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The Green Sheet

Street Savings proves street smart

November 28, 2011 (Orange, CA) – Street Savings, an Orange, Calif.-based mobile coupon and rewards company, navigated difficult technological and regulatory challenges to create a simple, yet secure technology that would help small to midsize retailers grow their businesses.

What resulted was an advertising vehicle that uses merchants' existing POS systems and terminals to launch coupon and rewards programs via short message service (SMS) texts. The software permits merchants to instantly send messages, rewards and coupons directly to customer mobile phones. The program then tracks return on investment (ROI) for each message campaign and does so without additional hardware requirements.

"By tying the mobile transaction to the existing payments terminals, we have solved the problem of mobile coupon and rewards redemption, enabling merchants to track campaign success and move closer to a mobile payments environment," said Street Savings Chief Operating Officer Pal Flagg. "Merchants understand the growing importance of mobile technology to their business.

"Street Savings is one of the only companies offering them a complete, closed-loop mobile marketing solution using widely available equipment that they already have on their counter."

Street Savings founder and Chief Executive Officer Chas Ramer added, "I don't think people fully appreciate how fast change in the mobile marketplace is going to be. The position we are focused on is educating this group of entrepreneurs we have selling merchant services. We've identified that as mobile devices become smarter, we still need to empower small businesses to connect to them."

From aha! to business plan

Ramer was a pioneer in the deregulated telecommunications industry, devoting 10 years to creating and building a successful long distance telephone service.

"My first Street Savings' 'aha!' moment came when I was eating a hamburger at a mom-and-pop stand and suddenly realized then and there that commercial text messaging could talk to an audience," Ramer said. "The merchant could use SMS to have a captive moment with a customer. I knew there was a big opportunity there because I was already in telecommunications. So I talked to a couple of people about the technology and started a pilot program."

Ramer appears to have an accurate image of the future, with commercial SMS text message marketing projected to reach \$50 billion by 2014. Research has shown that more than 205 million people currently use their phones to send 5.1 billion texts each day.

Analysts claim the redemption rate for mobile coupons is about 10 times that of coupons in other media, and the fastest growth in text messaging is occurring among consumers from 25 to 40 years of age.

Set it and let it do the work

When developing its gateway, Street Savings was intent upon reducing the merchant learning curve by automating most system processes.

For example, with the "set and forget" option, merchants can execute highly targeted mobile advertising campaigns with minimal effort required to administer the program and track results.

"This is about sales as a result of a campaign," Flagg noted. "Let's say Joe's Coffee Shop has Street Savings Mobile Rewards program. Customers have the opportunity to opt-in to the Joe's Coffee rewards program using their phone, at the POS terminal or on the web."

Then, for example, when a rewards customer hasn't visited the shop recently, the "set and forget" function can be programmed to automatically send an action message, Flagg said.

The text message may read something like, "We miss you. You haven't visited us recently. We've loaded \$2 on your account. Come in soon," Flagg added. "The next time the customer comes into Joe's Coffee Shop, if the customer has a bill for \$20, they would simply enter their phone number into Joe's credit card terminal, and their bill is automatically reduced to \$18 because there was \$2 previously loaded onto their rewards account.

"It's at the point of sale that we move value around, track campaigns and derive the ROI and sales numbers directly related to advertising," Flagg said. "When people have a lot of points, it doesn't take a hard offer to get them to come in the door. It's the tracking of the sales as a result of the text campaign that's the most exciting part."

Street Savings is a firm believer that reaching customers through mobile messaging can increase sales, retain and grow the merchant's customer base, increase store traffic and amount of the average ticket, and build loyalty. The programs can be set up to automatically text a message of the week, an "instant offer" message, or send out weather-related advertising to keep customers connected with the store brand.

Customers can sign on at the in-store terminal, at the company website, or through social media such as Facebook and Twitter. According to the company, redemption rates are estimated to be between 12 to 15 percent. Merchants pay a monthly fee for the service, which offers several package options based on the number of monthly text messages merchants anticipate sending. "We have something most other mobile companies don't have," Ramer said. "We have connectivity to the terminal. This tracking through the terminal is almost the trump card. This was another one of our 'aha!' moments. We spent a great deal of time fleshing it out, building it out and reaching out to our end user. In reality, the whole idea was how is [a mobile campaign] going to be tracked? We wanted to be sure every business could take advantage of it."

According to Flagg, VeriFone Inc.'s decision to open its devices to third-party applications was a key factor in Street Savings' implementation of its mobile marketing program. "Our approach has always been agnostic," Flagg said. "We want to work with anybody. We want to integrate with everybody. Other companies have redemption solutions, but it's just an application on a handset. We don't need to go to a third party to reach customers. We offer connectivity with a terminal."

Compliance, dedicated codes make the grade

Street Savings reported its products comply with all industry regulations, a matter taken very seriously by Flagg and Ramer. "I can't emphasize enough the significance of playing by the rules," Ramer said. "It is really important. This is a regulated industry where you have to follow every rule."

Our ability to follow the rules comes from my experience in the regulated telecommunications environment, and we were able to add that experience into how Street Savings was designed."

Another factor of critical importance to Street Savings was its decision to use a dedicated short code rather than the more common shared short code. "There are a lot of individuals selling mobile solutions," Ramer said. "Ninety-nine percent do shared short code. We decided to avoid this based on my experience in telecom."

Commercial marketing text messages are delivered using an abbreviated mobile phone number called a common short code (CSC). Typically a CSC will be a short series of no more than seven numbers. The CSCs are assigned to specific businesses to allow carriers to track messages. To complete a message, customers must opt-in by responding with a short word or number to the merchant's short code. This legally required opt-in process allows customers to choose whether to access coupons, rewards or services.

Text messaging services can either lease a dedicated short code that is unique to the lessee or the company can lease a shared short code that is shared with other companies, brands or organizations. Ramer believes businesses with shared short codes are accepting greater risk because there is no way of knowing whether others sharing the short code are in compliance with industry regulations.

An industry wide compliance monitoring program was implemented Aug. 1, 2011. Companies using shared short codes now risk being shut down, and their customers may lose text message services, if a company sharing its short code is deemed noncompliant. While shared short codes are generally less expensive than dedicated short codes, they present far greater risks to merchants using them to reach customers.

"The wireless regulators just need to see once that a shared short code is not doing what it is registered for, and the code could be switched off," Ramer said. "That's unacceptable for a payment grade solution. We pride ourselves on being very buttoned up when it comes to regulation.

"We are very good at stored value rules, accessing different wallets and avoiding any comingling of funds – promotional transactions versus gift card transactions, for instance."

A platform for selling

Street Savings also developed a program to assist agents with selling. By providing demonstration accounts, merchants can view the Mobile Coupons and Mobile Rewards systems operating in real time. The company also offers webinar training and email assistance.

To avoid competing with merchant level salespeople (MLSs), Street Savings does not offer merchant payment processing services. When an MLS partners with Street Savings as a mobile payment consultant, the direct marketing aspects of its program are built to enhance mobile products and services already being offered by the MLS, the company said. Street Savings also offers gift and loyalty opportunities that can integrate with other plastic card or cardless programs on the market.

Street Savings indicated merchants who haven't used coupons or rewards programs in the past are finding that Street Savings can help them build business by creating promotions, holiday advertising and new offerings. The company said that with text messaging, merchants can prompt customers with instant or same-day special offers. Additionally, there are no long-term contracts with Street Savings, so merchants are able to try the service to determine whether the program meets their needs.