



Solving the “Cold Start Problem”: expert tips and advice

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Starting a business from scratch and attracting your first paying customers is a sizable challenge. Things become more complex when your business or product *also* needs to recruit suppliers to meet customer demand. Creating a sustainable balance between the supply and demand sides of a network is notoriously difficult—and the reality for many platform-based businesses, especially two-sided marketplaces. This conundrum is commonly known as the “cold start problem”.

In essence, it’s a chicken-and-egg problem that poses product owners with the question of who to focus on first—the users who provide goods or services, or the users who buy them. To solve it, product leaders and entrepreneurs must adopt creative growth strategies in order to avoid underinvesting in supply or demand as they strive to achieve product/market fit.

While there is no one-size-fits-all approach to solving the cold start problem, we’ve interviewed a group of experts to find out what they’ve learned while building new products (and businesses).

These three experts have offered their advice to product managers and entrepreneurs tackling the cold start problem:

- [Ali Kriegsman](#), Co-founder, Bulletin
- [Aaron Cohn](#) and [Matt Hamilton](#), Co-founders of realnice

Thanks to [Kristen Poli](#) for crafting this piece for GoPractice.

Kristen Poli is a product leader and tech journalist.

She previously held the position of product manager at Contently and was the product management lead at Curacity.

Her articles have been published in outlets like WIRED and Hackernoon.

How did you find your first users in order to solve the cold start problem?

Our experts recommend starting by growing a critical mass of users on the supply side of your business. Using a targeted, invite-only strategy allows product managers and other professionals to monitor their network’s growth closely. This strategy also ensures that suppliers reflect your business’s key differentiators.



Aaron Cohn

Co-founder, realnice

Embrace the “inverted funnel”

I was in charge of building the talent community at A.Team, and I think that Andrew Chen's book, "The Cold Start Problem", should be required reading for everyone who works in technology. Chen and others I've met working on two-sided marketplaces always say that you have to start by building out your network's critical supply—which was our approach. My only addendum is that one of the things we did best during the early days at A.Team was not growing our supply side too fast. It's tempting to grow the supply side really fast at the beginning.

We started our network with a small number of freelance software developers because we could ensure that our customers were only matched with the best of the best. We were inspired by Herb Kelleher's model at Southwest Airlines – take care of your employees first, and then they'll take care of your customers, and then they'll take care of shareholders. **I believe the same thing: you have to take insanely great care of your earliest users on the supply side, because that will help people on the demand side have better experiences, too.**

Candidly, I think the only way to start building a network is by invite only. We used more spray-and-pray marketing tactics later on, but in the early days, we would painstakingly search the spaces where our target users were hanging out. Sometimes, we'd find people who had personal websites and we would vet them before extending an invite to A.team. If they matched our target profile, we would send them a cold email that said "Hey, you're already approved to join our network." This way, they felt special.

In some ways, our strategy was an inversion of the traditional marketing funnel. The thinking behind a traditional funnel is that if you tell 100 people about your product or service, 50 of them will sign up, 25 become active users, and then 10 of those users become your referrers, or "super users".

We embraced an "upside-down" funnel: a strategy where you try to get *just one person* on board and treat them like gold, so that there's no way they *cannot* tell their friends about your product. That's what we tried to do with early members of our network. We would give everyone personalized, one-on-one onboardings, and when they invited their friends, we'd give them the same VIP experience. At a certain point, that doesn't really scale anymore, but it's what

we're trying to do with realnice – give the same premium level of customer service to each user.



Matt Hamilton

Co-founder, realnice

Use differentiation to drive demand

First, you have to make sure that your supply is adequate enough for users on the demand side to have a good experience, and ensure that suppliers are capable of providing a service that customers actually want. That being said, I feel that sometimes demand can be an afterthought.

If you're not aware of *what* is driving demand—and differentiating your product based on that—it can be difficult to fulfill promises you're making to suppliers. It can be easy to lose sight of that when you're looking at supplier adoption metrics. PMs should focus on finding the right customer segments in order to drive demand, and, in most cases, focus on educating those segments.

For example, while working on Republic's marketplace, we knew that equity crowdfunding was still very nascent as an industry. There was—and still is—a lot of work to be done to educate folks about why they should be interested in equity crowdfunding, and to find folks who are so interested in this topic that they're regularly searching for new companies looking to fundraise.

Driving demand doesn't happen automatically—you need to figure out how to apply a set of strategies unique to your business that factor heavily into the customer experience.

Think about it in terms of events—you can do a bunch of events and pour money into finding people to join them. You can use club promoters to get people off the street to join your events, but they'll probably just show up for the free drinks, and then they won't come back. This cycle can happen over and over again, but it's not profitable. This logic can be extended to marketplaces.



Ali Kriegsman

Co-founder, Bulletin

Integrate your product seamlessly into customers' lives

When Bulletin was an ecommerce newsletter and a very simple Squarespace site, the brands that agreed to be featured—our suppliers—had nothing to lose. We operated on a dropship model, so if we generated an order for a supplier through our newsletter or site, we placed the order, they got a notification, and they would fulfill the order as they normally would. We didn't charge a subscription or order fee for suppliers, and we didn't ask them to provide an upfront commitment or subscription fee. For them, it was a matter of "why not?"

We made it really convenient for suppliers to do business with us, and integrated our offering into their existing processes. Bulletin still doesn't charge a subscription fee for our suppliers.

I think the lesson here is to make your product as seamless and easy as possible for your customer on either side to use. Don't add more inconvenience to their lives—make your offering fit seamlessly into what they're already doing. If you're feeding a customer something that feels fundamentally opposed to what they're used to (and that they know is easy) – they're just going to assume that what you're putting on front of them is hard, and not worth the inconvenience.

There's also something irreplaceable about human interaction—even a ten-minute phone call. Whether it was for our e-commerce platform, our retail stores, or our wholesale marketplace, we always supported our customers with a pretty robust account management and customer success department. Our team is always available over email or chat—customers can book calls with them if they're confused about anything they have to do. Someone helping customers ease into a new process, or giving them the confidence to learn something new, is really valuable.

Understanding your differentiation strategy is also critical for driving demand. Our experts advise that your unique selling point should clearly surface within your product's user experience. In addition, gathering an in-depth understanding of users' existing workflows (to ensure that your solution integrates seamlessly into their processes) is critical for securing referral and repeat business. Last but certainly not least, our experts recommend

decreasing the distance between yourself and your customer by maximizing opportunities for interpersonal interaction. By committing to continuous learning, you can drive sustainable demand.

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What other tactics did you use to grow your early customer base? Which are underrated?

Our experts caution against an overreliance on mass-marketing techniques to grow your business or product. Instead, they recommend engaging with users (on both sides of a given network) as directly as possible: through events, in-person conversations, and over the phone. By finding common ground with your users and providing more avenues for genuine connection between your team and your customers, you can ensure that users are being honest with you about their needs.

Additionally, optimizing monotonous user experiences (like onboarding or setup) for fun can help your product become more memorable—and enjoyable—for users. This strategy can be even more impactful if your product is within a "boring" domain. According to our experts, developing your users' trust through personal connections and in-platform playfulness is essential for ensuring the long-term success of your business.



Aaron Cohn

Co-founder, realnice

Optimize for 'fun'

Something that isn't talked enough about in the industry is focusing on fun. With realnice, we're focusing on maximizing the fun of the user's experience while building a website—not just the stuff that they have to do to complete onboarding.

At a recent event, Sam Lessin at Slow Ventures recently asked the question "how can this next era of tech be more fun?". We very much want to be a part of that.

Snapchat is a great example of a product that began with a cold start problem, and they've been successful in inserting fun into their user experience in order to grow. Another good example is Slack—they brought a fun experience to the work and productivity world, and that's been a huge differentiator for them. I definitely think it's contributed to their growth.

Our other superpower at A.Team was inviting people to events. We would invite software developers to industry events that didn't feel like meetings—they were way more fun and interesting. The team continues to host dinners and events for prospects all the time.



Aaron Cohn

Co-founder, realnice

I've been seeing more SaaS products that have a little bit of fun built into them. Even porkbun.com, the domain registrar we recommend, offers fun, and they're in the least fun industry imaginable—domain selling. They're the little guy, but they've done really well because they're a bit more fun than the rest.

Ali Kriegsman



Co-founder, Bulletin

Befriend your customers

I will die on this hill—the best sales tactic is to represent your product and befriend your customer. The reason that [co-founder] Alana Branston and I have a business is because we began as e-commerce entrepreneurs who could empathize with other e-commerce entrepreneurs. The reason why we were able to launch different businesses through our pivots and eventually exit was because these people were always more than just our customers—they were our pals, and they trusted us.

You can spend as much money as you want on AdWords or Facebook ads, but if you aren't front and center with your customer—going to events that they're at, getting to know them—you're in a tough spot. My biggest piece of advice for founders, especially in the B2B space, is to make an explicit effort to befriend their potential customers rather than just seeing them as anonymous fuel to power certain features. Treat your customers well, so that when the going gets tough—and it *will* be tough—customers will trust your vision for the next stage of your business.

Conclusion

Solving the cold start problem will look different for each product manager or entrepreneur. Complexities related to industry regulation, company size, and funding status may position one business to succeed with tactics that may be inaccessible or unhelpful to another.

However, experts who have solved the cold start problem recommend a number of approaches that embrace smart product thinking. Analyzing user behavior to define customer profiles, building strong relationships with users, and introducing delight into your product's UX are all effective means of building a winning business *and* expanding your first network of users. In addition, employing user-centric design principles, embracing iterative development, and balancing strategy with tactics can go a long way in helping PMs and entrepreneurs find product/market fit.

Building a new product or business from scratch is notoriously difficult. In order to succeed, our experts recommend starting with a crystal-clear understanding of your target user and their problems. For most two-sided marketplaces, this means researching the challenges (and workflows) of supply-side and demand-side customers, and employing targeted outreach tactics based on these learnings. By using this approach until you've reached critical mass, you can develop a winning product that is able to grow in lockstep with your users' challenges.

Illustration by [Anna Golde](#) for GoPractice