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Business Plan in the Digital Marketing Area (100k Digital Marketing Agency)

Sebastião Perestrelo

Master's in business administration

Supervisor: Prof. Dr. Renato Lopes da Costa, Assistant Professor with Habilitation, ISCTE Business School, Department of Marketing, Operations and General Management

Prof Luis Martins, Invited Assistant professor, DMOGG

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Abstract

This business plan aims to address the need for affordable digital marketing services for small and medium-sized businesses (SMBs) and educate them about international markets. The plan's motivation revolves around the question of whether it's possible to expand SMBs using digital marketing strategies with minimal financial risk. Scientific articles, books, and statistics about Portuguese and international markets will be used to answer this question.

The problem lies in the lack of technical experience in digital marketing, the need for assistance in understanding the benefits of transitioning to the digital world, and the perceived high costs associated. This creates an opportunity for a digital marketing agency to provide these services.

The business value proposition is to create a digital marketing agency that assists SMBs in their digital transition, focusing on social media management, branding, and content creation. The agency will develop its own management software for efficient project control. The service delivery will be handled by a remote team of professionals, reducing costs, and offering competitive pricing for SMBs.

The agency's management structure will be based on the software, with onboarding documents provided to clients and a sub-account created for each client. The main services offered by the agency include social media management using Facebook, Instagram, and TikTok, and content creation (utilizing both AI and human labor). The agency adopts a hybrid pricing model that mixes monthly fees with performance-based charges.

The main objective of this business plan is to analyze the economic and financial feasibility of this digital marketing agency.

Key words: Business plan, Digital Marketing, Startups

Sistema de classificação JEL:

M13 – New Firms; Startups

L26 – Entrepreneurship

Resumo

Este plano de negócios tem como objetivo abordar a necessidade de serviços acessíveis de marketing digital para pequenas e médias empresas (PMEs) e educá-las sobre os mercados internacionais. A motivação do plano gira em torno da questão de saber se é possível expandir as PMEs usando estratégias de marketing digital com risco financeiro mínimo. Serão utilizados artigos científicos, livros e estatísticas sobre os mercados portugueses e internacionais para responder a esta pergunta.

O problema reside na falta de experiência em marketing digital e nos custos percebidos como elevados. Isso cria uma oportunidade para uma agência de marketing digital oferecer esses serviços.

A proposta de valor do negócio é criar uma agência que auxilie as PMEs na sua transição digital, com foco na gestão de redes sociais, branding e criação de conteúdo. A agência desenvolverá o seu próprio software de gestão para controlo dos projetos. A entrega dos serviços será realizada por uma equipa remota de profissionais, reduzindo custos e oferecendo preços competitivos para as PMEs.

A gestão será baseada num software próprio, com documentos de integração fornecidos aos clientes e uma subconta criada para cada cliente. Os principais serviços oferecidos incluem gestão de redes sociais usando o Facebook, Instagram e TikTok, e criação de conteúdo (utilizando tanto inteligência artificial como trabalho humano). A agência adota um modelo de preços híbrido que combina taxas mensais com cobranças baseadas no desempenho.

O principal objetivo deste plano de negócios é analisar a viabilidade económica e financeira desta agência de marketing digital.

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1. Introduction

In pursuit of a master's degree in business administration at ISCTE Business School, students are tasked with crafting a thesis or embarking on a project that delves into pertinent and thought-provoking subjects. In a world that is rapidly transitioning into a digital realm, it has become imperative for businesses to adapt to this technological shift. The lives of the global population are profoundly influenced by technology, encompassing activities such as online shopping, content consumption, communication with loved ones, entertainment consumption, problem-solving through online searches, and even following digital influencers. This digital transformation is not limited to individuals, businesses are also migrating online, recognizing that in the contemporary landscape, attention is the most valuable resource of the 21st century. The more attention a business can get, the greater the potential for acquiring customers, driving sales, generating leads, and ultimately increasing revenue.

The onset of the COVID-19 pandemic further underscored the importance of being online. As various industries made the rapid transition to digital platforms, remote work, content production, and online sales became the norm. The pandemic served as a testament to human adaptability, revealing that businesses could change when circumstances demanded it. One of the critical elements that facilitated business survival during the pandemic was digital marketing and content creation, as they allowed businesses to distinguish themselves in the digital landscape.

However, a significant portion of small and medium-sized businesses lacks the knowledge and expertise necessary to navigate the complexities of the online world effectively. Their primary areas of expertise often lie outside the realm of digital marketing. This business plan aims to address this need by establishing a digital marketing agency dedicated to helping small and medium-sized enterprises thrive and maintain relevance in the online space. The agency is positioned as a strategic partner, helping businesses in achieving their sales objectives and expanding their customer base.

Throughout the course of this project, readers will be presented with comprehensive research, discussions on problem-solving, a marketing plan, a well-defined sales strategy, and, crucially, a financial projection that can serve as a guiding for the future of the company.

2. Theme

The idea for this business plan, which will be worked on in the master's thesis, came from a need that I think exists in the market. The need for agencies that work with small and medium-sized businesses at an affordable price. My goal with this plan is to prove that this need exists and that it is possible to succeed in a market that is still expanding. Also, educating businesses about international markets and how they can do it with almost no risk. Thus, helping businesses expand and create a stronger and more international brand.

The motivation for this business plan is due to the following question:

"Is it possible to expand a small or medium business using digital marketing with almost no financial risk to the business owner with the right strategy?". I will answer this question using scientific articles, books, and statistics about the Portuguese and International markets.

3. Problem

There are reasons that hold small business owners back from investing in the digital world. Namely, the lack of technical experience related to digital marketing, many need help understanding how the transition to the digital world can help them, and the other barrier is the associated costs that they consider high. (Dwivedi, 2021)

For companies, whatever their size, the current reality requires an effective online presence and constantly qualified by the consumer to establish and maintain competitive relationships with the global market, where the digital and physical will necessarily be more integrated. The fears and impossibilities on the part of small business owners should be seen as a window of opportunity for anyone interested in providing these services.

Most small and medium-sized businesses need to gain the necessary knowledge to move forward with effective digital marketing campaigns.

For most companies, though, there are significant challenges in how to manage digital marketing effectively through adapting existing organizational culture, structure, and resourcing, both internal and external.

In the developed world, companies have realized the importance of digital marketing. For businesses to be successful, they will have to merge online with traditional methods to meet customers' needs. (Sauce, 2015).

The introduction of new technologies has created new business opportunities for marketers to manage their websites and achieve their business objectives. Online advertising is a powerful marketing vehicle for building brands and increasing traffic for companies to achieve success. Expectations in terms of producing results and measuring success for advertisement money

spent digital marketing is more cost-efficient for measuring ROI on the advertisement. (Bala and Deepak Verma, 2018).

Social media is an extraordinary example. For instance, Facebook has opened the door for businesses to communicate with millions of people about products and services and has opened new marketing opportunities in the market. Another example is Tik Tok. Social media is growing at much speed, and it can be a powerful tool for small and medium-sized business owner.

In the specific case of the Portuguese market, 80% of people remember watching ads on social media platforms. TikTok is also the four most powerful social media platforms, and it is the social media that is expanding more quickly. (www.marktest.com, n.d.).

4. Business value proposition

The agency's primary goal is to establish itself as a digital marketing agency specializing in assisting small and medium-sized businesses with their digital transformation, particularly in the areas of social media management, branding, and content creation. Its digital presence will primarily focus on prominent social networks, including Google, Facebook, Instagram, LinkedIn, and TikTok. The agency's name, "100K," signifies its commitment to elevating businesses to new heights in the digital landscape.



Figure 4. 1 - Agency Logo

FONT: PERESTRELO (2023)

The agency has two core objectives. Firstly, it aims to develop management software, designed to provide comprehensive control over client projects, communication, and service delivery. This software will act as a transparent platform where clients can monitor the agency's actions, fostering clear communication. Secondly, the agency intends to provide its services through a fully remote team of marketing professionals. By investing in highly qualified professionals and eliminating the need for physical office space, the agency can offer competitive prices to small and medium-sized businesses without compromising service quality.

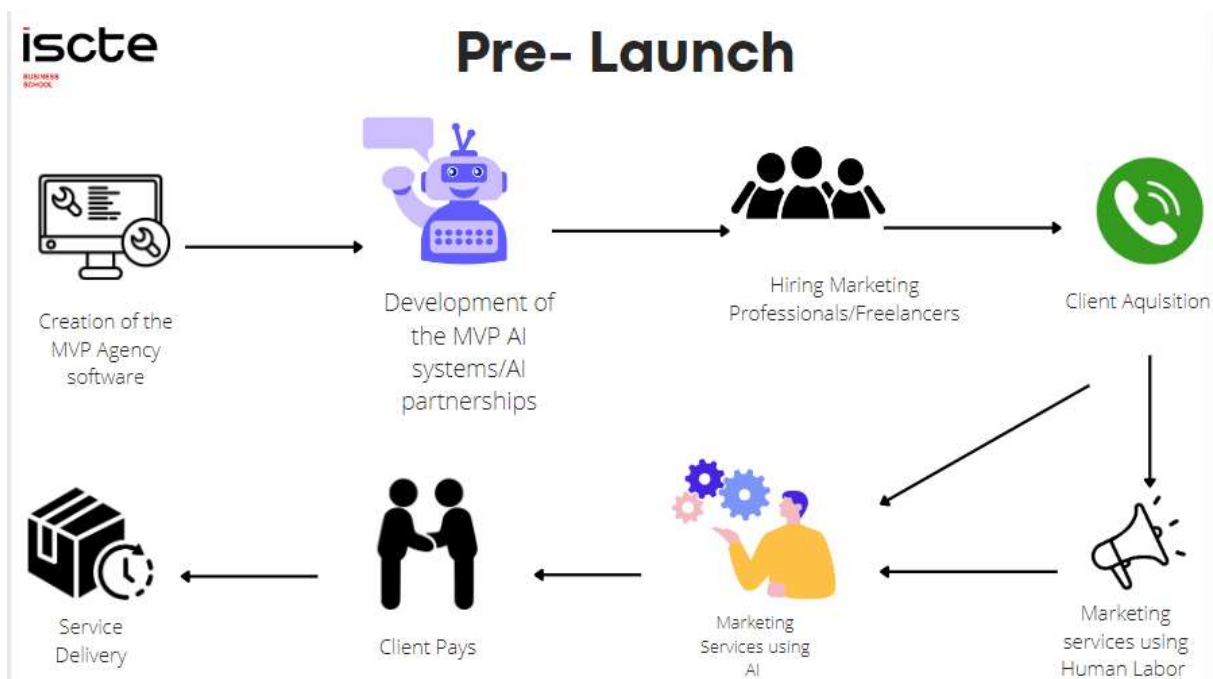


Figure 4. 2 - Pre-Launch Operations

At the agency management level, several key processes will be executed within the software dashboard. After initial project discussions, clients will receive an onboarding document to provide details about their business. Subsequently, the agency will create a dedicated sub-account for each client within the dashboard, granting them access to monitor all ongoing activities related to their project. Communication will occur within the dashboard, with weekly reports sent to clients summarizing the work completed.

The agency's software will encompass various features, including a CRM system, automatic client online presence assessment, website creation and analytics tools.

The agency's primary services include social media management and content creation, as well as the AI content creation software. Initially, the agency's goal is to offer a cost-effective content creation and social media management strategy to build trust in the market, with plans to

increase prices as clients achieve results. Key performance indicators (KPIs) such as lead generation, follower growth, interactions, and engagement will be measured to assess the agency's impact. The second service, the AI content creation software, offers a more affordable option for clients to generate content quickly, including images, text, social media posts, and captions.

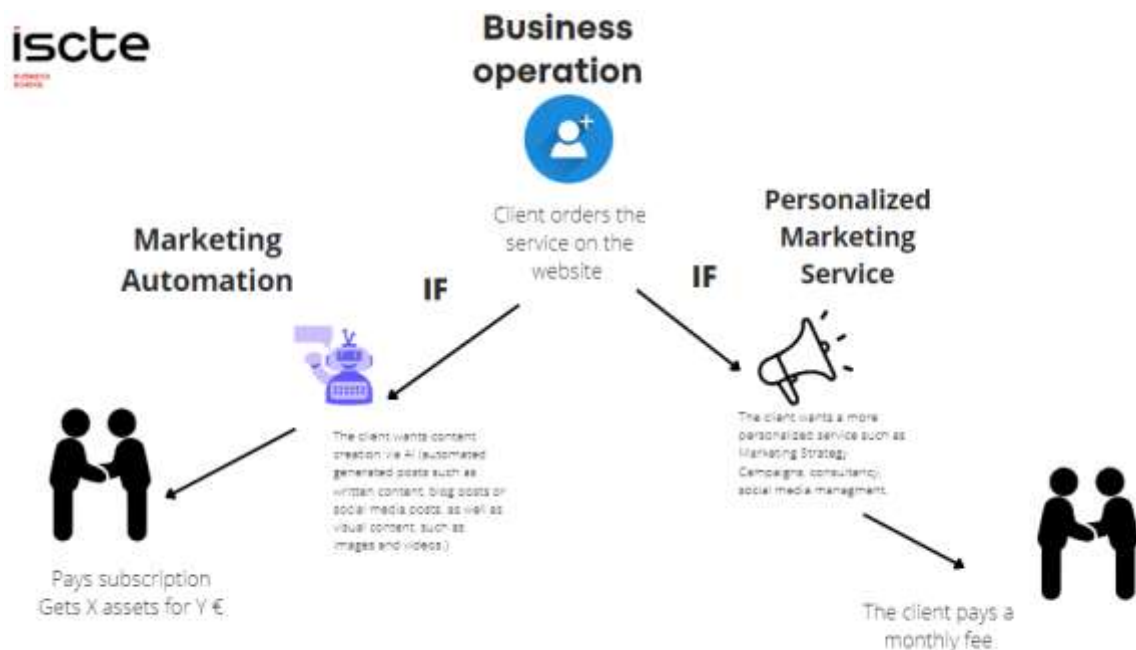


Figure 4. 3 - Business Operations

The agency's pricing structure aims to demonstrate value to clients while minimizing perceived risks. The pricing structure for the first service combines a fixed base fee with performance-based incentives negotiated with each client. For the AI content creation software, clients have greater control over their content strategy, providing the agency with both active and passive revenue streams.

As the agency's reputation and client base expand, it will gradually scale its operations based on validated demand and customer feedback. This iterative approach, beginning with a minimal viable product (MVP), allows the agency to mitigate risks, refine its service offerings, and incorporate the AI content creation software effectively. Monitoring customer feedback and engagement will guide decisions on the software's integration into service offerings. By taking an iterative approach, the agency can adapt and optimize its operations, ensuring long-term success in the dynamic digital marketing landscape.

5. Literature review

The attainment of success of a company is a complex and multifaceted process that requires a thorough examination of various factors. This holds true for personal, professional, and organizational pursuits. The instances where success is achieved without significant effort, dedication, commitment, vision, and resources are rare. In recent decades, a lot of authors have proposed various theories and frameworks for understanding the various components of management and how they contribute to the achievement of success.

In this literature review, I will examine six key topics that are central to understanding the success of this business plan. These topics include the concept of entrepreneurship, market analysis and opportunities, the study of the behavior of the agency's target audience, that is, small and medium-sized businesses, their behavior in the online context, what they are doing in the eCommerce space and the challenges and strategies used by established marketing agencies and what methods they are using for their clients. By exploring these topics, I aim to gain a comprehensive understanding of the various factors that contribute to the success of starting a digital marketing agency.

5.1. Concept of Entrepreneurship

According to Sahut, Iandoli, and Teulon (2021), entrepreneurship and, by extension, digital entrepreneurship, have become focal points of attention due to their substantial impacts on job creation, economic growth, and social transformation. Entrepreneurship, as a broader concept, often serves as a versatile term with varying interpretations. Digital entrepreneurship, on the other hand, represents a contemporary evolution, encompassing the creation of digital value through the strategic utilization of socio-technical digital tools. In this evolving landscape, entrepreneurship serves as a versatile and dynamic concept, while digital entrepreneurship emerges as a contemporary evolution that harnesses the power of digital tools to create transformative value.

Grebel (2004) also supports the idea that there is no singular, universally accepted definition of entrepreneurship. They present various definitions of entrepreneurs, such as: "an individual who assumes the risks associated with uncertainty"; "a person who is innovative"; "a person who makes decisions"; "the owner of a business"; and so on. These definitions demonstrate the wide range of perspectives on what it means to be an entrepreneur. "We have ideas that are not new but make a lot of money. And very innovative ideas that don't make any money. It's not to do with the idea, the patent, or the innovation. The biggest percentage of success is execution," says João Vasconcelos, founder and executive director of Startup Lisboa.

All this supports that from the perspective of the business in question, the definition of entrepreneurship is more related to taking advantage of opportunities (market gaps), considering that there is no innovation, just an entrepreneurial attitude by a company, because the product to be sold already exists. There is a lack of competition in a certain place, and this emerges as a business opportunity.

5.2. Market Analysis and Opportunity

According to the Grand view Research, the global digital marketing software market size was valued at USD 56.52 billion in 2021 and is expected to expand at a compound annual growth rate (CAGR) of 19.1% from 2022 to 2030. (See Figure 5.1) The outbreak of the COVID-19 pandemic caused a paradigm shift in how individuals use different apps and had a positive impact on the growth of the market. (www.grandviewresearch.com, n.d.). This means that the market is still expanding so there are opportunities for businesses and agencies to grow.

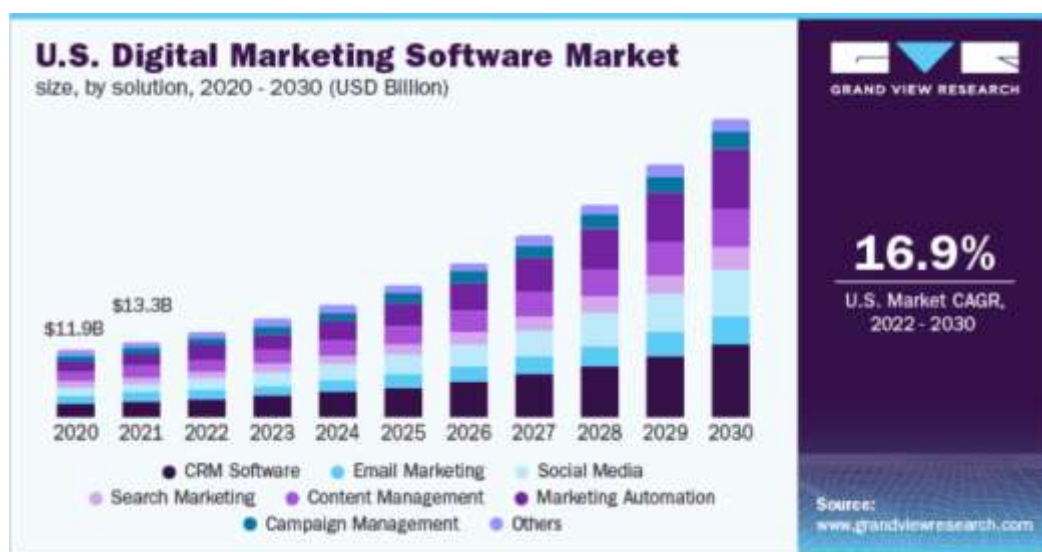


Figure 5. 1 - US Digital Marketing Software Market (Source: Grand View Research)

With this data presented, the market continues to expand and will continue to grow. (See Figure 5.2)

Digital Marketing Software Market Report Scope	
Report Attribute	Details
Market size value in 2022	USD 65.33 billion
Revenue forecast in 2030	USD 264.15 billion
Growth rate	CAGR of 19.1% from 2022 to 2030
Base year for estimation	2021
Historical data	2017 - 2020
Forecast period	2022 - 2030
Quantitative units	Revenue in USD million and CAGR from 2022 to 2030
Report coverage	Revenue forecast, company ranking, competitive landscape, growth factors, and trends
Segments covered	Solution, service, deployment, enterprise size, end-use, region
Regional scope	North America; Europe; Asia Pacific; Latin America; MEA
Country scope	U.S.; Canada; U.K.; Germany; France; China; India; Japan; Brazil
Key companies profiled	Adobe, Inc.; Hewlett Packard Enterprise Company; Hubspot, Inc.; International Business Machines Corporation; Marketo, Inc.; Microsoft Corporation; Oracle Corporation; Salesforce.com, Inc.; SAP SE; SAS Institute, Inc.
Customization scope	Free report customization (equivalent up to 8 analysts working days) with purchase. Addition or alteration to country, regional & segment scope.
Pricing and purchase options	Avail customized purchase options to meet your exact research needs. Explore purchase options

Figure 5. 2 - US Digital Marketing Software Market Report Scope (Source: Grand View Research)

With a market on the rise, what opportunities do we have to digitalize businesses, thus further enhancing the growth of this sector and the marketing services?

According to digital marketing industry research, full-service outsourcing is the most common digital marketing procurement strategy. Daily, the average individual spends 2 h and 23 min on social networking sites, this time is spent reading the news, researching products, and staying in touch with friends (Global Web Index Social Flagship Report, 2019). Given the prevalence of social media within consumers' lives, organizations must effectively use social media marketing to reach potential markets. However, social media marketing presents unique challenges for both practitioners and researchers, as the lack of validated scales, constant changes in social media platforms (including emerging platforms) and use of social network analysis, is needed to understand how information shared on social media influences consumers.

5.3. Target market behavior and context

According to Eurostat, in most nations, small and medium sized businesses are characterized by the number of workers, yearly revenue and ownership. The most common top limit for workers is 250 (as in the European Union), although other nations put it at 200, while others, such as the United States, set it at 500. (ec.Europa.EU, n.d.)

The globalization of markets has resulted in an increased interdependence among countries, resulting in opportunities for businesses to expand abroad. Several global and technological developments have facilitated internet communications, enabling even small and medium sized businesses to create value globally through social media and eCommerce channels. (Bravo et al., 2022)

There were just 413 million internet users worldwide in 2000. By 2016, that figure has risen to 3.4 billion. Internet users are consumers for most businesses. Even though technology has given small and medium sized businesses access to these customers, they still face competition from more prominent, better funded, and more seasoned firms in the global market. By enabling businesses to expand their geographic reach, build a stronger consumer base in new regions, and enhance their goods for customer satisfaction, e-commerce benefits small and medium sized businesses in meeting this challenge.

By increasing their capacity to reach clients globally, across customer demographics, and across customer categories, eCommerce enables small and medium sized businesses to profit from globalization without physical presence. Strategic flexibility is now crucial because of the creation of a new range of markets since such expansion demands constant rethinking and adaptation. (Wen, Chen, and Hwang, 2001).

As companies continue to operate online, an increasing number of businesses are adopting eCommerce as a sales and marketing tool. Small and medium-sized businesses use eCommerce websites as a sales channel. The main goal is to market products or services at a lower cost. Since small and medium size businesses often have limited resources, it is important that they reach out to a broader customer base at a reduced cost. Ecommerce reduces advertising costs. If it is done via social media through search engine marketing (SEM), paid advertising or content creation, the reach can be massive, and it can attract more customers at lower cost. (Lekmat, 2018).

Compared to the European Union average, there is a substantial difference in the percentage of Portuguese buying online, despite a significant rise in recent years. This graph depicts the fraction of the adult population that purchased online in 2019 as well as projections for Pre COVID-19 and Post COVID-19.

Portugal's stats stood at 39% in 2019, with Post COVID-19 estimates predicting a climb to 46% in 2020, quickening convergence with the European Union in 2025 when 69% of Portuguese are expected to shop online. (Economia Digital em Portugal, 2020).

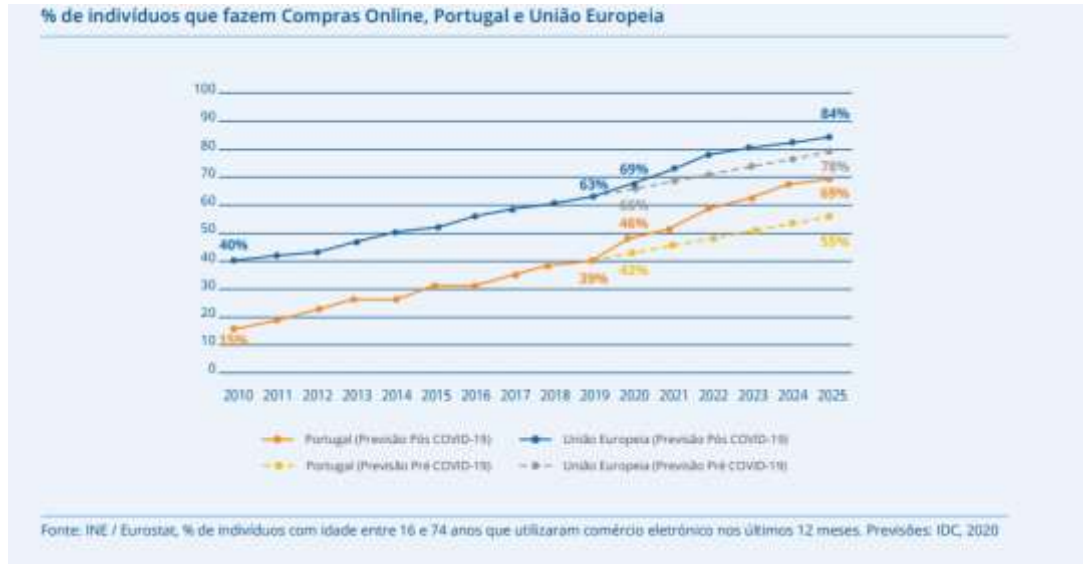


Figure 5 3 - EUROSTAT % of Individuals Between Ages 16 and 74 who Bought Via Ecommerce in the Past 12 Months (Source: INE)

Digital advertising is the most common driver of eCommerce marketing strategies. Small and medium-sized businesses often have fewer resources than their larger competitors, which forces them to be creative in how they market their products. To compete with larger companies with complex sales and advertising channels, small and medium sized businesses use eCommerce for advertising their products and leverage SEO, a search pattern technique that uses algorithms to increase visibility and promote products on Google. (Savrul, Incekara and Sener, 2014).

Social media platforms help create a two-way conversation that allows brands to engage customers and fulfill their needs. This feedback system leads to good customer service, building customer loyalty and building brand loyalty. Brand loyalty is a loose measure of an organization's ability to convert visitors into customers and retain existing customers. (Bravo et al., 2022). As research shows, brand loyalty influences brand behavior.

Ecommerce allows businesses to collect data for data analysis. This is essential for business growth and revenue generation. Businesses can automatically collect marketing data from a good website by tracking customer purchasing behavior, product selection, and payment information. They can also use data analytics tools to measure consumer behavior to guide their marketing strategy. Despite the availability of information through these tools, the need for more capital and skilled resources in small and medium-sized businesses remains a

challenge. Some of these types of businesses need more resources to regularly update product information, websites, and the know-how of marketing practices. (Bravo et al., 2022) Also, small, and medium-sized businesses can obtain a competitive edge by optimizing cash flow and managing working capital, which can be assisted through eCommerce. Deploying ecommerce technology may significantly reduce the business's operational costs or the costs of running a firm daily. One of the most apparent benefits is the capacity to communicate more deeply about demand and supply, which eliminates the need for transportation and product movement. More crucially, information flow up and downstream increases operational synchronization, lowering operational inefficiencies by guaranteeing that more actions and choices are based on market, supply chain, or value chain signals. This reduces the likelihood of resource waste. Working capital is reduced because of operational efficiency. (Bravo et al., 2022)

Ecommerce is a low-cost way for small business owners to communicate directly with their partners and customers. Ecommerce improves internal productivity by reducing paperwork, ensuring data quality, reducing data processing errors, and improving distribution techniques. Ecommerce allows companies to make greater use of their existing resources while also making market transactions more accessible and more transparent. (Kartiwi et al., 2018).

Digital marketing is also an asset for service-based businesses (not only ecommerce), providing numerous advantages to overcome challenges and achieve marketing goals. By utilizing digital marketing strategies and tools, service-based businesses can benefit in several ways.

Firstly, digital marketing enhances visibility by improving online presence and reaching a wider audience. Through techniques like search engine optimization, compelling content creation, and engagement on social media platforms, service-based businesses can be discovered by potential customers actively seeking their services. For businesses, it is crucial to recognize that in today's fast-paced digital landscape, sustaining a consistent and captivating online presence is paramount for their survival and success. (Arriagada and Ibáñez, 2020).

In today's digital landscape, businesses must continually adapt to remain relevant. This entails a proactive approach, including consistent content creation and active engagement on social media platforms. Instagram demands daily content to maintain a thriving presence and connect with a dynamic audience.

Secondly, targeted advertising enables ecommerce and service-based businesses to reach specific audiences based on demographics, interests, behavior, and location. Platforms such as Google Ads, Facebook Ads, and LinkedIn Ads allow businesses to deliver tailored messages to their ideal customers, increasing the chances of connecting with interested prospects.

Thirdly, digital marketing facilitates brand building by consistently conveying unique value propositions, sharing engaging content, and strategically managing brand presence. This helps service-based businesses position themselves as industry leaders, fostering trust and credibility among their target audience and attracting new customers.

Lead generation is a critical aspect of digital marketing for service-based businesses. By employing content marketing, email marketing and targeted lead generation campaigns, businesses can capture the interest of potential customers and convert them into qualified leads. Providing valuable content, collecting contact information, and nurturing leads through personalized campaigns contribute to driving conversions and expanding the customer base. Digital marketing also supports effective customer relationship management through customer relationship management (CRM) systems and email marketing automation. These tools enable businesses to efficiently manage and nurture customer relationships, offering personalized messages, relevant information, and engagement across various channels. Strengthening customer loyalty and encouraging repeat business becomes easier with these capabilities.

The availability of analytics and data-driven insights is a major advantage of digital marketing. Businesses can leverage website analytics, social media analytics, and campaign tracking to measure the effectiveness of their marketing efforts. These insights help identify trends, track key performance indicators, and make data-driven decisions to optimize marketing strategies for better results.

Digital marketing proves to be cost-effective compared to traditional marketing methods. With the ability to target specific audiences, track, and measure results, and make real-time adjustments, businesses can allocate their marketing budgets efficiently, yielding a higher return on investment.

In conclusion, digital marketing provides service-based businesses and eCommerce businesses with a comprehensive toolkit to enhance online presence, attract and engage target audiences, generate leads, build brand loyalty, and drive business growth. By harnessing the power of digital marketing, businesses can overcome challenges, maximize their marketing efforts, and achieve long-term success. Digital marketing is a powerful tool that empowers businesses, whether they are small and medium-sized enterprises selling goods or service-based industries. It offers increased visibility, targeted advertising, brand building, lead generation, effective customer relationship management, valuable analytics, and cost-effectiveness.

5.4. Digital Marketing Agencies Challenges

What are the main challenges faced by digital marketing agencies?

The digital marketing agency space is changing rapidly due to the constant technological changes. One of the main challenges of the agencies is to anticipate technology shifts. So, they must have a strong adaptation process to keep the business going and competitive.

The main concerns that the business owners have regarding working with an agency are the lack of knowledge about their business and sector and the lack of value added to their service or product. This can reduce loyalty towards the agency.

Leeflang et al. (2014) conducted a study that identified the challenges faced by companies as they transition to digital operations. Through their analysis of 777 responses from marketing executives, they found that the biggest areas for improvement were filling talent gaps, adjusting organizational design, and implementing actionable metrics. Gibson (2018) also conducted a comprehensive review of digital marketing strategies, providing individuals, companies, organizations, businesses, and researchers with insights and guidance on how to effectively reach their target markets through digital channels.

In the modern world, where more and more people are constantly using the internet, it is crucial for companies to attract and engage customers online to increase their reach, promote their products, and gain new customers. Digital marketing encompasses a range of tactics that utilize information technology, such as website marketing, search engine optimization, pay-per-click advertising, email marketing, social media marketing, affiliate marketing, mobile marketing, video marketing, content marketing, and more. The specific tactics a company employs will depend on the nature and scale of their business, as well as the level of competition in the digital landscape.

Digital marketing, also known as online marketing, is an umbrella term that encompasses various methods of promoting products and services through digital channels. It includes both outbound and inbound tactics, and is designed to spread awareness, attract potential customers, and convert them into buyers. As with traditional marketing, it is important to track the success of digital marketing efforts using analytical tools and measure the return on investment (ROI).

In addition to companies actively promoting their products and services through digital marketing, it is also important to consider the ways in which potential customers may be searching for information or products on their own, using search engines.

5.5. Digital Marketing Agencies Strategies

Digital marketing is comprised of several components. Online advertising, email marketing, social media, affiliate marketing, paid advertising, and search engine optimization (SEO).

Today, social media marketing is one of the most important digital marketing channels. It's a tool that allows people to create and exchange ideas, information about a company's products

or services. Internet users continue to spend more time on social media. Social media marketing includes Facebook, Twitter, LinkedIn, Google, Tik Tok and Instagram.

The main strategies that could be implemented by the agencies to keep their businesses competitive are the following:

- Invest in a marketer that his focus is technology. The main goal is to be aware of new marketing trends, software, apps, and technological advancements. Because of this the service deliver could achieve excellence and meet the client's needs in the most efficient way possible. An example of this could be using AI (artificial intelligence) to generate posts for the clients.
- With the appearance of social media, agencies won't just look at likes, shares or click-through rates. The best agencies analyze vast amounts of consumer data and use the insights they gain to adapt to ongoing real-time marketing.

According to Polanco-Diges and Debasa, (2020) the main digital marketing strategies applied by Digital Marketing Agencies for their clients are User Experience (UX) strategies refer to all the strategies that focus on improving the user's experience in a specific environment or device when interacting with a company during the purchase decision process. These strategies involve aligning the company's goals, technical capabilities, and customer needs to create a seamless and enjoyable experience for the user. This includes developing strategies that create useful and desirable content for users, improve the accessibility and usability of the website, and increase the credibility of the company. By implementing UX strategies, companies can enhance the overall satisfaction of their customers and improve their chances of making a sale.

Content marketing also holds significant importance as it involves crafting valuable and pertinent content aimed at captivating and maintaining a well-defined audience. This form of marketing primarily operates through digital platforms like social media, websites, and blogs. The fundamental objective of content marketing is to improve connections with prospective customers by furnishing them with informative and captivating content, often without charge. The overarching aim is to boost brand recognition, instill trust, and ultimately spur conversions. Content marketing can be synergistically integrated with other strategies, including SEO, to amplify its impact and yield even more remarkable outcomes.

Influencer marketing is a type of advertising in which brands work with individuals who have a strong online presence and influence over their followers. These influencers promote the brand's products or services by testing and recommending them to their followers, thereby increasing trust and encouraging participation.

User reviews are an important aspect of digital marketing. These are the opinions and evaluations that consumers share after using a product or service, or the opinions that they make about other users whose services they have used. Reviews can be an effective way to build trust and credibility, as well as to provide valuable feedback for companies to improve their offerings. By paying attention to reviews, businesses can identify areas for improvement and respond to customer needs, ultimately leading to increased customer satisfaction and loyalty.

Until recently, some of the most successful marketing agencies have been full-featured agencies that can be applied across a wide range of brands, operations, and marketing channels. From the agency's perspective, this requires being proactive in choosing projects and identifying the right types of clients, to avoid draining agency resources on unrelated projects. So, the main goal is to choose the right clients with the right projects that can benefit both the agency and the clients.

6. Methodology

The methodology to be followed in this business plan is based on understanding whether the business model that will be worked on will be accepted in the market and if it is profitable.

This methodology is structured into five essential phases: problem analysis, business value proposition, internal and external analysis, strategy and goals, corporate analysis, development strategy, implementation strategy, and financial viability assessment. In the first phase, the problem was defined and understood using scientific articles, books, and statistics. The second phase involves internal and external analysis using tools like VRIO and competitor analysis. Transitioning to the third phase, the focus was on strategy, corporate analysis, and goal setting. The fourth phase delves into implementation strategy, emphasizing the sales process and funnel. Finally, in the fifth phase, it was evaluated the financial viability with comprehensive financial statements. This methodology aims to understand the acceptance and profitability of the proposed business plan.

7. Internal Analysis

Conducting an internal analysis is an effective approach to evaluate a company's strengths, weaknesses, opportunities, and threats. This method can help identify areas of success and areas that require improvement, which can ultimately lead to better outcomes in the future. Using this approach, it will be conducted a VRIO analysis and a SWOT analysis to determine the potential success or failure of this business plan.

7.1. VRIO Analysis

The VRIO framework is a valuable tool for assessing a business's internal resources and capabilities. It involves evaluating attributes like value, rarity, inimitability, and organization to identify competitive advantages. Value examines whether a resource enhances a company's products or services, rarity assesses its scarcity, inimitability considers its difficulty to replicate, and organization measures its effective integration into operations. This analysis helps businesses understand their strengths and weaknesses, aiding in resource allocation and strategic planning. By identifying rare and valuable resources, companies can set themselves apart, while considering inimitability ensures long-term advantage. Evaluating organization reveals areas for improvement in efficiency and effectiveness. (Table 7.1)

Table 7. 1 - VRIO Analysis

Resource of Capability	V	R	I	O	Impact on Competitive Advantage
	Valuable	Rare	Inimitable	Organization	
Management software	✓	✓	✓	✓	Sustainable competitive advantage
Remote marketing team	✓	✓	✗	✓	Unused competitive advantage
Social media expertise	✓	✗	✓	✓	Unused competitive advantage
AI-powered content creation software	✓	✓	✓	✓	Sustainable competitive advantage
Performance-based pricing	✓	✓	✗	✗	Competitive parity

CRM system	✓	✗	✗	✓	Competitive parity
Dashboard platform for clients	✓	✓	✗	✓	Unused competitive advantage

Font: Perestrelo (2023)

In this case, the agency has a sustainable competitive advantage with the management software and with the AI-powered content creation software meaning that the agency can create more value compared to other agencies with this specific resources.

In Portugal, the goal is to analyze industry leaders, dissect their strategies, and determine market share to position the agency effectively. In the UK, I'll focus on understanding existing players, pricing models, and customer sentiment. In the highly competitive US market, I aim to identify trends, niche markets, and strategies for success.

8. External Analysis

An external analysis, also known as an environmental analysis, is a process of assessing and evaluating factors outside of a company's control that can impact its performance, strategies, and decision-making. It involves examining the external business environment in which the company operates, including the industry dynamics, market conditions, competitive landscape, customer trends, technological advancements, regulatory factors, and macroeconomic influences.

The goal of an external analysis is to understand the opportunities and threats that exist in the external environment and to identify key factors that may impact the company's ability to achieve its objectives. By examining these external factors, businesses can anticipate and adapt to changes, capitalize on emerging trends, mitigate risks, and develop strategies that align with the external realities.

There are various frameworks and tools that can be used for external analysis, such as PESTEL analysis (examining political, economic, sociocultural, technological, environmental, and legal factors), Porter's Five Forces analysis (assessing industry competitiveness) and market research to gather insights on customer behavior, preferences, and market trends.

Overall, an external analysis helps businesses gain a comprehensive understanding of the external forces at play, enabling them to make informed decisions, formulate effective strategies, and maintain a competitive edge in their industry.

The digital marketing agency industry thrives in a dynamic external environment marked by substantial growth and a strong emphasis on online presence. Market trends favor digital channels and new technologies. However, fierce competition exists from established agencies, niche players, and freelancers. Success hinges on continuous innovation, service differentiation, and industry trend awareness. Technological advancements, particularly AI and automation, drive efficiency. Understanding changing customer behavior, which prioritizes personalization and relevant content, is essential for effective service tailoring. Adaptation to these external factors is key for agency success in this ever-evolving landscape.

8.1. Analyzing the direct competition

In today's dynamic global landscape, businesses are continually seeking avenues for expansion and growth. The agency recognizes the strategic significance of three distinct yet pivotal markets: the United States, the United Kingdom, and Portugal. To navigate these diverse markets successfully, I understand the critical importance of conducting a thorough competitive advantage analysis.

Each of these markets presents unique challenges and opportunities, shaped by their specific economic, cultural, and competitive dynamics. The primary goal is to gain a profound understanding of the competitive landscapes within these markets to drive the success of the agency and, by extension, our clients.

In the forthcoming competitive analysis, I will delve deep into the operations and competitive positioning of one digital marketing agency from each of these target countries: Portugal, the UK, and the USA. The objective is to provide a comprehensive understanding of their strengths, weaknesses, and strategic advantages within their respective markets.

One of the key metrics that will be scrutinized is the type of clients that each agency serves. This metric serves as a vital indicator of the agency's market reach, client base, and the industries they operate in, enabling an assessment of their ability to attract and retain customers in these fiercely competitive landscapes.

Additionally, a pricing analysis will be conducted, with a specific focus on services such as social media management and content creation. This analysis will offer valuable insights into market trends and client expectations, shedding light on the strategies employed by these agencies to price their services competitively.

In this age of technological advancement, it will also be explored whether these agencies leverage AI (Artificial Intelligence) content creation tools. The integration of AI-driven content generation has emerged as a significant trend in the digital marketing landscape and can greatly impact efficiency and creativity.

Their competitive analysis will be based on data sourced from Clutch, a reputable platform that ranks digital marketing agencies across various dimensions. Clutch provides valuable insights, encompassing factors such as website performance, employee count, project pricing, client reviews, work quality, and their areas of focus within the digital marketing landscape.

The first example is GLO, which stands for Generate Leads Online, a renowned digital marketing and web design agency based in the United Kingdom. GLO's profile showcases their commitment to assisting businesses and brands in achieving online visibility and success through results-driven digital solutions.

GLO serves a diverse clientele, with a notable focus on small businesses, comprising approximately 80% of their clients. They also cater to midmarket businesses, making up the remaining 20%. This client diversity highlights GLO's adaptability to businesses of varying sizes.

GLO offers a range of digital marketing services designed to meet clients' distinct needs. Their pricing structure is tiered, with options for small, medium, and large businesses. This tiered approach ensures flexibility for businesses of different sizes and competitive landscapes. The Small package, priced at £800 per month, is perfectly suited for small websites and businesses looking to establish their initial online presence.

Stepping up the scale, the medium package, priced at £1,600 per month, is designed for companies competing in more challenging markets. This package provides a broader range of services, making it an ideal choice for businesses aiming to boost their online visibility and thrive in a more competitive digital landscape.

For those operating in the most competitive online arenas, GLO offers the large package at £2,400 per month. Crafted to equip companies in highly competitive markets, this package delivers comprehensive and strategic digital marketing solutions, empowering businesses to excel and prosper in demanding online environments.

Next, we examine Volse, a dynamic social media agency based in Portugal. Volse specializes in Digital Marketing, Social Media Management, and Brand Awareness, with a strong commitment to implementing proven strategies and growth tactics to elevate businesses' online presence.

Volse demonstrates versatility in its client focus, serving both midmarket companies and small businesses, achieving a balanced client distribution. Their adaptability is further underscored by their proficiency in serving various industry domains, such as Information Technology, eCommerce, Automotive, Retail, and Telecommunications.

An impressive aspect of Volse is their competitive pricing, maintaining an average project cost of €1,000. This cost-effectiveness, combined with their comprehensive service offerings and industry expertise, positions them as an accessible and invaluable partner for businesses seeking to strengthen their online presence and brand recognition.

Lastly, I explored SmartSites, a digital marketing agency based in the USA. SmartSites is dedicated to nurturing business growth across all scales, offering an extensive array of services, including Pay Per Click, Search Engine Optimization, Advertising, Social Media Marketing, Web Design, eCommerce, and specialized solutions for Medical, Automotive, Dental, and Legal sectors.

SmartSites caters to clients with a minimum project size starting at \$1,000 or more, showcasing their capacity to handle substantial projects. They primarily focus on small businesses, constituting 90% of their clientele, and actively collaborate with midmarket enterprises, making up the remaining 10%. In essence, SmartSites emerges as a trusted partner rooted in the USA, with a resolute commitment to nurturing business growth.

In conclusion, the competitive analysis conducted across the USA, UK, and Portugal markets provides valuable insights that can inform strategies benefiting both the agency and its clients. It's important to note that none of the examined agencies currently utilize AI content creation tools, indicating untapped innovation potential within the digital marketing landscape. Armed with these insights, the agency is positioned to excel and drive success in the dynamic world of digital marketing, while also exploring avenues for future growth and adaptation in an increasingly competitive environment.

8.2. Competitive Analysis

Another way to analyze market opportunities is to use Porter's five forces. Porter's Five Forces is a widely used framework for assessing market competitiveness and profitability. It encompasses five key factors: competitive rivalry, threat of new entrants, supplier bargaining power, buyer bargaining power, and the threat of substitutes.

Competitive rivalry depends on the number of competitors and product similarity. More competitors offering similar products can lead to lower individual company power, while low rivalry enables higher pricing. The threat of new entrants relates to entry barriers like startup costs and regulations. Low barriers increase competition, while high barriers favor existing companies. Supplier bargaining power hinges on input suppliers, uniqueness, and switching costs. Few suppliers or high switching costs give suppliers more power. Buyer bargaining power considers the number and significance of buyers. Few powerful buyers can negotiate lower prices, while many smaller customers may accept higher prices. The threat of substitutes pertains to alternative products or services. Few substitutes enhance a company's power, while abundant substitutes weaken it.

In conclusion, understanding Porter's Five Forces and how they apply to an industry can enable a company to adjust its business strategy to better use its resources and generate

higher earnings for its investors. According to Porter, (1980), by analyzing the intensity of competitive rivalry, the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, and the threat of substitute products or services, a company can gain a deeper understanding of its market and develop a strategy to maximize its profitability. (See [Figure 8.1](#))

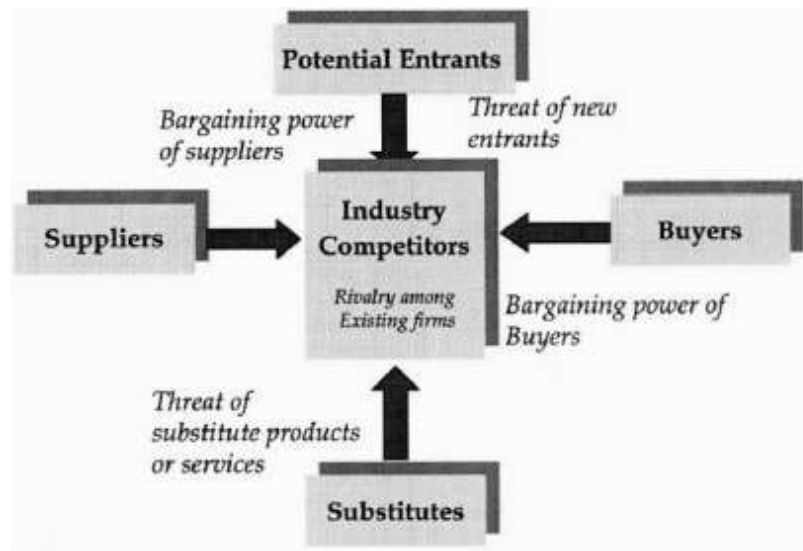


Figure 8 1 - Porter Five Forces (1980)

When defining the scope of a product-market strategy, it is crucial for a company to identify the type of competitive advantage it will exploit in each market segment it serves. Two distinct approaches can be taken in this regard: differentiation or low-cost.

A differentiation strategy involves improving and differentiating the product to justify above-average selling prices. The advantage in this case is based on the perception of value by the customer. This approach is particularly useful for companies that operate in niche markets or for those that offer unique products or services.

On the other hand, a low-cost strategy involves keeping operating costs below the market average and, in most cases, reflecting this choice in terms of selling price. This approach is particularly effective for companies that operate in highly competitive markets and for those that produce commoditized products or services.

However, as noted by Islami, Mustafa and Latkovikj (2020), it is essential for companies that follow a low-cost strategy to ensure that cost reduction does not lead to an excessive decrease in the value of the product to the customer. Otherwise, the company risks suffering a fall in revenue greater than the savings in expenses. This highlights the importance of balancing cost reduction with the maintenance of product quality and customer value.

In conclusion, choosing between a differentiation strategy and a low-cost strategy is a crucial decision for a company when defining its product-market strategy. While both approaches have their advantages and disadvantages, it is important for the company to carefully consider the specific characteristics of its market and customers to select the approach that is most appropriate for its situation.

8.2.1. Porter's Intensity of Rivalry

In the digital marketing agency market, Porter's Intensity of Rivalry analysis reveals a dynamic industry with both opportunities and challenges. Competition is healthy, with numerous firms vying for clients, indicating a robust demand for digital marketing services. The industry's rapid growth fosters innovation and creativity, allowing agencies to differentiate themselves.

While brand loyalty may not be strong, this creates opportunities for agencies to build lasting client relationships through exceptional service. Low consumer switching costs encourage continuous innovation, keeping agencies at the forefront of industry trends.

Overall, this competitive landscape signifies a thriving industry where agencies can showcase expertise, differentiate through innovation, and attract clients with unique value propositions, driving sustainable growth.

8.2.2. Threat of Substitute Services

Substitute services can pose a threat to the profitability of a digital marketing agency. When alternative services offer a more attractive value proposition in terms of price and performance, it reduces the agency's potential for profitability. It is worth noting that substitutes not only limit profits during regular times but also diminish the opportunities during periods of high demand (Porter, 1980).

In the digital marketing agency industry, substitute services like in-house teams, freelancers, or similar agencies are available. However, the agency stands out due to our AI-powered content automation software. This technology streamlines content production, offering efficiency and cost savings while preserving the human creativity and strategic thinking.

By combining automated content with digital marketing expertise, data analysis, and client customization, we provide a unique value proposition. This sets the agency apart from substitute services and enhances the company's competitiveness. While substitute services are a threat, the content automation software positions us to mitigate it effectively and deliver high-quality, tailored content efficiently, ensuring our profitability in a competitive market.

8.2.3. Supplier Bargaining Power

In any industry, suppliers can exert competitive pressure by influencing prices or the quality of the products they sell (Porter, 1980). These changes can impact the profitability of the sector, as price increases can reduce profitability and poor-quality raw materials can lead to customer loss.

In the digital marketing agency market, the bargaining power of suppliers is relatively low. This is due to the abundance of suppliers and the competitive nature of the industry, allowing agencies to negotiate better prices and access higher-quality products and services. With a wide range of suppliers offering various marketing tools, technology solutions, and resources, there is ample competition among them. This allows to access the necessary resources and tools to deliver exceptional services to our clients while maintaining cost efficiency.

Therefore, the bargaining power of suppliers in the digital marketing agency market to be low, providing the agency with an advantage in managing the supply chain and ensuring competitive pricing for the clients.

8.2.4. Customer Bargaining Power

Customers also represent a competitive force as they can demand lower prices and higher-quality products or services, putting companies under increased competition. The purchasing power of each customer group depends on various characteristics, such as the market situation and the significance of their purchases within the industry compared to the overall business. A customer's power increases when they make large-volume purchases or possess extensive market information, including supplier costs and offers to other customers (Porter, 1980; Porter, 1985).

In the context of the digital marketing agency industry, the bargaining power of customers is assessed to be moderate. Customers generally have a basic understanding of the costs associated with digital marketing services, and pricing is transparent and uniform for all clients, regardless of their scale. There are limited exceptions for certain initiatives or support programs.

However, several factors contribute to a degree of customer bargaining power. These factors include the abundance of available digital marketing agencies and the minimal cost associated with switching between service providers. Customers have a wide array of choices and the flexibility to switch to alternative agencies if they wish.

Nonetheless, it is essential to underscore the quality and differentiation levels offered by the digital marketing agency to establish a distinct presence in the market. Considering the

competitive landscape and customer dynamics, the bargaining power of customers in the digital marketing agency market can be characterized as moderate.

8.2.5. Industry Rivalry

Rivalry within an industry arises when one or more competitors feel pressured or see an opportunity to improve their position. This leads to various positioning tactics, such as advertising battles, price competition, launching new products, and enhancing customer service. In most industries, the competitive moves of one company can have notable effects on its rivals. For example, if one company reduces its selling prices, it will likely trigger similar actions from other companies (Porter, 1980).

In the case of the digital marketing agency industry, considering factors such as the number of competitors, profitability, and sector growth, industry rivalry is considered high. It is, therefore, the responsibility of various agencies in this sector to offer differentiated products or services with the best price-performance ratio to overcome intense industry rivalry.

Operating within a competitive landscape, the digital marketing agency acknowledges the significance of differentiation and continuous innovation to maintain a leading position. The agency is committed to offering distinctive value propositions, harnessing advanced technologies, and delivering exceptional client experiences as strategies to set itself apart and excel amid the intense rivalry prevalent in the digital marketing agency sector.

8.2.6. Industry Attractiveness

Referring to Porter's Five Forces Analysis, it is evident that there is one force contributing to a high attractiveness of the industry (low supplier bargaining power), two forces contributing to a moderate attractiveness of the industry (moderate customer bargaining power and moderate threat of substitute services), and two forces contributing to a low attractiveness of the industry (moderate to high threat of new entrants and high industry rivalry).

The digital marketing agency industry exhibits a moderate level of attractiveness, leaning more towards low than high attractiveness. This assessment is based on factors such as low supplier bargaining power, moderate customer bargaining power, and a moderate threat of substitute services. Conversely, the industry faces challenges from a moderate to high threat of new entrants and high rivalry among existing players.

Despite these industry dynamics, the agency remains confident in its unique value proposition, extensive service offerings, and advanced technology. By staying adaptable to market trends, consistently delivering exceptional results, and nurturing strong client relationships, the agency

aims to enhance its competitiveness and achieve sustainable growth within the digital marketing agency sector.

9. Strategy and Goals

In the dynamic landscape of the global market, organizations are continually on the lookout for strategies that can give them a competitive edge (Zapletalová, 2022). A business strategy is divided into two segments: business strategy and corporate strategy. While business strategy reflects how a company can compete within an industry, corporate strategy is a theory of how to gain competitive advantage by operating in multiple businesses simultaneously.

To achieve above-average performance in an industry, businesses can employ two generic strategies: differentiation and cost leadership. These strategies, proposed by Michael Porter, aim to create a competitive advantage, and enhance overall performance (Porter, 1985).

Differentiation strategy involves offering unique and distinct products or services that are perceived as superior by customers. By emphasizing features, quality, innovation, brand image, and customer service, a company can establish a strong competitive position and command premium prices. This strategy enables the creation of barriers to entry, fosters customer loyalty, and ultimately contributes to above-average performance (Porter, 1985). For example, Apple Inc., renowned for its differentiated products like the iPhone, MacBook, and Apple Watch, has successfully carved out a niche by providing innovative designs and a seamless user experience.

Cost leadership strategy, on the other hand, focuses on achieving the lowest possible cost of production and delivery while maintaining acceptable quality levels. By offering products or services at lower prices compared to competitors, a company can attract price-sensitive customers, capture market share, and enjoy higher profit margins. Cost leadership can also act as a deterrent for potential competitors, making it challenging for them to match the cost advantage (Porter, 1985). Walmart, with its everyday low prices and efficient operations, exemplifies the cost leadership strategy and has achieved significant success in the retail industry.

The agency aims to differentiate itself in the competitive marketing industry while offering affordable services to clients. It prioritizes effective branding over competitive pricing, focusing on unique brand experiences. The strategy involves providing a range of tailored digital marketing services, initially emphasizing social media management and content creation. The goal is to guide small and medium-sized businesses through their digital transformation. To establish a robust digital presence for clients, the agency focuses on popular social media platforms such as Google, Facebook, Instagram, LinkedIn, and TikTok. Streamlined operations are ensured through management software, offering transparency and clear

communication. A remote team of internal marketing professionals is chosen to attract top talent while maintaining cost efficiency. Value-added features through software, including CRM, AI-content generation, and analytics, enhance the client experience. The agency adopts a pricing structure that combines a monthly fee with a performance-based model, offering flexibility and value to clients.

The SWOT analysis is a strategic planning tool that provides a comprehensive assessment of an organization's internal strengths and weaknesses, as well as external opportunities and threats. By examining these four key factors, businesses can gain valuable insights to develop effective strategies, make informed decisions, and capitalize on their strengths while addressing potential challenges. As said by (Kenton, 2023) SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

In the case of the 100k digital marketing agency, strengths like management software and AI-powered content creation provide a competitive edge. Expertise in social media and a performance-based pricing model offer growth prospects. However, competitive intensity and reliance on paid advertising pose challenges. Overall, by leveraging strengths, fostering innovation, and nurturing client relationships, the agency is poised for sustainable growth and trustworthiness among businesses transitioning to the digital realm.

Table 9. 1 - SWOT Analysis

Strengths	Weaknesses
• Management software: Provides maximum control over client projects, communication, and expectations, ensuring transparency and efficiency. • Remote marketing team: Allows for access to highly qualified professionals, lower costs, and flexibility in serving clients without the need for physical office space. • Social media expertise: Strong capabilities in managing social media platforms, a crucial aspect of digital marketing. • AI-powered content creation: Unique advantage in generating high-quality content efficiently, combining artificial intelligence and human labor.	• Performance-based pricing: The pricing model carries some risks as it relies on generating results for clients, which may lead to short-term financial challenges. • CRM system: While competitive, the CRM system may require further enhancements to fully meet the specific needs of clients.
Opportunities	Threats
• Growing demand for digital marketing services: The increasing reliance on digital platforms presents an opportunity to serve small and medium-sized businesses in their digital transition. • Expansion of social media platforms: The rise of social networks, including Facebook, Google, Instagram, LinkedIn, and TikTok, offers a broader customer reach for advertising services. • Rising need for content creation: Businesses require engaging and valuable content to attract and retain customers, providing an opportunity to offer AI-powered content creation services.	• Intense competition: The digital marketing industry is highly competitive, with numerous agencies offering similar services, requiring continuous innovation and differentiation. • Technological advancements: Rapid changes in technology may pose a threat if the agency fails to keep up with emerging trends and fails to offer cutting-edge solutions. • Economic instability: Economic downturns or fluctuations can impact businesses' marketing budgets, potentially reducing demand for services.

Font: Perestrelo (2023)

In summary, the agency aims to differentiate through specialized services, software, a remote team, and a performance-based pricing model, becoming a trusted partner for small and medium-sized businesses in digital marketing.

10. Corporate Analysis

Utilizing the Ansoff Matrix as a framework, the agency assists businesses in evaluating the risk levels associated with various growth strategies and identifying the most appropriate approach tailored to their specific circumstances. Let's deep dive into how the agency aligns with each quadrant of the Ansoff Matrix.

Market Penetration:

The agency maximizes sales in existing markets by optimizing marketing, distribution, and pricing strategies, leveraging digital expertise to expand customer bases and drive revenue growth.

Market Development:

Expanding into new markets constitutes a primary focus for the agency. The agency assists businesses in identifying untapped customer segments or geographic regions with the potential for their products or services to thrive.

Product Development:

The agency understands the significance of continuously innovating and introducing new products or services to meet evolving market demands. Through a combination of research, consumer insights, and creative thinking, the agency helps businesses develop and launch new offerings. The digital marketing strategies are tailored to effectively promote these new products or services, ensuring maximum visibility, customer engagement, and sales growth. Whether through in-house product development or strategic partnerships, the agency assists businesses in expanding their product portfolios and driving market differentiation.

Diversification:

The agency specializes in assisting businesses with various growth strategies, with diversification being the most complex and rewarding approach. It offers in-depth analysis and guidance to help businesses manage the associated risks effectively.

Moreover, the agency places a strong emphasis on robust digital branding across all growth strategies, understanding its pivotal role in long-term success and building customer loyalty.

In summary, the agency blends Ansoff Matrix principles with digital marketing expertise to provide customized growth strategies. It ensures businesses can navigate their growth journey successfully while cultivating a robust brand presence.

10.1. Outsourcing

In the realm of business, the concept of strategic outsourcing is increasingly vital for firms to navigate the ever-changing landscape and maintain superior performance. (Charles and Ochieng, 2023). Since the digital marketing agency is starting from scratch, it is crucial to acknowledge the importance of outsourcing key activities or collaborating with high-quality freelancers or professionals to get the business off the ground successfully. Outsourcing tasks like content creation and social media management to external experts enables the agency to access specialized skills and achieve cost-efficiency. It liberates internal resources, allowing a sharper focus on core functions like client management, business development, and strategic growth. Collaborating with freelancers brings flexibility and scalability, empowering the agency to adapt to project demands without the commitment of permanent staff. By thoughtfully evaluating freelancers' expertise and aligning with their passions, the agency fosters a mutually beneficial partnership that enhances the quality of work and client satisfaction.

Furthermore, this collaborative approach not only benefits freelancers by letting them concentrate on their core skills but also serves as a potential talent pool for the agency's future expansion. As the agency identifies freelancers in high demand and proven expertise, it could transition them into permanent roles when market conditions and client demand warrant such a shift. This approach maintains agility and cost-effectiveness, ensuring the agency remains responsive to market trends and client needs while fostering a productive and growth-oriented environment.

11. Development strategy

Mission, Vision, and Values

Mission:

To empower small and medium-sized businesses in their digital transformation journey by providing comprehensive and results-driven digital marketing solutions. Our focus is on helping our clients reach new heights of success, with a particular emphasis on achieving the milestone of 100k followers/revenue/whatever metric is relevant to their specific goals.

Vision:

To become a trusted and leading digital marketing agency that revolutionizes the way businesses connect, engage, and thrive in the digital era. We aspire to be the go-to partner for businesses seeking innovative strategies, exceptional results, and sustainable growth, ultimately helping them surpass the 100k milestone and beyond.

Values:

Client-Centric: Prioritizing client needs and exceeding expectations.

Results-Driven: Committed to measurable impact and continuous improvement.

Innovation: Embracing change and leveraging technology.

11.1. Company Objectives

Establishing clear objectives is essential for any company as it allows for a focused approach in pursuing opportunities. Resource limitations, incompatibilities, and differences in attractiveness among various prospects make it impractical for a company to pursue every opportunity that arises.

A clear distinction can be made between general objectives, also known as big goals, and specific objectives. Specific objectives are characterized by their precision and focus, providing a clear direction for the company's day-to-day operations within a well-defined and often shorter timeframe. These specific objectives, commonly referred to as SMART objectives, guide our digital marketing agency in aligning with our vision and mission.

Long-run Goals:

- Increase market share;
- Become a leading provider of digital marketing services for small and medium-sized businesses;
- Establish ourselves as a reputable agency within the industry;
- Position the agency as a go-to destination for businesses seeking digital marketing solutions;
- Enhance the agency's brand image;
- Drive revenue growth;
- Optimize operational efficiency;

Short-term Goals:

- Commence operations and establish a strong presence in the market by the end of 2024;
- Achieve an average of 5000 new social media followers for clients per month by the end of 2024;
- Become profitable in the second year of business.

11.2. Key success factors

The key success factors for the digital marketing agency lie in several areas:

Firstly, it is crucial to have a team of experts who possess specialized knowledge in various aspects of digital marketing. These professionals should excel in social media management, paid advertising, eCommerce, branding, and content creation.

Secondly, success is determined by the ability to consistently deliver high-quality services that exceed client expectations. Providing exceptional service and generating tangible results for clients is paramount.

Efficient project management practices play a vital role in ensuring success. Utilizing the agency's management software facilitates seamless communication, streamlined workflows, and the timely delivery of projects.

The AI content creation tool can also contribute to improved productivity and scalability. It can handle repetitive tasks, such as generating content ideas, generate social media posts, writing initial drafts, and even optimizing content for search engines. This allows the marketing team to focus on strategic activities, client interactions, and overall campaign management. Furthermore, the AI tool can enhance creativity by providing insights, suggestions, and data-driven recommendations. It can analyse trends, audience preferences, and competitor strategies to generate content ideas that are relevant and appealing to the target audience. (Tunpornchai, Thongprayoon and Tarickul, 2023). This assists the agency in delivering more targeted and impactful content, resulting in higher engagement and better campaign performance.

To stay ahead in the dynamic field of digital marketing, fostering a culture of continuous learning and innovation is essential. Emphasize the importance of keeping up with industry trends, exploring new strategies, and leveraging emerging technologies.

Another critical factor is establishing strong relationships with clients. This involves understanding their unique needs, maintaining open lines of communication, and actively seeking feedback to improve service delivery.

Building a strong brand presence and reputation within the industry is also a key success factor. Consistently delivering exceptional results, providing outstanding customer experiences, and cultivating positive word-of-mouth can significantly contribute to the agency's success.

Lastly, adaptability and flexibility are vital in responding to changes in the digital landscape. Staying nimble and agile allows the agency to adjust strategies, adopt new tools and techniques, and meet evolving client demands effectively.

By focusing on these key success factors, the digital marketing agency can position itself for growth, establish a competitive edge and achieve long-term success in the industry.

12. Implementation strategy

12.1. Marketing Mix

In marketing strategy, it is necessary to assess the importance of each element of the marketing mix, as it involves choosing those that bring a competitive advantage. In the case of the digital marketing agency, this evaluation becomes crucial to make strategic decisions and allocate resources effectively.

Product:

The digital marketing agency provides tailored services for small and medium-sized businesses, helping them in their digital transition. These services encompass digital marketing facets like social media management, content creation and branding. The agency's focus is on strengthening businesses' digital presence to reach their target audience effectively and achieve marketing goals.

Social media management is central, involving strategy development, content creation, community management, and engagement across platforms like Facebook, Instagram, LinkedIn, and TikTok. Effective management enhances brand visibility, audience engagement, and lead generation. While paid advertising is offered, it's not the primary focus.

Content creation is vital, utilizing AI and human expertise to craft engaging content in various formats. This blend of technology and human touch helps businesses effectively communicate their messages and engage with their audience. Branding services focus on developing and enhancing brand identity, creating visual elements that resonate with the target audience and set businesses apart from competitors.

In essence, the agency empowers small and medium-sized businesses in the digital landscape, emphasizing social media management, content creation, branding, and strategic use of AI to achieve their marketing goals. This blend of expertise and technology helps clients thrive in the competitive digital world.

Price:

Price determination is a pivotal aspect of the digital marketing agency's business plan, influencing its market positioning. Striking the right balance in pricing digital marketing services is essential. The agency uses a performance-based pricing model, aligning its success with that of its clients. This approach attracts a wider client base and creates compelling case studies. However, it comes with its challenges and risks, especially for services like paid advertising. To manage these risks, the agency combines stable monthly fees with performance-based fees, ensuring a balance between risk and return. This strategic approach enables the agency to optimize ROI while maintaining a steady revenue stream from other services.

Initially focusing on social media management and content creation, the agency builds a foundation of predictable income, with plans to expand its client base to include both recurring fee and performance-based fee clients for sustainable growth.

Place:

The digital marketing agency operates primarily through online channels to establish a robust digital presence. This encompasses their website, social media platforms, and online advertising channels, serving as primary touchpoints for potential clients.

Having a remote working model, the agency's internal marketing professionals can work from anywhere, facilitating global client service without the need for physical offices. This approach not only reduces overhead costs but also enables the agency to invest in top-tier professionals. Clients benefit from a centralized client dashboard within the agency's management software, offering easy access to project details, communication, and progress updates. Additionally, the agency offers a marketing content creation software as a value-added service, accessible through their website and client dashboard for enhanced convenience.

The digital-centric operations allow the agency to serve clients worldwide, with the potential for strategic partnerships to expand its reach. Continuous evaluation of distribution channels ensures alignment with client preferences and market trends, ensuring effective service delivery.

In essence, the agency optimizes its reach, accessibility, and convenience for clients through a digital-first approach, fostering seamless service delivery and global client engagement.

Promotion

The digital marketing agency employs an integrated approach to marketing communications, utilizing a mix of online and offline channels for effective promotion. Key strategies include targeted advertising campaigns on platforms like Google Ads, Facebook Ads, Instagram Ads, and TikTok Ads, aiming to engage specific audience segments and generate interest.

Content marketing is another vital component, where the agency creates valuable content such as blog articles, infographics, and social media posts. This educational content is distributed through the agency's website, social platforms, and email newsletters to engage the audience.

The agency also leverages a referral program, incentivizing existing clients to refer new ones, expanding its customer base through word-of-mouth marketing. Additionally, dedicated salespeople represent the brand, communicating its value proposition, benefits, and addressing inquiries to convert leads into clients.

Measurement and analytics play a crucial role in evaluating promotional success. The agency monitors metrics like website traffic, conversion rates, engagement, and customer acquisition costs to optimize its strategies.

In summary, the agency effectively promotes its services through targeted advertising, content marketing, referral programs, sales efforts, and data-driven analysis to build brand awareness, engage potential clients, and drive business growth.

12.2. Human resources

For efficient resource allocation and cost-effectiveness, the agency can begin by utilizing freelancers for project-specific roles. This approach allows them to assess productivity and effectiveness without committing to full-time staff. Freelancers are compensated based on deliverables, offering cost savings. Building a network of reliable freelancers enhances long-term support.

As the agency expands and solidifies its model, it can gradually transition to permanent staff. Starting with freelancers and outsourcing helps validate the business model, streamline processes, and identify crucial roles for sustainable growth. This phased approach balances cost-effectiveness with workforce optimization, minimizing financial risks.

12.3. Material Resources

Launching a cost-efficient digital marketing agency requires smart resource management. This includes acquiring budget-friendly computer equipment, considering refurbished options, and using affordable software tools for tasks like content creation and project management. Operating remotely eliminates the need for physical office space, and tools like Zoom and Slack offer cost-effective communication solutions. Utilizing online platforms with free or low-cost templates helps create branding materials, while continuous online learning enhances digital marketing expertise. Cost-effective project management tools and secure, cloud-based storage streamline workflows and ensure data safety. This approach allows the agency to start with minimal investment and grow sustainably. The only big investment that the agency has is with the AI content creation software and the filming equipment to create content.

12.4. Sales process

The sales process initiates when potential client contacts the agency or the agency contact the potential client, often via phone, the website or email. A dedicated sales representative or the owner is assigned to handle the initial inquiry. The next step involves a Discovery and Needs Assessment. An initial consultation gathers crucial business information, goals, and digital marketing requirements, serving as the basis for a tailored proposal.

Based on the assessment, a customized proposal is created, detailing recommended services and digital marketing strategies. A presentation is scheduled to review the proposal and address client inquiries.

Upon client approval, an Agreement and Contract Signing follows. A formal contract outlines services, pricing, and terms, signed by both parties. With the agreement in place, the agency proceeds to Onboarding and Dashboard Setup, collecting client data and configuring their dashboard sub-account.

Service Delivery involves implementing digital marketing strategies as outlined. Regular communication and progress reports are provided through the dashboard. Ongoing Communication and client engagement continue throughout the engagement, with weekly reports summarizing progress. Performance Assessment monitors key performance indicators (KPIs) and adjusts strategies for optimal results. Scaling and Expanding services occur as the client's business grows. Customer feedback informs continuous improvement. Long-Term Partnerships are nurtured through consistent value delivery, service excellence, and client referrals.

12.5. Sales Funnel

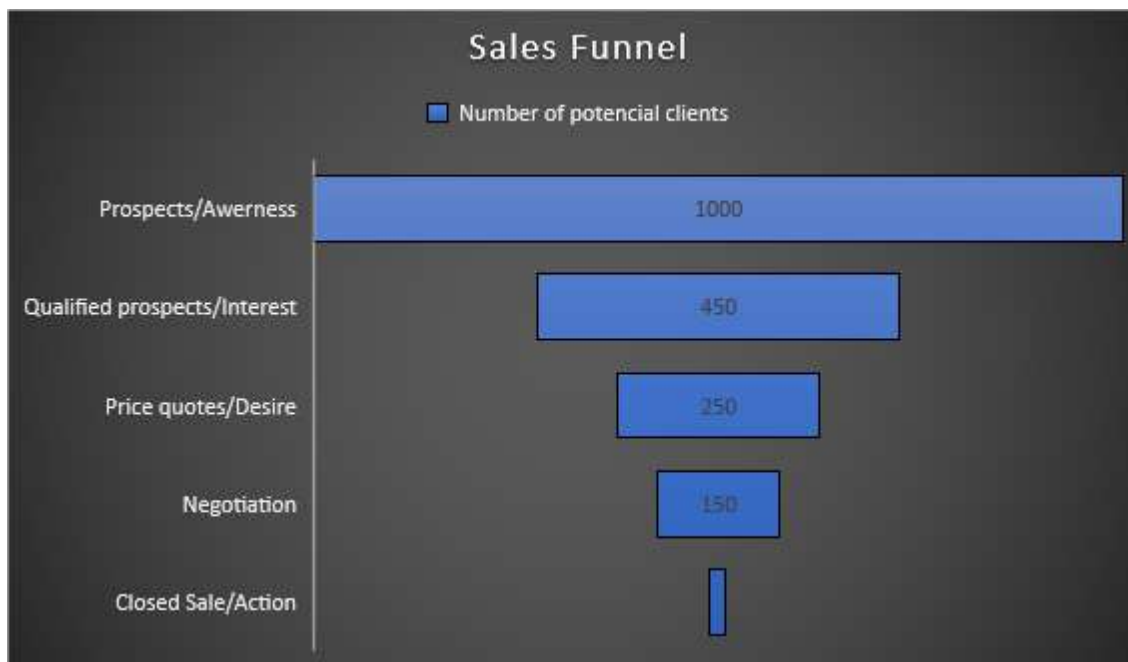
The potential sales funnel for the digital marketing agency comprises several key stages:

1. **Content Creation:** Daily videos on YouTube and TikTok aim to reach a global audience, establish brand authority, and generate awareness.
2. **Direct Outreach:** The sales team conducts daily phone calls and sends personalized emails to potential clients, initiating conversations and lead generation.
3. **Initial Interaction:** Interested prospects from content and direct outreach express interest in the agency's services, with the goal of nurturing their interest and identifying potential clients.
4. **Qualification:** Further discussions help determine if prospects are genuinely interested and have the potential to become paying clients.
5. **Proposal and Negotiation:** Tailored proposals are presented, and terms are negotiated based on prospects' requirements and needs.
6. **Conversion:** Prospects satisfied with the proposal become paying clients, establishing a mutually beneficial relationship.

Initially, the agency focuses on client acquisition and building a solid base. As this base is established, the agency shifts toward client retention and satisfaction, delivering value, and fostering loyalty. While attracting potential paying clients is crucial, maintaining and nurturing existing ones is equally vital for long-term success. The agency aims to select clients that align

with its values, goals, and vision, creating enduring partnerships that contribute to overall growth and success. (Table 12.1)

Table 12. 1 - Potential Sales Funnel



Font: Perestrelo (2023)

12.6. Accounting and legal support

The accounting and legal support functions of the company are outsourced to external service providers. By leveraging specialized expertise from these professionals, the agency ensures compliance with financial and legal requirements while minimizing overhead costs. Outsourcing these areas allows the agency to focus on its core competencies in digital marketing and allocate resources more efficiently.

13. Implementation plan

After identifying the necessary resources for the launching of this digital marketing agency, it is crucial to develop a comprehensive implementation plan. This plan outlines the steps and timelines for establishing and growing the agency's operations. It ensures a systematic approach to achieving business goals and objectives.

This business plan is designed to commence in September 2023, laying the groundwork for the operations to start running smoothly by January 2024. During the initial phase, critical tasks such as branding, service definition, team building, and sales and marketing strategy development will be undertaken to ensure a strong foundation for the agency's launch. In

September, the focus will be on developing the agency's brand identity, including the creation of a captivating logo, designing an engaging website, and establishing a cohesive visual presence across social media platforms. This step is crucial in building brand recognition and attracting potential clients.

With the operations scheduled to commence in January 2024, client acquisition and retention will take stage. The agency will implement targeted outreach initiatives, utilizing cold calling, cold emails, and social media messaging to engage potential clients. Dedicated efforts will be made to nurture relationships, provide excellent customer service, and encourage referrals.

By adhering to this implementation plan, the agency aims to position itself as a reputable player in the digital marketing industry, ready to serve clients with expertise, professionalism, and exceptional results when operations commence in January 2024. (Table 13.1)

Table 13. 1 - Implementation Plan by Month

Month	Implementation task
September '23	
	Branding and logo design
	Website development
	Social media profile setup
	Service definition and pricing strategy
	Team recruitment and hiring process initiation
October '23	
	Team building and onboarding
	Client persona development
	Initial lead generation efforts
November '23	
	Content creation and production
	Further team recruitment and hiring
	Lead nurturing and relationship building
December '23	
	Building partnerships and collaborations

	Develop CRM system/AI content creation software
	Prepare for operational launch
January '24	
	Launch operations and begin service delivery
	Client acquisition and retention activities
	Ongoing content creation and marketing efforts
	Continuous monitoring and optimization
	Review and refine processes

Font: Perestrelo (2023)

14. Economic and financial feasibility study

The present business plan has the main objective of analysing the economic and financial feasibility. Therefore, based on the provided information, sales and cost forecasts have been established.

14.1. Sales and Revenue Forecasts

In this financial projection, I am focusing on the long-term revenue potential of the digital marketing agency. While the analysis covers a six-month time frame, the revenue figures I'm presenting are projected for a full year. My strategy involves dedicating the initial months to client acquisition, followed by a strategic approach to client retention and maintenance throughout the year.

In 2024, I plan to offer digital marketing services at a monthly rate of €1,500. This price will increase annually, starting at €2,000 in 2025, reaching €2,500 in 2026, and remaining at €3,000 in 2027 and 2028. These price increases are driven by the agency's growth, which leads to more client testimonials and increased notoriety.

Initially, the package includes social media management and content creation. (See Attachment 6). Additionally, we offer a second package featuring content creation AI software, which is available through a monthly subscription starting at €30 per month, totalling €360 per

year. The subscription price will undergo slight annual adjustments to account for an assumed inflation rate of 7.83%.

In the first year of operation, I anticipate signing 25 contracts for the content creation and social media management package, resulting in €37,500 in revenue. Furthermore, I expect to secure 55 clients for the AI software subscription, generating €19,800 in revenue. This adds up to a total revenue of €57,300 in the inaugural year.

In the following years, I anticipate an increase in the number of clients. This growth will be driven by leveraging testimonials from satisfied clients, leading to greater brand awareness and notoriety. This, in turn, justifies the continued upward trajectory of our service prices, mirroring the gradual expansion of our client base.

By following this strategic approach, both the digital marketing services and software subscription will grow organically, contributing to the long-term financial success of the business. (See Table 14.1)

Table 14. 1 - Revenue Forecast

Revenue Forecast (€)					
Years	2024	2025	2026	2027	2028
Price per Contract					
Social media management+ content creation	1 500,00	2 000,00	2 500,00	3 000,00	3 000,00
AI content creation software subscription	360,00	361,08	362,16	363,23	364,31
No. of Contracts					
Social media management+ content creation	25	35	45	55	65
AI content creation software subscription	55	75	125	175	225
Gross Revenue					
Social media management+ content creation	37 500	70 000	112 500	165 000	195 000
AI content creation software subscription	19 800	27 081	45 270	63 566	81 970
	57 300	97 081	157 770	228 566	276 970

14.2. Costs

In terms of costs, the digital marketing agency will incur several key expenses. These include expenditures related to personnel and software development. The breakdown of these costs is as follows:

Firstly, there's the Video Editor Freelancer, whose services will amount to €3,600 annually. Additionally, there's the Content Creation and Graphic Design Freelancer, with services costing €4,800 per year. The employment of Salespeople is another essential cost, totaling €7,200.

The agency will also allocate resources for AI Content Creation Software maintenance. In the initial stages, an investment of €500 will be made to engage a Software Developer to create a Minimum Viable Product (MVP) for the software. This MVP is crucial for validating the product

and its concept. Subsequently, a Software Developer will be responsible for ongoing development, with their salary adjusted periodically to account for inflation.

Furthermore, it's important to note that all costs, including those associated with video editing, content creation, graphic design freelancers, and salespeople, will be subject to adjustments based on an assumed inflation rate of 7.83%.

This cost management approach ensures that the agency's financial projections remain realistic and adaptable to changing market conditions as the business grows.

Table 14. 2 - Cost of Services

Cost of Services (€)					
Years	2024	2025	2026	2027	2028
Salary per Year					
Video Editor Freelancer	3 600	3 882	4 186	4 514	4 867
Content Creation and Graphic Design Freelancer	4 800	5 176	5 581	6 018	6 489
Salespeople	7 200	7 764	8 372	9 027	9 734
Salespeople					
AI Content Creation Software (maintenance)	600	647	698	752	811
Software developer beta version	500	-	-	-	-
Software developer	12 000	12 940	13 953	15 045	16 223
	28 700	30 408	32 789	35 356	38 125

14.3. Startup costs

To kickstart the agency, there are several initial expenses to consider. These startup costs encompass various crucial aspects of setting up and running the business effectively.

Firstly, there's the acquisition of a computer, an essential tool for digital marketing operations, which amounts to €1,000. Additionally, there are costs related to the creation of the AI software MVP (Minimum Viable Product), which includes the €500 allocated for the beta version. This investment is pivotal for laying the foundation of the digital marketing competitive advantage. Furthermore, there's the software and licenses specifically tailored for managing the agency's operations. These software tools will facilitate the smooth functioning of various aspects of the agency's work. To ensure top-notch content creation, both for your agency's promotional material and client projects, there will be an investment in filming equipment. This equipment will not only enhance your agency's production capabilities but also serve the needs of your clients.

Finally, it's prudent to have a cash reserve of €15,000 on hand. This reserve acts as a financial safety net, addressing any unforeseen issues or expenses that may arise during the initial stages of business operations. These startup costs collectively form the foundation upon which

the digital marketing agency will build its operations and begin its journey toward success. (See Table 14.3)

Table 14. 3 - Start up Costs

Start up Expenses (€)	
Year	Year 0
Computer	1 000
Ai Software	5 000
Software and License	3 000
Filming equipment	3 000
Cash in Hand	15 000
Total	27 000

14.4. Profit and Loss Statement

The revenue projections indicate a promising growth trajectory for the agency. Revenue is expected to increase steadily over the years, driven primarily by both an expanding client base and a strategic increase in service prices. In 2024, the projected total revenue stands at €57,300, which grows significantly to €276,970 by 2028. This revenue is divided between income generated from Social Media services and AI Content services, with Social Media services contributing the majority.

The gross profit margin, represented as a percentage of revenue, displays an upward trend. It starts at 50% in 2024 and steadily improves to 86% by 2028. This indicates a growing efficiency in delivering services and managing associated costs.

Operating expenses comprise various components, including software subscriptions, accountant fees, utilities, miscellaneous expenses, marketing, advertising, and salaries. Salaries form a significant portion of the expenses but are projected to increase gradually as the agency expands. Marketing and advertising expenses also experience growth over the years, reflecting your efforts to attract more clients and expand brand awareness.

The EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) shows a positive trajectory. It commences with a slight loss in 2024 and grows significantly to €195,181 by 2028. This indicates an increasing profitability before accounting for interest, taxes, depreciation, and amortization. Depreciation remains constant at €400 throughout the projection period, reflecting the anticipated annual depreciation of assets. The EBIT (Earnings Before Interest and Taxes) also follows a positive trend, transforming from a loss in 2024 to €194,781 in 2028. This demonstrates the agency's ability to generate earnings before interest

expenses and taxes. There are no finance costs mentioned, which is a positive indicator, implying that the agency is not burdened with interest expenses. Income tax, however, is projected to increase as the profits grow, which is a common tax implication as the business becomes more successful.

The net profit starts in negative territory in 2024 but evolves into a profit of €26,799 in 2025. This positive trend persists, reaching €153,877 by 2028. The net profit margin, as a percentage of revenue, grows from -2% in 2024 to 56% in 2028, signifying a strong financial performance and increasing profitability over time.

In summary, this profit and loss report illustrates a promising outlook for the digital marketing agency. It showcases substantial revenue growth and an improving bottom line. It's crucial to closely monitor and manage operating expenses, particularly salaries and marketing costs, to ensure sustainable growth. These projections provide a solid foundation for long-term success, although it's important to remember that these are forecasts and actual results may vary. Regular financial monitoring and adjustments will be essential to achieving these financial goals.

Table 14. 4 - Profit and Loss Statement

Projected Profit and Loss Statement (€)					
Year	2024	2025	2026	2027	2028
Revenue					
Social Media	37 500	70 000	112 500	165 000	195 000
AI Content	19 800	27 081	45 270	63 566	81 970
	57 300	97 081	157 770	228 566	276 970
Cost of Services	(28 700)	(30 408)	(32 789)	(35 356)	(38 125)
Gross Profit	28 600	66 673	124 981	193 210	238 846
Gross Profit %	50%	69%	79%	85%	86%
Operating Expenses					
Software Subscriptions	(3 600)	(3 882)	(4 186)	(4 514)	(4 867)
Accountant	(1 800)	(1 941)	(2 093)	(2 257)	(2 433)
Utilities and Internet	(1 200)	(1 294)	(1 395)	(1 505)	(1 622)
Miscellaneous Expenses	(2 400)	(2 588)	(2 791)	(3 009)	(3 245)
Marketing and Advertising	(1 146)	(1 942)	(3 155)	(4 571)	(5 539)
Salaries	(19 200)	(20 703)	(22 324)	(24 072)	(25 957)
Total Operating Expenses	(29 346)	(32 350)	(35 944)	(39 928)	(43 664)
EBITDA	(746)	34 323	89 036	153 282	195 181
Depreciation	(400)	(400)	(400)	(400)	(400)
EBIT	(1 146)	33 923	88 636	152 882	194 781
Finance cost	0	0	0	0	0
Income tax	241	(7 124)	(18 614)	(32 105)	(40 904)
Net Profit / (Loss)	(905)	26 799	70 023	120 777	153 877
Net Profit %	-2%	28%	44%	53%	56%

14.5. Cash flow statement

Let's analyze the cash flow statement for the digital marketing agency covering the period from 2023 to 2028:

Cash received from customers represents the revenue generated by the agency. It starts at €0 in 2023 and grows steadily, reaching €276,970 by 2028. This reflects the substantial growth in the client base and service prices. Cost of Services, including expenses related to freelancers and service provision, is expected to increase incrementally as the agency expands. Operating expenses like Software Subscriptions, Accountant fees, Utilities, Miscellaneous Expenses, Marketing, Advertising, and Salaries also grow over time in line with the expansion of the agency's operations. Interest paid and income tax paid are accounted for, with income tax showing a significant increase in later years as the profits grow.

Despite starting with zero cash flow in 2023, the agency gradually moves towards positive cash flow from operating activities. By 2024, the agency has a net positive cash flow of €27,199, which increases significantly to €154,277 by 2028. This positive trend indicates that the agency's operations are generating more cash than they consume, demonstrating sustainable growth.

In 2023, there is an initial cash outflow of €12,000 for the acquisition of long-term assets, related to setting up the agency. However, in the subsequent years (2024-2028), there are no additional investments in long-term assets, indicating a stable asset base.

The agency receives a capital injection of €27,000 in 2023, boosting the initial cash reserves. No loans are acquired or repaid during this period. The net cash flow, representing the overall change in cash reserves, starts with an injection of €15,000 in 2023. It dips slightly to a negative €505 in 2024 but then steadily increases. By 2028, the agency has a healthy net cash flow of €154,277, indicating a strong financial position with increasing liquidity. The opening cash balance for each year is carried forward from the closing balance of the previous year. The closing cash balance grows from €15,000 in 2023 to €387,571 by 2028, reflecting a substantial increase in cash reserves.

The Net present Value (NPV) represents the total present value of cash flows over the projection period. It reflects the agency's cumulative profitability. The agency's NPV increases steadily from €13,636 in 2024 to €364,601 by 2028, indicating a positive outlook for the agency's long-term financial health.

In summary, the cash flow statement of the agency reveals a positive financial trend. The growing net cash flow from operating activities, coupled with a stable investment profile and a capital injection, reflects a strong financial position. These projections suggest that the agency is well-positioned for sustainable growth and profitability in the coming years. However, it's

essential to continue monitoring and managing cash flow to ensure financial stability and support the agency's expansion plans.

Table 14. 5 - Cash Flow Statement

Projected Cash Flow Statement (€)						
Year	2023	2024	2025	2026	2027	2028
Cash Flow from Operating Activities						
Cash received from customers	0	57 300	97 081	157 770	228 566	276 970
Cost of Services	0	(28 700)	(30 408)	(32 789)	(35 356)	(38 125)
Software Subscriptions	0	(3 600)	(3 882)	(4 186)	(4 514)	(4 867)
Accountant	0	(1 800)	(1 941)	(2 093)	(2 257)	(2 433)
Utilities and Internet	0	(1 200)	(1 294)	(1 395)	(1 505)	(1 622)
Miscellaneous Expenses	0	(2 400)	(2 588)	(2 791)	(3 009)	(3 245)
Marketing and Advertising	0	(1 146)	(1 942)	(3 155)	(4 571)	(5 539)
Salaries	0	(19 200)	(20 703)	(22 324)	(24 072)	(25 957)
Interest paid	0	0	0	0	0	0
Income tax paid	0	241	(7 124)	(18 614)	(32 105)	(40 904)
Net Cash Flow from Operating Activities	0	(505)	27 199	70 423	121 177	154 277
Cash Flow from Investing Activity						
Long term asset acquired	(12 000)	0	0	0	0	0
Total Cash Flow from Investing Activity	(12 000)	0	0	0	0	0
Cash Flow from Financing Activity						
Loan Acquired / Repaid	0	0	0	0	0	0
Capital Injection	27 000	0	0	0	0	0
Total Cash Flow from Financing Activity	27 000	0	0	0	0	0
Net Cash Flow	15 000	(505)	27 199	70 423	121 177	154 277
Opening	0	15 000	14 495	41 694	112 117	233 293
Closing	15 000	14 495	41 694	112 117	233 293	387 571
Net Present Value	-	13 636	39 223	105 472	219 467	364 601
Check	-	-	-	-	-	-

14.6. Balance sheet analysis

Let's analyze the balance sheet for the digital marketing agency, covering the years from 2023 to 2028.

In the non-current assets section, we have two categories: Fixed Assets and Intangibles. Fixed Assets, which represent tangible assets like equipment and property, gradually decrease in value over the projection period. They start at €4,000 in 2023 and decrease to €2,000 by 2028, indicating potential depreciation or disposal of certain assets. On the other hand, Intangibles, which encompass non-physical assets like intellectual property or brand value, remain constant at €8,000 throughout the projection period. In the current assets section, Trade Receivables show no outstanding payments from customers, indicating that the agency does not expect delayed or pending payments from clients. However, the Cash and Bank Balance is noteworthy. It starts at €15,000 in 2023 and experiences steady growth, reaching a substantial €387,571 by 2028. This growth is primarily attributed to the positive cash flows generated by your agency's operations.

Overall, the total assets of the agency increase from €27,000 in 2023 to €397,571 in 2028. This growth is driven by the accumulation of cash and bank balance, which more than offsets the decrease in fixed assets.

Within the equity section, the agency has Share Capital and Retained Earnings. Share Capital remains constant at €27,000 throughout the projection, indicating a stable base of invested capital. Retained Earnings start at zero in 2023 but progressively increase to €370,571 by 2028. This reflects the agency's cumulative profits and retained earnings over the years. Consequently, the Net Equity, which is the total equity of the agency, increases from €27,000 in 2023 to €397,571 in 2028, primarily due to the growth in retained earnings.

In terms of liabilities, there are no significant entries. Additionally, the absence of current liabilities, including Trade Payable and Current Portion of Long-term Debt, implies that the agency does not anticipate short-term debt or trade payables during the projection period. Overall, the total liabilities remain at zero throughout the projection, indicating a strong equity position and the agency's ability to operate without significant external financing or debt.

In summary, this balance sheet portrays a healthy financial position for the digital marketing agency. The growth in cash reserves and positive retained earnings signify that the agency is accumulating wealth over time.

Table 14. 6 - Projected Balance Sheet

Digital Marketing Agency Projected Balance Sheet (€)						
Year	2023	2024	2025	2026	2027	2028
Assets						
Non current assets						
Fixed Assets	4 000	3 600	3 200	2 800	2 400	2 000
Intangibles	8 000	8 000	8 000	8 000	8 000	8 000
	12 000	11 600	11 200	10 800	10 400	10 000
Current Assets						
Trade Receivables	0	0	0	0	0	0
Cash and bank balance	15 000	14 495	41 694	112 117	233 293	387 571
	15 000	14 495	41 694	112 117	233 293	387 571
Total Assets	27 000	26 095	52 894	122 917	243 693	397 571
Equity and Liabilities						
Equity						
Share Capital	27 000	27 000	27 000	27 000	27 000	27 000
Retained Earnings	-	(905)	25 894	95 917	216 693	370 571
Net Equity	27 000	26 095	52 894	122 917	243 693	397 571
Liabilities						
Non current liabilities						
Long term debt	-	-	-	-	-	-
	-	-	-	-	-	-
Current Liabilities						
Trade payable	-	-	-	-	-	-
Current portion of long term debt	-	-	-	-	-	-
	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Total Equity and Liabilities	27 000	26 095	52 894	122 917	243 693	397 571
	-	-	-	-	-	-

15. Project evaluation

Let's review the ratio analysis for the agency spanning from 2024 to 2028:

Starting with Return on Equity (ROE) that measures the profitability of a company in relation to its equity or ownership. In 2024, the agency's ROE is slightly negative at -0.03%, indicating that the agency's earnings did not sufficiently cover the equity invested in the business during that year. However, there is a notable turnaround in the following years. By 2025, the ROE jumps to a healthy 1.03%, signifying that for every euro of equity invested, the agency generated a 1.03% return. This positive trend continues through 2028, where the ROE remains above 0.60%. This indicates that your agency is effectively leveraging its equity to generate profits.

Secondly the Return on Investment (ROI) measures the efficiency of the agency's investments. In 2024, the ROI is -3%, indicating a negative return, which suggests that investments did not generate returns exceeding their costs. However, there is a significant improvement in the following years. By 2025, the ROI surges to 99%, signifying that the investments are yielding substantial returns. The trend continues to be positive, with the ROI reaching levels of 259% in 2026, 447% in 2027, and 570% in 2028. This indicates that your investments are generating substantial profits relative to their costs.

Return on Sales (ROS), also known as the profit margin, measures the portion of revenue that translates into profit. In 2024, the ROS is -2%, indicating that the agency incurred a small loss relative to revenue. The following years witness a steady improvement in ROS. By 2025, the profit margin becomes positive at 28%, indicating that 28% of your agency's revenue is converted into profit. The positive trajectory continues, reaching 56% in 2028, demonstrating that the agency is becoming increasingly efficient in converting revenue into profit.

Return on Assets (ROA) assesses how efficiently your agency utilizes its assets to generate profits. In 2024, the ROA is -0.03%, indicating that the agency's assets did not generate sufficient profits relative to their value. However, the ROA becomes positive in 2025, indicating an efficient use of assets, and steadily increases in the following years. By 2028, the ROA reaches 0.63%, signifying that for every euro of assets, the agency is generating a 0.63% return.

In summary, the ratio analysis shows a positive trend in the agency's profitability and efficiency over the projection period. The ROE, ROI, ROS, and ROA all indicate a progressive improvement, suggesting that the agency is effectively utilizing its resources, generating profits, and providing a healthy return to its shareholders. This positive financial performance is a positive indicator for your agency's long-term financial health and sustainability.

Table 15. 1 - Ratio Analysis

Ratio Analysis					
Year	2024	2025	2026	2027	2028
Return on Equity (ROE)	(0,03)	1,03	1,32	0,98	0,63
Return on Investment (ROI)	-3%	99%	259%	447%	570%
Return on Sales (ROS)	-2%	28%	44%	53%	56%
Return on Assets (ROA)	-0,03	1,03	1,32	0,98	0,63

16. Conclusion

The journey of establishing a startup, such as the 100K digital marketing agency, is a venture filled with both challenges and remarkable opportunities. The foundation of any startup begins with a spark of an idea in response to a prevalent problem in society. In the case of 100K, the purpose is clear to facilitate the digital transformation of small and medium-sized businesses at an affordable price, leveraging both human expertise and AI. The numbers indicate that this project is viable and poised for initiation, but entrepreneurship transcends mere statistics.

Launching a digital marketing agency is not without its uncertainties and risks. Foremost among these is ascertaining the market demand for digital marketing services, especially in a competitive landscape where alternatives may offer similar or even more attractive pricing. Economic fluctuations, such as recessions or changes in business operations, can significantly impact the demand for digital marketing services. External crises, like the COVID-19 pandemic, underscore the importance of adaptability and resilience in navigating unforeseen challenges.

Critical financial considerations include client onboarding, efficient resource allocation, and transparent communication, all of which are essential for the agency's sustainable growth. Marketing efforts will be pivotal in establishing a strong market presence and expanding the client base. However, the primary challenge lies in cultivating long-term commitment from clients. This requires building meaningful connections and effective communication to address their evolving needs efficiently and ensure client satisfaction. Addressing potential competition and marketplace dynamics will necessitate ongoing adaptation, feedback integration, and a keen ability to seize opportunities in the ever-evolving digital marketing landscape.

The financial projections indicate substantial revenue growth, improving profit margins, and efficient resource utilization over the next five years. The agency's strategic approach, which focuses on client acquisition, retention, and service price increases, appears well-founded and sustainable. The agency's robust balance sheet, with growing cash reserves and positive retained earnings, showcases a healthy financial position. Moreover, the ratio analysis reflects improving profitability and efficiency, affirming the agency's ability to provide a healthy return to its stakeholders.

In conclusion, the 100K digital marketing agency embarks on an entrepreneurial journey that acknowledges the challenges while embracing the vast potential. It underscores the notion that entrepreneurship extends beyond data and statistics, requiring adaptability, resilience, and a commitment to making a meaningful impact in the dynamic digital marketing arena. The agency's strategic move of integrating AI-powered content creation as a long-term strategy is truly revolutionary. By offering AI content creation services, the agency not only attracts smaller clients but also diversifies its sources of income. These clients who use the AI software can potentially turn into leads, as they are already familiar with the agency's services, making conversions easier. This strategic decision effectively splits the agency into two business models: one focused on providing services and the other on offering software as a service. This dual approach not only expands the client base but also brings advantages in both sectors, positioning the agency for significant growth and success in the ever-evolving digital marketing landscape. It showcases the agency's ability to adapt, stay resilient, and commit to making a real impact while embracing innovation. As the agency evolves, continuous adaptation and the ability to seize opportunities will be paramount to its success and growth in this ever-changing landscape.

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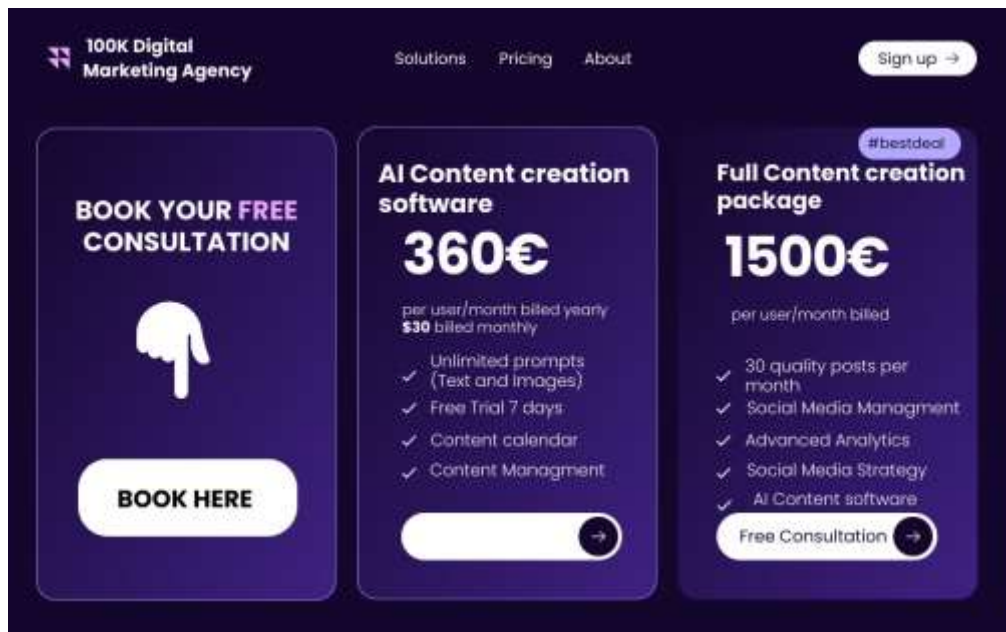
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Annexes

Figures:

Annexes A: Price plans of the Agency



Font: Perestrelo (2023)

Annexes B: Startup expenses

