*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 Jason Cohen, co-founder and CEO of WP Engine. WP Engine is a SaaS application that offers the best, fully-managed WordPress hosting platform. In this episode, Jason shares stories about how he found the first customers for WP Engine 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 Jason Cohen for PublicBeta today. Jason is co-founder and CEO of WP Engine. Jason, thanks so much for taking the time to speak with me and help share some of your experiences and advice to the PublicBeta audience.

Jason: You bet. Thanks for having me.

Jack: Yeah, of course. So we can jump right in to the interview, and my first question is could you tell us the story of how you found your first customers for WP Engine?

Jason: Yeah, sure. Good, old-fashioned legwork. I had the problem for WP Engine myself which is to say I had a popular blog about start-ups that got on Hacker News every Monday and the site would crash. So I started calling up blogger friends I knew and saying, “Hey, I just need the site to stay up. I don’t care if it costs 50 bucks a month or whatever. What do you guys use?” And the answer was always “I don’t know, but if you find it, tell me because I need that.”

Jack: Okay.

Jason: So I started kind of swiveling that customer development started saying if I made the site fast, if I made it scalable, if I made it secure, if when you picked up the phone you could talk to someone that knew WordPress in particular, it’s a resistaging area so you could test that out first. And these different things that I built for myself, except for the support of course, would you give me 50 bucks a month and it was pretty easy to get to yes.

Jack: Okay.

Jason: It’s a pretty normal story I think of when the kernel of the idea is right, then it’s pretty easy to find people to agree with that and to say okay. I think what’s more interesting though is contrasting this with the idea I had before WP Engine, and it doesn’t even matter what that idea is. But the point is I did much the same thing. What I found is that people would say, “Oh that’s a great idea. But you know what you should do?” And then they’d say different things.

Jack: Okay.

Jason: So the result was that, although the initial reaction was positive and it typically is with customer development, that is usually your idea has some grain of truth to it. It’s not out of nowhere. It’s not random. Of course, some people will think, yeah that generally needs to be addressed. And so a lot of folks will stop there and say, “Aha!” And said my idea was pretty good. But the realization is that when you really get into what is the life of the customer, what do they perceive as the problems, do they really think this could be a solution? Is the price correct? Did you even talk about price? You wait until you could fail based on price later even though you may have identified a problem. These are the kinds of things that trip people up. I saw that even though the initial reaction was “Yeah, that’s great,” what ensued was different for every single person I talked to. They seemed a positive and an emotional sense. They actually weren’t converging on sort of a central idea or a central set of things. And so I discarded that idea and I think that’s probably the more interesting part I think. When you’ve hit on the right idea, it’s sort of obvious. The hard thing is to let go of something where the meetings feel good but they’re not converging on something.

Jack: Okay. Interesting, interesting. And kind of my next question is were you funded or bootstrapping at the time you found your first customers? And also to go along with that, did you kind of take pre-orders or did you ask people to pay for the product before you had actually built it or launched it? Yeah.

Jason: It was bootstrapped. I found four companies all bootstrapped. Now eventually I raised money for WP Engine, but that was almost two years later. So certainly had thought over that, the hump of the initial customers and even product market fit, and we raised money to start scaling. So it’s really with bootstrap to answer your question. And of course it doesn’t cost money to call customers. And keep in mind when I was doing those initial conversations, there was no product, there was no PowerPoint, there was no company name. There were no employees. There wasn’t anything but conversations like we’re having right now about what are the travails of the blogger right now, and would this maybe match that in a sensible way. So you certainly don’t need to get funding. In fact, nowadays I would think it’s pretty much impossible to get funding without having done this, without having gotten these first customers.

Jack: Yeah.

Jason: Just because an investor, including an angel investor, will have at their disposal a whole bunch of companies they could invest in who do have customers whether those are free or not nevertheless some form of traction, and it’s so easy and cheap to start a company as of course the refrain goes nowadays that there’s a lot of them. And so the ones that have traction can get funding and investors don’t have to take a gamble on a company that has no customers at all of any sort. And so I think you sort of have no choice but to do this while you’re “bootstrapping” this modern time. As far as whether I charge them, I sort of almost did. What I did is I looked them in the eye and said, “I’m going to come back and charge you 50 bucks a month, okay? I’m really going to do that. You’re not going to—what are you going to tell me then?” And in fact, about two-thirds did join and so when I launched I had about 30 paying customers due to the two thirds that said yes. I really do recommend that people actually try to take a check or otherwise get the money upfront. I feel like people are scared to ask because they’re scared that they’ll be told no. And of course they will be told no sometimes and just because not everyone does it, right, that’s not disproving something.

Jack: Yeah.

Jason: But what happens is the act of asking really causes the person to go “Huh.” And instead of just saying, “That sounds cool” really forces them to literally put their money where their mouth is and that’s where you get truth, that’s why you can ask your friends, that’s why it’s good to talk about price because these are things that get the truth. The only reason you don’t do it again is because you’re scared of what the answer could be.

Jack: Of course.

Jason: Your fear is valid, but it also is masking your ability to get to the truth quicker. So I have advised other startups even though I admit that I didn’t do this myself all the way. I wish I had. I’ve advised other startups to do so and I’m a mentor at Capital Factory here in Austin, Texas which is sort of like a Techstar’s type of program. It’s been going on for about five years. And so I have had the chance to advise other people to do that and see what happened. So I can report sort of small N not huge net N but not an N of one either. With that technique, it does work and it is useful. And of course you only need like 10 people to say yes for that to be pretty validated. We’re talking about huge numbers when it comes to something that fierce. Again, sort of like a Heller business plan, its self is useless but the act of having to think it through is very valuable. In the same way the actual number of people giving you money isn’t that interesting. It’s the act of sort of causing that question that’s useful.

Jack: Okay, interesting, interesting. That’s a great piece of advice. So when you kind of finally developed the product, were those customers paying you initially, that kind of two-thirds of the group that you asked that they would pay you? Or did you give them a free trial to kind of try out the product before giving you money? What type of model were you using at the time?

Jason: So initially, we took a credit card but didn’t start billing them. Didn’t want to until the service was operational and they really got on foot. Then we did start building when we launched. That was only like a month or two, so it wasn’t this extended period. For a while, we did have a trial period. We actually stopped doing a trial period in favor of the money-back guarantee.

Jack: Yep.

Jason: I believe that is the correct way to go. Most people won’t cancel, at least if you’re getting to the right folks to sign up. Most people won’t cancel. So a trial period ends up just being money that you don’t get ever.

Jack: Uh-huh. Okay.

Jason: You know that the draw of course is yeah, but the barrier is lower because you didn’t have to pay. Of course the quality is lower too when you spend time messing with customers who will never be customers or potential customers and never will be. As opposed to a money-back guarantee which you can extend for longer periods of time. So for example, we used to have a 15-day free trial, and instead we changed to a 60-day money back guarantee. That’s actually a more generous offer actually.

Jack: Yeah.

Jason: On the other hand, if you decide to stay, it’s more advantageous for us. And so when we flipped to that, we definitely saw people say, “Oh good. I get two months to try it out and not the reverse.” And that worked for us. But I think that’s probably pretty dependent on the company and the market. I think the more you go consumer the more free and trials are probably important. The more you go business or something that’s hard to switch away from, the more you probably don’t need to bother with a free trial.

Jack: Okay, interesting. So besides kind of doing that customer development, asking people how much they would pay and if they would commit to paying before you actually started building the product, just based on what the idea for the product was, were there any other kind of specific techniques or strategies that you used to find the first customers for WP Engine?

Jason: Well I was I guess fortunate at the time because being a blogger that had already gotten Internet-famous, you sort of automatically get to contact other people who are Internet-famous in that case, so it’s pretty easy. But I think in every era there are different ways to get customers quickly and then that way disappears. So what I mean is the company before this one, SmartBear, SmartBear started with AdWords, but AdWords were new. I was the only ad on the page and I was paying 5 cents a click. On and on about all these techniques and tricks and who cares because that is not impossible anymore. But today, when Pinterest first started, people were doing a lot of interesting things there. Now everyone understands—well I wouldn’t quite say they understand it but everyone is aware of it. So that’s no longer an interesting way. So I think there’s always sort of a next up and coming thing which by definition we don’t all know about quite because once we do, the door is often fairly closed or at least it’s expensive and hard to do. One way I think that’s worked though, and again this depends on what kind of thing you’re selling, if the thing you’re selling is to a professional whose title you can really name, then you can use LinkedIn and I think that still works today. So what I mean is if you can say, “Look. Their title’s going to be Product Manager.” And it could be at a company between this size and this size. You can literally just pay LinkedIn 50 bucks a month and view millions of people with exactly that search phrase and you just reach out to them though email and ask if they’d like to participate in something like this. So I think if you can sort of put your finger on the person and they resonate or LinkedIn sense and that way of reaching out works. I did do that actually WP Engine for a part of our product that we aimed at WordPress consultants and I did that and that was pretty easy. And even then we were small and most people haven’t heard of us. So I think that still counts.

Jack: Interesting, interesting. Using LinkedIn once you had the ideal customer in mind using LinkedIn to find leads and prospects that fit the description of that ideal customer. So kind of my last question is what’s your number one tip out there to prospective entrepreneurs who are thinking of starting their own company about finding their first customers?

Jason: Well, this is the hard part. But the interesting part is if you can’t find them now, it doesn’t stand to reason you would find them later either. In other words, it’s easy to say, “Well, look. I don’t have a web site yet. I don’t have a product yet. I don’t have users. I don’t have three employees yet. When I do, it’ll probably be easier to find customers.” That’s actually not true. It is really, really hard to find customers. I think that battle continues of course to some extent forever. But certainly until you have a nice fit. You’re starting to get press. You’re starting to get word of mouth because you have enough customers who are sufficiently excited that can work. It’s not until you hit that stride which takes a long time. I would say it took us about two years if you look at our growth curve. If you look at HubSpot’s growth curve, for example, they’re a really fast-growing massive success story in the SaaS world. And if you look at their data because they do show it, at least they used to, you can see it took them two years to get to a thousand customers. That’s a harsh travel to get to a thousand customers. So there’s some point which maybe you hit with some people call a flywheeler where it gets easier and so on, and that’s certainly true. But it’s going to be a hard scrabble for a couple of years probably. And so this problem of how do I find them now, yeah it’s really hard but then again if you can’t solve it now, you’re not going to solve it later. And so giving up and setting aside because the easier thing to do is build the product which of course it is. As you know you can build features and you know you have ideas that are interesting.

Jack: Yeah.

Jason: So it’s too easy to fall in the trap of just doing that and say, “Well, I’ll come back to it.” Maybe it’ll be easier to find the customers where there’s a home page with a product on it. The fact is that that sounds kind of logical in the face but it’s actually you rationalizing not trying to find customers. You really invest in the LinkedIn or walking around in a co-working space or setting up one page thing to collect email addresses, or you can just go down a list. I mean sort of like if you can’t find customers to put their email address in a form and that’s it, surely they won’t also au auth and also give you a credit card and also and also and also. So I would say maybe the number one tip is to do it.

Jack: Yeah.

Jason: Not shy away. Don’t worry about it. And don’t just do three people. You have to do like 50 or maybe more if it’s not clear yet at 50. And that doesn’t mean 50 emails. That means 50 conversations which might mean 300 emails or more. And so I think it’s too easy to shortcut. It’s too easy to not go out and get the customers just because it is hard and rejection is hard and what they may say will be harsh. And that’s really emotionally difficult. It’s almost worse than cold-calling because at least then they just slam the phone on a random person. But after you pour out your ideas and stuff, now they’re slamming the phone actually knowing what you are. That’s worse.

Jack: Yeah.

Jason: I mean it is worse. Of course you can commiserate with that emotional problem but you have to simply face the fact that that’s what that is and just do it anyway because that’s the job and it’s really hard and it’s why most people don’t do it. And I think not finding customers, or you might say distribution, is probably one of the biggest reasons companies fail right behind giving up, missing money, etcetera. It’s usually not because you didn’t have one feature and that’s probably not it.

Jack: Yeah.

Jason: It’s this. And so yeah it’s hard. It’s why most people fail. But knowing that maybe it’s a little easier to actually make yourself do it knowing that it doesn’t mean you’re weird or wrong or anything. I guess the other thing I’d say is in those conversations, your goal is to disprove things about yourself and to find out about the customer. Your goal is not to sell them on what you have. That’s easy too. You’re excited about your idea. You’re excited about the features you could have. You think you know what their life is like, and so you sort of talk at them or have leading questions or otherwise don’t really try to get the answers.

Jack: Yeah.

Jason: And so it ends up being as a 45 minute sales pitch. Those probably will work out pretty well because again if you’ve called someone who is a potential customer and you have a halfway decent idea which you probably do and you have a couple of cool ideas or features which you probably have and you basically pitch them for 45 minutes. They’d god damn better well want it at that point otherwise that means you really don’t have anything. You also haven’t learned anything or validate anything either. And so I’d say I talked to three people so I’ve done wrong. That’s the first thing. The second thing is no I did talk to 50 people and they all liked it. But you’ve fallen again to the trap of you sold them or what I mentioned earlier about the first thing I said was this was pretty cool. This was pretty interesting but you didn’t really listen. You didn’t really ask them about them. You didn’t find out what words they used to describe things so that you could put those words in your home page instead of the words you thought they were. You didn’t listen how their life is like so you can fold your messaging around that and your features around what their life really is because they aren’t you. And even if you’re a software developer and you made a software development tool. So you say, “I am clearly the customer. Of course you’re not. Your customer is the average software developer which you by position are not. So no you’re not. You’re never your customer. You just have the cool gem of the idea, the kernel, the little piece of sand that’s hopefully going to turn into a pearl. That you have true enough. but almost all of it is not about you and not like you. And so going out there in the mode of discovery and finding out what it’s like for them, the language they use, the way you describe their problems and so on, that sort of open mind to that, beginner’s mind as they say in Buddhism, going out with that in mind. And then I guess the last thing, I know you said one thing but I don’t like just…

Jack: No, this is great. This is great.

Jason: The last thing I’d say is talk price. You mentioned earlier, “Did you talk about price?” You know, a lot of people say, “Don’t talk about price.” And I respect that opinion to not talk about price and I understand it. And so that’s fine. But I don’t agree. The reason I don’t agree is I think price completely changes the conversation, and in reality, when someone does go to your home page someday, they won’t talk to you. They will see the price first and that will be part of their psyche as they evaluate your company or product. And so it’s important that you do that too. The same product that’s freemium or expensive or flat rate or usage-based and so on actually may work or may not work, and that actually maybe part of the difference maker. The way I’d like to say it is that pricing is part of your marketing. It’s part of the perception of the product. So if I tell you I have, I don’t know, let’s say my current product, WordPress hosting. I said if it’s WordPress hosting, it’s 2 bucks a month. They say okay. That forms something in your mind. You start thinking about shared hosting. You start thinking about “Well, I guess I got a lot of bang for my buck.” The sort of things you may expect or not expect. On the other hand, if I say it’s $2000 a month, you think something extremely different. “Oh, wow, someone set that out for me. How much traffic is that? It must be a lot.” Like you start going to a different place you might about what it is, what pain it might solve, what it might do for you, whether it’s worth it. You get a different mindset about it. And so you have to talk about price just as you talk about features and other things because it is an equal actor I feel in that sort of constellation of things that the customer sees and reacts to. So you got to understand that. If the product can’t be sustainable at $1/month and yet that’s what people, ever since that’s awesome, but no I wouldn’t pay that. Again you may not have a business period and so you want to find that out early or vice versa. You start throwing out big numbers and everyone just doesn’t blink and you realize “Oh my god, this is actually really interesting. Some of these things are saying it seems a little harder, a little bit more complicated than I thought, but oh my god, it’s also ten times the price that I thought and that may actually have something great.” Again, like it doesn’t have to be a negative thing. It could be a very positive thing actually to discuss price. The counter argument typically is kind of the same argument I just made in a funny way. Price sets the mentality and so you got a customer thinking about weighing things or evaluating things rather than the customer talking about their experience and their pain. So I do agree that the goal is to talk about their experience and their pain. So I would agree that you want to have that in mind as I said earlier. Nevertheless I think you have to get that information about price during this upfront thing. Price certainly can make or break a company just as much as other things will. And if you get great distribution in terms of getting in front of people but the price is wrong, you just won’t convert of course. And AB testing will help there either, right?

Jack: Yeah.

Jason: Just fundamentally you’re in the wrong place and the wrong attitude. So I guess that would be another thing about finding customers and validating them too would be the top price.

Jack: Great. Thank you so much. Those are some really great final tips for people who are listening to this to take away. Thanks again for coming on to do this interview, Jason. We really appreciate it.

Jason: You bet. Thanks for having me.

Jack: No worries.

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