Bonsai Development Corporation

Powering RFID Information Networks

CONCEPT WHITE PAPER

PROMOTIONS AND REDEMPTION NETWORK

An RFID Information Network

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Executive Summary

The Promotions and Redemption Network provides a set of Internet and Location based services that help local businesses become more connected with their consumers and more efficient with their product promotions and redemption of coupons. In other words: it helps local businesses sell more stuff!

The Promotions and Redemption Network vastly improves the ability of local businesses to connect with their loyal customers, economically find new customers who fit their unique mix of products and services, and understand, using personalized and location based interactions, their customers' wants and needs. The Promotions and Redemption Network strengthens communities and helps build the local economy, providing consumers with an efficient channel for finding and interacting with local businesses that match their needs.

The Problem

The mechanics of the local business economy – how a local business understand the wants and needs of it's customers, communicates with those customers, and find new customers, and how a local consumer learns of interesting local promotions and coupons, finds specific local products and services, and shares information with other consumers – have not changed significantly in the last 100 years.

Although local commercial Internet searches – those seeking merchants "near my home or work" – represent 25.1% of all searches being performed by online buyers, only 6% of Internet advertising is purchased by local businesses. Today, 46% of local small-to-medium enterprise ad dollars are still spent on print Yellow Pages alone, while less than 2% is spent on Internet advertising.

Clearly, no viable *pure* Internet solution has been developed to attract the local advertising dollars. Local merchants operate locally and are looking to attract customers within certain well defined geographies. Paying large up-front fees with search engines that deliver unknown possible returns is not always the best use of a local merchant's advertising dollars.

The Solution

The Promotions and Redemption Network combines the use of both Internet based and Location based services.

The Internet based services provide consumers with the ability to subscribe to personalized promotion, event, and coupon feeds generated by local businesses, provide feedback to local businesses, locally find specific products and services, and interact with other local consumers. The consumer is also able to view promotions on-line and store various coupons or offerings within their online account. This account is also accessible from their phone and coupons or promotions can be retrieved through a particular promotion code. Coupons and promotions can be removed once they have expired, thus removing the expired coupon problem for both customer and merchant.

For local businesses, the Internet based services provide services for publishing relevant promotions, events, and coupons, as well as information to their customers and to other interested and qualified consumers, for interacting directly with their customers, for collaborating with other local businesses, and for understanding their performance relative to other similar businesses. These services will be delivered through an easy-to-use, self-service, browser-based interface.

The Location based services provide the consumer with the ability to opt in or out of a real time promotion and coupon feed by sending specific SMS short codes via their cell phone to the service. Opting in to the Location based service, the consumer will be able to receive real time promotion and coupons once they enter the vicinity of a mall or local business that is providing services.

The promotions that are sent to the consumer will always match his/her preference as specified through the Web based interface. No "spam" will ever be sent to the consumer. The consumer can explicitly opt out of the service (again by sending a specific SMS short code via their cell phone) or once they leave the vicinity of the mall or business offering our service, they will automatically be opted out by the service.

Initially the Promotions and Redemption Network will piggy-back off the concept of brand based loyalty cards and purchase based loyalty cards. However using a new generation of cards, we will provide location based or area based loyalty cards. Providing location based loyalty cards allows merchants to provide dynamic customer incentives that match current business condition within a particular area.

The Opportunity

There are 10 million small businesses in the United States, including 2 million businesses with fewer than 20 employees in the top 40 U.S. metropolitan markets alone.

Kelsey Group forecasts that U.S. digital directional media – which encompasses online and wireless Yellow Page listings, local commercial search, location-based services, city guides and online classifieds – will grow at 59 percent compound annual rate from $507 million in 2003 to roughly $5.2 billion in 2008.

Business Model

The services of the Promotions and Redemption Network will be provided to local consumers for free and to local businesses as a paid for service provided by mall operators and on a pay-per-click (PPC) basis. The initial value proposition will be to mall operators as a set of services that they can provide for their small business tenants. Localized/franchised independent sales organization will also be developed to support rapid and cost-effective expansion into multiple markets. Local businesses will be provided financial incentives for recruiting their own customers as subscribers and will pay the Promotions and Redemption Network for promotions and coupons redeemed by relevant local subscribers.

Competitive Advantage

Local Internet advertising is a nascent market that represents a high priority target for the leading search engines including Yahoo, Google, Internet Yellow Pages, Citysearch, and various startups. It is one of the key areas where Venture money is being allocated. Our approach is to penetrate the local market through the integration of the Internet self-service model offered currently but not totally effectively by search engines with a true feet-on-the-street model enabled by the advent of cell phone based Location services.

A major difference between the Promotions and Redemption Network and all potential competitors is our ability to utilize location based services, as well as selling not on an individual small business by small business basis, but through the leverage of going through the mall operators. Our technology will also provide personalized and filtered promotions, event information, and coupons that fit the consumer's preferences on a location sensitive, real time basis, but only if the consumer chooses to opt into this particular facet of the service. No "spam" will ever be sent to the consumer, and the consumer can turn off the location sensitive, real time service at any time via one SMS message sent from his/her cell phone.

We leverage both RFID based contact-less technologies to provide the location based services initially, and leverage location based cellular services moving forward.

Conclusions

The Promotions and Redemption Network has benefits for all participants:

Consumers:

- The right coupons and promotions find the consumer through both his personalized Web account and in real time, on a location basis, saving the consumer time and money.

- Using the location based services, there are no paper promotions and coupons to deal with, saving the consumer time and hassle in organizing and conveying paper.
- The consumer is more satisfied: consider the situation where the consumer goes to the mall to buy something, and by opting into the service while at the mall, gets a coupon or promotion that saves them money on what they were going to buy anyway.

Merchants:

- Merchants will find that their promotions and coupons have higher use rates.
- Merchants will find that their advertising dollar spend will find their way directly to the local consumer, whom local merchants are really most interested in acquiring.
- Customer acquisition costs will go down, customer loyalty and sales will increase.

Mall Operators

- Mall operators can differentiate their offerings to small retail tenants against other mall operators.
- Mall operators have a value added service that they can offer their small retail tenants that can be used to compete against large Box Stores like Wal-Mart.
- Mall operators can now better leverage the foot traffic of an anchor tenant for the benefit of all their tenants.

Why BDC?

BDC Business Model Advantage:
- By providing an initial hosted service or franchising a hosted service to natural hubs the solution will provide a simple low cost entry point for the Merchants and the Customers.
- The franchise model is unique in that BDC will initial host the solution for the Mall operator until the Mall operator decides to own the service completely.

BDC Technology Advantage:
- BDC leverages technical expertise in building large scale Business to Business portal and Business to Consumer portals.
- This combined with recent expertise in building distributed edge logic for RFID and mobile based services provides the needed technical leadership to deliver this compelling solution.

Find out more at www.bonsaidevelopment.com and contact us for further information.