**Digital Marketing and Web Analytics**

**1. Evaluate Hubble’s current business model. Would you invest in their current fundraising round? Why or why not? What excites you and what worries you about the company at this point in its development?**

# Hubble’s current business model

Hubble’s current business model currently uses a direct-to-consumer (DTC) social media-based subscription that provides consumers with daily use lenses at lowered prices. The Hubble model, through a mostly digital platform, offers a more personable and simpler conversation with the consumer. Hubble’s current model has been extremely effective in establishing some form of traction within the market place, focusing more so on new consumer acquisition and less on customer retention

# Investment in current fundraising round

Due to a multitude of reasons it would be recommended to invest in the current fundraising round for Hubble. Euromonitor reports that companies that are solely online grew 17% faster than normal retailers. In the US market alone, the case study reported that around 75% of Americans required some form of vision correction, with 12% of the population using contact lenses. Globally, contact lenses are a $9 billion industry, which is expected to grow to $13.5 billion by 2020. This provides sound evidence for the massive market potential within the industry. Within the contact lens industry there are three categories of lenses: conventional, extended and daily disposable. Hubble sells daily disposables using a social-media driven monthly subscription. Daily disposables are considered the most hygienic of all contact lenses, in which there has been an 18% increase in preference of disposables since 2012. Hubble has recognised a Year-on-Year (YoY) growth of fourteen times the cumulative number of customers, seven times the number of orders and ten times monthly revenue. With the current boom of the contact lens industry, in combination with the exponential growth of Hubble, it would be recommended to invest in the current round of fundraising to allow the company to scale.

# Excitements/worries about the company at this point in its development

The previous system before the DTC business model can be considered slow, pedantic and fragmented. The category, dominated by larger corporations included high costs, inconvenient access and over complicated packaging. Hubble’s success is culminated through its simplicity and ease for the consumer, which in turn, creates brand preference. Company satisfaction seems to be very high for Hubble users, with post-purchase surveys outlining that 77% of customers say they would likely purchase through Hubble in the future. Such brand preference, in conjunction with the impressive business growth of Hubble are what should be considered the most exciting about the company at this point in its development.

There are a few worries about the company at this point in its development. Firstly, the case study outlines how a number of optometrists have publicly discussed their contempt for Hubble contact lenses. They suggest that Hubble provide poor quality lenses which potentially cause more harm than good. Secondly, Hubble seems to be at developmental cross-roads in regard to expansion. There seems to be internal disagreements in regard to how the company should expand through their products, channels and location.

**2. How efficiently does Hubble acquire and retain customers? What do they do well and what needs improvement?**

# What Hubble does well

Hubble’s success, to a large extent, can be contributed to the company’s ability to break through the clutter of digital advertisements. Facebook provided the foundation and entire marketing infrastructure for Hubble, in which almost all of their traffic was acquired through the social media juggernaut. Through Facebook Ads, Hubble was able to advertise very effectively to highly specific target segments, in which ad execution could be trialled to see what worked and what did not for a fraction of the price of traditional media channels. Within the first 6 months, 95% of spend was on Facebook, so within this time period traffic can be attributed solely to the platform. Hubble also implemented an influencer and content marketing campaign to drive traffic and acquire customers through the creation and sharing of brand related content. Examples of effective content marketing can be seen through such articles as GQ’s ‘6 Reasons to Buy Hubble’ and various interactive quizzes which drove consumer engagement. Evidence of Hubble’s effective acquisition strategy can be seen through their significant YoY growth as outlined in exhibit 1.

# What needs improvement

As seen in exhibit 10 in the case study, the recent Facebook campaign highlights some inefficiencies Hubble has in acquiring customers. The conversion to purchase rate (CPR) for new prospecting customers was a low 0.02%. This conversion rate did improve when these customers were retargeted to 0.63%, however, this figure could be improved. Rosen argues that Hubble should shift their focus to customer retention, in which the company has invested very little capital into.

**3. Assess how Hubble has used owned, earned, and paid media. What needs to change as the company scales? Why?**

# Paid media

As of April 2018 (exhibit 9), Hubble’s paid media is allocated to 78% online (61% from

Facebook/Instagram), and the remaining proportion spent on more traditional channels (TV, Radio etc). Within the first 6 months Hubble had 95% of paid media being spent specifically on Facebook using the DTC business model. The Facebook Ad platform allowed Hubble to outreach to highly specific target segments, including Hubble’s outlined target audience of millennial females. Consumers can purchase directly through these targeted Facebook Ads, creating a seamless and easy to navigate shopping experience which was in complete contrast to the previous corporate and convoluted retail system. Digital ads are also run on such social media platforms as Instagram, Pinterest and Snapchat. In using digital channels Hubble can track quite efficiently what paid media works and what does not. In the case study, co-CEO and founder Jesse Horwitz says Hubble’s primary focus should be on the ratio between customer acquisition cost (CAC) and lifetime value of a customer (LTV). The balance of these two metrics will determine the long-term success of Hubble as a company.

Hubble also uses more traditional paid media platforms, with 12% of paid spend on television, 6% on podcasts, 2% on radio and 2% on mailers. Hubble has observed some measured success of this traditional media, more specifically through their TV campaigns run by advertising agency WideOrbit. After running a TV ad campaign during the Major League Baseball’s World Series, a positive correlation between sales and television spend was observed. In keeping online paid media the same between October and November to determine attribution, Hubble found that the number of new customer acquisitions on Facebook grew by around 25%, highlighting the effectiveness of traditional paid media.

# Earned media

As outlined above, the use of content marketing as seen in GQ’s article about Hubble (‘6 Reasons to Buy Hubble’) and related quizzes drove traffic to the consumer and created consumer engagement with the Hubble brand. This can be considered an effective form of earned media. Hubble shied away from creating viral content, that could be potentially shared and propel the brand of Hubble with limited energy, realising the improbability of the that content taking off. In conjunction with influencer campaigns, Hubble provide the platform for their users to share and interact with the brand through the products colourful and engaging packaging. Hubble attracts a lot of traffic and engagement through customers sharing images of the youthful packaging on their respective socials. In using the younger, more stylish alternative in contact lenses, purchasing the product is more of a lifestyle choice. Customers show off their Hubble lenses on Instagram, Snapchat and Facebook to their friends and colleagues, generating even more engagement and new user acquisition.

# Owned media

Hubble has a well optimised website in which customers are instantaneously directed to once they click on a Hubble contact lens ad through the various digital channels outlined above. A more fun and engaging site is what differentiates the company from its competitors. Hubble’s website flows smoothly, is easily navigated and appeals to their target segment more than traditional corporate companies.

**What needs to change as the company scales? Why?**

If Hubble are to geographically expand, their use of all three media formats will need to be more adaptative to cultural differences. As outlined in the case study, there are a number of country-based differences in terms of social media usage and shopping preferences. For the European market, social media is heavily consumed just like the United States. This means that the current digital DTC business model could be just as effective. However, Rosen discusses the lack of subscription payment models currently used in Europe. If Hubble are to scale into the European market, what needs to change would be more of their earned media. Hubble could provide educational content into the benefits of the subscription model, as well as the superior hygienic qualities of daily disposable contact lenses.

**4. What is the role of offline and online advertising in acquiring Hubble customers? Evaluate the following decision facing Hubble regarding online versus offline media allocation:**

1. Although the traditional channels have been somewhat successful for Hubble, their entire business model of DTC through a heavy digital focus is the foundation of the company’s success. With the success of Hubble’s KIP’s outlined in exhibit 1, the allocation between online and offline seems appropriate.
2. Based on the results of the TV campaigns Hubble has run, an argument could be made for the switching of spend from digital to television. Evidence for this potential switch can be seen in the campaign run by advertising agency WideOrbit for Hubble in October 2017. In this particular campaign Hubble purchased two 15-second national television ads during the Major League Baseball World Series. Facebook spend in October and November remained constant, so attribution of the TV campaign could be determined. The results of the campaign suggested that new customer acquisition from Facebook grew by 25% in November. This highlights the importance of integrating offline communications, in this case being television ads, leading to online success.
3. Spending the bulk of Hubble’s budget on reaching new consumers could be considered an unsustainable long-term strategy, in which spend should be split equally between new and retargeted consumers. As seen in exhibit 10 in the case study, for the retargeted Facebook campaign, Click Through Rate (5.27%) and CPR (0.63%) were considerably higher than the Click Through Rate (1.53%) and CPR (0.02%) of the new consumer campaign. In contrasting the metrics of the two campaigns, in which budget is split equally, this should be considered ample evidence for why Hubble should consider reallocation of media spend on retargeting consumers that have already been exposed to their ads.

**5. As Hubble prepares to scale its business following its upcoming fundraise, how should they allocate capital across the following decisions? Which, if any, would you prioritise in the short term?**

1. The case study argues for two expansions to Hubble’s product line. This consumer-friendly nature of Hubble has provided the company with the opportunity for product line expansion. Firstly, extending the product line within the eyewear industry would be considered the most viable and obvious decision. According to surveys completed by consumers, trust has been established in eye safety and quality of the contact lenses provided by Hubble. Investment of capital would focus on product line extension into astigmatic and multifocal lenses. By already occupying a certain level of brand preference and market share, the company should consider this particular product line extension. The second potential product line extension would focus on gaining traction in the cosmetic industry. With Hubble’s target audience being female millennials, such an extension of beauty products could be profitable. Expansion of the product line within the US should take priority within the short term, as this market are aware and accustomed to Hubble’s subscription-based model.
2. Hubble need to be careful if they are to transition beyond a direct to consumer business model. Channel expansion, in which optometrists could sell Hubble lenses and wholesale partnerships with retailers would require heavy investment of capital, of which would most likely be unprofitable due to the competitiveness of reseller options for optometrists. The case study highlights the significant benefits of online DTC versus a wholesale model through retailers and opticians. With digital branding, companies such as Hubble can build a relationship, rather than retail brands that are very price-oriented fighting it out on the crowded shelf. This should not be a short-term priority for Hubble.
3. In the short-term, Hubble should focus on its business at home in the US. Focus should be centred around customer retention, of which Rosen argues that Hubble has invested little capital into retaining consumers. Within the European market, a subscription-based model is less frequent than that of the US. This would require significant investment of capital in order to educate and attempt to revolutionise the European shopping experience. All of which would require heavy investment of capital and resources. Also, the price of contact lenses is far cheaper in Europe than the US, meaning Hubble is less competitive price wise. Price is a major determining factor for Hubble’s consumers. As Latin America and Asia use social media differently to that of the US. Expanding into these two markets should be not a shortterm priority.
4. The communication tool of advertising would be impacted if Hubble were to extend their product line. This expansion would affect Hubble’s IMC strategy most significantly, especially if the company were to enter the cosmetic industry. Such an industry would be completely new to Hubble, meaning advertising through both online and offline channels would need to promote effectively what differentiates Hubble from its competitors. Advertising focus on this product line extension should promote the ease of the DTC subscription-based model. Moving from a DTC digital heavy model, to a wholesale model would impact Hubble’s IMC strategy as it would now result in the company having to focus on the role of personal selling. With Hubble’s roots largely being a social-media first brand, if the company were to expand into new distribution channels, a completely new interpersonal role for their retailers would need to be implemented and perfected in order to succeed. As outlined above, international expansion would impact Hubble’s IMC strategy mostly due to the differences in social media uses and understanding of subscription-based models. Hubble’s IMC strategy would need to use various communication tools to educate and clarify the benefits of using Hubble compared to the older and slower system.