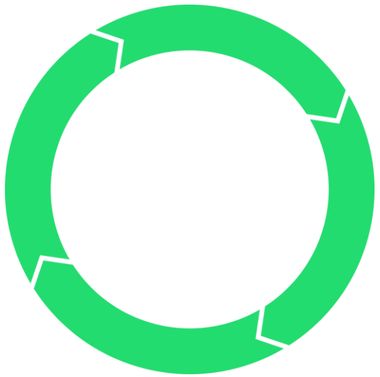
OGNJEN BOŠKOVIĆ

FOUNDER AT EXECUTORS,
GROWTH LEAD AT CXL



PONZI SCHEMES

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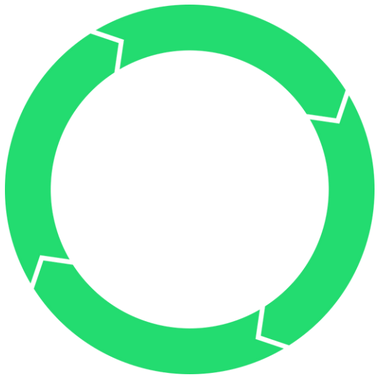

AKA

GROWTH LOOPS

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In 1954, Peter Drucker said:

"...the business enterprise has two–and only two–basic functions: marketing and innovation.“

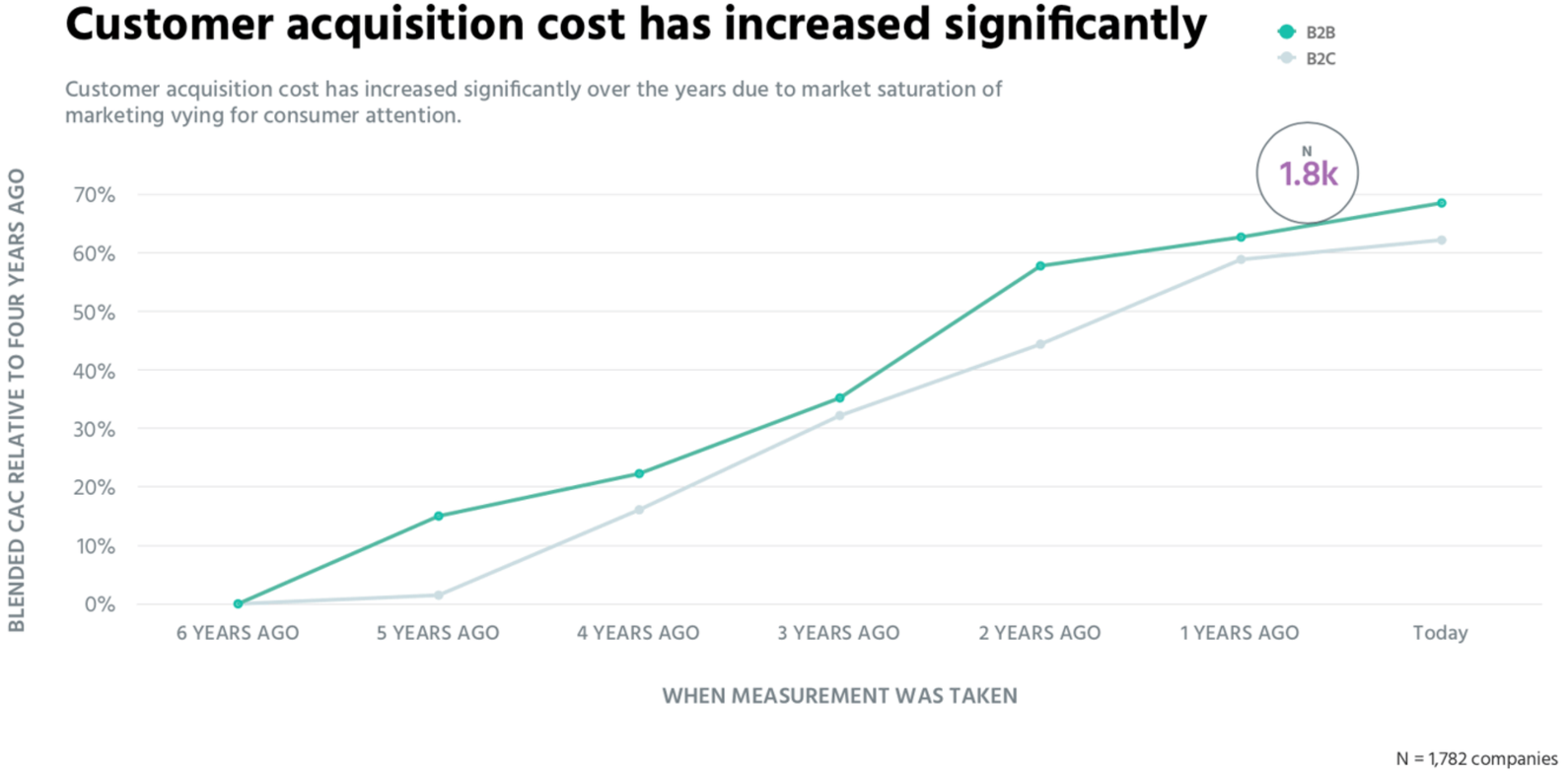
A recent study by ProfitWell:

In SaaS, customer acquisition costs increased by 70% in the last 6 years.

SUBSCRIPTION CAC STUDY

Customer acquisition cost has increased significantly

Customer acquisition cost has increased significantly over the years due to market saturation of marketing vying for consumer attention.



N = 1,782 companies

SOURCE: 2019 SUBSCRIPTION CUSTOMER ACQUISITION COST (CAC) STUDY

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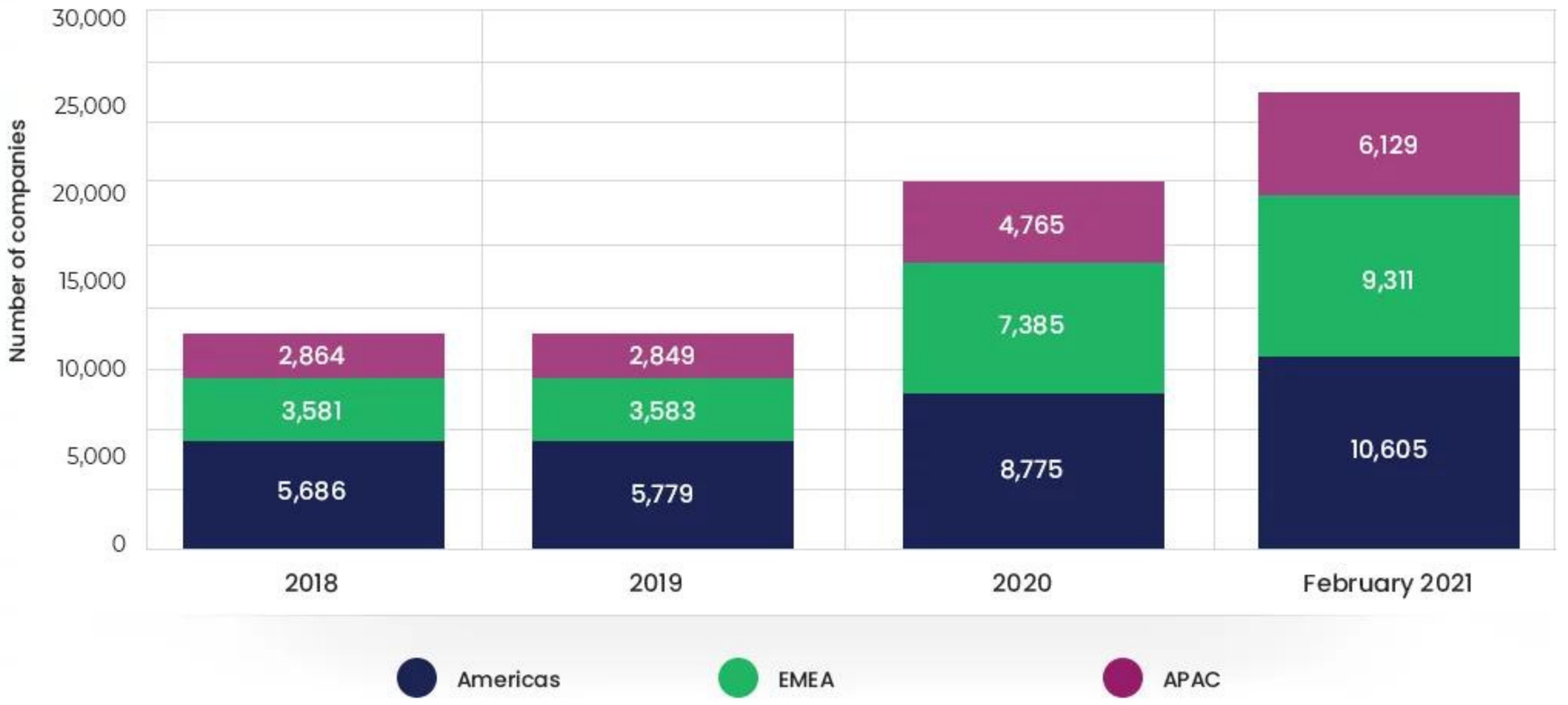
Fintech sector growth:

In 2018, there were 12,131 fintech startups in the world. In 2021, there were 26,045.

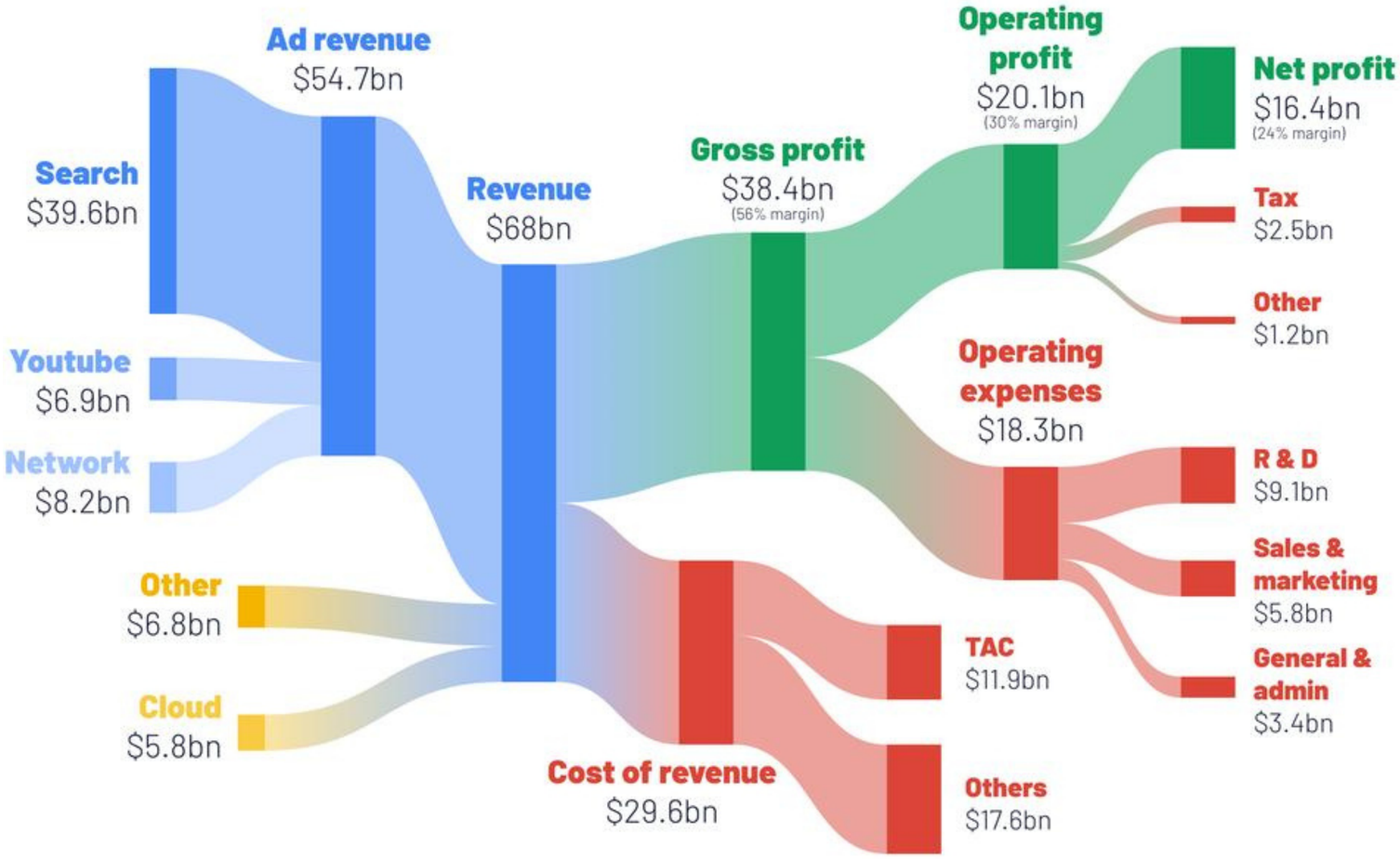
Number of Fintech Startups Wordwide, 2018-2021, by Region



Source: BCG & Statista

The world has changed:
Customer acquisition is the biggest cost for most businesses today.

How profitable is Google really?



Source: Google 20 2022 financial statements

More charts at (link in bio): genuineimpact.substack.com

genuine impact

WHY?

Most businesses don't have a growth model:
Growth model is essentially answering the 'how will the business grow' question. Most aren't able to answer it.

WHY?

'Growth model' usually looks like this:

We'll run some Google Ads. Let's hire more sales reps. Do more marketing. Throwing tactics against the wall, waiting for something to stick.

WHY?

The Law of Shitty Clickthrough Rates:

As soon as a business starts using an effective tactic, it will get copied by others, reducing its effectiveness due to the lack of differentiation.

WHY?

Reliance on sales funnels:

Funnels only allow linear growth, create functional silos, are dependent on non-owned channels, and are extremely hard to scale.

WHY?

Company-centric growth models:
Consumer behaviour is shifting towards self-education and self-serve. Your customer doesn't want to be pitched, interrupted by your ads, cold called at 7 PM during family dinner, and 'nurtured' by endless email sequences.

WHY?

Forgetting the 'distribution' component:
Product (innovation) and marketing (distribution) shouldn't be developed in silos, and yet that is usually the case.

WHY?

Forgetting the 'distribution' component:
Most businesses approach growth with 'we've built the product, let's do some marketing now' attitude, or even worse - 'build it and they will come'.

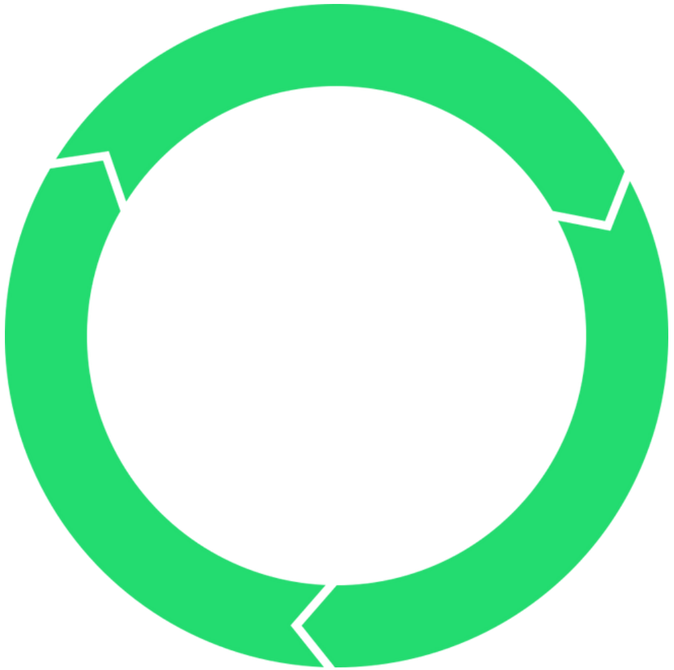
SOLUTION

GROWTH LOOPS ARE THE SOLUTION

Boring definition:

Growth loops are closed systems where the inputs through some process generates more of an output that can be reinvested in the input.

Input



Output

Process

Street definition:

Growth loops are legal Ponzi schemes. Bring one user in, they'll bring more users to you for free.

Practical definition:

Growth loops are a way to control, manage and optimize word of mouth, the most effective acquisition channel of all.

Growth loops enable exponential growth:

The efficiency of a growth loop is measured in how many new users an existing user will generate.

This is called K-Factor:

If 1 existing customer brings 3 new customers in a year, K-Factor = 3. Efficient growth loops often have the K-Factor = 100 and even more.

Compared to funnels:

Traditional sales funnel most businesses rely on most often have the K-Factor of around 0.2.

Growth loops essentially rely on **product usage** by existing customers to **acquire new customers**.

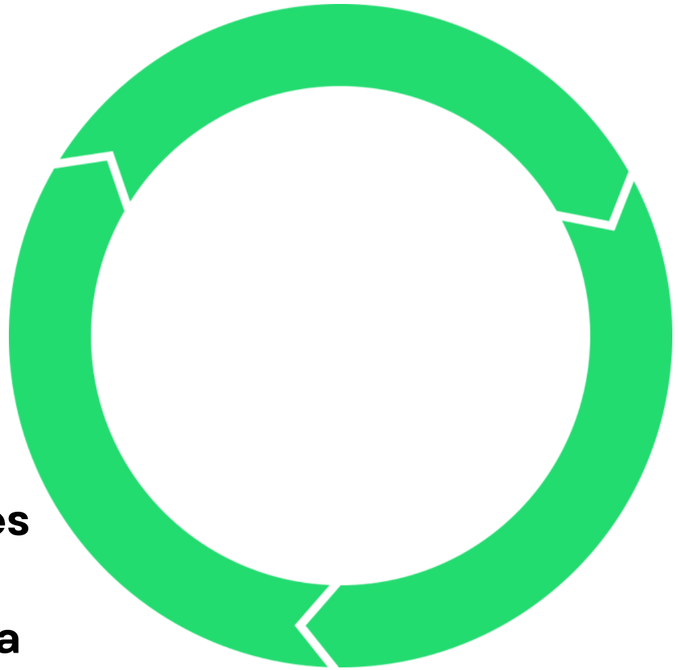
Your business most likely has a few growth loops already. What you need to do with them is **maintain, experiment and track their performance**.

To build your first growth loop, you need to identify your product's core **AHA moment**, areas of the product customers **use the most** and **find the most value in**, and **amplify distribution potential** in those areas.

GROWTH LOOP
EXAMPLES

Revolut

New user creates account



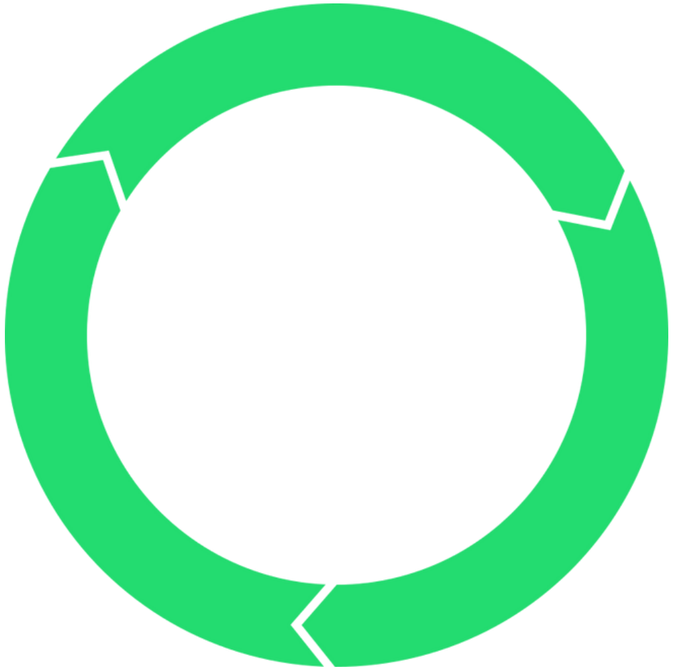
Refers it to a friend

Friend receives invitation, referrer gets a bonus

Revolut Referral Loop

Revolut

New user creates account



New user receives the card package

New user shares the unboxing experience on social media

Revolut Viral Loop

New user creates account

Collaborates to create/analyse

Invites team members

Miro Collaboration Loop

Latest valuation: **+$17.5B**

Revenue: **+$313M**

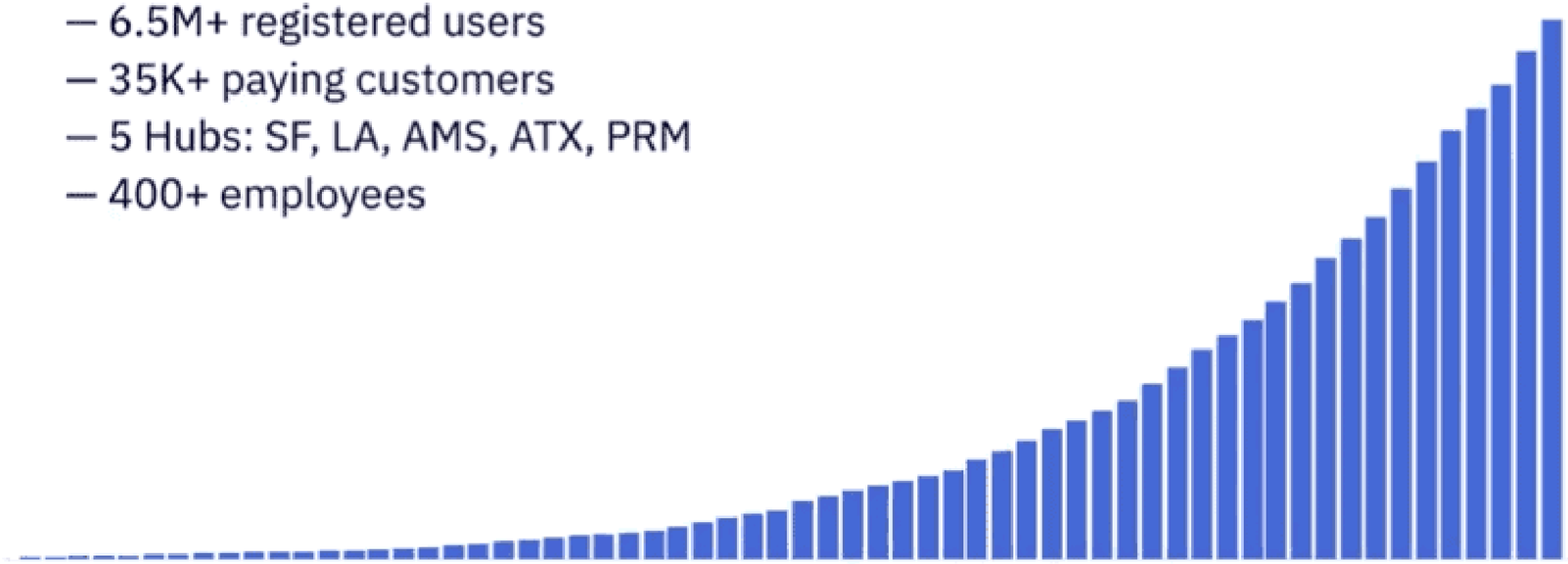
Users: **+6.5M**

YoY growth rate: **300%**

Growth in numbers

miro

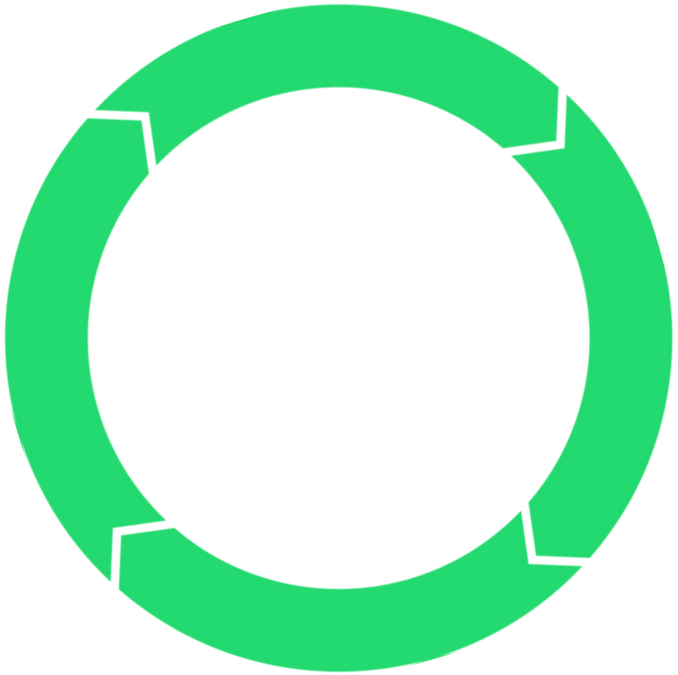
— x3 y-o-y growth
— 6.5M+ registered users
— 35K+ paying customers
— 5 Hubs: SF, LA, AMS, ATX, PRM
— 400+ employees



Quora

New user creates account

People search and find Quora answers in the search engines



User answers a questions

Answers are indexed and visible in search engines

Quora UGC Loop

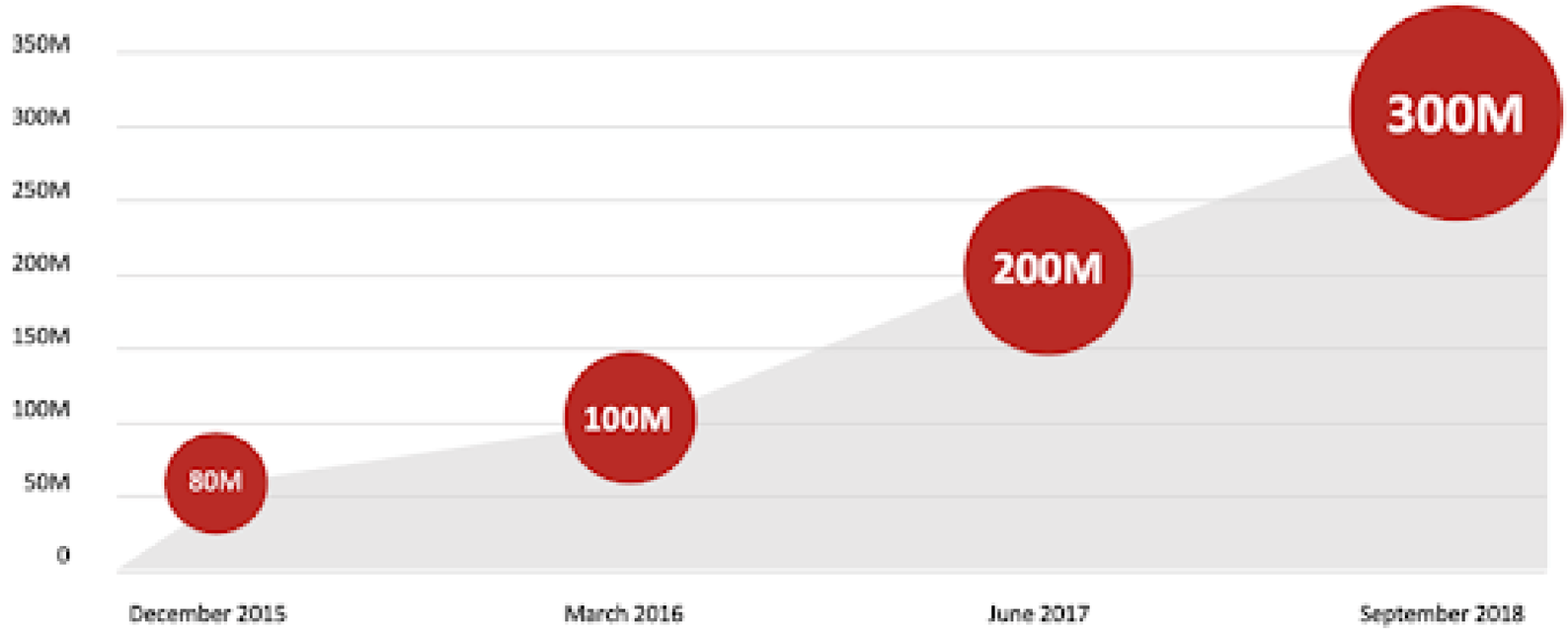
Quora

Latest valuation: **+$2B**

Revenue: **+$20M**

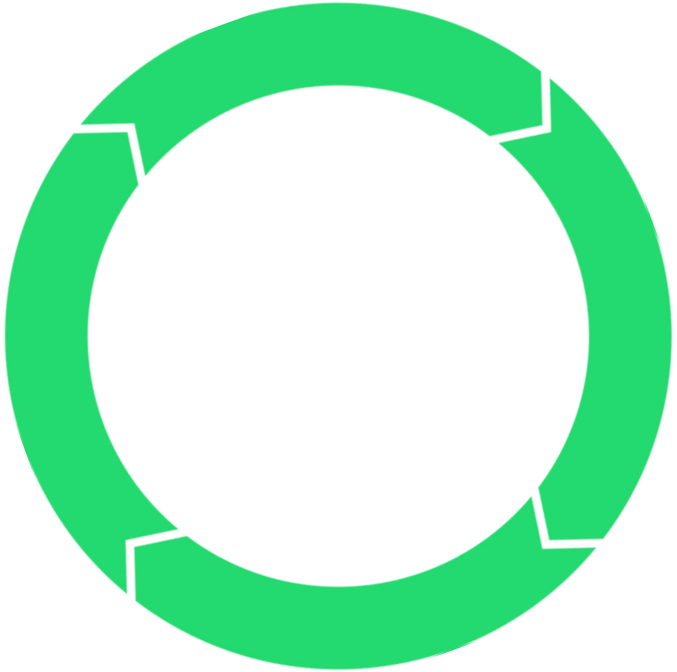
Users: **+300M**

YoY growth rate: **150%**



New user creates account

Viewers watch the video



User records a video

User shares the video

Loom Collaboration/UGC Loop

Latest valuation: **+$1.5B**

Revenue: **+$35M**

Users: **+10M**

YoY growth rate: **495%**

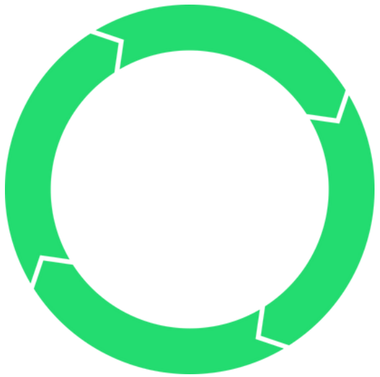
loom

To date, we still haven’t spent a cent on paid marketing and we’re growing faster than ever.

Joe Thomas, co-founder & CEO at Loom

To conclude, growth loops will help you:

- **Acquire new customers for near-to-zero-$ CAC**.
- Create **cross-functional alignment** between product, marketing and sales.
- Increase your **growth rate**.
- Make your revenue engine **more efficient**.
- Build a deep, **defensible moat** for your business.



GROWTH LOOPS

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