

AnswerDash

Case Study Analysis

4MIEIC02, Marketing

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1. Company

AnswerDash is a **venture startup** co-founded by Jacob O. Wobbrock and Andrew J. Ko.

The idea behind the company first originated in the interest of both men, who were professors in human-computer interaction at the University of Washington at the time, and doctoral student Parmit Chilana in the **vocabulary problem**. This problem resides on how **different users provide different words to describe the same thing** and it proved to be one of the reasons why web users could not locate useful answers from existing self-service support solutions.

Chilana, Ko and Wobbrock's theory was that, by embedding answers into the web experience directly where the questions arose, users would be able to get answers quickly and simply avoiding the frustration of not being able to find relevant answers to questions or having to spend unnecessary time with customer support.

Their first prototype was LemonAid. After being tested and having undergone field studies, the resulting improved version was piloted by four groups within the University of Washington where over 70% of survey end-users indicated they were likely to use it again.

In the fall of 2010, Chilana presented the research to workers at Facebook and the received interest led her, Ko and Wobbrock to ask the University of Washington for guidance on how to protect intellectual property. As a result, they were assigned an entrepreneur-in-residence, Ken Myer.

While Chilana decided to pursue her academic research, in September 2012 **Wobbrock and Ko decided to found a company, Qazzow Inc.** In order to find out how potential customers would respond to their concept before investing in the prototype, they made their early customer pitches with a demo video based on their research and pilots done at the university. Their first pitch was a success as the first company that saw their video agreed to try the product.

Motivated by the initial success, Wobbrock asked Myer to help with introductions to other potential customers. By the end of 2013, Matt Blythe became their first employee as Director of Customer Development, Ko took a leave of absence to dedicate himself fully to the company, Qazzow raised a seed round of \$500,000 and \$2.54 million in venture capital.

In January 2014, the **company was renamed AnswerDash.**

Its **end product** was an **“answer layer” atop desktop and mobile websites that enabled users to easily and quickly find answers to questions they had while browsing websites without having to navigate to separate “help islands” such as FAQs, forums or knowledge bases.**

2. Problems

Despite expectations resulting from a promising beginning to the business, AnswerDash has not seen the widespread adoption of their service. For this reason, Wobbrock and Ko began to worry in early 2014 about their approach and decided to review their marketing strategy as to come up with a viable solution to improve the business.

The main issues that were clear to the co-founders were:

- **First paying customer, Ben Bridge Jeweler, had decided to discontinue the service;**
- **Rate of customer acquisition not meeting expectations.**

As of April 2014, not only did they have solely four paying customers, but also most had been cultivated from the team's professional network and it had taken months for potential customers to move from initial contact to signing up, i.e., **lengthy (4-6 months) and costly (\$1,500 per client) sales cycles.**

3. Questions

3.1. Question 1

Assess AnswerDash's current go-to-market approach, including customer selection, pricing, communication and sales efforts. Which aspects do you think are positive? Which ones do you think are negative?

AnswerDash has **not targeted a specific customer segment** as not only does it serve both e-commerce and software firms, but they will also pitch their product to anyone willing to listen.

In regard to pricing, there are **3 tiers considering the usage level by end users**, i.e., the number of tab clicks per month, and the level of analytics varies according to these tiers as well. The way contracts are established is that they are billed annually, paid up-front and set to automatically renew at the same price unless cancelled.

(We assumed a retention rate of 35%.)

	Tab clicks	Analytics	Lifetime Value
\$99/month	<=2,500	few	-106
\$399/month	<=15,000	more	4,118
\$1,499/month	unlimited	all	19,606

Contacts are usually supplied by board members, advisors and their own contacts, such as friends or colleagues.

When establishing contact with companies, Wobbrock and Ko wanted to approach the Chief Operating Officers, Chief Financial Officers, VPs or Directors of Customer Support directly.

Their standard method when an introduction lead to a meeting was to present the customer company with a demo to show how their service would work on the client's live site without it being visible. This was achieved through a browser plugin.

Usually, these demo meetings took 90 minutes of preparation, due to having to stylise the service and having to enter example Q&As.

If the customer proved to be interested, a 30-day free trial would follow alongside the possibility to make use of the A/B testing tool to track how AnswerDash improved revenue or reduced customer support tickets.

In addition to the contacts established personally, AnswerDash resorts to inbound marketing techniques in order to promote their brand, such as search engine optimization, blogging, posting of white papers, participation at speaking events, presence on social media channels Twitter, LinkedIn & Facebook and hired a PR firm as to get media exposure.

In our opinion, although AnswerDash is catering to companies they offer value to and is able to provide them with proof of the product's efficiency and added value to the business, there are several issues with this go-to-market approach.

First, it is problematic that the company does **not have a clear understanding of the customer segment to target** since this influences the marketing approach on several levels: a different target segment translates into different pricing, marketing techniques and so on.

Secondly, companies **should not depend on contacts from friends** in order to get through to companies. These contacts will eventually run out and some companies might even consider it unprofessional to be reached through mutual connections instead of through a formal pathway.

Furthermore, **annual contracts with set values for all months might detract companies** considering that the end user usage might vary from month to month and that tab clicks do not reflect guaranteedly on added value in the form of purchases.

At last, there is an evident focus dispersion in the fact they are **betting on numerous inbound marketing techniques, instead of focusing on the most profitable and appropriate ones considering a specific segment and goal**.

In conclusion, overall **all the issues translate into some form of resource dispersion** as they have not taken the time to really understand who they are selling to and they are disorganized with their marketing techniques. This lack of focus and organisation translates into very low customers' lifetime values, since only customers in the two highest paying tiers are actually able to generate profit.

3.2. Question 2

Calculate the economic value that AnswerDash's product delivers for an e-commerce vs a Software as a Service customer.

AnswerDash's product has proved to be very effective to accomplish the desired goals, however

Revenue lift benefits - e-commerce:

Regarding e-commerce, namely RedAwning.com, a booking site with more than 100,000 browsers, that deployed AnswerDash, the A/B testing tool was able to reckon a 31% increase in sales. Besides that, users also stayed on those pages 7.6 times longer.

Hereupon, they started to pay the \$1,499 package, due to their number of tab clicks.

Considering they had \$1,000,000 in monthly revenues, it is possible to say that their gross margin started to be \$1,308,501 (with the 31% increase less the cost of the package), which means they had a \$308,351 profit increase.

Cost Reduction - SaS:

Whereas in this software, as a service example, PetHub was spending too much time answering the same questions over and over.

A few months later, after deploying AnswerDash, PetHub experienced a 67% reduction in customer support tickets and credited AnswerDash with saving it from having to hire an additional full-time customer support person, which meant saving a one person salary.

To calculate the cost reduction caused by the AnswerDash, we considered a site traffic of 100,000, out of which 64% resort to assisted services, meaning 64,000 visitors.

After having calculated the average sum of percentages of users using mobile phone, email or online forms to clarify their doubts, which was 82.75%, we reduced the 64,000 visitors to 52,960.

Contemplating yet the 67% reduction in customer support tickets, we can cater to approximately 35,484 visitors that probably still make use of the traditional assisted-services.

Using \$6 per ticket for call center customer service representative, it is possible to conclude that using AnswerDash allowed PetHub to save \$212,904.

In both situations, the economic value that AnswerDash's product delivers leaves no doubts about its impact.

3.3. Question 3

Analyse the three primary options AnswerDash is contemplating going forward? Which would you recommend the company pursue?

We believe the best possible option for AnswerDash to grow would be Option 3: Going Vertical: Targeting **specific** customer **types** or industries.

We discarded the **first option** due to its effectiveness only in the short term and its sizeable number of disadvantages. Some include contacting higher level managers, which is harder than reaching the customer support. Besides it would be necessary to change the communication strategy, including the value proposition, price and even the product itself.

Its advantages do not prove to be valuable enough - "The current pricing structure would be profitable" and "Reducing the acquisition time and costs." do not imply more sales or earnings. It would reflect on terms of not losing money at the current price and not having such a long sales cycle.

Option 2 would be a better idea, given that attacking the whole market did not provide optimal results. By creating a specialized sales force focusing only on the big companies it would be possible to optimise the selling efforts, generating more customers at a faster time.

Furthermore, big companies can afford higher prices, so a price increase could occur, translating into much higher profit margins. However, this would only work in the mid term as, in the long term, the market could be very reduced, owing to the small number of larger companies.

The third and **final option** appears to be the **best in the long run**. It consists of targeting only specific types of companies. In this case, it would be companies where customer support is important or expensive. In the short time, this could look like a disadvantage because not many companies consider this a valuable factor, but in the mid and long term many more companies will notice the importance of this feature and will want to adopt it into their system.

With this new bigger market, AnswerDash could **focus its selling efforts more efficiently** and personalise its product for each type of industry in order to **create an upward price adjustment**.

Actually we could even consider a mix between options 2 and 3, with a clear inclination to the third option, by segmenting the market even more, focusing only in the big companies, but, as mentioned before, this is not very effective in the long term.

3.4. Question 4

For the strategic option you support define: which companies to target, how to position the value proposition, how to sell to an organization, and what pricing model/format to follow.

Industries to Target:

AnswerDash should be targeting specific client industries, focusing on a more select (niche) market.

Clients that highly value customer support would be a main focus, however it is necessary to keep in mind the value proposition of the company in question. When the former first client Ben Bridge's company decided to pull the plug on AnswerDash's services, this could have served as an example for this specific topic: the value proposition of a company highly influences the way they interact with customers. Usually, high quality personalized premium services tend to advocate for high-touch customer support (e.g. phone calls by customer support specialists) and will not find AnswerDash's product very attractive.

Companies that have high lifetime value customers will invest more to keep those valuable customers, while those that present a high web presence, high complexity with constant growth that generates large levels of traffic are more likely to value AnswerDash's solution to cut on their ever-growing support costs. However, they also need to focus on the content provided by the clients since AnswerDash's product would not cope well with a lot of dynamism.

From these findings and by cross-referencing with Exhibit 9 - Assessment of verticals, we believe that SaaS, financial services, hospitality and e-commerce would make attractive company segments to target.

Value Proposition:

Website managers and general company executives are generally concerned with their website's interface and ease of use by the customer, hopefully ultimately leading to sales, contracts or any form of revenue.

AnswerDash helps its clients with the aforementioned by offering an easier, less cluttered and less time-consuming way for the end user to access any information they seek thereby reducing their general frustration when navigating their client's website, leading to a better overall experience and, at the same time, reducing support costs on the company side and converting more visits into purchases.

How to Sell:

For AnswerDash to be able to sell its service and increase the total number of signups, they have to educate possible buyers on the major benefits of the introduction of the service to their businesses. We have summarized their best selling points as follows:

- **Minimize user frustration** - By providing easy access to answers about the most relevant questions the user might need on any page, their users will feel less frustrated and be less likely to abandon the site;
- **Provide useful insights to managers** - AnswerDash offers the ability to access an analytics dashboard with plenty of information about user interaction with the website, providing useful insights on the user experience, paths taken during navigation and major problems regarding possible misinformed pages on the website by analysing user interaction with the service;
- **Save time and money on customer support** - By providing users on site with all the necessary information that they require to solve their issues and questions, the number of generated support tickets will decrease, leading to less time and money spent on customer support. Also, most duplicate tickets would cease to exist leaving only the most important ones to be addressed, which in turn would help the development of the information system;
- **Ease of set up** - To use AnswerDash service, all it takes is 30 minutes and one line of

javascript code to implement on the client's website. So no programming skills are necessary at any time.

This way top managers do not need to raise concerns regarding time and monetary costs of implementing a new solution like this on a pre-existing site;

- **Improve sales conversion rates and decrease cart abandonment** - AnswerDash's executives' research shows that 53% of customers who cannot easily find quick answers to their questions abandon their carts and AnswerDash provides those quick and easy answers. Since the offered service solves this difficulty, the sales conversion rates will increase alongside the decrease of cart abandonment, which leads to the next point;
- **Increase revenue per visitor** - Since sales conversion rates will increase and the cart abandonment decrease, the expected revenue per customer should also increase, with previous clients sharing a 13% revenue increase per visitor, which leads to greater revenue to AnswerDash's clients.

By presenting all the aforementioned points to interested parties at demonstration meetings, AnswerDash would certainly remove concerns from executives' heads and increase willingness to try out the service and possibly sign more contracts.

Pricing Model:

Despite the chosen solution mentioned before, we believe that the pricing format to be undertaken should rely on usage based pricing like most online services do, such as AWS and Google Cloud. This would allow AnswerDash to better manage their costs on high traffic and, at the same time, not harm smaller companies or startups that would probably turn around on AnswerDash when the funds run low, keeping a wide range of possible clients.

Regarding the back-office metrics and features offered by AnswerDash, these should be sold on priced packages that could or not be customized per client or sold in recommended bundles. This would allow another form of revenue independent from the end user presence and allow more versatility towards client's needs, leading to higher chances of signing up for the right amount of services they actually need. Again, this can be seen in companies like AWS which not only charges for what you solely use but also lets you configure what in fact you want/need to utilise.

From the case document information and the presented Exhibits, the following table was calculated to help determine how AnswerDash could move towards a pay-per-click based solution.

Client	Users/month	Users clicking(5 %)/month	Help Sessions /month	Tier	Price per click	Cost of handling by Webchat or callback/month	Savings for the client/month
PetHub	9,200	460	1,017	\$99	\$0.0974	\$5,083	\$4,984

RedAwning.com	30,000	1,500	3,315	\$399	\$0.1204	\$16,575	\$16,176
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Given the number of previous clients like PetHub and RedAwning.com, their 5% user interaction with the support service and the calculated average help sessions per user from Exhibit 3. Table 2, we were able to calculate the price per click needed to fulfill the current tier prices, which is around \$0.11 per click.

With an estimated cost of \$5 for each support ticket solved on web chat or callback, we calculated that the cost to close all the help sessions would not be anywhere near the cost AnswerDash is collecting, resulting in savings for their client 50 times greater than the monthly plan costs.

This shows that the initial tier prices were low and that, following the price-per-click model, AnswerDash still has plenty of margin to negotiate click prices.

4. Advantages and disadvantages of proposed solutions

Option 1: Lower Acquisition Costs: Reduce the Number of Stakeholders involved in the decision.

Pros	Cons
The current pricing structure would be profitable.	Hard to remove stages in the sales funnel.
Reducing the acquisition time and costs.	Changes in price, product and/or value proposition.
Direct contact with the person in charge.	Harder to reach the manager in charge.

Option 2: Move Upstream: Focus on Selling to enterprises.

Pros	Cons
Improve the selling efforts (mid term).	Sales force creation.
Upward Pricing adjusting.	Reduction of possible customers.

Option 3: Going Vertical: Targeting specific customer types or industries.

Pros	Cons
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Optimize the selling efforts.	Reduction of possible customers (short term).
Growing market (mid and long term).	Change the value proposition for each type of industry.
Personalized service.	
Upward pricing adjustment.	

5. Solution proposal

After performing the careful analysis described in this report, our recommendation to AnswerDash is to target specific companies and businesses and implement pay-per-click post pay with extra packages sold apart.

In our opinion, segmentation is important because AnswerDash has already had problems with companies that ended up realising that the service was not adequate for them and their value proposition, so the current way of trying to get any client on board would not be profitable considering the high customer acquisition costs with a really low return. This means that they would spend a good amount of funds trying to acquire clients that would eventually not sign up, because they knew the service was not right for them.

By segmenting correctly, AnswerDash could minimize these costs since they would be already targeting only companies they knew right from the start could derive greater value from the use of their service.

Besides that, with a pay-per-click approach AnswerDash could minimize some of its current problems of pricing and present a better variable cost structure that would fit their customers' needs and not jeopardize their clients' customer support in the eventuality of exceeding the pre-agreed maximum click limits of any given tier in a month in which their website could generate unexpected traffic. With this approach, startups or smaller companies with limited funds would also not be harmed, since they would only pay for usage and not a set monthly price that they could have trouble paying for.

Overall this is a better solution to increase valuable client acquisition by offering the best options that money can buy.

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