BIRTHING OF GIANTS

ERIK HUBERMAN: LEVERAGING YOUR MONEYMAKER TO BUILD A MOONSHOT

Erik Huberman is a born salesman. At age nine, he decided he wanted a guitar, so he gathered a bunch of his parents' "unused" objects in a garbage bag and went around the neighborhood selling them. By age 26, he had founded, grown and sold two e-commerce companies. With that experience under his belt, Huberman began consulting in 2013 with brands both large and small, including Red Bull, Verizon, HP and a number of startups. He launched his marketing agency, Hawke Media, a year later and has since expanded his reach with two venture capital funds, a financing arm, software business, and even a book, "The Hawke Method." Huberman has been recognized for his achievements as an entrepreneur with mentions in Forbes' "30 Under 30" and Inc.'s list of the top 25 marketing influencers.

Hawke Media was born from two realizations that Huberman gleaned from his experiences: first, that small businesses were priced out of traditional marketing services, and second, that "99% of agencies are full of s**t." The end result, he continues, is that great marketing is inaccessible to all but the largest companies. "I thought to myself, why don't we solve that? Why don't we create a company that provides accessibility to great marketing, which is our mission statement? So, the idea is 'let's be the best at what we do, but super easy to work with.'"

THE MONEYMAKER: HAWKE MEDIA

As a result of these deliberations, Hawke Media built out an unusual business model: high-quality professional marketing services provided on a month-to-month à la carte basis, making it cost effective for smaller organizations to gain expert advice when they need it without making a long-term commitment. Without these commitments, however, Hawke Media faced a potential cash-flow problem, but Huberman says the agency largely avoided it by thoughtfully growing to achieve scale that evened out the ebbs and flows. "We started with a little SWAT team of seven people. Fast forward, we're now at give-or-take 250 people. We've managed marketing for over 4,000 brands at this point."

Hawke Media's secret sauce is taking an approach to marketing that focuses on building businesses, which means measuring success along business metrics beyond just revenue growth. Is it profitable growth? What is the lifetime value of a customer versus the immediate average order value? What is an acceptable cost to acquire that customer? "If you have a gross margin in your lifetime value, now you can look at an acceptable customer acquisition cost," he explains. "These are simple things that seem obvious to most good business owners. But 99% of agencies don't look at them. Stuff like that became inherent to our DNA, and it is on every report we deliver."

Another differentiator for Hawke is acquiring in-depth knowledge of each online platform—whether email, e-commerce, paid advertising, or social media—rather than on specific industry verticals, as many agencies are organized. "The organizing principle of the company was, 'I need a Facebook expert, not a fashion expert,'" Huberman explains. "The idea was to grab really talented people in each of these categories—people who really understood Facebook marketing, for example—and then build teams around them. For instance, the head of our Amazon team built and sold two Amazon retailers before building our Amazon team.

"People who are experts in an industry versus a platform are really myopic," he continues. "They run the same game plan all the time. They're not forced to innovate, whereas we have to innovate because the platforms are always changing."

THE DISRUPTOR: ARTIFICIAL INTELLIGENCE

As Hawke Media continued to grow, Huberman sought ways to build software that would automate certain marketing tasks, without much success. "Three times over the course of six and a half years, I hired a developer or outside team to build something. And it failed miserably every time. It cost me a hundred or two hundred grand each time," he laments. That expensive cycle of trial and failure came to an end in 2017, when Huberman served on the advisory board for XPRIZE Foundation, a nonprofit organization that designs and hosts public competitions intended to encourage technological development to benefit humanity. There, then-XPRIZE CEO Marcus Shingles asked him, "What's going to disrupt your company?" positing that it would be the rise of the gig economy and freelancers.

Instead, Huberman answered "I think AI will eventually disrupt us," and went on to explain that it could automate advertising and marketing reporting and optimization, a painstaking manual process that left room for error and gut feeling rather than pure predictive logic. The key, he theorized, was having the right data to train the machine-learning (ML) models that would help predict the ideal mix of advertising and marketing across multiple platforms. "At some point in the next 20 years, that will replace a lot of what my company does," he told Shingles, who responded: "Why aren't you building it?"

THE PIVOT: AI-DRIVEN MARKETING SOFTWARE

Huberman back-burnered the idea for a few years, all the while collecting the extensive data he knew would be necessary to successfully train AI-driven marketing software. He built anonymized data collection into his client contracts and pulled it in from every campaign and platform possible. "So we're building all this data in real-time," he explains, "because I knew that was the hard part."

It wasn't until he participated in the Birthing of Giants fellowship week in the fall of 2021 that Huberman decided it was time to pull the trigger. A central tenet of Birthing of Giants is creating a path

toward exponential growth, which got him thinking. "The idea was, how do you achieve hockey-stick growth?" he recalls. "How do you make your company more scalable?" Huberman examined his options, including growing out his 50-person sales team, but quickly concluded that "the obvious answer was software." In the middle of the group's session, Huberman texted his partner, telling him, "Put two jobs ads up. We need a senior developer and a junior developer immediately that know how to build data sets and machine learning. We have to get it."

It was just a few days later when Huberman received an email from Morphio, a Canadian company pitching its own agency dashboard to monitor multiple marketing channels. He set up a demo, and realized that the software was a great interface for his idea. However, it lacked the most important ingredients: first, historical data that would train a machine-learning algorithm to benchmark performance, and second, a flow of real-time data that the algorithm could use to identify weak spots that needed addressing. "This is stuff we do manually already," he explains. "The question is, how do I automate that so it can be like, 'Bing, this is your problem. Your site speed is too slow compared to everyone else. That's why you're not converting well.'"

THE MOONSHOT: FROM ACQUISITION TO LAUNCH IN LESS THAN A YEAR

Just a few months later, in February 2022, Hawke Media acquired Morphio and began building out the data-management system. Not long after that, Hawke AI, as the new service was dubbed, had more than 2,000 subscribers paying $99 per month plus a small percentage of their media spend. The platform allows them to monitor multiple marketing channels in real-time, including Google Ads, Facebook, Google Analytics, Shopify, Pinterest, and TikTok, with more to come.

The solution has turned out to be highly accurate, predicting performance on Facebook, Google and Shopify with 99% correlation against published data. "The statistical significance of our 8,000 companies is actually big enough that we have that close of a correlation with those platforms that we are able to actually predict ahead of earnings what's going on with all the platforms," he says.

So far, Huberman has been able to fund the launch with profits from Hawke Media and feels confident that Hawke AI will reach break-even and stand on its own two feet soon. In the meantime, the tool is also helping the legacy company be more profitable by dramatically increasing its productivity.

"The nice thing is there's so much synergy with doing both," Huberman says. "With the partnership with Hawke Media, I have a $25-, $30-million-a-year infrastructure supporting Hawke AI. We have a finance team, accounting team, legal team, servicing team, tech team, sales team, and they're selling other services too. Our whole team uses Hawke AI and constantly reports back on product innovation.

Our strategy team that's constantly reporting against the marketing strategy for these customers using Hawke AI to help inform its development. They're all working hand in hand to make this better and better and better."

One concern, of course, is that the new technology—which will be available to any marketing agency or internal department—would cannibalize the agency's business, but Huberman believes the upside of selling a highly scalable software-as-a-service (SaaS) to a potentially global audience far outweighs that risk. What's more, he has been surprised to discover an entirely new market for the service he hadn't expected: hedge funds, private equity groups and venture capital funds that must monitor the performance of entire portfolios of companies.

Meanwhile, Hawke AI continues to evolve. "I think we've still got five years to get this to what we need it to be," Huberman says. "Right now it's a benchmarking and monitoring tool for your marketing strategy. The insights piece just launched. And so that will need probably another year of pruning to get to really deep insights along with continuing to collect better data."

As for the future, Huberman doesn't rule out finding outside funding when it can serve a strategic goal. "The reason I would take the investment would be to really scale," he says, adding that he'd look for a funding partner that could open doors for the company. Meanwhile, he's focused on building out his moonshot's launch pad. "I could probably get this to a great exit, but I'm more interested in getting it to the point where the hockey stick is over and we've squeezed out all the synergy we can get from Hawke Media." The real question, he asserts, is "who is that partner that can really help me turn this into a rocket ship?"

FIVE TAKEAWAYS

1. **Focus marketing on business metrics.** Typically, the success of a marketing campaign is measured in response: impressions, click-throughs, and of course, sales. But as Huberman points out, those metrics may be shortsighted. What if that increased revenue came at a loss? What if it was short-lived and didn't support ongoing sales? While it's notoriously difficult to ascribe quantifiable return on investment (ROI) to marketing, it's not impossible. One of Hawke Media's biggest innovations was to tie marketing campaigns to business KPIs like customer lifetime value that can show the true profitability behind your marketing efforts.
2. **Grow your market by shrinking your customer.** Huberman's success story has followed two clear trajectories: His customers got smaller, and his total addressable market got bigger. He began by selling consulting services to large enterprises, and while selling to big companies is an important step in the journey from moneymaker to moonshot, it requires substantial investment in talent and marketing that can lead to cycles of boom and bust. The model behind Hawke Media, which

services small businesses, has risks of its own, but it can scale more smoothly than if its customers were larger. Finally, by creating an inexpensive but highly replicable SaaS product in Hawke AI, Huberman grew his total addressable market (and potential profits) exponentially.

3. **Embrace your disrupter.** AI is becoming a growing threat to once-safe industries, like marketing, that depend on human creative thinking. Better to be on the side of the future than the past–especially if you can leverage your knowledge and experience to build a better AI product than your competitors.
4. **May the best data win.** Knowledge and experience create valuable data, and data is without a doubt the most valuable currency in today's business environment. As the saying goes, "garbage in, garbage out," meaning that even the most sophisticated AI will fail if the data it draws from is incomplete or flawed. Huberman wisely focused on Hawke Media's differentiator–10 years of accumulated data–when launching Hawke AI.
5. **Make outside investment a strategic choice.** "Take the money and run" is not a great exit plan if you want to build a great company. Instead, you should consider outside investment as an integral strategic next step in growing your business. Huberman knows that if he builds his product to be a proven solution that is ready to scale rapidly, an infusion of outside funding could make a huge difference.

TIMELINE

2008: Huberman graduates from the University of Arizona with a degree in business administration and works briefly in commercial real estate.

2009-2011: He launches and runs Fame Wizard, an e-commerce platform for aspiring musicians.

2010-2013: He co-founds Swag of the Month and Ellie Fashion Group, apparel subscription services.

2014: Hawke Media starts with seven employees.

2018: Hawke Ventures, an early-stage venture fund focusing on e-commerce, marketing tech and ad tech, launches.

2020: Adweek ranks Hawke Media at #64 in its annual list of the 100 fastest-growing marketing companies.

2021: Huberman launches HawkeZ, a Gen Z-guided marketing agency. Huberman participates in the Birthing of Giants Fellowship Week.

2022: Hawke purchases Morphio, a digital marketing insights platform, and launches Hawke AI. Huberman releases his first book, "The Hawke Method."