Targeted Discounts that Capture the Sale

Utilizes Smart Phone technology to connect shoppers with targeted discounts, product comparisons and related accessories

Enables manufacturers and retailers to influence in-store electronics purchases at the point of decision

Agenda

Targeted Discounts that Capture the Sale

Adszu Team

The people behind the idea

50+ years combined experience in the software industry and we just keep getting better.

Kevin Deliman

Founder & (Acting) CEO
- Sales and Marketing, ComponentOne
- Business Development, MindMatters Technology and FreeMarkets
- VP of Sales and Marketing, Voest Alpine, Inc. & SMS, Inc.
- MBA, Robert Morris University, BS Engineering, The Pennsylvania State University

Todd Schick

Founder & COO
- Cofounder and President of software company Signature Solutions; won TEQ Magazine's "Pittsburgh Heavy Hitters" award
- VP of Operations and Professional Services, Relex Software Corporation
- VP of US Delivery, CEI
- MS Computer Science with a Minor in Business, University of Pittsburgh

David May

Founder & Chief Creative
- 12+ years marketing & design experience in software industry
- Lead UX designer for the ComponentOne web properties & product line
- Directed national and international marketing campaigns spanning large distribution print ads, online campaigns, and event management
- Chief Creative, ComponentOne & Wijmo

Jon Coulter

UI Designer

Raleigh Johnson

Developer

CIQ Advisors
The people behind the people

Liz Fetter

Erik Young

Alan Veech

Raja

Trends in Retail Shopping

20% of consumer electronics purchases in the US are made online and the projected CAGR is 4% over the next several years.

Consumers enjoy online shopping because of the convenience and the ease of being able to compare products and prices across online properties.

Consumers continue to shop at electronics retail stores (brick-and-mortar) such as Best Buy, hhgregg, even Sears and Walmart, to "experience" the quality of the products and the immediate gratification of taking home their purchases.

An increasing number of smartphone apps are being used by in-store shoppers to obtain product information online.

The **Current Landacape**

Consumers

Shoppers use a number of existing "apps" to search the web for consumer reviews, 3rd party comparisons, existing coupons, price comparison and alternative retailers.

Apps **(Red Laser, ShopSavvy, etc.)**

The app collects information as to what the shopper is looking to buy and where the shoppers is located.

Brick & Mortar Retailers

No Interaction in real time. Information needs to already exist on the web.

Manufacturers

No interaction. At the mercy of the information provided. App works with online retailers.

The Problem for Manufacturers

Consumer product (electronics, appliances, etc...) manufacturers spend $billions annually attempting to influence the spending habits of retail consumers.

≠

But the impact of advertising on retail purchases is indirect, somewhat unknown and difficult to measure.

The Adszu Solution

Targeted Discounts that Capture the Sale

For Consumers

Shoppers experience the same benefits of online shopping while at retail stores and receive discount coupons relevant to their immediate purchase decision.

For the App Affiliates

The App affiliates can continue to innovate features that benefit the consumers, while gaining a valuable new revenue stream in the Adszu Network.

For Brick & Mortar Retailers

Retailers can influence and track the purchasing patterns of consumers at the point of decision. They can offer incentives to "close the deal" before customer leaves their store.

For Manufacturers

Manufacturers can influence, promote and track the purchasing patterns of consumers at the point of decision. Can adjust promotion to meet each unique situation based on inventory, etc.

The Adszu Solution
Value Proposition

Manufacturers

- Able to influence the purchasing patterns of consumers at the point of decision.
- Provide accurate and timely purchasing data for effective marketing decisions.

Brick & Mortar Retailers

- Increase on-premise sales of leading and secondary/accessory items.

Consumers

- When coupled with affiliated smartphone apps, consumers get the best of both online and brick and mortar shopping experiences.
- Fast and easy personalized discounts and/or incentives delivered to their smartphone.

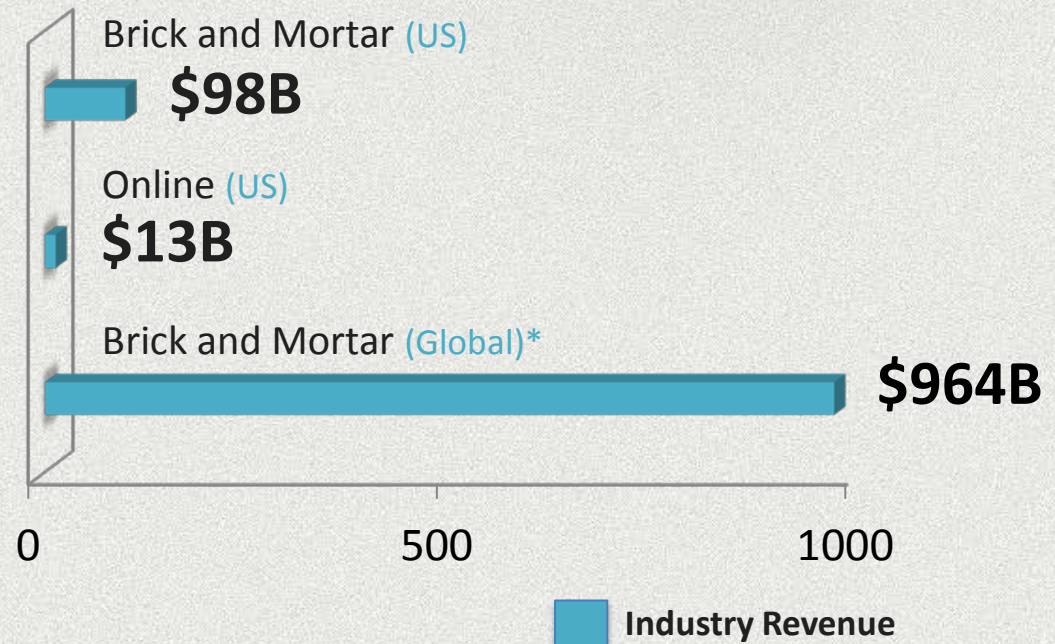# Consumer Electronics
Market Size

Brick and Mortar (US)

- **3%** Market Growth Rate

Online (US)

- **3%** Market Growth Rate
- **12%** Market Share
- **4%** Annual Market Share Increase through 2014

Brick and Mortar (Global)*

- **10%** Market Growth Rate

Brick and Mortar (US)
$98B

Online (US)
$13B

Brick and Mortar (Global)*
$964B

0   500   1000

Industry Revenue

Potential Market Size (US) $13 Billion

* CEA – 2011 Global CE Sales Forecast

Market Evolution

1983

Best Buy

1983 - Best Buy opens its first superstore in Burnsville, Minnesota.

2000 - Best Buy enters the online retailing business by launching Bestbuy.com

2008 - Best Buy opens their 1000th physical store

2011 – FY 2011, Best Buy earns $50 billion in revenue and employs 180,000.

1995

Amazon

1995 – Jeff Bezos founds Amazon.com.

2001 – Amazon turns its first profit of $5 million on revenues of more than $1 billion.

2010 – Amazon earns $34 billion in revenue and employs 33,000.

2002

Click & Mortar

The term Click and Mortar is coined as "A type of business model that includes both online and offline operations"

2007

Smartphones

2007 – Apple Introduces the first iPhone

2008 – The Android operating system (Google) is first released.

2010 – Microsoft releases the first Windows Phone 7 devices.

2011 – Nokia announces that MS Windows Phone 7 will power their future devices.

2011 – 70% of those using their smartphones for holiday shopping are using them in-store.

2011

Adszu

Adszu is founded to build a platform that utilizes smartphone technology and connects manufacturers to shoppers with targeted discounts, product comparisons and related accessories.

Market Map

Smartphone Retail Apps

RedLaser
ShopSavvy
QuickScan
Decide.com
Shopkick
GroceryIQ
PriceGrabber
Coupons.com

Electronics Retailers

Best Buy
HHGregg
Walmart
Sears
RadioShack
Frys
J&R

Consumer Electronics Manufacturers

Sony   Kodak
LG   JVC
Toshiba   Toshiba
Vizio   Acer
Samsung   Asus
Panasonic   HTC
Sharp   Samsung
Canon   Motorola
Nikon   Lenovo
Olympus

The Adszu Network

Smartphone Retail Apps

These smartphone apps enable users to compare products and look for deals. They will be Adszu affiliates displaying Adszu Network ads.

Electronics Retailers

Using the Adszu Network, manufacturers pay for discount ads that are hosted by affiliate smartphone apps.

Consumer Electronics Manufacturers

Using smartphone apps, shoppers scan items that they are interested in. Based on the scanned product, Adszu pushes pertinent discount ads prompting the customer to buy.

Business **Model**

Manufacturers bid on advertising/coupon space for each product category

Similar to Google Ad Words Model where advertisers Bid on relevant search words. In this case, advertisers (manufacturers and retailers) bid on product characteristics that are determined when a product is scanned by a consumer.
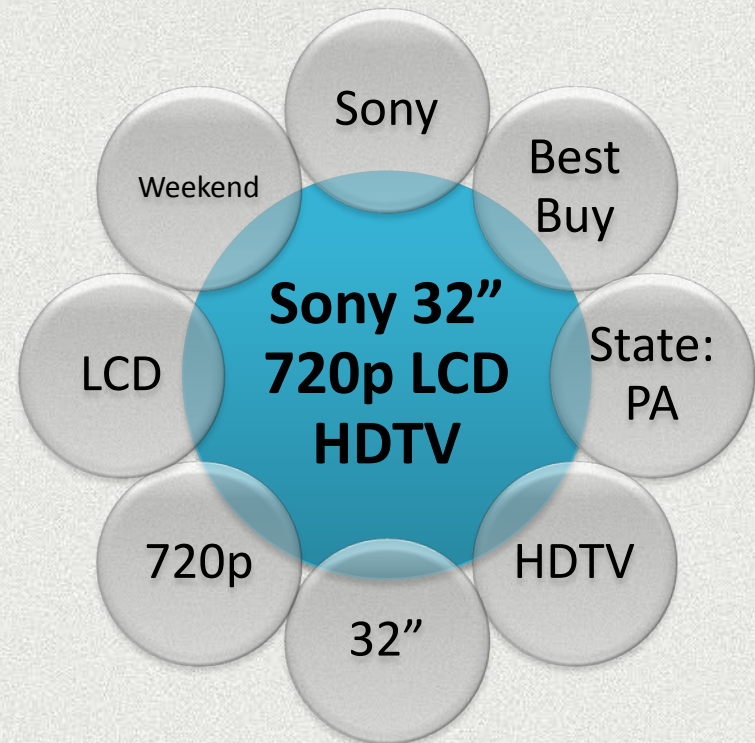
Biddable Characteristics

A number of rich, biddable characteristics can be derived from a Sony 32" 720P LCD. For Example:

HDTV	*State: PA*	*720P*
Sony	*HDTV*	*LCD*
Best Buy	*32"*	*Weekend*

Manufacturers and retailers can bid on any or all of these characteristics of product.

- **Bid price increases as bids are placed on a characteristic.**
- **Budgets can be set.**

Sony

Best Buy

Weekend

State: PA

LCD

Sony 32" 720p LCD HDTV

720p

HDTV

32"

Business Model

A Consumer scans an item of interest

Based on the characteristics of the item that is scanned, up to five Ad "titles" are shown. By selecting a title, the Ad and associated discount coupon are displayed.

Scan Characteristics

A consumer scans a Samsung 55" LED 1080p HDTV and all of the characteristics of the scan are:

Samsung	*HDTV*	*LED*
HH Gregg	*55"*	*Weekend*
State: NY	*1080P*	

The top five ads that have bids on the most matching characteristics, and haven't gone over budget, are selected for display.

Enter Barcode Number | Search
Scan Barcode
ADS2U

Back | **Sony Bravia XBR** 32" LCD Internet TV | RECOMMENDED
XBR-65HX929

$50 off any Sony HDTV | $50 OFF ›
10% off any 30" to 40" Toshiba TV | 10% OFF ›
$25 off any Internet TV at Best Buy | $25 OFF ›
$10 off any Sharp LED TV | $10 OFF ›
Free Home Installation on all HDTVs at Best Buy | FREE ›

ADS2U

Business Model

Adszu Gets Paid When:

- An Ad/Coupon is selected by a consumer and displayed. – Adszu gets paid on all characteristics at their bid prices.

- A consumer redeems a discount coupon and purchases a product. **Adszu gets $10** for the transaction and pays the **affiliate $5**.

For example: A consumer purchases the Samsung 55" LED HDTV and redeems a $50 discount coupon.

- *Adszu gets paid bid prices when the Ad is displayed.*
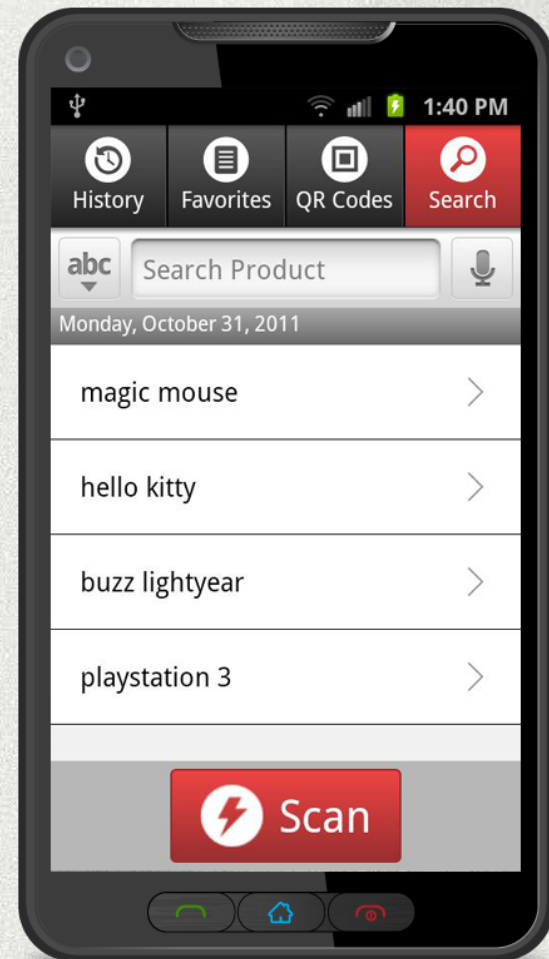- *Adszu gets paid $10 on the transaction.*

Business Model

Adszu Pays Affiliates:

- Affiliates create other smartphone Apps that also provide consumer services and use the Adszu API to deliver promotional impressions

- If a consumer redeems an Adszu Network discount on an affiliate's application, Adszu pays the affiliate a $5 fee.

RedLaser Smartphone App

Revenue Projections

Conservative Captured Audience Version

Total US Electronics Market	**$110,000,000,000**
Let's assume 10% TV Sales	**$11,000,000,000**
To get an idea of number of units, assume an average prices of $600	**18,333,333 units per year**
Assume 80% market share is brick-and-mortar (our target)	**14,666,667 units**

	2013	2014	2015	2016	
B&M TV Units	14,666,667	15,106,667	15,559,867	16,026,663	3% CAGR
Adszu Captured Audience	146,667	302,133	622,395	1,282,133	1%, 2%, 4%, 8%
Adszu Impressions Served	**$146,667**	**$604,267**	**$2,489,579**	**$10,257,064**	$1, $2, $4, $8
Adszu Transaction Fees	$1,466,667	$3,021,333	$6,223,947	$12,821,330	$10 fee per redeemed promotion/discount
Affilliate Kickbacks	$733,333	$1,510,667	$3,111,973	$6,410,665	$5 fee per affiliate kickback
Adszu Income from transaction fees	**$733,333**	**$1,510,667**	**$3,111,973**	**$6,410,665**	
Total Adszu Income	**$880,000**	**$2,114,933**	**$5,601,552**	**$16,667,729**	

Revenue Projections
Less-Conservative Captured Audience Version

Total US Electronics Market	**$110,000,000,000**
Let's assume 10% TV Sales	**$11,000,000,000**
To get an idea of number of units, assume an average prices of $600	**18,333,333 units per year**
Assume 80% market share is brick-and-mortar (our target)	**14,666,667 units**

	2013	2014	2015	2016	
B&M TV Units	14,666,667	15,106,667	15,559,867	16,026,663	3% CAGR
Adszu Captured Audience	733,333	1,510,667	3,111,973	6,410,665	1%, 2%, 4%, 8%
Adszu Impressions Served	**$733,333**	**$3,021,333**	**$12,447,893**	**$51,285,321**	$1, $2, $4, $8
Adszu Transaction Fees	$7,333,333	$15,106,667	$31,119,733	$64,106,651	$10 fee per redeemed promotion/discount
Affilliate Kickbacks	$3,666,667	$7,553,333	$15,559,867	$32,053,325	$5 fee per affiliate kickback
Adszu Income from transaction fees	$3,666,667	$7,553,333	$15,559,867	$32,053,325	
Total Adszu Income	**$4,400,000**	**$10,574,667**	**$28,007,760**	**$83,338,646**	

Milestones

F&F Funding & "Sweat Equity"

February 2012

- Initial Adszu Network and API
- Preliminary commitments from electronics marketing representatives
- Preliminary commitments from smartphone app affiliates
- Demonstrable software in pre-alpha form.
- Patent identification and application
- Checkpoint and valuation

Outside Funding to Development

June 2012

- Cloud Database (Microsoft Azure hosted)
- Ad/Discount Server and Bid UI
- Data analytics
- Adszu Network API
- Basic smartphone clients (Windows Phone, Android, IOS)
- Checkpoint and second valuation

Outside Funding for Marketing

September 2012

- Affiliates for all smartphone platforms are integrated with the Adszu Network
- All major electronics manufacturers are using the platform
- "Test run" for 2012 holiday season