vindicia®
Build Subscription Revenue

Best Practices for Customer Acquisition

Table of Contents

Introduction

Online merchants live and die by the number of new customers they bring in. The strategies used to gain new customers are numerous, each depending on the product, company culture and personalities in play at a specific merchant. There are, however, some clear rules and best practices that can be employed to help optimize customer acquisition for all companies.

Customer acquisition spans promotions, advertising, affiliates, pricing models, and payment methods. As companies examine their markets, they may decide to launch new, targeted products as an acquisition strategy. Other companies will tune their acquisition and affiliate channels to reduce their fraud rates. This guide will touch on all of these topics, but should be viewed as a supplement to best practices in each of these areas. These topics are in constant flux as marketers continue to research, learn and, most importantly, constantly experiment. Also, certain topics are too specific to a company and product to give ironclad answers, especially related to pricing and A/B testing. We will, however, recommend general approaches that work well across industries for these topics.

Testing and experimentation will appear as a recurring theme throughout this guide. While best practices will define the framework of a customer acquisition strategy, optimization will only occur after significant experimentation and testing. If you leave with only one takeaway, it would be the importance of knowing and understanding customer information like demographics, behavior and the average lifetime value, and using this information to inform your acquisition choices. A second takeaway would be to experiment with different acquisition techniques and use the data derived from them to drive your business decisions. Another is to understand the benefits of using multiple approaches and revenue streams as weapons in the ongoing war to gain new customers. To summarize:

1. Know the customer
2. Constantly experiment
3. Use multiple approaches to limit downturns in any one area

Most companies focus on driving customers in through acquisition strategies, but it is equally important to consider the implications of fraud, and put safeguards into place before launching your new acquisition strategy. Whether considering a new promotion, product or adding a payment method, thought must be given to the methods that will be used to control the amount of true and friendly fraud that will be present. While most best practices and discussions will be generic to all online merchants selling digital goods, industry- specific tips and guidelines will be called out in appropriate sections ahead.
Infrastructure Components

Before jumping into a full discussion of best practices, it is worthwhile to sketch out what pieces are necessary for merchants to implement and optimize for acquisition.

Standalone Site: Online Software, Media & Content, Games, Sports and Dating.

- Home Page
- Landing Pages
- Pitch Page
- Buy Page

Each of these pages plays a critical role in the buy process. Visitors need to find easy links from the home page to guide them to a purchase decision and the subsequent pages need to make the process as informative and frictionless as possible to reduce abandonment. The pitch page and buy page are, respectively, the next pages in the process after the home page that help guide and inform users. The pitch page lists the available offerings, while the buy page accepts customer payment information.

Pitch pages should ideally have at least two, but not more than four product offerings with one offering highlighted or recommended. The recommended offering should also be the most popular, or the most profitable. Other offerings should offer alternatives that vary terms and features, but should be created with the recommended offering in mind and help guide most users back to it.

Less optimization is necessary with the buy page. Merchants should only ask for the information necessary to complete the purchase successfully and nothing more. The less effort required, the better. A simple example of this is the use case of asking for the credit card type. Each card type is identified in the card number; instead of explicitly asking, merchants can simply implement a simple check that defines the card type after the user enters the number.

Landing pages can be tailored to the promotion, campaign or affiliate they are associated with, allowing for an even more streamlined buy process for certain groups of prospective customers. Landing pages are extremely valuable as companies grow acquisition by campaigns (email, print, advertising) or affiliate partners.

Social Media: Applications and Games

- In-App
- Item Store
- Payment Page
    - Direct Monetization
    - Offer Walls

Social applications based on a 3rd party platform have a slightly different acquisition landscape. Of course, unless a company relies exclusively on the acquisition opportunities available on the platform, they will have the above components in addition to a separate portal, which contains the more traditional pitch, buy and landing pages.

The difference for social media applications is the in-application presentation of the pitch and payment pages. These can be linked to application usage—such as purchase of 10 “coins” to acquire the needed item. The concepts remain the same and social media applications typically use a freemium or free-to-play (F2P) model which acts as an ongoing “free trial” to allow users to better understand the value of the service. In this case, the item store is the closest representation of a pitch page and each item should clearly identify the value that is provided. Additionally, item stores should only display the items that are relevant or accessible by the user. For a game, this may mean only showing the items that can be outfitted by a player at a certain level or time played. The payment page should again make purchasing as easy as possible, but may have the added complexity of an offer wall. Offer walls are advertising offers that users can take advantage of and trade marketing information in return for application currency. Offer walls tend to be confusing and considerable time should be spent making sure that the purchase experience is easily understandable for consumers.

As we'll cover later, each of these components—regardless of type or product should be continuously tested for both message and display.

Customer Information

Detailed customer information is the most important variable in determining which acquisition strategy will be most effective. This will influence everything from advertising buys to affiliate relationships to pricing and new product launches. The three main areas to understand are demographics, behavior or usage information, and lifetime value.

Customer demographic and usage information requires large amounts of data analysis and tracking, but ultimately pays huge dividends to the companies that can accurately model it. Certain industries can access this data more easily than others. For example, social networks have access to detailed demographic information and online gaming companies have detailed information on player usage and community interactions. Regardless of the inherent advantages or disadvantages of a particular industry, invest in systems that record and track this information. Analytics and information mining will help companies build accurate customer profiles. These customer profiles will be the most valuable source of information that drives an acquisition strategy and helps choose the channels and techniques most likely to reach your key subset of customers.

Most companies will have several customer profiles based on different products or uses and can use these profiles to create targeted offers and pricing. In some well-defined communities, it is even possible to start thinking of how to target offers and pricing specific to small groups or even individuals, also known as "The Economy of Bob" – William Grasso, Virtual Goods Summit.

Average Customer Lifetime Value (ACLV) is the average ticket price multiplied by the average number of purchases. For subscription businesses, this requires calculating average customer duration. For other businesses, it is necessary to determine how many times users come back to make purchases. To illustrate this point, a couple of examples are laid out below:

1. A subscription business for online financial information. Product price is $14.95 per month and customers last for an average of 2 years, which is calculated by tracking groups of customers (cohorts) across time and blending the results by product and customer demographic. This would result in an ACLV of just under $360.
2. On a microtransaction or free-to-play (F2P) gaming site which has an average ticket price of $12.50, customers who make an average of 6 purchases per year, and play for 18 months, would have an average customer lifetime value of just over $110. While this ACLV is not as great as in the previous example, these customers are still very loyal and valuable, which allows merchants to focus on prominent, high-quality channels to attract new customers.

Acquisition Channels

Once you have identified your ideal customer profile, it becomes easier to determine profitable acquisition channels. These channels can include print advertisements in magazines and newspapers, television ads, display ads on specific websites or networks, keyword searches, email marketing campaigns, social media, and affiliate networks. This is by no means a definitive list and new channels and methods of reaching potential customers are constantly being created.

We'll describe a few of these channels in detail below, but first it is important to discuss channel strategy—without which a lot of time and resources will be wasted with little results to show.

Use your ideal customer profiles as a base to identify the channels with the highest likelihood of successful acquisition and conversion, with acceptable levels of fraud. Also include knowledge about the customer base and usage patterns to understand which channels fit with the overall branding, and which do not. A web service for hip, 30-40 year old moms might identify that buying keywords on searches related to discount retail stores would have a large audience, but buying advertising on "Target" would be more appropriate for this audience than "Walmart."

The graphic below summarizes this approach and describes a quick workflow that can help merchants identify the best acquisition channels.

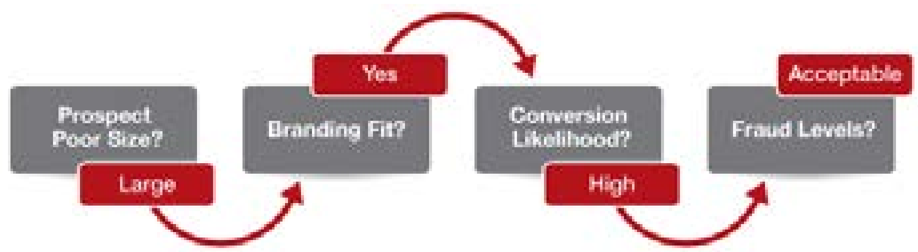

Figure 1 – Channel Acquisition Strategy Workflow

Here are some of the most popular acquisition channels used by online merchants:

Free Trials

Free trials allow visitors to try your product with minimal or no risk. You must optimize the conversion rate metric when determining whether to institute a "payment-method required free trial" versus a completely free trial. Either method should capture a customer's email address for additional marketing purposes, even if the trial sign-up is abandoned. Variables for free trials include the length of trial, level of product access and price point of the full product.

One variation of free trials is the freemium or free-to-play model with a continuous free trial with a base-set of features or access that users can supplement by paying for premium content or features when desired. For either model, you must carefully balance the free versus paid product functionality and access to entice users to join.

(Note: Free trials that do not require a payment method have incredibly low conversion rates. If you want to offer a free trial that doesn't require a payment method, try offering two different trial lengths with users that opt to not enter payment methods receiving a shorter term trial.)

Affiliate Networks

Affiliate networks are partners that drive traffic to your website. As a partner, they may be the first interaction with your brand and should be highly screened to ensure quality. Typical affiliate partnerships work on a referral basis and are paid a commission for each successful registration. Additional commissions may be granted for higher quality customers, such as those who subscribe for more than three months. Fraud rates can be quite high with low-quality traffic providers and merchants must carefully monitor each affiliate for overall quality. On the positive side, conversion rates from affiliates are higher than some other channels.

Display Advertising

Display advertisements are the ads displayed at various places across complementary websites. The size and placement, as well as price per 1,000 clicks (CPM) are the key terms for negotiation. Size, placement, overall site traffic and the creative content displayed are the main factors in driving acquisition. Conversion rates depend greatly on the type of site and their associated demographics.

Email Marketing

Email marketing is the online equivalent to direct mailing. Merchants send emails to a list (in-house or purchased) to entice users to sign up. Major factors that affect conversion are message content and list quality. Conversion rates vary almost as much as display advertising, but tend to be on the lower side overall. Open rates above 15% and click-through rates north of 2% are considered above industry average.

Social Media

Social media is a broad term for social networks and micro-blogging services. Advertising on these channels has the advantage of being highly targeted, but few rules and best practices exist as of yet. Advertising on social networks follows the general guidelines of display advertising, with the added twist of hyper-targeting (i.e. all 33 year old hikers within a certain zip code.). Micro-blogging channels, such as Twitter, work as part of a conversation with a touch of email marketing. The advantage here is that conversations can be initiated based on user's interests or questions and can be monitored with set searches on keywords. Another advantage for all social media acquisition is that it has higher conversion and lower costs, but volumes are smaller than other channels.

Search Advertising

Search advertising can be broken into two main areas, paid search sponsorship based on certain keywords, and natural search results. Natural search requires high quality, constantly updated content and work on search engine optimization (SEO). Paid search requires work to optimize keyword choice and messaging, but can be phenomenally successful when done right. The downside is that popular keywords are fairly expensive and, when not optimized for conversion, can end up being a very costly channel with low conversion rates.

Customer Referrals

Customer referrals can be a very profitable acquisition channel. You can encourage customer referrals by rewarding them with discounts, virtual goods, virtual currency or free service depending on your product and business model. Many games and social products rely on referrals as their main acquisition channel as it delivers very high quality traffic for the lowest overall cost.

Acquisition channels offer the ability to achieve broader distribution than is possible with internal teams only. Additionally, merchants can tune pricing and products to match the needs of prospective customers for each channel.

Campaigns and Promotions

Campaigns and promotions are key parts of acquisition channels. They allow you to offer specific pricing for certain customers and include everything from free trials to discounts and additional or unique content.

They are very specific to not only the products being offered, but also the industry and channel being used. Regardless, general best practices do apply. Each campaign or promotion should have a method of tracking customers for further analysis. Also, each should be tested for both messaging and creative content. The most effective ones will be those that offer prospective customers the most value in return for their time, effort and money. Balancing the amount of value offered by each requires careful planning and constant optimization.

As you offer campaigns and promotions, carefully monitor their fraud rates and plan accordingly. Fraud and acquisition are discussed further later.

Some common campaigns and promotions are listed below:

Free trials

Free trials can be used as acquisition channels, as mentioned above, or as campaign/promotional strategies if free trials are not normally offered. Alternatively, longer-than-normal trial periods can be offered as a promotional technique.

Discounts

Discounts are a price break from the list price and may be temporary or on-going in nature.

Community Events

Typically used in community-focused products, such as gaming, virtual worlds or social networks, community events can bring large numbers of existing and new users when paired with additional, unique content. Examples would be hosting a speaker in a virtual world, or giving any user who made a purchase on a given day a unique virtual good for an online game.

Additional Content

Offering unique goods, or goods that extend the value of the product as an enticement to join, or pay in a freemium/F2P model. This type of promotion works well with events, or as an incentive to make additional purchases.

Bundles

Offering access to multiple products for a lower, combined fee. This type of promotion is ideal for customers who use, or want to use, multiple products offered by one merchant. Additionally, merchants may partner with other companies to offer complementary products together. One example might be a subscription to online backup software bundled with an anti-virus software subscription.

Metrics

By creating methods and processes to track key acquisition metrics, you will get a more accurate picture of the traffic and new customers that result from each channel.

Key metrics for acquisition include:

Unique Visitors
The overall traffic driven to the site should be tracked as an aggregate number as well as by each acquisition channel. Knowing how many visitors you have and where they come from is a great help in identifying successful acquisition channels and the customer profile. Also, if possible, merchants should track the number of repeat visits to help optimize messaging and understand purchasing patterns.

Registrations
The overall number of successful registrations per channel. This should be tracked for overall site usage and "natural conversion" rates that result from web messaging.

Conversion Percentage
The percentage of registrations divided by the overall traffic for each acquisition channel. This is a very critical metric that allows very different channels and programs to be compared against one another.

Fraud Rates
Often overlooked, yet absolutely critical to track, is the amount of fraud per channel. Channels that generate many successful registrations may seem like the best choice, but if they generate a correspondingly high fraud rate, other channels might be better. Fraud rates are governed by the overall merchant rate and limited by credit card networks to around 1% of overall transactions.

Customer Duration
The length of time that customers stay with a product or service should be tracked by acquisition source. This data is valuable for long term planning and acquisition optimization.

Average Ticket
The average amount of money spent per customer should also be tracked by acquisition source. It complements customer duration to determine overall customer lifetime value (LTV) or average revenue per paying user (ARPPU).

Customer Retention
The number of customers that are retained each billing period or the number of customers that make repeat visits or purchases.

Testing, Analysis and Optimization

So far, this guide has mentioned the necessity of tracking and analyzing metrics around each customer, usage patterns and acquisition channels. Another key area for testing and analysis is the message or creative elements associated with each channel.

For a more detailed look at testing, Brooks Bell, President of Brooks Bell Interactive, has provided the approach she recommends to her clients. Brooks and her team have led a wide variety of clients improve their conversion rates with her testing methodology.

Testing has become a buzzword in online marketing in the last 2 or 3 years. Marketers have discovered that testing makes it possible to increase their conversion rates by as much as 500% without increasing their marketing spend. It's an exciting idea, especially in the context of tightening budgets and declining click-through rates.

So, what is testing, and how is it done?

In theory, testing is very simple. At its core, it's simply presenting your customers with two (or more) competing marketing messages or experiences in your live marketing campaigns to see which one they respond to. This is called a Control/Champion and a Challenger. Once you've determined which message is better, you develop a second series of tests to improve on the winning message again… and again. Eventually, you have incrementally improved on your original Control by incredible amounts.

Testing depends heavily on being able to measure your online marketing goals, and therefore is a natural companion to applying web analytics in your online marketing strategy. Web analytics data is a key element in designing your test plans, creative direction, and of course, in determining the winners of the tests.

Despite the buzz around testing, it's not for everyone. There are 4 T's in Testing to help you understand whether your online marketing department has the necessary assets to reap the benefits of building a testing program. The four T's are Time, Traffic, Technology and Trust.

Time

Giving your Testing program enough time is frequently overlooked. Testing should not be treated like a single campaign or individual project. While it doesn't make sense to test every single marketing campaign, the key drivers in your marketing program, such as your search landing pages, email newsletter sign up pages, registration paths, and email lifecycle series, should all be tested constantly and even indefinitely. The hidden cost in Testing is making it a priority in your marketing department. This requires internal goals set against it, internal management resources, and considerable focus.

Traffic

Traffic is the second T in Testing. This is especially where web analytics comes in. You must run your live production marketing programs and expose them to your actual customers. According to statistical measurement, your campaigns must be exposed to hundreds or even thousands of customers to be able to accurately detect which message is winning. This is called achieving statistical significance. It's the likelihood that you would have the same results if you repeat the test again 95% of the time.

Not having enough traffic is the most common reason that organizations are unable to put a Testing program in place. Anyone can test, but if it will take you several months to achieve statistical significance, then it may not be worth your time or investment.

Knowing that you have enough traffic is also helpful in planning your test, in that you can make 3 key decisions: 1) how many test cells go into the test; 2) how long to run the test; 3) what percentage of your customers will be exposed to each test cell.

Technology

Once you're prepared to invest the time to test and have confirmed that you have enough traffic, you need to determine that you have the necessary technology in place. There are several Testing platforms out there including Adobe/Omniture Test&Target, Google

Website Optimizer, SiteSpect, and Autonomy/Interwoven Optimost, but they are not mandatory. To roll out an effective Testing program, you really just need to make sure you have three capabilities:

1. You need to be able to **split your traffic** into each of your test groups. This means randomly putting each customer that is exposed to your marketing messages into one of the test groups at a pre-determined percentage.
2. You need to be able to **track the behavior** of your customers in each test separately using your web analytics tags.
3. You need to have the power to **make changes to your test reasonably** quickly without waiting for official IT rollout schedules.

These three requirements are simple from a technical standpoint, but are dependent on having a healthy relationship with your IT department and getting their buyin to support you in your Testing initiatives.

Trust
Trust is the fourth T in Testing, and addresses its "softer" side. Whenever you try something that you've never tried before, trust is a big part of that. You have to trust the opinion of experts, the opinion of your team, the reliability of your technology, and your own instincts. When it comes to Testing, you need to add trust in the scientific method, statistics, your web analytics data and the belief that it's possible to achieve the big lifts in conversion through Testing.

However, measuring the wrong data indicator can lead to incorrect conclusions, and can be more harmful than not testing at all. As with many things in life, Testing is not risk-free, but is usually worth it at the end of the day. Ultimately, experience in testing is the only way to discover what to trust and what not to trust. That's why with lots of time, traffic and good technology you'll have the right recipe for a winning Testing formula.

In addition to the above approach to Testing, merchants should also carefully monitor and analyze customer retention data. This should be done by demographic and acquisition source and should be reanalyzed regularly in order to accurately detect business trends.

Launching Products

Online merchants have the advantage of being able to move much more quickly than standard, offline products. The lower overhead and costs of distribution are key advantages that help merchants launch products quickly as new opportunities are identified.

To determine if an opportunity is worthy of a new product, merchants need to determine how much potential overlap exists between current products and balance this with the estimated size of the potential market. As an additional benefit, new products allow for different marketing and branding, opening up acquisition channels that may have been disregarded for the original product.

As with any promotion or acquisition channel, each new product should be carefully tracked, monitored and analyzed to improve the overall positioning and market success. Once merchants have adopted a metrics and analysis framework and policy, it becomes easier for each additional product to follow these guidelines and for comparison among the product lines.

Pricing

Pricing is an incredibly sensitive and merchant-specific topic that depends on a wide array of variables. However, there are a few guidelines that should be highlighted around both setting the initial price and offering discounts.

First, don't be afraid to charge for value. By establishing a higher price (or any price at all), you are indicating that you provide greater value. Users will ultimately decide if the value provided is worth the price and vote with their wallets. For merchants launching a new product and wondering about where the initial price point should be set, surveys and user testing are invaluable. These practices are often critical for online merchants to stay in tune with customer desires, but can be especially helpful when attempting to understand how much value users place on your product.

Competitive offerings will also influence your pricing strategy. A peer review, if possible, provides general guidelines for what others have found to be a reasonable market price. Price, and the value provided to users, should be decided as early as possible and continually tuned to match fluctuating customer interests and market conditions.

Any promotion should mention the original price so that users understand how much of good deal they are receiving. Users are more likely to sign up if they place a higher value on the original product and feel like they are getting a good deal.

Fraud

Online merchants face the unique challenge of dealing with fraud networks that target any merchant allowing small purchases. These networks use online merchants to test stolen credit cards before making larger purchases. The downside for online merchants is the need to provide refunds and manage chargebacks associated with stolen cards. For digital merchants, providing a refund on goods with a negligible production cost or cost of goods sold (COGS) is easy. However, specifically for credit card acceptance, limits are placed around the number of chargebacks allowed.

Chargebacks are a dispute process that allows customers to protect themselves from unscrupulous merchants or from charges on stolen credit cards. If a customer's credit card is stolen, they are generally not responsible for the charges and merchants must "eat" the cost of goods provided. Chargebacks that fall into this category are classified as "true fraud." Some customers, however, abuse this chargeback process to avoid paying for goods or services that they have received. These latter chargebacks are called "friendly fraud." Card networks such as Visa, MasterCard and American Express limit the overall number of chargebacks allowed for any merchant. Typically, this limit is around 1% of total transaction volume. Merchants who exceed this limit are severely fined and can even be prevented from accepting credit cards ever again.

These limits imply that it is very important for you to monitor and manage your fraud levels. If true fraud is missed, it leads to lost potential revenue and chargeback fees. Friendly fraud results in actual lost revenue and lower overall community quality. The other side of fraud is that if a merchant leaves a "hole" in their service, fraud networks will find a way to exploit it. You must work diligently to ensure that each new product, feature, promotion or channel partner is helping to stay ahead of potential fraud.

On the other hand, merchants who have a chargeback rate far below the 1% limit are neglecting customer acquisition to limit fraud and are throttling their growth and revenue. You should not aim to eliminate all fraud, but rather balance customer acquisition with the amount of chargebacks received. This is especially true for merchants selling digital goods and services with minimal COGS. A general best practice is to maintain a chargeback rate around 0.8%. This is an optimal rate, but should not be exceeded, so you can allow for unexpected spikes in activity.

With the right tools to track and manage your chargeback rate, you will have a huge advantage in selling digital products and services online. For example, if you can accurately track your chargeback rate, you know how much appetite for risk you have at any given time and can increase or decrease promotional activities accordingly. Alternatively, if you see a spike in chargebacks, you can offer promotions to existing customers with a good billing history in order to increase the amount of good transactions, thereby lowering the effect of the chargebacks. The key takeaway is to involve the team responsible for fraud and chargebacks into the marketing and acquisition process

Payment Methods

Payment methods play a large role in customer sign-up or cart abandonment, as well as ACLV and customer duration. Additionally, studies have shown that by offering a third payment method, in addition to credit and debit cards, you can have a significant increase in the number of conversions—some studies have show this to be as high as 14%. However the benefits of having even more payment methods can decrease quickly and credit / debit payments are by far the most popular form of payments in many countries, accounting for over 70% of global ecommerce overall.

You must choose among a very broad array of payment methods when determining the best choices for your products. Payment methods are available that target every demographic of user by geography, age range, industry and technical aptitude. Offer the payment methods that best fit with your ideal customer profiles. For a gaming company targeting pre-teens, offering credit card billing may not be the best fit. Additionally, you should balance the business opportunity and potential market size against the costs of acceptance, the maintenance effort required and the dispute process allowed by customers and for the merchant. You can easily determine viable payment methods from these criteria.

Here are the most common payment methods along with issues to think about for each:

Credit & Debit Cards

Online merchants are classified as “Card Not Present” (CNP) by the credit card networks and payment processors. This simply means that customers don’t physically present their credit cards when making a purchase. This is important as it relates to the rates charged for accepting credit card transactions. Credit cards require careful monitoring of chargeback rates and significant fraud protection, but are by far the most common global payment method. Debit cards are becoming branded with card networks and for online merchants, look and act identically to credit cards.

Typical Demographic: 5 – 14 years of age (parent’s cards) or over 18 years old.

PayPal

PayPal is an alternative payment method that allows users to pay with an email address and password. PayPal accounts are backed by credit cards or bank account transfers and provide a transaction acceptance cost slightly higher than credit cards. Currently, the dispute process for PayPal is less than ideal, but fraud rates are fairly low.

Typical Demographic: over 18 years old, but new offerings (student accounts) are aimed at the "underbanked," typically those 10-20 year olds.

Mobile Phone SMS Billing

SMS billing is growing in popularity in the US and is very common in many countries around the world. Charges are added to a user's mobile phone bill after being accepted via text message (SMS). While mobile billing is becoming more popular and functionality is expanding, currently the transaction costs are very high, especially in the United States. Also, price points are limited to a few fixed amounts. Also, merchant dispute processes are not ideal as phone companies are not willing to challenge their customers over a charge of less than $20. True fraud rates for mobile billing are very low.

Typical Demographic: 13-25 years of age

Prepaid Cards

Prepaid cards (also called "stored valued cards") are purchased in a retail store and activated on checkout. Customers then enter the card information into a merchant's website and the purchase amount is credited to their account. Fraud rates are very low for prepaid cards purchased at physical retail, but online purchase of prepaid cards is a prime target for fraud networks. Other issues with prepaid cards are distribution network logistics and high transaction costs.

Typical Demographic: younger, under-banked demographic, typically 13–18 years of age.

Electronic Checks (ACH)

Electronic checking is a low transaction-cost method of payment for merchants. Based on banking systems, customers enter their bank account number and personal information and funds are debited to the merchant after a few days. Key issues with electronic checks are the lack of system responses, the amount of time required to confirmation and the minimal merchant dispute process. For merchants with a stable customer base, higher average tickets and low fraud, this is an ideal payment method.

Typical Demographic: Business users, or more mature users (35 +). Also may be used by younger users without credit cards (16 – 18).

Regional Based

Many regions around the world have unique payment methods with minimal usage outside the region. One example is the ELV, a form of direct debit common in Germany, Austria and the Netherlands, but used little elsewhere. For merchants with a local concentration of users in a specific regional area, regional methods can be critical.

Typical Demographic: Varies by method, but many regional payment methods have broad usage across all demographics, especially 18 +.

Cash-based payments

Cash-based payments are, as their name suggests, methods that use cash instead of debit or credit options. There are many methods in this category, mostly forms of prepaid cards that are funded by cash purchases at a physical location. One of these payment methods, Rixty, has a unique value proposition as it partners with Coinstar machines in order to directly convert coins into an online virtual currency usable across many merchants.

Typical Demographic: Under 18 years of age and under-banked, or by users who prefer higher levels of security.

Summary

Customer acquisition is a broad topic that touches on every area of an online business. As such, each company has to define their own unique mix of product offerings, promotions, acquisition channels, payment methods and fraud controls to be successful. Acquisition is the lifeblood that powers growth, but can cripple merchants who are not able to get the formula right.

There is considerable additional information online on each of the topics highlighted in this guide. The goal here was to provide the framework to help structure all of the available information into a useful format to help you plan your customer acquisition strategy.

As discussed throughout this best practices guide, many of the key features around customer acquisition depend on the operational systems controlling billing and fraud management. Vindicia has years of experience and several CashBox Solutions that manage the billing, marketing and fraud issues encountered by digital merchants. For more information, please contact us or visit our website at **www.vindicia.com**.

US Headquarters
Vindicia, Inc.
303 Twin Dolphin Drive, Ste. 200
Redwood City, CA 94065-1424
P +1 650 264 4700
F +1 650 264 4701
vindicia.com/contact

UK / European Headquarters
26-28 Hammersmith Grove
London W6 7BA
P +44 (0) 208 834 1050
F +44 (0) 208 834 1100
vindicia.com/contact