



Adapting and Using VIRAL: Figuring out company maturity level and appropriate amount and use of MTI investment

Objective

In this training, we are going to -

- Walk through what the Village Capital VIRAL pathway is and further practice how to use it
- Refresh on the VIRAL categories and **MTI's adaptations**
- Practice VIRAL assessment and building associated SOWs with clients

Parameters of the Deck

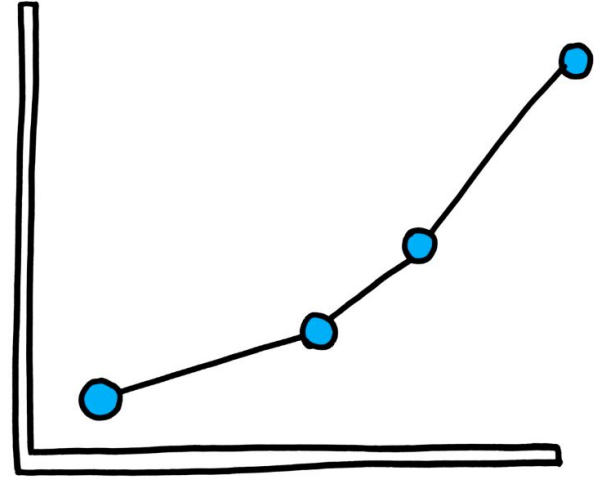
Black text – Village Capital's original information

Blue text – MTI's adaptations

Throughout – please take notes on suggested changes/adaptations/language – give this written feedback to Martha

The journey of a startup from founding to exit

Venture capital-backed startups, no matter where they are, follow a pathway to scale. MTI is taking this concept and applying it to other enterprises – non-VC-back and ecosystem projects and organizations



The pathway to scale is comprised of achieving specific milestones.

Investors evaluate companies based on their ability to achieve these milestones.

What factors do investors care about when evaluating a company?

At Village Capital, we have laid this out in a framework called the “Venture Investment Readiness Awareness Levels” Pathway (VIRAL).

Please take out your copy of the VIRAL chart.

VILLAGE CAPITAL VIRAL PATHWAY										
Level	Name	Team	Problem and Vision	Value Prop	Product	Market	Business Model	Scale	Exit	Type of funding typically closed at this level
9	Exit in sight	Team positioned to navigate M&A, IPO	Global leader in stated vision	Cited as the top solution in the industry solving this problem.	Product recognized as top in industry	Clear line-of-sight to industry dominance	Minimum 2x revenue growth for multiple years	Strong unit economics for multiple customer segments.	Growth with Exit	Acquirers
8	Scaling up	Team is recognized as market leaders in the industry.	Systems-Level Change validated.	Multiple renewals with low sales effort. Customers in multiple markets love the product.	Strong customer product feedback in multiple markets	Brand established. Hard-to-beat partnerships for distribution, marketing, and growth.	MDM revenue meets industry standard.	Growth of customer base accelerates month on month.	Team has turned down acquisition offer.	Close Institutional VC for Recurring Revenue + Growth
7	Hitting Product Market Fit	C suite as good or better than founding CEO and can stay with company through its growth and exit phases.	Impact is successfully validated.	Majority of first sales in target market are inbound.	Product is built for scale and additional offerings in progress.	Sales cycles meet or exceed industry standard.	Business model validated - Validation of strong unit economics.	Evidence of strong unit economics across multiple markets.	Team has strong relationships w/multiple acquirers.	
6	Moving Beyond Early Adopters	Team has proven sales and product dev skills and management ability to support a growing team for scale.	Sales validates impact tied to solution and grows as solution scales...	Sales beyond initial target customers. Customers love it and are referring the product to others.	Complete product with strong user experience feedback	Supply/distribution partners see their success aligned with the company's success	Sales begin to map to projections. Evidence of decreasing CAC with growing customer base buying at target price.	Company has cleared regulatory challenges and (if applicable) is implementing a strong IP strategy.	Team has identified specific acquirer(s) or other exit environment	Close Institutional VC for 1st Sales, Market Expansion
5	Proving a profitable business model	Team has clear sales/ops understanding and strategy.	Evidence of impact tied to solution-the company has evidence that by growing the business, company solves the problem.	Target customers love the product and want to keep using it.	Fully functional prototype with completion of product for wide commercial distribution in sight.	Team is having conversations with strategic partners to capture their market faster/cheaper than the competition.	Financial model with evidence of valid projections to reach positive unit economics	Vision and initial evidence of positive unit economics in two markets	Inbound interest from large strategics	Close Round with Angel and Early VC
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3	Solidifying the Value Proposition	Team has technical ability to build fully functional product and has a clear understanding the value chain and cost structures in their industry.	The company can articulate why they're the best ones to solve this problem.	Evidence that customers will pay the target price. For 82C - 100 customers, for 82B - 5 customers and conversations with multiple stakeholders in each.	Team has built a working prototype and a product roadmap.	Initial evidence through sales that team can capture initial target market.	Team can articulate projected costs along the value chain and target cost points to reach positive unit economics.	Clear strategy to move to multiple markets.	Initial evidence that the solution already solves the problem better than any incumbents.	Friends and Family, BootStrap
2	Setting the Vision	Team has senior members with lived experience of the problem and/or deep understanding of their target customer's problem.	The team can solve the problem and can articulate its vision at scale - what does the world look like if they succeed?	The team has potential customers who provide evidence that solution solves key pain point - product is a painkiller, not vitamin.	Team has a basic low-fidelity prototype that solves the problem.	Team understands any regulatory hurdles to entering the market and has a strategy to overcome them.	Company can point to pricing and business models of similar products in the industry as further evidence that their revenue assumptions hold.	Initial evidence that multiple markets experience this problem.	Vision for growth has company solving a large piece of the global problem in 10 years.	Grants for R&D (Hardware)
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VIRAL is a self-awareness tool

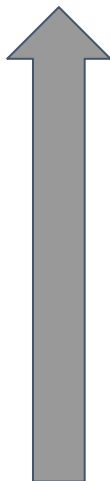
As a founder grows their business, VIRAL is a tool to:

- Assess progress
- Identify key milestones to achieve to raise a next round or obtain traditional financing
- And ultimately, build a profitable business with a successful exit or sustained growth

How does MTI use VIRAL?

The VIRAL chart has nine levels with eight assessment categories

As you
“level
up”...



Level	Name
9	Exit in sight
8	Scaling up
7	Hitting Product Market Fit
6	Moving Beyond Early Adopters
5	Proving a profitable business model
4	Validating an Investable Market
3	Solidifying the Value Proposition
2	Setting the Vision
1	Establishing the Founding Team

...You have to hit milestones in each of the eight categories



Team	Problem & Vision	Value Prop	Product	Market	Business Model	Scale	Exit
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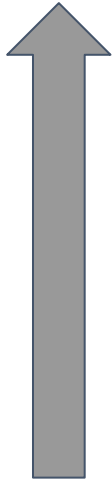
At any level, there are milestones to achieve across all eight categories.

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Let's look at each category

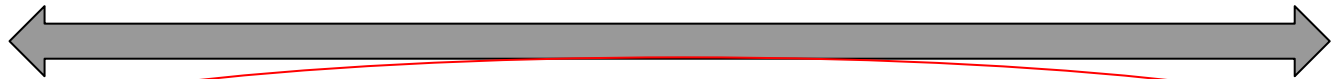
Each of the 8 VIRAL categories outlines an aspect of your business that investors will evaluate.

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1	Establishing the Founding Team

...You need to hit milestones in each of the eight categories



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Team

Early stage investors especially emphasize the importance of team when evaluating a company.

They want to see that the early team deeply understands the problem and the market they're looking to enter and has the skillsets to build a profitable company that will provide a strong return. MTI will also look to understand the team's aspirations – for growing a company or program and for impact in Maine.

As a company levels up, the team should too. A team at exit will likely look very different than a team at founding.

Problem and Vision

Investors want to see that the team is thinking big.

They should be able to show a deep understanding of their customer's pain points, provide evidence that this problem is actually solvable, and over time accrue evidence on how solving it will transform their industry.

MTI wants to understand how big the problem is and/or what solving it means for Maine.

Value Proposition

If you don't have a value proposition, you don't have a company **or sustainable program**.

Companies must show that their solution provides significant value by actually solving a major pain point for customers.

The value proposition is something companies need to constantly come back to as they are building and refining their product. **This concept can also be applied to programs serving Maine's entrepreneurs and innovators.**

Investors want to see that the team can actually develop a quality product that delights their customers in a cost-effective way.

Companies will continue to build and refine their product as they receive feedback on their value proposition. Early on a company will have a prototype to test and refine before a fully functioning product. As it grows, it must show that it can innovate in its product offerings to stay ahead in the market.

Market

Investors want to see that the company is targeting an investable market - one that is big enough (over \$1 billion) for the company to capture meaningful market share and provide a return on investment.

MTI wants to see a large enough market to impact MTI metrics. For programs, the market should be large enough that the program has a path to sustainability (enough customers year over year)

They also want to see that the company is well positioned to actually capture a meaningful share of this market (the benchmarks for meaningful market share differ based on sector/type of company).

Business Model

This category is about profitability.

Investors want to see that the company can sell the product at a price point and at decreasing costs to hit strong unit economics and ultimately be profitable enough to pay back a healthy return. For MTI, this return may be in economic impact or dollars or a combination of both.

To pay back a VC, companies have to reach a certain scale. Investors want to see that the company's solution can solve problems in multiple markets or for multiple customer segments to capture a large enough market size to provide a return on their investment. Again, for MTI ROI can be a combination of economic impact, dollars or both. In the case of support systems, the ROI may be both direct and indirect impacts on metrics.

Ultimately investors care about making a return on their investment.

Companies need to think about and articulate their exit strategy from the beginning if they're looking to raise venture capital and refine that strategy as they grow. MTI's portfolio will include companies looking to exit and those with strategies to grow and sustain.

Now let's use VIRAL

How we'll use VIRAL through the program

Today we're going to do two exercises that will help you articulate the current stage of your business and your next milestones, tied to your current and future raise.

- VIRAL Benchmarking
- VIRAL Milestone Planning

We will revisit and update this throughout the program.

Step 1: VIRAL benchmarking (5 mins): You'll use your copy of the VIRAL chart.

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Benchmarking: For each category (column), circle the highest milestone you've reached.

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3	Solidifying the Value Proposition	Team has technical ability to build fully functional product and has a clear understanding the value chain and cost structures in their industry.	The company can articulate why they're the best ones to solve this problem.	Evidence that customers will pay the target price. For B2C - 100 customers, for B2B - 5 customers and conversations with multiple stakeholders in each.	Team has built a working prototype and a product roadmap.	Initial evidence through sales that team can capture initial target market.	Team can articulate projected costs along the value chain and target cost points to reach positive unit economics.	Clear strategy to move to multiple markets.	Initial evidence that the solution already solves the problem better than any incumbents.	Friends and Family, BootStrap Grants for R&D (Hardware)
2	Setting the Vision	Team has senior members with lived experience of the problem and/or deep understanding of their target customer's problem.	The team can solve the problem and can articulate its vision at scale - what does the world look like if they succeed?	The team has potential customers who provide evidence that solution solves key pain point - product is a painkiller, not vitamin.	Team has a basic low-fidelity prototype that solves the problem.	Team understands any regulatory hurdles to entering the market and has a strategy to overcome them.	Company can point to pricing and business models of similar products in the industry as further evidence that their revenue assumptions hold.	Initial evidence that multiple markets experience this problem.	Vision for growth has company solving a large piece of the global problem in 10 years.	
1	Establishing the Founding Team	Strong founding team - at least 2 people with differentiated skillsets.	Team has identified a specific, important, large problem.	Team has identified their hypothesis of their target customer - the specific type of person whose problem they are solving.	Team has ability to develop low-fidelity prototype and has freedom to operate - not blocked by other patents.	Team can clearly articulate total addressable market, the percentage they will capture, and initial target market.	Team has identified an outline of revenue model.	Team has identified multiple possible markets or customer segments and has aspiration to scale.	Team understands what an exit is and has a vision for how they will ultimately provide a return for their investors.	
		Team	Problem and Vision	Value Prop	Product	Market	Business Model	Scale	Exit	Type of funding closed at this level

Level 4

Note: Higher isn't necessarily better!

Be honest! VIRAL is about self-awareness and higher isn't necessarily better, it's just farther along. This is about self-awareness and being able to show investors that you know where you are and what you need to do.

Debrief (5 minutes)

- Anything you noticed doing this self-assessment?
- Was anything confusing?
- Any big takeaways?

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We'll take a 15 minute break
and then use VIRAL for
milestone planning.

So what does my level mean?

VIRAL has 9 levels to describe the growth of a company

Companies must achieve a series of milestones across the 8 categories within each level.

The levels do NOT indicate whether a company is a good or bad investment. Rather, they help companies assess their progress and the key milestones they need to achieve to raise their next round of investment.

Level 1: Establishing the Founding Team

The Company has a founding team in place, with at least two differentiated skillsets, has an initial vision of the problem they are solving and how they will solve it.

At this level, the company may be pre-prototype but knows it has freedom to operate.

Level 2: Setting the Vision

You have identified a large, solvable problem and a vision of solving it at scale.

You have an example of how your solution can deliver what you're saying (even if the product isn't ready, a low-fi prototype) to show your vision alongside you.

Level 3: Solidifying the Value Proposition

You have compelling evidence that customers will pay for your solution and that it solves the problem better than competitors.

What is “compelling evidence?” This varies depending on your business (B2B vs. B2C) but we encourage you to gather at least 50 data points.

You need evidence that customers want your solution

For this level:

Your team needs to have direct engagement with customers.

You should have a working prototype, product roadmap, and initial evidence you can capture target market.

Level 4: Validating an Investable Market

You have evidence that you're solving a problem for a large enough market to build an investable business.

If you're raising equity, investors need to validate that the market is big enough (investors will usually say \$1B+) to be ready for serious investment.

For this step:

- Your team needs to have experience selling into the market you target.
- Evidence from customers that solution solves problem significantly better than others.

Level 5: Proving a profitable business model

Company has strong evidence it can make money - and enough of it - to be a profitable business by solving this problem with its solution.

You need to have evidence of a working business model

For this step:

- Evidence that as you're growing the company, you're solving the problem

Your team needs to understand both how to sell into this market and how to deliver products into the market.

- At Level 5 you begin to get serious about your revenue model and how much it actually costs to do the work (not just what people are willing to string together for free). You need evidence of positive unit economics or clear evidence that you have a strategy to get there.

Level 6: Moving Beyond Early Adopters

You have validated through sales (beyond just early adopters) that your product is exceptional and delights customers.

Your product is exceptional, beyond early adopters

You can't pass level 6 without a fully functional product. (Up until this level, you can level up with a low-fidelity prototype. Pre-sales are a great example.)

In the words of Mike Tyson, "Everyone has a plan until they get punched in the mouth." Level 6 is when your product gets punched in the mouth.

Your product is exceptional, beyond early adopters

- Your team needs to excel at both product management and user experience
- Your product is your vision—users must know on contact why it's awesome
- Your product should obviously differentiate in the market
- Customers are referring your product to others and sales are beginning to map to projections

Level 7: Hitting Product-Market Fit

Company has validated that it can achieve unit economics that meet or exceed industry in its target market.

Product-Market Fit is about unit economics - as you level up, it's easier and easier to sell your product and bring down your Customer Acquisition Cost (CAC).

You should not have difficulty selling your product

Don't confuse “first sales”—Level 6—with “product-market fit”—Level 7.

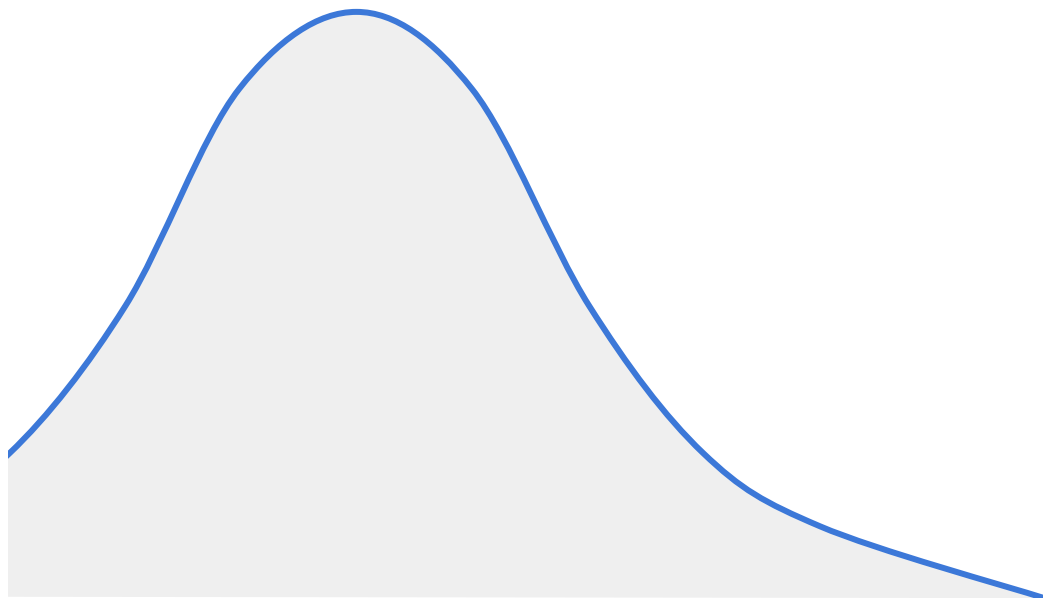
To master level 7, you should have multiple customer renewals with little/no effort.

Majority of sales are inbound.

Crossing the chasm from Level 6 to Level 7: the Series A Gap!

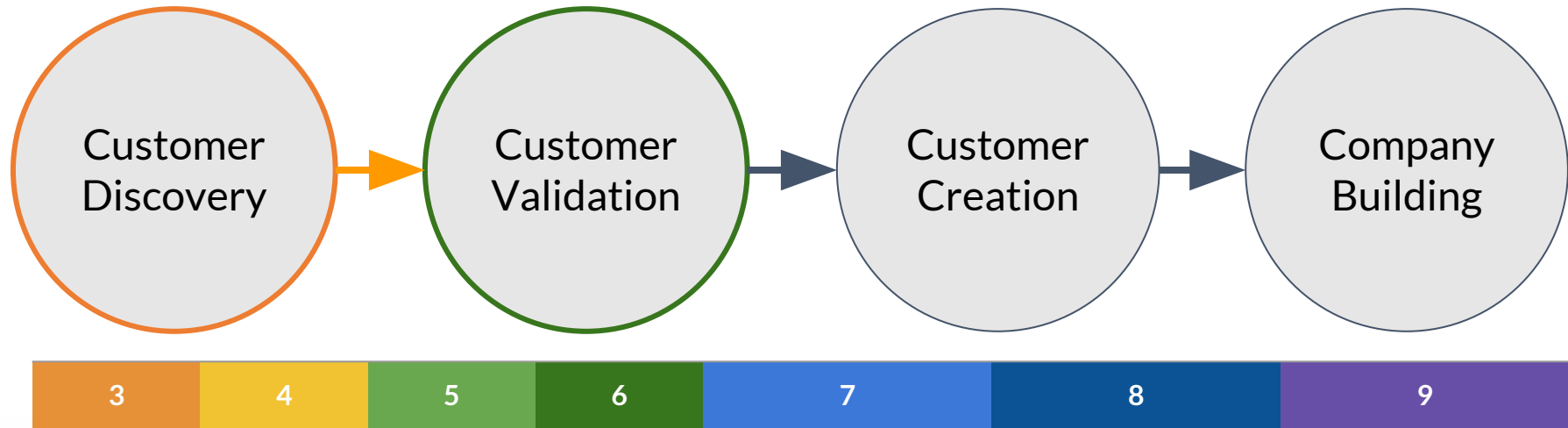
Big challenge: providing investors the confidence that you can “cross the chasm” from **first sales** to **product-market fit**

This chasm represents the transition between early adopters and repeatable sales



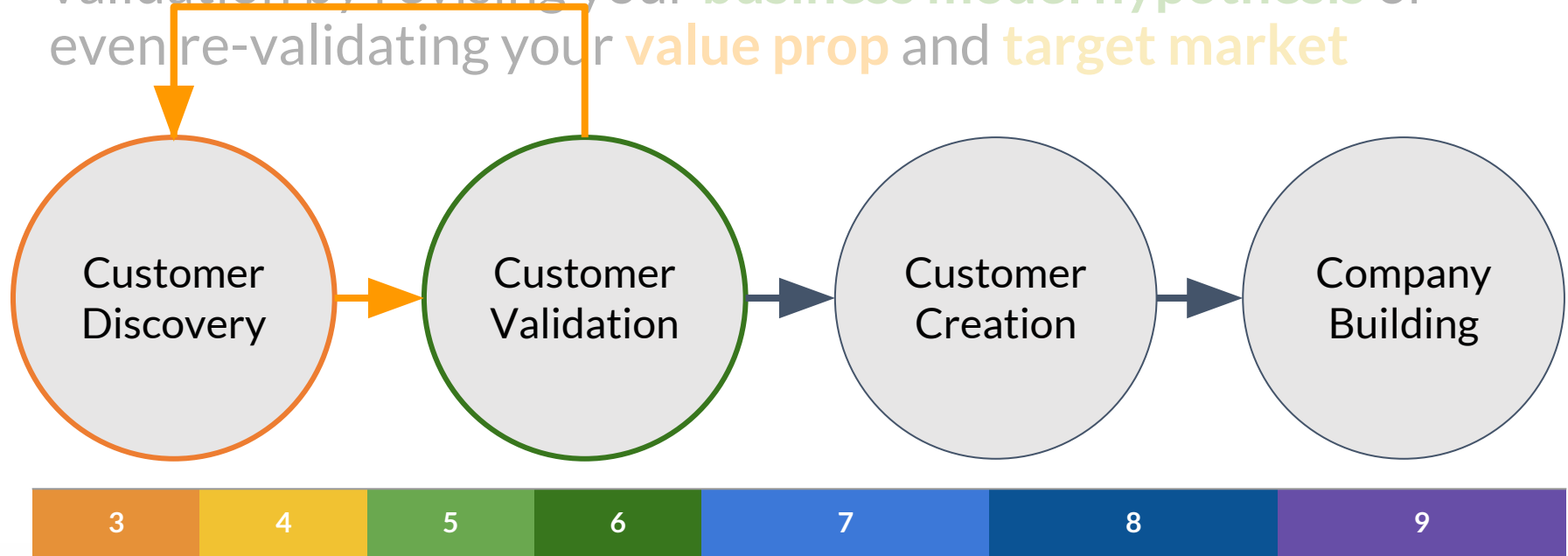
The “pivot” back to more customer discovery/ customer validation

If you can't cross the chasm you need to cycle back to customer discovery and make another run at customer validation by revising your **business model hypothesis** or even re-validating your **value prop** and **target market**



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Level 8: Scaling up

Company has validated it is selling to multiple markets and growing its customer base month on month.

You should be #1 or #2 in a \$1B+ market.

More than 50% of your sales are inbound.

Month on month revenue exceeds industry standard.

Clear, third-party validation of your vision of change.

Level 9: Exit in sight

Company growing fast with exit in sight, and is well positioned to provide investors with healthy ROI.

You're the unquestioned market leader

What can you do to set yourself up for this today?

- Understand what M&A, IPO in your industry looks like—and start building relationships now
- Articulate liquidity/exit options for investors (we will talk about this more formally in Workshop 3)
- Identify what it takes to be THE global leader in your industry (including Fortune 500 competition)

Every enterprise has a VIRAL level

Every investor ALSO has a VIRAL level

Challenge: making the right match

How will Village Capital help you level up?

In this program, we'll cover three things

Customer Discovery

Drilling down on your value proposition: Identifying who your customers are, what they want, and how to deliver value to them.

Investor Discovery

Every investor has a VIRAL level (even if they've never heard of VIRAL). VC firms are often Level 6-8 investors. Angels are often level 3-5 investors. We will help you identify what investors are at what VIRAL level so you can save time and have more productive conversations.

Team Discovery

VIRAL will help you identify the team you want to build—and have a plan on how to pay for that team. We'll also talk Board members, advisors, and strategic partnerships - all part of your larger “team” to help you build your business.

How do you determine your plan to
“level up”?

Identify the milestones you need to hit to master your current level. If you're currently raising a round, you may need to hit these milestones in order to give investors evidence that you're a high potential company

VILLAGE CAPITAL VIRAL PATHWAY

Level	Name	Team	Problem and Vision	Value Prop	Product	Market	Business Model	Scale	Exit	Type of funding typically closed at this level
9	Exit in sight	Team positioned to navigate M&A, IPO	Global leader in stated vision	Cited as the top solution in the industry solving this problem.	Product recognized as top in industry	Clear line-of-sight to industry dominance	Minimum 2x revenue growth for multiple years	Strong unit economics for multiple customer segments.	Growth with Exit	Acquirers
8	Scaling up	Team is recognized as market leaders in the industry.	Systems-Level Change validated.	Multiple renewals with low sales effort. Customers in multiple markets love the product.	Strong customer product feedback in multiple markets	Brand established. Hard-to-beat partnerships for distribution, marketing, and growth.	MOM revenue meets industry standard.	Growth of customer base accelerates month on month.	Team has turned down acquisition offer.	Close Institutional VC for Recurring Revenue + Growth
7	Hitting Product Market Fit	C suite as good or better than founding CEO and can stay with company through its growth and exit phases.	Impact is successfully validated.	Majority of first sales in target market are inbound.	Product is built for scale and additional offerings in progress.	Sales cycles meet or exceed industry standard.	Business model validated. Validation of strong unit economics.	Evidence of strong unit economics across multiple markets.	Team has strong relationships w/multiple acquirers.	
6	Moving Beyond Early Adopters	Team has proven sales and product dev skills and management ability to support a growing team for scale.	Sales validates impact tied to solution and grows as solution scales.	Sales beyond initial target customers. Customers love it and are referring the product to others.	Complete product with strong user experience feedback	Supply/distribution partners see their success aligned with the company's success.	Sales begin to map to projections. Evidence of decreasing CAC with growing customer base buying at target price.	Company has cleared regulatory challenges and (if applicable) is implementing a strong IP strategy.	Team has identified specific acquirer(s) or other exit environment	Close Institutional VC for 1st Sales, Market Expansion
5	Proving a profitable business model	Team has clear sales/ops understanding of the company strategy.	Evidence of impact tied to solution; the company has evidence that by growing the business, company solves the problem.	Target customers love the product and want to keep using it.	Fully functional prototype with completion of product for wide commercial distribution in sight.	Team is working with strong competitors to show their product is cheaper than the competition.	Financial model with evidence of valid projections to reach positive unit economics	Vision of evidence of growth trajectory (two markets)	Inbound interest from large strategics	Close Round with Angel and Early VC
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VIRAL Milestone Planning Exercise (15 mins)

Open up to your milestone plan worksheet in your workbook

VIRAL Milestone Plan

	1 - Which VIRAL level most accurately describes where you currently are in each category	2 - What do you need to demonstrate now in each category to close your current round?	3 - For each category, what will this raise pay for? What specific milestone do I need to hit in each category over the next 18-24 months (when I'll be raising my NEXT round)
Team			
Problem & Vision			
Value Prop			
Product			
Market			
Business Mode			
Scale			
Exit			

VIRAL Milestone/SOW Planning Exercise 2

VIRAL CATEGORY	VIRAL LEVEL Enter score.	WHAT ACTIVITIES MUST BE COMPLETED TO ACHIEVE THE NEXT VIRAL LEVEL? Identify activities only for the VIRAL category being improved.	WHAT DELIVERABLES WILL DEMONSTRATE THE SUCCESSFUL COMPLETION OF THESE ACTIVITIES? Identify deliverables only for stated activities.	TIMELINE	
				START DATE	COMPLETION DATE
TEAM					
PROBLEM & VISION					
VALUE PROPOSITION					
PRODUCT					
MARKET					
BUSINESS MODEL					
SCALE					
GROWTH					

MTI SOW

VIRAL/SOW Milestone Planning Exercise Instructions

- **Refer to the VIRAL document (Column 1):** Identify what level client has achieved in each category- Fill in the column
- **Milestones Needed to Level Up (Column 2):** Write out the milestone client should focus on in each category to get to next level
- **What deliverables will demonstrate completion of milestone? (Column 3):** For each necessary milestone, what deliverable should the client expect to complete to feel confident of milestone completion?

VIRAL/SOW Milestone Planning Exercise Instructions

- **Timeline for completing milestones (Column 4):** Enter the reasonable estimated start and completion dates for each deliverable
- **What will funds be focused on to level up? (Column 5):** For each category, what will the MTI investment and client co-investment pay for? What VIRAL level does it get client to in order to access additional funds?

Debrief (5 minutes) - Everyone quickly share:

What VIRAL level have you completed so far? It is likely lower than you might think - and that's OK!

What is the ONE most important milestone that you still need to hit to close this raise?

How much are they looking to raise or asking MTI to support and is it enough for you to hit the milestones in the next 18-24 (or 6-12) months?

Client and MTI team will update this milestone plan through the course of MTI's engagement.