The Dotcom Crisis

Your client is an e-commerce company. It■s looking to enter the US market. For their entry, they■re looking to market themselves through two different methods of SEO- banner ads and URL ads. Which type of ads should the company proceed with?

CASE TYPE	COMPANY NAME	DIFFICULTY LEVEL
Market Entry	**Indus Insights**	★ ★ ☆

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Choosing an apt digital marketing medium in a market entry

Case Type	Company Name	Round	Difficulty Level
Market Entry	**Indus Insights**	**Manager**	

Problem Statement

Your client is an e-commerce company. It's looking to enter the US market. For their entry, they're looking to market themselves through two different methods of SEO- banner ads and URL ads. Which type of ads should the company proceed with?

That's intriguing. I'd like to understand the problem a bit better first. What is the difference between banner ads and URL ads?

Try to guess the difference using your intuition first, I'll confirm if you're correct.

Well, according to me, banner ads are the widespread rectangular ads that appear on the bottom of a search engine, either in the form of a picture or a GIF. Likewise, URL ads could be the sponsored links that show up at the top of the search engine's results whenever a person searches for something, enticing them to click on it.

That's exactly the answer I was looking for.

I'm glad. Could you tell me what services the company offers?

The company is similar to Amazon with respect to its functionality and services offered.

Sure. Is the company new or does it already have an established headquarters in another company?

The company is a startup looking to enter the American market.

Interesting. Does the client have any other marketing sources in mind?

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Alright. That's it with my queries. Should I begin with the process of answering the question?

Yes, you may. The client has given you some other data that might be helpful in solving the case. The clickthrough rate, the cost per click and the percentage of customers who buy after clicking:

	Banner Ads	URL Ads
Click through rate	40%	60%
Cost per click	Rs. 100	Rs. 20
Percentage of Customers who buy the product after clicking	60%	60%

Since this is a problem of comparison, I'll assume the Total Addressable Market (TAM) to be N. In order to calculate the revenue and profits earned from a specific type of ads, the following formulae can be used:

1. Revenue = N x Click through Rate x Percentage of People who buy x Average Order Value
2. Number of Clicks = N x Click through Rate
3. Total Cost for a Specific Ad = Number of Clicks x Cost per Click
4. Profits = Revenue - Cost

Do you want me to calculate the Average Order Value or should I assume it to be a random variable?

No, that's okay, the client gave us the data for the Average Order Value and it is Rs. 1500. Moreover, the customer stays with the client for 3 years on average.

That's really helpful! This data can be used to calculate the value of the average customer to the company = 3 x Rs. 1500 = Rs. 4500. Now, calculating the Profits from both the ads:

	Banner Ads	URL Ads
Revenue	N x 40% x 60% x Rs. 1500 = Rs. 360N	N x 18% x 60% x Rs. 1500 = Rs. 162N
Number of Clicks	2/5N	9/50N
Total Cost	2/5N x Rs.100 = Rs. 40N	9/50N x Rs. 20 = Rs. 1.8N
Profit	Rs. 320N	Rs. 160.2N

Thus, Banner Ads are more profitable for the company and attract more customers at the same time.

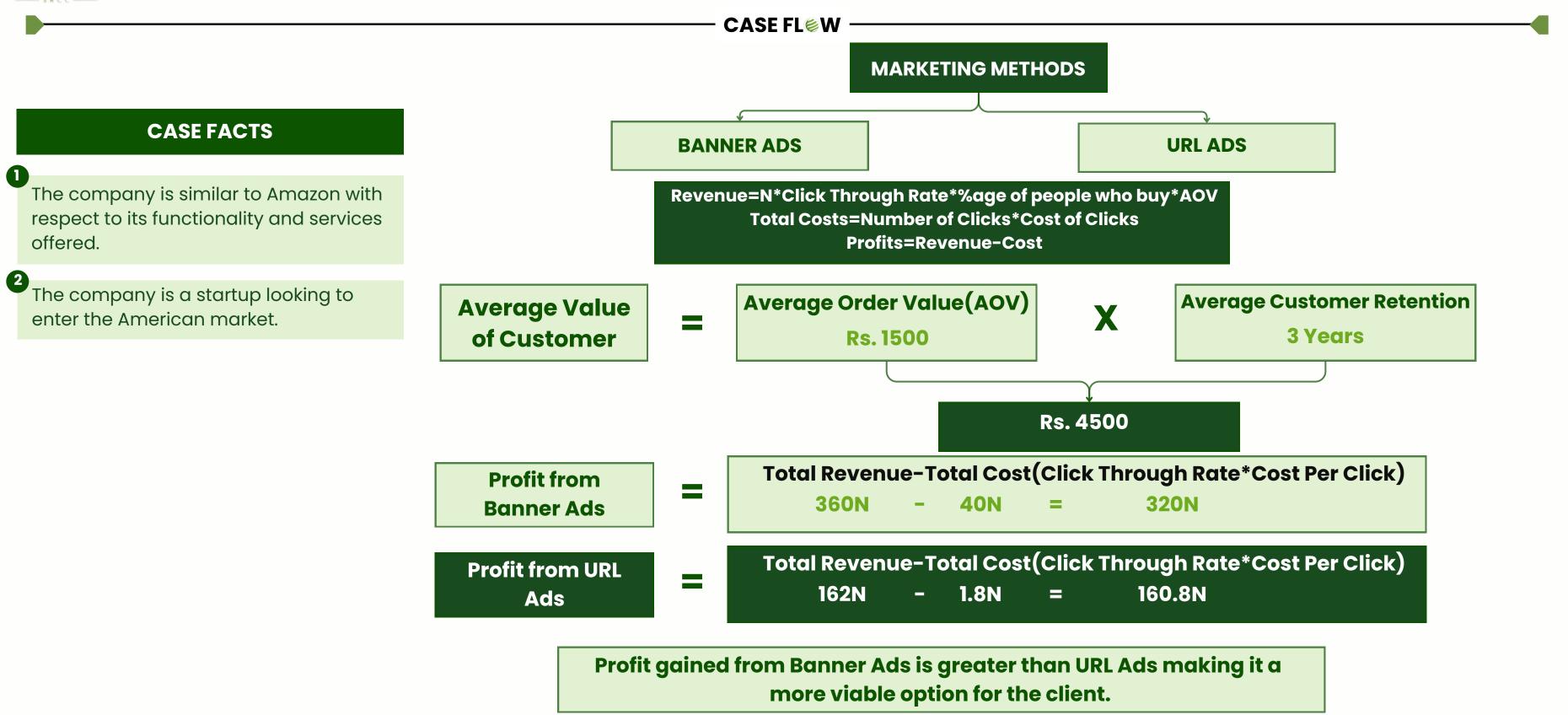**Great! We can close the case now.**

HERE'S A TIP! While solving a market entry case which involves a comparative analysis between two options, the best way to approach it is by going into details that could be quantified. Forming a chain that would yield a specific parameter in the end, containing details that could be easily assumed in both options, makes the options easily comparable.

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CASE FLOW

MARKETING METHODS

BANNER ADS

URL ADS

Revenue=N*Click Through Rate*%age of people who buy*AOV
Total Costs=Number of Clicks*Cost of Clicks
Profits=Revenue-Cost

Average Value of Customer = **Average Order Value(AOV)** Rs. 1500 **X** **Average Customer Retention** 3 Years

Rs. 4500

Profit from Banner Ads = Total Revenue-Total Cost(Click Through Rate*Cost Per Click)
360N – 40N = 320N

Profit from URL Ads = Total Revenue-Total Cost(Click Through Rate*Cost Per Click)
162N – 1.8N = 160.8N

Profit gained from Banner Ads is greater than URL Ads making it a more viable option for the client.