

Growth for Startups

Gustaf Alstromer
Partner Y Combinator

What I will cover today

1. Product Market fit & Retention
2. Growth channels & tactics
3. Making decisions with A/B testing



Partner

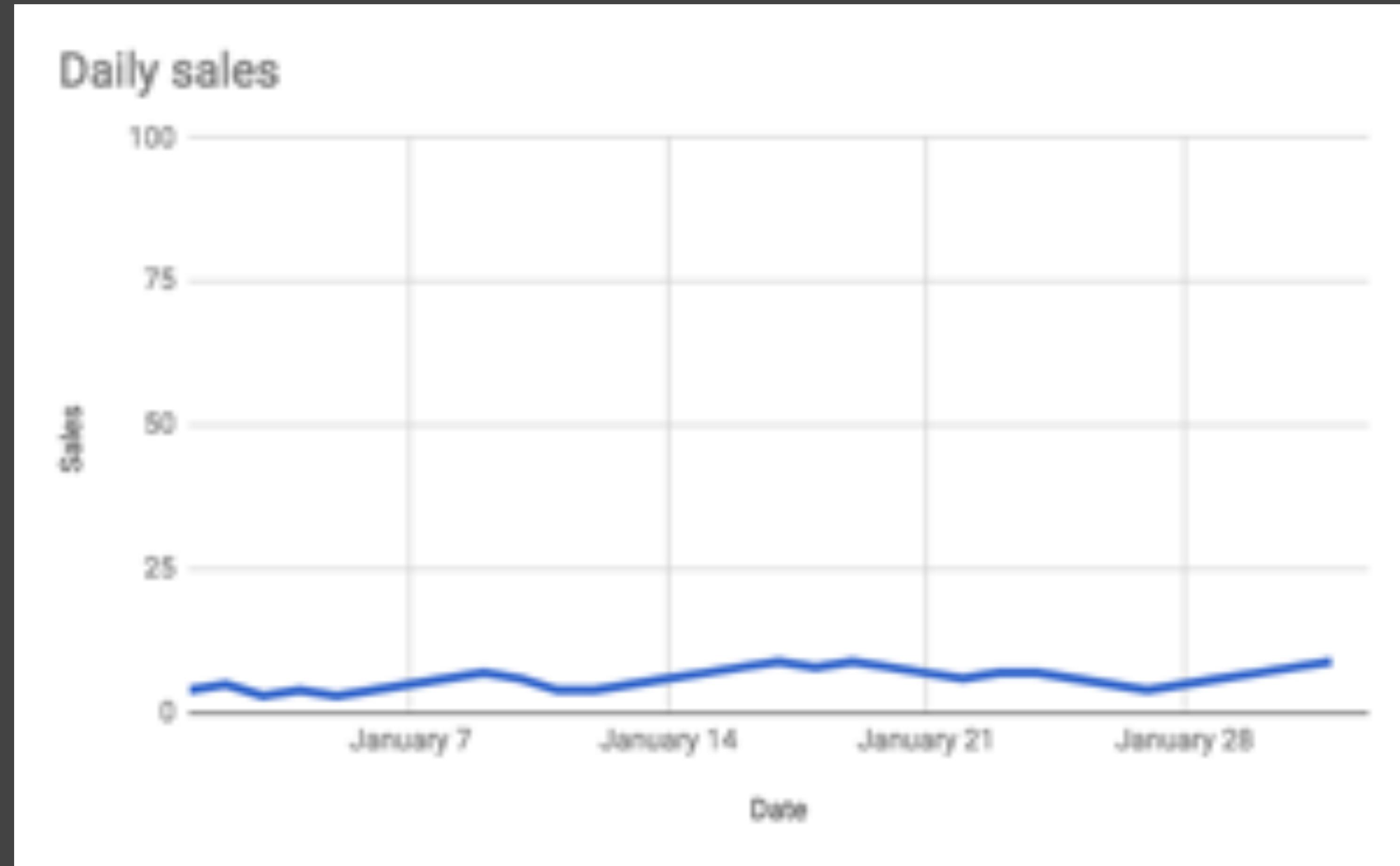


Product Lead, Growth

Airbnb Growth team 2015



Most startups have nothing



“If you build it, they will come”

~~"If you build it, they will come"~~

"If you build it, they won't come"

DO THINGS THAT DON'T SCALE

Want to start a startup? Get funded by [Y Combinator](#).

July 2013

One of the most common types of advice we give at Y Combinator is to do things that don't scale. A lot of would-be founders believe that startups either take off or don't. You build something, make it available, and if you've made a better mousetrap, people beat a path to your door as promised. Or they don't, in which case the market must not exist. [1]

Actually startups take off because the founders make them take off. There may be a handful that just grew by themselves, but usually it takes some sort of push to get them going. A good metaphor would be the cranks that car engines had before they got electric starters. Once the engine was going, it would keep going, but there was a separate and laborious process to get it going.

Recruit

The most common unscalable thing founders have to do at the start is to recruit users manually. Nearly all startups have to. You can't wait for users to come to you. You have to go out and get them.

“- This idea will not scale”

- Every MBA in YC

Airbnb 2009



AirBed & Breakfast

idsa connecting '07

AB&B STORY

FAQ

VACANCIES

LIST YOUR AIRBED

CONFERENCE GUIDE

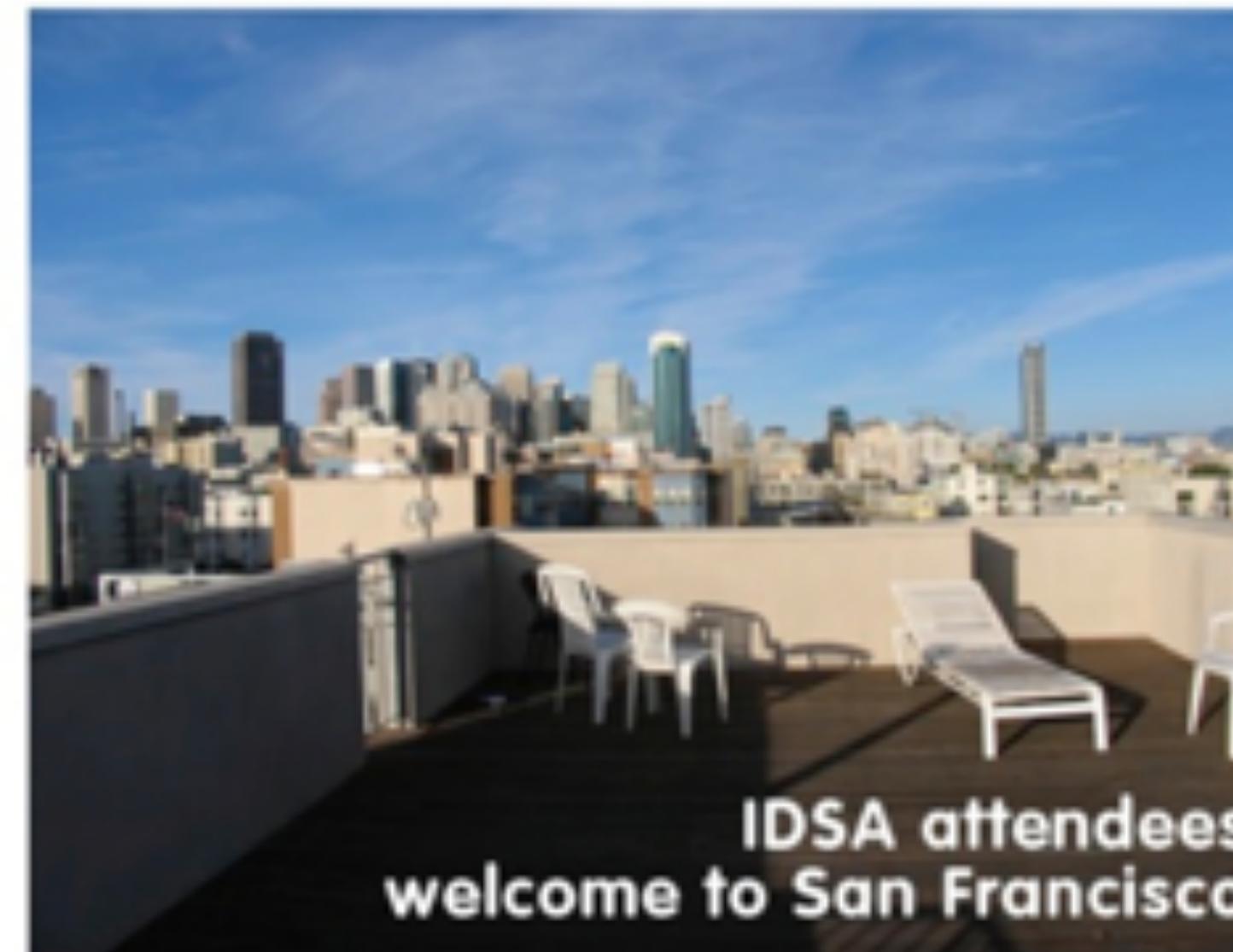
FIRST TIME TO SF?

PRESS

ADVERTISE

NEWS

AB&B will be blogging live from the conference floor!



IDSA attendees,
welcome to San Francisco.

[35 Hotels in Siena \(IT\)](#)

Book your hotel in Siena online. Good availability and great rates!



[Inns Bed And Breakfast](#)

Low rates on Bed and Breakfasts! Compare B&Bs and Save.

Ads by Google

Two designers create a new way to connect at this year's IDSA conference.

FEATURED SPONSORS

crituns****

SUPPORTING IDSA
CONFERENCE
ATTENDEES WHERE
OTHERS CAN'T.

[View more companies](#)

FEATURED EVENT

A launch party
of **sustainable**
proportions.

[www.ecollect.net](#)

AirBed & Breakfast. Better Than a Cheap Hotel.

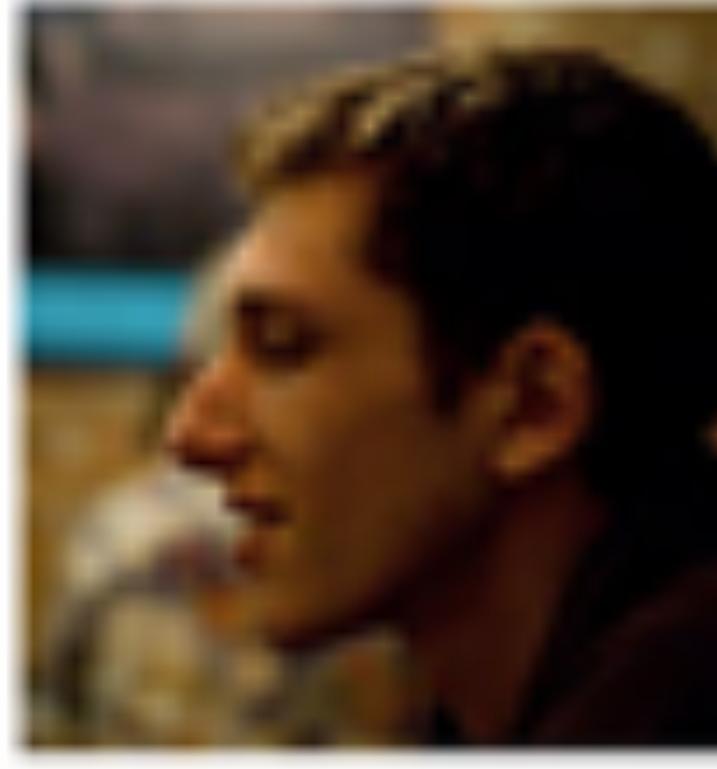
[https://www.airbedandbreakfast.com/whats-new/what-is-airbed-and-breakfast](#)

[Home](#) [About Us](#) [Book Now](#)

AirBed & Breakfast

Find great hotels.

[View listing | Search Hotels](#)



Eric M.

Age: 31

Holiday Inn Express Hotel & Suites

West Chester Inn

CheckInn: You would love this!

Other profiles:



"Modern"

Accommodations: Single Person

Bedroom: Queen

Bathroom: Common area

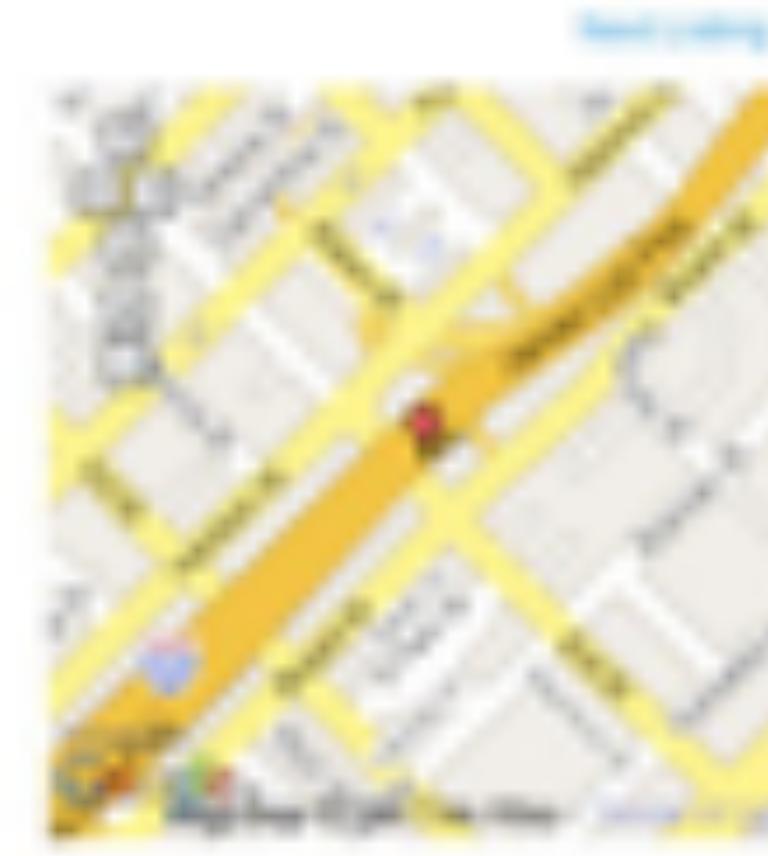
Breakfast: Please note: no breakfast

Booking: No

Description:

We provide a 100% private apartment in the historic downtown building. A comfortable and spacious accommodation with an en-suite bathroom, kitchenette, queen size bed, large sofa bed, and balcony views of downtown.

Located in the heart of South Beach area.



[View listing | Book Now](#)

\$99

[Book Now](#)

[Get a Room](#)

[View on Google Maps](#)

Is this a good listing? [Vote Now](#)

“Go to New York”

(Talk to your users and watch
them use your product)

Lesson: Startups take off because
founders make them take off.

(What the YC batch is about)

One way to grow when you are small:

Doing things that don't scale

Y

Product Market Fit

Product Market Fit

How to use data to understand
If you've made something
people want

Product Market Fit

1. Identify the **metric** that represent the value my users get from my product
2. Measure the **repeat usage** of that metric

Measuring product market fit

Company	Metric that represent value	Ideal frequency
Airbnb	Bookings / Stays	Annual
Instagram	Active users	Daily
Gusto	Running employee payroll	Bi-weekly/Monthly
Lyft	Riders	Weekly/Monthly

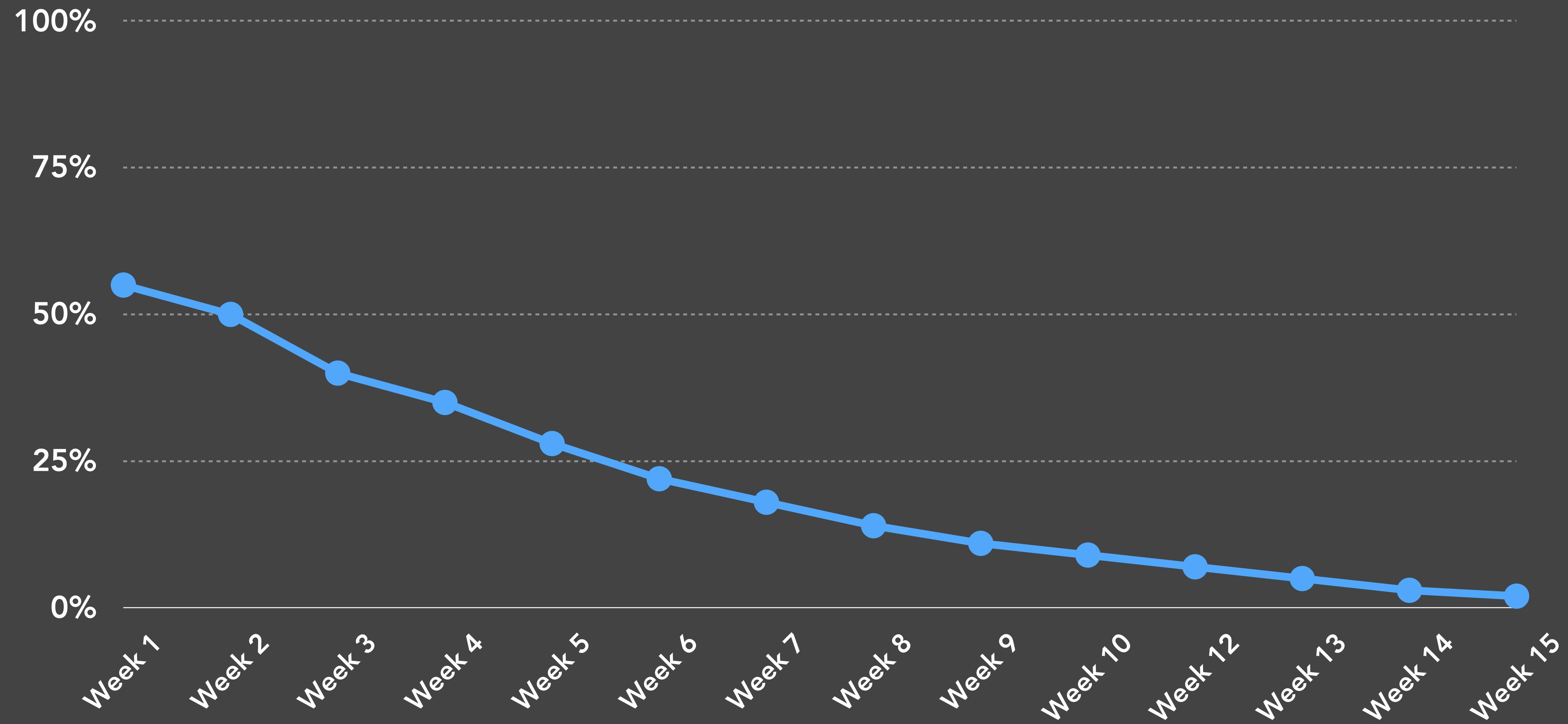
Now, measure your retention

Metric
(in %)

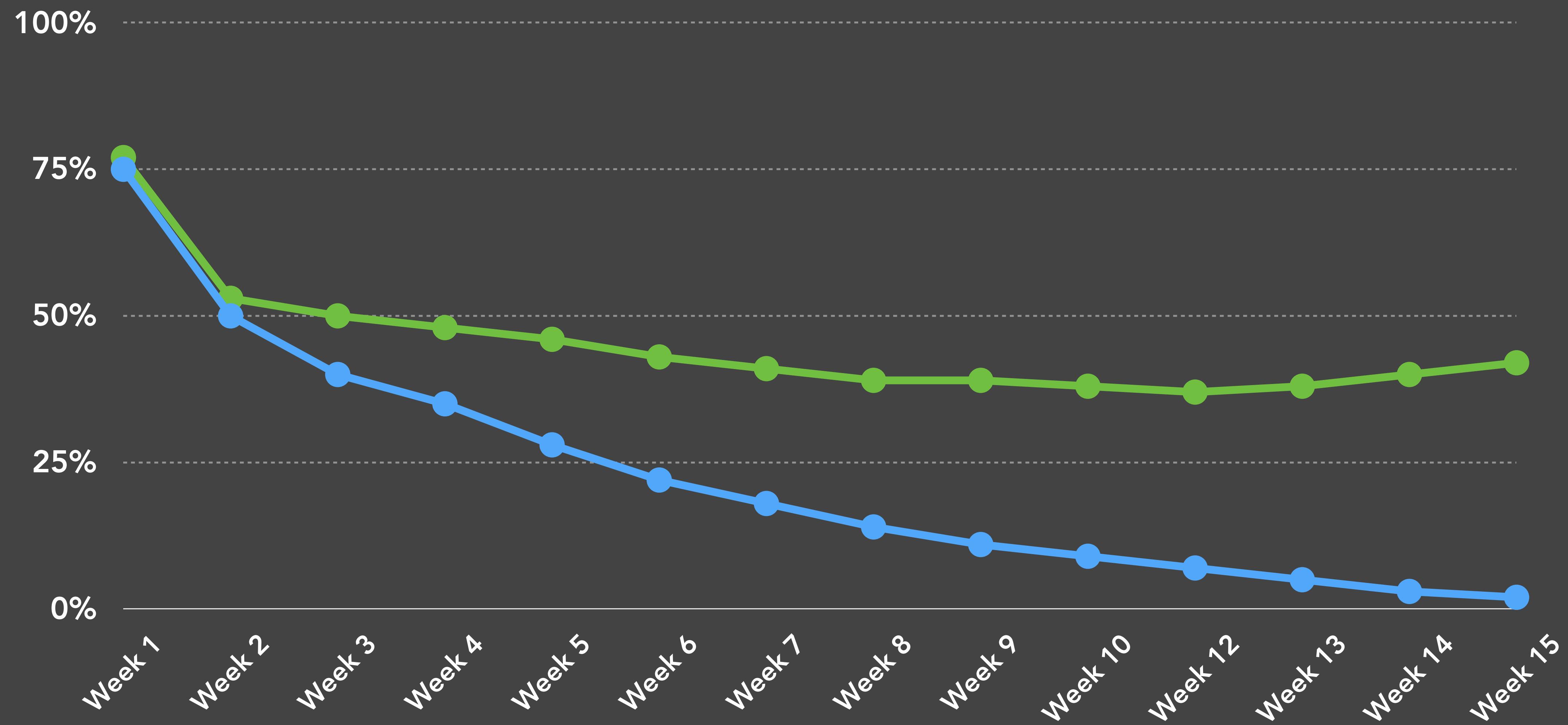


Time

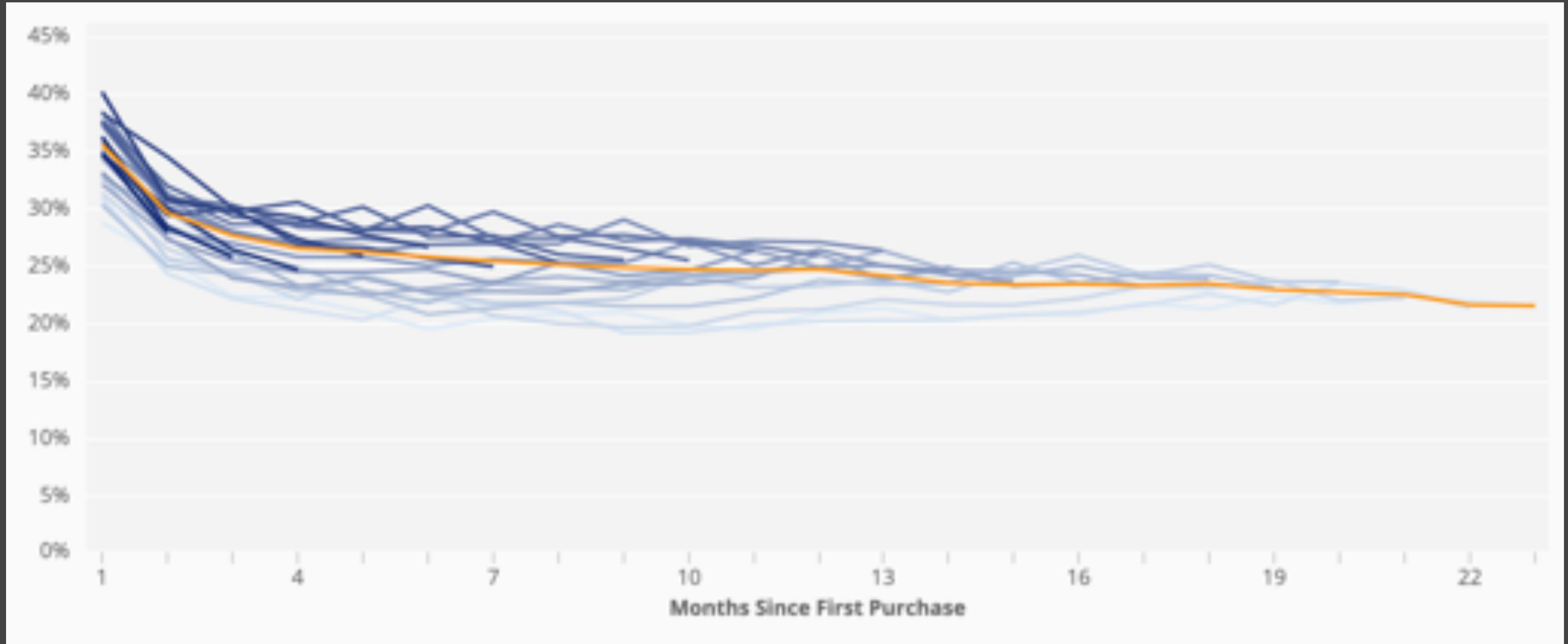
Measuring retention. This is a bad product



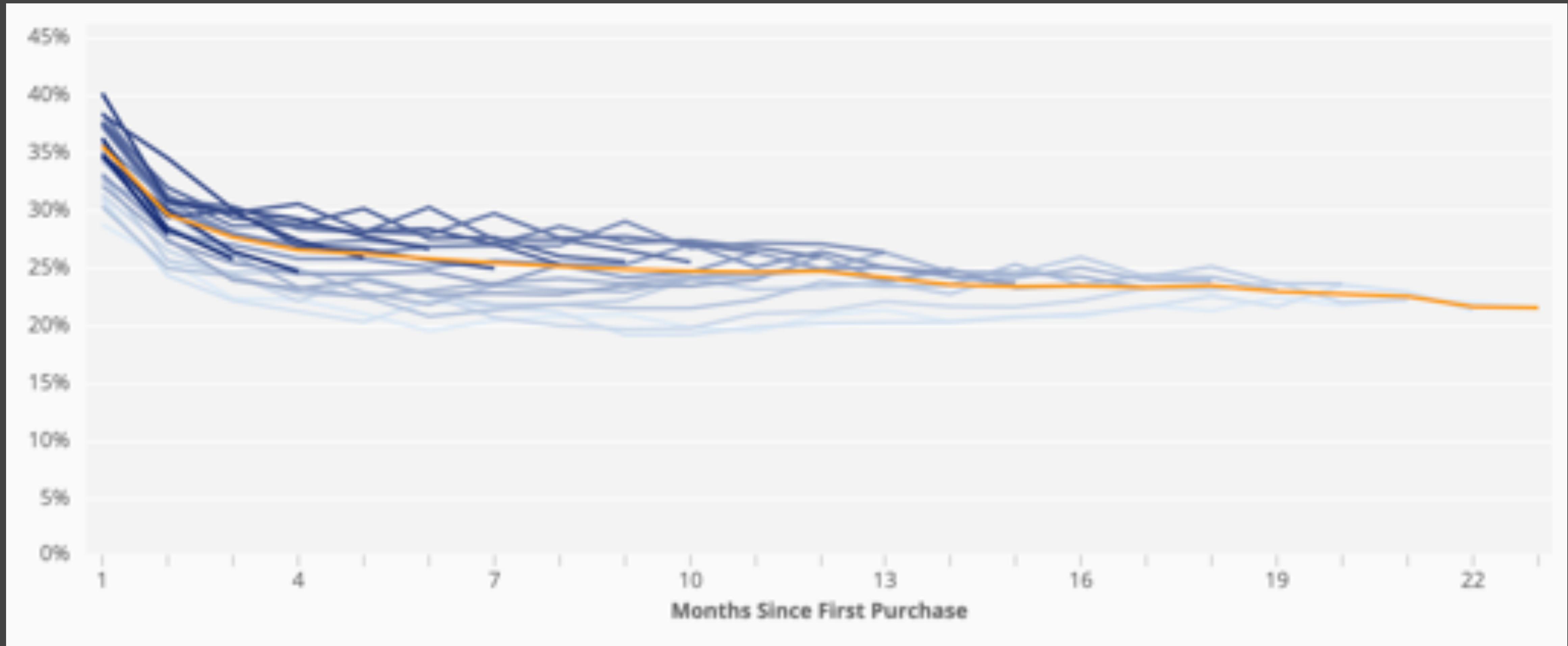
This is a great product with product market fit.



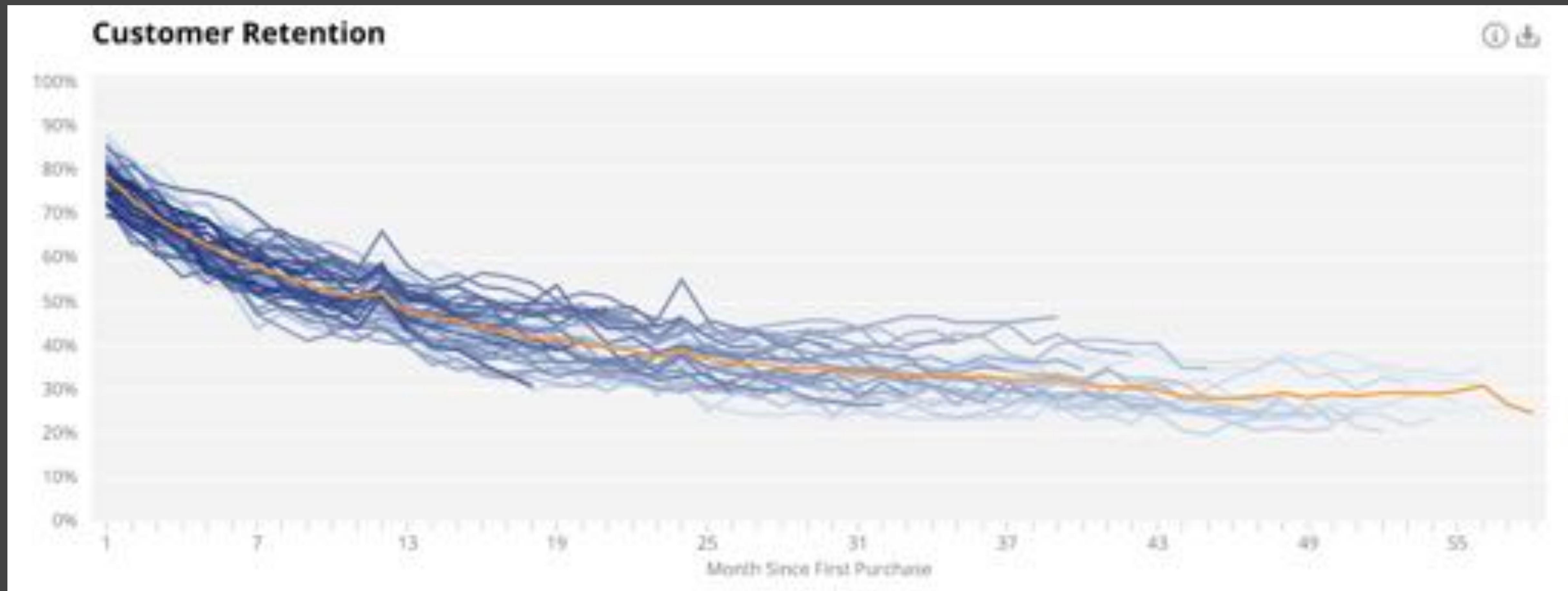
30% after 2 months. 21% after 20 months.



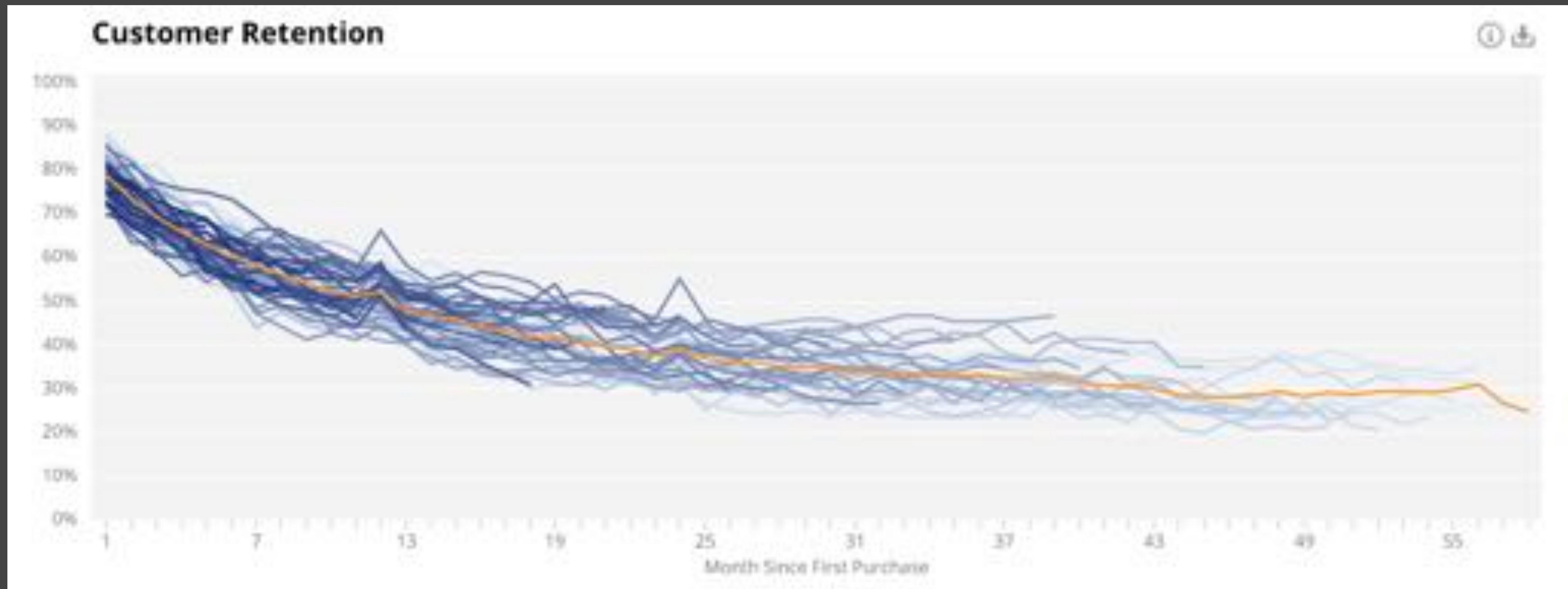
Doordash



80% after 1 month. 30% after 60 months



Github



Retention is the best way to
determine product market fit

Other (worse) ways to measure PMF

1. Net promoter score - not great
2. Surveys - often biased
3. “How would you feel if you can no longer use this product”

These are not good metrics for PMF

1. Registered users
2. Visitors
3. “Conversion rate”
4. “Customers that aren’t paying”

Y

Growth channels & tactics

Two ways ways to grow at scale

1. Product Growth / Conversion rate optimization
2. Growth Channels

Product Growth: Conversion rate optimization

- Your product is a funnel / growth loop
- Every step in the funnel have drop-off

Conversion rate optimization areas

- Internationalization
- Authentication
- Onboarding
- Purchase conversion

Growth channels to explore

Company	Channel
Is this a rare behaviour that people use Google to find a solution?	→ Google SEO & SEM
Do existing users already share your product via word-of-mouth?	→ Virality & Referrals
Does having more users improve the experience?	→ Virality
Do I already know who each of my future users are?	→ Sales
Do my users have high LTV?	→ Paid Acquisition (Facebook, Google etc)

**Most companies grow huge using
only 1 or 2 of these channels**

Y

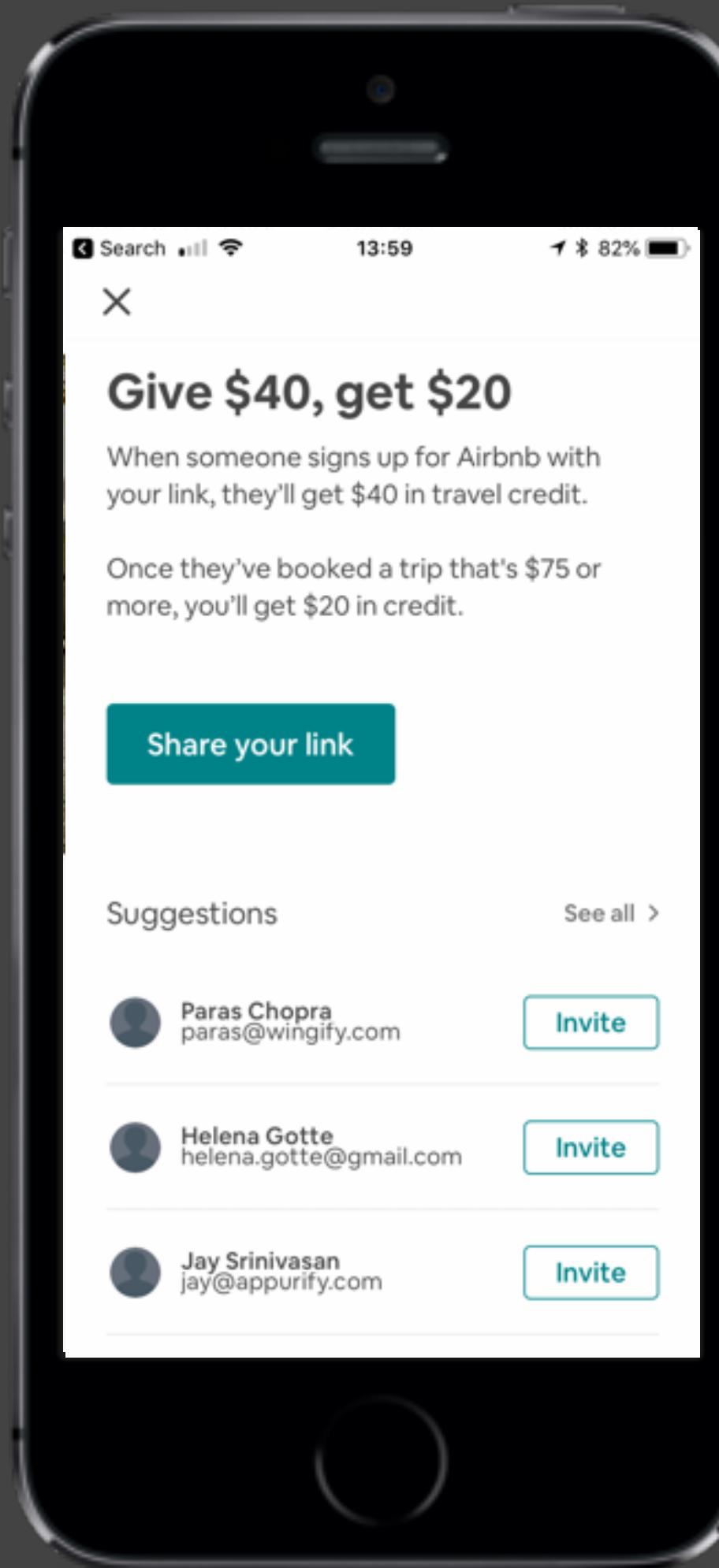
Referrals & Virality

Referrals

Word-of-mouth is Airbnb's largest growth driver

Referrals is engineered word-of-mouth

Referrals Product



A desktop browser window titled "Invite Your Friends To Airbnb" with the URL <https://www.airbnb.com/invite?r=50>. The page features a teal background with a circular profile picture of a person. The main headline reads "Share your love of travel". Below it, a subtext states: "Introduce a friend to Airbnb. They'll get \$40 in travel credit when they sign up, and you'll get \$20 in travel credit once they complete a trip. Only for new Airbnb guests! [Read the terms](#)". A large input field at the bottom left is labeled "Enter email addresses" with a "Send Invites" button to its right. Below this, there are suggestions for contacts: +gustaf+12342134@gmail.com, +mihed@kth.se, +sara@mavenventures.com, and +jesper.oskarsson@hyperisland.se. There are also import options for Gmail, Yahoo Mail, and Outlook. At the bottom, there's a "Share Your Link" field containing the URL www.airbnb.com/c/galstromer, a "Copy" button, and social sharing links for Messenger and Facebook. A final call-to-action at the bottom right says "It's easy to get started".

Referrals Funnel

Referral "Hooks"

Weekly active users who saw entry point

View referrals page

Users sending invites + Sharing

Invitations

Reach (Invitees Per Inviter) + Sharing

Email Direct

Direct

Email Import

Sign Up

Conversion Rate to New User

Conversion Rate to New Guest / Host

Bookings

First time nights

Referrals Invite email

Gustaf Alstromer invited you to Airbnb Updates x

 Gustaf Alstromer via Airb Fri, May 18, 2:17 PM ☆  Share this email

 Reply 



Gustaf sent you \$40 for your first trip!

On Airbnb you can book rooms, homes, and even private islands in over 190 countries. Just sign up by **May 25, 2018** to get \$40 off your next vacation of \$75 or more.

[Accept invitation](#)

 **Gustaf**
San Francisco, CA
On Airbnb since 2009

Referrals Invite email

Social proof

Clear value

Exclusivity

Social proof

Gustaf Alstromer invited you to Airbnb



Gustaf Alstromer via Airb

to gustaf+984523

Fri, May 18, 2:17 PM



Share this email



Reply



Gustaf sent you \$40 for your first trip!

On Airbnb you can book rooms, homes, and even private islands in over 190 countries. Just sign up by **May 25, 2018** to get \$40 off your next vacation of \$75 or more.

Accept invitation



Gustaf

San Francisco, CA

On Airbnb since 2009

Urgency

Y

Paid Growth

Paid Growth

- Don't do paid growth if you don't have revenue
- CAC = Customer Acquisition Cost
- CAC / Payback time (Most important metric in online marketing)
- Attribution
- Channels: Facebook, Instagram, Google, Youtube

Y

Search Engine Optimization

What you see

The screenshot shows the Airbnb search interface for Stockholm, Sweden. The top bar includes the Airbnb logo, a search bar for "Stockholm, Sweden", and account navigation for "Host", "Messages", "Help", and "Gustaf". The search form allows setting "Check In" and "Check Out" dates and selecting "1 Guest". The "Room Type" filter is set to "Entire Home" (checked). The "Price Range" slider is set between \$65 and \$1000+, with the average price at \$128. Below the filters, a map of Stockholm shows numerous red location markers with price tags such as \$125, \$163, \$125, \$287, \$95+, \$175, \$100, \$105, \$91+, \$118, \$119, \$170, and \$170. Two listing cards are visible: one for a charming apartment in a perfect location with a balcony and another for a unit near water with a balcony.

Stockholm, Sweden

Dates

Check In

Check Out

1 Guest

Room Type

Entire Home

Private Room

Shared Room

Price Range

\$65

\$128 Average

\$1000+

More Filters

300+ Rentals - Stockholm

\$95 Charming apt@ perfect locati... Entire home/apt - 4.8 ★ - 13 reviews

\$175 Near water with balcony, Söd... Entire home/apt - 4.9 ★ - 10 reviews

Map showing rental locations in Stockholm with price tags: \$125, \$163, \$125, \$287, \$95+, \$175, \$100, \$105, \$91+, \$118, \$119, \$170, \$170.

What Google see

Your Trips Wish Lists Edit Profile Invite Friends Account Settings Business Travel Log Out Log In Sign Up Help Messages 0 Host 0 Host Dashboard Manage Listings 0 List Your Space Your Reservations Refer Hosts New Reviews Groups Hospitality Recently Viewed Become a Host

Filters Dates

Check In Check Out

Number of guests 1 Guest

Room Type

Entire Home
Listings where you have the whole place to yourself.

Private Room
Listings where you have your own room but share some common spaces.

Shared Room
Listings where you'll share your room or your room may be a common space.

Entire Home Private Room Shared Room Price Range €€ Size
Minimum number of bedrooms Bedrooms Minimum
number of bathrooms Bathrooms Minimum number of
beds Beds

Options

Book without waiting for your reservation to be accepted

Instant Book
Secure a reservation instantly. Learn More Superhost
Stay with recognized hosts. Learn More Neighborhoods Södermalm
Norrmalm Kungsholmen

Bromma Enskede-Årsta-Vantör Farsta Hjälmare-Liljeholmen
Hässelby-Vällingby Rinkeby-Kista Skarpnäck Skärholmen
Spånga-Tensta Älvsjö Östermalm + More Amenities Wireless
Internet TV Kitchen

Air Conditioning Breakfast Buzzer/Wireless Intercom Cable TV
Carbon Monoxide Detector Doorman Dryer Elevator in Building
Essentials Family/Kid Friendly Fire Extinguisher First Aid Kit Free
Parking on Premises Gym Heating Hot Tub Indoor Fireplace
Internet Pets Allowed Pool Safety Card Shampoo Smoke
Detector Smoking Allowed Suitable for Events Washer
Wheelchair Accessible + More Property Type Apartment House
Bed & Breakfast

SEO - Two main levers

On-page optimization

- Every optimization starts with keyword research.
- Which page am I trying to rank for what keyword?
- SEO Experimentation

Off-page optimization

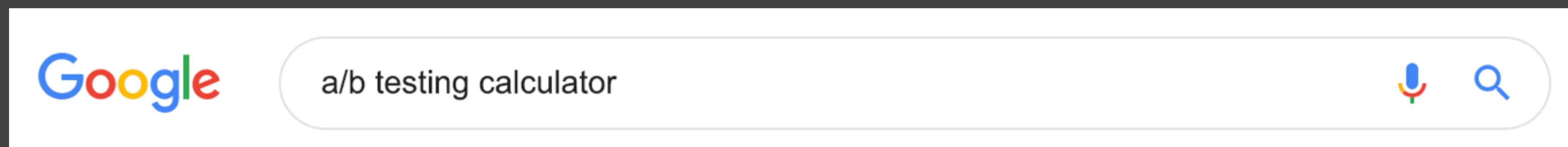
- Who is linking to you?

Y

Making decisions using A/B
testing

**“I want to launch a new
design of our homepage”**

Most of you don't need this
right now (don't do it!)



40

35

30

25

20

15

10

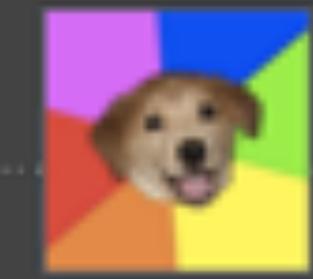
5

0

Mon Tue Wed Thu Fri Sat Sun Mon Tue Wed Thu Fri Sat Sun Mon Tue Wed Thu Fri Sat Sun

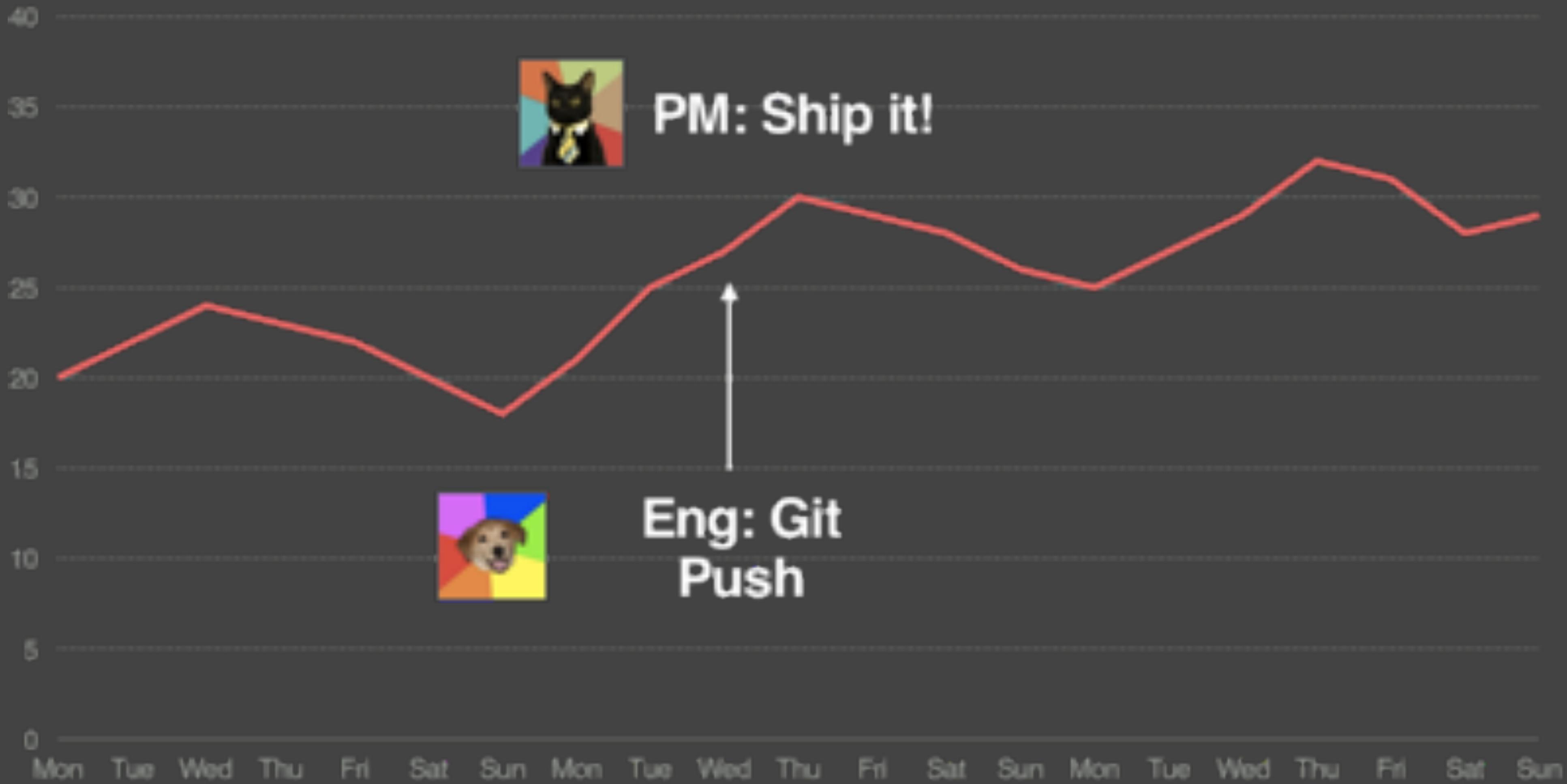


PM: Ship it!



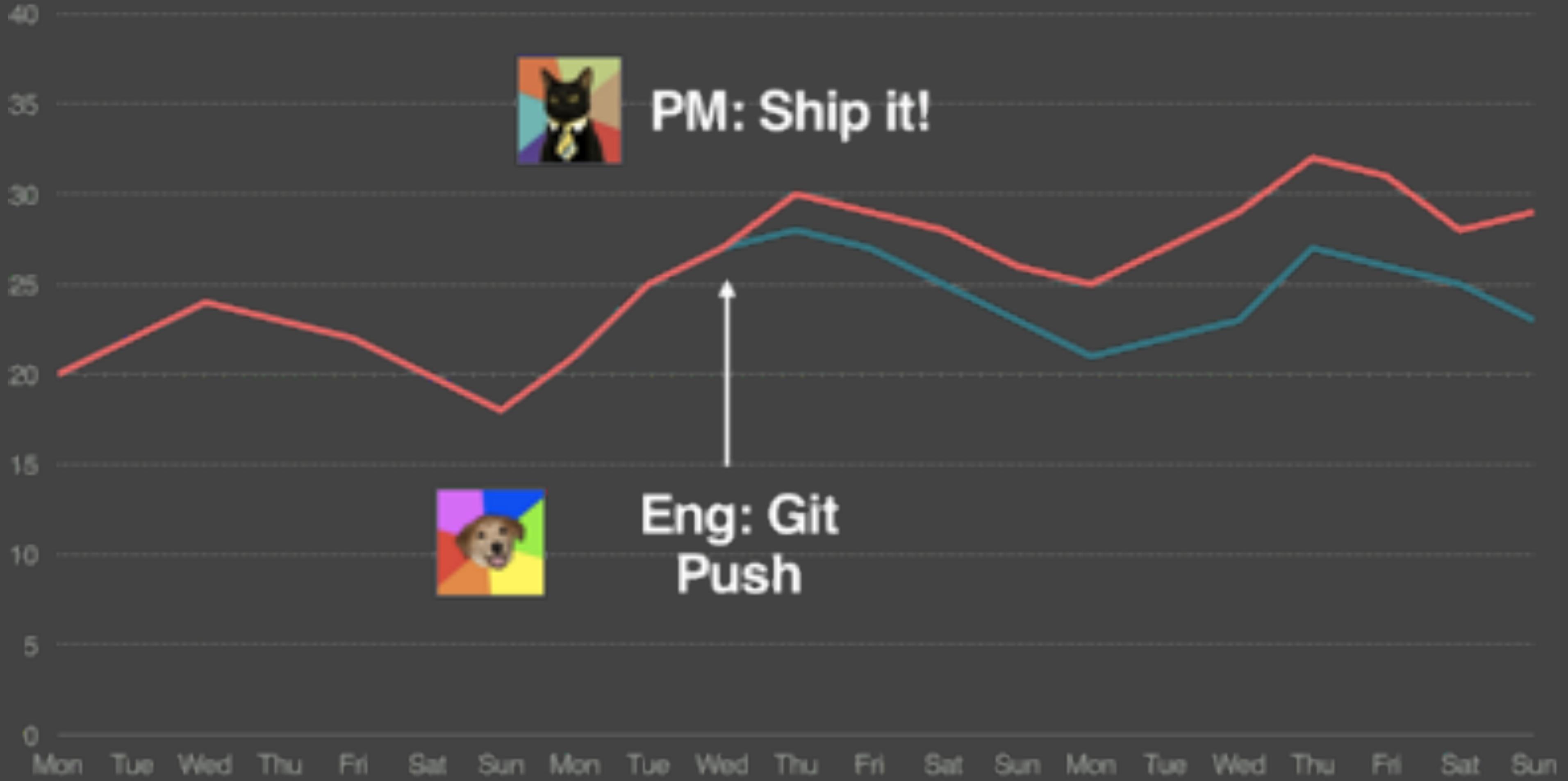
Eng: Git Push





Yay! Metric is going up. Win!

But how do you really know?



What you need
is a counter-factual
to understand what
would've happened
if we didn't launch?

Y

Experiment Review

Growth Experiment Review

March 2024



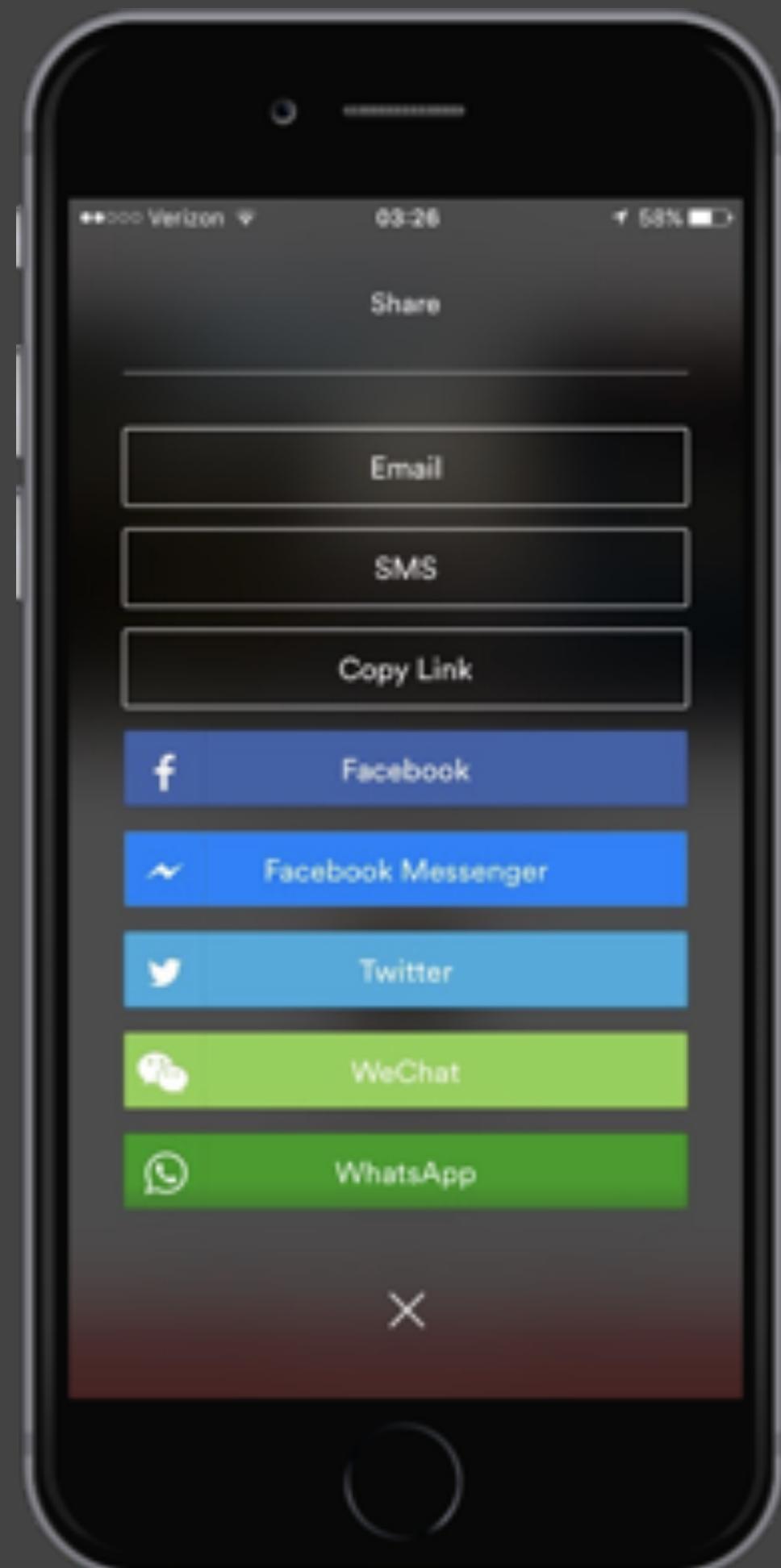
Raise your hand if you have
“good product instincts?”

iOS Sharing Sheet

Metric: Shares



Control



Experiment

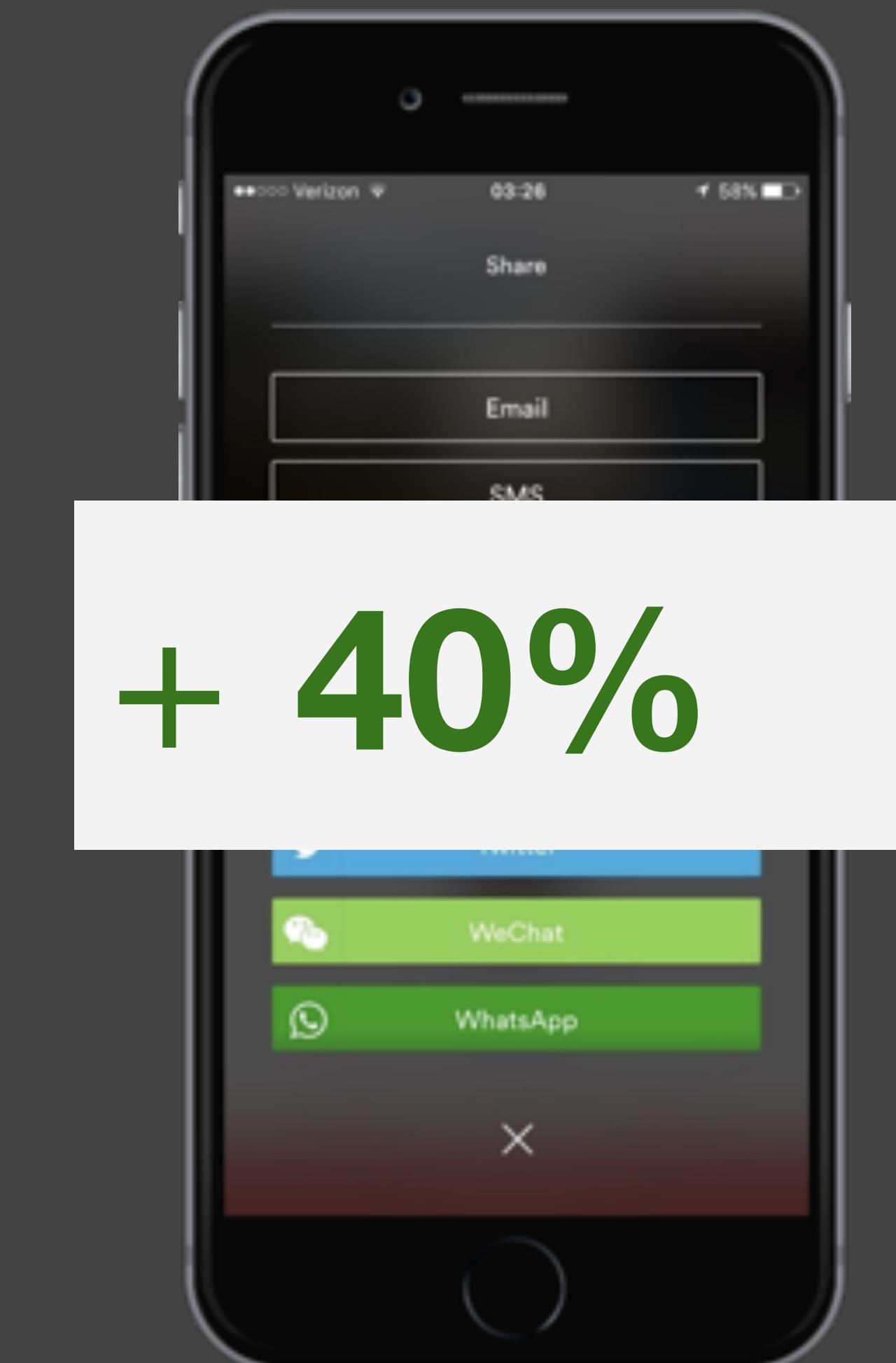
Place your bets

iOS Sharing Sheet

Metric: Shares



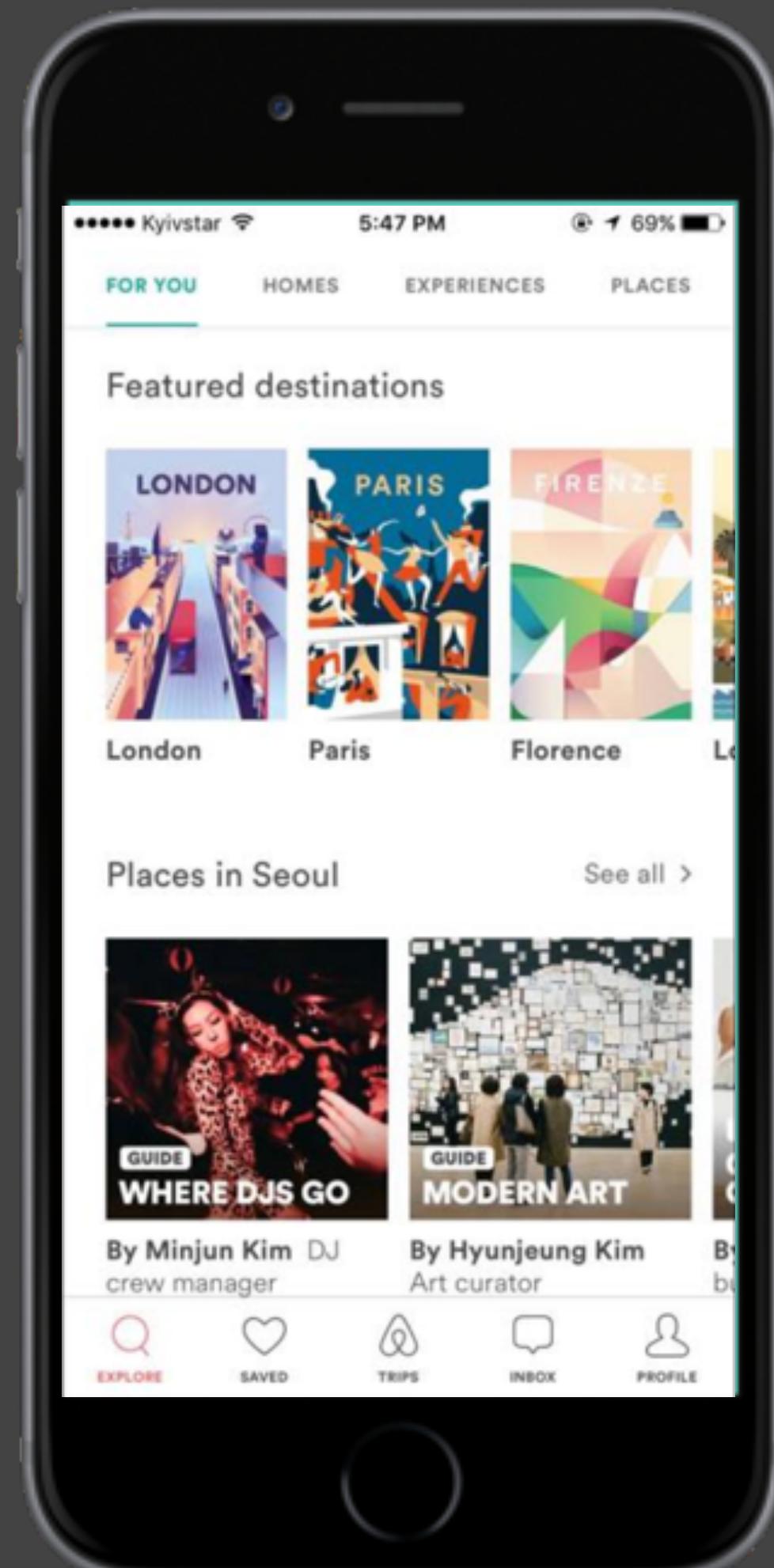
Control



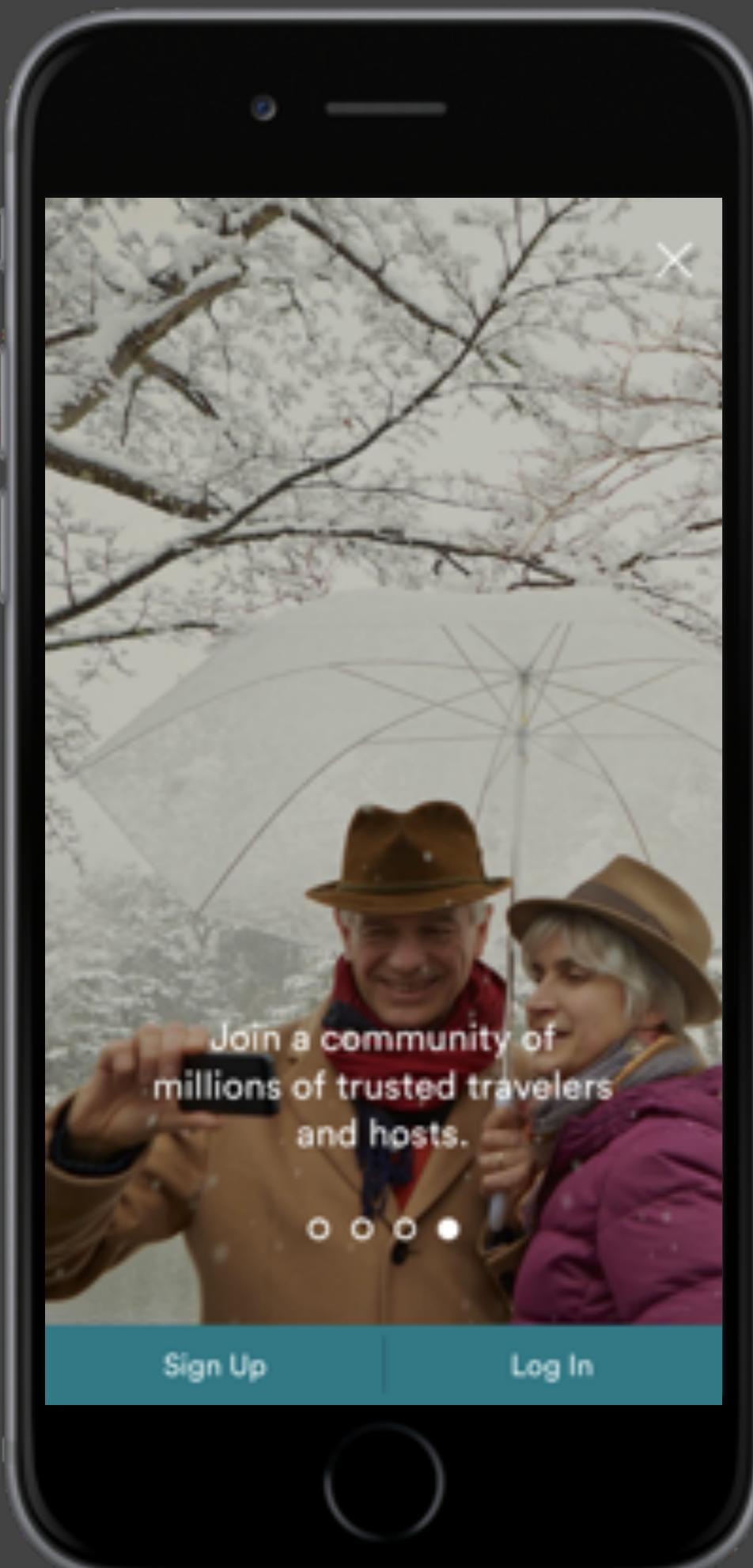
Experiment

Signup wall or not?

Metric: Signups & Bookings



Control



Experiment 1



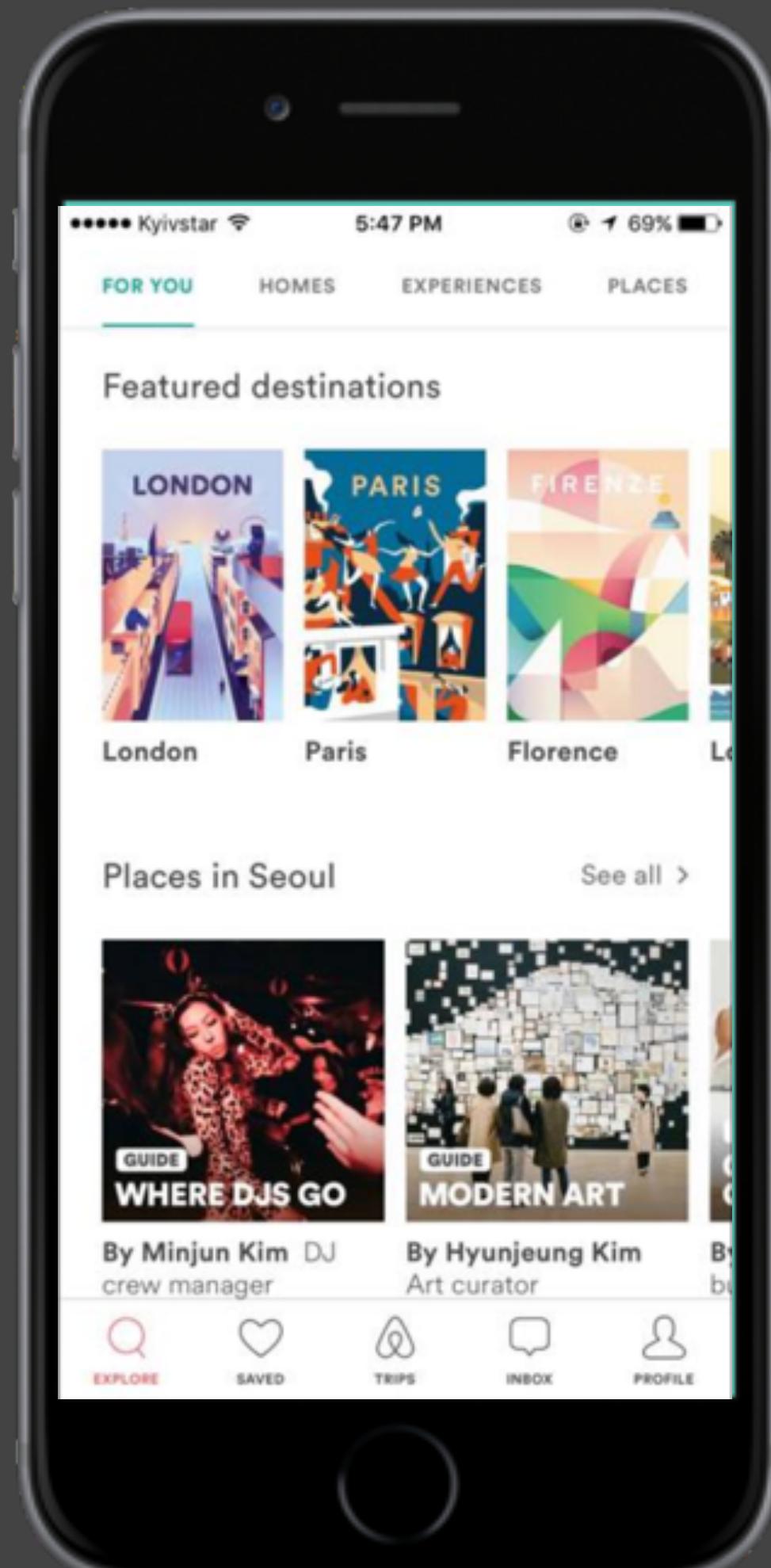
Experiment 2

Not dismissible

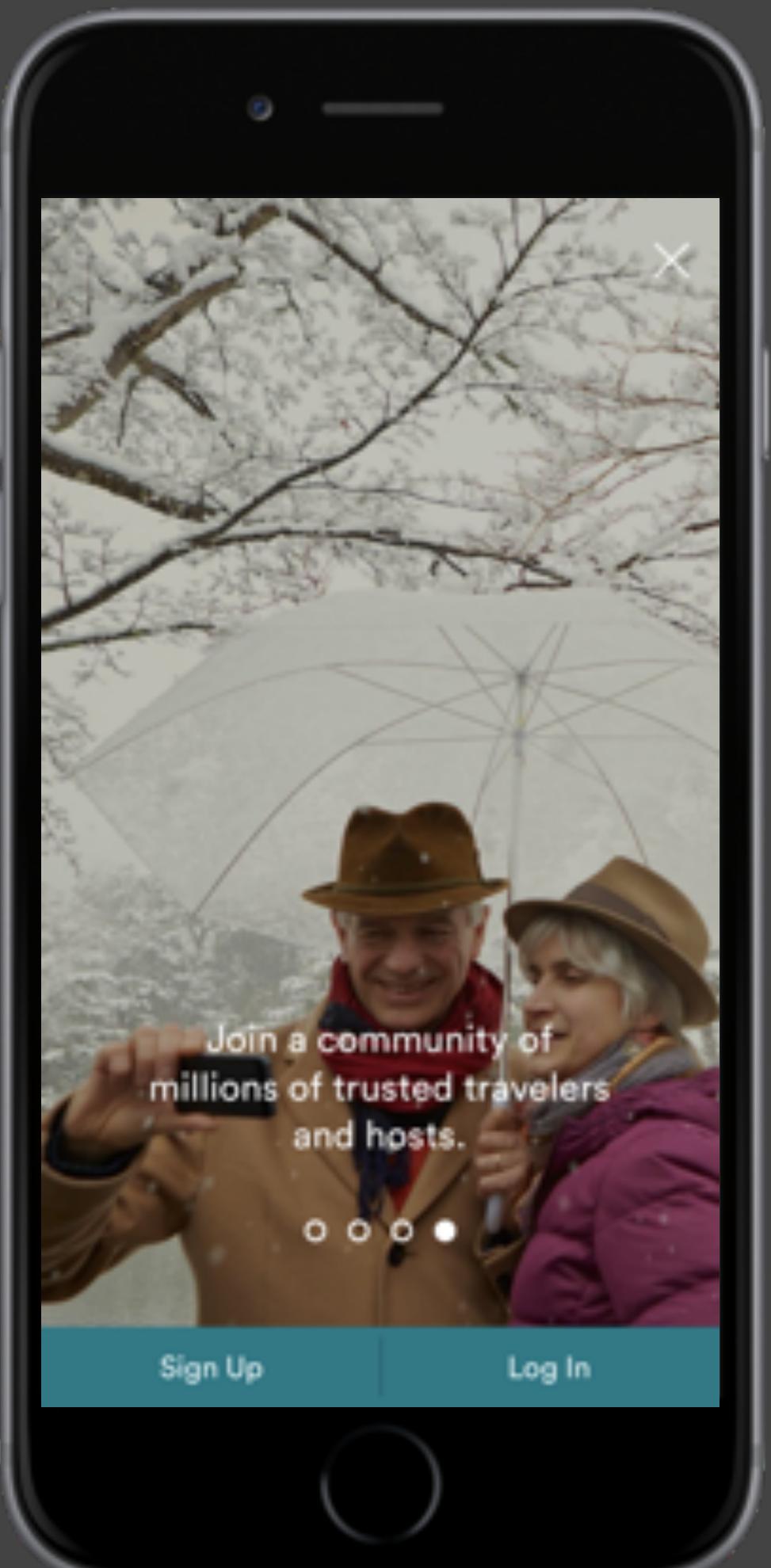
Place your bets

Signup wall or not?

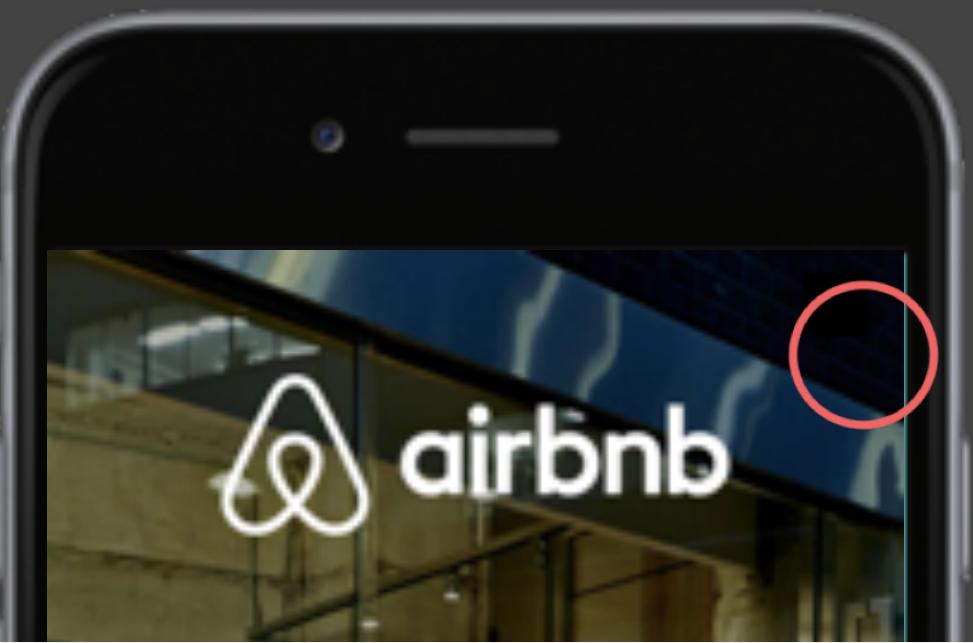
Metric: Signups & Bookings



Control

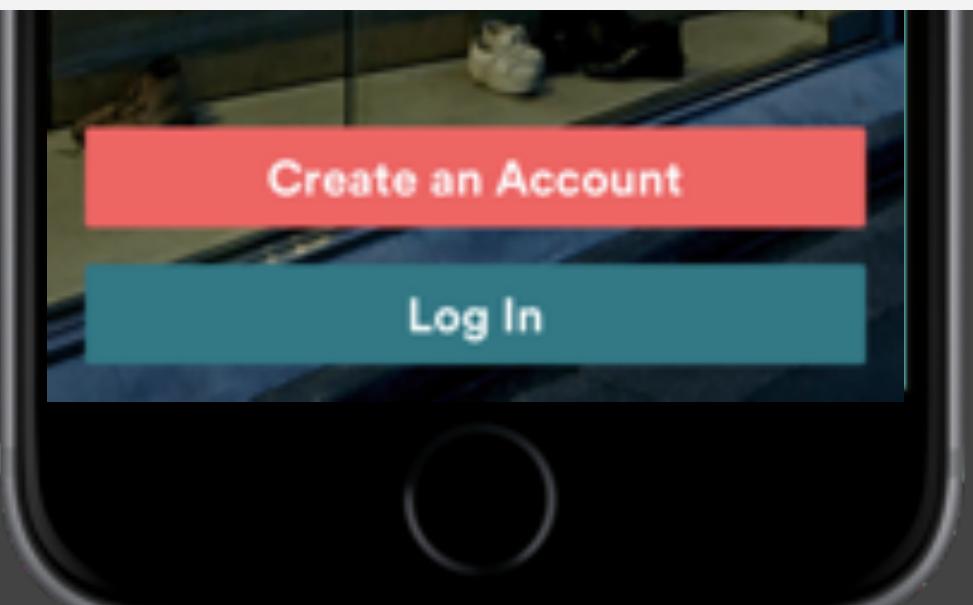


Experiment 1



Not dismissible

+ 40.6% (signups)
+ 2.6% (bookings)



Experiment 2

Product decisions are hard

Most of you won't be doing
A/B testing for a long time

Summary

1. Start by doing things that don't scale
2. Measure your retention / PMF
3. Build a culture of experimentation

Thank you