

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

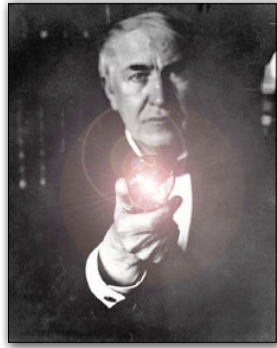
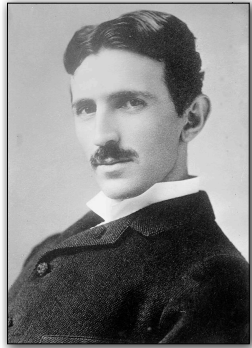
1. definition of distribution
2. math of distribution
3. strangeness of distribution
4. methods of distribution
5. a note on PR and media
6. ending thoughts

definitions

“Getting a product to a consumer”

“Spreading a message”

failure vs. success



distribution is critical



The better product doesn't always win

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distribution math

CLV = customer lifetime value

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

r = monthly retention rate

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

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

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

CPA = cost per acquisition

$$CLV > CPA?$$

distribution - example

$$ARPU = \$40/\text{month}$$

$$\text{avg lifetime} = 24 \text{ months}$$

$$\text{lifetime revenue} = \$960$$

$$40\% \text{ gross margin}$$

$$CLV = \$384$$

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

marketing spectrum



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the great exaggeration

"The product was so good, it sold itself"

advertising is big

610 thousand people
\$95 billion
0.6% GDP

advertising works



advertising isn't rational



even computer buyers fall prey



sales is big

3.2 million people
\$450 billion
3% GDP

companies pay for it

salaries, Oracle



even engineering-driven ones

salaries, Google



salesmen



really just actors?



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a part of our culture



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seeing sales

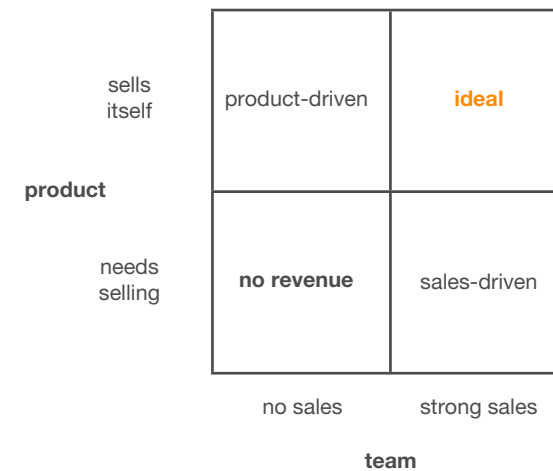
will the real salesperson please stand up?



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organizing principles



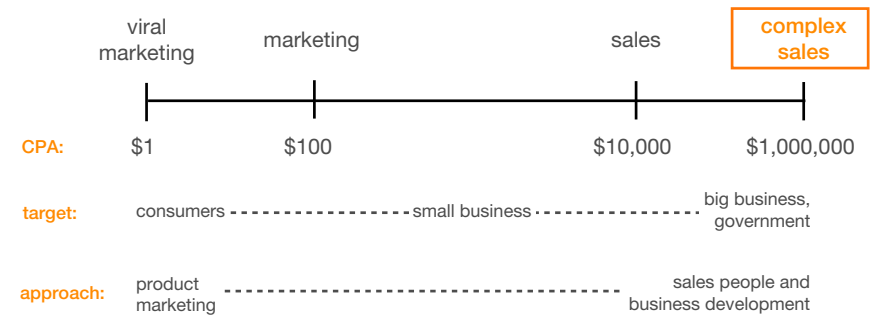
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complex sales



example - SpaceX



example - SpaceX



example - Palantir



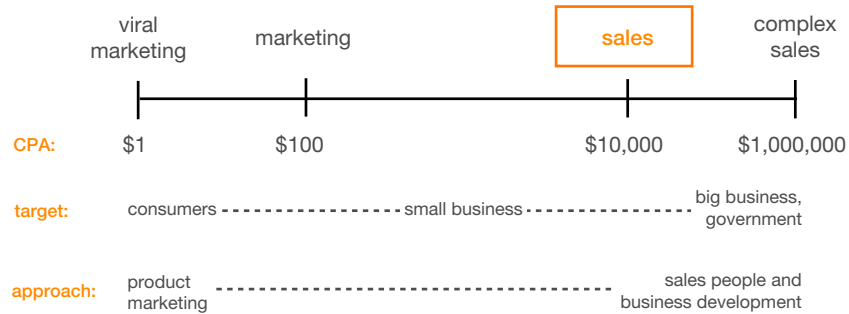
government sales
forward deployed engineers
globetrotting CEO

example - Knewton



selling to big education
Pearson partnership
content providers, schools

sales



example - yammer



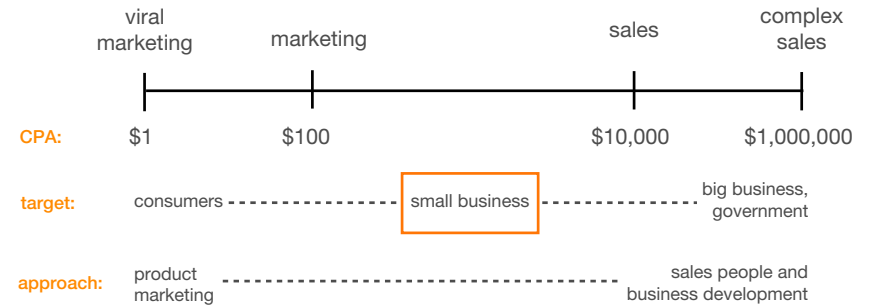
enterprise-facing sales process
large sales team
“used by over 200k companies”

example - ZocDoc



sales team drives growth
market-by-market launches
internal team of recruiters

the gap

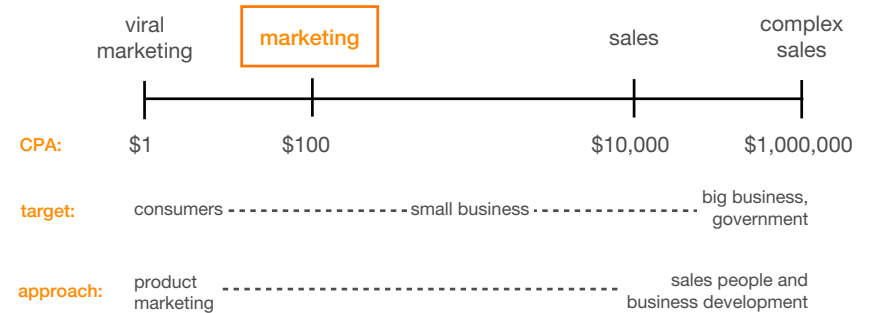


example - Yelp

directly market to users (businesses)
sales teams in all major markets
aggressive sales tactics



marketing



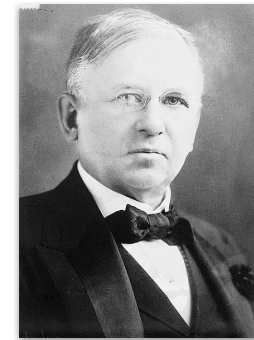
the golden years



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spend wisely



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

- John Wanamaker

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example - Priceline



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Google's power

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

$CTR = \text{click through rate}$

$CPC = \text{cost per click (conversion)}$

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

$RPC = \text{revenue per click (conversion)}$

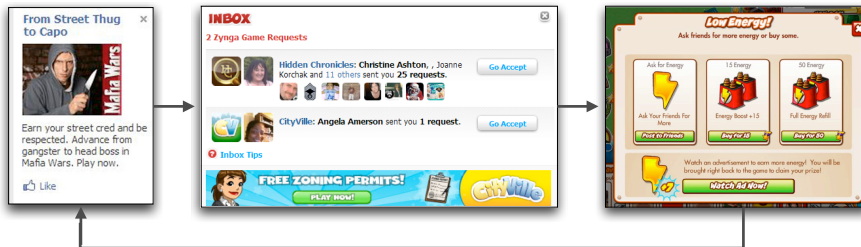
$ROI = \text{return on investment}$

$$ROI = \frac{RPC - CPC}{CPC}$$

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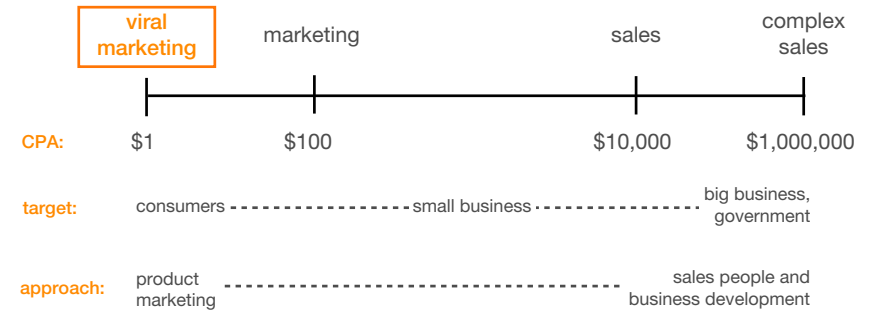
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example - Zynga

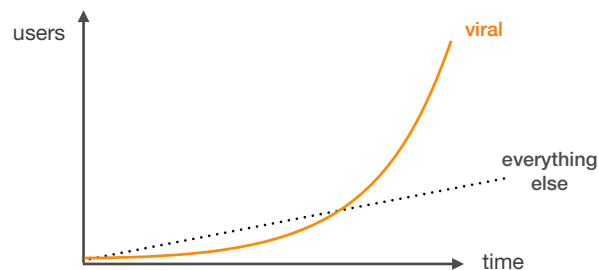


acquisition, viral growth, and monetization loop

viral marketing



virality



going critical

U_0 = initial number of users

T_c = viral cycle time

i = avg. number of invites sent

s = invite conversion rate (%)

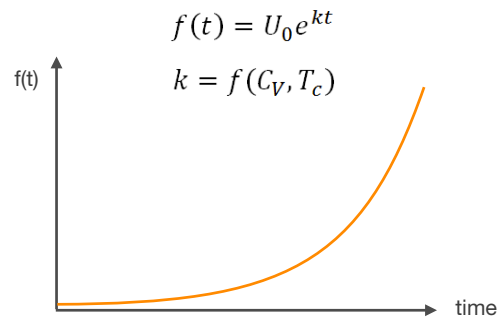
C_V = viral coefficient

$$C_V = i * s$$

for viral growth:

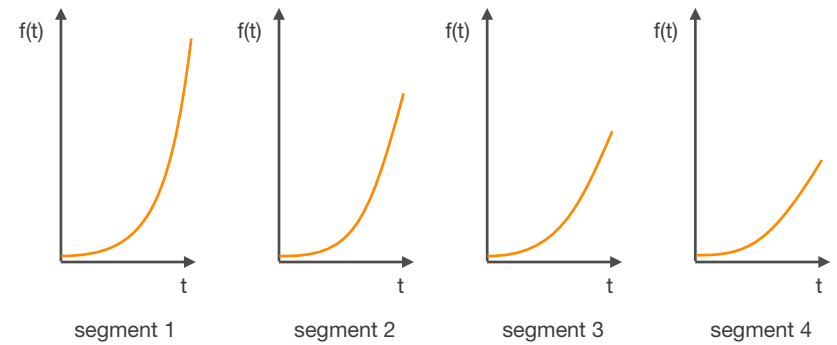
$$C_V > 1.0$$

exponential growth

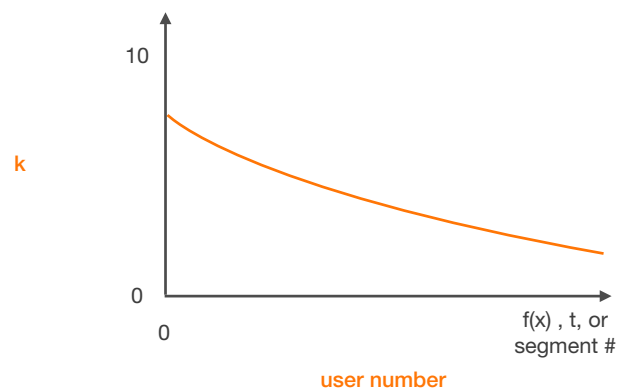


for viral growth:
 $k > 0$

segment by segment



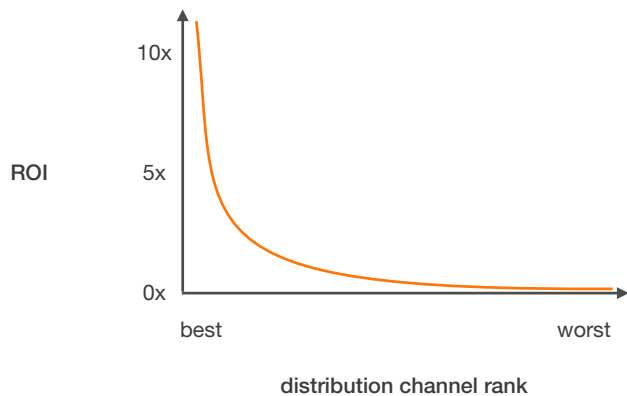
k tends to decline



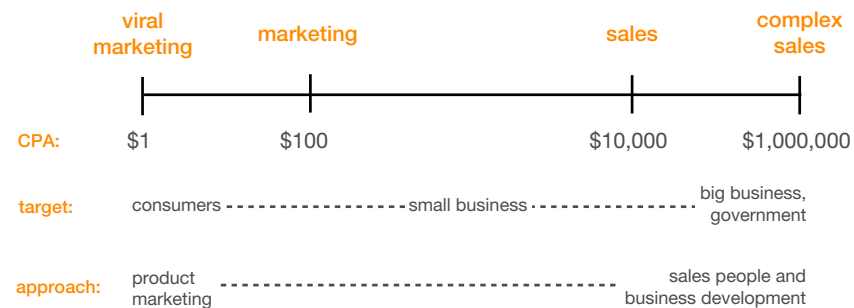
examples



power laws apply



pick one



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PR and media audiences



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Can we do without Ship B?

“Security guards, public relations executives, management consultants - we’re going to colonize another planet.”



how big is distribution?

