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RE: Ad:Tech Speaking Engagement:

Session Title:

“There are NO more Customers ... ONLY Prospects”

Prospect Relationship Management (PRM)

Speaker(s):

Robert F. Culbertson III is currently a Professor at Carnegie Mellon University and CEO Eidoserve – a Pittsburgh based software company that is founding the I-generations (the ‘interactive’ generation). “Abby”, “AbbyLite” and “Virtual Agent” are it’s flag ship products. Mr. Culbertson was previously co-founder of LeaseTek, Inc. (now CFS Americas, Inc.), a Pittsburgh-based company that grew into the world’s largest supplier of fixed-asset based management and accounting software. LeaseTek was sold to CFS Group plc in 1998 and is now known as CFS Americas, Inc.

Mr. Culbertson’s teaches Entrepreneurship and E-Commerce at Carnegie Mellon University, along with founding a course in ‘Experiential Entrepreneurship’ (E²). Mr. Culbertson has a B.S. and an M.S. degree in Engineering and an M.S.I.A. from the Graduate School of Industrial Administration - all at Carnegie Mellon University.

Mr. Culbertson has numerous speaking experiences that include: Association of University Technology Managers, National Vehicle Leasing Association, National Canadian Leasing Association, Consumer Bankers Association, World Leasing Conference, KQV Radio – Computer Talk Show (hosted 12 weeks), Pittsburgh Tech Council – Exit Strategy / Creativity / Selling / (others)

Additional speakers could include: Mr. Jeff San Rocco, Operations Mgr at #1 Cochran – largest GM Automobile Dealership on the East Coast, and Mr. Tom Roberts, Co-CEO of the Great Lakes Innovation and Development Enterprise (GLIDE)

Session Description (100 words)

Current consumer research is revealing that the Internet is causing a dramatic flattening of the brand/supplier - loyalty curve. Normally, the longer that you are with a particular brand/supplier – the higher your loyalty is to that brand/supplier.



However, research data suggests that consumers are identifying more with value and less with specific store brands. An increasing number of consumers are less concerned about where they shop, than where they are finding value. In 2003, more than 40% of consumers tell us that they have “no preference on where they shop” because they view products as being very much the same among the stores. This is twice the 2002 rate.

The Internet has forced itself upon the sales environment, and your web site must, and your sales path forward must include:

- “A” - become Aware that a prospect is on your web site
- “B” – understand the Behavior of this Internet lead
- “B” – correctly Balance your on-line and off-line experience(s), and
- “Y” – Yield to facts, and not emotions.

We call these elements ‘ABBY’.

Intended Audience:

Anyone interested in increasing awareness, increasing sales, increasing customer satisfaction – using a web-based ‘interactive’ toolkit.

Factual case studies will be presented using ‘interactive’ banner ads, and completely ‘interactive’ web-sites. In this environment, communication and dialogue is exchanged between visitor and ‘avatar.’

Factually, sales and awareness results are in.

‘Interactive’ banner ads attract 800% more viewers than normal banner ads.

‘Interactive’ web sites increased sales by over 200% in their first 3 months of operation.

Goals and Benefits of the Session:

- How the ‘avatar’ solution solves the issue: “There are no more customers ... ONLY prospects.”
- Emphasize how to make your web-sites, “Prospect Aware”
- What is necessary from a back-end engine – in order to match the ‘Behavior’ of the Internet prospect.
- What specifics caused an 800% increase in Internet traffic.
- What specifics caused a 200+% increase in Internet sales.
- Coupled with the above – explain the cost reductions incurred through this implementation, and the increase in customer satisfaction



Key Technologies Utilized

We are coming into the “I”-generation – the ‘interactive’ generation. This is a generation where ‘currently static’ communication will be required to be ‘interactive’ - as well as device independent. Why shouldn’t your web site be another layer of interactive customer support, or your best sales-person? The next generation of web-experiences will need to be equipped with social, intellectual, and communicative skills – in order to help build customer relationships.

Eidoserve’s patented Q-Engine (developed at Carnegie Mellon University) is such a low band-width, brand impact, convey information, gain reaction and response application. Eidoserve’s animation requires no downloads, or installation programs. It’s text-to-speech engine, offers the customer a no-brainer approach to content management – which brings the creation of broadcast quality content – down to minutes.

Maintenance associated with the technology, is as easy as answering an e-mail. You simply add one line of HTML code to your existing applications and you’re up and running.

We’ve reduced the price point (\$99 per month) to a point where this is not only affordable, but the ROI is measured in days.

Detailed Account of the Strategic Execution:

The talk will be a three pronged approach:

1. The theory surrounding “There are NO more Customers ... ONLY Prospects”
 - a. Data Gathering
 - b. Assumptions
 - c. Conclusions
2. How ‘Avatar’ Interactivity is a bridge:
 - a. Between the customer and the supplier knowledge
 - b. Between the supplier and their customer (In a world where products and services are duplicable, customer knowledge is key.)
 - c. Between reducing costs and operating 24/7
3. How implementations of “Abby” were structured
 - a. How the ‘advertising’ model works
 - b. How the web-site model works
 - c. Costs and ROI surrounding each one for the two/three case studies generated.
4. Q&A



Results of the Process ... ROI Focused: (in % or numbers)

2 Abbreviated Case Studies – both percentages and numbers will be supplied for:

Subject: “Addy” – Interactive Ad – Increases Traffic 800+%

Case Study:

- Publisher: www.mesachamber.org
(Chamber of Commerce of Mesa, Arizona)
- Client: Sun Pontiac GMC of Mesa, Arizona
- Time Period: November, 2003
- Purpose: Building Brand and Brand Awareness.
- Results: A talking ad generated 800% more advertising traffic than any other banner ad campaign
- Conclusion: For increased ad traffic and exposure, using the latest in software technology, you can e-mail, phone, or click on Abby below
- ROI: For \$99 per month / ROI was less than 5 DAYS!

Subject: “Abby” - Virtual Sales Asst. – Increases Leads 200+%

Case Study:

- Publisher: www.1Cochran.com
(#1 Cochran of Pittsburgh, Pa. / Largest GM dealer on East Coast)
- Client: #1 Cochran of Pittsburgh, Pa.
- Time Period: November, 2003
- Purpose: Improve the Web Car-Buying Experience
- Results:
 - o 51% of new visitors used “Abby” the virtual assistant
 - o 76% of returning visitors interacted with Abby
- Conclusions: To turn web visitors into prospects, and then customers, use the latest in interactive software technology, it works!
- ROI: For \$1,500 per month / ROI was less than 3 DAYS!

To see Abby in action – her home is: www.eidoserve.com (pronounced I Do Serve). Eidoserve develops virtual employees to help its clients optimize their knowledge management and add value to existing customer relationships. Eidoserve's virtual employees improve operations efficiency in areas such as scheduling, appointment setting, sales, customer follow-up, and providing answers to customer questions that exceed the capabilities of standard FAQ lists.



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Thank you for your consideration. I have attached the first 3 articles – of the 5 part series: “There are NO more Customers ... ONLY Prospects.”

Looking forward to speaking at Ad:Tech.

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Appendix 1 – copys of the syndicated series ...

THERE ARE NO MORE CUSTOMERS → ONLY PROSPECTS (Part 1)

Current consumer research is revealing that the Internet is dramatically altering supplier brand-loyalty. Normally, the longer that you are with a particular brand – the higher your loyalty is to that brand. However, research data suggests that consumers are identifying more with value and less with specific store brands. According to the latest report from BIGresearch, an increasing number of consumers are less concerned about where they shop, than where they are finding value.

From the September 2003 research, 22.2% of those surveyed said they had "no preference" on where they shopped. In one year, that number has almost doubled! "Products are being viewed as being very much the same between the stores," said Gary Drenik, CEO of BIGresearch. "Consumers seem to be opening their Sunday circulars and picking the store with the best deals, and not worrying about which one that might be," Drenik said. "In the competitive zero-sum sales environment, when someone grows it's usually at the expense of a competitor."

But something more intriguing is at play than just increased sales.

According to many of the Internet managers at automobile dealerships, it's becoming harder to distinguish "Internet" customers from "regular" customers - because so many people are using the Internet at various points in the sales cycle. Currently, more than 80% of the customers that purchase an automobile, visit that dealership's web site within 30 days prior to purchase. In 2002, the "Ward's e-Dealer 100" sold 22% more vehicles "on-line" than in 2001. And, the 2001 figure was 'double' 2000's. We can all see a pattern, coupled with momentum. No longer is it just a handful of web-savvy customers, shopping for price or looking to avoid the showroom.

Today's Internet customer is the average "Joe", looking for information and using the Internet to expedite the shopping-buying process. But, where's the loyalty? Where's the customer retention due to a high CSI (customer satisfaction index)? Where did all my direct mail pieces and phone calls go? The answer is – that those efforts went toward convincing the customer that he makes a better prospect!

Now, what does this mean?

It means that you must convince the on-line shopper that YOU are the final stop on his tour. You must capture the on-line shopper early, and be



able to develop an “on-line” relationship quickly. The selling process must start on the web site and must compliment the selling process in your store. If you allow prospects to come in, grab brochures by the hand-full, leave, and never talk to you again – fine - then configure your web site as brochure-ware and you should be in alignment. Potentially many of you at least get a name, a phone number, or an e-mail address from the prospect when they visit your store in person – so why do you allow different behavior on your web site?

Your web site needs to deliver content, but it also needs to begin to establish the buyer-seller relationship. Content such as accurate and timely inventory, virtual tours, e-brochures, financing offers and appraisal information are all proven winners.

The remaining interesting “piece” of the sales puzzle is pricing. On one hand, supplying the customer with invoice prices definitely builds trust, but it is often argued that it reduces your “bottom line.” The rationale to revealing invoice costs is increased customer satisfaction. But if **there are no customers – only prospects** – various customer satisfaction indexes could be a way of the past. So CRM may quickly become **PRM = “Prospect Relationship Management.”**

The elements of PRM are called ‘**ABBY**’:

- **“A” = Awareness** - becoming aware and admitting that a problem exists.
- **“B” = Behavior** - understanding and managing the behavior of the ‘Internet lead’.
- **“B” = Balance** - establishing and experiencing the correct balance between the off-line and on-line and for **“Beating”** the competition!
- **“Y” = Yield** - this is the ‘form follows function’ argument. Yield to facts rather than emotion.

The nurturing of the customer **MUST** start on the web – because customer dis-loyalty is only a “mouse click” away – and that dis-loyal behavior is gaining momentum. If that 22% of all customers “who don’t care where they shop”, turns into 44% after another year – then truly **“there are no customers – ONLY prospects.”**

Thank you for listening.



**THERE ARE NO MORE CUSTOMERS – ONLY PROSPECTS! (Part 2):
Step 1 = Awareness = “I was an Internet lead and you never knew it.”**

The Internet has caused a dramatic flattening of the relationship / loyalty curve. Under the old way of thinking, the longer you were with a particular supplier – the higher your loyalty to that supplier’s goods and services. Unfortunately, statistically, consumers are identifying more with value and less with specific suppliers/stores.

Products are being viewed as being very much the same between the stores. An increasing number of consumers are less concerned about where they shop, than where they are finding value. More than 22.2 percent of consumers surveyed recently said that they had “no preference” on where they shopped. In one year, that number has almost doubled – and is on track to reach 44 percent (double again) in 2003!

Consumers seem to be opening their Sunday circulars and picking the store with the best deals, and not worrying about which one that might be. And, in the competitive zero-sum sales environment, when someone grows it's usually at the expense of a competitor.

The sales environment has extended to your web site, and you must:

- **“A”** - become **aware** that a prospect is on your web site
- **“B”** - understand the **behavior** of this internet lead
- **“B”** - correctly **balance** your on-line and off-line experience(s)
- **“Y”** - **yield** to facts, and not emotions.

These elements are called –**“ABBY”**- and will be discussed going forward.

The following scenario is all too often the norm:

- I was a prospect on your web site and you never knew it.
- I contacted you from your web site, and you never responded (in time)
- I bought from someone else.

In Marketing 101 we are taught to develop a profile of the target market, and then figure out how to attack that target given the budget, talent and delivery channels available. Well, currently the most inexpensive and under used delivery/decision-making channel is the Internet. But somehow we need a mechanism of interacting with our prospect within this delivery channel, in order to identify and pre-qualify the ‘real’ prospect.

A particular consumer behavior pattern is spreading, and it is one where the main product consideration battle is being fought and decided on the Internet, not in the store. Consumers are moving all the way through the



purchase funnel online, leaving the last step - the purchase itself - for the brick-and-mortar channel. Currently, more money is being spent in online advertising and marketing.

Knowing that a good percentage of this category's purchase decision-making happens online, should also bring about a radical change in messaging that shows differentiation designed to **show advantages over competitors**. Messaging should also focus on the qualitative aspects of products, in order to help fight increased commodification and price sensitivity.

A normal process of getting a 'visitor' to declare themselves a prospect is one of signing up for e-mail programs / newsletters, etc. A superior process, that was unveiled at Carnegie Mellon University, has been one of - "interacting" directly with the prospect. The company spear-heading this development is Eidoserve. Suffice it to say, the results of direct customer interaction border on amazing (in some cases, 600% increases in on-line transactions after six months).

In terms of traditional e-mail / newsletter programs – the factors that motivate consumers to sign-up for these programs are: (Quris, 9.2003)

- 41% = sweepstakes offers
- 40% = customer pre-disposed toward your product / service
- 38% = supplier requires an e-mail address as part of the give / get experience (in order to get this content / you need to give me your information)
- 37% = recommended to you via search engine (paid search)
- 24% = through a friend's recommendation.

The good news is that the characteristics of a 'loyal customer' are in your favor. Loyal customers shop more frequently, increase their level of purchasing, and recommend the supplier to others. And although a recent Walker Information study revealed that 90% of customers say they are "at least satisfied with their current suppliers."

The disturbing element is that less than 50% can be considered "truly loyal". And of the group that considered themselves loyal, and despite a high customer satisfaction index, 43% of that group considered themselves trapped.

"Many customers are satisfied wherever they go. They may look at two comparable stores and say, 'Both are great and meet my needs, and I don't see any difference in them.' But, the truly loyal customers say, 'That's my favorite store' and I refuse to consider buying from a competitor," says Bob Kizer of Walker Information.



It is the truly loyal customers that everyone fights for. In this same survey, customers were asked to pick the brand where they shop most regularly. We found that consumers shopped at their favorite store only 4.5 times out of 10 – which means **they're playing the field**. That means that a lot of money is being left on the table because of the lack of loyalty.

"A surprising number of shoppers are trapped," said Jeff Marr, loyalty expert. "For some, it may be habit, for others it could be location that trumps the dissatisfaction of the shopping experience in the short term. But if stores do not become more focused, it's only a matter of time before customers go around the corner to a competitor that can provide a better shopping experience."

And the easiest way – “around that corner” is through the Internet and the mouse.

We need to recognize visitors at our web sites. We must recognize them as prospects and potential customers and treat him accordingly. The time for – “brochure-ware” is over – that is assuming that we wish to maintain and grow our customer base.

The next installment will discuss the **behavior** of the Internet lead. After all, if we are headed for 44% of all customers, - “not caring where they shop” – then, truly, **“there are no customers – ONLY prospects.”**



THERE ARE NO MORE CUSTOMERS → ONLY PROSPECTS!
Step 3 = Understanding the BEHAVIOR of the Internet Prospect

The Internet has caused a dramatic flattening of the relationship / loyalty curve. We used to believe that the longer you were with a particular supplier – the higher your loyalty to that supplier’s goods and services.

Unfortunately in 2003, more than 40% of consumers tell us that they have “no preference on where they shop” because they view products as being very much the same among the stores. This is twice the 2002 rate.

The Internet has forced itself upon the sales environment, and your web site must:

- “**A**” - become **Aware** that a prospect is on your web site
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- “**Y**” – **Yield** to facts, and not emotions.

We call these elements ‘**ABBY**’ – and we’ll discuss the “**Behavior**” element.

A “hyper-shopper” is defined as someone who first seeks product/service information online, and then spends \$500 or more both online and offline. The number of hyper-shoppers now total close to 25 million Americans, almost double the 2002 figure. This represents the first generation of true multi-channel consumers, who are capitalizing on the convenience and power of online shopping.

Hyper-shoppers rate web sites as their most valuable way of obtaining product information. Among hyper-shoppers:

- 50% say that the Internet allows them to find better prices
- 20% say that it allows them to spend more time with their families
- 66% say the value of the Internet, to their purchase decision, has increased over the past 12 months.

Over the past year, more than 50% of all hyper-shoppers first seek information from provider web sites. This makes provider web sites the consumer information resource of choice. Moreover, 25% indicated that online information changed their opinion of specific products or brands.

The hyper-shopper is mostly male, college-educated and married. Most work for smaller businesses, and use high-speed broadband access from home. And 44% of them report giving up television to be online.



A 2003 survey by the Dieringer Research Group, revealed that hyper-shoppers require online information prior to even considering making a purchase.

However, following a review of the provider's web site, 51% of hyper-shoppers purchased right then. 42% purchased after a face-to-face meeting. Roughly 17% purchased after receiving direct mail, while 7% purchased in response to a telemarketing call. According to Kim T. Gordon, president of National Marketing Federation, "The multi-channel shoppers actually spend more money than those who shop through a single channel."

The preferred communication method by 68% of the hyper-shoppers is e-mail. The statistic, that surprised even me was that - 42% of US Internet users have made a purchase after receiving a permission-based email from the marketer. This is a very powerful message → reach out through the spam → just get permission first.

In terms of how to beat your competition, your competition is putting their advertising dollars into e-mail campaigns and web site improvements (17% and 7% increases respectively) while TV, print and radio ads, direct mail and telemarketing are all down between 1% and 7%.

To the Internet shopper:

- Speed is often more important than price. Moreover, customer tolerance for delayed response times can now be measured in minutes. If you don't contact an Internet customer in a few hours - don't bother.
- Swift, accurate and consistent follow up – via e-mail (the same method of contact) – is a requirement. Content delivery is the highest priority in the beginning, which is natural given the Internet is not a 'born' relationship builder. A critical piece of the solution is the job of automating an accurate, detailed first response to an initial e-mail inquiry. This goes far beyond 'auto-responders'.
- Phone and face-to-face are still viewed as positive reinforcements, while chat and instant messaging are often viewed negatively.
- There is a very strong relationship between household income and adopting broadband Internet. That means if you're selling high-end merchandise, you can assume that a majority of your 'buying' audience is running on a broadband connection.

One aspect of the hyper-shopper profile that we failed to mention was age. "The Internet audience is continuing to become more representative of the general population," said Greg Bloom, Senior Internet Analyst, Nielsen//NetRatings. "However, we are observing significant up-ticks in



the online presence of those over 50.” Over 25 million adults over the age of 55 were online last month.

A new survey from ThirdAge Inc., reveals consumers over 50 are likely to be ‘early adopters’ of new products and spread the word about those products. Almost half (43%) of the over 50 crowd, use the Internet between 11-30 hours per week. 90% access the Internet at home, and more than three-quarters (83%) forward information found on the Internet to others.

Given this is viral marketing, it not only has an excellent probability of being viewed and acted upon, but also costs you \$0 in the process. And speaking of market segment growth rates, the over 50 crowd will grow by over 50% over the next 15 years, while the 18 - 40 age group will grow a mere 3%.

Summarizing, attracting the hyper-shopper is critical to business success, and is becoming a mainstream consumer behavior pattern. This group’s lack of ‘brand / product loyalty’ is very apparent and is very digitally influenced. This ‘digital’ behavior requires constant, consistent digital response - that is immediate, accurate, and 24/7. This type of response requires web site based, ‘automated intelligence’ and NOT the traditional ‘auto-e-mail-responders’.

Marketers should increase web site development and web advertising allocations in order to combat competition. And if we thought that the ‘over 50’ crowd was un-affected by the Internet – well – we’d best ‘think again.’ We can all be contacted, and convinced to switch suppliers, for less money, and in a lot less time than in previous years → and that makes just about everyone a Prospect!

The next installment will discuss **Balancing** and **Blending**, on-line versus off-line experiences. After all, with 44% of all customers, - “not caring where they shop” – then, truly, **“there are no customers – ONLY prospects.”**

Thank you for listening.

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