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FIRESTARTER

**SKILLS FOR
GROWTH LEADERS
AT TECH STARTUPS**

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Objective & Structure of Firestarter

Firestarter is a series of ten essays. After absorbing all of them, you will be equipped with a minimum but comprehensive set of skills to lead the Growth function for a new project.

The series is structured in 3 sections:

- The first section, is focussed on how to **plan** growth,
- the middle section, with 4 essays, on functional **execution**, and
- the last section, with 3 essays, on **managing** different aspects of it.

Why start with planning growth, instead of, say, jumping directly into 101 ways to hack growth?

Growing a business is akin to a journey that you are about to undertake. The first section then is about the preparation you do for the journey – preparing the itineraries, bookings you make, packing the essentials, and so on. After all, paraphrasing Lewis Carroll, if you don't know where you are going, any road will get you there.

Further, the first section on planning is divided into three chapters/essays:

- First one, i.e. the article below, is focussed on how to put together a **long-term model** for the project,

- the second one on how to prepare a **short-term roadmap**, and
- the third one on how to put in place a **continuous measurement system** to keep track of the project.

Back to the travel metaphor to understand the breakdown: the first chapter is about putting together a map of the territory you will be heading into. The second chapter is then about highlighting the specific route that you will be taking within the map. The third chapter is learning how to use a compass to know if you are on the right path or not.

How to get the best out of this series: treat it like a workbook

One final thing before diving into the article itself: a tip on getting the best out of this series. While going through this chapter, have a specific business in mind. And, instead of passively reading, keep applying the concepts to that business to really internalize them.

The business can be an idea of yours that you intend to start up. Or it can be a project you are working on professionally. Or it can be some famous company that you want to analyze as a case study (but hopefully the first two, since you will have some skin in the game to go deeper).

Alright! Without further ado, let's get started.

Chapter 1: How to build a Growth Model

1.1 The Growth Formula

Wait, did you think of a project? If yes, answer this question: is that business a woolly mammoth hunter or a bee farmer? That is to say, does it have a few but very big-ticket customers, or does it have a lot of small-ticket customers? Or is it somewhere in between?

Consider the table below:

Business	Number of potential customers (#)	Net Value per customer (\$)	Total Potential Value (\$)
Software for large enterprises	100	100k	10 million
Software for small businesses	10k	1k	10 million
Fast fashion brand	100k	100	10 million
Soft beverage brand	10 million	1	10 million
Casual mobile gaming app	100 million	0.1	10 million

Your project could be on the woolly mammoth hunter end of spectrum: having just a hundred customers but all of them potentially worth hundreds of thousands of dollars. Or, it could be on the bee farmer end

of spectrum, having millions and millions of customers and all of them contributing in cents. Or, somewhere in between? What matters is the product of the two.

Quantitatively, this idea can be put thus:

Potential value of business = Number of potential customers * Net value per customer

This forms the bedrock of everything that is to follow in this article, and we will keep referring to it as ‘the growth formula’. *(Note that I am using the term value for the output of the formula to keep things simple but, to be clear, the formula’s output is not revenue or valuation. Having said that, the three concepts are closely linked and I’ll come back to link them all later in the chapter.)*

Now, let’s use this formula to calculate the potential value for the project you have in mind. Starting with the first part: number of potential customers.

1.1.1 Estimating the Number of Potential Customers

To estimate the number of all potential customers for your business, you should first know one of them in detail. Or, in marketing terminology, you need to know the “**ideal customer profile**” for your business.

A concrete profile can be in terms of:

- Basic Demographic attributes: age, gender, location
- Advanced Demographic attributes: Education level, family size, occupation, income, etc.
- General behavioral attributes: habits, interests, attitudes
- Behavioral attributes specific to the category your product/service is operating in: e.g. attitude towards sustainability if that's a core proposition of your product.

Once you are clear on that one ideal customer, you can then proceed to estimate how many similar potential customers exist. But how does one do that?

There are different ways to go about it. One is a **top-down approach** (or guesstimate) where you start with the overall population in the market that you intend to service and keep narrowing down to the customer persona. For example, if you are building a sneaker brand for Gen-Z customers living in metro cities in India who wear sneakers, you start with the population of India, then narrow it down to how many live in metro cities, then to how many of them are in the Gen-Z cohort, and then to how many of them wear sneakers, to arrive at the number.

The other approach would be to look at it from a market category-lens, especially if you are building a company in an **existing category**. That is

to say, in the previous example, you can start with the overall sneaker market size from secondary market research reports, estimate how much of it serves Gen-Z customers in metro cities, then estimate how much of that market you can capture (by looking at the pace at which similar brands historically have gained market share).

If your business will be **creating a new category** altogether – the way Meesho was creating social commerce as a new category, or WhiteHat Jr was creating a new category of teaching kids to code – one invariably has to follow the top-down route but has to take extra care while defining the customer profile. Defined loosely, often out of optimism, it can make the potential market size look much bigger than it might be. That is, if Meesho defined the core customer persona of resellers as homemakers, but with a background in fashion either as part of educational experience or family business, it would make the potential market much smaller. However, if we had optimistically defined it as any homemaker, or anyone for that matter, with intent to earn money by reselling, the potential market will look much bigger, but the subsequent calculations will be on increasingly shaky ground.

The key point is to keep the ideal customer profile as sharp as possible, and thus the potential number of customers on the conservative side. Without defining the customer persona and your right to win, and just using the method of capturing some share of a large existing market can lead to an irrationally large number. To put it simply, yes, taking away 1%

of Nike's market will make yours a multi-million dollar brand, but the question is: will you really be able to do that? This is what Bill Aulet says in his book 'Disciplined Entrepreneurship' about this temptation:

The common pitfall is "The China Syndrome," also known to my students as "fun with spreadsheets." Rather than create a new market, the thinking goes, one could choose a huge existing market, get a fraction of the market share, and reap the rewards. After all, if you could get even a tenth of a percent of the toothbrush market in China (population 1.3 billion), wouldn't you make a lot of money?

I call such high-level market analysis "fun with spreadsheets," because you have not demonstrated in a compelling manner why people would buy your product or why your market share would increase over time. You also have not validated any of your assumptions by learning directly from customers—you probably haven't even been to China. After all, if entrepreneurship were this easy, wouldn't everyone sell toothbrushes to China?

Big companies with lots of resources can afford to work hard to gain incremental market share, but entrepreneurs don't have the luxury of resources. Don't get ensnared by "The China Syndrome." Take your resources and apply them to a narrow, carefully defined new market that you can dominate.

On the other hand, if you are yet to find your narrow market that you can dominate, in order to do a **bottom-up estimation**, you might have to estimate what % of a sufficiently large, existing category will you be able

to capture, to, say, rank possible business ideas. A good rule of thumb *could* be that market share % should not be more than the number of years it would take to gain that market share (e.g. the new sneaker brand I am building will capture 5% of the sneaker market in 5 years and 10% in 10 years). A larger number would run the risk of making the foundational number, on which the rest of the calculations, and subsequently the growth efforts, are going to be based, too optimistic.

If you wish to read more about this topic, especially how investors and consultants approach it, you can read up on the terms **TAM (Total Addressable Market)**, **SAM (Serviceable Available Market)**, **SOM (Serviceable Obtainable Market)**.

1.1.2 Calculating Net Value per Customer

Now, coming to the other factor in the growth formula: net value per customer. While, the first factor, i.e. number of potential customers, was dependent majorly on the larger market or category, or the niche within a category, that your business is going to operate in, the second factor is more specific to *your* business model. Let me explain.

Suppose you are launching a new premium clothing label in India. You pay ₹100k to a lifestyle influencer to give your brand a shoutout. From that campaign, you get 100 customers. That's ₹1,000 spent in acquiring

each customer on average. That's your **Customer Acquisition Cost (CAC)**.

After the first 100 orders, you get an additional 110 orders from these 100 customers *over the course of time*. So, each of these customers, on an average, has given you 2.1 orders. Now, for each order, suppose you make ₹2,000 in profit, after paying all the operational costs (cost of making the clothing and delivering it being the two major cost heads generally for an online brand, apart from customer acquisition costs). So, you make 2.1 orders per customer * 2000 per order = ₹4,200 per customer. That's your **Customer Lifetime Value (CLTV or just LTV)**.

Net value from customer then is the value your business got from the customer i.e. **LTV** minus what you paid for the customer i.e. **CAC**.

So, for this example,

the net value of each customer = LTV minus CAC
= ₹4200 - ₹1000 = ₹3200.

And, if you had estimated 100k customers as the potential customer base for this brand, the growth formula becomes:

Potential value of business

= number of potential customers * net value per customer

= 100,000 * ₹3200 = ₹320 million

You can now see why I said that while the estimated number of potential customers is mostly a function of the market/category size, the net value per customer will differ significantly between competing businesses in the same market and is more specific to your business model. Specifically three things within that:

- How efficient is the business in acquiring each customer i.e. **CAC**
- And, within LTV,
 - **Margin** you have in every order which is dependent on cost of goods and cost of operations
 - How many orders does the business get per customer i.e. **Retention**

In the same example, instead of spending ₹1000 on acquiring every customer on an average, if the business was spending ₹2000, the net value of every customer drops to ₹2200. And the potential value of the business then drops from ₹320 million to ₹220 million.

Or, if instead of getting 2.1 orders per customer, with the same CAC of ₹1000, if the business was getting just 1.1 orders per customer, the value of every customer will drop to ₹1200. And, the potential value of the business, with the same number of unique customers, drops from ₹320 million to ₹120 million.

This point is worth repeating once more: while you can still get away with 'fun with spreadsheets' assumptions on the first factor of growth

formula, if the assumptions are conservative enough, it is *really* important to calculate the second factor specifically for your business. How? With real data being generated by *your* business. That is: How much is it actually taking for *your* business to acquire a customer? How many times is a customer coming back to buy from *your* business? How much does *your* business make per order?

Therefore, the first two orders of business for a growth lead *have* to be to put together: 1. an ideal customer profile, and 2. net value every such customer is bringing in. If the project is in ideation stage, and the latter number has been calculated using industry benchmarks, it has to be validated as soon as the business becomes operational and first few customers come in.

1.2 Turning Growth Formula Into Growth Model

Alright, so you have got a ballpark number for potential customers for your business, and the value every customer is generating. And thus, you have both factors for the growth formula. Now it is time to turn the two-dimensional growth formula into a three-dimensional **growth model**. How? By adding the dimension of **time**.

For example, let's say the business you are trying to model is a fitness app with a potential global market of 1 million customers providing a net value of \$10 each, thus giving it a potential value of \$10 million. But wait. 1 million customers to be acquired over how much time? All of them to be acquired tomorrow? Or over the next 10 years? And, over what period of time are they providing a net value of \$10? In the first month? In the first year? Over five years? (The dreaded 'over the course of time', or 'lifetime' part of lifetime value.)

Adding the pace at which the business will acquire these customers and the pace at which the customers pay the business back (directly or indirectly) is how this simple growth formula will convert into a slightly more complex growth model. Let's take a look at it, but with a woolly mammoth hunter kind of business instead to keep things simple.

Suppose you have built a really sophisticated piece of software that's relevant only to 5 companies in the world, but each of whom will pay you 1 million. The growth formula then is a cakewalk: 5 accounts * 1 million per account = 5 million. Now, let's add the dimension of time to it.

Let's say that we will acquire only 1 account every year. Acquiring them will cost \$1 million each and the annual revenue from each of the customers will be \$500k and the revenue will continue for 4 years, after which they will stop using the software. Putting it all together, we get this table:

Account # 1	Year 1	Year 2	Year 3	Year 4	Total
Gross Value	500k	500k	500k	500k	2,000k
CAC	-1000k	0	0	0	-1,000k
Net Value	-500k	500k	500k	500k	1,000k

Now, let's consider all the accounts. Remember we are acquiring 1 account every year and the contracts expire after 4 years, so account #2 will start in year 2 and end in year 5; account #3 will begin in year 3 and end in year 6, and so on.

Net Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
Account #1	-500k	500k	500k	500k					1,000k
Account #2		-500k	500k	500k	500k				1,000k
Account #3			-500k	500k	500k	500k			1,000k
Account #4				-500k	500k	500k	500k		1,000k
Account #5					-500k	500k	500k	500k	1,000k

Adding them all up:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
Net Value	-500k	0	500k	1000k	1000k	1500k	1000k	500k	5,000k

If you add the net value across all the years, you still get 5,000k or 5 million: the exact same number that we had got from the growth formula (5 accounts * 1 million per account).

However, after adding dimension of time, a new picture has emerged in the growth model. The company is going to be unprofitable in the first year of its operations, it breaks even in the second year, and it therefore would need an external capital infusion to get through the first couple of years. This is where investors enter the picture. But the person/institution giving money to keep the company going needs to know how much the company is worth. Is it 5 million dollars? Or is it some other number? How do we calculate that?

1.3 Turning Growth Model Into Valuation Model

A bird in the hand is worth two in the bush. That's kind of what turning a growth model into a valuation model is all about. It is obvious that a promise of a cupcake today is a better offer than the promise of a cupcake a week later. But how much better? Is 1 cupcake today equivalent to the promise of 2 cupcakes a week later, or is it equivalent to the promise of 3 cupcakes, or to that of a dozen. You get the picture (and hungry).

Without getting into the concepts of **Net Present Value (NPV)** and **Discounted Cash Flow (DCF)**, which you can read about if interested, the idea is to calculate and know the current value of any future money before adding them.

So, in the previous growth model table, the 500k in year 8 won't be the same as 500k today, or 1000k in year 7 won't be the same as 1000k today, and so they can't be added together. Hence, to value the business, all the future values need to be converted to their corresponding value today, before adding them up to arrive at the valuation of the business. Classically, this would be put as: the value of a firm is the net present value of all its future cash flows.

Now, as a growth lead, while you will probably never be asked to value the business, and it will be left to the functional experts, it is important to at least understand how you go from a business idea, to thinking about who will buy the product, to thinking about potential value of the business, to putting together a growth model for revenue and costs, to valuing the business. And, how all these concepts connect.

This is also a point that will recur through this series: having a cross-functional job like growth lead means knowing just enough in varied fields (analytics, marketing, sales, product management, finance, people management, etc.) to get the core job of growing the business

done. And the point of this series is to deliver that minimum knowledge required across such different fields.

Summary of Chapter 1

So, let's recap all the ground we have covered so far:

- We picked a business idea
- We fleshed out its ideal customer persona
- Based on the persona, and/or the market category, we estimated the potential number of customers for the business
- We looked at our customer acquisition cost data, our margins in every order, and how often our customers come back to buy from us, to arrive at net value per customer
- We added the dimensions of time to turn it into a growth model
- And, finally, we got an idea of how growth model can be used to value the business itself

In the next chapter, we will start looking at how we convert this bird's-eye view of a plan to a step-by-step roadmap.

Chapter 2: How to build a Growth Roadmap

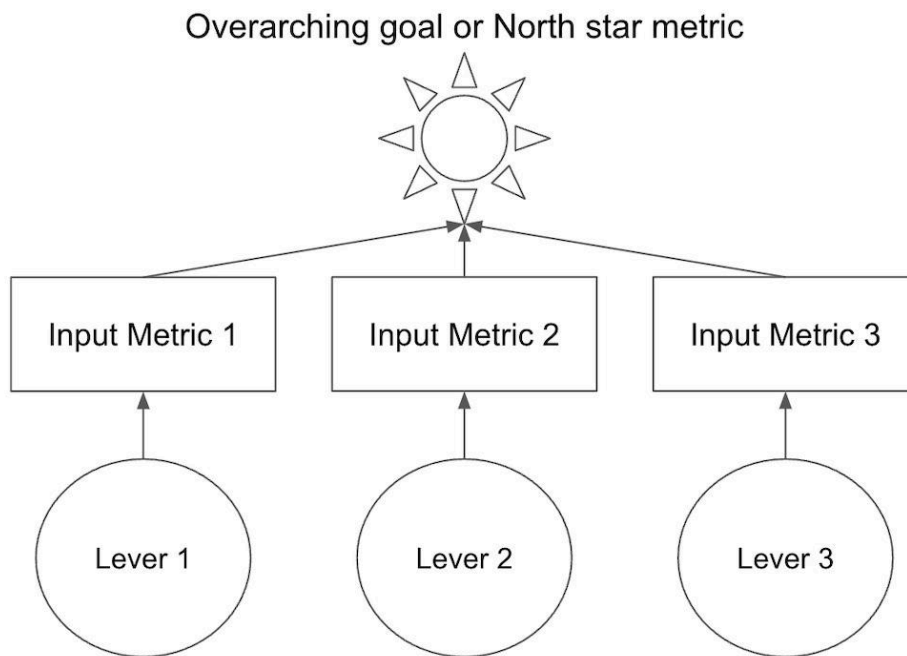
2.1 Input metrics versus output metrics

“You do not rise to the level of your goals. You fall to the level of your systems.” Goes the famous James Clear quote. For example, reading a book every month is a goal. Reading 10 pages of a book, just before bedtime everyday, is a system. We don’t fail to read a book a month; we fail to read 10 pages every night. And this idea extends to matters beyond individual productivity too.

Companies generally have clarity on their overarching goal – that one lofty number to rally the troops around. Such as, getting to 1 million active users, or 1 million lifetime customers, or 100 million transactions per month. And, rightly so, since just having one clear goal gives a simplifying clarity of that one thing that really matters. Magnitude of the number energizes the team.

But goals are outcomes of things people do, not something people work on as tasks. You read 10 pages before bedtime, and the book gets finished as an outcome. Similarly, the goals that businesses take up are not something they work on, on an hourly basis; the goals get achieved as a result of the right input tasks/**levers** being worked on.

This is all to say: yes, a business needs to be clear on what the ultimate goal or their north star metric is. But, they also need to realize it is but an **output**/dependent metric. They need to know the **input**/independent metrics that make up the output metric. And what are the **levers** that need to be worked on to move the needle on the input metrics. Let's understand these with an example.



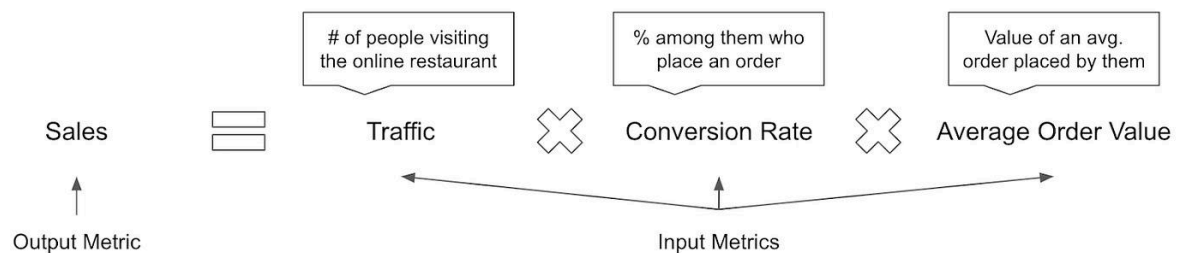
Suppose we have launched a new online-only restaurant, which has become a runaway success. Every morning we check the sales numbers, and, sure enough, the numbers are always going up and up.

Except one day when it is not. And then the trend continues for a week. The number is now consistently trending down. Why is it happening, we

wonder? But we don't know the reason for why it is decreasing because maybe we never really understood why it was increasing either.

The sales numbers are an output metric, yes. So, what are the input metrics? That is, if we had to write a formula for it, what would be on the right hand side of this equation: Sales = ?

We think about it, for a bit, and the formula that has *all* the independent input metrics that make up sales is:



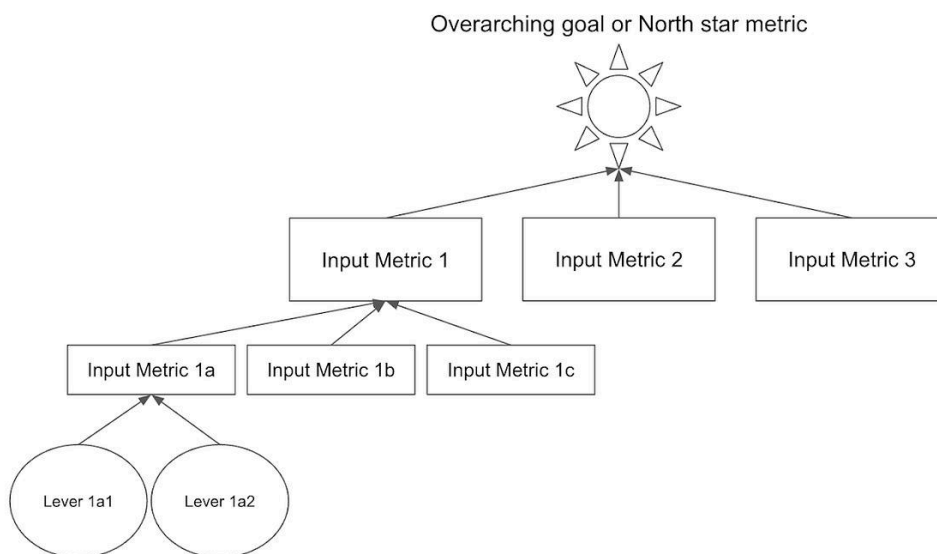
Now, suddenly we have a headway: if sales numbers as output metric are trending down, then one (or more) of the input factors on the right *have* to be going down too.

Suppose we find out that traffic is the same as before, and conversion seems to be fine too. Which means it must be the average order value that is trending down. And so, if we just fix that number, the output metric will be back on track too. But wait, how do we fix it?

We can go about *fixing* a number only if we know what makes up that number. And so, once again, we have to think of the formula that makes it up:

$$\text{Average Order Value} = \text{Average items bought per purchase} * \text{Average item price}$$

So, we dig in once again to figure what's happening? Are people buying fewer items? Or are they buying the same number of items but the less costly ones? We find out it's the former and in order to fix this input metric, we pick up a lever. Say, prepare a better cross-sell plan to induce customers to buy more items together in a purchase. While picking up the right levers is, in itself, a combination of scientific and creative thinking, and one entire section in this series (chapters 4 to 7) is dedicated to it, the point of this example is to demonstrate how we went from the output metric of sales numbers to its input metrics, and then one-level deeper further, to finally arrive at a lever i.e. an activity that can be actioned on.



But, wait! Did we not decide that average order value was an input metric which influences the output metric of sales? Now we are saying it is, in fact, an output metric itself, influenced by other input metrics. Welcome to the concept of **hierarchy of metrics**.

Going back to the reading example: we defined the number of pages read per day as the input to the number of books finished as an output metric. The same concept extends there too. Once we move the magnifying glass over “number of pages read per day”, it can be broken down into three components: duration of time the book was open, % of time we were focussed, reading speed of words per minute of focussed time. So, the number of books read in a year might be the ultimate output metric (the north star metric, that is; *should it be the NSM is an altogether different matter*), then comes a bunch of input metrics which build to that number, and which might be output metrics themselves.

We will expand upon this hierarchy of metrics again in this chapter as well as the subsequent chapter on setting up a continuous measurement system. For now, the key takeaway is this: a business needs to know its output metrics, the respective input metrics, and the levers to move the independent metrics.

2.2 Input & Output Metrics in Growth Model

Now, let's combine the ideas from the previous section with ideas from the previous chapter. But, with a different example.

Suppose we are starting a mobile game app business, which will make money by serving ad impressions to the user. We write down its growth formula. We think of the ideal customer profile and estimate the number of potential users. We put down an estimate of net value per user which we have to validate with real data once the business is operational.

Let's say the estimates are:

Potential users = 10 million

Net value per user = 10 dollars = 12 dollars lifetime value (LTV) minus 2 dollars of customer acquisition cost (CAC)

How did we arrive at an estimate of LTV? Well, it's again all about breaking down the output/dependent metric into its input/independent parts. In this case:

Lifetime Value per customer =

Avg. value we got per customer in their 1st month of using the app +

Avg. value we got per customer in their 2nd month of using the app +

Avg. value we got per customer in their 3rd month of using the app + ...

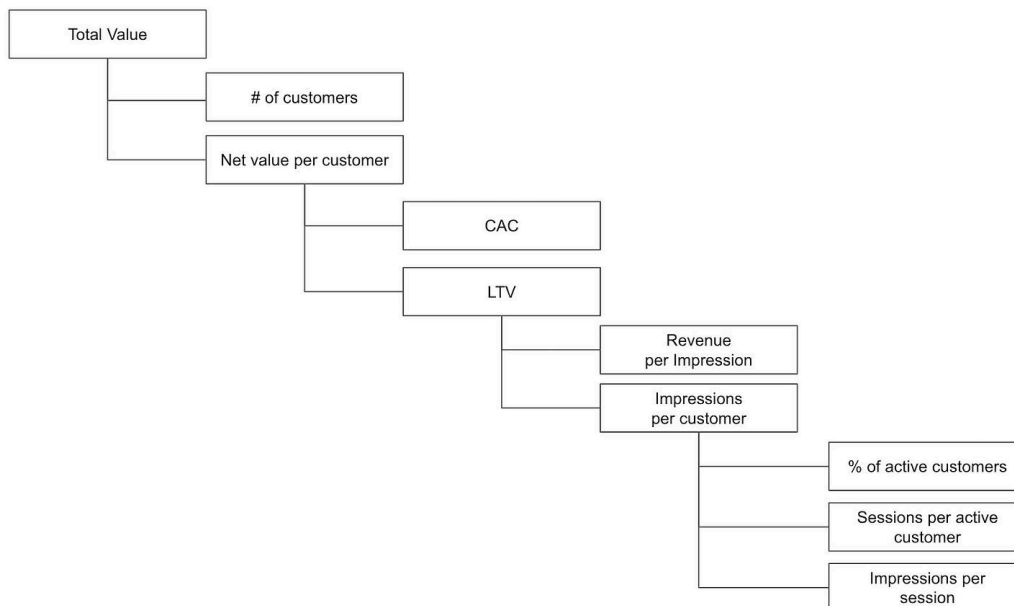
And, how do we calculate the average value per customer in, say, the 3rd month of using the app? Let's say we started with 100 users, and by month-3, only 20 of them are opening the app (i.e. % of active users – retention). But the ones who are active, open it 10 times per month on average (i.e. number of sessions or app opens per active user – engagement), and every time they open the app they get served 4 ads (i.e. number of ad impressions per session – monetisation).

So, total ads served in 3rd month = $20 * 10 * 4 = 800$

Thus, average ads served in 3rd month per user = $800 / 100 = 8$

And, if ad networks pay us \$0.1 per ad serve, net value per user in month-3 = \$0.8

Putting it all together, a hierarchical breakdown emerges:



Now, we have to turn this into a growth model by adding the dimension of time. In the previous chapter, we had taken an example of an enterprise software business with very few customers and very high LTV, and so we had prepared the growth model at customer level. In this case, however, since the calculation will run into millions of rows, we will combine customers acquired in the same month into a **cohort**. Also, we will track the value per customer monthly, instead of annually, considering the lifecycle of a user might not extend beyond a year and might differ significantly between months (weeks even).

With estimates for all input metrics, let's say, this is what the forecasted growth model comes to:

Month of acquisition	Cohort size (# of customers acquired)	CAC	Value per customer						Value per customer	Net Value for cohort
			Month-1	Month-2	Month-3	Month-4	Month-5	Month-6 to Month-12		
Jan-24	1,000	2.0	8.0	2.0	0.8	0.4	0.2	0.6	12.0	10,000
Feb-24	1,500									15,000
Mar-24	2,000									20,000
Apr-24	2,500									25,000
May-24	3,000									30,000
Jun-24	3,500									35,000

If we map this to calendar months – month-1 for customers acquired in Jan-24 cohort will be Jan-24, month-2 for this cohort will be Feb-24, month-3 for this cohort will be Mar-24, for example, and similarly month-2 for Feb-24 cohort will be Mar-24, and so on – the previous table transforms to:

Month of acquisition ↓	Calendar / performance month →	Jan-24	Feb-24	Mar-24
Jan-24	Gross Revenue	8,000	2,000	800
	Cost	2,000	0	0
	Net Revenue	6,000	2,000	800
Feb-24	Gross Revenue		12,000	3,000
	Cost		3,000	0
	Net Revenue		9,000	3,000
Mar-24	Gross Revenue			16,000
	Cost			4,000
	Net Revenue			12,000
Total	Gross Revenue	8,000	14,000	19,800
	Cost	2,000	3,000	4,000
	Net Revenue	6,000	11,000	15,800

[Try replicating this calculation in a sheet. Better still, replicate this calculation for a different business idea altogether.]

Now, let's say that the company becomes operational with this growth model and aims for 1000 new customers in Jan-24, 1500 new customers in Feb-24, and 2000 new customers in Mar-24, and targets a net revenue of \$15,800 as per this model. However, the revenue for Mar-24 is different than was projected in the above table. How do we track the root cause of the difference between the projected and actual numbers?

We can look into what were the input metrics for net revenue (see hierarchy of input metrics in the image above) and see where the divergence is. If the difference is in, say, value per customer in month-2 (actual value of \$1.7 instead of projected value of \$2.0) as input metric, we can look for the independent metrics that compose this number.

So far, we have tried to understand what input and output metrics are, how metrics are part of a metric hierarchy (where input metrics are themselves made of other metrics), and how these concepts fit with the concepts of growth formula and growth model, to help us put together a mathematical model of the business.

But we had started this article with the premise that such a quantitative understanding of a business will translate into an actionable roadmap of tasks & activities to be done to drive growth of the business. Let's get to that.

2.3 Objectives & Key Results: Connecting Growth Model to Growth Team Structure

There is an anecdote of a guest of Elon visiting SpaceX, stopping by an employee on the floor impromptu, and asking them what they were working on. The employee, instead of just telling the task that they were working on, started with SpaceX's mission of making interplanetary travel possible, what one of many technical challenges in achieving that objective was, and how the specific project they were working on was going to solve it.

The purpose of any goal-setting framework like **OKR (Objectives and Key Results)** is precisely this. To give an edifying clarity of: What is the long term goal, how will we know if that goal has been achieved, and what do we need to do to make that happen?

Let's connect our growth model and the concept of OKRs, with the example from the previous section. Let's say that the company has set the objective of being the most popular mobile game app in the world in the trivia category. Okay, the why is clear. But it's not very quantitative, which will be brought in by the Key Results part. Which is where the Growth Formula and Growth Model comes in.

In the long run, as per the growth formula, having 10 million customers, each giving \$10 of net value are the key results. In the short run, as per the growth model, getting to a net revenue of \$15,800 by the third month of the operation is the key result.

To achieve this short-term key result, we will have to achieve different input metrics:

- number of customers to be acquired,
- customer acquisition cost,
- revenue retention in subsequent months (i.e. revenue coming from Jan-24 cohort customers in Feb-24 and Mar-24; revenue coming from Feb-24 cohort in Mar-24).

The metrics hierarchy then maps to the key results hierarchy, which, in turn, informs the growth team’s structure, goals, and tasks. Let’s understand this point, since it connects what we've learned so far, and is the key point of this chapter.

The organization has the overarching goal of net revenue, which might be the CEO’s key result. The input metrics for it are number of customers, cost, and revenue retention. The CEO will assign one or more of these metrics to the functional leaders. Let’s say that revenue retention metrics have been assigned to the Head of Growth. They then break down this key result, as per the metric hierarchy in the diagram above, into % of active customers (retention), # of sessions per active user (engagement), and impressions served per session (monetisation), and assigns each of them to respective teams. The person in-charge of user engagement might break it further down into input metrics, and so on.

We can visualize it so:

North Star Metric	Key metrics: level-1	Key metrics: level-2	Key metrics: level-3	Lever	Person Responsible for the Key Metric
Net Revenue					CEO
	# of customers				Head of Growth
	CAC				
	LTV				
		Revenue per session			Group Product Manager
		Sessions per Active Customer			
		% of active customers			
			% of people who subscribed to push notifications		Product Manager
				Improve subscription rate by experimenting with prompt timing in lifecycle	
			% of people who clicked on a push notification		Content Manager
				Improve click rate of push notification by personalizing content to lifecycle	
				Improve delivery rate of push notification by experimenting with new technology	Technical Product Manager

So, is it input metrics all the way down? Where do we hit the bottom of the well? And, how do we make the magical leap from key metrics to levers?

Generally, after 2-3 levels of going down the metric hierarchy, we might reach a *reasonably* independent metric. Let's understand this point with the online restaurant example. We started with an overarching goal of sales. Going down the metric hierarchy, at level 1, we get the key metrics of traffic, conversion rate, and average purchase value, which when combined give us the sales numbers. Following conversion rate as a branch, we get, at level 2, % of visitors who view at least one item, % among them who add to cart, % among them who complete the checkout process.

Now moving focus on the '% of visitors who view at least one item', we can further dice it in different ways, but we have perhaps reached that point where instead of figuring out the mathematical formula for it, we can put down the business *drivers* for it. What could be the drivers for increasing the % of people who reach the online restaurant listing page and click on at least one item? Or inversely, what could be the drivers for decreasing the % of people who don't click on even one item and bounce off? Perhaps, the page load speed on the technical side. On the merchandising side, it would perhaps be the popularity of the products being displayed up front. What other driver can you think of?

And finally, we pick up the levers that will improve these drivers of the independent metrics. Such as, improving page load speed from x to y; or adding so-and-so popular dishes to the assortment. This leap from the hierarchy of key metrics to a list of levers/activities to be done, to grow the business, thus comes from a deep understanding of the business drivers for the independent metrics. And this understanding can come from diverse sources: customer research, domain experience, data, and, of course, first principles thinking.

Putting it all together, the templated way to understand the relationship between objectives, key results, and levers would be: We want to do x (*objective*), as measured by y (*key result*), by doing z (*lever*).

For example, I want to be well-read, as measured by reading 12 books in 2023, by reading 10 pages every night before bedtime. Or, I want to be healthy, as measured by improving my body mass index to 20, by eating healthy on 90% of the days (lever #1) and exercising for 30 minutes on 80% of the days (lever #2). Levers are something you work on. Metrics are something you measure to understand if the intended outcome has been achieved.

Summary of Chapter 2

After reading the first chapter, you should be able to put together the growth formula and growth model for your business idea. After reading this chapter, you should be able to:

- build a visual metric hierarchy of your growth model,
- identify the independent/input and dependent/output variables in it,
- map the independent metrics to their respective business drivers, and thus the levers that will improve them, and finally,
- visualize the growth team structure that corresponds to the independent metrics & associated levers.

In the next chapter, we will close on the first section of the series, with steps to set up a continuous measurement system to track if the growth system is working as intended or not. It will also introduce a few key analytical concepts that further sections will build on.

The second section of the series covers the frameworks to select the right growth levers. That is to say, how to know beforehand which levers are likely to move the growth needle and which aren't?

Chapter 3: How to set up a Growth Measurement System

3.1 Why & how to set up a growth measurement system

Startups often oscillate between the two states of not consuming enough data or trying to consume a lot of data.

You are in the ‘not consuming enough data’ state if you know the revenue numbers, the marketing costs, the cash in the bank, and, yeah, that’s about it. Now don’t get me wrong. This is good too. That is to say, not knowing them would be worse. But the problem with tracking *just* these numbers is that these are output metrics.

You are in the ‘trying to consume a lot of data’ state if one day you felt bad about not tracking enough metrics, and went the opposite extreme: you opened a spreadsheet and wrote down every metric you could think of and then asked someone to update the sheet with all those numbers every morning by eleven. But it has been a few days since you last went through it.

But why is the second state bad, in theory? Isn't being on top of numbers supposed to be a good thing?

The problem is that such a laundry list of metrics will not be effective in achieving the objective of a measurement system. So, let's start with the why. Why set up a growth measurement system?

The core objective of setting up any measurement system is threefold:

- To know the *overall health* of the business *at a glance* with the output metrics
- To be able to do a *quick diagnosis*, if some output metric is off the trend, with hierarchy of input metrics
- To be able to make *predictions* and catch things going off the rails early, with the *lead indicators*

Let's understand them with an example. Suppose we are running a call center, with 10 agents. Every morning we come in, we want to, first, track overall health of the operations. How do we do that?

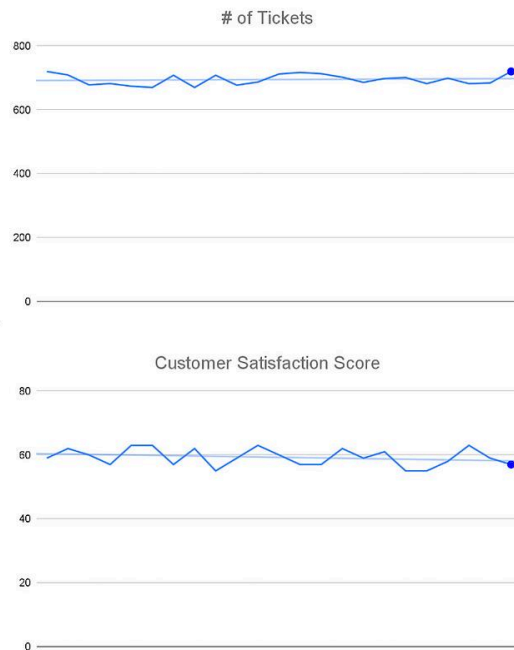
Any system will have two complementary metrics – a **volume metric** and a **quality metric** – that capture the overall performance at the highest level. You will see this pattern everywhere, once you internalize this concept. Such as, pages read versus knowledge gained. Calories ingested versus nutritional quality. GDP growth versus quality of life. In fact,

negative externalities often arise because there is no counter-balancing quality metric being tracked.

So, for this call center, the top-level volume and quality metrics can be the number of tickets cleared and the customer satisfaction score respectively.

But do these numbers mean anything by themselves? Is 720 tickets cleared the previous day with a 57% satisfaction score good or not? How do we know that? This context can be provided by adding how it has trended over time i.e. a **time series trend**. And/or adding the **targets** or **projections** against these **actuals**.

# of tickets	720
Customer Satisfaction Score	57



Alright. So, we set this up and have a high-level picture of the 2 most important metrics, as well as their context. We look at this in the

morning, are happy with the numbers, and can move on with our day, without having to go through a laundry list of every data point the business has generated.

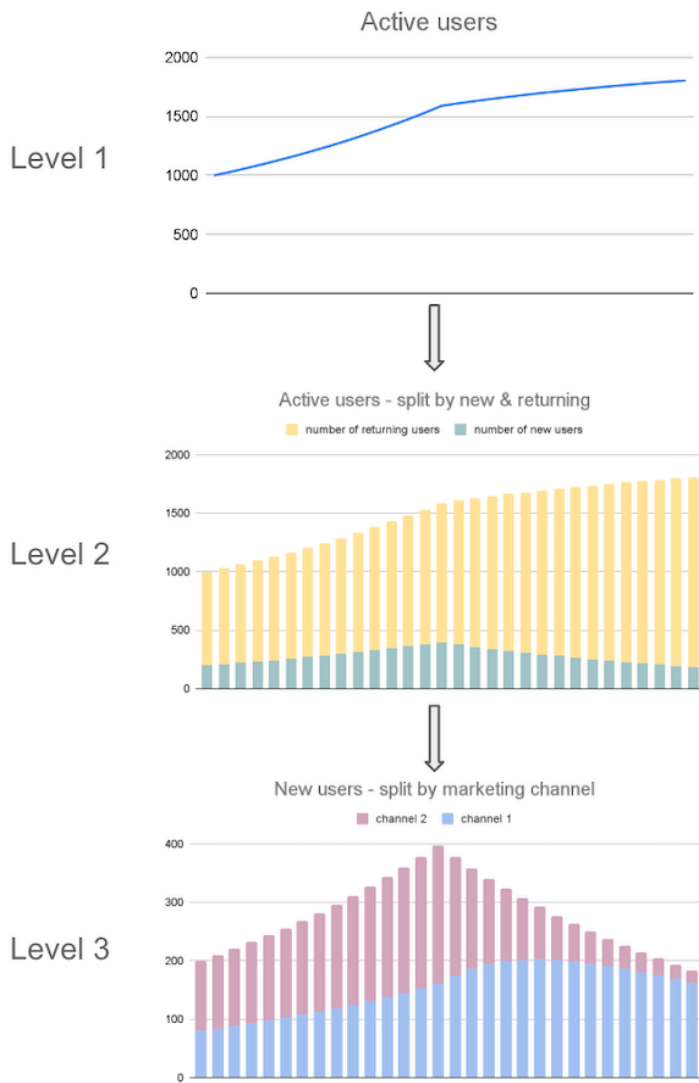
But what if the metrics are significantly deviating from the past trend, or from the projections we had made? How do we do a quick diagnosis?

This is where the metric hierarchy, that we covered in the previous chapter, comes into play. Both the volume and quality metrics will need to be split into their respective input metrics. We can quickly look at these level-2 metrics and understand the reason.

For example, let's say we have started a new content app. What should the top-level volume and quality metrics to track its growth be? It can be the number of unique people opening the app and average engagement per user respectively. We are also tracking this over some time instead of just the previous day's numbers, so that we are aware of the past trend and any pattern of minor variation (e.g. higher app opens on weekends than weekdays).

Now let's say, the number of unique people opening the app (i.e. number of active users) is dipping. How do we know what's happening? From the ideas of the previous chapter, we will have its metric hierarchy. For level-2, the formula can be the sum of new (first-time) users and returning users. For level-3, the number of new users can be split into

different marketing channels, and the number of old users is split into different cohorts.



So, before jumping into investigating myriad possible reasons every time the top-level metric seems off (did a new competitor launch, is the new app version crashing, etc.), we can first make a quick diagnosis by going down the metric hierarchy, and have a clear sense of the specific direction to go in for identifying the problem. We will come back to

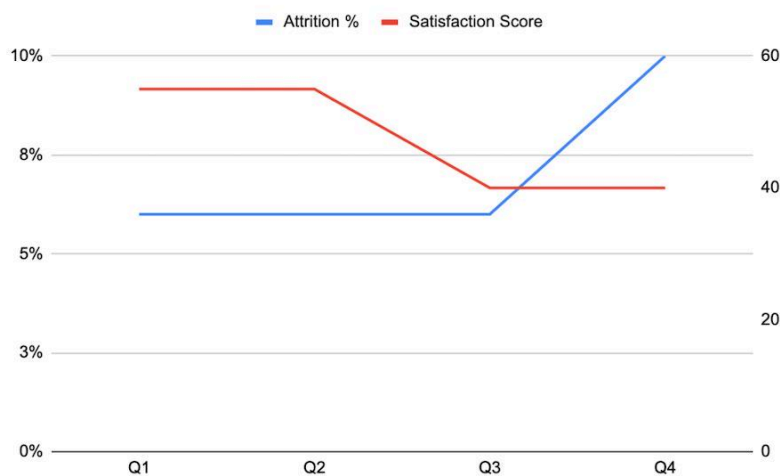
some common ways to do **root cause analysis** in the last section of this chapter.

So far, we have talked about setting up a top-level tracking of volume and quality metrics, and their level-2 and level-3 input metrics for quick diagnosis. Is this all? The measurement system defined above looks at the past and catches any aberrations early. But can we have a system which predicts if these metrics are about to deviate from the trend? Enter the concept of **leading indicators**.

Let's say that the content app has good user engagement. However, that engagement is coming from content created by creators in the near past. Maybe in the last 48 hours. So, even if the content creators suddenly face a problem in creating content, there will be enough content liquidity in the system for some time that the top-level engagement metric on the consumer side might not show a dip. However, if the problem continues, the engagement metrics will dip in future. Hence, drop in the number of new content items is a leading indicator of drop in the consumer engagement metric.

How do we identify the leading indicators of any metric? It will come from the deeper context of business drivers for that metric. For example, employee attrition rate is one of the key metrics for the people system in an organization. However, it is a **lagging indicator** of employee engagement. While that number might seem okay at the moment

(against time series trend, or against projected numbers), it does not really predict what the attrition rate will be in the next quarter. The leading indicator for it can be employee satisfaction score. That is, even if the attrition rate is stable currently, but if the satisfaction score has started trending downwards, it is likely the attrition rate will increase in the future.



Leading indicator of employee satisfaction score dips in Q3, but the lagging indicator of attrition % increases only in Q4

Another example is retention rate of customers for a platform. While it is the most important independent metric in the growth model, it is a lagging indicator of customer satisfaction. In that, a stable retention rate does not guarantee the rate to be stable in future too. Declining customer satisfaction scores (or Net Promoter Score - NPS) will mean the retention rate, and therefore revenue from the existing customers, will trend downward in future.

So, in summary, a good growth measurement system needs to have:

- Complementary volume and quality metrics, for a quick overview
 - Trend of these metrics, and/or comparison against projections, for context
 - An optional view of metric hierarchy, for quick double-click and diagnosis
 - Early indicators of independent metrics, for quick prediction
-

3.2 How to improve the growth model with the growth measurement system

Now, let's say we have a situation on our hands where the actual numbers are consistently veering away from the projected values. If we do not change the model being used to make the projections, it makes the projections meaningless. But if we keep changing projections every time it's different from actuals, it makes the act of building projections futile. So what do we do?

Let's go back to the growth model we had built for the mobile game app business, in the previous chapter. It had, in its growth formula, 10 million potential customers and a net value of \$10 per customer (\$12 LTV minus \$2 CAC). In its growth model, there was 6k of net revenue

projected in the 1st month, 11k in the 2nd month, and 15.8k in the 3rd month.

In this model, the independent metrics that are driving rest of the calculations were:

- Number of new users per month. Especially the degree of acceleration in that number i.e. 1k new customers in the first month, 1.5k customers in the second month, and so on.
- Cost to acquire new users
- % of users returning in successive months i.e. retention
- Revenue per ad impression

And so, once we dig into these input metrics to find the reason for actual numbers diverging from what was projected in the growth model, we might find one (or more) among the following things happening:

- Number of new users per month is increasing but not at the pace that was expected
- Cost is not constant as we are trying to accelerate the number of new users
- Fewer than projected % of users coming back in successive months
- Revenue per impression being paid at lower rate by the ad platforms than was projected

At this point, we have to dig into the business context of the original assumption. For example, why did we assume that the number of new

users per month will keep accelerating? Was it as a result of more channels to acquire the user being opened up? Was it because of more supply levers being opened up? Was it based on industry benchmarking of similar stage apps? Similarly we have to look into the business logic for quantitative assumptions for other metrics too.

We can reflect on the assumptions and see if they have been proved false. If yes, we have two options:

1. **Modify the long-term growth model** by changing the independent metric to reflect the actual number. That is, if month-1 retention is actually 12%, use that in the growth model rather than, say, 15% which was originally used.
2. **Modify the short-term growth roadmap** by making it a key result to improve the independent metric by picking the right lever against it. In this case, increasing month-1 retention from 12% to 15% within a certain time period using certain levers (*we will cover the frameworks to pick the right levers for different independent metrics in a growth model, in the next section of this series - chapters 4 to 7*).

After one of the options has been chosen, we can operate for some time, collect new data, and re-visit these steps.

This is similar to the **build-measure-learn loop** described in the book *Lean Startup* by Eric Ries. We are building the growth model and roadmap, with some business assumptions. As the business gets

operational, we are measuring the actuals against the projections. And, we are accordingly learning from the difference between actuals and projections and the root cause for it. And subsequently, either changing the assumptions in the growth model or changing the growth roadmap to focus on the errant assumptions.

We can run through this loop every quarter (or the short-term planning horizon being followed at the startup). However, in order to be able to tweak one or more assumptions in the growth model, without having to re-do the entire thing, it should be fairly modular.

A well-compartmented growth model will have 3 parts:

- Input: with all independent metrics and business logic for these assumptions
- Processing: where all calculations take place, but with only transformations (formula in case of spreadsheets) and no hard-coded values
- Output: a simplified view of projections for top-level metrics

If there is such a clear **separation of concerns** in the growth model, one can look at the input sheets and get a clear picture of what the business drivers are. And such an abstraction will help non-specialists look at assumptions in the input and the simplified output views, without getting bogged down by all the transformations in the processing part.

3.3 Common Root Cause Analysis methods

We saw how divergence between actuals and projections between output metrics can be looked into, by traversing down the metric hierarchy and finding the independent metrics causing it. For example, retention % dropping and causing a drop in revenue against projected revenue. But how do we investigate a drop in the independent metric itself? Retention %, in this case.

I will share with you three frameworks which will serve you well in most root cause analysis across multiple growth problems. They are:

- Funnel thinking
- Segment thinking
- Cohort thinking

Let's say the default rate for a bank has gone up massively. How do we look into it and understand the root cause of the problem?

One way to do this is to dice the data by **funnel** i.e sequential steps. An account is considered to have defaulted if, say, 3 successive payments are missed. So, we can first look at what % of people missed the 1st payment. Of them, what % missed the 2nd payment. Of which, what % missed the 3rd payment. And try to see which step of the funnel has had a sharp increase.

If the increase is across all parts of the funnel, it is not the root cause. This is the crux of root cause analysis, or discovering any data insight in general: you have an insight only when you have arrived at a point where the patterns are diverging.

Since it's not a problem with funnel steps, we can dice the data by **segments**. A segment of a population is sufficiently similar to each other and dissimilar to other segments. We know of common ways to segment individuals (race, gender, age, etc.). In this context, relevant parameters to segment would be the size of business. Are the large businesses defaulting, or the medium ones, or are the small ones? Another parameter could be sector. Are the primary industries defaulting, or are manufacturing industries defaulting? Or it could be a combination of parameters: while other businesses seem to be fine, it's the service industries with a turnover more than 100 crore that are defaulting.

And, if there is no pattern emerging either from funnel or segment (increase in default rate is across all stages of funnel, and across all segments), we could slice the data by time. Also known as **cohort**, or vintage. That is, all loans that were granted in 2020 form one cohort, all loans that were granted in the 4th quarter of 2021 form another cohort, and so on. So, if we find that default rates were high only for the loans which were granted in 2019, and not for the other cohorts, we have zeroed in on an insight.

To be clear, cohort is not the same as segment. For example, a hotel which had its loan granted in 2020 will be in a different cohort than a hotel which got its loan in 2021, but they will be in the same segment (i.e. hotels) in this analysis. While two companies with different turnover and operating in different industries, but which got the loan together would be in the same cohort, albeit in different segments.

Another example of the difference is that generations (e.g. Millennials, Gen-Z) are cohorts, while income brackets (e.g. HNIs, Middle Class) are segments.

Let's go over these techniques, one more time, but in the context of a growth model. Let's go back to the example of the lifestyle brand we had modeled in the first chapter. We had arrived at an LTV of 4200 with 2.1 orders per customer and 2000 as margin from every order.

However, after 3 years of operation, we notice that the LTV has decreased from 4200 to 3200, with the decrease coming from average orders per customer dipping from 2.1 to 1.6. As we saw above, we have two courses of action:

- Change the growth model: by changing the underlying assumption of orders per customer
- Change the growth roadmap: prioritize identifying and executing on levers to increase orders per customer

But, before that, as the first step, we need to understand why it decreased from 2.1 to 1.6. To identify the root cause for it, we have to do funnel thinking, then cohort thinking, and then segment thinking.

In funnel thinking, we have to look at sequential steps for all customers. So, we will look at what % of customers were coming back to transact in the 2nd month originally and what the number is now. Then in the 3rd month, and so on. Is it a dip across all the months? Or in a certain month of the customer's journey.

In cohort thinking, we have to group the customers based on when they were acquired. So, we look at LTV of customers who were acquired in January of 2021, February of 2021, March of 2021, and so on. Is the dip across all the cohorts? Or for a few specific cohorts.

In segment thinking, we have to group the customers based on their attributes. So, we can look at LTV of different customer persona, or by segmenting based on the marketing channels or campaigns they were acquired from. Is the dip across all segments? Or have we over-acquired over time from a persona or channel which had low LTV.

Often, the search for a divergent pattern is not so clear cut: it's not 100% this or that; but 80% due to segment and 20% due to one funnel step; or 70% in this funnel step and 30% in another. However, in most cases, following these steps will lead you to the major driver for the change.

Summary of Chapter 3

In this chapter, we learnt the following concepts:

- How to set up a growth measurement system for any business, using
 - Volume and quality metrics as complementary pair
 - Trends and hierarchy of input metrics
 - Leading and lagging indicators
- How to improve a growth model, using
 - Separation of concerns
 - Build-measure-learn loop
- Common root cause analysis techniques, especially
 - Funnel thinking
 - Cohort thinking
 - Segment thinking

With this 3rd chapter, we have reached the end of the first of three sections of the Firestarter series. This section was on growth planning, and by now you should have the skills to build a growth model for an idea, build its growth roadmap, and set up a growth measurement

system, along with tweaking the model after finding the root cause of deviations.

With the planning base covered, we will now dig into the juicy executional bits of growth over the next 4 chapters. Answering questions like: How do we decide which growth levers to pursue? How do we decide the growth channel strategy for a business? How do we plan a campaign? And many more concepts and frameworks which form the pareto of executional aspects of different functions within growth.

Chapter 4: How to pick the right growth channel

4.1 User Growth versus Value Growth

We started this series with the Growth Formula. Breaking down the problem into two parts: How many potential customers does your business have? And how much value will every customer bring? Some businesses have millions and billions of customers, with each of them bringing in a rather modest net value per customer. While other businesses have relatively fewer customers (dozens to hundreds to thousands), with each customer bringing in a relatively higher net value.

And the Growth Formula is the starting point not just for the growth planning (focus of the previous section), but also for figuring out the actual executional levers to grow a business (focus of the current section). That is: You can either grow the number of users. Or you can grow the value per user.

For example, say, you join a SaaS business that serves 100 customers who pay \$100 each per month, and you have been tasked with the problem

statement of growing it by 10 times. While the devil lies in the executional details, at the top level, the problem is simple enough: either you can grow from 100 to 1,000 customers. Or increase value from \$100 per month to \$1,000 per month. Or a combination of the two: go from 100 to 200 customers and \$100 per month to \$500 per month.

Let's call the first type of growth as **User Growth**, and the second type of growth as **Value Growth**. And that division will form the basis of how this section of Firestarter series (chapters 4 to 7) is structured. Chapters 4 and 5 will focus on User Growth. Chapter 6 will focus on Value Growth. And, chapter 7 will put it all together.

Why have two chapters on User Growth and only one on Value Growth? That brings us to a thumb rule: *It is easier to move the needle on User Growth, than on Value Growth.*

Think about it: An OTT app has 10 million customers each bringing in 10 dollars per month. Which of the following growth scenarios is more likely to happen if they have to grow by 10 times: 100 million customers bringing in 10 dollars per month, or 10 million customers paying 100 dollars per month?

Of course, this is a blanket statement without nuances – as thumb rules generally are – and both the metrics can be increased by the respective growth practitioners. That is to say, it is quite possible that the app

increases the value per customer from 10 dollars per month to 15 dollars per month, by providing more value to the user. But, when we are talking about an increase by an **order of magnitude** (i.e. 10 times, 100 times, 1000 times, etc.), we are often going to look at User Growth rather than Value Growth.

So, why even bother with Value Growth? Because it is what makes or breaks a **product-market fit** (we quantitatively define this term later in the chapter). Value growth might not enable growth by an order of magnitude, but it allows compounding. More importantly, it allows businesses to pursue User Growth in the first place.

Alright, so let's start with ways to pursue User Growth.

4.2 Selecting your lane of User Growth

Stop me if you have done this, or seen others do this, before: We come up with the idea for a business. We are looking for ways to grow the business. So, we pursue ad-hoc ways of doing it. We share the link to our project in different forum groups. We stand outside apartment complexes distributing our flyers.

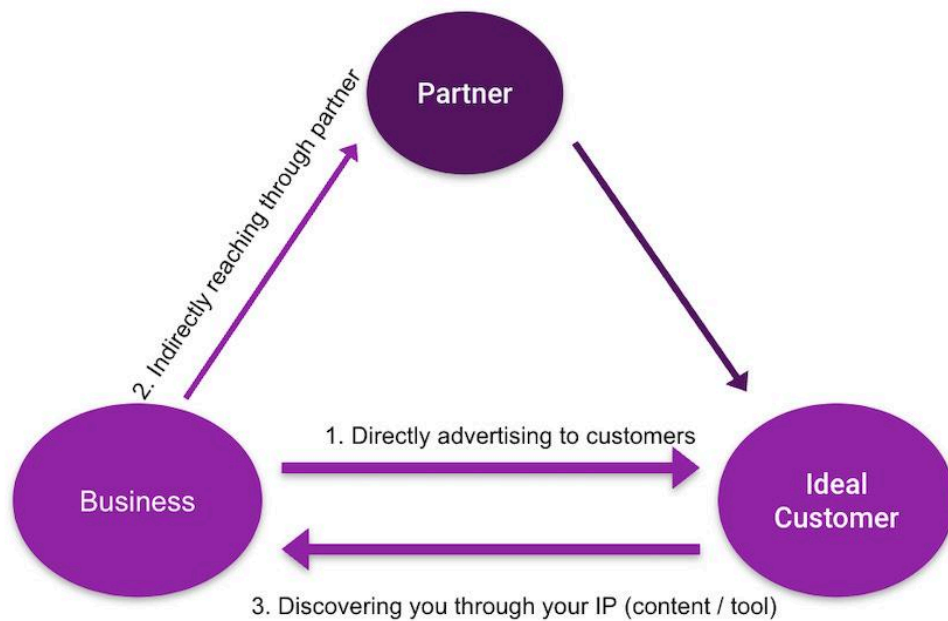
Should we be doing this? Yes and no.

Yes: if it is being used to validate the idea. That is, if it is being used to reach the threshold of users required to validate how many people find it useful and keep using it. No: if it is being used as a way to grow the number of users. Once the value per user has been established, it is time to figure out how to get a steady stream of users coming in. How do we do that?

I have come across two frameworks that approach User Growth in a holistic and structured manner. The first one is by Jason Weinberg. In his book [‘Traction’](#), he lists 19 different channels you can use to increase the number of users. The channels range from PR to trade events, from viral marketing to good old paid advertising. While the list is not comprehensive (and it cannot possibly be), it is as comprehensive as it gets and serves as a good starting point.

The second framework that I have come across, which is the one I prefer (and you will shortly see why) is by Dan Hockenmaier & Lenny Rachitsky. Essentially, it combines all possible channels you can pursue thematically into 3 [‘growth lanes’](#). The lanes – and I have done some tweaking to their framework here – are:

- Advertising directly to customers
- Reaching customers indirectly through partnerships
- Getting customers to discover you through content



So even if you are running Facebook ads to customers, running newspapers ads, or getting salespersons to call them on phone, these are all different channels, but are in the first lane.

Why it is an important framework is because it helps us get a holistic view of types of channels out there, and lets us think about our specific context first, rather than chase one channel after another. That is to say: considering the domain my business operates in, with the type of customers my business serves, and with the kind of cost structure I have, which growth lane makes most sense for me. Let's jump to some examples to understand this concept.

For example, say, you are running a mobile phone review site. And displaying advertisements to the traffic is the primary source of revenue. So, how do you grow the revenue of this business? You consider Value Growth but since the problem is about growing this business by an order of magnitude of 10x or 100x, you consider User Growth first.

But which growth lane should you use for pursuing User Growth? Should you be going directly to the customers (advertising to people on social media or search engines who might be in the market for buying new phones)? Or should you partner with those who already have aggregated such users to indirectly reach such users? Or should you be generating content that gets potential users to discover you? Let's look at the options one-by-one.

Advertising to the customers is the most obvious and the easiest way to go about User Growth generally. However, some businesses do not lend themselves to this lane of growth. For example, if Instagram charges you ₹20 for sending a relevant customer to your D2C brand's website, but you generate on an average ₹10 from every such website visitor, Instagram Ads as a channel is not going to work for you. The business we were discussing was a mobile phone review website with display ads as its revenue. With the low value per user, advertising is probably not a good growth lane for such a business.

So, inversely, high margin businesses *generally* lend well to advertising. For example, if Instagram charges you ₹20 for sending a relevant customer to your D2C brand's website, but you generate on an average ₹60 per customer, congratulations, you have just built a cash machine.

High volume businesses lend well to digital advertising. This is because the advertising platforms (Meta Ads, Google Ads, Amazon Ads, etc.) run on machine learning algorithms. They need more data points and quickly. So, if you are selling a very niche product, suitable for a very few people, it might not lend well to digital advertising, despite having a high margin e.g. yachts, expensive artwork.

Which brings us to partnerships as a growth lane. If your product offers a healthy margin to support significant variable marketing costs, but is not common enough to be suitable for digital advertising platforms, partnerships might be the way to go. Especially if you know of places, offline or online, where your ideal customer profile aggregates. (I refer to this as: 'fantastic beasts and where to find them').

This is a fairly common concept in B2B marketing, for example, enterprise software companies partnering with the respective industry events. In the consumer domain, influencer marketing is such an example. For example, if you are trying to grow your health supplement business, and it has healthy margins to support ongoing marketing costs. However, it is not a product everyone will buy, so digital advertising

might not be suitable for you. Or, perhaps the product is common enough but digital advertising platforms do not provide the exact targeting attributes for your ideal customer profile (for example, teeth aligners). So, you can look for partners who already aggregate such ideal customers. Perhaps, dentists for teeth aligners and fitness influencers on Instagram or YouTube for health supplements whose respective followers are your ideal customers.

Coming to the last growth lane of getting users to discover you. This is, arguably, the hardest one to crack. But for very low margin businesses (e.g. content websites and apps), this becomes the only way to grow since there is no place in the cost structure to support variable marketing costs.

On the other hand, while this might be the hardest lane of growth to crack, this is one that lends a more durable moat to the business. For example, if you run ads to consumers to sell your beauty products, or partner with influencers to sell them, there is nothing wrong with picking these growth channels as long as the margin you make per customer is more than what it takes to acquire a customer. However, by definition, your cost structure will *always* have marketing cost as a variable.

The alternative approach could be to start a beauty blog or Instagram page or Youtube channel. You would first create some content (or a tool)

that provides some free value to users. Some early adopters will discover it, and then you will overtime grow based on the platform (Google search / YouTube / Instagram) recommending it to others.

But just as having a high margin is not a guarantee for direct advertising or indirect partnership lanes to work, having a low margin is not enough for this lane to work for you. So, what are the prerequisites for this lane to work for your business?

Within this lane of organic growth, there are two sub-lanes: push (content/tool going viral and finding the right users) and pull (content being discovered on a platform by the right users looking for it). Within the pull sub-lane, the content can either be low in throughput volume and editorial in nature, or it can be high in throughput volume and be programmatically generated (often over user generated content).

For organic growth to come from push-properties, as opposed to pull-properties, the prerequisite is: can you consistently make viral content?

For pull-properties and editorial content: does your content have any attribute that sets you apart? Authoritative knowledge, or common knowledge but distinctive style – both make for great blogs as well as Instagram pages and Youtube channels.

And for pull-properties and programmatic content: do you have some proprietary data to generate unique secondary content from? For example, content forums and review sites do well in SEO because of having proprietary user-generated content on their platforms.

Alright, so putting it altogether:

Growth lane		Variable marketing costs	Volume of customers	Examples
1	Direct Advertising	✓	✓	<ul style="list-style-type: none"> Digital Marketing Field sales
2	Partnerships	✓	✗	<ul style="list-style-type: none"> Influencer Marketing Referral Program
3	Organic Growth - Pull	✗	✓	<ul style="list-style-type: none"> Content Marketing - SEO driven: <ul style="list-style-type: none"> ◦ Blog / YouTube / Instagram page
4	Organic Growth - Push	✗	—	<ul style="list-style-type: none"> Content Marketing - virality driven

4.3 Selecting a channel: Experiments to validate a positive value per user

Once you have selected a lane, which makes conceptually sense in your business context, you still need to test different channels within that lane for yourself.

Deploying a channel requires approaching it as an experiment. You need to have a hypothesis which will either get validated or invalidated, as a result of the data you will collect from the experiment.

Let's say you have a D2C brand with a reasonably common consumer profile, and a cost structure that can absorb variable marketing costs. You can therefore perhaps try direct advertising. You can run the first set of experiments (the how of this will be covered in the next chapter), and see if the 'net value per user' part of the growth formula is positive for you or not. That is, is LTV more than CAC for you for this channel or not? If it is, this channel is working for you, and you can focus on scaling it. If it isn't, despite multiple iterations of the experiment with different independent levers, this channel cannot be scaled for your brand since any number of users will not make up for a negative net value per user in the growth formula.

Let's consider a different example. Let's say you sell a niche product that has a good margin to support variable marketing costs but a specific customer profile which is not easily accessible by digital advertising route. You decide to pursue partnerships as the growth lane. But within the lane, you have multiple ideas. You can partner with another brand which serves the same customer niche. The other idea is to partner with affiliates or influencers. Or you can start a referral program where your users can refer other potential customers that are hard to reach for you but are in their network.

The only way for you to actually know the specific channel idea that will work out for you is to test them out with small experiments, collect data specific to your business, and see which of them produces a positive net value per customer. Let's say you decided to test out the influencer partnership channel, and ran a small campaign with 10 influencers that cost you ₹100k. You want to break even on the first order to ensure LTV is higher than CAC, and let's say this requires a Return on Advertising Spend (RoAS) of 3 based on your cost structure. So, if you do generate sales of ₹300k+ from this campaign, you have validated this channel. But if you don't, you can look at the independent metrics in the data collected from this experiment, look at the levers driving them, and repeat the experiment after tweaking the levers. We will go into more executional details of this in the next chapter on User Growth.

4.3 Product-market fit v/s product-market-channel fit

What if you try out multiple different channels and are not able to find a net positive value per user in any of them? How do you differentiate between the scenario of users not finding your product useful and the scenario of users finding the product useful but you not being able to figure out a sustainable distribution channel. The former would be a case

of lack of **product-market fit** (a term coined by [Marc Andreessen](#)). While the latter would be a case of lack of **product-market-channel fit** (a framework by [Brian Balfour](#)). Let's understand the difference between the two.

We have covered the way to quantify product-market-channel fit: is the net value per customer in the growth formula positive or not? Which in turn means, is the LTV greater than the CAC or not? But both the metrics are calculated for a particular channel. So how do you quantify product-market fit (PMF), independent of a channel?

Marc Andreessen defined PMF in a when-you-see-it-you-know-it kind of way. When the products are flying off the shelves, when servers can't keep up with the demand, and so on. Sean Ellis, in his book '[Hacking Growth](#)', however, made it more quantitative, and similar to a Net Promoter Score metric (NPS). He defined it as: what % of your customers will be very disappointed if they could no longer use your product? The threshold for PMF, he proposed, was that at least 40% of your customers should be very disappointed if that happened.

So, the unscalable ways of acquiring the initial users are actually good to get to a critical mass of customers, in order to understand the leading indicators of PMF i.e. customer satisfaction scores, and the lagging indicators of PMF i.e. customer retention rates, which will in turn determine the LTV of the specific customer profile.

Once a business has validated product-market fit for an ideal customer profile, but is unable to find a sustainable distribution channel, it is a case of lack of product-market-channel fit.

4.5 Product-market-channel-scale fit

Although we think of concepts of product-market fit and product-market-channel fit as one-time certifications awarded in the early stages of the business, they are more like licenses that require regular monitoring and can be lost if not handled well.

The biggest reason why product-market fit is weakened or lost is because businesses lose track of the core customer profile, and, in a bid to scale rapidly, they end up acquiring a lot of other customer profiles for which they did not have product-market fit.

And the biggest reason product-market-channel fit is lost – even for the same customer profile over the same channel – is because we forget about a key determinant of product-market-channel fit: the scale of the product. Let's understand it with an example.

Let's say you are building an organic goods brand. You have a margin of ₹100 on every order. And your ideal customer on an average gives you 6 orders in the first 6 months, which is the window you consider for your lifetime value calculation. Your customer acquisition cost over Instagram ads is ₹300. So, after the first 3 orders, you break even for an average customer, and then, over their next 3 orders, you make a net value of ₹300.

Based on this data, you realize you have a cash generating machine on your hand. If you have some venture capital to fund the customer acquisition costs that happen upfront, you can scale it to a sizable portion of your entire potential customer base as soon as possible. The only missing piece of this logic is that we are not factoring in what scale has the data in the previous paragraph been collected at. Is it for 100 users per month, 10k users per month, or 1 million users per month?

The product-market-channel fit data holds only around a certain scale and changes rapidly as the scale changes. However, this is not to say that the customer acquisition costs only increase over time. It follows a more U-shaped curve.

Initially as you scale from a few dozen customers per day to a few hundreds customers per day, the customer acquisition costs actually improve (other things like ideal customer profile and the channel remaining unchanged). This is because of the nature of digital

advertising mediums, which prefer more data points for their machine learning algorithms.

However, beyond a certain point, the customer acquisition costs start increasing. That is, a CAC of ₹200 per new customer for a scale of 1,000 new customers per day, can quickly become a CAC of ₹500 per new customer for a scale of 10,000 new customers per day.

This happens because at any point in time there are only a finite number of people who are in-market for buying the product (i.e. market size *at that point*), but, more importantly, only a certain % of them are actually aware of and are considering to try out *your particular brand* within the wider category.

Fundamentally, it's about maintaining the right ratio of

- how many people in the market to
- how many of those are aware of your brand to
- how many of those are considering your product to
- how many of them you can acquire

And while there are industry-specific benchmarks for these ratios, it is also important to play the situation by the ear. If your costs are suddenly increasing as you increase the scale of acquisition, and become manageable as soon as you scale down, you are perhaps at the optimum ratio already. Inversely, if you have kept the scale of new users per week

or per month at the same scale for a long period of time, and your CAC is actually improving, it might mean that you have probably a larger aware and considering base, and that you might be leaving money on the table. How do we plan out campaigns which build awareness, build consideration, and drive conversions? This will be a topic for the next chapter on User Growth.

Summary of Chapter 4

Wrapping it all up: in this chapter, we answered the following questions:

- What is the difference between User Growth and Value Growth?
- How does a business figure out which type of channel to drive User Growth?
- With a type of channel, how does a business determine the exact channel which fits the business?
- How do we know if a business lacks Product-market fit or Product-market-channel fit?
- Is there a ceiling to scale once a business has found product-market-channel fit?

In the next chapter, we will explore the functional nuances of planning a campaign, creative levers in a campaign, and cover some basics of digital marketing, influencer marketing, and referral programs.

Chapter 5: How to drive user growth

The previous chapter broke down the problem of growth into User Growth and Value Growth. It then listed the 3 different 'growth lanes' a business can take to pursue User Growth, along with the criteria that makes a particular lane suitable or unsuitable for a specific business.

In this chapter, we will be going through the most common channels in the 3 different lanes of User Growth, their fundamental concepts, and the best practices. Let's start with the most common one: digital advertising channels.

5.1 Digital advertising as a user growth lane

Suppose you are working on a consumer brand with a fairly common ideal customer profile, and you have a cost structure that allows you to have a certain % of revenue as marketing costs. In this case, digital advertising seems like a good growth lane for your business to pursue. But, how do you go about it?

First, which platform are we going to advertise on? We, as consumers, spend a lot of time on content and utility apps. Many of them monetise

our attention by serving us ads. A few of them are big enough to build their own ad platform to get businesses to advertise on their platform, such as Twitter, LinkedIn, Snapchat, Quora, Pinterest, etc. However, the big ad platforms on which the majority of the advertisement spends happens are just a few: Google, Meta, and Amazon. And that probably is where you would start too.

The other good news for you as is that, despite the wide variety of platforms and their respective nuances, they all typically require 3 components of information to serve an advertising campaign:

1. Business Objective
2. Customer Profile
3. Communication

Let's go through them, and seek to understand what makes for a great campaign from the respective lens of each of these.

Business Objective:

1. To start with, we have to decide what is the **objective** of the campaign. It could be one of these:
 - a. Making more people **aware** of the product/service
(**top-of-funnel**)
 - b. Making people who are already aware of the product/service, **consider** it (**middle-of-funnel**)

- c. Making people who are already aware of and/or are considering it, **purchase** it (**bottom-of-funnel**)
2. How much are you willing to **pay for every action** for the given objective
 - a. Top-of-funnel: how much would you pay for reaching a new person or getting one more person to recall your ad (and your brand by proxy) i.e. cost per reach or cost per ad recall
 - b. Middle-of-funnel: how much would you pay for every person coming to your website (cost per click) or installing your app (cost per install), or for every person to complete a slightly more immersive action on the ad platform (filling a form i.e. cost per lead, or watching a complete video i.e. cost per video view)
 - c. Bottom-of-funnel: how much are you willing to pay for a purchase (cost per purchase), or a non-purchase action on your platform that is a leading indicator of high intent customers e.g. completing a loan application form on your app.
3. How much are you willing to **pay overall** for the campaign, and what should be the duration of the campaign, and details like that.

Putting it all together, the first level of information you would give to an ad platform would look something like this: spend about ₹100k over the next 30 days at a cost of ₹500 per purchase.

Where would this information come from? For the bottom of the funnel campaign, it would come from [the growth model we previously built](#). We would know the number of new customers we are going to acquire, the cost associated with it, and the time period. But how do we decide how much to spend on the other parts of the funnel? And, wait, why should a business spend money on any campaign that's not contributing to a bottom-of-funnel action such as purchases?

That would be because we, as consumers, do not make purchases from a new brand the very first time we see it. A brand is a shorthand for a certain set of attributes in a category, and it would take a few repetitions of the brand for our brains to remember the name and build the association between the name and the category and the differentiating attributes. Those repetitions can be done better through top-of-funnel and middle-of-funnel campaigns, so that by the time those potential customers are targeted through the bottom-of-funnel campaign, they have been *primed*.

So, how do we plan how much to spend on the top-of-funnel and middle-of-funnel campaigns and how much to spend on the bottom-of-funnel campaign? There are two ways to go about it. One: you can use a heuristic such as: for every ₹10 you spend on a bottom-of-funnel campaign, spend ₹1 building the top-of-funnel. The other way is to estimate the number bottom-up.

Let's say we built the growth model, and from there we have arrived at requiring 10,000 new customers at a CAC of ₹500 in Jan '24. Once you gather the benchmarks for different ratios at different stages of the funnel, you can estimate both the bottom-of-funnel and top-of-funnel numbers:

Bottom of funnel calculation		Top of funnel calculation	
Required number of customers	10,000	Monthly Frequency (impressions per user) for bottom of funnel campaign	4
Ecommerce Conversion Rate (ECR)	5%	Required number of people at top of funnel	5,000,000
Required traffic	200,000	Quarterly Frequency (impressions per user) for top of funnel campaign	3
Click-through rate (CTR) on ads	1%	Monthly Frequency (impressions per user) for top of funnel campaign	1
Required number of impressions	20,000,000	Required number of impressions for top of funnel campaign	5,000,000
Cost per 1000 impressions (CPM) in ₹ for bottom of funnel campaign	250	Cost per 1000 impressions (CPM) in ₹ for top of funnel campaign	100
Required cost in ₹ for bottom of funnel campaign	5,000,000	Required cost in ₹ for top of funnel campaign	500,000

Customer profile:

We buy products and services all the time as consumers. But we are *actively* searching for something only some of the time (e.g. searching for flight ticket prices on Google), while the rest of the time we are passively browsing the internet. The ad platforms will, therefore, have 2 kinds of inventory or properties to serve us ads on: pull properties or push properties.

Pull properties are where customers are actively looking for the product/service you are selling e.g. Google search, Amazon search, Apple

app store search, etc. Push properties are platforms where customers are, at that moment, not looking for the product/service. For example, when we are browsing Instagram or Facebook in case of Meta Ads, watching YouTube in case of Google Ads, and watching Prime Video or browsing Amazon homepage in case of Amazon Ads.

So, when we are advertising on pull properties, we would define the intent rather than customers themselves. E.g. people who are searching for 'red leather jackets'. Whereas, when we are advertising on push properties, we have to tell the ad platform the attributes of the ideal customer that our business is looking for.

We can define the ideal customers through their demographic and behavioral attributes e.g. show this campaign to 18-35 year old women living in the city of Mumbai. Or, we can rely on signals that the platforms have collected on their users based on their content consumption or browsing patterns e.g. serve this campaign to people who are **in the market** to buy a car currently; serve this campaign to people who have yoga as an **interest** area. The customers can also be defined by the social graph i.e. their similarity to other customers e.g. serve this campaign to people who are **similar** to my top 1,000 customers.

While this might seem like the most important part of digital advertising, it actually is something that is either being completely done

away with by the ad platforms (Universal App Campaign by Google doesn't have this option at all, for example), or being discouraged implicitly by them (Meta lets you know that not letting the platform go beyond the audience persona defined by you will come at a suboptimal cost). Now, this might seem very counterintuitive at first. How will you target the right customers, you might ask the ad platform, if you don't even ask me who they are?

The idea here is that if you have fed the platform the right campaign objective details, the ad platform can figure out the ideal customer attributes by learning through real data on which customer attributes are converting for your objective at your desired cost.

The job of the advertiser becomes increasingly limited to: 1. figuring and instrumenting the right business objectives and 2. having the right communication strategy. And, this seems almost marketing blasphemy: are we as advertisers not supposed to know our customers at all? Until you realize the importance of knowing the customer when it comes to designing the communication, and the magnitude of differentiation it can bring.

Communication:

Building a piece of communication has 3 parts: designing the brand-customer relation, crafting the message itself, and making it

suitable to the medium. And all the 3 parts have two dimensions: the no-so-visible core part and the visible part.

	Brand x Customer	Message or Creative	Medium
Core	Positioning	Insight	Best practices of medium
Visible	Personality	Creative manifestation	

Let's start with the core of brand-customer relation: **positioning**. Getting to a clear positioning requires answering the question: what about your product/service does the customer primarily care about and what truly sets it apart from the competing products. This answer can come from knowing your customer – first through qualitative research such as interviews to come up with a long list of potential options and then through quantitative research such as surveys to rank them. The outcome of the exercise should be one sharp use case that your ideal customer profile cares most about, even if there are a few secondary good-to-have use cases.

An example from the early days of Meesho's social commerce phase: based on our primary research, we realized that the primary use case differed quite a bit by customer profile. And, more importantly, the primary benefit of our app that we had been advertising so far was not the primary use case for our ideal customer profile. A quick change to align the positioning with this discovery led to massive gains for us in the long run.

While the positioning is the core of the brand-customer relationship, the brand's **personality** is the visible part. The latter often gets more focus, but the two are different. For example, one news channel can differentiate from others by positioning itself to be the fastest, another can differentiate and position itself as the most analytical. This is, however, different from the brand's personality: friendly versus avuncular, funny versus serious, etc. Sometimes the personality itself can be a differentiator (especially in the case of media brands) but, in most cases, and especially for most physical products, you have to work both out independently and not confuse them with each other.

Similarly for the **creative** itself, the core is the fundamental insight – about how the customer can benefit from the product in most cases, but just about the ideal customer's archetype in some cases – that we are trying to deliver, while the visible parts are their creative manifestations: the copy and the image/video. The core can be the persuasion technique at play, the emotion we are trying to evoke, and so on, while the visible parts can be the duration, the color schema, the font size, etc. Both have to be cared about and focussed on separately, but, most importantly, they shouldn't be confused with each other.

Coming to the **medium** through which the creative is getting delivered, it might seem, at first glance, that it is just one of the attributes of the creative itself. However, it is of significant importance to deserve a separate dimension altogether (hence the adage: the medium is the

message). Since how we consume information depends greatly on the medium itself, the rules of the game change radically from one medium to another: what makes for a great TV ad doesn't necessarily make for a great Instagram Reels ad; what makes for a great billboard doesn't make for a great WhatsApp message; and so on.

Now, with the three aspects of communication design listed, coming to why it is the biggest differentiator for the success of a campaign. It comes from my thumb rule: *in any funnel, the ratio you can most easily influence, in the short run, is the top most one.* And, as per that rule, the biggest needle-moving ratio in any campaign is the click-through rate on the ad at top-of-funnel. And yet the rigor in testing and maximizing click-through rates is often much lower than for conversion rates and retention rates.

A simple build-measure-learn attitude, along with a basic analytical framework, would go a long way in making the entire funnel more efficient. While the positioning and personality won't change much from one campaign to another, and keeping medium's best principles in mind, we can keep learning on the creative aspects with a basic classification system such as the one below:

Creative #	Input Variables				Output Metric	Success Flag
	Tone	Duration	...	Call to action	Click-through Rate	Successful / Unsuccessful
1	Humorous	10-15 seconds	...	Learn More	0.9%	No
2	Emotional	5-10 seconds	...	Buy Now	1.1%	Yes
3	...	...	...	...	...	...

5.2 Partnerships as a user growth lane

The biggest difference between digital advertising as a growth lane and partnerships as a growth lane, is that in the latter the important aspects of the ad platform's job falls on the advertiser. Let me explain.

You see, the ad platforms are really great at understanding the objective you have chosen, pursuing the relevant audience accordingly, as well as learning during the campaign whether or not they are meeting the criteria of cost per desired objective that the advertiser had set, and accordingly course-correct. So, the job of the advertiser is all about:

1. Selecting the right business objective on the ad platform,
2. Instrumenting the feedback loop mechanism, and
3. Deploying the right creative strategy.

However, if you are working with a partner (an individual or another business), there is no feedback loop, built from machine learning algorithms, available with the partners to learn or course-correct in case the objectives are not being met. The other important function that ad platforms perform is that they do the work of selecting the right audience for you based on your inputs and the campaign learnings. Partnerships are, on the other hand, like a buffet system. You have to either buy all their audience or none of them. So, the only real lever available to you is not segmenting the audience of partners but *segmenting the partners themselves*.

5.2.1 Influencer or Affiliate Partner Marketing

While it might seem like all bad news so far, it really isn't. While the difficulty of this growth lane will be higher compared to running campaigns on ad platforms, you can look at the bright side: if you do make it a sustainable channel, it will be a competitive advantage for you. Also, while the learnings on other ad platforms are privy to their machine learning models, for this channel, while the models might be simpler, they will at least be transparent to you.

In the case of influencer partnerships, for example, the learnings that you build on your side are:

1. What type of partners are working out for the given business objectives and what kind are not?

2. What kind of creative strategy is working for the respective partners?

The first one is, once again, a classification problem. If you have worked with 10 influencers, for example, and can define them along 5 major attributes, you can find patterns in the attributes. These patterns can then be used to predict which among 1000 other influencers that you haven't worked with will work out for you for your objective and cost per objective. How do we find these patterns?

The major attributes at the first level can be the platform and the content niche they operate in. For example, if all the beauty influencers you have worked with so far on Instagram have worked out for you ROI-wise so far, while all wellness influencers haven't, if you have to work with one more influencer, you would rather go with a beauty influencer than a wellness influencer.

However, not every influencer in a given platform and content niche are the same. So, the influencer specific attributes would be their reach (volume metric being the average reach for their content and the quality metric being % of the reach in your ideal customer profile) and their engagement (the absolute metric being the average engagement for their content and the quality metric being the depth of engagement).

Once you bucket all the influencers you have worked with and put the classifying attributes as independent variables and the campaign outcome as the dependent variable, patterns will emerge.

Partner #	Input Variables								Output Metric	Success Flag
	Platform	Niche	Reach - Volume	Reach - Quality	Engagement - Volume	Engagement - Quality	...	Content Type	Return on Investment	Successful / Unsuccessful
1	YouTube	Business Idea	High	Medium	Medium	Low	...	Long-form Integrated	0.7	No
2	Instagram	Fitness	Medium	Medium	Medium	Medium	...	Reel	1.5	Yes
3	...	...	...	...	...	...	...	...	...	...

5.2.2 User Referral

Just like partnering with individuals and businesses to reach your customers indirectly, you can partner with your existing customers to reach other potential customers. The problem with building a User referral program is also similar: you again have to do the job of the ad platform. That is, the task of ensuring the right objective and cost per objective is being achieved, and course-correct if it is not.

At the top-level, the problem is simple enough:

1. Design an incentives program, i.e. why should someone refer their contacts, and
2. Distribute the incentives program to the right people at the right time.

Designing the incentive program has two potential paths: monetary and non-monetary benefits. Monetary benefits, such as receiving money for every successful referral, or getting a discount on the next order can be straightforward and would apply to most cases. Non-monetary benefits, such as getting exclusive access (currently being employed for Notion AI waitlist, for example), are less common, but can be powerful.

Designing monetary benefits will have two parts:

1. Which objective are you ready to pay for, and
2. How much?

Let's consider the above two questions, and the potential pitfalls of wrong answers.

If you give monetary benefits for a middle-of-funnel objective – such as a sign-up or a lead, in case the process of transaction is not straightforward, or app install in case of B2C referral – you are creating an incentive for the referrer as the agent that might not align with your business's [objectives as principal](#): what if none of the leads or installs convert, and you have to pay for all of them. So, how do we solve it?

We can create a quality metric on which payments are incumbent e.g. payment per qualified lead. Or we can decide to pay only for bottom-of-funnel action. That should solve it, right? Not really. Even moving the incentive to a bottom-of-funnel metric such as purchase, can create perverse incentives. For example, your CAC on Meta Ads might be 500 and LTV might be 1000. With these numbers in mind, you design a referral program with a CAC of 400. That is, the person you referred to gets 200 as discount on their first order, and the referrer gets 200 as discount on their next order or as cashback. However, this makes sense only if the LTV is 1000. What if the LTV of customers coming via referrals turns out to be 600. In that case, the CAC will have to be 100 to have the same net value (LTV minus CAC).

A user referral program requires continuous monitoring not just for outright fraud — which different applications can help detect — but to detect the unintended outcomes of short-term incentives being introduced, and to accordingly course-correct.

Now that the incentive structure for the User Referral program has been designed, how do we use it as a growth channel? While, the design of the incentive program drives the core conversion ratio for the program — that is, if 100 people refer using this program, how many new users will join the platform — it is the distribution of the program which can often make a difference. Thinking of this from a funnel point of view:

- Awareness: How many of your customers/potential referrers are aware of your referral program
- Adoption: How many of those are going to refer
- Conversion: How many of the referred are going to convert
- Frequency: How often will they refer

As per the thumb rule on ‘first moving the needle on the top-of-funnel ratio’, let’s first seek to maximize the awareness of the referral program. The levers can be the real estate on your platform being provided to the referral program (pull properties such as in-app banners), and campaigns being sent out to the users as part of their lifecycle journey (push properties).

While the other parts of the funnel might seem to be a function of just the incentive design, the incentive design often provides for the ‘why’ but often not the ‘why now’. Having time-bound, one-off incentives (for example, refer a friend *today* and get surge benefits or stand to win a prize, over and above the regular benefits) can solve the ‘why now’ problem.

5.3 Organic growth as a user growth lane

The last growth lane is different from the previous two, in that while they depend on you proactively approaching the prospective customer,

this lane depends on the customer discovering you *organically*. This discovery is often through some content that you have put out there which is useful for the prospective customer. The channel would then be referred to as content marketing. But it can also be through some other intellectual property, such as a useful tool. The channel is then referred to as ‘engineering as marketing’ by Gabriel Weinberg in his book ‘Traction’.

Focussing on the content marketing channel, there are 2 ways we can bucket this content:

- Is the content being generated by humans? Or is it being programmatically generated?
- Is the content editorial in nature but low in volume? Or is it being generated in high volume?

	Low volume / Editorial	High volume
Human generated	YouTube channel, Instagram page	UGC from community, forums
Machine generated	Utility Tool e.g. startup name generator	Programmatically generated unique pages

An example of editorial content being generated at a low volume by humans would be your typical YouTube creator channel, or a blog by an industry expert.

An example of human-generated content in high volume, which is however not high-authority or editorial, would be the User Generated Content (UGC) by communities and discussion forums such as Reddit, Quora, Stack Overflow, etc.

An example of programmatically generated content would, of course, be an article written by ChatGPT. But a more effective example would be review websites, such as TripAdvisor, Glassdoor, G2, etc., which take in primary data given to them by humans, and programmatically generate millions of unique pages to accurately match specific searches like ‘top 10 churches to visit in North Goa’ or ‘content writer salaries in Berlin’ or ‘top mobile marketing tools’.

Selecting which channel within this growth lane to pursue, therefore, first requires answering what your strength as a business is.

- Do you have the authority as a creator to generate editorial content which will have unique knowledge or personality as perceived by your prospective customers?
- If not, does your business have a community which will generate content in high volume and thus help your discoverability?
- If not, do you have access to some primary data that you can use to programmatically generate secondary data that would be valuable to the prospective customers?

While the focus is often on the platform-native techniques (such as Google Search SEO, or YouTube SEO, Instagram growth hacks, etc.) when it comes to this lane, a business should first answer the above questions to identify their strengths as a business, identify their strategy clearly by placing themselves in one of the quadrants in the 2x2 grid above, before jumping to execution which can be a long-term effort.

Summary of Chapter 5

In this chapter, we discussed the nuances of specific growth lanes and the key channels within them (albeit heavily in favor of digital advertising and partnerships). We covered concepts such as

- Designing a digital advertising campaign, its three key aspects of business objective, customer profile and communication design, and their respective specifics
- Building a partnership channel such as influencer marketing, and how to build contextual learnings
- Incentive design for a User Referral program and its pitfalls. And, the importance of distribution campaigns for Referral programs.
- Potential paths in Content Marketing, and how does a business identify their strength as a business and therefore its relevant content marketing strategy

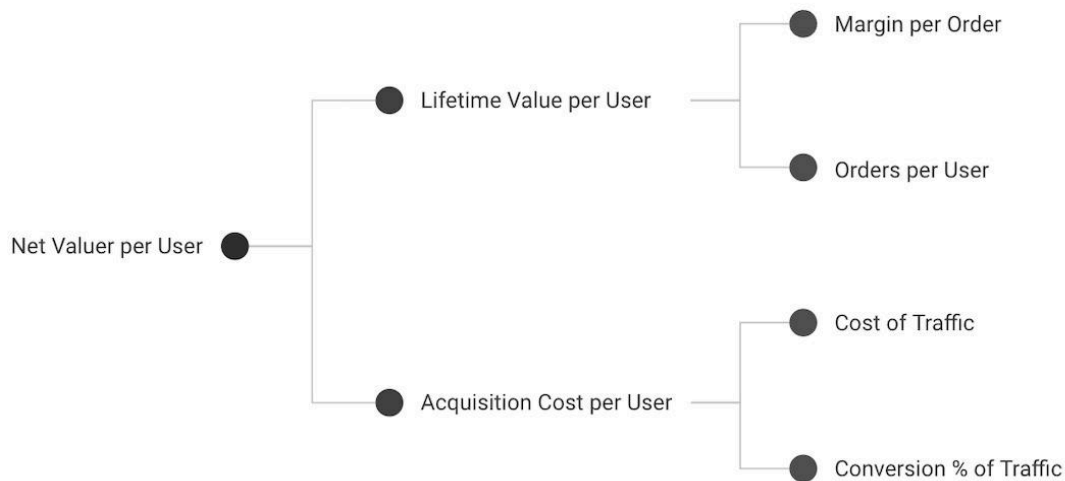
Chapter 6: How to increase value per user

In the previous two chapters, we focussed on the levers for ‘User Growth’. And, in this one, we will focus on ways to drive ‘Value Growth’. While User Growth was all about increasing the total numbers of users for your product/service, Value Growth is about increasing the net value per user.

To understand the levers to increase net value per user, we have to, as always, first break it down into its independent parts. Or, in simple terms, we need to first write down the formula for it. You would recall the formula from the [first chapter](#) as:

Net value per user = LTV (lifetime value) minus CAC (customer acquisition cost)

Now, we need to break them down to the level-2 metrics. LTV has two parts: the margin you make per average order multiplied by the number of times an average customer buys from you (in the lifetime window defined by you which can be 6 months, or 1 years, or 5 years, etc.). CAC too has two parts: how much it costs you to bring a prospective customer to your platform and what percentage of them actually try out your product/service. Putting them together:



What we can infer from the previous paragraph, and the diagram above, is 4 ways to increase net value per user:

1. Increase profit margin per order
2. Increase orders per average customer (**Retention Rate**)
3. Decrease cost per click (by decreasing cost per impression or, more likely, by increasing click through rates - a topic covered in [the previous chapter](#))
4. Increase % of clicks that convert (**Activation Rate**)

However, just knowing the level-2 or level-3 independent metrics is not enough; we still need to figure out the levers to improve these independent metrics. And, that comes from our understanding of the core business drivers. So, what are the core business drivers for Activation & Retention rates?

I very frequently get the question: ‘What’s going to change in the next 10 years?’ And that is a very interesting question; it’s a very common one. I almost never get the question: ‘What’s not going to change in the next 10 years?’ And I submit to you that that second question is actually the more important of the two — because you can build a business strategy around the things that are stable in time. ... [I]n our retail business, we know that customers want low prices, and I know that’s going to be true 10 years from now. They want fast delivery; they want vast selection. It’s impossible to imagine a future 10 years from now where a customer comes up and says, ‘Jeff I love Amazon; I just wish the prices were a little higher,’ [or] ‘I love Amazon; I just wish you’d deliver a little more slowly.’ Impossible.

In the [above quote](#), Jeff Bezos lays down a MECE framework for the core drivers of any retail business, including online marketplaces and brands. The core drivers invariably are: 1. Price, 2. Quality, 3. Selection, and 4. Experience (including delivery and customer service experience).

Now, business strategy is all about trade-offs. Which means a marketplace or brand would not seek to maximize all of the drivers. On some axes, brands will meet the table stakes, that is, offer the minimum that’s expected of them (for example, offer cash on delivery service and no questions asked returns, in case of Indian e-commerce). And, they will seek to be better than the rest on a different retail driver axis (for example, highest quality or unique selection). Marketplaces will often seek to be best-in-class on price and experience, whereas meet table stakes on quality, and in selection go for width rather than depth.

The above two paragraphs might seem a sudden detour but I posit that understanding the core business drivers for retail, and then understanding which parameter your business is trying to be best on and which ones just meet table-stakes on, is core to devising your retention and activation strategy too. Growth teams often jump to the potential levers in marketing communication or the platform interface to increase value per user. But a more holistic approach would be to first understand the mapping between different components of the value per user map to the corresponding retail drivers.

Therefore, in this chapter, our framework would be to look at the problem of improving activation and retention rates, from 3 different lenses:

1. Demand
 2. Supply
 3. Demand-supply matching mechanism
 - a. Off-platform: Marketing communication
 - b. On-platform: Product management
-

6.1 Retention Rate: Demand levers

This is the most overlooked, but the easiest, way to fix the customer retention rate for a business: acquire customers that are more likely to be

retained. Duh, you might say. But, you'd be surprised by how often startups jump to marketing-led or product-led solutions, before considering this. And, wait, do you know if your startup is ignoring this lever too? Answer these 3 questions:

1. What is your ideal customer profile?
2. What is the net value per user for your ideal customer profile? And, what is the same number for other profiles?
3. What % of customers acquired in the last month belonged to the ideal customer profile and what % from other profiles?

If you can't answer the second and third one readily, or if there is no instrumentation in your business to regularly track the answer to those questions, your business is not only missing out on the biggest retention lever, but also might be working against the product-market fit. Let me explain with an example. During Meesho's social commerce phase, we had quantified the retention rates for different customer profiles and it was very clear to us that apart from a couple of customer profiles, others had very low retention rates and thus had very low net value per user. But we could see competitors going after exactly those profiles that we were happy to not acquire. Why were they acting differently? Often this happens because of lack of measurement of customer profiles and their respective retention rates.

So, how do you set it up? For the traffic landing on your web/mobile app, you can ask the visitors which persona do they belong to. And, once the

transaction is completed, ask the customers which persona do they belong to. Not all of them will reply and response rates might differ among different profiles introducing some bias – but that’s alright; it is better to have slightly biased data than to be completely in the dark.

Now you can map the visitor & customer data to the channels/campaigns they are coming from, and map the customer data with their subsequent orders. This will give you activation and retention rates by customer profiles. That is, which visitor profiles convert to being a customer and, if they do, how frequently they come back. The retention rates will also give you a clear picture of which profiles are profitable for you and which ones are not. And, the contribution of these profiles by different channels/campaigns will give you an idea as to which ones are bringing you the profitable profiles and which ones are not. You can then tweak the targeting or messaging in the channels/campaigns bringing you unprofitable customer profiles to see if that changes anything, but, more importantly, you can start allocating more expenditure to the channels/campaigns bringing you a higher % of your ideal customer persona, by moving it away from the ones that don’t.

Persona	6-month Retention rate	LTV	CAC
A	15%	2000	1400
B	10%	1600	1200
C	5%	800	1000

<i>For last month's visitors</i>	Channel A	Channel B	Channel C
Persona A	70%	40%	25%
Persona B	20%	30%	35%
Persona C	10%	30%	40%

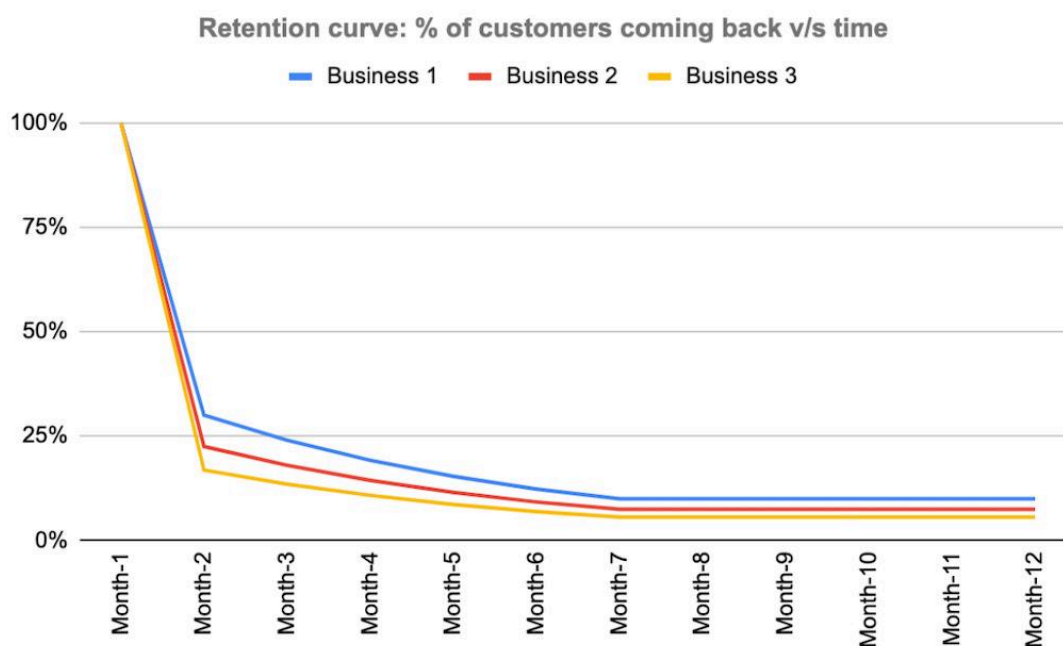
For example, from the above tables it is clear that Persona 1 is the one that brings higher LTV despite having a higher CAC and has a stronger product-market fit for. So, we should be scaling the channels and campaigns that bring more of Persona A and de-scaling the ones that don't.

And, that is what I mean by solving retention rate first with the simplest of things – acquire users that are more likely to be retained – before jumping into more complex levers. Once you build such an instrumentation for your startup, it will be a simple but powerful competitive advantage. As covered in the previous chapter, the product-market fit or product-market-channel fit is not a one-time certification that startups can achieve and then start scaling. It is a spectrum where your product-market-channel fit can get weaker and weaker, if you are scaling without instrumenting some way to sample some of the visitors and customers, to measure their persona, and to quantify their respective retention rates and contribution by channels and campaigns.

So, take a look once again at the 3 questions asked at the start of this section and if you can't answer them for your startup, you will have to fix it before you realize one day that your latest cohorts are not delivering the same retention rates as the previous cohorts, and the growth rate is slowing down.

6.2 Retention Rate: Supply levers

Customer retention curve often falls early and then stabilizes after a point. For content apps, the retention rate stabilization might happen after 4 weeks or so. For ecommerce platforms and brands, this typically happens after 6 months. If you zoom into the retention rate curve further, you will see that most of the customer drop-off for transactional platforms happens after their first order or first month, and for non-transactional platforms (content, utility, gaming, etc.) it happens right after the first day of using it. This is something we can relate to intuitively from our own behavior as consumers: we uninstall most apps right after we try them out. And, often, we either use a brand/marketplace (food, grocery, shopping, etc.) quite regularly, or not at all, depending on how the first transaction went.



So, you have two problems at hand: how to fix the drop-off that happens very early on in the customer’s journey and the drop-off that keeps happening later on. While the problems might seem similar, the solutions for the two problems, from a supply point of view, are different. If most of the drop-off for an ecommerce brand happens from first to second order, the structural way to reduce this drop would be to improve the experience of the first order. Going back to Bezos’s framework for retail drivers, the applicable ones in the context of first order to second order are: **quality** and **experience**.

You see, price and selection are the parameters that the customer is already aware of and had taken into consideration while making the first purchase. The ones that the consumer will experience only after the

product is delivered are: quality and experience (especially the delivery experience). While the buyer would have built a *perception* of the level of quality and experience too – from the various information sources such as reviews, expected delivery times, return policy, etc. – the perception would get reset as soon as the buyer experiences it tangibly, and first-hand, after the product gets delivered for the first time. Based on the time it took to deliver, the experience when the customer opened the first package, and, above all, the quality of the first product, for their specific order. If you personally had a good experience, as a consumer, no number of bad reviews can convince you otherwise. And, same for a bad experience.

Tony Hsieh, the founder of Zappos, in his book ‘Delivering Happiness’ went so far as to say the cost of experience should be considered and included as customer acquisition costs. And, while that probably breaks the concept of ‘acquisition’ cost, you get the point.

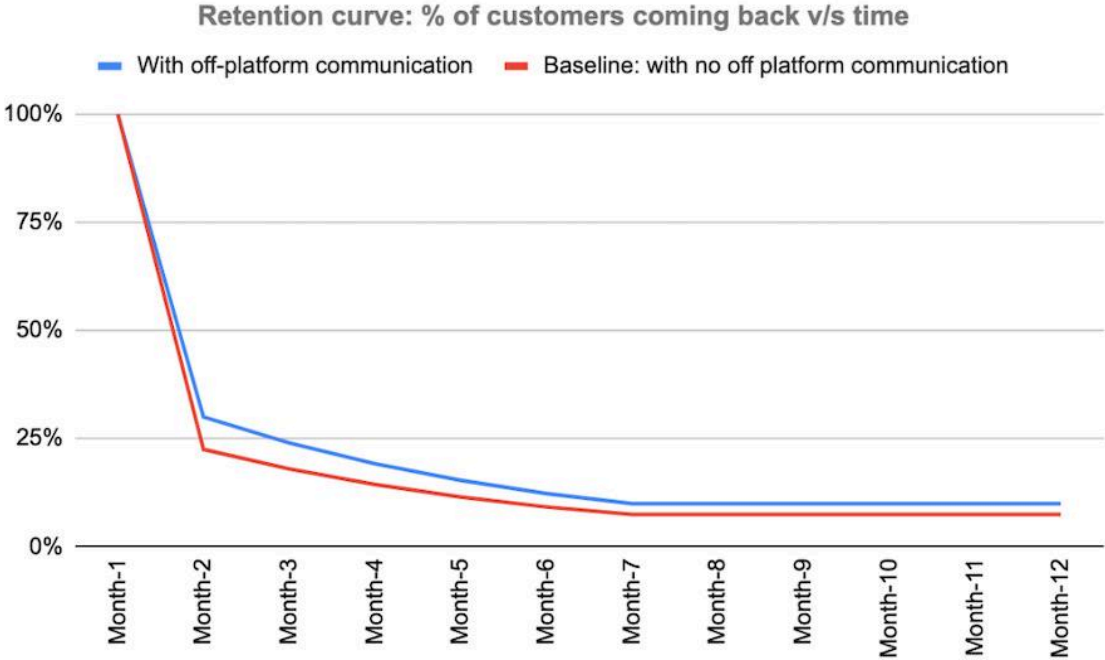
So, yes, quality and experience are drivers for first to second order retention; but what can a growth team do about it? In established marketplaces and brands, the growth team can focus on: how much uplift in lifetime value can come from additional quality and/or experience improvement in the first order? If there is a threshold of quality and delivery time, beyond which the gain in retention rate and lifetime value is only marginal, that threshold can be used for selecting products to be shown to the first-time users.

Moving from early retention to the rest of the customer lifecycle, if we think back to Bezos's framework for retail business drivers, **selection** clearly becomes the biggest driver for long term retention and the frequency with which the customer comes back. And the growth team's job can be to identify those opportunity areas in the supply, within the constraints of the category. This might mean making sure adjacent supplies that the consumer needs for their use case are available on the platform. For grocery delivery business, it might mean prevention of a customer churning because that one ingredient is not available on the app. For e-pharmacy businesses, it might mean preventing users from switching to another business just because that one medicine on their prescription is not available on the platform. And so on.

One final note on this: there is, of course, a baseline retention and frequency inherent in the category. Even the best of tax filing software will have its customers returning to it only once a year while the most mediocre of grocery delivery apps will have a customer base using it every week, albeit begrudgingly. Hence, benchmarking the early and late retention rates and frequencies, that are relevant to your specific business category, is extremely important to understand the upside for your efforts in ensuring supply selection completeness. This is an idea – benchmarks and upsides – that is crucial to the job of a growth lead and we will revisit it in the next chapter.

6.3 Retention: improving demand-supply match with off-platform communication

We have focussed so far on demand and supply levers to improve the retention rates, and have not touched on the common growth solutions that are offered (discount on second order, loyalty program benefits, lifecycle communication flow, etc.). There are two reasons for this. First, the *baseline* retention rate is decided by the core retail drivers and how effective the acquisition campaigns are in getting the right customer profile. Any communication or incentive solution can only build on that baseline. The second reason is that the design of such solutions itself builds on the core drivers. Let me explain this point.



Retention is often an off-platform activity. User discovers your business on a content or search platform, comes over to your platform, completes the transaction, and ... moves on with their life. Now while the quality and experience will dictate where the user comes back or not in the short term, and the selection in the long run, *it is still important to nudge the user to ensure that the user not coming back is not due to a lack of information.* And, since we are solving to reduce a potential information gap, the key job while designing a communication campaign to nudge the user is *to deliver the right information to the right user at the right time.*

During early stages of a user's interaction with a platform, this requires designing a **customer onboarding program**. Whereas in later stages of a user's interaction with a platform, it requires a more personalized communication program, and [recency-frequency-monetary \(RFM\) segmentation](#) is a common framework to build it.

Suppose a customer has purchased for the first time from your platform. Depending on the specific product that they bought, what are they likely to buy next and after what time? Answers to these questions for an existing platform can come from purchase behavior of other customers. And the answers then gives you the 'the right information to the right user at the right time' framework for designing the customer onboarding program.

If the customer has been on the platform for some time, we know the frequency with which they buy, which products (or category of products) they have affinity to, and depending on how recently they had bought, a more personalized prediction can be made (either for just that person or for similar group of customers sharing those parameters i.e. the segment) about what are they likely to buy next and when.

While the above two are the frameworks to design the communication, often incentives are added to sweeten the deal. This can be in the form of loyalty benefits that are specific to the customer, or in the form of product-specific sales and discounts.

6.4 Activation: core demand and supply levers

While Retention rate is the % of customers that will come back to you, Activation rate is the % of visitors who will convert. So, when it comes to the core demand and supply levers, there are a lot of similarities but some differences too.

It's straightforward when it comes to demand levers. In the case of Activation rate, just like Retention rate, the best way to improve it is through segment thinking: cut back on channels and campaigns that are

not bringing you the right customer profile and double down on the ones that are.

For supply levers, while quality and experience were drivers for early retention and selection was the driver for long-term retention, when it comes to activation rate, the core drivers are **price** and **selection differentiation**, while expectation setting of quality and delivery and customer service experience are table-stakes. Now, this is a broad sweeping statement, and will thus have many exceptions, but let's think about this from a consumer's point of view.

You have just discovered a new brand. What will get you to try it for the first time? Assurance about the overall experience is good but that's probably not what caught your eye about the brand. It probably was something unique about their selection that's absent in other brands or marketplaces. Or it's the same selection but at a lower price, in case of a new marketplace. Or perhaps the superiority of quality itself is the differentiator in case of a brand, or the superiority of service itself is the differentiator in case of a marketplace.

To reiterate the point, the similarity between the supply drivers for Retention and Activation rates is that it is selection that drives both of them. But in case of Activation rate, it is often the uniqueness of the selection that is the core driver, while in case of Retention it is generally the width of the selection.

6.5 Activation: improving demand-supply match with on-platform communication

While retention happens off-platform, activation takes place on platform by definition. And the job of the platform, therefore, is to make the *best possible demand-supply match, in as few steps or as less time as possible, while reducing the information overload.*

How do we reduce the information overload? In three steps:

1. Defining the steps to convert, and the respective *primary job-to-be-done* for each step
2. Keeping only relevant information for that primary job on that step
3. Clear action/path to the next step

For example, the job of an advertisement is to quickly highlight the differentiating feature of the product that the ideal customer would be interested in. Once the user clicks on the ad and reaches the landing page, the job-to-be-done by that page is to expand on that differential feature, in a congruent fashion by building on the ad. If the prospective customer is landing on the homepage or home screen, the job-to-be-done is to showcase the key differentiator, in case of a brand, or the selection at a glance, in case of a marketplace. Once the user chooses one category from the selection and goes to a category page, the

job-to-be-done is to showcase different products within the category and information about the differences between them. Once the user chooses a product, the job-to-be-done by the product page is to highlight the differentiating features of the products, while establishing the table stakes of quality and experience, and giving a clear path to the next step i.e. to buy it.

The big job of the interface across all the steps is to reduce information overload and decision fatigue. Therefore, a layout which closely matches the common platforms they already shop on, is often the best way to go. The differentiation of the product should be highlighted by the copy and the creatives, rather than changes in the information architecture itself. Essentially: keep the bones, change the muscle.

Before going for conversion rate split tests on other stuff (such as: does including icons for service highlights increase conversion rate? Should the discount be in absolute amount or percentage?), the growth team should first seek to cover the basics:

1. Is the sequence of steps, and the user interface of steps, consistent with other similar platforms in the category that the ideal customer profile buys from?
2. Is every step in the funnel doing its primary job-to-be-done, keeping only relevant information for that step, highlighting the key differentiating feature and the next step?

Once these basics have been completed, a baseline of activation rate would be established, and then incremental improvement can be brought with clever **conversion rate optimisation** techniques. However, often these techniques also build on the same mental models:

- making the differentiating feature clearer e.g. BlissClub's product feature callouts in gallery images
- making the action to be taken or next step clearer e.g. color and size of add to cart button, copy of the call-to-action button.
- reducing information overload by giving ability to scan the relevant information visually and quickly e.g. icons for service highlights, payment trust markers.
- reducing information overload and decision fatigue by removing information that's not relevant to the decision to be taken at *that* step

In fact, you can come up with your own ideas through this framework, and you should pass the techniques given by someone else through it.

One final note on activation: the big assumption inherent in the section so far is that it's an existing category and the rules for the user interface have been established. However, when it comes to products that are creating a new category of their own, and where clear equivalent products don't exist, the job of teaching the user how to use the product falls on the product itself. In such cases, onboarding becomes extremely critical and also significantly more difficult.

The common framework for solving such a problem is to identify the *aha moment* from data – the point where the users realize the utility of the product as evidenced by a tipping point in the long term retention – and then design the activation flow in the product to get users to that point as fast as possible. The most famous example of this is, of course, Facebook app’s flow designed to get the user to 7 friends in 10 days.

Summary of Chapter 6

In this chapter, we covered the following questions:

- How to improve Retention rate? More importantly, how to think about it holistically from a supply and demand perspective, rather than just through the lens of off-platform communication and incentives.
- How to improve Activation rate? How is it different from Retention rate drivers? How to think structurally about the conversion steps?

In the next chapter, we will combine the ideas from the three chapters, from the second section of the series so far on executing growth ideas, and seek to answer how to decide between focussing on different problems (acquisition versus activation versus retention), or different solutions (acquisition from channel A or channel B, or activation improvement through project X or project Y).

Chapter 7: How to pick the right growth problems to solve

So far in this series, we have gone through different frameworks for tackling different growth problems. In the first part (first 3 chapters), we went through frameworks to:

- transform a business idea into a growth formula and growth model,
- build its roadmap, and
- set up its measurement system.

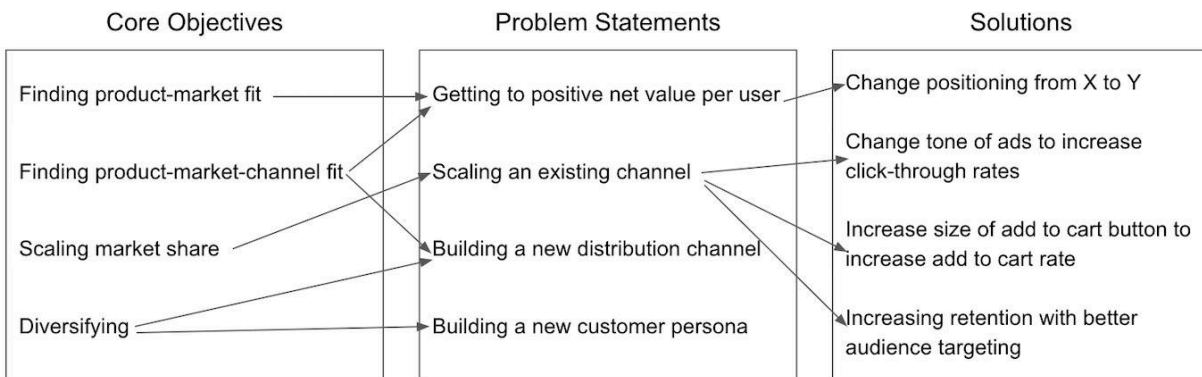
And, in the second part (next 3 chapters), we have gone through the frameworks to:

- identify the right channels,
- identify levers to drive user growth, and
- identify levers to drive value growth.

This chapter wraps up the second part of the series, and is a meta-framework essay: the objective of this chapter will be to help you, as a growth lead for a business project, to figure which framework to use at what point of time.

But why is this important? While the series has been written in a sequential manner, you will often land right in the middle of a problem statement. Such as, fix this metric, or build a new distribution channel. For such scenarios, this chapter will share heuristics, as well as point to the relevant frameworks from the previous chapters, to answer the following questions:

- Is this the right *problem space* for the current stage of the startup?
- Is this the most optimal problem statement to work on, within the problem space?
- Is this the best solution for the specific problem statement?



(A subset of) Mapping of objectives to one or more problem statements to one or more solutions

7.1 What's the right objective at this stage?

The job of a growth lead (or any managerial job, for that matter) is primarily not about having the right answers, but about making sure that

the right questions are being answered. This might seem too abstract a statement, so let's make it more specific: What is the right growth objective at this stage of the startup? What if the problem statements that we are exploring are not even relevant to the growth stage?

The biggest determinant of this 'problem space' for growth leads is the stage of the startup itself. That is to say, depending on whether you are an early stage startup or a growth stage startup or a late stage startup, your objectives and therefore your problem spaces will be very different.

(Note: the stage might not be the same for everyone working in a company. If you are leading growth in a 'new initiative' division in a large public company, you might have more resources at your disposal and might have organizational problems that differ from a regular startup, but for the sake of selecting growth objectives you should consider yourself an early stage startup.)

If the *stage* label is a little amorphous for your liking, you can answer the following questions:

- Are we yet to achieve product-market fit?
- Have we achieved product-market fit, but yet to get a distribution channel going?
- Have we achieved product-market-channel fit, but just for one product/category and one persona?
- Have we achieved product-market-channel fit in multiple categories but for the same persona?

- Have we achieved product-market-channel fit for multiple customer persona?

When you are in the **pre-product-market-fit stage**, the objective should solely be to get to a working growth formula and model. That is to say, for the chosen customer persona and with the current state of the product, you have to get enough data flowing in that it helps you build a growth model. This topic has been covered in detail in the [first chapter](#). But let's quickly look at the problem statements we should be working on and, inversely, the problem statements we should not be working on at this stage.

Validating the product-market fit requires instrumentation to collect data. Specifically, collecting retention data by customer cohorts and persona. If that is not getting collected, that becomes the only growth problem to solve.

If the data is getting collected and it seems that the product-market fit is not there. Either because leading indicators of Net Promoter Score are low, or because leading indicators of retention and engagement are lower than what your growth model requires for a positive net value per user (or are below the industry benchmarks). The only problem in this case then obviously becomes getting to product-market fit. The focus of problem-solving in such a scenario would heuristically be first

experimenting with positioning, then with the product, and then with the market/persona itself.

What you should not worry about at this stage is user growth. Or about scalability of the channel, or other possible user growth channels. In case you are onboarding the intended customer persona in a handcrafted, personalized manner, yes, it is not going to scale. However, at least it removes the possibility of channel problems corrupting the product-market fit data. Also, if they are not being engaged or retained, despite such specific selection, changing the channel of acquisition is not going to solve the problem.

Once the **product-market-fit stage** has been crossed, and you have a working growth formula and model, then comes the search for a product-market-channel fit. That is: to find a distribution channel that's scalable, repeatable, and sustainable. We have covered the frameworks to identify the right growth lane and channel in [chapter-4](#) of this series. At this stage too, the problem statement should be very simple: collect data for establishing product-market-channel fit, or the lack of it. (Apart from the instrumentation from the previous stage, here an additional instrumentation to *attribute* the visit to the specific campaign needs to be done.)

If product-market-channel fit is lacking, the overall objective remains very simple: iterate with the available levers to turn net value per user for

the given channel to positive (covered in [chapter-5](#) and [chapter-6](#)), or iterate with a different channel or channel type altogether.

The detracting problem at this stage often is trying to get the first campaign on a channel *just perfect*. However, at the stage where product-market-channel fit for the specific channel has not been established, the only objective is to collect data. And therefore, the campaigns need to be treated as experiments. There need to be guardrails to ensure that the positioning is right, channel-specific rules are being met, and so on, but creative excellence at this stage is table stakes and does not need to be over-optimised for.

Post the **product-market-channel-fit stage**, the business has one product (or category of products), working for one set of customers, being reached through one channel. And, this is where the prioritization problem really begins. In a way, it's harder to solve but easier to focus when product-market fit is yet to be achieved or when product-market-channel fit is yet to be reached, since nothing else really matters.

However, now you have a problem of having multiple directions you can go into:

- You can try to scale the same channel by making your funnel, and thereby your cost structure, more efficient.
- Or you can figure out new distribution channels.

- Or you can go for new categories or products for the same persona.
- Or you can decide to pick a new customer persona to serve with the same or similar product.

How do you structurally think about these trade-offs?

7.2 How to prioritize a growth problem among competing problem statements?

These trade-offs exist, of course, since resources (human and capital) and time are limited. If we could focus and execute on all the problem statements, the exercise of prioritizing would be redundant. With this implicit limitation, let's consider the objective at growth stage is to rapidly increase market share (in case of an existing category) or increase audience penetration (in case of a new category). The objective of the prioritization between different problem statements then is to pick the ones that maximize the chances of market/audience share increase.

The scientific way to come up with problem spaces for this objective would be to keep all other components of the *product-market-channel-scale fit* constant and tinker with just one component at a time. If we do that, it would lead to following options for problem spaces:

- Keep other parts constant, increase scale
- Keep product and market constant, build a new channel

- Keep market constant, build new products/categories
- Keep product constant, build a new market/customer persona

One key heuristic is that *the options above are ordered as per their likelihood of success*: the first one with the highest probability of success and the last one in the list with the lowest probability of success. Let's understand it with an example.

Let's say you work at a brand that sells collectible sneakers (category/product) to Gen-Z men in India (market/customer persona) and so far you have been using Instagram ads (channel) to acquire 1000 new customers per month (scale). As per the above heuristic, the highest prioritized problem statement should be: how do we increase the volume of users coming through Instagram ads while keeping value per user constant, at least, or perhaps even increasing it. If the first problem statement has either been sufficiently explored and we are in a zone of diminishing returns, or there are surplus resources after allocating sufficient resources to the first problem statement, we can then prioritize the next problem statement of identifying a new channel within the same growth lane i.e. another digital advertising platform (Google Ads, or Snapchat Ads, for example). And subsequently to identify a new distribution channel in a new growth lane i.e. partnerships or content marketing channels.

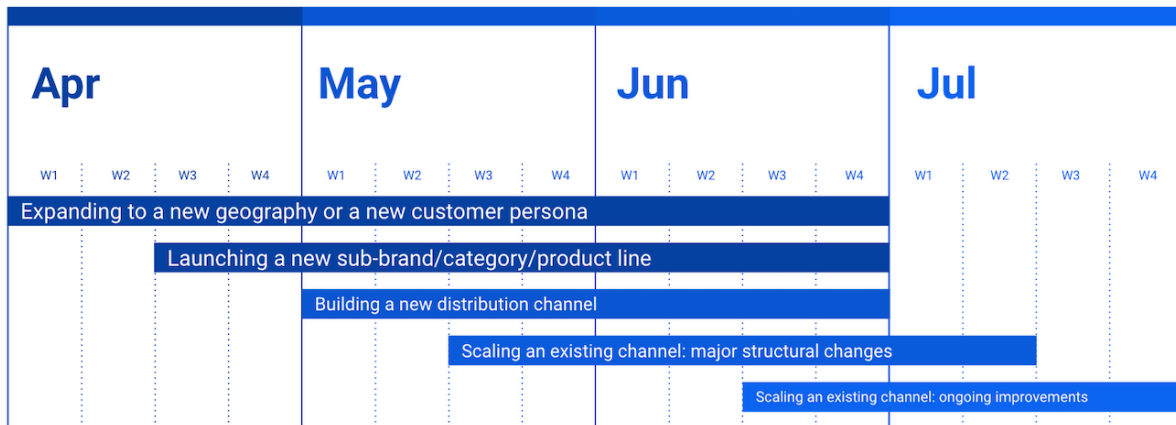
If the above options have been sufficiently explored, or there are resources over and above required for exploring the above problem spaces, the next option would be to build new categories and products (other collectibles, for example), and subsequently to explore new markets. And when it comes to expanding into a new market, the difficulty level would be lower for selling to the same customer persona in a new geography (Gen-Z men in South-east Asia, for example), but the most difficult expansion would be to keep other parts constant and move to a new persona (millennial men in India, for example).

Now, you might disagree with the problem space options: you might think there are more/different available options than just these. Or, you might disagree with the order of difficulty or likelihood of the problem space options. However, the key idea is to *have a heuristic* that is shared with the team and is used for evaluating different directions a growth team can take when the problem of plenty arises.

Another thing to note is that different options can have different gestation periods. For example, scaling a channel by optimizing the funnel might have a turnaround time ranging from a few days to a couple of weeks. Building a new channel might have a gestation period of a few more weeks, considering the instrumentation required (often operational) to get the first experiment live and then for the subsequent iterations. Building a new category or product might have a gestation period of months – a similar timeline might be required for a geography

or a customer persona expansion – considering the research time and upfront costs involved.

The idea is to be aware of the differing gestation periods for different growth directions and to plan the [growth roadmap](#) accordingly.



Growth roadmap for July, after factoring in gestation period for different types of problem spaces

7.3 What's the right problem? What's the right solution?

Once you have thought about the right objective for the stage, and have zeroed in on the problem space too, you still have to select the most optimal problem statement and the right solution. For example, you might have gone from the objective of increasing market share to the problem space of scaling the existing distribution channel, and then to

the specific problem statement of increasing conversion rate. Or, you might have just been handed over this problem statement with no upward visibility of how this specific problem statement was chosen. Nevertheless, your narrow goal, especially in growth or late stages of a startup, is to often pick the most optimal problem statement from one problem space or pick the most optimal solution from a solution space.

The key to finding the most optimal problem statement is the one which has the biggest *upside potential*. For example, if solving problem A has an upside of ₹10 Cr over the next year, and solving problem B has an upside potential of ₹100 Cr over the next year, then, other things remaining the same, solving problem B is the most optimal choice for that horizon. But, you must be wondering at this point, how does one know the upside potential of a problem statement *before* even solving it?

Let's say the problem space is increasing conversion rate. Within this space, you can choose any of the following problem statements:

- improving checkout completion rate
- improving add to cart rate
- improving % of traffic who visit at least one product page

How do you pick the one with the most upside potential, without actually solving them one by one? By estimating the upside potential with a best case scenario.

Funnel Step	Baseline	Best case scenario	Upside (₹)
Click on ad	2%	3%	24,00,000
Click to product page	40%	50%	12,00,000
Click on add to cart	10%	12%	9,60,000
Complete checkout	60%	65%	4,00,000

Upside calculated for 10 million impressions and average order value of ₹1,000

But that still leaves the question of how do you find the best case scenario? It has to come from industry benchmarks (preferably the closest segment you can get the benchmark for), or even your business' previous best in some cases. For example, if the product page view ratio for your brand is 40% while the same ratio for brands selling in similar categories of products to similar customer persona is 50%, you clearly have an upside of 1000 basis points. This when multiplied by 10 million impressions, other steps' baseline numbers (see the table above), and an average order value of ₹1,000, gives an upside of ₹12,00,000.

The final heuristic that I would use while picking a problem statement is to *avoid diminishing returns*. From the previous example, the metric was 40% against a benchmark of 50%. However, the scenario changes if additional context is given that the same metric earlier used to be 30% and has reached 40% only after three most likely solutions have been implemented in the previous 3-6 months. In that case, unless the first three solutions were picked or implemented sub-optimally, it is unlikely

that a fourth solution will lead to the desired upside of 1000 basis points. In fact, what the law of diminishing returns would suggest is that the solution will probably lead to an upside of less than 300 basis points.

So, putting the three heuristics together, you should first estimate the upside of solving different problem statements, and then pick the ones with the most upside. If the channel-funnel combination is in early stages of optimisation, higher upside opportunities will lie towards the top of the funnel. If the channel-funnel combination is in late changes of optimisation, more opportunities will lie towards the ones which have not already been worked on.

Coming to picking a solution, so far in the series we have covered levers to drive user growth in [chapter-5](#) and levers to drive value growth in [chapter-6](#). Additionally, a sharp root cause identification leads to a specific solution, and 3 different methods for it (funnel thinking, segment thinking, cohort thinking) were covered in [chapter-3](#).

Structurally, solution space to a growth problem is often about one of two things:

- making the fundamental business driver better (e.g. making selection better to drive long-term retention rate), or
- reducing the friction of that particular business driver's discovery for the user (e.g. making discovery of selection better with better off-app communication or better on-app navigation).

While evaluating multiple solutions to the same problem statement we should see if it is a structural solution — falls in one of the above two buckets, preferably first — or a *hacky* solution. The problem with hacky solutions is that:

1. While they might show impact on that particular funnel step, the uplift doesn't show up in the rest of the funnel.
 2. Even if the impact might show up in the short run, the metric might *regress to the mean* in the medium to long run, precisely because structurally nothing had changed.
-

7.4 What not to do: have solutions beforehand

While the meta-frameworks above talk about common problem statements specific to the growth stage of the startup and point to the relevant frameworks, as well as offer additional heuristics, a word about a common anti-pattern: having solutions beforehand.

This happens in two scenarios. One, when the growth leads have their own bias towards certain tools. Such as, you consider product-led growth as the one true growth solution and scoff at digital advertising as a solution. Or, if you have decided investment in retention is better than

investment in acquisition. While you might end up being right at times, having one tool to solve all problems without the business context will just lead to you running out of options to solve different types of growth problems in the long run. So, don't be that person with just a hammer.

The other scenario, and which is more common, is that people suggest solutions to you without knowing the context of growth problems, and you pass them on as narrowly defined tasks to the team. Without seeing if it serves the right objective for the given stage. Or if it has potential upside to make a difference. And if, within the solution space, it is the most optimal solution out there. Again, don't be that person.

Summary of Chapter 7

In this chapter, we answered the following questions:

- What is the right objective and problem space given the stage of the startup?
- How to estimate the upside to identify the most optimal problem statement to work on, within a problem space?
- Which frameworks from the previous chapters map to which problem statements and solutions?

With this, the first section of the series on **planning growth** and the second section on **executing growth** are now complete. The third section on **managing growth** will address the following questions:

- How to hire and build a growth team
- How to manage the team as a group of people
- How to manage the team as individuals

Chapter 8: How to build a Growth team at a startup?

The last 3 essays of the series will seek to answer the following questions around hiring and running growth teams and processes that are routinely faced by startups. This essay, in particular, will delve deeper into questions such as:

- How do you attract talent to your startup?
- Should you hire generalists or specialists for your growth team?
- What should be the hiring process? Which skills should you check for and how?

8.1 How to strike a balance between hiring without a plan, and planning in absence of a team?

Now, it is intentional that the part on building the team comes last in this series, even though it might seem, sequentially speaking, as the first thing to do. That is to say, an obvious counter-question can be: wouldn't you have to build a team first before even doing anything else?

However, in my experience, having a version of growth model and roadmap, and having a point of view on the relevant growth channel and

levers, comes before a growth team is put together. Because they dictate the *type* of growth team you'd put together.

This, of course, creates a chicken-and-egg situation. Building a growth model and roadmap might require some part of the growth team to be there in the first place. Generating hypotheses, setting up instrumentation, and running experiments, in order to build conviction into a growth channel or a growth lever also needs execution by a team. So, what gives?

Putting together a growth team or a growth plan are not discrete one-time events in the lifecycle of a startup or its growth function. They are both ongoing processes. Growth plans get revisited periodically (every quarter or so), and teams are always adding and losing individuals and skill sets.

So, what I mean by the statement that growth plan comes before growth hiring is that putting together a tentative version of growth model and roadmap and thinking through the growth channel and value growth levers help in hiring better. Let me explain with an example.

Let's say you are building a vertical marketplace for home decor. As the founder, or a founding member in the team in charge of the growth function, you are eager to build your growth team. In order to 'start growing'. But specifically, what would you consider as the best case scenario in the next 12 months?

Would it mean increasing revenue per user to the point you have product-market fit? Or would you aim for the same objective but with less cost per user as a lever? Or are you happy with the product-market fit but want to validate it for a different order of magnitude: have the same economics but for ~1,000 new users per month instead of the current scale of ~100 users per month? Is there a user growth channel that you have already figured out, or have strong conviction on, that you want to scale? Or are you already thinking about diversifying by building new growth channels? Not to mention: are you completely sure about the persona and positioning you have picked or do you think it still needs more sharpening?

Most importantly: if you could pick only one or two specific growth wins over the next 12 months, what would they be?

Now these might seem like a lot of questions to answer, and honestly a little premature (as in: let's hire the growth team and *they* will figure it out). But why these questions need to be considered, and a point-of-view on them need to be built beforehand, is because that would dictate the skill sets that you would be hiring for. Should you first hire performance marketing practitioners? Or should you hire specialists in content-led organic growth? Or should you hire people who specialize in partnerships and business development? The answer, of course, is: it

depends on your growth model and the channel and lever assumptions in it.

Another example can be for the same business but in a different growth stage. Instead of being in the early stage, now it is in the growth or late stages. Say, the first set of channels (digital advertising, content-led organic growth, etc.) are already doing well, and respective teams have been built for those sub-functions. And you, as the growth lead, are looking for more growth opportunities.

Once again, it is better to go through the heuristics from the previous essay (new channel, new product, new market, or new persona) and you need to build an informed point-of-view on what the growth levers are, and hire for those skill sets.

The key takeaway so far is that having some working version of the growth plan is necessary even before the team is built. It makes us look for the right skill sets. And, inversely, it avoids the obvious mistakes, such as hiring specialists for a particular growth lane which are either not relevant, or just not the most optimal bet, at the stage for the given business context. Specialists, by definition, will have a blinkered view of the problem statement, and will often not explore solutions that are outside their toolkit.

Another solution to this chicken-and-egg dilemma is to hire generalists to put together a tentative growth plan, build these around what the

roadmap for user growth and value growth should be, and run for some period of time with that setup. There is, of course, risk that sub-optimal implementation of an experiment or a channel by a generalist, can prematurely cancel a promising growth lever (and this can often cast a long shadow - ‘oh yes, we tried that idea; that doesn’t work for us’). But this risk can be mitigated by having the generalist consult with some expert specialists, for that channel/lever, on the set up and the best practices.

8.2 How do you attract top talent to your growth team?

The above section almost assumes that both specialists and generalists are lining up to join your startup. However, this is often not the case. The paradox often is: good talent that you want to hire is wanted even more strongly by their current team; and if no team wants them, or if their current team doesn't want them, they aren't that desirable to you either. This also means that the good talent is often happy wherever they are. They are so busy with driving their project to success that they have not even seen the role that you have put out there or have personally messaged them about. They just don't have the available bandwidth (actual time or mental), and — more importantly — the motivation, at that point in time to consider it.

This, to a large extent, cannot be solved for. But what can be solved for is: when they do decide to explore new opportunities, your organization should be in consideration. And, you can perhaps connect the dots between this and the idea of funnel in essay 5 on User Growth levers.

As the founder, or the growth lead, you now have two jobs: you have to build awareness not just about your product among the relevant customers, but also about the organization or team among the relevant talent. And, just like in the case of the former, the right way to measure activities that build awareness at the top of the funnel is not conversions, but its leading indicators. Which can be: what percentage of candidates knew about you even before they came across this specific role.

Having some *awareness* of the organization, of the problem statement, and of the team, can be a huge differentiator, as well as a driver for conversions. If you are already sold on the idea that building awareness beforehand would be useful, but have questions on the ‘how’, the previous statement offers possible answers to them too: education about the problem statement (the success so far and the challenges ahead) and about the existing team (and their experience).

Once you hire the right talent, it starts acting as a positive signal to other prospective candidates. Talent density then starts acting as a flywheel for your team: hiring the first person might be very hard, hiring the tenth

person perhaps gets easier, and eventually hiring the hundredth person might not be easy but it would most certainly be easier than it earlier was.

You can make the flywheel work for you even more by amplifying their individual experiences, or an aggregated version of their experience: getting certification as best place to work, your glassdoor rating, being listed in top startups to work for, etc.

All things said, the bottomline when it comes to hiring is: everyone wants to be on the winning team. And, in case of growth, the proof is in the pudding. If your growth rate is slow, ironically you will have a hard time hiring a great talent to your team even though your organization probably needs it more, whereas if you are winning, you will have an easier time attracting the right talent, even as the utility of additional talent for you (and perhaps opportunities for the talent) is now diminishing.

So, if the organization and the team is doing well, you need to talk about it.

8.3 How to design the hiring process for your growth team?

Let's say that the efforts from the previous section are working out, and you have a good pipeline of candidates to hire from. Also, from the first section of the essay, you have clarity on what the growth roadmap looks like and what specific skills are required to drive those levers. And so, you are now ready to do the actual work of hiring.

Your job as the hiring manager is to:

1. Decide on the skills that you are going to be checking for, and
2. Design the process to test the skills

When it comes to the first task, almost irrespective of the role, your framework should be to evaluate a candidate along 3 major dimensions: aptitude, attitude/energy, and integrity. Aptitude further has two major sub-dimensions: general aptitude and domain-specific knowledge.

The common pitfall, especially in case of hiring specialists, is to assign too much weight to domain-specific skills (which, paradoxically, you don't have a way to check for, unless you are bringing in external experts to the panel) and not thinking holistically and giving due weight to and evaluating for other dimensions (general aptitude, communication skills, attitude towards collaboration, etc.).

When it comes to the second task of designing the process to test the specific skills, the goal is to have a process that gives a score for the skills, as objectively as possible. And the guardrail is to have as few steps or take up as less time as possible, for both sides, to arrive at those scores.

Screening stage

Once the responsibilities and requirements for the role have been decided on, articulated in a job description document, and published on the job boards, applications would begin to come in. Often, there is only a certain amount of bandwidth available with the interviewers (say, 30 hours over the next 30 days by when the team has to close the role). And so, while in an ideal world, all candidates would get a chance to go through the selection process, realistically the number of candidates that the interviewer can talk to is fixed. And this scarcity that drives the selection ratio in the first stage of resume or profile screening.

For specialist roles, resumes are often screened by years of experience (volume metric) and markers of quality of experience (quality metric). For example, a performance marketing manager role might require more than 3 years of experience in managing campaigns on digital advertising platforms, executed for marquee organizations or agencies operating in similar domains. However, such a screening process can lead to false positives (candidates without good first principles thinking might get

screened in) and false negatives (candidates with exceptional skills and potential, but with just 11 months of experience, might get screened out). For generalist roles, the resume screening often gravitates to the academic record in the early-to-mid stage roles, either directly (that is, startup hiring from tier-I colleges) or indirectly (that is, startups might be looking for experience in tier-I consulting firms, who themselves might have hired primarily based on academic record). Such a screening does not imply that there won't be false positives and negatives, but the implicit understanding is that false positives will get removed later in the process and the hiring team has made peace with false negatives as a trade-off for speed of hiring.

The takeaway is that the objective of the screening stage is to allocate more of the limited amount of hiring manager's time to the more promising candidates. Such a trade-off can lead to both false positives and false negatives. It is important while designing the process to be cognizant of the parameters you are screening for, the trade-offs, and then to continually improve the process based on how it is performing out there in the real world.

Side note: more objectivity can be brought in during the screening stage with tests that can check for the skills, rather than use indirect signals such as academic record, years of professional experience, or

self-declared level of competence with tools, that resumes and LinkedIn profiles offer.

However, these skills might be difficult to objectively assess, or the tests might be too much of an effort for the hiring manager/team to design. This is precisely the problem statement that [Skilletal seeks to solve with skill assessment tests for growth roles](#).

Interviewing

After the profile/resume has been shortlisted, it progresses to the interview round. Now, the objective of designing an interview (or a series of interviews) for a role is – just like the broader hiring process – to build a common understanding in the hiring team on:

1. The skills being tested,
2. The ‘right’ questions to evaluate those skills

Let’s say that we are conducting an interview for a growth analyst position. The team agrees (or the hiring manager decides) that the skills being tested are:

1. Analytics fundamentals (domain aptitude)
2. Growth fundamentals (domain aptitude)
3. Communication skills (general aptitude)
4. Receptiveness to feedback (attitude)

Now, if it is a 45 minute interview, and 10-15 minutes are to be set aside for mutual introduction and to answer the candidate’s questions, there

also needs to be a structure around which questions will be asked in the remaining 30 minutes to test the above skills. Crucially, it needs to be made sure if those questions do indeed test for those specific skills, and are not just 'interview questions'.

For example, if the idea is to check problem solving skills, the temptation might be to ask a question like 'estimate the number of red cars in Bangalore'. Or to get them to 'estimate the number of golf balls that can fit in a Boeing 747 aircraft'.

But are these questions checking for those skills, or are these 'interview questions' that one can prepare specifically for? The false positive is that the candidate is familiar with this type of question and thus solves it well, but this type of thinking has no correlation with the kind of problem solving they will need on the job. And the false negative is that the candidate is actually good with problem solving but is just not familiar with the format in which such guesstimate questions are *expected* to be answered.

Which brings me to the questions from the other end of the spectrum: from being too unrelated to the skill set or domain to being too specific. Such as, 'tell me 3 ways conversion rate for my website will improve'. The pitfall of such a question, despite at surface being a very different kind, is the same: as an interviewer, you have a set expectation about the right answer itself (in this case), or the right format in which answers will be

approached (in the previous case), which comes in the way of genuinely assessing the skill of problem solving.

Coming back to the growth analyst role interview, if you are checking for growth fundamentals, you can ask the candidate to pick a business/app that they are familiar with as a user (avoiding one that you might have a biased point of view on, such as a current or previous project of yours), and ask, say, the engagement metrics that they would be tracking. And, to test their problem solving skills, you can ask them for possible directions they would take during data exploration, or hypotheses that they would first seek to validate.

Here, I believe, the goal of actually seeing their approach to solve a problem might be achieved. The format might be familiar to them, but due to domain knowledge, and not due to preparing for job interviews. And you might invariably have some expectations on the right way to solve the problem and the right answer, but you will at least not be too fixated on what the right answers are due to over-familiarity with the problem statement.

The key takeaway is that interview questions and prompts can neither be winged nor be wholesale borrowed from elsewhere without context. They have to be designed consciously keeping in mind the skill tests being tested for, the right questions to test them, and while being cognizant of the pitfalls.

Assignment

While the ethics of asking the candidate to do an assignment in their own time is often debated, if done with the right guardrails and after setting the right expectations, it can be a huge value-add.

The expectation can be to understand how they approach and structure a problem, how they conduct primary and secondary research, and so on. Such an insight into the candidate's style of working often doesn't come from interviews. And is, in fact, closer to a real world scenario where you don't have to think through a problem statement in real-time. The candidate's strength might be going deeper into a topic, talking to customers, and thinking through a problem from all angles, but such valuable skills don't get their chance to shine in, say, case study interviews.

For the candidate too, this stage can be very valuable. You can ask the interviewer in the discussion on your assignment submission if they agree with your approach or not. If this was similar to the problem solving approach they had in their team or not. It can give an insight into the working style of the team and if you can see a match between your style and theirs or not.

Especially for senior roles, such an exercise often is far more beneficial for the candidate. They get a chance to evaluate the company independently by conducting primary and secondary research. They also

can evaluate beforehand what potential growth levers are, and gauge the viewpoint of current leadership on them to check and build alignment.

Reference checks

While the selection criteria that we discussed above are supposed to predict the on-job performance, nothing perhaps correlates to it better than their actual on-job performance in previous roles. And yet, the step of asking the candidate's previous managers how their past performance was, is often underutilized. Though, for understandable reasons.

Without the right ways to frame the questions to ask the person on the reference check call, this step is almost redundant. However, with the correctly framed questions, this step can be very powerful.

The core principle to make reference checks useful is: **how can we make the questions as objective, as matter of fact, as possible?**

Suppose we want to ask about the candidate's weaknesses. If we frame the question as 'so, what are his/her weaknesses', we might get an inaccurate reply. Either very positive ('they don't have any weakness') if they are trying to get the conversation over with. Or very inaccurate in case they are just searching for something to say and say the first thing that pops up in their head.

A more objective framing of the question can be: in the performance review meetings between you, was there a recurring area of improvement that came up?

Similarly, instead of an overall good or bad, or hire again versus not hire again, sort of rating at the end of call, you can frame it more objectively: is this person in the top 10 percentile of people you have worked with?

The same applies for the candidate too. They should frame questions objectively while doing reference checks on the manager (or the broader team or organization). For example, instead of asking 'do you think there is a good work-life balance in the team', you can ask 'so what time do you generally leave the office'?

Summary of Chapter 8

To recap: in this essay, we dove into aspects of putting together a growth team. We looked at:

- How to balance between hiring without a plan, and planning in absence of a team
- Why and how we should always be hiring by building awareness among the potential candidates
- How to design the hiring process and the common pitfalls in various stages and ways to avoid them

In the next essay, we will dive into how to run the team successfully once it has been put together.

Chapter 9: How to run a Growth team at a startup?

The [previous essay](#) sought to answer the question of how to build a growth team at a startup. This essay will seek to answer the question of how to run the team once it has been put together.

There are three key aspects of running a growth team that I'll focus on, in this post:

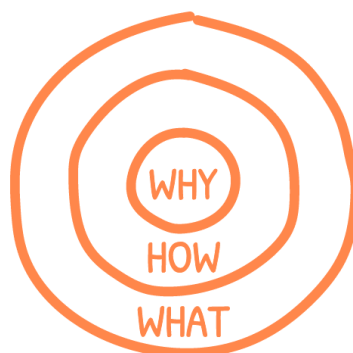
- Building alignment on the goals and the tasks,
 - Reviewing progress against the goals, and
 - Tracking progress against the tasks.
-

9.1 Building alignment on the goals and the tasks

In the previous essay, the key point I tried to make at the start was that thinking through what the key growth wins should be, and which channels or levers they are likely to come from, to help determine the type of skill sets a team should be hiring for. And so, the planning part not only comes first chronologically but is also crucial to the success of the team building process.

Similarly, once the team has been hired, getting the intellectual buy-in of the team around the goals and the projects to achieve the goals becomes the first step to running the team effectively. Let me explain.

Essays [1](#) and [2](#) dove into the building of a growth model and a growth roadmap. But before taking the growth roadmap to the team – that is the levers/projects/tasks that the team or the individual will be working on – we have to start at the *why*. That is to say, we can set a goal of increasing active users from x to y, and list the tasks that are going to achieve those goals. But that only addresses the *what*. And that cannot be the starting point for building a common ground. In fact, it comes last in the sequence depicted by Simon Sinek's golden circle: with the 'why' being at the center (and the point to start), the 'how' being the middle circle, and the 'what' as the outermost one.



For example, at Meesho, during its social commerce phase, the specific 'why' for the company to exist was around enabling homepreneurs. And the specific 'how' for achieving it was by making a variety of digital

catalogs accessible to the homepreneurs which they could sell over social media. Once there was an understanding in the team (or for a new team member) around the *why* and the *how*, the ‘what’ became easier to arrive at. Increase the number of digital catalogs by x%, decrease the average price of catalogs by y%, increase the number of homepreneurs by z%, build better integrations with social media formats, and so on.

The ‘why’ gives a larger purpose to the ‘how’, driving emotional buy-in. And, the congruence between the ‘why’ and the ‘how’ and the ‘what’ drives intellectual buy-in. Without this process, the ‘what’ seems to be arbitrarily plucked out of nowhere and leaves room for emotional or intellectual dissonance down the line.

Should there be alignment on just goals or on the tasks too?

Essay 2 drove the distinction between input levers and output metrics. The goals (or the ‘what’) are output metrics. Increasing customer satisfaction score by 10 basis points, or reducing marketing costs by 10%, are examples of typical goals. However, they are output metrics because working on the right levers achieves these as an outcome but are not something that people work on as tasks.

So far, we have talked about building alignment on the ‘why’ (vision and mission), the ‘how’ (the business model or strategy), and the ‘what’

(goals). But should there be an alignment on the roadmap and tasks too? Or is getting team's buy-in beforehand required only for the bigger questions and not for specific tasks?

The first 4 parts of [vision->mission->strategy->goal->roadmap->task](#) combination are necessarily driven top-down. For example, the founders will decide on the vision, the mission, the strategy, and the goals. The leadership team is expected to contribute to the strategy and the goals, but their primary job is to *connect* the goals with the roadmap and the tasks ([the subject of essay # 7](#)).

Now, the roadmap and the tasks might be driven top-down from the growth lead to the team in the early stages of a startup. However, over time, the team will begin to come up with ideas for the roadmap and the tasks too. And the stage of maturity the team is in determines the requirement of alignment on tasks.

That is to say: If the levers have been arrived at through a bottom-up process by the team, there is an inherent intellectual buy-in from the team around the levers. However, if the levers have been decided top-down and are being handed over to the team, just like the 'why', the 'how' and the 'what', the rationale behind the tasks needs to be explained and intellectual buy-in has to be sought at the start.

How often can we change the goals and the tasks?

By definition, the vision and the mission are least susceptible to change over a short period of time. The strategy and the goals change more often, in comparison. While the roadmap and the tasks, by definition, need to be revised periodically.

However, deciding on the roadmap itself takes time, and every new task needs some activation time to get it off the ground. So, if the team is always planning, or is always changing the plans, it won't make any long-term progress. At the same time, if the team does not periodically assess whether the tasks that they are working on are indeed helping achieve the goals, then the chances of covering a lot of ground but not in direction of the goal also increases.

It then makes for a classic optimization problem: if you decide on a certain vision, mission, strategy, goals, and roadmap combination and don't ever change it, it makes for great alignment between the team members but minimizes chances of course-correction to a superior strategy, goals, and roadmap. On the other hand, if you keep chopping and changing the goals, the roadmap, and the tasks, then perhaps you'll keep finding the perfect task at every step to get closer to the goal. But it is more likely that the alignment on the goals and the tasks in the team will be very low, which in turn will reduce the chances of achieving the goals and successful execution of the tasks.

To strike a balance between building alignment and breeding complacency with status quo, there needs to be a predefined horizon for the current version of goals and roadmap and a predefined window when next horizon's goals and roadmap will be up for discussion. Too short a horizon and there isn't enough time to build alignment and make most of the alignment. And too long a horizon and not enough chance to introduce new ideas.

The traditional horizon for growth planning is often a quarter (i.e. 3 months or 13 weeks). Which breaks down into: a week or two that goes in deciding and building alignment on the plan, a big part of the quarter – say 10 weeks – going into executing on the plan (along with regular reviews – topic of next section), and eventually a week or two goes in measuring the progress, feeding into the next cycle of revisiting the goals and roadmap.

Wait, how exactly do we build alignment?

It's about clear and *repeated* communication. Every time a new member joins the team, the vision, mission, and strategy have to be spelled out explicitly. Once the goals and roadmap have been decided, all reviews and all common forums within the team should start from there. As the Jeff Weiner quote goes: “When you are tired of saying it, people are starting to hear it.”

9.2 Goal Reviews

While reviewing progress against goals and that against tasks might look one and the same, there is a crucial difference. Let's first understand the difference between them, before moving to the best practices of goal reviews.

Goal reviews (such as weekly/monthly business reviews or department reviews) involve tracking progress against output metrics. Task reviews (such as daily huddles or stand-up meetings, project-specific reviews) track progress against the inputs.

For example, let's say one of the growth goals at a marketplace is to increase the number of customers by 30% in the coming quarter. For this goal, one of the levers in the roadmap is to double the number of influencer partnerships. A goal review will then start at the goal (number of customers), rather than the task (number of partnerships), and first see whether the goal is on track to be achieved or not. If it is, the review can further cascade down the hierarchy of metrics to the next level of metrics. If it isn't, the review can then move to the root cause analysis. On the other hand, task or project progress reviews focus exclusively on the input tasks. In the above example, it would be about whether the team is on track to double the number of influencer partnerships or not, without worrying about the outcome of the partnerships.

The success of a goal review is then about:

1. Did the attendees efficiently understand the progress against the goals?
2. Did the attendees efficiently understand the root cause in case of under-achievement against the goals, and infer the required course-correction of tasks?

Both of these flow from how well the goals were selected in the first place. While this topic is covered in [essay # 3](#) on setting up a growth measurement system, three best practices are worth noting:

1. **Ensuring the top goals are level-1 metrics.** A miss on any of these leads to unintended second order effects. For example, putting installs as the top goal instead of level-3 metric in the metric hierarchy leading to revenue at level-1, might lead to installs increasing without proportional impact on revenue.
2. Top goals at a business level should satisfy [the MECE principle](#). And at every level, they should be **complementary** covering both the volume and quality aspects. For example, a social media team with follower count as a volume goal, should have a complementary goal on the quality aspects such as relevance (% of followers from ideal customer persona) and engagement.
3. **Metric hierarchy** from level-1 metric to level-2 independent metrics to level-3 input metrics and business drivers should be clear to the team. This would lead to faster root cause identification and course corrections.

Inversely, when the goals and associated metric hierarchy are selected without thinking through, and then chopped and changed too often, it leads to goal reviews changing too often to be successful.

Another common pitfall is when the review format itself is tinkered with too often to make it better, might end up requiring some time and effort from attendees every time to understand the new format, thus paradoxically coming in the way of a successful review. Just like goals and roadmaps, reviews too can have a fixed format for a horizon, and changes (if required) can be batched together during a predefined time window.

9.3 Task Reviews

Now, it might seem that goal reviews, by virtue of tracking the outcomes, indirectly review the input projects and tasks. And therefore the task reviews can be done away with. But here are 3 purposes that task reviews serve that goal reviews do not:

The first is that goal reviews are a **higher level of abstraction** while tasks are at lower levels. For example, a CEO might conduct an overall business review, without going into progress of all tasks across the company. Or a growth lead might conduct a growth review, without

getting into details of all growth tasks. Task reviews – such as project progress catch-up or daily stands up meetings or huddles – provide a bottom-up view of progress, instead of a top-down view.

The second purpose is that tasks provide a view of the **leading indicators**. For example, the goals and metrics might be on track at the moment, due to past work, but a lag in task completion today will reflect in the goal review only in the future. This becomes even more important when there are projects with long incubation periods, or when progress is measurable only in terms of input work or input metrics rather than in terms of outcome. Content marketing projects or engineering as marketing projects are relevant examples.

The third purpose is that tasks often run into blockers, either because of dependencies or conflicting priorities between different tasks, and require **quick prioritization**. These decisions cannot wait for goal reviews – which are often at weekly or monthly intervals.

Since task reviews are required to be more frequent, they should not take up too much of the attendees' time. Regular huddles and stand up meetings should not need more than a few minutes of preparation time from the attendees either. Goal reviews, on the other hand, should require more preparation before the meeting, and should go in-depth during the meeting.

Summary of Chapter 9

The opening of Leo Tolstoy's novel Anna Karenina goes: "All happy families are alike; each unhappy family is unhappy in its own way."

Similarly, if you look at unhappy teams, you will find they are unhappy for a multitude of reasons, and have differing solutions within the team on how to fix it. And when you look at happy teams, at the very least, they have clarity of what is the larger purpose of what they do and how their specific tasks connect back to that purpose.

This essay dove into how to build that kind of alignment, and how to track it.

- Start the alignment building with the team (or a new member in the team) around the 'why' (vision and mission) and 'how' (strategy). Only then progress to the 'what' (goals). Getting the team's buy-in towards them ensures everyone is on common intellectual ground.
- Beyond this, introduce the right frameworks, set the guardrails, seed the plausible ideas, but let the team come up with the roadmap and tasks to achieve the 'what'. If the team in its current state is not equipped to do that, it can be driven top-down. But, in the latter case, further buy-in needs to be had on the roadmap and tasks too.
- Declare the windows for planning and execution beforehand. Resist the temptation to jump to the latest project idea as it undermines the process of building alignment and causes

long-term damage. Don't coast on the same roadmap and projects for too long either, as it reduces the chances of bringing in better ideas.

- Good goal setting and clear metric hierarchy ensures good goal/business reviews. Reviews are not about fancy formats but about efficiently communicating the progress against the goals, and the root cause and course correction required in case of a divergence.
- Task reviews enable abstraction across the organization, provide leading indicators, and catch blockers in time. However, frequent task reviews take away precious execution time.

In the next essay — the last essay of this series — we will dive into managing individuals.

Chapter 10: How to manage individuals within a Growth team?

10.1 What is the job of a manager?

The first time I was asked to manage a team, I did not know what the job of a manager was. Rather, I did have a notion except it was wrong.

My idea was that the job of a manager was similar to that of a student representative or a class monitor. Sort of a first-among-equals role. The basic assumption behind that idea was that while I was being promoted to the role of a manager, the rest of the team already knew their responsibilities as individual contributors. And since they were already carrying out those tasks, my role was limited to tracking those tasks and reporting them to the powers that be.

However, the core job of a manager, especially in a knowledge economy, is to increase the outcome of the team under their direct or indirect influence. I learnt this definition from the book 'High Output Management', albeit after already having been a manager for a few years. The core difference between the two is that while my idea was to start with input activities that individual contributors were supposed to do

and already knew about, this principle starts at the outcome and works backwards from there to first identify the right activities to do.

Now, this 'systems' parts of the manager's job have been covered in the series so far:

- [Essay 2](#) covered how to build a growth roadmap. That is, how do you work backwards from goals and map them to projects, using a framework like Objectives, Key Results, and Levers.
- [Essay 7](#) covered how to identify the right levers to work on. That is, how to pick and prioritize between different choices of growth problems and solutions, depending on the context and stage of a business.
- [Essay 9](#) covered how to align the team with the roadmap and the tasks. That is, how to communicate the why, the how, and the what to the team, and how to track the goals and the tasks regularly with them.

While covering these bases sets up the team as a system to succeed, it still leaves out the nodes of the system i.e. the individuals out of the equation. So, let's focus on that.

When it comes to individuals, there are two reasons why they might not be performing despite an enabling system: They just can't. Or they don't want to. The first is an issue of aptitude and the second of attitude. Hence, the respective jobs for a manager when it comes to individuals is

to train them and to motivate them (another principle from the book ‘High Output Management’). Let’s cover these one by one.

10.2 How to train individuals?

The best way to have well-trained individuals in your team is to, of course, hire already well-trained individuals. But, that’s not always possible. Sometimes startups can’t afford to, or aren’t able to, hire the practitioners of the required degree of expertise. More often, the area or the level of required expertise changes so rapidly, that the only option is to train internally than to hire laterally. This is precisely the reason that while hiring, it is important to hire not just for domain aptitude but for general aptitude too (as a proxy for ability to learn new ideas): a topic covered in [Essay 8](#).

Once hired for the right aptitude and attitude, the first training action a manager should take is to bring the individual to the common level of understanding that the rest of the team has. Now, such onboarding is sometimes not at all done in startups, or even when done it is left to the people/HR function. The latter can be useful for bringing a new individual to baseline in terms of the organizational structure, key policies, cultural values, etc. But when it comes to bringing a new

individual to a specific team's baseline level of understanding in terms of:

- Mapping of vision & mission -> strategy -> goals -> roadmap -> tasks
- Processes in the team to execute and track the goals and tasks
- Key people in the team and outside team to collaborate with, for specific tasks

It has to be a manager's job and cannot be delegated, or assigned to common teams. And if, as a manager, you are looking for a place to kickstart your onboarding process, the above three dimensions are the one I'd suggest.

Even after hiring and assimilation is done right, continuous training might be required to either keep bringing the individual back to baseline or to train them in new areas. Unlike onboarding, which happens often individually or in very small groups, this task can also be accomplished in larger groups. Especially if it's about establishing a common baseline of concepts and ways of working.

(In fact, the Firestarter series of essays first began as knowledge sharing sessions in the growth function I was leading, to set a common understanding of growth concepts we were using across projects. At least, the first 2 sections. The current and third section started as a series of discussion sessions on the book 'High Output Management' between

the function leaders, to build a baseline on the managerial aspects of the job.)

On the other hand, if it's not a common knowledge gap across multiple individuals within the team, but is specific to an individual, the right course of action would be to connect the individual to the right content source or human expert.

10.3 How to motivate individuals?

“He who has a why to live for can bear almost any how”, Nietzsche wrote in 1888. Presumably not in the context of motivating individuals in a growth team at a startup.

And yet, in my limited experience of managing people, the problems of motivation come invariably from lack of clarity on the ‘why’. The setting of the baseline of ‘why->how->what’ during onboarding, and their regular reinforcement through the goal reviews and task reviews and training sessions, is basic hygiene and often suffices for self-motivated individuals.

And yet the level of clarity on the core why, or the level of understanding/belief in how the current project is connected to that

central why, often ebbs and flows in our minds as individuals. And so, the most important tool in the manager's repertoire to keep individuals motivated over a period of time is to have regular one-on-one meetings.

The purpose of a one-on-one meeting is to understand what's coming in the way of their 'peak performance', as per 'High Output Management'. This implies that the individual has to first think about such issues before the meeting, communicate them to their manager during the one-on-one meeting, and the manager has to actively listen to it. The manager has to see if the understanding of the 'why' seems to be clear in these conversations, and there are either no blockers or just blockers that are operational in nature.

When I first started out as a manager, I didn't even know about one-on-one meetings. And when I did hear about them as a standard practice in 'tech' companies, but without learning about its core purpose, I began to think of it as a get-updates-and-give-feedback meeting, rather than as a forum to gather information as a manager. Similarly to the quarterly feedback meetings or annual appraisals, that I was used to.

Once the purpose of the meeting became clear to me, and I started having them even if they weren't mandated by the organization, I also saw how crucial they were to maintaining motivation levels of individuals. Apart from just letting the manager know that the 'why' or

the connection of the task/project to the 'why' isn't clear, it is effective in restoring motivation simply because it makes you feel heard.

The trifecta of

- Hiring self-motivated individuals (judged through proxy signals in the resume or through references),
- Having suitably ambitious goals and communicating it to them, and
- Regularly having one-on-one conversations to look for dips in motivation levels and redressing them by communicating the missing information or removing the blockers

does the job of motivating individuals in the team.

Summary of Chapter 10

The frequent citing of ‘High Output Management’ in this essay is for the simple reason that it’s quite difficult to come up with original ideas on management that Andy Grove hasn’t already discovered. This entire last section of the series could have been a link to that book :)

However, as it has been with the rest of the series, the idea has been to cover the **minimum but comprehensive set of skills for a growth lead**. Especially when it comes to leading teams and individuals — since it does not relate to the core ideas of growth per se — the objective of this section has been to put together a skeleton of key objectives, and the key 3-4 ideas against the respective objectives, that drove most of the results for me personally.

So, yes, we have now come to the end of the series (over 10 essays and 30,000 words, phew). The first two sections of the series covered the planning skills (essays 1 to 3) and the functional execution skills (essays 4 to 7). This section covered the skills to manage processes and people, specifically how to build a team (essay 8) and how to run a growth team (essay 9). In this essay, we covered:

- What is the job of a manager? With respect to the system and to the individuals?
- What are the best practices to train individuals?
- What are the best practices to motivate individuals?