

What you will learn from this case study

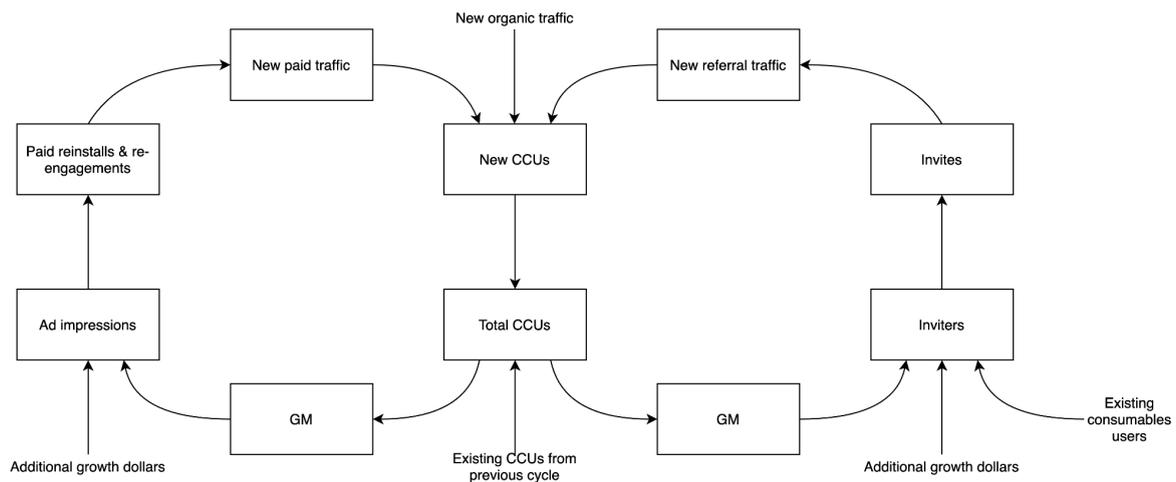
1. Build a sustainable growth strategy
2. Understand how your product grows
3. Identify when, where & why your product will stop growing
4. Identify points of leverage to drive growth
5. Build growth methods to improve points of leverage

Case study material

Consider a consumables ordering platform that provides 30 min delivery of daily groceries for a nominal delivery fee.

New users sign up on the platform either organically or via performance marketing ads or via referral invites. Some reach habit formation and become weekly active or core consumables users (CCUs). CCUs generate a certain Gross Transaction Value (GTV) per month. The resulting Gross Margin (GM) is redistributed into acquiring more users via performance marketing and referral and the loop continues.

Visual representation of the growth model below:



CCUs have 3 main use cases:

1. Daily/weekly fresh grocery buying
2. Emergency/top-up grocery buying
3. Sin/indulgence/cravings grocery buying

CCU target segments and sizes in city X:

1. 30+ rich migrant families (500k)
2. 20-30 not poor migrant/settler bachelors (500k)
3. 30+ rich settler families (1 Mn)
4. 30+ neither rich nor poor migrant families (1 Mn)

Now, let's convert this qualitative understanding into a quantitative model. Steps and formulas below:

Output step	Formula
New paid traffic	= Installs & re-engagements X Conversion rate from installs & re-engagements to paid traffic
New referral traffic	= Invites X Redemption rate
New CCUs	= New paid traffic X Conversion rate from traffic to CCUs + New organic traffic X Conversion rate from organic traffic to CCUs + New referral traffic X Conversion rate from referral traffic to CCUs
Total CCUs	= New CCUs + Previous cycle's CCUs * (1- churn rate)
GM from CCUs	= Total CCUs X (GMV / CCU / month) X (GM / GMV %)
Ad impressions	= (GM + Additional growth \$) / (CPM / 1000)
Paid installs or re-engagements	= Ad impressions X Conversion rate from impressions to installs & re-engagements
New consumables users	= New paid traffic X Conversion rate from paid traffic to consumables users + New organic traffic X Conversion rate from organic traffic to consumables users + New referral traffic X Conversion rate from referral traffic to consumables users
Total consumables users	= New consumables users + Previous cycle's consumables users * (1- churn rate)

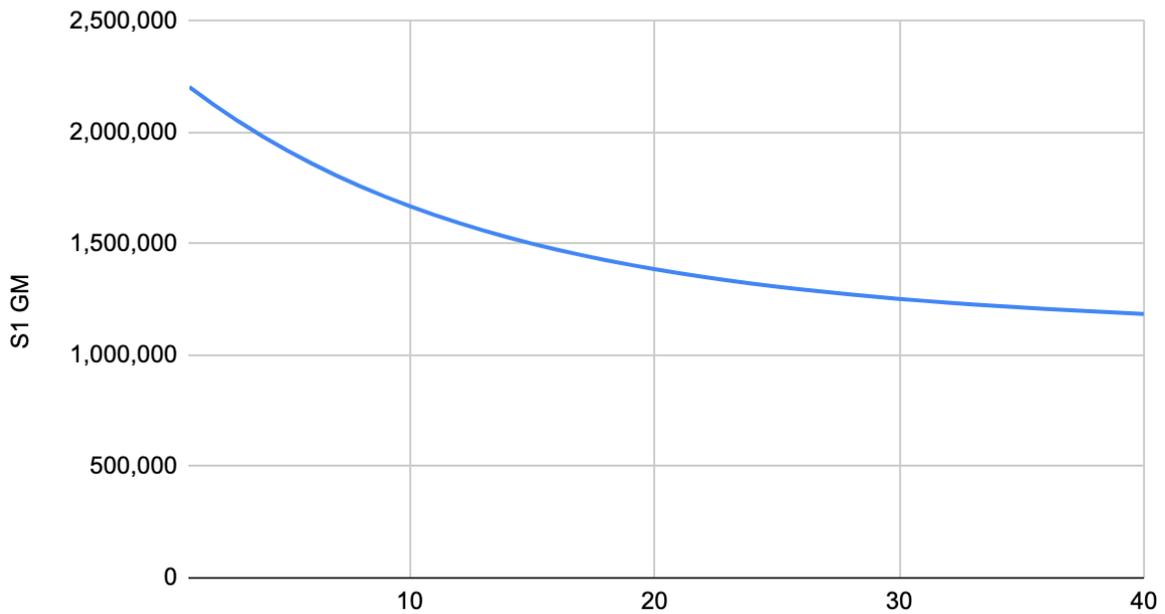
Let's assume starting values of variables and change over time in the base scenario as below. Cycle period is 1 month.

Variable	Starting value	Base scenario changes over time
Paid installs & re-engagements to paid traffic	75%	Decreases
Paid and organic traffic to CCUs	2%	Constant
Referral traffic to CCUs	10%	Constant
Churn rate of CCUs	10%	Constant
GMV / CCU / month	2,800	Constant
GM / GMV %	2.50%	Constant
CPM	150	Constant
Ad impressions to installs & re-engagements	0.18%	Decreases
Organic traffic	75,000	Constant
Redemption rate	57%	Constant
Referral traffic to consumables user	50%	Constant
Paid & organic traffic to consumables user	10%	Constant
Churn rate of consumables user	20%	Constant
Consumables user to inviter	2%	Constant
Invites per inviter	1	Constant

Existing consumables users	85,000	NA
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Mathematical model for base scenario [here](#). GM curve over 40 months below.

GM over 40 months



Case study questions

1. What is the point of leverage? Improving a point of leverage will have a disproportionate impact on output. All conversion steps are not points of leverage.
2. What will you do to improve points of leverage? Please don't attempt this question if you haven't figured out the previous question.
3. What will you do to improve your growth horizon? Please don't attempt this question if you haven't figured out the previous question.