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capital

THE FOUNDER'S GUIDE TO B2B SALES:
AN INTRO AND Q&A

Dave Kellogg, Michael Lavner
9 February 2023

WELCOME AND BACKGROUND

- Thank you for attending today's webinar and Q&A

- Launched the Founder's Guide to B2B Sales in November 2022

  - Successor to the B2B Sales Playbook, launched March 2020
  - PDF version now available for download

- Concurrent launch of Balderton Benchmarks (soon TBA)

  - Top-tier European SaaS benchmarking data and tool

- Our goals in producing the guide

  - Help SaaS entrepreneurs build sales and go-to-market
  - Help European SaaS founders build companies -- part of Balderton Build mission
  - Capture and share the knowledge of our SaaS EIR Dave Kellogg

TODAY'S SPEAKERS

DAVE KELLOGG (@KELLBLOG)

- EIR at Balderton Capital
- Author of Kellblog
- 10 years at CEO, CMO and independent director positions

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MICHAEL LAVNER (@MICHAEL_LAVNER)

- Principal at Balderton Capital
- Co-author (with Dave) of Balderton Founder's Guide to B2B Sales

TODAY'S FORMAT

INTRODUCTION (5')

—

PRESENTATION (25')

—

Q&A (30')

WARM MARKET RECEPTION TO THE FOUNDER'S GUIDE TO B2B SALES

"

This isn't just one of the best sales leadership guides I've ever seen, but it's one of the best playbooks I've come across.

Almost everything you need to be a start-up sales leader is in this playbook. Even forecasting spreadsheets.

Dave Kellogg does it again. https://lnkd.in/eZSQzT66

Management is hard, sales management harder. This is a resource to maybe make things a little easier.

"Solid gold"

"Ups your game"

"Folly not to read this"

"Impressive"

"Brilliant"

"My new GTM Bible"

"The ultimate blueprint"

"Comprehensive"

"Fire"

AGENDA FOR TODAY'S PRESENTATION

- **Selling** – the seven things founders should know about sales

- **Building** – how to build a sales force and a sales model

- **Managing** – day to day management of the sales force and pipeline

- **Renewing/expanding** – the role of customer success and sales/success interaction

- **Marketing** – the basics of marketing with an emphasis on pipeline

- **Partnering** – the key types of partners and relationships

- **Planning** – how to plan, with an emphasis on models and metrics

KEY LESSONS IN SELLING

- Get out there and do it

  – The founder/CEO should be your best salesperson

- Sales if 57% listening

  – Despite misconceptions to the contrary

- In one word: be curious

  – There is an entire sales methodology calling Selling Through Curiosity

  – Build skill in asking open-ended (i.e., not yes/no) questions

- Give to get

  – May not come naturally but you must develop this

  – If we build the custom POC, will you ensure the CFO attends?

KEY LESSONS IN BUILDING

- Getting to product-market fit (PMF)

  - Sell **what** to **whom** to solve **which** problem (use-case, persona, solution)

- Beware fundamental tension with early customers

  - Similar enough to pull in same direction, but different enough to prove TAM

  - See Picking Your Customers (you can pick them, or they can pick you)

- Define your first sales model

  - Definition: roles, goals, and ratios

  - Example: AEs have $1M goal, $250K OTE, and ½ SC, ¼ SDR, and 1/6th manager

  - You will likely overlay several models as you grow

KEY LESSONS IN MANAGING

- Management is about cadence

  – Weekly forecast calls, monthly closes, 3x/quarter pipeline scrubs, quarterly business reviews

- Pipeline management is about four fields

  – Value, close date, stage, forecast category

  – Always scrubbing = never scrubbing

- Don't look only in aggregate

  – Averages mask saturated and starving reps

- Make and use a weekly forecast sheet

KEY LESSONS IN RENEWING/EXPANDING

- Clearly identify the role of your customer success team

  – Use <u>self-intro</u> trick: "My name is Dave, and my job is to 1, 2, and 3"

- Encourage collaboration

  – No matter which model you pick, test it for collaboration (dis-)incentives

- In general, make primary goals on renewals in aggregate …

  – Your job is to make portfolio of $X turn into 110% * $X

- And treat CSMs as SDRs for material expansion opportunities

"Be careful what you ask for, you might get it."

KEY LESSONS IN MARKETING

- The world's shortest marketing primer
  - Benefits: why buy one?
  - Differentiation: why buy mine?
  - Priorities: why give me the time of day?
- The marketing funnel
  - Awareness → consideration → trial → purchase
  - Response → net new lead → MQL → opportunity
- Funnel or popcorn machine?
  - Who gets credit for that kernel popping? ("Attribution")
- We make pipeline
  - Track dollars, opportunity count, or both?

MARKETING: PIPELINE PROGRESSION CHART

		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

KEY LESSONS IN PARTNERING

- Working with partners can seem hard, but has many benefits

  – Improve reach, generate pipeline, diversify revenue streams, endorsement

- There are fundamentally two types of partners

  – Those who sell your software (channels) and those who don't (alliances)

- There is one key to partnering: clarity

  – Goals, expectations, and ground rules

  – Example: we seek partners to do quality implementations, help us win deals, bring us new deals, and not introduce the competition into deals

  – Example: we are seeking a *de facto* exclusive reseller and implementation partner in Italy to build our business and invest $X over the next 3 years

KEY LESSONS IN PLANNING

- If you want to raise money you need to care about metrics

  – Top: ARR growth, subscription GM, CAC ratio, CAC Payback Period, NRR

- Metrics aren't just for quarterly business reviews (QBRs)

  – They need to built in (as outputs) in your financial models

- Two driver-based models for every (enterprise SaaS) startup

  – Sales bookings capacity

  – Marketing inverted funnel

- Use benchmarks to drive focus on long-term trajectory

SALES BOOKINGS CAPACITY MODEL

	Drivers	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													
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%

SALES BOOKINGS CAPACITY MODEL LINKED TO MARKETING INVERTED FUNNEL

Line		Drivers	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													
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				

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Q&A

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CONCLUSIONS

- Thank you for joining us today

- We are excited about the Founder's Guide to B2B Sales and its reception

- It's a deep resource with narrative, models, and benchmarks

- We encourage you to read, use, and share it

- Let's continue the conversation

  - https://twitter.com/Kellblog
  - https://twitter.com/Michael_Lavner
  - Comments on https://kellblog.com/2022/11/17/the-balderton-founders-guide-to-b2b-sales/
  - Email dkellogg@balderton.com (can't promise individual responses, but will aggregate and address)

THANK YOU