*Welcome to the PublicBeta podcast. My name is Jack Kaufman and I'm interviewing successful entrepreneurs about how they found the 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 Colin Nederkoorn, co-founder and CEO of Customer.io. Customer.io is a SaaS application that helps you send more relevant email newsletters and makes it easy to automatically email all based on what they do or don't do in their app. In this episode, Colin shares stories about how he found the first customers for Customer.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 Colin Nederkoorn today for PublicBeta. Colin, thank you so much for taking the time to speak with me and help share some of your experiences and advice about finding your first customers.

Colin: Yeah. No problem, Jack.

Jack: Awesome. So we can jump right in then. So kind of the first question I have is could you tell me the story of how you found your first customers for Customer.io?

Colin: Yeah sure so we started I guess about two years ago now. So April 2012 was when we worked full-time on the company. And before going full-time on it, we actually started working on it in January of that year, and decided that to go full-time in it. By April 1st, we wanted to have five paying customers.

Jack: Okay.

Colin: And like it was more that someone was paying us something for the service. That’s what was important to us and we figured if we couldn't get five people to commit to paying us and actually be paying us on April 1st, then it's probably not something that we should be doing.

Jack: Yeah.

Colin: And so, yeah we started just reaching out to a lot of the companies that we knew. Anyone who was talking online about the problems that we were trying to solve as a business. So to give you an idea of that, we looked for companies who were asking about like retention emails. Anyone who was talking about retaining their customers with emails, that's what we initially started looking at at building a service for. So as a way to kind of find people, first we talked to everyone we knew.

Jack: Yup.

Colin: And a bunch of businesses, did they have the problem that we were trying to solve. If we could solve it for them, how much would it be worth to them. And if we could give them like a sliver of that, would they be willing to pay us 10 bucks a month on day one, and we'd make sure that we can deliver something to them and that would kind of not quite give us the money to go forward but at least give us the confidence that we were building something worthwhile. And we managed to do that. I'd say out of our first five customers, probably two to three, I forget exactly, at least two of them were people we knew before like friends or the previous company that we worked for. And then the rest were people that we found online by putting up a splash page that said here's the problem we're seeking to solve. Put in your email address if you're interested in that. And then anytime someone would sign up, we'd reach out to them, which is that is a way to understand their problems a little bit. And hopefully get them to the point where we're asking them to commit 10 bucks a month.

Jack: Great, great. And were you funded or bootstrapping at the time?

Colin: Yeah I mean I think like no or very few companies have kind of a clean, clean answer to this. So when we started, we had no money. And John, my co-founder and I didn't have enough money in our personal savings account that we could fund the money. So we were planning to reach out to friends and family and get a little bit of money from those folks. And we ended up getting just under a hundred grand from our friends and family. So people that we already had an existing relationship with. And then from that I think we were very naïve in how quickly we thought we could get to profitability. We were thinking oh it will be like four to six months and then we'll be profitable as a company. Didn't quite work out that way. And you know it's with any SaaS business, your monthly revenue increases every month. So every month you should make more money than the previous month. And you start from that spot the next month. So it starts really slow from 50 bucks a month to go to something substantial. It just takes a long time and there's nothing you can do to sort of shortcut that. So we ended up raising money from angel investors and ended up raising around 700k total.

Jack: Okay.

Colin: But that was over many months. It wasn't kind of like all at once and then we started with that on day one.

Jack: Yeah definitely. And so you mentioned that the customers were paying you kind of right off the bat which is fantastic and so kind of what type of business model did you start off with those customers? Did you give them a free trial and let them try it out for a bit or kind of say have a money-back guarantee or what type of model were you using?

Colin: Yeah. So I think we've always offered a money-back guarantee. I did a bunch of reading on how to get people to commit to putting down their credit card and offering a guarantee like that is a pretty great way to do it. And I think the main reason people are concerned about doing something like that is because if everyone asked for their money back then you're in a bit of a position like you're in a bad position. But in general, if someone's really unhappy then, you probably do want to give them their money back and otherwise when people cancel they rarely ask for their money back. So it's in general, offering that there's always up-side to that. The other thing we experimented with is trial length.

Jack: Interesting.

Colin: Should you offer a free trial, if so, how long should it be. And I think we experimented with 30 days and then 14 days. Now we don't offer a free trial but we have a free plan. So when we started there was no free plan. And I'm trying to think if initially we had a 30-day trial. I think we did. I think we started with a 30-day trial, so you would put down your credit card and after 30 days, we would charge it. And then we moved away from that over time. Not for any reason other than for our business, it's much better to show people that it's working. That the product can work for you. And we were able to do that without asking for someone's credit card. And it was just kind of simpler for us to give people a limited free plan.

Jack: Okay yeah that's kind of why you decided to add the free plan after kind of going initially without it. Interesting. Interesting.

Colin: Yeah and I think there's a good reason not to do a free plan in the very beginning because you end up having a lot of extra support. Your support costs are going to be a lot higher anytime you offer a free plan. Because you've got that more people signing up. And they're not paying you any money but they're going to ask you a ton of questions. So I think we didn't have a free plan for probably the first eight months or so. And then I think February of last year, we added the free plan.

Jack: Great, great. So you mentioned that kind of you had a splash page to kind of build up on some leads when starting, and you would contact those leads. And how you reached out to a few people that you knew about kind of becoming the first customers for Customer.io. Were there any other specific techniques or strategies that you used?

Colin: Yeah and I tell this to every entrepreneur that I can. The absolute best time to reach out to someone and talk to them is when you have nothing to sell. So you can reach out to someone and say, “Hey I'm working on a company that's seeking to solve this problem. But at the moment, I've got nothing to sell you. I just want to understand your problems.” And basically when you have the conversation, say ”Hey that's great to hear about all of the pain points you have in your day-to-day job. At some point in the future if we build something that solves these, is it okay if I reach out to you to let you know?”

Jack: Okay.

Colin: And so the thing that puts people on guard is when they think you're going to ask them for money right then and there. They're very cautious like whenever you get a cold email from someone, if they have something to sell you you're immediately more on guard. It's really disarming to people if you can say, I have nothing to sell you, I just want to understand your problems.

Jack: Definitely.

Colin: At the time that you're really just building your product out, that's an amazing way to talk to people and gather information. And build up a list of prospective companies to reach out to later.

Jack: Definitely, and that's also kind of a good way to build relationships with those people and which even if they don't necessarily buy your product when it launches, it's still kind of great to know that person. So…

Colin: Yeah I'll give you an example of that. We talked with Moz.com really early on. Before we had a product, they were one of the companies. I think I saw Rand Fishkin tweet about retention emails or something like that. And I replied to them on Twitter. We ended up having a conversation with some of the folks on the Moz team. And they never became our customer. They never used our products but we gained a lot of insight from them. Especially in terms of pricing, like how much would this be worth to you. I think they might have been one of the first companies that kind of said in the thousands of dollars.

Jack: Okay so that was very valuable information then.

Colin: And yeah, and recently in an interview, Rand mentions Customer.io is like an interesting company and marketing. So just having those relationships whether or not those people or those companies become your customers, it'll probably pay dividends having those conversations.

Jack: Definitely. And kind of just a quick follow-up question with regard to the splash page that you used. Did you contact each person who signed up for that email list as he or she came in, or did you kind of contact everyone when you launched, or did you segment your list? How did you work with that list?

Colin: Yeah that's a really great thing to dig into. So early on when we didn't have a ton of sign ups, anytime someone signed up, we'd try to figure out who was this person and what was their business. And we'd reach out to them to have a conversation with them, as soon as possible. So you might look them up on. If you use the plug-in recorders, sometimes people will sign up with their Gmail account, sometimes it's with the work account, but if you couldn't find out who they are and what their role is in their company. You can usually get a better understanding of why they might be interested in your product and if they're like a qualified lead. And so you want to reach out to them, set up a time to have a conversation and see if what you're building aligns with the problems that they have. And basically, you're developing the relationship at that point.

So one of the key things is you don't really want to collect email addresses for six months if nobody is hearing from you. So we learned this lesson. Someone basically slapped me off the side of the head and said look this people are signing up because they've got a problem. If you can talk about the problem, but not necessarily talk about your product, but talk about the ways that people can better solve the problem without your product, like for us we started emailing once a week about how people can write better emails. So our product took care of the technical side of sending emails but there's a lot of education around copywriting and content marketing that you could do while we were building the product to essentially keep our audience engaged and active. So if you're building the latest project management software, and people are signing up for your list, a real opportunity is to educate them about how to work better within a team, or like whatever you can write about that directly relates to the pain that people are signing up for your product to solve. That'll help to keep them engaged so it's not a totally dead list when you finally launch because that's like the biggest problem when people launch products is that nobody remembers them. They've changed their name three times since the person found out. And people just mark you as spam because they don't recognize you.

Jack: Yeah and kind of a nice side benefit or maybe another like main benefit of that education and that engagement is that oftentimes it will increase the trust people have with you and your list. And then kind of if you show that you know what you're talking about and know kind of the ins and outs of whatever industry you're building your product for that kind of definitely could have an influence in helping people make their decision to buy or not. So…

Colin: Yeah absolutely. Trust is a huge factor there.

Jack: Yup. Okay great. And then just one more question. So you mentioned like a lot of great tips already about finding your first customers, kind of talking with them before you even have a product. What would your number one tip be to prospective entrepreneurs out there about finding their first customers? Would it be to talk with customers before they start? What are your thoughts?

Colin: Yeah and I think any time you're about to start building something, you want to make sure that what you're building is really useful. And I think that we threw out a bunch of ideas before we really committed to this one. And it took a lot of legwork and a lot of conversations before we started to actually write code for this product. And I think that you know still the most common mistake that people make is that they don't make sure that they're building something that people actually want. So I would absolutely recommend before you write code, even if it's—yeah you could even do this before putting up a splash page. The first thing that you should do is hone your idea, start telling people about your idea and see if it really clicks with them. And if they get excited about it, and about the potential that it can deliver to them, that's the time that you should really like think about building something and put up a splash page. But yeah first step is just make sure that people will actually buy it. And it definitely helps to—we're building a product essentially for our peers. And we knew a lot of people who are in tech, so we had a strong network there. If you don't have a network, then going to relevant meet-ups in your area is a great way to meet people. But it definitely makes your job a lot easier if you have an established network in the area that you're building your product.

Jack: Definitely. That's fantastic advice. And kind of with that, that was the last question I had so thank you again, Colin, for taking the time to talk with me today and then sharing your advice to prospective entrepreneurs out there about how they can find their first customers.

Colin: Well, thanks, Jack.

Jack: Yeah, no worries.

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