Winning Metrics
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You can't fix what you can't measure. So picking your metrics properly is key.

Your metrics you track and optimize in a startup need to map to the important things that winning startups do:

- First you find an unmet need of a large group of people and you wow them with your solution.
- Then you figure out how to sell it to them for far more than what is costs you to reach them.

Winning Metric 0 (WM0). Does it work?
Is your product live and are customers able to use the basic functionality successfully.
This is Winning Metric 0

Then, do users love your product/service?

WM1. NPS, Net Promoter Score.
Question 1: "How likely are you to refer Newco to your friends and colleagues?"
https://www.netpromoter.com/know/
https://delighted.com/ is a great service to use to capture this info

If they answer "very likely", ask them "why?". These are areas you can feature in marketing
If they answer "very unlikely", ask them "why?". These are the things you need to fix.

WM2. Retention asympote chart
https://drive.google.com/file/d/1qNw97gEetj21caR2u4UZLUVP76Bs50zX/view?usp=sharing

It is easy to produce these charts in Looker.com. X axis is months since acquisition. Y axis is % retained. The asymptote tells you what % of your acquired users are long time loyal users. The higher the asymptote the better. The slope in getting to the asymptote tells you a lot about if you are promoting your service to the right target audience and if it resonates post signup. Plot the most recent month of acquisitions in the darkest blue, then go one shade lighter for each prior month, that way you can easily see if you are getting better, if the asymptote is getting higher and the slope is shallower.

Many startups succeed by attacking markets where the incumbents have negative NPS and inefficient business models. Your customer obsession on NPS and retention and continuing to work to optimize it will keep you focused.

WM3: CAC Doubling Time. CACD. aka will customers pay you far more than it costs you to reach them? Also known a Unit Economics.
More detail here.

99% of startups fail because of WM3. The product works, but they can't find a way to get it to market cost-effectively.

For VC-backed companies, you need to find a channel that is both cost-effective and scalable.

For b2c companies, your channels might be google and facebook online advertising, affiliate/influencers, etc.
So you look at your CAC, customer acquisition cost, of acquiring one user through facebook ads. Then look at how many months it takes to recover 2x that amount back in cumulative gross margin from that user. And what is the cumulative gross margin over the life of the customer (the LTV, life time value) and compare that to the cost of CAC. The shorter your **CAC Doubling Time** is, the better your business, the less VC $ you need, the faster you get to $100M revenue and IPO, and the more valuable the business is.

If your CACD is 8 months or less, and your LTV/CAC is 5x+, you have a great business. Every month you can take off your doubling time, the better.

Facebook as a channel for scalable and cost-effective customer acquisition has been the core driver of the last 10 years of VC success in b2c companies. But it is now showing signs of not working as well anymore. The cost-per-clicks have gone up a ton, doubling in the last year. If they double again, most b2c VC-backed startups won't be able to use facebook as a channel, and the bull market in b2c startups will come to an end.

If facebook works for you, go for it. When you get to $1M a month spend, start looking hard at digital TV. TV is targetable now digitally and is working for my startups who have gotten to big scale and the combo of tv + facebook is working for folks with $1M+ spend per month.

For b2b companies, your channel is a human sales rep team.
So your unit of investment is the ~$350k per year you spend on the account exec, the SDR, the lead gen, and part of a sales engineer. So you need a rep team who hits quota to sell about $1M of new annual recurring revenue per year, 3x their cost for a good cac doubling time. Not all new rep teams will hit quota, there is a 3 month lag to hitting quota, and you have sales and

marketing leadership overhead. So if a team hitting quota hits $1M a year, 3x their cost, the overall sales team will turn $1 of S&M spend into $1 of new annual recurring revenue which works. This is Salesforce.com's math.   If you can be twice as efficient, way better. $1M of new ARR for a year of selling means a rep team needs to close ~$80k/mo in new ARR for each month of sales effort, that is about $7k of new MRR, monthly recurring revenue, sold each month.

So if you are founder with a b2b model, the founder should act like the first sales rep and try to hit $7k of new MRR three months in a row. If you do that, then you are ready to start adding sales reps. Add 2 reps. Then double to 4, then 8, then 16 etc until you have $100m of ARR, monitoring your cost per team vs quota acheivement each time you double to make sure the 3x is holding.

Today there is a very easy way to accomplish all this on b2b companies thanks to PivotNorth portfolio company, Whoknows.com. They offer sales-as-a-service and can do everything to help you get your first rep hitting $7k/mo nMRR and ramp to 100s of reps. Reach out to Chris@whoknows.com

B2c startups can use whoknows for influencer marketing too. You use them to reach out to influencers, get them their affiliate code and rev share 20% of first two year revenue with the affiliates/influencers. Put one and whoknows on it early in Seed, monitor how many influencers can be signed per month and how effective they are at signing up customers. If one year of effort there drives $1M of new ARR, then scale that up 100x.

Virality

Some services are inherently viral: in order to use the service it involves inviting others into the service to use the service. Think venmo. It only works for you if you send money to friends who also have venmo.

If you have this inherent virality, work hard to get your kfactor over 1.0.   If one user comes on, how many of those are inviters, and how many invites go out, and what % of those invites result in convertion to a user.   Multiply all that to get your kfactor. If each user causes 1.1 new users to come on each time through the viral loop, then you grow exponentially fast without spending on paid acquisition.

I recommend founders print out screen shots of each of the pages of their service/app and tape them to a whiteboard. Then circle the call to action that drives conversion to the next page/step and draw a line to what page it goes to. Make sure the viral loop is end-to-end closed, then track each step in the viral loop and look for bottlenecks, then go to work a/b testing how to remove the bottlenecks.

Timelines

Once you are seeing high NPS and retention, plan for about 6 months of very scientific weekly a/b testing interations to get the CAC Doubling Time and viral loop working. If you do it systematically, you will know in six months whether you have a cost-effective and scalable channel. If you do, you have a business. If not, you need to pivot…

If you go to an investor with good NPS, good retention, and short CAC doubling times you are fundable. Each successive round of investment is just to fund more of what is already working on the CAC spend.

When you have a big unmet need, some happy customers, and early signs of retention, you can raise a Seed.

On the seed you get the unit economics working and get to $1M ARR runrate to raise the A.

Then on the A you get to $5M ARR runrate to raise the B.

Use the B to get to $30M runrate to raise the C.

Then go public when you hit $100M ARR runrate.

If your CAC doubling times are very short, you can skip one or more of these rounds, get breakeven and then run at breakeven to get to $100M revenue ever faster and own more of your company.

If WM0-3 work, you have product/market/channel fit

So
WM4: How far have you scaled your working unit economics?
Once WM0 works, then you work on WM1/2/3.
Once WM0/1/2/3 all work, then you move to WM4, scaling up to $1M, then $5M, then $30M, then $100M ARR.