*Welcome to the Entrepreneur’s Guide to Finding Your First Customers 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 Entrepreneur’s Guide to Finding Your First Customers podcast is with Steli Efti,co-founder and CEO of Close.io. Close.io is sales software from the folks behind Elastic Sales that helps businesses close more deals and make more sales. In this episode, Steli shares stories about how he found the first customers for Close.io 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 Steli Efti for the Entrepreneur’s Guide to Finding Your First Customers podcast. Steli, thanks so much for taking the time to speak with me and help share some of your experiences and insights about how you found the first customers for Elastic Sales and Close.io.

Steli: Hey, Jack. Thanks so much for having me. It’s an honor. I love the book, the idea behind it. Anything I can do to support that is my pleasure and honor.

Jack: Awesome. Well, really, really appreciate that. That’s very kind of you. I guess we can jump right in to my first question which is could you tell me the story of how you found your first customers for Elastic Sales?

Steli: Yeah. That’s a great question. So a bit of background. We started the business early 2011. It was originally a completely different idea and consumer product that we were building with two of my friends, my two co-founders. We raised money. We went through Y Combinator. We raised even more money and we were on a great trajectory growth and everything until that growth six, nine months later started to plateau. And then for months and months and months we were trying everything we could. We were banging our heads against the wall and we couldn’t find a way to get back on our growth trajectory. That’s along the time that we had the idea for Elastic Sales.

Jack: Okay.

Steli: And now we’re in this like interesting spot. We’re venture-backed startup like high profile. Been written about on TechCrunch and lots of tech press and now with this idea but it’s not going as well as people think anymore, and we’re trying different ideas and we had this idea for Elastic Sales which was offering startups a sales team on demand kind of like AWS for sales. So we want to try that idea but we don’t want the world to know already, right, and we don’t want to waste any huge amount of time doing research and all that stuff. So basically what happened was, on a Tuesday morning, we had this discussion about why does this not exist. Like why isn’t there like a scalable sales force for startups that you can just plug in and give like operational infrastructure and sales people and can try to sell different ideas and scale up and down as your needs go. And we came to the conclusion that it’s probably because it’s really, really hard to do that. We thought, well that shouldn’t be exist just because it’s hard. Why aren’t we doing it?

Jack: Yeah, right on. Definitely.

Steli: And, you know, we just instantly connected to that idea and thought, you know what? Let’s just run a really quick experiment. And here’s what we did. We said, “Alright, we will go and scrape CrunchBase and find a few hundred startups in the US that have raised a series A and they are in the B2B space, so we know they have sales people. And what we’re going to do is we’re just going to cold-call these companies and pitch them on the idea and let them educate us on the objections they have, the problems they see, pricing, all these things. And we will use fake names. We will have not a web site. We have no name for the business. We will have zero credibility because we’re going to be using fake names. We don’t want the world to know who we are. The goal was to say we’re going to accomplish two things. The cold calls for the next full weeks we’re going to try to learn as much as possible, and if we can find even just one company that shows some kind of a strong interest to user service like this, that might be validation enough to consider to want to pursue this further, right? We made this decision on a Tuesday, and on a Wednesday we started cold-calling startups and pitching them on the idea. Two weeks later, we had seven companies, seven startups that wanted to start working with us.

Jack: Oh wow.

Steli: And use our scalable sales force that at that point consisted of two people to do sales. So we had to tell people, “Whoa, whoa, whoa.” We have this waiting list and it’s a closed alpha. And we basically picked two companies that seemed as different as possible, and in week three we were already in business with two paying customers to try to figure out if we could actually deliver what we were promising people. And if you think this will be useful to people, I’ve written about kind of the exact pitch we used to do these cold calls. We’re then happy to kind of discuss that structure or just link up to it in the show notes. It’s up to you.

Jack: Yeah. I think that would be fascinating for people. We can also link up to it, but to kind of talk about briefly just kind of what pitch you used and why you kind of made the pitch the way it was.

Steli: Yeah. So I’ll get you through the basic structure that I think can work for many other companies out there. So hopefully this is useful to people. So what we were doing, so first of all, when we were calling people, the very first thing you have to do when somebody picks up the phone and they don’t know you, they don’t expect your call, you have to give them kind of enough of a reason to keep listening to you, right, because when we pick up the phone and there’s a strange voice that we don’t recognize, like in our mind, the question that’s predominant is like “Who the fuck is this?” Right? Like “Who is this, who is this?” And “Should I get off the phone? Is this somebody trying to sell me something or wasting my time?” So you need to address that. You can’t just call somebody and start pitching or giving people information because they are not yet in a place where they can listen to you. So you have to address the first question like who the hell am I and why should people listen?

So what we were doing is we would call people and say, “You know, hey my name is Steve. I’m calling some startups in the area right now to see if it could be a good fit for a beta program we’re running.” That was the very first sentence. It was effective in our space because it had a couple of small things that made a big impact. Number one, we would say we’re calling startups in the area which kind of suggest that we are local like close to you. And we would say we’re trying to find out if they could be a good fit for our beta program. I’m using lingo that’s very startup-friendly on entrepreneurs. We’re running a beta program probably they had one at some point. And I’m trying to figure out if there’s a good fit, not selling. That sentence now made the other person think, “Well, probably somebody in the area, another startup. They’re trying to see we fit. Alright, tell me a little bit more. But you don’t have too much leeway. So the very next sentence needs to be explaining what you do in the simplest possible way. And a good idea here, again because people are really, really on the edge of trying to hang up, is to tell them that this is only going to take a sentence. So we would literally say, “We’d do a sentence” and the sentence suggests this is not going to take long. Relax. So when we do the sentence, we provide companies with the sales scheme on demand. Does that in general sound interesting to you? No simpler way of saying it, right? So I said what we’re doing in a single sentence and I’m asking you, “What do you think? Can this be interesting?” The cool thing here is that at that point it didn’t really matter what people would say. Some people would say no and I would say, “Interesting. Tell me more about your sales process.” Some people said maybe and I would say, “Interesting. Tell me more about your sales process.” Some people said, “Yes this is super interesting.” I was like “Tell me more about your sales process.” It’s not that I never cared if they found this interesting or not. I just knew that at that point, I didn’t have enough information to really make a good decision, but I still wanted to give them a chance to air it out.”

Jack: Okay.

Steli: Because if somebody thought, “No, this is not for me” and I now try to have a conversation. I fail, I try to pitch them, I fail. People don’t listen to me anymore. So they needed to have a channel to let it out and say yes, no, or maybe. And then I would respond to that by asking a few questions and usually these questions would engage us in a conversation, sometimes super fruitful, sometimes not, but these questions would also allow me to learn more about them and see if they could be a good fit and allow them to discover more about us. Once we had a conversation that was meaningful, when we ask about the sales process or the challenges like all these different qualifying things to figure out more about them, if there was enough interest in that, we would just end it with a simple close and tell him, “Listen, we’re running this beta program. We’re only going to take a limited amount of customers to begin with to make sure that they are successful. This is going to cost you x amount per day, per sales person.” First call I was saying few thousand, few hundred. We were just randomly experimenting with any number just to see what people would say. And then we’d tell them, “Hey, we will only be able to give you one sales person to begin with” because we didn’t have any. “Does all this in general like something that could work? And what would the decision-making process look like typically in your company? What would be all the steps that it would take?” Once we learn that, we would basically schedule a follow-up call, and as I said, surprisingly often because we hit a nerve that was a real need for what we wanted to do, lots and lots of companies were actually interested. Even many of them that would say no at the beginning, after we engage them a little further in the conversation, they will be like “Yeah, let’s set up another call. Let’s discuss this.”

Jack: Okay. Interesting, interesting. Could you talk a little bit about kind of how you built Close.io and why you built Close.io and kind of how you transitioned from working primarily on Elastic Sales to working much more on Close.io?

Steli: Yeah, that’s a great point. So that was the start of the services. This is business where we would do basically consulting and outsourcing. For startups, we worked with over 200 venture-backed startups in Silicon Valley helping them scale their sales. From day one, we knew that all sales software out there, all CRMs out there were crappy in our opinion. We didn’t want to use it as salespeople ourselves. We felt that those products were not really great and not really helping salespeople do their job better and close more deals. So we knew from day one we would want to build our own software to run all these different campaigns on salespeople. My two co-founders are technical, so they’re product people. So it was a lot of bias. One we thought software sucks, and secondly we had like two people in the farming team that can build products were like “Let’s just build our own software.” And then we thought of Close.io on an internal sales software as a secret sauce. We would use it to recruit people. We would use it to make our salespeople happier, have them perform better. It was kind of something we used heavily in recruiting, drawing the company in as kind of a competitive advantage in terms of like hiring and scaling sales against internal sales team.

Jack: Okay.

Steli: Honestly, in the beginning the idea was not to release this as a separate product. There was like no desire for us to become a product company necessarily. We wanted to grow it into the biggest sales force in the world and have software run that, but we didn’t want to sell the software itself. But after a while, after we actually started really getting clarity of product vision, once we really like not just wanted to do something better but really understood what our philosophy is with the software and what it should and shouldn’t do, the product started becoming significantly better and significantly more like dangerous in terms of making salespeople really, really effective and really happy. And then what happened is we started getting outside demand for the software. So our salespeople would go out and they would meet their friends that were also salespeople and show them the software and be like “We have the most awesome software you’ve ever seen!” And “Haha you cannot use it. It’s totally ours!” And then we brag about it and then we get like emails. Our salespeople would come back and be like “Hey, can I sell the software? I have this company that really wants to use the software.”

Jack: That’s awesome.

Steli: So we started getting kind of outside demand that our customers that had internal sales team as well as using us started asking us for the software as well as the staffing that we provided. So we got more and more signals from the market that there was demand for it and that outside demand grew. And then what happened internally, it was kind of a small group of four people in the company that started lobbying really heavily that we need to release the software as a product as well.

Jack: Okay.

Steli: And honestly, I can’t take credit for that because I was one of the people resisting that and pushing back on that. The services businesses was pretty significant at that point like a large business, many employees, lots of revenue, lots of casual things to manage, like a complex business to run. I knew that the product was something awesome, and at that point I was already thinking about a future where we would release it, but I also was afraid of kind of like losing focus and trying too many things at the same time. So I was pushing back and holding back on that for a long time and eventually I caved. I felt like we’ll take this four-person team and we’ll lock them in a separate room and they’ll release the software. And I knew we had something awesome but I thought it would take a very long time before it actually would grow as significantly in terms of revenue as the services businesses. I like to say as a founder you’re almost always wrong, but once in a while you’re happy you are.

Jack: Yep.

Steli: And this is the case. The software grew a lot faster than we thought, and within a year it was bigger than the services businesses although the team was tiny.

Jack: Oh wow.

Steli: Yeah. And at that point, it was clear. Even a little bit before that, it was clear. We should start focusing on this product. We have a winner in our hands. And now we’re exclusively doing Close as a sales software. But that’s kind of the story of how the software was built, why we built it, how it grew and why we eventually launched it. The first customers for that product were actually customers of our services business, right? All the people that were already using our salespeople would now start using our sales software as well. And then what happened during that time like Elastic Sales would get three, four, five hundred incoming requests from startups around the world to work with us. We’ve got a lot of demand once word got around to different SEOs in the space and they would tell each other and investors. Like we got a lot of interest and we would only take maybe two to four new customers onboard every single month. So like hundreds and hundreds of leads we would just tell “No, sorry we can’t work with you.” And then once we launched the software, even before we launched the software, we started telling these people, “No, we cannot give you our salespeople, but we can give you the software that makes us awesome.” Right? Our very first customers were our original services business customers. Then they were our services business leads. And then eventually we launched into the world and all kinds of people started buying the software.

Jack: That’s so interesting that the leads for the service business ended up kind of becoming the leads for Close. io. That’s awesome that it worked out that way. You mentioned kind of the decision to make Close.io into a product and it was kind of a tough decision because you had Elastic Sales which was growing really quickly and have lots of revenue and customers. You didn’t want to kind of have too many things floating around at once and you wanted to make sure that you were being focused. Can you talk about the process of like how once you made the decision to actually release Close.io as a product the process of letting those four people kind of make it into a product, and then once it was released and once you started to see significant interest for it actually kind of devoting more and more resources from Elastic Sales to Close.io?

Steli: Yeah, that’s a great question. I think what we did or the steps that we took were we had a bunch of really unfair competitive advantages at that time when we released the software. So we had already built a little bit of a mini-brand in Silicon Valley as kind of a startup that knows a lot about sales. I was guest-writing a lot in the bigger tech publications about sales and startups. So we were benefiting from all the leads that were coming to Elastic from our little mini-brand. So when we launched Close.io, Close.io was definitely benefiting from all these things as well as because we had done sales for so many different B2B startups and so many SaaS businesses, we knew a lot of best practices, right? So from the get-go, I think we were able to do a bunch of things that typically our startup will grow into, once it’s matured into like year one and year two where we just knew all these things already. So we were able to execute ahead of the product life cycle because we just had all these experiences before. So what we did at the earliest is we knew we had a tiny engineering team, three people, and then we had one guy that was a sales guy, a sales manager in Elastic, be kind of the all—around sales support person on the software side of things. What we did from the get-go is we just set up a ton of automation, right? Every time somebody signed up for trial, that person would get four, five, six emails that came from that salesperson’s personal email account through the different steps of the trial depending on what kind of action the trial users would get. It kind of activate a lot of people that way. Because our software has like calling heavily integrated VOIP, we were able to do smart things like have our salesperson pre-record a voicemail, and then within a day of somebody signing up for Close, if you sign up for Close, we assign to you a phone number. You get a phone line with your software. Some people can call you into your Close.io number or you can make calls out of Close.io. So what we would do is because we built the software is if you sign up for a trial today, tomorrow you would get an email that says, “Hey, you have a voicemail in your Close.io account. And if you click on that link, it will link you to a pre-recorded voicemail from our sales guy.”

Jack: Aha!

Steli: Welcoming you to the trial and saying, “Hey, my name is John. I saw you sign up yesterday for Close.io. Fucking welcome. What can I do? Just call me on this number or send me an email.” It would feel for everyone that they would get a personal call and multiple emails from salespeople and people felt that this is already a pretty massive team but it was actually tiny. We did a lot of smart automation to turn one person into somebody that seems like it’s a small team.

Jack: Okay. Interesting, interesting. Besides telling companies and people who are interested in Elastic Sales or leads for Elastic Sales you weren’t accepting new customers, but your software, your secret sauce is now available for people to use and kind of getting customers that way and getting customers by blogging and kind of building up a brand as a company that really has a lot of expertise in sales, what are some other kind of strategies and tactics you used to get the first customers for Close.io?

Steli: I think the most significant strategy that we used were number one, obviously this is lame and maybe an entrepreneur will think, “