

The world of prepaid

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Selling Loyalty

The next big thing for prepaid distributors and retailers

BY THERESA WARD

If you've been in prepaid since the early days, you probably know Mark Rubenstein. In 1995, he launched Centerpiece Communications, a prepaid card company that reached a sales volume of more than \$1.3 million before it was acquired by GTS, a facilities-based prepaid provider, in 1998. After serving as its executive vice president, he left prepaid to pursue other interests.

But Rubenstein couldn't stay away from the entrepreneurship of prepaid and found himself back in the industry by December 1999 when he formed CTW Prepaid. He promised himself at the time that he wouldn't just get back into selling cards, but would forge new ground by leveraging the prepaid distribution channel.

The result is his latest enterprise, EZRewards, which is a point-based loyalty program designed to drive repeat traffic, increase sales and build customer loyalty for small and large retailers. The program centers on a closed-system, multifunctional Verifone 3200 POS terminal loaded with customized software that delivers award points to customers through a mag-stripe card that is branded with a retailer's name and logo.

Redemption ideas for retailers

- give 50 bonus points for customers who make five separate purchases in one month
- use a customer's birthday to award points on the purchase of a product
- instant win, such as a free 32-ounce drink given to every 20th customer

Tech team

While Rubenstein had the vision, he needed a technology partner to realize it, which he found in Ray Weaver, vice president and general manager of Points to Partners Inc., a company specializing in designing loyalty programs for retailers nationwide. Rubenstein describes the pairing as a perfect "lock and key" relationship – Rubenstein provides the distribution and marketing know-how critical to success at retail, and Weaver supplies the back-end processing and software development.

Rubenstein negotiated an exclusive agreement to license EZRewards to the prepaid industry and an open license to market to other industries. With Weaver's company, Rubenstein is building a PIN distribution system that will allow telecom distributors to continue selling prepaid, but now it becomes a secondary product to loyalty, which Rubenstein believes will drive deployment long term. Rubenstein also says that other products can be added to the EZRewards system including stored value.

New markets

With his experience calling on retailers as well as what he's hearing from his distributors, Rubenstein knows that the retail market is saturated with prepaid offerings. But, he figures, why not utilize the existing channel that he and his distributors call upon to offer a loyalty program that would encourage repeat business, build sales and allow

merchants to know their customers, heretofore unachievable in prepaid.

Rubenstein's vision, however, is not limited to retailers who sell prepaid telecom. He sees every storefront as a potential customer for EZRewards. "What we've created is a software model for every conceivable type of business on a city street – a c-store, a movie theatre, a sporting goods store, a restaurant, a hair salon or a dry cleaner – each of these stores can offer a private-labeled loyalty card to drive business," says Rubenstein.



The EZRewards program offers opportunities for distributors – new markets – and for retailers – the ability to compete effectively and create a profit center.

Rubenstein points out that for the first time, a single store can build a relationship with its customer and use tools usually available only to large chains. "We believe the key to the marketplace is being able to serve individual stand-alone storefronts as well as multilocation sites," says Rubenstein. He says the retailer's cost to offer EZRewards is approximately \$45 a week per location and includes telecom services.

Rubenstein believes if he makes a competitive package available to retailers, they will take it specifically for the loyalty aspect. "The response to our demonstrations among retailers is absolutely mind-boggling," Rubenstein says. "The key is not just getting the program into the store, but it's getting the cards into the customers' hands, generating customer excitement and keeping it low cost for stores."

Why switch?

Rubenstein is aware that retailers' major complaint is that they don't want another POS terminal on their counter, so what's the compelling reason to switch to EZRewards? "Every venue the distributor visits already has merchant account services and is under contract," says Rubenstein. "We tell the merchant, 'When your contract expires, you can send back the old terminal. We will provide you with merchant services on our terminal, we'll give you a better rate and be able to offer loyalty programs.' We're not selling retailers the terminal, it's included with the package."

Distributor benefits

According to Rubenstein, distributors earn an attractive weekly commission for selling and placing each terminal, which becomes an ongoing revenue stream. EZRewards also provides distributors with marketing support to close sales as well as POS materials once the sale is made. These include posters, cashier badges and "take-one" customer flyers to help retailers generate consumer awareness and excitement.

Customer's experience

It's easy for customers to sign on to the program. They register by completing a

EZRewards capabilities

- **Transaction information:** captures date, day and time of transaction, purchase amount, cashier ID and store location
- **Customer tracking:** tracks customer shopping habits and generates reports identifying top customers, new customers, lost customers and customers shopping at multiple locations
- **Redemption receipts:** generates two receipts at the time of redemption: one for customer, one for cashier to put in register
- **Customer service:** toll-free customer service available to retailers and customers
- **Theft deterrents:** features variable qualifiers that allow retailers to quickly identify suspicious transactions
- **Marketing:** facilitates target-marketing programs that help retailers drive larger purchase transactions or encourage concentrated purchases
- **Cross-selling:** retailers can use rewards to encourage additional purchases; customer receipts can include discounts on other store products

have been accumulated, customers can redeem them to receive their reward.

Delivering loyalty

Rubenstein recommends that stores adopt a base program of one point for every dollar earned and equate the value of each point to a penny. Retailers are encouraged to select items that have a large markup, for example, soft drinks, coffee or dessert and assign a point value. He also encourages retailers to incorporate a bonus-points model, which can be offered monthly, quarterly or seasonally, depending on store traffic patterns.

Data mining

With each transaction using the EZRewards card, valuable customer data can be captured. It can be used to reward and build relationships with customers as well as to analyze purchasing habits. On the back end, reports, which can be accessed via a pass-code protected website, can be segmented in categories such as "top 50 customers" or "lost customers."

Other reports, among many, that can be generated include:

- ✓ top cardholders
- ✓ inactive members
- ✓ redemptions

What's ahead

Rubenstein forecasts that 5,000 terminals will be in place by the end of 2003 and 10,000 by the end of 2004, which he believes are conservative estimates. This

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form that captures basic information such as name, phone number and address, and they leave it with the cashier, or they can call the toll-free number featured on their card and provide the information to a customer service rep by phone.

To redeem points, customers present their card at the time of purchase. When the cashier swipes the card and keys in the purchase amount, the system credits the correct number of points to the customer's EZRewards account and issues a receipt that indicates the number of points accrued. As soon as enough points

year will be spent fine-tuning the infrastructure, including server capacity and customer service. Rubenstein also has plans to introduce a Spanish-language version of the EZRewards within the year.

At press time, Rubenstein confirms that a chain of truck stops and two chains of c-stores have signed up with EZRewards. One chain was already a prepaid card customer, but the other retailers were sold based on the loyalty program. Says Rubenstein as he embarks on perhaps his most ambitious project: "We are prepared for explosive growth." **ICN**