



Demand- Generation Marketing ("Demand - Gen")

And its Importance for the Next
Company you Invest in.



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Summary

If you could invest with confidence for a 2x Return on Investment (“ROI”) within days or weeks of your investment, you probably would.

Demand-Gen advertising marketing programs are now routinely achieving these results. Reasonably well-executed programs are generating between a 2x to 4x+ Return on Advertising Spend (or “ROAS”). If a company has fairly high margins (it doesn’t cost a lot to produce the product being sold), this is akin to “printing money.”

We hope this White Paper will help you develop a basic understanding of this effective marketing approach so that you can look for investment opportunities with companies utilizing Demand-Gen.

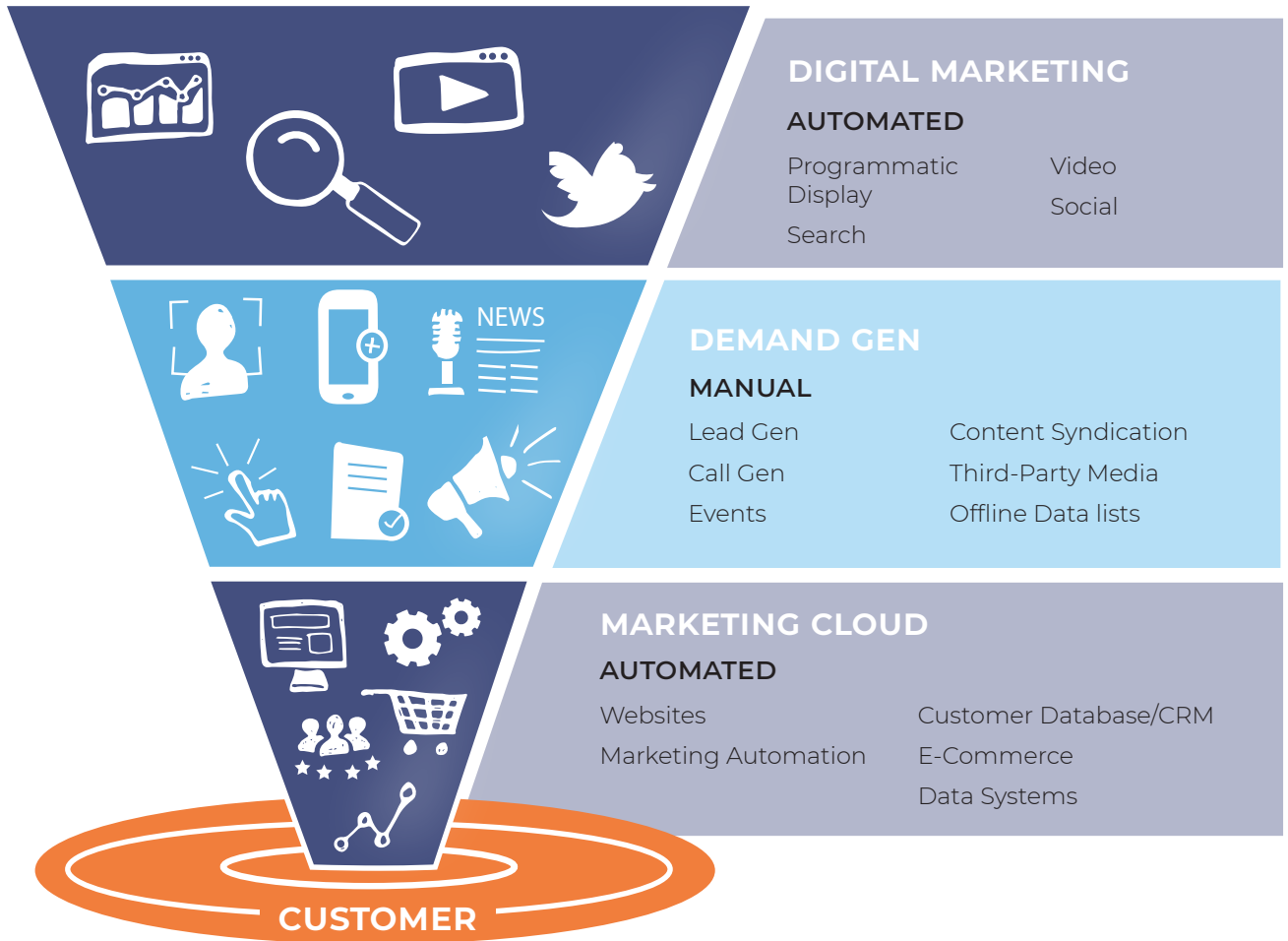
What is Demand-Gen?

Demand-Generation Marketing (or “Demand-Gen”) describes constantly evolving, multi-channel, highly integrated digital (online) marketing programs designed to drive awareness of, interest in and, of course, ultimately, increase sales of those products or services. It establishes customer relationships by simultaneously communicating with you through numerous online and social media applications you probably are familiar with - and suspect are now at work trying to sell you something - as well as highly evolved supporting technologies which you likely don't know about. Demand-Gen programs engage with us customers via our PC's, cell phones and other mobile devices and lead us to buying opportunities - hence the name.

Utilizing this relatively new capability, an advertiser can track data quickly and closely. It can then “retarget” its more successful ads. By determining exactly which audience, which ad and which feature in an ad results in the desired reactions, the advertiser then can adapt dynamically its advertising strategy accordingly. The more money that is spent in this program, the faster it determines the exact time, place, message, and channel to achieve the highest ROAS; more and better data equals better sales results. It's that simple...

Many, if not all, of the companies you invest in should be using Demand-Gen marketing programs. The *better executed* a program of this type, the *more predictable* the sales growth of a business. Given the value of sales generation to any business (and its investors), a well-executed Demand-Gen program is now a very important aspect of any business enterprise.

Customer Acquisition Funnel



Continual Measurement, Response and Refinement

With the channels and monitoring tools now available to digital marketers, the efficacy (leads created and conversion to paying customers) of a given channel with a given message is immediately determined. Those messages that aren't producing are discarded, and a new one is tested—potentially changing several times a week. Watch the ads that pop up after you've visited a website. The messages and visuals will change, searching for the one that will get us to engage with the advertiser. To the extent that paid search (PPC, see below) is involved, advertising dollars are directed in greater amounts to the messages/channels that are working.

The Attribution Model (see Page 11 below) that is implemented for a given Demand-Gen program is critical to effective execution of the program. Suffice it to say that the inner workings of a given Attribution Model is a "black box." Some programs will weigh contribution more heavily toward the initial touch with a sales prospect (i.e., generating a lead); some will attribute a higher value to the touch immediately preceding a sale. The nature of the product and customer will dictate the approach.

In short, the entire Demand-Gen program can be actively monitored and managed to produce the optimum ROAS.

Background - How did we get here?

CONSUMER TASTES MEET TARGETED MARKETING

You've probably noticed that the variety of products and services now available to you is overwhelming. Why are there so many varieties of Oreo's, or Toyota's or Nike shoes? We now expect abundant choices, but it wasn't always so.

In the 60's—before marketers tried to discern more narrowly defined consumer tastes, and the many opportunities to deliver niche products to meet them—they thought a better communicated “one size fits all” product was the goal. That changed through hands-on consumer research (remember focus groups?), discovering how stratified customers really are and identifying what they really wanted.

THE DIGITAL REVOLUTION

For the past 35 years during which digital communication has become ubiquitous, we have witnessed a rapid and life-changing evolution of information technology. The internet and mobile phones now allow a level of “connectedness” that was unimaginable not too many years ago. We now know more about the world around us and can easily maintain our personal relationships like never before.

However, it's a two-way street—while we can more easily stay in touch with those we decide to, advertisers are also now better able to find you and communicate one-on-one with you. This advertising is designed to migrate the relationship down the “funnel” to an initial sale and, perhaps, even deliver ongoing advocacy for the product being offered.

ONLINE MARKETING EVOLVES

The internet and social media have evolved to provide the means, through online engagement, to better determine who wants what and to deliver the right product to them at the right time. Businesses wanting to identify potential customers can now connect with them relatively easily and then continually promote products and services with a level of precision that is astounding.

Demand-Gen is, therefore, about communicating simultaneously through numerous digital channels. Customer “touch-points” are continually active with consistent messaging in a Demand-Gen program—constantly evolving the messaging to achieve optimum responsiveness from the targeted audience by applying “Attribution Modelling.”

Digital Marketing Funnel (Analytics)



HOW DEMAND-GEN WORKS - AN EXAMPLE

As an example of demand-generation advertising, the Facebook platform’s two biggest differences from traditional advertising are its ability to offer targeting and tracking of advertisements.

- » Ads can be targeted based on demographics (age, gender, location), interest (magazines, music stars, software programs), or behavior (shopping with coupons, renting vs. owning, travelling for work). These targeting options can be layered to be extremely granular or added together to reach a wider set of potential prospects. Additionally, the algorithm can be used to find users who are similar to a known audience, whether this audience comes from website data or from an existing list of users, such as customer or email subscribers.
- » Once ads are running, data is collected that makes it easy to determine exactly which audience and which ad resulted in specific tracked actions. This eliminates guessing—about what users are likely to click on or whether those clicks will become leads or sales—and replaces it with data-driven confidence.
- » Facebook-based demand generation advertising provides the following 3 key competitive advantages:



Access to Rich Data

Measurement Models
 Access to
 Audiences - Marketplace
 Retargeting & Audience Control



Superior Ad Tech

Dynamic Ads
 Advanced Retargeting
 Dynamic Prospecting



Creative Innovation

Full-Screen immersion
 More results with Video
 Performance Branding

Demand-gen is particularly effective for companies with broad consumer demographics, and especially those companies with consumers who have grown up with, and who can be found on, social media.

Terms You Need to Know

(this list is by no means complete)¹

Do any of these digital marketing techniques terms ring a bell? If not, familiarize yourself with the following:

SEARCH ENGINE OPTIMIZATION (SEO)

The process of optimizing a website to “rank” higher in search engine results pages, thereby increasing the amount of organic (or free) traffic your website receives. Channels benefiting from SEO include websites, blogs, and infographics.

CONTENT MARKETING *(LIKE THIS WHITE PAPER...)*

Written and video material developed for the purpose of generating brand awareness, traffic growth, lead generation, and customers. Channels used as part of a content marketing strategy include:

- » **Blog posts:** Writing and publishing articles on a company blog helps demonstrate a company’s industry expertise and generates organic search traffic. This ultimately creates opportunities to convert website visitors into sales leads.
- » **E-books and White Papers** *(again, like this one):* E-books, white papers, and similar “long-form” content help further educate website visitors. They also allow businesses to exchange content for a reader’s contact information, generating leads for a seller and moving potential customers through a “buyer’s journey.”

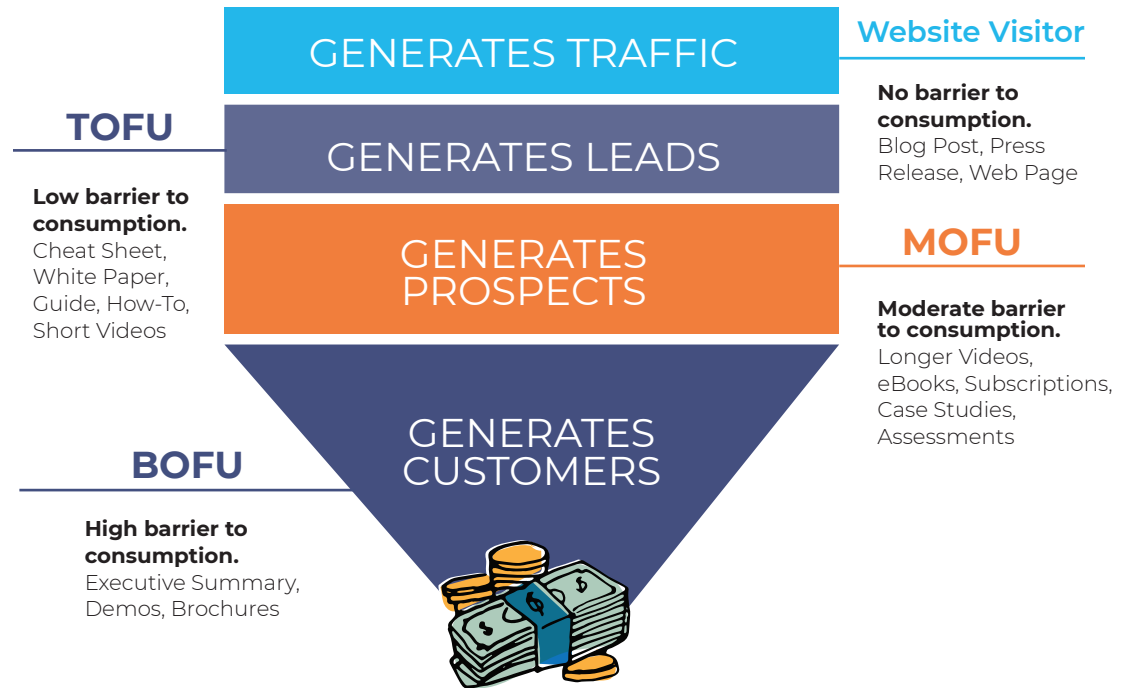
SOCIAL MEDIA MARKETING

Active communication through a company-sponsored social media site increases brand awareness, drives traffic, and generates sales leads. The currently popular channels used in social media marketing include:

- » **Facebook**
- » **Instagram**
- » **Twitter**
- » **Snapchat**
- » **LinkedIn**
- » **Pinterest**

¹Credit to Hubspot and its blogs for this material

CONTENT MARKETING SALES FUNNEL



PAY PER CLICK (PPC), COST PER VIEW (CPV) AND CLICK THROUGH RATE (CTR)

PPC, CPV and CTR are measurements of online viewer interaction on “paid media” for successfully driving traffic to a website. An online publisher is paid every time an ad or other content is clicked or viewed. These metrics are then compared to customer purchases to calculate a conversion rate (a.k.a. ROAS).

Channels where PPC, CPV and CTR are used include:

- » **Google Ads:** A top slot on the results page of Google’s search engine sold at a price “per click” made on the links placed.
- » **Paid ads on Facebook:** Marketers pay to customize a video, image post, or slideshow, which Facebook will publish to the newsfeeds of people who match a business’s audience.
- » **YouTube Ads:** You’ve probably noticed that, almost every time you look at a “how-to” video, it’s preceded by an advertisers video and also often by a footer display ad as you watch the video.
- » **Sponsored Messages on LinkedIn:** Businesses pay to send messages directly to specific LinkedIn users based on their industry and background.

NATIVE ADVERTISING

Native advertising refers to advertisements that are primarily content-led and featured on a platform alongside other, non-paid content. BuzzFeed-sponsored posts are good examples, but many people also consider social media advertising to be “native” —Facebook advertising and Instagram advertising, for example.

MARKETING AUTOMATION

Marketing automation refers to the software that automates marketing operations. Many marketing departments now automate repetitive tasks they had to do manually in the past including:

- » **Email newsletters:** Email automation enables emails to be sent automatically to subscribers while shrinking and expanding contact lists as needed. Newsletters only go to the people who want to see them in their inboxes, for example.
- » **Social media post scheduling:** To grow an organization’s presence on a social network, posts must be made frequently. Social media scheduling tools automatically post content to social media channels.
- » **Lead-nurturing workflows:** Generating leads, and converting those leads into customers, can be a long process. Specific leads can be targeted only with emails and content fitting certain criteria systemically, such as when they download and open an E-book.
- » **Campaign tracking and reporting:** Marketing campaigns can include many different people, emails, content, webpages, phone calls, and more. Marketing automation helps sort everything by the “campaign” it’s serving and then tracks the performance of that campaign based on the progress all these components generate over time.

EMAIL MARKETING

Email remains the most effective form of digital marketing, particularly when part of a CRM-supported campaign (customer relationship management software supported). Email is often used to promote content, discounts and events, as well as to direct people toward the business’s website.

The types of emails sent in a marketing campaign include:

-)) Blog subscription newsletters.
-)) Follow-up emails to website visitors who downloaded content.
-)) Customer welcome emails.
-)) Holiday promotions to loyalty program members.
-)) Tips or similar series emails for customer nurturing.

ATTRIBUTION MODELING (PULLING IT ALL TOGETHER, REAL TIME)

An Attribution Model is a financial model containing the rule, or set of rules, determining how credit for sales and lead conversions is assigned to each of the “touchpoints” (advertisement made across the digital marketing channels) in a communication process designed to generate leads (prospective customers) and guide leads toward purchases. This process is also known as a “conversion path.” Ongoing expenditure on certain ads (such as PPC, CPV and CTR) are guided by the attribution model supporting a Demand-Gen program.



Conclusion

Carofin (like many others) believes that Demand-Gen represents a paradigm shift in marketing. Given our orientation toward finance and investment, we also see this development as an investment opportunity —that investors should start looking for applications of Demand-Gen by the companies they invest in. Moreover, we also believe it represents a particularly compelling investment theme when combined with securities structured to capitalize on Demand-Gen’s relative predictability, such as Royalty Notes (see our White Paper – [Revenue Royalty Notes](#) (or “Royalty Notes”).

Carofin is beginning to offer such investment opportunities, and we look forward to exploring them with you.



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