

TRACTION FIRST

A proven *recipe* for supercharging innovation and building products that get real market TRACTION

DARREN BALL & JP LUCHETTI
FROM WHO'S FABIO?

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By
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This book is dedicated to those founders who are brave enough to stop petting their idea and start testing it instead.

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INTRODUCTION

The harsh reality is that 90% of new startups fail.

Why? We like to describe it as being lost in the desert.

You have a startup idea and you think it's brilliant. Now you want to turn it into reality by building a product.

You discuss it with your friends and family and everybody is encouraging.

Then the challenges begin.

Perhaps you don't have tech skills so you're struggling to build something.

Perhaps you need to raise funding but don't know where to start.

Perhaps you've already built something but no one's using it.

Or perhaps you're just frustrated with the sea of information out there and you don't have any direction for what to do next or how to overcome the next hurdle you're facing.

You roam the internet looking for a way forward. You look for templates, read articles, join communities; you might even get an advisor.

But the bottom line is you're lost in the desert. And when you're lost in the desert, you tend to walk in circles.

Have you ever found yourself asking yourself the same questions that you thought you answered months before?

That's what being lost in the desert is like: meandering through the startup scene with a vague idea of a destination and no reference point, constantly jumping on the next shiny object or silver bullet but ultimately getting nowhere.

We know because we've been there—and it's precisely why we wrote this book.

Back in 2017, we were working at Europe's leading mobile app development agency. JP was a board director and Darren was a consultant on his team.

By this point we had built literally hundreds of different tech products for companies like Maersk Line, Invesco, Intelliflo, Hermes, National Express, HBO, ESPN, McDonald's and many, many, others. At one point JP had more app downloads than Facebook and was featured as "New and Noteworthy" in the App Store. Not too shabby.

We built the good, the bad and the ugly and learned a lot about what really made new products successful.

We realized that the best way to build a successful tech business had little to do with budget or having the best developers and designers. We had them. And we ditched them.

It wasn't just about great ideas either. It takes more than a great idea to convince an investor, and lots of ideas never get funding. Even some ideas that turned out great sounded far-fetched to investors in the beginning—like AirBnB (more on that later).

Fast Forward to 2020.

We had crashed and burned with a FinTech startup in the UK, run product for three other tech startups and helped them to raise more than $2M in funding and were now working together with Rokk3r, a Miami-based venture builder, helping them to accelerate a dozen different startups to their next round of funding—in three months or less.

At the same time, JP stepped into a role as a venture partner at a LATAM-based venture capital investor called Mr. Pink—sitting on the other side of the table as it were. Now he was the one making investment decisions, not just helping startups to successfully raise funding.

What had been a jumble of tools, methods and "magic" (literally, it was called that in our Scope of Work document) was starting to take shape into a lean, mean, startup-building machine.

And in the end, the "secret" to successful startups really boiled down to just one thing:

TRACTION.

Let's use the literal meaning of the word "traction" to paint a picture of what we mean. Imagine your startup is a car. When you press the accelerator (i.e. use resources), the car is supposed to move forward. But if you're stuck in a muddy field, the wheels can't get any traction and they just spin. You rev the engine but you get nowhere.

On the other hand, when you have traction, the resources, energy and capital that go into your startup propel you forward, making the business grow.

The better your traction the more forward movement you generate for every unit of resource you spend. That last bit is key. As you will come to realize in the course of reading this book, it's not only how much forward movement you generate but also how much it took to generate that movement. You need to be efficient too.

The first reason why we wrote this book is to help early-stage founders with great ideas to get TRACTION in record time using our Recipe – whether you are working in a corporate team or an independent startup. We want to help you turn your idea into a successful new product or tech business fast.

The second reason we wrote this book is so that you'll join the dozens of other founders who have hired us to help them do that.

To do that, we've structured the book as follows:

First, we talk about the elephant in the room: your future investors or business sponsors, and we put you in their shoes so that you can see how traction changes the conversation and changes the prospects of your startup. If you're feeling lost in the desert, this will give you the clarity you need.

Next, we go step by step through the Recipe—the best way we have found for getting traction in any tech startup. We outline, in detail, the tools and methodology we use so that you can start to build momentum with your own tech startup.

Finally, we walk you through the next step you can take right now to validate your startup idea in less than a week and with less than $300. Looking for something to help you understand how much it might cost to implement the Recipe in your business? You'll find that here too.

It sounds like a lot, but really the entirety of this book can be summed up in the following three points:

1. Traction is the #1 key to building a successful tech business and unlocking funding from investors—no matter what stage you're at.

2. If you are an early stage startup trying to get investors, the easiest way to get traction is to build a waiting list and a working product pilot.

3. Before you build anything, build a waiting list.

The method you're about to discover has radically transformed the lives of founders and the fate of their startups for the better—opening the door for them to rave reviews, solid week-over-week growth and pre-seed investment.

We hope that you too will be able to solve the big problems you see in the world, make an impact, and find the success you are looking for in your own tech business.

If you read this book and decide you'd like help implementing the strategies we talk about as quickly as possible, you can learn more about us here: https://www.whosfabio.com

Get in touch with us direct anytime: passion@whosfabio.com

Helping founders like you get traction is what we do every day.

We're here to help.

To your success!

JP (Passion) and Darren (Reason)

PART 1:

TRACTION COMES FIRST

Chapter 1 | The Chicken and the Egg Problem

"Come back when you've got a bit more TRACTION".

Anyone who's pitched to investors WITHOUT the Recipe is all too familiar with the pushback you can get:

"Sounds interesting, but show me some traction"
"Bring me something I can see"
"The market isn't big enough" or something similar that translates into *"I can't see what the opportunity is here—it's too small a niche…"*
"We typically invest in startups that already have traction…"

We've all been there: investors tell you they want to see some traction before they invest, but you need capital to get traction in the first place. You're stuck in a catch-22: no capital, no traction; no traction, no capital.

You might be wondering, What is traction anyway? For early-stage startups it's about proving "Product-Market Fit." We'll explore what this means in the next few chapters, but what it looks like is basically proof that you can build a product people love.

Some founders can get stuck in this catch-22 for years hoping that the next investor they meet won't ask for "traction". And every time you meet a new investor you think they might be the one—but they aren't.

The truth is that if you are a first-time founder, it is nearly impossible to secure funding without traction first.

Why? Are investors the bad guys? Not at all. At the end of the day, investors want to make money, and if you can show them traction (i.e. the promise of

future returns), they'll be interested. Traction is the language that investors speak, and if you're speaking it, they'll listen.

So the lesson learned is STOP LOOKING FOR INVESTORS and START GETTING TRACTION. Turn the tables on investors and make them come to you.

That's what this book is about. By the end of Get Build Ready you will know exactly how to turn your idea into something investors say "yes" to.

In fact, 75% of founders that work with us achieve TRACTION and get FUNDED. We call this getting out of the desert.

Getting out of the desert

Let's go back to the desert analogy.

Let's agree there is a way out of that desert; it's called TRACTION.

In the past, travelers found their way using the stars. They knew what to look for, and on a clear night they could find their way.

Hence, the first step towards traction is **clarity**.

Imagine a clear path forward, with a clear set of steps to follow. Every hour you invest going forward can be an hour that is helping you to build momentum, rather than taking you in circles.

Clarity is also about your startup idea. We speak to founders almost every day who struggle to describe who their app is for, what problem it will solve for them, and exactly what it will do.

How many words do you need to pitch your startup idea? How about being able to pitch it in a text message (SMS)? That's the level of clarity you can achieve.

Traction is much easier once you have clarity.

If you've been constantly trying something different because what you're trying hasn't been working, imagine instead consistently hitting KPIs that matter to investors. Imagine real customers who are delighted with your

product—customers who would be gutted if they couldn't use it anymore. Imagine consistent week-over-week growth.

Imagine how that could change the conversation with investors. Traction is the key to **funding.**

It's not what you think about your startup that matters, or even what investors think (as far as their personal opinion is concerned); it's what the market thinks. And if there's evidence the market thinks it's good (traction), investors will listen.

As a venture partner at Mr. Pink, JP sees hundreds of pitch decks every month. He knows the numbers that he and other investors are looking for. Do you remember the feeling of being **totally** prepared for an exam? Or a match? Or a performance? That's what it's like to walk into an investor meeting fully prepared with the data you need to unlock your next round of funding. That's when you can finally quit your job and devote yourself full-time to your startup.

Throughout the book we're going to share the journey of three startup founders we worked with to build traction and raise their next round of funding.

These were founders, lost in the startup desert, with all of the same challenges you might have: clarity, traction and funding.

Founder Case Study #1: Topia (B2C)

When Logan first met with us to talk about his FinTech idea, he was struggling to find a way to make his startup idea a reality.

He thought you just needed an idea and could ask investors for £150K to pay someone to build it. He quickly started to realize it didn't work that way…

Fast forward 12 months and he was closing £150K in pre-seed funding from a diverse list of angel investors. How? He had a waiting list of 750 people and a working pilot with evidence of traction—great feedback from 250 users. And that's as a non-technical founder without a team.

Founder Case Study #2: SailTies (B2C)

Tom and Chris started their journey with a lot of experience already under their belt—three years and 1,240 miles of sailing together and 10 years in

software engineering and product design at brands like Facebook and Cookpad.

But technical skills can be both a blessing and a curse. It can be much more rewarding to work on the product than build your waiting list and run your pilot—but that's what you need to do to demonstrate traction. As we told them when we first met to talk about their startup, even Mark Zuckerberg was obsessed with traction, and you should be too.

Kudos to both of them, they were open-minded and ready to work. They rolled up their sleeves and built a waiting list of 300+ sailing enthusiasts in less than four weeks and then onboarded 125 people into their pilot. Their beta users logged 360 voyages and a total of 17,000 miles. The feedback was awesome too—an NPS score of 72 (i.e. best of the best).

They raised £111,000 at a £1m+ valuation.

Founder Case Study #3: Get My Equipment (B2B)

When Stephen came to work with us, he was pretty frustrated. He and his co-founder, both non-technical, had been going around in circles for months interviewing people without anything to show for it. They were able to use our tools to achieve breakthrough clarity and finally zero in on what they needed to build for their target audience (check out chapter 8). Within 12 months they were able to raise £300K from Fuel Ventures on the back of a revenue-generating working pilot with 40 real customers and £20K in gross merchandise value transacted.

Takeaways

In all three of these cases the founders let traction tell their story. It was the numbers—the proof—they brought to the table that got investors excited.

No one's opinion matters—except the opinion of the market. Investors want to make money and when it comes to getting funding from them, traction talks.

If you can show investors you have something people want, you have the key that opens the door to funding.

Chapter 2 | Meet Jack and Logan

This Recipe you are about to learn is the result of more than a decade building and launching tech products and learning what works.

The easiest way to illustrate this is for you to put yourself in the investor's shoes for a moment.

Ready?

Imagine this: We give you £150K right now to invest in a startup. You cannot buy a Porsche. You cannot buy a house. You can't do anything with this money except invest it in an early-stage startup, like the one you are (thinking of) building right now.

Now, imagine for a second that you meet two startup founders. These two startup founders have both been working on their idea for the last six months. They have also spent the same amount of money so far to date. And both of them are asking for £150K in return for 15% of their business.

So, in short, you're looking at two deals that are the same. However, the path that each founder has taken has been a little different.

One of them has followed the Recipe. The other hasn't.

Let's meet Jack* and Logan. (*name changed)

Jack walks into the room. He's studied the market. He has done various market research surveys and can quantify the market opportunity. It's a £Xbn market—according to Gartner.

Then Logan walks into the room. He says he already has a thousand people on a waiting list, all of whom he has talked to—personally. He's proven not

only that there is a real market need but that he has been able to hustle and capture that audience.
Our question to you is—and be completely honest—which of these two startups would you pick based on what you know so far?

Would you pick someone who has a representative survey indicating there is an opportunity or someone who already has a thousand people on their waiting list right now—i.e. a thousand email addresses from people that have said, "Yes, I want that product"?

Let's look at it from the investor standpoint.

Investors are investing in your idea, yes, but most of all at this early stage they are investing in you and making a bet about whether you can succeed.

Therefore, you need to show them proof that a) you understand your target audience segment, b) you have identified a big, juicy problem your audience wants to solve, c) your product concept is converting with your audience, but also d) that you can capture that market. The way you can do that is by creating a waiting list.

Takeaway 1

Quantifying the market opportunity is rarely, if ever, enough to convince an investor. Going to an investor and saying, "This is a vast market and you have the opportunity to invest in this massive market with a tremendous upside," is just not enough. You need to demonstrate that you have traction with a waiting list.

OK, let's go back to Jack and Logan again. Remember, you've got your investor hat on still!

Jack starts telling you that he has a polished product with a great user experience. The user interface looks beautiful, like a featured product on Dribbble, and he has great feedback from the user interview testing that he did. The only problem is that no one has actually used it for real yet—not even a beta version. There was no beta version.

Logan pipes up. He doesn't have a polished product, but nevertheless he does have a working product. The UX needs some attention, and in fact some of the features require a bit of manual work behind the scenes. However, he has

50 happy customers participating in his pilot. And they all say they'd be very disappointed if they could no longer use the product even as it stands today—after all, they have a big, juicy problem to solve, right?
Whom would you invest in?

Takeaway 2

You don't need a polished product to raise money successfully. You need to prove you have a working solution that people are using to solve their problem successfully—even if there is a little elbow grease required behind the scenes to make it work. You need evidence that people have adopted your product as the solution to their problem and wouldn't want to be without it.

Let's turn back to the meeting room again.

Jack is standing up now and excitedly pitching you this enormous vision—he's practically going to take over the world! But he can't tell you how he's going to get there. Investors have heard it all before… "We're going to be the next Amazon!" "Spotify is going to partner with us." Jack lacks focus and credibility and is unlikely to use his limited resources wisely. Do you want him spending your money?

Then there's Logan again. Logan pitches you his vision.

But he can also tell you the five steps he's gonna take to achieve that vision, each one designed to tackle one of the key challenges he is going to face; each one taking him closer to his goal. He can articulate precisely what he plans to do with your investment and how that will allow him to tackle the next strategic milestone. Invest x and get y outcome.

Takeaway 3

A master plan helps you to convince investors that you have something big enough to interest them but also that you have laser focus in terms of execution. In other words, you will spend the money wisely.

So, one final time…

Whom would you invest in?

Would you go for Jack? A finished product but without any users yet? With a representative survey telling you how big the market is and great user feedback on the design mockups?
Or would you go with Logan? A pilot product serving 50 active users with strong indications of product-market fit, which has been iterated three or four times already and which has 1000 people already on the waiting list?

This is what it's like in real life. Professional investors, and even angels, look at hundreds of deals per month—and compare them.

Jack sounds good, in theory. But the reality is he's lost in the desert and very unlikely to raise money successfully from investors. He's achieved comparatively little with the time and money he's had available.

Logan, on the other hand, has done a lot with very little and that's exactly what he will do with any investment going forward. Making sure you use your resources wisely is one of the key things you need to showcase. It's not so much how far you have gone but the combination of how far and with how much you spent that makes you stand out.

Logan will be in a position to attract a lot of investor conversations and raise funds successfully with the terms he is happy to take.

And in fact he was. To date he has raised more than $1million for his startup—Topia—whereas Jack and his startup are no more.

Be more like Logan and less like Jack.

"I'm building a FinTech/ Sustainability App/ Marketplace/ Travel/ Logistics/ etc. startup; will the Recipe work for me?" Yes. The Recipe works for all tech startups in any industry.

This journey is not impossible or even that difficult if you have the right ingredients and understanding of what investors are looking for.

Even as a first-time, non-technical founder without a team, like Logan, you can still successfully raise funding from investors.

Starting a tech business does require work of course. No one is saying it doesn't.

It's not a route for dreamers or "idea people". But if you're willing to roll up your sleeves and show a bit of grit and determination, and if you're willing to be coachable and data-driven in your approach to decision-making, there is nothing to stop you from winning at this game.

CHAPTER 3 | ESCAPING THE STARTUP DESERT

Why do so many startups fail?

If you understand why startups fail, especially even after receiving funding, you will also understand what investors are looking for when they are making a decision about you.

In other words, investors are looking for founders that have managed to avoid these common pitfalls.

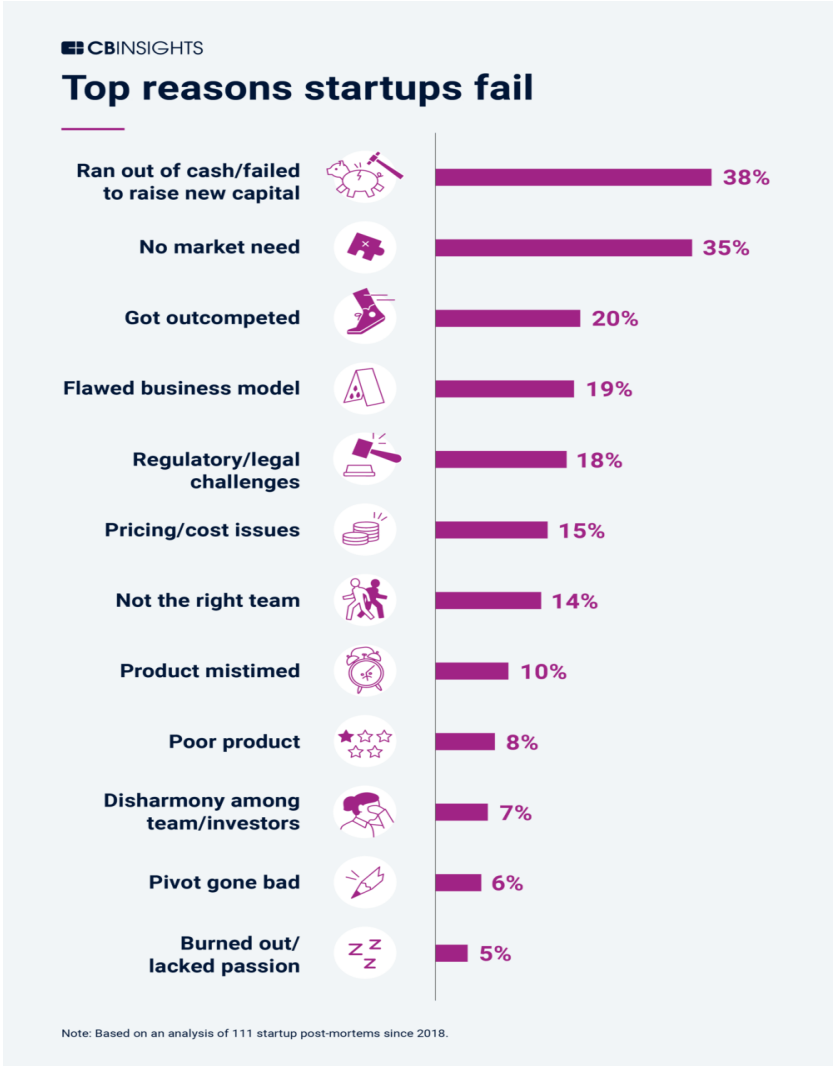
So, let's look at the top reasons startups fail.

CB Insights published a report about what they learned from studying the stories of more than 100 startups:

"After reading through 111 post-mortems since 2018, we've learned there is rarely one reason for a single startup's failure. However, we did begin to see a pattern in these stories. And so, after sifting through the post-mortems, we identified the top 12 reasons startups fail."

Note: Since many startups offered multiple reasons for their failure, you'll see that the chart highlighting the top reasons doesn't add up to 100% (it far exceeds it).

Let's start with reason #2: no market need.



The first thing you need to prove to investors is that there *is* a market need.

Surviving *Shark Tank*

Some years ago on *Shark Tank*, Raven Thomas was pitching her pretzel treats to the sharks.

She had been making her pretzels in her home kitchen and selling them in local mom and pop stores in Scottsdale, Arizona.

The pitch wasn't going well… She was an entrepreneur following her dream, but she didn't look like a compelling investment opportunity—to them, and especially not to Kevin.

As she walked out, having received no offers, she suddenly stopped and spun around. "Oh, did I mention I already have an order from SAM's Club for two million dollars and another from Neiman Marcus?"

The room went dead silent for a moment—and then erupted into a frenzy! The bidding war was ON! Now EVERYONE wanted to give her their money.

Why? She had proof that people were willing to pay her for her product and, in fact, she already had orders—big ones too!

We call that a waiting list.

A waiting list of real prospects proves to investors there is a real market need, and, most importantly, that your proposition is resonating with your target audience. At the end of the day, the foundation for any successful startup is a "must-have-fixed" problem and a waiting list helps address the risk of "no market need".

The more significant the commitment that list has already made to you the better. In a B2B context, this could come in the form of purchase orders or letters of intent, and in a B2C context this is usually an email list.

It also proves YOU have been able to acquire that audience.

Remember, investors are investing in you, not the "$500 million pretzel market".

A waiting list tells investors: this is a founder and a business worth looking at seriously.

Check-In Exercise

Before we proceed with the rest of the book, let's check in with where you are in your own startup journey right now.

Take a look at the table below to identify where you are in the journey and score the two main variables for this self-assessment, startup progress and team experience.

We will be using these scores at the end of the chapter to provide some guidance to you around next steps that you can take to push your startup forward.

Startup Progress - which of these stages best represents you/your startup?	**Score**	**Team experience**	**Score**
You don't yet have any evidence of a market need	0	The team has no experience or plan to build a waiting list	0
Qualitative indication: you have done interviews with more than 10 users to validate the market need	2	The team has limited marketing experience and needs support to build a waiting list	2
Quantitative indication: you have done a representative survey to validate the market need	4	The team has some experience in marketing and could build a waiting list	4
Qualitative proof: you have a waiting list of more than 50 but less than 100 users	8	The team has extensive marketing expertise and we are confident we can build a waiting list	8

Quantitative proof: you have a waiting list of more than 1000 users	10	The team has built a waiting list or a successful tech product before	10

Add up your scores here
Startup progress score:
Team experience score:

Test Mattress

A waiting list is good, but it doesn't say anything about the actual experience of your product/service itself—does your product/service deliver on the promise to users?

Does your product/service address the market need? Does it address the market need better than the competition?

Getting outcompeted is reason #3 in the list of reasons why startups fail.

How do you prove you have a product/service worth investing in?

The beginning of Airbnb is one hell of a story.

Imagine a pre-Airbnb world in which someone pitched you a platform that would allow strangers to stay in your home…

No one believed in the idea in the beginning; it was basically a social experiment.

As someone wise once said, "If you come to me with data, I'll listen. If you come to me with your opinion, we're going with mine." And for the vast majority of investors, they value their own opinion over yours.

So how did Airbnb prove they were on to something?

In 2007, there was a conference in San Francisco and all of the hotels were full. The two founders bought a few airbeds and put up a site called "Air Bed and Breakfast."

They charged $80 each a night and the first Airbnb guests were born: a 30-year-old Indian man, a 35-year-old woman from Boston and a 45-year-old father of four from Utah sleeping on their floor. Proof.

They ran another pilot at the SXSW conference and again at the Democratic National Convention in Florida the same year. Over 600 people stayed at Airbnbs. Proof again.

Revenues were growing, but they were less than $200/week. Why weren't people using it? At least investors were interested now, but they still sat on the fence.

Eventually the founders got on a plane and went to New York to talk to users in their biggest market. They discovered that the problem was the pictures on most listings weren't good. That's insight you only learn when you have real people using a real product. So, they bought a camera and went door to door taking better pictures.

It wasn't long after that that they started to get significant traction: 2,500 listings and 10,000 registered users. Seven million dollars in investment soon followed—and the rest is history!

When you walk into the room with investors, you're going to need proof: proof that people have started to adopt and use your solution to solve their problem—and can't live without it.

You need to show that people are starting to adopt and use your product/service over and above other options available to them in the market today.

The trick here is that you're doing this with a small number of users (relatively speaking) but with enough to demonstrate some compelling KPIs.

In other words, the point of this exercise is to help you tell a story with numbers.

You need to be able to show investors that you are on the road to Product-Market Fit: when large numbers of your ideal customers are adopting your product and telling other people about it.

Think about how powerful this can be for a moment.

First, it shows investors your product idea is no longer just an untested hypothesis. You have proof that your product can address the needs of your ideal customer. From now on, whenever they need to solve x problem, they will use your product to do it. Okay, it's just a handful of users at the moment, but nevertheless, it's evidence.

Second, it shows investors that you are able to improve over time in response to feedback from real people using your product. It says something about YOU. Team is a massive factor in any early-stage investment decision and investors need to be excited about your team and what you can do. Were you able to hustle and build a waiting list? Were you able to steer your product towards Product-Market Fit?

Check-In Exercise

Before we proceed with the rest of the book, let's check in with where you are in your own startup journey right now.

Take a look at the table below to identify where you are in the journey and score the two main variables for this self-assessment, startup progress and team experience.

We will be using these scores at the end of the chapter to provide some guidance to you around next steps that you can take to push your startup forward.

Startup Progress	Score	Team experience	Score
You don't yet have any evidence that your product/service is better than the competition	0	The team has no experience or plan to build and run a working pilot and capture KPIs	0

Qualitative indication: you have tested a prototype with more than 10 users with good results	2	The team has limited experience building and launching digital products and will need help to build and pilot a tech product	2
Quantitative indication: you have surveyed 100+ users about your product experience	4	The team has some experience building and launching tech products and could run a pilot	4
Qualitative proof: you have a working pilot with 25+ users (B2C) or 3+ users (B2B) where you are getting +25% adoption (switching from what they use today to your solution)	8	The team has extensive product expertise and we are confident we can build and pilot a tech product	8
Quantitative proof: you have a working pilot with 500+ users (B2C) pr 25+ users (B2B) where you are getting +25% adoption (switching from what they use today to your solution)	10	The team has an extensive track record of building and launching tech products	10

Add up your scores here
Startup progress score:
Team experience score:

The secret Tesla Motors Master plan

We still need to dodge the #1 pitfall: running out of money.

Let's start with a question: why do startups run out of money?

We believe it comes down to a lack of focus.

In other words, trying to do too much at once with too little resources. Or worse, spending a lot of money with very little to show for it in terms of real traction (revenues, active users etc.).

Very few people would have believed it possible in 2003, when Tesla was founded, that it would become the largest automotive company by market capitalization *in the world*—especially when it didn't make a dime in profit for 18 years straight.

Nevertheless, it has achieved that status.

How?

One reason is the secret Tesla Motors master plan to take over the automotive industry, penned and ironically published by Elon Musk in 2006.

In Tesla's "secret master plan", Elon explains Tesla's steps from electric supercar to sunsetting the fossil fuel car. So far he has delivered on each of the steps he first laid out.

Investors look at the plan and can only say one thing: "There's the proof of what he said he was going to do, and I have confidence in the next promise he's making."

He took things one step at a time, tackling each of the challenges he had anticipated years earlier in his bid to become not just the leading electric vehicle manufacturer but the leading car manufacturer period.

In Chapter 6.3 we break down this strategy in more detail so you can see how he approached it and how you can approach building your own master plan.

The point is he didn't try to do it all at once. There was a strategy.

We all know that when you talk about what you want to achieve with your startup, when you're pitching potential co-founders, employees, investors—yes, you need to pitch them the big vision. After all, it's the reason your business exists and the difference you want to make in the world. You're trying to get people excited, after all!

However, the trap that people fall into is trying to deliver that vision from the outset, or, if not the outset, then as soon as possible. In doing so they run the risk of exceeding their limited resources; they run out of money.

The key is to identify the next challenge, get everyone focused on achieving that milestone, and then unlock another round of funding to tackle the next challenge.

So the balance we need to achieve here is articulating a bold vision to stakeholders while also identifying the three or four steps you need to take to get there. These steps should be based on the challenges you foresee in achieving your vision and should give your vision more credibility.

Don't try to boil the ocean with a tea kettle.

Investors are looking for credible 10x opportunities. Show them a compelling vision—how you are going to solve a massive problem for a big market—and a credible path to get there and the investment will follow.

Check-In Exercise

Before we proceed with the rest of the book, let's check in with where you are in your own startup journey right now.

Take a look at the table below to identify where you are in the journey and score the two main variables for this self-assessment, startup progress and team experience.

We will be using these scores at the end of the chapter to provide some guidance to you around next steps that you can take to push your startup forward.

Startup Progress	Score	Team experience	Score
You have a loosely defined vision	0	The team has no experience or plan to create a master plan	0

You have a vision of the future but no concrete plan to get there	2	The team has some go-to-market and growth expertise but will need help to deliver	2
You have a vision and a plan but the plan is very loosely defined and does not mitigate the risks ahead	4	The team has some go-to-market and growth expertise and they could deliver on this	4
You have a vision and a well-defined plan to address the risks but it requires significant capital from the outset	8	The team has extensive go-to-market and growth expertise and we are confident we can create a credible masterplan	8
You have a vision and a 3-5 stage plan that outlines how you are going to deliver your vision and address the risks at each stage with minimal capital required in the beginning	10	The team has an extensive track record of taking to market and growing new tech products	10

Add up your scores here
Startup progress score:
Team experience score:

Summary Self-Assessment and Key

Total up all of your scores here
Total Startup progress score:
Total Team experience score:

Total Score (startup progress + team experience):

Once you have calculated your numbers, review the scorecard below

Startup Progress	
25+	If you have the data to back everything up, you should be thinking of raising pre-seed investment.
17-24	There is a good chance you need a working pilot with more evidence of traction, but you're on the right track. Check out chapter 6.3 for help planning a pilot and collecting the data you need to tell a story with numbers to investors. Bottom line, don't try to raise money just yet. Focus on traction.
7-16	You have the tip of the thread. Now you need to pull from it. You have some indications of real market need and adoption. Your focus should now be on turning it into an unstoppable wave that every investor will want to ride. Check out chapter 6.1 for help validating, iterating and building a waiting list for your product/service. And check out chapter 6.3 for help planning your pilot.
0-6	You seem to be lost in the desert. You need a plan to get out and you need it fast. You don't want to tell investors you've been roaming the desert for years. Check out chapter 6.1 for help clarifying, validating, iterating and building a waiting list for your product/service. Then check out chapter 6.2 for help planning your pilot. Check out 6.3 to help you clarify your vision and what you need to prove to investors next.
Team Experience	
25+	It looks like you have the right experience to get the job done.
17-24	It looks like you have the raw ingredients for success and can get it done with the right guidance.

7-16	You need to beef up your team. Consider bringing in temporary help to assist you in moving forward until you find a suitable in-house team and/or co-founder.
0-6	You may need a suitable co-founder to help you get your startup off the ground. You may also want to consider bringing in temporary help to assist you in moving forward until you can build a suitable in-house team.
Total Score	
49+	Go, Go, Go! You should be thinking of raising funds ASAP. Reach out to us—we might be able to help with introductions to investors.
33-48	You're on the right track with the right team and a promising startup, but you're probably going to need more traction before investors will say yes.
14-32	There is a long road ahead and you are going to need help.
0-12	Consider that ideas are a dime a dozen. If you do anything to try to progress your startup, start by building a waiting list! That will help you to get people excited about your project so that you can attract other people into the business to help you get it off the ground.

Chapter 4 | It s All About Focus

One of the biggest challenges facing any startup founder is what to focus on today.

You need a game plan with a clear set of objectives and the confidence that when you reach those objectives, you will be in a position to raise your first round of funding.

If you don't know what you are working towards, you can waste a whole lot of time in meaningless activities that don't move the needle in your business.

Meaningless activities include the silent killers of any startup; the "coffees", the networking lunches, the endless search for a technical co-founder, the black hole of social media content creation, etc., etc.

The truth is the first and only thing you need right now is TRACTION.

Traction makes everything easier.

Traction means you're not just talking about "a great idea" anymore.

Looking for a co-founder? Show them some traction.

Looking for investors? What do you think they are going to ask you for? Traction!

Trying to build an advisory board? Which person good enough to advise you is going to invest their time in a founder with nothing but an idea?

To get traction you need to focus your time exclusively on two things:

1. Your customers
2. Your product

The only way forward as a startup is to develop your product and talk to users.

There isn't time to get distracted with other things that won't matter in the end or even to fall into the trap of working on your product WITHOUT talking to customers.

We call it creating a "Machine of Product-Market Fit".

The purpose of this machine is to understand how your idea is resonating with users, how your product is being used (if at all), and what needs to be true about your product to ensure that people use it going forward so that you can change.

The best way to get started with the Machine of Product-Market Fit is to build a waiting list.

Why?

A waiting list is not about the landing page or the traffic. That's just the mechanics. It's about the conversions. And conversions come down to your offer; i.e. your value proposition. More on that in Chapter 5.

When you have a value proposition that converts, you have evidence of traction.

What else?

A working product pilot.

A pilot is your opportunity to work alongside your users to iterate your product. You will understand what is working, what isn't, what to change, and how. You'll be able to make the changes and track the results. The more you iterate your product in response to feedback, the closer you'll get to something users love.

Do you have a working pilot yet? If you do, how many of your users did you speak to this week? What KPIs are you tracking? Are they the KPIs you need

in order to tell a story with numbers to prospective investors? How many times have you iterated your product? Have you made changes that have meaningfully changed the KPIs you are tracking?

Or are you flying blind? If you are poking in the dark for traction, or, worse, still focused on something else entirely, you are bound to run out of money, time, or both before you have anything worth investing in, and we want to help you avoid that at all costs.

Takeaways

Traction is the single most important asset you can develop for your early-stage startup.

Traction is the result of a singular focus on customer and product.

Traction can be achieved by following a systematic process that we call the "Machine of Product-Market Fit". This results in a waiting list with a high conversion rate and a working pilot with strong indications of Product-Market Fit.

Self-Assessment

Before we proceed with the rest of the book, let's check in with where you are in your own startup journey right now.

Take a look at the table below to identify where you are in the journey and score yourself.

How many times have you pitched your value proposition to real users? (Note: Friends and Family don't count)

Pitched	Points
0 times	-10
1 to 5 times	0
6 to 10 times	10

11 to 20 times	20
More than 20 times	30

How many times have you iterated your value proposition in response to feedback you have received on your pitch?

Iterations	Points
0 changes	-1
1 to 3 changes	0
4 to 10 changes	2
More than 10 changes	4

What does your score mean?

Less than 0: You are sticking your head in the sand. There is nothing stopping you from getting your proposition out there. You need to lose the fear and start talking to people. Some founders that score negatively in this assessment are afraid other people might steal their idea. Put that fear aside; ideas are a dime a dozen; it's the execution that counts and if you don't share your idea you won't be able to improve it and get it to the point where you can build traction.

0 to 10 points: You have dipped your toes in the water, but the genie is not out of the bottle. If you've had a series of interviews but you've not had a major breakthrough in terms of changes made to the value proposition, chances are you are missing something. It is better to get that insight now before you start building a product because trying to make changes late in the game is also more difficult, expensive and time-consuming.

11 to 20 points: You are starting to get to grips with the game. This game is not about the score your customers give your pitch but your ability to understand what's wrong and change until it gets a 10 from your customers. Keep going; the pitch can only get better using feedback.

21+ points: You should be ready to get started with your waiting list. Get your pitch into a landing page and start tracking conversions. You can expect

your landing page to website conversions to be worse than your live pitch, but it is a much more scalable approach.

PART 2

UNPACKING THE RECIPE

Chapter 5 | What's the Challenge

Before we dive into the specifics of what it takes to build an investable business, we first wanted to tackle the core idea that holds all of this together.

If you want traction, the key that makes it possible is your value proposition.

Your value proposition isn't the conceptual design of your product.

It's not the user experience. It's not the user interface.

It's not the "how"; it's the "what".

In other words, it's not "how" your product works, it's "what" your product does.

This is critical insight for the way you approach product design and testing.

What does your product offer to your target market of users? What are the specific features that solve the problem(s) they are struggling with?

Most problems with adoption come down to the value prop.

A lot of users will put up with bad UX if they can still get the job done.

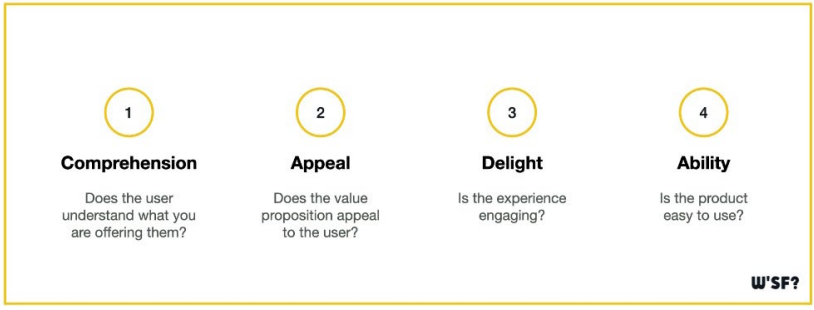
For example, back in 2015, Darren needed access to a virtual phone number to make and receive phone calls and text messages overseas. The app he found was buggy and difficult to use, but the bottom line is that it got the job done and he was a paying subscriber for years.

On the other hand, there are plenty of beautifully designed apps that he has never used more than a couple of times. Utility trumps form. Form is not unimportant, but you don't want to prioritize it out of context or focus on it at the expense of iterating the "what".

Why? Because a killer value proposition makes traction easy.
If you can get the value prop right, traction will follow naturally (the KPIs for your waiting list and working pilot) and you'll be able to tell a story with numbers to convince investors.

Of course, no one's expecting you to hit it out of the park on the first iteration, so you need a process to iterate the value prop until you have traction—without being distracted by the "how" of the product design.

We call it Four-Step testing.



Most people who try to build a product rush into creating a prototype in Figma or some other design tool and they "test" it by asking people whether they like it or not. Yikes.

OK, that's a bit of an exaggeration—but not much!

If you want to build a product people love, you need to focus on testing one thing at a time.

What does that mean?

"Nice landing, wrong airport!"

In other words, OK, maybe the User Interface (UI; look and feel) looks awesome, like something you might find featured on Dribbble or Behance, but there could be any number of other fundamental problems:

1. The User Experience (UX) - the way the app actually works - is poor
2. The app does nothing to keep people engaged
3. The value proposition lacks appeal
4. It's not clear in the first place what the app actually does

So when you put a prototype under someone's nose, which of these things are you trying to get feedback on? You can't get feedback on all of them at once.

Comprehension

The first thing you need to validate is whether people understand what the product does, based on the way you are describing it to them.

If people can't understand what you're talking about, how are they going to determine whether it appeals to them or not? Pretty obvious. But did you think of it?

Therefore, before you try to validate the appeal of your value proposition, we recommend pitching your value proposition to two or three people close to you (they don't have to be target audience) so that you can validate comprehension, i.e. do they understand what you are saying and can they describe it back to you in their own words accurately?

If they can't, you need to rewrite it until they do. You might be shocked how unclear your idea is to other people—but with a couple rounds of iteration even you will feel much better about it!

Appeal

The next thing you need to focus on is appeal. Does your value proposition appeal to your target audience of users? That's what we're focused on in this chapter.

Remember, what we're NOT focused on is how the app actually works. This is the primary reason why we don't create a wireframe prototype at this stage. There are too many other things for users to be distracted by when looking at a screen. We use a much simpler method, using text only, that we'll describe in the next chapter.

The bottom line is: are you pitching a solution in which users are able to achieve their goal with greater speed and accuracy than other competing solutions? If they are, how much greater? Aim for 10x.

What we're looking for here is appeal scores of at least nine on average, and ideally 10. If we can achieve that, we have the confidence to start building a waiting list.

Delight

One of the biggest challenges with any digital product is retention (i.e. do people continue to use your solution?). Your challenge here is to design an experience that can keep users engaged.

Later in the book, we'll talk about the framework we use for designing engaging experiences that keep users coming back over and over again: the Game Thinking loop (note: *not* gamification…). This sits between value proposition design and user experience design (the ability to use the product) and is almost always overlooked by first-time founders—unless they're working with us ;-) . You can't test for delight at the same time you are testing "how" the product works. You need to make sure you have created an engaging concept first.

It's worth noting that even at this stage we still haven't created any wireframes… Surprised?

It is only AFTER this step that we even consider the "how" of the product.

Ability

Once we know people understand what we're talking about; that the value proposition resonates with them; that the high-level experience creates delight and keeps them engaged, then and only then do we work on the UX—"how" the product works. This includes comprehension of the user journey, vetting the language you have used in the product, and validating the steps people have to take to get certain things done (i.e. how would you do x?).

Look and Feel (User Interface)

The User Interface is all about how the product looks—colors, typography, styling and brand elements. This is about visual appeal only and should be the very last thing you consider and test. For a working pilot, this should occupy

the least amount of your attention, but it shouldn't take very long to get it done either when you're ready, assuming you have done the steps above in order.

Your Focus

We've had founders give us all sorts of excuses for why no one is using the app they built (after jumping straight into a wireframe prototype, of course). One of the worst was, "Users are too lazy to use my app."

The truth is the value proposition didn't appeal to users. Or the product wasn't designed to keep users engaged. Or users didn't understand what the product did in the first place. Either way, it's not working and they don't have the clarity to fix it.

A lot of startups that pivot do it far too late. No one's expecting you to get it right the first time—we never do! But you do want to pivot early, on the drawing table if you can, not AFTER you've spent tens or even hundreds of thousands of dollars building something that no one cares to use.

What we hope is clear at this point is that while most people jump into step 4 (ability) with two feet, the best thing you can do to unlock traction, and where you should spend the vast majority of your time as a founder in the beginning, is in defining and iterating your value proposition and, as a second priority, your pilot product experience.

Chapter 6.0 The Recipe

Let's think about traction for a moment as a state—a state we all want to achieve.

In this state, people, a.k.a. new customers, choose to use your product every day. They try it and they stay. Every day that goes by you accumulate more users. In other words, you are growing consistently—10, 20% week-over-week growth. Your acquisition efforts are converting well and people are talking about the product to their friends, colleagues, etc.

That's where you want to be.

The question is: how do you get there?

The answer we found is what we call the "Recipe".

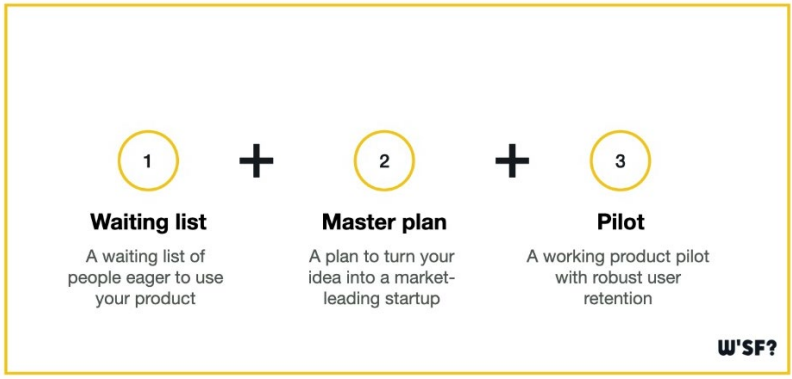
The Recipe is the most efficient way we have found to demonstrate evidence of traction so that you can convince investors to say, "Yes."

It helps you to prove a) there is a market and b) you are attracting people and they are staying.

It reduces the investor's risk—and it reduces yours too.

In other words, even if you think you have ample resources to build a fully-fledged version of your product out of the gate, following the Recipe means you can get your startup off the ground faster, with less capital and with less risk.

The Recipe is simple. There are only three ingredients:



1. A waiting list of customers

The first ingredient is a waiting list of real people who have heard about your product and "raised their hand" in some way (typically by giving you their email address) to say that they want to try your product/service as soon as it's available.

The waiting list is key because it indicates to investors that there is a real market need, i.e. that real people struggle with the problem you are trying to solve, and that your value proposition is compelling enough for them to want to try it. These are big questions that you answer just by having a waiting list.

2. A master plan

What is your plan when it comes to building this startup? How are you going to become a real player in this market? You need to have a vision and a strategy that shows investors where you are going and, most importantly, the steps you need to take to get there. What risks do you anticipate? What challenges are you going to face? How are you going to tackle them? What's the first step you need to take?

3. A working product pilot

This is stepping up to the plate—going from a pitch to a working version of your product serving real users. The key here is that you want to prove that your product is creating value for real people who are actively "adopting" it.

This is definitely not something scalable at this stage; it's a pilot with a very simple purpose: to convince investors that your customers are choosing you to solve their problem and that you can deliver on that promise.

**

With each ingredient we are answering the most important questions investors will have. In other words, we are addressing the most common reasons why startups fail.

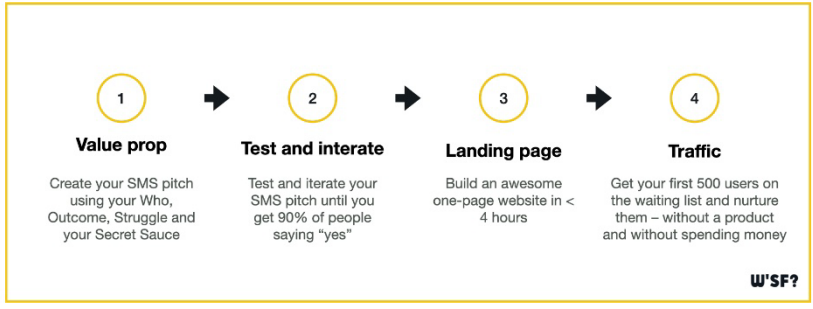
Key Questions	How The Recipe Helps You
Is there a market need?	The waiting list provides a quantitative answer to this question (conversion rate, number of people on the list)
Is your proposition desirable to the customer? I.e. are they staying?	The waiting list provides a quantitative answer to this question
When your customers use your product/service, do they stay? Does your product solve their problem?	The pilot provides a quantitative answer to this question (e.g. with KPIs including user retention, product-market fit score, net promoter score)
What does the future look like and how will you get there?	The master plan provides a qualitative answer to this question

As we said before, even if you have the resources to build the entire product right now from scratch, your best bet is still to take this approach because it will maximize the probability of success.

In the next three chapters we will look at each of the ingredients of the recipe one by one. If you want to follow along with your own startup idea, take advantage of the workbook at the back of the book.

Chapter 6.1 | The Waiting List

The most important aspect of what we want to teach you in this chapter is not about the mechanics of creating a landing page and getting traffic. Though necessary, they aren't the 80/20 here.



We want to teach you that building a waiting list is about understanding your audience, nailing your value proposition, and distilling that into a short pitch that describes exactly what you offer in language that resonates with that audience.

Think about it this way: A lot of first-time founders get caught up in the wireframes or the way their product looks, or even lost down the rabbit hole of building something, but does any of that really matter if what you offer is unappealing or, worse, irrelevant to your target audience to begin with?

In our experience, the key to building your waiting list is:

- A very narrowly defined target audience segment (super users)
- A killer value proposition converts well with that audience

Product-Market Fit (and all true innovation) starts with understanding the market and then designing a product for that market—not the other way around.

Differentiating yourself from the competition starts with finding a "secret"—something you know about the market (your target audience) that your competition does not. We do this using a simplified version of "Jobs To Be Done," which we developed specifically for early-stage startups like yours. We call it the "Who, Outcome, Struggle."

We turn that into a "secret sauce" that describes what customers can do better using your product/service. We do this using a tool called the "Red Button Method", which gives you a simple framework for thinking about what makes products "better".

Next, we distill everything into what we call an "SMS Pitch", which is exactly what it sounds like: a pitch you could give one of your friends over a text message. We iterate this until we're confident we can describe the features in a way that unpicks the lock and makes a customer feel like you've read their mind.

One we have the language to describe the value prop (aka language-market fit) we build a lead-capture landing page, recruit people to the waiting list, and systematically nurture those contacts in anticipation of the pilot launch.

Here are the steps again:

1. Create your Who, Outcome, Struggle
2. Prepare your Secret Sauce
3. Distill everything into an SMS pitch
4. Iterate your pitch
5. Build your landing page
6. Recruit people to the waiting list
7. Nurture your waiting list contacts

Let's get into it.

Create Your Who, Outcome, Struggle

Let's start with your Who, Outcome, Struggle. First of all, what is it? The Who, Outcome, Struggle answers the three most important questions about your target audience segment:

Who	Who is your super user?
Outcome	What outcome are they trying to achieve?
Struggle	What do they struggle with?

Who

Who is your super user?

Think about it:

If you had a big-brand marketing audience, you'd have a very long road ahead of you. You'd need to pitch A LOT of people to build your waiting list.

But a narrowly defined audience has a smaller set of needs.

If you design a value proposition to address those needs, you're in a good position to convert a high percentage of those people into your list.

Hence, the first step is to describe the person who is most desperately looking for a solution and who will therefore be the most responsive to your proposition. These are the people with their "hair on fire". Can you identify the common set of characteristics or circumstances they share?

If you can identify and target that segment, you can build your waiting list faster and with less effort. That will help you establish a beachhead for your startup.

OK, example.

We were working with a startup in Latin America.

Their goal was to help millennials build wealth with stocks and bonds. This is obviously a massive segment; >200M people.

We found them a market beachhead of millennial gamers and created a proposition specific to these gamers, which converted at 50% into the waiting list.

This was a particularly attractive segment because it was so underserved; there was no one else marketing a product like ours to this audience.

The startup managed to get more than 3000 people onto their waiting list in less than three months with a very small budget.

The lesson here is to define a smaller, underserved segment of the market that can serve as a beachhead for you.

When we do this, we try to keep things very simple. We strongly advise against building a complicated set of different user personas. In our experience these almost always miss the point about customer discovery, which is to understand the customers' problem. We'll come on to that later in this chapter.

For now, here's what we do:

For B2B audiences, just describe their industry and role. If the geography is relevant, you can include that too.

For example:

- **Site managers working on large-scale residential construction sites**
- **Sales development representatives selling SaaS to SMBs**

For B2C – similar type of thing. Describe their life stage and/or defining attributes.

For example:

- **Amateur sailing enthusiasts**

- **Millennials trying to escape the nine-to-five**
- **Conscious consumers**

The key is to focus on anything that identifies them in a way that is relevant to the Outcome they are trying to achieve.

Outcome

The next question we need to answer is what Outcome your customers are trying to achieve.

IF YOU HAVE NOT DEFINED THE OUTCOME YOU CANNOT DESIGN A SOLUTION.

Think about it for a second. Imagine wanting to create a tool but not being able to say what the tool is supposed to be used for … that would be crazy! But it happens every day.

How can you avoid this mistake?

Stop thinking about your product.

There's no point right now.

Stop thinking about your features.

Think of a world in which your startup doesn't exist yet. That's the world you want to study.

Clay Christensen is a well-known Harvard Business School professor. He famously said, *"Your customers are not buying your products, they are hiring them to get a job done."*

In other words, do customers care about getting a mortgage or do they care about buying a home? Do they care about your brokerage software or do they care about growing their investment account? Do they care about your tax software or meeting their legal tax obligations to the government? Or his famous example: do they care about your drill or do they care about putting a hole in the wall? Or better yet, hanging a picture?

The purpose of your product is to help your customers get something done. Can you articulate what that is in your case?

Here's how we articulate it:

Verb (action word) + **Object** + **Contextual Clarifier**, if necessary

- Get to a destination on time
- Create a mood with music
- Build wealth (with stocks and bonds)
- Stay on top of life admin
- Reduce my carbon footprint

What do you notice?

- There is only one action and one object.
- There are no adjectives.
- There is no mention of any products/solution.
- We have clarified what we mean where necessary, e.g. that we are talking about solutions that relate to stocks and bonds vs. other ways to build wealth such as property, crypto, etc.

Let's elaborate a bit more on these points.

When you do this for yourself, you might start by saying, "Well, the Outcome that customers want is to understand their carbon footprint." But is that true? Or is that just a means to an end—a step in a larger process? WHY do they want to understand their carbon footprint? Is it because they want to take action? WHY do they want to do that? Ah—they want to reduce their carbon footprint. That's the desired Outcome.

Now, people may want to do it cheaply. They may want to do it seamlessly. They want to do it super-fast, etc., etc. But that's obvious. That's just describing how the product should perform and we're not talking here about performance yet.

Finally, you'll notice there is no mention of any product/solution. Remember, we're imagining a world without your product right now. We're imagining a world with just your customer and the Outcome that matters to them.

So, what is the Outcome that ***your*** customer is trying to achieve?

Key characteristics of the Outcome

The Outcome is the mother of your startup.

Choosing a bad Outcome will give birth to a bad startup. What you're looking for is an Outcome that can give birth to a unicorn.

So how do you know you've defined a "good" Outcome? What does "good" look like?

Here are four tests you can apply:

1. **The wake up in the morning test** - do people wake up in the morning thinking about it? Focus on an Outcome that is top of mind for people. A salesperson will wake up in the morning and be thinking about how they can acquire customers. They're going to be less concerned about keeping their CRM up to date, except as a means to an end, if at all…

2. **The conscious effort test** - do people make a conscious effort to achieve the Outcome? Is it something they do often or at least regularly? People are always looking for ways to make their lives easier, and things they have to deal with often and regularly are easy targets. For example, brushing your teeth. Think about the innovation there. From a simple conventional toothbrush to an electrical one that is faster and better at cleaning. We consciously brush our teeth two or three times a day.

3. **The high stakes test** - are there consequences if this job does not get done? Will someone lose money (e.g. penalties/fines, etc.)? Will it impact their quality of life (e.g. poor health)? Will they fall foul of the law (e.g. taxes)?

4. **The urgency test** - is this Outcome something the user wants to get done today? Or tomorrow? Or, worse still, "someday" in the future? For example, preventing chronic pain in the future is not an urgent job to be done. Dealing with chronic pain right now is urgent. Getting your affairs in order for retirement in 30 years is not an urgent job to get done. Staying on top of your life admin right now is urgent.

If you can satisfy those four tests you've got an Outcome worth working on. If not, continue to work on it. There is no point going any further with your startup until you crack it.

Here are some examples:

Who	Outcome
Site managers working on large-scale residential construction sites	Rent construction equipment
Sales development representatives selling SaaS to SMBs	Develop a pipeline of sales prospects
Amateur sailing enthusiasts	Record sailing experiences
Millennials trying to escape the 9-5	Achieve financial independence (with stocks and bonds)
Conscious consumers	Reduce recycling and landfill waste

Struggle

"Founders often hold too tightly onto solutions and too loosely onto problems… Founder genius is most often expressed in choosing the right problem to solve."

Michael Siebel, YC

OK, let's assume you have an Outcome.

The next thing you need to work on is what your audience struggles with, i.e. what problem are you solving for them?

In order to create a secret sauce (the next step) that converts users into your waiting list with a conversion rate of 50%+ you need to understand your customers better than anyone else.

What does that mean in practical terms? Is it about knowing their favorite grocery store? Or their preferred music genre? No – it's about understanding how they Struggle.

Think about it this way: your customers are already trying to achieve the Outcome.

For the sake of example:

Millennials trying to escape the nine-to-five who want to **achieve Financial Independence**
There are various steps the customer has to take today to get that Outcome.

For example:

1. Calculate net worth
2. Calculate FI number and time to FI
3. Optimize savings rate
4. Pay off high interest debt
5. Build emergency fund
6. Allocate savings between investment accounts
7. Model lifestyle decisions
8. Make changes to your lifestyle

At each step there are actions they need to take or decisions they need to make.

For example, let's break down Step 6 – Allocate savings between investment accounts. These are the actions and decisions at this step:

- Max out the employer match for your workplace pension
- Minimize any taxes you pay on contributions where possible (e.g. further investments in your workplace pension, personal SIPP)
- Ensure you will be able to withdraw money from your investments when you choose to start drawing down, if this is earlier than retirement age
- Minimize any taxes you pay on withdrawals for further investments made outside of your pension accounts (e.g. stocks and shares Investment Savings Account)
- Determine how best to invest your next $ of savings between your accounts in order to reduce your time to FI

Some of these will be difficult and/or time-consuming and people will be looking for better solutions, at least passively.

Imagine if you knew exactly which actions and decisions those were for the Outcome you are trying to help people achieve? Gold dust!

Your task as a startup founder is to document what those actions and decisions are and then to identify which of them are the most difficult or time-consuming for your target audience.

So whom do you talk to?

Masters and Strugglers

Most people start by talking to their target audience.

Sounds logical, right? But it's a big mistake.

Your target audience (the people who are struggling) can't help you document those actions and decisions or help you design your product.

Let us explain why.

The premise of your startup is that your audience is struggling. The results they get are poor. They find it time-consuming and/or difficult in various ways. Basically, whatever they are doing, it isn't working very well, and they don't appear to know any better. Agree?

How is someone who doesn't know any better going to be in a position to design a solution? The best they can do is help you understand their problem.

Imagine you are an athlete—a pole vaulter for the sake of example. You want to be an Olympic athlete, but you have a problem: you need to jump higher than anyone else. Whom are you going to ask for help? Someone else like you who is also **struggling** to jump higher?

Obviously not.

You need to talk to a master, someone who has developed a technique that really works.

The bottom line is: strugglers only know how to do it the wrong way. They might be able to come up with a million and one ways that *might* make things better, but the truth is they don't know the steps to follow

and they don't know whether any of their ideas will actually yield a better result. Masters do.

So, talk to Masters to understand the key actions and decisions in the process and then talk to strugglers to determine which of them is a problem.

Following our example above, let's assume we've identified the following things that millennials trying to escape the nine-to-five struggle with when trying to achieve Financial Independence:

- Track your net worth (all debts, liabilities, savings and investments
- Track your time to FI
- Track how much you invest each month
- Determine how best to allocate your next $ between your investment accounts
- Model the impact of lifestyle decisions on your time to FI

One step closer to our secret sauce! This is what we have now:

Who	Millennials trying to escape the 9-5
Outcome	Achieve Financial Independence (with stocks and bonds)
Struggle	Track your net worth (debts, liabilities, savings and investments) Track your time to FI Track how much you invest each month Determine how best to allocate your next $ between your investment accounts Model the impact of lifestyle decisions on your time to FI

Here's another example from SailTies:

Who	Amateur sailing enthusiasts
Outcome	Record sailing experiences
Struggle	Record journey details including origin, destination, distance traveled, time, route details, weather conditions and vessel data Collect photos and notes from fellow crew Find a record of a past journey Share journey highlights with friends and family Demonstrate sailing experience and expertise when applying for crew opportunities

Prepare your secret sauce

Your secret sauce is a set of features that turns a struggling **millennial trying to escape the nine-to-five,** trying to **achieve Financial Independence (with stocks and bonds),** into a master—someone who gets the job done faster, cheaper and with optimal results.

This set of features is the way you differentiate yourself from the competition.

For each one of the core struggles you have identified, you need to define a feature, or set of features, to solve that problem.

The key to keep in mind is that there is no feature without a struggle.

Now, that sounds quite simple: create a feature for each of the struggles you have identified… But how do you do that? We call it the "Red Button Method". Let us walk you through it.

The Red Button Method

Step 1
Start by identifying a struggle (or grouping related struggles where it makes sense) as you did in the previous section. For example: Track your net worth (debts, liabilities, savings and investments) and time to FI.

Step 2
Describe the way people address that struggle today. What we are asking you to do here is to look at the competition—the tools and methods people use today to get the job done today. You will need to be better than them.

For example, to address this particular struggle people need to collect and maintain a lot of data from their various accounts and update them on a monthly basis. It's quite a lot of manual work:

Steps
1. Create a Google Sheet or equivalent spreadsheet
2. Make a record of existing ISAs, pensions, cash savings and other assets
3. Make a record of existing loans, credit cards, and other liabilities
4. Retrieve your username and password
5. Log in to each account online, record the balance and note the date/time
6. Add/update the balance for each account in your sheet and note the date and time
7. Sum the values together to calculate your Net Worth
8. Calculate how much you deposited into your investment accounts in the past month
9. Use a formula to calculate your Time to FI using your FI Number, monthly investments, and estimated annual investment return
10. Repeat steps 4–9 every month

Step 3
People talk about designing "better" products and features, but what does "better" really mean? To us "better" means a product/feature that gets the job done faster, cheaper and more accurately. Who doesn't want those three things? "Accuracy" is the most abstract concept, but you can think of it in terms of whether something performs its function well. For example, if a clock was not accurate, it would not be very useful in terms of telling the time, and naturally the more accurate the clock is the better.

With this in mind, we ask three questions to benchmark the existing solution.
- How long does it take them to get the steps done?

- 1–2 hrs. the first time; 30 minutes every month

- How accurate is the result?
  - Low (it is out of date as soon as you have done it). Note: We usually use low, medium, high.
- How much does it cost to get the steps done?
  - Free (using free tools)

These are our design constraints.

Step 4

Once you have defined your design constraints, you can start to push your idea forward, one iteration at a time. For example, the first time you iterate your idea, focus on making it faster somehow. The next time you iterate your idea, focus on making it more accurate somehow. The third time, you could focus on the cost, etc. For the last iteration we try to imagine the closest thing to a solution that gets the job done instantaneously, with perfect accuracy and at no cost, like a red button. Hence, the name of this method.

Going back to our Topia example, and reviewing the steps that people take today, we could iterate the solution in the following way. This is a very simple example, but you'll get the idea:

Iteration 1 - Make it faster

Steps

1. Create a Google Sheet or equivalent spreadsheet
2. Make a record of existing ISAs, pensions, cash savings and other assets
3. Make a record of existing loans, credit cards, and other liabilities
4. Retrieve your usernames and passwords
5. **Add all of your accounts and passwords to LastPass or a similar solution**
6. Log in to each account online, record the balance and note the date/time
7. Sum the values together to calculate your Net Worth
8. Calculate how much you deposited into your investment accounts in the past month
9. Use a formula to calculate your Time to FI using your FI Number, monthly investments, and estimated annual investment return
10. Repeat steps 4–9 every month

Estimated time

- 1–2 hrs. the first time; **5–10 minutes every month**

Estimated accuracy

- Low (it is out of date as soon as you have done it)

Estimated cost

- Free (using freemium tools)

Iteration 2 - Make it more faster/more accurate

Steps

1. **Integrate with an Open Banking API, like Plaid**
2. **Authenticate the accounts you want to connect**
3. **Check the balances of each account up to 4 times per day**
4. Display a total of assets, liabilities and the net worth
5. Display your Time to FI and FI Date

Estimated time

- 5–10 minutes the first time; and 5–10 minutes every 90 days when the connection expires

Estimated accuracy

- High (updated approximately every 6 hours), except when the connection expires

Estimated cost

- Approximately $1 per month

Iteration 3 - Make it more accurate

Steps

1. Integrate with an Open Banking API, like Plaid
2. Authenticate the accounts you want to connect
3. **Check the balances in real-time whenever you look at your portfolio**
4. Display a total of assets, liabilities and the net worth
5. Display your Time to FI and FI Date
6. **Receive a push notification when the connection is due to expire in 7 days**

Estimated time

- 5–10 minutes the first time; and 5–10 minutes every 90 days when the connection expires

Estimated accuracy

- Very High (real-time updates from each financial institution) and with less risk of expired account connections

Estimated cost

- Approximately $2 per month

Do this for each of the actions/decisions your target audience struggles with and summarize your ideal solution in the second column, like this:

Actions they struggle with	How you solve their problem for them
Track your net worth (all debts, liabilities, savings and investments)	Track the value of your portfolio and progress towards your FI Number in real-time by connecting all of your accounts to Topia using our secure open banking solution
Track how much you invest each month	Monitor your investment rate automatically across all of your investment accounts

Determine how best to allocate your next $ between your investment accounts	Follow our model portfolio at each stage of your journey to minimize any taxes you pay on your investments and ensure you can access the money when you need it
Model the impact of lifestyle decisions on your time to FI	Tinker with lifestyle decisions and life events like time off work to understand the potential impact on your time to FI

Writing your SMS pitch

The next step is to distill your value proposition into a simple description of what you offer so that you can pitch it to your target audience segment. This is the beginning of your waiting list and also your first opportunity to start iterating your value proposition.

This is the way we recommend you do it:

1. A high-level pitch that summarizes:
   a) Who your customers are
   b) What Outcome you help them to achieve
   c) Your secret sauce
2. Your secret sauce, i.e. a succinct description of each key feature so that people understand what the product actually does for them. Always make it about the user and avoid fluffy buzz words (thanks @heyblake for the copywriting tips)
3. A succinct description of your model (who you charge, what you charge for and how much you charge)

Here's our example again:

High-Level Pitch	Create the life you want to live with Topia – the Financial Independence app that helps you unlock freedom faster
Key Feature 1	Track the value of your portfolio and progress towards your FI Number in real-time by connecting all of your accounts to Topia using our secure open banking solution
Key Feature 2	Monitor your investment rate automatically across all of your accounts
Key Feature 3	Follow our model portfolio at each stage of your journey to minimize any taxes you pay on your investments and ensure you can access the money when you need it
Key Feature 4	Tinker with lifestyle decisions and life events like time off work to understand the potential impact on your time to FI
Model*	We'll let you know how much it costs to keep your accounts connected. You choose what to pledge each month

Here's another example: SailTies, a platform for sharing sailing experiences:

High-Level Pitch	SailTies makes it simple to capture, relive and share your sailing
Key Feature 1	With SailTies you can capture a rich memory of your voyage. Store the track, photos and notes all in one place; add the crew to remember who was onboard; record key stats like duration and distance automatically.

Key Feature 2	Adding other crew to voyages lets you capture memories together making it easy to create a collaborative log rich with stories and photos from everybody who was there
Key Feature 3	Share your voyage with friends and family directly or via social media. Friends and family can review and explore your voyage without downloading the app
Key Feature 4	Your SailTies profile records all of your sailing history and experience. You can use it not only as a way of revisiting past voyages but also as your sailing CV
Model	We offer all of this for free!

And a couple others:

Outflo, a sales outreach tool

High-Level Pitch	Fewer dead ends. More Conversations. We help SDRs get well-researched insights into their target accounts and write high-converting personalized ice-breakers using AI to start more conversations with zero effort
Key Feature 1	Stand out in a sea of same. Say goodbye to Hi {name} from {company}. Built using the world's most advanced AI language models, Outflo helps sales reps turbo-charge their messaging and outreach with less than two minutes of setup time
Key Feature 2	Sound like you've done your homework. No more endless tabs and Google searches for context on your leads. Get contact details, buying signals, jobs, news, revenue numbers and more in your browser using our chrome extension
Key Feature 3	Plug straight into LinkedIn. Get access to ice-breakers, messages, and everything you need to start conversations with leads while you visit profiles in LinkedIn and Sales Navigator
Model	£99/month for each Sales development representative

Eskadi, a platform for finding preloved fashion

High-Level Pitch	The world's largest pre-owned boutique
Key Feature 1	We help you hunt down your next hard-to-find item with a daily personalized list of curated recommendations from across the internet

Key Feature 2	Save items from different resale websites into a single wish list and use our comparison feature to find the best price
Key Feature 3	Resale platforms have different methods for authenticating items. We've created a simple, easy-to-digest system to help you understand the reliability of their authentication service so that you can shop with confidence
Model	Our platform is completely free for shoppers

The key to building a waiting list is a high-converting SMS Pitch. If you'd like us to help you create a high-converting SMS Pitch for your startup idea, we can help. Reach out to passion@whosfabio.com.

Iterate your SMS pitch

At this stage your task as a startup founder is to iterate your value proposition with real people in your target audience until it converts at 90% in an interview setting. We use a high threshold like this because the conversion rate is always less when "unattended" on a landing page or in an ad, i.e. when you aren't there to pitch it, build rapport, trust, etc.

We do this with 1:1 interviews.

These aren't sales pitches; they are market research interviews. You are asking for feedback. Even though you will ask them at the end whether they would like to join your waiting list, the point of the call is not to try to sell them something. This makes a big difference in terms of positioning these calls with prospective interviewees.

The purpose of the interview is to iterate your value proposition until it is converting 90% of the people you talk to into your waiting list **without any additional explanation from you**—in other words, without you going off script.

If you get a 90%+ conversion rate in your interviews but you are always going off script to persuade users to join your waiting list, then you will see a massive

drop in conversions on your landing page when you aren't there to bridge the gap. If you want to say something differently, change the script. The rule of thumb we follow is that consistent feedback from five interviews is usually enough to merit an iteration in a feature or in the wording that you use to describe it. Less than five and you may just be looking at an anomaly.

Here are some guidelines to keep in mind:

Make sure you are speaking to your target audience
Start by making sure the person you are speaking to is actually part of your target audience. And remember: family and friends are not allowed (unless they are deadly honest). We recommend using a short screener (two to three questions tops) to ensure you are talking to strugglers and to confirm that again when you actually start the interview as part of your ice-breaker conversation at the beginning.

Check the Outcome makes sense
Validate that the Outcome you have defined resonates with them and that the wording you have used means what you think it means to them. Ask them whether they would describe it in the same way and, if not, how they would describe it instead.

Validate the Struggle
Make sure your hypotheses about their Struggle are true. Discuss each of them and try to score to what extent each one is a Struggle. We recommend a simple Likert scale of 1–5 so that you have structured data you can review afterwards.

Find out how much they are willing to pay
This is a great time to start informing some of the hypotheses about your business model. Focus on how much people would be willing to pay to achieve the Outcome, not how much they would pay for your product. Markets are defined by Outcomes, not by products. Products come and go; Outcomes last forever. There are a couple frameworks you can use. We typically use the Van Westendorp method.

Get feedback on your value proposition
Give them the high-level pitch, ask for feedback, and then describe to them each of the key features and ask for feedback after each one. Finally, pitch them the model and ask for feedback on the price point and structure. We recommend a simple Likert scale of 1–10 so that you can quickly identify what is resonating and what isn't. This will help you to iterate your value proposition in response to their feedback.

Invite them to the waiting list
Ask them whether they'd like to join the waiting list so that they can get invited to use the product/service as soon as it's available. If they say yes, collect their email address. If they are willing to hand over their email address for this purpose, that is good "currency", i.e. it shows some level of real interest.

Once you have a string of interviews (at least five) that are giving you an average score of 8.5 or more for each feature, and a total conversion rate of +90% into your waiting list, you are ready to draft a landing page so that you can start to recruit people into your waiting list at scale.

We'll talk about what to do when you score less than 8.5 in Chapter 8.

You might be shocked at just how much of a difference a few words can make to a) the comprehension and b) the appeal of your value proposition.

There is simply no way we can underscore the importance of this step enough to you. Even if you spent many weeks at this stage, iterating the language to improve comprehension and appeal, IT WOULD BE WORTH IT in terms of the conversion rate you could achieve later on a pre-launch lead capture website with any ads you run or with any organic outreach that you do.

How to launch an awesome one-page website

This is when you move your SMS Pitch into a landing page so that you can start collecting email addresses for your waiting list.

Keep it simple. This should take you less than half a day's work.

If you don't already have one, get a domain name from Godaddy.com and make sure it comes with an email address so that you look professional.

Create a logo and choose up to three brand colors. A little identity goes a long way. You can do this in less than 15 minutes and with less than $100 with smashinglogo.com and then apply your brand guidelines (logo, fonts and colors) to your website. That is all you need at this stage.

Use a platform like Wix.com or Kickoff Labs (which includes viral waiting list forms) to create your website and host it for less than $15/month. Choose an existing template and edit the headline, text, images, etc. Don't start anything from scratch yourself and get caught up in the weeds of website design, and don't spend a lot of time choosing between platforms; you can always redo it later. If you want to take it up a notch, you could pay someone on Fiverr to build an awesome landing page using Webflow for less than $500 (ask us for our latest recommendation).

Next, this is the way we recommend you structure the page, taking advantage of the value proposition and copywriting work you have already done:

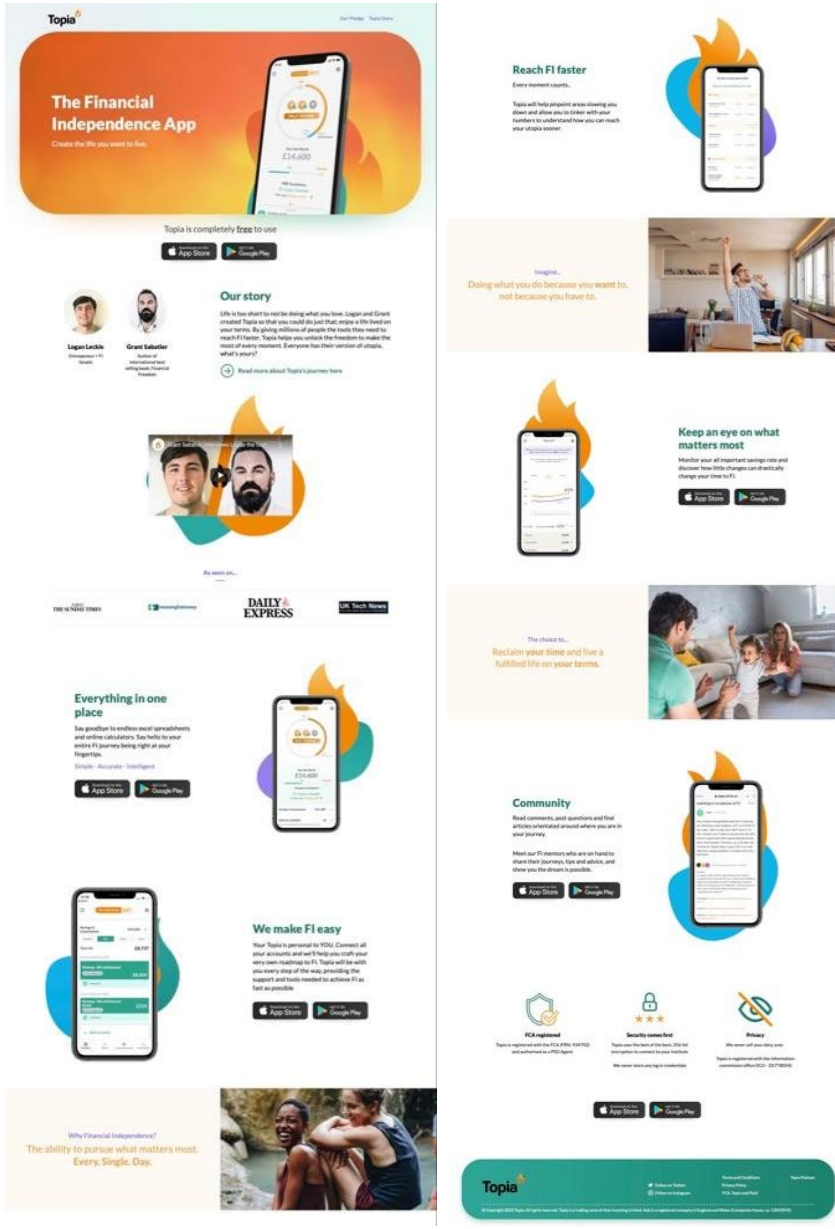
Thanks to @heyblake (audited 500+ websites) and @Julian (helped 700+ startups redo their websites) for some fantastic landing page insights, which we have incorporated below.

Above the fold	
Header	Summarize the problem and Outcome. Don't be clever, be clear. Interactive elements can work wonders to aid understanding.
Sub-Header	Use your high-level pitch Two patterns you can try: What you do/how much better you do it Benefit/Implication (relate to the problem)
Call to Action	Invite people to join your waiting list (one CTA only at this stage).
Credibility and/or social proof	If/when you are featured in any blogs, podcasts, magazines, newspapers, etc., feature their logos here. "As seen in…" or testimonials, whichever you have now.
Below the fold	
Feature blocks	Use your key feature summaries from your SMS pitch and illustrate them with mockups if possible, ideally with animated GIFs.
Pricing	Feature your pricing table, if relevant. Don't hide it.
Testimonials	Include a selection of client/user testimonials as you receive them during the course or your pilot. Video testimonials work best.
Call to Action	At this stage, just focus on inviting people to join your waiting list. Include social proof if possible, such as how many people are already on the waiting list.

A note about your waiting list: You may want to ask one or two profiling questions when people sign up to the waiting list. For example, if you were only making your app available to people in a specific location to start with, you would want to ask people for that information. You may also want to confirm they are actually the "who" you are targeting. For example, in the Topia case, Logan asked them how many years they had been pursuing financial independence because he wanted to focus on beginners.

Here are some landing page examples to get your creative juices going:

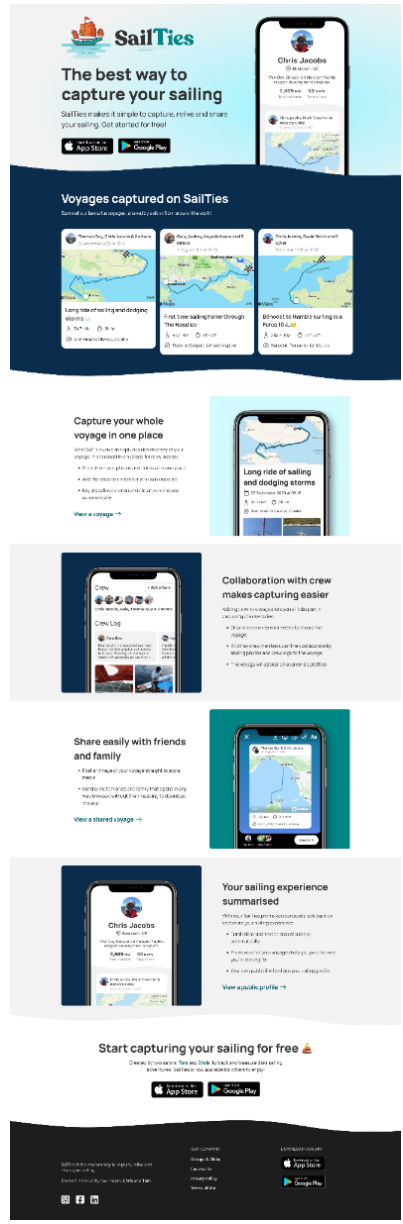
Topia


Topia
The Financial Independence App
Create the life you want to live.
Topia is completely free to use
App Store
Google Play
Logan Leckie
Grant Sabatier
Our story
Read more about Topia's journey here
As seen on...
THE SUNDAY TIMES
DAILY EXPRESS
UK Tech News
Everything in one place
Say goodbye to endless excel spreadsheets and online calculators. Say hello to your entire FI journey being right at your fingertips.
Simple - Accurate - Intelligent
We make FI easy
Your Topia is personal to YOU. Connect all your accounts and we'll help you craft your very own roadmap to FI. Topia will be with you every step of the way, providing the support and tools needed to achieve FI as fast as possible
Why Financial Independence?
The ability to pursue what matters most.
Every. Single. Day.
Reach FI faster
Every moment counts.
Topia will help pinpoint areas slowing you down and allow you to tinker with your numbers to understand how you can reach your utopia sooner.
Imagine...
Doing what you do because you want to, not because you have to.
Keep an eye on what matters most
Monitor your all important savings rate and discover how little changes can drastically change your time to FI.
The choice is...
Reclaim your time and live a fulfilled life on your terms.
Community
Read comments, post questions and find articles orientated around where you are in your journey.
Meet our FI mentors who are on hand to share their journeys, tips and advice, and show you the dream is possible.
FCA registered
Security comes first
Privacy
Topia

Outflo



SailTies



How to get your first 500 users on your waiting list

At this early stage, growing your waiting list is all about the hustle.

We focus on organic traffic.

That said, organic doesn't mean ad hoc, random or unplanned.

On the contrary, you need to create systems to get your first 100, 500, 1000 or 2000 people on the waiting list and into your pilot, depending on the type of business you are building.

Here are the ballpark numbers we recommend using examples of different startups that we have worked on. This is not so much about sticking religiously to these numbers as it is about broadly getting the gist of it:

	B2B product with niche / industry-specific appeal **E.g. Get My Equipment**	**B2B product with broad appeal that applies cross-industry or across SMBs and Enterprise** **E.g. Outflo**	**B2C product with niche appeal** **E.g. SailTies / Topia**	**B2C product with broad/ viral/ mass-market appeal** **E.g. Ailuna, CoGo**
Users still in the waiting list at the end of the pilot	25	500	1000	5000

There are many ways to build your waiting list organically. The two core modes we focus on are:

- 1:1 - Hunting for your target audience
- 1:Many - Using the Dream 100 method to scale your audience building via influencers and/or their audiences

Let's look at each of them.

1:1 - Hunting for your target audience

Prep your bio

Whatever channels you choose to use, make sure your profile/bio is working for you and aligns with your identity as a startup founder on a mission to help your ideal customer. This includes your photo, your bio/blurb (including a link to the product/service you are working on) and a pinned post/tweet, if that's possible.

Where to go

Now that you have defined your "who", the next challenge is where to find them.

There are some obvious online candidates, such as Facebook Groups, Discord channels, subreddits, specialist forums (e.g. Mum's Net), WhatsApp Groups, etc. These are like watering holes where people congregate and a large percent of those people are looking for answers, insight and support. That's where you come in.

Obviously, scouring all of these online networks looking for strugglers in need of help can be very time-consuming, but there are tools that can help you find them. For example:

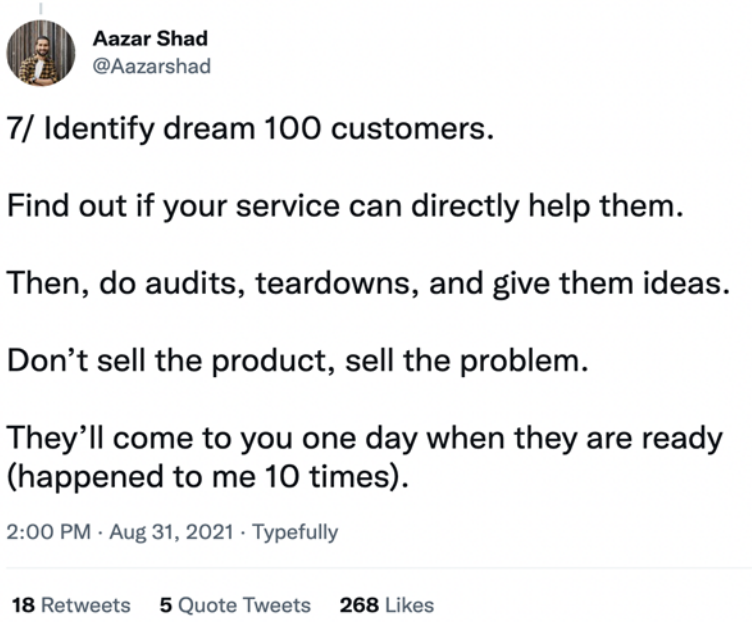
- Gummysearch.com (Reddit only)

If you're building a B2B product/service there are a couple of approaches you can take.

First, look for professional communities, some of which will be hosted by existing companies who have an audience that overlaps with yours, e.g.

Notion and Airbase, or even communities hosted by professional member organizations serving professionals in your target market, e.g. Women in Property.

Second, build a list of your Dream 100 customers and serve them. @aazarshad has some great advice here:



It can be easy to forget offline channels, but the same principle applies, especially if location is relevant to your proposition (e.g. delivery, ride-sharing, ride-hailing, events listings, etc.).

Tinder, Doordash, Uber and even Snapchat all hit the streets to reach their initial userbase after asking themselves where their early target users were congregating offline.

- Tinder founders ran around USC pitching sororities and fraternities and hosted exclusive parties that you had to download Tinder to get into.
- Doordash hit up students on the Stanford campus with flyers.
- Uber made frequent use of street teams to hit high-traffic locations, like the Caltrain station in San Francisco.
- Snapchat founder Evan Spiegel approached people at the mall.

[Shout out to Lenny Rachitsky for compiling some awesome examples of what startups did to get their first 1,000 users!]

How to engage

In our experience there are almost always gatekeepers operating in these online communities to keep out spammers and sales people.

Often communities will also have explicit or implicit rules that dictate how they operate, i.e. some of them will literally forbid posts of certain types, whereas others will heavily frown upon them so that getting traction with such a post would be basically impossible.

Hence, the best approach is to contribute to the community in a meaningful/thoughtful way first and then talk about your solution second, at some point, if at all. People will look at your profile and check you out.

Here are two ways that you can do this:

Helpful Harry

The goal here is to engage with the communities you join; to make thoughtful contributions and help people who are struggling.

Approach

Keep an eye out for people who are asking questions relevant to your solution and try to answer their questions for them, even if you have to do some legwork (research) yourself.

The purpose of doing this is to build awareness (of you/your brand), your reputation, as well goodwill with other members of the community.

It also creates opportunities for you to talk publicly about your solution in the context of their problem, with a link, where possible (at least in your profile/bio), to your landing page.

Getting close to your ideal customer on an everyday basis will teach you a lot about them and the way they experience the problem you are trying to solve. It will also give you anecdotes to share in your pitch deck and inspire new feature ideas, so don't be too quick to outsource it.

This also means you get to work on the language you use to describe your users' Struggle (Who, Outcome, Struggle) and the language you use to talk about your product (your SMS pitch). This is extremely valuable when you start to scale your acquisition efforts later because you will have better copy for your landing pages, ads, etc.

Example - Netflix

"To help us connect further with customers, we brought in Corey Bridges to work on customer acquisition – or, more specifically, on something we jokingly called Black ops. A one-time English major at Berkeley, he was a brilliant writer with a gift for creating characters.

"He'd realized, early on, that the only way to find DVD owners was in the fringe communities of the internet: user groups, bulletin boards, web forums, and all of the other digital watering holes where enthusiasts met up. Corey's plan was to infiltrate these communities. He wouldn't announce himself as a Netflix employee. Posing as a home theater enthusiast or cinephile, he would join the conversation in communities geared toward DVD fanatics and movie buffs, befriend the major players, and slowly, over time, alert the most respected commenters, moderators, and website owners about this great new site called Netflix. We were months from launch, but he was planting seeds that would pay off...big time."

— *That Will Never Work* by Marc Randolph (Netflix)

Schedule

Put aside one to two hours per day to build your waiting list. Consistency breeds success.

Berta the Builder

The goal here is to share your progress, ask for feedback and generate buzz.

Approach

Think of it like journaling rather than creating content (think credit goes to Russell Brunson for that phrasing). Some people call it "building in public".

Building in public is a way to engage your audience in the process of building and iterating your solution. The radical transparency helps to build trust, rapport and genuine engagement in what you are trying to achieve and gives people a sense of ownership.

Structure

The key here is to write once and syndicate your update across the different groups/forums, etc. that you are actively participating in, with minimal changes.

Obviously you should adapt it to suit the platform, e.g. turn it into a thread on Twitter if you post there, and adapt it to suit whatever group you are part of, i.e. if there are rules about what people are allowed to post. This might mean you need to share your post as a "win" or something you're grateful for, for example.

What can you share? New market insights, challenges you have undertaken, problems you are facing, recent releases (features, screenshots, testimonials), upcoming features, case studies, performance updates, news about key/newsworthy board members or advisors or team members joining, etc. Document the journey—the inner founder journey and the outer journey of building a team and a solution that people love.

Wherever possible, try to showcase your credibility. This includes sharing any PR you have received, any blogs/podcasts that have covered you, and even encouraging the people on your waiting list to share honest feedback about your solution in the comments.

Schedule

We suggest a twice-monthly cadence so that there is an opportunity to share a meaningful update and stay top of mind with the audience you are interacting with.

How to scale

1:Many - Using the Dream 100 method to scale your audience building efforts via influencers and/or their audiences

The most efficient way to scale is to answer the question: **who is already influencing them?**

The goal is to find who your ideal customer already follows/listens to and then ask those influencers to promote or share what you are working on with their audience.

The Dream 100 idea has been around for a long time—and many of the early-stage startups in our program have been able to add hundreds or even thousands of people to their waiting lists using this approach.

The difference between this and the 1:1 approach is that you are not just participating in a community anymore; you are building a relationship with the person who owns the community so that they might be willing to endorse and promote you to that audience. This helps to position you as someone their audience can trust, respect and listen to. This is massive.

In practice this could mean appearing on their podcast as a guest, getting featured in a blog post, presenting an event together, or getting a shout out on their Instagram.

Moreover, you can leverage the credibility from earlier influencers to help open the door to other, bigger influencers and their audiences.

Here are a couple of examples of this process in action:

Topia
Logan started by reaching out to podcasters and bloggers in the UK Financial Independence (FI) community. His big break came when he was featured as a guest on the "Meaningful Money" podcast (a top 5 FI influencer in the UK) and was able to add about 300 people to his waiting list in a couple of days. Since then Logan has been able to build a relationship with Grant Sabatier, the #1 global influencer in this space, who is now a co-founder of the business and who has opened the door to many other top FI influencers.

SailTies
Tom and Chris at SailTies accelerated their waiting list growth by working directly with sailing groups and clubs, promising them their own profile in SailTies where their members could share their journeys when they tagged a voyage. For these clubs and groups, it is now a place for all of their sailors to congregate.

Outflo
Sam took a two-pronged approach to build momentum with his target audience of Sales Development Representatives. First of all, he targeted senior sales professionals with 5–10 SDRs reporting to them. He invested in those relationships knowing that each one was worth 5–10x in terms of prospective users. Second, he identified the three most important sales

newsletters serving the SDR community and was able to get featured by them, ultimately reaching tens of thousands of people in his target audience.

So, how do you get there?

Build your Dream 100 Influencers

Yes, literally 100 people on a list—or more if you can.

Start with a tool like SparkToro to find relevant influencers in your niche. Even if you only get one person to pick you up in the beginning, it will make a difference.

Once you have identified the key influencers in your space (and their respective blogs, podcasts, FB pages, IG channels etc.), you will then need to talk your way in, buy your way in, or hack your way in.

Talk your way in

The key here is to start a genuine relationship with these influencers. This takes time, but the payoff is obviously substantial in terms of reach and conversions. Nothing new here, just good old-fashioned relationship building.

Things to keep in mind:

The best cold outreach is not so cold after all
When you understand what they really want and make a credible offer, you'll be much, much more likely to stand out and make an impact

Not-so-cold outreach

@amandanat recommends "a warm message instead" by building rapport on social media first. We definitely agree.



As an aside, this public conversation can pay off in the short term too. Interacting directly with an influencer in a public way so that you get noticed by their followers/audience and, to some extent, benefit from their halo effect. This is another way you can benefit until you are talking directly to your target influencer off-platform.

As always, once you have found an opening for conversation, make the most of the opportunity to contribute something meaningful and sincere that helps to position you with their audience: a helpful response, an alternative perspective based on your experience in the space, or an original answer to a question, again based on your experience and expertise in the space.

What they really want

Most influencers are looking for one or more of the following things:

- Opportunities to make money
- Opportunities to fulfill their personal mission
- Opportunities to make an impact/serve their community

What can you offer to help them achieve those goals?

For example, imagine an influencer in the Personal Finance space. Do they care about making financial education accessible to people of all ages, including K-12? Can you offer them a way to do that?

Do they want to help their community/followers by making it easier for them to achieve a certain goal? And can your solution do that for them?
Can you offer them a referral program whereby they can make money by doing either of the above? Is there a role for them as a board advisor for which you can offer equity in the business?

The more credibility (traction) you have the more people will sit up and pay attention when you contact them, so some initial momentum with your own 1:1 outreach, or as a result of your relationship with smaller influencers, is a big part of making this approach successful.

Advertising

While you are working on talking yourself in, there's nothing stopping you from building your waiting list from their fans in the meantime.

We don't usually recommend paid traffic (advertising) at this stage, but it's an option. Nowadays you can't target interests on Facebook in the same way as you could before, but if you can create creative (copy and imagery) that speaks to your target audience segment, then the AI can find them for you.

If you do wish to spend some money on accelerating your waiting list efforts, then create your ad using your SMS pitch, put aside a small budget for advertising on Facebook, Youtube, Instagram and/or TikTok, and let the AI find your audience for you.

Nurture and serve your community

Once people are on your list, your job is to keep them engaged.

At a minimum you can share the journey in the same way we described "building in public" earlier in this chapter. Definitely do that. The best way, however, is to serve them.

There are two ways that we recommend you do this, which you can apply to different degrees depending on the startup you are building:

- Create and share content; usually identity-building or how-to content, which is the Do-It-Yourself approach.
- Help people to get the job done.

A two-step content strategy to turn your waiting list into raving fans

From a market research perspective, you're in a great position to create content for your target audience. You understand their profile, the Outcome they want to achieve, and the way they struggle today. Instead of features to help solve their problem, you can create content.

Creating content to educate, convince, inspire and entertain all starts with your brand identity.

Step 1: Start by answering these three identity-based questions:

1. **What is your promise to your customers?** Your promise is the Outcome you help your customers to achieve. For example, Topia is committed to helping people achieve Financial Independence. A promise means that you are committed to helping your customers achieve that Outcome faster, more accurately and cheaper—no matter what. Remember, technology will change, but Outcomes last forever. Your thinking should be: I will help you achieve the Outcome and I will use whatever technology, or even no technology, to help you do that. Leave it to me.

2. **What is your essence?** Your essence is what you stand for. Boil it all down to one idea. What is this really about? For example, for Topia it was really about living a life on your terms, creating the life you want to live. Life's too short not to be doing what you love.

3. **What is the transformation you help your customers to achieve?** When customers use your product, they go from A to B. In the case of Topia, "A" was all about the nine-to-five, the rat-race; a life without fulfillment or the freedom to choose what you do with your time. "B" was about lifestyle design, working on your terms. It was about more than freedom to choose; it was about the financial resilience to weather life's unexpected turns too. We talk more about personal transformation in Chapter 6.3 (see Game Thinking).

These are the keynotes you want to be hitting with every piece of content you create; they should come through in the imagery and in the copy that you write.

What content should you actually create? That's step two.

Step 2: These four work streams should help you focus on what content to create. Every piece should fall into one of these four buckets.

- **Educate**: What how-to questions are they trying to answer? Are there any tools or calculators that you could create to make things easier to understand and literally help them to get the job done?

- **Convince**: What doubts and concerns are they trying to resolve before they commit? If you can write content that makes them feel like you've been reading their mind and can address those points, you can dramatically increase engagement.

- **Inspire**: What can you share that will encourage them to take the first step—and the next one? Can you start to share testimonials and success stories from other people in the community who reached an "aha" moment or a breakthrough thanks to you?

- **Entertain**: What stories will engage them and keep their attention?

Tools like SparkToro can help you with a deeper understanding of your target audience segment, but your previous list-building efforts (earlier in this chapter) should provide a well of content ideas. Content like this can help to improve your credibility, trust, rapport and authority with your audience.

Rolling up your sleeves to help people get the job done

Some startups will lend themselves better to this approach than others, and in some ways this can be very similar to a *very* rudimentary pilot (see Chapter 6.3 later in the book) in which you are consulting with people or even providing a basic concierge service to help get the job done.

In the Topia case, Logan started by meeting with people in his target audience and helping them to calculate their FI number, FI date, Net Worth, and current investment rate. He then reviewed their last six months of PDF bank statements, if they were willing to share these, and suggested a handful of

things they could do to reduce their transportation, housing and food expenses from a standard list he had created. He presented this together with a model showing them by how much each $100/month saved could reduce their time to FI. This is a great example.

Here are some other examples from a variety of different startups we have worked with:

- **Whyness:** Callum, CEO and Founder of Whyness, offered to meet with recent graduates looking for a greater sense of purpose. He used a variety of assessment tools to profile them using a proprietary methodology he developed and then matched them with "Dream Jobs" he was able to find on job boards online. He was able to get people results before his AI-based platform was available.

- **Eskadi:** Sarah, CEO and Co-Founder of Eskadi, offered to help women struggling to find pre-loved fashion items online. While she was building her waiting list and didn't yet have a platform ready to use, you could tell her what you were looking for and she used the process she had refined to shortlist potential buys for you on a weekly basis.

- **TapArt:** Co-Founders Travis and Carl offered to help independent artists to create, market, sell and deliver low-cost prints to their existing customer base while they continued to develop their platform concept on the side.

At the end of the day, the goal is to engage your waiting list, help build anticipation for the product pilot, and build your profile, credibility and authority as someone who can help your target audience to get the Outcome they want.

Key Chapter Takeaways

- The key to building a waiting list is an SMS pitch that converts well. First-hand, 1-1 contact with your users to iterate your pitch is the only way forward.
- You need to build your profile as someone who helps people achieve the Outcome in the different communities you engage with and continue to deliver on this promise after people have joined your waiting list.
- Building a waiting list is like building a community of early adopters. You not only have to get them to sign up but also engage them with product updates, how-to content and, if possible, direct help to get the job done.
- The job of building your waiting list never ends. It's more of a daily routine than a "project" you need to complete. Build yourself a routine.
- Things are changing all the time. If you're looking for the latest information about what is working right now for other founders, and innovation teams, reach out to talk: **passion@whosfabio.com.**

CHAPTER 6.2 | THE MASTER PLAN: A.K.A. CREATING A STORY INVESTORS WILL BACK

The second ingredient in our Recipe is a master plan.

Come back to Jack and Logan for a moment.

Jack claimed he was practically going to take over the world; he just couldn't tell you how he was going to get there… Hmm.

Logan also pitched a compelling vision, but he could tell you the five steps he was going to take to get there. It was clear what he was going to do with your money and how that was going to unlock the next stage in the growth of the business.

At the end of the day, traction is about showing investors how well your startup is doing today.

But the second question you need to answer for them is **how big your startup will be tomorrow**. Your job is to show them your startup can one day be the business that will return their entire fund.

There are few ways you can make this case:

1. Tell them about the size of the market. Typically people break this down into three categories: 1. How many people are there in your target audience total? 2. What percentage of that market can you actually serve with your business? 3. What percentage of that market can you realistically acquire long term? This is straightforward and covered extensively online.

2. Tell them who your competition is and why your solution is better. *You will have done this work as part of your preparation for the Red Button Method in Chapter 6.1.*

3. Answer the question "Why now?" What market trends and opportunities are you taking advantage of? What tailwinds are there to support your growth? Your observations about the market, technology and the economy should be enough to answer these questions.

4. Share with them your vision and a credible strategy to get there. That's what the master plan is about—and that's what we want to focus on in this chapter.

The Secret Tesla Motors Master Plan

Until recently Tesla had barely made a dime. So how did it become the biggest automotive company (by market cap) in the world?

The answer is, at least in part, Tesla's "Secret Master Plan".

In Tesla's "Secret Master Plan", Elon Musk describes the exact steps he plans to take to go from building an electric supercar to sunsetting the fossil fuel car. Year after year he has delivered on each of the steps he first outlined back in 2006.

Investors look at the way he has executed against each step in the plan and can only conclude one thing: he's going to make it.

So how can you create your own master plan to get investors excited and ready to invest?

Let's look at the Tesla example in more detail.

Elon Musk has an incredibly bold vision: to sunset the fossil fuel car and replace it with a sustainable electric alternative.

What was the first step?

You might reasonably say, "Well, the most sold car in the UK and the US is the family car, so let's start there with an affordable sustainable alternative."

Not so for Elon.
His first step was to build an all-electric roadster to rival Ferrari and Porsche.

Why?

Achieving mass adoption of electric vehicles was going to be a massive uphill battle.

And in Musk's view, the first step was to address the two elephants in the room: a) the performance problem and b) the perception problem.

What better way to show that electric cars could perform as well as any sports car than by building a car he could pit against the best?

And what better way to change the extremely un-cool perception of EVs that prevailed at the time? Tesla made EVs cool—something that every other automaker had failed to do.

The next step was equally as calculated.

He needed to tackle the range problem. You can't get mass adoption of an EV that only goes 30–50 miles and has few places to recharge. It needs to be practical for long-distance journeys.

So he built a high-end city car with a charging network to support long-distance travel.

One step closer.

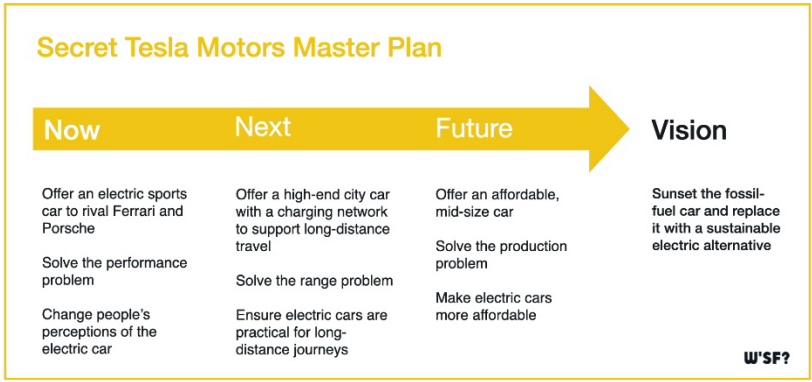
Now the challenge is to solve the mass-production problem so that they can make EVs available at scale and at a price that is affordable to the middle class.

So why is Tesla so valuable today?

Milestone after milestone he has delivered on his promise to investors.

Credibility! Promise of future earnings!

He took an unconventional route to tackle the very real problems facing the EV industry and positioned himself as the de facto leader. He architected a roadmap that would achieve his vision, and you can too.



Why you need a Now, Next, Future strategy to unlock the next round of funding

Clarifying your vision and the steps you will take in achieving that vision helps investors to understand whether they are looking at a 10x opportunity or not.

It's up to you not only to demonstrate that there is a 10x opportunity but also to demonstrate sufficient credibility to make them believe in it—and you.

These are the key points to keep in mind:

1. Think big, but start small
2. Give your vision credibility
3. Align expectations with stakeholders at each stage
4. Keep your execution focused on what is needed now
5. Show investors you are making progress

Thing big, but start small

The key is to plan to deliver on the big vision one step at a time.

Inspiring your team and potential investors—and even yourself—means you need to get everyone excited with a big vision. It's the reason you exist; the difference you are going to make in the world; the impact your startup is going to have on people's lives.

At the same time, you're a startup with limited resources. You can't be expected to boil the ocean with a tea kettle—and you shouldn't try to either. It isn't necessary. The key to succeeding at this stage is proving you can make progress—in stages, not that you can go all the way in one shot.

This means you need to be able to talk about your vision without losing focus on the way you need to use your limited resources right now to take the next step towards that vision.

Give your vision credibility

Saying you want to become the world's biggest automaker sounds out of touch and deluded—unless you have a plan that outlines the steps you're going to take to achieve that vision.

Your vision needs credibility.

Can you tell the story of how you are going to achieve your vision—the serious challenges you are likely to face along the way and what you are going to do to overcome them?

Are the next steps clear to your team and to your potential investors? Do the next steps you are focused on sound achievable with the runway (money in the bank) you have now?

Align expectations with your stakeholders at each stage

Your master plan gives you the opportunity to make sure expectations are aligned and to demonstrate progress as you hit each of the milestones you outlined to your stakeholders.

When you are raising money, it is critical to prove what you said you were going to do and to make a clear promise about what you are going to deliver with this next round of funding.

We call it the "Prove and Promise" framework.

But it extends beyond just your investors. It's about ensuring that you and your team, and any partners you have, share the same understanding about what you are trying to achieve now, so that everybody can row in the same direction.

Keep your execution focused on what is needed now

You and your team need to be focused on what is needed now, not what's needed in the future. The vision is the context, but the next step is the focus.

There are too many startups that failed because they lost focus and ran out of runway trying to prove too many things at once and in the end proving none of them. Go back to the Tesla example. He wasn't trying to scale the production of a family car at the same time that he was trying to change the perception of EVs or demonstrate they could match gasoline rivals in performance. Go one step at a time.

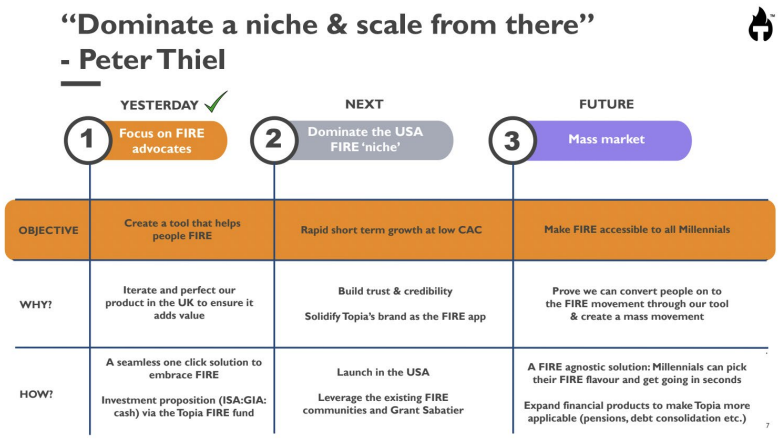
Keeping your execution focused on what is needed now starts with being clear about what "now" is all about, hence the "Now, Next, and Future" model.

Show investors you are making progress

Credibility is the result of having a reasonable plan with clear milestones and evidence of progress. You have a waiting list; you have a plan; now you need to show you have taken the first step towards delivering this plan—your pilot.

When Elon Musk began to hit the milestones he outlined in his plan, he built momentum and credibility with investors. He was proving what he had promised. How many people and/or companies deliver on their promises?

OK, let's look at Topia's Now, Next and Future plan.



We've been helping startups to define their Now, Next and Future strategies for almost a decade. If you'd like us to help you define yours, get in touch with us to talk: passion@whosfabio.com.

Takeaways

- You can't boil the ocean with a kettle. Your master plan allows you to think big and sell that vision but also stay focused on what you need to do next to unlock your path to that vision.
- If you don't have a big vision, Venture Capital investors may be uninterested; other investors may still be interested—it all depends on their investment thesis.
- If you don't have a clear path with a clear set of milestones, investors will be worried about you losing focus and trying to achieve too much with your limited resources.

Chapter 6.3 | The Product Pilot

The third ingredient in our Recipe is a product pilot.

Remember Jack and Logan?

This is your chance to be like Logan and show investors you have real users getting real results with a real product—not just a clickable prototype or mockups.

Your pilot shows investors you have taken the first step to deliver on your strategy. What you want to do here is mitigate any major risks in the "Now" part of your Now, Next, and Future plan. You want to prove that your product is getting adoption.

At the end of the day, the question you are trying to answer is:

Do they stay?

In other words, do your customers stay after using your product the first time? Do they adopt your solution over others? Does your solution become their go-to?

Of course, a pilot is therefore not just literally about the thing you build. You've got to recruit people, get feedback, iterate the product and do whatever manual work is necessary too (e.g. making deliveries, customizing a holiday itinerary, making bank transfers, etc.). The pilot is an iteration exercise in which your goal is to get people to stay.

In fact, it's a continuation of the design process in a live setting.

Let's get into it.

What is the purpose of a pilot?

Every investor knows that a lot of the risk they are taking when they invest in startups is simply execution risk: can the team deliver on this promise?

Your task is to prove this point while spending as little time and money as possible. That's why everything we do is about giving investors evidence of traction.

In the case of a pilot, this means hitting certain KPI thresholds and demonstrating you have been able to measurably improve your product in response to user feedback.

These KPIs include things like your Product-Market Fit score, your user retention rate, the number of active users you have, etc. We'll cover these in detail later.

Why does this matter? Every startup is on a journey towards the holy grail of Product-Market Fit.

Marc Andreessen—a legend in Silicon Valley—describes Product-Market Fit in this way:

"You can always feel when product/market fit isn't happening. The customers aren't quite getting value out of the product, word of mouth isn't spreading, usage isn't growing that fast, press reviews are kind of "blah", the sales cycle takes too long, and lots of deals never close.

"And you can always feel product/market fit when it's happening. The customers are buying the product just as fast as you can make it—or usage is growing just as fast as you can add more servers. Money from customers is piling up in your company checking account. You're hiring sales and customer support staff as fast as you can."

You won't get to this point in a pilot, but no one is expecting you to either. What you do need to demonstrate is that you are making meaningful progress towards this state. That's what we call *indications* of Product-Market Fit, or, in other words, evidence of traction.

What is a pilot?

When we talk about a pilot, we're talking about a product that meets the following criteria:

1. The minimum marketable (or sellable) set of features

2. Some level of manual intervention (i.e. not scalable) to serve users. Sometimes this is called a "Concierge" product (when it's obvious that people are doing the work) or a "Wizard of Oz" product (when there is still the illusion that it is all machine)

3. Built with no/low code technologies that are fast and cheap to work with

4. Built in iterations (get feedback and change quickly)

But it's not just about the product; we're also talking about a programme in which you will:

1. Invite cohorts of real people to use a working version of your product (acquisition and onboarding)

2. Iterate the product in response to feedback that you collect (iteration and feedback loops)

3. Do whatever is necessary to ensure your users are getting the Outcome they desire (operations)

Minimum marketable (or sellable) products

The first rule about your pilot product is to exercise constraint!

This might mean you feel a little self-conscious about your first release. That's OK. Let's look at what really matters.

These days a Minimum Viable Product isn't really enough. What you need to aim for is a version of your product that is small enough to pilot but good enough to delight users.

In other words, your challenge is to prioritize the features that deliver your core value proposition and create an engaging experience around them, so that whatever you release is something your users will love.

This is how we do it:

Prioritize your features

1. Review your SMS Pitch (the complete list of features your product needs to deliver).

2. Prioritize the features from most important to least important, focusing on those features that deliver the core value to users. Use the following test: "If it didn't have x, it wouldn't be worth using in the first place."

3. Define the simplest working version of each feature, including an evaluation of whether the feature is something you actually need to build (must be done by the product) or whether it is something that can be done manually by you/your team during the pilot.

4. Brainstorm ways in which you can ensure users get the Outcome they desire, even if there is manual work involved for yourself to guarantee the Outcome.

Examples of Minimum Marketable Products (MMPs):

Topia: Net Worth, FI date and FI number calculated in real time with real account data.

SailTies: Digital logbook including notes, as well as origin, destination, distance traveled, duration, and route history using live GPS location data.

The key to defining your MMP is that it needs to be able to stand on its own two feet with a key selling point that helps to get the job done better than any existing solution. You want to try to replace something the user is doing or using today so that they can adopt your solution instead.
In the case of Topia, the promise was: stop updating your Excel sheet every month and start tracking your journey to FI automatically. And in the case of SailTies, the promise was: ditch your paper log and start logging your journeys automatically. What is the promise you offer?

Design an engaging product experience

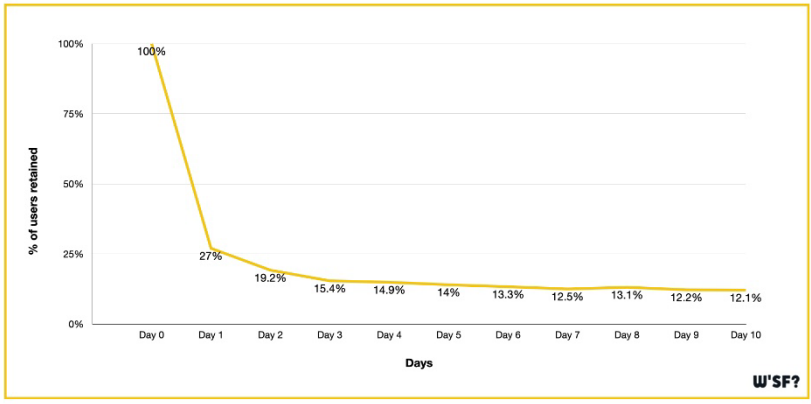
There's a reason why user retention is one of the #1 KPIs that any investor will ask about.

Retention can make or break your business.

It's one of the biggest challenges that any new product will face, and hence that you will face as an early-stage startup founder.

Retention is a measure of how many users continue to use your product some number of days or weeks after first using the app. For example, 30-day retention measures what % of users from the cohort that joined 30 days ago came back again to use the product today—30 days later.

A retention curve usually looks like this:



You might be surprised how few people come back to use a product a second time, let alone on a daily, weekly or monthly basis.

Keeping users engaged is hard.

When someone tries your product, they can either go back to the way they were doing it before or they can decide to keep using your product. Adoption is when they make a conscious decision to continue using your product.

Your goal is for them to adopt your solution as the primary way they solve their problem. You want to become their go-to; the thing they recommend to other people with the same problem.

This is a challenge in that you are counting on people to change their existing behavior, which is why the key to engineering this stickiness lies in human psychology. In other words, when you are designing your product, you need to make use of the psychological mechanisms that help to create engaging experiences.

Game Thinking

"Game Thinking" is a framework created by legendary game designer Amy Jo Kim. It shares many things in common with the framework outlined in *Hooked* by Nir Eyal. But there is a key difference, which for us is the secret of awesome product design.

In her book Amy Jo Kim says, "Games keep players engaged by helping them get better at something meaningful."

There's so much wisdom you can take from this single line. Basically, what she is saying is that the reason games are so engaging, and in some cases even addictive, is not because they are "fun" but because they put you on a path towards mastery, or, in other words, personal transformation. Deep down that's what we all want.

In our view, it's the reason we are losing (or have already lost) a whole generation to games. Many kids are disengaged with "real" life because they don't see a path forward. School is not about self-development; it's not a vehicle to achieve your dreams; it's just something you are told you need to do "because".

The objective is to "not fail". There is no path; no destination. Games, on the other hand, are literally designed to offer kids this path and they do this so well that what kids don't get in real life they get in games. Games have a significant role today because they serve our deepest desire for personal transformation and mastery better than our experience in society.

In a similar way, your product needs to help users get better at something too. Progress is the mother of engagement and, consequently, user retention.

If you can frame your user experience in terms of meaningful progress, you can solve the engagement problem.

Here are some examples:

Product Concept	Outcome	Meaningful Progress
Microfinance product (micro loans for small business)	Finance the procurement of goods for my business	Business revenue growth
Financial independence product (Topia)	Reduce your time to FI	Personal net worth (towards your FI number)
Digital logbook (SailTies)	Record sailing experiences	Miles logged/Time at sea
Pre-loved fashion marketplace (Eskadi)	Buy pre-loved fashion	A wardrobe of clothes I love
Sales pipeline accelerator (Outflo)	Build a pipeline of sales prospects (using inside sales channels)	Average reply rate (% of people that reply to cold email)

Once you've framed what meaningful progress means in your context, you can design your product experience around it.

Remember: You have talked to "masters" who have described the process they follow to achieve the Outcome, "the way". Your product is like a set of crutches that turns a "struggler" into a "master"; it bridges the gap between what "masters" do and what "strugglers" do. In other words, "a struggler" + your product = a master. But it's a very functional approach and rarely enough

to keep people engaged with digital products. Game Thinking will help you take your product design to the next level so that you can help strugglers to get the job done in an engaging way.

This is the approach we take:

1. Define the five steps in your Game Thinking loop—i.e. what your product *needs* to do to keep people engaged. We call this your Minimum Viable Loop. The five steps are Practice, Feedback, Progress, Investment and Cues/Triggers.

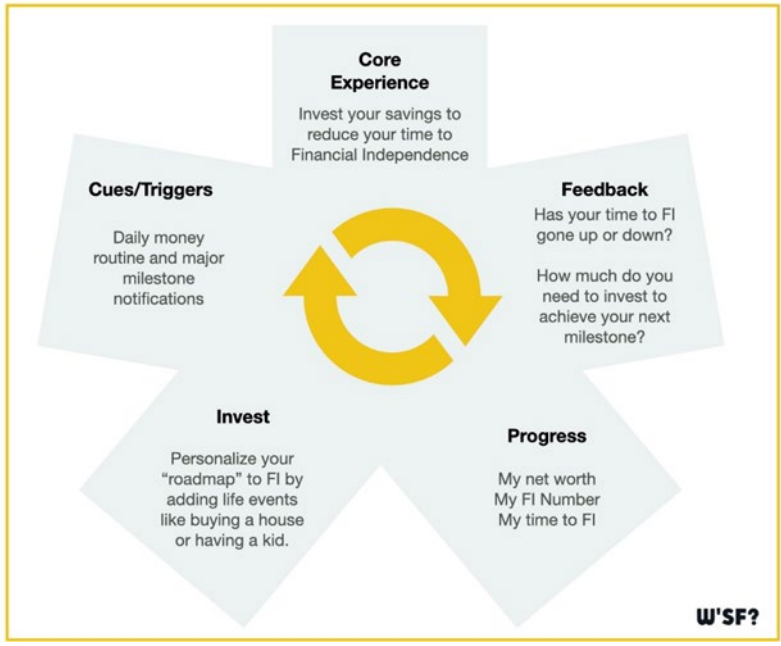
2. Identify which feature(s) address which steps and whether there are any gaps, i.e. steps that have not been addressed and which will therefore cause the loop to break.

3. Define features to plug those gaps.

4. Test whether your features address each of the five steps successfully (BEFORE you commit to building anything). You can do this with very simple wireframe (or even hand drawn) prototypes and some role play in which you walk the user through the experience step by step. Boredom or delight? That's what you're trying to determine here.

Here's an example:

Topia



Adoption and engagement is a challenge, but if you focus on delivering your core value proposition and creating an engaging experience around these features, you can build a product people love and recommend to others and get the KPIs you need to convince investors to say "yes".

If you'd like us to help you prioritize your pilot features and create a killer Game Thinking experience for your product, you can learn more about our mastermind community here: **whosfabio.com/join**

How to think about your pilot

The mistake that people usually make at this stage is to believe that the most important thing they need to prove about their product is the technology.

Unless you are working on a breakthrough deep tech product (core AI, machine learning, etc.), this is very, very rarely the case.

As we've discussed above, what is important for you to prove is your value proposition and therefore it doesn't really matter "how" you deliver on that promise to users, as long as you do deliver on it and have the data to prove you're getting traction.

Remember, for any of the products/services we are talking about in this book, technology without a value proposition counts for nothing.

Your first stop must be No Code

In virtually all cases (except deep tech like AI, Quantum Computing etc.), what differentiates your startup will not be technology, at least not at this stage. The tech is not what you need to prove. So why would you consider building something with custom code?

Let's face it, no matter how much you think you've got your product features down, once real people start using it, you will come to 1,000 realizations and want to make 1,000,000 changes (JP is slightly prone to hyperbole ;-). It's the Latin in him.)

We have released more than 200 products and we still experience this. It's just the nature of the process. So why not prepare for change? If you were to build using custom code, every time you wanted to make a minor change, like changing a full stop, you would need to get a developer involved. Crazy! Even if you are a developer yourself and you can write custom code, making unnecessarily difficult, time-consuming changes in custom code is a serious distraction from what really matters at this stage. You can quickly get lost down the rabbit hole and lose sight of what matters or can move the needle for you.

Your ability to change the product fast and cost-effectively will directly impact the degree of change you can affect with each hour or dollar you invest in your tech startup, and change is what it's all about. Why? The purpose of your pilot is to iterate your product towards Product-Market Fit. Remember, it's a continuation of the design process in a live environment with real users. Change is the nature of the beast. Why would you make it harder for yourself?

That's why we always try to use no-code solutions as a first option. No code is an approach where you cobble together existing apps to create a product experience.

For example, you could use a combination of Google Sheets, Typeform, WhatsApp, Zapier and GoCardless to build a Fintech platform.

Or even less than that. Listen to the story of this Central American startup (can't name them; they don't have a licence yet): They are working in the international transfer market and to prove that their market was not overserved in LATAM (as it is in Europe and the US), they created a fully functioning no-code product for their pilot.

What did they do?

1. They acquired users using a form on a simple landing page they built using a drag and drop builder, like Wix.

2. They manually added every user to WhatsApp so that they could collect all of the details about the transaction. They also shared their own personal bank account information with these users so that users could transfer the funds to them.

3. Once the startup received the funds in their account to cover the transaction, they converted the funds into a stable coin like USDC to move the money across borders seamlessly into another one of their own accounts in the destination country.

4. Once received, they made a domestic bank transfer to the destination account.

By the time this startup went for a pre-seed round, they had already transferred more than USD 300,000 in customers' money in less than two months using WhatsApp and their own personal accounts. Would you turn down this opportunity if you were an investor? Imagine what they could do when they build a scalable product, set up proper business accounts, and don't look super dodgy!

Instead of thinking about why you *should* use no code, try to make a list of why you can't; a real list of real requirements you wouldn't be able to deliver using a no-code solution.

Then ask yourself what would happen if you *didn't* deliver these features as part of your pilot. Could it still be successful? Would it really compromise the core value prop or would it be fine? Be honest!

In our experience, wanting to build a pilot with custom code usually comes down to one of two reasons. The first is ego—you want your product to look amazing (does it matter right now?). The second is insecurity—you are worried about what people might say (everyone will know you're in beta). If you want to build a successful tech business, let these things go. It's a pilot.

This is your opportunity to demonstrate your ingenuity as much as anything else. What can you get done with a little? The bootstrapping movement is exploding and there are all sorts of off-the-shelf tools and platforms available now to kick-start your tech business. Check out our complete list of resources to get you started.

You second stop must be Low Code

There are always cases where no code is not an option, so what next? Code?

No.

If no code is really not an option then the next stop is low code. Low-code products are built using platforms such as Bubble.io or Adalo.com, which allow you to build products with your own business logic and integrations to other third party services without the need to code.

Low code is still several times easier and faster than building a solution with native/custom code. Broadly speaking, you can cut out 70%+ of the development time and cost using these technologies and build once for both iOS and Android. No more telling users "the Android version is coming soon!"

The good thing about low-code technologies is that there is very little you can't do in low code today, and where necessary you can still write *some* custom code, which will probably cover you in 99% of cases.

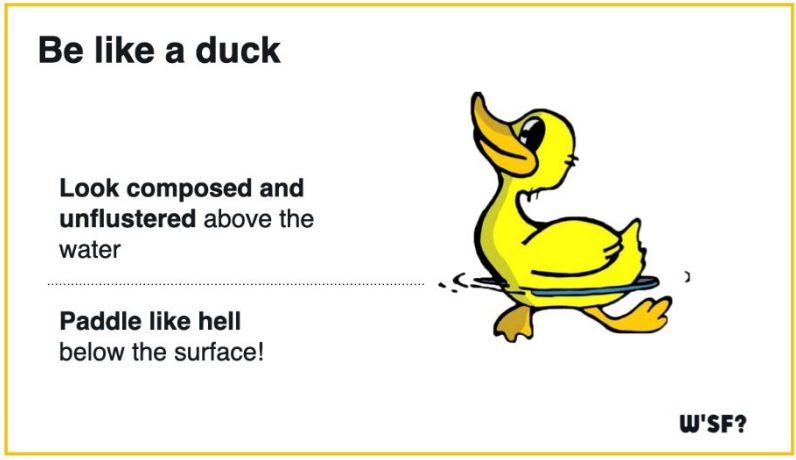
We have built literally hundreds of apps using native code or even other cross-platform technologies (e.g. React Native) and we simply don't see any reason why you would build a *pilot product* with anything more than low code platforms today.

With that in mind, let's now look at the different types of pilot you can build, using No or Low-Code platforms, so that you can concentrate on the value proposition.

Types of pilot

Wizard of Oz

In a Wizard of Oz-style pilot, the user thinks they are engaging with an all-singing, all-dancing product, but they aren't; it's just a façade—like an ATM with a team of people counting bills and updating ledgers in a room behind the wall, there are people behind the scenes making it all happen. Anything from matching users with content to sending notification and alerting users. Rather than trying to get an algorithm working out of the gate, can the same result be achieved manually instead–for now? Remember it doesn't have to be scalable; it just has to be possible.



A good example of this is an art startup we worked with. They needed to select artwork that matched the existing interior of a customer's home based on a few photos that the customer provided. Instead of trying to customize or even build a matching algorithm with the limited time and resources they set aside for the pilot, they farmed the work out to interior decorators who they paid on an hourly basis.

Concierge

In more extreme cases of manual intervention (with very little or even no budget available or no desire/need to spend) a concierge-style pilot may be a better choice. That literally means getting the job done (almost) entirely using low-cost, off-the-shelf software to facilitate the experience.

A good example of this is a FinTech startup we worked with in Latin America. Instead of building an app, they used WhatsApp to collect data and documents from prospective customers and disbursed loans with manual transfers into their accounts. This meant they could focus on the value proposition to customers (i.e. the terms of the loan itself) and to the bank (the mechanism they devised to ensure repayment), rather than get bogged down in an expensive, months-long product build proving very little to investors. These proof points helped to unlock the next round of funding from investors because they addressed the most serious risks and the doubts which investors had. Are you addressing your investors' doubts? Are you proving something meaningful or meaningless?

Integrated low-code pilot

Sometimes there are reasons why the opportunities for manual intervention are limited. You might be working with real-time data and/or in a highly regulated environment, for example. In cases like these, the key is to prioritize your limited resources where they matter. For example, instead of building an onboarding flow, you could manually onboard users instead, which, incidentally has many benefits at this stage. You could also take advantage of existing plugins or components for basic functionality like passwordless login, integrations with 3rd party data services, etc.

A good example of this is a FinTech startup we worked with in the online coaching and consultant space. They had limited options for manual intervention because they had to fetch up-to-date transaction data from users' bank accounts and make lots of real-time calculations. However, they were able to use many off-the-shelf plugins to handle basic features like passwordless logins and speed up the complex integration work with existing plugins, as well as design a manual onboarding process to introduce users to their community, assist them to connect their business bank accounts and take their payment details.
Check out Part 4 – Creating your plan for more detail about each of these approaches and which might apply best in your business.

Build in iterations

Albert Einstein said:

"The definition of insanity is doing the same thing over and over again and expecting a different result."

Let's revisit our pilot goal for a moment: giving investors evidence of traction in the form of specific product and user KPIs.

If you want your KPIs to improve, you need to change your product.

Founders typically think of their scope as a big block of features that needs to be delivered. However, in the case of a pilot, you need to think in terms of releases—at least three of them.

This is so that you can show stakeholders how the product has improved over time, i.e. with each release that you do, you want to see a step change in the feedback from users and the user analytics.

Remember you are solving a problem that your target audience struggles with and therefore they will be willing, to some extent, to accept an imperfect solution. So don't be worried that the very first version appears basic in comparison with what you envisioned—as long as there is a clear path forward.

Each release you plan should create a step change in value for users—and therefore a step change in the feedback/analytics too as a result. In other words, if you want to see different/better results, you need to change.

The task you have now is to determine which features you will include in which release, starting with the features most essential to the core value proposition first.

A release plan will provide you with some much-needed structure but also give you plenty of flexibility to include other features, changes and/or bug fixes in response to real user feedback on your working product.

We find this much more valuable than testing with wireframe prototypes to validate ability (remember Step 4 in our Four Step Testing model?), i.e. "how" the product works, which is all the more possible today because of the advent of no-code technologies.

Feedback on a working product in the wild is much more valuable than feedback on a clickable prototype under laboratory conditions.

Obviously, you can't get real user feedback on your working product unless you have a working product live, so getting a working product live is your first priority. A lack of real feedback is also the main reason why you don't want to spend months building something in the dark only to find "how" the product works doesn't really work at all.

Once you're live with version 1 and your first cohort of users, your rate of learning will increase massively and you will start collecting the essential feedback/data you need to iterate your product and the scope of each subsequent version.

The temptation everyone faces is to overscope your first release, believing all of it is critical to the product. As a rule of thumb, your first release should take no more than four to five weeks to complete. If you don't feel on track to deliver a first version within this timeline, revisit the approach we described earlier in this chapter to prioritize and simplify each of your features if you need to.

How to plan and run your pilot

Like anything in life, a big part of your pilot's success will be in the planning. You need to show a clear upward trend in all your product vitals and that requires thinking ahead.

Your high-level plan

The basic questions you need to answer about your pilot plan are the following:

1. How long are you going to run the pilot for?

   We recommend running your pilot for 12 weeks in order to make meaningful changes and collect sufficient data from users to demonstrate evidence of traction, but that's only a rule of thumb. The duration is up to you and what makes sense in your context. For example, if you are building an enterprise B2B solution, the cycle may be much longer.

2. How many active users are you planning for?

   The table below should give you a broad understanding of the rule of the thumb we use when thinking about the number of active users we think is meaningful for different types of products as well as the number of users we aim for on the waiting list.

Keep in mind that in order to have one user active at the end of the pilot you will need to onboard between 5 and 10 users depending on what % of your users you are able to keep engaged. Hence the number of onboarded users, and the total number of users you need to acquire, is much larger than the total number of active users at the end of the pilot.

	B2B product with niche / industry-specific appeal **E.g. Get My Equipment**	**B2B product with broad appeal that applies cross-industry or across SMBs and Enterprise** **E.g. Outflo**	**B2C product with niche appeal** **E.g. SailTies / Topia**	**B2C product with broad/viral/mass-market appeal** **E.g. Ailuna, CoGo**
Users still in the waiting list at the end of the pilot	25	500	1000	5000
Approx. target active user base (end of pilot)	1–10	25–50	300-500	500–1000

Retention Rate	66%	50%	20%	10%
Total users who have been onboarded to the pilot	(1/0.66) x the target Engaged user base (10) = 15	(1/0.5) x the target Engaged user base (50) = 100	(1/0.2) x the target Engaged user base (300) = 1500	(1/0.1) x the target Engaged user base (500) = 5000
Total acquired users	40	600	2,500	10,000

1. How many cohorts will you have in the pilot? And how many users do you need to onboard in each cohort?

   This is a function of how many people you want active at the end of the pilot and what % of those users you expect to retain through the end, per the table above.

   For example: If you want 100 active users at the end of the pilot and you are expecting to retain 25% of everybody you onboard, then you need to onboard 400 people. If you expect your pilot to run for 12 weeks, then a new cohort every two weeks means six cohorts with 67 people in each cohort.

2. How many product releases are you planning during the pilot?

   At a minimum we recommend three releases so that you can tell a compelling story with the data, i.e. the product delivers on the promise to users; the team can steer the product towards Product-Market Fit, etc. Obviously if you have the team available to do it, you could iterate the product and collect feedback every week, which would be even more compelling.

In summary, what you will have now is an outline of:

- How many weeks you will run the pilot for
- A goal for the number of active users you want to achieve

- A plan how many users you need to recruit and onboard to achieve that goal
- How many user cohorts you will plan for
- How many releases you will plan for

The Four Work Streams

There are the four different work streams that comprise the Product-Market Fit machine:

1. Acquisition: Recruit people into the waiting list

Key tasks

a. Get traffic to your landing page
b. Convert them into your waiting list
c. Nurture your waiting list subscribers

This work stream is all about building your waiting list and keeping them engaged.

We've addressed this extensively in Chapter 7.1, but we wanted to make a couple more points now relevant at this stage. The reason why we use a waiting list even after the pilot is live is because a waiting list helps you to manage the flow of users into the product.

This is helpful for two reasons. 1. You can collect feedback and improve the product before the next cohort ever sees it. This means your KPIs should improve with each cohort and you are less likely to "burn" your audience on early missteps with the product and 2. You are not left at the mercy of how many people you can acquire in time for each cohort since you are proactively recruiting people into the waitlist to replenish it well ahead of time.

In addition to traffic and conversion, we recommend that you continue to nurture your waiting list with regular updates about your pilot progress and what they can look forward to in the product/service to keep them engaged with your brand when you open the doors to them. This can be very similar or even the same as the "build in public approach" we recommend to help you build your list in the first place and can include:

- Recent releases (features, screenshots etc.)

- Upcoming releases (features, screenshots etc.)
- Testimonials, case studies (usually for B2B products/services)
- A personal update from your founder sharing your startup journey
- Changes in the team or in your board or advisors if there is someone newsworthy

2. Operations: Run the product

This work stream is all about ensuring users are able to start using the product and get the Outcome you have promised them.

Key tasks:

- Onboard users
- Fulfill any manual tasks that are necessary in the delivery of your product/service
- Provide customer service and support to ensure customer satisfaction

Keep in mind that there are a relatively limited number of users in your pilot, and therefore not only can things like onboarding and feedback be handled manually (and save on implementation costs) but even some of the key features too—as we discussed as part of the scope conversation earlier in this chapter.

Onboarding, for example, can be done via a video call in a 1:1 or group setting. This also means a personal touch from you or your team, which can help when trying to collect feedback from people later on. There are some startups that continue to take this approach long after their pilot has been completed. In this case of a product like Superhuman, this is because the steps required to activate a user involve migrating from another product (like the Gmail app in this case) and helping users to master the basics of your product so that they are more likely to stick with it. (BTW, it's worth signing up for Superhuman just for their onboarding experience!)

Finally, customer service and support are critical during the pilot. Not only does it provide a valuable channel for feedback, bug reports and testimonials, but it also helps to ensure you achieve your main objective: to deliver on your promise to your users so that you can show investors you have been able to steer your startup towards Product-Market Fit.

3. Data: Collect feedback and analytics

This work stream is all about collecting the data you need to inform your product roadmap and tell your story to investors.

Key tasks

- Interview users to collect qualitative feedback about their experience
- Review analytics dashboard
- Distill observations and insights

Feedback

You or someone on your team will need to reach out to users on a daily basis to collect structured feedback. This is typically over the phone and done using a predefined questionnaire asking about things like Product-Market Fit, Net Promoter Score, as well as open-ended questions about things like missing features. We'll talk about these KPIs in more detail later.

Bear in mind you will want to customize this questionnaire for each stage of your funnel so that you are asking relevant questions to get as much insight as possible. For example, if you are talking to someone who is an active user, you will want to ask how they would describe the app when recommending it to a friend. However, if you are talking to someone who has lapsed (no longer uses the product), you will want to focus on what they thought the app would do for them before they tried it, as well as the primary reason they no longer use it.

Analytics

Setting up free analytics software such as Mixpanel (which we recommend), Google Analytics or a similar product will give you critical insight into the conversion rate at each stage of your product funnel (so you can spot problems), the number of active users you have using your product regularly, the extent to which each feature is being used, as well as your user retention rate (how many users still use your product after n days since activation). These insights will be critical to helping you improve the product and tell your story to investors.

4. Iteration: Improve the product

This work stream is all about iterating the product in response to user feedback as well as your roadmap of features.

Key tasks

- Identify problems worth solving and/or opportunities for improvement
- Prioritize the roadmap
- Complete the research, design and testing of impactful changes/features
- Oversee the build and release of impactful changes/features and bug fixes

The whole point of the pilot is to learn and improve the product so that you can demonstrate indications of Product-Market Fit as well as your team's ability to execute on the idea. We'll say it again: investors primarily invest in teams not ideas at this stage, for the simple reason that the ideas are not yet fully proven. So what does this mean for this work stream?

We follow a simple process to continuously improve the product. This iteration loop involves identifying problems worth solving or opportunities for improvement in the feedback and analytics you have collected; completing the research, design and testing of impactful feature changes or bug fixes; and prioritizing the changes with the development team. We typically run iteration loops in two-week cycles but it does depend on the resource you have available. We run the iteration loop throughout the lifecycle of the pilot.

The patient analogy

This all probably sounds very structured and organized, but sometimes it's difficult to see the forest for the trees, so we thought it would be a good idea to use another analogy here for a few of these work streams and their function.

Imagine that your startup—specifically your product—is a patient in a hospital. It is lying in a bed connected to all sorts of machines. There are doctors and nurses and of course there are visitors coming in to see them and cheer them up.

What are these machines the patient is hooked up to—you know, the machines that go "bip, bip, bip" and measure the patient's heart rate, blood pleasure and other key health indicators? That is your feedback and analytics work stream. This work stream measures and collects the data you will need to report KPIs like Product-Market Fit (PMF) or your activation rates. This work stream only exists to tell you how the product is faring.

Now, when something isn't right, let's say the patient's blood pressure is too high or the PMF score is too low (see what we did there, mixing analogies ;-) the doctor needs to get involved. They interpret the data, ask the patient some

questions, produce a diagnosis and then deliver the treatment. This is exactly what the iteration work stream is about.

For example, you might look at the data from the feedback work stream and realize that the activation rate is very low. So, you bring in some users to figure out what's going on, create a hypothesis about what's wrong (diagnosis), test it and make a change to the product.

But the story does not end there.

The doctors keep an eye on that blood pressure and 100 other data points to see if the treatment they recommended is having the impact they anticipated. And, in the same way, the iteration team will keep an eye on that activation rate in the new version of your product so that they can compare it with the previous performance. What you're doing here is trying to determine the impact of the changes you made on KPIs that will be used to tell a story to investors about traction. In other words, the iteration work stream is about trying to make us look better in front of investors.

The symbiotic relationship between feedback and iteration is critical to the Product-Market Fit machine you are building. It's the difference between driving a car with a clean windshield, where you can see what's happening, and driving a car with a blackout windshield where you are always guessing what's really going on.

What to measure in your pilot

Let's bring ourselves all the way back to our goal for a moment: why are we doing this pilot again? We want to demonstrate to investors we have a product with evidence of traction and we want to give them confidence in us/our team.

What are you going to show them to prove that?

Your wireframe mockups? Pointless. Nothing proved.

A demo of how the app works? Again, pointless. Nothing proved.

You need to show them data that tells the story.

Collecting user feedback and usage data is absolutely critical to achieving this. We go so far as to say that there is no point running your pilot unless you are going to be very deliberate about the data you collect.

So what should you measure? We recommend the following KPIs:

- Product-Market Fit (PMF)
- Net Promoter Score (NPS)
- North Star
- The conversion rates in your product funnel (onboarding, activation, engagement)

Product-Market Fit (PMF)

This KPI indicates to investors how close you are to achieving Product-Market Fit. It's an indicator only, because you are working with a small pilot audience at this point, but it is still a useful indicator and one that you can use to demonstrate objective progress with each meaningful release during the 12 weeks of your pilot.

PMF is measured by asking the following question:

How would you feel if you could no longer use [product x]?

- Very disappointed
- Somewhat disappointed
- Not disappointed
- N/A - no longer use

Typically when you have 40%+ people responding with "very disappointed", that is considered a very good indicator of PMF.

Net Promoter Score (NPS)

Just like PMF, NPS is something you should be measuring on a release-by-release basis, again to demonstrate objective progress. NPS uses a standard question and formula, which you can implement as part of your feedback survey.

Product Funnel (Onboarding, Activation and Engagement Rates)

This is one of the most powerful diagnosis tools you have at your disposal during the pilot. What this funnel will tell you is:

a) how many of the users you invite from your waiting list complete the onboarding step(s)
b) how many of the users who complete the onboarding also complete the steps to be considered an activated user
c) how many activated users remain engaged with the product (continue to use it as often as you expected based on your design)

At any point you should be able to see whether users are converting, so that you can prioritize your improvement efforts and understand your true Customer Acquisition Cost.

After each major release, you should also be able to see whether the changes you made are improving these KPIs in a noticeable way.
The first step, however, is to clarify which in-app activities correspond with each stage of the product funnel.

Broadly speaking, this is the criteria we use:

Waiting list	When a user is on the waiting list.
Onboarded	When a user has completed all of the setup/configuration, including any legal agreements, necessary to start using the product.
Activated	When the user has experienced the core value of the product.
Engaged	The user is now actively using the product to get the Outcome as their default tool and they are coming back at a reasonable interval.

And here they are in context of the different products we have been talking about:

	Topia	Outflo	SailTies
Onboarded	When users download and use the app	When a user has created an account and completed the three setup questions	Downloaded the app and created account
Activated	When a user has connected their savings and investment accounts and at least one everyday checking account so they can start tracking their financial vitals	When a user has generated a conversation starter for a target account	First voyage recorded
Engaged	When Topia is part of users' weekly money routine	When a user generates a conversation starter at least once per week	More than 300 nautical miles recorded

There is a critical point here to make about understanding your true CAC. In order to determine whether you have a floating business with healthy unit economics, you'll want to be able to estimate your CAC and LTV (see chapter 7).

Measuring these funnel KPIs helps you to understand your real Customer Acquisition Cost (CAC), i.e. not the cost of someone entering the top of the funnel but someone who becomes an engaged user and therefore has some Lifetime Value (LTV).

A typical mistake that people make when modeling CAC and LTV is not accounting for the drop off after someone downloads your app or creates an account on your platform.

In order to properly estimate your CAC, you need to account for the conversion rate at each step in the product funnel so that you understand the true cost of acquiring an engaged user. You can then apply this conversion rate to whatever top-of-the-funnel acquisition cost you think is reasonable to assume going forward (bearing in mind that your top-of-the-funnel acquisition cost during your pilot is unlikely to be representative of the future).

This approach will help you to build confidence in your CAC and in the business model as a whole because you are bolstering your assumptions with data.

North Star
Typically this is the only custom KPI we recommend tracking as part of the pilot. This KPI should be based on the Outcome you are helping your customers to achieve. Specifically it should measure a variable that unlocks value for your users—and for the business. It should be something you can focus on optimizing. As the name implies, it should help guide your decision making about the product.

For example:

Outcome	North Star KPI
Build wealth with stocks and bonds	Assets Under Management; Savings/Investment Rate (critical to wealth building); or even APR (critical to attracting assets into your portfolio)
Hunt down hard to find 2nd-hand luxury clothing	# of purchases per customer
Start more conversations with sales leads	# of replies from target accounts

Segment your user base to discover pockets of traction

If you have sufficient numbers of users in your pilot to do it (300+), segmenting your audience to discover pockets of traction can be extremely beneficial in two ways. 1) If you discover a more narrowly defined audience segment that is getting more value out of your product than other segments, you can showcase the KPIs for this segment instead and tell an even more compelling story to investors. 2) You can double down on this audience, in terms of your acquisition activities as well as your product features.

The caveat here is that when you start segmenting your user base, you will very quickly end up with data based on much fewer users and, therefore, a less representative sample, which is less convincing for investors. Hence, in cases like this where we find these niche segments we extend the pilot and focus exclusively on users who meet our new segment criteria.

If you'd like us to help you with your pilot plan so that you're in the best position possible to tell a story with data to potential investors and business sponsors, get in touch with us to talk: passion@whosfabio.com.

Key Takeaways

1. The pilot is about proving that you have a product concept that can cause users to adopt and use your solution. Hence you want to focus on building the core value proposition, the Minimum Marketable (or sellable) version of your product.
2. You don't need a fully-fledged custom product to run a successful pilot; in fact, you're much better off building a no-code or low-code product.
3. The pilot is about gathering evidence, and therefore it is key that you track and record the data you will need to convince investors.
4. The pilot is an iteration exercise. The feedback and iteration loops are critical to showing progress towards Product-Market Fit; the progress part is key. We recommend you release at least three versions in the 12-week period so that you can show how each version significantly improved the KPIs you are tracking.
5. The KPIs you record must be integrated into the assumptions of your business model to demonstrate you have a viable business.

CHAPTER 7 | BEATING THE COMPETITION

Startup DNA

Remember our desert analogy?

Founders who are lost in the desert without a north are always pivoting. For them, growth is anemic, user retention is weak and investors don't return their calls.

Founders who find their way out of the desert have traction. They are building momentum—solid week over week growth, impressive KPIs and happy customers. Investors are interested.

The difference between these two states is what we want to explore further in this chapter.

One of the biggest secrets to traction is something called the "Four Fits"—the brainchild of Brian Balfour, Founder/CEO @ Reforge, Previously VP Growth @ HubSpot, EIR @ Trinity Ventures, and many other roles!

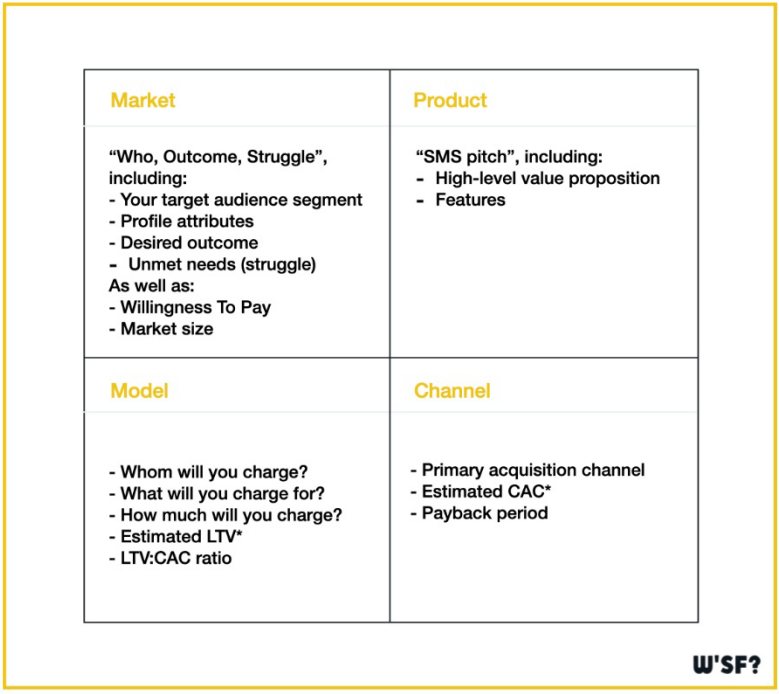
In his experience, "[t]he difference between the $100M+ companies and those that struggle are the ones that are able to make four pieces in a puzzle fit."

It's called "Four Fits" because it goes beyond Product-Market Fit—the only Fit that most people ever talk about and one of the reasons why a lot of startups fail even after getting the product right.

This framework allows us to model a working business on paper and identify the key hypotheses that need to be true in order to build a commercially viable startup that can scale.

Let's start by looking at what these variables are:

1. **Customer/Segment:** The target segment (size and profile), the Outcome they are trying to achieve, what they struggle with and what they're "willing to pay" for the Outcome. In other words, your "Who, Outcome, Struggle", market sizing estimates, and your customer's Willingness to Pay.
2. **Product:** The features you have designed to solve your customers' struggle. This is basically your SMS pitch.
3. **Channel:** The way you grow/acquire customers for your business.
4. **Model:** The way you monetise (i.e. who you charge, what you charge for and how much you charge). How much is each customer worth to you?



The definition of these four things is the DNA of your startup.

The key is that each of these variables is intimately interrelated to its neighbor, and appreciating these relationships is key to ensuring you are able to define

and iterate your way to a commercially viable proposition that can scale—the startup holy grail.

You read about Product-Market Fit (or Market-Product Fit as we like to call it) earlier in the book. This Fit is basically the one everyone talks about and which you have no doubt heard before.

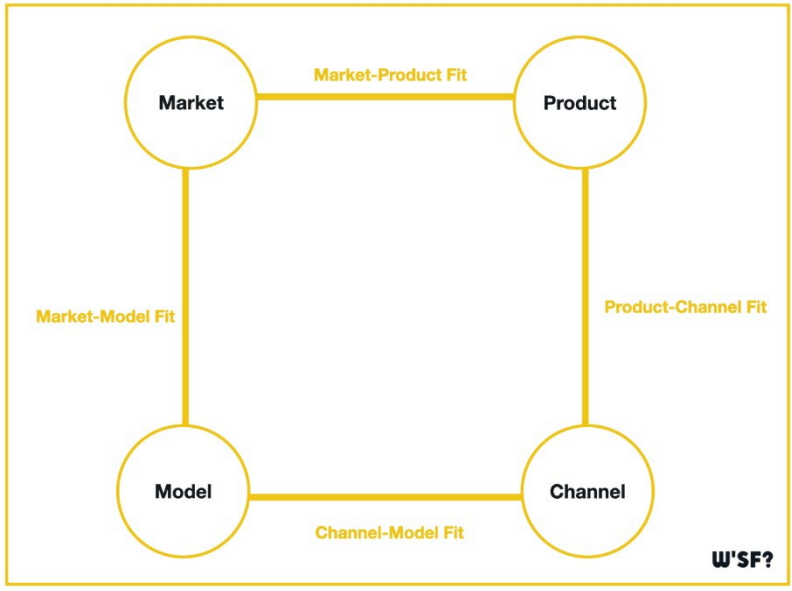
In short, the challenge is to ensure your product solves your customers' problem better than other competing solutions.

However, Balfour's key insight was that this is not the only Fit you need to worry about. It's only one part of the traction puzzle.

So what are the other fits that are critical to ensure you achieve traction?

1. **Product/Channel Fit** – Have you designed your product to take advantage of the channel you plan to use in order to reduce your cost of acquisition and reduce any friction that will inhibit growth?
2. **Channel/Model Fit** – Do the unit economics of the business make sense? Can you cover your costs, including customer acquisition costs (CAC), with your customer revenues (Lifetime Value)? If not now, can you see a path to profitability in future when you scale? A ratio of 1:1 (LTV: CAC) means that every customer is losing you money. A good benchmark for the LTV to CAC ratio is 3:1 or better. Broadly speaking, 4:1 or higher indicates you have a great business model. On the other hand, however, if your ratio is 5:1 or higher, it's possible you are underinvesting in your sales and marketing and could be growing faster.
3. **Model/Market Fit** – Is your market big enough and willing to pay enough to sustain your model so that you can afford to acquire new customers using your channel?

Bottom line: You want to make sure you can sustain your model (enough people willing to pay), so that you can pay to acquire those users through your channel, so that you can bring new users into your product and solve the problem that your target audience segment is struggling with.
Let's look at an example of how this works:



Let's say for a second that after a series of customer interviews you realize the market segment you are targeting (small business owners) is not willing to pay enough to solve their problem, so you decide to explore the possibility of targeting another segment of the market (large corporations).

What happens when you change the customer/segment?

Iterating your customer/segment

First of all, when you change your segment, your new segment will have a different Willingness to Pay and market size. In this example, enterprise customers are willing to pay far more than small business owners, but there are also (usually) less of them.

This new segment is also likely to struggle in a different way and therefore have different needs that you need to solve. This will very likely change the scope of your product (the features). In other words, if the needs change, the product must change accordingly.

What happens when you change the product?

Iterating your product

As your product changes so must your channel.

For example, now that there are so many more needs, and therefore so many more features, as well as many more users at each company, it's a vastly more complex product and a vastly more complex undertaking to get everyone using the new system; way too much friction for hands-off digital acquisition and onboarding.

The change in product and customer/segments means you now need to change your channel to better suit your new product and customer/segment.

This might mean, for example, building an outbound sales and customer success team that can help clients train their staff and adapt their internal processes.

What happens when you change the channel?

Iterating your channel

As you change your channel, your Customer Acquisition Cost changes and so does your Cost to Serve—outbound sales and customer success teams are much more expensive than a self-serve digital marketing funnel and email-based support.

These costs need to be reflected in your model—i.e. your pricing will need to be higher and you will probably need to change the way you structure your pricing to better suit companies with hundreds of users.

What happens when you change the model?

Iterating your model

As you change your model, you come full circle.

Is your model in line with what your new target segment is willing to pay? Is the market big enough at this price point to grow your business?

What we are trying to showcase in this example is that these four variables that make up your startup DNA are so intimately interrelated that you need to think of them as a single unit.

Hence, when you design your value proposition, you need to think of it in terms of these four variables and iterate until you have something that "Fits".

Creating a winning hand

If you want to create a world-beating value proposition, we recommend you think about Four Fit design like a hand of Texas Hold'em.

Everyone has access to the community cards (the market). You have no control over what they are, only which cards you choose to use (your segment).

But you also have your own cards; imagine that these cards are your Product, Channel and Model, the three components of your value proposition design, which you can innovate with to beat your competition.

Now imagine that you are allowed to draw your own cards, i.e. you get to define your own product, channel and model, rather than just play with what you're dealt. It's the combination of the cards you define, plus the target segment you choose to serve (the community cards you choose), which allows you to create a winning hand.

The added benefit of this game is that you can see the hand that everyone else is playing and make sure that your combination of cards has the upper hand—even before you lay one line of code for your product. This is taking competitor analysis to another level.

Let's look at a couple of winning hands we all know and are familiar with and the way they played their hand better than the market leader at the time.

We have four different examples for you.

- Spotify vs. iTunes – Model-Market Fit
- The ALS Ice Bucket Challenge vs. charity muggers – Product-Channel Fit
- Netflix vs. Blockbuster – Product-Market Fit
- Robinhood vs. a traditional online brokerage for Channel-Model Fit

Netflix vs. Blockbuster – Market-Product Fit

Let's start with an easy one that everyone will be familiar with—beating your competition with better Market-Product Fit.

In essence this is about designing a "better" product. What does "better" mean? In almost all cases this means faster, cheaper and with more impressive results than the competition.

No doubt it's clear to everyone why Netflix quickly eclipsed Blockbuster's traditional rental experience once they launched their online streaming service and began to sign deals with rights holders to offer hundreds of blockbuster movies and shows on their platform. It's a classic case of innovation and complacency.

They were both in the same business, but Netflix found a better way to deliver the same Outcome and created a product users loved.

Key Takeaways

- Netflix addressed the unmet needs of the target segment better than Blockbuster
- Netflix created a stickier product by introducing personalized recommendations and more serialized (i.e. addictive!) content
- Netflix was able to reach a much larger % of their target audience because they were not limited to physical stores

The ALS Ice Bucket Challenge vs. charity muggers – Product-Channel Fit

We love this example because it's a great marriage between product and channel.

What we're comparing it to here is the typical approach that many charities take—paying fundraisers to stop people in the street and sign them up for a monthly donation, which might result in covering their cost of acquisition six to nine months later.

As bad as it is, most commuters try to avoid these people. Who wants more bad news, especially when you're rushing to work or back home again? High friction. Expensive.

Let's look at how the ALS Ice Bucket Challenge tackled the same fundraising problem.
The "product" part is very simple. Pay $5 to throw a bucket of ice on your head and get the right to nominate three friends that will have to do the same. All for a good cause.

But the brilliant part about it was the virality—you had to film yourself (y'know, pics or it didn't happen) and nominate others by posting the video and tagging them. It spread like wildfire. Who didn't love watching these videos and posting them? Even Obama did it!

The virality worked hand in hand with the product in a totally seamless way. That's the secret here. Don't believe us? Imagine for a moment if they hadn't taken the social media route for sharing videos to nominate friends and used something like Google Adwords instead.

Who's going to click on an ad that says, "Pay us $5 to pour a bucket of ice cold water over your head for a good cause"? Would you have done it without the viral social aspect? Probably not. Would you ever have heard of it in the first place? Probably never.

Key Takeaways

- The ALS ice bucket challenge was designed to take advantage of viral social media distribution
- The ALS was able to reduce its CAC to effectively zero because they had a concept that appealed to millions of people, with a very quick payoff, which was more rewarding when you shared it with others

Robinhood vs. a traditional online brokerage for Channel-Model Fit

Robinhood is a great example of Channel-Model innovation.
While other platforms were all essentially offering the same model, Robinhood were the first to offer commission-free trading and find other ways to monetize their users with a freemium offer.
This includes something called "payment for order flow", whereby Robinhood receives a small payment as compensation for directing orders to a particular market maker. This still makes up the vast majority of their revenues today.
Because they had a proposition that was essentially free and appealed broadly to a large segment of users, they were able to take advantage of low-cost channels that tolerated very low friction, like word of mouth, and they souped

these up with clever referral campaigns (refer a friend and get a chance to win a share in Microsoft, for example).

Key Takeaways

- Robinhood was able to offer their users a freemium proposition, breaking convention with their market
- Robinhood was able to take advantage of very low-cost channels because users were willing to do the work for them

Spotify vs. iTunes – Model-Market Fit

This is an awesome example of innovating with Market-Model Fit. If you look at iTunes and Spotify in a very general way, back in the day they had basically the same features. In other words, you could create playlists, listen to music, play, pause, skip, etc. Nothing out of the ordinary there.

But let's consider for a moment what people are trying to achieve when they use iTunes and Spotify. Let's say their job is to "Set a mood with music."

On iTunes you were limited to the library of music you had purchased. Building your library was expensive and there was a lot of friction around the discovery of new music because you had to buy songs individually.

With Spotify, however, not only did you have access to millions of songs without any friction whatsoever, but Spotify even created playlists to get the job done for you.

The key differentiator—the nuance—was in the model, i.e. you were no longer paying per song to own a song. You were paying per month to rent all of the songs. And you had access to all of the songs as long as you were paying your rent.

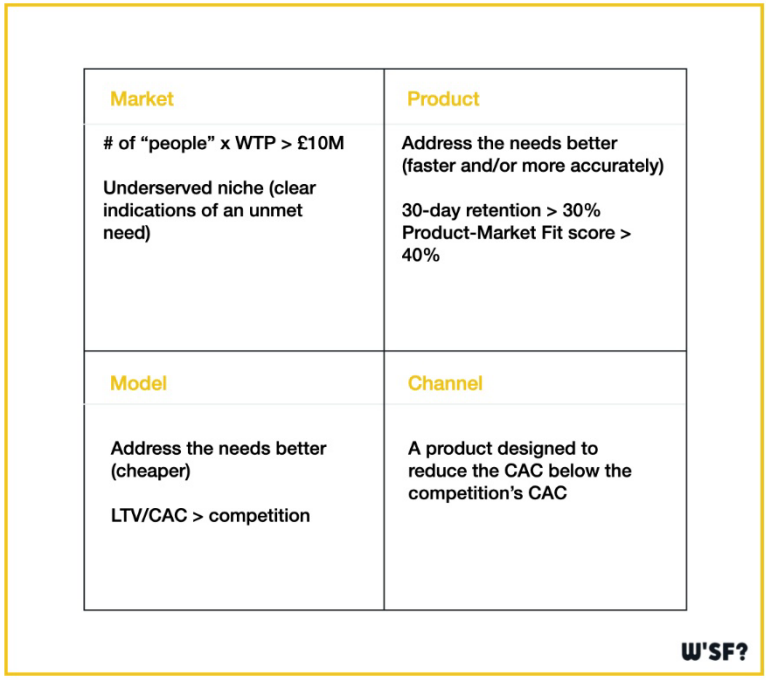
Most people think that price is the only way to compete when it comes to this model, but it isn't true, not least because users actually found themselves spending more on Spotify than they ever did on iTunes.

The key is how your model enhances your proposition as a whole.

Key Takeaways

- Spotify was able to dramatically reduce the friction that was inhibiting consumption of new music

- Spotify was able to help you to discover new music, pushing their advantage over iTunes



Takeaways from Chapter 7

- In order to design a commercially viable business that can achieve adoption at scale, you must consider the four pieces of the puzzle: Market, Product, Channel and Model. If you can make these variables fit in such a way that you have a competitive proposition, you will be more likely to succeed.
- Use the Four Fits to iterate your business on paper until you are sure you have something that is competitive.

Part 2 Conclusion

Before closing Part 2 we wanted to talk about what you're really building here. Perhaps you haven't thought about it this way before, but you'd be surprised how many businesses it applies to when you examine it.

This concept can also help you articulate what you are building to investors, employees and anyone you need to get bought into what you're doing.

So, what are you building? Is it an app? A tech business? A startup?

What about: a MOVEMENT? Hear us out.

A movement is a combination of the following three things:

- A flag
- A community
- A way

A Flag

A movement stands for something.

What does your startup stand for?

At the heart of what you do is the Outcome—the job you help people get done. It's your promise to your customers.

It's also the basis of your brand. Not your colors, fonts, etc.—that's just how it manifests itself, but your essence. Your essence gives people a "reason to believe," a flag to rally around, as well as language you can use to tell people what you're really about.

This is the reason behind the identity questions we prompted you with at the end of Chapter 6.1 (promise, essence and transformation). Use them to paint your flag and raise it, so that you can rally your community.

A Community

This is the group of people that rally around the flag.

These are the people who believe in what you stand for. They're your mob; your fans.
The waiting list you are building is the beginning of that community. Not just a waiting room, but a community, and your job is to help them to achieve the Outcome.

What can you do to go one step further than just a waiting list? How can you serve and nurture this community? How can you start to facilitate connections between the people on your waiting list, so that real relationships start to emerge?

A Way

There are many roads that lead to Rome (some say all of them do) and many ways that you can help people to get the Outcome they desire.

You need to be committed to one of them and your product is the embodiment of that way.

Your product is your standard, your methodology, the way you believe things should be done. Your product paves the way for your community; one road to Rome.

Sean Smith believes building a mob is the only growth hack you'll ever need, citing examples like Buffer, Basecamp, GoPro and Apple. More and more companies are turning to mobs as a core part of their business and growth strategy and we think you should too if you want to supercharge the Recipe.

Let's summarize Part 2.

In Chapters 6 and 7 we outlined the Recipe we use to unlock traction.

Let's revisit the high-level ideas now:

- A waiting list is the first thing you need to build. It proves there is a market and that your "idea" can become a fully-fledged tech business. At that point, no one else's opinion matters.
- A pilot helps you to prove your idea is actually a viable business with real numbers so that you can get investors on side.
- A master plan helps you and your team to focus on execution and think big at the same time. Use this framework to show investors where you

are going (a 10x opportunity) and how you are going to get there (how you are going to overcome the challenges).

- Building a successful tech business starts with designing a 'Winning Hand"—a set of Four Fits that can beat the competition. Iterate your business on paper until you have something that is competitive
- Think about your startup in terms of a movement: a flag, a community and a way; perhaps the only growth hack you'll ever need.

So, how do you get started?

A waiting list. In the next chapter, we'll show you how to test your startup idea and get your first five people onto the waiting list. All for less than $300.

Part 3:

Get In the Driver's Seat

Chapter 8 | Validating Your Startup Idea with $300 or Less

So, listen: it takes less than $300 to test your startup idea(s) and get your first five users onto your waiting list. Let us show you how you can do this in less than a day's work.

In Chapter 6.1 we talked about the importance of iterating the SMS pitch so that you can build a waiting list successfully. We went into a lot of detail about how to do that. This chapter is all about running your first five interviews to break the ice and get a taste of what it's like to speak to real customers and iterate your idea. This is a liberating exercise that will put you in the driver's seat for the first time.

We will briefly revisit parts of Chapter 6.1 using the example of Get My Equipment (a B2B startup we helped) and then we'll break down exactly how to run your first five interviews so that you can start iterating your SMS pitch towards a 90%+ conversion rate.

Writing your SMS pitch

The first thing to do is clarify your target audience, identify their struggle and craft a first draft of your SMS pitch. In chapter 6.1 we outlined all of this in detail. What we've done below is streamline the process in order to get you going as quickly as possible.

To bring it to life a bit we'll be using the example of Get My Equipment (GME), a B2B startup in the construction industry. Stephen, co-founder and CEO of GME, worked with us to define, iterate and test his SMS pitch, so we'll follow along with his example below.

Step 1
We start with the Who and the Outcome that this person is trying to achieve.

GME: **Site managers working on large-scale construction sites** that want to **rent construction equipment.**

Step 2
The next step is to distill your startup idea down into an SMS pitch.

As a reminder, your SMS pitch needs to include:

1. A high-level pitch that summarizes:
   a. Who your customers are
   b. What Outcome you help them to achieve
   c. Your secret sauce
2. Your secret sauce, i.e. a succinct description of each key feature so that people understand what the product actually does.
3. A succinct description of your model (whom you charge, what for and how much).

Follow this format to put it all together in 20 minutes or less:

"Hey, check it out, this startup helps [Who], achieve [Outcome] with [Secret Sauce]."

In our experience what most people struggle with is the secret sauce, so let's focus on that.

Your secret sauce is the way you differentiate yourself from the competition. Consider it a set of better features that make your user's life easier in some way.

In order to distill that secret into one or two lines that you can describe quickly to someone, we have found that it is easiest to simply compare what your users are doing today with what they will be able to do with the feature you offer. A simple way of doing this is to try to imagine a before and after scenario.

Before: What are your users doing today before they get their hands on your new product?

After: Once they have your product, how is their life different and what makes that possible?

So in the case of GME:

Feature 1

Before: To solicit bids for specific equipment, site managers need to identify potential suppliers with the equipment available for hire and send them a Request for Quote (RFQ), one at a time.

After: Site managers can search online for the equipment they need and get real-time bids from suppliers for them to review, select from and order.

Feature 2

Before: In order to ensure the quality of the equipment, e.g. that it has been maintained/serviced correctly, site managers tend to keep a very short list of suppliers they trust. When these suppliers are not able to fulfill their request, they have no choice but to trust a new supplier and hope for the best.

After: Site managers can see how previous customers have rated each supplier for "on time delivery", "customer service" and "quality of equipment", so they can confidently place an order with any supplier.

Feature 3

Before: When site managers wish to work with a new supplier, they need to complete a lot of paperwork and wait for approvals before they can place an order. For this reason, most site managers are registered with a handful of suppliers only.

After: Instead of trying to complete all of the paperwork and approvals to open accounts with lots of different suppliers, open one account with us and get instant access to all of the suppliers on our platform.

Each of these "After" states should represent one of the features of your value proposition. For anyone familiar with software development, this may not literally mean a single feature in terms of your product scope but rather a conceptual feature of your value proposition.

The final step of the process is to outline your model (who you charge, what you charge for and how much). You are offering the user a product to address some of their pain, and in return you are asking them to pay (unless you are monetising your proposition another way, in which case make sure that is clear).

The last line of your SMS pitch should outline what they need to pay to use the product/service.

Now, let's translate all of this into an SMS pitch:

High-Level Pitch	We're an online marketplace for renting construction equipment. We help **site managers** working on large-scale construction sites to **find suppliers with the best price, availability and reliability, from one account, in a few clicks.**
Key Feature 1	Search online for the equipment you need and get real-time bids from suppliers for you to review, select and order.
Key Feature 2	See how previous customers have rated each supplier for "on time delivery", "customer service" and "quality of equipment", so that you have the confidence you need to place an order.
Key Feature 3	Instead of trying to complete all of the paperwork and approvals to open accounts with lots of different suppliers, open one account with us and get instant access to all of the suppliers on our platform.
Model	Our platform is completely free for contractors. GME charges suppliers a 3% commission on each transaction.

Done!

Recruiting the right people

The first rule of value proposition testing is that you need to speak to your target audience segment, and ideally to people who are strangers to you. This is to ensure that their feedback is both relevant and honest.

In order to recruit these people in the shortest time possible, we recommend using a service like userinterviews.com. They will find people to match your screener in hours, schedule them based on your availability, and pay them the incentive you have agreed after the interview. No excuses now.

Preparing your interview script and running the interview

All you need at this stage is an interview script (like a questionnaire) to follow with each person you interview.

A script keeps everything simple so you know exactly what to say during the interview. It keeps you focused and will ensure you walk away with actionable data.

The good news is that this only takes five minutes—yes, five minutes—to create something like this, which you can then run in less than 20 minutes or so with each user.

If you have written your SMS pitch using our Recipe above, the script is easy to build.

The purpose of this interview script is to test appeal, i.e. does your value proposition appeal to your target audience? We do this by pitching the idea to them, which includes the value proposition summary, the features and the pricing model. What we are trying to quantify is something called "currency" and this can be as simple as a score of 0 to 10.

Bear in mind that in this chapter we have streamlined the interview process to focus on your SMS pitch only. These are the bare essentials. Chapter 6.1 outlines the full end-to-end interview structure in which you not only get feedback on your value proposition but also on the Outcome you have defined, the hypotheses you have about the customer struggle and even their Willingness to Pay.

If this is the first time you have run interviews or the first time you have pitched your proposition we strongly recommend you keep it simple (like we have described in this chapter). Perfect is the enemy of possible! It's a very short interview so we encourage you to do as many as you can.

Here's how to do it:

Introduction

Tell them who you are, what you're working on, and invite them to introduce themselves. Specifically you want to know more about their background/experience with the Outcome you are focused on helping people to achieve. For example, if you were interviewing a construction site manager responsible for renting heavy equipment, you would want to know about their level of seniority and experience, how often they rent heavy equipment, etc.

There are also a few interview-specific objectives that you need to achieve during the intro.

The first thing you'll want to do is put the interviewee at ease. The more comfortable they feel the more they're going to be able to engage with you and give you honest and direct responses, which is what you're trying to extract from these interviews. An easy way to achieve this is simply to say you are part of the market research team that has been tasked with testing this idea; that way people are not worried about offending you or being unkind to you.

The second thing you'll want to do is confirm that they are in fact your target audience. Feedback from anyone else at this stage is a distraction. Don't fall into that trap.

Finally, you'll want to make sure you communicate that this is not a test of them in any way; it's a test of the idea and you are simply looking for feedback from them. This is particularly important when you ask them to put things into their own words. Without reassurance people can often feel like their comprehension skills are suddenly being tested, so put them at ease from the outset.

Value proposition

The next step is to introduce the SMS pitch. Remember, the question we are trying to answer is: does this value proposition appeal to them?

After years of doing this, we have found the best way to approach it is to pitch the high-level summary and then to pitch each of the features, one at a time.

Separating everything this way is important for collecting actionable data you can use to iterate your value proposition in response to their feedback. If you get aggregate feedback, it will be unclear what you need to change. Therefore, after you have described a feature, ask them the question, let them think out loud and then record a score between 0 and 10.

Typically it goes like this:

"I'm going to describe to you a new product (or service) the team is working on. My goal in doing this is to understand to what extent it appeals to you personally. OK?"

Then you describe the feature, and ask, "On a scale of one to ten, to what extent does this feature appeal to you?" Bear in mind you might have to ask this question two or three times before they actually answer it. Make sure you get an answer; we want actionable data.

The key here is you are asking to what extent it appeals to them personally. Many people will start to describe how someone else would feel about it, so you'll need to steer the conversation back to them, which is all we're concerned with right now.

To make things easy to digest during the review, we mark any scores of nine or higher in green, or any scores of eight or lower in red.

Now, if the score is eight or lower you want to understand why. There are some common tacks that we take to do this. For example: Could you tell us why it wasn't a nine or ten? Could you tell us what would need to change to make it a nine or ten? Could you tell us what your concerns or doubts were about the way this feature would work? Could you tell us more about why you didn't think this feature would solve the problems you have [achieving the Outcome] today?

Wrap up your pitch

The next thing we do is try to wrap it up a little bit and get a final score, especially now that they understand the whole proposition better.

We also introduce some new information at this time: the price.

Hence, not only are we now giving them another opportunity to rate the proposition, but we're giving them another opportunity to rate the proposition in the context of price information.
Typically it goes like this:

"In summary, what we're offering is a platform for renting construction equipment online. We help contractors like you to find suppliers with the best price, availability and reliability, in a few clicks, with a single RFQ. Our platform is completely free for you. Instead, we charge suppliers a three percent commission on each transaction. On a scale of one to ten, to what extent does this proposition appeal to you, including this new information about price?"

There are many cases like this in which there is actually no cost to the user, but usually there is something that they need to pay, and that is what you want to summarize here. For example, you might have pitched a proposition in which the contractor pays a £20 booking fee when their transaction is completed.

There are also cases in which the proposition is technically free but there is still a transaction of some kind that takes place. For example, if your proposition relies on financial transaction data to work, you need to ensure that the user is willing to connect their accounts to your app. And in this case you would pitch something like, "The app is free to use. All you need to do is connect your bank account so that we can see your transactions in real time." Don't shy away from the questions like this that serve as an acid test of overall appeal.

Beta community

To close the conversation you will be inviting them to join your beta community (waiting list).

The idea is simple: the team behind the product is going to be releasing it very soon and you were wondering if they would like to be part of the beta community that will get early access to the product.

There is nothing they need to do at this moment, i.e. there is no payment they need to make, there is nowhere they need to go to sign up, etc. All you are capturing from them is whether they are keen to get early access to the

product. If the answer is yes, collect their email address. And then close by saying that you will be in contact with them as soon as you have a release date.

Anyone who agrees to being part of the beta community is officially part of your waiting list. Congratulations!

Pro tip: Do a dry run (or two!) with someone—a spouse, friend or someone in the community. It will help you build your confidence and iron out any issues with the flow and/or with other people's understanding of the questions you are asking.

Reviewing your results

At the beginning of this chapter we said this exercise was all about getting in the driver's seat for the first time so that you could iterate your SMS pitch in response to real customer feedback and achieve a 90%+ conversion rate.

You now have done five interviews. In our experience three is the bare minimum we use before we make any definite conclusions and start to iterate your pitch. We recommend you do at least five.

So what do you do with this information?

Step 1

- Calculate an average score for each feature as well as the high-level value proposition.

Step 2

- Were there any features that scored six or less?
    - You might want to drop that feature entirely, either to address a different aspect of the problem or to rethink the feature from scratch.
    - You can also press interviewees on comprehension, asking them to explain it back to you in their own words until it is clear whether there is a comprehension issue that is causing the problem.
- Were there any features that scored eight or less?
    - Revisit that feature: How can you make it "better" in some way? In other words, how can you make it faster, cheaper or more accurate? Go back to the Red Button Method (in Chapter 6.1).

- Revisit the language: Can you be more **specific** with the language you use to describe the functional benefit to them? Are there any vague platitudes you can replace with concrete claims? Have you clearly described the "after" state—what they can do now that they couldn't do before? Remember there is no feature without struggle. Your feature(s) are designed to address the way people are struggling and you are, therefore, in a fantastic position to talk about what your product does as it relates to what they want. @mattlerner has some great rewrite examples that illustrate these points well:
  - Popsa
    - Vague: Fast, easy photobooks
    - Concrete: Create photobooks in five minutes
  - Matchpint
    - Vague: Make the most of sport in your pub. Increase footfall and save time with MatchPint
  - Concrete
    - Get more sports fans in your pub. Reach 2.1M people looking for a pub showing sport nearby.

Step 3

- Write a new version of the SMS pitch that you think will resonate better.
- Run the interviews again with another five people from your target audience.

Remember, the aim of the game is to get the highest average score possible from five interviews in a row. Keep swinging, keep improving, and keep building your confidence!

Last thing we'll say here: Do make sure you are using the SMS pitch and not filling in the blanks in the conversation. If you find yourself saying a lot during the interview, standardize that text and include it in your SMS pitch.

Part 4:

What Do You Need To Invest?

Chapter 9 | Build Your Pilot for $5K or Less

The chicken and the egg conundrum – revisited

Remember the catch-22 from the introduction?

Without capital, you can't afford to get traction, and without traction you can't raise capital – whether that is external investors or business sponsors.

But all is not lost!

The Recipe is our answer to this catch-22 problem.

The Recipe we have taught you is designed to help you get *evidence of traction* by building the minimum investable version of your startup.

And it's designed to do this faster, with less risk and at a much lower cost than if you were to try to go to market with a full-fledged product out of the gate.

But low cost is still not free. There is still *some* time and money that you are going to need to invest to build your waiting list and your working pilot product, especially if you are a non-technical founder.

So how much time and money do you need to invest to get out of the catch-22?

Show me the money – how much does it cost to implement the Recipe?

Let's break it down:

1. The waiting list

As we explained in Chapter 2, the work behind creating a waiting list is all about understanding the market, creating a proposition, testing it and then getting it in front of as many people in your target audience segment as possible.

The good news here is that there is no development work required to achieve any of this. Yes, you need a landing page but anyone can build one using a drag and drop website builder these days (see Chapter 6.1).

If you want to speed up the process of recruitment for user interviews and user testing, we recommend paying people incentives for participating. If you want someone else to recruit people for you, there is an additional cost to do this of course. In our experience you can expect to pay a $20–$40 incentive for consumers and an $80–$100 incentive for B2B participants. If you pay someone to recruit these participants for you, you can expect to pay $40–50 for B2C participants and $80–$100 for B2B participants in addition for this service.

Typically, we interview/test with 25–50 people in the course of researching the problem, validating the proposition, and testing the Game Thinking loop.

So, there is some money needed, but the most significant resource you need at this stage is time, dedication and the secret ingredient called FOCUS.

We see lots of founders who fail to get clarity around their startup idea, lose focus on what they are building, and, as a result, never exit this initial phase or successfully build a waiting list.

This phase is about transforming your idea into a killer value proposition that your target audience is excited about trying! By the same token, if you can't get anyone excited enough to join your waiting list, how many actual users do you think you are going to get when your product is ready to use?

Overall, if you tackle the initial phase (resulting in a landing page) with a plan and a clear roadmap, it can take eight to 12 weeks of part-time work (10–12 hours per week).

Consider that if you are not stopping to do an FFF (Friends, Family and Fools) investment round, you can build the waiting list while you build your pilot and even run your pilot.
Once you have your pitch and landing page, building a waiting list is all about putting in a couple of hours every day for the next three to four months.

Waiting List Resource Estimate

Founding team time	+300 hours
Landing page	$15/month
Interview incentives	+/- $500 for 25 users

2. The pilot

This is by far the most capital-intensive part of the Recipe, but there are many ways to reduce this expense. You do need something working to pilot, but, as we described in chapter 3, you've got options here.

Let's look at each of the types of pilot we described in Chapter 6.3, but this time we will dive into the mechanics and implications in terms of cost.

a) Concierge
b) Wizard of Oz
c) Fully integrated product

Concierge pilot

- Your team is working full-time to deliver the Outcome to your users. Imagine an app that promises to curate the perfect holiday getaway for you. With a concierge pilot, the data collection, curation and itinerary building would all be done by a human interacting directly with customers via phone, email or chat.

- Heavy use of off-the-shelf SaaS tools, like Airtable (for managing data), Zapier (for connecting things), Stripe (for taking and managing payments), WhatsApp (for comms with customers), etc.
- Minimal support from an experienced no-code developer/3rd party to architect the solution and integrate the tools.

Founding team time	+/- 800 hours (6 hrs. per day for two people)
3rd party tools	+/- $300/month (SaaS subscriptions)
No code support	$500 – $1,500 to architect the solution and integrate the off-the-shelf tools together

Wizard of Oz pilot

- Your team is working to support the Outcome that your product delivers. Using the same perfect holiday getaway example as above, this means that it appears to users like the curation, matching and itinerary building is all done by a machine, but in reality there is some degree of human intervention happening in the background behind the scenes of the app. The app user experience helps to facilitate the interaction.
- Heavy use of no/low-code platforms like Bubble.io, Flutter Flow, Adalo etc.
- Support from an experienced low-code developer/3rd party to develop the no-code front-end solution (the app that people interact with) as well as a UI/UX designer to design what the app screens look like.

Founding team time	+/- 500 hours
3rd party tools	+/- $50/month
No code support	$2,400–$4,000 for 3–5 weeks of development time
UI/UX design	$500 for 3–5 days of UI/UX time

Integrated no-code pilot

- Your team is doing minimal work to facilitate the Outcome. In the example we used above, this means that the human intervention has been reduced to a minimum and there is software getting the job done instead.
- Heavy use of no/low-code platforms like Bubble.io, Flutter Flow, Adalo etc.
- Significant support from experienced low-code developers/3rd parties to develop the no-code solution, including backend (database and business logic) and integrations with third party services, like Plaid (for allowing users to connect their bank accounts), or Peltarion (for building and deploying AI models), or any number of other services that can be integrated into your application.

Founding team time	+/- 240 hours
3rd party tools	+/- $100/month
No code support	$4,000–$6,400 for 5–8 weeks of development time
UI/UX design	$600 for 3–5 days of UI/UX time

The Master Plan

The third ingredient of the Recipe is the master plan.

This is all about building your pitch, making sure to tell the best story you can about traction to date, your vision for the future and your path to get there.

Again the key here in terms of resources is time and therefore FOCUS is required to create the pitch materials, reach out to investors and close the investment with them, and comply with all of the company formation and fundraising legal requirements. There are also costs involved with these legal requirements.

We recommend you get yourself set up to take funding with a service like SeedLegals when you are ready to raise money.

Prep, practice and iterate your pitch	+/- 80 hours
Prospect, present to and close investors	+/- 160 hours
Legal Services	+/- $3,300 + 1% of your raise + $40/month

Putting it all together

Here's a helpful calculator for running the numbers in your case.

Do the math and figure out how much you need to have. If you have enough, then great, you have a way out of the desert. If you don't have enough money, read on.

What if you don't have the money required to implement the Recipe?

So, what if the news isn't good and you don't have—or are not ready/willing at this time to invest—the money required to implement the Recipe?

If we look at the money you need, the most significant need is the no-code development, i.e. the money you need to build your pilot product. If you are a non-technical founder/team and not able to do this yourself, this means you are left with the following options:

1. Learn to use no-code/low-code tools yourself
2. Partner with a no-code developer
3. Get investment before you build

Let's look at each of these options in turn.

Learn to use no-code/low-code tools yourself

You should not take this route lightly, and, to be honest, if you are not technically minded it will probably not be enjoyable.

But if you are technically-minded, and you love tinkering with tech, then this could be a good option for you. If you are up for the challenge there are some great no-code bootcamps, academies, video courses and even communities

that help beginners get on the no-code boat. Check out this one from Bubble.io, the leader in the no-code software development space, or try the resources over at Makerpad.

It really depends on how fast you can acquire these skills, but overall we estimate it might take an inexperienced founder 16–25 weeks to build what a professional could in just three weeks.

Get a technical co-founder

This is what we would consider open heart surgery for a startup.

By no means are we advocating that you find someone who can build a no-code app and just offer them a co-founder role. That's like asking someone to marry you because they have a car. There's a lot more to a successful co-founder relationship than that.

It's not easy to find a technical co-founder, but it's possible and therefore one of the options you can consider. The decision is a balance of risk and reward:

Pros

One of the most significant and obvious advantages of finding the right technical co-founder is that it gives you access to the development resource you need to get your startup off the ground.

The second is, of course, that two heads are better than one, especially when you find someone who complements your own skills and personality well. Working alongside someone with the development skill set would make your business move faster. Keep in mind that between you, you want to cover growth, customer discovery, product design, and product development.

Let's face it, building a startup is a tough road, and having someone in the trenches next to you can make it a lot easier to stay motivated and to take the time off you will need. When there are two people at the helm, you can take guilt-free time off to recharge and plow on.

Finally, it can also expand your network, which may give you access to more people and resources to build your business.

Cons

When it goes bad, it goes really bad. Think about this this way: you are getting married. It's great if it all works out, but if a divorce is on the table, that might be the end of the startup altogether. We saw this happen to a very promising startup with more than 20K active users and it was very sad.

With those points in mind, if you do want to consider finding a technical co-founder at this early stage, this is a great resource from our friends over at SeedReady, or you can use any number of matching platforms like Starthawk.io.

Take investment before you build

OK, so this is a third option and typically the one we discuss with founders first.

The idea is simple: you won't be ready to take investment from Angels or Venture Capital Investors until you at least finish your pilot, but you can raise money in a Friends and Family (FFF) round in order to build your pilot product.

In order to do this successfully, what you need is a waiting list and a pitch deck, including a master plan articulating your vision of the future and how you're going to get there.

This is not a point in the startup journey in which you can get strangers to back you as a first-time founder, so the first step to take now is to create a list of friends and family who might be willing to participate and weight them in terms of probability for what you think you'd be ready to ask them for. Obviously, there is no point preparing everything you need for this round if there is no one to pitch to.

This route does add considerable time to your overall roadmap. A FFF round could take anything from one week to four months, so be ready to sink some considerable time and energy to pitch and follow up with people in your target list.

Keep in mind that this should be a very small round with a small valuation. Ideally you don't want to give up anything more than 3% of the total equity in the business. The risk is that giving up 5% or more would make it very difficult to secure investors in your next investment round that follows. This

means you are typically looking at securing something like $20K–$30K for 3%.

Conclusion

What to do do next

Let's recap and make sure you can get the most value possible from this book.

There are three key points we want to make sure we hammer home before we close. Everything we have explained in the book should come together in these points and clarify not only what your next steps are but also how to get there.

The first and most important point is that traction is the key to building a successful tech business and unlocking funding from investors and business sponsors.

Second, the easiest way to get and showcase traction is to build a **waiting list** and a **working pilo**t that demonstrates you are making progress towards Product-Market Fit. In our experience this is the most affordable way to pay for proof.

Finally, if you don't have one yet, you need to start building your waiting list. There is no point doing absolutely anything else if you don't have a waiting list yet. There is no need to build a product; no need to get a co-founder; no need to network; no need to incorporate the business or get a bank account; no need to chat to investors to see what they think about your idea. The only opinion that matters is the market's opinion and you can get that with a waiting list. In other

words, what we want to make sure we communicate with no ambiguity is the following:

If you don't already have a waiting list, you need to drop everything you are doing for this startup and get busy creating one NOW.

Creating a waiting list is the number one thing you can do to create equity value for your startup right now—no exceptions.

As we explained in Chapter 6.1, a waiting list is built by understanding your audience, nailing your value proposition, and distilling that into a short pitch that describes exactly what you offer in language that makes your audience feel like you've read their mind.

If you have a waiting list, the next item on the agenda is a working pilot. This means making a decision about what type of pilot to build, working out the scope, and setting up the different workstreams to ensure you will be in a position to tell a story with your numbers to unlock your first round of funding from investors or business sponsors.

How To Get More Help

We have created some insight-packed bonuses to help you get you started on your journey to traction. The links below will take you to privately hosted videos and links where you can access additional free resources.

We've also included information about how we can help you with every step of the Recipe. Check out the details below.

Recipe video series

We share more insights about each ingredient of the Recipe and a whole variety of other lessons learned about building killer products from our experience building and releasing literally hundreds of new products to market.

Watch the Recipe video series here

How to build a waiting list of 500+ people – without a product

See how two non-technical founders built a waiting list of 500+ people and discover what you can do to build your own waiting list without a product and without spending any money.
Watch the master class here

Pilot product case studies

Look behind the scenes at three different types of working pilot products and famous examples you might know to see how they did it and how you could do it yourself!
Watch the master class here

Funding plan calculator

How much capital do you need to get evidence of traction so that you can unlock your first round of funding? We created a fundraising calculator that will help you navigate your options and decide whether you need a Friends, Family and Fools (FFF) round of investment to help you implement the Recipe. Before you jump into the calculator please make sure to revisit Part 4 – Chapter 9.
Make a copy of the template calculator and customize your plan here

How Logan raised £180K from angel investors as a non-technical founder

Thought it couldn't be done? Think again. Kick back for 60 minutes and soak up more than 18 months of early-stage startup experience from Logan, CEO and co-founder of Topia, who used the Recipe to unlock his first – and even second – round of funding as a solo, non-technical founder.
Watch the interview here

Our Recommendations

Here is our list of recommended resources, including all of the tools, platforms and further reading we recommend.

Work with us to accelerate your results

If you loved what you read in this book and you want help turning your startup idea into a thriving tech business, please get in touch with us: **passion@whosfabio.com**

We help early-stage founders – working at independent startups or as part of corporate innovation teams to – implement the Recipe, demonstrate traction and raise their first (or next) round of funding, whether that is from external investors or business sponsors. This includes helping you to build your waiting list, define your master plan, and build and run a working product pilot so that you have the KPIs you need to get investors to say "Yes".

Get in touch to talk: passion@whosfabio.com (JP loves to talk!)

About the Authors

Reason meets Passion

Meet "Passion". JP has been in this gig a long time and has created hundreds of new products for startups, venture builders, venture capital funds, SMEs and enterprise businesses.

In addition to his work at Who's Fabio?, today JP is a Venture Partner at Mr. Pink—A LATAM-based early-stage VC, and a Venture Design Lead at Rokk3r, a Miami-based venture builder.

But the story starts in Argentina (ask JP about his farm).

Back in Argentina he started a mobile app development agency in 2009 when the world was still waking up to what apps were. With offices in Miami and Mexico, he worked with clients like HBO, ESPN, McDonald's, GE, Coca-Cola and others. He had more app downloads than Facebook and was featured as "New and Noteworthy" in the App Store (that's a big deal).

After moving to the UK he became a board director of one of Europe's leading mobile app development agencies working with companies like Maersk Line, Invesco, Intelliflo, Hermes, National Express, and others.

That's when he met Darren. Darren is "Reason".

Darren had a background in enterprise mobile apps but cut his teeth with his own food app startup in San Francisco (of course). Nothing

like hands-on experience to teach you everything you thought you knew was actually wrong ;-) and you, in fact, know nothing.

Since then he has developed new products to solve problems for customers of Sura Mexico, Hanson UK, ABRSM and many others and is part of the Product and Venture Strategy team at Rokk3r. He also served as Chief Product Officer for CoGo-Connecting Good, which has raised more than $10m.

Back to the agency. Working together at Mubaloo they started to notice more and more founders who were coming to them lost in the desert. They were asking for a quote to build an app, but that wasn't really what they needed.

What they needed was a clear path towards their next round of funding. They needed to build a business and they needed a plan to get there. Everyone was obsessing about the app or some other technology, but that was never the problem (and it certainly isn't the problem now) or the answer to their struggle.

The answer, as you know by now, was traction, and that's how the Recipe was born.

Workbook

We recommend you use this workbook in conjunction with the book to document each step for your own startup idea.

Who

B2B: Describe their industry and role
B2C: Describe their life stage and/or defining attributes

Outcome

Verb (action word) + object + contextual clarifier, if necessary

Job Map

Steps

List out the steps according to the "Masters"

1	
2	
3	
4	
5	
6	
7	
8	

Actions and Decisions

Write out the actions and decisions at each step according to the "Masters"

Step 1	
1	
2	
3	
4	

Step 2	
1	
2	
3	
4	

5	
6	
7	
8	

5	
6	
7	
8	

Step 3	
1	
2	
3	
4	
5	
6	
7	
8	

Step 4	
1	
2	
3	
4	
5	
6	
7	
8	

Step 5	
1	
2	

Step 6	
1	
2	

3	
4	
5	
6	
7	
8	

3	
4	
5	
6	
7	
8	

Step 7	
1	
2	
3	
4	
5	
6	
7	
8	

Step 8	
1	
2	
3	
4	
5	
6	
7	
8	

Struggle

Summarize the actions/decisions your target audience struggles with most

1	
2	
3	
4	
5	

Who, Outcome, Struggle

Summarize your Who, Outcome, Struggle

Who	
Outcome	
Struggle	

Competitor Benchmark

Complete the following table for each of the struggles you prioritized

Struggle 1	

Steps	1. 2. 3. 4. 5. 6. 7. 8. 9. 10.
Duration	
Accuracy	
Cost	

Struggle 2	
Steps	1. 2. 3. 4. 5. 6. 7. 8. 9. 10.
Duration	

Accuracy	
Cost	

Struggle 3	
Steps	1. 2. 3. 4. 5. 6. 7. 8. 9. 10.
Duration	
Accuracy	
Cost	

Struggle 4	

Steps	1. 2. 3. 4. 5. 6. 7. 8. 9. 10.
Duration	
Accuracy	
Cost	

Struggle 5	
Steps	1. 2. 3. 4. 5. 6. 7. 8. 9. 10.
Duration	

Accuracy	
Cost	

Red Button Method

Define and iterate a feature for each struggle
Use Low, Medium or High for duration, accuracy and cost if you cannot estimate precisely

Struggle 1	**Iteration 1**	**Iteration 2**	**Iteration 3/Red Button**
Steps			
Duration			
Accuracy			
Cost			

Struggle 2	**Iteration 1**	**Iteration 2**	**Iteration 3/Red Button**

Steps			
Duration			
Accuracy			
Cost			

Struggle 3	**Iteration 1**	**Iteration 2**	**Iteration 3/Red Button**
Steps			
Duration			
Accuracy			

Cost			

Struggle 4	**Iteration 1**	**Iteration 2**	**Iteration 3/Red Button**
Steps			
Duration			
Accuracy			
Cost			

Struggle 5	**Iteration 1**	**Iteration 2**	**Iteration 3/Red Button**

Steps			
Duration			
Accuracy			
Cost			

SMS Pitch

Draft your SMS pitch

High-Level Pitch	
Key Feature 1	
Key Feature 2	
Key Feature 3	
Key Feature 4	
Key Feature 5	

Model	

Landing Page

Draft your landing page copy

Above the Fold	
Header	
Sub-Header	
Call to Action	
Credibility and/or social proof	
Below the fold	
Feature block 1	
Feature block 2	
Feature block 3	
Feature block 4	
Feature block 5	
Pricing	

Testimonials	
Call to Action	

Pilot scope

Features

Prioritize the core value proposition and how it will work for your pilot product

Feature 1	
Feature 2	
Feature 3	
Feature 4	
Feature 5	

Game Thinking Loop

Version 1

Cues	Practice	Feedback

Core Transformation:

Invest	Progress

Version 2

Cues	Practice	Feedback

Core Transformation:

Invest	Progress

Four Fits

Draft your Four Fits

Market (Who, Outcome, Struggle) Who: Outcome: Struggle: Willingness To Pay: Market Size:	Product (SMS Pitch) High-Level Summary: Features:
Model Who you will charge: How much you will charge them: What you will charge them for: Estimated LTV: Estimated LTV/CAC Ratio:	Channel Primary Acquisition Channel: Estimated CAC:

Now, Next, Future

Draft your Now, Next, Future

Vision:

	Now Enter the market	**Next** Build on your positioning and unlock the Future	**Future** The "red button" solution
Why			
How			
What			

Pilot Plan

Estimate the key numbers for your pilot plan

	B2B product with niche / industry-specific appeal	B2B product with broad appeal that applies cross-industry or across SMBs and Enterprise	B2C product with niche appeal	B2C product with broad/viral/ mass-market appeal
Users still in the waiting list at the end of the pilot	25	500	1000	5000
Approx. target active user base (end of pilot)	1–10	25–50	300–500	500–1000
Retention Rate				
Total users who have been onboarded to the pilot				
Total acquired users				

Your North Star KPI

Define your North Star

Outcome	**North Star KPI**

Product Funnel

Define your product funnel

Stage	**Definition**
Waiting list	When a user is on the waiting list
Onboarded	
Activated	
Engaged	