MARKETING PLAN FOR AN

"ONLINE ACADEMIC SUPPORT SYSTEM"

A CHILEAN EDUCATIONAL INDUSTRY EXAMPLE

Martin Meister

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Executive Summary

Business Vision

The Online Educational Support System will provide a web based academic coordinator

manager system for Universities, Professional Institutes and Technical Training centers that

give professional training services to persons and companies under the ISO 9001: 2008 and

the Chilean 2728 Quality Norms, we are talking about the Technical Training Agencies, the

Chilean OTECs (Sence, 2012).

The company will offer the owners experience and knowledge administrating educational

institutes, to ensure that customers will focus on adding new clients, courses and programs,

generating academic and business improvements which will impact their bottom line. The

product will be a high technology workflow online platform that will make the clients´ life

easier, leaving all the OTEC´s operational stuff to the company.

The main message is:

"While you go for new businesses opportunities, new clients or academic improvements,

we will help you take care of the operational and administrative processes with quality,

ensuring reliability, security and information opportunity, allowing you operate your

business from any part of the world the 24 hours a day. Additionally we will help you with

the documentation´s maintenance and storage to ensure quality norm qualification and

certification".

Growth Opportunities

The major opportunities come from the increasing companies' needs of professional training covered by the government tax exemption facility, the one that the OTEC agencies use. This interest has produced in the last five years a great growth in terms of investment, participants and training hours. At the end of the year 2010 the public training investment reached the record of USD 237 million, almost a 40 percent more compared with 2005. By the other hand, the OTECs have been required by government agencies to increase their operation quality, forcing them to accomplish ISO quality certifications, clearly an opportunity for our system, which provides the exact service to improve OTECs´ management.

Business Goals

This start-up will reach the 17 percent of market share in no more than 2 years, ensuring to be the best online management service for their customers and recognized as the "Number One" in the market. In terms of profitability, the company will reach the equilibrium in the second year of operation with no less than 20 percent in profit margin. From the second year the company will offer a wide range of services for OTECs and other institutions.
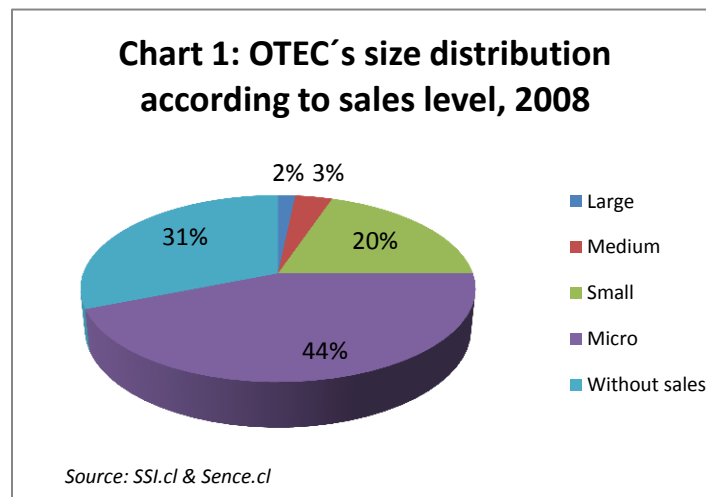
Clients Profile

Customer Demographics and Segmentation

The prospective customers consider Universities, Professional Institutes and Technical Training Centers that offer formation, educational and training services for individual workers and companies in Chile. Mainly we are talking about the Technical Training

Agencies, the Chilean OTECs (Sence, 2012), that are accredited and authorized by the government to provide courses and training programs whose cost can be charged against the companies´ annual taxes expenditures.

To exist, the OTECs have to accomplish all the rules emanated by the ISO 9001:2008 Norm and the 2728 Chilean Quality Norm (NCh 2728) that involves administration, logistics, infrastructure and staffing of the training activities, including the potential students' requirements. Because they have to bring training against the taxes exemptions, they are constantly audited by the government and independent agencies.

At the begging of the decade we counted more than 6,000 of these organizations in all the country, with a wide range of quality, origins, backgrounds and objectives. After the 2006 Norm implementation the amount of OTECs felt dramatically, reaching today a few more than 2,400 with a 67 percent concentrated in the capital Santiago (Sence, 2012).

Chart 1: OTEC´s size distribution according to sales level, 2008

- 2% Large
- 3% Medium
- 20% Small
- 44% Micro
- 31% Without sales
- 2%

Source: SSI.cl & Sence.cl

Respect to the market, we can see in Chart 1 that large and medium OTECs represent only

the 5 percent of the total participant companies, but with an interesting sales participation,

reaching almost the 45 percent of all the courses taught (Jara, 2010).

Finally, it is important to note that the permanent workers are relatively few, moving

between 4 and 6 persons, including the managers and excluding the speakers, than in

almost all the cases are external resources. The very large OTECs can reach almost 40

employees, but the small and micro ones (64 percent of all) have a little more than 3

workers (see Chart 2), distributes between one manager, that almost all the time is in charge

of sales, a secretary that looks for the administrative stuff and a person in charge of the

training logistics (Jara, 2010).

Chart 2: Average OTEC´s permanent workers

Large: 15,7
Medium: 10,6
Small: 3,6
Micro: 3,3

Source: Evaluativa Ltda., 2010
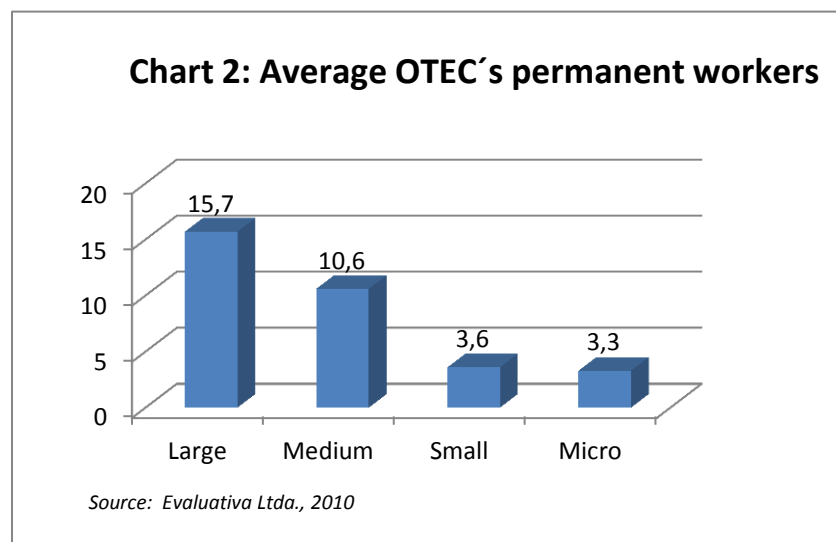
Client Needs

As we saw, the OTECs are immerse in very competitive market, with almost two thirds of

them with low "maneuvering room" and a permanent government´s supervision requesting

quality operation improvements. In this context, we need to distinguish that finally the target market consists in the owners or managers that have the focus on the growth of their business, and sometimes only in their survival.

With this in mind, mainly their needs can be summarized as:

- Not waste much time administrating and operating the particularities of an OTEC.

- Have time to go for new clients, new products or academic improvements.

- Ensure the quality and continuity of their processes; to operate they have to maintain the Norm certification.

- Operate in the simplest, friendliest and intuitive way as possible; remember that in almost all the cases the user is a secretary or an administrative employee.

- Ubiquity, every partaker connected from any place.

- Reliability, security and opportunity of the data and information.

- Documentation storage and maintenance ready for inspection or certification.

Market Opportunity and Challenges

Industry Overview

The National Chilean Job and Training Service (Sence, 2012) counts with a diverse and vast spectrum of programs to develop workers training, in between them we can mention the Tax Exemption facility for Labor Training, the one that the OTECs use.

In relation with this market, the last five years it has grown in terms of investment, participants and training hours. At the end of the year 2010 the public investment reached the record of USD 237 million, almost a 40 percent increment compared with 2005, with

1.5 million participants distributed in 28 million professional training hours (See Table 2, Appendix 2).

Demand Needs and Challenges

These strong increments clearly show the companies´ rising interest in training their employees, mainly due to a generalized competitiveness increase perception, more demanding markets, the incorporation of new technologies and the introduction of new quality norms to accomplish. Al these requirements have driven companies to search for more qualified human capital to respond in a more efficient way to these challenges (Search Consultores, 2012).

These opportunities are clearly not only for the training institution like the OTECs, but also for the many other actors that can leverage them, we are talking about the service and advice providers of this industry. Special attention can be taken to all the related with the increasing quality requirements from de government agencies and the quality norm implementation for the OTECs´ operation. A recent report prepared for the Chilean Ministry of Labor and Social Welfare (Mintrab, 2011) concluded that the Chilean 2728 quality norm is not guarantying the minimum system quality requirements of the training suppliers; meaning that in the near future we will see more OTEC´s necessary improvement that they will have to make.

By the other hand, we see opportunities in low information handled by the concerned parties. In general, the Chilean companies have a very positive valuation of the tax exemption instrument for workers´ training, but declare a high ignorance of how it works,

more than the 60 percent says to have limited knowledge of the instrument (Search

Consultores, 2012). The other negative issue comes from the use of the instrument itself,

which is perceived as difficult, complicated and thorny, without mentioning the

bureaucratic halo that carries.

Competitive Assessment

Competitors

The companies that provide online and offline services, quality processes assurance and

operational support to the OTECs mainly come from two sources: Consulting firms and

Software Developer firms. For the first group the most important are CDIEC and FIEBIG.

These companies focus on clients that need to implement integrated quality management

systems (ERPs), ISO 9001 and NCh 2728 norms, OTEC creation and implementation, and

internal audits services.

The company Cdiec offers and online service called "Gestor Plus ERP" that was created to

replace their old excel based tool "EXCEL ERP-NCh2728". According to their site, this

software is present in more than 400 OTECs and allows making an integral management of

that kind of organizations. Besides helping the accomplishment of the NCh 2728 quality

norm, this software promises to work as a CRM, raising the contacts and sales (Cdiec.cl,

2012). Despite the promises, the principal problem with this software is that every module

"works alone", not allowing a real sales-academic-logistic-administrative workflow.

In the Software Developer group we find companies like Webinteractiva, Bsoft or E-voluciona. Mainly they offer technical, consulting and online web developments like design, positioning or maintenance. Beside the software´s development, they have online and offline ERPs and integral system solutions.

From the customers´ point of view, the most import company is Webinteractiva with their product "OTEC Online" a web based solution that offers support for the academic and business management, besides offering quality control under the ISO and NCh norms (Webinteractiva.cl, 2012). This online software has the same problem than the others we mention; they do not operate as workflows, not allowing a real integrated management system.

Finally we can say that almost all this suppliers are not concentrated in the educational industry; they are more focused in quality norms or software development and trading.

Substitutes

We can consider substitute products all the proprietary software and worksheets that the OTECs have developed to manage and control their business. Also we have to add all the general ERP systems like the ones provided by the Chilean companies Defontana or Softland.

Competitive Advantages

As we mentioned almost all the competitors lack of knowledge in specific fields of the educational industry, especially they do not have an integral view of the sales, academic,

administrative and operational management support needed. In contraposition, we offer the wide experience of the owners managing large educational institutes, marketing, sales and process design experience, with IT development and implementation savvy, having a successfully tested and used online workflow in the 5th OTEC of the market.

Five Forces Analysis Model

To analyze the Industry Forces, we are going to use the Five Forces Analysis Model created by Michael Porter.

Table 3: Five Forces Analysis Model	
Description	**Impact**
Bargaining Power of Buyers	MID-LOW
Bargaining Power of Suppliers	LOW
Existing Industrial Rivalry	LOW
Threat from New Entrants	HIGH
Threat from Substitutes	HIGH

Source: Porter´s 5 forces from Mindtools.com, 2012

We can see on table 3 that the major forces are related with the possible new entrants and the threats of substitute products. In general the training educational industry lacks of professionalism, but as far as this industry continues to grow it could be attractive for large service providers to enter, or promote the vertical integration of large OTECs and OTICs broker agencies (Sence, 2012). In the case of the substitutes, the problem is the high inertia level of the potential clients, most of them having own "spreadsheets" management systems.

Marketing Channels and Mix

The Marketing Plan will be built on the basis of three principal columns: (1) Drive visits to the website, (2) perform periodical seminars and chats for prospects and clients, and (3) Make sales visits and networking efforts.

Direct Sales and Networking Efforts

The sales efforts will be performed by two of the owners and a recruited salesperson. The owners will take advantage of their market knowledge and the experience gained working in large educational institutions and in important companies´ marketing and sales departments. Networking will be a key for success and the attendance to seminars, Guilds and National Union Associations events or Government ones will be periodical. The large and medium OTECs (see Chart 1, page 5) will be their primary objective, while the other OTEC´s segments will be addressed by the salesperson. This does not mean that all three will not work together, quite the opposite, because the final goal is to drive prospects to the own seminars and finally increase the customers´ base.

To support visits, there will be merchandising available; online fact sheets, digital information, online demos and access to some modules of the system.

Webpage Development

The webpage will be integrated with the online system, and will have a professional look with the entire multimedia and social media sites capabilities integrated. Mainly it is going to be an informative site, where clients and prospects can find convenient information related with their business, the dates of important activities, white papers, access some level

of advice and services like demos, digital manual, catalogs or brochures. It is also going to have the ability to capture the prospects´ information through online application forms, where they can subscribe to receive special discounts and access to free limited trial for some modules, so they can use them in real time.

Online Marketing Efforts

The online strategies will be one of the most import tasks to accomplish, and will have two main objectives: drive visits to the website and promote the periodical informative seminars. In between others, the most important tools are going to be: (1) massive external e-mail marketing, (2) segmented e-mails directed to the OTEC´s owners, managers and employees. The updates base in available on the Government site Sence.cl, (3) Banner Advertising in related sites like online magazines, trade companies or educational suppliers, (4) Strong activity in social network sites like LinkedIn with their segmented affinity groups, (5) key word Google Adwords tool to relate the website with key search words in Google and (6) Google Adwords banner advertising.

Own Informative Seminars

This is another core strategy to develop the market, and consist in performing periodical seminars, chats or meeting where we will expose some thematic of the OTEC´s interest, and jointly expose about the benefits of the online system. We will use the experience of the owners and some guests as speakers. As was mentioned, we can use the dependencies of our partners.

Business Partnership and Marketing Alliances

The potential partners can be companies that offer complementary services, which have similar target customers and do not compete with us. In this line the company will partnership with an educational industry supplier, specifically an eLearning program developer, that work very closely to our customers, the OTECs. The other partner will be some of the Technical Training Agency Broker (OTICs), because we share the same customers and they are interested in improving the service quality given by the OTECs, exactly the service that we provide. These agencies have installations, where we can perform some of our seminars.

Sales Literature

Because of costs implications the start-up is only going to work with folders with professional printed fact sheets. All the necessary information will be available for download on the website, and the strategy will be more than showing brochures to the potential customers, will focus in performing real demos in their offices.

Image and Logo Design

The company will hire a Marketing Agency to develop a logo and corporate image as a starting idea to develop. Because one of the owners has experience in this area, the expenditure will be limited and bounded only in having a harmonious and professional look.

Sales Planning Process and Analysis

The project considers reaching in two years almost the 17 percent of the market,

concentrating in the Large, Medium and Small OTECs with the 20, 25 and 30 percent

penetration respectively. In the case of the Micro OTECs we estimate only a 10 percent

penetration because its precariousness and high inertia level. The final amount should be

near the 300 OTECs captured, reaching half of this number at the first year.

On Table 5 (Appendix 2) we can see the sales projection for every segment. We

conservative estimate that the service provided will cost to the OTEC´s only the 1 percent

of their incomes, with this numbers the project can achieve the amount of $570,296 dollars

in total annual sales in the second year, reaching a 22 percent profit margin. The breakeven

will occur at $442,500 dollars. For the first year we estimate $34,852 dollars in losses,

reversing the result for the second year, reaching $127,796 in profits (see Table 7,

Appendix 2).

The main idea is to charge every signed OTEC by the quantity of courses managed. This is

an interesting difference with competitors, which charges an annual amount, independent of

the courses or students managed.

We estimate that Large and Medium OTECs will have the highest lifetime value, especially

the large ones; these institutions include Universities, Professional Institutes and Technical

Centers. The main difference between every segment is the quantity of students and courses

they teach. In this line, the lifetime value of the Large ones are $14 dollars in 1,000 courses

per 5 years, reaching $70,000 dollars, the Medium OTEC contribute with $16,800 in 400 courses and 3 years lasting.

We think that referral will not be easy to obtain because we are talking about competitive companies, however bringing an excellent service and advice will be the best promotion, the word of mouth in crucial in this market.

Finally, the Sales Cycle will be longer in the case of the Large OTECs because they have a lot of decision takers, it can be more than 6 months, where the cycle will be like a loop, iterating in the different stages of sales: visits, meetings, demos, seminars, trials, etc. In the case of medium and small the cycle is shorter, maybe no more than 2 months.

Management Team, Infrastructure and Support System

We will hire a professional to be in charge and manage the company. As the technical and operative continuity of the service provided is one of the most important issues, it is necessary to create a technical area that at the beginning will count with one senior and one junior IT professionals, depending on the activity level, the area can grow. Also the company will have a secretary and an administrative person.

Two of the owner will focus on sales and networking, taking advantage of their experience and knowledge of the educational industry and their experience in making business in different markets. One of the other owners will supervise the technical operation, primarily the online software, and the last partner will focus in giving academic advice if necessary.

To run the system the company will work with the best technology providers, to ensure the necessary reliability, security and service operational continuity. Also we will have the best software and hardware, growing with the necessary pace, as far as the customers and transactions rise. An office will be rented, buying the necessary furniture. The capital will be provided 50 percent by the owners and 50 percent with a bank credit.

Timetable for Implementation and Milestones

The most important milestones are related with the infrastructure, issues for the marketing plan and the staffing. In between the infrastructure we find: the software adaptation and final testing, website development, negotiate and sign with the technical supplier, seek and rent the office, buy servers and PCs. To accomplishing all these tasks we need about 6 months. For the marketing plan the most important tasks are: tune up and sign the partnerships, develop the company´s image, create the factsheets, demos, online information like catalogs and brochures, we think in 3 months to finish all this points. Finally we have to hire the necessary staff. All these activities can be made in a parallel way, which is why the critical activities are the infrastructure ones, being 6 months the total implementation time for this venture.

Budget

Table 6: Marketing Budget			
Marketing Mix	Unit Cost (USD)	Quantity	Total (USD)
Direct Sales Force	850,0	6	5.100
Merchandising	3,0	500	1.500
Image Design	1.000,0	1	1.000
Seminar costs	200,0	12	2.400
Webpage Develop	3.500,0	1	3.500
E-mail Marketing	100,0	25	2.500
Banner Advertising	1.000,0	3	3.000
Google Adwords Keyword Tool	1,0	3.000	3.000
Google Adwords Banner Ad	1,0	3.000	3.000
Total Cost			25.000

Source: From different quotations and self-construction, 2012

Methodologies to Measure Success

Mainly the methods to measure success are two: the first is the number of customers reached in a period of time, measuring the amount of courses managed, and the other method will be measure the final profits. The company has to reach the financial equilibrium within the second year of operation.

Appendix 1 – References

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Appendix 2 – Supporting Documents

Table 1: OTEC´s distribution according their size, 2008

Description	Initial Sales (USD)	Final Sales (USD)	Quantity
Without sales	-	-	769
Micro	-	82.000	1.092
Small	82.000	850.000	488
Medium	850.000	3.400.000	88
Large	3.400.000	and more	41
Total			2.478

Source: Evaluativa Ltda. 2010 Final Report, 2010

Table 2: Changes in the Market Between 2005-2010

Description	2005	2010	Diff
Investments (MM USD)	172	237	38%
Companies trained	48.131	22.405	-53%
Courses	165.047	172.119	4%
Training hours	20.021.617	27.711.298	38%
Participants	893.964	1.452.011	62%
100% tax exemption	81%	82%	1%
Hours/course	22	19	-15%
Participant/course	5	8	56%
Courses/company	3	8	124%

Source: Chilean Job and Training National Service (Sence.cl), 2012

Table 4: OTEC´s information according to their size, 2010

OTEC´s Size	Quantity	%	Students	Courses	Total income (USD)	Students / OTEC	Courses / OTEC	Income / OTEC (USD)
Micro	1.092	64%	183.522	21.754	29.926.283	168	20	27.405
Small	488	29%	626.707	74.289	102.194.713	1.284	152	209.415
Medium	88	5%	300.245	35.591	48.959.765	3.412	404	556.361
Large	41	2%	341.537	40.485	55.693.058	8.330	987	1.358.367
Total	1.709	100%	1.452.011	172.119	236.773.819	850	101	138.545

Source: Self construction, 2012

Table 5: The New Venture´s Sales projections

OTEC´s Size	OTECs to capture	Total OTECs	Total students	Total students	Total Sales (USD)	Sales per OTEC (USD)
Micro	10,0%	109	18.352	1,3%	29.926	274
Small	30,0%	146	188.012	12,9%	306.584	2.094
Medium	25,0%	22	75.061	5,2%	122.399	5.564
Large	20,0%	8	68.307	4,7%	111.386	13.584
Total	16,7%	286	349.733	24,1%	570.296	1.995

Source: Self construction, 2012

Table 7: Total Budget in USD		
Year	**1**	**2**
Income	285.148	570.296
Manager	50.000	50.000
Technical Chief	37.500	45.000
Secretary	15.000	15.000
Administrative	25.000	25.000
Technical	20.000	60.000
Salesman	20.000	20.000
Sales Variable Fees	20.000	20.000
Hosting	25.000	50.000
Technical Support	25.000	50.000
Investments	20.833	20.833
Software Licenses	4.167	4.167
Office	25.000	50.000
Marketing	25.000	25.000
Various costs	7.500	7.500
Total Costs	320.000	442.500
Revenue	-34.852	127.796
%	-12%	22%

Source: Self construction, 2012