

# **Million Dollar Weekend**

***The Lost Chapter***



**Noah Kagan**

# The Lost Chapter: Growth Accelerants

*“Play by the rules, but be ferocious.”*

*– Phil Knight, founder, Nike*

Finance is nothing more than the art and science of watching money flow in and out of your business. Then, based on those numbers, you determine whether what you’re doing is producing the results you want or not. Finance is really not any more complicated than that.

When you put it that way, the greatest goal for a new business is increasing the inflows. And that makes it simpler still, because there are really only three ways to increase the revenue of any business endeavor:

1. Get your message in front of more eyeballs (that is say, gain more customers).
2. Get more money per customer (by charging more, getting repeat purchases, and so forth).
3. Sell new products to your existing customers.

A lot of entrepreneurs our focus on the first item in the list. But I want to talk a little about numbers two and three—basically, how to prioritize existing customers, transform them into repeat customers, and create complementary sources of revenue.

The absolute hardest part of building any business is finding new customers. Once they’ve bought from you, they’ve already voted for you. You’ve converted them and they are on your side. So work with (and for) them!

With that in mind, let’s talk about serving them better by taking advantage of four great growth accelerants that will turn the little flame you spent so much effort lighting into a roaring bonfire.

Here are four growth accelerants I've personally used to drive insane growth in my businesses:

1. Build Complementary Products.
2. Create Recurring Revenue.
3. Optimize Pricing.
4. Make Your Current Customers Happier (By Focusing on Service and Retention).

Let's dive into each.

## **1. Build Complementary Products**

Think about your favorite author. Do you own more than one book of theirs? I'd bet a million percent that you do.

Why is that?

It's because we like their stuff and want MORE from them. Now focus this idea on your business. The upshot is obvious, right? It makes much more sense for a business to give its existing customers MORE of what they already want INSTEAD of starting new businesses, trying totally different categories, or focusing all your attention elsewhere.

Just imagine you're a guitar teacher and you want to grow that business. Do you go into selling pizzas? No way. Instead, you might:

- Step 1. Teach a group of students in person.
- Step 2. Go on Teachable and make a course multiple people can take remotely, to increase volume.
- Step 3. Build and sell software that does audio tuning to attract different customers.
- Step 4. Create and sell your own guitar for a higher sale price point.

What you're doing here is scaling by dancing with those who already buy from you, by entering adjacent areas that will likely interest them because they already know you and are predisposed to look upon you fondly.

Most of the time, it will be obvious which complementary products you should make. Back in the day before digital cameras were a thing, Scott Voelker started an event photography business called New Portrait to get out of working for his father's company and gain his freedom.

Not long after that, digital photography got big and Scott started seeing the opportunity of selling CDs of their digital templates on eBay, which grew into a nice little business. After that, Scott started offering the complementary service of digitally transferring images. His customers started asking how to do that, so Scott created an online course that taught his methods.

But quite often these complementary products will present themselves to you where you least expect it.

Take Justin Welsh.

Justin was a successful startup sales exec who spent a decade building two \$50 million plus SaaS companies and raising over \$300 million in venture capital. In 2019 he burned out and quit, deciding instead to start his own one-man SaaS consultancy.

His client list grew steadily as he posted his SaaS wisdom on LinkedIn, but a funny thing happened when he read his DMs on the site: his inbox was jammed with questions about how he did such an epic job building his LinkedIn follower list (20,000 plus at the time).

So he put together a short LinkedIn audience-building course, put the product for sale on Gumroad for \$50, and wrote posts about it.

In the first month, he made \$10,482. Over the next twenty-seven months, he sold about \$340,000 worth of the course. And now he has over 265,000 LinkedIn followers.

## **2. Create Recurring Revenue**

Recurring revenue is like Xanax for entrepreneurs. Knowing you're getting money every month from your existing customers reduces anxiety and lets you sleep.

The greatest thing about recurring revenue is predictability. When you know how many customers you have on recurring plans, you can begin to hire, spend, and grow your business confidently.

At AppSumo we've had months where we made \$50,000 . . . and months where we've made \$500,000. Both sound great until you realize our monthly expenses are at least \$300,000. With AppSumo (and KingSumo), we do make money right away, but these customers might not return anytime soon. That's why subscriptions are so important—they let you plan.

In Justin Welsh's case, as sales picked up for his LinkedIn course, his interest in SaaS consulting faded. After he released the second version of his LinkedIn audience-building product, he was making \$2,000 a day selling it and wanted to concentrate on that. So what did he do to keep a predictable income as he dropped consulting? He opened a private community for LinkedIn creators and charged \$199.

But remember: Don't force a recurring revenue model on your customers just because you have Scrooge McDuck fantasies of constant passive income. It should be something people WANT to pay for monthly.

The downside is, recurring revenue comes with a bunch of challenges, like churn (customers canceling their payments and leaving your service). It's not as simple as setting up a monthly subscription for your customers and leaving it.

And you might want to give yourself the freedom to change your mind. Not long after he launched his private LinkedIn community, Justin realized that while he loved the community, that love might not last forever. Problem was, annual subscriptions meant he was locked in for twelve months. So to give himself the freedom to do something different if he chose, he moved to \$99 a quarter. That not only got him more income but also gave him the peace of knowing he was always ninety days away from stopping.

### **3. Optimize Pricing**

The moment you make a mistake in pricing, you're eating into your reputation—or your profits. When a business tries to maximize revenue by nickel-and-diming their customers or trying to capture too much value, customers flee. If its prices are too low, it leaves money on the table.

Not to scare you—just being clear that pricing is an incredibly important part of your business. It's also incredibly difficult.

In general, you're going to have to experiment with prices for both new and existing customers quite a bit, much like you did with your marketing channels: make hypotheses, test them, and tweak your plans using the data you gain.

At Sumo.com, we've changed our pricing seven times in two years (and we're definitely going to keep experimenting):

1. We started out offering Sumo.com completely for free.
2. Next, we were charging only for designs of pop-up templates.
3. Then we made each individual app \$20 a month and added pro options for each of them.
4. Next we saw people wanted multiple apps without needing to figure out which would work best, so we bundled them.

5. From there we thought why not offer *all* the apps on our site for one subscription price. Hello, Sumo Pro for \$39 a month!
6. Fast-forward: Today MOST of Sumo.com is free except the benefits we identified that 80 percent of customers REALLY value.

One interesting thing is to notice what people REALLY value. We thought everyone would pay to remove our branding. Surprise—NO ONE CARED about removing the branding!

The point here is that—just like marketing—finding the right price is an ongoing process of experimenting and listening to your customers. Remember: Your pricing should align with the value customers get out of your product.

For most entrepreneurs, this often means raising their prices.

Basecamp founder Jason Fried told me how they experimented with pricing for “The Basecamp Way to Work” workshops.

Prices started at \$100 per ticket. Now they’re selling at \$500—five times the original price! And they still sell out in twenty-four hours. By experimenting, Jason was able to figure out how much value they deliver to attendees and what price people are willing to pay.

It’s important to remember that raising your rates to the optimal level (that is to say, the value your customers get from them) is good not only for you but also for your customers. At Sumo.com, raising our prices allowed us to deliver new, highly requested features and provide better support.

Those price raises have to be justified in your customers’ eyes, however.

Justin Welsh doubled his consultancy rates only after he developed a niche of happy customers in early stage SMB SaaS companies in healthcare and got a bunch of testimonials.

The same thing happened with his LinkedIn course. When he started, he put a price of \$50 on it. After the course was outdated and people started asking him for a new version, he rebuilt the course. But this time he charged \$150. He says the earlier \$50 price was his “trust trip wire”: he charged \$50, delivered 100 times the price in value, and in so doing, built trust with a loyal customer base.

One final note on pricing: It can be really helpful to clearly show your customers how much value they’re getting from you by presenting them with the cost of industry benchmarks or old ways of doing things. That’s called price anchoring.

The online collaboration tool Teamflow does this in a cool way, by showing the average cost of renting office space in the United States (\$799 a month per employee) right next to the price of using their virtual office software (between \$0 and 25 a month) When a potential customer comes to their site and compares the options, Teamflow seems even more desirable. It’s a technique worth trying out.

Before Teamflow	Free	Seed	Business
Based on average cost of office space in US.	Forever for up to 5 employees.	Excellent for scaling teams to build culture.	For large organizations to build camaraderie.
<b>\$799</b> per employee / month	<b>\$0</b> per employee / month	<b>\$15</b> per employee / month billed yearly	<b>\$25</b> per employee / month billed yearly
<ul style="list-style-type: none"><li>× Limited physical space</li><li>× Limited rooms and whiteboards</li><li>× Questionable leftovers</li></ul>	<ul style="list-style-type: none"><li>✓ 10 guests at a time</li><li>✓ 45 minute meetings</li><li>✓ 5 apps open per person</li></ul>	<ul style="list-style-type: none"><li>✓ 15 guests at a time</li><li>✓ Unlimited meeting time</li><li>✓ 8 apps open per person</li></ul>	<ul style="list-style-type: none"><li>✓ 25 guests at a time</li><li>✓ Unlimited meeting time</li><li>✓ Unlimited apps open</li></ul>
Before Teamflow	Sign up for free	7 day free trial	7 day free trial



## 4. Make Your Current Customers Happier

Here's a challenge: How would you double your business if you COULD NOT get any new customers?

This will help you think of ways you can overserve your current customers. Because the biggest growth secret in business is customer retention.

The key is to keep overdelivering and make your current customers as happy as possible. The benefits of this are twofold:

- Happy customers will refer your business to their friends.
- Happy customers are more likely to spend more cash and buy your new products or services.

This is especially important for new businesses, because with the limited number of staff (like, you), it is possible—and necessary—to give highly personalized customer service. That service will make your company stand out, gain referrals, and save you from having to constantly find replacements for customer churn.

The longer you retain customers, the more opportunity you have to earn more revenue from them.

The main strategy for retaining clients is to provide a high-quality product or service that consistently addresses their needs. That means getting regular feedback from them—and going above and beyond the product-for-money mindset.

In the first years of Sumo.com—and even today—I personally write to random customers to see what they like and dislike about us. They invariably start their reply by saying, “You’re Noah and you’re writing to me? Really?” But by the end they’re thrilled—and they’re telling their friends.



**Noah Kagan** ✓  
@noahkagan



When Nick Bare was growing BPN Supplements from \$1K - \$100K per month, he wrote every US customer a hand-written thank you note.

While he was in KOREA.

Best way to grow your business:

Make your customers feel special.

6:04 PM · Sep 2, 2022 · Hypefury

2 Retweets 56 Likes

Customers also love to be rewarded for loyalty. It's an obvious example, but Starbucks Rewards works perfectly as growth marketing via customer retention. I bet you participate in it yourself, right? You refill your Starbucks card regularly to earn points and order online when you're in a rush. Plus, the app remembers your favorite drinks AND celebrates your birthday. What more could you want, right?

But for you, since you're not running a billion-dollar megacorporation yet, the big lesson is to turn the small size of your company into a strength. Treat your customers like your friends and your greatest allies. When they feel valued, they'll more than return the favor.

You should always focus the majority of your efforts on serving your ideal customers, which are most often your existing ones. Your ideal customers buy early, buy often,

spend the most, spread the word, and are willing to pay a premium for the value you provide.

They are your superstars. Thrill them!