GROWTH ENGINES

Case Studies of How Today's Most Successful Startups Unlock Extraordinary Growth

By Sean Ellis, Morgan Brown
& the GrowthHackers.com Team

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Introduction

In 2010, I coined the term ‘growth hacker’ to define a new type of marketer leading a new type of growth-oriented marketing organization for startups. After five years of working with some of the fastest growing companies on the Web—such as Dropbox, Eventbrite and Lookout —it was clear that the most successful companies today are ones who are able to effectively scale their user base, revenue and ultimately value in a way that is fundamentally different from their competitors and that creates outsized audiences and value in the process.

In my experience, the growth of these companies did not come from traditional marketing. In fact many jettisoned their Vice Presidents of Marketing in favor of cross-functional growth teams that included individuals from engineering, product, sales, and marketing. Growth came from product innovations, unique acquisition channels that their competition hadn’t considered, and rigorous optimization driven by analytics and a deep understanding of their customers.

The result has been nothing short of astronomical. The new growth organizations have created billions of dollars in value in incredibly short time frames. These companies have acquired massive audiences—in the tens and hundreds of millions of people—in the process. The punchline? Most of it has been accomplished with very little traditional paid advertising and marketing. Instead, these companies use virality, freemium business models, untapped acquisition channels, unique hardware and software design, and memorable experiences that when combined, create a flywheel of growth that catapults these companies past competitors who stick to traditional marketing methods.

So how do they do it? What’s the formula for growth today? That’s the question we’ve attempted to answer by tearing down the growth engines of the companies profiled in this ebook. After months of study, hundreds of documents and articles researched, and interviews teased out from conferences, articles, videos and more; we’ve assembled arguably the most detailed breakdowns on how successful companies are growing today.

From software as a service, to social networks, mobile applications, marketplaces and business-to-business products, we've attempted to examine a cross-section of the top performers in these categories to understand their approach to growth, what makes them different, and what makes them successful. For each of the case studies contained, we've attempted to identify two main elements of growth: what helped the business gain early traction, and what is fueling the business today.

While each of these companies traveled different paths to their current success, they share many things in common. The first, and most critical shared element is that they all have a highly valuable product that has become essential in their customer's lives. In other words, they've all built 'must-have' products or built a large network to become 'must-have'. This central fact cannot be understated. Without their must-have product experiences it is almost guaranteed that you would not be reading about them or even know who they are or were.

In the past underwhelming products could survive and thrive merely on distribution alone. A bad product, backed by a large television campaign and retail distribution, could find growth and profits for the company, regardless of quality. This is no longer the case. Today, mediocre products can still be launched in this way, but their longevity and returns quickly crash as word of mouth spreads and demand dries up faster than ever before.

Beyond the shared must-have nature of their products, each of these companies has used a deep understanding of their customer and a rigorous analytical approach to growth that enables them to be hyper-efficient in acquiring, retaining, and monetizing their customers. These insights yield unique customer acquisition strategies that highlight this new approach to thinking about growth.

As you read these case studies you'll likely notice these similarities, and more. In fact, you may walk away from this ebook thinking that these companies share the same DNA. You wouldn't be far off. All of these companies make growth a priority across the company—it's part of who they are. Growth is not just a concern of sales and marketing, but of product, engineering and support too. It is this organization-wide commitment to growth that ultimately sets these companies apart.

In these growth-oriented businesses, the new marketers (the growth hackers I called for nearly four years ago) are leading cross-functional growth teams, are steeped in data and creativity, scientific thinking, and are immersed in the product as much as the promotion. They are leading the charge to a new form of marketing—where marketing must go for it to be effective in today's environment, competing against companies playing by an entirely new set of rules.

What to make of all of this? If you're a marketer, the imperative is clear. Your job is to move beyond traditional promotion and get deeply integrated with your product and engineering teams to find the best growth levers for your business—many of which are not currently in your hands or under your control. If you're an entrepreneur or business executive the charge is equally clear: you must remove the walls between your sales and marketing organization and product development. You must move quickly to an integrated growth organization and foster a culture that prioritizes growth across the company.

This is an exciting time for marketers and executives who grasp this new way of growing and embrace the opportunity. As a marketer and now an executive myself, I've seen just how incredibly game changing this new approach can be. I still believe very much in the value of marketing and the role that marketers play in creating value for companies.

This is not a call for an end to marketing; in fact it is just the opposite. This is a rallying cry to all marketers who wish to drive real results, grow real businesses, and be evaluated and compensated on the growth they produce. Growth hacking is not anti-marketing, it is the evolution of marketing, it is pro-growth.

All of this research into these new ways of marketing acts as the foundation to the upcoming book that I am co-authoring with Morgan Brown: Unlocking Growth, How the New Rules of Marketing are Changing How Companies Grow. In the book we're breaking down the specific elements of each of these growth engines, and diving deep into the tactics and organizational imperatives needed to find sustainable growth. If you'd like to be notified when the book launches, and get access to additional content and benefits, please sign up at unlockinggrowth.com.

We hope you find these case studies as illuminating as we have.

— Sean Ellis

Want to Learn More About How Companies Grow?

These case studies are part of the research effort that comprises the strategies and tactics for how to unlock growth for new companies and products in our upcoming book. Unlocking Growth: How the New Rules of Marketing are Changing How Companies Grow is a detailed look at what it takes to grow your business outside of the traditional marketing playbook.

Based on dozens of case studies just like these, plus more than 30 years of combined experience of helping startups grow from mere ideas to fully-fledged companies, Unlocking Growth details what it takes to grow in a hyper-competitive market, and how anyone at any level of an organization can apply these new rules to help their company unlock growth and find outsized gains while doing so.

If you want to be the first to get your hands on Unlocking Growth, plus get access to exclusive video content, unpublished case studies, and more, join our email list and stay in the loop.

You'll get it all for free at http://www.unlockinggrowth.com/

— Sean and Morgan

Yelp’s Five-Star Growth Engine

In 2004, Jeremy Stoppelman and Russel Simmons, former PayPal employees (part of the famed ‘PayPal Mafia’ of entrepreneurs that includes Elon Musk and others **[9]**), reconnected at MRL Ventures, a business incubator founded by former PayPal cofounder Max Levchin. Their goal was to come up with a new consumer Internet concept, in particular something related to looking up local businesses online.

That same summer, Stoppelman came down with the flu. He looked around online in an attempt to find a doctor, but all the information was pretty general and very unhelpful. He and Simmons started thinking about a way to combine social networking and reviews, eventually coming up with a service that let users ask their friends for recommendations on local businesses.

And thus Yelp, the San Francisco-based social review site, was founded. The site, which started as, for all intents and purposes, “another site where people review restaurants and other local businesses,” has grown into something much more—a publicly traded company, a verb (“Yelp it”), and a passionate community.[3]

In 2012, Yelp opened on the New York Stock Exchange with a valuation of about $898 million. [5] By September 30, 2013, they had accumulated 47 million reviews, with an average of 117 million monthly visitors, according to the company’s own numbers.

When Yelp came on the scene, IAC’s local review site CitySearch was the dominant player, having been up and running for around a decade while accumulating over 112,000 restaurant reviews. Yet by early 2007, Yelp had left CitySearch in the dust. Between May 2007 and 2009, Yelp was averaging 52,274 new restaurant reviews per month, while CitySearch was averaging only 6,835.[3]

It was also in 2009 that Stoppelman entered into negotiation with Google, which was set to acquire Yelp for around $550 million plus earnouts. In December of that year, however, Google was notified that the “all-but-signed deal” was off. [8] Despite much speculation over a competing offer, the company has remained independent, with a current market cap of $5.14 B [10]. Since then, Stoppelman has been somewhat outspoken, using words like “antitrust” and “monopoly” when discussing Google’s dominance in the local search and review space.

So, what was it that made Yelp take off? What made it different from other review sites that had been around for years prior (like Citysearch) or those with giant name recognition (like Yahoo Local)? Let’s take a look.

Gaining Initial Traction: Making Something Old New

Though the core idea was similar to several services already on the market—user submitted reviews of restaurants, cafes, shops, etc—Yelp did a few things differently, and it was these differences that fostered user engagement and helped Yelp to gain initial traction (for more about innovation, making something old new, and the 20% Rule, see Andrew Chen's post on TTPMF).

Here's what Yelp did differently:

They Made it Social

While earlier review sites sat and waited for anonymous reviews to come in, Yelp focused on building a network of reviewers with profiles, friends, and accolades. This was key to Yelp's growth, because users are more likely to trust reviews from real people than anonymous internet strangers.

Not only that, but people love the chance to share their opinions with others. In Anonymity, Social Image, and the Competition for Volunteers: A Case Study of the Online Market for Reviews, Northwestern University economics professor Zhongmin Wang writes:

> "Yelp enables and encourages reviewers to establish a social image or reputation. Yelp members can evaluate each other's reviews, chat online, become friends, and meet with each other at offline social events. Each Yelp member has a public profile page that records her activities, including reviews written, number of useful, funny, and cool review votes received, Yelp friends made, and compliment letters displayed. Yelp also recognizes some qualified prolific reviewers as "elite" members." [6]

Profiles gave anonymous reviews a name and a face, making them more trustworthy. A user looking for a recommendation could know that glowing review came from an actual patron and not the business's owner, and a patron particularly satisfied (or dissatisfied) with a business could let others know.

Having said that, however, it bears mentioning that some businesses actually specialize in writing fake reviews, and business owners or their friends have been known to write negative reviews for their competitors and glowing reviews for themselves as a means to “beat” Yelp’s system. While this has been an issue for quite some time, Yelp has improved their algorithm over the past couple of years in an attempt to solve this problem.

They Incentivized “Good” Behavior

It turns out that people really liked receiving recognition for their reviews of local businesses. They were more likely to write in-depth, well crafted reviews when their names appeared alongside them. Yelp leveraged this inherent user behavior, offering special recognition to users who are first to review a business, and letting other users give kudos for reviews that are useful, funny, or cool. The most engaged Yelp users are awarded “Elite” status.

All this is reflected in the numbers that Wang’s study reports. While only 4.8% of users on CitySearch and only 11.1% of users on Yahoo Local contributed six or more reviews, the vast majority of Yelp users (65.8%) have contributed six or more reviews. By contrast, the majority of CitySearch (71.2%) and Yahoo Local (56.4%) users left only one review, while just 9.2% of Yelp users have contributed a single review. [6]

Wang dissects the reward mechanism that has led to this disparity, explaining:

> “By writing a large number of high-quality reviews, a Yelp member can signal to fellow community members that she is ‘good’: intelligent, fair, knowledgeable, public-spirited, and even ‘cool.’ As other members’ perceptions of a reviewer, review votes and compliment letters are direct measures of a Yelp member’s social image. We find that more prolific Yelp reviewers have more Yelp friends, receive more anonymous review votes per review, and display more compliment letters per review.” [6]

In fact, at the time of the study a full 44% of reviews on the site were contributed by Yelp Elite. The company explains that the Yelp Elite Squad is:

> “… our way of recognizing and rewarding yelpers who are active evangelists and role models, both on and off the site. Elite-worthiness is based on a number of things, including well-written reviews, great tips on mobile, a fleshed-out personal profile, an active voting and complimenting record, and playing nice with others. Members of the Elite

> Squad are designated by a shiny Elite badge on their account profile."

Dave Kim, a six-year Yelp Elite user with over 900 reviews, explains:

> "I was an active member of the Bay Area Yelp Elite so we were rewarded pretty well in the beginning. Not monetarily, but through rank and recognition. Yelp does a good job of finding ways to reward people, again not through monetary means, but little perks … At regular Yelp Events, Elites often got first-chance to RSVP and even got in an hour before everyone else. There are specific events just for Yelp Elite that offer free food and drinks and swag." [1]

In addition to the Yelp Elite, the company designated particularly engaged users as Community Managers. These users worked to foster online and real-world engagement in their cities via event planning, reviewing businesses, writing newsletters, and more. One of the most important traits for Yelp Community Managers was the ability to throw a party, and they did a great job throwing cool, exclusive events for Elites.

These events fostered a sense of community among Elites and a sense of loyalty to Yelp as it expanded into new cities. The company emphasized to Elites the importance of their reviews, further reinforcing this sense of loyalty.

Though it's become somewhat easier, in the early days it was challenging to earn and maintain Elite status—users had to maintain both the quantity and the quality of their reviews. This ensured that both the Elite and those who wanted to achieve Elite status contributed a high volume of excellent reviews to Yelp.

This combination—Elites driven to contribute high quality reviews and Community Managers who helped provide incentive and community validation and support for them to do so—is one of the major factors that helped Yelp to so quickly surpass CitySearch in both quality and quantity of reviews.

They Started Local

In our analysis of Uber's growth engine, we talked about the merits of the city-by-city approach. Yelp, too, took advantage of the start small mentality, launching in San Francisco in 2005 and making the city its sole focus for that first year. Of that first year, Stoppelman says:

> “We didn’t have a lot of money, only $1 million in seed financing. We focused on marketing and making the site useful just in San Francisco. We thought that pattern of expansion might be the right one from looking at Craigslist, which started in the Bay Area and then expanded from city to city.” [7]

This proved to be a smart move for Yelp, as Saul Hansell explains, “the new generation of Web workers took Yelp to be their entertainment bible, and that helped generate enough critical mass that others joined in.” [3] Once they had thoroughly exploded in the Bay Area, next came Los Angeles, Chicago, and New York.

As early as 2008, Yelp had isolated a series of metrics that helped them determine which cities had grown enough to warrant a Community Manager—which, as we’ve already discussed, only served to further increase growth in those areas by fostering loyalty among the local Yelp community.

They Put Users First

Unlike Citysearch, which displayed professional reviews more prominently than normal user reviews, Yelp leveled the playing field by eschewing professional reviews altogether. They also put users before businesses, which helped to foster a friendly environment, encouraging users to contribute even more reviews. So long as they were within the guidelines, Yelp even made it difficult for businesses to have negative reviews taken down.

This, in particular, created strife between Yelp and businesses, especially when those businesses had purchased ads from Yelp. While most companies in and outside of the review industry would bow to advertiser pressure to remove negative reviews, Yelp made it a point not to.

Staying true to the users kept the community engaged and participating, while differentiating Yelp from other review services. Yelp became known as the place to get real, unfiltered information about local business.

They Offered Something People Wanted

As always, we can’t ignore the fact that Yelp provides a valuable service to its users. This excerpt from a 2006 case study of the company illustrates the delight Yelp users feel upon discovering a local “gem”:

> “I had never heard of Yelp before, and somehow ended up finding the most amazing sushi restaurant through it. The sushi restaurant I found, via google’s municipal wifi in Union Square (SF), was called ‘Sushi Zone’, hardly visible from Market Street, only open 5pm to 10pm, and the line starts forming before 5, what a treat. The person I was standing in line next to said he had lived in San Francisco for several years before he found this place, and I had only been there for 2 days, and it was brilliant. Interestingly Sushi Zone garnered 77 reviews on yelp and a 4.5 out of 5 star rating, Citysearch on the other hand had only had 17 reviews, and although still a healthy 9.5 out of 10 rating.”[2]

In addition to perks like Elite status, parties, and profile badges, the aforementioned joy of discovery fosters engagement with the community and creates instant loyalty to the product.

They Knew When to Pivot

Yelp was not only good at making something old new and delivering a fun service. It is perhaps as integral to their success that they also understood what users didn’t want, and the importance of pivoting to deliver what they did.

The first version of the site, which came out in October 2004, encouraged users to ask friends for recommendations. Though people seemed to like the idea of recommendations and reviews from actual people, Stoppelman admits that the mechanism for requesting recommendations came off as “painful, noisy, spammy” [7], and users who actually needed the recommendation didn’t always get one—after all, how long can you wait for a doctor recommendation when you’re legitimately sick?

While solicitations were unwelcome, the “Write a Review” feature—though quite hard to find—became really popular with users. Stoppelman explains, “People got addicted to it. It was pretty obvious to us, from looking at the data, that people wanted to write their own reviews.” [7]

So they pivoted the site toward sharing reviews, relaunching in February 2005. Stoppelman describes the difference as “night-and-day,” as users began to pour in to review local businesses.

Yet another area in which Yelp has tried, failed, and moved on is paying for content. Early on, the company experimented with paying for reviews to help encourage activity in cities other than San Francisco, emulating competitors like InsiderPages and Judysbook by offering small compensation like $5 Starbucks or gas cards.
Stoppelman says the result was, “relatively low quality participation from people that didn’t care all that much about Yelp.” [3]Thus, the company no longer pays “for reviews directly anywhere anymore” [3], choosing to focus on review quality over quantity, and letting the built-in social perks serve as incentive (more on those in just a minute).

Today’s Growth Engine

While all these factors continue to work together as Yelp’s growth engine, we can’t ignore a few more.

They’re Good for (Good) Businesses

There’s no denying that Yelp has made it easier for local spots, which couldn’t afford to out-spend chains when it came to advertising, to thrive based on word of mouth from happy customers. Stoppelman explains, “We’ve created a trust mechanism with Yelp. Customers can make the decision to patronize better businesses, and local businesses are able to compete with larger ones.” [2] The data backs this up.

According to the Yelp Blog, Michael Anderson and Jeremy Magruder of UC Berkeley report that an extra half-star rating results in restaurants selling out 19% more frequently, from 30 to 49% of the time, and up to 27% more frequently when Yelp is one of the only sources of information about the business.

In that same blog post, Yelp cites Michael Luca of Harvard Business School, who reports that “[a] one-star increase in Yelp rating leads to a 5-9% increase in revenue…[and] this effect is driven by independent restaurants.”

Thus, as Yelp has increased in popularity, so has their authority as a local guide, meaning that yet another factor we must consider is how the positive relationship between a high Yelp rating and good business has led to restaurants actively promoting Yelp in order to gain positive reviews, further driving user engagement with the site.

When people love a restaurant or establishment on Yelp, the businesses love to promote that fact. The “People Love Us on Yelp” stickers have become ubiquitous in the windows of small businesses everywhere, driving a positive cycle of marketing and awareness for the site.

This is, of course, a double-edged sword, as negative reviews can definitely hurt smaller businesses as much as positive reviews can help, and Yelp has received criticism from business owners over the fairness of some reviews. In 2008, the company introduced a way for business owners to contact reviewers about their comments. Still, if users don't respond, businesses can't contact them again.

Just as in the early days, Yelp puts users first. Stoppelman claims, "We put the community first, the consumer second and businesses third."[3]

SEO

Yelp has consistently made Search Engine Optimization a priority, consulting both Moz (from 2005 to 2007 [10]) and Distilled (two of the industry's most respected search firms) on SEO. For starters, Yelp has a ton of high-quality reviews and in-depth profiles, all of which generate an endless supply of fresh, indexable content for Google.

Yelp's business pages are structured well for SEO. Yelp augmented this core content with their own, launching local blogs, city pages, user generated lists and other content all aimed at reaching more users through search.

As with both YouTube and SlideShare, the embed feature can be a powerful traffic driver, and Yelp's embeddable review widgets were no different. Businesses added the widgets feature to show off their Yelp ratings, and Yelp got a ton of links and great anchor text in return.

It was a double win for Yelp, as their efforts ranked many business Yelp pages well above the business's own page (and other directories) relationship was further reinforced as businesses learned that their Yelp pages were ranking above their actual business sites, which was an amazing selling point for Yelp's sales team.

The Mobile Explosion

There's no denying that ever-increasing smartphone use has been a boon to Yelp. In fact, in November 2012, the company reported that 45% of its web traffic was from mobile devices. [6] Furthermore, as of June 2013, Yelp's mobile users had reached 1.4 million. [4]

The very first Yelp app was launched for iPhone in 2008. Since that time, mobile Yelp users have come to use the app for everything from finding local businesses—in particular, the “Nearby” feature means that a great cup of coffee or bite to eat is always within reach—to making reservations and appointments while out and about.

Many businesses offer users who check in via Yelp promotional codes (like a free glass of wine or $5 off). And Yelp continues to invest in mobile. Finally, after five years, Yelp finally allowed reviews to be submitted direct from mobile devices in August 2013.

Ad Revenue

The mobile explosion hasn’t just been good for user engagement—it has also meant increased ad revenue for Yelp. In the last quarter for which data is available, local ads on mobile devices made up 40% of Yelp’s overall local ad inventory, up from 25% just two quarters before. [4] It’s worth noting that the company has received some criticism from businesses over its advertising policy, which they’ve addressed via their website.

In addition to sponsored listings, Yelp sponsors can offer users coupons and daily deals such as a glass of wine on the house or $5 off the check. And while Yelp’s own version of daily deals (a la Groupon) started off strong, they were quietly deemphasized not too long after, most likely due to competition in the daily deals space.

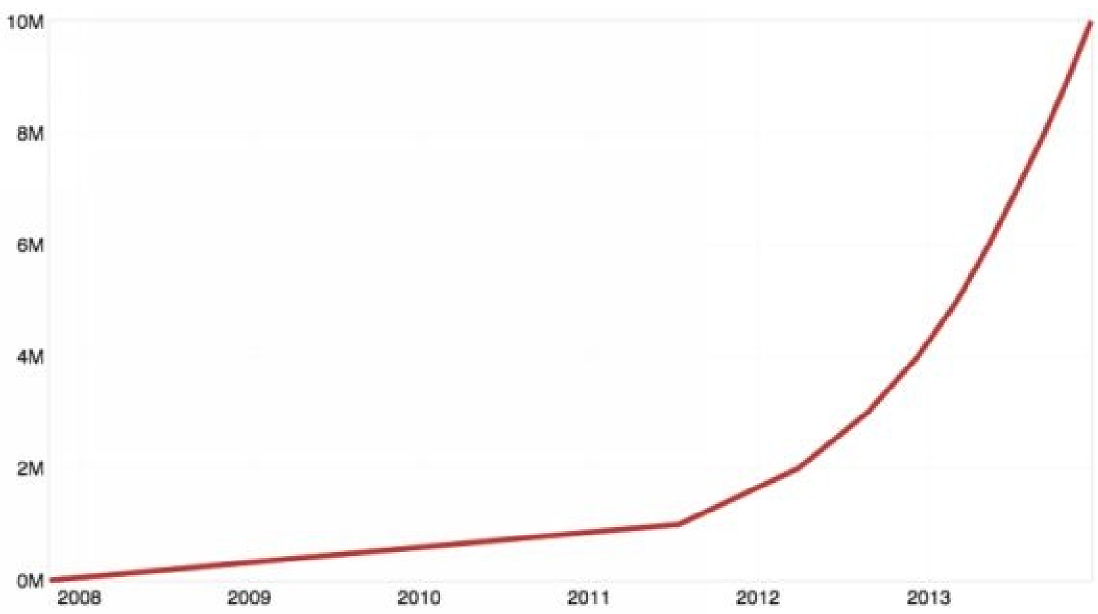
The Remaining Pieces of Yelp's Growth Engine

We hope that this analysis will be instructive for startups attempting to find traction in a market saturated with similar products or services. Yelp not only proves that it's what you do differently that matters, but also that having guts—to pivot your entire company around a hidden feature and spurn a big buyout—can really pay off.

Cracking the Code to GitHub’s Growth

GitHub was founded in San Francisco in 2008 by Tom Preston-Werner, Chris Wanstrath, and PJ Hyett as a community for developing and managing open source code using Git—the independent version-control software created by Linus Torvalds.

A little over a year after launch, the company had gained its first 100,000 users. [9] In July of 2012, GitHub secured $100M in venture capital from Andreessen Horowitz, a massive bet and vote of confidence for a software company at that stage. [6] This investment, the firm’s biggest to date, resulted in a $750M valuation. [4] That same year, Forbes named GitHub one of the Top 10 Tech Companies. [7]



Repositories on GitHub [17]

As of January 2013, GitHub had grown to 3 million users and 4.9 million repositories (repositories are histories of code shared on the site). [9] And by December of this year, the company hit 10 million repositories. From the GitHub blog:

> The first million repositories were created in just under 4 years; 3 years, 8

> months and 15 days to be exact. This last million took just 48 days. In fact, over 5.5M repositories — more than half of the repositories on the site — were created this year alone. [17]

Some of GitHub’s notable customers include Amazon, Twitter, The White House, Facebook, which used GitHub to build a bug-tracking tool, and LinkedIn, which maintains its People You May Know and Skills & Endorsements features using GitHub. [11] [17]

So how has GitHub grown from a self-proclaimed “weekend project” in 2008 [8] to what is arguably the world’s most powerful software development tool, with a $750M valuation and adding 10,000 new users on average every weekday? [4]

Early Traction

Solve a Problem

In 2005, Linus Torvalds developed Git as a version-control system for Linux kernel development. Developers quickly began adopting Git because it was (and remains) faster and stronger than the alternatives. Though not perfect, Git was considered an upgrade over other version control software available. [4]

In particular, Preston-Werner noted the "pain-in-the-ass problem" of collaboration. As Preston-Werner points out, Git makes collaboration "possible," but not "easy," which is how GitHub began to take shape—as a solution to the problem of collaboration via Git. [5]

Chris Wanstrath explains:

> "At first GitHub was a weekend project. Tom Preston-Werner and I were hanging out at a sports bar after a local programming meetup when he told me his idea for a git hosting site. It'd be a place to easily share code and learn about git, a git hub. It started more out of necessity than anything else: we both loved git but there was no acceptable way to share code with others. Tom thought I'd be interested in helping fix the problem, and I was." [8]

GitHub began first and foremost as the solution to a problem, and the site has taken off not only because it solves that initial problem, but it adds many of its own features on top of the original functionality of Git. These features are forking, pull requests, and merging. As Klint Finley of TechCrunch, quoting Gregg Pollack of Code School, explains:

> "Before GitHub, if you wanted to contribute to an open source project you had to manually download the project's source code, make your changes locally, create a list of changes called a 'patch' and then e-mail the patch to the project's maintainer. The maintainer would then have to evaluate this patch, possibly sent by a total stranger, and decide whether to merge the changes." [13]

By contrast, GitHub's "forking" feature allows users to copy any public repository to their own account and modify it from there. Users can then share those changes with the repository's owner via a "pull request." If the owner likes the changes, then he or she can merge them with the original repository. [13]

This new process removes the massive overhead and friction of previous software collaboration, and replaces it with a seamless, manageable and scalable solution that allows anyone to share or contribute to improve or expand software projects shared publicly on GitHub.

GitHub customers with private accounts and repositories can leverage the same functionality across their teams, allowing software teams to develop and manage proprietary code with the service as well.

Network Effect + Marketplace

The aforementioned features and functionality are what attracted the first users to GitHub, and create a powerful reason to join and participate for other developers. This center of talented engineers and their public repositories helped to contribute to a network effect that continues to pull in new users every day.

This unique aspect of GitHub is also its most powerful growth engine. GitHub is driven by both network effects and marketplace dynamics. The company benefits from two distinct and multiplicative growth drivers: network effects to pull in more people and their code, and an ever growing code repository acts as a marketplace for people seeking out code for their projects.

The result of this dual growth engine is the creation of two massive assets:

1. The most important and vibrant social network for computer engineers on the web
2. A massive code repository for people seeking out code elements for their projects.

These two assets are the sustainable drivers of their growth. New users are pulled in through multiple channels—either via searches for code, invitations from existing GitHub users, or through collaboration on open source projects.

GitHub has been called the "Library of Alexandria for code examples," and for good reason. [13] As Preston-Werner explains:

> "The network effect is awesome. There are standards now based on GitHub, so everybody can come in to a new project and immediately know how to get the code, how to contribute code, how to review the code, how to submit issues to the code base…. The more people do that, the stronger the effects and the gains from having a uniform, well-known, standardized system. And that's happening really, really rapidly." [5]

This is a network effect at its finest, the more people on GitHub, the more projects on GitHub, the more valuable it becomes for everyone.

And with GitHub now the defacto standard for many developers and companies, the greatest minds in coding are all in one place, building things together, and GitHub not only facilitates that but records it for others to see. GitHub profiles keep track of users' contributions to projects across the site. When a user submits a pull request, that project's manager evaluates the user's profile much like a resume. If the patch is accepted, that's one more accolade on that user's profile.

GitHub's network effect is energized because each new user—whether an individual or company—has the potential to bring in many additional users. A company can decide to join and bring their whole team on, or vice versa, a single individual who loves GitHub can bring their entire team to the platform.

The network effect also draws in people who want to work with the developers now on the platform. Technical marketers and other professionals are now using GitHub as a way to reach developers, by open sourcing information, books, and using the platform as a way to blog. These uses weren't part of the original use case for GitHub, but help drive adoption and an ever growing network.

Word of Mouth

In addition to the network and marketplace drivers, GitHub's growth can be attributed in part to word of mouth. Word of mouth, as Holman explains in a talk on Word of Mouth at SuperConf2012, "means people [are] genuinely excited to share your product with their friends." The talk begins with Holman's assertion that adding “Tweet” and “Like” buttons isn’t word of mouth. Rather, word of mouth comes from content, thoughtfulness, solved problems, and ease of use—in short, the whole experience of a product or service.

Holman says that GitHub’s word of mouth is driven by both surprise and delight, or the principle of “speak softly and carry a big ship.” What this means is that rather than talking up all the great improvements they’re going to make, they just make them. He explains, “Nothing’s better than saying: Surprise! It’s just a regular Tuesday morning. Oh, and here’s something new that fixes and improves your life.” He goes on to say, “It’s a safe, easy way of generating buzz.” [14]

Another key driver of word of mouth is “superfans” who not only like your product, but “are your most public supporters, your most public detractors, and help you out publicly and privately.” The key to generating word of mouth, he says, is being surprising, delightful, and helpful.

Freemium

You might remember our discussion of the merits and drawbacks to freemium from our analysis of Evernote’s growth engine. As with Evernote, freemium has been a significant growth factor for GitHub. While the company’s philosophy of cooperation and democratic development necessitated a free plan that granted anyone and everyone access, the founders were also acutely aware from the outset that the service was, by its very nature, going to cost money. As Wanstrath points out:

> “One thing Tom [Preston-Werner] had learned at his previous venture, Gravatar, was that offering a resource intensive service for free was a losing proposition. In that case it was high traffic image hosting, but in GitHub’s case it was git hosting. Storing and transferring code was going to stick us with a large server bill. We needed a way to recoup costs.” [8]

Luckily, without necessarily intending to, their launch in free public beta set GitHub on the path to the freemium model. Wanstrath explains that it was free for early GitHub users to create public and private repositories, and more and more people began using the site—just as Hyett and Wanstrath were—for business code.

“Soon,” Wanstrath explains, “we had people emailing us asking how they could pay for private repositories.” He continues, “At this point we realized GitHub could probably do more than just recoup costs. It could be a real business. We decided to continue to offer unlimited public repositories for free, but we’d charge for private repositories. In other words, we’d charge the people asking to be charged.” [8]

That’s how GitHub began the shift to its current pricing model—public projects are free, and private plans start at just $7 for individuals and $25 for organizations. There’s also an enterprise tier that can run millions a year, used by companies like Lockheed Martin, Microsoft, LivingSocial, VMware, and Walmart. [5]

In this case, the freemium doesn’t cannibalize the paid plans, as the use cases are completely different. This avoids the common issues that plague freemium businesses where no compelling reason to upgrade exists. The desire to keep things private while using the tools provided by GitHub makes the paid plan a no brainer for companies who wish to use it.

Champions of Open Source

GitHub’s collaborative structure doesn’t just make working on existing open source projects easier—it makes it easier to open source new projects. Now companies and individuals can open up previously private projects to the public, where they can be improved upon by the community.

It’s hard to understate the significance of this change. If a private company wanted to open source a particular project, they’d face all of the versioning and patching issues mentioned earlier. With limited time and bandwidth, most companies chose not to invest the time and resources needed to support that open source opportunity.

Now with GitHub, it’s become much easier for companies to open source code. The overhead of managing patches, versioning and hosting are all taken care of by GitHub.

This new reality has led to a series of highly visible, open source projects released by companies, including Bootstrap by Twitter, and Ink by Zurb, for the community to use for free and improve upon. GitHub has created an outlet for these companies to contribute back to the community in a way that wasn't possible before, fueling the interest and participation by private companies to the open source movement in a meaningful way.

Ignore the Advice of Others and Build What You Love

Another important element of the company's philosophy involves ignoring the advice of others. This is a theme that pops up among many of the most successful startups, and it's evident at GitHub too. The concept embraces an ethos of self-fulfillment first: rather than try to build something to suit others, build what you need and solve your problems, and they will naturally find an audience with similar needs and problems. This idea is key to GitHub's philosophy.

Wanstrath describes GitHub as "the company of the compelling argument—every decision needs to stand on its own merit." He continues, "That someone successful (or unsuccessful) tried something before might matter in a discussion, but what matters more is how the idea itself applies in the situation." [8]

Everyone's ideas hold equal weight, which is why, as Preston-Werner explains, GitHub has "changed the way software is developed by lowering the barrier to entry." [11] This philosophy is also reflected both in GitHub's decision making process.

Despite being advised to abandon some services because they aren't as profitable (such as Git Training), the company bases decisions on what's right for them and their customers rather than what has (or hasn't) worked for other companies.

"Just Ship It": Minimum Viable Product

Another core component of GitHub's company philosophy is the Lean Startup concept of MVP, or minimum viable product. As Wanstrath explains, "We've learned it's much better to ship it now and fix it later, once you can see how people are using it, than it is to let it linger in development forever. Just ship it." [8]

Rather than making assumptions about what customers do and don't want, GitHub enlists them to test things via private beta as soon as possible. As Wanstrath points out:

> "You can't always be right and nothing's ever going to be perfect – embracing this is a huge competitive advantage. Shipping early and often lets you see how people are actually using your site and allows you to react accordingly. Does that feature you shelved even matter? Is a feature you didn't think of sorely needed? Has anyone even hit that bug you were worried about? It's very easy to get too close to something and get a bit myopic." [8]

Their "Just Ship It" philosophy means that the company can more easily uncover bugs and hidden potential, as well as gain a better understanding of how people engage with the product and which features really matter.

This is reflected not only in how GitHub rolls out new features, but also in the way the company was launched. As we've already discussed, GitHub began as a solution to the founders' problem of collaborating on Git. Wanstrath explains, "As soon as the basics were in place we started using GitHub at my day job, a startup I had cofounded with PJ Hyett."

He continues, "It was a great way to improve the site, as PJ and I were using GitHub daily and really getting a feel for what was missing and what was working." [8]

It wasn't long after they worked out the initial kinks that the earliest version of GitHub was introduced to users in the form of a free public beta launch for the founders' friends. And because there was an overwhelming need for a service like GitHub, people latched on to the site immediately.

Stickiness

It should be little surprise that GitHub is an exceptionally sticky product. From the large number of fork and pull requests, to the bug and issue tracking, to the overall collaboration on projects, GitHub isn't a hit-and-run destination. Their users spend a large portion of their time interacting with their product.

GitHub recognizes the need to keep the community and platform vibrant and relevant, and has focused on several product releases to drive site stickiness and engagement. Their focus on new ways to explore and discover repositories is one example. And their most recent release of GitHub pages goes even further. Pages lets developers power their web pages right off their GitHub repositories. Just another reason for developers to love and stick with GitHub [16]

The Remaining Pieces

Because of all these factors—in particular, the solved collaboration problem and associated network effect, GitHub has become the industry standard. When applying for jobs, developers now submit GitHub as a kind of portfolio, and sites across the web now have a "Sign in with GitHub" functionality.

It's as much a social platform as a software-development platform, allowing businesses to find, scope out, and recruit new hires, as well as facilitating connections between people who want to come up with and execute new ideas. As the company continues to evolve, this collaborative nature will certainly be a guiding force.

Preston-Werner explains, "The efficiency of large groups working together is very low in large enterprises. We want to change that." While their scope was initially limited to code, GitHub is increasingly being used for, as Preston-Werner explains, "not just code, but anything that involves working on files on a computer: books, hardware projects, schematics for circuit boards, legal documents—anything that ends up in a digital format." [5]

GitHub users are currently working on books and hardware projects, and both the U.S. and U.K. governments use the site. The company's vision, as Preston-Werner explains, is "to make it easier for people to work together than to work alone." [4]
David ten Have, GitHub user and founder and CEO of Ponoko, echoes this sentiment, explaining:

> "GitHub makes [the kind of work we do at Ponoko] easier and faster, because it has a platform that enables the collaboration and, most important, the social norms to encourage people to look at the world collaboratively. That is fundamentally why GitHub is important beyond software: Ethos and attitude are transferable—into lawmaking, product design, manufacturing, biology, chemistry, dance, music, moviemaking, books, cooking… The list goes on."[5]

GitHub isn't resting on its twin growth engines of network effects and marketplace either. They hired Brian Doll in 2012 to run marketing for the organization. And are busy spreading the word about GitHub around the world.

In fact, GitHub will send any employee and a fellow GitHubber to conferences where they're invited to speak—all on the company dime. [15]

It's these types of initiatives that are well targeted to potential users and groups, and that help GitHub grow in a way that makes sense to their mission.

We hope this analysis serves as encouragement for startups who are trying to solve a problem but are unsure of whether it will be profitable. Not only does GitHub prove that people are willing—and even happy—to pay for services that solve their "pain-in-the-ass-problems." By solving a problem and working hard to do so in the best way possible, GitHub managed to find product-market fit almost instantly.

Upworthy — What Happens When a Growth Hacker Launches a Media Company

If you've spent any time on Facebook in the last year, it's likely you've seen more than one story from Upworthy, the viral hit-driven new media company that packages content designed to spread like wildfire across the social web.

The company clocked an impressive 88 million uniques in November 2013, placing it just behind the Gawker Media Network in terms of size, and has spawned a whole host of copycats looking to drive viral traffic to stories that make us laugh, cry and cheer.

But how did they do it? In part one of this analysis we break down how Upworthy grew from a political news engine into one of the world's fastest growing media companies. In part two, we take a look at the risks to their model and dissect whether Upworthy will suffer the fate of other viral sensations driven off the back of Facebook, or if they've got an engine of sustainable growth that will make them the new model for successful media companies.

According to Adam Mordecai, Upworthy's Editor-at-Large, "Anyone who says they can make anything go viral is probably a snake oil salesman or really naive." [2]

Yet, on the surface at least, it seems like that's what Upworthy does. The company—founded by Eli Pariser of MoveOn, Peter Koechley of The Onion, and Chris Hughes of Facebook—uses attention-grabbing headlines to highlight meaningful videos, pictures, and stories, often making them go viral.

Upworthy launched on March 26th, 2012, and just seven months later, they were getting almost 9 million monthly uniques visitors. [7] In November of 2013, just 20 months later, Upworthy saw close to 88M unique visitors worldwide, with mobile visitors eclipsing desktop viewers for the first time.

Those 88 million put Upworthy just behind online publishing powerhouse Gawker, according to a memo from Gawker Publisher Nick Denton, [8] with its sights set on Buzzfeed with their 133 million monthly uniques.

Last year Upworthy received $8 million in Series A funding in September of this year, and then an additional $4 million from NEA. All this makes them, without a doubt, the fastest growing media company in the world. So how did they do it?

Early Traction

Knowing When to Pivot

Though there is some political content on Upworthy, that’s only a portion of the site’s content. But that’s not what the founders originally had in mind. Pariser explains, “We thought, ‘Ok, it’s an election year, people are going to be really interested in politics and the campaign, and we’ll get a leg up that way.’ The election was our whole argument for starting Upworthy [in 2012].” [7]

Despite Pariser and Koechley’s assumptions, as it turned out, people weren’t really engaging with Upworthy’s political content.

Pariser continues, “It turned out to be a total non-driver of growth. Of all our top pieces, only a couple deal with politics or the election.” [7] So they pivoted away from their original goal of making Upworthy a political publication and broadened the site’s coverage. If not for this early, critical pivot, we might not be talking about Upworthy today.

Citing another instance in which their initial assumptions were wrong, Pariser explains:

> “We had a hypothesis that the thing that was really going to work was being quick, but that turned out to totally not to be the case. We’ve seen no advantage to jumping on something first. Actually, a lot of our biggest hits have been things that were already circulating around. Topicality matters but newness doesn’t.” [7]

It’s the combination—an engaging story and a bit of relevance—that Upworthy uses to turn regular news into viral hits. For example, Upworthy reposted an ABC News video of Mitt Romney accidentally conversing with a gay veteran.

When Romney became a presidential candidate and the video was more topical, it gained an additional 1 million views, despite the fact that it was neither original to Upworthy or especially new. Instead, he says, “It seems like it’s about getting the right piece of content published within the right moment.” [7]

Delivering Content People Want

Still, a streamlined conversion process is nothing without an engaged and motivated audience who is hungry for the content. Upworthy has found a repeatable and scalable way to drive traffic. They use interesting, surprising, emotional, and compelling content, and lots of it, to bring in new users. Here's how.

Upworthy's strategy for content curation, as Adam Mordecai shares, begins with an internal system that tracks content submissions so that staff members don't accidentally work on the same piece simultaneously.

On top of that, each editor at Upworthy searches for content to curate via their own Facebook feeds, submissions from organizations and connections, news sites, blogs, email lists, plus Twitter, Quora, Tumblr, Vimeo, YouTube, etc. [5]

Pariser explains, "We have our team of curators spending all their time looking on the Internet for stuff. We go for visible, sharable stories and really stay away from doing more typical, text-driven articles and blogging. We lean into images and videos." [7]

The company has one more rule of thumb for content. As they reveal on SlideShare:

> "Let's talk about your Mom, dude. Fact: no one likes to disappoint their mom. Double fact: Middle aged women are the biggest sharers on the interwebs. Ergo: If you frame your content to not make your mom shake her head, you have a better chance of winning." [1]

By keeping their audience and purpose in mind, Upworthy is able to curate content that has a much higher likelihood of becoming viral.

While Mordecai cites their very low success rate in making things go massively viral as proof that virality is unpredictable, this flow chart [1] produced by the company displays a level of growth-oriented thinking that isn't common among other media outlets.

Mordecai tries to disabuse the notion of a crack team of scientists with the secret recipe to virality on the web:

> “We used our network and capital to build an awesome software platform optimized for sharing content, and then curated amazing content and framed it in a way to give it a better chance of going viral. We offer no silver bullets to make just anything go viral. We just happened to combine our skills, talents, technology and strategic planning with a giant pile of luck to get where we are.” [2]

He continues to explain that a lot of their ideas fail, simply because not everything is viral. “The key,” he explains, “is to keep testing and throwing things at the wall to see what works.” [2]

Many of these core concepts are reflected in official company analyses of their success. According to Upworthy’s Slideshare, “The Sweet Science of Virality,” their secret sauce includes:

Content — Finding and/or creating amazing content.
Framing — Optimizing said content to be really clicky on Facebook.
Tech/UX — Optimizing your site to be really good at sharing said content back to Facebook.
Data — Never stop testing your zany theories.
Luck — Catching a leprechaun and stealing his lucky charms. [1]

As Sean Ellis says, “a growth hacker’s true North is growth, and everything is viewed through a growth lens.” In Upworthy’s case, each piece of content is evaluated based on its ability to trigger multi-generation sharing, as opposed to simply resonating with their existing audience.

This focus on the audience beyond their audience provides a lense for determining which pieces of content make the cut, and therefore acts as a powerful growth lever for the company.

Turning Viral Views into Lasting Fans

But both engagement and relevance assume one thing: audience. Luigi Montanez, Founding Engineer at Upworthy, explains, “While we’re known [for] our viral content, we’ve focused just as much on building an audience that loves to click on our stuff and share it to their social networks.” [4]

Since their launch, Upworthy has worked to build a strong audience, focusing initially on Facebook and email and with less attention paid to outlets like Twitter, Pinterest, and Tumblr. Pariser says:

> "Facebook is a huge piece of the puzzle for us. Honestly, I think part of [our success] is we take Facebook much more seriously than many of the other social networks. I love Twitter … but it's a small fraction of our traffic compared to Facebook. The time and attention most sites spend on [perfecting] their homepages is probably what we spend on Facebook. If you look at our homepage, it's pretty mediocre." [7]

Going viral once is one thing, but how do you build a media brand on the backs of fleeting content that spark momentary interest and disappear just as quickly? Upworthy realized this issue from the beginning and set out to tackle it head on by optimizing the product experience to drive audience retention.

From email, to Facebook fans, Twitter followers, and more, Upworthy makes it easy to subscribe and stay connected to the site, even after the quick viral hit wears off.
Montanez weighs in on the early strategy: On launch day, Upworthy set a goal of 1,000 Facebook followers, which the small staff was able to meet with their personal networks. "To grow beyond that initial seed," Montanez says, "we needed to automate subscriber acquisition. That meant asking people who landed on our site." [4]

Through extensive A/B testing, they've optimized their subscription flow so that when visitors land on the site for the first time, they're asked to subscribe via email before viewing the content they've come to see.

Additionally, there's a delayed slider at the bottom asking visitors to like Upworthy on Facebook, and another subscription prompt that comes up after the content has been shared. [4] The entire process, from first visit to subscription to sharing, is streamlined to make it as easy as possible for users to become part of the Upworthy community.

According to their own numbers, within a year of launch they had accumulated 15,000 Tumblr followers, 70,000 Twitter followers, 500,000 email subscribers, and 1,150,000 Facebook fans. [1]

By Montanez's count, it took Upworthy 331 days to get their first million Facebook fans, 105 days to get their second, and just 92 to get their third. [2] In September of this year, Upworthy reached the 3 million Facebook fan mark. At the time of this article's writing (just three months later), they're close to 4.9 million.

Using Emotion as Data

One of the biggest keys to pulling off their rapid growth has been, to use Upworthy Editorial Director Sarah Critchfield's words, "using emotion as data." By and large, Critchfield explains, emotion and logic have been wrongfully pitted against one another. Thus, at this summer's Personal Democracy Forum, Critchfield explained that "Emotion is the ultimate x factor—the factor that you can't control and the factor that you can't afford to ignore." [3]

As part of its company philosophy, Upworthy chooses to embrace this x factor, and curators leverage their emotions to help them spot the stories people will care about. In her talk, Critchfield urged attendees to:

> "Make the decision to consciously embrace your own 'data chip.' If you do this, it could get messy. This is your warning. You run the risk of looking soft or feminine, you run the risk of finding yourself late at night sobbing on your twitter feed, you may run the risk of having to admit that your huge super-viral success wasn't because you were super smart, but in fact that there were some factors involved that you just didn't understand everything about. It might be messy, and it might be hard to control, but I promise you won't be sorry." [3]

As Critchfield explains, one of Upworthy's biggest stories happened earlier this year when Adam Mordecai shared a video called This Kid Just Died. What He Left Behind is Wondtacular, featuring 17 year old musician and cancer patient Zach Sobiech. The video had already received around 500,000 views via Fox News and People.com, but as we've already discussed, being the first to post content doesn't necessarily matter.

After being posted to Upworthy, the video went truly viral, resulting in 15 million pageviews and 300,000 new subscribers for Upworthy. Not only that, but viewers donated hundreds of thousands of dollars to cancer research, and Zach posthumously became the first independent artist ever to reach #1 on iTunes. When asked, “How did you find the video?” Mordecai responded:

> “I had written up Zach’s previous video and it got a whopping 10k views. A fan wrote me to let me know that Zach has passed, so I Googled more videos of his and fell upon the documentary. Then I hit play. Then I started crying and didn’t stop until after it was over, and started writing headlines and having flashbacks to my dad dying from pancreatic cancer and what one goes through when that happens. I wasn’t sure if I was biased but the whole thing seemed timely and wonderful.” [3]

Critchfield cites this as an example of using emotion as data. Although there were no logical indicators that the video would be a success (Zach’s story had already been shared via Fox News, People, and Upworthy with limited reach), the emotional data argued to the contrary.

Testing

But emotion is just one set of data that Upworthy uses. Upworthy understands what it takes to go viral, and then goes out to test and find the best combination of elements to drive that virality. Their primary signals are both shares per view and clicks per share.

In “The Sweet Science of Virality,” they share their quick and easy A/B test for headlines. All that’s necessary is Facebook, Bit.ly, and the clock.

Here’s how they do it:

First, they pick two promising headlines for the same content and create a bit.ly url for each—one with url?r=A and one with B. Next, they find two cities with similar demographics and populations amongst their Facebook fans and share one bit.ly with each city. They set a timer and wait for the clicks to roll in. When the time is up, they add a “+” to the end of the bit.ly and compare stats.

The title with the most clicks is the winner. [1] And they don’t just test clicks—they also compare shares per view to see which headlines results in the most reshares. [7] They readily admit that they’ll probably never land on the recipe for the perfect headline, but these tests and iterations contribute to a growing body of knowledge regarding what compels users to click on and share content.

Though headlines are certainly important, they aren't the only thing Upworthy tests. Mordecai explains, "Most of our growth was organic, combined with smart testing of user experience. And we will have to constantly adapt in the future as social media platforms change and shrink and grow." [2]

And as we've already discussed in reference to their subscription flow, they test and retest everything—from UX elements like CTA button placement to the most effective time for showing "Like" and "Share" prompts to kinds of images that get the most clicks, and more.

Tricking People (For Their Own Good) — OR — Virality Over Everything

It's clear Upworthy has aligned every aspect of their product and content around growth. And the company isn't shy in admitting it. Headlines in particular get a lot of attention from Upworthy. Not only do they A/B test a couple of promising headlines for the same article, but curators actually begin by writing 25 headlines for each piece. Out of these 25, the curator chooses a handful of favorites, and then the managing editor chooses the best out of those.

Pariser explains, "The ethos behind the 25 headlines is, you can have the best piece of content and make the best point ever. But if no one looks at it, the article is a waste. A headline is all about getting the article in front of people." He continues, "A good headline can be the difference between 1,000 people and 1,000,000 people reading something." [7]

Anyone who's clicked on an Upworthy link knows their headlines can be sensationalist, intentionally vague, and sometimes downright misleading. Pariser doesn't deny that Upworthy's headlines can be tricky. Still, he says, "We don't mind tricking people into seeing content they'll love. If they don't love it, they're not going to share it. Virality is a balance of how good the packaging is and how good the content is." [7]

This is likely why, when people talk about Upworthy, it's their headlines that get the bulk of the attention. Though they by and large publish content that isn't original to them, they package that content in a way that gets people to pay attention.

Will it Last?

Is Upworthy more than one-trick pony? Cracking the viral code of Facebook isn't new—many companies have found temporary success by hacking the Edge Rank algorithm to drive massive visibility and traffic. But rarely has it resulted in lasting success. Companies like Viddy, Zynga, Slide, and others prove time and again that Facebook can be a fickle business partner when it comes to driving traffic.

Beyond the over-reliance on Facebook, Upworthy faces an onslaught of competition from copycats, the pressure to adjust from a primarily desktop business to a mobile-friendly model, and the urgency to figure out the viral factor for international audiences as they look to keep the hockey stick growth curve headed in the right direction.

While Upworthy's ascent to the top of the digital media landscape has been impressive, there are questions about its viability as a long-term media player. Pressure from competition—new and old—as well as an over-reliance on Facebook and the pressure to crank out a never-ending string of hit content have created a situation that demands continuous innovation to stay ahead of challengers. The question is, can it?

The Facebook Factor

There is no doubt that Upworthy's fate remains squarely in Facebook's hands. Their traffic and virality is provided in large part from the social giant. Is it a sustainable channel for the company? The answer to that lies, in part, with how Facebook views Upworthy and the content that spreads across its platform.

Does Facebook view it as a symbiotic relationship, wherein Upworthy content drives engagement on Facebook, even while gaming the dynamics of their algorithms, or do the Facebook brass see it as parasitic? And if so, will they shut it down like many Facebook viral sensations before it?

Facebook recently made changes to it's news feed algorithm to adjust for the dearth of viral content. [1] Some SEO's have likened it to Google's Panda update to quash content farms that plagued its index prior to the roll out. While Facebook denies that the reason is to combat viral publishers like Upworthy, [2] the sheer reliance and single point of failure for the business has to make platform dependence a concern for Upworthy and their investors.

Regardless of what Facebook says publicly, the company has a long history of choking off third parties that are able to exploit the platform to achieve viral growth. One need only look at the likes of Viddy, Zynga and others who thrived on Facebook until the company changed the rules of the game and crippled those businesses by limiting their viral reach. [3]

Unfortunately, Upworthy can't just worry about itself in this regard. Because while Upworthy itself may not run afoul of platform rules, and hold themselves to a higher content standard, the proliferation of viral content and Upworthy clones may force Facebook to react holistically to restrict reach of this content to keep the News Feed from being polluted with link-baity video clips and images.

In a true tragedy of the commons, these viral media companies may ultimately be the victim of their own success if Facebook decides that the core product value and user experience is being infringed upon.

This doesn't have to be a swift death. Facebook doesn't need to use the nuclear option of banning these services to wreak havoc on Upworthy's growth. Even a subtle tweak to the visibility of this content on Facebook would have massive implications for Upworthy's sustainable growth and success.

The imperative to diversify is clear. It remains to be seen how Upworthy will respond. Will they go the Zynga route and focus more on their own platform? Find other viral channels with scale? Or some other distribution model?

Whatever the answer, it's not likely another social network. The company readily admits that Twitter, even on its best days, provides little more than a blip on the radar for their overall traffic numbers. [4]

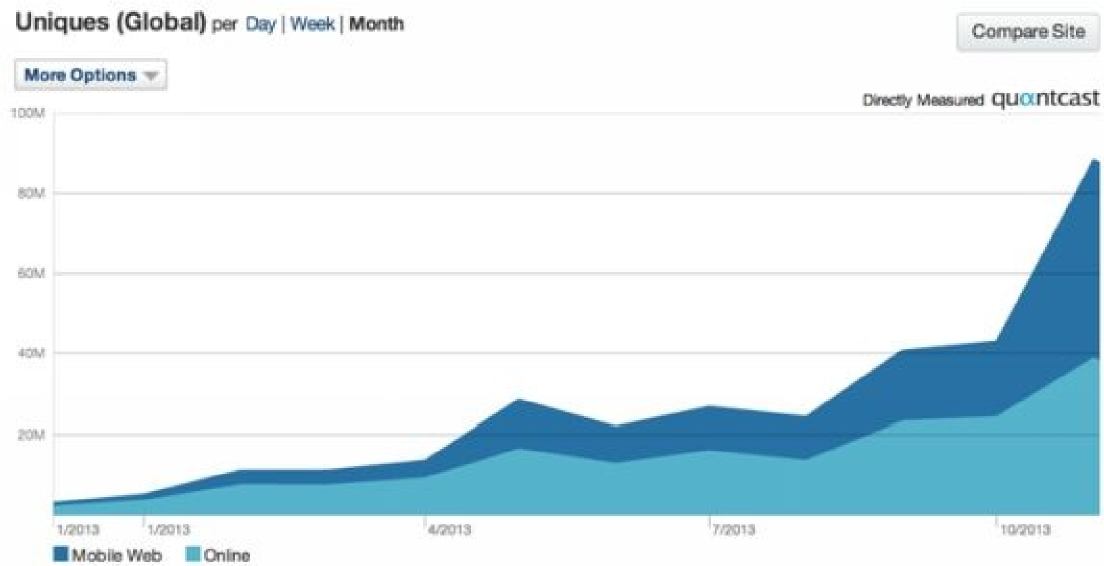
Pinterest, Tumblr and other also lack the sheer size necessary to support a 100M+ monthly unique audience. The key, for now, then, is a transition to mobile and global audiences.

The Mobile and Global Challenge

One critical distribution channel for Upworthy is mobile. The company has largely been a desktop play, with mobile historically counting for roughly a third of the site's traffic. In a Business Insider article in 2012, Pariser stated that they spend a good amount of time thinking about mobile, and it's clear that over the last six months they've begun to execute on their mobile growth strategy.

While the company has yet to share insights on exactly what it's figured out from the mobile perspective, it's clear that over the last few months they've applied the same rigor of testing and optimization to their mobile traffic.

This optimization has led to an explosion of mobile traffic, overtaking desktop traffic in November of 2013. In July of 2013, mobile traffic represented approximately 40% of all Upworthy traffic. In November 2013 mobile comprises nearly 57% of unique visits.



Upworthy Traffic by Quantcast

The question becomes, where does Upworthy's mobile strategy go from here? The company doesn't rely on native apps, instead using a slimmed down version of its website as mobile landing pages optimized for content on the go.

As the platform looks to get away from a Facebook dependency, building out a large mobile network of readers across the mobile web and apps could provide it a traffic-driving user base that it truly owns. Upworthy's mobile efforts also dovetail into its international growth strategy.

International Expansion

Like another company we've profiled, Snapchat, Upworthy derives most of its traffic and user base from the US. This reality makes international audiences another big growth opportunity for the company. With roughly 63% of traffic coming from the US market, there is a big upside for Upworthy if they crack the viral code around the world.

It should come as little surprise that other English speaking countries are the places where Upworthy has the most traction, as language and cultures overlap enough to drive viral hits off the content that also resonates in the States.

With just over 16% of traffic coming from the rest of the world, the question becomes whether Upworthy can adapt their curation and viral formula to find success in new cultures and languages?

LAST MONTH NOV 03, 2013 - DEC 02, 2013	UNIQUES	PEOPLE	VISITS	PAGE VIEWS
Global	87,877,696	72,498,520	155,808,208	188,033,392
Rest of World	14,240,890	13,318,333	24,563,964	29,851,867
Germany	937,616	820,177	1,386,792	1,689,036
Australia	3,005,023	2,559,341	4,981,457	6,066,210
United Kingdom	6,516,706	5,442,453	10,157,872	12,123,171
Canada	7,327,197	6,046,692	13,923,347	17,080,220
United States	55,850,264	44,311,524	100,794,776	121,222,888

Updated Dec 4, 2013 • Next: Dec 5, 2013 by 9AM PST

Upworthy Traffic by Quantcast

International expansion of the Upworthy team will be a core part of executing on that strategy. Native curators and copywriters will need to be hired in the countries where Upworthy hopes to grow in order to create the emotional and relevant content that sparks viral distribution.

Without native teams, a disconnect in cultural values, language and other differences will limit the success of the Upworthy formula.

An international expansion will cost money, and Upworthy, while VC backed, doesn't have the kind of cash at the moment to launch a large number of international teams and offices. As of this writing, the company doesn't have any international jobs posted on their employment page.

Without the ability to tap new, global audiences Upworthy will find it difficult to fuel the audience growth that has brought them this far. It will be interesting to watch the company to see how they tackle this international opportunity and associated challenges.

The Copycat Threat

More core to the issue than the ability to execute on a mobile or international strategy is the simple—and incredibly scary query for those invested in the company—question of is the Upworthy media model defensible and sustainable or not?

A recent article by Business Insider suggests that Upworthy couldn't be faulted for being worried. [5] A wave of new virally-driven media companies have cropped up in the wake of Upworthy's success with their Facebook distribution and traffic driving strategy.

These companies all take slightly different approaches to content, and none carry the social ethos of Upworthy, but they leverage the same mechanics and tap the same audiences—taking reach and growth from Upworthy in the process.

As just one example, ViralNova, a fast-growing Upworthy clone, is racking up millions of pageviews—all powered by a single 20-something. [6] And it's not just upstarts that are testing the viral waters. Incumbents, like the Washington Post, are launching similar viral hit-driven properties as experiments.

New media companies like Gawker and Buzzfeed are not resting on their laurels either, and have experts who drive millions of pageviews each month individually, tapping similar formulas for success. [7] Those are just the domestic competitors too. One has to imagine the Samwer brothers aren't too far behind here, either.[13]

With the success of Upworthy, Gawker, ViralNova and others, there is no doubt that more will try to leverage their tactics and channels to replicate and take some share from this traffic source. This competition will impact all players. The question is how?

As an aside, the sheer amount of information available online to those who want to learn about the Upworthy recipe is overwhelming. One has to wonder whether Upworthy's willingness to share their secret sauce has, in some small way, fueled this proliferation and viral arms race.

The Brand Issue

Traditional media sites have built brands and destinations that are visited regularly by people invested in those brands. The New York Times for instance, and even newer digital properties like the Gawker network, rely on brand loyalty to drive readership. Jalopnik readers are gearheads who get their car fix every day on the site. Same for Deadspin, Jezebel, and others.

Will the same paradigm and brand loyalty exist for Upworthy? When the atomic unit of success is a fleeting piece of content, is there a brand loyalty that translates into sustainable business value? Or will the dollars and traffic flow to whomever has the flashiest content at the time?

In other words, if viral content from Upworthy stops appearing in users' Facebook feeds, will anyone care? If the answer is no, this poses a serious risk to sustainable growth for the company.

Upworthy seems to be keenly aware of this issue, using each step of the Upworthy UX to not only prime the viral cycle, but to also capture and build audience assets for itself through email collection and amassing social fan bases. As we've seen in many examples (Fab, anyone?), an email list does not make brand loyalty, and dependence on viral flashes of curated content that magically find their way to the audience doesn't necessarily drive users to proactively seek out those moments.

Do some people go to Upworthy to see what the latest viral hit might be? Absolutely. Is it a destination like YouTube or Buzzfeed? That would be a tough argument to make. And in a model that lives and dies on the ability of the channel to deliver content virally, the brand is beholden more to that channel than anything else. Without the channel, there is no brand.

If Facebook chokes off viral content, if ViralNova produces a string of hits, will Upworthy's email database save them? It doesn't seem likely.

Making Money Off The Whole Thing

One of the biggest challenges for media businesses in general is monetization. Like traffic, the Upworthy team has a different point of view than traditional media companies. As far as Pariser and Koechley are concerned, the ads that Upworthy runs should match the company's values.

When it comes to who they sell ads to, they don't mind being called picky. [8] And rather than spamming users with popup or banner ads that might not be relevant to them, for the past year Upworthy has been running sponsored sign-up programs. Pariser explains the concept as, "essentially lead gen for causes." He continues:

> "Folks who visit our content pages get an opportunity to sign up to join, say, the Sierra Club. You have to imagine that advertisers will want to get much more interactive.The funny thing about display—and a lot of online advertising—is it's still basically the same kind of thing as running an ad in the newspaper. We focus on engagement and work with groups that want to get folks engaged in their campaigns; we place their messages at the right place, at the right time." [9]

Though Upworthy's earliest ads, sponsored signups, were geared mostly toward nonprofits, as of this year they've branched out to include more corporate sponsorship as well. One example is the video If You Were Looking At The Beautiful Picture This Guy Is Looking At, You'd Have This Reaction Too, which features Denis, a man who left his family in Uganda to attend school in the US and for safety reasons can't return. Denis keeps in touch with his family via Skype, the video's sponsor.

But, as Upworthy makes clear at the bottom of the page, "We were paid to promote this ad, but we only do that for things we think are actually Upworthy." In addition to branded content like the Skype video, they're also venturing into category sponsorships in which curators seek out content within a specific scope, and sponsors "underwrite" that content. [10]

The company’s biggest challenge in finding sponsorship will of course be its ideology. After all, they’re not just cat videos. As Koechley explains:

> “What we need to do to reach [people] is market meaningful content better. We felt people had ideas about viral content all wrong. They think it’s just entertaining or trivial stuff people want to share. We think that passion and believing that people need to pay attention to something drives sharing.” [11]

For this reason, not every business is going to be able to stamp its name on the kind of content Upworthy publishes. And while that higher purpose is well and good, is it sustainable as a long term growth driver? Can they keep this socially conscious position while satisfying the growth demands of a venture backed business? And will the lure of the mega ad dollars from the top global brands errode this stance?

It’s hard to see how the company can find lasting growth without a more inclusive ad strategy that taps into potential revenue that is out there, looking for engaged audiences. It also remains to be seen how advertisers will view an investment in Upworthy, a company that doesn’t push pageviews, time on site, or other metrics that typically matter greatly to the ad buyers controlling multi-million dollar pocket books.

Rethinking Pageviews

Just like they’re rethinking advertising, Upworthy doesn’t necessarily subscribe to the commonly-held beliefs about pageviews. As of November, Upworthy had 188 million pageviews on 155.8 million visits—just a shade over 1.2 pages per visit. (Contrast that to the Gawker Media Network, averaging just under 2 pages per visit.) But, based on the company’s extensive testing, they believe that pageviews aren’t necessarily a metric that matters for them.

Pariser says, “We’re not trying to keep people on the site very much. We want them to view the content, share it, subscribe to it, and go on their way. We figure we’ll be able to reach back out to them again.” [12]

So rather than struggling to keep people on their site, they rely on the ubiquity of Facebook as a distribution channel, “tricky” titles that compel people to click, and simple pages optimized for sharing—all of which pull visitors back to Upworthy again and again.

Upworthy seems positioned well to take advantage of the shift from traditional ad buying metrics such as CPMs to more return-based measures tied to new native ad formats. The question is, how will they scale their ad inventory while remaining true to their core beliefs about content and advertiser relevance?

Is Upworthy Building a Sustainable Growth Engine?

That question remains unanswered. While Upworthy has serious challenges in front of it to build lasting, sustainable growth, their ability to hack Facebook, consumer psychology and the content distribution model is nothing short of impressive. Whether they can keep it going, translate it to new channels, audiences, and devices while building a lasting business remains to be seen.

Will the company tap international markets to fuel the next wave of growth? Or will they get devoured by fast followers, international copycats, and incumbents who beat them at their own game? Will Facebook pull the plug? And if so, will Upworthy establish new, viable distribution channels in time, or fall victim to the social network's whims like others before it.

Of course, we don't have a crystal ball, and can't say for sure, but while viral doses of feel good content may make for a bright spot in the average Internet user's day, does it mark the beginning of a new media model, or is their growth as ephemeral as that last video you watched—what was it called again?

HubSpot – How to Grow a Billion Dollar B2B Growth Engine

HubSpot invented the term Inbound Marketing, and has lived it's mantra, driving their business from an idea in 2004 to a $50M+ run rate in 2012 in the competitive marketing tools and services category. But is the story that simple? A deeper dive reveals that a deep belief in metrics, an organizational focus on growth, and a commitment to sales excellence has fueled their explosive rise.

In 2004, HubSpot cofounders Brian Halligan and Dharmesh Shah met at the Massachusetts Institute of Technology. Or, as Halligan says, "HubSpot was born out of the loins of MIT." [1] Founded in 2006 on the concept that traditional marketing is broken, HubSpot offers an inbound marketing software platform that helps businesses "market to humans." [2]

The Cambridge-based company's growth has been impressive. HubSpot began in 2006 with just three customers, and they ended last year with 8,440. [9] In 2011, the company did $29 million in revenue, which was a full 81% growth over the previous year [3], then jumped to almost $53 million in 2012. [9] As of 2012, their Average Customer Value (ACV) was somewhere around $6,220 per customer ($52.5m / 8,440 customers).

To date, the company has raised $131m through VC funding. [14] Major sources of funding include General Catalyst ($5 million in VC funding in 2007), Matrix Partners ($12 million in VC funding in 2008), Scale Venture Partners ($16 million in VC funding in 2009), Sequoia Capital, Google Ventures, and Salesforce.com ($32 million total VC funding in 2011).

Data on whether or not the company is profitable yet isn't easy to source, but HubSpot CMO Mike Volpe explained on Quora in 2010:

> "HubSpot could be profitable if we wanted to, our current revenue run rate is in excess of $20 million. We just believe that there are tens or hundreds of thousands of businesses that we can help transform with better marketing (beyond the 3,000+ that use our product today). We want to continue to grow fast and be the leader in this market, so we are investing in even more rapid growth. There are many things that worry

> me, but our ability to be profitable is not one of them.” [15]

HubSpot has chosen to focus on growth rather than profit for now, and that dedication is evident in the numbers above. So how has HubSpot made such huge gains, so quickly?

Gaining Early Traction by Practicing What They Preach

Inbound Marketing

Both Shah and Volpe say that HubSpot uses a combination of inbound and outbound marketing [19], but data that speaks to how much is spent on what isn't available.
In 2009 Halligan and Shah literally wrote the book on inbound marketing—Inbound Marketing: Get Found Using Google, Social Media and Blogs. True to form, HubSpot offered promotional resources like free eBooks with content sneak peeks.

Volpe says that inbound leads are generally cheaper to acquire, and it should come as no surprise that inbound marketing has been critical to HubSpot's growth:

> "I cannot emphasize enough the importance of inbound marketing in our growth. (I know I am biased and I know it is self serving, but that does not make it a lie.) " [3]

The company's inbound marketing strategy covers the spectrum, but one area in which they've really excelled is content marketing. From the outset, HubSpot has offered resources like expert blog posts, webinars, and tools. For example…

Website Grader

Between 2006 and 2011, HubSpot's free Website Grader was used to grade more than 4 million websites. [7] Anyone could enter a URL and get insight about which aspects of a site were performing well and which ones could be better.

Like the best free resources, Website Grader was good for both Hubspot and prospective customers—first, it helped users understand that their sites weren't performing as well as they could be, making the value proposition of an inbound marketing system more appealing.

Second, it did this for free, functioning much like a free consultation, yet the time and hassle of speaking to someone was replaced by a simple web experience. Hubspot didn't have to pay sales staff to walk users through the process because it was automated.

This is why Website Grader (and free-but-valuable tools like it) are a win-win. Website Grader was easier to market than the actual HubSpot product, because it required no upfront investment yet provided instant value.

Additionally, Website Grader brought visitors one step closer to becoming customers by showing users the need for HubSpot and collecting contact information for sales, generating tons of inexpensive leads.

Twitter Grader

Hubspot went back to the free tools playbook in 2009. When business owners were still working to figure out the appropriate application and ultimate value of social media, HubSpot launched Twitter Grader, generating a ton of buzz among influential social media types and making HubSpot a part of the growing conversation around social marketing.

Twitter Grader generates diagnostic reports of Twitter users, measuring their influence based on factors like follower ratio, update frequency, and level of community engagement; and playing off of powerful motivators such as vanity and game mechanics (like how users rank among Twitter users in their areas).

CTO Dharmesh Shah explains, "What Twitter Grader is trying to measure is the power, reach and authority of a Twitter account. In other words, when you tweet, what kind of impact does it have?" [6] Similar in form and function to Website Grader, this free tool gets tens of thousands of uses per month. [4]

When Twitter Grader first launched it set off a wave of viral awareness, with people sharing their Twitter scores with their followers, perpetuating a seemingly-endless cycle of more and more people checking their Twitter cred. Again, this free tool drove leads and tons of awareness for the company.

HubSpot's Blog—Inbound Hub

When searching HubSpot's blog Inbound Hub for "landing page," you get 4,480 results. That’s a lot of content, most of which comes in the form of resource posts like “What Is a Landing Page and Why Should You Care” and “11 Simple (But Critical) Tips for Creating Better Landing Pages”—each with a relevant call to action at the end. Volpe claims that HubSpot’s addition of a Call to Action at the bottom of every blog post tripled the number of leads they were getting from the blog. He explains:

> “A lot of people have calls to action, or offers in the sidebar of their blog, and those work. But having one… and again, it wasn’t the same one on every single article, it was tailored to that article. So if you’re reading an article about, you know, optimizing landing pages you’ll have an offer at the bottom of that blog article that has something to do with a landing page optimization webinar or something like that.” [8]

As HubSpot has become more sophisticated in identifying onsite visitors and personalizing the experience, they’ve been able to drive calls to action not just for new visitors, but to re-engage existing customers as well. For example, the marketing on Inbound Hub for customers suggests new tools to try in the HubSpot suite, while new visitors will be driven to ebooks or free tools. [9]

Inbound Hub generates real results, the blog is full of useful and shareable content that results in 20% of all of HubSpot’s organic leads. [5]

Webinars

In response to a question on Quora about how HubSpot got so many Twitter followers, Mike Volpe writes:

> “As far as I know, we were the first company to hold a webinar on the subject of “Using Twitter for Marketing and PR” – we got over 3,000 registrations for it, and tons of new followers that day back in 2008. And during that webinar and all of the webinars after it, we used Twitter as a discussion tool during the webinar, to allow people to chat and ask questions. I am also pretty sure we were the first company to use Twitter for discussion during webinars – we started that in 2008. Because of this, many of the hashtags for our webinars have become trending topics on Twitter – most recently #emailsci, but I think more than 5 of our webinars have been global top ten trending topics since 2008.” [4]

Just like with Website Grader, Twitter Grader, and Inbound Hub, HubSpot uses webinars to educate users, generate buzz, and attract thousands of new website visitors—a number of whom will eventually become customers. [5] One of their most popular webinars, Volpe reports, had 13,000 signups. [8]

Through focusing on inbound marketing as a means of establishing themselves as an authority in the field, HubSpot was and is able to generate a huge volume of relatively low cost (especially when compared to outbound marketing), high quality leads.[3] How do these leads compare to those resulting from outbound marketing? Volpe explains:

> "The conversion rate from those leads, if you compare…inbound leads vs outbound, or paid, the types of things where you're annoying people and kind of getting in their face…the comparison between the two of those, the conversion rate is more than double…for the organic leads, or the inbound leads." [8]

So not only are these organic leads from inbound marketing less expensive to acquire—which in and of itself would matter little if they weren't the right kind of leads—they also result in more than double the conversions. When thinking about how HubSpot has grown so much and so quickly, this can't be ignored.

Partner Program

In 2008, a sales rep, Pete Caputa, came up with an idea to build a partner program that would allow agencies to resell HubSpot services as value added resellers (VARs). Agencies, Caputa believed, would give HubSpot additional distribution to targeted prospects. Having trusted partners gave HubSpot not just additional sales reach, but a trained (and incentivized) group of marketing experts who could help end users get the most out of the program.

HubSpot invests in their partner success with content, sales support, and program support to help make their partners' customers successful, which creates lasting partner relationships and continued advocacy—all driving more leads and new HubSpot customers.

While the initial idea was panned by HubSpot cofounder Brian Halligan, Caputa's persistence won out. The last reported number we were able to find, at the end of 2011, shows that the partner program accounts for 20% of the company's new business. [12]

Highly Selective, Top-Notch Marketing Team

Brian Whalley, a former employee—or, as Shah refers to them, someone who has "graduated from HubSpot"—explains that during his three years at HubSpot the marketing department hired less than 1% of applicants. Every 100 resumes resulted in no more than five or seven interviews, with positions often going unfilled for months until the right person for the job was found.

Whalley explains, "HubSpot in general has about a 3% hire rate from resume to first day, which makes them more selective as an organization than any ivy league school or top-tier engineering school, among other programs." [3]

Growth As a Core Company Value

But it isn't just HubSpot's highly-selective marketing department that's growth-oriented. Much has been written about the culture and work environment at HubSpot, in particular, the HubSpot Culture Code. It reads:

We are maniacal about our mission and our metrics.
We Solve For The Customer.
We are radically transparent.
We give ourselves the autonomy to be awesome.
We are unreasonably picky about our peers.
We invest in individual mastery and market value.
We constantly question the status quo. [11]

Whalley explains that every department strictly adheres to the HubSpot ideal of "Math Makes Right" [3]. Each department keeps a close watch on the metrics that matter for them. "It can be a little ruthless," he continues, "but it makes sure that ultimately every dollar spent in the business can be tracked into its ROI. … Everyone in the organization knows these numbers, and obsesses over them." [3]

Today's Growth Engine

Like any successful company, HubSpot has shown a readiness to evolve based on what the market wants. While still working hard to create and disseminate content people want, HubSpot is the authority in the field of inbound marketing. It's founders and staff speak frequently about their success, fueling their awareness and growth among marketers and businesses who try their products and services.

Sales and Marketing Excellence

By practicing what they preach, HubSpot generates a large portion of their leads from Inbound Marketing efforts. In August of 2012, Volpe reported that 70-80% of their leads—with a volume of 40 to 50,000 per month—come from their Inbound Marketing efforts. He compares that to an industry average of 20% and specifically cites Marketo's inbound leads at 6%. [21]

Building a sales and marketing organization to drive this program and turn content into a growth lever is arguably the most important key to HubSpot's success. Being able to guide the inbound efforts to reach the right kind of prospect, and then build a funnel with a repeatable, scalable and successful sales process has allowed HubSpot to grow quickly, service customers with a lower average value than other enterprise marketing competitors, and make the most out of their inbound traffic.

Refined over the last six years, HubSpot has over 30 marketers and 120 inbound sales specialists who manage the pipeline and drive customer acquisition. According to Volpe, they have no outside sales staff. [21]

David Skok, a General Partner at Matrix Partners and HubSpot board member wrote an excellent deep dive on HubSpot's sales process and hiring methodologies in 2011 that illuminates much of their approach to driving the sales organization.

Inbound Marketing at Scale

To feed the sales organization above, HubSpot has a constant need to scale their inbound channels. To that end, HubSpot has poured more and more effort, resources and hires at that engine.

Today, HubSpot is a content and tools machine. Beyond scaling content, they've also continued to deliver new tools and services that drive both interest from new customers and help retain existing ones. The company has worked to expand their offerings via new products like Signals, a marketing plugin for Chrome, and Content Optimization System, which uses cookies to deliver targeted messages on websites and landing pages.

HubSpot also offers free inbound certifications at Academy.HubSpot.com and produces a weekly Internet marketing video podcast called HubSpot TV at http://hubspot.tv. And they've made smart hires, like adding Dan Zarella to their team, who produces data-driven content to help businesses make sense of new marketing tools.

Marketing Grader

In late 2011, Website Grader was changed to Marketing Grader, which reviews over 30 factors and provides an overall Marketing Grade on a scale of 1-100, Marketing Grader is the company's way of acknowledging and incorporating the various factors that now contribute to marketing. [7]

In the first week alone, Marketing Grader was used by more than 140,000 companies. [17] According to the company's own numbers, Marketing Grader and Website Grader together have more than 4 million users. [18]

Acquisitions and Partnerships

In February of 2012, Shah teamed up with with Rand Fishkin, CEO and Cofounder of SEOmoz, to launch Inbound.org, a "for-fun" community for sharing content from the world of inbound marketing.

The site, which gets around 40-50,000 visits per month, is a "community of bloggers, marketers and enthusiasts passionate about non-paid channels like SEO, social media, content marketing, conversion rate optimization, etc." [16]

The company has also made some smart acquisitions. In June of 2011, HubSpot acquired the marketing software startup Performable. Two months later, they acquired social media management platform OneForty. In May of this year, they acquired the Chrome plugin Chime and the calendar synchronization tool PrepWork, in an attempt "to make its software friendlier and more human."

Inbound Conference

In 2010, Rebecca Corliss posted on Inbound Hub that HubSpot would no longer be exhibiting at trade shows and events because it didn't make financial sense. [5] Instead, the company shifted its focus to speaking at events, creating more content, holding their own events, and attending events to mingle and learn (rather than sit behind a table all day).

One way they've done this is through hosting the annual HubSpot conference in Boston, known as the INBOUND Conference as of 2012. INBOUND13, which took place in August of this year, had over 5,550 registered attendees. [10] That number is especially impressive when compared to INBOUND12's 2,857 attendees. [9]

Now that HubSpot is the firmly-established authority on inbound marketing, INBOUND is a fitting way for the company to foster innovation and education in the field.

Exceptional Customer Retention

One of the most celebrated pieces of HubSpot's growth engine is customer retention. While it's difficult to find hard data on their actual retention metrics, their success in this department is anecdotally referenced on a regular basis. Hubspot's approach to retention is much like other aspects of their business. They focus on key metrics and align their sales and marketing processes to create successful customers.

From a sales and onboarding perspective, HubSpot uses year-long contractual commitments that come with mandatory paid training and consultation services upfront, in addition to software fees. This gives new customers the incentive to use the software and sets them up for the best chance of success, and therefore the best chance to be a lasting HubSpot customer.

To measure and monitor the success of their retention efforts HubSpot uses something called a Customer Happiness Index, or CHI as the core retention metric. Josh Lopin, VP of Customer Success at HubSpot, explains:

> "[CHI] is a measure of the degree to which one of our customers is practicing inbound marketing in a way that is likely to lead to long-term success. Our customers with the highest CHI scores get the biggest lift in traffic and leads every month. These customers also give us the highest Net Promoter scores and have the highest renewal rates." [20]

The number is calculated based on how well a customer is doing inbound marketing, and certain elements are weighted based on their correlation with success. Lopin says that the CHI is easier than conducting a survey and quicker than cohort analysis, and it gives HubSpot Consultants a framework from which to teach inbound marketing based on each customer's strengths and weaknesses.

Consultants work with customers to get them the highest CHI scores possible, which drives traffic and leads for customers and results in higher customer satisfaction for HubSpot.

Fostering Innovation

The company seeks to foster innovation and encourage entrepreneurship in all its employees. Halligan says that HubSpot has a straightforward, three step process by which employees introduce new ideas: Alpha, Beta, and Version One. [12] He explains:

> "If you have an idea for some new thing, you can start working on it nights and weekends. You don't have to ask us for permission—just start cranking on it. There's no red tape. If you're a software developer, you can write software; if you're a businessperson, you can work on a business idea. That's Alpha." [12]

Next, the employee presents the project to management, and if it looks like a good investment, it becomes Beta, meaning resources "in the form of heads and access to developers" will be devoted to the project, and the team gets three months to attempt to gain traction. Anything that doesn't work is cut as soon as possible. What does work graduates from Beta and becomes "part of the way we do business," or Version One.

To give this a little perspective, at the time of Halligan's interview in 2011, 30 of HubSpot's 260 employees were working on projects in various stages. Still, he claims that the majority of projects do fail, and employees simply go back to their regular duties—until they come up with their next big idea and try again. It's all part of the culture. [12] Of the typical HubSpot employee, Halligan says:

> "We try to attract employees who fight conventional wisdom. Gen-Y employees are different. They have an entrepreneurial zeal. They want to start new things, and they're not afraid to fail. Personally, I hate conventional wisdom. You could say I'm the enemy of conventional wisdom. I would even love it if one of these startups disrupted HubSpot's core model."

Part of creating this environment of innovation is making the organization decentralized and flat. We want to empower the edges of the organization, and we want to let the people who really understand our customers make decisions. Now they can.”

The Remaining Pieces of HubSpot's Growth Engine

After HubSpot raised $35M in a mezzanine financing round in November of 2012, people started talking about whether the company was preparing for an initial public offering. Though this has yet to happen, Halligan does not rule it out:

> "At some point, we'll change the type of investors from private to public, but we're in no hurry to do so. We're trying and we're on our way to building a sustainable lasting business." [13]

They're also focusing their efforts on international expansion, opening their first international office in Dublin, Ireland, in January of this year.

We hope this case study helps B2B founders and entrepreneurs who are looking to disrupt a category in a meaningful way. Regardless of your specific field, HubSpot shows that giving away content that's educational, helpful, and compelling can be an effective way of getting customers to come to you.

Their case also highlights the benefits of making growth a priority for everyone in your company and proves that importance of fostering innovation both by not being afraid to try an idea that sounds crazy, and knowing when to move on when it doesn't work out.

Evernote – The $0 Growth Engine

Evernote has never been sexy, almost ran out of money, and doesn't benefit from the network effects that drive many of today's successful companies. Yet Evernote's 75 million users and $1+ billion valuation prove they've figured out their own unique growth engine. So what is it? And how did they get those first 100,000 users?

Evernote CEO Phil Libin doesn't think of Evernote as just a multi-platform post-it note storage app. Rather, he describes the company as your "intellectual brain" and "[it's] really about how you experience your life. The experience of your memories, what they mean to you, what can you use them for to make yourself more productive and happier. We really focus more on making a beautiful user experience." [1]

With a valuation at more than $1 billion, and more than 75 million users, it seems that Libin and the rest of the Evernote team are on to something. [2] But this hasn't always been the case.

Early Funding Woes

According to Libin, the company had no professional venture investment until 2009, though some funding was coming in from passionate users worldwide. In 2007 and 2008, he explains, "everyone was pitching websites and social, and we were the opposite of both of those and we suffered because of it."

Libin continues, "we never had [more than] a few weeks of money in the bank, we were putting a lot of money in ourselves. I put money in, Stepan [Pachikov] put money in, we were getting a lot of friends and family for funds." [1]

In fact, Libin says that during the financial crisis of 2008, an Evernote investor backed out at the last minute, leaving the company with only three weeks worth of cash to stay afloat. [2]

"We panicked," he says. "I spent a week frantically calling everyone that I knew." Yet because they'd entered "exclusivity" in those original financing talks, they could not proceed with discussions with other investors. [2]

This forced Libin to make the tough call to shut Evernote's doors. He says, "I remember sitting there at 3 a.m. thinking … This is what it feels like — making adult decisions. This sucks." [2]

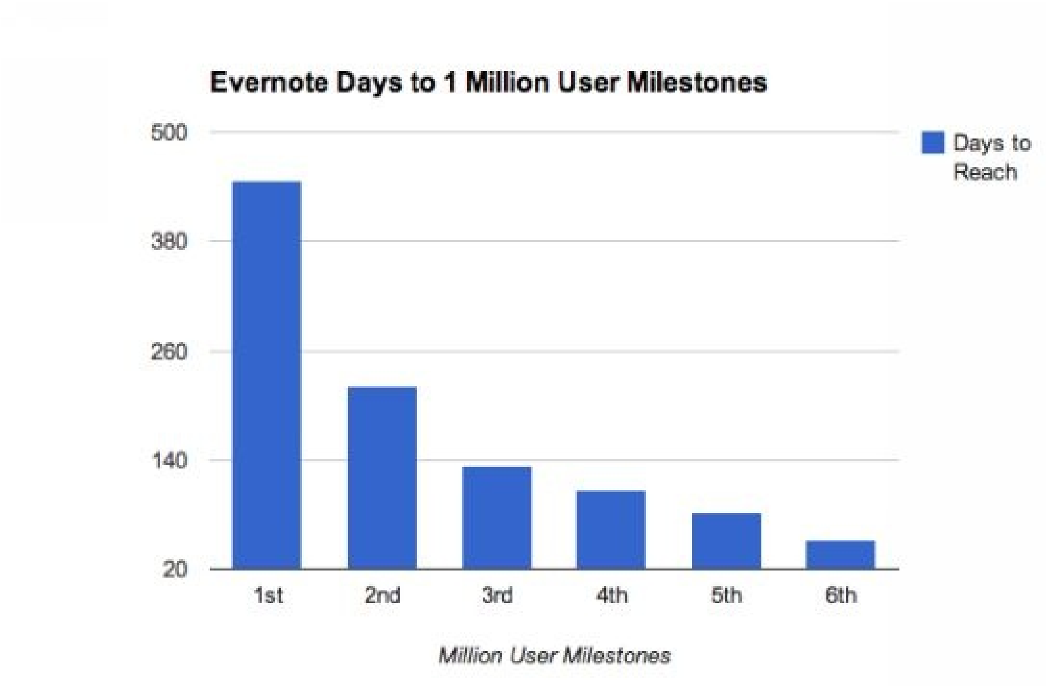
But like a scene from a movie, an Evernote user from Sweden contacted Libin, claiming the product had changed his life, making him happier and more organized. Libin says he thought to himself, "That's nice. This makes me feel better. Maybe if you can make a difference to one random guy in Sweden, that's enough."

But it wasn't enough for the user, who was so passionate about Evernote that he wanted to make an investment. Within about a week's time, he had wired the company half a million dollars—enough to keep them afloat long enough to prove themselves and secure the funds they needed, in the form of investments from DoCoMo Capital and Sequoia Capital. [2]

Things finally started to look up for the company in 2009, when they had accumulated the data to show that they were onto something. Libin says that, "almost overnight we went from having to constantly beg for money to having multiple term sheets." [1]

Early Traction

It took Evernote 446 days to gain their first million users, but the next million took around half that time—222 days to be exact. That number was almost halved again with their next million, which took 133 days, then 108, then 83, and then just 52 days to go from 5 to 6 million users. Over 19,000 new people sign up for Evernote every day. [4]



So how did they get their first million? How did Evernote crack the code to successful and scalable growth with a product that didn't benefit from network effects and other growth factors that many recent success stories have?

Excellent Timing

Evernote launched right as mobile apps as we know them today were beginning to take off. In part, their early traction had a lot to do with this timing. Libin admits, "We definitely were very lucky with the timing, absolutely." He continues, "We were very fortunate that the app stores were launching right as we were getting ready. If we were 6 months behind in our development, we would had missed all of it." [1]

Not all of their timing was perfect. In fact, Libin describes October 2008 as “the worst time in the history of the universe to raise money.” As Libin points out, “The logic works the other way as well … In the long term you have to deal with both the good luck and bad luck that’s dealt to you and what you make of it is ultimately what determines the success of the company.[1]

These AppStores were brand new distribution channels, giving companies like Evernote instant reach to millions of users who were eager to add new, valuable apps to their smartphones. While AppStores today are overly crowded and gamed by paid downloads, in 2008 there was less competition, less gaming, and subsequently more visibility that allowed apps to break out organically through these channels.

And Libin and team didn’t rely on just one AppStore launch, each new store, each new platform was a priority to the Evernote team:

> “What we did, is we really killed ourselves in the first couple of years to always be in all of the app store launches on day one. Whenever a new device or platform would come out, we would work days and nights for months before that to make sure Evernote was there and supporting the new device or operating system in the app store on the first day. So that it could be one of the showcase apps for all of these devices as they launch.” [1]

This approach continues today, with Evernote being one of the launch apps in the Google Glass appstore.

Great Product

At the risk of sounding like a broken record (see: Square and Uber), more important than timing is the fact that Evernote is a great product. After all, it was the product itself, not clever marketing or an awesome affiliate program, that kept the company afloat during the unlucky period of 2008.

Evernote made one guy’s life so much better that he wanted to invest half a million dollars in the company. If not for that, we might not be talking about them today.

But what is it that makes Evernote great? It's impossible to include an exhaustive list of Evernote's killer features, but there are a few that users frequently cite, including:

> Remember Anything and Everything is at the heart of the Evernote experience. There are no size limitations, no file constraints, no complex rules to remember. Evernote can hold everything you've ever wanted to remember, and then make it easy to retrieve at a moment's notice.
>
> This "second brain" as Libin calls it allows users in an age of information overload to manage all the data and info in their lives in a way not possible before.
>
> Impressive User Experience has also been one of the company's core philosophies from the start. In fact, rather than relying on a one-size-fits-all mobile site or app, they built native apps for every single platform. Libin explains:
>
> "Our intuition right from the beginning was that people are going to want the best possible experience on their devices. So much of the growth of the mobile industry … is generated by rapid improvement in the quality of the hardware and in the devices from generation to generation. … Evernote has to work better on your brand new phone than it did on your crappy old phone. If it doesn't give you a better experience then what was the point?
>
> The only way to do that is to write all the clients natively. To go down the bare essence of what the device can do and say, how do we make the best possible experience on this great new device? If you take the lowest common denominator approach using cross platform stuff, you by definition create something that's average. You get an experience that's the same on your shiny new phone as it was on last year's phone. If it's the same experience, you've removed the motivation for the manufacturers and publishers to promote you. You've removed the excitement of people who get their new device." [1]
>
> Optical Character Recognition, or OCR, which refers to Evernote's ability to search text within images. From business cards to receipts and takeout menus, this feature in particular makes a lot of people's lives simpler and more streamlined. (Check out the Evernote blog for a full breakdown on how

they pull it off.)

Syncing Across Multiple Platforms is another feature that users love, consistently citing the ability to access information from multiple devices as one of the main benefits to using Evernote, and as of 2010, the majority of Evernote users were already accessing the service via multiple platforms, most commonly a desktop computer in addition to a mobile device. [4]

Word of Mouth from Satisfied Customers

Not only did they inspire a handful of passionate users to invest in the company, it's these killer features that resulted in word of mouth from tons of satisfied Evernote customers. Libin claims that growth has been a pretty smooth, exponentially growing upward slope from the very beginning. He explains:

> "I dug up the original model we used when we closed our first Silicon Valley round with Morgan Capital in 2009. I found the original plan, we built this model for them that shows how we're going to grow, both users and revenue. It was from 2009 and that plan went to the end of 2011. The end of 2011 back then was unimaginably far in the future for us. I just found it, I wanted to compare how we did against what we projected and we were within 5% on both users and revenue, that's kind of amazing." [1]

Evernote's model is really word of mouth, as Libin is quick to point out, "We don't pay money for users." They don't spend money on user acquisition, and they don't do any SEO or SEM. They don't do incentivized downloads or any acquisition spend of any kind. [1]

Closed Beta Generated Buzz

When Libin and team were ready to reveal Evernote to the world, they launched with a closed beta and gave away 100 invites on Techcrunch. Techcrunch covered them, and as Libin explains, that was the spark that started the Evernote growth engine:

> "We launched closed beta on TechCrunch, we were lucky enough that TechCrunch wrote about us right as we were starting the closed beta and

> we gave away 100 invites, that was the first spark. We had a couple thousand people within the first few days just because of that really early spark and it just grew from there."[1]

Though Libin insists that the purpose of closed beta was user testing, it nevertheless helped to generate buzz around the product. He explains, "We never thought of the closed beta as a marketing exercise. We were frankly terrified that everything would crash all the time." [1]

Yet the fact that people had to sign up and send out invitations to actually use the service generated buzz around Evernote. Libin claims on the Evernote Blog that their goal was to get around 10,000 beta users to test out the app. He explains:

> "We were blown away by the response and watched with equal parts of glee and horror as the closed beta users count passed 10,000, then 25,000, then 50,000… By the end of the four months, over 125,000 people had participated in the closed-beta." [6]

Luckily, the servers didn't crash, and the Evernote team worked out the scaling issues as they grew. By the time Evernote came out of closed beta in 2008, they already had over 125,000 users.

Then, when the iPhone App Store launch in July of 2008, Evernote was practically forced to launch. As we've already discussed, one of Evernote's key growth factors was its impeccable timing, and the company felt it was critical that Evernote be in the App Store from day one.

This is why, as Libin explains, they "worked 20 hour days 7 days a week for a few months before [the App Store launched] to make sure that we could have something that was genuinely available and out of beta." [1]

Freemium Model

The final and critical piece to the puzzle of Evernote's early growth engine is the Freemium model, in which users sign up for a basic free service, then upgrade to a paid version to unlock features and storage space.

Though the merits of Freemium services have been debated (with compelling cases made for and against), there's no arguing that it's been instrumental in helping Evernote become the billion dollar company it is today. But how?

Put simply, the Freemium model got people in the door, but the features we've already talked about kept them around, and eventually inspired a lot of them to convert to paid. This is because Evernote increases in value the longer you use it. Unlike a game or novelty app that's initially fun and quickly becomes boring (in which case it isn't worth it to upgrade to the paid version), the longer you use Evernote, the more invested you are in the product.

As Libin explains, Evernote is "your intellectual brain, it's a service that lets you remember everything important that happens to you and use that information in a way to make yourself happier and more productive." [1]

So it follows that the more of your life you have bound up in Evernote, the more vested you are and the better user you are. Evernote's conversion rates increase with the age of the user. That's why, when everyone is tripped up over the percentage of paid users in a freemium model, that metric is largely ignored by the company. As Libin explains:

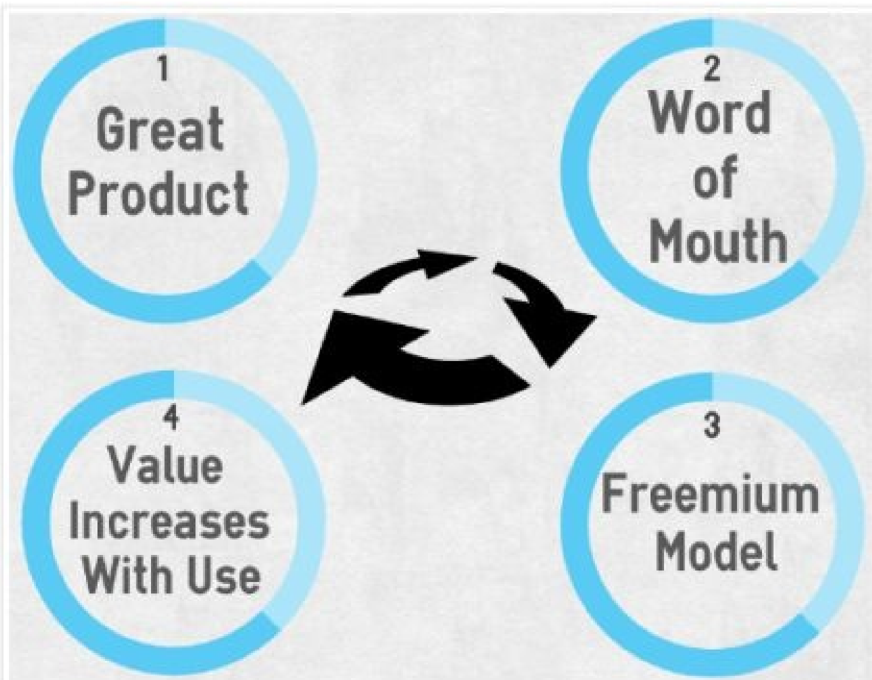
> "The overall rate we frankly don't pay attention to, but it's probably somewhere around 4 or 5 percent range. What we pay a lot of attention to is what percentage convert in the first month, in the first year, in the first two years. … Of the first few months worth of users, people who have been with us for about 4 years, around 25% of them are paying us right now, that ratio declines as you get new users." [1]

To give these numbers some perspective, as of 2010 when Libin shared some of Evernote's revenue stats, their cost per user was around 9 cents per active user per month, and they made around 25 cents per user per month [3]. This is likely why he asserts, "We don't care if you pay, we just want you to stay around and keep using it and get all your friends to use it."

Because Evernote's numbers show that the longer you use the product, they more likely you are to fall in love with it, and sooner or later you'll be happy to pay for it."

Today’s Growth Engine

Many of the factors above, in particular Evernote’s killer features, word of mouth from passionate users, and the freemium model, continue to drive the company’s growth engine. Over time, some additional elements have also become increasingly apparent as keys to Evernote’s sustained growth.



Beauty and Simplicity as Core Features

Perhaps the most significant of these elements is the inherent simplicity of the product, which makes Evernote applicable across a practically limitless number of use cases. Evernote is like a blank canvas, and it’s totally customizable based on what you need it to do, which is kind of the point.

It’s an app for people who have thoughts and ideas they need to remember and organize, which is pretty much every person in the world. Libin explains how Evernote’s philosophy of simplicity has evolved:

> “The fundamental thing that I wish I’d of known, is I underestimated the importance of simplicity and design. The first couple of years I really didn’t feel that, I didn’t have a good enough appreciation that the most

> important thing for consumer facing software was that it was beautiful, simple, people immediately and intuitively understood how to use it. It really wasn't about making it more powerful, it was about making it more natural. I think I've only internalized that in the past couple of years and it'll take another lifetime to really master it." [1]

Though this is definitely harder to pull off than a feature-packed, bells-and-whistles product, Evernote's core philosophy of simplicity is how the product lends itself to so many diverse applications.

One area in which this is evident is in the informal Evernote acolytes, who constantly share their tips and strategies for getting the most out of of the product.

Supercharging Word of Mouth

As we've already discussed, word of mouth is a key growth factor for Evernote. While the valuable product, freemium business model and simplicity are key factors driving word of mouth, Evernote has introduced new programs to accelerate sharing and drive the performance of this channel.

Evernote Ambassadors

In implementing the Evernote Ambassador program in October of 2011, Evernote began to leverage the inherent user tendencies toward both customization based on use case and word of mouth referrals. The program, which the company says—"shines a spotlight on our passionate users, allowing them to highlight their individual areas of expertise and the ways Evernote helps them achieve their goals as a way to help others achieve theirs."

The program is comprised of users who run the gamut—from experts in healthy living, blogging, education, small business, organization, photography, mobile living, design, travel, home cooking, and more. Ambassadors are hand-picked by the company to represent distinct ways of engaging with Evernote, and their job is to share their passion with others like them, showing how Evernote can make their personal and professional lives better.

In December of last year, Evernote took the Ambassador program global, adding

26 new Ambassadors from around the world.

Ambassadors attend meetups, help new users get acquainted with the product, and are enthusiastic promoters. They're often doling out stickers and premium trial coupons to help turn more of their network into Evernote users. In exchange the ambassadors are associated with a brand they love and recognized as an expert among their peers.

Users interested in becoming an Ambassador can request to be considered by the company. Based on the pages and pages of requests from users on the Evernote forum, Ambassador spots are in high demand.

Evernote Rewards

The Evernote Referral Program, launched in September of this year, is yet another way the company leverages word-of-mouth referrals and rewards customers for their loyalty. New users who sign up from a referral get a free month of premium, while referrers get points they can redeem toward perks, such as up to 12 months of Evernote Premium, a 1GB boost in monthly upload limit, a VIP ticket to the Evernote Conference in San Francisco, or a visit to Evernote headquarters for lunch with the team.

Evernote Premium members can also earn points by redeeming gifts cards and promotions from Evernote partners, like Moleskine. While there's nothing revolutionary about the program, it is another way to drive the natural referral and word of mouth channels to maximize their effectiveness

Clever Promotions and Marketing

Another way that Evernote leverages the product simplicity as a growth strategy is through broad promotional efforts like last year's Evernote Holiday Pledge, in which users signed up to receive email tips and guidance for getting more out of Evernote during the Holidays from Ambassadors and the Evernote team.

What Evernote offers users is a simplified, sane holiday season, yet, as we've already discussed, the more of your life that's bound up in the app, the more valuable it is to you. Once you get into the swing of things through planning Thanksgiving dinner and organizing and purchasing holiday wishlists, you're much more likely to use Evernote when you want to plan that family vacation in February, which is the whole point.

Yet another low-cost but popular promotion used by the company is the "I'm not being rude, I'm taking notes in Evernote"sticker pack. These stickers, which go on the back of laptops and mobile devices, were effective for several reasons. First they solved a real problem (user concern over seeming rude), but they did it in a fun and affordable way (sticker packs sold for $5 in the Evernote Market). They also served as additional marketing for the company.

Acquisitions and Product Extensions

As Libin has pointed out again and again, in the age of the internet, good products sell themselves. [3]So Evernote's growth strategy, at its most basic level, is making their product (and now products) as simple, beautiful, and useful as possible, and then letting the other stuff work itself out.

In addition to the original Evernote app, the company now offers several new product extensions to make Evernote more useful to users, including:

Skitch — a popular screen capture and annotation app, which Evernote acquired in late 2011
Penultimate — a handwriting app for iPad
Evernote Hello — a contact management service
Evernote Food — an app for keeping track of meals and recipes
Evernote Clearly — a distraction-free reading and writing app
Evernote Peek — a study aid that works in conjunction with a specially designed iPad cover, which functions similar to the traditional flash card system of learning

These are in addition to a handful of physical products, designed in to work in conjunction with Evernote and Evernote extensions, including:

Evernote Moleskine smart notebook, which comes with a subscription to Evernote premium, and is designed so that any page can be photographed and uploaded to Evernote.
Two high-end, super-functional backpacks and a laptop sleeve designed by Côte&Ciel

The Adonit Jot Script stylus for Evernote, which seamlessly integrates with Penultimate.
A ScanSnap Evernote Edition scanner, which scans documents directly to designated Evernote folders.
Livescribe Pen integration, turning notes into digital documents with OCR in Evernote
Plus t-shirts, socks, a wallet, and more.

What the above apps and physical products share in common is a core focus on simplicity, beauty, and ease of use. By and large, they are equally applicable for teachers, freelance designers, professional and home chefs, and pretty much anyone else who engages with information and wants to keep track of it. Both Evernote's near universal applicability and its increasing value over time will continue to work together to fuel the company's growth.

The Hundred Year Company

Much has been written about Libin's desire to build a "hundred year company." He says that his previous business ventures were about building something for someone else, but Evernote was totally different. He explains:

> "Because Evernote got very popular in Japan, we started doing a lot of work over there. … Some of our partner companies were these Japanese companies that are more than a 100 years old and they're still innovating and we felt really inspired by that. Let's try to combine the best of both worlds. Let's build a company that has the long term planning and thinking of some of these great Japanese companies, combined with the best of the Silicon Valley startup mentality. We don't just want to build a 100 year company, we want to build a 100 year startup." [1]

In part, this has meant launching new products with the same core principles of simplicity, usability, and beauty.

The Remaining Pieces of Evernote’s Growth Engine

We hope that this analysis will serve as encouragement as well as guidance for startups struggling to find initial traction and prove their worth. Evernote indicates that with an awesome product, an inspiring vision, and passionate users, you can give your product away and still turn a profit. The key is creating something that becomes more valuable as users engage with it.

What are we forgetting? Is there something else that was instrumental in Evernote’s growth, either in the early days or today? Share your thoughts and insight in the comments, and help us make this the definitive piece on Evernote’s growth engine.

Some Key Takeaways on the Freemium Model

There has been much debate about the benefits and drawbacks of freemium. Freemium models don't work for everyone. If you're not sure whether the Freemium model would work for your product, Rapportive recommends asking yourself the following:

> Do you, like Evernote, rely on word-of-mouth marketing?
> Free users can refer their friends and coworkers just as easily as paid ones. Especially if you aren't targeting a very niche market and, like Evernote, you have a product that's applicable to a wide variety of use cases.
>
> Can people start using your product gradually, or does it require immediate behavior change?

With Evernote, for example, users can add information little by little. Whether they accumulate their first ten notes in a day, a week, or a month is of little consequence because their engagement with the product will build over time, and eventually it will become an everyday product.

However, when users have to switch from one product to another and learn a whole new skill set in the process, requiring them to pay up front might actually make them more likely to use the product than if they'd gotten it for free (based on the sunk costs fallacy). [5]

Snapchat – How Did Snapchat Reach a Rumored $3.5B Valuation?

By Everette Taylor

Snapchat has raced to the top of the photo sharing hill and captured the imagination of the valuable teen market. We all know that word of mouth and the 'sexting' controversy surrounding the app sparked interest that helped drive its meteoric rise. The question is, how?

In an interview with Stephen Colbert in April of 2013, the founders of Snapchat Evan Spiegel & Bobby Murphy were asked, "Is this a sexting app?"(Source)

The beginning of Snapchat, a photo and video messaging application for iPhone & Android is shrouded in controversy, yet one thing is clear – the idea dreamed up by fraternity brothers from Stanford goes far beyond just being a "sexting" app.

Dismissing the controversy is a mistake; but by not over-positioning itself as a "sexting" app—there is no language that suggests that specific use case in its AppStore description—Snapchat was able to change how we think about how photos and videos are shared.

The numbers don't lie: in 2 short years (founded in 2011) the company has gone from an idea to seeing an eye-popping 350 million "snaps" per day. (Source)

Snapchat Photos via Benedict Evans on Twitter

Spiegel and Murphy took this innovative, yet simple idea and turned it into a thriving $800 million business. This June, Snapchat received an $60M vote of confidence investment from Institutional Venture Partners, and with rumors of a newer funding round at a $3.5B valuation, it's clear that investors are bullish that the company's meteoric rise is far more than just a fad. (Source) (Source)

Why and How Did It Grow?

In an age of permanence, timelines, and revenge posts, Snapchat created a way for teens to share photos freely—without the ramifications of other social services like Facebook. The easy-to-use, self-destructing transiency of the experience feels more human in its interaction than regular MMS, Facebook, Instagram, and Twitter.

It goes from a timeline point of view—a historic record of activity—to fleeting, in the moment captures that allow users to drop many of the filters we're taught to put on what we share.

This freedom, combined with engaging product hooks, and social nature of sharing "in the moment" photos and video, created a powerful new venue and motivation for teens to switch over to Snapchat.

The Need For Snapchat

"It seems odd that at the beginning of the Internet everyone decided everything should stick around forever. I think our application makes communication a lot more human and natural." – Spiegel (Source)

Think of the world that Snapchat entered, and it's not hard to see why it exists. In a world where parties require people to leave their phones at the door, where rooms without lights are set up so no photography can be taken, where revenge sites are littered with photographic evidence of the indiscretions of an ex, Snapchat appears to provide a way out.

Snapchat creates a brand new way to communicate with friends that is fun and interactive, while creating a sense of privacy through the disappearing nature of the content. We know that the security isn't foolproof—but it's far better than its predecessors.

Snapchat allows users to send photos and videos to one or many friends, while limiting how long the recipients can see them. The maximum time is 10 seconds, just enough for the recipients to enjoy the moment before it is lost forever. To view the content, the recipient holds down a button. They can view the image until the counter expires or they let go of the button. After that, it's gone.

To help foster the sense of privacy and security, Snapchat includes a built-in alert which notifies the sender if any of the recipients took a screenshot of the photo. Combined with the self-destructing nature, the app actively discourages the saving of photos. This creates less inhibition for users and an overall more fun, care-free experience.

In addition to photos and videos, Snapchat lets users express their creativity by adding text and drawing on the photos. This allows the user to create all types of goofy images and fun things that add to the experience.

While privacy of Snapchat is the obvious benefit, it also has some more subtle, but equally important benefits: disappearing photos mean less digital clutter, removing the cognitive overhead of dealing with them, and saving memory on phones.

While these benefits may seem trivial, upon closer inspection they provide real value. How many of us have a friend who’s computer of phone is crippled by thousands of unmanageable photos that are too hard to access, index, and use, but that can’t be deleted for fear of losing one that matters? Snapchat allows users to capture and share, without worrying about archiving and management.

Early Traction

The founders first spread the word about Snapchat to college friends at Stanford University, but the app's popularity didn't really start to take-off until it made its way into the high school ranks to become a popular means of communication for teenagers.

It gave young teens an opportunity to exchange messages quickly and left no evidence for the rest of the world, including the eyes of parental figures. The story goes that Spiegel's mother told their cousin about the app who in turn showed his friends at a local high school in Southern California – from there the app began spreading like wildfire.

With Snapchat's traction in early 2012, they attracted the attention of mainstream press including New York Times. TechCrunch and other press started to cover them too. While mainstream press framed the phenomenon around sexting, 80% of Snaps are sent during the day—the school day specifically—suggesting that it was less about sex and more about the freedom of expression without public ramifications that drove growth.

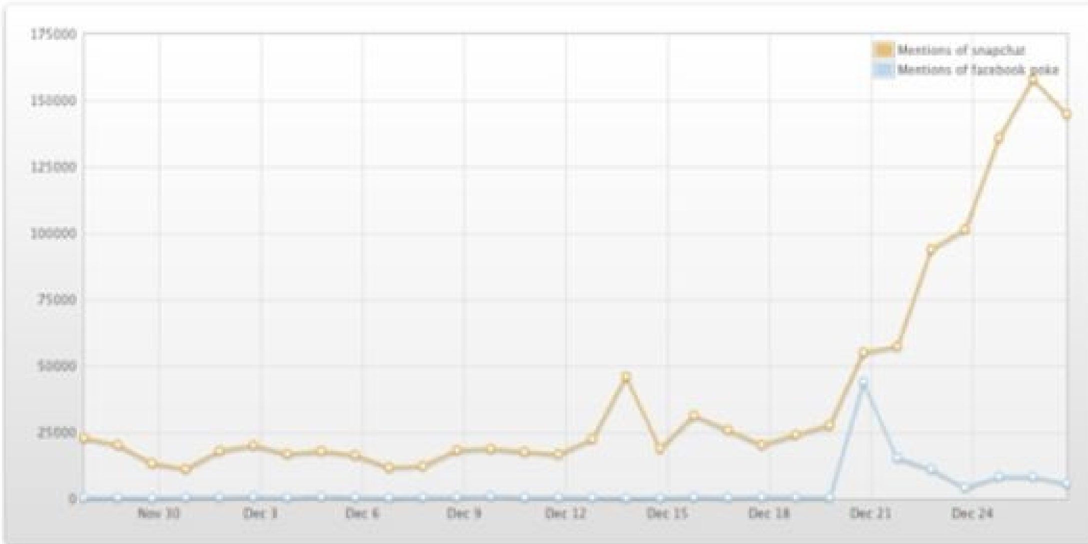
By the time the New York Times wrote about Snapchat, it was in the top 5 photo sharing apps, and it hasn't looked back. Snapchat has not only been one of the top downloads for photo and video app but has consistently been one of the top overall apps downloaded in the App Store.

Snapchat Rank History by AppAnnie.com

Facebook's Attempt as a Fast Follower

Facebook CEO, Mark Zuckerberg saw the rise of Snapchat, and understanding the importance of photos and the teen audience to the Facebook business model, decided to release its own competitor app in late 2012 called Poke.

What was meant to be a Snapchat crushing app, acted more like rocket fuel. The mentions and awareness of Snapchat soared after the release of Poke, fueling further growth and interest in the new app. The One Forbes headline summed it up perfectly, "the kids like SnapChat because it's NOT Facebook." This graph shows the phenomenon—the number of Snapchat mentions skyrockets with the launch of Poke. (Source)



Snapchat and Poke Mentions via TechCrunch

After an initial burst, Poke sunk quickly—and within two weeks of its release was no longer in the Top 100 in the iTunes Store.

By defeating Facebook in its narrower use case, Snapchat proved it was a legitimate player who was going to give established social networks a serious run for their money. By staring down Poke, and eliminating it as competition, Snapchat had a wide-open lane for continued growth. Instead of hurting the company, Facebook’s efforts propelled the company to new heights.

Today's Growth Engine

Word of Mouth

As discussed, users flocked to Snapchat because it allowed them to stray away from the permanence of others forms of communication and social media. Word of mouth easily spread in the age of group messaging and group selfies.

Like Square, people became aware of the product by seeing others use it as well. New users learn about Snapchat before ever having to download the app themselves—by seeing friends use it or even taking part in the experience by jumping in for group selfies.

Compare Snapchat's mobile first experience to other social networks that started as a solitary experience in front of your computer connecting virtually with friends. Snapchat is much more likely to be used in a real world social situation.

Snapchat's usage reflects the way high school works, and the group behaviors that are well established with teenagers. In other words: "group selfies" prompt conversations. In fact, 30% of Snaps are sent to groups (Source). Groups also gather around to view a Snapchat to see it before it disappears. This one-to-many dynamic is an important growth driver by propelling the exponential addition of new users.

This popularity and word of mouth between teens was an integral part of

Snapchat's growth with not only their peers, but also with their parents. In fact, as kids moved to Snapchat, parents quickly followed, as the service became a way for teens to communicate with their parents. This dynamic created a demographic divide among Snapchat users. Most users are in the 13-25 age group, and a second, much smaller but growing, group 40 and older. (Source)

We verified the importance of Word of Mouth by surveying over 100 Snapchat users, asking them how they discovered it. 65% claimed they discovered it through word of mouth, with the rest saying it was invites or press.

Strong User Engagement

Strong user engagement is an essential part of the engine driving Snapchat's growth. One of the most unique aspects of the app is that unlike other messaging platforms, Snapchat commands and demands one's attention (Source).

Snapchat messages arrive as little gifts packed with intrigue. We don't know what's inside, and we're anxious to see what it is. We also know the message will disappear quickly, so we focus on it, giving the message our undivided attention. The content rarely disappoints, and it fuels a curiosity and delight that is a powerful motivator.
Morgan from the GrowthHackers team put it this way:

> "This brief, unpredictable thrill, to me, is a major selling point of the app and why it is so successful. The concept of variable rewards is not new and is a powerful behavioral driver. Snapchat taps into this."

Snapchat lets you send Snaps to multiple people at once, creating a social experience around the images and video. And being available on iOS means that Snapchat can be used by people without smartphones (or data plans) to stay in the loop with their devices (like iPads and iPod Touches).

The unexpected and self-destructing nature of the content overcomes our ever-shortening attention spans, while at the same time creating an intense social experience, both virtually among the sender and recipients and in the real world. You can imagine a crowd of giddy teenagers staring over each others' phones to see incoming Snaps. (In fact, you don't have to imagine it—it's happening daily.)

In efforts to further user engagement, Snapchat recently released its new feature called “Stories” which is a compilation of videos and pictures that a user can take within a 24 hour span and instead of disappearing like regular Snapchat messages they last for a whole day.

These stories can be shared with the general public, creating a more Instragram-esque social feed or can be shared with friends on the service. It creates a novel way for people to share their day with their friends.

This new product feature seems to only be the start of Snapchat’s experimentation with new features to keep the user base engaged and also helping to attract new users.

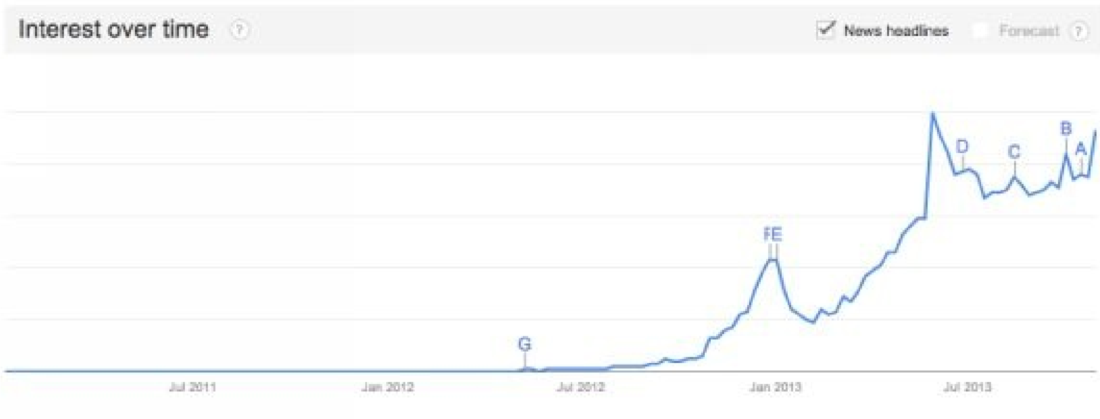
Expansion into New Addressable Markets

All of Snapchat’s early growth was among US-based Apple iOS users, press mentions state that 80% of users were US based. This left the Android market unserved and prime for new growth. According to Neilsen, 48.5% of smartphone users were on Android devices in 2012.

Not surprisingly Snapchat’s launch of their Android version in October 2012 unleashed a new wave of press coverage and buzz—all driving further growth.

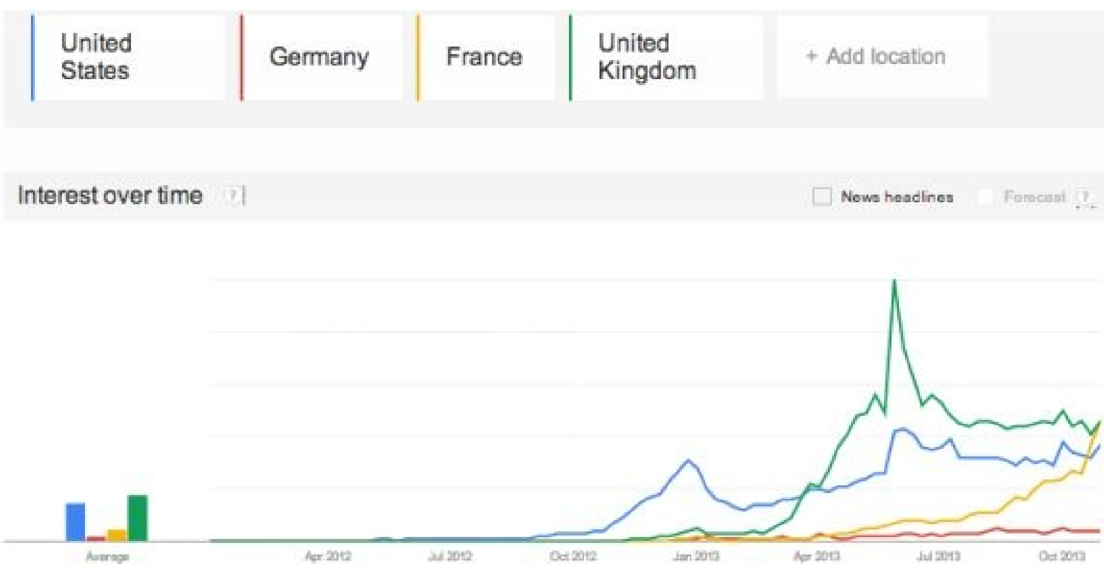
Snapchat Android Rank via AppAnnie.com

The Google Trends chart below shows the uptick of news headlines at the end of October, 2012, when Snapchat for Android was released.



Interest in Snapchat measured by Google Searches via Google Trends

Snapchat is also expanding internationally, picking up momentum in Europe. Interest in the UK and France now surpasses interest in the US. This international adoption will be a key source of growth for Snapchat in the immediate future.



Interest in Snapchat by country measured by Google Searches via Google Trends

Is Snapchat's Growth Sustainable?

While some might dismiss its rapid growth and continued popularity, Snapchat has shown early signs of legitimate staying power. The question with all fast-growth networks is will it sustain growth, or will users become disengaged and abandon the service in favor of something else?

It's a particularly important question in Snapchat's case. It's original appeal was the lack of parent participation (compared to Facebook) and its perceived privacy and lack of permanence. At some point, Snapchat will need to monetize their audience, either through ads or another model (premium items like stickers, etc.)

Will a fickle teen-based audience stick around for ads and a service that comes under increasing scrutiny from later-adopting parents? Or will they run to another up and coming service like Line, Kik or other competitors? It remains to be seen, but Snapchat must manage those competing forces to find continued growth and lasting success.

The Remaining Pieces of Snapchat's Growth Engine

With reports of nearly 26 million U.S. based Snapchat users it's clear that the company is building sustainable traction. For context, the same report estimates 52 million U.S. based Instagram users. The rumors of a $3.5b valuation is a bet that this young company is just getting started and can run down and surpass the most popular photo sharing apps and social networks that exist today.

The virality that comes with its powerful word of mouth growth engine, increasingly strong user engagement, and ability to tap into new markets will continue to be powerful drivers of growth. The company's challenge is to balance this growth with the demands of driving revenue and growth without alienating its core user base.

By adding millions in new funding, Snapchat will buy plenty of runway to experiment and try to get the mix of engagement, growth and revenue right. The teen audience is unforgiving and quick to try something new—Snapchat will need to grow while remaining relevant to the audience that got them to where they are today.

Uber — What's Fueling Uber's Growth Engine?

Uber CoFounder and CEO Travis Kalanick explains, "In the beginning, it was a lifestyle company. You push a button and a black car comes up. Who's the baller? It was a baller move to get a black car to arrive in 8 minutes." (Source)

But what began in 2009 as a luxury car service in San Francisco is now valued at $3.76 billion and operates in more than 35 cities worldwide. As of August of this year, Google Ventures has officially cast their vote of confidence in the startup with a $258 million investment—a full 86% of their $300 million annual budget—and for good reason. (Source) Uber's revenue is up 18% month over month, and in the past year alone they've grown from just 75 employees to more than 300. (Source)

In fact, at Disrupt NY 2013, Bill Gurley of Benchmark—investor for both eBay and Uber—claimed, "Uber is growing faster than eBay did … [it] is probably the fastest growing company that we've ever had." (Source)

How did Uber do it? As a multi-sided marketplace business model, how did they crack the chicken-and-egg problem that so many marketplace startups struggle with? Much like Belly, Uber used intense market focus to create local network effects in their launch city, San Francisco, while fueling word of mouth growth through targeting of the early adopting Bay Area techset.

The Need for Uber

If on the outside chance you're not familiar with Uber, the basics are as follows: In the past, when you needed to get somewhere, hailing a cab was a nightmare. You either stood outside—wind, rain, sleet, snow, or shine—waving your hand in the air until you could hail a cab, or you called a taxi dispatch (if you had their number) and had to wait 20 minutes until a car arrived.

Once you arrived at your destination, you fumbled to count out the right amount of cash plus a tip, negotiate with the driver who never had the right change, or who "forgot" to start their meter, or whose credit card machine was "broken".

All told, very few people viewed finding and using taxi service as something

enjoyable—it was simply something that they dealt with due to the lack of an alternative. Before Uber you were beholden to an entrenched, monopolistic entity, whose sloppy execution and lack of regard for the customer experience was evident at every touch point.
This poor experience and a perceived lack of ability to change anything about it created pent up frustration and demand from consumers who were eager to find anything better. Uber tapped into that frustration and demand exceptionally well.

Uber is completely changing the way getting private transportation is done in several key ways. First, their smartphone app is integrated with Google maps so that you can see how far away the nearest cars are, set a meeting point on the screen, and hail a car to meet you there. You can even see your driver's information (including ratings) as you watch the car get closer to your location.

Uber drivers call or text to confirm that they're on the way, giving you peace of mind that your order was received. Once your car arrives (usually within a few minutes), the driver greets you by name and you hop in. The cars are black cars and SUVs. Uber X, a lower cost version of the service, is made up of a fleet of well maintained sedans.

Once you arrive at your destination, the app charges your card, and you're free to go on about your day. There's no need to deal with cash, change, tips, or receipts. You just hop out. (Source) Uber has removed the friction from the typical taxi cab transaction, and made it highly enjoyable in the process.

Bill Gurley sees Uber's key to growth as a simple one: Uber offers a great product. He explains, "The product is so good, there is no one spending hundreds of thousands of dollars on marketing." (Source) While this is certainly the case, it isn't the only factor driving growth at Uber. First, let's go back to the beginning and look at some of Uber's early tipping points.

Early Traction

Though the company was founded in 2009, Uber didn't officially launch until June 2010. In January 2011, just six months later, they had had between 3,000 and 6,000 users and had already done between 10,000 and 20,000 rides. (Source) So what got them there?

Completely Solves Problems for Riders

First and foremost (as Gurley points out, and as with Square), Uber provides a solution to a real problem that impacts millions of people. In all sense of the word they have disrupted the monopoly of taxi cab transportation that exists in many cities and reinvented the experience from top to bottom.

Among the many problems Uber is tackling are: poor cab infrastructure in some cities, poor service and fulfillment–including dirty cabs, poor customer experience, late cars, drivers unwilling to accept credit cards, and more.

Uber set out to reimagine the entire experience to make it seamless and enjoyable across the board. They didn't fix one aspect of the system (e.g. mobile payments for the existing taxi infrastructure), they tackled the whole experience from mobile hailing, seamless payments, better cars, to no tips and driver ratings.

By avoiding the trap of smaller thinking, and iterating on one element of the taxi experience (say, by making credit card payments more accessible in the car) they were able to create a wow experience that has totally redefined what it means to use a car service, sparking an avalanche of word of mouth and press.

Early Adopter Advocacy

In many cases, the importance of the early adopter tech community can be overstated. In Uber's case it cannot. Uber knew that launching in San Francisco meant that they would be interacting regularly with the tech community who are continually looking for new tools and services that improve their quality of life. Uber took aim at those people by sponsoring tech events, providing free rides, and in general driving awareness among this audience.

San Francisco, with it's notoriously spotty cab service served as the perfect foil for the launch. As early adopters, completely fed up with the taxi situation in the city, tried Uber, they took to blogs, social media and every other way possible to tell their friends about this new way to ride.

The Uber experience became a vector for growth as early adopters in the know impressed their friends with the ability to call a black car from their phone with a couple taps. These new riders were immediately wow'd by the experience and became new users and advocates within the span of a single car ride.

So how did Uber reach those early adopters? One distinct channel was event sponsorship. Uber was highly active at local-area tech and venture capital events and provided free rides to attendees. Uber knew that these attendees were well connected and highly likely to share their experiences with friends, tech press, and social media audiences after trying Uber.

By seeding this audience, they were able to create a growth engine that hinged on the fact that these adopters would show their friends, who would become new users after their first Uber experience. Leading to a growing network of passionate customers.

Word of Mouth from Satisfied Customers

Much of Uber's success can be attributed, as mentioned above, to the fact that it is totally mind blowing compared to the frustrating and broken taxi experience. Max Crowley of Uber Chicago explains:

> "We've found that our growth is driven substantially by word of mouth. When someone sees the ease of use, the fact that they press a button on their phone and in under 5 minutes a car appears, they inevitably become a brand advocate." (Source)

According to Kalanick, Uber relies almost exclusively on word of mouth, spending virtually nothing on marketing. He explains, "I'm talking old school word of mouth, you know at the water cooler in the office, at a restaurant when you're paying the bill, at a party with friends – 'Who's Ubering home?' 95% of all our riders have heard about Uber from other Uber riders." In fact, for every 7

Uber rides, word of mouth generates a new Uber user. (Source)

Uber has even received attention from the likes of comedian Dave Chappelle, actor Edward Norton, venture capitalist Marc Andreessen—who calls it a "killer experience,"—and AirBnB CEO Brian Chesky—who claims that "Uber makes it very easy to not own a car." (Source)

This word of mouth is as much today's growth engine as it was in early days. Uber doesn't need to do traditional marketing to drive users, they simply find ways to fan the flame of that first trial to reach new people and grow their user base.

Leverage Distinct Growth Opportunities

In addition to providing an overwhelmingly superior solution, Uber has also leveraged some real life situations to spur growth, which Kalanick refers to as "accelerants." These accelerants indicate a concentrated, temporary need for Uber's services. These include:

- Restaurants and Nightlife
- Holidays and events
- Weather
- Sports (Source)

Each of these factors makes driving yourself problematic at best (and in some cases downright impossible), and cities in which they coexist are especially receptive to Uber's services. Uber focused on executing in cities where those problems are near constants to drive accelerated adoption. For example, In Chicago—a city with great nightlife, intense weather, and tons of sporting events—Uber's initial viral growth was double what's typical for them (see viral growth numbers cited below).

Special events and holidays also provide an opportunity to showcase Uber's model, and the company was able to deliver on key nights like New Year's Eve in San Francisco—a city notorious for a lack of taxis—which drove buzz for the new service. These events created intense demand and pressure to get new users to take their first Uber ride, driving spikes in new riders and total rides.

Benefits for Uber Drivers

Not only does Uber transform the experience for riders, but it's also good for drivers. Discussing Uber's expansion to D.C., Kalanick explains, "There are a lot of drivers in this city who are out of work. Because of that, there are a lot of drivers and limo companies that are coming to us to basically help their drivers make a living." (Source)

Uber doesn't employ drivers. Instead, the service acts as a liaison between people who need rides to drivers who are in the area. This arrangement can bring in more than $500 a day, which amounts to a week of work for some cab drivers. (Source)

Like any good service, it's a win-win for all parties involved, and this is certainly another factor contributing to Uber's growth.

Today's Growth Engine

Now, let's examine today's growth engine a bit more thoroughly. In addition to the points mentioned above—which are still very much driving forces—Uber's growth engine is comprised of several related, moving parts, including:

Intensely Local, City-by-City Expansion

But perhaps the reason Uber has expanded so quickly is because they acknowledge that growth is not one-size-fits-all. What worked for San Francisco may not be what's right for Chicago or New York, which is why they take it city by city, with local efforts tailored to each new location.

Because of the politics, regulations, and interests that make up each city, Uber needs to adapt their launch plans to suit the unique topology of each new market. It's this ability to go into a market, understand who the suppliers are, who the special interests are, and account for those dynamics that makes Uber successful right from the start in new cities.

Kalanick explains:

> "We think that cities deserve to have another transportation alternative. It

> sounds crazy to have to say that but you have to do that because you have incumbent interests which are often trying to curtail innovation and curtail sort of transportation alternatives that might compete with their existing business. And, because of that, it requires us to take a very local approach to how we go after a city. We have launchers that go into [cities] … and turn nothing into something. I like to say they drop in with parachutes and machetes [and] get highly involved with the suppliers, people who own cars and run car services, and really just make sure that we can launch a service that is high quality from the start. Being local and speaking with local voice is important when you're doing transportation and means you know what's going on for the city." (Source)

A city in which Uber has seen unprecedented growth is Washington D.C. Kalanick explains, "We're not really sure exactly why, but D.C. really, really likes our product a lot. That is reflected in our growth, and the sort of overall demand we've seen has been unprecedented." He claims that, month over month, growth is in the 30 to 40 percent range. When asked if this growth in D.C. reflects "that people are not happy with their alternatives," Kalanick replies, "I think one can make that conclusion." (Source)

As reflected by Noah in the comments, the effort of Uber to support these city launches is massive and all encompassing, from local events, industry partnerships, business development and more. Uber makes sure that their marketing and business efforts are in full support of fueling that word of mouth engine, driving local growth.

Huge Potential to Disrupt Transportation

A major factor contributing to Uber's growth is its potential. Not only is the company changing the way a lot of cities are hiring cars, but they're doing so in a way that stands to transform car ownership and transportation in general—taking an established infrastructure and utilizing it in a totally new way.

Michael Wolfe, an entrepreneur and frequent technology commentator explains:

> If you think of Uber as a town car company operating in a few cities, it is not big.
> If you think of Uber as dominating and even growing the town car market in

> dozens of cities, it gets bigger. (Data point: there are now more Uber black cars in San Francisco than there were ALL black cars before Uber started).
> If you think of Uber as absorbing the taxi markets, it gets pretty huge.
> If you think of Uber bringing taxis to parts of the world that did not have them before because of insufficient density, it gets even larger.
> If you think of Uber as a personal logistics service that can drive your kids to school and back, take you to work, pick up your parents at the airport, drive you to date night so you can get your drinks on, it gets very very large.
> If you think of Uber as delivering both people as well as things (packages, dry cleaning, groceries) it gets even larger.
> If you think of Uber as a replacement for your car, it gets even larger.
> If you mix in a fleet of selfdriving cars, orchestrated by Uber, it grows again.
> If you think of Uber as a giant supercomputer orchestrating the delivery of millions of people and items all over the world (the Cisco of the physical world), you get what could be one of the largest companies in the world. (Source)

This potential is the primary reason that Uber has garnered so much attention from investors. The economic, environmental, and everyday implications are huge. They are changing the way that people think about transportation, making it less about everyone purchasing his or her own car and more about purchasing rides (like water or electricity) as we need them.

Understanding this potential, Kalanick envisions Uber as an “instant gratification” service—giving people “what they need, when they need it, whether that’s a ride or some other delivery.” As to what this other delivery might be, the possibilities are pretty limitless. (Source)

Kalanick explains, “What we’re doing right now is we’re in the experimentation phase where you sort of find some interesting ways to do promotions like Uber ice cream.” He continues, “It’s very straightforward for us to basically give [drivers] a phone with an app on it and say, ‘Look, when the thing is blinking, hit the screen and go to where the map tells you to go. And you don’t have to pick them up and take them anywhere, just give them ice cream.’” (Source)

In fact, so far the company has experimented with:

- on-demand Uber Ice Cream
- on-demand roses for Valentine’s day

- on-demand barbecue in Texas
- DeLorean rides in San Francisco
- UberCHOPPER helicopter rides to the Hamptons
- partnership with the NFL Players Association to promote safe rides for NFL players
- as well as more standard promotional efforts, such as $10 off coupons and the like.

Though these are primarily marketing promotions, they are also ways to test the market for demand, and they hint at the company's potential direction for growth. Though nothing is set in stone, many interpret Google Ventures' whopping investment in Uber as an indication of what's to come.

Google is, after all, in the process of making the selfdriving car a reality, which means the prospect of a fleet of driverless cars shuttling us to and from work, school, fun, errands, and home is no longer purely in the realm of science fiction.

Controversy and Press

Uber's word of mouth engine is fueled not only through word of mouth; the company is fast becoming public relations experts. As Uber rolls out into new cities, they face myriad lawsuits from existing interests, challenges to their legality from state and local lawmakers, and varying degrees of support or resistance from drivers.

The company has done a masterful job of turning these dust ups into a platform to tell their pro-consumer story. Uber has taken what could be seen as a massive business hurdle—litigation—and turned it into an asset that drives growth.

As Uber launches into market after market, these controversies are played out in the court of public opinion, and the power of Uber advocates and the quality of the experience, create an outpouring of local public support for the company.

This support changes laws, helps pave the way for Uber in new cities, and the local and national press coverage helps Uber reach more potential users who hear about an innovative new company recreating a transportation experience that is nearly universally disliked by people everywhere.

Low Risk Trials

Uber knows that once you ride Uber, it'll be your preferred mode of getting around from that moment forward. That insight and confidence makes it easy to make the first ride a free trial. The company routinely hands out $20 first ride credits that let new users take a free Uber ride to try them out. This incentive removes any barriers that new riders may have and after experiencing Uber they are exceptionally likely to become a long-term customer.

The Remaining Pieces of Uber's Growth Engine

Uber is by all measures a growth machine, and while it is easy to sit back and point to the press they've received as the main driver, it's clear that the big idea, executed flawlessly is the true engine. The company has smartly built its team to fuel that growth engine to the full extent possible.

From public perception management, to lobbying, to relationship building with established taxi commissions and car drivers, to brand advocates and community managers who fan the word of mouth flames, to special promotions that highlight the potential that is Uber, the company spread the word, Uber has built not just a sustainable engine, but one powered by rocket fuel.

Now with a war chest of funds, and a powerful model, Uber's job is to continue to execute and do the hard work of overcoming existing legislation and models to create the environment for them to excel. Uber is just getting started, and tenacious execution is what stands between them and their ultimate vision.

Uber is a fascinating case study because it is one of those truly disruptive ideas that completely redefine an industry and change the way people consider long-entrenched beliefs and habits. In addition, their success in a highly political arena, building a multi-sided marketplace among many disparate and entrenched interests is a model for anyone looking to take a moonshot with their startup idea.

We hope this case study helps startup founders and entrepreneurs who are looking to disrupt legacy marketplaces in formulating their growth strategy. While fighting political and entrenched special interests is very difficult, we believe that Uber shows that building a pro-consumer product that completely reinvents the experience can lead to sustainable growth and a lasting business success.

Whether you're tackling healthcare, government, transportation, or other well established marketplace, Uber's growth provides insights on what it takes to find the growth you're looking for.

Belly – How to Grow a Network Effects Startup, Lessons from Belly Card

By Jonathan Youdeem

From early traction to today’s growth, see how Belly cracked the code of a multi-sided, network effects driven model to find success in the small business marketplace.

You may not have heard of Belly, but what they’ve achieved by building a multi-sided marketplace business in the notoriously difficult small business market is nothing short of impressive.

Through an intense focus on establishing localized network effects, a repeatable go-to-market strategy, a no-lose proposition for small business owners, and a highly valuable and enjoyable user experience, Belly has created a sustainable growth engine that has propelled the company from 17,000 users to more than one million in just 15 months.

In just two short years, the Chicago-based startup [Belly Card] (commonly known as Belly) has helped thousands of small and medium sized businesses overcome customer retention problems through their novel and easy-to-use customer loyalty platform. Their solution is now used by over 5,000 merchants across 46 states, helping them reach well over a million customers.

Belly is a customer loyalty program that offers merchants the ability to provide customized rewards to their customers, while delivering powerful business intelligence back to the store owner. Its iPhone app, gamified user experience, and social media integrations provide an enjoyable experience that drives repeat use by consumers and fuels word of mouth adoption.

The Belly solution bridges the gap between a customer’s in-store visits and allows merchants to build and maintain a lasting connection once they leave.

If you were to ask Belly’s CEO Logan Lahive how they’ve grown, he’d tell you that Belly relies “on the most traditional form of advertising there is: a one-to-one interaction between a customer and a cashier,” but a closer look reveals that Belly’s growth is driven by an affordable solution, aggressive local sales and direct marketing efforts, localized network effects, strategic business development, and a gamified/phone based consumer experience.

The Need For Belly

Small Businesses

Small businesses have long understood the benefits of customer retention, particularly as they've faced increasing pressure from big box stores and online outlets. Due to cost, time and technical constraints, the most sophisticated loyalty programs have been little more than email newsletters or buy 10 get one free cards. These approaches have failed to keep up with the loyalty and CRM programs implemented by their bigger competitors.

At the same time, small business technology has been focused more and more on customer acquisition, through the transactional, one-off sale. Companies like Groupon, Living Social and the hundreds of clones have tried to convince businesses that the answers to their problems are in driving more foot traffic through eye-popping discounts. These massive discounts tied to big email databases certainly drive lots of new customers, but little to no profit and almost no long term value to the business.

Belly went against the trend of flash sales to create a more sustainable business model for their small business customer. They developed an affordable subscription-based product that helped these merchants cultivate longer, more meaningful, and more profitable relationships with existing customers—turning them into loyal shoppers who produce a sustainable and more valuable customer base.

With customer insights and an easy to use system, small business owners who couldn't afford the hassle or time to set up a complex customer management system could deploy a loyalty system quickly, and have access to the customer behavior data that gave them some of the same tools and insights that were previously only available to their big box competitors.

Franchisors

Small businesses aren't Belly's only market. Larger chains that operate on a franchise model are consistently looking for ways to drive store revenues and customer retention. Large franchise model stores are using Belly to enable their store owners to build up customer loyalty, increasing revenue per customer and critical same store sales metrics.

Belly’s all-in-one merchant system and smartphone-based consumer redemption platform make it easy to roll out within franchise systems. Franchisees, often loathe to take on one more thing from corporate are pleasantly surprised by it’s ease of use.

The corporate office then gets to roll up data from across Belly installations to learn more about how local customer behavior, which can be used to inform marketing and product decisions, as well as drive local in-market advertising and promotion strategy.

Customers

Customers of small businesses that use Belly are rewarded for their loyalty. They earn perks and rewards that are relevant to them and delivered via the Belly app on their phone. Belly’s integration with iOS in particular means that rewards and offers are delivered and retrieved easily—customers no longer need to worry about leaving their punch card on the dresser at home.

These customers get rewarded for shopping locally, which makes them feel good about patronizing local sellers. In addition, they receive an improving customer experience, as Belly helps the store identify and tailor benefits to them. All on top of a fun, gamified experience of earning points and gaining rewards.

Early Traction

Belly's early traction was driven primarily through three main elements: obsessive focus on customer development, direct sales localized to their market area, localized network effects, and continual iteration on product to drive adoption and viral sharing through a gamified experience.

Customer Development

Prior to building and releasing the first iteration of Belly, the team spoke to hundreds of merchants in the Chicago area to understand merchant needs and challenges. This is the ultimate in customer development: leveraging customer interviews and research to help define the problem and pre-sell the solution, all while identifying what the likely must have solution is for their target audience.

Through their research, the Belly team found that merchants wanted a way to verify a customer was in the store and a way to establish a deeper, lasting connection with each customer. Of course it had to be affordable and easy, and it had to produce measurable returns that could justify the expense.

Many of the other small business solutions, notably foursquare, didn't provide the in-store validation, and lacked the back office management and other customer loyalty elements that were important to SMBs.

Easy for Merchants

Belly knew that they were selling a complex solution (customer relationship management and retention solution) to a customer base (SMBs) that is notorious for being difficult to sell to, slow to adopt new technologies, and has an exceptionally limited wallet for new investments.

The outcome of their customer development was a very SMB friendly program that eliminated these and many other barriers to adoption that plague other technology startups in the channel.

Belly built its solution so that they are able to provide new merchants joining the program with everything they need to run the solution: the software, the iPads to run the software in-store, point of purchase (POP) marketing materials and physical Belly cards. They also offered a free 30-day trial and low monthly subscription price point of less than $100 to get merchants started.

By providing the hardware and app in-store, Belly turned every merchant into a new point of customer acquisition, driving growth of both sides of their market with every new sign up.

Local Sales

The Belly team gained traction initially the old fashioned way: pounding the pavement and phone lines to reach and sell SMBs in the Chicago area. They were able to sign up 500 merchants in Chicago alone through this approach, reaching local critical mass and enabling network effects to take hold among the local business customers in the city.

Once early traction was established in Chicago, the business began to benefit from localized network effects—as more customers saw Belly in more places, more customers and merchants began to talk about it and request it, driving adoption in the area and making it a fixture on Chicago countertops.

This boots-on-the-ground approach let them penetrate an SMB market often skeptical to the "latest, greatest idea" and clearly articulate the value proposition of the platform, while distancing themselves from other SMB-focused technology plays, particularly Groupon and other flash sale sites. The local sales outreach, combined the low friction adoption process paved the way for establishing a local beachhead in Chicago.

Many SMB technology plays underestimate the importance of local sales forces to successfully sell into the channel. YellowPage companies have long maintained massive sales forces to establish and maintain SMB relationships. The biggest argument against the approach is of course the cost of the salesforce. But by taking a market-by-market approach, Belly leveraged their customer development and this insight to find success where many others have failed.

South By Southwest?

After establishing a strong hold in Chicago, Belly looked to its next market, Austin. In what can be inferred as a savvy South By Southwest launch, the Belly team seeded the Austin market in February (SXSW is in March), signing up merchants ahead of the popular tech conference.

This move likely gave Belly early awareness from techsetters in town for the conference, gaining the company not only a second market, but also attention of tech press and more advocates for Belly in many different metros around the country after attendees returned home.

While many companies talk of making a splash at SXSW with a big consumer launch, Belly seems to have followed the model of another local-focused company, foursquare, in their SXSW strategy. In 2009 foursquare launched the app by focusing on badges and activities in Austin, making the app highly useful and relevant to event attendees.

Belly, by pre-seeding the market with lots of new merchants offering rewards, made the app relevant to early adopters as well, driving repeat use and new word of mouth adoption in the process.

Word of Mouth and Bottom Up Growth

In addition to the smart local sales roll out and development of a repeatable market launch strategy, the Belly app creates word of mouth awareness through Facebook integration, gamified points and rewards, and simple sharing of activity to customers' social feeds. This creates interest among users' friends both on-site (What are you doing and how are you earning points?) and drives incremental downloads and adoption.

Because Belly hits four important psychological rewards (discovery of something new, achievement through points, status through loyalty, and monetary benefits) the app creates a powerful driver of sharing and adoption. It's easy to understand that seeing a status update on Facebook of a friend getting a reward at an unknown place in your backyard creates tempting link bait to click through and learn what he or she knows about that you don't.

While it's hard to measure the effectiveness of this approach on the outside, it at a minimum adds tail wind to all other marketing efforts, and at its best can be a powerful acquisition driver.

The gamified experience, rewards, and word of mouth growth help fuel bottom up demand for Belly at local merchants. This bottom up approach provides several benefits to Belly. First, it helps Belly determine which markets to focus on next. By seeing the total number of users with the app and inbound requests from merchants to get set up on the platform, the company can use the data to determine where to focus their resources for success.

Second, consumers asking about Belly at local merchants drive inbound leads as small business owners’ interest is piqued by their customers asking about it at checkout. Third, it supports their national and franchise sales efforts (more below) by driving demand for the platform up through the national chains from franchisees in the market.

Breaking Down Today's Engine Growth

Despite only being two year's old, Belly has evolved substantially to sustain accelerated growth. In December of 2011, Belly reported 275 merchants using the platform and over 17,000 users who checked in over 45,000 times. Just 15 months later, Belly now has more than 5,000 locations across 46 states, one million users who've checked in more than nine million times.

In those stats lies insight into how Belly's growth strategies have evolved to ramp up their growth. At the core of today's growth engine are:

- Low friction, high value solution for SMBs that makes adoption easy
- Existing customer base driving market expansion, user acquisition, and SMB adoption
- Strategic national retail partnerships to gain big wins
- Repeatable local market roll out strategy and process that leverage a combination of direct sales and localized network effects

Low Friction, High-Value for SMB Customers

For every tech startup that has crashed on the rocks of the SMB market, Belly has cracked the code to launch new in-store technology. Its secret? Deep understanding of its customers' needs. This has not changed from early days, when it used customer development to create a product and service that addressed nearly every SMB concern up front—including giving away the hardware.

Belly offers all-in-one plans and pricing that starts at $79/month including the hardware needed to get started. In addition to easy set up, the Belly software provides an out-of-the-box email and mobile marketing platform that is driven by rewards that make sense to the unique needs of the merchant. The in-depth reporting does a great job of demonstrating ROI—the checkin nature of the product provides true end-to-end visibility. There is no guessing about its value.

Belly is extending the initial loyalty platform focused on retention to address customer acquisition needs for SMBs as well with new products such as "Belly Bites" in numerous key markets.

"Belly Bites" is a customer acquisition platform masked as a free sampling platform that targets new customers based on existing consumer data acquired on demographics, shopping patterns, and historical interactions. The "Bites" platform allows partners to tailor offers of free giveaways through which Belly can target the would-be consumers through its web and mobile applications, as well as email.

As with other parts of its business, Belly is focused on customer acquisition that works for SMBs. Instead of the untargeted nature of flash sales, the customer acquisition program through Belly is targeted and meaningful to the merchant.

Word of Mouth from Existing Customers Drive Growth Flywheel

The existing customer base is critical to Belly's sustained growth. It acts as a strong tailwind for all marketing initiatives, including user acquisition, expansion into new markets, and SMB adoption.

Belly leverages word of mouth (as discussed earlier) through their deep Facebook integration and ease in sharing checkins and rewards claimed, and the gamified rewards experience keeps user engagement and retention high.

Keeping customers engaged and using the platform is core to creating value for the SMB customers on the platform, and Belly has continued to make the app more engaging and easier for customers to find participating Belly merchants and claim rewards.

As part of their strategy Belly integrated with Apple's Passbook with the release of iOS 6 in late 2012. This integration puts Belly in front of more iPhone users and makes it easier to keep Belly users engaged. With Passbook, there's no need to remember to open the app every time you want to checkin or claim a reward. Belly's not ignoring Android either. Recently, the company integrated with Google's mobile payment product, Google Wallet.

Strategic National Retail Partnerships

Belly knew that while going door to door, city by city was a necessary way to gain early traction (see Paul Graham's "Do Things That Don't Scale") it wouldn't give them the hockey stick growth they would need to win the SMB loyalty market. So in addition to the bottom up approach it used launching cities, Belly leveraged user and SMB adoption in cities to fuel strategic partnerships with national retail chains.

By working both bottom up and top down Belly could use local activities to drive interest in strategic partnerships. Belly CEO Lahive attributes the company's entry into this space to numerous inquiries from franchisees in markets where Belly had already gained substantial traction.

For example, franchisees of national chains were approached by Belly sales reps in Chicago. Stores like Subway, 7-Eleven and others are typically individually owned and operated. Some of these operators likely mentioned it to their market managers (liaisons between franchisees and the corporate office), creating upstream awareness of the new product within these organizations.

Belly leverages this local data about potential national partners and uses organizational awareness to pre-warm partnership targets to their top-down pitch. Combining this awareness with their data about their user base in the potential partner markets creates a compelling reason for these chains to partner with Belly.

This is a much more effective approach than simply pitching all national chains with an abstract idea for customer retention. The power of pre-warming demand from franchisees, organizational awareness, and local data that shows the potential opportunity creates a compelling business case for these massive entities to engage with the startup.

Belly has executed effectively on this strategy signing up more than 100 national accounts with over 600 locations each including companies like 7/11, Chick-Fil-A, and Dairy Queen. These big wins drive chunks of growth and provide faster market penetration to new market areas.

Repeatable Market Roll Out Strategy

As Belly hones its formula of low friction adoption, localized word-of-mouth network effects, and strategic partnerships, it can now repeat this formula in its aggressive roll out to new markets.

Belly’s early strategy to launch in Chicago is turned into their in-house playbook for how to expand into more markets and grow them quickly. This playbook focuses on creating tipping points for adoption in each city, allowing Belly to successfully “launch” a market and create powerful in-city momentum.

Based on their playbook, internal resources and data about where to launch next, Belly can launch multiple markets quickly and effectively—driving the momentum across the country and exponentially growing the business.

Now, with a proven model, their goal is to launch as quickly as possible in as many markets to keep copycat companies out.

The Remaining Pieces of Belly's Growth Engine

Belly is an interesting case study because they have found success in a market that is coveted by tech startups but is rarely cracked: the massive small business market in the US. In addition to this feat they have also successfully built up a multi-sided marketplace—another hurdle that is rarely cleared by new companies.

Now with a proven model, their challenge is to expand into more markets and lock out local copycat plays. They continue to build the business, and recently took a strategic $12.1 million investment from 7-Eleven's venture arm to drive further growth and expansion.

This cash is more than just VC cash, it's an endorsement of the model by a key player in their target market, much like the partnership of Visa and Square.

We hope that by analyzing how they did it, and sparking conversation about how to successfully approach and penetrate the SMB market with a two-sided market solution, more entrepreneurs targeting small business opportunities can find takeaways that lead to a greater hit rate of new companies finding success.

Much of this information is inferred or taken from bits and pieces of public information and from studying the business. In other words, it's our best assessment, but is by no means complete. We hope that the information open to interpretation will create dialog among us, which will help us delve deeper into the true reason behind Belly's growth.

The best outcome of this analysis is that entrepreneurs looking to crack the code of small business market penetration, building a multi-sided marketplace, or leveraging network effects to grow their business will find insights to help drive the growth of their business.

A Note on Traditional Marketing Tactics

Whether it be paid search, local sales, business development or otherwise, Belly has shown from the beginning that they are able to execute on the fundamentals of marketing. It’s no question that these channels are core drivers in their expansion.

Our exclusion of a deep dive on these tactics does by no means diminish their importance, rather we feel that the elements highlighted above create the unique fingerprint for their growth engine that has fueled success.

Square – How Did Square Grow So Quickly?

By Everette Taylor

By combining an elegant integrated payments system with a distinctive conversation-triggering piece of hardware, Square has disrupted the credit card payments establishment while making credit card processing more accessible to small businesses everywhere.

In only a few short years (they were founded in 2009), Square has skyrocketed to a rumored valuation north of $3.25 billion dollars and 600 employees.

A cursory look at their growth would suggest that they succeeded on the back of an unfair advantage – founder Jack Dorsey's celebrity status, but a deeper dive reveals a powerful and sustainable growth engine driven through a systems-based approach to product design and eye-catching hardware that fueled interest from anyone who saw it.

The Need for Square

As with most fast growth products, the Square story starts with addressing a widespread need with an effective solution that completely reimagines small business payments. Before Square, it was illegal for non-registered merchants to accept credit card payments. Registering was a costly and difficult process that most small business owners couldn't afford.

These business owners struggled with the reality that while most people carried plastic instead of cash, the costs and complexity of credit card processing made it impractical to accept credit cards.

"Jim McKelvey (cofounder of Square) was in an art fair and couldn't sell a piece of glass because he couldn't accept a credit card; so that was $2,000 lost." – Jack Dorsey

Whether it was a local hot dog stand owner trying to increase profits, a college sorority fundraising for their organization, a philanthropic organization raising money for a good cause, or a politician raising money for their campaign, these groups often had no way of accepting credit card payments and relied solely on people carrying cash, which limited fundraising efforts and sales.

Early Traction

There is not much public information available on the early traction of Square, but Jack Dorsey's own personal profile (as Twitter cofounder) cannot be understated when it came to attracting early customers and investors. Dorsey created a list titled, "140 Reasons Why Square Will Fail", which he distributed to potential investors of Square.

The list included counterpoints to each objection, which informed investors that he was prepared for any possible obstacle the new startup may face. "140 Reasons Why Square Will Fail" also served as a clever strategy to acquire new interest.

While Dorsey's celebrity helped gain early tech press and investor notice, Square was designed to unlock credit card payments for the average small business–not the avid TechCrunch reader. To that end, Jack Dorsey's celebrity is less important to lasting growth, compared to the obvious early benefits.

Dorsey also promoted his product through demonstrations held with potential vendors and investors of the company showing just how easy it was to use the product. By following the Apple iTunes/iPod model of developing an integrated hardware and software solution, Square was able to create a system that was easy to use, elegant in its design and completely new and remarkable from the other solutions on the market.

By reimagining what it meant to take credit card payments, Square was able to catalyze word of mouth while unlocking untapped markets for new customers.

Despite early challenges, including questions about security, Square began to build credibility and momentum through partnerships with industry leaders and glowing reviews from users and reviewers alike. With high profile partnerships from Apple—where the company stocked and sold its reader for $10 in every store—to a strategic investment from Visa, Square showed their audience and the market that they were a serious new entrant with a product that brands they already trusted believed in. This gave Square the bonafides needed to make the leap from techset darling to a must-have for small businesses hungry for a solution to a long-unmet need.

Looking back at early traction it’s clear that there were 4 factors that drove growth:

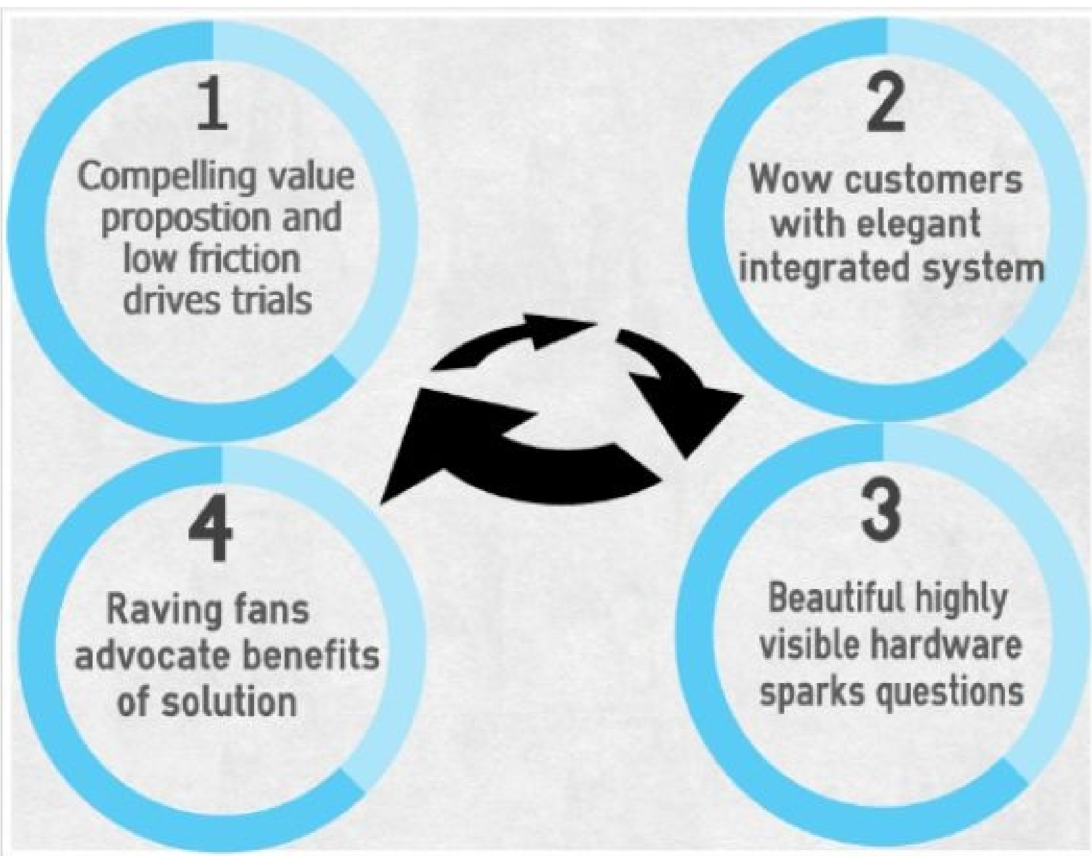
- An elegant hardware/software solution that reimagined the payment processing space, similar to Apple’s iTunes/iPod approach to digital music.
- A business model that made payments accessible to small businesses who were previously shut out due to price and application process.
- Early tech excitement based on Dorsey’s public profile to drive initial awareness.
- Strategic partnerships that drove distribution and credibility fueling growth among their target customers.

Breaking Down Today's Growth Engine

As Square has matured their growth engine has evolved. You don't reach a $3.25 billion valuation on the back of any one hack. And sustaining growth tends to move away from early traction efforts to a more conventional marketing approach.

Square's growth, however, continues to be driven by the core components of their hardware/software system, and their ability to continually innovate to make payments easier and more accessible for both consumers and small businesses alike.

Square's growth engine can be summarized at a high level by the following four components:



Compelling value proposition and low friction drives trials

Square solves a real problem that relates to the number one priority of their target customers – making more money. And they make it very easy and low risk to get started. Once a user activates an account on squareup.com, the company automatically ships out a free card reader to them within 7-10 business days. Signing up is hassle free and quick with very little friction, which complements the company's goal to gain as many new users as possible.

An account with Square requires no contract, no monthly service fee, and doesn't require a merchant service fee. As an added bonus, the credit card reader comes with a redemption code that allows new users to redeem $10, which is deposited into their bank account after registering the device.

Compare this to the traditional payment processor model which required a detailed application, a phone call audit, and an expensive equipment purchase and/or lease.
The Square phone app can be downloaded for free, turning any phone into a reader. The app is practical and easy-to-navigate. Even for non-tech savvy small business owners, Square is a breeze to use. Square customers who have a hard time using their iPhone have no problem taking a payment.

Wow customers with elegant integrated system

Square delivers on the initial promise of solving small business credit card challenges and then goes on to wow customers with an integrated solution that includes beautiful reporting; much of the system solves needs the customer didn't even know they had (after nailing the obvious problem).

Square's applications for small businesses make it easy to setup and configure point of sale systems on an iPad, can provide rich insights to help business owners make the most of business opportunities, and help build loyalty through two-way communication between the business app and consumers using Square.

This integrated approach to payments goes far beyond just taking payments. Take business intelligence: Square gives small business owners access to data they never had before. What's the most popular drink on the menu? The busiest day? And other data that lets small business act more like big business.

Customer loyalty is another facet of the system. Square's Wallet allows users to buy from merchants who accept Square without having to physically take anything out of their pockets to pay (the app has all of the customer's credit card information saved). A customer can simply walk into the store, say his or her name, and the merchant can pull up his or her account profile and picture through geo-fencing technology.

This technology detects when a customer is nearby a merchant-enabled store. The app also features the ability to find location nearby that accepts Square and provides customers with information such as contact info, menus, coupons, photos, and reviews of said merchants. All innovations around payments to remove friction and delight their customers—business owners and shoppers.

Beautiful highly visible hardware sparks questions

Square spent the time and resources to make the hardware component of their solution interesting and even beautiful to the eye. Compared to other credit card terminals, it's a work of art.

This visible unique differentiator sparks conversations with customers. People naturally ask "Wow, what is that thing attached to our iPhone?" The experience of signing with your fingers and having the receipt mailed to you is convenient and amazing in itself. It's completely unlike any other way to pay.

The company keeps pushing forward with new technology such as the Square Register application which turns an iPad into a powerful, point-of-sale system. The app supports a traditional cash drawer and has the ability to print physical receipts with a compatible receipt printer—a smart evolution that acknowledges that cash still is an important part of small business commerce.

With each innovation in hardware, the striking style and attention to detail and remarkable experience continues the conversation and creates more visibility for the business. For example, the new Square Stand spins completely around so that the customer signs on the same screen that the clerk uses.

While efficient, it also creates a novel moment of surprise and delight as something completely unexpected from traditional purchase transactions. This delight creates goodwill, word of mouth, and customer satisfaction both for the store's customer and Square's.

Raving fans advocate benefits of solution

Business owners that are asked about Square are happy to rave about the product. It makes them look smart and hip to their customers and their peers. Square's hardware design elevates the small business brand and provides delightful elements to their own customers' experiences.

This positive word of mouth creates a flywheel of momentum for the business. And the more people that use and interact with the product, the more their ecosystem grows. More small business owners get the reader. Their customers download the Square app to make payments more seamlessly. Those customers tell other business owners to install Square, and the beat goes on.

As more people get added to the ecosystem their momentum gets stronger. New partnerships with companies like Starbucks will put Square in front of millions of new users, driving that flywheel ever faster.

When compared to Intuit or PayPal, both who recently released credit card adapters for iPhones, the positive word of mouth and delightful experiences that generate it are powerful barriers for competition to overcome.

The Remaining Pieces of Square’s Growth Engine

This article contains a lot of data interpretation and speculation about the engine that is driving growth for Square. Speculation creates debate and dialog, which are two of the main goals for these analyses. Our hope is that this document will will spark a rich discussion where we can further break down the publicly available information to build the definitive understanding of Square’s unique growth engine.

With your help, we’ll create the best case history of how Square grew, which will hopefully help future hardware entrepreneurs discover their own growth engine faster, leading to more successes for promising companies.

We hope that this analysis will help new hardware startups identify some of the levers that they can test in their own growth strategies. By going beyond the obvious nature of Jack Dorsey’s fame, to a more complete understanding of their systems thinking and credibility building with their target audience, we hope that hardware entrepreneurs will find takeaways and new insights that will fuel their growth.

LinkedIn’s Growth Engine: The Never Ending Viral Loop

In 2002, Reid Hoffman gathered a team of old SocialNet and PayPal colleagues to work on a new idea—a network that allowed professionals to find and connect with one another. Inspired by the defunct Six Degrees business network which rose to prominence in the late nineties and subsequently closed during the dot-com bust in 2000, Hoffman and team set out to build a new, lasting professional network based on identity and connections. [13] As Hoffman explains, he bankrolled the operation at the start to fund the development of the early LinkedIn platform:

“I already had money from PayPal, so I was financing the early portion of it. When there isn't capital in the bank, there is some anxiety over, ‘Is this thing going to fly at all? Are we going to get enough money to even to go to the venture capitalists?’ I personally bankrolled LinkedIn at the start, so that wasn't as much of a concern.” [2]

Just six months after the start of development, on May 5th, 2003, LinkedIn officially launched. After the first week, the site had registered close to 12.5K users. [1] Still, according to the company’s own numbers, growth was initially slow, and some days saw as few as twenty signups. [7]

Nevertheless, within four months, LinkedIn had hit the 50,000 user mark [1], and the company, behind the bonafides of its founding team and early promise, landed $4.7M in venture capital from Sequoia Capital in its first major financing round. [7] [12] Within a year of launch, they’d reached 500,000 users. [1] In 2006, just three years post-launch, they achieved profitability.
Then in 2011, eight years after their initial launch, LinkedIn became a publicly traded company. [7]

So how did LinkedIn grow from as few as 20 signups on some of those early days, to where they are today, almost eleven years later, as a publicly traded company with a market cap of nearly $18 billion, and a network of more than 225 million users from 200 countries and 4,800 employees? [8]

The Need for LinkedIn

When LinkedIn launched in 2003, online social networks—though great for dating and connecting with friends—were not efficient meeting places for business. Cofounder Konstantin Guericke explains:

> "There was an imbalance among those looking for jobs and those looking to hire, and between those with money to invest and those seeking funding. As a result, these kinds of people built screens around them and used trusted contacts as filters before communicating with others." [3]

A 2004 *Forbes* article sums up the site's core concept nicely, explaining that in the business world, "the most critical step towards finding a job, finding an employee or finding a business partner is getting a high quality referral." [3] Yet referrals aren't always easy to come by, especially because people typically have no way of knowing who their connections know. LinkedIn draws upon the theory of six degrees of separation—or, the idea that people are six introductions away from anyone they want to meet. [3]

As they've publicly acknowledged, the theory of six degrees of separation—the core concept informing LinkedIn—was not original to Hoffman and the team. Rather, it originated from Andrew Weinrich as the principle behind the networking site SixDegrees.com, which launched in 1997. Weinrich was granted a patent on the sixdegrees concept in 2001. Six Degrees grew to 3.5 million users before being sold, at the height of the dotcom boom, to Youthstream Media Networks for $125 million in stock.

Within three months, however, the site had been shut down, and it wasn't long after that until Youthstream was out of business entirely. Nevertheless, the concept behind the site had proven to be worthwhile, which is why LinkedIn, along with others, acquired the sixdegrees patent for $700,000 in 2003. It forms the basis of their IPO portfolio. [13][14]

Although they took their core concept from Six Degrees, LinkedIn differentiated themselves from the defunct site as well as other social networking sites popular at the time. Rather than letting users initiate contact with anyone and everyone (as was the case for Friendster, the most popular network at the time), LinkedIn users would be restricted to trusted connections that they knew personally or were referred to through others in their professional network.

This gated-connection system helped curb spam and unsolicited invites, making LinkedIn a safe place for sought-after executives like Marc Andreessen, Jerry Yang, and Pierre Omidyar [3] to participate without being inundated with unsolicited requests, while still allowing the site to function as a powerful tool for users to get introductions through their professional networks.

Initial Resistance/Challenges

But the beginning wasn't all rainbows and sunshine for LinkedIn. As Hoffman points out, the company was founded during an economic downturn, describing the mood in the valley in 2002 as "dot-com winter." [2] Discussing the ways in which they treated that challenge as an opportunity, Hoffman explains:

"I have a strong belief that starting businesses during an economic downturn is the exact right time to do it because it gives you runway. It's harder to raise capital, but if you can do it, it gives you an advantage." [2]

On top of those economic challenges, there was some initial resistance to the core concept of LinkedIn. When the site launched in 2003, Friendster defined online social networking, and Guericke says the common reaction to LinkedIn was something like,

> "Teenagers friending each other and trading pictures on social networks—sure! You want grownup professionals to friend each other over the web? This is too cute. Won't work." [4] People also felt they lacked the first-mover advantage: "Even if it does work, Friendster will just add a business section to the site and you'll be dead."

Not only that, but as we've already mentioned, user acquisition was initially slow. Despite these challenges, LinkedIn stayed focused on growth. Echoing LinkedIn's long-view approach, cofounder Allen Blue advised young companies, at a San Francisco growth hacker's conference in early 2012, not to panic and lose focus when early growth is slower than anticipated. "Unless you have a really good reason," he said, "Stick to your strategy." [6]

Gaining Traction by Focusing in on the Tech Scene

One way that LinkedIn overcame these challenges and gained traction was by focusing first on the Silicon Valley tech scene. Upon launch, the founders invited the professional connections they'd amassed via their previous work in and around Silicon Valley. Hoffman says of LinkedIn's launch, "We started slowly in the first few days because we wanted to make sure the systems worked. I think the 13 people associated with the company invited 112 people." [2]

Former LinkedIn employee Keith Rabois explains that, in particular, Hoffman chose to invite successful friends and connections, "recognizing that cultivating an aspirational brand was crucial to drive mainstream adoption." [1] Having the power players of Silicon Valley's dot-com successes on the network quickly increased the appeal of LinkedIn, making it a must-have for up and coming Valley workers who wanted to connect with potential investors and advisors.

Quora contributor Jacque Swartz, who's worked in and around Silicon Valley for forty years, was one of the first 100,000 LinkedIn members. He explains:

> "[LinkedIn] was by far the best place to find knowledge and resources related to technology. The early responses to queries were astounding. We were a community and we took the time to help one another. At the scale when I joined, few were inundated with requests and nearly everyone actually did know their connections well." [1]

As more and more members of the tech community joined LinkedIn, the network effect took hold, and the site became *the* place to connect and access resources. It also made it easier to stay in touch with established connections, as before LinkedIn, frequent job changes common among startup talent in the Valley meant losing touch because of changing email addresses and phone numbers.

In many respects LinkedIn solved the classic chicken and egg problem of a network effect business by localizing the network to achieve critical mass around the Silicon Valley audience. Much like Facebook did five years later by constraining network growth to a single school, or Uber did a decade later by launching in one city at a time, LinkedIn kickstarted their network effects by tapping into a local population where it could reach critical mass.

This critical mass creates the utility needed in network businesses to create the high-quality must-have experience that breeds both user loyalty and word of mouth. By tapping local business heroes, LinkedIn was able to spark growth and make it a must-have network for Valley employees. From there it spread outward through the connections of the people on the platform.

Freemium

According to some sources, LinkedIn kicked off their monetization efforts with Adbrite ads in mid-2004. The returns on these ads were insignificant [15], however, and it wasn't until 2005 that LinkedIn launched three more lucrative revenue streams: job listings, subscriptions, and advertisements. [2] It's no coincidence that they achieved profitability in 2006. Guericke says of LinkedIn's subscription model:

> "The one thing that I feel is important, and it's probably not a good objective business decision, but I think as an entrepreneur I find it much more satisfying if I know certain users pay for my product. I feel like I've really created something of value. If all I create [is] something lots of people look at, and then advertise—let's say I have a social network site and it's all free but Gap sells t-shirts on it—it basically means Gap can figure out how to get money from these users, but I as an entrepreneur can't. It's kind of depressing, isn't it?" [4]

Hoffman confirms that LinkedIn hadn't originally considered doing advertising, but goes on to explain:

> "Two things persuaded me to launch advertising as well. One of them was that our demographic was so good. The second one was that we began to realize we could build unique business products." [2]

Thus, rather than relying *exclusively* on ad revenue, LinkedIn has used ads in conjunction with other revenue streams, such as the freemium subscription model, quite successfully. Hoffman says:

> "We figured [subscriptions] would help us get to profitability fast: We launched subscriptions, which was enhanced communications and search capability. People need to talk to people they don't already know in order to get the job done. That's the plural majority of our business today." [2]

Thus, LinkedIn monetized its key asset, offering subscriptions as a way to make connecting with others easier. It's still free to sign up for LinkedIn and use the site's most basic features such as creating a profile and connecting with professional contacts through referrals. However, LinkedIn Premium—which offers special packages for businesses, recruiters, job seekers, and sales professionals—boasts increased functionality and advanced features that vary from package to package.

Among other things, standard LinkedIn Premium can contact people outside their networks via InMail messaging; the Sales Professionals package boasts access to full profiles for everyone in users 1st, 2nd, and 3rd degree networks; Job Seekers are given top-of-the-pile status for the resumes; and Recruiters get a specially-designed workflow and search functions.

Though complicated, this tiered subscription system ensures that the many different types of users that engage with LinkedIn have a Premium package tailored to their specific needs at a price point that makes it affordable.

The most basic LinkedIn Premium packages—“Business,” “Job Seeker Basic,” and “Sales Basic”—are less than $20 a month (Sales Basic is just $16/month), billed annually. The biggest package, “Recruiter Corporate,” runs $719.95 a month.

The Value of Active Users - “It’s Easier to Focus on a Strength than Improve a Weakness.”

At a 2012 Growth Hacker’s Conference, LinkedIn’s Elliot Shmukler gave a talk on “Lessons Learned While Growing LinkedIn from 13 to 175 Million Users.” According to Shmukler, LinkedIn learned that “it’s easier to focus on a strength than improve a weakness.” [9] Shmukler provided the following numbers, representing the growth channels that LinkedIn focused on improving in 2008: email invites and signups from homepage views.

Email Invitations: 4% 25.000 -> 7% 44.000 (+19.000) took 2 years
Homepage Views: 40% 50.000 -> 50% 63.000 (+13.000) took 4 months [9]

Driving 40% of signups, the LinkedIn homepage was already a clear strength for the company, whereas email invitations, accounting for just 4%, were a clear weakness.

Their data indicated that people who arrived at the site organically visited, on average, thirty pages per session, while people coming through an invite visited, on average, just ten pages per session. They drew the conclusion that invites were not attracting highly engaged visitors, and therefore not a channel that would be a big success regardless of how they grew it. In other words, email invites were not one of their strengths when it came to driving growth.

Understanding that LinkedIn was already doing a good job with users arriving to the homepage organically, they chose to double down on this group—since they were already the more engaged segment—by removing as much friction as possible from their user experience. [5]

This was clearly a smart move on LinkedIn’s part. LinkedIn was able to grow in four months almost the same number of signups from homepage improvements as they did over two years of email invite optimizations. Of course a near doubling of the effectiveness of email invites is nothing to look down your nose at; but these numbers do indicate that when looking for big gains in a relatively small timeframe, focusing on improving strengths presents a more powerful opportunity for growth.

Another example of playing up strengths comes from LinkedIn’s “Who’s

Looked at Your Profile" emails. The emails had a 5% click-through rate (CTR) for inactive users, but a 20% CTR for active users. Rather than trying to woo inactive users, LinkedIn chose to once again focus on their strengths, making the emails more appealing to active users by testing subject lines, copy, and formatting. [5] Shmukler sums up the core concept behind this, explaining, "It is easier to get an active user to do a lot more than to get an inactive user to do anything." [9]

Growth First: Virality

But the value of active users isn't just in their engagement—active users also play a critical role in both reactivating inactive users and bringing in new ones, making virality one of the biggest keys to LinkedIn's growth.

It's easy to understand why. A network of professional contacts is only as valuable as the richness of the results when you're searching for a connection. In order to make LinkedIn the de facto professional network Hoffman knew they needed to get as many people on the site as possible.

Hoffman claims, "2003 was all about tuning and viral growth." He continues:

> "We had this initial challenge of, 'How do you get a million people?' The first challenge was getting enough people so that functions like searching for people or sharing information had enough people in it to be valuable." [2]

Early employee Josh Elman credits the Double Viral Loop for LinkedIn's early growth. This virality wasn't arrived at by accident, but actively tweaked, tested, and encouraged. [16] As former LinkedIn employee Keith Rabois echoed this sentiment on Quora, explaining, "LinkedIn also intentionally deferred any features related to revenue or engagement until after the growth path was established, which took nearly 1.5 years." [1]

So what exactly did they do to encourage this virality? The more apt question might be, what *didn't* they do?

For starters, they tested everything. From the number of friends new users were asked to invite to the invitation messaging, the company worked to find the winning combination that converted the most invites to new users. For example, they found that four was the magic number of default email fields for the invites page—any less, and people simply skipped over them; any more, and people got overwhelmed. Similarly, the seemingly "throwaway" line at the end of the LinkedIn invitation copy below was shown to result in more invites sent by new users:

> "So I found you while I was looking around the network. Let's connect

> directly, I’m happy to help you with requests and forward things incoming. **It will probably make both of our networks bigger.**” [16]

Elman refers to this as inception, or planting the idea of why your product is going to be useful or meaningful to users before they ever even sign up. As Elman explains, these combined efforts led to a decent but slow level of virality, or a single viral k factor.
The vast majority of users had a single connection—meaning they had accepted an invitation but not gone through the steps to connect with or invite anyone else. Less than 25% of new users actually went through the process of typing in email addresses to invite new users.

It’s at this point that LinkedIn began dabbling in the concept of contact importing, something that’s commonplace now but was pretty novel in 2004. At this point in time, the concept of typing in your email and password and letting a website sift through your contacts was new and furthermore most people didn’t even have contacts in their webmail clients.

To account for these challenges, LinkedIn built an Outlook plugin that could be installed and mined a user’s Outlook contacts for them. Though the process was certainly laborious by today’s standards, it was still a vast improvement over manual entry. As many as 7% of users uploaded their address books, and the number of invitations sent increased by more than 30%.

Though virality was certainly on an upswing, most users still had just one connection, and it took receiving 3.2 emails on average before a person would actually register for LinkedIn. It was at this point that LinkedIn decided to leverage what information they did have an excess of—current position.

When people signed up for LinkedIn they were asked about their current company and title, and over 90% of people answered this question. This information was used to engineer what Elman calls the Reconnect Flow.

With the Reconnect Flow, once new users signed up, they were immediately presented with a list of people at their current company already on LinkedIn and the question, “Who do you know?” Connecting was as simple as going through and checking boxes.

After a bit of success from this feature, LinkedIn went back in and added another question into the new user flow, this time asking where they used to work. Again, new users were presented with another list of potential connections from their former companies.

The genius behind the Reconnect Flow is that it not only allowed users to connect with contacts, but it also built out the new user's profile—every piece of information entered was listed as part of their work experience. Furthermore, as more people joined and sent invitations to connect, current (though perhaps unengaged) users were brought back to the site—at which point they too were prompted to invite and connect with others.

These efforts combined to increase LinkedIn's virality in a big way. Pageviews increased 41%, searches increased 33%, and there were 38% more positions listed on profiles. And despite the fact that the invitation function was moved to a much later point in the new user flow, invitations still increased by 16% as well.

The process above is what Elman cites as giving LinkedIn the Double Viral Loop. New users invite more new users and also engage old users (who go on to invite new users themselves.) Two viral loops happening at once—brilliant. [16]

Though this relentless testing and tweaking of flows helped LinkedIn to establish viral growth, they haven't stopped improving the registration and invitation process. For starters, the aforementioned Address Book Uploader has also been simplified and streamlined as more and more people have switched exclusively to webmail.

The Endorsements feature, which debuted in September 2012 [17], is yet another way that new and active users can reactivate their unengaged connections. Though people question its value to users, for LinkedIn it's a boon. When compared to costlier solutions like paid ads and email campaigns, relying on virality to re-engage inactive users is both less expensive than paid ads and far more effective than reactivation emails from the company.

Search Visibility

In 2006, the same year that LinkedIn introduced Recommendations and People You May Know, the company debuted one of its most talked-about growth hacks—public profiles. [7] Much like the Address Book Uploader, this seems commonplace now, yet before LinkedIn made user profiles public, it was exceedingly unlikely for real people to show up in organic search results.

Making profiles public created big traffic and acquisition gains for LinkedIn. Profiles showing up in search results put LinkedIn in front of more and more people. Plus, once people clicked into the site from search, they had to then sign up for LinkedIn before they could connect with the person they were searching for.

Not only that, but public LinkedIn profiles made having LinkedIn that much more desirable for users who were hoping to up their profile. The site's natural weight in Google results put user profiles quickly at the top of results for name-based searches in Google. In addition to connecting with people via the site, they could reach people who didn't even use the site thanks to search.

The key to pulling this off, however, was gaining enough initial growth for public profiles to actually make an impact, which is why the company waited until they'd reached 2 million users before they began indexing user profiles. [19]

Due to privacy concerns, the company faced some criticism for making this move, and LinkedIn made it possible for users to hide their profile from Google search or limit the amount of information available on their public profile—the view seen by people who aren't connected to a user.

Early Pivots

Hoffman explains, "I'm a huge believer in getting a million people, getting them engaged, and then building a business model on top of that. I knew I wasn't planning on really trying to work on a business model until later." [2]

Indeed, one of the driving forces behind LinkedIn's growth has been the company's ability to realistically assess what's working and what isn't, and to adjust their approach accordingly. For example, the site's early privacy controls severely impacted the usability of the site by making it impossible for users to see how many degrees separated them from someone they wanted to connect with—after all, an introduction via a common acquaintance is much more likely than an introduction that requires five or six people. Within months of their launch, LinkedIn resolved this issue by making degrees of separation visible.

Another way the company improved the site's usability early on involved improving the search function. The company's original assumption was that LinkedIn would be used primarily to search for and make new connections, so it was possible to search for things like titles and skills, but not names.

Yet, as it turned out, people wanted to use LinkedIn to make new acquaintances *and* keep in touch with established ones, so the company modified the site's search function to work with names.

LinkedIn also launched the Address Book Uploader, which allowed users to see which of their contacts were already on LinkedIn, as well as invite those who weren't. The Address Book Uploader had a twofold advantage: not only did it improve the site's user experience, but it increased signups via referrals sent by users. Guericke explains:

> "I think it's key to learn very quickly what you missed. But not just to do what the user asked, which would have been the name search, but to say like, okay, ... now we want to do the address book upload and show you right away these are your contacts who are already on LinkedIn." [4]

Rather than merely adjusting the search function to include names, the addition of the Address Book Uploader immediately solved the problem that new users were trying to solve for in a way that they didn't know to ask for.

Today’s Growth Engine

Of 2012, A Brief History of LinkedIn says:

“Project Inversion and a completely re-architected site enabled an unprecedented pace of product innovation and transformation — of the site and the company, which focused on three concepts: simplify, grow, everyday.” [7]

Acquisitions

The company’s activities that year (and the one that followed) definitely embody those three concepts. In February of 2012, LinkedIn acquired the Gmail plugin Rapportive, which lets users connect with their contacts on LinkedIn right from Gmail and displays their most recent social networking updates, for $15M cash. [11] This extended the ability to build LinkedIn connections from the site to user’s primary online productivity tool—email.

Just three months later, in May of 2012, LinkedIn acquired SlideShare, a platform for sharing professional content like presentations and business documents, for $119M. In the press release announcing the acquisition, LinkedIn CEO Jeff Weiner said:

> “Presentations are one of the main ways in which professionals capture and share their experiences and knowledge, which in turn helps shape their professional identity. … These presentations also enable professionals to discover new connections and gain the insights they need to become more productive and successful in their careers, aligning perfectly with LinkedIn’s mission and helping us deliver even more value for our members.” [9]

With more than 9 million presentations and around 29 million monthly uniques at the time of acquisition [9], SlideShare represented real growth for LinkedIn. Less than a year later, in March of 2013, LinkedIn acquired popular news reader Pulse for $90M, claiming their goal was to make LinkedIn:

> “the definitive professional publishing platform – where all professionals come to consume content and where publishers come to share their content. Millions of professionals are already starting their day on LinkedIn to glean the professional insights and knowledge they need to make them great at their jobs.” [10]

This acquisition in particular fulfills the third concept mentioned in *A Brief History of LinkedIn*—everyday. When looked at as a whole, these three acquisitions—Rapportive, SlideShare, and Pulse—are part of a larger effort on LinkedIn’s part to become more than a site where people go to find jobs and hire people.

Content

Perhaps the most significant concept is *everyday*, and this seems to be the biggest of the driving forces behind LinkedIn's future growth engine, even as the aforementioned forces—in particular, subscriptions and virality—continue to play a major role.

LinkedIn Today

Launched in 2011, one of the company's biggest nods toward the concept of *everyday* is LinkedIn Today—which offered users a way to "cut through the clutter" and stay in-the-know without having to juggle multiple websites, blogs, tweets, and newsletters. [18]

LinkedIn today worked by culling news from the articles that a user's coworkers and connections are sharing, those their industry peers are sharing, and those that are gaining attention across other industries. Users also have the option of following industries outside their own that they may be interested in or affected by.

The service also allowed users to see what their connections were reading and who had originally shared the articles featured in LinkedIn today. There was also a social component to the service; in addition to merely reading articles, users could share and comment on them as well. Along with the desktop component, LinkedIn Today launched as part of the LinkedIn iPhone app, allowing users to read and save articles on the go. [18]

Though LinkedIn Today still exists as a separate entity at http://linkedin.com/today, the feature is now handled via Pulse, and it has been somewhat integrated with the news feed on each LinkedIn user's homepage.

LinkedIn Influencers

One of the biggest limitations of LinkedIn Today was that is was merely a news aggregator. Though engaging and convenient, there was no original content. For this reason, LinkedIn launched their Influencer program in October 2012. The idea was simple—select "thought leaders" to create and share content directly with users, exclusively on LinkedIn.

Influencers include the likes of Richard Branson, Jack Welch, and Arianna Huffington, and users can follow these thought leaders without being connected to them. As with earlier LinkedIn Today content, these articles can be read, liked, shared, and commented on within LinkedIn.

With hundreds of Influencers as of this article's publication, the program has been hugely successful for LinkedIn. On average, an Influencer post receives close to 30,000 views, with some receiving more than a million and as many as 2 million. We've already touched on LinkedIn's diverse user base, and that diversity is reflected in the Influencer audience as well—22% of Influencer followers are entry-level professionals, and 49% are director-level or above—for which Hubspot cofounder and LinkedIn Influencer Dharmesh Shah credits the diversity of the Influencers themselves. [19]

Shah explains that while most media sites must narrow their focus to a specific audience, this isn't the case with LinkedIn. He goes on to claim:

> "The customizable nature of LinkedIn Today – due to the ability of users to follow selected Influencers as well as to focus on specific topics, industries, etc – means that LinkedIn Today can be (almost) all things to all people, because every person gets to decide 'what' his or her LinkedIn Today delivers." [19]

Shah goes on to refer to the Influencer program as "one of the smartest inbound marketing campaigns I've ever seen"—which means quite a bit coming from the guy who literally wrote the book on inbound marketing and helps run the inbound marketing powerhouse HubSpot. Shah, the sixth most popular Influencer at the time, explains that in less than a year of writing as an Influencer, his posts generated 3.7 million views for LinkedIn; the top three Influencers together had generated 18.8 million views.

The key is that Influencers program isn't just good for LinkedIn—it's good for the Influencers themselves, which is why they're so willing to spend their limited time creating content for the site. Shah explains that, in contrast to his popular personal blog, where posts get on average 5,000 to 10,000 views, his Influencer posts on average garner 123,000.

Through smart acquisitions and features such as LinkedIn Today and Influencers, the site is quickly becoming the *everyday destination* they want it to be.

Mobile

Mobile has been a huge driver for the company, and LinkedIn has kept pace with general mobile adoption through a series of apps, mobile sites and products designed for the mobile user experience.

As Jeff Redfern, VP of mobile product at LinkedIn, puts it, “We’re becoming a mobile company. We’re going through this metamorphosis. We started as a caterpillar and we’re going to exit this as a butterfly.” As of February of this year, a full 41% of LinkedIn traffic was coming from mobile—up from 38% the previous October. [20]

Here’s how they’ve managed that change.

In early 2008, LinkedIn launched an iPhone-optimized mobile site at m.linkedin.com. Complete with international versions in French, German, Spanish, Japanese, and Chinese, this beta site included basic LinkedIn features like profile search, contact research, invitations, and network updates, along with promises for expanded features like LinkedIn Answers and LinkedIn Experts in the near future. [22]

In 2011, the company retooled the mobile user experience on both native Apple and Android apps, along with a new HTML5 mobile site. They explained via the LinkedIn blog, “LinkedIn Mobile page views have grown more than 400% year-over-year, making it the fastest growing consumer service on LinkedIn.” [23] The new mobile apps were redesigned around what had become their most popular mobile features—updates from connections and LinkedIn Today; the inMail inbox; each user’s own profile and updates; and groups.

Then in October 2013, LinkedIn announced the launch of a new app called LinkedIn Intro, which leveraged the technology acquired with Rapportive earlier the previous year. In many ways, LinkedIn Intro was pretty groundbreaking—an app designed to bring the power of LinkedIn, and the technology of Rapportive, straight to the iPhone’s Apple Mail app. Users were able to see LinkedIn profiles in the iPhone Mail app.

For example, when an Intro user receives an email from someone they don’t know, the users sees more than just an unrecognized email address—they also see a snippet of that person's LinkedIn profile, complete with photo, company, and position. Tapping on the snippet provided more information—location, education history, mutual connections, past and current occupations, and of course the ability to connect on LinkedIn. [21]

Just four months later, in February 2014, in a blog post titled "Doing Fewer Things Better," the company announced they were shutting down Intro, along with Slidecast and support for certain versions of the LinkedIn mobile app. Nevertheless, many speculate that the end of Intro had more to do with security concerns than anything else, as Intro worked by routing emails through LinkedIn's servers, scanning them for certain types of content, and temporarily storing users' email account passwords. [24]

Despite the Intro hiccup, LinkedIn has cultivated a thriving and multi-pronged mobile web presence, with not one but four mobile apps—LinkedIn Phone, LinkedIn iPad, Contacts, and Pulse. While the first two are fairly straightforward apps, Contacts and Pulse serve as a bit more of an extension of the site's current functionality.

Contacts not only stores contact information, but it provides job change and birthday alerts and stores relationship history that is, in the company's own words, "available at moment's (or a meeting's) notice." The Pulse app, by contrast, is yet another extension of LinkedIn's shift toward *everyday*, allowing users to choose from thousands of sources to create a custom news feed, explore trending content, and share with their networks.

The LinkedIn Growth Story

The LinkedIn growth story is an instructive one, because it provides us with a look at a very successful company from start to public offering. It’s clear that LinkedIn understands and values growth on all levels and is willing to experiment with a variety of growth strategies to find what ultimately makes the platform as valuable to as many users as possible.

With the growth in mobile, acquisitions, and content, LinkedIn has continued to evolve from its original mission but has kept the primary value of the experience intact, something that is not easy to achieve. As LinkedIn continues to grow, their need for finding new upside at scale will continue to push them to innovate, acquire and rethink how users use LinkedIn. As more mobile-first millennials come into the workforce, LinkedIn will be tasked with addressing the needs of a changing workforce to remain relevant and growing.

There’s a lot to cover in the 12 years since Reid Hoffman began building LinkedIn. What did we miss? What key factors would you add to the LinkedIn growth engine? And what’s next for them?

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