

It's 2009 – Where are Your Customers?

Case Study of Customer Mapping

With the massive shifts in the economy, your customers are moving. Your sales and distribution channels are moving. Do you know where your customers and channels are now; where they are going tomorrow? Recently I worked with a client, Giftventures, Inc. to map their customers and channels.

Challenge—Find the Customers

The target market for Giftventure is parents with children in the 4-12 age range. This is clearly a discretionary consumer product, a significant sales challenge in this environment. In addition, Giftventure is a new concept, which requires some explanation and investigation by the parent before making a purchase. How can an emerging company, with little cash to invest, gain recognition and traction with a discretionary product in a crowded consumer market?

Giftventure needed a compelling, proven go-to-market strategy in order to complete its initial fundraising, so this exploration had to be thorough, fast, and low-cost. The results had to be conclusive and compelling, so Giftventure could focus its scarce resources in the channel that would produce large results, quickly.

Solution— One Channel Demonstrated Superior ROI, Fast Response

Within two months the market exploration identified one channel performed significantly better than others, within the time and budget constraints of Giftventure. As a side benefit, Giftventure now has a map of many channels, which it can develop later, as resources and time allow.

Channel Exploration Process

Working from the specific definition of Giftventure's target market – parents with children in the 4-12 age range – we identified nine channels to reach these parents, shown in the table to the right. Before you read the results, see if you can guess which channels worked, which ones did not, and why?

Channels Explored	
Direct-to-Consumer Advertising	
Internet PR-Articles and Blogs	
Internet Ads—Pay-per-click (PPC) and search engine optimization (SEO)	

Email Campaign Performance		
Primary Source	Expected	Actual
Local PTA/PTO Leaders		
National PTA/PTO Groups		
School Fundraiser Suppliers	Result	Result
Non-profits for Children	30.0%	22.3%
Spam Reports	0.1%	1.0%
Children's Product Retailers		
Opt-Outs	1.2%	1.2%
Opens	2-3%	2.0%
Click-thrus	0.5%	0.3%
Conversions	0.1-0.2%	0.0%

Direct-to-Consumer Internet Advertising

(Sales)		
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For most businesses, pay-per-click (PPC) advertising and search engine optimization (SEO) are usually the cornerstones of a successful campaign—both PPC and SEO drive website traffic based on selected search words and phrases—but that is where PPC and SEO both ran into trouble for Giftventure.

Because Giftventure's product is totally unique, it requires a “missionary sell” that involves educating a new user. As a result,

- searchers do not know it exists;
- key search words and phrases such as “gift adventure,” “unique gift,” “children’s gift” did not generate reasonable conversion rates;
- SEO was ineffective, producing good listing position, but poor click-through and small conversions; and
- PPC advertising proved costly and non-productive, with no click-throughs and negative return-on-investment (ROI) due to PPC charges

Email campaigns to consumers exhibited similar performance problems, but with additional negative side-effects. We started with a sample of 50,000 consumer emails from an opt-in list for parents with children ages 4-12. Hope ran high, because this source had several million email addresses. The campaign split tested email title, content and the sender’s email. But as the table shows, this campaign performed poorly for every test.

Two metrics in particular caused great disappointment.

- **Spam reports, normally less than 0.1%, approached 1%** for this campaign. Additionally, Giftventure temporarily appeared on some spam lists, which was totally unacceptable.
- **Conversions totaled 0.0%**. With a retail price of \$20, the campaign needed a conversion rate of 0.15% to break even. A positive conversion rate, even if below break-even, might have given enough encouragement to continue the experimentation, but a conversion rate of zero completely doomed this channel

Direct-to-Consumer Giveaways

Next we tested giveaways—electronic coupons for free Giftventures. If price or value was an obstacle, a gift coupon might overcome that hurdle. These coupons were given directly to consumers through email, both with and without preliminary contact to introduce Giftventure. The conversion rate was a disappointing 7%. Follow-up interviews with coupon recipients did confirm that price was not the issue. Potential users gave three big reasons for not using the coupons:

1. No upcoming event that could use a Giftventure.
2. Not enough time to learn to use another thing on the internet.
3. Concern about entering private information into a website.

These concerns reconfirmed that Giftventure is a “missionary sell.” As with any new product category, potential users must be educated on how to use it and the corresponding value.

Internet– PR with Articles and Blogs; Advertising with PPC and SEO

Bluntly, these did not work for Giftventure. The short-term spike from internet articles, and blog posts were neither cost-effective nor scalable. The effort to gain an article or blog mention far exceeded the temporary spike in website traffic.

PPC and SEO both drive website traffic based on selected search words and phrases. And that's where PPC and SEO both ran into trouble for Giftventure. Giftventure is a new concept, so searchers do not know it exists and the search words do not describe Giftventure very well. Common search words and phrases—unique gift, gift adventure, fantasy gift, children's gifts—simply do not capture the Giftventure proposition. Even worse, they are very expensive for PPC and very competitive for SEO. As a result, the PPC campaign test proved costly and non-productive. SEO failed to convert because people did not know enough about Giftventure to click on the Giftventure link.

Schools and School Organizations

Paraphrasing Willie Sutton's famous line, "We rob banks because that's where the money is," we went turned to schools and school organizations because that's where the kids are. But, each channel has distinct characteristics that Giftventure could not easily address.

School administrators had only one response—"Contact the PTO/PTA leader." Giftventure does not address any responsibilities or needs of school administrators.

PTO/PTA leader discussions revealed that their sole focus was school-level education enrichment and conducting fundraisers to cover the costs of these programs. That knowledge allowed us to configure Giftventure as a fundraising tool specifically for these organizations. Now groups can register on the Giftventure website (www.giftventure.com/fundraising) and receive a substantial percentage of every purchase made by a customer who selects that organization for a donation.

Unfortunately the custom donation page did not fully satisfy the needs of PTO/PTA's. Typically they limit the number of fundraisers and focus on school enrichment. That means that each fundraiser must generate significant returns, often greater than \$10,000 per event. The Giftventure donation page is convenient, but generates only a few thousand dollars each year. In short, it does not meet the needs of PTA / PTO groups.

School Fundraiser Suppliers

Fundraising events for PTO/PTA groups are extremely competitive. We found websites specifically targeted at helping PTO/PTA leaders to choose among the thousands of fundraising alternatives—from cookie dough to coupon books, from wrapping paper to kitchen utensils.

More importantly, these fundraiser recommenders are often ex-PTO/PTA leaders themselves. They understand this grueling process from the inside and use their personal experience to advise on which fundraisers **work**, which are **easiest**, and which **actually mail checks to the organization**. Giftventure is simple and easy, but it did not generate enough revenue to rate high as a fundraiser. As a result, conversions to sales were poor.

Non-Profits for Children

We identified 200+ non-profit children's organizations to contact on behalf of Giftventure. Starting with introductory emails, we followed up with personal telephone calls to state and national executives at each organization.

Across these non-profits the results were surprisingly consistent. These organizations have two major challenges –delivering program services and paying for these services through fundraising. Just as with the PTO/PTA's Giftventure can deliver fundraising services, but not in the volume these organizations need.

For program services Giftventure can customize adventures for specific situations, but the time and effort needed is more than a non-profit organization can afford to invest.

Children's Product Retailers

The market for children's products is large with hundreds of suppliers—a “target-rich” environment for Giftventure. Good potential partners include Mattel, Fisher-Price Toys, Bratz Dolls, Scholastic Book Services, Lego, Toys'r'Us, MTV, Disney, and other toy manufacturers and resellers. Because these companies are so important Giftventure chose a strategy of direct contact—initial telephone conversations followed up by personal visits. This channel proved very receptive. Currently Giftventure has a sales partnership with My Twinn Dolls (www.mytwinn.com) and is exploring significant relationship with other major manufacturers and retailers. These partnerships have already generated revenues for Giftventure.

Conclusions

- In starting a new product or service line, and especially in starting a new venture, you do not know where your “sweet spot” lies in the market. Don't rely on opinions--embrace your ignorance. You must test.
- Be thorough. It can also be fast. Plan a comprehensive market exploration to test many possible channels, even in spite of your internal biases.
- Only actual market results, supported by wide outreach and in-depth contact with potential customers, can direct you to the sweet spot for your product.

Test many market channels.

Test wide and deep.

Let actual results lead you to your sweet spot.