Defining Nearbound

It's hard to understand something unless someone can explain it in varying degrees. So we're going to explain nearbound in a word, a sentence, a paragraph, and a page [excerpts taken from the *Nearbound and the Rise of the Who Economy* book].

In a WORD

Surround.

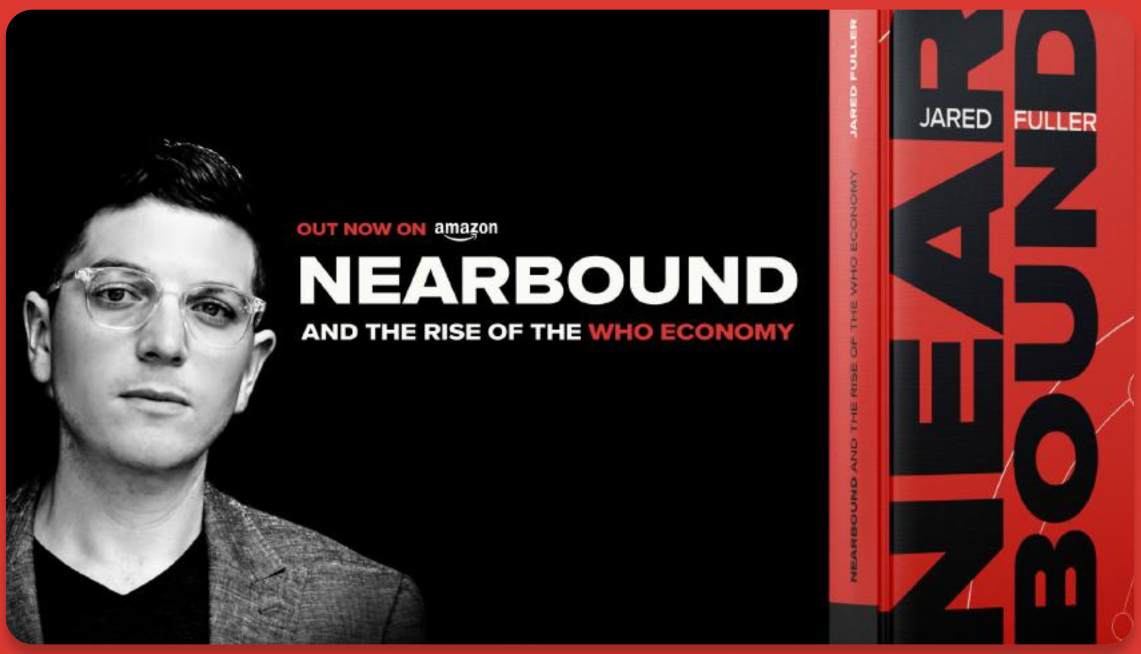
In a SENTENCE

Nearbound is a business strategy that connects to buyers with and through the **network of partnerships and relationships** that surround them.

In a PARAGRAPH

Nearbound, a B2B Go-To-Market strategy, leverages partnerships and relationships to connect with buyers. Unlike outbound targeting and inbound attraction, nearbound surrounds the customer by tapping into 2nd party or "nearbound" data. This approach, **prioritizing collaboration with influential partners**, offers a competitive edge in a trust-centric business landscape.

In SUMMARY



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Nearbound transforms linear funnels into **multifaceted flywheels**, leveraging existing customers as sources of new leads and current partners as hubs for intelligence, influence, or introductions, to your top accounts.

Relying solely on your own data is no longer sufficient. Instead, you **leverage your networked database** to drive new choices, programs, processes, and technology that enable nearbound initiatives throughout every department.

While outbound focuses on targeting customers and inbound strategies aim to attract them, **nearbound surrounds customers with trust** at every stage of their journey.

And this trust comes from understanding **customers' aspirations** and **helping guide them to their promised land.**

We place faith in those who have already been where we want to go. This means leveraging your partners' authority and influence to inject trust— from enabling an all-new ability to providing simple credibility—across the entire customer journey.

"In the Nearbound Era, you may have a perfect pitch, but buyers aren't buying it if it's coming from a perfect stranger. You require connection to their network and relationships, and context of information filtered by someone they trust."

—**Jared Fuller**, Co-founder and CEO of nearbound.com, Chief Nearbound and Partner Officer at Reveal, and the author of the book Nearbound and the Rise of the Who Economy

"Nearbound allows you to create a fuller picture of the influences that surround your buyer, and more effectively drive results by working with and through your partners."

Jessica Fewless
Director of Partnerships

inverta

To learn more about defining nearbound or how to build your nearbound strategy, click here.

NEARBOUND DEFINED

Outbound Inbound Nearbound

At its core, nearbound is the next evolution of go-to-market motions that builds upon the mass adoption of outbound and inbound models.

In the past, outbound sales motions were primarily associated with the sales department, while inbound was connected to marketing. However, nearbound is not solely defined by the partnerships department. Instead, nearbound is an integrated motion and strategy that encompasses every department.

AppBind CEO Sunir Shah likes to say, "The only reason partnerships should exist is because customers want them."

It is important to recognize that nearbound has emerged in response to customer preferences and actions. It is not a speculative exercise. It's an acknowledgment of reality. Buyer behavior has evolved, and go-to-market strategies should adapt to and embrace this change instead of resisting it.

To understand what nearbound is, let's break it down using this formula:

- Nearbound in a word
- Nearbound in a sentence
- Nearbound in a paragraph
- Nearbound in a page
- Nearbound in a chapter (this one!)
- Nearbound in a book (the rest of this book)

Nearbound in a Word

Surround.

Nearbound in a Sentence

A business strategy that connects to buyers with and through the network of partnerships and relationships that surround them.

Nearbound in a Paragraph

Nearbound is a business strategy that connects to buyers through the network of partnerships and relationships that surround them. As a B2B Go-To-Market (GTM) motion, nearbound can be overlayed to outbound and inbound strategies. The difference lies in the foundation: outbound targets the customer, inbound attracts the customer, and nearbound surrounds the customer. With the advent of the networked database, “2nd party data” or “nearbound data” provides the most valuable signal to surround your top accounts, customers, influencers, and partners. In a world where trust is the new data, companies that prioritize identifying, collaborating, and executing nearbound plays with influential partners have the advantage.

Nearbound in a Page

Nearbound transforms linear funnels into multifaceted flywheels, leveraging existing customers as sources of new leads and current partners as hubs for intelligence, influence, or introductions, to your top accounts. To achieve this, nearbound shifts partnerships from being limited to a specific department to becoming a strategy implemented across the entire organization.

The nearbound approach aligns your overarching operating model with a broader ecosystem, beyond just internal operational metrics. This strategy is based on the principle of network effects, where the value of your services or products increases as they become integrated and utilized within a larger system. By embracing this concept, your company transitions from a peripheral role to becoming a central node within this interconnected network. In this new paradigm, relying solely on your own data is no longer sufficient. Instead, you leverage your networked database to drive new choices, programs, processes, and technology that enable nearbound initiatives throughout every department.

While outbound focuses on targeting customers and inbound strategies aim to attract them, nearbound *surrounds* customers with trust at every stage of their journey.

But where does this trust come from? It starts with understanding customers’ aspirations and helping guide them to their promised land. We place faith in those who have already been where we want to go. This means leveraging your partners’ authority and influence to inject trust— from enabling an all-new ability to providing simple credibility—across the entire customer journey.

Your own sales or marketing teams may be skilled, but chances are they haven’t personally solved your customers’ specific problems before. They’ve never been to the promised land. If you run a technology company, your team markets and sells access, not outcomes. Look no further than their obvious compensation metrics to confirm this. In the Nearbound Era, you may have a perfect pitch, but buyers aren’t buying it if it’s coming from a perfect stranger. You require connection to their network and relationships, and context of information filtered by someone they trust.

As HubSpot CEO Yamini Rangan outlined in her essay “The Age of the Connected Customer,” buyers are bombarded at every turn. People are drained from endless notifications across our devices and accounts— they filter because they have no other choice.

This disconnect is apparent in the data regarding how buyers engage today, particularly since the pandemic-driven surge in remote collaboration tools. Companies have adopted numerous separate tools and workflows. Consequently, a disconnect has emerged between us and our customers. We now appear more like strangers to them. They lack the necessary context and feel isolated.

According to *Business Insider*, by the end of 2020, 65% of Google searches did not result in a click. Additionally, HubSpot reports that blog readership declined and response rates to sales outreach dropped by 40% compared to pre-pandemic levels.

When Yamini discusses the age of the connected customer, characterized by the importance of relationship context rather than solely data management, she could just as easily be referring to the Nearbound Era described in the previous chapter.

Before adopting another tool or integration, connected customers are asking themselves:

- Will this integration simplify my life enough to justify the additional setup time?
- Will it align with my current workflows, software, and routines, or will it introduce another potential point of failure?
- Is it worth managing another password, risking another data breach, or adding another service provider or consultant to handle it?
- Will it pass a straightforward cost/benefit analysis in a time of budget cuts?

"You need more than data, you need context," Rangan says. She adds that connection is more important than information and that community is more important than contacts.

Coming from anyone other than the CEO of HubSpot, this might just sound like a platitude. However, since taking over the company in 2021, Rangan has done an excellent job steering HubSpot from the Marketing Automation Era of the 2010s into the Nearbound Era. The way to win is changing because the way we buy is changing forever. Addressing this shift in how we think and what we need as buyers is not an intractable or shapeless problem. On the contrary, some first principles are driving the undercurrent of nearbound.

Nearbound in a Chapter: Building Up From First Principles

Warren Buffett surprised his followers when he stated that Berkshire Hathaway's remarkable success in creating value for over 50 years can be attributed to only 12 crucial strategic decisions. This means that, on average, a significant decision was made every four to five years, resulting in an astonishing return of over 3,400,000% for their shareholders.

Let's take a moment to contemplate this. Buffett's point is that extraordinary results do not arise from numerous small tactical choices. Instead, they stem from a select few, exceptional, high-impact decisions that are guided by first principles.

Berkshire Hathaway's decision-making process is a prime example of Annie Duke's *Thinking in Bets*, which is a response to a world that operates on probabilities. When executed correctly, this approach yields significant returns that are not merely exceptions, but rather the standard. It is a fundamental principle that leads to making the right choices.

Investors who attempt to mimic Buffett's every move may be disappointed when they fail to achieve similar results in their portfolios. By the time you try to replicate Berkshire Hathaway's strategy, the opportunity may have already passed. Those who acted early and remained committed to their principles will have already reaped the rewards.

Progress, growth, and change naturally stem from first principles.

Another well-known example is the "Pareto Principle," which states that in a natural state, 80% of output comes from 20% of input. In the current investment climate, the stakes are even higher: 99% of supernormal returns may come from just 1% of decisions. Peter Thiel popularized a similar phenomenon as his first rule of contrarian investing, based on a mathematical "power law" distribution. This distribution predicts that investors in a fund will achieve a 10x return from a single "unicorn" that outperforms the rest of the portfolio by 100x. (We'll return to what this principle means for you individually at the end of this book.)

What was once considered contrarian thinking 10 years ago has now become conventional wisdom. Companies have embraced this mindset and are striving to lead their respective markets by establishing a lasting and effective model that recognizes the potential of these high-risk, high-reward bets, rather than opposing them.

But when we look at traditional inbound and outbound models, we see textbook-perfect competition, not bets. Companies are cycling through dozens of tactics—making hundreds of decisions that turn out to be inconsequential.

The result? We know it. Buyers are not responding to the same old techniques that are being recycled in a new form. They are experiencing message saturation and information overload at a profound level. Yet many companies continue to invest mental energy in these tactics, becoming exhausted by their failure to acknowledge the underlying shifts taking place.

Business leaders navigating the current landscape face a crucial decision that will determine our success in the coming decade. Should we commit to probabilistic thinking, take calculated risks, and make strategic choices? Or should we hold onto outdated go-to-market practices?

In this era, trust trumps data. Relationships supersede messaging. And network effects compound growth in ways that linear funnels cannot.

The organizations poised to win have embedded partnership ecosystems and nearbound thinking into their DNA. They have evolved within the partnership ecosystem to surround customers with credible influencers rather than simply targeting them with clickbait or phony sales pitches.

Make no mistake, we stand at the precipice of the Nearbound Era. You don't need to make 100 choices, you just need to make *this one*:

Partner up or perish. Evolve or die.

Why Nearbound, Why Now

HubSpot & Pete Caputa: The Power of Strategic Partnerships:

Although HubSpot is best known as a pioneer of inbound marketing software, it is my favorite example of a company that recognized the strategic power of partnerships early on. Over time, they embedded a nearbound strategy into their DNA, even if they didn't call it by that name at the time.

I refer to them a lot for good reason. As a business, HubSpot performs. It is one of the most consistently performing companies on the Nasdaq. During an interview with Dharmesh Shah on *The 20 Minute VC*, host Harry Stebbings highlighted that HubSpot has never missed earnings since going public. Their approach paid off, but where did it start?

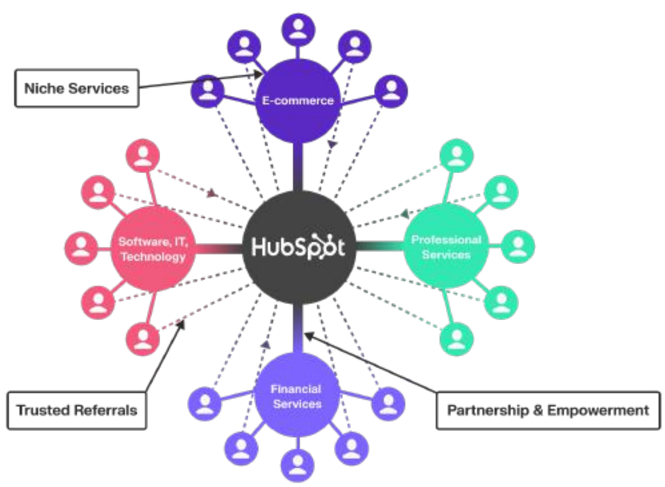
Pete Caputa, one of the initial five Account Executives at HubSpot and later the CEO of Databox, played a significant role in instilling this mindset at the company. Under Pete's leadership, the agency partner program grew from $0 to $100M in ARR, bringing about a transformative impact not only for HubSpot but also for the entire marketing services industry. (It's worth noting the trend of industry-defining partner leaders later becoming CEOs.)

Most businesses viewed partnerships through the narrow lens of how they benefited end customers. But Pete understood the importance of developing partners holistically.

"For me, everything about working with these agencies was about helping them build a better business," Pete explained during a podcast interview I did with him a few years back.

Having previously owned an agency himself, Pete grasped this principle at a fundamental level. He had lived the challenges agencies faced. He had been to their promised land. He knew how to craft a program focused on empowering partners to solve their internal business challenges, not just selling them products.

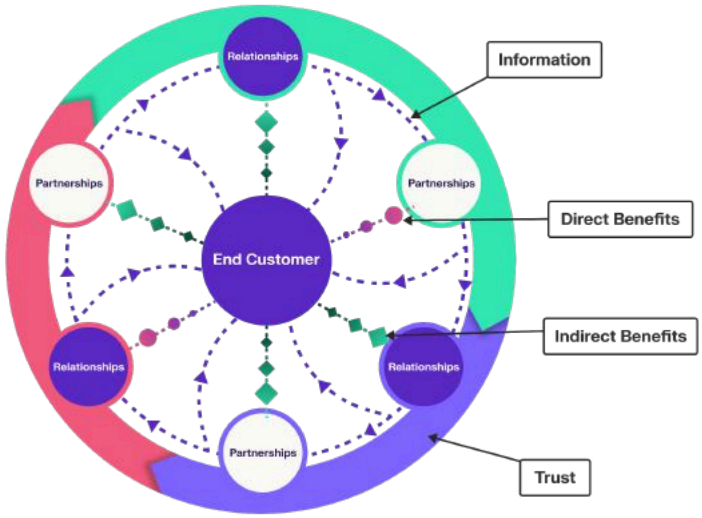
There was initial resistance within HubSpot regarding heavy investment in agency partners, but the results soon spoke for themselves. Pete helped agencies evolve to more sustainable business models built on recurring revenue. HubSpot provided them with the tools and content they needed to make this transition. Pete built a program and an entire business unit around assisting agencies in changing how they billed their clients, the products and services they offered, and even the decisions on who they served—narrowing down their focus to expand their reach.



HubSpot's partner strategy

By promoting greater specialization, his programs transformed generalist agencies into established niches. For instance, an agency that served healthcare clients was encouraged to position itself as a healthcare marketing specialist, instead of another "yes, we can", do-it-all agency. This shift led to increased client retention and referrals as clients began to see agencies not as interchangeable commodities, but as networks of specialized experts. Proximity also became an advantage, as agencies were more likely to win business from new prospects referred by existing clients within their immediate network.

Over time, Pete's fingerprints helped HubSpot to make partners the center of everything—events, content, and community building—related to the Inbound movement. He knew that their success would ultimately drive HubSpot's success. This set in motion a network effect, a flywheel. As agencies thrived in their niche, their clients would refer new prospects from within the same industry. HubSpot would gain these new customers through trusted referrals within close-knit professional networks.



The partnerships flywheel

This flywheel transformed HubSpot into a public multi-billion-dollar leader in the marketing industry. In the past, HubSpot was considered a lesser player in marketing automation compared to Eloqua, Pardot, Marketo, and Act-On. But only one of these companies achieved a successful IPO: HubSpot. Part of its endurance can be attributed to its evolution in partnerships. It has transitioned from siloed departments, teams, and business units to more cross-functional programs. This integrated model reflects the ethos of nearbound more effectively than anything that came before.

Mark Roberge, the original sales leader and famed CRO of HubSpot, Harvard lecturer, author of the bestselling book *The Sales Acceleration Formula*, and founder of Stage 2 Capital, fondly reflects on the interesting emergence and eventual scale of the agency business Pete started. However, in our conversations, he has also highlighted the challenges created over time by having "direct" and "indirect" teams operating as separate entities, despite both teams growing rapidly and independently from the success of inbound.

Caputa also felt this pain. "Channel conflict" caused more struggle over time than it was worth. But the reason for its existence in the first place was because the direct SaaS seller couldn't even come close to accomplishing what Pete's team could with the agency funnel. Neither Pete nor Mark takes credit for the eventual solution at scale, but both were crucial to the shift. Since the Caputa/Roberge days, HubSpot has transitioned from a channel business unit and direct sales team to an integrated revenue approach. Caputa called this an "overlay model," and my friend Jill Rowley calls it an "infused model."

Whatever you call it, here's the deal: these previously isolated teams no longer measure separately, work separately, or receive compensation separately. They now work together. The combined unit economics drive the business forward—they're not wasting time or energy fighting over credit. And HubSpot's ecosystem and flywheel keep on spinning. What started as a "channel partner" success story now feels a lot more like the modern inbound story in many more ways than HubSpot's agency program.

After achieving a massive impact with HubSpot's agency partnerships, witnessing the IPO, and assisting in launching CRM, Pete went on to apply similar nearbound principles to his next venture, Databox—a reporting dashboard tool tightly integrated with HubSpot. Pete chose to put his energy into Databox specifically because it presented inherent network effect advantages. As a business intelligence and visualization tool, its value grew exponentially based on the breadth of data sources it could connect to. More integrations equaled more partnerships, and more partnerships equaled more delighted customers.

Everything from their content strategy to product roadmap focused on tight ecosystem alignment and surrounding their customers with what they already used. Instead of generic outreach, Pete's team interviewed and highlighted hundreds of existing partners of their integrations—and you bet he tapped into HubSpot agencies. The Databox content strategy made the users and partners famous, and in turn, Databox learned how they could better serve their needs with their product and feedback on their marketing. This produced a sustainable marketing engine attracting adjacent partners into Databox's orbit and new sign-ups from those partners.

The advantages of this strategy have compounded over time. Databox has grown from a fledgling startup to one of HubSpot's most successful integration partners and the number one partner for built-in integration out of thousands. Pete's nearbound mindset (more on this in the closing chapter) paved the way for growth. Today, Databox boasts tens of thousands of customers and has a profitable and sustainable business with hundreds of employees. It is a true nearbound success story. And the best part? Where is Pete's Partnerships department? Well, it doesn't really exist. Everyone works this way at Databox. And guess who loves Pete's model the most? His customers and partners.

The playbook Pete established at both HubSpot and Databox exemplifies how pioneering companies embed ecosystems into their DNA across marketing, sales, success, and product teams. They shape strategies around trust-based relationships instead of transactions. These motions create a gravitational force that attracts partners and customers, bringing them into closer proximity to each other, and to the software company orchestrating the ecosystem. This proximity generates throughput in the form of compounding gains. This phenomenon is commonly referred to as *network effects*.

While I will delve into the specific strategies Pete employed and share more about the HubSpot story in future chapters, it is important to first understand a foundation of nearbound—network effects—to fully comprehend why nearbound makes the B2B world go 'round.

Network Effects Explained

Although the term "network effects" has become more popular, even those who use it often fail to understand their immense power. Network effects often dwarf all other factors in determining success or failure. Choices, remember?

Network effects and nearbound are closely related concepts. In many ways, nearbound is the ideal GTM strategy for a world where network effects dominate. Once you grasp the meaning and functioning of network effects, you realize the importance of engaging and partnering with the nodes connected to your target audience, rather than relying on inbound and outbound approaches to reach buyers directly.

According to James Currier, a five-time founder and Founding Partner at NFX (with angel investments in Doordash, Lyft, and Patreon, among others), network effects are the most valuable property of a business. They are the one thing shared in common by nearly every major category leader in every industry.

Over the course of a three-year study, NFX concluded that "network effects are responsible for 70% of the value created since the Internet became a thing in 1994 [...and] are the #1 way to create defensibility."

Currier implores founders to study and master network effects because, "For founders looking to build truly impactful companies, few areas of expertise are more valuable."

How valuable? 70% of the entire internet is valuable.

Currier's work on the value and application of network effects is compelling. And when you look around, the stories of network effects are everywhere. Even from the most disruptive companies in the world counterintuitively partnering with their legacy competitors to double down on the value of network effects.

Elon Musk sent shockwaves through the auto industry in 2023 by announcing a game-changing partnership. Tesla would open its proprietary network of over 15,000 supercharging stations to other electric vehicle models, including ostensible competitors like Ford and GM.

Ford or GM *could* develop a better electric car than Tesla on many dimensions. But even the greatest vehicle is useless without ample places to conveniently and rapidly recharge while on the road. And Tesla's multi-year head start has given it a lead in charging availability.

Catching up to Tesla's supercharger network would come at a cost too high and a timeframe too slow for other automakers. Consumers may wait for themselves, but they won't wait for the industry when an existing product and network serve them. Failing to provide adequate charging access to their customers would cripple GM and Ford's sales as they pivot to electric. So, Musk presented them with a third option: join the existing network, make it denser, and collaborate to accelerate EV adoption overall.

It's no surprise that Ford and GM opted to partner rather than compete. No brainer for them, but how so for Tesla?

This collaboration reveals Musk's deep grasp of network effects. Tesla's edge doesn't lie solely in its vehicles, but rather in its vast and rapidly-expanding charging infrastructure. The establishment of a supercharging station network has fortified an almost insurmountable competitive barrier. Understanding this concept of defensibility is crucial to grasping the substantial influence of network effects. With each addition to Tesla's expansive charging network, the overall utility escalates, enhancing the value of Tesla vehicles for consumers. This is because every new user or, in Tesla's case, every new charging station, augments the product's value for all participants. Tesla's extensive network of over 15,000 stations makes it almost impossible for any competitor to duplicate this utility for consumers. The network effect, thus, not only amplifies the usefulness of Tesla vehicles but also cements its market stronghold.

Such is the essence of network effects: the value of a network experiences compound growth as new nodes—here, charging stations— are integrated. This exponential advantage underlines why network effects have become the foremost source of defensibility in the digital era.

Tesla Supercharger network, Tesla Digital Assets

Tesla is playing the long game here. Today, their network is powered by a combination of energy sources. Tomorrow, it will rely on Tesla solar panels and large-scale battery storage, creating a self-sustaining flywheel propelled by this partnership. Elon Musk envisions a distributed network of solar panels and energy generation to support an entirely electric automobile fleet by 2050. That's thinking in bets **and** thinking in network effects. First principles squared.

Most recognize Musk as the greatest entrepreneur of this generation. His intuition and back-of-the-envelope approach to fundamental science have guided him to what could be described as a nearbound go-to-market strategy. It has valuable and defensible network effects acting as a flywheel, transforming what seems like a simple charging station into a global EV platform from which everyone can benefit.

Everyone? Indeed, it's bigger than just Detroit vs. Silicon Valley. Hilton, for example, announced a partnership with Tesla only months later to place 20,000 chargers across 2,000 properties throughout North America. So you have to ask the question: without the support of Ford & GM in the Tesla Supercharger Network, does the Hilton & Tesla partnership ever happen? You don't have to be a rocket scientist or plead your case to the attribution gods, you know the answer. Tesla knew the answer. Musk knew the answer. Compound interest.

Can you imagine Musk worrying about who gets credit for Ford or GM's involvement in the Hilton deal when it comes to Tesla? That's hilarious. Or criticizing SpaceX's calculations for their disruptive Starlink constellation and attributing the T-Mobile partnership to new subscribe touchpoints? It's comical. But that's not the game Musk is playing, and it's not the game he's asking his team to play. He's operating in a different stratosphere (literally, in the case of SpaceX) and focusing on a different game because he understands the power of 21st-century network effects.

To borrow from philosopher James P. Carse, entrepreneurs like Elon Musk are choosing to opt out of the finite game of competing for larger shares of the same pie in pursuit of a static notion of victory. Instead, they are engaging in an infinite game—one in which the objective is to sustain and continue playing the game. In this game, the pie expands, humanity progresses, and relationships multiply. This type of game is inherently nearbound, as it necessitates and implies a network of trust surrounding each participant.

A Brief History of Network Effects

Partnerships and networks have always been central to being human. As Aristotle said, humans are social animals. And as we progress as a species, we also progress towards an increasingly interconnected world. Economists David Ricardo and Adam Smith revealed the power of collaboration and the invisible hand in the generation of surplus when two parties specialize in their comparative advantage. We now have the opportunity to make this invisible hand visible and unlock even greater value from mutually beneficial exchange.

Extending this logic to the realm of multiple buyers and sellers, we begin to see the emergence of networks of trade—all interconnected and even interdependent in many cases.

Roads and the *lingua franca* (a bridge language between two non- native speakers) are both examples of network effects that have facilitated the global marketplace we find ourselves in. In the past, routes to market were literal roads. However, the shifting technology landscape—coupled with the crisis of trust—is multiplying the permutations and the importance of network effects. The gravity, proximity, and throughput of these interconnected roads and nodes start to matter at an increasing rate.

Over a century ago, AT&T's President, Theodore Vail observed how an inferior product can dominate with sufficient network scale. He noticed how AT&T's telephone network became nearly impossible to compete with once they amassed more customers in a locale. In his NFX Manual of Network Effects, James Currier uses this as a prime illustration of the immense power of network effects in driving growth and creating defensible positions in the market. By understanding and leveraging the dynamics of networks, companies can tap into the compounding benefits of proximity, gravity, and throughput to amplify their impact and reach.

This is the essence of nearbound thinking, where partnerships and ecosystems become the foundation for sustainable growth and success.

This direct network effect meant the core value lay not in the phone itself, but in its connections. As Vail stated, "A telephone—without a connection at the other end of the line—is one of the most useless things in the world."

AT&T's network density created gravity that pulled in users, carved proximity to new nodes, and generated new levels of throughput. Vail's insight was ahead of its time.

It took until the 1970s before the network effect concept became more formally defined and modeled. In 1976, Robert Metcalfe articulated what became known as Metcalfe's Law. It states that the total value of a network grows proportional to the number of users squared.

So, for example, a network with 10 users would provide roughly 100 times more value than a network with 1 user (102 = 100). And a network of 100 users provides 10,000 times more value than a network of one user (1002 = 10,000).

Metcalfe's Law mathematically framed the direct network effect AT&T exhibited with its telephone network. However, some later thinkers argued it actually underestimated the potential value.

In the 1990s, David Reed postulated that network value grows exponentially faster than the square of users. This is because networks contain sub-networks and local groupings that multiply value.

Think of a high school and its students. Students benefit not only from the overall school network but also from sub-networks like the baseball or volleyball teams that compete with other schools ("Go Panthers!"). If the school's network is larger, there are more opportunities for high-performing sub-networks. Although this example helps to illustrate the concept of sub-networks, it does not effectively convey Reed's point about velocity.

Reed believed that the total value scales exponentially at 2N, where N is the number of network users. Reed's Law captures how local clusters and sub-communities within large networks can boost overall utility and effectiveness, thereby attracting more users. In this sense, while Metcalfe's Law helps model direct network scaling, Reed's Law incorporates real human behavior and relationships. Most large networks are not equally distributed—they contain pockets of high density and affinity. Some schools have the best wrestling team in the state, while others come last. In other words, not all networks are equal. Schools lack proximity to other networks and throughput for growth. The physical world may map to Metcalfe, but the digital world is run by Reed.

Digital network experts uncover and architect social mechanisms that strengthen sub-network proximity, gravitational pull, and throughput.

We saw early signs of sophisticated network effect strategies in the previous eras of the digital age (70% of the value of the internet, remember?). For example, unicorns like PayPal, Facebook, Uber, and YouTube emphasized rapid user acquisition in their go-to-market models, incentivizing referrals to tap into both virality and network effects (Currier's work at NFX makes a clear case for how and why virality and network effects, while related, are distinct).

PayPal gained notoriety for offering users $20 for signing up and an additional $20 for each referral, resulting in significant costs for the company through early VC subsidies. However, this substantial investment pales in comparison to the massive windfall of over $1 billion that Peter Thiel and Elon Musk received from eBay's acquisition.

The success of this strategy was not solely due to the $20 incentive, but rather because users had intrinsic motivations for bringing more users to the platform. It enhanced their experience by enabling them to send and receive money with more people, making the platform more valuable to them. Additionally, receiving an invitation from a trusted individual who wanted to send them money proved more persuasive than traditional advertising or cold emails. PayPal's simple yet effective referral strategy paved the way for exponential growth.

It is worth noting that Superchargers were not Musk's first encounter with network effects, as evidenced by PayPal, and they certainly won't be his last (RIP Twitter, welcome X?).

Facebook tellingly put now-billionaire Chamath Palihapitiya in charge of growth early on. He spearheaded initiatives like Facebook Connect that made it seamless to use your Facebook identity across third- party apps and sites. This increased lock-in by strengthening network bonds across the social graph, not to mention the simple utility for all parties—"Sign in with Facebook," one click where everybody wins. And with the interconnected profiles, the platform he helped build drove monetization through the Facebook ad network at scale. It wasn't just a good product, it made money. And created hundreds of billions in market cap.

But everybody starts at zero. As Andrew Chen described in his book *The Cold Start Problem*, overcoming early slow growth is imperative for startups—especially when they're trying to create a brand new marketplace. Similar to Chamath, who was responsible for growth at Facebook, Chen was in charge of overseeing all aspects related to driver signup and the referral program at Uber. This led him to document the most challenging aspect of network effects—getting started. Here's the problem: how do you gain traction when starting from zero users or customers? VC firms are willing to absorb losses by subsidizing user acquisition and rapidly establishing critical network density because they understand the enterprise value of Metcalfe's and Reed's Laws.

But the startups they fund can't keep over-investing in user acquisition forever. Once the flywheel reaches a certain mass, network effects and word-of-mouth must generate outsized returns. Uber's node proximity and throughput, or liquidity (i.e., the ease of getting a ride when and where you need it), increased ride availability and reduced friction. Soon, network effects took over, creating an efficient and resilient market and competitive moat.

YouTube similarly jumpstarted scaling by building growth hooks into the product experience. Commenting, liking, and social kickbacks all nurtured network behavior. YouTube cemented itself as the hub for internet video by architecting social engagement and allowing creators access to their communities, creating a feedback loop to improve the products they shipped. Even though Netflix had a meteoric rise to the top of the streaming wars alongside YouTube, Netflix's walled garden approach eventually backfired. The darling of Silicon Valley—Netflix—is getting left behind.

While Netflix originally had high control over quality and was able to disrupt the traditional distribution of shows and movies through a better product, they were taught a painful lesson by YouTube and its parent, Google:

> **Great product never beats great go-to-market. But great go-to- market never beats great network effects.**

The one with the network effects is seeing the payoff. Halfway through 2023, YouTube as a standalone product (not counting the rest of Alphabet's products or revenue) was growing revenue 62% faster than Netflix year over year, according to data from Variety.com and Macrotrends.net.

YouTube, as a platform and network, continues to grow its enterprise value without having to directly pay to acquire new users. YouTube has billions more users than Netflix (2.7B vs 238M at the time of writing), and now YouTube's revenue is forecasted to surpass Netflix's as well. With everyone entering the streaming wars, Netflix has little to differentiate itself from Disney, Hulu, Paramount, Max, Apple, and so on.

Being a "YouTuber" is a status symbol and a top career choice desired by Gen Z. Every creator is a node in YouTube's democratized content creation network where anyone can win, and everyone can win together. YouTube isn't just a product—it's an identity and a career. It's the most valuable content creator platform on the planet because of network effects. Indeed, the "creator economy" is a household phrase. It's a dinner table conversation between kids and parents. That's the world we live in.

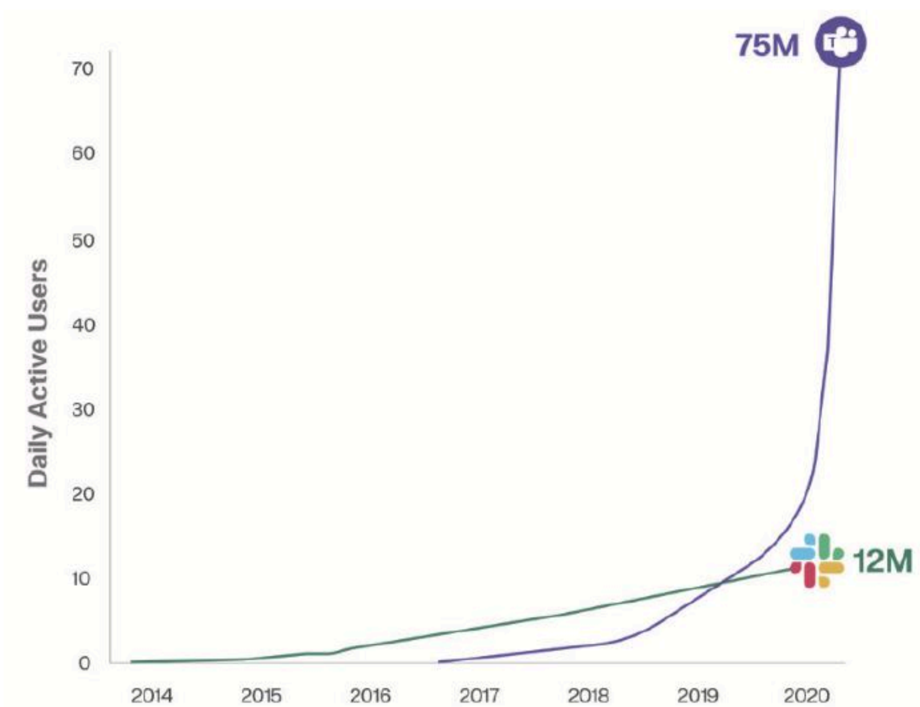
But at the same dinner table, would you ever hear a Gen Z kid talk about becoming a "Netflixer"? Nope. Not a single one. It seems that Netflix has forgotten about networks.

Across countless industries, eras, and examples, companies that recognize the exponential power of network effects win. They hardwire growth into their business model, strengthening network bonds, denser gravity, and widening throughput.

Remember, great product never beats great go-to-market. But great go-to-market never beats great network effects.

HipChat was a great product. Their competitor, Slack, was a slightly *different* product whose features weren't all that different from HipChat's when they first launched. But the real genius of Slack was in overlaying sales onto a product-led motion. Slack had a far superior GTM strategy and became a darling child of Silicon Valley with multiple ten figures of value. Rare air.

But, never, ever forget the network effects. HipChat met its demise at the hands of Slack's GTM. Slack dominated internal chat, until Slack met Teams. The story is so starkly clear as a visual you will never forget it:



Microsoft Teams vs. Slack
Source: Chartr.co, Company Announcements, VentureBeat, TechCrunch

HipChat may have learned that great product never beats great GTM, but Microsoft taught everybody that great GTM never beats great network effects. The Microsoft ecosystem and nearbound mindset across every department absolutely dominated the productivity wars. As of 2022, according to BusinessofApps, Teams boasted 270M users compared to Slack's 18M. To win in the Nearbound Era, understanding and applying network effects is a necessity.

Different Types of Network Effects

As previously mentioned, strategy is simply a choice. That's it. And not all choices are equal.

When it comes to laying the groundwork for nearbound it's important to understand the choices available to you in order to proactively recognize (and even create) network effects. And there's more than one type of network effect.

In fact, Currier's manual identifies 16 different types. We won't delve into all of his work here, but exploring some of them helps to set the stage for the strategic responsibilities that CEOs, founders, GTM executives, and partnership leaders have in this new era.

Some network effects are "direct," where value comes from other users, as we discussed with AT&T. Others are "indirect," attracting complementary providers. For instance, as more gamers purchased Xbox, more game developers joined the platform, creating a virtuous cycle that increased Xbox's value.

Two-sided marketplaces like Uber create unique network effects by coordinating distinct user groups. The diversity and nuance of modern network effects call for intentional orchestration.

Key modern network effects also include "social" effects, where users interact with other users, groups, and content, like on Facebook. And "data" effects, where collective information enhances solutions for all users, like YouTube's algorithms for consumers or LinkedIn for members.

Beyond direct and indirect effects, other fascinating types of network effects apply more than ever in the Nearbound Era.

Language

Language has powerful network effects. Remember the example of "YouTuber" vs. "Netflixer"? Certain languages tend to dominate while others fade away. People in connected social, political, and economic networks converge around the same terms. English has become the global lingua franca, while regional languages have declined. The more speakers a language has, the more new speakers gravitate towards learning it.

Bandwagon Effects

We also see bandwagon network effects that draw people in due to social pressure and fear of missing out. Slack leveraged this in the early days. Companies used it because employees already thought it was cool and they didn't want to miss out or be thought of as not with the times compared to competitors who used Slack.

Ecosystem Effects

Notion demonstrates the utilization of ecosystem network effects. It created a marketplace for templates designed by its user community. Although Notion does not directly profit from template sales, the marketplace enhances the overall appeal of the platform. It attracts new users who discover Notion through viral TikTok videos that showcase templates while also providing existing users with added value and increasing customer retention.

Even teenagers can now monetize their creativity through Notion, showcasing the potential of architecting network effects that align incentives between businesses and their communities.

This self-reinforcing flywheel generates value for all parties involved in the network.

Tear Down This Wall

In the Nearbound Era, network effects are everywhere—even as they remain understudied and are barely talked about in most MBA programs, much less company Zoom calls.

Their power stems not from scale but from intentional ecosystem design built into the company's GTM strategy from the outset. Scale is an output of network effects, not an input.

Merely having many users or partners does not guarantee compounding gains. This is the pitfall of siloing partnerships into a single department rather than baking it into your organization's DNA across every team.

Siloed partnership programs end up wasting precious time and resources on low-value one-off motions that never compound or generate flywheel effects. Why? Because these disjointed efforts aren't linked and leveraged within a diverse, self-perpetuating ecosystem and network.

As we explored with Tesla, network effects arise from cultivating **density, proximity, and throughput** as a hub within a broader ecosystem. Companies must architect *density* that creates gravity, pulling other entities into their orbit. Companies must build around where customers are, creating *proximity*. Companies must increase the *throughput* of the participants in the network, preserving trust to conserve time and money (the energy) of their system.

Effective ecosystems cannot be constructed through top-down decrees, slow death by outdated operating models, or a perfect org chart. They are intentionally orchestrated, but their effects emerge probabilistically when network incentives align between internal teams and external partnerships and relationships that surround the customer. Value accrues across varied, symbiotic relationships that reinforce one another.

That's why pioneering nearbound companies architect partnerships into the nervous system of the entire organization. They play long-term games focused on cultivating gravity through open ecosystems that attract partners into their flywheel.

Rather than optimize isolated metrics, they take a systems view. They recognize network incentives must be self-reinforcing: progress along one dimension enhances progress along others.

The Nearbound Methodology: What You Need to Do Today

I'm going to sound like a broken record, but so be it: partnerships is not just a department, but an integrated strategy across every team.

The Partnerships team should orchestrate connections for marketing, sales, customer success, product, and beyond. Rather than hoarding partner relationships, their responsibility is democratizing access company-wide. They tear down walls between teams both within the organization and outside of it, enabling the free flow of ideas and connections that were formerly segregated by the org chart.

As a leader, you need to *decide* to create watering holes where employees can congregate to exchange intelligence regardless of department.

Isaac Morehouse, my co-founder at nearbound.com, calls this the "Partner Pill." Once you take it, you can't stop seeing opportunities everywhere to tweak your strategy in line with the power of network effects built on trust.

I often refer to it as living in your zone of genius—when you work on something that has a positive impact on multiple other things. By doing one thing, you can impact five things, or fifty things, or five hundred.

There's a simple framework to help bring nearbound to every department, created with the help of Mark Kilens. Mark is the mastermind behind HubSpot's Inbound Academy, former VP of Community at Drift, CMO of Airmeet, and now Co-founder of Tack.

It's not complicated either. It's called ICE and it's pretty cool. (Get it? I couldn't help myself).

ICE stands for Identify, Collaborate, and Execute.

For every department, whether it's product, marketing, sales, success, or operations, incorporating nearbound motions requires the same three steps every time:

1. **Identify:** Determine who surrounds your buyer and who they trust. Identify potential partners that make sense to collaborate with. Establish connections with trusted partners to build a strong ecosystem of businesses working together. Use a Nearbound Revenue Platform (like Reveal!) to analyze overlaps with prospective partners and understand joint customer and prospect opportunities.
2. **Collaborate:** Align with partners on how you can provide mutual value to customers. Create joint marketing campaigns, co-branded content, and targeted events that generate mutual leads and drive pipeline. Utilize real-time insights from your Nearbound Revenue Platform to update target account lists based on partner overlap and customer statuses.
3. **Execute:** Take action to turn these relationships into results. Run specific plays to engage partners and their customers in the sales process. Leverage partner insights to gain valuable information, facilitate introductions, and influence customer decisions. Work with partners to ensure exceptional customer success and support, leading to high customer satisfaction, retention, and upsell opportunities. Utilize partner data to identify integration activation opportunities. Co-develop new products, services, or solutions with partners, utilizing shared expertise and resources to stay ahead of the competition and deliver value to customers.

Drilling down by department, the nearbound methodology enhances and expands the traditional responsibilities of each department as follows:

- **Marketing:** Partner marketing teams have typically focused narrowly on co-branded outlets. Nearbound aligns all demand-generation activities with ecosystem needs and realities. Content, events, and campaigns incorporate or highlight partners who add value for the audience.
- **Sales:** Alongside deal registration and lead passing, nearbound sales leverages trusted advisors to provide third-party validation throughout the buying journey. Partners introduce new relationships, shape perceptions, and accelerate conversions.
- **Success:** Customer success has always depended on implementation partnerships to drive adoption. Nearbound strengthens these bonds by proactively re-engaging partners to maximize retention and expansion revenue.

- **Product:** Instead of viewing external technologies as threats, nearbound integrates them as value-adding complements through the platform. Cultivating stickiness through connections, not just features.

The remainder of this book will provide practical strategies, stories, and plays that can be executed within each department, as well as orchestrated across team borders. These strategies are designed to achieve quick wins and offset the diminishing returns of inbound and outbound approaches, all while playing the infinite game. These plays can help you reach your quarterly goals, satisfy your investors in the short term, and create a more stable business.

However, it's important to recognize that the true power of nearbound lies in the broader go-to-market decisions made by leaders. These decisions involve aligning your strategy with the market and positioning your company as a central node in a growing network, where the customer is constantly surrounded.

A Final Note: Reaching Escape Velocity

Let me come back to Musk one more time. Just weeks after announcing Tesla's partnership with GM and Ford, he announced another pivotal partnership for SpaceX. Starlink is disrupting telecommunications at a mass scale with its partner, T-Mobile. If all goes according to plan, Starlink will soon be the most used internet connection on the planet.

Again, we see in this partnership strategic thinking. At PayPal, he partnered with eBay to power their payments. At Tesla, he partnered with Panasonic to build a better car battery. There's a clear pattern.

The moves we've discussed involve GM, Ford, Hilton, and T-Mobile, demonstrating a preference for massive partners and leveraging network effects in his biggest decisions. Like Warren Buffett, Musk is playing long-term games with long-term partners, focusing on a handful of big partnerships and decisions that will cement his impact on the industry. Isn't that the more exciting way to play?

Many people believe that Tesla's success is due to thousands of brilliant micro-level engineering insights and iterations. However, in reality, it is Musk's world-changing vision and go-to-market strategy that attracts talented individuals capable of making those innovations in the first place. His ecosystem approach provides the necessary resources, revenue, and network to continuously enhance the overall experience for the customers.

Whatever you think of him, Musk clearly understands the power of partnerships and ecosystems to unlock network effects.

So now we can see a slightly modified version of our adage: Great product never beats great go-to-market. But great go-to-market never beats great partnerships that unlock network effects.

This does not render product and engineering excellence irrelevant, just as embracing nearbound does not negate the importance of sales and marketing excellence. Outbound and inbound motions will still exist. However, focusing solely on them would be misguided when there are greater gains to be achieved in the nearbound realm.

Jill Rowley, one of the top salespeople and pioneers in the era of outbound and inbound automation, once told me:

> "I'm learning so much from partner professionals that I feel obligated to go back and re-educate the people I taught with the old GTM playbook. You still need lead nurturing, scoring, automation, and everything else. But I feel like I have to go back and say, 'That stuff was enough then, but now it's not enough. In this world, we need a lot more than that. We need to surround buyers with trust. We need nearbound."

Jill is one of the most influential B2B sellers of all time, largely credited with inventing "social selling." (We'll hear more from her later in this book.)

We stand at a pivotal juncture—between clinging to what worked previously and recognizing when to evolve. The nearbound frontier is closer than you imagined.

When you realize that buyers demand trust, that you need to partner with those surrounding them, and that creating a web of partners can unlock network effects, you are ready to enter the nearbound future.

Tear down the wall.

Break the silos of partnerships.

Let's go build a world where those who win, win together.

Time to get tactical.