A business venture providing consultative services to organisations to optimise their internet marketing

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A business venture proposal submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

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DECLARATION

I, Ryan Sacks, declare that this business venture proposal is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Ryan Alan Sacks

Signed at ……………Johannesburg ………………………………………

On the …………15………………… day of …………March…… 2018…..

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SUPPLEMENTARY INFORMATION

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EXECUTIVE SUMMARY

This business case describes the external and internal considerations required to establish a consulting business within the internet advertising market. Through an analysis of recent studies and literature, it explains how the marketing and entertainment industry is shifting heavily, and quickly, to the digital arena; specifically in the case of marketers, to internet advertising. It explains the global and domestic factors for the rapid growth of this market, and why it is an attractive market to enter. Furthermore, it explains what megatrends appear in the industry, and how to utilise these to create a competitive advantage, being: automation; data-centric organisations and decision-making; greater understanding of a business' consumer, and how to market to them more effectively; and the utilisation of mobile and multi-platform, customised experiences. Through these investigations, and a consideration of various management theories, the business case explains how a sustainable, profitable, and growing business can be formed in this industry.

Keywords: internet advertising; digital marketing; endogeneity; search marketing; the creepiness factor

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1 INTRODUCTION

1.1 Background and Context

1.1.1 Growth in the digital internet advertising market

Internet advertising has boomed in the last decade. Advertising in the digital sector has experienced double-digit growth for seven consecutive years and now constitutes an industry valued at over $50 billion in the United States (Slefo, 2016), and $1 trillion globally (Gordon & Perry, 2015). With the global trend towards increasing adoption of smartphones, devices becoming more affordable, and data costs dropping, mobile advertising is seeing large-scale growth. The graph below indicates the quarterly growth in digital advertising revenue in the United States, measured by the Interactive Advertising Bureau (PricewaterhouseCoopers, 2016).

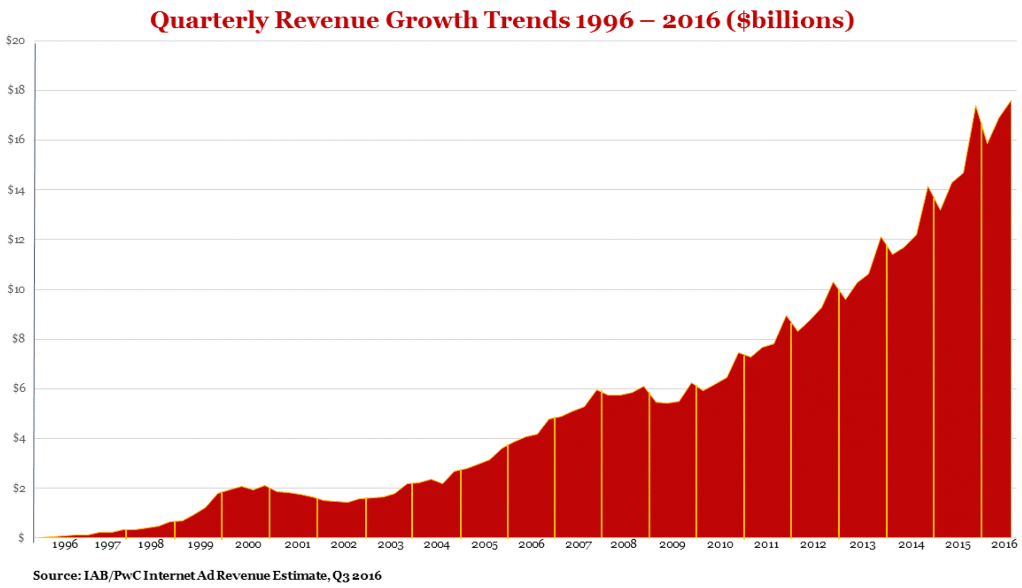

Figure 1: IAB Quarterly Revenue Growth Trends 1996-2016 ($billions) (PricewaterhouseCoopers, 2016)

Domestically, while a far smaller market, the same trends present themselves. There is however some lagging effect, due to the sophistication of the local market, domestic infrastructure constraints, and relatively high data costs, in comparison to the United States. In 2015, an estimated R3.48 billion was spent on internet advertising in South Africa (IAB South Africa, 2016).

Currently, the industries that are spending the most on digital advertising domestically are the financial services, fast-moving consumer goods (health and beauty), and retail industries (IAB South Africa, 2016).

1.1.2 Movement to mobile

Revenue from mobile search in the United States grew by 105% in the first half of 2016, to $7.4 billion, compared to the same period in the previous year (Slefo, 2016).

Mobile advertising revenue is expected to surge in South Africa, as smartphone utilisation increases. According to a study by Effective Measure, approximately a third of respondents spent more than three hours on their smartphone in a day, and 19% spent over five. More web traffic in South Africa is directed through cellular phones than personal computers (desktops), and internet penetration has doubled between 2012-2015, from 20%-45% (IAB South Africa, 2016).

In South Africa, social media has a large and growing influence. Facebook is the largest social media platform used in the country, attracting 14 million users[1], with 86% of them (12 million) being mobile-registered. Twitter is second, with 7.7 million users. However, the fastest growing platform is Instagram, with 3.5 million users. Brands are taking notice of consumers' adoption of these platforms, spending two thirds of their social media budgets on Facebook (IAB South Africa, 2016).

[1] As of September 2016.

1.1.3 Internet advertising

The major advantage of advertising on the internet is that marketers are able to use data collected from consumer's behaviour on the internet to better segment consumers, and therefore more accurately serve an appropriate (and likely more relevant) advertisement to a consumer. Advertising can even target consumers on an individual, as opposed to a broader group, basis through methods like targeting and retargeting, owing to the richness and detail obtained about a single user (Barnard, 2014).

In order to understand the scope of the business venture, it is first important to understand how internet advertising is informed by user behaviour on the internet. There are a number of methods to collect data over the internet, to inform marketing, which will be described below (Pumphrey, 2012).

Clickstream Data refers to a record of webpages that a person has visited. This record is collected through a cookie, a term for a text file sent by the webpage visited, which is stored on the user's computer. First-party cookies emanate from the main webpage, and third-party cookies are sent from other domains that have embedded advertisements or images on the main webpage (Pumphrey, 2012).

Cookies help advertisers compile (a surprisingly accurate) profile of users, based on their browsing habits. This information is then used to tailor advertising. For example, a user will be designated as a sports fan, because they visited many websites with content related to sports. On being classified as 'a sports fan', the user will see related advertisements. For instance, they would be presented with advertisements for sporting events or equipment, even when browsing websites that are unrelated to sports, like when looking up the weather or reading a political news article (Pumphrey, 2012).

Search data is the largest source of advertising revenue for marketing firms. In 2012, it constituted a $36 billion industry, 46% of total advertising revenue in the market. The largest provider of paid search, or search-engine marketing, is Google Inc., who registered $43.7 billion in revenue from advertising (constituting 95% of its total revenue) (Blake, Nosko, & Tadelis, 2014).

In 2011, 92% of adults used search engines when online. Search companies like Google place targeted advertisements on user's displays, based on the user's search history. Companies are also allowed to bid (often through a real-time algorithm) for their advertisements to appear higher on the search results (Pumphrey, 2012).

Advertisers can also place advertisements, or recommend other products based on data obtained from previous purchase or search history on direct purchasing sites, or direct advertising based on the personal or profile information users provide on their social media platforms (Pumphrey, 2012).

1.1.4 Future market growth

The adoption of internet-enabled devices continues to grow, the costs of data continue to decrease, and more applications are able to be utilised via mobile devices. Companies also will increasingly want to take advantage of the data-rich environment that digital advertising offers, with the additional feature being that consumers can be targeted more directly, effectively and accurately.

By 2019, it is predicted that the market leaders will be spending \$103 billion on digital marketing (Follit, 2015).

By 2020, internet penetration in South Africa is expected to reach 72%, where growth is expected to be spurred by more affordable devices and cheaper data costs (IAB South Africa, 2016).

Internet advertising therefore has already seen large growth, and the same reasons that caused the market to grow will see this growth continuing into the future. These characteristics make the internet advertising market potentially a very profitable industry globally.

1.2 The Opportunity

1.2.1 A better method to advertise

With the ever-increasing amounts currently being poured into internet advertising, one would expect that organisations are experiencing far greater returns on investment than they would through utilising the more conventional mediums of advertising (television and print).

Advertising has always been hard to track and measure, as nineteenth century retailer, John Wanamaker's famous line states "Half the money I spend on advertising is wasted, the trouble is I don't know which half." (Blake et al., 2014).

This appears to be the perception in business too, as in a survey of CEOs, close to three quarters agreed that while marketers ask for more money, they are unable to explain how much this additional spend will then benefit the business. Moreover, only about a third of all Chief Marketing Officers surveyed could quantitatively prove the impact of their campaigns (Gordon & Perry, 2015).

Through traditional medium, like television and print, it has always been difficult to accurately link advertising spend to changes in revenue. The introduction of digital marketing was touted to improve this measurement, with the theory being that with online advertising, one is able to utilise far richer and accurate information, easier, and in real time. Marketing over the internet enables marketers to capture data on who visits an organisation's website though a specific advertising channel; how much the organisation paid for that particular advertisement; and whether that visitor – who acted on a particular advertisement - purchased anything subsequently from the organisation (from an online site) (Blake et al., 2014).

Additionally, digital advertisements should be able to better target a brand's intended audience. With television or print, the audience is viewing an advertisement when they are doing another activity, generally unrelated to purchasing (watching television or reading a magazine). However, when a consumer is searching on the internet, they are actually in the mode of searching for something (they want to purchase). This should result in, when advertising to those already in the active mode of seeking out information, consumers finding the advertisements they receive at that time immediately more relevant and likely to be noticed (Blake et al., 2014).

Studies though have however found both of these theories to be fallible.

1.2.2 Search advertising

A study conducted through eBay, by Blake et al. (2014), examined the effectiveness of search-engine marketing – the largest source of revenue for internet advertisers, and the source of Google's $43.7 billion in revenue. One of their major findings was that brand-keyword advertising had in fact – and contrary to how Google promotes this channel - no measurable short-term benefits for an organisation. Furthermore, those consumers who frequently purchase products over the internet – who account for the majority of where advertising expenses are directed – are not influenced by non-brand keyword searches either.

Blake et al. (2014), therefore found that the area where organisations are currently directing most of their internet advertising spend has the least effect on consumer behaviour. Although, they did conclude that non-brand keyword search does positively influence new and infrequent users.

These findings are almost intuitive for brand-keyword search. Recognisable brands, like eBay in this study, traditionally pay for an advertisement to display on a user's search page if they type in the brand name (eBay). However, search engines are driven (influenced by Google's page rank algorithm) to place these companies high on the list of organically derived non-advert results, whose placements are free of charge. Therefore, searching for eBay would have their webpage come up as the first organic search result, but above it, would also be a paid-for advertisement, directing the user to the eBay's same website (Blake et al., 2014).

Under the hypothesis therefore that the paid-for advertisement was merely serving as a duplicate, in their study, Blake et al. (2014) removed all of eBay's brand-keyword advertising to establish the impact this would have. They however found that, by virtue of eBay's webpage displaying on the top spot organically, the removal of the paid-for advertisements had no statistically significant decrease in eBay's click-traffic or attributable sales, and that the organic (free) search result in fact served as a perfect substitute for the paid advertisements.

The same applied to non-branded keyword search. Non-branded keyword search are words that do not contain the brand name explicitly, but products offered by the brand, for example in eBay's case words like "memory" or "used Gibson les paul" (Blake et al., 2014). Prior to the study, eBay managed over 100 million keywords and keyword combinations, updated daily using algorithms (Blake et al., 2014). The study found that consumers who purchased items on the website more than three times in a year were likely to be familiar with eBay's offerings and therefore did not shop more as a result of, nor were these consumers affected by, the presence of any paid search advertisement (advertising such).

Blake et al. (2014) further concluded that these results could be transferable to other organisations outside of eBay.

1.2.3 Endogeneity

Secondly, Blake et al. (2014) found that those who clicked on the eBay advertisements were already loyal customers, giving falsely skewed feedback in the reporting on the paid advertisement's effectiveness. Blake et al. (2014) concluded that the presence of the advertisement therefore did not attract these customers, as if it had not been present, the customer would have found an alternate route to the website (probably by going directly to the website, or clicking through to the website via the organic search link).

The role of endogeneity in determining the effectiveness of online advertising has therefore been highly underestimated. This concept relates to an advertisement that is shown either after, or during the time (but has no effect on), a customer's purchasing decision (Thompson, 2014). Marketers target consumers online based on their previous online behaviour and profile. However, this approach does not always provide an accurate representation of a user's online profile.

For example, a person could have searched for a pair of glasses online, found the pair they liked, and made the decision to purchase them. Therefore, through their search, the consumer would have already made the decision to purchase a specific pair of glasses, from company A. The behaviour (searching for glasses, and perhaps even on company A's website) however would alert the marketing tools to the fact that the person had an interest in purchasing glasses, and as a result, then (even after the purchasing decision had already been made) sent an advertisement to the user's display.

Because the purchasing decision was already made (or that it would have been made independent of the advertisement now received), Blake et al. (2014) concluded that the presence of the advertisement had no influence on the decision. Additionally, as the advertisement was sent, and that there was also a purchase made from company A (presumably online), this would provide company A with a false indication that the advertisement sent was effective, owing to the purchase that followed.

1.2.4 Tailored marketing and the creepiness factor

The second theory speaks to digital advertising's increased effectiveness at targeting consumers on an individual basis, by creating a profile determined by an individual's internet behaviour. This therefore, should result in marketers being able to direct more accurate advertising to a person, not based on broad target segments, but on an individual basis. This theory has fuelled the increasing amount being spent in this area (Barnard, 2014). However, in her study, Barnard (2014) concludes that the level of intrusiveness and detail that marketers are now examining individuals under has led to personalisation of advertisements being so extreme that, as she terms, they have become ‘creepy’.

Barnard (2014), found that this ‘creepiness factor’, the idea that someone is watching or spying on you and your most personal information (and exploiting it for marketing purposes), leads consumers to reduce their intention to purchase that product by as much as 5%. As a result, marketers’ quest to target and segment individuals better, or more effectively, has not led to consumers finding advertisements more relevant, but conversely led to consumers feeling spied on, or that their privacy has been violated (Barnard, 2014).

It is also clear that the data-capturing algorithms do not always match a person’s profile accurately. A husband could be searching for a dress online for his wife’s birthday, and by analysing his page history, the husband is likely to be sent advertisements about birthday presents, or dresses, for the next few weeks. This will either be discovered by the spouse (who will know her husband has been shopping for her birthday, or believe her husband is shopping for dresses for himself), or irritate the husband, as the advertisements may continue after the purchase or the birthday. This leads to consumers installing adblockers or disabling cookies in their browsers (Pumphrey, 2012).

Even where organisations get this right, it still may not have the desired effect on the consumer. Target is believed to be a leader in behavioural analytics, and even developed an algorithm to determine whether a consumer is pregnant, based on purchases of products seemingly irrelevant to pregnancy (like lotions and cotton wool). The algorithm was so accurate, it could indicate that a mother was in fact expecting a baby; what trimester she was currently in; and the due date to within a few weeks (Duhigg, 2012).

Based on this information, Target would send expecting mothers related promotions, with the hope of them using the store for these purchases, but moreover, to move their full shopping to Target as their retail store of choice (Duhigg, 2012).

This model however backfired when a father demanded an explanation on why his teenage daughter was being encouraged to become pregnant, as Target was sending her promotions for baby products. While their model turned out to be accurate (the father later apologised when he discovered that his daughter was in fact pregnant), the fact that Target were 'spying' on womens' reproductive status was not received positively by consumers (Duhigg, 2012).

Target though have not ceased using the algorithm, but have approached the marketing from a different perspective, which has found to be effective, and less 'creepy' for consumers. Target now place promotions for unrelated products adjacent to those they wish mothers to buy, to make it appear that the products were chosen by chance. They have found that as long as mothers do not feel as if they are being spied on, they will use the promotions (Duhigg, 2012).

In support, Barnard (2014) explains that 66% of Americans surveyed did not want tailored advertisements, with this figure rising to between 73% and 86% when consumers were informed of the data collection practices underpinning the advertisements.

It is known that the most effective advertising must be both relevant and personal to the consumer (or target audience). The nuance though with digital advertising on a mass scale, as Calvert (2015) explains, is how to do this without appearing intrusive or too personal.

1.3 The Structure and Scope of the Business Venture

1.3.1 Rationale

Marketers are able to use increasing amounts of data about consumers, as the amount and detail of their lives, characteristics, personality, preferences, or behaviour is being collected online. It is therefore becoming increasingly more common for advertisements to be designed and tailored to match a consumer on an individual basis (Barnard, 2014).

Acceptance of digital advertising is no longer a question, as the need for such is recognised by society. Studies by the Interactive Advertising Bureau reflect that over half of those surveyed (six in 10) understand that advertising is necessary for the information and services they receive through the internet to be provided at minimal, or no cost; and that major portions of the internet are sustained by advertising revenue and would cease without it (Pumphrey, 2012).

The generations growing up with the internet from birth will also more easily accept accompanying advertising, as they did not know a world before (Calvert, 2015). There is no doubt that personalised marketing can be extremely successful, and once you can understand a person's habits, these can be easier controlled and leveraged (Duhigg, 2012). In addition to increasing acceptance, Calvert (2015) therefore explains that the question is not whether basing advertising on an individual's preferences is acceptable, but only whether it is done well.

Getting this wrong can have major consequences for an organisation. Consumers opposed to the nature of how an advertisement was tailored may decline to purchase a product or develop a negative perception about that brand. In the extreme, one could stop browsing an organisation's site altogether to prevent personal information being captured (and used for marketing) (Barnard, 2014). Additionally, in the age and pace of information transfer through social media, negative publicity can spread fast and inflict long-lasting damage on consumers' impressions of a brand.

There are thus cautions that marketers must heed, but have seemingly been overlooked. The research of Blake et al. (2014) found that the actual returns from paid search are a fraction of the non-experimental estimates, and Barnard (2014) concluded that although marketers have been correct in assuming a direct positive correlation on purchase intent through the tailoring of advertisements by personal behaviour, they have not considered the negative impact of the creepiness factor on purchase intent as a result of the same practice.

Barnard (2014), found that as advertisements were tailored according to increasingly more personal information, consumers' negative reactions to such advertising increased. This is explained through reactance theory – where a negative cognitive and emotional reaction takes place where a person's freedom is threatened.

Consumers though are not, per se, opposed to advertising on the internet, even personalised advertising, as a study from the Interactive Advertising Bureau indicates that over half of those surveyed are favourable to it, so long as the advertisements received are relevant (Calvert, 2015). Thought therefore must be put into what information is used about the consumer, and what the resulting advertisement that is displayed will make the consumer feel. Additionally, one must ask what is the most effective (in terms of spend and resultant revenue) method to reach consumers in the circumstances.

Organisations could therefore be spending less on online advertising and be getting the same return. Alternatively, if they continue to spend the same amount, but direct their marketing effectively (by eliminating the creepiness factor and not spending on paid search advertisements where they have no effect), they should be able to increase their brand exposure, effectiveness, and ultimately sales revenue.

1.3.2 Scope

My intended business venture is therefore to create a company that focuses on ensuring that the digital advertisements created for the internet are both relevant and personalised to the consumer, but reduce (or eliminates) the creepiness factor. Additionally, the organisation will serve as a consulting firm to organisations to analyse and determine what information should be contained in marketing to consumers, or where budgets can be more effectively spent, or where they are being wasted.

The business will focus on the optimisation of digital advertising spend over the internet, specifically advertising that is influenced by consumers' behaviour on the internet. It will not focus (at least initially) on the creation of advertisements themselves, or the appropriate marketing mix an organisation should employ (i.e. the percentage of the marketing budget to be spent on digital vs. other mediums), but rather on how, and where, to spend the budget allocated to internet advertising to create either the greatest brand awareness, market penetration, conversion to sales made, or impact of a marketing campaign, according to the client's needs.

This will either arise at the start of the marketing process, when determining what (consumer) information should be utilised to create or direct an advertisement, or what digital channel to utilise; or as an analysis tool, to examine an organisation's current digital strategy and provide solutions on how to optimize it.

2 MANAGEMENT THEORIES

2.1 Identification of management theories applicable to the Business Case

A business' management theory will ultimately determine the reasons for its success, as well as the challenges it will face (Drucker, 1994).

Any organisation must be able to determine how it will identify its target market, competitors, its values and behaviours. Most importantly, an organisation must decide on, or be able to identify, its strengths and weaknesses. It is crucial that these ideas or theories need to interact with each other, to create a clear and focused vision and identity. An organisation that can achieve a fully integrated, clear, and focused business theory can be extremely powerful (Drucker, 1994).

2.1.1 An agile organisation

Importantly, in the digital age, and especially when working in the technological sector, 'relevance', or competitive advantage changes rapidly. One must acknowledge that the world is changing fast, and as such, be able to keep abreast of the latest trends, technologies, or changes to the surrounding environment or industry (Johnson, Whittington, Scholes, Angwin, & Regner, 2015). Any business trying to be successful in this space therefore must be able to monitor contemporary thought and practice, and operate an organisation that is agile enough to keep changing in pace with those taking place in the environment (Gordon & Perry, 2015).

As a business that is undeniably reliant on technology, any business model (or part thereof) adopted must ensure that the business stays relevant. To do this, it must be able to act fast and stay humble. Underpinning this, is the ability of the organisation to be agile, and maintain its agility as it grows.

Staying humble means that the organisation can never assume its success or demand for its products or services will be everlasting; or that its interpretation about the market or society is always correct. It must continually question the status quo and pay attention to what it happening outside of the organisation, and often outside of the industry[2]. These traits set up companies like IBM to be the most dominant computer maker in the 1950s, but equally accounted for its almost failure in the 1980s (when the personal computer came to prominence ahead of the mainframe) (Drucker, 1994).

One guarantee is that business theories will change (although the pace of these may differ) and become obsolete, and businesses will need to adapt (Drucker, 1994). To maintain relevance, a business must be in a constant state of flux, and test itself against the current market and its competitors, and be able to change quickly.

[2] This first signs of fundamental change often do not show up in one's existing industry, or customer behaviour (Drucker, 1994).

Taylor (2012), explains that often the greatest ideas arise from the most unexpected or unorthodox places, be it through staff in the lower levels of the organisation, suppliers or customers, or even more obscure places.

Leaders in this organisation will be encouraged to acquire knowledge and experience from as many, varied sources as possible (Kellerman, 2004). In this case, it is a mistake to believe that one can only learn lessons from those in positions of leadership or success. They will be challenged to place themselves in situations that are different to what they normally encounter. The best manner to question underlying assumptions, or to expose oneself to an alternate way of thinking, according to Taylor (2012), is to seek people and experiences that are least alike those one is aware of, or comfortable with.

When a product, assumption about society or the market, or even a part of the core business is seemingly becoming obsolete or challenged by new technology, business must overcome the instinctive responses of trying to defend the current state, or patch up its existing products or processes. Business should accept that change is evitable and then start thinking about how to keep pace (or even better to exceed) the changing environment (Drucker, 1994).

To ensure this is done in a manageable manner, and not only in the midst of crisis, an organisation must be set up with early monitoring and diagnostic tools, as well as prevent the business from stagnating in the first place (Drucker, 1994).

2.1.2 Organisational design – clarity of purpose

For an organisation to successfully pursue its goals, the goals it seeks to achieve must be entrenched throughout the organisation. An organisation cannot expect its members to steer it on the intended course if the members are unclear of what the intended course is (Drucker, 1994). Care therefore must be taken to ensure that the organisation's mission and vision are disseminated throughout the organisation and that these messages are clear enough for all members of the organisation to understand (Aronowitz, Smet, & McGinty, 2015).

With the speed of change in environments, industries, or organisations only increasing, in order to guide organisations or teams through this change, strong and effective leadership is crucial (Nadler & Tushman, 1990).

Goleman (2000), shows that there a positive correlation between the climate within an organisation and its overall performance. The ability of a leader, and their impact on the organisation, therefore must be seen as a critical factor to the climate of an organisation, as well as in turn, the organisation's financial performance.

A leader is required not only at the summit of an organisation, but leadership is seen (and therefore required) at all micro and macro levels of a team, department, organisation, industry or country (Johnson et al., 2015). What may be most obvious, but often overlooked, is that to be a great and effective leader, one has to master a diverse spectrum of skills (Kellerman, 2004). By extension, for departments to lead an organisation, each must comprise of members with an equally diverse skills spectrum.

Leaders have the ability to influence the environment of an organisation, its culture, and those who work in it. Therefore, leadership is acknowledged as a precursor to employees' engagement, and engaged employees are more effective, productive and happy (Saks & Gruman, 2014). Leaders in this organisation will be encouraged to communicate directly with teams and departments. Approachable and available leaders have a positive impact on staff's emotions and their perceptions of their roles within an organisation, when compared to impersonal, mass communication (Aronowitz et al., 2015).

To ensure that teams are focused, each member must understand their individual role (and importance) in the team, as well as the role of the team in the organisation overall. This will prevent members or teams from duplicating work, or drifting from the direction that organisation overall seeks to pursue (Soames, 2014).

2.1.3 Organisational design – multi-disciplinary teams

Multidisciplinary teams are essential for reducing the time spent on a project; and to increase creativity in how to achieve an organisation's objectives. Reducing time to delivery is now seen as a source of competitive advantage, as firms seek to respond quicker to a changing market; while increasing quality of delivery and lowering cost simultaneously (Henke, Krachenberg, & Lyons, 1993).

Working in silos means individuals or teams stagnate. This arises from working in, and being exposed to, the same ideas and approaches. Introducing members from different disciplines creates the environment for innovation to flourish. Different people provide new, fresh perspectives, insights and approaches to problems (Sodexco 2017 Global Workplace Trends, 2017b).

The use of teams eliminates the shortcomings of vertical hierarchical structures, and decentralises decision making. Together with having members from different functions of an organisation, this will ultimately speed up processes, and result in more integrated decisions being reached (Henke et al., 1993).

It should though be noted that while time must be taken to ensure that the structure of the organisation is correct, an equal amount of time must be spent on taking care that the members of the teams are selected, and the interactions between teams are managed, to ensure that the intention behind the structure created is carried out.

Recruiting the right type of candidates will be crucial. Focus and resources will be placed on obtaining people who will be assets to the team, compared to spending these resources and time trying to manage employees up to a team's standard when already engaged in a project (Aronowitz et al., 2015).

When thinking of who to employ, one must consider that the 'millennial' generation consists of the current 32% of the global labour market, which will grow to 75% in 2025. They are also more educated than any previous generation, are more diverse (as a work force) that any previous generation, and have been termed as natural innovators (Sodexco 2017 Global Workplace Trends, 2017a).

It is therefore crucial to understand, in order to maximise the potential of, this new generation. In its report, Sodexco 2017 Global Workplace Trends (2017a) explains that millennials put a high value on personal experience, and are therefore likely to flourish in cross-functional teams; working best and being motivated by flexibility in the workplace, human contact, and continuous development and feedback from supervisors. As the report from Sodexco 2017 Global Workplace Trends (2017a) states, an organisation that can learn to maximise the potential of the newest generation (and do so before its competitors), can benefit from their highly collaborative and honest approach.

2.1.4 Operations – marketing projects

Businesses are feeling the pressure to stay relevant and appeal to their consumer base. Their use of marketing firms to achieve this compounds the pressure on these marketers to deliver on these demands (Edelman & Heller, 2015). While emphasis, resources, and people are being directed towards digital marketing, and spurring on the growth being seen in the market, there is an impression that digital operations management has not kept pace (Amaze, 2015). However, the development of a strong operating platform should see an organisation drive increased speed and delivery of a better customer experience (Follit, 2015).

In this regard, McKinsey & Company have developed a 5-phase model that one should consider in developing (or improving) marketing operations (Edelman & Heller, 2015).

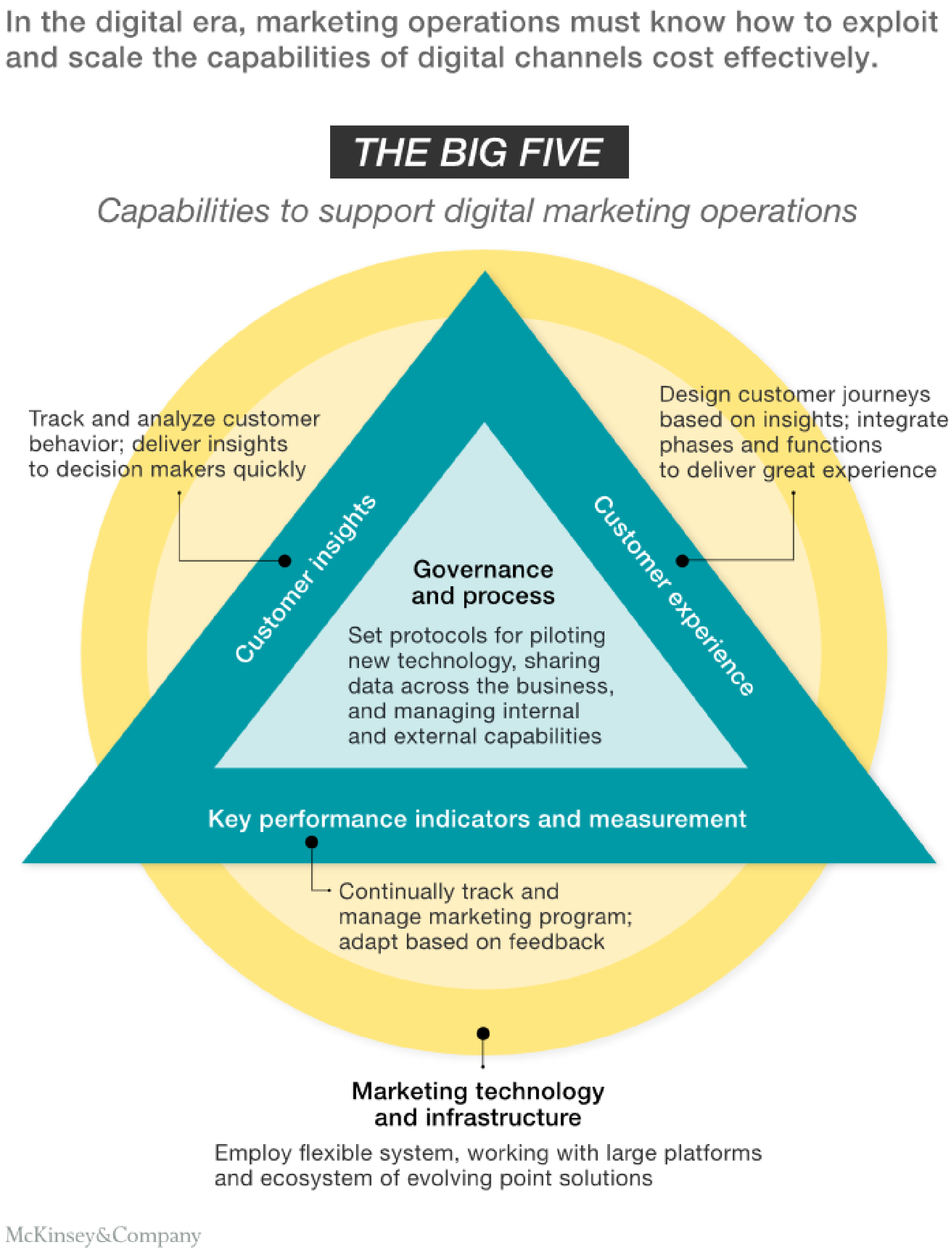

Figure 2: McKinsey & Company's five attributes for effective marketing operations (Edelman & Heller, 2015)

The central triangle is based on the tracking and analysis of consumer behaviour (on the internet) and being able to quickly disseminate this information to those developing the strategy for a specific client's campaign. This information is used to ensure the end-user consumers are provided with the optimal marketing experience. Finally, to complete the triangle, campaigns and programs are improved through continual feedback from the prior two stages.

These stages must be underpinned by strong processes and systems to ensure the efficient delivery of information between stakeholders. Where possible, and where they can be, tasks should be automated, especially menial ones, like the sending of reports. This will speak to the strategy and design in our organisation, as one filled with highly skilled, useful employees, making the most effective use of their time, instead of performing functions that can (and inevitably will) be done through machines (Soames, 2014).

To keep up with the pace of changing consumer preferences, and increase the speed at which projects can be delivered, the organisational structure has to remain simple, and yet integrated. Complicated structures breed redundancies, silos, and communication gaps (Gordon & Perry, 2015).

Simultaneously, a strong balance must be reached between creating uniform processes that teams in the organisation follow, to promote efficiency, consistency of the expected output standards, and direction; and allowing teams the flexibility required to create a unique and tailored experience to our customers, which will ultimately filter through to theirs in the marketing message delivered. Processes must ensure teams consider resources available, the decision making structure, and internal and (the client's) external policies in making decisions (Soames, 2014).

The most important deliverable is ultimately the client's experience with the relevant marketing piece (Amaze, 2015), and providing a poor experience results in your clients losing business (Edelman & Heller, 2015). Edelman and Heller (2015) explain that in order to get the customer journey right, everything else has to go right too. Therefore, marketing campaigns must go through extensive planning and analysis to ensure that even before work on a marketing campaign begins, the goals and how to get there are clearly defined, and agreed on. This will require the interactions of any number of areas of an organisation, and therefore once again reflects the appropriateness of using multi-disciplinary teams. The optimal method to align organisations is to structure teams, goals, and functions based on the needs of customers and how they contribute to providing the desired experience to the customer (Bollard, Larrea, Singla, & Sood, 2017).

The decision making structure must also be clearly defined (Soames, 2014). Requiring sign-off from a central decision-making structure leads to bottlenecking and the stalling of projects, as well as potentially the repression of new or radical ideas. If teams are continuously second-guessing whether 'management' will approve a decision or course of action, this severely impinges on the benefits that teams are set up for (speed of change, innovation, flexibility) (Henke et al., 1993).

2.1.5 Operations – reporting and analysis

Successful marketing campaigns must be measured, and even more so in the digital arena, through the use of available data. Marketing is no longer heavily reliant on intuition and the focus has shifted to using data and research to inform decisions. The rise of marketing as a science requires a significant focus on analysis and reporting, with tools capable of performing these tasks, and personnel able to interpret and pass on the results (Gordon & Perry, 2015).

Marketing tactics has long been the emphasis of agencies, but as consumers become more sophisticated in their interactions with their brands, and daily lives, marketers must utilise the (increasing amounts of) data available to ensure that the end users' experiences are as flawless and matched to their needs and wants as possible. This requires a strong foundation and operations philosophy (Edelman & Heller, 2015).

Metrics should measure how effectively the organisation is achieving the goals and strategies it aims to implement and achieve. But to be useful, this information must be made available quickly, and delivered in a manner that makes it as easy as possible for those making the decisions to decipher (Edelman & Heller, 2015).

2.2 Management theories and the business venture

Every organisation is built on certain core principles, which shape how the organisation operates. These will guide its decisions, determine its course, and ultimately how it achieves, and measures success (Drucker, 1994).

The business will be a start-up. The major strength of a new business, in comparison to older, more established ones, is that it does not suffer from legacy systems or constraints; is, by virtue of its size, able to quickly change and adapt; and can establish itself and its practices in line with the latest thinking, trends, and best practices, far easier than its counterparts.

The organisation will operate in the fast-paced, ever-changing and evolving digital world. To be successful, leaders in such an organisation cannot be satisfied that what they know today will equip them appropriately with the ability to make tomorrow's decisions (Taylor, 2012). The type of leaders that will be cultivated, and encouraged, will be those equipped with widest field of vision. To do so, Taylor (2012), explains that great leaders cannot stop learning, especially in a world that changes as rapidly as the one we presently find ourselves in.

2.2.1 Theory integration

Where feedback is provided, it must be analysed against the aim of the project, but also against business' goals and mission to complete the feedback cycle. In all aspects of design and operations, decisions and feedback must form a part of a global integrated model within the organisation. If not, the impact will only be felt in parts of the organisation privy to that information, and evolution will take place at different paces and in silos. Initiatives will then tend to occur in once-off instances, invariably fall short of expectations and generally be unsustainable (Bollard et al., 2017).

The backbone of the business will be based on the systems that are in place (from inception) to ensure that information flow is as automatic, and close to real-time, as possible. It is crucial that available information is sent and received to and from the decision makers when it is needed (Henke et al., 1993).

Organisations cannot seek change within single units, but must have a global perspective when making decisions. Team will therefore operate with a large degree of freedom, on how to achieve the desired outcome, but the outcome they are working towards will be directed by the central committee. This will ensure that changes in the organisation take place in a manner consistent with the organisation's goals, there is accountability on delivery, and that findings or feedback does not stay within single units, but is disseminated throughout the organisation (Bollard et al., 2017).

Because the focus of the organisation is so centred on the success of its multifunctional teams, it is important to ensure that teams are managed effectively, to see their continued benefits (making better and faster decisions that individuals acting in silos). This therefore speaks to the leadership culture in the organisation (Henke et al., 1993).

Goleman (2000), attributes about a third of the factors that influence an organisation's performance to the style implemented by its leaders. While there is not one style that will work in all situations (Farkas & Wetlaufer, 1996), the pervasive style that will inform the culture of this organisation will be an authoritative style.

An authoritative style drives the organisation's vision, but the manner of achieving this vision is left up to the team (Goleman, 2000). Everyone must be working towards the same ultimate goals, although how each member or team gets there may be different (Soames, 2014).

This style is particularly effective in driving direction in an organisation where members are competent in its skills. The problem with working with different teams, is the risk of drift from the business' goals and strategies, as teams may get distracted by the client they are working with, or the project they are working on (Goleman, 2000).

Additionally, elements from affiliative and democratic styles of leadership will also need to be incorporated in a complementary manner, because of their strong focus on the wellbeing and happiness of an organisation's members within a team. These are appropriate particularly when working within teams: to manage conflict, breakdowns in communication, and instances of increased stress. (Goleman, 2000).

Additionally, an organisation can become more flexible through the use of these styles. Though these, there is a free flow and dissemination of information and greater communication and respect between members, as ideas are valued equally. Additionally, there is a greater probability of buy-in to ideas or goals, as everyone was involved in the process (as opposed to having these thrust upon them).

The threat of an affiliative style however, being used in isolation, though is that exclusive focus on praise and people's emotions can leave poor performance uncorrected, which may create an environment where mediocrity is acceptable, or leave employees lacking direction. Through the use of a democratic approach, there is a risk that a lack of leadership may ensue, arising from endless meetings and brainstorming sessions, without any outcome or decision. There must therefore be a balance between gaining different perspectives, or fresh ideas on a matter, or alternatively if guidance is required from other employees, and moving forward on a project. This will be left to manage by the leader in each team.

3 BUSINESS CASE

3.1 Flowchart

The illustration below presents a high-level oversight of the approach that will be undertaken in the formation of a viable business case, specific areas of focus, and the manner in which information will be collected.

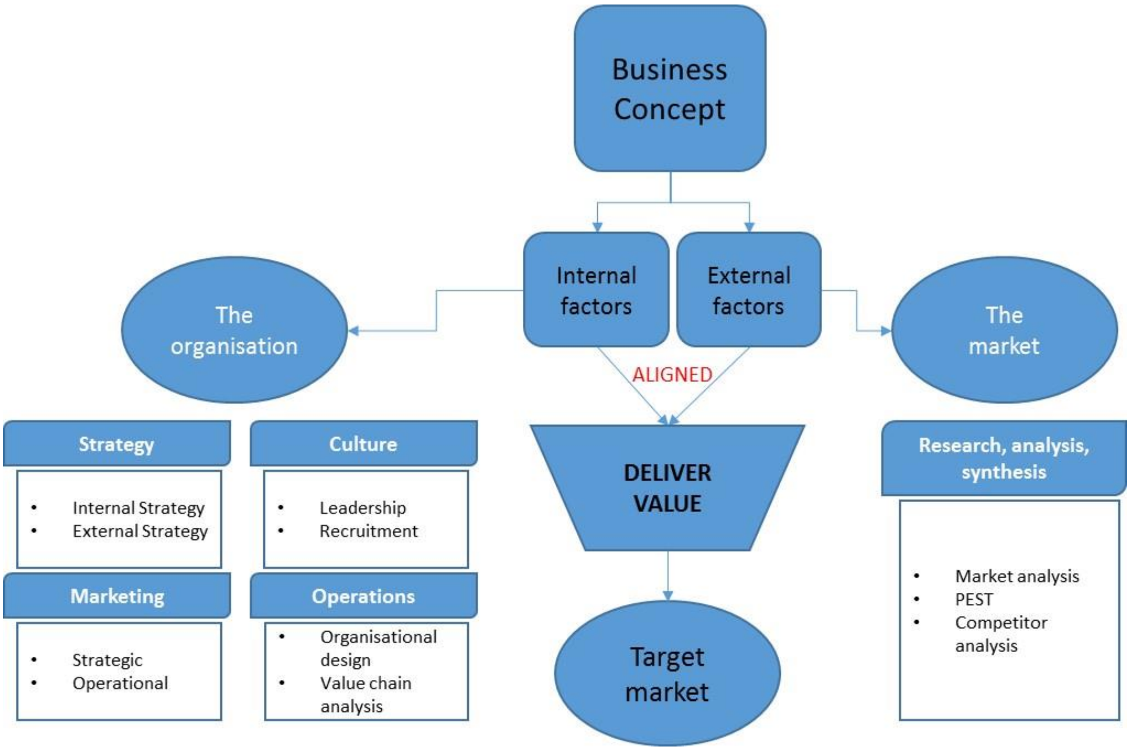

Figure 3: Flowchart to prepare business case

3.2 Flowchart explained

Business concept – The venture is driven by clarity of the business concept. The concept will undergo refinement, by obtaining further clarity on the opportunity presented, as well as the scope of the business venture (and what it is not).

Internal factors – To develop a business case, one must consider the internal factors in the organisation, i.e. those that can be controlled, or designed. This will include the internal aspects of the organisation, defined by the four blocks making up the organisation, namely:

- Strategy – Both the internal and external strategy of the business venture must be considered. The internal strategy refers to the manner in which the organisation will be structured in order to achieve the business' goals. This will also be influenced by an analysis of the threats and opportunities presented by the external environment.
- Culture – The culture of the organisation is crucial, to allow an environment where business can function optimally to achieve the business' goals. The prevailing culture in an organisation is set by its leaders, and will depend largely on the qualifications, and characteristics, of person recruited.
- Marketing – Strategic marketing refers to the manner in which the organisation positions itself to differentiate itself in the market. Operational marketing describes the marketing mix that the organisation will use to attract, and maintain, customers. Both the strategic and operational marketing elements needs to be considered.
- Operations – The operations element of the organisation considers how the whole organisation functions on a day-to-day basis, including the set-up, or design of the organisation, and a value-chain analysis. A value-chain analysis examines the processes that support daily operations and the technology that will underpin and define how the organisation functions, in order to deliver a service to market.

External factors – There is also the external environment, which one does not have direct control over, that also must be appreciated and considered when developing a business case. It is critical to understanding what impact the environment will have on an organisation, as well as the anticipated impact the organisation will have on its environment.

- The market – Any business must understand the market into which it is entering.
    - Research, analysis, synthesis – In order to best understand the market, research will be undertaken into the below topics. Once

information is gathered, it will be analysed, and most importantly synthesized, in order to inform how the organisation should be constructed.

- Market analysis – Perhaps most fundamental, is an understanding of the size and characteristics of the internet advertising market. To understand this, one must also consider who will be the business' target market, and consumers' expected behaviour within the market.
- PEST – As the organisation operates within the wider context of society, an analysis of the impact of the broader political, economic, social, and technological environment (and the opportunities and constraints that arise) is required.
- Competitor analysis – One must also understand the level and nature of the competition that will be present in the market, and the challenges and likely impact of entering such an environment would be.

The above, being the internal and external factors (and their components), must be aligned in order to drive the central purpose of the organisation, which is to *deliver value to its target market*.

3.3 Methodology

There are no concerns surrounding the collection of data, either on ethical grounds or reliability, as information will be gathered from the research, analysis and most importantly the synthesis of secondary data; principally articles and reports already published. The information collected will concern the industry focused on – digital marketing – with a specific focus on internet advertising. A greater cogency will be placed on articles and reports from peer reviewed journals, although information from the popular press will also be considered in order to ensure that the business case has relevance in the environment in which it will operate.

4 BUSINESS CASE

4.1 Business concept: RS Consulting

RS Consulting will be a start-up enterprise, which provides consulting services to other businesses. RS Consulting will specialise in analysing a business' marketing expenditure and creating solutions on how businesses can optimise their digital marketing spend, focussing specifically on achieving the greatest return for the money these businesses spend in the internet marketing space.

4.1.1 Goals

RS Consulting will strive to be a market leader in challenging traditional thinking and practice around how and where a firm can allocate their digital expenditure budget, and how to effectively measure their return on investment. Additionally, RS Consulting will be a partner that businesses can rely on to understand, and stay ahead of, the new and ever-evolving digital marketing industry. Finally, RS Consulting aims to be a knowledge hub for businesses on how to succeed in the internet marketing sector.

To achieve these goals, RS Consulting will be structured in a manner that allows it to be agile enough to keep up with the fast-paced, changing industry in which it operates. An agile structure, and focus on the latest trends, will enable RS Consulting to make changes to its products and service offerings, as well as its organisational design, to keep it ahead of the industry and competitors, and position it to deliver the most efficient, holistic, results-oriented solution to businesses.

4.1.2 Values

A basis of the organisation's competitive advantage will be in the creativity, knowledge, proficiency, and speed though which solutions are delivered to clients. This can only be achieved through the establishment and development of highly skilled and integrated multi-disciplinary teams.

Highly correlated to these teams' successes will obviously be the individuals who make up these teams. The teams must consist of the correct mix of skills to be able to deliver fully integrated and considered solutions, timeously, which represent the peak of the latest industry and technological foresight.

Central to the organisation, is that decisions must be informed by data, and those who are required to make decisions should receive this information in the most accurate and timely manner.

Furthermore, the organisation must embrace the ability for technology to optimise efficiencies and processes, and strive towards a synergy between human intellect and computing power. Therefore, the organisation will actively seek out how to incorporate technology to automate manual or menial processes or tasks.

RS Consulting therefore will be based on four, interacting, and integrated fundamental principles.

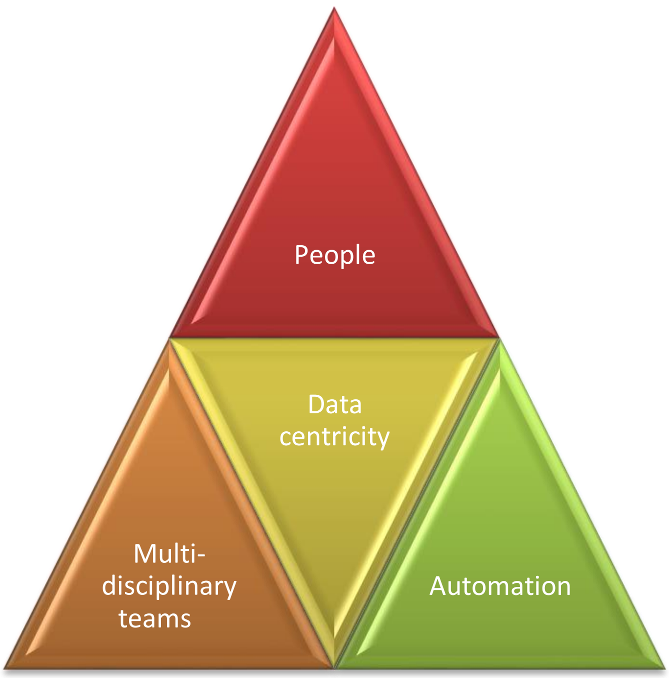

Figure 4: Core values of RS Consulting

4.2 Industry analysis

4.2.1 Internet advertising market – global

Internet advertising in 2014 amounted to over a $135 billion industry globally. PwC (2015), predicts that the industry will grow to almost $240 billion by 2019, with a Compound Annual Growth Rate ('CAGR') of 12.1%. Mobile internet advertising experienced a 55.9% growth globally in 2014, to constitute an industry valued at over $22 billion. PwC (2015), predicts the mobile internet advertising industry to grow by 23.1% compounded annually until 2019.

One is also able to predict, based on international trends, that internet advertising will exceed television advertising, to become the largest category of advertising by 2019 (PwC, 2015). Within the internet advertising segment, paid search constitutes the biggest portion of the internet advertising industry, with $53.1 billion being spent in 2014, and this expected to rise annually to $84.2 billion in 2019. Mobile advertising is a rapidly growing sector, and will overtake display advertisements, the second largest category currently after paid search, by 2018. Video advertising, while currently a small segment, is expected to show the biggest growth over the same time (PwC, 2015).

Emerging markets are being sized up as attractive destinations to enter, when compared to saturated, developed international markets (EY, 2015). Africa in particular has a fast growing, young population, with 60% of Africa's population under 25 years old, and an overall growing middle class and urbanised population (United Nations, 2017).

4.2.2 Internet advertising market – local

Total spend in the local entertainment and media industry experienced double-digit growth up until the end of 2014, with PwC (2015) predicting that the industry will grow by 9.4% annually until 2019, from just under R113 billion to R176 billion.

The biggest growth in the industry will be fuelled by an expected 18.8% CAGR in internet advertising, pushing a R34 billion industry in 2014 to over R80 billion in 2019. This represents truly significant growth, as over the same period, all other traditional media is expected to grow at less than 7% annually. If these anticipated growth rates materialise, this will grow the contribution of internet advertising as a proportion of the overall entertainment and media industry from 31% in 2014 to 46% in 2019 (PwC, 2015).

Furthermore, while there have been modest increases in consumer spending across segments in the entertainment and marketing industry (under 7% annually), the amount spent on internet has grown substantially. The table below, adapted from PwC (2015), shows consumer spend in internet, and its next closest competitor (and also unsurprisingly in the digital arena), video games.

Consumer spending (R millions)											
	Historical data					Forecast data					
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**CAGR%**
Internet	9 398	12 680	17 443	25 154	32 533	40 303	48 613	57 356	66 541	76 208	
YOY Growth (%)		34,9%	37,6%	44,2%	29,3%	23,9%	20,6%	18,0%	16,0%	14,5%	18,6%
Video Games	1 575	1 789	2 004	2 332	2 581	2 779	2 946	3 136	3 337	3 533	
YOY Growth (%)		13,6%	12,0%	16,4%	10,7%	7,6%	6,0%	6,4%	6,4%	5,8%	6,5%

Figure 5: Consumer spending in entertainment and media industry, and forecasted growth in SA (PwC, 2015).

The growth in consumer spending will be fuelled by the increasing number of tablets and mobile phones that will be purchased in the country. Smartphone devices purchased will more than double between 2014 to 2019, bringing the total number of devices in circulation to over 50 million devices. Active tablet devices will also double in the same period to 5.6 million. These two factors will drive mobile internet penetration from 32% in 2014 to over 69% in 2019 (PwC, 2015).

The attraction of being able to more accurately measure the return on investment (more than the other traditional mediums) will see revenue derived from internet advertising revenue grow by an expected 21% from 2014 to

2019[3]. This, together with the increasing adoption of mobile devices and internet proliferation, will mean that advertising will inevitably continue to shift towards this as a preferred medium (PwC, 2015).

Advertising spend (R millions)											
	Historical data					Forecast data					
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**CAGR%**
Television	10124	10934	12038	12942	14252	15041	16093	16976	18168	19256	
YOY Growth (%)		8,0%	10,1%	7,5%	10,1%	5,5%	7,0%	5,5%	7,0%	6,0%	6,2%
Newspapers	5870	6397	6504	6644	6408	6535	6668	6810	6968	7151	
YOY Growth (%)		9,0%	1,7%	2,1%	-3,6%	2,0%	2,0%	2,1%	2,3%	2,6%	2,2%
Internet	612	864	1182	1570	2056	2613	3233	3956	4736	5497	
YOY Growth (%)		41,4%	36,7%	32,9%	30,9%	27,1%	23,7%	22,4%	19,7%	16,1%	21,7%
Video games	17	21	25	33	38	44	51	58	67	77	
YOY Growth (%)		20,1%	19,9%	34,3%	15,1%	16,3%	15,1%	14,2%	14,2%	15,4%	15,0%

Figure 6: Advertising spend, and forecasted growth in SA (PwC, 2015)

South Africa, while globally a small component of overall spend, is expected to be the fifth fastest growing internet advertising market in the world. Internet advertising is also slowly eroding the entrenched positions of television and newspapers at the largest component of advertising spend in the market, as the costs of devices and internet access decreases (PwC, 2015).

Paid search is the largest portion of the internet advertising market, with revenue tripling since 2010. It is further expected to be the fourth fastest paid search market globally, with a 20.4% CAGR until 2019 (PwC, 2015).

In contrast to global trends in more developed markets, like the US and UK, paid search is expected to remain in a dominant position in the medium term locally[4].

Behind paid search, static display advertisements accounted for R590 million in 2014, being driven by increasing adoption of social media. This though is expected to decline. Although it will still comprise a fifth of the internet advertising spend in 2019, advertisers will however shift from desktop to mobile displays (PwC, 2015). PwC (2015), though believes that growth in video

[3] Television remains the greatest source of advertising revenue in SA, followed by newspaper. Together they comprised 52% of the market in 2014 (PwC, 2015).
[4] In more developed markets, paid search is giving way to more advertising being spent on mobile and video advertising (PwC, 2015).

advertising, while a global trend, will be hampered in South Africa, due to the high costs of internet access locally.

4.3 SWOT analysis of South African digital advertising market

4.3.1 Market trends

Almost 70% of South Africans used their mobile phones in 2016 to access the internet, an increase of 15% from 2015 (Effective Measure, Samsung, & IAB South Africa, 2017). Firstly, this shows that a major portion of the South African market is quickly obtaining access to the internet, and more importantly, that they are accessing it via their mobile phones. How to incorporate and leverage off the use of mobile phones should therefore be a top priority for any business (Effective Measure et al., 2017).

The importance of the mobile phone in people's lives is illustrated in that 35% of those surveyed by Effective Measure et al. (2017), their mobile phone was the first thing they reached for in the morning. Additionally, 36% of the participants in the survey use their mobile phone while watching television. This utilisation, and dependence, has a positive impact on advertising, as almost half of the participants indicated that they would click on a mobile advertisement if they were interested in it.

The market is therefore moving strongly towards the use mobile phones as the preferred medium. However, looking at mobile alone would be short-sighted, and one must also recognise the trend towards consumers using multiple platforms or devices simultaneously. In the long-term, beyond mobile, creating an even broader spectrum of considerations is the movement favouring 'the internet of things' (iab & Yume, 2015).

There has been also a shift in the manner in which advertisers see their consumer audience, and those that have not made that shift must do so quickly. The implications of the shift are important, as how one would market to a television audience is fundamentally different to the manner one would market to a digital consumer (iab & Yume, 2015).

Crucially in this regard, consumers want to simultaneously be treated as part of a community, but also as individuals too. Traditionally, advertisers could elect on which platform a consumer interacts with a brand. However, this shift in attitude has meant that consumers are now the drivers of which platform they choose to utilise (and therefore interact on). Where previously platforms were limited to the television, radio, or newspaper, and a consumer would interact with the brand at selected times; now a consumer can be on their tablet, which can feature various platforms (Facebook, Twitter, search), all while watching television (iab & Yume, 2015).

While growth in the sector overall is expected, in order to exploit this growth, one has to acknowledge that consumers do not interact on a single device, like a television, or a newspaper alone. Today, advertising strategies must consider a multi-platform consumer, and therefore direct their marketing accordingly, depending on the intended message and target audience. Not only will consumers use multiple devices (mobile, desktop, tablet), perhaps simultaneously, they will also interact over different interfaces on a single device, being the internet, social media, video or music.

Nearly 80% of businesses surveyed felt either somewhat confident (45.9%) or less, that their organisation's models were able to support the optimal use of consumer data obtained (Winterberry Group, 2016).

Segmenting consumers can no longer just be conducted based on basic demographic information, but must be more aligned to their behaviour and the context in which that behaviour takes place. For example, two consumers can enter the same webpage, but are completely different in their tastes, preferences, and wants. Crucially however, their journey to arrive on that page could also have been completely different. Perhaps one reached it through a click-through advertisement, while another reached it through search.

Each consumer would therefore have to be handled differently, in order to optimise their individual experience and achieve a greater likelihood of their noticing and taking an interest in an advertisement. While this may have been a dream for brands and advertisers previously, the improvements in technology around internet advertising not only makes this possible, but critical to success (iab & Yume, 2015).

Finally, data obtained through the use of digital marketing enriches organisations' understanding of their consumers like never before. To fully utilise the potential of 'big-data', organisations must transform themselves from using data as a factor in their decisions, to becoming data-centric in their approach. This means that data is used as the basis, not only a factor, for decisions, and that organisations are set up or adapted so that all systems and processes act in this manner (Winterberry Group, 2016).

The only way to successfully navigate the complexity and sheer volume of factors that need to be considered within a digital environment, organisations must embrace computing power, the analysis it can provide, and its ability to make decisions based on big data (iab & Yume, 2015).

4.3.2 Competitors

The traditional, entrenched consulting firms present as the biggest competitors to the new business within the industry. Of the domestic 'Big 4' consulting groups[5], three have divisions that cater for the entertainment and marketing industry. These firms have already-established businesses and relationships, as well as the capacity and resources to develop solutions and serve their clients. Clients may also see firms as reliable, with a proven track record, and their size and prestige can present an image of reliability and capability.

Equally, existing marketing houses and agencies will have an interest in serving their clients with greater returns on investment, and being able to justify their fees charged against results delivered. As the digital advertising industry develops, matures and becomes more competitive, they too will seek out ways to innovate and deliver greater value to their clients.

[5] Ernst & Young, KPMG, PwC, and Deloitte.

4.3.3 The opportunity

Mobile appears to be the superior platform, and organisations should be pushing a mobile-first strategy (iab & Yume, 2015). The attraction of mobile to marketers is that mobile is seen to be associated more with a specific activity, rather than aimless browsing. Mobile is also unmatched in the richness and insights it provides on consumers: in terms of time, their location and their behaviour (iab & Yume, 2015).

Cinman (2016), the previous chairperson of the IAB SA, believes that the South African market has not taken full advantage of the country's adoption of digital technology. He attributes this to the fact that marketers are still hugely attached to traditional mediums, like television, and are also largely unsure of how to effectively use the digital environment for marketing purposes. He concludes that as agencies and brands are unsure of how to effectively measure the impact of digital, they resort to their 'tried and tested' mediums.

The reality however is that digital advertising allows companies, or agencies, the ability to track and obtain rich data on its consumers more than any medium previously used has been able to provide. With utilising digital information, which one cannot do with other mediums, one can track (in real time) from the moment a consumer sees an advertisement to the time of purchase (Cinman, 2016).

Though, where the internet was hailed as being a more reliable tool to track consumer behaviour and interaction with an advertisement - through a cookie file, as consumers move towards the use of mobile devices and multi-platform interactions, tracking their behaviour becomes more difficult. The companies therefore that are able to develop new tools in this area will provide these organisations with a key competitive advantage (PwC, 2015).

Also, even with this enriched data, consumer behaviour and their reactions are not particularly easy to anticipate. For example, the principle of endogeneity explains that although a person may have seen an advertisement and consequently made a purchase, the two events may have no correlation (something the major firms like Google will not readily admit).

Furthermore, the increasing level at which consumers are being marketed to leads to their feeling that their privacy is being impeded - a phenomenon termed 'the creepiness factor', which can impede consumers' likelihood to purchase from, or even interact with, an advertisement (Barnard, 2014).

A firm therefore that can guide businesses through these complexities and nuances effectively has an opportunity of making a real impact on the efficiency, accuracy, and success of businesses' digital marketing spend.

Buying advertising has traditionally been allocated to the strategic marketing departments in organisations. This practice was carried through when businesses started using digital marketing. However, digital marketing presents businesses with the opportunity of having the whole process automated and driven by software. The goal of any marketing, which is supercharged by the data and tracking tools one obtains in the digital arena, should be getting the right message to the right audience in the right context – something digital is able to achieve in a far more direct and segmented manner than in other mediums.

Allowing a program to run one's bidding and purchasing of digital marketing space, creates the opportunity to optimise, as well as simultaneously save costs in getting the best price, without having a human needing to comb through the massive quantities of data and factors (for example considering that users use multi-platforms and devices; or to consider specific promotions, times of day, or deals) required to achieve this (IAB South Africa, 2015, October 2015). Systems can more effectively measure and optimise campaigns, in real-time, based on the consumer feedback received.

Cinman (2016), also notes that marketers and agencies are uncomfortable with the changing state of flux that has permeated the industry, as a result of the arrival of digital technology. While television and radio have remained relatively stable over the last 50 years (and radio even longer), the internet has had multiple iterations in just 20 years. This presents an opportunity for a business, run by people who have grown up with, and are comfortable in this state, to guide firms in how to harness its power.

The complexity that this new environment has created is an opportunity for agencies to be partners with their clients, and guide them through what may be unchartered waters for them.

Organisations are, owing to their limited understanding of the arena, increasingly relying on third party organisations (like the data providers or agencies) to supply the expertise and assist with the analysis of this data (Winterberry Group, 2016). Almost half of those surveyed by Winterberry Group (2016) (49.3%), acknowledged the value of predicative analytical and segmentation tools, as well as that third party providers could greater more benefits for their organisations (44.8%).

The three major trends identified in marketing (Winterberry Group, 2016), which has presented the opportunity in the market that RS Consulting seeks to leverage off, are:

- Omnichannel marketing strategies, simultaneously, across various platforms and devices.
- Marketing to effectively embrace consumer's identities, tastes, and needs.
- The use of software to bid, purchase, and optimise marketing procurement and placement.

4.4 Internal factors

Strategy

Digital marketing is an expanding and growing market, and while businesses know that they have to get involved, and participate, in the industry, many do not know how to. As discussed above, businesses are either not technically able to exploit, or uncomfortable with how to approach, the opportunities that exist in utilising digital marketing, because of the pace at which this industry has arisen, is developing, changing and evolving.

RS Consulting will therefore position itself to be the partner that can not only guide businesses through the complexities and nuances required to participate in this industry, but show them how to optimise their investments and returns in internet advertising.

Multi-disciplinary teams will act as partners to clients, to offer holistic, cross-platform internet marketing solutions. These teams will be a core competency of the business, so it will be critical to ensure that they comprise of people with the right skills and talents to understand the new generation of consumers; how these consumers are interacting with brands in the (ever-changing and evolving) digital arena; and to collect, analyse, and effectively interpret the data that is gathered to create optimise solutions (Winterberry Group, 2016).

As a start-up, RS Consulting does not suffer from legacy constraints, which can hamper larger firms from adapting to the quickly-changing environment. RS Consulting's agile nature is an asset in this industry, and also provides it with the advantage of creating systems and processes that utilise the latest technologies and thinking. The agile nature of the organisation will ensure that it keeps up to date, as the business grows and changes with the industry.

Furthermore, as a start-up, RS Consulting will have a greater incentive to provide its clients with focussed attention, dedication, and results for a better price, to what the larger consulting firms can offer.

The differentiation between RS Consulting and the rest of the industry will be its willingness to question traditional thinking or accepted practice, and challenge how companies are currently deriving, or measuring, value creation, in favour of how it can be done better.

Consistent with current market trends and where emphasis is being placed in the industry (influenced and dominated by mega-organisations like Google), 61% of respondents to a survey of digital marketing agencies conducted by Wordpress.com, believe that growth (of more than 25%) will be in the paid search arena (Gabbert, 2017).

RS Consulting will however approach the market differently, and the solutions that it offers will not be based on the current trends of the market alone, but rooted in the megatrends identified that the industry is moving towards, being: automation; data-centric organisations and decision-making; greater understanding of a business' consumer, and how to market to them more effectively; and the utilisation of mobile and multi-platform, customised experiences.

Owing to limited capacity and resources, by virtue of being a start-up, RS Consulting's consumers are initially likely to be small to medium sized enterprises. This is an attractive market though, as these businesses will also be more likely to require assistance in understanding and implementing effective digital strategies, and therefore present an opportunity to test concepts and produce proportionately high results.

As RS Consulting refines its solutions and builds up capacity in terms of multi-disciplinary teams, it will seek out greater sized clients. With a core principle of the business being data-centric, larger businesses offer greater scope for leveraging off this key competency. The greater the size of the business, the greater the amount of data they are likely to produce, which can be used and analysed. Trends or opportunities will be easier to identify and can be relied on more heavily. Furthermore, the larger the organisation, the larger the likelihood that there are multiple opportunities to identify redundancies; enhance, refine, or streamline processes; and challenge legacy thinking.

The solutions offered by RS Consulting must therefore engage consumer segmentation (Winterberry Group, 2016). It success will be derived through leveraging off the gaps in the market, described above, in the manner internet advertising is currently employed (and how it can be done better). Accordingly, a core focus of RS Consulting must be deriving solutions to segment consumers more effectively, and then engage those segmented consumers in a better way.

Organisational design

As RS Consulting will be established as a start-up, the initial focus will be on creating a single, multi-disciplinary team, which will be able to serve clients.

As team members will have different, but nonetheless equally important, skills and roles, the organisation will operate on a flat hierarchical structure. As the business grows, more teams will be added to serve additional clients, but each team will contain the same core elements:

1. An account manager will manage client relations, as well as client expectations, billings, demands and feedback.
2. A paid-media strategist will need to be technically proficient in the paid marketing industry, and on the best methods to maximise returns and exposure from digital marketing. They will be responsible for identifying the best solution(s) for a client's needs.
3. A behavioural and consumer psychologist is important to ensure that marketing campaigns are directed at the right audience, at the right time, and in the right context. Their decisions will be influenced from data gathered from the client's consumers' behaviour.
4. An IT specialist will be crucial for the development and implementation of any solution that the team derives, with a focus on automation and the use of machine learning, power, analytics, predictability and decision-making.
5. A specialist in synthesizing and analysing data will be critical to RS Consulting's approach to data-centricity, and decisions based on trends and behaviours found in data. This individual would need to be able to gather, analyse, and interpret data for the team, and present it in a format that the team and the client can understand.

Teams will have the autonomy to make decisions on the best solutions for a particular client or project, but teams will still need to operate within the broader scope and values of the organisation. Management will therefore provide a high-level oversight of teams, and communication will be directed through the account manager, to ensure alignment with clients and RS Consulting.

While the people that make up a team is crucial, equally important are the systems and processes that support the business and its team(s). At the centre of the organisation, is the acknowledgement of the importance of collecting, analysing, and basing decisions on data. Any project, solution, system, or process must be designed to promote data centricity (Winterberry Group, 2016).

And with such an organisation, having valuable data is of little value if it, and the analysis thereof, is not available to those who need it, when they need it. As such, accurate, up-to-date reporting must be provided to decision makers when they need it (Winterberry Group, 2016). The organisation's setup must avoid silos of information or excellence. Automation of reporting and processes will aid in preventing this.

4.5 Marketing Plan

In light of the above, RS Consulting has developed the following initial marketing plan to establish and grow the business.

1. Go after small businesses in the short term.
2. Offer unique, tailored solutions to an individual business.
3. The incentive to utilise RS Consulting will be that it does not offer only traditional thinking (which they can get from any other organisation), but solutions based on industry future megatrends: automation; data-centric organisations and decision-making; greater understanding of a business' consumer to market to them more effectively; and the utilisation of mobile and multi-platform, customised experiences.
4. A multi-platform and complex market, requires a multi-disciplinary team, whose combined skills can provide high-level holistic integrated solutions.
5. RS Consulting will have an attractive, two-tier payment structure for clients, which ensures businesses acquire a partner to guide them through a project, and not to just leave a business with a solution to implement and manage alone.

6. This further provides RS Consulting with the incentive to achieve results, as revenue is derived based on the level of success of pre-agreed critical success factors and measurements.

Advertising will take place through the same mediums and techniques in which RS Consulting aims to offer to clients. Advertising through the internet will enable RS Consulting to test and perfect its models and solutions (which it will then offer to clients), as well to showcase as a successful test case to clients, on its benefits.

Internet advertising, when managed as RS Consulting intends, is significantly cheaper than the traditional media platforms of television, radio and print.

Finally, obtaining clients through internet advertising will also indicate to RS Consulting those clients' willingness to engage with, or familiarity in operating within, the digital arena, and therefore be more likely to be interested in RS Consulting's differentiated offering.

4.6 Financial Plan

Below is a breakdown of the projected income and expenses for the first year of RS Consulting, as well as a three-year projection of its anticipated growth. Based on the revenue and expenses model, which is explained in detail below, these financials illustrate that the business case is feasible and sustainable, and importantly will grow substantially into the future.

RS Consulting financial breakdown and projections				
	Year 1	Year 2	Year 3	Year 4
Revenue	**R 240 000.00**	**R 2 334 000.00**	**R 7 913 400.00**	**R 19 925 070.00**
a. Retainer charge	R 150 000.00	R 882 000.00	R 2 831 400.00	R 6 628 380.00
b. Performance charge	R 90 000.00	R 1 452 000.00	R 5 082 000.00	R 13 296 690.00
Expenses	**R 155 200.00**	**R 804 020.00**	**R 6 207 932.00**	**R 14 856 846.70**
Fixed expenses	R 32 800.00	R 75 080.00	R 6 128 798.00	R 14 657 596.00
Office space	R 22 800.00	R 25 080.00	R 28 798.00	R 57 596.00
Salaries	R -	R -	R 6 000 000.00	R 14 400 000.00
Marketing	R 10 000.00	R 50 000.00	R 100 000.00	R 200 000.00
Variable expenses	R 122 400.00	R 728 940.00	R 79 134.00	R 199 250.70
Salaries	R 120 000.00	R 705 600.00	R -	R -
Sundry expenses	R 2 400.00	R 23 340.00	R 79 134.00	R 199 250.70
Net Profit	**R 84 800.00**	**R 1 529 980.00**	**R 1 705 468.00**	**R 5 068 223.30**
Tax*	R -	R 428 394.40	R 477 531.04	R 1 419 102.52
Net Profit after tax	**R 84 800.00**	**R 1 101 585.60**	**R 1 227 936.96**	**R 3 649 120.78**
**28% tax rate assumed throughout*				

Figure 7: Financial projections for RS Consulting

4.6.1 Billings

In a survey conducted on how advertising agencies charge their clients, 50% charged a retainer, while 28% charged a percentage of the advertising spend. 12% billed an hourly charge, and the remaining 9% used other methods (Gabbert, 2017). RS Consulting will have two components to its billings. RS Consulting will first charge a flat, fixed monthly fee for advice and consulting. This appears to be standard industry practice, with 64% of agencies surveyed charging a similar fee (Gabbert, 2017).

Initially, RS Consulting will aim to sign 12 month agreements with its first clients. Once more established, with embedded processes and experience (from the second year), we will seek to expand these to 36 month agreements.

This amount will though fluctuate based on the size and complexity of the project, but is estimated to be as follows per client, increasing at 10% p.a.

Monthly retainer	
Small business/ complexity of project	R10,000
Medium business/ complexity of project	R20,000
Large business/complexity of project	R50,000

Figure 8: Monthly retainer, based on client size / project complexity

Though, the major portion of the company's billings will be a performance-linked percentage, based on the client's return on their advertising spend, or value added through the solutions proposed and implemented by RS Consulting. Because RS Consulting aims to provide unique, tailored solutions to clients, a client's billing structure and metrics for the performance-linked component of the billings will be determined with the client, at the inception of a project, and agreed upon before commencement.

With billings linked to performance, RS Consulting will effectively partner with clients on their projects, as both parties have an incentive to see the project succeed. Furthermore, this will ensure that solutions are not just implemented with clients left to manage these, but that RS Consulting creates an ongoing relationship with a client throughout the life of the project. A client will therefore have a partner to guide them, and RS Consulting will have a continuing (as opposed to a once-off) source of business from a single client.

RS Consulting's competitive advantage emanates primarily from the manner it will approach clients' problems, as well as the solutions that it will provide to answer these. However, it billings model will also allow it to enter the market, as its monthly retainer will be competitive, but also provide a differentiation to its competitors, and confidence to its clients, that the majority of its revenue will be linked to the success of the solutions its implements for them.

4.6.2 Revenue

The revenue projections are based on signing up the following new number of clients[6], and at a performance income of 1% of those clients' total annual digital advertising spend.

Client growth				
	New clients	Small business	Medium business	Large business
Year 1	2 clients	2	0	0
Year 2	5 clients	4	1	0
Year 3	7 clients	4	2	1
Year 4	10 clients	5	3	2

Figure 9: Forecasted client growth for RS Consulting

Digital advertising spend bracket (annual)	
Small client	R1,000,000
Medium client	R5,000,000
Large client	R10,000,000

Figure 10: Performance-based revenue brackets, per client annual digital advertising spend

4.6.3 Funding and expenses

As a start-up enterprise, and bearing in mind that the initial business will have a small core team, the venture will primarily be self-funded.

[6] On 12 month contracts in the first year and 36 months thereafter. All performance based revenue is based on a 36-month period.

In order to develop ideas and solutions to offer to clients, as well as relationships to get business and form the first core multi-disciplinary team, RS Consulting will not take up formal office space, but work out of a co-working office.

For a significantly smaller charge compared to formal office space, one is able to work in an environment that provides access to the basic requirements to run a modern-day business: high-speed internet; well-fitted conference or meeting rooms; as well as telecommunication, printing and postage facilities (the work space, 2017). For a start-up consulting company, these spaces are ideal, as they come furnished, with all the required facilities, and one pays for only the time that the company uses the office space.

For a business that would ideally spend most of its time at a client's offices, the flexibility, convenience, and cost-saving associated with a co-working space is highly beneficial. The only costs one incurs outside of the charge for these facilities is for one's own equipment, i.e. laptop.

The second major attraction of the co-working environment is the networking opportunities it provides. Co-working spaces bring together professionals from various, diverse fields, to work in a single environment. This creates a centre of talent that one can engage with, collaborate together, or network off, to gain insight, opportunities, or partners to work on a project with – all in a central location (Spinuzzi, 2012).

Utilising the co-working environment, RS Consulting aims to identify people that can make up the first core multi-disciplinary team. These will be identified through collaborating on projects for clients (either our own, or the prospective peoples'), and networking with these people to find those who can add value and who has common ideas.

As each person is essentially already operating on their own (either as a freelancer, consultant, or part of another firm), they will already have the required tools to perform their function. The costs for RS Consulting will therefore be kept to a minimum: to rent out the co-working space, and market the business.

For the first two years, RS Consulting will only pay for 1 desk in the co-working space. In the third year, a single multi-disciplinary team will not be able to handle the workload. RS Consulting with therefore have to grow in accordance with the expected number of clients the company anticipates to sign, to 4 teams (of 5 members in a team). In the fourth year, this will increase further to 8 teams.

There will initially be no salary payments, as people working with RS Consulting will only be paid where there is a project to collaborate on. The 'salaries' payable to the core multi-disciplinary team working on their first projects will depend on the profit received from the project, divided among the (5 members) of the team.

Once the company has grown to a point that it will require more than one multi-disciplinary team (in the third year), the company will have to commence hiring staff to form these teams, and will therefore incur salary payments.

Finally, sundry expenses (for example: stationary or travelling costs) will be kept to a minimum in the initial two years, as the company will only be liable for my own costs. The team members will be responsible for their own costs. When the company expands in the third year, these costs are expected to rise significantly. A 1% of revenue provision has been allocated, to allow for these, as well as any unanticipated costs.

If RS Consulting is able to attract the anticipated clients, and keep a tight control on costs, as described above, it will be profitable and sustainable, experiencing attractive prospective future growth.

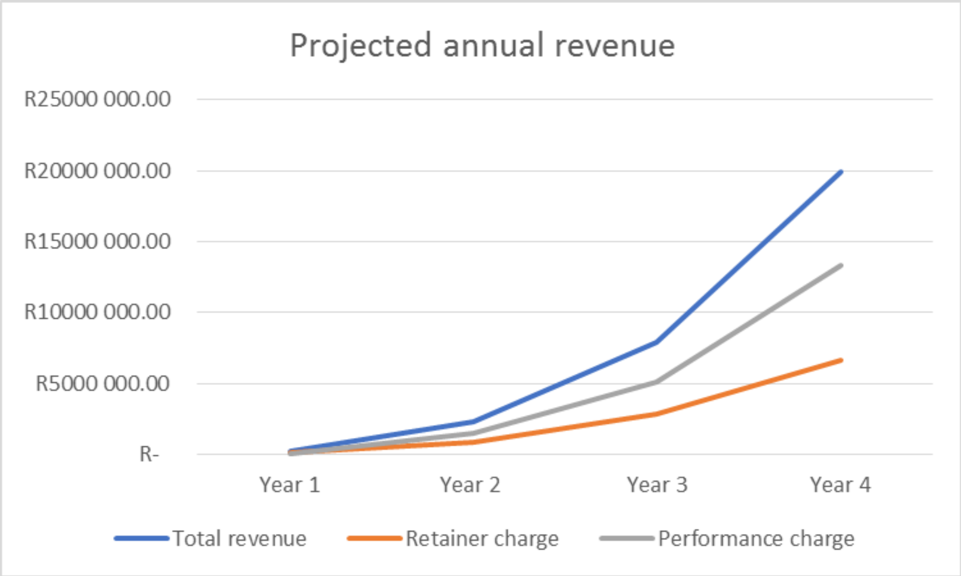

Figure 11: Projected annual revenue for RS Consulting

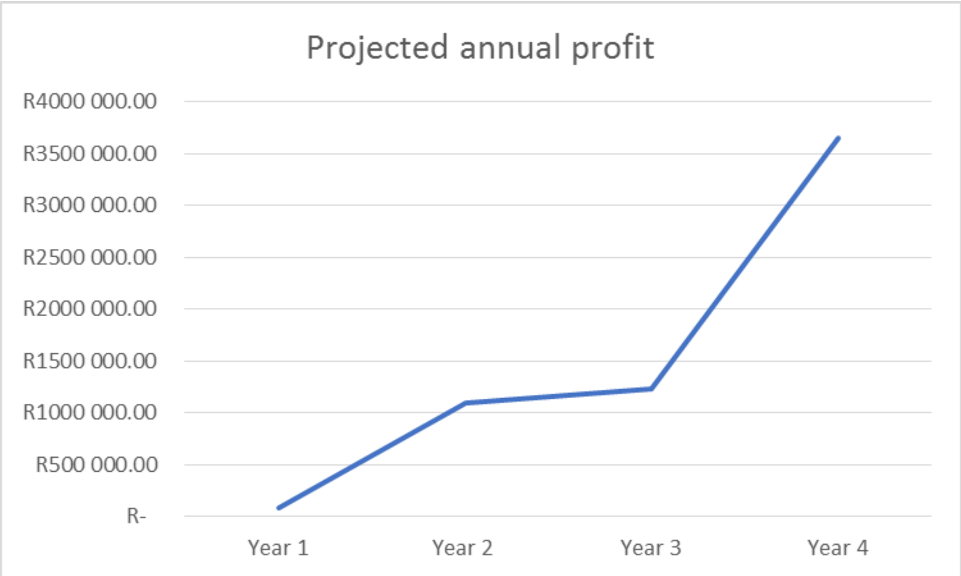

Figure 12: Projected annual profit for RS Consulting

4.7 The first 90 days

In the first 90 days from establishing RS Consulting, I want to ensure that I have located, secured and established an office space (in a co-working environment), which will be flexible enough, and suited to the needs of the business, as explained above.

I will also need to formulate and document the business' processes and procedures, regarding pricing models and service offerings for clients. Additionally, I need to register the business, open a business bank account, and find a bank that will service me in accordance with my financial requirements.

Additionally, I will need to network with others (specifically leveraging off the co-working environment), in order to establish the first multi-disciplinary team to take on the first client project, as well as secure the first client for RS Consulting. This client will ideally be in the form of a client signed by RS Consulting, but alternatively, can be a client that another member of the perspective team has secured (and that RS Consulting will participate in the consulting thereof).

Therefore, at the conclusion of its first 90 days, RS Consulting must have found its first client, be ready to start work for that client with a multi-disciplinary team, and be able to service and bill that client (or at least bill for the proportion of the work that RS Consulting is involved in, through a collaboration with another member of the team's client).

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