Growing Up Enterprise

A guide for growing your organization into the enterprise

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Battery

"Moving upmarket into the enterprise unlocked our ultimate success. It was also really hard."

—Phil Fernandez
co-founder and former CEO, Marketo*

Growing Up Enterprise

Part 1

Moving upmarket into the enterprise segment is a common strategy among software-as-a-service (SaaS) companies. Despite how well-trodden this path is, it's not an easy motion to get right. This guide is designed to help, by suggesting ideas to consider as you mature your segmentation model.

I often get asked by companies with a bottoms-up motion about how to make the jump to enterprise. I encountered this constantly in my sales career, most notably in my senior roles at Marketo* and Pendo.io*—and it's still a hot topic of conversation in my role as operating partner at Battery Ventures.

This guide is lengthy, but one way to think about it is this: If you hired me to help build your enterprise plan, this guide contains everything we'd need to cover to do it. And instead of delivering the content through a consulting engagement, it's distilled down here into something that will take just a couple of hours to go through.

Repeat after me: *Going to the enterprise is a COMPANY-WIDE motion*

Everyone says they want to move into the enterprise. That's desire. But it's not the same as actually being ready. Unfortunately, a lot of founders make the mistake of thinking that hiring a bunch of highly paid account executives (AEs) is the same as "going enterprise." It's not.

Moving up into the enterprise requires fundamental changes to every function inside the company. It means hiring new roles that don't exist today, along with adopting tools that will match up to the new business processes you'll implement. New roles, tools and processes also mean additional expense. But the reason you grow into the enterprise? It widens your total addressable market and creates customers with better net revenue retention and better long-term value.

This guide is divided into six sections, all listed below. We'll move from high-level guidance to very tactical advice, then sum everything up with key takeaways.

"Everyone says they want to move into the enterprise. That's desire. But it's not the same as actually being ready."

1 Enterprise Readiness

Answer the questions below to assess some basic qualifiers to your readiness.

1 Question:

What priority ranks ahead of this? Are you expanding globally? Are you releasing a new product (full product, not feature) in the near term?

If you answered yes, you should strongly consider waiting on the enterprise motion until it can rank as your highest priority. Growing up enterprise needs to be the #1 mission for the company and something talked about in the weekly CEO staff meeting.

2 Question:

Imagine BMW in Germany engages with your team and wants to spend $500K with your org. But to do so, they need to have their data reside within Germany. Do you have a server there? If not, how long does it take to stand up? How much does it cost?

Are you prepared to stand up servers in a situation like this? What if it costs $250K of that $500K deal? What if it takes longer than the deal cycle to roll out? Is the juice worth the squeeze on this one deal?

3 Question:

Now imagine Qantas Airlines in Australia engages with your team and wants to spend $500K with your org. But they need a white-glove experience with lots of hand-holding during implementation and rollout. How do you deliver that when your team is 14-17 hours of time zone away?

Can your org succeed in helping a large customer in a remote geography launch? Can they offer around-the-clock support? How?

4 Question:

Boeing in the U.S. wants to engage with your team and spend $500K with your org. You send them your master service agreement (MSA), but they send you back their MSA and inform you that for them to purchase, it needs to be on their paper.

Do you have in-house counsel? Do you understand critical legal concepts like liability caps and indemnifications? Do you have the right level of corporate insurance caps? Is your security robust and enterprise-grade, adhering to international standards like SOC2 and ISO certification? (We'll discuss these more below.)

Here's the point of the readiness survey: ***we haven't even touched on sales or marketing yet!***

The goal of this questionnaire is to reinforce the fact that the move to the enterprise is indeed a company-wide mission. The three examples in questions two to four are all OUTSIDE of sales—they are about operations, customer service and legal. Sales and marketing are the heavy lift. So if you don't have the functions that surround sales and marketing in a good spot, you're going to face blockers.

CASE STUDY

Marketo selling to Barclays Bank

Marketo launched its product in March 2008. I was the EVP of sales there, and we hired our first enterprise sales rep in December that year. I recall saying to her, “We’re going to lose more deals than we win.” She was confused. “But I’m a great enterprise sales rep,” she replied. I answered back: “I know you are, but Marketo is not a great enterprise company yet.”

She got us into a deal at Barclays Bank. We built a business case that proved our value. We showed benefits Marketo could offer that differentiated us from the competition. And we got selected as the vendor of choice! But we couldn’t close the deal. While negotiating the legal/procurement/security, we couldn’t pass the customer’s infosec requirements. We asked if we could contractually commit to the standards they needed and deliver in six months? Sorry—they needed to roll this out NOW, and one of the huge selling points of Marketo had been our fast time to value. Ultimately, we had to walk from the deal.

Again, it takes a lot more than hiring expensive sales reps to enter the enterprise.

Hopefully this introduction has underscored the importance of going enterprise as a company priority. That means assigning objectives and key results (OKRs) or quarterly goals with milestones and metrics to track your progress. The next four sections of this document will break down the functional areas of the business to serve as a compass for planning your expansion into the enterprise. Then we’ll summarize what we learned.

Growing Up Enterprise

Part 2

Let's start with the functional areas of your company, and the organizational ideas you'll need to consider to start selling into larger organizations. Your product and engineering organizations are an ideal entry point here.

2 Product

We've already made the assumption that your ideal customer profile (ICP) includes enterprise companies. If that's the case, first you need to assess whether your product is enterprise-ready. Here are some key considerations:

Privacy

To sell into enterprise orgs you'll need some standard data-privacy certifications. The first is GDPR, General Data Protection Regulation. These data privacy regulations were adopted in the EU starting in 2018. Regardless of where a company resides, if any part of its customer base is in Europe, those customers will need you to be GDPR-compliant.

Next is SOC2, which is a process for software companies and data service providers on how they securely manage client data and privacy. There are different levels of SOC compliance.

Other considerations may apply beyond these two biggies. If you handle credit cards/ payment info, you may need to have "payment-card industry" (PCI) compliance. There are various International Organization of Standardization (ISO) certifications for industrial/hardware-focused vendors. And California has its own version of GDPR, the California Consumer Privacy Act (CCPA).

And one last stumbling block. Most enterprise buyers have a company-specific data-protection agreement (DPA) they ask you to sign. Many software companies eventually create their own DPA agreement and make it an optional addendum to their master services agreement (MSA).

Enterprise-Scale Product

The biggest area to consider when moving to the enterprise is your product scale and durability. Do you have the right foundation for a true enterprise customer to use your product?

Many products take some "seasoning" to become enterprise-ready and stable, so this is an important milestone to get right. Landing a big customer and then losing them is worse than not getting them at all. How many companies purport to "sell" to the enterprise, but the sales team is scared to death of the downstream hits it could take? At the same time, a very common scenario is that a company "punches above its weight class" and actually lands a big-time customer with high usage demands. This can be a great way to learn to be big. It's a way to focus the entire company on what it takes to be successful in the enterprise.

Enterprise Functionality

I can offer two riffs on this . . . one as advice and one as a bit of a rant from a revenue leader's perspective.

First the advice: You'll need to start thinking about what separates your enterprise product from your core product. Initially you probably have one single product. That's totally fine, but you'll need to start planning R&D to build specific functionality applicable to your biggest customers. You'll need to spend cycles going through pricing and packaging (covered in the marketing section of this guide) and functionality that is priced specifically for your big customers.

Now for the rant: Single sign-on, APIs, security, etc., do NOT constitute enterprise products/readiness to a head of sales. They are table stakes. Test this yourself—go find a series A or B company website that has tiered pricing and look at their top tier. If all that's listed are the aforementioned items like higher-level support, upgraded security etc., as the differentiator between the vendor's middle tier and its enterprise tier, then I can guarantee you that company has a miffed VP of sales. That may be the first step of your march into the enterprise (and again, that's totally fine), but you need to be thinking about how your product unlocks real value for your biggest customers. And real value is not calculated in security and sign-ons. It's calculated on how your product solves enterprise pains.

Chief product officers will often break up their internal roadmaps into themes: scale/speed, ubiquitous features, UI/UX. And they'll often call out the enterprise-focused development. This is a great way to stay intentional and maintain focus. For more thoughts on this concept, see my recent piece, "Happy Birthday…to the Product Organization?"

When I say security and sign-ons are table stakes, I mean they're not optional. If you send your sales team into real enterprise deals without those basic requirements, you will burn a lot of time for nothing. And that's the rub—as a CEO, these requirements take development cycles to build, so some founders get territorial. They'll scream: "We spent a lot of R&D to build these for you, and now you're telling me our product isn't enterprise enough?" Yes, that's exactly what I am telling you, boss.

Key takeaway: enterprise requirements should not be considered the same as enterprise functionality. Enter these on your product roadmap under two categories: enterprise requirements and enterprise functionality.

As you grow your company into the enterprise, *critical to your thesis should be that your product can create increased value inside an enterprise company.*

"Single sign-on, APIs, security, etc., do NOT constitute enterprise products/readiness to a head of sales. They are table stakes."

An Enterprise Checklist

Assess your team on the following:

- [x] **We want to go into the enterprise**
- [x] **Our product works (i.e. scales) in the enterprise**
- [x] **We meet standard enterprise infosec needs (SOC2, single sign-on, etc.)**
- [ ] **Does our product perform or work differently in the enterprise in a way that provides greater value than the core version?** ***Kick this around as a management team***

Many companies that forge their path to the enterprise are not that intentional initially about differentiating their product for the enterprise. It's more of a market motion that takes them upstream as opposed to a product motion. Said another way, your product is probably not organically ready to go to the enterprise when you make the sales and marketing decision to actually do it. And that is perfectly fine. But BE DELIBERATE about fixing this! Start planning items on the roadmap that are reserved only for enterprise customers (meaning you will re-package your product to have tiers).

CASE STUDY

Marketo Workspaces and Partitions

Marketo wanted to move up into the enterprise, and the product we sold to our first enterprise customers was the same we sold to small- to medium-sized businesses (SMBs). But then we heard something unique.

Marketo's product was great for aggregating all your marketing data—campaigns, spend, sales data and so on—into a single system. But the large companies buying Marketo wanted a feature that didn't exist. They wanted to deploy the Marketo product and be able to see their marketing data partitioned across different company divisions. Or different geographic areas.

Customers had two choices with the basic product: Set up one instance and have all data aggregated—meaning the U.S. marketing data is mixed with data from Europe-Middle-East-Africa (EMEA), for example. Or set up unique, different instances of Marketo across each geography, or each divisional area, but lose all the benefits of aggregation.

To solve this, we built two different features called Workspaces and Partitions. Workspaces allowed customers to have a single Marketo instance and segment their data however they wanted to. You could do it geographically, by product, or by division. Workspaces enabled a global CMO to report all of her demand generation and event spend across multiple segments—all with the convenience of a single system. It was magical, and it unlocked true enterprise selling for us.

The second feature, Roles, allowed a web designer (for example) to build a landing page, but not publish it. That Role was reserved for someone with approval authority—another high-demand feature from enterprise companies.

When we announced these two features, every big company wanted them. And they'd ask how much the functionality cost.

The great part? This feature bundle was something only Marketo could do and no one else did. It was a real differentiator, and a fairly durable one. Retrofitting these features into our product took a lot of time and wasn't easy. So we knew we had a one- to two-year lead on any competitors doing the same. The price of this upfront investment became a 10X event for us. The deal sizes quickly escalated because we had something our customers really cared about, and we were the only ones who could deliver.

Roadmap

When you move to the enterprise, it's critical for an enterprise team to "sell the roadmap." When your company is being evaluated by enterprise buyers, a typical part of the cycle involves a roadmap presentation. When you move enterprise, set internal expectations that the product teams need a published roadmap for four quarters. Sales and finance already build annual plans; product should be held to the same expectation.

A lot of early organizations really mess up the roadmap. They get too tactical and show features—resist this urge. Your roadmap should tell a story of where the company is going. A roadmap reveals how you're a thought creator—you're building the future. For those who haven't read Clayton M. Christensen's The Innovator's Dilemma, now is a good time.

Some guidelines on who should tell this story. If you're earlier stage, like series A, B, or C, it's okay to keep your roadmap tight to the chest. The roadmap should be delivered under NDA, typically by the head of product, CTO, or CEO. But don't get too restrictive with it—this lacks transparency.

Here's a pass/fail test: If your sales organization asks for the roadmap, does that entail a mad-dash scramble? That suggests your organization doesn't really have a roadmap; it also means someone is afraid to commit. As you get bigger, your roadmap should become more readily available and a leader from the product/technical team should be on deck to deliver.

"If your sales organization asks for the roadmap, does that entail a mad-dash scramble? That suggests your organization doesn't really have a roadmap; it also means someone is afraid to commit."

DevOps

Remember the enterprise readiness test and the BMW scenario above? Going enterprise is surprisingly similar to going international. They're not identical motions, but there's considerable overlap.

All enterprise companies are global and therefore you may face unique data requirements for storing and sending data. Some countries like Iceland have very strict data-protection laws. Many countries have GDPR or GDPR-like regulations. Some countries like Australia have strict email marketing rules with massive penalties for breaching them.

This should provoke two key questions:

1) **What level of info-security skills do I have in my org? If you don't have the role of a chief information security officer (CISO), that's alright. But you will need some skills to help you navigate these issues.**

2) **If going enterprise, and then by nature international, will you need servers outside your home country? Performance of your app may be the primary driver for why you need servers in international locations, so use this as a strategic reason to research where you put your servers.**

When you build international teams, one of the first asks will be around having servers in-country. The truth is companies definitely prefer this, as it makes ticking that box on an RFP or in a sales deal that much easier. But the reality is that unless you're selling to financial services and/or healthcare, you can likely delay putting your servers in other countries. And "delay" is the operational word. I've found that by showing the international servers have at least made it onto a company's roadmap, that usually moves the dialogue along.

Translations

The other very global enterprise topic is about translating your product. English is the language of business globally, so your first product (if you're a U.S.-based company) will have both headers and fields in English. The majority of SaaS products created today are built with double-byte characters to accommodate non-English characters, so getting the data converted in the fields should be reasonably easy. But you will eventually get asked if you have plans to develop a fully translated version of the product.

If you're planning to do significant business in a non-English-speaking nation, you should think about this. Much like standing up servers outside your home country, this is something you can postpone for a while. In Japan, for instance, communicating when you plan to have a local server and sharing translation plans on the roadmap tends to advance the sales cycle.

As stated earlier, growing into the enterprise is a team sport, so starting with the product team is an obvious way in. Next we'll delve into marketing and sales development.

Growing Up Enterprise

Part 3

In this section we dive deep into the marketing organization's role in the process, plus cover the sales development rep (SDR) team.

3 Marketing

Your marketing org will undergo a sizable shift as you move into the enterprise. In the early days of marketing at a company focused on small- and medium-sized buyers, your marketing strategy is likely heavily digitally-driven and inbound-led. This aligns well with your goal at this stage: acquiring logos. It's about filling the top of the funnel with marketing qualified leads (MQLs) and getting at-bats for the sales team. This stage is where the automation of finding and moving prospects through your funnel is top of mind. As an acquisition marketing team, you're probably picking your customers less than your customers are picking you. That's good though—because you're learning if your ICP and your personas are right. But you're essentially serving anyone who knocks on the door.

As you make your move into the enterprise, a few transitions will occur. First, your marketing org will switch to picking your customers. What I mean is you become much more targeted in choosing to whom you will sell. This is pretty normal—you're now focusing on accounts that fit into your ideal buying profile, and you may even go as far as segmenting your sales teams by industry. This typically goes hand in hand with a shift to creating an outbound, account-based marketing organization.

This is another way of saying you're going to segment your marketing team. We're all familiar with segmenting the sale team; we also align our CS team to specific sales segments. But a common miss is not doing the same with your marketing team. This is a higher-quality effort less about touching the prospect, and more about engaging them. This also means you're marketing less about products and more about outcomes. Lower-volume marketing programs result in more high-touch events (think dinners, meetups, sporting events) where you have more 1:1 time with your buyer in a personal setting.

Metrics also become much more sophisticated. As an early-stage company, you likely track leads and conversions through a single funnel across stages like MQLs, sales-qualified leads (SQLs), opportunities and closed won/lost. You likely look at what sources bring your leads— paid search, demo requests, events etc. And a lot of the pipeline that you close each quarter got created in that quarter—meaning you're operating with fast sales cycles.

As you mature upwards into the enterprise, your marketing metrics will expand into several funnels. You'll differentiate between three types of leads—inbound, outbound and (if you have this channel) by partner. You'll need to add segmentation across these—small, mid and enterprise. You'll start watching velocity through the stages. Cost per source, as measured by your segments, will become top of mind.

All of this will entail splitting your marketing org. Much like sales and CS segment their teams, your "one-for-all" team should also split to velocity focus vs. high-touch focus.

Likewise, many marketing orgs delineate between acquisition and customer efforts. Remember: When you first started the company, you had one product to market. As you move to the enterprise, that often coincides with the release of a new product or the acquisition of another company. This creates a new dynamic: You now need your brand to pull new logos, but you need messaging, communication plans and sales training on how to take product B, product C and so forth back to the customer.

"Growing up enterprise means your marketing will focus less on products and more on outcomes."

"When you start selling up that prospects will ask for references that look like them. Now it's likely that you've landed a few enterprise customers already– so invest in them."

Customer Marketing

You'll be making a switch to marketing to customers (vs. prospects) and a shift towards customer use/case studies.

Marketing to prospects, or what many call "acquisition marketing," is what you've likely been focused on up to this point. A key to succeeding in the enterprise space is expanding your product within your big accounts, which means your marketing team will need to learn how to message and market back into the customer base. Whether you are simply trying to take the current product you sell into a new division, or trying to sell your ancillary products (product B or product C) to your first enterprise buyer, your marketing function needs to be planning this. This again means that marketing teams expand and sometimes bifurcate. I've seen marketing orgs that were split on new business/acquisition marketing vs. customer marketing. I've also seen models with small- and mid-market marketing teams vs. enterprise teams. The point is that the type of marketing you're doing will grow in complexity.

On the customer case study and reference side, be prepared when you start selling up that prospects will ask for references that look like them. Now it's likely that you've landed a few enterprise customers already—so invest in them. You will want these logos on your customer slide (the "NASCAR" slide, full of logos just like those on the side of a race car), and you will want them as vocal advocates. Your new enterprise buyer will ask to speak with your existing enterprise customers, so if you have them, be sure to invest from a customer-success side. This can be a vexing issue for sellers—they can be successful at the sales cycle with new enterprise companies, but then they encounter the cold-start problem of not enough reference customers. That's why when you land a big brand, even if for a divisional-type rollout, it's worth investing in that partnership to make sure it succeeds.

CASE STUDY

All Hands on Deck

In Marketo's early days, we landed a really big customer. The deal size was 3X our normal. It was the biggest volume we were ever going to handle, and the brand was important. The term "punch above your weight class" rang true in this scenario.

As soon as the deal was done, the CEO called an all-hands meeting with the CTO, tech support, and customer success. He made it clear—this was our first big customer, it's all-hands-on-deck to make them a success. He was explicit—if this customer calls tech support, their call gets answered first. If they are launching a campaign, we know it and are watching how the launch goes on the back end, awaiting any issues.

Marketo was going to make this customer successful and win them over as an advocate for us. They appreciated the extra-mile effort we showed them and turned into a positive reference. So positive, in fact, that their marketing manager actually went on a sales call with us to act as a real-time, live reference and handle Q&A.

Pricing/packaging

Since pricing often falls under the marketing umbrella, we'll cover a few points here.

The way you price your product will also undergo changes as you move into the enterprise. Normally, when you launch your first product, you have one product and one price. As is normal in the SaaS world, you soon start to tier your product offerings. It's critical to remember from the product section earlier in this guide that security and integrations aren't the proper trigger for tiers—you need to "meet your buyers where they live," which means bringing new, advanced products to them as well as must-have features. If your product team is dropping two to three medium-to-big features simultaneously, you should consider whether you "gate" those features into a higher tier. This creates separation from the rest of the product tiers and can be an enticing reason for buyers to move up a tier and pay more.

SDRs

Your SDRs will evolve their mission, too, from outbound to targeted marketing. That's also an organizational shift because roles actually change. Instead of reacting to inbound lead flow, you will now need this team using email, social and phone calls to reach out in coordinated campaigns to find and educate buyers. Your hiring profile likely changes; many companies hire inbound SDRs as an entry-level role. But a good outbound SDR is rarely a recent college grad. This is someone skilled in techniques for prospecting, talking with buyers and qualifying leads.

A tremendous amount of process change supports this org shift. In addition to implementing marketing software that centralizes your leads and manages campaigns, you will need good-quality data sources, tools for out-bounding, possibly account-based marketing (ABM) software tools and, most importantly, lots of content.

The content itself shifts in nature. It normally goes from product/feature-focused to areas like thought leadership, market validation, ROI tools and case studies by similar companies (i.e., sending an insurance company content about a telco that uses your product is neither genuine nor targeted).

The importance of prospecting grows at this stage. This transition relies on product marketing to help train the sales team on messaging. Whether the SDRs are owned by marketing or sales, it's likely that they are segmented between inbound and outbound prospecting. Many companies miss proactively thinking about a prospecting methodology into the enterprise.

"Your SDRs will evolve their mission, too, from outbound to targeted marketing. That's also an organizational shift because roles actually change."

Growing Up Enterprise

Part 4

Next we'll cover finance/G&A expenses, HR and talent and the legal ramifications of growing into the enterprise.

4 Finance / G&A

Preparing your finance team is part of the enterprise motion.
A few areas to explore:

Planning

You may have had a simple sales plan to this point, with one or two types of reps and a single quota. As you grow up enterprise, your planning process will evolve. If your average sales cycle is six months for an enterprise sale, then a newly hired sales rep won't close a deal much before eight to nine months into their employment. Will you offer a ramp of quota? Will you offer guarantees or a bonus to offset unearned commissions? Will you plan for productivity fluctuations? What about accounting for attrition in your plan? Attrition can be a killer, especially when you have only a small number of enterprise sellers and you lose one. In fact, it can be devastating: Quota on the street disappears immediately, and the hiring and time to full ramp could be 12 months.

This blog post about building your sales plan addresses some of these items and will give you additional food for thought.

Compensation

Most enterprise AEs know that when they start in a new company, they're a long way away from the first commission check. That's why they ask for draws or guarantees of the variable portion of their compensation. Or they'll ask for a sign-on bonus, a higher base salary, or perhaps a comp plan that's not 50/50 in terms of base salary/variable compensation. (I'm going to make a leap here and assume that most SaaS sales-comp plans operate on the 50/50 model.)

My suggestion: Draws and guarantees are one-time events, while changing base salary or the base to variable mix is forever. If you're going to extend some help comp-wise to enterprise sellers, do it one time in the form of a bonus or draw. Draws can be paid out as the AE ramps up, so I lean toward this model as opposed to a one-time bonus.

It's also fairly common to see draws decline over time, meaning the draw will be higher in month one than it is in month six. That's a good sign that the AE is being weaned off her salary and growing dependent on commissions.

Comp is connected to quota, so give your ramping AE a sales quota. It may be zero dollars in month one or two, but it should start tiering up as she reaches independence. Quotas motivate AEs, and you don't want to be in a position where someone is closing a deal against a zero-dollar quota. (Simple math tells us zero quota translates into zero compensation for your AE who's just landed a deal.)

And you'll need to think about recognition of a deal. Do you sell deals with a signature date of today, but a delayed start date? Does the implementation take two to three months, and you don't start the contract until the customer exits the quick-start phase? These questions factor into how you quota, retire and pay your enterprise AEs.

Systems and Metrics

Enterprise deals bring added complexity to systems and metrics—and it can be surprisingly difficult to quantify expansion with your old metrics unless you're planning for that change. Landing a new logo is pretty straightforward, but expansion can mean several different things. Expansion could take the form of organic growth—your customer added people and therefore their license needs to increase from 100 seats to 120 seats. This is upsell.

Or the customer can decide they want to buy an add-on product (you sold product A, they now want to buy product B). This is cross-sell.

Catch that? Upsell and cross-sell are both forms of expansion. But they are not the same thing. As you move toward the enterprise, you'll want your CRM, your ERP and likely your BI tools to all be ready to calculate these new kinds of expansions.

Expansion is the lifeblood of the enterprise. One key metric to track here is the annual contract value (ACV) of your enterprise deals. Now add to that your ARPA—average revenue per account. If you started life selling to small- and medium-sized businesses, your ACV will likely be higher than your ARPA. But keep an eye on ARPA each quarter, because if you're successfully penetrating the enterprise, it should be growing. NRR, or net revenue retention, is also critical here. You may be able to land big deals, but do you have the expansion motion perfected? An NRR that's increasing demonstrates that you are, in fact, succeeding in your expansion efforts.

Ever do a stub renewal? Or a stub add-on? This refers to the situation where you are, say, seven months into a 24-month agreement, and the customer wants to add more product. You'll want to co-terminate the new deal to the existing deal, but this sce-

nario brings up questions, such as: How much quota did the AE retire, and how do we compensate it? Most companies build a set of rules to address this. For example, if the time left on the agreement is less than three months, then the new product needs to be bought for 12 months minimum (and therefore, you should early-renew the original deal + co-terminate). If the time left is greater than three months, then go ahead and sell the stub deal, then annualize the ARR (with revenue recognition, or "revrec") and annualize the amount of commission/quota retirement. Sounds logical, but many, many companies have wrestled with this topic more than they should. Just handle it in the way described above and move on. It's a best practice and not worth overthinking.

And since you've segmented your teams, you need to think about lead distribution too. Your systems will need to recognize who is an enterprise lead, and then determine geographic territory, possibly industry and maybe even who sells which product.

Lastly, you need to think about services. Does the AE get paid on them and if so, for how long? Here are some dynamics to think about: If you sold a big deal, you've also sold professional services. Six months go by and the customer needs more services. Does the AE sell them now, or is that package sold by CS? And regardless of who sells, does the original AE get paid? The exact answers are specific to your organization, but these are policy points to consider as you go to the enterprise.

Bottom line: Growing up enterprise successfully means evolving systems and metrics, too. Most initial deployments of a CRM don't anticipate these scenarios, so if you can think about some of these factors before you make your move upwards, you'll be ahead of the game.

Payment and Terms

Enterprise is where the big-dollar deals are, so you need to think about the terms you extend to these customers. What are your payment terms? Will you accept net-90-day payment, for example?

Payment frequency is also in play here. Do you allow enterprise customers to pay quarterly, or do they need to pay annually in advance?

You need to consider the length of contract terms, too. If you're spending six months to acquire an enterprise customer, do you really want to sell 12-month contracts? Or is it smarter to sell 24-, 36- and 60-months deal?

Consider what happens in the "out year" of the contracts, or the final year of a multi-year deal. Does the price stay consistent with the agreement price, or does it increase annually? What happens when the customer wants to add new products or users—is that concept memorialized in the contract?

And lastly, you need to think about NRR. Enterprise deals should fuel your best NRR, and therefore this becomes a great health metric for your products' success inside big accounts. The good thing about NRR is you can model it. If your modeling suggests NRR is staying flat or decreasing, you may have a product or customer-satisfaction issue on your hands. But preparing for NRR as your company matures and your motion moves upwards is always smart.

HR and Talent

This one is tricky.

Let's say you're gaining momentum in selling to the enterprise and hire a recruiter to help you get enterprise-sales talent. In your first interview with a promising-looking AE, she asks:

- ☐ **How many enterprise AEs are there in your org?**
- ☐ **How many made quota last year?**
- ☐ **What did the top rep earn?**
- ☐ **What's the biggest deal the company has closed?**
- ☐ **Who are the top enterprise references?**
- ☐ **What's the segmentation model?**
- ☐ **What's my territory?**
- ☐ **Can I see a comp plan?**

Why? Because that's what enterprise AEs do—they *qualify*. Joining a company early in its enterprise motion is risky. They want to know what level of risk they are coming into. Be prepared, because a savvy enterprise AE will ask these questions.

Hiring Profile

You're looking for someone who knows how to enter at a low level and work up to power in an org. You're recruiting for someone who can work across boundaries: divisions, functions etc. You're seeking a seller who can lead a team of SDRs, SEs, CS people and executives and corral them at the right time. You're searching for someone who thinks about the land as the first mile, and the expansion plays as the extra miles. This person knows how to sell a solution—product + services to make her customer successful. These are skills that should be part of your job spec.

A lot of founders look to hire someone with a "Rolodex" of customers they've sold to previously. My opinion: If you sell a verticalized product, this may make sense; otherwise don't sweat it. Hire skills over a contact list. I recently met the CEO of a company that sells to a specific buyer: the FP&A portion of the finance team. She said she doesn't look for people from a finance sales background and instead looks for pro-level SaaS killers. If they have finance skills, then that's a bonus, but she wants someone who knows how to sell sophisticated products to a sophisticated buyer.

CASE STUDY

Hiring "A" talent and passing the "Alfred" test

Setting: CEO of a young company (one to three years old) asks the CRO to hire A-level talent to take our product to the enterprise. The CRO knows she can't hire A-level talent, because A-level talent expects to earn a lot of money. As in $1M a year . . . that's A-level enterprise talent.

Why can't we hire that AE?

Test yourself this way. What did your highest-paid rep make last year? Let's say it was $250K in commissions. That rep probably had to sell at least $1M of software to earn that much (that would be a great accelerator rate—25% of the $1M quota). The simple math suggests that to make a million dollars, the rep would need to sell $4M of software. Is it likely that a company is going to have a top AE go from selling $1M to $4M in one year? Probably not. There are three vectors to think about here: number of deals, ACV of the deals and average sales cycle. Deal volume would have to increase a lot, so that's probably not the lever that takes us to $4M. Average sales cycle speeding up? Nah, not in an enterprise deal, as they actually slow down. So it's the average contract value that has to change. And unless you do some amazing expansion, it takes more than a year to grow your ACV like that.

That's my Alfred test. I know a KILLER enterprise AE named Alfred (you know who you are!). He consistently makes around $1M a year and I wholly consider him an "A" level sales professional. When I joined Pendo and was thinking about ideal profiles for enterprise talent, I would ask myself: Can I call Alfred and offer him something that would entice him to join here? That something enticing meant him being able to make a million bucks. When I answered YES, I knew we were ready for A-level talent.

The moral of the story is you're likely going to grow and create your first Alfred from within, not hire from outside. That's how Alfreds come about—they enter your org and grow their skills over a few years. The lesson is, hire for the skills and qualities that you think will let a rep grow into the Alfred. That's because once you have one killer rep making that kind of money, it's a lot easier to hire the next.

Legal

Growing up enterprise means more legal work. You'll need to think about your agreements, the terms within the agreement and what kind of deal support you give to the sales organization.

Our lead-off batter here is in-house counsel. In moving to the enterprise, you'll spend a lot of time in legal, procurement and security. You'll want this skillset inside your four walls, so it's time to post the job spec on a deal attorney.

The next piece, especially for companies that started in the world of clickwrap agreements: You'll need an MSA that can be red-lined. Most orgs don't get this right at first, so a recommendation is to produce your MSA, and then iterate on it. Each quarter, look back at the terms that got red-lined and look to see if you can adjust your default terms to be more customer-friendly. I'm aware of one org that looks at all agreements each quarter; if they conceded the same term two to three times in that quarter, they adjust that term to whatever got the deal done.

The big items for legal are indemnification and limitation of liability. They are the big-risk areas if a catastrophe were to occur—say, a massive security breach due to negligence or mistakes on your part. There is normally a dollar amount associated with these sections—liabilities that you would be eligible to pay if a breach occurred. This is the most important part of your legal agreement. In my experience, the business teams tend to negotiate most terms in the MSA, but indemnification and limitation of liability are what you employ legal experts to handle.

Enterprise companies will ask what cap you're willing to indemnify them for. Most software companies reply with the answer of 1X fees paid. The challenge here is that, like you, the buyer expects this agreement to grow. So even offering 3X or 5X won't get it done. They will look for a dollar amount like $1M, $3M (or even unlimited caps, but that's a definite no-go). You should look at what your corporate insurance policy provides and be prepared to increase it. Starting at $1M is a decent initial position.

Terms like right-to-terminate and usage are, in my opinion, business terms, not legal terms. They reside in the MSA. But having legal determine whether you can do this often doesn't make sense. It's common for these terms to be owned by the CFO—meaning the head of sales negotiates and approves the deal terms, discounts, payments and so on, but the CFO negotiates and approves anything that could result in revenue-recognition issues. And legal negotiates the legal aspects.

"...produce your MSA, and then iterate on it. Each quarter, look back at the terms that got red-lined and look to see if you can adjust your default terms to be more customer-friendly."

Growing Up Enterprise

Part 5

In this final functional part of Growing Up Enterprise, we'll cover sales and its dynamic interrelationship with customer success.

5 Sales

Recall at the beginning of this guide when I touched on hiring higher-paid, higher-skilled sellers? That's one of the investments you'll make when you initiate your enterprise move, and we'll cover that in the talent section below.

But the real focus on enterprise sales is around methodology and value selling. Let's start there.

Value Selling

Value selling, or "value engineering" as it's often called, is a tough nut to crack. William "Skip" Miller wrote a book titled *Selling Above and Below the Line* that addresses the topic well. Most companies that start in the SMB market quickly sell product-focused tools designed to solve problems. You sell these to front-line users and first-level managers. But as you scale up (think $100K+ deals), you'll need to go "above the line" and sell outcomes to VPs and C-level execs. Executives don't buy tools; they buy business solutions with a business case behind them. Stated another way: To justify the purchase, the team buying the tool had to build a business case and ask for approval for the money.

This is the concept of value selling: being equipped to help your buyer create a business case that they use internally to justify your software price. These business cases tend to focus on a few classic themes: 1) how this software will increase revenues, 2) how it will reduce costs and/or 3) how it will reduce risk. This ROI work is all bundled up into a format that your buyer can use.

Think about it this way: No one knows the value your software can provide better than you! Quantifying this value is your role as a value seller.

Some companies even put their value calculators online (or a simple version of them), so a buyer can input the key variables and see a typical return they should expect. It's a great buying signal if your buyers are filling this out, and your value selling person/team can follow up with a customized proposal.

While the above describes varsity-level value selling, the fact is value selling often starts inside your sales-engineering team. The role of a sales engineer (SE) is to take a technical product and link it to the business value it provides. As they sometimes generate your approach to value selling, the question becomes, just when do you formalize this as a role under the SE team, or carve it out as its own team? Value-selling experts are expensive, and a sales manager could be asked, why spend $200K on a value consultant instead of hiring another quota carrier? Be prepared to do your own value selling here! You'll need to demonstrate why a non-quota carrier is going to drive more, higher-quality deals.

True enterprise-selling orgs invest in value selling, plain and simple. Consider what skills you have inside your SE team as the starting point, but stay aware that your need for dedicated, business-case creators is on your horizon.

"No one knows the value your software can provide better than you! Quantifying this value is your role as a value seller."

CASE STUDY

The first six-figure deal

Imagine you have eight to nine AEs with loose segmentation. Whatever leads come in get distributed via round robin, regardless of deal size. This model works well in early-stage companies but needs to evolve when you start hiring remote/outside-based enterprise talent.

Internal reps have been trained to sell what your product is, not what it will be. Outside talent helps propel you into the enterprise, because if you hire correctly, the new AE will want to push boundaries. She will look at your current annual contract value (ACV) and immediately want to double it. Your org may worry that they've never sold a six-figure deal before. Yet your new AE is coming from a company that did six-fig deals for breakfast. She wants to sell fewer, big deals to make her quota. She appreciates that landing a sale is just a gateway to a larger expansion deal.

It's difficult to escape your invented-here mentality, but it might be holding your enterprise growth back in big ways. Hiring a pro from the outside can provide the right jolt to the system.

Methodology

Next you'll want to invest in your sales methodology. Most young companies develop a pipeline/forecast methodology early in their lifecycles. This articulates how they advance pipeline stages, percentages and statuses through a deal cycle.

But a sales methodology is bigger than that. It's a framework for how your sales team executes a sales cycle and takes your buyers through their journey. The sales methodology is how you think through targeting your customers, qualifying them, creating the value story, executing the actual demo/trial/POC portion and, finally, negotiating and closing the deal. Many methodologies expand past the close and also address the customer-servicing element too. The goal of a methodology is to help you drive consistency and ensure that sales cycles are executed similarly whether the AE is in Boston or San Francisco.

There are many available methodologies available on the market, and a simple search of "sales methodologies" will yield several training orgs. A very popular framework for SaaS software is the MEDDICC framework. MEDDICC was created by John McMahon at software company PTC back in the 90s, and one of the reasons for its popularity is its portability. Once an AE is trained on MEDDICC, she has a transferable skillset. The AE

can move organizations and employ the same MEDDICC principles onto a new product/company/sale. MEDDICC-trained reps are highly sought after, and it's common to see job descriptions seeking MEDDICC-trained AEs.

Jumping into a methodology can be as simple as reading a book, for example *The Challenger Sale* by Matthew Dixon and Brent Adamson, or it can get as involved as hiring an outside firm to align your messaging, selling cycle, metrics, value selling and pipeline process. The main takeaway: The more your business grows into the enterprise, the more critical a sales methodology becomes.

When should you invest in a methodology? This is a much-argued topic, as most sales leaders would say you need a methodology immediately. This is hard to argue against, but there are a few schools of thought. For your first six to eight reps, the reality is that the methodology will be whatever the sales leader has been trained on. So if the leader hasn't been trained before, there really is no methodology. In this case, getting some formal training is valuable.

Sales leaders who have been trained are usually very hands-on. This means they are super-repping a lot of deals, so bringing in a formal methodology may not be necessary.

In my experience, it's been beneficial to bring in professional sales-training orgs when a team reaches 50 people. To be clear, 50 people includes all SDRs, AEs, sales engineers (SEs), customer success managers (CSMs) and marketing pros. Anyone with customer-facing roles should be trained, and I found a lot of value when I achieved this level of scale.

Sales Training

Aside from your methodology, you need to consider your sales training for enterprise sellers. Don't expect sales training to be one-size-fits-all. Enterprise has some different needs.

The company messaging and value props are likely to be universal, but your needs around demos, proofs of concept (POCs), services and pricing/value selling likely require some adjustment for the enterprise. Let's quickly break these down.

Demos

Will your AEs perform enterprise demos, or will it be done by an SE? Most enterprise AEs get paired with an SE team on demos for a few reasons. The AE skillset is much more about managing the opportunity than the technology. Plus involving an SE in the sale automatically implies an enterprise-grade product. Lastly, a good team lets the AE align with the business players, while the SE can align with the technical players.

POCs/Trials

Another concept to consider is how you prove your technology. Will you offer trials (these tend to be lightweight technical evals of your product) or will you deliver POCs (which tend to be more exhaustive trials where you prove use cases)? Both of these models lengthen the sales cycle, so thinking through how you "box these up" is critical. Each model should aim for a specific outcome. Trials are great at proving technical features; POCs can deliver some tangible value. Be thoughtful here, though, because both of these models require resources to deliver.

Services

Most enterprise products are sold in conjunction with some kind of professional service (implementation and on-boarding, technical support and education are common). If you price your services inside your product fees, i.e. onboarding is included free, it can make your offering look small or not applicable to the enterprise. This means you need to think about the handoff from sales to customer success and about rightsizing your services to the enterprise customer.

CASE STUDY

We'll Get You Up, Live, and Launching for Free!

In the early days of Pendo, where I was chief revenue officer, we offered our services inclusive of software fees. This was a great differentiator against our bigger, older competitors who broke out additional fees for the same services. We won a lot of business in the first years with this approach and grew quickly.

But as we pivoted into the enterprise, this value proposition worked against us. We competed for some big deals at large accounts and we received feedback that we weren't industrial-grade. Bottom line: Enterprise companies need certain skills to be delivered to them in a way that goes beyond a simple web-based session. What if your software is being rolled out over three divisions in four different continents? This is the dilemma companies face as they pivot to the enterprise.

Pendo created a professional-services team dedicated to more complex implementations, meaning we could go onsite if needed. We created education courses. And we created higher-level, technical-support offerings. These offerings didn't come into existence overnight. But much like a product roadmap, even planning to create them enabled us to start talking like real enterprise sellers.

These levers helped Pendo grow into the enterprise.

Sales Engineering (Solution Engineering, Solution Consultants)

Most enterprise SaaS products are complex enough that SEs play a key role in shaping the sales cycle. SEs are the ninjas of the enterprise-selling space, so a couple of quick, confirmatory comments here.

The SE role tends to focus on two key areas: 1) building the linkage between your technical product and the buyer's business needs and 2) quantifying the value of this linkage. We discussed the value-selling concept a few pages back. As mentioned in that section, this usually originates within your SE org. Think about looking for a value-selling orientation in your SE profile—former SEs who have worked in orgs with a value component to their sale.

Building the linkage can take many shapes. Performing RFP work, qualifying the customer, demos/trials/proofs-of-concept and helping design how your product rollout will happen across an org—these are all common tasks of the SE.

As you move more deeply into the enterprise, focus on what the role of the SEs will be at your org. Ask yourself:

- **Is this a technical role (demos and RFPs)?**
- **Is this a business role (business cases, mapping the rollout of the product across orgs)?**
- **Is this a supporting role (running the trial experience)?**

This framework may help how you think about structuring and designing comp for your SE organization.

Segmentation

A big sales topic for moving to the enterprise is segmentation and determining who will be considered an enterprise customer.

There is no fixed definition for an enterprise company. Earlier-stage companies tend to use employee count to determine this and to create tiers and classes of customers. This makes sense, as employee counts tend to be easier to obtain than revenue or budgets. You can use LinkedIn as an easy place to start; data-information providers like Zoominfo or Seamless.ai can provide even better quality. The other most-common metric, employed by more mature companies, is focusing on the revenue of the buyer.

Determining your enterprise tier can be challenging. Start this process by reverse-analyzing your deals. Look at the velocity—the length of the sales cycles necessary to close them. As previously noted, many enterprise companies have legal, infosec and procurement teams and phases, which extend sales cycles. After analyzing your sales cycles, you may find patterns. For instance, in companies with more than 1000 employees, the sales cycles all took 30% longer than average. These could be your first cut of an enterprise tier.

You can also look at your deals each year in a scatter-plot diagram. For example, if your small-business segment is defined as 0-100 employees, mid-market as 101-1000 employees, and enterprise as 1000+, look at the deals with customers who have 75-125 employees. Then examine the deals involving customers with between 800-1200

employees. I'd look for their annual contract value (ACV) and average sales cycle. If you start to see that your deals at 1100 employees look a lot more like mid-market deals, you can adjust your definitions accordingly. And you always want to be moving up—this is adding efficiency to your business. If you can have a less costly AE selling the same deal that a more costly AE did the year prior, then you're being more efficient.

Regardless of stage, I've found segmenting based on employee count is usually the best option for determining who's an enterprise customer. It's the most readily available metric and easy to determine.

Sales Org Structure

There is no single roadmap on how to build your enterprise sales org, but it's likely this will change as you pivot to the enterprise. Examine your ratios of supporting staff to the enterprise crew for the biggest impact.

After you've fine-tuned your segmentation, it's likely you'll plan tighter ratios of enterprise AEs to SDRs, SEs, sales managers, value sellers, sales operations, sales training and, of course, marketing and post-sales teams. If there is one area to emphasize, it's this: Invest in the sales-management function early. Young companies often get this part wrong by either 1) tasking a single sales manager with both transactional and enterprise deals, or 2) failing to build a ratio of managers to AEs that's low enough. In the first case, it's really, really hard for that sales manager to shift context from deals on a weekly or monthly cycle to thinking about a longer, multi-month cycle. Inevitably, the sales manager starts applying closing pressure to the enterprise cycles before they're done evaluating, thereby reducing the actualized value of what should be a bigger sale. As for the second mistake, most companies don't plan for low-enough, manager/AE ratios. Finance plays a hand in this, looking for greater efficiency—but too often this is a short-sighted approach.

Make no bones about it: Going full-enterprise is expensive. Sure, this approach clearly drives bigger deals and is normally your highest-performing, net revenue-retention (NRR) segment. But it also requires commitment to feel out the business, which ultimately drives up costs.

But my advice is that when you commit to growing up enterprise, commit all the way. A venture capitalist on my board, who's seen many companies execute this playbook, once told me: "The enterprise business is choppy up until the company hits $100M

in annual recurring revenue (ARR). It's lumpy with limited predictability, because the motion is so new and the whole org needs to re-orient itself around it." That's a solid observation and I agree—it's hard to build a consistent business early, because when you start, you won't have ideal ratios. You'll be learning what your specific business needs are and what works and fits inside your org on ratios.

Use that evolving guidance to help you fine-tune your formula. It's okay to learn along the way.

"Make no bones about it: Going full-enterprise is expensive."

Customer Service

CS is a widely defined organization. It can include your customer-success reps who manage the customer health and focus on retention. It can encompass renewals reps. It can include account managers. It often includes implementation and professional services. Education, which is different than services, often falls under CS. And technical support is frequently in there, too.

We mentioned this a few pages back but it's worth reiterating: You need to think about segmenting your CS teams to align with your marketing and sales teams.

In the early days of your company, it doesn't matter if a customer spends five dollars or five million dollars—you treat them all the same. You should be entirely focused on helping all customers become wildly successful and turning them into vocal advocates.

As your org matures, this approach needs to evolve. A customer spending $15K just can't get the same level of customer service that your $250,000/year customer is receiving. Time to think about how you design your CS org.

Most CS orgs eventually split so that one team focuses on enterprise accounts—and then the rest of the org focuses on everything else. Or, you can get more sophisticated and align CS exactly how your sales team is structured. The point is the entitlements for an enterprise customer are higher, the mode of touch is more personalized, and the frequency of contact is higher. Enterprise is where you drive your best NRR, so concepts like quarterly business reviews (QBRs), onsite or on Zoom, are common. You'll be expected to deliver scorecards or usage reports frequently. You'll assign small ratios of CSMs to accounts in this enterprise tier. You'll also offer this customer special events.

Contrast these buyers to your lower-dollar, higher-velocity customers. You need to build a model with these customers through which they can self-service. And the ideal team for this tier tends to be very process-oriented and systematized. This is where

an LMS (learning management system) is helpful and where tools like chat and email come increasingly into play. Instead of dedicated or named CSMs, you are likely to have groups of CS reps handle the large group of small customers. The one-to-many approach makes more sense here.

Most SMB companies have their CS groups loosely divided into implementers, customer-health reps and renewal reps. This split is perfectly fine. But as you grow, so should your role definitions. For most enterprise-software companies, the role of implementing is a job in itself. Using an American baseball analogy, having one person handling on-boarding, health and renewals is equivalent to a single player covering left, center and right fields. As your org grows in sophistication, each of these roles starts to become more defined. And that means each becomes its own, full-featured role.

Lastly, there's debate on whether to build CS teams around the number of accounts or the dollars under management. I've seen both models work and make sense, so in planning your ratios, do some research and devise the path best for you.

Implementation/on-boarding/professional services

First things first: Most enterprise-software products don't "include" the on-boarding or implementation in the cost of the software. Why? Because it often makes your product and company look small and distinctly not enterprise-ready. There's a reason these sales cycles take six-plus months to get closed: Part of that time is spent ensuring your buyer will be successful in rolling out your software. Implementation, by definition, will not be cookie-cutter.

This means you need to think about how your org grows to develop an enterprise focus.

Tech Support

The great thing about tech support as you grow up enterprise is that your profile really doesn't evolve much, but the function expands. Start by thinking about the location of tech-support personnel so you can expand your hourly coverage. Most tech-support teams start with providing service between 9-5pm in the HQ location. Eventually they expand to 12-hour coverage five days a week. As you move more and more into the enterprise, you'll need to think about around-the-clock coverage (as noted above, enterprise loosely equals global coverage too). So start thinking about how you'll reach 18-hour, and ultimately 24-hour coverage. Following time zones, you'll want to plan how you handle weekend coverage and especially priority-one tickets initiated during off-hours. Part of this learning cycle is creating processes that are durable.

As you sell more to enterprises, the more tech support they'll need. Many companies start selling semi-dedicated tech support reps, called Technical Account Managers. A TAM's services normally get sold so the buyer has a single contact inside their account, which helps maintain continuity and awareness of the rollout.

Education

There is a difference between implementing and educating. Implementing is doing—the vendor comes in and turns the dials for the customer. Education is teaching the buyer how to do it themselves. This comes later in the enterprise evolution: You first start with building your implementation team. As buyer demand catches up, customers usually start asking for education as well.

When you first roll out your product, you're delivering but also training. But as you expand, think about the idea of classrooms full of customer-users. This education piece tends to get built into your enterprise motion later—but it's worth keeping on the radar early.

We've officially completed the functional sections! The last and final part of our guide will address the timing of launching an enterprise business and key takeaways from the previous sections.

6 KEY TAKEAWAYS

Part 6

"Some times ya gotta go left to go right."
–Doc Hudson to Lightning McQueen in the movie Cars

We've reached the counter-intuitive part of this guide. Like the paradoxical quote from the movie *Cars*, where Doc teaches Lightning that once you turn into the corner, you need to turn the opposite way to get out of the corner, I'll make a big, bold statement: To grow up enterprise successfully, you need to perfect your downmarket motion. Therein lies the paradox.

Timing and the Trigger

A common question I hear from early-stage software companies is, “When do I go to the enterprise?” There is no 100% right answer, but there is an answer that’s mostly right: when you’ve achieved predictability in your velocity motion.

For any company that started life selling to small- and mid-market accounts, mastering the high-velocity motion gives you headspace to attack the enterprise. It’s extremely difficult to invest in both the velocity model AND your enterprise model at the same time, so consider this my endorsement for getting the velocity business on auto-pilot.

And this applies to product, marketing and CS as much as it does to sales.

Growing up enterprise is a *shift* in your priorities. No one works from 8am to noon on SMB plans and then pivots to enterprise in the afternoon. Moving to the enterprise takes 100% of the time of a 100% staffed team (thoughts of Ron Burgundy are jumping to mind here ☺). Don’t confuse moving to the enterprise with opportunistically closing some enterprise accounts. Going enterprise is an *intentional* and *deliberate* move. If you have your SMB team (marketing, sales, CS) 100% focused on selling to SMBs and you ask that team to go to the enterprise, they won’t magically have 200% time just because you asked them for it.

If SMB sales are your bread and butter, you don’t want to disrupt that pattern. You want to perfect it and make it predictable.

“To grow up enterprise successfully, you need to perfect your downmarket motion. Therein lies the paradox.”

Here are some tactical points to consider:

The Trigger

Can you enter the first couple of days of a new month and predict accurately what revenue you'll close that month based on your pipeline and traditional conversion rates? If you can, you have the green light to move ahead. This is a good trigger to gauge your readiness to go enterprise. If you're still relying on a wing and a prayer to get the month closed, then consider pausing your move to enterprise.

Over-rotating

Some companies over-invest into their velocity motion before moving to the enterprise. (Notice I didn't say "invest in the SMB motion" but instead "velocity." It's because the velocity motion is sometimes the first stage of landing a big customer.) Many companies are adding new ways for their customers to engage with them, like product tours and product-led growth (PLG) or self-service motions. If your company was created as a classic sales-led motion, tune into some of the plays that PLG-first companies are deploying. Not every tactic will apply to you but there may be some learnings to take away. This post summarizes some good ideas.

CASE STUDY

PENDO

As a former employee of Pendo, I really like what their CMO Joe Chernov and team have done to drive enterprise growth.

Several years ago as Pendo was planning its enterprise move, the company made a few bold moves to secure the velocity business. In addition to the typical "Get a Demo" call to action, marketing added a product tour. This enabled a potential buyer to engage with the product in a lighter fashion than a formal demo. Consider the sequences and commitment required from a buyer that the more-formal "get a demo" action kicks off.

First, it drops you into a nurture stream. Second, it initiates a call from an SDR (15-30 mins), and third, it entails a demo (45-60 mins). Contrast that process to the ease and speed of a product tour—it allows the buyer to educate herself more deeply without the need to engage for 90 minutes with the company.

Now armed with two solid calls to action—a product tour and a demo—the CEO went next-level and added a free version of the product to the Pendo site. This decision wasn't made lightly but very intentionally, and it wasn't easy. It meant development had to modify the product for free usage. Product had to make sure the user experience was exceptional and easy. Marketing had to market it, both externally and internally. SDRs and sales had to decide how to incentivize free users to pay. And post-sales had to be ready to handle any blockers that these customers hit. It required months of planning, work and change management inside Pendo.

Now you can visit Pendo's site and you'll see offers to take a tour (no need to convert or talk to a seller), activate a free version (requires converting, but not talking with any sellers), or take a demo (convert with your name and talk with a seller).

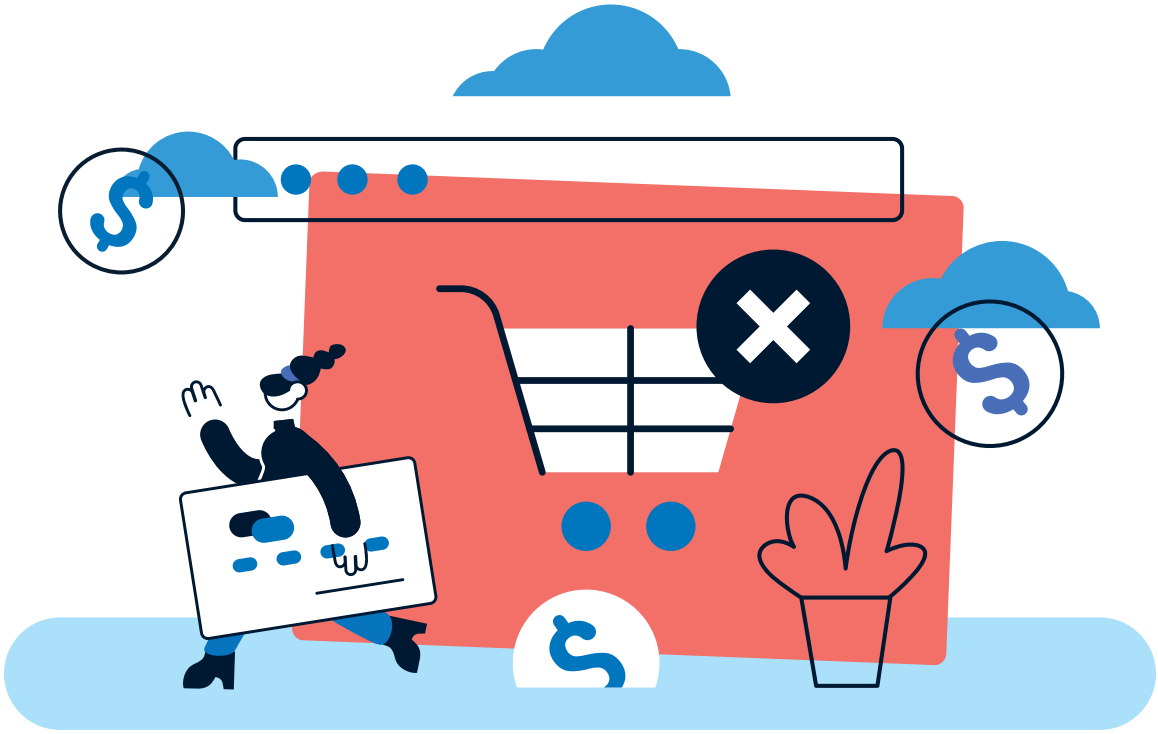
To nail the velocity motion, you may decide to reduce the size of your initial land. Can you imagine explaining this to your board? We're going to reduce our ACV size—on purpose?

It's not that you actually want a smaller landing deal. It's that you're looking to make your product incredibly easy and frictionless to buy. Sometimes that means changing the initial price/packaging of your offering.

I recently chatted with the CRO of a company making such a pricing change in conjunction with a packaging change. The company determined it was giving too much functionality away in the initial deal, thereby hampering its ability to drive expansion deals. The company A/B-tested new packaging and reduced the core package in size. This decision also reduced the initial landing price.

The company then created “tension” points within the product that would entice a customer to ask about added functionality. Those tension points drove the expansion. It also commenced the start of a new “bronze, silver, gold” pricing model. At first, like a lot of young companies, this company simply offered the “gold” package. But now there are three clearly differentiated levels of offerings for a customer to buy. The result? In addition to increasing its new logo pace, the company has also created an expansion path.

To summarize, we’re talking about the low end of your business for a reason: to get it onto rails so you can focus more time on getting ready for the enterprise.



Ten Key Takeaways

- ☐ Going enterprise is a team sport. (Read: The whole company goes enterprise, or nobody can).
- ☐ Innovation is the key to unlocking value in the enterprise. Security features are not innovations; they're a requirement.
- ☐ Your roadmap should tell a story, and that story should demonstrate intentional focus on enterprise needs.
- ☐ Marketing will shift from an acquisition-marketing focus to a focus on acquisition + developing cross-marketing chops.
- ☐ Value selling and a rigorous sales methodology are critical to selling "above the line".
- ☐ Aligning the marketing and customer-success org segments to sales creates symmetry and positive sharing.
- ☐ If your CS team can become more efficient with your transactional customers, it creates headspace to apply to your enterprise ones.
- ☐ Data-quality and system problems can become issues if your finance and sales ops/systems teams don't visualize the future and translate them into metrics.
- ☐ Are there product-led processes you can steal and apply to your sales-led process? If you can, you're putting your transactional business on rails which creates runway for your enterprise teams.
- ☐ Growing up enterprise has real associated costs. Expensive people in new roles, lower ratios and other investments will temporarily create havoc with your CAC (customer acquisition cost) and LTV (long-term value) metrics. Enterprise customers tend to improve LTV, as they drive better NRR, but the initial enhanced-cost structure will submarine your CAC metrics.

In Conclusion... The ~~Definitive~~ Guide to Enterprise

I started writing this piece and initially called it "the definitive guide to going enterprise." It quickly became apparent that no such definitiveness exists. When something is truly definitive, you write a lot of statements preceded with "always" and "never." I didn't find myself doing that in this guide.

To gain perspectives, I spoke with many sales leaders, marketing managers and CEOs who had been through this evolution. All shared ideas, scars and thoughts, many of which found their way into this piece. But no one person already had the one-size-fits-all playbook on this topic, so I decided to call this Growing Up Enterprise, a collection of ideas and experiences synthesizing major themes of this progression.

That's the juice I live for—trying to learn from my history but also adapt to new ideas. As I stated at the beginning, this guide is lengthy, but it focuses on only the most relevant portions of the enterprise-selling journey. My goal is to provoke discussion with this guide, and no matter where you are on the enterprise journey, share some ideas. I hope we've achieved that and have helped you think about, and improve, your own company's path to the enterprise.

About the Author

Bill Binch, currently an operating partner at Battery Ventures, is a veteran technology leader with nearly three decades of global sales and go-to-market experience. He serves as a coach and mentor for sales executives and CEOs in Battery's portfolio, helping software companies scale through various stage of growth, effectively expand overseas and create multi-product sales platforms. Bill was previously the chief revenue officer at Pendo and the EVP of worldwide sales at Marketo, among other roles.

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