The Mx Group

Quadient
2021 Budgeting Approach

Our Approach to Estimating Investment

- We start estimating by deeply understanding your lead generation and sales conversion metrics including:

    - Past activation and media spend results: Cost per inquiry, Cost per qualified inquiry

    - Sales funnel conversion metrics: Engage to inquiry, MQL %, SQL %, Close Rate

    - Revenue metrics: average annual revenue per account, average gross margin, LTV

- We often work with clients to establish these baseline metrics

- Here we used a combination of experience with SaaS platforms & frameworks from SiriusDecisions, Aberdeen, etc.

- That said, the following **represents our approach to pricing more than it does an actual estimate of cost**

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Initial Inputs

KEY VARIABLES	YayPay		Quadient Impress		Inputs
Desired MQL	3,000		10,000		Client Stated Target in RFI
% Known to Engaged Conversion Rate	10%		10%		SiriusDecisions/Aberdeen Analyst Research
% Engaged to MQL Conversion Rate	10%		10%		SiriusDecisions/Aberdeen Analyst Research
% MQL to SAL Conversion Rate	80%		80%		SiriusDecisions/Aberdeen Analyst Research
% SAL to SQL Conversion Rate	50%		50%		SiriusDecisions/Aberdeen Analyst Research
% SQL To Closed/Won Conversion Rate	40%		40%		SiriusDecisions/Aberdeen Analyst Research
$ Average Sale Size	$10,000		$7,500		Desktop research on YayPay. No Data Found on Impress.)
Product Gross Margin	74%		74%		Quadient Investor Report
Year 2 Retention Rate	98%		98%		Quadient Investor Report
Year 3 Retention Rate	95%		95%		Quadient Investor Report
Estimated Marketing Cost per MQL	$350		$350		Mx Experience with Other SaaS Platforms of Similar Avg. Sale Size
Working to Non-Working Spend	60%	40%	60%	40%	Mx Client Averages for Awareness & Education Campaigns.

During agency onboarding we can work with Quadient to obtain and or create benchmarks for each product that will refine the model and further sharpen the resulting estimates. This same information will also inform targeting.

Estimated Investment & Demand Waterfall

MARKETING INVESTMENT		YayPay		Quadient Impress		
Awareness		45%	$472,500	20%	$700,000	SiriusDecisions Analyst Research
Demand Generation		40%	$420,000	30%	$1,050,000	SiriusDecisions Analyst Research
Enablement		15%	$157,500	50%	$1,750,000	SiriusDecisions Analyst Research
	TOTAL	100%	$1,050,000	100%	$3,500,000	
DEMAND WATERFALL		#	Cost Per	#	Cost Per	
Addressable Market		300,000	n/a	1,000,000	n/a	
Engaged (Interacted With Marketing)		30,000	$35	100,000	$35	
MQL (Demo Request)		3,000	$350	10,000	$350	
SAL (Visual Qualification for Organization Size)		2,400	$438	8,000	$438	
SQL (Demo Completed)		1,200	$875	4,000	$875	
Closed Won		480	$2,188	1,600	$2,188	

The inputs help determine the size of the addressable market we need to reach, estimate the investment required, and provide direction on how best to allocate the investment across marketing activity.

We use a different investment mix for YayPay given it is a "new concept" as opposed to the more established market for Quadient Impress. We then calculate the demand waterfall for each of the products to ensure our addressable market is large enough to meet our campaign goals.

Working to Non-Working Spend

Breakdown of Marketing Investment	YayPay		Quadient Impress	
Investment Type	Working	Non-Working	Working	Non-Working
Awareness	$283,500	$189,000	$420,000	$280,000
Demand Generation	$252,000	$168,000	$630,000	$420,000
Enablement	$94,500	$63,000	$1,050,000	$700,000
TOTAL	$630,000	$420,000	$2,100,000	$1,400,000

"Working" refers to spend on paid media used for brand advertising and lead generation. "Non-working" refers to spend on the development on advertisements, sales tools, content, etc. used in paid media and by the sales team.

While traditional and consumer models suggest an 80/20 split of Working to Non-Working spend, our experience shows that a 60/40 mix in B2B is needed to create the depth of content required to engage an educated buyer, enable a large sales team (+250 salespeople) and nurture leads along the journey.

Working Spend Allocations

	Working $'s	YayPay		Quadient Impress	
		%'age	$'s	%'age	$'s
Awareness	Radio	25%	$70,875	25%	$105,000
	Connected TV	25%	$70,875	25%	$105,000
	Print	45%	$127,575	45%	$189,000
	Events	0%	$0	0%	$0
	PR	5%	$14,175	5%	$21,000
	TOTAL	**100%**	**$283,500**	**100%**	**$420,000**
Demand & Enablement	Programmatic Display	10%	$34,650	5%	$84,000
	PPC	40%	$138,600	40%	$672,000
	Paid Social	15%	$51,975	20%	$336,000
	Direct Mail	15%	$51,975	10%	$168,000
	Telemarketing	20%	$69,300	25%	$420,000
	TOTAL	**100%**	**$346,500**	**100%**	**$1,680,000**

Knowing Working spend allows us to allocate spend across the channels that best help us achieve our objectives. While there is overlap, we recommend using the Awareness media primarily for brand messaging and Demand & Enablement media for product messaging.

The allocations above are driven in large part by the size of the addressable audience. The lead goal for Quadient Impress for example requires us to reach an audience of @ 1MM businesses and thus the media allocations lean more heavily into scalable digital media.

These allocations will be refined by the media team to ensure audience sizes validate suggested spend.

Non-Working Spend Allocations

Non-Working $'s	YayPay		Quadient Impress	
	%'age	$'s	%'age	$'s
Program Strategy	10%	$42,000	10%	$140,000
Ad Creation	14%	$58,800	16%	$224,000
Content Creation	14%	$58,800	10%	$140,000
Sales Tools and Collateral	12%	$50,400	18%	$252,000
Research	5%	$21,000	5%	$70,000
Data Acquistion and Management	12%	$50,400	6%	$84,000
Media Strategy	8%	$33,600	10%	$140,000
Analysis, Reporting & Optimization	8%	$33,600	8%	$112,000
Web Asset Development	10%	$42,000	10%	$140,000
Technology Infrastructure Setup/Optimization	7%	$29,400	7%	$98,000
TOTAL	**100%**	**$420,000**	**100%**	**$1,400,000**

The Non-Working spend is allocated to the elements of the program that sharpen the marketing strategy, fulfill media requirements, and arm sales teams with the materials needed to close.

The allocations are driven in large part by the media mix, which is influenced by the audience size. The audience for YayPay is more targeted allowing us to more use direct marketing tactics that wouldn't make sense for Quadient Impress. This leads to increased allocations for data acquisition, content development, etc.

The current allocations are based on our experience and limited understanding of your environment. These allocations will be refined after discovery sessions with Quadient to understand the current technology infrastructure, website platform, team structure within Quadient supporting the same initiative, etc.

Projected Results

MARKETING SOURCED REVENUE	YayPay	Quadient Impress
Pipeline Value	$30,000,000	$75,000,000
Closed Won Initial Deal Revenue	$4,800,000	$12,000,000
Marketing Investment	$1,050,000	$3,500,000
Marketing as a percentage of sales	22%	29%
ROI	357%	243%

The inputs into the demand waterfall combined with the estimated marketing investments return a positive ROI. While the marketing spend as a percentage of sales is higher than Marketing and Sales spend (as a percentage of revenue) Quadient recently reported (26%), we do anticipate this dropping as the model is refined and the program is optimized.

Summary

Without discussing the model and validating the inputs with Quadient it is impossible to make any firm financial projections. That said, When considering a 3-year horizon, in a recurring revenue model with your high retention rate, the 3-Year ROI can approach 1,000% and deliver $36m in profit to the company.

	YayPay	Quadient Impress	Total
Summary			
Marketing Investment	$1,050,000	$3,500,000	**$4,550,000**
MQL	3,000	10,000	**$13,000**
Pipeline Value	$30,000,000	$75,000,000	**$105,000,000**
Closed Won	480	1,600	**$2,080**
3-Year Projected Marketing Led Revenue	$14,040,000	$35,100,000	**$49,140,000**
3 Year ROI	1237%	903%	**980%**
3 Year Gross Margin Delivered	**$10,389,600**	**$25,974,000**	**$36,363,600**

This document illustrates how we think about building marketing budgets more so than an estimate at this point. Our first step in partnering with Quadient would be an exercise where we would work with your team to collect or baseline your existing metrics as an input into this model.

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