

Kulea.ma investment pack

Registered number: 09350222

Incorporation date: 11 December 2014



Affordable and easy to use Marketing Automation designed and built from the ground up for SMEs.

VALUATION (PRE-MONEY): £2,200,980. EQUITY OFFERED: 10.20%

Introduction

Kulea.ma does for Marketing Automation what MailChimp does for email marketing; but where email stops, we're just getting started...

Every small business marketer's been there; hearing fantastic tales of success attributed to Marketing Automation, whilst secretly gritting their teeth in frustration at their own seeming inability to take advantage of this powerful technology.

When Marketing Automation works, it yields incredible results, with 80% of users seeing their number of leads increase, and 77% seeing the number of customer conversions soar. Until now, Marketing Automation implementation has largely been the preserve of big businesses with dedicated teams and deep pockets - only 4% of SMEs have adopted the technology, compared to 60% of big businesses.

Kulea.ma removes barriers to entry for SMEs, making feature rich Marketing Automation accessible with a solution so easy your nan could use it, at a price point an order of magnitude lower than our competition.

Team



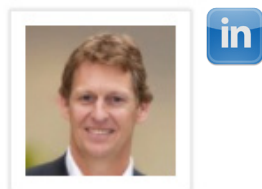
Chris Rodbourne
Co-founder and CEO



Andrew Nicholson
Co-founder and CMO



John Hughes
Adviser investor



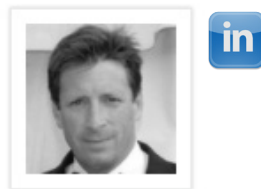
Gavin Disney-May
Board chairman/investor



Constantin Cornelie
Head of software development




Dave Nicholson
Board member/investor




Mark Maclure
Board member/investor

Additional investors of note

Charlie Green, Director, 24Haymarket 

Nichole Davies, Head of Strategy, Greys Healthcare Group (WPP) 

Simon Martin, Global Sales and Marketing Director, MVF 

Intended impact

Kulea is built to disrupt the digital marketing landscape - delivering functionality SME customers need at a price point they can easily access.

We provide tools to segment, personalise and automate digital marketing activities, making communications relevant, timely and personal; providing a natural next step for SMEs looking to evolve their email marketing capabilities into fully fledged Marketing Automation.

Kulea tracks and responds to customer's online activity in real time, **delivering emails that on average yield 71% higher open rates and 152% higher click-through rates than 'business as usual' marketing messages.**

Our unique Persona-lisation™ capabilities inject relevant and personal content into every recipient's email and landing page based on customer segmentation, behaviours and CRM data, generating up to 6x higher transaction rates. **Persona-lisation™ can also be applied across digital assets such as web pages and social media, which has been shown to generate an average increase of 20% in sales.**

Substantial accomplishments to date

- Marketing Automation is inherently complex - with so many interconnecting parts, the sheer scale of the challenge can be overwhelming. Despite this, in just under 2 and a half years, we have designed, built and soft launched a solution that even leading UK digital marketing agencies have been impressed by.

"Performance is impressive - 6,000 events per second is higher than some dedicated real time solutions I've worked with. Interface look and feel is great... what I have seen is better than many B2C solutions out there at the moment."

Alex Holt - Marketing Technologist

- To fund product development, we have **successfully raised over £300k from well respected industry experts and angels, and at the start of the year secured a £2m valuation.**

- In addition to development and soft launch of the core Marketing Automation system, we have launched our sales website, blog and content library at Kulea.ma alongside an ever growing social media presence.

- We have integrated with SaaS subscription management provider, Chargebee to deliver our billing and account subscription services, and have launched our self support knowledge base and ticketing system.

- Our recent (March 2017) soft launch has delivered a number of paying customers who have provided strong validation of the product.



Monetisation strategy

Concurrency efficiency gained from the use of multi-threading technology, Vert.x and a self service setup/support model, enables us to offer a fully fledged Marketing Automation platform at a price point in line with email marketing providers, rather than Marketing Automation solutions (Hubspot's equivalent to our £149/m package is £1,960/m plus a substantial onboarding fee).

For just a small increase in monthly outlay, businesses can evolve their digital marketing capabilities and generate a significantly higher marketing ROI, and we're conservatively forecasting sales of 11,500 paid licenses by end of Y3 (generating recurring monthly revenues of £2.3m).

Kulea currently offers three pricing tiers*:

- Start-up - £149 (10k CRM records and 15k emails/m)
- Small - £399 (50k CRM records and 75k emails/m)
- Medium £1499 (250k CRM records and 375k emails/m)

*Custom pricing is upon request for enterprise customers.

With low monthly server and bandwidth costs, profit margins on even our start up package are substantial.

Use of funds

We are primarily looking to invest funds in sales and marketing activity to grow our customer base.

For our small to medium product tiers, this will require investment in an outsourced telesales team to pre-qualify leads and arrange follow up with appropriate in house resources (online demos for top tier packages, and webinars for mid-level packages).

For our entry level package, we will invest in digital marketing tactics, including Google Adwords, paid social activity, and inbound lead generation/nurturing.

In addition to sales and marketing activity, we will develop our Kulea Agency platform, which requires completion of single sign-on, white label functionality and a shared asset space.

Funds will also be used to develop a Kulea marketplace, providing third party developers and application providers with a location to promote and sell complimentary apps and assets that add value to Kulea customers. Commission will be taken on all sales, providing us with a valuable additional revenue stream.

Target market

With a focus on usability, self service and scalability, Kulea takes a leaf out of MailChimp's book by delivering a low cost but powerful solution aimed squarely at the SME market.

CRM technology (of which marketing automation is a subset) is predicted to be worth \$31.7B by 2018, with Marketing Automation contributing over 25% of those revenues - despite this Marketing Automation is still a technology with a very lower penetration rate - reflecting the incumbent providers' high cost and complexity.

For example, market leader, Hubspot (Who IPO'd in 2012 with a market valuation of \$880 million) hold an estimated 50% market share, but have just 20,000 customers. Contrast this to email, where market leader, MailChimp, boasts 14 million SME users and \$400 million in annual revenue.

SMEs spend, on average, £24,000 per annum on marketing, with digital marketing representing nearly half of all marketing spend, a figure that rose by over 12% in 2016. This puts total EU SME digital Marketing spend at £266 billion/year, and this is set to rise further in 2017, as 70% of small businesses plan to increase digital Marketing spend.

Kulea will secure a share of this spend by offering SMEs a single, low cost location for their digital marketing activities.

Although primarily focussed on B2B SMEs (businesses that employ fewer than 250 persons which have an annual turnover not exceeding 50 million euro), client and agency feedback has confirmed that Kulea is equally of value within the considered purchase B2C SME marketplace, where high ticket items, such as vehicle purchasing/leasing, real estate and luxury goods warrant investment in Marketing Automation.

Addressing the SME market means a step change in the number of prospects for Marketing Automation. In the UK alone, there are 5.4 million SMEs, and a further 23 million SMEs across the EU.

Those are DEEP waters, and with 98% of SME's using email Marketing - these are the waters that Kulea swims in.

Characteristics of target market

Kulea is built for businesses that are time, resource and budget poor. These businesses don't want another expensive and complicated digital marketing solution - they want something that requires minimum cost, set up and management, leaving them free to focus on the daily demands of running a business.

Research, carried out with the Centre for Economics and Business Research (Cebr), demonstrates a disparity between planned marketing activity and the reality of what takes place.



SMEs across the UK could create an extra £43 billion in additional sales, but the average SME is actually achieving less than forty per cent of its planned marketing activity. Yet when business owners were asked to predict the sales impact produced by increased marketing activity, results showed a growth of 9.2 per cent compared to 2011 prices.

Three-quarters recognise that marketing is important to the success of their business, however a third rate their efforts over the last six months at under 5/10. 11 per cent admit to doing none of the marketing they had planned.

When asked what's holding them back, SME owners cited time and money – well acknowledged challenges for SMEs. But a 2013 Constant Contact survey indicates that use of online marketing tools is very much on SME's agenda, with 84% citing it as the biggest change in the way they do business today, and 27% citing an increased use of automated business solutions, suggesting a warm reception for the right tools, at the right price.

Marketing strategy

Interest in Marketing Automation has steadily grown over the past five years, with Google trends showing an increase in search activity of nearly 400%.

Led by former B2B magazine's Marketer of the Year and Kulea CMO, Andrew Nicholson, Kulea will capitalise on this interest by focusing marketing activity on digital channels, including paid search, social media and organic SEO.

Our inbound lead acquisition and nurturing strategy centers on our ever growing content library, providing a sustainable source of named contacts for lead scoring and ultimately, telesales qualification. Leads that don't meet our qualification criteria are kept warm through the use of automated email drip marketing campaigns, and only contacted when their lead score (a rules based 'sales readiness rating' Kulea allocates to each lead) reaches our marketing qualified threshold.

Online Marketing will be supported by paid attendance at live events, including the UK's largest Technology for Marketing Show, TFM 2017. Andrew is a regular guest writer for TFM Insights and will be attending the event as a Marketing Automation guest speaker and discussion panel member. Kulea will also be maintaining a paid presence at the show.

Competition strategy

Kulea's USP is a fully fledged Marketing Automation solution at a price point and user experience comparable to best of breed email marketing platforms. We disrupt the existing players.

We have identified three competitive threats to Kulea's growth:

Email marketing providers adding Marketing Automation capabilities to their existing feature sets, whilst keeping their low price points (e.g. Mailchimp)
Marketing Automation providers dropping their price points whilst maintaining their Marketing Automation capabilities (e.g. Hubspot and Eloqua)

New entrants to market

This first threat is mitigated by the inherent complexity of Marketing Automation. For existing email marketing providers to retrofit even relatively basic Marketing Automation capabilities, the level of cost and resource required is prohibitive. It is far more efficient to acquire an established Marketing Automation solution, and we therefore see this as a potential exit opportunity.

The second threat is negated by the Marketing Automation industry's firm focus on the building of ever increasing features sets used to justify increasing pricing. It is the classic incumbent dilemma - they inevitably end up over serving their customer base, leaving space for new entrants with a simpler offer to emerge. Marketing Automation is their cash cow and there's little incentive for suppliers to drop pricing. Indeed, it could be argued that due to a reliance on legacy technology, many providers are unable to drop their prices.

Finally, there is a threat of new entrants to market. But with an already complete solution, an experienced and well connected team, and lessons learnt from development of a 1st generation platform, Kulea is hitting the ground running.

Kulea provides a classic example of disruptive innovation. With a bloat-free feature set supplemented by "supply on demand" third party integrations and low barriers to entry, we target an underserved market that provides huge opportunity,