

VOL. 1 | THE PRODUCT STRATEGY PLAYBOOK

A Guide to Flywheels

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INTRODUCTION

Digital Is The Business

It's no question that 2020 ushered in a massive turning point for businesses, as nearly every company was forced to reconsider how to thrive in an abruptly changed world.

Companies have had to rethink entire business models. Product roadmaps have been turned upside down. Whole industries took leaps in product development to bridge the gap between physical and digital experiences: think grocers, airlines, retail stores, and the entire healthcare ecosystem. Services like online ordering and contactless pickup have become widely adopted across a diverse demographic. Business owners have been pushed into rethinking where customers get value, and those insights aren't going away.

All businesses are digital businesses, now more than ever. A company's digital product—whether it be an app, website, IoT device, or other digital product—has become and will remain the primary way it engages with customers. As such, now is a critical time to reevaluate what's working and what's not working.

Jim Collins introduced the mechanical engineering concept of the flywheel to the world of business in 2001 in his book *Good to Great*. Over time, the concept has been applied to many different ways of conceptualizing business models, growth loops, and product development. Collins describes pushing the flywheel, which moves slowly at first and then builds speed with each rotation. Eventually momentum kicks in and, he [writes](#), “You’re pushing no harder than during the first rotation, but the flywheel goes faster and faster. Each turn of the flywheel builds upon work done earlier, compounding your investment of effort.”


While a great deal of discussion about company flywheels occurred in the time following Collins’s original insight, this playbook builds upon more recent learnings around 2020’s rapid shift to digital transformation. Moving a product forward can no longer be thought of as a Point A to Point B path. Instead, improvement is a virtuous loop: a continuous, integrated cycle.

After all, in today’s product environment, companies can have several flywheels, several pieces of product strategy to consider when aiming to go beyond inspiring user interaction to truly driving sustainable business growth. And the flywheel concept is not limited to product or business functions either; any team can and should leverage digital insights to understand the ways customers find value from the business and then use those insights to strengthen virtuous loops.

Our goal with this book is to demystify the concept of a product flywheel and empower you to find and fortify the virtuous loops within your company. Because at this point in time, businesses must either [adapt to the world of digital-first](#) or say goodbye to the customer loyalty they once had. A product flywheel is the framework businesses need to make sense of and evaluate this information.

At Amplitude, we are invested in offering insights, products, and resources to help accelerate the universe of digital disruptors. We provide solutions to the people and companies working to meet the digital business challenges of today. Amplitude moves companies from measuring surface experiences to deeply understanding which digital experiences and customer behaviors lead to long-term value.

Product flywheels are all about identifying what’s working; which motions and experiences drive the business forward. That’s where we can help.



Businesses must either adapt to the world of digital-first or say goodbye to the customer loyalty they once had.

What Product Flywheels Are & How they Function

Leveraging product or user experience flywheels to drive strategy is a logical extension of the [North Star Framework](#). As we explained in the [North Star Playbook](#):

The North Star Framework is a model for managing products by identifying a single, crucial metric (the North Star Metric) that, according to Sean Ellis, “best captures the core value that your product delivers to [its] customers.”

In addition to the metric, the North Star Framework includes a set of key inputs that collectively act as factors that produce the metric. Product teams can directly influence these inputs with their day-to-day work.

These key inputs are what turn the flywheel and motivate sustainable growth.

The idea of a product or experience flywheel is to identify where and how you can trigger virtuous loops. In other words, flywheels are the collection of variables, levers, and interactions driving your business growth. These loops or flywheels can then provide a hypothesis for how different components of your product can take more precise aim at your North Star.

If the North Star Framework is the constellation by which teams navigate, the flywheel is a collection of hypotheses for how to encourage virtuous loops.

In *The Lean Startup*, Eric Ries suggests thinking about your business idea as a hypothesis. Over time, you run experiments to validate that hypothesis. The flywheel can act as an engine for that process, allowing you to hypothesize about a set of beliefs about how your product experiences fuel your growth, and then over time, use research and data to validate and adjust those hypotheses.

The product flywheel is a learning tool to help you figure out what your product does best and then do it better.



The Impact of Applying the Flywheel to Product Strategy

Amplitude surveyed our customers to understand the impact of a defined flywheel on company goals, the day-to-day operations of teams, and product strategy in general.

Many respondents described their product strategy as “ever-changing,” and nearly half indicated their companies adjust product strategy based on feedback, including behavioral data. One respondent said, “A clear and strong product strategy motivates people across the org and creates focus on learning along the way to achieving success.”

Continuous learning is key to turning the flywheel. Your team must be able to balance “learning” and “doing” in tandem, so that customer insights are regularly leveraged to keep the flywheel turning.

While “learning along the way” may separate companies whose flywheels are in full motion versus those that are unable to achieve momentum, it’s also important to note that in the beginning stages of launching a new product, your team may be doing ample learning—about customers, the market, and the business—without being able to spin the flywheel quite yet. Once the flywheel is in motion, though, companies that are attuned to the



A clear and strong product strategy motivates people across the org and creates focus on learning along the way to achieving success.

levers driving the flywheel often have less prescriptive product roadmaps and are able to make more data-informed product decisions. They can get clarity around the motions of their flywheels through [experimentation](#): running tests, reviewing the results, and adjusting the strategy accordingly.

User expectations for products are higher than ever: [Research from Harvard Business Review Analytics Services](#) sponsored by Amplitude shows that “81% of executives believe user expectations for great digital experiences have never been higher.” Around the same amount said that customers have formed new, lasting habits, and 92% agreed that “Now is a unique opportunity to capitalize on digital acceleration.”

Across all industries, companies can’t afford to wait. They need to understand the motions of their flywheels and how to iterate, test, and react quickly.

More often than not, product users will come from different places, have different needs, and not all of them are tied to your business outcomes. The key is figuring out your product’s critical path by adopting a flexible view of the customer journey. With this perspective, you can uncover all the paths that lead to your product’s critical moments.

The product flywheel brings these paths and opportunities to light. It helps teams identify those moments and relationships that lead to higher customer lifetime value (CLV) so they can recognize pathways to stronger customer relationships.

In this playbook, we do a deep dive into different kinds of product flywheels, and we offer worksheets and examples to help you sketch the inputs relevant to your product. But remember: while the book is stocked with examples, the universe of customers and products is infinite. Each industry will have countless product strategy variations and flywheels that generate different kinds of virtuous loops. What works best for your business will be a unique take on how to position, win, and get that wheel to spin.

Ultimately, to get specific about what will work for you, a data-informed approach is key. Without it, you run the risk of just drawing buzzwords around a circle and hoping for a miracle. Throughout the process of defining your product strategy and identifying the inputs on your flywheel, you need to understand what's working in the digital experience. [Digital optimization](#)—with the ability to [answer analytics questions](#) and [personalize the product experience](#)—will be critical throughout this mapping process.

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B2C/Consumer Tech Flywheel

B2C, or business-to-consumer, is a model where companies sell products or services directly to consumers. The industry ranges from brick-and-mortar retail stores to a local gym selling memberships. It also includes technology offerings or consumer tech, such as online subscriptions for a music service or meditation app. In B2C, companies appeal directly to one buyer, meaning there is typically a shorter sales cycle compared to other industries.

The consumer tech/B2C flywheel turns on an axis of user growth. We don't just mean the number of users grows. More crucially, we look for moments when the users themselves grow in their relationship to the product—reaching your product's *Aha!* moment and becoming loyal users with high lifetime value (LTV).

Companies need to ask themselves: what are the behaviors that lead consumers to convert with a purchase? And what brings them back?

Common Themes Across Consumer Tech/B2C Flywheels

A popular B2C product flywheel is built on driving growth through loyalty and word of mouth. This can lead to market dominance—if the flywheel is sustainable. Companies need to continue to nurture the interactions

with consumers to keep the flywheel spinning and accelerate its spinning motion.

Because B2C companies have so much direct impact on their interactions with consumers, they can focus on two approaches to making their flywheels spin faster:

- Rewarding desired actions, inspiring customer advocates, generating referrals, increasing demand
- Lowering costs (or decreasing friction), increasing demand, increasing supply

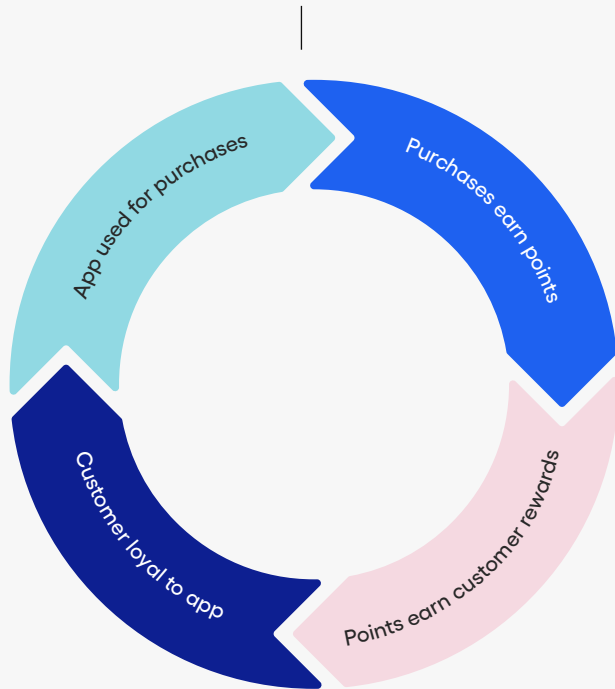
B2C product flywheels spin when we identify core inputs. Companies need to get specific about where friction happens in order to achieve the virtuous loop. Is it the cost of the product? Or does the friction actually exist in another area, like accessibility, discoverability, or design?

The key here is to understand the needs of your high-LTV customers by analyzing their behavior and nudging other customers toward similar outcomes.

Example Consumer Tech/B2C Flywheel

This broad example of a B2C flywheel is based on a loyalty program, in which a single customer is incentivized to return to the business due to the discounts and rewards they earn per purchase. As the customer accumulates and redeems points, the flywheel spins faster, because the customer becomes loyal to the brand and therefore makes continuous purchases.

Apply It to a Business: Coffee Chain Example



Imagine a coffee chain with a loyalty program. This specific flywheel requires the business to think in advance about what their users will value and how it can delight them and keep them coming back.

● App used for purchases:

- Perhaps when the customer enters the brick and mortar coffee store, they see signs promoting the app. They may even receive a discount for downloading and using the app for the first time.
- The app should also be easy to use, so that it becomes a matter of convenience for the customer to order off the app.

● Purchases earn points:

- The app clearly communicates which purchases (in total amount or count) earn points, and how many points earn rewards.
- The rewards seem achievable and tangible to the customer.

● Points earn customer rewards:

- The customer gets perks—perhaps a free muffin or discounted coffee—after a certain number of points, encouraging repeat business.
- Because they're delighted, they keep using the app to make a purchase.

● Customer loyal to app:

- The customer sees the benefit of using the app to earn loyalty points. This leads to ongoing use of the app to make purchases.
- Another loop of the flywheel may spin off here: The word-of-mouth loop. As the customer is delighted with the app, they will likely share it with friends. This increases the number of customers using the app, and provides another function to keep this loyalty flywheel spinning.

B2B/SaaS Flywheel

B2B businesses provide services to customers that are themselves businesses, which are, in turn, focused on increasing their own user growth and making their own products' loops spin. While many B2B businesses involve physical goods, such as manufacturing, SaaS makes up a significant and growing portion of the B2B industry. So, while the focus on the account's lifetime value and growth are similar, decision points are more complex and often involve multiple people within the organization. Accounts, after all, could be made up of thousands of end-users within an organization.

B2B flywheels focus on identifying ways to lead a business customer to integrate their product into their critical operations. It may start with one department, but the goal is often to expand adoption across more users, multiple departments, or grow as the company grows. Consider, also, that B2B companies can add velocity to the flywheel by offering more services to existing customers. After all, selling those services is much cheaper than landing new accounts, and ultimately B2B is about nurturing the account relationship as a whole. Individual end-user support for the product is essential, but retention will be based on the overall account experience and whether or not multiple stakeholders at that account decide to renew.

At the same time, the B2B product should be so valuable and accessible that users recommend it to their network. These referrals could be within the users' current employer, or surface at new companies where they

become decision-makers. Power-users can become champions and propel growth for the B2B provider both internally and externally.

Atlassian has a [unique approach to the SaaS flywheel](#) that catapulted the company to market dominance. Focusing on low customer acquisition cost—charging \$10 per user to purchase an account online—Atlassian made a bet on growth. A company with just 10 employees using the software could reasonably grow to 100 or 1,000 active users, as either the team grows, the company expands, or the value of the software is shared across departments over time. As the entire company realizes the benefits of this software, users and usage increases, along with resistance to switch to a competitor. With a foothold in the organization, it also becomes easier for Atlassian to expand to larger, enterprise-level partnerships, or sell the company on additional software and services.

Common Themes Across B2B/SaaS Flywheels

The business model for B2B is often “land and expand.” Once the account is landed, even with a small number of users, it can lead to expansion revenue. As users get more value from the product, they use the product more. As they use the product more, the product gets looped into more of their critical work. As the product becomes more integrated with the

company, further access to the product and additional licenses at the account level are needed. The product becomes an essential part of the company's operations, priming it for renewal.

B2B businesses need to create easy entry points for potential customers to discover and try their product. From there, the product experience for the end-users will be what sustains and grows product usage within the organization.

Example B2B/SaaS Flywheel

This broad example of a B2B/SaaS flywheel takes a different spin on the cross-department usage. Instead of charging per license cost, this software charges by volume of data sent to the software. As a business uses the SaaS platform to improve its operations, its number of customers—and therefore the data it sends to the SaaS platform—increases. Here, the flywheel motion comes from a virtuous cycle of using the software to grow the business and then using the software more as the business grows.

Apply It to a Business: CX Software Example



Apply It to a Business: CX Software Example

● Primary team uses software:

- A business buys a customer experience (CX) platform to improve customer retention on its app.
- The business's customer success team uses the platform to understand where high-value users are finding friction in the app.

● Team shares insights with other teams:

- The customer success team finds that a significant proportion of users at high-value accounts drop off immediately after signing up for the app. Users that engage with a virtual onboarding session during the sign-up process, however, are more likely to return to the app and keep using it.
- The customer success team shares this insight with the product design team.
- Curious about this insight, the product design team asks for a walkthrough of the CX platform.

● Business-wide adoption:

- Seeing the advantage of this CX platform, the product design team uses it to inform designs around new features, and evaluate how to bring the most value to the customer.
- As the design and customer success teams continue to use the CX platform, marketing and product management teams become interested too. All digital-first teams need customer insights, and because the business bought a license for the entire company, multiple departments are able to leverage it.

● More data sent to software:

- As more departments use the CX platform (and use it more frequently) more data is sent to the software.

● High costs of switching:

- The CX insights help all teams do their jobs and attract more users to the product.
- Deepening usage across business units makes the cost of switching to another software platform high. (Note: high costs of switching will not sustain a business forever. This is why the flywheel is important.)

● Software charges by data volume:

- A growing customer base for the business means more user data is sent to the CX platform.
- At the business, newly formed teams or additional employees use the platform, increasing volume even more.

Product Strategy Worksheet

You need a product strategy to connect your team's day-to-day work to the business's long-term vision.

An effective product strategy should provide team alignment around the product North Star and motivate individual contributors. One of our survey respondents noted that a clear product strategy affects work, allowing the team member to feel “more empowered to make decisions since I felt like I knew clearly how my work and contributions align with the strategy.”

Your product strategy and product flywheel are intertwined. Your strategy should contribute to the motions of your flywheel, touching on each phase of the customer journey with the goal of helping the flywheel gain momentum.

This **Product Strategy Worksheet** will help you get there by guiding you through:

- The promises your product makes to different customer personas.
- How your company must grow and scale in different areas.
- Evaluating the competitive landscape.

While no worksheet can encompass every input and consideration that goes into defining a product strategy, this one-page template will help you get started.



Delight and Unity

Think of your product as a promise to the person using it. Your product is helping them accomplish a task and achieve a goal. Features are temporary ways to keep these promises; your company's mission offers a more long-lasting kind of promise.

Our product makes the following promise(s) to our customers...

Persona

Promise:

Persona

Promise:

Persona

Promise:

Growth and Scale

We've all used "great" products that faded into obscurity. Why does this happen? There are other factors at play like the business model, acquiring customers in a cost-effective manner, timing, operational efficiencies, retention strategies, and navigating complex ecosystems (e.g. multi-sided markets).

To sustainably keep these promises, what must we do in the following areas?

Acquisition:

Retention:

Expansion:

Cost Structure:

Channels:

Differentiation and Competition

This section zooms out even further and asks you to look at your product and business in the greater market context. Keep in mind that putting the competition at the center of your product strategy isn't always the best for sustainable growth—but it does offer another useful perspective.

Word Bank:

- A** Legacy player; current competitor; established future competitor; potential disruptor
- B** Highly differentiated; incrementally better; equal, lagging
- C** Maintain this position; work to improve; let it slip

Compared to _____, which we
[Competitor]
consider to be a(n) _____, we are
[A]
_____ when it comes to our
[B]
ability to _____
[Competitor]
Therefore, we must _____.
[C]

Compared to _____, which we
[Competitor]
consider to be a(n) _____, we are
[A]
_____ when it comes to our
[B]
ability to _____
[Competitor]
Therefore, we must _____.
[C]

A product strategy is a set of key beliefs, assumptions, and hypotheses focused on the sustainable growth of your company. A coherent product strategy addresses the three perspectives in this worksheet: customers, company, and competition. Your next step, now, is to **focus**. Reduce the number of promises, prioritize the key aspects of scaling, and pick your competitive battles.

Media Flywheel

In media businesses' product flywheels, content is king. Media flywheel turns happen when users consume content, whether that's learning information or being entertained. The question for media companies is what content to offer for free to drive new users and attract advertisers, and what content is valuable enough for users to pay for.

Take, for example, The New York Times offering subscribers ten free articles to “gift” to people who don't have subscriptions, so that more potential readers see the value of the newspaper.

Or consider Netflix's move to producing original content. This adds exclusive content users can't get anywhere else, which draws in a broad user base who join Netflix and renew because of the deep well of content options. Netflix gathers data on what people like, which is then used to produce niche original content and personalize its recommendations.

The content will vary, but in general, the questions here will be around what content to offer for free to drive new users and attract advertisers, and/or what content is valuable enough for users to pay for and become lifelong subscribers of. If the media is designed to fill a public service or the company is established as a non-profit, it is also important to consider how to attract support from foundations or donors.

Common Themes Across Media Flywheels

Customer retention is core in media, both in terms of how long a user consumes content on a company's site and how long they stay a loyal user or subscriber. For the flywheel to move, companies need to land advertisers and/or convert users into paid subscribers so that companies can reinvest in both the content and the platform that keeps users coming back.

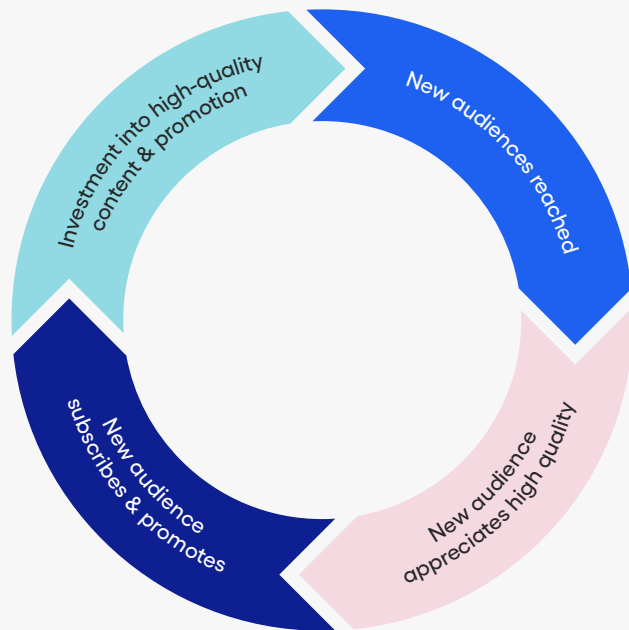
Understanding your audience and their specific interests and needs is crucial in this model. Segmenting users by obvious demographics such as age or location is [no longer enough to remain competitive](#). Instead, media companies need to offer a [personalized experience](#), powering recommended content based on user behavior.

Competition is high, with users easily able to move among platforms at similar price points. The decision of when to charge and what to charge for is delicate. Free video, podcast, and written content is produced by the millions every day online, but purely free content without advertiser support isn't a sustainable business model. While free content may draw people in, it's the paid content that drives subscriptions. And that paid content has to be worthwhile to the individual consumer.

Example Media Flywheel

Media flywheels can cover a broad range of formats and functions. Streaming media can be segmented by audience, network, live versus scripted content, age distribution and more. Some media will appeal to those seeking education content; for others, entertainment. Formats could be audio, visual, or interactive. Digital media companies range from podcasting and e-books to video game series or physical movie theaters with monthly subscriptions.

While the media industry is broad and constantly evolving, this example flywheel focuses on one core competitive edge: high-quality content.



Apply It to a Business: Online Newspaper Example

- **Investment into high-quality content and promotion**
An online newspaper uses subscriber revenue to invest in high-quality articles. The newspaper leverages promotional tactics like SEO to get the high-quality articles out to a larger, untapped audience.
- **New audiences reached**
The focus on SEO introduces a new reader to the online newspaper, who visits the website for the first time from a search.

- **New audience appreciates high quality**
While reading the article, the new reader appreciates the high-quality content and reads other content displayed on the site.
- **New audience subscribes and promotes**
After ten free articles, the newspaper prompts the reader to become a subscriber. Seeing the value in the content, the new reader subscribes.
The new reader is prompted to share their favorite articles online, expanding the promotional reach of the content.

Using Product Analytics to Future-proof Your Business

You may be thinking about how to begin to identify the motions of your product flywheels.

A word of caution: don't assume the flywheel will automatically pump out profits once you find your motions. Yes, it's true that some companies quickly find their virtuous loops and quickly focus on the inputs and metrics that will set them spinning.

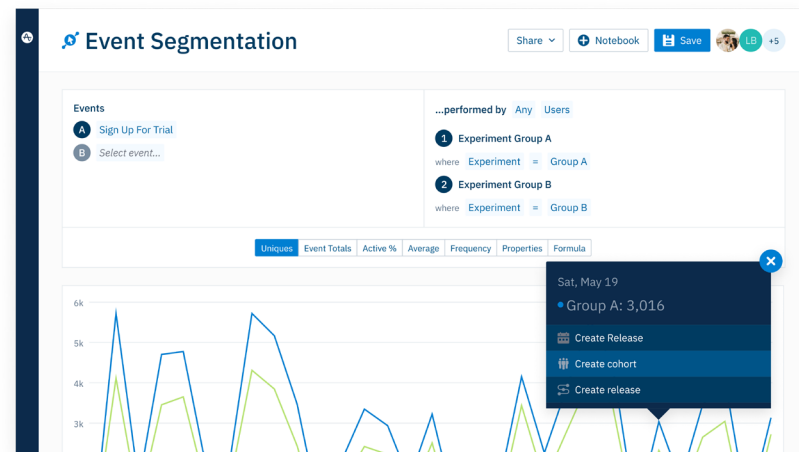
For other companies, the flywheel might already be fairly well understood, but the challenge is in accelerating a key component or identifying what exactly is causing friction at a key point in the cycle.

Instead of viewing a product flywheel as a quick fix, consider viewing the framework as a hypothesis. You can start by placing the user at the center and imagining the product improvements in a virtuous cycle. An effective product strategy has an eye on the motions of the flywheel, yet is adaptable. If one hypothesis doesn't get the momentum going, you might shift the strategy and explore another one.

The key is applying data analysis to your hypothesis to learn the lessons the users in your flywheel can teach you.

How Enterprise Companies Use Amplitude to Make Critical Decisions

Product analytics will allow you to take a deep dive into your hypothesis at each component of your flywheel. As you make changes and experiment, are you seeing the forward motions you expect from your users?



[Babbel](#), the world's top-selling language learning app, used Amplitude Analytics to become a data-informed company. Babbel created a product performance team that analyzed all aspects of Babbel's learning activities to optimize its learning content. Teams then put out new content much faster and worked in shorter release cycles. As a consumer tech company relying on Amplitude, the company can make strategic business decisions based on user data. This data guided Babbel to focus on content production and set into motion a flywheel that impacted conversion, engagement, and retention.

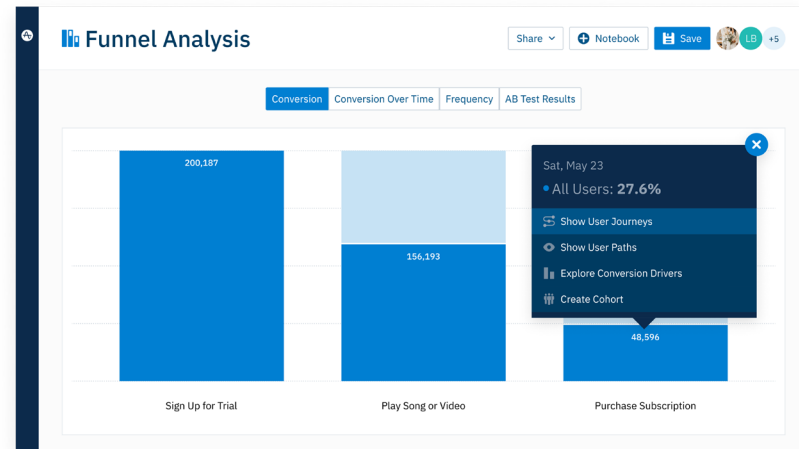
Enhancing a B2C experience is much different than a B2B approach. Marketing, sales, and service platform [HubSpot](#) took advantage of Amplitude's account level reporting for funnels, retention, and more. Behavioral cohorts show HubSpot which accounts are performing better than others. This information gives the product team actionable data to build better products and supports the marketing, design, engineering, research, and business development teams with their own insights.

Knowing how users and accounts perform compared to others should become the baseline for experimentation. To make the flywheel turn faster, companies need to understand how to improve the experience of underperforming cohorts. [NBC Universal](#) used Amplitude's behavioral cohorts to identify and target user segments with A/B testing. This allowed them to offer more valued content to users at the right time, which increased their retention and overall viewership. Continuing to propel forward, this gave NBC more insights into user preferences and allowed them to create more data-driven content.

No matter the industry, product analytics powers the insights of your flywheel. You may know one of your motions lacks momentum, but you won't have a clear path to make improvements without data.



An effective product strategy has an eye on the motions of the flywheel, yet is adaptable.



Fintech Flywheel

The fintech industry provides innovations in the crossover of finance and technology but still needs to maintain high expectations of security, privacy, and transparency. Investing in clean data and clear lines of communication increases customer trust in this sector and turns the product flywheel.

Fintech companies may operate in different business models, with some providing services directly to consumers or businesses and others serving as partners with financial institutions. In either case, they face the same level of scrutiny to safeguard data. This industry is bursting with digital transformation, moving from traditional brick-and-mortar services to one where consumers demand a seamless and integrated digital financial experience.

These efforts toward digital transformation require reaching customers with a personalized financial experience and keeping efforts scalable, while also maintaining a high quality of service.

Common Themes Across Fintech Flywheels

The consumer experience increases adoption and retention in fintech. Since most consumers have a variety of financial products, the experience creates entry points for expanding the customer relationship. As user

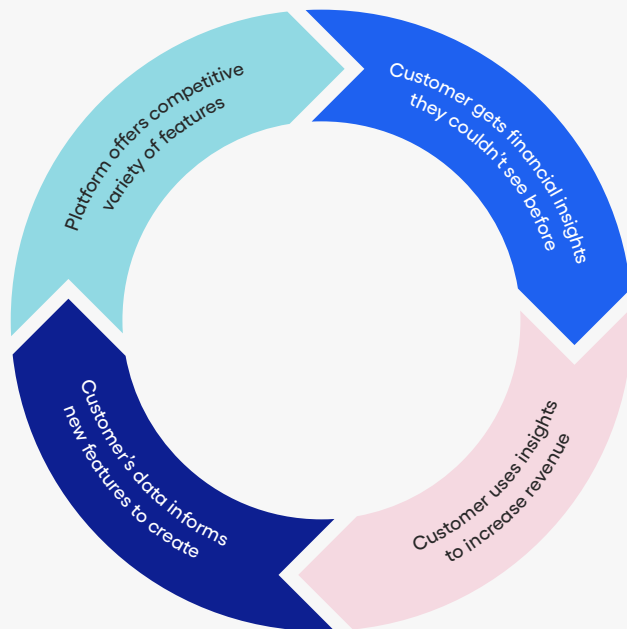
confidence grows, customers become loyal to these services and willing to try a new product, new service, take on more financial risk, or make more of an investment—and as they do, the flywheel turns.

The key here is that customers need to see returns, whether they spend, invest, or save their money with a fintech product. As they grow their wealth, they'll likely spend more money. And for fintech companies that appeal to the traditionally “unbanked,” they can win over long-term loyalty by removing unnecessary banking fees and making it easier for customers to access their money or receive direct payments faster.

Example Fintech Flywheel

As opposed to companies focused on investment, this flywheel example can be applied to companies that deal with regular transactions. These types of fintech companies make it easier to spend, send, and receive money—and can use the insights that arise from those transactions to provide more valuable financial services and emerge as a market leader.

Apply It to a Business: Payments Platform



- **Platform offers competitive variety of features**

A small restaurant needs to adapt to changing customer behaviors, such as a sudden preference for contactless ordering and payment.

The restaurant purchases a payments platform with a variety of features, including a contactless QR code ordering system.

- **Customer gets financial insights they couldn't see before**

The payments platform is used to process contactless orders and payments.

But the payments platform also offers insights into customer trends based on these payments: like the fact that tables of at least four customers spend 50% more on their overall bill if they purchase the \$5 discounted margarita pitcher offered on Mondays.

- **Customer uses insights to increase revenue**

Based on this key insight, the small restaurant adapts its menu to offer the margarita discount every weekday to tables of four or more.

Revenue for the small restaurant grows, as this new offer attracts more spending. The payments platform is used more often as the customer base for the restaurant grows.

- **Customer's data informs new features to create**

Based on the data of thousands of small businesses using its payment platform, the fintech company is able to see global trends about customer behavior.

The fintech company uses these insights to build new key features for small businesses, which gives them a competitive advantage in the market.

Flywheel Worksheet

Use the following worksheet to begin to draft out your flywheel.

Keep in mind: identifying the motions that drive your digital business or product's flywheel will likely require several iterations.

You may find that your flywheel has several virtuous loops spinning off each other, or more supporting components than expected.

This worksheet should help you identify the basics of your flywheel, but is just one step along the journey to defining the key motions that drive your business.

If the North Star Framework is the constellation by which teams navigate, the flywheel is a collection of hypotheses for how to encourage virtuous loops.



Basic Flywheel

Which behaviors, interactions, and business decisions drive the motion of your flywheel? Use these prompts to brainstorm. Flywheels are all about the relationship among these inputs, so pay attention to how these factors have the potential to influence each other. Once you've identified key motions and inputs, you can begin to sketch out a basic flywheel for your product or digital business.

When we observe our most engaged customers, we've noticed that they tend to:

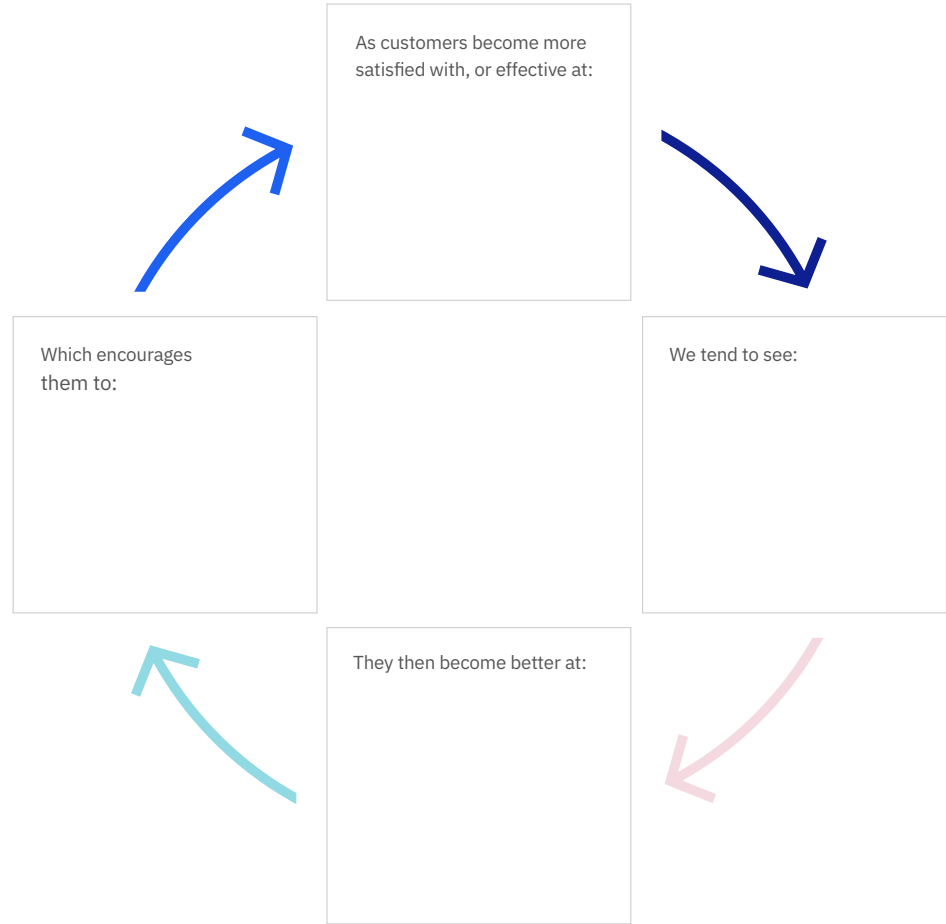
As a result of that, we get secondary benefits because:

A way we could dramatically increase customer lifetime value, without spending more on customer acquisition might involve:

If we could figure out how to make _____
[some segment of customers]
as successful as our most successful customers, it could be a game changer for the business.

We have a hard problem, which is that:

If we could solve this problem, we could:



The Amplitude Digital Optimization System makes critical data accessible and actionable to every team — unifying product, marketing, developers, and executive teams around a new depth of customer understanding and common visibility into what drives business outcomes. Learn how to optimize your digital products and business at amplitude.com.

Strategy

Apply learnings from your company's [North Star Metric](#) or broader [product strategy](#) to identify the goal the product is working towards and the hypothesis on how to get there.

Our North Star Metric:

Our Unique Take On How To Win:

Basic Flywheel

Draft your flywheel by identifying the most basic yet crucial functions that keep the flywheel spinning. After you define these key motions, you can add more inputs to the flywheel, such as smaller loops that spin off of the larger flywheel. Remember: your flywheel is a collection of variables, levers, and interactions. It is a hypothesis for driving sustainable business growth with virtuous loops.



E-commerce Flywheel

E-commerce is often the place where the physical world meets the digital world. As such, the e-commerce flywheel needs to take its supply chain and material products into consideration. Apps in this space need to be adaptive to stock and quantity and take real-world shipping times and costs into consideration. In the e-commerce flywheel, digital products are used to sell real-world products, and both need to be well-designed, well-priced, and easy to find.

E-commerce has an initial cost associated with drawing users to the platform to make purchases, usually done through advertising, but the effect of purchases compounds as repeat purchases enable the company to invest more in advertising. Word-of-mouth recommendations from happy customers can also increase the reach of newer brands. In e-commerce, companies must consider their marketplace and spend, carefully analyzing the audience traffic drawn to their platform. Because e-commerce is built on individual purchases, customer lifetime value relies on repeat business or high-value checkouts.

Common Themes Across E-Commerce Flywheels

E-commerce competition is fierce, with nearly limitless options. Consumers can research products quickly and easily before making a decision. Therefore, the platform itself needs to rely on quality product descriptions,

seamless site navigation, friction-free checkout, and an effective site search tool. Many e-commerce sites are multi-sided markets as well, and must appeal to the sellers and producers as well as the vast array of buyers.

As the flywheel begins spinning, a lot of emphasis is placed on marketing, advertising, press, and social media to drive traffic and increase sales. Without sales, companies cannot make the additional investment needed to reach a larger audience. Companies often have to choose how to invest their earnings: in additional products (or improving quality) versus platform improvements versus more advertising spend.

Important to note as well is that in e-commerce, there is a shift from traditional “market-buy-remarket” cycles to more loyalty-based approaches. Once an e-commerce company has found a foothold in a niche market—perhaps from appealing to a group of buyers with its unique take on product quality or purpose—its flywheel can spin faster from increased brand awareness and repeat purchases.

Example E-Commerce Flywheel

This example flywheel applies to an online marketplace that tries to differentiate itself from competitors by serving a niche target audience. After all, e-commerce behemoths already exist, and consumers have countless options to choose from when purchasing products online. By tapping into a niche market though, newer brands can make unique offers that gain traction with a loyal customer base. Brands that offer clothing made from recycled materials, for instance, could set themselves apart from other retailers and attract new customers who care about investing their money into sustainable products. The same could be true for retailers that serve a local population or appeal to a specific fandom. When it comes to customer interests—and the values consumers choose to support with their dollars—the options are endless.

Apply It to a Business: Online Marketplace



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● E-commerce site promotes itself to niche audience

- An online marketplace positions itself as the best site for young entrepreneurs to sell their goods and gain broader exposure.
- They use influencer marketing on social media platforms to gain traction with a younger audience.

● Niche audience makes repeat purchases:

- The mission of supporting young entrepreneurs attracts a niche audience invested in supporting emerging brands.
- The company also differentiates itself by offering more considerate customer service than consumers are used to receiving from larger retailers.
- This audience makes repeat purchases from the online marketplace.

● Consistent purchases attract more sellers:

- These consistent purchases attract more sellers to the online marketplace, providing more selection on the platform.

● More selection

- With more sellers on the platform, the variety of products available for purchase increases.

● More buyers

- As the selection grows, more buyers learn about the marketplace and make purchases.

● More revenue

- This increase in purchases leads to more revenue for the site.
- The marketplace takes a percentage of the profits of each sale and uses that income to increase promotion.
- These profits could also be used to offset costs for the sellers, therefore increasing the degree to which the marketplace positions itself as the best option for a niche audience.

Conclusion

Our survey showed that companies don't always communicate or even understand the key drivers for business growth.

Teams don't know how their work fits into the "big picture"—let alone how it fits into one motion of the flywheel. Moreover, very few respondents felt their companies had a product strategy that is accessible and understandable to the whole organization.

By applying a flywheel perspective to a business model and clearly communicating the flywheel across the organization, employees can connect their daily work with the overall product vision. They can see their efforts are connected to a part of the flywheel, and propel end-users forward to the next motion.

Decisions will turn the wheel, and product analytics is the heart of product-led growth. Gaining true insights from your user data will empower you to take the potential in your flywheel and build a strategy with real momentum.

Your Next Step:

At the end of the day, you need to figure out what's working with your digital business. You need to democratize data, empower teams to make informed decisions, and deliver the best digital experiences that win against the competition.

Amplitude can help you. [Demo the Digital Optimization System today](#) to gain the insights and take action that makes your flywheel turn.

The Digital Optimization System:

Amplitude Analytics →

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Amplitude Experiment →





Talk with a product analytics expert today →