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'Growth Hacking' Helps Startups Boost Their Users

Strategy Includes Data-Driven Experiments and Online Tactics

By

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*Jon Krause*

The file-sharing service Dropbox spent almost nothing on advertising, but it offered free storage space whenever its users invited their friends to join.

Airbnb, a service that lets people rent their homes to travelers, initially didn't bother with traditional ads. Instead it tapped an existing user base on Craigslist, adding a "Post to Craigslist" feature for homeowners to automatically cross-post listings, driving traffic back to Airbnb.

Both have many millions of users today, and they are held up as examples of successful "growth hacking"—a cross between marketing and coding that's intended to sharply increase a nascent business's user base.

Self-described growth hackers use data-driven experiments and online tactics that range from encouraging existing users to provide access to their email address books and social networks to tinkering with creative website design. After figuring out which tactics bring in the most new users, they seek to automate those strategies, often saving money and time.

"Focus on a goal and run tests to find what will help achieve that goal," says Ivan Kirigin, a former product manager at Dropbox. "If you want something to happen, ask. And if you want something to happen a lot, automate it."

Until recently, growth hackers operated mostly under the radar with banal job titles such as "head of growth" and "growth product manager." But following the high-profile successes of Airbnb and Dropbox, which now have multibillion-dollar valuations, they are emerging as the new darlings of the marketing world.

Conrad Wadowski, a former growth consultant in New York, says that in the past year he has taught growth-hacking tactics to more than 8,000 student entrepreneurs at fees ranging from $100 a person for a two-hour workshop to $2,000 for an eight-week course. Others have opened new agencies with names like Quint Growth Partners of San Francisco; Growth Devil of Los Angeles; and Consumer Acquisition of Livermore, Calif., collecting fees ranging from $10,000 to $30,000 a month, or in some cases less, but including a small amount of equity.

Growth-hacking panels were added to the agenda at New York Internet Week and the Collision Conference in Las Vegas, as well as other startup events in San Francisco, London, Tokyo and Sydney. Last month, a growth-hacking "meet-up" in Paris drew about 400 people.

[Groupon](http://quotes.wsj.com/GRPN), [**GRPN**](http://quotes.wsj.com/GRPN) **in** Your Value Your Change Short position the daily-deal website, uses smart-growth hacking, according to Mr. Wadowski. Users who access Groupon through [Google](http://quotes.wsj.com/GOOGL) [**GOOGL**](http://quotes.wsj.com/GOOGL) **in** Your Value Your Change Short position will see a footer containing additional links—a design that helps boost Groupon's rankings in Google searches. But a simpler landing page comes up when a user just types in "Groupon.com." Thus, he notes, those who arrive at the site directly aren't distracted by the added links.

Groupon is showing user growth, including a 24% increase in active users in the most recent fiscal quarter compared with a year earlier, but investors still seem wary. Groupon stock hovers around $6 a share, a far cry from the $20 initial-public-offering price the daily-deals company set in 2011.

Another example is the social-networking site [Facebook](http://quotes.wsj.com/FB), [**FB**](http://quotes.wsj.com/FB) **in** Your Value Your Change Short position which has nearly one billion users globally. Facebook found out that users were much more likely to stay on the site if they acquired at least seven friends in 10 days, according to Mr. Kirigin, who is also a former software engineer at Facebook. Based on that premise, Facebook uses algorithms to suggest "people you may know" and sends emails prompting users to add their friends, he says.

Of course, growth hacking is irrelevant to many U.S. small businesses. Only half of them even have websites, according to recent surveys. But some entrepreneurs, such as Ankur Nagpal, are using growth-hacking tactics as an online alternative to traditional marketing.

Mr. Nagpal, the founder of Fedora, a website that enables people to create their own online schools, where they can sell courses over the Internet, says his team acquired 150 new customers through a technique developed in "an afternoon." He discovered that plug-ins exist that allow users to create features that are similar to his own application but less comprehensive. Using code, he analyzed the top 100,000 websites on the Internet to find which ones were using the rival plug-ins and then had a virtual assistant in the Philippines email the users of the websites, pitching Fedora.

The strategy cost him around $100, he says. "One of the ways I like to look at growth hacking: It's very high leverage on the time and money you invest."

To be sure, a business can turn off customers if it goes overboard with efforts to encourage sharing. Some websites make it too easy for users to inadvertently export their address books or share information about their purchasing habits on social-networking sites, says Sean Ellis, a former growth consultant to startups who now works on a customer-engagement-software startup in Southern California.

For entrepreneurs, focusing too much on boosting customer acquisition can distract from other critical tasks, such as big-picture planning or building a higher-quality product or a stronger team. "What many people are missing is that you need to have something people want," says Noah Kagan, formerly a product manager at Facebook.

Growth hacking can also be used as an excuse to justify email spamming and other low-leverage activities, such as buying Facebook likes and [Twitter](http://quotes.wsj.com/TWTR) [**TWTR**](http://quotes.wsj.com/TWTR) **in** Your Value Your Change Short position followers from third-party sellers. And methods described as growth hacking can cross ethical boundaries. In addition, startups can run into problems when they violate the terms and use agreements of other websites.

Consider Airbnb, a poster child for growth hacking because of its Craigslist tactic, which drove traffic to Airbnb. Craigslist eventually caught wind of the practice, leading Airbnb to abandon it.

Steven Blustein, a co-founder of Pridebites LLC, a maker of washable dog toys in Austin, Texas, has been experimenting for the past six months with what he considers to be a productive growth-hacking strategy: sending free toy samples to users of Instagram, Facebook and Twitter who post mainly photos of dogs in hopes of encouraging them to share images of their pets using the product.

One staff member at the eight-person company was assigned to identify appropriate users to reach on each medium, interacting with them through messaging and hashtags. The employee targeted the users with the largest accounts on each medium, but after looking at the results, he narrowed his attention to only the most active users of the sites. Soon, he saw that by far the most new customers were coming from Instagram, a photo-sharing site. So he began to focus there.

The two-year-old company, on track to have $1 million in sales this year, gained more than 11,000 new customers and increased its monthly sales nearly tenfold to $9,000 during the past six months. "We found a sweet spot," Mr. Blustein says.

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