

Appendix

TropiCo's State of the Web Report

Our mythical company, TropiCo, made some progress with their online sales engine in the past year and created a corporate "State of the Web" report to share with other business units and shareholders.

This report was prepared for two of TropiCo's Tropical Business Groups divisions: the Pineapple Company and the Passionfruit Company. The report reviews the past year, compares the data from the previous year, and examines why the successes occurred. It also includes a section on how the team plans for move forward from here.

Table of Contents

Executive Summary

Part I. The Year in Review: The Data

General Traffic Trends

Geographic Distribution

Traffic Sources

Quarterly Leads Trends

Part II. How It Happened

Paid Search (Setup, Management, and Expansion)

Search Engine Optimization

Usability

Local Search

Referral Media

Strategy, Analysis, and Reporting

Part III. Looking Forward to 2012

Localize the Online User Experience

Engagement: Move Online Strategy Toward Interactive Brand Experience

Maintain Momentum from FY 2011

Executive Summary

The past year, 2011, was a year of significant change in the online presence for both of TropicCo's Tropical Business Group brands, the Pineapple Company and the Passionfruit Company. This report is a brief summary of changes that occurred, their causes, and recommendations for fiscal year (FY) 2012. This report is divided into three separate sections: Parts I, II, and III.

About Part I

Part I, "The Year in Review: The Data," summarizes the year's trends. There are four major highlights:

- Search engine traffic to the Passionfruit Company and Pineapple Company websites increased almost 60% in FY 2011.

- The year 2011 saw tremendous overall growth in both total website visitors and leads.
- We increased the diversity of marketing channels and the kinds of visitors who came to the websites by adding local search to the activities.
- A test market study revealed that presumably three out of four people who contact a Passionfruit Company or a Pineapple Company smoothie bar after visiting the website do so by picking up the phone and calling.

About Part II

Part II, “How It Happened,” reviews the budget and how we used it to make a significant impact. There were three major areas of focus:

- **Paid search:** We leveraged past successes by implementing a systemwide paid search campaign for the Pineapple Company and expanding paid search for the Passionfruit Company.
- **Increased visibility:** We moved toward reducing dependence on paid search by implementing search engine optimization (SEO) strategies to improve the organic visibility of the websites.
- **Analytics:** In FY 2011, we performed visitor behavior analyses to assess whether visitors to the Pineapple Company and the Passionfruit Company websites were getting the most possible out of their visit. We began to “close the loop” and link website visits with phone calls.

About Part III

Part III, “Looking Forward to 2012,” describes how we will continue to grow the online presence of the Passionfruit Company and the Pineapple Company brands in the coming fiscal year.

Part I. The Year in Review: The Data

This section provides a high-level overview of the major trends and traffic observed in FY 2011. As much as possible, we compare the data to FY 2010 and make comparisons between the two brands.

General Traffic Trends

An increasing number of Americans are using search engines to find what they need online. Paid search campaigns are continuously optimized to take advantage

of the increase in traffic. Additional steps have been taken to ensure that visitors who reach the websites are more likely to turn into leads.

In contrast to the increase in search engine traffic, we experienced a drop in other marketing channel efforts, such as referrals and direct traffic in FY 2011. We suspect that visitors are relying on Google as their “bookmark” engine, often typing in a keyphrase that got them to the website in the past, instead of trying to remember or spell the name of the company or service.

This is a huge shift in user patterns, and shows that the value of other sources, such as referrals, may decrease in the coming years.

It is important to note, however, that the decrease in direct traffic is not an indication that offline brand awareness is any less important. Based on our analysis, people who might have typed “pineapplecompany.com” directly into their browser are now instead typing it into their search engine. Therefore, offline brand awareness continues to be an important part of TropiCo’s Tropical Business Group marketing strategy.

The increase in daily traffic was reflected in both the Pineapple Company and the Passionfruit Company’s website traffic. Figure A.1 shows that the average number of daily visitors increased 23% for the Passionfruit Company and almost 100% for the Pineapple Company between FY 2010 and FY 2011.

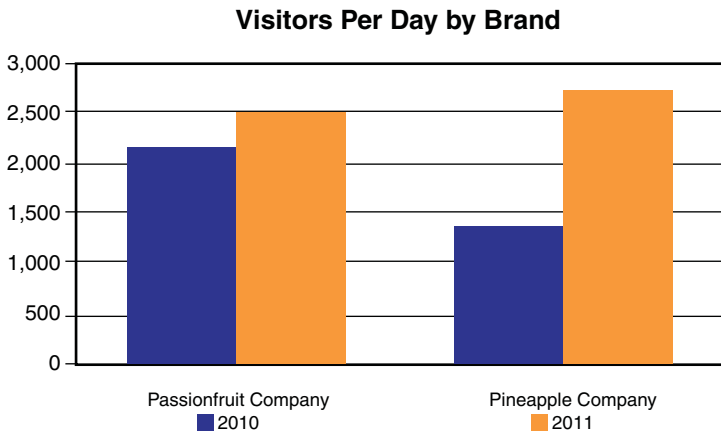


Figure A.1 Average visitors per day by brand.

Geographic Distribution

Almost all geographies were winners in FY 2011 growth, but large regional markets saw significant increases in traffic as both the Passionfruit Company and the Pineapple Company increased their online presence in these very competitive areas.

Figure A.2 shows how much of an increase the Passionfruit Company saw in its three largest regional markets; for the Pineapple Company, there was a similarly large increase in the Michigan, Ohio, Pennsylvania, Florida, and Illinois markets.

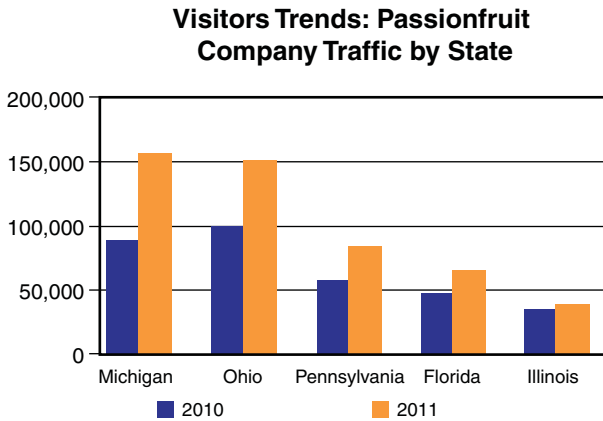


Figure A.2 *Passionfruit Company traffic by state for FY 2010 and FY 2011.*

Traffic Sources

Not all market channels increased equally in FY 2011, especially for the Pineapple Company. Figures A.3 and A.4 show large increases in both organic search and paid search traffic for the Passionfruit Company and the Pineapple Company websites, while direct (bookmarked) referral (traffic from other websites) and paid directory (Internet Yellow Pages) traffic remained stable or dropped off.

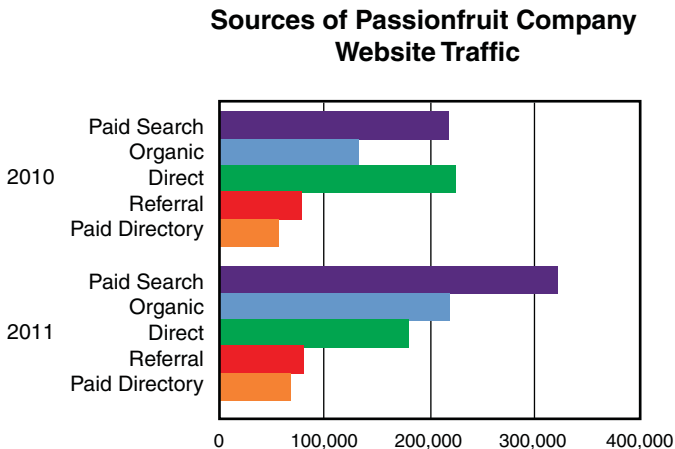


Figure A.3 *Sources of Passionfruit Company website traffic.*

Given that the Pineapple Company launched a paid search strategy in FY 2011 beyond just the few isolated markets in FY 2010, the brand saw a huge increase in paid search, going from very minimal website traffic to nearly 300,000 visitors.

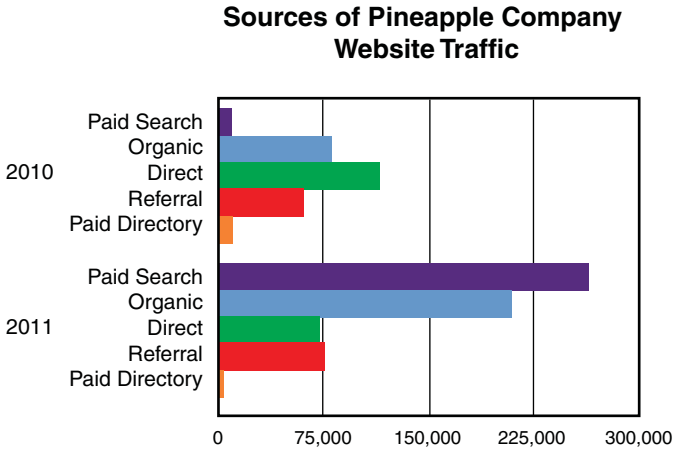


Figure A.4 Sources of Pineapple Company website traffic.

Quarterly Leads Trends

While website traffic increased in FY 2011, lead generation increased even more. Figure A.5 shows the increase in leads for each quarter as compared to FY 2010. In FY 2011, the two combined brands increased the number of leads generated in FY 2010 by more than 45%.

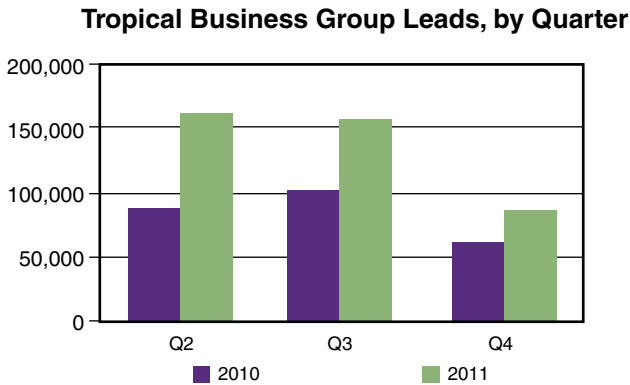


Figure A.5 Leads by quarter for the Passionfruit Company and the Pineapple Company, combined by fiscal year.

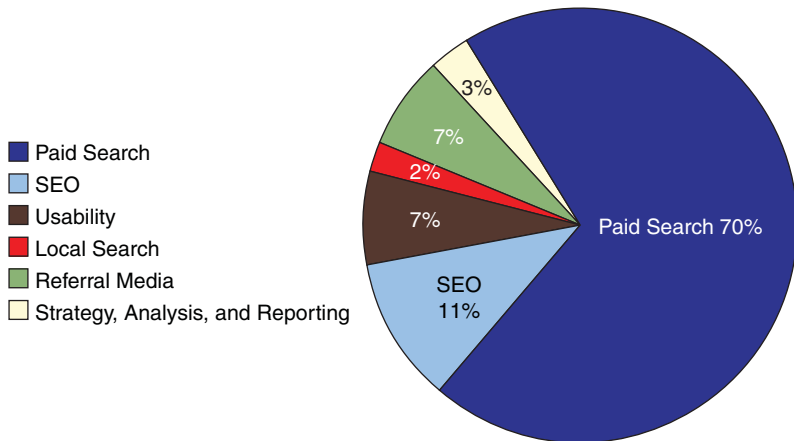
Part II. How It Happened

The results we've reported were a direct consequence of the activities planned for at the beginning of FY 2011. Broadly speaking, our activities fell into these categories:

- **Paid search:** We launched paid search campaigns for the Pineapple Company beyond those in minimal isolated markets. We leveraged past successes for the Passionfruit Company by expanding paid search beyond Google, to Yahoo! and Bing. Landing pages, which highlight regional information, were implemented for the Passionfruit Company's paid search campaigns in a variety of test geographies.
- **Search engine optimization and usability:** We moved toward reducing dependence on paid search by implementing SEO strategies to improve the organic visibility of the websites. We took advantage of local search opportunities, and tested referral media strategies to harness the power of opinion leaders, creating buzz and increasing traffic to the websites.
- **Strategy, analysis, and reporting:** In FY 2011, we ensured that our efforts were working properly through careful data testing and measurement, including detailed monthly reporting. We wanted to make sure that website visitors were getting the most possible from their website visit, and were being "led" to contact a smoothie bar. Finally, for the Passionfruit Company, we also started to close the loop between marketing efforts and orders with a pilot program, tracking online visitors and phone calls.
- **Local search:** All local search listings for the Pineapple Company and the Passionfruit Company smoothie bars were updated on Google and Yahoo! to be accurate and reflect the current brand language.
- **Referral media:** At the beginning of FY 2011, a strategy was explored to link from restaurant and smoothie bar online directories to generate traffic to the Pineapple Company and Passionfruit Company websites.
- **Expenditures:** Table A.1 and Figure A.6 show the activities and dollar expenditures for FY 2011 for both the Pineapple Company and the Passionfruit Company brands, organized by activity.

Table A.1 Actual Budget Summary for Pineapple Company and Passionfruit Company Brands

Category	Pineapple Company	Passionfruit Company
Paid Search Advertising, including Setup and Management	\$350,000	\$525,000
Search Engine Optimization	\$55,000	\$82,500
Usability	\$35,000	\$52,500
Local Search	\$10,000	\$15,000
Referral Media	\$35,000	\$52,500
Strategy, Analysis, and Reporting	\$15,000	\$22,500
Total FY 2011 Budget	\$500,000	\$750,000

**Figure A.6** Proportion of the Passionfruit Company budget spent for each activity in FY 2011. The Pineapple Company has a similar proportion for each activity.

The next sections of this report describe in detail how each strategy was implemented and highlight the key outcomes.

Paid Search (Setup, Management, and Expansion)

In terms of both budget effort and results, paid search was the cornerstone of the FY 2011 effort for Pineapple Company and Passionfruit Company.

Strategies

Our key strategies for paid search were to

- Improve customer qualification.
- Launch the Pineapple Company campaigns systemwide, expanding from minimal isolated markets. Expand both the Pineapple Company and the Passionfruit Company campaigns into additional search engines, increasing reach and reducing the cost per conversion.
- Develop regional landing pages to increase conversion rates.

Implementation

Customer qualification was achieved through optimizing keyphrases and managing ad copy. A series of careful, tactical management efforts included improved targeting and conversion rates for individual keyphrases. We also made continual adjustments of bids for keywords that were too expensive for the value they created. Ad copy was optimized through A/B testing.

Expanding into additional search markets was an initiative started in Q1 FY 2011. Expansion included Yahoo! and Bing, as well as the Content Network for the Passionfruit Company. At the beginning of FY 2011, Google AdWords made up 100% of all paid search engine traffic.

By the end of 2011, the ratio for both Pineapple Company and Passionfruit Company was

- 77% Google AdWords
- 23% Yahoo!/Bing

These distributions are also a reflection of the actual market share of each engine. Google AdWords reflects an enormous proportion of overall search engine traffic, with Yahoo! and Bing a distant second. Bing continues to be relatively minimal. The diversification among these search engines has resulted in increased reach and a lower overall cost per conversion as Yahoo! and Bing are less expensive.

At the beginning of Q4 FY 2011, we developed regional landing pages for paid search traffic in five selected pilot markets (Michigan, Ohio, Pennsylvania, Illinois, and Florida) to assess whether regional content on landing pages would improve conversion rates.

Outcomes

The FY 2011 paid search strategy was very successful. Table A.2 highlights major paid search optimization results for Passionfruit Company comparing FY 2010 to FY 2011. As the table demonstrates, leads and lead-conversion rates increased in FY 2011, while the cost per conversion went down.

Table A.2 Comparison of Paid Search Efforts for Passionfruit Company Brand in FY 2010 and FY 2011

Period	Leads	Lead-Conversion Rate	Cost per Lead
2011	15,000	1.75%	\$35.00
2010	1,155	1.05%	\$61.00

The Pineapple Company did not have a substantial paid search campaign before FY 2011, making a year-to-year comparison not possible. Figure A.7 shows how the cost per lead decreased across the fiscal year as the campaign was optimized. The cost per lead did not exceed \$40 after December 2010. Monthly leads increased over the course of the year, but are also affected by seasonality.

Pineapple Company Cost per Lead - FY 2011

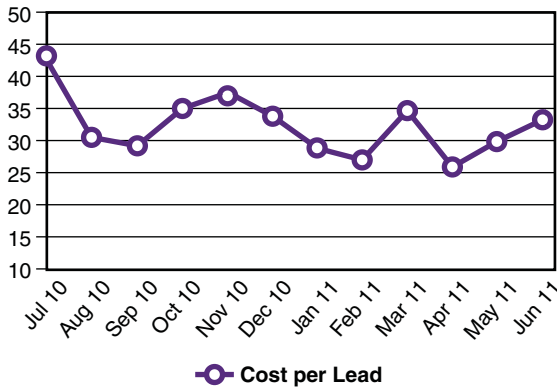


Figure A.7 Cost per lead for FY 2011.

The effort to carefully manage keyphrases and ad copy improved conversion rates from FY 2010, as well. Figure A.8 shows the results for each marketing channel between the two years. Conversion rates across different market channels did not improve nearly as dramatically as conversion rates for paid search.

Paid search showed the greatest improvement in overall conversion rate, although organic search and direct traffic (visitors who are aware of a brand) represent the highest conversion rates.

Passionfruit Company Market Channel Conversion Rates

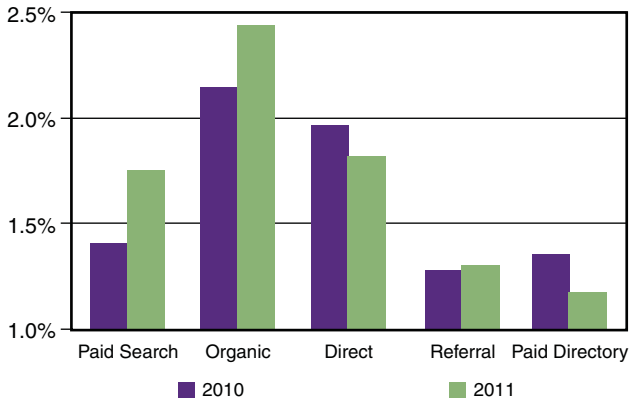


Figure A.8 *Passionfruit Company market channel conversion rates across fiscal year. Pineapple Company has similar distributions.*

Generally, conversion rates for organic search will be higher, but as the Passionfruit Company and Pineapple Company start to experience higher organic visibility on keywords less directly associated with their name, this number may drop. We predict that conversion rates for paid search will continue to improve in FY 2012.

Table A.3 shows how expanding into additional markets reduced the overall cost of paid search by using more efficient but less visited search engines like Yahoo! and Bing.

Table A.3 Cost per Lead by Brand and Search Engine, FY 2011

Category	Pineapple Company	Passionfruit Company
Google AdWords	\$57.00	\$42.00
MSN AdCenter (Yahoo! and Bing)	\$39.50	\$32.50

As Table A.3 shows, the Pineapple Company has a higher overall cost per lead when compared to Passionfruit Company. The Passionfruit Company and Pineapple Company do not have identical strategies as their budgets differ.

The Passionfruit Company budget affords us the opportunity to emphasize “exposure” as part of the goal of the campaign, with website traffic seen as an opportunity to develop and cultivate brand. Therefore, we accept higher cost per clicks to generate traffic that may not convert right away as long as the time spent on the website is significant.

In addition, the Passionfruit Company smoothie bars have a denser presence than

the Pineapple Company in some of the very competitive markets.

Fruit smoothie paid search costs in Metropolitan Philadelphia and Southern Florida are more than 40% higher than the national average for the same keywords, which means that the Passionfruit Company smoothie bars are paying significantly more per click in those markets.

The preliminary results of the Passionfruit Company regional landing page test are encouraging. To date, the regional landing pages have generated 81 conversions at a conversion rate of 3.26%. The nonregional landing pages have generated 24 conversions at a conversion rate of 2.45%.

Additional data is required to provide conclusive results, but the data to date is very promising. If the +.81% conversion rate difference continues, this effort could increase total leads for FY 2012 by as much as 30% for the same paid search traffic.

Search Engine Optimization

As powerful as paid search is for online marketing, paid search traffic encompasses approximately 20% of all online search engine traffic. The other 80% is organic search traffic. A key goal in FY 2011 was to identify ways to improve the visibility of the Passionfruit Company and Pineapple Company websites for people using organic search as their primary information gathering tool.

Strategies

Organic search improvements are made through a series of small, tactical improvements that can make a large impact on overall visibility. Generally these decisions revolve around two major goals:

- Increasing the amount of content in general
- Careful selection of targeted keyphrases to use in the website content

A key goal of these activities is to create visibility for non-brand name keywords in organic search. For the Passionfruit Company and Pineapple Company, our research found that people looking for smoothie bars used keywords such as

- Smoothie
- Daiquiris
- Fruit bar

Implementation

In some cases, these are not keywords that Passionfruit Company or Pineapple

Company would use to describe themselves, but analysis showed overwhelmingly that these are the keywords used by customers to find smoothie bars provided by the Pineapple Company or the Passionfruit Company. When people reach the website using these keywords, they can get a strong sense of the Passionfruit Company and Pineapple Company brands.

After identifying the most strategic targeted keyphrases for the Passionfruit Company and Pineapple Company, we increased the website's visibility of these keywords with these recommendations:

- Changes to page titles and tags
- Introduction of inline link text to emphasize essential keyphrases
- Changes to the technical infrastructure of the website to expose local copy (particularly smoothie bar location data in search results)
- Bringing the newsletter content forward within the website, thus improving organic visibility

Implementation of these modifications has begun for both websites and we anticipate a launch of these revisions early in FY 2012. We expect a solid impact on the visibility of the Pineapple Company and Passionfruit Company websites for these nonbranded organic search keywords.

Usability

As important as traffic is to a website, the key measure of its success is how many visitors take action. A major goal of our FY 2011 efforts was to identify ways to improve the Passionfruit Company and Pineapple Company websites so that visitors could more easily get the information they need and then contact a smoothie bar.

Subtle changes to usability can have big effects. If a change improves conversion rates by even half a %, for example, it could increase the number of leads for the Passionfruit Company by nearly 300 leads per month.

Strategies

We analyzed 1 year of web server logfiles with the goal of developing strategies to improve the overall conversion rate. As a result of our analysis, we recommended

- Changes to page copy (including changes to layout for easier online reading and skimming)
- Richer interlinking of internal pages to clarify which topics are covered on which pages (sometimes called improving the "information scent")

- Improvements to the locate-a-smoothie bar process

Implementation

These changes are scheduled for completion early in FY 2012 for both the Passionfruit Company and Pineapple Company websites.

Strategy, Analysis, and Reporting

The essence of the Internet marketing strategy revolves around measuring effects, testing theories, and taking action after we learn something valuable. All the previously described activities in this report include *some* reporting and analysis component, but two analytical questions emerged during the fiscal year.

These questions were:

- Will the introduction of local franchise websites have a negative impact on sales or leads, relative to the same visitors using the corporate website?
- How many people who come to one of the brands' websites make contact through a phone call?

Local Franchisee Versus Corporate Website

In early Q2 2011, TropicCo's Tropical Business Group introduced a program that allowed the Passionfruit Company franchisees to set up websites that would allow them to post information for their individual smoothie bars. TropicCo's Tropical Business Group also agreed to link the corporate website's "locate a smoothie bar" results to the local websites. A major question about the project was whether the local websites would have a positive or negative impact on conversion rates.

Using a sophisticated Google Analytics configuration, we were able to track visitor traffic that started on the main corporate website and then was redirected to a local website during a website search. The analytics configuration was completed in Q4 2011.

By June, we had two major findings:

- Visitors using paid search almost never went to a local website but instead completed the contact form on the corporate website.
- Conversion rates for local websites were about as good or slightly higher than for the corporate website.

To date, 125 conversions have been tracked. The majority of traffic was to websites for smoothie bars that have recently opened. Now that they are open, we will be

able to identify a clear set of patterns and trends, but our tentative conclusion is that local websites will not have a significant positive or negative impact on conversion rates.

Close the Loop Test

A key question that we set out to answer at the beginning of 2011 was “how many phone calls are we getting as a result of website traffic?” In Q3 2011, we set up a test deployment of a phone call tracking mechanism to assess numbers of conversions through phone calls, as opposed to web form submissions.

The test included 24 Passionfruit Company corporate smoothie bars in Southern Florida. Five months of data have been collected for pilot smoothie bars.

As Tables A.4 and A.5 show, results suggest that call volume in Southern Florida is extremely high when compared to people using contact forms across Florida as a whole. Table A.4 contains call data for the Passionfruit Company for Southern Florida, while Table A.5 contains target markets and directories for both companies across Florida.

Table A.4 Total Calls and Average Minutes per Call Across 24 Southern Florida Passionfruit Company Smoothie Bars, January to June 2011

Southern FL Calls	Average Minutes per Call
5,650	1.95

Table A.5 Total Visits, Conversions, and Conversion Rate for All Passionfruit Company Smoothie Bars in Florida, January to June 2011

FL Website Visits	Conversion Rate	Total Conversions
74,000	2.42%	2,100

This data suggests that phone calls resulting from website visits may make up more than 75% of all potential website leads. Although the exact value can't be calculated, leads generated by phone calls could mean that return on investment (ROI) for online marketing efforts is two to three times higher than current estimates.

In addition, 5 months of data confirm that if we can extrapolate the Southern Florida calls to a national level, the Passionfruit Company smoothie bars may be receiving over 9,100 calls per month!

The pilot study found striking differences in the average call length across different smoothie bars, which suggests either differences in markets or different phone call processes.

Local Search

Local search is a kind of organic search that people use when looking for services in a specific location. It is a rapidly growing segment of search; searches with geographic modifiers made up over 80% of all organic keyphrases used to find the Passionfruit Company website in FY 2011.

We found that optimization of the websites for local search could have a real impact on traffic to the Passionfruit Company and Pineapple Company websites.

Strategies

The local search listing project was largely an implementation and maintenance effort carried over from FY 2010.

Implementation

In Q1 FY 2011, we submitted or updated listings on Yahoo! and Google for the Passionfruit Company and the Pineapple Company. In Q2 FY 2011, we optimized the listings using keyphrases identified in the search engine optimization assessment.

Throughout the year, we continued to

- Monitor reviews making sure that reviews were accurate, and then contested any as necessary
- Ensure the accuracy of listings
- Analyze traffic from local listings

Outcomes

Total traffic from local searches increased 83% to about 1,000 visitors per month in FY 2011 for the Passionfruit Company and Pineapple Company combined. This traffic represents high quality visits: Total conversions from local search increased over 117% in the same time period.

Maps.google.com visits increased 320%, with conversions up nearly 600%. Local.yahoo.com visits increased 55%, with conversions increasing 85%.

Although traffic from websites like Google maps was about 1 % of total traffic, there were two very promising trends in local search. First, the trends increased steadily over the year, which shows an increased interest in local search as a strategy by users.

Second, the effort to improve local search had a positive overall effect on nonbrand organic search. Organic search of nonbranded search keywords increased more than

170% in FY 2011, which was nearly three times the amount that overall organic search increased. The majority of these increases were from low-traffic, local searches, such as “smoothie bar in Pompano Beach” or “smoothie Columbus OH.”

Referral Media

Links coming from other referring websites into the Passionfruit Company and the Pineapple Company websites help to raise the organic visibility in the search engines.

Strategies

A strategy implemented at the beginning of FY 2011 was the use of linking from other websites to generate qualified traffic to the Pineapple Company and the Passionfruit Company websites.

Implementation

Listings were implemented on directories for both the Passionfruit Company and the Pineapple Company in three test markets for each brand. Referring websites were chosen based on

- High overall traffic
- Topical relevance
- Geographic relevance

Table A.6 shows the markets and directories selected for each brand at the beginning of this pilot project.

Table A.6 Target Markets and Directories for the Pineapple Company and Passionfruit Company Brands

Brand	Target Markets	Target Directories
Passionfruit Company	Atlanta, GA Philadelphia, PA Minneapolis, MN	SmoothiesRUS.com Craigslist.com Frozenfruit.com
Pineapple Company	Atlanta, GA Miami, FL Cincinnati, OH	SmoothiesRUS.com Craigslist.com Frozenfruit.com

Outcomes

The managing editor for each target market was contacted resulting in the smoothie bar locations, as well as branded-specified text being listed in their restaurant and smoothie bar section. Most listings were in place by mid-September.

Traffic generated from this test was extremely low. The pilot is ongoing, but it appears that it will be much less cost-effective and powerful than other marketing channels.

Based on our findings, in early Q3 FY 2011 we reallocated 60% of the original budget to search engine optimization and usability projects.

Part III. Looking Forward to 2012

While our efforts in FY 2011 have been effective, we believe there are even more opportunities for improvement and growth. Our projected FY 2012 efforts fall into these categories:

- Localizing the online user experience
- Increasing engagement (develop an interactive brand experience)
- Maintaining momentum built from FY 2011 efforts

Localize the Online User Experience

To bring the online user experience to the local level for customers, we will expand efforts in two key areas:

- **Local search:** Given the success of local search efforts, we plan to continue to maintain local listings and measure their impact on the traffic to the Pineapple Company and Passionfruit Company websites.
- **Landing pages:** Pending final analysis of the Passionfruit Company results, we recommend that localized landing pages be rolled out across the Pineapple Company websites for all geographies.

Planned implementation includes development of a dynamic tool to synchronize landing pages with smoothie bar databases, and include interactive maps on landing pages using the Google Maps application programming interface (API).

Engagement: Move Online Strategy Toward Interactive Brand Experience

To increase the level of engagement for website visitors, we plan to expand activity into more engaging social media:

- Enter brands within popular online communities (such as MySpace, Facebook, and Twitter)
- Monitor online blogs, comments, and conversations

Maintain Momentum from FY 2011

To maintain the momentum we gained from FY 2011 and continue building on those efforts, we will address these three key areas:

- **Paid search:** Given the success of the paid search campaigns in FY 2011, we recommend that TropiCo's Tropical Business Group continue optimization at similar spend levels for the Pineapple Company and the Passionfruit Company.
- **Close the loop:** We suggest rolling out a phone call tracking system for the entire Pineapple Company brand that allows detailed, specific tracking of calls. Calls should be tracked from the initial search through to the point where a caller makes an appointment to visit a smoothie bar. This kind of information can help inform paid search and organic search efforts, with the goal of finding the most efficient keyphrases, keywords, and trends in online search.

The call-tracking system will also be useful in improving the quality of how calls are handled by the individual smoothie bars and how this initial contact can ensure that a caller is more likely to become enrolled.

- **SEO and usability:** We recommend that TropiCo's Tropical Business Group assess the effectiveness of the FY 2011 SEO and usability recommendations. The assessment will identify additional actions that we can take to improve the organic visibility and usability of both websites (scheduled for Q3 FY 2012).

This page intentionally left blank