

**Course Book**



**ADVANCED GROWTH  
HACKING**

**DLMGHAGH01**

**iu**

INTERNATIONAL  
UNIVERSITY OF  
APPLIED SCIENCES

# LEARNING OBJECTIVES

The **Advanced Growth Hacking** course book gives the reader an overview of the most important components of this subject. Growth hacking belongs to the area of online marketing. The approach originated in the Silicon Valley and has become increasingly relevant all over the world.

Unit 1 provides an in-depth introduction to growth hacking, enabling students to develop an understanding of the ideas behind growth hacking and how to apply it. It also covers the historical background and origins of growth hacking, paying attention to its framework and general conditions. Units 2 and 3 cover ways of generating growth with growth hacking strategies, its workflow, and some basic conditions, like knowing when a product or service is ready for the market (product–market fit). A/B testing is applied to find out which version of a website or application leads to the best possible results. Search engine optimization (SEO) and search engine advertising (SEA), both part of search engine marketing (SEM), are also covered in these units.

Unit 4 deals with increasing sales turnover through customer relationship management and covers content marketing and community management, while also paying attention to social media marketing (SMM) and email marketing. Units 5 and 6 deal with data analysis, activation, and revenue. Students will be introduced to marketing control, monitoring, and key performance indicators (KPIs) in Unit 5, before learning about the role of psychology in digital business models in Unit 6, which also covers freemium business models and cross-selling. Students will develop an awareness of the importance of data analysis to constantly increase a firm's performance. As prospective growth hackers themselves, students will learn to focus on profitability and cost optimization through real-life case studies.

# UNIT 1

## INTRODUCTION TO GROWTH HACKING

### STUDY GOALS

On completion of this unit, you will be able to ...

- define the term “growth hacking.”
- understand the historical development of growth hacking and its origins.
- assess the framework conditions for growth hacks.
- identify real-world examples and ideas for your own growth hacks using case studies.

# 1. INTRODUCTION TO GROWTH HACKING

## Introduction

Growth hacking deals with the following question: How can customer and sales turnover be increased without exponentially increasing costs? The term “growth hacking” was first publicly introduced by Sean Ellis in 2010 in the article “Find a growth hacker for your startup.” In his blog, Ellis asserts that young companies, such as startups, have neither the skills, the experience, nor the financial means to generate cost-effective growth, whereby the term “growth” always refers to increasing sales in the context of growth hacking.

Growth hacking is found mainly in young companies, although established companies are discovering this tool for themselves. Startups, in particular, are looking for inexpensive and effective ways to generate rapid growth. Due to tight budgets or a lack of investment, new innovative methods are often sought to circumvent conventional marketing methods (Lennarz, 2017, p. 1). Growth through growth hacking is also based on the idea of **product-market fit**, which is necessary for growing a venture (Gassner, 2021, p. 5).

**Product-market fit**  
This is the intersection  
between product and  
market demand.

### 1.1 Definition

Growth hacking can be described as a permanent and structured process. The measures of this process have a direct impact on growth. All actions undertaken must be developed, tested, and optimized. It can also be described as an interdisciplinary concept that encompasses the following five levels of action: experimentation, corporate culture, products and services, processes, and customer relationships (Gassner, 2021, p. 15). It’s about increasing the level of awareness of a company, product, or service to the outside world by applying creative ideas. One of the first growth hacks that comes to mind originates with Hotmail (now Outlook.com), which belongs to Microsoft. At a time when use of emails was not especially widespread, it became popular to have personal email addresses, not just a business one. Therefore, Hotmail added a message to the bottom of every email sent: “PS: I love you. Get your free e-mail at Hotmail” (Penenberg, 2009). This simple and inexpensive trick led to an enormous increase in users signing up for a free Hotmail email address. The number soon rose to 12 million of the then-only 70 million internet users, all thanks to a well thought-out growth hack (Penenberg, 2009).

It is almost impossible for one person to possess all the necessary skills of growth hacking. Therefore, the ideal growth hacking team typically consists of a combination of marketers, data analysts, software developers, and product managers, all with one goal in mind: attracting new and returning customers to a business. Herzberger and Jenny (2019) describe growth hackers as technically experienced product managers, creative marketing experts, or developers who “think outside of the box.”

Sean Ellis, who was previously responsible for the growth team at Dropbox in the United States (US), summarized a growth hacker as “a person whose true north is growth” (Maunichy, n.d.). This refers to the clearly dominant goal of a successful online business: There must always be growth. Growth can be in the form of new users or a direct increase in sales, which would appear to be a basic and obvious goal for all entrepreneurs. However, reality shows that larger companies can quickly lose sight of this principle, since teams are no longer working on the same goals and targets are implemented too slowly, simply because there are too many things to be done at the same time (Maunichy, n.d.). To put it simply, there are too many decision-makers in many companies and, as a result, agility and goal orientation are often lost.

Even though growth hacking does not typically use expensive conventional advertising media, such as television, radio, and print advertising, this doesn't mean growth hacking is free and straightforward to implement. According to Maunichy (n.d.), growth hacking originates in the startup scene, where there is a general shortage of resources, which leads to many people believing that growth hacking is a cheap measure to avoid conventional advertising formats. This is not the case, since it can take a lot of time to try out new growth hacks over a long period of time, often lasting many years.

Unlike the Hotmail example above, not every attempt at growth hacking will be successful because growth hacking is a process (i.e., an organized, planned approach; Lennarz, 2017). The growth hacking process is all about the interaction of product development, a growth-oriented business model, control of the right marketing channels (including valid user tracking), and highly agile implementation skills. Accordingly, there is never just one growth hack that leads a company to exponential and infinite growth.

Maunichy (n.d.) recommends the following measures to create a solid basis for the first steps in growth hacking.

### **Facelift Your “About Us” Page Online**

Customers are interested in the people behind a company. How often do we look at the “Team” or “About Us” page? This is very common, which is why this area of a website must be clean, clear, and even entertaining.

### **Move Faster**

Users who have to wait longer than three seconds for a page to load on a computer or five seconds on a mobile phone usually click back on the search page and select an alternative website. Amazon invests more than any other company in research and development and discovered that if their website took just a second longer to load, they would lose around \$1.6 billion (Eaton, 2012). It is important for the loading speed of an internet site to reduce the file size of images, which is possible without a downsizing in quality of the images used.

## **Use Your Customers to Review Your Business**

Ask your circle of friends and acquaintances and you will probably discover that most of them rely on the reviews of other consumers on the internet. Whether it's TripAdvisor when it comes to visiting a restaurant or Booking.com for selecting a hotel, customer reviews are important in helping people make decisions. Some shop operators buy positive reviews, which can be relatively cheap, but this is not creative or even necessary. For example, all customers who leave a positive Google review for H&H Nails and Lashes in Stuttgart receive a 20 percent discount on the services offered at the beauty salon (Milaneo, n.d.).

## **Make Use of Videos**

Marketing experts have been relying on videos since at least 2019. Consider Instagram, Facebook, Twitter, and TikTok as some examples where the importance of videos in the form of stories is increasing, regardless of whether it is content from private individuals or companies.

## **Work With Pop-Ups**

Even though many internet users find pop-ups annoying and immediately close them, users still come into contact with them and are offered a product or service.

## **Social Media Presence**

Depending on which target group you want to reach, TikTok, Instagram, Facebook, etc., enable people to sell products and services. It is also important to consider that the more likes and shares a post gets, the more interesting it becomes for the provider's algorithms. In concrete terms, this means that if a company has 2,500 followers on Instagram, their fans will not automatically see each post every time, as the posts are only displayed to some of the followers. The more reactions a post gets, the more followers see the post.

## **Add "ALT Tags" to Product Images**

With ALT tags, images can also be found in search engines, meaning the number of keywords increases.

## **Sell at Events**

This does not mean that you should run a stall at the weekly market, but there are many local trade fairs, shows, and exhibitions in large cities where participation is inexpensive. One example is Made in Stuggi, a consumer trade fair for regional products in the Stuttgart area, where numerous sellers from a wide range of industries offer their products and services (Made in Stuggi, n.d.). It is obvious that the level of awareness of a company can be increased quickly and inexpensively in this way, with lots of opportunity for brand exposure to large audiences.

### **Rent a Pop-Up Store**

This is another way for customers to meet you and your products or services. Online eye-wear retailer Ace & Tate had such success with a pop-up store that they were encouraged to regularly open new offline stores in various major cities in the form of pop-up-stores, which are usually just set up and running for a period of time. Once one of these temporary stores was set up, Ace & Tate would then draw people to their website and benefit from online sales (Antonia, 2015).

### **Become a Sponsor**

Sporting brands often like to sponsor young and old talent alike. The German snowboarding brand Schneebrett equipped snowboarders with free material, boards, and clothing. In return, the athletes had to leave regular posts and hashtags on Instagram and Facebook.

### **Create Content for Blogs and Forums**

You do not have to be a content marketing specialist to make use of this simple measure. It is not difficult to quickly find relevant bloggers talking, writing, tweeting, reporting, and broadcasting about your product or service.

## **1.2 Historical Background and the Origins of Growth Hacking**

Although the term itself was coined and recognized as an independent concept in 2010 by Sean Ellis, growth hacking is not a new idea. Ellis was followed by Chen (n.d.) with his contribution for a blog, “Growth hacker is the new VP marketing.” The short-term rental platform, Airbnb, which owes its success to growth hacking, serves as a case study. How could Airbnb gain so much popularity in such a short amount of time, without a large budget, and with (purportedly) high expenses and a non-existent advertising budget? The answer is Craigslist, an American advertising company. This platform is comparable to eBay in other countries and contains classified ads (Craigslist exists in Germany but is not as popular as eBay). In the early days, Airbnb placed all rooms, houses, and apartments on offer under the sections “Rooms Wanted,” “Apartment,” or “Real Estate” on Craigslist. This temporary hack, which was eventually stopped by Craigslist, was enough to bring Airbnb significant early success (Ellis & Brown, 2017). Thanks to originality, creativity, and simple programming skills, the company used an established platform to become acquainted with their established user base and fully tap into their features of renting rooms, houses, and apartments.

Growth hackers are labeled as a mixture of programmers and marketers who use modern marketing tools, such as A/B testing, viral marketing, landing pages, and email deliverability. For example, TechCrunch (2012) presented growth hacking shortly after its inception as a mindset that requires creativity, content, and curiosity.

Burgard and Petzer (2014) describe growth hacking as “tactics (‘hacks’) to increase key figures that are important for the company” (p. 7). The main goal of growth hacking is low-cost growth, in other words, increasing sales and development without having to invest heavily in expensive and conventional advertising strategies. The focus here is on the lead generation, namely contacting high-quality prospects who are converted to customers and are to be bound to the company in the long term and in any way possible. To maximize their reach, growth hackers rely on a combination of different measures and marketing channels, such as content marketing, email marketing, search engine optimization (SEO), viral strategies, social media, community management, A/B testing, data analysis, and product development. The image below shows the individual components that can help generate cost-effective growth and lead generation.

**Figure 1: Components of Growth Hacking**



Source: Georg Bouché (2023), based on Kotler et al. (2017).



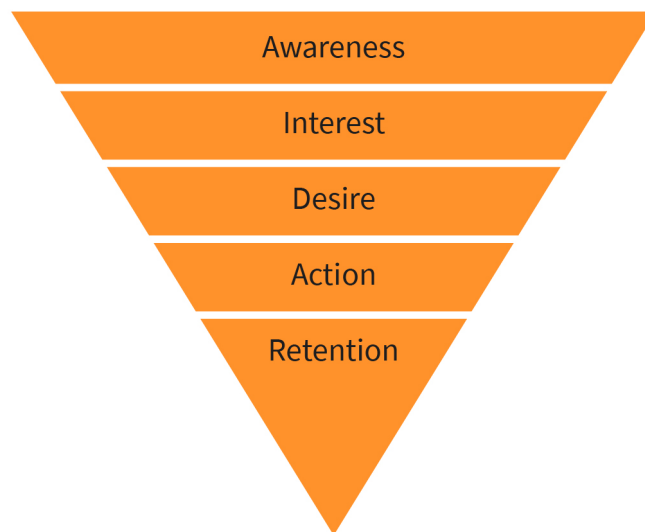
Product development is strongly influenced by growth hacking, as the product itself has significant intrinsic value in (or on) the growth process. A product comes onto the market when it is “product–market fit,” or ready for the market. In this way, the first turnover can be generated, a product can be made “known,” and potential customers attracted, even though the product or the service offered (i.e., via an application) are not fully developed.

In their book *Growth hacking: Silicon Valley’s best kept secret*, Fong and Ridderson (2017) describe this novelty as an imaginative and innovative market strategy designed to achieve highly leveraged growth for a business.

## 1.3 Framework and Conditions

To visualize growth hacking measures, some funnels from marketing can be used as a first step (Gassner, 2021, p. 70). Before we discuss this funnel, we need to understand the concept of the classic pre-sales funnel. Put simply, it is all about what happens before the purchase is made, until a company can call a prospect a new customer.

**Figure 2: The Classical Pre-Sales Funnel**



---

Source: Georg Bouché (2023), based on Kamps and Schetter (2018, p. 6).

Anyone studying marketing at university cannot avoid the attention–interest–desire–action (AIDA) formula. This simple idea represents what we find in the funnel above. The “A” refers to attracting attention, the “I” represents the idea of arousing interest, the “D” refers to the desire of potential customers wanting to buy a product or consuming a service, and the last “A” is action. The idea of this model is to display how companies manage to get potential customers to buy a product or service. The pre-sales funnel adds another component to the AIDA formula: customer loyalty. How do consumers become loyal to a

company and not buy from the competition? This is where customer relationship management (CRM) comes into play. This refers to the systematic management of customer data and the loyalty of prospective customers to a company.

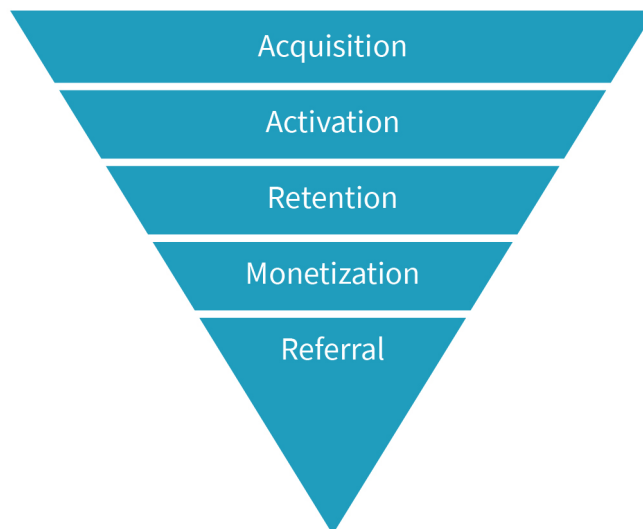
#### Pre-sales funnel

The funnel shows the stages that customers go through until they make a purchase decision. It runs from the lead generation phase through the development of leads to the conversion into qualified leads (Kamps & Schetter, 2018, p. 6).

Important aspects, such as key figures and measuring the success of the campaigns, also play a role in connection with the **pre-sales funnel**. The questions “Which measures work?” and “How can success be measured?” are important for this topic. Above all, however, it is also about expanding the customer and user base, as well as expanding the existing business, so that the funnel becomes the most important part of the growth hacking strategy. Prospects are made aware of a company, product, or service and continue down the funnel until they convert to customers.

In this context, performance marketing also comes into play, which is also characterized by the fact that firms are able to know – promptly and transparently – the value of a click, specific advertising campaign, lead, or completed transaction. Specifically, the advertising budget spent for the respective campaign is then divided, for example, by the number of clicks to calculate the cost-per-click (CPC). It should be noted here that performance marketing – if it is offered by service providers (e.g., agencies that work on behalf of a company) – can also be billed based on success or performance (Kreutzer, 2021, p. 112). This is where the growth hackers start to sweat. How do they avoid spending on agencies? Before answering this question, let’s move from the pre-sales funnel to the growth hacking funnel.

**Figure 3: Growth Hacking Funnel**



Source: Georg Bouché (2023).

The growth hacking funnel can be broken down into the following stages:

1. The first step is about acquisition, winning new customers, and attracting them.
2. The second step is to convince potential customers to use a product or service. This step can be referred to as “activation.”

3. The third step relates to customer loyalty.
4. Losing clients should be avoided, so that in the fourth step, constant cash flow can be achieved in the form of income, which can then be referred to as monetization.
5. Finally, the fifth section of the funnel is about getting users to recommend a firm, product, or service.

After drawing attention to a product or service, potential customers should purchase the product or service. The growth hacking funnel is reminiscent of Kotler et al. (2017) and the so-called 5As approach of the customer journey (customer path), which is structured in a similar way to the AIDA formula: awareness, appeal, ask, act, and advocate. But now, the specific question is how to get new potential customers to go “through” the funnel. The following options point out several possibilities for how firms can get into contact with their target group.

### **Email Marketing**

Email marketing represents a growth hacking measure that can lead to a high return on investment (ROI; Kamps et al. 2018, p. 73). To be applied successfully, a corresponding list of email addresses must be created and maintained. Building an email list is time consuming, but there is another hack to increase the amount of data. An “intent pop-up” linked to a lead magnet can be used, so that if visitors want to leave a website or web shop, the lead magnet offers the visitor a discount or any other form of compensation so that they leave their data, especially their email addresses. This means that interested parties can be addressed at a later point and encouraged to convert to customers. This procedure has proven to be successful with growth hackers and is now used in many digital business models.

### **Storytelling**

Maunichy (n.d.) points out that the hype around storytelling cannot be ignored. It has been known for decades that authentic stories of one’s own firm or those told by “influencers” attract attention. About You, an online mail order company for clothing and shoes, is well-known in operating markets because of the About You Awards. The company is present in the media, as well as with celebrities and very important persons (VIPs). Due to the importance of social media marketing and the popularity of influencers, they are nominated for the About You Awards (About You, n.d.). This idea serves as a growth hack, but About You goes even further with a feature that was built into its shop page, the “About You Stories.” If you click on “Stories” on the website menu, you can choose a story. For example, “festival style,” “best of blouses,” “back to boho,” “vinyl love,” or “lost in lace” can be selected here. Stories are then told with the help of emotional images and texts. The goal is for visitors to be inspired by the stories, and About You already has customers where they want them to be: on their own page spending money. At the end of each story, various products are also offered for immediate sale (About You, n.d.).

## **Discounts and Social Sharing**

The influence and potential that social media users have on other interested parties should not be underestimated. Therefore, followers and existing customers should be given the opportunity to share an offer on different platforms and, thus, make a recommendation. Incentives in the form of discounts should also be granted for this in return. This significantly increases the proportion of customers who use social sharing to recommend a product or service.

## **Gamification**

Another measure for successful growth hacking is the gamification of the onboarding process. Onboarding refers to acquiring new customers. User-friendly onboarding helps to increase customer loyalty and minimize possible user migration. For this growth hacking strategy to work, it needs a creative onboarding workflow that helps users understand the product or service and encourages them to recommend it to others.

## **Free Goodies**

Free products, also known as goodies, easily attract the attention of potential customers. These free products on a website (e.g., in the form of a gift tailored to the target group) can lead to the purchase of additional products. Even if it seems counterproductive at first, this approach usually leads to an increased number of visitors and increases customer loyalty. It also increases the level of awareness of a brand or a company.

## **Sweepstakes, Raffles, and Prize Draws**

The advantage of sweepstakes and raffles lies in the high degree of interactivity. If interesting articles or services are on offer, the recommendation rate is high and may even be a prerequisite for participation. For example, attractive products can be given away in form of a raffle on social media and provided with hashtags, then other people in the post can mark them too, which in turn increases visibility and can lead to viral distribution. The brand name should also be visible.

The cloud storage service, Dropbox, serves as the classic example of growth hacking and is one of the most cited growth hacks for finding an ingenious and inexpensive way to increase users without “breaking the bank” on ads. The free cloud storage service enables its users to upload files, share them with other people, and access them independently from any device, be it a laptop, desktop computer, tablet, or smartphone. No advertising budget was necessary, as the company simply utilized existing users to attract others (Van-DeBrake, 2022). To achieve this, the Dropbox accounts were connected to Facebook and Twitter and users who had connected their accounts and attracted more users via these social platforms were given additional storage space. The number of recommendations skyrocketed, and the customer base grew within a very short time. The company did not have to do much, other than provide additional storage space. This created a free opportunity to reach new customers and generate exponential growth thanks to unconventional ways of thinking and creativity. Ellis and Brown (2017) show how this growth hack led to

500 million users, and the Dropbox brand has become ubiquitous ever since. Further actions followed, for example, with students who recruited other students, which in turn led to even more growth.

The Internet World Business platform provides examples of further growth hacks with which Dropbox has increased both its number of users and fame. It is exciting to explore how a startup could become a billion-dollar company in just a few years. The free cloud storage service, founded in 2007 by students Drew Houston and Arash Ferdowski, is trading for more than \$10 billion, despite (or perhaps because of) the fact that the two founders did not spend any money on advertising. Dropbox has achieved something that has had a lasting impact on the growth hacking movement.

One of the secrets of Dropbox's success lies in its simple homepage. A two-minute explanatory video was included at the beginning. Five short text passages are also included that clearly summarize the most important functions in a few lines. The login or registration area is also prominently positioned in the user's first field of vision. For first-time visitors who read the explanations, there is also the opportunity to register for the service at the bottom of the page. Instead of relying on an overloaded and possibly confusing start page, Dropbox concentrates on the ever-true motto: less is more. Students are encouraged to visit Dropbox to see these features for themselves and see if they can identify any other features.

Simplicity is also a key feature during registration. Users who are interested in Dropbox do not have to store their data on the web but can enter them on their desktop applications after downloading. Once the download is complete, the new user will automatically find a document with operating instructions for the first steps in the application. This makes the familiarization phase easier for the user.

Since the existing storage space in Dropbox can quickly become a limiting factor, the founders have come up with a concept that users and companies will benefit from at the same time. Existing users can employ a recommendation function to invite friends to Dropbox via email or social media in just a few clicks. If a friend then also registers with Dropbox, both parties benefit: the inviter and the invitee. All participants receive additional storage space. According to co-founder, Drew Houston, the referral function increased sign-ups by 60 percent in the beginning (Decker, n.d.).

Everyone who deals with the topic of online marketing knows that social media are inexpensive channels for the publication and announcement of companies, products, and services. Dropbox also relies on the effect of social media. Users who follow the official Dropbox accounts are rewarded with more storage space. The official Dropbox account on Twitter currently has around 4.25 million followers (Erleben, n.d.). The number of people who are following due to the extra storage space is unclear.

Another Dropbox growth hack is the unrestricted availability of the service. Regardless of the medium, brand (e.g., Microsoft or Apple), and usage situation (e.g., whether stationary or mobile), Dropbox is available to all users. For a long time, for example, the Clubhouse

app only focused on Apple customers. It was not possible to use the Clubhouse offer with another operating system. Dropbox, which relies on mass appeal, naturally refrained from such an approach.



#### **SUMMARY**

Startup companies, in particular, have been able to achieve exponential growth rates through growth hacking and have, thus, achieved a global presence and increased their level of awareness enormously. These include, for example, the file-sharing service Dropbox and the online portal Airbnb for renting and booking accommodation, all of which are now well-known worldwide.

The successful strategies and growth hacks of these and other companies have been discussed in this unit. Even if growth hacking is particularly important for startups, it is relevant for companies of all sizes and can become indispensable not only for companies with digital business models. With the oversupply that exists, companies must stick out in a crowded marketplace. The creative approach of growth hacking is one way of making some noise.

Growth hacking enables companies to achieve above-average growth in a short time, once a growth idea is successful. It should be noted that growth hacking must always be carried out in a product and company-specific manner and that there are no universal strategies and measures that will always lead to success. Successful growth hacking measures can be quickly recognized and adopted by other market participants. Therefore, growth hacking focuses on experimenting with various measures and quickly implementing promising hacks. Establishing a functioning business model as a solid basis should also not be neglected. Continuous investments must be made in the company to drive growth with the help of growth hacking.

# UNIT 2

## GENERATING GROWTH

### STUDY GOALS

On completion of this unit, you will be able to ...

- understand the term “growth” in the context of advanced growth hacking.
- identify the correct time at which a company is “product-market fit.”
- explain and apply the term “funnel management.”
- assess and understand the user experience.

## 2. GENERATING GROWTH

### Introduction

In business, the growth of a firm can be described as the increase in size of a business in quantitative or qualitative terms. This means that a firm wants to improve both in terms of sales and the quality of its products and services. The following questions, discussed in this unit, will help a business to grow:

- When is a product or service ready for the market? When did we achieve the status of “product-market fit”?
- How can we use funnel management with a simple top-down model to analyze and critically question the number and quality of potential customers in the individual steps?
- How can we increase the user experience so that customers remain loyal to a company through a positive purchasing experience?

### 2.1 Understanding the Customer

How can the number of customers and sales be increased without exponentially increasing costs? Growth hacking deals with this question. The pioneer of the term “growth hacking,” Ellis (2010) describes how marketers typically don’t have the skills needed in a startup to generate cost-effective growth. Ellis identified the “growth hacker” as the optimal solution and describes growth through growth hacking with the idea of product-market fit, which is necessary as part of the growth hacking theory (Gassner, 2021, p. 5). Growth hacking is mainly found in young companies, although established companies are increasingly adopting it. Startups are eager to find inexpensive but effective ways to generate growth; due to tight budgets or a lack of investors, new and innovative methods are often sought to circumvent conventional marketing methods (Lennarz, 2017, p. 1).

Therefore, the ideal growth hacking team typically consists of a combination of marketers, data analysts, software developers, and product managers, all with one goal in mind: attracting new and returning customers to a business. Herzberger and Jenny (2019) describe growth hackers as technically experienced product managers, creative marketing specialists, or developers who think outside the box; in other words, people whose “true north is growth.”



## 2.2 Developing a Business Model

Chen (n.d.) adopted Ellis's term in his blog and on other sites, where growth hackers were presented as a mixture of programmers and marketers using modern marketing tools, such as A/B testing, viral marketing, landing pages, and email deliverability. TechCrunch (2012) presented growth hacking as a mindset that requires creativity, content, and curiosity.

Burgard and Petzer (2014) describe growth hacking as “tactics (‘hacks’) to increase key figures that are important for the company” (p. 7). The main goal of growth hacking is low-cost growth. The main focus here is on lead generation (i.e., contacting high-quality prospects who are converted to customers and loyal to the company in the long term). In order to maximize reach, growth hackers primarily rely on a combination of different measures and marketing channels, such as content marketing, email marketing, search engine optimization (SEO), viral strategies, social media, community management, A/B testing, data analysis, and product development.

## 2.3 Product–Market Fit and Positioning

Product–market fit is about determining a need for a product or service in the market. Perhaps the founder of a company has an idea they think will take off, but for which there is no market demand – the founder may decide to be practical and decide it is not worth implementing. However, a firm should not wait too long before launching a product or service, even though it might not be fully fleshed out. So, the product–market fit concept actually refers to two concepts: On the one hand, a firm is ready to launch its product or service, which is fit for the market; on the other hand, some features may not yet function properly (or only a beta version of the product or service is published). A key message here is that growth hackers should not growth hack without considering the product–market fit. This means that the demand for a product or service (and, thus, growth) can only be generated if it offers customers added value. The founder of a company wants to find out if their offer is ready for the market and whether they can generate enough sales.

This is where **market research** comes in. According to Lake (2019), market research is one of the most established sub-sections of marketing science and is important for growing a business. Market research goes hand in hand with marketing.

A business must find out what is popular on the market and what could turn out to be more of a slow seller. For online trading in particular, businesses are not in constant contact with their customers. Often, they can only find out from ratings (i.e., reviews on the internet) whether customers are satisfied with their offer. In addition, ratings are often only given if a person is either unhappy with the product or service or very enthusiastic about it. But what about all the users whose views fall between these extremes?

### **Market research**

This refers to the systematic collection, processing, analysis, and interpretation of data about markets (customers and competitors) for the purpose of making marketing decisions (Homburg, 2017, p. 250).

Master craftspeople, like electricians or local retailers, have a clear advantage. In a best-case scenario, they learn what their customers want and can directly observe how they react to the offer. But companies that operate internationally or market their products and services via the internet do not have this clear advantage, as they are not in direct contact with their clientele.

How can they find out in practice whether a product is product–market fit? The following approaches are instructive (Tideman, 2022):

- Focus group interviews involve the simultaneous questioning of several (usually six to ten) respondents. To this end, people are invited to take part in discussions, which are led by a trained person.
- Interviews can either be standardized or varied depending on the individual circumstances. Here, companies are trying to find out if the person would feel a sense of loss without the product offered or where to look for an alternative if the product was not available.
- Surveys can be carried out simply, effectively, and without much financial output via the internet, for example, with Survey Monkey and Google Forms. In both cases, registration is free.
- Observations, where phenomena are witnessed, observed, and sometimes recorded “on-the-spot.”

All of these approaches are designed to help determine whether a product or service is ready for the market. The examples below will also help us better understand the product–market fit.

### **How Microsoft Learns From Their Clients**

Satya Nadella led the Microsoft group to the “fast lane” in many ways. He gave the dusty image of the large corporation a completely new face and focused on the needs of the customers. To find out more about Microsoft’s customers, they were invited to the annual company retreat. According to Herzberger and Jenny (2019, p. 115), dozens of teams meet with pupils, students, teachers, and managers to understand their concerns. This strategy is well thought-out because only those who understand people’s problems can solve them. All of these measures help Microsoft understand whether their products or services really serve their customers as well as they possible could or whether changes are required.

### **Slack: The Cloud-Based Tool**

Daniel Stewart Butterfield, known for having founded the photo community, Flickr, established another company: Slack. This cloud-based team communication tool is mainly used by agile companies (and especially startups) as a replacement for internal emails. Shortly after it was founded, Slack sought close contact with its target group, which consists of startups, to create a product that exactly met their needs and would, therefore, be used regularly. The classic example of product–market fit shows how customers, multipliers, and references can be won very early on, which, in turn, promoted rapid spread and made Slack a successful startup (Herzberger & Jenny, 2019, p. 115).

## The Stable Product–Market Fit

Sean Ellis follows a simple rule: Without a stable product–market fit, no growth hacking measures are worthwhile (Herzberger & Jenny, 2019, p. 117). The question he asks the first users at the beginning of a project is the following:

How disappointed would you be if this product no longer existed?

1. Very disappointed
2. A little disappointed
3. Not disappointed
4. Don't use it anymore

But when do we achieve a stable product–market fit? Here, too, Sean Ellis has an answer ready: If at least 40 percent of the users indicate that they would be disappointed if the product in question disappeared from the market, one can speak of a stable product–market fit and generate growth through sales.

## Minimum Viable Product (MVP)

The term **minimum viable product** (MVP) is often used in connection with product–market fit. Another related term is “minimal survivable product.” MVP refers to a prototype, namely, a version of a product or service (such as software) that can already be used or applied but is not yet mature. Famously, Reid Hoffmann, one of the founders of LinkedIn, stated that if you are not embarrassed by the first version of your product, then you've launched it too late (Herzberger & Jenny, 2019, p. 121). An MVP is ideal for testing product–market fit, as discussed in more detail below.

### Minimum viable product

If a prototype is already so far developed that it can be sold, then it should be launched. This is often the case with video games or applications. It is then referred to as a minimum viable product.

## The Fake Door Hack

Rubber boots (known in the United Kingdom and elsewhere as Wellington boots or “wellies”), seem to be a niche market. Operators of e-commerce shops must consider whether it is worth storing them. What if there is no demand for rubber boots? Expensive storage space is occupied in warehouses. Before operators of online shops include rubber boots in their range, they can use a simple hack to find out whether customers are interested in rubber boots or not. All that is needed is to program a “fake door.” Rubber boots have to be created as a product and prominently displayed on the page. If the customers then show interest and click on the “fake door,” they will quickly see that the rubber boots are not yet available. And to convert the visitors into customers in a later step, the business can offer the option of leaving the email address and name with the help of a sign-up form. Then the interested parties are informed as soon as the customer's interest has been measured and assessed with the fake door.

## Smart Socks

For all parents, the offer of Owlet and their “smart socks” for babies seems too good to be true. Smart socks send data to parents' mobile phones and, thus, serve as an early warning system as soon as a health problem arises. Unfortunately, the Owlet founders discov-

ered, after initial market validation, that hospitals were not willing to pay money for their product. But that didn't stop the young business. With a simple trick, they became very successful: Owlet recorded a video to test how parents would react to the Smart Socks offer. The video was broadcast by various well-known media outlets and many parents asked Owlet directly where they could buy the Smart Socks. It quickly became apparent that there was a market for Owlet's product, although the United States Food and Drug Administration (FDA) has insisted that they cannot be marketed as medical devices (Fleming, 2021).

## 2.4 Sales Channels and Funnel Management

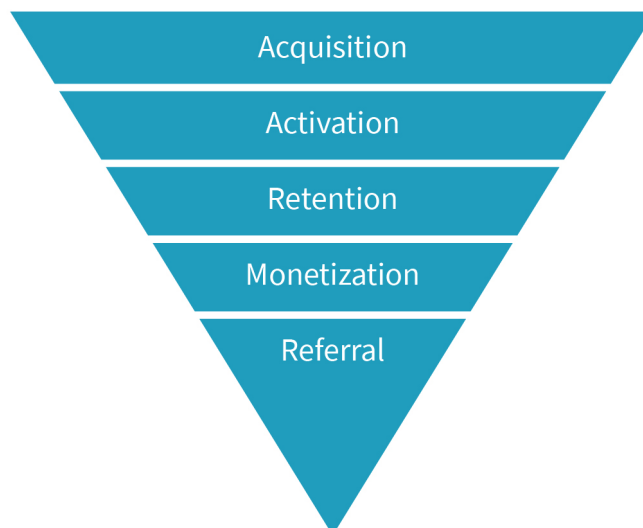
The "sales funnel" is a simple, multi-stage phase model that plays an important role in growth hacking. This sales funnel, also called a "sales pipeline," helps businesses find out which contacts are generated and which can be converted into sales (to put it simply). In this context, we are also talking about funnel management. Prospects who visit a website will not all stay on the site until the purchase is completed. Many visitors will leave the site without making a purchase. So we have a broad mass of **leads**, all coming "down" the funnel. After the first contact, leads and providers need to get to know each other better. Not all leads will go down the funnel, meaning that the funnel becomes narrower when fewer interested parties remain. "Hot leads" (i.e., really interested contacts) remain until the bottom of the funnel, with whom the chances of concluding a contract are very high. Therefore, the lowest, narrowest part of the funnel is filled with valuable potential customers.

### Leads

In sales, business administration, and marketing, the term "leads" refers to (initial) contacts with potential customers, or "prospects." Depending on the context, the term is viewed differently in different organizations. In some cases, a lead can be more than just contact with interested parties.

Now let's apply funnel management to growth hacking (see the image below):

Figure 4: Growth Hacking Funnel



Source: Georg Bouché (2023).

The growth hacking funnel is divided into five phases: acquisition (i.e., winning new customers); activation (i.e., convincing customers to purchase a product or service); loyalty of customers to a company (the migration of which should be avoided); monetization (so that cash flow can be achieved in the form of income); and recommendation (in the form of official or unofficial brand ambassadors, via word-of-mouth or in the form of posts on Facebook or Instagram).

## 2.5 User Experience

Don Norman has had an amazing career. As a child, he disassembled his toys to understand how they were constructed. He completed a Bachelor of Science in Electrical Engineering at the University of Pennsylvania and later earned a doctorate in psychology from the same university. He was vice president of the Advanced Technology Group at Apple, worked for Hewlett-Packard and, together with Jakob Nielsen and Bruce Tognazzini, founded the Nielsen Norman Group, which has made a name for itself worldwide in the field of **user experience**. According to Herzberger and Jenny (2019, p. 152), Norman combined his knowledge of electrical engineering and psychology over the course of his career and developed various theories on how people interact with objects and products. He noticed that there were many problems involved. Thinking about it pragmatically, he considered the following example problems. Do you have to push or pull a door to open it? Do you have to turn the faucet to the right or left to get hot water? He was concerned with better understanding the communication process between objects and people to improve products and the experience of users when interacting with these products. Let us look at a few principles to understand this in more depth:

- Always try to understand the context in which the products are used.
- Emotions play a major role when using a product. Use these emotions in your product design, ask yourself how the user feels using your product, and try to create a positive experience.
- Good design is so simple and understandable that the user only needs to be given instructions on how to use the product once before understanding how it works.
- Good design should be based on people's needs and behaviors, and designers first have to understand how people behave in certain situations. A product can only be successful if it satisfies the customer. In other words, the product must meet or exceed customer expectations (Herzberger & Jenny, 2019, p. 153).

Growth hackers no longer focus only on the company or campaign goals, but above all on the needs of the users and, thus, the product itself. Sean Ellis thinks that optimizing the user experience is one of the most important levers for a growth hacker: "I think one of the biggest levers for a growth hacker is improving the user experience ... at the root of sustainable growth is delivering a valuable experience. A valuable experience is what leads to retention. Without retention, there is no growth" (von Thilo, 2017).

Herzberger and Jenny (2019, p. 154) argue that points of contact that customers have with a product must be examined in as realistic an environment as possible in order to design the user experience successfully. User experience design describes all aspects of a user's

### **User experience**

This refers to the feelings and impressions that users experience when they come into contact with a company, product, or service.

experience when interacting with a product. Growth hackers also try to optimize the user experience. To be able to design a good user experience, the users' needs, goals, and habits must be understood. User observation also plays an important role, in which users have to be accompanied and questioned so that companies can use this information to increase performance.

## User Research

We can speak of user research that can be implemented using the points in the table below to get valuable information and collect data.

**Table 1: User Research**

Interviews	Interviews should be used to find out as much as possible about customers and the use of products. Thanks to open questions, the customers provide as much information as possible.
Surveys	Surveys are particularly well-suited to generate information from a large number of customers.
Observation	Observation of users while they are applying or using a product can happen in a workshop or in the customer's usual environment.
Contextual enquiry	Contextual enquiry is a combination of an interview and an observation of customers in the immediate environment in which products are used. An expert observes how customers use a product. Additional information will be gained through additional interviews in this context.
Customer diary	Selected customers keep a diary about the use of a product over a certain period of time.
Focus groups	Selected customers with different perspectives are invited to a group discussion. Thanks to open discussion groups, growth hackers can learn a lot about customers. The moderation can influence the course of the conversation and, thus, the outcome.

Source: Georg Bouché (2023), based on Herzberger and Jenny (2019, p. 155).

## Increasing the User Experience

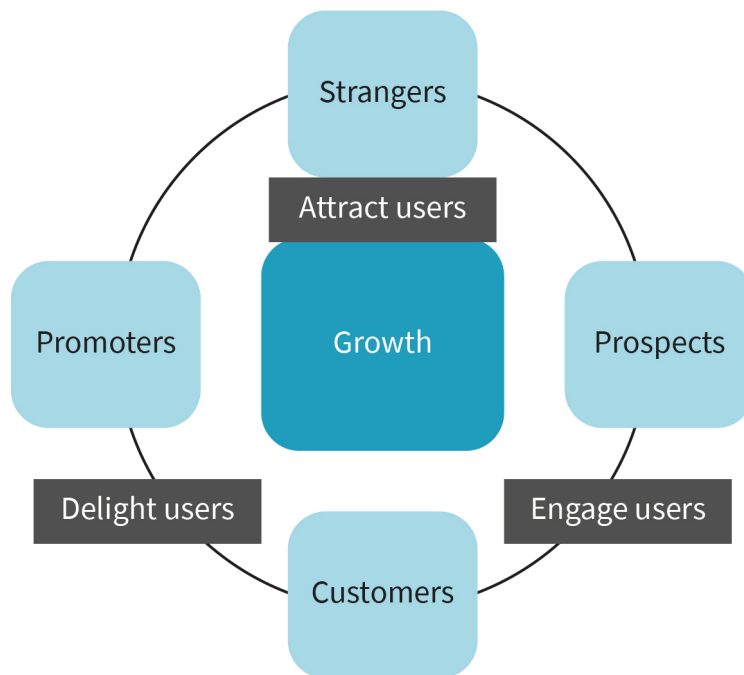
Jeff Bezos, the founder of Amazon, was aware early on that strong growth is possible through a better **customer journey** and a large selection of products. In the last millennium, books were not sold online. Bezos developed a cycle of cheap prices, a large selection of books, and an outstanding user experience, which led to continuously improving traffic, visits to the Amazon website, and, thus, sales. The success of Amazon is based precisely on this cycle, which Bezos called the "virtuous cycle" (Herzberger & Jenny, 2019, p. 159).

Brian Halligan, founder of leading inbound marketing platform HubSpot, took this approach further and the result was the "inbound marketing flywheel," which is inspired by playground merry-go-rounds. Unlike the customer journey, the users are right at the center of what is happening. But back to the playground. It's always difficult for children

**Customer journey**  
This refers to all moments when the customer comes into contact with a company, brand, or service, referred to as "touch-points." The goal is to generate orders and purchases.

to get the plate moving at the beginning. But once it picks up speed, it is difficult to stop. According to Herzberger and Jenny (2019, pp. 159–160), the greater the number of children that are present on the playground, the faster the merry-go-round and, in a figurative sense, the faster the “flywheel” goes.

**Figure 5: The Flywheel Model**



Source: Georg Bouché (2023), based on Herzberger and Jenny (2020, p. 163).

This is how to focus on the customer and repeat and improve all measures – without giving up on the product or service – with the help of growth hacks from the areas of growth marketing, content, conversion optimization, email marketing and automation, and user experience. It is about developing better ways to market, sell, and service, and to offer added value and trust and help a company grow (Herzberger & Jenny, 2019, p. 160).



**SUMMARY**

The idea of growth hacking does not avoid spending money on traditional advertising channels, such as television, radio, and print. Rather, it incorporates several other concepts. Thanks to the “product-market fit” and the “minimum valuable product” (MVP), entrepreneurs and the self-employed can test whether they have achieved this status and whether their products are “fit for the market.” The MVP helps test an idea without skyrocketing expenses.

Of course, a company cannot sustain itself without profits, while ever-increasing income can only be generated through recurring cash flow. In order to grow sustainably, companies have to assert themselves on the market and young companies with a small budget, in particular, can use the many methods that growth hacking offers. Thanks to digitization, there are an increasing number of communication channels to draw attention to a product or service, both online and offline. The leads (i.e., contacts that are generated) go through the “funnel,” which should not only be very wide at the top, but also retain a good number of customers at the bottom. This is only possible with a properly laid foundation for tricky growth hacks. Furthermore, if customers are consistently attracted and activated, then growth hackers have understood what it means to design the user experience in a way that turns potential users into long-term, loyal customers.



# UNIT 3

## GROWTH HACKING STRATEGIES AND WORKFLOW

### STUDY GOALS

On completion of this unit, you will be able to ...

- understand the components that are crucial in order to growth hack as a team.
- recognize why it is difficult for one person to implement growth hacks by themselves.
- identify the role creativity plays in growth hacking.
- understand how to focus on customers.
- recognize how to make the most of A/B testing.
- apply search engine optimization (SEO) and search engine advertising (SEA).

## 3. GROWTH HACKING STRATEGIES AND WORKFLOW

### Introduction

When we read about Silicon Valley, we will sooner or later come across Reid Hoffmann. Hoffmann has worked for many well-known companies, such as PayPal, where he formed part of the board of directors. He has also worked for Apple and was one of the early investors in Facebook before the company, now Meta Inc., went public. He seems to know where to invest when it comes to successful startups, having also had success investing in Flickr. But Hoffmann made a name for himself primarily in connection with having founded the business network LinkedIn.

In 2002, Hoffmann laid the foundation for the platform with some of his former colleagues from PayPal. Despite the fact that the career-oriented social network platform, XING, which initially operated under the name Open Business Club, seemed to be ahead on the German-speaking market, LinkedIn prevailed in the first 10 years with more than 180 million registered users. LinkedIn's success was also demonstrated when Hoffmann sold it to Microsoft in 2016 for \$26.2 billion. Today, LinkedIn has 200 million daily active users with over 546 million total registered users, which is an incredible growth rate of over 1,000 percent (Herzberger & Jenny, 2020, p. 166). But what led LinkedIn to such tremendous growth? In an interview with Forbes Magazine, Aatif Awan, LinkedIn's Vice President of Growth, stressed that one of the biggest mistakes is to think that growth is a short-term idea. He sees the product-market fit as the basis for growth and says that growth can be measured in the best way by a positive retention rate. If clients return and buy a certain product several times, the chances are greater that a firm can grow in the long term (Herzberger & Jenny, 2020, p. 166).

To grow in the long term, it is important to set the right course early on, focusing on the constant acquisition of users and the product-market fit. However, finding the right team is also crucial for growth.

### 3.1 Setting Up the Right Team

It seems rather unrealistic to combine the many different growth hacking disciplines into one person. It is, therefore, important to form a team where different members complement each other when setting up a firm working on their first growth hacks.

Herzberger and Jenny (2020) refer to technically experienced product managers, creative marketing experts, and creative web developers who think outside the box. The authors speak of a great "aha moment" and do not see growth hacking as a completely new invention. It's partly a new way of describing something that already existed in a similar way in the past. Gerard Adrian Heineken, for example, had already successfully used growth

hacks in the 19th century to sell his beer. The authors discuss approaches and theories from pioneers, including Sean Ellis, Neil Patel, and Dave McClure, who apply tricks and hacks and procedures that we can all learn from when we deal with growth hacking.

In addition to lectures, blog posts, conferences, and books on the subject, the very existence of the term “growth hacking” set in motion a wave that gave rise to a new community, followers, and supporters of growth hacking. None of this would have been possible if Sean Ellis hadn’t defined the profile of a growth hacker. Growth hackers essentially deal with three areas: online marketing, web development, and user experience. How skilled a growth hacker has to be in the respective area is not clearly defined and ultimately does not matter. For example, a growth hacker working for a small startup might work alongside a development team or with other online marketers. At worst, they can fall back on data analysis and search engine optimization (SEO) specialists and do not have to implement everything themselves (Herzberger & Jenny, 2020, p. 70).

**Henning Heinrichs** believes that every growth hacker has their own special talents and disciplines. Personally, he invests a lot of time in learning new skills where he is still lacking in-depth knowledge, not necessarily to master them perfectly, but to develop a basic understanding. After many years as a student in England, Heinrichs developed his growth hacking skills and worked for and with various startups and companies in Germany and England. For Heinrichs, growth hacking is an iterative process that should look at the whole experience a customer has when dealing with a certain product or service. He emphasizes that there is no specific growth hack that leads to millions of new customers; it is, rather, a complex process. First, one should try to understand the basics, like the target group, business model, vision, and key performance indicators (KPIs). Heinrichs proposes arranging interviews with customers to learn more about a firm and understand the big picture behind it (Herzberger & Jenny, 2020, p. 72).

One of the most important characteristics of growth hackers is creativity: Growth hacking is all about finding new ways and experimenting. It is important to build up a feeling for product development and design, and to put oneself in the shoes of potential customers. The right terms that must be used here are “usability” and “user experience,” “customer journey,” and “creativity”. Herzberger and Jenny (2020) argue that we all have the ability to be creative. According to the authors, creativity arises primarily in our right brain hemisphere and this can be trained in the same way as logical thinking or mathematics. Even if we associate creativity primarily with arts, such as painting or making music, it is just as important when brainstorming or during the development of new products to have courage to get involved in creative ways when at work (p. 72). According to the authors, growth hackers also have to bring abstract and analytical thinking to the table, acquire technical and product-specific know-how, and show empathy. It is important to put oneself in the shoes of the customer to bring a company to growth on a permanent and long-term basis.

As mentioned above, people who have all of these qualities and can apply them at the same time are hard to find. Therefore, the focus must be placed on teamwork. Andy Johns works as a product manager and is responsible for growth at the firm Quora. According to Johns, firms should form a growth-focused team where the focus does not need to be solely on applying growth hacks, but also on forming interdisciplinary growth teams. If

there is also a growth culture in a startup or a firm, there is a high probability that growth hacks can be implemented. Creativity also plays a key role here (Herzberger & Jenny, 2020).

Erik Stenberg, who supports established corporations when implementing growth hacking projects, speaks of the soft factors that are decisive (Herzberger & Jenny, 2020, p. 73):

- members of a team
- organization
- mentality

A team should have the following attributes:

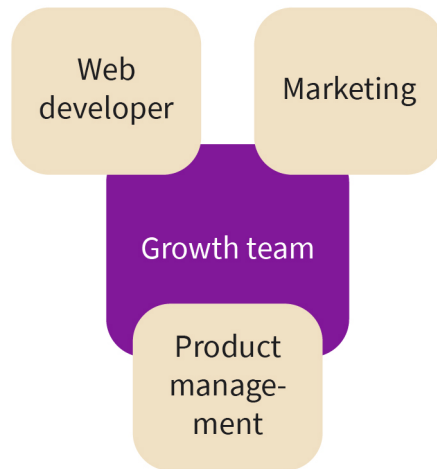
- be relatively small in size
- work at the same location where possible
- know their objectives
- be able to work and act independently
- have a sponsor at C-level; in the case of corporations, a person from the top management, such as the chief executive officer (CEO), chief marketing officer (CMO), or chief financial officer (CFO)
- possess a mentality that always puts results ahead of counterproductive approaches, such as the “but that’s how we’ve always done it” attitude

If growth hackers are not integrated into the processes of a firm, acceptance is often non-existent. This means that the first approaches to growth hacking within a firm can fail. The development of a growth culture is, therefore, not easy. It is, therefore, important not only to adapt processes in companies, but to accept them. In small companies and startups, the founders have to initiate and drive these growth initiatives, whereas in larger companies, the approach is far more complex. In this case, all departments and the managers must pull together to advance the vision of growth. The term “agile project management” is relevant here. Accurate planning and a clear structure are also important prerequisites for achieving this culture, achieving results, and generating growth (Herzberger & Jenny, 2020, p. 179).

The figure below illustrates how a growth team can look.

**Figure 6: Growth Teams**

---



---

Source: Georg Bouché (2023), based on Herzberger and Jenny (2020, p. 180).

The focus on the team must always be based on growth. Therefore, the growth team needs the full support of everyone involved in the firm. Bureaucracy, in particular, can be obstructive in large and well-established companies. Skepticism can also be a hurdle. Interestingly, there are often two types of colleagues in companies: Those who stick to established methods and don't want to be dissuaded, and those open to change.

As soon as the team is up and running, it has to be expanded if the financial and personnel structure allows it. The team should be expanded to include the following specialists (Herzberger & Jenny, 2020, p. 179):

- product manager
- user experience experts
- marketing specialists
- web developers
- data analysts

## 3.2 Processes

“Growth is a good thing only when it's managed and controlled and when you have the resources to maintain it. Each location, each point of contact with your market, is an opportunity – but it is also a risk” (Stratten & Stratten, 2017, p. 272).

This quote refers to the fact that growth hackers have limited opportunities and should not spend too much time developing their hacks. Product-market fit is important so that a minimum valuable product (MVP) can be launched ahead of time to test which approaches successfully drive growth. Nevertheless, growth hackers need a flexible way of working that allows them to react quickly to changes (Herzberger & Jenny, 2020, p. 185). Speed can be a critical success factor in growth hacking, but different processes should be

used to arrive at an acceptable solution. It is important to meet the expectations of the client or employer when working as a growth hacker. Even if growth hackers work for themselves, it is important to meet the expectations of the target group: the customers. It makes no sense to present solutions that do not correspond to the ideas of the target group; customers must always be taken into consideration. It is also important not to lose sight of the growth culture that has been created. We have already discussed that, even if growth hackers seem like generalists, successful growth hacking can be difficult to put into action without a strong team comprising members with different relevant skills.

#### **Product development**

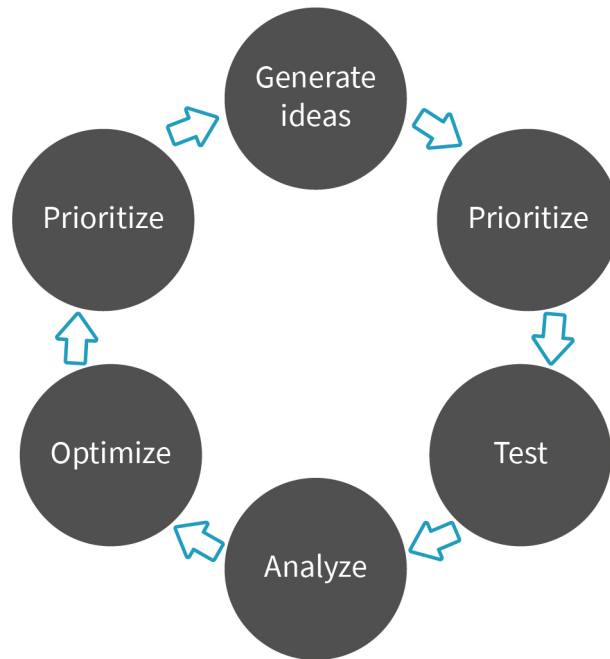
Firms need to enhance their product development, meaning to come up with new products to remain profitable and survive, as well as grow in today's omnichannel world (Gallino & Rooderkerk, 2022).

The idea of **product development** in growth hacking is made up of short cycles. The aim is to see results at an early stage and at regular intervals and be able to analyze and optimize them. The individual cycles consist of different stages (Herzberger & Jenny, 2020, p. 185):

- development of ideas within a team that is oriented toward a common goal
- prioritization and evaluation of ideas, with a focus on the best-rated ideas
- conducting tests and experiments and developing ideas
- constant analysis, measurement, and evaluation as a basis for making decisions about future steps
- obtaining feedback from clients and employers, as well as from customers
- paying attention, learning, and repeating everything so that new insights are gained through all applied measures (focus is set on repeating what has worked out before)
- searching for potential to optimize, with a focus on prioritization and carrying out further tests

To put it simply, growth hackers can vary the colors on a website or change the text, use disruptors, speed up loading times, or simplify websites. All of the points mentioned are repeated until the first growth hack succeeds (Herzberger & Jenny, 2020, p. 187). The following figure helps to understand the processes.

Figure 7: Learn, Optimize, Automate



Source: Georg Bouché (2023), based on Herzberger & Jenny (2020, p. 186).

In connection with product development, the minimum valuable product plays a crucial role. Learning, optimizing, and trying things out, therefore, play a crucial role for the MVP to obtain initial feedback from the market, even if a product or application is not yet fully mature but is already largely functional. Platforms like Facebook or Instagram have completely different functions today and offer opportunities that did not exist until recently. Even if it's a race against time, everything has to be done step-by-step without setting the wrong priorities.

### 3.3 Developing Ideas

The processes mentioned in the previous section are understandable, but what we still lack is the right approach to developing ideas. The potential for growth can be exploited when a product exceeds customer expectations, which can be achieved through innovative solutions. A good idea is the foundation for a promising product development or the programming of a popular application.



#### REAL-WORLD EXAMPLE

The firm 2R Kaltasphalt, which sells cold asphalt, developed a solution to fill potholes with an asphalt mixture that does not need to be heated. The agglomerate is poured directly from a 25 kg bucket into a pothole. The major advantage is that one does not need a concrete mixer, which is difficult to transport.

Before the company website went live, a simple page was put online where interested parties could register. The text mentioned that the sale of 2R cold asphalt would start shortly and if customers wanted to be informed about the launch, they could leave their contact details. This way, the first potential customers had already been entered into a database (Herzberger & Jenny, 2020). In other cases, one can try to convert subscribers into registered users via email sequences.

2R Kaltasphalt later realized that the transport prices were quite expensive. The sellers tried and tested several prices where the pure product was offered at a slightly higher price, so that the shipping costs were set below the actual price. With the parallel switching of several variants of the almost identical website, they discovered which shipping prices were acceptable for consumers. In this case, the classic A/B test was applied. The A stands for one variant of the website and B for another variant.

To be successful when applying A/B testing, it makes sense to proceed as follows (Herzberger & Jenny, 2020, p. 197):

- a clear title for the idea, for example, “A/B testing to increase sales”
- definition of the goal and what is to be achieved: growing or increasing sales
- description of the idea in a few words, for example, testing two versions of a website with different transport prices for a set period of time
- formulation of a hypothesis, for example, if the transport prices per unit are less than 5€, then several units of cold asphalt will be ordered; however, if the actual price of 9€ is shown, a maximum of one unit of the product is purchased, since the transport price of € 18 for two units is too high.

As indicated in the example of 2R Kaltasphalt, the best source of new ideas can be an obvious weakness in the customer journey (in this case, high transport prices). We can verify the hypothesis that the actual transport price charged by DHL or UPS of 9€ each is too high for many interested parties.

Even if, thanks to performance marketing, it is possible to appear higher up on the first page of a search engine with the help of Google Ads (i.e., search engine advertising [SEA]) or successful search engine optimization (SEO), attracting many potential customers to a website is prevented because the “pain point” is reached when the excessive shipping costs for a product put them off. Therefore, everything must be done to keep visitors on the website. In such a case, the conversion rates have to be improved with a little trick, such as splitting the costs for a lower transport price and raising the pure product price a bit, so that all costs are covered.

The challenge lies in finding the root cause explaining why conversion rates are poor. Perhaps no added value is delivered with the product? Could it be because of the high initial shipping costs? Do the customers simply not find what they are looking for on a website? Unfortunately, the cause is not always obvious. That’s why it’s better to test lots of ideas and formulate hypotheses. The best sources for new ideas are described below.



## **Customer Service and Criticism**

No one likes to be criticized, but we should still seek criticism whenever possible – only then can we improve. When developing a product, service, application or website, companies must also accept criticism as something positive. If they already have customers, they should make use of them and receive actionable feedback. If they don't have any customers, they can leave a link on their website (as described in the example above) and collect email addresses. Why don't companies consciously ask for help? For example, they can leave an "input field" on the website and ask visitors who have already found it to leave their contact details if they are willing to give feedback. Alternatively, they can deliberately ask friends, family, or acquaintances for criticism. But only honest friends will give their opinions directly and are ready to offer real, constructive criticism. If they come across strong criticism that may seem blunt but is justified, it should always be dealt with objectively and not taken personally. Employees in customer service usually have a knack for dealing with such situations well and solving the problem, as they try to turn irate customers into supporters. Many product managers have realized how valuable regular meetings with customer service employees can be because they are often much closer to the customer and can, therefore, provide valuable information for future growth ideas. In the literature, established growth hackers repeatedly talk about turning critics and customers into advocates. Just think of followers and fans within social networks.

## **Pool of Ideas or Brainstorming**

It is important to involve employees from other departments. They might have good ideas for product development, marketing, or growth hacking without being directly involved in the process. The appropriate keywords for this are "idea wall" and "pool," as well as "brainstorming." Hierarchies should not play a role in this case; rather, anyone at the company should be encouraged to offer solutions.

## **Email Subscriptions, Blogs, and Facebook Groups**

The community of growth hackers is now so large that it makes sense to follow everyone who regularly provides input, for example, on Twitter, LinkedIn, or Instagram. One can also sign up for newsletters on various growth hacking blogs. Typically, growth hackers are open and proud of what they have achieved.

## **Avoidance of Idea Killers**

Even though it has already been tested, there are many components that play a role. Therefore, ideas and tests should be carried out repeatedly. Perhaps the market situation has changed or a competitor is no longer active. The reasons can be varied. The key performance indicators (KPIs) must be checked again and again. A very simple KPI is return on investment (ROI). How high is the investment, for example, to start a campaign that then leads to a satisfactory number of leads? Are there ways to reduce costs and increase leads? Also, if a product is selling well but advertising spending is high, it may be because the response to the campaign is not producing the desired result. Perhaps the ad text isn't meaningful or the ad is running in the wrong place at the wrong time. Maybe the actual target group can be found on Instagram instead of Facebook, and it makes sense to invest

in paid stories on Instagram. What if visitors end up on a landing page, but then cannot be converted? It is always important to analyze the data carefully to determine where adjustments need to be made to have the greatest impact on growth.

## 3.4 A/B Testing

What if there are many good ideas and approaches that we assume could all work to generate growth? The solution to this problem lies in the use of A/B testing, also known as “split tests.” In A/B testing, two versions of an internet presence or landing page are put online in parallel to find out which of the two approaches leads to more conversions. As a rule, only a few elements are changed, rather than using two completely different versions. About 50 percent of the visitors get to see variant A and the remaining 50 percent variant B. Logically, we then use the variant that led to a higher conversion rate after we have completed the test (Herzberger & Jenny, 2020, p. 213).

Examples of these different elements can be

- different colors, for example, pink and purple backgrounds;
- variation when choosing the text; and
- a disrupter on one page, while the other page doesn't have one.

And then one needs to check which version of the website leads to more conversions. Many will now ask themselves how they, as someone not familiar with these process, carry out an A/B test if they don't have the necessary know-how? For example, 50 percent of the traffic is sent to the previous website version and 50 percent to the optimized website. To reach a conclusion here, the conversion goal must be formulated and measured. It is also important to exclude one's own access. This means that one should not count all the times they have accessed their own page during the testing phase. AB Tasty free software, for example, provides a good overview of an optimal sample size (Nichols, 2022).

Next comes the interpretation phase, where the results will be examined. Has the hypothesis been proven or not? This can be seen from the conversions. With the last phase comes the implementation, where the optimizations are implemented by a programmer or, if the skills are available, by oneself. This may include content or technical changes on the website (Nichols, 2022).

## 3.5 SEO and SEA

### Search engine marketing

This is the generic term for the entrepreneurial use of search engines for communication purposes.

The term **search engine marketing (SEM)** refers to being visible on the internet. Company-related information should appear on the search engine results pages (SERPs). The search results page is divided into two specific areas: the paid and the organic result area. Organic here refers to “automatically generated,” for example, by users searching for a term on a search engine and, thus, automatically arriving at a specific website without incurring any costs for the operators of this website.

We can categorize the two central forms of search engine marketing (Meffert et al., 2019, p. 714):

1. Search engine advertising (SEA)
2. Search engine optimization (SEO)

SEM, with its two sub-areas, is one of the most common tools for online marketing measures and is considered “the engine of online advertising” (Lammenett, 2019, p. 194). It enables advertisers to show consumers exactly what they are interested in.

Both SEA and SEO are common terms in the field of performance marketing and have a common goal: increasing traffic. At best, by driving more visitors to a website, the website gets a lot of conversions, leading to growth, which is the essence of growth hacking.

### **Search Engine Optimization (SEO)**

To increase the visibility of the company, one must first dedicate themselves to SEO. Organic processes involved in the SERP entail automatically achieved results that aim to ensure a company, product, or service appears high up on the first result page of a search engine, which can be achieved through SEO. Measures and processes are targeted to allow a page to “slip further up.” Alphabet Inc, Google’s parent company, emphasizes that more than 200 parameters play a role, for example, the length of time a page has existed, whether this is reported on, and whether links on other websites refer to this page.

Paid and organic search results are not in competition with each other because they are based on different ranking criteria and different algorithms (Meffert et al., 2019, p. 714). All activities that lead to a better placement of one’s own online offers in the organic hit list can be subsumed under search engine optimization (Kreutzer, 2021, p. 114). It is not primarily about advertising the specific online content, but rather about the findability of the content made available online. If one brings along the necessary knowledge, all of these measures can be carried out without any paid help from a third party. Startups or firms should continuously invest time and, if necessary, money in optimizing their internet presence to not only achieve the desired position but to maintain it (Kreutzer, 2021, pp. 128–129).

### **Search Engine Advertising (SEA)**

SEA is aimed at increasing the visibility of a company within the respective paid area of results. The paid placement of advertising information in this area takes place in the form of sponsored links, which usually consist of different text elements with a hyperlink to a specific landing page of the company and contain a reference to their advertising character. Simply put, startups or companies pay money to appear as an ad at the top of the first page within a search engine.

Google places those who are most willing to pay for a term before the organic results: Five rows are typically reserved for this purpose. Anyone bidding less than the first five will appear at the bottom of the page. However, the paid ads only appear if the user’s search query is related to certain search terms (keywords) that the advertising company has

specified in advance for this ad (Meffert et al., 2019, pp. 714–715). In the context of SEA, Google is considered the market leader through the Google Ads program. Bing Ads, Microsoft’s own system, also went into operation in 2006, without endangering Google’s market power (Lammenett, 2019, pp. 194–195).

Since both terms are relevant to growth hacking, the following table provides an overview of the most important components.

**Table 2: Search Engine Advertising Versus Search Engine Optimization**

<b>Search engine advertising (SEA)</b>	<b>Search engine optimization (SEO)</b>
It is a paid measure.	It is an unpaid measure unless a service provider is hired.
It is a simple procedure.	It is a long process before a firm, website, or term is considered relevant enough by a search engine to appear on the first page.
It has immediate results and visibility.	Results might not be visible for months.
Customers do not know whether the firm is trustworthy.	Being listed by the search engine, like Google or Bing, and appearing in the search result means that the website is visible.
The choice of keywords is easy to understand.	Choosing the right keywords can be quite a difficult task.
There is a clear selection of the target group.	The target group cannot be clearly selected.
The ad is listed above the organic search results.	Listing depends on the selection of the search engine operator.

Source: Georg Bouché (2023).

 **SUMMARY**

Growth hacking projects require soft factors, such as the right composition of team members, a good organization, and the right mentality. In addition, a team should be small enough to be able to act effectively. In the best case scenario, all members are in one place, even if platforms, such as Teams, Zoom, and Webex provide a good basis for cooperation and teamwork. Growth hackers who work in a team need a clear goal and should always be able to act independently without being slowed down by management – especially in larger firms. It is important to have support within a company.

With regard to the processes involved in growth hacking, it is important that ideas within a team are oriented toward a common goal. When evaluating ideas, the focus should be on the ideas that seem the most promising in terms of delivering results. The focus should be set on carrying

out tests, experimenting, and developing ideas. The constant analysis, measurement, and evaluation serve as a basis for decision-making for upcoming steps, as well as obtaining feedback from clients, employers, and customers. The credo is to pay attention, learn, and repeat everything over and over again so that new insights are gained through all measures. Finding potential for improvement, repeatedly prioritizing, and conducting further testing is essential to achieve growth.

There are many ways to gain ideas for product development or a growth hack. It is good to ask customers for constructive criticism so that a product or service can be improved. But blogs, forums, and Facebook groups can also be very helpful. Employees from other departments can also be involved. Perhaps they have a brilliant idea for improving a product or designing a website, even if they are not directly involved in development or marketing. Even if some ideas and tests have already been carried out, one should not be afraid to apply them again, since the framework conditions may have changed.

A/B tests, also called split tests, help to find out whether, for example, a website leads to more success and growth if individual elements are changed. While search engine advertising (SEA) and search engine optimization (SEO) can be time-consuming and costly, these are two areas that are worth the investment.

# UNIT 4

## CUSTOMER RELATIONSHIP MANAGEMENT AND ACQUISITION

### STUDY GOALS

On completion of this unit, you will be able to ...

- understand why it is easier to keep existing customers than acquire new ones.
- discuss the importance of building a relationship with customers.
- understand how to calculate the customer lifetime value.
- apply content marketing and storytelling to growth hacking.
- utilize email marketing as a promising growth hack.
- understand how to use social media and content marketing for your firm.
- recognize the importance of customer service for any enterprise.

## 4. CUSTOMER RELATIONSHIP MANAGEMENT AND ACQUISITION

### Introduction

The firm HubSpot Inc. developed a platform for inbound marketing, sales, customer relationship management (CRM), and customer service. Based on research undertaken by HubSpot, they argue that 98 percent of visitors do not visit a page on the internet twice. That's a frightening number, but when we come to think about it, we can easily explain it. Many of us visit around two percent of pages repeatedly. The idea is to focus on returning shoppers and thereby identify the most important customers. The costs of retaining them are manageable, the sales add up, and, in the best case scenario, they also serve as a free advertising channel through word-of-mouth. But how can we turn one-time customers into regular customers? This will be a key topic of Unit 4.

What is being taught in universities, colleges, and business schools around the world is that it is far easier, and more likely, to get existing customers to make repeat purchases than it is to get new customers to make their first purchase. As already mentioned, satisfied customers are, at best, fans and advocates of a company. What we are now focusing on is how we turn leads into customers who use a product or service regularly or repeatedly.

All users have a monetary value that is significantly higher for regular and returning customers. We can calculate the value of all our clients. This value is called "customer lifetime value" (CLV) and is expressed in the form of monetary units (euros or dollars). It refers to a specific value that a customer brings with them, in the form of money that is spent for a certain product or service over a certain period of time. So, if we sell computer game consoles and the games that can be played, the customer lifetime value corresponds to a monetary value that every customer spends in the course of their life on our products. The CLV for supermarkets is even easier to calculate. It is assumed that a person lives in an apartment for around 10 years and then moves again. In these 10 years, this person visits the same supermarket repeatedly and spends an average of around 100€ per purchase. If we consider that the person also travels but perhaps buys more before public holidays, we can calculate 50 weeks over 10 years and multiply this value by the 100€ per purchase:  $50 \times 10 \times 100$ . This gives a CLV for this one supermarket amounting to 50,000€. It quickly becomes clear that every company must, therefore, do everything possible to retain customers for a long time. The CLV can be summarized as a monetary value for the average duration of a customer relationship. The value is usually higher the more often and more intensively the customer purchases a product or uses a service (Herzberger & Jenny, 2020, p. 374). If we add up the value of all our customers, we can discuss another term: customer equity.

## 4.1 Building a Relationship With Your Clients and Customer Experience

In order to be inspired to win new clients, brainstorming can help. We need a lot of inspiration as growth hackers to select the appropriate channels for the “acquisition hacks.” In their book, *Traction*, Weinberg and Mares (2015) describe 19 channels that are helpful when it comes to customer acquisition (Herzberger & Jenny, 2020, p. 374). Search engine marketing (SEM) and search engine optimization (SEO) are part of that list, as well as sales and business development.

### Setting Up a Network With Bloggers and Influencers

A post that someone writes as a guest expert on an already established blog can be one of the most efficient marketing channels. We are all experts in one field or another. If one manages to place an indirect link to their company, they can then count on possible traffic to their web presence, application, or social media profile. Collaborating with influencers could lead to a multiplication of contacts thanks to the large audience of a popular “digital” person.

### Public Relations

Most journalists are open to new, interesting, and innovative products or services. It never hurts to pick up the phone or write an email. Not only can a good network be built up over time, but the newly gained contacts lead to a large audience and, in the best case scenario, to leads and conversions if journalists are interested in this particular area of business.

### Unconventional Public Relations

Many people are familiar with guerrilla marketing. It denotes an unusual, sensational action, such as flash mobs. Footage of it goes viral and when the subject is picked up by the media, awareness of it skyrockets.

### Search Engine Marketing (SEM) and Search Engine Optimization (SEO)

Search engine marketing (SEM) is largely predictable and plannable and serves to attract new prospects who know exactly what they are looking for. Google plays a pioneering role here, along with Bing. Due to the fact that many American companies are not able to operate in China, popular alternatives here include Yandex or Baidu.

Search engine optimization (SEO) is not only important for every company that is operating online, but also sustainable. If we take a closer look at firms that are active on the internet, we will see that organic traffic from search engines is the largest contributor to their success. So, we must do everything we can to ensure that our startup or company is found in any search engine by using and applying the right keywords. We must take the time to invest in SEO, either inhouse or via outsourcing.



## Social and Display Ads

We are all familiar with classic online banners. These must be placed on appropriate sites so that the respective target group is reached. But ads on social networks, such as Instagram, Facebook, Twitter, and TikTok, are also a good option. Just like search engine marketing, these are very easy to implement and can be tested and then analyzed.

## Classical Media and Offline Advertisement

Television (TV) advertising, print ads, billboards in prominent places, and radio spots are well-known methods that fall under the category of offline advertising and are referred to as conventional advertising measures. It is important to pay attention to the return on investment (ROI) because of the high costs involved. Does the investment lead to new sales and customers? The German textile company Trigema relies exclusively on television advertising on the eight o'clock news: Tagesschau on Germany's number one channel, Allgemeiner Rundfunk Deutschland (ARD). Even if the prices are high, you can still get good savings and discounts when you book in bulk. In addition, an enormous number of people are still targeted through classic media channels. Media agencies sell significantly cheaper advertising time on German television because they buy large volumes – at low prices – so that they can then pass them on to their clients with a surplus. Their business model consists of buying and selling advertising on TV, with a margin.

Startups, which tend to have a rather tight budget, rarely use these measures. The TV stations ProSiebenSat1 from Munich or the RTL Group from Cologne are also shareholders in many young companies and startups. They can then use their own television channels to advertise for their newly acquired firms.

Finally, it is important to mention that data analysis is one of the most important components of growth hacking. It is more difficult to carry out this analysis with conventional advertising measures than with digital advertising because there are no interaction options. It is, therefore, difficult to measure how many people engage with the radio and television advertising and have, therefore, become active in making a purchase.

## Content Marketing

Content marketing describes the generation and distribution of content, for example, in the form of blog posts or videos on YouTube. Here, too, it is important to be present on the channels where the target group can be found. Like SEO, content marketing is also a long-term project.

## Email Marketing

There are different opinions regarding the success of email marketing. People in their 50s will likely have had an email address for at least 25 years. And email marketing still works. Just as with content marketing, it is important to cover interesting topics for the target group. A personal address, like "Joe@joe-penas.com," in an email is equally as important as short and crisp messages with more image material and less text. An email account is of great importance to the recipient because it is not only used to communicate with friends

and family, but also to send invoices and order confirmations. The challenge is to distance oneself from the spam mails, which can account for up to 80 percent of the volume, depending on the provider. Gmail is still good at filtering out many of these spam emails so they can't be received in the first place.

## **Viral Marketing**

Viral marketing could also be described as “digital word of mouth.” Since posts are also shared according to what people like and support, they are directly recommended by the addressees. These recommendations or invitations are considered the cornerstone for the growth of most social networks, such as Facebook and Twitter. However, viral marketing is difficult to plan. What works and what doesn't is the big question here. What day of the week and at what time is it suitable to initiate viral marketing? Unfortunately, we don't have the ability to constantly test because the content is what drives success in viral marketing.

## **Engineering as Marketing**

Having a talented and committed developer on a growth hacking team is like winning the lottery. Their expertise helps a company come up with tricks that are developed “below deck,” meaning that others outside the company cannot see what is happening. Some companies like to play with this concept in marketing. For example, they might take users' email addresses and make a non-existent profile of this person appear within their social network, so that members tend to click on a link assuming they are adding this person to their virtual network. As soon as a member clicks on the non-existent profile, an email invitation is automatically sent saying, for example, **Max Weber** would like to add you to his network. The person addressed then thinks that Max Weber was trying to invite them. However, Max did not know that the person concerned did not yet have a profile on the online platform.

## **Sales and Business Development**

Let us return to the idea of the sales funnel and the growth hacking funnel. The goal is to win new customers that pay for what they are getting. In concrete terms, it is about the generation and qualification of leads, which should result in a purchase. This should not only occur once, but again and again. In contrast to classical sales, business development is concerned with how to further grow and develop one's business.

## **Affiliate Marketing**

The term “affiliation” refers to a partnership between two firms in the context of online marketing. A company is rewarded when it generates sales for another company and money flows as a reward. Travel companies, for example, offer their range of products via third parties and a brokerage fee is due that consumers do not even notice. The disadvantage of a partnership of this kind can lead to dependencies. Many e-commerce sellers, such as Amazon, eBay, and Netflix, also owe much of their growth to such affiliate models. On

the other hand, there are also very successful companies, such as HolidayCheck, Urlaubsguru, and mydealz in Germany, whose business model is based on generating new customers for partner websites.

### **Using Existing Platforms**

Why look for customers when companies have the opportunity to meet their target group in established platforms and networks? If one knows where potential users can be found, they can use LinkedIn, XING, Instagram, Facebook, or GuteFrage.net. Check which platforms, blogs, and forums are popular in your country and make use of the huge number of existing users.

### **Trade Shows, Exhibitions, and Conferences**

Meeting customers is important for business-to-business (B2B) companies. Participation in trade fairs is still suitable for this, but it is not only interesting as an exhibitor. Important contacts can also be made as a visitor to a trade fair because this is where companies will meet many potential customers, possible partners, and competitors within a short period of time in one location. Meetings or a simple invitation to dinner can also be well-accommodated in this way.

### **Offline Events**

Sponsoring or the organization of offline events are still promising, widespread measures. Big corporations insist on digging deep into their pockets for the Super Bowl in the US. But why not just organize a conference within the firm itself? This also attracts attention, even if the planning for it is complex and time-consuming. At such an event, it makes sense to enter a dialogue with the desired target group. Getting into contact with somebody in person makes a “follow-up” much easier and cultivates positive, interpersonal business relationships.

### **Speaking Engagements**

Participation in trade fairs or events is not the only valuable means to make important contacts. It is even better to get a seat on stage at a conference and ask for speakers to share their knowledge and know-how. It is important to get in touch with the organizers well in advance so that they can still be printed in the program. Not only will they meet a large number of people with similar interests, but they will also be heard by many people at once. The networking afterward can also be promising for winning new customers or to gain valuable feedback on a product or service.

Let us now move on to another important topic. How can one make the whole sales process attractive for customers and prospects?

## Customer Experience

According to Bordeaux (2021) “customer experience is the impression your customers have of your brand as a whole throughout all aspects of the buyer’s journey. It results in their view of your brand and impacts factors related to revenue of a firm.” The two primary touchpoints that create the customer experience are people and products. Using customer satisfaction surveys on a regular basis provides insight into the customers’ experience with a brand, product, or service. A great way to measure customer experience and see if consumers are happy is the net promoter score (NPS). The NPS measures “how likely someone is to promote a company, product, or service to a friend, family member, or colleague based on previous experience” (Eisenhauer, 2023). Everyone has received an email from a firm asking how likely they are to recommend a product or a service to friends or family. Although not stated, this helps generate an NPS.

Analyzing NPS from multiple touchpoints across the customer journey will tell companies what to improve and “where you’re providing an excellent experience already while showing customers you’re listening to them and care about what they have to say. (...) You may choose to follow up on customer feedback — whether it’s positive or negative in order to connect with customers, deepen your relationship with them, and improve your retention and loyalty” (Bordeaux, 2021).

## 4.2 Content Marketing and Community Management

Content marketing is a technique that addresses the target group with informative, advisory, and entertaining content to convey the value of a company and its range of services. Content marketing is, therefore, a strategic marketing direction that involves creating and distributing valuable, relevant, and consistent content with the aim of both attracting and retaining customers (Herzberger & Jenny, 2020, p. 391). Stories are about 22 times more memorable than facts alone (Sheridan, 2022). In psychology, this effect is referred to as contextualization.



### REAL-WORLD EXAMPLE

The son of a British diplomat, Montgomery Collins served in the Royal Air Force as a Wing Commander. After the Second World War, he was transferred to Berlin, where he worked in the administration of the British sector. Since the destruction of Germany affected him deeply, he began to campaign for reconstruction and soon became involved in rebuilding the Berlin Zoo. While on this mission, Collins adopted a monkey named Max. When he finally left the Royal Air Force in 1951, he didn’t want to leave Germany and traveled to the Black Forest. There, Montgomery stayed in an inn called The Wild Ape. Although he had assimilated to German culture, he didn’t want to miss out on one important thing in his life: gin. He created his own gin from juniper, pure spring water, various herbs and

plants, berries, and exotic spices. He called his drink Black Forest Gin. In 2008, the Black Forest Distillery relaunched the Black Forest Dry Gin and named it Monkey 47 in memory of Commander Collins and his monkey (The Monkey Drum, 2023). This story helped Monkey 47 gin to sell well and it was voted one of the best gins in the world!

## Community Management

A community gives its members the feeling of being part of something bigger and provides the basis for meeting like-minded people, sharing interests, and making connections (Perkins, 2015). These are the very things companies are capitalizing on by engaging in community management to connect with their customers. This enables an authentic relationship to develop between the brand and its followers and gives it a human character that members of an online **community** can identify with.

**Community**  
The community is “an organized and social network of interacting individuals who, over a specific period of time, influence each other affectively and cognitively and develop a sense of belonging. The social interaction between the members of a community is usually subject to a common goal, shared identity or common interests” (Esch, n.d.).

An illustrative example is the app NikePlus for runners, the use of which has a positive effect on Nike brand loyalty. However, added value is not only created for the runner, but also for the company, since Nike knows more about its customers through the data collected, while customer loyalty is also increased (Servatius, 2009). Feedback can be obtained from the customer so that the app, like other products, can be improved if necessary, allowing the company to learn directly from its customers and generate a level of trust between the Nike and the community. Nike no longer wants to see the product as the end of the chain, but as the starting point for something bigger, such as the innovative community app idea (Ramaswamy, 2008).

The terms “fans” and “regular customers” (or “friends”) are associated with a business community (i.e., a strong community that supports a startup). This community increases awareness through word-of-mouth and also protects against critical voices. Many of these fans are gained from the friends or associates of the innovators and early adopters, especially in the early phase of a startup, as there is a sense of pride and ownership involved. It is highly recommended to promote, cherish, and nurture such a community (Herzberger & Jenny, 2020, p. 270).

Influencers with a relatively small reach, such as bloggers, YouTubers, or Instagrammers, are also willing to take action for gifts and free samples of a product that they can post about. If an influencer already has a large audience, they are typically used to being compensated in the form of money. Indicators include the number of followers, the mention of sponsored posts, and the audience of a website. With the help of SimilarWeb, businesses can track the number of visitors to their site. Blog articles have the positive side effect that they can create additional links to a website, which leads to better rankings in the search results on Google (Herzberger & Jenny, 2020, p. 270).

Sweepstakes are firmly established as an advertising measure in both conventional and new media. Who doesn't love to win something which is then sent straight to your home? Not many companies will be able to give away cars, houses, or large sums of money, but customer giveaways don't have to be so grandiose. The company KAVAJ, which manufac-

tures and distributes mobile phone cases, regularly organizes competitions where customers who post their case on social media with the hashtag #myKavaj regularly receive raffle prizes, such as Amazon vouchers. In this way, the competition participants become multipliers for the company. The more original the prize that participants can win, the more successful a sweepstakes will be (Herzberger & Jenny, 2020, p. 21). The exchange and relationships with customers are promoted via community management. Facebook groups continue to be very popular, where you can also receive feedback.

“Try everything out and don’t end something prematurely just because it doesn't work for others” is attributed to Fabian Spielberger, founder of mydealz, a major German social commerce network (Herzberger & Jenny, 2020, p. 207)

The Walt Disney Company has developed a method in which a problem is looked at from different angles. Each participant is assigned a role (Herzberger & Jenny, 2020, p. 207):

- the dreamer’s job is to provide new ideas.
- the realist must think pragmatically and develop precise plans.
- the criticizer expresses constructive and positive criticism.
- the neutral only observes and advises the rest of the team.

After preparing for their roles, all participants sit in a circle so that everyone can see each other. The ideas are discussed from each perspective; it is important that each participant sticks to their role. In the rotating process, all participants then move up one position and take on another role, until all roles have been played by everyone. This can give a business an important insight into their company from different perspectives and helps bring forward new ideas that may not have come to the surface otherwise.

## 4.3 Social Media Marketing

Social media marketing is integral to growth hacking, as discussed below.

### Social Media

The term “social media” summarizes online technologies and online media, through which internet users can exchange ideas and interact. Social media includes social networks, sharing platforms, news services, blogs, forums, and online communities (Kreutzer, 2021, p. 374). Social media relies on and is based on user-generated content. These platforms and channels include Facebook, Instagram, LinkedIn, Pinterest, WhatsApp, XING, YouTube, and countless others. All channels that are used to consume, create, and share content can be defined as “social media” (Beilharz, 2021, p. 29).

Within the 4P model, the marketing mix includes the four areas of product, price, place, and promotion, also known as communication policy. Communication policy, which includes advertising and public relations, also includes online marketing. Moreover, the field of online marketing includes social media marketing.

Hardly any area is subject to such rapid changes as social media marketing (SMM). New features or court decisions related to privacy, hate speech, and electoral interference often lead to changes to the rules. Marketing experts are faced with new challenges, but these challenges also present opportunities that small companies (in particular) can use cost-effectively. Owner-managed companies and small businesses can clearly take advantage of the flat hierarchies, short decision-making processes, flexibility, and the possibility of quick reactions (Beilharz, 2021, p. 29).

Many companies use social media to increase sales, attract new customers, generate more conversions, increase brand awareness, and draw attention to their products and services. The decisive factor for the success of every social media channel is the users. Social media should be used for growth hacking. But assigning responsibilities is important, as not everyone is good at taking pictures, formulating crisp text messages, and interacting with followers.

### **Social Media Marketing (SMM)**

#### **Social media marketing**

This is a form of internet marketing that uses social media as a marketing tool. The social media platforms enable brands to connect with their audience to build a brand, increase sales and revenue, and drive traffic to a website (LaFleur, n.d.).

**Social media marketing (SMM)** deals with all digital media that enable users to exchange information and media content individually or on a social network. From the perspective of advertisers, this opens up new opportunities to develop advertising with a global reach. An example of effective social media marketing is digital word-of-mouth marketing, through which an exchange between different consumers takes place (Meffert et al., 2019, p. 42–43). Influencer marketing is also a part of social media and involves digital opinion leaders sharing what a company has to offer and broadcasting about a brand, product, or service (Kreutzer, 2021, p. 6).

## **4.4 Email Marketing**

Blog author Friederike Beins believes that email marketing is still highly recommended: The low cost and ease of use speak for itself. There are many examples of useful areas in which to apply email marketing, including blogs that want to regularly inform interested parties about new articles, companies that send new customers a series of emails with relevant customer information, and online shops that try to advertise new offers to their existing customers. Thanks to intuitive, do-it-yourself email marketing software, this is no longer a problem. Email marketing is no longer reserved for large companies, but can be used professionally by anyone (Beins, n.d.).

When visiting the **German Westwing website, which sells furniture,** visitors are asked to register with their email address to benefit from special offers that can only be used as a member of the shopping community. A notable advantage of email marketing lies in the high degree of accuracy of the personalized advertising messages and its cost-effective nature, especially compared to direct advertising letters, which have to be sent by post.

When it comes to sending out the first newsletter, there are a few things to keep in mind. After downloading the adequate software and setting up the list of recipients, content relevant to the target group must be written in order to design an appealing newsletter (Beins, n.d.). But let's look at a few more important points to be successful at email marketing.

### **Time of Launch**

As with viral marketing, the time and day of dispatch also play an important role in email marketing. Both must be adapted to the respective target group. When it comes to business-to-business (B2B) customers, it tends to be better to send a newsletter, for example, from Monday to Friday between 9 a.m. and 6 p.m, but end consumers tend to be better reached on weekends and after work.

### **Sender and Subject Matter**

The first thing recipients are confronted with is the information about the sender and the subject. Both must be convincing in order for the email to be opened at all. Senders should use a clear name and the subject must be meaningful, short, and **crisp**.

### **Optimized Visualization for Mobile Devices**

In the age of smartphones, **we mainly reach people on the go**. More than half of all emails are read on mobile devices. Therefore, newsletters and websites must be optimized for mobile displays. Many email marketing tools offer templates in what is known as "responsive design." The display automatically adapts to the respective end device.

### **Recipient Groups**

Sending an email to all available recipients only makes sense in a few cases, which is why many are not in favor of this approach. Emails that are tailored to a specific target group are, therefore, the most efficient.

### **Tests**

It is also important to work with tests in email marketing. Companies should send a test newsletter to selected people from their organization before sending it out to the public for the first time. This is to check both the presentation and the content. In addition, the links must be checked: Do they lead to the intended site(s)? It is also important to check whether the email sent ends up in the spam folder of the selected recipients, which would of course be a big disadvantage.

### **Implementation**

If the time of sending (implementation) is correct, the name of the sender chosen wisely, the subject adapted to the target group, and the correct display on mobile devices ensured, the company must also check whether the right recipients have been selected. Finally, after testing, the company must decide whether the dispatch will take place imme-



diately or be scheduled for a specific point in time in the near future. We must not forget one last important discipline of growth hacking: evaluate and optimize. Where necessary, service providers can also be employed to carry out email marketing, especially for companies with a lack of experience in this respect.

## 4.5 Retention and Referrals



A product or a service must meet customer expectations. But how do growth hackers retain customers? Herzberger and Jenny (2020) recommend, for example, including guarantees or special additional items to offers.

When a customer has a problem with a product or service, growth hacks can be used, whereby the customer service department solves the problem quickly, apologizes professionally, and takes full responsibility for solving the issue, even if its cause is not directly attributable to the company itself. It is important to show empathy. The consequences of this action (or reaction) will spread, so that other interested parties will see the company in a positive light; this can be summarized as “going the extra mile” (Herzberger & Jenny, 2020, p. 378).

One example relates to Marc Carter and the drama he experienced with his 13-year-old autistic son in November 2016. The only cup the son drank from broke and he refused to drink anything if it wasn't from his favorite cup. He had to be taken to the hospital because he had become so dehydrated. Marc had no choice but to post the broken drinking cup on Twitter to find out whether he could find a replacement. Despite 12,000 retweets, nobody could help him. However, the manufacturer was made aware of the problem, quickly located the mould they used in the past, and provided a lifetime supply for Marc's son (Herzberger & Jenny, 2020, p. 378).

An opposite example can be seen at United Airlines, highlighting the negative effect of a lack of sensitivity or empathy in customer service. The case received plenty of media attention when a passenger, who possessed a valid ticket, was ejected using physical force, hugely damaging the airline's brand (Herzberger & Jenny, 2020, p. 380).

The luxury Four Seasons hotel chain draws attention to itself when it comes to customer service with their general motto: Do the right thing when serving the customer (Herzberger & Jenny, 2020, p. 380). In this way, all employees, from the general manager to the porter, can freely choose measures to fulfill the customer's request to help guests immediately and quickly. They do not need to ask for permission and nobody fears being reprimanded or dismissed for going above and beyond to help customers. The Four Seasons make it a priority to ensure that customers are satisfied with every stay so that they keep coming back. To this end, the hotel chain hugely values customer feedback. If guests praise an employee, there is even a one-time bonus payment (Herzberger & Jenny, 2020, p. 380). Even small gestures enable customer retention and can be considered growth hacks.

In another example, a customer advisor notices that a customer sounds like they have a cold on the phone and sends them a “get-well-soon package” with cough drops. A company can easily surprise customers with the help of small gestures like this. All that is needed is some creativity to set up a “baffle closet” in which small gifts are stored for common customer problems (Herzberger & Jenny, 2020, p. 381).

Therefore, when we talk about retention, we refer to doing everything possible within a financial and personal framework to ensure customer loyalty in the long term. Other typical tools for customer loyalty are loyalty programs. For example, air miles collected can be used for an upgrade with Lufthansa. However, there are also events that may damage customer loyalty, for example, if a customer discovers they cannot be upgraded to business class using their air miles because all of the seats have already been taken. Even though this is not the airline’s fault, the loyal customer will be left dissatisfied.

The Marriott hotel chain serves as another good example. When joining a certain loyalty program, customers often get a room upgrade, depending on availability (Executive Traveller, 2022). Meanwhile, the Radisson Blu Group has added another bonus. In addition to the room upgrade, there are also chocolates or free drinks from the mini bar or hotel bar (Radisson Hotels, n.d.).

All of these practices can lead to referrals. Companies should also ensure that they reward existing clients when they refer new customers. This is a relatively cheap way of growing a business.



#### **SUMMARY**

To win new customers, growth hackers need to select the appropriate channels for “acquisition hacks.” Many channels or measures are suitable for this, including search engine marketing (SEM), viral marketing, community management, participation in trade fairs, and speaking at conferences.

When we talk about content marketing, we refer to the creation and distribution of relevant, useful content to engage a brand’s target audience. It helps consumers feel connected to the brand, which aligns with their identity. Storytelling also plays an important role in content marketing, as interested parties will remember a company, brand, product, or service far better with a story in mind.

Email marketing is still relevant, but, before sending out the first newsletter, several aspects need to be considered. Finding adequate software or hiring a service provider is an important first step. A recipient list has to be created and the right recipient groups must be considered. Meanwhile, the content must be written in a way that is appropriate for the target group and the right time to send it must also be selected. The name of the sender should sound professional and the subject line of

the email should be short and meaningful. Optimum display on mobile devices is also important. Tests should be carried out before a newsletter is sent out. Analysis and constant optimization should not be neglected.

Social media marketing (SMM) deals with all digital media that enable users to exchange information and media content individually or on a social network. Social media, in turn, is used by consumers. The term “social media” summarizes online technologies and online media through which internet users can exchange ideas online and interact with one another.

A community gives its members the feeling of being part of something bigger and provides the basis for meeting like-minded people, sharing interests, and connecting. This is exactly what growth hackers can take advantage of by engaging with community management. When it comes to customer loyalty, we also use the term “retention,” which refers to binding customers to a company, for example, by going that extra mile.

# UNIT 5

## DATA ANALYSIS

### STUDY GOALS

On completion of this unit, you will be able to ...

- understand how to apply marketing control.
- understand the role that monitoring plays.
- recognize key performance indicators and use them for the evaluation of growth hacks and advertising measures.
- analyze data and understand the importance of data analysis.

## 5. DATA ANALYSIS

### Introduction

One of the main priorities of growth hacking, along with keeping costs to a minimum, is to constantly analyze the available data. The founders of Airbnb quickly noticed that listings that were professionally photographed were rented up to 20 percent more than properties that had mediocre photographs (Airbnb, n.d.). Thanks to the possibility of data analysis and the measures that online marketing entails, companies that are active in e-commerce have a clear advantage over companies that only use conventional advertising measures. With conventional television advertising, the return on investment (ROI) is not as easy to measure. The question then arises as to whether sales would have increased even without the corresponding advertising measure.

Data analysis is one of the most important components of growth hacking, helping develop the right strategy to be applied. Through a good analysis of user behavior, it is possible to develop ideas to further grow. Collecting and analyzing data is possible with tools, such as Google Analytics, Kissmetrics, Hotjar, and Mixpanel. Based on the reports and insights provided, measures can be derived and adjustments made.

### 5.1 Marketing Control

Marketing control is defined by the effectiveness and efficiency of market-oriented company management. In a broader sense, entrepreneurs have to ask themselves whether they have achieved their goals. Efficiency describes the degree of profitability: A measure is efficient if there is no other measure that achieves a better ratio for an output/input. Reinecke (n.d.) states that marketing control is a classic interface between two business areas. He sees marketing and control as operating in an ambivalent relationship with one another. On the one hand, they are characterized as “twin siblings” because both are overarching concepts that should not be the privilege of individual experts. On the other hand, a natural conflict of goals and interests is expressed when marketing is seen as “leadership based on the market” and control as “leadership based on results” (Reinecke, n.d.).

When it comes to growth hacking, powerful control is necessary to achieve our goals. The specifications made require continuous review. For example, in connection with search engine marketing (SEM), the selected keywords must match the search terms given. It is important to differentiate the content, format, and timing with regard to the different target groups when it comes to placing ads. Conversion tracking tools are used to understand how visitors interact with a website (Kreutzer, 2021, p. 246).

## 5.2 Monitoring

All growth hacking and online marketing measures should be monitored and checked for effectiveness. In addition to data analysis, monitoring is one of the most important tools in growth hacking – the two terms are closely related.

There are countless key figures that provide information about success (Kreutzer, 2021, p. 502). These include the following parameters:

- audience
  - social buzz: number of mentions of a post
  - share of buzz: number of mentions compared to the competition
  - development of social buzz: number of mentions over time
  - number of fans: values from social networks
  - audience/reach: number of people reached directly (first degree) and indirectly through recommendations (second degree)
- sentiment
  - number of positive/negative/neutral mentions
  - ratio of positive/negative/neutral mentions
  - recommendation rate: number of articles with recommendation in relation to the total number of articles
  - amount of likes per post
  - contributions in relevant communities
  - participation in sweepstakes: number of participations compared to the total number of customers
- influence:
  - social buzz through channels
  - social buzz from influencers
  - most mentioned relevant topics about the brand
- conversions:
  - newsletter subscriptions: number of new subscriptions to the newsletters
  - downloads of provided content
  - corporate website traffic: website visits, session duration, bounce rate, page views, requests, and subscriptions
  - visits to the online shop or visits to the offline shop on site

## 5.3 Key Performance Indicators (KPIs)

Key performance indicators (KPIs) are metrics used to represent success numerically. In growth hacking, one uses KPIs to evaluate various online marketing channels that are used to trigger a measurable reaction from the recipients who see the advertising measure (Kamps & Schetter, 2018, p. 4). An example of this would be clicking on an ad from an online store that sells watches. In the best case scenario, a watch is then purchased.

Four essential characteristics can be discussed when it comes to KPIs (Heinemann, 2020, p. 88):

1. **Measurability:** The reactions of the target group can be recorded clearly, promptly, and completely.
2. **Modularity:** Online marketing campaigns are divided into many smaller budget modules that can be booked and assessed individually.
3. **Optimizability:** This is based on various measured parameters that can be used to influence the efficiency of an ongoing marketing campaign and improve it.
4. **Cross linking:** Advertising measures can be combined at will, which can lead to interactions in the click rate. A wide variety of advertising measures can, therefore, be networked with one another.

These four characteristics are examined in more detail below.

### **Measurability**

As a rule, it makes sense to use different instruments and build campaigns in a modular way. This means that individual measures are combined with one another. In addition to using Google Ads to sell holidays, a travel agency can also book banners on travel portals or blogs. Due to this modular structure of corresponding campaigns, measurable results can be collected for the different channels with the help of KPIs. This results in company- and decision-relevant assessments of the effectiveness of the measures carried out; the optimization potential also becomes apparent. In this way, companies can decide whether the campaigns that have already been carried out should be continued or whether the budget should be used elsewhere (Kamps & Schetter, 2018, p. 4).

The ability to quickly track the results of marketing campaigns (Kreutzer, 2021, p. 28) and continuously improve campaigns over their lifetime is considered an essential practice. However, to be able to quantify the advertising success, the exact objectives must be defined before the start of a campaign. The goals are not only relevant for the design of measures, but also for the determination of suitable KPIs for measuring success. Since the advertising measures should always be targeted, it is essential to continuously measure the success already achieved from the start of the booked or switched campaign. The success of a campaign is reflected, for example, in clicks, **conversions**, costs, and benefits, which can be measured in real time (Walsh et al., 2020, p. 545).

For effective optimization during activation and, due to the large number of evaluation paths in digital marketing, it is important to define the key figures in such a way that the online marketing measures under consideration are measured in the course of control. Possible key performance indicators can be, for example, the increase in website traffic and customer retention (customer loyalty), but also social engagements, such as likes, shares, comments, sales, and leads (Kamps & Schetter, 2018, p. 7).

When it comes to the measurability of websites, web analysis is used. This is the process by which the behavior of users on a website is evaluated. The KPIs can be derived from the insights gained and conclusions can be drawn as to whether the previously set goals have been achieved (Kamps & Schetter, 2018, p. 159).

A popular and suitable program that can be used on all end devices is Google Analytics. Other prominent providers include StatCounter, AWStats, Econda, and Piwik/Matamo.

#### **Conversions**

These indicate how many transactions were achieved by a campaign and, thus, the success of the advertising performance (Kamps & Schetter, 2018, p. 7).



### REAL-WORLD EXAMPLE

When Facebook announced in 2012 that it would acquire Instagram for \$1 billion, the company had 12 employees and no revenue model. However, the app had 30 million registered users. A few months after the takeover, it was announced that a total of over 100 million users had registered. By 2016, the number of members continued to grow to 500 million users. This enormous growth was possible because Instagram made it easy and fast for users to automatically post their pictures on Facebook and other social networks and because the developers developed the app with the users' needs in mind. In the beginning, Instagram was still a location-based recommendation service. By evaluating various tests and analyses, the founders noticed that the photo sharing functions in particular were used often and intensively, so the company focused on optimizing this aspect. It was this community-inspired change of direction, also known as Pivot, that made the enormous growth possible. In April 2017, the company achieved another milestone with the Instagram Stories function, which challenged key competitor, Snapchat (Herzberger & Jenny, 2020, p. 63).

When one speaks of gigantic growth, Facebook cannot be left out. When Facebook was founded in 2004 by then-Harvard student, Mark Zuckerberg, it was still a closed environment accessible only to specific student groups. Zuckerberg required a university address for users to register. Here, he played with exclusivity and made his network all the more interesting because not everyone had access. After the founding of the company, he then opened the portal to students from other universities. This exclusivity hack quickly helped the network gain critical mass in its first few months. After just one year, thefacebook.com had 1 million users. Later, other universities were included and, from September 2006, all users over the age of 13 with a valid email address had access (Herzberger & Jenny, 2020, p. 66).

How Facebook achieved exponential growth is no secret. Growth hacks are not the only method for increasing reach, but they are still important. Facebook users were initially notified by email when they were tagged or mentioned, encouraging more people to join the platform. In addition, many people were able to get involved in community pages and pursue their interests with like-minded people.



Kalhammer (2019) recommends that companies post varied posts with regard to community management (i.e., to switch between simple text posts, images, and videos). It should also be noted that Facebook manages to post events in real time through user behavior, so that the company is quoted by well-known news formats on radio and television.



#### **SUMMARY**

Growth hackers must have at least one team member who is comfortable with data analysis. While other participants in the group live out their creativity, use information technology (IT) hacks, and manage limited budgets, data specialists are dependent on applications from Google Analytics, Kissmetrics, Hotjar, or Mixpanel to quickly make changes against which other measures can then be applied to continue to set the course for growth. Thanks to clean analyses of user behavior, it is possible to achieve the desired effect and experience success with increased sales and profits.

All growth hacking and online marketing measures should be monitored and checked for effectiveness. In growth hacking, when it comes to key performance indicators (KPIs), one talks about the evaluation of various online marketing channels that are used to gain a measurable reaction from the recipients who came into contact with the advertising measures (Kamps & Schetter, 2018, p. 4).

The company Meta Inc. shows how data analysis has made a significant contribution to the success of the two products, Facebook and Instagram. Data analysis and a constant observation of the market helped both companies grow exponentially. Snapchat served as a valuable role model when it came to the Stories function, which is now a key feature on both Instagram and Facebook.

# UNIT 6

## ACTIVATION AND REVENUE

### STUDY GOALS

On completion of this unit, you will be able to ...

- understand that consumers are not always rational or predictable.
- discuss the connection between psychology and growth hacking.
- identify what it takes to set up a digital business.
- distinguish between freemium and premium business models.
- understand how growth can be generated through cross-selling.

## 6. ACTIVATION AND REVENUE

### Introduction

Research has provided powerful insights into the psychology of why people make purchases, which growth teams can use as inspirations for experiments and increase their earnings. *Thinking, Fast and Slow* by Nobel Prize-winning psychologist, Daniel Kahneman, gives insight into behavioral economics. Other authors, including Daniel Ariely, have conducted research explaining how consumers make purchasing decision. Meanwhile, economist Sheena Iyengar's book, *The Art of Choosing*, discusses consumer behavior, usability, and psychology of choice (Ellis & Brown, 2017, p. 258–263). These ideas and more will be discussed in this unit.

### 6.1 Usability and Psychology

To grow a business, one needs to understand what the customer wants. If we have recently started our own business, we would be lucky to have a few customers, all of whom are worth a lot and can help us further grow our business. We need to ask our existing customers where they were searching when they found our product. Which social networks do they use? Which pages do they access online to find out about similar products?

Surveys can be powerful to uncover what people are willing to pay for certain products or services. However, the problem is that consumers and customers are not always rational or predictable. They say they want one thing, but change their minds once they are about to purchase it. Customer feedback is a necessary and a powerful way to come up with hacks for experimentation. Understanding the psychology of consumer behavior will lead to monetizing those customers (Ellis & Brown, 2017, p. 258–263).

The following six principles for influencing consumer behavior will help us understand how customers can be activated (Cialdini, 2016).

#### The Principle of Reciprocity

**Reciprocity**  
This is a behavior in which two people or groups of people give each other help or advantages (Cambridge Dictionary, n.d.).

**Reciprocity** can be explained in simple terms by the idea of favors. If somebody does us a favor, we have the urge to give them something in return. Therefore, firms and marketers make use of the power of reciprocity to grow their business in the following way: giving away something before asking for a commitment to purchase. Just think of supermarkets with free in-store samples. In the case of the American supermarket chain Costco, purchasing increased by as much as 2,000 percent, partly because of these reciprocal measures (Pinsker, 2014). If customers receive a free piece of pastrami or a state-of-the-art vegetable peeler, consumers feel triggered to buy (i.e., reciprocate with a purchase). Many software providers operating **software as a service (SaaS)** also make use of reciprocity,

giving away free features with the expectation that some people will upgrade as a result, hopefully having found the free features useful and developed a need for exactly that service offered (Ellis & Brown, 2017, p. 259–260).

### **The Principle of Commitment and Consistency**

Eyeglass retailer, Warby Parker, sends out five glasses for prospective customers in the United States to try on. Once they wear a pair that they like, they will most likely not want to take them off again. They can pay for the pair they like and simply send the other four glasses back to Warby Parker (Ellis & Brown, 2017, p. 260).

Amazon also makes use of this principle of commitment and consistency, especially with their Wish List feature. Once you have added something on your list, you are more likely to buy the item because you have already acknowledged your desire to own the object and it will appear whenever you are searching for other items, until you either delete it from the list or purchase it (Ellis & Brown, 2017, p. 260).

### **The Principle of Social Proof**

One of the most powerful motivators to buy is the desire to follow social norms or conform to the behavior of others (Ellis & Brown, 2017, p. 260). Just think of mobile phones, laptops, clothing, and shoes. Do we not all want to own what others have? This is not only because the product is good, but also because we see others with it. Quite a few firms get the idea of social proof wrong. Testimonials or slogans, for example, “Best Steak in Town” on a restaurant menu can also have negative effects. It can sometimes dissuade shoppers from ordering that higher-priced item by raising doubts about the authenticity of the claim. There are seven core factors that make reviews and testimonials effective: credibility, relevance, attractiveness, visuals, enumeration, nearby purchase points, and specificity (CRAVENS; Ellis & Brown, 2017, p. 261).

What happens if you do not have any testimonials, celebrities, or people using your product or service? You can simply make use of your Facebook or Instagram account if you have many followers. The flower delivery shop, daFlores.com, used this idea as a growth hack. They showcased the firm’s 600,000 Facebook fans. Looking at the principle of CRAVENS above, this resulted in a 44 percent increase in revenue from shoppers who felt like they were ordering from a popular, successful, positive company (Ellis & Brown, 2017, p. 261). Therefore, increasing the visibility of social proof is an important factor.

### **The Principle of Authority**

When we have a problem in our home concerning electricity or water, we call a specialist to fix it. We automatically trust this person, since we see them as an expert. Generally speaking, a person with a certain position, authority, experience, or know-how is more likely to be trusted. In business, an influencer for social media marketing (SMM) who brings along expertise in the area could be useful for improving sales.

### **Software as a service (SaaS)**

This is a software distribution model in which software is licensed on a subscription basis and hosted centrally (Wijaya et al., 2021).

## The Principle of Liking

When a product or service is recommended by people we like, we are more likely to buy it. Airbnb leveraged the principle of liking when they reengineered their friend referral program by including a photo of the person sending the referral with the invite. If unable to make use of a friend referral programme, real people and pictures can be used (e.g., stock photos or of salespeople within the company; Ellis & Brown, 2017, p. 262).

## The Principle of Scarcity

The fear of missing out (FOMO) leads us to try many things. We might feel bad that we didn't go on a certain trip or that we decided not to buy a certain product. When we feel like we are going to miss out, we are more likely to take action. That is why, for example, travel sites show the number of people who have purchased a certain trip already on that day (or overall). Companies can also limit certain offers to make them even more attractive (Ellis & Brown, 2017, p. 262).

All of these principles can be used for growth hacking. But usability is also important, where a product or service is as easy as possible for customers to use. It should be easily found on the internet, while the sales process should also be straightforward and intuitive.

# 6.2 Digital Business Models

### Business model

The business model is the result of the company's strategy and a tool to support the coherent implementation of the strategy into the organization (Wirtz et al., 2016, p. 36–54).

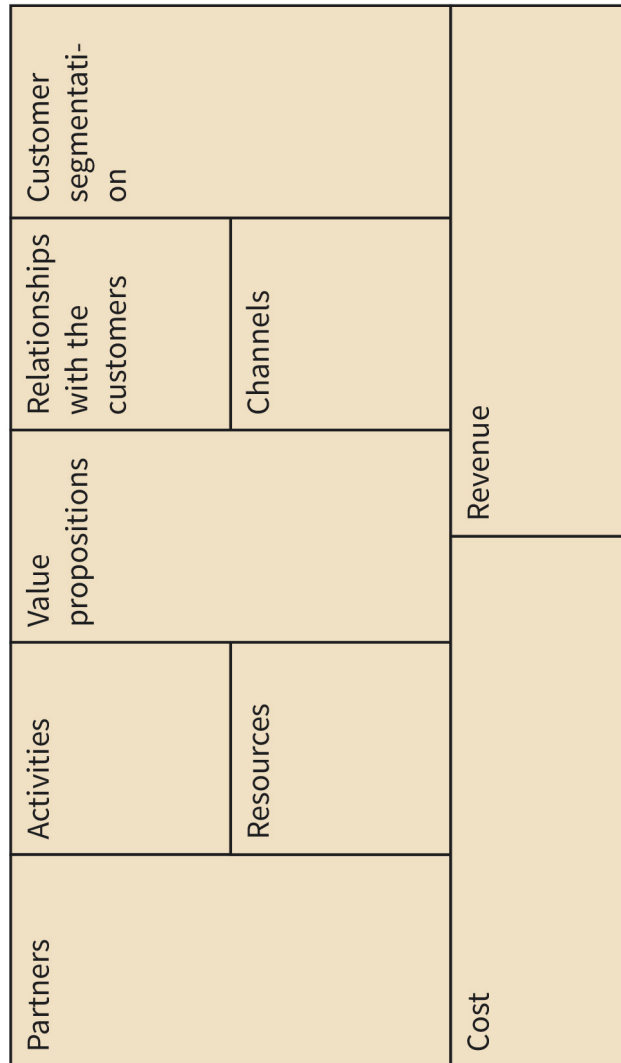
To be successful within a certain industry we need a digital **business model**, which can be explained as “a system in which many activities are interconnected to describe how a firm works together with its customers, partners, and suppliers” (Maulana & Handayani, 2021, p. 392). “Digital business refers to a condition in which business processes are carried out by increasing the optimization of resources, characterized by special uniqueness, and core values” (Maulana & Handayani, 2021, p. 392). In addition, experience, platform, and content are three important factors that play a role when referring to a digital business. According to Maulana and Handayani (2021), “a digital business runs by utilizing digital technology and media in increasing the organization's competitive advantage. The utilization is aimed at optimizing internal processes from traditional channels to supply providers in the business” (p. 392). Therefore, the term “digital transformation” refers to the “use of new digital technologies that can change and improve business performance and affect all aspects of customers. Technological developments in the digital, physical, and social realms drive the increasing need for customized customer experiences” (Maulana & Handayani, 2021, p. 392).

But what is customer experience? It can be described as a marketing concept with the goal of creating a unique, enjoyable, and unforgettable experience for customers when interacting with a product or service. According to Maulana and Handayani (2021), good customer experience management “results in strong interactions between customers and the company which will then create customer satisfaction for the company's products or services, the company's competitive advantage, and direct the company to profitable business

results” (p. 392). Accessibility, competence, customer recognition, helpfulness, personalization, problem-solving, promise fulfilment, and value for time are factors related to customer experience development (Maulana & Handayani, 2021).

Many firms, such as Airbnb and Uber, are taking part in “disruption.” Traditional business models are replaced by digital business models. Offering a place to stay is not only the task of the Hiltons and the Hyatts. **Nowadays**, Airbnb is generating more turnover than either of these hotel chains, despite the fact they do not own a single bed, room, or building in which customers can sleep. Uber offers taxi services without having their own fleet of cars. The idea of disruption offers plenty of possibilities for setting up a new business in a digital form where growth hacking can be applied and, thanks to its digital nature, data can be analyzed far more easily than with traditional advertisement formats, such as newspaper, radio, and television. Osterwalder and Pigneur (2011) developed a simple business model canvas, which helps companies sketch their business model in a simple and effective way.

Figure 8: Business Model Canvas



Source: Georg Bouché (2023), based on Strategyzer (n.d.).

## 6.3 Freemium and Cross-Selling

### Freemium

To build their user base and to benefit from network effects, many companies offer “freemium” strategies: a free basic version of their products, along with a premium paid version (Boudreau et al., 2022, pp. 1375–1401)

The term **freemium** is a combination of the words “free” and “premium.” A typical example is the professional social network, LinkedIn. Anyone can set up a profile there for free. Users can be found by others, send messages to other members they are linked to, and apply for jobs that are advertised on the site. Other options, like watching tutorials from LinkedIn Learning, can only be done if they have a premium account. LinkedIn tries to get users used to their platform for free and, once they are active on the platform, they might be tempted to upgrade and pay a monthly fee to access the additional benefits. Obviously, this is also a growth hack and refers to the principle of reciprocity.

Cross-selling is another way to boost sales and revenue by simply selling additional products and services to customers. But how is this put into practice? Apart from helping customers find the products they desire, recommendation systems enable companies to cross-sell products and increase revenue by simply recommending an additional product. You will have seen this everywhere: for example, “clients who bought (product) X have also bought (product) Y.” Therefore, cross-selling is an activity in which additional products and services are offered, sometimes free of charge, to a customer when a focal product was purchased (Ghoshal et al., 2021, pp. 430–431). Once a customer selects a certain product that they want to purchase, they place it in the cart and proceed to checkout. At that very moment the firm offers “more products to the customer based on what the firm has learned regarding the customer’s preferences through the items in the cart and past purchases” (Ghoshal et al., 2021, pp. 430–431). According to the consulting firm, McKinsey, one of their clients increased its revenue by 20 percent after having implemented cross-selling (Ghoshal et al., 2021, pp. 430–431).



#### **SUMMARY**

Psychology plays an important role in marketing and, therefore, in online marketing. Growth hackers should be aware of how psychology works and how concepts and principles serve as a basis for experiments to increase revenue and earnings. Understanding what clients and prospects really want will help to grow a business.

Firms, such as Airbnb and Uber, make use of the concept of disruption. Traditional business models are replaced by digital business models with new foci. In order to make use of growth hacking, a digital business model has one great advantage. Data analysis of online advertising campaigns can be far easier than the analysis of traditional advertising campaigns.

Freemium models are the perfect business model to get potential customers and consumers in contact with your business. By offering additional services on a platform, such as LinkedIn, or when software as a service is provided, revenue is created by the add-ons that one pays for. In addition, cross-selling (offering additional products to customers), based on data analysis and past purchases is a way to boost revenues.