Class 9:
If You Build it, Will They Come?

logistics

Pitch: submit teams of 2-3 by tomorrow night

See Google doc for others without teams

Assignment 3 is due Saturday at 11:59pm
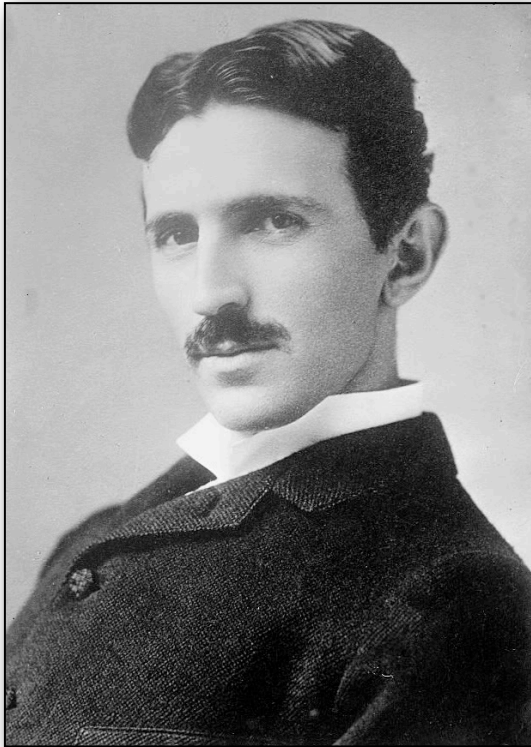
Pitch deck due: Wednesday, May 9

outline

1. definition of distribution
2. math of distribution
3. strangeness of distribution
4. methods of distribution
5. a note on PR and media
6. ending thoughts

"Getting a product to a consumer"

"Spreading a message"

failure vs. success

The better product doesn't always win

outline

1. definition of distribution
2. math of distribution
3. strangeness of distribution
4. methods of distribution
5. a note on PR and media
6. ending thoughts

$$CLV = customer\ lifetime\ value$$

$$ARPU = avg.rev.per\ user\ (per\ month)$$

$$r = monthly\ retention\ rate$$

$$avg\ lifetime = \frac{1}{1-r}$$

$$CLV = (ARPU) * (gross\ margin) * (avg\ lifetime)$$

$$CLV = (ARPU) * (gross\ margin) * \left(\frac{1}{1-r}\right)$$

$$CPA = cost\ per\ acquisition$$

$$CLV > CPA\ ?$$

$$ARPU = \$40/month$$

$$avg\ lifetime = 24\ months$$

$$lifetime\ revenue = \$960$$

$$40\%\ gross\ margin$$

$$CLV = \$384$$

$$CPA_{MAX} = \$384$$

marketing spectrum

viral marketing	marketing		sales	complex sales

CPA: $1 $100 $10,000 $1,000,000

target: consumers - - - - - - - - - - - - - - small business - - - - - - - - - - - - big business, government

approach: product marketing - sales people and business development

outline

1. definition of distribution
2. math of distribution
3. strangeness of distribution
4. methods of distribution
5. a note on PR and media
6. ending thoughts

"The product was so good, it sold itself"

610 thousand people
$95 billion
0.6% GDP

advertising isn't rational
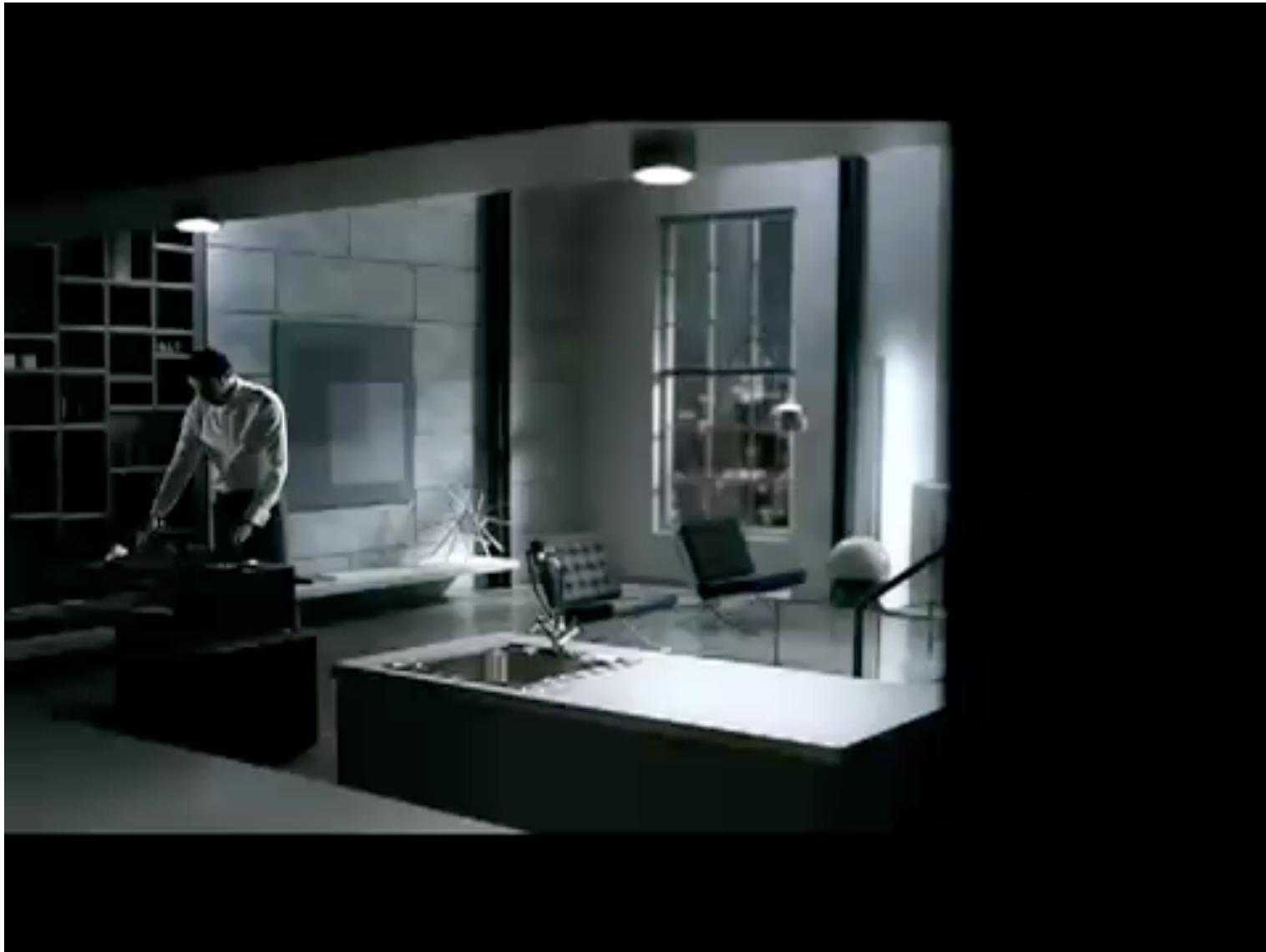
3.2 million people
$450 billion
3% GDP

salaries, Oracle

$112,000 salary
$103,000 commission

$105,000 salary
$8,000 bonus

$250,000.00

$200,000.00

$150,000.00

$100,000.00

$50,000.00

$0.00

software engineer
4-6 years experience

sales manager
4-6 years experience

salaries, Google

$96k salary
$86k commission
$43k bonus

$139,000k salary
$51k bonus

$250,000.00

$200,000.00

$150,000.00

$100,000.00

$50,000.00

$0.00

software engineer
4-6 years experience
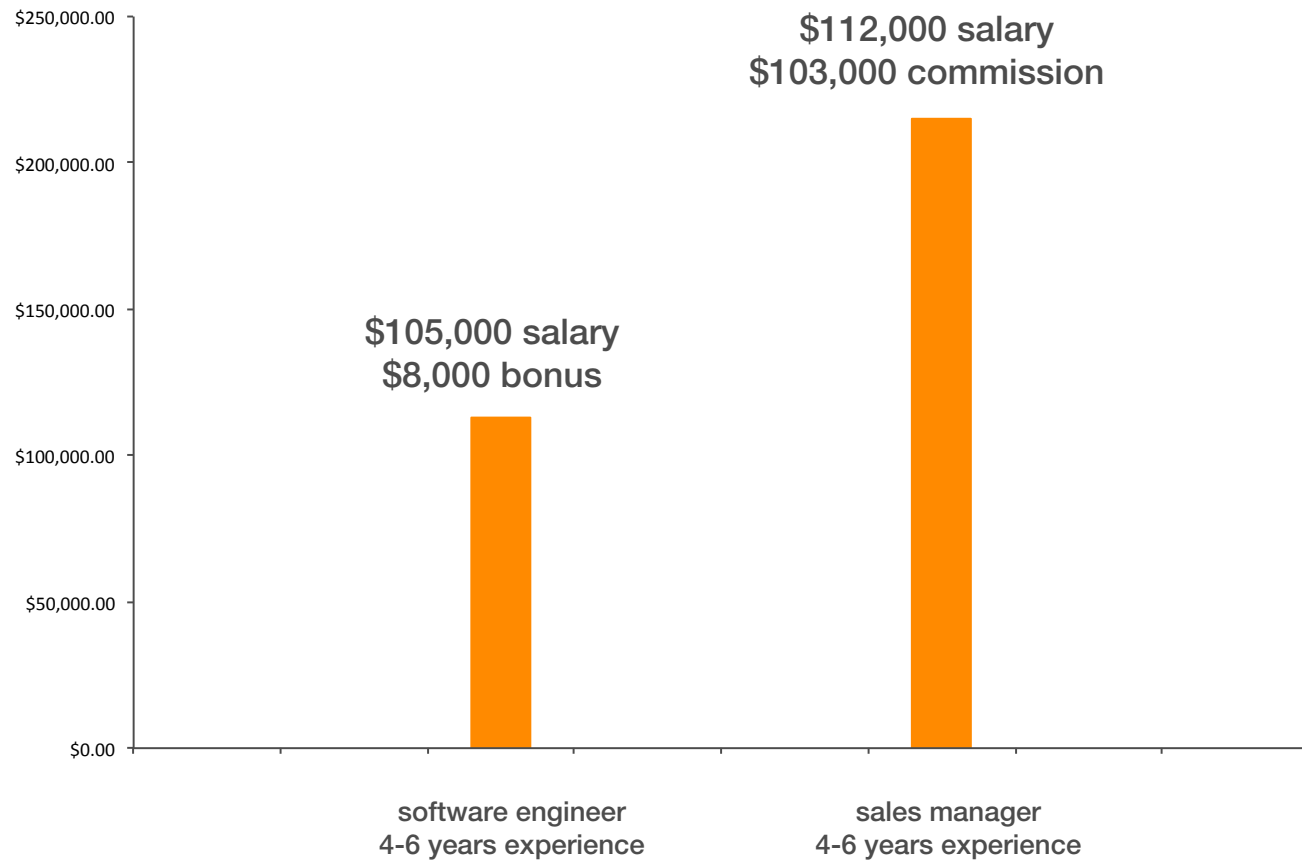
sales manager
4-6 years experience

salesmen

really just actors?

a part of our culture

seeing sales

will the real salesperson please stand up?
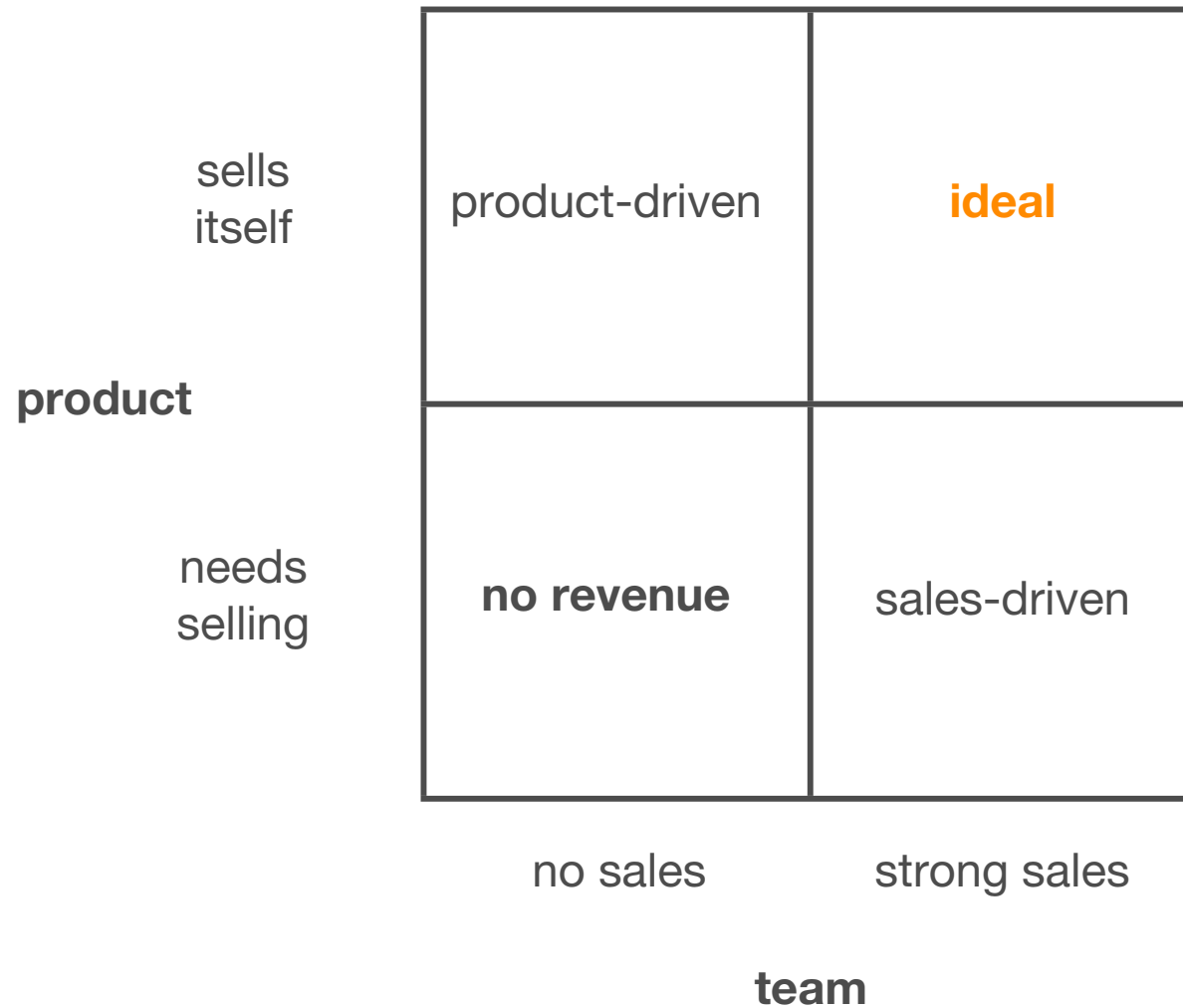
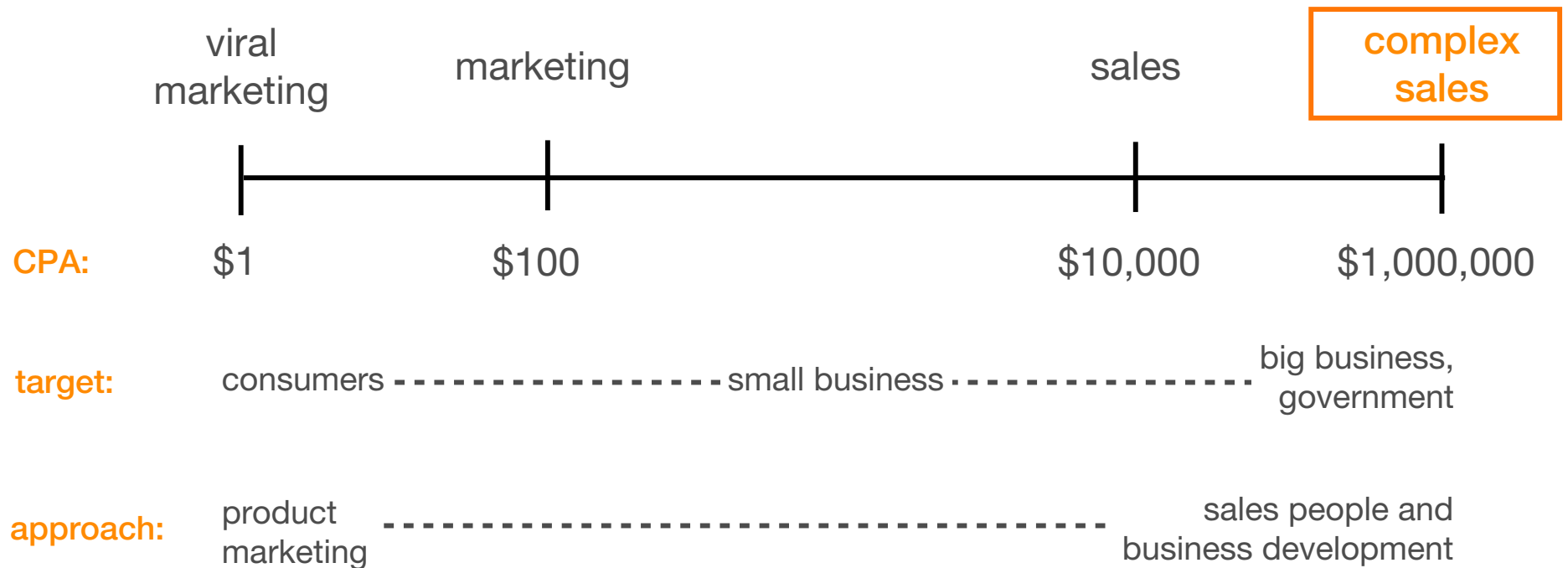|	no sales	strong sales
sells itself	product-driven	**ideal**
needs selling	**no revenue**	sales-driven

product

team

outline

1. definition of distribution
2. math of distribution
3. strangeness of distribution
4. methods of distribution
5. a note on PR and media
6. ending thoughts

complex sales

viral marketing	marketing		sales	complex sales

CPA: $1 $100 $10,000 $1,000,000

target: consumers - - - - - - - - - - small business - - - - - - - - big business, government

approach: product marketing - sales people and business development

example - SpaceX

example - SpaceX

government sales

forward deployed engineers

globetrotting CEO

selling to big education

Pearson partnership

content providers, schools

sales

viral marketing   marketing   **sales**   complex sales

CPA: $1 $100 $10,000 $1,000,000

target: consumers - - - - - - - - - - - small business - - - - - - - - - - big business, government

approach: product marketing - sales people and business development
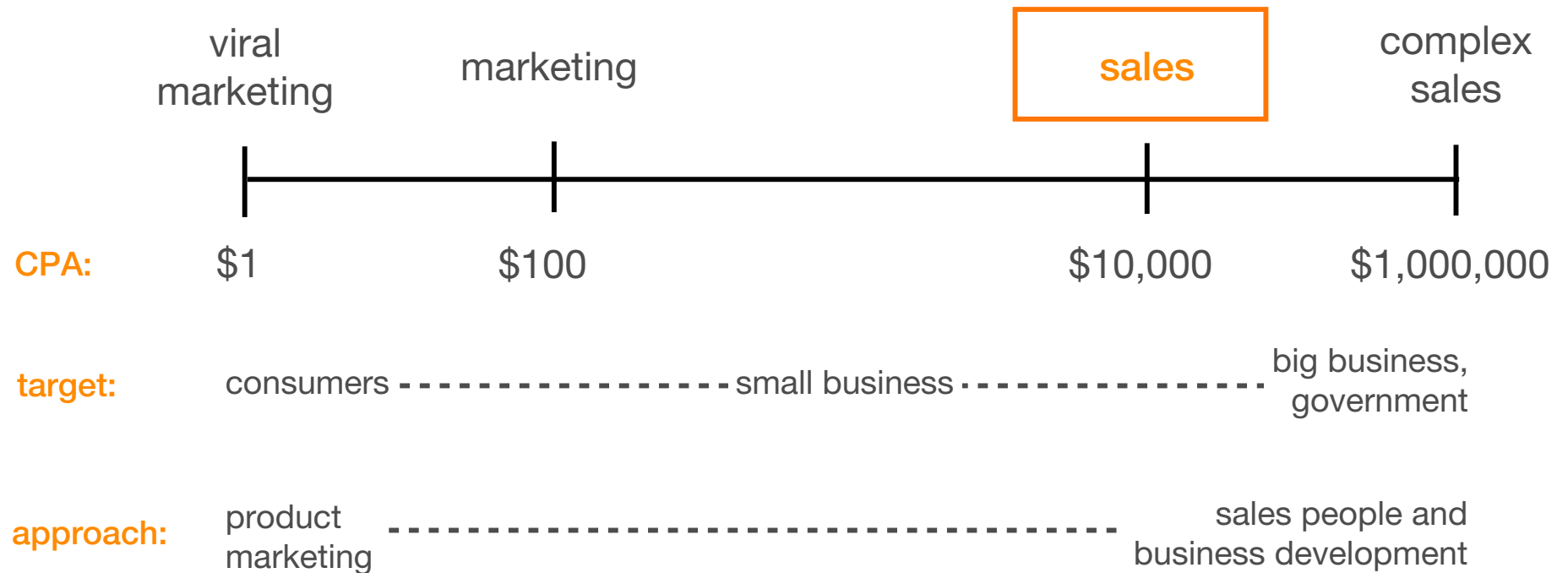
enterprise-facing sales process

large sales team

"used by over 200k companies"

sales team drives growth

market-by-market launches
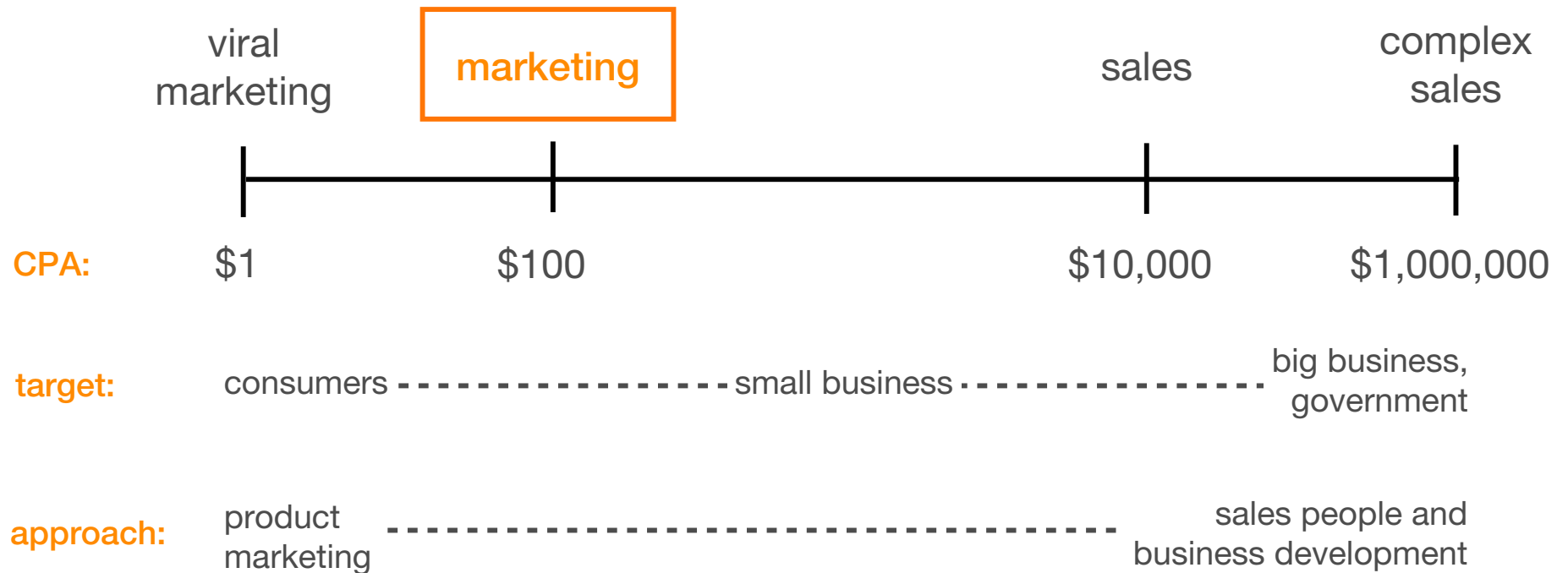
internal team of recruiters

the gap

	viral marketing	marketing	sales	complex sales
CPA:	$1	$100	$10,000	$1,000,000

target: consumers - - - - - - - - - - - small business - - - - - - - - - big business, government

approach: product marketing - sales people and business development
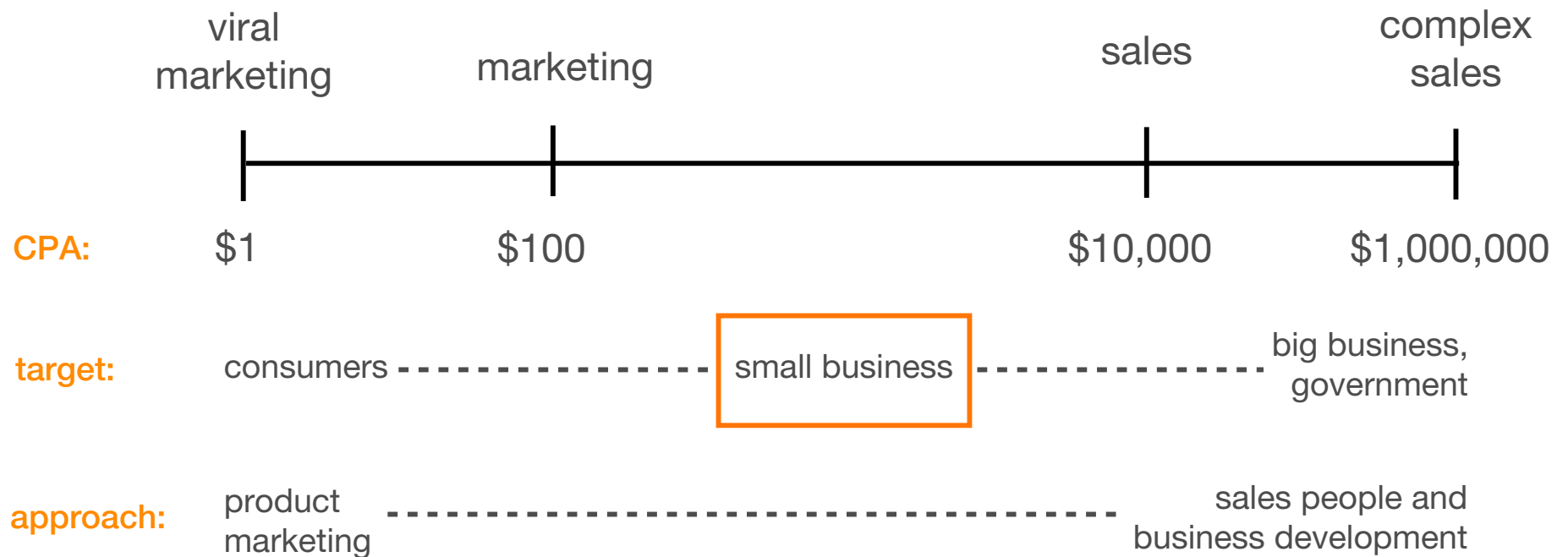
example - Yelp

directly market to users (businesses)

sales teams in all major markets

aggressive sales tactics

marketing

	viral marketing	**marketing**		sales	complex sales
CPA:	$1	$100		$10,000	$1,000,000

target: consumers - - - - - - - - - small business - - - - - - - big business, government

approach: product marketing - - - - - - - - - - - - - - - - sales people and business development

the golden years

"Half the money I spend on advertising is wasted;
the trouble is that I don't know which half"

- John Wanamaker

Google's power

$$CPM = cost\ per\ 1{,}000\ views$$

$$CTR = click\ through\ rate$$

$$CPC = cost\ per\ click\ (conversion)$$

$$CPC = \frac{CPM}{CTR * 1{,}000}$$

$$RPC = revenue\ per\ click\ (conversion)$$
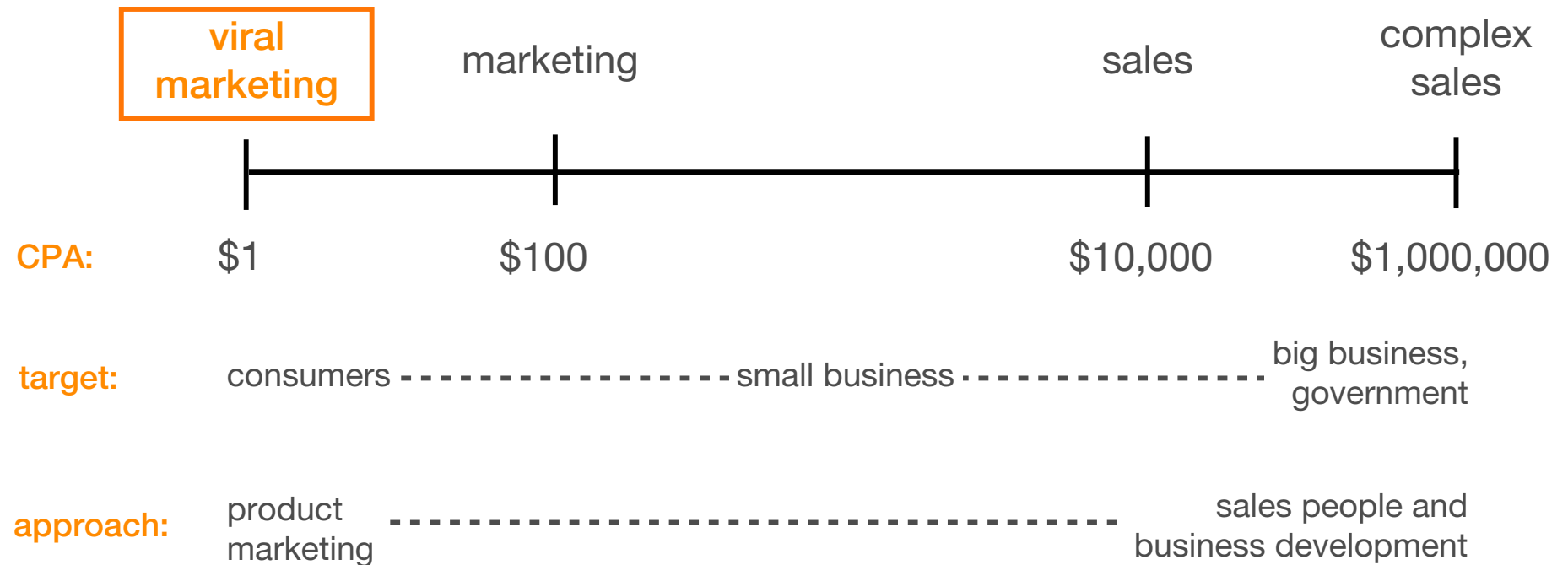
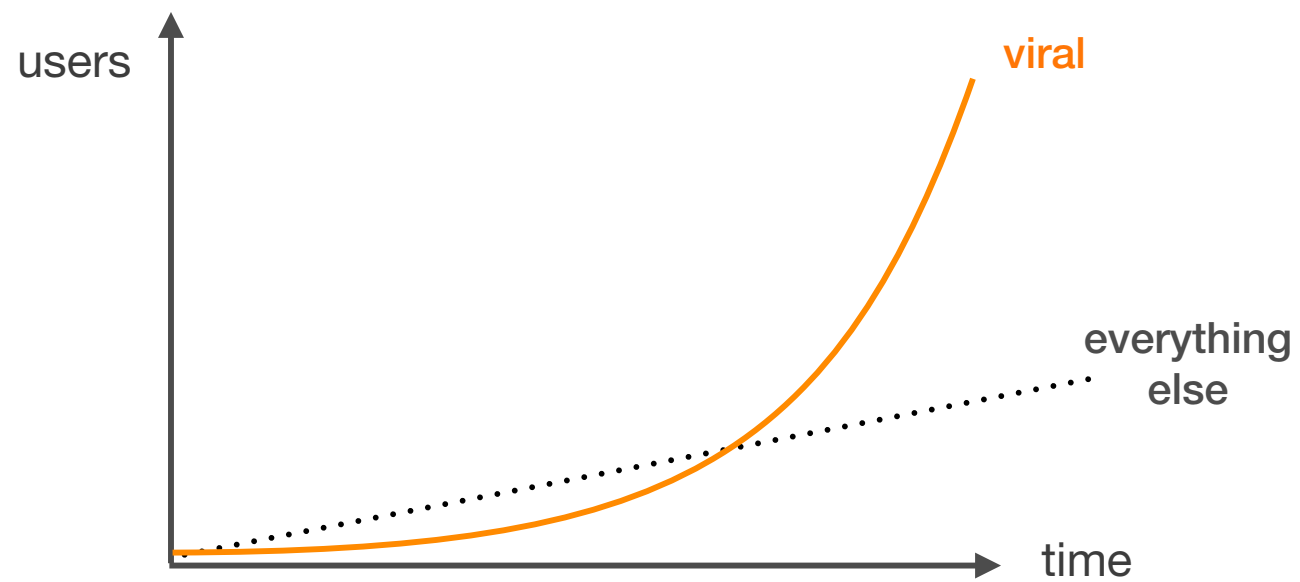$$ROI = return\ on\ investment$$

$$ROI = \frac{RPC - CPC}{CPC}$$
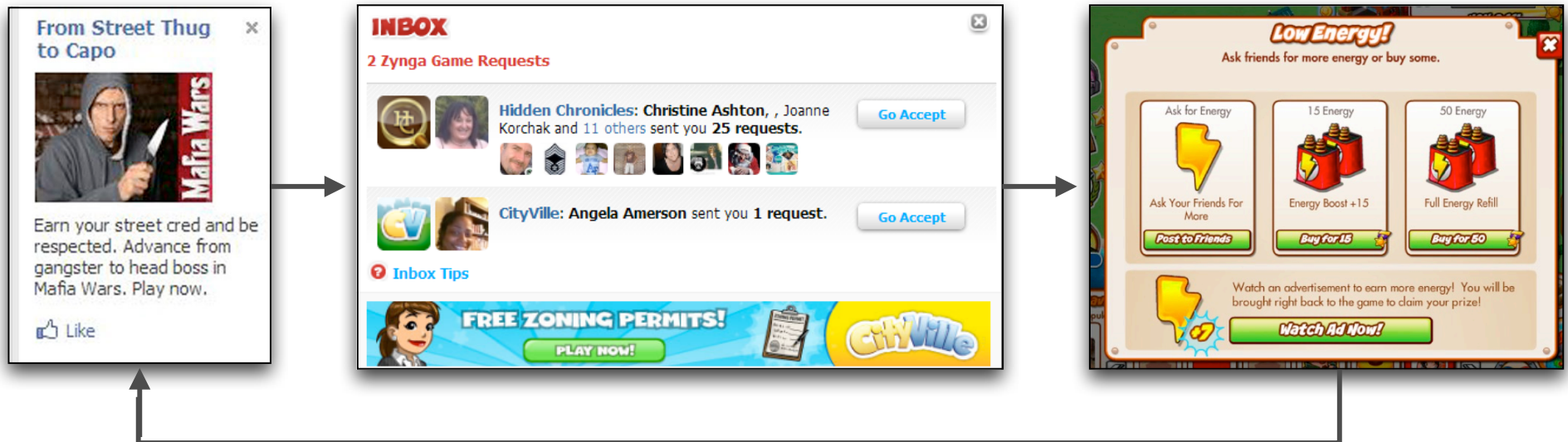
acquisition, viral growth, and monetization loop

viral marketing

	viral marketing	marketing		sales	complex sales

CPA: $1 $100 $10,000 $1,000,000

target: consumers - - - - - - - - - - - - small business - - - - - - - - - - - big business, government

approach: product marketing - sales people and business development

$$U_0 = initial\ number\ of\ users$$

$$T_c = viral\ cycle\ time$$

$$i = avg.\ number\ of\ invites\ sent$$

$$s = invite\ conversion\ rate\ (\%)$$

$$C_V = viral\ coefficient$$

$$C_V = i * s$$
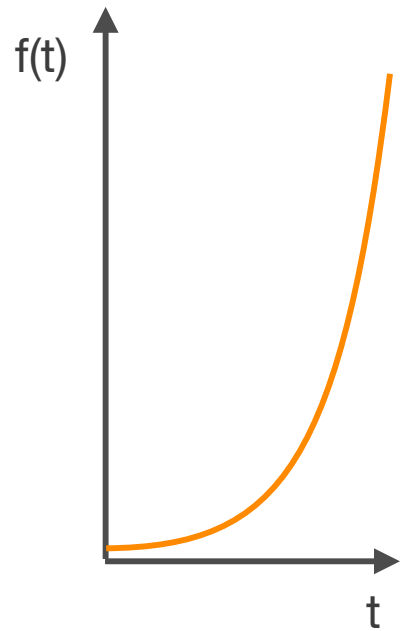
for viral growth:

$$C_V > 1.0$$

exponential growth

$$f(t) = U_0 e^{kt}$$

$$k = f(C_V, T_c)$$

f(t)

time
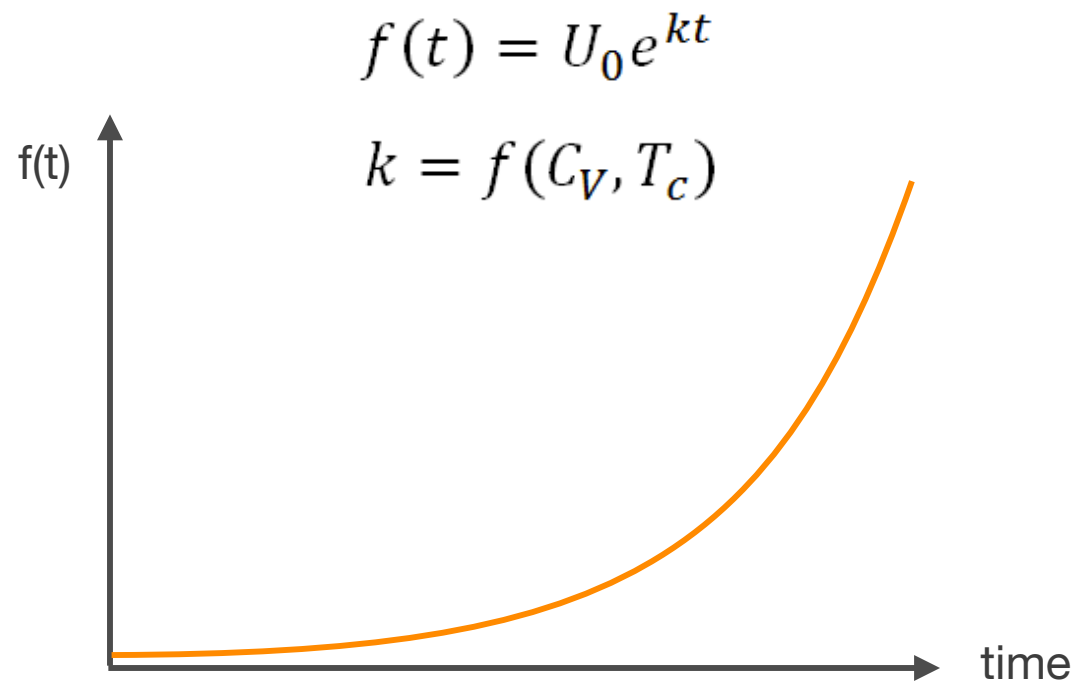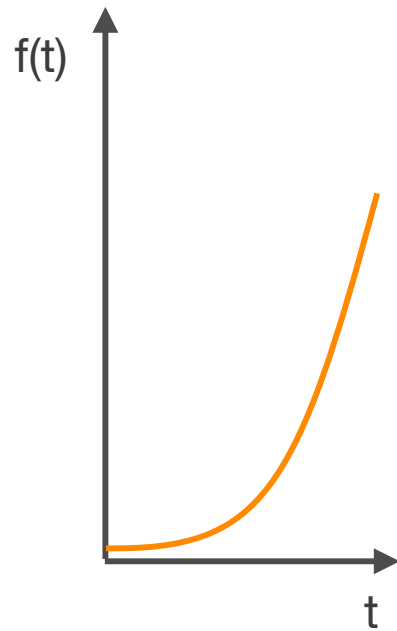
for viral growth:

$$k > 0$$

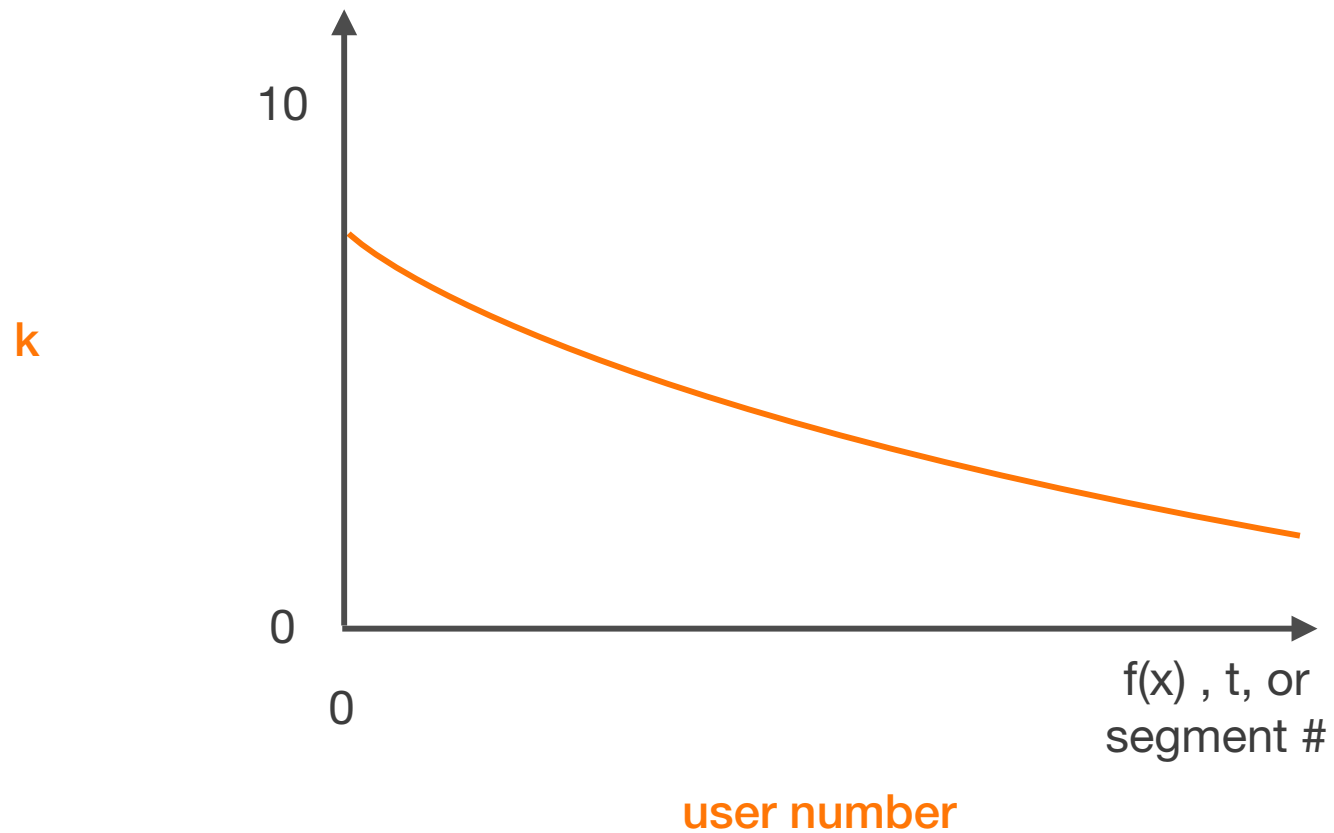# segment by segment

f(t)

segment 1

f(t)

segment 2

f(t)

segment 3

f(t)

segment 4

CS183Startup
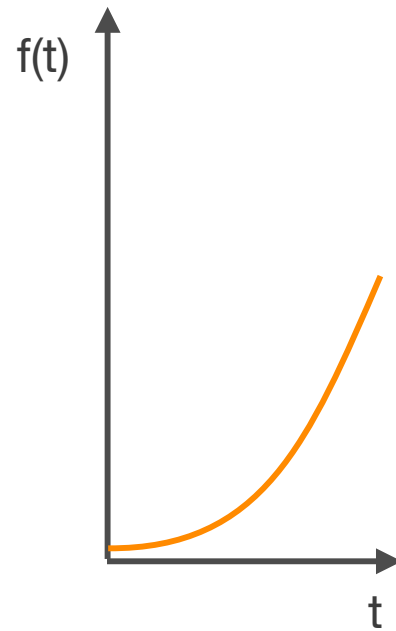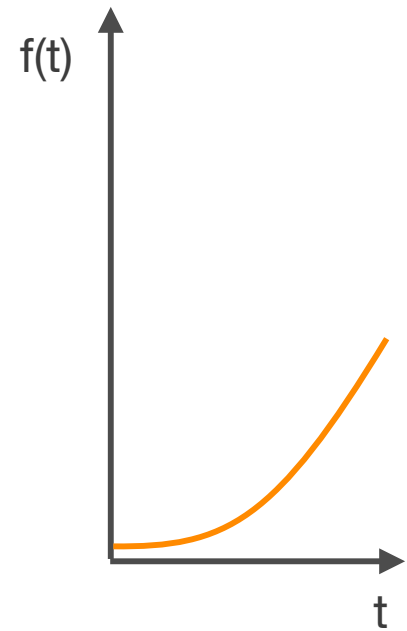
k tends to decline

power laws apply

pick one

viral marketing	marketing		sales	complex sales

CPA: $1 $100 $10,000 $1,000,000

target: consumers - - - - - - - - - - - small business - - - - - - - - - - big business, government

approach: product marketing - sales people and business development
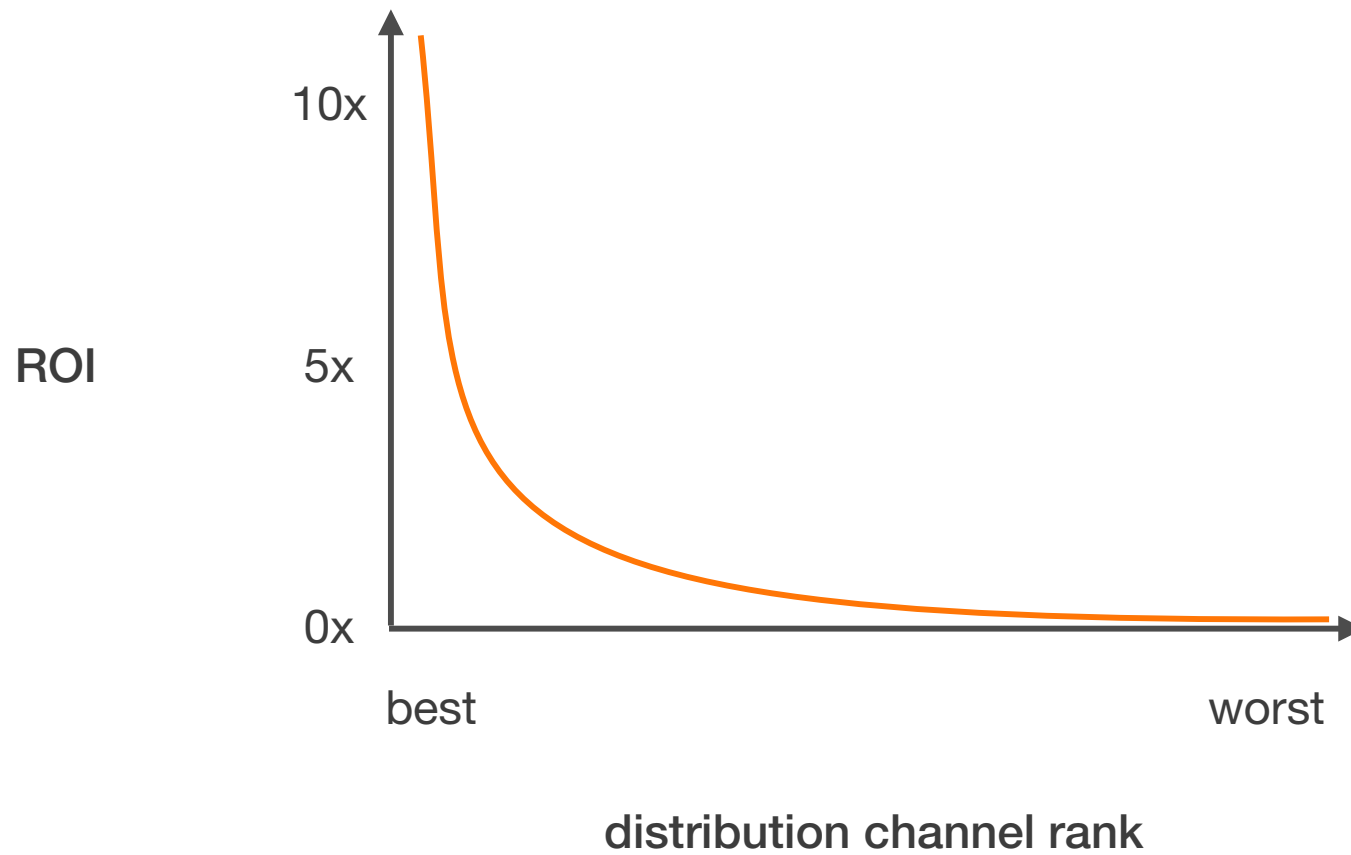
outline

1. definition of distribution
2. math of distribution
3. strangeness of distribution
4. methods of distribution
5. a note on PR and media
6. ending thoughts

customers

business partners

investors

employees

outline

1. definition of distribution
2. math of distribution
3. strangeness of distribution
4. methods of distribution
5. a note on PR and media
6. ending thoughts

Can we do without Ship B?

"Security guards, public relations executives, management consultants - we're going to colonize another planet."

how big is distribution?