Venture Suitability Framework

Oblique

Framework overview

Everything you need to know before raising venture capital.

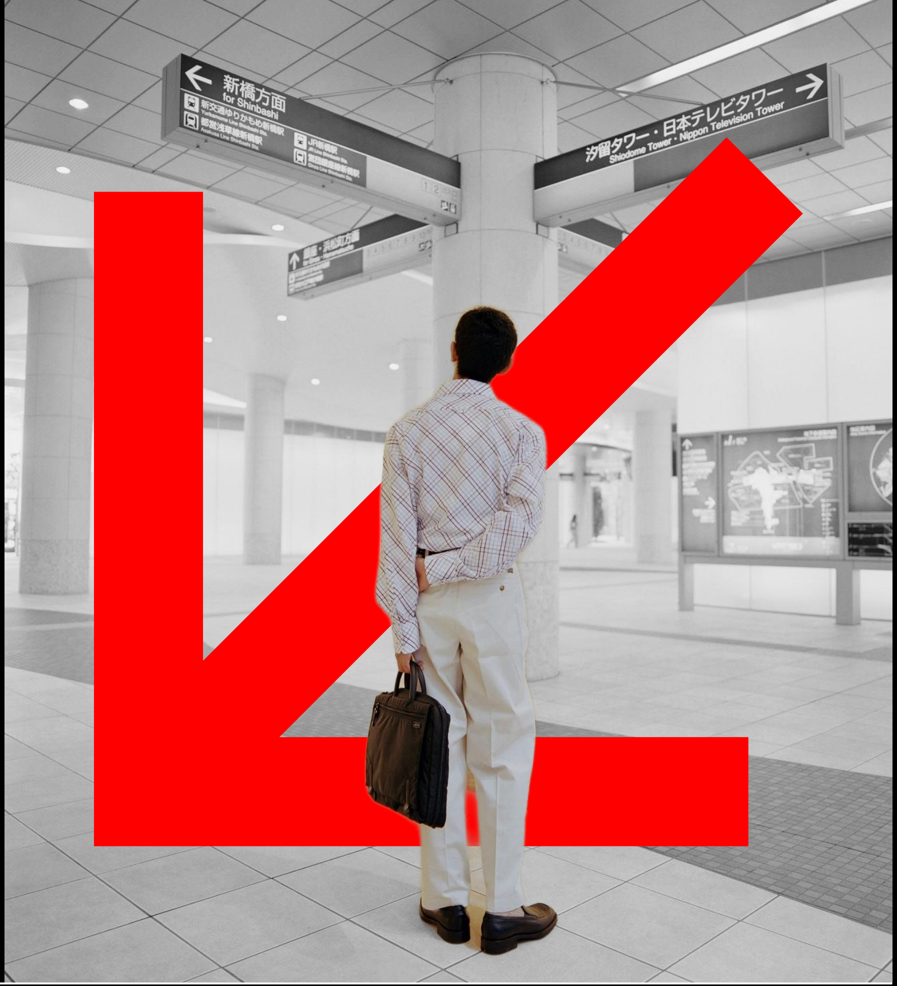
This framework provides clarity on whether your startup is structurally capable of achieving venture-scale outcomes.

Not every great business is venture-backable. Understanding this difference can save years of misalignment, dilution, and disappointment.

Most Startups Aren't Venture-Suitable

Venture capital operates on power law economics, where a small percentage of investments generate the majority of fund returns. This means VCs only invest in startups with potential for 10x-100x outcomes, requiring specific characteristics:

- Markets measured in tens of billions, not millions.
- Winner-takes-most competitive dynamics.
- Near-zero marginal costs enabling exponential scaling.
- Capital efficiency allowing rapid growth without proportional burn.



The Four Fits: A Quick Overview

Market Fit

Are you pursuing a market large enough at the right time?

Product Fit

Is your solution differentiated and scalable enough for exponential growth?

Channel Fit

Does the customer acquisition economics work with mechanisms for compounding growth?

Model Fit

Does your revenue model and capital efficiency align with venture economics?

Market Fit
Is the opportunity big enough?

		How to Measure
01	TAM ≥ $1 Billion	Combine top-down (third-party research), bottom-up (customer count x ARPU), and value theory approaches.
02	Market Timing and Competitive Dynamics	Identify structural changes (new tech, regulatory shifts) and assess incumbent vulnerability, and evaluate sustainable differentiation (proprietary tech, network effects)

Product Fit
Can you defend & scale this?

		How to Measure
01	Product Differentiation	Identify if your advantage is defensible — not just a feature. Look for moats: proprietary tech, protected data, regulatory expertise, or network effects. If a competitor with 10× your resources can replicate your core in <6 months, you don't have a moat.
02	The 10x Rule	Calculate marginal cost per additional customer. If serving 10x more users requires ~10x more cost, you're not scalable; if it requires <2x more cost, you are.

Channel Fit
Do you have the ability to acquire customers efficiently?

How to Measure

01	CAC Payback < 12 Months	CAC Payback = CAC / (Monthly Revenue Per Customer x Gross Margin %)
02	High Potential for Network Effects	Direct (value increases with users in same group, e.g., communication platforms) or Indirect (value to users in one group increases with users in another, e.g., marketplaces).

Model Fit
Does this business model work?

How to Measure

01	Recurring / Expandable Revenue	Track Net Revenue Retention (NRR). If NRR >100%, customers expand over time and the model compounds; if NRR <90%, the business relies on constant new acquisition.
02	Burn Multiple < 1.5x	Calculate Burn Multiple = Net Cash Burn / Net New ARR. A sustainable business adds revenue efficiently (≤1.5x) rather than burning >3x to grow.

VENTURE-SUITABILITY SCORECARD

Criteria	Score (0-2)	Definition
Market Fit: TAM ≥ $1B	-	0 = TAM < $100M; 1 = TAM $100M–$999M; 2 = TAM ≥ $1B
Market Timing & Competitive Dynamics	-	0 = Poor timing / intense competition; 1 = Neutral; 2 = Favorable / defensible
Product Fit: Product Differentiation	-	0 = Parity; 1 = Better; 2 = Clear 10x differentiation
Product Fit: Technical Scalability	-	0 = Linear scaling costs; 1 = Some economies of scale; 2 = Near-zero marginal cost

VENTURE-SUITABILITY SCORECARD

Criteria	Score (0-2)	Definition
Channel Fit: CAC Payback < 12 Months	-	0 = Payback > 24 months; 1 = Payback 12–24 months; 2 = Payback < 12 months
Channel Fit: Network Effects Potential	-	0 = No network effects; 1 = Potential; 2 = Strong network effects
Model Fit: Recurring / Expandable Revenue	-	0 = One-time revenue; 1 = Some recurring; 2 = High recurring with NRR >100%
Model Fit: Capital Efficiency (Burn Multiple <1.5x)	-	0 = Burn multiple >3x; 1 = Burn multiple 1.5x–3x; 2 = Burn multiple <1.5x

Interpreting Your Score

0-6

Not Venture-Suitable

Your business is structurally misaligned with the venture model. Prioritize profitability, operational discipline, and alternative financing.

Build without VC pressure.

7-11

Hybrid / Context-Dependent

This is the "potential zone." Your viability depends on strengthening your weakest fits – expanding TAM, engineering real 10x differentiation, improving CAC payback, transitioning to recurring revenue.

Early angels or micro-VCs may support your trajectory if improvement signals are strong.

12-16

Venture Suitable

Your structure aligns with venture scale and return expectations.

Prepare tight data (growth, unit economics, retention, projections).

Sharpen your inevitability narrative, and show consistent velocity.