

# WHAT'S AHEAD IN STORED VALUE

# Prepaid

## TRENDS

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Q&A

## Industry Insights: Prepaid's Past, Present and Future

**P**resident of eCommLink T. Jack Williams has nearly 30 years of experience in card-based financial services. While working for Blockbuster Inc. in the mid-1990s, Williams designed and implemented what is considered one of the first prepaid gift cards. He has served as senior vice president at Tier Technologies Inc. and at National Processing Co. In March, he took the helm at Las Vegas-based eCommLink, a stored-value card processor and a SellingSource.com company.

**PT:** *As a veteran in prepaid, what has happened in the last 10 years that has changed the industry?*

**Williams:** I think you have to look at it in terms of closed-loop and open-loop cards because they are so different. In the very beginning, gift cards were just a replacement for paper gift certificates. They were never really used as a marketing tool. Gift cards have changed from a necessity to an offensive weapon. Now merchants use closed-loop gift cards to drive incremental sales.

If you look at the other side, at the open-loop, network-branded cards, one of the biggest changes is a movement to offering financial services on a card. We're seeing payroll cards, health cards, employee-benefit cards. At eCommLink we provide bill payment and international funds transfers. We do a lot of things that are more along the lines of financial services or banking on a card as opposed to just a traditional gift card.

**PT:** *What do you see as the greatest area for growth in prepaid?*

**Williams:** You really have to break it down in terms of closed-loop and open-loop because they operate differently, have different metrics and drivers. When you look at open-loop, the greatest opportunity is going to be financial services and providing a wide array of cards whether they are payroll cards, disbursement cards, travel cards or teen cards. We're just now at the point in open-loop where I was eight or nine years ago in closed-loop. That is, it was just getting ready to break. There were some early adopters out there, but we're just now poised to see a huge ramp-up on the open-loop side.

### eCommLink At A Glance

**Company:** eCommLink, a SellingSource.com company

**Location:** Las Vegas

**Prepaid Cards:** International and domestic payroll; teen/family; travel, corporate and consumer gift cards; celebrity cards; specialty cards; membership/loyalty/reward/incentive; reimbursement/expense

**Services:** Payment and transaction processing with an automated clearinghouse engine, international and domestic money transfer, bill payment, mobile-phone payment enablement, and PayPass capabilities



President

T. Jack Williams

**PT:** *With more companies offering open-loop cards, how can processors and issuers stay competitive?*

**Williams:** When a processor wants to be competitive, innovation, security and pricing will be the three key drivers. Offering the greatest array of card products and being able to deliver those efficiently at the lowest possible cost. The last element is security. In the days of the TJX breach, I don't think you can have too much security.

On the bank side it's going to be making the decision to go after the underbanked. A lot of merchants and third parties are going after them. For example, the MoneyGrams and the Western Unions. Banks are again going to be driven by innovation, but the Holy Grail of this will be communication and cardholder acquisition. In this unbanked spaced, these are new cardholders. How do you reach them? And it may not be a bank that wins this game because a lot of these individuals don't trust banks.

**PT:** *What strategies can banks and nonbanks use to reach the unbanked?*

**Williams:** It's going to take nontraditional means to reach them. Mail is not going to be the panacea as it is for credit. I think it's going to take outdoor billboards, radio and Internet. One of the fallacies that people believe is that unbanked consumers have no Internet access. That's not really true.

**PT:** *What is the biggest challenge for the prepaid industry right now?*

**Williams:** I think it's the legal issues. We're going to see prepaid cards being used for illegal purposes—money laundering, terrorist funding and drug trafficking. As an industry we need to support the various initiatives to know your customer. It's about understanding what we can do to support law-enforcement initiatives to make sure that these cards never become the payment vehicle of choice for criminals.

The next issue is escheatment [turning over unclaimed property, i.e. the value on unused gift cards to the state]. Being able to keep track of the 50 states' laws and trying to manage that doesn't make sense. But we may have some clarity with some of the suits that are working their way through the courts in the Northeast.

Probably a third thing is going to be ensuring that services offered are always the services rendered on a worldwide basis. For example, there have been cards in the past that have come out with high-profile endorsements and all of the sudden they had to be terminated because the dollars behind them may not have been sufficient or the cards didn't deliver the services promised. I think the Network Branded Prepaid Card Association has done a good job of beginning the process of directing the industry. Ultimately, the actual policing body has to be the sponsoring financial institution. Financial institutions must do their due diligence to make sure everyone up and down the process delivers the services that have been promised.

**PT:** *What can industry leaders do to make sure regulators understand prepaid cards and do not pass potentially crippling legislation?*

**Williams:** I have been very much involved, as have many, in meeting with legislators and members of law enforcement that have an interest in the prepaid card space. I think there has been a lot of effort on both sides to have an ongoing dialogue. I think everybody is trying to make sure we understand what we have here and not over-regulate it and kill it. Laws such as KYC [know your customer] are important to make sure we know the identity of who is using these cards.

**PT:** *What emerging technologies are poised to shape or change the industry?*

**Williams:** I think the biggest opportunity in technology that I'm moving aggressively toward is mobile payments. I think both

smart cards and biometrics are going to be leapfrogged by mobile payments. While the technology is in its infancy, we're pioneering some things. We're one of the processors for MasterCard PayPass. It's the convenience of 'I carry my phone with me everywhere' and being able to use that for payments from a prepaid card account.

There are some obstacles. One is merchant acceptance. I don't think it's going to be an instant solution, and I don't think plastic cards are going to become extinct any time soon. The next phase in prepaid will be a blending of card-based transactions and mobile phone-initiated payments. The key is minimizing the impact on the merchant. Once that can be done, we'll see broad acceptance.

**PT:** *In terms of mobile payments, do you see prepaid providers partnering with telecommunications companies, so when you buy your phone you're going to get a prepaid card account?*

**Williams:** Yes. I think you'll see some of that, but you'll also see a prepaid card could be tied to the various cell-phone providers. You won't be limited to the card that came with your phone. I think you'll be able to link different cards and phones down the road.

**PT:** *What is the key to a successful prepaid card program?*

**Williams:** Breadth of offering—being able to provide innovative offerings and being able to find the niche of the card. So if you provide a travel card, it's being able to provide travel-related services. If it's a general-spend card, it's being able to provide financial services that a bank has. Niche marketing of services that are unique to that genre of card is going to be what drives it. What will not work in the future is a one-stop-shop, one-size-fits-all approach.

**PT:** *Why not?*

**Williams:** That's not what the buyer is looking for. Prospective cardholders have specific needs. For example, a travel card has unique requirements that are different from general-spend or payroll cards. If you have a travel card, you need to be able to say we have travel insurance, we have international ATM access. Targeting specific audiences will be the key to success.

**PT:** *How is eCommLink positioning itself as a leader in prepaid? What is your strategy?*

**Williams:** To be successful, you've got to be ahead of the curve. You've got to be able to figure out what's next. I spend most of my time figuring out what's next and how to get there first. If you don't do that, you won't have to worry about what's next.

We are aggressively moving forward in mobile payments and providing card-based financial services and the security needed to do that. We believe, and as president where I'm driving it, is that we will figure out what's next and be there first. Innovation will drive success for us and for our customers.