Context: I have $20,000 and I want to grow my business. How should I spend this money.

Jeff Curie Advice: I’d say specialize. Specialize in certain companies that are high growth. Build deep relationships one-on-one and learn who they are hiring most of, then go recruit those people pro-actively. Invest in the relationships until there are 50 companies that hire frequently that always reach out to you first.

It’s about follow-on business. Follow-on business is very cheap to get. New business is very expensive.

Context: Could I shift to product-led growth?

Jeff Curie Advice: Product Led means designing the product features to pull the user towards wanting to pay for important features. It requires a lot of micro experiments and a good understanding of your core value proposition. Usually it’s a freemium sale – you give something away that people really like and socialize. But you hold something else back that makes the free thing truly useful and worth paying for. You have a head start if your product is shared virally. Adding more users makes it more valuable. You need a product leader who is skilled at testing ideas quickly to figure out a formula that works.

Context: What will angel investors want to see from my business:

With a few exceptions, you need to prove to the investors that there is a market that will pay for your offering. You should demonstrate and explain a believable future sales projection that can build a competitive company that has a shot at growing to at least $50M in sales, preferably much higher.

It’s not like shark tank. Angels aren’t wildly rich folks with money to burn. Some Angels do have tons of wealth, but many are successful entrepreneurs who invest some of their earnings into future startups. They don’t splash around money, they are investors of their own hard-earned savings. Angels care a lot about what they invest in because it’s a meaningful piece of their families hard earned savings. You are asking, as hundreds of other companies are, for a few investor to take their family’s savings and give it to you and buy a sliver of your company. Investors only agree to this if they believe that someday in 7-10 year, you are going to have built a great company and sold it to another company for a lot of money.

# Context: Please suggest some books related to startups

Start with the Lean Startup. Fast iteration and learning is the key to going from idea to valued product. Vet your ideas as fast and cheap as you can - before you lock into one and spend a few years realizing it’s a dud.

Context: On closing enterprise software sales

Each year a company doesn’t do very many initiatives that take coordination and time commitments from the employees. Sounds like your solution is one of those. Either you need to justify that your solution should be a top 4 project next year and a budget allocated for it, or you need to take the friction out of the trial and purchase. Is there a way that a single person can prove to themselves how much impact it will have? If you can, that person would be your likely champion to convince their boss and the people who can approve budget, that this solution is important and impactful. If they can then just buy a little of it to start and get value, you can grow the account from a small initial investment. Either way, you need an ROI that you can explain simply so they can understand how they get their investment back quickly if they deploy your tool.

Enterprise sales take patience and deep understanding of how the customer works. Could take several years to get budget approved unless there is some kind of pressure forcing them to change and make an investment.

Context: What’s the hardest thing about bootstrapping a startup?

Spending your time and money wisely. It takes a lot of discipline to keep you endeavor pointed and moving in the right direction. There are so many tasks pulling on you and so many reasons to spend money out of order. Saying no to yourself and others and keeping the discipline was key to me. I found it helpful setting quarterly milestones that linked together to build an entire business.

Let’s say your goal is to have 1 paying customer in 1 year. Breakdown what goes into that and assign it to a quarter. You need a contract, a product, a price concept, several pipeline opportunties, enough money to do it all. Maybe you need a lawyer, an incorporation, a cap table. Make the list and work the list. Every Sunday, look at the goals and say “What are the 3 things I have absolutely got to finish this week to keep on schedule.” Then do those first.

It’s so easy to get sidetracked by others and by your own prejudices and desires. I don’t know how many times I wanted to do the stuff I like to do, and ignored the stuff that I had to do but hate. How many features I knew were killer but had no customer asking for. It’s all a distraction.

Laser focus.

Context: What’s the difference being CEO of a SaaS versus an agency?

I generally agree with this. I’ve done both and helped coach companies that are agencies but want to add a SaaS. As you say, they are very different. Agencies are successful if everyone is billing 85% of their time to a customer project. Creating a SaaS business will require several people to bill $0 time to focus on developing, marketing, selling and supporting a product. The leadership has to run both businesses simultaneously for years while SaaS business becomes large enough to stand on it’s own. Then what? An agencies sells for 2x revenue. A SaaS for 8x. Do you fire all those agencies people and just go SaaS or do you run two parallel businesses that operate differently, use profits differently, have different valuations, and require hiring different kinds of people.

9 times out of 10, the agency remains the dominant businesses and the SaaS never grows too much because leadership just can’t run two different businesses well at the same time.

Context: How to start with marketing

Assuming you have already achieved product-market fit, then you know who values your product and exactly why they value it. If you don’t know that, then go figure it out yourself. You can’t outsource that to anyone.

If you know, then create an Ideal Client Profile. That includes “what’s their title, where do they learn about new products, what events do they attend, what budget do they have, what other products do they buy, what do they read.” Those answers will tell you what your message is and where to get that message to your prospects.

As others have said, go where your prospects are concentrated. Paid ads are the last thing you want to spend on until you have everything dialed in.

Social media can be a relatively inexpensive way to do it - if you can do it yourself. But it entirely depends on who you think will love+pay for your product. You need to make a list of those people and it depends entirely on your product. Is it home gardeners living in apartments, unemployed teenagers in China, or duck hunters? Market segmentation is nearly infinite and it’s key to understand. List your targets and think of ways to get objective input from those specific people. Iterate through the list and figure out which group is the best fit, is accessible to you, and large enough to build a business upon.

To objectively determine PMF, the most definitive way is to give it to them and monitor their usage. For software based products, that’s not too hard. Is usage increasing each day? What feature do they use the most? For a physical product, you need to get directly to them and see what happens when they look at it.

For any product you should determine a couple of key things. Are they sharing it with others? If you ask them to pay for it, what percentage will pay and who will walk away? If you take it away from them, are the pissed off or sad to lose it?

Context: What to look for in a VP Sales

Assuming you’re B2B….Just because you have a sale doesn’t mean you are ready for a salesperson. If you have 5 sales for the exact same product to similar customers then think out whether a sales person who doesn’t know your customers could successfully run with this and kill their quota. If they need to be an insider to manage on their own, then recruit a top performer (not the VP, rather the hungry person who is up and coming but who knows how to recruit more people that are good too) at a competitor or adjacent company selling a similar price point to similar user groups.

Don’t hire somebody from a big company who has never been in a small startup before. They will very likely fail because you have no help for them. They need to know how to market, win and close your customers from the live meetings and contracts, to creating the sales tools they need.

Context: Why I like the SaaS model

If you buy, sell or invest in software products then you definitely know it. It’s primarily known to be a subscription model for buying software. Many other products that you can subscribe to have used the \*aaS to differentiate themselves from other companies that use a license model.

For software companies it has huge strategic benefits. First you only have one version of software that all customer used from a cheap scalable cloud infrastructure, rather than a several different versions of software that many companies installed on their own computers. Having your customers install your software on their own machines is nightmarish for your support teams. Issues like backwards compatibility weigh down your software development team. Second, subscriptions models make revenue more predictable (and that’s valued by investors) while license-model companies have revenue bounce up and down from month to month. Smooth vs lumpy revenue.

ARR models typically result in higher margin businesses with a built in tail (the recurring revenue part). Because of this they are high return and lower risk to an acquirer. And the acquirer pays more for them as a multiple of revenue or EBITDA. Hence a great way to build a software company that will exit for higher returns in the future.

Context: What’s the goal of an MVP?

The reality is that your MVP is probably going to reveal that you have the problem wrong and will then start to pivot to creating the right solution. You want to learn this as fast and cheap as possible. What you learn could change your architecture. Keep lean and testing until you have it right, then see what you really need to scale. My 2 cents. Lots of founders over engineer their first idea and then find out that wasted that time instead of discovering what the ‘right’ product and business model is to win the customers.

I’ve built several software companies from scratch or from a spin-off project. In each, we found that we had to pretty much rebuild the product from scratch at least once. We got the product out the door and captured a few customers but then we started re-architecting into a scalable system knowing what the customers wanted and particular needs to cater to the market. One system was just too slow, one was monolithic, one didn’t have the security architecture. When we started, we just wanted to prove we could sell our solution but then when we learned where the market was that really liked the system we adapted it to their needs. Wall Street, for example, had specific security needs that others didn’t so we had to address those needs to sell more.

At this stage, architecture doesn’t matter. Launch a MVP with whatever basic architecture you can build. Users do not care about your architecture, they care only about the value addition.

In fact, after the MVP to prove product-market fit, the first version of SaaS products are still quick and dirty with lots of technical debt. And that’s OK. At some point, there will be a top to bottom re-architecture but this can wait until you have enough customers to really see where this is going and where you need to optimize to meet the need.

Context: On testing your MVP and Product-Market Fit

It doesn’t matter what lookie-loos say. It only matters what actual customers say. Go find out exactly who needs your tool and see if they will buy it. If they won’t pay money for it, then you either need to ask them what their ‘real problem’ is, or find a different customer.

Make phone calls, go to user groups, walk the floor at conferences. You have to talk to people in person at this stage. Comments left in Forums and Reddit aren’t very helpful and will send you off in random directions. Hopefully you built the tools for a reason and there are other people who have a real pain that your tool solves.

Context: One of Many Strategies to Launch a Company

Glad that’s helpful. If you can produce revenue right away and pump that back into the company, that’s great. It means you need less capital to grow and less dilution to the early share holders. That’s the way it should work. It’s a great story if you can say ‘we intend to be profitable with the first product starting in year X. As we generate revenue we will reinvest it into getting product 2 underway. This line of business will be profitable in Year Y. So each business helps bootstrap the next, you just need enough capital to start the flywheel. Of course, each would probably cost less to operate since you will essentially just be adding new ingredients to your operations and sales infrastructure. Ideally your customers will buy multiple products from you so you are up selling them and increase the average sales to each customer. That’s ideal. It’s much cheaper to sell something new to an existing customer, than to land a brand new customer.

At least that’s what I’m hearing from you.

The more you can show that you have evidence it will work the better. Here’s ideas from good to better “These smart advisors back up my plan and you can talk to them -> These companies say they will buy X for Y when I can deliver it and you can talk to them -> I have a signed agreement good for 1 year from this customer who will pay me X for Y under these terms when I can deliver -> I delivered and got X for Y and there are 8 more customers waiting for me to produce enough to send it to them too”

Context: Evaluating Competitive Threat

Do some math. How many customers are there potentially? How many already have a solution made by a competitor and how many are never going to buy a solution? How much can you charge each customer on average? Plot out your answers over a few years as more adopt something. This gives you an idea of how much market is serviceable by you. If you go capture 10-20% of the serviceable market, will you have a company you want to work for over the next 10 years? A secondary question is whether there are adjacent markets you can add with some changes to your product or marketing and what are those worth. It’s secondary because you may never have the resource to attack the secondary market depending how you operate the company.

Best practice is to go after a market that is expanding, that way the servicable market is getting larger and larger. If the market is a fixed size, you can only steal from competitors.

Context: On Using Social Media as an early marketing tool

Many times I’ve seen the effort companies put into social media as a complete waste. It depends entirely on your customers. If your customers learn about products and stuff on social media then maybe it’s OK. In B2B I’ve seen rare success and I believe it’s because people doing their jobs aren’t trolling social media for work related stuff. I’d only put it as a priority for consumer sales.

You need a hook to attract regular followers who read your stuff. Boring stuff isn’t worth the effort. Unfortunately what people seem to want to consume are outrageous claims, catastrophizing everything, and taking extreme viewpoints that enrage people. (I might be jaded!)

So first convince yourself that if you put significant mental energy each week into building a social media presence, you’d make a lot more sales. If you aren’t sure, you might invest your effort into looking for a more direct path of influence.

If you decide to do it, interview several agencies and see which you think can crack the code in creating catchy content that your customers would repeatedly consume. It doesn’t matter if you get thousands of random followers, it only matters if you can attract qualified new customers.

Context: On hiring sales people

Ideally you get an employee with a sales background in the market you are aiming at. The sales person should already understand the customer, how they budget and buy, how to get meetings with them, who to partner with that’s selling complimentary solutions. Marketing supports sales, so unless you are 100% self-service on-line purchase, the sales skill is much more important than the marketing skills in the early days.

It makes a huge difference to be a sales person who is an employee for the company who makes the product because their future success is very closely aligned. To an agency, you are the person they are selling to, once you write the check, they aren’t all that concerned with selling your product to someone else. And they typically sell a bunch of other companies products so getting their priority on yours is very hard.

Remember that sales people are coin operated. They will sell whatever is the easiest path to get the coin, so you don’t want to compete with the other products in the sales persons bag, unless yours is the easiest to sell.

Context: On marketing strategies for startups

I’d want to hear that you knew how to reach these people organically. You have a relationship with them already, or discovered a way to reach them many/all as a group. If you’re relying on ads, then you ought to have a good idea how much the ads cost to run and the conversion rate. Good idea = you did some tests and aren’t guessing. Throwing money at generic advertising to fuzzily defined people with ill-defined pains runs through money like water and you get no sales from it.

Context: Going from 0 to 1 in a startup

You can’t found anything unless you can discover a pain that someone will pay for, and a valued way to solve it. No branding or salesmanship can sell a product no one needs.

Put your effort into learning product marketing and management. Discover - test - revise then repeat. Until you find the pain and who has it, you are just dreaming up ideas to waste your time on.

Keep in mind that if you are successful, as the Founder, you need to get money to build this particular product, then afterwards start to sell it. Raising money is the job of the CEO exclusively. You’ll need a pitch, a plan and a team to raise money beyond your family members.

Context: Great Books on

Read Steve Blanks “The Startup Owners Manual” and “Business Model Generation” by Osterwalder. Both will give you complimentary thinking to your technical background. If you need help, I’ve coached several new CEOs who were transitioning from being an engineer. I did the same starting from engineer, to product management, marketing and to CEO. It’s a solid path if you learn to “engineer” a company rather than a product.

Context: How to document and size the software I need to build?

If it’s actually a SaaS application that people interact with and solve some kind of problem all by themselves, then start by breaking it down in to big pieces. Use bullets to outline these pieces, or write a couple sentences describing each piece. This becomes your spec that you can send to developers to get bids that you can compare and make an informed decision.

Ultimately if it’s an application, you can probably best estimate it by the size of the team. (Number of months to build \* number of developers to do it \* salary/rate of developers) = cost of initial app.

If you aren’t clear of your requirements, you change your requirements during the process, or you spec in features that aren’t absolutely necessary to get customers onboard, then you will waste a ton of money.

Context: Is Selling more important than Fundraising?

Sales is the answer. Raising money will take a long time. Sales pays bills and helps you raise money. Both are full-time jobs so have the CEO do the fund raising and a sales lead drive revenue. Ideally you can sell your way to break even and not raise money. If this is at all in reach, go for break even 100% of the time. Then you can raise money if you want, but you don’t have to and will own 100% of the company.

Context: How do you create a 5 year projection for investors?

Investor wants to see a few things from you. Your reasoned view of how large the company could get. Your thought process in how you would grow revenue to hit that number. They know it’s unlikely anything will go according to the plan but they want to invest in something that has the potential to get big and valuable. Show them how that could happen. Investors want to see they can make a great return on their investment if they give you their money. If you aren’t convinced and can tell a good story how this could be big, then don’t expect much investment. Keep in mind that investors are looking at many opportunities besides yours, so you need to sell your investment proposal against the alternatives.

Context: Lifestyle SaaS

The B2B market is ripe for building a great lifestyle business. Do something niche that’s valuable and find tune the market targetting to go after the niche and own it. Little point solutions are too general and flame out. You need to master a market, even if its small, you have to own it so you get recurring rev and happy customers.

A lifestyle startup is just a young company that has a shot at getting to a nice profit but with growth prospects that are only in the millions or tens of millions of dollars. Not enough to be an IPO or giant acquisition but enough to pay the owners very handsome salaries and bonuses. As an angel, these are pretty common. A good business if you are the owner, but not a good return if you’re an investor.

I’ve helped several companies grow from $3m to $10m but they hit a limit in market size either because the leadership doesn’t have the drive, or the market isn’t big enough, or sometimes it’s an older market and they have a ho-hum product.

Context: On Marketing Strategy

Product Launch and Market Strategy are different things. Product Hunt is for launching and lots of comment here are about launch. Market Strategy is how you will build sustainable, repeatable revenue growth. Start with:

“Who exactly is my paying customer going to be?”  
“What is the problem they are having in the moment they start looking for you (what’s the trigger for the pain)?”  
“How many users are there who have that trigger situation each year?” “Where do they hang out?”, “What do they read?”, “Where do they look to for help?”

When you can nail these questions, you can aim your marketing resources directly at those specific people currently experiencing the problem that you solve best. Measure it by calculating CAC/LTV. You want to achieve a sustainable 3x or more on LTV.

Even though you think your product could help a giant groups of developers, it’s best to aim at a specific niche within that group and absolutely nail the solution. That’s your beach head that gets you revenue-stable and then you grow from there.

That’s your Marketing Strategy.

Context: On using a outsource call center for sales

I don’t believe outsourcing works in most areas unless you already have a team who knows what they are doing and can manage the outsourcer closely. Otherwise the outsourcer spends your money faster than you can manage them and you waste a lot and often end up with nothing.

My skill set is engineering companies in the B2B software space, mostly enterprise but all the way down to SMB. I coach CEOs of startups now since I “retired” from CEO-dom and am mostly an Angel investor and CEO Coach.

The problem is the outsourcer tells you want you want to hear then they run off and burn the clock and the cash. With no one running herd the money gets wasted. Often outsourcers mean well but they arent waiting for you, they run. So you have to know exactly where you want them to run and stay on top of them. That’s a full time job so you might as well build your sales team and get it done right.

I’m not sure what you’re waiting for, it takes a lot of work to hire a good sales leader and get them running. You’ll be happy you did.

What’s your price point and target market? How many customer contracts and users do you have with the current product?

Context: Early stage growth strategy

I’m a firm believer in figuring out what works best (result/$) and then scaling that. Every market is different. Early on, I look for places where my ideal customers congregate. Sometimes its a conference. Sometimes there are regional groups. Licenses or certifications. Some other product they all use in common. Seems every good market has a common denominator where you can meet prospects in mass. I usually avoid paid ads until I’ve figured out exactly who buys my product and why and have run out of cheaper ways to get to the prospects.

I’m a big fan of PLG and viral features, if you can figure out a strategy that works. If you can, it’s a great way to go.

Context: Product Architecture

Every product I’ve built ends up being rebuilt over a couple of years. You need to get out there fast and learn what people need. You can build a perfect scalable systems and find out you’ve completely overbuilt it, or no one cares about some cools feature you spend months building.

Plan to move from milestone to milestone over time: 1) Will people use/buy this solution? 2) Can I get into decent revenue scales with it? 3) Can I scale up big with it?

Context: How to find Product-Market Fit

Surveys probably aren’t the best method to evaluate your idea. Start by contacting a couple of local mortgage folks and take them to coffee. Pick their brains about the things you want to know. Pitch them your idea, if you have one, and ask them for feedback. Ask them who they think would most value your idea. After you talk to 10 or 20 you’ll know so much more you may decide to pivot or how best to take a next step.

If you’re dead set on a survey, then do a filter on LinkedIn and start to reach out to them. It’s likely you will need to spiff them for taking the time to help you so be prepared to give them Starbucks or Amazon gift cards for their time.

Universities are good places to get help too. Sponsor a student research project to execute your survey and analyze the results through a business program.

Context: Dealing with Competition

Call the people that have paid for the competitors product for a research call. Tell them you are entering the space and want to understand the problem they are solving, why they chose what they did, what do the most like and most want improved in their current solution. Ask them, “if our product did what theirs does and we fixed the things you want improved, what would we need to do to get you to cancel their contract and sign one with us.”

This is a hypothetical sales close that, if you listen closely and objectively, will tell you if you are improving the things they care most about and would sign a contract to buy.

Do this right away. If you are polishing the pieces that they dont really care about, stop and redirect your efforts.

Context: On Market Strategy

There is no one size fits all marketing. And most marketers are actually just marcom people. To do marketing you must have in depth knowledge of the people you are selling to, their pains, and the way they learn about new products. It’s ridiculous how many marketing plans are the same - email, social media posts, paid ads and SEO. It’s a good way to waste a lot of money for no results.

Focus on product marketing and market strategy. Without these being mastered, the cookie cutter marketing by yet-another marketing agency is a sure fire way to waste 6 months and a lot of cash.

Context: Going 0-1, Idea to Business

Validate first, then consider making an MVP so people can interact with it and you can find out 1) do the really love it, 2) do they come back to use it regularly, 3) would you have a way to make money from it?

Context: 0-1, Idea to Business. Goal Setting

First, you don’t need marketing, you need customers. Don’t waste your money on these things. Prove you can get a few paying customers. Do this by hand (or LinkedIn, phone calls).

Second. You are thinking too small. If you are convinced you are on to something big, then you need to follow a process. First, go get positive market feedback, the best is a paying customer who will talk to investors. That’s best, but there are lower levels of evidence you can get when you are early. Only after you achieve this should you spend on marketing - and even then be cheap cheap cheap. Once you have proof of market, go raise a pre-seed round of $100-250K to launch the company more widely than your initial customers.

Set your goals properly to keep the most important targets in front of you. Proof of market, proof of product, proof of go-to-market. If you achieve these, investors will take you seriously.

Context: Benefits of SaaS

B2B SaaS is the way. Especially for a startup. You can laser target your customers which is much cheaper that marketing to consumers. You’ll be able to charge a great deal more. You can also likely have annual subscriptions that are paid in advance giving you more cash to work with. Assuming they like your product you will also be in a better position to have low churn and multi-year renewals.

It’s unusual to have a product idea that could be valued by both business and consumers. If you do have an idea, make sure you test the market to see who will actually love it and what they will pay - before you build it.

Context: Rules of the road for launching a company

1. Don’t start a business if you haven’t verified that there are a large number of people that will buy your product. It’s a waste of your time and money.
2. Never run out of cash.
3. It’s good to wear lots of hats, but get high quality people in key roles that you can’t do as quick as you can afford. Usually this means sales.
4. All employees get equity. It aligns your base goals - we are all owners!

Context: Validating Product Market Fit

Profile the kind of company you think would want your product. ID the specific role or job title that you think would champion buying it. Then get the names of some people like that from LI and try to reach them by phone. Tap you network to get a warm intro to someone at the company that would be willing to introduce you. Go to a conference where people like that go and talk to people live. Cold emails probably wont work.

In my experience a call works best. I know it’s uncomfortable for most people to pick up a phone and call, but it’s much more valuable to hear their perspective and ask follow up questions. If you’re validating the idea, the key is finding out if it’s a real problem they would consider solving. Everybody has problems but there are only a handful that are painful enough they will make an effort to solve. That’s the whole painkiller vs vitamin thing.

Many people are willing to help out an entrepreneur.

Regardless of the method you use to reach them, be genuine about your objective and reassure them you aren’t selling something. No one wants to be sold something and they’ll assume you are selling.

Try something like this. Try cold email, try a call, try LI. Whatever works, just keep at it.

“Hi Bob, I’m hoping you can help me. I’m not selling anything, I promise. I’m working on an idea to solve a problem that I believe you have. I’m asking for 20 minutes of your time to share your opinion about the problem and my idea to solve it. Again, I promise im not selling anything. Im just an entrepreneur who is trying to help companies like yours. Could you please give me 20 minutes of your time? Im happy to call whenever you are available, even while you are driving to work if that helps. Thanks in advance!”

Context: Sales Lead Generation

Every company faces this problem. I’ve solved it many times and the best ways seem to escape most marketers. First, make sure your Ideal Client Profile is tight. If you understand who will buy your product, then you will likely find they are all part of a single market. A market being defined as a group of people who share information about solving common problems. Any market of decent size will have magazines, blogs and social groups that support them (i.e. they are also trying to sell to them) and they may have trade conferences that cater to them. There may be licenses and professional training aimed at them. There are probably also other companies trying to sell something to them.

Make a map of these different aspects. These are Vectors into the market. Ride these Vectors. Use their brand values and momentum to help you build legitimacy and reach.

If there are no Vectors into your market, it’s extremely expensive to build one on your own. Further, if none exist then you should really ask yourself if there is a market of decent size or if you have dialed in your target client.

Tools like LinkedIn are pretty crappy. They are full of spam. I get dozens of LI messages a day that I summarily ignore. Blind emailing to lists is pretty crappy too unless you really understand the problems the target market faces and can add a lot of value in your emails.

Context: Should I use a SaaS sale or license sale?

The recurring revenue model of SaaS is the better model (assuming you have a product people will buy). It costs more upfront to recoup your cost of sales but then you have a stable revenue stream month to month (or year to year). Once you reach profitability you will be richly rewarded with a strong SaaS offering. Basically its a cash machine.

A perpetual license will give you lumpy revenue and customers will be more hesitant to buy your product if they have to pay a big lump of cash up front. It will mean longer sales cycles and likely fewer large customers.

But none of it matters if you dont have a product and market that wants to pay for it. That is the only thing that matters in the beginning. It will also matter a lot if customers try your product for just a few months and cancel. Churn will be your enemy in SaaS.

Context: Are you ready to be an entrepreneur?

You don’t have to be an expert in the domain but you ought to be a passionate learner and comfortable pivoting.

It’s much more risky because you somehow have to get access to people with the hypothetical problem to find out if it really is a problem they would pay to solve. Often it’s not. Often you’ll spend time and get close to a domain and learn the real problem they have is different from your hypothesis. Or there is no significant problem at all. Or the problem is real but the number of people with the problem is too small to build a profitable company on.

Being familiar with the domain will likely help you find out if you need to pivot faster and likely means you have access to a lot more potential users to test your ideas faster.

Context: Setting Goals

You certainly can be too narrow. It depends entirely on your goals. If you want to build a $100m company you need a big market. If you want to build a $50k company you can target a small market. Do your research and set your goals. Companies frequently want to build something big and valuable but target a market that’s too small to sustain the growth.

Context: On Pricing

Definitely get market feedback or look at how similar products are priced (I.e. what other products are bought by your target customer). Generally transactional models are for infrastructure plays. How many API calls per pay kind of stuff. Or measures of storage or bandwidth. These are sold to engineers.

For business users, monthly recurring rev is your best approach. Business people need to be able to forecast costs a year in advance. Predictable pricing is important. Variable pricing is hard to budget for.

The best way to price it is the way a user feels best paying for it. Don’t confuse pricing with how the system works.

For example you might find that 90% of all tasks end up being low cost to execute and that people are willing to pay a high cost when they do it. Perhaps because it’s so easy.

Put the product out there and see how people use it, talk to them about how they want to pay for it, ask them what other tools they pay for and how they like to pay for them.

Make buying your product easy and familiar for the customer. Keep it simple.

When you have 20 customers you will start to understand what they want and how they like to pay.

Context: How do you prioritize startup ideas?

To validate the idea hone a value proposition that describes what problem you aim to fix and the characteristics of companies that have that problem. Then go to several of those companies and ask if they would pay money to solve that problem. If they say they would, then start searching for research on the market they are in and how many of these companies there are. That will give you and idea of whether it’s a big idea (could generate 100+M in sales) or something smaller.

One hint may be in the systems you are integrating into. You can look at the companies who make those products and see how big their sales are, or how large researchers say their market is. Most software categories have size estimates available. Use that as the upper bound and think through what percent of their customers would buy your product too.

For VC to jump in, it has to be a big market where you are a first mover, or taking a niche of a very large market.

Context: On Pricing

One important lesson learned doing this a few times: First look at other solutions these same customers have purchased in the recent years and how much they charged. It tells you a lot about what they are comfortable spending and pricing models they are already familiar with. Don’t be novel, rather be easy to understand and familiar. Don’t be way outside their budgetary levels for other things they buy, not too cheap or too expensive. Be familiar, be easy to understand. This will make your sales process much smoother and prevent creating your own barriers to sales.

It doesn’t need to be a competitive product that you compare with, just similar things they use. If they are comfortable with a $5k flat monthly fee for some other online sales tech, follow suit. If they like to buy with annual contracts, then give them annual contracts.

In my experience it’s rare they want variable fees. I know it’s trendy but are you selling to a company on the leading edge or mainstream? Mainstream companies plan and budget a year in advance. If you charge them variably they will have a hard time forecasting the cost - and do forecasting differently just for you. Their CFO won’t be happy and neither will their purchasing team.

Focus on them loving your product, don’t complicate the deal with them scratching their heads about how much it might cost them because they don’t understand your model.

You will probably need to ask around. Go have coffee with some resellers, ask folks at a conference, or just ask the customers. “What would be a showstopper high price for what I’m offering?” “What price is so low that you wouldn’t take me seriously?”

You will find that there are bands of pricing for different product types and company sizes. For example I was selling a research tool to financial markets, and they buy several different research tools. None competitive but it turned out that $30k per year was the price they paid for most of them and were comfortable paying that much. I could have asked for $50k but it would have created a barrier and slowed my sales way down.