

A study of Return on Marketing Investment (ROMI) from Digital and Traditional Marketing for Technokraft Training & Solution, Nashik

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Abstract:

The research paper is composed with a view to study the recently rising digital marketing trend in the market. It has revolutionized the marketing industry. Every sector is adopting the digital media techniques for becoming successful in the market. Marketing basically, being an expense to the organization, it is important to measure the returns gained through it. It is also necessary to study the cost effectiveness & income generated through digital marketing for the company. Hence, the analysis of expenses, sales revenue generation & the returns on investment made by the organization should be done from management point of view.

Keywords: digital marketing, marketing budget, ROMI

Introduction:

Marketing & finance are concepts which exist since the inception of trading. Marketing encompasses all the activities a business conducts to attract customers, retain current business & brand building. Finance helps to calculate the investments, expenses, and returns from the business. It helps to measure the profit made on investment which is the major motive of the business.

From the day humans first traded, they have come a long way, and marketing techniques have too. The methods used for marketing have evolved from simply convincing the customer to using modern digital technologies for communicating. By timely measuring the returns from the investment, the effectiveness of the marketing techniques can be measured. Hence, it is very necessary to measure the returns on marketing investments at regular intervals.

About TechnoKraft Training & Solutions:

The organization was established in 2014 in Nashik with an initiative to accomplish the present and future needs of IT industry by providing significant IT education and IT solutions. Products offered are IT Training & Solutions on various technologies like, CCNA, CCNP, CCIE, Redhat, Microsoft, Oracle, Virtualization, Cloud Computing, Web development, Web Designing, Digital Marketing, Software Programming, Hadoop, Python, Shell Scripting, and many more. Organization has maintained the teaching standards by providing fully equipped infrastructure and trainers with expert set of skills to deploy training.

To increase brand awareness and increase business in the growth stage, organization decided to invest in marketing. Initially traditional methods which are commonly used were implemented. However, after a certain period of time, the need of experimenting with digital marketing techniques was felt as the need of the hour. To find out the effectiveness of marketing strategies applied, the return on investments made on the marketing function had to be calculated.

Traditional & Digital Marketing:

Marketing is an indispensable function of any business which cannot be excluded. The aim of marketing media's is to create a communication with the customers. Marketing media do not transform your business overnight. It could take months to see any real growth or measureable results. But that doesn't mean it is not effective. A visionary organization will ensure assigning a part of the budget for marketing expenses also.

For a while now, traditional and digital marketing are being used at the same time in the market. Hence the debate on the benefits, effectiveness and cost involved in traditional marketing vs. digital marketing has been going on. Although both have their own additional benefit, it can be tough to choose one.

However, there is still a mixed cluster of population heavily use internet for many purposes and another chunk of the population doesn't even know how to use internet. This makes it highly difficult to decide which aspect of brand marketing to concentrate on; digital marketing or traditional marketing.

Previously, traditional media techniques provided only one way mode of communication. The newly developed E marketing or Digital marketing techniques have opened avenues for a two way communication. Traditional marketing media is being replaced with new digital marketing techniques. The percentage of digital marketing techniques is on the rise in recent times.

When implemented appropriately, the Return on Marketing Investment (ROMI) from E Marketing can far exceed that of traditional marketing strategies.

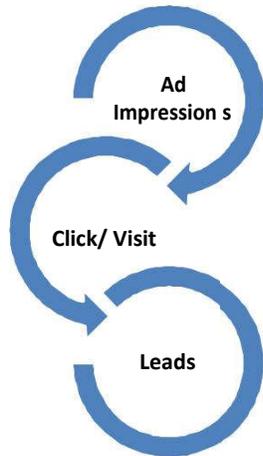
To help us get an insight on the two approaches of marketing, we have to study the factors affecting the performance in education industry w.r.t **Techno Kraft Training & Solutions**.

Market Environment Factors Affecting Performance of Educational Institutes:

- Marketing Budget**
- Marketing strategies implemented**
- Other Criteria such as:**
 - Fees**
 - Quality Education**
 - Institutes Reputation**
 - Placements**

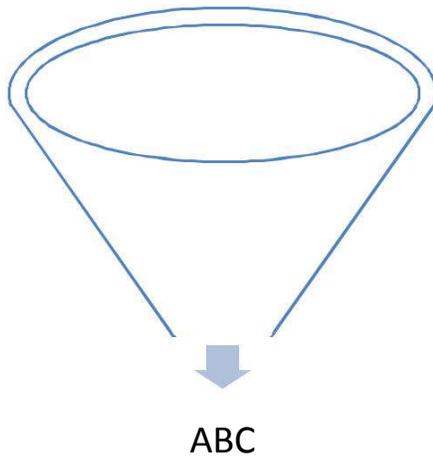
Location

The Marketing Funnel:



- The Marketing Funnel:**
- Ad Impressions
 - Click/ Visit
 - Leads

The Sales Funnel:



- The Sales Funnel:**
- Filtered Hot Leads
 - Site Visits
 - Admissions

This is how the sales funnel look like

1. Ads and Listings to Generate Interest
2. Lead Generation
3. Giving Information via Calls, Emails and SMS
4. Follow Up Calls & Driving Site Visits

5. Converting Site Visitors into Admissions

Financial Aspects of Traditional & Digital Marketing:

Being an expense to the organization one needs to analyse returns generated from investment. Marketing is essential element of any business, but the money invested in marketing activity generates the returns in various forms. To analyse the effectiveness of marketing investment one cannot directly rely on return on investment ROI. Hence to analyse the effectiveness of marketing expenses returns on marketing investment (ROMI) is an effective tool. While calculating ROMI various factors like reach of particular marketing platforms, elements or tools used to market the product, leads generation capacity of marketing platform and lead conversion rate of particular marketing platform are considered. With the help of these factors one can decide effectiveness of marketing investment.

Return on marketing investment (ROMI)

Return on marketing investment (ROMI) is the contribution to profit attributable to marketing (net of marketing spending), divided by the marketing investment at risk. ROMI is different than the other 'return-on-investment' (ROI) metrics because marketing is not the same kind of investment. Marketing funds are typically 'risked'. Marketing spending is considered as operational expenditure or OPEX.

The idea of measuring the market's response in terms of sales and profits is not new, but terms such as marketing ROI and ROMI are used more frequently now than in past periods. Usually, marketing spending will be deemed as justified if the ROMI is positive.

A necessary step in calculating ROMI is the measurement and eventual estimation of the incremental sales attributed to marketing. These incremental sales can be 'total' sales attributable to marketing or 'marginal.'

ROMI across mediums

With the rise in Digital Marketing, the opportunity is available for marketers, or even business owners to run rough calculations of what their approximate ROI may be for their campaigns, before they even start investing.

Traditional media is more difficult to measure than interactive, web-based digital media such as permission-based email marketing or social media marketing.

The business owner can calculate their current Marketing ROI using any of the following

- Current Traffic
- Conversion Rate**

- Average Sale

Conversion rate of the leads generated is one of the most effective criteria to measure the success of the Marketing Medias. Following are the figures of estimated reach, leads, conversions, cost per lead and budget of Traditional Marketing Platform implemented in the year 2016-17 & digital marketing techniques implemented in 2017-18.

Traditional Marketing Platform (2016-17)

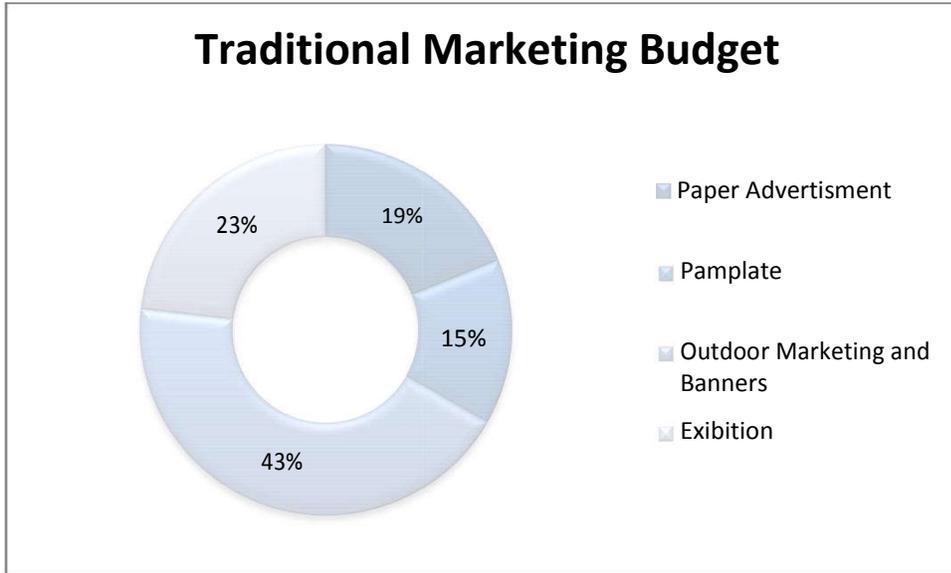
Platforms	Estimated Reach	Leads	Converted	Cost Per Lead	Ad Spend
Paper Advertisement	7800	120	5	54	6500
Pamphlets	1500	250	6	20	5000
Outdoor Marketing and Banners	22000	660	3	23	15000
Exhibition	1500	150	3	53	8000
TOTAL	32800	1180	17	150	34500

Digital Marketing Platform (2017-18)

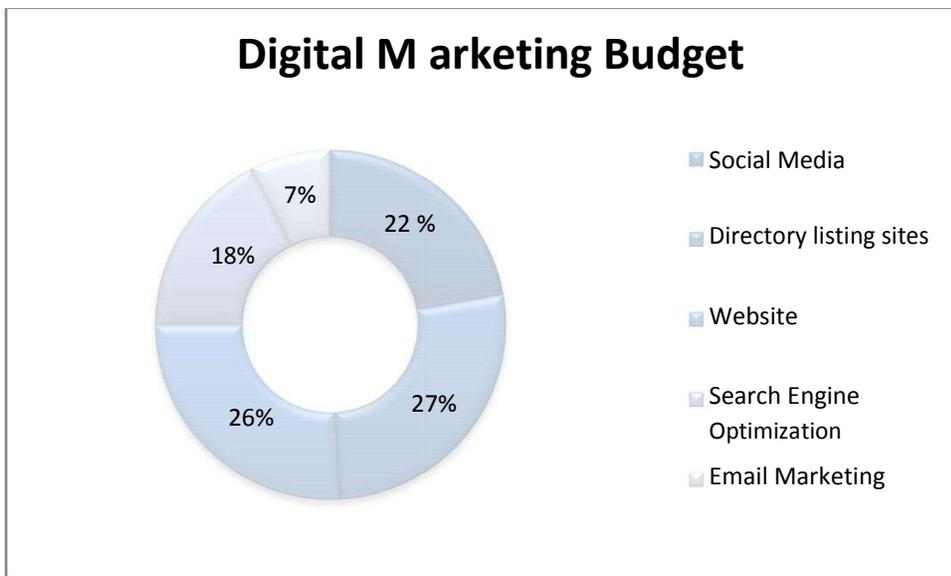
Platforms	Impression	Leads	Converted	Cost Per Lead	Ad Spend
Social Media	2508	29	5	231	6000
Directory listing sites	645	26	8	315	7250
Website	357	13	4	1400	7000
Search Engine Optimization	698	24	6	226	4750
Email Marketing	3400	21	3	118	2000

TOTAL	7608	113	26	293	25000
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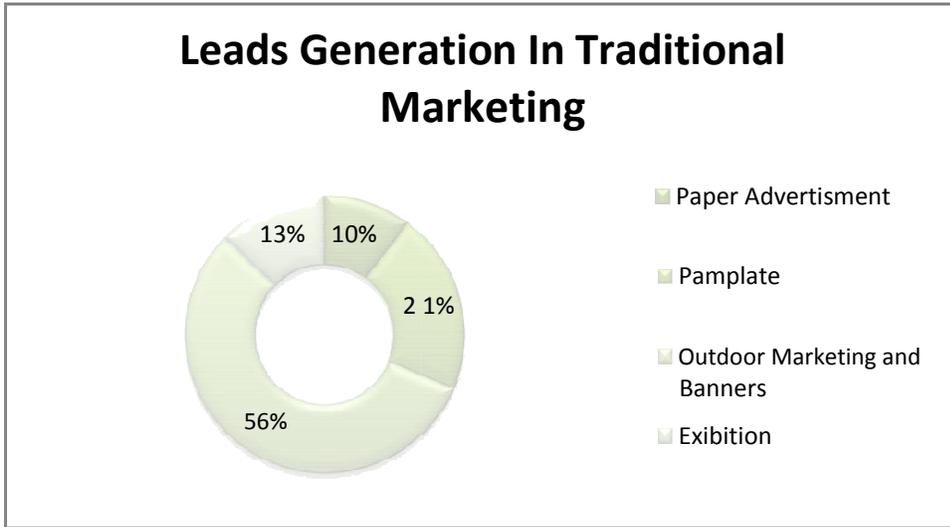
Following are the graphical representations of the above study-



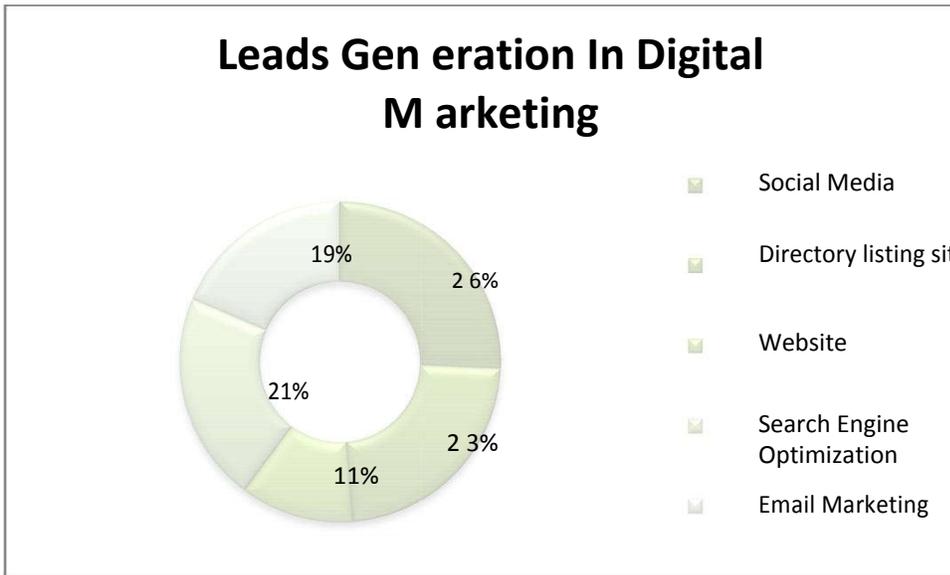
Graph 1.1 Traditional Marketing Budget



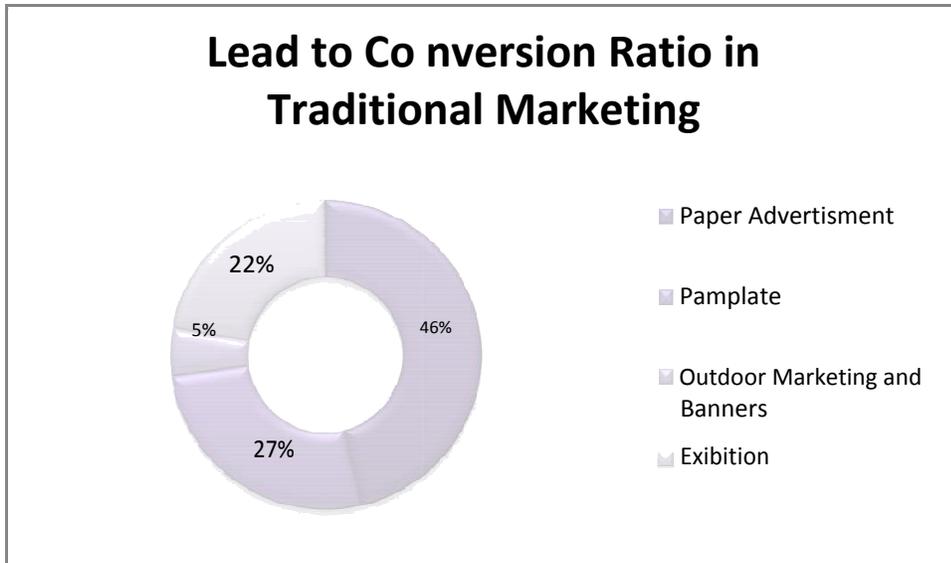
Graph 1.2 Digital Marketing Budget



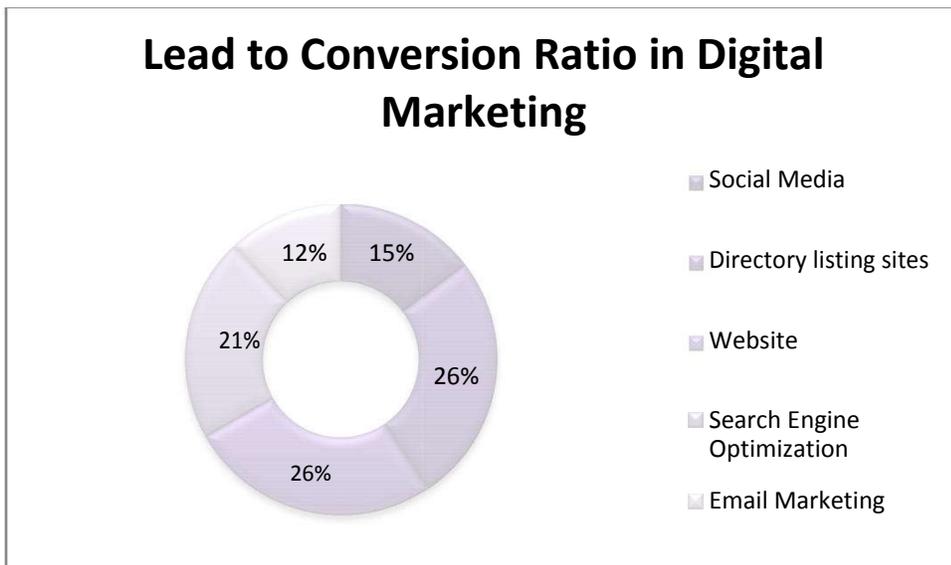
Graph 2.1 Leads Generation In Traditional Marketing



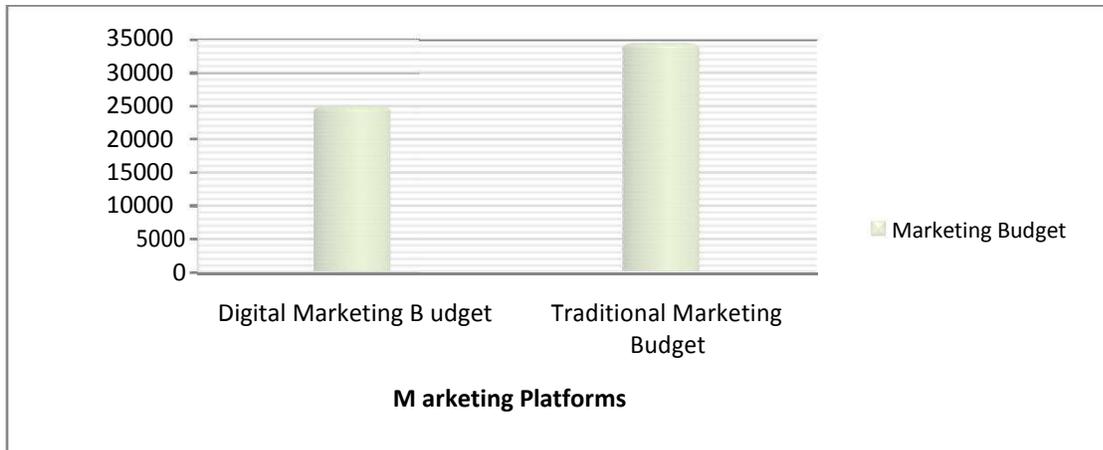
Graph 2.2 Leads Generation In Digital Marketing



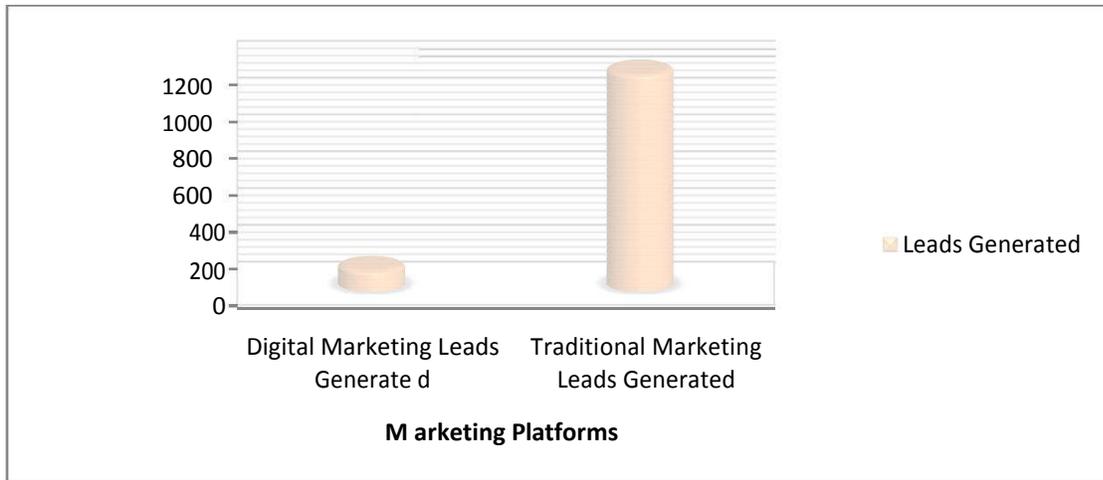
Graph 3.1 Lead to Conversion Ratio in Traditional Marketing



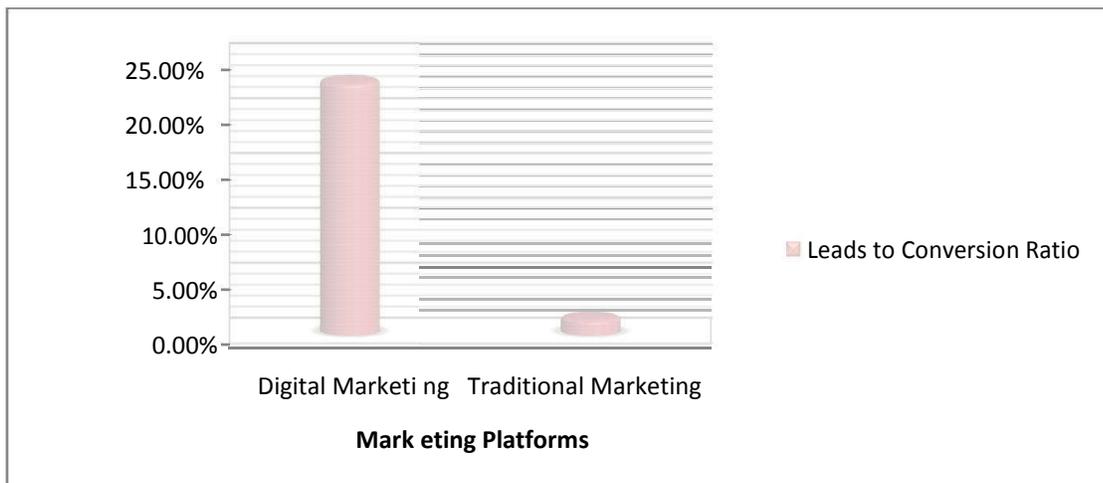
Graph 3.2 Lead to Conversion Ratio in Digital Marketing



Graph 4.1 Comparative Marketing Budget for Traditional & Digital Marketing



Graph 4.2 Comparative Leads generated for Traditional & Digital Marketing



Graph 4.3 Comparative Leads to conversion ratio for Traditional & Digital Marketing

Observations/ Findings:

- The traditional marketing budget is higher than digital marketing budget.
- The leads generated by traditional marketing are higher than digital marketing.
- The lead to conversion ratio of digital marketing is higher than traditional marketing.

Cost Per Lead:

- In traditional marketing cost per lead is very high, as lead generation capacity of traditional marketing tools is very limited. On the other hand in digital marketing lead generation capacity is high.

Conclusions:

As we have seen, many environmental factors are involved in the results achieved from marketing. The ultimate goal of marketing practices, May it be traditional or digitalis earning profits by generating sales. Hence, by calculating the returns in the form of sales on marketing investments (traditional or digital) we can find out the extent of achievement of goal (ROMI).

The results of the study confirmed that digital marketing is capable of triggering the need recognition in the product category as target customer is specifically very techno savvy. Results also established that consumers feel positive about communication and information received through digital communication.

Proper segmentation& positioning helps better lead generation to conversion results.

Digital marketing is cost effective with better results as compared to traditional marketing

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