*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 Elizabeth Yin, co-founder and CEO of LaunchBit. LaunchBit helps businesses generate high quality b2b leads in niche professional email newsletters, blogs and audience targeting. In this episode, Elizabeth shares stories about how she found the first customers for LaunchBit 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 Elizabeth Yin for the Entrepreneur’s Guide to Finding Your First Customers podcast. Elizabeth, 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 LaunchBit.

Elizabeth: Well, thanks, Jack, for having me.

Jack: Yeah. No worries, no worries. It’s great to have you. So we can jump right into the interview then. My first question is could you tell me the story of how you found your first customers for LaunchBit?

Elizabeth: Sure. So for some quick context, LaunchBit started out in the 500 Startups Accelerator Program. At that time it was just my co-founder Jennifer and myself, and Jennifer and I actually are best friends from high school. So we go way back.

Jack: Nice.

Elizabeth: We’ve known since high school that we wanted to start a business together. We actually grew up in the Silicon Valley during the dot com boom. And so during that time, we got very inspired and we knew we wanted to start a business together someday. So that’s how we found ourselves in the 500 Startups Accelerator many, many years later. And to go back to your question, so LaunchBit at that time, we were customer developing like what we were going to do exactly. To be honest, when we entered the 500 Startups Accelerator, we had no clue what business we were going to do. I think we would not be able to get into the 500 Startups Accelerator Program today without a clue, but at that time we had shown to Dave and Christine and the crew that we had some revenue by bootstrapping different side projects, and so that’s why I think they let us in. But we what we wanted to do was we wanted to help markets with customer acquisition. That was the general problem we were trying to solve, and we didn’t get very narrow on LaunchBit until a lot later. So we started out by just randomly emailing a number of online marketers at different internet companies while we were in the 500 Startups Accelerator. Some of them we got warm intros to through the 500 network, but others we just straight up cold-emailed them. We didn’t know some of these people as well. People were actually quite receptive and generous with their time in helping us figure things out. And so that was actually our first foray. I can dive into more into details if you want.

Jack: Yeah, yeah. Can you talk a little bit about how you kind of went from kind of having a general idea that you wanted to help companies with customer acquisition to kind of arriving at what LaunchBit would become in kind of where it is today?

Elizabeth: Yeah. So we started off with this very high level idea that we were going to help marketers and to really get down to some specifics which was eventually launched that would become an ad network for email newsletters. We went from this high level to the specifics by talking with marketers and asking them about all the different customer acquisition channels they were using. We really wanted to understand what kinds of tools they used on a daily basis. Many of these marketers we found were telling us sort of the same things like many of them of course used AdWords, another common ad network. Interesting insight was that some of them were using email newsletters as a way to get their message out and that was kind of unusual for I guess the general startup marketing scene like most people don’t say newsletters as the first thing that comes to mind. But some of the best marketers are finding great success through newsletters, and we ourselves had actually tried some placements through some startup email newsletters for our products, our side products and hadn’t had success. So we started looking more into that channel, and we said, “Huh.” There’s actually kind of an interesting opportunity here. All these people are now starting to use email newsletters to do their promotions but they have to do it on a one-off basis. Like with marketers or doing business development with in some cases like a hundred different newsletters and they’ve been keeping tracking of this with spreadsheets.

Jack: Yeah, that’s a mess.

Elizabeth: And it was a mess. And the large companies actually at the time, there were a couple of successful daily deal sites that you know of and everybody knows of that do a lot of email or used to do a lot of email newsletter advertisings, and they would have teams of five people just handling the email newsletter placements because they had to keep track of everything through spreadsheets like who outreached to whom, when the creatives were done, how the invoicing was going to happen, etcetera, etcetera. Just because there’s also manual.

Jack: Okay. Interesting, interesting. So you mentioned that before you got into 500 Startups, you were bootstrapping. Did you eventually take on funding from 500 Startups?

Elizabeth: Yes.

Jack: And then raised additional funding thereafter?

Elizabeth: That’s right. And so we knew that we wanted to work on a venture-backed company. I mean I don’t want to go into sort of that debate between the venture-backed. I think both are great. For us personally, it was our dream to run a venture-backed company and so we were looking for an idea that might be a big problem that we wanted to solve and could be venture-backable. And so once we found this in the 500 Accelerator Program, we later then raised money based on the metrics that we had gotten from our first customers.

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

Elizabeth: Yeah. So I’m a big fan of collecting payment upfront.

Jack: Definitely.

Elizabeth: I know that there are conflicting views on this as well. But I honestly believe that there is no better way to get a sense of how much people are really interested in your either product or business than dollars. And so like I said LaunchBit at the time was an ad network for email newsletters and so what that meant was well, there is actually a lot of complicated technology on building out an ad network. But the bare bones problem that we were trying to solve was making it easier for people to do email newsletter placements. Like that was the problem we were trying to solve. And so just cutting right to that bare bones problem, we said, “Alright, how can we charge on day 1 for this without having the technology?” So in the beginning, we had very little technology. Jennifer wrote some basic analytics so that way we could tell the advertisers we were working with like how their placements were doing. But other than that, like I collected money through my personal PayPal account.

Jack: Okay. Nice, nice.

Elizabeth: And we honestly just sort of made up pricing from the beginning like what seems reasonable. We quickly learned that some of the prices that we came up with were not reasonable. But for people who really had a big pain, they were just willing to put money on this just to help them solve the problem.

Jack: Definitely, definitely. LaunchBit is almost like a marketplace where you have to build up the supply of email newsletters as kind of your inventory I guess of places people could put ads and you also had to build up kind of the supply of people who would actually be purchasing that ad space. So could you talk a little bit about some kind of specific techniques or strategies you used to find your first customers on kind of like both sides of the spectrum and also like how you kind of balanced finding customers on both sides?

Elizabeth: Yep. So that’s a really good question and point. So first off, I think the first customers need to be really patient all around. As I mentioned, we didn’t get the pricing right in the beginning and also it was so casual. People were sending me money through my PayPal account. So going along the lines of that, they also had to be patient with us about our supply and on the demand side as well for both the advertisers and the publishers we were working with. If they weren’t going to be patient with us on that, we knew that they were not going to be a first mover customer, which is okay. We can put them on the backburner for now. But we really needed people to have that patience. So that’s number one.

Number two, in terms of supply and demand, honestly on the supply side in the very beginning, we only were working with six email newsletters and we only had I think—well, first we only had one advertiser and then we had two. But that’s all that we had during our time in the 500 Startups Accelerator Program. Eventually, we had more like we went from six to about 20 email newsletter publishers. Still not a whole lot.

Jack: Yeah.

Elizabeth: And same on the advertisers’ side. I think we went from like one or two to a handful. So that’s where we started. In terms of building up both sides, like I said, we basically had to message it to both sides like saying “Hey, we’re just starting this. But if this is a big problem for you, then maybe you’ll bear with us and try out some things.” Our customers were willing to try out some things like we tried different pricing models with them. And they were just happy to get into this new inventory and be able to do it all through one party as opposed to trying to do business development deals with either six newsletters or 20 newsletters.

Jack: Definitely.

Elizabeth: And so that was the problem we were solving and we were solving it for them even though all these other things around it were kind of clunky and needed work.

Jack: Yeah. Interesting, interesting. And you kind of mentioned right upfront you were only working with six newsletters. Did you kind of handpick out the newsletters you wanted to work with initially and kind of say like it would be really great to work with these people because we think they’ll be flexible and they’ll be patient. Did you kind of reach out to them and like cold-email them or just contact them and ask if they would be interested?

Elizabeth: Yeah. We did a lot of cold-emailing especially on the newsletter publisher side. So we did know a couple of people who were running email newsletters were not that many, and we said, “Hey, have you ever thought about running ads in your newsletter?” And actually most people we spoke with had not and some people told us “No, I’d never want to run ads.” A lot of people said it depends on what the ad looks like and who’s advertising. So that was a big factor that we learned from just talking to these people. And then lastly, we positioned this as a test. So a lot of people were willing to sign up to test things because they’re kind of curious and they want to know what’s going on. And so actually amongst those six, I think only one or two are still working with us. The others decided that hey, this isn’t for me or they ended up actually not running their email newsletter anymore or whatever the case may be.

Jack: Yeah, yeah.

Elizabeth: A number of things happened along the way, but by positioning it as a test, you say, “You know, we tried this thing once, and if you don’t like it, there’s no commitment or anything.”

Jack: Yeah, definitely. It seems like a great way framing it like making it seem like there’s not a huge commitment if you’re just trying it. Yeah, that’s great. That’s a great strategy. So I just have one more question for the interview, and that is what’s your number one tip out there to prospective entrepreneurs about how they can find the first customers for their businesses?

Elizabeth: I think the biggest problem with first customers is that you need to make sure that you have the right set of first customers. By that I mean like I said before they need to be patient and have all the qualities of a first mover. As in they need to be able to put money down. I’m a big fan of that.

Jack: Definitely.

Elizabeth: They need to be able to put money down for something that is kind of clunky and rough around the edges. But if it solves the core problem, then you know that you have the right company. If people are not willing to do that, like they’re not willing to put money down on something that’s clunky or they’re not willing to put up with some of the things that are rough around the edges, they’re not the first mover for you. It’s really important to get that first mover because they’ll really help you figure out what needs to go into the product. And so my number one tip would be to make sure that you take the time to find the right customer and to keep trying. Sometimes it may be easy to cold-email a bunch of people and one says no or they don’t fit into this definition of a good first customer. But keep trying for quite a while, and if you still can’t find a good first customer, then maybe one doesn’t exist for what you’re trying to do.

Jack: Yeah, definitely.

Elizabeth: It’s really important to have that criteria and not to force it.

Jack: That’s a great last piece of advice. Yeah, I think that’s very helpful and definitely something everyone who wants to start a business should consider. And with that, that was my last question. Thank you so much, Elizabeth, for taking the time to do this interview and share some of your stories and strategies and the things that you learned when getting your first customers for LaunchBit.

Elizabeth: Sure. Thanks, Jack.

Jack: No worries, no worries.

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