



TEL EPISODE #035:

Traction: A Startup Guide to Getting Customers with Justin Mares

Show Notes: <http://www.theelpodcast.com/tel-035-traction-startup-guide-getting-customers-justin-mares/>

Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.

WADE: Thank you for joining us on The Entrepreneurs Library. Today we have Justin Mares, co-author of *Traction: A Startup Guide to Getting Customers*. Welcome, Justin, and thank you for joining us on The Entrepreneurs Library.

JUSTIN: Absolutely. Happy to be here. Thanks again for having me on.

WADE: Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

JUSTIN: Basically my background has been in growth/marketing. I co-founded two companies; one was acquired, one was a bust. And then most recently, I was Director of Revenues, I was responsible for sales and marketing at a company called Exceptional Cloud Services. We got acquired by Rackspace about a year and a half ago now for eight figures. Really, really good acquisition for everyone on the team.

So I recently left Rackspace and now am launching the *Traction* book, which is a startup guide to getting customers, which is coming out August 26th.

WADE: Okay, excellent. Thank you for sharing that. I'm going to recover some of that information just so they know for sure, but for right now let's jump right into your book that you just brought up, *Traction: A Startup Guide to Getting Customers*, which like you just said, was made available for purchase, or is going to be, on August 26th, 2014.

Justin, we're going to move quickly, we're going to move through a lot of information, but we're going to go through the top questions that our listeners/readers want to get answered about your guys' book. What was the inspiration behind writing Traction?

JUSTIN: Yeah, it was two things. My co-author, Gabriel Weinburg, he's sold a company in the past, he's founder and CEO of DuckDuckGo, which is a privacy-based search engine. As he got into angel investing and as I came in from the growth and starting companies side, we both noticed that today, when software tools are easily accessible, development and resources are abundant, the challenge is not so much in building a product. You rarely see companies that are like "Oh yeah, we failed because we couldn't build a product."

The challenge now has shifted to companies are struggling to get traction. So the inspiration for writing the book was companies are failing because they can't get traction, not because they can't build a product. Unlike when The Lean Startup came out – I guess that was 5 years ago at this point, 4 or 5 years ago – a lot of startups were failing just because they were building products no one wanted, they were wasting development resources, and they just couldn't build products that people wanted to engage with or whatever.

Now, the biggest problem is that people are getting seed funding, building a product, getting some customers, but are failing to get enough traction to break even, to raise their next round, to do whatever they need to do. So that's why we wrote the book, to provide startups with a framework and tools to focus on and get traction so that they can build successful companies.

WADE: Okay, perfect. And what would you say makes your book different from others regarding the same topic?

JUSTIN: A lot of things. If you look at the startup book ecosystem, things like The Lean Startup are "How do I interview my customers? How do I build a product that has lean development cycles and we get a product out that certain people want?" and all of that. That is all well and good and very effective; I'm very much a proponent of the lean methodology.

But what is different is that there's no focus on how you actually bring a product to market. If you follow lean and customer development, you basically are talking to customers, you're getting in front of them, you're building an MVP for your first group of customers and all that, which is amazing – but there's nothing covered in terms of “Here's how you grow to a level where you break even or to a level where you can raise money from VCs or angel investors,” whatever it is.

It's in that gap that companies are failing now, and so our book, unlike any others out there, provides something that we call the bull's-eye framework, which is a 5-step framework that helps companies determine what traction channels could work for them, so what marketing channels could potentially work for them to acquire customers. And then we introduce this framework and companies can actually use it to go through, figure out what channels make sense for them, and then execute on those channels to reach their next phase of growth.

WADE: Okay, excellent. How would you guys want the reader to engage with your book? Is this the kind of book they should start from the beginning, Page 1, and read all the way through? Or is this more of a resource where they can dive in, grab what they need, and dive back out?

JUSTIN: It's a mix. Essentially, the first couple chapters we introduce the framework, and then we have 19 chapters, one chapter for each traction channel. So a traction channel would be like PR, SEO, offline advertising, online advertising. What we basically did is provide the framework and the approach, like the strategy section in the beginning of the book, and then we do a deep dive on every potential channel that a startup could use to get traction in the remaining 19 chapters of the book.

WADE: Okay, excellent. Perfect. Justin, this is my favorite part of the entire interview. This is the meat and potatoes, where we basically ask you to take us through your book. It doesn't have to be chapter by chapter, but really give us an excellent summary of what your book is all about.

JUSTIN: Completely. Our book, the Traction book, we start with the first five chapters. In these first five chapters, the first thing we introduce is that traction is now the most important thing that startups need to focus on. Gone are the days where a company struggled to raise money in the seed stage and had to spend \$2 billion buying servers to build their first generation of their product and all of this stuff.

So now what happens is seed funding is relatively abundant. If you have an idea or just a very early product, you can raise seed money from any of the hundreds of accelerators that exist. Accelerators launch roughly 1,000 startups a year. The onus of success has shifted from that to getting traction and actually getting your product in front of people. So our first chapter talks about that.

Then the next four chapters go through the bull's-eye framework. What that is, is it's a framework that helps founders, marketers, and entrepreneurs look at all of the 19 traction channels that are out there, figure out what channels make sense for them – for example, if you need to go from 1,000 to 10,000 customers, you're probably looking at more scalable customer acquisition channels like SEO, paid acquisition, that type of stuff. If you're trying to get your first 1,000 customers, a channel like SEO just doesn't make sense.

What we do is we provide this framework that helps you think through and figure out what channels are right for you, given your stage of growth, your funding, your resources on the team, show you how to run quick tests in each of these channels, and then how to evaluate which channel will make sense for you based on the tests that you ran.

Then the last thing, to wrap up our introductory couple chapters, is we cover how to run these tests, how to figure out whether a channel is right for you, like how much traction it's provided, how much it costs, all of that. And then we also talk about something that we call the traction split. This is the fact that early stage companies especially fall into this trap where they think "If we build a great product, people are just going to flock to us." And that's not true. That's just not true.



What we talk about is early stage founders, early stage companies should be spending half of their time on product development and half on traction – which you see really successful companies do; you don't see many companies do, though, period. Which is a shame.

After we go through the strategy, how to think about frameworks, how to figure out what channels work for you, then we do deeper dives into the 19 traction channels.

We go through viral marketing, which is acquiring users through virality – think like the Dropbox sharing program has worked really well for that. Public relations, so getting press to acquire customers. Unconventional PR, which we call – basically doing nice things for your users ala Zappos, or doing publicity stunts, things like Half.com bought a town and had it pre-named after their company.

And then search engine marketing is another channel, so buying Adwords on Google, buying ads on Bing, Yahoo, and the like. Social and display advertising – those are the ads that you see all over the web, on Twitter, on Facebook, whatever it is. Offline ads, billboards and the like. Search engine optimization, so just doing things to build links and make sure that your website shows up more highly in search rankings or key terms. Content marketing – HubSpot, Unbounce are some great examples of companies that have used this channel well. Email marketing is another. Customer.io is doing incredible things with this; WP Engine as well.

Engineering as marketing. This is one of my favorite channels personally, because it's not one that you see a lot of companies use, but basically it's using your engineering resources to build a tool that brings you customers. A great example of this is HubSpot's Marketing Grader, where you go to their Marketing Grader, you type in your site's URL, and it automatically says "Here is what you could do better in SEO. Here's what you could do better socially. Here's what you could do in terms of blog optimization." And this single tool, which they built in I want to say 5 days or something, like 3 or 4 years ago, is responsible for 60% of their inbound leads each month, and it drives like 40,000 to 50,000 leads a month. Which is insane.

Other channels we cover are targeting blogs; guest posting is a common example of this. And then another channel is business development, so partnerships, licensing, stuff like that. Sales is another way that startups can get traction.

Affiliate programs, like HostGator, one of the biggest hosting programs out there; Bluehost is another. Both have grown to tens of millions of dollars in revenue in a very short span of time by having incredible affiliate programs.

Another channel that we cover is existing platforms. This is another interesting one where existing platforms are essentially places where users already exist that you hack or take advantage of to get users onto your platform. Think like Airbnb's Craigslist hack; that was an example of them using Craigslist, which is an existing platform of demand, existing platform of users. They hacked it to bring a lot of users onto Airbnb. Other examples are just like the iTunes App Store, the Google Play Store, all of the like.

The remaining four channels that we cover in the book are tradeshows – very tried and true; offline events, so meet-ups, conferences, things like that; speaking engagements; and then community building. So there are companies that have grown by building a community. Yelp has done this really well, Evite, Eventbrite, all of these companies have done a great job building a community and growing through that community.

After covering all those channels, we just wrap with a conclusion that says basically “Here is how to think about it,” we provide more resources, and essentially give founders a cheat sheet for how they can think about, approach, and then get traction through whatever channel makes sense for them.

WADE: Great. My first question based on what you were just talking about would be, through these 19 channels, you basically cover every kind of business that someone can own?

And what I mean by that, for example, would be my wife and I currently own an IT product sales company, we own an IT services company, we have a podcast, and

then I have a friend who's about to start his own donut, so a retail. So you're talking about retail, services, product, and then entertainment on the podcast side – four what I would consider pretty different kinds of businesses. Is there something through those 19 channels for every single one of those?

JUSTIN: Yeah, absolutely. What we tried to cover – I mean, honestly, the purpose of the book is we want this to be a must-read for startup founders so that no matter what kind of company you're starting, you pick this up, you're automatically ahead of most individuals that think about starting a company because you're thinking about marketing and traction and the like, and then you can find the type of business and the type of traction channel that works for what you're doing.

So for retail, you mentioned, things like offline ads, existing platforms, speaking engagements, and community building are very tried and tested to drive retail demand. So even though they're very different types of businesses, we really tried to encompass and interview people and figure out what is every potential way that a new company could get traction, and let's cover that in the book.

WADE: Wow. Yeah, I'm already looking at it, like I could use this book for so many different things in my personal life. Do you know off the top of your head how many of those different channels you guys are using to say promote this book?

JUSTIN: Yeah, we are going to be testing nine of them. Because certain ones, like an offline ad, buying a radio ad or a billboard probably doesn't make sense to move this book. We may test it – depends how well the book does. I think it'll do really well. But if we're suddenly just flowing in cash, we may test it. But as far as starting up marketing, it doesn't make sense to drop like \$10 grand on a billboard and hope that it moves books, you know?

WADE: Excellent, okay. This next question I believe is difficult, because you just went through a ton of great content and context. So if the reader could only take away one concept, principle, or action item out of your entire book, what would you want that to be?

JUSTIN: This is something that we call the Law of Crappy Click-Throughs. This is essentially this law that if you look at any acquisition channel – think like paid acquisition, doing Adwords, whatever it is – as more and more people start to use that platform to acquire customers, the effectiveness of that channel goes down and the cost for that channel goes up. So where you could buy Adwords clicks at 5 cents or 3 cents 5 years ago, now you can probably not get a click for under 75 cents.

What this means is if you're starting a company and don't have a ton of budget, what you need to do is try and find a new platform or a new way to acquire users that is not already saturated and really expensive.

WADE: Gotcha. Okay, very good.

JUSTIN: Does that make sense?

WADE: Yeah. Oh yeah, absolutely. Justin, this next question is more – I'm hoping that it's a way for you to kind of brag on yourself. And if you don't have one, then maybe ones that your readers, that some people that maybe got a release, maybe they've gotten back to you on it. But do you have a favorite quote from your book?

JUSTIN: Yeah, favorite quote. We actually have two. One that we incorporated into the book is from Marc Andreessen. He started Netscape, went public; he's one of the most successful VCs in the Valley. His quote is like the #1 reason that they pass on entrepreneurs that they would otherwise like to back, is that they don't have a good distribution strategy.

Which is crazy if you think about it, because anyone who's writing about – most of the startup blog ecosystem right now talks about "the best product wins," and what the best VC in the Valley is saying is that the #1 reason they pass on entrepreneurs is because they don't think about distribution. So that's one.

The other is just what I said at the beginning, which is that most companies don't fail to build a product; they fail to get traction.

WADE: Excellent, those are fantastic ones. The last question that we have for you today is if there was only one book you could recommend to our listeners/readers based on the way it's impacted your life – we're really trying to dig deep, a book that has created a paradigm shift for you and helped you either grow professionally or personally – what book would you recommend?

JUSTIN: The one book that made the biggest impact on me – it's pretty common and well-known, but *The 4-Hour Workweek* was actually the first time – not that I was like "Oh man, I want to live abroad and outsource my life" and all that, but it was the first time that my eyes were opened to the fact that I didn't have to graduate, get a normal job, and move up the corporate ladder. It was the first time that this alternate universe of entrepreneurship, starting companies, and all this was really shown to me, and it's completely changed my life.

WADE: Awesome. Same for me. That book changed my life as well, so I love when I hear that one come up. Justin, before we depart, can you recommend the best way for our listeners to get more information on you, your co-author Gabriel, and your book, *Traction*?

JUSTIN: Yeah. Check out tractionbook.com. If you want, you can sign up to our email list there; we'll send you the first chapter free. Otherwise, you can preorder it on Amazon. There's links to it from tractionbook.com.

As far as me personally, you can check out my blog, justinmares.com. And then my co-author, his blog is gabrielweinburg.com. He's a relatively well-known tech investor, writer, and all the above.

WADE: All right, perfect. Justin, thank you so much for coming on today and sharing your book with us.

JUSTIN: Awesome, thanks so much for having me.

WADE: Absolutely. Thanks again for listening in today. If you would like to get your hands on *Traction* or any of the other resources mentioned by Justin, just



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