STARTUP
CORE
STRENGTHS

GROWTH HACKING FOR FOUNDERS

WHICH 10% OF YOUR EXPERIMENTS WILL DRIVE 90% OF YOUR GROWTH

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GROWTH HACKING FOR **FOUNDERS**

Our mission is to enable every startup not only to grow, but to 10X. We know it's not only possible but repeatable. And, we've seen that it's not only repeatable but teachable.

Startup Core Strengths

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INTRODUCTION

5 Core Strengths of Startup Growth

What is Core Strength?

It doesn't matter what sport you play – cycling, climbing, football – experts agree that having a strong "core" (back, hips, abs) is essential. If you do sports with a weak core, your performance will suffer, at best, and you risk serious injury.

But what does this have to do with startup marketing?

As a CEO, it doesn't matter what kind of marketing you want to do – Facebook, SEM, SEO, PR, outbound, sales or "guerrilla" – you will struggle to scale customer acquisition on tactics alone if you haven't built a strong *core*.

As a VC, I see so many startups pouring money into Adwords and Facebook, using all kinds of crazy math to justify the CAC:LTV, kidding themselves that this will ever pay for itself. (Andrew Chen: "How Startups Die") And there are such easy obvious opportunities to cut that CAC and speed acquisition *if only they had a strong core*.

How do I know? I spent 15 years as a Silicon Valley marketer and GM myself. Since then I've been an early-stage VC and run a post-seed "growth hacking" accelerator in London. I've helped dozens of startups scale acquisition, with **consistently strong results**.

We have worked with 35 companies of all sorts – B2B, B2C, software, ecommerce, marketplaces. We kept seeing the same gaps and mistakes consistently across companies and the root cause was almost never around tactical execution. Great execution flows quickly and naturally from a *strong core*.

But what is a "strong core" when it comes to growth?

The 5 Core Strengths of Growth

Once you really have "core strengths," your tactics start to make a bigger impact. Organic acquisition and conversion go up, so your CPAs go down. Your activation spikes and your retention curves flatten, so your LTV goes up. That means you have more cash to play with, which means you can grow faster without having to sell as much equity.

There are 5 strengths that form your **Growth Core.**

Strength 1: Message

The quickest, easiest wins we've seen with companies have come from messaging.

Great messaging is precise and specific, and resonates with your customers at a deep emotional level. When it works, it's reflexive, Pavlovian. We've seen companies increase conversion as much as 7X by changing just a few words. But they need to be *exactly the right words* that speak to underlying behavioral triggers.

First you need to deeply understand your product/market fit, what itch you scratch for your customers at the most mundane nuanced level. Second, you need to speak in a way that instantly resonates with their needs.

Most companies who have product/market fit don't actually understand why.

Uncovering customers' deep needs is a journey of surprises. For example, we all know drivers want safe cars. But what makes drivers feel safe? It turns out people feel safer when driving cars that have smaller windows. Who knew?

This stuff is not obvious. You can start by reading The Mom Test. We have developed a simple process to help you discover these insights and turn them to exactly the right words – to drive traffic, signups and conversions.

Here's an example from our program – working with Photobook company Popsa. Really strong team, and they had a good understanding of their customers' problem: People love to have photobooks, but they hate to make them: £50 and 2 hours wrestling with badly designed software. They changed their app store listing from "Print Photobooks" to "Photo Books in 5 minutes." Do you see the difference? It **increased their install rate by 4X overnight**.

Strength 2: Metrics

If you have a strong, effective team, you will get what you measure. But if you pick the wrong metric, your highly effective team will march steadily in the wrong direction.

I've seen countless companies squander countless millions deluding themselves with, and waste top talent through misaligned incentive structures.

At PayPal, we had access to metrics on *over 10 million businesses.* My team built predictive models to find the ones with the highest revenue potential. As a marketer, I've amassed years of insider knowledge on industry benchmarks. As a VC I've seen hundreds of startups. I know what "good" looks like. And the key is to find your "rate-limiting step."

Smart people have published *reams* of great info about SAAS and Marketplace KPIs, so I won't repeat all of it here. But here are a few common mistakes:

- **Vanity metrics** – Being focused on metrics like visits, installs, activations, that don't necessarily represent customer attitudes or behaviours or business value. Simple rule of thumb: The magic is not in the numbers themselves, but the ratios between them.

- **Misaligned incentives** – Poorly chosen numbers drive all sorts of unintended and unhelpful outcomes and behaviours.

- **Bad Data** – Just that – session-based rather than user-based tracking, conflating customers with visitors, repeat visitors vs. uniques, inconsistency across platforms, common attribution errors – all lead to dangerous miscalculations and misguided focus.

- **Too much complexity** – This one surprised me. Some of the *most intelligent founders I've met* have incredibly complex analytical frameworks that connect marketing and product behaviour. Massive spreadsheets, integrating heaps of key ratios and KPIs. I was astounded by how often these businesses fail. *It is possible to overdo analytics*. Instead, winning founders choose a few simple metrics that are easy to understand and powerful for galvanizing the team. Good metrics empower your whole team to make good decisions based on the data.

This one is fairly easy to fix. A conversation with the *right outside expert* can help you find this "rate-limiting step" quickly.

Don't worry. These exercises won't give you "CrossFit neck."

Strength 3: Focus

Focus on the highest impact work. Again, sounds obvious, but who actually does this well?

Most founders know that 90% of their customer acquisition will come from 10% of their work. But they struggle to figure out which 10%. Companies have a dozen competing priorities at any given time. And the result is you often do the wrong work, and do it badly.

How many months of runway do you have? Six? Twelve? Each day you try to guess and pivot around, that's one day less to make progress towards your goals.

At any given time, you probably have 100 growth ideas you want to try. First review your numbers, and find the rate-limiting step. De-prioritise everything that is not focused on that area. (A mentoring session with a seasoned startup marketer *who has experience with your type of business* can help you do this). You'll knock out 50 – 70 ideas quickly. From there, it's on to process: Prioritize the others, identify the key assumptions behind them, and run a series of fast experiments to whittle down the list, narrow your focus, and optimize execution.

Strength 4: Team

As a marketer and a VC, I have learned time and again that this Core Strength trumps all the others. If your team has a growth mindset you'll probably find the right metrics, invent good process, learn enough about your customers. And if you don't have the growth mindset… none of the other things in this blog will help you for very long.

In mathematical terms, over the long-run, *a strong slope beats a high y-intercept.*

Sadly, most companies make the mistake of hiring for experience and skills, rather than mindset. (Lots more about hiring in the sections about "8 Traits", and "Why You Should Not Hire a T-Shaped Head of Growth"). But let's talk here briefly about leadership creating mindset.

How to Lead for Mindset?

The good news: If you, as a CEO, have that growth mindset, there are simple ways to seed that thinking in your team. Start by modelling the behaviour: Speak openly about your own mistakes and what you learned from them, and things you learn from your customers each day. Then, encourage people to talk openly about their mistakes (and more importantly the lessons they've learned)! Create a safe space where people can talk openly about their mistakes and uncertainties without fear of retribution.

You can bake these conversations into your operating rhythms. Make that part of your daily / weekly standups or weekly status emails, or make a Slack channel #lessons.

One example: Before we ran each A/B test at PayPal, I'd ask each person involved with the experiment (especially the senior execs) to make a public prediction about what they'd expect for a result. Then, when we had the actual results, we could compare them with our predictions (eliminating hindsight bias) and unpack the assumptions that led us to our correct or mistaken predictions.

Strength 5: Process

Execute fast, learn fast.

Once you've found your 10%, how do you maintain consistent focus on the highest impact work? Despite all the random ideas, suggestions and crises that crash in every day? Engineering teams have prioritised backlogs and short "sprints." Why should your marketing team be any different?

First, make sure everyone in the company understands the rate-limiting step, and track it with a "north star metric." Everyone in customer acquisition should be able to explain how, by a series of steps, their work impacts that number.

From there, you run a process that looks a lot like engineering. You've identified a small number of ideas that you want to try, and you prioritise them by effort and impact. Turn each idea into a "minimum viable test" that you can run in a week or two. For each idea, identify the riskiest assumption, develop a hypothesis, and run an experiment. If the results are promising, double-down.

The drumbeat of the process is a weekly growth meeting with the CEO, the analytics person, and the marketing team. Review the numbers, talk about the most important things you did last week, what you learned, and decide what you'll do this week.

When Fast isn't Fast

I hate to say "execute fast" because everyone thinks that means "type faster, fewer meetings, no chairs in meetings" etc. While these "life hacks" might make you move around your office faster, they do not move your company faster.

Remember from *The Lean Startup* that *progress means moving quickly through the "build-measure-learn" feedback loop* – running experiments, quickly turning unknowns into knowns. Same thing with growth – every piece of work you do is based on a set of critical assumptions. You need to identify your riskiest assumptions quickly and validate (or disprove) them via "minimum viable tests." Even if you do not have enough traffic to run A/B tests, there are lots of fast powerful techniques to speed the learning curve.

Silver Bullet Sauce

So that's it, the secret sauce with the silver bullets mixed in. From these five strengths, great companies grow.

Before you invest in growth by…

- Spending money on Facebook or Adwords
- Building new product features for customer acquisition
- Hiring and training a salesperson
- Doing a re-brand
- Hiring a recruiter to find you a t-shaped head of growth…

… first take an honest look at your company and think about these five Core Strengths. How do you rate? Does your company live these strengths every day? If not, any additional investment into tactics will be a waste of money and precious time.

STRENGTH 1: MESSAGE

The "Lead Domino" that Makes Everything Else Easier (And Cheaper!)

We've worked with dozens of companies – our goal is to help them find the "10% of work that will drive 90% of the impact."

Sometimes that's SEO, sometimes it's retention or activation. But most often the biggest opportunity is in *conversion*.

Conversion could mean visit-to-subscriber, visit-to-lead, visit-to-purchase… whatever the main thing you want them to do on your site or in your app.

Why is the message the "lead domino"?

A "lead domino" is the one thing that, if you do it, it makes everything else easy or unnecessary. When you get your message exactly right:

- You can massively increase (e.g. 2X – 5X) your conversion rate, so more customers.
- We've seen better messaging let companies raise their prices too – as you increase the perception of *value* – more money.
- If you 2X your conversion, you cut your CPAs in half – still more money.
- And you can change the message in your adverts to use the new message, so your click rates increase too.
- And now you have more relevant content, so you can rank better for natural search, and find new "long tail" search terms to target.
- And if you're into content marketing, you have a much better idea of what to blog about! (Every essay idea on my site came straight out of "customer interview" conversations I had with CEOs.)

- When you understand the message, you understand the customers' problem. And when you understand their problem, you know where they look for solutions. And that gives you ideas for channels. (Again, think of AirBnB's "Craigslist Hack.")

Best Way to Improve Conversion?
It is not: "Make the button bigger. Make it red." "Change the photo on the homepage ." Those are generic tactics with minimal impact. Having a good UX does help, but Squarespace and Instapage give you that for free… many sites do start with a decent UX.

We have seen some *very big* "quick wins," conversion increases of 2X up to 5X in one experiment. Those winners usually come down to the *messaging*. Often very specific words. Here are some examples:

- Popsa, a photobook app, changed their app store title from "Print Photobooks" to "Photo Books in 5 Minutes" and their install rate went up 4X. Do you see the difference? Subtle but powerful. (**see their blog for details**)

- Barclays business banking website promises "You know your business. We know how to help." Hmm… not sure what that means. But Tide, the online business bank, promises you "an account number and sort code in as little as 5 minutes." Oh yeah – that's the thing I need to set up my company! ("Sort code" gets 27,000 searches per month in the UK).

- Sugar CRM is an easy target. Their home page says "Boost productivity with Sugar." Compare that to Propeller CRM, who lead with "Save hours each week on logging data." See the difference? Propeller understands a salesperson's pain.

Good messaging speaks clearly and specifically to the questions, fears and goals people have in their heads. Crafting that perfect headline, that perfect subhead – really speaking directly and concisely to the pain and ambition your prospects feel – that's the big conversion lever.

Conversion Benchmarks – What's Good?

Honestly, we can usually spot these companies without any data… one big hint is when the website boasts generic / nonsensical platitudes "Award winning

customer service! Boost your productivity! All-in-one! Challenging the status quo!" My current fave… "For small businesses with big ambitions." Nobody ever wakes up and Googles "Best solution for a small business with big ambitions" (or "All-in-one _____ solution" or "boost my productivity.") That's just not how actual humans think about their problems.

Okay, numbers - As a rough guide, from my own experience at PayPal (where we had data on *millions* of sites and apps) my own clients and portfolio companies, and many benchmark reports I've read…

- *Conversion to free* (Conversion of unique monthly prospect visitor to a free thing like qualified lead, free trial, etc.) should be *at-least* 10%, ideally over 20%.

- *Conversion to paid* - For conversion from visit to a paying customer (or subscriber), 5% is very achievable for most businesses. If your product is too expensive and complicated to convert at that rate, you should send people first to a "free" step like a free trial, demo, freemium, or other lead-generation method, then take them through a sales process.

How do you find and craft that perfect message? It starts with a deep, deep understanding of your customers' psychology. It comes from asking the right questions. And listening. Which is the next essay!

A Quick Guide to User Psychology

As we explained in "The Lead Domino," getting the right message – the exact right words communicated to the right person, in the right place at the right time, makes everything else so much easier. It lets you boost click rates and conversion, bring down CPAs, boost search rank, add new keyword groups, make content more viral, find organic traffic sources and viral loops, … it all plays off of that *message and context.*

But most companies miss horribly on messaging. And it's astoundingly easy (and usually free) to fix. Here's how companies can quickly find messages and channels that resonate and convert.

The Locksmith's Growth Hack

One day I walked out of my apartment door in San Francisco, and found a sticker on the back of my mailbox: Made of gold foil, shaped like a key, with the name and phone number of a locksmith. You couldn't see it from the front, but you could see it as you were walking out the door.

Of course 99.9% of your life you do not think about locks or locksmiths. Then one day you get home in a rush, and you don't have your key. Suddenly a locksmith becomes the most important person in the world.

This is not a vague general sort of need, you don't want someone who can provide "fast, easy access to restricted spaces including homes, offices, apartments and automobiles." You don't want an "all-in-one lock service" who can install, open or repair padlocks, deadbolts, mortise locks, cam locks, cylinder locks and rim-latch locks. No, you want a locksmith who can *open your front door now.*

We Are All Locksmiths

Most startups are just like locksmiths. Unless something goes wrong, most people never think about payment processing, website hosting, data security, compliance, VOIP telephony, selling a home, finding a vacation rental, taxi service, SPAM filters, or 99% of the things most startups do.

And when people do think about one of those "locksmith" kind of things, they have a very specific problem they need solved, and they are in a very particular place and time.

The Key to Unlocking Growth (sorry for the pun)

Everything you need to know about User Psychology comes down to understanding your customers' "locksmith moment." We'll break that into two parts:

1. **Needs**: What problem(s) are you solving for your customer? How do *they* think and talk about their needs?

2. **Context**: Where exactly are they in life when they encounter this problem?

Part 1: Understanding the Needs

People's needs are best understood on multiple levels: Functional, Social and Emotional.[1]

1. **Functional needs** – The specific thing someone is trying to accomplish, such as "get back into my apartment ASAP" or "reduce credit card fraud." Note these are very specific words, not vague categories of benefit. In some cases this is the most important bit for your marketing; but often it's secondary.

2. **Social & Emotional needs** – Who else is involved here? Who do we need to impress? Who are we afraid to disappoint? Nobody wears a Rolex for its stellar chronography. Even the most boring B2B purchase decisions often involve intense social forces, as we need to impress the boss, our team, even the occasional customer. And we need to feel good about ourselves, reinforce our beliefs that we are honest and excellent people.

Uncovering People's True Needs

When we work with companies on user psychology, we suggest they start with a series of customer interviews. Most people won't answer questions honestly. It's not that they're devious, but people tend to construct narratives, after the fact, to

make sense of their decisions. And you need to understand the real "fog of war" decision making process, not the neat story they remember.

To understand messaging, we start with open-ended questions to discover what kinds of problems and challenges these people face. (And we write down the exact words they use, and ask them to prioritise). Then we start to narrow the scope down to our area of interest, using questions that require factual answers, rather than stories. "How often do you think about…" and "when is the last time you…" and how did you deal with that problem?" and "on a scale from 1 to 10, how well did that work"?

Find out what alternative solutions they considered (e.g. check if any windows are unlocked, see if my neighbour with the spare key was home, text my wife). Often the alternatives are not your direct competitors at all.

And finally, figure out who else is involved in this decision, and how they're impacted. "What would happen if you didn't sort this out? Who would care, and why? What would they do?" "Who else needs to be involved in this decision? What do they care about?

If you listen carefully, you will hear a lot of frustrations and "desired outcomes." Write them down *word for word*. That's the magical language, the message you'll want to use in your SEO and SEM strategies, and on your landing pages and mailbox stickers.

Part 2: Understanding the Context

Why is the iPhone called a "phone?" It does a million things. Most people use it for email, browsing, messaging, games, maps, music, video and social. It's not even a very good phone. When we need to actually call someone, people use Messenger, WhatsApp or Skype. So why is it called a "phone"?

Imagine you are Steve Jobs in 2004 dreaming up a teeny computer that everyone will carry in their pockets. Even today, that sounds weird to say – the "Pocket Computer." And in 2004… that just wasn't a thing. The thing everybody stuck in their pockets every morning in 2004 was a mobile phone. So the new teeny pocket computer had to be a phone, where people expected to find it. (The first automobiles were called "horseless carriages").

Many of the legendary startup growth "hacks" started with equally nuanced insights about context and customer expectations.

- **AirBnB** realised that people who wanted to rent holiday apartments searched Craigslist. So they built a feature to let hosts cross-post their AirBnB listings to Craigslist.

- **PayPal** realised that people who needed to set up online payments had started their journey by securing a domain name, hosting and a shopping cart. So they partnered with every domain, hosting and shopping cart service on earth.

- **Soy milk**, before it's opened, needs no refrigeration. But people expect buy milk in the refrigerator section of the supermarket, so that's where it lives.

- **The locksmith** and his mailbox stickers, of course.

Finding your Locksmith Moment

As you're interviewing customers, take time to understand exactly where they are when they feel the itch you scratch. When you do these interviews, remember, no detail is too small. Ask a lot of annoyingly specific questions – you want to take the customer's mind back to that exact moment, and then walk through it in chronological order.

- When did you start thinking about_____? When was the first time you realised you needed a _____?

- Where were you – Home? Office? Train? Car? Pub?

- Who were you with? What were you doing? What were you wearing? How was the weather? Why were you there? (These specific details will bring them back to the moment in their mind).

- Where did you start your search?

- Who did you ask? Why them? What exactly did you ask them?

- Which words did you type into Google? Did that work? Did you refine your search?

- What had you been doing before you found out about _____?

This portion of the interview should give you ideas for "channels" – Where and when your message needs to appear. It's possible they said "Google" or "Facebook" but it's more than likely they searched other places as well. Think broadly about how you can get into those places – those are your mailbox stickers – and experiment with as many of them as possible. Instead of starting with a checklist of channels (e.g. PR, SEO, Facebook, trade shows), start with your customer's behaviour and think bottoms-up about where you can turn up when they really need you.

Interviewing Tips

Again, getting good insights from interviews can be tricky, as most people unintentionally lie. Before doing customer interviews, we recommend clients read "The Mom Test" by Rob Fitzpatrick. (It only takes 90 minutes).

Best Practices

- Ask open ended questions
- Uncover problems
- Listen and probe
- Start broad, get narrow
- Listen for alternative solutions
- Get super specific details around the context
- Understand who is involved
- Get to "why"
- Ask questions that dig for facts. (e.g. when is the last time you? How often do you? On a scale of 1 – 10, how important is…)?

Pitfalls

- Deflect compliments, dig in to find facts

- Disregard "espoused truths" and theories
- Don't take feature requests literally. Instead, ask why they would want a particular feature, to understand the underlying need.

Nuts & Bolts of Interviewing

We recommend interviewing at-least 10 target decision makers in each segment. If you interview customers, get ones who have signed up recently, so the purchase decision process will be fresh in their minds. Meet in-person if possible. Send two interviewers – one to ask questions, and one to observe and take notes - including non verbals. Don't follow an interview script – instead start with a broad "discussion guide" and let the interview go where it goes. Listen carefully and encourage them to keep talking when you hear something interesting.

Warning: Why MBAs and Former Consultants Always Mess This Up

Often the differences in language are quite subtle, rooted in teeny details. Consultants and strategists are brilliant analytical and abstract thinkers. They are trained to see the big picture, spot patterns and trends. So they instinctively simplify – distil things to the pattern level.

When they hear a bunch of customer complaints about competitors' usability challenges and they think "easier." They see a product with more features than anyone else and they think "All in one." But nobody ever wants an "easier, all-in-one" anything. They want to get into their locked apartment.

This is *deceptive* because happy customers will thank you for making a product that is "easy" and "all in one." But that's not what they set out to do before they found you. Remember when you first met your spouse: Today you probably love them because they are kind, loyal, caring, funny, and considerate. But the first time you spotted them in the pub with their mates, or swiped right… Be honest, you weren't looking for "loyal, caring and considerate." Remember, people tend to construct narratives after the fact to make sense of their lives, and they're often different from the real "fog of war" decision process.

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STRENGTH 2: METRICS

Perverse Incentives – KPIs that Avoid Unintended Consequences

A police department in Australia faked 258,000 blood alcohol breath tests over the past 5 years, **it was recently revealed**. Why on earth…? Surely these officers have better things to do. That's exactly the problem: They have plenty of work to do – burglaries, assaults, shoplifting, drugs, domestic violence – but they are still required to complete between 50 – 100 breath tests in a single shift, or they face reprimand.

The ultimate goal is noble: Reduce drunk driving. But the KPI, number of tests run, created a *perverse incentive* that caused the wrong behaviour.

Say what you may about Aussies… but this problem is not confined to antipodean law enforcement. In my years at PayPal, I watched us waste millions pursuing poorly chosen targets. And I see startups do it every single day.

With great teams you get what you measure. So choose your KPIs carefully.

How do you avoid perverse incentives in your KPIs?

1. **Pick your Point of Focus** – Likely 10% of your work will bring 90% of your results. Where is your "rate limiting step?" That's the area where, if you nail it, the other numbers get better automatically. For details see our chapter "Find your 10%." Choose 1 (ideally) to 3 (maximum) areas, and select a "north star metric" for each one.
2. **Start With the Customer Behaviour and Work Backwards** – What is the overall business goal? Which controllable customer behaviours most directly cause that? And which metrics most closely track those behaviors?
3. **Get the Right People in the Room** – Bring in everyone involved in the work. This is a system-level exercise, and different people understand different parts of the system: The data warehouse, customer mindset, sales process and compensation, adwords bidding strategies, previous website experiments and results, budget forecasts… all important inputs.

4. **Stress-Test the Metric** – With the right people around a table, propose "straw man" KPIs, challenge and debate them *for one hour*. Should you track an absolute number (e.g. 5,000 signups per month) or a ratio (install : signup rate)? How exactly do you define the numbers? For example, does "visitors" mean "uniques"? Weekly uniques? Monthly? Rolling 7-days, or calendar-week cohorts? Do we exclude returning customers from "visitors"? Other useful questions:
    a. Can we actually track that? If not, what's a good proxy?
    b. What will people actually do to hit those targets?
    c. Is that what we want them to do? What will they *stop* doing?
5. **Make a Call** – These debates could last months. If you can't sort it in one hour, make a list of unknowns, take a week to research, and spend a second hour discussing. *Do not let them take more than a week.* You'll probably get the wrong number at first, that's okay. This is an iterative process. Done is better than perfect.
6. **Add Some Key Drivers** - Once you've selected your "north star" metric(s), find a few critical behavioural metrics that drive or explain changes in the "north star." For example, if you choose Total Signups as your north star, you'll want to watch total visitors, conversion rates and conversion rates by traffic source very closely.

Simple SAAS Business Example
Business Goal
MRR
Closest Behavioral Metric
Monthly Active Subscribers
Drivers of that Metric
North Star ---> # of New Signups
# of Retained Actives
Drivers of North Star
Traffic (Monthly unique prospects)
Focus Area ---> Conversion rate to Free Trial
Conversion rate to paid subscriber
Important Numbers to Monitor
% of Traffic from Paid Channels
Blended CPA
Churn

Simple eCommerce Example
Business Goal
GMV
Closest Behavioral Metric
Transactions per Week
Drivers of that Metric
New Purchasing Customers
North Star ---> Repeat Purchasing Customers
Transactions per Customer
Drivers of North Star
# of Past Customers "Pinged" (Email, notification, retargeting)
of "pings" per customer
Focus Area ---> % of "pinged" customers purchase rate vs. non-pinged control
Important Numbers to Monitor
Cost per incremental order
% of past customers engaged with "pings"
% of past customers addressable with "pings"

Image: Examples of North Star Metrics & Key Drivers

7. **Assign Owners** – Each important number should have somebody's name next to it. And make sure people who have the accountability also have the discretion, support and resources to succeed.

8. **Rinse, Repeat** – Now that you have your North Star and a few Key Drivers, build a dashboard (Google Doc is fine – move quickly!) fill in a couple of months of historical data, start tracking new data. Review those numbers with the team, including the CEO and finance person, for one hour. Make sure everyone understands them, raise additional questions, try to make sense of what you're seeing. Will these numbers move your business in the right direction? What behaviours are these KPIs causing? This is a good time to make tweaks.
9. **Pencils Down** – This iterative process should take no longer than 3 cycles (weeks). It won't be perfect. You should not have more than 10 important rows (North Star & Key Drivers) to pay attention to. Pick the best numbers you can, and get to work on moving them!

Common Pitfalls to Avoid

1. **Outcomes over Actions** – It's important to measure outcomes, not activity. Being busy is not a useful KPI. In-fact, you want the most impact with the *least* effort, so targeting "work units" as a KPI can drive exactly the wrong behaviour.

   For example, if you're trying to improve your SEO rank for key terms, setting a goal of "number of backlink requests sent per week" is a work unit. Better metrics might be the number of new high-quality backlinks per month, or better yet, an improvement in domain authority or rank, or % of traffic from natural search (depending on the scope of the employee's role). Those are business outcomes that give your SEO person enough discretion to research, use judgement in how best to achieve their goals.

2. **Metrics at the Right "Altitude."** – As in the SEO example above, choose a metric at the right "altitude" to allow its owner broad judgement and discretion about how to hit their target. Let them be (or become) the expert on their area of the business.

3. **Consider the Tradeoffs** – What will people *stop* doing to hit their new goals? Will it distract them from more important work? Will it cannibalise a more valuable project or business line? Or sacrifice customer satisfaction?

4. **Availability Heuristic** – Don't choose metrics just because they are easy to track. Google Analytics is full of distracting "noise" metrics. Instead, follow the steps above to work backwards from customer behaviour to select your

important KPIs. You may need to define some new metrics, or even upgrade your analytics tools.

5. **Customers vs. Revenue** – Especially in B2B and subscription models, a "good" customer can be worth 1,000X more than an "average" customer. In those cases, target the amount of addressable revenue secured, rather than the number of customers.

   For example, instead of defining activation rate as actives/signups, define it as activated revenue / signed up revenue. You may be able to hit your revenue target by focusing intensely on three of your 1,000 monthly signups.

   Also, for your LTV/CAC, track it by channel, because one traffic source (e.g. Adwords) might bring you huge customers, whilst another (e.g. affiliate) might bring you small fish.

   Finally, if your revenue is super-concentrated in a small number of "big fish" customers, track *median* rather than *average*, to avoid having those outliers skew your results.

6. **Short vs. Long-Term Targets** – Consider where you're at, your fundraising timeline, and be deliberate when you choose the right mix.

7. **What vs. How** – Give your people both "what" and "how" targets, rather than encouraging them to hit their targets *at any cost.* For example sales team behaviour can be toxic, marketing spend can grow unchecked, and learning can stagnate.

8. **Outcomes Over Insights** – I find numbers fascinating, but we're not writing Freakonomics Freakonomics here. Focus ruthlessly on the important data points you need to run your business, rather than query after query to test out our various clever theories and questions.

Finding Your North Star

This is an important and tricky problem. But it is solvable, and hopefully this essay can serve as a "cheat sheet" as you build your dashboard and go through the goal-setting process.

Now that you have a good framework in-place for thinking about KPIs… how do you know where to focus your efforts? That's the hundred-million-dollar question. To find your answer, check out our essay: Finding Your 10%, in the "Focus" section of this book.

Acknowledgements: Sincere thanks to Charlie Taylor for reviewing and sending me detailed helpful feedback on this essay, and many others in this book.

Churn: Four Non-Obvious Insights

First of all… churn is absolute death - it's the mathematical inverse of compound interest. Einstein once called "compound interest" the eighth wonder of the world. So imagine its opposite – a curve that decrements by 8% per year is a hyperbolic downward slope.

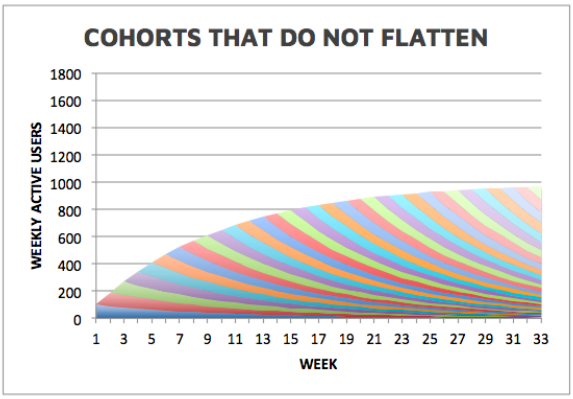
I think I once read that if you invested $0.02 in an account in Ancient Egypt and compounded it at 3% per year, it would be worth like $44 Trillion now. So imagine the opposite of that. Bad. If you have it, stop whatever you're doing and go fix it.

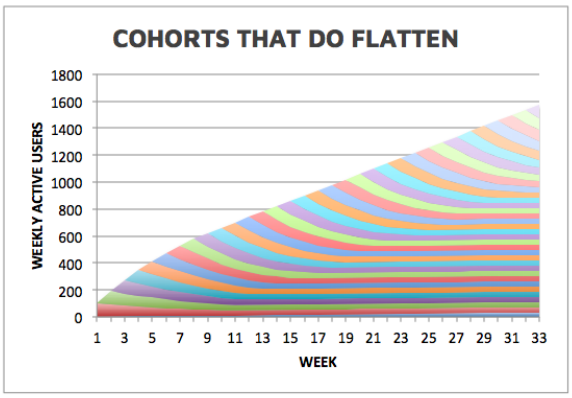
So how do you do that? I've spent a lot of time fixing churn over the years. Here's four super-helpful insights I learned the hard expensive way:

1. Your Retention Rate Doesn't Matter

Almost every founder (and most VCs) look at the wrong metric. Every founder who shares retention numbers tells me X% of my subscribers remain after 3 months and Y% are active after six months. It really doesn't matter at all if your six month retention rate is 10% or 50%.

What matters is the shape of the cohort curves. If your curves *flatten*, you have a viable subscription business. If they don't, you don't. End of story. I've seen an extremely successful business ($10B+ valuation) where the retention curves flatten below 10%. But they flatten. Here's a simple illustration of that point, inspired by Brian Balfour.





2. Choose the Right Denominator

People who sign up and use your service once and never again, they didn't churn. They were never really engaged to begin with. If you go on one date with a woman, and she never calls you back, that's not a *divorce*. Same thing here: "one and done" is an activation problem, it requires activation tactics.

The denominator of your churn equation should be *loyal regularly active customers.* That definition varies for different businesses. For a debit card, it might mean 5 txns/week. For Netflix, maybe it's watching 3 shows per month. For the Halloween store, it's 1X/year. But you should have some number that means your customers are hooked and habituated. That becomes the denominator for your "churn" equation; if they "go dark" you have a churn problem.

3. Customer Churn or Revenue Churn?

If you run a gym where every member pays a flat $50/month, then revenue churn and customer churn are equal. But for B2B SAAS, marketplaces and advertising-supported business, bigger customers can be worth 10X, 100X even 1000X more than smaller ones. If that's true, *track and solve for revenue churn!*

4. Don't Assume your Problem is "Bottom of the Funnel."

When people look at churn, it's tempting to think you've done something wrong (e.g. a missing feature, bad customer service), and take a "we want you back" approach. That's great! Definitely aspire to delight your customers, and fix things that frustrate them. *However*... often churn comes from *attracting the wrong customers, or bad early-life experiences.*

Here's a useful exercise: Identify a cohort of loyal customers and a cohort of churners and look backwards through your data to understand and compare their customer journeys. What are the differences?

Acquisition - Maybe you were acquiring the wrong customers. Maybe some of the churners were fraudsters. Maybe some of them only needed a "one-time" solution. Maybe some of them never should have signed up in the first place. Maybe churners came in for a different set of features, or via a different acquisition channel. Segment your acquisition tactics by churn, and shift your attention and spend to the ones that bring you big loyal customers.

Activation - Compare usage patterns from loyal vs. churners. Did they have different onboarding experiences? Do churners use different features, have different needs or encounter certain bugs more often than non-churners? Did they skip key setup steps (like compliance checks) that led to downstream pain? Can you flag valuable customers early in the journey, and focus intensely on activating and delighting them?

Conclusion

Churn, unfortunately, is a single result that could mask a number of causes. Before you take action, it's important to make sure you're defining the right metric, that you do in-fact have a churn problem. From there, it's important to study the whole funnel to identify potential causes. I hope these insights help you avoid some of the mistakes I spent so many years and dollars making.

KPI Benchmarks for European Series A

Before I tell you the numbers, it's more important to understand why, and when, the numbers *do not matter*.

The $100,000 Myth

There's an oft-repeated mantra that $100K monthly revenue = Series A. Sometimes it's £100K or €100K, sometimes it's recurring revenue, sometimes it's gross merchandise volume. But it's always an even 100K. In any case, that's just wrong, please forget it.

An active VC in London for the past 3 years, I've backed 35 companies, and so-far, 15 of them have raised big "up rounds" and many of the others are on-track to do so. I've been working with a lot of founders on fundraising, and talking to a lot of Series A VCs about what they do and don't want.

What's wrong with $100,000?

Now let me tell you why the $100K thing is bunk: I've seen a company with no customers or revenue raise from *top tier* international VCs on a $10M valuation. I've seen a company with around $50K in monthly revenue raise from a top-tier international VC with a valuation *above $50M*, and I've seen companies with $300K MRR struggle to pull a round together at all. Ask other VCs, they'll tell you the same thing. Series A investors are far too intelligent and selective to apply such a simple business rule.

So what *are* the KPI benchmarks?
Let's look at it from the investor's perspective:

1. What do Series A VCs want? They want to do investments that can "return the fund."

2. Since a normal Series A check is £3M - £10M, and the funds are £50M - £200+M, that means, after dilution[1], they need a 10X – 50X return.

3. Since the average Series A valuation is around £30M, that means, assuming some dilution in later rounds, they need to believe your company can *exit*

for a £500M - £2B valuation within the lifetime of their fund (e.g. the next 7-10 years).

A £1B+ exit in 7 years? How do you prove that?

It is, of course, impossible to prove. But these are the best signals – the things you should *demonstrate* with your *traction* as you begin your raise.

Large & expanding market – The market exists and is underserved, as proven by other companies, but isn't too competitive or impenetrable.

KPIs You *demonstrate* this by showing that your customer base is growing quickly, that the growth is not slowing down, that you're getting a lot of referrals, CPAs are going *down* and that your targeting can be quite broad, but still effective. Show, with the diversity of your customer base, that your service's appeal jumps across national borders, industry/vertical sectors, age and demographic barriers. Back this up with a detailed bottoms-up sizing that shows you understand who you are selling to, what problem you're solving, and how you plan to reach them.

Amazing Team – Your company could grow 100X in 10 years. One day you might wake up and have 500 employees. Can you handle that as a leader?

KPIs This is quite subjective. One major "signal" for VCs is to look at your track record of past accomplishments, so highlight previous leadership roles, successes *and* failures. Also, once you get into due diligence, investors will do extensive interviews and background checks to see how you think about the business and scaling. And of course they will want to spend lots of time with your team to get to know you and see how you work together.

Good Unit Economics at Scale – Venture businesses grow quickly and perform well because they have such high margins. High COGS are a direct drain on cash, and create operational hassle and limit your speed of growth. For specifics, check out the Sonos, FitBit and GoPro stock prices since their IPOs.

KPIs Gross margins, realistic estimates of what those margins will look like at scale (including "touch costs" and fully allocated CPA), and a realistic sense for how you will get to those margins as the business grows.

Strong Product-Market-Fit – Evidence people love you!

KPIs How much of your traffic is via referral/word-of-mouth? Do your retention curves *flatten*? Do your accounts become *more valuable* over time (AKA "negative

churn")? How quickly are you signing up new customers? VCs will also check this by speaking to your customers to make sure they are happy now, and their broader needs align with your roadmap.

Competitive Moat – How does your business systematically lock out competitors? Do you have a strong network effect or an insurmountable first mover advantage? Exclusive access to some kind of resource or customer or supply acquisition channel? How wide is the gap and long will it last?

KPIs Again look at the acquisition dynamics, can you quickly and cheaply acquire, engage and retain customers? Do your customers bring you more customers?

Downstream Appetite – Will your business need to raise more money? If so, how much and when? Is it the sort of business that Series B, C, D and E investors would want to back? Some markets, rightly or wrongly, are just "cold" to investors. (e.g. ecommerce, ad-tech).

KPIs Amount and growth of later-stage funding into your industry (in Europe or elsewhere), a thoughtful detailed plan that shows how much you will need to raise, when, and possible sources.

Limited downside – Even though venture capital is famously "high risk," most VCs, especially in Europe, are looking to limit losses.

KPIs Recurring revenue stream from loyal customers, or very active M&A market for your tech and talent, rare & valuable intellectual property - anything that could provide a "floor."

So what about the $100,000? Does MRR matter at all?

That number is "helpful but not sufficient." It's still a useful internal target for most startups, because below that threshold, only the most extraordinary companies (e.g. founder's previous company was very successful) can pull together a big raise. And it provides a large enough data set to divine the more meaningful metrics above. However, that six-figure monthly revenue will go a lot further if you have:

- A high and consistent MoM growth rate
- Very high (e.g. SAAS or Marketplace) gross margins

- Recurring revenue, as in a subscription biz
- A founding team with a track record of success, and big bold goals
- A CEO who can connect the long-term goals with short-term objectives
- Very low CPAs driven by referrals, organic, network effects
- You have an obviously large and expanding market
- Every VC in-town wants into your cap table because of raging FOMO

Animal Spirits

Warren Buffett once said "The market is a voting machine in the short term, and a weighing machine in the long term." He means that in the short-term, investors' irrational emotions set prices, but over the long term, underlying business value drives returns. (And smart investors like Buffett arbitrage the difference between the two).

Nowhere is that more true than venture. Seed rounds are all about the dream: Charismatic founders with vision; potential and possibility divined from early traction. But by the time you get to Series B, the calculators come out, and valuations must bear an obvious mathematical relationship to revenue, margins and growth. The Series A folks live in that awkward in-between stage, a weird mix of hype and traction, what could be and what is. As a founder hoping to raise, you ignore either at your peril.

Acknowledgements: Huge thanks to a few outside experts who reviewed and commented on this post, including Sean Seton-Rogers of PROfounders Capital, Ben Blume at Atomico, Katie Marrache from JamJar, and 500 Startups' Rob Neivert for the Silicon Valley perspective.

[1] Dilution is when the value of an investor's equity is reduced as more equity is sold in subsequent fundraises. For a super-simple example: Suppose you own 10% of a company. The whole company is only worth $100, and your portion is worth $10. If that company then raises $100 from another investor, the company is now worth $200, but now you only own 5% of the company. So you could say your ownership has been "diluted" from 10% to 5%.

STRENGTH 3: FOCUS

The Most Important Growth Decision a CEO Must Make

The only thing I can say for certain about your marketing plan is that it's wrong.

Wait. I haven't seen your marketing plan?

Yes, but I know it's *a plan*. As boxer Mike Tyson famously said, "everyone has a plan until they get punched in the mouth."

As a VC and marketer, I've seen and worked with hundreds of startups, and I've helped some of them grow very big very fast. Many business types – ecommerce, B2B, B2C, SAAS, marketplaces… And many types of CEOs – some get deeply involved in marketing, others delegate it completely. And the right approach varies enormously from one business to the next. But there are a few things all these approaches have in-common.

You're in the Danger Zone

As a venture-backed business, you have a fixed, precious amount of time and money, and a deadline (and I do mean *dead*line) You need to hit aggressive growth targets. Each day spent is a scarce finite resource.

What levers do you have? Your budget is fixed. Your people can work harder, and that can maybe give you an extra 20% - 30% impact. They should work hard, but that's not leverage.

The two things that will determine your success or failure are:

1. *Which work you choose to do*

2. *How well you execute it*

Let's start with #2 - Execution

As a CEO, you can set high standards, model excellence in all you do, hire great people and inspire them to do remarkable work. But if they execute the wrong work perfectly, it's for naught.

Hence, *your single imperative is to make absolutely sure your team is doing the right work*.

Your most important decision as a CEO

The most important marketing decision you make as a CEO is to decide which work your team will do.

If you set the wrong targets, tell the wrong story, select the wrong channels, and don't course-correct, it doesn't matter how hard you work or how well you execute – your business will die.

How do you make the best decision possible? Four Non-Obvious Steps.

These four steps are simple, but often feel counterintuitive.

1. *Do not* decide which work you choose to do. I know I just told you that your most important decision was which work to do. But you're probably (hopefully) not the best person to make that decision. If you've built a truly great team, the best people to make that decision are the people closest to the customers, and the marketing experts themselves. So *your job is to create an environment that will ensure they're making the best decisions*. (And even if you do have all the right answers – better to let your employees figure stuff out for themselves: If they make the decision, they'll be more committed to the outcome, and they'll execute better as a result).

   This is very hard and unnatural for many founders. In my experience, many talented founders are used to being the "smartest person in the room." A bit paranoid, they crave control. Their teams feel pressure to tell them "yes" even when they're wrong. Letting go of decisions is one of the hardest things for founders, but it's key to building an outstanding company and team. Even famously tyrannical founders like Elon Musk and Steve Jobs are able to attract, inspire, and delegate to exceptionally talented teams.

2. Start with your customers' needs – What are *they* trying to accomplish? And how can you help them achieve that goal? What exact words do they use? How do they talk about their problems? What are they stressed about?

What brings them joy at work? Who are they trying to impress? Who are they afraid to disappoint? (These are surprisingly powerful subconscious influences).

3. Then choose the right metrics – Once you understand your customers' needs you need to carefully determine how to measure the impact of your work, so you focus on messages, channels and campaigns that will have the greatest bang for your buck. If you have a good team, you'll get exactly what you measure. So choose the right metric. In other words, *the target you set will determine the work your team chooses to do.* I've seen many (many!) teams execute beautifully crush their target, only to realise, in hindsight, it was the wrong metric, and they had wasted months, years, millions, and achieved nothing.

4. Fail Fast – It's safe to assume you will make lots of bad decisions along the way. So follow a lean, fast, iterative process (I recommend weekly sprints). Identify and test your riskiest assumptions. And meet with the team *weekly* to review learnings and decide which work to do in the following week.

Your Growth Backlog or your Product Backlog?

Think about your product backlog. Would you ever let your devs make random decisions about what they feel like coding each day? Of course not! You have a carefully prioritised and scrutinised backlog of work. And you should! The future of your business depends on it!

Believe it or not, your marketing backlog is *probably more important than your tech backlog.* Consider this:

1. Marketing, not dev, will become the largest variable cost in your business.

2. Growth is the main way you'll get to breakeven or raise more cash.

3. Most startups fail for lack of growth. (Source: Peter Thiel)

4. Marketing is less controllable than internal tech resource, so arguably needs more rigour.

5. If your product is good, then marketing becomes the most important lever.

6. If your product is mediocre, marketing becomes even more important!

Why leave your marketing priorities to chance?

Acknowledgements: Many talented mentors! Thanks first to Peter Karpas for introducing me to this thinking. Second – Tom Carrington Smith's feedback was instrumental. Thanks to Diego de Jodar for pointing me to Jobs To Be Done theory (parroted above in the understanding customers section). And thanks to the brilliant Nopadon Wongpakdee for showing me the example of a marketing vs. an engineering backlog.

How to Decide Where to Focus

As a CEO, you can literally only do one of these 3 things:

1. Figure out what you're solving for – set goals & targets, priorities

2. Pull levers to solve for it – Do the actual work to make those goals happen… design products, raise money, sell, etc.

3. Drive mindset change to increase the organisation's chance of success

Pulling levers is the opposite of scalable. Driving mindset change is critical, and we'll get there. But that doesn't matter unless you've chosen the right goals!

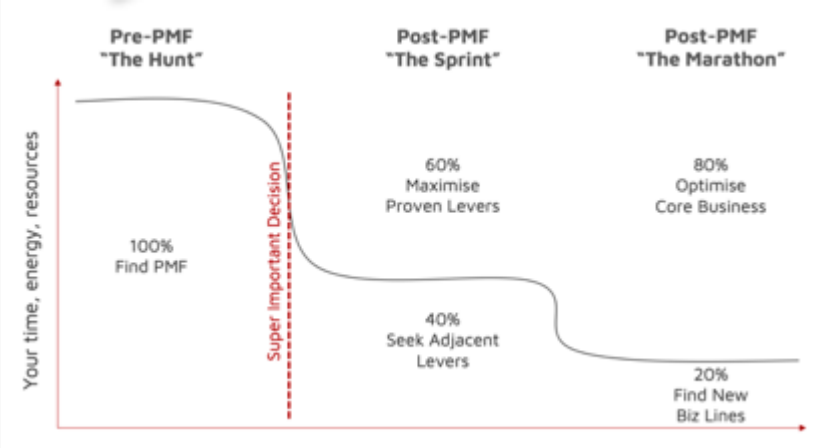
I sat down one day and listed out some of the trade-off / prioritisation decisions a founder needs to make:

- What to build next?
- Which segments to target?
- Which features to promote?
- Where in the funnel to focus?
- Which channels to try?
- Who to partner with?
- Which geo's or markets to launch in?
- Focus on supply or demand side of the marketplace?
- Which KPIs to focus on?
- Who to hire?
- When to hire?
- When and how much to raise?
- How fast to burn?
- And many more…

So the first decision is to decide what to decide!

The answer, of course: It depends.

It depends what stage you're at. *Do you have product market fit?* If you do not have product market fit, then you need to focus 100% of your attention on finding product market fit.

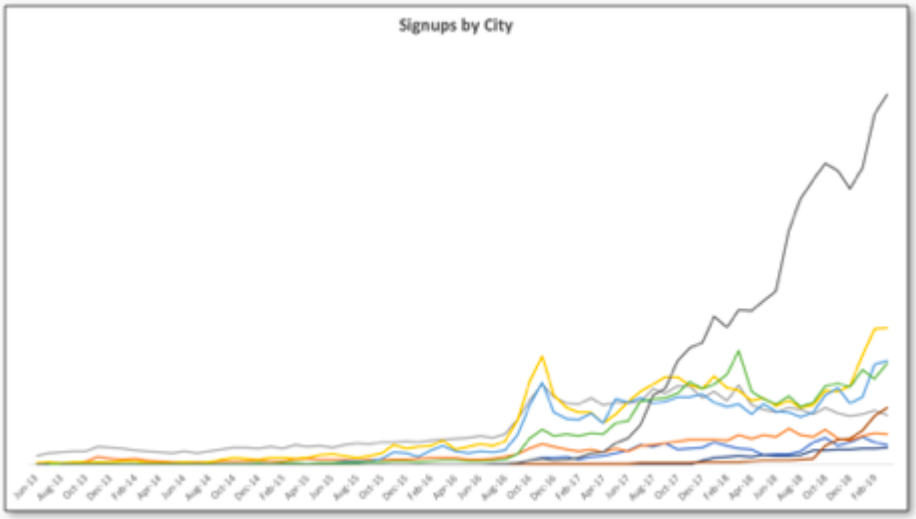


If you *do* have product-market fit, then it's time to scale it.

But don't take that decision lightly. One of the main reasons I see startups fail is that they convince themselves (and their investors) that they have PMF, but they don't. They staff up and start throwing money at marketing, and it just does not scale like the graph in their pitch deck. And they blame the head of marketing, who in-turn blames the product team. More money is wasted at an ever-increasing pace. Bridge rounds are raised. New Heads of Growth are hired. It seldom ends well.

How do you know if you have Product-Market Fit?

Well first of all… it's kind of obvious. Look at this graph:



This is from a B2C startup that operates in a bunch of different cities. Notice one of those cities looks different from the others? Most of those cities are growing between 50% - 100% YoY. Important – in every city, it's the same product and the same marketing campaigns. The "super city" was not the first one they launched either, it came in kind of late. But the customers in "super city" really needed the service much more. That is product-market fit.

So if you're staring at your graph, wondering if you have product-market fit… you don't.

One other test is to try to scale it. Pick some channels, test them out. They should scale quickly with very good unit economics (CAC to LTV). If they don't, then you lack PMF.

Finally, there's the "Sean Ellis Test." Email your current users, and ask them "If our product disappeared tomorrow, how disappointed would you be?" (not disappointed, somewhat disappointed or very disappointed). You want at-least 40% of your customers to be "very disappointed. Then ask them "why."

Be Honest With Yourself

If you don't have PMF, then your only focus, 100% of your energy, needs to be on finding PMF. (We'll explain how in the next chapter). But in-short it means you:

1. Fully and deeply understand the problem space, the customers day-to-day pains, the alternative solutions, their fears, doubts and dreams, plus their day-to-day routines
2. Have a proposition that resonates instantaneously with them
3. Pay off that proposition with a product that is 10X better than their current solution
4. Have a few good reliable scalable cost-effective channels to acquire customers

You're going to get those things through a lot of research and experimentation. And the key is to find ways to shorten the learning cycles so you can move faster – because your runway isn't getting any longer!

If you do the "Sean Ellis Test," survey, one good place to start is with the survey responses. For the people who would be "very disappointed," what kind of customers are they? How do they use your product? And where can you find more of them? And how can you make your product better for them? (And for the people who would be "somewhat disappointed.")

If you Do Have Product-Market Fit

First congratulations! Okay then what are your key decisions?

1. How to optimise the core funnel – what's the rate-limiting step (see later chapter), and how can you "open it up"?
2. Test your way into more adjacent channels. This could be other marketing channels (e.g. paid search, influencer marketing) or partnerships, or new geographies, or new product offerings that can better engage and monetise your current customers. Lots of axes on which to scale.

   Just remember that each new scale vector is *a hypothesis.* Fire bullets first, then cannonballs. Test your way into them with a non-resource-intensive experiment to see if you can find and acquire customers via that new vector. Use a minimum viable test – that means run the experiment *before* you build more product, sign expensive media contracts, hire people or do big partnerships. First find a quick simple test to validate that it will work.

Which Decisions Should You *Not Make*?

The whole process starts with these primary decisions:

1. Do we have Product-Market fit?
2. Choosing where in the funnel to focus and
3. Finding more axes on which to scale

Those are your *primary* decisions. The answers will drive your secondary decisions:

- Which KPIs to target
- When, who and how much to hire
- When and how much to raise and spend
- What to build next

So the *primary* decisions drive the *secondary* decisions. Getting those decisions reversed can be deadly for your startup.

If You Don't Have Product-Market Fit, How Do You Find It?

Let's start with what *not* to do. What are the biggest mistakes that cause startups to crash and burn?

Mistake 1: Try lots of things at random. (It's not actually random, it's from lots of discussions with other executives and investors. But it's not based on first hand customer insight.) So the solution is to be smart and methodical in your search. (I'll explain in a moment.)

Mistake 2: Over-commit resources to un-proven theories. Companies get so convinced they are right, they hire and spend huge amounts without first validating your key assumptions. The solution is to *identify your riskiest*

assumptions and come up with quick experiments to challenge and try to disprove them. (More on that in a moment too!)

Mistake 3: "Build it and they will come." They spend a ton of time building an elaborate beautiful complex solution to a set of problems, before they have validated that people would "pay" for the *proposition.* (Either pay with money or time and attention).

Remember, each time you build a new feature, you add:

1. Proposition complexity – you make it harder to market
2. Codebase complexity – product becomes more expensive to maintain, slower to add new features
3. Interface complexity – harder to use

Each time your product gets harder to market, more expensive to maintain, and harder to use, your burn rate goes up, which means the rate at which you are consuming runway accelerates. That means you need to go fundraise, which is bad.

Why is fundraising bad?

1. You give up equity
2. It's no fun
3. Your smartest most capable people will spend six months focused on something other than building great stuff and getting more customers

Mistake 4: Pushing String **–** People aren't buying the product, and companies just start throwing more resources at it… hiring genius marketers, agencies, Adwords, Facebook, PR… a million ways to spend a million dollars. But if you don't have PMF, you're, again, burning your runway at an ever accelerating pace.

So what do you do?!

Five Rules for Finding Product-Market Fit

1. **Start with a focus on the problem definition.** Really spend time understanding your customers and the problems they struggle with, how they frame the world, how they talk about those problems, where they look for solutions. You need to understand this in minute detail. (When we work with companies, we use a variant of the "jobs to be done" framework modified for marketing, plus the methodology in "The Mom Test.")
2. **Choose work wisely.** Don't just do the next thing you think of. Make a backlog of all your marketing ideas (just like your product team hopefully does). Score each idea based on effort and impact, and do only the stuff that makes sense (high impact, low effort). And don't spend too much time

sizing these things… just a quick "t-shirt size" will do – order of magnitude estimates.

3. **Start Experimenting.** When you have an idea with high impact but *large* effort, then think of a simple experiment to validate if it's worth making the full investment. Ask yourself what's the riskiest assumption, and what's the easiest way to test that assumption without making the full investment? Often this involves marketing products before you build them – to see if customers are enticed by the proposition.
4. **Assume negative feature value until proven wrong** – Each feature needs to earn its way on to your roadmap based on a validated customer need. That means you *try to sell or market each feature before you build it. And only build features where you already have customers lined up.*
5. **Prioritise Learning over Scaling** – Choose your goals carefully, you'll get what you measure. If you don't yet have product-market fit, then numerical targets around revenue or numbers of customers, targets that encourage your team to scale, will drive the wrong behaviour. Instead choose targets around gaining validated customer insights… number of experiments and customer interviews, "hit rate" for finding winners. And hold people accountable for learning outcomes. That means speaking openly about your mistakes, and what you're learning each week. (Rather than punishing people for being wrong). And always ask how you can test bigger stuff faster.

So that's it: Prioritise learning over scaling, focus on the problem definition, start experimenting, and assume negative feature value until proven wrong.

Why is this so difficult?
It always feels better to be right than to be wrong. We have degrees from top universities (except I don't, but you probably do and I wanted to write this paragraph in the second person). Anyways – degrees from top schools, years of success at top companies. We didn't get here by being wrong. We're almost never wrong. And we fall in love with our own ideas, our "vision." We pitch them to investors, who validate how clever we are with heaps of cash. It's hard to walk back from those commitments.

When customer data challenges our worldview, we are forced to confront our own mistaken assumptions. That's no fun. In-fact, it's terrifying. As founders, our whole identities are tied up in our companies, and this threatens our sense of self. So our brains try to avoid that experience. They re-write the narrative, blame others and push harder in the wrong direction.

Very Simple Math
Remember, 70% of venture-backed startups fail. And, only about 2% really have "big exits." Therefore, start with the assumption that we're probably wrong because, statistically speaking, we're probably wrong. Paradoxically, that humility and curiosity will greatly increase our chances of success!

Finding Your 10% - Where to Focus?

Most CEOs know that, when it's all said and done, 10% of their work will account for 90% of their customer acquisition. Many suspect that's already the case. But *how do you find the right 10%? And how do you do it quickly, before you run out of cash?!*

This is exactly what we do – help companies find that 10% quickly, and learn to focus on it.

Important disclaimer – We've done this many times. I'll tell you the questions we ask, and the patterns we tend to see. But ultimately this is no substitute for working with an experienced growth professional who is familiar with your market, customers and business model. This is your most important strategic decision, get help and get it right.

A Two Step Process

These great "hacks" are always obvious in hindsight, but almost never when you're at the coalface. Step 1 is to figure out where in the funnel to focus. Step 2 is to find the messages, channels and tactics that will "open it up."

Most of these essays are about step 2: Choose the right KPIs, understand customer needs, brainstorm and prioritise, run experiments in sprints, etc.

So here we'll talk about Step 1.

Where in the Funnel?

For most startups, it's not obvious where in the funnel to focus. So they "peanut butter" their focus across the funnel, which really dilutes the impact of their work.

The first thing we do with a company is to look through their funnel metrics and compare them with benchmarks for their business model, industry and price point. Broadly speaking, we start from the bottom of the "AAARR" funnel and work our way up.

1. **Referral/Retention** – If your customers don't like the product – if they churn and discourage others from using it – if you have high churn rates, a low NPS and zero referrals… you can't market your way out of that, I'm sorry. And any investment you make in marketing, at this point, is a big waste of precious cash.

2. **Activation** – Assuming your existing customers are happy and "retained," how do you make sure new signups are able to experience that same magic, quickly? Which features are most engaging? What's that first "aha moment" and how do you make sure people experience that fast, with a minimum of friction? (Freemium models do this). If you have a lot of signups, but most of them never use the product – think about activation, consider freemium, a free trial, or greatly simplified onboarding.

   Activation KPI: As you choose your metric, remember "activation" does not just mean using the product once. Activation is a customer behaviour that demonstrates the user *values* the product. For example, converting from a free trial to paid, or a pattern of repeat usage over a set time period (e.g. 3 actions in 5 days).

3. **Visit-To-Signup Conversion** Suppose your new customers activate quickly and love the service… but your website traffic tends to convert badly (below 10% for free offers and leads, below 4% for paid offerings). *You should not pay for traffic until you make good use of it.* You will get out-bid and out-spent by people with high conversion rates, because they can afford higher CPAs.

   Conversion KPI: As you're looking at conversion, be sure the denominator is unique visitors and excludes returning customers logging in. Your signup "success events" should be deep enough in the funnel to be meaningful (e.g. "clicked this button on this page" is too shallow, but "viewed signup complete page" is better.) Be sure to break out conversion by traffic source as much as you can with UTM tags or similar.

4. **Traffic & CPA** – If you are one of the lucky few who have high conversion, strong activation and great retention and referral rates… congratulations, you have permission to really focus on traffic. At this point, people spend a lot of time trying to optimise paid search spend (FB and Adwords) and SEO. You'll probably have more leverage if you think broadly about traffic sources, and find ones that are particularly relevant to your customers and business (like AirBnB's famous "Craigslist Hack.") In the end you want multiple very low-cost sources of predictable scalable qualified leads.

5. **Traffic KPI:** In addition to the obvious, number of visitors, look at the "quality" of traffic. That includes conversion (and activation and retention) rates by traffic source, CPA of course, and whether the cost goes up or down as you scale it (down is better).

We find most companies are focused *too high in the funnel* for their stage – optimizing SEO or buying AdWords before they have good conversion or retention rates. If you have a limited amount of runway to hit your traction targets, then burning through money to buy traffic only accelerates your progress in the wrong direction!

What About Marketplaces?

Marketplaces are tricky because they have two funnels and a supply- demand balance (AKA chicken and egg) problem. Which funnel to focus on? You need to find a "balance metric." Imagine a simple auction site that sells vintage comic books… what percent of auctions result in a sale? If only 5% of auctions convert, then you need more *demand – more nerds to buy comics*. If 95% of auctions convert, you need more *supply – more nerds who sell comics*. Of course this gets more complicated when you add categories – different product types, or if you need to match suppliers and consumers in specific locations like Uber. But it starts with a balance metric – should you be focused on the "supply" funnel or the "demand" funnel?

Sometimes The Problem is Not in Your Funnel

The other day I was mentoring a startup: Series-A stage, millions in the bank, over 80 employees. We went through my whole little "audit checklist." They were actually growing quite well, and passed my checkup with flying colors. Great KPI selection, good stack of tools, diverse set of low-cost acquisition channels, strong organic growth, lean experiment- driven process. I was a bit concerned at the end of the session, because I didn't think I could help them at all, and I like to be helpful!

Finally I just wanted to check the team structure & talent depth: "Walk me through your marketing org chart."

Her: "You're looking at it."

Me: "You have one employee in marketing?"

Her: "Yep."

Guess what… I found your silver bullet! Hire some bloody marketers!
So as a final thought… your strategy is only as good as the team that will carry it out. Which brings us elegantly to our next topic.

STRENGTH 4: TEAM

3 Reasons Not to Hire a T-shaped Head of Growth

If you're a marketing recruiter in 2018, "T-shape" is the brief. That elusive combo: Broad "base knowledge" of analytics, psychology, UX. Plus deep tactical experience in one or two areas (e.g. paid performance marketing, analytics).

It's hard enough to hire a decent head of growth at all! If you can get this elusive "T" why wouldn't you? And who am I, random blogger, to tell you otherwise?

Learn from My Mistakes

Over my career as a "growth marketing" director (3 Valley Startups, PayPal) and an early-stage VC (Partner @ 500 Startups), I've had the chance to recruit, manage, work with and invest in many marketers over the years. I've made every imaginable mistake. And I've made some extraordinarily good hires and backed some extraordinarily good founders. And I finally have a sense of "what good looks like" (and what *bad* looks like). And I've outlined it in my "8 Traits for a Perfect Growth Marketer" chapter.

So what's wrong with Mr T?

It's not that the "T-Shaped" attributes are bad things themselves. But they distract from what you should actually be hiring for: A mindset and an approach, values and attitudes. And it's hard enough to hire good marketers without imposing unnecessary filters on your search! Grr. Pity the fool.

1. Problem: Skills & Experience – The popular "T-shape" definition focuses on skills and experience, which distract from what you should really be hiring for. What makes the best marketers? Not knowledge or skills. Not at all. Not even a

little. The best marketers I ever hired at PayPal had no prior marketing experience, no background in UX or Psychology or storytelling. What matters much, much more are personality, attitudes and values. (Ray Dalio talks a lot about values over skills in his book **Principles**.)

To succeed, a head of growth needs to understand your customers' mindset and your "growth equation;" and identify the rate-limiting step. Then they need to focus the entire organisation – Engineers, Finance, Product, even the CEO, on opening up that bottleneck. *Re-aligning your entire company*. They don't teach you that in General Assembly Adwords Bootcamp.

2. Problem: Blind spots - If you hire an experienced performance marketer, don't be surprised if you end up spending a lot of money on Google and Facebook ads. It doesn't matter how T-shaped they claim to be, when the pressure is on, there's a 90% chance any of us will end up scuttling back to our comfort zone - doing what we're comfortable doing (e.g. pouring money into Google and Facebook, doing a "rebrand" etc). And there's a 99% chance that's *not* what you need.

When you have a hammer, everything ends up looking like a nail. With T-shaped marketers, I just see too many hammers looking for nails.

3. Problem: The "Great man" theory – The "great man" theory of history is a (sexist) fallacy that attributes huge historical swings to the vision and actions of a single man (e.g. Napoleon, Martin Luther, George Washington), when they were in-fact broad societal changes with many fathers (and mothers!).

We make the same mistake in growth – ascribing the growth at Facebook, Dropbox, PayPal and AirBnB to single talented individuals. And that is never ever the case (as those famous individuals will tell you!). Growth is 100% a team sport. If you do not have the entire company aligned around your growth goals, from the CEO down, you will not succeed. You can't bolt this on – you need to reconfigure your whole organisation to focus on growth.

No matter what it says on LinkedIn, your head of growth is your CEO.

And the single greatest strength your "growth hackers" need is the ability to align the organisation around a target and a plan, and get them all to work together and execute well and fast. (That's also known as "leadership.")

What should you do instead?

Maybe don't hire a head of marketing at all. For the price of one Head of Growth, you can get 2 – 3 really smart people who have the *growth mindset*. Set them to work executing against carefully chosen targets. (How you choose those targets, how you manage them – that's *critical* to your success).

Manage them well and ask them the right questions. Have these smart people start in more junior roles, and have them spend a lot of time with your customers, really understanding their problems and how they think about the value you deliver. If you create space, they'll grow into broader more senior roles. Historically, home-grown leadership talent has always had a much higher success rate than outside hires.

This Hire is Not your Big Lever.

Most of all, please understand that your "Head of Growth" is not actually the biggest lever you have to pull. As the CEO of a pre-Series-B company, *you are the head of growth.* What could you possibly have to do that's more important than finding and engaging more customers?

CEO as Head of Growth?

Being a great "Head of Growth" CEO doesn't take much time. As I outline in this book, you can probably do it in two hours per week. Here's what you need to do:

1. Understand your growth formula, and define your KPIs

2. Find the rate-limiting step and make it your "North Star" metric

3. Align your whole company (not just a marketing hire) around that North Star metric

4. Drive a company-wide mindset change to enable you to exceed your goals faster – by modelling the right behaviour and setting the right expectations for your team.

5. Insist on a lean experiment-driven process that lets you quickly identify your riskiest assumptions and "turn unknowns into knowns" as fast as possible.

Summary & Conclusion

Truth is a lot of us would be lucky to get a good t-shaped marketer. A good t-shaped head of growth is valuable, but it's a *compromise*. The best heads of growth have the mindset and understand the process. They won't be the drunk guy looking for his keys under the streetlight, they won't be the hammer looking for nails. They'll actively eschew their own comfort zone, and lead the entire organisation headlong into the unknown – to make it known.

Even the most talented head of growth cannot succeed without the explicit focus and support of the CEO and the rest of the organisation.

You could spend £200,000 to hire your Head of Growth. Spend 5 minutes figuring out how to help them be successful – read: CEOs - How to Manage the Growth Function.

Hiring: 8 Traits of the perfect Growth Marketer

Why this matters: Hiring (attracting, selecting and inspiring) amazing people *is the #1 lever* you can pull as a leader. Talent is the only proven true consistent source of competitive advantage.

Why should you listen to me?

I've screwed it up many times! For years as a Marketing Director, I hired dozens of people and repeatedly built high-performing teams. Later, as a VC, evaluating founders and their teams became my most important job. During that time, I made lots of mistakes, and learned many things the hard way. I also had some shining successes, of which I'm very proud. Anyone who has worked with me, even my detractors, will tell you that these days I hire great people.

Roles on a Growth Team

Quickly, before we get into the traits, I want to remind readers of the 5 roles you need on any growth team. As an early stage startup, you may not be able to fully staff a dedicated growth team with all 5 roles. But the growth people you do have will need access to all of these resources on some sort of part-time basis.

1. **Product** – one PM who can spec growth features, manage the growth product roadmap.

2. **Engineering** – Engineer who can focus on user acquisition and engagement, work on growth experiments. Will likely need to do A/B testing, front-end and database work.

3. **Analytics** – Somebody who can define your growth KPIs, run the queries, connect the tracking systems, build and populate the dashboard, swim around in the data looking for patterns and insights, and answer millions of questions.

4. **Design** – A mix of UX, landing page design and branding – very user-focused, can work quickly, "done is better than perfect."

5. **Actual marketing** – Last but not least, someone who knows how to understand customers, demonstrate the value of your offering to them, select and optimize channels, run this whole process, and inspire the rest of the company to support their quest.

Silos = Death

One common misconception is that "marketing" is a group that sits independent of product, dev and data, and "puts traffic into the funnel." This couldn't be further from the truth, and marketing pretty much only works if it's part-and-parcel with the rest of your product experience.

The 8 Traits

Over the years, building growth teams inside big companies and startups, these are the traits that have consistently stood out. Importantly, no single individual possesses all of these traits. (In-fact some of them sit in conflict.) Instead, you should try to make sure they are all present and leveraged among the various members of the team, and that they can work through those conflicts in a constructive, healthy way.

1. **Humble** – Marketing is a process of learning. You're only really learning if you're aware you don't have all the answers. The best marketers often have no reason to be humble – they are brilliant accomplished people. But they remain humble because they take risks, fail often, and learn constantly.

2. **Curious** – Great marketers are incessantly curious. It can even be a bit annoying. But when they see results that don't quite make sense, they are not willing to "assume away" anomalies in the data. Instead, they dig and dig to find insights. They always want to know why things work or don't work, constantly interrogating data, co-workers and customers.

3. **Scientific** – Growth is literally a science. Many of the best marketers have a background in the hard sciences. You're developing hypotheses, calling out your assumptions and validating them via a rigorous process of experimentation. These people can design a sound experiment, interpret the results, and design the next test.

4. **Artistic** – There's no getting around it, great marketing is beautiful. Great design makes us feel good, feel good about ourselves. Great writers can

draw us into their worlds, inspire and move us. And truly effective marketing connects with us at a deep level.

The artists and the scientists will clash, there's tension inherent in their collaboration. But they need to work through that conflict to deliver great marketing that converts.

5. **Optimistic** – Building a startup is hard work, the pay isn't great, and neither are the odds. Great marketers will persevere. In our "Distro Dojo" we'd work with batches of 6 – 10 companies. And in each batch, one of the companies would get lucky, and post an early win – an experiment that doubled some important KPI. We'd celebrate the success. But the other teams struggled with that FOMO. They would run test after test, week after week, never managing to move the needle. "Trust the process" we'd say.

   Sometimes it took them 2, 3, 5, even 8 rounds of testing to find a "win." But eventually they do. (Or they don't). But this can be hard, gut-wrenching, demoralising stuff. Everyone will question and challenge you. (Everyone thinks they're a marketing expert). And you need to be able to survive on faith that one way or another; you'll figure this out.

   (Also, at this point, you may be concerned that we're screening to only hire people who are delusionally arrogant, rather than the humble scientists described above).

   There is something of a paradox here, it's true. But it is possible to be both humble and optimistic. (Google "The Stockdale Paradox"). As a VC, I often ask founders "On a scale from 1 – 10, how do you rate your odds of success with this venture?" (I know the actual odds, it's not pretty). The best founders all seem to come up with the same answer: "How sure am I that we'll succeed in the long-term? 10 out of 10. But am I sure we're doing the best work we can and making the right decisions over the next few months? 3 out of 10." So you see, they are at once deeply humble and deeply optimistic.

   And yes, for the record, all great entrepreneurs *are delusionally optimistic.* Just like Steve Jobs' famous "reality distortion field" they see a clear vision of the change they are trying to make in the world. It's so real they can touch it, and they are drawn inexorably towards it. "Leadership" is the act of inspiring others to join you on that journey. So yes, you do want to hire somewhat delusional marketers.

6. **Tenacious** – If you haven't read *Shoe Dog* (Biography of Nike founder Phil Knight) or Ashlet Vance's biorgraphy *Elon Musk*, or *The Everything Store* about Jeff Bezos' years building Amazon… that's some good reading! One thing every normal human being will think, as they read those books, is "why does he keep going?" Each of these men went to hell and back, multiple times, before these businesses became the "obvious" successes you now see.

   Phil Knight had an MBA from Stanford. Elon Musk made a fortune from the PayPal IPO. And Jeff Bezos was a hedge fund manager. None of them ever really needed to worry about financial security or success. And all three of those founders' companies should have been dead multiple times. (In-fact Musk is going through that again with the Tesla Model 3 and Space-X simultaneously!) And where most normal people would have given up 100 times… these nuts persevered. Of course you could say this is "hindsight bias." And lots of entrepreneurs persevere like crazy and fail. But if you look at all the successful ones, every single one of them was insanely tenacious. (It's a necessary but not sufficient condition of success).

7. **Engaging** – Done right, growth really involves the *entire organisation.* Not just the designers, analysts, product and engineers, but the CEO, operations, customer service. Everyone's role is connected, somehow, to that "north star" metric. Great growth leaders understand that, and bring everyone on the journey with them. That the company will succeed or fail as a whole. They make sure everyone understands their role and their goal. They are extremely generous with (honest) praise, calling out good behaviours, and acknowledging successes. They give everyone the benefit of the doubt and assume positive intent. There's no petty politics or backstabbing, the entire team shares in the credit for victories. And when things fail, they don't get into the blame game – they own it and fix it so it won't happen again.

8. **Integrous** – Integrity is the alignment between the thoughts in your head, the words that you speak (honesty) and the actions you perform (follow-through). If people lie, even about small things… nobody lies about just one thing… that's a huge red flag. People who take credit for the ideas or work of others, people who make excuses and pass blame… any hint of impropriety or dishonesty, *do not hire.* No matter what. In a startup, every employee has the "keys to the kingdom." Any employee can walk out with the codebase, the financials, customer lists, cash. It happens all the time. Plus these people just have all kinds of other dysfunctional behaviours. This

is especially important for growth marketers, who are are, by definition, leaders in your organisation.

What's not on this list?

Reading these "8 Traits for the Perfect Growth Hire" you might have noticed a few omissions… I didn't mention Facebook campaigns, Mixpanel, AdWords, SEO, ad agency experience, B2B, B2C, Optimizely, Mailchimp, Hubspot, Marketo, Lead Generation, AppsFlyer, ASO, affiliates, partners, Hootsuite, Wordpress, outbound, inbound, direct mail, SQL… or pretty much everything you'd put in a job spec for a marketer is not on my list.

That's no accident.

Over the years, some of the best marketers I've hired have had *no marketing experience at all.* I hired them purely for their thinking and approach – to business problems and organisational problems.

In his excellent book *Principles*, Ray Dalio makes the point I think many of us have learned… skills and experience generally don't matter, and we should focus instead on attitudes, values, personality and ability.

Marketing in particular doesn't require deep technical skill or off-the-charts computational, athletic or musical ability. Honestly, it's not rocket science. For me, that really skews the equation over towards the "attitudes, values, ability" vs. "skills/experience" end of the spectrum.

What's more, in today's European market, skills and experience around performance marketing command a real premium – it's *hard* for an unknown startup to hire people with performance marketing experience. Funny thing is, they don't need to!

STRENGTH 5: PROCESS

Founders: How to Manage Growth In *One Hour Per Week*

"Finding your 10%" is all about efficiency and leverage. How can you get the best performance from your customer acquisition teams without spending too much time managing them directly?

Most of the time a founder/CEO should be able to manage customer growth in 1 hour per week. It requires a single, carefully structured conversation with your Head of Growth, and possibly some of her key lieutenants.

Before I walk you through the structure of the conversation, there are a number of important prerequisites!

1. Hire the right people

First, make sure you *hire the right people.* You need to have a good team in-place. We favour abilities over skills, as you read in our section about "8 traits of the perfect marketing hire."

2. Foster the Right Mindset

There is no off the shelf set of tactics for your growth, and each company needs to find their own "silver bullets." That means growth is, fundamentally, a learning journey with a tight deadline – a series of carefully chosen but quickly executed experiments.

As a leader, you need to make sure people are expected to learn, and learn quickly. Model this "growth mindset" by speaking openly about your own mistakes and the things you've learned. Ask people questions that encourage them to reflect on their assumptions and the outcomes of their work. And give them a safe space to make mistakes, reflect on them, learn and improve.

3. Agree on the right goals

Understand your growth model, and agree on the "rate limiting step" where you get the most leverage, as discussed in our section about "finding your 10%."

4. Choose the right KPIs

With good teams, you will get what you measure. So choose your metrics carefully! Focus on your "rate limiting step" and the key drivers that will open it up. For example, do you want more traffic? Or more signups? Or more valuable signups? Do you want lower CACs on your paid campaigns? Or to drive more "organic" signups than paid? Are you optimising for fast growth or profitability?

We have a whole section about selecting KPIs, but broadly I'd say start with the fundamental customer behaviour that drives your business, and then back into your rate limiting step – the piece that unlocks everything else. Try out a metric, and check that it drives the right behaviour (customer and employee behaviour) and does not lead to unforeseen negative outcomes.

The Very Important Conversation - 1 Hour Per Week

How Often?

Once you have the team, process, mindset and focus in-place, you can scale back to weekly growth check-ins. (Every two weeks at the longest, we need to keep a fast cadence. Daily check-ins become too tactical). This conversation should ensure they are focusing on the most impactful work, progressing quickly with results, and learning. That really just comes down to asking the right questions.

Goal of the Meeting

But in-short, the agenda is simply: "What is important, and how is it going?" You want to look at the KPIs, what they are doing and why. Next review the work completed in the last sprint, results and lessons. Finally review the plan for the next sprint to make sure the team is doing the right work, and resourced to execute it quickly and well. That's your hour.

Your Role as Founder

When you sit down each week with your head of growth, have a conversation that ensures they are focusing on the most impactful work, progressing quickly with results, and learning. That really just comes down to asking the right questions.

If you disagree with an important decision, ask questions to understand the thinking behind it, find out what information they had and what reasoning led them to the conclusion. The question "why" can be off putting, I'd suggest "walk me through your thinking." Also don't do that passive-aggressive thing where you state your opinion but make it sound like a question. "Don't you think it would be better if we stopped that campaign and did XYZ instead?" That's pretty transparent and patronizing, so don't do that.

Growth Meeting Agenda:

1. First, have a look through your *short dashboard of 5 – 10 very important KPIs.* Have a look – are things on-track or not? Doing what you expect or not? Ask any questions around the numbers. (In your first few meetings, this part could take the whole hour, as you're learning about the business, choosing and tweaking the best metrics. But it should sort itself out in 2 – 3 sessions).

2. What are the 2 – 5 most important things you worked on last week?

    a. What happened last week? Was that the most important work?

    b. Any results? If good, should we double-down? If bad…

    c. What did we learn? What do we still need to figure out?

    d. If they're off-track, what's the delay? How can we fix that? Or work around it?

    e. Is there a faster/easier/cheaper way to get the same results?

3. What 2 – 5 things should we be doing next week?

    a. Are they really the right most important things? What are we not doing and why? Are there other more leveraged ways to get us there faster/cheaper?

b. What are we hoping to learn?

c. What outcomes do we predict?

d. Any risks or blockers we can solve in advance?

That's it! The magic formula.

Who should attend the weekly growth meeting?

It really depends on the size and stage of the company, complexity of your marketing.

1. **Seed Stage** If it's early and there isn't much "growth team" then I suggest including everyone involved with growth, even non-marketers. Those conversations about "why is that important" and "why is this number going down" and "why did that experiment fail" are full of valuable insights for everyone! The more context people have, the better work they will do.

   Also, people get to present and take credit for their own work, which gives them "exposure" and gives you insight into team dynamics below the "head of" level. Even if it's not practical to include *everybody*, try to have the key operators (e.g. the SEO person, email marketer, website person, etc.) as well as the analytics/data person. The designer and copy person, and the front-end dev could also learn a lot. (In a seed-stage company, these may not all be full-time dedicated roles!)

2. **Series A – B** Eventually you get to a point where it's a large, unwieldy meeting. At that point, I suggest including your Head of Growth, any functional heads (e.g. acquisition, engagement), plus the analytics and front-end UX/design person.

3. **Series C & Later** – For really large companies, eventually you break your marketing out into departments (e.g. Europe vs. North America or B2B vs. B2C, or Enterprise vs. SME). I *do not* recommend splitting by funnel stage or skill set – better to split by customer type, or product line and give each product or segment a full-skilled growth team (analytics, design, dev, etc.). In those cases, your CEO, Head of Growth and Heads of Departments should check in every 2 – 4 weeks with the script suggested above. Then the Head of Growth should have a *weekly* growth meeting with each of her department heads and their key lieutenants.

In these meetings, you, dear Founder, should speak, *at most*, 15% of the time. And when you do, most of what you say should either be new information (context setting) that they may not have (e.g. status of key hires, fundraising, product decisions, new market entry, etc.) and *asking great questions.* You should not be telling them what to do, or how to do it!

So that's it – as the CEO, you spend one hour per week with your growth team, make sure they are doing the most impactful work quickly, and that the numbers are on-track and everybody is learning.

Growth Sprints: Running The Process

We're all used to prioritising a product backlog and running sprints. But consider that it's customer acquisition, not product, that will:

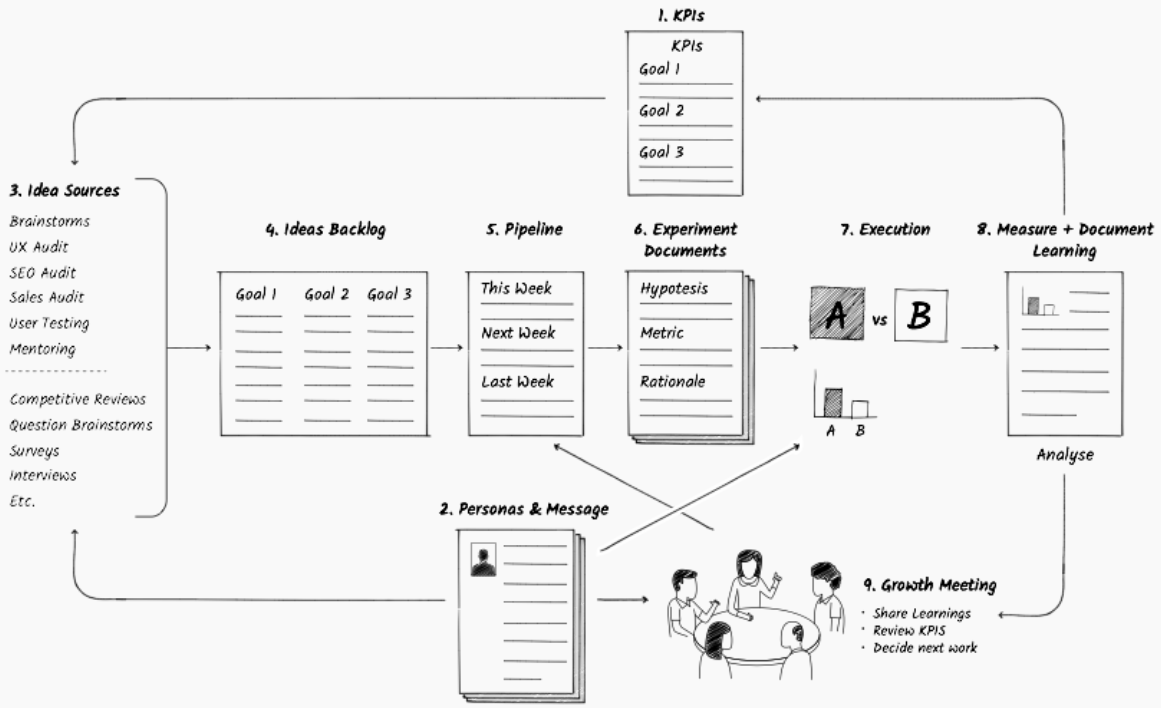
- Become the largest variable cost in your business
- Get you to breakeven or enable you to raise more cash
- Drive your valuation if you are successful

But marketing is less controllable than internal tech resource, and has much more variable outcomes. That's why every successful hyper-growth startup follows a lean, iterative, sprint-driven growth process.

The Lean Growth Process

Remember, the goal of the process is to speed through a "test, measure, learn" feedback loop where you run the right experiments quickly to make progress against your goals, and learn about your customers, channels and messages.

The process is simple, if you've already run a lean product and dev process, this will feel quite familiar.



Pre-Work: Metrics and Message

This pre-work is *essential.* Otherwise garbage in, garbage out, the rest of the process will just be a waste of time and money.

1. **Understand your customers'** "jobs to be done" and the specific context where those jobs fit in their lives. (See the chapter on user psychology)

2. **Set the right KPIs** - See the sections on KPIs, you want to choose numbers that reflect changes in customer attitudes and behavior, but connect directly to revenue. And really make sure you're checking the right stuff - watch out for unintended consequences and perverse incentives.

3. **Initial Brainstorm** - Brainstorming is an ongoing process, but it's good to kick off by gathering all the ideas that have been floating around the company, getting them all in one place. Also your customer interviews and KPI setting exercises will give you lots more ideas. As you find your rate limiting step and select your "north star metric" that focus brings real clarity, and with it, ideas. Get all those ideas into one place and prioritise them.

4. **Prioritise** - First, grab only the ideas that will help you hit your *north star metric.* If your goal is more organic traffic, and somebody has an idea for a paid search campaign, or an activation email… that's not organic traffic. Set those ideas aside for now.

   Next, quickly score each idea for "effort" and "impact." Make a rough estimate, just a scale from 1 - 5, where 1 = teeny and 5 = huge. "Effort" is a mix of fungible resources - time, money, engineering days, whatever your biggest constraints are. Some people prefer to add in a "chance of success" variable too, but I find this complication unnecessary. The important thing is not to debate these sizings for too long. Do some simple math, basic research, and jot down an order-of-magnitude guess.

   Third, sort them into four buckets:

   a. **Easy + More Impactful** - Go do that stuff!

   b. **Easy + Less Impactful** - If they're low-risk, just slot that work in as time allows.

   c. **Hard + More Impactful** - These are your big bets. Before you make a massive investment, we recommend you identify your riskiest assumptions, and run "minimum viable tests" - quick experiments to validate those assumptions. For example, before you build a new product feature, try to sell or market it, and see if anyone is willing to pay for it. Before you try to rank for a search term, buy the term and see if you're able to convert that traffic into valuable customers. Remember the goal of these experiments is *learning.*

   d. Hard + Less Impactful - In the bin.

Ongoing Operating Rhythm - The Loop

Pre-work is done, you have a stack of customer insights, a first draft KPI dashboard, and a backlog of experiments, including a few you are *super excited to try.*

1. **Select the week's work** - Look at the ideas on the top of the list. You can only run a limited number of experiments in a year, so choose carefully:

a. Obviously start with the largest estimated impact, but those numbers are imprecise, you'll need a "tie breaker."

b. If something seems like a great idea and you cannot think of any risk or downside, just do it. Don't "waste" a full-fledged experiment. (But watch the numbers!)

c. Are any of these "lead domino" experiments - meaning if they are successful, they make lots of other things possible or easier? Run those "lead domino" tests first.

d. In addition to the business impact, will you learn something important about your customers or your business from this experiment? If so, make it a higher priority.

e. Can you learn that thing *without* the experiment, e.g. mining your existing data, or interviewing customers? Or looking at competitors sites? (Hint: You can see which competitors are running their own A/B tests using BuiltWith). In that case, de-prioritise the experiment.

f. Do you have at-least two good options to test? If not... lower priority until you do.

2. **Design the week's experiments** - Document your experiment, including any context, your hypothesis, the success metric (both the metric and the predicted outcome), the methodology, and be sure to include screenshots of both variants.

3. **Make predictions** - Everyone on the team should make a public prediction, even have a contest. (e.g. I think Variant A will convert 14% better than the Control). This eliminates hindsight bias when the results come back, and leads to better thinking in the debrief.

4. **Execute** - 'nuff said.

5. **Measure** - Remember, we're not trying to publish this in an academic journal. We don't need 99% statistical significance. But we are looking for big wins. *If you're not certain whether it's a big win, it's not a big win.*

6. **Discuss and Learn** - What did you expect to happen? What actually happened? Why? Are the numbers doing anything strange? Why? If you're

not seeing any effect, should you keep it going? Try something similar? Try something totally different? How many variables were you trying to isolate in that experiment? What do we know now and what will we do differently as a result?

7. **Choose next week's work** - Based on that new information, go back to your backlog - do those goals and ideas still make sense? Any new ideas? Keep the old experiments running? Tweak them? Try something totally different?

That's your weekly iteration loop, and your growth meeting. (Specific agenda for the growth meeting in the "one hour per week" chapter).

Ongoing Inputs:

Even as you're running this test-and-learn loop, it's important to constantly bring in new information from a variety of sources:

- Experiment results
- Customer interviews
- New metrics & analytics
- Additional "brainstorm" ideas
- Competitors
- Mentors
- User research sessions on your site
- User research sessions on your *competitor's* sites
- Surveys
- Natural and paid search data and trends
- Etc.

These are all *great* sources of inspiration. Share your insights with the team, and keep adding to your idea backlog.

Two Common Questions:

1. What if we don't have enough traffic to run experiments?

Experiments don't have to be A/B landing page tests. There are lots of ways to learn. You can run AdWords tests, using different ad copy to test different messages. (Make the winner your landing page headline). Or A/B test with Facebook or Instagram ads to test images. You can A/B test offers via email blasts. And there's no substitute for just sitting down with customers, showing them stuff, and listening to their feedback. It costs almost nothing, and can be profoundly impactful. With less traffic, you just need to be a little more creative.

2. Which Tools Should We Use to Manage the Process?

There are a million good process tools out there from Trello and a spreadsheet to Jira, Asana, Monday, Basecamp, Notion, even actual paper sticky notes.

The most important criteria: The best process tools are *the ones people will actually use*. If your team are all happily using Jira… use Jira. If your team loves lots of detail and process, use a heavier tool like Asana or Jira. If your team is less structured/process-oriented, then Trello or a spreadsheet is fine. *The important thing is that you actually maintain the backlog!*

CONCLUSION

The One Inch Punch

If you haven't seen a video of Bruce Lee's "one inch punch" take a minute to watch it. Bruce Lee was 171cm (5'7") tall, weighed 58 kilos (130 lbs), and his "one inch punch" carried a force in excess of 70KG (154 lbs), and would knock a full-grown man back two metres. But what can the 'Little Dragon' teach us about marketing?

True Power is Often Completely Hidden

How could a small man deliver such an enormous force? Physiologists understand that strength does not come from the size of your muscles. Rather, it comes down to how much of your muscle fibre your central nervous system can recruit and fire in unison.

When we practice a motion, such as a penalty kick or a serve, we get stronger with repeated effort. That's largely because our *brains* are learning the movement, and they're able to take fuller advantage of more of our muscle fibres. The fibres do get stronger. But the real power comes from the central nervous system.

This is a perfect analogy for startup growth

How could teeny startups like AirBnB, PayPal and Transferwise, with only a few dozen employees, challenge giant companies like Hilton, Visa and Barclays?

Just like Bruce Lee, the key is to get everybody pointing in the same direction and firing in unison towards a clear common goal.

Big companies have all the advantages – heaps of cash, loyal customers, brand awareness, supplier relationships, government protections. Extremely formidable foes! They only have a few weaknesses: They are slow, risk averse, and lack focus.

Therefore, as a startup, your only chance to win is if you can focus intensely, take risks, execute and learn fast!

Most startups are moving in too many directions

The product team is trying some new features that might draw customers. Online marketer is trying some search campaigns, A/B testing the homepage . BizDev is working on a corporate B2B2C opportunity. PR person is trying to get the CEO some press quotes and a speaking gig. Analyst is making decks. Operations fighting fires. CEO maybe fundraising… Sound familiar?

Focus! Easy to say. Hard to do. That's why we spend so much time training teams around *process.*

More Muscle For The Punch

Our five Core Strengths (Message, Metrics, Focus, Team, Process) can be abbreviated MMFTP – More Muscle For The Punch. And it's no coincidence that we end with *Process*, the *Punch*.

Teams come into our programs with all kinds of goals – fix our CAC, help us hire so-and-so, find more channels… But when we survey CEOs afterwards, and ask what was the most valuable thing they learned? They always mention the *process.* Getting everyone *firing in unison*, moving in the same direction, quickly – that's the *punch.*

If You Only Remember One Thing From This Book

Please let it be this: *The power is in the process.* The process is the punch. Choose a focus area, set a metric, brainstorm, prioritise, and attack it with ruthless consistent focus. Learn constantly and move quickly. But move with purpose, together, in a single direction.

Thank you for taking the time to consider these ideas, I sincerely hope you find them helpful. And I encourage you to take the next steps and apply these lessons to your business.

NEXT STEP: FINDING YOUR 10%

An E-book is no Substitute

We sincerely hope these lessons have been helpful. But there's a limit to what you can get from books and online learning. That's because your winning experiments (AKA "growth hacks") will be specific to your industry, customers, goals and your team's skills. For fast efficient business impact, there is simply no substitute for direct coaching from an experienced mentor.

People Learn by Doing

You won't win Wimbledon by watching tennis videos. The simple truth is people learn by doing. And talented teams improve quickly with guided practice under an experienced coach.

After three years of refinement, we have optimised our programs to deliver the fastest most efficient impact to startups.

Check out our programs at:

WWW.STARTUPCORESTRENGTHS.COM