

Beyond Marketing and Sales

How to startups gain and maintain traction

Workshop for the Startup Autobahn

Prof. Dr. Nils Högsdal,

HdM – Stuttgart Media University

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STARTUPAUTOBAHN
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Learning Objectives

- Understand the “Valley of death” 90% of all startups experience
- Understand how to cross the chasm
- Understand the concepts of entrepreneurial marketing, growth hacking and „traction“
- Use the „Traction“-Framework by Gabriel Weinberg and Justin Mares
- Understand the pros and cons of the 19 traction channels and navigate them as your startup grows with the bull’s eye framework

Overview

- Vertrieb and Marketing
- Customer relationships
- Growth Startup Marketing
- Leverage Traction across Customer Relationships and Sales Channels

Prof. Dr. Nils Högsdal:

Academic career



- Studies of Business Administration at the University of Tuebingen and Texas A&M University 1993-1999
- Ph.D. student at the university of Tuebingen from 1999 – 2004 (full time until 2000)
- Various teaching assignments from 1997 onwards
- Design of a number of management simulations with a focus on Entrepreneurship
- Accepted a full-time professorship at Hochschule der Medien (Stuttgart Media University) in 2012
- Focus of research: Lean Startup and Management Wargaming

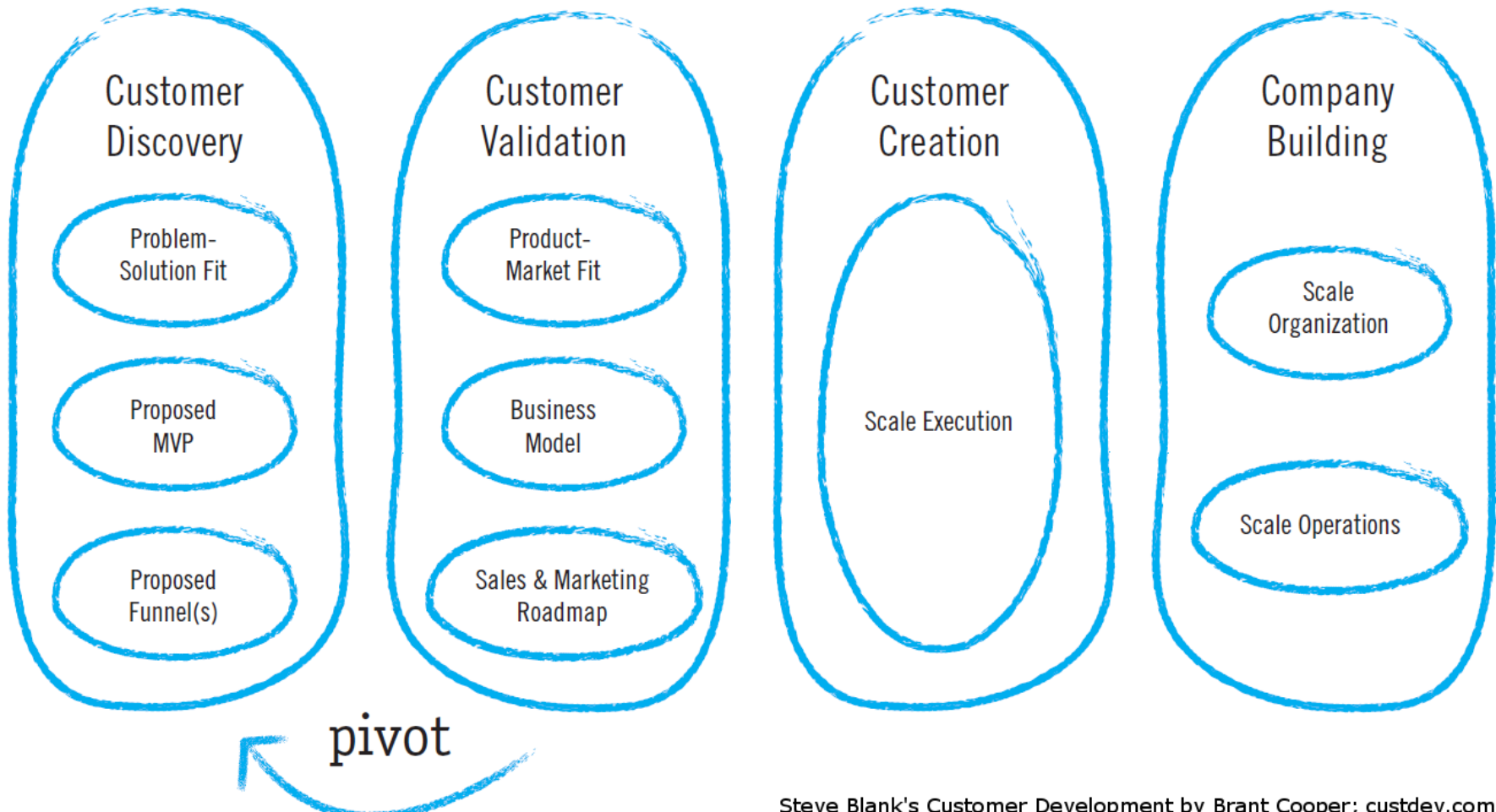
Prof. Dr. Nils Högsdal: Entrepreneurial Experience



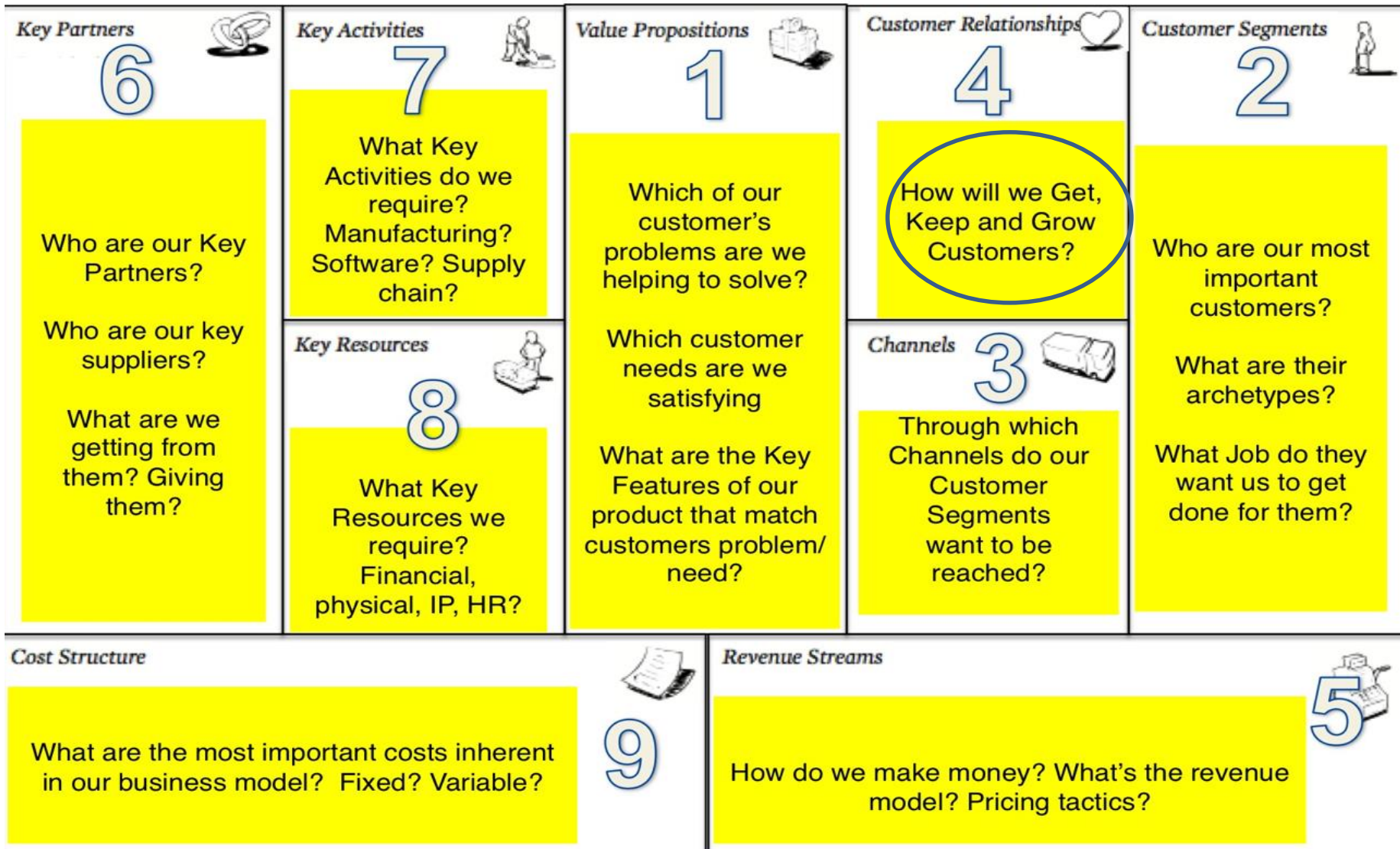
- An Entrepreneur having
 - Asset Deal and new venture (1999)
 - Growth with a strategic Investor (2001)
 - Internationalisation with a new strategic Investor (2005)
 - Exit as a shareholder (2008)
 - Professor for Corporate Finance & Entrepreneurship (2012) at der Hochschule der Medien in Stuttgart
 - New „Master in innovative Entrepreneurship“ together with the (Technical) University of Stuttgart
- Coach and Investor for startups
- Inventor of the German High-School competition „Jugend Gründet“
- Regular trips to Silicon Valley

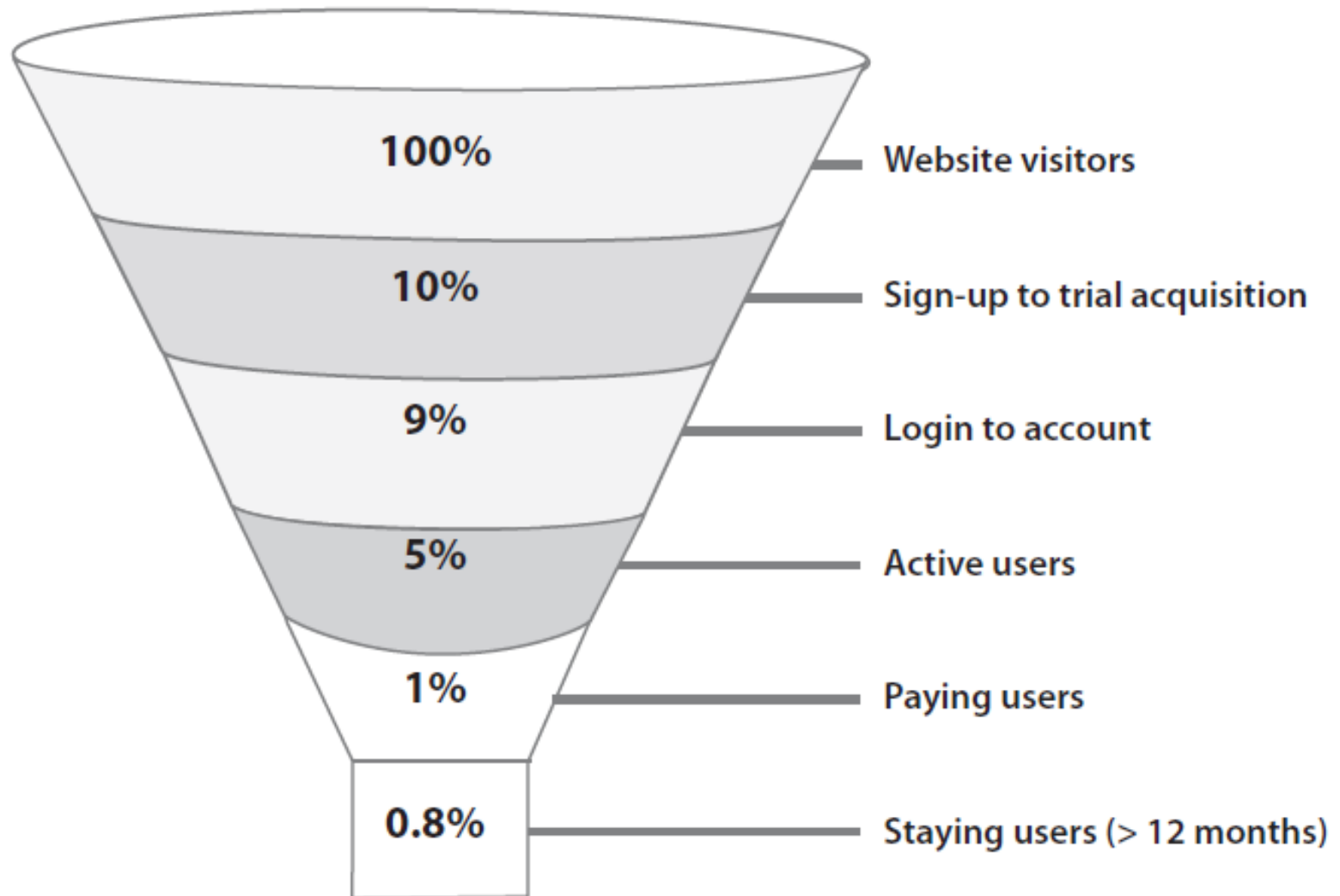
1. SALES AND MARKETING

Customer Development is *how you search* for the model



Back-up: Business Model Canvas

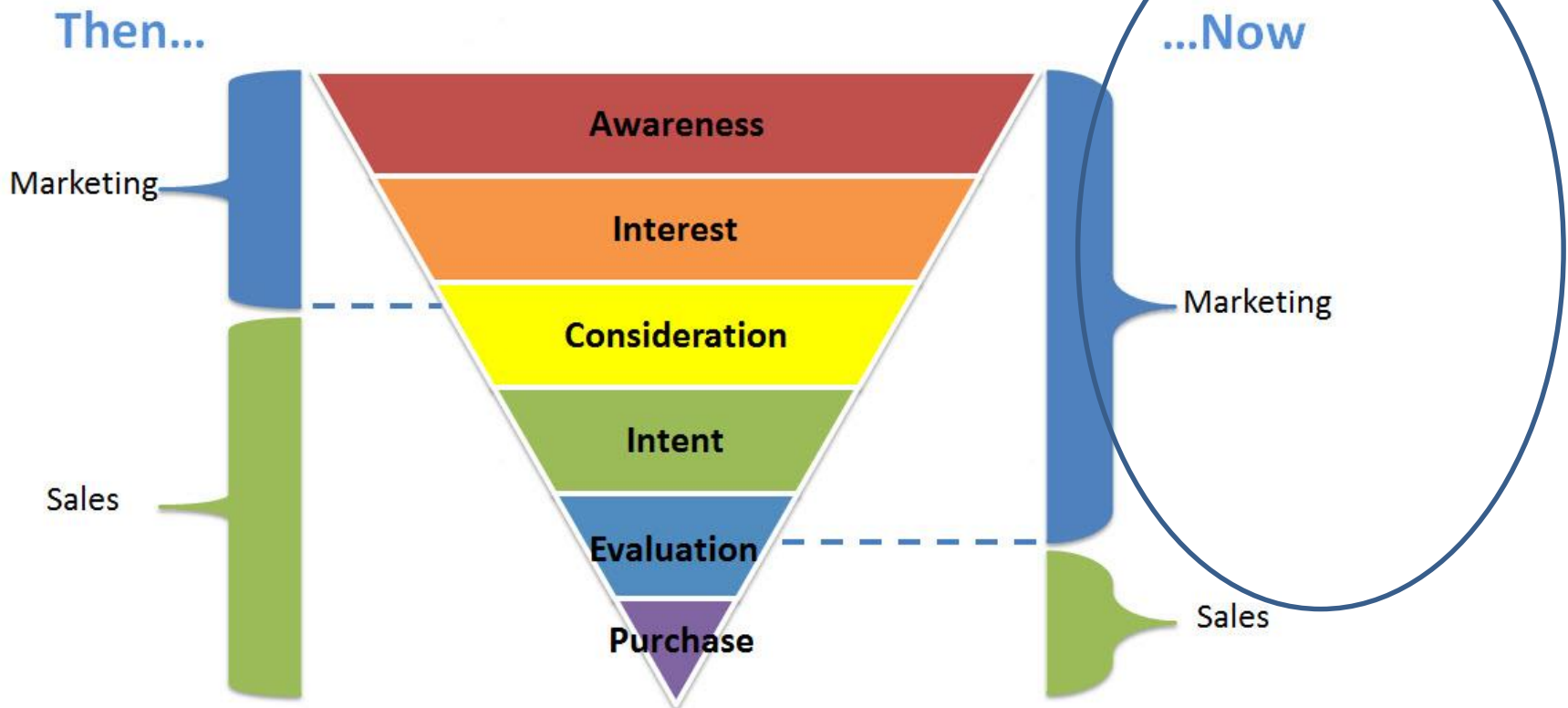




Example of a Simple Activation Funnel (Figure 9.9)

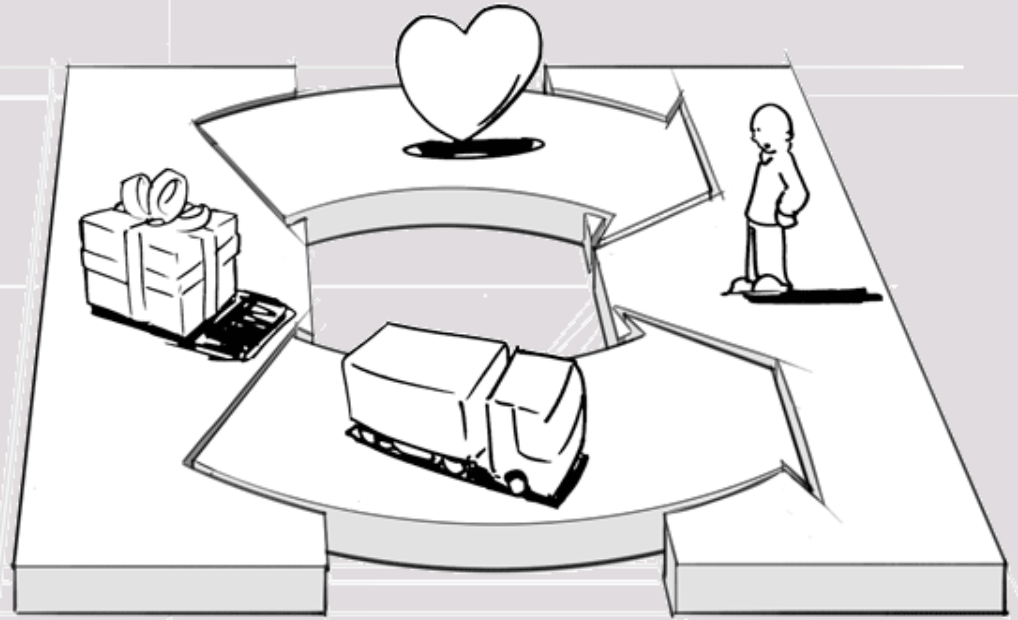
Sales as a process by Steve Patrizi

The New Marketing & Sales Funnel



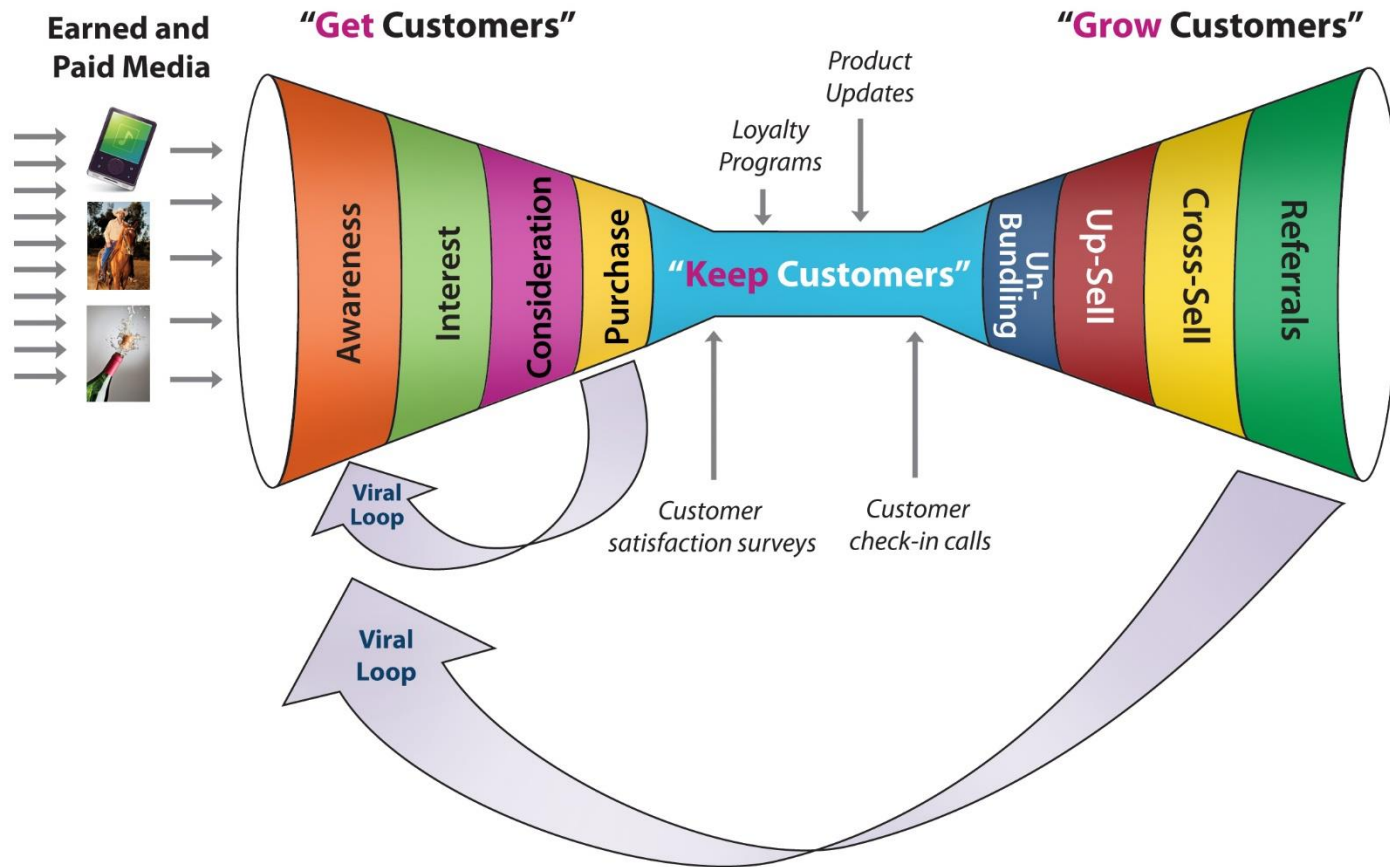
2. CUSTOMER RELATIONSHIPS

CUSTOMER RELATIONSHIPS



what relationships are you establishing with each segment?
personal? automated? acquisitive? retentive?

Understanding the Sales Funnel



Tools in the process

	Physical Channels	Web/Mobile Channels
GET customers (demand creation)	<p><i>Strategy:</i> Awareness, Interest, Consideration, Purchase</p> <p><i>Tactics:</i> Earned Media (pr, blogs, brochures, reviews), Paid Media (ads, promotions), Online tools</p>	<p><i>Strategy:</i> Acquire, Activate</p> <p><i>Tactics:</i> Websites, App Stores, Search (SEM/SEO), email, Blogs, Viral, Social Nets, Reviews, PR, Free Trials, Home/Landing Page</p>
KEEP customers	<p><i>Strategy:</i> Interact, Retain</p> <p><i>Tactics:</i> Loyalty programs, product updates, customer surveys, Customer check-in calls</p>	<p><i>Strategy:</i> Interact, Retain</p> <p><i>Tactics:</i> Customization, User Groups, Blogs, Online Help, Product Tips/Bulletins, Outreach, Affiliates</p>
GROW customers	<p><i>Strategy:</i> New Revenue, Referrals</p> <p><i>Tactics:</i> Upsell/Cross/Next-Sell, Referrals, (maybe) Unbundling</p>	<p><i>Strategy:</i> New Revenue, Referrals</p> <p><i>Tactics:</i> Upgrades, Contests, Reorders, Refer friends, Upsell/Cross-Sell, Viral</p>

“Grow Customers” Tools for Web/Mobile Channels (Table 4.4c)

Do We Know Who Our Customers Are and How to Reach Them?

- Can you draw a customer archetype for each of your key customer segments?
- Does it clearly point you to places where you can find them?
- Can you draw a day in the life of a customer so you know how to pitch the product to him?
- Did some segments respond better, faster, or with larger orders than others?
- Did any new segments emerge, or should any be eliminated?
- Do customers recognize big improvements in a “day in the life” of users?
- Do you know what your customers read, trade shows they attend, gurus they follow, and where they turn for new product information?
- Can you draw your channel map, showing how the product moves from your startup to its end user, along with the costs and marketing/sales roles of each step in the sales channel?

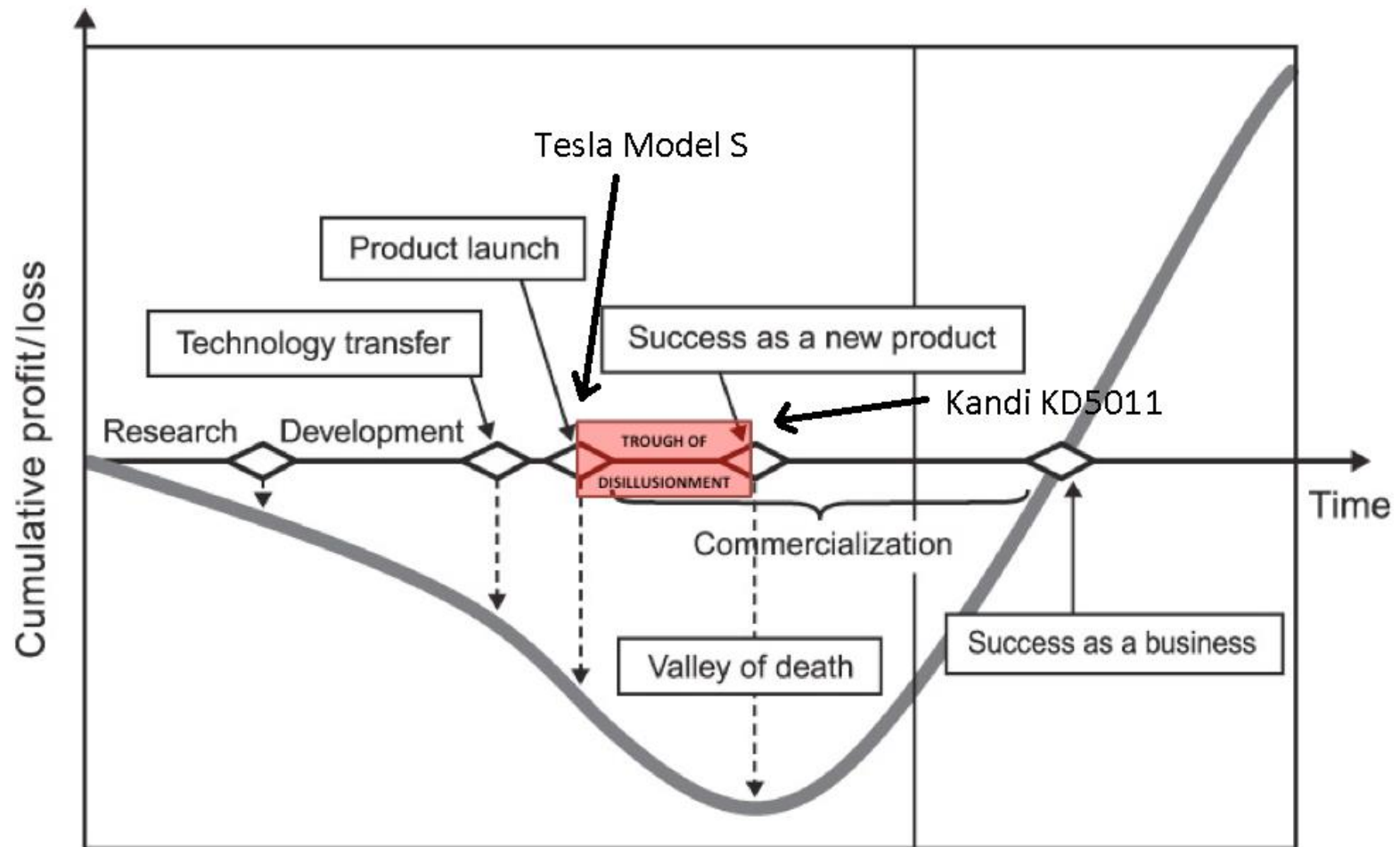


Key Metrics and concepts

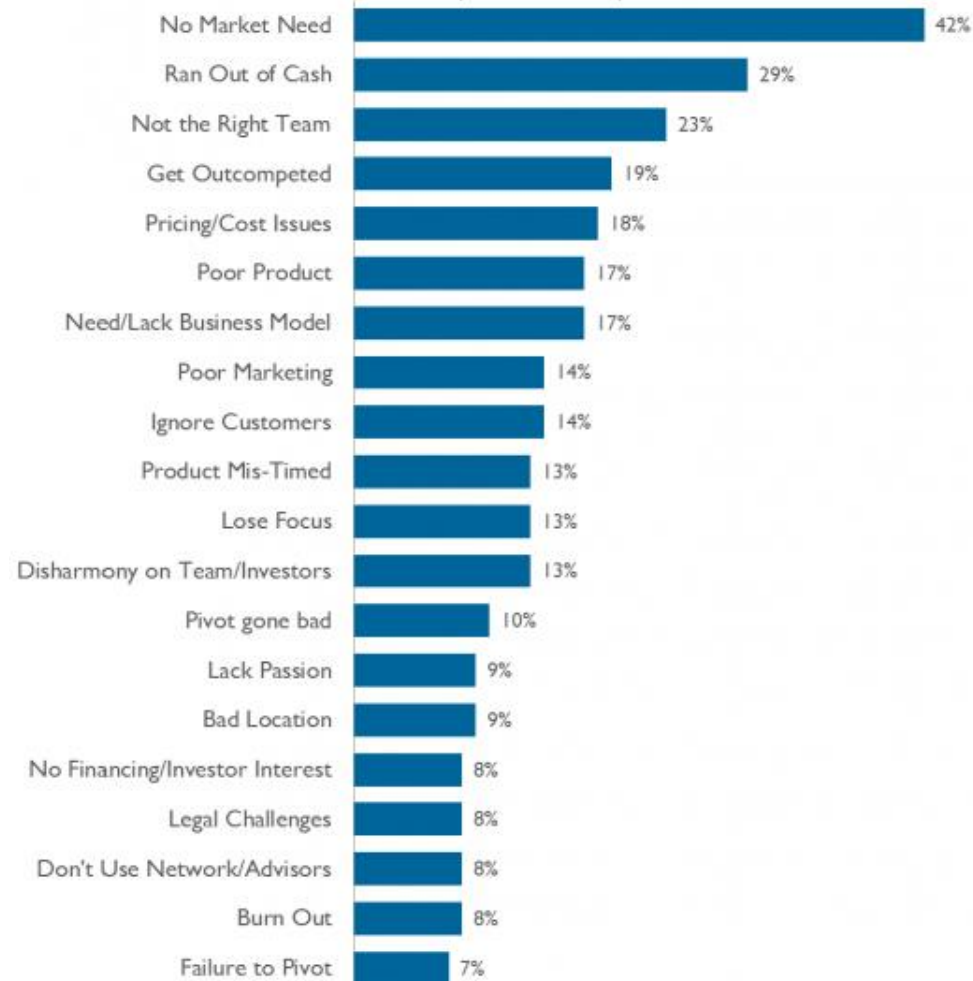
- Aspects of Customer Relationships
 - Customer acquisition costs
 - Prospect conversion rates
 - Customer lifetime value
 - Customer switching costs
- Engine of growth
 - Viral → viral co-efficient
 - Sticky → Customer acquisition cost and CLV and consider the Customer switching costs
 - Paid → dito, check on prospect conversion rates and focus on Customer lifetime value

3. GROWTH HACKING UND ANDERE STARTUP MARKETING TECHNIKEN

Example: The valley of death

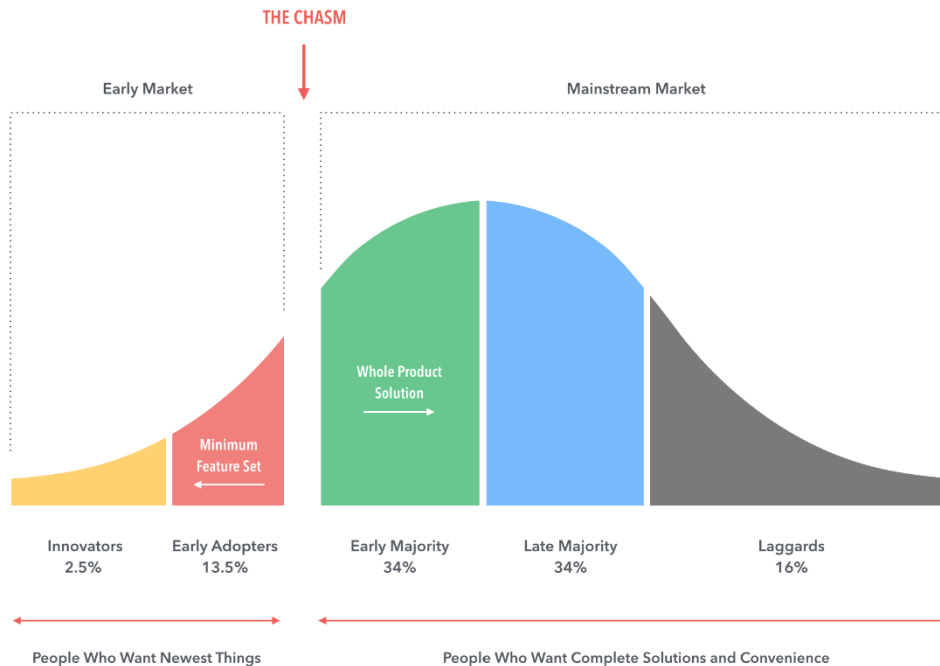


Why do startups fail?



Crossing the Chasm

- Marketing book by Geoffrey A. Moore
- Recognizes five main segments in the technology adoption lifecycle: innovators, early adopters, early majority, late majority and laggards



Source:
<http://test.appsterhq.com/wp-content/uploads/2014/07/crossing-the-chasm-early-adopters1.png>

BIG IDEA: Product + Customer Prioritization

(Thanks to Steve Blank)



Tight product/market fit is key



*What actually addresses
the critical need?*



*Niche Need >>
Broad "Nice to Haves"*

Distill both sides to the most **fundamental**
value proposition and customer segment

Lean und Entrepreneurial Marketing



MANAGERIAL MARKETING	ENTREPRENEURIAL MARKETING
Mundpropaganda, Flugblattaktionen etc.	✗ Viral Marketing
Product Placement, Sponsoring	Buzz Marketing
CRM, eCRM, Direct Marketing, Kundenclubs	Community Marketing
Marketingcontrolling, Low-Cost Marketing	✗ Guerilla Marketing
Konkurrenzpolitik	Ambush Marketing

Exkurs: Growth Hacking

„Marketing in the future is like sex. Only the losers will have to pay for it.” (from: “The 100\$ Startup”)

- Aspects
 - „creative way to achieve marketing goals with no or on a small budget“
 - „Lean Marketing“
 - Interface between Engineering and Marketing, this technical / data drive approaches to growth
 - „set of tools and tactics to grow the user base“
 - Focus (only) on (user) growth

Growth hacking at Airbnb

Craigslist Place

SF bay area craigslist > san francisco > housing > vacation rentals

\$59 Stay at 'Queen Airbed in Central, Modern Apt' by the night (Castro)

Date: 2011-07-18, 8:37PM PDT

You have chosen not to show an email address. Be sure you include contact information in your ad, or nobody will be able to answer it!

Reply to: see below

Interested? Got a question? [Contact me here](#)



Airbed in shared room

\$59
per night

Includes:

- No Smoking
- TV
- Cable TV
- Internet
- Wireless Internet
- Heating
- Kitchen
- Washer / Dryer
- Buzzer/Wireless Intercom

Reply

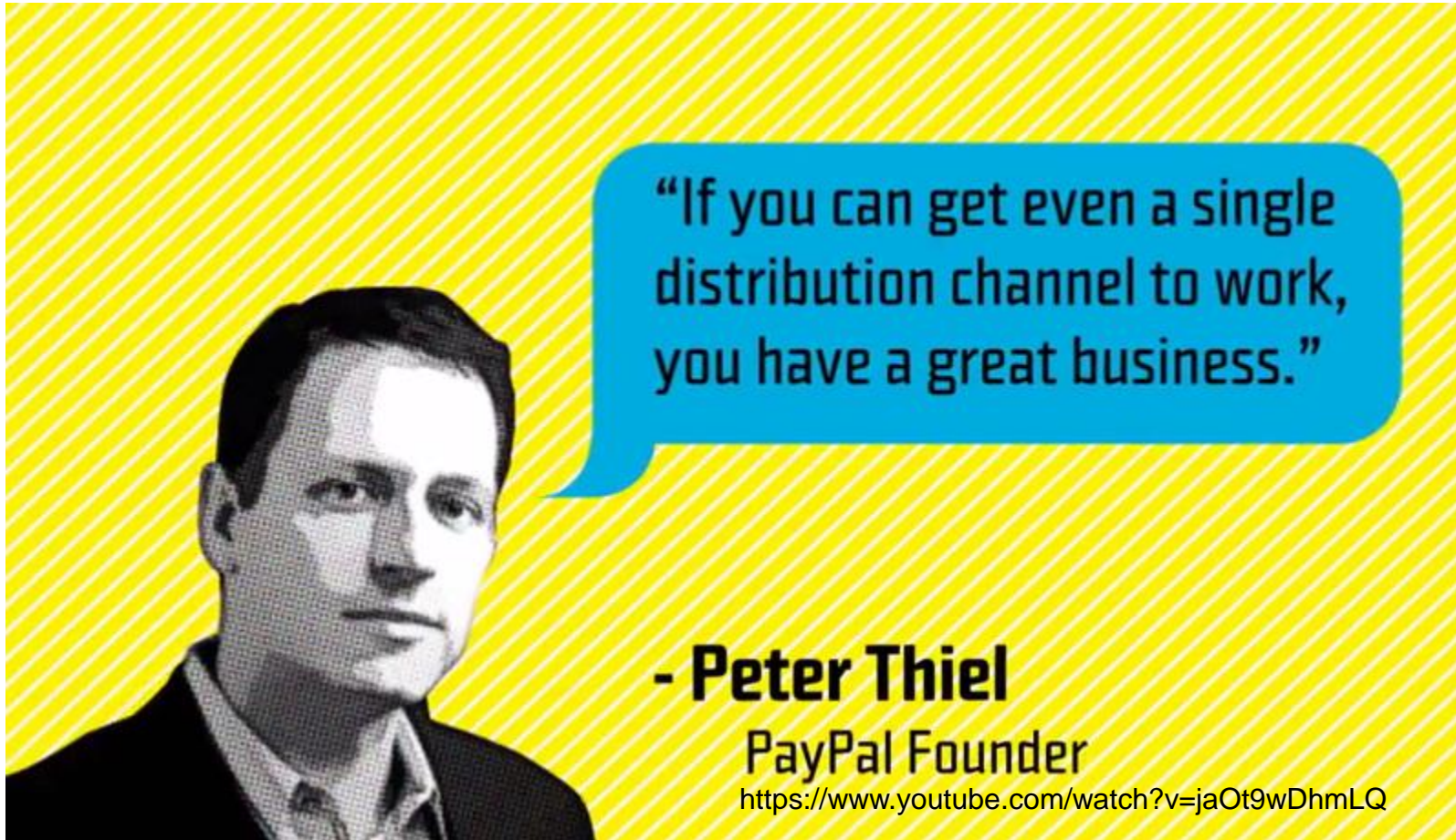
Airbnb to Craigslist increases your earnings by \$500/month on average.

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Source: <https://growthhackers.com/growth-studies/airbnb> and
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4. TRACTION

Why traction

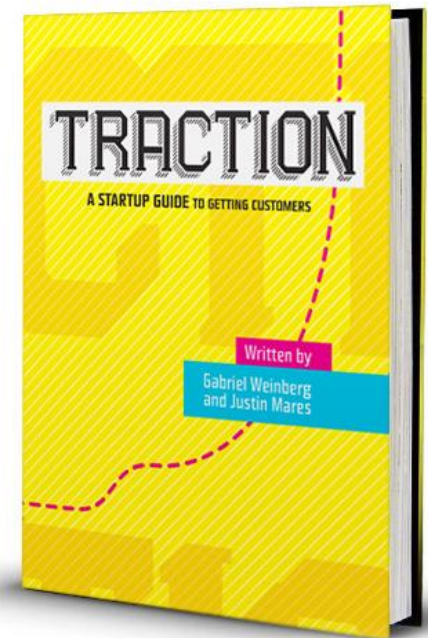


“If you can get even a single distribution channel to work, you have a great business.”

- Peter Thiel
PayPal Founder
<https://www.youtube.com/watch?v=jaOt9wDhmLQ>

The book „traction“

- “Traction: A Startup Guide to Getting Customers”
- Based on Gabriel Weinberg and Justin Mares experience in 2 different startups
- “Traction testing“: identify channels, spend nominal amounts of money and check the results
- Book identifies and describes 19 possible “traction channels” (let’s discuss if it is marketing sales or customer relations)
- “Bullseye Framework” as a tool to test and communicate the best channels
- Websites:
<http://www.tractionbook.com/>
<http://discuss.tractionbook.com/>

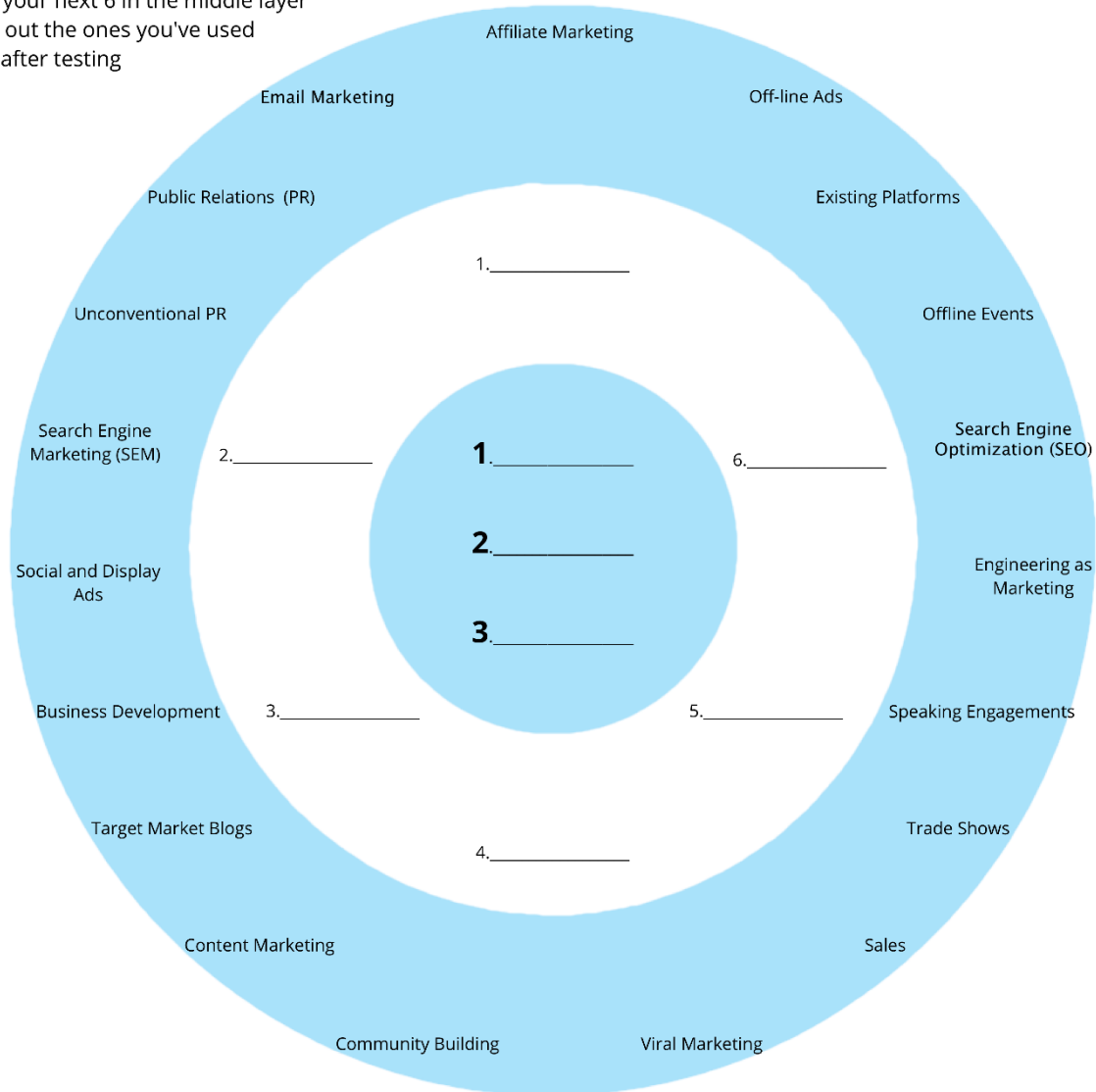


<https://zapier.com/blog/acquire-customers/>

The Bullseye Framework

For finding the best traction channels

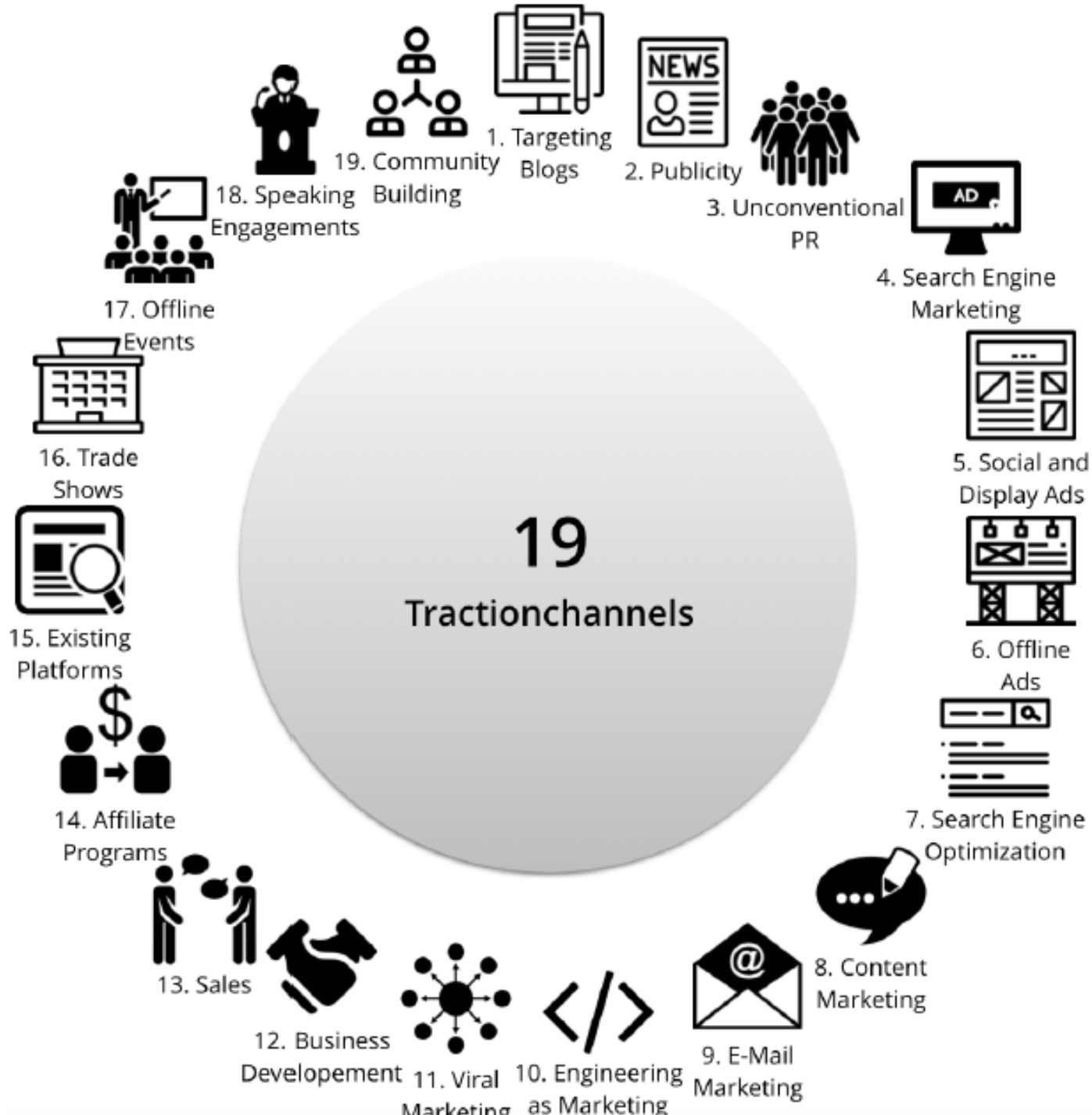
- 1) Read Traction by Gabriel Weinberg & Justin Mares
- 2) Select your top 3 & write them in the center
- 3) Write your next 6 in the middle layer
- 4) Cross out the ones you've used
- 5) Redo after testing



<http://discuss.tractionbook.com/uploads/default/original/3/3/3359cc9a0a9514ce2ef62a305a895a6e20b7ce12.png>

All the 19 traction channels

- Viral Marketing
- PR
- Unconventional PR
- SEM
- Social & Display Ads
- Offline Ads
- SEO
- Content Marketing
- Email Marketing
- Engineering as Marketing
- Targeting Blogs
- Business Development
- Sales
- Affiliate Programs
- Existing Platforms
- Trade Shows
- Offline Events
- Speaking Engagements
- Community Building



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Tractionchannels

Viral Marketing

- Examples: Dropbox, Skype, Xing
- Word of Mouth
- Inherent Virality through added value
- Collaboration or Communication by using it together
- Incentives with rewards by sharing it

Dropbox: Mit seinen immer wieder stattfindenden Dropbox Campus Cup ermöglicht Dropbox Studenten eine Dropbox-Kapazität von bis zu 25 GB. Voraussetzung: möglichst viele Kommilitonen müssen auch Dropbox-Nutzer werden. Dieser Marketing-Aktion hat Dropbox tausende Neuzugänge zu verdanken, die unter Umständen schließlich auch für den Service zahlen. (<https://www.youtube.com/watch?v=ElvQDYClwzo>)

Public Relations (PR)

- Example in Germany: MyMuesli
- Trying to get free coverage
- Deliver good stories and invest time in journalists
- “Laddering” up, start with blogs or e.g. entry level newspapers
- Keep in mind: it is not just the coverage, but also something you can later share

MyMuesli: Durch seine innovative Herangehensweise an die eher unspannende Müslibranche erlange MyMuesli großes Aufsehen in der Medienlandschaft. Das Geschäftsmodell, vor allem aber auch die Gründern gaben ausreichend redaktionellen Content, um von den On- und Offline Medien beachtet zu werden. (http://www.focus.de/digital/multimedia/dld-2008/mymuesli-com_did_18203.html)

Unconventional Public Relations

- Example: the video “viral marketing”
- Create something which will be discussed or spread
- Get the attention
- “Guerilla Marketing” is also a term often referred to
„Will it blend?": eine virale Marketing-Kampagne des Mixerherstellers „Blendtec“, innerhalb welcher – zur Demonstration der Mixfähigkeit der eigenen Mixer – Smartphones, Tablets, aber auch nicht elektronische, außergewöhnliche Gegenstände gehäckselt werden. Die Zuschauer können hierbei eigene Vorschläge für den nächsten „Test“ abgeben. Die Kampagne war mit insgesamt 271.158.761 ein wahrer Erfolg. (Besonders schmerzliches Beispiel: <https://www.youtube.com/watch?v=IBUJcD6Ws6s>)

Search Engine Marketing

- Make sure the right keywords are found
- In my case: Planspiel and Planspiele (German for Management Simulations)
- Paid or by providing good content and understanding the rules of the game/algorithm

Archives.com: Archives.com bietet die Möglichkeit, die Geschichte einer Familie auf ihre Wurzeln zurück zu verfolgen. Durch eine geschickte Investition von 5000\$ gelang es den Archives.com-Gründern sehr früh, eine Grundbasis an Nutzern zu akquirieren, welche durch ihr Verhalten die Produktentscheidungen beeinflussten. Archives.com ist auf diese Art sehr schnell gewachsen und wurde schließlich von Ancestry für 100 Millionen \$ gekauft. (<https://startuprunner.com/search-engine-marketing-traction-channel-4/>)

Social and Display Ads

- Channels like Facebook and Twitter
- Example “Kekswerkstatt”
- Works well if you can identify the groups
- Retargeting works well

Offline Advertising

- Has gotten sometimes fairly inexpensive
- Hard to track performance
- “Media for Equity”-deals are sometimes possible

Search Engine Optimization

- Free traffic
- Understand who customers search
- Create relevant content (e.g. a site about the history of management simulations) and make it “visible”

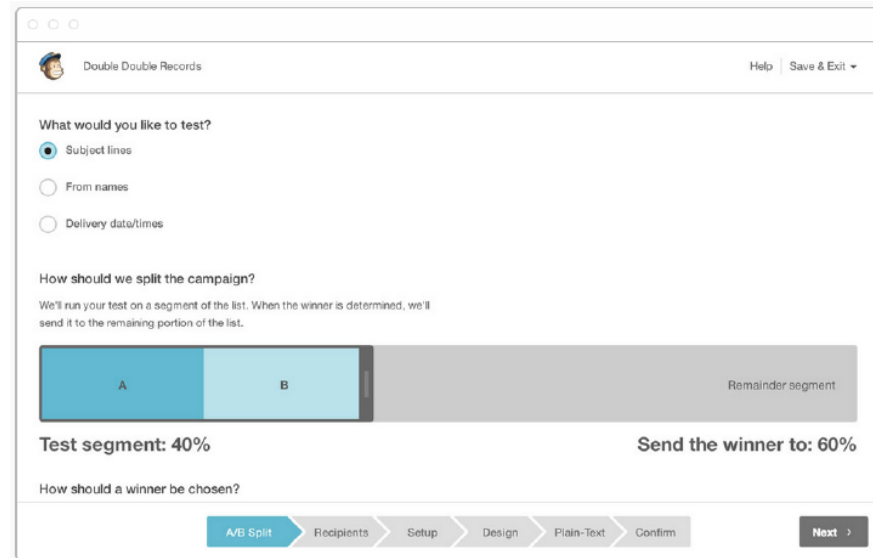
Eurosender: Das Startup, das das günstigste Verschicken von Paketen und Gepäck ermöglicht, hat in einer umfassenden Überarbeitung der Website die automatische Generierung von Unterseiten für jede mögliche Länderkombination (Schweden – Deutschland, Spanien – Frankreich etc.) eingerichtet. Dadurch hat sich Eurosender in den ersten Ergebnissen bei Google platziert.

Content Marketing

- Create great content relevant to you target group
- Share it for free
- Example: filestage.io and sales.io

Email Marketing

- Great way to engage and re-engage, be careful with „cold selling“
- Newsletters with call for action
- Keep in mind the 5 touches
- Remember the „split testing“



The screenshot shows a web interface for configuring an A/B split test. The title bar reads "Double Double Records" with "Help" and "Save & Exit" options. The main content area asks "What would you like to test?" with three radio button options: "Subject lines" (selected), "From names", and "Delivery date/times". Below this, it asks "How should we split the campaign?" and provides a sub-note: "We'll run your test on a segment of the list. When the winner is determined, we'll send it to the remaining portion of the list." A horizontal bar represents the list split: a blue segment labeled "A" (40%), a lighter blue segment labeled "B" (40%), and a grey segment labeled "Remainder segment" (20%). Below the bar, it states "Test segment: 40%" and "Send the winner to: 60%". The final question is "How should a winner be chosen?". At the bottom, a navigation bar includes "A/B Split" (active), "Recipients", "Setup", "Design", "Plain-Text", "Confirm", and "Next" (with a right arrow).

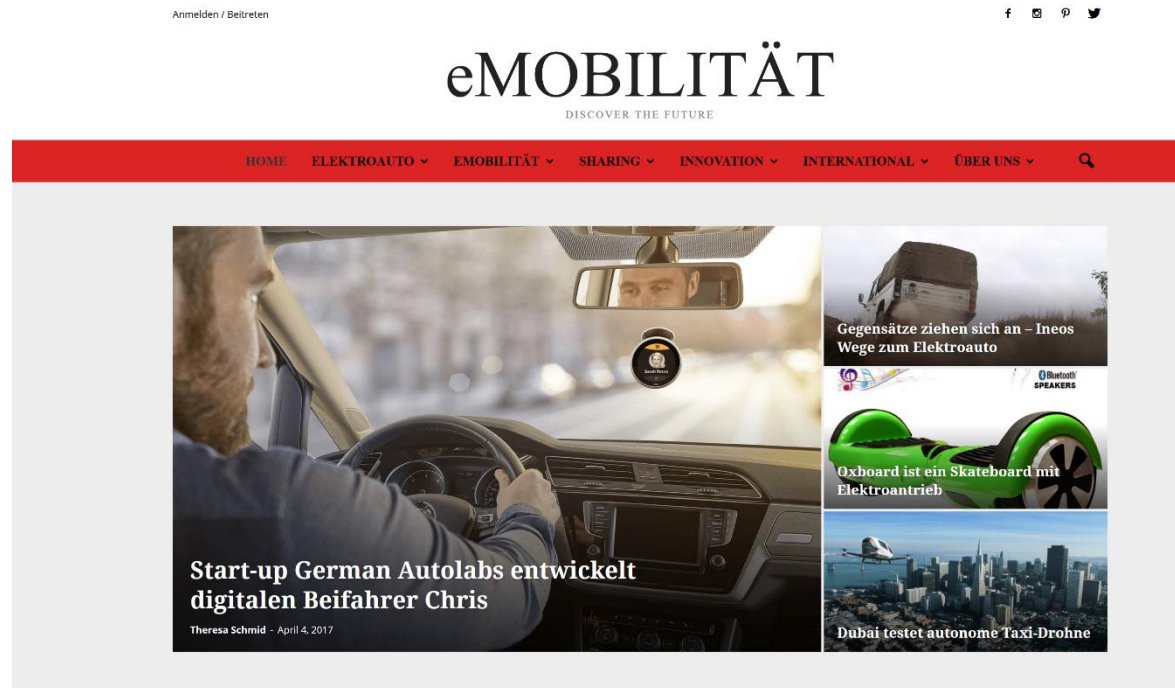
Engineering as Marketing

- Create some tools etc. which are shared for free
- Microsites can also work

Beispiel VirtualQ: ein Werkzeug, mit dem man relativ schnell die direkten und indirekten Kosten eines Call Centers ermitteln kann.

Targeting Blogs

- One way of PR
- Identify the bloggers relevant in your domain
- It is about establishing and maintaining relationships



Business Development

- Narrow definition: establish partnerships to sell and cross-sell the products/services
- Example in my space
 - Training providers in related domains
 - International partners

Sales

- „the old fashioned way“
- Few, but demanding customers with a product rather difficult to explain
- Keep in mind the process

Affiliate Programs

- Use your users/early evangelists
- Reward or pay them
- Amazon as an example

Existing Platforms

- Use platforms to sell and inform
- Appstores, but also e.g. facebook games

Trade Shows

- Where the industry and the relevant players meet
- Use it as a place also the meet existing customers

Offline Events

- Conferences, meetups etc.
- You could even host a conference
- Example TOPSIM: the largest conference on management simulations in Germany each year is hosted by the company

Speaking Engagements

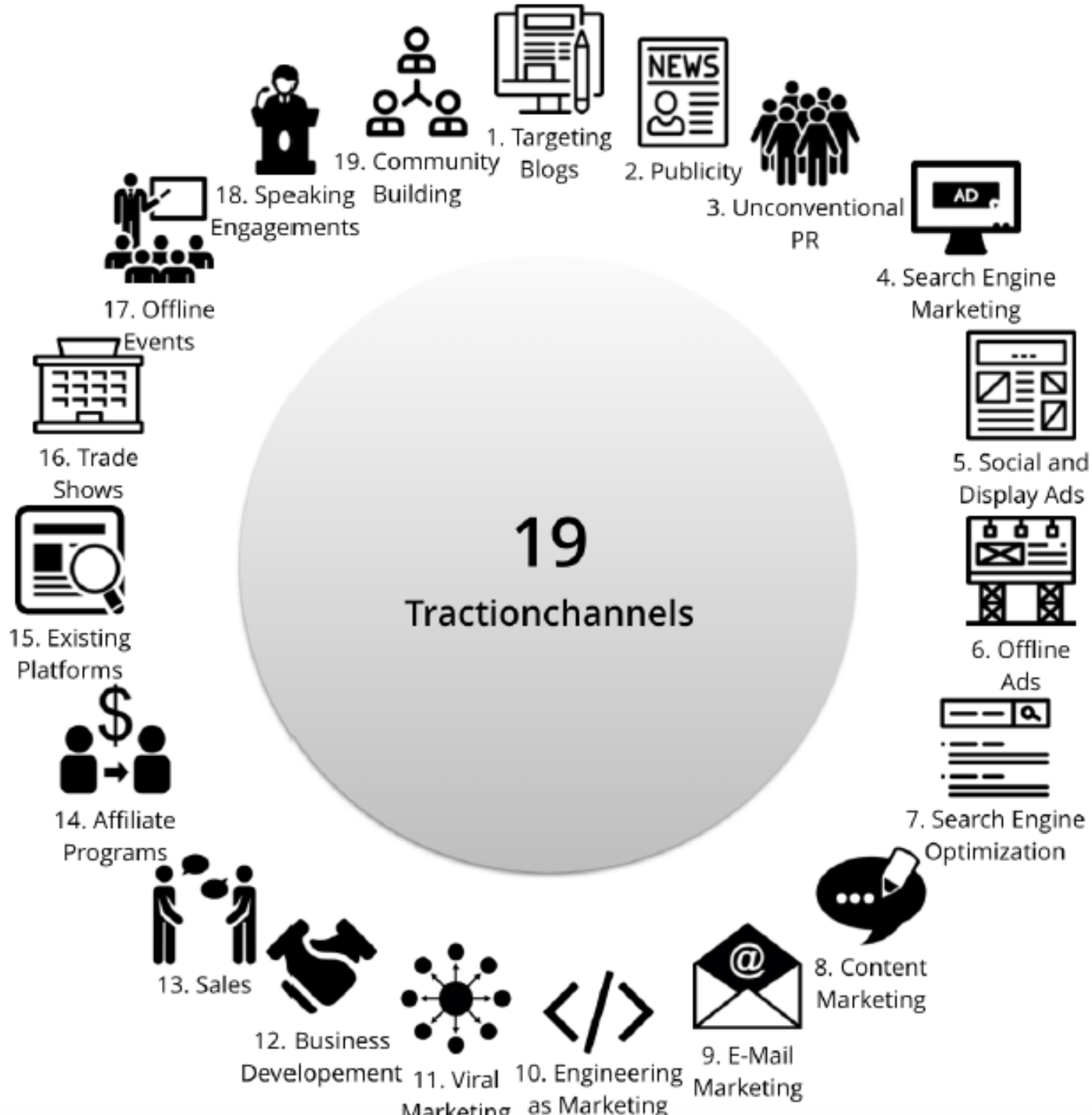
- Talk at conferences
- Find relevant places to speak
- Volunteer as a back-up
- Be a guest speaker e.g. at universities
- Don't talk about your company, but share your expertise

Community Building

- Example: Wikipedia
- If there is no relevant community in your field (help) to create on

All the 19 traction channels

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Tractionchannels

5. TASK

Your task

1. Identify the traction channels you have used so far and explain (using some metrics) how successful they are
2. Look forward to the next 6 months: what are your traction goals and how would you measure them
3. Apply the bull's eye framework to pick 6 respectively 3 traction channels and look at the metrics

Kontakt und weitere Hinweise

- Kontaktdaten

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