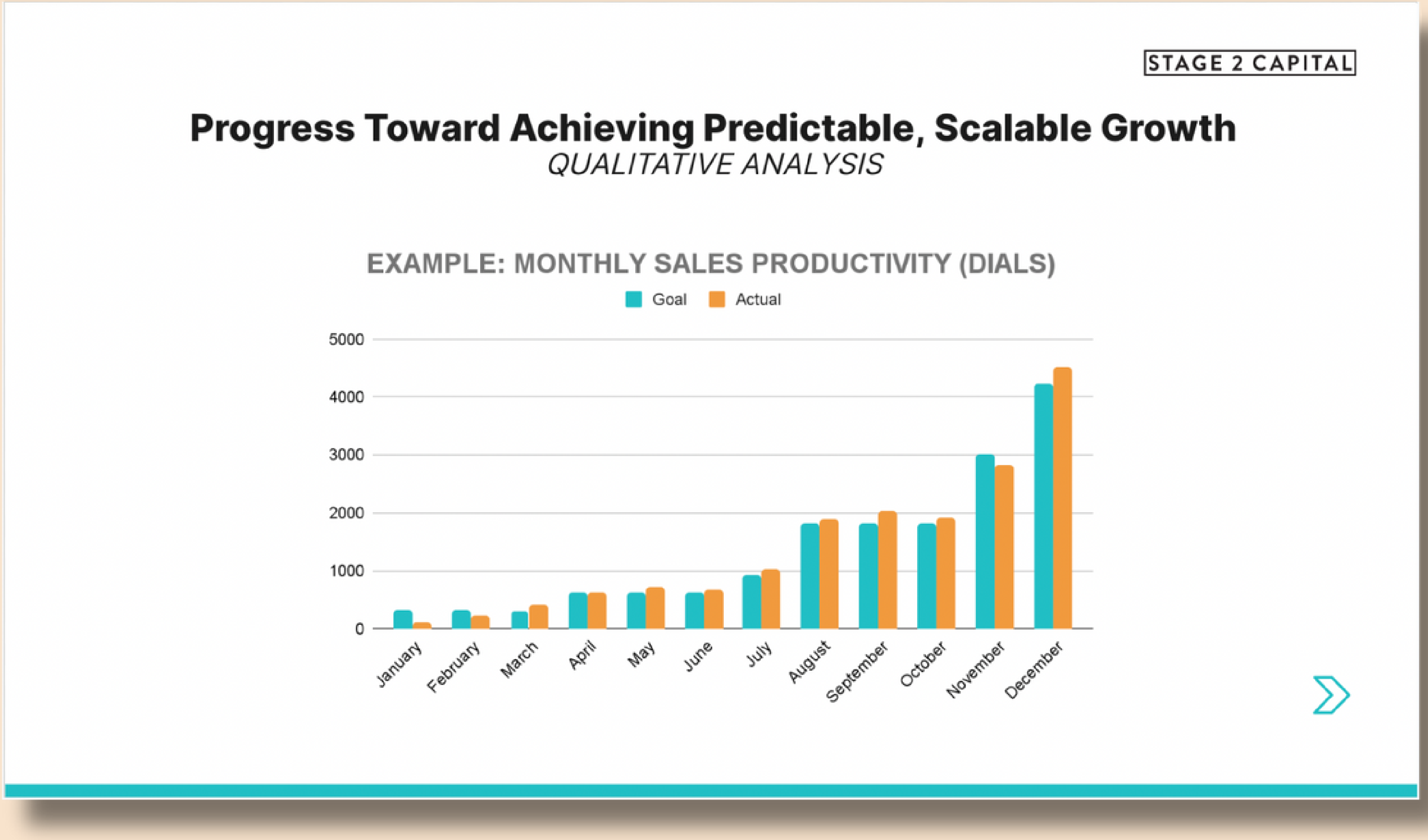
Numbers in ARR per month. *Ramping. **Not including ramping months

Slide 4 shows the high level sales funnel from Sales Opportunities to New Customers to New ARR. In each chart, it shows the plan relative to actual performance. The left-most column shows the company-wide analysis. The other two columns show the analysis by demand generation channel, in this case, Inbound versus Outbound. This analysis allows the board and executive team to inspect whether attainment misses are rooted in the underperformance of specific demand generation channels. It also allows them to expect if the miss is due to low volume of opportunities or low conversion of opportunities.

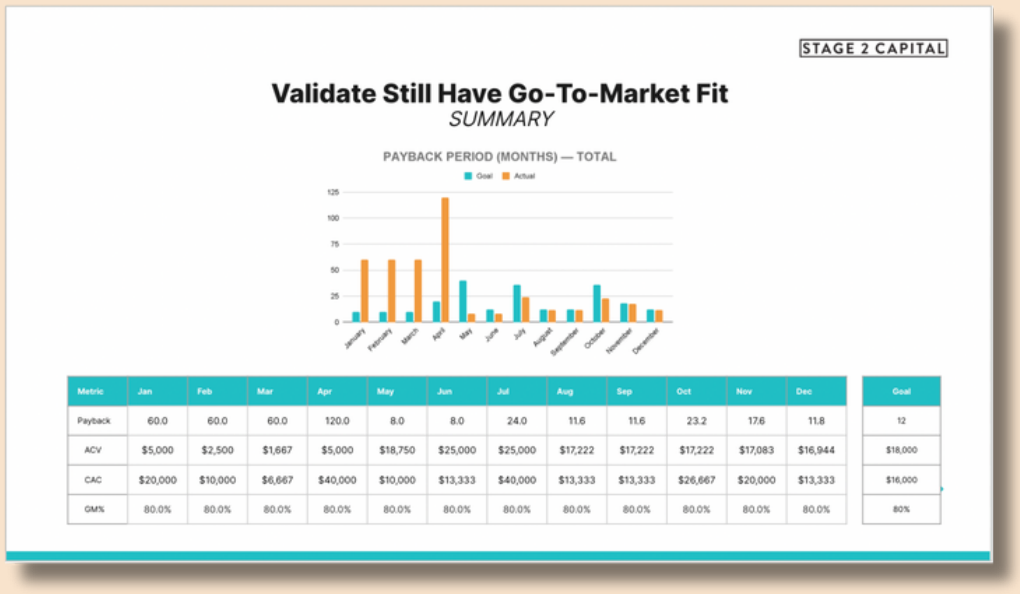


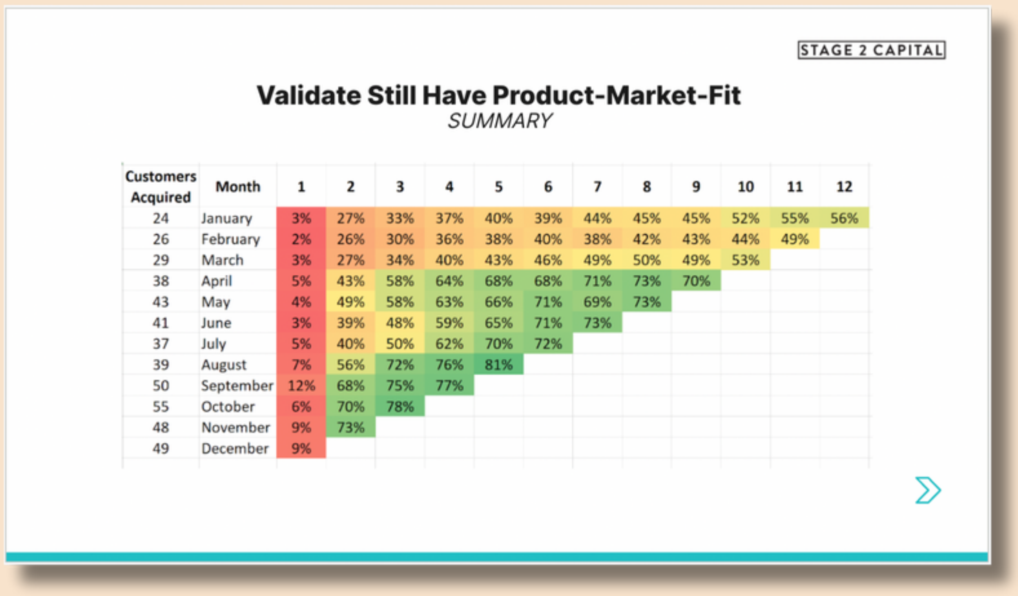
Slide 5 provides qualitative diagnosis of variances from Plan and Actual results. More granular data may be added to illustrate unique observations.

PHASE 4 — CONTINUED:



Slide 6 and 7 verify that the startup is still achieving the prior phase's KPIs. Slide 6 verifies whether go-to-market fit, as measured by payback period, is sustained. Slide 7 verifies that product-market fit, as measured by consistent LIR attainment, is sustained.





Additional Commentary:

1. See this article for forecasting model guidance.
2. In addition to scaling the currently proven demand generation channel and market combination, the startup should be iterating on other markets and demand generation channels to move them into scale mode and should provide an update to the board on those results.
3. If hiring AEs is an issue, the team can report out the hiring funnel as well.
4. Cumulative ARR is assumed to be reported on in the opening Finance section of the board deck.

CONCLUSION

I’ll leave you with these thoughts...

First, the board of directors plays a crucial role in the ultimate success of a startup. The board serves as a means to evaluate short-term progress and deliberate long-term strategy. Furthermore, it allows for input from investors with access to macro-trends and best-practice insights from accomplished executives who may currently be considered "un-hirable" due to the startup's stage.

For a board to function effectively, it needs to have access to high-quality information. However, the information presented in startup board decks, particularly in the go-to-market section, is often lacking in quality. While going public is a common goal, the reporting requirements after an IPO are not contextually optimal for startups. We have over-indexed on the post-IPO reporting strategy in the startup board room.

Second, “going fast” in a startup context should not always be measured by top-line revenue growth. I think everyone would agree that trying to scale from $1M to $5M in a year without a product is irresponsible. It’s putting the cart before the horse. But, isn’t trying to scale from $1M to $5M without a product proven to create customer value equally irresponsible?

I am not suggesting that we should slow down. The fast pace of startups is one of the reasons why many of us are drawn to this field. However, we must ensure that we move quickly towards the appropriate milestone for our situation. This may be achieving product-market-fit, as measured by the value we create for our customers, go-to-market-fit, as measured by our unit economic efficiency, or growth, as measured by our top-line revenue.

Set the right goal. Go fast. Change the world.