

Follow the Leaders Interview – July 2008



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1. STRATEGY & COMPANY MISSION

What are now the basic strategy and mission of the company?

We are in the business of helping dealers get more qualified leads from their existing websites by using proactive live chat. Increasing the volume of these leads is incredibly beneficial for dealers because their website leads have the highest closing ratios. Dealers who work with us typically triple their website leads. We work with the dealerships' existing websites to provide full-service live chat that engages site visitors with our professional virtual sales force, specifically trained in how to increase lead generation and customer satisfaction. This highly trained virtual sales team provides concierge-level service for dealer website visitors. Dealers can now meet, greet and assist shoppers in their virtual showrooms (their websites) in the same way they do already do at their actual dealership.

2. MARKET OPPORTUNITIES AHEAD IN 2008

What do you see as your company's biggest opportunities in the next year?

This is a great question. Coming out of the retail side of the business recently has given me a renewed insight into the needs of dealerships today. I am excited to say that our biggest opportunity is to help dealerships engage website visitors in live conversation. Our entire focus is to help our dealers convert more of their visitors into qualified leads through this live communication.

With the challenges created in the market over the last year, it has become more important to make the most of every customer opportunity. The dealership website is potentially the most lucrative area to concentrate on, since most dealership websites receive 2,000-3,000 + visitors per month. How happy would a dealership be to have this many people walk through their front door at the showroom? Dealers have the opportunity on their websites right now and ActivEngage's goal is to meet and greet every one of their site visitors. We are focused on one thing, turning passive website visitors into engaged and motivated leads for the dealership.

3. STRATEGIC COMPANY DIFFERENTIATION FROM THE COMPETITION

What is strategically different about the services your company offers?

Our (Ted Rubin and I) combined years of experience are the real key to developing an effective solution to help dealers maximize website performance and lead generation. Ted built and managed one of the first BDCs for Southeast Toyota. He has also provided sales strategy, business development and training for numerous manufacturers and automotive vendors. Further, he served as the National Director of eCommerce Field Operations for AutoNation, Inc. He then co-founded DealerUps, Inc., one of the industry's most recognized CRM companies.

I have over 18 years of automotive industry experience and have worked in every facet of dealership operations, most recently as the General Manager of a North East Chevrolet Dealership. I also developed cutting-edge eBusiness, BDC and Showroom sales strategies and solutions for Toyota, Mazda, Ford, AutoNation and others. And I have consulted with over 1,500 hundred dealerships nationwide.

Most chat offerings are passive. Meaning there is a "click to chat" button that is probably rarely used. ActivEngage is different because it offers dealers proactive engagement with site visitors. Based on shoppers' behavior, in both finding and using the website, carefully targeted messages are sent. It's all about the right message at the right time. It's becoming clear that proactive engagement yields many more live conversations, and qualified leads.

Furthermore, most other offerings merely provide chat software. Simply putting technology on a dealer website is useless if dedicated, knowledgeable agents aren't available.

Few companies offer chat as a service. And, those that do generally do not have the background or experience in the industry, or the medium of chat itself. Because of this, they are less adept at the art of the chat conversation and therefore less effective at supplying qualified leads. Our chat agents are highly trained in automotive dealer websites and the medium of chat itself. This is a huge differentiation and advantage for our clients.

We also continuously test for improvements and benchmark our findings using the latest technology to better understand consumer behavior at the dealership website.

4. MANAGEMENT CHALLENGES THIS YEAR AND LAST

What are the major or specific challenges for your management team in 2008?

We launched the company in 2007, so we've faced a few of the challenges that everyone faces when starting a new business: focusing our message, getting the word out to dealers about our service, deciding who would handle which aspects of the business, those sorts of things. A couple of things have really helped us, though. Primarily, this is not our first automotive venture. We have been here before, building a company to address specific dealership needs, leveraging our own dealership experience. Additionally we did a year's worth of extensive product development and testing before we launched the company. So, we haven't had many of the product development issues that new companies face. Finally, Ted and I respect, trust and like each other, so that has enabled our decision making to be easier and faster. We haven't had to deal with any personality "surprises" that managers often face when starting a new company together.

Moving forward, we have to make sure that we plan for the company's growth. We are growing fast and we are careful to make sure that we understand, ahead of time, what resources we will need to support our dealers as their number increases. It takes time and commitment, but you just can't ignore the fact that there will be changes as the company grows.

5. INDUSTRY & MARKET SITUATION

What is your assessment of the automotive market & the industry right now?

The marketplace has definitely gotten tougher over the last year but there are still opportunities out there. Right now dealerships are having to adapt to what I like to call the "perfect storm." We have three distinct issues that are pushing our industry rapidly. The first is the rising gas price which has affected what vehicles people want to drive. This major aspect has forced dealerships to redefine what they stock, and has been very painful for some dealership that got stuck holding the wrong inventory when the gas prices rose. The second was the housing implosion, which has affected us in a couple of ways. New guidelines on lending and customers with tighter wallets are causing shoppers to delay purchases due to limited availability of cash, and they are putting more emphasis on looking for the best deal. The third is that a lot of dealerships are just not run lean enough in regard to their expense structure to have an ample amount of cash reserves. This makes the first two events hit home faster, and with more impact. Include manufacturer consolidation and other local economic impacts, and you have some tough business decisions to make in the coming year or two.

The real reason ActivEngage exist as a company, is to help dealerships communicate with their most valuable lead source. These are the people who are coming to the dealership's own website and who know the dealership brand. These prospects have the highest potential of conversion and ROI for the dealership. The people on your dealership website are similar to people who walk into the front door of the dealership. Our goal is give website visitors the same experience they get when they walk into the dealership showroom.

6. DEALER SUCCESS STORY

Can you provide us with a dealer success story using your product?

Jim Behar, General Manager for Phil Smith Acura, began using ActivEngage in February of 2008 and his results have been outstanding: increased website leads and increased sales, all at very little cost and no extra work for the dealership. Through the service, Jim has found a solution to increase his website lead conversion rates and drive more sales, even in the highly competitive South Florida market. According to him, on average 90% of his web chats turn into leads and 50% of those leads who visit the store convert into sales. Jim commented, "It has increased our leads, which in turn allows us additional sales opportunities. So in a nutshell, it allows us to be more efficient and effective with our current site traffic, while additionally offering our website visitors a concierge level of service."