



NewCo
Sales & Marketing Plan – v. 1.3


September 2017

Contents

Introduction	p 3
Brand Identity & Values	p 4
Data Capture & Analytics	p 5
Markets – positioning	p 6
Markets – customer profiling	p 7
Product Packaging – development & pricing	p 9
Programmes & Campaigns	p 11
Revenue Targets – provisional	p 13
Resourcing	p 14
Summary	p 15

Introduction

This document is the core of a Sales & Marketing Plan it's used in conjunction with sales meetings, feedback analysis and so on. Hence the Sales & Marketing Plan evolves and improves, with this document being regularly revised.

This first release follows on from the Outline Business Case and subsequent assessment and discussion. It outlines how NewCo can approach, engage and transact with its target markets.

NewCo has limited resources available from Derby City Council, thus the Plan envisages a collaborative approach during an initial implementation and short Pilot. During this period, key members of the Economic Regeneration team will be complemented by interim external support and their contribution assessed.

Given this high-level organisational strategy, Newco needs to:

1. 'productise' skills and services
2. 'systemise' marketing and sales conversion – incl. customer acquisition

“A business is not a business, until it makes a sale”. With few exceptions [largely US tech plays], the value of a business is a reflection of it's revenues and profits. Hence the Sales and Marketing Plan becomes the cornerstone of:

- ➔ implementation of short Pilot
- ➔ self sufficiency
- ➔ growth & return on investment

Given the pivotal role of sales & marketing to a new venture, the following document is considerably more comprehensive than a simple 'Sales Action Plan' and touches on business model[s], resourcing etc. During the course of a Pilot, we'd propose that this Plan is the key feed into NewCo's first Business Plan.

Brand Identity & Values

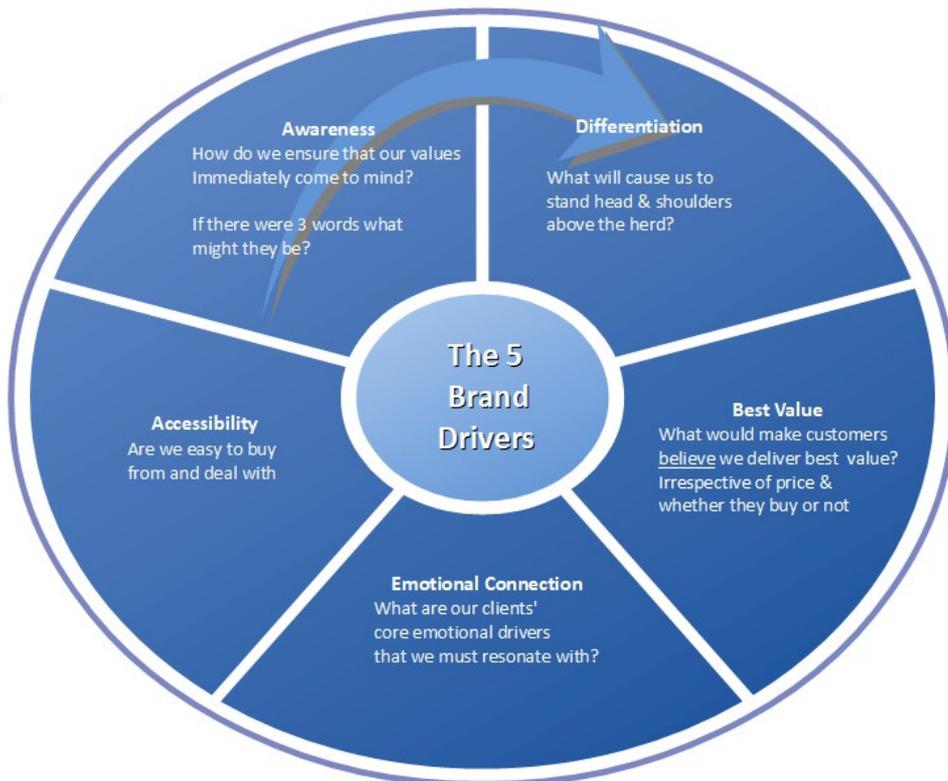
There's a plethora of business advisors; from premier management consultants to part-time freelancers. Hence it's important that NewCo's underlying values help it differentiate.

There's what might be termed a sweet-spot, between

- using the trust and credibility of the Council
- running an innovative, growth business - identifying with issues also faced by its clients

It's extremely important that the NewCo team genuinely buy into and own values that underpin strategies and messages of their business. Once the Sales & Marketing Plan is very broadly understood, a couple of hours structured brainstorming should begin to draw these out.

We'd suggest that the diagram below is good start for this exercise. The team can place keywords on post-it notes around the circle. These are then distilled into a narrative or précis that could introduce NewCo – perhaps a hand-out to attendees of our launch seminar.



Once NewCo recovers its setup cost and generates surpluses, a separate trading entity would normally be established [owned by the Council].

Thus whilst it's not absolutely vital to immediately finalise a suitable name for NewCo, a distillation of these brand values is excellent ground work. It will be useful if the name and the 'brand narrative' can be worked through before launch of a Pilot.

Data Capture & Analytics

These two are closely related and are fundamental to the development of a growth business employing limited resources.

We'll be using the concept of Direct Marketing, rather than the more passive Marketing Communications traditionally employed by most Local Government organisations. Direct Marketing is driven by outbound programmes, targeting offers relevant to different customer profiles.

The common theme within all Direct Sales & Marketing programmes is a call to action [CTA]. The goal being to sufficiently motivate a prospective customer to transact with us in some way. At one end of the scale, this might be to exchange contact details to receive a free download. At the other it could be the purchase of a high-end membership subscription.

In order to make an offer, NewCo needs to build a growing database of prospective customers who've signified their acknowledgement. In order to make offers that are most relevant, we need to increasingly understand their various profiles – initially making and testing broad assumptions. Subsequently, automated analytics enable more detailed profiles. In many cases analytics can move Direct Marketing programmes towards individual profiles.

A generic postal or email campaign could typically expect a 1-3% engagement. With very small relevance improvements this can readily double to 2-5% and more. With precisely targeted, high relevance we've seen responses as much as 25-30%.

The ability to continuously adjust and fine tune programmes and individual campaigns is based on real time analytics.

For example just using the most responsive subject line or opening paragraph, validating best day/time etc via simple split testing, can turn an unresponsive campaign positive. High responders are those outbound telemarketing support could focus on.



Markets – positioning

If NewCo doesn't articulate and own its position in target markets, prospective customers will do this for us. It's important that we're not burdened with the ubiquitous 'business advisors' label.

Whilst advice, guidance and support will also be available, our message should emphasise that “NewCo is where subscribers have access to practical tools, services and a business ecosystem”.

As mentioned, surveys indicate that business owners look for outcomes and results rather than just advice and information. Where these are offered, they find greater acceptance when part of a complete solution.

One of the issues facing small and medium business owners is a shortage of working capital/free cash. Therefore products that can be acquired on a value-returns basis and a budgeted monthly outlay are far more compelling, hence NewCo's subscription model.

Business Ecosystem

There are many consumer ecosystems, usually managed by one organisation managing transactions and gathering data. A useful example is Apple, selling it's own products combined with independent Service Providers [publishers : developers] via iTunes and its App Store.

NewCo may consider employing the Council's knowledge and relationships to incorporate further added-value to the basic packages outlined in the Product section – to the benefit of clients.

→ **purchasing capabilities**

this can range from pricing to facilitating supplier relationships

→ **business reach**

NewCo clients can benefit from its position in and engagement with a wider business audience

→ **consumer reach**

NewCo clients can benefit from its position in and engagement with a wider consumer audience

→ **shared terms**

Most small [and even medium] businesses don't have the knowledge, skill and standing to negotiate exceptional terms with suppliers. NewCo can aid them through this process and potentially act as aggregator

Markets – customer profiles

There's around 7,000 businesses within Derby. Of these 87.5% employ less than 10 people and approximately 10% employ less than 50. *Office of National Statistics 2016.*

The small number of large corporates are likely to be well served – either from their own resources or major management consultancies.

During the Workshop we covered many of the key challenges for small and medium sized businesses:

- poor cash management
- flawed business model
- under capitalised – *minimal working capital*
- founder management - *'owner-driver'*
- weak sales & marketing – *'product polishers'*
- insufficient sales
- margins too low
- under capitalised
- poor cost control
- weak resources – skills > tools

We began packaging NewCo propositions to be relevant to different Customer Profiles. The initial profiles each covered a part of the small/medium business spectrum:

Growth

Those whose current performance and/or potential demonstrates that the business will scale.

Early Stage

Businesses that have customers and revenue but have limited resources and skills

Re-launch [*re-engineering*]

Those where previous performance has slipped or is flat-lining due to issues, such as core business model etc.

*A subsequent proposition for **start-ups** could be kept under review during the Pilot but given NewCo's need for early self-sufficiency, it's unlikely that this will be possible with early resources.*

All of the features of suggested initial packages are beneficial to each of our customer profiles. During the Pilot, evolving analyses of customer feedback will help shape the structure and focus of NewCo's propositions.

Responding to generic needs of our customer profiles NewCo may configure three levels of subscription when launching the Pilot – reflecting the pricing strategy outlined in the following section. The packages recognised the recognised results drivers of small and medium sized businesses:

- Increased Sales
- Control of Overheads
- Growth & Value

Sales Performance

Bids & Tenders
Digital Sales & Marketing
e.Commerce
Customer Fulfilment
Public & Media Relations

Cost Effectiveness

Credit Control
Compliance
Recruitment & HR
Due Diligence
Invoice Factoring
Leasing

Growth Acceleration

Management Skills
Boardroom Group
Restructuring & Relaunch
Funding Options

Product Packaging – *pricing and development*

The rationale for 'productisation' is worth restating. NewCo needs to differentiate from generic 'time-for-money' advisors. In addition to market differentiation, resourcing is also a determining factor.

Early packages will likely be a hybrid of external and internal services. The drivers should include a convergence of:

1. most compelling to target audiences
2. easiest to implement and fulfil
3. maximum margin

It's extremely important to secure early clients and testimonials – hence first products should also be those delivering customer benefits sooner rather than later.

Assumptions

As covered in the Outline Business Case we begin with intelligent assumptions that will be field-tested in the first days of the Pilot. We've also made mention of the need to respond to the results based decision-making of our target markets. Thus we've productised services in related groups, as a basis for packages of different value levels.

Again as part of the Pilot launch we'll conduct a survey to test assumptions on pricing strategies.

Pricing Strategies

Marked-up

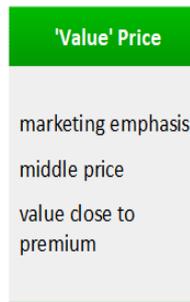
This is a classic 'Professional Services' strategy. Basic calculations add a percentage to cost of goods [usually people skills], check against competitors – adjust. The calculations within larger more established businesses are naturally more sophisticated and incorporate principles such as Cost of Customer Acquisition etc.

Value Based

This is a high-end strategy, that's largely the preserve of more customer-recognised businesses. The model is based on the returns that clients will secure, rather than related to the cost of developing and delivering the product. So for example if our package can add 50% to the client's bottom line we might price on a percentage of that.

Price Banding

This is a strategy that's extremely relevant to a subscription business model.



It's one that is perfected by companies such as cable/satellite TV and mobile service providers.

The foundation is the presentation of value and customer choice.

A low-cost option is presented almost solely on price. It has two functions - to demonstrate the competitiveness of the business and direct towards the more value oriented proposition. A premium price is strong on extra features; perhaps many users etc. The 'best value' proposition is around the centre of these two in terms of price yet is structurally close to the premium proposition in terms of features.

These are just a few of the price models and variations available. Initially we propose that NewCo concentrates on price bands for subscription packages - or marked-up alternatives for products and bespoke projects. However it's important that the underlying margin is sufficient to meet a recoupment factor for the Council and target working capital for NewCo.

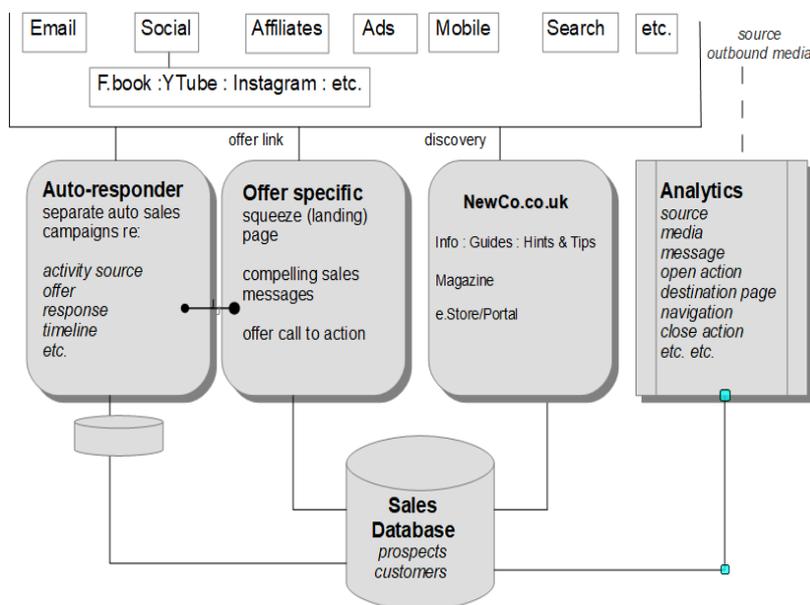
Programmes & Campaigns

NewCo will employ an integrated mix of digital and physical routes to market. Each generates a pipeline of prospective customers into a common sales conversion funnel. As far as possible, all prospects are taken on a similar journey.

Routes to market can include:

- Social Marketing
- Media Partner[s]
- Events
- Data Marketing
- Targeted Ads
- Sales Affiliates & Channel Partners

Sales & Marketing Funnel ~ draft #1



The key is to ensure that all the above sources of prospects are organised in an integrated and complementary manner.

In other words to maximise impact and effect, programmes should be coordinated and leverage each other.

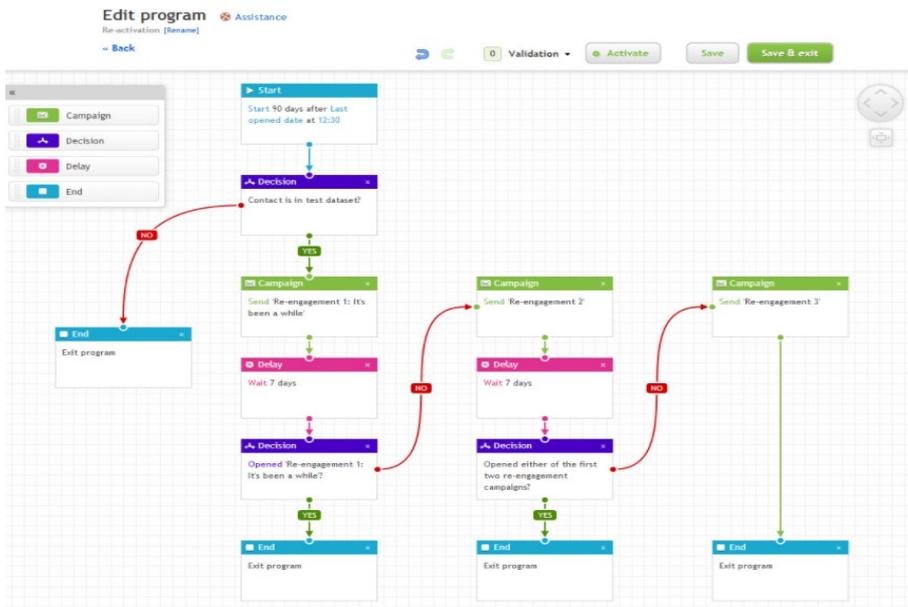
The diagram illustrates an example of pipelines from a range of digital sources organised into an offer sales funnel.

Recognising that NewCo initially has limited resources, it's important that we focus on strategies that can be readily automated, repeated and stacked in the first 90 days.

Strategies will include:

- Content Marketing
- Surveys
- Quizzes & Competitions
- Events & Seminars
- Flash Offers
- etc.

A programme is a planned activity stream [including analytics, feedback, rework].



A campaign is a component of a particular programme and might also be re-jigged and applied in another programme.

The diagram is a very simple campaign to resurrect old prospects

A vital short term goal is to secure a small number of 'early-adopters. These clients should be 'super-served', generating our first testimonials. They also help us to fine-tune both proposition and delivery. Whilst we can offer a unique deal, it's important for their own success that they make a financial commitment – they need to play an active part.

Revenue Targets - provisional

Even though products and services are not yet precisely defined, it's worthwhile scoping sales targets. The targets will naturally be consistently assessed and adjusted during the Pilot.

These opening estimates recognise NewCo's goal of firstly securing it's own on-going self sufficiency as soon as possible and helping support the Council's Economic Regeneration strategies. Self-sufficiency should include the recoupment of Pilot cash-flowing, growth working capital and the 'enterprise dividend' to the Council [net profit].

Revised Initial Assumptions

Overall market – c. 90% of 7,000 businesses [updated ONS – Derby]

Year 1

subscriptions – 2.5% : c. £50/month

products – c. 5% of customer base : avge purchase revenue £100

Year 2

subscriptions – 5% : c. £100/month

products - c. 7.5% of customer base : £100 / purchase

Year 3

subscriptions – 15% : c. £120/month

products – c. 10% of customer base : £100 / purchase

It's envisaged that from time to time, NewCo could additionally secure bespoke projects for individual organisations. Applying its own specialised skills, alongside those of its fulfilment partners. These should be assessed separately, bearing in mind their demand on resources – balanced against building continuous revenues as outlined in this document. Without a previous track record, figures are not yet possible to estimate.

Product	Year 1	Year 2	Year 3
Subscription Packages	£94,500.00	£378,000.00	£1,360,800.00
Catalogue/Portal	£15,750.00	£31,500.00	£95,000.00
Target net return @ 20%	£22,050.00	£81,900.00	£291,160.00

Given the productisation strategy underpinning the Sales & Marketing Plan and its lower demand on resources, we would normally anticipate a higher net margin than 20%. However allowance should be made for a recoupment % of gross margin covering set-up/implementation cash-flowed by the Council.

Resourcing Models

During the workshops a recurring challenge related to the availability of resources from within the Authority. It needs to be clear that NewCo will prosper only with consistent and concerted effort.

Undertaking this as a sporadic or part-time project will greatly extend its implementation lead time and severely limit returns. There are three basic approaches.

1] Internally Resourced | Implementation Support

Decide on who would be best suited to take on the following core roles:

- | | |
|--------------------------------------|---|
| ✓ leadership | – strategy : Scale : return on investment |
| ✓ major sales | – presenting : closing : account management |
| ✓ operations systems | – client boarding : product management |
| ✓ technical marketing support | - transaction processing : data marketing & analytics |

In this resourcing model it's envisaged that management lead is taken on board internally from day one. During implementation and set-up, specialist skills and tools are in-sourced to move from plan to execution.

Once NewCo becomes consistently self-sufficient, its management has the opportunity to add further internal resources [transfer/recruitment] or alternative structure a Managed Support relationship.

2] Collaborative | Fulfilment Partners

This model employs some of the principles above within the set-up/ implementation stage, however on-going support is largely directed towards fulfilling customer requirements, including support.

Rather than a single managed service provider, commercial relationships are more likely to be focused on specific customer products, for example e.commerce. This might be effected on a shared return basis, provided that NewCo retains control of the customer relationship – including transaction processing.

3] Turnkey Implementation | Internal Mentoring/Training

A more comprehensive version of the Managed Support mentioned in [1]. Following the confirmation of a Pilot launch date, we could deliver the set up and operational management of NewCo including provisioning of tools, processes and customer facing applications.

It's anticipated this would include the allocation of key people locally in addition to central support services such as content, customer applications, maintenance etc.

We'd anticipate that internal staff would shadow these key people and an achievable hands-on training and mentoring programme would be jointly scoped and managed.

Summary

Most plans are revised many times during execution - driven by actual results, market and internal changes and so on. Although NewCo will employ the assets of experienced skills, initial working capital and ready access to customer relationships, it should be compared to a start up venture.

Given the existing obligations and responsibilities of its strategic and operational management, the implementation and early execution of the venture will likely be a collaboration with interim external resources.

Hence it's proposed that a low-cost Pilot be launched as soon as possible to test assumptions related to:

- markets
- product
- resourcing
- returns

The key goal of the Pilot's sales and marketing would be **Self-Funding** – including the recovery of early working capital provided by cash-flowed support.

We'd further propose that this Pilot be overseen by a small Shadow Board drawn from the Management of Economic Regeneration and Derby's Senior Management.