

Marketing for the 21st Century and Why Your Present Marketing is So Lousy

Ever wonder why most marketing is so lousy? The reason: most marketers wrongly believe that products and services in the 21st century should be marketed the same way that consumer products and services were marketed in the 20th century. Unfortunately, what made Coke and Nike successful back when doesn't work today, especially not with the impact of today's technologies. Not to worry, though. Once you understand the real problem, there is a way to fix it and make marketing your products and services far more productive and cost effective.

The reason most marketing is so lousy is that most marketers have been trained to think of marketing in terms of "broadcast messaging." TV, Radio, Magazine and Newsprint primarily. This textbook marketing strategy consists of three basic steps:

- **STEP #1:** Create a product that has a broad appeal so intense that demand "pulls" the product through the sales channel.
- **STEP #2:** Reach as large an audience as possible with a message that appeals to as many potential buyers as possible.
- **STEP #3:** Replace desire for the product with desire for the brand, so that the brand can be extended into additional product categories.

You will probably find a whole gathering of MBA's endorsing this view of marketing. And that's not surprising, since it's the one that's universally taught in business schools under the guise of "best practices."

HOWEVER, when it comes to marketing products and services today, there are two problems with this traditional "broadcast messaging" approach:

PROBLEM #1: Broadcast messaging is losing its effectiveness.

The explosion of media outlets and the proliferation of advertising venues have created a state of "brand overload." There are so many brand messages flying around everywhere that consumers tune out 99 percent of them. And broadcast messaging was never all that effective, even back in the 20th century. Probably less than 1 out of 100 branding efforts was actually successful, if measured in terms of increasing revenue or profit, and today that ratio is probably more like 1 out of 1000. In any case, there are only a handful of really successful consumer brands. Most marketing groups, even with a big budget, have about as much chance of creating a "Coke-like" brand as they have of winning the lottery.

PROBLEM #2: Today products must be narrowly targeted.

Today's products and services are fundamentally different than consumer products and services of 10 or 15 years ago. Not that they are different physically but they are different in how they are perceived by the consumer.

Successful firms do not sell products. They sell change. More specifically, they are selling the change or the outcome that will occur in the customer's life as the result of buying the product or service. In many cases it's an emotional change, such as "you'll feel great with these sneakers on."

For one thing, it's quantitative change, not qualitative change. Businesses are all about money, not "looking good" or "feeling great." offerings must therefore be able to have some kind of integral effect on a company's financials (business model, supply chain, cost structure, etc.).

Therefore, to achieve effective marketing it requires "narrowcast messaging" that appeals to a small, highly targeted audience. Such messages, to be effective, must:

- Address a limited set of customer problems, rather than have a broad swath of appeal.
- Emphasize a limited number of relevant capabilities, rather than a broad set of features.
- Target a specific industry, industry sector, or even a specific customer.
- Aim at consumers with specific needs or required services

THE ROOT OF THE PROBLEM

The obvious solution to the problem is that we must wean marketers away from their addiction to broadcast messaging and instead focus them on narrowcast messaging that supports the solution-selling process. However, that's very difficult, for three reasons:

1. **Many Marketers have MBAs.** Many marketing professionals are the products of MBA programs that provide case studies and training in broadcast-oriented marketing methods. Broadcast messaging techniques are easy to teach to a broad range of students who are working or intend to work in a broad range of industries. Solution selling is too unique and situational to be taught in a classroom, particularly by an academic whose sole sales experience was running a lemonade stand.
2. **Many Marketers are Lazy.** Broadcast messaging is less work than narrowcast messaging. It takes a lot less time, effort, and research to create one set of marketing tools for everyone rather than a customizable set of messages for each targeted industry niche. Broadcast messaging also lends itself well to lazybones generalities like "improves productivity" and "state-of-the-art" — the kind of verbiage that sounds "business-like" to most marketers.
3. **Many Marketers are Clueless.** The vast majority of marketers never sold anything. As such, they lack the basic capability to build a narrowcast message that could actually make it easier to sell. There are exceptions to this rule, but as we've pointed out before, selling is like sex. Unless you've done it once or twice, you've got no business telling other people how to do it. A marketer telling sales pros how to sell is like a eunuch writing a sex advice column.

HOW TO FIX IT

I wish there were an easy fix to the problem, but there isn't. If your business has a marketing group that's doing broadcast messaging, the root of the problem is that you've hired people with wrong skill set. So the only way to fix the problem is through a general housecleaning:

1. Put sales and marketing under the same management.
2. Eliminate funding for all broadcast-oriented marketing.
3. Fire all marketers who haven't spent at least a year in sales.
4. Fire your Chief Marketing Officer, who is obviously an idiot.
5. Compensate marketing based upon its ability to reduce cost of sales.

Do the above and I *guarantee* you'll start seeing "narrowcast" marketing that supports solution selling.

Narrowcast advertising messages are presented to relatively limited audiences by means of direct specifically targeted media. Although narrowcasting reaches a smaller audience than traditional mass media, the audience reached is more likely to be predisposed toward the purchase of the advertised product or service. Consequently, narrowcasting can be very efficient, particularly when advertising budgets are limited.

Some forms of narrowcasting involve closed information networks. In the context of the new 21st Century technologies such as Internet e-commerce, Social Networking, Mobile Aps, Out-of-home Networks, and Loyalty programs this term often refers to the direct marketing application

Interactive narrowcasting

With the rise of narrowcasting - the growing specialization of both Mobile and the Internet - advertising models that still cling to the notion of a whole population being reached via a few network channels are no longer valid. The traditional demographic models relied on by the marketing industry of the past have been replaced by a landscape of clans, tribes, and virtual neighborhoods. Of course, the question on everyone's mind is how do we traverse this labyrinth of online worlds to reach the right audience.

A new type of narrowcasting is evolving in the form of interactive narrowcasting. Interactive narrowcasting enables shoppers to be directly influenced by the content displayed via Internet, Mobile and a combination of the two. One way of doing this is via a closed network, subscription or membership. Narrowcast messages about products and services sent directly to a more targeted and receptive audience. More and more systems are being introduced into this type of narrowcasting market.

- User-driven content also provides an excellent medium for narrowcast marketing, provided the correct product is matched with the appropriate media and consumer needs.

These systems enable brands to communicate with their customers via a Digital Network. The advantage of the majority of interactive narrowcasting projects is that they are more effective and less cost absorbing. These new systems allow marketers to utilize the two way processes that earlier marketing could not offer. Data mining will provide almost immediate feedback on various marketing campaigns. Different messages and the way they are sent to prospective consumers can be evaluated to find the most effective results and at a much lower cost.

In this way, we target right up front for advertisers. By planning with specific consumer technology groups, we are able to understand the cultures, identities, and interests of these

groups and deliver them the products and services that they value in their lives. In turn, advertisers see the long term returns of direct targeting and branding to the correct audience.

Customer Acquisition versus Customer Retention.

Which is More Important?

One of the most fundamental issues to any company engaged in marketing is whether to place more focus on customer acquisition as opposed to customer retention. Of course both are extremely important to making a business a success, however frequently much more effort is placed on acquiring new customers. This would make sense due to the fact that most of a company's initial revenue is generated by new customer acquisitions. However, if a company doesn't care what happens to a customer after they are on board, the company will have a high attrition rate and not do well long-term. Here are some ideas and suggestions for making your customers happier with your company and stay customers for life.

Right from day one, your company should place a strong emphasis on customer-relations and treating your customers like they are the most important people in the world. Making sure your call center and customer service staff answering phone calls or emails are treating your customers like gems is a must. Strict customer service monitoring and training on how to be friendly, helpful and doting on your customers is recommended. Having a company philosophy in place as it relates to treating your customers very well is always a good move too. You can also analyze the entire consumer experience on your web site to make sure your customers are being taken care of. Having good auto-responder emails, that look personalized, is also a good measure to have in place to make your customers feel warm and fuzzy about their online purchases as well as a follow up email after a customer visit to your physical location as well. Always be upfront and clear to your online customers and prospective customers as to exactly what they have purchased, the benefits and how long their order will take to arrive. Managing customer expectations is always a good policy because it alleviates pressure on your call center to answer questions that could have been answered on your site or in person. Having really good and comprehensive Frequently Asked Questions (FAQs) can also reduce needless calls to your customer service department.

There are many ways to treat a customer well after they become your customer. Creating a database of your customers is essential whether you are a one-off type purchase or have the ability to sell additional items to your customers, treating them great after they purchase is a must. You may even want to have someone in your call center place calls to your new customers to welcome them as a new customer and to assure them that you appreciate their business. This is also a great opportunity to reinforce the sale and up-sell additional accessories and products they may want. Up-selling should always be done tastefully with the customer's best interests in mind...never pushy. Members of your customer service staff can also place follow-up calls or emails a month after the purchase to see how it's working out for them. Again, this reinforces the fact that you as a company are sticking by your customer and really care. This will make your customers more likely to purchase from you in the future.

How your customer service department handles complaints can make or break your company's retention in the long run. Frequently, customer service reps are afraid to report complaints to their managers unless they are encouraged to do so. This is why I always recommend customer service be handled in the USA by your in-house call center. Outsourcing this aspect of customer

service can be a nightmare and cause your customers a lot of frustration, risking your relationship with them. Complaints, if handled well, can be a source of loyal customers. Look at complaints as an opportunity to build the relationship with the customer and make them love your company.

Once you have loyal customers that like doing business with your company you can launch a member referral program to reward your customers for spreading the word about your company to their friends and family members. This can be accomplished through an effective loyalty program designed to increase customer frequency and spend. A referral system that can keep track of referred customers and reward the referrer with a gift card or cash is just part of a comprehensive loyalty marketing strategy. Customer referral programs can be a very powerful word of mouth marketing tool and open up an entirely new channel of revenue. And, happy customers always tell others about your company and what a good experience they had. Having as long a life-time value (LTV) for your customer base can really increase your company's overall value.

The Reality of the Group Buying Business Model

..How it affects your business

..How to make it more profitable



Groupon, Living Social, Deal Chicken, Buy With Me, Deal Find. These are just some of the hundreds of startups taking advantage of the biggest shifts in e-commerce this century. Some will call it a Group-Buying Boom. Some may call it Discount Mania. Others will claim it's one of the most significant shifts in e-commerce since Ebay. The fact remains, whatever it is you call it, right now in 2011 it has quickly changed the landscape for businesses and consumers everywhere and particularly in relation to the down economy.

It's easy to define how these sites work. Essentially, they act as a distribution channel for businesses looking to have consumers purchase their products and services at deep discounts. But is that a good thing for your business and can it be profitable?

The quick answer is YES! But it has to be done correctly and you need to understand the positives and negatives. You need to understand the numbers as well as the hype that is permeating the marketing world right now.

In this article we will first focus on the negative aspects of the Group Buying Services and how they are not only a bad thing for small business, they also have a very negative effect on communities and the local economies.

The Consumers Perception

Many Group Buying users would probably jump to say that these Group Buying sites are an amazing thing for consumers and that the more the merrier! However, we have a different perspective. We believe that within the next couple years we will see that this boom will have a negative impact on many consumers. Why you ask?

- **Coupon Addicts Anonymous:** As the Group-Buying concept becomes more and more mainstream the number of consumers joining just for a deal will skyrocket. Meaning the number of bargain-hunters and pro-couponers subscribing to these sites will go through the roof. These customers often have (1) No interest in a repeat visit and (2) No interest in sharing their experience online through Yelp, a Blog or your friends via a social network.
- **Coupon Addicts Stay up Late for their Fix:** More and more businesses are putting a cap on how many deals they are willing to sell using Group Buying Services. These caps are to ensure that the businesses aren't losing TOO much money on the deals and that they can handle the response. With an increase in bargain hunters we will quickly see these maximums being met within a couple hours of the daily deal hitting your inbox. The more that subscribe, the faster the deal will sell.
- **Couponers get frustrated when they can't redeem their coupon:** Buyers of the coupons will find that they can't use their coupon due to expiration dates, inability to get an appointment or even problems with printing a coupon that may not be acceptable when they go to redeem the coupon.
- **Frustrated Businesses:** As businesses start to recognize that their discounts are being purchased more and more by nothing but Bargain Hunters they will be less likely to offer deals on these sites. As more and more businesses see these group buying sites as a waste – The less quality deals we will receive in our inboxes.

The RESULT: Quality businesses stop offering quality discounts and the mainstream uptake drives quality discounts being purchased too quickly by the bargain hunters and coupon addicts for quality customers to get their hands on.

How can Group Buying companies stop this from happening? Well, the big guys are kinda screwed and don't really have any choices here. They could introduce some sort of tracking mechanism that allows them to track whether or not certain subscribers are bargain hunters and not looking to try and support local businesses. That would be in the perfect world but they will probably continue the way they are going. So we look to the smaller companies... The little guys, the start ups. They will tend to make changes in order to compete with the big guys.

The Businesses Perception

Imagine you're a small business owner. You have to choose between two propositions:

You can pay \$62,500 for marketing. You'll get a whole lot of customers coming through your door. No guarantees if they will ever come back, but they'll come at least once.

To bring in hundreds of customers the Group Buying Service will pay you \$21,000. You get \$7,000 in about 5 days, another \$7,000 in 30 days and the remainder in 60 days. In exchange, you'll give their customers cheap products as long as there are coupons to redeem.

We have been working with local businesses for a long time and we know it's hard to get small businesses to spend money on advertising. Really hard! Even getting \$200 a month (\$2,400 a year) is a lofty goal to meet.

There's no way a business will sign up for #1. Most merchants would laugh you right out of the store if you were to ask for \$60,000 + for marketing.

Except businesses are doing just that and they are doing it in droves.

Although they sound completely different, #1 and #2 are really the same —it's the Group Buying Business Model.

Businesses are being sold incredibly expensive advertising campaigns that are disguised as “no risk” ways to acquire new customers. Group Buying Programs are not Internet marketing businesses so much as they are the equivalent of a loan sharking business. The \$21,000 that the business in this example gets for running a Group Buying deal is essentially a very, very expensive loan. Consumers pay up front for the deal and the Group buying service pays out the funds over a thirty to sixty day plan. The Group Buying Service is using that money to expand their database of consumers to make offers to. These consumers are considered their customers not the businesses paying for the marketing.

Internet magic has driven down prices in many online services. Priceline's opaque bidding was sheer brilliance. Recently we found that you could stay at the Westin in Seattle for \$75 a night. The lowest direct rate for that hotel was \$179, a savings of 58%. It's a transaction where everyone benefits: We could get a great rate, Priceline gets a small transaction fee and the hotel gets to fill unoccupied inventory without suffering brand dilution.

There is a false perception that Internet magic is why these Group Buying daily deals are so cheap. Most accounts in the mainstream press tout the great deals, but don't explain where the savings come from. None of the press coverage of any of the Group Buying Services mentioned how bad the deal economics are for businesses.

When we explain how these deals work to friends, many are surprised. Some have dramatically cut back their use of deal sites because they want to support their local businesses and now know that redeeming deeply discounted deals isn't the way to do that.

Consider what would happen if the deal companies broke out their fees like Ticketmaster does:

Face value – \$50.00

Discount – \$25.00

Payment to business – \$12.50

Group Buying Daily Deal service fee – \$12.50

People would be up in arms and complain about the fee just as they complain about Ticketmaster fees.

Transparency alone would drive a race toward lower fees. Of course, none of the deal companies would want to do this. But the fact that the business model would not survive transparency should be a red flag to investors.

Bad for business

The quality of customers that Group Buying Deals drive remains questionable. We sat at a local Group Buying Deal and on the first day of the offer for six hours to observe customer behavior. At least three people came in and asked if they could split their \$10 over multiple visits. We've talked to businesses that have seen customers come in with the same coupon multiple times and then threaten them with bad Yelp reviews if they don't get what they want.

Even if the Group Buying Services were paying the entire cost of the discount and merchants were paying nothing to be promoted, it sends a dangerous message to consumers that they should wait for “amazing” deals of 50-, 60- or 70-percent off.

There's no mention of real best practices that would be good for the small business (but bad for Group Buying Services), like make sure you get people to sign up for your Twitter or Facebook feeds. Or get their email address. Try to up sell them on dessert, wine or other high margin items so that you can eke a little bit of profit out of the deal.

There are a number of ways that daily deal companies could improve the economics for merchants.

1. Limit the number of deals people can buy in a set period of time. This would discourage deal habituation. (Of course, this isn't in the Group Buying Service's interests. Hardcore cheapskates would just setup multiple accounts.)
2. Limit the distance from the business that a purchaser can be. E.g. you can only buy deals within 5 miles of your home. This would discourage people who are 30 miles away and are willing to drive to save a few bucks one time. The farther away you are, the less likely you are to become a regular. (Of course, this isn't in the Group Buying Service's interests.)
3. Limit customers based on demographic criteria. (Of course, this isn't in the Group Buying Service's interests.)
4. Reduce the minimum discount for the offer. (This will drive down volume.)
5. Provide customer contact information to merchants so that they can follow up and invite repeat visits. This has privacy issues and would reduce the need for a business to do another run with the Group Buying Service.

6. Train businesses on best practices for inspiring repeat visits, such as getting follows/likes, collecting email addresses. This would have operational impact (training time) plus it reduces the need to do another placement with the Group Buying Service.
7. Send out reminder emails. Hey, it's been 3 months since you redeemed the X Group Buy at X. Have you thought about going back there? (They'd rather sell you a deal for another restaurant where they can make a fat margin.)
8. Restrict deals to new customers only. This, in our mind, is the most dangerous part of Group Deals and the like. You give up 75% of revenue to "acquire" customers you already had. We know of one merchant who was visibly despondent when he saw his regulars in line with a Group Buy Certificate.
9. Advise businesses to set their Group Buying redemption value such that it doesn't entirely cover the cost of meals and the customer has to pay some portion at regular retail. Cheapskates will check out the restaurant's Web site and see that this won't be a freebie and won't buy the Group Deal. (Deal site loses twice: discouraged cheapskates who don't buy and commission on the portion that is paid at full retail.)
10. Allow users to opt-in to a business's email list at the time they purchase the deal. (This would mean losing some grip over the customer relationship.)
11. Prompt users to follow business on Twitter at time they purchase.
12. Force tipping at the time of purchase. A standard tip based on retail price could be added at time of sale. (This would deter cheapskates from buying deals.)
13. Enforce restrictions at the point of purchase. If a business has stated only 1 item can be purchased, this should be enforced to the best of the system's ability, like checking email addresses and credit card numbers across accounts. (This would eliminate some transactions.)
14. Focus sales efforts on categories where the daily deal creates a real win-win, as opposed to preying on businesses who don't know better. (This would dramatically reduce volumes and revenue.)

There are lots of things the deal companies can do. But none of them are in their financial interests in the short term.

The core problem is that the interests of the deal companies are directly opposed to the interests of the business. The deal companies want to sell as many deals as possible to all comers. Not only does this generate more revenue, it's more operationally efficient. (It's much easier to write one description for 2,000 coupons than 20 descriptions for deals of 100 each.)

There is a fundamental conflict between the daily deal providers and small businesses in the current incarnation of the business model. There are many things that the daily deal providers could do that would improve the economics for merchants; every one of them is a negative for the deal provider. The best customers for the deal sites are cheapskates who frequently buy deals. These are the worst customers for small businesses. Yet, they are selling themselves as a way to acquire loyal customers.

For businesses, the notion that deep discounting is the way to acquire loyal customers is equally dangerous. Competing on price doesn't get you love; delivering high quality products and services, engaging with your customers and creating unique experiences does. **The best customers buy experiences, not price.**

The Other Side of the Coin

Now that we have totally turned you off to the idea of ever doing a daily deal, let's look at the positive side and see why you might want to do a deal of some sort.

Here is one of the few things that can happen with the coupon. We are not exactly sure why but often; there is a case of breakage where only 80-90 percent of the coupons actually get redeemed. This could be good or bad depending on which side of the purchase you're on. If you bought the deal and were not able to redeem the certificate you might not be too happy and may blame the business rather than the Group Buying Service. And if you are on the business side of the purchase it means income you did not have to provide services for. We tend to view this last scenario as not very ethical. With most Group Buying Services they will not provide a customer list that you can follow up on to be sure every buyer was provided with the opportunity to use the certificate or get a refund.

Most Group Buying Services will push the following as being the primary reasons a business will want to do a daily deal.

- Attractive to small businesses because you don't have the outlay of hard costs on the front end.
- Expose your products and services to a large number of potential new customers
- Generate a large number of new customers.
- Generate an upfront cash flow.
- Gain exposure among new or existing customers.
- Measurable results.
- And in numerous cases people won't typically spend just the cost of the face value that's on the certificate. Maybe they'll spend 30% to 60%, or more. The customers do get a good deal, and the business receives more money than their discount would suggest.

Group Buying Services or deal a day sites are all over the internet. They can be fun! You can find out about a bargain without being overwhelmed by choices. You can check them very quickly once a day. And there's always the chance you'll find just what you were looking for at a great price! But you'll always need to act fast, because when they sell out, they're gone. Quantities are always limited and featured items and discounts are only available for one day in most cases.

Another bit of good news is that most of those subscribed to daily deal emails pass them along to friends and family, albeit with less frequency. Only a quarter passed them on daily, but almost half (45%) forwarded them on at least once per week.

There seems to be a good deal (pun intended) of positive news for daily deal email programs. Even the enthusiasm doesn't seem to wane too much among subscribers. Six out of ten said they are subscribed to more of these programs than last year and almost half were still excited enough to say they "can't wait" for the latest and greatest offering message.

Here is the Big Question: "How Can We Make All This Work in a Positive Way for All Concerned?"

Loyalty and Long Term Gain; the First Step

Everyone likes a bargain. I do; you probably do; I know my wife does. Its human nature – if we can pay less, we will (although paying more for extra quality isn't a bad thing either).

The problem with constant bargains is that customers get into the mindset that they'll only wait for these bargains, and ignore you the rest of the time. Get ignored by customers and... well, you don't need to be a rocket scientist to know the outcome of that scenario.

So while the short-term benefit is clear, businesses need to be building long-term benefits for the customers, to encourage return visits and loyalty.

Gaining a competitive edge is based on customer loyalty. Satisfying your customers builds long-term loyalty, long-term sales, and long-term revenues. To truly gain an edge on your competition, you need to build customer loyalty.

How? Let's look at the nature of customer loyalty and how the Akamai Marketing Group can help you grow your business.

Many people use the words "customer retention" and "customer loyalty" interchangeably. At its most basic level, customer loyalty means a customer comes back and buys again; in effect you "retained" that customer.

There are five basic types of customer loyalty; your goal is to develop one or more of these situations (some are easier to develop than others):

1. **Purchased loyalty.** The prime example of purchased loyalty is a customer rewards program. Other examples include memberships, coupons (this would include Group Buying Services), and rebates. Basically, purchased loyalty pays customers to be loyal and this can be a very effective approach. In many industries and market sectors it works extremely well.

The problem with most of today's typical purchased loyalty programs is that the consumer can be "stolen." Say you have a frequent flier account with a particular airline; if the only thing that keeps you as a customer is the points system, when another airline offers you a more advantageous system you will quickly switch. With Group Buying Services it is whoever has the big deal of the day. We will discuss these programs in detail after we cover loyalty and rewards. With the A.M.G. Ispotrewards program cash rewards are put on a dedicated loyalty card that can only be redeemed at that business location. This is spendable dollars on the customer's loyalty card that the customer will not walk away from.

Using the Ispotrewards Loyalty card is easy and rewarding. Cardholders earn cash back rewards when presenting their card at checkout so clerks can record the sale of the item/product(s) purchased. These rewards are in **straight \$.\$\$** currency (no complicated points) and can be redeemed on future sales as if the consumer were spending real cash. For example, if you were the issuing merchant and you offer a 10% cash back rewards and your customer spent \$30.00 and then presented their loyalty card at checkout, their account would be credited with $\$30.00 \times 10\% = \3.00 cash reward. All the consumer would have to do is inform the clerk when they were ready to redeem their rewards so that the value could be deducted from their bill. Each transaction receipt processed through the terminal will show their current balances. Their card

is not redeemable for cash and no change will be given for unused value by the issuing merchant. They can, however, save up their rewards and use them anytime. There are no fees or hidden games with Ispotrewards Loyalty so consumers are free to build their rewards card balance as high as possible and then go wild on the house!

The big advantage to rewards is that they cost the business nothing till redeemed and then are treated as a tax write-off because they are an advertising expense to get the customer back into the business.

2. **Convenience loyalty.** The corner market, corner dry cleaner, the coffee shop on a customer's way to work—people may be loyal to these businesses simply because they are convenient. Unless competitors come along and are equally or even more convenient, customers will probably remain loyal.

The Akamai Marketing Group Loyalty Program is a community based program that is made available to consumers who reside in proximity to those businesses in the network. We want consumers to shop locally and support their local merchants. Akamai Marketing Group strives to support and sustain quality of life within local communities all around North America. We do this by helping to prevent the displacement of locally owned, independent businesses, ensuring ongoing opportunities for entrepreneurs, and advancing citizen engagement in directing the development of their local community.

3. **Restricted loyalty.** Restricted loyalty occurs when there is no other readily-available option. A cable company may enjoy restricted loyalty, especially in a rural setting where there are no competitors. Utilities tend to enjoy restricted loyalty. A corporate travel program with a credit card company may be a form of restricted loyalty. Some Wal-Mart locations enjoy a form of restricted loyalty, mixed with convenience loyalty: if Wal-Mart is the only major retailer in town, customers will be loyal. When customers don't have options they have little choice but to be loyal. Constraints create loyalty. Restricted loyalty is great for a business, if you can get and maintain it.

Restricted Loyalty is no guarantee that customers will remain satisfied or not want to find a new business to replace one that does not keep the consumer happy. If a consumer feels they are just being taken advantage of because there are no options they may look to other alternatives. With so many options available through the Internet consumers may opt out of convenience for a better alternative online. Consumers will always use a business if they feel that they are appreciated, welcomed and thanked for their continued patronage.

4. **Loyalty to your people.** There is also loyalty to the people who serve customers. This can be one of the strongest loyalty bonds with some customers. The people who serve customers establish long-term, professional and personal relationships with their customer's. For example, simply remembering a customer's birthday by bringing cake is not something the company is likely to remember or do. But, the people who work for you will do that because of the personal relationships they have developed. Long-term, sometimes the most effective people are your employees who developed deep-seated relationships with their customers.

One of the most tedious tasks a business owner has to do is manage some sort of record of his loyal customers. This includes Birthdays, Anniversaries, and important information that will make the customer feel special. You can't rely on your people to know everything about your loyal customers. The Akamai Marketing Group program is designed to make that entire process

automated. We create a complete database of all your customers that are participating in your loyalty program. We keep track of birthdays, anniversaries as well as spending habits and frequencies. This provides multiple remarketing opportunities and satisfied customers who are impressed because you made them feel special.

5. **True loyalty.** Earned loyalty is true loyalty. As a business owner you can't rely on the fact that your products and services will get consumers to come back. There are just too many alternatives for consumers. True loyalty is allegiance to a brand or product based on satisfaction. That's true loyalty; needs are completely met and customers cannot imagine using another business or product. True loyalty is a tremendous competitive edge and is what all companies should try to achieve. It is a difficult and labor intensive process for a business owner to accomplish and that is why the Akamai Marketing Group has developed a complete program that allows you to do what you do best and that is running your business. We do what we do best and that is keeping your customers loyal to your business and coming back.

Those are the five basic types of loyalty. What does that mean for your business and specifically how can The Akamai Marketing Group help?

Our goal is to generate customer loyalty for your business and make your business far more successful. You need to know your customers, analyze your competition, and make changes and improvements that will increase in customer satisfaction and then you can create truly loyal customers. We do all this for you. For example:

- We will help you change your products or services when market conditions or customer needs change; you can't assume that what you do today will be successful tomorrow.
- We will help you focus on quality and customer service; customers will forgive an occasional defect or mistake as long as you take responsibility for that mistake, and remedy the situation immediately.
- We will help you keep costs low and profit margins reasonable; customers will pay a fair price – or even a slightly premium price – if they feel the quality and service they receive justify that price. Stop the discount mania (No customer will be loyal if they feel taken advantage of.)
- We will provide different solutions based on need. One-size-fits-all pricing and service schedules make it tough to effectively satisfy a diverse customer base.
- We will make sure all employees have been trained to provide outstanding service and have been given the authority to deliver that service. Let your employees be heroes, too.
- We will introduce new ideas and marketing sources to drive new customers.
- We will reduce your marketing expenses.
- We will make it possible for your loyal customer to advertise for you for free.
- We will provide a completely new income source that will significantly improve your bottom line.

The key to gaining a competitive edge and to building customer loyalty is to focus on the customer, not just on your business. What do your customers need? What do your customers expect? How can you ensure they come back for more? Don't simply focus on how operational or service changes can benefit your company; work hard to develop changes that benefit your customers.

You can create greater customer loyalty. Loyal customers come back; you don't have to win them over through expensive advertising, or offer significant deep discounts to get them in the door or keep them. Best of all, loyal customers usually are among your more profitable customers.

In almost every market and industry, customer loyalty is the best form of competitive advantage your company can possess for the long-term.

Incentives; the Second Step

Using an incentive program gives business owners the ability to build strong and long-lasting business relationships.

Adding incentive programs to your marketing efforts can be a great way to keep your current customers happy and increase the addition of new customers to your business. These types of incentives, when supported with a good marketing strategy, can be more effective than deep discounts for a number of reasons.

Leads or prospective clients are likely to receive tons of promotional messages from different companies, including flyers, e-mail updates and daily discount deals services. Because of market saturation and the overwhelming number of offers each potential customer sees, these messages are often overlooked and discarded after a quick glance. If you give your customers incentives along with your promotional message, they are better inclined to study what you offer and act on it if they are interested.

Targeted incentives usually evoke positive reactions from people, which can then motivate them into patronizing and frequenting your business.

Deep discounts, for the most part, do not evoke emotion or help set the stage for an involved, long-term business relationship between your company and each client. The Akamai Marketing Group backs up this theory with findings that show more than 60% of all individuals who have received deep discounted products or services do not return to the business without another deep discount offer. Deep discounting cannot grow your business. In addition, further studies say that incentive marketing based on deep discount programs may cost more than 500% of the overall expenses of a well-developed incentive strategy built around actual merchandise and services as incentives.

If you are thinking of building your marketing strategy or streamlining it by offering deep discounts, remember that you may only be able to stand out from your competitors by giving a deeper discount. In comparison, an incentive plan that is well-researched and planned can result in an actual connection with your potential customer or a rekindling of business ties with a current one. The ability to constantly update your strategy and still remain fresh when it comes to your products, services, and customer approach is better accomplished with innovative incentives based on market trends. In a nutshell, the main advantage of using marketing incentives is the ability to build strong and long-lasting business relationships based on the personal connections and customer loyalty; results that deep discounts simply cannot generate.

The following are two examples of incentive programs. The first is a deep discount incentive that might be found from a Group Buying Services. The second is an example of a properly run incentive promotion.

Business A is a small Pizza restaurant. They have agreed to do a Group Buying Daily Deal. The deal is promoted on the Daily Deal site as \$20.00 of food for \$10.00, a 50% discount. The deal is sent out to hundreds of subscribers to the daily deal site in the city that Business A is located. On the day of the deal 943 people take advantage of the deal and make a purchase. The following are the results of the deal:

Retail Value of the promotion $943 \times \$20.00 = \$18,860.00$

50 % discount X 943 sales at @10.00 = \$9,430.00 in total sales

Commission to the Daily Deal Site 50% = \$4,715.00 divided by 943 = \$5.00 per customer, the cost of Acquisition.

Sub total profit to Business A = \$4,715.00

Assuming the overhead cost and individual plate cost of only \$4.50 per pizza the net profit to Business A would be \$471.50. Not too bad, at least Business A made a profit or so it seems.

Now Business A would receive \$1,571.66 in five days. \$1,571.66 in 30 days and assuming there was no refunds the final \$1,571.66 in 60 days. What if all 943 customers came in for their pizza within the first two weeks? Business A would have a negative of \$2,671.84 of which he would not totally recover for another 6 weeks.

The thought of a small business getting 943 new customers can be a big motivating factor to why many small businesses will buy into this kind of a deal, but when you look at the final numbers most business owners will find little interest in this kind of a promotion.

There are numerous other negative factors that come into play when the promotion actually goes live.

- Customers call to complain they can't print out the coupon.
- Customers attempt to pass off multiple coupons from the same purchase and if the business owner doesn't honor the coupon the customer threatens to leave a bad review on Yelp and other online rating sources.
- Business owners have to deal with employees who use redeemed coupons for their friends to give them a free pizza.
- Coupons get lost and there is no simple accounting system.
- Coupons can't be easily verified as authentic.
- Customers tend to only come back if you do another deal...No Loyalty
- Very few customers will recommend the business without referring to a deep discount. Those that are referred expect the same deal.
- The business staff can be overwhelmed and tips can be cut in half as customers will only tip on the discounted amount.
- If there are any problems with the coupon or the redemption process the business will always be the bad guy and somehow connected to the problem.
- Business owners have to create their own method of capturing customer information. Group Buying Services will not provide consumer information.

A Properly Run Incentive Promotion

Using the same business but now using a properly run incentive promotion.

Business A the same small Pizza restaurant. They have agreed to run an A.M.G. Incentive Promotion. The business owner can access his administrative back office and post his promotion. The incentive is then promoted to the entire Ispotrewards card holders in the business owner's local area. The promotion is a similar \$20.00 of food incentive for \$10.00, we do not imply that the incentive is a 50% discount in fact we don't use the word discount anywhere in the promotion. Remember these are not discounted products and services they are incentives to get active card holders to visit the business and as such are an advertising promotion. The promotion is automatically placed on hundreds of active Ispotrewards

cards in the businesses local market. At the same time an email and text message is sent out to all card members in that area who have requested this type of promotion.

Over the next two weeks 943 card holders take advantage of the incentive promotion. The following are the results of the promotion:

Retail Value of the promotion $943 \times \$20.00 = \$18,860.00$

943 sales at @10.00 = \$9,430.00 in total sales paid directly to the business

Commission to the Akamai Marketing Group 5% = \$471.50 divided by 943 = \$.50 per customer, the cost of Acquisition.

Sub total profit to Business A = \$8,958.50.

Assuming the overhead cost and individual plate cost of only \$4.50 per pizza the net profit to Business A would be \$4,715.00. A much better ten times profit difference for business A.

Business A receives all their money up front and is not subject to any out of pocket expenses.

The thought of a small business getting 943 or more new customers is a big motivating factor to why many small businesses will want to run an incentive promotion like this, and here are the other motivating reasons you will want to consider this alternative over the first example.

- Customers call to complain they can't print out the coupon.
No coupons to print out. All promotions are automatically loaded on to card holder's cards.
- Customers attempt to pass off multiple coupons from the same purchase and if the business owner doesn't honor the coupon the customer threatens to leave a bad review on Yelp and other online rating sources.
No fraud since all information on each transaction is computer controlled through the card system.
- Business owners have to deal with employees who use redeemed coupons for their friends to give them a free pizza.
Employees can't kink the system. Fraud control includes employee transaction monitoring.
- Coupons get lost and there is no simple accounting system.
No coupons to get lost. All transactions are handled through POS systems. You receive a complete accounting of the day's transactions the following day.
- Coupons can't be easily verified as authentic.
All cards are part of the Visa Network and can be authenticated when scanned.
- Customers tend to only come back if you do another deal...No Loyalty
Loyalty rewards are added to the card every time a purchase is made. Customers come back to redeem rewards or accumulate more rewards.
- Very few customers will recommend the business without referring to a deep discount. Those that are referred expect the same deal.
Customers will tell their friends because of the ease of use but also because they get great rewards and incentives.

- The business staff can be overwhelmed and tips can be cut in half as customers will only tip on the discounted amount.
Incentives can be run over a time period and your staff won't be overwhelmed with too much business at any given time and we always encourage card members to tip on the bill before the incentive is removed.
- If there are any problems with the coupon or the redemption process the business will always be the bad guy and somehow connected to the problem.
Since there are no coupons to print or provide for redemption the ease of use of the Loyalty card makes this the perfect promotional traffic builder.
- Business owners have to create their own method of capturing customer information. Group Buying Services will not provide consumer information.
We help every business owner on the Akamai Marketing Group Program to build and maintain a complete Data Base of their customers.

As you can see utilizing a complete marketing company over a one trip pony Group Buying Service can not only make more money on incentive promotions, it can build your business with loyal customers.

We go beyond daily deals by building long lasting marketing programs that will continue to improve and grow your business for years to come and we put the control in your hands.

Akamai Marketing Group can help your company get more traffic, more calls, and new customers. By marketing with us, you'll be able to customize your business profile, get found across the Web, create incentive programs, and drive more traffic to your business via the Ispotrewards Loyalty Network.

Akamai Marketing Group's network allows local business owners the ability to combine social networking features with customizable promotions, cross marketing and the latest technologies that help local merchants attract new customers. We are a growing company dedicated to connecting neighbors and merchants both online and in the real world to help build real relationships between local business owners and their customers. Just use the links below to learn more about each of these services and how our innovative marketing ideas can work for you.

To learn more about the Akamai Marketing Group and the Ispotrewards program visit our web site at <http://www.akamaiinc.com>

Thank You for taking the time to read this important information.