

Lecture 4 - Building Product, Talking to Users, and Growing (Adora Cheung)

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SUMMARY

The speaker discusses strategies for transitioning from having no users to acquiring a significant user base, drawing from personal experiences and mistakes made during previous startups. Key points emphasize the importance of understanding the problem being solved, engaging with users early, and iterating based on feedback to create a product that meets market needs.

- Focus on immersing yourself in your startup idea, dedicating concentrated time to develop solutions.*
- Avoid the novice approach of building in isolation; seek user feedback early to refine your product.*
- Clearly define the problem your product addresses and ensure it resonates with your own experiences and passions.*
- Become an expert in your industry by engaging directly with it, understanding inefficiencies, and identifying opportunities.*
- Identify specific customer segments to optimize your product for targeted users.*
- Develop a storyboard of the ideal user experience before building your product.*
- Create a minimum viable product (MVP) that addresses core user needs and communicate its value succinctly.*
- Utilize various channels for user acquisition, focusing on one at a time for effective growth strategies.*

>> Thanks for having me. So today I am going to be talking about how to go from zero users to many users. I'm just assuming that you have many great ideas in your head at this moment and you're kind of thinking about what the next step is. So I wrote this up early this morning, and a lot of this is based off of mistakes I've made in the past. So as Sam mentioned, I went through YC in 2010 and spent a number, three years basically, going back and forth pivoting a bunch of times, starting over a bunch of times.

And have learned a lot about what not to do if I were to start another startup after Homejoy if that should ever happen. And so a lot of it comes from failure and just telling you about what you shouldn't do and kind of making generalizations of

what you should do from that. So just a reminder that this is, sort of, you know, all advice you should take as directionally good guidance, like if all, like it's, it's kind of in the right direction.

But every business is different, you are different, I'm not you, and so just take everything with, you know, that in mind. So since this is a college course, you know, when you start a startup you should basically have lots of time on your hands to concentrate on the start up. And I'm not saying you should you know, quit school or you should quit work. What I'm saying is you should have a lot of time, compressed time in a row.

Really dedicated to immersing yourself in the idea and developing problems, or developing the solutions to the problem you're trying to solve. So for example if you're in school, you know, it's better to have one or two days straight of per week on working on your idea versus you know, spending two hours here and there every single day during the course of the week. It's sort of like, I think this is an engineering class so it's sort of like coding.

Like there's a lot of context switching and just being able to really focus, really, really focus and immerse yourself is very very important. So, like I said, I sort of first, when I wrote this up was thinking what are things that some people do or most people do that is not the correct way to do a startup and sort of the novice approach I think is what you see up here. Which is, you know, I have this really great idea.

I don't wanna tell anyone about it. I'm gonna build, build, build, build. I'm gonna be telling one or two people and then I'm

gonna launch it on, you know, I'm gonna launch it on TechCrunch or some, somewhere like that, then I'm gonna get lots of users. But what really happens is because you did not get a lot of that feedback and stuff like that, you know maybe you get a lot of people to your site, but no one sticks around because you didn't get that initial user feedback.

And then, you know, if you, you know, if lucky enough you have some money in the bank you might go buy some users but sort of, it just whittles out over time and you just give up. This is sort of a vicious cycle and you know, I actually did this once, and I did this while I was in YC, and that was you know like, when I went through YC I didn't even launch a product, like I didn't even launch in TechCrunch which is a thing you should definitely do.

And so you don't want to ever get into that cycle because you'll just end up with nothing good. So, the next thing is you know, you have an idea and you should really think about what the idea is really solving. Like what is the actual problem? And so their problem statements you should be able to describe it in one sentence. And then you should think, how does that problem relate to me? Am I really passionate about that problem?

And then you should think, okay, it's a problem I have, is it a problem that other people have? And sort of verify that by, you know, just going out and talking to people. One of the biggest mistakes I've made is you know, we started, my co-founder and I, who is also my brother, he and I started a company called Pathjoy in 2009, 2010. And our goal was basically to you know, we had two goals in mind one is to create a company that made people really happy, and create a company that was very, very impactful, so a good proxy for that is to just create a

huge, big company.

And so we thought, okay, here's sort of what we're gonna solve is you know, make people happier, and we first went to the notion of who are the people that made people happy? And you know, we came up with life coaches and therapists. So it seemed kind of obvious to just create a platform for life coaches and therapists. And what happened as a result though was that you know, when we started using the product ourselves we, you know, we're not cynical people by any means, but life coaches and therapists are just not people we would use ourselves.

It was sort of useless to us. And so, it wasn't even a problem we had, and certainly wasn't something we were super passionate about building out. Yet we spent, you know, almost a year trying to do this. And so, if you just start, you know, from tegel zero, just like think about this before you even build any product. I think you can save yourself a lot of headache down the road from doing something you don't wanna do.

So, say you have a problem and you're able to state it. Where do you start? Like, how do you think of solutions? So the first thing you should do is think of what the industry that you are getting yourself into. Whether it's big, whether it's huge, you should really immerse yourself in that industry. There's a number of ways to do this. One is, you know, to really become a cog in that industry for a little bit.

And so it might seem a little counter-intuitive to do this, because most people say, you know, if you really wanna disrupt an industry, you should really not be this,

you know, player in it. You should, you know, someone who spent 20 or 30 years in an industry probably you know, is set in their ways and is just used to the way things work and really can't think about what the inefficiencies are or the things that you can, quote, unquote, disrupt.

But, however as a noob like coming into the industry, you really should take one or two months just really understanding what all the little bits and pieces of the industry are, and how it works because it's when you get into the details, that's when you start seeing things you can exploit. Things you can really, things that are really, really inefficient and provide you know huge overhead costs that you can cut down. And, so an example of this is, you know, when we start Homejoy and we, we decided to go, we started with the cleaning industry and when we started, you know, we just were cleaners ourselves.

And we started to clean houses and we found out really quickly was that we were very bad cleaners. And so as a result, you know, we said, okay, we got to learn more about this and we went to buy books. And we bought books about how to clean, which helped maybe a little bit, we learned a little bit more about cleaning supplies. But it's sort of like basketball you know, you can watch and you can learn, or you can watch and you can read about basketball, but you're not gonna get any better at it if you don't actually you know, train and you know, throw a basketball around and throw it into the hoop.

And so we decided one of us basically had to go and learn how to clean. And so we went or get trained by you know, a professional, some sort of a professional training programs that existed. And that meant, we actually went to get a job at a cleaning company itself. And the cool thing was that

you know, I learned how to clean from you know, training for the few weeks that I was there at the cleaning company.

But the even better thing was that I learned a lot about how a local cleaning company worked. And in that sense you know, I learned why a local cleaning company could not become huge like Homejoy is today and that's because they have, you know, they're pretty old school and they have a lot of things, just from anywhere from booking the customer to optimizing the cleaner schedules was just done very inefficiently. And so there is, so, if you are in a situation like mine where you know, there's a service element to it, you should go and do that service yourself.

You know, if your thing is related to restaurants you should become a waiter it's really to you know, if it's painting you know become a painter kind of get in the shoes of your customers from all angles of what you're trying to build. The other thing is there's also levels of obsessiveness that you should have with it too as well. You should be so obsessed to know what everybody in the space is doing. And it's things like, you know, running a list of all the potential competitors or similar types of companies, Google searching it, and clicking on every single link and reading every single article from like, search result 1 to 1,000.

You know, I found all potential competitors, big and small, and if they're public, I would go read their S1's, I would go read all their quarterly financials, I would, you know, sit on the earnings calls. There's, you know, most of these you don't get much out of it, but there's just these golden nuggets that you'll find once in a while and you can't, you won't be able to find that unless you actually go through the work of, you know, getting all that

information in your head.

So yeah, you should become an expert in the industry. There should be no doubt when you're building this that you are the expert so that people will trust you when you're building this product. The second thing is identifying customer segments. So you know, ideally at the end of the day, in the end game, you built a product or a business that everybody in the world is using. But realistically in the beginning you kind of want to corner off a certain part of the customer base so that you can really optimize for them, and that's just you know, it's just about a matter of focus and a matter of you know, just catering towards whether it's teenage girls or whether it's you know, soccer moms.

You would just be able to you know, like I said focus a lot on their needs. And, lastly before before you even create the product, before you put code down, you should really storyboard out the ideal user experience of how you're, how you're gonna solve the problem. And that, and that's not just meaning, you know, the web site itself, it's meaning, you know, how does the customer find out about you. You know, whether it's, you know, it could be through an ad or through word of mouth or whatever, so they find out about you.

They come to your site, they learn more about you, what's all that text say, what are you communicating to them. So the actual, when they sign up for the product or they purchase the service, what are they actually getting, to after they finish using the product or after they finish using the service. What's you know, there's sort of like an evaluation period, like they leave a review, or they leave comments or whatnot, and just being able to go through that whole

flow and visualize in your head, like just envision what the perfect user experience is and then put it down on paper and then put it into code, and then start from there.

So you have all these ideas in your head now, you kind of know what the core customer base you want to go after is. And you know like everything about the industry, what do you do next? So you start building your products. And you know, the common phrase that most people use these days is you should build a minimum viable, the MVP, minimum viable product. And I know I'm viable because I think a lot of people skip that part, and they just go out with a feature and then the whole user experience in the very beginning like is flat.

So the minimum viable product pretty much means you know, what is the smallest feature set that you should build to solve the problem that you're trying to solve. And I think if you go through the whole storyboard experience, you can kind of figure that very quickly. But again you have to be talking to users right, potential users, you have to be seeing what exists out there already and what you should be building to solve their immediate needs.

And the second thing is, before you put in things in front of a user you should really have your simple product positioning down. And what I mean by that is that you know, you should be able to go to you know a person, and you should be able to say, hey you know this does x, y, and z within a sentence. And so for example you know, at Homejoy we started off with something actually super complicated.

We're like we're an online platform for home services. We started with cleaning and

you can choose you know, blah, and it just went off for paragraphs and paragraphs. We were present and we want to you know potential users to come onto our platform. They just get kinda get bored after that first few sentences. And so what we found out was that we really need this one liner, the one liner is very important an it kinda describes the functional benefit of what you do, you know, in the future when your trying to build a brand you should, you know, be able to describe, you know, what are emotional benefits and stuff like that.

But, you're starting with new users, you really need to tell them what they're gonna get out of it. So we simply, after we changed our positioning to get your place clean for \$20 an hour, then everyone got it, and we're able to get you know users to, users in the door that way. So you have a MVP going out there now how do you get your first few users to start trying it. So your first few users should be you know, the obvious people, the people that you're connected with.

You should use it obviously, you and your co-founder should be using it. Your mom and dad should be using it. Your friends and co-workers should be using it. Beyond that you wanna get more user feedback, and so you, and I've listed here kind of some of the obvious places to go to. And depending on what you're selling, you know, you can take your pick of the, pick of the draw here. So online communities there's, you know, on Hacker News now, there's the show HM.

That's a great place especially if you're building tools for developers and things like that. Local communities, so if you're building consumer product, you know, there are a lot of influential local community mailing lists, especially those for you know, parents, so those are places you might want to head up to. okay. So when you go to by the

way, home joy, we actually tried all of these. So, we use it ourself, that was fine, I mean we were on a cleaner, so that was pretty easy.

And then our parents lived in Milwaukee and so we were basically not used to that in the work. Friends and coworkers are kinda like in San Francisco and else where, so we didn't have too many of them use it. So we actually, if we ended up in a dead end of, not being about to convince many people to use this in the beginning. So what we did was because we are in Mountain View, some of you might know on Caster Street they have street fairs there during the summer time.

And so we'd go out and basically chase down people and try to get them to book a cleaning. And almost everyone would say no. Until one day, we just took advantage. You know, it was a very hot and humid day. And what we noticed was, you know, and this was like any, at any fair people you know, there might be arts and crafts and things like that. And random people will you know, gravitate towards that, but everybody gravitates towards the food and drink area.

Especially on a hot day. So what we did was, okay, we figured we need to get in the middle of that, and by getting in the middle of that we just took water bottles, froze them and then we started handing out free bottles of water that were cold, and people just came to us. I think we just basically guilt tripped people into booking cleanings. But the proof in the pudding was that I figured most of those people were guilt tripped into doing it, but, when they went home they didn't cancel on us.

Well, some of them did, but, a maj, majority of them

did not. And, so, we felt, like, I, I thought, okay, that's good I gotta go clean their houses, but, at least, you know, there's something we're actually solving here. so, and, you know, I don't suggest, I think showing up the fares, or another start up in the last batch, I forgot their name right now, but they, they, they, they showed up, they, they were selling shipping type products.

Or were trying to replace shipping products or the content and mailing stuff. And so they would show up to the U.S. Postal Office and find people who were trying to ship products. And just take them out of line. Try to get them to use your product. Have them ship it for you. So, you just have to go to places where people are going to really show up, and, you know, your conversion rate is gonna be really, really low, but to go from zero to one to three to four, these are the kind of things, you might have to do.

Okay. So, you got some users using you. Now what do you do with all these users? Customer feedback. So, one, the first thing you should do is make sure there's a way for people to contact you. So, support@homejoy.com. Ideally there's a phone number, and if you hook up a phone number, one really good idea is to, make sure that, you have voice mail or something like that, so you don't have to be picking it up all the time.

But in any case, a way for people to get inbound, to get inbound feedback is good, but really what you should be doing is going out to your users and talking with them, you know. Get away from your desk and just get out and do the work. It seems like a slog and it's going to be a slog, but this is where you're going to get the best feedback ever for your product. And this is gonna teach you on what features you need to completely change, get rid of, or what features you need to

build.

And so, one way to do this is to send out surveys, you know, to get reviews after they've used the product. This is okay, but generally, you know, people are only gonna respond if they really love you or really hate you. And, you never get like the in between, So kind of get in between not get all the extremes is to go out and actually meet the person that is using your product. And, it's not a good idea to, you know, I've seen people go out meet the user and they sit there and it's like a laboratory and it's like an inquisition almost?

And you're kind of just like poking, and poking, and poking at them like why'd you do that? Why'd you do that? That's not going to give you the best results. What you should really do is make it into a conversation. Get to know them, get them to feel comfortable, because you want to get them at a level where they are, they feel like, you know, they should be honest with you to help you an, an, and improve, improve things for you.

So I found that actually taking people out for drinks and stuff like that was a very good way to do that. I'm not sure if all of you are old enough to do that, but you can take them for coffee. So another way, another thing you should be tracking is. How are you doing in general, like from like the macro perspective. And the best way to do that is by tracking customer retention. That is, the number of people that came in the door today, how many are coming back tomorrow, the next day, and so on and so forth.

Usually over time you're kinda looking at, you know, monthly retention so. You know, people who came in the door today are they still using it next month

and so and so forth. The problem with that metric is that it's you know, it takes forever to collect that data. And you don't have, sometimes you don't have a month or two months or three months to, you know, to figure that out. So good leading indicator is actually collecting reviews and ratings like five star, four star reviews.

Are collecting some notion of NPS which is Net Promoter Score. So you're basically asking them from a rating from zero to ten, how likely are they to recommend you to a friend. And calculating the NPS. And so over time what you'll see is, as you're building a new feature, is you should be able to see that the reviews or the retention is going up over time which means you're doing a good job. If it's going down, you're doing a bad job, and if it's kind of staying the same that means you probably need to go out and figure out what new things you should be building.

The other thing is, I'll get to the qualitative thing later, but the one thing you should be worried of is the honesty curve, which is some people will just lie to you. So, I mean, this is like degrees of separation from you, and this is like level of honesty. Like so here it's, here this is your mom.

This is like your friends of friends and here's like random people. I don't know if you can all see this but, so you're mom is going to be you know. They, she should use your product, but she's going to be proud of you anyway, and so she'll maybe be honest like this much. And your friends will, you know, they'll be pretty honest with you and give you feedback because they care about you. By the way, this is assuming it's a free product that you're giving them.

>> And. Then over time, like as you
get more and more random, these people don't even know
who you are, it doesn't go like this really, but it
kind of goes like this. Where people don't care
about giving you feedback they just like okay
here's a survey, ta, ta, ta, tat and so you should take this into consideration when
getting user feedback. Now let's say you make, you
pay. It's a pay product, right? Well let's just do this in
green.

So, the paid, you know, your mom is gonna be like
down here. Like, she's just gonna lie
to you and say, you know, she's just gonna feel sorry
and say, this is a great product
of course. But then you, kind of goes
like this, right? Which is to say that your
friends are kinda gonna give you the right, they're,
they wanna support you and give you the right feedback. But it's actually these
random people up here that, you know, if they, if they really don't think
what they paid for was worth it, they're gonna
really tell you.

Because you know, it's money
out the door. And so, this is another way
of saying you're going to get the best feedback. Obviously, down here, you're
gonna get more feedback if you just make someone pay
for it. That's not to say you
should, you know, and the first time make out make
people pay for it. That it is to say that you
should, if you're going to build a product that you're
going to eventually need to, you know, they're going to
pay for the software or for the hardware, whatever,
you should do that.

Get to the point where you
can do that very, very fast. Because then that's when you
get the real meaty stuff to help
you in the future of how you can get more paying
users in the door. All right so, you're getting
a lot of feedback and, what do you do before you
laun, officially launch the
product? So what you want to do is, you always want to be

building fast, right? And you want to be optimizing for this stage of growth.

That is you, you know, you might have ten users at this point. Don't, there's no point in trying to build features for the point when you have a million users. You want to optimize for the next stage of growth, which is gonna be ten to a hundred users. What are features you really need for that and just go with that. Some times. And basically on the slide is just many ways of stating that notion. Manual before automation.

One of the things that I found when building a market place is that process is very, very important over time as you scale. But you need not try to automate everything and create software to just have robots just run everything. What you should really do to understand what you should really build, is to manually do it yourself. And an example of this is when we started taking on cleaning professionals onto our platform.

We would have them, um, we would ask them a bunch of questions. Over the phone and then in person we ask them a bunch of questions too. And then they would go to a test clean and then they would get on boarded to our platform if they're good enough. And so this took a lot. During all this question asking for that many candidates. You know, we had about a 3 to 5 % acceptance rate. And so you can imagine all the people we were talking to at the beginning of the funnel that never even made it onto the platform.

But what happened over time was that we learned certain questions. That were asking, were, that were indicators of whether they're gonna be a good, or a bad, performer on the platform. We, threw just like data collection and just you know, looking at,

looking at everything, we could just ask on an online forum. So that's when we put on, put in online application. They could apply and then we would ask them maybe several of the questions during the inter, personal interview.

So it's, if you try to automate things too fast, then you run into this problem, potential problem of, you know, not being able to move quickly on trying to iterate you know with things like questions on an application and stuff like that. And the third point here is temporary brokenness is much better than permanent paralysis. By that, what I mean is you know perfection is irrelevant during this stage. You should, when you get to the next stage of growth, like what you're trying to maybe perfect in this one stage, is probably going to not matter anyway, and so do not worry about all the edge cases when you're building something.

Just worry about the generic case of who your core user is gonna be, and then as you get bigger and bigger, bigger, the volume of those edge cases will increase over time. And you'll want to, you know, build for that. And lastly, beware of the frankenstein approach, which is great. You talk to all these users, they give you all these ideas, you know, the first thing your gonna wanna do is go build every single one of them, and go show them the next day and, make them happier.

You should definitely listen to user feedback but when someone tells you to build a feature, you shouldn't go build that right away. What you should really do is, you know, get to the bottom of why they are asking you to build the feature. It's usually. Usually what they're suggesting is not the best idea. But what they're really suggesting is, I have this other problem that you either created for me while using the product. Or, you know, I really need this problem solved before I'm ever going to pay to use

this product, and so, figure that out first, instead of piling on a bunch of features, which then hides the problem altogether.

So, you have, so you have a product, that you're ready to show, and. Some people at this point will continue building their product and not ship it at all. And, I think the whole idea of being stealth and perfecting the product to no end is. Is the idea that, you know, imitation is cheaper than innovation in terms of time and money and capital.

And so, I think everyone should just always assume in general like, there's gonna be, if you have a really good idea. No matter when you launch. Someone's gonna, someone's gonna, be you know, someones gonna fast follow you. Someone's gonna execute, as hard as they possible can to catch up with you. And so, there's not point in holding out on all the user feed back that you can get by getting a lot of users. Because you feel like, you know, you feel paranoid that someones' gonna do this to you.

And I hate to keep harping on it, but this is things that I see today with founders, is something I went through as well. And I think unless you're, unless you're building something that requires hundr, like tens of millions of dollars just to start up, there, there's really no point in, in waiting around to launch your product. So say you have something that you feel ready to get lots of users on. So what do you do at this point?

So I'll look at my time, so. >> 20 minutes.
>> 20 minutes? Okay. So, I will go over, various types of growths in the next slides. But the one thing to note here, early on when you are trying

to get, when it's just you and your co-founder and maybe, like, a couple other people building, you're not gonna be a, you know, create a team just for growth. It, it's gonna be one person and one person only.

And so, you need to really focus and you need to, you should only, you're gonna be tempted to try like five different strategies at one time. But really, what you should do is take one channel and really execute on it for an entire week, and, and just focus on that. And then if that works, continue executing on it until it caps out. If it doesn't work, then just move on. By doing this, you will feel more certain that, that channel that you were working on, that initial hypothesis is wrong.

You'll be, then if you tried only working a third of your time on it over the course of, three or four weeks. So, learn one channel at a time. Second is always be, when you find channels that work, you find strategies that work, always be iterating on it. You can potentially give it to some, like create a playbook and give it to somebody else to iterate on it. But these channels always change. You know, anything from Facebook ads to, even Google ads, to you know?

But, the distribution channels the environments that you don't control, change all the time, and so you should be always iterating optimizing for that. And lastly, in the beginning you're probably, when you see a channel that fails you, just get rid of it and go on and move on. There's many other things to try. But over time, go back to those channels and look at it again. And so, what I mean by that is an example is, in the beginning at Homejoy, we had no money.

When we tried to do, we tried to buy users from Merry Maid, not from Merry Maids, that's just an example of a competitor, but. We tried to buy Google ads to get users in the door quickly. And what we found was that Merry Maids, Molly Maids, all these other national companies, they had more money than us. They were making out a lot more money on the job than us. And so they were able to pay for users at a much higher at a much higher, at a much higher, they were able to acquire them at a much higher cost than us.

And so, we couldn't afford that, and we had to go to another channel, which turned out to be something else. But today we make more money on the job. We're much better at certain things, and so we should probably revisit the idea of buying Google ads and buying, going to the S.D.M. Channel. And so what that's what I mean by that. And the key to all this is creativity. Performance marketing or marketing or growth in general can be very technical.

But it's actually technical and you have to be creative because if it wasn't, if it was really easy and bland, like everyone would be growing right now. And so, you always have to find, like, that little thing that no one else is doing and do that to the extreme. So, here are three types of growth when yeah, three types of growth, sticky, viral and paid growth and hopefully, I'll get enough time to talk about all of this.

So really, briefly, sticky growth is trying to get your existing users to come back and pay you more or use you more. Second is viral growth. So that's when people talk about you. So, you use a product, you really like it, then you tell ten other friends. They like it and that's

viral growth. And the third is paid growth. So, if you happen to have money in the bank, you are going to be able to perhaps use part of that money to buy growth.

And the central theme I'm gonna go through is sustainability. There's a lot of, by sustainable growth I mean, you're basically not a leaky bucket. Money you put in or time you put in, has a good return on investment on it. So, sticky growth is like I said, getting existing users to keep buying stuff. So, the only thing that really matters here is that you deliver a good experience, right? If you deliver a good experience, people are gonna keep wanting to use you.

If you deliver an addictive experience, people are gonna keep wanting to use you. And the way to measure this and to really look at this and how you're doing over time of whether you are providing good sticky growth is to look at the CLV's and retention cohort analysis. Now, does anyone not know what cohort analysis is, or should I go over it? >> Yeah. >> Okay. So I'll go over it. Okay. So CLV is some people call it LTV.

It is called customer lifetime, which is, basically the amount of the net revenue that a customer brings in the door for you over a certain amount of period. So, a 12 month CLV is how much net revenue does a customer give you over 12 months. Sometimes people look at three months, six months, and so on and so forth. So, when I say cohort, basically, what you're looking at is, this is time.

So, let's just call this, yeah, time. So, and this is percent of users coming back to you. So at time zero, right, a

period zero, we're at a hundred. I'm using 100%. So, cohort is another name also for like customer segments and stuff like that. So you can, like, you might look at the female versus male cohort.

People in Atlanta Georgia verses people in Sacramento California. But, the most common one is by month. So, cohort equals month and lets just say for this exercise, we are looking at like March of, I don't know, 2012. So, March 2012, 100% of people, you'll have like, that means n equals 100 people.

So, 100% of the people, obviously, are using your product because, that's the definition. Now, one month later, you might have, this scale is not right, but 50% might come back and so, you come here. Now, in the second month, how many people that came in March, come back two months later? And that might be down here. And, so, over time, you'll have a curve that looks like this.

There's always some initial drop off, you know. The reasons why people don't stay after their first use is, it wasn't worth it, had a bad experience, stuff like that. And then, over time what you want is, you want this to flatten out over time, so that your turn basically goes to 0% that means you attrition out less, and less users over time. And these over here, kind of become your core customers, these are the ones that are like sort of staying with you for a long time.

And now, cohort analysis or using this as a way to show if you have sticky growth or not is now, say you're, say we're one year later and you've built a bunch of stuff right? You graph out the same thing and hopefully what you'll see is that you have a curve like this. That is in the first period even more people than 50% came back to you and more and more people are sticking with you.

A really bad, retention curve looks like this, which is like, after the first use they just hate you so much, no, like no one even comes back. It's just like zero, right. And, I don't know what kind of business that is. I mean it's obviously a shitty business, but like I can't explain a good business that has a retention curve like that. So anyway, so over time as you are thinking of strategies to increase this curve, like keep making it go up and up and up, you want to basically look at this analysis, over time to see if that strategy is working for you.

Okay, does that make sense? Okay, cool. The second kind of growth is viral growth and like sticky growth you need to also deliver a good experience. But on top of that you need to deliver a really, really good experience, like, what's going to make these people shout out loud on Twitter, on Facebook or whatever and tell all their friends and email all their friends and family members about you. You have to really deliver a good experience.

Combined with that is, you need to have really good mechanics for the referral program itself, like, you have a hundred customers who really wanna talk about you now, how are they going to talk about you? So, in that sense a viral growth, the viral growth strategy is all really about one building good experience, but if you have that, it's how do you build a good referral program. And so I've listed the three main parts of that.

One is the customer touch points, which is, where are people, learning that they can refer other people. So, that might be just, after they book, or after they sign up there is a, usually you see these like, right after you sign up for, for whatever reason most, for whatever reason most people just immediately tell you to invite other friends, even though you've never

used the product before. And so, but that's a customer touch point, is just right after you sign up.

A better one is after they use the product after a while, and you see that they're highly engaged, then to show them that link and get them to send it out to everyone. Another one is if you're doing more of a platform type play like, for Homejoy we actually go inside their homes. So now, the customer touch point is when the cleaning professional is inside the home, they can have a leave behind, and, we can show them something there too as well.

so, you wanna basically put the customer touch points and put the actual, link or whatever it is, how they're gonna refer all their friends at a point in time when they're highly engaged and they're loving you. Second is program mechanics. And so that's where, like, the most common thing that I've seen is \$10 for \$10, that is, you get \$10 if you invite your friend and they use it and they get \$10. And so, you should try different types of mechanics in that sense and try to optimize for whatever works for you.

You know, it could be 25 for 25, it could be ten for zero, it could many of these things. And lastly it's when the, when your friend clicks on the link, on your referral link, when they come back to the site, it's very important to really optimize that conversion flow of how they're going to sign up. And so sometimes you need to just sell them in a different manner, or upsell that their friend has suggested they use this and so on and so forth.

So, all these combined, you need to really play around with these on different dimensions and come up with a good referral

program. And, lastly, it's paid growth, so, examples of paid growth is this right here. And these are the most obvious ones, but I'm sure you guys can think of more. And paid growth is basically, you happen to have money, you can spend. You might have credit cards, whatever, but you can spend something to get users.

So, the correct way to think about pay to growth is that, okay you're going to put money. You're gonna risk putting money out there, what are you gonna get in return? The simple way to think about it is, is your CLV, your customer lifetime, the amount of money, the net revenue, the amount of money that people, that your customer returns back to you, is it more than your CAC? And your CAC is an abbreviation for customer acquisition cost.

So, an example is, you pay, actually the slide here has an example here, so say you run a bunch of ads. These are four ads. Over 12 months, the customer's worth \$300 to you. Each one of these ads, when you click on it, the CPC costs different types of money. And then, when they click on the ad, then they have to come to your site and sign up or buy something, and the conversion rates are different for all these ads.

And then, the CAC is calculated simply by the CPC divided by the conversion. And so, you see that there's different acquisition costs for different types of ads. And to determine whether, that is a good ad or a bad ad, all you have to do is, CLV minus CAC. Is it more than zero? If it's at zero then you've, that's fine, but hopefully it's actually more than zero until you actually are earning a profit on it. So, we see that, despite the sales remaining the same and the conversions being higher and lower, there's sometimes, some ads that might seem good, actually don't seem so good

at the end of the day.

Now, the advanced way of looking at it is you can look at this for your whole entire customer base for aggregating all your customers together. But the better way of looking at it is to break it down by customer segments. So, if you have for example, if you're building a marketplace, I don't know, for country music, the CLV's of someone in Nashville Tennessee is going to be much larger than the CLV's and latent value of someone in Czechoslovakia.

So, or, I just assume that's the case anyway. So, you'll need to, you want to make sure that when you're buying ads for these different types of cohorts, or these types of customer segments, that you know what the differences are. You don't wanna mix like, everything together. So, the last one on payback time is sustainability. I think a lot of businesses get in trouble, and it turns into a bad business when they start spending beyond their means.

And it has a lot to do with risk tolerance, or how much risk you're willing to take on. So, when you look at CLV's of these. Let's just suppose you get a customer a customer who's worth \$300 after 12 months, that is, in the first month they're worth \$100. If you wait til the end of the 12 month period, then they give you the other \$200. But if, in the first period you're actually paying \$200 for them, then you're in the whole for \$100 until the end of the 12 month period.

And that's when you start getting into potentially unsustainable growth, which is something could happen where at the end of the 12 months, you don't actually get the

\$200 from the customer, and you end up in a very bad situation and essentially just at the end of the day, you could be running out of money. And if you're doing this with credit cards, you will definitely find that you're gonna have to, you know, declare bankruptcy very soon.

So again, payback time is very important, a safe one to go with is 3 months if you have very high risk, if you're very risk loving, maybe 12 months is better. Beyond 12 months is very much an unsafe territory. How much time do I have? A minute, okay. So, I'll just go into this, the art of pivoting.

So a lot of people ask me, Homejoy went through, Homejoy in its current concept is literally the thirteenth idea we fully built out and try and execute on and try to get customers for. And so, a lot of the questions I get is how did you even, like, get to that thirteenth idea? And how'd you decide when to move on. And so the best guidance I can give on that is, to kind of look at these three criteria, which is, once you realize you can't grow, or once you realize, you are despite building out all these great features and talking to all these users.

None of them stick, or you don't have any good high retaining users, or the economics of the business just doesn't make sense, then once you make that realization, you just need to move on. And I think the trickiest one is probably the growth one, because there's so many stories out there where the founder stuck with the idea, and then, after three years, all of a sudden it started growing. So, the trick here is basically, what you really should do is, you should have a growth plan when you start out, which is you should ideally just have, what is an optimistic but realistic way to grow this business?

And so, it might look something like this. And this is T and this is number of users. So, in week one you want, you just want one user. In week two you want maybe two users and so and so forth. And you can keep doubling up and up. So, in week one you should basically do as much as possible, build whatever you have to build to get that one user. And then in week two, so on, so forth, you build whatever you need to get two users, four users, eight users.

In the beginning it should be fairly, if you have a product that people actually want, you should be able to maintain this growth curve pretty easily just by walking around and manually finding people. It's when you get to like, you need 100 users a week, or you need some of these more, you need the growth strategies to start working. And so, what I tell people is usually if you're fully executing on your product, and you're really working really, really hard, then, if you go three or four weeks in a row of no growth, backwards growth, then either, then it's time to maybe consider a pivot, in the sense that not starting over, like, completely come with a new idea.

But you're probably fundamentally doing something wrong, because, in that early stage of a start up, you should always be growing. And, so, it's not. And this is optimistically what it looks like. And this is like, kind of the growth curve I set forth and put out when I started Home Joy. But really what it looks like is like this. And so you wanna make sure that when you're in a low like over here, that you don't just stop, right?

And that's why you should wait two to three weeks, as long as you keep working hard, you'll eventually get back here and you'll see a trend like this over time. Cool, so that's pivoting and that's it. I can take questions at this

point. >> Answer one question. >> Yeah.
One question? >> So one question online was, if your users have a product that they're already somewhat comfortable with, how do you get them to switch to your's?

>> Right so, there's a switch over costs. I'll tell you the example of Homejoy. So, Homejoy, we actually were creating a new market in the sense that a lot of our initial users never had cleaning before. So, it was pretty simple to get them on board. And a lot of people who have cleaners already, really trust their cleaner and they will. To get them to come and use something else is actually, probably the most difficult task in the world.

And so, when you're billing things and trying to get people to switch over to you, what you really need to do is find the moments where your product or what your offering is much better or very much differentiated from the existing solution they have. So, an example is someone who had a regular cleaner and maybe they had a party one day and they needed a cleaning almost the next day. And because Homejoy, in most of the areas has next day availability, they would just come to Homejoy and use it, because they knew they couldn't get their regular cleaner.

And once they start using the product, then that's when they start realizing the advantage, the little advantages of using Homejoy which adds up to a big advantage. So, a lot of things are, realizing that, leaving cash out, or leaving checks was really annoying, and so billing through online payments was more convenient. Being able to book, cancel, and reschedule, according to your own schedule was very convenient and so and so forth. And so, it's just, it's really hard to, a lot of people when they build the product, they're like, and these 50 things are better than, a little bit better than,

the existing solution.

It's really hard, even if
the benefits outweigh the switch-over costs. It's really hard to actually
tell that to a user and try to get them to aggregate
all those benefits over many little things. It's better to just have one
or two things that clearly differentiate yourself from
the product so. >> Thank you very much. >> Yeah. >> That was awesome. >> Yeah? Okay.