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PROSPER: MARKETING fit

Manosij “Mano” Majumdar wrote this case under the supervision of Julie Gosse solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Krystyn Harrison had helped more than 2,000 candidates prepare for interviews since founding Prosper. Now she found herself on the other side of the desk, preparing for what could be a defining moment for her and her company. Harrison and her co-founder, Beckie Thain-Blonk, were meeting a private equity firm interested in a seed round[[1]](#footnote-1) investment of CA$1 million[[2]](#footnote-2) in Prosper; Harrison and Thain-Blonk knew that success or failure would depend on their ability to craft a compelling narrative and lay out a realistic marketing plan that would lead to increase both Prosper’s user base and revenue.

History

Harrison had a background in business, having completed honours business administration and master of business administration (MBA) programs at Ivey Business School (Ivey) in London, Canada. While Ivey was renowned for its career advisory and preparatory services for students, Harrison felt that there was room for improvement. She often needed a quick clarification or brief mock interview, which did not fit well within the traditional model of 45-minute career office sessions booked weeks in advance. She also had short windows of spare time between commitments and wished for a way to use this wasted time productively.

Thain-Blonk had arrived at similar conclusions from another trajectory. Her background in business and career counselling had made her a natural choice to lead campus recruiting for her previous employer, a management consulting firm. She had been disappointed at the lack of interviewing and storytelling skills among student candidates at nearly every institution that she visited. She had also discovered a recurring set of common pain points that led these candidates to make a poor impression. Thain-Blonk had had an early start in entrepreneurship, charging her sister’s friends $5 for a craft class she hosted at her home, and starting her first business, a dance studio, when she was 16.

Harrison started Prosper to satisfy the need for a personalized, discreet interview coaching service that would fit neatly into users’ mobile lifestyle. A year later, she met Thain-Blonk, then a candidate in Ivey’s MBA program. Upon her own graduation, Thain-Blonk joined Harrison full-time at Prosper as chief customer officer and co-founder.

PRODUCT

Prosper employed a system of iterative continuous improvement sessions to help job applicants polish their presentation. The product was a mobile software application (app), also called Prosper, which allowed users to upload videos of themselves answering interview questions and communicate with a trained Prosper interview coach. The answers would be reviewed and returned to users with comments overlaid. Users could replay the video of themselves and repeat their attempt. On its website and in its press material, Prosper was billed as “the interview coach in your pocket.”

Thain-Blonk often used the example of one classmate who had been a tester for one of the earliest versions of the program. In just 40 or so iterations, she had gone from delivering nervously mumbled, directionless answers to delivering confident and structured ones. She had used the minimum viable product,[[3]](#footnote-3) which had been tried by over 200 testers. Since then, Thain-Blonk and Harrison had continuously improved the offering to achieve even faster results for their newest users. In all, Prosper went through three separate behind-the-scenes releases before it was released to the public—first as an iOS app, in 2017, and then as an Android app, in 2018. Harrison considered the apps fully mature, meaning that the team could now focus on business development rather than software development and testing.

The first version of Prosper followed a “freemium” model, making a subset of services available to users free of charge and enticing them to upgrade to a paid version with the full suite of services. In addition to one free video review, users had access to subsequent reviews at $10 per review and unlimited access to coaches via text messaging for an additional $50 per month. Users also had the option of training without a coach, which cost $12 per month and included proprietary content created in-house, delivered in a series of one-minute “pep talk” podcasts by a chatbot.

The company now focused on engaging users and building more lasting relationships. Experience had shown that users were not motivated to pay for access to podcasts and were not interested in the chatbot. In contrast, they were much more interested in access to coaches. Prosper had believed that a modern user interface would be a differentiator, whereas user behaviour showed that personal interactions were the most valued part of the user experience.[[4]](#footnote-4)

Artificial intelligence (AI) was in the news as a nascent technology that could radically reduce costs in human capital–heavy contexts and manage complex requests effectively as a company grew. At Prosper, experience showed that the bond users formed with their coaches inspired accountability and led to an excellent retention rate, which was crucial for the young company. In theory, AI would make real-time reviews and a host of other services possible, but asynchronous reviews by humans remained the more realistic option.

Harrison and Thain-Blonk felt that Prosper had finally achieved product-market fit, an elusive state where a product met the core and often intrinsic needs of the market without being superfluous or incomplete. In Prosper’s case, and in the case of many innovative companies, such a state could be reached only by rapid iteration, frequent experiments, and failure. For many early-stage companies, the key question was whether product-market fit would be reached before the company ran out of cash, and, for the moment at least, the answer was in favour of Prosper. Harrison and Thain-Blonk were also keenly aware that this was a competitive space with serious contenders and that product-market fit was a moving target.

Context

Unemployment among Canadians aged 15–24 years was at 11.7 per cent, almost twice the rate for the general population. This percentage was in line with historic trends and had remained true across a variety of economic conditions. Youth unemployment was a policy concern at both the federal and provincial levels. The province of Ontario, where Prosper was based, set a separate, lower minimum wage rate for students working part-time.

Young Canadians were also delaying entry into the workforce in favour of advancing their education. The age at which full-time employment peaked for Canadians under 35 years of age had shifted from 25 years of age in 1976 to 31 years of age in 2012. This delayed entry combined with an increase in the cost of housing also meant that more young people were living with their parents. The share of 20- to 34-year-olds living with their parents had been increasing since 2001 and reached 35 per cent in 2016. This figure was higher for Ontario (42 per cent), with Toronto (47 per cent) leading among major urban centres nationwide.[[5]](#footnote-5)

Post-secondary education in Canada was subsidized. The average cost of a post-secondary education was $19,500, with tuition and housing representing the bulk of this amount.[[6]](#footnote-6) Students had access to loans from both public and private sources to help pay for their education. Borrowers typically took nine to 15 years to repay their loans and were not required to make any loan repayments if their annual income was below a threshold. Collectively, Canadian students owed $28 billion to various levels of government.[[7]](#footnote-7) On average, students owed nearly $27,000 in student loans.[[8]](#footnote-8)

Canada had a mature mobile economy, with 94 per cent of 18– to 34–year-olds reporting owning a smartphone in 2016.[[9]](#footnote-9) Apple’s iOS had 55 per cent of the mobile operating system market, and Android had almost all of the rest.[[10]](#footnote-10) In 2018, Canada had the sixth-highest smartphone penetration in the world.[[11]](#footnote-11) Canada also had the most or second-most expensive mobile data plans in the world for most levels of usage.[[12]](#footnote-12)

Competitors[[13]](#footnote-13)

Prosper’s product had no direct substitutes on the market, but Thain-Blonk had identified several services that met similar needs and could be considered competitors.

InterviewStream was the most prominent incumbent and a relevant competitor for benchmarking purposes. Candidates, nearly all of them students, were able to send recorded video interviews in response to questions selected from a library by prospective employers. Short-listed candidates could then be interviewed over InterviewStream’s proprietary video conferencing software, which allowed for massive panel interviews, interview recording, and calendar integration. While employers appreciated InterviewStream and credited it with generating efficiencies in recruiting, student engagement with the system was low. The process could feel mechanical and impersonal for candidates, and the offering included nothing to make them better at interviewing.

Evisors was in some ways the complement of InterviewStream and closer to Prosper in aim and philosophy. It offered candidates personal career counselling and access to paid, proprietary content such as webinars. The counsellors—professionals who had worked in prestigious companies in a variety of industries from software to finance—offered resume reviews, mock interviews, and mentorship. Candidates paid Evisors between $75 and $400 per hour.

VideoBIO demonstrated the potential of AI in the recruiting industry. The company offered video-based interviews like InterviewStream, with software extracting the emotional and substantive content of interviews with natural language processing,[[14]](#footnote-14) keyword recognition,[[15]](#footnote-15) and tone analysis[[16]](#footnote-16) to produce a candidate scorecard including dimensions such as “friendliness” and “openness.” The company did not offer a way for candidates to improve their skills, but it promised overwhelmed employers a way to streamline and accelerate the recruiting process.

Price

Prosper had been difficult to price from the start. Barely a year’s worth of data indicated that the customer lifetime value[[17]](#footnote-17) was about $650 (see Exhibit 1).

The original model of flat-fee subscriptions of $50 per month had been replaced with a combination of subscriptions at $300 per month and an à la carte service that offered access for a few days at a time. The change had been partly informed by a change in strategy. The original strategy had been to offer a superior product at a lower price point. This had rapidly proved to place too much strain on the company’s finances, especially given its need for expensive human resources. The founders had since pivoted to a focus on superior quality only, trusting that this would incent users to pay a higher fee. Now they wondered whether an even steeper fee would be tolerated by the market. Users already had elevated expectations of Prosper due to its price point and personalized service. Would increasing the price further push them out of the service entirely?

users

Students had been Prosper’s earliest customers, partly because of the convenience of simply asking Thain-Blonk’s classmates to test out the fledgling product. Over time, two distinct user groups had emerged.

University students still represented 60 per cent of Prosper’s customers by count. Thain-Blonk found them ambitious, well-informed, and dedicated, but also anxious and status-conscious about their career choices. Prosper’s users were mainly students specializing in disciplines that would lead to a professional career such as accounting, engineering, law, or management. These were competitive fields, and students were eager for any edge they could gain in the job-finding process.

Students could be further divided into those who had a well-laid-out plan and followed it systematically versus those who were more reactive and prone to put off serious work toward their career goals until the last minute. Prosper had both as clients, and Thain-Blonk wondered if these psychographic segments also represented distinct pricing opportunities.

The other major group of customers for Prosper was “switchers”—professionals seeking to move to a different company, geography, or even industry from the one they were in. Switchers tended to be surer of their competencies and had a clearer vision of what they wanted to pursue; however, they also acknowledged that they had not been interviewed for years and needed to polish their skills. Despite their greater experience and maturity, switchers also felt fear spike directly before an interview.

Switchers spent their own money on Prosper’s services, while students usually had their subscription fees paid for by their parents. Thain-Blonk wondered if this made different pricing structures more attractive to each segment.

Distribution

As with many software companies, rapidly scaling the user base and establishing dominance of the market was important for Prosper. While the company’s vision was to eventually become a self-sustaining consumer brand, Harrison recognized the value of institutional partnerships, especially early in the company’s life. Such partnerships provided access to potential users at volume, enhanced Prosper’s own credibility, and stabilized revenue while the company pursued the more promising, but also more volatile, consumer market.

The institutional side of Prosper’s business operated on a software-as-a-service model. Career coaches already employed at post-secondary educational institutions were trained for the Prosper platform and had access to a rich analytics back end. The institutions were charged on a per-user basis. Prosper had established relationships with more than 10 educational institutions and was pursuing several other promising leads.

One of the earliest partnerships had come with the founders’ own alma mater, Ivey. The business school differentiated itself with effective and progressive career services, and they were enthusiastic early adopters and champions of the Prosper platform.

Harrison had to admit that institutional partnerships had yielded more than their fair share of revenue for Prosper. At present, they accounted for nearly 80 per cent of Prosper’s revenue, and the founders envisioned this share to be reduced to 40 per cent of revenue as the rest of the business developed. Their ultimate goal was to have a mainly business-to-consumer rather than a business-to-business (B2B) model. About 30 per cent of users continued their relationship with Prosper even after leaving their institution. Harrison wondered if Prosper would be better off remaining an enterprise-heavy company, or if pursuing the consumer market was indeed the better direction.

Promotions

Prosper had few promotional initiatives other than its extensive referral program, in which existing users and coaches or student unions and campus clubs could refer new users. Such referrals had accounted for nearly 70 per cent of users acquired by the platform in the last six months. Early experience had shown that users had limited interest in content produced by Prosper, and Harrison was acutely aware of the need to focus the limited time and resources in any company, especially a small, new one. Wary of attempting too much at once, she had decided to forgo a social media presence for Prosper entirely. She now wondered if the company had matured to the point where the cost benefit made the investment into a social media presence worthwhile and, if so, what her expectations should be for such an investment.

STRATEGIC ALTERNATIVES

Harrison believed that there were three marketing trajectories available to Prosper.

Option 1. Focus on Institutions

Prosper could focus its outreach and marketing efforts toward deepening its B2B relationships with universities and colleges. This would raise institutions’ share of customers to 40 per cent, partly by cannibalizing from the existing student segment. The share of switchers among Prosper’s customers would drop to 35 per cent. Institutions could add hundreds of users to Prosper’s platform at a time, but any lost business would mean an equally sudden drop in revenue. Compared to individual consumers, institutions had more bargaining power and knew how to use it effectively, making each sale a complex, time-consuming negotiation. Institutions were sophisticated buyers and cared about what Prosper could do to improve key metrics, such as student employment rates after graduation.

Option 2. Focus on Families

The second option was one Harrison had considered a shoo-in during the company’s early years. Parents were important influencers in students’ decision-making process about careers and usually the ones paying for Prosper, so it made sense to market directly to them instead. She estimated that this would increase students to 70 per cent of the customer base, with a total loss of the institutional business. Her enthusiasm for this option had been tempered with the realization that it essentially required selling the product twice—once to the payer and once to the user—and repeating it for each family. Students were active on social media, while their families could be influenced by television and print media ads.

Option 3. Focus on Switchers

Choosing to focus on switchers instead could have increased the share of switchers to 70 per cent of Prosper’s customer base. This choice required a reallocation of resources away from universities, resulting in a slowdown in that part of the business and reducing institutional users to about 25 per cent of the customer base. What was most attractive about this option was the switchers’ ability to pay. It was more expensive to acquire switchers since they were a dispersed population and could not be targeted as effectively as students. Harrison wondered if switchers would be able or willing to pay more and, if so, what impact that would have. She had every confidence in Prosper’s ability to deliver the career transitions these customers were looking for, and perhaps other pricing models would allow Prosper to benefit more. Switchers were self-motivated and could be targeted via partnerships with career-focused websites.

Conclusion

While Prosper was receiving positive reviews so far and was justifiably proud of its product, Harrison and Thain-Blonk were also aware of the need to secure funding and maintain this momentum to safeguard Prosper’s success. They organized the data on hand and pondered the best way to ensure that the company would live long and prosper.

Exhibit 1: acquisition cost versus lifetime value for prosper customers

|  |  |  |
| --- | --- | --- |
| **User Segment** | **Customer Acquisition Cost** | **Customer Lifetime Value** |
|  |  |  |
| Students Individual Membership | $135 | $535 |
|  |  |  |
| Students Institutional Membership | $115 | $465 |
|  |  |  |
| Switchers | $215 | $665 |

Source: Company files.

1. Investments in new businesses occurred in stages known as rounds. A seed round was an early stage of equity financing. [↑](#footnote-ref-1)
2. All dollar amounts are in Canadian dollars. [↑](#footnote-ref-2)
3. A minimum viable product was one that had a portion of the features of an envisioned final product and was used on early adopters to collect information about consumer needs, market uptake, and product design. [↑](#footnote-ref-3)
4. User interface referred to the displays and controls a user encounters while interacting with a machine. User experience referred to the subjective perceptions of the user from interacting with a product, including satisfaction and other emotional responses. [↑](#footnote-ref-4)
5. “Census in Brief: Young Adults Living with Their Parents in Canada in 2016,” Statistics Canada, August 2, 2017, accessed July 31, 2018, www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016008/98-200-x2016008-eng.cfm. [↑](#footnote-ref-5)
6. Mark Brown, “The Cost of a Canadian University Education in Six Charts,” *Maclean’s*, April 1, 2018, accessed July 31, 2018, www.macleans.ca/education/the-cost-of-a-canadian-university-education-in-six-charts/. [↑](#footnote-ref-6)
7. Jessica Vomiero, “Canadian Students Owe $28B in Government Loans, Some Want Feds to Stop Charging Interest,” Global News: Canada, May 21, 2018, accessed July 31, 2018, https://globalnews.ca/news/4222534/canadian-student-loans-government-interest/. [↑](#footnote-ref-7)
8. “As Student Debt Climbs to an Average Past $25K, Schools Invest in Battling the Mental-Health Issues it Causes,” *National Post*, May 30, 2016, accessed July 31, 2018, https://nationalpost.com/news/canada/as-student-debt-climbs-to-an-average-past-25k-schools-invest-in-battling-the-mental-health-issues-it-causes. [↑](#footnote-ref-8)
9. “Life in the Fast Lane: How Are Canadians Managing?, 2016,” Statistics Canada, November 14, 2017, accessed July 31, 2018, www150.statcan.gc.ca/n1/daily-quotidien/171114/dq171114a-eng.htm. [↑](#footnote-ref-9)
10. Bree Rody-Mantha, “Canada’s Prolific Smartphone Market Skews to iOS: Study,” Media In Canada, January 23, 2018, accessed July 31, 2018, http://mediaincanada.com/2018/01/23/canadas-prolific-smartphone-market-skews-to-ios-study/. [↑](#footnote-ref-10)
11. “Top 50 Countries/Markets by Smartphone Users and Penetration,” NewZoo, accessed July 31, 2018, https://newzoo.com/insights/rankings/top-50-countries-by-smartphone-penetration-and-users/. [↑](#footnote-ref-11)
12. “2017 Price Comparison Study of Telecommunication Services in Canada and Select Foreign Jurisdictions,” Nordicity Group Ltd., October 5, 2017, accessed July 31, 2018, www.ic.gc.ca/eic/site/693.nsf/vwapj/Nordicity2017EN.pdf/$file/Nordicity2017

    EN.pdf. [↑](#footnote-ref-12)
13. Company files and case author research. [↑](#footnote-ref-13)
14. Natural language processing was a subfield of computer science concerned with programming computers to process and interpret material in naturally evolved languages such as English (as opposed to artificially constructed ones such as Klingon or Java). [↑](#footnote-ref-14)
15. Keyword recognition was the identification of previously determined words or phrases in a body of text—for example, searching for instances of “don’t” versus “do not” to determine the level of formality. [↑](#footnote-ref-15)
16. Tone analysis was the analysis of keywords to determine the emotional state of the speaker or writer. For example, the phrase “waste of money” in a product review may indicate anger rather than simple disappointment. [↑](#footnote-ref-16)
17. Customer lifetime value was an estimate of the net positive value or the net profit that could be earned from a customer’s entire relationship with a product or a brand. Customer acquisition cost was the cost of gaining an additional customer. The difference between these terms could be used as a proxy for contribution for subscription-based businesses. [↑](#footnote-ref-17)