Founders still forget to focus on distribution

Justin Kan, the brain behind Justin.tv and Twitch, said “first time founders focus on product, second time founders focus on distribution.” Fortunately for me, I managed to buck that trend and focus on distribution in both my first and second startup. But now, on the investor side of the table, I'm dumbfounded by how much Justin's words still ring true.

Too few founders put enough effort into clearly defining how they are going to get their product into their customers’ hands. In a tougher funding climate, commercialisation of your product is your golden ticket. A well thought through strategy can yield both growth and efficiency.

So, buckle up, and let’s dive into the few lessons I learned scaling both a B2B and B2C company from 0 to over $10M in ARR.

Get real about your unfair distribution edge

At Qubit our unfair distribution advantage was that we were ex-Googlers. When we left in 2010 there were only a handful of us in Europe, riding on the coattails of Google meant getting initial meetings wasn’t hard.

In addition, of the few that had left Google, many held senior digital positions at large companies – Sean Crowell at eHarmony and Ben Legg at European Directories for instance. This gave us the opportunity to win some quick logos and anchor clients on which we could build the business around.

Now, when I speak to founders, it's one of the vital ingredients I look for – what is your company's unfair distribution advantage?

Take *our latest investment, Griffin*, for example we got very excited about their distribution advantage. They are an authorised UK bank which allows them not one, but two, distinct distribution advantages. Firstly, certain regulations make it impossible for less stringently regulated fintechs called Electronic Money Institutions, EMIs, to compliantly serve customers thus driving huge inbound need for Griffin. Secondly, their ability to offer interest rate gains makes for a unique, compelling proposition.

Don't be wed to the unfair advantage – you might have to pivot

At *Fiit*, our unfair advantage was our ability to sign up fitness influencers to be trainers and leverage their audiences to build our customer base. It worked like a charm to build initial traction, but here's the kicker: some trainers were better than others when it came to driving sales, and we hit a wall on scalability.

So, we did what any savvy startup would do: we pivoted to another unfair advantage – partnerships. All the founders had experience in B2B sales so we were able to move to a B2B2C model building partnerships with Sky, Samsung, and Vitality. Fiit's primary acquisition channel is now partnerships having recently signed the fastest growing fitness brand Hyrox as its digital partner.

Get off that digital marketing drug

Back in my Google days, I was all about convincing advertisers to spend money on AdWords. In those days the ROI was off the charts. I know an individual who put together a one page website with a bunch of affiliate links and only bid on the word "pet insurance". They became an expert at bidding on that word and earned around £250k a year from their on-page site. Eventually the quality score would catch up to them but while it lasted, it was a goldmine.

But let's face it, those glory days are long gone and the reality is today it is much harder to drive those levels of ROI. The low barrier to entry of digital marketing channels means competition is high, driving up CPAs. One workaround? Make digital marketing your core competency. I saw this work brilliantly at Farfetch where Andrew Robb and his team built one of the strongest, data driven teams in the industry, allowing them to have an unfair advantage.

> *But here’s the cold, hard truth: the majority of startups don’t have the expertise and therefore need to find alternative routes to success.*

Stunts can be an efficient way to kickstart a market

Remember Marc Benioff’s legendary “end of software” protest at Siebel’s customer conference? It must have been one of the most famous and successful stunts. At Qubit, we took a page from that playbook and took a shot at the giant in our industry – Adobe.

We believed their solution was cobbled together through acquisitions with no integration and data silos. We called it Frankentech so we hired a bunch of Franksteins to walk around outside their annual conference with *“Dump Frank” t-shirts*. The result? A flood of primo leads and a spike in brand awareness.

Get ahead of the count in enterprise sales

Once you secure anchor clients, typically sold by the founders, it’s time to build out the sales function. Since becoming an investor, I see few founders invest enough in the sales machine to deliver targets.

Once you have solid data on your sales funnel and conversion rates, sales can become formulaic. Working back from your sales target, and the amount of sales capacity each rep has, you can figure out how many reps you need to hire and when. Don’t forget to factor in the inevitable staff churn and the fact that not all sales people will hit quotas. You also need to ensure your marketing and business development drives leads to reps.

When it comes to implementing the sales machine: speed is everything. Post-Series A targets typically double, so you can quickly get behind on quotas. In addition, great sales people aren't typically out of work and complex products with long sales cycles take time to ramp up sales people. This can take over a year – if you've only got 18 months runway, the margin for error is tight.

Robotics company *Exotec* (Breega's portfolio since their Seed round) is a great example of how to execute a complex sale well. Given the complexity of its offering and long sales cycle, the company began hiring three years ahead of the game. This proved hugely successful in scaling the company and building a consistent, repeatable sales engine which got them to unicorn status.

While it can feel uncomfortable, ensure you let your sales data be your guiding light so you make the necessary hires to stay ahead of the count.

Beware big-tech sales people

When we launched Qubit in the US we went all in, with one of us moving there permanently, alongside superstar employees to set the standard and culture. But here's where we dropped the ball: our sales hiring game plan. We hired many reps with glossy, big-tech sales experience. Mysteriously, none had ever missed a target.

The mismatch was large. Our sales required good product knowledge and few took time to get to know the tech and the real customer problem. Without their large sales support teams, they couldn't 'quarterback' a close. Queue the revolving door of reps and getting behind the count (see point above).

We hired for experience instead of looking at what made us successful in the UK. In the UK our top sales person had no previous enterprise Saas sales experience, was the youngest, and was female. Our US hires were all men with 20+ years resumes.

That's not to say they weren't successful seasoned reps. They were. But instead of hiring for experience, we should have been hunting for those who embodied the traits that make a sales ace at Qubit: curiosity, coachability, and a sense of ownership.

Don't let distribution play second fiddle to product

Distribution is not an afterthought that will figure itself out if you build something great. Figure out what is unique about your distribution and how you can prove it in the quickest way possible.

At Breega we think about our own distribution. Our ex-founder partnership, with deep, first hand understanding of what it takes to build companies and a deep founder network ensure we access and pick the best companies to partner with.

Dan Shellard is UK Partner at *Breega*.

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