

Internship Report On
Assessing the Investment Decision for the project “Echo Waves”
of Echo Studios Dhaka

By

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Student ID: 22164045

An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Masters of Business Administration

BRAC Business School
Brac University
September, 2024

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Letter of Transmittal

Suman Paul Chowdhury
Associate Professor,
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Request for consent to prepare an internship report on Echo Studios Dhaka.

Dear Sir,

Hope, you are in good condition. I am writing to ask for your permission to prepare an internship report on the Echo Studios Dhaka where I am currently employed as a senior account executive. The insights of the report will reflect the experience that I gather while working in the company.

As my journey toward a Master of Business Administration degree has come to an end, as per the academic requirement, I am compelled to construct an internship report for the completion of this degree. Upon the discussion with my supervisor, I was suggested to assess the investment decision of a new project named “Echo Waves” for Echo Studios Dhaka to proceed with my internship report. Additionally, my supervisor agreed to sign a non-disclosure agreement for the formation of this internship report.

Echo Studios Dhaka is an advertising agency that provides 360-degree marketing solutions. The company is expertized in digital advertising.

My internship report will contain three major parts. In the beginning, I will discuss my key responsibilities, roles, and the skills that I acquired from the company's operational activities. Secondly, the introduction of Echo Studios Dhaka and the project Echo Waves will be introduced. Additionally, the industry overview and the company's business performance will be analyzed to decide on this investment. Finally, I will conduct a DCF valuation analysis on the new project of the Echo Studios Dhaka. The accumulation of these analyses will reflect whether the latest project of Echo Studios Dhaka will add value to the organization.

I truly believe that the Master of Business degree in finance equipped me with advanced financial analysis and investment decisions. Evaluating a company's investment decision where I gained marketing experience will demonstrate how my MBA in Finance has enhanced my decision-making capabilities. Please be informed that I am willing to construct the report with honesty and integrity. My utmost effort and professionalism will be reflected in the paper.

I, therefore, hope that you would be kind enough to consider my situation and accept my proposal for the internship report. I am looking forward to your guidance in constructing this internship report as I believe your support will help me to complete my report successfully.

Sincerely yours,

Saptak Khan

Student ID: 22164045

BRAC Business School

BRAC University

Date: 10th July, 2024

No Objection Certificate

TO WHOM IT MAY CONCERN,

THIS IS TO CERTIFY THAT, I, [IMRAN KHAN] (NID no.5071316425) s/o [AKRAM ALI KHAN], am the resident of [House 5, Road 2, Nikunjo - 1, Dhaka 1229]. I also state that I am the owner of Echo Studios, Dhaka.

I HEREBY DECLARE THAT, Mr. **Saptak Khan** (NID no.6905181902) s/o [TANSEN KHAN], resident of [17/b, Central Basabo], is the author of the report titled, “*Assessing the Investment Decision for the Project Echo Waves of Echo Studios Dhaka*” which holds vital and confidential information about the AFORESAID INSTITUTION.

I FURTHER DECLARE THAT, I have no objection regarding the fact that Mr. **Saptak Khan** shall/will publish the AFORESAID REPORT, which consists vital information about the AFORESAID INSTITUTION.

I THUS IMPOSE, No Legal Enforceability upon Mr. **Saptak Khan** upon the publishing of the AFORESAID REPORT.

This certificate is effective immediately.

Ali Imran Khan


CEO



Echo Studios Dhaka

Acknowledgment

I, Saptak Khan, would like to express my heartfelt gratitude to everyone who contributed to the successful completion of this internship report. Your guidance and support have been invaluable throughout this process. This paper reflects on my journey with Echo Studios Dhaka and how I adopted financial skills from my MBA to make investment decisions.

First of all, I would like to appreciate my supervisor, Mr. Imran Khan whose continuous support encourages me to explore the department of financial resources in his company. Without his enormous support, it would have been difficult for me to complete my MBA majoring in Finance, while working in the company. I am deeply grateful to him for his unwavering support, encouragement, and guidance throughout this journey. Having the marketing department experience, it was challenging for me to explore the finance department. However, due to my keen interest in finance, I enjoyed the exploration of the finance department which drove me to prepare this internship report.

Secondly, I would like to express my deepest thankfulness to my academic supervisor Dr. Suman Paul Chowdhury, and academic co-supervisor Dr. Nazmul Amin Chowdhury for their guidance in the completion of this internship report. Their valuable advice helped me to generate ideas in choosing the topic for this internship report. Moreover, their guidance helped to illuminate all the troubles I faced in the formation of this report.

Lastly, I am thankful to all my professors and the staff at BRAC University for their constant encouragement in helping me grow, both professionally and personally, and for guiding me to become the best version of myself. I truly believe that my learning experience at BRAC University will assist me in finding opportunities to contribute to the humanity of the world.

In preparing this report, I abide by the highest standards of business conduct and academic principles, ensuring a careful balance between professional and academic integrity. I made

every effort to ensure that all information presented was accurate, reliable, and ethically sourced. The combination of my job experience and academic learning led me to prepare this internship report in a framework, even though the journey is vast.

In a nutshell, I am grateful to every person who supported me in continuing my professional journey with Echo Studios Dhaka and my academic journey with BRAC University. Thank you for believing in me and letting me maintain the balance between academic life and professional life.

Sincerely,

Saptak Khan

Student ID: 22164045

BRAC University

Executive Summary

This internship report reflects my role and responsibilities at Echo Studios Dhaka, as well as my assessment of the investment decision for Echo Studios Dhaka's new project, Echo Waves.

The report is structured into three chapters.

In the first chapter, I described how I started my journey with Echo Studios Dhaka, my job responsibilities, and the key learning that I gained during my tenure. The second chapter consists of the introduction of Echo Studios Dhaka and the project Echo Waves. I also described the situation of small firms in the advertising industry in Bangladesh to show why the idea of Echo Waves occurred. Additionally, the industry analysis and the SWOT analysis were conducted to showcase the scenario of external and internal forces before going into the investment. Lastly, in Chapter 3 I conducted a Discounted Cashflow valuation of this project to assess the financial solvency. Five years of cash flow for Echo Waves were forecasted to carry out this valuation method. The valuation method resulted in a positive NPV. All of these analyses lead to suggest Echo Studios Dhaka to invest in Echo Waves. However, a threshold revenue was suggested, less than that will end up resulting in a potential loss for this investment.

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List of Acronyms

CAGR Cumulative Average Growth Rate

NPV Net Present Value

WACC Weighted Average Cost of Capital

DCF Discounted Cash Flow

Introduction:

With the increasing demand for advertising in Bangladesh, various scopes are generated for advertising firms. According to Statista, only social media ad spending in Bangladesh is projected to be \$71.97 million in 2024 (Statista, 2024). Alongside, Search Advertising has a market volume of \$240 million (Statista, 2024). The rapid growth of these numbers indicates various opportunities for advertising agencies in Bangladesh. However, these scopes are associated with challenges that make it difficult for small ad firms to sustain themselves in the market. This internship report assesses an initiative of an advertising firm that aims to amplify revenue to get rid of these challenges. The report is segmented into three chapters. The first chapter showcases the journey of my career with Echo Studios Dhaka. In the second chapter, I describe the overview of Echo Studios Dhaka, its project Echo Waves, and the scenario of the relative industries to identify the investment opportunity for Echo Waves. The main motto of this chapter is to determine why the idea about Echo Waves occurs and whether the idea is suitable for the related industry. Lastly, in the third chapter, the analysis of the project valuation and the investment decision are projected.

This internship report reflects how I started my career as an advertiser and how it continues to dive into the sea of finance. It concludes with a comprehensive analysis, leading to an investment decision for Echo Waves, a new project by Echo Studios Dhaka.

Chapter 1

A Glimpse to My Internship

1.1 Journey with Echo Studios Dhaka

Starting a career at Echo Studios Dhaka was immensely inspiring, at the same time challenging for me as it was a start-up company. I was employed there as a part-timer during my undergrad studies. Hence, I was well aware of the organizational culture from the very beginning before I joined as a full-timer. After completing my undergraduate degree, I joined there as a client service executive in 2019. As a client service executive, my key responsibility was to maintain strategic communication with all the existing clients. Moreover, I had to look for potential clients who could get benefits from the services of Echo Studios Dhaka. Exploring the vast operational activities of the advertising industry in Bangladesh is an opportunity that I got through Echo Studios Dhaka. Moreover, working in various departments of a start-up provided me with a well-rounded perspective and diverse experience across multiple areas of the business. Since I have been employed in this company for the last five years, it has advanced me to accomplish impeccable work experiences that enhance my soft skills in certain segments of operating an advertising agency. The opportunity to work with clients ranging from start-ups to multinationals has widened my communication and leadership skills incredibly. I served as the advertising supervisor for prominent organizations, including BURO Bangladesh (the second-largest NGO in the country), Mondelez International, and National Finance Limited. Even though I joined as a client service executive, I participated in copywriting, visualizing, and strategy building. As time passed, I honed my skills in graphic design as well which enabled me to fulfill the clients' requirements more efficiently. Additionally, being an expert on this skill, equipped me to understand the requirements of the clients from the perspective of a graphic designer. Most importantly, at Echo Studios Dhaka I was blessed with a dynamic

organizational culture that drives me to learn different skills and grow professionally. I will always remember the incredible support I received from the company during my MBA studies, ensuring I had no difficulties in balancing work and education. Providing the facilities of flexibility in creative works and valuing the perspective from the employee's end is something that enticed me about the company.

However, contributing to a company from its initial stage enables me to confront early-stage challenges. I believe these challenges created opportunities for me to experience how to cope with difficult situations. Besides, it encouraged me to amplify the spirit of team building as well. In a nutshell, my journey with Echo Studios Dhaka inspires me to tackle typical challenges to accomplish the organizational goal.

1.2 Responsibilities as a Sr. Account Executive

Currently, I am employed as a Senior Account Executive at Echo Studios Dhaka where I take on the responsibilities of overseeing and managing all the client's requirements. In this role, each client is considered as an account. I represent the agency to the clients, ensuring that their expectations are understood, managed, and consistently met. Conversely, I advocate on behalf of the clients within the agency, communicating their needs, feedback, and objectives clearly to my team. This dual representation allows me to bridge the gap between both parties, ensuring smooth collaboration, effective communication, and the successful execution of campaigns and projects. As there is no manager in this position right now, I have to report all the updates directly to my CEO. To ensure the fulfillment of the client's requirements every day I have to go through some major responsibilities. These are discussed below-

- **Strategic Communication:**

Regularly I need to communicate with the clients to ensure the handover of all the deliverables timely. All the contents are shared frequently to ask for their feedback. Sometimes, major changes are suggested against their feedback so that they can have greater output. After getting the total confirmation, the contents are delivered. Besides, the negotiations regarding budget are conducted tactfully with clients so that it creates a positive impact in the favor of both parties.

- **The Execution of the Projects:**

I have to monitor all the major projects that are undertaken. To ensure the successful execution of the projects, I have to check all the ins and outs actively. For example, in terms of an ongoing digital marketing campaign, I have to play major role in analyzing the market data analytics to identify if the targets are on point or if there is any necessity for progressive developments.

- **Networking:**

One of the major key responsibilities of my job is to build a network with potential vendors to increase the efficiency of our services. Moreover, sometimes freelancers are required to provide certain services. Hence, the importance of maintaining relationships with other professionals in the advertising industry cannot be evaded.

- **Preparation of Graphic Design:**

Even though there is a particular department for graphic design, I prepare visual content for some of our major clients. Almost 30% of social media contents are prepared by me. As I understand the requirements of some clients specifically, hence it is easier for me to provide them the visual content efficiently.

- **Presentation and Pitches:**

Delivering impactful presentations is considered as the key role of my position. All the strategic plans and campaigns need to be presented delightfully to the clients to attract their attention. The result of the whole team depends on the marketing pitches that are presented in front of the clients.

- **Maintain Co-ordination in the Team:**

As a Senior Account Executive, it is essential for me to maintain a coherent atmosphere in our team. All our efforts mainly depend on the spirit of teamwork. My primary role is to oversee and ensure balance throughout the workflow, where the account team gathers client requirements and provides the brief. Based on that, the strategy team devises a plan, which the content team uses to craft engaging copy. The visual team then creates visual content aligned with the strategy and copy. Finally, the account team presents the deliverables to the client. I ensure that this process runs smoothly, enabling us to deliver top-quality results efficiently.

1.3 Learnings During My Tenure:

Working at Echo Studios Dhaka provided me with a unique opportunity to mitigate the gap between the theoretical concepts learned in the textbook and the practical application of that knowledge in real-world scenarios. Moreover, I had the chance to flourish as an efficient professional. I have learned how to be a dynamic professional in different fields. In one period I had to involve myself in all the departments to bring out the expected output, as it was a startup. Hence, I had the opportunity to explore the finance department of the company as well. I believe the combination of soft skills and the hard skills that I learned during my period made me an efficient human capital. The skills that I was able to flourish are listed below-

- I learned how to maintain efficient communication with professionals and vendors.
- I developed the ability to accurately identify the intentions of the other party and negotiate in a way that benefits both sides.
- I honed my skills in preparing and delivering impactful presentations.
- I gained the ability to stay calm in the toughest situation and act accordingly to tackle the situation.
- I gained expertized in the field of graphic design by using Adobe Illustrator and Adobe Photoshop.
- I learned to build marketing strategies and customize business reports.
- Most importantly I got the opportunity to explore the finance department of the company due to my keen interest in financing and investment decisions. My ideas regarding financial strategy were preferred and I was allowed to assess the investment decision of a project. In this way, I was able to exercise the learnings that I gained from my MBA.

Chapter 2

Overview of the Company, Industry, and the Project

2.1 Echo Studios Dhaka

Echo Studios Dhaka is an advertising agency that began its journey in 2018. With an employee base of 8 to 10, the company has been providing digital advertising services for the past 6 years. To date, the agency has offered its services to more than 50 Brands. BURO Bangladesh, LankaBangla Finance PLC, City Bank PLC, Interport Group, and Mondelēz International are some notable names that received advertisement services from the company. Besides, the agency has been consistently delivering services to other local businesses and SMEs. Echo Studios Dhaka believes in the power of social connection. Beyond simply attending parties, it recognizes the importance of spontaneous online interactions that turn customers into meaningful connections. The agency excels at identifying who the audience is, where they are, what they are doing, and how best to engage with them. The company doesn't believe in just marketing products; it excels in transforming brands into lifestyles for consumers. Its mission is to amplify a brand's quality, magnifying it a hundredfold to make a lasting impact in the eyes of both marketers and consumers alike. Echo Studios Dhaka partners with brands to captivate and educate their target audience through innovative and refreshing communication strategies. It doesn't merely advertise; it helps create experiences that resonate deeply with customers, embarking on a journey that breathes new life into each brand. Moreover, the agency tends to evolve its management along with the recent trends. The company is now following a hybrid work system for operation. In the case of Echo Studios Dhaka, it has been found that the hybrid work system accelerates efficiency to a new level.

Let's focus on the major services offered by Echo Studios Dhaka -

- Digital Marketing

- Content Marketing
- Branding Guideline
- Strategy Consultation
- Video Production
- IT Development
- Blog/Creative Writing
- Tons of other cool stuff

2.2 Situation of Small Firms in the Advertising Industry of Bangladesh:

The advertising industry in Bangladesh is dominated by ten major companies, which control about 70% of the market share. These key players include Asiatic JWT, AdComm Ltd, Grey Advertising Bangladesh Ltd, Bitopi Advertising, Expressions, Mediacom Ltd, Ogilvy Bangladesh, Sun Communications, Unitrend Ltd, and Interspeed (Alam, 2022). This dominance has created intense competition for smaller agencies. As the big players have already taken the big clients, in most cases the small players need to depend on the SMEs and small businesses. According to Statista, ad spending in Bangladesh is projected to exceed US\$610.70 million by 2024 (Statista, 2024). As demand continues to rise, the number of advertising agencies has also grown in the last 10 years. Additionally, the number of freelancers has also increased who can provide digital services lower than the market price to the local clients. Due to the lower price, the local clients prefer to work with the freelancers over small agencies. Moreover, the number of small advertising agencies has increased as well. After working in the advertising industry for five years, here are some personal observations on the situation of the small firms in this industry-

Opportunities:

- As the demand for the advertisement is high, hence the top quality of content can easily entice the attention of the clients. The firms that can provide quality content compared to the current market are often hired by the clients. In some cases, due to poor performance from the hired firms, clients prefer to switch to another agency as there is a high availability in the market.
- In most cases, the SMEs and the startups cannot afford the high budget of the giants in this industry. Therefore, they look for small agencies or freelancers that can provide advertisement services.
- The recommendations from the existing clients play a vital role in getting work opportunities in the case of small agencies. Even there is an opportunity to get hired for the side wings of existing clients. This type of networking works like a success key for small agencies as there is a possibility of getting the opportunity to work for big brands.
- Collaboration between different advertising agencies and freelancers often creates significant opportunities, enabling them to showcase their specialized capabilities to a broader audience. Given that agencies typically have distinct areas of expertise, such as branding, digital marketing, or paid media services, they can join forces to deliver comprehensive and more impactful marketing solutions. For example, one agency may have deep experience in crafting brand identities and communication strategies, while another focuses on paid media services, such as pay-per-click advertising or social media campaigns. By combining their strengths, they can offer a well-rounded package to their clients, enhancing the overall effectiveness of the campaign.

Additionally, it's common for agencies to hire external freelancers or other specialized agencies to support projects that require particular skills, such as photography, video

editing, or animation. These collaborations enable agencies to scale their operations and improve the quality of their deliverables without overextending their internal teams. Freelancers often bring unique expertise and fresh perspectives, allowing the primary agency to maintain high levels of productivity and creativity, even during large projects.

Such collaborations don't just amplify productivity but also foster a network of professional relationships that can lead to future opportunities. Agencies that partner for a single project may find themselves forming long-term collaborations that are beneficial for sustained growth in the competitive advertising market. This synergy, driven by the pooling of specialized skills and resources, ultimately helps small agencies thrive by offering comprehensive, high-quality services that might be out of reach if they worked in isolation. These collaborations play a vital role in helping smaller or niche agencies compete with larger firms, contributing to their ability to sustain and grow in a fast-evolving market.

Challenges:

- Due to the high competition in the industry, it becomes difficult for small agencies to find clients. Without having proper clients, it becomes difficult for startup agencies to sustain themselves in the market.
- With the growing demand for advertising in today's market, small businesses are increasingly turning to freelancers for their brand promotion needs. Freelancers offer flexibility, often providing high-quality services at lower rates than traditional agencies. As a result, many small businesses find this approach cost-effective, particularly when they have tight budgets or need specialized skills for short-term projects. However, this growing reliance on freelancers has created a challenge for small advertising agencies. Due to the availability of skilled freelancers, these smaller agencies sometimes struggle

to retain or attract clients. They often find themselves losing out on opportunities to more affordable, flexible, and niche competitors. This shift in the market dynamics has led small agencies to either adapt by offering more competitive pricing and services or collaborate with freelancers to retain their clientele. Hence, the growth of the small agencies tends to remain stagnant in a certain position.

- As the availability of small ad agencies is high in the market, hence clients have more bargaining power over the small agencies. Most often small agencies' accounts payable remain high as small clients do not maintain the payment schedule regularly. This creates a negative impact on the cash flows of the small agencies. This leads to the situation where small agencies are unable to pay salaries timely. Following this fact, employee dissatisfaction tends to increase which affects the overall outcome of the agencies. This issue also leads to the fact of high turnover ratio in small agencies.
- The rapid growth of in-house advertising teams in local businesses has become one of the challenges for advertising agencies to lose the opportunities to expand their work. These in-house advertising teams are expected to be expert in their particular area as they only focus on their specific products. On the other hand, ad agencies work for various companies, providing them the upper hand in formulating strategies from diverse perspectives. Hence, more innovative and creative ideas can be expected from the agencies than from the local companies' in-house advertising teams. However, sometimes local companies miss out on this opportunity due to the tendency to reduce their operating cost by setting up in-house advertising teams.

In summary, small agencies in Bangladesh have more opportunities as the demand for advertising is increasing rapidly. However, the challenges associated with these opportunities may encourage small agencies to provide services to the international market instead of the local market.

2.3 The Project Echo Wave:

Echo Wave is a new initiative launched by Echo Studios Dhaka, aimed at offering a comprehensive range of advertising services in Canada. These services include content marketing, branding, digital marketing, marketing consultation, the development of digital platforms, motion video production, IT development, and creative writing. It will be operated as one of the business wings of Echo Studios Dhaka. The main objective of this business wing is to compete against digital advertising agencies in Canada. It is expected that earnings from Canadian currency will add more value to the current cash flow of Echo Studios Dhaka. With Canada's economy experiencing steady growth, the demand for advertising services is on the rise. To seize this growing opportunity, Echo Studios Dhaka is strategically expanding its operations into the Canadian market through the launch of Echo Wave, positioning itself to capture a share of this dynamic and evolving industry.

Operation Plan:

Echo Waves is planned to operate from Dhaka Bangladesh. Most of the operational activities will be conducted online. There will be a representative in Canada from Echo Studios Dhaka who will provide the offline client services. Other operational activities will be conducted online using the equipment of Echo Studios Dhaka.

2.4 Scenario of the Advertising Industry in Canada:

An increase in investment in online advertisement and the rise of the digital media have contributed a lot to expanding the advertising industry in Canada profitably. The companies are spending more on advertisement to build brand awareness that will lead to get competitive advantage over their competitors. As time passes by, the demand for creative ideas has increased rapidly to grab the attention of the targeted audience. Hence, it creates a pathway for niche advertising agencies to emerge and provide services. After the Covid-19 period, the

industry has seen an incline in revenue. According to the IBIS report, Canada’s advertising industry’s revenue is growing with a CAGR of 0.5% which is expected to reach 4.9 billion in 2024 (IBIS, 2024). On the other hand, the current inflation rate is 2.7% which is forecasted to be reduced to 1.85% in the upcoming five years (Statista, 2024). Hence, the opportunities are there for the newcomers to expand their businesses.

I have conducted Porter’s five forces analysis to identify the competitive environment of this industry.

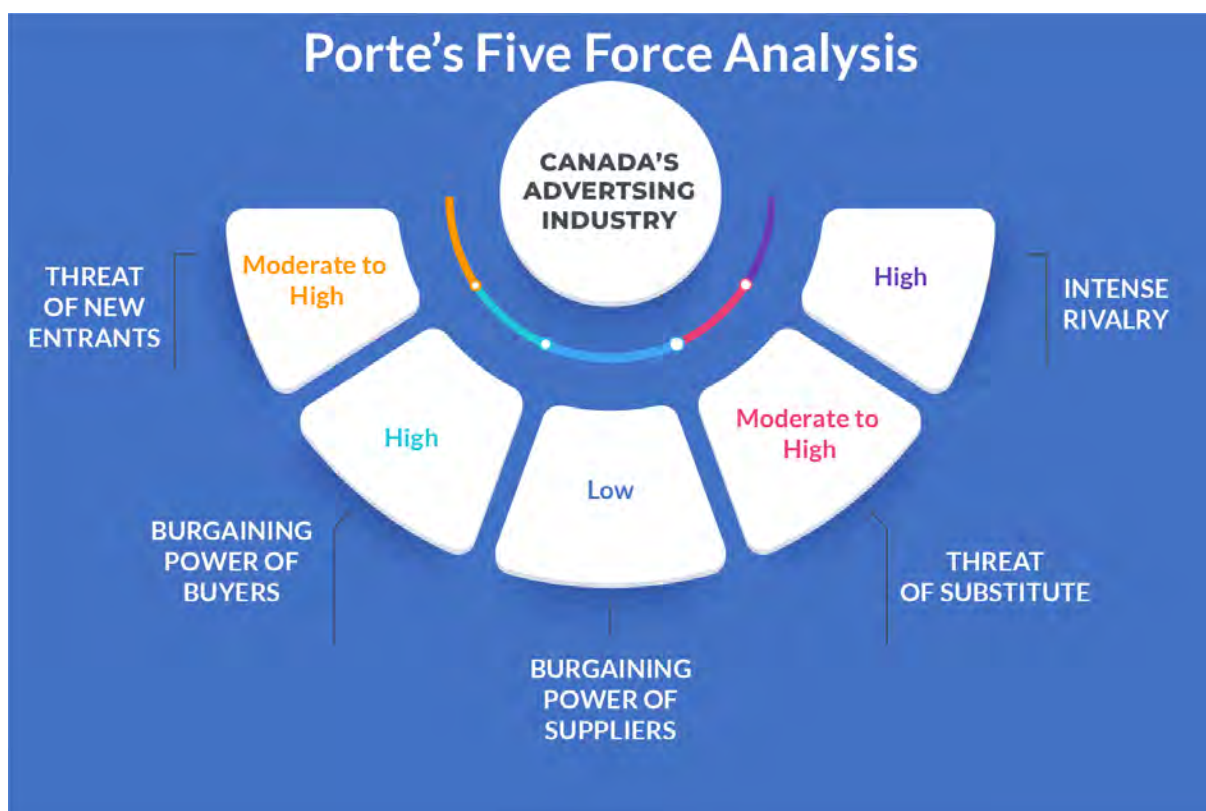


Figure 1: Porter's Five Force Analysis

Porter’s Five Force Analysis for the Advertising Industry in Canada:

Threat of New Entrants:

The threat of new entrants is observed to be moderate to high.

Reasons:

- The barrier to entry is relatively low in this industry. Due to technological advancements, it is comparatively easier for newcomers to enter the industry with minimal startup costs. Most of the digital advertisements take place on social media platforms.
- However, due to having long-term brand value and good relationships with the clients, established advertising agencies can hold their client base. Therefore, it becomes difficult for the new entrants to grab the attention of those clients.

The Bargaining Power of Suppliers:

The bargaining power of suppliers is observed to be low in this industry.

Reasons:

- Creative individuals (e.g. graphic designers, strategists, copywriters, etc.) and advertising agencies are considered suppliers here. Additionally, social media platforms (e.g. Facebook, YouTube, Instagram, etc.) can be considered suppliers in this industry. The availability of vast freelancers and advertising agencies is the main reason behind the low bargaining power of the suppliers in this industry.
- Despite having influencing power renowned media platforms are often seen to compete against the services of available advertising agencies.

The Bargaining Power of Buyers:

The bargaining power of buyers is observed to be high in this industry.

Reasons:

- As the demand for advertisements and the provider of this service both are high, hence the clients, especially the major corporations have extensive power over the service

providers. If needed, these clients can hire agencies both from global and local networks.

- Clients have become more price-sensitive nowadays, as some available agencies and freelancers can provide services at lower prices. Hence, the clients have the flexibility of switching agencies if their ROI is not fulfilled as forecasted.

Threat of Substitute:

The threat of substitute services is considered moderate to high in the industry.

Reasons:

- The demand for programable advertisements is increasing in Canada day by day (Statista, 2024). Google Ad and Facebook Ad Manager provide options to manage advertisements internally. Specially, startups use these platforms solely to advertise their products.
- Nowadays some companies maintain in-house advertising teams which reduces their dependency on external agencies.

Industry Rivalry:

The rivalry is found to be high in this industry.

Reasons:

- As the targeted audiences of the advertising industry in Canada are highly fragmented, it drives brands to come up with more creative ideas to grasp the attention of the consumers. Therefore, high rivalry is seen among the brands to seek competitive advantage over each other.

- All the firms are now shifting towards digital advertising as the demand is high. Hence, the competition has escalated in digital strategy, content creation, data analytics, and executions among the firms.
- Large companies are going through the pressure of innovation in the segment of digital advertising. Many companies started investing to utilize the opportunity of innovative digital advertisement that will give them a competitive advantage. This competitive advantage is expected to create differences among the firms in terms of creativity and technological expertise.

The analysis of Porter's five forces leads to the fact that Canada's advertising industry reflects mixed levels of attractiveness for profitability. While there are opportunities due to low supplier power, the industry's high buyer power, intense competition, and moderate to high threat of substitutes may reduce its overall attractiveness. Success will depend heavily on innovation and customer retention strategies. Established agencies are maintaining their competitive position through strong client relationships, economies of scale, and creativity. However, they are always under pressure to provide cost-effective and top-notch quality content to the clients. As the bargaining power of suppliers is low there is always an opportunity for another party to enter into the market to seek clients. Hence, an opportunity can be observed for Echo Waves due to the low entry barriers in the market.

2.5 SWOT Analysis of Echo Waves

SWOT stands for Strengths, Weaknesses, Threats, & Opportunities. Usually, SWOT analysis is a process used by the management to understand the internal and external factors that create

impacts on the business performance (Gurl, E. (2017). Hence, to analyze the business performance of Echo Waves, this analysis was conducted.

Strengths:

- Topnotch contents
- High-quality visuals
- Dedicated client service team
- High-tech development team
- Highly efficient workforce
- Strategy consultation
- Brand guideline service

Weakness:

- Shortage of workforce
- Absence of financial statements

Opportunities:

- High demand for advertising in the international market
- Low entry barrier in Canada's Advertising industry
- Higher value of the advertising services

Threats:

- Intense rivalry in Canada's industry
- High number of advertising agencies and freelancers
- Emergence of programable advertising

The SWOT analysis of Echo Waves reflects the opportunity for Echo Waves to operate successfully in Canada's market. The strengths and the opportunities are considerably high compared to the threats and the weaknesses. If the agency can utilize its strengths and opportunities there is a high possibility of overcoming the threats and weaknesses.

Chapter 3

Project Valuation of Echo Waves

3.1 Background

The initiative to invest in expanding the business in Canada emerges intending to amplify the revenue as the pay scale structure in Canada's advertising industry is high compared to Bangladesh. After comparing the market prices between Canada and Bangladesh, it is found that the value of the work is high in Canada for the same unit of product. In Bangladesh, the charges of Echo Studios Dhaka are considered to be moderate to high. On the other hand, Echo can offer competitive prices in Canada's industry due to the high value of work. For example, in Bangladesh, the basic design charge starts from BDT 500 whereas, in Canada, the basic design charge starts from CAD 50. Hence, to grab the opportunity that occurs due to differences in the value of work between the advertisement industry of Bangladesh and Canada, Echo Studios Dhaka intends to invest in the project Echo Waves. Additionally, after conducting the industry analysis in Chapter 2, it has been found that there is a low entry barrier in Canada to start a digital advertising business. Therefore, Echo Studios Dhaka can offer advertising services in Canada with a minimal startup cost. The growing demand for advertisement in Canada also accelerated the decision to proceed with this initiative. At the same time earning revenue in Canadian Dollars will also assist in expanding the business in Bangladesh due to the higher currency value. Moreover, the macroeconomic environment of Canada is found to be in favor of this investment. To assess the investment decision, I have conducted a discounted cash flow valuation approach.

3.2 Methodology

The discounted cash flow approach was taken for five years to calculate the NPV of the future cash flow of Echo Wave. In the absence of financial statements, I have taken relevant proxy

rates from authentic sources to carry out this analysis. At first, the expected revenue structure was formed based on the data given by Echo Studios Dhaka. Secondly, the treasury bond rate of Bangladesh for five years was taken as a cost of capital due to the unavailability of the data to calculate the cost of equity. I considered the treasury bond rate as the opportunity cost of this project's investment. Thirdly, the data of the five-year expense structure and the future capital expenditure data was collected from the supervisor. Lastly, by using the revenue CAGR of Canada's advertising industry, the future cash flow for five years was forecasted to carry out the NPV analysis. Additionally, the minimum revenue for a year was predicted as a threshold to maintain the positive NPV of this project.

3.3 Findings and Analysis

Initial Investment:

The initial investment is projected for 5 years. According to the data collected from Echo Studios Dhaka, \$4500 is considered as the initial investment. The breakdown of the costs involved in this investment is given below-

Initial Investment			
		Price (Per Year)	Quantity (Year)
Registration Cost (5 Years)	\$ 2,000.00		
Administrative Cost	\$ 1,500.00	\$ 300.00	5
Domain Cost	\$ 1,000.00	\$ 200.00	5
Total Initial Investment	\$ 4,500.00		

Table 1: Initial Investment

The table describes that the per-year administrative cost is \$300 and the domain cost is \$200. For five years the total administrative cost and the domain cost stands at \$2500. The registration cost for five years is found \$2000. Finally, the total initial investment stands at \$4500.

Expected Revenue:

The expected revenue structure is formed based on the competitive market price and the expected quantity of sales. These data are collected from Echo Studios Dhaka. The break-down of the revenue structure is given below-

Revenue			
	Price	Quantity (Yearly)	
Brand Identity Package	\$ 1,500.00	6	\$ 9,000.00
Website Package	\$ 3,750.00	6	\$ 22,500.00
Consultation Package	\$ 500.00	3	\$ 1,500.00
Branding Package	\$ 2,500.00	6	\$ 15,000.00
Total Expected Revenue			\$ 48,000.00

Table 2: Total Expected Revenue in a Year

The table describes that the agency is expected to earn revenue in a year with its four packages. The offered prices and the expected number of sales were used to sum up the yearly expected revenue. The first-year revenue is expected to be \$48,000. Based on this expected revenue, future cash flow for five years was forecasted. Additionally, the minimum revenue in a year was forecasted at \$10, 414.8. The revenue below this number in a year will lead to a negative NPV.

Expenses:

Mostly the fixed expenses are found in the expense section. The data of expense schedule for the forecasted five years are given below-

Expenses (Yearly)	
Advertising Expense	\$ 3,600.00
Capital Expenditure after 2 years	\$ 4,000.00
Salary Expense	\$ 3,600.00

Table 3: Expenses for Five Years

The table describes that the agency wishes to allocate \$3600 for yearly advertising expenses. Yearly salary expenses are also considered to be \$3600. After 2 years the agency expects to spend \$4000 as a capital expenditure.

Important Rates:

I considered a few important rates to carry out the NPV analysis for the project Echo Waves. Due to the absence of necessary financial statements, some rates were used as a proxy. However, the rates that I used are from authentic and reliable sources-

Important Rates	
Tax	38%
Industry Revenue CAGR in Canada	0.50%
Inflation Rate (Canada)	2.70%
WACC (T-Bond Rate in BD)	12.42%

Table 4: Important Rates

The table describes that the basic tax rate is found to be the 38% of taxable income (Canada.ca 2024). According to the IBIS report, Canada’s advertising industry is growing with a CAGR of 0.50% (IBIS, 2024). As the business will be operated in Canada, hence I have considered these rates. However, I considered the cost of capital as 12.42% which is the treasury bond rate for five years in Bangladesh. As Echo Studio Dhaka is a non-listed company in the capital market and the financial statements are absent, the calculation of WACC was not possible. Hence, I took the treasury bond rate as the cost of capital. This rate was considered as the opportunity cost of the investment of \$4500. Additionally, the inflation rate in Canada shows that the macroenvironment environment of the country is in a good position. According to Statista, the inflation rate is forecasted to reach 1.85% in the upcoming five years (Statista,

2024). This positive indication shows the possibility of getting positive output from the Echo Waves's investment.

Future Cashflow:

Based on the above information, the future cash flow of Echo Waves was forecasted which shows the below result-

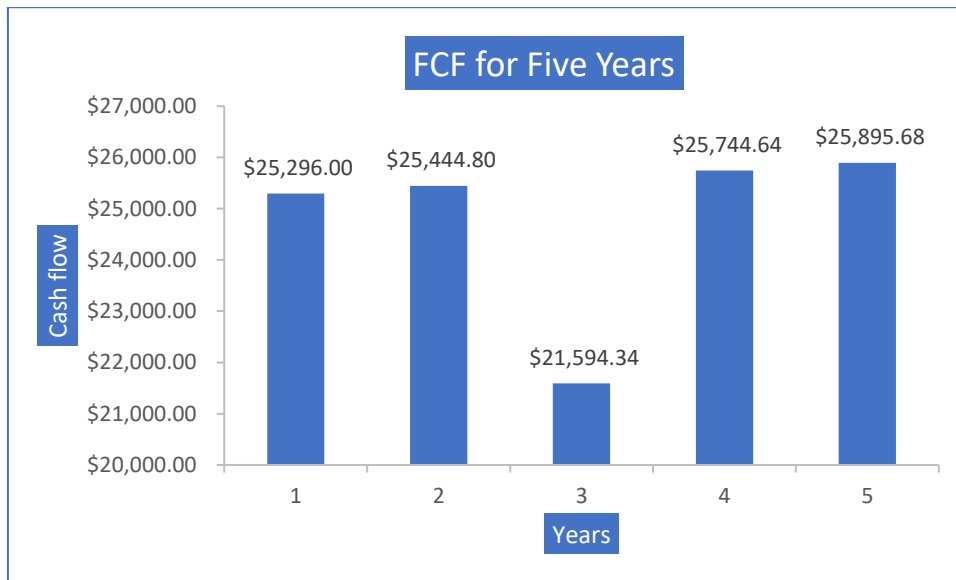


Figure 2: Future Cash flow of Echo Waves for 5 years

From the figure, it can be observed that the cash flows are in inclining order except in the 3rd year. As the company wishes to spend \$4000 in capital expenditure in the 3rd year, hence a decline in the cash flows can be observed.

NPV Analysis:

To assess the investment decision of Echo Waves, the discounted cashflow valuation was conducted. The positive NPV indicates the profitability of the investment. On the other hand, a negative NPV indicates the unworthiness of the investment.

Timeline (Year)	0	1	2	3	4	5
Revenue		\$ 48,000.00	\$ 48,240.00	\$ 48,481.20	\$ 48,723.61	\$ 48,967.22
Less: Salary Expense		\$ 3,600.00	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00
Less: Advertising Expense		\$ 3,600.00	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00
EBIT (Operating Profit)		\$ 40,800.00	\$ 41,040.00	\$ 41,281.20	\$ 41,523.61	\$ 41,767.22
Less: Tax		\$ 15,504.00	\$ 15,595.20	\$ 15,686.86	\$ 15,778.97	\$ 15,871.55
EAT		\$ 25,296.00	\$ 25,444.80	\$ 25,594.34	\$ 25,744.64	\$ 25,895.68
Capex		\$ -	\$ -	\$ (4,000.00)	\$ -	\$ -
FCFF		\$ 25,296.00	\$ 25,444.80	\$ 21,594.34	\$ 25,744.64	\$ 25,895.68
Present Value of FCFF	\$88,372.80					
Initial Investment	\$ (4,500.00)					
NPV	\$83,872.80					
Investment Decision	Yes					

NPV	0 If, Revenue = \$10,414.8
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Figure 3: NPV Calculation

The figure illustrates that the discounted cash flow valuation showed a positive NPV. This indicates that the present value of future cash inflows when discounted at the required rate, exceeds the initial investment. A positive NPV indicates that the project or investment is expected to generate value over time and is likely financially beneficial. The DCF analysis highlights the potential profitability, reinforcing the attractiveness of the investment from a long-term perspective. However, it was determined that if the company fails to generate more than \$10,414 in revenue during the first year, a negative NPV will occur. This indicates that the present value of future cash inflows would fall short of the initial investment, leading to a financial shortfall. A negative NPV is a clear indicator of potential loss for the investment, signaling that the project would not create sufficient value to justify the initial outlay. In this

scenario, the investment would not be financially viable, as it would result in a net loss over time.

3.4 Alternatives to the Investment

Entry into the U.S.A. Market:

The alternative investment for Echo Waves could be entering the U.S. advertising industry. The U.S. advertising industry's revenue is growing at a CAGR of 2.7% and is expected to reach \$70.1 billion in 2024 (IBIS, 2024). Hence, opportunities are there to grow. However, after the industry analysis of the U.S.A., it has been found that the industry is unattractive for new entrants due to the high barrier to entry. Hence, even though the industry is expected to be highly profitable, entering the market would not be wise.

Invest in the treasury bond of Bangladesh:

Echo Studios Dhaka could also invest in the five-year treasury bond in Bangladesh, which is risk-free and could generate good returns. However, this will lead to generating only cash inflow, rather than accelerating the growth of the company. Additionally, investing on the bond market would not generate the brand value of the company as well. Therefore, it would be a good option for Echo Studios Dhaka to take some risk and invest in Echo Waves.

In a nutshell, it is suggested that Echo Studios Dhaka should adopt the long-term perspective in terms of investing. Investing in Echo Waves not only generates profit but also could create greater brand value and employee engagement for Echo Studios Dhaka. Even though the main objective of Echo Waves is to generate revenue, the successful operation of this project will open many opportunities to grow. Therefore, considering the alternatives to the investment, my suggestion would be to invest in Echo Waves.

Conclusion:

Echo Studios Dhaka intended to launch the project “Echo Waves” in Canada so that it could generate more revenue. The higher value of advertising services in Canada’s industry compared to Bangladesh accelerated the idea to proceed with this project. Additionally, the current scenario of the small firms in the advertising industry of Bangladesh was discussed to showcase the emergence of this investment decision. To assess the investment decision of this project both Porter’s five force analysis of the industry and the SWOT analysis of Echo Waves were conducted. The industry analysis of Canada’s advertising sector reveals that the company can enter the market with minimal setup costs as there were low entry barriers, while the SWOT analysis confirms the company's capability to sustain itself in this competitive environment. Together, these analyses strongly support moving forward with the investment.

Additionally, to analyze the financial solvency, a DCF valuation was conducted to determine the NPV of the Echo Waves project. The result indicates a positive NPV, reinforcing the recommendation to proceed with the investment. Additionally, the alternatives for this investment were also considered showing a green signal to this investment. However, it is suggested that the company ought to achieve a minimum cash flow of \$10,414.8 in the first year to avoid losses. Furthermore, the company should maintain the four essential financial statements, which will help guide and inform future investment decisions more accurately.

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