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# A Complete Guide to Customer Acquisition for Startups



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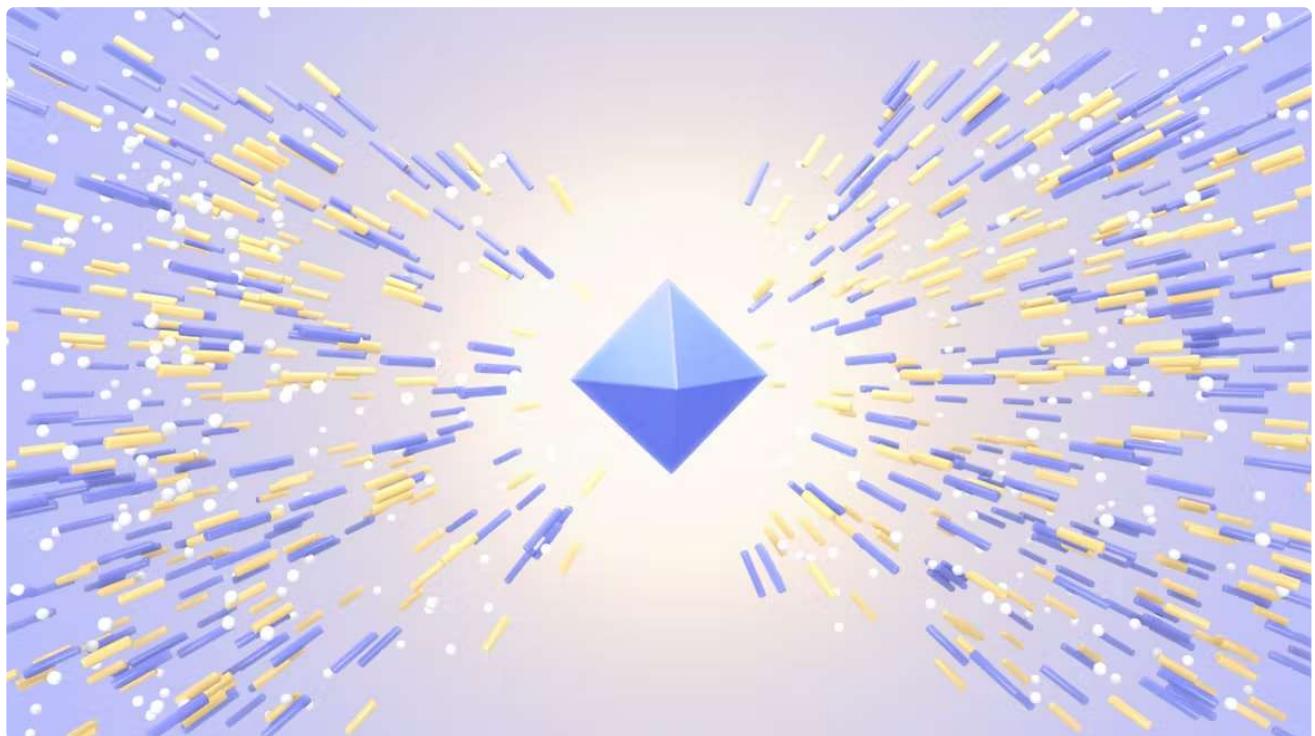


Illustration by Erik Blad

Customers are the lifeblood of any business. That's why you need a strategy to continually bring new customers, but according to ProfitWell, customer acquisition costs have risen 50% over the past five years.

The problem is that many businesses don't have a defined customer acquisition strategy. It's easy to keep doing what you *think* is working; however, this often leaves

The best way to improve customer acquisition is to create a clear strategy. In this guide, we'll help you understand how to generate demand, keep track of what you're spending, and convert leads into paying customers.

## What is customer acquisition?

Customer acquisition refers to the activities and actions a company takes to gain new customers. A successful customer acquisition strategy helps you win new business, retain loyal customers, and improve profits.

It's important to remember that acquisition starts at first contact with a new customer and rolls into your strategy for retention — the two work together to keep a marketing program profitable.

Customer acquisition covers each aspect of the customer journey, from lead generation to activation, customer loyalty, and conversion rate optimization.

Customers won't always stick around — no matter how good your retention strategy is — so you need a way to fill the gaps and keep your business moving forward.

## How to create a customer acquisition strategy

To make planning easier, we've highlighted some best practices you'll want to consider when creating a customer acquisition strategy:

1. Identify your ideal customers.
2. Define your goals.
3. Choose your customer acquisition channels.
4. Develop a unique strategy for each channel.
5. Communicate with your customers.

## 1. Identify your ideal customers

The first step toward customer acquisition is to gain an understanding of your customer base — both your current and target audiences. This includes studying competitors and analyzing market research done by [Pew Research Center](#) or the [U.S. Census Bureau](#).

Learning your product-market fit will help you identify ideal customers and set marketing goals.

If you don't have a good idea who your audience is yet, ask yourself the following questions:

1. What do customers accomplish with your product or service?
2. What are your customers' struggles?
3. What are your customers' demographics?
4. What benefits do customers look for in buying your product(s)?
5. Where do your ideal customers find information?
6. Why wouldn't they buy your product(s)?
7. When does your ideal customer buy your product or service?

As you grow, keeping track of these [customer profiles](#) can help you analyze, understand, and expand your customer base. You can identify your highest-value customers' different traits and behaviors, which you can use to invest more or less in the best customer acquisition channels.

## 2. Define your goals

To meet revenue expectations, set goals for your customer acquisition strategy that account for customer churn and current customer growth. You could earn \$20 million in new business over the next year, but you may not reach total revenue goals for the year if your industry has high turnover.

It's not hard to prove your marketing efforts are working. By measuring customer acquisition metrics such as customer lifetime value (CLV), monthly recurring revenue (MRR), customer acquisition costs (CAC), and churn rate, you can create a strategy that aligns with overall business goals.

### 3. Choose your customer acquisition channels

Identifying your ideal customers and customer acquisition goals is a great start to creating an effective strategy, but that's only the beginning. You'll want to think about which channels to use based on your research and what types of content do best there.

A customer acquisition channel is any place your customers meet your brand for the first time — whether through social media, organic search, or a paid ad. Customer acquisition channels are how you bring in new customers.

Some popular customer acquisition channels include:

- **Instagram:** Visually attractive posts and short videos.
- **Facebook:** Live video streaming, one-to-one messaging, advertising.
- **YouTube:** Longer, more informative, and entertaining video content.
- **SEO:** Written, long-form content that's optimized for search engines.
- **Paid social:** Short, snappy ads with compelling visuals.

## 4. Develop a unique strategy for each channel

You may want to get on every channel possible to start, but this can hinder your customer acquisition strategy. For example, if you are trying to reach customers in their early 20s, you may find your audience is on Instagram or TikTok. It wouldn't be worth putting all your resources into Facebook or Google Shopping ads.

When creating a marketing strategy for each channel, focus on:

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

Depending on your customer acquisition strategy, you may realize that you don't have to use TikTok if your customers are mostly on Facebook. Or if you find that you can say more in video than you can with words, YouTube or Instagram may be more useful.

Research the best strategies for each channel you use to get the most out of your customer acquisition efforts.

## 5. Communicate with your customer base

It's hard to find the gaps in your customer acquisition process without direct feedback from your customers. To collect this valuable information, you have to request it.

Customer surveys, email contact forms, customer interviews, social media posts, and blog posts are all excellent ways to communicate with your customer base. You can promote a deal, ask for feedback, and be available to talk.

## 6. Measure and improve your strategy

Building an online business without utilizing analytics is like driving with your eyes closed. If you don't know what's working (or what's not), where people are visiting, and how your pages are performing, then you're headed toward failure.

Many factors can affect customer acquisition, and that's why it's so important to analyze and measure your results. Customer acquisition analytics can help you figure out:

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

Before you start tracking, figure out which customer acquisition metrics you will monitor. Some common metrics include the following:

- Customer acquisition costs (CAC)
- New customer growth
- Customer lifetime value (LTV)
- Churn rate
- Ratio of lifetime value to customer acquisition cost (LTV:CAC)

Customer acquisition may seem daunting, but with the right preparation and tactics, your business can attract high-value customers, keep them around longer, and grow

As you start to build out your strategy, consider the following seven customer acquisition techniques that will help get your products in front of more prospective customers.

## 1. Content marketing

Content marketing involves creating blog posts, guides, infographics, videos, podcasts, and more to answer questions, solve problems, and introduce readers to your business.

Content marketing is efficient, compelling, and persuasive for capturing website traffic. Plus, it generates over three times as many leads as outbound marketing and costs 62% less, according to research from [Demand Metric](#).

With content marketing, you can:

- Improve ROI [13x](#) by prioritizing blogging in your marketing strategy.
- Build authority in your industry with lower upfront costs and more profound long-term benefits.
- Support your entire customer journey, from lead generation to acquisition and retention.
- Create videos that capture up to [66%](#) more qualified leads than those without.
- Build marketing assets for multiple customer segments.
- Build trust with prospects, considering [61%](#) of U.S. consumers bought something after reading recommendations on a blog.
- Assist your SEO efforts by adding more targeted, indexed pages to your website.

Even if you don't have the budget for a full content team, you can have people from different departments write content for your audience, hire an editor, and start publishing. The goal is to create good content consistently so you can build closer ties with readers and get the most from your acquisition budget.

## 2. Search engine optimization (SEO)

Search engine optimization is the process of tailoring your website content to boost rankings on Google or other search engines.

SEO is one of the most important customer acquisition methods for online businesses, and it's likely your customers are using search engines to find information. That's why it's a valuable channel for acquiring new customers.

With SEO, you can:

- **Drive quality traffic to your website.** Unlike paid acquisition channels that involve unsolicited outreach, customers can find you when they're looking for information. It's a more customer-centric approach to customer acquisition.
- **Lower Google ad spend.** Producing content that ranks high in Google search is an investment. But once you rank in a good position, you can drive the equivalent monthly cost of PPC campaigns so you don't have to spend as much on ads.
- **Get more clicks than pay-per-click advertising.** Even though Google ads show up higher on search result pages, 71.33% of people click through an organic result on page one.
- **Convert more leads.** SEO leads have an average 14.6% conversion rate versus traditional outbound marketing (think direct mail or advertising), which has an average 1.7% close rate.

NerdWallet, a personal finance company, bet big on SEO over the past five years. In July 2020, the company, valued at roughly \$500 million, generated nearly 14 million organic search visits. You'd think a company of this size would be dumping money into paid ads, but the story is quite different.

In a recent post on Some Good Content, the company revealed how it took over the market on all "The Best of..." content on the web related to personal finance. Through well-written content and a simple SEO strategy, the company continues to acquire new customers from search engines.

### 3. Mobile marketing

Mobile marketing refers to reaching customers on their smartphones through SMS, Facebook Messenger, push notifications, or mobile apps. Mobile sales are expected to reach over 280 billion dollars in 2020, making up 45% of the total ecommerce market.

With mobile marketing, you can:

- **Easily create automated omni-channel campaigns.** With marketing automation software like ManyChat, you can create integrated, cohesive shopping experiences across your customer touch points, including email, text, Facebook Messenger, and push notifications.
- **Align with consumer market demand.** Audiences today want to interact with brands 24/7. An omni-channel presence can help deliver an informed, consistent message across multiple channels.
- **Personalize at every stage of the buyer journey.** Mobile channels help you more easily collect customer data to create more targeted outreach to cold audiences.

The company captured new leads on their website, built detailed customer profiles — based on buying behavior, quizzes, giveaways, and demographics — to create personalized experiences for shoppers, generating 68,000 subscribers to improve future marketing efforts and sell more products.

## 4. Social media

For online businesses, having a presence on social channels like Facebook, Instagram, TikTok, and Twitter matters. With an estimated 3.6 billion people on social media worldwide, it's easy to promote your business.

Benefits of getting on social media include:

- Increasing brand awareness by posting consistently.
- Showing customers a more creative side of your business.
- Engaging with your audience on social media to bring them back to your website.
- Promoting your products to followers.

Three key tactics to consider when looking at social media are:

- **Organic social posts** — Scheduling or instantly publishing posts on Facebook, Instagram, and other social media channels your audience lives on.
- **Facebook ads** — Finding new fans, connecting with existing ones, and retargeting website visitors who didn't buy.
- **Instagram ads** — Visually promoting your brand to find new customers and retarget visitors. Kortni Jeane, an online swimwear brand, ran Facebook video ads and photos in a campaign to reach more shoppers and increase sales.

In five days, the Kortni Jeane campaign resulted in:

- A 22.9x return on ad spend.
- Over 2,000 purchases.
- An 11% increase in conversion rate.

## 5. Email marketing

Do you know what smart entrepreneurs do with the traffic they receive from content marketing and SEO? They build an email list.

Outside of direct sales, there is no better business outcome attached to first-time visitors than when they subscribe to receive updates from you. You can send sales or discounts for your products or services, exclusive content, customer features, and other promotional campaigns.

When you want to communicate something with your customers, email marketing is one of the most cost-effective ways to do so. In fact, a study by the Direct Marketing Association found that for every \$1 spent, email has an average \$38 return on investment.

Some other reasons to use email marketing are:

- **It's easy to start.** Email marketing platforms like MailChimp are easy to use and intuitive. They come packed with features to help you get sign-ups, design emails, collect data, segment customers, measure success, and more.
- **To automate marketing tasks.** Unlike paid marketing campaigns, you can set up an automation to trigger a series of emails you can set and forget. From welcome series to post-purchase follow-ups to rewarding customers with special promotions, you can connect with thousands of customers quickly and easily.

something.

- **It's easy to measure performance.** Email marketing platforms also make it easy to collect data and use it to improve your marketing strategy moving forward. You can track opens and clicks, ecommerce activity like purchases and abandoned cart recoveries, and even how much traffic you send to your online store or website.

If you have the means, hiring an expert in email marketing can pay off. But if you don't have the budget, you can still invest in client acquisition software with email marketing features, which can expand your reach and increase your sales.

## 6. Referral program

Referral programs are an easy way to improve client acquisition in your business. You've probably come across them before for professional services or online stores. The programs are typically straightforward: The more people you refer, the more you save or earn.



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- Referred customers' lifetime value is 16% higher when compared to non-referred customers.
- Customers acquired through referrals have a 37% higher retention rate.
- 81% of consumers are more likely to engage with brands that have reward programs.
- Referred customers have an 18% lower churn than customers acquired through other channels.
- Referred customers bring in 16% more in profits at minimum than non-referred ones.

One of the top customer acquisition examples using a referral program comes from the cloud-based storage company Dropbox. The famous program offers you and your friends 500MB of additional free storage space — up to 16GB in total.

Upon launch, Dropbox's refer-a-friend program increased their sign-ups by 60%, seeing over 2.8 million referral invites in the first month. They also went from spending up to \$388 in ad spend per customer down to zero, thanks to their referral program.

Dropbox now has over 14.3 million customers and has continued to use this referral program to drive customer acquisition for nearly a decade.

When creating your referral program, give something away for free so that referred leads have nothing to lose when signing up. If you're a SaaS business, offer Pro features for a limited time. For ecommerce businesses, give them a fair discount on their first purchase.

Once a customer interacts with your brand (and enjoys it), they'll continue to refer new customers to your business.

paid advertising to acquire new customers.

Ads produce results immediately, generating traffic, leads, and sales right after you launch. And paid ads can support SEO efforts by helping you find keywords to drive your organic search campaigns.

However, pay-per-click (PPC) can get expensive fast without the right tactics. Some best practices to follow to maximize ad spend are:

- **Always include a remarketing strategy.** Whether you run Facebook ads or Google ads, not everyone who clicks through your ad will buy something. Support your paid advertising with remarketing ads to (basically) follow shoppers around the internet while showing your ads until they buy. Some brands see up to 1,300% ROI from using remarketing ads.
- **Use Google Dynamic Search Ads.** Dynamic Search Ad headlines and landing pages pull content from your website based on what a person was shopping for. They help keep your ads relevant, save you time, and increase conversions for your ads.
- **Use automation for Facebook ads.** If you choose to run Facebook ads, consider using a chatbot to start a conversation with paid traffic. It's an easy way to create interactive experiences for potential customers and maximize your ad spend versus traditional methods.

## Customer acquisition costs

Customer acquisition cost (CAC) is the total cost involved in getting a new customer, including marketing, research, sales, and product cost. It's an important metric because it helps a company determine how important a customer is. CAC also helps you calculate the ROI of an acquisition strategy.

## How to calculate customer acquisition cost

Here's what a common CAC formula looks like:

$$\text{CAC} = (\text{Cost of Sales} + \text{Cost of Marketing}) \div \text{New Customers Acquired}$$

You can calculate CAC by dividing all the costs spent on sales and marketing by the number of customers acquired during a time period. For example, if you spent \$100 on marketing and \$100 on sales in a month and earned 200 customers in that same month, your CAC is \$1.

## What is the average customer acquisition cost?

The average CAC per industry, according to HubSpot, is:

- Travel: \$7
- Retail: \$10
- Consumer Goods: \$22
- Manufacturing: \$83

- Financial: \$175
- Technology (Hardware): \$182
- Real Estate: \$213
- Banking/Insurance: \$303
- Telecom: \$315
- Technology (Software): \$395

## What is a good customer acquisition cost ratio?

For most industries, the ideal LTV:CAC ratio should be 3:1. This means the value of a customer should be three times more than the acquisition cost. If it's closer to 1:1, you're spending too much money.

## Customer acquisition vs. retention

Overall, customer acquisition is how you gain new customers — from attracting them to persuading them to buy your products or services. Customer retention takes place after purchase as you try to keep new customers around for an extended time.

As you create your customer acquisition and retention strategies, remember to focus on delivering great customer service throughout the entire lifecycle. If you create a great experience for customers from first touch, you won't have to constantly spend so much money on new customer acquisition.

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## Ready, set, fill your toolbox

It's time to take what you've learned and start building. Every entrepreneur needs a customer acquisition toolbox that helps them work smarter than the big companies.

Considering your business' capabilities and limitations, create a strategy that prioritizes the pieces you want to deliver first to begin driving customer acquisition.

Your business will win by marketing smart – acquiring customers in a way that differentiates you from the crowd and builds an enthusiastic customer base you don't have to keep paying for every month.

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Michael is a SaaS Marketer and SEO living in Guadalajara, Mexico. Through storytelling and data-driven content, his focus is on providing valuable insight and advice on issues that prospects and customers care about most.

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