

## Unit 3

### Case

#### Montana Mountain Biking

Jerry Singleton founded Montana Mountain Biking (MMB) 18 years ago. MMB offers one-week guided mountain biking expeditions based in four Montana locations. Most of MMB's new customers hear about the company and its tours from existing customers. Many of MMB's customers come back every year for a mountain biking expedition; about 80 percent of the riders on any given expedition are repeat customers.

Jerry is happy with this high repeat percentage, but he is worried that MMB is missing a large potential market. He has been reluctant to spend a lot of money on advertising. About 10 years ago, he spent \$ 80,000 on a print advertising campaign that included ads in several outdoor interest and sports magazines, but the ads did not generate enough additional customers to cover the cost of the advertising. Five years ago, a marketing consultant advised Jerry that the ads had not been placed well. The magazines did not reach the serious mountain bike enthusiast, which is MMB's true target market. After all, a casual mountain bike rider would probably not be drawn to a week-long expedition.

Another concern of Jerry's is that more than 90 percent of MMB's customers come from neighboring states. Jerry has always thought that MMB was not reaching the sizable market of serious mountain bike enthusiasts in California. He talked to the marketing consultant about buying an address list and sending out a promotional mailing, but producing and mailing the letters seemed too expensive. The cost of renting the list was \$ 0.10 per name, but the printing and mailing were \$ 4 per letter. There were 60,000 addresses on the list, and the consultant told him to expect a conversion rate of between 1 and 3 percent. At best, the mailing would yield 1800 new customers and MMB's profit on the one-week expedition was only about \$ 100 per customer. It looked like the conversion cost would be about \$ 246,000 ( 60,000 \$ 4.10) to obtain a profit of \$ 180,000 ( 1800 \$ 100). The consultant explained that it was an investment; because MMB had such a high customer retention rate, the profit from the new customers in the second or third years would exceed the one-time cost of the mailing in the first year. Jerry was not convinced.

Nine years ago, MMB launched its first Web site. It included information about the company and its tours, but Jerry did not see any need to include an expedition-booking function on the site. He did think about selling caps and jackets with the MMB logo, but that idea never was implemented. The MMB logo is well known in the mountain biking community in the upper Midwest.

The MMB Web site includes an e-mail address so that visitors to the site can send an e-mail requesting more information about the expeditions. Robin Davis, one of MMB's expedition leaders, is an amateur photographer who has taken many photos while on the trails over the years. Last year, she had those photos digitized and put them on the MMB Web site. The number of e-mail inquiries increased dramatically within a month. Many of the inquiries were about MMB's expeditions, but a surprising number asked for permission to use the photos, or asked if MMB had more photos like those for sale. Jerry is not quite sure what to make of the popularity of those photos. He is, after all, in the mountain bike expedition business.