kwokchain.com /2019/10/24/notes-on-superhumans-acquisition-loops/

Notes on Superhuman's Acquisition Loops - kwokchain

Kevin

25-32 minutes

Recently sent some notes on aspects of Superhuman's acquisition loops and business model that interested me to some friends. Since I often ask people to write and send me more memos, thought I'd clean up and share this example.

This essay is heavily focused on growth loops, and assumes familiarity with them. If you are not familiar with them recommend reading "Growth Loops are the New Funnels" on the Reforge blog.

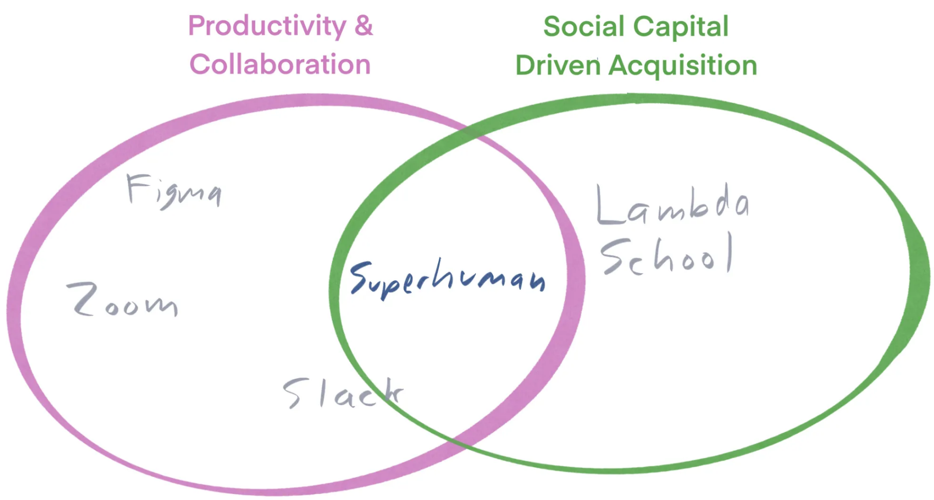
Companies in the productivity and collaboration space have been raising at high revenue multiples. Examples include Superhuman, Figma, Airtable, Notion, Slack, Zoom, and others. While valuation multiples don't necessarily mean these companies will be successful–it is a sign of both excitement about their characteristics as well as the demand pull seen by the companies.

And these companies have overall had impressive traction that looks to compound. There is a longer post to write about them, but that's not the focus of this essay.

Superhuman is an outlier among these, in that its users do not require or benefit from others also being Superhuman customers. Email clients are interoperable with any other email clients.

A large component of what's driven the belief in these other companies is the belief that they will compound due to the network effects of collaboration. These companies have a mix of inter and intra-company network effects that will drive increasingly cheap and compounding acquisition as they scale. Users can only use the product together if others also use it. This makes starting the flywheel and hitting minimum viable scope of the network effect hard, but it makes it more scalable and defensible once it's established.

Superhuman is not like this. It does not have network effects. Users can email with others regardless of what email client they use. However, its distribution *is* still spread by users vs by the company doing enterprise sales. It's not personal utility that drives new adoption, but word of mouth. **Social capital–not personal utility–is what drives Superhuman's acquisition loop.** Users don't share Superhuman because they need others to use it for it to work; they share it because they want to. This change has many downstream impacts on Superhuman.



Business in the back. Party in the front.

Overview of Superhuman acquisition loop

Superhuman's CEO has a great essay on finding product market fit in the First Round Review. It's about focusing on what percentage of your users would be very disappointed to no longer be able to use your product as a core metric.

But part of what makes the path work so well for Superhuman is that the company is structured around a very unique loop.

Most users find Superhuman via word of mouth, social referral, or from it being shared and discussed on platforms like Twitter. They come in to the sales process already primed to want to join–instead of requiring a lengthy sales process. After a pre-qualification process, they're onboarded to Superhuman.

They pay for Superhuman and use it. But perhaps most importantly, they invite their friends and talk about it on Twitter, thus closing the loop and continuing the cycle.

A simplified example of Superhuman's acquisition loop is shown below. There are many additions that can and should be added to this, and in later sections we'll dive into some of them. But this is the essence of Superhuman's acquisition loop.

Did I mention I’m into loops?

Superhuman doesn’t have the traditional sales process of an enterprise company, but many productivity startups with bottoms up adoption don’t. More atypical, is that Superhuman’s acquisition loop is that of a consumer social product.

As long as Superhuman can sustain these channels, it has no marketing expenses and instead of traditional sales can hire people focused on the onboarding and customer service experience. Letting the product and community drive customer education and sales lead to much better unit economics. More importantly, it shifts the center of gravity of the company.

double loops!

When acquisition is mainly via referral or social, growth is driven by users who are delighted and proselytize the product. All companies want to delight the users who would be most disappointed to lose the product, but this often comes at tradeoffs with other priorities. Superhuman is very good at focusing on delighting its most fervent users, because these users drive new user acquisition for the product.

Social Capital Driven Acquisition: Aligning small details with big picture

Social referral

Social referral is not an unusual channel for a productivity app. The perceived status of being accepted as an early user of Superhuman has helped Superhuman's acquisition and conversion, though it's unclear how long that will persist as it scales its number of customers.

Referring a friend to Superhuman or posting about it on Twitter has real friction. There is logistical friction that Superhuman has focused on minimizing. There's no separate flow for referrals. Instead it's as easy as introing your friend via email. And for added simplicity there's a CMD-K shortcut for it. Similarly, when emailing a friend, the sidebar will have a refer button if they aren't a Superhuman user. Building the referral mechanism seamlessly into the app increases their referral rate, which is core to their growth.

But logistics aside, there is a very real cognitive friction to social referral. It's not top of mind or high priority for most people. Social capital driven sharing doesn't *need* to happen, so it's often the hardest to predict and increase.

If logistical friction is why most potential proselytizers give up on referring friends, delightful moments are what reminds them how much they want to share your company.

Delight Driven Development

Delightful moments are what increase the rate at which users remember and want to share Superhuman. Delightful moments are those moments where reality exceeds your expectations.

Superhuman has many small details that delight users. CMD-Shift-I automatically constructs intros. For most actions that could have been done with a keyboard shortcut, Superhuman will show you the shortcut for next time. Their copy function will make footnotes of links if you paste to plain text. Of course, there are also bigger ones as well like their onboarding flow (discussed below). For most companies, it'd be nice but of indeterminate value to prioritize these small details; for Superhuman they are crucial for driving acquisition.

Brand as Social Capital

Social capital acquisition loops are not just about getting users to invite others more often. They are also about getting those invited to want to join.

The importance of invitees wanting to join is obvious at a surface level, the conversion rate is a function of how many are interested. But even among those who sign up, their level of enthusiasm matters. The cost of onboarding, the level of churn, and even their level of engagement will be a function of how excited users are to use Superhuman.

The social capital that Superhuman has with a potential user is incredibly important in a social capital driven loop. Your friend inviting you matters, but just as important is how primed you are to want to use Superhuman when you're invited. If you've heard many good things about it, it feels like many friends of yours use and enjoy it, and you admire Rahul and the team's product sensibilities, then you are more likely to be a good customer, both in using Superhuman as the team intended it to be used and in willingness to pay $30/month for it.

This is why it's important for Superhuman to be consistently discussed, and in social capital positive ways. This aligns Superhuman with opening up more about their internal processes, whether how they built their dark theme or celebrating the importance of onboardings and those who do them. It's also why I'm bemused about the debates around whether or not Rahul should have a small venture fund. My personal views aside (and to be clear I'm strongly pro-experimentation in the form of venture and especially in founder led venture) anything that builds Rahul's social capital is *definitely* in the interest of Superhuman's acquisition loop.

Onboarding

Superhuman's onboarding flow is also notable.

Superhuman has an aggressive onboarding flow compared to other productivity tools. Everyone who joins is onboarded by someone on their team. This can range from a video call to an in person meeting with the CEO. While common for enterprise sales, it's rare for consumer apps. The frontier of the hybridization of enterprise and consumer continues to expand. Or more precisely, companies increasingly realize it's not a stark divide, but a gradient. Superhuman's onboarding flow drives increased new organic distribution, decreased churn, and a tighter feedback loop.

Superhuman's high touch onboarding may not be right for every company. However, there are likely effective variants that can be implemented cheaply enough and targeted at the right customer segments to be very ROI positive. Even without human driven approaches, there are product-supported white glove experiences without the expected costs that are likely to work.

Here are some notes on some of the advantages:

General productivity tips. They manually observe your workflow and give general productivity pointers (even if not in the Superhuman app). This is useful and establishes credibility with customers.

*KK note: That some of you were functional humans without knowing about command-tab is mind blowing to me. I'm barely a functional human*with* command tab letting me instantly and repeatedly switch between all my appli—oh no*

Setting up and tailoring Superhuman. They have you go through setting up Superhuman with them on hand. Many companies actually have pretty significant churn between potential customers signaling they're interested–and actually ever getting set up. By having onboarding in person, Superhuman removes this churn.

Managing the set up also lets them customize the setup to what they think would be ideal for you. For example, looking at your inbox they may suggest certain split inboxes that'd be ideal and set that up on the spot–vs hoping you discover it on your own. The more they help ease you into a new workflow, the less chance you churn.

Strongly prescriptive on workflow. Most apps are happy for customers to use them however they please. In contrast, the Superhuman team has strongly prescriptive views on what your workflow should be. In their early days, they wouldn't even allow users who didn't subscribe to the same email ideology. There are questions about how well this scales and its efficacy in getting new more mainstream customers to adopt the workflows. But the benefit is that it helps shift users towards ways of using Superhuman that are more likely to be successful.

The Instant Inbox Zero. They'll push you to get to inbox zero in the onboarding session. If you don't have many emails they'll sit there as you clear them out. If you have many they'll offer to nuke your inbox and put them all into email bankruptcy. Starting at inbox zero makes adherence to their view of inbox management more likely. And feeling like you left session and cleared out entire inbox is a magical moment for new users.

KK note: I've never felt so motivated to process my email efficiently, then with the CEO of Superhuman sitting beside me patiently burning what could have been productive time. And I'm sure immensely judging my email workflow.

Tight Feedback Loops. Having every customer manually onboarded creates a very tight feedback loop on how people use email, what resonates about Superhuman, and where in onboarding or using the product users struggle. This continuous user research allows the team to quickly improve the product, and just as importantly–rapidly refine how they pitch Superhuman's value proposition.

Segmented Onboarding. Most companies have the same onboarding flow for all their customers. This is often because they think there is little variance in the value of each customer, and even if there was they wouldn't know ahead of time. Because they benefit from social referral, WOM, and discussion on social platforms like Twitter, there can be people who can drive significantly outlier new user distribution. Similarly, customers who can convert their entire company or may be future investors also drive more value. Superhuman can decide who onboards a new customer based off of their view of the non-immediately financial return on retaining them.

Human Connection. Every onboarding at Superhuman is done by someone on their team. As importantly, because new users are already high intent, it feels far less transactional and sales oriented. And more aligned and focused on setting up and learning the product. Knowing someone at the company I suspect lowers churn. When the CEO onboards you personally, it becomes harder and more personal to unsubscribe.

I also think that associating a human face with the product (and one that isn't trying to get you to buy more) also changes the dynamic. It makes the product feel more personal. Beyond churn, I think this translates into things like how you feel when emailing them with feedback or complaints, makes you more likely to read their emails, etc.

Baseline Onboarding. All the early onboardings were done by Rahul, the CEO. I highly recommend this, even beyond the benefits of the tight feedback loop. Nobody is going to be able to pitch the product better than the CEO. Not only does he intimately understand the entire product. It's frankly just more effective when the CEO is walking you through the product. You're less likely to churn, etc. This alone wouldn't be that useful because the CEO's time is the most valuable and not scalable.

However, by having early onboardings done by Rahul, it sets a baseline. As the company progressively scales out its onboarding flow, they have a baseline of what the highest touch, least scalable process looks like to compare against. This makes it easier to figure out when a new lower-touch onboarding process is giving up too much efficacy in return for scale.

Delight Driven Distribution. If Superhuman's distribution is driven by outlier moments, there's no better time to drive that then the onboarding process. I'd guess most tweets about Superhuman come from people who've just gone through their onboarding.

Good Friction

Superhuman's onboarding process introduces significant friction. I know multiple people who've avoided signing up for Superhuman because they don't want to go through onerous process. It's odd in today's world of self-service to see a product that doesn't allow it.

For this stage of Superhuman's growth, this self-qualification of leads is probably net positive. This process is more Good Friction than bad. Good friction looks like it hurts its step of the loop, but it net improves the entire loop. For Superhuman the onboarding process does likely ding the number of people willing to sign up. But as long as they are not demand constrained yet, this is a positive–it helps pre-filter for customers who are more committed.

And there are other significant benefits. As discussed above, the onboarding process improves retention, helps educate customers on how to use the product, and improves referrals. Of course, this would change if and when they do become demand constrained.

Feedback loops

Many companies no longer talk to their customers. It sounds crazy, but it's true. Enterprise companies have to because talking to their customers *is* their sales motion. But for consumer companies and non-enterprise ones typically very few people have actually talked to a customer. There's real value in this. And despite everyone nodding along it's *underweighted*.

A company is just a process that hopefully compounds as it scales and improves in its ability to serve its customers. Closing and making faster feedback loops are how it compounds.

As discussed above, Superhuman's onboarding flow shortens the feedback loop. They can see immediately hear what makes sense to people and what is confusing. It allows them to immediately test out new changes and ways of framing the product. And as our industry shifts increasing focus to retention, customer service moves from being a support function to a key retention lever.

Superhuman also does this by decreasing the friction (and response time) of feedback when using the app. Besides a top level button for feedback, there's easy CMD-K shortcut for giving feedback.

It's no surprise that the two top level commands bundled together are for 1. Giving feedback and 2. Referring new users. These are their core loops: strengthening the product and increasing its reach.

Do Social Loops Scale?

Superhuman's social capital acquisition loop, onboarding flow, and feedback loops have been great for the company's growth. Can these same loops scale with Superhuman, or are they strong initial loops that will have to be transitioned out as the company matures.

Manual user onboarding and talking to all customers typically *is* done by companies below a certain size, before being dropped as they become prohibitively costly with scale. Superhuman has been able to keep doing these even as they've grown. The real test for Superhuman is how effectively they can maintain it while scaling.

Historically, few onboarding process this high-touch and driven by social capital have scaled. There is typically a tradeoff between scalability and quality. Quality typically gets worse with scale. Some of the best companies are able to minimize this decline even as they scale out. Or in even rarer cases, build compounding loops that actually improve with scale.

Superhuman has already taken steps to make their onboarding more scalable. They know can onboard most customers remotely. Whereas they previously did every onboarding in person, and before that Rahul did most onboardings.

It's likely that Superhuman will add self-service as they scale further. And sequencing their loops is typically how most companies mature. Or as Eugene Wei would call it moving past their invisible asymptote. However, if their LTV is strong enough, it's also possible their current approach *is* scalable, which would be even more interesting.

Sequencing Loops

Social capital acquisition loops traditionally don't scale. The social dynamics they rely on tend to change with scale and they become weaker. Personal capital driven loops, like network effects, typically scale far more effectively.

It's easy to get someone to use Superhuman, because they can use it even if everyone they talk to uses another email app. But this very same reason that helps Superhuman in its early days hurts it at scale, because there is no need for collaborators to eventually switch on to Superhuman. By contrast, an app like Zoom, Slack, or Figma struggles in its early days, but actually becomes more and more compelling to use as they get liquidity. When everyone you work with uses Zoom, you *have* to use Zoom to video chat with them.

Social capital has historically been fast to rise but cap out sooner

These kinds of network effects have a high minimum scope, and *very* high maximum scope. Take Slack as an example. It is hard to get people to use Slack when no one is on Slack, but very easy when their entire company uses it. When no one uses Slack at an office, it's hard to convince the first few to join. Why add *another* app that nobody is even using. Slack isn't useful until at least my team is on it, it has a high bar before its network effects start kicking in. In fact, compared to alternatives it almost has a negative network effect below a certain amount of active users at a company. After all, why send a slack message to a coworker who doesn't even use it, when they'll definitely see an email sent. However, Slack also benefits from a high maximum scope. As more people at the company use slack it becomes increasingly essential for everyone else to use Slack. If all the discussions are happening on Slack and you're the only person not using it, you'll be missing out. And there's no way to be part of that conversation without using the app.

*KK Note: Astute observers will note that this is a high maximum scope *within* companies. But that may not naturally spread across companies. Some classify this as local vs global network effects, which is a specific framing of the general elasticity of sequencing loops. And a topic that deserves its own post.*

Superhuman's current product lacks these kinds of network effects, making them distinct from many of their peer companies, and possibly without a scaling compounding loop currently.

Sequencing from social capital loops to network effects is #goals

The normal path is to sequence to a better loop. In Superhuman's case there are many options. It's likely we'll see them release collaborative tools for teams using Superhuman or features like shared editing or enterprise management of inboxes. These features would add intra-company network effects. There are also many features that should be uniquely possible when both parties are using Superhuman.

Scaling Things that don't Scale

But the really intriguing possibility is that Superhuman believes they can scale their existing loops.

While still small in scale, Superhuman has managed to grow while keeping a remarkably high touch onboarding and feedback loops even as they grow.

Without internal data, we don't know if these are unit economic positive (and their high touch approach is worth doing currently from a product feedback perspective even if they aren't). But if they *are* profitable, then they are a datapoint that the frontier of high-touch, economic, and scalable can be pushed out further than anticipated. And perhaps they plan to scale a primarily social capital loop.

Schrodinger’s social capital loops

Presumably Superhuman’s social capital loops and delight driven development have led to high virality, lower churn, and low cost of acquisition. If this persists, it’s very possible this system is stable.

Will it be able to persist? One large factor is top of funnel demand. Currently they are not demand-constrained. Already having too many people who want the product is what allows all of their novel loops to be possible.

Their waitlist has ~200k people on it. Of course, this is not quite right metric since there is high variability in price elasticity among that list. But this is also the point. Currently they have no shortage of potential customers who are willing to pay full freight. This is part of what allows their unit economics to be very strong: they don’t need to pay for customer acquisition, or traditional inside sales reps. If this can’t be maintained then they will need to start building a traditional sales org which will change their economics. But if social referral and WOM can be a growing and stable source of new customers than that would be opening up new approaches for many companies in the future.

Appendix

Appendix A: Extrapolating from the acquisition loop

With this understanding of Superhuman’s acquisition loop, we can look at specific theoretical or real examples to see how it shapes Superhuman’s decisions.

Free

Since customer referrals and word of mouth are Superhuman’s main acquisition channel, Superhuman’s users are the core driver of their new acquisition. So a user is both a customer that pays Superhuman in money, and potentially a distribution channel to new customers.

While customers may pay the same amount, they are not of equal value as distribution. Some categories of customers, like founders or high profile users, are likely larger drivers of new customer referral or increasing brand awareness for Superhuman than others.

Let’s say one of these customers churns due to price. This disproportionately hurts the acquisition loop– since it’s driven by user distributed channels.

I suspect there are categories of users, especially founders, who if they churn Superhuman will offer the product to them for free. Perhaps Superhuman already does this.

Freemium is a far more complex tool with more levers than is appreciated in tech. It's not a boolean distinction but rather a gradient that we'll get better at understanding as an industry.

This goes to our recurring conversations about how freemium isn't a boolean distinction, but a gradient we'll get better at understanding as an industry.

The deciding factor for freemium should be where the company gets more value from a user than the financial capital of their payment.

Harming the Loop / Social Regulation

Recently Superhuman became embroiled in twitter controversy after Mike Davidson wrote an essay about its pixel tracking. Writing on the debate itself and my view is out of scope for this piece and would need to be its own essay (which I'm unlikely to write). But I want to talk about why it mattered.

If you look at Superhuman's acquisition loop, Twitter is a real channel for them. And social referrals and WOM are the other big ones. Just as Superhuman being viewed as a cool and enviable product lowers the friction to it being shared and the likelihood of a potential customer signing up. Superhuman being viewed as a creepy or malicious app increases the friction to it being shared. This is even worse on platforms like Twitter where anyone sharing Superhuman may have these accusations posted in reply to their tweet. If it continued unresolved, many would likely not even share on twitter because of wanting to avoid the pushback.

What is your strength is always your weakness too. With twitter as a main channel, these kinds of posts become existential. Which is why they have to be taken very seriously. Which is what we saw.

When companies sell directly to people they become very sensitive to the will of the people. Superhuman *has* to take these claims seriously, because it *can* hurt them if users don't view them as protecting their privacy. This is how things should work.

Credits

Many thanks to Keila Fong, Dave Petersen, Max Bulger, Boris Jabes, Ryan Petersen, Michael Dempsey, Allen Yang, and Kane Hsieh for the many discussions on Superhuman and their unceasing pressure to publish this. And to Eugene Wei for our many discussions on social capital and how to best understand and model it.

Finally, much thanks to Casey Winters who has spent far too many hours in a room with me formalizing our views on loops and how to model them as we built Reforge's Advanced Growth Strategy course. Perhaps one day we'll have written an essay on every variant of loop, not just [social capital, user generated, user distributed].