OVERVIEW OF GROWTH HACKING: THE EVALUATION OF IMPLEMENTATIONS ON UBER

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Abstract
Growth hacking, which has its unique characteristics, emerged when startups were struggling with challenges in the competitive startup ecosystem for achieving the rapid growth, customer acquisition, and product market fit. This study focused on the examples of potential growth hacking strategies that are applied by technology giants. As the transportation network company, Uber pioneered the rapid growth and determined product development, it has been chosen as a case study. The qualitative research was conducted with a cross-sectional design by collecting general findings from several cases. The potential growth hacking strategies that have been applied by Uber are evaluated through marketing and product development, which forms the basis of growth hacking. The implementation of Uber's strategies that are referred as growth accelerators are analyzed, and these applied disciplines based on marketing and product development are evaluated. The methods such as customer acquisition, product market fit (PMF), referral marketing, surge pricing, market expansion strategy, word of mouth marketing (WOMM), early adopter advocacy, reputation system, disruptive innovation are demonstrated. It is aimed to embody the subject in the minds by giving the successful real world examples and create an information bridge between the world of economics and the academic world.

Keywords: Growth Hacking, Product Market Fit, Word of Mouth Marketing, Early Adopter Advocacy, Disruptive Innovation
INTRODUCTION

In the 21st century, the high technological developments and economic innovations continually emerge in the world. As a result, the people and companies contribute to their development by exploring the radical ways of adapting to this rapid change. Nowadays, as a consequence of these rapid changes, online marketing is regarded as one of the principal mechanisms for promoting services and marketing products. It is a kind of a marketing function that utilizes the internet as the primary source to introduce information about the product to consumers.

Startups must have achieved a high level of growth so that they can be transformed into an established business. Thus, growth hacking has become an inevitable solution and process in the startup ecosystem. It has developed its specific strategies and disciplines and has become an essential element of successful startups.

Growth hacking is one of the unique online-based marketing processes and primarily aims to achieve the accelerated and sustained growth of the company in a short period. This discipline produced skilled specialists called growth hacker in growth in their field. Growth hacking differences from traditional marketing, are applying radical strategies, taking risks and using low budget during the growth process.

The customer acquisition mindset focuses on customer orientation and creativity by encouraging more consumers to use their efficient product or services. The companies like Uber, Airbnb, Hotmail, Facebook, Linkedin, Dropbox, Twitter and Instagram all apply growth hacking as their main growth strategy, and the achievement of product-market-fit is one of the most important reasons for exponential growth.

The new competition has been created among the tech giants by the rise of sharing economy. Uber, one of the high-tech investment companies that have achieved great success in the technology world in a very short time and growing very fast, was preferred because it is a remarkable case study of growth hacking applications. Some of the startups that have struggled in such a challenging race in the economic world have achieved great success while some have failed and disappeared.

Growth hacking has created a revolutionary effect in the startup world and became a phenomenon. Breaking down all the memorization of traditional marketing, it has enabled extraordinary results and achievements to emerge. It is aimed to illuminate and emphasize the growth hacking implementations on technology giants due to the lack of academic studies and researches on it. A bridge was formed that integrates knowledge between the academic world and the world economy.
HYPOTHESES
This study aimed to discover significant and essential relationships between prominent companies chosen as study case; Uber and Growth Hacking by evaluating and interpreting the hypotheses.

For this, the hypotheses are listed below:
H1: There is a relationship between Growth Hacking and Startups Success.
H2: There is a relationship between Growth Hacking and Marketing.
H3: There is a relationship between Product Development and Startups Success.
H4: There is a relationship between Product Market Fit and Startup Success.
H5: There is a relationship between regular acquiring, increasing and retaining users in short time between Startups Success.
H6: There is a relationship between Customer Acquisition between Growth Hacking.

THE EVALUATION OF GROWTH HACKING IMPLEMENTATIONS
ON THE STUDY CASE: UBER

Customer Acquisition
Uber provided a solution to complete deficiencies for customers who were in search of new alternatives in the monopolistic cab market that give them the opportunity for improved private transportation. Hailing a cab experience through the app by using Google maps that include the drivers’ info gained many passengers who were interested in technology. The option of paying by card with the app without dealing with cash, change or tips was another product development that let Uber to achieve customer acquisition.

Market Expansion Strategy (City-by-City Expansion)
Uber focuses the strategy and marketing techniques by considering the specific characteristics and structures of each city where it launches during the horizontal growth. The possible reason of Uber’s fast accelerated growth and expansion is the acceptance that the growth was not one-size-fits-all by the company. The necessary applications, strategies and marketing plans would differ from city to city. It might not be suitable for New York, which is in Chicago, or it would have to be different for San Francisco. Because each city has its characteristic structure like policy, regulations, and relevance the initial plan and strategies must be determined according to the characteristics of the new market to ensure maximum productivity and to achieve permanent growth.
Referral Marketing
When launching into a new city the strategy of largely referral-based Uber is to incentive early adopters with referral bonuses like the promotions “invite one friend and you both get a free ride”. The foresight of Uber is “their revenue comes from repeat customers and customer lifetime value rather than one-off transactions” they are willing to pay “initial revenue in the hopes that one free ride will translate into a lifetime of paid rides” for future investment. That is why Uber creates a strategy with the aim of low risk trials on which the beneficiary will want to make use of it again. Viral / Referral Marketing is applied as marketing strategies for customer acquisition. The possibility of new riders becoming long-term costumer has increased through the encouraging experience that Uber offers to potential customers.

Early Adopter Advocacy
In Uber’s growth story the early adopter’s tech community have a crucial role. Uber acquired the interaction always with the tech community who are permanently searching for new device and services that develop the quality of their life experience by driving in San Francisco. Tech events, providing free rides for referrals are provided with the aim of driving awareness among target audience. The early adopter who was displeased with the taxi situation in the city experienced Uber and published the new experiment to ride on blogs, social media by every possible method to their environment. The new riders impressed by their friend’s experience of being able to call a black car by phone app and became advocates. Acquiring the user accelerated the growth of Uber. Early adopters who had growth engine effect on the spread of Uber would affect their friends, environment who would become potential customers after the first Uber experience. By this method network will increase by accelerating the growth. One of the important methods that ensured the early adopters’ rolls was like an event sponsorship. Uber was extremely effective at local-area tech and venture capital cases where free rides were provided to participants.

This resulted in a strong word of mouth publicity for Uber, which in turn made it viral. Moreover, viral growth is one of the most important things for a growth hacker. This shows the importance of reaching right people for marketing. Uber gained a strong competitive superiority by being the first company to market.

Reputation System for Proving High Customer Trustworthy
The mutual trust perception is one of the keystones of Uber’s success in an anonymous market that depends on trust of the customers to be transported to their homes safely by rides, and trust of drivers to be treated with respect by the customers and without cancellation their
requested ride at the last minute or shortly before arrival. This system motivated Uber drivers to
provide a better service for customer experience as they will be rated by every passenger at the
end of each trip and encouraged the passengers to behave kindly as drivers will rate them too.
The most effective method for assessment and evaluation of the potential outcome of any
transaction between consumer and supplier are the trust and peer ratings.

**Word of Mouth Marketing (WOMM)**

Uber became a solution for the failing taxicab industry in San Francisco and was assimilated by
early adopters in the tech community. The services sponsored the free rides and tech events.
This promotional marketing approach encourages the tech community to begin to share with
their environment and fans about Uber. This mindset provides a unique way to get a ride in the
city and spread the news. The users shared their interests and quality experiences about taking
part in services and how it stacked up better than its competition with friends and fans about
Uber on social media like Twitter and blogs that provided success on growth. Uber achieved its
most of the accelerated growth associated with the business through word of mouth by the
users who participate in utilizing the services offered.

If the ads are guaranteed to reach even a very small audience, the guarantee is
terminated as the ads are removed from publication. Satisfied customers from the service will
continue to be brand advocates, and new customers they acquire into the company can become
brand advocates. As long as startups improve their customer base and brand reputation, they
will have the opportunity to capitalize on the highest potential of WOM marketing.

**Stunt Marketing: Accelerants of Uber: Event Stunts**

Uber has created efficient solutions for growth opportunities and has benefited from the real-life
conditions that Uber Co-Founder and CEO Travis Kalanick regards as “accelerators” to
accelerate and stimulate growth.

As Kalanick pointed out Uber’s fast growth success in Chicago although virtually zero
cost was spent on marketing and Uber was spreading almost exclusively via word of mouth, In
general, each of the seven new riders contributed to the acquisition of 1 more potential new
rider. There are activities that Uber applies and evaluates as “accelerants”, which boosts the
growth and doubles the virality. For example, instead of 1400 driving to gain after 10,000
driving, 2800 driving is won. One of these accelerators is the reason for the rapid growth in
Chicago. The Promotional Marketing Examples of Uber are Motorcades for President’s Day,
On-Demand Roses for Valentine’s Day, Lemonade Stand, On-Demand Ice Cream Truck, Free
Rides at SXSW and more standard promotional endeavors. Uber took an opportunity through special events & holidays to exhibit its model.

**Surge Pricing Strategy Considering Customer Demand & Supply Balance for Drivers**

Surge Pricing is one of the growth factors of Uber. When the demand for rides increase, the price for Uber services increases. Uber's prices are increasing for assuring a more reliable system if the demand can’t be met by the number of drivers operating on the road. The aim of this implementation is to provide users to connect to the drives when they want it safely. As the number of drivers is limited due to the high number of demand this system encourages more drivers to be become available by realizing the price increases. Therefore, when there is surge pricing, all users are informed by notification. It is ensured that users are aware of high ratios before connecting to the drives.

Uber’s successful delivery of service in the short term can be successfully influenced by the significant findings of a positive labor supply elasticity. If the labor supply elasticity is negative and the drivers react to the wage increase by supplying fewer hours, the surge pricing will come to the contrary of the desired effect. This means that in the case of high demand, the surge price would decrease in addition to supply and there would be a greater gap between supply and demand.

**Huge Growth Potential on Traditional Transportation Industry via Disruptive Innovation and Improvement Marketing Strategy**

Today the old method of the market for taxi cabs and transportation is being disrupted by the sharing economy by transforming car ownership and transportation and re-inventing in a new way and directly linking producers with consumers, eliminating the need for an intermediary. The business method of taxi cabs is being innovated by Uber. Taxi drivers can start to provide services as independent contractors through mobile phone applications instead of working with a taxi company. Markets are discovering new boundaries of possibilities, disseminating information, lowering prices and creating new and unprecedented investment opportunities for entrepreneurs.

An important factor in the growth and development of Uber is its potential. In addition to replacing many city car hire methods, the company is also structuring the car ownership and transportation in general to create and develop an established infrastructure and use it in a completely new revised way. Uber's exponential growth potential that has economic, environmental and everyday influences are seen as an efficient and profitable investment for investors. This marketing model of Uber is changing people's habits about transportation. This
encourages people to purchase daily necessities such as electricity and water, as well as to buy ride, rather than acquiring a vehicle, and in this sense Uber meets the demand and provides services.

Kalanick's marketing promotions, identified as accelerants, are testing methods for market demand and lead the company to potential growth. Google Ventures invested $258M into Uber Google Venture's big investment in Uber is a sign of what's coming in the future. Google put in a self-driving car, a very important innovation of company.

**Product Development & Product Market Fit (PMF)**

Product market fit is a priority in the intersection point of fields such as marketing, computer science, data-driven and statistical in growth hacking mindset. One of the distinct feature of Growth Hacking that difference from traditional marketing is taking the risk. The nature of this is due to the startup ecosystem where new firms are competing and they have to grow rapidly. In this competitive environment, there is a high probability of making mistakes and failing because they have to take risks in the growth hacking process to achieve their priority goals as customer acquisition and permanent growth. Failures are part of growth hacking, and mistakes lead to the acquisition of significant future experiences and success. Measurable and definite targets that can be tested for effective marketing and used for repetition should be aimed.

Because of the product market fit is an abstract concept of market harmony that precisely makes it harder to determine when Start-up succeeded. During the beginning startups' establishment, product market matching has to be achieved before proceeding in pyramid processes and scaling the business. That is why effective and efficient growth hacking requires analyzing the business and its consumers. Achieving product market fit must be the priority of the growth team and then focusing on growth.

Keeping burn rates low and focusing all resources on developing the ratio of customer loyalty, will be difficult unless the startup reached the product/market fit. Engaging the available and target users will help to determine how to build an essential product. After important product and vision revisions, highlighting a prominent property of your product will support the progress.

That is why determining the demand, early adopters and their needs are essential to building a product or business that will blow adopters’ mind and fulfill a necessary and compelling needs for a real and identified group of people at the beginning of startups' establishment. The positive benefit that users get from the product will quickly increase product awareness by sharing among people through the WOM.
Product Market Fit for Customers
Uber is a fast and practical problem solver primarily because it provides a ride for people who need taxi service at affordable prices. In the major cities, millions of consumers are benefiting from these services, and taxi service has been monopolized, developed and reinvented in every aspect. Uber's business model features, such as low prices and reduced transaction costs, contribute welfare interests of consumers.

Uber also organizes the substructure of the taxicab industry and makes the industry more esteemed by providing riders that offer clean and quality customer experiences and that accepts different forms of payment. They also made the experience more customer-focused because they allowed the customer to track the vehicle on their way to them. They also allowed customers to pay by credit card and through the vehicle.

Product Market Fit for Drivers (As It Is Expected for Their Satisfaction)
The vehicles and operators that are offered to riders do not belong to Uber. Instead of employing the drivers, Uber serves as a liaison and between people who need rides in a specific geographical area to qualified drivers who are in the region. Uber also creates jobs and opportunities for drivers and limousine companies that have difficulty finding jobs in the city. The company works with the existing licensed drivers and helps the vehicles that already provides the driving service to the customer, by its app and the connection between the driver and the passenger is created via the mediation of Uber. Another factor contributing to Uber's growth is the win-win for any interested party as any good service. More than $ 500 can be earned a day which amounts to a week of work time on average for some taxi drivers in this arrangement.

STUDY APPROACH
The ridesharing platform Uber was investigated in the framework by evaluation the implementation of Growth Hacking methods on the company. In the study, academic studies and models related to Uber's growth process and growth hacking applications were examined and also the internal expansion and the growth success of high-tech startups that aim to achieve rapid growth are evaluated by investigating the work principles and implementations on the important company, Uber.

A qualitative study was conducted by evaluating interviews of growth hacking experts, blogs and important growth experts' articles to provide elements that are part of the growth hacking movement and handling the cases including the important company, Uber.

The assumptions that are obtained from the extensive interviews and sources have been reasonably evaluated and formulated into a conceivable conclusion in the process of qualitative
data of the study. The purpose of applying qualitative approach is to explore and evaluate new areas to create a reasonable, appropriate theory. Explorative research is implemented to develop explanations to the ambiguous issues and to establish an integrated knowledge bridge between the economic world and the academic world.

This framework intended to explain and identify the term growth hacking that is an essential element for every aspect of startups and this new organizational culture’s role in Today’s marketing world. Growth hacking process, mindset and strategies that are implemented by growth hackers are handled and clarified with the excellent examples.

The keys are investigated that are applied during the implementing of growth hacking for achieving the growth in the organization of high tech startups. The main methods of growth hacking that are applied by Uber including are customer acquisition, product market fit (PMF), referral marketing, surge pricing, market expansion strategy, word of mouth marketing (WOMM), early adopter advocacy, reputation system, disruptive innovation demonstrated and evaluated by investigating the growth success of important companies.

The rise of Transportation Network Companies (TNCs) such as Uber has significant effects on taxi industry. Uber was selected as study case because of its accelerated growth in ecosystem implementing growth hacking methods. The sharing economy is expanding day by day where individuals utilize the Internet as a platform to be connected with other companies and individuals to share services in this echo-system.

DISCUSSIONS

Uber's rapid growth and accelerated populism show the effectiveness of the applied potential growth hacking methods that is a new and unique discipline on which its roots are based on the lean startup principles.

Growth Hacking differentiates from traditional marketing regarding the team that acts in an organization, product development, the use of marketing channels such as paid advertising or free & low-cost alternatives, the process of strategic implementations & defined funnels and promotional logic. Effective and efficient implementation of growth hacking provides accelerated and incremental growth in a short time to the established firm or startup.

Uber becomes an alternative for the customers who have been forced to use traditional corporate service models offered by other transportation companies in case they are not satisfied due to the lack of options. Properly setting targets before the application, preparing the appropriate sub-structure for the organization and working with a strong and creative team meeting in a common mindset will ensure the success of the companies.
The meticulous selection of drivers who are employed by Uber and the rights offered to customers to rank the drivers develops the quality control and ensures for holding drivers responsible. This marketing method and the approach to product development enhances the quality of service provided to drivers, customer satisfaction, and brand loyalty more than traditional taxi industry.

Growth Hacking is a process, company culture, and mindset that needs to be applied and utilized at all levels of organizations, not just a discipline in which the marketing technique belongs only to the marketing department and team, as it is in traditional marketing.

Uber made a significant breakthrough and effect in the taxi industry. Uber can potentially be regarded as a growth machine about all measures. Accurately, the growth machine that has been built by the right and creative team and has the right strategy as a whole has achieved success with accelerants.

Public perception management, ensuring proper coordination between established taxi commissions and vehicle drives, public relations and perception management approach, lobbying, brand advocacy, brand loyalty, community management that enables the efficient operation of the world of mouth and its rapid spread, promotional marketing diversity and success are the primary elements that are the factors that trigger Uber's immense growth and play a crucial role in strengthening its foundations. Although growth hacking has emerged in the startup ecosystem, it also integrates the growth mindset to marketing strategies of established companies.

New-period growth marketing mindset will benefit from the techniques and implement the existing campaigns to ensure that regular advertising expenditures and digital marketing budgets fulfill their full potential.

Many major branding firms have limited their potential success and overlook the main potential growth elements as they are effective in this approach by focusing on a narrower area rather than advocating a growth mindset in every field in which they operate for continuous development.

Uber is phenomenal study case on the potential of growth that has redefined the transportation industry and created changes in the ideas and entrenched habits of users with disruptive innovations. Implementation of growth hacking is not for companies easy due to its disruptive characteristic but it is very effective in accelerating the growth rate and provides much better products and services.

The success that Uber has achieved in a highly political arena constitutes an important model of a multi-sided platform between different and established interests for an entrepreneur who is in the process of setting up a startup and aims to explore creative growth strategies.
Growth Hacking is aimed at low-budget channels where data-driven can be implemented for quick and measurable attacks in metrics to achieve growth due to its nature. Because of these strategies that also have positive effects on service and product development, the competition conditions in the ecosystem are rebalanced.

As Uber has created, developing a pro-consumer product ensures sustainable growth and lasting business success. One of the most basic stones of success is that the product market fit (PMF) is conducted correctly even if Uber has to struggle with political and stationary private interests.

Good products and underdog brands that have not reached their target audience, will be able to raise, influence and be included in the competition market by assimilating growth hacking discipline.

Uber’s growth story, in whatever sector and field the entrepreneur invests in, becomes a source of inspiration of achievement and guiding for growth requirements.

Growth hacking changes the perception that only major brands and companies in the traditional marketing world will be front-line because of the positioning of leaders and high-budget advertising projects.

**Figure 1: Startup Competitors, The Y Combinator (YC) Companies**

In the graphic these companies are seen as the main competitor for Y Combinator Companies. Uber and Airbnb are the ambitious competitors in the race. Y Combinator is an American seed
accelerator that provides seed funding that is the earliest stage of venture funding for startups. All the expenses of early stage startups are paid by Y Combinator also called as the world's most powerful start-up incubator.

The technology giant companies like Airbnb, Hotmail, Facebook, LinkedIn, Dropbox, Twitter, and Instagram all also has applied growth hacking strategies as their main growth strategy. This approach let them achieve huge growth in a short time and reach to a very high number of people.

In this table, it can be seen Uber's increasing periodic income values between 2013 and 2015. One of the market expansion strategy based on growth hacking mindset is city by city expansion that has started into the Asian section in 2013, with a launch in Sydney, Australia in winter of 2013 and the next was in Taiwan and Taipei in 2013. The net revenue curve of the global company services between Q1, 2013 till Q4, 2015 was about $25 million in Q1 of 2013 and it was more than $500 million in the last quarter of 2015. The highest spike of this season was at the start of 2015. This can be connected to the Uber launch in China and India in 2014. This strategy of Uber has provided company to gain very high profits and accelerated growth.

Facebook is one the technology giant that has applied growth hacking and gained huge success in a short time. Uber has blown up so much faster than Facebook between 2011 and 2013.
In the last three years, it has grown to $49.5 million in 2011, $258 million in 2013 and $1.2 billion in June. During this period, ridesharing service was provided in more than 200 cities in 45 countries around the world. The comparison of Uber and Facebook shows that Uber reached $35-40 billion valuation faster than Facebook achieved in its third year of fundraising. Facebook could reach this value within seven years.

Source: (Smith, 2014)
As the net revenue of Uber is net of paying drivers, the GMV is 5x of the total amount (~20% net revenue margin). Uber’s rapid growth has always been ongoing, and its growth with the international expansion strategy, especially between 2014 and 2015, has accelerated. Finally, in Q1 2016 Uber generated $ 960M net revenue, followed by a slight increase of 15% in the Q2 2016, reached $ 1.1B. Nevertheless, these impressive net income figures confronted Uber with considerable cost.

It is not easy to make an assessment for the future values, according to previous reports of companies that have been growing like accelerators like Uber. Not only the companies’ giant growth, but also the efficiency and effectiveness of the long-term business will be taken into consideration in evaluations.

There are media channels around Uber that can adequately advertise and lure growth success and continue to attract the attention of many big investors. Uber’s success story attracts not only the investors but also the startups. Uber will continue to increase its value as long as investors are always convinced that it will proceed in the direction of profitability. There are very important achievements, challenges, strategies and samples that startups need to patterns themselves on Uber’s growth story.

As seen in the success story of Uber, when growth hacking strategies were applied by big industrial leaders and strong brands, it was possible to achieve accelerated growth, successful product development and customer acquisition by reaching a large number of the target audience in short time. One of Uber’s important factors of success brings innovations to the market and convenience for its users, which is out of traditional marketing and mindset.

The growth hacking methods that have been applied have caused to strengthen Uber’s market presence and lead the race in the competitive industry where Uber struggle. Uber's success model in the sharing economy is parallel to Airbnb. Even if Uber struggled with difficulties and occasionally applied the wrong strategies, the company often created a powerful model that every startup founder has to sample. The stories of businesses that have gained tremendous success like Uber by implementing growth hacking strategies will continue to be the inspiration for startups at an early stage.

WAY FORWARD
In the further research that will be conducted in the same research area, the examination and evaluation of a wider variety of real world examples that can be role model for future growth process and related industries will be a much more comprehensive resource to guide startups, investors and researchers at early stage of operations and will provide a more integrated outcome on the topic.
The study focuses on the potential growth hacking strategies that are applied by case study so in the further research when the other applied growth hacking strategies are handled such as search engine optimization (SEO), A/B testing, website analytics, content marketing and data driven by evaluating together with the success stories of first-rate examples in the background of the technology giants, the phenomenon “growth hacking” and its operations will be embodied in the minds and clarify the interaction and close relationship between growth hacking and startups from the world of today’s economy and will be better utility to realize the idea, logic, and purpose in the background of growth hacking.

Because of the lack of relevant academic literatures and resources to this new unique term “Growth Hacking” in the academic world, the evaluation, discussion, and conclusions were limited and this can be taken into consideration for future academic studies. When more researchers and writers pay attention to this subject, deeper content and resources will be published and clarified. This framework also can be guidance for companies & startups to get inspired for creating and developing their own growth hacking strategies appropriate for their own company infrastructures.

The mindset in the background of growth hacking across product development and marketing channels are examined that could be instructive for startups to transform the relevant people who are interested in their products into brand advocates. The framework was conducted from the perspective of marketing and product development, the engineering (e.g. coding) view, which is one of the features of growth hacking skills and necessary for success were explained in a more limited way.
The further research can aim to examine more fields about the skills of growth hackers as they apply technology-based solutions such as software, databases, APIs, and related tools to achieve growth that will be useful for the good products and underdog brands to reach the target audience and for startup founders and entrepreneurs to disrupt legacy marketplaces by discovering their specific growth strategy.
REFERENCES


