Twitter Thread by Frank Rotman



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1/23: One #startup trap to avoid (founders and VCs) is to fall in love with a value prop that can't be delivered IRL now. Good diligence will surface disconnects but they're often brushed under the rug by #VCs who believe fixing delivery over time will be fine. Unpacked:

2/23: The foundational reason why this matters from day 1 is that building a franchise of loyal customers is difficult for any #startup to pull off but the challenge is amplified if the #startup has to rebuild its franchise as it scales.

3/23: Broken or unfulfilled promises lead to customer behaviors that have real consequences. Poor ratings and reviews. High customer service costs. High complaint volume. Low engagement. High attrition/returns/cancelations. Low organic growth.

4/23: Undoing damage takes time and sometimes is nearly impossible. Convincing inactive customers to "retry" your product isn't easy. Overcoming bad reviews can be a Herculean task. And resources will be thrown at fixing past sins at the expense of new functionality.

5/23: And guess what happens when #VCs dig into questionable early performance numbers? These conversations tend to revolve around caveats, apologies and synthetic analysis that bakes in significant improvements (many of which are still "unknown" in nature).

6/23: Because of these issues, front-end marketing "hacks" can be very dangerous to a #startup's journey. Bringing in customers at a reasonable CAC is important, but not as important as bringing in customers who are die hard users of a #startup's product/service.

7/23: This issue comes up very often in marketplace models because each side of a marketplace expects something from the other side of the marketplace. If one side can't fulfill its promise to the other side then the business is built on a shaky foundation.

8/23: For example, consider "price discovery" marketplaces. We've all seen the "come here to see your options in one place" models. Travel, cars, credit cards, insurance, etc. But what if some players don't want to be discoverable on the platform? What if they can block it?

9/23: The implied value prop is that a user of a price discovery marketplace won't be able to find a better option on their own. While a marketplace can be built without complete coverage, it can create downstream problems if the best market offers aren't available.

10/23: Another common example happens when a #startup wants a customer to abandon an existing solution and switch to theirs. This can work if the #startup has similar or superior functionality to the product being abandoned.

11/23: But problems absolutely will arise if consumers aren't given feature parity if they made the switch under the belief that the #startup's product was complete. Therefore, understanding which customer segments a #startup can and can't serve at any given time is critical.

12/23: By no means am I saying that products/services need to be perfect from "Day 1". It's expected that businesses get better over time. But what's important to internalize is that if a company violates its core brand promise there could be real consequences.

13/23: Advice: Always know and true back to your Brand Promise because it's critical to ensure that you're not overpromising and underdelivering. Aspiring for greatness can drive future dominance. But the delivery of a value prop is where the dollars and cents are made.

14/23: I'll leave you with a joke that punches home the message.

15/23: In 2050 A.D. Bill Gates dies in a car accident (sorry Bill!). He finds himself in the Purgatory waiting room and God enters. "Well, Bill," says God, "I'm not sure whether to send you to Heaven or Hell."

16/23: "You helped society enormously by putting a computer in almost every home in the world, but you've also created some of the biggest frustrations known to mankind. I'm going to do something I've never done before: I'm going to let you choose where you want to go."

17/23: Bill replies, "What's the difference between the two?" God says, "I'm willing to let you visit both places briefly to help you make your decision." "Okay, where should I go first?" asks Bill. God says, "That's up to you. Bill says, "OK, let's try Hell first."

18/23: So Bill goes to Hell. It's a beautiful, clean, sandy beach with clear waters. There are thousands of beautiful people running around, playing in the water, laughing and obviously happy. The sun is shining, the temperature is just right. It looks perfect.

19/23: "This is great!" he tells God, "If this is Hell, I REALLY want to see Heaven!" "Fine," says God, and off they go. Heaven is a high place in the clouds, with angels drifting about playing harps and singing. It very nice but not as enticing as Hell.

20/23: Bill thinks for a moment and announces his decision. "Hmm, I think I prefer Hell." he tells God. "Fine," says God, "As you desire." So Bill Gates is taken to Hell. Two weeks later, God decides to check up on Bill to see how he's doing in Hell.

21/23: When God arrives in Hell, he finds Bill shackled to a wall, screaming amongst the hot flames in a dark cave. He’s being burned and tortured by demons. “How’s everything going, Bill?” God asks.

22/23: Bill replies, his voice full of anguish and disappointment, “This is awful! It’s not what I expected at all. I can’t believe it. What happened to that other place with the beaches and the beautiful people playing in the water?”

23/23: God smiles and says, “That was the screen saver.”