

# Sequencing Market Entry Loops

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How acquisition, activation and referral loops reinforce one another — and which one has to work first.

Theory session

Intermediate

Running case: Kiteforge



# Where this session sits

1.1 chose the direction; 1.2 designs the mechanism that carries it

## MODULE 1

### Growth Architecture and Market Entry

## MODULE 2

Commercial Engines  
and Expansion

## MODULE 3

Strategic  
Scaling Choices

## SESSIONS IN THIS MODULE

**1.1** Choosing a Growth Direction  
Comparing growth paths against constraints and evidence

**1.2** **Sequencing Market Entry Loops**  
Acquisition, activation and referral loops that reinforce

YOU ARE HERE

**1.3** Operating the Demand Engine  
Channels, handoffs, metrics and operating cadence

# What this session explains

Building growth that feeds itself rather than restarting each quarter

## 01 **A loop reinvests its own output**

A funnel consumes input and stops. A loop returns something that becomes the next input.

## 02 **Loops have measurable mechanics**

Branching factor and cycle time together determine whether one compounds or decays.

## 03 **Sequence matters**

Running acquisition before activation works fills a leaking system at full cost.

## 04 **Friction is a design variable**

Where you place the first barrier decides who gets to make the first decision.

## DEFINITION

# What makes something a growth loop

The test is whether the output returns to the input

## WORKING DEFINITION

A growth loop is a repeating sequence in which the output of one cycle becomes an input to the next — so the system's own activity generates the fuel for its continuation, rather than consuming a budget until it stops.

1

### It has a reinvested output

New users invite users. Published content attracts search traffic. Revenue funds the next acquisition cycle.

2

### It compounds or decays

Each cycle is larger or smaller than the last. There is no steady state, which is why the mechanics matter.

3

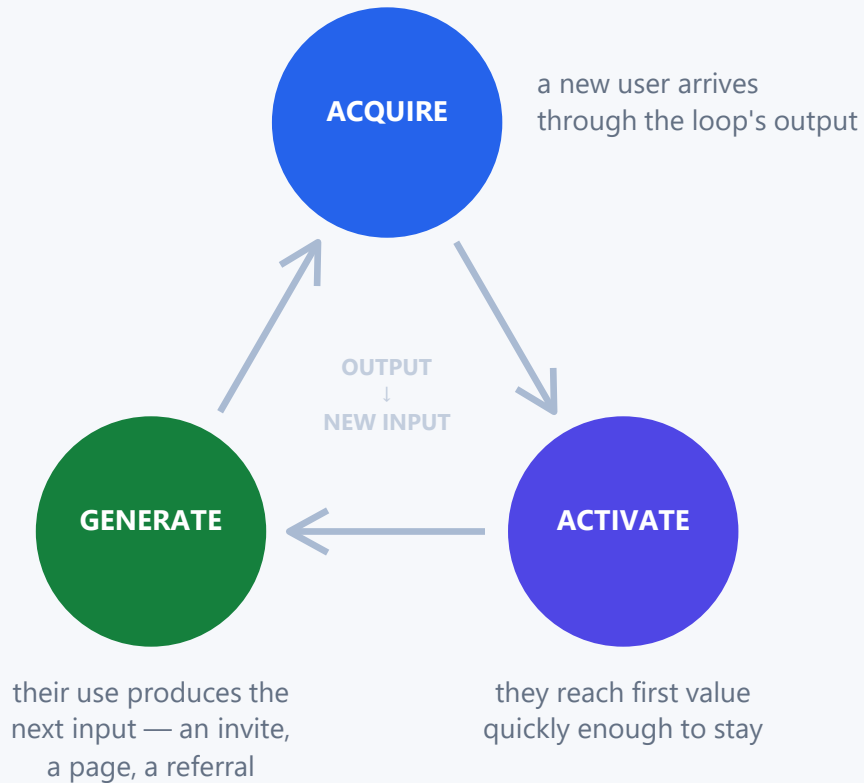
### It is not a funnel

A funnel describes how one cohort progresses. A loop describes how this cohort produces the next one.

Reforge / Ellis, S. & Brown, M. (2017), Hacking Growth, on loops as the unit of growth design.

# Four stages that make a loop turn

Break any one of them and the loop becomes a campaign



## THE WEAK LINK

### Usually activation

A user who never reaches value produces no output, so the loop stalls even when acquisition works.

## SLACK'S VERSION

### Use generates invite

Because the product was collaborative, using it properly meant bringing others in. The output was a by-product of the value.

## DESIGN QUESTION

### What does success produce?

If a satisfied user produces nothing that brings the next one, you have a funnel.

# Four loops, four different fuels

Most companies run one well; very few run three

1

## Viral / collaborative

Use requires or benefits from others. Fastest cycle time, and only available to products that are genuinely multiplayer.

2

## Content / SEO

Use produces indexable material that attracts the next user. Slow to start, durable once compounding.

3

## Paid

Revenue from this cohort funds acquiring the next. A real loop only if payback is shorter than the cycle.

4

## Sales / referral

Satisfied customers introduce others. Slowest cycle, highest conversion, hardest to instrument.

5

## Marketplace or ecosystem

Supply attracts demand, which attracts more supply. Two loops that must be balanced.

### CHOOSING

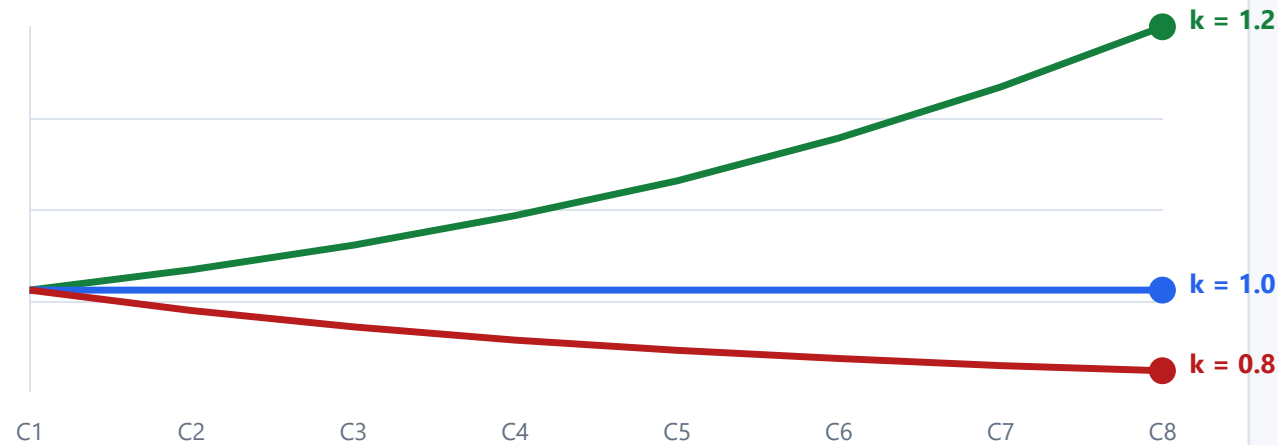
## One loop, properly

A single working loop beats four partial ones. Each requires different instrumentation and a different team.

# Whether a loop compounds is arithmetic

Branching factor and cycle time together decide the shape

USERS AFTER EIGHT CYCLES, FROM 100 STARTING USERS



Above 1 the loop compounds; below 1 it decays and must be topped up from outside. Cycle time decides how fast either happens.

## BRANCHING FACTOR

### How many each user brings

Invitations sent × acceptance rate. Below 1.0 the loop is a decaying subsidy on paid acquisition.

## CYCLE TIME

### The overlooked half

A k of 1.1 every week beats 1.5 every quarter. Shortening the cycle is often easier than raising k.

## REALITY CHECK

### k decays

Early adopters invite more than later ones. Measure by cohort, not in aggregate.

# Funnel thinking and loop thinking

Both are useful; confusing them produces the wrong budget

## FUNNEL

### A cohort moving down

#### WHAT IT DESCRIBES

How many of the people who arrived this month progress to each stage.

#### GOOD FOR

Diagnosis. It shows where people are lost, which is how you find the constraint.

#### ITS LIMIT

It says nothing about where next month's arrivals come from.

## LOOP

### This cohort producing the next

#### WHAT IT DESCRIBES

How the output of this cycle becomes the input to the following one.

#### GOOD FOR

Design and forecasting. It tells you whether growth continues if spending stops.

#### ITS LIMIT

It hides stage-level problems, which is why you still need the funnel.

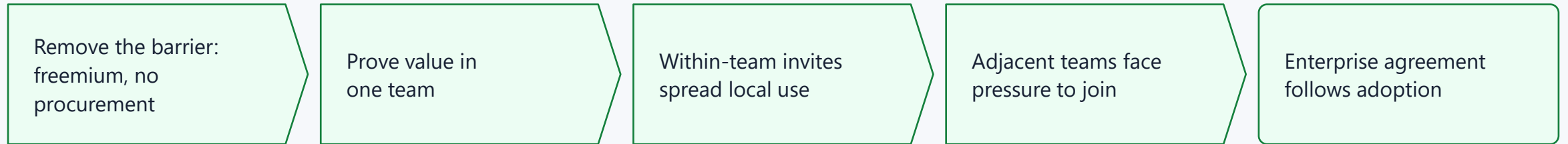
## USE BOTH, FOR DIFFERENT JOBS

Use the funnel to find the constraint and the loop to decide what to build. A team that only has a funnel keeps buying growth; a team that only has a loop cannot say why it stalled.

# Slack's order of operations

Each stage was only attempted once the previous one worked

## BOTTOM-UP ENTRY



## WHY THE ORDER IS THE STRATEGY

The commercial conversation came last. Reversing the sequence — enterprise agreement first — requires convincing someone who has not felt the problem.

# Where you put the first barrier

Friction is not bad; misplaced friction is

|                                                                                                                                                   |                                                                                                                       |                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>TOO LITTLE</b><br>Anyone can start, nobody is qualified. High volume, low activation, and a loop full of people who will never produce output. | <b>PLACED CORRECTLY</b><br>Free to start, costly to progress. The barrier sits where the user has already seen value. | <b>TOO MUCH, TOO EARLY</b><br>Procurement, contracts or a sales call before any value is experienced. The person who feels the problem never gets to decide. |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|

DECIDING WHERE THE BARRIER GOES

| Question                                    | What it tells you                                                        |
|---------------------------------------------|--------------------------------------------------------------------------|
| Has the user seen value before the barrier? | If not, you are asking for commitment against a promise.                 |
| Does the barrier filter or merely deter?    | A qualifying step is useful; a slow form is not.                         |
| Who is on the other side of it?             | If it is procurement, the decision has left the person with the problem. |

# Three loops that never turn

Each is instrumented, funded, and structurally unable to compound

## Acquisition before activation

**Looks like** Strong top-of-funnel, flat revenue.

**Why it fails** Users who never reach value produce no output, so the loop never closes.

**Fix** Fix activation first; it is cheaper and it compounds.

## A bolted-on referral scheme

**Looks like** An incentive to invite, unrelated to using the product.

**Why it fails** The output is not a by-product of value, so it stops when the incentive does.

**Fix** Find the invitation the product already needs.

## Paid mistaken for a loop

**Looks like** Spend in, users out, repeat.

**Why it fails** It is only a loop if payback is shorter than the cycle; otherwise it is a subsidy.

**Fix** Compare payback period to cycle time explicitly.

## CASE STUDY

# Slack

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A product whose route into an organisation began with one team and ended with procurement, not the other way round.

# A loop built into how the product works

Collaboration made invitation a by-product of value

## THE ENTRY

### Team first, company later

#### THE STARTING POINT

Public launch in 2013 after a limited beta, with adoption beginning at individual team level.

#### THE FRICTION REMOVED

A freemium model let a team start without procurement or contract barriers.

#### WHY THAT MATTERED

The first decision was made by people who felt the problem, not by people approving budget.

## THE LOOP

### Use created reasons to invite

#### WITHIN THE TEAM

Invites spread use locally; the product was more useful with more colleagues in it.

#### ACROSS TEAMS

Collaborative network effects put adjacent teams under pressure to join.

#### THE OUTCOME

8 million daily active users within four years, and net revenue retention consistently above 140%.

## READING THE CASE

The loop was built into how the product created value. Because Slack was collaborative, one team's use generated a reason for the next team to participate.

Drawn from the session case pack.

# Bringing the theory to Kiteforge

Designing one loop and sequencing the rest behind it

| Step                     | What you decide                             | Kiteforge example                                                    |
|--------------------------|---------------------------------------------|----------------------------------------------------------------------|
| Find the natural output  | What a successful user already produces.    | A published workflow template others in their industry can copy.     |
| Name the loop            | One sentence: output → next input.          | Published templates rank in search and bring the next team in.       |
| Measure k and cycle time | Branching factor and how long a turn takes. | 0.7 templates per active team, six-week cycle — not yet compounding. |
| Fix activation first     | Output requires users who reached value.    | Only 31% of teams publish anything in the first month.               |
| Place the barrier        | After value, before scale.                  | Free for three workflows; paid above that, once the habit exists.    |
| Sequence the second loop | Only after the first compounds.             | Sales-led enterprise motion deferred until k exceeds 1.0.            |

WHAT COMES NEXT

Session 1.3 builds the operating system — channels, handoffs and cadence — around whichever loop is working.

# What to carry out of this session

1

**A loop reinvests its own output; a funnel does not.**

If a satisfied user produces nothing that brings the next one, growth stops when spending does.

2

**Branching factor and cycle time both matter.**

k of 1.1 weekly beats 1.5 quarterly, and shortening the cycle is often the easier lever.

3

**Fix activation before buying acquisition.**

Users who never reach value cannot produce the loop's output.

4

**Put the barrier after value, not before it.**

Slack let the team that felt the problem make the first decision; procurement came later.

5

**An incentive is not a loop.**

The output has to be a by-product of using the product, or it stops when the incentive does.

# Sources for this session

Primary references behind each concept

|                     |                                                                                                                                         |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| LOOPS               | Ellis, S. & Brown, M. (2017). <i>Hacking Growth</i> . New York: Currency.                                                               |
| PRODUCT-LED GROWTH  | Bush, W. (2019). <i>Product-Led Growth</i> . Product-Led Institute.                                                                     |
| NETWORK EFFECTS     | Katz, M. & Shapiro, C. (1985). Network externalities, competition, and compatibility. <i>American Economic Review</i> , 75(3), 424–440. |
| ADOPTION            | Rogers, E. (2003). <i>Diffusion of Innovations</i> (5th ed.). New York: Free Press.                                                     |
| VIRAL MECHANICS     | Skok, D. (2013). <i>Lessons learned — viral marketing mathematics</i> . For Entrepreneurs.                                              |
| RETENTION ECONOMICS | Reichheld, F. & Schefter, P. (2000). E-loyalty. <i>Harvard Business Review</i> , 78(4).                                                 |
| PLATFORM GROWTH     | Parker, G., Van Alstyne, M. & Choudary, S. (2016). <i>Platform Revolution</i> . New York: Norton.                                       |