



Digital Commerce
INSTITUTE

TRANSCRIPT

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Lesson One: Introduction

Building WordPress Products

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Chris Lema

Chris: Hi there. I can't wait to get into this course of Building WordPress Products with you. Now, what I should highlight at the very beginning is, this is not a multi-part course in how to develop a plugin or how to develop a particular theme.

There's a ton of tutorials, and we'll get to a point where I walk you through how to get the resources you need, to walk you through how to build that first plugin or how to build that theme. I'm more concerned with how to help you find success as you step into the WordPress community.

You see, over the last five years, I've spent a lot of time working with pretty much almost every commercial player in the space. Invariably, what happens is, I get involved after they've been at it for awhile. When we start talking through



how to help them improve, more often than not, we have to roll all the way back to the basics.

We have to start at the beginning and do a lot of the ground work that didn't happen because everybody just assumed that the way you break into WordPress is you just code. If you can code a theme or you can code a plugin, that's all you need.

The reality is, if you want to build a business in the WordPress ecosystem and you want to be successful, you're going to have to do more than just write some code. That's what we're going to do. Let's get into this first lesson, which is just our introduction.

Sizing the WordPress economy

In our introduction, the first thing I want to do is talk about the size of the WordPress space. Here's the thing. You probably already know that WordPress powers 25 percent of the Internet. It's massive. There is no other software for building websites that has this kind of reach across the space.

When you take away 'other,' 'homegrown,' or something like that—when you take that out—the next player that is in the space is double-digits behind them. You're just talking about WordPress having a dominant position in the market and, still, penetration's only 25 percent.

First of all, WordPress has room to grow. In WordPress, you're probably going, "Well, isn't everything already done? Are there no more good ideas left?" The reality is, there's tons of space and opportunity for you. Let's get into that. The



first thing we have to do is size the market. We have to size the economy here and say, “Well, how big is it? How do we determine that this is a worthwhile space to get into?” When we do that, you have to know a couple things.

First of all, you have to know there is no guarantee that any of the numbers we work through are perfect, right, accurate, or exact. It’s a non-exact dynamic. I’ve been working with startups and software products for 20 years.

Every time we go to size a market, you start with a little asterisk. I’m going to size* the market because I don’t really know how big the market is—but I can make certain assumptions. I’m going to collect certain basic data. I’m going to make certain assumptions.

The most important thing that I have to do is have intellectual integrity. I can’t borrow data from one place, make an assumption about a different spot, merge them together, and then say, “Everything’s great.” Like, “Look, this is amazing.”

If I said, “Okay, I’m going to make an assumption that there are a million people in my neighborhood, in my metropolitan area, my business, or my city space, where I think I can tackle a million people. I believe that 50 percent of them are men.”

And you’re like, “Okay, so if you can figure out the actual data, and you can make an assumption that about 50 percent of the population are men,” then you say, “Now, here’s the other thing. This is the number of people that currently have drivers licenses, so I’m going to sell them something related to their car.”



"Because this is a male device ... it's for men. Men are going to like it. It's for their car. And 50 percent of these people are males, so my market is half a million people." You're like, "Time out. Hold on." There's no intellectual integrity in combining these data points.

You could have gotten a half of million people with drivers licenses. That doesn't equal half a million people having cars. Depending on what city you live in, they may be all taking the metro or riding bicycles.

You can't just leap from one assumption to another. It's also a little awkward to suggest that every man is going to want your product when, in fact, a potential chunk of this half a million people are people under the age of 16 or 18. You're not doing good math work.

Now, this is not a course in math. I want to be clear. But the core of it, whenever we size an opportunity, one of the things we have to do is have intellectual integrity to say, "These are the assumptions I'm making, and these are why I'm making these assumptions. This is how I'm putting both data and assumption together to get a size of the market." Hopefully that makes sense. Let's dig into some of the data.

Diving into the data

Here's what we know. We know that the conservative number of estimates, the conservative estimate of the number of WordPress sites that are out there that are not on WordPress.com ... which I should also highlight. There is both a WordPress.com, which is a website you can go to, to spin up a new WordPress site.



Then, there's where you go to WordPress.org, where you can download the code and install it on any hosted server you want. There's a bunch of hosting companies that will offer you to do it, so you don't even have to download. We're talking about the .org side, the place where people are free to choose not only the software, but also the hosting.

There's probably another, roughly, 20 to 50 million websites on the .com side that don't allow you, necessarily, to install premium products. They don't allow you to install your own plugins. They don't necessarily allow you to install your own themes. So we're going to leave part of that out.

Depending on who you talk to, the .org data says that there's anywhere from 15 to 25 million websites. You can pick apart that number all the time. Like, "Well, what number of those sites are abandoned," or, "What number of those sites are brand-newly created and not really fully functioning?" There's a lot of different things you can go to. We'll sit with a number that is just 20 million.

Then you can do another bit of data collection—different sources, different folks—whether you're talking to hosts or whether you're talking to a plugin that is collecting data in a different way, so it can understand its surroundings. But the average out there is about 20 plugins per site.

Now, not all of those plugins are premium plugins. They're not all commercial endeavors where people pay.

In fact, a majority of the plugins that people install are free. We can talk about free in just a second. But if you were to look at all the commercial plugins, and you said, "They have different flavors of them, and there's a lot of different



ones,” but if you were to take the average—again, a data point is that, roughly speaking, the average price point across all the different plugins sits about \$75.

Now, that \$75 is a one-time fee. Most people who renew a second year will often get a discount—20 to 30, sometimes even 40 percent discount. The number of people who renew their license more than one or two years drops off precipitously, so most people will assume that the lifetime of a customer with a commercial plugin is probably about three to maybe four years, depending on what you’re doing.

Now, there’s another set of assumptions that we can make. Those are data points, and again, you may not know those data points because you’re just stepping into this space. But if you’re talking to someone who actually interacts with a lot of the vendors and a lot of the hosts, they may help you get some of these data points. You can take my word for it, at this point, that this is roughly the way I see the ecosystem.

Then, you have to ask yourself, “Well, what percentage of those sites are actually generating revenue?” I would say the ballpark, it’s about two to three percent. That’s not a lot of websites, percentage wise, but it’s a lot in terms of numbers. Two to three percent of 20 million sites is still a heck of a lot of sites.

My further assumption is, those people who are making money on their website will actually invest, which gets us to a tiny bit of a sticking point with WordPress. Because WordPress is free and because it is a very easy technology to adopt and learn, a lot of the early people that got involved, got involved and just said, “Well, it’s free, so I’ll write some open-source code, and I’ll give it away for free.”



You should understand 'open source' is this license. It's a licensing mechanism. It gives us a bunch of freedoms and lets people do things and see code, and all of this stuff—and that's all fantastic. Nothing about the licensing code says anything about the fee you charge.

It just turns out that, over the course of the first, at least five years of WordPress's life, most everything was non-commercial. It was just free and shared around.

You can suggest—and I would agree with you—that really helped grow the whole space. But at some point, people want to make a living off of this. At some point, people want a sustainable business, so it's not shocking that the commercial endeavors began. But what is surprising is how low-priced they were.

Because of that, there's been a very slow growth and move towards what you might call 'equitable pricing' and pricing strategies where people are not driven by fear to say, "Well, I don't want to be a higher price than everybody else, so I'll keep mine low." It's taken several years of working with folks to get us to a place where some products are priced appropriately.

That's a challenge in the market that we just have to be aware of.

But here's the thing. If you are making money, then you don't have the same level of challenge or stress in investing some of it on your website. Some of you go, "Well, hold on, though. Do clients really want to spend money on their website?" Well, like I said, 97 to 98 percent of them may not.



All you need is two, three percent to say, “I’m making money on this, and of course, if I were running a real business, a real, physical retail space, for example, I would need to pay rent, and I’d need to pay custodial services, et cetera.” Now, they’re running real online businesses, and you go, “Yeah, there is still some cost.” It’s not the end of the world to imagine that two to three percent of them would invest.

The GDP of the WordPress economy

What does that look like for us when we’re talking about money? You take the total number of sites. You take the percentage that are making some money, which we split right in the middle—so 2.5 percent. The total number of plugins that they’re running, on average, and you said, “Now, let’s assume that those weren’t the free versions. Let’s assume that we added some feature and made it valuable to the business, and made it a for fee.”

If we did all of these things and we put all of these numbers together, you get three-quarters of a billion dollars. That’s what I call the GDP of the WordPress economy. That’s the money that should be flowing out of the space, and here’s the reality. It’s nowhere near that. Right now, the number of companies that are making more than \$10 million a year in the space are infinitesimally small.

There’s a handful of them, and that’s it—other than hosts. Hosts make money. That’s good. It’s good for them. I get it. They’re the first to have figured out how to commercialize this.

Plugins and themes are slowly growing, but they’re not there yet. The thing to understand, when we size the WordPress economy, is the reality that it’s



dramatically, dramatically less in terms of the money that's coming in, less than where it could be and should be. That's a reasonable, intellectually integrous position to say, "It easily could be three-quarters of a billion dollars."

Now, you may look at me and go, "You did funky math, Chris. I don't believe that math. I don't believe that it's that big." Here's my trump card. If it weren't that big, or if the potential weren't that size, would venture capitalists get involved? The answer—having worked with venture capitalists for 10,15 years—I can tell you the answer is no.

In fact, five years ago, eight years ago, there weren't VCs in open source. Yet North Bridge—and you can go look them up ... North Bridge is the venture capital firm in Boston whose been running the longest open-source survey—just released the newest report on the state of open source. They have been highlighting, over the years, how big a deal open source is as it's moving across the overall engineering/software development ecosystem.

It's growing leaps and bounds, and venture capitalists look at that as well and say, "We ought to be involved. We ought to get involved. There's some high growth here and potential." If you talk to any of the major plugin providers, especially when WordPress.org, the website with plugins, when they started showing how many had their plugin active—that count didn't used to be there.

It used to just be the download count. When the active count started—you can ask all the people that have 10,000, 20,000, 30,000, or more deployed instances—you start finding out that there are people who are calling them, asking them if they can buy their product. "Can I buy your product? Can I buy your product?" You get emails all day long about it, and you go, "Why?"

People with money are looking at this market and saying essentially what I just told you. It's massively depressed. The GDP of this space should be much bigger. And if we expect it to be much bigger and we expect growth to keep happening, then, at some point, the people who get in early, the people who get involved and get involved in the commercial side of it, will benefit materially.

That's how I know that my number is maybe not perfect, not exact, but it's an interesting number. It points in the right direction because people with money are trying to get into this space.

Now, what my main point to you is ... hey, guess what? This is a good time to get involved. This is a good time.

Approaches to products

Now, when we talk about getting involved, you've got to understand that there's really two approaches to getting involved in the WordPress ecosystem, as illustrated by these images here. The first is the dreamer's approach, the playful approach, the fun approach—"I just built a little something. I wonder if it could take off." You can see all sorts of people who play that game that way.

Then there's the serious approach. The serious approach says, "No, no, no, we plan. We measure. We evaluate. We are strategic." Not a lot of folks do that—or at least they don't start that way. Later, when they realize, "Oh my gosh, I can't believe this thing is taking off," or, "Oh my gosh, why is it not taking off?" then they start having to go back to the basics.



What I want to do with you in our time together, over these next several lessons, is to talk through how we get serious about our products, how we get serious about stepping into this market so that we don't have to go through the same kinds of challenges other people have. My job over our time together is really to focus on two things.

Number one, to help you anticipate the challenges you might have. Because I've been doing this a really long time, I can move around the corner, and I can see traffic around the corner. I can even see which lanes around the hillside, as you're driving, get dangerous, and when you need to slow down.

I can anticipate what's happening before you get there because you've never driven this road before. I can say, "No, no, no, let me help you anticipate."

The second thing is, as you do hit hurdles, let me help you accelerate through them. Nobody wants to do this for the next 10 years of their life to get their first product launched and make some money. They're like, "I don't have that kind of time." Great, let's accelerate you through some of these challenges.

The course at a high level

To that end, let me just walk you through, in this introduction as we start wrapping up this first lesson, what we're going to talk about. You can look and see that we have five core sections of the course. In the first, obviously, is our introduction.

Then we're going to step into what I call the 'space around your idea,' coming up with your idea. The truth is, to do that well, we're going to look at business



models, what is a business model, and the variety of business models you can have from a single idea.

Then we're going to look at how we evaluate a competitive landscape, how we do some environmental scanning. Then we're going to talk about how you score, how you metro-size your ideas to get to the best opportunity for you.

When we finish out of the ideation space, we're going to step into some agile planning. When we get into agile planning what you should know is, A) there's a lot of spreadsheets. In fact, by the time we get through the end of ideation, you're going to be kind of like, "Gosh, there's a lot here that isn't related to me writing some code" ... and I told you in advance that was going to happen.

When we get into spreadsheets, you're going to be like, "Whoa, there's a lot of different forms." You don't have to fill out every one, but the more you fill out—and the more you plan, the more you prepare—the better off you'll be.

The second part of that agile planning is starting to build both an audience, and not just your prospective audience, which I know you know a lot about already, but also the channels of distribution and the channels of messaging that you need to prepare.

See, the thing about the WordPress ecosystem is, the reality is, the number of people that have a website is massive. The number of people who've used WordPress is massive. When you talk about ... not the lower case C community, when you talk about the capital C community—the insiders, the people that go to these events, and speak, and talk, and network with each other—that is relatively small. I'd say ball park, it's 3,000 people, 4,000 people.



You only need to interface with or interact with a small percentage of that to start building a groundswell that quickly gets to those 3,00 people. Those 3,000 people become your channel to the tens of thousands of people beyond that, hundreds of thousands of people beyond that, who get interested in your product.

We're going to talk that through all before we ever get to the fourth module, which is all about your product. How do you get a product done? Obviously, on the first hand, one of the lessons that we're going to look at is, do you build it yourself, or do you hire someone to build it?

The other part is, do you buy a product? Do you buy a product that already has an existing market, already has an existing code base? We'll talk through how you might do that and still not get yourself into some trouble.

Lastly, we'll talk about launch. In our last module, we really dig into, predominantly, mistakes—mistakes people make, typical mistakes they make, and how you can get past them.

That's what we're up for. I hope you're excited to join me as we navigate through all of these lessons. I think we're going to have a great time. I'm very excited to do this with you. Take care.

