

The Founder's Role with Customer Acquisition

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Introduction

- Customer acquisition costs have risen

50% over the past five years

What is customer acquisition?

- Acquisition starts at first contact with a new customer and rolls into your strategy for retention
- Customer acquisition covers each aspect of the customer journey, from lead generation to activation, customer loyalty, and conversion rate optimization
- Customers won't always stick around — no matter how good your retention strategy is — so you need a way to fill the gaps

How to create a customer acquisition strategy

Identify your ideal customers.

Measure and improve your strategy.

Communicate with your customers.



Define your goals.

Choose your customer acquisition channels.

Develop a unique strategy for each channel.

Identify your
ideal customers

Ask yourself the following questions:

- What do customers accomplish with your product or service?
- What are your customers' struggles?
- What are your customers' demographics?
- What benefits do customers look for in buying your product(s)?
- Where do your ideal customers find information?
- Why wouldn't they buy your product(s)?
- When does your ideal customer buy your product or service?

Define your
goals

Set goals for your
customer
acquisition
strategy that
account for
customer churn
and current
customer growth

Choose your
customer
acquisition
channels





Develop a unique
strategy for each
channel

Focus on:

- What content your audience interacts with.
- What your competitors are posting.
- What your KPIs tell you.

Communicate
with your
customer base

Customer surveys

Email contact forms

Customer interviews

Social media posts

Blog posts

Measure and
improve your
strategy

Customer
acquisition
analytics can
help you
figure out:

- Where customers hear about your products.
- Where they bought products.
- Where they live.
- Other identifying factors

The Cost of Customer Acquisition

**Three core
elements of a
startup**

Team

Product

Market

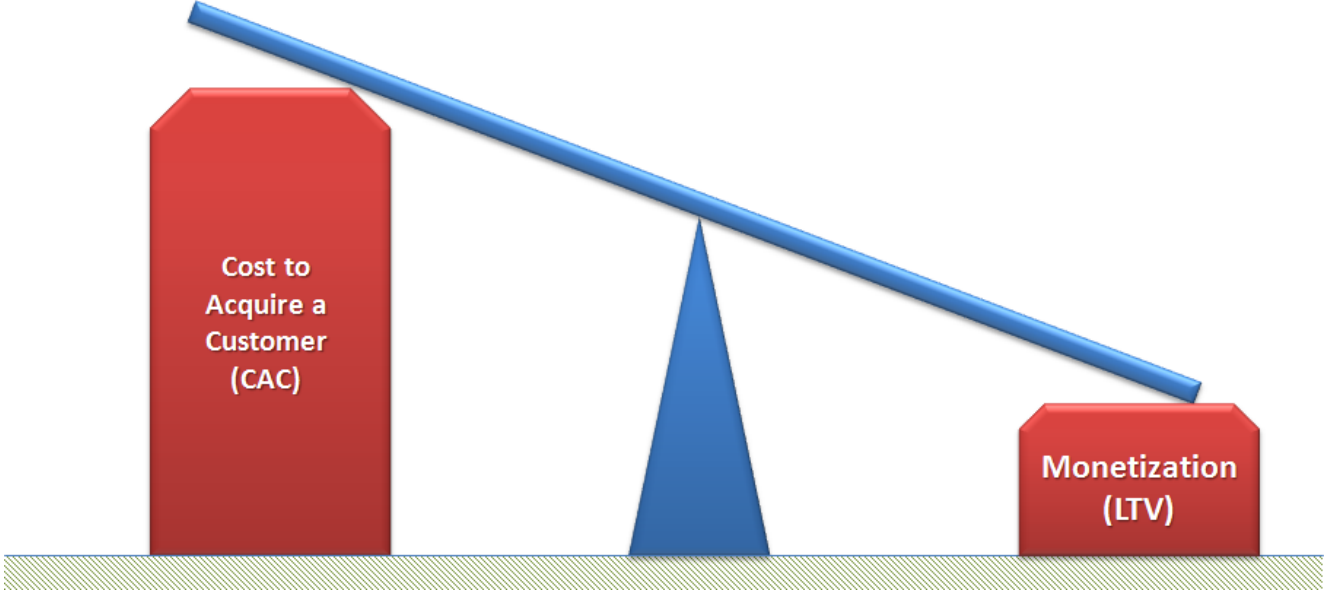
Business Model

**Cost to Acquire
Customers (CAC)**

**The ability to
monetize those
customers, or LTV
(which stands for
Lifetime Value of a
Customer)**

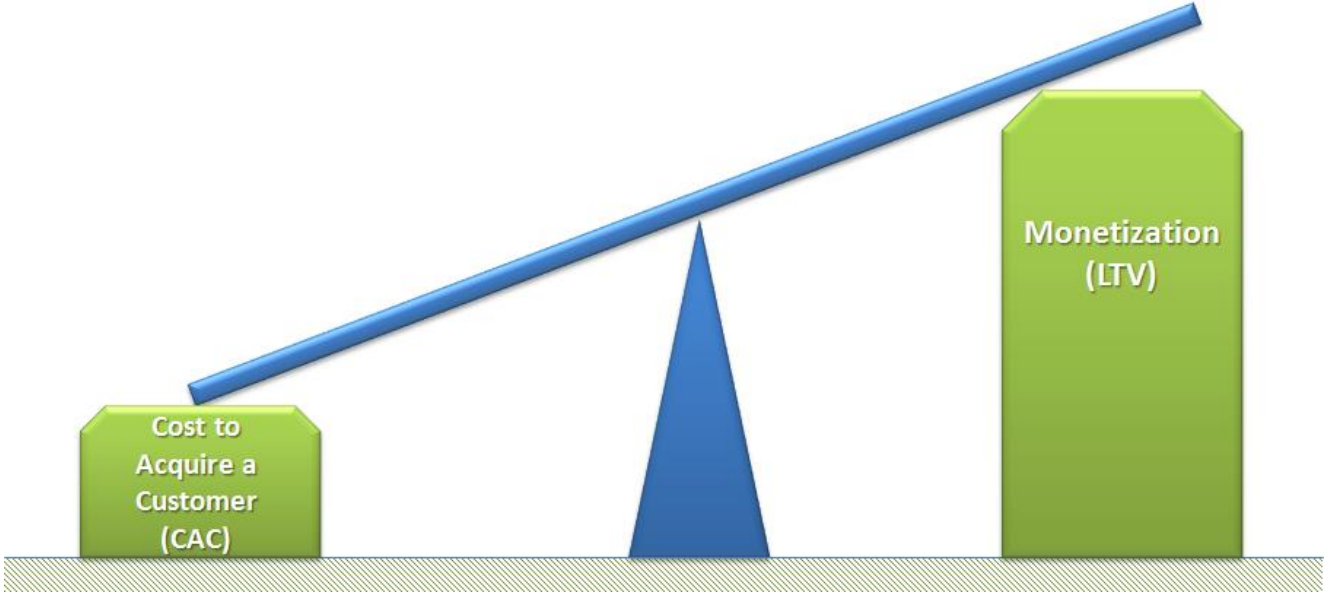


An out of balance business model





A well balanced business model



The
Entrepreneur's
Achilles Heel:
Optimism



Some examples of CAC calculations

Simple Cost of Customer Acquisition Calculation		
Input Variables		
Total Web Visitors	10,000	
SEM cost per click	\$0.50	
Conversion to trial %	5%	
Trial conversion %	10%	
No of Sales & Marketing Staff	5	
Cost per employee per month	\$16,500	
Flow		
	Qty.	Conversion %
Total Paid Web Visitors	10,000	
Trials	500	5%
Customers	50	10%
Cost of Customer Acquisition		
SEM Marketing Spend	\$5,000	
Total Headcount Costs	\$82,500	
Without headcount costs	\$100	
With headcount costs	\$1,750	

Some examples of CAC calculations

Direct Field Sales Force Cost			
(all numbers are annual)			
	Sales	Sales Eng	Inside Sales
Team composition	1	1	0.5
On target earnings	\$230,000	\$140,000	\$90,000
Salary Cost	\$230,000	\$140,000	\$45,000
Overhead multiplier	1.35	1.35	1.35
Salary + Overhead	\$310,500	\$189,000	\$60,750
Total Team Cost	\$560,250		
Avg. team failure rate	25%		
Adjusted team cost	\$747,000		
No. of Marketing people	1		
Avg cost per person	\$200,000		
Marketing programs spend	\$150,000		
Total Marketing costs	\$350,000		
Total Sales & Marketing spend	\$1,097,000		
No of deals per team per year	10		
Cost of Customer Acquisition	\$109,700		

Lessons Learned – Business Planning Stage

- This is going to show you the dependency on several critical variables:
- Cost per lead
- Conversion rates at each stage of your sales process
- Level of touch required

Compare your
expected
monetization

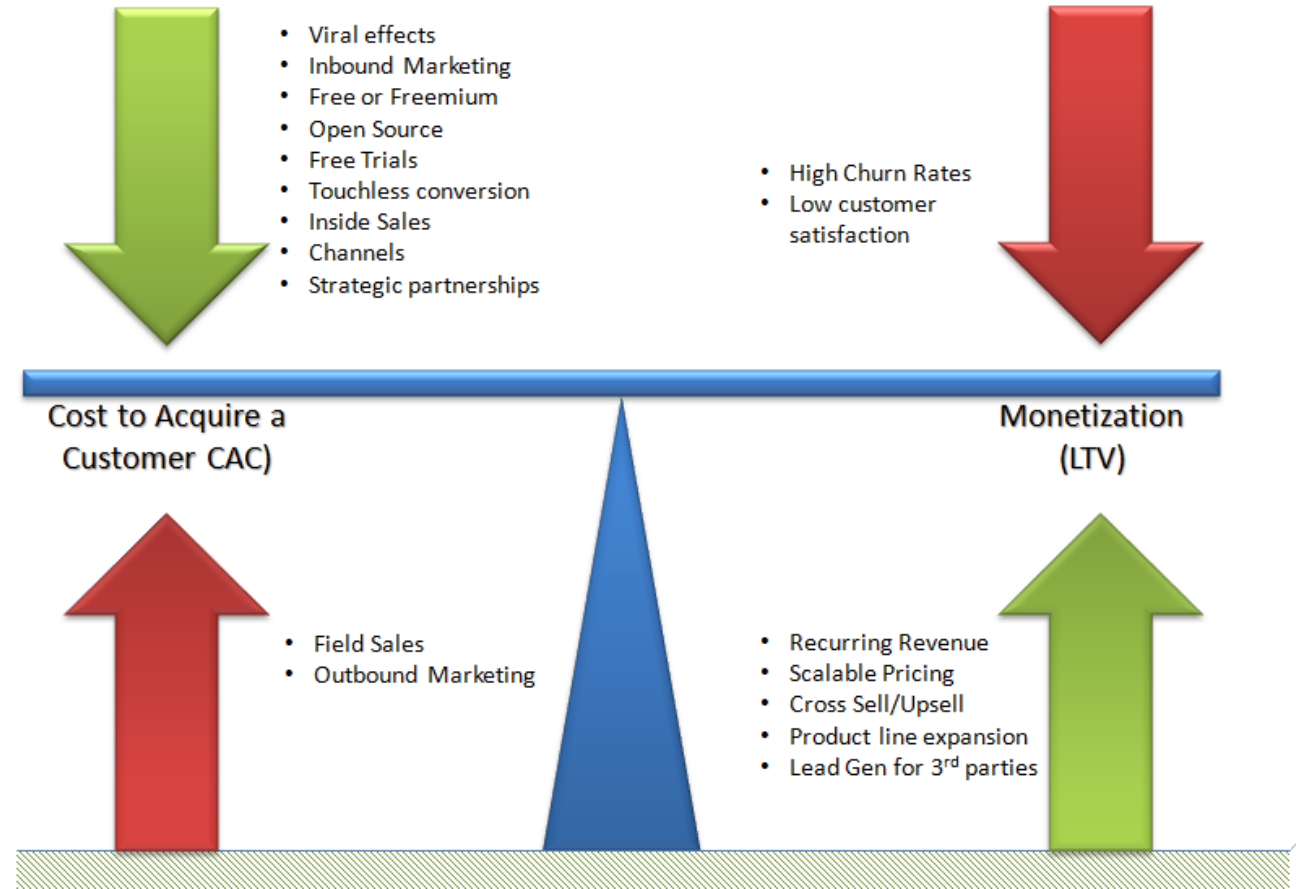
- **LTV > CAC.**
- **Aim to recover your CAC in < 12 months**

Next Generation Business Models

- Extensive use of the web to drive lead flow
- Use of a free product or service to attract web visitors, and aim for a viral spread as they tell their friends
- Use of a free trial, where the customer can easily download, or use a SaaS version of the full product to see if it works for them
- Leveraging the power of your customers' social networks to get viral growth where possible
- Use of the touchless conversion to convert trials to paying customers
- Using low cost inside sales when the touchless conversion is not possible

Balancing Monetization with CAC

What can drive the balance



Lessons Learned

Ways to reduce customer acquisition costs

- Create demo videos that answer every likely sales question
- List the common sales objections that come up in the sales cycle
- Try using customer references to avoid the need for a trial

Options for products requiring high touch

- Sign up OEM deals with strategic partners to leverage their customer base and distribution power
- Consider converting to a channel sales model at some stage in the lifecycle of the business
- Another option is to evaluate whether you can move from field sales to inside sales people

Customer Acquisition Strategies For Startups

- Find Your Users
- Figure Out Where Your Target Customers Are
- Incorporate Video Content
- Get the Word Out
- Give Away Free Stuff
- Produce Quality Content Regularly
- Search Engine Optimization (SEO)
- Develop a Referral Strategy

Find Your Users

The first step to take is finding the right users or potential customers for your startup



Figure Out Where Your Target Customers Are

Improve your chances of customer
acquisition



Incorporate Video Content

Develop multimedia to promote your brand and facilitate customer acquisition



Get the Word
Out



Give Away Free
Stuff



Produce Quality
Content
Regularly



Search Engine Optimization (SEO)



Develop a
Referral
Strategy



References:

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2. **Startup Killer: the Cost of Customer Acquisition - David Skok | forentrepreneurs.com**
3. **8 Proven Customer Acquisition Strategies For Startups - Amit Ashwini | medium.com**