

# Chapter 5 - Notes

## Confinity → PayPal

- **Confinity (1998–2000)**: Palm Pilot/PDA money transfers; libertarian-inspired idea; only ~10,000 users → shut down.
- **Pivot (1999)**: Pay-by-email demo enabled fast online payments (email + credit card). Became **PayPal**.
- **Challenges**: Dot-com bust looming; burning ~\$10 M/month; classic **chicken-or-egg** (buyers vs. Sellers).

## PayPal's Growth Playbook

- **Reduced friction**: Simple signup (email + card) vs. Complex bank processes.
- **Failed attempts**: Advertising (too costly), bank partnerships (too slow).
- **Incentives**: \$10 signup + \$10 referral (buyers + sellers).
  - Not just acquisition → ensured **commitment** (people spent the \$10).
- **eBay hack**: Bots bought items + insisted on PayPal → forced sellers to join.
- **Feedback loops**: Buyers demanded PayPal → sellers added logos → awareness → more buyers.
- **Results**:
  - Grew **7–10% daily**; 100 k → 1 M users in 3 months.
  - Late 2000: 3 M accounts (300× Confinity).
  - **2002 IPO**; later acquired by eBay for \$1.4 B (70% of auctions used PayPal).

## Push vs. Pull

- **Push (pipeline era)**: Paid channels (TV, print, radio); scarcity of attention meant awareness = adoption.
- **Pull (platform era)**: Abundant products/messages; awareness alone not enough.  
Success = design products that are **compelling, shareable, and useful**.
- **PayPal = pull example**: Simplicity, incentives, eBay loops, bots → organic spread.
- **Push still helps**: Instagram App Store feature; Twitter SXSW PR.
- **Core lesson**: **User activation > signups**. Marketing must be **baked into the platform**.

## Incumbents' Advantage?

- Big firms have resources, alliances, customer bases.
- Weakness: **slow, pipeline-oriented processes**; platforms demand speed & adaptability.
- **Startups can compete**: Size less decisive in pull-driven markets.

## Platform Launch Strategies

### 1. Follow-the-Rabbit

- Build on a pipeline success/demo.
- Ex: Amazon Marketplace; Intel + NTT Wi-Fi demo.

### 2. Piggyback

- Use another platform's user base.
- Ex: PayPal on eBay; YouTube on Myspace; Justdial via Yellow Pages; Craigslist scraping.

### 3. Seeding

- Create/borrow/simulate initial value.
- Ex: Android app contest; Adobe PDFs via IRS; PayPal bots; Reddit fake posts; Quora staff Q&A.

### 4. Marquee

- Attract critical players with incentives/exclusivity.
- Ex: EA sports games on consoles; Microsoft buying Bungie (Halo); PayPal user payments; Swiss Post iPads.

### 5. Single-Side

- Solve for one side first, then add the other.
- Ex: OpenTable restaurant tools → later diners; redBus operators; Delicious bookmarks → later sharing.

## 6. Producer Evangelism

- Attract producers who bring consumers.
- Ex: Kickstarter, Udemy; Clarity widgets; Mercateo “bring customers, get last bid.”

## 7. Big-Bang Adoption

- Push tactics for instant critical mass.
- Ex: Twitter SXSW 2007; Foursquare SXSW 2009; Tinder frat party.

## 8. Micromarket

- Start in a small, dense community.
- Ex: Facebook at Harvard → campus-by-campus; Stack Overflow (programming → other topics).

# Viral Growth Framework

- Viral growth = users spread the platform (like infection cycle).
- **4 elements:**
  1. **Sender** – existing user.
  2. **Value Unit** – spreadable artifact (photo, listing, reservation).
  3. **External Network** – channel for sharing (FB, Craigslist, email).
  4. **Recipient** – sees value, joins, becomes new sender.
- **Examples:**
  - Instagram photos → FB/Twitter.
  - Airbnb listings cross-posted to Craigslist.
  - OpenTable reservations shared.
  - Dropbox referral storage.
  - Hotmail viral footer.
- **Design principles:**
  - Sharing must be **integrated into core workflow**.
  - **Value units must be spreadable** (fun, feedback, fame, fortune).
  - Use external networks strategically; beware restrictions.
  - **Nudge quality** (IG filters/hashtags).
  - Always attach a **call-to-action**.

# Key Takeaways

- **Pull > Push:** design virality into the product.
- **Activation > acquisition:** commitment matters most.
- **Eight strategies** help crack the chicken-or-egg dilemma.
- **Viral growth** = sender + value unit + external network + recipient.
- **Startups vs. Incumbents:** speed and adaptability beat size.