

We want to thank our resellers who have taken the time to correspond with us over the past few weeks. The simple fact that you take time to communicate with us means that you are putting effort into your business and want to sell more EZ-NetTools. We appreciate your efforts!

There have been a lot of questions about the new accounts and recent price increase so we wanted to summarize and explain some of our marketing research. Through this summary we want to communicate what we have learned and how our new marketing approach will put our resellers and EZ-NetTools in an excellent position to sell more services.

Market Shift

From the beginning, our services were developed to help small businesses. Nearly one year ago it appeared that in our small business target market, there was an increased demand for design services. Based on feedback from customers, resellers and our staff, we felt that more small business owners were requesting website design work than every before.

Fewer small businesses wanted to create their own websites. At that point in time, we were selling EZ-NetTools under the premise that they would want to build their own website and also maintain it themselves too.

Surveys

Noticing the change in the marketplace, we began some market research to help us prove or disprove what we felt was happening in the marketplace. We conducted a national survey of randomly selected small businesses.

Statistically speaking, the survey was accurate with a 95% confidence level +/- 5%. This means that we could feel very confident that the data was accurate and could be used to represent our target market of small businesses

across the country.

We proved our theory that many small businesses don't want to build their own website. We also learned a very exciting fact. *Even though businesses didn't want to create their own website, they wanted the ability to maintain their own website!* This was music to our ears.



Competitive Advantage

The most exciting thing about this information is that the market has shifted into the strengths of EZ-NetTools! When our designers create a custom design and implement it into EZ-NetTools, our customers can maintain their content easily. We concluded from this research that the shift in the marketplace gives us a competitive advantage. In marketing terms, a competitive advantage exists when a company matches something they do really well to opportunities discovered in the marketplace. We feel like we hit the jackpot with this discovery. With our design talent and EZ-NetTools as the development engine, we can provide websites and support like no one else can!

Another significant fact we learned from our research was that business owners have become more knowledgeable about hosting. This was exciting for us because in times past, we had to educate our customers on how EZ-

NetTools was different. This has not been easy because much of our service is intangible. Once our prospects began to understand what the EZ-NetTools system had

We found that...

- Small business owners did not want to create their own website.
- Small business owners required the ability to maintain their website.
- Small business owners recognized the difference between hosting companies.

to offer, they would see the *value* in our *feature rich* services and make a purchase. Now, small business owners have a better understanding about Web hosting.

Many have been lured by the low-cost of low-end Web hosting services. They have found that they get what they pay for and more easily understand the importance of integrated software like EZ-NetTools. They understand that a library of scripts and free downloadable software is not user friendly, is not very powerful, and requires a fair amount of technical expertise to set-up. With limited support, **these are considered a recipe for frustration to the more knowledgeable small business owner**

Based on this new information, we believe that our target market is tired of these half-baked services and are ready for the feature-rich EZ-NetTools system. We think they will identify the comprehensive nature of EZ-NetTools and will be impressed that our system has been tried and proven effective.

Perceptual Map

Based on the information received from our surveys, we continued our marketing exercises and constructed a perceptual map. A perceptual map is a tool used in marketing to help identify segments of a market based on two related criteria. The map establishes a range from low to high in each of the criteria. The map establishes four segments where we plot competitors and EZ-NetTools. This helps us visualize the marketplace and helps us identify where we can compete most effectively.

In this map, we compared price and quality. We plotted low-cost hosting services as a group, Yahoo! Store, Interland, and Homestead. The four segments to this perceptual map are:

- Low-Features/Low-Cost
- Low-Features/High-Cost
- High-Features/Low-Cost
- High-Features/High-Cost

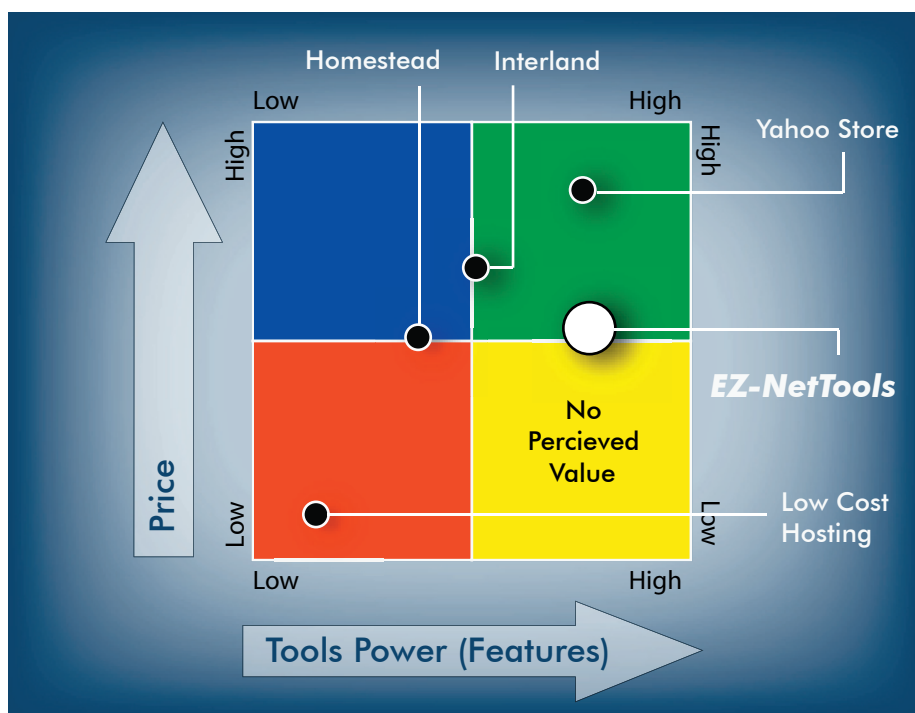
We studied each of the four quadrants and came to the following conclusions:

Low-Features/High-Cost

The Low-Features/High-Cost segment is not a good solution. No one will be successful offering a product that is inferior in quality and functionality for a high price. That quadrant doesn't make sense for anyone.

Low-Features/ Low-Cost

The Low-Features/ Low-Cost segment of the market is very competitive. These are the companies that offer

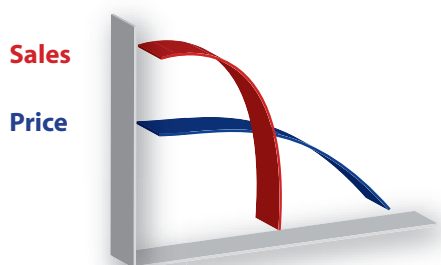


very low prices for hosting and offer "freeware" software. We don't believe this is the best segment for us to compete in. There are too many businesses competing in this market and our product is much more feature rich so we clearly don't fit here.

High-Features/Low-Cost

We seriously looked into the High-Features/Low-Cost segment of the market we learned a valuable lesson. We began testing price points. Beginning with our suggested retail pricing we systematically began decreasing the price of the EZ-NetTools service. We decreased the price steadily until the service was offered for free. We found that as our price decreased, our sales also decreased! One would assume that as the price decreased that the sales would increase but the opposite was true!

We learned that there is a perceived value based on price. People think that if the price is too low, the product must be of poor quality.



High-Features/High-Cost

We determined that our best quadrant to compete in is the High-Features/High-Cost quadrant although we don't want to be the highest price. We positioned ourselves to compete in the lower end of that quadrant as a moderately priced, high-quality service provider.

Our positioning clearly identifies where EZ-NetTools can compete most effectively in the marketplace.

Price Points

Once we identified where EZ-NetTools fit in the marketplace, we compared our pricing with similar compa-

Company	Low Features	Medium Features	High Features
EZ-NetTools (SRP)	19.95	39.95	59.95
Interland	15.95	39.95	69.95
Yahoo! Small Business	39.95	99.95	299.95
Homestead	19.95	39.95	49.95
Verio	44.95	74.95	94.95
Big Step	29.95	49.95	none

nies. We adjusted our pricing to reflect moderate pricing to match our feature rich product. This chart shows how our newly established pricing is competitive and places us as a moderately priced, high-quality service.

You will notice that we are less expensive than most in this quadrant of competition. You will note that we don't compare ourselves to those businesses that are in different quadrants. They attract different customers and we don't want to compete for those customers. They are different customers and not part of our target market.

Reseller Education

We know that our resellers need to understand these changes for us to be successful. We are providing teleconferences to discuss these changes and we hope this newsletter reaches all of our resellers. For our resellers to be successful, they must take advantage of the training and materials offered. It is crucial for our resellers to understand that our adjustment to the market will keep us all more competitive and shows our competitive advantage.

Our new positioning is a change from simply selling EZ-NetTools because the market has changed. Our resellers must change their thinking too. We are not trying to compete in the Low-Quality/ Low-Cost segment of the hosting market. Referring back to the perceptual map, we don't want to compete in that segment of the market anyway. Our monthly fees are based on value instead of trying to be a low price provider.

We need to step back, however, and look at our approach to selling EZ-NetTools. We are now selling EZ-NetTools through design services. So our focus in our initial sales presentation is initially on fantastic looking designs not on how the website is created. EZ-NetTools becomes a secondary focus, but is the **Key Feature** to set us apart from other designers. No one else creates websites like we do! No one else offers a suite of software tools that customers can use to easily maintain their own website. Only **EZ-NetTools!**

Actions Plans Underway

To adjust to the change in the marketplace, we needed to change the way we presented our services. The first step in this process is to establish our new positioning. Positioning is the angle of attack we are taking to penetrate the market and make more sales.

Since our target market didn't want to create their own website (like we used to believe) but they did want to be able to make changes on their own, we needed to start by establishing a new position statement. Our new positioning statement is: **"We create custom websites that you can maintain."**

This new statement clearly shifts the focus to custom design website services. The statement also clearly es-

establishes our competitive advantage that they can have a custom design for their website and make changes themselves.

A new positioning would prove worthless unless we had the right people in place to support our claims. To support the increase in design orders we hired additional designers, hired a top-notch department manager and a project coordinator for the design department. We also hired and trained sales reps that understand how to sell design services to take the sales burden off of the designers. This way the designers can design and our sales representatives can sell.

New Reseller Programs

Some of our resellers may not be comfortable with this new approach of selling websites so we have come up with a new program called Affiliate Design Services. The basic premise of this program is for you to refer prospects to us directly. We will sell the website and

build the website in one of your accounts. We will then pay you a **30% commission**. The customers are then yours to work with.

To help generate leads, we have gone even one step further and developed a Pass-Along Card program.

This program was developed to help our resellers generate leads by passing out promotional cards that are about double the size of a business card. If you are uncomfortable

selling websites, this is the program you have been waiting for. We encourage you to sign up for the program at www.EZNetStore.com and clicking on the Marketing button.

Conclusion

Our research has proven a shift in the needs of small businesses. To adjust to the shift in the market, we have also shifted the way we sell EZ-NetTools. Our new position is to sell custom websites that our customers can maintain. They maintain it with EZ-NetTools that is priced to compete as a moderately priced, high quality product. We have made many changes already to shift with the market and encourage our resellers to adjust as well. To help our resellers, we have established Affiliate Design Services and a Pass-Along Card program. We look forward to substantially increased sales in the second half of 2005!

