How to get your first ten paying customers?

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- Evaluation - VC criterion
- Strategy
  - What about AI/ML ? - any special GTM ?

Tactics

Founder stories

Case study 1. Appsmith

Case study 1 - Appsmith

- Started off as open source - no paid product for two years - Aug 2020 to 2022
- We didn't focus on paying customers, instead we focused on building a product that's useful, retaining developers and helping companies actually problems
- We just focused on making sure our users loved our features, in the beginning
- At some point of time, we started getting a lot of inbound interest from larger companies - who were doubtful of a free product - whether Appsmith would survive or not
- First paying customer came from UK - who wanted to pay for support, so that he could tell his company that there was somebody who he could talk to when things go down - he gave literally a physical cheque ! (since they didn't have Stripe !)
- That's when we realized that if we don't charge, our growth will suffer
- So they started working on features for which customers would pay - SSO and RBAC
- Our first ten customers, came for SSO, they were already using our open source product
- They had like 4000 live customers in open source - so getting 10 customers was not very hard

Case study 2. Slintel

Case study 2 - Slintel

- Conscious effort to not to go to friends and family, it is a very misleading effort
- Looked at our ICP, we went to customers very early even before we did coding, since wanted validation on our ICP. Narrowed our ICPs – company sizes, decision makers
- Looked at 1st and 2nd connections on LinkedIn – not cold outreach
- Came from founders directly – "You are the expert, it would be great if you could help us"
- Few meetings from those who wanted to help founders out – similar background, similar college etc. Just showcase what we were building, thanked them, went back to the drawing board, go back to them after 4-5 months and then request them to see the product.
- If they won't ask how much would cost them. Then we would ask them, if they knew someone who would pay for this ?
- Then a third meeting – all of them were feedback gathering sessions, the more time they invested – the human connection came into play they had invested time in the product and
- Low risk - $1000 pricing, cancel anytime

Case study 3. Spendflo

Spendflo

Product ∨   Solutions ∨   About us   Pricing   Resources ∨   What's New ¹   Login   Get a free savings analysis

Save up to 30% on your SaaS stack. *Or get your money back.*

Get more visibility on your vendors, automate procurement and spend less on every tool with our **SaaS buying and optimization platform.**

3x
ROI guarantee

30k+
hours saved

$50M+
in savings

Case study 3. Spendflo

1. Defined our ICP, by talking to tonnes of people

2. Found our ICP - 75 to 1000 employee high growth companies

3. Then three tactics that helped them find their first 10 customers:

    a. Linkedin - ask for warm intros - friends of friends - 50 - 100 outreaches a day

    b. Finance communities, won the confidence of a customer and they started talking about us in WhatsApp/Slack groups (we asked them to do it)

    c. Investor introductions - every investor that reached out I took the call and added them to my network and outreach as well

Case study 4. Snaptrude
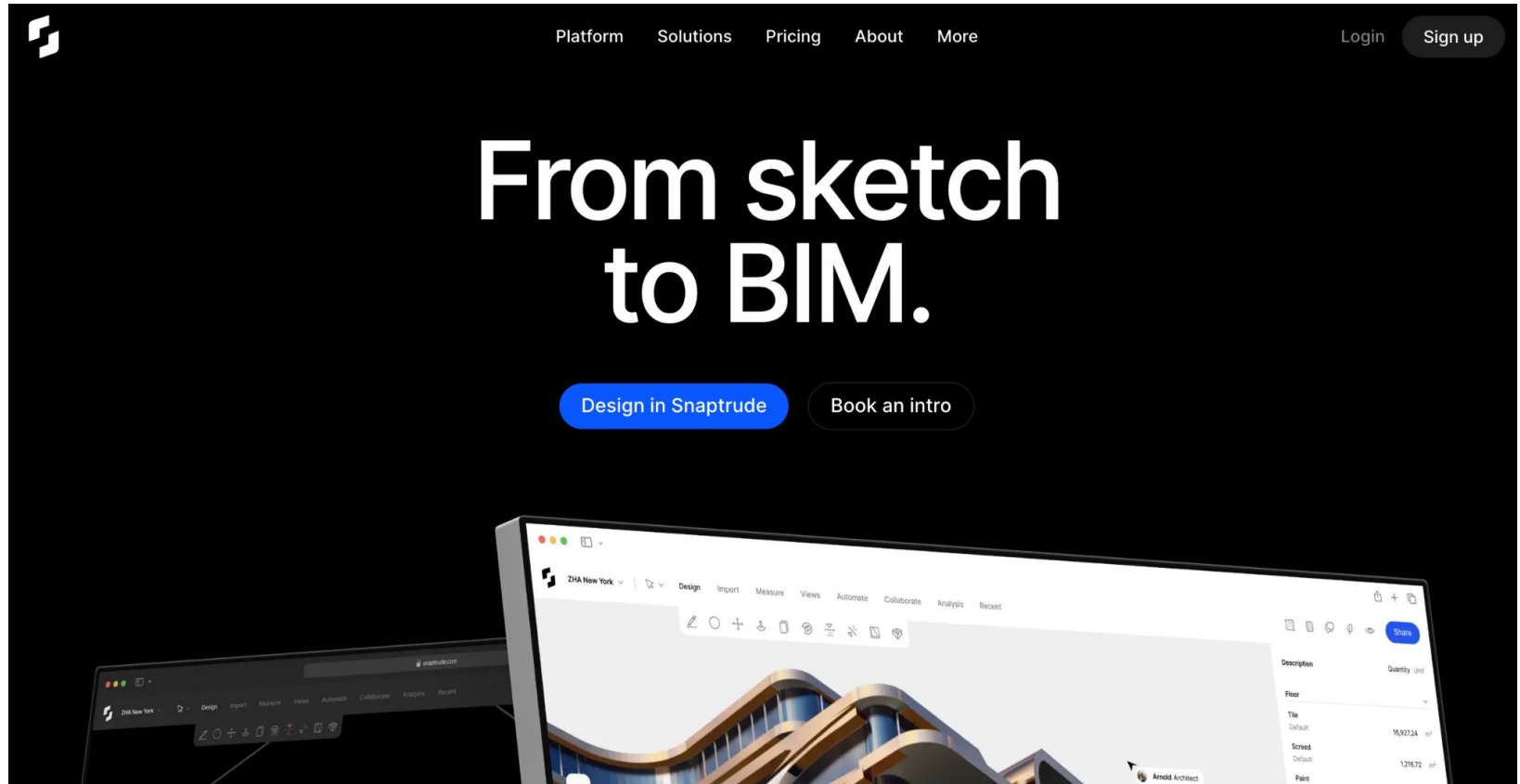
Case study 4 - Snaptrude

- We are in a very antiquated market that has strong legacy tools that have functionality built over decades. Breaking into mission-critical workflows is the hardest as an early-stage startup.
- We threw kitchen sink at the problem, whatever it takes initially. A lot of cold outreach over email, social media outreach, calling people who are signing up for the product, inbound demos from the website, etc.
- What worked eventually was building relationships with these people over the long term where we could build credibility over social media, conferences & tradeshows (attending and not sponsoring), PR and word of mouth from other industry folks, etc.
- Following this people respond to your cold outreach and being positioned as a future of the industry helped (not just by us but other folks in the industry).
- Then, demonstrating value through a trade show-like demo that is personalized to the use workflows, followed by running pilots to demonstrate value, which eventually lead to the first few conversions.

Case study 5. Sprouts.ai

Case study 5. Sprouts.ai - 1/2

We got out first 10 paid customers using the following:
8 came from cold outbound and 2 from inbound.

1. Figure out some ICP definitions to test out. Since we are making BDRs/SDRs 3X more efficient, we used some variables like BDR/SDR headcount, open job postings for BDR/SDR etc. Also, we are integrated with Salesforce/Hubspot, so we used that as a tech stack variable.
2. Create a Target Account List (TAL) and contact list (buyer persona) based on the ICP definition. They can use a basic database like Apollo for the same.
3. Get some basic intent from Crunchbase Pro.

Case study 5. Sprouts.ai - 2/2

Outbound Strategy:
1. Break the TAL into different cohorts based on designation of buyer persona (Director+, Managers etc.), intent, other filters. Then experiment with different scripts and sequences on different cohorts.
    a. Another thing which works well is to map your alumni (work, school) in target accounts and ask them for an intro to the right buyer persona.
    b. Analyze the results and refine the experiments.
2. One important thing is to keep the reach-out scripts as a feedback request rather than a sales pitch. If call goes well, they can ask for a paid PoC.

Inbound strategy:
   a. Ask any investors they have (angels/VCs) for intros.
   b. Figure out right events and meet folks. Ask them to become design partners
   c. See if they are getting any signups from the website or LinkedIn.

Learnings

- Each company has what works for them
- Some similarities:
  - Warm LinkedIn outreach
  - Not a sales pitch but a feedback call
  - Building credibility over long term with multiple touch points

Evaluation

VC criterion

Myth - $1M ARR is good enough to get funded

- In India $1M ARR, is very good
- In US - there are plenty of companies in the $1M ARR range
  - Investors look for $3M+ ARR
- Demonstrating consistency in GTM becomes super important

What VCs want?

- Great retention
- Repeatable & scalable sales model
- High growth
- Efficient

What does it look like in numbers?

	Unremarkable	Good	Excellent	Outlier
ARR	<$500K	~$500K - $1.5M	$1.5M-$2.5M	>$2.5M
LTM ARR Growth (YoY)	<2x	2x-3x	3x-10x	>10x
Net dollar retention	<100%	100-110%	110-130%	>130%
Gross dollar retention	<65%	65-80%	80-95%	>95%
Burn Multiple	>3x	1.75x-3x	1.25x-1.7x	<1.25x
Time to recover CAC (cash basis)	18+ months	9-18 months	3-9 months	<3 months

https://www.mosaicventures.com/patterns/evaluating-saas-metrics

Retention

Net Revenue Retention Rate (%) by ARR Range

https://techcrunch.com/2023/04/18/saas-retention-benchmarks-how-does-your-business-stack-up/

Retention

Net Revenue Retention Rate (%) by ARR Range

Band of VC investment

- 75th Percentile
- Median (○)
- 25th Percentile

ARR range	<$300k	$300k-1m	$1-3m	$3-8m	$8-15m	$15-30m
75th Percentile	79.2%	87.4%	94.2%	98.9%	99.1%	105.3%
Median	57.6%	70.2%	77.9%	82.1%	81.3%	93.4%
25th Percentile	37.8%	48.1%	57.8%	61.0%	66.9%	64.3%

ChartMogul

https://techcrunch.com/2023/04/18/saas-retention-benchmarks-how-does-your-business-stack-up/
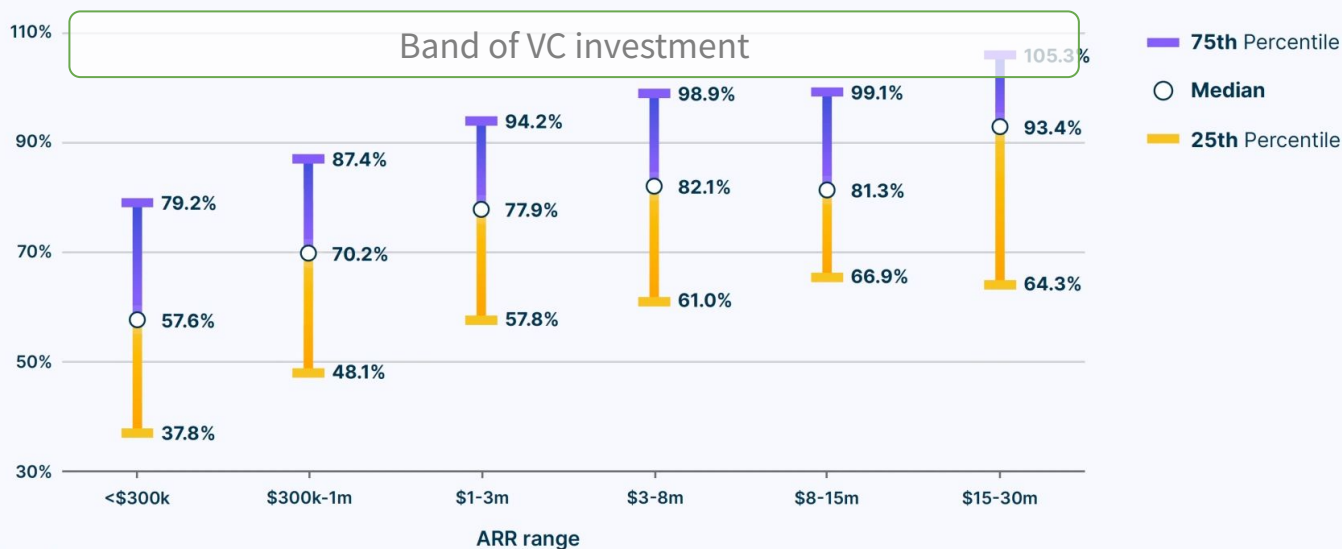
PMF fit == High Retention

- You need to identify the right ICP
- Understand needs of the ICP
- Build the right product for the ICP needs
- Will the ICP pay for the product ?

Strategy

First principle thinking

- What kind of business are you building ?

- Who is your customer ?

- What are the different ways to reach your customers ?

- What are your limitations ?

- Which is the most effective way to get to them ?

What kind of business are you building ?

- Your customer decides your ACV

- Try to target
  - LTV/CAC > 3
  - CAC payback < 12m

Five Ways to Build a $100M SaaS Business

# of customers

To succeed in this segment your product needs to be inherently viral.

Many companies that start with rabbit customers go upmarket to get beyond $10-20M ARR – but not all of them.

Most $100M+ ARR SaaS companies target deer or elephant customers.

A number of large SaaS companies get most of their revenue from whale customers.

ARPA
(Average Revenue Per Account per year)

http://christophjanz.blogspot.com/2019/04/five-years-later-five-ways-to-build-100.html

Your price point drives your sales model

ACV v. Customer Count, n=1087

Field, Inside Sales — INFOSCOUT $160k ACV, 184 Cust

Inside Sales — QUALTRICS $27k ACV, 9k Cust

Low Touch — SWIFTPAGE $1k ACV, 84k Cust

No Touch — JOTFORM $300 ACV, 180k Cust

HOOTSUITE $9 ACV, 16M Cust

Y-axis (ANNUAL CONTRACT VALUE): $1, $10, $100, $1,000, $10,000, $100,00, $1 M, $10 M

X-axis (CUSTOMER COUNT): 1, 10, 100, 1,00, 10,00, 100,00, 1 M, 10 M, 100 M
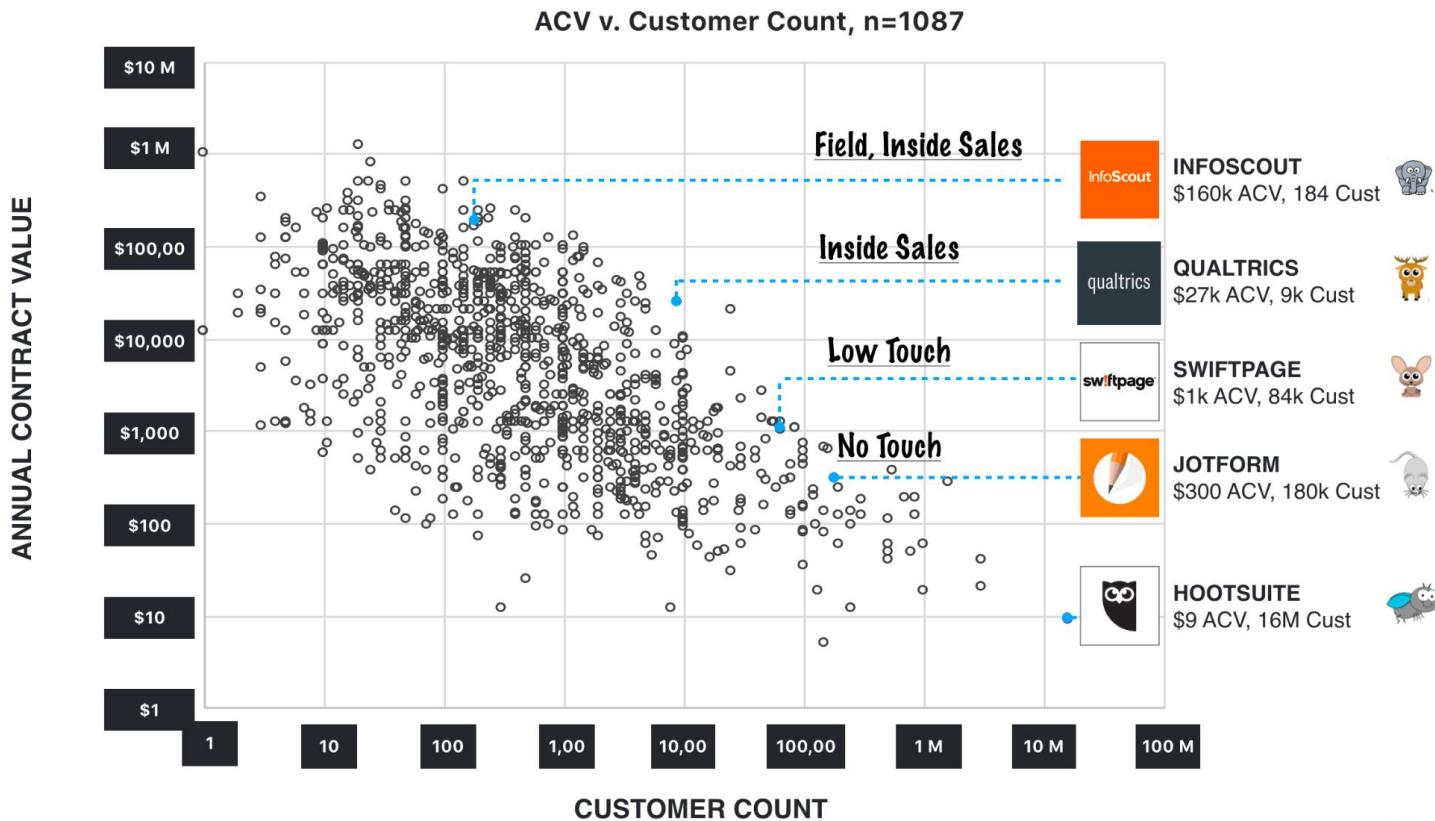
Your ACV decides your GTM approach

Contract value ($)	Viable GTM approach
<1k	Self-service / zero-touch
1k-3k	Low-touch / small onboarding support from Sales or CS
3k-6k	Often difficult: low ACV but typically requires human contact
6-20k	Largely inbound / marketing driven, potentially 1-touch inside sales
20k-50k	Two-step (SDR+AE), blend of inside / field / channel sales
50k-100k	Repeatable field sales: pod structure (SDR+AE+CS)
100k+	Field sales, typically federated / divisionally run, often with key GTM partners

Which channel to use ?

- LinkedIn warm intros in the beginning
- Then email marketing
- Content marketing / SEO good to invest in, pay for long term - but take 6-12 months to start paying
- Events also good to invest in - meet customers in person

Marketing Channels Used To Generate Demand

Channel	Percentage
Email marketing	89.2%
Content marketing	82.1%
SEO	79.2%
Conference / trade show booths	70.8%
Paid search	65.4%
Press & public relations	64.2%
Paid social media	58.3%
Outbound calling	57.1%
Retargeting	53.8%
Partner marketing	50.0%
Display advertising	48.8%
TV, radio, and print ads	24.2%
Video advertising	20.4%

https://userpilot.com/blog/best-gtm-strategy-examples-saas/

Final notes

- First ten customers are super critical as design partners
- Choose your initial customers wisely
- Build towards a good GTM motion

END