

Growth

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Default *Alive* or *Dead*?

by [Paul Graham](#)

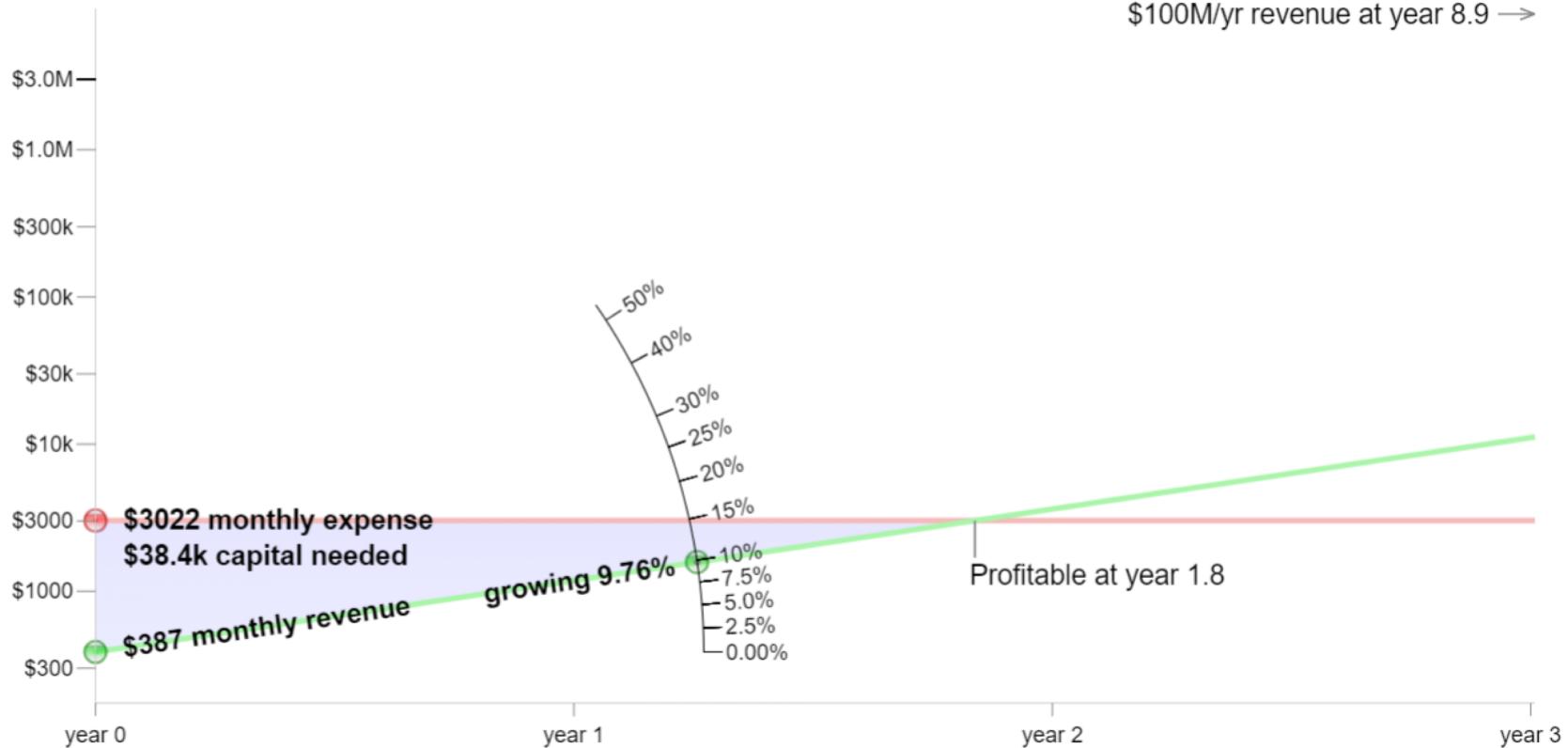
- Assuming
 - An initial fund
 - Fixed expenses
 - Linear/predictable revenue growth
- Can you make it to profitability before running out of your money?

Startup Growth Calculator

Revenue/Expense

Monthly [change](#)

\$100M/yr revenue at year 8.9 →

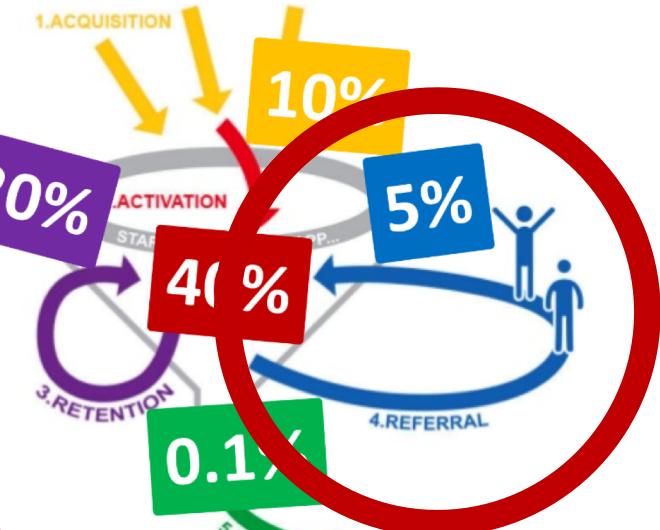
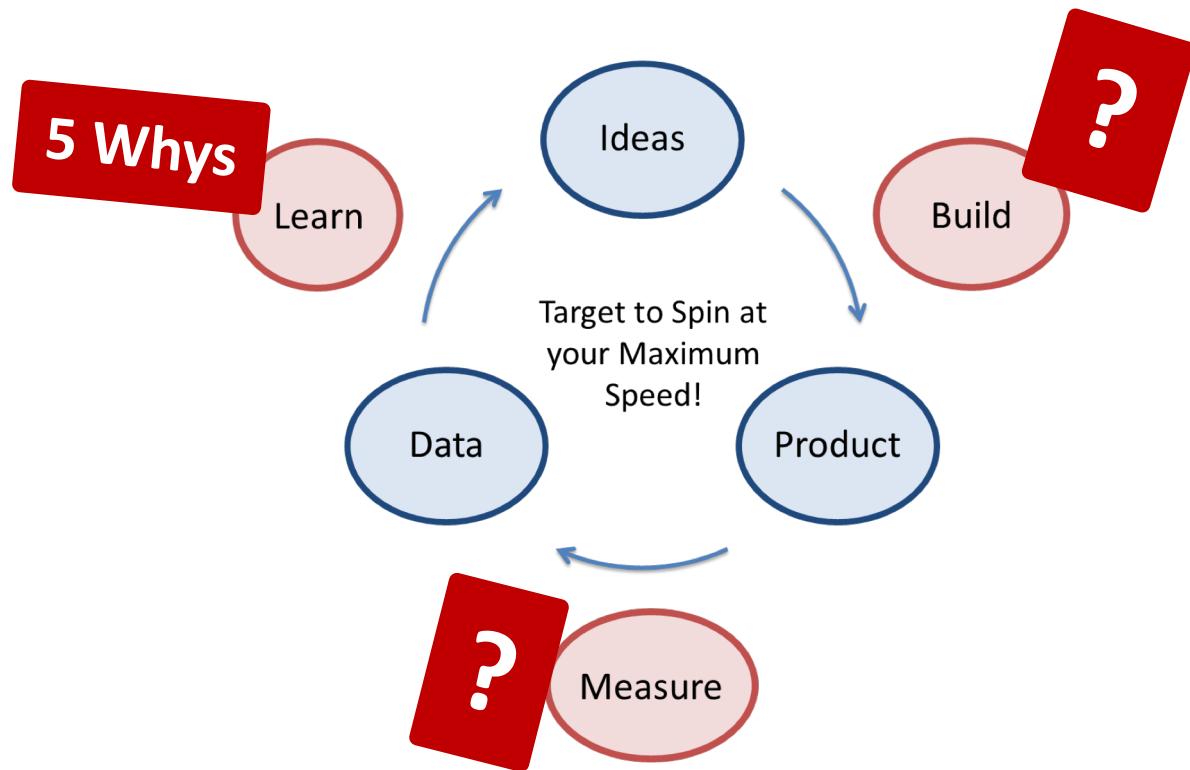


What's Next?

- Default *alive*:
 - Ambitious new things
 - Scale phase
 - Raise more fund (O)
- Default *dead*:
 - Raise more fund (X)
 - To fix *growth* & *revenue*
 - at no (or little) more expense

Outline

- Metric
- Actions & Psychology



Vanity Metrics

- #shares
- #likes
- #reviews

Virality

- ***Inherent virality***: a function of use, e.g., Messenger
- ***Artificial virality***: forced, often built into a reward system
- ***Word-of-mouth virality***: conversation of satisfied users, product-independent

KPIs

- Viral coefficient
- Viral cycle time

Viral Coefficient

- The number of new users/customers that each existing user/customer successfully converts

Existing users	2,000		
Total invitations	5,000	Invitation rate	2.5
Downloads	1,000	Acceptance rate	0.2
		Viral coefficient	0.5

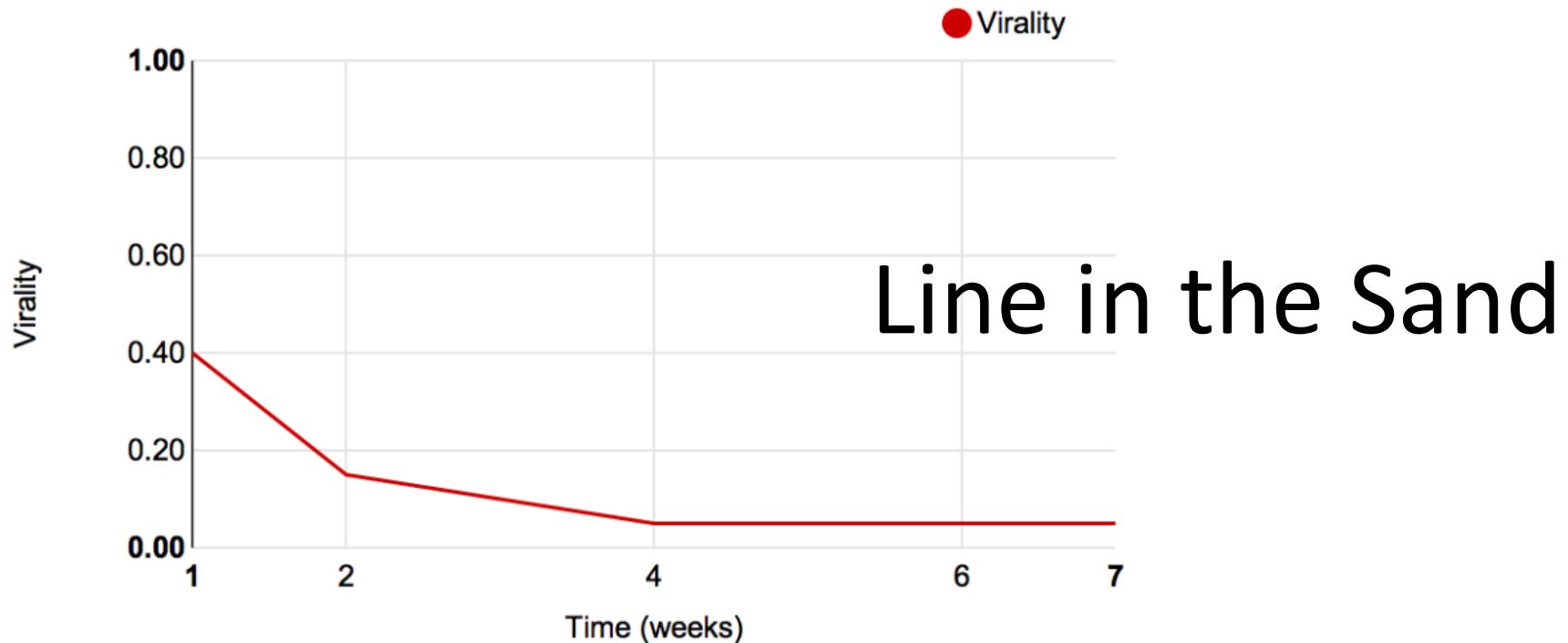
- $VC = IR * AR$
 - How to increase IR?
 - How to increase AR?

Viral Cycle Time

- Avg. time required for each conversion
 - Time to invite + time to accept
- Assume 2k initial users and VC = 0.5, after 20 days:
 - 115K users if cycle time = 2 days
 - **6.6M** users if cycle time = 1 day
- How to reduce time to invite?
- How to reduce time to accept?

More Metrics

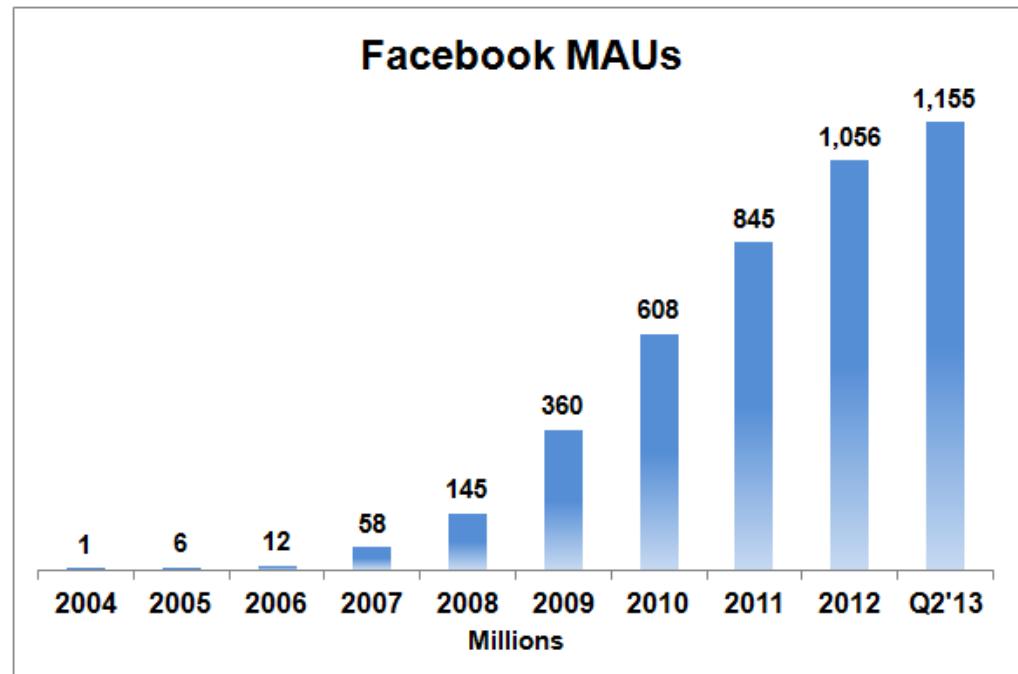
- Track user actions that drive virality
 - E.g., #shares, time-to-share, #likes, etc.
- Watch the word-of-mouth (qualitative)
 - Inject hashtags into shared text
 - Monitor hashtags using tools like [TweetDeck](#)



- Your viral coefficient will saturate
 - Depending on how “tight” between users
- Generally, $VC > 1$ means you are “viral”
 - Grow without much marketing/PR budget

Goals for Growth

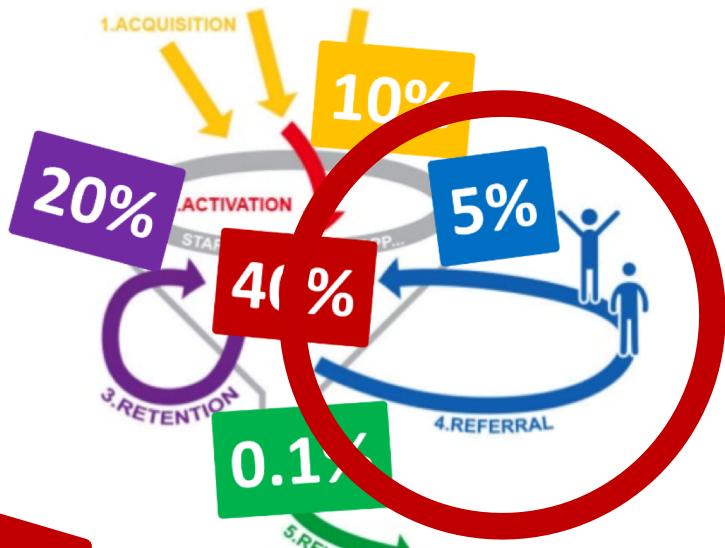
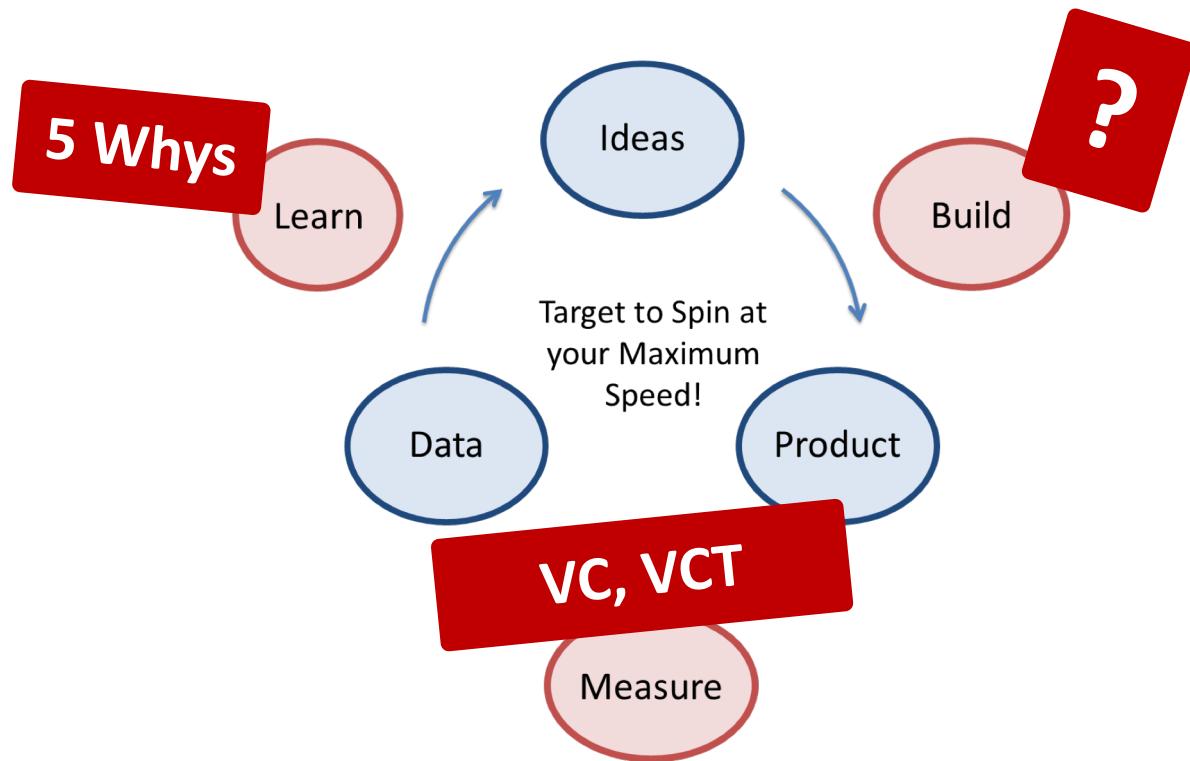
- If you are viral, your growth will looks like a Bass diffusion curve:



- Usually, the initial flat period is much longer
- Y-Combinator teams: **5% per week**

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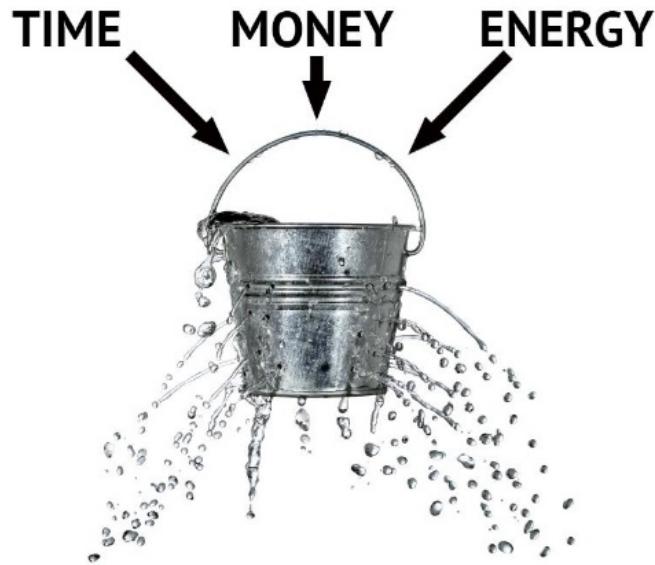


Marketing is about selling **more stuff** to
more people **more often** for **more**
money **more efficiently**.

- Sergio Zyman,
CMO, Coca-Cola

What to optimize first?

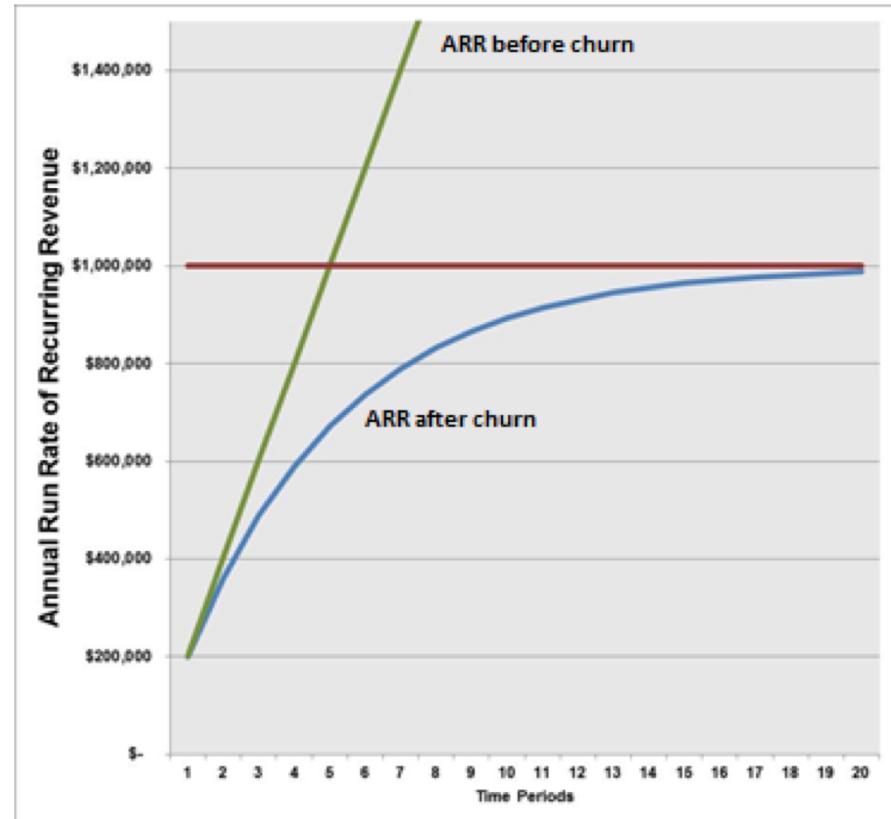
Stop the Leaky Bucket!



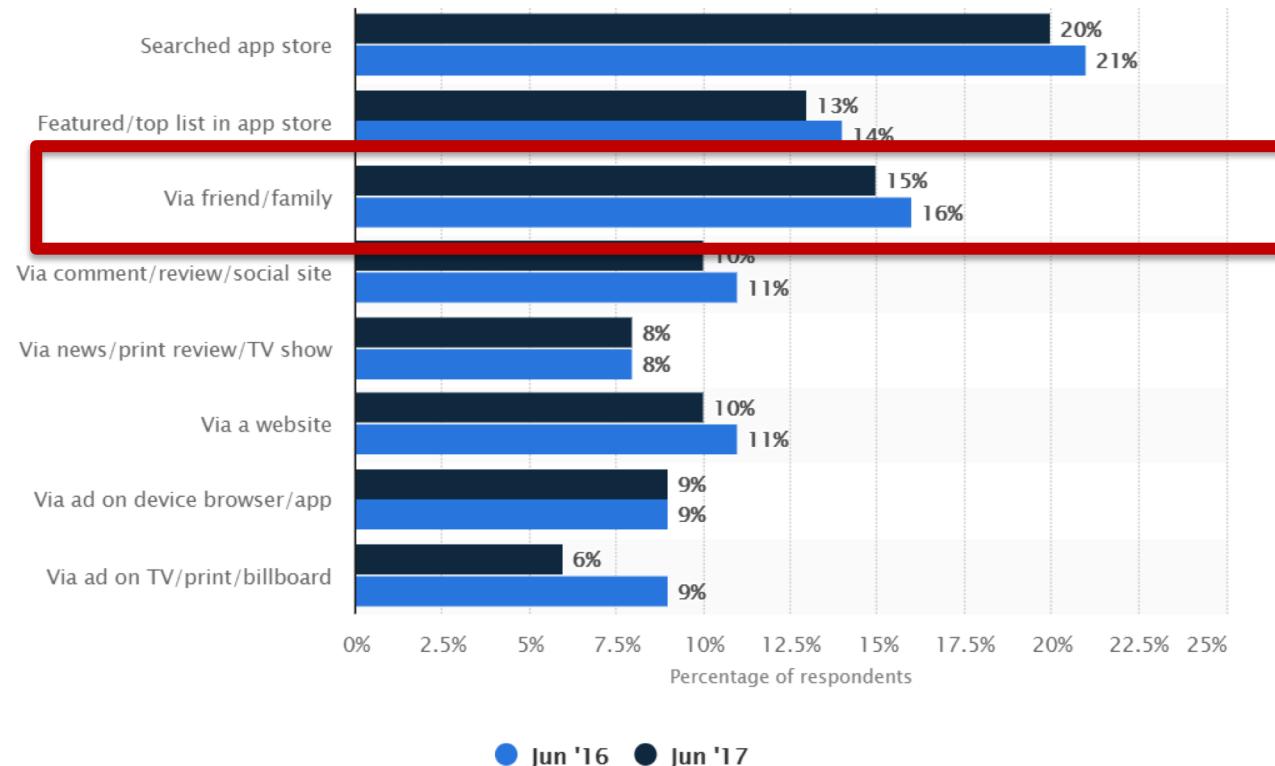
- Reducing churn rate is the first step of growth
- User churn rate \neq customer churn rate
 - Track both

Why Is Churn Rate So Important?

- May define an upper bound of your business
 - E.g., customer churn rate over ARR
- Usually, *re-engagement* is more cost-effective than acquisition
 - E.g., via tailored emails



Turn Your Happy Customers into Sales



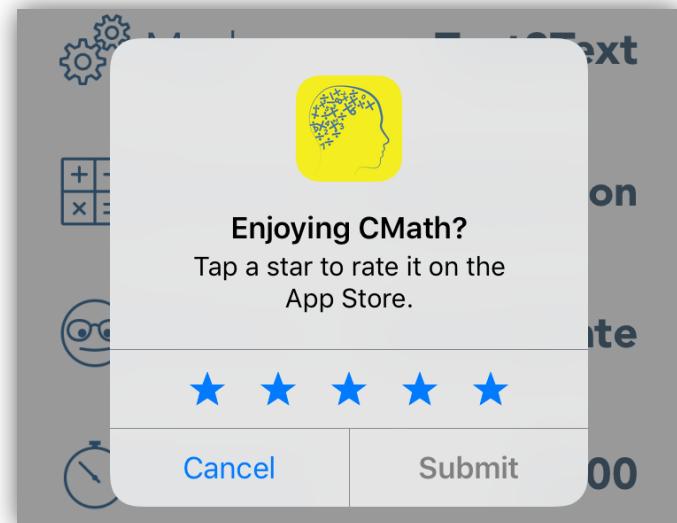
- How?

Ratings & Reviews

- Shown on your (app) landing page
- Very important
 - Humans, when having little clue, tends to believe social proof
- Ranking factors:
 - App Store: **#ratings** > #installs > trends > avg. rating
 - Google Play: **#ratings** > #installs > avg. rating > trends

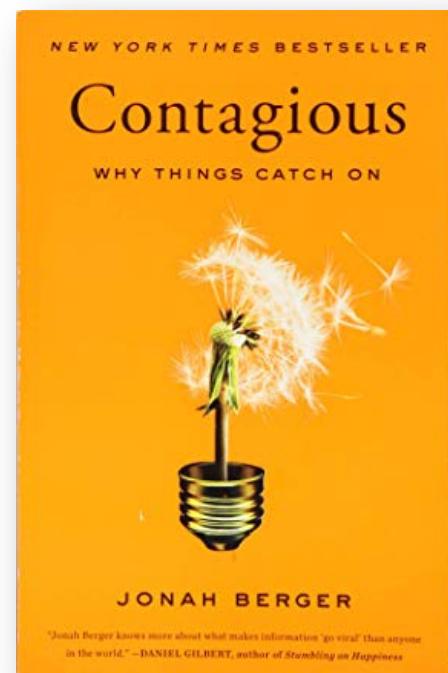
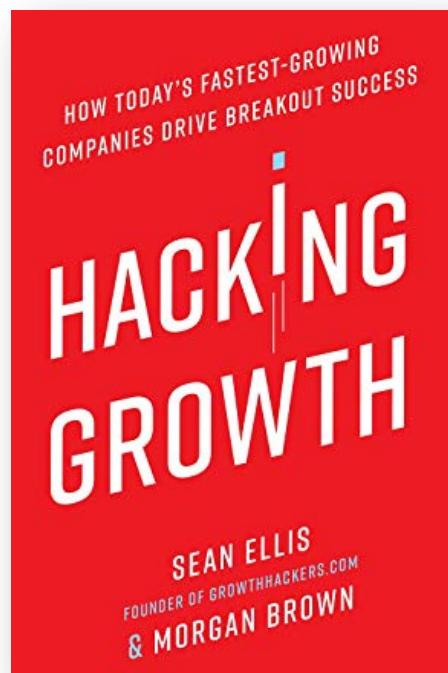
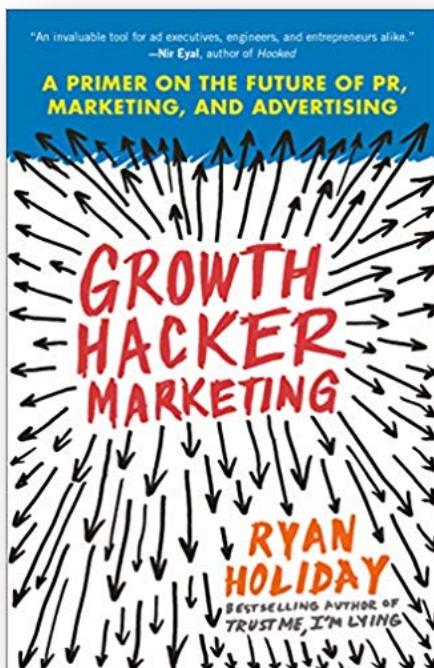
How to Get Positive Ratings/Reviews?

- Ask users to rate at right time, with right pattern
 - “Like” → *rate*
 - “Dislike” → feedback
 - when users are *happy*
 - and not interrupted
 - “Ask Later”
 - “Don’t Show Again”



Then?

- There are many Growth Hacking books...

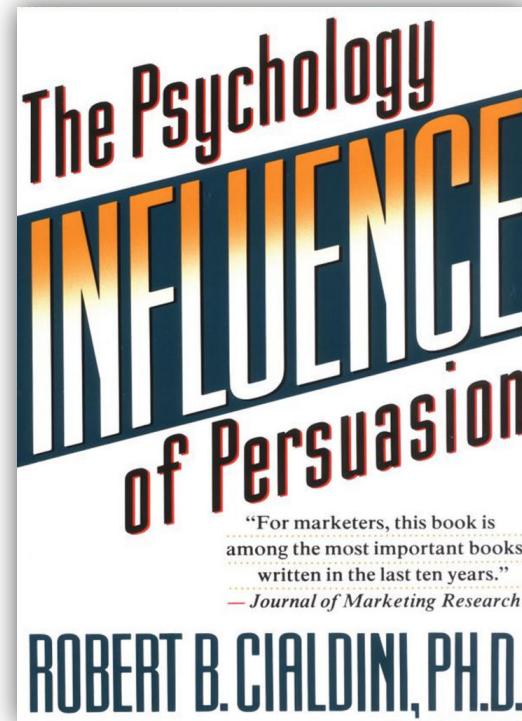


Common Selling Tactics

- Halo effect
- Quality comes with the price ($\$1 \rightarrow \2)
- Contrast principle
- And many more...
- Q: How to tell your mom you failed a class?
- Based on stereotypes
- ... and “fast thinking” shortcuts

6 Psychological Principles

- Reciprocation
- Consistency
- Social proof
- Liking
- Authority
- Scarcity



by Robert B. Cialdini

Reciprocation

- Shortcut: we should try to repay in kind, what another person has provided us
 - Tactics: free samples
- Reciprocal concession: make a large request first. After refusal, make second as concession
 - Leverages the contrast principle
 - Tactics: down selling
- Which one to sell first? Expensive or cheap ones?
- Flora?

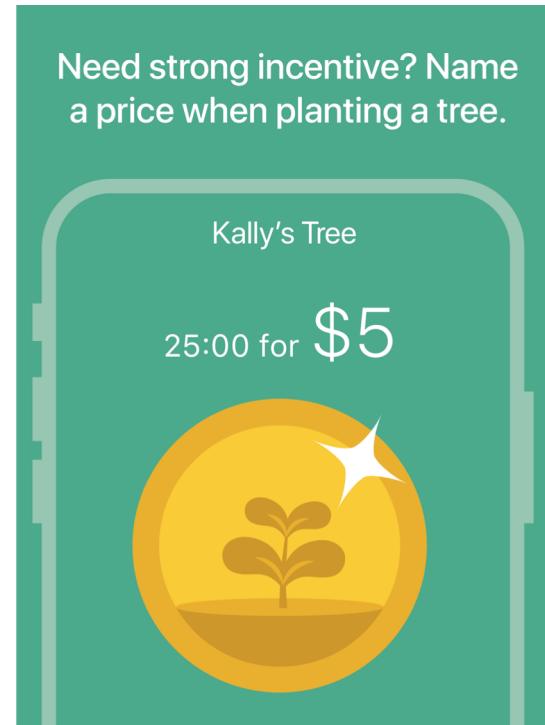
Commitment & Consistency

- Shortcut: after making a commitment, we behave consistently with it
 - Tactics: “How are you doing?” or “Sign here!”
- Pressures:
 - Personal
 - Interpersonal (for public commitment)
- Has long-term effect on one’s self-image
 - E.g., US PoWs start from “US is not perfect”
- Flora?



Social Proof

- Shortcut: we view a behavior as correct when seeing others like us doing it
 - Tactics: canned laughter, seed tips
- Works particularly well in unknown situations
- Selling “Price” feature in Flora?



Liking

- Shortcut: we are more likely to like something that relates to what we already like
 - Tactics: Cars with hot girls
- What cause liking?
 - Physical attractiveness (halo effect)
 - Similarity
 - Compliments
 - Contact and ***cooperation***
 - Conditioning and ***association*** ([Ivan Pavlov's dog](#))
- Flora?

Authority

- Shortcut: We obey authorities mindlessly in isolation instead of seeing the situation as a whole
 - Tactics: fake doctors in ads, “according to research”
- We are vulnerable to ***symbols*** of an authority
 - Titles, clothes, accessories, etc.
- People, when asked about it, underestimate this effect.
- Flora?

Scarcity

- Shortcut: we believe that things that are difficult to own are usually better ones
 - Tactics: “limited offer,” “only today,”
 - Counterexamples: “Romeo and Juliet,” “Internet censoring”
- Afraid of loss
- Scarcity + rivalry
 - Tactics: auctions, online biddings
- Flora?

Which Works Better?

- US?
 - Reciprocation
- Germany?
 - Commitment & Consistency
- Spanish?
 - Liking
- Asian?
 - Authority

Bonus

- Your MVP should be designed to include
 - Retention engine
 - Revenue engine
 - Growth engine
- Design your growth engine
- Make it as part of your final presentation to get (at most) 10% bonus