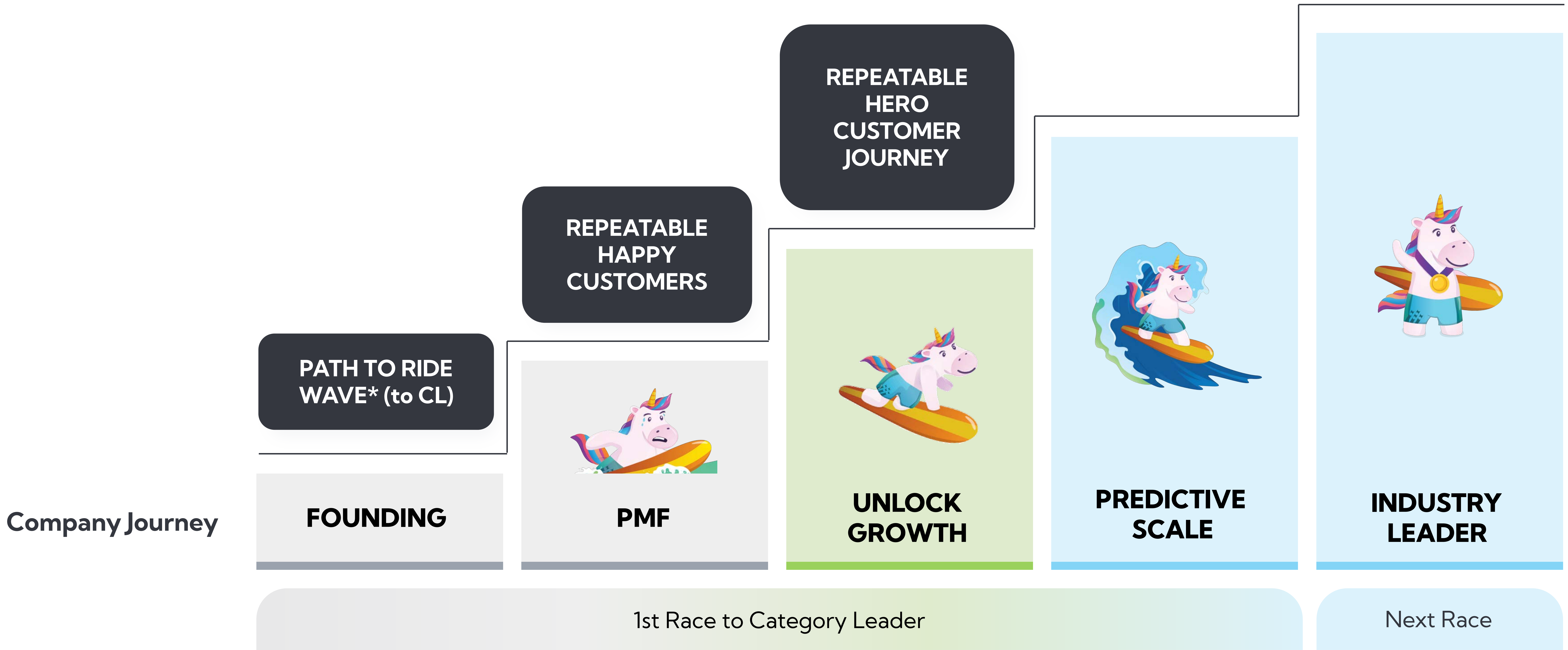
GUIDE

PRESENTED BY **TAE HEA NAHM**

survivaltothrival.com

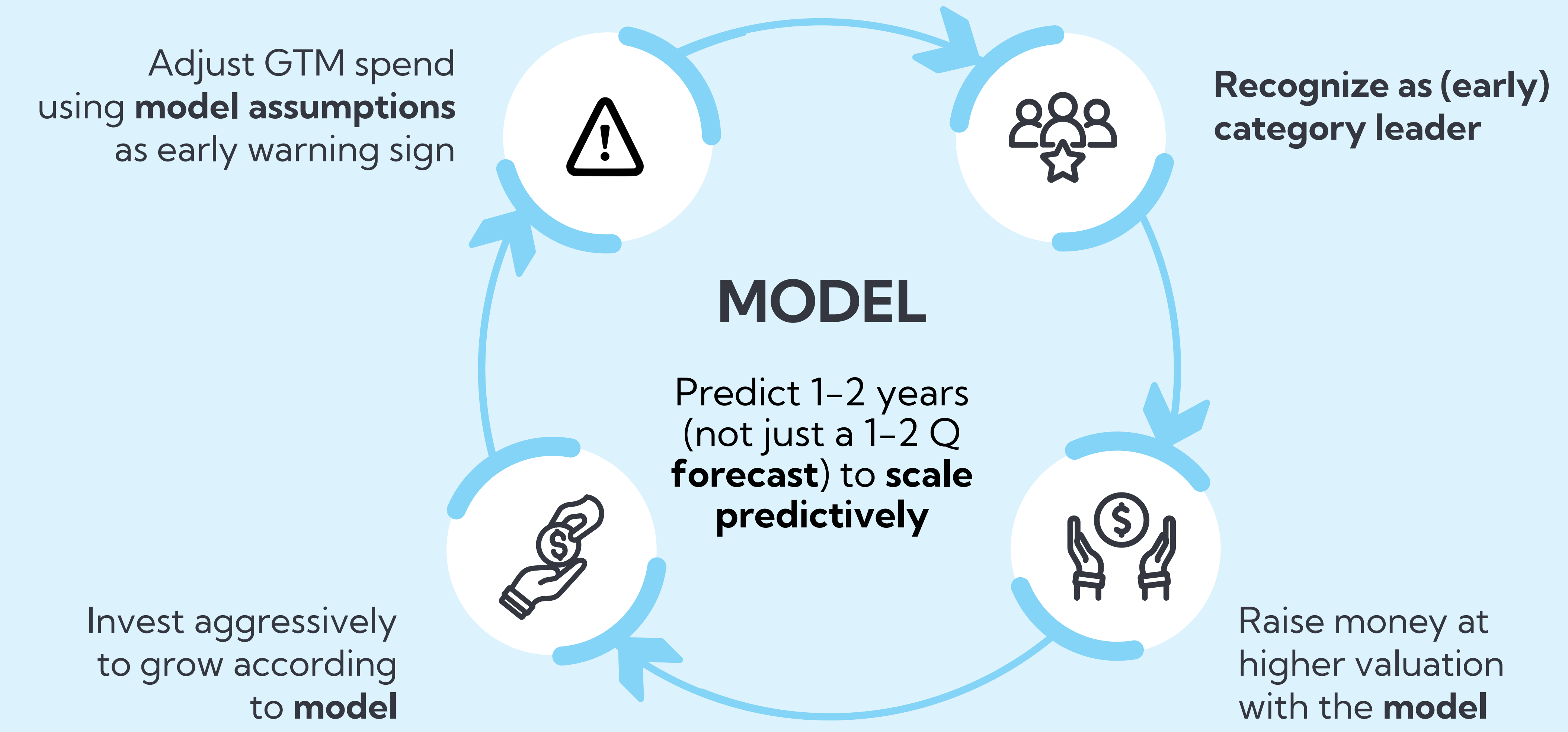
RACE TO *Category Leader*

Exit Unlock Growth stage



Predictively Scale to Category Leader

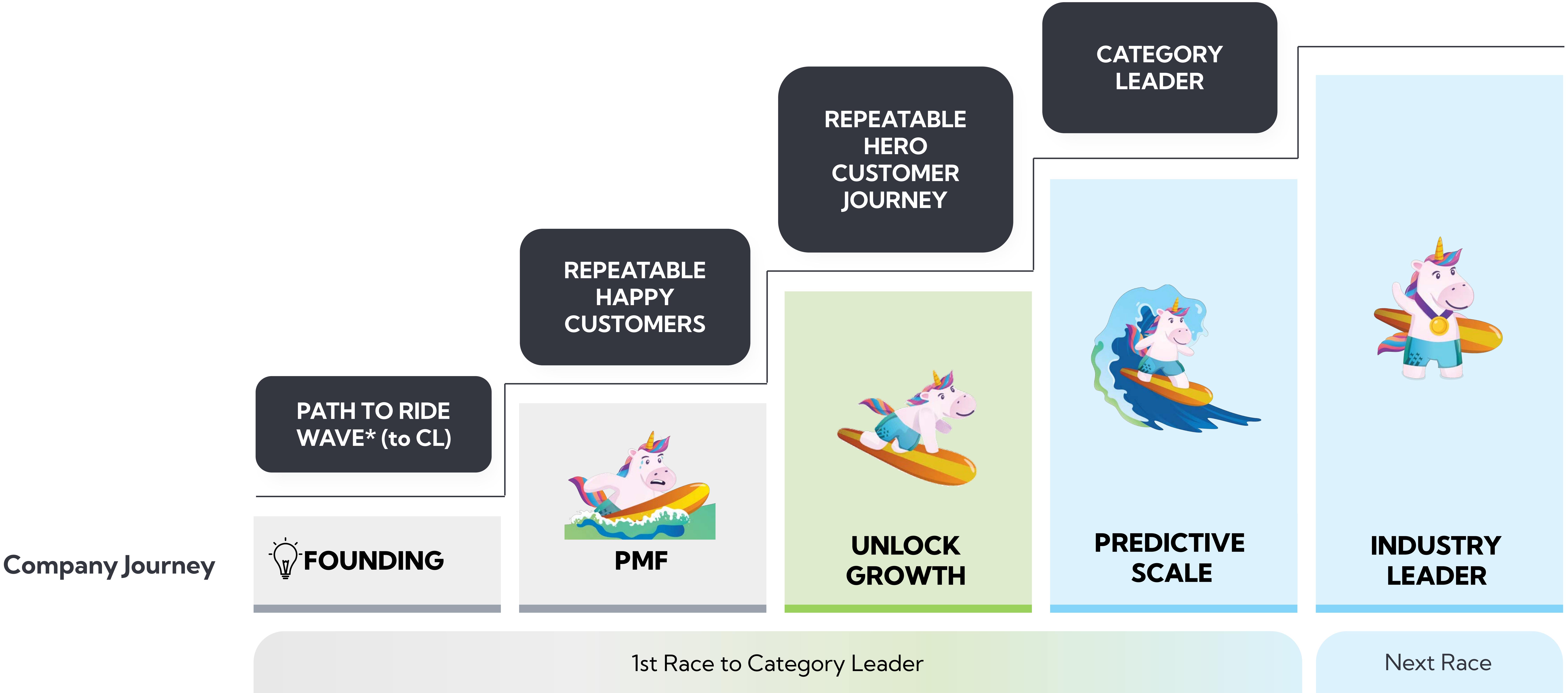
Key: complete virtuous cycle faster than others to win the race.
Requires accurate predictive model



Company Journey

FOUNDING	PMF	UNLOCK GROWTH	PREDICTIVE SCALE	INDUSTRY LEADER
1st Race to Category Leader				Next Race

Race to Category Leader: 4th stage of Company Journey



Race to Category Leader

What is a category? Simple way to group companies

Why have categories? Helps customers and investors

Why are categories so important? Drive customer decisions

How create a new category? Need collective effort

Who is the leader? Community Decision

How become a category leader? Predictively Scale and Align GTM strategy with Product roadmap

Why category leaders are so important to investors? Unicorns

Race to Category Leader

What is a category? Simple way to group companies

Category = Collection of similar products

VS

Race to Category Leader

What is a category? Simple way to group companies

Why have categories? Helps customers and investors

Category helps organize confusion

Example: one HR SaaS company

HireRight founders believe their company is special

There are 1000's of HR SaaS companies ...

But, customers (and investors) get confused

So, customers and investors group them into HR SaaS Categories

Talent Acquisition

Job Marketplace
- Job Marketplaces
- Freelancing Management/Marketplace
- Tech Recruitment

Candidate Sourcing & Engagement
- Recruitment Automation
- Recruitment Marketing
- Recruitment Analytics
- Referral Hiring

Recruitment Management/Screening/Onboarding
- End-to-End Recruitment
- Applicant tracking system
- Soft Skill Assessment
- Technical Assessment
- On boarding
- Background Checks

Talent Management & Development

Learning & Development
- LMS & LXP
- Career Pathing & Mobility

  See 'Employee Performance'
- Mentoring & Coaching
- Course Creation
- Microlearning

People Analytics
- Core Employee Data
- Employee Skills
- Employee Performance
- Employee Sentiment

Workforce Management

Compliance
- Regulatory Compliance
- Misconduct
- Hotlines

Tracking
- Time & Attendance
- Employee Monitoring

Scheduling & Communication
- Scheduling & Project Management
- Instruction

Payroll, Compensation & Benefit

Payroll & Compensation
- Payroll
- EWA
- Compensation

Benefits
- Recognition & Rewards
- Wellness

Just the HR SaaS Categories

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Payroll, Compensation & Benefit

Payroll & Compensation
- Payroll
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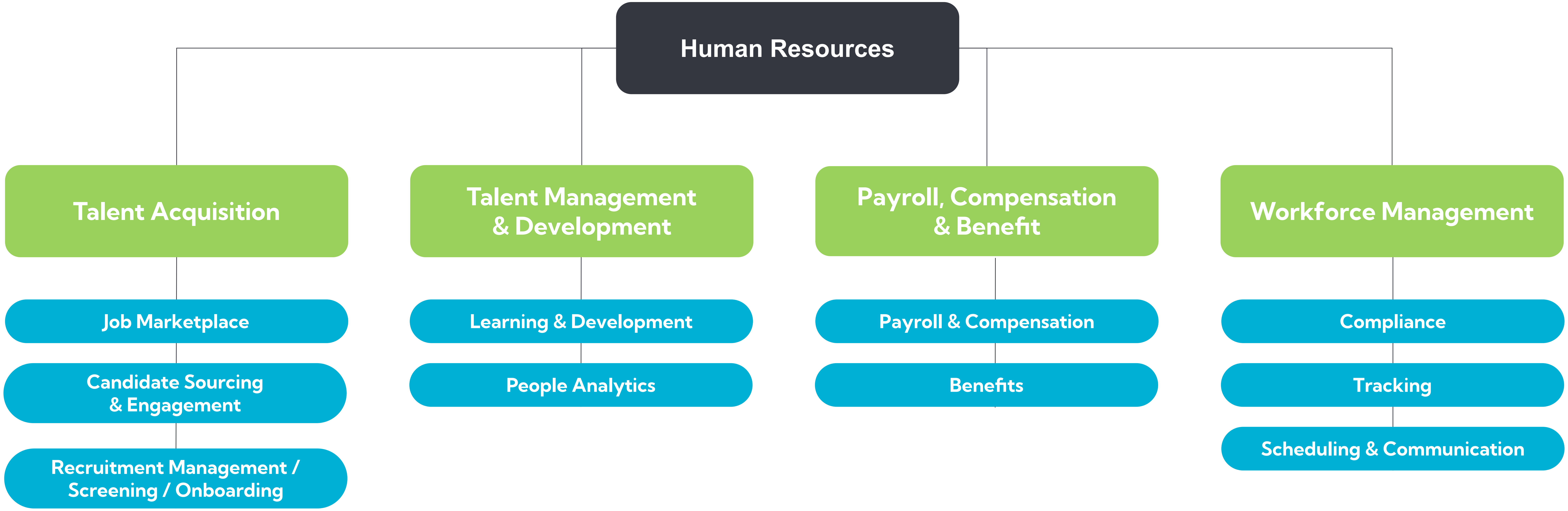
Benefits
- Recognition & Rewards
- Wellness

Categories usually track the Org chart:
each team has its own software (creating new category)

Advice: want to be THE software platform for the team



Race to Category Leader

What is a category? Simple way to group companies

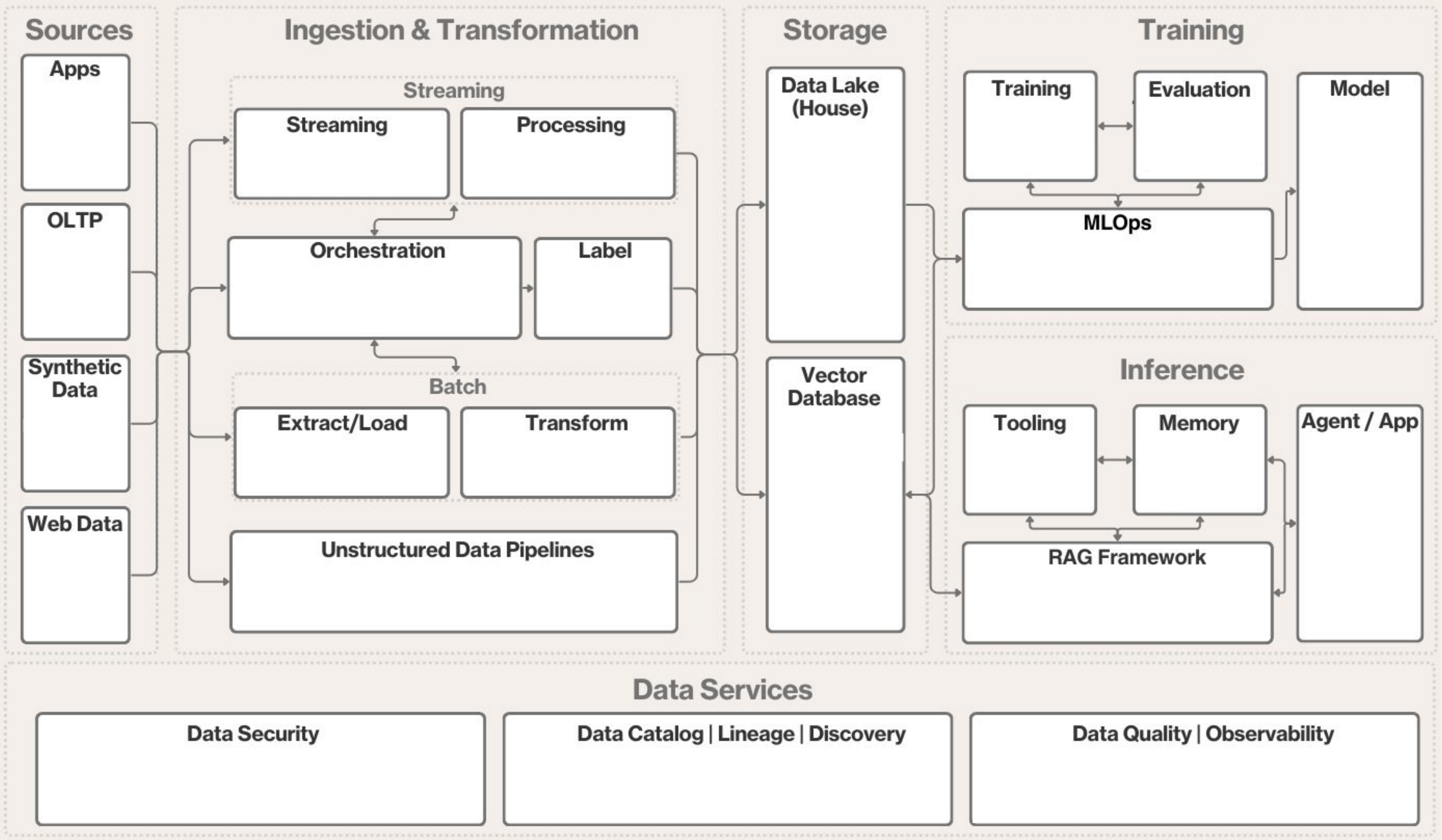
Why have categories? Helps customers and investors

Why are categories so important? Drive customer decisions

1. Customer's solution requires a collection of categories
2. Customers want the best for that category

Example: imagine a customer building their AI tech stack

Customers outline their architecture with categories

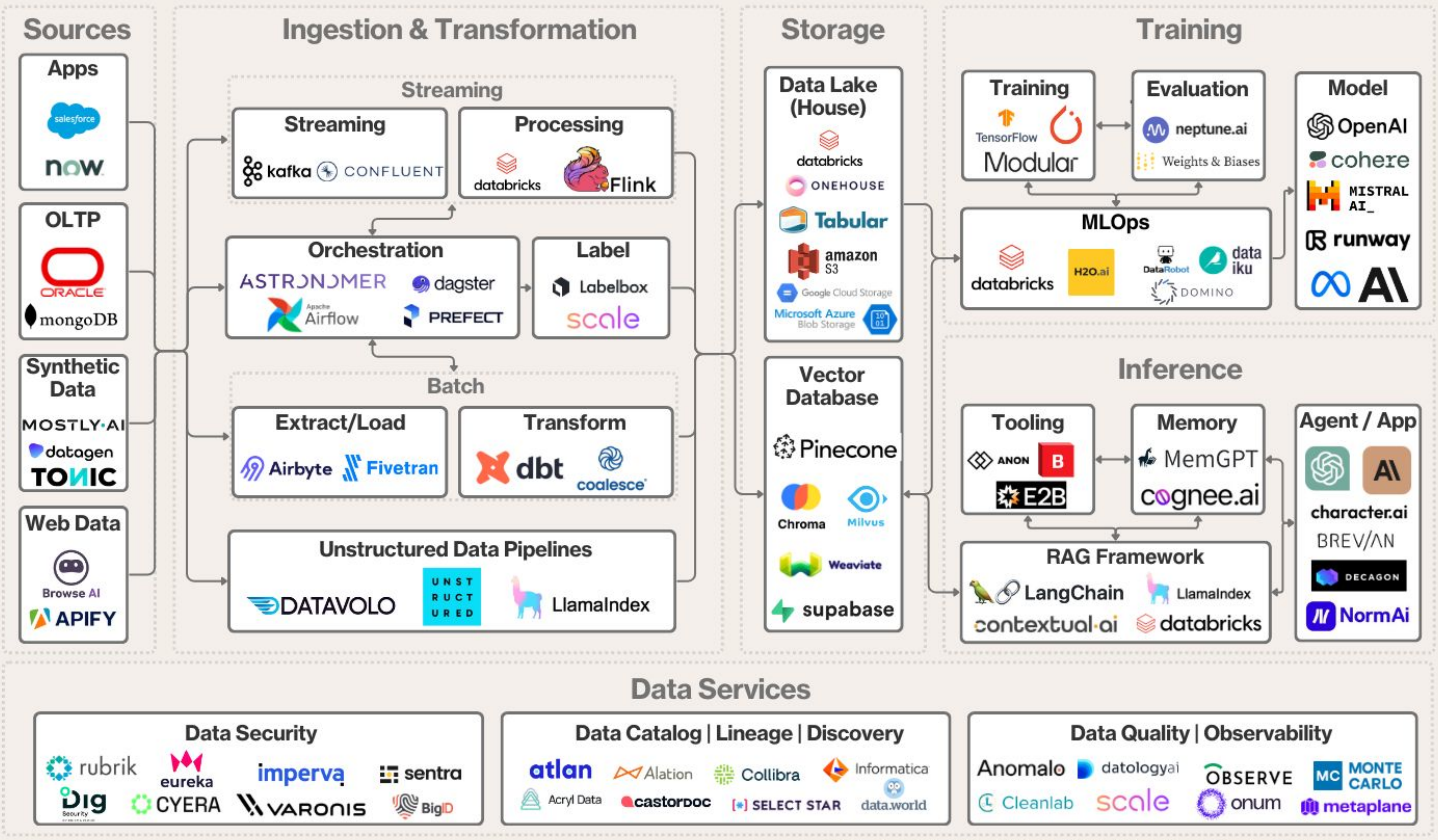


Felicis has invested in Dig Security, Brevian, Weights & Biases, Runway, Supabase, Datology and Metaplane

Example: imagine a customer building their AI tech stack

Customers outline their architecture with categories

Then, meet the top 2 or 3 from each category



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Why are categories so important?

Leads, Leads, Leads ....

Most customers only see the top 2 or 3 of each category.

Who is the Category Leader

What is a category? Simple way to group companies

Why have categories? Helps customers and investors

Why are categories so important? Drive customer decisions

How create a new category? Need collective effort

But, creating a new category is VERY difficult

Creating a new category: “observability”

CHALLENGE

New technology doesn’t fit into an existing category

Compete in nearest category
Problem: Lose differentiation (some key innovation not critical for that category

Create new category
Problem: No budget for new category

In 2016, Christine Yen and Charity Majors founded Honeycomb to address the challenges faced by engineering teams and help them increase their efficiency. During their stints in previous organizations, they had built complex systems and had closely seen the engineering teams’ difficulties. **Due to the need to track both high-cardinality and high dimensionality data, the existing solution categories — logging, application performance monitoring (APM) and monitoring tools — fell short.** A desire to fill the gaps left by the existing tech categories drove the founders to build Honeycomb. Honeycomb’s product, positioning and differentiation did **not fit neatly into any of the existing categories for DevOps tools**.

The founders decided to **establish a new category in the market — “observability.”** They define “observability” as embracing an exploratory workflow, likely over high-cardinality data, wherein users would iteratively narrow the search space to identify emergent issues in their system. Their software is designed to help organizations gather context from the production systems to **help investigate and debug complex problems**.

ACTION 1 GAP IDENTIFICATION FRAMEWORK

Why do we need a new category?

Visualization Layer

Grafana
Apache Superset
GECKOBOARD

Honeycomb identified gaps in established adjacent categories

Fast: Critical for real-time response

Monitoring

Prometheus
DATADOG
SFx

honeycomb.io

investigate and debug complex problems quickly

Observability

Slow: Optimized for storage, not query speed at scale

Traditional APM

dynatrace
New Relic
APPDYNAMICS

Logging

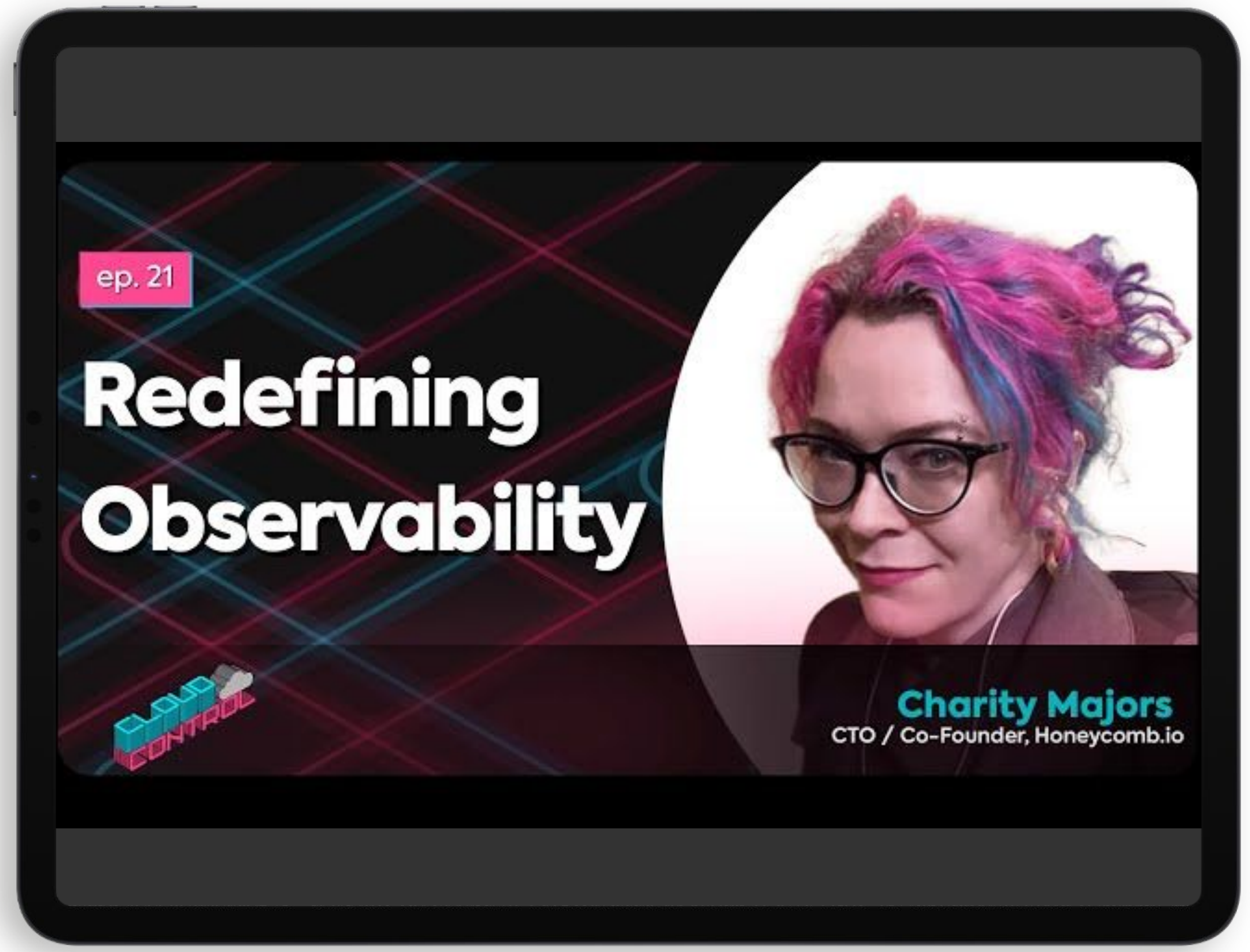
splunk
elastic

Rigid: Predefined or controlled schemas

Flexible: Support high-cardinality data and complex queries

ACTION 2 TACTICS FOR THOUGHT LEADERSHIP

How to build awareness of new category?



Production Engineering Manager
Observability User

Right Thought Leader

honeycomb.io

Honeycomb cofounder, Charity Majors, helped create new category: **observability**

User in the space

New DevOps Method

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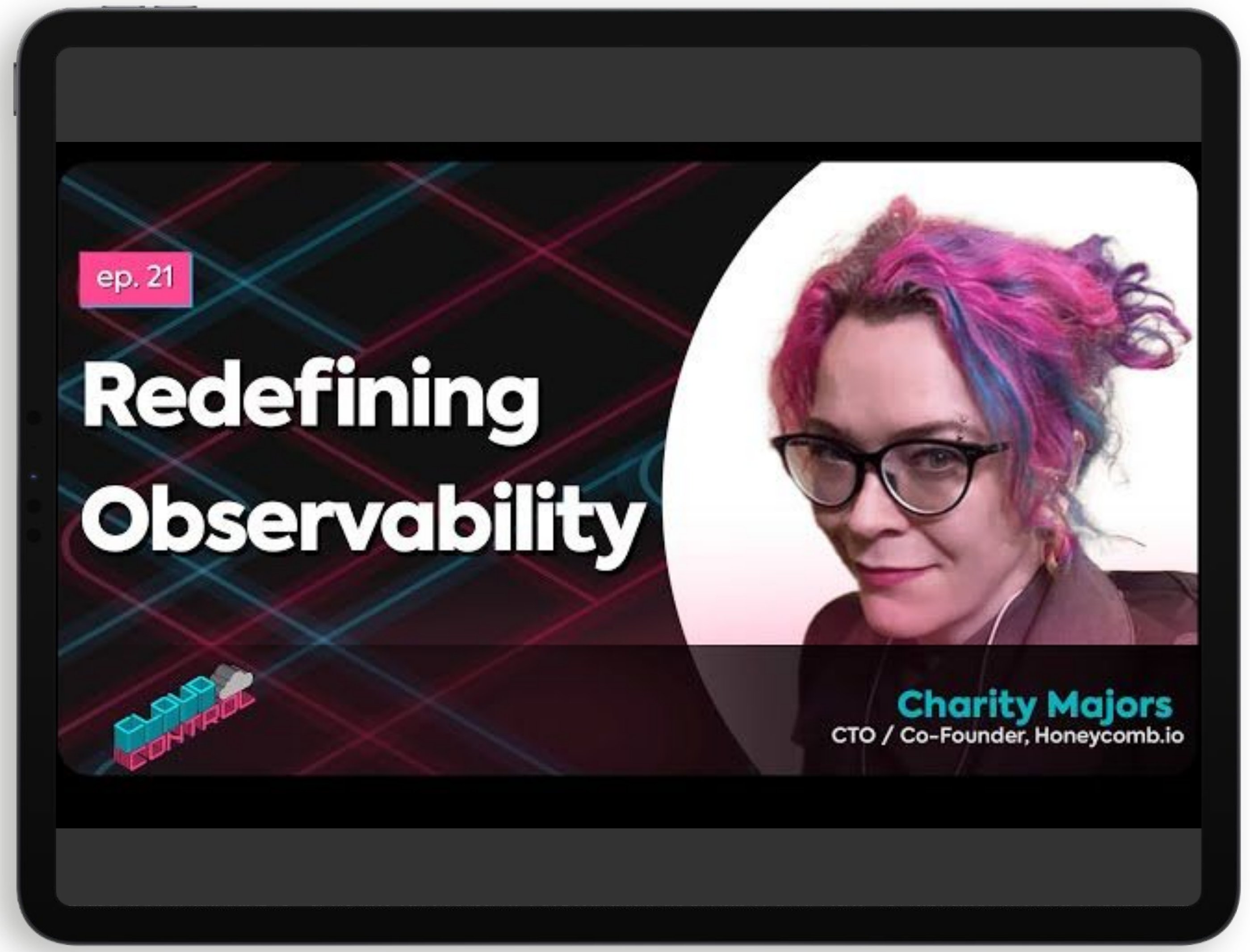

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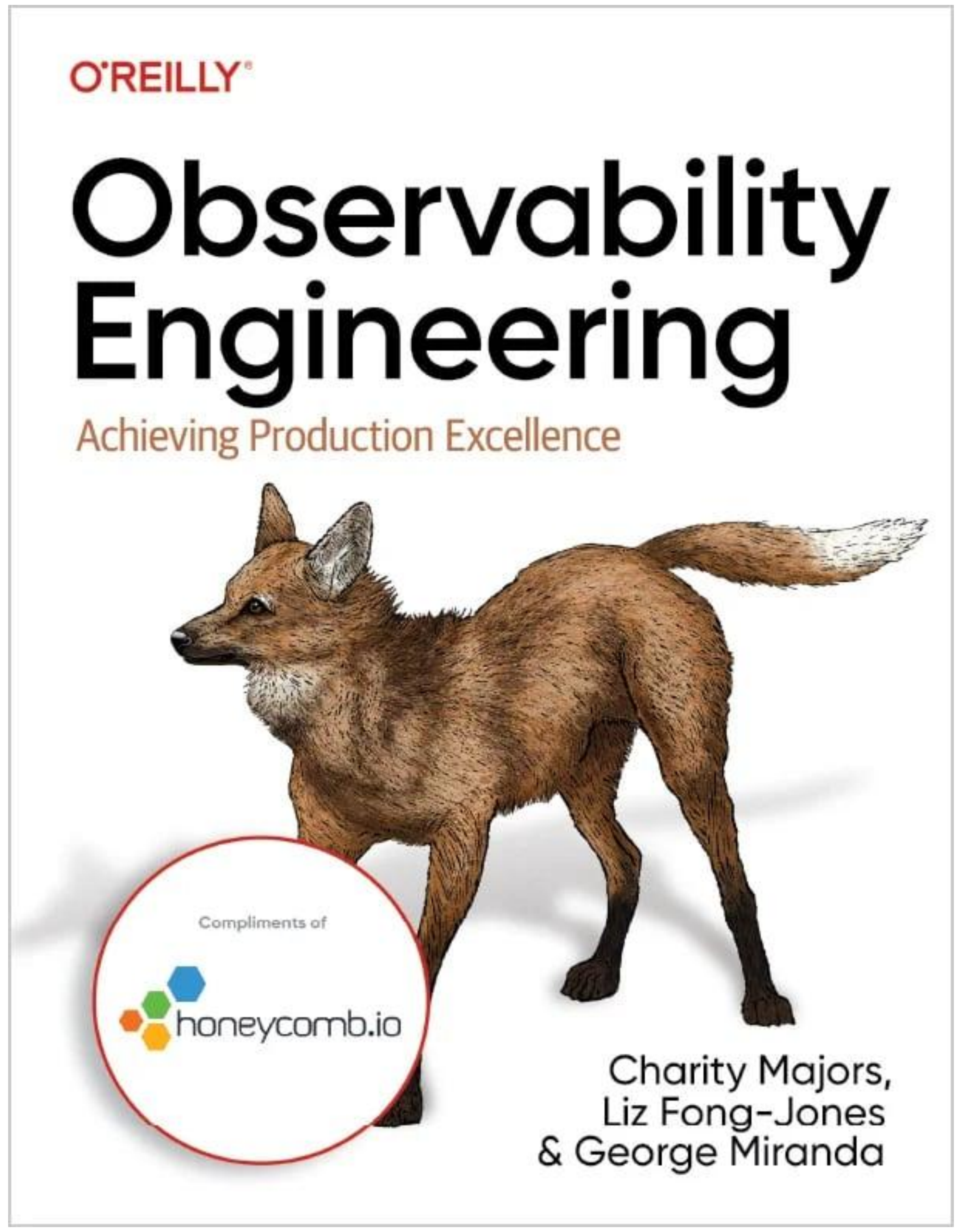

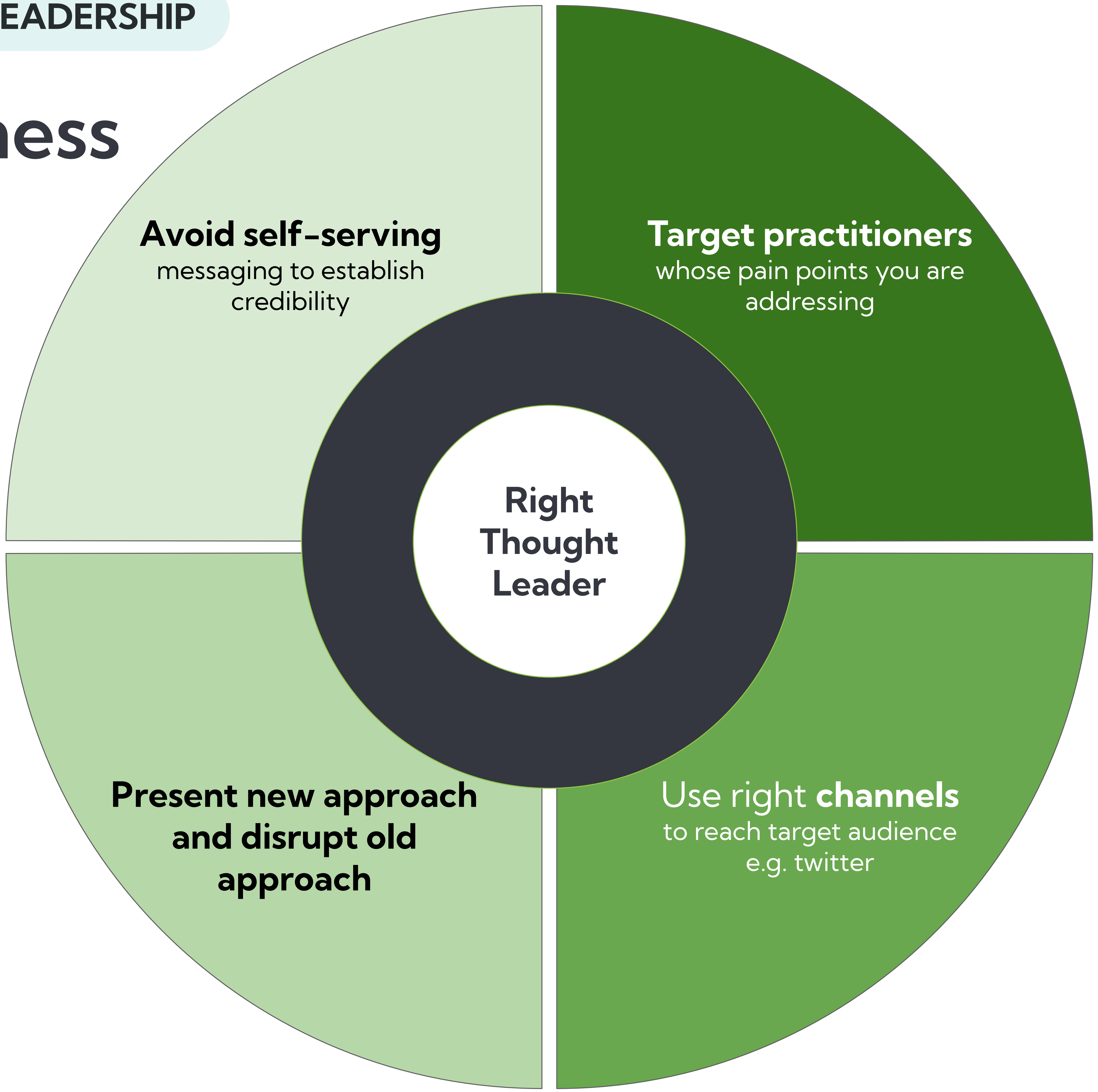

ACTION 3 CREATE A MOVEMENT

How to find early believers in new category?

Make your champion a hero

Early Heroes in a new wave

Showcase them with Hero Stories

Not just customer case studies. "Not about showcasing success with your product. Instead, these stories should showcase your champions' success as crusaders of change in their companies. Make your champion (not your offering) the central hero of the story."

Chandar Pattabhiram, CMO Coupa & Marketo

Industry Celebrity

(pioneer, visionary, thought leader by sharing path to hero)

"At Marketo, the first line of blog was written before the first line of code. The seed of "teaching" to create a tribe was planted early and germinated the larger concept of the Marketing Nation"

Community

Want-to-be Heroes and Want-to-help Heroes (partners, analysts and influencers)

Marketo successfully built a massive community of thousands of passionate marketers with educational marketing.

Leads and Category Creation

Marketo contributed to the widespread adoption of demand generation teams by pioneering both the methodology itself and the "marketing automation" category powering it.

Category naming defines the Community

Who is the Category Leader

What is a category? Simple way to group companies

Why have categories? Helps customers and investors

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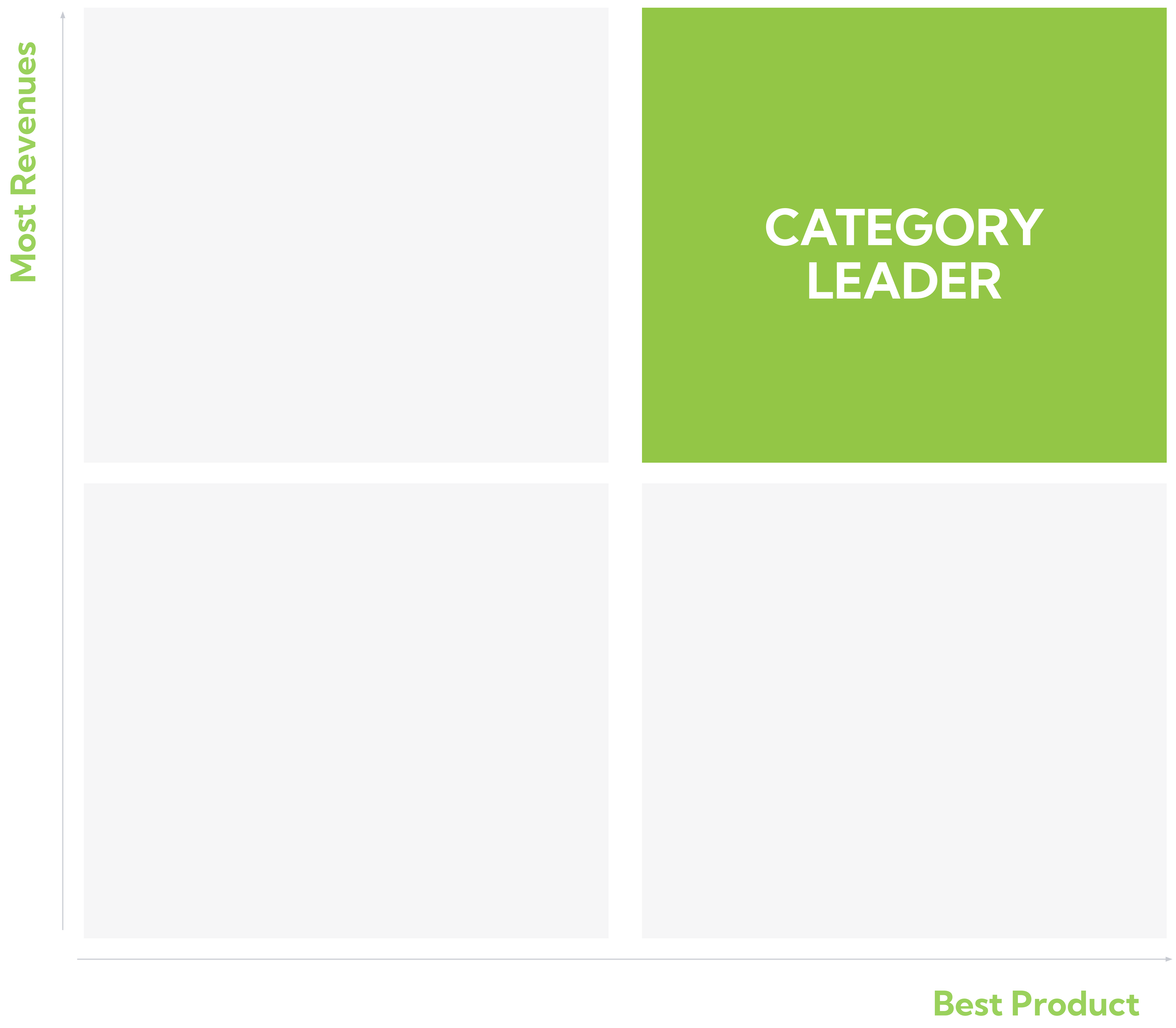
Who is the Category Leader?

Community Decision

Analysts follow the community (not lead it)
Gartner, Forrester, G2 Crowd



Who is the Category Leader?

<u>Example:</u> Gartner Magic Quadrant

Most Revenues

Ability to execute

CHALLENGERS

Executes comparatively well today or may dominate a large segment,

but does not have a roadmap aligned to Gartner's view of how a market will evolve

LEADERS

Executes comparatively well today and

is well positioned for tomorrow

NICHE PLAYERS

Focuses comparatively successfully on a small segment, or is unfocused and

does not out-innovate or outperform others

VISIONARIES

Understands where the market is going or has a vision for changing market rules,

but does not yet execute comparatively well or does so inconsistently

Completeness of vision

Best Product

Race to Category Leader

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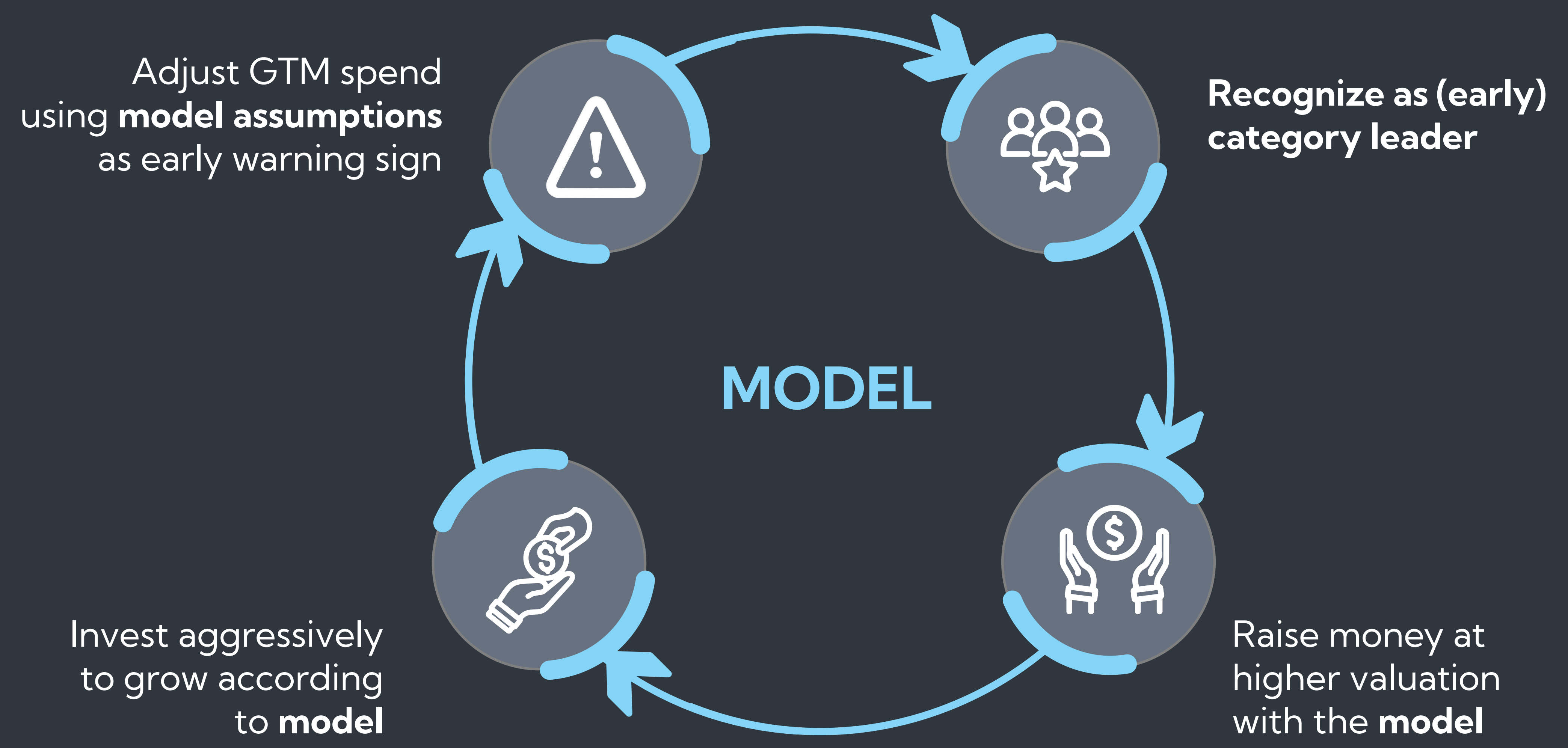
How to become a category leader?
Predictive Scaling = Complete virtuous cycle as fast as possible, according to the model



How win the race to category leader?
Predictive Scaling

Predict 1–2 years (not just a 1–2 Q **forecast**) to **scale predictively**

What is a model? *vs.* forecast?

MODEL

Top-down (based on assumptions)	1–2 **year** visibility	Where do we want the business to go?

FORECAST

Bottoms-up (deals and hires)	1–2 **quarter** visibility	What outcomes will we deliver next Q?

Source: Make a Plan, Break the Plan, Repeat Webinar with Jeff Gray

How model & forecast change as company grows

MODEL

Top-down (based on assumptions)	1–2 **year** visibility	Where do we want the business to go?

FORECAST

Bottoms-up (deals and hires)	1–2 **quarter** visibility	What outcomes will we deliver next Q?

$1m ARR	$10m ARR	$25m ARR
Build model and **understand the assumptions** – their drivers & benchmarks	When **assumptions start becoming accurate**. Then, become predictable	**Change in assumptions is an early warning sign**
Model will be inaccurate Don't rely on model	Start relying on model predictions for planning and fundraising	
Critical (can't run out of cash)	2–3Q visibility	4Q visibility
Need accurate forecasts		

Source: Make a Plan, Break the Plan, Repeat Webinar with Jeff Gray

Useful dashboards for the model assumptions or forecasts

MODEL

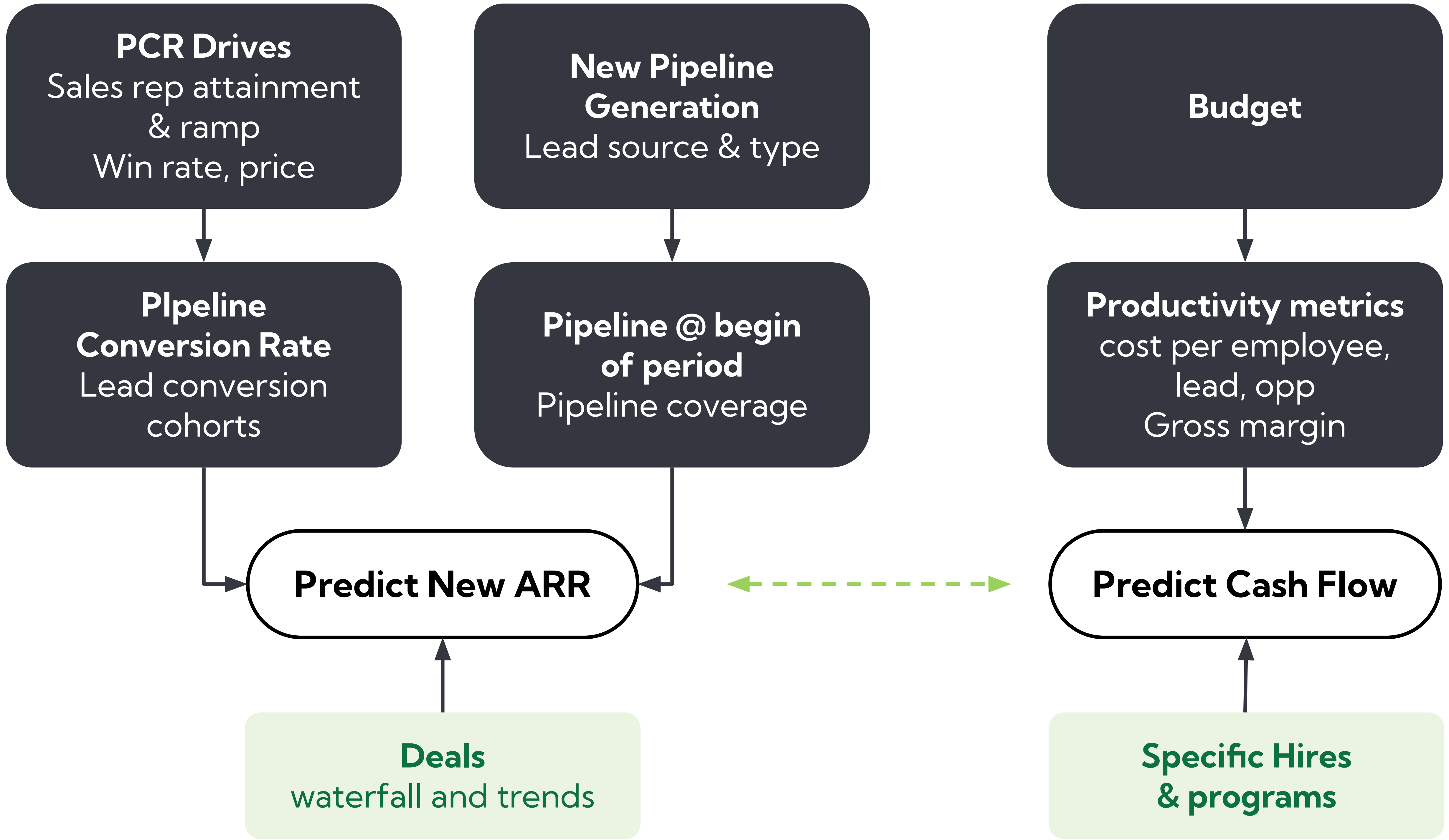
Assumptions become goals, metrics and early warning signs

Top-down (based on assumptions)	1-2 **year** visibility	Where do we want the business to go?

FORECAST

How to encourage accurate forecasts

Bottoms-up (deals and hires)	1-2 **quarter** visibility	What outcomes will we deliver next Q?



Goal is "Spreadsheet GTM"

Spreadsheet says invest $x in S&M, and then generate $y in New Revenue with $z cash burn; Easy to predict growth and future valuation

Source: Make a Plan, Break the Plan, Repeat Webinar with Jeff Gray

Dashboard: Forecast waterfall and conversion trends

waterfall encourages more accurate forecasts

Prospects	Q2	Q3	Q4
Plan	6,635	7,814	9,150
Jun	8,380	8,500	
Jul		8,500	
Aug		8,800	10,000
Sep		9,351	10,000
Oct			11,000

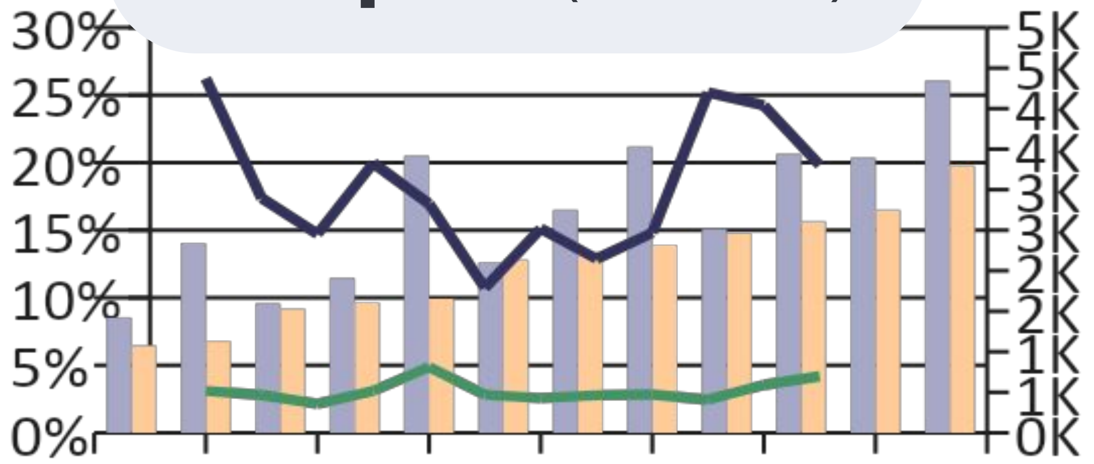
New Pipe (Leads)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Plan	825	1000	1069	1374	1434	1512	1581	1605
Jun	909	1000	1069	1374				
Jul		924	1200	1374	1434			
Aug			1280	1374	1434	1512		
Sep				1482	1500	1370	1600	
Oct					1570	1370	1600	1605

PIpe (Ops)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Plan	82	90	94	100	104	109	114	116
Jun	91	93	95	101				
Jul		70	90	100	103			
Aug			92	98	103	109		
Sep				101	103	103	114	
Oct					109	103	116	119

Wins	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Total	38	31	33	50	41	37	42	35

Plan Forecast Actual

Prospect (to lead)



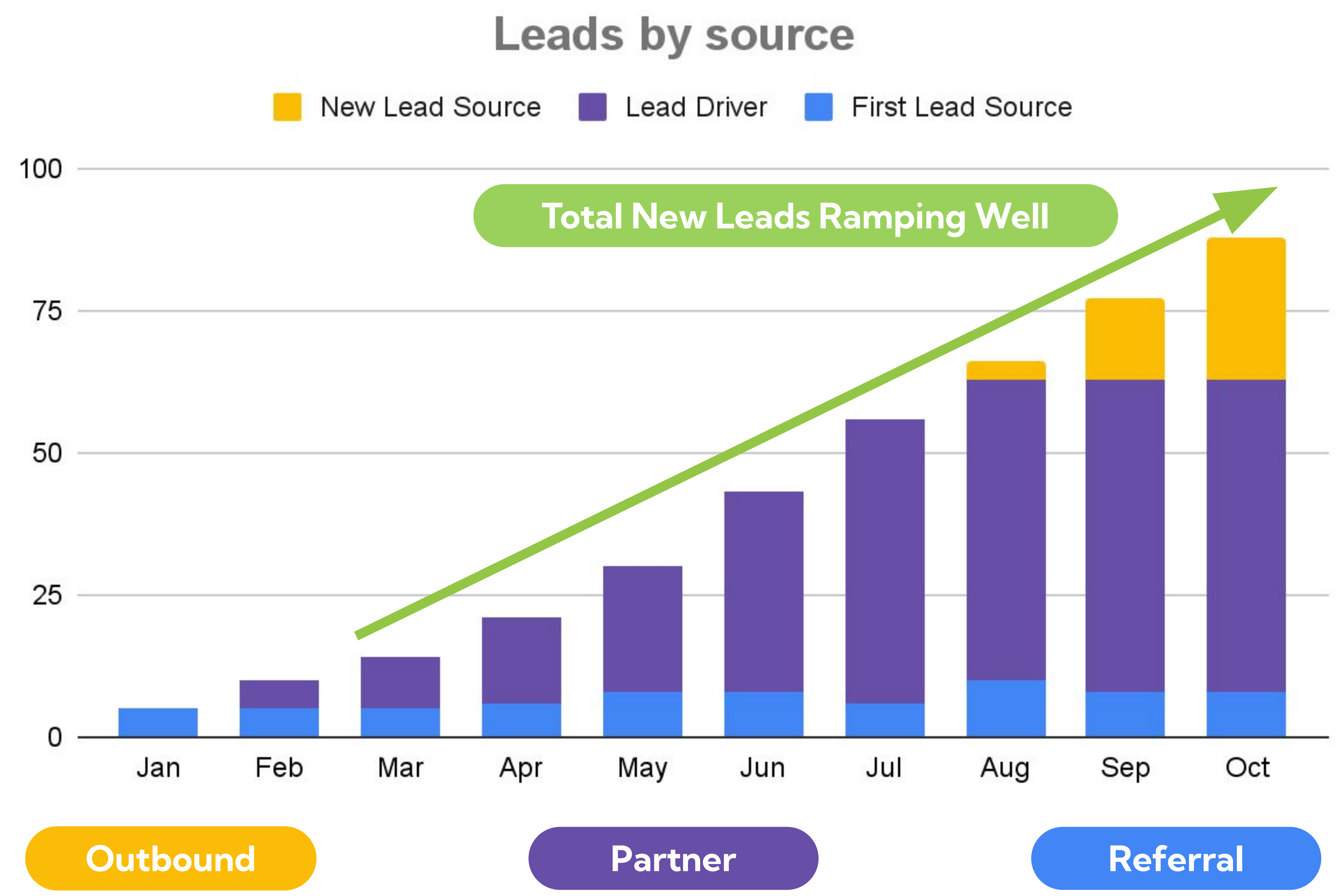
Lead (to opportunity)

Opp (to trial)

Trials (to close)

Dashboard: New Pipeline Generation

highlights changes in quality



Quantity: First sign of problem

- Ramping nicely! Note: easy to show good new pipeline growth (because, ambiguous)
- Ask: Enough new lead generation to feed each rep

Quality: Look at mix change

- Problem: different lead sources have different conversion rates
- Potential lead mix change?
  - **lead source:** outbound leads
  - **use case: new, unproven use case**
  - **new marketing message (urgent pain)**
  - **product: new, unproven product**
  - **ICP**: new, unproven ICP

Dashboard: New pipeline conversion cohorts

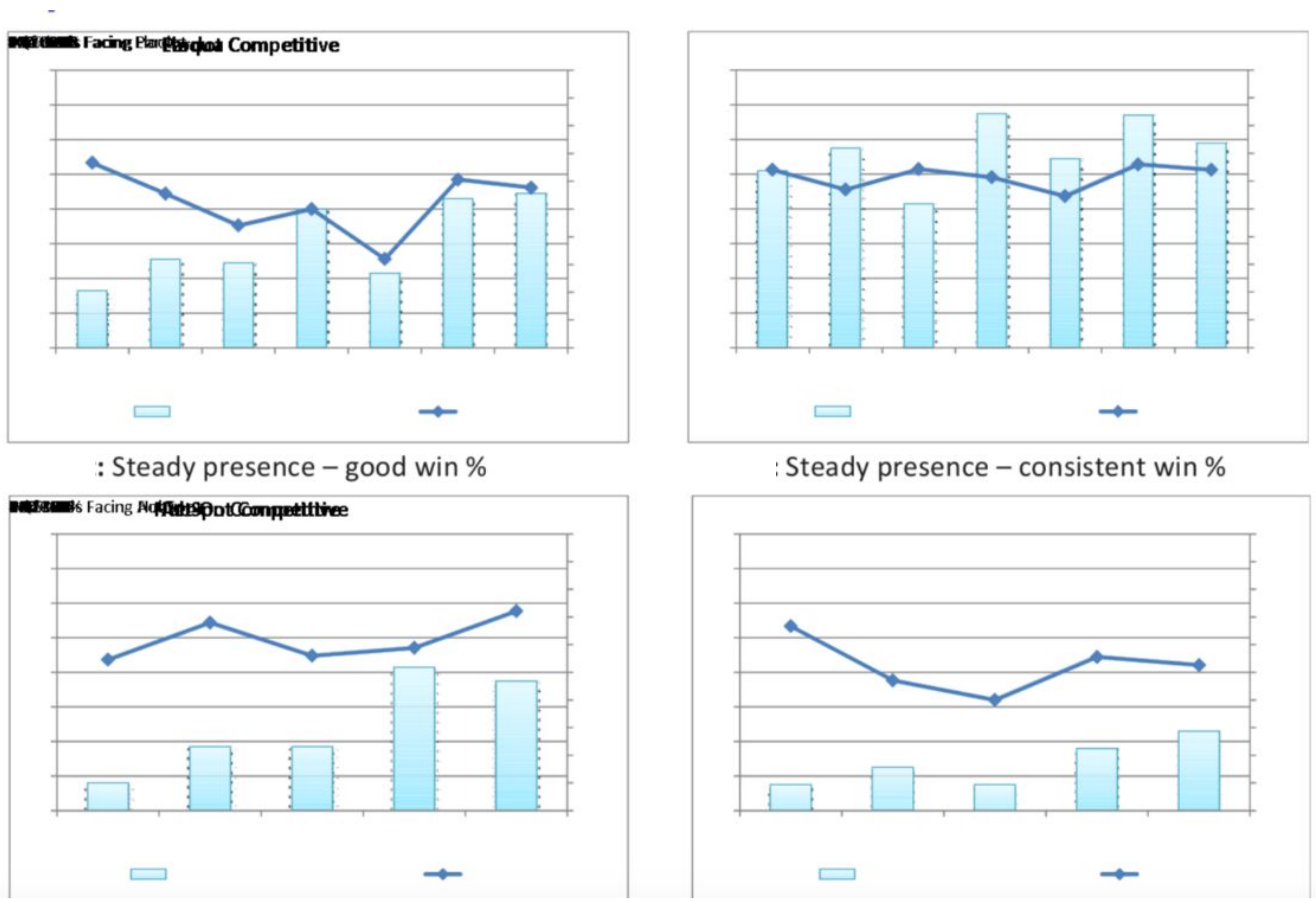
measures the quality of new pipe

Cumulative Win Rate, Quarters since SQL

SQL Date	0.0–1.0	1.0–2.0	2.0–3.0	3.0–4.0	4.0–5.0	5.0–6.0	6.0–7.0	*Lost*	*Open*	Count	Value	Avg
2022 Q2	5%	9%	13%	13%	14%	14%	14%	*86%*		90	$6,400,000	$72,000
2022 Q3	8%	19%	25%	25%	29%	29%	29%	*71%*		70	$5,600,000	$75,000
2022 Q4	11%	17%	18%	18%	20%	21%	21%	*73%*	*6%*	60	$5,400,000	$82,000
2023 Q1	6%	12%	16%	16%	16%	16%		*77%*	*7%*	80	$8,400,000	$102,000
2023 Q2	3%	4%	7%	9%	9%			*88%*	*3%*	70	$8,000,000	$75,000
2023 Q3	3%	7%	10%	12%				*73%*	*15%*	60	$5,200,000	$89,000
2023 Q4	21%	25%	30%					*49%*	*21%*	50	$5,500,000	$102,000
2024 Q1	4%	10%						*48%*	*42%*	80	$9,300,000	$108,000
2024 Q2	4%							*20%*	*76%*	90	$7,500,000	$82,000

Dashboard: Deals

highlights any competitive changes



Recorded Competitive Opptys	361	218	195	97
Win Rates	62%	55%	64%	52%
Swaps to	33	19	45	13

Win Rate: competition

Delay: Increasing Average Sales Days

Falling prices (ACV)

Dashboard: Sales rep performance for <20 sales reps

critical to review each rep's performance as well as the aggregate

	Q1	Q2	Q3	
Total	**106%**	**108%**	**105%**	**making plan!!**
AE #1	140%	130%	140%	% of quota
AE #2	135%	120%	140%	
AE #3	120%	130%	130%	old reps doing well
AE #4	100%	110%	90%	new reps struggling
AE #5	80%	90%	70%	
AE #6	60%	70%	60%	
AE #7		90%	80%	brand new reps
AE #8		68%	50%	struggling
AE #9			80%	

Ramping AEs

New ARR/ Ramped Quota

Make plan, but worsening sales performance

- % of quota
- Best are last impacted

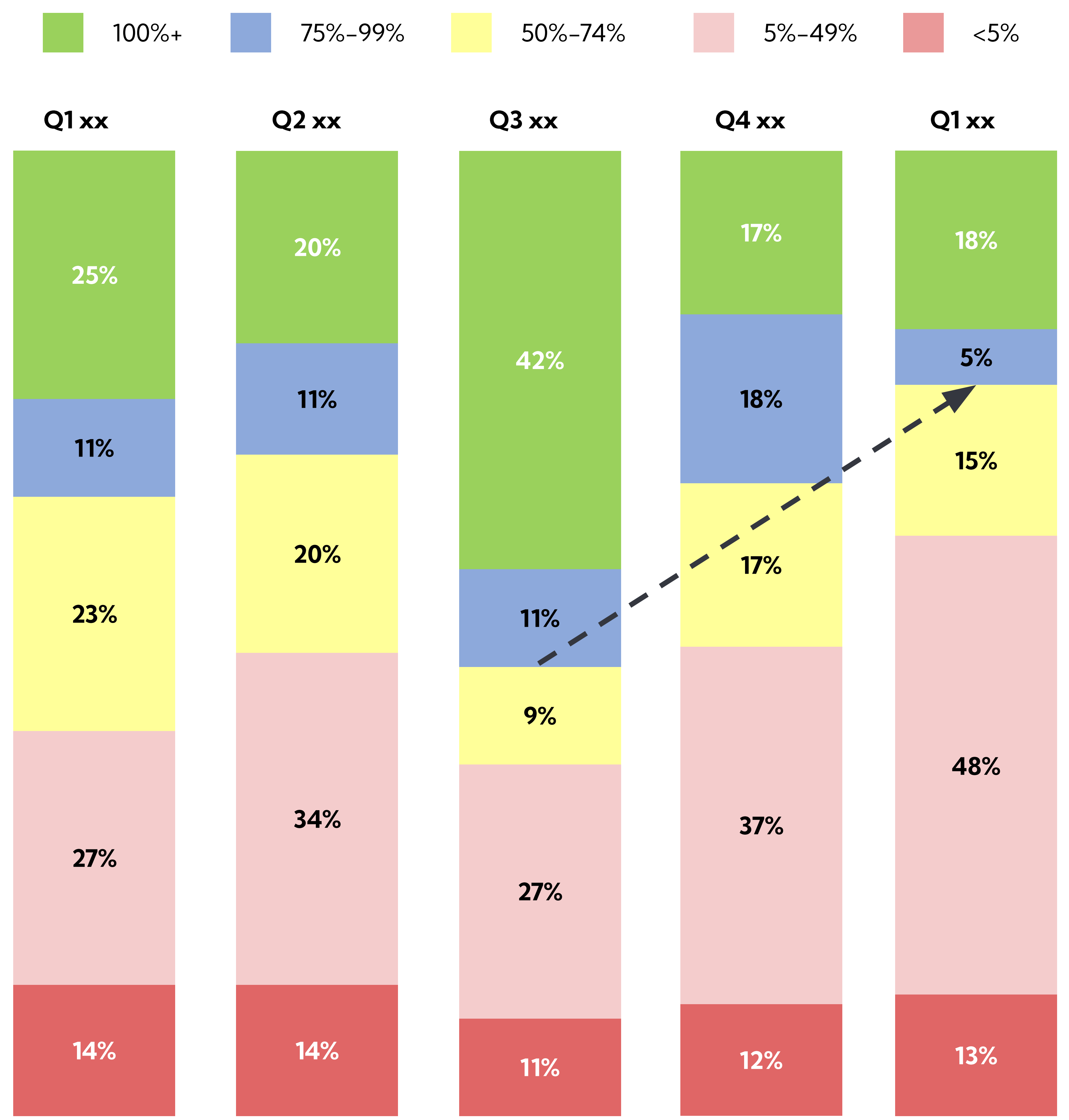
Review each AE as a separate GTM experiment

- Why are some AE's struggling? some doing well? Not following playbook? Variations? Rep profiles?
- What is the ideal AE?
- Is it a playbook/process or AE problem?

Why are new reps not ramping to plan?

Dashboard: Sales rep performance >100 sales reps

highlight changes

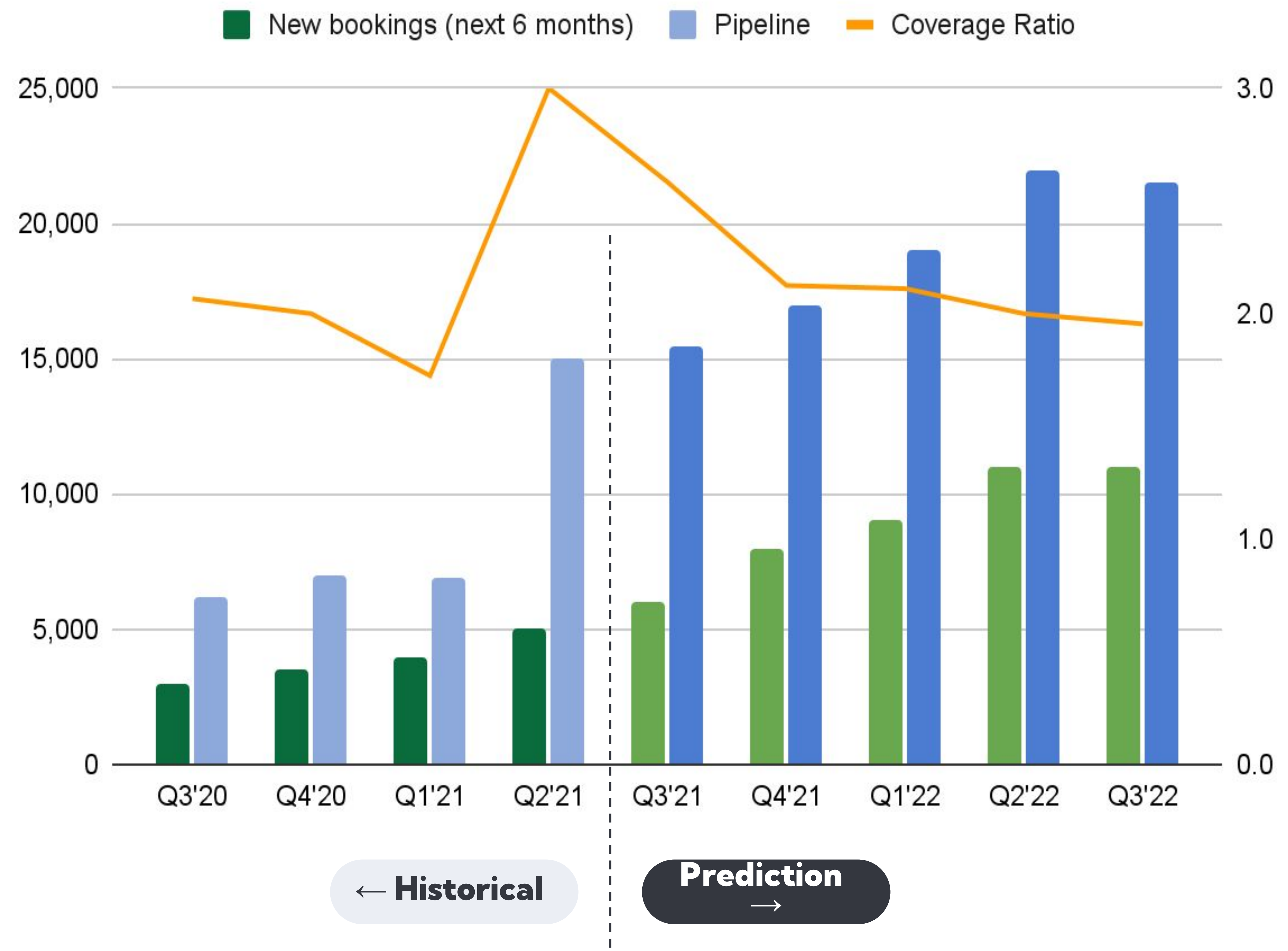


Worsening Sales Attainment

- % of quota
- Best are last impacted

Dashboard: Pipeline coverage trend

enough pipeline to make future quarters



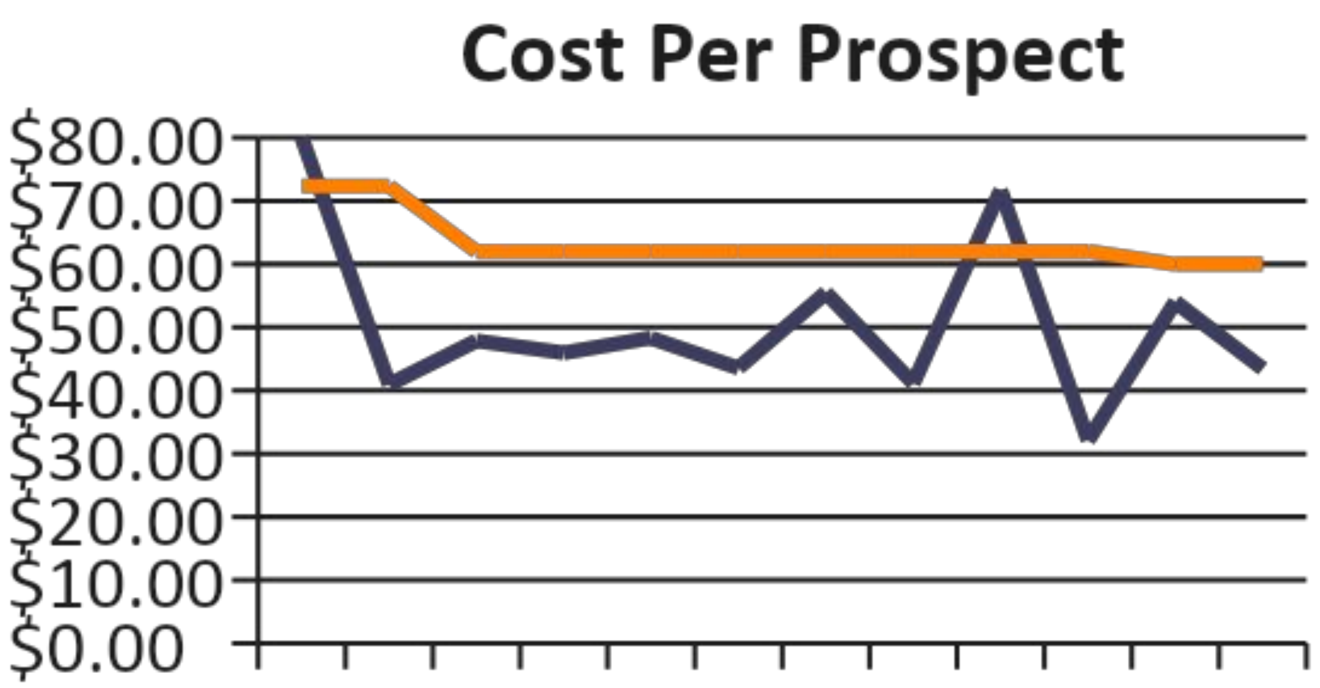
Trends = Shows prior coverage ratios & plan

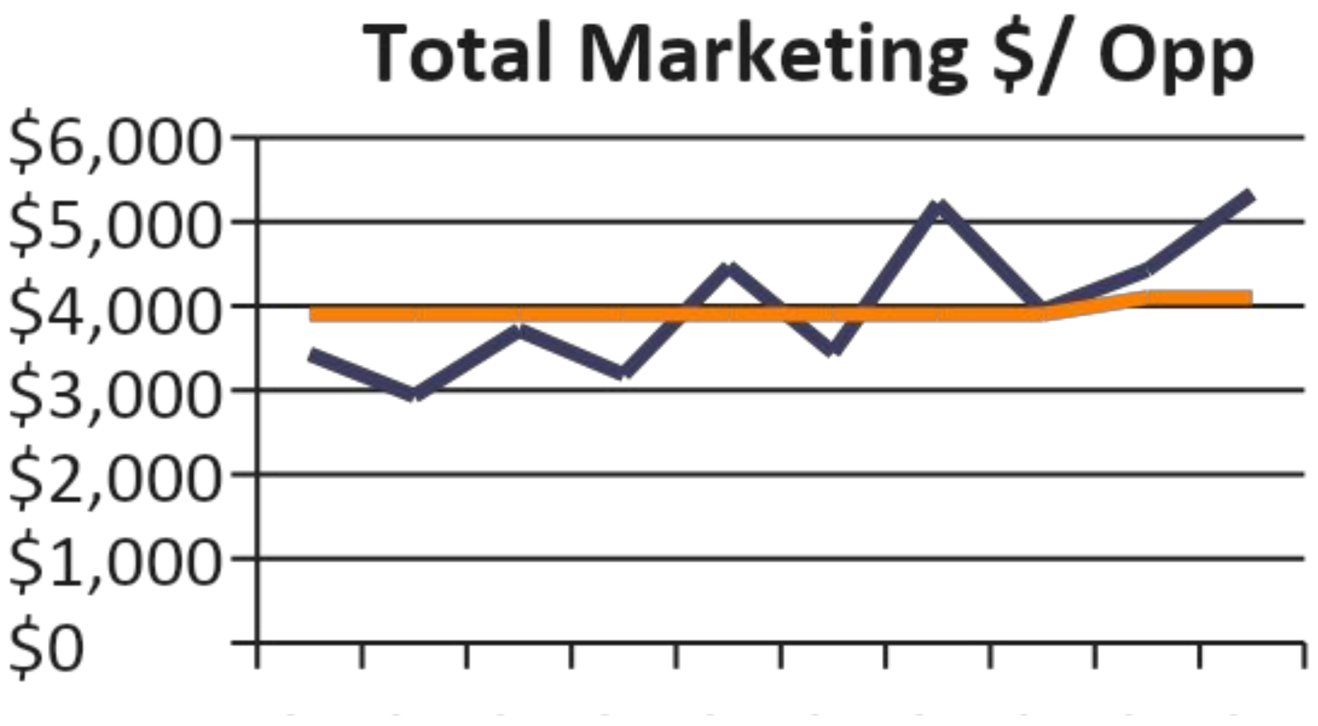
Implications

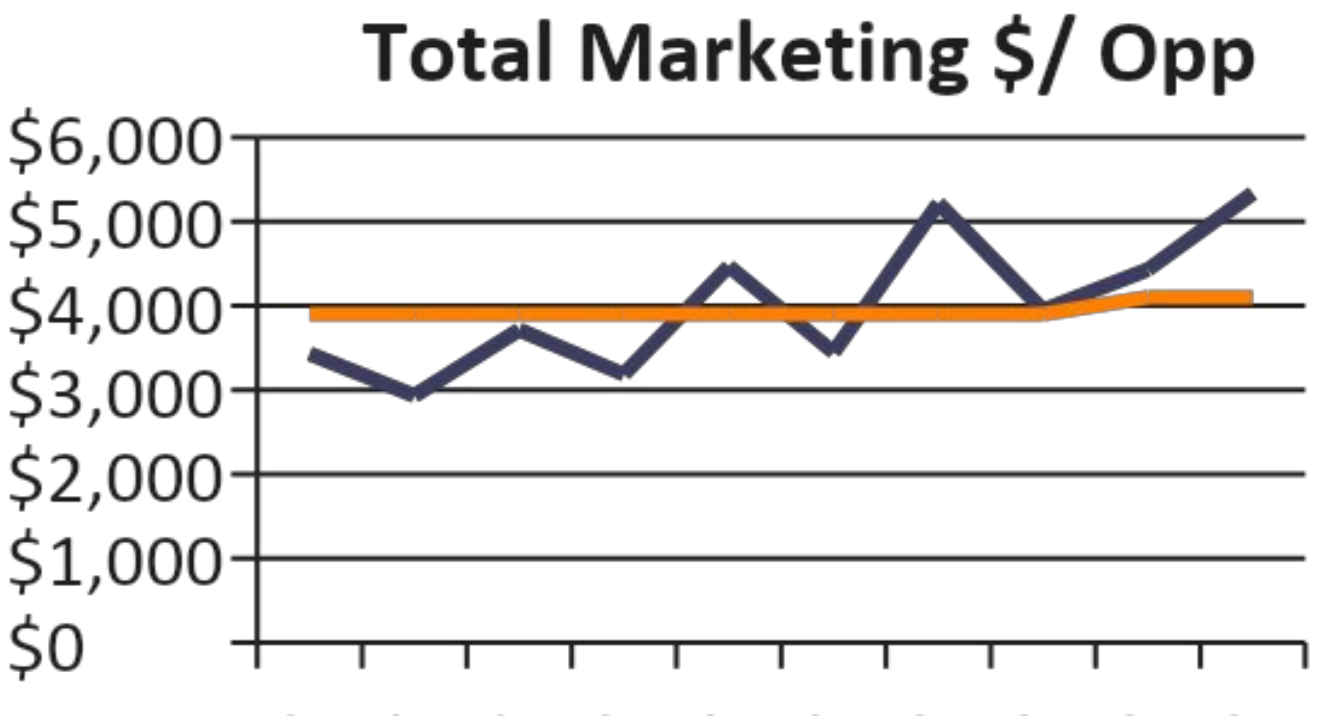
- assess credibility of making plan
- change in coverage ratio

Dashboard: Customer acquisition costs

see trends and plan



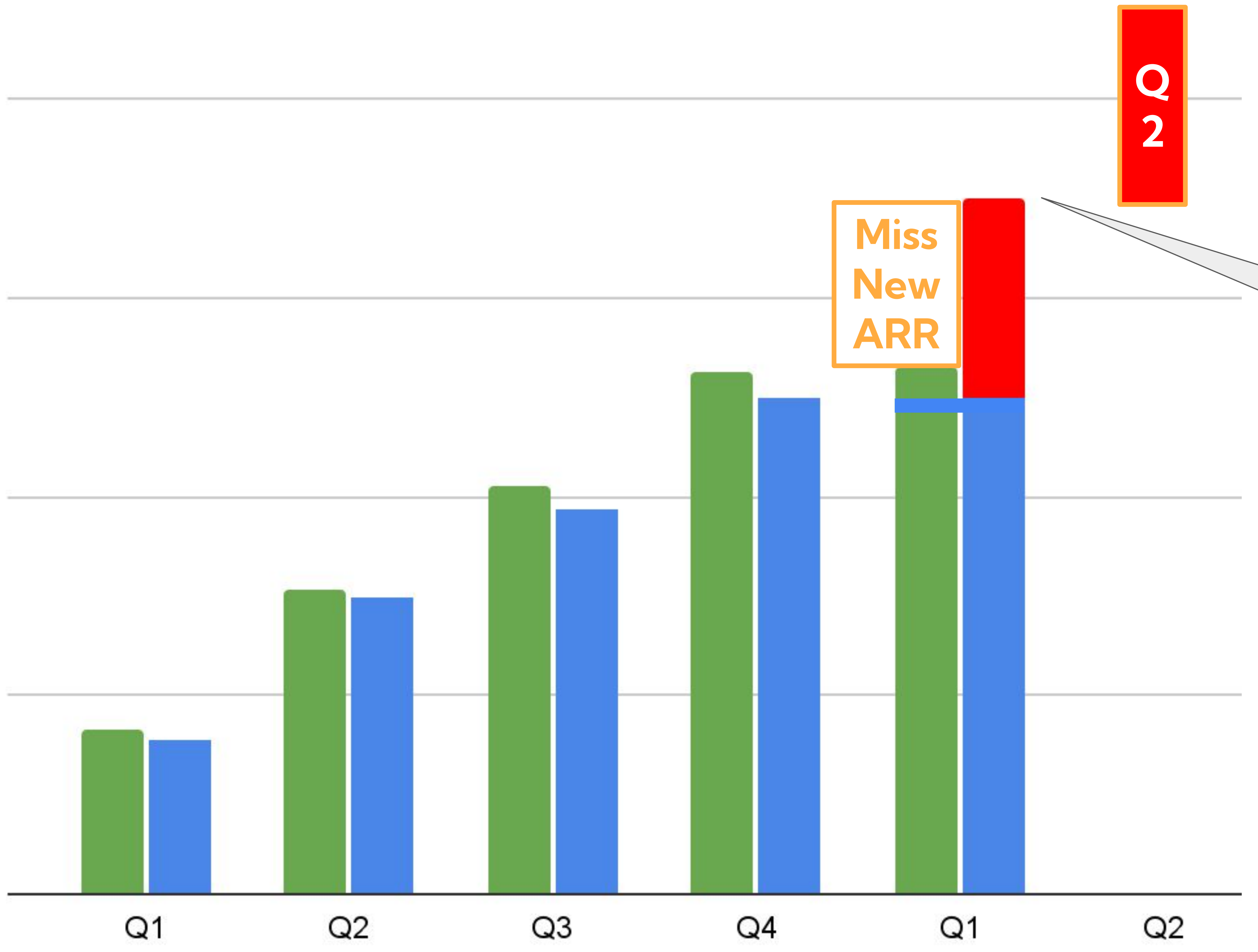




Compare against the plan (orange), prior data (trends) and by stage

Power of Predictive Scaling

Encourages continual micro adjustments to the plan (considered heresy)



Sometimes, wait *even* another Q due to strong pressure to grow!

Company 1:
wait until miss Q
& kept spending

Power of Predictive Scaling

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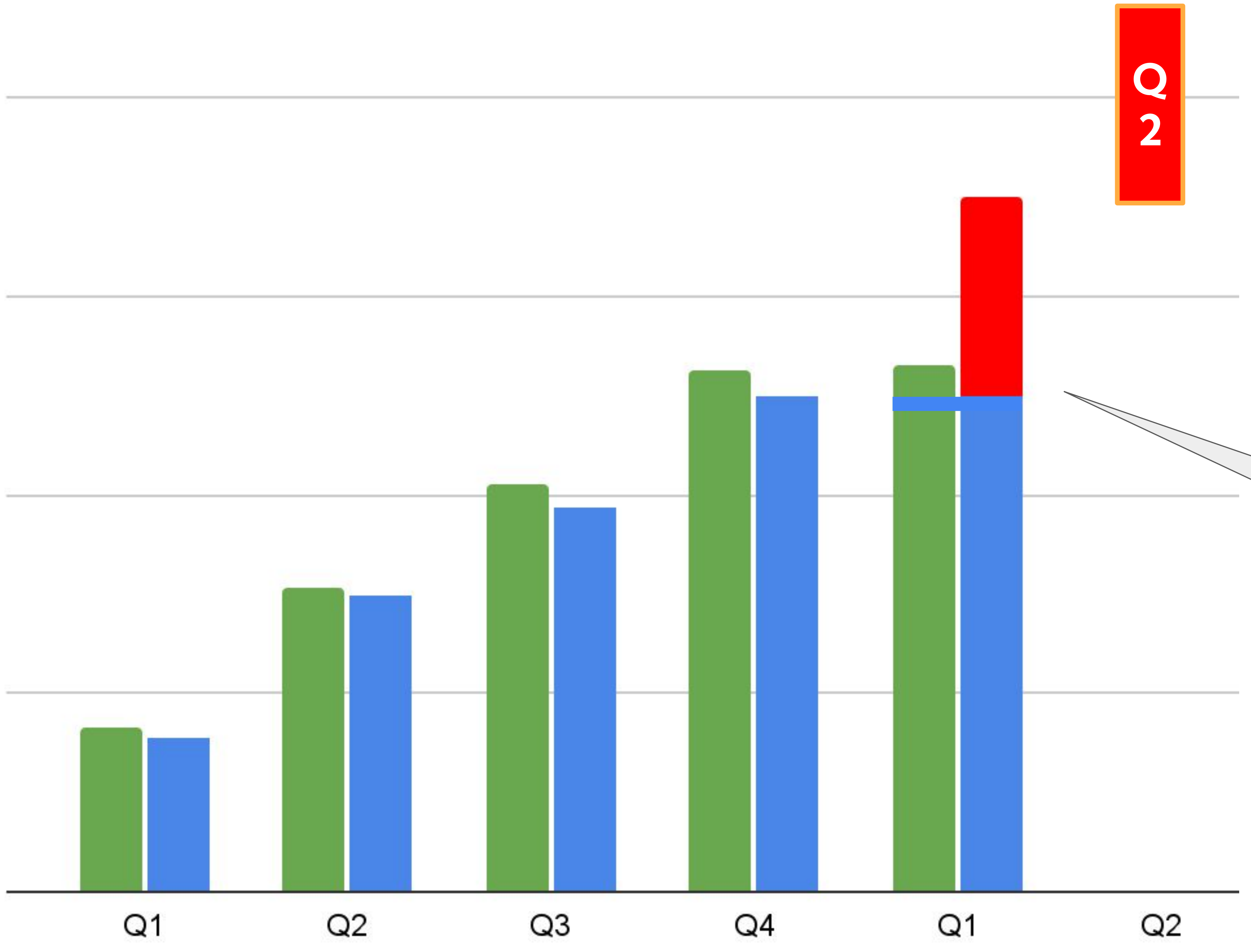


Sometimes, wait *even* another Q due to strong pressure to grow!

Company 2:
predict miss Q
& pause spending

Changing assumption was early warning sign

PREDICTIVE SCALING

Feels like real time video analytics of your surfing

Requires:

- **an accurate predictive model**
- **willingness to investigate quickly any variance from the model**
  (ie potential bad news)

Huge bonus: Investors love predictability

- Use Spreadsheet GTM to predict return)
- easy to prepare board packages

Race to Category Leader

What is a category? Simple way to group companies

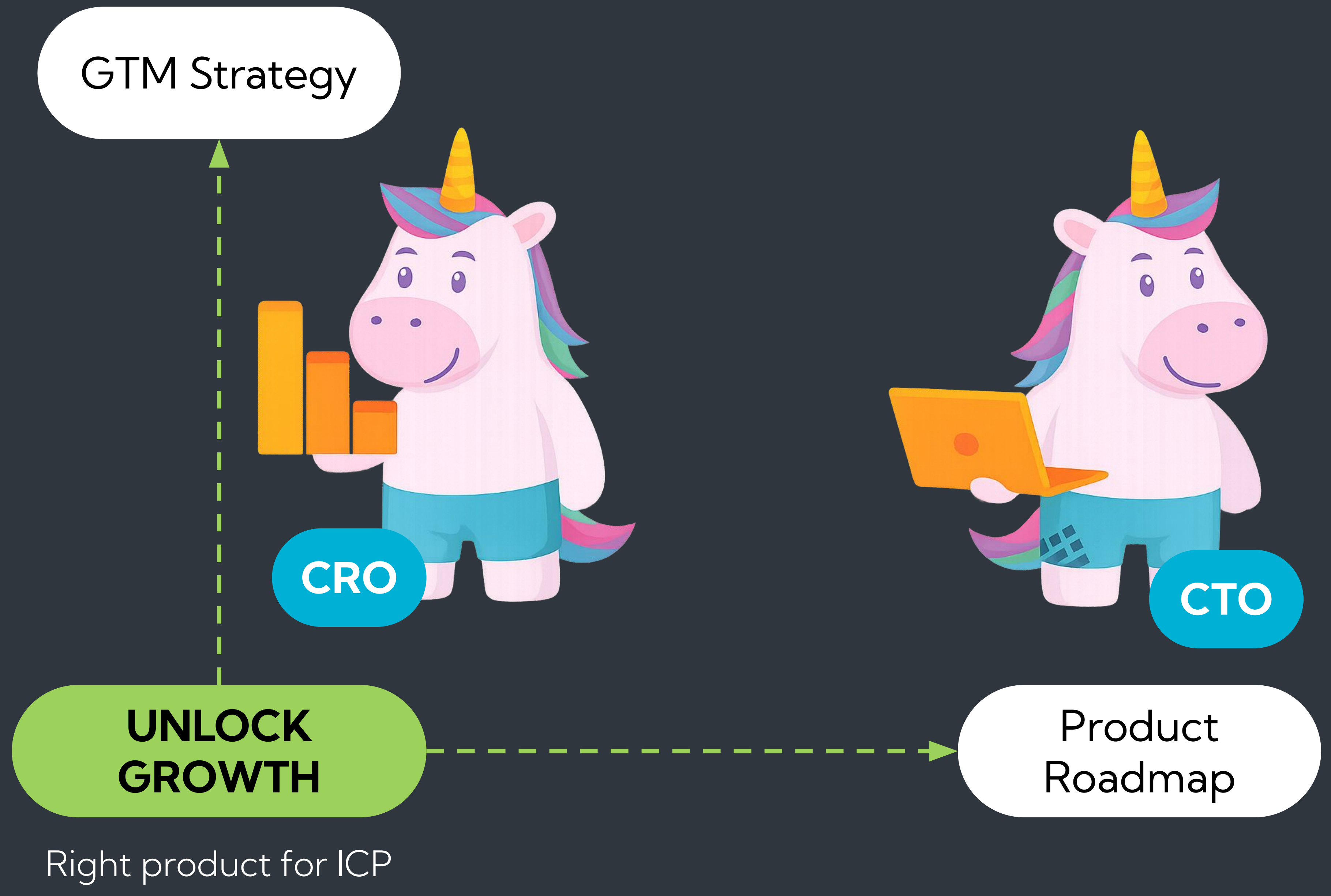
Why have categories? Helps customers and investors

Why are categories so important? Drive customer decisions

How create a new category? Need collective effort

Who is the leader? Community Decision

How become a category leader?
- Advice #1: Predictive Scaling
- **Advice #2: Align GTM strategy with Product roadmap**



How win the race to category leader?
Align two strong leaders

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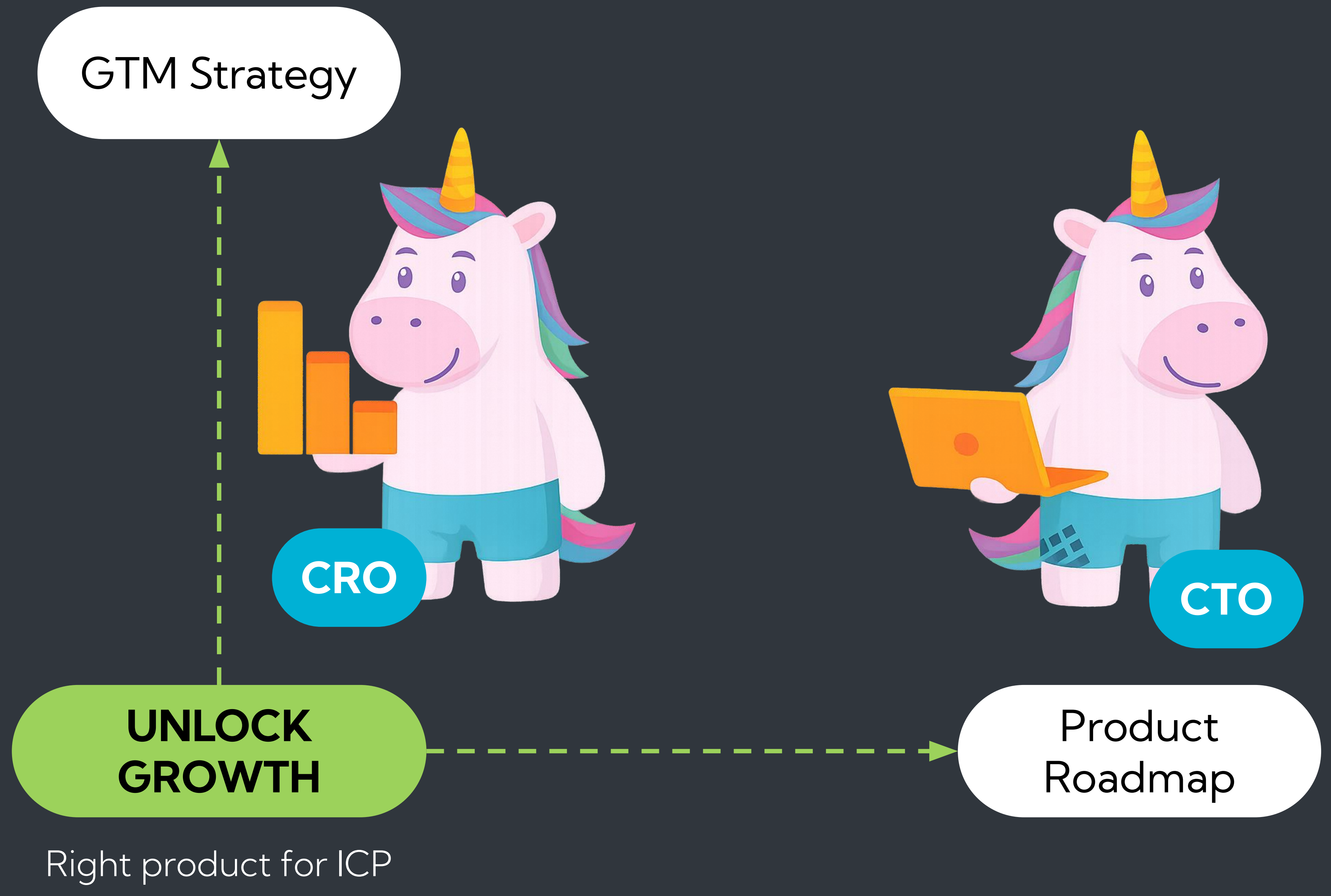


How win the race to category leader?
Align two strong leaders

Example conflict:
New Product for New Champion

Example: Align GTM Strategy and Product Roadmap

1st Product selling well in core GTM (green box) –– Unlocked Growth!

GTM Strategy					Product Roadmap			
← More Champ #1's	Mid	Geo #1	Strong Partner	Champion #1	Product (optimized for partner)			→ More strategic to Champ #1
	Type	Geos	Differentiator	Champion	1st Product	2nd Product	3rd Product	

The green box represents core GTM

Example: Align GTM Strategy and Product Roadmap

To accelerate growth, company tries to sell same product upmarket and in other geo's

	GTM Strategy				**Product Roadmap**			
	Ent	Geo #1	None		Up Market w/o differentiator	Struggle to sell 1st product up market & in other geos		
	Mid	Other Geo	None		Other Geo w/o differentiator			
← More Champ #1's	Mid	Geo #1	Strong Partner	Champion #1	Product (optimized for partner)			→ More strategic to Champ #1
	Type	Geos	Differentiator	Champion	1st Product	2nd Product	3rd Product	

The green box represents core GTM

Example: Align GTM Strategy and Product Roadmap

Company tries to sell 2nd Product to the same customers, but different champions

GTM Strategy | **Product Roadmap**

	Type	Geos	Differentiator	Champion	1st Product	2nd Product	3rd Product
	Ent	Geo #1	None		Up Market w/o differentiator		
	Mid	Other Geo	None		Other Geo w/o differentiator		
	Mid	Geo #1	None	**Champ #2**		New Product	
← More Champ #1's	Mid	Geo #1	Strong Partner	Champion #1	Product (optimized for partner)		→ More strategic to Champ #1

Selling to new champion requires a new GTM even if to same customer

The green box represents core GTM

Example: Align GTM Strategy and Product Roadmap

3rd product selling to same core GTM and is doing well

	GTM Strategy				**Product Roadmap**			
	Ent	Geo #1	None		Up Market w/o differentiator			
	Mid	Other Geo	None		Other Geo w/o differentiator			
	Mid	Geo #1	None	Champ #2		New Product		
← More Champ #1's	Mid	Geo #1	Strong Partner	Champion #1	Product (optimized for partner)		New Product	→ More strategic to Champ #1
	Type	Geos	Differentiator	Champion	1st Product	2nd Product	3rd Product	

The green box represents core GTM

Product Vision: become *the* platform for champ #1 in core GTM
Problem: 1st product is secondary to champ #1

Example: Align GTM Strategy and Product Roadmap

Easy to diverge with two strong leaders

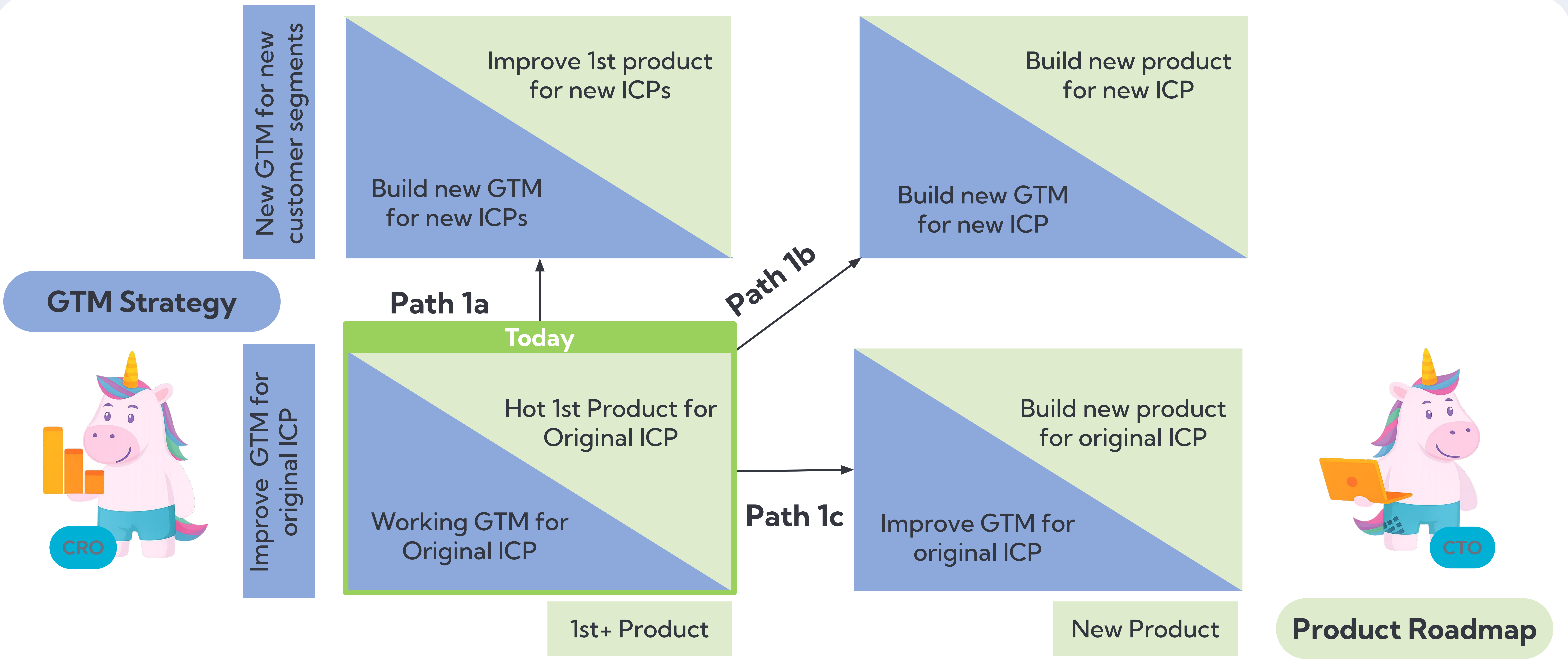
	GTM Strategy				**Product Roadmap**			
	Ent	Geo #1	None		Up Market w/o differentiator			
	Mid	Other Geo	None		Other Geo w/o differentiator			
	Mid	Geo #1	None	Champ #2		New Product		
← More Champ #1's	Mid	Geo #1	Strong Partner	Champion #1	Product (optimized for partner)		New Product	→ More strategic to Champ #1
	Type	Geos	Differentiator	Champion	1st Product	2nd Product	3rd Product	

The green box represents core GTM

Product Vision: become *the* platform for champ #1 in core GTM
Problem: 1st product is secondary to champ #1

Align GTM Strategy and Product Roadmap

Two strong leaders: CTO prefers Path 1a (sell more current product) and CRO prefers Path 1c (sell more product to my happy customers)



Race to Category Leader

What is a category? Simple way to group companies

Why have categories? Helps customers and investors

Why are categories so important? Drive customer decisions

How create a new category? Need collective effort

Who is the leader? Community Decision

How become a category leader? Complete virtuous cycle as fast as possible

- Advice #1: Scale Predictively (not just efficiently)
- Advice #2: Align GTM strategy with Product roadmap

Why category leaders are so important to investors? Unicorns

Category Leaders are Unicorns

These 3 milestones are closely interrelated

BIG CATEGORY
$500m growing 25%

LEADER
>20% share
Fastest growing

ARR $100m

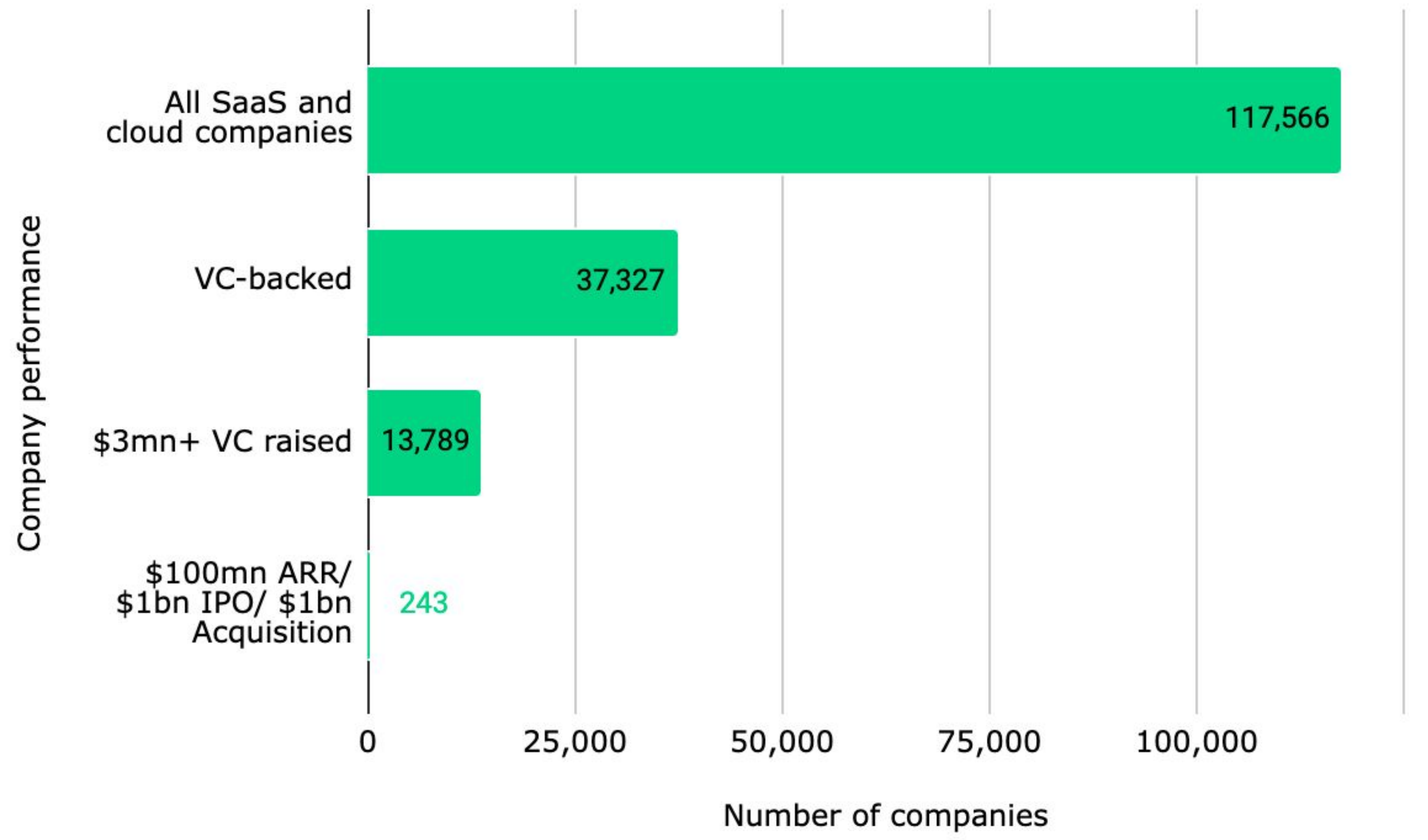
Growing >50%
(2x category growth)

More on Valuation in ***Investor Empathy***

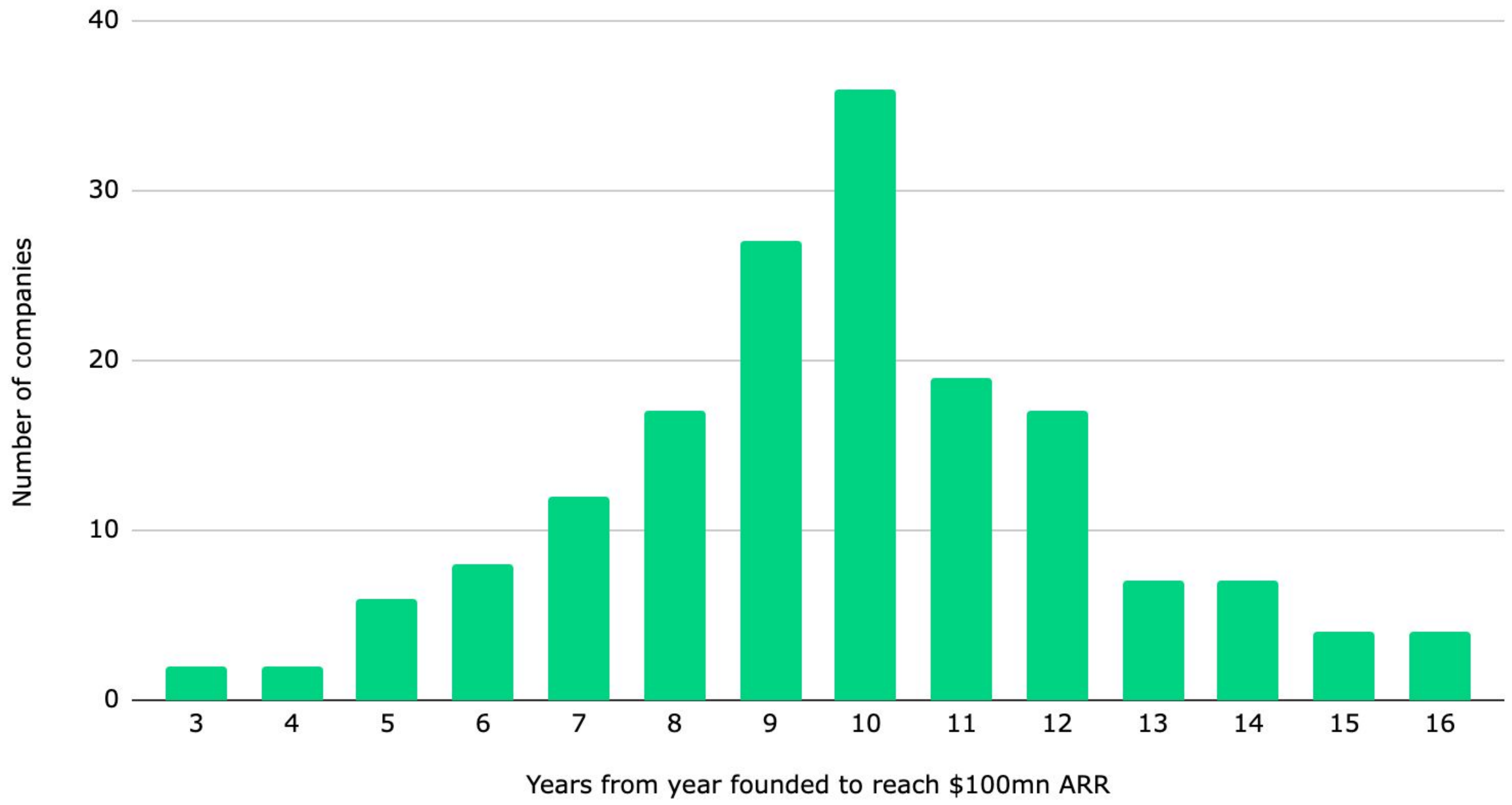
VALUATION >$1b
(multiple > 10x)

Path to $100m ARR is not easy

<2% VC backed with > $3m achieve $100m ARR
Source: Notion

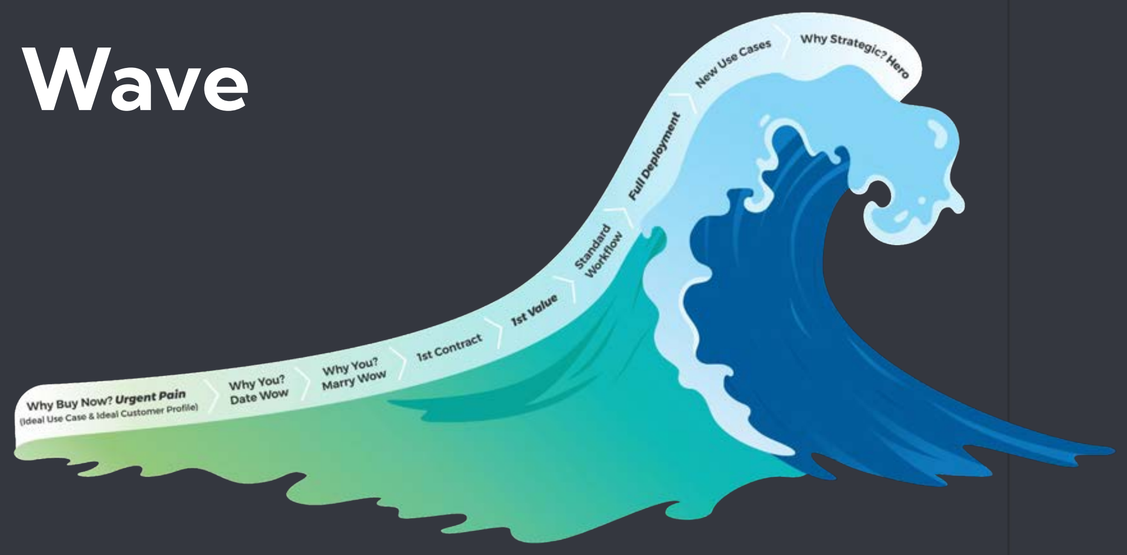


Average 9 years to $100m ARR
Source: Notion



Path to Surfing Unicorn:

Big Wave



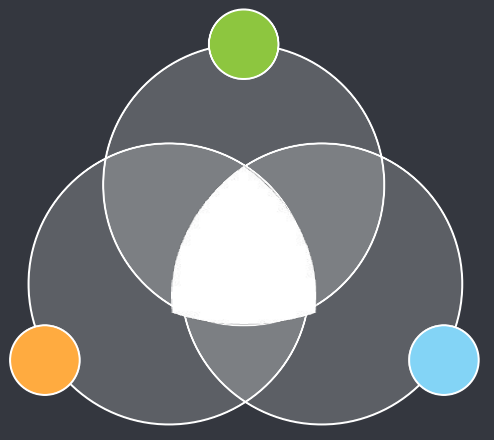
Great Surfer

Surf the wave

What is a **Surfing Unicorn?**

Up Next...

Valuation >$1b



Revenue
>$100m

Milestone
Category Leader

Path to Surfing Unicorn

Please feel free to contact me on
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