Building Breakthrough Customer Acquisition Strategies

7 Ways to Overcome Challenges
When customer acquisition is unusually challenging

Why the classical customer acquisition model fails

Customer acquisition represents one of marketing’s two core objectives, but the theory and science of acquisition strategy lag far behind its retention and loyalty counterpart. Retention and loyalty strategy deal with existing customers, so your task is simplified by knowledge of these customers. You know their purchase behaviors and what motivates them. By contrast, acquisition strategies deal with new or potential customers, so your task is significantly more difficult. You do not know the customer, they do not know you, and getting them to show up requires more work. This guide presents 7 scenarios in which customer acquisition is particularly challenging, but first we explore the “classical model” of acquisition and when it works particularly well.

The “classical model” of Acquisition

For decades, executives considered customer acquisition to be relatively straightforward: invest in advertising to drive brand awareness and product trial, converting triers into buyers. But awareness advertising is not the answer for certain brands.

Success in the “classical model” of customer acquisition is primarily a function of 3 factors: quality of the product (how well the product fits customer needs), degree of investment (how much is spent on advertising, promotions, and distribution), and quality of execution (how well marketing develops and lands appealing, innovative, and well-targeted advertising and promotions). The classical acquisition model works particularly well with mature product categories such as consumer package goods, automobiles, and restaurants where customers understand the products, and the product producers understand the customer and how they buy. It also works well with brand-centric products like athletic gear and luxury goods, where brand advertising helps create the air cover for new product introductions, and generates automatic buzz or affinity for the product.
Where the classical model fails

In many situations, the classical model of acquisition oversimplifies the recipe for success. The 7 reasons why this model fails can be categorized into 3 scenarios: Uphill Battles, The Race to Critical Mass, and High Turnover Markets.

**Uphill Battles**
When customers are unwilling or unable to objectively evaluate a product’s value proposition, companies face an Uphill Battle.

- **Innovative Product Introductions**
  Customers are not aware of their needs or are not currently “in the market.”
  - QR Codes
  - Twitter
  - Zipcar

- **Late Market Entry**
  Late entrants must overcome:
  - Existing brand loyalty and awareness
  - Switching costs
  - Network effects
  - Bing
  - Windows Phone
  - webOS

- **Stigmatized Brands**
  Even if product is well-suited to some segments, customers may still choose alternatives.
  - AOL
  - Sears
  - Blackberry

**Race to Critical Mass**
In some situations, rapid customer growth is imperative from day 1 – companies don not have the luxury of hoping continuous tactical refinements and product improvements will ultimately yield success. When the scramble for customers is urgent, marketing cannot afford to test and learn; the product, marketing, and channel strategies must be optimal at day of launch.

- **Strong Network Effects**
  Customers gravitate to products others are already using. Like social networks and 2-sided markets.
  - Facebook
  - EBay

- **Narrow Success Windows**
  Launch success depends on visibly rapid customer adoption, or channel and ecosystem support will fail. Like developer platforms, Google+, iOS, app store apps.
  - HP WebOS
  - Google+

- **Increasing Returns to Scale**
  Lagging products fall irrevocably behind when the quality of a product itself increases with the number users. Like search engines and recommendation engines.
  - Yahoo Search
  - Netflix
High Turn Over Markets
In certain markets, continuous turnover is guaranteed by the nature of the product, so continuous customer acquisition is essential to survival. A company’s continued viability therefore depends upon optimizing its customer acquisition strategy.

One Time Purchases
A single purchase event with limited repurchase potential or brand carryover.

Infrequent Purchases
Customers may go many years between repurchase. Brand loyalty may exist across products, but habit forming is limited.

Life Stage Products
Goods or services that most consumers will need at a certain stage in life, but will then move beyond. Customers are generally novices in the product category, but form short-term loyalties that can be difficult to shift.

Relying on traditional tactics in these challenging scenarios guarantees overspending and underperformance. Microsoft’s $900 million dollar write down for its Surface RT tablet is just the latest in a series of product launches by major companies that missed targets and produced underwhelming results.

What is needed in these situations is not more investment or better execution, but a fundamental rebuilding of the customer acquisition strategy.

A core set of barriers underlie most acquisition challenges
While the specifics vary by product, market, and company, customer acquisition barriers generally fall into eight categories. Low category awareness when customers are not yet aware of a product category

“Relying on traditional tactics in these challenging scenarios guarantees overspending and underperformance.”
or do not understand how a product will benefit them. **Low product or brand awareness** when customers are not aware of a specific product or brand. **Poor perceptions** when customers do not yet believe the key perceptions that drive preference. **Purchase process friction** when the product is unavailable when or where customers are ready to buy it, or when the channel does not convey brand promise value proposition. **Competitor lock in** when customers face high (potentially prohibitive) switching costs. **Strong ecosystem gravity** when the value of competing products is enhanced by other products customers already use. **Poor brand fit** when customers reject a brand because it does not align with their values or needs. **Poor product fit** when customers reject the product because it lacks key features or capabilities.

The key to winning customers is to understand deeply which unique barriers are at play. In each situation, different categories of barriers tend to be at work.

When companies struggle to add customers, they naturally assume that more and/or smarter investment in Product, Marketing, or Channel strategies are needed.

They frame the question, **“What do we need to do to win more customers?”** – Implicitly reflecting the underlying assumption that the entire target market should be in play, if only the company could execute better.

This optimism leads to unfocused or misguided investments that both overspend on trying to win customers who are unavailable, and ignoring easy wins and higher return investments that could be assembled from a more nuanced understanding of the market dynamics.

The **foundation of a breakthrough customer acquisition strategy** is to recognize instead that the odds are stacked against you: only by building a rigorous, honest, and comprehensive understanding of why every individual in the market is not yet your customer will you be able to create a clear vision of the pathways you must build or nurture to ensure success.
Shared responsibility for customer acquisition

Companies typically hold Marketing accountable for driving customer acquisition, but successful customer acquisition in challenging environments requires a seamless, integrated vision of customer needs and behaviors that unifies tactics across functions responsible for Marketing, Product Design, and Channel strategies. Traditional organizational boundaries can contribute to inertia and tension.

Each function naturally tends to focus on comfortable and familiar tasks, over which it can exert the most control – leaving potential gaps.

<table>
<thead>
<tr>
<th></th>
<th>Typical Focus:</th>
<th>May Lack Authority or Insights To:</th>
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<tbody>
<tr>
<td><strong>Marketing</strong></td>
<td>• Brand/product awareness &amp; perceptions</td>
<td>• Influence product &amp; channel strategies that drive adoption</td>
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<td></td>
<td>• Execution of campaign creative &amp; advertising mix</td>
<td>• Smooth paths to purchase</td>
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<td></td>
<td>• Customer targeting</td>
<td>• Find opportunities to win “non-target” segments</td>
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<td></td>
<td>• Customer satisfaction</td>
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<td><strong>Product Design</strong></td>
<td>• Top features of broad interest to target segments</td>
<td>• Evaluate relative impact of competing features on customer acquisition</td>
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<td>• Novel features to differentiate offering</td>
<td>• Identify drivers of viral product adoption</td>
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<td></td>
<td></td>
<td>• Focus and/or tailor features to capture available/influential niche segments</td>
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<td></td>
<td></td>
<td>• Design product to reduce switching costs or eliminate purchase/consumption barriers</td>
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<td></td>
<td></td>
<td>• Address “brand identity” barriers</td>
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<tr>
<td><strong>Channel</strong></td>
<td>• Maximizing reach</td>
<td>• Ensure brand alignment in channel</td>
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<td></td>
<td>• Maximizing inventory turns</td>
<td>• Influence product &amp; marketing strategies to reduce purchase process friction</td>
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<td></td>
<td></td>
<td>• Drive partnerships that would enhance ecosystem value</td>
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<td>• Enable differentiated channel experiences</td>
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7 tactics for building a more effective strategy

The following tactics enable companies to develop customer acquisition strategies tailored to unique challenges and opportunities. Each tactic yields its own benefits, but they yield substantial synergies if they can be sequenced or integrated with one another.

Focus investment on customers you have a shot at winning.

1. **Sub-segment by “availability”** to enable you to find and ignore “unavailable” targets as well as “non-targets” that represent easy wins.

Develop an integrated model of customer acquisition across Marketing, Product Design, and Channel.

2. **Develop a comprehensive “fall-out” map** that explains why you do not (yet) own every customer.

3. **Define credible, detailed paths to purchase** for your product and competitor products.

4. **Overlay a comprehensive influence model** that accounts for motivational and contextual drivers at every stage.

Identify innovative “high return” tactics to rapidly accelerate customer acquisition.

5. **Find the most impactful sub-segments** that will be easiest to acquire and provide strong “multiplier effects”

Institutionalize, nurture, and reinforce your critical customer acquisition pathways.

6. **Mine for and replicate success**, profiling both your best customers and those you least expected to win.

7. **Prioritize top acquisition pathways** to align consumer insights, marketing measurement, and product development.
1. Sub-segment by “availability”

Typical segmentations overlook the fact that many customers in target segments may be impossible to lure away from competitors in the near term.

Further segmenting your audience by attitudinal and behavioral loyalty enables you to:

- **Decide who NOT to target:** Excluding unavailable customers can help, e.g., clarify which features and perceptions matter most to customers you can actually win – not those unlikely to switch.

- **Spend Less, Add More:** Reaching audiences that can never be converted wastes marketing budget; a better use is expanding the playing field to include “highly available” non-target segments, thereby claiming “easy wins” in the near term.

From: Segmentation Using Conversion Theory - B. Rice & J. Hofmeyr
2. Develop a comprehensive “fall-out” map

A rigorous fall-out analysis provides the basis for a comprehensive blueprint across functions by quantifying: The **relative importance of key barriers to adoption** and the number and extent to which sub-populations face multiple barriers that require integrated, coordinated approaches **across Marketing, Product Design, and Channel.**
3. Map credible, detailed Paths to Purchase

Most marketers now recognize that customers rarely progress linearly through the stages of a marketing funnel (Awareness, Consideration, Preference, Trial, etc.). The rising popularity of Customer Journey Mapping reflects increasing awareness that understanding the purchase process is fundamental to influencing choice. **Customer Journey Mapping helps provide richer insights into potential accelerants and barriers to adoption.**

However, Customer Journey Maps often have **key blind spots** when applied to acquisition:

- **Maps are built from the company’s perspective and touch points, instead of actual customer behavior and motivations.**
- **Companies overestimate how invested the customer is in understanding/purchasing the product, and underestimate the actual barriers to feature discovery or product adoption.**
- **Different customer types may take very different journeys — and may not correlate neatly with existing defined “segments.”**
- **The actual path to purchase is far more complex and detailed than traditional frameworks recognize.**

Customer Journey Maps become far more actionable when they **move beyond the funnel** to:

- Differentiate by segments and competitors.
- Document the full set of specific hurdles that individuals must overcome before purchase, including internal autonomic behaviors.
- Extend beyond the immediate product purchase to use, ancillary services, and broader product ecosystems.
- Identify not just “as is” and pain points but potential disruptive and transformative opportunities.
4. Overlay a comprehensive influence model

Understanding the myriad of perceptions that subconsciously influence customer choice is essential to influencing behavior. Marketers increasingly use perceptual driver models to:

- Understand which messaging pillars most influence customer purchases, and which can be ignored.
- Provide a clear tracking framework to assess effectiveness of marketing investments and social media activity.
- Tailor message and channel strategy to reach different target segments and customer types.

However, marketers often fail to realize the full value of such models if they:

1) Include “unavailable” prospects, muddling insights about what perceptions truly influence available segments.
2) Do not incorporate media reach and impact on credibility of messaging.
3) Do not explore how importance and strength of perceptions vary across the customer journey stage.
4) Limit the model to perceptions, and do not examine factors such as distribution channel, product feature set, and opinion influencers.

Influence models become far more relevant when they can:

- Identify which influencers and mechanisms have greatest reach and credibility.
- Differentiate by segments and current/non-users.
- Extend beyond perceptions to include channel, actions, process, and other influence factors.
- Show varying importance of perceptions at different stages of the purchase process.

Modified from: Advanced Human Technologies “Influence Landscape”
5. Find the most impactful sub-segments

Market segmentation is crucial to product strategy, but often provides limited insight into how to drive customer acquisition. Pivoting, expanding, and/or mining your segmentation in different ways yields relevant targeting insights and opportunities:

**Target “Communities of Adoption”**

Viral adoption is marketing’s Holy Grail, but is extremely difficult to create organically. Tailoring offers and programs to resonate with sub-segments that show intra-group network effects and strong word-of-mouth referrals helps drive adoptions “in chunks” instead of one by one.

**Find “Kingpin Segments”**

Influence marketing typically targets individuals with high Klout scores, which stops short; market segments influence one another as much as individuals do. Finding the “lead pin” segments can multiply the impact of your marketing. Influencer marketing can then focus on influentials that connect different segments, which are the key to large scale propagation.

**Appeal to Passionate Specialists**

Many niche segments prioritize their product choices based on a small number of key features that are very important to them. Finding these niche segments and then ensuring your product is “best in class” for them will help win pockets that are highly motivated to seek the right solution for themselves.
6. Mine and replicate for success

Companies often know who their target customers are, but overlook the potential learnings from serendipitous success.

Public health experts developed the “Positive Deviance” model to find unexpected routes to success based on high performing outliers. Even struggling products attract some customers that overcome purchase barriers or find unusual value in the product. Understanding the motivations of these customers can provide a potential source of competitive advantage or customer acquisition tactic.

Focus on two subsets of customers: “Best” customers – the most fervent evangelists – and “unexpected” customers – those you did not expect to win. Profile their defining attributes, key motivations and beliefs, product use, path to purchase, reasons for rejecting alternatives.

Identify “similar” non-users that can potentially be converted through marketing, product design, or channel strategy.
7. Prioritize top acquisition pathways

Understanding the entirety of factors that influence acquisition success allows companies to zero in on the top Acquisition Pathways – the most frequent combinations of segments, purchase paths, messaging, influencers, and channels that can be expected to yield new customers.

As much as Click Path patterns help optimize web site conversion and Design Personas help inform differentiated design, Acquisition Pathways enable companies to:

- Create differentiated experiences and messaging for different acquisition personas.
- Align investments to smooth and accelerate acquisition paths.
- Monitor effectiveness of your marketing, end-to-end, and identify fall-out hot spots.

SEGMENT: Data Strugglers

<table>
<thead>
<tr>
<th>TOP TRIGGERS</th>
<th>KEY MESSAGING PILLAR</th>
<th>TOP EVALUATION INFLUENCES</th>
<th>PURCHASE CHANNEL</th>
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<tbody>
<tr>
<td>Device Lost/Broken</td>
<td>Worth the Money</td>
<td>Influence 1</td>
<td>Amazon</td>
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<tr>
<td>Pay Raise</td>
<td></td>
<td>In Person Friend/Family</td>
<td>O &amp; O Retail Store</td>
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<tr>
<td>Trigger 3</td>
<td>Does Basics Well</td>
<td>Retail Sales Professional</td>
<td>Corporate Site</td>
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<tr>
<td>Trigger 4</td>
<td></td>
<td>Influence 4</td>
<td>Channel 4</td>
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</tbody>
</table>

# of Customers       Fall Out Points
The Integrated Customer Acquisition Strategy

Taken together, these tactics enable companies to overcome the organizational barriers to developing effective customer acquisition strategy, aligning Marketing, Product, and Channel to help cover gaps and leverage synergies across functions.

**Marketing: Beyond Product Promotion...**

1. Identifies and pursues “acquirable” customers across ALL segments.
2. Finds the communities of adoption and builds buzz, seeds use.
3. Targets the perceptual influencers of brand preference and purchase decision, tailored to stage, and sub-segment.
4. Delivers messaging through channels that will be most influential with target audience.

**Product Design: Beyond building Great Product...**

Prioritizes features and capabilities that:

1. Nail dominant workload for target segments.
2. Drive network effects and viral adoption.
3. Smooth path to purchase / use / reuse for potential adopters.
4. Address larger product ecosystem challenges.

**Channel: Beyond Product Availability...**

1. Ensures sales/channel experience reinforces brand alignment and promise.
2. Helps reduce purchase barriers (switching costs, etc.).
3. Streamlines distribution to ensure minimal friction in actual purchase process.
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For more information on how we can help you develop a breakthrough customer acquisition strategy, contact us at info@lenati.com or (800) 848-1449.