Balderton.

FOUNDER'S GUIDE TO B2B SALES

Everything a Founder / CEO needs to know about building and managing a B2B sales team.

SPRING 2023

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SECTION 01
WELCOME

Welcome to the Founder's Guide to B2B Sales

INTENDED AUDIENCE

This guide is written for founders and CEOs of early- and growth-stage startups.

It starts at the beginning — how to do sales yourself and builds from there. We'll cover everything from how to be your company's best salesperson to how to manage your VP of sales and align your marketing team.

It takes a founder/CEO point of view — i.e. we'll put more focus on how to manage your VP of sales than on how to manage an individual seller. We think this guide will be of interest to executive team members as well as to anyone with a genuine interest in the B2B sales process.

The content of this guide is informed by Dave Kellogg's broad industry experience as well as the collective experience of the Balderton team. The guide expands on the first Balderton Sales Playbook created in May 2020.

STRUCTURE OF THE GUIDE

- Selling: what founders need to know about sales
- Building: how to build a sales organisation
- Managing: how to manage a sales organisation
- Renewing / expanding: teaming sales and customer success
- Marketing: using marketing to build sales pipeline
- Partnering: how to use partners to improve reach and win rate
- Planning: planning and the role of key metrics and benchmarks

ABOUT THE AUTHORS

Dave Kellogg
Executive in Residence at Balderton Capital

Read Kellblog

In 2021, Dave joined Balderton as the company's first Executive in Residence. Dave brings more than a decade's experience at each of the CEO, CMO, and independent director levels across some of the world's leading SaaS and enterprise software firms. He was previously CEO of cloud financial planning company Host Analytics (now Planful), SVP/GM at Salesforce in charge of the Service Cloud business, CEO of MarkLogic and led marketing for nine years at business intelligence leader, Business Objects, working with Balderton's Managing Partner, Bernard Liautaud.

Dave started his career in technical and product marketing positions at Ingres and Versant. During his time at Silicon Valley's Host Analytics, he grew the company's ARR six-fold to more than $50M before selling to a private equity sponsor; he oversaw the growth of MarkLogic's revenues from zero to more than $80M; and during his nine years at Paris-based Business Objects, the company grew from 250 to 4,500 employees and from $30M to over $1B in revenues. Dave has served on the boards of Alation (data intelligence), Aster Data (big data), Granular (AgTech), Nuxeo (content services), and Profisee (MDM), among others.

Dave's blog, Kellblog, covers topics related to starting, leading, and scaling enterprise software startups including corporate strategy, marketing strategy, messaging, positioning, management, go-to-market models, SaaS metrics, operational metrics, and venture capital (VC) financing.

As an EIR, Dave advises Balderton portfolio companies on go-to-market strategy, SaaS metrics, marketing, positioning, corporate strategy, and international expansion.

Michael Lavner
Principal at Balderton Capital

Balderton team page

Michael joined Balderton's investment team in 2021 and his primary focus is later-stage investing with Balderton's Growth I fund.

Before joining Balderton, Michael worked at Permira where he focused on large-cap technology and late-stage growth investments. He supported Pemira's companies, helping them scale, drive sustainable growth and become global champions. He notably participated in the fundraising of Mirakl, the world's leading marketplace software; Nexthink, Europe's leading End User Experience monitoring platform; and Safti, one of the leading French digital Real Estate agencies.

Michael began his career at L.E.K. Consulting in Paris where he worked on due diligence and corporate strategy projects for fast-growing companies, and co-founded the Data & Analytics practice.

Special Thanks

The authors would like to give a special thanks to Alice Lankester for her oversight of and vision for the project.

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The founder/CEO should generally be a company's best salesperson. In this section, we show you what it takes to do that.

SEVEN THINGS FOUNDERS NEED TO KNOW

Here are the seven things that you, as founder/CEO, need to know about sales. We'll drill into each of them in this section:

1. Learn by doing: get out there and sell
2. Customers buy solutions to problems
3. Sales is 57% listening
4. The best sellers are curious about everything
5. Ask open-ended questions
6. Manage the sales process as a quid pro quo
7. Don't talk about competitors unless directly asked

GET OUT THERE AND SELL

The first thing to know about sales is that you need to push yourself to go out and sell. It may not come naturally but you need to do it. With practice, you'll likely end up very good at it. It will keep you close to the market and your customers – and investors will expect it.

A few key things to know:

- Your comfort zone will expand. Doing something repeatedly makes it feel more natural over time
- View each interaction as a learning moment and hone your skills. You will get better and better with practice
- See what works for you. Different styles and sales techniques work for different people. Discover what works best for you, your customers and your business
- Selling lays the foundation for hiring your first VP of sales: The more you've sold yourself, the better you will understand the job you need your VP of sales to do
- It helps to improve your fundraising: Investors expect you to start with founder-led sales, and they will want to hear rich, first-hand stories about what you've learned about the market by doing it

Five reasons why selling is the key skill founders need to learn.

Insights from Balderton Partner Suranga Chandratillake, providing his perspective on why selling is one of the key skills founders need to learn.

READ THE ARTICLE

CUSTOMERS BUY SOLUTIONS TO PROBLEMS

The traditional way of saying this:

- "Customers buy quarter-inch holes, not quarter-inch bits." – Theodore Levitt

The modern way of saying this:

- "Customers hire products to do jobs for them." – Clayton Christensen

Either way, the point is clear:

- Customers buy products (and services) to solve problems
- Your product and services are therefore always a means to an end

While marketing emphasis may be on either the end or the means, as a function of the company's situation and strategy. In sales, it is universally good advice to focus on the customer's problem. Talk about their problem and how you solve it, not all the wonderful features in your product that may or may not be relevant to them.

SALES IS 57% LISTENING

The average B2B seller talks too much. Some 65% to 75% of the time. According to Gong research, the golden talk-to-listen ratio is 43/57. This means most sellers are listening as little as 25% of the time when they should be listening 57%.

The best sellers are great listeners

- They ask clear and purposeful questions
- They listen to the answers (and don't interrupt customer responses)
- They ask thoughtful follow-up questions

Conversation Intelligence tools like Gong and Chorus can provide talk/listen ratios among many other important features (e.g., coaching, activity, keywords, analytics), meaning you no longer have to guess how often you and your sellers are listening.

> **The average B2B seller talks too much: 65-75% of the time.**
>
> Per Gong research - the golden talk/listen ratio is 43/57

> **"You have two ears and one mouth, use them in proportion."**
>
> Ancient sales adage (which pushes to 33/66, but a little attempted over-compensation never hurt)

THE BEST SELLERS ARE CURIOUS

The best sellers are curious about everything: the customer, the problem they're trying to solve, and the processes their customers are following to make their buying decision.

Be curious about the customer

- At a business level – e.g. their career history, role, duties, relationships, alliances, challenges, and opportunities
- At an individual level – e.g. their interests, desires, motivations, and goals

Be curious about the problem

- What is the problem at hand?
- What is the impact of solving it?
- How have they previously tried to solve it?

Be curious about the process

- What other solutions are they considering?
- How did they hear about you?
- Why are they considering you?
- What's their selection process?
- What's their evaluation criteria?
- Where did this criteria come from?
- How does their scoring work?
- Whose budget is paying for this?
- Who needs to sign what documents?
- Will they be working on the last day of the quarter?
- Have they previously run a purchasing process at this company? With a deal of this size?
- Might any recent changes affect the purchase process?
- Who might object to signing this order?
- What is the business impact of delay?
- How is your firm doing in the process?
- If they don't pick you, why would that be?
- We're your top choice, great! Why?

ASK OPEN-ENDED QUESTIONS

The best sellers ask open-ended questions. Open-ended questions generally reveal far more information than closed-ended ones and produce a conversation as opposed to an interrogation.

Close-ended Examples

- Are you evaluating other vendors? (Yes)
- Have you established evaluation criteria? (Yes)
- Does this problem have any downstream impact? (Yes)

Open-ended Equivalents

- Tell me about the other vendors you're evaluating?
- I'm curious. How did you arrive at these criteria?
- Tell me how this problem impacts others in the organisation?

TRAIN YOURSELF TO ASK OPEN-ENDED QUESTIONS

STEP 1: DEVELOP AWARENESS OF THE PROBLEM

- Count your closed-ended/open-ended question ratio
  - Good sellers will have a 50/50 ratio; Great ones will be at 20/80
- Listen to call recordings to make this easier

STEP 2: TRAIN YOURSELF TO START QUESTIONS DIFFERENTLY

- Start questions with "tell me about," "I'm curious," or "how do you"
- Not "do you," "what," and "how many"

STEP 3: ALWAYS ASK FOR MORE BEFORE MOVING ON

- End every section with "any others?" or "anything else?"

THE GIVE-TO-GET SALES PROCESS

Manage the sales process as a quid pro quo

At the end of the sales process, the prospect may or may not buy your software. Either way, your company's investment of time and resources is both real and material.

- A sales opportunity typically costs $2K to $4K in enterprise
- A typical custom demo can run $5K to $10K of solution consultant (SC) time; a highly customised demo is closer to $20K to $40K

As a result, you need to maintain a balance of power in the relationship. Yes, the customer is considering buying your software but you are investing real time and money to support their process.

Get in the habit of asking for give-to-gets - i.e. "if I give you x, can I get y?"

- If we build the customised demo, will you ensure that the CFO attends?
- If we run a two-hour Q&A, will you set up a meeting with the CDO afterwards?
- If we get you the draft contract by Tuesday, can you commit to getting it reviewed by Friday?

At the right time, this also includes asking for the order:

- So, if we do this final step, will we get the order?
- Why or why not?

TALKING ABOUT THE COMPETITION

Don't talk about the competition unless asked

Your company may (and usually should) invest a lot of time in understanding competitive offerings. But you need to be careful about how and if you share that knowledge as it comes with risks. You could:

- Accidentally introduce a competitor into a deal ("what was that name again?")
- Appear competitor-focused, not customer-focused ("all they talked about was us; all you talked about was them.")
- Seem afraid ("maybe the other company is the real leader?")
- Stop getting invited on sales calls

Three rules of speaking about the competition

1. Generally don't do it – raise a mental yellow flag for every second you spend discussing them
2. Be sure everything you say is true and defensible – credibility is critical
3. Only say the name of a competitor when it's been said to you first – avoid accidental introductions

Talking competition: methinks thou doth protest too much.

In this post, Dave Kellogg looks at discussing the competition in investor, partner, and analyst meetings

READ THE ARTICLE

TO LEARN MORE ABOUT SELLING

- The Qualified Sales Leader by John McMahon
- MEDDIC & MEDDPIC by the MEDDIC Academy
- The Top 18 Sales Blogs by Gong
- Selling Through Curiosity by Barry Rhein via SalesHood
- The Art of Asking Open-Ended Questions by Hubspot

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To build a sales organisation you need to understand the difference between artisanal and industrial sales, basic sales roles, staffing ratios, and the idea of a sales model.

TOPICS IN BUILDING A SALES ORGANISATION

- Selling in the early days
- Establishing product-market fit
- Core sales roles
- Throwing spaghetti at walls
- Sales model = roles, goals, and ratios
- Territories, compensation, and quotas
- Additional sales roles

SELLING IN THE EARLY DAYS

In the early days, selling is artisanal, not industrial, and is often founder-led.

You are searching for the right model, which you can industrialise later.

You want smart, creative sellers – a small handful to begin with, including:

- People who don't need or want a lot of support
- People who are prepared to execute with only a telephone

What's the most common mistake? Hiring big-company people who want to execute or scale an existing model.

The purpose of this phase is discovery – not the industrialisation of the model. Think: if we call on people with <title> at companies of <size> in this <industry> around this <problem>, we find that we can often sell them a deal of <ARR> dollars in <timeframe>.

ESTABLISHING PRODUCT-MARKET FIT

Early selling is also about establishing product-market fit

The Sean Ellis test is one popular way to quantify product-market fit (PMF):

- Survey your customers and ask: "How would you feel if you could no longer use our product?"
- If 40%+ are very disappointed, then PMF has been attained.

The Ellis test sets a high bar and may not be as useful in less end-user-driven markets. While it's a fun test of PMF, the real essence is about identifying the answers to three questions:

- Sell what?
- To whom?
- To solve what problem?

Sometimes you will have several different sets of answers to those questions. In that case, your job is to identify the most strategically promising set to focus on in your early selling.

> **Product/market fit means being in a good market with a product that can satisfy the market.**
>
> Marc Andreessen

THE THREE CORE SALES ROLES

1. Account Executive (AE) — also known as Seller, Salesrep, or QCR (quota-carrying rep)

JOB	METRICS	LEVELS	VARIATIONS
SELL NEW ARR TO NEW AND (OFTEN) EXISTING CUSTOMERS	New ARR sales performance per period (typically month or quarter and year)	Corporate 0-5 years	Field sales teams work in-territory, typically from satellite offices or from home. Inside or corporate sales teams work at headquarters or in geographic hubs.
		Mid-market 5-10 years	
		Enterprise 10-15 years	

2. Solution Consultant (SC) — also known as Sales Engineer (SE), Sales Consultant (SC), or Presales Engineer (Presales)

JOB	METRICS	LEVELS
PROVIDE TECHNICAL SALES SUPPORT TO AE'S (E.G., PRESENTATIONS, RFPS, DEMOS)	New ARR sales performance of reps supported	Regular 0-10 years
		Senior 10+ years

3. Sales Development Rep (SDR) — also known as Business Development Rep (BDR)

JOB	METRICS	LEVELS	VARIATIONS
GENERATE OPPORTUNITIES FOR AE'S	The number of opportunities generated per week	Inbound	Process inbound inquiries, which are typically marketing-generated
		Hybrid	Perform a mix of inbound and outbound work
		Outbound	Perform outreach to targeted accounts, working closely with sales, often as part of Account-Based Marketing (ABM) program

TIPS ON SALES RECRUITING

Beware of hiring big-company sellers who are used to working at market leaders and winning big deals based on company status, relationships, and "safe choice" logic.

- Unless they have previous startup experience, they are unlikely to adapt well to your environment despite potentially deep domain expertise

Former customers often make great solution consultants (SCs) but be careful not to damage customer relationships by hiring them.

SCs can become great sellers, but when successful, that transformation usually happens fairly early (e.g. 3-5 years) into their SC career.

- If SCs complain about seller compensation, remind them that "quotas are available" if they want to try their hand at sales

SDR is often an entry-level position where you filter for aggressiveness, ambition, and innate sales skills

- Those who succeed often go on to become great sellers
- In hiring, try to differentiate between those who truly want a career in sales and the "lost" – who default to sales because they don't know what else to do

> **"There is a difference between a seller who has five years of sales experience and a seller who has one year of sales experience five times."**
>
> Sales management adage

THROWING SPAGHETTI AT THE WALL

If you've built a specific application for a specific buyer to solve a specific problem, then it's easy to focus your early selling efforts at that target.

However, if you have a general-purpose platform that you are selling to several different buyers to solve many different problems, you should:

- Make sure your early sales efforts are horizontal and exploratory. This process is often known as "throwing spaghetti at the wall to see what sticks"
- Beware of the risks of identifying spurious patterns caused by buyers who are friends of friends, technology enthusiasts, indecisive ('tire kickers') and/or poorly informed
- Look to identify a "money" problem – one that people will spend material amounts of money to solve
- Look for smart buyers who had a good understanding of their alternatives, had no external influences, and who chose to use your product to solve their problem
- See Crossing the Chasm for more on this topic

Once you've found this target you are ready to start building your sales organisation

SAMPLE ON-TARGET EARNINGS

ACV ($K)	QUOTAS ($K)	OTE ($K)
<5	400	100
5-25	500	125
25-50	650	165
50-100	750	185
>100	1000	250

WHAT IS A SALES MODEL?

A sales model is an approach to selling your product. At the core, it's about three things: roles, goals, and ratios.

ROLES	The roles, and the variations and types within them (e.g. inside vs. field sales).
GOALS	The goals for key model-defining metrics. For example, quota, on-target earnings, average sales price (ASP), deals/year, average sale cycle (ASC).
RATIOS	The ratios of supporting resources. For example, a small number of senior sellers with high quotas and heavy support staff vs. a large number of junior sellers with low quotas and light support staff.

SALES MODEL EXAMPLES

As your company grows, you will likely run multiple sales models in parallel, but it's always best to start with one.

	INSIDE SALES MODEL	ENTERPRISE SALES MODEL
QUOTA (ANNUAL)	$600K	$1,200K
ON-TARGET EARNINGS (OTE)	$150K	$300K
ASP (AVERAGE SALES PRICE)	$25K	$175K
DEALS / QUARTER	6	2
AVERAGE SALES CYCLE	60 days	240 days
AES PER SC	4	2
ASP PER SDR	4	2
AES PER MANAGER	8	6

TERRITORIES, QUOTAS AND COMP PLANS

Key compensation elements

- Base/variable weighting: percentage of on-target earnings (OTE) that is base salary vs. bonus
- Typically 50/50 for sales, 66/33 for SDRs, and 70/30 for SCs (although it does vary, particularly for SCs)

Quota/OTE ratio

- Sellers typically have a ratio of quota to OTE of 4:1
- For example, a position with a $1M ARR quota has $250K OTE

Quota vs. territory is a philosophical issue

- Equal quotas: assign equal quotas and try to carve territories with equal opportunity
- Variable quotas: assign variable quotas as a function of the opportunity within them

Small deals to a large audience suggests equal quotas while targeted vertical or account-based sales suggests variable quotas.

ADDITIONAL SALES ROLES

ROLE	DEFINITION	SPAN OF CONTROL	COMMENTS
SALES MANAGER	Manages AEs	Typically manages 6–8 AEs	This can go as high as 10-12 with inside sales models
SDR MANAGER	Manages SDRs	Typically manages 8–12 SDRs	Typically hired when team is round 3–4 SDRs
SALESOPS	Planning, compensation plans, reporting, metrics, territories, deal desk	Typically hired when team hits 6-10 AEs	Increasingly integrated to overall revops function (e.g. sales, marketing, success, PS)
SC MANAGER	Manages SCs	Typically hired when team hits 6-10 SCs	In the early days, SCs typically report to a sales manager
SALES ENABLEMENT	Builds sales onboarding and ongoing training programs	Typically hired when team hits around 10-20 AEs	Also known as Sales Productivity
ALLIANCES	Builds relationships with ecosystem co-sell partners	10:1 AE to alliances staff ratio	Staffed as a function of partner strategy and can vary widely

THOUGHTS ON PODS

The traditional unit of quota is the individual sellers. Sellers then rely on the organisation to staff and allocate supporting resources to ensure their success.

Shared supporting resources invariably create conflict as:

- Two sellers want the same SC at the same time
- Sellers disagree on SDR time split inbound vs. outbound

Former customers often make great solution consultants (SCs) but be careful not to damage customer relationships by hiring them.

In a pod model, quota is given to, and only to, pod leaders who manage all the resources of the pod.

- A pod might consist of one field seller (leader), one inside seller, an SC, two SDRs, and a CSM
- Their success is singularly and jointly measured by the success of the pod

Pods theoretically maximise collaboration, localise conflict resolution, and lead to improved alignment.

- In essence, a pod is a matrix structure that empowers pod over function – the same kind of structure companies often use with geographic regions as they scale

However, pods can have several disadvantages, particularly in the early stages of a business. For example, they can:

- Inhibit functional leadership and best practices
- Impede the recruitment of certain candidates
- Under-leverage the individualistic nature of sellers
- Reduce accountability beyond the pod leader
- Eliminate checks and balances provided by functional leadership

Nevertheless, pods are fairly popular these days and worth considering.

TO LEARN MORE ABOUT BUILDING

- The Sales Learning Curve by Mark Leslie
- The Top 5 Mistakes in Scale-ups by Dave Kellogg
- Predictable Revenue by Aaron Ross
- A Very Simple Compensation Plan For Your First Sales Reps by Jason Lemkin
- Simple Math to Set Up a Sales Team by David Sachs
- The Ultimate Guide to Sales Compensation by Hubspot
- The Startup Owner's Manual by Steve Blank

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Managing a sales organisation is about cadence, process, and discipline.

CADENCE

You are your timing. Cadence is an important topic on which you should make deliberate choices.

Forecast frequency

How often do you ask sellers and/or managers to forecast?

Forecast period

Do you forecast months or quarters?

Contract value

Do you talk about MRR or ARR? Does that unit match the reality of your contracts?

Quota period

Is the quota annual or quarterly?

Compensation period

Are compensation plans annual or quarterly? Do accelerators kick-in during quarters or only on the year?

Review period

Do you have monthly or quarterly business reviews?

Celebration period

Do you celebrate months, years, or quarters?

For the rest of this guide, we will, by default, assume a quarterly cadence, larger deals, with 2-3 quarter sales cycles. Please map to your situation accordingly.

CADENCE EXAMPLES

	VELOCITY CADENCE	ENTERPRISE CADENCE
ASP	$2K	$250K
CONTRACT VALUE (UNITS)	MRR	ARR
AVG SALES CYCLE (ASC)	35 days	225 days
FORECAST FREQUENCY	Weekly	Weekly
FORECAST PERIOD	Months	Quarters
PIPELINE SCRUBS	2x/month	3x/quarter
COMP PLAN PERIOD	Quarterly	Annual
REVIEW PERIOD	MBRs	QBRs
CELEBRATION PERIOD	Annual club	Annual club

PIPELINE MANAGEMENT

Pipeline management is about all about discipline. When it comes to pipeline, think of your CRM as an opportunity management system.

THE FOUR KEY FIELDS OF OPPORTUNITIES

VALUE	How much is it worth?
CLOSE DATE	When will it close?
STAGE	How far along is it in our process?
FORECAST CATEGORY	How likely is it to close by the close date?

You should have written rules for how to fill in each of these four key fields. Otherwise, you will aggregate data with a wildly inconsistent set of assumptions – and that problem will only get worse as you scale.

For example

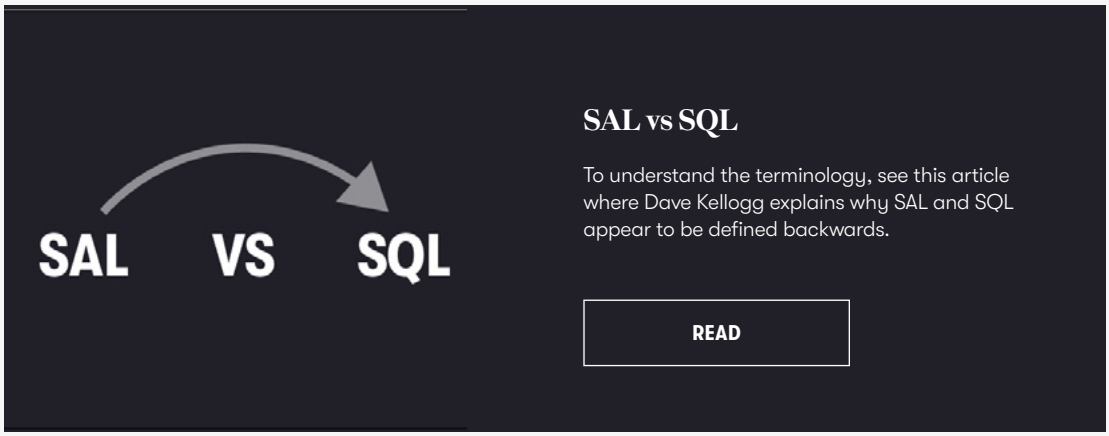
- Value should be entered only after it has been discussed with the customer
- Close date should be the date the customer says they want to purchase by
- Stages should have defined exit criteria (e.g. solution fit confirmed)
- Forecast categories should generally map to probabilities (e.g. commit 90%, forecast 70%, upside 30%, and unlikely 0%)

Throughout this process, keep definitions simple – complexity creates confusion and ambiguity.

If there are five Stage-3 exit criteria and you have met four of them, what stage is the opportunity? (We've seen systems where you can actually win the deal before meeting a ll Stage-3 exit criteria!)

EXAMPLE STAGES AND DEFINITIONS

STAGE	NAME	DEFINITION
S1	Sales qualified lead (SQL)	Based on BANT qualification, an SDR believes this is a valid sales opportunity.
S2	Sales accepted lead (SAL)	Based on a discovery call, a seller also believes this is a valid sales opportunity.
S3	Deep dive completed	A deep dive call has been completed, we understand the problem the customer is trying to solve, and we believe we can solve it.
S4	Solution fit confirmed	The customer has confirmed that they also believe we can solve the problem. We are not the only or preferred solution, but we are a valid one.
S5	Vendor of choice	The customer has told us that we are their preferred solution.
S6	Closed / won	We have won the deal and the paperwork is complete.
S7	Lost	The customer has informed us they are selecting another vendor.
S8	Derailed (no decision)	The opportunity, after passing S2, did not result in purchasing any vendor's solution.
S9	Rejected	Based on a discovery call, a seller does not concur that this is a valid sales opportunity.



WHAT IS A PIPELINE SCRUB?

A pipeline scrub is a periodic meeting to review and validate all opportunities in the pipeline

Without them, the pipeline quality quickly degenerates.

A scrub should proceed rep by rep, reviewing every opportunity in their pipeline, for the current quarter and all future quarters

Future periods quickly become dumping grounds if not scrubbed. Delaying deals into the future can hide losses and enable squatting on accounts.

Particular attention should be paid to the four key fields

Close date, value, stage, and forecast category.

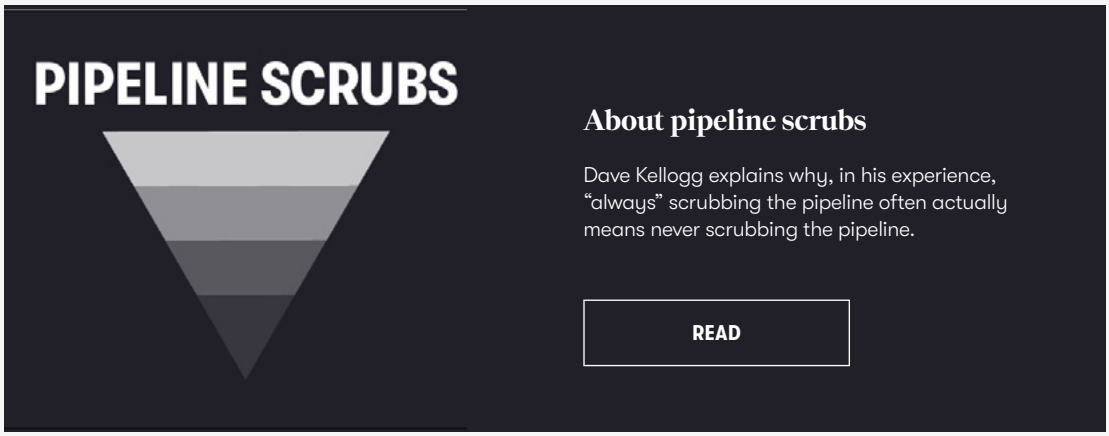
Questioning should be direct and customer-in, not seller-out

What did the customer say to make you believe you were in stage 5? Who said it? When did the customer say the evaluation process would complete? Who said that?

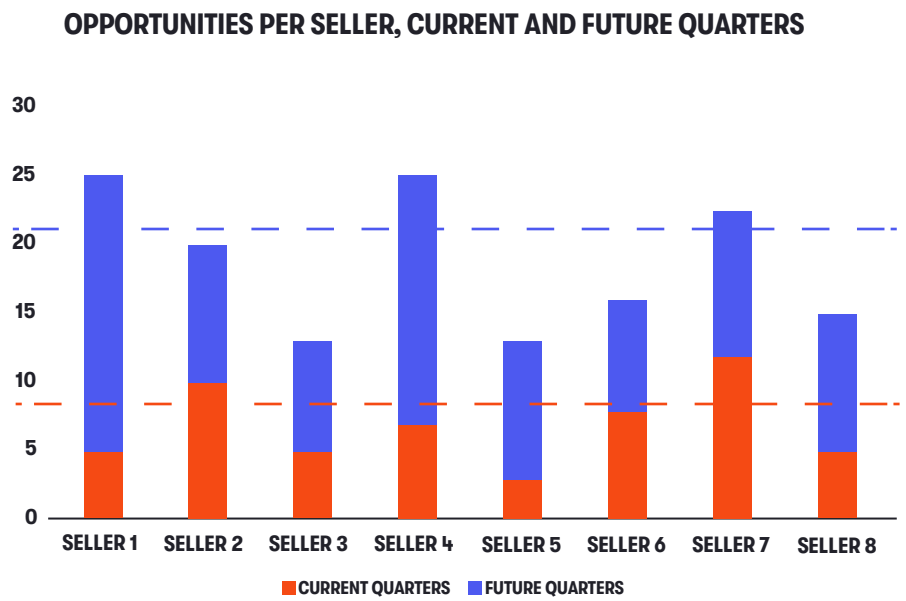
Pipeline scrubs should be exclusively focused on pipeline quality and verification

Pipeline scrubs should happen several times (e.g. three) per quarter

Meeting at the end of weeks two, five, and eight works well for sales teams on quarterly cadence. Beware of sales managers who are "always" scrubbing the pipeline. In this case, always is likely to mean never.



HOW MANY OPPORTUNITIES CAN A SELLER EFFECTIVELY HANDLE?



While much attention is paid to pipeline coverage (value of pipeline compared to targets), it's often easier and more intuitive to ask: how many opportunities can a seller actually manage?

It helps to split that by timeframe – e.g. current-quarter opportunities usually require more focus and attention than future ones.

It also helps to split by type of seller – e.g. a velocity seller turning a high volume of small deals can handle more than an enterprise seller working a small number of large transactions.

In this fairly typical enterprise example, the goals are indicated by the dashed lines. The company would like sellers to have nine current-quarter and 21 all-quarters opportunities in their pipeline at the start of a quarter.

Breaking this out via a bar chart is important because averages can hide very uneven distributions amongst sellers.

FORECASTING AND PROBABILITIES

When it comes to forecasting:

- Sellers tend to be optimistic (i.e. have "happy ears")
- Sellers tend towards imprecise language (e.g. "best case" or "if the stars align")
- Sellers tend to resist probabilities (e.g. "we can't win half a deal")

To combat these tendencies, do the following:

- Define the VP-level sales forecast number as a 90% probability – that is, they get to miss it once every 2.5 years
- If you also want a best-case, define that as well – 90% chance of beating forecast, 20% chance of beating best-case
- Use forecast category as probability of individual deals closing

Define the forecast in terms of probabilities, but do not impose rules on how the forecast is made.

- Most sales leaders use scenario analysis to arrive at their forecast. You should consider their forecast an independent prediction; use triangulation to see the bigger picture.

How to train your VP of Sales to think about the forecast

In this article, Dave Kellogg asks you to imagine this conversation in a Board Meeting between a Director and a VP of Sales.

READ

THE WORD "COMMIT"

Sales leaders use the word "commit" in different and potentially confusing ways

Some use it as contract between seller and manager on a given deal
That means, if you "commit a deal," you are personally guaranteeing it will close. This is often combined with early-quarter pressure to commit certain deals, which is then used to increase pressure on the seller later in the quarter ("you committed that deal, now you have to win it."). This is a high-pressure sales management technique that is increasingly going out of favour.

Others use "commit" as a synonym for "forecast" (or high-confidence forecast)
Asking, "Jane, what's your commitment for this quarter?". I would suggest using "forecast" with a probabilistic definition (e.g. 90%) instead.

Many use "commit" as a forecast category for a given deal
Typical forecast categories and associated probabilities include: pipeline*/unlikely 0%, upside 30%, forecast** 70%, commit 90%.

*Using "pipeline" as a forecast category is indeed confusing, but is still fairly common. "Unlikely" is an alternative, preferred term.

**Using "forecast" as a forecast category is potentially confusing too, so ensure the context is clear.

TRIANGULATION FORECASTS

You should ask the head of sales for a forecast every week to ensure:

- Accountability
- Incorporation of new information
- Ability to analyse trends

You should triangulate that against other indicators, such as:

- Pipeline coverage – value of pipeline / target (typically on a to-go basis)
- Rep-level forecast – the sum of the individual sellers' forecasts will be typically larger than the head of sales forecast, but not always
- Expected values (also known as weighted pipeline) with the expected value of the pipeline calculated based on weights assigned to stages or forecast categories i.e. If we have $1,000K in stage 5 with a 40% probability of closing, then the stage-weighted expected value of that pipeline is $400K

THE WEEKLY FORECAST SHEET

Quarterly Plan - Weekly Forecast Sheet

Simplified

Line	($K)	Prior Forecasts Week 1	Week 2	Week 3	Week 4	Week 5	Current FC Week 6	Plan	FC / Plan	Comment
	ARR Forecast									
1	Starting ARR	2,000	2,000	2,000	2,000	2,000	2,000	2,000	100%	
2	New ARR	525	525	575	450	450	450	550	82%	Sales or CRO forecast
3	*From new customers*	*450*	*450*	*500*	*350*	*350*	*325*	*450*	72%	Sales forecast
4	*From existing customers*	*75*	*75*	*75*	*100*	*100*	*125*	*100*	125%	Sales or Success forecast
5	Churn ARR	70	70	70	80	80	80	95	84%	Success forecast
6	*From lost customers*	*35*	*35*	*35*	*45*	*45*	*45*	*65*	69%	
7	*From shrinking customers*	*35*	*35*	*35*	*35*	*35*	*35*	*30*	117%	
8	**Ending ARR**	**2,455**	**2,455**	**2,505**	**2,370**	**2,370**	**2,370**	**2,455**	**97%**	
9	Net new ARR	455	455	505	370	370	370	455	81%	
	Pipeline Coverage									
10	Current-quarter pipeline	1,650	1,575	1,690	1,435	1,400	1,430			
11	To-go coverage ratio	3.0x	3.0x	3.4x	3.1x	3.2x	3.5x			Coverage to get to plan (minus booked)
	Triangulation Forecasts (New ARR)									
12	Rep-level	750	700	650	600	550	550	550	100%	Sum of the reps' forecasts
13	Stage-weighted EV of pipeline	400	450	500	475	450	425	550	77%	Expected Value (EV) based on pipeline
	Booked QTD									
14	New ARR	-	28	55	83	110	138			
15	% of Plan	0%	5%	10%	15%	20%	25%			

MICROSOFT EXCEL

Tracking the forecast every week should be done via a sheet like this. It's important to watch how the forecast varies across weeks of the quarter and to hold the CRO accountable for the shape of that curve.

It includes a weekly New ARR forecast from Sales, and a weekly Churn forecast from Customer Success.

It shows pipeline coverage, the ratio between how much pipeline there is in play and how much more needs to be sold.

It shows three different triangulation forecasts that you can compare to the CRO forecast.

- Sum of the reps' forecasts
- The pipeline's stage-weighted expected value (EV)
- The pipeline's forecast-category-weighted EV

FORECASTING THE COMING WEEK

Always be closing

In order to keep a strong focus on closing, some managers ask sellers to forecast on both their quarterly performance and the coming week's closed deals.

This keeps sellers focused on the details of closing transactions and reduces deals stacking up at the end of the quarter.

Some managers use this technique only in the final month of each quarter.

For large deals, asking for short, written "close plans" can also be useful to ensure sales understands and is managing the process of closing the transaction.

DEAL REVIEWS

Winning deals, particularly in the enterprise, is complex because it involves:

- Multiple buyer roles: user, champion, economic buyer, approver, IT/standards, procurement
- Multiple competitors: incumbents, hyper-scalers, startups
- Defined process: RFI, RFP, demo, presentation, proof of concept, committee, purchasing

A deal review is a meeting where sales management and interested peers come together to learn about a deal and focus on generating ideas to win it

- Example problems: "We know that competitor X will say Y," or "we know that buying from a startup is a major concern for the CFO"
- Frequent problem: We don't know what we don't know – the peer group can help a seller to identify important missing information and generate ideas on how to get it

Deal reviews should happen on-demand, called by a seller or their manager when they feel they could benefit from the assistance of the team.

Keep deal reviews positive and focused on winning to ensure that sellers will call them when needed.

ONE MEETING OR THREE?

With the good intention of reducing meetings, some sales managers try to combine pipeline scrubs, forecast calls, and deal reviews into a single meeting.

This is almost always a mistake.

Pipeline scrubs should be long, disciplined, systematic walk-throughs.
Given the length of the meeting, it can be segmented by region so the entire team doesn't need to sit through the entire scrub.

Forecast calls should be used to quickly run through the numbers.

- What are you calling?
- Where's it coming from?
- How did it change?
- What help do you need to keep things moving?

Deal reviews should be opt-in meetings where people come together to help.
The seller should spend 10 to 30 minutes discussing each deal by outlining the situation. The team, consisting of management and peers, should then work together to find the best path to victory.

Keep these meetings and their functions separate and you won't regret it.

QUARTERLY BUSINESS REVIEWS (QBRS)

What are they?

Post-quarter meetings with the executive team, sales management, and sellers to review the previous quarter and plan for the next. As you scale, you'll run QBRs by region.

Key metrics

You should review key metrics using a salesops-generated standard template that includes:

- New ARR performance (absolute, plan-relative, YTD, YoY)
- New ARR by type (new vs. expansion, net new ARR)
- New ARR forecast accuracy (week 3 forecast / result)
- Churn performance and forecast accuracy
- Pipeline conversion (new ARR / week 3 pipeline)
- Pipeline opportunity count (opportunities/seller)
- Pipeline progression
- Marketing funnel analysis
- Quarterly employee net promoter score (NPS)

Key analyses

You should also present the results of key analyses, which should include:

- Win/loss analysis (e.g. key deals, quantitative, third-party)
- Churn analysis (via some taxonomy)
- Quarterly customer satisfaction (CSAT) analysis, including NPS
- Segment analysis (if applicable, by use-case, vertical, or sales channel)

THE QUEST FOR REPEATABILITY

Many people will ask you if you have a repeatable sales model. Few can define what that means.

Repeatability is about producing a standard result given a set of standard inputs such as:

- Standard hiring profile – background/experience of new hires
- Standard training program – onboarding, but also ongoing
- Standard support ratios – SCs, SDRs, managers, alliances
- Standard territory
- Standard kit – messaging, presentations, demonstrations, collateral
- Standard sales process – and, as you get bigger, a sales methodology

Can you produce a standard result?

- For example, an 80% chance of a seller producing at 80%+ of quota in one year.

PROVING REPEATABILITY

Proving repeatability is hard and takes time

Many companies can't define the six standard inputs due to the following:

- Ad hoc organisations: roles, goals, and ratios have been created in an ad hoc and/or regional manner
- Standards exist, but have been ignored: notionally the company hires people with background X, but few people actually have it
- Elements are missing: there is no standard onboarding because no one has built it

Step one: standardise the six inputs

This often entails hiring sales enablement and salesops, as well as potentially upgrading sales management.

Step two: determine the measurement criteria for results

- High-level metrics are important but less conclusive: e.g. plan attainment
- Micro-metrics are precise, but potentially not relevant: onboarding final exam scores
- Results-oriented metrics work best, but take time to accumulate: cohort performance relative to ramp, cohort survival rate, % of reps at 80%+ of annual quota

TO LEARN MORE ABOUT MANAGING

A ten-point sales management framework

The minimum sales management framework for an enterprise SaaS startup by Dave Kellogg.

READ

Additional resources on managing

- Beginner's Guide to the Sales Process by Zendesk
- Why To Creates Opportunities at Zero Value by Dave Kellogg
- SaaS Sales Management Tips by Joel York
- Cracking the Sales Management Code by Jason Jordan
- The Holy Grail of Enterprise Sales: Defining the Repeatable Sales Process by Dave Kellogg

SECTION 05
RENEWING / EXPANDING

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32 Should customer success exist as a separate function?
33 Three types of customer success managers
34 Common sales / customer success interaction models
35 Measuring the customer success function
35 LTV vs. Net retention rate
37 Should success report into sales?
37 To learn more about renewing / expanding

The customer success function, its role, and how it collaborates with sales.

THE GOAL OF CUSTOMER SUCCESS

The point of customer success is to maximise the value of existing customers. I.e.

- Keep them happy
  - Deployment, adoption, engagement, surveys, quarterly reviews
- Keep them renewing
  - Renewal intent, renewal process
- Keep them expanding
  - Incidental "fries with your burger" expansion (e.g. editions, users)
  - Major expansion (e.g. cross-sell new product or division)

SHOULD CUSTOMER SUCCESS EXIST AS A SEPARATE FUNCTION?

There are arguments on both sides.

For most SaaS companies, in particular, the answer to whether customer success should exist as a separate function to sales is typically 'yes.'

However, in reality, the answer comes down to how you define your sales model and, once that model is defined, what the CS role is, relative to sales.

Yes!

> **"For us, of the things that were important were, number one, customer success. Nothing is more important to us than making sure every customer is successful in our service." (We even called our customer success organization, Customers for Life.)**

Marc Benioff,
Salesforce.com

No!

> **"We don't believe companies should have a separate customer success function. The first thing we did when Frank joined Snowflake was we blew up what was the customer success function. You are either going to do support, sales, or professional services. Customer success is not accountable for anything."**

Frank Slootman
(via Mike Scarapelli),
Snowflake

THREE TYPES OF CUSTOMER SUCCESS MANAGERS

The Best Friend

- Think: "I'm here to help you use the product."
- Provides advanced technical support
- Technical background
- Will ask how it's going
- Won't ask you for money
- Measured on CSAT

The Renewals Clerk

- Think: "I'm here to collect your renewal next quarter."
- Manages the contract renewals process
- Finance background
- Will ask you for money
- Won't ask about expansion
- Measured on churn reduction

The Account Manager

- Think: "I'm here to maximise your value from the software."
- Manages an account
- SDR/sales background
- Sees value as driver of renewal
- Will ask* about expansion
- Measured on account growth

*Looking for expansion opportunities is not the same thing as selling them. Depending on your model, CS managers may find opportunities and hand-off to sales. They may handle the opportunities themselves, or they may work with sales in order to sell the opportunity together.

COMMON SALES / CUSTOMER SUCCESS INTERACTION MODELS

Where there are many different models, here is a breakdown of three popular ones.

	SALES HANDOFF (TWO SALES TEAMS)	SALES OWNS EVERYTHING (SUCCESS AS RENEWALS)	FULL COLLABORATION (FLUID DUTY SEPARATION)
NEW CUSTOMER ACQUISITION	Sales	Sales	Sales
SALES HAND OFF TO SUCCESS	0-90 days	Never	Never
RENEWAL	Success	Renewals supports sales	Success, with sales support
EXPANSION, INCIDENTAL	Success	Sales	Success, but both paid
EXPANSION, MAJOR	Success	Sales	Sales, but both paid
CONCEPT	Create two sales teams. One, often transactional team, that's set up to win new customers, and a second team built to expand the existing customer base. In this scenario, the first team's deals become the second team's leads.	Sales owns everything, and their success is measured on new sales, expansions, and renewals. A small renewals team then helps them drive process.	Sales and success are incentivised to work together and to let work flow to the right party. Sales helps on hard renewals. Success takes easy expansions. Comp neutrality is the collaboration lubricant.

MEASURING THE CUSTOMER SUCCESS FUNCTION

Technical support

- Cases/agent and post-case CSAT – ideally increasing cases/agent while maintaining 4.5+ out of 5.0 CSAT rating.
- Cases/customer - ideally declining as result of strong deflection and product/documentation improvements.

Professional services

- Services gross margins – ideally above 0%.
- Post-implementation CSAT of 4+ or 4.5+ depending on difficultly.

Customer success management

- Churn, gross (before expansion) on either ARR or customer count basis
- Churn, net (after expansion) on an ARR basis
- Net retention rate (NRR) – expansion or shrinkage of year-ago cohort on an ARR basis

To avoid penalising CSMs who take on the most at-risk accounts, measure performance relative to a realistic start-of-year forecast for their accounts.

LTV VS. NET RETENTION RATE

There are two different ways of trying to value the installed customer base.

Lifetime value (LTV) = 1/churn * annual contract value

- Average ARR of $50K with 10% churn = $500K LTV
- Often compared to customer acquisition cost (CAC) to contextualise it
- $500K LTV with $100K CAC = 5.0x LTV/CAC ratio
- LTV/CAC benchmarking: good 3.0x, better 5.0x, best 10.0x+

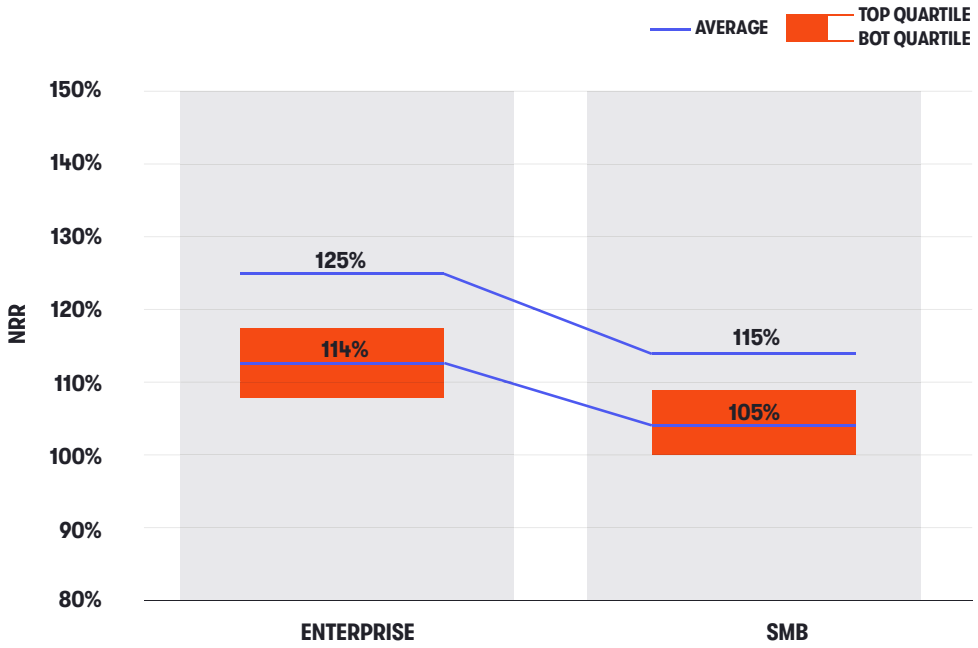
LTV and LTV/CAC analysis have several flaws and increasingly companies are turning to NRR – or as it's also known, net dollar retention (NDR) – as a superior, cohort-based analysis metric.

NRR, also known as net dollar retention (NDR), is a cohort-based analysis.

- NRR = value of year-ago cohort today / value of year-ago cohort one year ago
- If the year-ago cohort was worth $100K a year ago and is worth $116K today, then NRR is 116%
- NRR benchmarking: good 104%, better 110%, best 120%, epic 150%+

(Epic NRRs are typically achieved only by companies using consumption-based pricing such as Twilio or Snowflake.)

Benchmark: Net Retention Rate



LTV / CAC for each percentile

LTV / CAC	PERCENTILE
2-3x	**25% / NEEDS IMPROVEMENT**
3x	**50% / GOOD**
3-5x	**75% / BETTER**
5x+	**90% / BEST**

SHOULD SUCCESS REPORT INTO SALES?

Pros and cons

If the first controversial customer success question is, "should it exist?" the second one is, "if so, should it report into sales?"

Pros of separate customer success organisation

- Focus: sales teams are focused on New ARR, while CS teams are focused on adoption and renewals
- Checks and balances: VP of Success owns a huge number, customer success can call out sales when overselling

Cons of separate customer success organisation

- Non-collaborative: In separate CS and sales functions, sales teams can be less inclined or incentivised to help customer success on hard renewals, while the CS teams aren't on hand to drive easy expansions
- Recruiting: top-quality CRO candidates may insist on owning both functions

As a result, most, but certainly not all, companies integrate sales and customer success if and when they hire an overall revenue owner e.g. CRO.

Titles do not tell all: some CROs are focused only on sales

TO LEARN MORE ABOUT RENEWING / EXPANDING

- Customer Success by Nick Mehta
- Five Organizational Models of Customer Success by GainSight
- The Three Types of CSM by Dave Kellogg
- Eight Causes of Churn by ProfitWell
- Revops Squared SaaS Benchmarks by Ray Rike
- Churn is Dead, Long Live NDR by Dave Kellogg

SECTION 06
MARKETING

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44 To learn more about marketing

Marketing is a complex field which could have its own playbook. This section focuses on the part of marketing closest to sales: demand generation.

THE WORLD'S SHORTEST MARKETING PRIMER

Marketing lives at the intersection of three things:

Business benefits – why buy a product or service?

It provides a solution to business problems, it's better/cheaper/faster and there are customer testimonials as proof

Product differentiation – why buy your product or service?

This comes down to your high-level product positioning, agenda-setting your differentiating features and mapping unique features to customer problems

Buyer priorities – why give my product the time of day?

The best marketing talks to customers about what's important to them. Successful marketers research the areas which top their customers' pain point list and they map these problems to their company's solutions

THE MARKETING FUNNEL

Like sales, marketing has a funnel. It starts with names (or contacts) and finishes with opportunities, which are passed to sales to hopefully become won deals. Below is an example of a marketing funnel.

NAME	A person we found to potentially add to the database.
RESPONSE	A person who responded to a campaign ("hand raiser").
NET NEW LEAD	Not duplicate. Not garbage (e.g. joe@joe.com), within a target market.
MARKETING QUALIFIED LEAD (MQL)	Meets the agreed tests to be passed to SDR. Often some combination of demographic (e.g. CFO title at 500+ person company) and behavioural scoring (e.g. downloaded evaluation guide, attended weekly demo).
STAGE 1 OPPTY	SDR-qualified, usually via some form of BANT qualification.
STAGE 2 OPPTY	Sales-accepted lead (SAL), indicating that a seller concurs it is a valid opportunity.
DEAL	Closed / won opportunities.

(For the definition of BANT qualification, see here.)

MARKETING FUNNEL METRICS

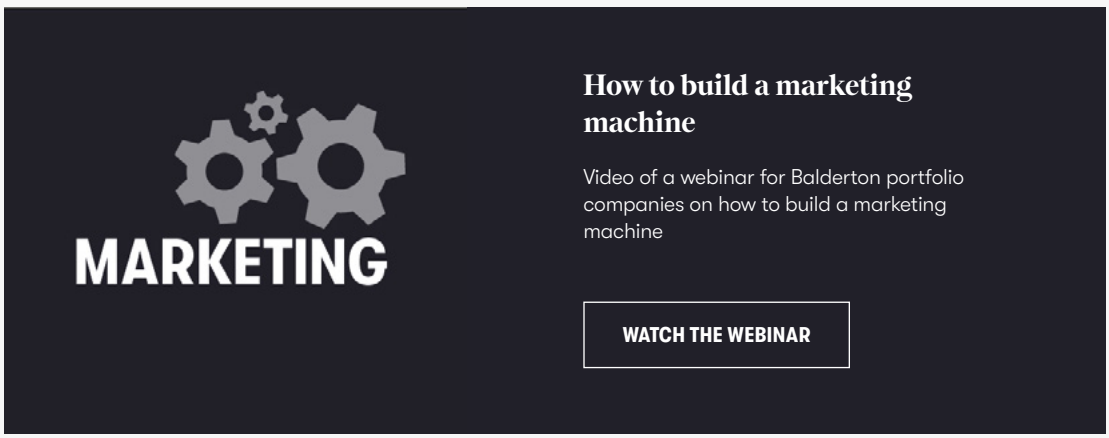
Line		Previous quarters					
		Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	
		4Q Ago	3Q Ago	2Q Ago	1Q Ago	Current Qtr	Comment
	Funnel Milestones - #						
1	Web traffic (unique visitors)	30,000	36,000	43,200	51,840	62,208	
2	Responses	2,000	2,200	2,400	2,600	2,800	
3	Net New Leads	1,200	1,610	1,610	2,340	2,800	
4	MQLs	1,000	1,150	1,400	1,800	2,000	
5	Stage 1 oppties (S1)	95	110	125	145	165	
6	Stage 2 oppties (S2)	67	66	88	94	116	
7	Deals	8	8	10	10	10	
8	Demandgen $ spent ($)	120,000	125,000	140,000	175,000	190,000	
	Cost per milestone - $						
9	Cost/MQL	120	109	100	97	95	
10	Cost/S1 oppty	1,263	1,136	1,120	1,207	1,152	
11	Cost/S2 oppty	1,805	1,894	1,600	1,857	1,645	
12	Cost/deal	10,875	11,875	12,030	12,500	14,000	
	Conversion ratios - %						*Benchmark*
13	MQLs to S1 oppty	10%	10%	9%	8%	8%	*10%*
14	S1 to S2 oppty	70%	60%	70%	65%	70%	*70%*
15	S2 to Close	12%	12%	11%	11%	9%	*20%*

MICROSOFT EXCEL

It's easy to get lost in numbers when looking at marketing funnel metrics so it's best to focus on cost-per rows, particularly cost per Stage-2 (S2) opportunity. It's also best to look first at three high-level conversation rates: MQL to S1, S1 to S2, and S2 to close.

These rates effectively measure both the quality of the inputs and the ability of the organisation to convert them. Marketing owns MQL to S1, SDRs own S1 to S2, and sales own S2 to close.

Note this is a milestone-based analysis, meaning we are counting how many things (e.g. leads, opportunities) pass milestones (e.g. stage-1, stage-2) within a given time period. Cohort-analysis is typically more meaningful but requires the passage of time and is thus a more lagging indicator.



How to build a marketing machine

Video of a webinar for Balderton portfolio companies on how to build a marketing machine

WATCH THE WEBINAR

LEAD NURTURING AND RECYCLED MQLS

Sometimes a lead may qualify as an MQL, get passed to SDR, but then be disqualified

You have probably found the right person at the right company at the wrong time. This suggests you should nurture them until they are ready.

Nurture programmes typically have one or both of two specific goals

The first is to remain top-of-mind with a customer so they think of your company when they are ready to buy. The second, more ambitious goal of nurture, is to accelerate a customer's buying time frame, typically achieved by emphasising the benefits of acting now and/or the risks of waiting until later.

Competitive nurture programmes are designed to win back customers

A special type of nurture track is dedicated to nurturing customers who, in the end, didn't select your company. In such situations, smart sellers recommend the buyer "try and buy" the competition via a short-term contract and then place them on a dedicated nurture track, designed to win them back.

Many companies wait too long to formalise nurture programs

Too many companies just throw leads back into the database, send them a monthly newsletter, and invite them to local events. While better than nothing, this is simply database marketing, not nurture marketing.

The 'recycled' MQL

When a lead emerges from a nurture programme it is typically called a recycled MQL. When good nurture programmes are in place, 20-50% of MQLs may be recycled. This is ultimately why you shouldn't wait too long to set one up and measure it on recycled MQLs.

Nurture programmes often take one of two forms

They can be SDR-led, for high-value leads automated by tools such as Outreach. Alternatively, they are marketing-led, for normal leads automated by tools such as Hubspot.

MARKETING - FUNNEL OR POPCORN MACHINE?

Most people think of marketing as a linear funnel where leads flow from top to bottom.

This is a particularly good way to think about it where simple sales models apply (e.g. basic ecommerce). With more complex models, it's better to think of marketing as a popcorn machine.

Marketing and SDRs keep working on them until they pop!

Example complex models include:

- Multiple buyers
- Each with multiple touches
- Engaging marketing, sales, and partners
- Over a long period of time
- Cycling and recycling as MQLs

MARKETING CHANNEL PERFORMANCE

Line	(First-touch attribution)	Spend ($)	MQLs	S1 Oppties	Cost/MQL ($)	Cost/S1 ($)	Comment
1	Organic	10,000	80	56	125	179	Spend is typically on your SEO program
2	Paid search	20,000	70	35	286	571	
3	Paid social	8,000	50	20	160	400	
4	Content marketing	10,000	90	45	111	222	
5	Webinars	50,000	245	147	204	340	
6	Events and Tradeshows	50,000	750	100	67	500	
7	Field marketing	15,000	-	1	nm	15,000	
8	Total	163,000	1,285	404	127	403	

MICROSOFT EXCEL

Marketers think of campaigns as happening within and across various channels. Charts like those above are often used to determine channel effectiveness - i.e. to find which half of your marketing budget is wasted.

While this is a useful exercise, it is important to understand how credit is attributed to a channel, especially when multiple people are engaging in multiple marketing, sales, and partner touches over time.

These charts can backfire when the audience doesn't understand the data that's being presented. For example, measuring field marketing programmes such as executive dinners via first-touch attribution is likely to result in a poor showing as these are are designed to advance existing deals and rarely, if ever, generate new leads.

This is why it's important marketers clearly explain what's being presented ahead of time. They should then complement this with a quarterly analysis of closed deals to show everyone the reality of their average sales cycle in terms of contacts, time, and touches.

ATTRIBUTION - THE ACHILLES' HEEL OF MEASUREMENT

Imagine a situation where a person has multiple marketing touches before becoming an opportunity. e.g.

- They clicked on a search ad
- They replied yes to a follow-up email webinar invite
- They saw a demonstration at a tradeshow booth

Attribution is about how you credit these marketing campaigns. There is no good answer to the attribution problem, but in general, people use one of three approaches:

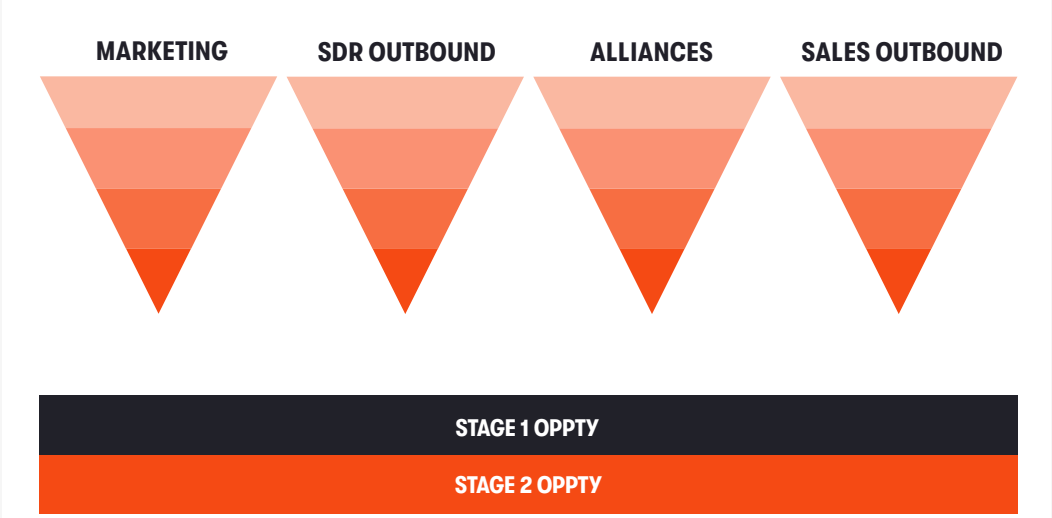
- First-touch attribution – gives all credit to the search ad
- Last-touch attribution – gives all credit to the trade show
- Points-based attribution – accumulates points for each activity and credits back on a pro rata basis

Founders need to understand what they're looking at and act accordingly.

Don't automatically cancel the trade show booth if sales loved the show. For instance, trade shows can help build on first-touch attribution and help move an audience of already-identified buyers towards a deal, instead of just finding new buyers.

FOUR PIPELINE SOURCES

There are generally four sources of pipeline. You should set opportunity generation targets for each of them.



As SaaS companies, marketing usually generates between 50% and 90% of the sales pipeline.

With account-based sales and marketing, outbound SDRs typically generate between and 10% and 30%.

Alliances can generate highly-qualified opportunities, usually accounting for between 10% and 30%.

Most sales managers want sellers, particularly in enterprise models, generating between and 10% and 20%.

Note that while it's fine for executives to think in terms of percentages, it's important to assign quarterly OKRs based on actual targets (i.e. generate 225 Stage-1 opportunities). This focuses people on a more tangible goal (opportunity count) rather than percent mix or pipeline dollars and avoids corner cases (e.g. when the target is missed but the mix is correct).

PIPELINE PROGRESSION

		Pipeline $					Target ($)	Pipeline Coverage		
	Snapshot Date	This Quarter	Next Quarter	N+2 Quarter	All Future Qtrs	Total Pipeline	This Quarter	This Quarter	Next Quarter	N+2 Quarter
Line										
1	01-Jan-21	4,500	5,500	3,000	3,000	16,000	1,700	2.6x	2.8x	1.3x
2	01-Apr-21	5,900	6,500	3,500	2,000	17,900	2,000	3.0x	2.9x	0.9x
3	01-Jul-21	7,500	6,000	4,000	8,000	25,500	2,250	3.3x	1.6x	1.8x
4	01-Oct-21	9,000	5,000	6,000	5,000	25,000	3,750	2.4x	2.2x	1.7x
5	01-Jan-22	7,000	9,000	7,000	6,000	29,000	2,250	3.1x	2.6x	1.8x
6	01-Apr-22	10,000	9,000	6,000	8,000	33,000	3,500	2.9x	2.3x	1.1x

MICROSOFT EXCEL

The above pipeline tracking chart avoids the problem of simply tracking total or rolling four-quarter pipeline (e.g. a back-loaded pipeline looks fine on overall coverage, but leaves you with a short-term struggle).

This chart shows a pipeline snapshot every quarter, its distribution over time (by close date), and shows the coverage ratio to the sales target (i.e. pipeline/target).

This chart is best read by first looking at this– and next–quarter coverage to spot any urgent problems.

Then it should be read diagonally: the 1/1/21 N+2 quarter pipeline becomes the 4/1/21 next-quarter pipeline which becomes the 7/1/21 this-quarter pipeline.

PRODUCT-LED GROWTH: TRIALS AS THE FIFTH PIPELINE SOURCE

Product-led growth (PLG) companies generate large bases of users using trial, free, or discounted product. Open-source companies do the same thing via free or community editions. In these models, the default marketing call-to-action switches from "get demo" to "start trial."

Cross-functional growth teams (e.g. product, product marketing, design, sales) work together to continually improve trial conversion efficiency - from defining gates in the product to user monitoring to drive SDR outreach.

People who use the product frequently, or in a certain way, become product-qualified leads (PQLs).

Marketing thus has a dual role in PLG companies:

1. Driving people to trials
2. Working with the growth team to drive trial conversion into customers or PQLs

In PLG companies, trials become the fifth (and typically primary) pipeline source

Kellblog on Marketing

The section of Dave Kellogg's popular blog dedicated to the topic of marketing

VISIT

TO LEARN MORE ABOUT MARKETING

- The Hubspot Marketing Blog by Hubspot
- Digital Marketing Blog by Neil Patel
- The Content Marketing Institute blog by the CMI
- The Buffer Social Media blog by Buffer
- Kellblog on marketing by Dave Kellogg
- Product-Led Growth by OpenView Partners
- The B2B Marketing Handbook by Robert Bly

SECTION 07
PARTNERING

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47 Types of channels
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49 To learn more about partnering

Partnering is a complex but essential activity sometimes seen as a "dark art" in B2B sales. In this section, we will try to demystify it with a clear introduction to the basics.

GOALS OF PARTNERING IN B2B SALES

GOALS	RESULT
IMPROVE REACH	Get access to customers your direct sales force can't reach (e.g. international distribution).
REDUCE COST OF SALES	Sell more efficiency by enabling others to sell your product or service.
GENERATE PIPELINE	Get referrals into deals (e.g. get your expense management software included as part of a larger finance transformation initiative being led by a systems integrator).
IMPROVE MARKETING EFFICIENCY	Share the cost of marketing campaigns with partners (e.g. joint webinars) or mitigate costs of major events (e.g. selling sponsorships).
EASE SCALING	The ability to hire and onboard salespeople quickly becomes a limiting factor in B2B growth.
DIVERSIFY REVENUE SOURCES	Make overall results more predictable by spreading risk across channels. For example, embedded resale (OEM) agreements can provide a stable keel on your new sales.

TYPES OF PARTNERS

Many people try to classify companies as partners but it's preferable to classify relationships. This is because, as you scale, you will often find you have multiple relationships with a single, partner company.

Take Deloitte as an example. You might have a worldwide SI implementation partner relationship, an embedded OEM relationship in Europe (where they embed your product in a financial solution), and channel sales relationship in Asia where they sell your software outside of packaged solutions.

Partner relationships tend to fall into one of two types:

Alliances – these are partners who collaborate with you, but do not sell your software

They work with you on deals, and may do joint marketing but they do not "take the paper" on customer orders.

Example

- A regional system integrator who refers you into deals in exchange for the right to perform the associated implementation services

Channels – these are partners who sell your software

They sell your software either standalone or as an embedded component in their software. They also "take the paper" on customer orders.

Example
- An international distributor in Japan
- A software vendor who embeds your reporting solution

TYPES OF ALLIANCES

Technology Alliances

These are ecosystem partners who build complementary products that customers use in conjunction with yours.

Example
- A data catalogue vendor's relationship with Snowflake

These typically involve co-marketing, salesforce education, and potentially, referral agreements.

System Integrators

These are services firms that vary from small, focused boutiques to large regional or global system integrators (SIs).

Regardless of size, they make money in the same way — by selling services to implement software or transformation initiatives.

Example
- CFO Solutions (boutique), Slalom (mid-size), Deloitte (Big Four)

These alliances typically co-sell relationships by joint bidding on projects with co-marketing.

TYPES OF CHANNELS

Geographic distributors

Geographic distributors sell your software in a given region or geography, often on an exclusive or de facto exclusive basis.

They are typically used to help you get started in a region where you cannot yet afford to build a direct operation.

Original Equipment Manufacturers (OEMs)

While the term dates back to physical manufacturing (e.g. putting my company's compressors in your refrigerators), the term OEM is still used today in software, with the same conceptual definition: OEMs embed your software in their offering.

These are long-term supplier relationships with a long sales cycle that hopefully result in a "design win." The OEM then develops their product, ships it, and pays your company royalties which are usually a mix of prepaid and ongoing.

These are called "white label" relationships when your product is rebranded. For example, NetSuite Planning for many years was a white label version of Adaptive Planning.

System Integrators (as channels)

System integrators can embed your offering in their packaged solutions.

By default, systems integrators tend to form co-marketing alliances, but over time those relationships may evolve into cases where the SI builds their own packaged solutions and "bakes in" several partner products to them. These are effectively OEM relationship but in the context of solutions, not products. They are rarely white-label.

Two-tier Distributors

Two-tier distributors = master distributors who distribute your software through their own network of resellers.

Typically used to reach small/medium businesses with easy-to-sell products that have pull in the marketplace.

Example

- Ingram Cloud

THE KEY TO PARTNERING: CLARITY

The best partner programmes have clear expectation management

This should cover areas including:

- How and when referral fees are earned (e.g. deal registration systems).
- How the company will manage tricky situations (e.g. multiple integrators each bidding their solution on the same project).

The best channel programmes have clear territories that minimise overlap

Typically, if channel partners don't have their own territories, distinct from direct sales, the end result is cherry-picking (i.e. the best leads are taken by direct sales and only the bad ones are passed onto partners).

Geographic boundaries work well for separating direct and indirect sales (e.g. geographic distributors).

Size floors work well within geographies (e.g. direct sales only to companies about $500M in revenue).

STRATEGIC BUSINESS DEVELOPMENT

At some point, in addition to normal sales-driven partnering activity, many companies decide to invest in potentially game-changing partnerships, such as:

- OEM white label relationships (e.g. NetSuite selling Adaptive Planning)
- Strategic investments

In certain cases, strategic partners can pave the way for the eventual acquisition of the company by the strategic partner.

This so-called "elephant hunting" typically gives access to C-level executives and requires large investments in time and resources, meaning it's usually best done by a separate team.

This avoids priority conflicts between long- and short-term activities that would develop in a single team, and allows the day-to-day partner function to remain highly sales-aligned and accountable.

This function is typically run by a direct report to the CEO with a title such as VP of Strategic Alliances, VP of Business Development, or VP of Corporate Development.

TO LEARN MORE ABOUT PARTNERING

- The Ultimate Guide to Channel Sales by Hubspot
- 10 Things Technology Partnerships Do Well by Hubspot
- Partnerships 101 by Crossbeam
- The Top 12 SaaS Channel Partner Programs by Partnerhub

SECTION 08
PLANNING

51 Key metrics, company level
51 Key company metrics, sales level
52 The seller ramp
52 What is a driver-based planning model?
53 Key metrics: inputs or outputs?
54 Example sales booking capacity model
54 Example sales-linked marketing inverted funnel model
55 The importance of driver-based modelling
55 Thoughts on benchmarks
57 Glideslope planning
57 To learn more about planning

You plan a sales model to converge towards targets for key metrics over time. In this section, we'll discuss those metrics and then show how a driver-based model can be an invaluable tool for planning the evolution of your sales model.

KEY METRICS, COMPANY LEVEL

ARR growth rate: how fast are you growing ARR?

Public companies often do not release ARR and ergo calculate growth on revenue or implied ARR (last quarter subscription revenue * 4)

Customer acquisition cost (CAC) ratio: how much do you spend to acquire $1 of new ARR?

- Net New ARR (inclusive of churn) is a higher bar than New ARR
- New ARR is better measure of sales performance
- Net New ARR is a better measure of company performance
- Public companies often calculate based on revenue or implied ARR and this is almost always calculated on a net basis (as they often release neither ARR nor churn numbers)

CAC payback period = how many months of gross margin are needed to pay back the cost of customer acquisition?

- CAC Payback Period = CAC Ratio / Subscription Gross Margin x 12
- How long is your customer acquisition "money on the table" before you are paid back?

Net revenue retention (NRR): how fast does ARR expand within existing customers?

- ARR of year-ago cohort today / ARR of year-ago cohort a year ago
- Also known as net dollar retention (NDR)

Rule of 40 score = how do you balance growth and profit?

- Rule of 40 score = ARR growth rate + free cash flow (FCF) margin
- Public companies will define growth using revenue; others use EBITDA or operating margin instead of FCF
- This metrics is less meaningful (and less examined) for early-stage companies

KEY COMPANY METRICS, SALES LEVEL

Sales productivity: ARR/ramped-seller

- Most companies model productivity (expected result) and then uplift to quota (seller targets)
- Quota is typically set about 20% higher than expected productivity
- To simplify calculations and ease interpretation, this usually excludes ramping sellers
- Varies by seller type (e.g. enterprise vs. corporate sales)

Quota attainment: Percent of ramped sellers at 80%+ of quota

- Warning: this is a function of cadence
- Example: if you have annual compensation plans, then 80% at 80% is a high but achievable bar on annual basis, but virtually impossible on a quarterly basis
- Some people base this metric on 80% attainment (which typically equals expected productivity) whereas others base it on 100%

THE SELLER RAMP

Target productivity: 250

Future period: Terminated

Line	Name	Hire Date	ARR K$ Quarters Since Starting 1	2	3	4	5	6	7	8	9	10
1	Seller 1	05-Jan-20	-	50	125	350	250	400	300	250	350	225
2	Seller 2	03-Apr-20	75	25	-	100						
3	Seller 3	07-Jun-20	50	150	500	300	300	300	250	275		
4	Seller 4	09-Jun-20	-	-								
5	Seller 5	06-Sep-20	25	100	275	175	200	100	150			
6	Seller 6	11-Oct-20	25	50	75	100	150					
7	Seller 7	10-Nov-20	50	75	200	350	300	250				
8	Seller 8	19-Jan-21	20	50	125	400	350					
9	Seller 9	15-May-21	-	-	75	100						
10	Seller 10	12-Nov-21	-	75	200							
11	Seller 11	01-Dec-21	20	250								
12	Seller 12	15-Jan-22	50									
13	Seller 13	01-Mar-22	-									
14	Average		24	75	175	234	258	263	233	263	350	225
15	% of Target		10%	30%	70%	94%	103%	105%	93%	105%	140%	90%
16	Average 4Q+ prod	251										
17	*% reps at or above target (4Q+)*					*50%*	*67%*	*75%*	*67%*	*100%*	*100%*	–

LINK TO MICROSOFT EXCEL

- This Seller Ramp chart tracks the historical productivity of every seller
- It can be used to determine steady-state seller productivity (average 4Q+ productivity)
- It can also be used to determine seller ramp: imagine the company models sellers doing 0%, 25%, 75% and 100% of their target in their first four quarters. Here you can see the reality is slightly better in the first three quarters (at 10%, 31%, 75%) and slightly worse in the fourth at 91%.

WHAT IS A DRIVER-BASED PLANNING MODEL?

A high-level model that lets you vary key parameters (i.e. the drivers) and see resulting impacts (e.g. key metrics)

This is not a budget. It's a high-level model, meaning it factors in things such as coarse time granularity (quarters, not months), some imprecision (it is approximate), intent (scenario planning, not budgeting – i.e. it does not map to general ledger accounts!), and abstraction (total number of sellers hired vs. one row per seller).

The more a driver-based planning model resembles a budget, the harder it is to use for scenario planning.

A good model should include:

- Sales bookings capacity – given sales hiring, productivity, ramping, and attrition, how much can we sell?
- The ARR leaky bucket – give our sales and churn assumptions what happens to our bucket of ARR?
- High-level P&L – given the ARR bucket and assumptions about S&M, R&D, G&A, and COGS what does the income statement look like?
- Cash – given existing cash, new bookings, renewals, and cash expenses, what does cash look like?

If the columns are months, if it has one row per seller, if you need to copy and paste rows to add new sellers, and to map expenses to general ledger accounts, it's a budget – not a driver-based model

Such budgets are too detailed and cumbersome to meet your planning needs.

FP&A people tend towards driver-based models, while accountants/controllers tend towards budgets.

Read more on the merits of driver-based models.

KEY METRICS: INPUTS OR OUTPUTS?

Sometimes, people get this backwards so let's make it clear: the outputs of the model are key metrics, and the inputs are operational drivers. The model shows you the impact of varying different drivers and their impact on key metrics.

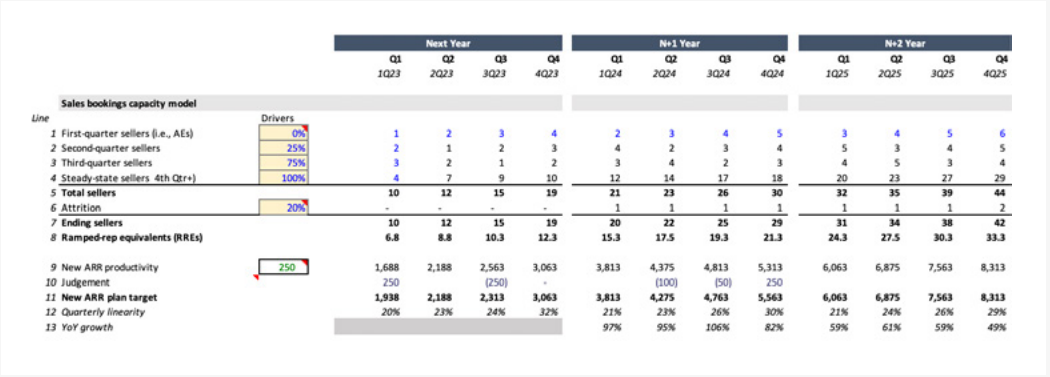
Example Outputs

- New ARR bookings
- Ending ARR and ARR growth
- CAC ratio
- CAC payback period
- Net retention
- Rule of 40 score
- FCF margin

Example Inputs

- Sales productivity
- Sales hiring plan
- Sales attrition
- Expansion %
- Churn %
- Services attach rate
- Subscription and services margins
- Sales staffing, OTEs, and ratios
- Marketing funnel conversion rates and costs
- R&D and G&A %

EXAMPLE SALES BOOKING CAPACITY MODEL



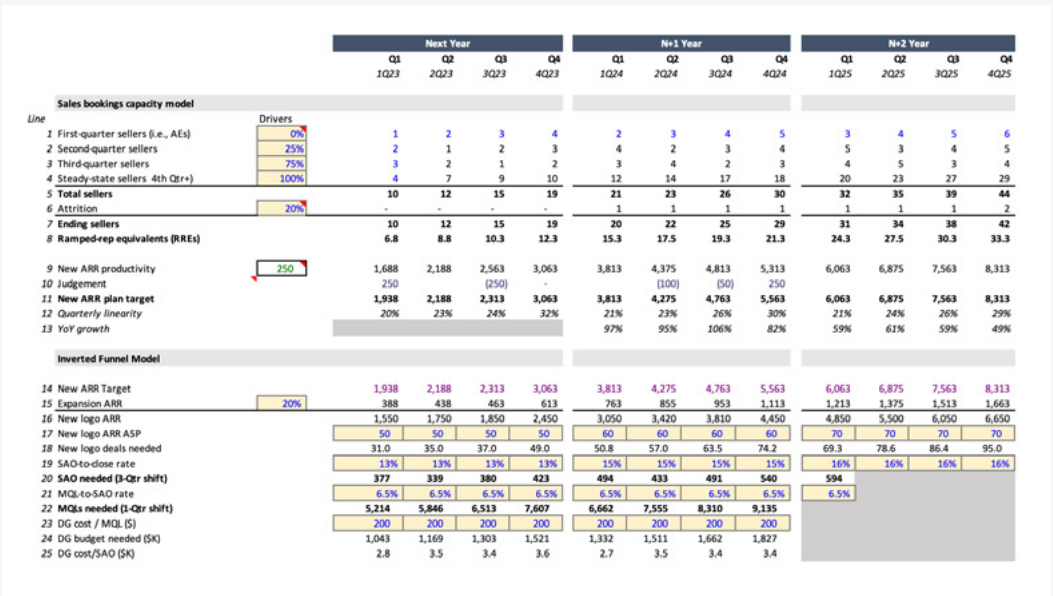
			Next Year				N+1 Year				N+2 Year			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
	Sales bookings capacity model													
Line		Drivers												
1	First-quarter sellers (i.e., AEs)	0%	1	2	3	4	2	3	4	5	3	4	5	6
2	Second-quarter sellers	25%	2	1	2	3	4	2	3	4	5	3	4	5
3	Third-quarter sellers	75%	3	2	1	2	3	4	2	3	4	5	3	4
4	Steady-state sellers 4th Qtr+)	100%	4	7	9	10	12	14	17	18	20	23	27	29
5	**Total sellers**		10	12	15	19	21	23	26	30	32	35	39	44
6	Attrition	20%	-	-	-	-	1	1	1	1	1	1	1	2
7	**Ending sellers**		10	12	15	19	20	22	25	29	31	34	38	42
8	**Ramped-rep equivalents (RREs)**		6.8	8.8	10.3	12.3	15.3	17.5	19.3	21.3	24.3	27.5	30.3	33.3
9	New ARR productivity	250	1,688	2,188	2,563	3,063	3,813	4,375	4,813	5,313	6,063	6,875	7,563	8,313
10	Judgement		250		(250)	-		(100)	(50)	250				
11	**New ARR plan target**		**1,938**	**2,188**	**2,313**	**3,063**	**3,813**	**4,275**	**4,763**	**5,563**	**6,063**	**6,875**	**7,563**	**8,313**
12	*Quarterly linearity*		*20%*	*23%*	*24%*	*32%*	*21%*	*23%*	*26%*	*30%*	*21%*	*24%*	*26%*	*29%*
13	*YoY growth*						*97%*	*95%*	*106%*	*82%*	*59%*	*61%*	*59%*	*49%*

MICROSOFT EXCEL

Above is an example of a simple sales bookings capacity model. A few things to note:

- If you have different types of sellers (e.g. inside, enterprise), you'll need one block like this per type of seller
- This model lets you see the bookings impact of varying drivers like productivity, attrition, ramping, and hiring
- Sometimes companies end up with model wars, where the director of sales ops has one model and the head of finance has another. Compel them to compromise on a single model to end these wars
- The art of building these models is identifying which drivers to use and where and how to approximate - e.g. expansion ARR could be a single top-down number (e.g. % of new ARR from expansion) or it could be an attach-rate to a new product offering

EXAMPLE SALES-LINKED MARKETING INVERTED FUNNEL MODEL



			Next Year				N+1 Year				N+2 Year			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
	Sales bookings capacity model													
Line		Drivers												
1	First-quarter sellers (i.e., AEs)	0%	1	2	3	4	2	3	4	5	3	4	5	6
2	Second-quarter sellers	25%	2	1	2	3	4	2	3	4	5	3	4	5
3	Third-quarter sellers	75%	3	2	1	2	3	4	2	3	4	5	3	4
4	Steady-state sellers 4th Qtr+)	100%	4	7	9	10	12	14	17	18	20	23	27	29
5	**Total sellers**		10	12	15	19	21	23	26	30	32	35	39	44
6	Attrition	20%	-	-	-	-	1	1	1	1	1	1	1	2
7	**Ending sellers**		10	12	15	19	20	22	25	29	31	34	38	42
8	**Ramped-rep equivalents (RREs)**		6.8	8.8	10.3	12.3	15.3	17.5	19.3	21.3	24.3	27.5	30.3	33.3
9	New ARR productivity	250	1,688	2,188	2,563	3,063	3,813	4,375	4,813	5,313	6,063	6,875	7,563	8,313
10	Judgement		250		(250)	-		(100)	(50)	250				
11	**New ARR plan target**		**1,938**	**2,188**	**2,313**	**3,063**	**3,813**	**4,275**	**4,763**	**5,563**	**6,063**	**6,875**	**7,563**	**8,313**
12	*Quarterly linearity*		*20%*	*23%*	*24%*	*32%*	*21%*	*23%*	*26%*	*30%*	*21%*	*24%*	*26%*	*29%*
13	*YoY growth*						*97%*	*95%*	*106%*	*82%*	*59%*	*61%*	*59%*	*49%*
	Inverted Funnel Model													
14	New ARR Target		1,938	2,188	2,313	3,063	3,813	4,275	4,763	5,563	6,063	6,875	7,563	8,313
15	Expansion ARR	20%	388	438	463	613	763	855	953	1,113	1,213	1,375	1,513	1,663
16	New logo ARR		1,550	1,750	1,850	2,450	3,050	3,420	3,810	4,450	4,850	5,500	6,050	6,650
17	New logo ARR ASP		50	50	50	50	60	60	60	60	70	70	70	70
18	New logo deals needed		31.0	35.0	37.0	49.0	50.8	57.0	63.5	74.2	69.3	78.6	86.4	95.0
19	SAO-to-close rate		13%	13%	13%	13%	15%	15%	15%	15%	16%	16%	16%	16%
20	**SAO needed (3-Qtr shift)**		**377**	**339**	**380**	**423**	**494**	**433**	**491**	**540**	**594**			
21	MQL-to-SAO rate		6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%			
22	**MQLs needed (1-Qtr shift)**		**5,214**	**5,846**	**6,513**	**7,607**	**6,662**	**7,555**	**8,310**	**9,135**				
23	DG cost / MQL ($)		200	200	200	200	200	200	200	200				
24	DG budget needed ($K)		1,043	1,169	1,303	1,521	1,332	1,511	1,662	1,827				
25	DG cost/SAO ($K)		2.8	3.5	3.4	3.6	2.7	3.5	3.4	3.4				

MICROSOFT EXCEL

The above model links a sales booking capacity model to a marketing inverted funnel model.

- It phase-shifts opportunity generation by two quarters for the sales cycle and lags opportunity creation by one quarter from MQL creation.
- Calculating opportunities needed along with cost/opportunity enables reverse-engineering the demand-gen portion of the marketing budget.
- It also helps ensure that sufficient pipeline is being generated early enough to support the needs of sales. Timing matters.

THE IMPORTANCE OF DRIVER-BASED MODELLING

Driver-based models are key planning tools that keep you out of the budgeting weeds and help you to understand how the key levers of your business drive your core performance metrics.

Identifying key levers – your choice of model determines your drivers

There is an art to driver-based modelling. For example, consider these different approaches to modelling expansion and sales.

Modelling expansion: annual price increase, usage-expansion assumptions, consumption assumptions, edition upgrades, top-down %.

Modelling sales: seller productivity model, a marketing-to-sales funnel, or a trial conversion rate.

See how they interact

With driver-based modelling, you can easily see the effect on ARR growth of changing sales ramping, turnover, ASP, or sales productivity.

Isolate drivers for operational focus

Example: we can hit our CAC goal if we increase sales productivity from $225K/quarter - now, let's make a plan to do that.

Enable scenario analysis

You can define scenarios by picking logically consistent sets of driver values. For example, mid-market push vs. enterprise expansion.

Establish a three-year trajectory

The top planning mistake is to make an optimistic P&L for Year 1 that under-invests to support growth in year 2. With a three-year model, you are always looking at a longer trajectory to avoid this problem. Don't drive looking at the hood ornament!

THOUGHTS ON BENCHMARKS

Benchmarks are a necessary evil in B2B sales

- They're necessary because they help with comparison to industry norms and can inspire improvement
- Evil because they are easily misinterpreted and/or cherry-picked

To use benchmarks correctly:

- Ensure relevant comparison set (e.g. by size, sales model, ARR size, capital raised)
- Use benchmarks from multiple sources (to help find differences, deepen understanding)
- Don't just focus on the median, look at the distribution
- Remember that metrics are a function of strategy and sales model
- Variances can be offset (e.g. a high CAC could be justified by an exceptional NRR)

Remember that many key metrics are hard to change

- You are unlikely to drop your CAC ratio from 2.2x to 1.1x in a year
- Think about convergence over time

ARR RANGE	$0-5M			$5-10M			$10-20M			$20-50M		
TIER	Avg	Good	Best	Avg	Good	Best	Avg	Good	Best	Avg	Good	Best
Years to upper range	5	4	3	6	5	4	7	6	5	9	7	6
YoY Growth %	175%	209%	282%	129%	158%	188%	96%	110%	138%	69%	80%	114%
GRR	Ent 92% SMB 85%	Ent 96% SMB 90%	Ent 98% SMB 94%	Ent 92% SMB 85%	Ent 96% SMB 90%	Ent 98% SMB 94%	Ent 92% SMB 85%	Ent 96% SMB 90%	Ent 98% SMB 94%	Ent 92% SMB 85%	Ent 96% SMB 90%	Ent 98% SMB 94%
NRR	Ent 114% SMB 105%	Ent 118% SMB 110%	Ent 125% SMB 115%	Ent 114% SMB 105%	Ent 118% SMB 110%	Ent 125% SMB 115%	Ent 114% SMB 105%	Ent 118% SMB 110%	Ent 125% SMB 115%	Ent 114% SMB 105%	Ent 118% SMB 110%	Ent 125% SMB 115%
S&M spend % revs	89%	90%	94%	89%	90%	94%	78%	79%	91%	77%	78%	78%
R&D spend % revs	85%	100%	107%	85%	100%	107%	60%	55%	53%	40%	45%	48%
Magic number	0.5x	1.2x	1.4x	0.5x	1.2x	1.4x	0.6x	0.9x	0.95x	0.7x	0.8x	1.1x
CAC payback	25m	7m	4m	30m	11m	9m	22m	13m	10m	27m	17m	11m

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*Estimates, Benchmarks and Analysis based on our experience with leading European SaaS companies

GLIDESLOPE PLANNING

The below model does glideslope planning, where we create a long-term model and show our glideslope to converge to key targets over time.

Line		2020	2021	2022	2023	2024	Benchmarks			
		Actual	Actual	Plan	Model	Model	Source 1 (ARR size)	Source 2 (Emps)	Source 3 (Capital)	Long-Term Target
	P&L									
7	Revenue	100%	100%	100%	100%	100%				
8	COGS	35%	35%	30%	27%	25%	20%	18%	22%	22%
9	Gross margin	65%	65%	70%	73%	75%	80%	82%	78%	78%
10	S&M	80%	70%	65%	65%	55%	50%	45%	42%	45%
11	R&D	30%	28%	28%	25%	25%	30%	35%	31%	25%
12	G&A	12%	12%	16%	16%	15%	12%	18%	14%	14%
	Total Opex	122%	110%	109%	106%	95%	92%	98%	87%	84%
13	Operating Margin	-57%	-45%	-39%	-33%	-20%	-12%	-16%	-9%	-6%
	KPIs									
14	YoY growth	105%	95%	85%	77%	69%	55%	65%	40%	50%
15	Rule of 40	48%	50%	46%	44%	49%	20%	25%	15%	40%
16	CAC ratio	1.6	1.6	1.5	1.4	1.4	1.1	1.2	0.9	1.2
17	CAC payback period	29.5	29.5	25.7	23.0	22.4	16.5	17.6	13.8	18.5
18	Net revenue retention	125%	123%	120%	118%	116%	104%	110%	115%	120%

MICROSOFT EXCEL

In this model we use multiple benchmarks, past actuals, the current-year plan and the next two year's models to drive a discussion about key metrics, benchmarks, long-term targets, and our convergence to them over time.

TO LEARN MORE ABOUT PLANNING

- KeyBanc SaaS metrics survey by KeyBank
- RevOps Squared SaaS benchmarks by RevOps Squared
- Scale Up by the Numbers by Insight Partners
- OpenView SaaS metrics by OpenView Partners
- Scaling to 100M playbook, by Bessemer Venture Partners
- Opex Engine benchmarking by Bain Capital
- Sirius Decisions (now owned by Forrester)
- Topo (now owned by Gartner)

SECTION 09
APPENDIX

59 QBR metrics and analyses

QBR METRICS AND ANALYSES

Examples of key metrics tables not already presented in the previous sections.

QBR Metrics, ARR

Post-quarter meetings with exec team, sales management, and sellers to review the last quarter and plan for the next.

As you scale, review by territory and/or region.

		Previous quarters					Targets				
		Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22
Line		Qtr-4	Qtr-3	Qtr-2	Qtr-1	Current Qtr	Qtr-4	Qtr-3	Qtr-2	Qtr-1	Current Qtr
	ARR Analysis										
1	New ARR Actual	1,750	2,250	2,750	3,200	3,600					
2	New ARR Plan	1,650	2,350	2,900	3,100	3,500					
3	New ARR % of Plan	106%	96%	95%	103%	103%					
4	YoY growth	103%	89%	80%	85%	106%					
5	Week 3 (W3) New ARR Forecast	1,600	2,100	2,500	3,000	3,400					
6	W3FC/Actual	91%	93%	91%	94%	94%					
7	Churn ARR	250	300	200	400	300					
8	Churn ARR Plan	250	325	175	350	200					
9	Churn ARR % of Plan	100%	92%	114%	114%	150%					
10	Week 3 Churn Forecast	275	325	225	300	340					
11	W3FC/Actual	110%	108%	113%	75%	113%					
12	Ending ARR	6,500	8,450	11,000	13,800	17,100					
13	Ending ARR Plan	6,400	8,325	10,900	13,750	17,150					
14	Ending ARR % of Plan	102%	102%	101%	100%	100%					

QBR Metrics, Pipeline

	Pipeline Conversion and Count										
15	W3 Current-Qtr (CQ) New ARR pipeline	4,455	6,815	9,280	8,680	10,850	2.7	2.9	3.2	2.8	3.1
16	W3 CQ Pipeline Coverage	2.7	2.9	3.2	2.8	3.1					
17	W3 CQ Pipeline Conversion	39%	33%	30%	37%	33%					
18	W3 CQ Oppty Count	25	38	49	48	56	175	180	190	180	195
19	W3 CQ Oppties / Seller	8.5	7.6	9.8	8.0	7.9	3	5	5	6	7
20	W3 All-Qtr (AQ) New ARR Pipeline	11,138	18,401	27,840	24,304	29,295	2.5	2.7	3	2.8	2.7
21	W3 AQ Oppty Count	60	97	150	122	143	185	190	185	200	205
22	W3 AQ Oppties / Seller	20.1	19.4	30.1	20.3	20.4					

MICROSOFT EXCEL

See video: Dave Kellogg, Executive in Residence at Balderton Capital, on how to build a marketing machine

B.

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