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Startup on a budget: winning new customers without breaking the bank

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CASE TEACHING NOTES

Abstract

Theoretical basis

The case ties together a number of marketing concepts and theories within the context of a startup which might be addressed in an entrepreneurship or marketing course. The case focuses on niche, digital, and social media marketing and utilizes fundamental marketing concepts such as target market, value proposition, brand positioning, the marketing communications mix and the adopter categories of the diffusion of innovation theory.

Research methodology

The case is based on interviews from 2014 to 2017 with the founder of Lammily, Nickolay Lamm, supplemented by internet research.

Case overview/synopsis

Lammily is a startup company in its second year of existence which produces toys that embody realism: a fashion doll with proportions based on an average 19-year-old American woman, a sticker set of common body markings such as booboos and cellulite to make dolls look realistically, and doll outfits. After the company's initial success in 2014, fueled by positive publicity from online media eager to share information about the average doll project, sales were flat. Nickolay Lamm, the founder of Lammily, started to feel the heat to acquire new customers in ways that did not rely solely on digital word-of mouth. In response, Lammily commissioned a direct response TV commercial in the Summer of 2015, but it failed to lead to significant new customer growth. This case describes how Nickolay struggles to move beyond the launch phase of his entrepreneurial venture and turn his startup into a business with a sustainable customer base. Facing stagnating growth and established competitors with deep pockets, Nickolay needs to figure out why the TV commercial did not work for Lammily and what his new plan to acquire new customers will be.

Complexity academic level

This case would be well-positioned in an undergraduate or graduate-level entrepreneurship course that exposes students to the challenges of promoting a new brand and marketing a new line of products in a competitive market with established competitors. It is also good a good fit for a general marketing or entrepreneurial marketing course. The case focuses on how a startup can optimize its advertising strategy for a niche market to stimulate growth with a limited budget by using digital marketing techniques.

Keywords

Digital marketing Niche marketing Customer acquisition Entrepreneurial growth

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Disclaimer. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision making. The authors may have disguised names; financial, and other recognizable information to protect confidentiality.

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