



**Pre-feasibility Study**

# **DIGITAL MARKETING AGENCY**

**November 2023**

*“The figures and financial projections are approximate due to fluctuations in exchange rates, energy costs, and fuel prices etc. Users are advised to focus on understanding essential elements such as production processes and capacities, space, machinery, human resources, and raw material etc. requirements. Project investment, operating costs, and revenues can change daily. For accurate financial calculations, utilize financial calculators on SMEDA's website and consult financial experts to stay current with market conditions”*

**Small and Medium Enterprises Development Authority**  
Ministry of Industries and Production  
Government of Pakistan

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## 1. DISCLAIMER

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## 2. EXECUTIVE SUMMARY

Digital marketing is a technique which uses modern digital technology to market goods or services by pulling website traffic and/or attracting attention of potential customers through social media sites. This is achieved by creating content that attracts attention and encourages readers to share it across their social network platforms.

Digital Marketing Agency provides services which include Search Engine Optimization (SEO), Pay per Click (PPC) and Social Media Marketing services. The agency will use digital marketing channels such as social media, mobile application, email and web for delivering the above-mentioned services. The agency will also design complete digital marketing campaigns for its clients. The major steps involved in delivery of the services include research, strategy building, campaign designing, launching, optimizing, refining, tracking, promoting and publishing.

This “Pre-feasibility Document” provides details for setting up Digital Marketing Agency. Nowadays, due to the increasing use of communication technology and social media, both corporate and individual clients require the services and support of a standard digital marketing agency; to enable them to effectively reach out their target market. The increasing use of technology increases the success prospects of the proposed project. Digital Marketing Agency may be established in major cities such as Lahore, Karachi, Islamabad, Faisalabad, Peshawar, Rawalpindi, Quetta, Gujranwala, Sialkot, Multan and Hyderabad.

The proposed agency is assumed to provide services for maximum of 10,080 hours in a year. During the first year of operations, the project is estimated to provide services at 60% of its total service capacity, which is equal to 6,048 service hours. The service capacity is assumed to increase at a rate of 5% per annum with a cap at 90% of total capacity. High return on investment and steady growth of business is expected with the entrepreneur having some prior experience or education in the related field of business.

The proposed project will be set up in a rented building having an area of 1,125 sq. ft. The project requires a total investment of PKR 5.70 million. This includes capital investment of PKR 5.11 million and working capital of PKR 0.59 million. The project will be established using 100% equity financing. The Net Present Value (NPV) of project is PKR 34.63 million with an Internal Rate of Return (IRR) of 77% and a Payback period of 1.99 years. Further, the proposed agency is expected to generate Gross Annual Revenues of PKR 16.63 million in 1<sup>st</sup> year after coming into operations, Gross Profit (GP) ratio ranging from 57% to 73% and Net Profit (NP) ratio ranging from 9% to 29% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 47% (4,754 service hours) with gross revenue of PKR 16.63 million in a year.

The proposed project may also be established using leveraged financing. At 50% debt financing at a cost of KIBOR+3%, the proposed agency provides Net Present Value (NPV) of PKR 36.74 million, Internal Rate of Return (IRR) of 77% and Payback period

of 2.00 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 9% to 29% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 45% (4,757 hours) with breakeven revenue of PKR 13.08 million.

The project will generate direct employment opportunity for 10 people. The legal business status of this project is proposed as "Sole Proprietorship".

### 3. INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with the objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectorial research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need-based capacity building programs of different types in addition to business guidance through help desk services.

National Business Development Program for SMEs (NBDP) is a project of SMEDA, funded through Public Sector Development Program of Government of Pakistan.

The NBDP envisages provision of handholding support / business development services to SMEs to promote business startup, improvement of efficiencies in existing SME value chains to make them globally competitive and provide conducive business environment through evidence-based policy-assistance to the Government of Pakistan. The Project is objectively designed to support SMEDA's capacity of providing an effective handholding to SMEs. The proposed program aimed at facilitating around 314,000 SME beneficiaries over a period of five years.

### 4. PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in establishing a Digital Marketing Agency by providing a general understanding of the business with the intention of supporting them in investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business setup and its successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later on, which form the basis of any investment decision.

## **5. BRIEF DESCRIPTION OF PROJECT & SERVICES**

This document provides details for setting up a Digital Marketing Agency. This agency will help corporate and individual clients to reach out their target market. It aims to maximize the coverage of marketing campaign of the clients by using digital technology platforms. These platforms will include internet, mobile phones, display advertising, and other digital media.

Digital marketing industry has benefited from the rapid switch from traditional print advertising to digital advertisements. As more consumers generate website traffic through the use of smart phones and tablets, businesses are purchasing digital advertising services to build brand awareness across multiple screens and platforms.

The digital ad revenue generated in Pakistan increased from PKR 10.5 billion in 2018-19 to PKR 13.65 billion in 2021-22, witnessing an increase of 30%. This trend clearly shows that digital advertising business is experiencing a high growth in Pakistani market. The total advertising business generated in Pakistan from all the media was PKR 67.15 billion in 2018-219 and it decreased to PKR 58.6 billion in 2019-20(87% decrease).<sup>1</sup>

This business involves providing promotion and advertising services through use of Search Engine Optimization (SEO), Pay per Click (PPC) and Social Media Marketing. The proposed agency intends to use digital marketing channels such as social media, mobile application, email and web for delivery of the above-mentioned services.

The proposed project includes rented office space, office equipment, furniture and fixtures, vehicles, security against building and pre-operating cost. The main capital costs of the project will include the costs of office equipment, furniture and fixtures and vehicle. The proposed agency is assumed to operate for 9 hours a day round the year.

Based, on the results of market surveys, following three services have been identified as the main digital marketing services which are in demand in Pakistani market.

### **5.1. Three Major Digital Marketing Services**

#### **5.1.1. SEO**

SEO stands for “Search Engine Optimization.” In simple terms, it means the process of supporting a site to increase its visibility in the results of the relevant searches made on the internet. If the web pages have better visibility in search results, then the chances of getting attention and attracting the prospective and existing customers to the business will be more. It is pertinent to mention here that search engines cannot be paid to get higher organic search rankings, therefore search engine optimization mainly depends on the skills and efforts of SEO.

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<sup>1</sup> Aurora Dawn–Addition of 2020. <https://aurora.dawn.com/news/1143946>



Search engine optimization is a long-term process, but it is a vital part of any digital marketing campaign. It provides a highly attractive benefit of improving a website's position in the search engines results pages (SERPs). Thus, SEO delivers targeted traffic in high volumes. Search is often the primary source of digital traffic for brands and complements other marketing channels. Greater visibility and higher ranking in search results of Search Engines can have a material impact on the outcome of advertising campaign. In order to explain this, consider if the customer is targeted by another medium of digital marketing i.e., mobile application ad. As a result of that customer starts searching for more information regarding the product advertised in the mobile application ad. The customer performs this search by using search engine. If the customer is not able to find any more details about the advertised product through search engine, it means that SEO work for search optimization failed to create higher visibility and higher ranking for the targeted ad. Because the work of SEO did not create the required results, therefore the whole marketing campaign can be counterproductive.

### **5.1.2. Pay per Click (PPC)**

PPC stands for pay-per-click, a model of internet marketing in which advertisers pay a fee each time one of their ads is clicked. Essentially, it is a way of buying visits to the site, rather than attempting to "earn" those visits organically.

Apart from the search engine optimization done by the SEO, in PPC, the digital marketer places an ad over search engine. Whenever, any site visitor clicks on that ad, a certain amount is paid by the advertiser. It is a way of buying visits to a site, rather than attempting to "earn" those visits organically. Every time the ad placed by digital marketer is clicked, this clicking sends that visitor to the targeted website. Resultantly, the digital marketer has to pay the search engine a small fee. When PPC is working correctly, the fee is minimal, because the visit is worth more than what is paid for it.

### **5.1.3. Social Media Marketing**

Social media marketing is the use of social media platforms to connect with the relevant audience to build a brand, increase sales and drive website traffic. This involves publishing content on the social media profiles, listening to and engaging the followers, analyzing the results, and running social media advertisements.

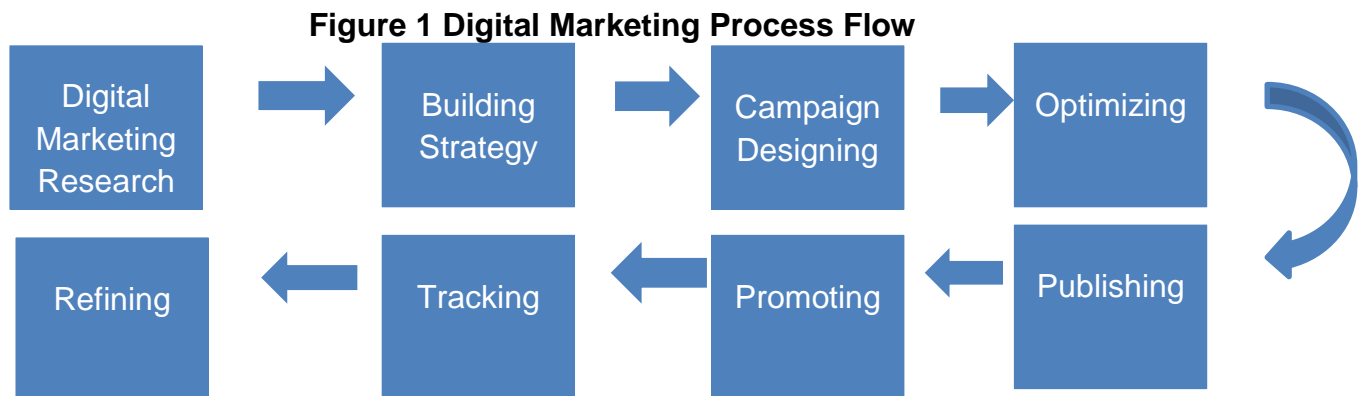
One of the major purposes of leveraging on social media in marketing is that it covers a wide range of target market compared to other marketing tools.

Current major social media platforms are Facebook, Instagram, Twitter, LinkedIn, Pinterest, YouTube, and Snapchat.

There is also a range of social media management tools that help businesses to get the most out of the social media platforms listed above. For example, Buffer is a platform of social media management tools, which can help to achieve success with social media marketing.

## 5.2. Process Flow

The service delivery mechanism of Digital Marketing Agency is shown in Figure 1



The digital marketing services offered by the proposed project are briefly discussed hereunder.

### 5.2.1. Digital Marketing Research

All the necessary information required for decision making in the next stages is collected and analyzed to develop a strategy and create the desired digital marketing campaign. Research is centered on the following areas:

- Business
- Target customers
- Product/service to be marketed
- Online competition

### 5.2.2. Building Strategy

Building a strategy involves the following two basic steps:

**Digital Marketing Goals:** Based on the discussions with the client and the information collected during the research phase, the agency sets goals to be achieved through the Digital Marketing Campaign. Every business has unique goals, driven by the nature of its strategic objectives and the product/service to be marketed. Campaigns without clearly defined goals usually fail to achieve the expected results for the businesses.

**Digital Marketing Strategy:** The agency develops a Digital Marketing Strategy to achieve the set goals. Key themes of the overall strategy include details related to product/service positioning, branding, advertising content and digital marketing channels to be used. The strategy development phase uses the information collected at the Digital Marketing Research Stage.

**Digital Marketing Plan:** A documented plan is prepared; which includes all the details about digital marketing activities; along with well-defined timelines. The purpose of this documented plan is to ensure a common understanding between the business and the Digital Marketing Agency.

### 5.2.3. Campaign Designing

This stage involves developing a strategy of an overall plan for the marketing campaign. It must consider the target audience. This strategy needs to be realistic, achievable and practical, based on customer's budget, available resources and business objectives. Successful marketing campaigns will become a source of bringing in more business for the agency. It is important to start by reflecting on the company's goals and company's mission.

### 5.2.4. Optimizing

Every marketing campaign has to be customized as per the nature of products/services, target customers and the time chosen for the campaign. Digital Optimization is the process to personalize the marketing message to the individual needs of a campaign. It is done to constantly improve the efforts that are made by the digital marketers to achieve and maximize the desired outcomes. Optimization is done to increase the leads (potential customers) and also to increase the profitability of the campaign.

### 5.2.5. Publishing

Publishing is the process of releasing the designed content on different platforms i.e. websites, blogs, social networking mobile applications, emails, etc. As a result of publishing the content is made available on different platforms; delivering the message of the content to the visitors/users of those platforms. This content is used to attract traffic and also to convert potential visitors into customers.

### 5.2.6. Promoting

After publishing of the content on different digital platforms, the digital marketers will promote the published content. Promoting means the digital marketers will bring traffic to the platforms where the content was published. The more traffic the content gets, more are the chances of converting the visitors into customers. There are multiple platforms available to promote the content; some of these are given as under:

- Search Engines
- Display Network
- Ecommerce Portals
- Social Media
- Email
- Messaging
- Affiliate

The above-mentioned Digital Marketing Channels are explained as under:

**Search Engine:** A search engine or internet search engine is a software system that is designed to carry out web searches. They search the World Wide Web (internet) in a systematic way for particular information specified in a text web search query.

**Display Networks:** Display networks advertising is graphic advertising on internet websites, apps or social media through banners or other advertising formats made of text, images, flash, video, and audio. The main purpose of display advertising is to deliver advertisements and brand messages to site visitors.

**Ecommerce Portals:** Ecommerce portals are platforms that help businesses to develop an online store from which all the business activities (selling services and goods) can be conducted without the need for physical infrastructure.

**Social Media:** social media are interactive technologies that allow the creation or sharing/exchange of information, ideas, career interests, and other forms of expression via virtual communities and networks.

**Email:** Email marketing is the act of sending a commercial message, typically to a group of people, using email. In its broadest sense, every email sent to a potential or current customer may be considered email marketing. It involves using email to send advertisements, request business, or solicit sales.

**Messaging:** Messaging means sending the marketing message through mobile messages or by sending messages through mobile apps.

**Affiliate:** Affiliate marketing is an advertising model in which the marketer compensates third-party publishers to generate traffic or leads to the targeted company's products and services. The third-party publishers are affiliates, and the commission fee incentivizes them to find ways to promote the targeted company's products and services.

### 5.2.7. Tracking

The digital marketers continuously assess the results/response of marketing campaigns. They analyze whether the campaign content is able to influence the visitor by converting a visitor into a potential customer or at least converting the visitor into a potential lead. This whole process is called Conversion Tracking which can also help to determine the platforms working best for reaching and engaging the customers, and which also offer good return on investment.

For this purpose, various methods are used, which are as under:

- Google ads
- Google analytics
- Facebook Ads manager
- Pinterest

The above methods are explained as under:

**Google Ads:** Google Ads is an online advertising platform developed by Google. In this platform, advertisers bid to display brief advertisements, service offerings, product listings, or videos to web users. It can place ads both in the results of search engines like Google Search and on non-search websites, mobile apps, and videos.

**Good Analytics:** Google Analytics is a web analytics service offered by Google that tracks and reports website traffic.

**Facebook Ads Manager:** Ads Manager is a Facebook tool that lets users create and manage their Facebook ads. The users can view, make changes and see results for all their Facebook campaigns and ads.

**Pinterest:** Pinterest is an American image sharing and social media service designed to enable saving and discovery of information on the internet using images, animated images and videos.

### 5.2.8. Refining

If the current digital marketing strategy isn't generating the required results, it is crucial to analyze past performance and identify the reasons. Even the best digital marketing strategy in the world will fail if it is pitched to the wrong audience. Buyer <sup>2</sup>personas are crucial to understanding the audience.

### 5.3. Installed and Operational Capacities

The proposed advertising agency will have maximum operational capacity of 10,080 hours in a year. It is assumed to operate at 60% capacity utilization for 6,048 service hours in the first year of operations. The operational capacity will increase at the rate of 10% per annum to reach a maximum of 90% in the 4<sup>th</sup> year after commencement of operations. Table 1 shows details of capacity calculations.

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<sup>2</sup> It is reflection of characteristics of target audience

**Table 1: Installed and Operational Capacity**

<b>Personnel</b>	<b>No of Persons</b>	<b>Status</b>	<b>Max Operational Hours Per day</b>	<b>Annual Working Days</b>	<b>Max Operational Hours Per Year</b>	<b>Initial Operational Capacity @ 60%</b>
SEO Expert	2	Full Time	9	280	5,040	3,024
PPC Expert	1	Full Time	9	280	2,520	1,512
Social Media Expert	1	Full Time	9	280	2,520	1,512
<b>Total</b>	<b>4</b>				<b>10,080</b>	<b>6,048</b>

## 6. CRITICAL FACTORS

Before making the decision to invest in Digital Marketing business, one should carefully analyze the associated risk factors. The important considerations in this regard include:

- Choice of the right channels
- Use of non-digital channels
- Determining the right frequency
- Communicating the right content
- Content of the marketing campaign
- Eye catching video marketing content
- Relatable video content
- Consistent marketing of the business
- Choosing the correct audience
- Off-page and On Page optimization

## 7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

For a digital marketing agency to succeed, it is necessary to determine the target market. The proposed agency has potential to provide good entrepreneurship opportunity if the business is established in metropolitan cities of Pakistan. Main reasons of proposing metropolitan cities for setting up of this business is because majority of business are located in these cities and the required human resource can be easily available from these cities. Big cities like Lahore, Karachi, Islamabad, Faisalabad, Peshawar, Rawalpindi, Quetta, Gujranwala, Sialkot, Multan, Hyderabad, etc. are suitable locations to establish the proposed agency.

## 8. POTENTIAL TARGET MARKETS

The potential target markets for this particular business are any business or venture seeking the services of a digital market agency. Now-a-days, all businesses of all types and sizes require marketing agencies for promotion of their products or services or for the purpose of lead generation.

The digital marketing business does not require a formal company to start its operations. Most of the digital marketing professionals are working as free lancers. However, a large number of digital marketing agencies are also working in Pakistan. There are around 700-750 digital marketing agencies working in Pakistan. Majority of these agencies are providing one to two digital marketing services and only some of these are providing all of the services.

Pakistan had a population of 223.0 million in January 2021. There were 61.34 million internet users, 46 million social media users and 173.2 million mobile connections in Pakistan. These figures represent the potential market that can be easily targeted by digital marketers. Ease of access is one of the biggest advantages of digital advertising

over tradition advertising. A recent forecast by the WPP<sup>3</sup> media agency suggests that by 2023, 49% of total advertising spending in Pakistan will be through digital medium.

## 9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the Digital Marketing Agency. Various assumptions relevant to revenue and costs along with the results of the analysis are outlined in this section.

The projected Income Statement, Balance Sheet and Cash Flow Statement are attached as annexure.

All the figures in this financial model have been calculated after carefully taking into account the relevant assumptions and target market.

### 9.1. Project Cost

The financial feasibility analysis provides the information regarding projected Internal Rate of Return (IRR), Net Present Value (NPV) and Payback period of the study, which is shown in Table 2.

**Table 2: Financial Feasibility Analysis**

Description	Project
IRR	77%
NPV (PKR)	34,627,819
Payback Period	1.99
Projection Years	10
Discount rate used for NPV	15%

#### 9.1.1 Financial Feasibility Analysis with 50% Debt

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study on the basis of Debt: Equity Model (50:50), which is shown in Table 3.

**Table 3: Financial Feasibility Analysis With 50% Debt**

Description	Project
IRR	77%
NPV (PKR)	36,735,229
Payback Period	2.00
Projection Years	10
Discount rate used for NPV	13%

<sup>3</sup> WPP is a notable advertising agency company of UK



## 9.2. Project Cost

The 'Digital Marketing Agency' business will be started in a rented office to reduce capital costs. Corporate offices / buildings of required area are easily available in the market. Therefore, no land and building cost has been added to the project's total cost. Table 4 provides fixed and working capital requirements for establishment and operations of the proposed project.

**Table 4: Project Cost**

Cost Item	Cost (PKR)
Space Requirement	-
Building Renovation cost	463,125
Office Equipment	2,289,500
Furniture & Fixtures	1,375,000
Vehicles	171,000
Security against building	225,000
Pre-Operating Cost	589,438
<b>Total Capital Cost – (A)</b>	<b>5,113,063</b>
<b>Working Capital</b>	
Computer Accessories	12,500
Upfront Office Rent	75,000
Upfront insurance payment	3,420
Cash	500,000
<b>Total Working Capital – (B)</b>	<b>590,920</b>
<b>Total Project Cost – (A+B)</b>	<b>5,703,983</b>

### 9.2.1. Space Requirement

The proposed project will be established in a rented building. Suitable location for setting up of business like this can be easily available on rent. Total space requirement for the proposed project has been estimated as 1,125 sq. feet (5 Marla).

The breakup of the space requirement is provided in Table 5.

**Table 5: Breakup of Space Requirement**

Break-up of Area	% Break-up	Area (Sq. ft.)
Executive Office	11%	120
Staff Work Stations	36%	400
Conference Room	15%	165

Reception/Waiting Area	13%	150
Admin and finance	9%	100
Kitchen	8%	90
Washrooms	9%	100
<b>Total Area</b>	<b>100%</b>	<b>1,125</b>

### 9.2.2. Building Renovation Cost

There will be no cost of building construction since the business will be started in the rented premises. However, there will be a renovation cost required to make the building ready to be used by the business. The proposed agency requires estimated electricity load of 2 KW for which an electricity connection under the General Supply Tariff-Commercial single phase will be required. Cost of such electricity connection has not been considered in this document since electricity connection is generally available in such buildings, which are offered for rent. Building rent of PKR 75,000 per month has been included in the operating cost.

Table 6 provides details of building renovation cost.

**Table 6: Building Renovation Cost Detail**

Cost Item	Unit of Measurement	Total Litre / Area / Number	Cost / Unit / sq. ft (PKR).	Total Cost (PKR)
Paint Cost	Litre	113	750	84,375
Labour Cost	Feet	11,250	15	168750
Wall Racks	Units	8	20,000	160,000
Curtains	Units	4	7,500	30000
Blinds	Units	4	5,000	20,000
<b>Total</b>				<b>463,125</b>

### 9.2.3. Office Equipment

Table 7 provides details of office equipment required for the proposed project.

**Table 7: Office Equipment**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
1.5-ton Inverter AC	5	200,000	1,000,000
Laptop Computers	4	125,000	500,000
Desktop Computers	5	50,000	250,000
Printer	2	50,000	100,000
LED/LCD 32"	1	60,000	60,000
Water Dispenser	1	40,000	40,000
Ceiling Fan	7	8,500	59,500
Exhaust Fan	2	5,000	10,000
WIFI Router and Connection	2	10,000	20,000
CC Tv System	1	50,000	50,000
Multimedia Projector (235 Watts)	1	100,000	100,000
UPS 3 KW(Inverter)	1	100,000	100,000
UPS Battery	2	50,000	100,000
<b>Total</b>	<b>34</b>		<b>2,389,500</b>

### 9.2.4. Furniture & Fixtures

Details of furniture and fixtures are provided in Table 8.

**Table 8: Furniture and Fixtures**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Office Tables	4	30,000	120,000
Workstations	5	50,000	250,000
Executive Table	4	40,000	160,000
Executive Chairs	4	20,000	80,000
Office Chairs	13	15,000	195,000
Sofa Sets	3	50,000	150,000
Chairs for Conference Room	8	15,000	120,000
Table for Conference Room	2	150,000	300,000
<b>Total</b>			<b>1,375,000</b>

### 9.2.5. Vehicle Requirement

Details of vehicle are provided in Table 9.

**Table 9: Vehicle**

Cost Item	Number	Unit Cost (PKR)	Registration Cost (PKR)	Total Cost (PKR)
Motorcycle	1	170,000	1,000	171,000
<b>Total Cost (PKR)</b>				<b>171,000</b>

### 9.2.6. Security against Building

Details regarding building security are provided in Table 10.

**Table 10: Security against Building**

Cost Item	No. of Months	Rent per Month (PKR)	Total Cost (PKR)
Security	3	75,000	225,000
<b>Total Cost (PKR)</b>			<b>225,000</b>

### 9.2.7. Pre-Operating Cost

Details of pre-operating cost are provided in Table 11.

**Table 11: Pre-Operating Cost**

Particulars	No.	Hiring Before Year 0 (Months)	Unit Cost (PKR)	Total (PKR)
Owner/SEO Expert	1	2	150,000	300,000
SEO Expert	1	1	125,000	125,000
Content Writer				75,000
Utilities Charges				89,438
<b>Total Cost (PKR)</b>				<b>589,438</b>

### 9.3. Breakeven Analysis

Table 12 shows calculation of break-even analysis.

**Table 12: Breakeven Analysis**

Particulars	Amount First Year (PKR)	Share of Sales
Sales (PKR) – A	16,632,000	100%
Variable Cost (PKR) – B	9,080,942	55%
Contribution (PKR) (A-B) = C	7,551,058	45%
Fixed Cost (PKR) – D	5,935,801	36%
Services Provided (Hours) – E	6,048	
Contribution Margin Per Hour	1,249	
<b>Breakeven</b>		
Break-Even Hours	4,754	
Breakeven Revenue	13,074,227	
Break-Even %age of Installed Capacity	47%	

### 9.3.1. Revenue Generation

Table 13 provides details for revenue generation of the Digital Marketing Agency during the first year of operations.

**Table 13: Revenue Details**

Description	Maximum Capacity (Hours)	Initial Year Operational Capacity@ 60%(A)	Average Charges Per Hour (PKR) (B)	Total Revenue Annual (PKR) (A*B) =C
Revenue	10,080	6,048	2,750	16,632,000

**Table 14: Weighted Average Rate Details**

Description	Number of Persons (A)	Operational Hours per day (B)	Annual Working Days (C)	Maximum Operational Capacity per Annum D=(A*B*C)	Charges per Hour (PKR) (E)	Total Revenue (PKR) F=(D*E)	Weighted Average rate per hour (PKR)
SEO Expert	2	9	280	5,040	3,500	17,640,000	2,750 (27,720,000/10,080)
PC Expert	1	9		2,520	2,500	6,300,000	
Social Media Expert	1	9		2,520	1,500	3,780,000	
<b>Total</b>				<b>10,080</b>		<b>27,720,000</b>	

#### 9.4. Variable Costs

Variable costs of the project have been provided in Table 15.

**Table 15: Estimated Variable Costs**

Description Costs	Amount (PKR)
Utilities	847,142
Direct Labour	6,120,000
Computer accessories	150,000
Travelling expense	226,800
Communications expense (phone, fax, mail, internet, etc.)	453,600
Office vehicles running expense	603,000
Office expenses (stationery, entertainment, janitorial services, etc.)	680,400
<b>Total</b>	<b>9,080,942</b>

**Table 16: Variable Costs Assumptions**

Description Costs	Rate	Rationale
Travelling expense	10%	of administration expense
Communications expense (phone, fax, mail, internet, etc.)	20%	of administration expense
Office vehicles running expense		Number of vehicles used
Office expenses (stationery, entertainment, janitorial services, etc.)	30%	of administration expense

#### 9.5. Fixed Cost Estimate

Table 17 shows the estimated fixed cost of the project.

**Table 17: Estimated Fixed Costs**

Fixed Cost	Amount (PKR)
Management Staff	2,268,000
Administration benefits expense	1,258,200
Building rental expense	900,000
Indirect Utilities	226,116
Promotional expense	498,960
Insurance (@1.5%)	3,420

Depreciation expense	621,638
Amortization of pre-operating costs	117,888
Bad debt expense	41,580
<b>Total</b>	<b>5,935,802</b>

### 9.6. Human resource

The proposed agency shall require the workforce as provided in Table 18.

**Table 18: Human Resource**

Designation	Qualification	Number	Salary Per Month (PKR)	Annual Salary (PKR)
Owner/SEO Expert	Software Engineer	1	150,000	1,800,000
SEO Expert	Software Engineer	1	125,000	1,500,000
Content Writer		1	75,000	900,000
PPC Expert		1	60,000	720,000
Social Media Expert		2	50,000	1,200,000
Graphic Designer		1	50,000	600,000
Admin & Finance Officer		1	75,000	900,000
Office Boy		1	32,000	384,000
Security		1	32,000	384,000
<b>Total</b>		<b>10</b>		<b>8,388,000</b>

## 10. LICENSES AND PERMITS

No license or permit is required to establish a digital marketing agency.



## 11. CONTACT DETAILS

In order to facilitate the potential investors, contact details of some of digital marketing agency are given in Table 19.

**Table 19: Contact Details**

Name of services supplier	Location	Email/ Website	Contact Number
ARCO - Digital Marketing Agency	Lahore	<a href="https://www.arcoseo.com">https://www.arcoseo.com</a>	0307-4717219
Mad Digital Agency	Lahore	<a href="https://www.maddigitalagency.com">https://www.maddigitalagency.com</a>	0322-4724080
Prime media	Lahore	<a href="https://www.primemedia.pk">https://www.primemedia.pk</a>	0321-8883377
Mega Marketing Network	Karachi	<a href="http://www.megamarketingnetwork.com">www.megamarketingnetwork.com</a>	021-34812368
Shoutify Me - Digital Marketing Agency	Multan	<a href="http://www.shoutifyme.com">www.shoutifyme.com</a>	0303-6300085
Digital Marvels Pvt Ltd	Islamabad		051-8445797
Adziv Digital (Pvt) Ltd	Faisalabad	<a href="http://www.calendly.com/adziv">www.calendly.com/adziv</a>	0302-1001000
Internet Marketing Peshawar	Peshawar		0347-9119110
Stocktoc	Lahore		0300-0242107
Digital Marcos	Hunza		0312-9708979

## 12. USEFUL LINKS

**Table 20: Useful Links**

<b>Name of Organization</b>	<b>E-mail address</b>
Small and Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
National Business Development Program (NBDP)	<a href="http://www.nbdp.org.pk">www.nbdp.org.pk</a>
Technical Education and Vocational Training Authority (TEVTA)	<a href="http://www.tevta.org">www.tevta.org</a>
Punjab Vocational Training Council (PVTC)	<a href="http://www.pvtc.gop.pk">www.pvtc.gop.pk</a>
Media Blog	<a href="https://www.rouge-media.com/blog/what-are-the-most-important-factors-for-successful-digital-marketing/">https://www.rouge-media.com/blog/what-are-the-most-important-factors-for-successful-digital-marketing/</a>
Forbes	<a href="https://www.forbes.com/">https://www.forbes.com/</a>
Facebook/Google/Instagram	-

## 13. ANNEXURES

### 13.1. Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	16,632,000	21,014,532	26,009,986	31,689,917	34,320,180	37,168,755	40,253,762	43,594,824	47,213,195	51,131,890
<i>Cost of sales</i>										
Direct Utilities	847,142	923,385	1,006,490	1,097,074	1,195,811	1,303,434	1,420,743	1,548,609	1,687,984	1,839,903
Direct Labor	6,120,000	6,568,800	7,050,512	7,567,550	8,122,503	8,718,153	9,357,485	10,043,700	10,780,238	11,570,789
Computer accessories	150,000	162,450	175,933	190,536	206,350	223,477	242,026	262,114	283,870	307,431
Total cost of sales	7,117,142	7,654,635	8,232,935	8,855,159	9,524,664	10,245,064	11,020,253	11,854,424	12,752,092	13,718,123
Gross Profit	9,514,858	13,359,897	17,777,051	22,834,758	24,795,516	26,923,691	29,233,509	31,740,401	34,461,103	37,413,767
<i>General administration &amp; selling expenses</i>										73%
Management Staff	2,268,000	2,434,320	2,612,837	2,804,445	3,010,104	3,230,845	3,467,774	3,722,077	3,995,029	4,287,998
Administration benefits expense	1,258,200	1,350,468	1,449,502	1,555,799	1,669,891	1,792,350	1,923,789	2,064,867	2,216,290	2,378,818
Building rental expense	900,000	990,000	1,089,000	1,197,900	1,317,690	1,449,459	1,594,405	1,753,845	1,929,230	2,122,153
Indirect Utilities	226,116	246,466	268,648	292,826	319,181	347,907	379,219	413,348	450,550	491,099
Travelling expense	226,800	243,432	261,284	280,444	301,010	323,085	346,777	372,208	399,503	428,800
Communications expense (phone, fax, mail, internet, etc.)	453,600	486,864	522,567	560,889	602,021	646,169	693,555	744,415	799,006	857,600
Office vehicles running expense	603,000	653,049	707,252	765,954	829,528	898,379	972,944	1,053,699	1,141,156	1,235,872
Office expenses (stationery, entertainment, janitorial services, etc)	680,400	730,296	783,851	841,333	903,031	969,254	1,040,332	1,116,623	1,198,509	1,286,399
Promotional expense	498,960	630,436	780,300	950,698	1,029,605	1,115,063	1,207,613	1,307,845	1,416,396	1,533,957
Insurance expense	3,420	2,907	2,394	1,881	1,368	855	342	6,945	5,903	4,862
Depreciation expense	621,638	621,638	621,638	621,638	621,638	621,638	429,863	951,233	951,233	951,233
Amortization of pre-operating costs	117,888	117,888	117,888	117,888	117,888	-	-	-	-	-
Bad debt expense	41,580	52,536	65,025	79,225	85,800	92,922	100,634	108,987	118,033	127,830
Miscellaneous expense 1										
Subtotal	7,899,601	8,560,300	9,282,185	10,070,920	10,808,756	11,487,924	12,157,247	13,616,093	14,620,838	15,706,621
Operating Income	1,615,257	4,799,597	8,494,866	12,763,838	13,986,761	15,435,767	17,076,262	18,124,308	19,840,264	21,707,147
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	572,375	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	42,750	-	-	-
Earnings Before Interest & Taxes	1,615,257	4,799,597	8,494,866	12,763,838	13,986,761	15,435,767	17,691,387	18,124,308	19,840,264	21,707,147
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	1,615,257	4,799,597	8,494,866	12,763,838	13,986,761	15,435,767	17,691,387	18,124,308	19,840,264	21,707,147
Tax	132,288	859,879	2,093,202	3,587,343	4,015,366	4,522,518	5,311,985	5,463,507	6,064,092	6,717,501
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>1,482,968</b>	<b>3,939,718</b>	<b>6,401,664</b>	<b>9,176,495</b>	<b>9,971,395</b>	<b>10,913,249</b>	<b>12,379,402</b>	<b>12,660,801</b>	<b>13,776,172</b>	<b>14,989,646</b>

### 13.2. Balance Sheet

Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	500,000	1,060,081	3,159,372	5,656,649	8,488,749	10,679,597	12,411,576	19,007,361	32,431,632	46,955,288	63,628,524
Accounts receivable	-	891,000	1,125,779	1,393,392	1,697,674	1,838,581	1,991,183	2,156,452	2,335,437	2,529,278	2,020,789
Pre-paid building rent	75,000	82,500	90,750	99,825	109,808	120,788	132,867	146,154	160,769	176,846	-
Total Current Assets	590,920	2,050,486	4,393,969	7,169,301	10,317,255	12,661,834	14,560,618	21,344,515	34,964,652	49,700,888	65,649,313
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Furniture & fixtures	1,375,000	1,168,750	962,500	756,250	550,000	343,750	137,500	2,792,304	2,373,458	1,954,612	1,535,767
Office vehicles	171,000	145,350	119,700	94,050	68,400	42,750	17,100	347,261	295,172	243,083	190,994
Office equipment	2,289,500	1,946,075	1,602,650	1,259,225	915,800	572,375	228,950	2,893,240	2,459,254	2,025,268	1,591,282
Security against building	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000
Total Fixed Assets	4,523,625	3,901,988	3,280,350	2,658,713	2,037,075	1,415,438	793,800	6,396,742	5,445,509	4,494,275	3,543,042
<i>Intangible assets</i>											
Pre-operation costs	589,438	471,551	353,663	235,775	117,888	-	-	-	-	-	-
Total Intangible Assets	589,438	471,551	353,663	235,775	117,888	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>5,703,983</b>	<b>6,424,024</b>	<b>8,027,982</b>	<b>10,063,788</b>	<b>12,472,218</b>	<b>14,077,271</b>	<b>15,354,418</b>	<b>27,741,256</b>	<b>40,410,160</b>	<b>54,195,163</b>	<b>69,192,356</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	54,168	59,009	64,284	70,032	76,295	83,119	90,556	98,659	107,489	115,036
Total Current Liabilities	-	54,168	59,009	64,284	70,032	76,295	83,119	90,556	98,659	107,489	115,036
<i>Other liabilities</i>											
Total Long Term Liabilities	-	(75,612)	(75,612)	(75,612)	(75,612)	(75,612)	(75,612)	(75,612)	(75,612)	(75,612)	(75,612)
<i>Shareholders' equity</i>											
Paid-up capital	5,703,983	5,703,983	5,703,983	5,703,983	5,703,983	5,703,983	5,703,983	5,703,983	5,703,983	5,703,983	5,703,983
Retained earnings	-	741,484	2,340,601	4,371,132	6,773,814	8,372,605	9,642,927	22,022,329	34,683,130	48,459,302	63,448,948
Total Equity	5,703,983	6,445,467	8,044,584	10,075,116	12,477,797	14,076,588	15,346,910	27,726,312	40,387,113	54,163,286	69,152,932
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>5,703,983</b>	<b>6,424,024</b>	<b>8,027,982</b>	<b>10,063,788</b>	<b>12,472,218</b>	<b>14,077,271</b>	<b>15,354,418</b>	<b>27,741,256</b>	<b>40,410,160</b>	<b>54,195,163</b>	<b>69,192,356</b>

### 13.3. Cash Flow Statement

Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		1,482,968	3,939,718	6,401,664	9,176,495	9,971,395	10,913,249	12,379,402	12,660,801	13,776,172	14,989,646
Add: depreciation expense		621,638	621,638	621,638	621,638	621,638	621,638	429,863	951,233	951,233	951,233
amortization of pre-operating costs		117,888	117,888	117,888	117,888	117,888	-	-	-	-	-
Deferred income tax		(75,612)	-	-	-	-	-	-	-	-	-
Accounts receivable		(891,000)	(234,779)	(267,614)	(304,282)	(140,907)	(152,602)	(165,268)	(178,985)	(193,841)	508,489
Equipment inventory	(12,500)	(1,498)	(1,677)	(1,878)	(2,103)	(2,355)	(2,637)	(2,954)	(3,307)	(3,704)	34,614
Consumables Inventory	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	(75,000)	(7,500)	(8,250)	(9,075)	(9,983)	(10,981)	(12,079)	(13,287)	(14,615)	(16,077)	176,846
Advance insurance premium	(3,420)	513	513	513	513	513	513	(6,603)	1,042	1,042	4,862
Accounts payable		54,168	4,841	5,275	5,748	6,263	6,824	7,436	8,103	8,830	7,546
Cash provided by operations	(90,920)	1,301,565	4,439,892	6,868,410	9,605,914	10,563,453	11,374,905	12,628,590	13,424,271	14,523,656	16,673,236
<i>Financing activities</i>											
Issuance of shares	5,703,983	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	5,703,983	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(5,113,063)	-	-	-	-	-	-	(6,032,804)	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(5,113,063)	-	-	-	-	-	-	(6,032,804)	-	-	-
NET CASH	500,000	1,301,565	4,439,892	6,868,410	9,605,914	10,563,453	11,374,905	6,595,785	13,424,271	14,523,656	16,673,236

## 14. KEY ASSUMPTIONS

### 14.1. Operating Cost Assumptions

**Table 21: Operating Cost Assumptions**

Description	Details
Operating costs growth rate	8.3% of general inflation rate
Administration benefits expense	15% of administration expenses
Travelling expenses	10% of administration expenses
Communication expenses	20% of administration expenses
Office Vehicle running expenses	PKR. 603,000
Promotional expense	3.0% of revenue
Office expenses (stationery, janitor, etc.)	30.0% of administration expenses
Bad debt expense	0.3% of revenue
Machinery & equipment insurance rate	1.50% of Cost / WDV <sup>4</sup>
Office vehicle insurance rate	2.0% of Cost / WDV
Depreciation - Machinery & equipment	15% of Cost / WDV

### 14.2. Production Cost Assumptions

**Table 22: Production Cost Assumptions**

Description	Details
Cost of goods sold growth rate	8.3%

### 14.3. Revenue Assumptions

**Table 23: Revenue Assumptions**

Description	Details
Sale price growth rate	8.3%
Capacity utilization	60%
Capacity utilization growth rate	10%
Maximum capacity utilization	90%

<sup>4</sup> Written-Down Value is the value of an asset after accounting for depreciation or amortization.

#### 14.4. Financial Assumptions

**Table 24: Financial Assumptions**

Description	Details
Project Life (Years)	10
Debt: Equity	0:100
Discount Rate (100% Equity)	15%
Discount Rate (50:50, Debt: Equity)	13%

#### 14.5. Cash Flow Assumptions

**Table 25: Cash Flow Assumptions**

Description	Details
Accounts Receivable Cycle (in days)	15
Accounts Payable Cycle (in days)	15

## Small and Medium Enterprises Development Authority

### HEAD OFFICE

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[www.smeda.org.pk](http://www.smeda.org.pk), [helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

REGIONAL OFFICE PUNJAB	REGIONAL OFFICE SINDH	REGIONAL OFFICE KPK	REGIONAL OFFICE BALOCHISTAN
3 <sup>rd</sup> Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road Lahore, Tel: (042) 111-111-456 Fax: (042) 36304926-7 <a href="mailto:helpdesk.punjab@smeda.org.pk">helpdesk.punjab@smeda.org.pk</a>	5 <sup>TH</sup> Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 <a href="mailto:helpdesk-khi@smeda.org.pk">helpdesk-khi@smeda.org.pk</a>	Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 <a href="mailto:helpdesk-pew@smeda.org.pk">helpdesk-pew@smeda.org.pk</a>	Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 <a href="mailto:helpdesk-qta@smeda.org.pk">helpdesk-qta@smeda.org.pk</a>