UV7778
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Boots Unlimited: Getting a Foot in the Door (A)

Introduction[1]

Ryan Rosen typed "sexy boots for men" into the Google search bar and sighed. He was working with his brother, Robert, to boost online sales at their family-owned boots shop, BootsUnlimited.com (BU) using a Google AdWords campaign. BU was not a retail shoe store where customers came in to try on shoes, buy the ones that fit best, and then left with their purchase. Instead, Ryan and Robert worked with a factory in Thailand to create one-of-a-kind boots using customized measurements. Other members of their family ran the factory, which helped the business in terms of communications and trust. See **Figure 1** for an example of BU's boots.

Figure 1. Example of BU custom boots.

Custom knee boots, $849 (comparable quality boots at competitor: $995)

Source: "BootsBr," posted to public domain under Creative Commons (CC BY-SA 3.0) by "Safedom," September 25, 2008, https://commons.wikimedia.org/wiki/File:BootsBr.jpg (accessed Feb. 13, 2019).

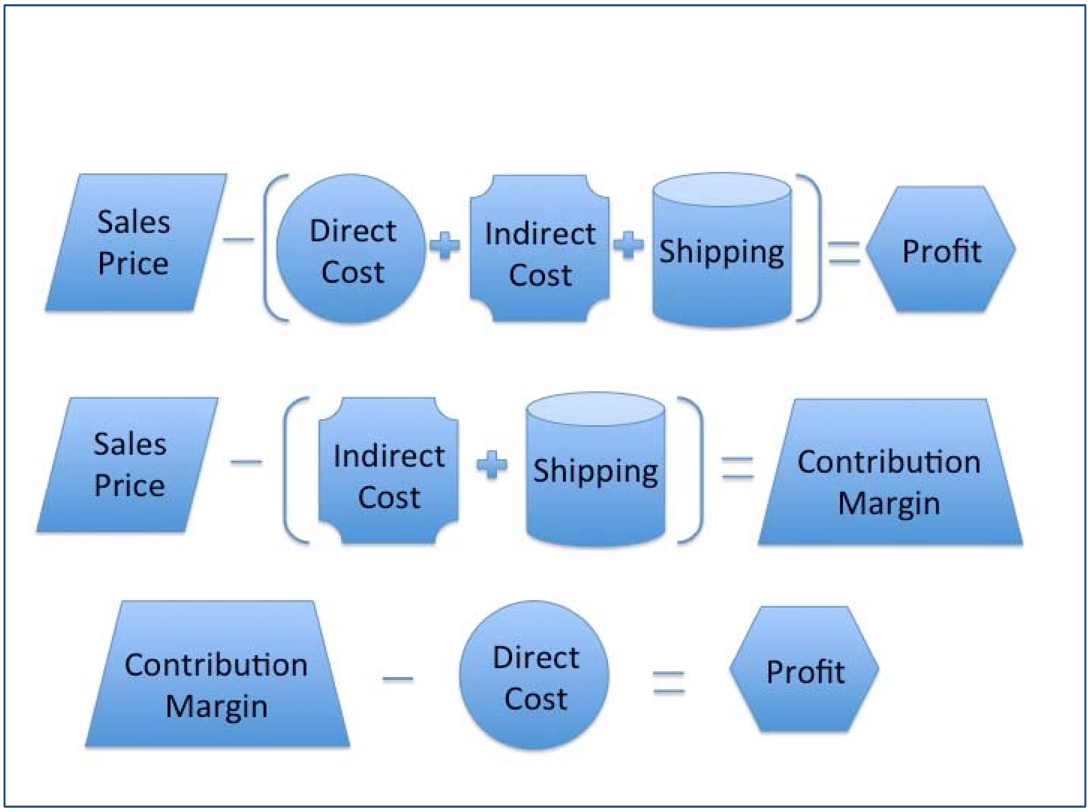
[1] Resilience Education, a nonprofit founded at the Darden School of Business, provides high-quality, customized education for vulnerable populations. For more information, contact info@resilience-education.org.

This fictional case was prepared by Rebecca Goldberg, Guest Executive Lecturer and MBA '03; and Paul Farris, Professor of Business Administration. It was adapted from Robert Maddux, Timothy Harr, Martha Gray, Gautam Kanaparthi, Prateek Shrivastava, Matthew Weiss, Paul W. Farris, and Phillip E. Pfeiffer, "Motorcowboy: Getting a Foot in the Door (A)" (UVA-M-0814). It was written for a curriculum designed by Resilience Education as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Special thanks to the Jefferson Trust, an initiative of the UVA Alumni Association.

The Rosen brothers would instruct customers on how to properly measure their feet in 20 different places—including around the ankle, calf, and lower leg at specific heights, and across the bottom and top of the foot. Then, based on the materials and style the customer had selected, they would place an order with their factory to construct the custom-made boots. The finished pair was delivered to the customer within nine weeks of placing the order. As a result, the Rosen brothers never met their customers in person or actually handled the boots they produced. All communication between the brothers and their customers occurred over email or phone, as did all communications between the brothers and the factory.

BU didn't have a physical store, keep any boots at a particular location, or have employees on salary. The brothers spent between 10 and 15 hours a week talking to customers on the phone and answering their emails. The company's monthly expenses, called *fixed costs*, were only those related to hosting and maintaining the website, the cost of their 800 number, and a few other incidental fees. Customers paid for their boots as well as shipping costs, and BU then paid the factory. Payment to the factory was the *variable cost* of producing each pair of boots. After the factory was paid, BU was able to retain around half of the total purchase price of the boots as *contribution margin*. The company's fixed costs were paid from the contribution margin, and the remainder became profit. BU's competition generally charged customers more for the same type of products. (See **Figure 2** for an illustration of BU's business model, and **Table 1** for examples of its products and prices.)

Figure 2. BU's business model.



Source: Created by author.

Table 1. Sample BU purchase prices and shipping costs breakdown and contribution margin.

Date of Sale	Buyer Location	Product	Price	Contribution
4/19/2018	Denver, CO	Classic Knee Boot, Black	\$849 + \$79 (shipping)	\$424.50
6/15/2018	London, UK	Low-Rise Motorcycle Boot, Black	\$399 + \$79 (shipping)	\$199.50
7/13/2018	Sedona, AZ	Square-Toe Western Cowboy Boot, Distressed Brown	\$649 + \$79 (shipping)	\$324.50

Source: Created by author.

Marketing

Because BU did not have a brick-and-mortar store, customers would generally find out about it through an internet search. Once a customer discovered BU's website and wanted more information about the company, they would usually place a phone call or send an email. The Rosens had learned over time that almost *never* did a customer just send in their foot measurements and a check. They wanted to first be reassured through a number of phone calls or emails that they would receive the boots they were expecting within the advertised nine-week window. Since customers couldn't physically try on the boots—or compare them to others, or even return the boots if they did not fit as expected—the Rosen brothers knew they had to work especially hard to convince their customers to take a chance on buying BU's products.

They had broken down their sales process into several steps so they could learn more about the sequence of actions their prospective customers took before making a purchase:

1. A prospective customer who wanted a unique style of shoe, or who had a hard-to-fit foot, became frustrated with mainstream footwear options.
2. The prospective customer searched the internet for a specific size or style, and by chance *learned about BU*. (This was a pivotal step that the brothers hoped to influence by using Google AdWords.)
3. The prospective customer visited the BU website several times to look at the shoes and prices. Out of every 100 prospective customers who came to the website, the brothers estimated that between three and five would move on to the next step.
4. Days or weeks later, the prospective customer called or emailed BU and, based on the results, gained trust that the boots would be of high quality and would fit better than off-the-shelf options. Often, customers requested pictures or sketches to help them better understand the types and price points of boots they could order. Of the three-to-five customers who came to the website and decided to call or email, one or two would eventually make a purchase and move on to step 5.
5. Two or three weeks later, the customer spent the time necessary to review the "How to Measure Your Foot" page, take the 20 different foot and leg measurements, make decisions about their boot or shoe style, and send in payment.
6. Between seven and nine weeks later, the happy customer received their custom boots or shoes in the mail—and sometimes bought another pair or referred a friend.

Market Segmentation

Finding customers on the internet was challenging. The Rosen brothers had to think carefully about the types of customers who would be interested in purchasing their custom boots. Because BU's factory could produce almost any style of footwear, BU offered a wide range of styles, from traditional knee-high boots to hiking and work boots, and even boots like those worn by pop culture characters such as Han Solo. There were different groups of people who bought BU's products, and each could be described with some level of detail. Understanding how each group of customers might find BU online was the first step in reaching more prospective customers through Google AdWords.

For instance, motorcycle police who were required to wear boots all day long appreciated the extreme comfort that came with BU's custom boots. Another group of customers was cross-dressing men who often had a difficult time finding stylish feminine footwear to fit their larger feet—Ryan did a Google search for "sexy boots for men" specifically to see what results this customer group was likely to get. Still other customers wanted "campy," character-specific boots to wear with an accurate Batman or Wonder Woman costume.

Each of these customer groups was termed a *market segment*. And because these segments were unique and small, they were called *niche market segments*. While the Rosen brothers were making a decent amount of money by their sales to traditional boot customers, they wanted to increase the sale of custom boots to the market segments they had categorized and named "motorcycle," "cross-dresser," and "costume."

Increasing sales to a market segment was called *growing the segment.* The brothers also wanted to develop several new market segments—in the horseback-riding ("equestrian") market, and for customers who wanted boots made out of unusual materials like stingray and alligator, or boots decorated with ostrich, peacock, and pheasant feathers (the "exotic" segment). A third potential segment was the plus-size market: mostly women with larger feet and calves who did not fit many of the boots and shoes available at mainstream shoe stores.

The brothers reviewed a list of their 100 most recent sales. Then they divided these sales into the market segment categories they had identified so they could get an idea of which segments were selling the most boots. They also gave some thought to which market segments showed promise, and where they might focus their efforts. They organized their thoughts in **Table 2**.

Table 2. BU market segments.

Market Segment	Status	Action Plan
Motorcycle	Motorcycle patrollers are buying more of BU's boots. Robert has begun attending police conventions and has received a good deal of interest. Big opportunity.	Large segment with huge potential upside. It's a good use of advertising dollars to try to bring in more sales from this segment.
Costume	Already accounts for significant portion of current sales.	Small segment. When people search the internet for costume-related boots, it is already very easy to find BU.
Plus-size	New segment to target.	Size of this segment is unknown. People searching for plus-size boots are already able to find BU. There is little information about this market segment.
Cross-dresser	People in this segment are already purchasing BU products, but the company hasn't advertised to them directly.	Tiny segment; worth advertising to if it doesn't cost too much.
Equestrian	Unsure whether people in this market segment will want to pay for custom-fit boots. Since BU successfully sells Western cowboy boot styles, advertising to this related, upscale segment could be worthwhile.	Small segment; worth advertising if costs are reasonable. Potential for high-dollar sales to equestrian sports enthusiasts.
Exotic	A new market.	Small, niche segment with high profit potential. Unusual materials are costly and often difficult to work with, which justify significantly higher retail pricing. Worth advertising to gauge response.
Custom	BU's core clientele.	Largest segment of BU customers. Advertising could significantly increase sales in traditional categories (career boots, work boots, etc.) and introduce BU's recently-launched line of "evening wear" boots and booties.

Source: Created by author.

Google AdWords

Whenever anyone searched for anything on Google, the search results divided into two categories. First was a list of *organic search results*, which were websites that the Google search engine was able to match with what the person had searched for. An organic search meant that when a prospective customer typed the words "custom-made leather boots" into a search engine, BU's website might appear in the results. The more unique a website was—and the better the match between the website and the exact words used in the search—the higher the website "score" and the higher it would appear in the ranked order of the search results. The second category was paid advertisements, which were called *sponsored listings* and appeared in a shaded box above or next to the organic search results.

The Rosens' next step in experimenting with a Google AdWords campaign was to evaluate the different ways in which their current customers found their website.[2] Previously, BU had relied upon word-of-mouth advertising and organic searches. BU had not yet paid for online advertising, or *paid search*, which would potentially make BU a sponsored listing even for searches where it would not naturally appear in the organic search results. The Google AdWords campaign was a way to pay for advertisements so BU would appear at the top or sides of the screen when a prospective customer typed in certain words or phrases.

How Search Engine Marketing (SEM) Worked

Businesses could choose to place ads in two ways: either on the search engine results pages alone, or on both the search engine and with its *network partners*—websites that partnered with the search engine to place advertisements on behalf of retailers in exchange for a piece of any sales generated as a result.

Advertisers were charged for paid searches based on either the number of impressions or number of "clicks" on the advertisement. An *impression* was a single appearance of an advertisement on a search results page. The number of clicks was the number of times that a prospective customer clicked on the paid advertisement and visited the company's website. The *click-through rate* (CTR) was also very important. It was calculated by dividing the number of clicks by the number of impressions. In other words, businesses determined how successful their advertising efforts were by dividing the number of times a prospective customer clicked on their paid advertisement by the number of times that advertisement appeared on the screen. Ten clicks out of 100 impressions was equal to a CTR of 10%.

Typically, the cost of advertisements was measured in *cost per thousand* (CPM[3]) *impressions* or *cost per click* (CPC). Most advertisers preferred to run a campaign based on a CPC basis because clicks might actually lead to sales. CPM was a better way to pay when businesses only had the goal of becoming more visible and didn't necessarily want to increase sales.

There were two ways of determining CPC for an advertisement: *flat rate* and *bid based*. In a flat-rate model, the advertiser paid a fixed amount for each click on the advertisement. In a bid-based model (such as with Google AdWords), each advertiser indicated a maximum bid on a given keyword; every time that keyword was used in a search, a computer-generated auction determined the order in which text ads were displayed. The winning bidder was usually charged the same, or only a penny more, than the next highest bidder. This prevented advertisers from constantly tweaking bids to keep their costs down.

The AdWords Campaign

Google AdWords was a cost-effective way for a small, web-based business to attract new customers because the business only had to pay when a prospective customer actually clicked on the advertisement and visited its website. For example, if only a few new potential customers clicked on a BU ad, the company would only have to pay for those clicks. A Google AdWords campaign could be designed to recommend a specific product or to appeal to a specific group of potential customers based on the search terms used.

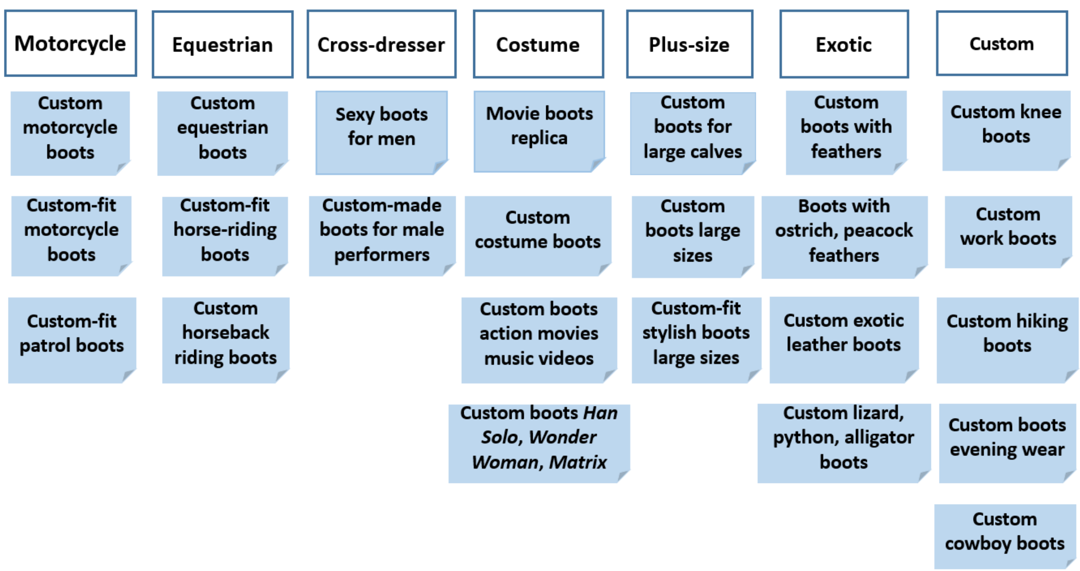
[2] To see more information about Google Ads, see "FAQ", Google Ads, https://ads.google.com/home/faq/; or Chuck Topinka, "How Exactly Does Google AdWords Work?," *Forbes*, August 15, 2014 https://www.forbes.com/sites/quora/2014/08/15/how-exactly-does-google-adwords-work/#77adc7827bd3 (both accessed May 31, 2019).

[3] CPM literally stood for *cost per mille*; *mille* meant thousand.

An AdWords campaign worked best when the search terms that a business chose to bid on were both very specific and a close match for what the business was selling. The more popular and broad the search terms, the more businesses wanted their advertisements to appear when those search terms were used by a possible customer. As a result, popular search terms were more expensive to bid on. In contrast, if the search terms that the business chose to bid on were too unique and specific, potential customers might be missed. For instance, it might be less expensive to bid on the phrase "red custom cowboy boots" and more expensive to bid on the phrase "cowboy boots." However, if a business chose to bid on only very specific phrases like "red custom cowboy boots," then it risked losing customers who, for example, were looking for *blue* custom cowboy boots or red custom *motorcycle* boots.

An AdWords campaign was designed by combining search terms or search phrases into lists and then linking the lists to ad groups. Ad groups were sets of ads that might appear based on their relevance to several different search terms (see **Figure 3**). All the ads in an ad group would then be programmed to link to a certain page on BU's website—for instance, the home page or a specific page featuring motorcycle boots.

Figure 3. Sample AdWords account structure.



Source: Created by author.

The Rosen brothers budgeted $200 to advertise online using a Google AdWords account; they gave themselves three weeks to spend it. While, as a small business, BU's ultimate measure of success was an increase in sales, the brothers decided to create a list of objectives to guide their efforts:

1. Realistic: Build a campaign that reflected BU's business and goals.
2. Best practices: Use information found online to learn about the best ways to make the most of BU's AdWords budget.
3. Make the right changes: Use data available on Google's reporting center to fine-tune bids and search terms over the three-week test period.
4. Performance: Use the budget effectively by spreading it across keywords in a way that made sense for BU's business segments.
5. Relevance: Use search terms that were both specific and relevant to maximize the CTR.

Strategy

The brothers divided their AdWords campaign into their seven identified market segments, each with multiple ad groups themed to specific aspects of those segments. The exotic materials campaign, for example, had an ad group for each type of material, while someone searching for boots would see an ad for plus-size boots that would click through to BU's page of customized, stylish boots that accommodated larger calves.

Because they were starting with a limited budget, and because BU catered to such niche markets, the Rosens decided to start with very specific keywords that would require lower bids. They believed that starting this way would keep them from running out of money too soon. They created a list of basic search terms that might appeal to each of their market segments, then added more specific words such as "custom," "handmade," and "custom-made."

Since they were starting from scratch and didn't know what search terms and phrases would actually cause customers to click on their ads, the brothers decided to spend more money than they thought necessary just to see the outcome. Over the first few weeks, they met every few days to check Google's dashboard page, monitor results, and make adjustments. They planned to look at each individual campaign, ad group, and keyword to see how many times their ads had appeared (number of impressions), how many times prospective customers had clicked on the ads (CPC), and what those prospective customers actually did when they finally made it to BU's website.

Did the prospective customer just click through to the website and then leave immediately (this was called "bouncing")? Or did they spend some time looking around, maybe even going to another page or two? The brothers also planned to monitor CTR, average ad position (the average placement of their ads in the paid search screen area), and average CPC. Every few days, based on the dashboard information, they agreed to make changes to both the search terms they had chosen to bid on and the bid price.

A Boot to the Backside

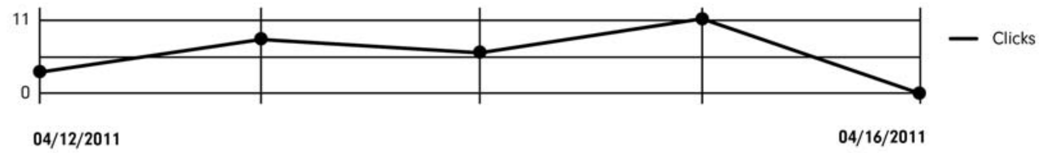
Four days after the launch of their AdWords campaign, BU had won only 28 clicks and spent $5.17. (**Exhibit 1**) At this rate, the Rosens would spend less than a quarter of the total budget within the three weeks they had set aside for their advertising experiment. As it turned out, most of the search terms the brothers had chosen were flagged by Google as "low search volume." Others were flagged as "below first-page bid," meaning that the bid price they had set was too low for the ad to appear on the first page of search results, making it unlikely to ever attract a click to visit their website.

While the Rosens thought that their long list of highly customized terms was a good one, at this rate, they would never spend $200 in three weeks. They wondered what approach they should take to decide their next steps. Should they change the search terms, and if so, how? Or should they change their bid prices, and if so, to what amounts?

Exhibit 1

Boots Unlimited: Getting a Foot in the Door (A)

Analytics of Search Terms



Campaign	Budget	Status	Clicks	Impressions	CTR	Avg. CPC	Cost	Avg. Position
Plus-size	$2.00/day	Elligible	0	1	0.00%	$0.00	$0.00	2.0
Motorcycle	$14.00/day	Elligible	0	197	0.00%	$0.00	$0.00	8.3
Costume	$5.75/day	Elligible	0	5	0.00%	$0.00	$0.00	3.8
Equestrian	$4.50/day	Elligible	2	217	0.92%	$0.27	$0.54	6.8
Exotic	$3.50/day	Elligible	3	277	1.08%	$0.26	$0.77	6.9
Custom	$6.00/day	Elligible	4	263	1.52%	$0.17	$0.69	3.6
Cross-dresser	$5.00/day	Elligible	19	1,265	1.50%	$0.17	$3.17	4.7
Total: All but Deleted Campaigns			28	2,225	1.26%	$0.18	$5.17	5.3
Total: Search			28	2,225	1.26%	$0.18	$5.17	5.3
Total: Display Network			0	0	0.00%	$0.00	$0.00	0.0
Total: All Campaigns	**$40.75/day**		**28**	**2,225**	**1.26%**	**$0.18**	**$5.17**	**5.3**

Data source: Created by author based on Google Analytics.