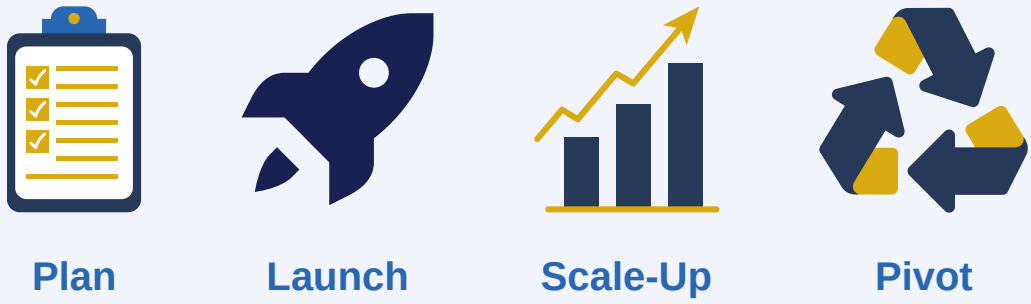
Startups that Scale are Startups that Sell

Valentin Christian Splett



Every CHF in Sales is Worth 10-20 CHF in Investment Capital.
Article co-written with Manuel Hartmann.

A growing number of Swiss corporates, universities, public organizations, and wealth managers are becoming de facto tech investors. State regions and cities open up accelerator programs to get the best and brightest of tomorrow settled in their tax jurisdiction. Academic institutions manage seed funds - not just to grow endowments but also to boost their researcher's´ professional perspectives and get their credentials out in the ring. And large corporates do all of that combined.

However, as the track record of technology-driven ventures evolves, more and more innovators, executives, and investors realize that the single most challenging aspect of every business is to design it to commercial viability and scale. They get the technology working, assemble a sharp and highly motivated core team, get it financed, manage several regulatory aspects,... But then, more often than not, traction is disappointing. Hopefully, our whitepaper will provide you with some aspects of why this happens and what we can do to avoid it.

The Moving Target Problem

Sales is not a science. It is a set of best practices built around psychology, data, and experience. All highly successful organizations we know are sales-driven organizations. That does not mean they run around like Jehovah's Witnesses' bible sales guys. But it means that they relentlessly focus on creating, delivering, and capturing customer value. This comes first, second, and third. Everything else they do is a consequence of that, a means to get to the end.

And this is a complicated problem set, which changes over time as a venture evolves. The early startup sales priorities differ from the ones that arise when you have to scale from $1'000'000 revenue to $5'000'000 or more. And if you are on the market, your task differs from when you are 6-12 months before launch. But both are equally important! Let us try to pinpoint the most important commercial challenges for startups in the Pre-Launch, Launch, and Scale-Up phases:

Phase 1: Pre-Launch

A lot of startups think if they sell their vision Elon Musk-style early on, they will succeed. This is wrong. At the beginning (actually never), you should not shove your ideas down your customer's throat. It is important early on to strike a great balance between getting customers to buy your product, entering partnerships, and getting real, validated market feedback to finalize your sellable solution.

In this phase, verify that each development step is adding value by letting your first customers decide what the first commercial product generation looks like. But product-market-fit goes beyond that. In B2B markets, you are not likely going to sell anything if you cannot help your clients to increase revenue, decrease costs or reduce risk. So, your main job as a Startup Founder is to figure out Product-Market-Fit and scale market traction before running out of money. 80% of startups unfortunately fail at that.

Interested to learn more?
valentin@peakspirit.ch

However, finding Product-Market-Fit is not sold in the same way as selling for an established company with a well-known brand, customer base, and rucksack of sales materials. Before you can launch to close your first 10 customers and then more, you need to figure out a solid business model and build a track record and high trust in your target market.

So a quick recap on what you need to set you up for a successful Phase 2: Identify a relevant, urgent problem to solve and figure out a process on how to reach Product-Market fit quickly.

Phase 2: Launch

So when do you know you reached Product-Market-Fit? The thing is, nobody will tell you “You reached 98% Product-Market-Fit”, and there will be no bells & whistles ringing at any specific point in time. One author decided that Product-Market-Fit will be OK upon signing $100’000 bookings from 20 paying customers for a repeatable service but that is up to you and your situation.

Switzerland bolsters a strong innovation culture, being **recognized even as the world’s most innovative country by WIPO**. The same unfortunately is not true for its sales culture, which is very different and arguably underdeveloped compared to North America. Especially technical B2B Sales is not a subject you learn about in school, at university, in society and even most companies. This makes it very hard to find great sales talent who think and execute like entrepreneurs.

Interested to learn more?
valentin@peakspirit.ch

So this leaves you with a few options as a founder:

1. You try to do everything yourself. But you are already juggling strategy, product development, admin, hiring, and fundraising.
2. You hire a senior sales guy for CHF 150’000+ per year who knows his stuff. But that person is rarely as hungry and hands-on as you need that early employee to be.
3. You hire an affordable junior sales guy who is hungry and hands-on. But without your or external support, that guy will struggle to ramp up sales quickly and set your startup up for a scalable sales organization.

We know a handful of entrepreneurs who sold CHF 1’000’000 annual revenue all by themselves. So Option A) is feasible, but hard and rare to work out. And it has a time component: The longer you execute the day-to-day sales activities yourself, the longer it will take you to effectively reach scalability.

From our experience, option B) is difficult and risky. In a startup, you hire not just for sales skills, but also for entrepreneurial skills and attitude. This much-needed “fire” and “hunger” to build things with the founders is hard to find in combination with 10+ years of sales expertise. Not to mention the (lack of) financial resources required to attract these colleagues.

So what about Option C)? Sales can be taught, learned, and implemented. Unlike neurobiology or quantum physics, it can be done within months, not years. You just need to make sure you equip these young hungry guys & gals with the right “Sales Playbook” and coaching support to ramp up quickly and sell effectively.

Interested to learn more?

valentin@peakspirit.ch

Phase 3: Scale Up

From our understanding, the scale-up phase starts once you go from roughly CHF 500’000-1’000’000 annual revenue to CHF 5’000’000 and more. Most often, this step requires changes to the product, customization, and localization of the business model, and assembling a professional sales team that can conquer the world for you.

The scale-up phase is when you get a grip on the early majority. Depending on the market, you may still be mostly selling to early adopters though). You will have professional customers willing to pay market pricing if you are competitive and have a professional service level.

The scale-up phase is also when the founder-driven sales model starts to implode. There is no way the founders can still make lots of regular sales calls. Also, there is no need as they should focus on key opinion leaders in new markets and key accounts. For that, you need to hire a team of sales guys or gals. And they need to have an incentive structure that aligns with your goals.

Your top target in the scale-up phase is to optimally position the company in the competitive landscape and align your operations with your vision. You are working towards either an exit, a trade sale, a major licensing agreement, or being profitable. In the scale-up phase, you need to prove that this is realistic.

We have seen companies fail in the scale-up phase for several reasons. The single most common mistake is to grow everywhere a little. If you want to extend to new markets via forwarding integration, new regions, new customer segments, etc., you need to pick a few areas for high growth, get your grip on the exact use cases, and value proposition and align your business model with that market segment. And then you need to invest significantly into those few - and nothing else! Walking around spending a few CHF 1´000s here and there will get you growing in the 20% area. Which is fine for an SME, but deadly for the high-growth company we are discussing here.

Interested to learn more?

valentin@peakspirit.ch