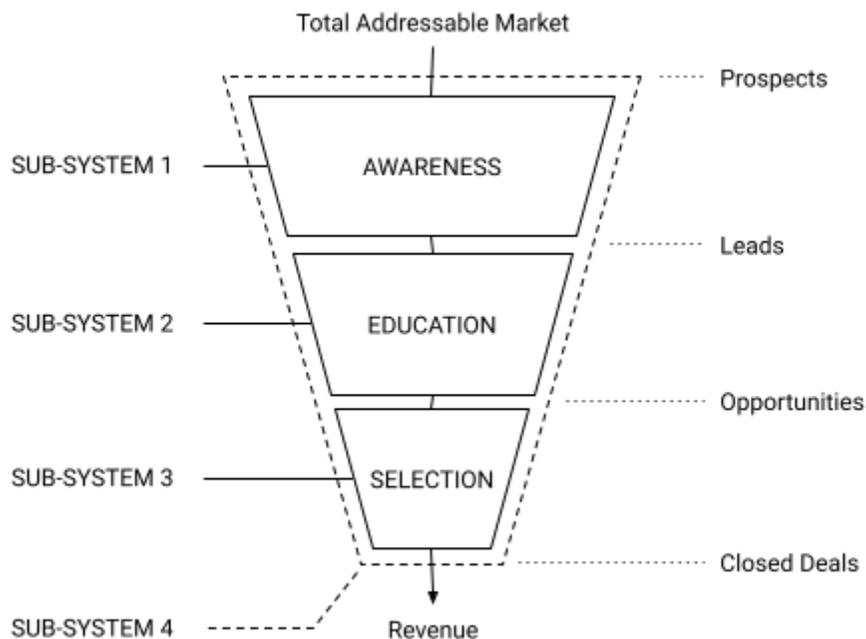


# THE BOWTIE

A Customer-Centric Framework for a Recurring Revenue Business

## 1. The Classic Marketing and Sales Funnel

The classic marketing and sales funnel functions as a revenue acquisition system. It comprises three sub-systems, commonly referred to as stages. Ideally, the top-of-the-funnel (TOFU) is rich with prospects, indicating a substantial and accessible market. These prospects engage with content designed to raise awareness of potential problems (Leads). Subsequently, they receive education on various problem-solving approaches (Opportunities). As they progress through the funnel, they reach a decision point where they select the right solution for their needs. For the seller, this results in a closed deal, securing revenue and acquiring a new customer (Closed/Won).



*Figure 1.1. The marketing and sales funnel functions as a revenue acquisition system consisting of four sub-systems. The fourth is the funnel as a whole, which operates as its own system.*

**Sub-System 1. Awareness**

Utilizes a series of touchpoints to transform prospects into leads by raising awareness around a problem the prospect is experiencing and the implications of inaction on their business. These touchpoints can encompass activities like filling out a form on a website, downloading content, attending online events like workshops, or watching demo videos. In this context, a lead refers to an individual interested in your products or services. At the end of the lead generation process, you unsurprisingly end up with.. leads.

Leads differ from prospects in that they have expressed interest in some way, defined slightly differently for each company. It could be attending a webinar, downloading a research paper, commenting on a post, or as simple as an inbound request via the website. You can contact them through email, social media, or phone. However, it's crucial to note that although they may have attended a workshop or watched a video, they may still not be ready to learn more about your offering.

**Sub-System 2. Education:**

In this stage, customers educate themselves with insights into the problem and solution. The goal of this process is to fully understand the product's impact and determine its priority. This conversion turns a lead into a qualified opportunity, and it depends on the GTM motion.

In a Medium Touch motion, for example, a Development Representative (SDR) may engage with the lead, qualifying them through conversations, which can occur via a call, email, or LinkedIn message. The most common approach for a buyer is through either a self-serve demo (or video) or an online discovery call, during which a salesperson assesses the customer's issue, determines the urgency with which the customer views it, and evaluates the ability of their product to assist the customer effectively.

**Sub-System 3. Selection:**

This guides customers through a decision-making and purchasing process. It can be as simple as providing a link to a webpage for placing an order, or it can involve a series of meetings spread across a months-long decision process where the seller works closely with the customer to answer questions and address the customer's needs.

Selection often includes educating stakeholders throughout the buyer's organization. This may include conducting a proof of concept (POC) to help validate the decision with a proposal that presents the return on investment (ROI). In an ownership-based strategy, the seller closes the deal, and the customer transfers the money to the seller within 30 days after closing, converting the opportunity into revenue.

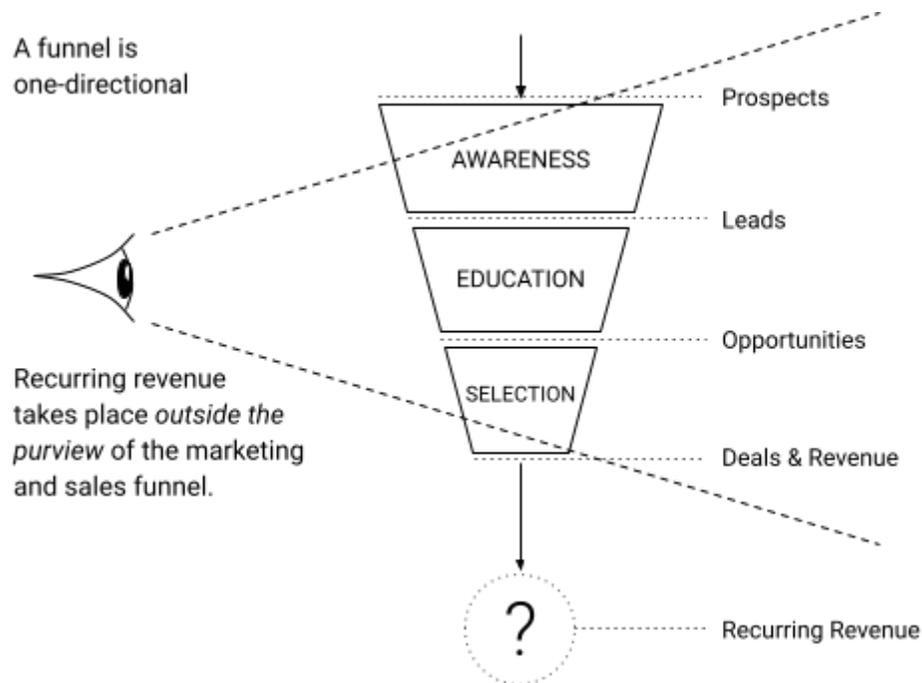
This classic approach concludes with the seller marking the deal as "Closed" in their CRM and moving on to the next opportunity. It is a proven process that has served B2B organizations well. However, it's essential to recognize that this process was designed over a century ago. It has since been used extensively for on-premise hardware sales and, more recently, perpetual software sales.

#### **Sub-System 4. The Acquisition System:**

There is one more system that comes into play, namely, the combination of the three individual sub-systems, which collectively form a revenue acquisition system. This acquisition system operates as its own system with its own characteristics. The metrics of the acquisition system are ARR growth, the rate of Growth, acquisition cost (CAC), and CAC payback period, for example. By acknowledging the existence of an overarching acquisition system that interconnects the three sub-systems, you'll gain a clear understanding of the constraints.

## 2. The Constraints of the Marketing and Sales Funnel

As we build a new system to cover the whole revenue stream, we must take a closer look at the constraints of the classic marketing and sales funnel affecting recurring revenue in order to overcome them.



*Figure 2.1 Recurring revenue takes place outside the purview of the marketing and sales funnel.*

### #1. Constraint: The funnel does not cover recurring revenue

To state the obvious, 2 out of 3 revenue growth engines (retention and expansion) are taking place outside the purview of the funnel. Currently, recurring revenue, revenue growth, and profits all take place outside the purview of the marketing and sales funnel. The classic marketing and sales funnel, which has served our industry for over 100 years, ends where recurring revenue begins.

The funnel stops where recurring revenue begins.

**#2. Constraint: The funnel is seller-centric**

A seller-centric funnel focuses on closing deals by promising the value of a solution. Recurring revenue focuses, by definition, on what the product does for the customer: Impact. This seller-centric approach can be found all too often in organizations with a maniacal focus on winning more deals, creating an insatiable hunger for (more) leads.

It is challenging for a company to outgrow this mindset, and all too often, it comes down to a refresh of the leadership team. The funnel is one-directional: Prospects enter the top of the funnel and flow downward until they exit at the bottom. This leads revenue organizations to model their processes wrong, as most customers go back and forth between the different functions.

**#3. Constraint: Operators act as if the funnel functions linearly**

When faced with a demand to double the revenue, revenue leaders frequently respond by urging the organization to generate twice as many leads as though the funnel operates linearly. This reflects a common misperception of a linear relationship between leads, opportunities, deals, and revenue.

**#4. Constraint: The funnel does not consider closed loops**

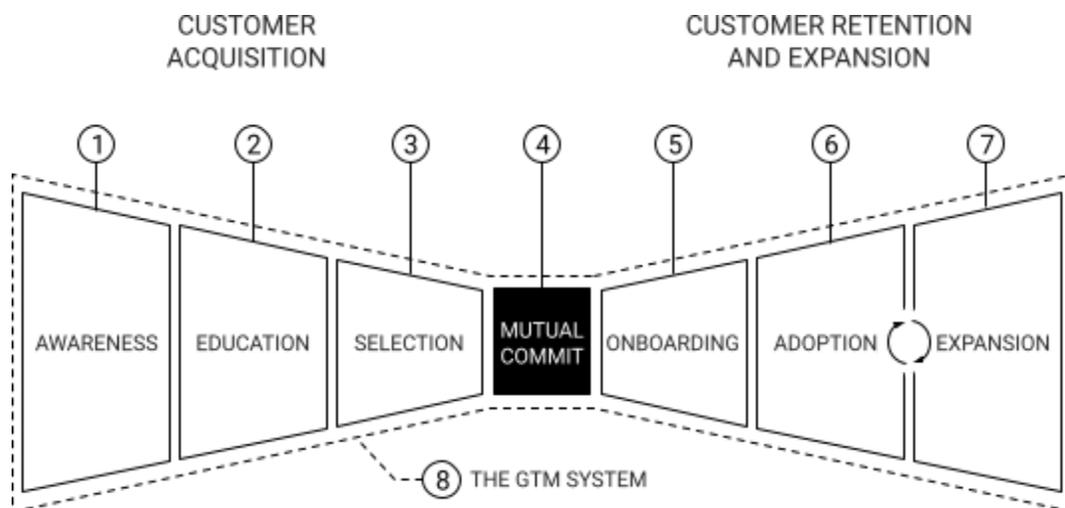
Similar to being one-directional, the funnel also does not show the presence of feedback loops.

These four constraints amplify each other, further bolstering the wrong behavior, and today, many companies deal with the daily issues caused unintentionally by boundaries the classic marketing and sales funnel has imposed on them.

### 3. The Bowtie, A Custom Built Approach for Recurring Revenue

With the rise of subscription-based businesses in the early 2000s and the growing emphasis on recurring revenue models post-2008, revenue recognition underwent a dramatic shift.

In contrast to the ownership-based approach that prevailed for most of its lifetime (LTV)—where revenue was recognized upon shipment of equipment or emailing of the “software license,” often occurring within 30 days of the Purchase Order—the subscription model operates differently. In this model, only a small portion of the fees is booked upon the deal’s closure, with the full revenue often taking years to materialize.



**Figure 3.1** *The Bowtie extends the classic marketing and sales funnel to cover the critical stages responsible for recurring revenue growth.*

This change in the way revenue is recognized rendered the classic marketing and sales funnel inadequate. Enter the Bowtie model, which extends the funnel to four additional stages to capture growth from acquisition, retention, and expansion.

**Sub-System 4. Mutual Commit**

"Closing a deal" is not the end; instead, it marks the beginning of a multi-year relationship. Both parties commit to working together: one to continue delivering the promised impact and the other to keep paying for the product's usage to achieve that impact. Therefore, this stage is referred to as Mutual Commit or simply Commit.

**Sub-System 5. Onboarding**

Onboarding, also known as Activation in PLG, is designed to swiftly guide customers to experience their initial impact with your product. Whether it takes weeks due to complex integrations or mere seconds through a browser plugin, the objective remains the same: to ensure customers swiftly experience the effect or impact of your product.

**Sub-System 6. Adoption**

During Adoption, the customer integrates the product into their daily routines. Providers must offer training, support, and updates to optimize product usage and impact. Effective Adoption leads naturally to contract renewal.

**Sub-System 7. Expansion**

This stage aims to grow your business with the customer. Expansion involves additional licenses, upgrading to higher-tier plans, or tapping into extra modules and features.

The acquisition system in the marketing and sales funnel is now replaced by a new system that covers the entire operation:

**Sub-System 8. The GTM System as a whole**

The GTM system encompasses all sub-systems that together make the recurring revenue model work. The GTM system possesses its own characteristics and can face challenges even when the individual sub-systems perform effectively. For instance, a batch of bad deals results in high churn. It is here where we need to address the issues raised by the grow-at-all-costs approach. To understand the importance of the GTM System, consider this analogy:

*Think of an orchestra. Each section—like percussion, brass, and strings—represents a sub-system. Each has its own role and music sheet, but the orchestra as a whole possesses unique characteristics. If one section falls out of sync, the overall performance suffers, regardless of each musician's skill level. Enter the conductor, who ensures the system works as a cohesive whole.*

*Similarly, even if every function across the entire customer journey works well, the overall system can only improve if these functions are orchestrated in harmony. This is especially true in a recurring revenue business. A minor shift in lead volume or a slight dip in retention can dramatically affect overall performance, much like small changes in rhythm or tempo can impact a band's performance.*

Acknowledging the existence of the overarching GTM system that interconnects all of the sub-systems raises the question: who owns the GTM system? Today, the CEO is the only authority that can allocate budgets and resources across the company. However, there is no clear answer; our money is on a person with a background in financial modeling, but clearly, this warrants further exploration in the years to come.

### **Evolving Beyond Turnkey Solutions**

Most SaaS companies still operate in the paradigm of offering a customer a turnkey solution. The term “turnkey” was popularized in the '80s and '90s by on-prem hardware vendors. In this context, customer centricity involves delivering a ready-to-use or “turn-the-key” solution, shifting the responsibility of extracting value and achieving results entirely onto the customer. The turnkey approach marked a significant advancement from its predecessor, where sellers would provide the equipment, but buyers had to undertake the installation themselves, bearing all the responsibilities and associated risks.

## 4. Value vs. Impact

Up to this point, we have learned that the classic marketing and sales funnel ends where recurring revenue begins. Therefore, we extended the funnel into a Bowtie. We will now delve into why this model is customer-centric and how it facilitates a shift to impact-based thinking. This shift is crucial for operationalizing customer-centric thinking in real-world scenarios.

### 4.1 The Balance Between Value and Impact

The seller's objectives differ based on whether the buyer pays upfront or opts for a subscription or consumption-based payment. To clarify these differences, let's categorize the concepts of Value and Impact:

- **Value:** This term refers to the perceived benefits or value that customers expect from purchasing a product. Companies typically present a value proposition, promising specific results or benefits. For instance, a company selling cloud-based project management software might promise enhanced efficiency, streamlined communication, and improved project tracking.

**Value represents a promise of future Impact.**

- **Impact:** Impact signifies the fulfillment of that promise, pertaining to the tangible, measurable results or benefits that the product delivers during actual use. Using the previous example, if a small business purchases this software and subsequently experiences a 30% reduction in project completion time, better team collaboration, and fewer missed deadlines, these are measurable impacts of the product.

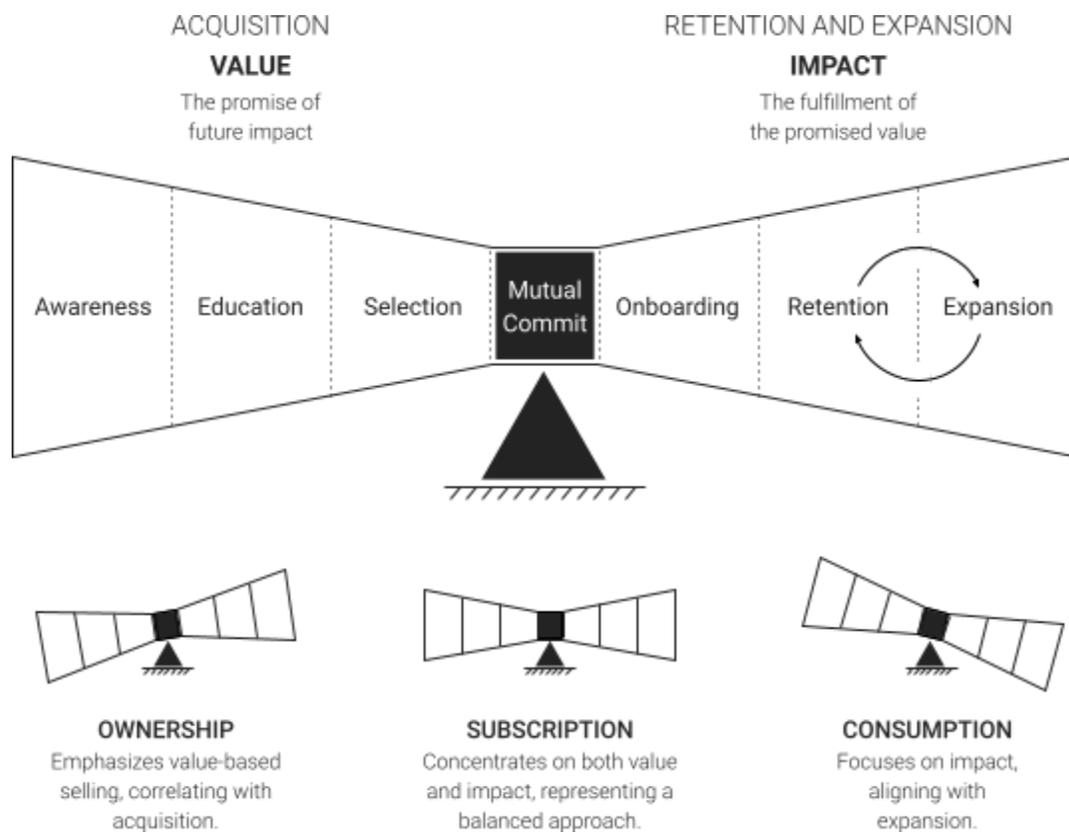
**Impact is the fulfillment of the promised Value.**

With this categorization, Value and Impact can be aligned with different monetization strategies. Value corresponds to an ownership monetization strategy, where sellers promise value, but it's up to the customers to realize the impact from the product they purchased.

In contrast, Impact is associated with the consumption model, where customers pay based on usage or even for the impact itself. With that said, a subscription business aligns

with the Impact aspect as well, where ongoing customer payments are made only if the customer achieves impact over and over again. Therefore, both subscription and consumption-based monetization strategies hinge on the delivery of continuous, measurable impact.

For instance, SaaS services regularly enhance their software to ensure sustained benefits for users. Furthermore, SaaS platforms often provide robust analytics, enabling customers to measure the software’s impact on their business. This commitment to delivering continuous, measurable outcomes aligns with the First Principle of recurring revenue, which prioritizes delivering Impact rather than merely promising Value. This approach is a hallmark of subscription or consumption-based models.



**Figure 4.1** The Bowtie as a Data Model reflecting the balance between Value and Impact.

Value and Impact correspond to different revenue models. Value is tied to acquisition and ownership based monetization models, while Impact is pivotal to retention and expansion which aligns with consumption and subscription based monetization models. The transition from offering Value to ensuring Impact can be visualized by moving the business's gravitational center. This illustrates that the subscription model represents an equilibrium between Value and Impact.

Real-world scenarios support this, showing that even successful companies using a consumption-based model often have to add an annual subscription offering to sustain business growth, balancing immediate acquisition with long-term customer retention. The Bowtie model isn't just a conceptual tool; it's a custom-designed system for recurring revenue, embracing everything we love from the classic marketing and sales funnel.

#### **4.2 The Shift to Impact-Based Thinking**

Customer centricity is more than just placing the customer at the forefront; it's fundamentally about ensuring they achieve the desired impact from your product. It is about shifting the mindset from a Value-based perspective to an Impact-based perspective, focusing on delivering the customer with the Impact they promised. The Bowtie model illustrates this by viewing each stage from the customer's perspective. Awareness, for example, is about more than just recognizing your product's excellence or your company's reputation. It's about the customer realizing they have a problem that needs solving, marking the start of their solution-seeking journey.

In other words, organizations have to shift their attention to the right side of the Bowtie.

Although it may seem that this does not help with shareholder value at first glance, it does very much so. In a business that relies on recurring revenue, the customer-centric approach perfectly aligns with the shareholder's interest: increase revenue. As we have learned from First Principles, revenue growth is based on retaining your (best) customers. Retention is grounded in delivering recurring Impact because the more Impact you provide, the more likely the customer is to expand their business with you. This ultimately increases the customer lifetime value and, therefore, long-term revenue growth.

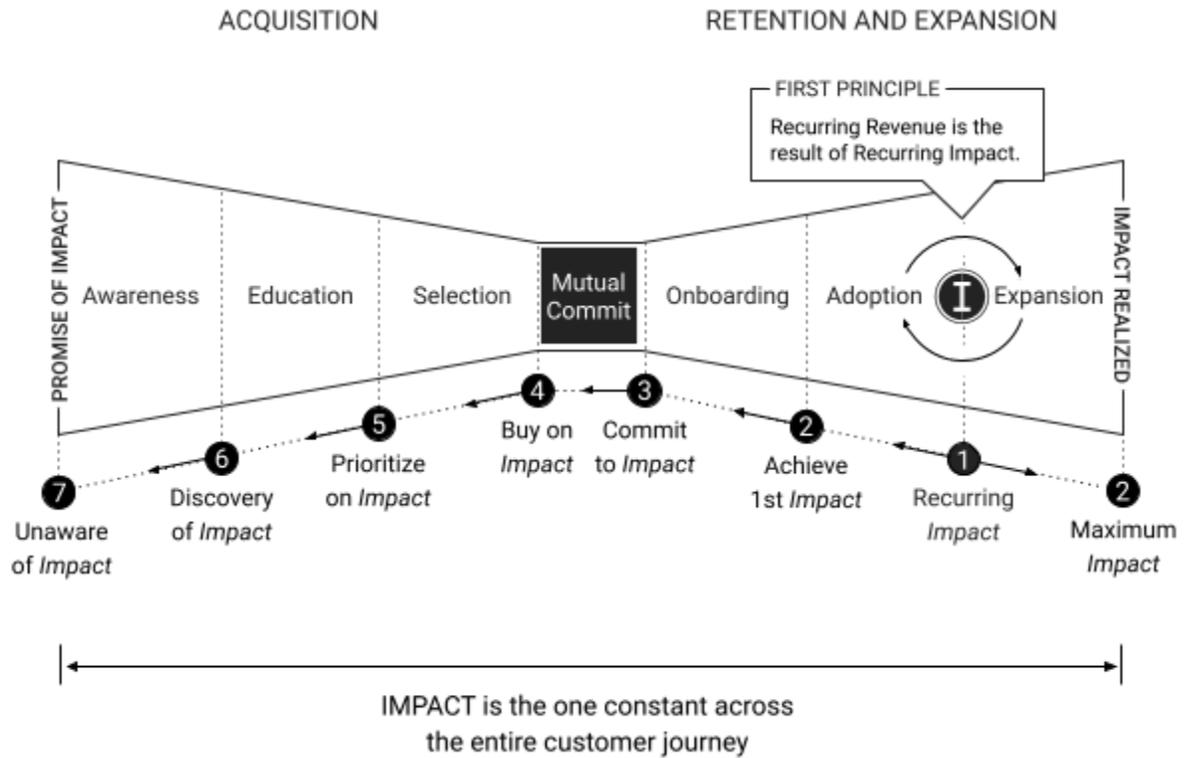


Figure 4.1 The Bowtie as Customer Impact Journey

### 4.3 Operationalizing Customer-Centricity

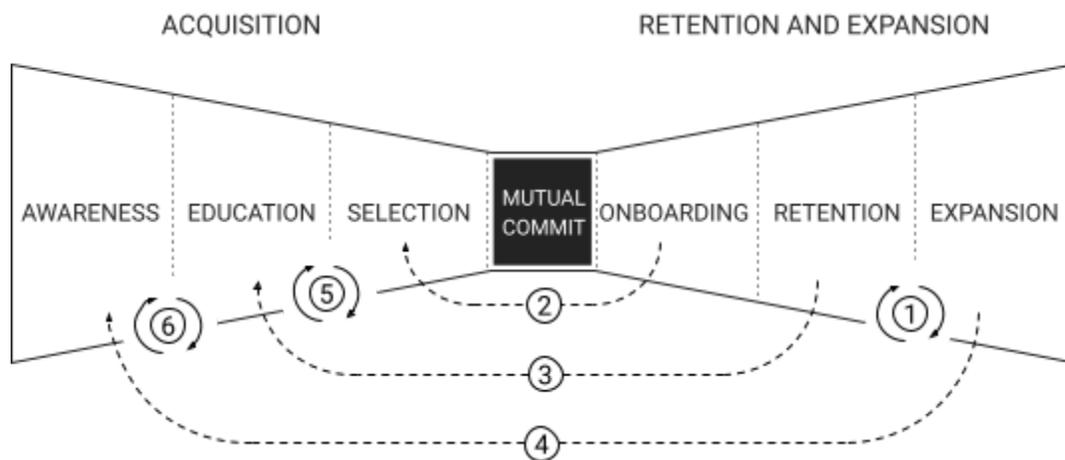
Now that we have established that delivering recurring impact for a customer unlocks recurring revenue, the steps to achieve that become clearer: is the customer using the product? In other words, are you achieving adoption? If not, you have to put efforts in place to achieve that. If we go further upstream, we can now ask, “Were you able to attain the first Impact in the first place?” As we go even further upstream, it now leads us to ask, “What Impact did we commit during the close, and by when?” The journey mapped back from what the customer wants to achieve suddenly aligns all the company’s resources. This applies equally to a business that sells products and services under a \$1M annual SaaS contract as well as a \$10/month subscription.

#### 4.4 Closed Loops

The pinnacle of a subscription business is realized when it functions as a closed-loop system. In a closed-loop setting, the system evolves by learning from its actions and feeding outcomes, such as customer feedback, back into the system in real-time.

For a long time, people believed that a customer would only provide feedback and act as a referral once they were a happy customer, but this is not the case. In fact, a customer really does not want to be the only one among all their peers who pick your solution. This means that a customer can and will mention your name, and they will do this long before achieving the desired impact. This demonstrates the presence and power of closed loops.

Across the Bowtie, you'll find numerous closed loops that either compound revenue growth or generate new leads and opportunities.



For example:

- 1. Renewals:** The most apparent closed loop is when customers renew and expand their business with you, contributing to compound growth.
- 2. Risk Sharing:** During onboarding, a customer might mention another team that could benefit from your solution, thereby reducing their own risk. Savvy companies make this query part of the onboarding process.

- 3. Advocacy:** Another common closed-loop involves satisfied customers becoming advocates, either spontaneously on social media or through formal channels like a customer advisory board.
- 4. Ideal Customer Profile:** Updating your acquisition strategy based on your best customers can form a closed loop, which AI can eventually automate.
- 5. Referrals:** Even during the sales process, customers often discuss your solution with peers, potentially pulling them away from competitors. For example, anybody who uses the PLG as a GTM motion knows that they need to encourage existing users to invite their peers to join.
- 6. Nurturing:** Some customers, interested but not yet ready to buy, can become “talking leaflets” as they stay updated on your offerings. Various nurturing levels exist, from monthly newsletters to press releases and social media updates.

Closed loops are powerful as they are highly effective and efficient ways of achieving growth. To make a closed loop work in your organization, however, you need to do something.

### **The Key To Making Closed Loops Work**

The key to unlocking the full potential of closed loops lies in having a shared goal across all customer-facing roles. It calls for an integrated GTM approach that fosters collaboration and knowledge sharing. Contrast this with a siloed organization, where various functions operate in isolation, each pursuing its own objectives. As you'll discover in the Operating Model (Chapter 8), the unifying thread connecting all customer-facing roles is Impact. It's crucial to understand that Revenue Architecture is about identifying and leveraging a company's closed loops. We will need to establish proven processes to harness these loops' potential, especially those involving human effort. And that brings us to the following topic: the importance of processes.

## **PLG Is A Closed Loop System Personified**

Historically, business-to-business GTM motions were primarily based on sales-led growth (SLG). Deals were forged through in-person meetings and many emails and phone calls facilitated by sales representatives. However, recent years have ushered in a paradigm shift: the advent of PLG. PLG is not just another marketing lead generation campaign or an innovative sales strategy but rather a comprehensive approach that touches every aspect of customer interaction. Its defining feature? A closed-loop system. PLG centers the product as the catalyst for growth. Through the nuanced use of customer product feedback and observing behavioral trends, it continuously refines both the product and its promotional strategies, setting into motion a relentless cycle of improvement.

The PLG framework establishes deep bonds between a company and its customers. These lasting relationships promote sustained growth within existing accounts, with continuous engagement bolstering them further. The ongoing interactions provide crucial insights that help blueprint new customer acquisition and improved engagement. The result? A system that stands resilient and is in sync with evolving customer preferences. As we watch the business world evolve, a fresh concept emerges customer-led growth (CLG). While PLG leverages standout product features to attract new prospects, and SLG depends on astute marketing and sales maneuvers, CLG distinctively taps into the might of customer communities to ignite new opportunities. Intriguingly, all 3 adopt a closed-loop system methodology.

In the 1990s, the early adopters of the Internet were among the first to succeed. In the 2000s, it was those who embraced software. In the 2010s, the pioneers of cloud technology led the way. Now, in the 2020s, those who embrace AI are poised to be the big winners. Embracing AI involves adhering to systems and processes, particularly closed-loop systems. The success of PLG has demonstrated this.

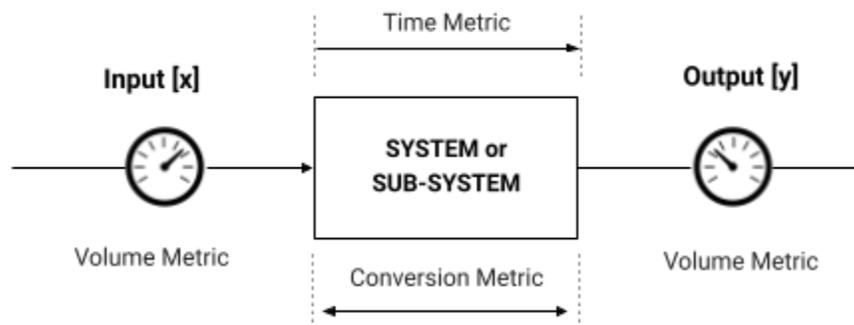
## 5. The Data Structure

Now that we've established the Data Model as customer-centric, we can overlay a structure that consists of the following elements:

- **Volume metrics** (VM [n]) measure the quantity of leads, deals, meetings, and wins.
- **Conversion metrics** (CR [n]) measure how many inputs are needed to generate desired outputs.
- **Velocity/Time metrics** ( $\Delta t_n$ ) measure how long it takes to convert an input into an output.

The structure of the data is straightforward. We will look at every system or sub-system as a function with an input and an output. Each input and output is considered a volume metric, such as the number of leads. Dividing the output by the input provides a conversion metric.

The time it takes for the input to convert into output is the associated time metric. As simple as this data structure is, it solves many of the daily problems created when organizations are dealing with a standard metric such as win rate. In this case, sales is a sub-system of the acquisition process. It has an output called "Commits" and an input called "Qualified Opportunities." This means that the conversion rate, called the win rate, is the number of commits divided by the total number of qualified opportunities.

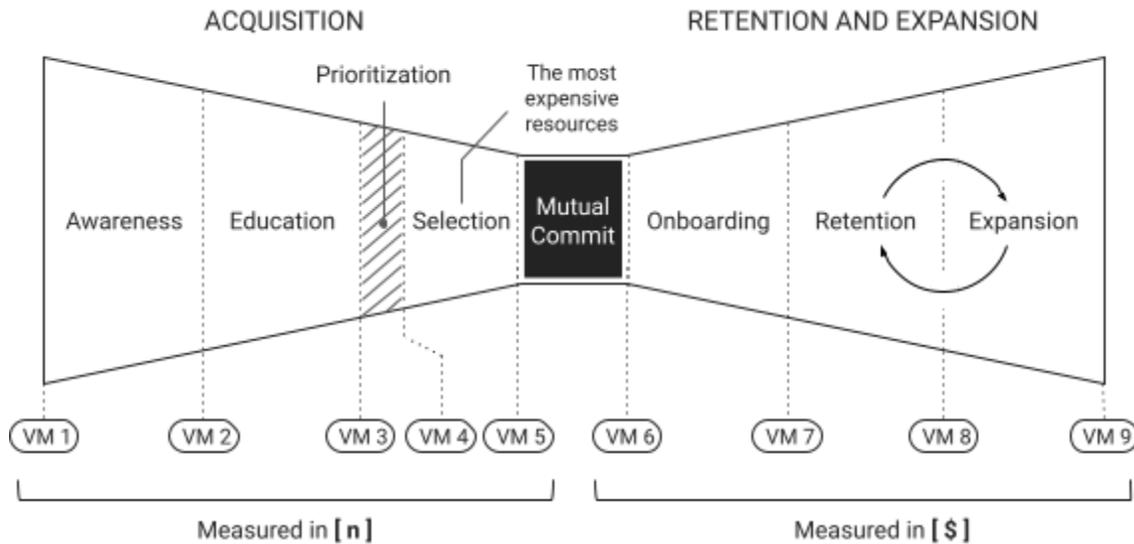


*Figure 5.1 A simplified view of the Data Structure.*

Simple right? It also establishes clarity around where to measure the sales cycle; per the standardized data structure, this is the time it takes to convert a qualified opportunity into a commitment.

### 5.1 Volume Metrics

Volume metrics measure quantity at any given point in the Bowtie model. Common volume metrics are the number of leads, amount of revenue, number of active users, etc.



**Figure 5.2 The Data Structure: Volume Metrics measured across the customer journey.**

Between the Education and Selection stages, we introduce a vital phase called Prioritization. This stage focuses on ensuring that both parties—the buyer and the seller—align their efforts and mutually commit to the desired impact that needs to be achieved.

This intervention is timely, as the selection process is where companies typically allocate their most expensive resources, namely people. This phase may include an on-prem product demo or even a proof of concept project that can span weeks. Thus, the Prioritization stage acts as a strategic checkpoint, ensuring that the objectives of both the seller and the buyer are in alignment. In PLG this takes mere seconds as users sample the product.

By defining what is being measured, the data structure overlaid on the Data Model becomes independent of the terminology used across different GTM motions. A standardized data structure is created by referring to each of these moments along the

customer journey as a Volume Metric, or VM [n] for short. We start with  $n = 1$  and number upwards sequentially.

Doing this helps when using multiple GTM motions, each using specific terms. For example, what is called a Marketing Qualified Lead (MQL) in an inbound GTM motion may be referred to as a product-qualified lead (PQL) in a product-led growth GTM motion, both of which we standardize as VM2. A Sales Accepted Lead (SAL) in an inbound GTM motion is now called Volume Metric 4 (VM4) in the standardized data structure.

**Table 5.1 Definition of the Volume Metrics in the Standardized Data Model.**

ACRONYM	DESCRIPTION	EXAMPLE
<b>VM1</b>	Match to the target profile based on Situation, Pain, and Impact potential	Prospect
<b>VM2</b>	Expressed interest and has provided a form of contact information	MQL
<b>VM3</b>	Experiences so much pain that they are considering taking action	SQL
<b>VM4</b>	Verified that this is a priority and no action carries a consequence	SAL
<b>VM5</b>	Number of Mutual Commitments (wins)	Wins
<b>VM6</b>	Amount of revenue committed	$MRR_{committed}$
<b>VM7</b>	Amount of revenue committed minus the Onboarding churn	$MRR_{start}$
<b>VM8</b>	Monthly or annual recurring revenue	MRR
<b>VM9</b>	The total amount of revenue generated over the entire lifetime	LTV

You will notice that the metrics on the left side of the Bowtie (VM1 to VM5) are commonly measured in numbers, such as the number of leads, opportunities, discovery calls, seats sold, etc. In contrast, the metrics on the right side of the Bowtie (VM6 to VM9) are commonly measured in revenue.

The transition from the left side of the Bowtie (numbers) to the right side of the Bowtie (revenue) is caused by multiplying the number of the Mutual Commitments (VM5) by the average contract value, or ACV, to give users the amount committed (VM6).

**The Challenges of Collection, Normalization, and Verification**

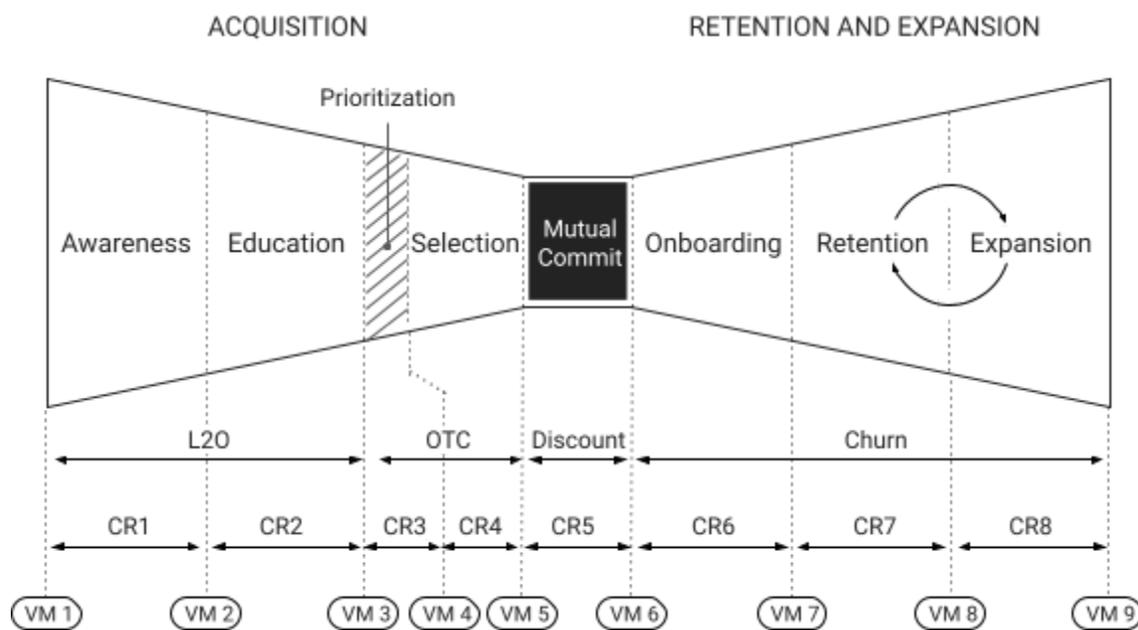
It's worth noting that collecting this data is no simple task. Aggregating information from multiple sources is the norm. For example, VM1 and VM2 usually come from a marketing automation system, VM3 and VM4 may originate from an email automation tool, and VM5 and VM6 are mainly sourced from a CRM and supplemented with a revenue intelligence tool. VM7 to VM9 are gathered from either a Customer Management System, a CRM, or combined with billing software.

But the work doesn't stop after you've aggregated the data. Before using it, the data must be normalized to ensure that different datasets are interoperable. And then, when you think you're done, you might find yourself in a meeting where someone questions the data's accuracy, asking, "Where did you get that data? It doesn't match what I'm seeing in the field."

In summary, The goal of the standardized data structure is to separate nomenclature from any specific tool or method, allowing us to normalize data across motions and compare performance. This creates clarity and allows the operations team to manage the database effectively.

## 5.2 Conversion Metrics

Conversion metrics are key indicators that measure efficiency across the customer journey. Essentially, they quantify the output in relation to the input. For instance, if you're in sales, you're likely familiar with conversion metrics like win rate and churn. In marketing, you might be accustomed to metrics such as lead to opportunity (L2O) and opportunity to close (OTC).



**Figure 5.3** The historical data model (L2O, OTC, and churn) mapped to a standardized data structure.

However, it's important to note that traditional metrics like L2O and OTC lack the granularity needed for high velocity GTM motions, such as product-led growth (PLG). Therefore, as illustrated in the accompanying diagram, both L2O which equals multiplying CR1 and CR2, and OTC which equals multiplying CR3 and CR4, have been further refined to offer more detailed insights, enabling you to optimize more effectively.

**Table 5.2 Definition of the volume metrics with two examples of different GTM motions.**

<b>ACRONYM</b>	<b>DESCRIPTION OF A SALES GTM MOTION</b>
<b>CR 1</b> AWARENESS	The efficiency of lead gen marketing campaigns to attract attention. For example, the number of signups as a percentage of the total visitors.
<b>CR 2</b> EDUCATION	Effectiveness of outreach campaigns to develop leads. For example, the number of people that want to enter the sales process.
<b>CR 3</b> PRIORITIZATION	Qualify the lead based on the priority of the impact. The result is a qualified opportunity. A common way of doing this is through a discovery call.
<b>CR 4</b> SELLING	Known as the “win rate,” this measures the number of qualified opportunities to obtain one commitment.
<b>CR 5</b> COMMIT	Multiplying the number of deals committed by the list price (minus any discounts) provides us with the revenue committed.
<b>CR 6</b> ONBOARDING	Percentage of committed clients in the cohort that were successfully Onboarded. This is represented as a retention number (1 minus churn).
<b>CR 7</b> RETENTION	The percentage of recurring revenue retained from existing customers, including downgrades and cancels, is known as gross revenue retention (GRR).
<b>CR 8</b> EXPANSION	New ARR was added to the cohort through upsells or expansions during the first year and measured as a percentage of the ARR of the cohort post-churn.
<b>CR 9</b> CLOSED LOOP	For future use in closed loops.

### **A Note on Expansion (CR8)**

Expansion is a crucial growth component for any company using a recurring revenue model. It reflects the ability to drive revenue growth from existing accounts, increasing the customer’s Lifetime Value (LTV). By continuously expanding the usage of the SaaS solution within the customer base, you can achieve sustainable revenue growth and enhance customer success. When done correctly, growth from expansion comes at a much lower cost compared to growth from acquisition. Expansion can take four forms:

- **Upselling**

Upselling involves selling additional products, features, or higher-tier plans to existing customers. This can include offering add-ons, premium features, increased usage limits, or more advanced functionality that aligns with the customer’s evolving needs. Upselling aims to increase the customer’s investment and the value

they derive from the SaaS solution. Upselling may also include geographical expansion or annual price increases.

- **Cross-selling**

Cross-selling refers to selling complementary or related products or services to a different set of stakeholders within an existing customer. This can involve targeting other teams, departments, or business units within the customer's organization. For example, ESPN, Disney Parks, and ABC Television are three different groups within The Walt Disney Company.

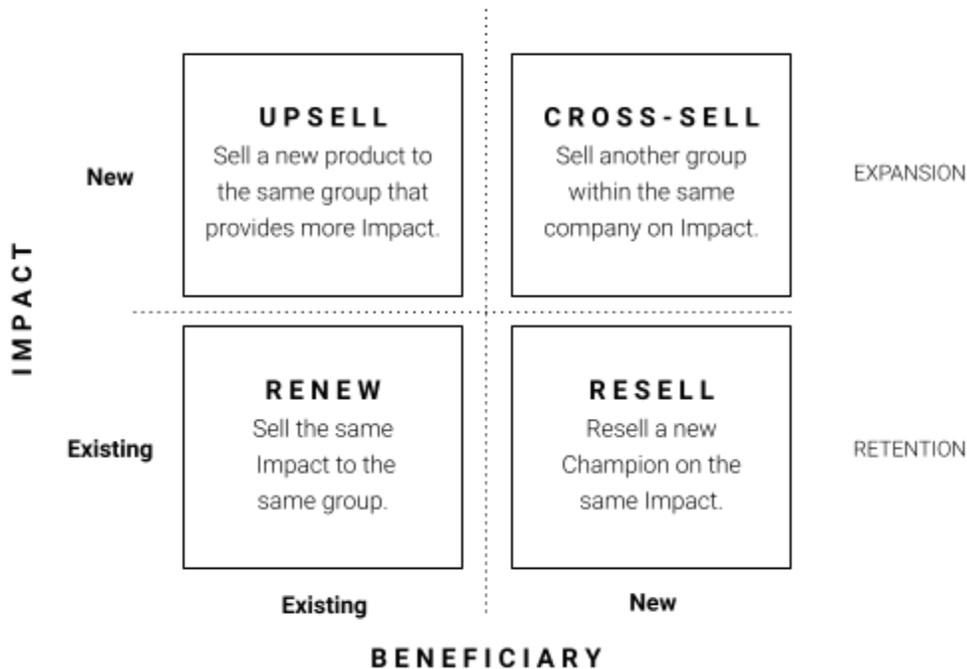
- **Renewal and Extension**

Successful renewal of contracts and extending the subscription period with existing customers contribute to expansion. This involves maintaining customer satisfaction, delivering ongoing value, and ensuring a smooth renewal process. Contract extensions may include adjustments to the subscription's terms, duration, or scope to accommodate the customer's changing needs. Renewals typically occur automatically on or right before the anniversary of the contract. Factors that increase the chances of renewals include delivering recurring impact, a smooth renewal process, a fantastic user interface, intuitive navigation, responsive functionality, and customer satisfaction, particularly the speed with which issues are addressed.

- **Reselling**

Reselling is often overlooked, yet it holds both the most significant threat and the most tremendous potential. Reselling occurs when the current Champion, alpha user or decision-maker leaves their role, say, to accept a job elsewhere. This creates a significant threat as the new person in the position may be tasked with reducing operational expenses and may not have an emotional connection to your product. Therefore, you need to "resell" this person immediately. Don't overlook the opportunity for your Champion to become a great advocate in gaining the new account.

Two variables influence the growth of a customer's business: a) the impact of the SaaS solution and b) the person or team who benefits from that impact, known as a benefactor.



*Figure 5.4 Four growth areas, each with a different opportunity.*

An excited benefactor increases the impact, for example, by buying more seats, upgrading to a more premium version of your software, or buying new products. This is considered an upsell. CSMs may be capable of doing this reactively. Still, if you want to reach out proactively, you will likely need an acquisition-focused salesforce, often referred to as Account Managers or, as you may have picked up, AMs. When a new benefactor in an existing account needs to be won over, this is referred to as a cross-sell. A cross-sell should never be handled by a CSM, as this is the most complicated sale. You may even need to uproot an existing competitor chosen by another Champion.

One of the most overlooked opportunities is the resell. When your Champion leaves their position, perhaps via promotion, it creates a vacuum for a new Champion to fill. Your team must immediately resell the new person on the benefits of the offering or face an instant increased risk of churning. An exciting part of the reselling opportunity is that if it involves your Champion leaving to join another company, this creates an opportunity to win a new deal.

### 5.3 Time Metrics

Time metrics are used to measure the duration it takes to transform one variable into another. However, what sets the time metrics apart in the GTM motion is their focus. They are not determined by the actual duration of an activity but rather by the waiting time between various actions. To illustrate, writing an email invite for an event takes only a few minutes, but receiving a response takes several days. Therefore, in this context, the time metric is reflective of the response time rather than the action time.

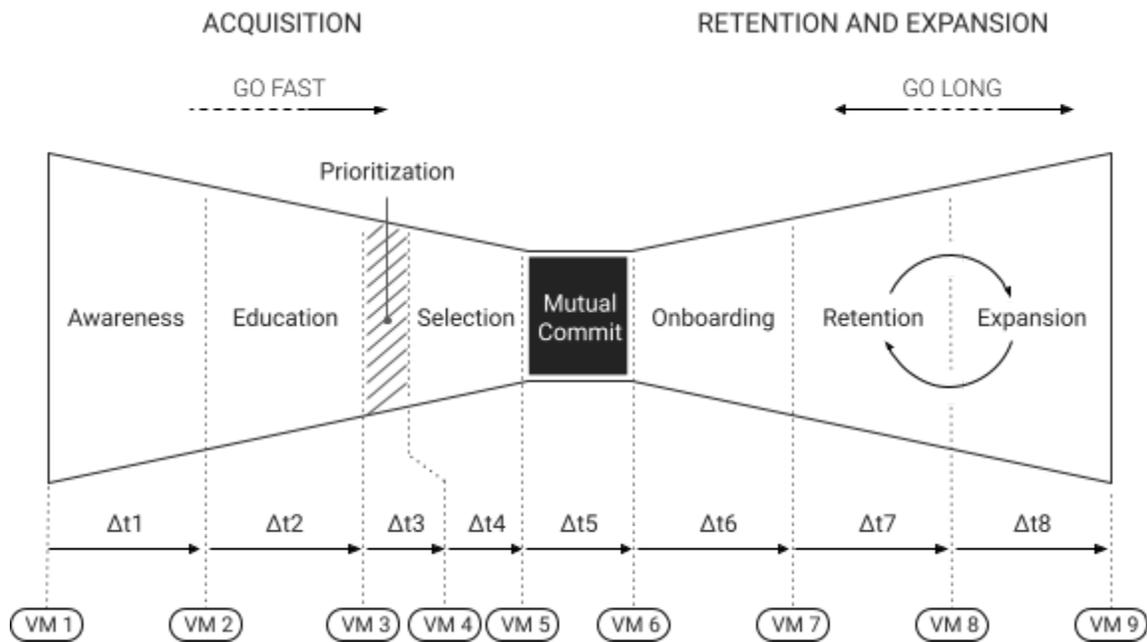


Figure 5.5 The data structure: Time metrics measured across the customer journey.

#### Two Different Ways to Approach Time: Go Fast or Go Long

There are 2 ways to approach time; sellers commonly want to speed up time during acquisition, i.e., shorten the sales cycle. Whereas during Expansion, sellers commonly want the customer to stay longer, extending the customer’s lifetime. As we will see, time has a disproportionate impact, meaning that increasing a customer’s lifetime may disproportionately increase a seller’s profit.

This is a fundamental difference that is experienced by a customer based on who calls on them. An AM is more akin to looking at the customer’s interest to protect and maximize revenue over the customer’s lifetime. In contrast, a more conventional sales manager

looks to close a deal quickly. The table below shows the basic definitions of the metrics. It is critical to define this for your business as this commonly leads to confusion and causes acceleration where we need to take it slow and where we need to respond quickly.

**Table 5.3 Definitions of the time metrics.**

<b>ACRONYM</b>	<b>DESCRIPTION</b>
<b>Δt1</b> AWARENESS	Prospect conversion time: the time it takes to develop a conversation with a customer.
<b>Δt2</b> EDUCATION	A length of education time is needed before a customer is interested in starting the buying process.
<b>Δt3</b> PRIORITIZATION	The time it takes to qualify for the opportunity is based on priority (Budget and ROI play a secondary role in Saas).
<b>Δt4</b> SELLING	The length of the sales cycle.
<b>Δt5</b> COMMIT	The time it takes to set up an instance in the internal systems and processes.
<b>Δt6</b> ONBOARDING	The time from when a customer buys to when the first impact is achieved.
<b>Δt7</b> RETENTION	The length of the contract is often monthly or annually.
<b>Δt8</b> EXPANSION	The lifetime of the customer is often measured in years.
<b>Δt9</b> CLOSED LOOP	This is for future use as a loopback time metric.

Not all time metrics are created equal. One that stands out is the response time to an inbound inquiry (Δt1). The faster you respond, the higher the likelihood of converting the lead into a customer. A timely response will give you an edge over competitors in highly competitive markets. A delayed response will increase the risk of the customer going with a competitor. This not only applies to new leads but also to customers, with the onboarding process duration (Δt6) being a key example. If it takes days to weeks to onboard a customer, the onboarding churn rate will increase.

## 6. Applications

While conversion metrics focus on transforming one volume metric into another, performance metrics can transcend domains, providing us with deep insights into the recurring revenue system's performance. For instance, dividing Committed MRR [\$] by Deals Committed [n] allows us to calculate the average price per deal, and comparing the high win rate to the low retention rate can indicate if the sales team is overselling.

Performance metrics enable us to measure performance across various sub-systems.

Example: Let's examine two performers, Rob and Jennifer, side by side and observe the multiple performance metrics at play.

From a sales performance metrics perspective, Rob outperforms Jennifer in terms of win rate, resulting in 5 deals per month and generating \$300,000 in revenue against his quota. In contrast, Jennifer only closed three deals and achieved \$198,000 in revenue with the same number of opportunities. However, upon closer inspection, we discover that Jennifer has significantly higher onboarding retention and that her net revenue retention over the next five years is 1.2, compared to Rob's 0.9. As a result, Jennifer's deals yield nearly \$1.5 million over a 5-year horizon, whereas Rob's deals amount to \$1.1 million. After conducting an interview, we learn that Jennifer proactively filters out unfavorable opportunities early on and dedicates more time to educating customers.

While we cannot disregard the \$270,000 in revenue secured by Rob in the first year, we must also acknowledge the additional \$367,760 in revenue generated by Jennifer.

Therefore, by using performance metrics we can see that there is not necessarily one clear, black-and-white ideal scenario; Rob performs better on initial deal revenue, while Jennifer performs better on LTV.

The key lies in identifying areas for improvement within the system. In this example, Rob can learn from Jennifer to take more time and qualify and educate the customer, orchestrating for a higher retention and NRR, while Jennifer can learn from Rob how to win more deals. There are a number of metrics that each impact each other. The Data Model provides us with a scientific tool to identify areas of improvement and implement processes to drive progress.

The interplay of metrics across marketing, sales, and customer success functions creates a spectrum of scenarios, ideal for AI application. Next we will explore an example of how AI can optimize scenarios throughout the entire customer journey.

**Table 6.1 Demonstrating the impact of performance metrics across two sales representatives.**

	<b>Rob</b>	<b>Jennifer</b>
Opportunities/month	15	15
Win rate	33%	20%
Commits/month	5.0	3.0
Average Price	\$5,000	\$5,500
Sales Cycle/deal	20 days	28 days
MRR	\$25,000	\$16,500
	12	12
ARR/mo	\$300,000	\$198,000
Retention	90%	100%
Year 1	\$270,000	\$198,000
NRR	0.9	1.2
Year 2	\$243,000	\$237,600
Year 3	\$218,700	\$285,120
Year 4	\$196,830	\$342,144
Year 5	\$177,147	\$410,573
5Y-LTV	\$1,105,677	\$1,473,437

## 6.1 Benchmark Model

Based on the Data Model, we now have the ability to standardize metrics that compare performance against industry standards, peers, or ourselves over time. Historically, the challenge is that industry benchmarks lack a standardized Data Model; e.g. the data was not normalized. Or the data was outdated, etc. Today the benchmark data based on the

Bowtie format is being used throughout the industry, allowing companies to compare subsets of data, by a specific conversion metric, such as a function of time, segment, etc.

Benchmark data can be utilized to identify areas for performance improvement within an organization. For instance, if an organization’s specific conversion rate falls below the benchmark, it can use the data to pinpoint the specific problem area and implement an improvement plan. Moreover, benchmark data aids in setting goals. For example, if an organization’s sales performance lags behind the benchmark, a goal to increasing sales by a specific percentage can be established. However, benchmark data allows for progress tracking as well. By comparing performance against the benchmark, organizations can gauge both areas of progress and areas that require improvement.

One type of benchmark is an industry-wide benchmark, which provides average data from a broad dataset sourced from various industries over an extended period. While an industry benchmark offers a general understanding of performance, by nature, it lacks the accuracy required to operate a recurring revenue factory. But it can be enough data to help sketch out a plan.

**Table 6.2 Example of a simplified industry-wide benchmark for SaaS companies based on the Data Model.**

ACV	CR1	CR2	CR3	CR4	CR5	CR6	CR7	CR8
Price	Prospect → Lead	Lead → Opportunity	Opportunity → Qualified	Qualified → Commit	1 - Discount Level	1 - Onboarding Churn	Retention (GRR)	Expansion
Up to \$1k	5%	10%	65%	15%	90%	90%	90%	5%
Up to \$5k	7%	12%	70%	17%	85%	92%	92%	10%
Up to \$15k	8%	15%	80%	20%	81%	93%	95%	15%
Up to \$50k	9%	18%	90%	25%	80%	94%	96%	20%
Up to \$150k	10%	20%	95%	30%	78%	98%	97%	25%
Over \$150k	n/a	n/a	100%	35%	74%	99%	98%	30%

*For the period of 2016 to 2022 (n = 868)*

### **Use of an Industry Benchmark to Sketch Out an Operational Plan (Application)**

Imagine you are a SaaS company targeting Enterprise customers with a product that has an annual contract value of \$80,000. Your sales model operates without SDRs and relies solely on a team of field sales representatives, selling to executive-level stakeholders. SDRs have previously proven to be ineffective, and therefore each seller has the responsibility of generating one third of their total leads through their own leadership development efforts. Those efforts are supplemented by a targeted Account-Based Marketing (ABM) campaign run by the marketing department.

To create an operational plan for the sales team, you refer to the industry benchmark in Table 6.5. According to the benchmark, for an ACV of \$80,000, the conversion rate from opportunity to commitment is calculated by multiplying CR3 and CR4, or  $95\% \times 30\%$ , resulting in a conversion rate of 28.5%. We are combining conversion rates CR3 and CR4 due to the absence of SDRs.

The organization pays its sellers \$200,000, on target, to generate \$480,000 in recurring revenue annually. Each seller needs to secure six commitments per year. With a conversion rate of 28.5%, this translates to requiring 21 opportunities per year. With one-third of the opportunities generated, they have to produce seven opportunities. Based on an L2O conversion rate of 20%, they need to develop 35 leads annually. The remaining 14 opportunities are generated through ABM lead generation campaigns, with a conversion rate of  $CR1 \times CR2 = 10\% \times 20\% = 2\%$ . This means that the marketing team would need to prospect 700 accounts per year per salesperson to generate the remaining 14 opportunities at a 2% conversion rate.

While this example provides a simplified illustration, it raises many more questions. Factors such as changing market conditions, the relevance of the metrics to your specific market, target stakeholders, compensation plan, and organizational structure should all be considered. Ultimately, you will realize that relying solely on this data type may not provide the reliability needed to build a comprehensive hiring plan. But it tells us that this is not going to be a “walk in the park” for the organization. Therefore, a closer look is needed.

## Realtime Benchmark Data

An online benchmark featuring the latest metrics is available. The goal is to enable contributors to compare specific Bowtie metrics in real-time based on different growth characteristics such as ARR and ACV.



## 6.2 Trendline

People tend to compare their performance against that of others within their sphere of influence. Usually, this comparison is not useful, as it is unlikely that the company's data are aligned with their model. This leads to significant discrepancies.

A more effective method is self-benchmarking using trendlines based on your own data, like analyzing performance over the last 12 months (LTM). Trendlines are straightforward and aid in understanding, analyzing and communicating performance trends. This process enables informed decisions, effective goal-setting, and enhanced performance management.

### Example

In late 2019, we collaborated with a client offering a single product through 3 different GTM motions, each with a different price point:

- Low Touch approach for the SMB market, ACV: \$18,000.
- Medium Touch for the Mid-market, ACV: \$24,000.
- High Touch for Enterprise, ACV: \$48,000.

In this scenario, we analyzed two metrics: Quarterly opportunity creation (VM4) and win rate (CR4). Over the last ten quarters, we noticed a consistent trend across all GTM motions: An increase in opportunities (VM4) correlated with a decrease in win rates (CR4). Looking closer at the SMB win rate (CR4), the average is approximately 30%. However, in recent quarters, the win rate has been trending downward, reaching as low as 25%, with the current (as of the first half of 2023) win rate at 26%.

This means that at a win rate of 30%, the sellers would require  $1/0.3 = 3.33$  opportunities to secure one win; at a win rate of 25%, we would therefore need  $1/0.25 = 4.0$  opportunities to achieve the same result, or 20% increase in opportunities. That is a significant difference on an annual scale across 100 sellers and can lead to millions of dollars lost.

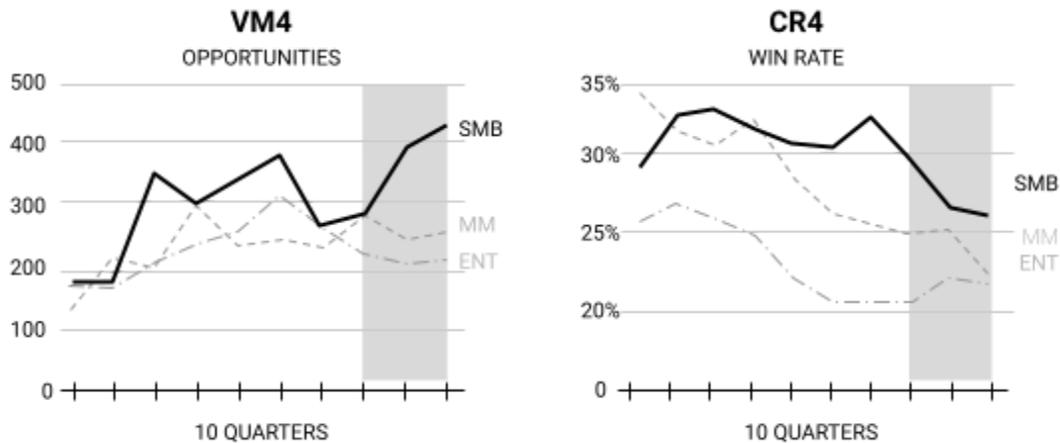


Figure 6.1 Example trendline of lead development and win rate.

### Translating this into operations:

*On average, a seller in the SMB market closes eight deals per quarter, and there are ten sellers. Therefore, there would be  $10 \times 8 = 80$  SMB deals per quarter under normal circumstances. Historically, this would require  $80/0.3 = 267$  leads/quarter. However, due to the decline in the win rate over the past quarter, they now need a lot more leads:  $80 / 0.2 = 400$  leads/quarter, to be exact.*

*The data-driven team at this company operated on trendlines. They noticed the decline in the win rate and took corrective action by increasing investment in lead generation and lead development. As you can observe, the team increased the number of opportunities in the SMB segment. With a historical average of around 300, they raised the number of opportunities to 400 in the last 2 quarters which stabilized revenue production.*

This use case shows that a standardized Data Model facilitates normalized data integration across various functions. Trendlines, created from the integrated data, enable more precise predictions of future trends and allow for timely corrective measures.

However, the power is in analyzing trendlines for multiple volume and conversion metrics throughout the customer journey. We can detect performance patterns, take appropriate actions, and establish measurable goals. This data-driven approach is especially significant in contexts of recurring revenue, where even marginal changes can lead to substantial outcomes. We will delve deeper into this topic in Chapter 7.

### 6.3 Applications Of The Data Model

Next, we are going to apply the Data Model by overlaying different GTM motions:

- **High Touch** for the big deals
- **Medium Touch** for high-velocity deals
- **No Touch** for a high volume of deals

Each of these GTM motions, and the relationship between them, is detailed in the book Revenue Architecture, Chapter 10, titled “The GTM Model.”

#### The High Touch GTM Motion to the Data Model

The Enterprise motion in SaaS companies is geared toward securing deals that typically range from hundreds of thousands to millions of dollars. These deals are often highlighted in the quarterly statements of public SaaS companies. In large enterprise deals, specialized methods such as account-based marketing (ABM) and unique terminology are employed. For instance, the focus is on strategically selecting the right accounts (Targets) and nurturing these accounts through advanced campaigns until they become Marketing Qualified Accounts (MQA). Sales using a provocative approach develops this into an opportunity.

Based on this approach, we can map the data model to the high-touch motion as follows:

- **VM1** represents Targets,
- **VM2** represents MQAs,
- **VM3** represents Opportunities, and
- **VM4** represents Qualified Opportunities.

However, the High Touch GTM motion is not just about methodology and terminology; it operates effectively within the Data Model. Here’s how some unique characteristics of High Touch GTM motions fit into the Data Model:

- **Deal Expansion:** Initial deals may be sizable, but they often generate limited profit, as the company needs to work hard to fulfill its promises. The real growth and profit come from business expansion in the years that follow.
- **Proof of Concept (POC):** The sales cycle can extend over a year, with the seller needing to prove that their solution integrates well within the buyer’s tool stack. This involves a significant upfront investment in resources.
- **Targeting:** Given the substantial resource investment over a long period, it is crucial for sellers to select the accounts they wish to pursue carefully.
- **Referrals:** Lead generation primarily relies on existing customers who introduce and advocate for the seller to potential buyers, a process that can be facilitated by a Customer Advisory Board (CAB).

This approach creates a customer journey within the data model that aligns with the unique characteristics of the High Touch GTM motion.



**Figure 6.2 Mapping the High Touch GTM motion on top of the Data Model.**

## The Medium Touch GTM Motion Within the Data Model

This GTM motion operates seamlessly within the same data model as the high-touch GTM motion, although it has some distinct characteristics. In this model, a lower-cost representative is responsible for both lead generation (outbound) and lead development (inbound), setting the stage for a discovery call. This call introduces the sales manager, who then qualifies for the opportunity and steps through the sales process. Like the High Touch motion, the Medium Touch motion is rich in acronyms that map to the Data Model as follows:

- **VM2** corresponds to Marketing Qualified Leads (MQL), prospects who provided their email address to attend a webinar.
- **VM3** is linked to Sales Qualified Leads (SQL), following a conversation where the buyers show interest in a solution.
- **VM4** relates to Sales Accepted Leads (SAL), which comes after a qualification by the sales rep, akin to what is termed as Qualified Opportunities in the High Touch motion.

The Medium Touch GTM motion, commonly employed for SMB sales, operates seamlessly alongside the High Touch GTM motion, typically used for Enterprise sales, within the same Data Model. The subsequent figure (Figure 6.10) illustrates the customer journey, highlighting the characteristics of the Medium Touch GTM motion.

Characteristics of a Medium Touch GTM motion are:

- **Thought Leadership:** Due to the dependency on a high volume of deals, there is an insatiable hunger for more leads. Thought leadership is used to generate leads in volume. An example would be Hubspot and its expertise in inbound marketing.
- **Email sequencing:** Deals develop at a relatively high velocity, with companies typically using email sequencing augmented with automation.
- **Churn Prevention:** The high-velocity motion is sensitive to churning deals, and there is often a specific focus on churn prevention.

- **Renewal:** The high-velocity business model, with its demand for a large customer base, relies heavily on a high renewal rate, where customers keep coming back, and remain a client often for up to 8 or 9 years.

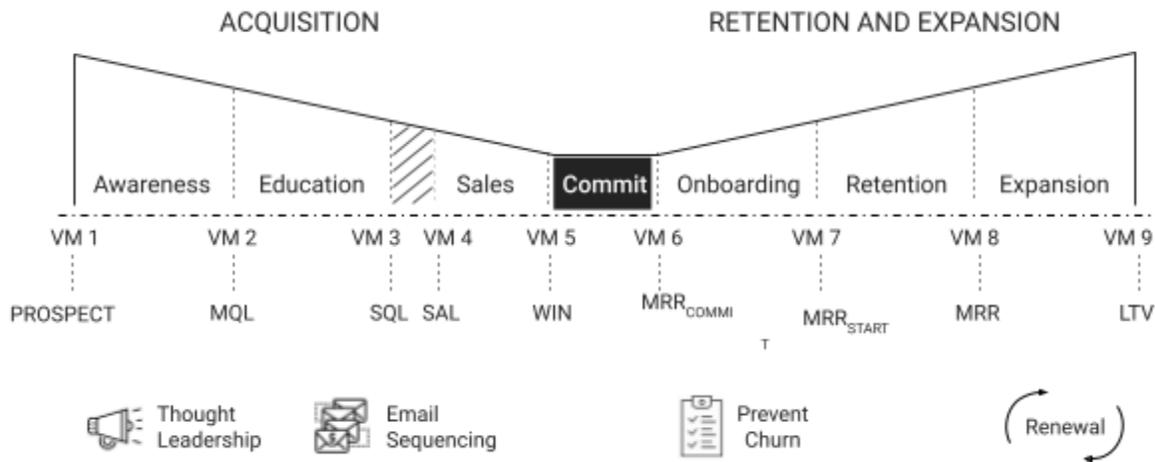


Figure 6.3 Applying the Low Touch GTM Motion to the Data Model.

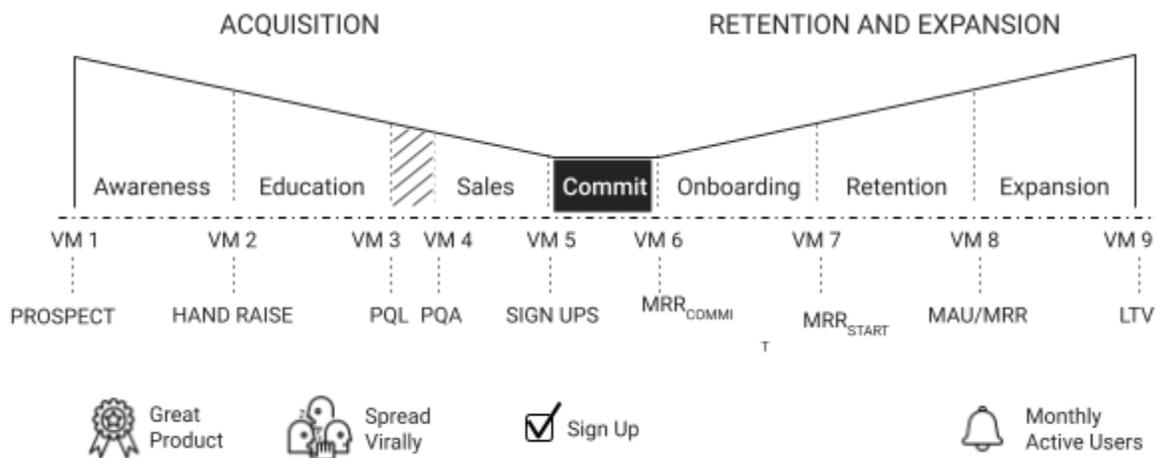
### The No Touch/Product-Led Growth Motion Within the Data Model

PLG is often misunderstood; it’s neither a marketing campaign, a sales methodology, nor a lead generation tool. Intrinsic to the product itself, PLG is a distinctive motion within the Data Model, bypassing several stages as customers themselves drive the product’s marketing and sales efforts.

Within the Data Model, PLG encompasses unique descriptions and acronyms, as outlined in Figure 6.11:

- **VM3** represents PQL (Product Qualified Lead), indicating a user whose engagement with the product signals their readiness to convert into a deal.
- **VM4** aligns with PQA (Product Qualified Account), identifying an account with multiple users presenting an opportunity to sell a team license.
- **VM5** is associated with sign-ups, referring to users who create an account to evaluate the product and assess its impact.

- **VM8** denotes Monthly Active Users (MAU), measuring the unique users interacting with the software monthly.



*Figure 6.4 Applying the No Touch GTM Motion to the Data Model.*

PLG’s distinct customer journey, with its unique characteristics, seamlessly integrates with Medium and high-touch GTM motions when mapped using the standardized Data Model. This journey includes several PLG-specific characteristics:

- **Dependency on a Great Product:** Leveraging the product as a marketing tool, often through a beta-user program, to naturally generate leads.
- **Viral Spread:** Passionate users can drive the product’s popularity, creating a viral effect where the product serves as its own marketing and sales force. With in-demand products, such viral spread can occur even before customer sign-ups.
- **Sign-Up Focus:** Unlike other GTM motions that focus on acquiring customers (logos), the PLG motion uniquely emphasizes getting actual product users to sign up.
- **Usage:** A primary challenge in most PLG GTM motions is sustaining product usage, a key indicator of churn. Success metrics, such as MAU and others like Weekly Active Users (WAU) and Daily Active Users (DAU), are crucial indicators.

The No Touch GTM motion is applicable for both application sales, where individual users sign up, and platform sales, where it serves as a fully functional sandbox account for the initial user. The following figure (Figure 6.11) illustrates the customer journey within a No Touch GTM motion.

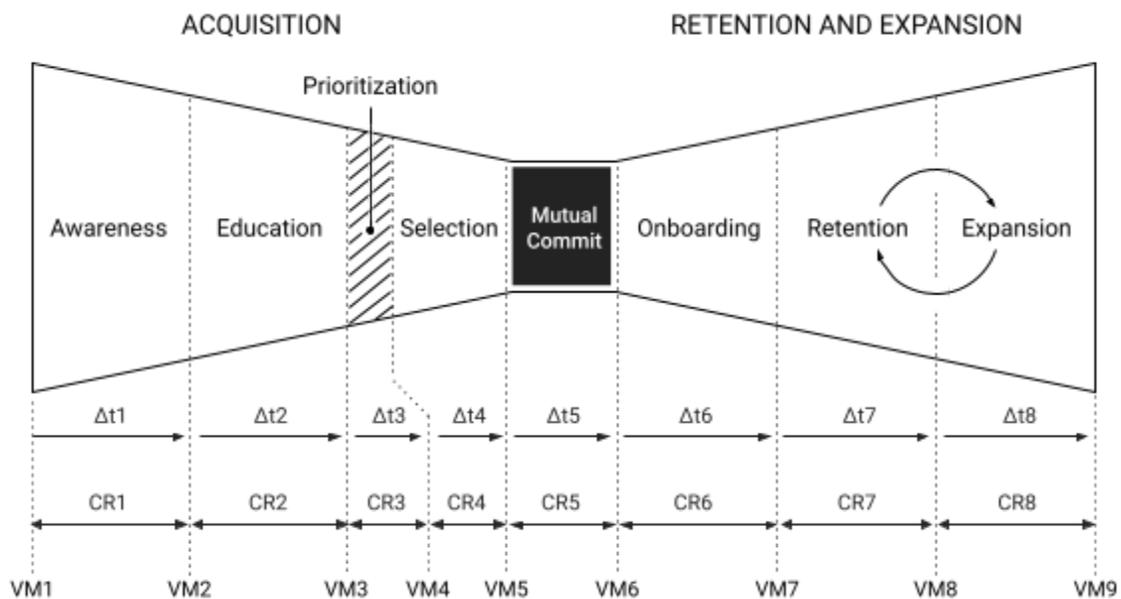
### **Adherence to the Data Model**

For any part of GTM to reap the benefit of AI, you need to establish a standardized Data Model that supports closed loops. Therefore, any company based on recurring revenue must have a standardized and normalized Data Model that covers the entire customer journey. This Data Model must be archived for dashboard creation, goal setting, performance measurement, improvement processes, or technology integration.

Once agreed upon, adherence to the standardized Data Model must be enforced. Changes are always possible, but a change request process needs to be followed. In this process, a person certified in Revenue Architecture reviews the impact of the proposed changes, which can have significant consequences for valuation.

## 7. Conclusion

At the heart of recurring revenue is the concept that it stems from ongoing impact, which lies beyond the classic marketing and sales funnel. In fact, the journey of recurring revenue starts where the classic funnel ends. The standardized Data Model we've adopted extends this funnel into a Bowtie shape, integrating post-commitment activities. This model is bifurcated: the left side targets customer acquisition, while the right side focuses on nurturing long-term customer relationships. To create the Data Model, we overlay a standardized Data Structure that utilizes three metrics: Volume Metrics (VM), Conversion Metrics (CR), and Time Metrics (t). This forms a Data Structure (The Bowtie Metrics) that is layered on top of the Data Model (The Bowtie).



**Figure 7.1 The Bowtie: The standardized data model for recurring revenue.**

Based on this standardized Data Model, we can conduct a benchmark analysis to evaluate our performance against others using the same model. It helps us pinpoint areas needing improvement. Crucially, the most vital benchmark is against our own historical performance, achieved through trendline analysis. Trendlines not only enable us to forecast future outcomes but also help in spotting potential issues early, allowing for

preemptive action. The Data Model, pivotal across the customer journey, forms the backbone for understanding the financial viability of the different GTM motions.

The standardization of the data model not only enhances system behavior modeling, including closed-loop processes but also aligns various GTM motions. This is particularly vital as organizations grapple with data compliance challenges arising from unique terminologies and metrics introduced by new GTM motions. Essentially, a standardized Data Model acts as a unifying framework for the entire revenue operation, ensuring data consistency and smooth exchange across all customer-facing business segments.

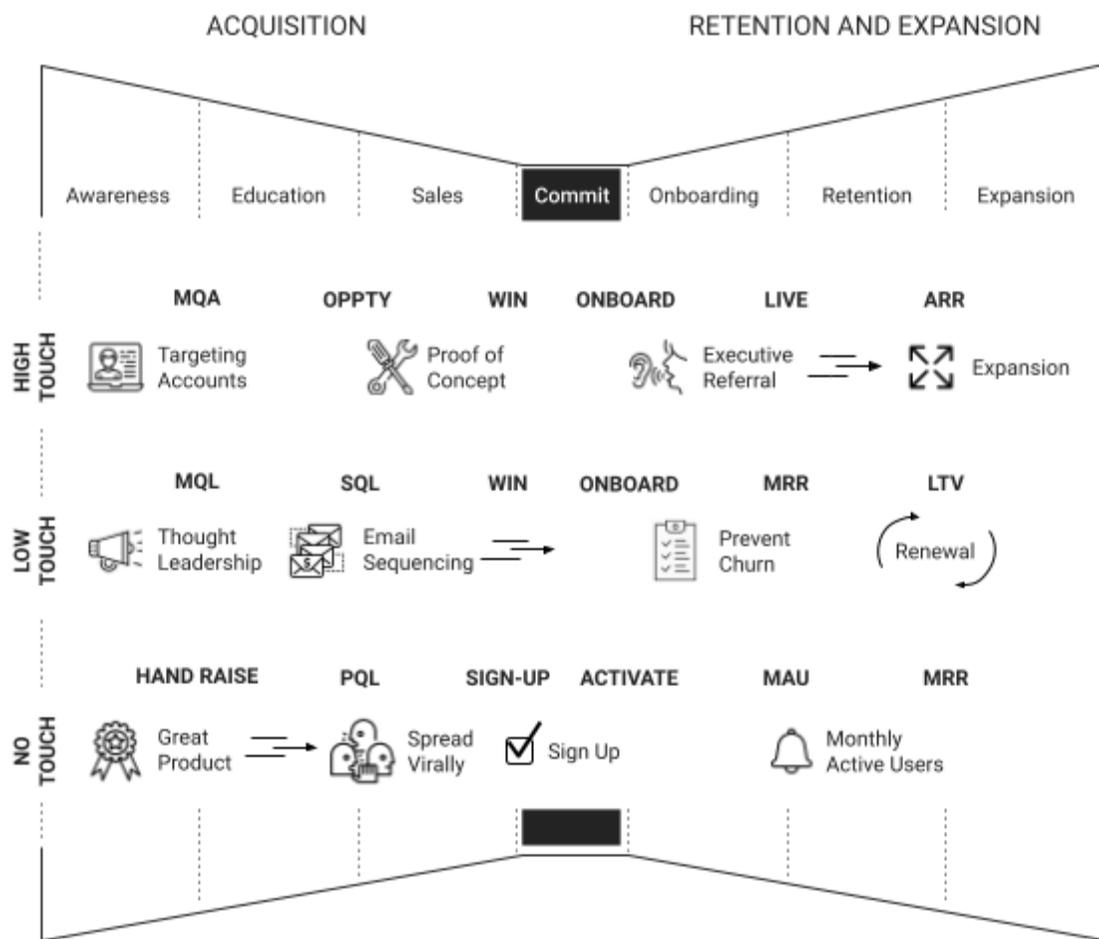


Figure 7.2 Different GTM motions mapped to the Bowtie.

The classic marketing and sales funnel, having been in use for over a century, stands not as an outdated relic but as a testament to its immense value and enduring relevance. It's

imperative to preserve the rich knowledge and infrastructure built upon this funnel as a model. In doing this, we not just honor its historical significance but more importantly we ensure that its foundational principles are adapted to and guide modern marketing, sales, and customer success strategies. This is particularly relevant in the realm of recurring revenue.

**Table 7.1 The differences between a funnel and a bowtie**

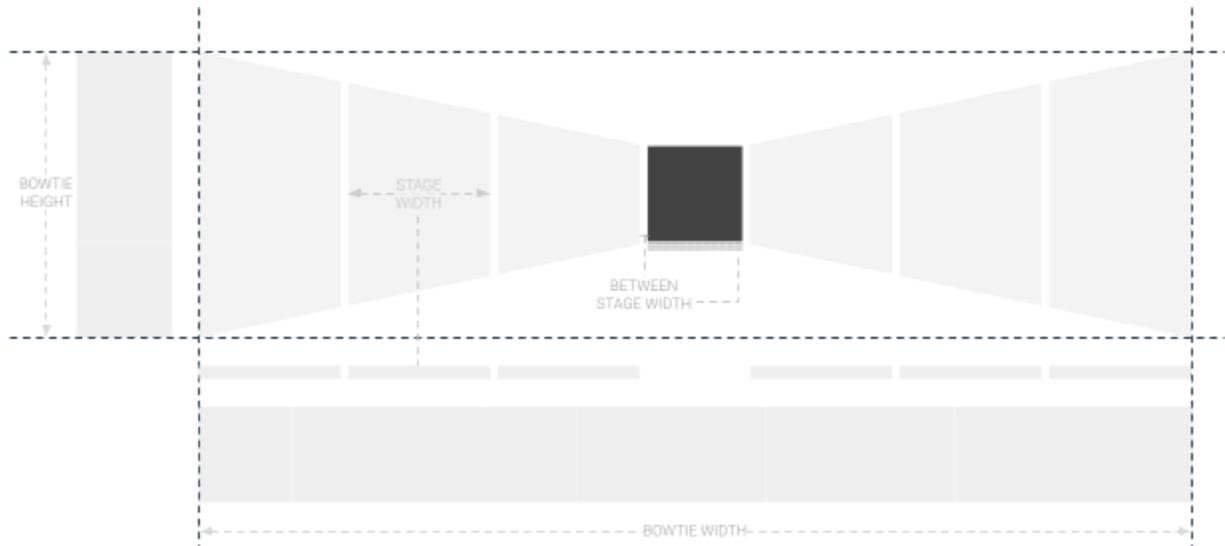
<b>“ Funnel” Characteristics</b>	<b>“Bowtie” Characteristics</b>
Ownership Model	Ownership Model, Subscription Model, and Consumption Model.
Growth comes from winning more deals.	Growth comes from winning more deals, retaining existing customers, and expanding business with existing customers.
Dependency on the Volume of the leads.	Dependency on Volume of the leads, quality of the leads, and quality of existing customers.
The decision is commonly based on the availability of budget and positive ROI.	The decision is made on Priority. It does require availability of budget, and a positive ROI (SaaS fundamental).
Measure leads, deals closed, discounts, sales cycle, revenue, NPS, and churn.	Measure ARR, growth rate, CAC Payback, CTS, FCF, MAU, DAU, GRR, and NRR.
Data is used primarily to increase lead generation and improve sales conversion.	Data is leveraged for continuous and iterative improvement of the customer experience and measuring a user’s ability to achieve impact.
Right customers are those that do not churn.	Right customers are those that expand.
Limited feedback from post-sale stages, often delayed by months (mostly NPS).	Continuous (closed) feedback loop, adapting to customer needs and changing behaviors over time.
Always be closing.	No recurring impact. No recurring revenue.

The Data Model for the Recurring Revenue Factory evolves the funnel into a Bowtie shape, using it as a platform to transition toward a GTM approach. This evolution pays homage to the legacy of the classic marketing and sales funnel, leveraging its timeless wisdom to enhance a recurring revenue business.

## Bibliography

- Beaubien, R., & Parrish, S. (2019). *The Great Mental Models series*.
- Boyce, D. (2023). *Product that Sells Itself: An Executive-level Primer on Product-led Growth*.
- Cespedes, F. V. (2014). *Aligning Strategy and Sales: The Choices, Systems, and Behaviors that Drive Effective Selling*. Harvard Business Review Press.
- Cespedes, F. V., & van der Kooij, J.J. (2016). *Hiring Star Sales People Isn't the Best Way To Grow*. Harvard Business Review.
- Cespedes, F. V., & van der Kooij, J.J. (2023). *The Rebirth of Software as a Service*. Harvard Business Review.
- Izosimov A.V., (2008). *Managing Hypergrowth*. Harvard Business Review.
- Kajanus, S. (2020). *Types of Growth and How to Show Them*.
- Khalsa, M., & Illig, R. (2008). *Let's Get Real or Let's Not Play: Transforming the Buyer/Seller Relationship*.
- Lewis, M. (2003). *Moneyball: The Art of Winning an Unfair Game*. W. W. Norton & Company.
- Millard, S. (2023). *From \$1 to \$100m Revenue: Scaling VC Backed SaaS with Notion Capital*. Notion Capital.
- Nahm, T. H., & Tinker, B. (2018). *Survival to Thrival: Building the Enterprise Startup*. April 16, 2018. Mascot Books.
- Page, S. E. (2018). *The Model Thinker: What You Need to Know to Make Data Work for You*. Basic Books.
- Parrish, S. (2022). *Chesterton's Fence: A Lesson in Second Order Thinking*. Farnham Street Blog.
- Reason, J. (2000). *Human Error: Models and Management*. National Institute of Health.
- Roberge, M. *The Sales Acceleration Formula: Using Data, Technology, and Inbound Selling to Go from \$0 to \$100 Million*. Gildan Media.
- Taylor, F. W. (1910). *The Principles of Scientific Management*. Harper & Brothers.
- The Farnam Street. (2019). *The Great Mental Models Volume 1: General Thinking Concepts*. Latticework Publishing Inc.
- The Farnam Street. (2021). *The Great Mental Models Volume 3: Systems and Mathematics*. Latticework Publishing Inc.
- Van der Kooij, J. J. (2016). *Blueprints for a SaaS Sales Organization: How to Design, Build, and Scale a Customer-Centric Sales Organization*. Winning by Design.
- Van der Kooij, J. J. (2018). *The SaaS Sales Method: Sales as a Science*. Winning by Design.
- Van der Kooij, J. J. (2023). *Revenue Architecture*
- Woodlock, D. (2009). *Intro to System Dynamics [YouTube series]*. December 18, 2009. Youtube.

## Annex A: Standard Bowtie Specifications



### **BOWTIE WIDTH**

10.5 Commit squares  
(1050% width scale)

### **BOWTIE HEIGHT**

3 Commit squares  
(300% height scale)

### **STAGE WIDTH**

1.5 Commit squares  
(150% width scale)

### **BETWEEN STAGE WIDTH**

1/12 Commit squares  
(8.33% width/height scale)

Correct depiction of the bowtie, with and without prioritization.

