

## How to Get Your First Customers | Startup School



Video URL

### Introduction

#### Reference

foreign School my name is Gustav and I'm a group partner here at y combinator today I'm going to talk about how to go from

### Outline

#### Reference

I plan to cover today one what does it mean to do things that don't scale and why is this mindset so so important at this stage of your company two how to do sales I'll make the argument the founder should be the ones doing sales in the beginning then we'll cover some sales funnel information and then why is it so important to charge for your product and finally we'll learn how you work your

### Do things that don't scale

#### Reference

article or this essay the most important essay ever written about the very early stage of startups is do things that don't scale by Paul Graham Paul is the co-founder of Y commner he published this essay about the early days of Airbnb Airbnb is perhaps the best example of a successful YC company who got their feet off the ground this way many Founders who never worked for a startup or an early stage company incorrectly believe that all you need to succeed is a

good product and growth will take care of itself this is not the case the truth is that good product is very rarely built in isolation but together with your customers and as a result it's not actually that good when you show it to your first customers set this another way startups don't take off by themselves startup takes off because Founders make them take off and you have to manually recruit your customers it's not enough to push a button on an advertising Network this is uncomfortable and Founders continuously find many ways to avoid doing this the most common way is believing that you can recruit people by just writing more code or doing more work on your machine or your robot or whatever you're building I know this from my experience of YC that this actually don't work so why am I talking about this right now learning the tactics of sales is just one side of this uh of of this learning the most important side is just really realizing that it comes down to you it's not just knowing exactly how to do sales in theory but actually doing it and actually wanting to succeed another great visualization is what's called a startup curve this was initially drawn by YC found program and then labeled by Trevor Blackwell and you've probably seen this curve before most companies go through something like this it's kind of like a timeline for startups here's how it goes first you launch these days most companies don't launch on TechCrunch but probably on product hunt or Hacker News or some other internet board the launch energy that you get from this launch eventually starts wearing off as early adopters are looking out for something new if you don't have instant High retention nobody does for what you are building then you'll enter the through of Sorrow this can take a long time and many companies die during this stage they just give up and don't move fast enough with testing new things some startups do move fast enough and release new improvements of their product they'll listen to users and they improve many still don't get anywhere further and becomes victims of the crash of ineptitude it's the founders to stay the course and don't give up that reaches the Wiggles of false hope and eventually the promised land of crack Market fit the learnings we draw from the start curve is that every moment in the early days of startups the founders are the ones that make the difference between success and failures if you are in the wrong Market it's the founders that switch to a new one and if you don't know how to do sales it's the founders who learn so you

## **Founders should learn how to do sales**

### **Reference**

sales and how to do sales first Founders should learn how to do sales you should learn how to do sales because you'll need to learn to know your customer talking to customers and sales are effectively different sides of the same coin and the same reasons Founders can't understand what to build they don't understand what the problem is you don't know how to sell unless you know your customers two learning how to do sales actually gives you full control of your destiny as a startup just like you can't Outsource engineering sales has to be part of the DNA of the founders sometimes you just have to learn it as a result you should

not hire a sales team until you know how to do sales yourself only then will you know what good looks like you also can't do sales if you practice bad and you won't know if the product is bad unless you've had some effort in trying to sell it first if you don't know how to sell don't worry you can learn it's probably the easiest job to learn in startup if you know the problem you're solving if you know your product intimately if you know the market you are an expert in the eyes of the customer they will want to hear what you have to say finally a love for solving customer problems is really infectious if you're really passionate about solving this problem they will be able to tell if you don't believe me here are some examples of Founders who took on the sales job and learned to get really good at it so Tony from doordash matild from front Tracy from plangrid and Steve Jobs let's get straight into an example so these are the brex founders Pedro and henrique when brex was in wycomner in Winter of 2017 they recruit the first 10 customers directly from the YC batch June YC you have the benefit of being around other startups I.E potential customers the brex founders asked themselves what would the minimum product look like that they can build to be useful to other startups and then they went with strain straight into signing up those customers the first version was very very simple customers just had a virtual credit card and Enrique from brex actively onboarded everyone of the customers himself of course they could have waited until they had a full-blown product a website a Mobile app all of those things but they decided to get going when they have something that was really useful this is how their first physical card looked like this before they had this card they just had a virtual card Rex reached out to the their YC batch and otherwise the companies and this is the email that they sent I'm just going to read a brief portion of it hey guys we're opening up our beta for winter 17 batch friends with the 10 spots for beta users 10 spot this sounds like there's a limited spot so I should take actions brex is a corporate credit card focused on technology companies that's me perfect you're actually writing the email directly towards your customers we don't require a personal guarantee it can underwrite startups who just got started this was the value prop most other alternatives to brex did not have something like this so how much does it cost it's free the merchants are paying us so there's zero Annual fees this seems like a no-brainer I would argue that this email is probably a little bit too long but it did work so let's talk about how to write a great sales email so first it should be short Max 6 to 8 sentences the brexit sample on the previous slide is probably too long it still worked but probably too long people don't have time to read long emails if you're coming out of Academia your culture is going to be very different you write very long emails but in the world of sales you want to get to the point and be brief as much as you can two you want to make sure you have clear language no jargon no buzzwords just say exactly what you do and how it works and then three address the problem that the potential customer is having four do not use any HTML formatting write your email in plain text only like you would written it to a friend say you are the founder of the company who makes this product many people forget to do this describe why you and your team are impressive include social proof and remember to show not tell don't say you're an expert don't say how many

years that you have been an expert if you're in the YC match if you worked at impressive companies in the past those are other piece of social proof that you can include you won't include a couple of these ones so that the reader knows the source and even if they don't know you gives assign you some authority six you want to include a link to your website the website needs to be simple you have to have information about the product the website should not have a lot of drawings or sort of like paid for graphics you should just have screenshots from your product and bullets about what your product does sometimes it works to send a short video a YouTube video that you can embed in the email that's very easy for the receiver to click on and View and I've even seen people using gifs now those videos and those gifs needs to get to the point right away because the the receiver is kind of intimately familiar with the problem but not really have time to watch two or three or four minutes of a potential solution and then finally you want to include and ask for a call or a meeting or a self-serve whether whatever is appropriate for your company but there needs to be a call to action in the email that you're sending all right let's talk about the sales funnel the concept of sales funnels is really quite easy I think people get

## **The sales funnel**

### **Reference**

here on the left hand side I call it the founder speak on the right hand side I call it the sales speak these are not going to be perfectly mapping but you get the idea so first you want to make a list of customers you plan to reach out to in sales it's called prospecting or lead generation we'll just call it make it the list and you can use Google spreadsheets or something like that to make this list then we want to send them an email or a LinkedIn message or add them on LinkedIn or whatever is the appropriate way to contact these people after that you want to schedule and run a demo or a meeting from that response to the email and then you want to talk pricing and then finally close them as a customer the last thing which you should not forget is after you've closed them you still need to onboard them to make sure that they start using your product if this is successful and you have good retention that could lead to long-term Revenue if you forget the last step then you will have lots of churn because people don't actually know how to use your product and this is common with early products because they are not easy to onboard in the beginning this is not something you spend a lot of time optimizing so make sure that you do the onboarding as part of this process if you go back to the Google spreadsheets that I'm that I'm making that I'm putting in all the information you should start simple but you should have some Columns of things that you're tracking so industry uh the company the title the name the email maybe the LinkedIn this could be enough to start with a lot of CRM software comes with these categories so these columns it's pretty good idea to kind of use a simple CRM software um to kind of accomplish the same goal but the key thing here is doing this work up front and I've seen a lot of YC Founders that when they are getting to a thousand of

these they're like oh this is a very simple task I can actually Outsource this and I think that can work if you know exactly what it is you're Outsourcing storing all this information is going to be helpful for you in the future now I made my list I understand this the sales funnel so who should I be going after and how should I be prioritizing as I'm doing the Outreach here's my most important advice when it comes to sales your first customers should be your easiest this is not the time to bite off the hardest one focus on the easiest ones what I mean by that is you should try to do sales make the sales processes easy for you as you possibly can startups don't really have time to chase every lead there's a lot of leads out there you don't have to pick all of them you really don't you're so early you can pick only the ones that are the most likely to close the best way to do this I have a big pipeline where that means a lot of people that you're emailing are potential customers and then as you're getting responses and you're getting to meetings start prioritizing those who are the most likely to close you can probably tell from their answers to your qualifying questions during the sales call avoid those who are moving slow and don't be afraid of letting customers go don't be afraid of letting customers go what I mean by that is that if someone is dragging you along two or three calls you can always be like it's been great getting to know you um and I've learned a lot but um we should talk again in six months that's totally fine to say two selling to people you know is going to be easy to selling to strangers so you should take advantage of your network three selling to startups is the easiest category and I've I've learned this On and On Again with YC company specifically the ones that sell software it just turns out that bigger companies have more bureaucracy more processes they even have a specific Department that is in charge of negotiating with you and that takes a long time and startups don't have any of these things because they don't have time to create these things but it's not a priority for them so startups have short decision-making lines you can often find that the decision maker right away as you do in the Outreach and you don't have to go through a difficult process that's why startups are easier and that's why we recommend most companies to sell to startups at least leads me to the fourth Point most people are not early adopters and I keep saying this to the white companies I work with all the time the reason you have to sell send hundreds of emails is not that most of those people get really upset and be like I can't believe you emailed me like I really love this alternative product by hate your product that's not what's going on most people they email are just be like archive they just don't care they're not going to try a new product that comes in through your LinkedIn or your email and they might not be the people that try a new product at all in their career that's most people some other people I remember being one of those people when I worked at Airbnb I would love when founders emailed me with new new products and I would be the one signing up for them so when I worked Airbnb and you were a startup email me was great I am an early adopter I love trying new things I don't mind the risk of trying new things so for every outbound uh to an average company that you send you will mostly like most likely on the average outbound average email average LinkedIn reach someone who is not an early adopter to reach early adopters you just have to send more out by

messages because then you don't have time to convince anybody to become an early adopter you have to find Aero adopters and just go for them

## **Charging your first customer**

### **Reference**

convince them let's talk about charging it's attractive for you as a founder and for your company to offer your product for free offer free trials or unpaid pilots and these things come in many shapes and forms however if you don't charge your customers they are not a customer and you don't have a company customers paying you money is a great sign that you're providing them real value so you should resist the fear of getting a no because of price instead of figuring out what the price should be if they don't want to pay and you learn this during the qualification process in the first call or the first meeting if they don't want to pay that's a great sign that you should move on to the next customer again fire the ones who seem like they're not good fit move on to the next customers free trials are common for consumers but if you thought about it most consumer free trials ask for the credit card up front and then we forget and then we pay anyway that's because that actually works the best the bdb version of this is a better one than a free trial is a money back guarantee so we charge you if you're not happy you can get the money back in 30 days so 60 days um or even better you have the ability to opt out from the annual contract you just pay for one month instead of the annual fee but you should not offer free trials in B2B sales go for a money back guarantee and go for the ability to opt out instead increasing your price until

## **Working backwards from your goal**

### **Reference**

let's talk about the thing that most Founders get wrong I've seen as many times but there are a few things that most wanted to get wrong and this is one of them working backwards from your goal with your sales funnel in order to work your way backwards from a goal of say two signed customers you have to understand that each step in the sales funnel is going to have a drop-off when you haven't started sales yet you don't know what these drop off percentages are maybe you haven't done a lot of sales before you don't know what you're not good at maybe you're really good at sending emails but really bad at closing or vice versa you don't know that so as you're sending these outbound emails you need to take notes and start tracking all of these conversions in this example I'm sending 500 Outreach emails or LinkedIn messages I have a 50 open rate that means 250 people will open the email five percent will respond that's about 20 potential customers 50 of those will convert to demo from the response which means I'm doing 10 demos that's pretty good but I'm not that good at doing demos only two end up becoming customers from the demos that's 20 I bet you most of you don't even track this data but you should if you track this data you will have

some idea of how long it will take to get to 10 paying customers if you don't track this it's very hard for someone to give you feedback of what's working and not working right it's just like when you're launching a new product you want to have some metrics and some user data to be able to tell if it's working when you're doing sales you want to have this data if you have this data people will be able to give you feedback on what what you're good at and what you need to get better at my advice is to use a simple sales CRM software that tracks these conversion rates automatically let's look at the same second example this is how it looks like for most startups even the ones that I work with in the batch in the second example I'm sending 100 Outreach email it feels like a lot to me if I keep the conversion rates constant from the previous example I actually end up with zero customers and the conclusion the founders draw after this is that sales is not working for me and I should just do marketing or SEO or something else or referrals or something that sounds attractive this is simply wrong you don't have the data to make that call you did not do enough Outreach to actually get to correct conversion rate percentages in your sales funnel so the answer here is you sent a few minutes too few emails you don't have the data you can't draw the conclusion that sales is not working even though you have serial customers and this is the mistake that funders do on and on and on again so to summarize what I just went through here you don't know your sales conversion rate that's why you need a CRM to keep track of it two because you don't know who is an early adopter you have a lot of drop off in the outbound sales that makes up on sales ultimately a numbers game and successful startups we like this and internalize this three you cannot close five customers from 10 leads it's not possible you need a lot more app on than that a lot more and unfortunately most finders don't work their way backwards from this sales funnel and they don't do this exercise and the result they don't succeed as sales and they don't really know why so a friend of mine from Airbnb Atlanta rashitzki he writes an excellent blog and he wrote a great blog post about how YC and a bunch of non-yc B2B startups um got their sales go to market strategy going I recommend reading this and other posts uh newsletter it's it's one of the best ones I've come across it has a lot of real data that he collected from real companies uh many of them being YC companies so in this example here in the second column Lenny is describing the initial sales motion of some of these companies as you can see some of the early ones like amplitude stripe front they were doing app on sales emails just like the one we described to get started those Founders were doing those sales emails as they get started some of the other ones was called Product LED product LED could mean something else than just doing up on sales but it doesn't mean having a big sales team and it usually does not mean doing marketing or SEO or something else practically it means something that the product itself is sort of like driving the growth as you're running the demo um your goal is to close your first customers you want to ask a lot of questions up front in the demos and there's the founders who should do the demos because you are the one knowing the product and you know the customer pain points here are three examples of YC emails that led to customers so I'll let you guys look at the details of these afterwards but this is an app on email that led to

uh 72 000 a year contract this one LED is a very specific email that led to out Landing a goalie as a customer and this third example here is the one email the

## Summary

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same email they got them 22 different customers all right I'm going to summarize this again the biggest mistakes that most finders do is they don't do enough Outreach because they don't work package from the goal believing that something else then sales is going to solve your sales problem Outsourcing sales is wrong you should do it yourself and you need to qualify your customers during your first call here are some of the tools I recommend so there are many many many tools this is perhaps one of the biggest categories of potential things you could use as you're doing sales but I recommend apollo.io close.com formerly called closed.io pipedrive or hunter.io these are great tools that you can use either as a simple sales CRM or Hunter you can use to get contacts or potential people to email from LinkedIn here are two additional resources if some people ask me for books usually there aren't good books but there is actually one that I come across I find really good it's called founding sales and then I also recommend lineage newsletter.com there are of course other ways that you can grow as a startup but the truth that I've learned is that even if you end up with say like Airbnb where the sources of growth is Word of Mouth Google search referrals Facebook advertising if those are the kind of end states of your growth strategy that's not how ambica started they didn't start by running Google sem or Google SEO the referral program did not bring in the first 2000 customers they did things that didn't scale and they looked different than the one they do at scale so a lot of companies are shorting straight into What's called the scalable growth channels the channels that they've heard work which is true at scale but that's not the same thing as when you're getting started so in this slide I'm outlining kind of like just a rough idea of like even if it turns out the Google sem and Google SEO is what's going to work at scale you need to find another place online where these people that you're going to reach through sem and SEO is identifying themselves online right and that might not be the same as Google if you're trying to go after sem which means search engine marketing it's going to be expensive probably because there's competition if you're going after SEO it's going to take a long time if your growth is say proc LED or virality referrals then personal networks selling through your personal Network to your co-workers is the way to get started of course if you're doing sales you should be doing sales it doesn't change very much like early stage sales to to large sales basically means all the things that I just described here done by 100 people in a sales team with more automation more tools more metrics but it's the same thing and if you practice setup to do online marketing it's not usually how most people start why because you can't really easily talk to people you can't learn from users if the first thousand or first-handed customers are brought in through Google and Facebook those people are not the kind of people that you can easily get on a



30 minute phone call with all right that's all I had today thank you everyone  
foreign

**Prepared by:** Abdulmajeed Al-Muarik

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