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3 ways deep tech founders can climb out of pilot purgatory

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In 2018, Shahin Farshchi of Lux Capital and I discussed the rise of alternative proteins over coffee and other then-hot topics. At one point, Shahin asked me what I thought was a rhetorical question:

> ***Our portfolio companies are amazing as pilots, but they face a challenge moving from pilot to full-scale commercial rollouts. How do your companies move beyond the pilot stage?***

I didn't have a good answer and found myself deep in thought long after our chat. As a deep tech VC, my portfolio companies are destined to face commercialization challenges as they transition to rolling out in scale from small pilots. This is a big, widespread, industry-specific problem.

But big problems make room for big returns, and while I don't presume to have a silver bullet solution, I do know three ways deep tech founders can make sure their time in pilot purgatory ends in a rollout.

Define your conversion metric

In my experience, most customers don't really know what success looks like when using any new technology. Sometimes this is because the tech is novel or introduces new processes, but many times it's also because every stakeholder defines "success" differently.

> ***If you could only pick three customers, and the one you're talking to doesn't look like one of them, keep looking.***

Your pilot will only be successful if all of the key stakeholders who will sign off on the commercial contract agree it is. Generally, they'll be able to define what the successful pilot looks like on a conceptual level, but asking them to spell it out as a metric may result only in a chorus of crickets.

As hard as it may seem, engaging these stakeholders to define success as a metric will take away post-pilot ambiguity. A great pilot is one where everyone has the same, detailed understanding of what success looks like.

Know what your pilot proves

It's generally believed that early-stage startups should focus on proving product-market fit. This means that ultimately, your pilot needs to prove that pouring in a lot of money now will generate much more money later.

If you are an AI company, then sure, your metric might look like a $1 million ARR. But if you are an AI company in healthcare, then you might need to acquire proprietary patient data to prove that your product is viable in a niche market as well as a much larger market.

Similarly, if you are a cell-based protein company, you may need to show drastic improvement in unit economics as you scale from a few grams to tens of kilograms.

As a deep tech company, ***your pilot is not about how many dollars you have already raked in; it's about proving that you have achieved a critical milestone and created a well-oiled engine that can turn dimes into dollars***.

Choose the right customer

As a deep tech company, you will generally start with one to three customers, and your time will be as precious as your money as you spend countless meetings with each customer discussing pain points, user experience, the product, etc. And that's before they even start piloting with you.

The first mistake founders make at this point is talking to anyone who is willing to talk to them. But a wrong customer is just that: wrong.

At best, talking to the wrong customer is a massive waste of resources. They're often harder to convert, have smaller contract sizes, will be resistant to speak with potential investors and often won't represent the best market fit.

At worse, these faux customers are surreptitious. They pretend to be your customer by having a "pilot budget" to learn about your technology but won't have an intent to buy at all.

The right customer, on the other hand, is a resource you can tap for honest feedback on your not-so-great-yet product. They allow you to test your product and your business model, are willing to debate what makes sense for them and help you refine what you will ultimately bring to the correct, broader market.

If you could only pick three customers, and the one you're talking to doesn't look like one of them, keep looking. The right customer is out there.

Remember to look past your project champion, though. Discover and engage all relevant stakeholders. Doing this may mean it will take longer to get the pilot started, but it will also make moving from start to commercial rollout much faster.

1+2+3 = Hit the ground running

Successful companies and their stakeholders define success in quantifiable metrics. But many startups miss this because they don't understand what the ultimate upside of the contract actually is, while their customers don't know what they want or don't want to disclose it.

Having the right customer — one who will "ride-or-die" — mitigates this from the start. This customer is a partner. One whose success is your success; one that can engage in honest conversations with clearly defined goals and milestones.

Once you have the right customer and you've spent time building rapport, defining success metrics and roll out, you should ask that this be added to the contract. The contract term does not need to be fixed and can be loosely defined in ranges, but it gives both parties a clear understanding of the commitment needed to go from pilot to rollout. If your customer doesn't want to sign, go back to step one.