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A Landmark Communications Company**

President of AdEngine, Garth Snider talks with the Aviatech's Todd Juneau

Garth: Hello. We're here today with Todd, the media director of Aviatech, Todd Juneau. Todd, welcome today.

Todd: Thanks, Garth. Good to be here.

Garth: Good. AdEngine is a collection of websites, as you know. We do franchise lead generation. And we hope to have a discussion with you today regarding the industry, what we as franchise lead generators can do better so that we can help your clients. As I understand it, Aviatech has many franchise clients. Is that correct?

Todd: Yeah that's correct. We definitely have a niche in the franchise development industry.

Garth: Well that's our sweet spot and it's your sweet spot and hopefully we can work together here in the coming years to give a better product to our customers and to continue the virtuous cycle of lead generation and advertising and marketing. Let's start off with just some general questions back and forth. I thought it'd be best if we just had sort of a dialogue. What are the challenges now facing the franchisors and their lead-development efforts that maybe weren't around eight months ago?

Todd: Good question. For us, currently our observations are that the franchise concept development has seen a pretty drastic change from even 6-8 months ago. We were hearing from our clients that the leads that they were getting and the prospects that they were speaking to were still performing at a decent conversation rate. They were still getting people to through their sales pipeline, their Discover Days and getting them into starting new concepts. In probably the last 30 days, we've heard a big drop into that. The common name of tire kickers coming up all the time that they're talking to these prospects, but the prospects just can't get the money or just really aren't able to get a concept started. Many of the franchise clients that we work with or that we talk to are indicating that they're well short of their franchise development goals for 2008 which means that they're not closing deals and they're not starting new concepts. So it appears that perhaps, the economic conditions have some impact in this area as well. I think also the growth of new concepts sprouting up is diminishing the returns and saturating the market. It's kind of what our observations are at this point.

Garth: The tire kickers – is there anything that we as franchise portals can do to better weed out those?

Todd: That's another good question. I don't know the answer to that yet because I'm not sure how much of this has to do with perhaps the proliferation of all the franchise portals that are sprouting up. In that, there's just so many different opportunities for a prospect to go to they're just not engaging at the levels that they were before or if it really is an economic factor that's tied into this. So I'm undecided on that outcome yet, whether it's just over saturation or if it's economic conditions that are creating this tire-kicker.

Garth: Is Aviatech doing anything to what they call, "further qualify" a lead? I think I had heard you say one time you were doing some lead qualification-type work.

Todd: Yeah. One of the unique elements about our agency is that we don't just generate leads and pass them to a franchise lead management system like eMax or Friend Connect. We are doing a process of cleansing these leads in-house. Typically we run them through a couple of different technology tools to cleanse the data in the first place to make sure we have the correct data on the prospect. The second thing is that we're actually calling them and having a conversation with them and typically that's done with some prequalifying questions in that conversation that would allow us to determine whether they're the prospect within the criteria that our client is looking for or if they're not. We've found that without taking it any further, at least getting into the broker's space, that's a really positive thing that we can do and it improves our lead quality and leads that we pass onto our clients rather than just passing them data that gets collected from a form. And we've invested in the staff and the resources here at our agency to be able to perform that service for our clients.

Garth: That's something that we've never done on the lead portal side. We've always thought about it. Has that benefited your ability to...?

Todd: It's definitely benefited our ability to service our clients. I think there's kind of two things going on right now and that's what we do with the partner like you and then what brokers are out there doing. What we were doing or what we've been doing has seemed to be a really great middle-ground between just getting leads from a portal or going to a broker and perhaps paying quite a bit of money or a sale as a commission. We've been a great middle-ground in there. What I'm seeing now is that that middle-ground just isn't sufficient. They've got to get people in there who are prequalified and ready to act within the next 30, 60, 90 days max. And they're getting those types of relationships brought to them by the brokers. We're not qualified, nor do we want to be, a broker. We just want to create a little more value than you would get just from getting data from a form fill. It has had a positive impact. However, right now, I don't know that it's enough anymore given the economic climate to sustain it the way it has been.

Garth: Is there anything that lead portals can do to help out with this qualifying or with even the access to the credit market? Is there anything more we could be doing?

Todd: I have to commend you on your willingness and openness to engage in a really intimate relationship with your advertisers, whether it be directly or with the agencies because that's

something that we don't experience very often in that space. My hat's off to you for that. It helps me tremendously. Part of the problem I have as the media director specifically in the interactive space is that there is such saturation within the franchise portal marketplace. It seems like every week, there's a new franchise portal that pops up trying to sling leads. Unfortunately, it's bad for the market in general because it just confuses the consumer prospect even further every time they try to perform a search on the internet to explore franchise opportunities. What I think is really going to set the portals apart is their ability to innovate how they present themselves and how they create that engagement in conversation with the prospect that's on their site. I think one of the ways they can be doing that is coming up with unique content and content related to potential economic solutions, potential ways to identify what might be the right franchise concept for them to be looking at based on specific criteria. A lot of the portals are really just directories with a form fill. And in this day and age, the trends on the internet are going much more toward conversational and content marketing. So think the portals need to do a better job in innovating their sites with content and creating conversations and relationships with those prospects. Once they gain that loyalty, you don't have to worry about the saturation of the next guy down the street who's putting up a web site with a directory of franchise concepts on it and the form fill and he's getting paid a couple of bucks a lead. There's no value to the prospect in that sales channel.

Garth: Given the challenging economic time, what are you doing other than maybe franchise qualifications or the lead qualification. What else are you doing to assist your clients with advertising or marketing efforts?

Todd: Right now what it's really coming down to for us is getting really involved in the sales process. Inherently, the relationship between an advertising agency and its clients often times just seems to be about services and paying for those services and the agency developing and executing. And I think the road we're getting down is that we need to get much more intimately involved with our franchise clients and their sales development process and their sales consultants because one of the things that's hardest for us to know is what are they hearing on the street? Their ears are to the pavement with these prospects and for us, that information seems to be more critical now than ever because we need to be able to identify if this is truly economic facts that are coming into play? Is it the credit crunch? Is it some other trend or reason why conversions to sales aren't occurring at the pace that they were before and what are those challenges? So it's, I think for an agency, our goal is to get much more intimate with our clients. Get involved in their sales. Pipeline their sales funnel. Get involved with their sales consultants. Understand what they're hearing on the street better so that we can create a better communication plan and communication strategy and how we reach out to our prospects and that goes all the way down to when we're advertising one of our clients on a site in your network, what are we saying to that potential prospect that's going to land on that page that's going to be different than they're going to hear anywhere else?

Garth: That's a good point. A lot of the web brochures or ad pages are, for the most part, the same across all the portals. And if we can get some unique content, that would help us stand out among the other portals. Ultimately, you need content. If it's good, it's going to drive a better product too.

Todd: Absolutely. And it creates loyalty too. Believe it or not, loyalty on the internet is one of the most sought-after elements that you can go for nowadays. I think it's going to be about content. It's going to be about intimacy and the sales process. It's going to be about knowing how to speak to the consumer the prospect differently now because we're in a different marketplace than we were just 6, 8, 9 months ago.

Garth: When you say consumer, you're ultimately talking about the end-used right? The prospective franchisee?

Todd: Correct.

Garth: How are your clients accepting or not accepting the idea that you're going to want to be more involved?

Todd: Some have hesitation. Some don't. And the ones that don't, I think, see the value in what it is that we're trying to understand. They see that we're not trying to just be a service provider to them to develop their creative or to run their pay-per-click campaign or whatever it's the fact that we're really trying to understand their business and what's happening in their business from literally ears to the ground. Some of them are not as willing to do that and personally, I'm not sure I understand that strategy, because if I was in their shoes, I would want my agency or anybody helping me to know as much about my process or the challenges that I am facing as possible. Because I just think that opens the door for more innovation and solutions to get around it. I just think it's something that just hasn't been done before. It's something that hasn't been presented to them before of, "Hey you want to get involved in my sales funnel? What's the need for that?" The need is to get to know your business better so that we can understand how to solve these problems better with partners like AdEngine because we need to be able to come up with solutions together with our media partners like AdEngine to speak to and have a different conversation with the prospect franchisee. It's got to change because this market isn't what it was.

Garth: Yeah I agree 100 percent. We've always sort of struggled with the franchisors to get them to give us some information on how the sales process is going.

Todd: So they're not telling you either?

Garth: Not telling us either. I think that it's more just we have this market for whatever reason has grown up sort of like a vendor than vendee-type of relationship. It's not really an agency relationship. I think that we would all benefit if it became more of an agency-type relationship where they realize, "Hey. We're in it together. You do well, I do well. If you don't do well, ultimately, I'm not going to." And that's what we're trying to preach to our clients. We're in it for the long run. So we could take a lot of money upfront and we could be gone in six months. Just go look at some of these new lead portals that you're talking about or you've referenced earlier. They're popping up and they're going down. We've been here for eight years. See us as a partner. Not simply as a commodity supplier. If you do that, give us some more information back. We can then provide a better product. That's the virtuous cycle. It keeps feeding off itself

in a very productive way instead of two gun-slingers staying across the courtyard wondering who's going to pull first.

Todd: Exactly. My sentiments couldn't have been said any better. It's trying to get that information and the communication with the franchisor to give that information up. And we've certainly had challenges with that even as their agency, they're paying us to get involved with their business, it still seems to be somewhat of a challenge.

Garth: AdEngine, as you know, started doing some different things other than simply lead generation. Lead generation on a directory-type model. We've done some webinars and I think we've talked to you about that in the past. What's your opinion of a webinar program that we've rolled out and obviously nothing new has been done for years, you know, but this hasn't been done in our industry?

Todd: It's one of those pieces that fits under the innovation category. It's something that you folks have brought to us that we haven't seen anywhere else and that's what I'm talking about when I talk about innovation. You guys have figured out that there's something that's out there, and it's been used all the time in all types of different businesses, especially online. I attend webinars every week because there's valuable content to be had in webinars and it goes back to getting away from that directory form fill relationship with a prospect, and it gets into true conversational engagement which nowadays is becoming more and more critical. So the webinar provide a platform to connect with a franchisor, hear what they have to say, hear the emotion and passion that they have about their concept. You don't get that through a form or words on a page, for one. There's an emotional effect there that can be received by the prospect franchisee. In addition, it's engaging in conversation because we all know if we've attended a webinar in the past, what happens after the webinar, there's a q & a. You get a chance to talk to them. You get a change to ask questions. You get a chance to have a real conversation and walk away with much more knowledge and information about that particular concept that you would have ever had if you just read a page with words on it and filled out a form and waited around for someone to call you. I think it's absolute innovation. As you said, we've talked about it and we are, as you know, geared up and ready to try and impellent this with someone of our clients because we think it's just fantastic. I'm looking forward to seeing what the results are.

Garth: How do you determine what type of client is maybe too small for your agency or are there any franchise clients that would be too small?

Todd: Yeah. There are franchise clients who are definitely too small. Working with an agency does have an expense to it. Obviously. Typically you have an agency on retainer to handle various pieces of your business. So you have to have at least a certain amount of revenues and marketing budget available. And we find that to be typically compatible with franchise concepts that have a pretty decent naf and have maybe a minimum of \$100,000.00 in marketing to spend over a year or so. I would say some of the smaller concepts that maybe only have a small footprint - 20, 30, maybe less than 50 stores probably aren't ready for an ad agency to be representing them yet. But I think once you get over that, over 100 different franchisees and you have a naf and you've got a little bit of a footprint out there that you need and you can reach people form and you have certainly the need to develop locations is another piece of that. We

have some clients who are just sold out in certain markets. So as they continue to do that, eventually they're going to not need some of the services that we provide because they're completely sold out. I think it's franchisees that are very, very small or ones that are very, very big and pretty much sold out don't typically fit the compatibility model with an agency.

Garth: What does a growing concept that only has 20 or 30 stores but is going like gang busters, how do they then go from 30 to 100 without some agency involvement?

Todd: Sweat equity (laughs). Attend webinars. Seriously, learn how to do the basic types of things that are going to bring you the low-hanging fruit prospects. I think the broker model certainly has a place in this because you're only going to be paying that broker commission if you're closing a store somewhere so I think the broker model is a no-cost out-of-pocket type model that you can get into and only have to pay for if you sell something. And hopefully you've figured out an equitable amount of money that you can afford to pay as a commission. So I think there's room in that equation for the broker model. I think being educated on the basics of how to market your concept online through pay-per-click type advertising and obviously having some dollars to spend there and with the portals. Beyond that, if I were to start a concept today, I would advise someone to spend as much time as they can on the web especially within the confines of the franchise trade journals and content that is on the web. Especially through ISA and some of the other media partners that are out there. Learn as much as you can because a lot of this you can do for nothing really more than sweat equity about getting your message out online. I don't think most concepts that start up today, perhaps, the people there starting them are what I would consider incredibly advanced, savvy internet marketers. But if they were, they would realize that you can do a lot online that doesn't cost you anything. So you can be having conversations on business blogs, entrepreneurial blogs and creating conversations and followers there that aren't going to cost you a dime, but you never know if they're going to be interested in starting one of your concepts.

Garth: Let's say I'm doing that and I'm up to \$7500 and I'm getting close to your threshold and we've got a lot of clients that are advertisers in that range. What then does your company do that really takes it to the next level? Let's say I've done the sweat equity. I've done everything that you've said and I'm growing but I'm just not growing enough. So I come to Aviatech and I say "help me out." What would I expect at that point?

Todd: Typically when we're approached with that particular challenge and objective, it's about getting to a critical mass audience. I've done as much as I can and I can only reach so many people at this stage and now it's about getting to a critical mass. Typically that's where we step in to say, "Okay. We know how to do that on a wide footprint through pay-per-click. Through media strategy. Through publishing partners like AdEngine. We know which ones work good and which ones don't. We know how to design the types of franchise concept presentations that are going to engage a prospect better than a lot of others. It becomes critical mass and it becomes our ability to create the right messaging and put it in front of a prospect that's going to actually convert. We have another piece of our business, a proprietary program called our affinity network online program which allows us to go outside of the franchise portal box, if you will, and reach out to a more business general vertical where you might be reaching potential prospects who are on a business investment site seeking out business opportunities or absentee

investments and were able to create media strategies that were able to reach that audience which is far outside of the franchise box. They're not even perhaps thinking about a franchise as a business opportunity. They're thinking about inquiring an existing business or they're thinking about starting up some other kind of company and we're able to reach those people. So we're able to expand the pool of reach and potential prospects outside of the franchise portal space.

Garth: Do you do multimedia buying or just digital media buying? What would an advertiser expect when it came to Aviatech?

Todd: We're primarily known as an interactive agency which means digital media, online media. However, we do work with a number of our franchise clients with their print advertising both from a media buying and a creative development site. We work with some of our clients on traditional media like television. There's a fantastic new component to the tv-buying marketplace out there that is activated from a digital platform through Google. It's called Google TV. It's a small footprint right now. But we're already seeing expansion and the ability to again reach perhaps, a more business-centric investor-type community or prospect through television advertising for our franchise concepts on like a CNN or a Bloomberg or something like that. So we are full service. We're primarily working for most of our franchise clients interactively through ppc campaigns and display campaigns and working with the franchise development sites like AdEngine.

Garth: Do you target your campaigns?

Todd: That's a big challenge. Not as much as we'd like to. And the only way I describe that is that the franchise portals have not adapted the ability to segment their audience databases to geo-target. So as a media buyer, if I can buy media geo-targeted and that's the right strategy, that's absolutely the route I want to go more often than not especially with franchise development. You're focusing on specific markets. We would love to be able to geo-target our efforts much better than we can. In fact, AdEngine is one of the only partners that allows for geo-targeting. We just don't see enough of it out there so we've created ways to do it in-house which has been at a cost and at an expense to us, but we've had to do it in order to service the needs of the clients because it just doesn't exist widely enough within the franchise portal space.

Garth: A lot of what we see is what I call sort-of the life cycle of a franchise. And I think you touched on that earlier that is the very small and the very large really don't need AdEngine services. I think maybe what you're saying is that they may not need your services as well. Along in sort of the sweet spot, there is a gradient going up at which point the more mature a concept gets, the more money it has to spend, the more units it can ultimately crank out. So that's why I'm interested to hear that at what point Aviatech would get involved because our interests are obviously aligned if I've got somebody who has 75 units and he wants to go to 150. I want him to go to 150 because I'm going to be the source that drives it. But if he doesn't have the capability with technology or the advertising savvy to get it done, then he's just going to be a client who's stayed at the same level for three or four years and ultimately that's not going to be

good for anyone. So I'm just sort of trying to flush out at what point do I say, "Here Todd. This guy is in need of your services."

Todd: Here's another good example of that and this is a situation that we're in right now with one of our new partners here at our agency from our franchise standpoint. We've got one that has a relatively small retail footprint. Only just a little over 200 stores which is greater than that number, but they're trying to get to 500 stores in the next year and they have the scalability to do it. What they didn't have was the ability to generate a budget big enough to get the message out there. And so we actually came in and created this strategy and a communication plan for them to go and pitch their existing franchisees to develop a budget at the level that they can go out and do that. And it's succeeded at that about 50% of their franchisees have adopted this plan and they're getting new ones on board every day. So this was a franchisee who said, "Hey I do need to grow. I don't know how to do it from here." And we stepped in and said, "We're going to help you and we're going to show you how to go to your existing franchisees and tell them a story about how the efforts that you want to implement and the marketing is going to benefit all of them from strictly just revenue coming in the door and growing the brand." So we have stepped up on a smaller case and helped them figure out a way to grow and get their franchisees to adopt it. And so far it's been working well.

Garth: Good information. Also, something I've always been interested in is what type of value, if any, does a franchisor place on the collateral branding that goes on through the directories? As an example, we get a lot of traffic to our sites that don't convert for us and don't really convert for the franchisor from a lead generation prospective. But clearly, people have interest in the concept itself more of the retail concepts. We get emails from people who are complaining about the retail product. So I know people are finding my site and the brand that is something that they are looking at, they just don't happen to be looking at it for the purposes that I am publishing it. Is there any type of credit given that you're aware of from the franchisor to this collateral branding that goes on by the directories?

Todd: Not as much as I'd like to see. I think that the name of the game for them is the sales. So they're not really concerned with nor do they see the value out of the fact that placement on a franchise portal might be generating thousands of impressions of that brand every month. But at the end of the day, what we're measured on is ROI. Are they getting people to fill out a form, engage them and get them into a discovery day and get them through the pipeline and get a concept closed. As a media and marketing guy from both the agency side, having worked on the brand side and on the media and the publishing side, I've never seen anybody ever really appreciate brand awareness, brand recall, brand familiarity, all those things that build brand equity really ever appreciated to the extent that I think they should. And I know there's a lot of value in it to the people who come to a site like AdEngine or one within AdEngine and get exposed to that brand. Because they may not convert right then, they may convert down the road. There's not enough technology and tracking in place right now to detect that. It exists, but it doesn't exist on the franchise portal platforms. So it's challenging. But I don't think there's

enough emphasis placed on that. But at the end of the day, they're running a business and they've got to sell concepts. So if they're not getting leads and converting them, I'm not sure it's helping them much at this point.

Garth: Well great. Well thanks for taking the time to speak with me today.

Todd: Absolutely. It's good to have a partner.

Garth: And we'll talk later then.

Todd: Sounds good, Garth.

Garth: Okay bye-bye.

Todd: Thanks.