



# BEYOND THE METRICS: 5 QUALITATIVE FACTORS VCS LOOK FOR IN A SERIES A STARTUP

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# Beyond the Metrics: 5 qualitative factors VCs look for in a Series A Startup



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# Ingredients Of A Great Software Business

- Generic answer to “What VCs look for?”: Market + Team (duh!)
- Five questions I ask:
  - Why now?
  - Product/category: role of product in the buyer and user’s life?
  - Market size: current and extensible?
  - Is there an efficient go-to-market / distribution strategy?
  - Long term moat: Data / Network / Engagement. What’s the lock in?



# Why Now?

- What macro trends are coming together to make this opportunity happen right now?
  - Demand / Supply side?
- Is the user behavior changing to create this market opportunity?
  - Has the user/buyer been trained recently to look for the solution you're offering?



# Product Category

- Role of product in the buyer and user's life?
  - Is it mission critical?
- Is there an opportunity to evolve the product into a platform?
- Is there an opportunity to be sustainably differentiated?
  - If not, is there at least first mover advantage?



# Market Size

- Always size the market bottoms-up: number of target customers x customer budget for this problem
- Is the customer willing to pay up for the best solution?
- Can the addressable market be expanded over time?



# Go-To-Market Strategy

- Is the buyer already in the market looking for a solution?
- Is there a way to establish viral / word-of-mouth based distribution?
- Is the customer budget for this problem enough to justify the sales and marketing investment?
- Key business decision to make: which segment to focus on and pricing
  - Oft-repeated mistake: Take any customer who agrees to pay something!
  - Important to figure out which segments don't matter to the long term success of the business



# Long Term Moat

- Is there a network or proprietary data based moat?
- Does feature parity imply product parity?
  - Not good, if so!
- Can scale beget scale?







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**THANK YOU**