



Startup Accelerator

Ignite your sales:

A handbook

startup-accelerator.org

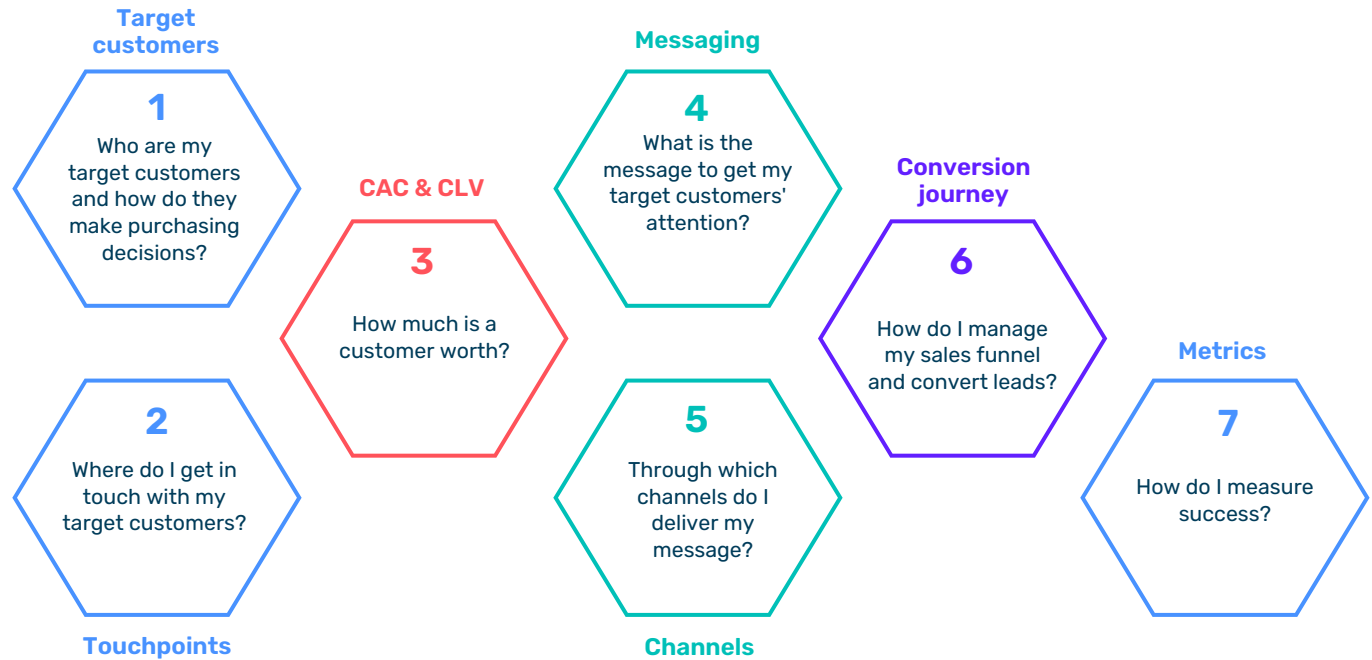
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ZHAW School of Management and Law, Switzerland
Developed by Michael Noorlander and Ben Graziano



Check-out our accompanying online
course "Ignite your sales"

Introduction

This handbook will guide you through the process of devising a sales strategy by asking you seven key questions about whom to target and how. You should be able to answer these seven questions regardless of whether you sell directly to consumers or businesses: this guide gives you a business-type-neutral framework to define your sales strategy and is particularly helpful for structuring your initial go-to-market plan.



Check-out our accompanying poster containing all the canvases in this handbook

As a founder, you'll often get very specific suggestions about what to do to sell your product: "do Google AdWords"; "put up TV commercials"; "run a social media campaign". While this is not only confusing as you navigate the uncertainty of launching your business, it is also not helpful. **There is no generic, universally applicable way of acquiring customers** (even though, depending on the industry, there are some battle-tested approaches). That is why in this guide your starting point is your customers themselves. **Only once you've characterized your customers you'll start thinking about the "how".**

And one more thing: the idea of fast prototyping doesn't just apply to developing your product, but also to refining your sales strategy. Start multiple initiatives at a small scale, measure the effect, revise, start over again. Only start scaling and properly investing in your sales initiatives when you're fairly confident they'll work out.





Identifying your real-life target customers is not always straightforward

Who is my customer?

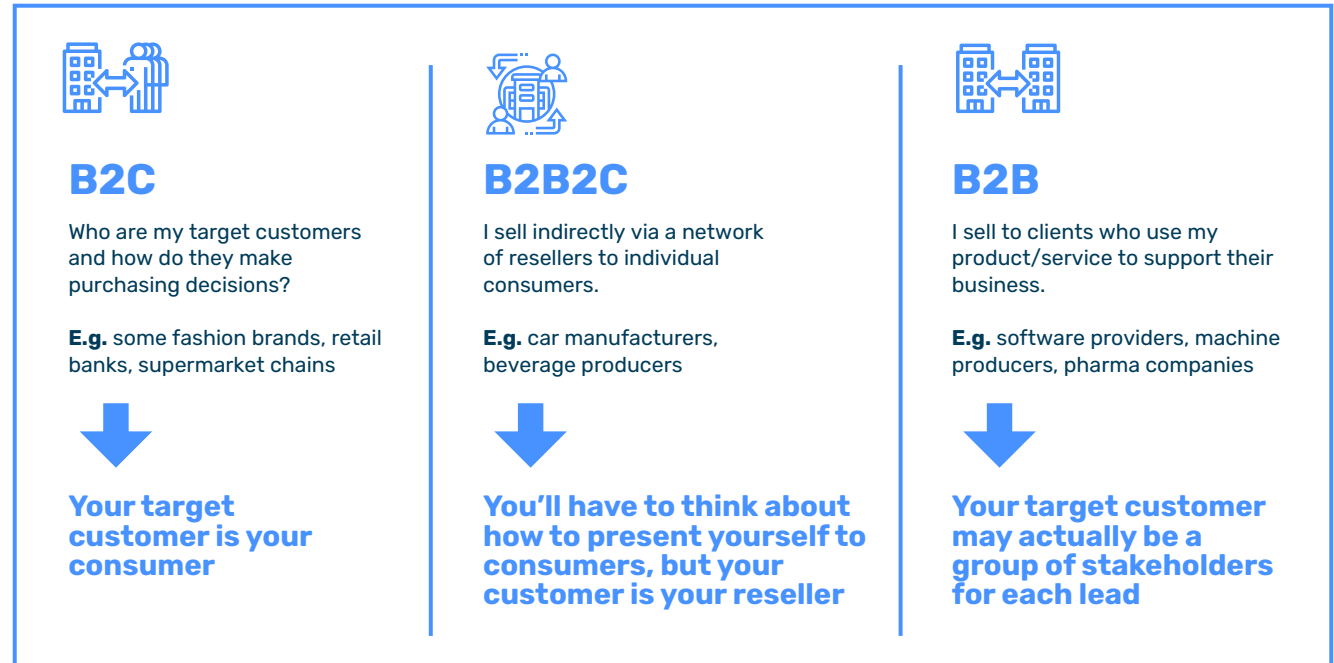
At times, this question is not that easy to answer.

Imagine you produce a pharmaceutical drug and want to sell it. Who do you sell it to? The person who ultimately consumes the drug is unlikely to be your customer.



Same if you sell beer. Your key customer may be the leading regional wholesaler (who then sells to bars and shops, who in turn sell to consumers).

Three sales structure archetypes to help you locate your business



Of course not all start-ups fit exactly into these categories and some may actually engage in multiple categories - the key is to understand the impact and how you'll have to make sales.



Think people-centric; where can you get your target customers' attention?

Don't forget, people also have to be willing to engage with you - pitching your software solution in front of their office when they're already late for work might not be the best option.

Even if you have a B2B business model, you're still talking to individual people when doing sales. You have to understand who these human beings are and where they move - so that you can meet them there and pitch your product.

Hypothesizing about where you can reach your target customers is important, but it is even better to talk to them - scan your network for people you could interview.

ONLINE



Blogs



Guides & reviews



Comparison sites



Google



Social media



News, PR

OFFLINE



Workplace



Trade fairs



Conferences



Public transport



Specific shops



Clubs, interest groups



Other ideas?



Target customers

Characterize your target segment

1. Pick a target segment you identified in the Value Proposition Design Canvas.



2. Hypothesize and/or research: how does your target segment make purchasing decisions? What is important to them (price, ease of use, etc.)?

3. **ONLY IF APPLICABLE:** if there are typically multiple stakeholders within single target businesses/companies, consider whom you need to engage with and for what.

Role/function	Decides	Influences	Is involved
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Touchpoints

What potential touchpoints are there for your target segment?

List some opportunities when/where you think you might be able to grab people's attention.

Remember: the best opportunities are those that occur when your target customers already have an open mind (e.g. good content when they're browsing social media or pitching your solution at a trade fair).

Spar with sample target customers you may have in your network.

ONLINE

OFFLINE

ONLINE	OFFLINE
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

Example

Target customers

1. Mid-sized industrial companies

2. Save costs, eliminate uninspiring tasks to motivate employees

3.

Line managers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CEO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Touchpoints

ONLINE

OFFLINE

E-mail

LinkedIn

Annual industry

conference



Introducing two key calculations to gauge how much you can spend on sales

Customer acquisition cost (CAC)

Advertising cost	Channel spend e.g. for events, fairs, billboards, online ads etc
+ Incentive payments	Money given e.g. to new customers or referrers, discounts
+ Attributable effort	Might be hard to calculate - meetings, staff costs etc.
+ Other relevant expenses	Other items you may need to factor in, e.g. materials, give-aways
÷ Number of customers acquired	Number of customers acquired with a given effort/campaign

Customer acquisition cost (CAC) Tells you what you paid per new customer

Customer lifetime value (CLV)

Average annual revenue per customer	Your top line divided by number of customers (potentially per segment)
✗ Average customer lifetime	How many years a customer will remain with you
— Customer acquisition cost	
— Technical onboarding costs	Costs to get the customer live, e.g. training, hardware etc.
— Other attributable costs	Other items, e.g. license fees you need to pay

Customer lifetime value (CLV) Tells you what a customer is worth until they leave you



For a little throwback on value proposition-writing, check out this learning nugget.

1. This is a guideline – determine for yourself what truly is part of your CAC
2. Get benchmark data for CAC and CLV for early-stage companies in your industry through expert interviews, online research etc.
3. Set a target/budget for your own company (don't forget to reflect that in your business case)
4. Calculate budgets for campaigns, sales ops, overall revenue development etc. accordingly



CAC & CLV

Benchmark your customer acquisition cost (CAC) and customer lifetime value (CLV)

1. Hypothesize and/or research how high customer acquisition cost (CAC) and customer lifetime value (CLV) are for start-ups in your industry.

Benchmark company	CAC (e.g. in \$)	CLV (e.g. in \$)
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Set your own CAC and CLV target

What CAC and CLV do you envision? What are the assumptions behind it?

Control: are the figures reflected in your business case?

CAC:

CLV:

Example

CAC & CLV

1.

Flow	15k	40k
DigiScan	1k	60k
Oracle	2-3k	100k

2.

CAC:	0.8k \$
CLV:	50k \$



Catch your target customers' attention with a compelling message

With messaging, we refer to how you intend to grab your target customers' attention. This could also be called storytelling – what is a story around your product that is appealing to your audience?

Messaging is key, because as a start-up, you're usually virtually unknown – no one's waiting for you, so you need to make yourself seen and heard. You're not yet Coca Cola, where you see just the font and you already feel thirsty for that soda.

Be aware that just presenting the value proposition you defined for your business model might not cut it. For messaging, you'll have to start thinking like a sales person or an advertiser and translate that value proposition into a message that will resonate with whom you're sending it to.

And remember, even in B2B you're ultimately talking to people, not "a company" – there is no reason not to consider emotional statements, show empathy, demonstrate how you can make their job easier and so on.



For a little throwback on value proposition-writing, feel free to check out this learning nugget.

Some ideas for starting points



Pain point

Is your back killing you?



Value proposition

Let us help you boost sales by 30%



Product itself

Look how beautiful our newest line of race bikes looks

(Here you'll probably need images instead of copy 😊)



Meta message

Make the world a better place by using our food waste solution



Other ideas?

Also, think about how to best convey your message



Verbally



In writing



Images



Audiovisual



A combination



Other ideas?



Pick the right channels for your message

While messaging is about what you tell your target customers (i.e. the content), **choosing a channel is about how you convey your message** – will you do it in person, as a paid ad, cold-call someone, via Youtube?

Channel choice obviously depends a lot on the medium you've chosen to present your message (image, verbally etc.).

As there are loads of online and offline means available, we can't list them all here. However, as some channels can very quickly get expensive (e.g. TV or social media ads), do pay attention to cost-efficiency. Whether or not you aspire to growth-hack (see box), **striving for a good cost-return ratio is key**. When choosing channels, think about whether you can actually scale sales and how much effort you have to put in per sale.

Another consideration is whether and how you want to pursue a **staged approach**. For example, channels targeted at a broader audience might only make sense in a second go to market-phase, when you've already tested your sales strategy (and are also sure that you can cope with the increased demand you might trigger).

A note on "growth hacking"

You may have heard of "growth hacking", a term that has become quite popular. It can be understood as moving away from a more traditional "marketing mix" towards finding channels to **acquire customers at maximal scale with minimal costs**. These attempts are often of an exploratory character and involve trying out a variety of measures – sometimes very creative ones – with very limited scale, measuring success and then scaling. Some ideas include:

- Referral /word-of-mouth campaigns
- Ambassador/community approaches
- PR strategy
- Crowdfunding campaigns
- Viral content e.g. on Youtube (very difficult to create)
- Unique product-inherent elements (e.g. UX, pricing) that stir passion



Messaging

With which message(s) do you captivate your target customers?

- Remember the needs and pain points of your target segment that you identified in the Value Proposition Design Canvas.
- Get creative about how you present your value proposition: as a pain point; just your solution; or, via emotions? Think like an advertiser!
- How should you best present your message: verbally; images; text; or, video?



Channels

Through which channels will you address your target customers?

- Based on what message(s) you chose and your preferred way of presenting it (verbally etc.), think of appropriate channel(s) to deliver it, e.g.: online ads; cold calls; or, e-mail.

Example

Messaging

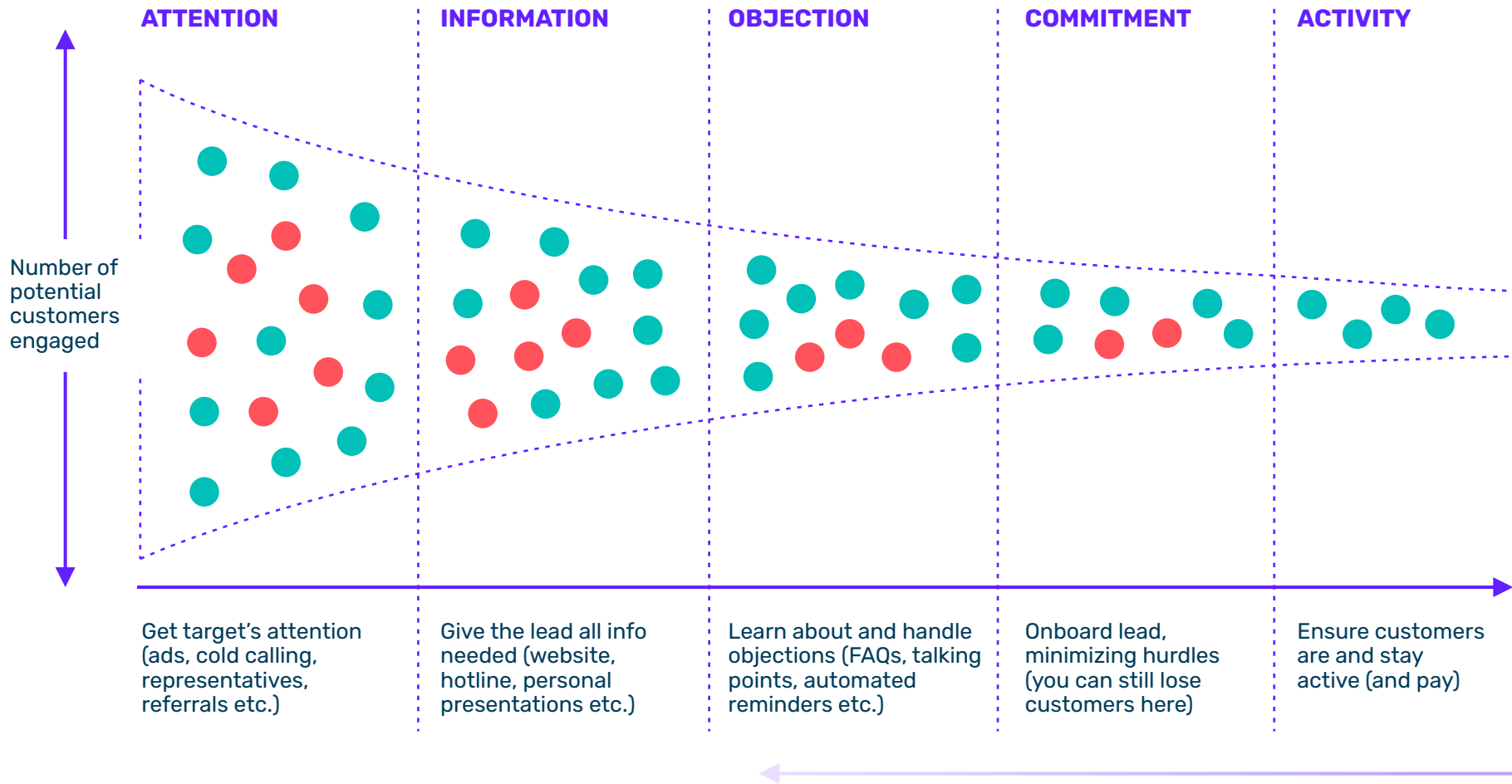
Our simple workflow automation suite can reduce your manual document processing effort by up to 25%

Delivery

- Google AdWords
- Personal introductions
- LinkedIn "Cold calling" (with e-brochure)



Ensure that you retain as many customers as possible along the conversion funnel



A note on terminology

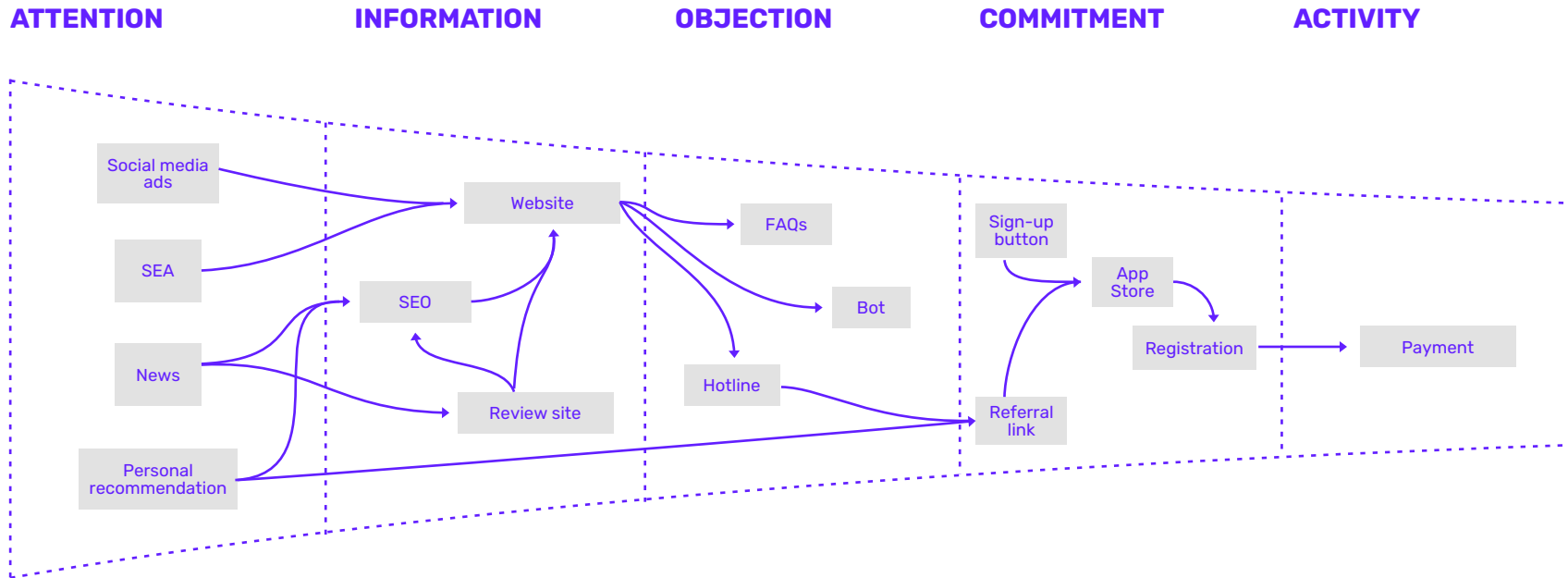
In funnel terminology, the words target, prospect, lead, qualified lead etc. are often used interchangeably. There's hardly any right or wrong here – but differentiating between leads and qualified leads (perhaps when they've reached the Objection or Commitment stage) might make sense to get a clearer picture of what's in your funnel.

Your CAC is equal to the number of customers who reach the end of the funnel divided by the total costs incurred at each stage.



Example conversion journey 1: digital B2C product

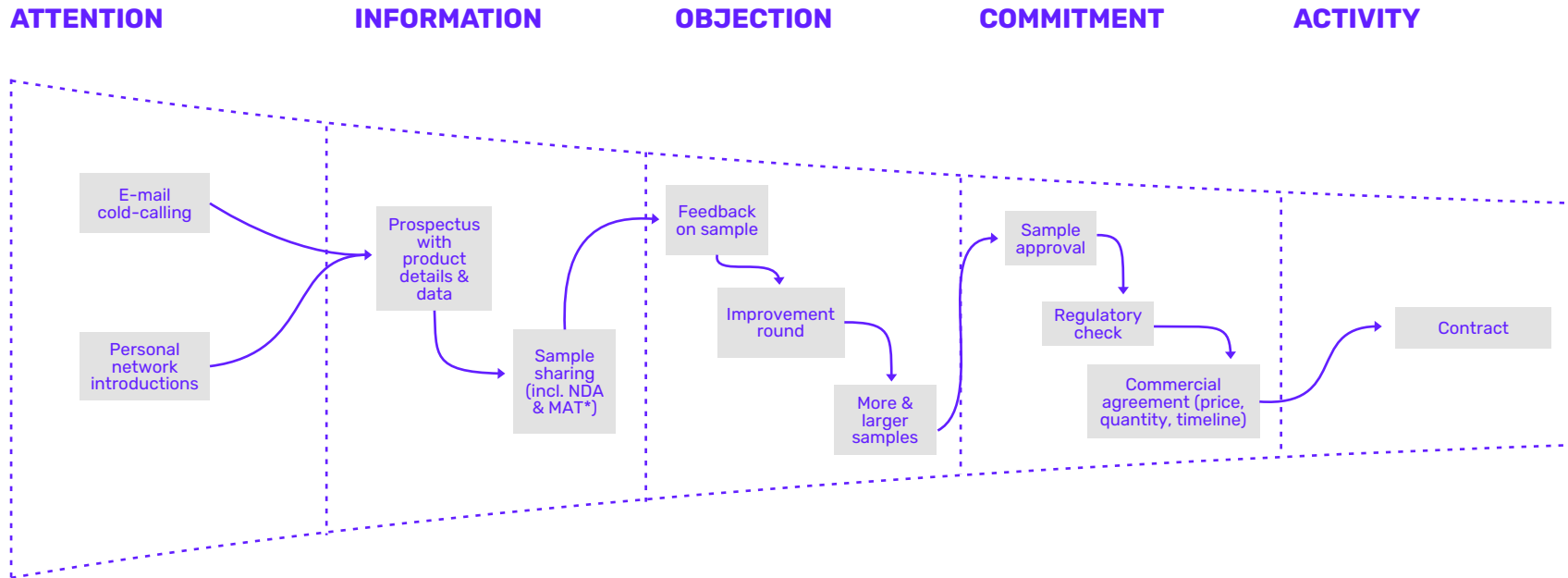
Below is a typical journey for a digital B2C product that shows you how intricate and complicated conversion can be in a mass B2C business context. It is particularly important that you find dead-ends in the process that lead customers to drop out (e.g. missing information, users can't find "Sign up" buttons). As you have very limited capacity to personally guide leads through the funnel, constantly check that users will actually behave the way you expect them to. Remember also that the journey needs to be right for a critical mass of cases, not every last case - so don't over-engineer.





Example 2: physical B2B product

Below is a typical journey for a physical B2C product that gives an idea of how long it may take and how much effort you need to invest until you get to close a deal in a B2B context. It will be particularly important that you as a founder are closely involved in driving and closing initial deals in order for you to know how to set up your ideal sales conversion journey. You have to know when to abandon leads, how much effort is too much and to what extent you can push for fastest-possible conversion.



This conversion journey is based on the example of Bloom Biorenewables, a Swiss start-up. Watch how the founder explains their sales funnel via the QR code below.





With which message(s) do you captivate your target customers?

- Using the conversion funnel, draw up a potential conversion path for your target segment.
- Remember to not over-complicate it - develop an approach that works for the majority of cases (not all of them) and that requires no more than the number of steps you could reasonably ask yourself to manage and your customers to take.
- Once you have mapped it, do two things:
 1. Talk to prospective customers and asked them if they'd actually proceed as you'd expect them to (potentially using prototypes)
 2. Write down the action points you need to take (prepare info materials, adapt website, do SEO etc.)

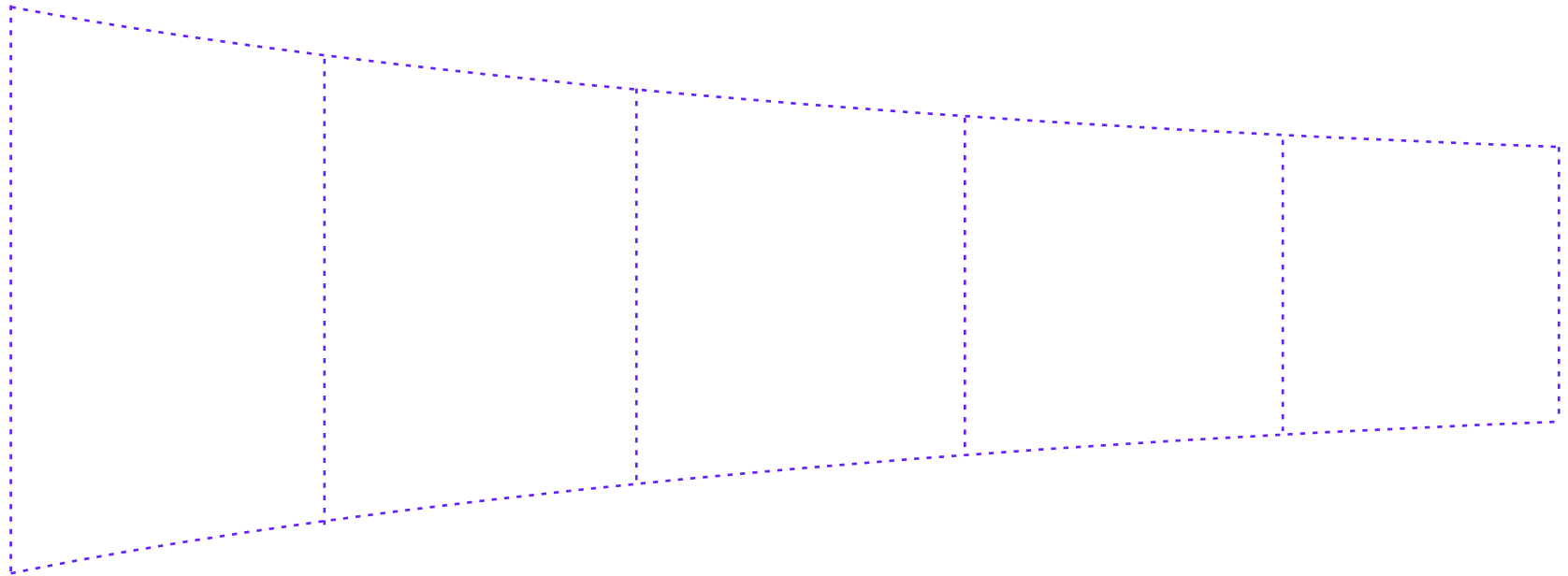
ATTENTION

INFORMATION

OBJECTION

COMMITMENT

ACTIVITY





Measure, measure, measure

As a start-up, you'll notice that you have to be smarter at dedicating resources to sales than your established competitors, who may have much deeper pockets. The key to efficient sales is, as so often, data. You should determine a set of metrics that help you decide which sales efforts are doing well and where you'll have to tweak. Here are a few common metrics – they probably won't all be applicable to your business.

Funnel-related metrics



Conversion rate

Tells you how successfully you push leads through your funnel

Number of converted customers/Number of leads



Pipeline value

Tells you how much turnover you could potentially make with your current (qualified) leads (mainly a B2B metric)

Sum of revenue potential (qualified) leads (in \$)



Funnel leakage

Similar to conversion rate, but tells you more about single steps in your conversion

Number of lost leads per step/Number of leads per step



Average length of sales cycle

Tells you how long it takes to close a deal (mainly a B2B metric)

Avg of all (timestamps deal closed - timestamps lead first registered)

Revenue-related metrics



Monthly/annual recurring revenue (MRR/ARR)

For license-based revenue models, this tells you how much revenue you can already count on

Overall subscription revenue + recurring revenue from add-ons or upgrades - revenue lost from cancellations



Revenue from new business

Shows you to what extent your sales efforts contribute to overall revenue generation

New business volume (for time period n)/overall business volume (for time period n)



Cost-related metrics



The key thing about metrics is that you find a set that truly reflects the most challenging aspects of your sales efforts and gives you clear guidance about where you need to optimize. Also remember that most metrics are meaningless without context – either create compound metrics or compare them to your own targets or industry benchmarks.



CAC

Tells you how expensive it is on average to acquire one customer

See page 7 for calculation



CLV-CAC ratio

Tells you how by how much your prospective revenues outweigh acquisition costs

CLV/CAC



CLV

Similar to conversion rate, but tells you more about single steps in your conversion

See page 7 for calculation

Other sales metrics



Net promoter score

Tells you how likely customers are to recommend you to others

Requires survey activity by you: percentage of customers rating their likelihood to recommend you as 9 or 10 ("promoters") minus the percentage rating at 6 or below ("detractors") on a scale from 0 to 10



Month-on-month/ year-on-year growth

Tells you to what extent you're growing your sales

(Revenue period n - revenue period n-1) / revenue period n-1



Metrics

How do you measure sales success?

- Define three or more key metrics that measure how well you master your key sales challenges.
- Suggestion: use the conversion funnel to check whether you've covered the critical steps customers need to take.
- Check in with advisors, board and/or other experts who might know about key metrics for your industry.

	1	2	3	...
Metric	_____	_____	_____	_____
Business purpose	_____	_____	_____	_____
Calculation	_____	_____	_____	_____

Example

Messaging

1	2	3
<u>Pipeline value</u>	<u>Conversion rate</u>	<u>CAC-CLV ratio</u>
<u>Urgency to engage in sales</u>	<u>Success of sales effort</u>	<u>CAC-CLV ratio</u>
<u>Sum of exp. Revenue of qualified leads</u>	<u>Leads/new customers</u>	<u>CLV/CAC</u>

Let's get started

Are you ready to sell? Yes, it can be daunting at first, but there's nothing like celebrating your first sales successes. And remember:

- ➔ There is no generic, universally applicable way of acquiring customers – you'll have to find what works for your business, and it's normal if that takes some time.
- ➔ Follow the idea of fast prototyping and keep testing different sales initiatives, measuring, revising and ultimately scaling the efforts that are successful.

You've seen the individual canvas elements in this handbook. If you scan the QR code you're directed to an A2 poster with all the canvas elements on a single page for you to complete digitally or print out and fill in with your team.



Check-out our accompanying poster containing all the canvases in this handbook