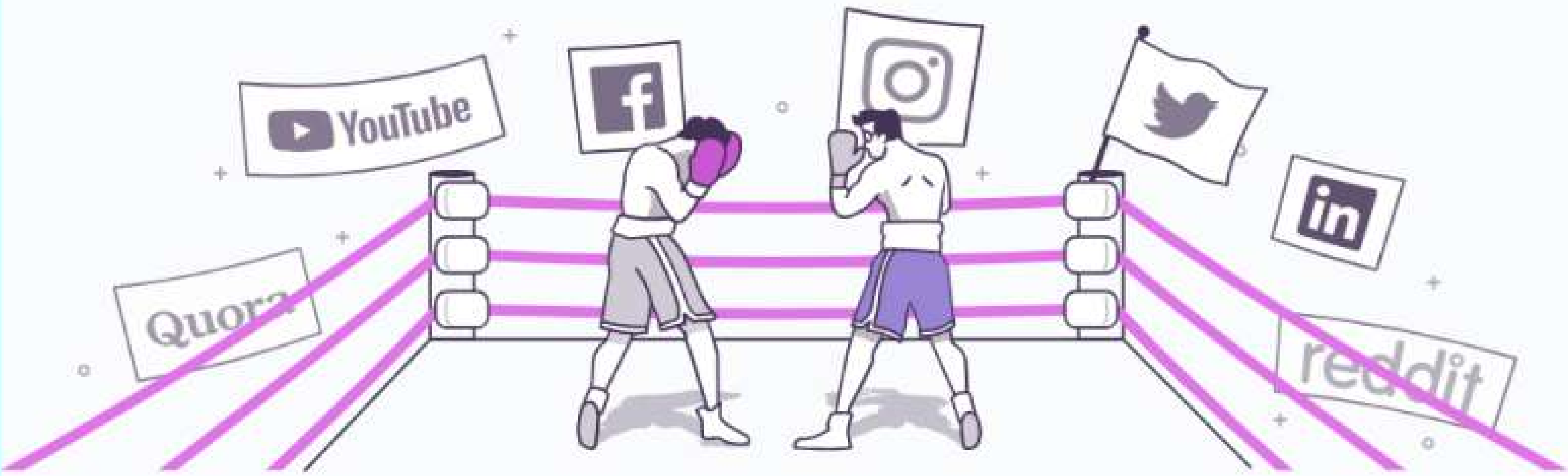
The 7 categories most $1B+ tech startups fall into by Julian Saphiro

Market pull



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1 Democratize investment opportunities

Consider what these startups have in common:

- Masterworks made high-end art investing accessible for those who couldn't afford expensive art (by fractionalizing ownership).
- Republic made startup investing viable for people who weren't accredited investors (which means having a high salary or net worth).
- Equi made hedge fund investing accessible for consumers who aren't ultra-wealthy by lowering their net worth requirement.

When you democratize asset classes like these startups have, investors who **already believed in the asset class' performance, but were unable to access** [illegible] rush in to invest their capital. That's market pull. You're giving people what they a[illegible] wanted and benefiting from a high-demand, low-supply dynamic.

2 Create new income opportunities

- Airbnb made home renting a viable income stream for millions of homeowners.
- Uber and Lyft made becoming a taxi driver a viable income stream for tens of millions of drivers.
- DoorDash and Postmates made becoming a food courier viable.

By empowering people to make **meaningful amounts of money** with **little upfront work or necessary qualifications**, the billions of people on this planet looking for more income consider using the product. This leads to market pull.

3 Remove extensive labor for a low cost

Softr, Webflow, and Zapier are tools that save web designers weeks or months of development work. They remove the need for coding and instead empower anyone to make websites visually—without sacrificing control and customization. For anyone used to making websites from scratch, the speed upgrade feels like magic.

Further, these companies reduce that development labor for a low cost: they cost 1/500th the price of a professional design agency or employee. So you move faster and save money—and there's no catch.

In short, by removing a lot of work plus saving a lot of money, an equally featured product becomes a no-brainer for anyone stuck with the alternative. This creates market pull.

4 Lower cost and increase convenience

- Dropbox made file storage much cheaper and easier to access.
- Spotify made on-demand music listening way cheaper and easier to access.
- Hulu made cable TV cheaper and easier to access (via on-demand).

In all three cases, these startups aren't lowering the product quality—only the cost. And because consumers were **already buying** those product categories, switching to an equal quality alternative that's far cheaper is a no-brainer.

For in-demand products, a significant reduction in price without a significant reduction in quality can trigger market pull. The pull is even greater if the new products are more convenient and not just cheaper, because convenience helps consumers emotionally justify the labor required to switch products.

Medium-sized price reductions are most appealing to individual consumers. Businesses, however, may be less price sensitive plus more risk averse and therefore need larger price reductions to switch to a new product.

5 Adapt a proven business model to a new region

Many big startups become replicated in other countries. For example, Yummy is the Postmates of Venezuela, Airlift is the Doordash of Pakistan, Dukaan is the Shopify of India, and so on.

By adapting $1B+ businesses to new regions, the startup has a higher-than-normal chance of succeeding **because its market pull was already validated in another market**.

However, the new region must meet some requirements:

- You can't be too early to the new region, meaning it must have the supporting technology and infrastructure in place.
- There can't be existential cultural barriers to adoption, such as how business is done in that region being incompatible with the business model
- The business has to benefit from being localized. (Otherwise, international incumbents will expand to this region themselves.)

6 Create a marketplace for disaggregated supply and demand

If purchases in a market are manual and inefficient, you'll likely experience market pull by creating a software-run marketplace to match buyers and sellers for greater pricing transparency and more consistent supply/demand.

In pre-existing markets, buyers and sellers already interact with each other, so for a software marketplace to become a no-brainer choice, it simply needs to stabilize demand/supply and increase pricing visibility through search. And if the marketplace doesn't increase costs or friction, buyers and sellers switch over time.

Examples include Airbnb, eBay, OpenSea, and Thumbtack. New upstarts include:

- Zendoor is a marketplace to connect mid-sized rental property owners with property managers.
- Billdr is a marketplace to connect general contractors with homeowners looking to renovate.

7 Build SaaS that encourages users to invite other users

Some SaaS companies grow lightning fast because their users organically invite more users. Think Slack, Asana, Zoom, WhatsApp, and PayPal.

This invitation flywheel works when users invite others to (1) send them something they're owed (e.g. cash via Venmo or legal documents via DocuSign) or to (2) invite friends to private conversations (e.g. Zoom, Telegram, Slack).

This is called *product-led acquisition* and it's covered in Lesson 3, which explores how to acquire customers for your startup. (I list product-led acquisition as [illegible] category because it helps businesses generate market pull for themselves [illegible]