Dropbox

Startup Lessons Learned

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Background

- Cofounder & CEO, Dropbox
- Earlier: MIT comp sci ('05), started online SAT prep co, engineer @ startups

- Easiest way to share files across computers & with other people
- Founded in '07, launched Sep '08
- Sequoia & Accel-backed startup in SF
- Millions of users, rapidly growing

Some context

- 100,000 → many millions of users in 18 months since launch

- No advertising spend

- Hostile environment: lots of competitors, software download

- Mostly done by engineers w/ some guidance but no prior marketing experience

How we applied lean startup principles at Dropbox

(sometimes on purpose, sometimes by accident)

When to Launch?

Paul Graham:
Early and often

Joel Spolsky:
When it doesn't
completely suck
(avoid "Marimba Phenomenon")

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The Online Storage Gang

by **Michael Arrington** on Jan 31, 2006   **369 Comments**   Buzz 0 6 retweet

esnips BETA

omnidrive

STREAMLOAD MEDIAMAX

mozy beta

box

Allmydata.com

FreePOSITORY

Strongspace

Xdrive
The Internet Hard Drive

The online storage market is evolving fast. In the past, users could expect no more than a simple service where files could be slowly uploaded and downloaded from a mapped virtual drive or a simple web based interface. Li... ...and obscurity of the bubble) led to very high prices for a minimal amount of...

Over the last year a slew of new services have launched (some are launching in February) with serious web 2.0 features, reasonabl... ...case, OmniDrive ☺), the ability to read/write directly to the file with local applications like Office, on the remote server. This last feature speeds the process of writing to files significantly by skipping the requirement to download the file to the hard drive first.

The Online Storage Gang

Featured Posts

Color Scheme (?)
evil
Get Code

NERD FIGHT
Are Like Buttons Evil? The Open Web Reacts To Facebook's Not-So-Open Graph »

EdgeRank: The Secret Sauce That Makes Facebook's News Feed Tick »

EARNINGS
Windows 7 Pushes Microsoft's Profit Up 34.5 Percent; Bing And Xbox Live Kicking It Too (Slides) »

2006: Dozens and dozens of cloud storage companies

VC: "There are a million
cloud storage startups!"

Drew: "Do you use any of them?"

VC: "No"

Drew: "..."

Building a bulletproof, scalable, cross-platform cloud storage architecture is *hard*

From competitor's support forum:

"[product] ended up turning all my Word docs and half my Excel Spreadsheets into 0 byte files. Needless to say, I am not happy."

Learn early, learn often

▲ My YC app: Dropbox - Throw away your USB drive (getdropbox.com)
53 points by dhouston 1114 days ago | 71 comments

▲ 6 points by nickb 1114 days ago | link

The only problem is that you have to install something. See, it's not the same as USB d
them. That's gonna be the problem. Also, another point where your USB comparison fai

My suggestion is to drop the "Throw away your USB drive" tag line and use something e

Kudos for launching it!!! Launching/shipping is extremely hard and you pulled it off! Sup

▲ 2 points by vlad 1114 days ago | link

Drop Box: Automatically safeguards even your biggest worries, so you don't have

Download and start using it today. (link goes here.)

Your Drop Box includes your own Secretary who Files and Photocopies Every Doc
Yesterday, Two Days Ago, or at Any Point In Time. Did I Mention the Secretary a

Dropbox's minimum viable product:
3 min screencast on Hacker News (Apr 07):
Lots of immediate, high-quality feedback

Dropbox

Dropbox synchronizes files across your computers and your team's computers. It's better than email, uploading, or a Windows file share. It just works.

It's seamlessly integrated into Windows, but there's also a web interface. It also stores past versions of documents, handles huge files gracefully, and works both through firewalls and offline.

(...but easy to use.)

Update 3/20/07: We haven't launched yet, but we are admitting people into the beta. We'd be happy to keep you posted about the beta program and launch (your email won't be used for anything else.)

E-mail address: [you@example.com] (Submit)

Simple landing page: capture interest/email address

http://digg.com/software/Google_Drive_killer_coming_from_MIT_Startup

TC   Entrepreneur 2.0   ⊗   Google Drive killer coming fro...   ⊗

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Join the Live Roundtable
September 24 →

12059 diggs

Google Drive killer coming from MIT Startup

getdropbox.com — For Windows and Mac OS X... why wasn't this made 5 years ago?

👍 digg   ✉ f 🐦   ✖ Bury   Who dugg this?   Made popular **Mar 11, 2008**

Private beta launch video → 12,000 diggs; beta waiting list jumps from 5,000 to 75,000 in one day (Mar 2008)

What we learned

- Biggest risk: making something no one wants

- Not launching → painful, but not learning → fatal

- Put something in users hands (doesn't have to be code) and get real feedback ASAP

- Know where your target audience hangs out & speak to them in an authentic way

When "best practices" aren't best

Public launch (Sep 2008): Time to get real

The Dropbox Blog

Dropbox launches to the public!

Posted by Drew Houston on September 11, 2008

It's been a wild, almost two-year ride.

It started in Boston's South Station in November 2006 where one night, while waiting for the Chinatown bus to New York, I wrote the first lines of code of what eventually became Dropbox. I had forgotten my USB drive at home and was frustrated that I couldn't get any "real work" done.

Arash joined shortly thereafter, and we set up shop in Cambridge for the Y Combinator program. That summer is worthy of many blog posts, but we have countless fond memories of coding like crazy and setting our own hours ("the sun's come up again, we really should go home, no really...")

Our office sublet had "personality." When we arrived, our little room was bare except for a framed portrait of a donkey, and a whiteboard which permanently bore the vestiges of some earlier startup's plan for world domination, no matter how many times we scrubbed it. And the entryway always smelled "interesting", to put it delicately.

Fast forward to today. We're in San Francisco; we've got a beautiful office and comfy chairs. There are few visible remnants of our humble beginnings, but the spirit remains the same. In the meantime, we've built an amazing team, work with fantastic investors, and most importantly have been fortunate

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Dropbox around the world!
Resolutions (Part 2)! (and t-shirt

Public launch (Sep 2008): Time to get real

Our Web 2.0 Marketing Plan

- Big launch at TechCrunch50
- Buy some AdWords
- Hire, um, a PR firm, or a VP of Marketing, or something

Experiment: Paid search

- Hired experienced SEM & affiliate marketing guy ($$)
- Picked out keywords, made landing pages
- Hid the free account option for people arriving via paid search, replace with free time-limited trial
- Went live in early 2009

Hey guys,

So the AdWords interface on Google is showing inaccurate campaign conversion numbers (and by extension inaccurate cost per conversion figures), so I had Aston pull up the true conversion numbers from our own database - both total number of conversions ever recorded for each campaign (people who gave us their CCard info, and people who are still paying customers today. We can't figure out why (even after contacting Google) the numbers on their interface are wrong. Anyway, the correct data (aggregate for all keywords in each campaign, key numbers in bold) is below:

FTP (inactive)

Impressions:	648,540
Clicks:	706
Click-thru rate:	0.11%
Signups:	74
Total conversions ever recorded:	4
Conversions still active today:	3
Avg. cost per click:	$1.65
Cost per conversion:	**$291.08**
Cost per conversion that sticks:	**$388.11**
Subscription retention rate:	75%
Total cost of campaign to date:	$1,164.33

SYNC (active)

Impressions:	319,393
Clicks:	1,312
Click-thru rate:	
Signups:	100
Total conversions ever recorded:	12
Conversions still active today:	10
Avg. cost per click:	$1.78
Cost per conversion:	**$194.43**
Cost per conversion that sticks:	**$233.31**
Subscription retention rate:	83%
Total cost of campaign to date:	$2,333.11

Cost per acquisition: $233-$388

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Cost per acquisition: $233-$388
For a $99 product. Fail.

Experiments failing left and right

- **Problem: Most obvious keywords bidded way up**
  - **Probably by other venture-backed startups**
- **Problem: Long tail had little volume**
- **Problem: Hiding free option was shady, confusing, buggy**
- **Affiliate program, display ads, etc sucked too**
- **Economics totally broken**

But we were still doing well...?

- Reached 1mm users 7 months after launch
- Beloved by our community
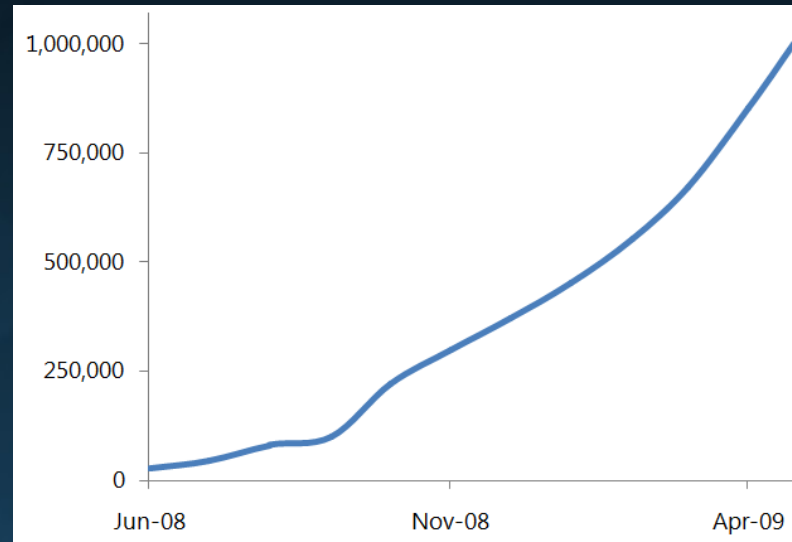
What we learned

- Lots of pressure (or guilt) to do things the traditional way. But think first principles
- Fortunately, we spent almost all our effort on making an elegant, simple product that "just works" and making users happy
- And we worked our asses off
- And hired the smartest people we knew
- "Keep the main thing the main thing"

What we learned

- **Mostly ignored (or woefully mishandled):**
  - hiring non-engineers
  - mainstream PR
  - traditional messaging/positioning
  - deadlines, process, "best practices"
  - having a "real" website
  - partnerships/bizdev
  - having lots of features
- **Product-market fit cures many sins of management**

Fourteen Months to the Epiphany

Why were conventional techniques failing,
yet we were still succeeding?

AdWords wasn't the problem

- **Nobody wakes up in the morning wishing they didn't have to carry a USB drive, email themselves, etc.**

- **Similar things existed, but people weren't actively looking for what we were making**

- **Display ads, landing pages ineffective**

- **Search is a way to *harvest* demand, not *create* it**

Typical Dropbox User

Hears about Dropbox from a friend, blog, etc. and tries it

↓

"I didn't realize I needed this"

↓

"It actually works"

↓

Unexpectedly happy → tell friends

Steve Blank & Market Type

- Existing Market

- Resegmented Market

- New Market

Definitions: Types of Markets

Existing Market	Resegmented Market	New Market

- Existing Market
  - Faster/Better = High end
- Resegmented Market
  - Niche = marketing/branding driven
  - Cheaper = low end
- New Market
  - Cheaper/good enough can create a new class of product/customer
  - Innovative/never existed before

- Marketing tactics for one market type fail horribly in others

New strategy: encourage WOM, viral

- Give users better tools to spread the love
- Referral program w/ 2-sided incentive permanently increased signups by 60% (!!)
  - Inspired by PayPal $5 signup bonus
- Help from Sean Ellis: Surveys, split tests, landing page/signup flow optimizations, encourage sharing → big wins
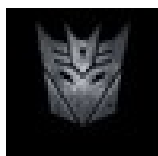- Big investment in analytics

passos: Sempre ouvo falar e so agora fui ver o dropbox. Achei muito legal. Centralizar/backupar de maneira facil meus documentos http://**db.tt**/VZLn9C

3 minutes ago from *web* · Reply · View Tweet

felkel: Sync your files online and across computers with @Dropbox. 2GB account is free! http://**db.tt**/trCglk

5 minutes ago from *web* · Reply · View Tweet

paulrmathai: I love @Dropbox! So useful (and free too). http://**db.tt**/HT7qVi #dropboxparty

7 minutes ago from *web* · Reply · View Tweet

peptides: Sync your files online and across computers with @Dropbox. 2GB account is free! http://**db.tt**/WVHxP0

12 minutes ago from *web* · Reply · View Tweet

pi...
13...

Trailing 30 days (Apr 2010) : users sent 2.8 million direct referral invites

xfilter: I love @Dropbox! So useful. http://**db.tt**/WX57CR

13 minutes ago from *web* · Reply · View Tweet

Results

- September 2008: 100,000 registered users
- January 2010 (15 mos later): 4,000,000
- Mostly from word-of-mouth and viral:
  - 35% of daily signups from referral program
  - 20% from shared folders, other viral features
- Sustained 15-20%+ month-over-month growth since launch

Wrapping up

- **Learn early, learn often**
- **Best practices aren't always best**
- **Know your market type & how your product fits into your user's life**
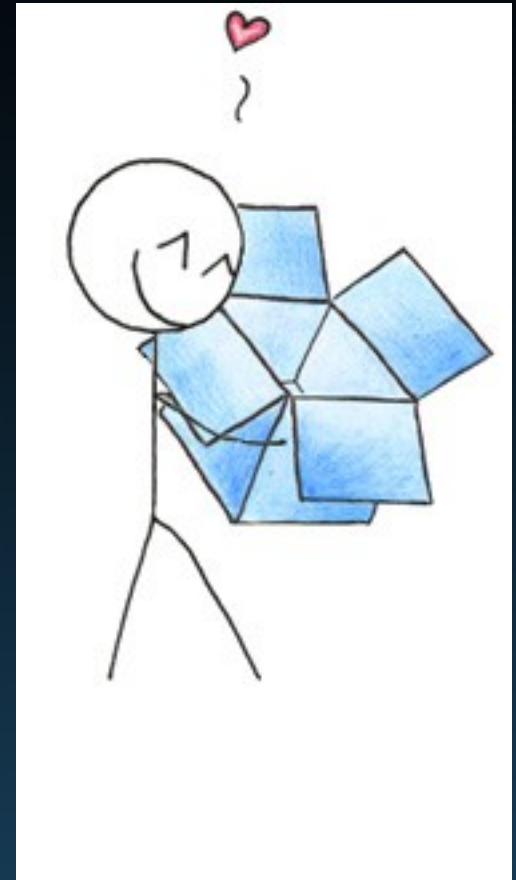
Thank you!

Questions?

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