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Developing the concept of GROWTH HACKING for E-COMMERCE

– A case study of Zalando

BACHELOR'S ABSTRACT

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Developing the concept of Growth Hacking for E-Commerce

- A case study of Zalando

This purpose of this thesis is to find out the properties of the internet that help e-commerce companies significantly accelerate their growth, along with the analysis of the Growth Hacking Strategy. This thesis is set out to gain an in-depth knowledge about how such strategy exploits online business activities, in order to gain market share as fast as possible and generate positive feedbacks.

The literature review presents an overview of two concepts – Online Business and Growth Hacking. The term Growth Hacking is an enormously overwrought buzzword, it has been used within many disciplines such as UI (user interface), sales, marketing and product development due to its rapid experimentation and repeated testing. In this thesis, the author chooses the “Growth Hacking” definition and framework in Marketing perspectives. The author does not only introduce the mainstreams concepts and framework that define what Growth hacking includes but also deepens into every tactic inside Growth Hacking funnel in order to point out how important each tactic is and how to apply these tactics in practice. Based on the literature review, the author develops a theoretical framework which would be applied in the case study of Zalando.

The qualitative approach is done through a case study of Zalando, an online fashion retailer. Through initially specialized in footwear, the firm quickly broadened its product portfolio, expanded into new markets and acquired millions of clients, becoming the Europe’s market leader. The German-based company has applied many tactics of Growth Hacking into its strategy so as to get big fast and grow sustainably. Collecting primary data for the analysis is conducted by interviews with three Managers from different departments at Zalando, also, it is based on many public articles and press releases.

The result of this thesis is to identify how growth hacking works, which tactics of growth hacking that Zalando has applied into its features and what Zalando can do in order to improve its customer loyalty strategy (activate and retain customers).

KEYWORDS:

E- commerce, Online Retailer, Growth Hacking, E – Commerce, Growth Strategies, Zalando, Expansion

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1. INTRODUCTION

1.1. Research background

In the past few years, online stores have been a rapidly growing sales channel in the clothing industry, because of both the improvement in the living standard and economic growth in emerging countries, as well as the spread of digital technologies such as the internet (Manyika, et al., 2014). Consumers are buying online, enticed by the simplicity, pricing and more variations. It was believed that “Traditional retailing is the final activities and steps needed to place merchandise made else into the hands of the consumer or to provide services to the consumer” (Lusch, et al., 2001). And E-tailing can be defined as “a company that has opened a storefront on the net” (Fiore, 2011). Online shopping is no longer limited to Amazon or eBay. Advancement in technology has strengthened E-commerce, thereby making ways for various trends in virtual market. If internet and technology would suddenly disappear from the earth, there must be huge effect on the advanced economies (Dholakia, et al., 2002).

1.2. Research motivation.

With the internet capturing the mind and perception of people, the world had transformed to be more digital compared to the previous decades. As its performance is improved, there are also many different developed ways to catch the attention of people and help them in specific purposes in life. Online shopping is now the most popular way of buying any items you want through the use of internet. With only a few clicks, you can choose and purchase the products you desired. All you have to do is to wait for it to be delivered in your home or office, and there you have it. Personally, this “trend” has been observed the clearest since the author first moved to Finland. It can be seen clearly how people change their way in shopping activities – people are more browsing and purchasing items on the net and then picking them up at the stores or post offices. There is no doubt that E-commerce has a great impact on customer behavior, especially in developed countries such as Finland. According to a new report conducted by Robitzski (2018) , with the rapid expansion of 4G, coupled with providers in many countries introducing unlimited data packages, the levels of data usage has risen considerably in recent years. And Finland got the most Gigabytes of mobile data used in 2016, Finnish smartphone users consumed an average of 10.95GB per month (McCarthy, 2017). Unsurprisingly, following the technologic developments, Finnish consumers have become

increasingly familiar with online shopping and its associated benefits, enjoying time saving methods (Wolfenbarger, Mary, and Mary C. Gilly, 2001), relative lower prices (Brynjolfsson, 2000) wider variety of products available (Chen, Stephen, and Fiona Leteney, 2000), quick and easy access to information which allow the easy comparison of product's features and prices (Levin, Aron M, Irwin R, Levin, and C. Edward Health, 2003) as well as efficiency and convenience (Gehrt, 2004). Online shopping is a promising but challenging facet due to the high speed of advancement. The new and competitive market place doesn't work well with the old-fashioned marketing tactics, which can lead to wasted resources and time. (Iskryan, 2016)

1.3. Purpose of the study

The purpose of this study is to identify the properties of the internet which boost the scalability of online business activities, as well as examine the main drivers, strategies and consequences intrinsic to the adoption of particular online marketing approach – Growth Hacking. This is done through literature review and a case study of Zalando, in order to understand to what extent Growth Hacking Tactics has been applied. Zalando is a German-based online commerce that has undertaken a successful rapid expansion strategy, founded in October 2008 by Robert Gentz and David Schneider. Zalando has positioned itself as a young, dynamic and high potential startup and has become the Europe's leading online retailer by offering an extensive product selection for women, men and kids, which ranges from popular high street brands to highly sought-after designer labels. In 2013, the company provides a product span of more than 150.000 items over 1.500 distinct international brands (Zalando, 2013), such as Diesel, Guess, United Colors of Benetton, Lacoste, Converse, Calvin Klein, Adidas, Nike, Puma, Tommy Hilfiger, Espirit, Pepe Jeans, Geox, Ugg, Roxy and Timberland. Therefore, Zalando's product hotchpotch has divided into four main areas: Zalando Sports, Zalando Kids, Zalando Beauty and Zalando Lounge (an exclusive shopping club only for registered members which is offering top fashion brands and designer clothes with as much as 70% discount). By 2014, the company has expanded its operations to 15 European countries, acquiring 13.6 million active customers and generating annual sales of over 1 billion euros since 2012 (Wauters, 2014) . With strong portfolio, Zalando is a particularly interesting example of a fast-growing e-commerce companies utilizing growth hacking strategies to become Europe's market leader in the online fashion industry in only four years after being established (Kinnevik, 2013).

1.4. Research questions

Q.1: Why is Growth Hacking decisive and important for E-commerce companies?

Q.2: How has Zalando been applying Growth Hacking tactics into its marketing strategy?

Q.3: How would it be changed or improved in that customer services journey?

2. RESEARCH METHODOLOGY

This section describes the method utilized throughout this study in order to address the research questioned previously mentioned. More specifically, the guidelines of the research process are explained, data collection techniques are outlined as well as the validity and creditbility of the findings are stated in this chapter.

2.1. Research Scope

Having defined the general background of this thesis in two concepts: the online business industry and the development of Growth Hacking approach with the analytical scope is narrowed by its case-study nature. The author chooses Zalando, a pure-play online retailer founded in 2008, in Germany, and specialized in selling shoes, apparel and other fashion accessories, as a case stuy. In this context, the choice of Zalando was based on their remarkable growth the company achieved as well as their growth-hacking tactics and features in order to win customers' hearts. The firm has expended into 15 European countries (Germany, Netherlands, UK, Italy, France, Austria, Luxembourg, Spain, Poland, Norway, Finland, Denmark, Sweden, Belgium and Switzeland), established a multinational customer base and become the market leader in only four years after being founded (Kinnevik, 2013). As a result, Zalando entitles to be an interesting business case to explore which tactics and strategies it applies in order to grow fast.

2.2. Research Strategy and Design

The purpose of this study is to analyze the drivers inherent to the scalability of online business activities and to explore to what extent of Growth Hacking approach did Zalando develop in order to become the European market leader. Therefore, it is believed that qualitative data analysis is the appropriate research strategy for this thesis.

Firstly, according to Kumar (2011), qualitative research are usually employed to explain and obtain in-depth understanding of a given phenomenon or concept, rather than quatifying or confirming. Qualitative menthods are particularly matched with this study on the grounds of

their descriptive and inductive nature, because many insight tactics or concepts covered are not easily quantified. Furthermore, the Growth Hacking framework proposed in this study was built from existing literature and previous researches about the similar topic, which requires a structured and detailed examination of information in order to match with theoretical parts.

Following the purpose and its qualitative nature, this study is described as a single case study. According to one report by Creswell (2008) and Eisenhardt (2009), a case study is an empirical examination that investigates a certain phenomenon or concept in real life, which allows the author to have more specific perspectives of the subject in question. It is also suggested that by using case studies, the research questions are more formulated with *how* and *why*, which resembles the core of the thesis (Benbasat, et al., 1987). Therefore, the appropriateness of a case study design is examined as this thesis explores how the theoretical parts – Growth Hacking framework are applied in a real-life setting context.

2.3. Data Collection.

In this study, both secondary and primary data are necessary for exploring which tactics Zalando of Growth Hacking has been applying.

2.3.1. *Second data collection and analysis method*

According to Collis and Hussey (2014), secondary data is the data collected from an existing source such as publications, database, internal records and are possibly available in hard copy or on the Internet. In this study, the secondary data used in the sector “Pull tactics”, “Push and Product Tactics” of Zalando Case study is mainly acquired from the company’s sources: Zalando Press Release (e.g. <https://corporate.zalando.com/en/newsroom/press-releases>), articles, books, corporate publications as well as consultancy reports, statistics and other international institutions (e.g. Kinnevik).

2.3.2. *Primary data collection and analysis method*

Primary data are those generated from an original source such as your own experiments, surveys, interviews or focus groups (Collis, et al., 2014). In this research, interview is

conducted as a useful data collection tool which helps the author to have the in-sight knowledge and information about marketing strategies of Zalando as well as the answers and recommendations for future development of customer journey.

2.3.3. Interviews

Interviews are crucial in the case study's development (Yin 2009), enabling the researcher to have a broader perspective of a specific phenomenon or event by collecting and categorizing the information gathered in distance interviews. Regarding the types of interview, interview may be categorized into three types (1) structured interview, (2) semi-structured interview, (3) unstructured or in-depth interview (Saunders, et al., 2009). Structured interviews are designed in quantitative research in order to collect quantifiable data, while semi-structured and unstructured interviews are used in qualitative research interviews (Saunders, et al., 2009). Because of the exploratory nature of this study, semi-structured interviews appear to be a better tool, compared to unstructured interview, for the author to explore and enlarge the subject matters. According to Bryman and Bell (2011), semi-structured interviews not only ensure the key issues are addressed but also allow for a certain degree of flexibility through the presence of open-ended questions or the possibility to ask follow-up questions. In addition, the interviewee is given the opportunity to talk freely about the events, behaviors and beliefs related to the topic areas.

More specifically, three semi-structured were conducted through Skype, recorded and then presented in written form in the Appendix 7.0 . Below, a brief description of each informant is provided, ensuring the validity and credibility of this thesis:

Terhi Hänninen

The first interview was held on 15th November, 2018, with Terhi Hänninen, who is now working as Product Manager at Zalando, Berlin-based headquarter. The aim of this meeting was to find out which products and features Zalando has implemented with Growth Hacking tactics, also discussed more in Pop-up store strategy.

Hoa Ngo

The second interview was scheduled for the 25th November of the current year with Hoa Ngo, Commercial Analytics Manager at Zalando. She started her career as Junior Commercial

Analytics in in 2016. The aim of this interview was to get another perspective from the previous question. Also, Hoa Ngo also recommended me to Topi Tokola for other questions related to planning and strategy.

Topi Tokola

The third interview was performed with Topi Tokola, Commercial Planning and Strategy Manger (Nordics). In the process of writing the thesis, the author had “out of topic” questions related to how Zalando overcomes the loss due to its customer service strategy. In addition, this interview enlarges the views of customer loyalty strategy – section 4.3.

2.4. Research limitation and validity

In terms of research limitation, the current study has some limitations that must be discussed. The first limitation is related to its scope, including how Zalando has applied Growth Hacking tactics in its strategies. It is undoubted that Zalando has positioned itself as a leadership in the fashion industry around Europe, however, with the aggressive marketing strategy, Zalando lost money and was predicted not to make any profits in the first quarter. Therefore, the Growth Hacking perspectives applied by Zalando was different from the literature view to some extent. This question will be answered by Topi Tokola, attached in Appendix 7.3

Secondly, the limited number of interviews were conducted with managers at Zalando. Even though the number of interviews, articles and press releases would add value to the study, it was particularly difficult to contact the company because of its preparedness to an IPO, which does not allow managers and employees to disclose internal information.

3. LITERATURE REVIEW

3.1. The Concept of “Online business”

The concept of “online business” has become a common term during the past few years, due to its growth. There are several definitions of online business concepts, however, this thesis will mainly concentrate on transactional E-commerce websites, such as the retail website itself, that enable the sales and purchases of online items. There are two types of online businesses: clicks-and-mortar and pure players. The former run business both online and offline, they develop a multichannel which approach as retailers supplement their land-based business through the offer of a wide product selection via their websites, just like Nike and Zara have done (Min, 2005). The latter is known as pure players, who are in lack of physical presence in the market and operate exclusively online (Ashworth, Catherine J., Ruth Ä. Schmidt, Elke A. Pioch, and Alan Hallsworth.). Amazon and eBay (Levitt, 2018) are those sounding examples which are well-known for its e-commerce giants.

There are some differences exist among the two online retail formats. At a first glance, as pure players, they enjoy specific advantages over clicks-and-mortar stores. Firstly, store location is the easiest thing that can be mentioned here. These firms are in lack of physical presence and, as a result, are not charged for costs associated with establishing and maintaining a conservative store. The merchants bear only the costs of designing and keeping the website available and operational. Based on a research, the maintaining cost including design, programming, integrations, data imports, hosting (annual), SEO (Search Engine Optimization – annual) are approximately \$100.000 for SMEs or more than \$250.000 for enterprise (Smith, 2018). Secondly, in comparison with a traditional shop, the virtual firm is able to provide a wider range of products with several distinct categories, as a fact the availability and costs of floor space are not the matters for these firm (Srinivasan, 2002). Furthermore, most pure players can generate the cost savings associated with storage space and inventory risk costs (Varley, 2004). This happens because they do not possess any intangible inventory since orders are sent directly to the supplier and then shipped to the final client. Also, cybernetic firm can also save some costs due to warehousing, shelving, packaging, and shipping expenses (Mariotti, 2001). Moreover, it is believed that virtual merchants manage to order fulfillment and home deliveries more effectively thanks to their efficient operations and logistics systems

(Varley, 2004). Therefore, it is not surprising to conclude that both operational costs and capital requirements favor the virtual firm. Davidson (1997) stated that online retailers can take benefits of lower operating costs to enhance profit margins. Based on his explanation, even though e-tailers must pay costs to maintain their webpages, it is only a small fraction of the necessary investment to run a physical store, the margins earned by the online retailer are expected to be as much as three times higher than the ones earned by the traditional store.

However, clicks-and-mortar (also known as clicks-and-bricks) retailers also take advantage over the online store. Firstly, it is the establishment relationship with the customer thanks to distribution networks (Min, 2005), and acquiring people's contact through the staffs. Furthermore, it is easier for the clicks-and-bricks merchants to gain trust and brand name recognition compared to the only-online-store (Kim, 2004). They can leverage the brand reputation without spending additional costs since reliability would be established in advance through physical store (Kim, 2004).

There are several online business models in the market nowadays, however, this study will focus mainly on the E-commerce (e-shop or e-tailer), which is also known as virtual merchant. As mentioned above, these firms run business exclusively online, which means marketing campaigns, product orders and respective payments take place on the web.

3.2. Internet – the driving force behind the Changes in Customer Behavior.

Providing great conveniences for shopper has been agreed as main reason for shopping online by most of researcher and customers (Wolhandler, 1999). Due to the features of the Internet, customers are allowed to shop online anytime and anywhere, which means they can browse and shop online 24 hours a day, 7 days a week from home or office. This attracts many time-starved consumers to come to Internet due to the time and money they can saved. Moreover, e-commerce offers such convenient and interactive way for purchasing, from home or the office, avoiding traffic, crowds and queues in the moment of purchases. Also, fast check out and home delivery options provide additional comfort to the clients.

Regarding Customer Trust in Internet shopping, Mayer, Davis, and Schoorman (1995) defined trust as, “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Lee, et al., 2000 p. 712) and is widely recognized and frequently cited (Rousseau, et al., 1998). As mentioned above, the physical stores gain trust and build a relationship with customers easier than the online shops. The trustworthiness of e-commerce website is reliant on the how much privacy security can be implemented. For instance, a highly technical competence can be a factor to influence the trustworthiness (Singh, et al., 2000). Third-party verification to e-commerce websites can also be implemented to enhance the security system and thus make the site more reliable to the customers. In addition, providing information about their customer services, location of the offices, contact number, chatbot or a help button on the landing page could also increase customers’ trustiness as it makes them feel the presence of the retailers (Lohse , et al., 1998).

Consequentially to the development of online shopping, consumers both in developed and emerging countries are more digitally empower than ever (Brynjolfsson, et al., 2000), hence, attitudes and buying habits have changed significantly. As a result, it is essential to understand the factors influencing and preventing online consumer behaviors and utilize the appropriate marketing communications to support customers’ purchase decision and improve the companies’ performance.

3.3. Growth Hacking

3.3.1. The term

The term itself is still new and seldom recognized, even among the greatest connoisseurs of marketing. However, it is gaining popularity rapidly, especially in the more innovative SME’s of today and particularly in the start-up scene. “Growth hacking” began in 2010 when Sean Ellis coined the term “growth hacker” and he defined it as someone whose true commitment is growth and all resources are directed to improving growth potential. Growth hacking may be involved within many disciplines such as UI (user interface, sales, marketing, IT (information technologies), etc. (Walker, 2018), however, in this thesis, the author strongly focuses on the

marketing aspects. Therefore, the definition of Growth Hacking and those tactics mentioned below would be based on Marketing perspectives.

Growth hacking is based on the premise that there is limited startup capital available for growing the business. Although growth hacking techniques can be used by entrepreneurs, small and large business owners, it is fundamentally considered as a marketing method of utilizing technical and marketing know-how to grow a business. For startups, growth is always the highest concern. If companies want to expand overseas, these growth hacking tactics could be used as fuel for an appropriate engine of growth. Thanks to growth hacking, it is quite easy to understand and reach the movement of people, their behaviors based on the data and experiments which are stated in section 3.3.3, and as a result, we can see whether the potential customers are residing. The term growth hacking is often misunderstood due to the word “hacking”. However, the act of growth hacking does not constitute the use of information technology (IT) and does not have to be applied and/or constrained to any IT aspects, although some of the most successful growth hackers are in the tech industry.

The fact is, in SME’s and particularly startups, a growth hacker could bring more value than a marketing specialist in terms of attracting and retaining customers and ultimately, ensuring rapid growth (Ellis, 2010) . Successful growth hackers understand which customers are fitted for their products and as such can identify and implement effective hooks for their products without breaking budgets. A splendid example of a commonly used growth hack is a membership type sign-up service companies offer for their products, where there would be an unlimited pool of users which would gradually increase with time. The idea behind is that, the product should be satisfactory, the customer would feel special and more incentivized to become a preacher of the product by sharing in their circle of influence, in addition to being able to send invites to the service as a member (Ellis, 2010).

3.3.2. *The timeline*

Thanks to the its efficient system, growth hacking can deliver platforms like social media as products, from this point of view, they also boost the sales of other products. Although the term “Growth Hacking” itself is only 6 years old, but the practice has a history much longer

than that. People had been growth hacking for a long time before it became growth hacking. One success story was YouTube adding a “Confirm Channel Subscription” to the end of their URL. Even though it only works on desktop and laptop computers, it did manage to grow the subscription base by 400% (Holiday, 2013). Flashback to 1996, Hotmail was allegedly one of the first companies to growth hack successfully. The founders, Sabber Bhatia and Jack Smith, and venture capitalist, Tim Draper, discussed how they could spread the words about their web-based email product. They first went to over a list of industrial marketing options, consisting of billboard and radio advertising. Unfortunately, these options were instantly rejected since they were too expensive for promoting a free product. Soon after, an idea was coming up Draper: put “P.S: I love you. Get your free email at Hotmail” at the bottom of every email. The founders initially resisted this suggestion because of various reasons. However, after a few months, they agreed to adopt it, but dropped the “P.S: I love you” part (Ellis, 2010). A tagline “Get your free email at Hotmail” was then inserted at the end of every outbound email, turning every message sent by user into promotional pitch for the company. The impact was compounding; growth was exponential. Hotmail hit 1 million users after six months into the adoption (Penenberg, 2010). The solution appeared simple, and yet yielded astonishing result. It then became one exemplary example of early-stage growth hacking.

Moving up the timeline, another famous example of growth hacking is when Airbnb created a method of allowing their users to simultaneously post their Airbnb services on Craigslist, at a push of a button “Post to Craigslist”. As all know, Craigslist, a multi-sided platform, is a widely used U.S service which provides city-specific online jobs, housing, products and services. This resulted in a “free” viral engine of growth for Airbnb, getting them a significant boost in inbound links and double the exposure. This technology and clever thinking were remarkably simple, but powerful, which helped their clients access a well-built website that provided customer support (Morgon, 2014).

Aware of the potential benefits of digitalization and the rewards of an integrated marketing strategy, Zalando has defined a clever and truly effective marketing mix structure, sticking to a costly multichannel offensive in order to position its website as the place to go for all items in fashion (Li, 2012). Not only did the company focus on offline marketing, it has also been exploiting the benefits of social media and growth hacking platforms as well as applying these

technologies successfully to both Germany and European markets. Hence, the company was considered as the “Best Cross-Border Webshop” outcompeting worldwide known brands such as Asos, H&M or even Amazon (Zalando, 2012c)

3.3.3. The mindset

Holiday’s interpretation (Holiday, 2013) of Growth hacker is someone who has thrown out the playbook of traditional marketing, and replaced it with only what is testable, trackable, and scalable. Emails, pay-per-click ads, blogs, and platform APIs instead of commercials, publicity and money are all what a growth hacker needs. While their marketing brethren chase vague notions like “branding” and “mind share”, growth hackers pursue users and growth – and when they do it right, those users beget more users, who beget more users. They are the entrepreneurs, inventors, and mechanics of their own self-supporting and self-disseminating growth machine which can make a start-up from nothing to something.

Growth strategies cannot be simply duplicated from product to product (Ginn, 2012). Rather than a set of tools, growth hacking is a mindset (Holiday, 2013), which:

- Revolves around growth – Growth hackers are abnormally fixated on growth. Every decision or action taken is instructed by growth and is endeavored with an eye toward growth (Patel, N; Taylor, B, 2016 p. 7) . In a simple word, Growth Hacker is “a person whose true north is growth” (Ellis, 2010)
- Combines marketing with product development – growth hackers stand at the “intersection of marketing and product development” (Bussgang, Jeffrey; Benbarak, Nadav, 2016). With this approach, data and insight from both marketing and product development team can benefit each other. Growth hacker can understand deeply the features, design, user experiences, customer personas also ensure the product is meeting the customer needs. For instance, in the case of Hotmail, a promotional pitch was embedded into every email composed by users. Another example is Viber, if the users’ phone contacts is not using the service, it is possible to interactively send that person an invitation to join Viber. Product features can now be directly accountable for growth (Patel, N; Taylor, B, 2016 p. 13). In order to leverage this attribute, a

growth hacker should have a mindset for both marketing – and product-driven at the same time.

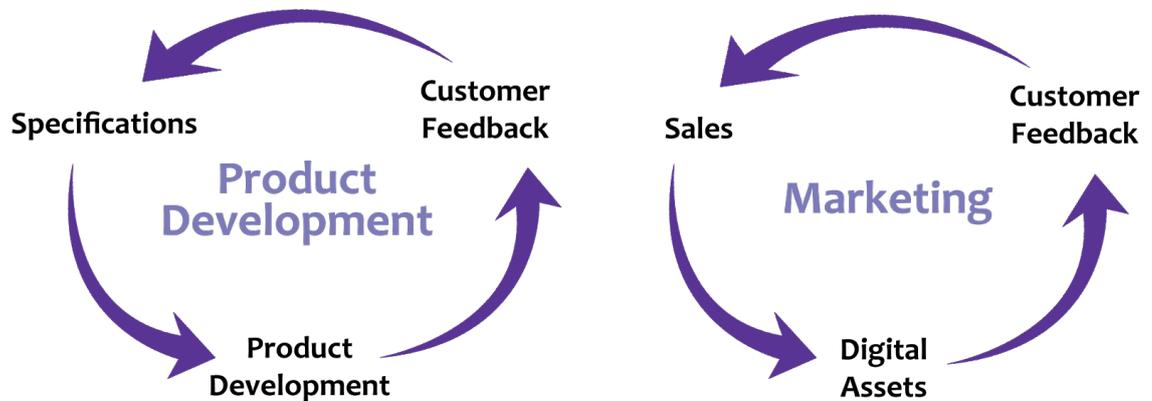


Figure 1: The circle and benefits when applying product development and digital assets (Crescenzi, 2017)

- Favors and reliant on data – where growth hackers have a passion for (Out, 2016), (Patel, N; Taylor, B, 2016 p. 17). As growth hackers associate themselves with only what is “testable, trackable, and scalable” (Holiday, 2013) , data collection has become essential. The information enables them to place and shift their focus, as well as repeat past successes and predicting future trends. (Patel, N; Taylor, B, 2016 pp. 17-18). Without data and metrics, growth hackers feel “naked” (Ginn, 2012); (Patel, N; Taylor, B, 2016 p. 17)
- Leverages curiosity and creativity – curiosity kills the cat, but it benefits the growth hacker (Patel, N; Taylor, B, 2016 pp. 20-21) . With an urge to go beyond the surface and a long list of “what if” and “why” questions, growth hackers want to discover which strategy will benefit them the most. Furthermore, as the life span of every channel is limited and market saturation is unavoidable, they are also required to continually think outside of the box and experiment with new ways to unearth the right methods and push their metrics up. Consequently, this constant curiosity and insatiable hunger for knowledge enable them to have a deep understanding of product, user experience and behavior (Ginn, 2012) . Therefore, endorsing curiosity

and embracing creativity are decisive to growth hackers, since they work closely with both marketing and product development.

- Optimizing experiments – What makes traditional marketing and growth hacking different is the willingness of growth hackers to find and create new things until they get matched, “only looks simple once you’ve found out the things that work for your product” (Patel, N; Taylor, B, 2016 pp. 22-23). Since there is no concrete process or method for growth hacking process or business situations, Sean Ellis (2010) called growth hacking “Experiment Driven Marketing” and hence, failure is unavoidable. Moreover, due to the highly uncertain characteristic coupled with a relatively limited successful period, growth hacking is a process that requires constant evolving, tracking and analyzing the results and iterating the strategy (Patel, N; Taylor, B, 2016 pp. 22-23)

To sum up, “Growth hacking was born out of startups”, just as Ellis (2010) stated, and is all about growth. There are many crucial characteristics to make a growth hacker successful: they need to have a mindset from the perspective of both marketing and product development, together with an analytical, creative, curious, as well as experiment-driven strategies. With basis of growth hacking laid out, the next chapter will underline tactics included in the prerequisites of growth hacking.

3.4. Growth hacking funnel

A funnel is a way to guide something which is usually unwieldy and uncooperative, such as people. As a growth hacker, to try develop a product, the task is to guide people towards a goal (signup, checkout, etc.). The problem is that people are unpredictable and has free-will. If we are going to get people to do what we wish, en masse, a proper process is needed. Patel (2016 p. 3) explains the three steps how the growth hacking funnel can help: to identify how to get visitors, to activate members and to retain users. In other word, these three steps of the growth hacking funnel are similar to relationship building. “Getting visitors” is the superficial steps, in which you guide a visitor going on a blind date to deepen the interactions. The next step is “activating a member”, similar to being in a relationship with someone. It is always hard to turn a visitor into a member, and it is even harder to turn a member into a user. A user is

someone who uses your product regularly. And if you have kept them for a period of time, making them “retained users”, then you have reached the holy grail of growth hacking. Thus, “Retaining a user” can be seen as getting married. As mentioned above, growth hacker is the one who wants to grow, that is why the central rule that Patel (2016 p. 3) argues for the funnel is that the numbers should always keep increasing, as the time passes.

3.4.1. Three P’s of getting visitors.

It is previously mentioned in section 3.4 that customers are unpredictable and has-will, getting visitors the business website is relatively simple, however, without a holistic view of growth, the customers will not be activated or retainable since traffic is a part of a much larger equation. Understanding this problem, Patel (2016 p. 5) stated that the three P’s of increasing traffic to a website. Pull means that the website’s content is interesting or relevant enough for the visitor to look for the site. Push is referring to the outbound marketing efforts such as ads or web presence (location). It is very important to be where the potential customer is, not just wait till they come to you. And the final P is the product. According to Patel (2016 p. 5), the product in three P’s itself will attract automatic referrals. Word-of-mouth and recommendations are working in this tactic. Customers tend to recommend a product they use to other people if they find it great. The longing for sharing is a core human character. It is stressed that the business should first find the highest concentrations of their desired group of online visitors in various places, and then use that information to target push and pull tactics towards those people (Alvarez, 2016). And it is impossible to pull them in with enticing content or strong-aim them to a website if there is no accurate information on where to find these visitors. Finally, it is very important to have proper content, as the old online saying goes “content is the king”. There is no doubt that if the service provider or grow hacker stops providing value, then customers will stop coming.

3.4.2. Pull tactics

SEO (Search Engine Optimization) is often misinterpreted by the marketing society as a tool that constitutes free traffic. Patel (2016 p. 5) separates there are two kinds of SEO strategies: content and code. Regarding Content, by virtue of creating enough content, growth hackers can optimize search engines even if they do not know what an algorithm is. When it comes to coding, growth hackers will need to take care of the right keywords, H1 tags [describing the

website inside the HTML code (H1tag.org, 2017) , specific Schema.org tags [standard ways to structure website data for search engines (Schema.org, 2017) , and an up-to-date sitemap. “SEO is very important, and for many businesses it’s the primary way they gain traffic at the top of the funnel” – Neil Patel.

One of the tried and true ways of driving your traffic is through blogging or guest blogging. There is no doubt that Blog posts are keyword rich, and are easily found by Google, which aids overall SEO strategy (Kumar, 2017). Blogging, hence, is one of the first priorities. According to Masuria (2017), a growth hacker will understand that a blog they write should never be a direct advertisement of a product, instead, that blog should subtly direct reader towards his or her website or product. A smart blogger will gently pull people in, not beg them to visit their site. The best way for a growth hacker to become a blogger is to start a new post with a bio that links to the product, and try to link to your product once within the post as long as it’s relevant to the post contents. And with some creativity, they can easily get click throughs without making your post feel like an ad.

Podcasting is another great tool for pull tactic, Patel (2016 p. 5) argues that audio inherent inbound qualities. It is stated that listening to someone’s podcast can enlarge a window into his or her mind, and sometimes it is even better than reading their thoughts.

While some people like doing little things on regular basis like Blogging and Postcasting. Others would rather invest large amount of energy at spread out intervals, and produce things which are more monumental (Duccan, 2015). And large written documents are the part of it. They offer a more significant impact if targeted correctly. One of the goals of pull tactic (inbound marketing) is to have some basic data of the profile of the buyer initially (e.g. Email address), and it can be achieved by attractive content, therefore, large written documents may take more advantages in comparison to short blogs. It is quite common when Ebooks have a higher perceived value since it is possible to ask for an email adress in exchange of a free ebook. The gained emails could be used to help to build an email database of a targetted audience for a product growth hacking funnel. Of course, the main disadvantage in this kind of approach is time-consuming (Patel, 2016 p. 5).

Visualization is also a powerful tool and they can be shared widely on social media extremely easily. Adam Breckler, of Visual.ly, provides the following advice when creating an infographic (Patel, 2016)

- Select good topics: it is integral to choose topics creatively with an intent to create excitement.
- Find the right data: it is more economical to search for an existing data set, rather than create a new one.
- Analyze the data: it is recommended not to distort the data just to fit the intended narrative.
- Build narratives: the best part of Infographic is finding connecting stories which link numbers together, preventing the presented information from being disconnected.
- Design concept: professional looking design is a requirement.
- Polish and refine the design: high quality visualizations will almost certainly catch public's attention.
- Distribute the Infographic: depending on the targeted audience, infographic designer can distribute them into email list, social media, etc. in order to fit the marketing campaign.

The offline world has seminars, and the online world has webinars. There is no doubt that these are very successful channels which can drive tons of visitors to the website funnel. Webinars are usually live, so it cannot be watched at one's leisure. Since they are events marked on the calendar, people tending to participate are more interest to what is spoken in that seminar. According to Beard (2014), webinars can be very interactive, and participants can be led through all the activity of the product or the solution. In addition, the more educational and informative webinar becomes, the higher the need people feel to reciprocate in different ways. Especially, the "hacking" tips as a special promotion at the end of a webinar can significantly drive traffic to your product. A cooperation with influencers or another company can also be beneficial for your product, as you can get attention from their audience since the first time (Moore, 2017).

Another effective way to gain traffic of growth hacking funnel is through social media. There is no doubt that social media has many advantages for companies to establish their brands. By regular updating on the right social media platforms, this will result in the increasing traffic to the website, better SEO (Search Engine Optimization), brand awareness improvement and healthier customer satisfaction (Nelson, 2018). Social media can be referred as marathon rather than a sprint since large amounts of traffic will not happen instantly. Moreover, having large numbers of followers that are frequently doing retweets and shares does not always guarantee an increase in visitors or sales of product or services (Patel, N; Taylor, B, 2016). Hence, growth hackers should focus more on quality than quantity when targeting on social media. Patel (2016 p. 4) gives his advice about this:

- One should not follow and unfollow people on social media just for attention. As mentioned above, social media is a long-run, hence, there are little reasons for doing this if there is no intention for creating relationship.
- Some growth hackers abuse the paid followers. Unfortunately, paid followers do not help or amplify the company's message. Therefore, it is there would be no return on investment from buying fake accounts or getting attention of people who are not interested in your product or service.
- Bothering people can lead to adverse effects, therefore the message should be discrete enough.

It is very important to engage with people who will be interested and use your product, and it will provide further benefit to give them helpful tips. Patel (2016 p. 5) stated, "be a giver, not just a taker". When working with Social Media, growth hackers must be patient with every step to meet the company's goal. A clear demographics that are into the product will create an ongoing ripple effect to drive more traffic. Therefore, social media planner can provide great content and curating posts, in which people will pay more attention and become loyal. However, when the number of competitors is increasing, being creative greatly helps in attracting new customers as well as supporting and retaining loyal customers.

A contest can be one of the most effective ways to drive traffic to your growth hacking funnel. Many internet companies have done great jobs in creating a contest and gain such popularity after that, Airbnb can be used as an outstanding example (Gerhardt, 2015). The company gives away housing, which helps create database from the potential customers, promote sharing and get the company known worldwide in a short period of time. To ensure the effectiveness of the method, the company, however, must create a contest related to their product, for instance, housing is relevant to Airbnb, in contrast, it would be less appropriate if they give away iPads or watches.

There is no doubt that technology is booming in recent years, especially in App Marketplaces. Having a mobile app is very advantageous and important to the firm. The most common marketplaces for mobile app are Google Play and Apple App Store. However, the product and app marketplaces have become over-saturated, therefore, companies cannot solely depend on having an app for increasing in traffic. Additional growth hacking tactics are needed in order to remain competitive. Moreover, Patel (2016 p. 5) also suggests that company should take reviews into consideration and try to avoid bad reviews in the marketplaces. Potential customers or users love to read the reviews and watch the videos before making decision.

After the rise of Groupon, there have been a number of deal sites created in their wake. Deal site has a substantial email list and is willing to promote your product. Making agreement with these companies are would be a good strategy. Businesses provide these companies discounts to their audience in exchange for many purposes such as attracting more customers, reducing inventory, increasing sales and boosting reputation (Ijaz, 2017). Patel (2016 p. 5) also recommends that this tactic is worth trying. Furthermore, things would unexpectedly happen on the business favor, for example, people may purchase a full-price product although they come from the deal site.

As a growth hacker, it is very important and time-saving to find other people who already have a similar audience. This approach is called LOPA (leverage of other people's audiences). We can take all advantages from these tactics above and form as LOPA (Patel, 2016 p. 5). These are some examples of how to use LOPA:

- Special give away in a guest blog, which has the appropriate target audience.
- Be beneficial from Meet Up websites where influential group leaders can be found.
- Provide free products and accounts for influencers. This is a very common but effective way to get reviews from them, which is directly targeting to their audience.

3.4.3. Push tactics

Push tactics are also known as outbound marketing. When a customer is led through a pull tactics funnel, he or she may not be aware of the product or service, until the information about it is pushed at them through the marketing funnel. However, it is important to understand the LTV (Lifetime value of a customer) when doing the push tactics. Patel (2016 p. 6) defines life time value of a customer (LTV) as follows. Life time value is the amount of money that you are going to make from a customer throughout their life. For instance, an E-commerce app profits an average of \$100 per customer, per year, and they typically use the service for 5 consecutive years before they stop making purchases, then the LTV is \$500.

As understanding from the example above, it is unwise to spend more than \$500 on average in order just to lure someone through for funnel (Patel, 2016 p. 6). Making push decision requires time and experiences, because purchasing ads without a defined strategy is not growth hacking. Hence, proper learning of the technical details of the chosen platform is essential as it is one of the main factors contributing to the profit of the company. Thanks to Google AdWords, in recent years, people can easily reach the products or companies they want in much easier ways, also, the company can implement online marketing strategy effectively without overspend their budgets. There are two ways to buy ads, CPM (Cost-per-thousand impressions) basis and pay per click (PPC). The former means you independently pay for set number of impressions and it is not relied on how many clicks they get. The latter means it does not matter how many times your ad appears, you only need to pay when your ad is clicked. Learning theory is necessary, however, it is more important to experiment with variations of your ads, since the type of ads audience will respond to is unknown. Thanks to those Analytics platforms, companies can easily control the quality and quantity of the ads because the numbers will tell the truth.

Advertisement is a key path in push tactics since it approaches visitors deliberately. Companies are too accustomed to buying traffic that they often dismiss the value of bartering. Hence, a

promo swap between companies can be beneficial, as they have similar audiences and the promotion can have a wider reach. However, it is advised that a strong understanding about the business partner and target demographic is required to prevent unfavorable outcome for any of the parties. There are different kinds of swap promo such as Facebook posts, Twitter tweets, company's blog, discount codes, giveaways, etc. (Patel, 2016 p. 6).

It is stated that if you want to go fast, go alone; if you want to go far, go together. Therefore, Affiliate Marketing is considered as an effective growth tactics for e-commerce companies. According to Givon (2017) affiliate marketing is "an advertising model where a company pays compensation to third party publishers to generate traffic or leads to the company's products and services. The third-party publishers are referred to as affiliates and the commissions fee incentivizes them to find ways to promote the company". An affiliate can use the same growth hacking methods to achieve the goals and by doing this allowing a company to outsource the growth hacking process. Patel (2016 p. 6) recommends paying attention to three factors when collaborating an affiliate program:

- Incentives: When hiring an affiliate partner, the company should think carefully about the incentives. It is very wasteful and unprofitable if the affiliate just get you low-quality customers who cancel quickly or unsubscribe in short period of time. Hence, creating a sustainable system is a must, where the affiliate only benefits if the company benefit.
- Third-party companies: They are commission junctions that already have affiliate platforms, tracking systems and pay-outs. This solution is absolutely recommended if companies, especially SMEs, want to save time and effort searching and tracking partners since the third-party companies has created a proprietary system.
- Choosing the affiliates: This must be carefully taken into account since they are indirectly presenting your business. The language, the tactics and their behaviors can all have influences on your potential customers and company's brand, thus, careless vetting may lead into PR-catastrophes.

It may not seem like a viable growth hacking method, but Direct Sales can be effective in acquiring traffics. Thanks to availability of portable computer such as phones or tablets,

companies can easier collect email address, phone number and customer info, which benefit sales process. Additionally, direct sales can be especially useful for B2B growth hacking, and with those specific platforms, the sales team can reduce the struggles in managing time and structuring their day in order to meet customers. Nevertheless, to succeed in direct sales in the modern world, it is highly recommended to have a proper education about sales and tracking platforms, since it would help the sales process become more professional and easier to close the deals.

3.4.4. Product tactics

This tactic is considered as the most exciting aspect of growth-hacking marketing since we can use the product itself to get new visitors (Gains, 2015).

Thanks to the driving force of the Internet, people can easily connect with each other through their social networks in various places. Network invitation can include phone numbers, email addresses, and social contacts. People might think of those advanced or paid tactics as an ideal growth-hacking tool, however, these person's contacts can be seen as a good user base to grow significantly. First of all, phone numbers and email addresses must be taken into account when comes to this tactic. Considering SnapChat or LinkedIn doing nowadays, these social platforms has applied these tactics successfully as users can invite, send emails or get suggestion to "add friends" those who are from our phone contacts. This automation makes things a lot easier for both end-consumers and suppliers, since customers do not need to ask for usernames, or do many complicated steps just to send emails, also, the platform's owner can gain initial traffic and customers' base thanks to this invitation network. By virtue of the fast pace of the Internet, people are more and more open to share things that are useful and something they are interested about on their personal accounts. Moving along the timeline, online platforms and social media have grown viral whist using these invitation models, and until now, this tactic is still implemented widely. Similar with phone books and email addresses, social contacts are also a way to leverage invitation network. Remembering the period of time when online game was truly trendy on Facebook, people would love to play and compete with their friends, at that time, Facebook Connect had completed its role successfully. Until now, Facebook Connect still does its job pretty well (Sita, 2016). When we launch a product, service, company, etc., and we need support, this method makes everything

become much more convenient whereby an invitation for a logged in user's friends to try out that product can be easily sent. Additionally, a company's website nowadays needs a social-sharing button at the bottom of the page. This social sharing not just only functions as a direct way to invite people into your products via social connection or friends list, but it is also a great tool allowing people to give their feedbacks, opinions or feelings about that products on their personal pages. According to the Media Insight Project (2016), one survey showed that two-thirds of Facebook-using Americans are likely to believe in the information shared by someone they trust on social media, which means being highly active with social sharing can boost brand awareness and company's visibility.

An application product interface (API) can be considered as a step beyond social sharing. The best part of this tactic is that users can have seamless experience where the sharing happens silently, also, it does not require any effort from the users to approve each share (Oddies Technologies, 2018). Spotify must be a success story in using Facebook through API integration to grow their user base. Once a user logs in to Spotify using Facebook Connect and allow Spotify to get the needed access, then the user's activity is automatically published to their Facebook feed or their friends' notifications (Meyer, 2017). Nike+ API integration with Path and Facebook is another example of this tactic. Just by one time setting up, this API integration does its job automatically. By tracking every time running by Nike+ app, the data related to user's run is announced on Path and Facebook, so that their friends can see that activity and even cheer them up in the same platform (Patel, 2016 p. 8). In spite of its incredible upside, API integrations are not always 100% stable as the fact that your company might be at risk if you intertwine and depend too much on a third-party service. For example, according to Ambler (2015), Twitter has recently changed their APIs by limiting push notifications, changing other features, and raising accessible price, which means, all third-party Twitter apps are affected by these changes despite having backup plans or not.

SEO is very important in Pull Tactics as mentioned in section 3.4.2, and deeper study about Search Engine Optimization, backlinks are one of the first included-in-SEO tactics which was used to create viral engine of growth (Ries, 2011) . Backlinks actually are used daily by everyone. Generally speaking, backlinks are any link in or on a web page which points or leads back to your website or page. Thanks to all the tactics included in Pull and Push tactics, such as

blogging, social media, paid Ads, etc., creating a great backlink is much easier. Taking local listings and Directories as an example, these are recommended as easiest and low-hanging fruit to score. People nowadays can search for not just the information related to the company's business but also other data such as website, directions, phone numbers, etc., thanks to those backlinks from big and well-known platforms, for instance Google My Business, Yellow Pages or Yelp.

Another product tactics is Incentives, not surprisingly, this growth-hacking tactic is all around us. Everyone loves to be rewarded or get something for free even though they are just those basic daily things. People nowadays are familiar with formula such as "Join our coffee club, and every 10th drink is on us", therefore, thousands of coffee shop loyalty have proven. Or when going shopping, deals such as "Buy 3 pay 2" or "Buy 1 get 1 free" still works impressively although it is quite old-fashioned. Incentive marketing is very important and valuable since it engages a segment of consumers who are not among the organization, company or products yet, it performs as a tool to leverage customers' loyalty (Ugarte, 2016). When it comes to Incentives Marketing, Amazon Prime is perhaps the king of this amazing program. According to one report by Spangler (2018), Amazon, stated that there are over 100 million people currently subscribing to its Prime membership plan. With clever and impressive deals for Prime members, such as free two-day shipping, complementary subscription to Amazon Video and many good-deal discounts, Prime shoppers do not hesitate to spend \$1000 more annually than non-members.

Organic word of mouth is also a great marketing tool. Even though we are living in a modern world, where technology within the product can spread by product, we still cannot deny the efficiency of organic word of mouth. According to a Nielsen study (2018), 92% of customers' trust and do the suggestions from friends and family more than those they have seen from advertising, this stat alone solidified the word of mouth use case. And this tactic is even more relevant due to the rise of ad blockers and ad blindness nowadays. Since it is belonged to product tactics, company should consider these adjectives in order to gain high word of mouth rating: interesting, simple, beautiful, valuable, emotional, unique and surprising (Mosley, 2017).

3.4.5. *Activating and retaining customers.*

A large customer base does not lead to successful growth yet. Activating and converting them from visitors to repeated customers are much more important for business operations, since no one wants visitor becomes one-time customer. As Ries (2011) mentioned the noun “activation” and “retention” must be taken into account when it comes to sticky engine of growth

First of all, pricing is one of the key paths towards an effective marketing tool of activation. Pricing is not just about a number; it is a strategy. Especially with online-shopping or E-commerce, setting price strategy how to be competitive and profitable is very demanding and important (Patel, 2016 p. 8). Almost all online products and services nowadays use the Multiple Tiers, which means the company can set the price according to the purchasing power of the customer base (Melanie, 2017). For example, Netflix currently has three pricing tiers with three different kinds of price, those are basic, standard and premium plans (Hall, 2019). Similar to Multiplier tiers, Suggestive tier naming is also used widely by many e-services firms nowadays, especially by technology companies. “Gold”, “Silver” or “Bronze” seems to be old-fashioned since people do not really catch what they really want, then Suggestive Tier Naming was born, replacing those with “Starter”, “Professional” or “Team” price-option. This pricing strategy helps people to choose the right plan with right budget which they belong to (Melanie, 2017).

Free trials are other way to activate customers, and most of the e-commerce companies has been applying this tactic into their features. People love to try new things, but they are afraid of losing money as well as getting irreversible mistakes. That is the reason why free trials and money back guarantees can both reduce risk and unexpected concern for customers as well as gain trust for the companies (Sukhraj, 2017). Another powerful force in driving a purchasing decision is Discount Codes (Patel, 2016 p. 8). And what makes discount codes even more effective is by adding limited time for each offer. Udemy has applied this force very well, especially through email marketing. They include discount codes with limited time and a call-to-action sentence “You only have 48 hours left to save 75% on any Udemy course”. Hence,

this can be considered as an extremely effective way to entice a buying decision, since customer can confidently get the whole value for their purchase but with lower price.

In terms of retaining a customer, community building is a good way to go. Everyone loves to be a part of something, since people will stay longer and become loyal if they feel like they are actual “family members” not “subscribers”. Therefore, great customer services can change the differences in a life-long customer and word-of-mouth feedbacks. According to Klein (2015), lower price, discount codes, email marketing, or valuable products could be ideal for new customers, but those are also relevant for repeat purchasers. And in the case if a customer were about to stop using product or cancel membership, then having an exit interview could be beneficial (Ellis, 2010). Collecting data such as the causes lead to this decision, their satisfaction or anything related to the products or services can all be used to modify situations, which helps reduce others leaving in the future. In conclusion to activation and retention, making and keeping customers happy must be the ultimate goal to go (Patel, 2016 p. 8), as it is most first and foremost factor which converts a person from a visitor to a customer and then, a loyal member.

4. A CASE STUDY OF ZALANDO SE: HOW THE COMPANY APPLIES GROWTH HACKING TACTICS IN PRACTICE.

4.1. The timeline and the mindset.

According to the sector 2.3.3, in order to grow the business and be competitive in the market share nowadays, a growth hacker needs a mindset from the perspective of both marketing and product development, also relies on analytical skills as well as experiment – driven strategies. This chapter will underline tactics included in the prerequisites of growth hacking mindset in the case of Zalando.

From a start-up to a grown-up company, Zalando has experienced many failures and lesson learned, one of those is localization. In order to achieve the goal Get Big Fast, in each targeted country, Zalando applies a localized marketing strategy to create brand awareness.

Firstly, moving along the timeline when Zalando first conquered its international markets, the Netherlands became the first non-German speaking market in 2010 – and it brought a valuable lesson in defining the future strategy. Zalando (2014) proved a big hit in Germany with “Scream with joy!” TV advertising campaign, however, it was not at all well received by Dutch audiences. It even won an award for the year’s most irritating advert, twice in a row. Even if some markets border each other geographically, they can be totally different when it comes to the tastes, desires and expectations of the customers.

Secondly, even the websites differ in each country, not in design, but in other, more subtle ways. The perks of a fashion e-tailer, Zalando has its own words: “the website needs to make the visitor feel at home”. Italy is a good example of Zalando’s localization. According to Mousseau (2016), localization expert at Zalando, 29% of Italians do not have a bank account. Fully understand and accept the Italian culture, Zalando offers a Cash and Delivery payment option. Moreover, in Italian culture, people see “returning a product” that you do not like is “breaking their promise of buying the product”. Therefore, in its advertisements, Zalando team

makes an effort to tell their Italian customers that it is totally fine to return. This kind of marketing strategy is extremely useful not only to strengthen customer relationships but also give credibility to the online store (Phillips, 2013) . According to Vazquez (2014), localization of the web page can add more value and accessibility privileges. Consequently, the e-store has developed personalized patterns for each target country and meet the local needs, by creating sites which were translated in to several languages, adapting the distribution system and fashion patterns. Putting even more efforts in traditional marketing, the fashion e-tailer also issues an online magazine named “News and Styles”, a joint production of internal editors, fashion bloggers, journalists and celebrities, in which Zalando provides high quality editorial content, offering styling advice and on-trend fashion inspiration (Phillips, 2012) . According to the localization strategy, it can be clearly seen that the German-based retailer has relied on the data and knowledge of each target demographics, as well as combined the marketing strategy with product development in order to meet the customer needs.

In-depth understanding of the potential benefits of digital technologies and the rewards of an integrated marketing strategy, Zalando has defined a clever and effective marketing mix structure engaging in a costly multichannel offensive to position its webpage as the place to go for all items in fashion (Li, 2012) . The e-tailer has been approaching the benefits associated with cross-media formats through the combination of both online and offline formats, as well as take full advantages from traditional marketing: advertising on television and publishing its own magazine. This integrated marketing communication plan effectively helps the online retailer raise brand awareness, establish market presence and engage the final consumer (Phillips, 2013) . This German-based online retailer revolutionarily launched an offline business concept for three days in Berlin, March 2012. It was the first time that online retailer has ever launched its own brand, also named Zalando, having unique clothing items which were designed by Bernadett Penkov (Vlasich, 2012) . It is quite common to testify traditional retailers who launch an e-commerce shopping platform so as to keep competitive and embrace a multichannel approach (Rangaswamy; Arvind; Gerrit, 2005) , but very seldom does it happen otherwise. In the case of Zalando, selling of its own brand in a physical store (pop-up store) has triggered brand awareness and boosted up the perception of freshness and innovativeness associated with the brand itself.

4.2. Zalando applies Growth Hacking funnel

4.2.1. Pull tactics

As mentioned in section 3.4.2, one of the most integral factors for any e-commerce firms is Content. In fact, based on one survey by Garai (2016) , 62% of customers are searching for practical content about how to use that certain products. After questioning those questions related to loose, fit, tight, etc., fashion shoppers will definitely struggle during their journey: “Which shoes go well with this coat?” “Which bag would be matched with top?”. Having a clear understanding about customer behavior, Zalando has been positioning itself not just a clothing-purchased platform but also as an expert in fashion industry through their blog, guides, YouTube videos and events. (Garai, 2016).

First of all, Shop-the-look can be seen as a great feature of Pull tactics since it is the great SEO tool (Search Engine Optimization) to gain traffic as well as it provides high-quality visualization in order to match the target audiences as well as catch public’s attention. This feature can be seen as the easiest way to find the best match-to-match outfit. When a customer chooses a product, e.g. jacket, the webpage will show a fully dressed model wearing the item with matching trousers, shoes, accessories, etc. in different variations. All the items worn by the model are selected by Zalando’s stylists, which a lot increases trust in customers and also becomes a cross-selling and upselling opportunity since every part of the outfit comes from different brands.

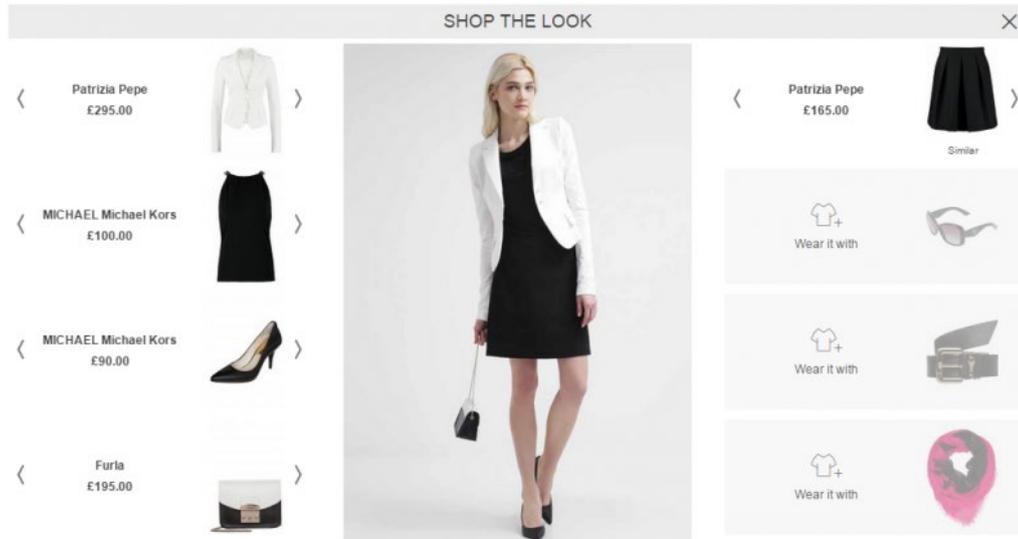


Figure 1: Shop-the-look feature offered by Zalando site (Bovio, 2015)

Secondly, Sweepstakes - an interactive game, is also a part of growth hacking tactics which is used frequently by Zalando. Understanding the benefits of Contest in growth hacking funnel, during the 2016 holiday period, the virtual merchant announced a juicy incentive: customers could win one of the items they put on their “Wishlist” by entering a contest. This is an easy game for customer since they do not need to put any effort, but in another way, it is a clever way to encourage them to browse more items in Zalando’s webpage and choose the items they would love to get for free. This generous incentive helps the fashion retailer a lot in discovering customer preferences and providing extra info about popular products.



Figure 2: Sweepstakes offered by Zalando (Garai, 2016)

Thirdly, understanding gifts exchanging cultures and festivals, Zalando has also implemented the Gift-suggested function. For example, having a cool chat with Google Assistant to find the perfect outfit or also presenting ideas for gifts depending on the festivals around the year (Zalando Press Releases, 2017). The customer can select the gender, age, after that the site will automatically list items picked by one of Zalando's fashion experts fitting the chosen criteria. Based on the section 3.4.2, people find it meaningful when they receive information or knowledge from E-books or Guides, Zalando understands this by not just publishing its own magazine "News and Styles" (Jasper, 2017) but also technically providing Guides in a higher level when implementing technologies in it – using Google Assistant (Zalando Press Releases, 2017). This is such a smart way to create personal shopping feeling in an online environment, especially it helps busy people in those circumstances to find the ideal presents which fits their demands the most.

Zalando has been successful in applying growth hacking funnels to reach and satisfy its customers. By acknowledge the importance of social media platforms, Zalando possesses its own Mobile Application, Facebook, Twitter, Instagram, Pinterest and YouTube accounts. The fashion firm utilizes these highly sought-after communication channels to provide its customers with the latest trends and novelties, regular fashion updates, news about the company and most recent promotions. Every fashion retailer nowadays uses social media as a way to reach consumers and obtain interaction between them and the company (Berthon , et al., 2012) . Despite a purpose of reflecting the youthful culture of the company itself, Zalando still carefully manages its marketing communication plan so as to guarantee a consistent social media strategy throughout Europe (Phillips, 2013). Thanks to the use of international Facebook and Instagram accounts, Zalando assumes particular relevance. Registering more than 6.6M "likes" on Facebook page and 565.000 followers on Instagram, the fashion e-tailer is successfully utilizing social media to engage customers, interact with them on a regular basis and increase brand awareness (Phillips, 2013).

Acknowledging the importance of high-tech devices, Zalando made sure that social media platforms can be accessed easily either by a personal computer or mobile devices, such as smartphones and tablets. According to Andre (2012) , approximately 50% of online shoppers assume to use their smartphones when purchasing products and services over the internet,

which means retailers might be assisting to a new shopping pattern, characterized by growing mobile usage. Quickly responding to latent trend, Zalando has transformed customers' experience thanks not only to their convenient delivery options and services but also its innovative and inspiring technology. The e-tailer provided all its clients, across 15 European countries, with Zalando App since December 12th, 2012, especially this mobile application is suitable for both Android and iOS devices. As a result, this launching is definitely a fruitful transition into the mobile era since Zalando is recording as much as 35% of total web traffic came from mobile devices, in the end of 2013 (Zalando, 2014a).

4.2.2. *Push tactics and product tactics*

Based on the section 3.4.3 of Push Tactics, it is stated that if you want to go fast, go alone; if you want to go far, go together, this quote truly underlines the importance of Affiliate Marketing in growth hacking tactics – if content is king, then affiliate is queen (Samantha, 2017). The German-based online retailer operates affiliate partner program with other retailers, already available in all 15 European markets. Zalando invests massively in TV commercials and its webpage to introduce its affiliate program, such program allows third party retailers to register to be Zalando's affiliate networkers and publishers. In fact, Zalando's partner program is a Happy Trifecta (Win-Win-Win Circle) for Customers – Brands – Zalando. There is no doubt that the affiliate partner program adds value to all parties involved, since registered retailers embrace an additional channel to promote their product line, benefitting from Zalando's brand recognition in all around Europe (Garai, 2016). Meanwhile, Zalando is able to complement its product assortment through the inclusion in variety of brands, styles and prices, also, as a party in between, the online retailer can easily boost sales volume and profits by charging a 20% commission per purchase. And for customers, they can enjoy different kinds of mix and match from all kinds of brands, styles and prices (Wnuk, 2015).

Thus, Zalando's effective investment in marketing has allowed the e-tailer to be well-known in the fashion industry. Not so surprisingly, the company can achieve the high brand awareness in a record time, while differentiating itself from competition and building a large customer base all over Europe. Especially, thanks to such investment option, Zalando has already recorded as much as 90% brand awareness in its core markets including Germany, The Netherlands,

France, Italy, Austria and Switzerland. And even better than that, Zalando was awarded by the European E-Commerce Awards in Barcelona 2012 with the first prize in the excellent capability of adapting payment methods, distribution and marketing campaigns to each local market. This makes the German-based fashion retailer become the “Best Cross-Border Webshop” outcompeting worldwide known brands such as Asos, H&M or even Amazon (Zalando, 2013)

How it works – Your introduction to the Zalando Affiliate Partner Programme



Figure 3: Zalando Affiliate Partner Program – Screenshot of Zalando’s Web page.

Direct sales and organic word-of-mouth can be effective ways in acquiring traffics as mentioned in sector 2.4.2 and sector 2.4.3. Therefore, Zalando also offers a curated shopping service, called “Zalon”. This is free consultation with stylists which is currently available in three countries (Germany, Switzerland and Austria). This service helps customers in two kind of forms. In one scenario, the customer provides their favorite brand and style preferences, after collecting data, the system suggests stylists who will give a customer a call to provide free consultation. In its home country Germany, Zalando employs 150 fashion stylists who give

personal fashion advice through WhatsApp. The other form of “Zalon” service offers customers with a live in-store event. During those 3-day event, ten stylists will give advice and help thousands of customers to choose the trendy outfits at pop-up store locations. Thanks to these showcase, Zalando indirectly boosts sales by upselling and cross-selling products (Garai, 2016).

Developing a sustainable marketing strategy together with product development is the core of growth hacking method. In terms of Mobile-App feature, thanks to the talented and strong tech teams, Zalando has much more hidden up their sleeve. Its tech innovation teams support their mission to create a personalized customer experience, connecting shoppers, brands and stylists. The German-based fashion retailer wins customers’ hearts with Top-Notch shopping app. With a motto: “Mobile first”. Zalando has its own purpose “Successful app is more than just a fashion store”. (Zalando, 2012c). The app contains following contents: Pictures, articles about fashion trends and Videos, which strongly focuses on two aspects: outstanding experience and high-quality content. It is reported that Zalando have counted over 131 million visits per month to its website which is more than 60% through mobile devices and surprisingly, app was downloaded more than 16 million times as of late 2015 (Garai, 2016). With the strong aim at Mobile app, Zalando has launched an Android, Windows and iOS version with amazing features including “Photo Search”. This feature allows customers to take photos of their favorite clothes, then the app will find the similar clothes among 1500 brands which collaborate with Zalando (Silicon Allee Team, 2015) . Additionally, the app is able to send personalized product recommendations, fashion tips and price comparisons through a simple barcode scan. Taking full advantages from customers’ online experience, Zalando has provided such a convenient and smart way to reach people effectively.

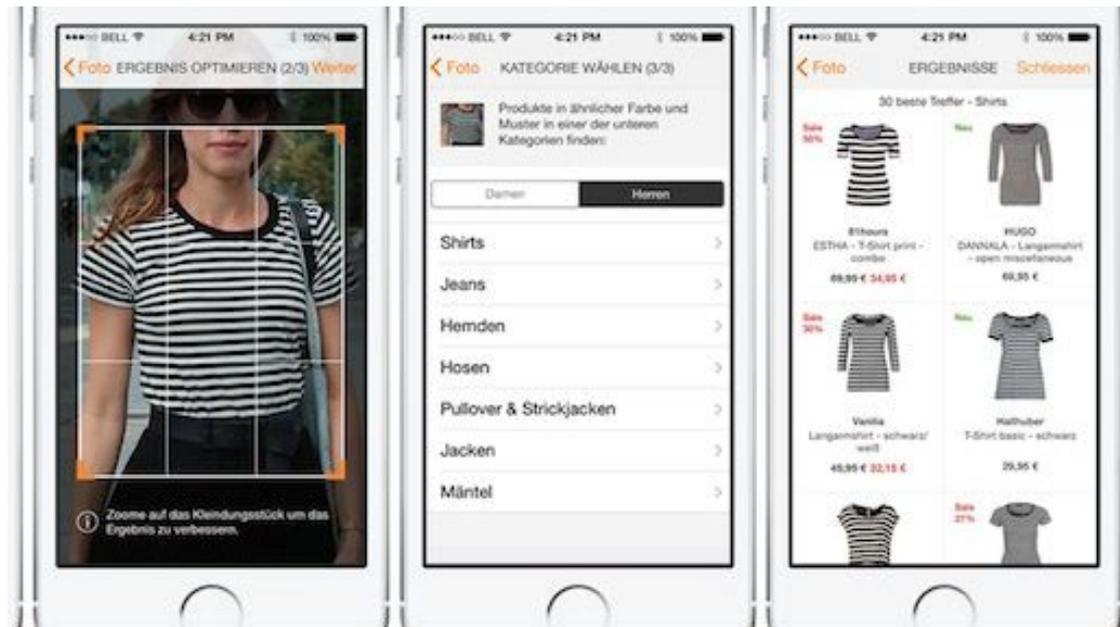


Figure 4: Photo Search feature by Zalando – Screenshot from Zalando Mobile App.

4.2.3. *Activating and retaining customers*

Following an aggressive growth strategy, Zalando aims at scaling business operations as fast as possible before competitors do, exploiting first mover advantages in order to gain market share and preempt potential rivals (Afuah, et al., 2003). So as to achieve that goal, the German-based retailer has accepted the short-term profits for the long-term growth. Due to the nature of this strategy, it has raised much criticism for many years that Zalando cannot turn its profits. But in a carefully strategized plot twist, according to one report from E-commerce News Europe (2016), Zalando proved their critics wrong by making it big, and the fact is, they haven't stopped growing and getting big fast since. And the number is in the pudding, as "the online fashion giant saw its EBIT almost triple to 80.9 million euros, while revenue increased by 25%", it was reported in the first half of 2016 compared to the same period last year.

According to the interview with Hoa Ngo (Commercial Analytics Manager) – appendix 7.2 and the support from Terhi Hänninen (Product Manager) – appendix 7.1 as well as from those public articles, we have figured it out the answers for the question:

Which elements and tactics assisted to the significant growth in the customer base?

E-commerce seems not so strange in the recent years, going back 10 years, Zalando is obviously one of the first movers in the market share. It is acknowledged not only that Zalando takes advantages of a promising market opportunity for online fashion retailing in Europe, as the online store is open 24/7 and satisfies the shopping behaviors for variety of customers, but also the presence of the first mover advantage. Based on one report by Zalando (2013), it is stated that there was no leader in the European online apparel retail industry, which helped Zalando to scale. Indeed, first mover advantage exist. If one gets to be the leader as fast as possible, it is easier to sustain that position later on. The biggest player can do whatever it wants, as the leader has already an established position (Kinnevik, 2013) . Therefore, understanding the importance and benefits from a first mover, Zalando has pursuing its aggressive expansion strategy, establishing its brand name, scaling business operations and gaining market share in the European online retail industry.

As mentioned in section 3.1, in the comparison of clicks-and-mortar and pure players. The physical stores have certain advantages as customers can spend time trying on the clothes and getting advice from the sale assistants until they ultimately find their most suitable items. When customers want to make their first purchases in an online store, they may hesitate, wondering themselves those questions: “Will those shoes worth the money? What happens if the dress they ordered wouldn’t fit them? Will the company return the money back?”. According to Hyken (2017), he shared that for around 48% of customers this is a critical process that will determine whether they do repeat business with a company or not. Also, 49% of consumers stated that a good return options will keep them from ordering online.

Acknowledging clearly the customer behavior, and trying to narrow down the disadvantages of being a virtual merchant, Zalando has accounted for this critical period and decided to eliminate buyer’s worries by offering those generous incentives. The fact that 57% of customers decline paying for their carts just because they do not want to pay shipping costs. Deeply understanding this problem, Zalando has operated the free shipping method in order to win its first-time buyer’s heart. According to Garai (2016), they offer free shipping with 2-4

days of delivery time to everyone. This move is like a nice riposte to Amazon, who only makes free delivery for their Prime members with a limited time and an annual fee.

And mentioned above, a good return option will keep them from ordering and becoming long-term consumers. This is a huge percentage of business where the potential customers can see a blocker between buying from your online store over travelling to a brick-and-mortar location. With a return-on-demand service, the customer can feel secure when placing an order knowing that they could have an easy option for return if necessary. The fact is, 30% of products purchased online are returned, also, 71% of digital customers always find out the return policies before making their purchase decisions. Return management poses a significant challenge for E-commerce companies (Sam, 2018). Despite strong revenue growth, many virtual merchants are prevented from generating profits because of high return rates.

According to Ramanathan (2011), average return rates are normally higher in the online retail industry than in physical stores. With such high return rates, the pure players acknowledge by the nature of E-commerce itself, as products are ordered online without of being felt, touched and tried out (Citrin ; Varma, Alka; Stem Jr, Donald; Spangenberg, Eric; Clark, Michael J, 2003). Due to this, the customers find it harder to make an accurate decision, which often leads to fitting problems and arises the demand of returning and exchanging the items.

Based on the information during the interview process, the customers give feedbacks that most items are returned because they are too big or too small, too loose or too tight, either not to fit properly or look as good as they expected. The product manager also stated that “Zalando has been trying its best to enhance the great customer care and customer service. No one can deny, it was really convenient to order different brands and sizes at once, and can try them on at home”. As the act of return items is completely free of charge and easy to undertake, the risk of purchase is considerably lowered, which is creating strong incentives for clients to order the same item in different sizes at once, try them on at home and return the ones which do not properly fit. In addition, taking advantages of a first mover, Zalando also makes itself outstanding and unique from other later competitors by offering its customers with professional business. The interviewee explains that “Zalando not just offers free shipping and free return but the e-tailer even has the return policy for 100-day return guarantee for free. Also, Zalando handles all the returns quite fast and professionally, and you can get your money back really fast. And returning process is just a simple task, since you just need to

deliver the items in the same box where it was sent from, and stick the return label which was already prepared and dispatch it by post”.

It is strongly proved that Zalando is very aggressive and willing to take risks since they are not afraid to gamble and invest in advertisement, free delivery and returns, discounts, vouchers, affiliate program, etc. These generous conditions motivate people to go the extra mile and get people to click on their affiliate links, in turn generating more traffic and brand awareness for Zalando. And this strategy is paying off. According to Valvi (2013), price is not the most important attribute for virtual merchants, since customer loyalty is much more important. This can be strongly associated with a pleasant shopping experience, security and the proper fulfillment of consumer’s needs and demands (Bhatnagar , et al., 2004) . Although Zalando commercializes products for sale by up to 70% discount and keeps expanding Zalando Lounge (Special Lounge up to 75% for registered customers) throughout Europe, most of its product assortment is set at a moderate price. This information has been confirmed by the client interviewed, due to the fact based on the recent studies above as well as the fashion e-tailer can put more effort in improving customer services day by day, since that is the reason that keeps visitors becoming regular customers. As a result, in order to engage visitors and convert them into final customers, Zalando handles in the most efficient way all the orders from customer care unit, provided by telephone, mail, information on webpage and the latest collaboration with Google Assistant chatbot (Silicon Allee Team, 2015). Thanks to this cooperation, Zalando has made a further step in AI (Artificial Intelligence) which allows users to browse gifts, learn more about the products and even purchase them through a conversation with a chatbot. Based on one article by Neerman (2018), it is mentioned that Nicolas Borg, vice president of strategy at Zalando, said: “People are spending more and more time on social apps, and as a customer centric company, we have to be where the consumer is, to innovate so as to tackle emerging and foreseeable customer needs and pain points. And this collaboration allows us to move forward, explore a field which is going to be enormously relevant for the future of online shopping.”

4.3. How to improve customer loyalty strategy.

There is no doubt that E-commerce is a megatrend that is shaping shopping in a new way since smartphone shopping boom is still going strong and the shift towards mobile or E-commerce will keep continuing. One cannot define a time-frame for this trend but obviously, this is not a bubble or short-term boom. Even though Zalando step-by-step wins the whole European customers' hearts, the virtual merchant still needs to improve the customer journey in order to convert them from one-time customers into loyal membership. In accordance with Srinivasan, Anderson, and Ponnaoulu (2002), customer loyalty emerges are defined as a second key path towards profitability, and a customer's favorable attitude toward the e-tailer that results in repeat buying behavior. This means, a loyal customer base will lead customers to repeat purchases and increase order size from the same retailer, which in turn boosts sales and profits. Additionally, more and more brick-and-mortar companies has launched their online shopping sites which has many amazing deals and good customer care, therefore, Zalando really needs to be more outstanding not just to compete with those big names like Amazon, Asos from UK but also scale the market share.

With a large and potential customer base, Zalando has already gained trust roughly 13.5 million people, Zalando could take this advantage and apply more useful tips in order to lever up customer loyalty strategy (Garai, 2016).

4.3.1. Encourage product reviews

According to Search Engine Land (2014), 88% of customers are confident paying for their shopping cart if they find the positive product reviews from personnel on that webpage. And, it will make the shopping journey becomes much easier. Unfortunately, it is hard to find product reviews on Zalando, as a consequence, the absence of product reviews discourages customers to leave viewing and considering that item. Contrarily, Amazon has full of qualifies product reviews. They truly put effort in this sector by having a Vine program for top reviewers, determined through community ranking. There is no doubt that the German-based has been trying to get that sector day-by-day, but it seems they need to put more effort. Zalando could do something similar, like sending follow-up emails asking for reviews and it is even better if the fashion retailer gives reviewers extra perks, which encourages customers to take their times to write about the purchased products. By doing this, the company will produce more user-generated-content, showcase that their customers' opinion matters, and shine a spotlight on brand advocates who will attract more customers.

4.3.2. Chatbot is a must for E-commerce

This useful technique was not yet applied by the German-based online retailer. The creation of an online chat with a customer service representative will lever up the effectiveness and availability of Zalando's customer support department, which enables the e-tailer to immediately solve the clients' problems and address the queries. Currently, Zalando provide its customer care via email and a helpline form through contact. However, these two are proved to be less sufficient at promptly serving client's demands: it takes some days for email responses and despite free of charge, helpline is not fully available 24/7. Therefore, chatbot or online chat emerges is considered to be a powerful tactic to ensure customer satisfaction and stimulate e-loyalty (Ramanathan, 2011). Like ASOS from the UK, one of the biggest names in e-fashion retailer around the globe, the firm not just give detailed FAQ (Customer Care) but also launch a section named "Can't find what you are looking for" then "Chat now". This "Chat now" feature allows customers to connect directly with one person from ASOS customer advisor team via their message system. This feature opens 24/7 which helps customers right away in order to solve their specific problems just by providing their questions or booking references (Skinner, 2018). As mentioned in one recent research, illustrating the relevance of contact interactivity between online retailers and their clients can be seen as a tool to build trust and customer loyalty (Srinivasan, 2002) .

4.3.3. Enhance engagement with brand content.

Content is king, but nothing makes sure that content is relevant enough or reach their customers. As mentioned in growth hacking funnel (section 3.4.1), in order to convert visitors into end-customers, the company should interact with the customers frequently, in any kind of platforms. In the case of Zalando, they should communicate more with internet followers via Instagram profile, SnapChat account, Youtube channe, mobile app or even Facebook page. In those recent years, Zalando has improved their contents by providing many interesting and practical stories mainly on their Instagram pages, such as Inside Zalando, Human of Zalando or high-quality fashion photos. However, it would be more motivating if customers earn daily fashion points by using Zalando mobile app, or the company can create a contest where customers upload their Instagram photos with the company's hashtag. It's clear that the more customers know about the company, the more they interact with it on their preferred channels, the more engaged and loyal they become.

4.3.4. Reward and recognize customers.

Garai (2016) argues that retailers can actually provide incentive to customers to buy more regularly, and/or in larger quantities, by rewarding them based on cumulative purchasing over time. This is such a smart way for the company to boost sales and gain loyalty from its customers. In the case of Zalando, the German-based fashion retailer has a card-based “loyalty program” in which customers will get discounts for Zalando by using other brand’s services or purchasing items at other brands. Zalando has collaborated with those big names in the market such as MasterCard, P&G, CocaCola, Oreo, Lufthansa or T-Mobile (Garai, 2016). This loyalty program is considered as a win-win situation for both parties, since the partners can boost sales, develop customer relationships with exciting rewards or even win new customers by benefitting from Zalando’s high visibility and brand awareness.

However, it seems to be “old-fashioned” concept to build brand loyalty, especially in the case of such an innovative fashion company. As launching many fashion festival (Bread and Butter fashion trade fair) since June 2015 , Zalando should take an advantage to get more customers (Morency, 2018). For those who in VIP club, Zalando should focus more on their feelings. This means VIP members will not get more discounts on the next purchase, but in another way, makes them feel like being a part of a special community where limited/most experiential rewards await those few chosen ones. Who doesn’t like a full-day shopping opportunity with a professional stylist at Bread and Butter stores or being a guest at the testing-product show before their official release date? This is where loyalty program shines since it will form an emotional and memorable bond between company and customers (Divert, 2018). Additionally, loyalty program can be shown in customer tiers as well. Zalando could apply this tactic in leveraging customer levels after launching VIP clubs. This means, even when customers who haven’t been so active with the firm activities, the German-based fashion retailer also makes them feel like they are cared and recognized. How about encouraging them by unlocking the benefits attached to the next levels? By doing this, Zalando can always upgrade customers’ life cycle stages to the next ones.

Last but no least, as mentioned in the beginning of section 4.3.4, those purely transaction-based rewards such as discounts and coupons are not ideal if the company want to form a real emotional bond with customers (Valvi, 2013). There are many ways to increase brand

engagement other than purchases, such as customer activities. Zalando might also apply this tactic by encouraging them to write reviews, watch videos, provide information about product preferences or just play games or quizzes. These activities somehow indirectly engage customers with brands in different channels, and from here, Zalando can achieve not just one goal in raising brand awareness but also collecting customers' preferences, emails or understanding more about their behaviors. In order to get customers into the final funnel of Growth Hacking tactics, the German-based fashion retailer can apply, explore and improve these points as they perfectly fit into Zalando's "wowing customers during their journey" strategy.

5. CONCLUSION

5.1. Conclusion

The aim of this thesis is to examine how and why E-commerce is a megatrend that is shaping shopping in a new way. Thanks to the properties of the internet which stimulates the scalability of online businesses and leverage the Growth hacking funnel, E-commerce companies nowadays can achieve exponential growth rates in very short time periods. And all of these tactics have been examined specifically with a case study of Zalando. With an in-depth analysis of Zalando was undertaken, we can discover to what extent did the German-based fashion retailer pursued in order to achieve the goal of Growth Hacking funnels. Hence, by exploring the Growth Hacking framework and applying it into the case study of Zalando, the author ultimately seeks the answers for the main research questions – “Why is growth hacking decisive and important for E-commerce companies?” (1), “How has Zalando been applying Growth Hacking tactics into its marketing strategy?” (2), and “How would it be changed or improved in that customer services journey? (3)”

Q.1: Why is growth hacking decisive and important for E-commerce companies?	<p>With the rise of E-commerce startups/ companies globally, growth hacking has been widely accepted in order to grow the company by increasing its user base exponentially in a rapid speed. Growth hackers can use the creative and innovative ways to test their product or service with the target audience under a condition of uncertainty. Furthermore, with the wide spread use of social media, its strong presence in the online platform and the nature of E-commerce companies (in lack of physical presence), growth hacking becomes a valuable tool to gain accelerated growth without breaking the budget by promoting through traditional platforms such as TV ads, radio or newspaper.</p> <p>Growth hacking is decisive because growth hackers can track data and product a growth plan via growing the user base or sales. Thanks to those measurable tools such as click through rate or conversion rate, growth hackers are able to construct an actionable and trackable plan</p>
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	<p>as well as provide coherent information towards to growth without wasting its limited funds and resources.</p>
<p>Q.2: How has Zalando been applying Growth Hacking tactics into its marketing strategy?</p>	<p>In this thesis, the author points out those features by Zalando which are implemented with Growth hacking tactics. (Chapter)</p> <p>In terms of Pull tactics, Zalando strongly focuses on SEO (Search Engine Optimization), Contest, Visualization and Guidelines by offering these features such as Shop-the-look, Sweepstakes and Gift-suggested. These features are considered as win-win situation because customers can enjoy the incorporate-fun and practical-personalization shopping environment, also, Zalando can gain traffic and boost up cross-selling and up-selling opportunities. In addition, the German-based clothing retailer also utilizes the highly sought-after communication channels with its customers by possessing its own mobile app and being active on its social media platforms such as Facebook, Twitter, Instagram, Pinterest and YouTube.</p> <p>Regarding to Push and Product tactics, Zalando aggressively introduces its affiliate partner program with other retailers. This program adds value to all parties involved - a wide range shopping channel for customers, an additional channel to promote the product line for registered retailers and a beneficial tool for Zalando to boost sales volume and profits by charging the commission.</p> <p>Moreover, Zalando also take advantages of direct sales and organic word-of-mouth by offering curated shopping service named “Zalon” to give advice for trendy outfits, which indirectly boosts sales and gains brand awareness. Also, the online retailer strongly focuses on Mobile App feature (as a part of product tactics) to create outstanding experience and high-quality content.</p> <p>In addition, Zalando has successful won customers’ hearts by offering generous customer services and incentives, performed by free shipping, free return, 100 days return and Special Lounge call “Zalando lounge” for registered customers. This strategy was predicted to result in the</p>

	loss income for Zalando, but in a plot twist, Zalando hasn't stopped growing and getting big fast since they deeply understand customer behavior when shopping online as well as take full advantages of the first mover.
Q.3: How would it be changed or improved in that customer journey?	In the final part of the research, the author conducts four features to improve the customer journey, these features are considered as great tools to convert visitors from one-time customers to loyal membership. This includes encourage product reviews, chatbot is a must for E-commerce, enhance engagement with brand content as well as reward and recognize customers.

5.2. Discussion and Suggestions for Future Research

Before discussing the recommendations for future research, it is worth considering that the framework demonstrated in section 3.3.3 and chapter 3.4 can be applied by anyone wishing to implement a growth hacking strategy for his/her start-up because growth hacking offers a fresh new take on the traditional ideology of marketing and more so. In addition, based on the theoretical and the empirical evidence of its application and counterparts, it is a pragmatic statement to say that growth hacking is a viable and appropriate strategy for the case company to use in both domestic and international expansions.

With regard to the possibilities for future research, the author has found two. Firstly, as mentioned in section 3.1.1, the concept of Growth Hacking is still new and rarely recognized, also, it has been defined and applied in many disciplines (Walker, 2018) and the author only focuses on the marketing perspectives. Therefore, this study could be expanded with further research into other definitions and aspects of Growth Hacking, for instance IT (information technology), UI (User Interface), sales, etc. Lastly, research could be directed towards testing the Growth Hacking tactics in new contexts. This thesis analyzed one of the biggest online retailer in Europe which is 10-year-old and already successful due to its benefits of the first mover and huge support from investors in order to scale the market share in short time period. Hence, future study ought to examine other online-based retailer pursuing Growth Hacking tactics in other markets or in other phrases, for instance in inception stage (before launching) or in the brand-creation phrase.

The author believes there will be large scope for ongoing research to explore the framework of Growth Hacking in several perspectives and, therefore, enlarge our knowledge about this particular concept.

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7. APPENDIX

7.1. Interview 1

Interview with Terhi Hänninen

R: From your perspectives, as a Product Manager, can you define how Zalando has been applying Growth Hacking tactics?

T: Marketing is a highly sensitive topic, so we have quite strict guidelines on what can be said about. However, these are my thoughts and suggestions on your thesis.

For the story and some insights on the company past and future, you can take a look at corporate pages, stories like

<https://www.corporate.zalando.com/en/company/our-history-start-grown>

and <https://www.corporate.zalando.com/en/company/company>

Especially, in terms of product tactics as you mentioned, I would say Zalando live very strongly digitally, even in physical presence. For example, Zalon pop-up store or Bread&Butter showcase, they have become a new way for the company to cultivate a community around its brand and provide customers a value proposition which goes beyond the normal E-commerce features. I properly think it is a way to avoid becoming a faceless company and also, to differentiate its brand from other platform players.

Furthermore, the company can merge transactional and behavioral data via social media feedbacks and preferences from its users, by doing this, Zalando has segmented different customer groups in order to cater to them more efficiently.

https://www.businessoffashion.com/articles/news-analysis/can-a-festival-help-zalando-build-a-memorable-brand-streetwear?utm_campaign=899db45b02-bursting-the-influencer-bubble&utm_medium=email&utm_source=Subscribers&utm_term=0_d2191372b3-899db45b02

7.2. Interview 2

Interview with Hoa Ngo

R: Would you introduce a bit about your background?

H: I started working at Zalando SE since Oct 2016 as Commercial Analyst Trainee, after 8 months, I got into a new position as Junior Commercial Analytics Manager at Berlin Headquarter, and I keep it up until now.

R: What's your experience with Zalando SE? Have you ever heard of Growth Hacking?

H: Basically, my tasks at Zalando SE are to build and upgrade tools for forecasting and planning. Getting familiar with automation tools, building the automatic Run-rate for business KPIs. Also, I take part in Planning Process and Deep-Dive on Cancellations rates and Commercial events' effects.

H: About Growth Hacking, I do acknowledge that is a revolution taking place in the world, especially for startup growth. In general, growth hacking is a term where marketing, product development meet technologies. And all of those are heading to the growth. I have been reading some articles of Neil Patel defining what Growth Hacking is and how to apply it, I think growth hacking is not the new thing, since many years ago, Airbnb or Dropbox applied these tactics to "get bigger", and now, this competitive advantage method is getting more and more familiar with marketing world, especially Startups. And definitely Zalando is not an exception.

R: From your point of view, as a Analytics Manager, can you define how Zalando has been applying these Growth Hacking tactics into its strategies?

H: First and foremost, Zalando has been investing heavily in Marketing Mix. No doubt that Zalando gets known in a short period of time. But the main point is that they invest smartly in different methods of marketing. Social Media, Traditional marketing, Localization and

Globalization are main areas can be mentioned. You can check the infographic from this site (<https://www.smartinsights.com/online-brand-strategy/international-marketing/zalando-explosive-online-growth-infographic/>) Of course, due to Growth Hacking tactics, Zalando has applied many experiments with number of methods, KPIs, tools and best practices in order to grow, get big and be suitable. As the fact of being an E-commerce online store, Customer service and Customer Care are also the main focus in Growth Hacking tactics. With unique services, free shipping and free return (100 days) from day 1, Zalando has pulled and converted visitors to end-customers without making any fears or worries. Growth Hacking tactics could be seen clearly the most in its marketing strategies, affiliate programs, high-quality technologies and customer care. And last but not least, Content is very decisive and important to Zalando. Being lack of physical stores doesn't mean Zalando could be less attractive to customers. The company has always tried and applied new look and technologies in its E-commerce website and Branding. Unfortunately, marketing is a highly sensitive topic, so we have quite strict guidelines on what it can be said about. Hence, giving you a clear and deep answers on all perspectives about your questions is not allowed. However, I suggest you rely on the main points above, study on our international press release especially in Germany. From there, you can have a general background, information and research ideas for your thesis.

R: If it is possible, what would you want to change or improve in Growth Hacking strategy of Zalando?

H: There is no doubt that Zalando has become a leader in fashion all around Europe, but in order to be competitive in the market share (with those big names like Asos, Amazon, etc), I think Zalando should focus more on customers, especially being interactive between Company – Customers and Customers – Customers. Taking Amazon as an example, they focus a lot on customer reviews, product reviews, mobile apps, customer journeys (Amazon Prime), etc. These tactics are very decisive in building and strengthening customer relationships, as well as making them loyal to the brand.

7.3. Interview 3

Interview with Topi Tokola

R: Big thanks for the connection through Hoa Ngo, I am now at the final stage of writing my thesis and I have some questions related to my case. Firstoff, can you explain why Zalando aggressively invested in marketing and customer services such free shipping, free return and other incentives, even though it was anticipated not to get profits? And what is the tactic you are impressed the most?

T: Zalando like many others started off by making loss, so there was investor money which believed in the business idea, allowing for a focus on rapid growth and long term profit. Zalando became profitable first time in 2014. Here is the press you can take a look at

<https://www.ft.com/content/32c239de-b2aa-11e4-a058-00144feab7de>

Or for more details, take a look into the annual statements

<https://corporate.zalando.com/en/investor-relations/publications>

<https://www.forbes.com/sites/ryanmac/2014/07/30/zalando-europe-zappos-fashion/#38f5d3422fa6>

So the message here is that Zalando did not need to overcome the loss. It only had to grow really fast, while improving its marginal costs at the same time. Meaning that if every year it grew rapidly, and at the same time marketing etc costs were occupying a smaller share of its revenue, then eventually it would become profitable. As Zalando appeared to do this before making profit, investors believed in the business idea, thus funneling in money even if it would not make in the present. So loss is fine if you show that scaling up improves the margins.

Zalando tactics in terms of marketing would be for example localization. i.e. local language/ translations etc. In the beginning when Zalando moved into new markets, it pushed bold advertisements heavily (the famous screaming advertisement is a good example). Idea behind is that the people who never heard of Zalando would remember it. This is the most important

at the beginning stage for company when establishing itself in a market, as marketing is usually assumed to have diminishing marginal return.