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Customer acquisition in the context of digital marketing: Statbeat business case

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Statbeat, a subsidiary of Fast Monkeys Oy, is an organization that has created an online sports team communication tool. The purpose of this study was to analyze Statbeat Oy, customer acquisition efforts.

Another aim was to gather recommendations and create a plan for future customer acquisition efforts in the parent company, Fast Monkeys Oy. Customer acquisition is a term used for describing processes, principles and strategies used by businesses when acquiring their clients.

The author has made a comprehensive analysis of the current knowledge on customer acquisition and compared these findings to the Statbeat customer acquisition plan in order to understand the weaknesses of the customer acquisition strategy of the company. Literature review findings served as a basis for analysis of the Statbeat customer acquisition efforts.

A case study method was applied. Qualitative research was chosen as the primary data source. The research was carried out by analyzing company business plan, presentations and marketing plan. An in-depth interview with the company co-founder served as an additional source of information. Books, blogs and research papers served as secondary source of information.

It was found that Statbeat customer acquisition effort failed, mainly because no customer acquisition plan was created and company relied on word-of-mouth channel as the only means of growth.

The principal conclusion was that a much more complex and integrated approach to customer acquisition is needed.

Keywords	Customer acquisition, customer acquisition plan

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1   Introduction

Both empirical and scientific evidence suggests that the world is becoming more inter-connected and global. More and more people are using online tools, the web and internet to research products they want to purchase or to find solution to their problems that might ultimately lead to product purchase (Interconnected World: Shopping and personal finance 2012). Comscore announced that there are more than 131 billion searches made annually on the web (Comscore 2010). The majority of people surveyed by Nielsen agree that their purchasing decision is influenced by the internet (The Nielsen Company 2013: 17).

Consequently, the internet has ignited tremendous growth of successful web-based startups and e-commerce companies. Blank (2010) describes startup as "a company, partnership or temporary organization designed to search for a repeatable and scalable business model."

Despite being newly established companies, startups are able to generate positive cash flows from the very beginning. All of the marketing efforts of these companies concentrate on acquiring customers through web or digital marketing and almost none through traditional marketing channels (Kotler, Armstrong, Harris and Piercy 2013: 518).

The focus on customer acquisition sometimes pushes these companies to not only change their marketing plans, but also product, placement and price strategies. The changes that they make go far beyond marketing scope. It is unimaginable, that for instance, traditional company's marketing team would have a leverage to re-imagine product design or the whole product altogether.

In order to acquire customers effectively startup companies look at many strategies starting from product engineering, marketing and customer behavior to consumer decision-making and pricing. This all is happening in the context of constant change and digitalization. All of these changes make the topic of *customer acquisition* relevant and fresh.

What is customer acquisition and where does it belong? One author defines "customer acquisition *as a marketing activity to form relationships with new customers while minimizing acquisition costs and targeting high value customers*" (Chaffey, Ellis-Chadwick and Chaffey 2012: 323). Marketing is often referred to as process of managing *profitable "relationships with customers"*. The main goal in marketing is to attract new customers and to keep and increase current customer base. Customer acquisition is a strategic part of any marketing plan and is often mentioned as one of the key marketing processes (Agnihotri and Rapp, 2010: 16).

In 2013 the author started working in a startup company called Fast Monkeys Oy. One of the companies owned by Fast Monkeys is Statbeat. The startup customer acquisition efforts did not achieve the desired results. There is a strong need to analyze the Statbeat case and give recommendations for future customer acquisition efforts for other startups that Fast Monkeys is planning to establish. Before moving forward, it would be beneficial to give a brief introduction of Fast Monkeys and Statbeat.

1.1 Fast Monkeys Oy business profile

Fast Monkeys Oy, is a startup company located in Espoo, Finland. Fast Monkeys started in the autumn of 2012 as a software consulting business. Statbeat and Fast Monkeys shared same founders and as the Statbeat project had difficulties, it was moved under the Fast Monkeys control in order to continue development of the service.

In 2013, Fast Monkeys moved away from being a purely software consulting business. Starting from 2013, Fast Monkeys clients have been either entrepreneurs who own startups or people with ideas who want to establish a company. Fast Monkeys offers those companies technological partnership through which it develops and creates web services for them with no upfront fee, receiving company shares instead as a reward.

In addition to that, the company established a number of their own startups and projects. The author is responsible for customer acquisition and sales in startup companies that Fast Monkeys Oy owns. They include Statbeat (www.statbeat.com), Pelsu (www.pelsu.fi) and multiple other startup projects that will be developed in the future.

1.2   Statbeat business profile

www.Statbeat.com (previously known as Liiqu ltd) was founded in 2011 with the mission to help amateur sports teams organize their everyday matters. Thus, it is an online sports team management tool. It allows tracking of personal statistics and communicating with the team in one place. The sports team admin will invite his team members; add future trainings and games into the Statbeat. Team members can see the upcoming sports matches and inform everyone else whether they are coming to the next game or not. In addition to that, the team admin can add team related statistics, so his team members can enjoy the previous games (see figure 1).

Kuvio 1.   Statbeat's early user interface. Screenshot from www.statbeat.com

However, this business model was not sustainable and the Statbeat business model was pivoted (a term used by startups for the change of the direction of the company) to the tournament management software. From then on, Statbeat together with www.arenacenter.fi (the biggest tournament organizer in Finland) is creating the tournament management software that automates tournament and league management for the companies that organize them.

The current Statbeat customer acquisition model depends heavily on sales and the analysis that needs to be made concerns Statbeat's previous business model and previous customer acquisition efforts.

According to Statbeat co-founder the company was able to secure enough investment from investors to build the web service. The company was able to create scalable and powerful technology. But, after half a year, the founders realized that Statbeat's bottleneck was not technology, but the customer acquisition. The Sign-up rate was very low and did not live up to the expectations of the founders (Pölönen 2014).

The analysis of the previous mistakes and marketing plans would help to understand what went wrong.

1.3 The author's dilemma

Besides that, Fast Monkeys Oy plans to launch multiple other start-up companies in the next two years. All of these start-up companies require a customer acquisition strategy that is well planned and cost-effective. Statbeat business case analysis would help to understand the company's weak spots in customer acquisition and improve on them. In addition to that, startups and companies working in the consumer sector might find following analysis and recommendations useful in their respective cases.

As the author has much knowledge in digital and direct marketing, he will be the most probable candidate to become responsible for the marketing and customer acquisition side of the new ventures.

1.4 Current knowledge gaps

While there are many research papers that focus on either digital marketing planning or customer acquisition, the author believes that there is knowledge gap in understanding how customer acquisition can be planned throughout product, promotion, placement and price strategies.

The majority of digital marketing studies focus on structuring a marketing plan and/or looking at specific channel performances. There is no doubt that these are all interesting topics and some of them are mentioned in this literature review. There is, however a significant need to understand how customer behavior, marketing plan execution and product strategies can work together to create efficient and explosive growth in customer acquisition. Thus, a holistic approach to customer acquisition is needed.

In addition to that, the majority of the research papers about customer acquisition focus on the issues of traditional companies. These issues usually include costs and retention rate optimization (Reinartz, W., Thomas, J. S., & Kumar 2005) or cost allocation. There are very few studies focusing on startups and costs related to acquiring new customers.

Another problem is that some studies focus on very narrow customer acquisition segments, but fail to take a broader perspective into account. As an example, some authors cover customer-driven marketing impact on customer acquisition. Villanueva research focuses on the impact of word-of-mouth marketing on customer acquisition and retention (Villanueva, Yoo, Hanssens 2008).

Most relevant research papers and books that present current knowledge on the topic focus heavily on consumer behavior, product engineering and innovative growth channels. For example, research by McKinsey focuses on consumer decision-making that can be very helpful when developing customer acquisition strategy (Court, Elzinga, Mulder, Vetvik 2005). Other authors focus on describing product-engineering techniques that aided successful customer acquisition (Ellis and Brown, 2014).

This research paper aims to close the knowledge gaps and includes these and other relevant resources that analyze the latest theories on such topics as consumer behavior, digital marketing and communications planning and customer acquisition strategies. The goal is to create customer acquisition model, which would help to analyze, plan customer acquisition efforts in a future startup company.

1.5   Research scope

While many different topics could be covered in this research, the author will try to focus on the issues that are related directly to the digital marketing related customer acquisition.

Firstly, this research will focus on customer acquisition strategies and not on customer value or customer retention management. Customer acquisition theory will be covered in the literature review section.

Secondly, the author will focus on digital marketing, leaving out any other marketing and sales channels, including traditional marketing and sales, unless they are part of an online customer acquisition strategy.

Thirdly, this research will focus on digital marketing strategies that are mostly utilized within startups.

Now, as the scope of this research is defined, it would be beneficial to move over to the literature review and study the foundations of customer acquisition.

2   Literature review

The main goal of the literature review is to understand the key ingredients of successful customer acquisition strategy. This literature review will provide the reader with the definition of the customer acquisition and its place within the business operations of the company. In addition to that, it will examine customer acquisition from the product, price, place and promotion angles, so that the findings can be used to analyze Stat-beat's business case.

2.1   Customer acquisition

As mentioned earlier, marketing is often referred to as a "process by which companies create value for customers and *build strong customer relationships* to capture value from customers in response" (Kotler et al 2013: 5). Even if the company has well-developed customer retention plans, it needs to acquire and replace its existing customers. Over time, customers may replace the company's products with other products or they might find the company's product obsolete. Thus, customer acquisition is one of the key marketing processes. For a startup company, customer acquisition is central by definition, as a startup company may not have any customers at all.

Customer acquisition is often mentioned as a part of customer lifecycle management. Customer lifecycle in itself is a connected to key marketing activities of getting, keeping and growing a customer base. Figure 2 shows the relationships between marketing, customer lifecycle and acquisition.

Kuvio 2. Customer lifecycle management and its relationship to marketing and sales. Adapted from (Statanalytics.com 2014)

Kotler mentions customer acquisition as a part of the customer relationship management concept (2013: 13). Some authors mention customer relationship management in a context of software that manages the acquisition and retention of customers through a detailed information database (Peppers and Rogers 2011: 5). Buttle describes customer acquisition as a part of customer lifecycle management (Buttle 2009: 227) and customer relationship management. According to Buttle, customer lifecycle management can also be divided into three categories: acquiring new customers, retaining existing customers and developing customer value (Buttle 2009: 227). Buttle writes that customer relationship management and customer acquisition management must be viewed as strategic organizational goals and play crucial roles for both startup and other companies (Buttle 2009: 227). According to Chaffey (2013: 323) key marketing organizational processes can be divided into acquisition, conversion and retention categories.

2.2 Customer acquisition and digital marketing strategy

"Digital, electronic or online marketing is a marketing process that is using electronic media such as web, email, interactive TV, apps etc. in conjunction with digital data about customers' behavior and characteristics" (Chaffey et al 2012: 675).

The underlying strategy and principles of digital marketing, however, are the same as in traditional marketing. The marketing mix introduced by Kotler is a good framework to start planning both marketing and customer acquisition efforts. The marketing mix is

often defined as a "set of controllable variables that the firm can use to influence the buyer's response" (Kuchapishwa and Jain 2008: 77). It includes 4 important variables that the company has to look at when planning customer acquisition efforts. These include price, product, promotion and distribution strategies. The successful marketing and customer acquisition plans have to include strategies from all 4 marketing areas (Kuchapishwa and Jain 2008: 77).

Digital marketing enables businesses to find and engage customers at a faster rate and with a much lower cost than traditional marketing. The main principles of marketing, however, stay the same: an efficient marketing strategy uses an integrated approach.

Chaffey writes that a successful digital marketing strategy should display these traits:

> Firstly, it has to be aligned with the company's business strategy and has to have its own compelling value proposition model. Secondly, it has to be consistent with the types of customers who use the channel and has to the follow full customer lifecycle model of attracting, converting and growing customer base within the channel itself. Thirdly, according to Chaffey, successful digital strategy should have clear objectives for business and brand development and follow customer-buying process as they choose and compare products" (Chaffey, et al 2012: 14).

Unlike, traditional marketing, however, digital marketing has one important advantage: it allows detailed tracking follow-up of each of these steps with the use data (Chaffey, et al 2012: 14).

Customer acquisition and digital marketing create a good foundation for company's growth. Now, as we defined the customer acquisition in the context of digital marketing strategy it would be beneficial to look at the basic customer acquisition models.

2.3   Customer acquisition: sales funnel approach

The basic customer acquisition model is often referred to as customer acquisition funnel (see figure 3) or buying process. It follows the same logic as the sales and marketing funnels. The following model is a useful way to start to plan customer acquisition in a startup company.

Kuvio 3. Basic customer acquisition or sales funnel. Adapted from (Mandossian 2014).

Chaffey links this model with the marketing techniques and communication objectives (figure 4).
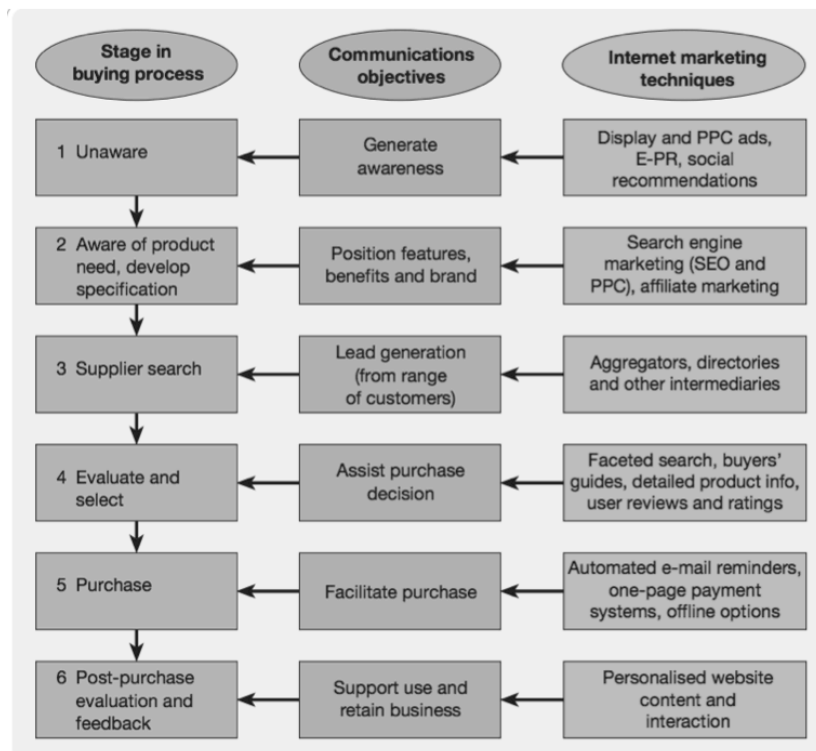
Kuvio 4. Customer buying process, customer acquisition funnel and digital marketing commu-nications objectives are interrelated. Adapted from Chaffey (2012).

An acquired customer can be viewed as a customer who has gone through the whole funnel from the "unaware" to the "advocacy" stage (see figure 3). Thus, the challenge of customer acquisition is to understand what makes consumers to convert on each stage and move on to the next one in the customer acquisition funnel. In addition to that, understanding the consumer decision-making process and marketing techniques used in each and every step is of the utmost importance.

The following model starts from the "awareness stage" where the consumer is either unaware of the solution or even the problem that he/she has.

Understanding whether a startup works on a solution to a new problem or competes with an established market is critical as this has the biggest impact on the startup acquisition strategy (Ries 2011: 79).

The next stage "interest" is where the startup usually needs a second touch point with the customer to remind them of the product. This is either done by positioning the company well in the market, signing up the consumer to its newsletter or simply targeting the consumer with media ads. The goal is to build the trust with the consumer and become the preferred option before the customer makes their purchase (Jaffe, 2013: 1-3).

The latter stages of the sales or customer acquisition funnel usually include on-site product optimization and customer support to assist customer acquisition. These are equally important; but not in the scope of this thesis (Jaffe, 2013: 1-3).

The sales funnel approach to customer acquisition is a good framework when a startup knows its customer and market. A lot of startups, however, find it hard to overcome these challenges. Understanding how customer acquisition works from product adoption and lean startup angle can help solve these problems.

2.4   Customer acquisition: product adoption model

Depending on the target market, startups face different challenges when reaching their customers.

The diffusion of innovation model (see Figure 5) is a good way to describe both the place of the product and its customers in the adoption cycle of the market. The diffusion of innovation is the "process by which new products are communicated through certain channels over time among the members of a social system" (Moore, 1999).

Accelerating Diffusion of Innovation: Maloney's 16% Rule©

Psychology of Influence^	Scarcity ⟷ Social Proof			Maloney's 16% Rule: Once you have reached 16% adoption of any innovation, you must change your messaging and media strategy from one based on scarcity, to one based on social proof, in order to accelerate through the chasm to the tipping point.
		The Tipping Point+		
	2.5%	13.5%	34%	34%	16%
Adoption Profile*	Innovators	Early Adopters	Early Majority	Late Majority	Late Mass
Psychographic*	Technologists	Visionaries	Pragmatists	Conservatives	Sceptics
Social Technographic#	Creators		Critics & Collectors	Joiners & Spectators	Inactives

THE CHASM~

^ Robert Cialdini *Everett Rogers #Forresters ~Geoffrey Moore + Malcolm Gladwell

Kuvio 5. Startups often deal with innovators and early adopters, but crossing the chasm is the second most important customer acquisition challenge. Adapted from Kotler 2013

It is usually agreed, that every group of adopters acts as influencers and referrers to the next group in the adoption cycle of the product. As innovators and early adopters are the most likely group to take the risk to try new products, these groups have direct impact on new product acquisition strategies. Thus, identifying the early adopters is a crucial step for a startup that is developing an innovation or completely new product.

Very often the customer acquisition problem exists in the latter adoption groups. According to Moore, very often startups acquire early adopters as their customers, but find it difficult to move from early adopters to an early majority group of customers. As Moore explains it, the early adopters are "visionaries" and early majority are "pragmatics", thus underlying the differences between two groups (Moore, 1999). The move from early adopters to early majority is often described as "crossing the chasm" or in other words bringing the product to the masses. However, the discussion on how to do this is out of the scope of this thesis.

To summarize, finding early adopters and solving the problems of crossing the chasm will help the company to understand its place in the market and among its first customers.

The "sales funnel" approach and "adoption cycle" are a good addition to customer acquisition strategy planning. But, the sales funnel model only takes into consideration startup's promotion strategies. The adoption cycle on the other hand is good at defining the market and the customers, but fails to do the rest.

Planning customer acquisition from a marketing mix perspective makes up the rest. It allows startups to understanding how product, place and price strategies influence customer acquisition. Thus, let us start by looking at the customer acquisition from the product angle.

2.5 Customer acquisition and Product

Today, smart startups place an ever more important role on the product and place marketing strategies to acquire billions of customers (Ries 2011: 10). Interestingly, some of the most famous and successful internet companies had very few employees concentrating on promotion when they started. Some of them grew their customer base without anyone dedicated to the promotion part of the mix (Four Numbers That Explain Why Facebook Acquired WhatsApp 2014).
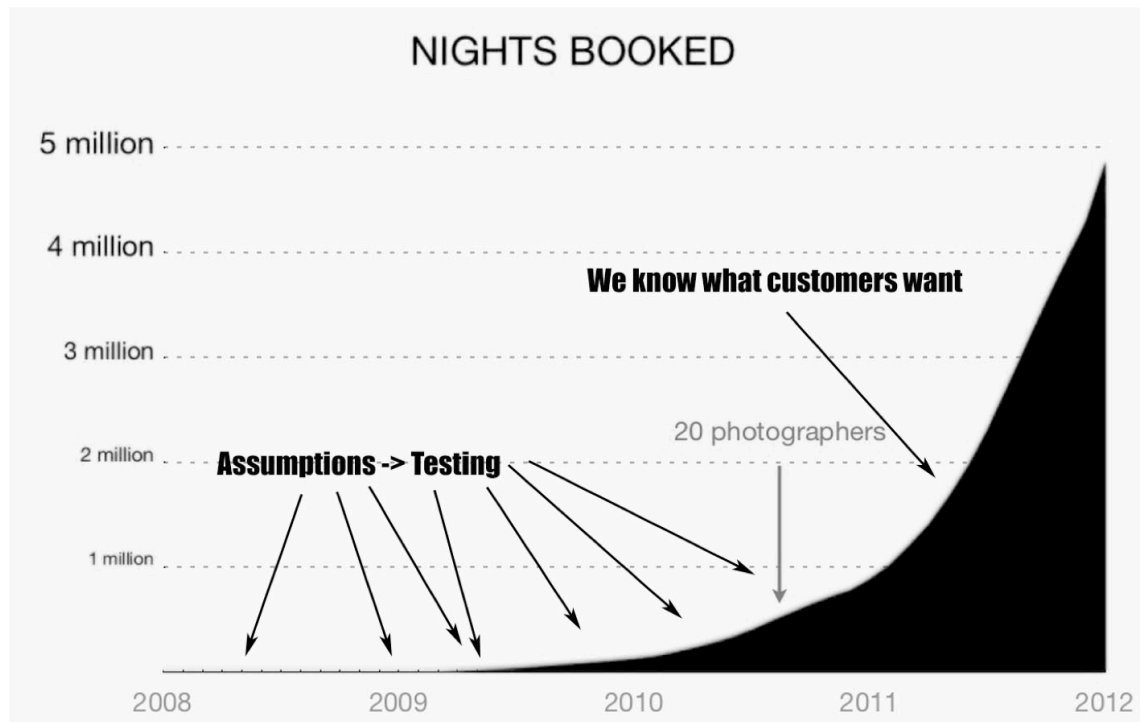
Kuvio 6. Airbnb spent the first two years testing product and doing customer development, which later led to successful and efficient customer acquisition. Adapted from Kaushik (2014).

These companies have instead invested heavily into customer and product development in order to understand what customers wanted and what would be the most efficient channel to reach and acquire them. This, of course, is nothing new since thousands of companies have done it before, but the internet allowed careful tracking and follow-up of these processes. This helped companies to test different hypotheses about their customers (Figure 6). In addition to that, efforts of these companies were amplified by the internet's reach. According to multiple authors, this resulted in some companies like Facebook, Twitter and others reaching billions of people with their offering without any traditional advertising or other forms of promotion (Four Numbers That Explain Why Facebook Acquired WhatsApp 2014).

In addition to this trend, the internet bubble and the later fall of many well-funded startups lead the entrepreneurial world to seek principles and strategies that would help them to build successful products and learn from mistakes before too much damage could be done to a startup. According to Eric Ries, startups like WebVan (infamous during the dot-com bubble fall) failed, because they built warehouses and IT infrastruc-

ture without first asking their customers if they needed the product and in what form they needed it. In other words, these startups would invest a lot of money upfront into the ideas that were at most pure guesswork (Ries 2011: 57). Market research and other traditional tools were good enough for existing or mature markets, but did not suit the search for the new markets.
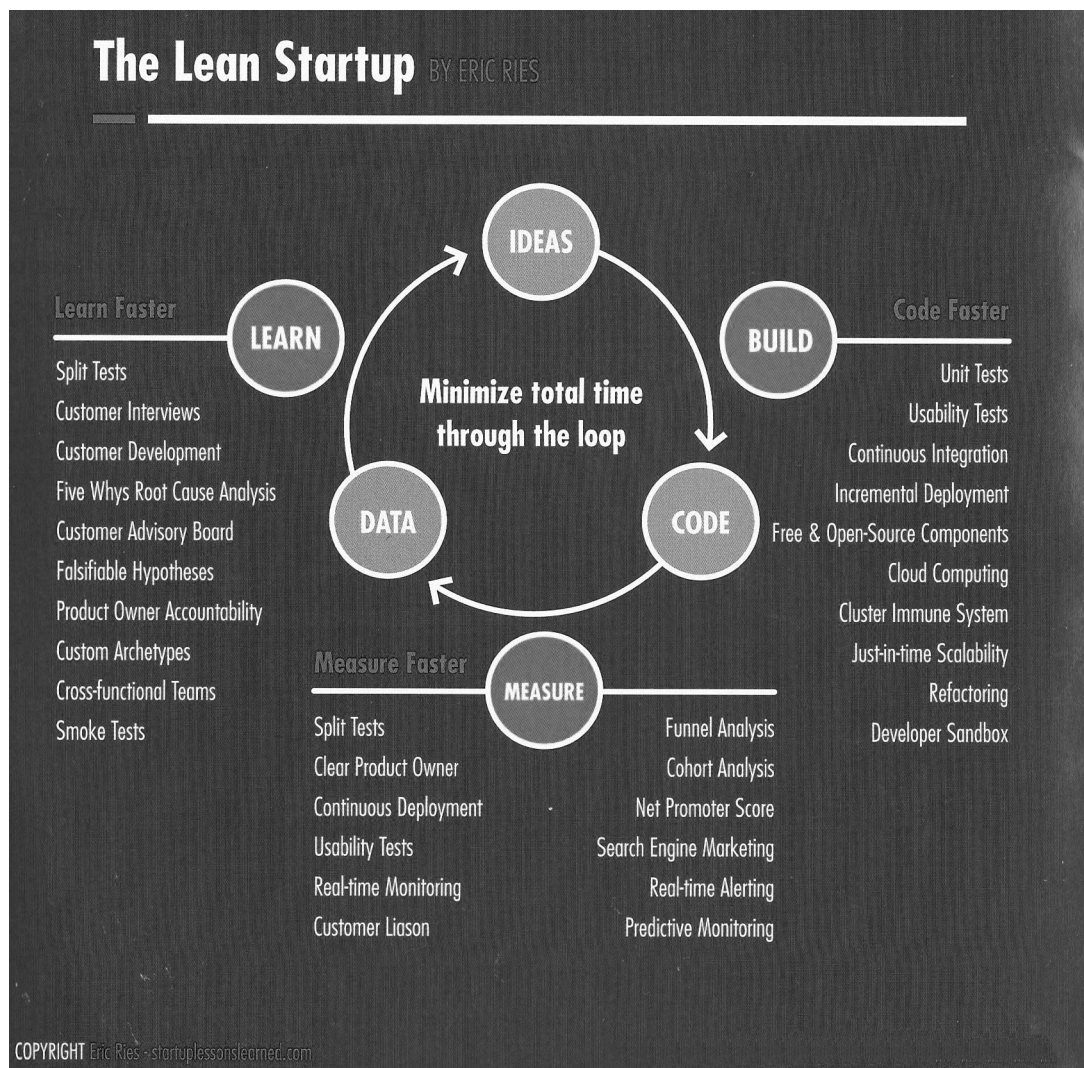
Kuvio 7.   Lean startup framework. Successful customer acquisition starts from a product that is built according to customer needs. Adapted from (Porad 2014)

Eric Ries proposed to build products through experimentation and vigorous testing. He argued that, if customers had a certain problem that businesses could solve, these problems could be found through problem interviews, agile product development and testing. This method allowed for multiple minor failures, yet constant learning. The re-

sult was deep understanding of what customers need. This in response would drive customer acquisition efficiency higher.

Since the mid-2000s, these emerging trends went mainstream. Agile development, the lean startup concept (see Figure 7) from Eric Ries and customer development frameworks from Steve Blank took over the startup world. Steve Blank described it as an "emerging science of entrepreneurial management" (Blank and Dorf 2012: 15).

As of today, the majority of startups either use lean startup or similar techniques to build products that customers will need. Products built with the customers in mind and according to their needs are also the foundation of the successful customer acquisition strategy. As mentioned earlier, no promotion strategies and techniques will have as profound an influence on the success of the customer acquisition as the product itself (Blank and Dorf 2012: 13-20).

The simplistic Lean model starts from customer problem identification, followed by the Minimum Viable Product stage in which startup builds the minimum version of its product that solves the core customer problem. Constant "validation of customer hypotheses" (in other words testing whether core assumptions were true) happens throughout the whole process (Ries 2011: 4).

2.5.1   Growth triggers and techniques

Some marketers believe that the current scope of the marketing mix does not have a leverage to create customer acquisition similar to the size of the internet startups. Thus, some authors introduced the term "growth hacking" (Kaplan 2014). This term tries to describe a synergy between promotion, product development and engineering strategies that are tweaked in order to find the most efficient and scalable customer acquisition channel. Unlike marketing, growth hacking is focused more on acquisition rather than retention and like said before leverages broader scope. For instance, this means a higher role of the product in customer acquisition or in other words that customer acquisition is built within the product. LinkedIn, for instance, asks a customer to invite his/her friends by email once the he/she signs up for the service. Thus, LinkedIn reaches for a customer's friends with the personal invitation without spending money

on promotion. That allows LinkedIn to constantly reach for new customers and increase the number of sign-ups exponentially.

Since the first automatic growth techniques used by Facebook and LinkedIn, such as the "invite your friends" button, companies have developed multiple other ways to drive growth and acquire customers by applying different techniques. However, according to Josh Elman, the term growth hacking is overloaded. He argues that brand advocacy or word-of-mouth (part of customer-driven marketing) is the only principle that drives customer acquisition growth (Kaplan 2014).

Building the product according to customer problems solves many of the future problems, like for instance customer conversion rates (meaning number of customers purchasing compared to total number of customers) and promotion efficiency beforehand. In addition to that, startups have to think of the ways to allow their customers to be their brand advocates through different in-built product features that drive customer acquisition efficiency higher.

Another way to optimize customer acquisition lies in consumer behaviour. Consumer behaviour might seem at first an odd partner to customer acquisition. There are however, reasons why consumer behaviour draws attention from customer acquisition experts.

2.6   Consumer behaviour and customer acquisition

Recently, more and more startups started looking at consumer behavior in order to drive sales and increase customer acquisition. For example, some businesses have utilized social elements and data driven decisions in e-commerce. Others studied what makes something viral and what makes people share things on the Internet. Last, but not least, some tried to understand what persuades consumers to buy.

 East and Vanhuele (2013) agree that consumer behavior and marketing strategy planning go hand in hand. The scope of consumer behavior research is focused on the following questions: how do consumers buy goods and how do they use them? How do they react to prices, promotion and other changes? What behavioral patterns drive these responses? What influences consumer purchase decisions the most?

Even though this particular section will not study answers to all of these questions, it would be beneficial to have a look at some of the most prevailing and most important topics in consumer behavior.

2.6.1 Consumer decision-making

Consumer decision-making is the central concept of consumer behavior research. According to Court (Court et al 2009) marketing's main goal is to influence consumer decision-making when they are ready to make a purchase. Consumer-decision making starts from a trigger or a want, followed by the brand consideration. As consumers add and subtract the brands, they are getting closer to their decision. Once the purchase is made, the post-purchase experience follows. Figure 8 demonstrates this process.
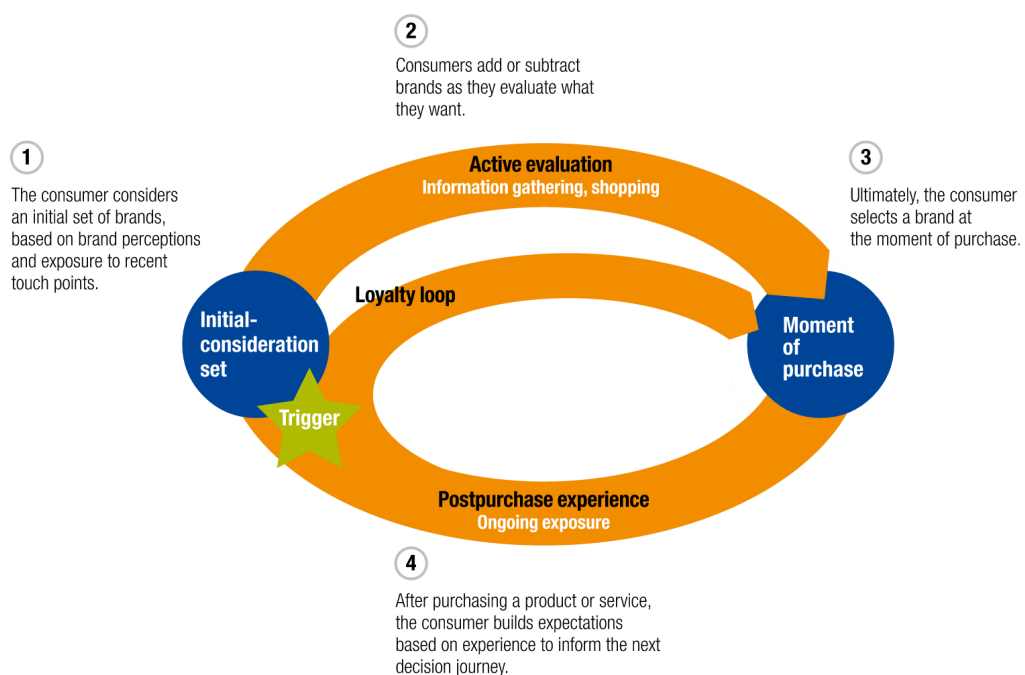
Kuvio 8.   Consumer-decision making in a nutshell (Court et al 2009).

The consumer decision-making process, however, becomes more complex when taking into account consumer buying behaviour and the consumer decision journey.

As an example, low switching costs and increased competition has increased the amount of portfolio purchasing. More and more customers are doing portfolio purchasing, which one author defines as buying behavior where the customer buys constantly from a choice of several alternatives (Buttle 2009: 230). One example is using online news services. The customer would primarily use only a few different news websites to satisfy their need. Another example is multiple online shops where the decision to make a purchase would depend on the discounts and other benefits that web shops would offer. A customer would occasionally buy from one or another. This is another important factor when analyzing ones consumer decision-making.

2.6.2 Understanding the business-to-business decision-making

Similar patterns in decision-making occur on a business level. According to some authors, the most important difference is not the way decisions are made, but who makes them. In large organizations the decision-maker is usually a group of people. This makes the process often lengthy and less dependent on one individual. In addition to that, business size and industry makeup can strongly affect the evaluation process and decision-making (Lilien and Grewal, 2012: 223).

When looking at business consumer decision-making and purchasing behavior, startups have to pay attention or remember organizational, personal and stakeholder factors involving the decision. As an example, the person that requests the purchase might not be the end user of the purchase. And the decision-maker who makes the final decision, again will be a different person from the end user (Lilien and Grewal, 2012: 223). This can often make decision-making extremely complex. The startup company has to pay attention to these factors, when researching their future potential customer base.

One way is to do a segmentation analysis. According to Lilien, the company has to identify initiators, users, influencers, approvers, buyers and the gatekeepers (Lilien and Grewal, 2012: 220) and understand their organizational and personal motivations for the buying decision. With this analysis, startup can understand the biggest bottlenecks existing in their customers decision-making processes.

2.6.3   Customer touch points

In order to stay connected with the customer and remind them of the brand, the company needs multiple touch points. According to Kincaid (2003) "touch points are the means (media) that we use to interact with our customers. Touch point interactions must be targeted to a specific customer or customer company, and/or they must allow for a response (a conversation, a transaction, a reply, and so on)."

Touch points are often mentioned in a context of customer relationship management and sales cycle approach. Successful businesses understand the timing and placing of successful touch points (Kincaid 2003).

According to Nielsen (Nielsen 2013) the most influential touch point is referral by friends or family, which is often referred to as earned media (see figure 9).

To what extent do you trust the following forms of advertising?

Global Average

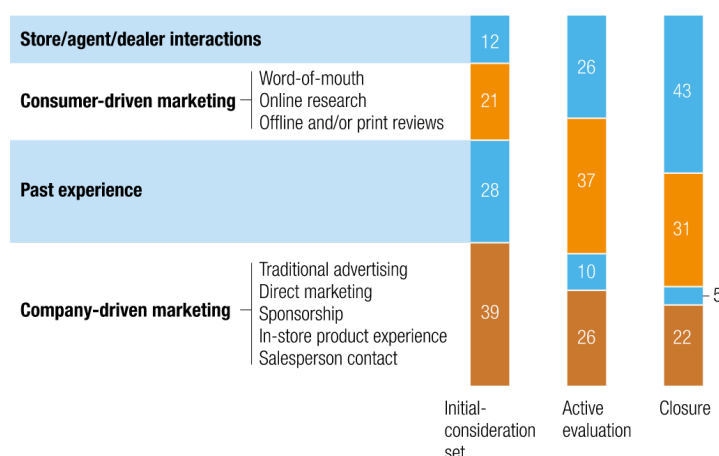|	Trust Completely/ Somewhat	Don't Trust Much/ At All
Recommendations from people I know	92%	8%
Consumer opinions posted online	70%	30%
Editorial content such as newspaper articles	58%	42%
Branded Websites	58%	42%
Emails I signed up for	50%	50%
Ads on TV	47%	53%
Brand sponsorships	47%	53%
Ads in magazines	47%	53%
Billboards and other outdoor advertising	47%	53%
Ads in newspapers	46%	54%
Ads on radio	42%	58%
Ads before movies	41%	59%
TV program product placements	40%	60%
Ads served in search engine results	40%	60%
Online video ads	36%	64%
Ads on social networks	36%	64%
Online banner ads	33%	67%
Display ads on mobile devices	33%	67%
Text ads on mobile phones	29%	71%

Source: Nielsen Global Trust in Advertising Survey, Q3 2011

Kuvio 9.   Recommendations from friends and families remain the most influential touch point. Hence the importance of the brand equity (Nielsen 2013).

This can explain at least partly the explosive growth of many internet startups. It has been widely recognized that earned media and word-of-mouth marketing were the main drivers behind many consumer internet startups like Twitter.

According to Josh Elman, Twitter Vice-President of Growth, word-of-mouth was the main principle behind the explosive growth of Twitter (Kaplan 2014). As good as these stories sound, it would be naïve to rely on word-of-mouth as the exclusive growth method (see figure 10). This could make a company ignore other high-value touch points at different buying decision journey stops. Thus, it can be stated that, at different stages of the consumer decision journey different marketing methods should be applied. The "build it and they will come" principle is hardly a tool of any serious customer acquisition expert.

Most-influential touch points by stage of consumer decision journey, for competitors and new customers, % of effectiveness[1]

		Initial-consideration set	Active evaluation	Closure
Store/agent/dealer interactions		12	26	43
Consumer-driven marketing	Word-of-mouth / Online research / Offline and/or print reviews	21	37	31
Past experience		28	10	5
Company-driven marketing	Traditional advertising / Direct marketing / Sponsorship / In-store product experience / Salesperson contact	39	26	22

[1]Based on research conducted on German, Japanese, and US consumers in following sectors: for initial consideration—autos, auto insurance, telecom handsets and carriers; for active evaluation—auto insurance, telecom handsets; for closure—autos, auto insurance, skin care, and TVs; figures may not sum to 100%, because of rounding.

Kuvio 10. Consumer-driven and word-of-mouth marketing are only a small part of the consumer decision journey; relying on it could lead company acquisition efforts to go nowhere (Court et al 2009).

Can it be said that consumer-driven or earned media is more likely to happen in business-to-consumer segments? Andrew Chen agrees, stating that creating a viral product is very hard and it might be impossible for business software (Chen 2012). As an example, the author talks about SaaS (Software-as-a-Service) products. Thus, not eve-

ry product can use viral effect (or earned media) to acquire customers. Nevertheless, consumer word-of-mouth can assist and reassure the buyer into the purchase at different decision journey touch points. The consumer could even likely become a brand advocate. But, how does a company understand and measure the likelihood of advocacy among its customers?

2.6.4   Measuring word-of-mouth

Good product quality, as mentioned earlier, generates more customer-driven marketing, which in turn drives consumer acquisition higher. As an example, Court (2009), describes how Asian automakers were able to grow their sales with word-of-mouth marketing (satisfied consumers spreading the message), while their competitors spent resources on in-store discounts and offers. In other words, in the long run, Asian automakers were able to conquer the US auto market with product quality. Court argues that similar patterns occur across other industries (Court et al 2009). Consumer-driven marketing has been responsible for improving the growth of many internet companies.

Moisescu (2010) adds that brand equity drives sales from both existing and new customers. Old loyal customers serve as brand advocates. "Brand equity is the value premium that company realizes from the product with the recognizable name as compared to its generic equivalent" (Investopedia 2014). Brand equity includes whole product experience, customer service, including consumer-driven marketing, and the company's own initiatives (Knox 2010). Brand loyalty and brand value are considered to be key components of brand equity. Smaller customer retention and acquisition costs are considered to be by-products of high brand equity.

The brand equity model in figure 11 explains very well why startups, at times, are finding it hard to convert first time customers. According to Keller's model, brand equity starts from recognition and the purchase phase might follow only after latter encounters with the brand (Chitale 2013: 203).
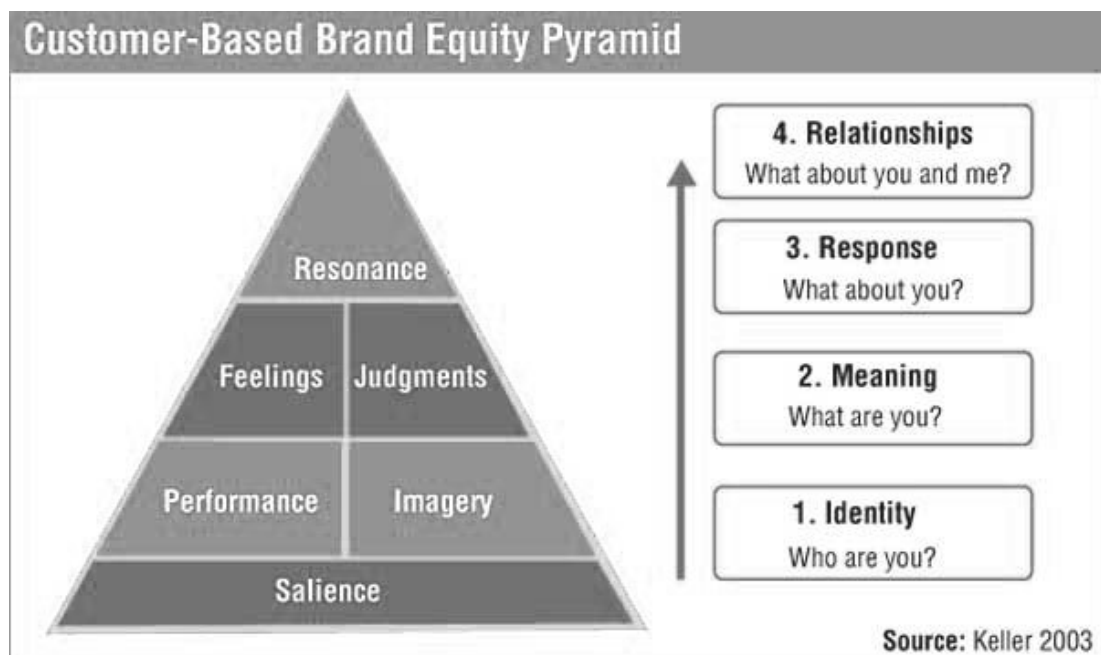
Kuvio 11. Keller's brand equity pyramid. Adapted from Connected apps, 2013.

2.6.5   Net promoter score

There are multiple ways to calculate brand loyalty and the amount of advocates for brand. As an example, the Net Promoter score is used very often.

> The Net Promoter Score, or NPS®, is based on the fundamental perspective that every company's customers can be divided into three categories: Promoters, Passives, and Detractors.
>
> By asking one simple question — How likely is it that you would recommend [your company] to a friend or colleague? — You can track these groups and get a clear measure of your company's performance through your customers' eyes. Customers respond on a 0-to-10 point rating scale and are categorized as follows:
>
> Promoters (score 9-10) are loyal enthusiasts who will keep buying and refer others, fueling growth.
> Passives (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
> Detractors (score 0-6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.
>
> To calculate your company's NPS, company needs to take the percentage of customers who are Promoters and subtract the percentage of those who are Detractors (Netpromoter.com 2014).

NPS Leaders – Germany 2011		NPS Leaders – France 2011	
Company	NPS	Company	NPS
Apple / iPhone	70	Apple / iPhone	57
ING-DiBa – Banking	48	MAIF – Car Insurance	38
Sony – Television	37	Panasonic – Television	32
Panasonic – Television	36	Sony – Television	28
Samsung – Television	29	Samsung – Television	26

Kuvio 12. Companies and their products' high NPS scores usually correlate with higher sales.

Even though NPS has become one of the most important and useful metrics (see figure 12), there is a general consensus that a single metric fails to capture customer loyalty and the likelihood of advocacy among customers. Thus, reliance on NPS would not be sufficient (Cravens, Le Meunier-FitzHugh and Piercy 2011).

2.7   Customer acquisition and promotion

Great marketing strategy is no doubt, the most important part of the successful customer acquisition plan. Following sections will loosely focus on promotion and placement parts of the marketing mix. What are the best frameworks when developing communications and promotion strategies? The following section will answer to this question.

2.7.1   Media Mix

Companies today need to consider three types of media channels in order to reach and engage potential customers. These are paid, owned and earned media types. Some authors also mention social as one type of media (see figure 13). The key difference from earned is that social can go both ways- from and to the customer (Fleet 2010).

Media type	Definition	Examples	The role	Benefits	Challenges
Owned media	Channel a brand controls	• Web site • Mobile site • Blog	Build for longer-term relationships with existing potential customers and earn media	• Control • Cost efficiency • Longevity • Versatility • Niche audiences	• No guarantees • Company communication not trusted • Takes time to scale
Paid media	Brand pays to leverage a channel	• Display ads • Paid search • Sponsorships	Shift from foundation to a catalyst that feeds owned and creates earned media	• In demand • Immediacy • Scale • Control	• Clutter • Declining response rates • Poor credibility
Earned media	When customers become the channel	• WOM • Buzz • "Viral"	Listen and respond – earned media is often the result of well-executed and well-coordinated owned and paid media	• Most credible • Key role in most sales • Transparent and lives on	• No control • Can be negative • Scale • Hard to measure
Social media	Brand interacts on third-party channels through its own profiles	• Twitter account • Facebook page • YouTube channel • Flickr account	Two-way information flow between company, consumers and between the various media types	• Cost efficiency • Versatility • Organizational learnings • Personalizes organizations	• No control • No guarantees • Takes time to scale • Shows companies for what they are

Adapted from framework developed by Forrester Research, Inc.
http://blogs.forrester.com/marketing/2009/12/defining-earned-owned-and-paid-media.html

Source: davefleet.com

Kuvio 13. Effective customer acquisition strategy takes into consideration all media types. Adapted from Fleet 2010.

In successful companies, customer acquisition rarely depends on one media type. Multiple authors agree that successful customer acquisition strategies involve all three types of media and have an integrated approach (Nielsen Report 2013; Jackson 2013).

What is going to be the share of each media type? Which media type suits company resources and products the most? As an example, the product that has only enterprise level customers might have less presence in social media than a consumer startup that is vying for people's attention. Understanding and planning media mix strategy is an important step towards optimizing customer acquisition resources (Jackson 2013).

The following section will outline communication model strategy when creating a successful customer acquisition model. Increased competition and constantly changing customer behavior require businesses to approach customers in a different way. That is why understanding how to communicate with the customer is extremely important.

2.7.2   Customer acquisition and marketing communication models

The internet has changed the way customers interact with companies and make pur-
chasing decisions. According to Chaffey (2013: 26), marketing communications deal
with the right message, right channel and right audience composition in a marketing
promotion mix. As the internet offers great insights into customers' behavior, new
communication models incorporate all of the benefits of detailed data that new online
tools have provided. Now, it is important to take a closer look at customer acquisition
through different types and models of communication strategy.

2.7.3   Types of communication

There are two ways to communicate with the customer: mass and direct communica-
tion. Digital marketing tools help the companies to communicate directly to their cus-
tomer. Direct communication with customers is one of the reasons why digital market-
ing is deemed to be so effective. In the past, it required resources, time and money to
reach and engage each customer separately; today new and existing customers' data
can be saved into online databases, social media page likes and email lists and the
customer can be contacted almost instantly (Krafft 2007: 6-8).

It is beneficial to bear in mind that most, if not all, digital marketing channels are *direct
marketing channels.* The end goal of any successful digital marketing strategy is to
engage and acquire a customer. A customer is engaged or acquired they have signed
up for email campaigns, registered to a target website or liked a certain social media
page. This allows the owners of the websites, social media pages or email lists to
communicate with their customers directly.

No doubt, direct communication brings a lot of opportunities to marketing professionals,
but at times it seems that even when you have found your customer on the web, they
have already made a move or a purchase. It can be either too late or too early. The
following communication models are helpful ways to understand how to approach a
customer at the right time and at the right place.

2.7.4 Communication models

In the digital age, customers are increasingly selective in what promotion they want to see. In addition to that, they can choose whether or not they want to see the promotion at all. According to their creators, Inbound Marketing and Permission Marketing solve that problem by targeting the right time, right content and message delivery when a customer is experiencing a certain problem.[1]

Inbound Marketing is a communication model that increases efficiency through targeting specific problems customers face. In recent years, the term Inbound Marketing became popular with startups focusing on digital marketing. Dharmesh Shah, creator of Hubspot software, first coined the term in 2007.

> Inbound Marketing is set of efforts to bring customer attention to the product or service when he/she is searching for the solution or help that this particular service or product solves well. Inbound Marketing brings customer closer to brand, where customer wants to be. It tries to get customers attention and makes company easy to be found (Shah, 2014).

According to Chaffey (Chaffey et al 2012: 36) Inbound Marketing is a communication model where the customer is pulled towards the company. On the contrary, in outbound marketing, the customer is pushed towards the company through efforts like cold calling, telemarketing and traditional advertising. Shah and other practitioners argue that the Inbound Marketing method allows for much higher conversion rates and more loyal customers (Shah 2014). In addition to that, Inbound Marketing is often mentioned as a complete approach to acquiring customers. It can be, of course, a very limited understanding of promotion.

Godin (1999: 44-46) takes another approach and describes customers moving towards an environment where they can decide what promotion mix they will look at. He introduced Permission Marketing: marketing professionals advance to the next stage of the customer buying process only if the customer permits them to do so. Thus, in digital

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[1] It is important to note, that the author will follow Chaffey's terminology. Thus, when describing inbound marketing, the author will talk about a communication model. Search engine optimization or search engine marketing, according to Chaffey, is a digital media channel or technique (Chaffey et al 2012: 36).

marketing, marketers try to make the buyer "opt-in" for a conversation. Permission Marketing focuses on the benefits and value a product can provide for its customer. This is another pull model that was popularized by Seth Godin in his book *Permission Marketing*.

It is crucial to keep in mind these communication models and their benefits when looking at successful customer acquisition cases. Also, it is important that marketers should have an integrated approach by using both pull and push communication strategies in order to promote their products online, as no one strategy can substitute for the right mix (Lamb, Hair and McDaniel 2009).

Does a successful customer acquisition strategy differ for different types of customers and markets? Understanding a company's customers and its place in the market are important ways to ensure that customer acquisition strategy planning is going in the right direction. The following section will briefly study customer types and market positioning topics.

2.8   Customer types and customer acquisition

An acquired customer can be viewed as a customer that is new-to-category and a customer that is new-to-company. As one author defines it, new-to-category customers are those customers who have just identified a new need or have found a new category of solution for an existing need. New-to-company customers, on the other hand, have found a solution from a competitor and thus have to be won over by the company (Buttle 2009: 228).

Researching customers and their behavior is crucial for successful customer acquisition. In addition to that, it is equally important to understand a startup's market positioning and market penetration strategies. The following section will briefly discuss this topic.

2.9   Market positioning and customer acquisition

Andreessen (2007) describes product-market fit as "sufficient demand in a **defined marketplace** to allow the efficient expenditure of capital (human or financial) to scale company processes such as marketing". Market targeting and market penetration strategies analysis are important steps towards understanding the right customer acquisition strategy.

The next figure is adapted directly from Kotler market segmentation and shows different marketing strategies for different types of target markets (Chaffey et al 2012: 221).

Blank writes that knowing what market a startup company is in defines both customer development (thus, also customer acquisition) and product development strategies. He substantiates this by saying that a startup company bringing a new product to a new market has to deal with a much slower rate of adoption and acceptance of the product, so it can be possible for the company to be unprofitable for up to 5 years (Blank 2006: 12-13).

Kuvio 14. Digital marketing strategies used for different market positioning. Adapted from Chaffey (2012).

With that evidence in mind, it is important to remember that customer acquisition strategies and their effectiveness should be viewed through the prism of product readiness to the market and customer adoption. If it is a completely new product or service that is developed for the new market, then the customer acquisition strategy for that product is not only different, but must also have different business and budget objectives. In addition to that, it is beneficial to understand the startup's market positioning in order to develop a more realistic acquisition strategy.

2.9.1   Business-to-business and business-to-consumer angle

The author has worked both on business and consumer-oriented startups, thus there is a strong need to learn successful customer acquisition strategies for both marketing

segments. Should there be a difference when looking at these customer segments' acquisition efforts?

Business-to-business marketing means that marketing efforts and future transactions occur between enterprises (Hutt and Speh 2013:v6). This is a key difference between business-to-business and business-to-consumer digital marketing; in the latter, transactions or marketing efforts occur between an enterprise and an end user. There are many other terms used to define different relationships between different groups (Jane 2014).

Some authors argue that business-to-consumer marketing has to have a very different approach and should be viewed separately. Van Wheele (2010: 23) describes how different industrial and business-to-consumer buying processes can be. On the other hand, research shows that before product purchase both business-to-business and business-to-consumer buyers go and research a product or service online (Pardot research 2013: 4). Pardot research argues that complex solutions or services are much harder to sell, but nevertheless buyers of all company sizes might start their initial research about the product online (Pardot research 2013: 4).

Considering that startups usually have limitations in what they can spend on promotion, customer acquisition strategies in addition to that should be cost-effective. Many startups, however fail to understand their total customer acquisition costs and customer lifetime value. The next section will research price strategies for successful customer acquisition.

2.10 Price strategies

There is an important part without which none of the customer acquisition efforts will succeed. And this is the price that the company has to pay to acquire its customers. Customer lifetime value and customer acquisition costs are crucial when developing acquisition strategy.

2.10.1 Customer lifetime value

Customer Lifetime Value or CLV is one of the most important parts of customer acquisition theory. "Lifetime value (LTV) or customer lifetime value (CLV) is the total net benefit that a customer or a group of customers will provide a company over their total relationship with the company" (Chaffey et al 2012: 342).

By customer lifetime value modelling, marketers can answer following question: How much money can they afford to invest in acquiring new customers?

Skok (2014) argues that customer acquisition cost or CAC plays a vital role in a startup company. Skok writes that, in order for the startup to be successful, CAC must be balanced with LTV (Skok 2014). Thus, it is important to bear in mind that customer acquisition costs should not exceed customer lifetime value (see figure 15).
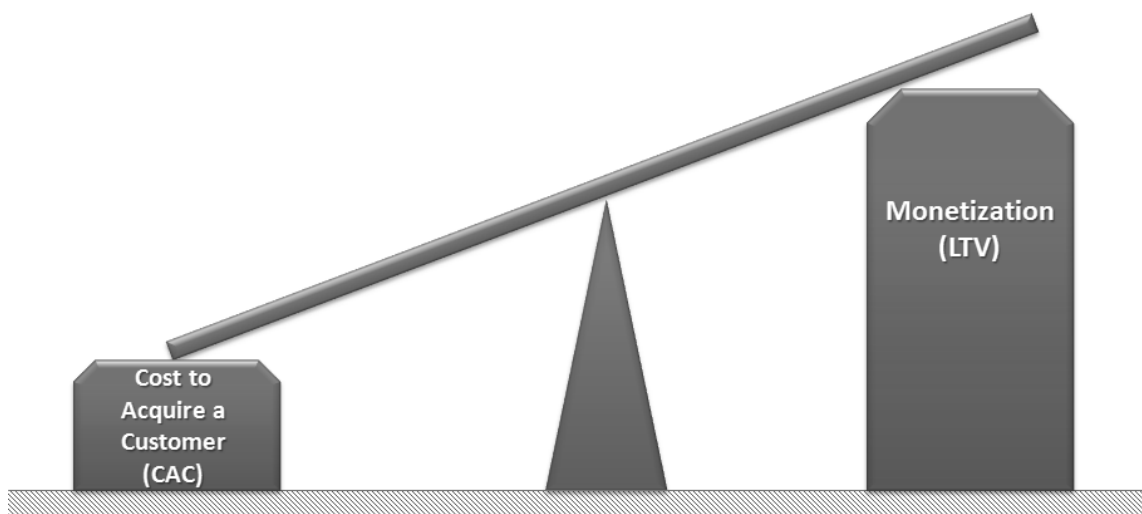
Kuvio 15. Cost of customer acquisition has to be lower than the overall lifetime value that company is going to get from customer. Adapted from Skok 2014.

Many startup companies try to calculate customer acquisition costs focusing on the short-term perspective. Chaffey (2012: 342) reminds us that there are a few problems associated with that perspective. Firstly, companies might become too focused on short-term return on investment and may underinvest into the growth of the business.

Secondly, a short-term focus assumes that all newly acquired customers bear the same cost. However, customers might have different loyalty to the business.

To summarize, it is important to bear in mind customer lifetime value when acquiring new customers and group customers into segments. Customer lifetime value has to be higher than customer acquisition cost.

2.11 Startup metrics

One of the most important aspects of the successful customer acquisition lies in a proper measurement of the success. Startup companies need to understand what variables they have to measure in order to answer the most critical business questions. These variables are often called metrics. A metric is often referred to a "variable that can be measured and used to quantify the efforts" a startup company undertakes in a certain business area (Chiu and Tavella 2008: 4).

2.11.1 Information needs

Defining the information needs is an important stage when deciding the key metrics. Revenue is usually the most critical area that all other metrics are based on. As an example the metrics that lead to understanding of how, why and who has purchased the company's product may help in increasing the revenue (Croll and Yoskovitz, 2013).

2.11.2 Metrics that matter

Very often, the company can start measuring metrics that might lead it to wrong conclusions. Often these are referred to as "vanity metrics". As an example, the "number of registered users" in a certain web service, might be very high, but the actual number of people using the service very low. Thus, the metric "number of registered users" would be referred to as "vanity" metric. The opposite of these are called "actionable metrics" (Croll and Yoskovitz, 2013: 15).

According to Dave Mclure, metrics are called actionable when they enable decision-making. As seen from figure 16 puts metrics in the following important categories-acquisition, activation, retention, revenue and referral (Croll and Yoskovitz 2013: 45)

ACQUISITION	How do users find you?
ACTIVATION	Do users have a great first experience?
RETENTION	Do users come back?
REVENUE	How do you make money?
REFERRAL	Do users tell others?
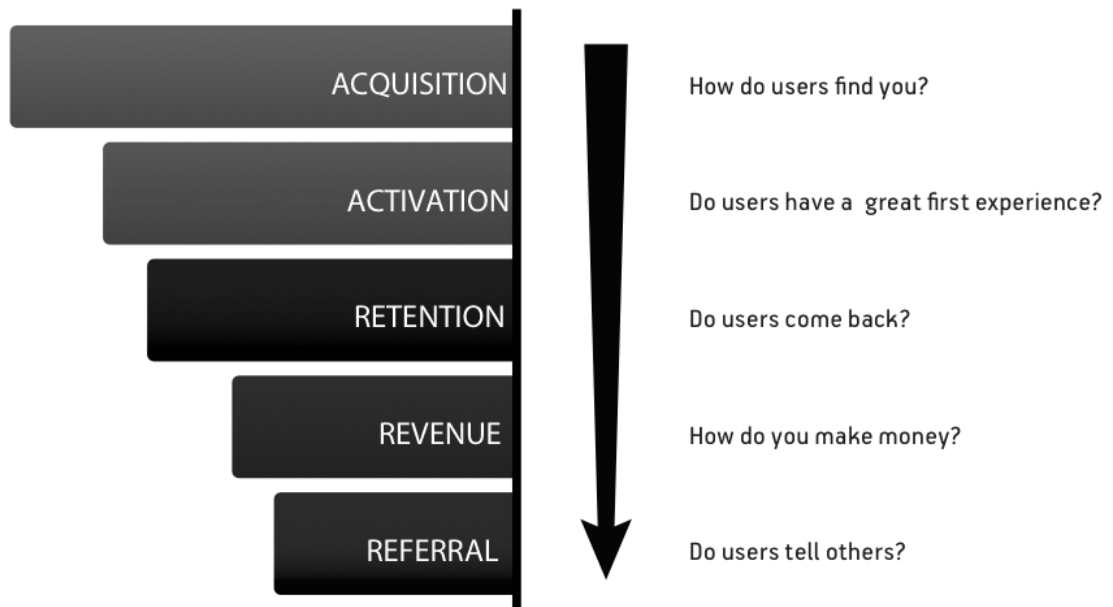
Kuvio 16. Startups have to decide which metrics are important to track. Adapted from Startitup.co, 2014

Latter follow-up of these metrics, enables businesses to answer and understand where bottlenecks exist and remove those.

In addition to that, the metrics can affect multiple other startup decisions and help to determine the right direction.

Thus, this brief introduction to metrics, showed that startups have to define their information needs first, define actionable metrics and follow-up on those metrics in order to make decisions concerning the product, pricing, promotion and distribution strategy changes. This will help startups to understand the behaviour and purchasing decisions of their customers better.

This literature review has looked at different aspects of customer acquisition theory and latest developments. The following section will describe the methods that were used when creating this research paper.

3   Methodology

One can define research as a scientific and systematic search for pertinent information on a specific topic. In business context, the aim of the research is to understand and establish the truth about certain phenomena by using scientific methods (Kothari 2008).

The research objectives divide research into following distinctive groups:

1. Exploratory research- to gain familiarity with the phenomenon or to achieve insights into it.

2. Descriptive research- the research that portrays accurately particular situation, individual or phenomenon.

3. Hypothesis-testing research studies- to test causal relationship between variables (Kothari C. R., 2008).

The goal of this research was to first *describe* customer acquisition theory on the topic and compare it to the Statbeat customer acquisition efforts and see why Statbeat was not able to acquire customers efficiently. This is an example of descriptive research that will be applied to Fast Monkeys future business operations (Kothari C. R., 2008).

3.1   Types of research

In order to better understand the aim and possibilities of this thesis, author has to first define different types of researches. The following are the most common ways to categorize them.

3.1.1   Descriptive vs. Analytical research

The major purpose of **descriptive** research is description of current state of affairs, while in **analytical** research the researcher tries to study readily available data (Kothari 2008).

3.1.2 Applied vs. Fundamental research

Applied research aims at understanding the problem and finding the solution for common problem, while **fundamental** research deals with generalizations and tries to formulate theories.

3.1.3 Quantitative vs. Qualitative research

Quantitative research is based on quantitative data analysis and measurement; it can be used to study phenomena, which can be measured. **Qualitative** research on the other hand, is used to study quality, kind or depth of certain phenomena (Kuada 2012). Qualitative research design was chosen for this topic, since author needed to define ambiguities and problems within customer acquisition efforts of a certain business case. The goal was not to compare, but to gain deep insight and understanding of how successful customer acquisition should be done and study why it didn't perform in Statbeat case.

There are many different methods of collecting qualitative data. They can include interviews, focus groups, observations and documents analysis.

The author's main sources of information were in-depth interviews with the company's founders, the company's business plan, the customer acquisition plan and Google Analytics platform. In-depth interviews featured open-ended questions that would allow interviewee to open up on the topic (see Appendix 1). This helped to understand deep problems and challenges that the company faced in the early days.

Based on the information the following questions were asked. Questions were grouped into early customer acquisition efforts, customer acquisition efforts during the product testing stage and customer acquisition efforts during the scaling and optimizing product stage.

Early stage customer acquisition efforts

How did the company define customer problems? Did the company's potential users search for a solution? How?

-What was the initial customer acquisition strategy?

-What communication objectives and Internet marketing techniques did the company decided to use to acquire new customers?

-What initial sales funnel and market penetration strategy were used?

Early product customer acquisition stage

-What communication model and media mix did the company use to acquire its customers?

-From a founders' point of view, what customer acquisition efforts failed and which ones succeeded?

Customer acquisition efforts during scaling and optimizing

-Did the company look into customer behavior and product feature strategies in order to make customer acquisition more efficient? Was it relevant for them?

3.2   Research sections

This thesis so far has included an introduction to the problem and problem statement, an analysis on ongoing research, idea and theory development and understanding gaps in current knowledge.

This research was conducted during spring, summer and autumn 2014. The following research routine was established: first, the problem was identified and problem question established. Then past research was presented. Following that, a long section of current research was presented and gaps in knowledge identified. Key findings from the literature review and methods of research were written. The following findings will be based on secondary data. Secondary data was reviewed through the company's own web analytics tools, business plan and interviews with company founders.

This research was structured by applying a case study model. A case study model was used, because there was a need to understand and study shortcomings of certain strategies in the company, and thus study certain phenomena in depth.

3.3   Reliability, applicability and validity

Every researcher should ensure reliability and validity of the study that they conduct. Even though qualitative research, at times, is harder to make reliable and valid than quantitative, it is nevertheless possible and important (Kothari 2008). In addition to that, research relevance is important. Is this business research applicable to the current common problems that startups face?

In this study reliability was ensured by documenting and saving the data and interviews gathered by the author from the startup in the appendices. All of the data that was gathered is consistent with the startup business operations. In addition to that, the author's introduction to this thesis shows that this research is applicable to the problems that startups face today.
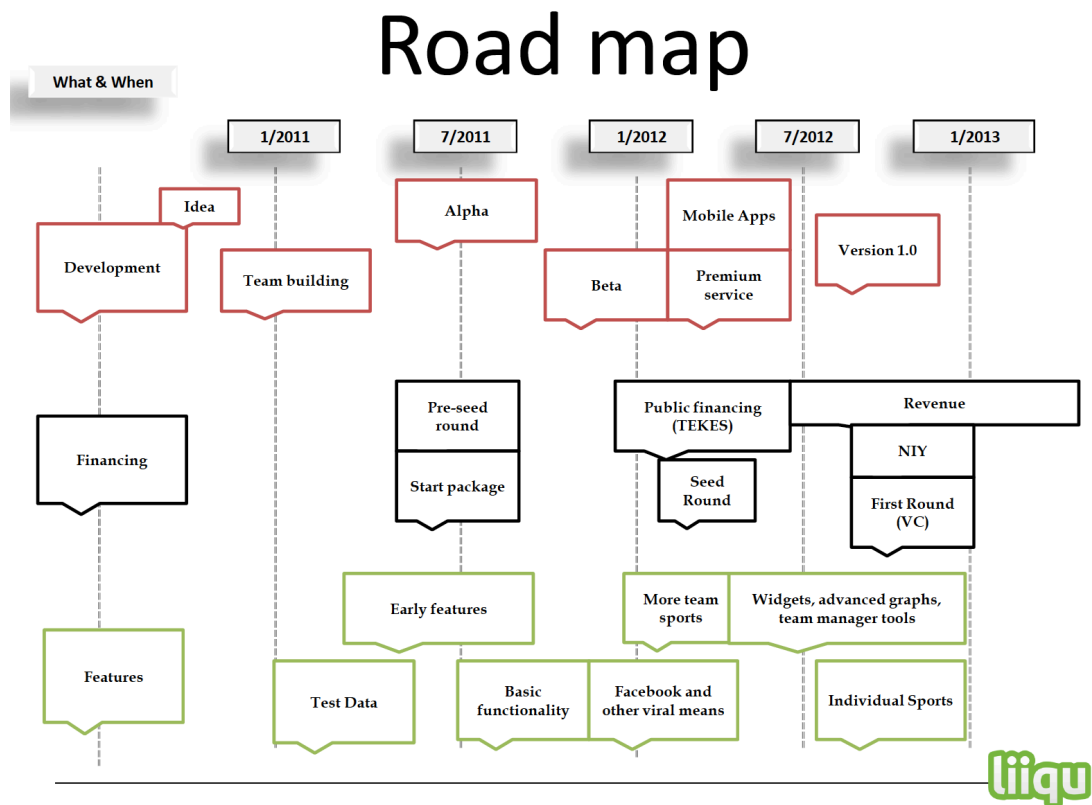
4   Results

The purpose of this research was to clarify how Fast Monkeys could take advantage of digital marketing and customer acquisition techniques in their future business operations. After an in-depth study of customer acquisition theory, customer behaviour and decision-making making results were compared to Statbeat customer acquisition plans. Based on the interviews with the company founders this section makes an analysis of the Statbeat customer acquisition model, its strengths and weaknesses. The analysis is based on the interviews and documents provided by company's founders.

4.1   Statbeat customer acquisition

Statbeat's business plan served as a foundation for the customer acquisition strategy. The company founders' initial hypothesis was that after a massive 2-week marketing campaign across social networks word-of-mouth marketing would pick up. According to founders, a built-in invitation system would enable constant user growth. The company's initial plan was to achieve 100 000 users within a year (see Appendix 1)

4.1.1   Early stage customer acquisition efforts

Identifying a concrete customer problem and building a product around the core problem is key to successful customer acquisition. The findings show, that the company had identified the problem that its customers-teams and players had (see Appendix 5). The company landing page stated that the company helps teams with communication, which was an assumed problem for teams. This assumption, however, was not tested and the company was focusing on building a complete product version instead of minimum one (see figure 17)

Road map

What & When				
1/2011	7/2011	1/2012	7/2012	1/2013

Development — Idea — Team building — Alpha — Mobile Apps — Beta — Premium service — Version 1.0

Financing — Pre-seed round — Start package — Public financing (TEKES) — Seed Round — Revenue — NIY — First Round (VC)

Features — Test Data — Early features — Basic functionality — Facebook and other viral means — More team sports — Widgets, advanced graphs, team manager tools — Individual Sports

liiqu

Kuvio 17. Liiqu's general plan had neither customer acquisition nor marketing planning.

Testing with the customers occurred at multiple instances. The number of testers was, however, small.

Evidence shows that a marketing plan was created in the later stages, when the major product features were already built, in addition to that the findings indicate that company had not thought about particular communication objectives and did not create any media and channel plan until the product features were built (Vesterinen, 2014; Appendix 3).

The company founders calculated CAC costs in their business plan, but did not calculate LTV costs.

4.1.2 Customer acquisition efforts during the testing stage

Findings show that the company has created product features that would enable customer advocacy. As an example invitation buttons were integrated to the service (see Appendix 4).

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On the other hand, no formal analysis was performed on the customer behaviour and customer-decision making, thus the company co-founders did not understand how their consumers had signed-up to the service (Vesterinen, 2014).

4.1.3 Customer acquisition efforts during the scaling and optimizing stage

Customer acquisition importance was identified and plans for customer acquisition were created.

Statbeat made product enhancements, in order to make the product more appealing to customers. CAC optimization through different channels such as paid native ads was established. The goal for the customer acquisition cost was € 0,5 for every sign-up customer. Real customer acquisition cost, however, was too high at € 3,5 (see Appendix 1).

Statbeat's customer acquisition results were short because of a lack of a proper marketing plan. The customer acquisition plan of the company was created after the product. Before that, an almost none existent or very limited customer acquisition plan was in place.

5   Conclusion and Recommendations

In the author's own opinion Statbeat is a bad case example of customer acquisition planning, mostly because of its reliance on one (word-of-mouth) channel to grow its customer base. As mentioned earlier, this approach ignores that the customer has different influential touch points during their decision-making journey.

In addition to that, the web service was built and engineered without first testing basic assumptions with the customers. This has led Statbeat to a situation where the complex web service with a number of great, scalable and optimized features lacked customers and did not solve any particular problem for them.

No customer acquisition plan was made and no costs were calculated. How much money will we get from customers? How much money will we have to spend to get one customer? These basic questions should have been asking on a very early stage of a customer acquisition strategy development.

The author believes that the crucial mistake was to develop service features without carrying out proper customer development.

No customer acquisition plan was created in order to find out the ways of how to gain new customers. For the first couple of months no proper marketing plan was established. Even though, later the decision to attract customers through ads was made, the customer acquisition costs were too high, because no insight into customer behavior, customer and market type was created. In addition to that, using ads meant using only one channel and media type, which ignored the fact that a successful customer acquisition strategy should have an integrated approach.

5.1   Recommendations and customer acquisition plan creation

This research clearly indicates the following key ingredients to successful customer acquisition strategies and shows the weak points that led to Statbeat's customer acqui-

sition failure. The author believes that the following recommendations will help Fast Monkeys to develop a sound and effective customer acquisition strategy in the future.

5.1.1   Findings

Firstly, the increased role of the "product" in the marketing mix goes beyond marketing scope. Thus, building product around core customer problems requires strong adherence to product testing and customer development.

It is important to remember, that product is sometimes more effective in customer acquisition than all the other promotion strategies together. With the right type of product word-of-mouth marketing can capture more value from customers than any other type of marketing effort.

Some research on the other hand, shows that customer-driven marketing or word-of-mouth marketing is hardly the only influential touch point that makes consumers buy something. Consumer-driven marketing and brand advocacy effectiveness can vary in different product and service categories. This is an important point to remember for future customer acquisition cases.

This was, also, a big discovery for the author, as it was assumed that customer-driven-marketing was the only efficient way to grow customer base.

Secondly, Fast Monkeys has to always understand the most influential touch points at each customer decision-journey stage. The most influential touch points at the "closing" stage of the consumer decision journey are usually friends and family. This is another advantage for the product quality and product/market fit. If the product solves customer core problems very well, brand equity leverage (or in other words friends' advice) will have an impact on customer acquisition costs by bringing them down.

Thirdly, proper understanding of the company's place in the market and its knowledge of its customers play a crucial role in customer acquisition strategy planning. Building a customer acquisition funnel where pull communication strategies play a crucial role will enable startup to optimize the efficiency of its customer acquisition. Channel, partner

and media mix decisions have to be aligned with the pull communication strategies and consumer behavior insights.

Last, but not least, customer acquisition costs should always be balanced with customer lifetime value. A seemingly obvious fact that is often mentioned as the single biggest stopper for customer acquisition efforts.

The literature review has looked at customer acquisition from different angles. Statbeat case results have added additional knowledge to customer acquisition. The author believes that the following model can be used to analyze and develop future customer acquisition plans.

5.2 Customer acquisition plan

This customer acquisition plan serves as a framework for successful customer acquisition. As stated earlier, successful customer acquisition starts from the product and spans across promotion, place and price strategies. This model, even though simplified, can serve as a good framework for developing customer acquisition strategy in all company functions. It covers sections that were discussed in the literature review.

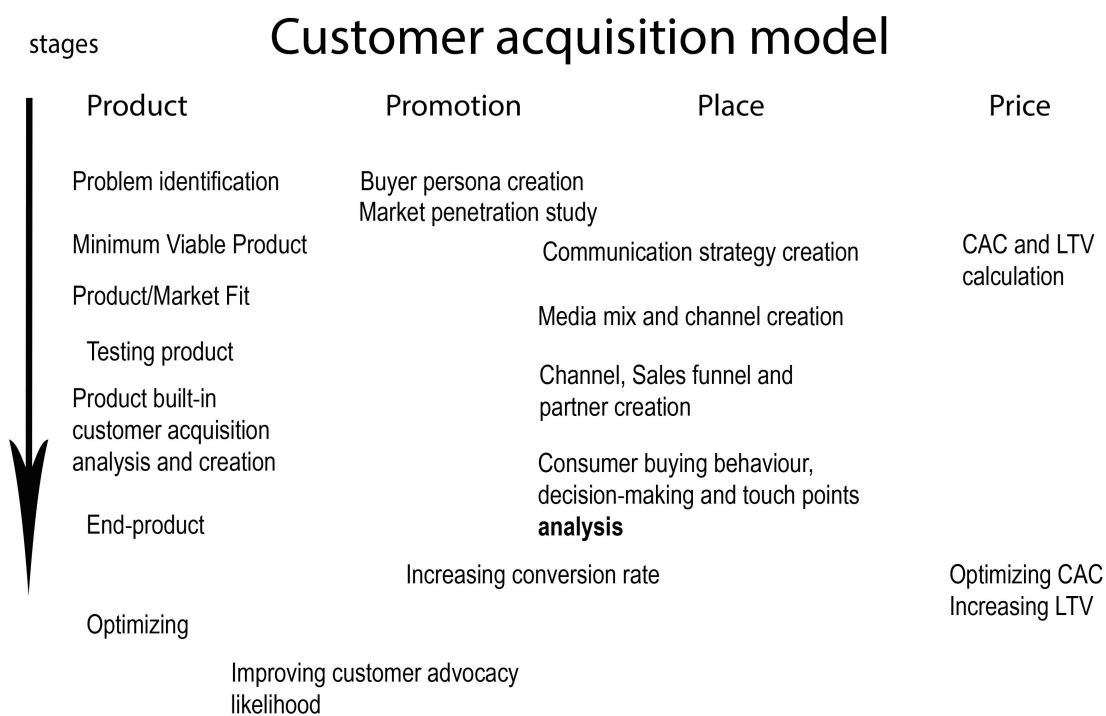### 5.2.1 Early stage acquisition efforts

For the successful customer acquisition product development strategies have to be aligned with customer needs. The main strategy that can be used to understand customers is the Lean Startup approach described earlier. In this approach the company will try to test critical assumptions it makes about customers, their preferences and buying decisions (see Figure 18).
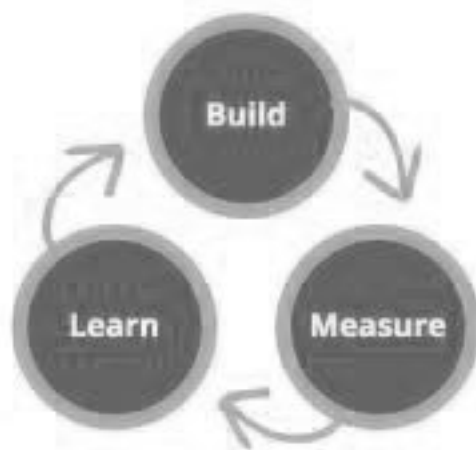
Kuvio 18. Every assumption about the customer's problems, his/her decisions in the acquisition funnel should be tested and measured. Learning is the outcome. Adapted from Ries 2011.

This will help a startup to identify a concrete problem that it is solving for the customers and the ways customers will purchase products. Additional online research and customer development will help to further understand customer needs. Analyzing and studying similar competitor products or by doing search engine keyword analysis is the most common way of doing online research. Customer development approach outlined by Steve Blank can be used to interview customers.

The company has to ask itself the following question: "What problems are we solving for our customers?" At this stage, the company has to find a definitive answer to that question.

stages

Customer acquisition model

Product	Promotion	Place	Price
Problem identification	Buyer persona creation		
	Market penetration study		
Minimum Viable Product			CAC and LTV calculation
	Communication strategy creation		
Product/Market Fit			
	Media mix and channel creation		
Testing product			
	Channel, Sales funnel and partner creation		
Product built-in customer acquisition analysis and creation			
	Consumer buying behaviour, decision-making and touch points **analysis**		
End-product			
	Increasing conversion rate		Optimizing CAC Increasing LTV
Optimizing			
	Improving customer advocacy likelihood		

Kuvio 19. Customer acquisition model that takes into account product, place, promotion and price strategies. Based on literature review.

Buyer persona creation and market size estimation, penetration strategies will help with further business idea validation (testing). Building a product with minimum features (Minimum Viable Product) and starting to sell it will help the company to test its assumptions and understand whether its hypothesis about the customer problem, customer and market type were right. Lean startup and customer development methodology can assist in this stage too.

Following this, company has to create its marketing plan with the communication strategy objectives, where the pull communication models will play a strategic role. CAC and LTV calculation will help the company to define its customer acquisition efforts and calculate appropriate budgets.

By this stage, a startup company has answered the following questions: Do we have a defined customer problem? Who is our customer? What is our market? Does our product solve this problem for a customer? Does it happen by saving resources or giving additional value? Is CAC balanced with LTV? Does our MVP prove we solve customer problems?

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5.2.2   Testing stage acquisition efforts

The testing stage covers all product optimization and marketing activities that were discussed in the thesis. Here, the main question is "how?" Understanding communication objectives and testing different media mixes will help a startup company to test its assumptions about customer acquisition and find the most efficient way to reach its customers (see Figure 20). Product strategies will include building product features, that will allow customer advocacy. By the end of this stage the startup should understand its customers and the most efficient ways to reach them.
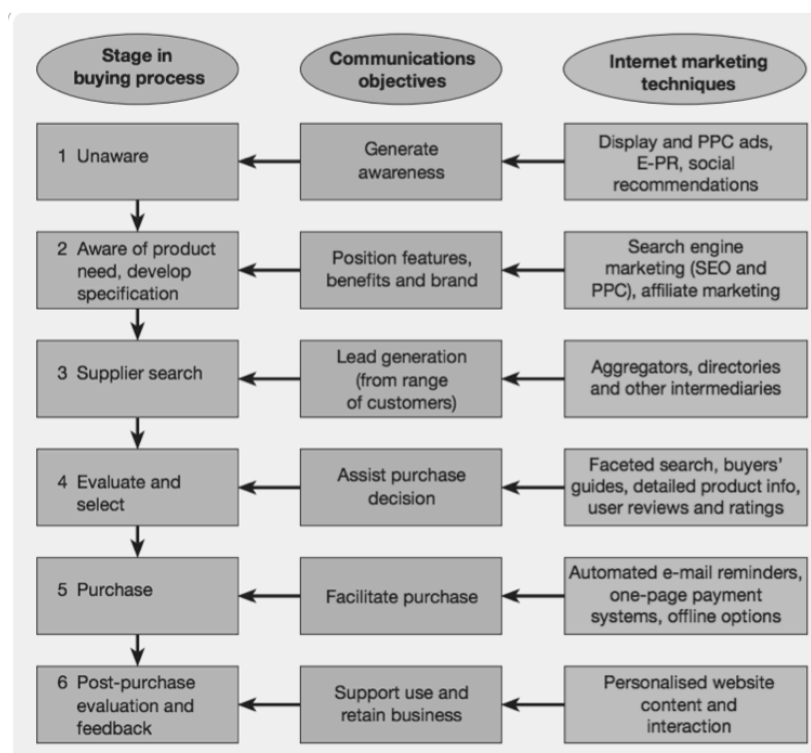
Kuvio 20. Finding bottlenecks in customer acquisition process (left column) and constantly removing them is one of the keys to successful customer acquisition. Adapted from Chaffey (2012).

Customer buying behavior research and sales funnel creation will help to understand the most influential customer touch points and customer decision-making. In addition to that this will help to find the bottlenecks in the acquisition funnel. The bottlenecks can

be removed by testing the hypotheses company has about its customers and their behavior. These activities will further optimize customer acquisition costs.

5.2.3 Scaling and optimizing stage acquisition efforts

Scaling and optimizing stages will mostly deal with customer acquisition cost (CAC) optimization and product enhancements. Consumer buying behavior and improving customer advocacy likelihood will optimize CAC costs and increase customer lifetime value.

To summarize, the customer acquisition framework shown in figure 19 can be used to analyze and build a startup's customer acquisition efforts. Additional ways of testing customer problems and company's assumptions will help to optimize customer acquisition process and understand customer behavior.

In addition to that, these strategies can assist startup team efforts and reassure that the decisions made in marketing or product strategies go in line with the customer acquisition efforts.

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6   Appendices

6.1   Appendix 1. Interview with Olli Pölönen, Fast Monkeys Oy co-founder

How did the company define customer problems? Did the company's potential users search for the solution? How?

Our initial hypothesis was that our potential customers wanted to combine all the important team events, communication and payments into one solution. When the idea [liigu team sports service] came up, we all thought that it would be great to have such service. We are all active team sports players and participants.

There were multiple other team sports services available at the time, thus the need for the customer problem validation and identification was not so strong. Our users were using other similar services. We wanted to create a better one.

-What was the initial customer acquisition strategy?

Our strong belief was that with this service, the admin was the only person we needed to "sell" the service to. Once the team admin registered he would invite all others from his sports team. Later on, we realized that even though the team admin would invite team members, they would not come, thus the team would abandon the service altogether. …That understanding came much later.

We had no customer acquisition efforts, besides the first Facebook viral campaign push. No concrete calculations for word-of-mouth growth were made, but there was strong belief that once we invite critical mass of people, everyone else will follow. We wanted to achieve 100 000 users within one year.

-What communication objectives and Internet marketing techniques did the company decide to use to acquire new customers?

In the very beginning it was a Facebook viral campaign, posting to different sports forums, a video sharing campaign. Later on Facebook, Google ads were used.

The CAC was very high through Google or Facebook ads, 3,5 € for one signed-up customer. The Initial goal was always 0,50 € per sign-up. We never achieved that with B2C service.

-What initial sales funnel and market penetration strategy were used?

No sales or marketing funnel was planned or created. A market penetration study was created. It was a thorough understanding and estimation of the market size and market competition. We identified our positioning against our competition.

-What communication model and media mix did the company use to acquire its customers?

We hoped that word-of-mouth and viral marketing would create a critical mass for the product growth, thus earned media. Later on, the company tried to use paid media, but the efforts failed.

-From a founders' point of view, what customer acquisition efforts failed and which ones did succeeded?

The very first viral campaigns, video campaign did succeed. There was, however, little understanding about the customer problem and customer acquisition plan. This had its impact on our efforts.

-Did company look into customer behavior and product features strategies in order to make customer acquisition more efficient? Was it relevant for them?

We made a lot of different hypotheses on customer behavior. Most of them were based on website testing, our own experience. No formal customer behavior analysis was made.

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One of the growth features that we had was the "invitation button". We had a lot of planning for it and it was a part of our main product growth strategy. This, however, was not sufficient for an explosive product growth.

6.2   Appendix 2. Statbeat development roadmap
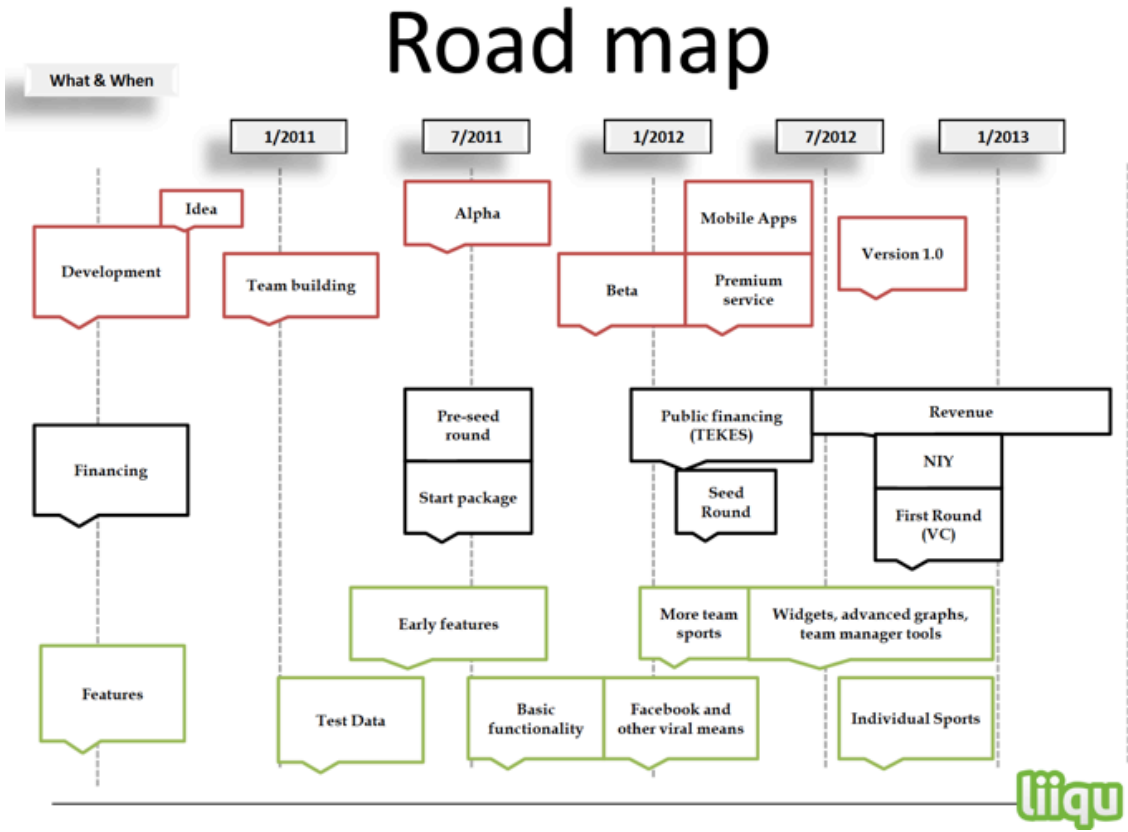
6.3   Appendix 3. Statbeat Customer acquisition plan

Customer acquisition
- *Kuinka monta aktiivista, kavereitaan kutsuvaa kaveria per joukkue? Paljonko meidän tarvitsee saada uusia käyttäjiä että yhtälö kannattaa meidän kannalta?*
- *Voidaanko tätä kautta saada suoraan joukkueita palveluun?*
- *Kuinka graafit näkyvät inaktiivisina? Mihin sijoitetaan Facebook-kutsu, e-mail kutsu etc?*
- *Tarvitaan A/B testit siitä, mihin kutsumisinsentiivit sijoitetaan*
  - Siellä missä inaktiiviset graafit ovat
  - Myös landing pagella
- UNLOCK TEAM / INDIVIDUAL GRAPHS
  - A/B testaus paikasta ja tekstistä
  - Mahdollisia sananparsia ajamaan tarkoitusta: Unlock new features / Get new features / Invite your friends to get new features
  - Tarvitaan landing pagelle oman henkilökohtaisen ikonin viereen FB-kutsu. Tämän lisäksi kutsumisen mahdollisuus pitää myös näyttää ainakin joukkueen statistiikkasivulla.
- Uusi guide sisäänkirjautuvalle pelaajalle
  - benchmarkkia ainakin **PINTEREST**
  - Kutsu joukkueen pelaajat heti joukkueen luonnin jälkeen
  - (follower / following heistä jotka ovat sinun Facebook-ystäviä. Täppää automaattisesti kaikki sinun FB-kaverisi, mutta voit halutessa poistaa täppäykset pois. Pinterest toimii näin)

Customer acquisition details
- Kuinka määrittelemme kutsun: Uusi, Liiquun liittyvä käyttäjä, joka EI ole sinun joukkueesi jäsen. Jos kutsut käyttäjiä, jotka myöhemmin liittyvät joukkueeseesi, heidät tullaan vähentämään kokonaissummasta.
- Joukkueen kutsujen määrä näkyvästi näkyviin statistiikkasivulle / tiimisivulle
- Kutsujen taso: 1, 3, 5, 10, 15 kutsua per joukkue.
- notifikaatio (ja email) kun käyttäjän kutsuma pelaaja liittyy palveluun

6.4 Appendix 4. Statbeat's product growth engineering

Managerikutsu

Kuinka managerit löytävät kutsumismahdollisuuden?
- Linkki joukkueen sivun ratasvalikkoon
- Lähetetään mailia joukkueen adminille sitten kun saanut jenginsä kunnolla käyttämään Liiqua
- Kutsusivulle
  - Luo kaksitasoinen valikkorakenne

Sisältö

[Inviting team] is using Liiqu to manage their [sport chosen] team. Liiqu is a place for sports teams to communicate, manage event attendees and track statistics.

[inviting team] has indicated that you play in the same league with them. If you would try out Liiqu, you could follow [inviting team] and other your league's teams in more detail (statistics, match scores, lineups). Liiqu also allows you to communicate with other team's managers with ease.

Liiqu is completely free - try it out today!

Layout
- Yläbanneriin stadionkuva
- Keskelle meidän tarjoama varsinainen teksti
- Käyttäjän kirjoittama teksti
- Alas kuvia Liiqusta, esim. pylväsdiagrammi ja matsisivu
- Statementit: esim. "Jo sadat joukkueet käyttävät Liiqua", tai meidän partnereita tjsp.

Muuta
- Näytä preview emailista
- Mittaa kutsuja
- Sähköpostissa linkki landing pagelle

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6.5   Appendix 5. Statbeat's problem statement

Problem

TEAM SPORTS PLAYERS ARE
ISOLATED AND SCATTERED
ACROSS THE WEB — THERE IS NO
CHANNEL TO SOCIALIZE PROPERLY