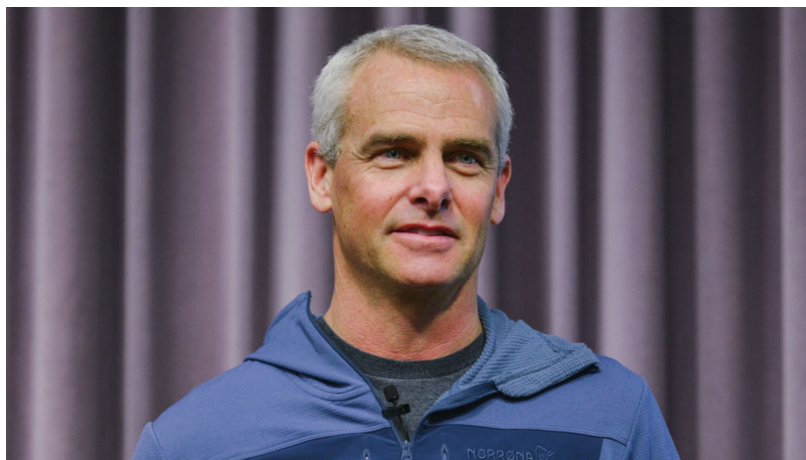


URL: <https://stvp.stanford.edu/clips/strava-finds-its-niche>

Strava executive chairman Mark Gainey and his co-founder Mike Horvath came up with the idea for Strava in the mid-1990s, but weren't able to make their vision a reality until 2009, when mobile and GPS technology reached an inflection point. In the meantime, they built Kana Communications into a business that earned a valuation of more than \$10 billion. When they returned to the "virtual lockerroom" idea that became Strava, they made a crucial decision: They would focus their go-to-market strategy on passionate road cyclists, and build a fierce loyalty with that group before expanding to other sports categories. Gainey explains four core aspects of Strava's "inch wide, mile deep" approach to engaging early customers.



## Transcript

Quick background on Strava.. So 2009, January of 2009 that's the official start date.. To be clear it's history goes all the way back again to the previous century.. As I mentioned Michael and I have been friends for a long time.. We met in the boat hour right there.. That's Newell boathouse on the Charles River there in Cambridge at Harvard.. We met there on the crew team.. It was an amazing experience, really hard to define for those of you who haven't ever been in a boat like that.. But the comradery, the esprit de corp, frankly just the trash talking and the competition, everything that comes with being on that team was perfect.. It was sort of what defined my college experience..

The only problem was that I graduated.. And when I graduated, poof it disappeared.. This whole idea of sort of having my tribe, my team that I could hang out with that kept me inspired was gone.. And so as early as 1995 Michael and I had actually developed a business plan.. It was called Cana Sports at the time, not Strava, but we were fully intent on creating this virtual locker room.. We were gonna use this new thing called the internet to create this place where we could get all our buddies to bring their workouts together.. We're going to have this wonderful sort of virtual team.. Good news, bad news in 1995, right.. The bad news, we were way too early.. We were about 15 years too early in terms of the idea..

The technology was not there to capture the activities.. And frankly even the consumer behavior wasn't there.. But the good news was that by pursuing Cana Sports that what actually introduced us to the customer email problem.. So lesson number one that I would just share with you, you know, oftentimes I'd talk to entrepreneurs they'll say to me, "I just," or I should say want to be entrepreneurs.. They want to go start something, but they just say to me, "I just don't know the right idea.. "I just don't have the right idea." I would just caution you to pick an idea and just start rolling with it.. Start having conversations and you'll be amazed at where it takes you.. If anybody had told me that a virtual locker room would lead to an enterprise software company worth \$11 billion I would have laughed.. But that is what happened.. The opportunity of pursuing the sports introduced us to this problem because of the sporting good companies and the things that they were experiencing online..

And because we were objective we were able to evolve our business and become Cana Communications.. The other piece of good news was we were 15 years too early but we were still very passionate about the idea.. So come 2009 the world had changed.. For one, things like wearable devices, the smart phone, you're able to capture activities in ways you couldn't do it 10 years earlier.. And the other thing that had changed was consumers themselves, the athletes.. You were much more comfortable sharing your information online.. That was not something we were doing in the late 1990s.. So 2009 we decide to start a business.. How do we go about doing it, right? We had this vision.. Michael and I were really excited about creating a consumer brand..

It was not something we'd done before.. We'd done enterprise software, but when we thought about the companies we admired they were much more akin to the Virgins, and the Patagonia and the North Faces of the world, these iconic brands.. And so that's what we wanted to do with Strava.. We thought, how can we create something using the internet to inspire this global community of athletes.. So that was the vision for the business from day one.. We still had that in the business plan.. But our go to market strategy was this niche.. It was basically taking a page right out of the Cana playbook.. Let's pick one category, one group of athletes, go really deep, be authentic with them and let's see where that leads us, or sort of takes us down the road.. In this particular case we picked the passionate cyclist..

In fact, internally we refer to them as MAMILS.. These are middle aged men in Lycra.. All right, that is our target audience.. On the surface to use they look really, really good, very fanatical about their sport, right, very intense and obsessed with their data and the technology associated with cycling.. They tend to spend a lot on their sport.. And frankly there wasn't another solution out there on the market.. There were lots of things coming out for runners and so forth, but there was nothing for the cycling audience.. So Michael and I looked at it and said, great this is perfect.. But again, when I tel you, when we talked to investors, even family and friends we were accused time and again of cute little hobby, but you're never gonna be able to build a business there.. We heard this over and over and over..

Despite hearing it, because of the effect that we'd had a Cana and frankly we were sort of middle aged men in Lycra and we needed this solution.. So we just started building.. And we did four things that I want to share with you when it comes to being an inch wide and a mile deep.. First thing we did was we did grass roots recruiting.. Oftentimes in entrepreneurs, particularly here in the valley you're immediately trying to figure out how do you get your first thousand, your first 10000, your first 100000 customers online.. We did not think that way.. We were literally, I can remember the first five cyclists that we had on Strava, right.. There's a gentleman, I won't give you his name, but his initials are DB.. He's our first customer.. He's still on Strava 11 years later..

We were begging and borrowing and stealing from cyclists anywhere we could.. We would go to local cycling clubs here.. There's crazy stories of going down to Costco and trying to figure out how to negotiate with Costco to buy tens of thousands of dollars worth of Garmin cycling computers just so we could give those away to our friends so they would participate on Strava, 'cause we could not get Garmin to sell us a device.. So we had to negotiate with Costco.. We got fleeced by eBay sellers who promised hundreds of Garmin's devices that would never show up after us sending them checks.. And we did everything wrong, but what we were doing was really goin grass roots trying to find those early customers, those early cyclists that we could do, which was the second thing, create a conversation with them.. This was about sitting down and really listening to what their needs were as a cyclist.. Forging this relationships.. We didn't call them customers.. They were our partners in this project..

And what was happening was when you had that conversation you start to hear these little nuances that become very very important.. For instance as a cyclist it doesn't matter whether you're going on a five mile ride, a 20 mile ride, a 50 mile ride, or a 100 mile ride, it turns out that there's always this iconic moment.. There's this moment where you hit a hill and you're gonna climb it as hard as you can.. And that's the thing that cyclists remember.. It's like what they memorialize on their rides is the climb that they do.. So for us that was important because if we could figure out how to capture and memorialize that climb inside Strava that's the kind of unique opportunity that nobody else was offering.. We learn that they were really fascinated with power, or wattage, sort of the energy output that they were doing.. So how could we take advantage of that data that was coming through things like their watches and their bicycle and take advantage of that information, do something unique online.. The third thing we did that was really critical at Strava was we focused on this notion of engagement.. And again, if you think about a consumer model you have acquisition of your customer..

You have engagement of your customer.. You have monetization.. That's kind of the three basics, right.. There's churn and retention and everything else.. But the three basics are acquire your customer, engage them, and then monetize.. At Strava it was all about engagement.. That's where we obsessed.. We spent our time trying to figure out once we'd found one of those cyclists grass roots or otherwise, how do we get them to just keep uploading time and again.. How do we make the experience as exciting as possible? How do we create this long term relationship with them, right.. Their thought process was too full..

One was because we were talking about a vertical niche we knew that we had a finite number of customers out there.. So anyone that we got we wanted to keep around.. But the other reason that that was so important was that we learned very early our best source of growth was word of mouth.. So by focusing on engagement we actually saw that our growth actually accelerated.. So without focusing on it that was a great strategy.. And then the forth thing that I'll mention that was really part of this inch wide, mile deep strategy was the simple notion of what we call single player mode.. Now there's this misconception with Strava that from day one we were out to sort of build the community.. How do we sort of bring this party together in one big place? And yes, we were really excited about this idea of a virtual team.. We believe that people make other people active.. It's something we've seen..

We can actually show you the data.. It's really true.. And as soon as you have followers on Strava really good things happen.. But in the early days of Strava it was all about what we call single player mode.. And what I mean by that is we had to assume we had one customer, one cyclist who was uploading one ride on Strava.. How do we make that experience valuable so they'll want to come back again.. All right, so it was all about high utility, sort of just high value from that one experience.. It was that single player mode that was critical early one.. I talked to way too many entrepreneurs where they're like it's gonna be this amazing community based business but we just, we can't figure out how to bring everybody together.. I'm like you gotta get product market fit for that one customer..

Once you do that a couple years in we got very excited about the community features.. But we had to grow into that.. We had to mature into that opportunity.. So those were four.. The last one I'll say that we did was what I would call patience, right.. Expansion only happened after we really felt that we had nailed this niche, this first group, all right.. And what I meant by that was we needed to know that we were the definitive leaders when it came to serving the cyclist online.. We could see

that both in the numbers.. We could see that in engagement.. We could see that by what was being written in the press..

But it wasn't until we felt that we had established that number one position in the marketplace that we gained the confidence to really think about now an expansion strategy.. I mean, frankly we took a page, I would argue more so out of some of the other sporting good companies than we did sort of tech companies.. 'Cause expansion for us was akin to what Nike did or others where we picked a new sport.. There was a new vertical and said, okay now it's time.. And we went after running.. It was three years later, 2012 that we launched running.. We launched it first off as a separate app.. Today it's all integrated into one.. But we actually had Strava Cycling, Strava Run.. They were separate..

We learned a ton of difficult lessons.. We originally thought we could basically take the cycling experience, reskin it with the old 80/20 rule, 80% of it would work for our runners.. No, if we were gonna be authentic, if we were gonna get that same kind of high running engagement we really had to start internally with the DNA of the company and rebuild from the ground up a running experience.. But it did work.. What we saw, as I mentioned earlier, word of mouth began to spread.. We saw a really fascinating viral effect.. We saw that many of our athletes are not cyclists or runners.. We find that they tend to be multi sport.. Unless you're professional and you're making a living as a cyclist you're not riding every day.. You're riding and then you're running, and then you're skiing in the winter, and you're swimming, and you're playing around..

You're doing lots of different things.. And so we found our existing athletes were expanding with us and they were bringing more and more of their friends along...