

Andrew Warner's



MIXERGY

USABLE GUIDES

Interviews + Action Points



Hiten Shah

KissMetrics.com

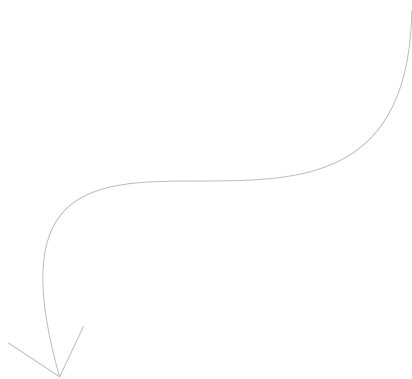


USABLE GUIDES



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Andrew Warner

founder: Mixergy.com

Mixergy is where the ambitious learn from a mix of experienced mentors. Hi, I'm Andrew Warner. In my 20s, I used credit cards and ingenuity to create a \$30+ mil / year (in sales) internet business with my younger brother. I created Mixergy to help ambitious people who love business as much as I do learn from a mix of experienced mentors. I do that by inviting speakers to live events and online interviews.

The Mixergy Mission

The Mixergy Mission is to introduce you to doers and thinkers whose ideas and stories are so powerful that just hearing them will change you.

The Mixergy Mission is to give you an alternative to the "know-it-all, professional gurus." I want to convince you that no single person knows it all. I want to show you that the best way to grow is to learn from a mix of smart people who are willing to share their expertise and experiences.

The Mixergy Mission is to infect you with a passion for business and then help you build your business.

The Mixergy Mission is to encourage YOU to have a mission, not just a startup, not just a company, but a calling.

The Mixergy Mission is to act as a counter-weight to all the small thinkers who'll try to convince you that the only reason to build a business today is so you can flip it tomorrow. The world isn't changed by people who have an eye on the exit.

The Mixergy Mission is to convince you to follow a vision so big and important that you can't do it alone. Then I want to give you a mix of wicked-smart people who will help you achieve it.

The Mixergy Mission is too big for me to achieve alone. If what I'm describing here calls to you, jump in and join me. ■

The 10 Action Points

10

Action Points

1

First write down your assumptions.

The first step to product development is to be aware of the assumptions you make about your customers. Before jumping in, talk to them extensively and make sure that your view of their world is correct. Exercising caution and doing your homework in advance will prevent you from wasting money building a product based on the wrong assumptions. Hiten is forthright in discussing one failed effort that cost him half a million dollars. “Down the drain, literally,” he says about the wasted investment. “We didn’t see a penny of it back, and I guess we didn’t really understand what the market wanted. We didn’t talk to customers before we launched. In fact, we never had a customer on that project, if I recall correctly, which was bad. We wasted so much money.” Don’t follow in Hiten’s footsteps on this one—write down your assumptions and study them before you throw money at an untested product.

2

Then survey and interview potential customers.

After collecting assumptions, the next step is to talk to customers and have them check your assumptions and tell you what they need. “I would do both,” says Hiten about these two vital steps. “Learning about an advertiser is going to work out better on the phone, because I’d be talking to brand managers. If you’ve ever tried doing sales, you know it’s not that difficult to get on the phone with someone for 20 minutes. You just have to figure your way. Maybe bug their assistant, drop by their office if you have to. Bring them lunch. Whatever you’ve got to do. You only need about five or 10 interviews with brand managers or media buyers, and you’ll understand what’s up. On the other side of it, with the podcaster, I might just say, ‘Hey, can you take 10 minutes and take this survey for me? I’m really interested in building a product for you, and helping you make more money.’ And usually that works pretty well. Then I build a survey based on my assumptions, and also based on understanding more about you as a customer.”

3

Look for patterns in their responses.

After talking to customers, the next step is to look at your notes and identify common needs. If you are not personally a good note-taker, it’s advisable to find someone who is and assign them that task. This is what Hiten had to do, and the payoff justified that decision. “We have someone who’s doing the interviews and writes things down,” he says. “Based on that, we try to find patterns and figure out what kind of features to build next. We try to implement as much of this stuff as possible, over time, and slowly. But the biggest part of it actually is writing things down and taking a very hypothesis/assumption/validated-learning approach to things, so that we’re able to learn faster than our competition and understand what these customer needs are.”

4

Build your Minimum Viable Product.

Assuming you've taken the step of writing things down, the next step, says Hiten, is to "try to find the pattern in those surveys, and then try to understand if I want to continue or not." Next, he says, "I would test my assumptions." If there are no apparent problems and more information is not needed, then he would build a minimum viable product. That, says Hiten, "is basically using the least amount of effort to give you something you can use. Then I can actually get you using it, and figure out from there, based on usage, what's right and what's wrong."

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5

Don't worry about the ghetto launch.

Entrepreneurs will often launch a minimum viable product knowing full well that it's buggy and lacks features. Hiten believes that that is OK because only a small portion of your potential customer base will see it; he can glean feedback from those who report problems or desire other features, and use that information to fix the product. "If there are 1,000 customers in the space and five of them don't like what you cobble together for them, but they still believe in the vision, that's OK," he says. "There are still a lot more fish in the sea. You shouldn't be scared of launching something really buggy, or crappy."

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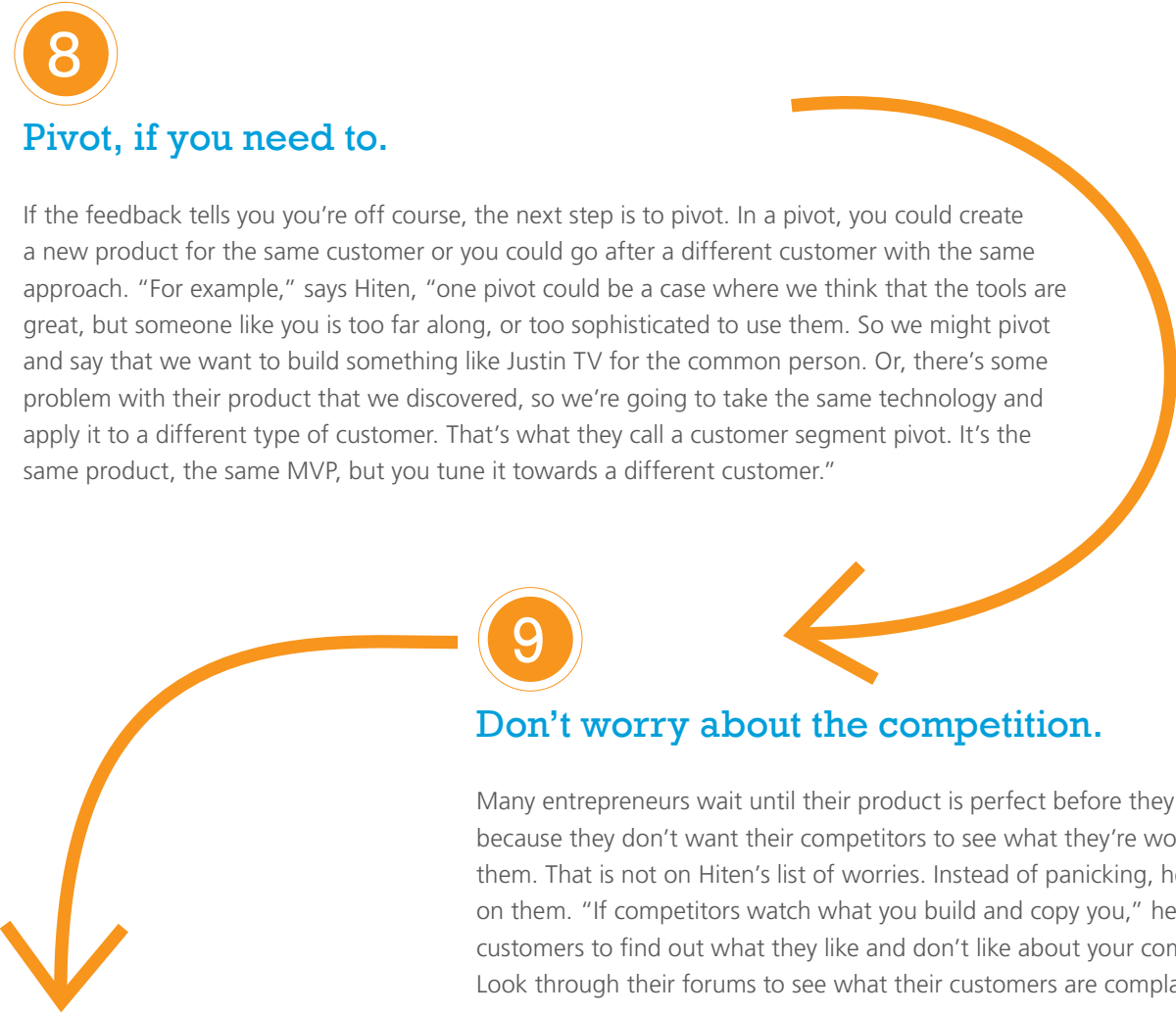
Look for early adopters who would accept flaws.

A related problem is that a minimum viable product full of flaws would turn off most customers. Hiten is more interested in early adopters who will give him some slack and buy into the overall vision. "They're not necessarily buying into what I'm doing today, but what I'm going to build for them in the future," he says. "This is my early adopter. If you're not someone who wants to go after that promise, and needs that so bad, then you're not an early adopter for me at this stage, and I should move on and find someone else."

7

Get feedback on your launch.

After providing customers with a minimum viable product, the next step is to get feedback and make the all-important decision whether to continue or throw in the towel. That decision is based on what's been gathered during the customer feedback phase. "Customers could give us a feature list that would make what we built more useful," says Hiten. "Or they could see what we cobbled together and say, 'You know what? It doesn't really matter to me.' And then I'd start back at square one and try another minimum viable product that's a little bit different, and try that on customers, and see where I go."



8

Pivot, if you need to.

If the feedback tells you you're off course, the next step is to pivot. In a pivot, you could create a new product for the same customer or you could go after a different customer with the same approach. "For example," says Hiten, "one pivot could be a case where we think that the tools are great, but someone like you is too far along, or too sophisticated to use them. So we might pivot and say that we want to build something like Justin TV for the common person. Or, there's some problem with their product that we discovered, so we're going to take the same technology and apply it to a different type of customer. That's what they call a customer segment pivot. It's the same product, the same MVP, but you tune it towards a different customer."

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Don't worry about the competition.

Many entrepreneurs wait until their product is perfect before they show it to customers, because they don't want their competitors to see what they're working on and copy them. That is not on Hiten's list of worries. Instead of panicking, he just turns the tables on them. "If competitors watch what you build and copy you," he says, "survey their customers to find out what they like and don't like about your competition's products. Look through their forums to see what their customers are complaining about."

10

Discover your mistakes early.

Hiten says he wasted \$45,000 building a podcast network called Fruitcast. When it launched, he says, TechCrunch "pointed out something that we didn't know—something that was bad—concerning what we were charging advertisers." Turns out they were charging a "hefty \$250 CPM to the advertiser, which is way above what radio stations charge for ads." They didn't even know what radio stations charged for ads because they didn't talk to customers before building."

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Hiten Shah

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Andrew: What were you doing when you launched the failed products that we're going to discuss?

Hiten: I was the co-founder of ACS, acsseo.com. We did search engine optimization and social media marketing. We wanted to build our own products so we could build a more scalable revenue stream.

I believe we hired 70 to 100 different developers, or contract development shops, to try to build stuff for us. My co-founder and I realized that we were at a disadvantage because we were not technical, so we had to learn fast about how to deal with that aspect of building Web-based products. And that's why we started hiring people; plus, we had the money to do it, thanks to the consulting business. At the end of the day, we built more than 20 products.

Andrew: Can you discuss one of the failed products you launched?

Hiten: With a development shop as a partner, one of the things we built was a podcast advertising network called Fruitcast. Here are some stats:

We built Fruitcast in two months.
We outsourced the development.
Spent \$45,000 to build it.
It was launched in November 2005.

Michael Arrington wrote about it in TechCrunch, and pointed out something that we didn't know—something that was bad—concerning what we were charging advertisers. He said, "That's a hefty \$250 CPM to the advertiser, which is way above what radio stations charge for ads." We didn't know that, and we should have known that. But Arrington knew it; he was smarter about our business than we were.

Some of the lean startup principles would have helped us avoid all of this. I'm pretty sure we could have spent less than \$1,000, and still come to the conclusion that we ultimately reached; we dead-pooled it in October 2006. That's almost a year later.

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One of our co-founders said, “I was sincerely hoping we’d find some magical combination of events that would jump-start it.’ So we were waiting for magic to happen, and it didn’t. We wasted about a year and \$45,000 on that idea, and it failed. We’re still ranked for podcast advertising on Google, for whatever that’s worth. I would call that a small to medium failure.

Another failure was a hosting company. We spent a half million dollars trying to build a hosting company. Bad idea!

Andrew: Why was that a bad idea?

Hiten: Ton of investment; ton of effort trying to do it. We had no idea about the space. We were very focused on the wrong thing, such as server infrastructure. We should have been focused on, “What is a product that makes sense in the market?”

Companies that have done well in the hosting market include Media Temple, SliceHost and a number of other companies that have figured out what the opportunity is, and have built a product based on that. I wouldn’t say that any of them have necessarily built an awesome product, but because they understand customer needs, they’ve been able to win market share.

Back in ‘05, ‘06, we didn’t understand how much investment it would take to make a successful hosting company. Those are things we didn’t understand then, and that was a significant hit. That was probably our biggest failure, because we spent \$500,000. In hindsight, knowing what I

know now, I probably could have built 100 things with that money, and 10 of them would have been pretty successful.

Andrew: You said you’re not a developer. How did you hire developers?

Hiten: We had money from building our consulting company. We were able to scale that; we were good at it, and so we had money to spend. I don’t think that people necessarily have that when they first start off. Because of that, we were able to start hiring people. We tried hiring people everywhere we could. We looked at the development shops out there and picked them. We asked, “Do you want to work on our project with us? We want to pay you.” It was as simple as that. Like I said, we had money.

If I were doing this today and I didn’t have money, I would take a different approach and validate a lot of my ideas first. This is said as a businessperson who is completely non-technical. I’d have a lot of information about the customers and their needs. I’d have prototypes built.

Andrew: Did you hire full-time developers or use a development shop?

Hiten: We hired development shops to build out what I’ll call the initial version.

Andrew: Were they able to take that idea and give you a finished product?



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Hiten: Two months and \$45,000 later, we had a finished product. It was a substantial finished product, a podcast advertising tool; podcasters could sign up and have the tools to create their podcast. Then the advertisers could come in and buy the ad space that they needed.

Andrew: Were you podcasters yourselves?

Hiten: No.

Andrew: Then where did this idea come from?

Hiten: We had a list of ideas. Being business people, we always have a list of ideas, and that just happened to be one of them. The shop that we chose was excited about it as well. It was very important to us that when we picked development shops or designers, or whoever it was, specifically outsourced, that they would also be excited about the opportunity as well. Usually, you get more out of someone when they're truly excited and passionate about the project. When we'd go to these shops we'd give them three or four options on what we wanted to build.

Andrew: Two months later, it's up and running. Then Michael Arrington shoots the first hole in the business. But when anyone takes a product to market, isn't getting negative feedback part of the process?

Hiten: Sure.

Andrew: Were you able to adjust your business based on that feedback?

Hiten: Yes, we did. But I felt dumb, because it's something I should have known before I even pursued that idea at all. It's something I could have known for cheap, or free. If I had known that, things would have been different and I probably wouldn't have wasted the money.

Arrington pointed out that we could have mimicked the radio station model more, if we'd understood it. But we didn't first go to these advertisers, and ask, "How are you advertising on radio? Are you even interested in podcasts?" We could have done a lot of things that were free, but we didn't do it.

Andrew: Can you give another example of something you could have done differently?

Hiten: Yes. Podcast advertising is a marketplace. We need the podcasters, and also the advertisers. Related to what I just said, I'd have done two tracks of what's called customer development. I could have done it a number of ways, but let's take the podcasters. Those are easy guys to reach out to. There are a lot of podcasters like you, and even back then there were several businesses built on just having all those podcasters together. We could have gone to most of those popular guys and told them that we were building a better way for them to monetize, and asked them some simple questions.

We could have done this by phone, or Survey Monkey, or other tools, and gotten some answers regarding their needs. Were they OK with putting advertising in? How long were their podcasts? There were many minute details that, quite frankly, we didn't know about at all.

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Then what we would have done is go to advertisers. We'd probably have gone to bigger advertisers (and they'd have been more difficult to get to), and asked them about how they buy ads on radio. Like I said, they'd have been harder to get to, but we'd have only needed three to five of them to give us a pattern of data. And at this point, I need to hunt for patterns. I want to know what the patterns are in these customer interviews that I could turn into products or learn from.

Andrew: You mentioned customer interviews and looking for patterns. How would you use all of these different ideas today? Hiten Shah looks at Mixergy and says, "Hey, Andrew's doing these

The person spending the money is number one in importance; and I'm assuming I can get the producers if I'm going to offer them money. I think that's a pretty good assumption. I'd love to prove that, but I think that if I offered you more money, you'd most likely take whatever product I had, as long as it kept your customer experience the same.

Next, I'd go to your sponsor, Media Temple, and I'd go to Leo Laporte's advertisers (I think he has some big brands as well). I'd try to reach them, and find out why they're advertising, the benefits they're getting, and understand what they might need. I'd use that information to figure out what type of product to build on that side of the business.

I want to know what the patterns are in these customer interviews that I could turn into products or learn from.



videos. It's growing; it's getting good attention. Leo Laporte is just crushing it with his TWiT Network. I see that there's a growing podcasting industry, but I don't want to invest \$45,000 in the space. I just want to go out and figure it out, and build it out leanly." What do you do today? Right now if you have this idea, what's the first thing you do?

Hiten: The first thing I would do, and the way I'd approach it, is to identify those two different groups. You are the producer, and there are advertisers out there. I'd look at all the producers out there, and see who's advertising with them already. Then I'd go talk with those advertisers, because I feel that they're the people who have the money to help the producers monetize, and help us be the middleman to do whatever we can there.

Do they want automated placement? Is there a certain type of placement? Pre-roll, post-roll, all that kind of stuff. I'd figure out what their needs are. Then I'd go to folks like you and Leo Laporte, and whoever else makes sense, and try to understand what your needs are.

I can imagine that you might need a better video platform; there might be certain little nit-picks that you have. I'd try to find the patterns of complaints across multiple bloggers, like you, and try to understand if I can build something better to hook you in to what I'd build. For instance, providing analytical metrics—that's always a good cookie to offer people in these types of businesses.

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Most companies provide analytics as a way to attract producers, content providers or publishers, and they bring in advertisers when they amass producers. So that's the first thing I'd poke around in and see, and it's not because I'm in the analytics business, but because that's the typical thing, and basically how it's done.

I think providing you with a video platform would be the fastest, low-friction thing. I'd learn what your needs are regarding that, and then go from there.

Andrew: If you asked me, I would have said I didn't want a new video host. Video is too deeply embedded in my site to make it worthwhile to switch.

Hiten: You want to start with your assumptions. That's a part that I skipped. Everything I talked about is basically an assumption that I would have about these two parties that I need in my business. So, I would start with these assumptions.

One assumption you've just invalidated for me, which is that you need a video platform, or a better video platform. It sounds like you're happy with what you have.

So then I might dig deeper, and find out if the platform you're using has API's, and if that's the way for me to do business.

I'm actually a big fan of Wistia, the platform you're using. I love the analytics they provide. So I might have done more research already, and might have come to you with a better proposition. I think that

the video platform thing is an assumption I could have validated or invalidated myself, before even talking with you.

I like to do some of that up-front work. It's not market research; it's more customer research, so I can really understand and be informed when I talk with you.

Andrew: You've been using what you learned to grow KISSmetrics, where big companies are doing business with you. They're not as accessible as podcasters. How can you call decision-makers at those companies and ask them to spend a half-hour on the phone with you so you can do market research?

Hiten: LinkedIn is very valuable. And there are a lot of ways to reach a customer. I could go on for days about this, but it really depends on business type. I tend to lean towards businesses for which I can put up a survey or a landing page, and buy traffic and send people through it. That way I'm not worried about talking to big brands, or anything like that. I tend to skew toward that type of business because it's easier to buy customers online, or buy traffic, and watch them take your survey.

But that being said, LinkedIn is your best friend. If you pay for their subscription service, you can send messages to people who aren't directly connected to you. So if I want to get to the brand managers at Logitech, they're on LinkedIn. I can e-mail them, or I can see who in my network might know them. And if I'm paying for the subscription, I can reach them myself. Another great thing is that LinkedIn's Q&A platform is very powerful, and I might ask

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my network a question there. I might even use Facebook or Twitter, and ask, “Does anyone know anyone like this?”

I hate to put it like this, but if you’re an entrepreneur trying to do a startup, you’ll do whatever it takes to get to the next step. In this case, the next step is reaching a potential customer and talking with them. And if you can’t figure out how to do that, maybe you need to go ask somebody.

Andrew: You mentioned surveys and interviews as good research tools. If you wanted to launch Fruitcast today, which would you do?

If you’re an entrepreneur trying to do a startup, you’ll do whatever it takes to get to the next step.

Andrew: I would do both. I think learning about an advertiser is going to work out better on the phone, because I’d be talking to brand managers. If you’ve ever tried doing sales, you know it’s not that difficult to get on the phone with someone for 20 minutes. You just have to figure your way. Maybe bug their assistant, drop by their office if you have to. Bring them lunch. Whatever you’ve got to do.

And that doesn’t need to scale too far. You only need about five or 10 interviews with brand managers or media buyers, and you’ll understand what’s up.

On the other side of it, with the podcaster, I might just say, “Hey, can you take 10 minutes and take this survey for me? I’m really interested in building

a product for you, and helping you make more money.” And usually that works pretty well. Then I build a survey based on my assumptions, and also based on understanding more about you as a customer.

Andrew: If you could go back in time and undo the mistakes you made at the failed companies, you’ve said the first step you’d take is to write down your assumptions. Then you’d do interviews and surveys. What’s next?

Hiten: I would actually try to find the pattern to those surveys, and then try to understand if I want to continue or not. In this business, I wouldn’t

continue. There aren’t many podcasters like you. It’s not like there are thousands of them, at least as far as I know. And so, I think I’d quickly realize I’d have to go after the 100 or 200 podcasters that are huge.

Then I’d test my assumptions. Which ones are wrong? Which ones are right? Do I have more questions now? Are there more assumptions I need to make based on these responses? Do I need to follow up with Andrew? Do I need to follow up with some of the brand managers, and figure out if I need more information?

If I don’t, and I’ve discovered something (like maybe that the video platform idea would work), I’d build a minimal viable product, which is basically using the least amount of effort to give you





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something you can use. Then I can actually get you using it, and figure out from there, based on usage, what's right and what's wrong.

Andrew: You said earlier that you wouldn't decide how to proceed. You'd decide whether or not to proceed. That was very unexpected for me. I thought you'd say, "There's always a way. I now have all this research that's going to show me what that way is."

Hiten: Some people say, "You have to have a vision and go after that vision with blinders on. You're just going to do what you gotta do to get there." Others say, "I'm just going to do market research and figure out what the market tells me to do."

I fall into the middle ground, and I think that's what guys like Eric Ries will tell you, that you need a vision, and it needs to be something you're passionate about. But you also have to be able to bob and weave as you discover what the opportunity is, as you do these interviews.

It's very easy now, after all these failures (and these successes), for me to say that I have a vision, an idea, and I'm willing to say that I'm wrong about certain parts of my vision. I'm willing to change it, because my goal isn't to see all these ideas realized, it's to build a successful business. This means that I'm going to be wrong a lot. But if I'm taking an approach where I'm willing to be wrong about parts of my vision, it also means that I'm at least headed toward success, versus being really stuck on, 'No, I'm going to help all these bloggers make money. I'm going to get all of them, and I'm going to figure out how to do it.'

Yeah, you can do that, but you might fail if your assumptions are all wrong, and you're not willing to learn along the way.

Andrew: Going back to our example, assuming you decide to continue with the product. What's next?

Hiten: Let's make some assumptions and pretend they're true. Let's say one assumption is that, as a blogger doing these interviews, you need a video platform, and that there are enough of you out there. Let's say there are hundreds. Based on my surveys, as an entrepreneur, I'm confident I can reach all of you. Because based on these surveys, I would know whether I could reach all of you, or whether there is a strong enough pattern amongst all of you where I could build something.

Let's say the pattern I discover is that podcasters need help getting videos uploaded, hosting them, and running them. And that I notice that doing live shoots is difficult. So I would figure out how I can spec something out that would get me one step closer to understanding whether that somewhat proven assumption is true.

Personally, I'm all about ghetto-rigging things in the beginning, if I can. What I'd do is help you with as little technology as possible—using YouTube, believe it or not—and string something together that's more useful than what you have today. Maybe I hold your hand and walk you through it.

So I might even string together something between JustinTV and YouTube in this case, because you do these live interviews, and that's a big thing for you.

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Then I'd manually take the Justin TV videos and put them on YouTube for you, because I might realize that you'd want a bigger platform, and YouTube might provide that for you.

There are a bunch of assumptions there. I would basically cobble together a product and give it to you to test those assumptions.

Andrew: You're describing something many entrepreneurs would be embarrassed to show potential customers. Wouldn't customers just walk away from it?

Hiten: That's a very good point. I'm looking for people who would go with it, because they're

vision, that's OK. There are still a lot more fish in the sea. You shouldn't be scared of launching something really buggy, or crappy.

That's what we're doing with KISSmetrics today. When we have a new feature that we want to launch, it might take five days to make it really polished, or a day to release something fast and buggy, so we can learn. We choose to launch fast and buggy.

I want to maximize my learning at every step, and I'm not worried about making everything perfect anymore. And that statement is extremely hard for me to say. I'm a perfectionist.

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my early adopters. They're the ones that buy into my vision for the business. They're not necessarily buying into what I'm doing today, but what I'm going to build for them in the future. This is my early adopter. If you're not someone who wants to go after that promise, then you're not an early adopter for me at this stage, and I should move on and find someone else.

Andrew: Hiten, you have a reputation. When you put something ghetto-rigged into the market, doesn't that erode your credibility with customers?

Hiten: Nope. If there are 1,000 customers in the space and five of them don't like what you cobble together for them, but they still believe in the

Andrew: So after you launch your ghetto-rigged, minimum viable product and get feedback, what's next?

Hiten: You step back and say, "Based on this feedback, and what I'm looking at, do I want to continue or not?" You're basing that on validated learnings from your customer.

Customers could give us a feature list that would make what we built more useful. Or they could see what we cobbled together and say, "You know what? It doesn't really matter to me." And then I'd start back at square one and try another minimum viable product that's a little bit different, and try that on customers, and see where I go. That's



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basically what you call a pivot. I would take what I learned here and figure out what the next step is. Either I'm going to double down on this minimum viable product and build it into a real business and a real product, or I'm going to pivot and try a different angle.

For example, one pivot could be a case where we think that the tools are great, but the first users are too far along, or too sophisticated to use them. So we might pivot and say that we want to build a live broadcasting service like JustinTV but for the common person. Or, there's some problem with their product that we discovered, so we're going to take the same technology and apply it to a different type of customer. That's what they call a "customer segment pivot." It's the same product, the same minimum viable product, but tuned toward a different customer.

Andrew: Is there a next step after that?

Hiten: Same thing. It's a loop.

Andrew: You just keep going through this process again.

Hiten: That's it.

Andrew: Maybe you go back and interview this same customer base and ask what they need next. Then you test our your assumptions. You look for patterns, you create the next minimal viable product, and you pivot or double down. And this is the whole series of events here.

Hiten: Yeah. And when you double down, you're usually going toward creating a business, and you've validated that business. You might even validate that people are willing to pay.

Andrew: As you're going through this process, your competitors are watching as you learn. What if they steal your ideas and improve on them?

Hiten: Good luck to them.

Andrew: You just let them have it?

Hiten: When a competitor hops in and does something better, I have the option to talk to their customers.

Andrew: So the same thing they did to you by figuring out what your customers like about your ghetto-rigged solution, and created a less ghetto-rigged solution, you do back to them. You can ask their customers, "You didn't like my system as much as you liked my competitor's. What was it about them that you liked? What drew you over to them?"

Hiten: Yeah, and there are a lot of ways to do this. One of my favorite things to do is to look at competitors' feedback forums. If I'm entering a space, the first thing I do is go on forums, or Get Satisfaction, or find their UserVoice forum and look at what their customers are putting on it and saying about their product. I get a lot of learnings there without even talking to a customer of theirs. On top of that, a lot of the time I'll know who their customers are by looking at those forums.

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Andrew: I've heard that. A lot of people have those feedback tabs on their sites. I have them, and they're a good way to let the audience know and vote on problems, but it's also a good way for competitors to see what problems and demands people have related to your business.

Hiten: I'm looking at yours right now, and people want you to interview the small, profitable bootstraps. And if I was thinking of competing with you, I might just throw up a product in your space that does just that. All I'd do is interview small, profitable bootstraps.

[Andrew's note: I removed that public feedback tab after this interview with Hiten.]

Hiten: Yeah, it's like dumpster diving. That's what Carnegie, the viewer in your live audience said. I love dumpster diving.

If you're going to do one of these businesses, I think it's very important to focus on it fully.

Andrew: You said you lost \$500,000 on a single business before you discovered this new approach. How did you end up with so much money in the first place?

Hiten: A lot of it was unique to our situation. We were running a successful consulting company and we had the money, so we just kept pouring it into the idea blindly. I'm super-embarrassed about that one, but it happened because we had other priorities.

That's the other thing. If you're going to do one of these businesses, I think it's very important to focus on it fully.

Andrew: In addition to KISSmetrics, are you guys still running Crazy Egg?

Hiten: It's an independent company, so we still have a few people running it. Neil Patel, my co-founder, and I are not running it day-to-day at the moment, though.

Andrew: Are there any other companies that you guys launched that you still own?

Hiten: No. It's just Crazy Egg, which is independent. And we have a couple products with KISSmetrics.

Andrew: And you've sold ACS?

Hiten: Yep. That's the consulting company. We still own the name, but we don't have any clients.

Andrew: That's another thing that you're saying, that you need to focus, and that's what you've done. As soon as you got into KISSmetrics, and you started to understand where you were going with this, and the philosophy you were going to follow, you got rid of everything else and started to focus deeply on this.





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Hiten: I think that's really important if you're in a situation where you have either a day job or a consulting business. I don't mean that you can't do the early customer discovery and even the minimal viable products without focusing, but when you catch a wave, you need to ride it. The only way you're going to do that is on one surfboard, not two.

Andrew: One more question before I move past this hosting company. Where did the money go? Where was the biggest expense?

Hiten: Good question. It's a very complicated situation, but I think the biggest ones were infrastructure: actual servers and routers, and that kind of fun stuff. And the second was employees, because we had quite a few people working on that project.

Andrew: I won't push any more, because I see there's something you're uncomfortable with.

Hiten: It's half a million bucks. Down the drain, literally. We didn't see a penny of it back, and I guess we didn't really understand what the market wanted. We didn't talk to customers before we launched. In fact, we never had a customer on that project, if I recall correctly, which was bad. And we wasted so much money.

It would have been easy just to email site owners and ask them about the hosting company that they use. We could have easily done that.

Andrew: Can you tell me about one other business that got into that didn't do so well?

Hiten: Yeah, Serph. It's not live anymore. It took us seven months, one developer and \$15,000 to build. We launched it in March 2007, and actually took it offline just recently, in February 2010. It was running for three years.

I don't know if you're familiar with the social media monitoring companies, but I believe we did social media monitoring before everyone else did with that product. Three years later, there are successful businesses in the space, like Radian6 and Trackur.

Seven months, one developer? With today's thinking, I could have tested a lot of products and probably come up with one or two, at least one, that would have been worth doubling down on. Yeah, time is money.

Andrew: How about one more?

Hiten: Yes. A search engine management product. When you're advertising on sites like Google and Yahoo with keywords, these systems help bid and pick the keywords. We wanted to build one of those really badly, especially because part of our consulting company business was based on managing those campaigns.

We probably spent \$60,000 to \$70,000 trying to build this product. It was another outsourced product with another development shop. It was called "SiteBlimp." I don't think it's live anymore. We ended up just leaving these sites running. I don't know why. I'm not sure if we could have seen what was coming, but we could have spent less money in the process.

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We wanted to provide a free plan to our customers, and we were relying on Google and Yahoo's API's to make the whole business work. Then Google changed its policy. The first policy they changed was that they didn't want their data next to Yahoo's data. Apparently, some of the big players got around that, but we didn't, because we didn't even have a customer, so we didn't matter to them.

The second thing they did was to charge their customers for the API calls. It would have been extremely expensive being self-funded, and

Hiten: Well, that's part of it. Another part of it is that we tried to get customers early, and this wasn't based on any methodology, but on what we felt was right after a lot of failures. So we tried to get customers very early, and we got very smart about finding early adopters in the space. One thing we did to build our email list for our beta invites was to advertise on a lot of the CSS galleries. Back then, the traffic was very inexpensive, and a lot more of it than exists today. Now designers get their CSS design fixes other places, and it's not as hyped of a category any more.

One thing we did to build our email list for our beta invites was to advertise on a lot of the CSS galleries.



bootstrap to scale the free side of that business. That doesn't mean that we couldn't have pivoted into a paid plan, but for a number of reasons we stopped pursuing that project after wasting around 60 grand.

Andrew: You had a hit with CrazyEgg. How would you describe that product in one sentence?

Hiten: It shows you where people click on your Web pages.

Andrew: Of all your earlier product launches, why did CrazyEgg work?

Hiten: Dumb luck.

Andrew: Really?

So, we were able to grow our list to about 20,000 emails, so we had a launch list with that. We also had some private forums that we participated in, where we invited folks really early to the site. My estimate is that without even using that 20K email list, in our private alpha or beta we probably had 1,000 to 2,000 people using the product, or that had at least signed up for it.

Based on that we were able to iterate the product. We didn't do any formal customer development, but what we did was very similar to what I described earlier. We built a minimal viable product; I think it took three or four months, although, in hindsight, I could have done that faster.



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I think we took a very similar process to what I understand now about these Lean Startup principles, and customer development, without knowing what those things meant at the time.

After a lot of failures, and some successes, entrepreneurs will tend to drive toward many of the concepts we talked about earlier on their own. And that's what Neil and I ended up doing.

Andrew: Like a lot of people, you discovered Eric Ries. But unlike most people, you actually use his ideas. How are you using his lean startup methodologies at KISSMetrics?

Hiten: We're doing our best. I wouldn't say that we're fully done with that. We're constantly trying to be better and implement his ideas. A lot of the ideas are iterative anyway, so over time you get much better.

We also started doing a lot of customer interviews. I have a personal problem, which is that when I talk to customers, I don't write anything down. It's a weakness of mine. I've never been a good student at school about homework, and writing things down, but I wasn't the worst, either.

But we started taking customer interviews, and we have someone who's doing the interviews and does write things down. This is Cindy Alvarez, who's now our product manager. Based on that, we try to find patterns and figure out what kind of features to build next. We try to implement as much of this stuff as possible, over time, and slowly. But the biggest part of it actually is writing things down and taking a very hypothesis/

assumption/validated-learning approach to things, so that we're able to learn faster than our competition and understand what these customer needs are.

So I would say that it's more of taking to heart the concept of knowing that you're not always right, and yet being very comfortable being wrong, almost wanting to be wrong.

Andrew: Do you have an example of a project, or a new product on KISSmetrics, that you use these ideas on?

Hiten: Yes, we have quite a few. We've turned this one into our second product. Our first one is KISSmetrics, the main product, which is a quantitative analytics tool that helps people track conversion rates and funnels. A second assumption we had was that quantitative data is great, but qualitative data, like survey data and customer feedback, is really important too. We wanted to figure out what the real opportunity is in adding that.

So we had a developer spend five days building a minimum viable product for qualitative feedback.

We had a number of assumptions, including that people don't know what to ask their customers and people don't know what actions to take based on the answers they get.

That led to a product that's very simple. Users fill out a couple of blanks, and we pop out the survey questions for them. The URL is survey.io. Seriously, it only took five days to build, and it's already had more than 2,000 sign-ups.

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That was our MVP. We had a bunch of assumptions there, and the biggest one that was validated was yes, people do not know what to ask customers. And when you tell them what to ask, they actually learn from it.

Andrew: Do you have another example of how you used what you learned before at KISSMetrics?

Hiten: We wanted to build a product to help companies better understand their customers. So we built the product that was a kind of competitor to Survey Monkey, and decided to do a quick

months to build, and we've had about 500 signups so far. I don't know if we have product market fit with that idea yet, but we're working on it.

Andrew: You said earlier that once you find the right product, you should focus. Does building survey.io and KISSInsights distract you from your main business, KISSmetrics?

Hiten: Our goal with KISSmetrics is to help people get actual information about their customers, information that they can take action on. Having these two products helps us marry qualitative

Having these two products helps us marry qualitative and quantitative information, which is crucial in improving the experience for your customers and your product.



MVP test on this. We spent two days tweaking the product a little bit and then started doing pop-up surveys on Web pages. That was a blast. We saw the response rate was much higher than long surveys. And on our own team, we started thinking of dozens of questions we wanted to ask customers in certain places on our site.

For example, on the main KISSmetrics product, we used this minimum viable product for surveys on our reports to ask, "Is this report clear? Yes or no." If they said no, we asked them to explain their answer. That actually helped us improve the reports.

We started realizing that this was a very good way to get feedback. And now we've built a product based on it. It's called KISSInsights. It took two

and quantitative information, which is crucial in improving the experience for your customers and your product. They're very tied together and very complementary. I think we're still months away from tying them together in a meaningful way, but we see a lot of that going on at the end of the road.

Andrew: You and your co-founder Neil aren't developers. How do non-developers build a business that's so heavily reliant on developing?

Hiten: We try to hire a lot of people. And based on that, we found people we can get along with, and people who are really great at making products. So, it was just trial and error.



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Andrew: How do you manage people as a non-developer? How do you manage their code, and make sure they're developing in the right way?

Hiten: That's a great question. I do it by finding people I can trust, and then giving them very small projects to do. So if I were to start today, I'd give somebody a very small project to do, and see if they can do it successfully in a very short amount of time, and see if it works when I go through it. I wouldn't even try to audit their code. I'm just looking for someone who can put something out there extremely fast, and it works. It might break a little bit here and there, but they're willing to fix it; they're fixing it fast. For me, it's more of an attitude than a skill thing.

So if somebody has the right attitude, I'd probably lean toward that person rather than someone who has the right skill, but the wrong attitude.

Andrew: Thanks for being so open about your failures! ■

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