



MARCOM Valuation

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AGENDA

**Business Objective & Budget
Strategy**

Marcom Vehicle & ROI

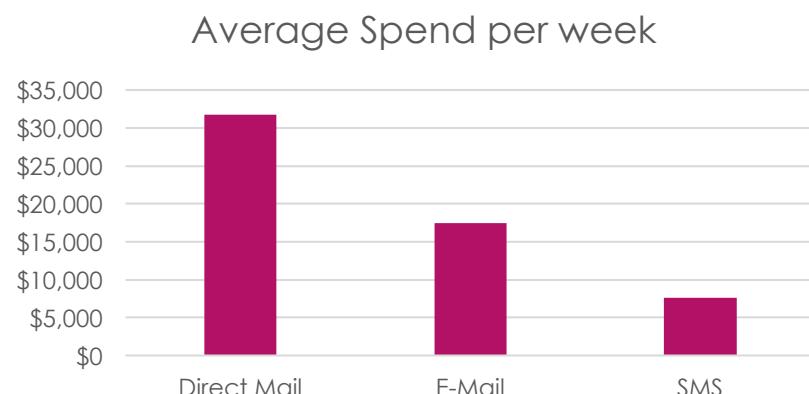
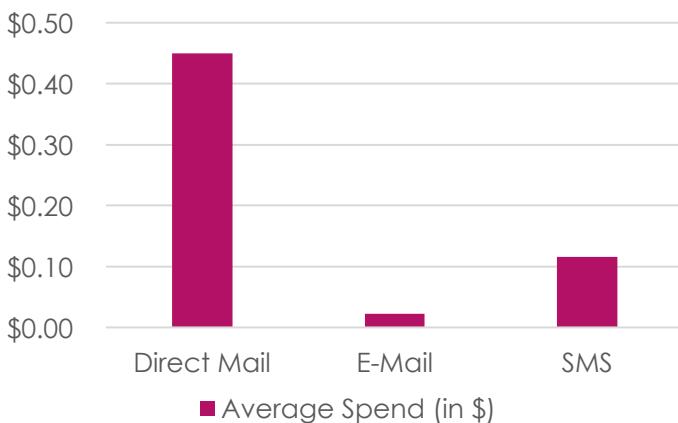
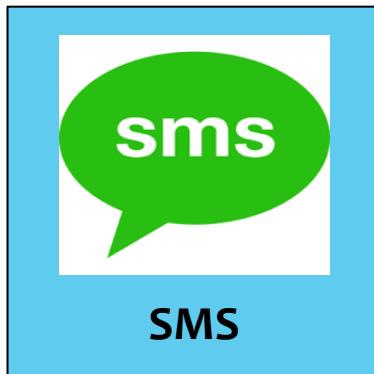
Financial Implications of Marcom

Seasonal Strategy

Business Objective & Budget Strategy

- JOANN is the nation's leading fabric and craft specialty retailer. Our retail stores and website feature a variety of competitively priced merchandise used in sewing, crafting and home decorating projects.
- Our corporate strategy is to improve revenue from our current customers by identifying which customers to target with appropriate channels & discounts rates across different categories
- Need to devise a model to estimate Marcom vehicles that drive most revenue and allocate budgets according to it

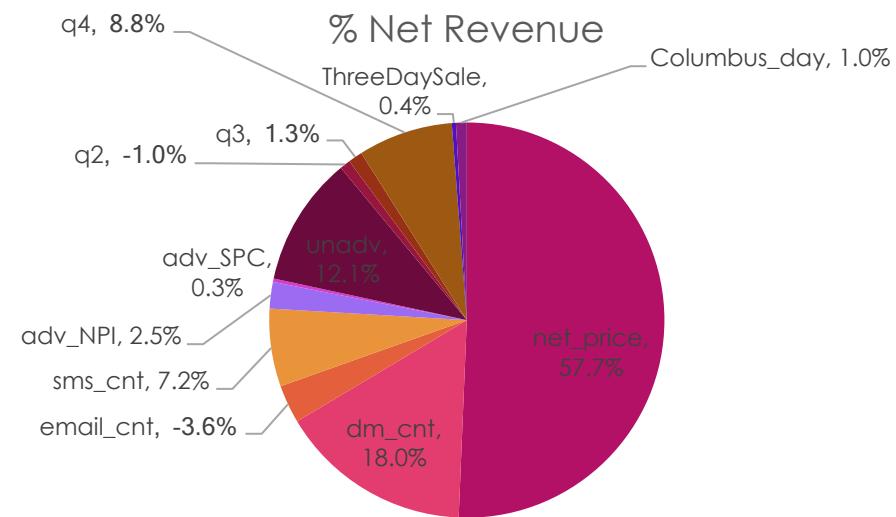
Marcom Vehicle: Introduction



Coupon Types

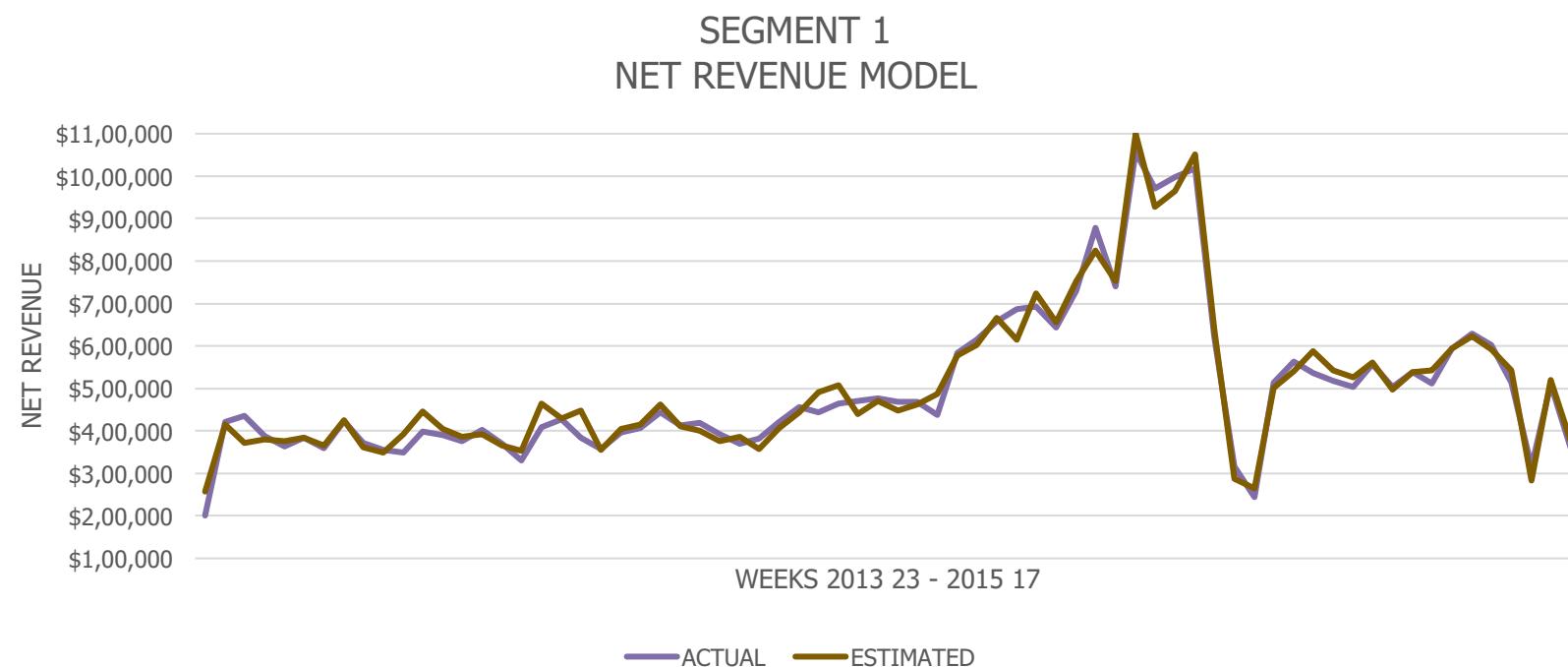
Marcom Vehicle: Model Estimates

Variable	Parameter	Mean	\$ Value	% Value
net_price	71,632	3.85	\$275,424	58%
dm_cnt	1.22	70,468	\$85,802	18%
email_cnt	-0.02	794,890	-\$17,026	-4%
sms_cnt	0.52	66,616	\$34,595	7%
adv_NPI	0.03	435,048	\$11,770	2%
adv_SPC	0.00	935,179	\$1,527	0%
unadv	0.04	1,351,893	\$57,760	12%
q2	-21,090	0.222	-\$4,687	-1%
q3	28,512	0.222	\$6,336	1%
q4	190,027	0.222	\$42,186	9%
ThreeDaySale	0.2857	6339.82	\$1,811	0%
Columbus_day	0.42	11,357	\$4,785	1%
	EST=>		\$500,284	
NET SALES		ACT=>	\$477,592	
			104.75%	

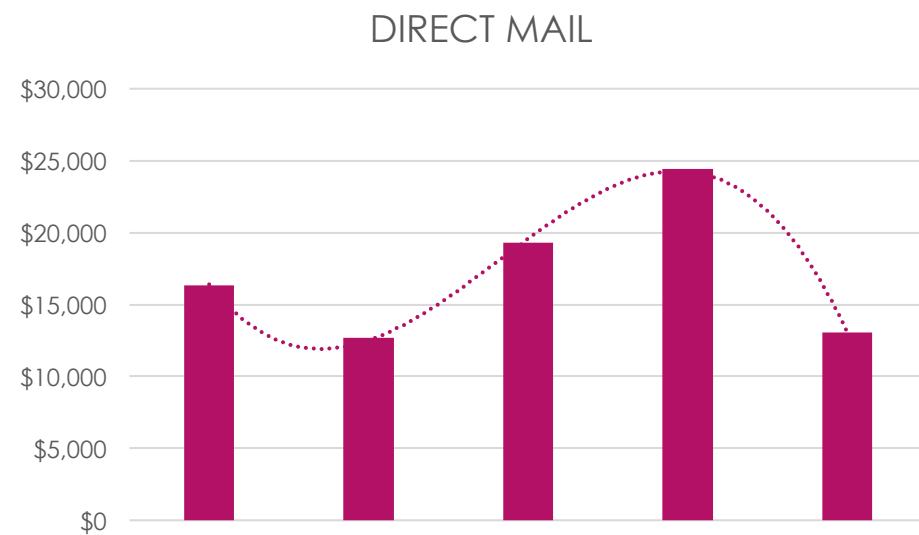


Out of Marcom Vehicles, Direct Mail generates the highest revenue where as SMS has the highest ROI. It is obvious to investment in Direct Mail as per the percentages derived but sending Controlled SMS might result in highest revenue because of its high ROI. A strategy can be implemented and tested to derive best marketing spend.

Actual Vs Estimated

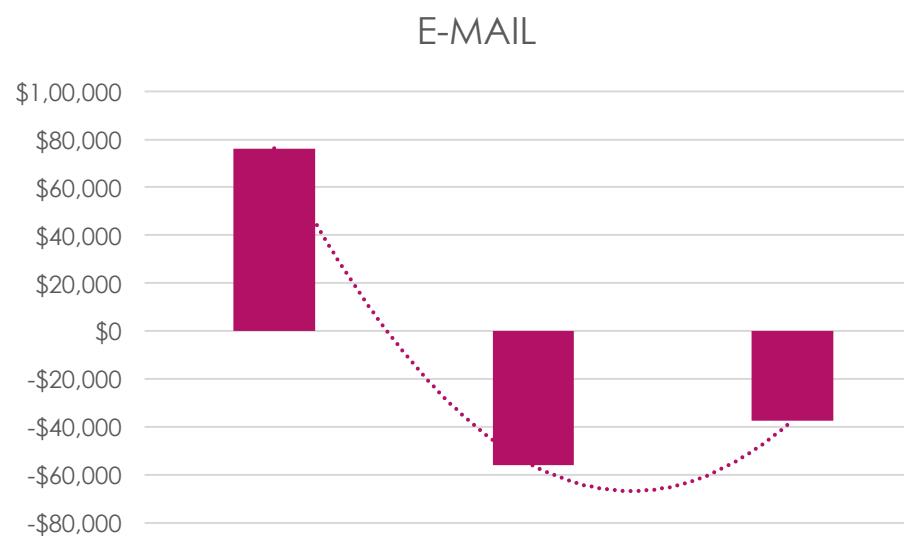


Marcom Vehicle & ROI: Direct Mail



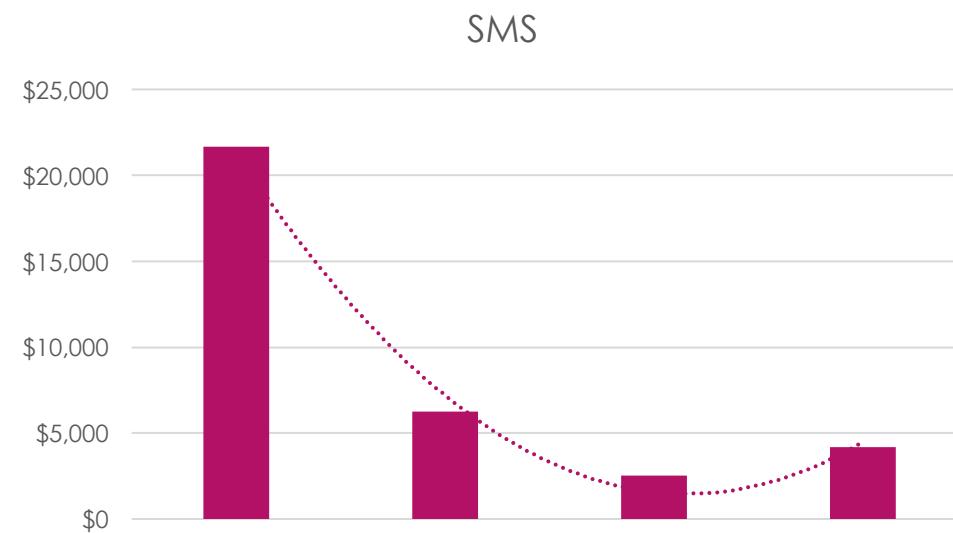
- Net Revenue generated through Direct Mail: **\$85,802**
- Marketing Spend on Direct Mail: **\$31,711**
- $\text{ROI} = (85,802 - 31,711) / 31,711 = 170\%$!
- Direct Mail's contribution to Net Revenue peaks in the fourth week after mailing, and becomes less effective throughout week 5
- Direct Mail

Marcom Vehicle & ROI: Direct Mail



- Net Revenue generated through Direct Mail: **-\$17,026**
- Marketing Spend on Direct Mail: **\$17,488**
- ROI is negative in Email Marketing
- Email's contribution to Net Revenue peaks in the first week and quickly declines through week 3
- **Strategy:** Controlled mailing should be used for this Channel.

Marcom Vehicle & ROI: Direct Mail



- Net Revenue generated through SMS: **\$34,595**
- Marketing Spend on Direct Mail: **\$7,661**
- $\text{ROI} = (34,595 - 7,661) / 7,661 = 350\%$!
- SMS's contribution to Net Revenue peaks in the first week it is sent, and rapidly declines until week4
- Conclusion: Heavy Investment on SMS as it has highest ROI

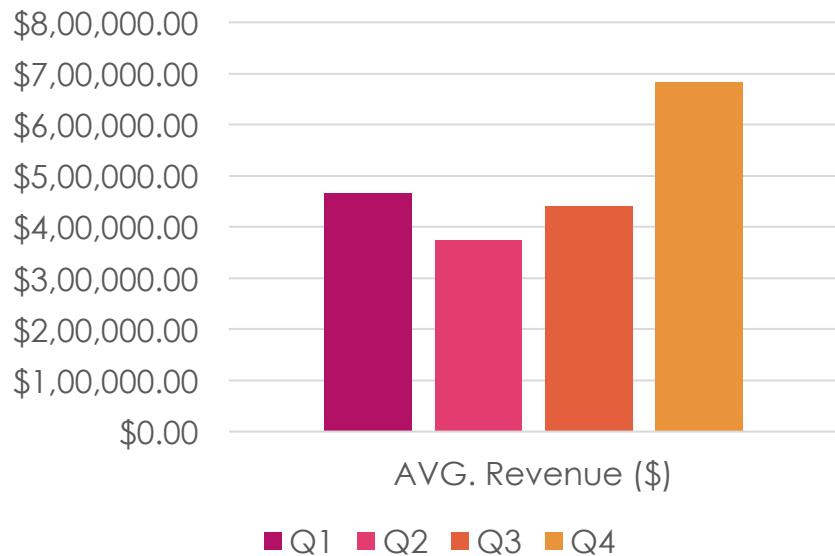
Elasticity

Elasticity of Marcom vehicles :

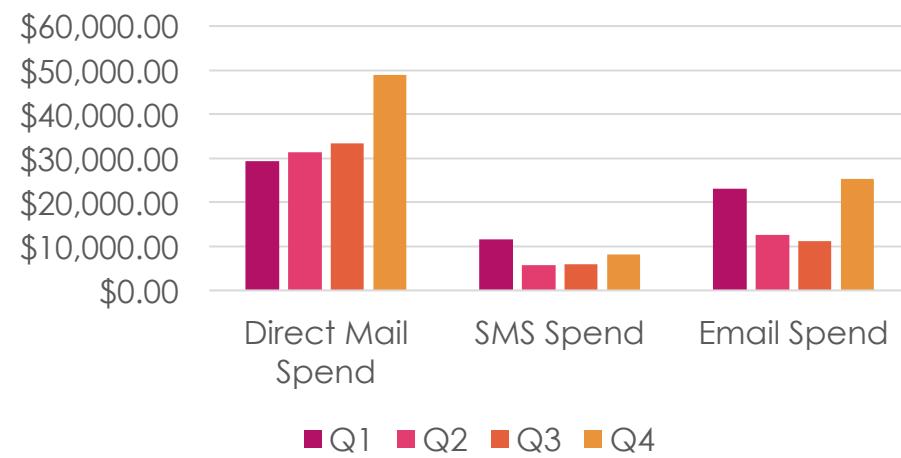
Channel	Elasticity
Direct Mail	0.18
E Mail	0.03
SMS	0.07

- **Direct Mail** : The Elasticity of 0.18 explains that a 10% increase the average Direct Mail send, the revenue generated increases by 1.8%
- **E-Mail**: The Elasticity of 0.03 explains that a 10% increase the average SMS send the revenue generated decreases by 0.3%
Strategy: Controlled mailing should be used for this Channel
- **SMS** : The Elasticity of 0.07 explains that a 10% increase the average SMS send the revenue generated increases by 0.7%
Conclusion: Heavy Investment on SMS as it has highest ROI

Seasonal Strategy



Marketing Spend per Quarter



Seasonal Strategy

- Even though the direct mail spend in Q1 is low, it has the second highest revenue.
- Q2 has the lowest revenue generated but the marketing spend for direct mail and email is high in Q2. We can reduce the spend on Email as it has a negative ROI and allocate that budget towards SMS.
- Q4 has the highest generated revenue but the least Marketing spend on SMS. As the ROI of SMS is higher than the other a robust linear model has to be built to determine the best ways to use Direct Mail and SMS channels.