

Transcription

Creating an Effective B-Plan: Part 2

Marketing Strategy for an Effective Business Plan



Developing a solid marketing plan and budget is going to be critical for the success of any business plan. And the mistake that many entrepreneurs make is limiting their marketing budget to one or two particular channels like digital marketing, promotions and PR etc. The most effective business plans spread that communications across various channels and of course it involves continuous monitoring and tracking of the kind of returns that the market is getting so one of the critical questions and one of the biggest challenges in marketing is to understand what are the various channels and how you should allocate your marketing budget across these channels to effectively communicate your brand your product or service to the consumers and maximize your returns .so let us spend some time understanding the various channels and how one should worry about allocating their marketing spend across various channels available.



Now, let us discuss about marketing costs that depend on your marketing plan. In early days, you have limited funds, and hence the idea is to use cheaper channels that get you maximum exposure. It's also about giving customers a hook to come to your platform. But while working on your Business Plan, it is critical to understand what kind of resources would be required for it.

With marketing, you must assess the risk aspect – and by that I mean, how much should you invest to get, how many number of people, and what's the worst case in this calculation.



So, I would say first think of what you can do without spending the marketing dollars because it's very easy to lose a lot of money in marketing. In fact, I'll give you an advice that I gave a company called Eventifire where I met the CEO at a very early stage. So, I would say first think of what you can do without spending the marketing dollars because it's very easy to lose a lot of money in marketing.

In fact, I'll give you an advice that I gave a company called Eventifire where I met the CEO at a very early stage. "Okay, you have the organizer's email address, why don't you write a personal email to them, saying "can you try my product and give feedback when you are doing this event?". Right, and this doesn't cost any money. So that would be my first advices. Assume that you have zero marketing dollars. There are free PR sites where you could actually submit your press releases and actually get attraction. So, first exhaust all of the free options that you have before you spend money on marketing.

PERFORMANCE BASED MARKETING

1. Right Performance
2. Traffic on the Platform
3. Database-Width & Depth
4. Conversion & Purchases



One way to do go about this is Performance based marketing, like digital marketing – which I think is easily measurable, and you reach out to a targeted market.

You have to keep in mind some of these crucial questions:

- How will you ensure the right kind of performance marketing?
- How many people do you need to have on the platform?
- How many visitors will actually visit and leave their contact details? This would form the base of your database?
- How many people will finally end up buying from you?

So, this is the understanding of the funnel which in turn is a function of the segmentation of the market and leads you to arrive at the targeting strategy using the right channel. Understanding the targeting of the consumer through the right channel is critical for figuring out marketing costs.

Another important element is the positioning of the product because the market that you are entering into is crowded with many providers. You need to figure out your position and that is what will define the proportion of people you are reaching out to, through various channels, and which of those will actually convert. If you have a significant differentiation, then more people will come on your platform to buy.

PRODUCT POSITIONING FACTOR 1



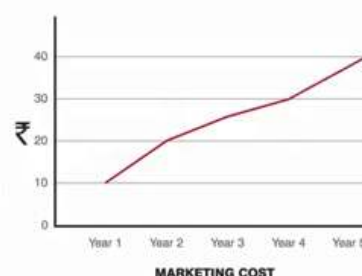
COMPETITOR'S PRODUCT



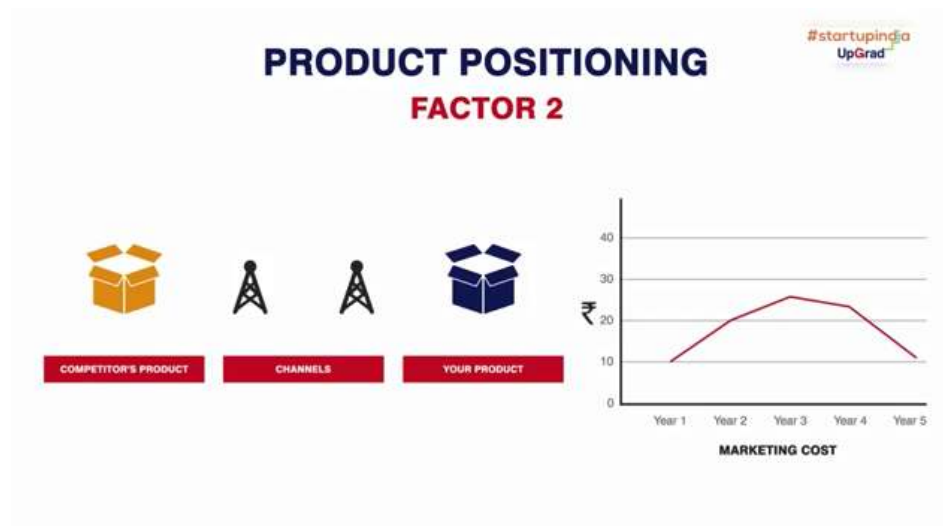
CHANNELS



YOUR PRODUCT



So, you have to understand where competitors are positioning their products and through which channels they are marketing the same. In case you are targeting those same channels of your competitors and you are having the same positioning, then the chances are that your marketing spend would be much higher.



And if you have a differentiated product and you know your proprietary channel, then the conversation rate and the cost would be much lower.

Both these factors depend a lot on how targeted your marketing is, and how well you understand your market. And this actually relates back to the marketing module that you covered wherein you learned about positioning your product, building a brand and sending the right message from the right channel for your venture.

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	UNITS	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
DIGITAL MARKETING							
Cost Per Lead Acquired	INR		20	30	15	10	10
% Of Leads From Organic Traffic	%			5%	10%	10%	25%
% Of Leads From Digital Marketing	%		100%	80%	70%	50%	40%
# Of Leads	##		12,500	45,000	1,26,750	1,64,775	2,14,200
Total Digital Spend	INR Million		3.00	10.92	22.82	19.77	25.70



So in our case, we have assumed that we get a 5% conversion rate, and for the initial years we have assumed that we spend all of our money through targeted digital channels. Another thing is - fundamentally digital marketing channels have a disadvantage, they are not immensely scalable as the percentage of leads from digital marketing will fall year by year as it can be seen in our example. We have a

certain finite number of people on digital marketing channels and it's difficult to reach out to a lot of people and keep their interest associated for a long period of time.



Therefore, traditional marketing channels come in handy which includes offline events, TV or radio ads etc. You have to figure out the pros and cons of all these traditional marketing channels which we had discussed in our earlier marketing module.



Through digital marketing, you can reach out to a million or two million people. But through traditional channels, you can reach out to hundreds of millions of people. But that decision and need is entirely dependent on your product, business model and the vision you have for the venture.



See as one of the points I talked about the market creation strategies are how to get non-customers into customers. So while Bharat matrimony.com is an online matchmaking service, I am talking about 2007 or 2008, we decided to kind of get into offline. Because a lot of customers in India particularly the parents were not comfortable with the, using technology to look for life partner. Other people who want to have the touch and feel.

They want to come and visit, see and talk to the people to understand the service. The reason for us to get into the offline, basically to reach out to the new set of customers who are not online and at the same time there are customer who prefer the touch and feel. They want to kind of come feel and you know talk to the executives and also gives us visibilities for us in the you know kind of market across India. Apart from the other benefits which we talked about. It's important you need to look at whether the business requires offline strategy and whether it's a right model

	UNITS	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
DIGITAL MARKETING							
Cost Per Lead Acquired	INR		30	20	15	10	10
% Of Leads From Organic Traffic	%			5%	10%	10%	20%
% Of Leads From Digital Marketing	%		100%	90%	70%	50%	40%
# Of Leads	#		12,500	45,500	1,35,750	1,64,775	2,14,308
Total Digital Spend	INR Million		3.00	10.92	22.82	16.77	25.70

	UNITS	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
OFFLINE MARKETING							
% Of Leads From Offline Marketing	#		0%	15%	20%	35%	35%
Print	INR Million			1.00	1.00	1.00	1.00
Radio	INR Million			1.00	1.00	1.00	1.00
Television	INR Million			-	10.00	20.00	25.00
Total Offline Marketing Costs	INR Million		-	2.00	12.00	22.00	27.00



Look at the excel model. In initial years, digital marketing will give you the customers you need. So, in the first year your online jewellery store is not spending on offline marketing and is relying on digital marketing. But as and when it grows, you need a fresh set of customers to come online and buy. This would have to be driven by offline spends and spends via other channels. Finally, you have to monetise these channels which will give you the growth and the number of customers.

You would notice, that there is an assumption that a set of customers are coming organically – and this number grows more and more over the years. This would typically be true for an established business where the brand awareness has been created, and the word of mouth and repeat buying has kicked in.

It is important to note that you will not be able to directly attribute how many people came from which channel but overall growth is something you would be able to measure. You should clearly analyse the number of people that came organically and the number that came through digital marketing channels, and how many actually come through the efforts of your branding or offline spends. You have to take advantage of scale which means that whatever you are do in marketing is providing you the leverage that your brand needs. Make sure that every customer of yours is satisfied - the more satisfied your customers are, the better chances that word of mouth would help promote your brand. I think this should also reflect in the assumptions that we make.

	UNITS	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
OFFLINE MARKETING							
% Of Leads From Offline Marketing	%		30%	70%	80%	85%	90%
Print	RSK Millions			1.00	1.00	1.00	1.00
Radio	RSK Millions			1.00	1.00	1.00	1.00
Television	RSK Millions				10.00	20.00	30.00
Total Offline Marketing Costs				3.00	12.00	22.00	32.00
Total Marketing Spend	RSK Millions		3.00	13.00	14.00	42.00	64.00
Cost Of Customer Acquisition	INR		400	473	488	423	410



For example: look at the cost per lead, there has been an assumption that there is a reduction in cost per customer acquired in later years from Rs. 473 in year 2 to Rs. 400 in the fifth year. This reduction happens because you are reaching out to a scale where your word of mouth is driving more and more traffic. So, you don't have to spend too much inorganically to get customers. And also your percentage lead from organic traffic is also increasing which reflects that your product is becoming better.

Summary –Creating an Effective B-Plan: Part 2



So in this session we saw how to plan for your marketing budget in order to create an effective business plan. We saw that a good mixture of digital and offline marketing will help you stabilize your marketing efforts and eventually overtime both these marketing efforts would lead to a great word of mouth which will then reduce your marketing expense.

We saw that there are multiple channels available for marketing a product or service and an early stage entrepreneur needs to be very careful in terms of which channel he uses and one needs to continuously track and monitor the ROI of each channel in order to decide his spends. So this should help me understand how to smartly and creatively allocate my marketing resources across channels in order to get the expected results it was great seeing you for the session and I look forward to seeing you again soon.

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