

**Customer Acquisitions through Email for Retail Location**

**Business Services  
Database Services**

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**Ken Schwartz  
CEO**

**BIO:** Ken Schwartz has served as CityTwist’s CEO since 2008, leading the company to 1000% growth during that time. On joining CityTwist in 2008, the company was effectively a technology startup, with an industry- leading proprietary technology, and \$100,000 of private funding. Today, CityTwist is a profitable and growing company, with forecasted income of \$8.5 million for 2013 and 70 full-time employees.

Prior to CityTwist, Ken spent 10 years involved in productizing data enabled solutions, and monetizing them in the marketplace. From 2000 to 2005, Ken was the Executive Vice President of Seisint, Inc. (Accurint), overseeing

business development, the legal department and eventually the company’s sale to LexisNexis for \$775 million. The Seisint transaction, the largest dollar acquisition of a private company in 2004, and was named Fortune Magazine’s “Deal of the Year.” Ken remains a member of the Florida Bar, and a leading data rights and use attorney.

**About CityTwist:**

CityTwist, an email advertising company specializing in new customer acquisition, leverages a proprietary email delivery system to guarantee delivery of email advertisements to locally targeted consumers. CityTwist is positioned between Groupon and ConstantContact, driving new local customers to retail locations from a database of 125 million opt-in consumers. The company’s customers enter into subscription agreements having a minimum 3- month term. CityTwist productizes its unique ability to locally deliver advertisements to identified consumers both vertically and horizontally, including marketing for new car sales for auto dealers, and local couponing for the SMB marketplace.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. Schwartz, what is the concept at CityTwist?

**Mr. Schwartz:** We are a new customer acquisition advertising service that drives incremental revenue to retail locations via email. We have a very active audience of opt-in consumers – 125 million consumers, which is approximately one third of the rooftops in the country. One way we productize this capability is with our Conquest Automotive product, providing new customer acquisitions for auto dealers.

We can identify who is in market in our database and drive those consumers from our audience to the dealership’s website inventory pages, resulting in the dealership selling more cars.

**CEOCFO:** How do you get the potential audience? Are they opting in for specific topics and segments or are they opting in in general?

**Mr. Schwartz:** It is general consumer data. Data is out there because people opt-in all over the internet. The secret sauce is not in the data, but it is in the ability to deliver. The barrier to entry is technology, and CityTwist has a proprietary technology developed by our founder, which is remarkable in its ability to deliver emails to finite Zip Codes. We know where the people live and we can deliver to their inboxes just like the post office. Second, is the quality of the data, and CityTwist’s ability to clean and manage the database. Since we have such a vast database and the ability to deliver, we are constantly cleaning the data and maximizing response rates. Lastly, our compliance is unique in the industry. We have never sent out anything other than bona fide offers from local merchants to people who have requested the information. Consequently, we are white-listed by the ISPs.

**CEOCFO:** How do you ensure you are sending out viable information?

**Mr. Schwartz:** The proof is in the pudding. Everything we do has third party tracking. For instance, for the automotive dealers, the resulting website traffic is tracked by Google Analytics. While we are emailing, CityTwist is typically in the dealership’s top ten website traffic drivers. Additionally, the quality of the traffic is significantly better when compared with other website traffic on the dealership’s website. Because we are driving significant quality

traffic to their website, and the traffic is hyper-local, our customers experience increased buyer traffic on their showroom floors. We also have third party tracking to confirm how many cars they sold from the campaign. As such, there exists exact measurement of ROI derived from the campaign. With all of the third party tracking that we have, it is full circle, fully transparent and independent. CityTwist knows it is working and so do our customers. For instance, in the automotive world we enjoy approximately 85% retention. It is proven that CityTwist typically outperforms AutoTrader, Cars.com and Facebook combined in quantity and quality of traffic to dealership websites, and has lowered the marketing cost per car sold from the national average of \$641 to \$250.

**CEOCFO:** In order to know how many cars are sold, do the dealerships provide the information to you?

**Mr. Schwartz:** No. First, we know whom we emailed. Second, we suppress the dealership's customer data against our data to make sure we are not emailing their customers. The consumers we emailed are then exactly matched against DMV registration data. This process is all done by an independent third party.

**CEOCFO:** What was the hardest part of the technology to put together?

**Mr. Schwartz:** When you look at the fact that you are sending emails to consumers who have a commercial application, such as AOL, Yahoo, Gmail and MSN, they do not have a duty to deliver the email as the post office does. You have to understand their thought process and you have to have a long view. You cannot take quick, easy money, which is very available and prevalent out there for things that would be considered as spam by a consumer. You have to tighten your belt, have a long view and do it the right way. I think if you do that, you win.

**CEOCFO:** Do you design the emails as well?

**Mr. Schwartz:** Yes, we are a turnkey shop, so everything is done for the

customer at CityTwist. We have the data, we build the list, we build the creative elements (the advertisement), we deploy and we provide access to the third party tracking. Everything is turnkey.

**CEOCFO:** What is the key to getting a consumer to open the email?

**Mr. Schwartz:** It has to be relevant to them. You have to hit the right consumer at the right time. A perfect example is, for instance, suppose you are an identified in market luxury automotive buyer, and there is a Cadillac dealer in your hometown who sends you an email. If the subject line says your hometown in the beginning, you are more likely to open the email. In this instance, the subject line might say "Delray Beach Ed Morse Cadillac Summer Sales Event." Only CityTwist can do that because of our delivery. If you have a consumer who is in the

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market, they are going to open it up because they are interested. It is relevant to them without being spooky. It is not saying, "Hi Ken Schwartz, I have a car for you," because that makes people worry on the internet. Instead, it is saying I have a locally relevant offer for you at a time when it is relevant for you to open it.

**CEOCFO:** How do you know when someone is ready to buy a car?

**Mr. Schwartz:** We use multiple third party providers for that. They have market intelligence and we do not profess to have that. Since they have name and address and we have name and address, we are able to match up those people that are identified as currently in market against our opt-in database.

**CEOCFO:** You mentioned the automotive industry. Are there other industries that you are working in or where you would like to have a greater presence?

**Mr. Schwartz:** We just launched a product called ProsepectPro for the small to mid-sized SMB market. It is

another product we know we can deliver. For the SMB, it is highly effective and affordable advertising on a subscription basis –1,000 emails a month for \$49.95, and having a minimum three month commitment of \$149.85. Standalone small businesses and multi-location franchises alike have been very receptive.

**CEOCFO:** How do you reach your perspective customers?

**Mr. Schwartz:** On the automotive side, we do it all by telephone. We have people who ask a dealer if they would like to receive a demonstration. When a dealer confirms they would like a demonstration, one of our sales professionals takes the dealers through the demonstration using an online webshare.

**CEOCFO:** I would suspect that because you are working with so many dealers it is simple to get the interest there.

**Mr. Schwartz:** We launched this product in July of 2011. It has grown very aggressively and with the retention, it has been a successful product for us. We have

a very good name in the community, therefore when we call on dealers many are familiar and would like to hear more about our product. We are also seeing quite a bit of inbound now where we get referrals randomly from dealers calling in wanting to acquire our services. They hear from their friends in the community how well it is working for them.

**CEOCFO:** What is the competitive landscape and what is the "aha" moment when your customers realize you are different in providing something that I suspect most do not?

**Mr. Schwartz:** There is really no email provider doing what we are doing. Everything else we compete against is the AutoTraders and Cars.com of the world, who are fine companies. I think all marketing works. If it is quality marketing, it is going to help you. That being said, we are different in that we are direct response. We are basically direct mail for today. We are knocking on the door and asking a consumer to come visit the dealer's website at the

right time, where every other service out there is asking the consumer to come find them. For instance, for AutoTrader you go online, look up a series of cars and there is a multitude of different dealerships you can visit looking for those cars. The same goes for the TV and the radio, which is more passive. CityTwist is direct response. The dealership is asking the consumer to visit its' showroom online. We are giving them an invitation, so it is a different way of marketing.

**CEOCFO:** Is there a particular "aha" moment when your potential customer understands the difference?

**Mr. Schwartz:** In terms of us, we are certainly the gold standard and we are well known for what we do. I actually really like working with dealers because they understand they have to market to sell cars. They are sophisticated business people and they are the top of the food chain when it comes to sales people. They really are the consummate sales people. They get it and they are smart. All of that plays together where we really came upon a very good audience to sell our first packaged product. They have been receptive, and when it works, they are happy to talk about it. That is the other side of it as well. It has been good and I really enjoy the automotive vertical. Dealers are a lot of fun.

**CEOCFO:** What have you learned from previous business experiences that have been helpful for you here?

**Mr. Schwartz:** I am a lawyer, so I think part of that has helped. I started out of law school with my own law firm and I grew that to five lawyers in five years. I became a regulatory attorney. From that, I went to Seisint which was formed inside my law office. I went to work as Executive Vice President and General Counsel, with responsibilities for business development and the legal department. We built a company that was ultimately purchased by Reed Elsevier for \$775 million dollars. The unknown story about that company was that we were about two and a half weeks form insolvency two years prior to selling for \$775 million dollars. The big thing I learned was about focus. You need to make sure that you are always keeping your eye on your core competencies. I learned a lot about that basic philosophy of building a business. I also learned a lot about call center management and how to build a proper sales floor, which has been very helpful to me now. Just taking my legal background and applying it here to make sure that CityTwist is the white hat in the email industry and how to monetize that has helped us a great deal. The business experience I have gained along the way has helped a great deal, and I apply it every day.

**CEOCFO:** What is ahead for CityTwist?

**Mr. Schwartz:** We are going to keep building a company. I am a firm believer that you build the business for the right reasons, not for sale or for

taking it public. You build a business and everything else winds up taking care of itself. We are going to let the current take us where it takes us. We will double this year over last year and we expect to double again next year. Right now, I have my eyes on building the company.

**CEOCFO:** Why should people in the business and investment community pay attention to CityTwist?

**Mr. Schwartz:** I think there are two reasons. First of all, we have a good management team here that has done this before. We have taken something from \$100,000 of base investment and built it to where we are today. We will do about \$8.5 million this year and we will probably do \$15 million next year. We have really boot strapped and identified great markets in order to build a successful and profitable company from the ground up. I think the second thing is that we have a unique technology here that can be exploited in multiple vertical markets, such as automotive, in order to monetize that technology. It is disruptive and we really have a difference maker and barrier to entry. The ability to exploit that is paramount.

**CEOCFO:** Do you have any final thoughts?

**Mr. Schwartz:** None, other than we are having fun.



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