HOW TO **RAMP GROWTH AFTER YOUR FIRST MAJOR FUNDING ROUND**

A GUIDE FOR CEOS OF VENTURE-BACKED SAAS FIRMS

AUSTIN LAWRENCE GROUP

BUILD SOMETHING BIGGER

CONGRATULATIONS.

Your venture round got funded and you've got a handful of millions in the bank with which to build out your product, organization and dream. Along with the problems you'll help your users to solve, you have a problem of your own: ramping growth to projections made when you were raising money.

If only it was so easy. What follows is a roadmap to dramatically ramping growth post-funding. The assumption is that this is your first or possibly second significant infusion of cash after bootstrapping, contributions from family and friends, and perhaps an angel round. You already have revenues and employees. Investors are counting on you to grow 10x or more over the next two to three years.

Here are the elements of the scale-up from a marketing leader's POV:

- Build out the sales organization
- Build out the marketing organization
- Build out the customer success organization
- Build a tech stack to coordinate everything that touches prospects and customers
- Get closer to your ideal customers
- Build a great product
- Revise and refine messaging until prospects respond as needed
- Experiment with pricing and packaging
- Budget for opportunity generation
- Get the lead generation machine working ALH-ASAP*

* a lot harder, as soon as possible

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HIRING AND TEAM BUILDING

The people you bring in after funding will have a major impact on your success, so we recommend that you start your talent program even before you've closed that first big funding round.

Start building relationships with recruiters and candidates, increasing the intensity of these efforts as fundraising comes closer to fruition. This will position you to act quickly when you are ready; you'll already have a pipeline in place. Depending on how large you plan the organization to be, you might want to start by hiring a dedicated talent leader in your HR area. You also might want to start interviewing agencies that can help drive growth so that when you are funded you know who you want to work with. Agency reviews can take a few weeks to a couple of months – time that becomes more precious each day after funding.
An important thing to keep in mind is that if you're going to expect world-class marketing and sales results, you'll need to build a world-class organization. I can't tell you how many times I've witnessed the harried leader of a one-person marketing department push him - or herself beyond what's reasonable to achieve what isn't actually achievable by one or two people. Use the benchmarks referenced here (OpenView, KeyBanc) to guide your investment in people and the overall budgets you allocate.

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BUILD OUT THE SALES ORGANIZATION

It's possible that you got to your first funding round without a formalized sales function. This could be the result of the founder(s) and early hires working their personal networks or the solution being propagated via open source or freemium models. But for most software companies, there comes a time when a formal and significant sales function will be needed to make the larger sales happen and accelerate the overall pace of revenue generation.

You can benchmark your organization to a relatively wide universe of SaaS companies by downloading resources from OpenView Venture Partners, SaaS Capital, KeyBanc and others. But there also are some rules of thumb you can use. For sales teams, you should figure an average of $1 million to $2 million per rep in annual revenue generation for all but the highest-priced solutions. So, if you need to generate $15 million, you will likely need eight to ten people in sales, plus a capable manager, admin and a couple of sales development reps (the people that help account executives to generate opportunities). While we've written that the SDR model is threatened by the changes brought on by the pandemic, when managed effectively the SDR/AE model can still drive results.

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BUILD OUT THE SALES ORGANIZATION

Two great books to read on contemporary sales techniques are “The Sales Development Playbook” and “Spear Selling.” Between the two of them (available on audio if you want to time shift), you can have a good idea of how you should be managing sales.

Recruiting a seasoned SaaS sales manager – if this person isn’t already on board – is possibly the most important step. From there he or she can build out the organization. During your recruiting be sure to ask how the sales organization would be structured and how sales, marketing and customer success should collaborate and support each other’s goals. Having a shared vision before this person is hired is vitally important.

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BUILD OUT A MARKETING ORGANIZATION

Depending on your stage of development, marketing may own branding, website, lead generation, customer success (do you call it customer service?) and product management, too. Before you got funding these functions were likely underfunded. Now's the time to invest in a team that can manage to the new objectives that came with the new venture funding.

You need a marketing leader who has had responsibility for growing a firm in a similar situation or was the "brilliant right hand" of someone who did the job. In addition to being brilliant in their own right, the ideal candidate should be able to build a team of employees and agency partners quickly and surefootedly. Ask for a 100-day plan, and if they don't have their own template you can suggest ours (download here). We also suggest that you have an onboarding plan for CEOs to use with new CMOs, so you can be as sure as possible that they'll succeed (link here).

If marketing is going to have product management responsibility, then fund a position to own that job and give it enough clout to set (at least a large portion of) priorities for the tech team. You're likely transitioning from "founder-visionary" product management to professionalize this function, and it needs some of your political capital to succeed.

BUILD OUT A MARKETING ORGANIZATION

Depending on your funding level, you're going to need an agency partner or two. SaaS companies require help with content strategy and implementation, marketing and sales automation, paid advertising and public/analyst relations (the last bit depends on the nature of the solution and if analysts are relevant).

Hopefully your business plan included a healthy allocation for marketing and, specifically, traffic generation (paid, social, email and organic) in order to add fuel to the sales effort needed to meet your numbers. OpenView has some good benchmarks, but figure 10-30 percent of ARR, depending on what vertical you're in, should be budgeted. If you haven't spent money on marketing before, the budgets are going to look pretty large in comparison to many other line items… and that's a good thing. If you're to move mountains, you can't do it with a garden shovel.

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BUILD THE CUSTOMER SUCCESS ORGANIZATION

All your demand gen and closed deals will be for naught if you can't keep and upsell your customers. Experienced SaaS operators will attest: Between 50 and 95 percent of customer LTV comes after the sale. Your customer journey map should go beyond the close to include what you're going to do after the initial sale to create the most value for your customer and, therefore, for you. If you can become vital to their success, your success is all but ensured. Read a book like "Chief Customer Officer 2.0" by Jeanne Bliss if this is at all new to you.

Another aspect to maximizing LTV is pricing and packaging. A consumption model, in which greater use of the product and/or more users signing on creates higher cost (and value returned), is one way to approach this important goal. Functional packaging also can get you there (e.g., adding a new module adds to the ARR).

If you're thinking of using a freemium model, you must master customer success and the customer journey as experienced within the product. First-time software entrepreneurs: Please don't underestimate the contribution here to your cash flow and future fundraising multiple.

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BUILD THE TECH STACK TO SUPPORT GROWTH

Technology is a lot like religion. There are adherents to a number of visions for how to do it. We've seen great success for entrepreneur-scale companies that base their marketing, sales and customer success on HubSpot. It is an all-in-one CRM, marketing, sales and service platform that can scale as your needs grow and has an extensive partner ecosystem and open API. Where its native capabilities don't meet your needs, it's usually pretty easy to bolt on the pieces you need.

Among the many things we like about HubSpot:

- Salespeople find the CRM useful and low overhead – so they actually use it, making it easier to get real data out of the tool.
- Marketing can be self-sufficient, and you don't need a programmer or dedicated team to make it work. You can run lead generation, social media, advertising and email out of this powerful all-in-one platform.
- Customer success investments drive more results. A good example is that ticket resolutions can easily be added to a searchable knowledge base.
- It has become ubiquitous, so you can find qualified people (like us) to help you learn the software.
- Its API is very powerful, and there are integration tools like Cyclr, Workato and Jitterbit that make it possible for non-programmers to create a multisystem environment.

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Perhaps most important: You can have this up and running in five to six weeks, versus the months it would take to get set up in a multi-vendor environment.

All of the above is not to say you won't need other things in your bag of tricks. Our marketing and sales tech stack favorites include:

Chat. If you haven't explored what is possible in HubSpot chat, it pays to take some time and really dig in on that before you look further. Drift would be the next choice if you want (and are ready) to take chat and tailored content further.

Email validation. NeverBounce integrates with HubSpot and is used by many in the HubSpot ecosystem. A good alternative might be Kickbox, which also gets high marks.

Email database. We often use RelPro with our clients and find its database accurate and its interface useful. RelPro aggregates data from top sources and has a very responsive customer success team. You might also want to investigate Seamless.ai for the sales team – it has an engaging and easy-to-use interface.

ABM. As people start going back into their offices, you should again be able to target them online via IP addresses. Terminus is a great solution for deploying targeted and customized advertising. If budget is driving the decision, you may want to try it.

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Buyer Enablement. If yours is a deeply considered sale involving a fair number of influencers, factfinders and one or two buyers, it pays to create customer-specific buyer support portals. And since that buying team could change over a six- to 12-month buying cycle, having an idea of who's involved and what content they have consumed could be very helpful to the AEs working these prospects. Check out ProteusEngage to see what's possible here.

Analytics. Hotjar lets you see how users are engaging with the website and landing pages in an intuitive visual environment. This tool is very inexpensive and powerful ($99/mo).

Reporting. The new HubSpot reporting features are quite powerful, and most firms will find a lot of their needs met there. A good next step might be Databox, which has an ever-expanding number of connections to help make sense of your data.

Subscriptions. SaaS companies need to be able to bill subscriptions, and, just as important, experiment with pricing and be able to report on the impacts of these experiments. Solutions like Chargify and Chargebee bubble to the top for most SaaS firms up to as much as $50 million in ARR. You'd be amazed at how many SaaS companies we run into that don't have this kind of software in place. Both of the solutions mentioned here integrate with other software and offer free SaaS KPI analytics by ProfitWell.

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GET EVEN CLOSER TO YOUR CUSTOMERS

You didn't get this far without a product that meets customer needs, but now your growth depends on a wider swath of the total addressable market. You're going from the innovators and early adopters (see the book "Crossing the Chasm," an oldie but goodie on how to ramp growth of the software startup) to a more mainstream audience. What will it take in features, user experience and corporate support to make the proposition more widely applicable and competitive?

Now's the time to build out your product management function and support it with some SaaS tools of its own. You might also start a customer advisory board made up of your ideal customers and perhaps even a few prospects you'd like to close. From the deeper insights you'll gain, you also can adapt your messaging to be more meaningful and to more closely address the pain points your (new) prospects are experiencing.

If you don't have the tech team ready to build out the product on an aggressive timeline, it's time to bring in an outsourced product development team like that at TWG in Toronto. They specialize in building SaaS and can provide services from product management through to customer experience and technology development.

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ACCELERATE GROWTH WITH PRICING AND PACKAGING

As you expand your potential market, it's also an opportunity to experiment with new pricing models and variations of features and function by price. There's ample data from advisors, VCs and others in the SaaS space that pricing offers the opportunity to dramatically increase profits and at the same time make your product more widely accepted.

A few examples:

Reduce churn by packaging and pricing. If you have monthly agreements, moving them to annual can dramatically reduce churn, as will raising your price (see ProfitWell blog on this and other topics). This is more likely to be a pricing strategy for lower-priced SaaS, where facilitating entry to the product is also important (a one-time charge that is too high will reduce conversions).

Increase average sale through psychology. Tiered or good-better-best pricing has been shown effective in raising the ARR of many subscription products, from magazines to software. Testing variations will require either frequent maintenance of the website or a CMS that enables dynamic updates (if you display pricing) or training the sales team to help make the tests happen. Harvard Business Review has a great article on this subject, and ProfitWell offers a deep dive on pricing, including tiered, as does Recurly (they also go into other pricing models, including quantity and usage). Do the research and experiment before committing to any new pricing strategy.

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INVEST IN LEAD GENERATION

There are too many CFOs and CEOs who think sales can generate all of their business opportunities. My observation is that, for the most part, these are people who have not yet run successful scale-ups or are too cautious with investor money. You shouldn't be a spendthrift, but the funds were invested to make things happen. Your investors will benchmark you versus your competitors and the larger SaaS universe and expect that you will invest to drive growth. And since most young companies are burning cash post-investment, your timeline to start posting revenue numbers is, by definition, short.

There are plenty of lifestyle businesses that can post good year-over-year gains of 5 to 15 percent and do this without any significant investment in marketing. There also are the unicorns that did it all on word-of-mouth. And then there is the vast majority of successful SaaS operations that heavily invest in sales and marketing to create a revenue curve that at least resembles the hockey stick from their investor presentations.

This is where an experienced team and agency partners earn their keep. A successful CMO (or right hand) who has seen the movie before will know what to do. They won't be making too many mistakes, and those they do make will be confined, for the most part, to experiments where failure of some kind is anticipated.

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INVEST IN LEAD GENERATION

It's likely that you will need more than one funding round to get to a liquidity event. Future investors in your company will dig deep on how you used prior funding. They, too, will benchmark your choices and outcome achieved versus what was promised. If you didn't invest enough to generate growth, these will be harder conversations.

The most successful CEOs of scale-ups that I've known set aggressive budgets and goals with and for sales and marketing and then got out of the way. They led their companies to IPOs or PE buyouts, creating fabulous wealth for founders and the top management team, by creating the resource-rich environment their teams would need to succeed.

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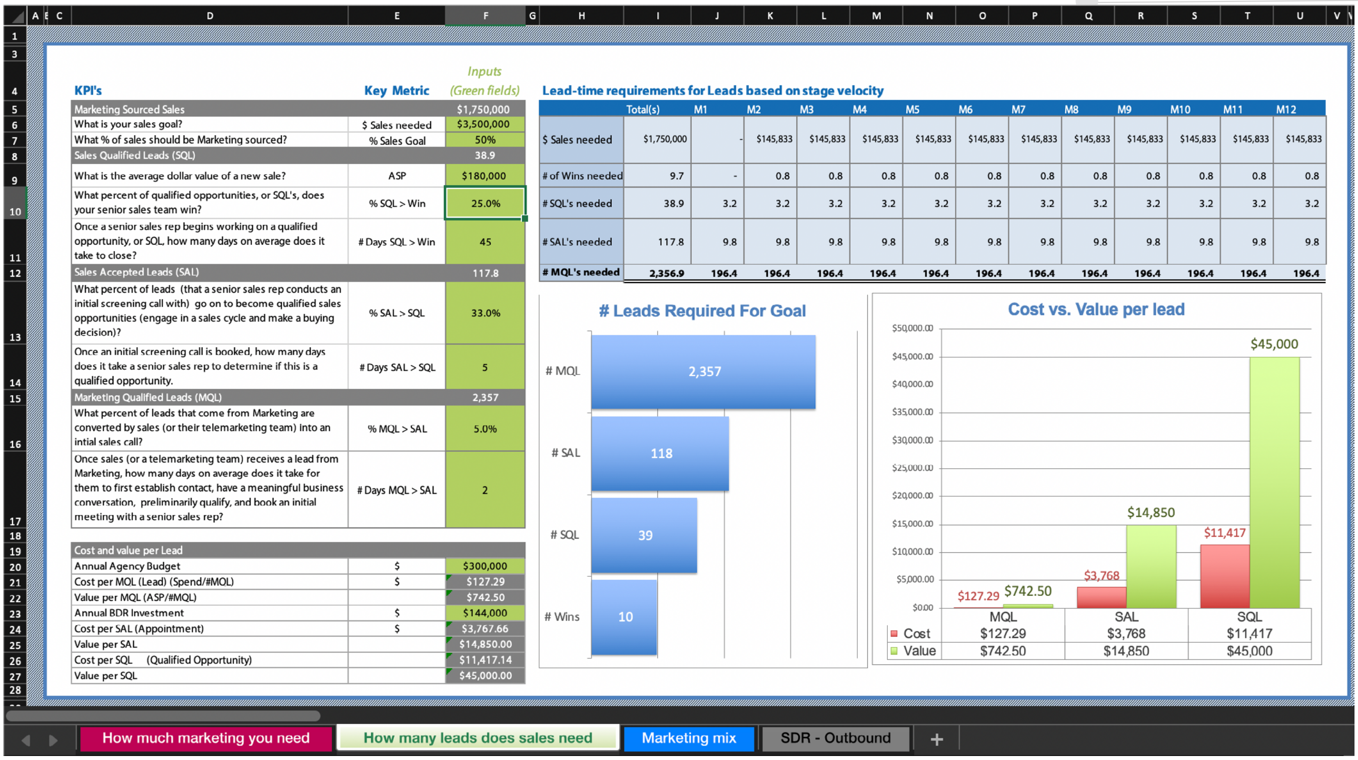
INVEST IN LEAD GENERATION

We have a detailed marketing lead generation ROI model that we're happy to share with SaaS CEOs, CMOs and sales leaders seeking to justify investments in marketing. It requires a bit of data in order to work – but is worth the effort in terms of the information you'll get in return. Email Ken Lempit at kl@austinlawrence.com to learn more.



KPI's	Key Metric	Inputs (Green fields)
Marketing Sourced Sales		$1,750,000
What is your sales goal?	$ Sales needed	$3,500,000
What % of sales should be Marketing sourced?	% Sales Goal	50%
Sales Qualified Leads (SQL)		38.9
What is the average dollar value of a new sale?	ASP	$180,000
What percent of qualified opportunities, or SQL's, does your senior sales team win?	% SQL > Win	25.0%
Once a senior sales rep begins working on a qualified opportunity, or SQL, how many days on average does it take to close?	# Days SQL > Win	45
Sales Accepted Leads (SAL)		117.8
What percent of leads (that a senior sales rep conducts an initial screening call with) go on to become qualified sales opportunities (engage in a sales cycle and make a buying decision)?	% SAL > SQL	33.0%
Once an initial screening call is booked, how many days does it take a senior sales rep to determine if this is a qualified opportunity.	# Days SAL > SQL	5
Marketing Qualified Leads (MQL)		2,357
What percent of leads that come from Marketing are converted by sales (or their telemarketing team) into an intial sales call?	% MQL > SAL	5.0%
Once sales (or a telemarketing team) receives a lead from Marketing, how many days on average does it take for them to first establish contact, have a meaningful business conversation, preliminarily qualify, and book an initial meeting with a senior sales rep?	# Days MQL > SAL	2

Cost and value per Lead		
Annual Agency Budget	$	$300,000
Cost per MQL (Lead) (Spend/#MQL)	$	$127.29
Value per MQL (ASP/#MQL)		$742.50
Annual BDR Investment	$	$144,000
Cost per SAL (Appointment)	$	$3,767.66
Value per SAL		$14,850.00
Cost per SQL (Qualified Opportunity)		$11,417.14
Value per SQL		$45,000.00

Lead-time requirements for Leads based on stage velocity

	Total(s)	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
$ Sales needed	$1,750,000	-	$145,833	$145,833	$145,833	$145,833	$145,833	$145,833	$145,833	$145,833	$145,833	$145,833	$145,833
# of Wins needed	9.7	-	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
# SQL's needed	38.9	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
# SAL's needed	117.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
# MQL's needed	2,356.9	196.4	196.4	196.4	196.4	196.4	196.4	196.4	196.4	196.4	196.4	196.4	196.4

We also recommend that CMOs share marketing investment benchmarks from OpenView and KeyBanc to help contextualize the budget requests they're making.

GET LEAD GENERATION GOING A LOT HARDER, ASAP

What got you to this point won't get you where you want to go. If you've accepted that you need to spend money to generate more opportunity, the next question is, "Where should we invest?" As with many marketing questions about lead generation, the answers are, "That depends" and "Let's test and see what works best."

But there are a few guidelines we can offer as you ramp.

Buy traffic to your content offers. You may not have had much budget for advertising (SEM / pay-per-click, programmatic, etc.). Now's the time to experiment with paid traffic for content offers to see what works for your target. If you sell a low-ARR service (under $5K per year), and the on-ramp is a freemium offer, you can likely drive a fair amount of qualified and reasonably converting traffic with paid media.

The higher your ARR, the harder it is to get bottom-of-funnel with advertising. It's not impossible, just harder. The corollary here is that the higher your ARR, the more you need to focus paid traffic higher in the funnel (fact-gathering and consideration).

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GET LEAD GENERATION GOING A LOT HARDER, ASAP

The good news for higher ARR marketers is that you can more profitably leverage account-based marketing tools like DemandBase and Terminus. These tools place advertising in front of customers by known entity and department, and they are beginning to integrate intent data (analytics on what the companies are in-market for) to add even more relevancy to these tools. You also should investigate Bombora, which is a leader in the intent data space and has integrations with sales and marketing tools to allow you to target your marketing and sales outreach.

Scale email and get smarter about it. It's really important to prime the pump, and along with paid advertising, email offers nearly instant gratification. In addition to a basic email list, you also can get intent data from ZoomInfo, a great source of B2B email lists (I'm sure other vendors offer this, too). Combining in-market intent data with solid contact information can dramatically increase the quality of the increased quantity of leads you generate.

Your email offers will be better received the more targeted they are and the more value they offer. So, in addition to segmenting by intent, vertical market and use case, buy some syndicated research from Forrester or 451 or another respectable outfit. The more complex the sale, the more opportunity there is to use this kind of research to help your buyers make the case for a product like yours.

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Buy or build an ROI model. One of the most powerful lead generation tools is a credible ROI model. If you can't build one on your own, hire Forrester to do so. This won't be inexpensive (think $50K-$100K), but it will be worth its weight in gold. ROI models are really useful for new ways of working but can be applied even in more well-known areas to prove the value of your offer. The leads that come off an ROI model tend to be pretty well qualified, especially if the model is presented in an interactive format that requires some work on the part of the website visitor to get to the results. In conjunction with a white paper that documents the ROI model observations and assumptions, you've got a great resource with which to fire up lead generation.

Get your evangelists online. Do a series of webinars or live streams that not only create audience in the moment but also create assets you can slice and dice to flow into your content marketing plans. Webinar leads vary in sales readiness depending on the content you offer – the more top-of-funnel the content, the less qualified the leads. But for a new company, webinars can be key to establishing credibility and widening the distribution of the message. Here, too, you can buy audience with either consulting firms or media companies that offer a package of content and audience for a price (usually $25K-$50K per event). But these packages include a guarantee of qualified leads, and the numbers can work out well for the right ARR.

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Test self-directed demos. This is especially valuable for high-ARR and relatively complex SaaS. Old-school sales reps will disagree, saying that they should drive the demo. But there is great data from Consensus (formerly DemoChimp) showing that automated demos reduce the time to close and increase the quality of leads that you generate. Where buying is done by larger groups, the data you generate on what they are interested in can be invaluable.

Test in-person paid meetings. When the pandemic subsides, firms like Richmond Events and Argyle Executive Forum will return to live events. These pay-to-play events can put you in direct contact with qualified buyers. Figure $10K-$25K per event when they are live again. We can't comment on the impact of virtual events from these vendors, but it could be worth exploring.

Start a podcast that's relevant to your target buyers. Use the podcast as a business development tool as much as a content marketing play. You can invite executives to be on your podcast a lot more easily than you can get them into a sales presentation, and once they've gotten to know you and your company through this experience, it's a lot easier to get to the sale. This tactic should be good for at least through 2021, and then there may well be too many people doing exactly this. Not unlike the BDR/SDR BASHO emails, every tactic has a limited useful life.

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Build content for buyers, influencers and the C-suite. You probably couldn't afford to build content for everyone at prospect organizations. But now that you're funded, you should be messaging more widely. This is especially true for solutions that start out as a departmental or project-based solution but could make a bid for enterprise-wide adoption. If you want to displace an established vendor for an enterprise deal you will probably need thought leadership content that you can share with CEOs. Often what got you to where you are today won't get you where you want to be... and this is one of those cases.

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WRAPPING IT UP

Getting funded as a young company is exciting. Your vision has been validated. You've got greater possibilities. And you also have greater responsibility. You need to move quickly to ramp the sales and marketing machine to make good on the projections in your investor presentation. Our hope is that this eBook helps you to make some good decisions and provides you with resources to dig deeper.

If you want to explore ramping-up strategies, please email or book a meeting with Ken Lempit, president and chief business builder at Austin Lawrence at this link: https://app.hubspot.com/meetings/kl1

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Thank you.