

# Accelerating Growth at Scale 🔥 Phase 2 of Kickstarting and Scaling a Marketplace Business

Lenny Rachitsky

9-12 minutes

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“Mike Pao, GM of Uber in Boston, was having trouble getting supply to show up at 3am when people were leaving bars. So he sent an email to all of the drivers in Boston: We will manually double your payments if you drive at night, ignore your receipts. It worked. All of the other cities started to copy it, and then eventually it was implemented in HQ. **That’s how surge pricing was invented.**”

— Andrew Chen (ex-growth at Uber)

Welcome to the second part of Phase 2 of our deep dive into marketplace growth — Scaling Your Marketplace 📈 **Below, I’ll share the levers and tactics that today’s biggest marketplaces *currently* rely on to drive growth.**

To me, this was one of the most interesting areas to explore because I’ve never seen a comprehensive breakdown of growth levers across companies at scale. What percentage of companies rely on paid growth? Referrals? SEO? So many learnings! Read on!

## Step 2: Accelerate growth at scale 🔥

**Early on, you do things that don’t scale. At some point, though, you need to scale the things you’re doing.** As a result, the number of levers you can rely on for growth at scale is substantially reduced — from a total of sixteen different levers early on (across early supply and demand growth), to only eight down the road:

1. Performance marketing (key for 70% of the companies I spoke with)
2. Expanding geographically (65%)
3. Conversion optimization (50%)
4. SEO (50%)
5. Direct sales (35%)
6. Referrals (30%)
7. Loops (25%)
8. PR (17%)

This isn’t to say that other tactics will never have impact for *your* business — just that these eight levers were the only impactful and scalable levers for these seventeen companies. Here’s a cheatsheet:

Performance marketing	Expanding geographically	Conversion	SEO	Direct sales	Referrals	Loops	PR
Airbnb	Airbnb	Airbnb	AngelList	Breather	Airbnb	Eventbrite	Etsy
Breather	Caviar	DoorDash	DoorDash	Caviar	Caviar	GrubHub	TaskRabbit
Caviar	DoorDash	Etsy	Etsy	DoorDash	DoorDash	OpenTable	Zillow
DoorDash	Eventbrite	Instacart	Eventbrite	GrubHub	Lyft	Uber	
GrubHub	GrubHub	Lyft	GrubHub	Instacart	Uber		
Instacart	Instacart	TaskRabbit	OpenTable	OpenTable			
Lyft	Lyft	Uber	Thumbtack				
Rover	OpenTable	Zillow	Zillow				
TaskRabbit	Rover						
Thumbtack	TaskRabbit						
Uber	Uber						
Zillow							

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*Note: To simplify, I've merged supply and demand growth levers into a single list.*

## 1. Performance marketing (70%)

Performance marketing (a.k.a paid growth) turned out to be the single most commonly used growth lever for these companies at scale. It's a vital growth channel for twelve out of the seventeen companies I spoke to — up from the six companies that relied on it during their early stages. The remaining five companies (AngelList, Etsy, Eventbrite, OpenTable, Patreon) either don't use it at all, or don't rely on it.

### Uber:

**"The end state was like 50% paid, 15% referrals, 35% WOM. Early days the mix was closer to 30% referrals, 50-60% WOM, and the rest was PR and other random things."**

— Andrew Chen

### DoorDash:

**"We invest in every channel. We have to constantly test and iterate to identify arbitrage opportunities. In paid, we invest based on a 'Time to Contribution Margin Break-Even.' We don't invest on an LTV basis because every market is different. To say we can predict unit economics of each business and market 5+ years into the future, would be naive. The way we think about it is if we put out \$5 to acquire a customer at time zero, how many months does it take to generate \$5 in contribution profit (everything above fixed OpEx - like salary and rent)?"**

— Micah Moreau

### Zillow:

**"At scale we continue to invest in the areas above (PR, SEO, Mobile), but we also added paid marketing. We added paid late in our company timeline, but it made a big difference when we turned it on."**

— Nate Moch

## 2. Expand geographically (65%)

The second most important and effective growth lever for companies scaling up was simply expanding geographically — key for about two-thirds of companies (interestingly not for Breather or Thumbtack).

#### Instacart:

**“For many years a big lever for us was expanding geographically.** As we got better at selecting and launching new markets, each new market would reach critical growth milestones faster and faster.”

— Max Mullen

#### OpenTable:

**“Market expansion was absolutely one of the most important growth drivers.”**

— Mike Xenakis

#### GrubHub:

**“When we began to scale, expanding geographically was one of our top 2-3 growth levers** for both supply and demand.”

— Casey Winters

#### Rover:

**“We started in Seattle, kept it focused, learned about the dynamics of the market...then we flipped the switch and went national.**

We entered a city by just spending on google AdWords. We had a concept of ‘Activated markets’, and a target list of markets we were trying to active. When we saw organic growth bubbling up in new market, that informed where we would go next. For non-activated markets, we knew that performance was going to be bad because liquidity was low. We were willing to let it ride.”

— David Rosenthal

### 3. Conversion optimization (50%)

About half of the companies I spoke with saw a lot of growth optimizing the conversion of user flows. Just as interesting to me was how many companies DIDN'T find this to be a major growth lever (including Eventbrite, GrubHub, and OpenTable) 🤖

#### Zillow:

**“Improving conversion and engagement was a big focus as we grew.** We were very focused on how we could activate more of the users who came to our site to help them in their home shopping journey. Home shopping is not a short transaction cycle, so engagement was a very important – getting people activated, re-engagement them with email/push, and helping them take the next step toward buying a home. We had a lot of people coming to our site to check the value of their homes, but we wanted to engage them in the home shopping aspect of our product.”

— Nate Moch

#### Airbnb:

**“We saw consistent and substantial growth gains every year** from conversion wins, from search through booking.”

— Lenny Rachitsky

**Etsy:**

**“We removed lots of early frictions** to purchasing over time — this was one of our biggest growth drivers as we scaled.”

— Nickey Skarstad

#### **4. SEO (50%)**

SEO also ended up being a major growth lever for about half of companies, for many only becoming a focus later in their history.

**OpenTable:**

**“We were a little late to the game on the SEO front, but once we understood its importance we invested fairly heavily.** We brought in an outside expert who helped launch our SEO program. Within a few months we had tripled our SEO referrals and it quickly became a big source of new users.”

— Mike Xenakis

**Zillow:**

**“SEO was and continues to be an important channel for us.** We took advantage of our PR and content groups to drive traffic and links to our site, and created the most comprehensive database of homes with deep details of every home in the country (not just the ones for sale). We continue to work on providing the most unique and valuable data on every home (with things like 360 tours of homes).”

— Nate Moch

**Etsy:**

**“Tons of listings overtime indexed by Google** brought in new traffic over time.”

— Nickey Skarstad

#### **5. Direct sales (35%)**

Interestingly, direct sales became much less of a key lever for many companies (from ten companies to six companies). This is likely because the cost of scaling a sales org was outweighed by the growth coming from more scalable channels. However, for all of the food delivery businesses (plus Breather), this continued to be a vital growth channel.

**Caviar:**

**“For us, for supply growth, it’s direct sales / field sales - no question!”**

— Gokul Rajaram

#### **6. Referrals (30%)**

Five companies found ongoing (and increasing) success from a referrals program, across both supply and demand.

**Uber:**

“Today, about **15% of new users come from referrals**, 35% from WOM.”

— Andrew Chen

**Airbnb:**

“Today, referrals drives about **10-15% of all new supply**”

— Lenny Rachitsky

**DoorDash:**

“**Referrals is massive on the dasher side**. It is effective on the consumer side too, but less so.”

— Micah Moreau

## **7. Loops (25%)**

And loops continued to be critical for four companies — Eventbrite, GrubHub, OpenTable, Uber.

**Uber:**

“Early days it was black car drivers and riders, where there's no overlap. It wasn't until 2015 that we built the "R2D funnel" which **became the largest attributable signup source of riders turning into drivers!**”

— Andrew Chen

**OpenTable:**

“As the business scaled, **the restaurant website diner acquisition continued to be the most efficient and most effective**. What happened, while we grew simultaneously restaurant websites started growing, and the quality of the websites was finally growing (didn't take 4 mins to load, flash graphics), went hand in hand. That was continuing to fuel growth.”

— Mike Xenakis

## **8. PR (17%)**

Finally, PR remained a key growth driver for three companies — Etsy, TaskRabbit, and Zillow.

**Etsy:**

“Novel concept with quirky listings made for fun press/bloggers picking Etsy up”

— Nickey Skarstad

## **And a few reminders about growth:**

“**We paid close attention to our customer feedback and solved top customer complaints with product investments**. We found that the

experience of having an item you ordered replaced if it was out of stock could be better. So we invested heavily in this specific case: what happens when an item you ordered is out of stock? Investing in this area of our product helped many new customers have a great first experience, which in turn helped growth.”

— Max Mullen (co-founder of Instacart)

**“Many of the early levers we used to drive growth were a moment in time things** that no longer work at all or at scale. We used them where we could to bootstrap the company for a period.”

— Sander Daniels (co-founder of Thumbtack)

**“There were no silver bullet** unfortunately. Just lots of **lead bullets**.”

— Gokul Rajaram (Head of Caviar)

Stay tuned for the next, and penultimate, post in this series next week — **how to maintain quality in your marketplace!** 🏆

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## Overview

### Phase 1: Cracking the chicken-and-egg problem:

- **Part 1: Constrain the marketplace** 🧪
- **Part 2: Decide which side of the marketplace to concentrate on** 🤖
- **Part 3: Drive initial supply** 🐣
- **Part 4: Drive initial demand** 🙌

### Phase 2: Scale your marketplace 📈

- **Part 1: Determine if you are supply or demand constrained** 🧑🏫
- **Part 2: Scale growth levers** 🔥 (*this post*)
- **Part 3: Maintain quality** 🏆
- **Part 4: What would you have done differently if you did it again?** 🧠