

## The VC's litmus test: Does he want to be your VP of Sales?

*By Clint Chao 09.26.06 (as featured on VentureBeat)*

Entrepreneurs get a lot of advice on how to pitch to VCs, but do you ever wonder what VCs are really thinking as you go over these basics? In the first meeting with a new company, I'm mainly looking at whether or not I want to be your VP of Sales.

After spending 20 years in sales and marketing working at really early-stage pre-revenue companies, I've found that the VP of Sales is the most difficult executive to bring into a company. A great VP of Sales wants to know you have the right technology, team and position in the marketplace. More than other team execs, a great VP of Sales wants to know if he or she can make a ton of commission selling your products. As I'm interviewing for the position, I'm wondering whether it's a job where I'd take a 100 percent commission to lead your sales efforts.

Since most early-stage companies are far from having a product, you might be wondering if this is a fair way to evaluate the potential of a new company. I'll tell you why it is and how I've done it.

In many cases, the startup first to market or with the best technology rarely wins. Usually this is because a company places so much emphasis on its technology that it overlooks market adoption or makes sweeping assumptions about the customers it intends to win over.

One of my most recent (but unannounced) investments is in a company that made me want to start knocking on doors. This particular Internet services company is targeting the local ad space. It was the first we'd seen that appealed to the actual local merchants in the communities they wanted to target. See, a paradox exists in today's local online market: While consumers are now able to use search engines (e.g. Yahoo Local) and ratings and review sites (e.g. Yelp) to find things locally, a majority of local merchants and service providers (e.g. the sandwich shop or jeweler down the street, or even a babysitter or gardener) don't have websites, so they're unable to promote themselves online.

This was the first company we saw that presented us with a solution that not only gives consumers the ability to create local reviews and ratings, but also provides merchants, even those without a website, with an opportunity to proactively reach their neighbors online. They even conducted detailed focus groups with handfuls of merchants – first to understand how they could use the web to increase business, and then to design an ad platform that was super easy to use and understand. Theirs was a very simple business model that was the online

equivalent of what merchants have been doing for dozens of years. And they were doing their homework, meeting with merchants to develop a prototype that met their needs and desires – they weren't waiting for a finished product to figure out whether it would win market approval.

I've always believed that your selling efforts begin on the day you decide to start a business. With or without a finished product, you'd better understand who influences the industry and have a plan for persuading them to spend an unfair share of their time with you. Back in the days when I was at C-Cube Microsystems, we convinced bellwether customers to move part of their design teams into our offices long before our product was even close to being ready for prime-time. The benefit to them was getting firsthand access to the key players on our technical team. For us, well, our potential customers were spending all of their time with us and not with our competitors.

This local ad company had done just that – they developed a business around the merchants and the immediate communities they serve. And when I heard how the merchants were receiving their concept, even before it was backed by a beta, I knew they had in fact developed a revolutionary value proposition with an evolutionary revenue model. I wanted to hit the streets right away and start knocking on doors.

So when you walk through the Formative doors to describe why you have the next great thing, first consider how you would persuade me to lead your sales efforts. If I'm ready to take a 100 percent commission job selling your products, I'll consider yours a viable investment opportunity.

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