*Welcome to the PublicBeta podcast. My name is Jack Kaufman and I’m interviewing successful entrepreneurs about how they found their first customers for their businesses. Check out our book at yourfirstcustomers.com to reserve your launch discount.*

*Today’s episode of the PublicBeta podcast is with David Heinemeier Hansson, co-founder and CTO of Basecamp. Basecamp is a project management SaaS application that helped over 285,000 companies finish more than two million projects last year alone. In this episode, David shares stories about how he found the first customers for Basecamp and gives some good tips that will help you find your businesses’ first customers. Here we go.*

Jack: Hi everyone. I’m really excited to be interviewing David Heinemeier Hansson for the PublicBeta podcast today. David, thanks so much for taking the time to speak with me and help share some of your experiences and advice about how you found the first customers for Basecamp.

David: Sure. My pleasure.

Jack: Awesome. So we can jump right into it then. The first question is kind of can you tell us the story of you found your first customers for Basecamp?

David: Sure. Well, we were actually building Basecamp for ourselves originally. So when we started building it, we didn’t have customers in mind. It wasn’t until we were perhaps halfway through the development process that we realized that hey, maybe other people would want to use Basecamp as well. So at that time, we were subletting an office from Coudal Partners, an ad agency in Chicago. And we just kind of figured hey, maybe let’s show it to Coudal and see what they think about it. And we showed them the software and they were like “Oh, wow. If you guys decide to sell this, we would totally buy it.” So we showed it to a few other people. I think Arper in New York was another of Jason’s friends that were in the consulting business, the design business. And we showed them the software and they were like “Hey, this is great.” So it actually didn’t take that much encouragement. I mean I think we showed it to maybe, I don’t know, five, ten potential customers before the software was even done. And they gave us the encouragement that there would be something here. So by the time the software was ready for release, we already have like a handful of customers on it. I think Happy Cog—is that the name, one of the other design companies that was on early on before even the software launched? So by the time we opened the doors to sort of the general public, I mean we have that handful of customers already there. Just through our own personal network, just through people who were in the same situation as us trying to deal with managing projects with clients. And then of course, it’s hard to run a business, software as a service business of ten or 50 customers. So what we had been doing at the same time too was we had been building an audience. So we had been writing the Signals vs. Noise, the blog for I think it may be four years. Jason first and the other partners that joined Signals and then later me, we were just blogging and building an audience. And I think on the day that Basecamp launched, we had about 4,000 people on our RSS feed.

Jack: Okay.

David: So 4,000 people were sort of—well maybe 10,000 if you count the people who were just reading it. Maybe 10,000 people were interested in what we had to say. And that was sort of that built-in audience we could pre-sell to.

Jack: Yep.

David: And it wasn’t all of those 10,000. There’s lots of people perhaps who weren’t even in design business, or if they were, they didn’t have the power to buy a piece of software and so on. But they were enough in that group that we could sell. We didn’t really have to go sort of door to door or cold call or buy advertisement or on the things like that. We really just bootstrapped the business of first our personal connections, second, the audience we had built.

Jack: Okay, great. And were your first customers paying you immediately or were they just users? What was your business model at the time?

David: Our business model from day one on everything has always been paid. I wonder if maybe Coudal or some of the other people who were on the system before we actually launched might not have been paying before we launched. But otherwise there were no freebies.

Jack: Yep.

David: We’re very big believers in slapping a price on something because that’s the best way to get on as feedback and it’s also the best way to stay in business.

Jack: Yes.

David: So from the get-go, it was our motivation that this was going to be a paid product. I don’t believe at all in the “Oh, put it out there. Make it free. See if people like it. And then if they do like it, then you can slap a price on that.” People don’t like that.

Jack: Yeah, yeah.

David: Like you signed up for a product and then “Oh yeah. It’s fine. It’s great. I started using it.” And then all of a sudden, they slap a price on it and you’re like “Hey, what the hell? I just put all my data into it. Now you’re going to charge me?” It just feels dishonest. So we didn’t want to do that.

Jack: Okay, great, great. So you kind of mentioned that to the strategies you used when finding your first customers where to reach out to people in your personal networks and people that you knew and to also kind of that you’ve been building an audience for four years before you even launched Basecamp. When you were building that audience, what were some of the things you were writing about? Are there any tips that you think will be helpful for people who are looking to build their own audience before they go and start building their software product?

David: Sure. Well, first of all is write about what you know, write about what you care about because sort if you do this just as a tactic to get an audience, I don’t know. I’ve read stuff from people where I felt like a tactic and it didn’t feel authentic. I think you have to be able to be credible.

Jack: Yeah.

David: I mean, if you’re building an audience, they’re there voluntarily. They’re coming to your side because they want to know what you have to say, and I have not found that a lot of people were interested in what I have to say if I’m not credible, if I’m not authentic and if I’m not interesting. I mean that’s the ultimate part of it, right? You can write a whole lot of stuff on a blog. If it’s not authentic and if it’s not interesting, you’re just speaking into the void. So for us, that meant blogging about running a consulting firm, blogging about techniques of web development, design techniques, programming techniques, organizational techniques. We were growing the company at that time. When I say growing, we would go from like three to four people. So we were just talking about our experiences, our experiences running a small company, running a small business and realizing that there were going to be plenty of people in our same situation. We were not beautiful, unique snowflakes and lot of people will be encountering exact same problems we were encountering. So Signals vs. Noise was really a forum for us to both think and think through the problems we were hitting both in technology, design and organizational structure and business. And then a way for us to engage with other like-minded people. I think that that’s really what it takes. Obviously you got to speak to sort of… If you’re blogging for an audience or something that’s specific, you got to speak to that audience. I mean it’s no good that we’re talking about design if I want to sell motorcycles, right? There’s got to be some connection there.

Jack: Yeah.

David: But the connection doesn’t have to be 100 percent either. We bootstrapped our original customer base off just speaking to a very niche group, and then since then Basecamp has gone on to sell to all sorts of diverse groups, right, that are not in our otherwise core sphere of influence. But the whole point I think is to bootstrap. Find that niche where you can actually be credible and authentic and then get those people onboard. And once they’re onboard, hopefully they’ll tell their friends. And then by the time you sort of need to expand beyond that, the snowball is already rolling and that’s a whole lot easier to get going. The hard part generally is to get that damn snowball to roll, right? It’s to get the first hundred people, the first thousand people, 2000 people to come, right? Once you’re at 2000 or whatever, I’d say it’s a lot easier to go from there to 100,000 than it is to go from 0 to 2000.

Jack: Yeah. Definitely, definitely. And something that’s kind of interesting, so Basecamp started off. You guys were mainly targeting kind of design consulting firms and development consulting firms. How did you make the transition from going from that kind of more of a nice audience to a broader audience?

David: It sort of happened automatically. People just started signing up. The original Basecamp marketing side was speaking pretty directly to that group, right? But then people started showing up. We started having architects and churches and teachers and process consultants and all sorts of different industry who had just heard about Basecamp usually. They’d heard about it from perhaps their design friends or their development shop friends and like “Hey, this is a really good tool.” And we never built the tool to be specific to design consultants. It was a very generic tool. We just built the marketing to be specific in the beginning so that’s why we bootstrapped it. And then we slowly just made it more and more generic. If you go to Basecamp.com today, it wouldn’t talk about design firms. It doesn’t talk about any of that stuff specifically. We’re talking to a very broad audience, basically anybody who has projects which is almost everyone, right?

Jack: Yep.

David: So it’s a very broad group today but I think we got to that broad group by finding our niche and then bootstrapping from there.

Jack: Great, great. And were there any other kind of specific techniques or strategies you used to find the first customers for Basecamp besides talking to people in your personal network and also kind of showing the product to the audience on Signals vs. Noise?

David: Yeah. That certainly helped on the things we did. We were one of the first or early freemium models. You could sign up and try the software for free. It was self-service s you didn’t have to call a salesperson. All these things we kind of take for granted today.

Jack: Yeah.

David: People weren’t taking it for granted in 2003 that’s for sure. So all that stuff sort of helped. What else have helped with? We used a variety of marketing techniques like picking an enemy and talking about the things we were not. We were not Microsoft project for example and railing against that. Another technique similar to that just to create some noise, some authentic noise because these were things we believe. It wasn’t just to create noise. It was to push out opinions that we had but we knew sort of could help the cause.

Jack: Great, great. And my last question then is what would your number one tip be to prospective entrepreneurs out there about how they can find the first customers for their business?

David: The easiest route is to haggle your friends, haggle your family, haggle your co-workers, haggle anybody who you already have a personal connection to because it’s unfair but they have a much harder time saying no, right?

Jack: Yep.

David: And so that’s what we did. We haggled our friends and our colleagues and so forth and we got them to use the software for us. I mean, that’s going to be a very long network but let’s just say just getting the first ten customers or 20 customers or whatever is a great way to get going. And even if those friends, family, colleagues, ex-colleagues, acquaintances, or otherwise personal connections you might have, they’re not going to sign up, then maybe they can give you lead. It’s just in the beginning, nobody knows you, nobody cares. So you have to tap into other ways to getting people to care, and the best way to get people to care is like oh they don’t want to turn you down because they haven’t [00:12:37 inaudible] to you.

Jack: Great. That’s a great last piece of advice and that’s all I have for the interview today. So thank you again, David, for taking the time to share some of your advice and experiences.

David: My pleasure. Thanks so much.

Jack: No worries.

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