



EXECUTIVE SUMMARY

Loyalty isn't just loyalty anymore!

Today's successful businesses distinguish themselves from their competition by focusing on customer retention, incremental spending and extraordinary service. In an increasingly competitive business climate it is critical to understand who is buying your products and services so that CRM Programs can be tailored to keep your best and most profitable customers coming back for more.

In his thought provoking book, *The Loyalty Effect*, author Frederick F. Reichheld writes "Loyalty is one of the great engines of business success". It is true, on one level, that loyalty has become a distinct business strategy, a cost-efficient way for retail and service merchants, large and small, to collect on-going and increased revenues from a core of their regular customers. However, on another level loyalty is much more than a business strategy, it is a continual, two-way relationship based on trust, respect and commitment.

Loyalty Marketing is defined by the ability to know your customers in order to market to each segment differently according to their relative profitability. Effective loyalty programs generate incremental spending - more dollars spent, more frequently, from customers whose needs are understood and met.

Loyalty is about influencing a consumer's purchasing behavior by managing information that can be measured by attributes such as frequency, recency, and value. Local Heroes International has developed a transaction platform and built a loyalty infrastructure to manage a wide range of consumer transactions. The GeN "X-2" Platform has been designed to service more than just "points only" products. Beyond merely recording points and posting them to an account it is possible to provide the consumer with an instant reward by way of immediate discount or "PlusCount" or redemption of existing points or PlusCounts that can be applied toward a purchase. The system will support traditional and enhanced forms of stored-value and gift card transactions. Targeted (one-to-one) marketing is possible through applications such as instant messaging, immediate-use electronic coupons, special promotions, and instant-win promotions. All of these value added applications can be designed around specific frequency, recency, and value profiles whereby customer preferences are organized and responded to in real-time from logic stored at the LHI Host.

To aid consumer convenience it is possible to allow "consolidation" of multiple cards into a single multiuse card, or even in applicable programs to allow the consumer to "combine" the credit card transaction with the loyalty transaction in a single card-swipe. Further LHI has developed a Global Debit card model that can offer an inexpensive solution to a growing number of "un-banked" individuals. Applications include international card to card money transfers, debit purchases wherever Visa and MC is accepted and access to ATM's worldwide. These GlobalDebit cards can be combined with loyalty programs and targeted to any number of specialty markets that exist globally.

Local Heroes International has become a leading provider of turnkey CRM programs, offering its clients real-time loyalty, stored value, VIP and gift card programs that are unique in the marketplace. LHI has organized a suite of interchangeable software modules that have proven to be successful in attracting new customers for its clients while increasing the lifetime value of existing ones. LHI brings together the most state of the art host and terminal based applications that can be triggered from a

single source (terminal) enabling its clients the flexibility to change program offerings in flight and in minutes with almost no investment or time building systems on their own.

The LHI management philosophy reflects a vision, a passion, and a commitment to innovation and excellence in the design and implementation of its CRM programs. LHI provides its clients with best of breed applications combined with highly specialized expertise and knowledge of an industry it has grown up with over the past 14 years. This unique perspective and experience provides our clients access to strategic partnerships with several of our industries leading companies.

The Global Electronic Marketplace-Permission Based Marketing

The evolution of technology on a global basis is astounding, and the future is sure to bring even more technological innovations. Communication is almost instantaneous through a host of advanced communications, including internet protocols, (VOIP, RFID), and the placement of advanced satellite systems. In a few short years, computers have migrated from mainframes to laptops and hand-held's. We can all look forward to a future that will bring a wealth of technological innovations designed to make our lives more convenient. The opportunities afforded by this global electronic marketplace have triggered a technological evolution with powerful implications.

This new marketplace is supported by a global infrastructure on which businesses, governments and customers can interact. Global malls and business sites are available to anyone with access to the technology. More and more, online marketing is becoming a new and effective delivery channel and users cross an increasing number of industry lines. In this electronic era, individuals and businesses can now target their communications to make an emotional connection with their customers, one person at a time. Consumers will retain control of how they wish to interact with the system. The future has arrived and businesses are now buying less time trying to reach customers, because customers are now spending more time to get the information or make the purchases they want. The electronic marketplace is transforming the way the world retrieves information, sells, works and plays.



This instant electronic world transcends both time and space as physical location has become less and less important and point-of-sale is increasingly becoming point-of-interaction. Technology now allows businesses to develop virtual personal relationships with consumers, meeting their needs based on their unique preferences. A new generation of marketing is here and businesses of all sizes have begun the shift towards incorporating electronic channels into their execution strategies. This is not a passing trend; it is a permanent shift in the way business and marketing will be conducted in the future. The choices for businesses and consumers are virtually unlimited, and we will all benefit from exciting new ways to conduct our business and run our lives.

Local Heroes International (LHI) is at the forefront of this shift, developing its technology and tailoring its program offerings to best position itself in an enormous market that up until now has been vastly under serviced. It is with great anticipation that we look forward to the challenges and opportunities this new marketplace will hold.