

MVC

Minimum Viable Category

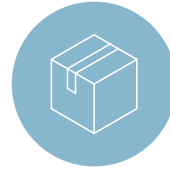
Defining a new or redefining an existing category



IPR

Initial Product Release

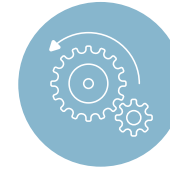
First publicly developed product iteration



MVP

Minimum Viable Product

Product has achieved minimal customer validation metrics



MVR

Minimum Viable Repeatability

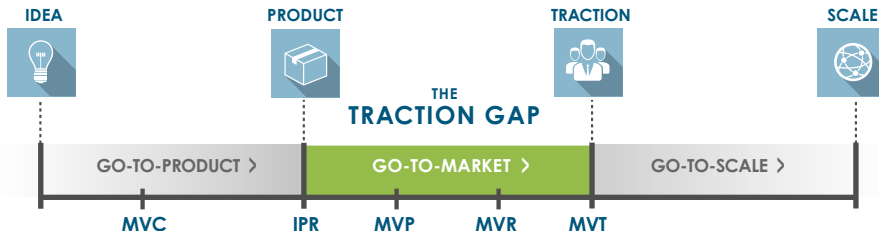
Solution-grade product, business model & repeatable sales/marketing



MVT

Minimum Viable Traction

MVR + multiple quarters of growth



STARTUP CAPITAL NEEDS (FOR EACH VALUE INFLECTION POINT)

	IDEATION	MVC	IPR	MVP	MVR	MVT
CAPITAL \$ RAISED	\$1M	\$1M	\$1M	\$5M	\$11M	\$20M
PRE-MONEY VALUATION	\$5.3M	\$5.3M	\$5.3M	\$14.2M	\$40M	\$77M
VALUATION STEPUP FROM IDEATION	N/A	N/A	N/A	3x	8x	15x
DILUTION FROM PRIOR ROUND	16%	16%	16%	26%	22%	21%

METRICS & RATIOS (FOR EACH VALUE INFLECTION POINT)

	IDEATION	MVC	IPR	MVP	MVR	MVT
REVENUE (ARR)	\$0	\$0	\$0	\$0	\$2M	\$6M
MAX MONTHLY NET CASH BURN	\$100K	\$100K	\$100K	\$250K	\$500K	\$750K
% R&D SPEND	80%	80%	80%	80%	70%	50%
% SALES & MARKETING SPEND	0%	0%	0%	0%	10%	35%
% SALES/MARKETING SPLIT	0%	0%	0%	0%	70/30%	70/30%
% G&A SPEND	20%	20%	20%	20%	20%	15%
CAC RATIO (MEDIAN)	0	0	0	0	2	1.2
% GROSS MARGIN (LICENSE)	0%	0%	0%	0%	78%	78%
% CHURN RATE (MEDIAN)	0%	0%	0%	0%	10%	10%
HEADCOUNT	4-6	4-6	4-6	10-12	15-25	35-50

TRACTION GAP PRINCIPLES

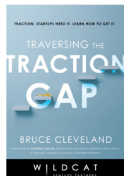
 **PRODUCT**

 **REVENUE**

 **TEAM**

 **SYSTEMS**

	PRODUCT	REVENUE	TEAM	SYSTEMS
IDEATION	Focus on product-engineering tasks: Perform statistically valid market research and prioritize initial product features based upon that market research.	Focus on market-engineering tasks: Build draft business model and initial value propositions—estimate customer acquisition costs and marketing/sales funnel conversion rates.	Invest solely in people who can specify and build the product.	Implement basic systems for engineering, collaboration, and back-office functions.
MVC	Capture statistically valid market feedback to produce a verified product and feature list.	Define or redefine the category you intend to build/compete in; lock in your initial value propositions, pricing models, and positioning.	Do not hire anyone who cannot accelerate initial product release.	Establish your startup's initial governance and core values.
IPR	Don't build everything. Obsess about the things that users really rely on and actually use. Develop a market-first mindset and process.	Focus on a subset of a market, then expand outward from there.	Hire only the best people, preferably those you've worked with previously.	Keep your systems incredibly lightweight at this stage.
MVP	Measure your customer engagement and usage rates, not just the number of customers.	Select revenue metrics carefully and maintain a disciplined focus around them.	Hire slow, fire fast—quickly remove toxic team members.	Keep your burn low—too much funding can cause bad behavior.
MVR	Measure your product's success and communicate those metrics with customers to influence retention.	Leverage reference selling to fuel a repeatable sales engine.	Not everyone is good at every stage of the company. Remove anyone who isn't consistently producing.	Spend more time on finance than you think you should; make sure the math works.
MVT	Prioritize removing technical debt over new features.	Refine pricing models, customer acquisition strategies, hire sales resources slightly ahead of demand.	Deliberately construct a high-quality board—and advisers.	Implement advanced front and back office systems.



AVOID THE MISSTEPS THAT CAUSE STARTUPS TO FAIL

Purchase your copy of *Traversing the Traction Gap*

