

The 0 to 1 Journey



0 to 1 Journey

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The effort to go from 0 to 1 is infinitely bigger than from 1 to 1,000



A photograph of LeBron James, wearing a Cleveland Cavaliers jersey with the number 23, standing on a basketball court with his hands on his hips. The court is brightly lit, and the arena is filled with spectators. The text "What are my chances?" is overlaid in white. In the top right corner, there is a small black rectangular box.

What are my chances?

New Companies/Year that make it to Series A

13

New Companies

631,817



Seed

4,671



A

1,153

0.18%

Harder than for Hockey High School Senior Player to play in the NHL (0.4%)



New Companies/Year that make it to Unicorn

14

New Companies

631,817



Seed

4,671



A

1,153



Unicorns

22

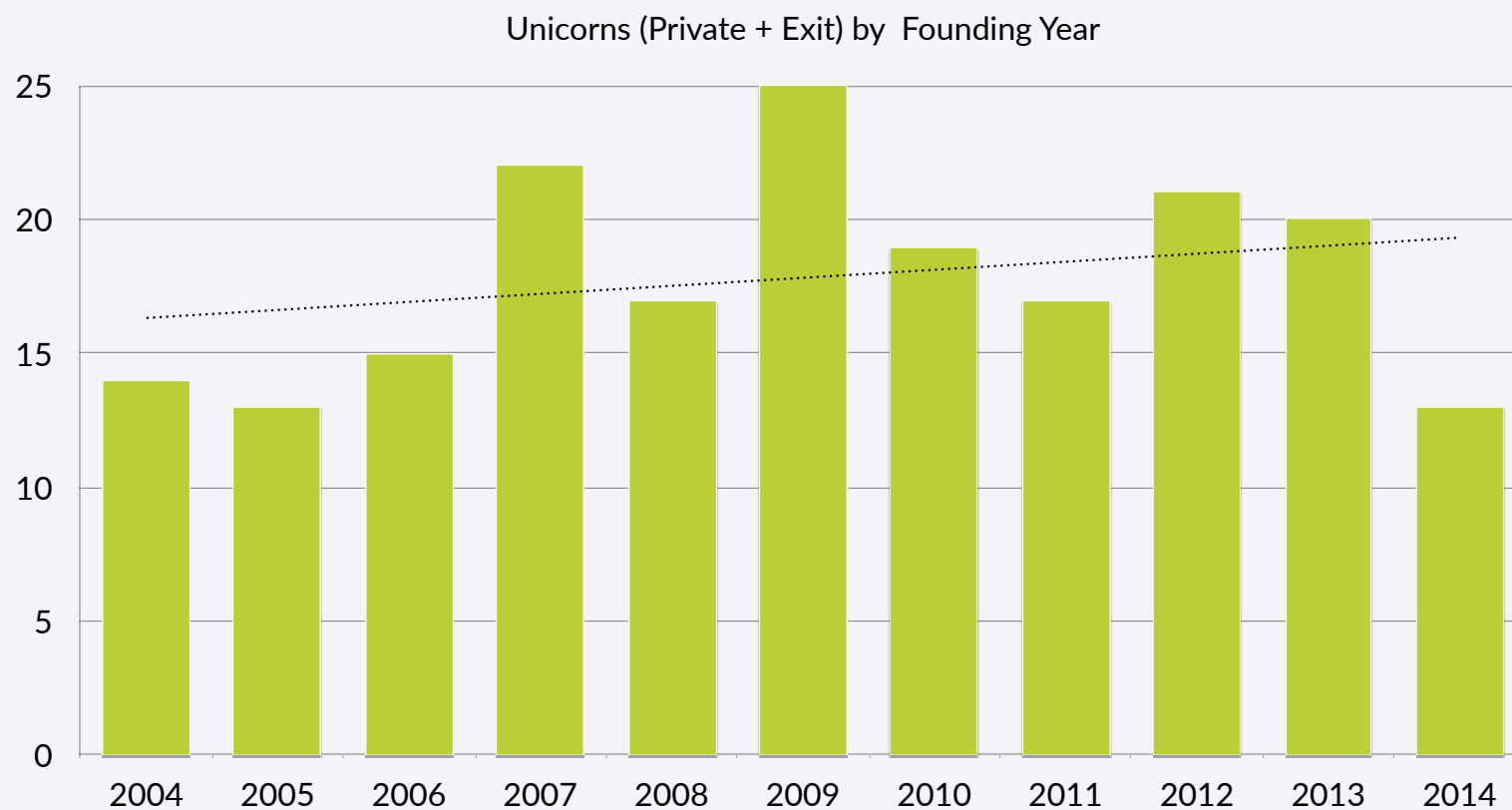
0.003%

10x harder than for Basketball High School Senior to play in the NBA (0.03%)



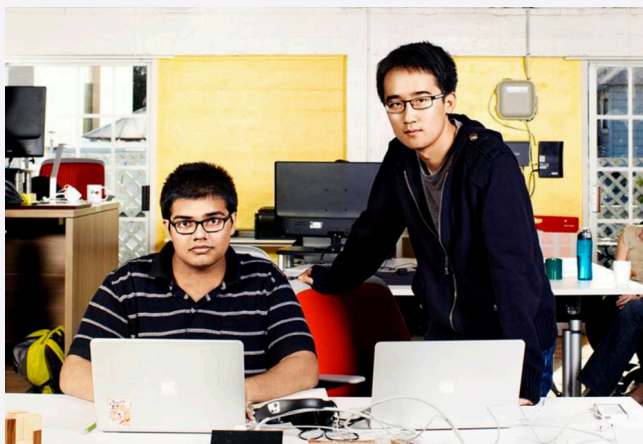
Every year ~20 Unicorns are born

15



Affinity

16



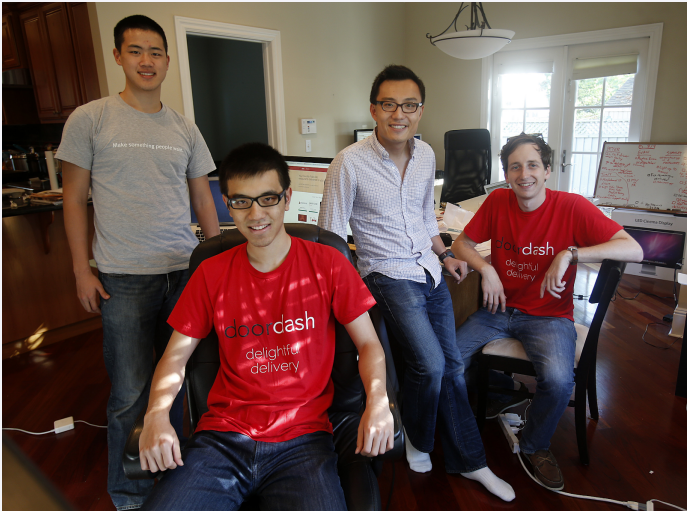
Garage'14. Sophomores CS



Series B
(>\$50M raised in total)



Doordash



Fall'13. Stanford Avenue

Forbes

EDITORS' PICK | 11,482 views | Jun 18, 2020, 02:10pm EDT

DoorDash Raises Another \$400 Million Ahead Of Its Public Listing

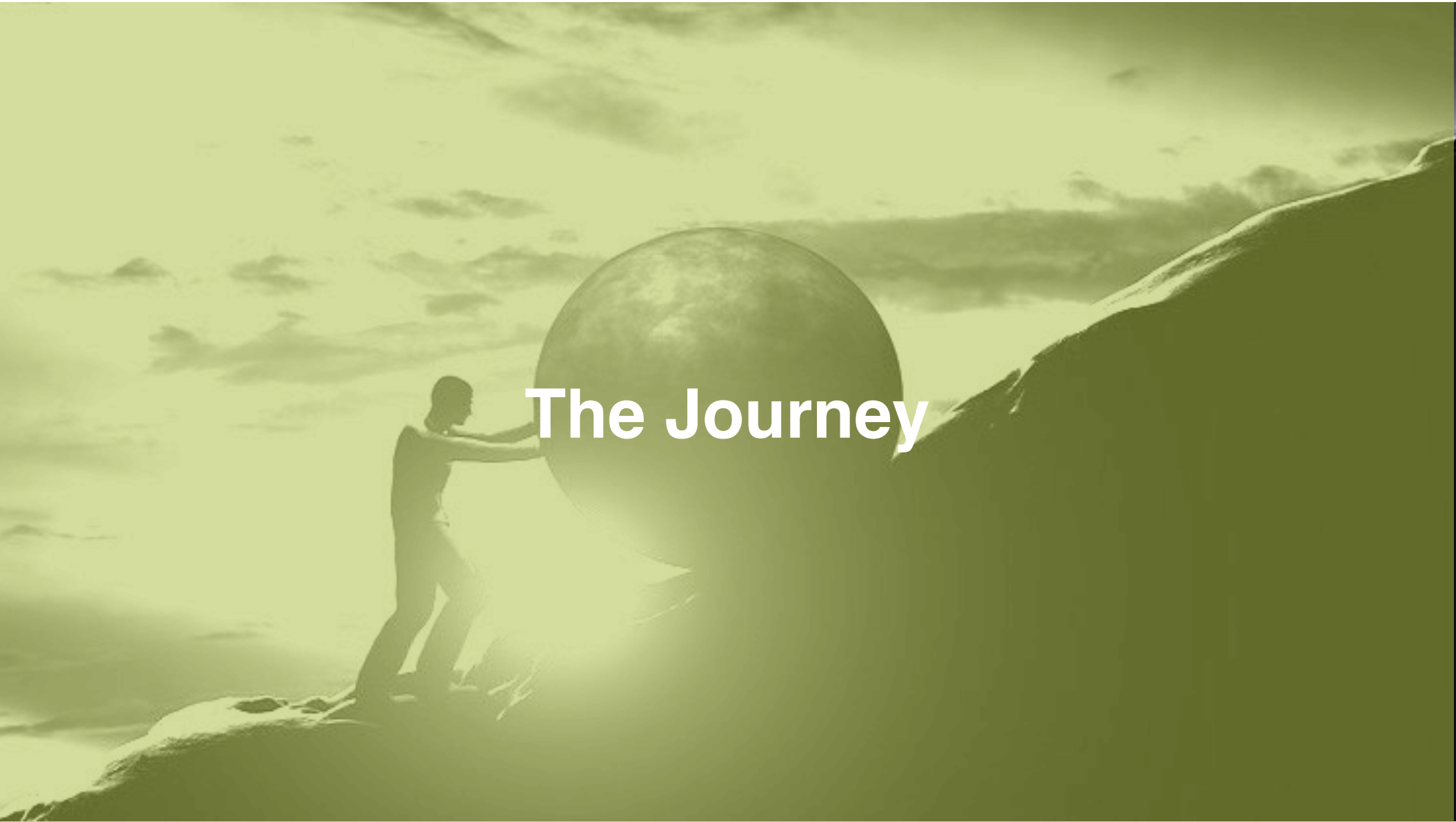
Kenrick Cai Forbes Staff
Innovation
I cover tech, with a focus on startups and artificial intelligence.

A photograph of a person holding a red DoorDash delivery bag. The bag has the DoorDash logo and the text "DOORDASH" on it. The person is wearing a blue jacket and is standing on a sidewalk.

DoorDash has increased its market share in the food delivery wars during the coronavirus pandemic, ...

[+] © 2020 BLOOMBERG FINANCE LP

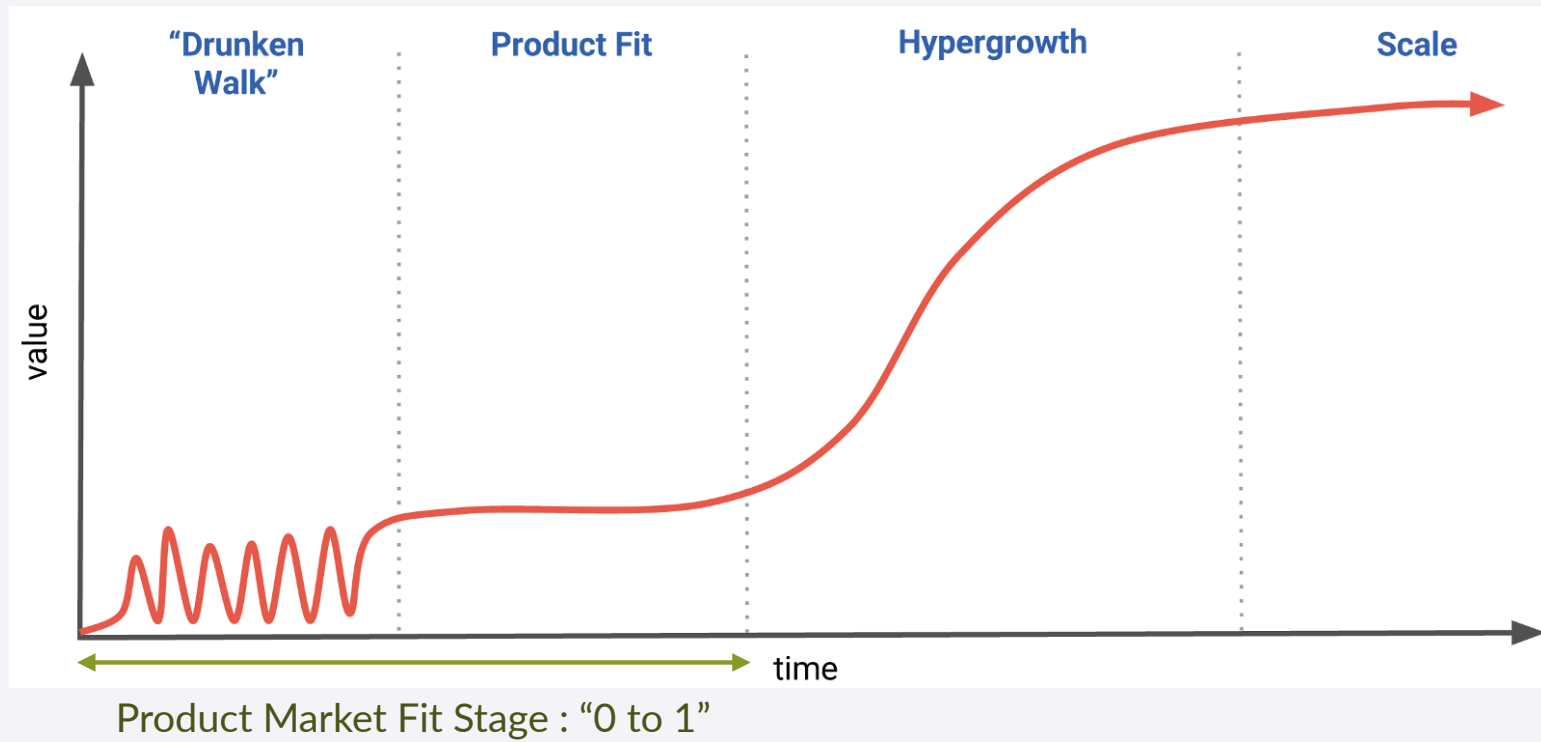




The Journey

A company's journey

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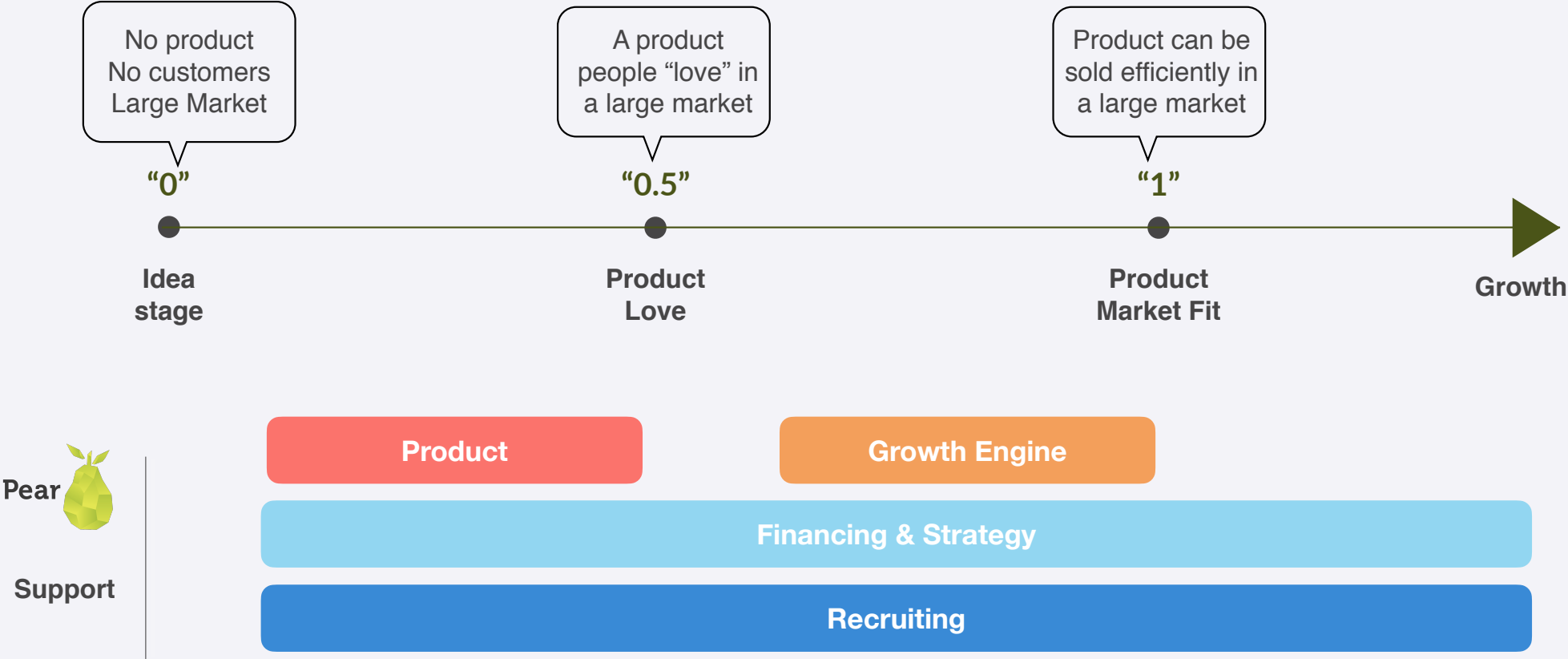
Source : Nikhyl Singhal, CPO at Credit Karma



Our Goal: Help Companies

0 → 1

Pear help is focused at the early stages of a company



Four pears are arranged in a row, decreasing in size from left to right. The pears have a mottled, light greenish-brown skin. The text "4 things to figure out" is overlaid in white, bold font across the middle of the pears.

4 things to figure out

Cumulative needs



Market



Team



Engaged
Users



Profitable
Growth

“0”

Pre-seed

“0.5”

Seed

“1”

Series A





Market

**Critical to explain WHY this is is
a \$10B market company
(can generate \$1B in revenue)**


**Companies with large markets, elite teams
and zero traction can raise large Seed/As**

but

**Companies with great traction, great teams
and small markets cannot raise Series As**

Examples


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Gixo Co-founders Selina Tobaccowala and Al Lieb

Our Investment in Gixo

By Reid Hoffman



 Greylock **Following**
May 25, 2017 · 2 min read

Physical fitness is vital to leading a healthy life. Unfortunately, many of us put off daily exercise, citing reasons like the lack of time, money, or motivation. This is why I'm excited Selina Tobaccowala and Al Lieb are launching Gixo to help tackle the barriers of physical activity and improve overall health. Read more about the launch of Gixo and how to check out the app [here](#).


\$3.7M seed led by Greylock Partners
Big space: Consumer Fitness
Great Founders: Ex founders of Evite, Clearslide
Traction : None

Proprietary and confidential

California start-up Nuro unveils autonomous delivery van, raises \$92 million

3 MIN READ  

SAN FRANCISCO (Reuters) - Silicon Valley start-up Nuro said on Tuesday it raised \$92 million to launch a self-driving delivery vehicle, joining automakers, shippers and a host of little-known companies developing autonomous vehicles for local commerce.



The self-driving delivery vehicle from Silicon Valley startup Nuro, intended to be used for local commerce, is shown in this photo taken in San Francisco, California, U.S., January 24, 2018 and provided January 29, 2018. Courtesy of Nuro/Handout via REUTERS

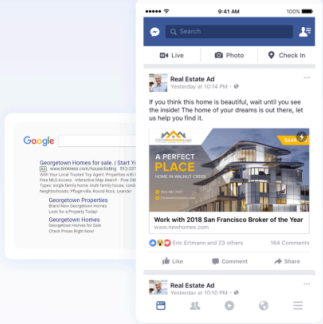
\$92M Series A led by Greylock Partners & Banyan
Big space: Last Mile Delivery
Great Founders: Founding team members of the Google self-driving car project.
Traction : None

Journey



**Same idea/tech/product with
different vision results in
different perceived market size**

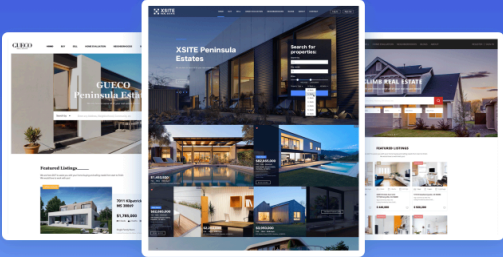
Real estate Lead Gen Product - chime.me



Looking for Better Leads?

Chime's high quality buyer and seller lead generation for real estate agents combines advertising expertise with powerful adtech to help realtors get more leads.

We create and manage campaigns for you, so you enjoy a steady flow of quality buyer and seller leads without the hassle or headache.



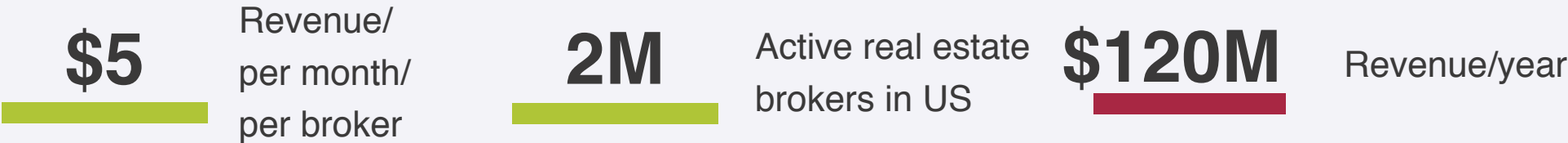
More Visits, More Leads

Every realtor needs a website, you deserve a better one. Get more out of your marketing with a stunning, SEO optimized IDX or home evaluation page for you, your team, or brokerage.

With listings updated every 30 minutes, home buyers can enjoy browsing up to date MLS listings on your gorgeous, fully customizable site.

Example A : Bottoms-Up Math

Chime.me sells lead generation tools for real estate brokers



\$120M, needs 8x multiple to get to \$1B



Maybe I can ask for more money per user?

31

chime.me sells lead generation tools for real estate brokers

\$50

Revenue/
per month/
per broker

2M

Active real estate
brokers in US

\$1.2B

Revenue/year

Is \$50/broker/month correct?

How much does it cost to acquire a broker?



Big Vision

Chime.me will become the largest real estate platform

200k

Real estate
brokers in
platform

\$200B

Transaction
Volume in
platform

2%

Commission

\$4B

Revenue/Year





**Your performance is driven by team.
You will be judged by your team at Seed Round**

No shortcuts on team

Critical to fill weaknesses in team

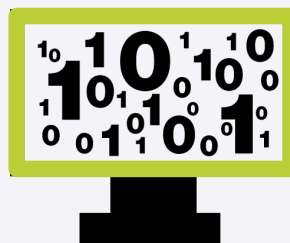
Recruiting is a sales job

Recruiting = Sales

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It requires a lot of time



Numbers game - more leads, higher chance of closing



Sell, sell, sell



Traction



Traction “needed” depends on what you aim to raise

40

What traction do I need for a seed round?
0 → 0.5

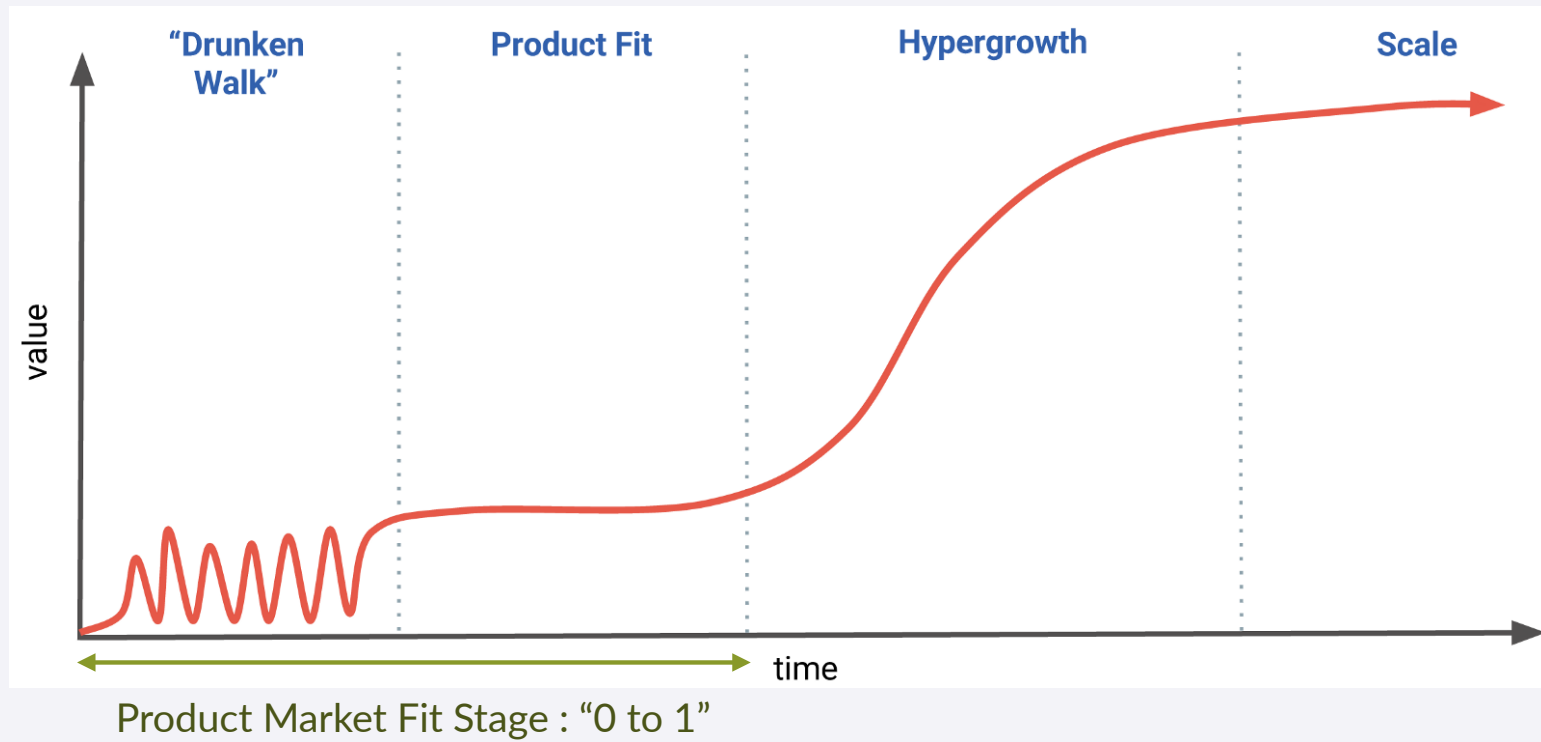
What traction do I need for a Series A round?
0.5 → 1



What does it take to raise a seed round?

A company's journey

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Source : Nikhyl Singhal, CPO at Credit Karma



“0.5” success, consumer subscription

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**1,000 users
60% 90d retention
growing organically**

vs.

**10,000 users
20% 90d retention
paid acquisition**



Extreme Example: Clubhouse Voice

44

Andreessen Horowitz Wins VC Sweepstakes To Back Clubhouse, Voice App Still In Beta, At \$100 Million Valuation

The Clubhouse logo is displayed on a solid purple rectangular background. The word "Clubhouse" is written in a white, sans-serif font, followed by a white icon of a megaphone or speaker.

- Still in Beta
- < 5,000 users
- Waitlist growing fast
- Red-hot with VCs and celebrities
- Insane usage: *"I check into Clubhouse more than 15 to 20 times a day to see what's going on. I don't do this with Facebook."*



“0.5” success for a B2B large ACV company

45

**1 POC converted
into contract**

vs.

10 POCs



**Build an excellent product that
a few people love***

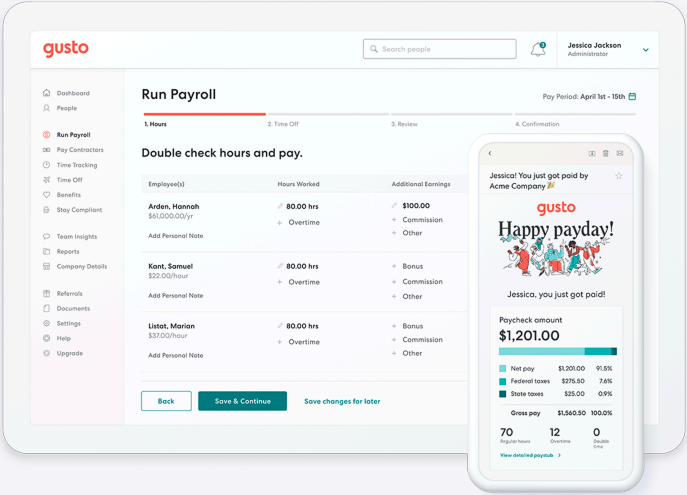
(*so much they tell others about it)

“It is better to have 100 people who love you than a million who like you”

Paul Graham, YC

Product is SO good that users simply cannot stop using it

Google : 1997-98




Proprietary and confidential



Journey

Scrappy, hustler-like mentality



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Just \$8 per delivery

No minimum order size


How It Works

1 Pick your food




Choose from a wide range of dishes in Palo Alto

2 Call us to order



Then give us a call to place your order with us

3 We deliver the food!




Pay by credit card upon delivery

Call To Order: (650) 681-9470


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[View Menu](#)




Bangkok Cuisine

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Darbar

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LYFE Kitchen

[View Menu](#)




Howie's Artisan Pizza

[View Menu](#)




Taipan

[View Menu](#)




Kanpai Sushi

[View Menu](#)




Oren's Hummus

[View Menu](#)




Patxi's Pizza

[View Menu](#)




Sprout Cafe

[View Menu](#)




Tamarine


[View Menu](#)



Garden Fresh




Siam Royal



Asian Row

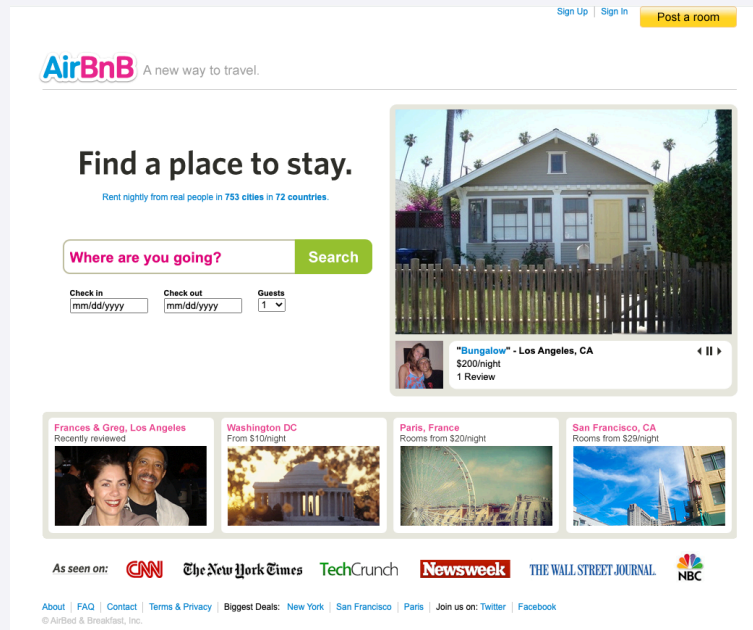
Proprietary and confidential

Journey



Scrappy, hustler-like mentality

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AirBNB:

Data showed that high quality photos increased conversion. Most early hosts uploaded poor quality photos.

AirBNB founders flew to NY and personally took high quality photos of apartments for their early hosts.

Conversion increased.



Customers are not shy to show their love

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S U P E R H U M A N

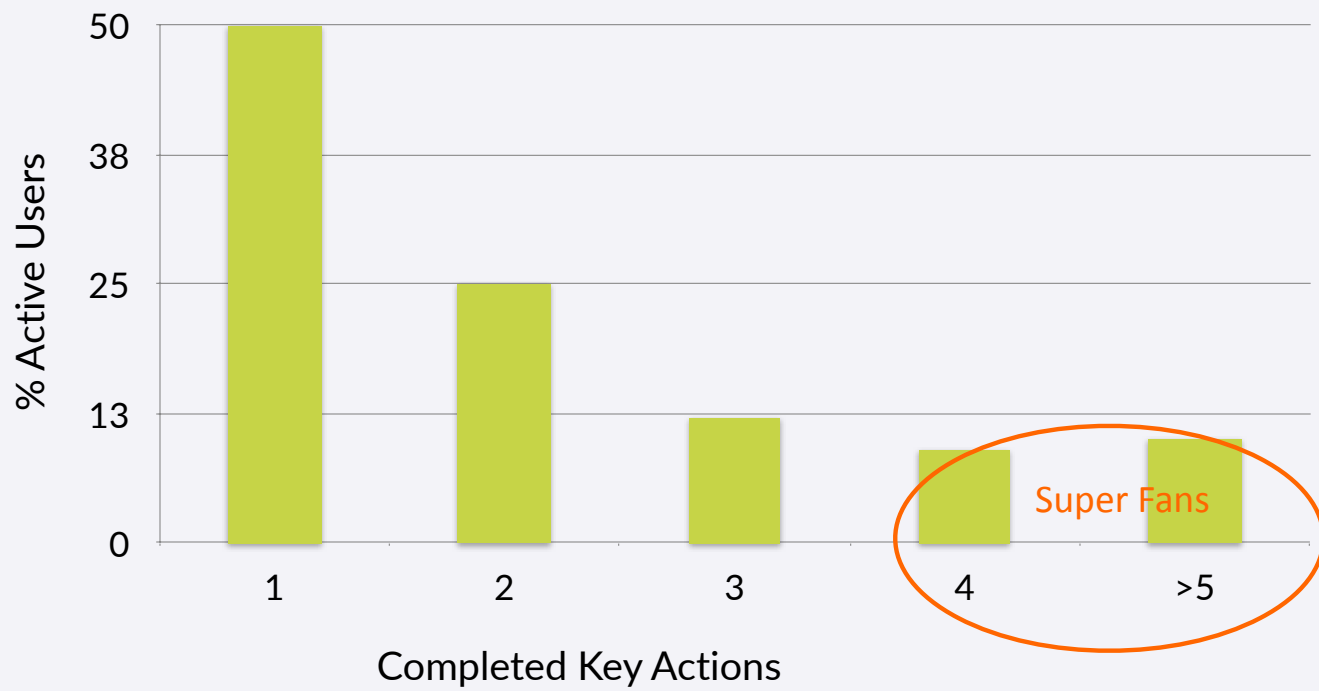
*“Superhuman has moved me —
both physically and emotionally.”*

***“This tool saved my
marriage — I shall sacrifice my
first-born-child for the cause.”***

*“I lived in a world void of
happiness. Since I met
Superhuman, I can now hear
color.”*



Superfans!



Advice from pre-seed to seed

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“Experiment” Mentality

- hyp → test → measure → new hyp

“Scrappy and Fast” Operations

- Build fast. Kill Features. Simplest MVP.

Ignore “Fake” Signals

- Number Employees. Money Raised. Speaking engagements.

Keep Market in mind

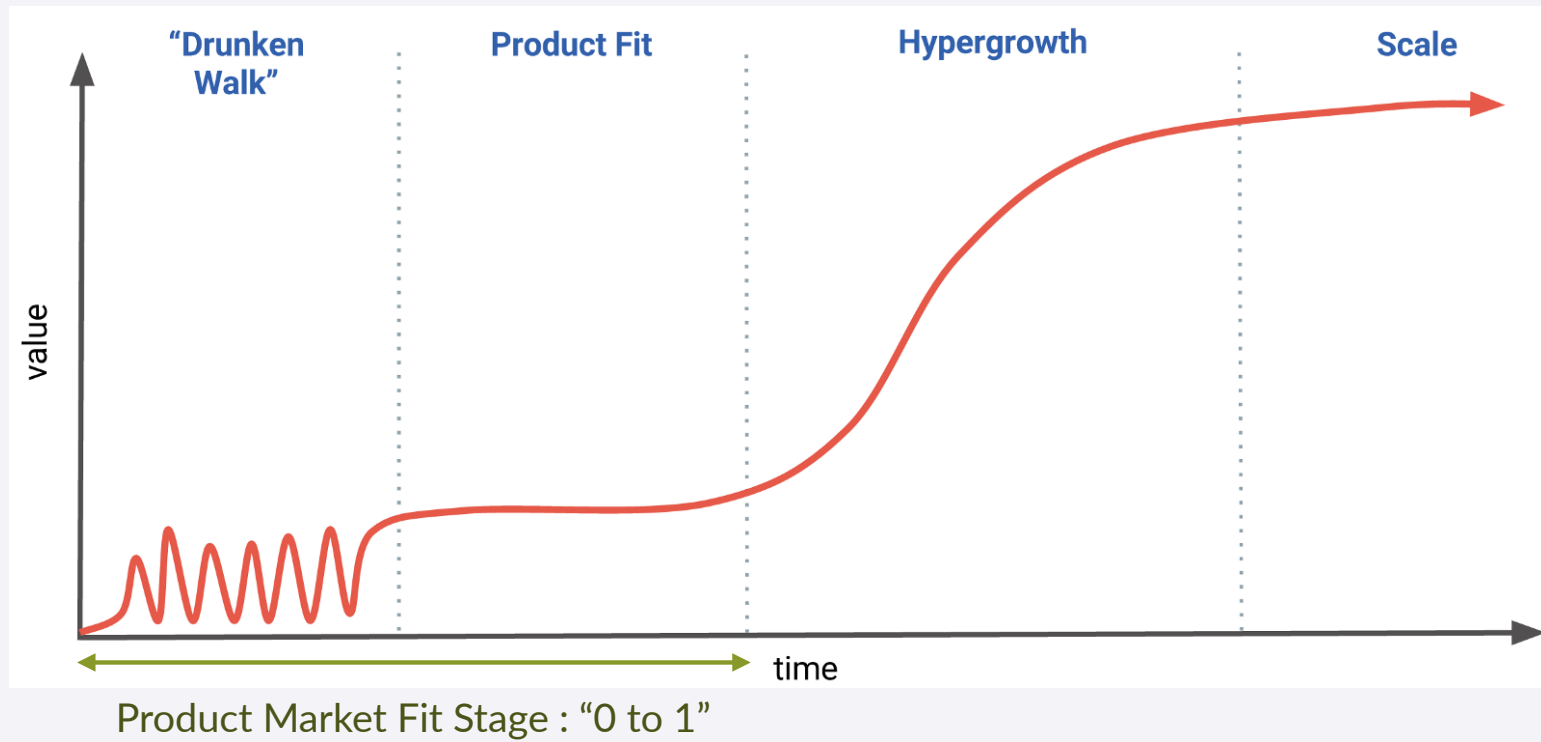
- Don't forget about market as you iterate



What does it take to raise a Series A round?

A company's journey

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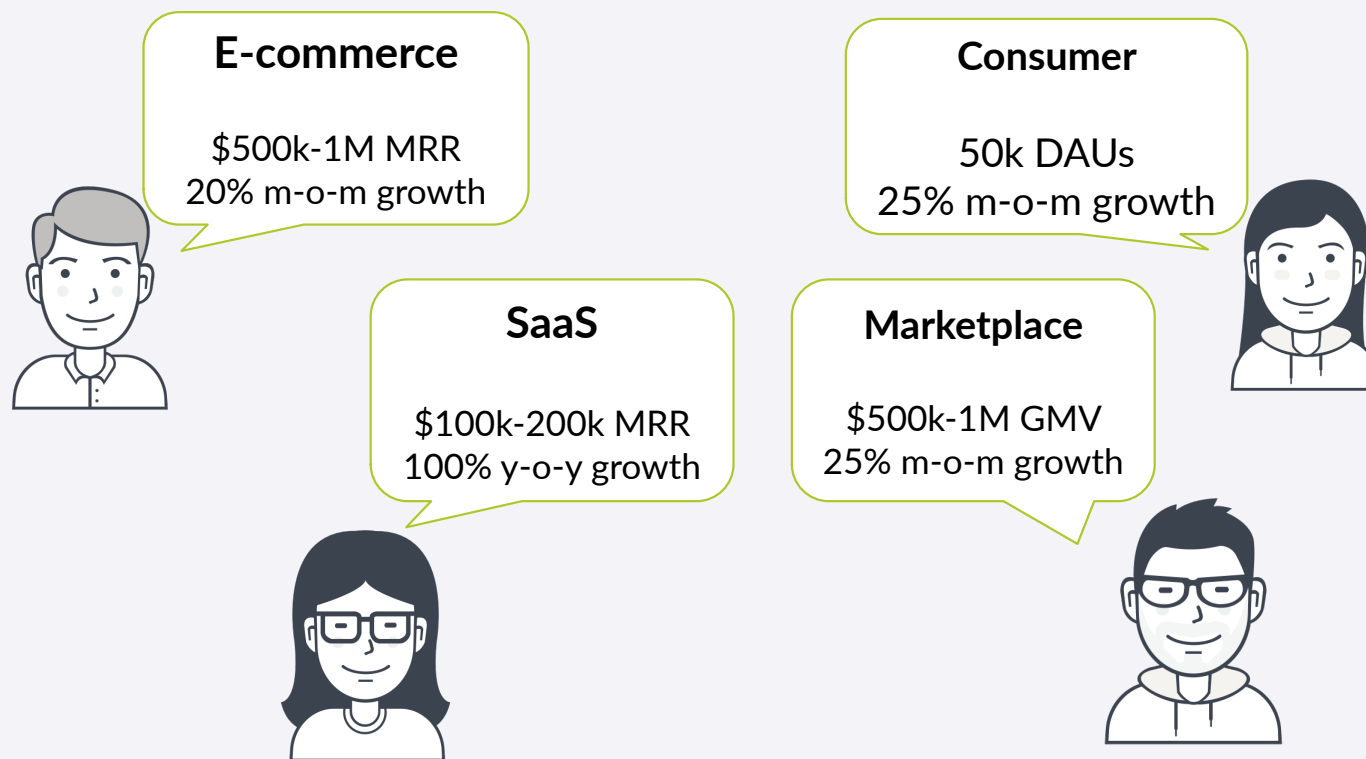


Source : Nikhyl Singhal, CPO at Credit Karma

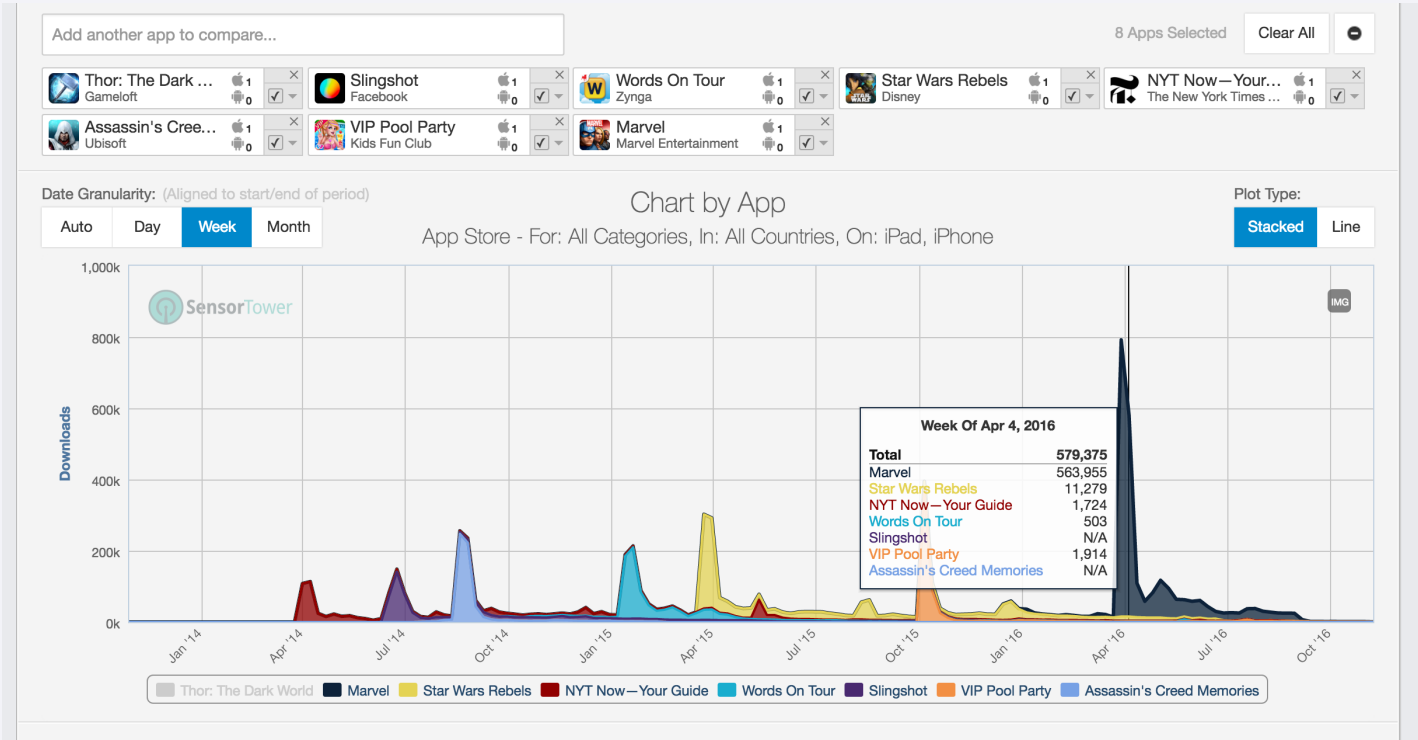


Myths on the Street

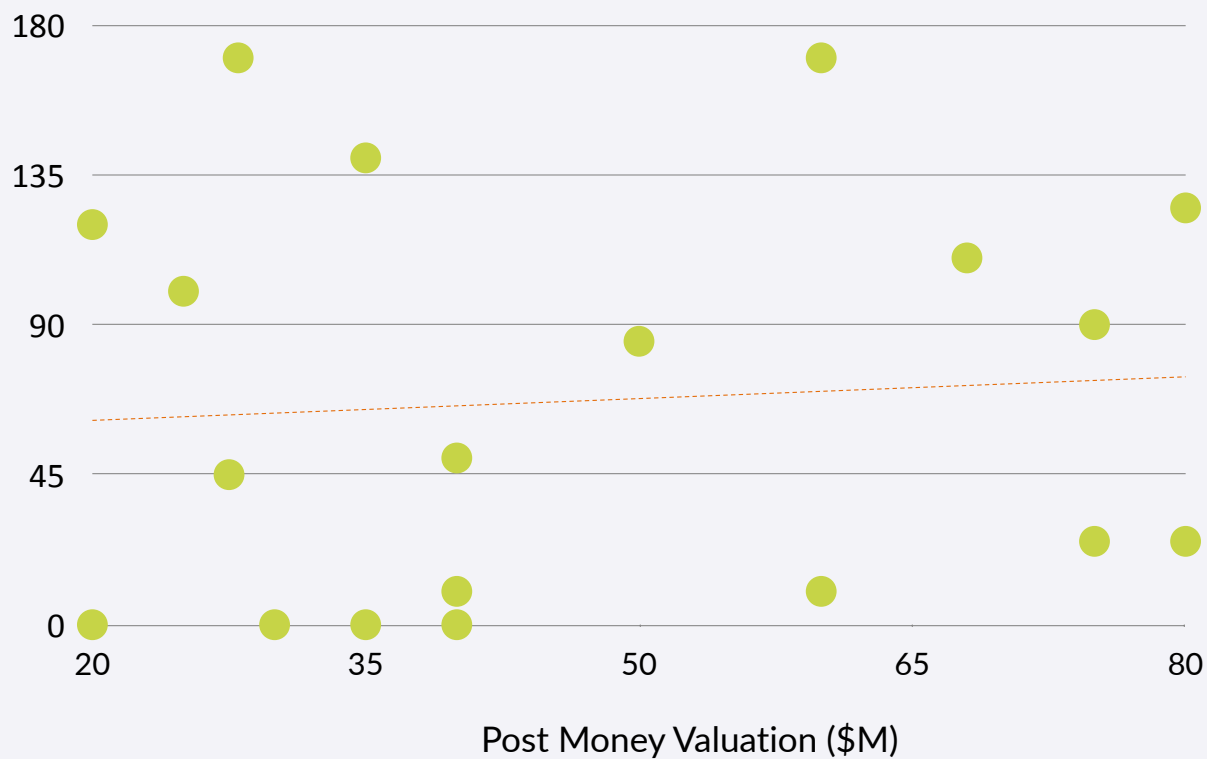
56



Growth is not Enough



Little Single Metric Correlation SaaS MRR-Valuation



VCs look for predictors of future success

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@ “0.5”

Engagement

DAUs/MAUs
Product Quality
Activities per User

Retention

New, churned and resurrected
users/accounts
User Quick Ratio
Repeat Users

@ “1”

Unit economics/Margin

Life Time Value
Customer Acquisition Cost
Cost of sales

Growth/Scale

Organic/Inorganic growth
Recurring Revenue
Cash burn



① Committed Users

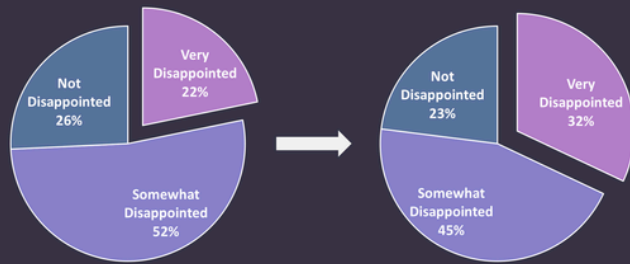


**Actual data that shows users
love your product**

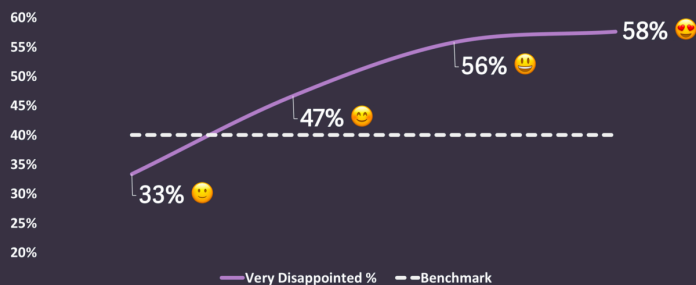
Measuring Product Market Fit - Example

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The Impact of Segmentation



Results



Survey users: “How would you feel if you could no longer use [ProductName]?”

- a) Very disappointed
- b) Somewhat disappointed
- c) Not disappointed
- d) N/A I no longer use [ProductName]

Minimum sample size: 100

Goal: 40%+ answer “Very Disappointed”

Source: <https://blog.growthhackers.com/using-product-market-fit-to-drive-sustainable-growth-58e9124ee8db>



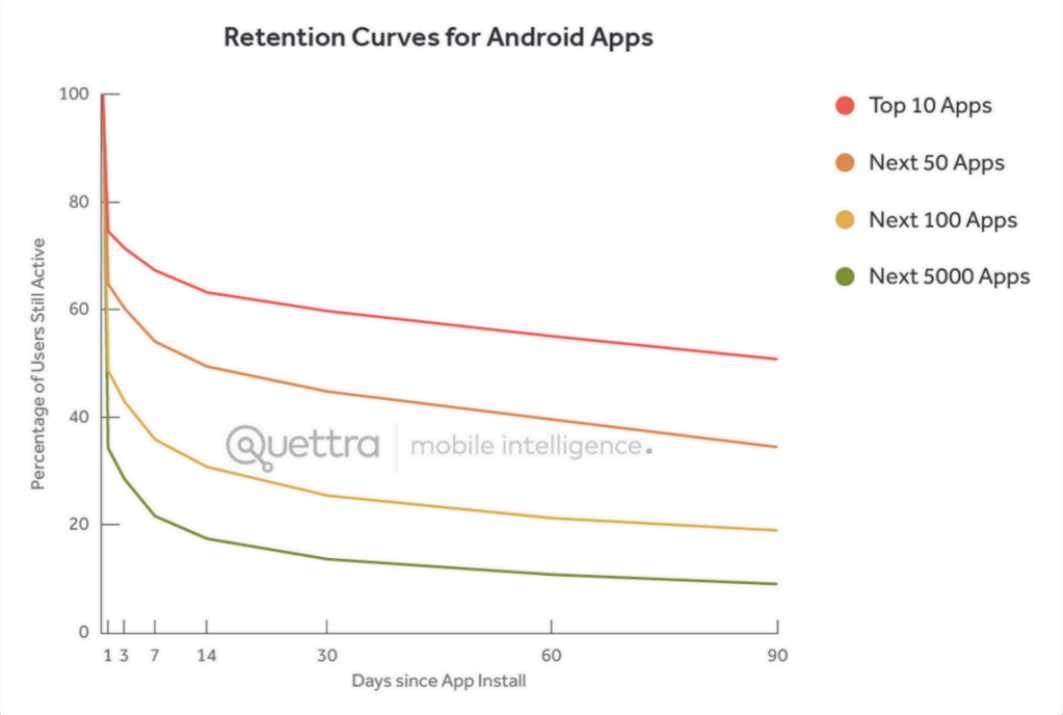
Cohort Analysis - Retention

63

Cohort Size		0	1	2	3	4	5	6	7	8	9
110	Jan	100%	33%	21%	16%	14%	13%	12%	12%	10%	12%
186	Feb	100%	31%	21%	14%	13%	12%	11%	11%	9%	
184	Mar	100%	29%	18%	16%	14%	12%	10%	9%		
225	Apr	100%	35%	29%	22%	20%	17%	15%			
231	May	100%	42%	37%	34%	24%	21%				
209	June	100%	44%	37%	33%	25%					
240	Jul	100%	42%	38%	31%						
271	Aug	100%	45%	40%							
248	Sep	100%	51%								
243	Oct	100%									
2,147	Total	100%	39%	30%	24%	18%	15%	12%	11%	10%	12%



Mobile Apps Retention



Growth Quality: Quick Ratio – Added MRR/lost MRR



Many other ways to measure “love” and “addiction”

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Number of key actions per user

Time on site/app/service

NPS measurement

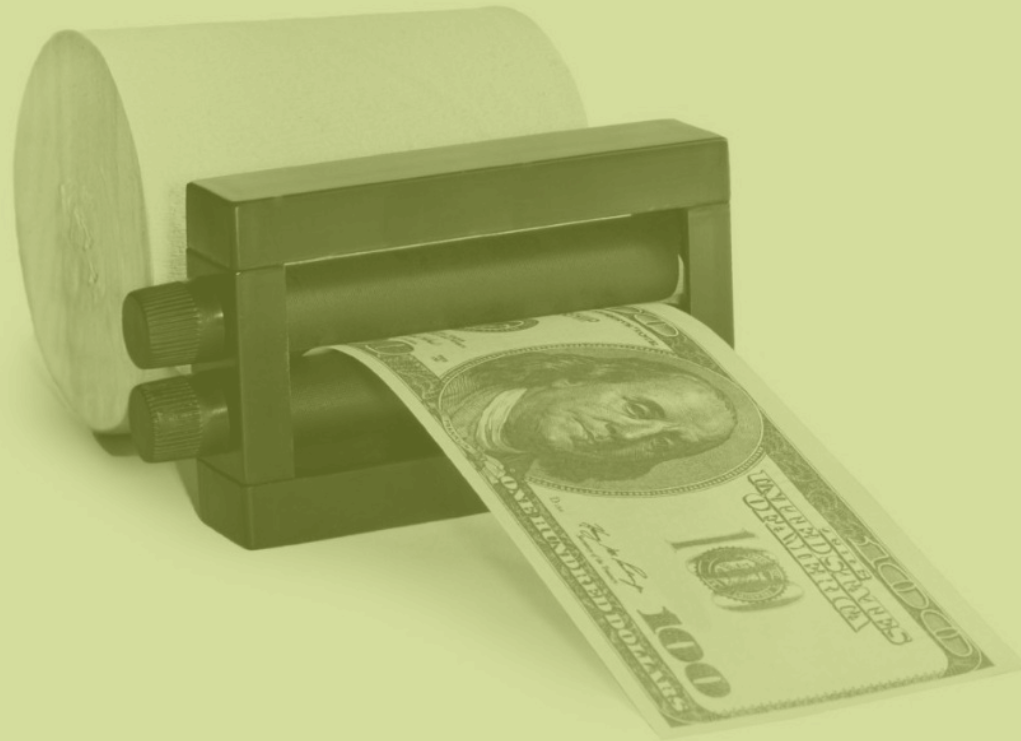
D7, D30, D90 retention

Renewal Rate

Adoption Rate



② Efficient Growth Engine

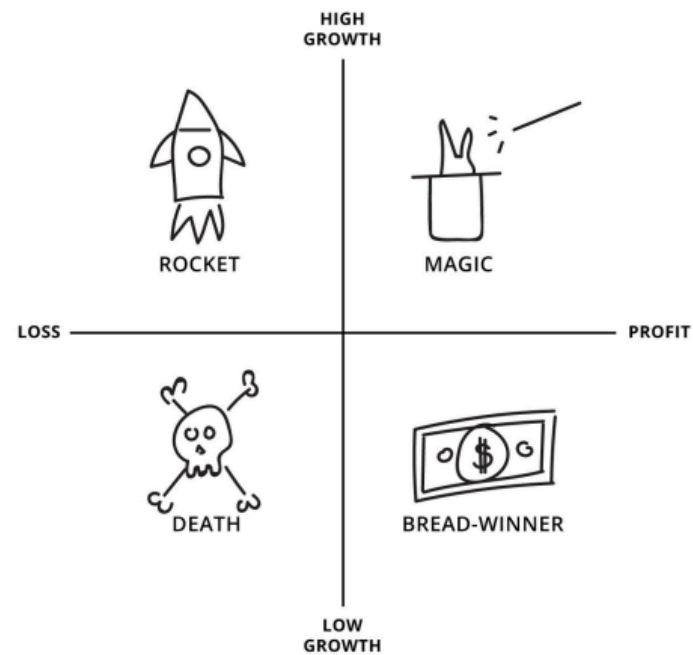


**Ability to get new happy
customers efficiently - without
spending too much money**

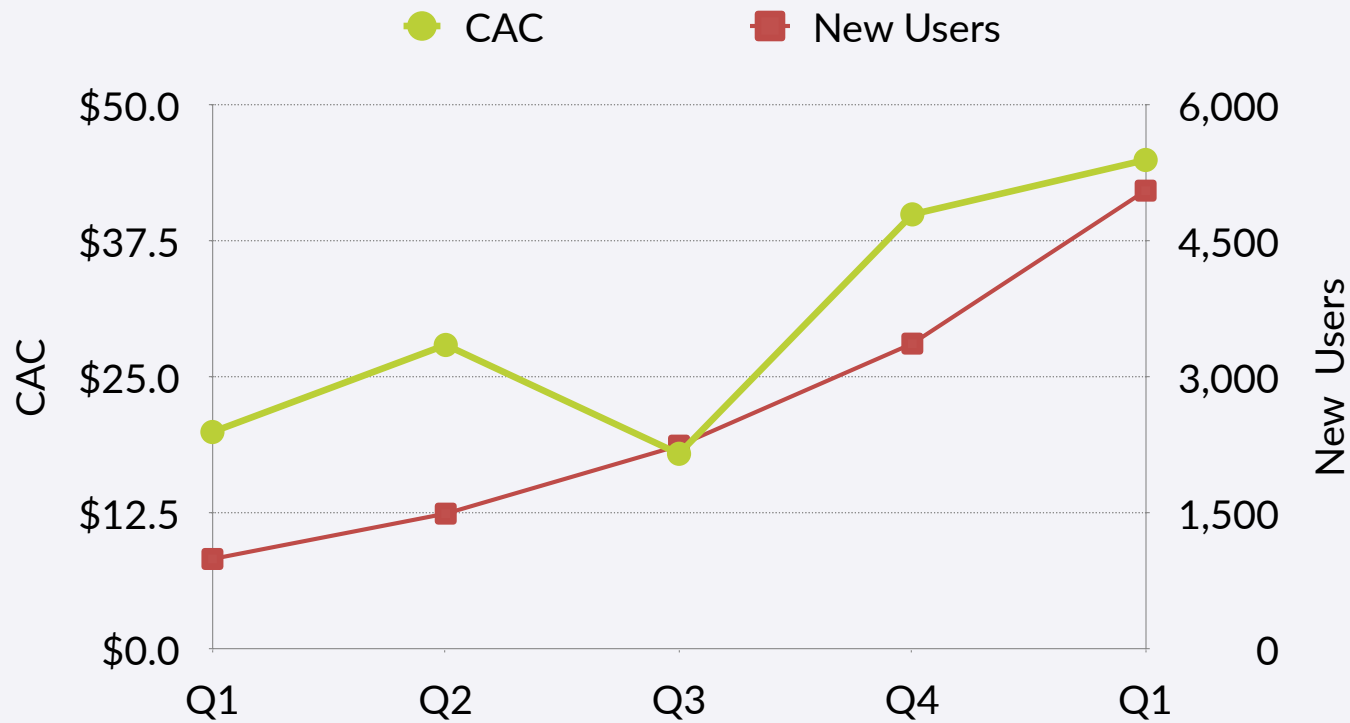
Figuring out growth determines “VC” success

69

The Quick and Dirty Growth-Profit Matrix



CAC tends to go up with increased number of users

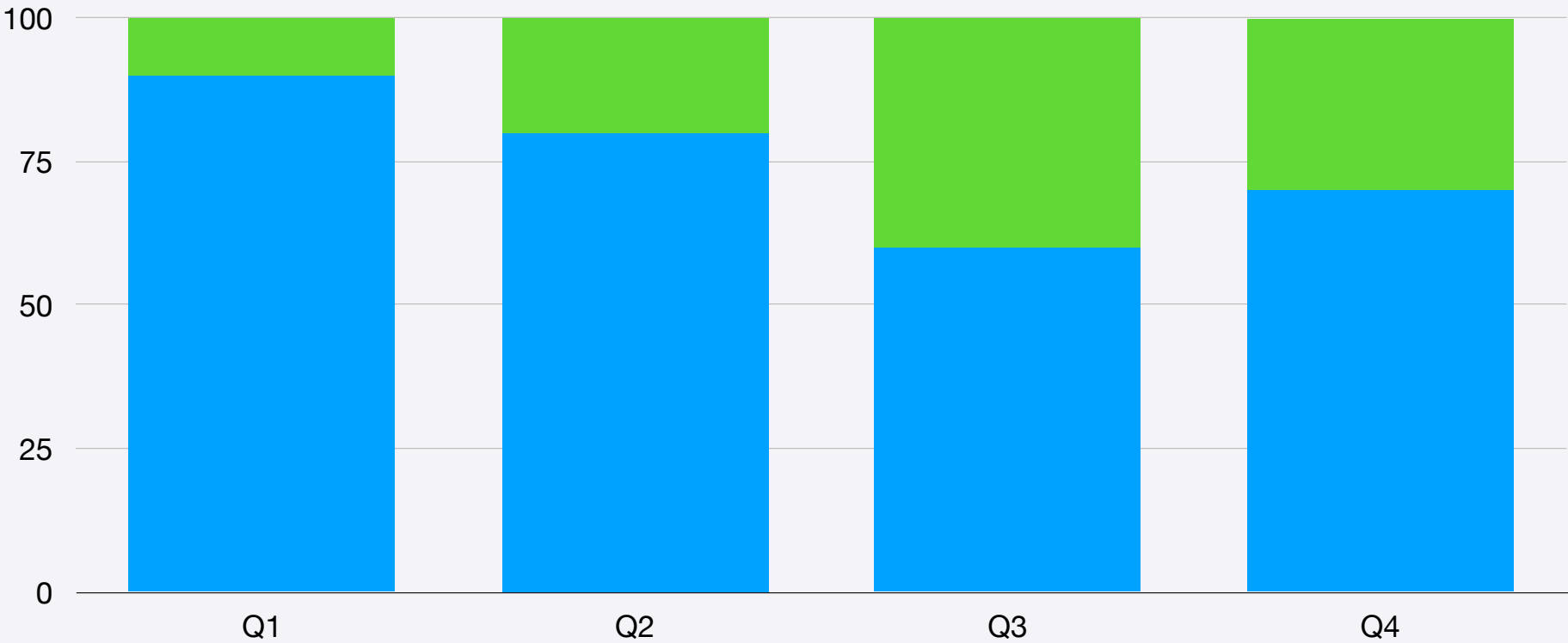


Marketing spend gets large very quickly



Organic Growth is Key

Source of new users



Growth Metrics for Series A Consumer Companies

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METRIC	GOOD	BETTER	BEST
Resting growth rate	0%	0-5% per month	5% per month
LTV:CAC ratio	2-3x	3-5x	5x+
# potential customers	5-10M	10-50M	50M+



Advice from seed to A

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Focus on “Growth Quality” rather than “Absolute Growth”

- Efficient growth are better than just growth

Measure Everything

- Use data to measure growth, user behavior

Avoid “Fake” Growth

- Paid growth. Sales & marketing cost higher than net revenue. GMV vs. actual revenue.

Keep Market in mind

- Be ready to talk market. You need to be an expert.



Parting thoughts...

0 to 1 Journey

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Hard journey but doable

Keep your eye on what *really* matters - avoid fake progress

Market is critical. Traction is not enough. Market is (sometimes) enough.

Set measurable goals for Market/Team/Traction



Thank you!

@Pearvc

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