

Crowdsourcing  
customer acquisition:  
a cost-effective way  
to gain customers for  
yo...

[Business](#)



*This article was co-written with*

Our startup, hit an important milestone in June this year, when we reached US\$1 million of sales on our peer-to-peer marketplace for secondhand things. For a small, not-very-well-funded startup, we are very proud of ourselves. We had no fancy marketing campaigns, no popup booths, no professional PR, no outdoor advertising, and only a limited PPI (pay per install) budget. What we do have is a product people love, which makes it possible for us to crowdsource customer acquisition.

First of all, it's important to note that customer acquisition is not like brand marketing, where impressions and awareness are the key metrics. What counts in is when someone becomes a customer that generates revenue, or becomes a user of the product. For most early-stage startups, such as Melltoo, devoting resources to brand marketing is a luxury we cannot yet afford. Right now, what matters is growth that is quantifiable by revenue or users. This is not to say that brand marketing is irrelevant, but given our limited resources, brand marketing is not currently the priority.

### **What Worked Before Doesn't Work Anymore**

Customer acquisition strategies that were once successful in the past have been copied a lot, and many have lost their effectiveness over time. For example, cold emails (aka spam) to targeted users were very effective when Airbnb first automated this on Craigslist in 2009. Today, however, most people have trained their clients to recognize spam, and when these emails do land in the inbox, people delete them without so much as a glance.

The same can be said with social media. Startups assume that acquiring customers must be easy with platforms like Facebook and Instagram. But this is the case only if you can pay them. If you don't have marketing budgets that rival your competitors, getting attention for your enterprise can be difficult. Organic reach on is pitiful, except in cases where you have a niche (aka small) audience that are actively seeking you out. However, if you are a mass consumer-facing product (the best kind to be in small markets like the GCC), trying to reach people organically on social media is like trying to get someone's attention at a crowded party, while they are deep in conversation and the music is on at full-blast as well.

What about content and you ask? These options will only work if your content is truly unique and doesn't exist elsewhere, and again, you need to appeal to niche audiences. It makes sense to devote resources to this if you are in the business of content, where content is your product; otherwise, you cannot compete with people who sell content. Just think of pitting your content against Michelle Phan and PewDiePie, or *Entrepreneur* and *CNN*.

As technology accelerates change in customer behavior, marketers are struggling to keep up. One thing is for sure: there is no one-size-fits-all marketing; every startup, every business, is different, and therefore, how you acquire customers must also be different. The best practices of the past don't apply anymore. Today's customer acquisition strategies are best crafted not by professional marketers, but by the people at the frontlines interacting with customers. Focus on what customers want, and craft your customer acquisition strategy accordingly. Acquire, convert, retain: you've

no doubt heard of this paradigm before. Once you get the customer in the door, you've got to convert them to perform the desired action, and then you need to figure out a way to get them to come back. A good product and service is half the battle, onboarding is vital, and continued lowers your overall customer acquisition costs. This article discusses the first part of this funnel, getting customers into the door.

### **Crowdsourcing Customer Acquisition: What's In It For Them?**

The best advertising for startups is no advertising, because people are conditioned to ignore advertising. So unless your budget rivals Apple, you're not going to get far. You might build brand recognition, but you won't acquire customers. For startups, the most cost-effective way to get customers is through other customers. Think about it as crowdsourcing customer acquisition. Instead of paying andGoogle, figure out a way to "pay" your customers instead. Pay them with your product, which means your product better bring value or this won't work. YouTube shares ad revenue with their content producers. Therefore, content producers are highly incentivized to get people onto YouTube. At the same time, YouTube also allows people to embed videos in external websites, which is akin to dropping breadcrumbs all over the internet for users to find. Website owners get value from this because they don't have to write their own video streaming code, nor do they have to bear server costs of hosting videos. Another example is Facebook: I can't think of many websites today that don't let you sign up with Facebook. The Facebook login is an incredible user acquisition tool. You can't avoid it, and you can't ignore it. Why do developers use Facebook logins and promote Facebook for free? Because

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Facebook shares their user data with developers, and that's how Facebook "pays" them.

At Melltoo, we make our customers our partners. By virtue of being a two-sided peer-to-peer marketplace, we benefit from network effects. Every new user that joins the marketplace adds value to the network as a whole, and thereby benefits individual users. Each additional buyer means sellers have a greater chance of selling quickly, and each additional seller means buyers have a greater chance of finding what they want at the right price. Hence, our customer acquisition strategy focuses on making our users partners in our network. Through Melltoo's referral program, we incentivize users by rewarding referring and referred buyers with credit to purchase in-app, which in turn helps sellers sell faster. We further incentivize referring users if the friends they've referred to purchase or sell in-app by sharing a portion of the revenue with them. Every member of our network benefits and is highly motivated to grow the marketplace.

### **Psychology And Details Matter**

To figure out what your customer acquisition strategy should look like, you need to understand what your users want, and how that can drive your business model. In other words, how can you "pay" users with your product (and not actual money), and still motivate them sufficiently?

Customer psychology matters: you must think like your customers. All marketing messages are essentially calls to action, an attempt to get someone to do something. So whenever you put a out there, think about how a potential customer would react to it. The greatest objection to overcome is the "too-good-to-be-true-so-it-must-be-a-scam" syndrome. As startups, it is <https://assignbuster.com/crowdsourcing-customer-acquisition-a-cost-effective-way-to-gain-customers-for-your-startup/>

our modus operandi to build great products that are genuinely “ too good to be true.” But be careful about marketing it in this way, because, well, nobody will believe you. Human psychology dictates that there is “ no free ride in life,” and people expect to work for something, especially if it’s of value.

At Melltoo, our referral program is effective, because it requires users to work for it. Users have to refer their friends in exchange for free credit to be spent in-app. Referrals take a bit of effort since their friends have to sign up and get verified. In effect, giving referral credit is equivalent to giving users a discount when they purchase something. However, psychologically, having to “ earn” referral credit makes it seem a lot more valuable than simply being given a discount (that everyone else is given as well). What’s more, seeing that free credit balance grow gives users a sense of ownership, like watching a bank balance grow. These factors may seem rather specific, but in the digital age, details matter more than ever before. In a time where everything is in sound bites and the average adult has a five-second attention span, details affect customer psychology, and they can work to either build, or destroy, trust and credibility.

### **Friction Is The Root Of All Churn: It's All About The Flow**

Details make or break customer acquisition strategies. If your strategy takes place digitally, then “ the flow” or “ the funnel” is where all the details are.

What is the first thing that people see? What is the call to action? What happens when they click? Where do they go, what do they see next? What should they do next? What are they thinking along this entire process? The best way to figure this out is to get it tested out by other people. If you want

people to do something, reduce the friction- like they say, stupid. Friction is <https://assignbuster.com/crowdsourcing-customer-acquisition-a-cost-effective-way-to-gain-customers-for-your-startup/>

at the root of all churn. If something is too difficult to do, you will confuse your audience and lose an opportunity to convert a customer. So when you design your customer acquisition strategy, break it down into baby steps, and make sure each step leads into the next one seamlessly. At each step, customers should have only two options: continue or quit. If there is more than one link or call to action at each step, you're doing it wrong. Ideally, there shouldn't even be many steps at all. And most importantly, when you finally get the customer into your "shop," make sure he finds what he's looking for and what you promised him he would find.

In our case, as soon as a new user successfully signs up, he gets AED20 in his Melltoo wallet, which is plainly visible on the main screen in-app. It's not buried in his email inbox, and he never has to hunt for a coupon code. The free credit is applied automatically at the time of checkout, so the user can see exactly how much he saves. That AED20 thus hangs over his head throughout the app experience, which constantly reminds him that he has "hardearned" money to spend. This triggers the psychology of loss, (i. e. people hate to lose something more than they enjoyed gaining it to begin with) which motivates him to spend it in order not to lose it. After the customer makes the first effort of completing the signup process, he never has to think twice about it.

### **Look Forward Not Backwards**

Startups are innovative, and yet, startup marketing often isn't. Startups tend to fall back on tried and tested marketing strategies and find that they aren't effective for them. This is unsurprising. Just as technology changes our daily lives, it changes our behavior as well. It changes how we respond to <https://assignbuster.com/crowdsourcing-customer-acquisition-a-cost-effective-way-to-gain-customers-for-your-startup/>

marketing messages and necessitates changes to marketing strategies.

Today, the best startup marketing is done by people at the frontlines. Your people probably know how to acquire customers better than your marketing team does. By virtue of regular interaction with customers, customer service people know what customers want. Thus, to get started on crowdsourcing customer acquisition, start with what customers want, and then figure out how to give it to them.