TRACTION

A STARTUP GUIDE TO GETTING CUSTOMERS

Written by

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and Justin Mares

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S-curves Publishing
Printed in the United States of America
First edition, Hardcover

ISBN 978-0976339601

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PROLOGUE

Traction Trumps Everything

Building a successful company is hard. Really hard. We've been involved in both startup successes and startup failures.

Who are we? Gabriel is currently the CEO and founder of DuckDuckGo, an alternative search engine he started in 2008 that received over a billion searches in 2013 and is growing rapidly. In 2006, he sold his last company, Opobox, for ten million. Gabriel is also an active angel investor, having invested in over ten early stage ventures with two successful exits so far.

Justin founded two startups (one of which was acquired) and recently ran growth at Exceptional Cloud Services, which was acquired by Rackspace in 2013.

Traction is the best way to improve your chances of startup success. Traction is a sign that something is working. If you charge for your product, it means customers are buying. If your product is free, it's a growing userbase.

Traction is powerful. Technical, market, and team risks are easier to address with traction. Fundraising, hiring, press, partnerships and acquisitions are all easier with traction.

In other words, *traction trumps everything.*

This book is for startups of all kinds: consumer or enterprise-focused, from ecommerce to apps and everything in between.

We've interviewed more than forty founders, studied many more companies, and pulled out the repeatable strategies and tactics they used to succeed.

Our goal is to show you how to get traction no matter what business you're in.

CHAPTER 1

Traction Channels

Before we get started, let's define what traction is. Traction is a sign that your company is taking off. It's obvious in your core metrics: if you have a mobile app, your download rate is growing rapidly. If you're a search engine, your number of searches is skyrocketing. If a SaaS tool, your monthly revenue is blowing up. If a consumer app, your daily active users are increasing quickly. You get the point.

Naval Ravikant, founder of AngelList, an online platform that helps companies raise money, says it well:

"*Traction is basically quantitative evidence of customer demand. So if you're in enterprise software, [initial traction] may be two or three early customers who are paying a bit; if you're in consumer software the bar might be as high as hundreds of thousands of users. … It's the Supreme Court definition of porn. You'll know it when you see it.*"

You can always get more traction. The whole point of a startup is to grow rapidly. Getting traction means moving your growth curve up and to the right as best you can. Paul Graham, founder of startup accelerator Y Combinator, puts it like this:

"A startup is a company designed to grow fast. Being newly founded does not in itself make a company a startup. Nor is it necessary for a startup to work on technology, or take venture funding, or have some sort of 'exit.' The only essential thing is growth. Everything else we associate with startups follows from growth."

In other words, **traction is growth. The pursuit of traction is what defines a startup**.

Nineteen Traction Channels

After interviewing more than forty successful founders and researching countless more, we discovered that **startups get traction through nineteen different channels**. Many successful startups experimented with multiple channels (search engine marketing, business development, etc.) until they found one that worked.

We call these customer acquisition channels ***traction channels***. These are marketing and distribution channels through which your startup can get traction: real users and customers.

We discovered two broad themes through our research:

1. Most founders only consider using traction channels they're already familiar with or think they should be using because of their type of product or company. This means that **far too many startups focus on the same channels** (search engine marketing, public relations) and ignore other promising ways to get traction.
2. It's hard to predict the channel that will work best. You can make educated guesses, but **until you start running tests, it's difficult to tell which channel is the *best* one for you right now**.

Our introductory chapters 2–5 expand on these themes. Chapter 2 introduces our Bullseye Framework for getting traction. Essentially, it involves targeted experimentation with a few traction channels, followed by laser focus on the one that is working.

Chapters 3 and 4 offer traction strategies and tactics to apply when using Bullseye, including pursuing traction development in parallel with product development. Chapter 5 offers one way to approach parallel traction/product development – called the Critical Path – where you focus on a single traction goal and ignore everything not required to achieve it.

Before you jump into this material, however, we'd like to introduce you to the nineteen traction channels and some of the people we interviewed for them. We will explore each of these channels in chapters 6–24.

When going through these traction channels try your best not to dismiss them as irrelevant for your company. **Each traction channel has worked for startups of all kinds and in all different stages**. Get one channel working that your competitors dismiss, and you can grow rapidly while they languish.

Viral Marketing (Chapter 6)
Viral marketing consists of growing your userbase by encouraging your users to refer other users. We interviewed Andrew Chen, a viral marketing expert and mentor at 500 Startups, for common viral techniques and the factors that have led to viral adoption in major startups. We also talked with Ashish Kundra of myZamana, who discussed using viral marketing to grow from 100k users to over 4 million in less than a year.

Public Relations (Chapter 7)
Public relations (PR) is the art of getting your name out there via traditional media outlets like newspapers, magazines and TV. We interviewed Jason Kincaid, former TechCrunch writer, about pitching media outlets, how to form relationships with reporters, and what most startups do wrong when it comes to PR. We also talked with Ryan Holiday, bestselling author of *Trust Me, I'm Lying* and media strategist, to learn how startups could leverage today's rapidly changing media landscape to get traction.

Unconventional PR (Chapter 8)
Unconventional PR involves doing something exceptional (like publicity stunts) to draw media attention. This channel can also work by repeatedly going above and beyond for your customers. Alexis Ohanian told us some of the things he did to get (and keep) people talking about reddit and Hipmunk, two startups he co-founded.

Search Engine Marketing (Chapter 9)
Search engine marketing (SEM) allows companies to advertise to consumers searching on Google and other search engines. We interviewed Matthew Monahan of Inflection, the company behind Archives.com (before its $100 million acquisition by Ancestry.com) to learn how Archives relied primarily on SEM for their growth.

Social and Display Ads (Chapter 10)
Ads on popular sites like reddit, YouTube, Facebook, Twitter and hundreds of other niche sites can be a powerful and scalable way to reach new customers. We brought in Nikhil Sethi, founder of the social ad buying platform Adaptly, to talk with us about getting traction with social and display ads.

Offline Ads (Chapter 11)
Offline ads include TV spots, radio commercials, billboards, infomercials, newspaper and magazine ads, as well as flyers and other local advertisements. These ads reach demographics that are harder to target online, like seniors, less tech-savvy consumers and commuters. Few startups use this channel, which means there's less competition for many of these audiences. We talked with Jason Cohen, founder of WPEngine and Smart Bear Software, about the offline ads he's used to acquire customers.

Search Engine Optimization (Chapter 12)
Search engine optimization (SEO) is the process of making sure your website shows up for key search results. We interviewed Rand Fishkin of Moz (the market leader in SEO software) to talk about best practices for getting traction with SEO.

Patrick McKenzie, founder of Appointment Reminder, also explained to us how he uses SEO to cheaply acquire lots of highly targeted traffic.

Content Marketing (Chapter 13)
Many startups have blogs. However, most don't use their blogs to get traction. We talked with Rick Perreault, founder of Unbounce, and OkCupid founder Sam Yagan to learn how their blogs transformed their businesses.

Email Marketing (Chapter 14)
Email marketing is one of the best ways to convert prospects while retaining and monetizing existing ones. For this chapter we interviewed Colin Nederkoorn, founder of email marketing startup Customer.io, to discuss how startups can get the most out this traction channel.

Engineering as Marketing (Chapter 15)
Using engineering resources to acquire customers is an underutilized way to get traction. Successful companies have built micro-sites, developed widgets, and created free tools that drive thousands of leads each month. We asked Dharmesh Shah, founder of Hubspot, to discuss how engineering as marketing has driven Hubspot's growth to tens of thousands of customers through tools like their Marketing Grader.

Targeting Blogs (Chapter 16)
Popular startups like Codecademy, Mint, and reddit all got their start by targeting blogs. Noah Kagan, Mint's former director of marketing, told us how he targeted niche blogs early on, and how this strategy allowed Mint to acquire 40,000 users before launching.

Business Development (Chapter 17)
Business development (BD) is the process of creating strategic relationships that benefit both your startup and your partner. Paul English, co-founder and CEO of Kayak.com, walked us through the impact of their early partnership with AOL. We also interviewed venture capitalist Chris Fralic, whose BD efforts at Half.com were a major factor in eBay's $350 million acquisition of the company.

We'll show you how to structure deals, find strategic partners, build a business development pipeline, and approach potential partners.

Sales (Chapter 18)
Sales is primarily focused on creating processes to directly exchange product for dollars. We interviewed David Skok of Matrix Partners – someone who's taken four different companies public – to get his perspective on how the best software companies are creating sustainable, scalable sales processes. We also take a look at how to find early customers and have winning sales conversations.

Affiliate Programs (Chapter 19)
Companies like Hostgator, GoDaddy and Sprout Social have robust affiliate programs that have allowed them to reach hundreds of thousands of customers in a cost-effective way. We interviewed Kristopher Jones, founder of the Pepperjam Affiliate network, to learn how a startup can leverage this channel. We also talked with Maneesh Sethi to learn how affiliate marketers choose what products to promote, and some of the strategies they use to do so.

Existing Platforms (Chapter 20)
Focusing on existing platforms means focusing your growth efforts on a mega-platform like Facebook, Twitter, or an App Store and getting some of their hundreds of millions of users to use your product. Alex Pachikov, co-founder of Evernote, explained how their focus on Apple's App Store generated millions of customers.

Trade Shows (Chapter 21)
Trade shows are a chance for companies in specific industries to show off their latest products. We interviewed Brian Riley of SlidePad, an innovative bike brake startup, to learn how they sealed a partnership that led to over 20,000 sales from one trade show and their approach to getting traction at each event.

Offline Events (Chapter 22)
Sponsoring or running offline events – from small meetups to large conferences – can be a primary way you get traction. We spoke with Rob Walling, founder and organizer of MicroConf, to talk about how to run a fantastic event, how it can benefit you, and the type of work that goes into pulling off a successful event.

Speaking Engagements (Chapter 23)
Eric Ries, author of the bestselling book *The Lean Startup,* told us how he used speaking engagements to hit the bestseller list within a week of the book's launch, how he landed these talks, and why he chose to use this channel to generate awareness and book sales. We also interviewed Dan Martell, founder of Clarity, to learn how to leverage a speaking event, give an awesome talk and grow your startup's profile at such speaking gigs.

Community Building (Chapter 24)
Companies like Zappos, Wikipedia, and Stack Exchange have all grown by forming passionate communities around their products. In our interview with Jimmy Wales of Wikipedia, he detailed how he built the Wikipedia community that's created the largest repository of human knowledge in history.

We also spoke with others who've built and scaled communities at different stages: Jeff Atwood, co-founder of Stack Exchange and Discourse; Chris McCann, founder of the popular Startup Digest newsletter; and Sandi MacPherson, founder of the community-based startup Quibb.

Takeaways

- Every one of the nineteen traction channels has proven an effective means to get initial traction for both enterprise and consumer companies.

- It is hard to predict exactly which traction channel will be best for your company at a particular time.
- You have natural tendencies (bias) toward or against certain traction channels. Which traction channels are you biased for? Which traction channels are you biased against?

See our introductory resources and discuss this chapter with us and other founders on our forum:

http://tbook.us/intro

CHAPTER 2

The Bullseye Framework

With so many channels to consider, figuring out which one to focus on is tough. That's why we've created a simple framework called Bullseye that will help you **find the channel that will get you traction**. As billionaire PayPal founder and early Facebook investor Peter Thiel put it:

"[You] probably won't have a bunch of equally good distribution strategies. Engineers frequently fall victim to this because they do not understand distribution. Since they don't know what works, and haven't thought about it, they try some sales, BD, advertising, and viral marketing—everything but the kitchen sink.

That is a really bad idea. It is very likely that one channel is optimal. Most businesses actually get zero distribution channels to work. Poor distribution—not product—is the number one cause of failure. If you can get even a single distribution channel to work, you have great business. If you try for several but don't nail one, you're finished.

So it's worth thinking really hard about finding the single best distribution channel."

We use a Bullseye metaphor in our framework because you're aiming for the Bullseye—the one traction channel that will unlock your next growth stage. Using Bullseye to find your channel is a five-step process: brainstorm, rank, prioritize, test, and focus on what works. Rinse, repeat.

Step 1: Brainstorm

The goal in brainstorming is to come up with reasonable ways you might use **each traction channel**. If you were to advertise offline, where would be the best place to do it? If you were to give a speech, who would be the ideal audience?

As mentioned in chapter 1, everyone approaches traction channels with biases. This first step is meant to help you systematically counteract your channel biases. That is, it is important that you **not dismiss any traction channel in this step**. You should be able to think of at least one idea for every channel – that's brainstorming!

In terms of research to feed your brainstorm, this book is a good start, but you should get much more specific to your company. You should know what marketing strategies have worked in your industry, as well as the history of companies in your space. It's especially important to understand how similar companies acquired customers over time, and how unsuccessful companies wasted their marketing dollars.

An easy way to organize your brainstorm is with a spreadsheet. We have an example one in the resources you can use as a starting point. Each column contains an idea of how you might use a particular channel. You can have many ideas per channel.

Some other suggested columns to help round out your thinking:

- How probable does it seem that this idea could work (1–5)?
- What is the expected cost to acquire a customer through this idea?
- How many customers can you expect to acquire at that cost (before saturation)?
- What is the timeframe needed to run tests?

Of course you won't know the right answers to all these questions, but you can make educated guesses.

Step 2: Rank

The ranking step helps you organize your brainstorming efforts. It also helps you start to think a bit more critically about the traction channels in aggregate.

Place each of the traction channels into one of three columns, with each column representing a concentric circle in the Bullseye:

- Column A (Inner Circle): which traction channels seem most promising right now?
- Column B (Potential): which traction channels seem like they could possibly work?
- Column C (Long-shot): which traction channels seem like long-shots?

See the resources for a downloadable copy. Here's one example:

Inner Circle (A)	**Promising (B)**	**Long-shot (C)**

The research you did and ideas you came up with in the brainstorm step should guide your rankings. Usually, a few ideas you thought of will seem particularly compelling – these traction channels belong in column A. Channels with ideas that seem like they could plausibly work go in column B. Channels with only ideas that seem like more of a stretch would belong in column C.

Step 3: Prioritize

Now identify your inner circle: the three traction channels that seem most promising. If you already have three channels in Column A, you're done! If you have more than three, then you need to get rid of some and visa-versa.

It is often the case that there are a few truly exciting and promising channels that emerge from ranking, but not a lot. Draw the line where there is an obvious drop-off in excitement. That drop-off often occurs around the third channel.

We want you to have more than one channel in your inner circle because we don't want you to waste valuable time finding your successful traction channel by testing channels sequentially when you can do so equally well in parallel.

You can run multiple experiments at the same time since tests take some time to run after they've been set up. Yet doing too many things in parallel leads to errors from lack of focus, which means the number needs to be somewhat low.

Step 4: Test

The testing step is where you put your ideas into the real world. The goal of this step is to find out which of the traction channels in your inner circle is worth focusing on.

You will make that decision based on results from a series of relatively cheap tests. These tests should be designed to answer the following questions.

- Roughly how much will it cost to acquire customers through this channel?
- How many customers do you think are available through this channel?

- Are the customers that you are getting through this channel the ones that you want right now?

These questions are very similar to the columns we suggested making in the brainstorm step. When testing, you are replacing your educated guesses with real answers.

There isn't a single method for testing each traction channel because every business is different. We will cover tactics for organizing and thinking about these tests in chapter 4. You should also get specific ideas for each traction channel throughout the rest of the book.

Keep in mind that, when testing, **you are not trying to get a lot of traction with a channel just yet.** Instead, you are simply trying to determine if it's a channel that *could* work for your startup. Your main consideration at this point is speed to get data and prove out your assumptions.

You want to design smaller scale tests that don't require much up-front cost or effort. For example, run four Facebook ads vs. forty. You should be able to get a rough idea of a channel's effectiveness with just a few hundred dollars.

Step 5: Focusing

If all goes well, one of the traction channels you tested in your inner circle produced promising results. In that case, you should start directing your traction efforts and resources towards that most promising channel.

At any stage in a startup's lifecycle, one traction channel dominates in terms of customer acquisition. That is why we suggest focusing on one at a time, and only after you've identified a channel that seems like it could actually work.

The goal of this focusing step is quite simple: to wring every bit of traction out of the traction channel. To do so, you will be continually experimenting to find out exactly how to optimize growth in your chosen channel. As you dive deeper into it, you will uncover effective tactics and do everything you can to scale them until they are no longer effective due to saturation or rising costs.

Repeating the Process

If, unfortunately, no channel seems promising after testing, the whole process should be repeated. The good news is you now have data from all the tests you just did, which will inform you as to what types of things are, and are not, resonating with customers. Look at the messaging you've been using, or dig deeper to see at what point each channel failed to deliver customers.

Why Use the Bullseye Framework?

Bullseye is designed to be a straightforward way to direct your traction focus and maximize your results. First and foremost, it forces you to take all the traction channels more seriously than you would otherwise. This is accomplished via the brainstorm step and then again by forcing you to think about all of the channels through the rank and prioritize steps. These steps **systematically uncover strategies for getting traction that you wouldn't have found using other approaches**.

The framework is also meant to help you zoom in on the best ideas as quickly and cheaply as possible, while still casting a wide net: hence the Bullseye metaphor.

Third, we emphasize doing tests in parallel since the traction channel that will ultimately succeed is unpredictable, and time is of the essence.

Bullseye in the Wild

Noah Kagan talked to us about how he used a version of Bullseye at Mint, a site that helps you track your finances and was acquired by Intuit for $170 million. Their initial traction goal was 100,000 users in the first six months after launch.

In steps 1–3, Noah and his team brainstormed and picked several traction channels that seemed promising (targeting blogs, pr, search engine marketing) – their inner circle.

In step 4, they then ran a series of cheap tests in each (sponsored a small newsletter, reached out to financial celebrities like Suze Orman, placed some Google ads) to see what worked and what didn't. Noah kept track of the test results in this spreadsheet:

Source	Traffic	CTR	Conversion %	Total Users	Status	Confirmed	Confirmed Users
TechCrunch	300000	10%	25%	7500	Friend	Yes	7500
Dave McClure	30000	10%	25%	750	Friend	Yes	750
Mashable	500000	10%	25%	12500	Emailing	No	0
Reddit	25000	100%	25%	6250	Coordinated	Yes	6250
Digg	100000	100%	25%	25000	Coordinated	Yes	25000
Google Organic	5000	100%	15%	750	Receiving	Yes	750
Google Ads	1000000	3%	35%	10500	Bought	Yes	10500
Paul Stamatiou	50000	5%	50%	1250	Friend	Yes	1250
Personal Finance Sponsorships	200000	40%	65%	52000	Coordinated	Yes	52000
Okdork.com	3000	10%	75%	225	Self	Yes	225
Total Users				116725			104225

Step 5: after running these experiments, Mint focused on the traction channel that seemed most promising and that could reach their goal. In this case, that meant targeting blogs. In the early days, the tactics of sponsoring mid-level bloggers in the financial niche and guest posting allowed them to acquire their first 40,000 customers.

When this channel maxed out, they repeated the Bullseye process, and found a new traction channel to focus on: public relations. Within 6 months of launching, they had 1 million users. We cover specific strategies for both these traction channels in later chapters.

We heard stories like this over and over again when talking to successful startup founders. They would research many channels, try a few, and focus on the most promising until it stopped working. Bullseye is designed to systemize this successful process. Use it!

Takeaways

- The Bullseye Framework is a five-step repeatable process to maximize your chances of getting traction: brainstorm, rank, prioritize, test, and focus.
- Focusing on a traction channel means becoming an expert on it by continually testing new tactics to get the most traction possible.
- Research how past and present companies in your space and adjacent spaces succeeded or failed at getting traction. The easiest way to do this is to go talk to startup founders who previously failed at what you're trying to do.
- Compile your brainstorming ideas for each traction channel in a spreadsheet with educated guesses that you can confirm through testing.

See our introductory resources and discuss this chapter with us and other startup founders on our forum:

http://tbook.us/bullseye

CHAPTER 3

Traction Thinking

Bullseye helps you determine which traction channels to focus on at any given time, but doesn't give you any specific strategies or tactics for how to focus on traction channels. That's what the rest of this book is for. This chapter presents traction strategies you should employ across each traction channel.

The 50% Rule

If you're starting a company, chances are you can build a product. **Almost every failed startup has a product. What failed startups don't have are enough customers.**

Marc Andreessen, founder of Netscape and VC firm Andreessen-Horowitz, sums up this common problem:

"The number one reason that we pass on entrepreneurs we'd otherwise like to back is their focusing on product to the exclusion of everything else. Many entrepreneurs who build great products simply don't have a good distribution strategy. Even worse is when they insist that they don't need one, or call [their] no distribution strategy a 'viral marketing strategy.'"

A common story goes like this: founders build something people want by following a sound product development strategy. They spend their time building new features based on what early users say they want.

Then, when they think they are ready, they launch, take stabs at getting more users, only to become frustrated when customers don't flock to them.

Having a product your early customers love but no clear way to get more traction is frustrating. To address this frustration, spend your time building product **and testing traction channels – in parallel**.

Building something people want is required for traction, but isn't enough. There are many situations where you could build something people want, but still not end up with a viable business.

Some examples: you build something users want but can't figure out a useful business model – users won't pay, won't click on adverts, etc. (no market). You build something people want, but there are just not enough users to reach profitability (small market). You build something users want, but reaching them is cost prohibitive (hard to reach market). Finally, you build something users want, but a lot of other companies build it too, and so it is too hard to get customers (competitive market).

In other words, traction and product development are of equal importance and should **each get about half of your attention**. **This is what we call the 50% rule: spend 50% of your time on product and 50% on traction.** This split is hard to do because the pull to spend all of your attention on product is strong, and splitting your time will certainly slow down product development. However, it won't slow the time to get your product successfully to market. That's because pursuing product development and traction in parallel has several key benefits.

First, it helps you build a better product because you can incorporate knowledge from your traction efforts. If you're following a good product development process, you're already getting good feedback from early users. Traction development gets you additional data, like what messaging is resonating with potential users, what niche you might focus on first, what types of customers will be easiest to acquire, and major distribution roadblocks you might run into.

You will get some of this information through good product development practices, but not nearly enough. All of this new information should change the first version of the product for the better.

This is exactly what happened with Dropbox. While developing their product, they tested search engine marketing and found it wouldn't work for their business. They were acquiring customers for $230 when their product only cost $99. That's when they focused on the viral marketing channel, and built a referral program right into their product. This program has since been their biggest growth driver.

In contrast, waiting until you ship a product to embark on traction development usually results in one or more additional product development cycles as you adjust to real market feedback. That's why doing traction and product development in parallel may slow down product development in the short run, but not in the long run.

The second benefit to parallel product and traction development is that you get to experiment and test different traction channels before you launch anything. This means when your product is ready, you can grow rapidly. A head start on understanding the traction channel that will work for your business is invaluable. Phil Fernandez, founder and CEO of Marketo, a marketing automation company that IPO'ed in 2013, talks about this benefit:

"At Marketo, not only did we have SEO [Search Engine Optimization] in place even before product development, we also had a blog. We talked about the problems we aimed to solve… Instead of beta testing a product, we beta tested an idea and integrated the feedback we received from our readers early on in our product development process.

By using this content strategy, we at Marketo began drumming up interest in our solutions with so much advance notice we had a pipeline of more than 14,000 interested buyers when the product came to market."

Marketo wouldn't have had 14,000 interested buyers if they just focused on product development.

It's the difference between significant customer growth on day one – real traction – and just a product you know some people want.

Comparison to Lean

Many good product development methodologies exist, but don't deal explicitly with getting traction. The Lean Startup framework is a popular one. This approach involves creating testable hypotheses regarding your product, and then going out and validating (or invalidating) those hypotheses. It's an approach that demands a great deal of interaction with customers, discovering their needs and understanding the types of features they require.

Bullseye works hand-in-hand with Lean. What Lean is to product development, Bullseye is to traction. With Lean, you figure out the right features to build. With Bullseye, you figure out the right traction channel to pursue.

To reiterate, **the biggest mistake startups make when trying to get traction is failing to pursue traction in parallel with product development.**

Many entrepreneurs think that if you build a killer product, your customers will beat a path to your door. We call this line of thinking The Product Trap: the fallacy that the best use of your time is always improving your product. In other words, "if you build it, they will come" is wrong.

You are much more likely to develop a good distribution strategy with a good traction development methodology (like Bullseye) the same way you are much more likely to develop a good product with a good product development methodology (like Lean). Both help address major risks that face early stage companies: market risk (that you can reach customers in a sustainable way) and product risk (that customers want what you're building), respectively.

Pursuing both traction and product in parallel will increase your chances of success by both developing a product for which you can actually get traction and getting traction with that product much sooner.

Moving the Needle

Your traction strategy should always be focused on moving the needle for your company. By moving the needle, we mean focusing on marketing activities that **result in a measurable, significant impact on your company**. It should be something that advances your user acquisition goals in a meaningful way, not something that would be just a blip even if it worked.

For example, early on DuckDuckGo focused on search engine optimization to get in front of users searching for "new search engine." In the early days, these users really moved the needle and were the biggest source of growth. Eventually, DuckDuckGo's userbase outstripped this volume by many times, and they had to move onto another traction channel that moved the needle.

From the perspective of getting traction, you can think about working on a product in three phases:

Phase I – making something people want

Phase II – marketing something people want

Phase III – scaling your business

Phase I is very product focused and involves pursuing initial traction while also building your initial product as we discussed above. This often means getting traction in ways that don't scale – giving talks, writing guest posts, emailing people you have relationships with, attending conferences and doing whatever you can to get in front of customers.

As Paul Graham said in his essay "Do Things that Don't Scale:"

"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.

Actually startups take off because the founders make them take off… 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."

If you've made it to phase II, you have a product that resonates with customers – initial traction – and therefore doesn't require sweeping product changes. In other words, in phase II you have established product/market fit and now are fine-tuning your positioning and marketing messages.

In phase III, you have an established business model, significant position in the market, and are focused on scaling both to further dominate the market and to profit.

At different product phases, moving the needle means different things. In phase I, it's getting those first few customers. In phase II, it is getting enough customers where you're knocking on the door of sustainability. And, in phase III, your focus is on increasing your earnings, scaling your marketing channels, and creating a truly sustainable business.

Some traction channels will move the needle early on, but will fail to work later. Others are hard to get working in phase I, but are major sources of traction in the later phases (PR is a good example). On the other hand, some channels will be great in phase I but useless in phases II and III because they simply don't have the volume required to move the needle.

When you're just starting out, small things can move the needle in terms of traction. A single tweet from a well-respected individual or a speech to a few hundred people at a meetup can result in a meaningful jump in users.

As your company grows, smaller things like that will be difficult to notice. If you have 10,000 visitors to your website each day, it will be hard to appreciate a tweet or blog post that sends 200 visitors your way. As your startup sees more traction, things that worked early on may not scale well (or be worth scaling). What moves the needle changes dramatically.

Moving the needle in the later stages requires larger and larger numbers. If you want to add 100,000 new customers, with conversion rates between 1–5%, you're looking at reaching 2–10 million people – those are huge numbers! That's why traction channels like community building and viral marketing can be so powerful: they scale with the size of your userbase and potential market.

Startup growth happens in spurts. Initially, growth is usually slow. Then, it spikes as a useful traction channel is unlocked. Eventually it flattens out again as a channel gets saturated and becomes less effective. Then, you unlock another strategy and you get another spike. That's why the cover of our book looks the way it does.

In other words, the way you get traction will change. **After your growth curve flattens, what worked before usually will not get you to the next level**. On the flip side, traction channels that seemed like long shots before might be worth reconsidering during your next iteration of Bullseye.

You can think of your initial investment in traction as pouring water into a leaky bucket. In phase I, your bucket will be leaky because your product is not yet a full solution to customer needs and problems. In other words, your product is not as sticky as it could be and many customers will not want to engage with it yet. As a consequence, much of the money you are spending on traction will leak out of your bucket.

There is no reason to scale up your efforts now. You are throwing much of your money away!

As you hone your product, you are effectively plugging leaks. Once you have crossed over to phase II, you have product-market fit and customers are sticking around. Now is time to scale up your traction efforts: your bucket is no longer leaky.

When you constantly test traction channels by sending through a steady stream of new users, you can tell how leaky your bucket is. You can also tell if it is getting less leaky over time, which it should be if your product development strategy is sound. In fact this is a great feedback loop between traction development and product development that you can use to make sure you're on the right track.

How Much Traction Is Enough for Investors?

Startup founders tend to focus on fundraising, often out of necessity. As a result, they often wonder how much traction they need to get investors interested. Naval Ravikant, founder of AngelList answers this question well:

"It is a moving target. The entire ecosystem is getting far more efficient. Companies are accomplishing a lot more with a lot less.

Two years ago (Nov 2010) you could have gotten your daily deal startup funded pre-traction. Eighteen months ago you could not have gotten a daily deal startup funded no matter how much traction you had. Twelve months ago you could have gotten your mobile app company funded with ten thousand downloads. Today it's probably going to take a few hundred thousand downloads and a strong rapid adoption rate for a real financing to take place.

The definition of traction keeps changing as the environment gets competitive. That's why it is actually useful to look at AngelList and look at companies just got funded; that will give you an idea of where the bar is right now."

It is also a good idea to first reach out to individuals who intimately understand what you're working on (perhaps since they have worked on or invested in something similar before).

The better your prospective investors understand what you're doing, the less traction they will need to see before they invest because they are more likely to extrapolate your little traction and believe it could grow into something big. On the other hand, those investors that have little real-world experience within your industry may find it hard to extrapolate and may demand more traction initially before they invest. An outlier is friends and family, who may not need to see any traction before investing since they're investing in you personally.

You may not have the benefit of reaching out to people who are familiar with you or your work. In this case, you will want to do your homework on prospective investors. Again, the ones most likely to understand your company (because they've made similar investments or have done similar companies before) are the ones you should approach first.

It is easy to get discouraged when you are fundraising because you can get so many rejections. However, you shouldn't take rejection as a rejection of your idea. **There are many reasons why investors may say no that are simply beyond your control (investment goals, timing, expertise, etc.).**

Remember that different investors have different goals. Some are looking for home runs and so are focused on turning a big profit. Others are looking for a single or a double, and will therefore be more looking at your revenue and current traction strategy. Others still are simply looking to get involved with something interesting.

Likewise, some investors may focus on revenue and profitability while others may want to see evidence of intense product engagement.

Product engagement means different things for different startups, but generally it means real customers using your product because it is solving some problem or need for them. **Sustainable product engagement growth (i.e. more customers getting engaged over time) is hard for any investor to ignore**.

This is true even if your absolute numbers are relatively small. So if you only have 100 customers, but have been growing 10% a month for six months, that's attractive to investors. With sustainable growth, you look like a good bet to succeed in the long run.

To Pivot or Not to Pivot

You may come to a point where you are simply unhappy with your traction. You may not be able to raise funding or just feel like things aren't taking off the way they should. How do you know when to "pivot" from what you're doing?

We strongly believe that many startups give up way too early. **A lot of startup success hinges on choosing a great market at the right time**. Consider DuckDuckGo, the search engine startup that Gabriel founded. Other search startups gave up after two years: Gabriel has been at it for more than six.

Privacy has been a core differentiator for DuckDuckGo (they do not track you) since 2009 but didn't become a mainstream issue until the NSA leaks in 2013. Growth was steady before 2013, but exploded as privacy became something everyone was talking about.

It's important to wrap your head around this time-scale. If you are just starting out, are you ready to potentially do this for the *next decade*? In retrospect, a lot of founders feel they picked their company idea too quickly, and they would have picked something they were more passionate about if they realized it was such a long haul. A startup can be awesome if you believe in it: if not, it can get old quickly.

If you are considering a pivot, the first thing to look for is evidence of real product engagement, even if it is only a few dedicated customers. If you have such engagement, you might be giving up too soon. You should examine these bright spots to see how they might be expanded. Why do these customers take to your product so well? Is there some thread that unites them? Are they early adopters in a huge market or are they outliers? The answers to these questions may reveal some promise that is not immediately evident in your core metrics.

Another factor to consider before you pivot: startup founders are usually forward thinking and as a result are often too early to markets (that's why it's important to choose a startup idea you're willing to stick with for many years). Granted, there is a big difference between being a few years too early and a decade too early. Hardly anyone can stick around for ten years with middling results. But, being a year or two early can be a great thing. You can use this time to improve and refine your product. Then, when the market takes off, you have a head start on competitors just entering your space.

How can you tell whether you are just a bit early to market and should keep plugging away? Again, the best way to find out is by looking for evidence of product engagement. If you are a little early to a market there should be some early adopters out there already eating up what you have to offer.

Takeaways

- Don't fall into The Product Trap: pursue traction and product development in parallel, and spend equal time on both.
- The Bullseye Framework and a product development framework (e.g. Lean Startup) can work together to maximize your probability of success.

- Focus on strategies and tactics that can plausibly move the needle for company. What change in growth metrics would move the needle for your company?
- How much traction is needed for investors is a moving target, but a sustainable customer growth rate is hard for investors to ignore. Potential investors who understand your business are likely to appreciate your traction and thus invest earlier.
- If you're not seeing the traction you want, look for bright spots in your userbase, pockets of users that are truly engaged with your product. See if you can figure out why it works for them and if you can expand from that base. If there are no bright spots, it may be a good time to pivot.

See our introductory resources and discuss this chapter with us and other startup founders on our forum:

http://tbook.us/intro

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CHAPTERS TO GO

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