

## **Consumer Direct Advertising:**

### **The Paradigm Shift of the New Millennium**

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These days, advertisers are facing new challenges in getting their marketing message in front of consumers who now spend more time viewing and obtaining information from their computers than from TV, radio or print media.

Traditional advertising rates are based upon "reach and frequency" (how many and how often) and form the basis for most newspaper, radio, and TV advertising rate cards. In the past, these advertising formats were the foundation for establishing "top of mind" for any advertiser's brand of product or service. Studies have shown that there are minimum thresholds of reach and frequency that are needed in advertising to develop a brand name and "brand equity," where more is better, all things being equal. This is why building brands has traditionally been an ongoing and expensive proposition.

Advertisers are coming to the realization that new millennium consumers are now rejecting any ads that they feel are intrusive or disruptive to their lives. Most consumers are unwilling to provide the time and space to manage printed direct-mail advertiser offers and coupons, which is why they mostly end up in the recycle bin, yielding low response rates and low return on investment for ad dollars.

Consumers are now using numerous methods to deflect most advertising away from their daily lives. This trend is largely due to new technologies that have become widely available to consumer markets. For example, sensing these consumer desires, Internet service providers (ISPs) now offer Spam and Pop-up blocking, largely crippling these formerly effective consumer-marketing pathways. Additionally, consumers have embraced commercial-free subscriber based Cable and Satellite Radio programming.

The huge growth in technologies like TiVO and other Digital Video Recorders (DVRs) which allow consumers to skip through commercials; expanded cable TV offerings with video-on-demand options; subscription TV (DishNetwork and DirecTV) and radio services (Sirius and XM) that provide commercial-free channels; video rental services (Blockbuster and NetFlix); and widely affordable consumer controlled multimedia content platforms are severely reducing the effectiveness of traditional ad media platforms, making it increasingly more difficult to reach the eyeballs (and wallets) of consumers.

And while not everyone currently has access to these types of subscriber-based services, more and more will adopt them as prices continue to drop. And as consumers take more control of what they see and hear, it will become increasingly more challenging for advertisers to get a return on their ad investments using traditional media buys.

For advertisers, the impact of these subscriber-based services is dramatic, making it harder to reach these desirable consumers, who obviously have some

disposable/discretionary income as evidenced by their opting for these “premium” services. Advertising over traditional broadcast media can still reach a significant segment of the population, albeit one with a much lower average household financial income. Therefore the ads that do reach these viewers/listeners have much lower response rates resulting in much higher client acquisition costs to advertisers.

Complicating the challenges posed by this paradigm shift is the trend of erosion of the value of brand equity and the growing drop in consumer brand loyalty. This compounding trend is largely due to a shift in consumer thinking where consumers are increasingly now more “discount loyal” than “brand loyal” in regard to many products and services. Today, most people use discounts/coupons to buy everything from pizzas, to haircuts, to vacation travel, including “wealthy” consumers “earning at least \$125,000/yr” according to a market update MarketWatch 2-15-05, by Andrea Coombes, reciting a survey by VISA.

This fact is driven by consumer perceptions and views that many brands of products and services sold in the marketplace are now virtually equal in quality due to the competitive forces at work in the marketplace. Shoppers have figured out that with most products and services the difference between Brand A and Brand B is negligible, and if one brand offers a significant discount, then they will opt for the one that is cheaper.

This shift in consumer thinking has many ad executives wondering what marketing approach to take for their clients, thus creating a significant need and market niche that is very well addressed by the breakthrough advertising paradigm known as “\$averCD™” and its consumer-controlled, multimedia “incentive advertising” features.

\$averCD is a unique, patent-pending CD-ROM Discount Directory that is direct-mailed quarterly, free to consumers. \$averCD contains advertiser-sponsored discounts/gift certificates and coupons that are printable from the consumer’s personal computer. \$averCD also contains cutting-edge multimedia ads, free games and software (nonviolent, for all ages), recipes and gardening tips. These features, coupled with catalogued and indexed content, give \$averCD a very high perceived value by consumers and the highest “industry open rate” of any direct mail piece.

Because of the many assets included on \$averCD, some of which may be used daily, and its relatively long shelf life, \$averCD is used frequently in the household and provides many opportunities for consumers to explore various brand opportunities, increasing the number of brand impressions and driving sales.

\$averCD also allows consumers that do have an Internet connection to link *directly* to an advertiser’s Web site from the CD-ROM simply by clicking a button, thus eliminating the need for consumers to memorize hundreds of complex URLs. This feature allows advertisers additional opportunities to provide real-time offers to consumers who opt-in and visit their Web sites from the \$averCD platform, even after the \$averCD has been in use in households for many weeks, and up to 90 days after its arrival in the U.S. mail.

Unfortunately for some advertisers, many online coupon business paradigms disintermediate consumers from advertisers by providing advertiser coupons through third-party coupon Web sites, and in doing so, these Web sites gain -- and then broker -- consumer information as part of their revenue models. This situation benefits neither advertisers or consumers.

\$averCD believes in putting consumers and advertisers together in relationship marketing as opposed to being a data broker like some online coupon portals.

By allowing consumers to quickly and repeatedly access advertiser incentive offers over the 90-day period that \$averCD is valid -- at a time that is convenient to them -- \$averCD is an unobtrusive way for advertisers to economically reach potential customers. The \$averCD is programmed to stop working after the 90-day valid-period ends, at which time a display will advise the consumer to look in the U.S. mail for the next quarter \$averCD for more valuable offers and content.

\$averCD is committed to helping advertisers build market share while simultaneously providing the highest return on investment for every ad dollar spent. The response rates with \$averCD are superior to traditional single-impression media formats. Advertisers on \$averCD are provided with many brand impressions and consumers are provided with many buying opportunities for one fixed-cost advertisement. \$averCD is focused on providing advertisers with effective customer loyalty and rewards programs as a ubiquitous yet effective part of the \$averCD multimedia CD-ROM. \$averCD is dedicated to the reliable and accurate delivery of advertisers' discount/gift certificates, offers and interactive multimedia advertisements to consumers, on an exciting and image-enhancing format, that is easily and time-efficiently managed and used by consumers.

Additionally, the use of \$averCD helps conserve our natural resources. With every household in America receiving the equivalent of a truckload of direct-mail advertising over the course of a year, the environmental impact can be significantly reduced by having a large portion of those paper ads condensed onto the four recycled-plastic CD-ROMs that \$averCD ships annually to each household.

Market environments are changing rapidly and \$averCD is poised to ride the wave of next-generation marketing. By properly leveraging the new technologies that have been largely adapted by consumers, \$averCD lets consumers take advantage of discount offerings in a manner that is unobtrusive, fun and easy to use.

To learn more about this emerging advertising revolution, visit: [www.savercd.com](http://www.savercd.com) or call \$averCD, LLC at (503) 675-6500 to speak with an Account Executive.

## **About \$averCD**

Based in Lake Oswego, Oregon, \$averCD, LLC is the leading Consumer-Direct, business-to-consumer (B2C) advertising company using incentive-based multimedia

advertising coupled with consumer-printable coupons/offers. SaverCD uniquely positions advertisers' offerings, which are presented to consumers from a free, easy-to-use CD-ROM that is distributed quarterly by U.S. Mail. Simply put, \$averCD is a CD-ROM coupon book.

\$averCD, LLC also provides targeted integrated and interactive multimedia advertising solutions for business-to-business (B2B) applications. Founder William E. Simpson developed and pioneered the paradigm of incentive advertising using CD-ROM coupon books and targeted multimedia advertising and marketing. Today, \$averCD is leading the way in this unique and effective advertising method and continues to define the paradigm with its advertising and marketing products and solutions.

\$averCD is a unique CD-ROM discount directory that contains printable advertiser sponsored discount/gift certificates. In addition, advertisements and other multimedia content for products and services from brand name national and local companies are included. The disc also contains free games, software, and other consumer-oriented contents. This mix of valuable content combines to give \$averCD the highest industry "open rate" of any direct mail piece. \$averCD does not endorse or advertise tobacco products, alcohol, or pornographic related materials.

The \$averCD disc has four layers of security to help prevent certificate fraud/misuse. When a consumer prints a discount/gift certificate from the \$averCD CD-ROM, the consumer's name is imprinted on all certificates, forms, and rebates. The discount/gift certificates that are printed have advertiser specified expiration dates imprinted on them. \$averCD uses a printing technique that helps prevent certificate alterations.

Advanced features of \$averCD include the ability for advertisers to print barcodes on each certificate/offer, allowing certificate/offer control and tracking. This can also provide seamless integration into existing loyalty and rewards programs. Advertisers can also track consumer use of \$averCD and develops customized "consumer profiles" of consumer buying habits through \$averCD's unique patent pending technology.

Consumers can also choose to "opt-in" and ubiquitously provide added personal information to advertisers to participate in Point of Sale (POS) and Web-based loyalty programs. When a consumer opts-in they are presented with a list of consumer profiling questions. This is part of the initial registration process for the consumer's use of the \$averCD disc. Consumers are clearly advised that they only need to provide their first and last name to use \$averCD and its contents.

Discount/gift certificates may be verified by vendors at the point of purchase (POP) for certain certificate use by using the consumer's name imprinted on all certificates. When consumers provide the additional profile information, \$averCD advertisers may automatically provide them with instant contest opportunities, real-time offers, upgrades, and other incentives. \$averCD works on all computers and does not require consumer to have Internet access.

Consumers who do have Internet access can link directly to an advertiser's Web site using \$averCD, an added benefit to advertisers. \$averCD ads and incentives/offers can be targeted by zip code(s) or other desired demographics. The Portland-Vancouver market consists of approximately 800,000 households, which can be reached each quarter by \$averCD

\$averCD CD-ROMs are manufactured entirely in the USA using a state of the art ISO 2001 facility and distributed to consumers through the U.S. Postal Service. \$averCD provides all advertising clients with an Affidavit/Certification of Delivery from the U.S. Postal Service.

\$averCD is rigorously tested on all Mac and PC operating systems and is certified "virus and spyware free" by an ISO 2001 disc certification and testing facility in the USA.

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#### **About the Author:**

William E. Simpson II: Over a career that spans 30 years, Mr. Simpson's inventions, marketing ideas, patents and creative concepts have provided the innovative technological platforms which have formed the foundations of many subsequent business enterprises that have applications and cross-over into many business sectors. One example would be Mr. Simpson's invention of the CD-ROM coupon book that won the "Bronze Award" at the 2002 Summit Creative Awards® ([www.summitawards.com](http://www.summitawards.com)). \$averCD, LLC is yet another one of Mr. Simpson's novel ideas which has found favor with a very large following of advertising clients ranging from large national corporations to local advertising clients.

In 2001, Mr. Simpson founded DocuSmart®.com, LLC ([www.DocuSmart.com](http://www.DocuSmart.com)), which provides online assistance and documents to early stage, startup and SOHO businesses. During the time from October 1996 until April 2000, Mr. Simpson served as the Chairman and Chief Executive Officer of Gem Master, Inc. dba. GreetingGifts, Inc. and Greets.com. In addition to his founding the Company, his patented designs provided the innovative technological basis for the Company's proprietary products; namely, interactive CD-ROM greeting cards and product fulfillment system, which could be programmed with 7,000 customized presentations over an Internet Web site. Even by today's standards, this technology is still well ahead of its time. During the development and launch of Greets.com, Mr. Simpson demonstrated the ability to surround himself with a world class team of executives and Board members that included; the former President of Hallmark Cards in Canada, the former President of the Microsoft

Corporation, a former V.P. of Marketing from Kensington Technologies and the former Senior I.T. Architect from IBM Global Services.

Prior to founding Gem Master, Inc. and Greets, Mr. Simpson had just returned from a 3-year, 12,000 mile sailing expedition with his wife and 2 children. They sailed on a state-of-the-art 62' motor-sail boat that he designed and built (1990-1993). Prior to this sailing adventure, Mr. Simpson ran a successful international wholesale distribution business, importing precious gems from their sources at the mines around the world and reselling them to many of the major jewelry retailers across the U.S. for nearly 12 years (1979-1990), requiring dozens of trips overseas for weeks at a time. Some of his customers included Ben Bridge Jewelers, Zale's, and The Lyman Museum. From 1982 - 1990, while living in Hawaii, he established and operated two retail jewelry stores, Maui Designs and Maui Star Jewelers (1983 - 1988) and taught Gemology and lectured at the University of Hawaii, Maui campus for three years. From 1982 until 1984, Mr. Simpson was the founder and CEO of Kehei Limousine on Maui. Concurrently in 1984 Mr. Simpson was the CEO and founder of Akamai Aviation, which provided air tours of Maui using helicopters and fixed wing aircraft. And in 1986 Mr. Simpson was the CEO and founder of Tropical Princess Charters, a charter business based in Maui until 1988 that specialized in diving and sailing the outer islands. As a part of the establishment of Tropical Princess Charters, Mr. Simpson successfully lobbied the U.S. Senate and a Bill was passed (H.R. 2598) allowing his use of a Canadian built vessel in the U.S. Coastwise trades. All of Mr. Simpson's Maui based businesses were subsequently sold to private companies. All of the foregoing businesses required specialized understandings of each market and the consumers for the products and services in those markets. Even the subsequent sales of those business enterprises required specialized marketing and know-how in order to achieve the maximum ROI.

In 1984, Mr. Simpson received an Associate of Science degree in Flight Technology from Lane Community College. Mr. Simpson also attended Oregon State University 3 years as a science major (1971-1974). While there, he invented an electromagnetic device that was honored by the University's Physics Department and earned him graduate credits in physics. He was also a Judo instructor for OSU and as a two-year OSU varsity letterman, he competed on the OSU varsity Judo team, helping the team in becoming the 3rd ranked collegiate Judo team nationally. In 1974 as the founder and CEO of Scientific Fishing Systems, he invented a device that attracted fish to fishing vessels, which was successfully marketed to the Salmon fishing fleets of the western U.S. He ultimately sold that invention to a private company. In 1989, Mr. Simpson collaborated with Ron Jones, Team Budweiser and Team Circus Circus in an effort to help solve the lethal "blow-over" problems (boats becoming airborne) that the turbine race boats were experiencing. As a result of that work, Mr. Simpson

now holds a U.S. Patent No. 5,061,007 "Torsionally adjustable wing for uneven application of negative lift to the wheels". The U.S. Patent & Trademark Office ("USPTO") has also recently awarded Mr. Simpson with four additional U.S. Patents: No. 6,453,300 & No. 6,273,249 & No. 6,357,584 "Novelty item and product sample card with video or audio device carrier " and U.S. Patent No. 5,954,194 "Gemstone gift card with video or audio device carrier". Mr Simpson also has 5 more patents, which are currently pending before the USPTO, one of which applies to his latest ideas around the \$averCD business paradigm.

Some of these pending patents are Published at the United States Patent and Trademark Office as follows: 20020096441; "Novelty item and product sample card with video or audio device carrier", and 20020083092; "Method and system for automated electronic document distribution", and 2001005834; "Personalized greeting card with electronic storage media and method of personalizing same.

Mr. Simpson also holds several professional licenses including: FAA Commercial Multi-engine Instrument Pilot in helicopters and airplanes, accredited Gemologist, PADI Divemaster and U.S. Merchant Marine Officer - Coast Guard Licensed Master 200 Gross Registered Tons/500 ITC (Power, Sailing and Towing Vessels). Mr. Simpson is an avid inventor and other hobbies include: Sailing, flying, diving, big-game fishing, chess, judo/karate, and writing poetry, some of which has been published through Solo Publications in California. On April 5, 2002 Mr. Simpson was honored by the international organization, Students in Free Enterprise (SIFE) when they awarded him the coveted "America's Free Enterprise LEGENDS AWARD" for lifetime entrepreneurial achievement.