Growth 101

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View the accompanying Medium post here:

https://medium.com/@TarenSK/taking-off-how-two-startups-grew-to-scale-ea0b2b6c1dbf

What are you trying to grow?

"What gets measured, gets managed."

Choosing the right metrics is a **social engineering** problem

- People will work to improve what they are being measured on.
- Embedding the right metrics in your organizational culture is an extremely powerful management tool.
- Embedding the wrong ones wastes everyone's time.

Common metrics to focus on

- # of email subscribers
- # of total hours spent on your website, per month
- # of recurring donors
- $ raised per month
- # of doors knocked/week
- Monthly recurring revenue
- # of paying customers

A "vanity metric" is good for feeling awesome, and bad for making decisions

Signs of a vanity metric

- It always goes up, never down.
- It is easy to manipulate.
- You can point to lots of cases where it incentivizes behavior that doesn't help achieve your mission.

Before I make my decision, I'd like to see those meaningless statistics again

You should change metrics over time!

- SumOfUs started out using # of email subscribers as our core metric.
- Around year 3, we switched to using "MeRA" -- Members Returning for Action. (Monthly MeRA is the # of unique users who take an action in a given month that is not their first-ever action.)

What metric are you focused on growing?

- How does that metric shape you & your team's day-to-day decisions?
- Are those effects largely mission-aligned?
- Where did that metric come from?
- Is it still the right metric to be focused on, or should it change?

What is your engine of growth?

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Sustainable growth:
"New customers come from the actions of past customers"
- *The Lean Startup*

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The "sticky" engine of growth

- Most of your growth comes from repeat users/customers/etc.
- E.g., in the U.S., most of Amazon's revenue growth now might come from existing users like me buying more stuff on Amazon -- not from acquiring brand-new users.

The "viral" engine of growth

- Most of your growth comes from new users/customers/etc.
- Those new users hear about you from existing users.
- At the margin, the cost of acquiring new users is basically zero.
- E.g.: I sign up for Pantsuit Nation's Facebook group. I think the content is cool. I add friends to the group. They do the same. # of people in PN's FB group grows!
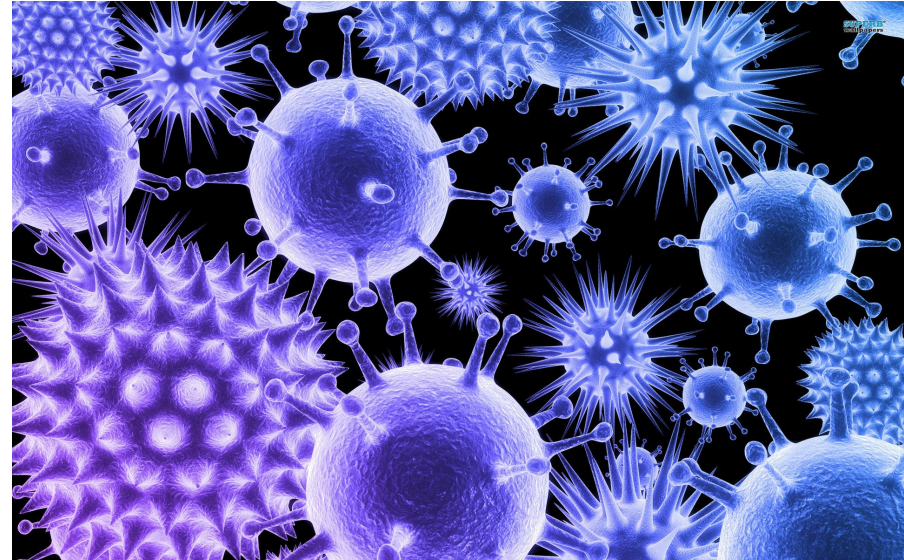
The "paid" engine of growth

- You grow your metric by paying some marginal price per unit growth (say, $X/unit)
- Each unit you grow then generates $Y/unit in revenue
- You reinvest that $Y in further growth
- Sustainable while Y > X
- E.g.: A SaaS company can hire an additional sales rep for $5K/month. The average sales rep generates $10K/month in additional sales. Reinvest the extra $5K in another sales rep. Revenue growth!

Tip: Startups should focus on exactly one growth engine at a time

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What is your current growth engine?

- How well do you understand where your growth is coming from?
- Do you know the key figures, like the viral coefficient? Or the paid engine's $ ratio?
- Can you break out the key components of the engine that could be optimized?

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Cumulative Membership Growth by Month and Region

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Cumulative Membership Growth by Month and Region

Legend: Other, Europe, Australia, UK, Canada, USA

Y-axis: Subscribed Members (0, 1,250,000, 2,500,000, 3,750,000, 5,000,000)

X-axis: Month (2011-12, 2012-02, 2012-04, 2012-06, 2012-08, 2012-10, 2012-12, 2013-02, 2013-04, 2013-06, 2013-08, 2013-10, 2013-12, 2014-02, 2014-04)

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- We had "steady" growth from smaller petitions for a year and a half.
- Then we hit on our big "growth surge."

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- After the growth surge, it became clear that focusing on the "subscribed users" metric was not incentivising our behavior correctly anymore.
- We wanted to incentivize the "sticky" engine of growth -- working to keep and increase the affiliation of all of our new users we'd just acquired.
- So we switched to "MeRA" -- Members Returning for Action -- as our primary metric.
- However, as we launched in new languages, the teams in those languages initially focused on the "subscribed users" metric, just as we had in English.