

Case study

XYZ is a grocery e-commerce company (app only) with less than 1% market share. The competition in the industry has intensified due to a series of acquisitions.

The grocery industry is also predicted to grow at a CAGR of 37% from 2021 to 2028, since offline grocery purchasers cannot step out of their house to purchase groceries & are moving to buying groceries online. The average order value of existing online users is also on the rise due to the same. In the light of the above, XYZ thinks that this is the perfect time to capitalize on the opportunity to expand its user base.

However, because of the influx of competition, cost of acquisition across all channels is at an all-time high for XYZ. Further, budgets available with XYZ are 50% lower than those available with competitors. Therefore, acquiring quality users at reduced costs is the business priority.

The assignment requires a discussion of:

1. Defining the type of users to acquire (segments to target).
2. Charting out communications to onboard users keeping in mind their primary triggers & barriers.
3. Creation of a new channel wise user acquisition plan (paid & organic) with well-defined metrics to judge the performance of these channels & communication callouts. Detailed budget allocation across different paid channels & individual strategies for each channel to also be drafted.
4. Product intervention to help increase conversion across the funnel, thereby, reducing CACs.

Existing strategy:

1. **Channel wise details:** XYZ is currently using Facebook & Google as channels to acquire users & costs are as mentioned below. The objective of the new acquisition plan is to acquire users at the same cost as the bigger players. Please note, organic users are coming in due to word of mouth because of considerable tailwinds in the sector.

Channel type	% Contribution to new users
Organic	54%
Paid	46%

Paid channel	Cost of first order	CACs for bigger players	% Reduction needed	Budget allocation
Facebook	1650	500	70%	60%
Google	1260	500	60%	40%

- 2. Communication:** Currently running brand communications on late night ordering & next day delivery. XYZ is now looking to understand what other communication styles could help it improve its user acquisition.
- 3. Product:** Once the app is installed, sign-up is done via phone number (by getting OTP through SMS/Whatsapp), following which the user lands up on the home page that shows a mix of SKUs available & ongoing offers on the platform. Please note, sign-up is a mandatory step while profile completion is not. Funnel conversions are below:

Install to sign-up	Sign-up to profile completed	Sign-up to added to cart	Add to cart to purchase
50%	35%	25%	80%

- 4. Segments:** Currently, users in the 8 metro cities (XYZ is operational only in these cities) are being targeted. These are people in the age group of 30-44 years with marital status as married & have a family. XYZ is now looking to understand what other segments it could target to improve its user acquisition.