

Start-ups and the Internet: The case of Strutz' Sole Angel®

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ABSTRACT

This case highlights the impact of the Internet on the marketing practices of start-up companies. Because the Internet has provided start-ups and small businesses with an effective low-cost means to reach the consumer, it has become integral to the strategic approach of these businesses. This case illustrates the merits of utilizing the Internet to complement traditional strategic marketing tools in charting successful courses of action for start-up companies. This is evident in how Strutz Inc. managed its product introduction of Sole Angel®.

Keywords: Internet, start-ups, marketing strategy, small business

Note: This case utilizes the actual company name, Strutz Inc., and its product called Sole Angel®. However, the name of the business owner has been disguised. Facts in this case have been printed with permission from the owner.

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INTRODUCTION

The Internet offers a variety of opportunities for start-up companies and entrepreneurs. In a recent study of 1700 small and medium businesses by the American City of Business Journal, owners who were actively engaged in utilizing the Internet had higher market share than their less Internet-driven counterparts (Glassman, 2010).

Indeed, a growing number of goods and services have been introduced to the marketplace with the Internet as an integral component of the marketing strategy (Pitt, Berthon and Berthon, 1999). Despite the dot-com crash of the early 2000s, Web 2.0 has managed to revive the ebusiness platform. Business lessons have been learned for a new generation of web-based ventures that brings to the forefront Michael Porter's (2001) admonition that the Internet is an 'enabling technology.'

Case Objectives:

This case was developed to provide students with an understanding of:

- 1) How the Internet can help start-up companies launch new products;
- 2) The role of the Internet within the context of the marketing function in an organization;
- 3) The process involved in understanding consumers and target marketing;
- 4) The importance of coordinating the different elements of the marketing mix within the unique framework of eCommerce;
- 5) The elements relating to a successful marketing strategy as it applies to ebusinesses.

Audience:

This case is appropriate for senior and graduate-level marketing and/or business students. At these levels, students have been sufficiently exposed to traditional marketing concepts and therefore should be able to effectively integrate these concepts within the context of an ebusiness. More importantly, this case provides a good foundation for the elements involved in the planning of an effective marketing strategy for a start-up.

Intended Courses:

1. Senior-level marketing strategy course
2. Graduate-level marketing management course

CASE BACKGROUND

There is an abundance of anecdotal stories of businesses that have had serendipitous beginnings. Many businesses, even those that are now Fortune 500 companies, had humble beginnings. Strutz Inc., a registered company, is one of them.

On a nice winter day back in 2008, Sam had visions of an adrenaline-pumping ski run in the slopes of Lake Tahoe. It was going well until both his ski bindings malfunctioned and Sam found himself hurled down the slopes. While no serious injuries were sustained, this tumble led

to Sam experiencing constant pain and swelling in the arch of his left foot. Sam was eventually diagnosed with plantar fasciitis, otherwise commonly known as a ‘spur.’

Plantar fasciitis is the inflammation of the ligaments that supports the arch of the foot. Typically, those who suffer from plantar fasciitis will feel foot pain when they first get out of bed or when they have been sitting for an extended period of time. Unfortunately, medical treatment options for plantar fasciitis are limited. Non-surgical therapy is the commonly prescribed treatment which includes analgesics, rest, foot orthotics and support, physiotherapy, and steroid injection (Sean, Singh and Wai, 2010).

If you can't find it, make it

When Sam consulted with a podiatrist, he was advised to use some type of foot insole cushion to buffer the pain and relieve pressure when walking. Sam proceeded to look for some type of foot support, cushion and/or wraps to help lessen his pain and discomfort. Unfortunately, Sam found that there were very few products to choose from, and many did not offer any relief at all. Aesthetically, these products looked bulky, awkward and could not be worn with flip flops or sandals. As a result, Sam decided to make one for his own personal use and specifications.

Sole Angel®

Sam decided to create a small foot cushion that alleviated the pain from his plantar fasciitis. It is basically a cushion that supports the arch of the foot. It has a strap that stabilizes its placement on the arch and therefore can be worn with sandals and flip flops.

When he first showed his product to his podiatrist, the doctor quite impressed. With this positive feedback, a seed was planted in Sam's entrepreneurial spirit. After further looking at his options, Sam decided to start making his foot contraception for commercial purposes. He called the product Sole Angel® and created a company called Strutz Inc. Sam, who is a licensed New York and New Jersey lawyer, decided to put his private practice on hold and devote his efforts on a full-time basis on the roll-out of Sole Angel. Sole Angel is now a patented product.

Positive Word-of-Mouth

The podiatrist who initially diagnosed Sam with plantar fasciitis was so impressed with Sole Angel that he started recommending the product to his other patients. In addition, Sam also reached out to other doctors for feedback. Many of these doctors have since then endorsed Sole Angel and now serve as Sam's medical consultants. On December 25, 2010, Sam received a timely holiday present when The New York Times' Financial Section mentioned Strutz and its Sole Angel product as a noteworthy innovative product.

Launching Sole Angel®

The website www.lovemystruz.com was created with Sole Angel as its initial product. Sole Angel's selling price was initially at \$29.95. Sole Angel's clientele was primarily Internet-driven. The business consultants Sam had conferred with had recommended that he should focus on generating sales via the Internet for cost containment purposes. This was the initial strategy Sam followed. To date, the Internet is still the main driver of its customer traffic.

However, Sole Angel® is now available in nationwide in retail stores like Walgreens, Bed Bath & Beyond, CVS and Rite Aid. He has also bought advertising space to have his product included in a healthy living catalog called Amerimark and Footsmart. Infomercial on Sole Angel has also aired. Social media such as Facebook & Twitter have been initiated. As a result of these promotional tools, the sales level for Sole Angel® has dramatically increased.

TEACHING NOTES:

Case Synopsis

Sole Angel® is a new product launched by Strutz. Initially, it mainly relied on the Internet to drive its business and its distribution was limited in the NY area. Instructors should encourage students to visit the website www.lovemystrutz.com to view the Sole Angel product. Students are also encouraged to review Michael Porter's (2001) article "Strategy and the Internet."

Suggested Discussion Questions and Answers

- 1) Evaluate the on- and off-line industry for arch support foot products and as well the relevant on- and off-line competition for Sole Angel®.

The arch support market has relatively low entry barriers compared to other industries. The inventor of the Sole Angel®, for example, created the prototype with minimal startup expenses. The lower materials and development cost make the arch support segment of the industry much easier to enter. The market also has low exit barriers.

The industry is filled with arch enhancing compression wraps and insoles considered as close substitutes to Sole Angel®. For example, Dr. Scholls and Spenco both offer arch-improving insoles. The basic prices of arch support insole products range from \$12 to \$40. Brand names like Dr. Scholls and Spenco offer a variety of arch supporting insole products. Dr. Scholls is the largest of all the arch support companies with 52% of the market share (Newman, 2010). Another brand name, Mueller, offers a product that is very similar to the Sole Angel. Lesser recognizable companies, like Pro-Tec and Pedifix, also offer products that resemble the Sole Angel. The online retailer Footsmart carries the Sole Angel along with other arch support brands. Amazon is also a major online retailer for brands like Dr. Scholls, Pro-Tec, and Pedifix. Spenco is carried in Dicks Sporting Goods, while WalMart features the Dr. Scholls. Sole Angel is mainly, though not exclusively, sold through its website or through the online retailer Footsmart.

- 2) Conduct a SWOT Analysis (strengths, weaknesses, opportunities and threats).

Sole Angel® does possess strengths in that Sam created a patent-pending, revolutionary design (unlike traditional and less fashionable designs) to offer arch support, leg and back benefits to ailing consumers. The current pricing strategy also serves to their benefit as they are in-line with the rest of the market and expectations. Sole Angel®'s use of social media outlets like Facebook and Twitter also function to enhance the business-to-consumer connection that allows customers exchange information, write reviews, and share feedback to other customers as

well as directly to Strutz. Sole Angel® also has been endorsed by several podiatrists and gained recognition via the New York Times.

Because it is a relatively new brand, consumers may be hesitant to try the product. Given that the product is predominately sold online, awareness may be slow to develop. Strutz has ample opportunities. Strutz could pursue more doctors and medical suppliers to endorse and sell the product. Developing an expanded relationship with Walgreens (more than the current NY area) is also a huge opportunity. They could also attend medical supply trade shows as exhibitors to promote awareness to their target market in order to expand it.

Strutz must be very cautious of its current threats. Sole Angel was launched at a time when the economy has been dismal. Plantar fasciitis is a very specific niche market that could be harder to reach.

3) Who do you think ought to be the target market(s) for Sole Angel®?

Primary target market –

Sole Angel® was created to aid in combating plantar fasciitis. According to the Plantar Fasciitis Organization, there are potentially two million people in this market sector (Plantar Fasciitis Organization).

Secondary target markets –

Strutz should also actively pursue doctors such as podiatrists and orthopedics as well as other professionals like physical therapists who can potentially recommend/prescribe Sole Angel® to their patients.

Individuals prone to suffering from pain in their arches such as athletes, military personnel, nurses, Baby Boomers are potential targets as well.

4) Evaluate Strutz' marketing mix (or 4Ps) for Sole Angel®

Product: Sole Angel. The name of the product is quite memorable and bodes well for product/brand recognition (Chiagouris and Wansley, 2000). Review www.lovemystutz.com

Promotion: Promotional communication strategies include detailed product information, professional medical/industry endorsements, publicity and social media (Moorman, 2011). Additionally, the website indicates various promotional coupon strategies to move interested website visitors. Personal testimonials are also provided to promote product credibility and customer satisfaction.

Place: Strutz uses a dual distribution strategy. Distribution channels include online product ordering via the company website. Strutz also distributes its products in various stores like Walgreens in the NY state area. Pursuing the retail market has to be actively considered by Strutz.

Price: Sole Angel is priced at \$ 29.95. As a newcomer to the market, Strutz's dilemma is providing a competitive [not necessarily the cheapest] price for its products while maintaining their value proposition and integrity of their products (Baker, Marn and Zawada, 2003). Considering foot care (relief) products are seemingly inelastic, there appears to be room for increased pricing specifically for the company's patent pending Sole Angel product.

5) Evaluate their current website. Any suggestions?

Students are encouraged to visit the website. This website has gone through several iterations in the presentation of product materials.

The Strutz website, <http://www.lovemystutz.com/home.php?cat=>, is well organized and provides good information about the product. The website is simple in its design and puts the visual product on the main page. It would be easy for a first time consumer to buy Sole Angel® by simply clicking on the product and following directions.

6) What would you suggest Sam should do to improve their e-business and increase the likelihood of their success?

Creating awareness for Sole Angel® is going to be the key to generating Internet traffic and subsequently, product success.

7) Any recommendations about his use of social media?

Social media is an extremely powerful and sometimes untapped resource (Moorman, 2011). However, just being a member and having a profile set up on social media sites is not sufficient (Ramnarayan, 2012). Strutz has to be actively engaged in Facebook and Twitter to develop a strong sense of community.

This will also be an opportune time to introduce the article by Piet Levy (2011) on setting social strategy. According to Levy, the following needs to be considered when setting social strategy:

- I. Define business goals;
- II. Know your audience and their usage of social media;
- III. Investigate what other companies are doing;
- IV. Check out what other people are saying and where; and,
- V. Set milestones for progress

CONCLUSION

Strutz is a company that is moving from its introductory to the growth stage of its product life cycle. It has utilized the Internet to help launch the product known as Sole Angel®. As Strutz moves forward, it has to carefully consider its marketing mix. Product, price, place and promotions decisions will revolve around various target groups.

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