

DCS

DualCurrency Systems
making loyalty a rewarding experience



Introducing
Universal Reward SolutionsSM
and
In-Network AdvantageSM
by DualCurrency Systems

Affinity and Loyalty Marketing Beyond Discounts

DualCurrency: Stretching Cash with Rewards

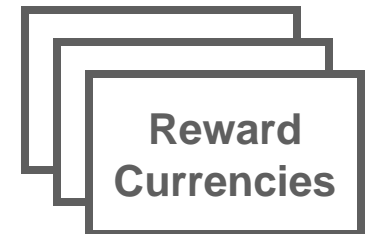


With traditional purchases, consumers spend cash to earn rewards; with DualCurrency purchases, consumers spend rewards in combination with cash driving traffic to merchants and creating ***In-Network Purchasing Power***SM for consumers, merchants and employees alike

Traditional Purchase



vs.



\$1.00 cash = \$1.00 to spend

\$.70 cash + \$.30 rewards = \$1.00 to spend

Businesses throughout are illustrations only; no contracts implied

DualCurrency Systems



- Minnesota C-Corporation; early stage
- loyalty rewards; employee and consumer incentives, payment systems and card services
- first dual currency patents



United States Patent [19] [11] **Patent Number:** 5,687,323
Hodroff [45] **Date of Patent:** *Nov. 11, 1997

[54] **DUAL CURRENCY DEBIT CARD** Anonymous, *Time Honored Barter System Returns Under the Name Trade American Card*, PR Newswire p0156LA4, May 1988.

[75] **Inventor:** Joel Hodroff, Minneapolis, Minn.

[73] **Assignee:** **Commonweal Incorporated**, St. Louis Park, Minn. Anonymous, *TradeAmericanCard Brings Barter and Business Independence to Sequoia Conference Center*, PR Newswire, May 1993.

[*] **Notice:** The term of this patent shall not extend beyond the expiration date of Pat. No. 5,592,376. Anonymous, *California Barter Organization Promotes Primitive Use of Transaction Plastic*, Card News, ISSN: 0894-0797 Jun. 1988.

[21] **Appl. No.:** 657,418

[22] **Filed:** Jun. 3, 1996

Related U.S. Application Data

[62] **Division of Ser. No.** 261,459, Jun. 17, 1994, Pat. No. 5,592,376.

[51] **Int. Cl.⁶** G06F 17/60

[52] **U.S. Cl.** 395/230; 395/239; 235/380

[58] **Field of Search** 235/379, 380, 235/492; 395/201, 216, 217, 226, 230, 239

[56] **References Cited**

PUBLICATIONS

Anonymous, *Integrated BartercreditFiles Stock-Warrant Issue*, PR Newswire NYPR81, Sep. 27, 1983.

Anonymous, *Choosing the Right Exchange*, Practical Accountant, v28n12, Dec. 1995.

Primary Examiner—Gail O. Hayes
Assistant Examiner—Steven R. Yount
Attorney, Agent, or Firm—Gregory P. Kaihoi

[57] **ABSTRACT**

The Currency Exchange Network transaction management and accounting system assists businesses, employees, and consumers to engage in productive economic activity that is not supported by traditional cash- and credit-based transaction systems. The system functions as a currency exchange between the non-cash, volunteer and barter economies and the mainstream cash economy. This dual-currency system handles transactions for goods and services using a combination of cash and Community Economic Development Scrip, a new currency based on non-cash service credits.

9 Claims, 6 Drawing Sheets

The Industry Challenge



Competitive marketing programs have saturated the market

- ***Discounts***
- ***Rebates***
- ***Affinity Donations***
- ***Loyalty Rewards***
- ***Passive Savings***

All of these programs result in less cash for merchants and employees

Merchant and Consumer Experience



Merchants

- *Intense competition and declining margins*
- *Lack of differentiation*
- *Friction with processors over high fees*
- *Growing underutilized business capacity*

Consumers

- *Marketing overload; too many programs with different rules*
- *Relatively flat wages; insufficient purchasing power for many*
- *Heavy consumer debt*
- *Declining consumer loyalty*

Loyalty Programs Face Big Challenges



14 trillion frequent flyer miles and other reward points go unredeemed

5,000+ competing loyalty programs; consumers won't carry dozens of cards and learn dozens of sets of rules.



Introducing **Universal Reward SolutionsSM (URS)**

...any participating merchant can accept any participating program reward using existing electronic payment methods (cards and the Internet)

Market Opportunities and Trends



Opportunities

- **14 trillion outstanding reward points and frequent flyer miles valued at over \$700 Billion dollars**
 - 60%-70% of reward points go unredeemed
 - 46% of loyalty members have never redeemed
- **Payment industry share of personal consumption expenditures exceeded \$8.7 Trillion dollars in 2005 and continues to grow**

Trends

- **Consumer comfort with plastic bodes well for volume growth**
 - 85% of shoppers who use retail card programs seek financial savings as their primary motivator
 - Less attrition with loyalty reward redeemers
 - Models that deliver ease of redemption are taking the lead

How the DCS system works



Program Operators

1. A **loyalty program** contracts with DCS to add Universal Rewards SolutionsSM to its member benefits.



Merchants

2. **Merchants** determine DualCurrency prices and redemption rules. They enjoy additional sales by accepting part cash and part loyalty rewards.



Consumers

3. **Cardholders** learn where to redeem their rewards and redemption terms online and through the mail. They can look-up account activity and reward balances online.



Reward Spending

4. At a participating restaurant, the cardholder uses their standard bank card to pay a **\$100** check using **\$73** and **\$27 in rewards**. Tax and tip are paid in **US\$**.

Businesses are illustrations only; no contracts implied

Sample *In-Network Advantage*SM offers



1. Olive Garden sets the price for meals at 68% cash and 32% Universal Rewards. Management decides that where they need the most new traffic is at lunches, so they set available hours at 11:00 am – 2:00 pm Monday-Saturday.

2. Best Buy decides to participate *In-Network* through online offers and sets the rate at 90% cash and 10% Universal Rewards. Best Buy selects specific items for promotion.



3. Employees of Olive Garden and Best Buy enjoy special offers at each others companies and system-wide. Eventually,, Universal Rewards will help to lower healthcare costs.
4. Olive Garden and Best Buy enjoy *In-Network* savings on advertising, travel and accommodations, professional services and anything else that *In-Network* vendors and suppliers offer.

Everyone Benefits from Universal Rewards and *In-Network Purchasing Power*SM



- Merchants increase traffic, hold down advertising costs and enjoy full retail value for their sales; both merchants and employees gain increased purchasing power
- Cardholders enjoy convenient redemption of rewards without saving-up
- Program Operators restore customer loyalty, while cost effectively reducing reward liabilities from their books
- Banks and Card Issuers offer new products to increase transaction volume and revenues, while providing better service to merchants and cardholders.

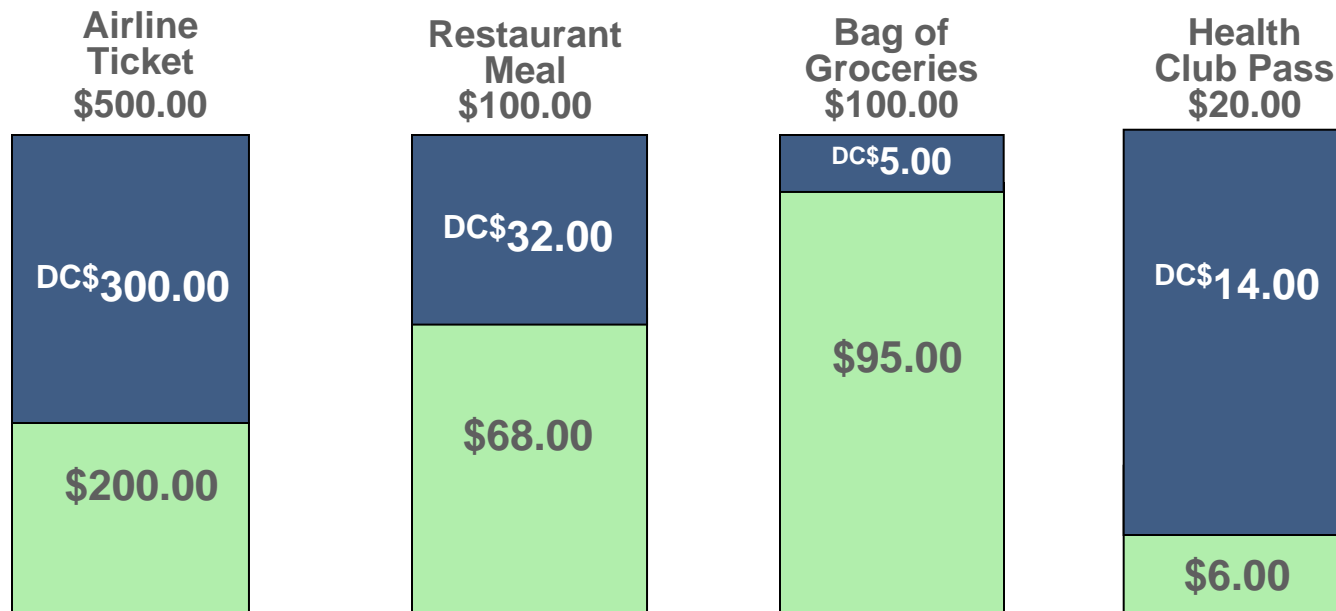


DCS profits from every transaction

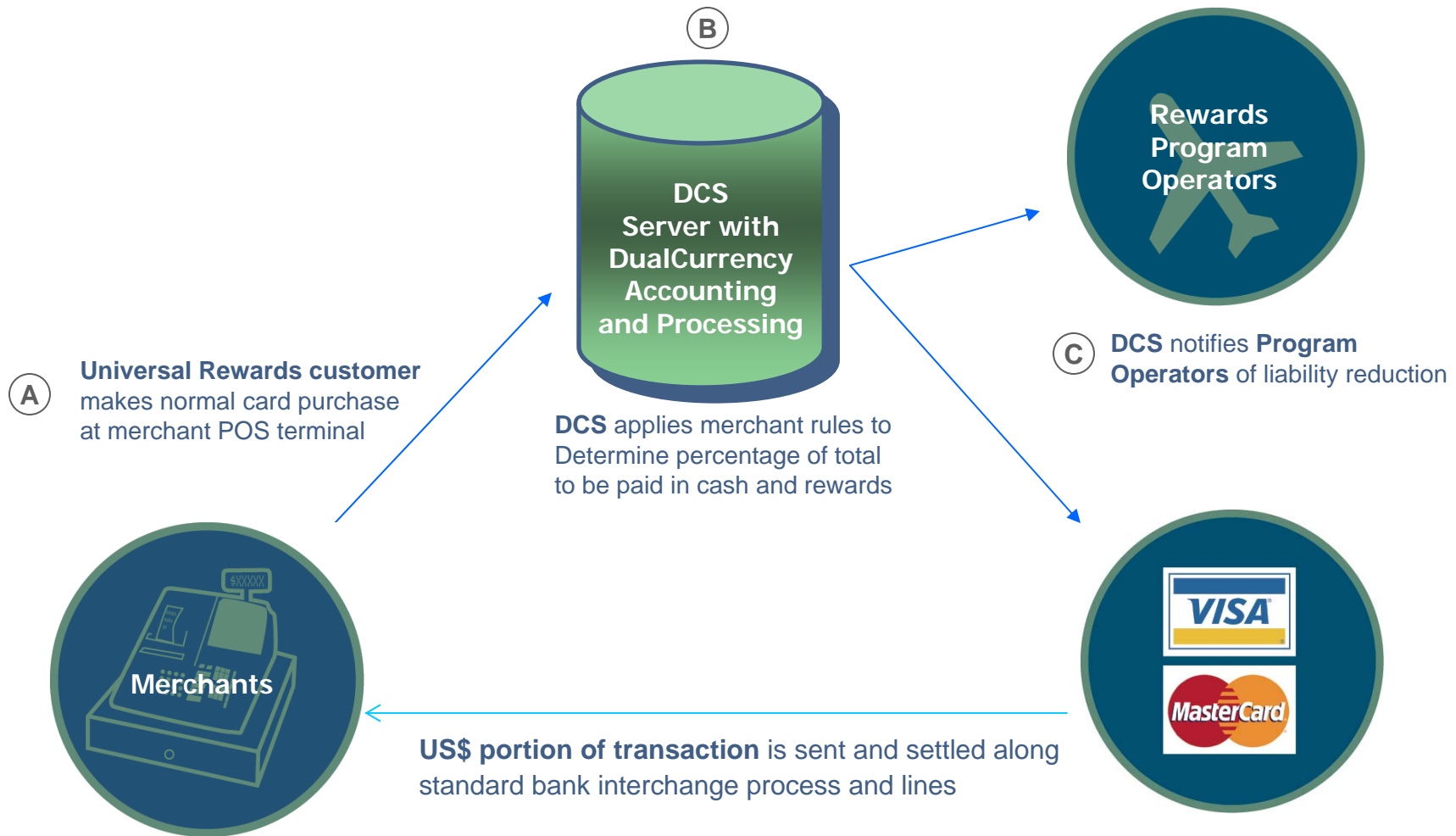
What DCS has Patented?



Automated Dual Currency Pricing, Accounting and Transaction Settlement: Merchants set the ratio of cash to rewards, as well as any redemption restrictions. In each case, merchants enjoy **incremental sales and profits** in U.S. dollars, as well as merchant-employee-consumer ***In-Network Purchasing Power***SM.



DualCurrency Transaction Flow



A New Way to Back Rewards and Incentives



- Frequent Flyer Miles are backed by airline seats
- American Express Membership Rewards or bank-offered reward points are backed by cash reserves
- DCS Universal Rewards are backed by proprietary merchant contracts; marketing contracts that create a ***Universal Rewards Warehouse*** where merchants set the ratios of US\$:DC\$ that they accept

Capturing Wasted Business Capacity

(a metaphor)



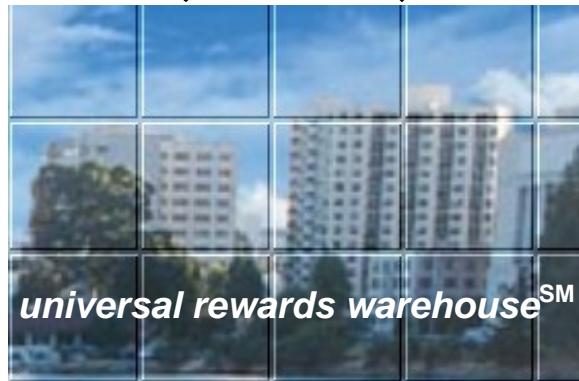
excess capacity is found in the private, public and nonprofit sectors



empty airline seats



empty college desks



universal rewards warehouseSM



off-hours at fitness clubs



off-hours at restaurants

How DCS Makes Money

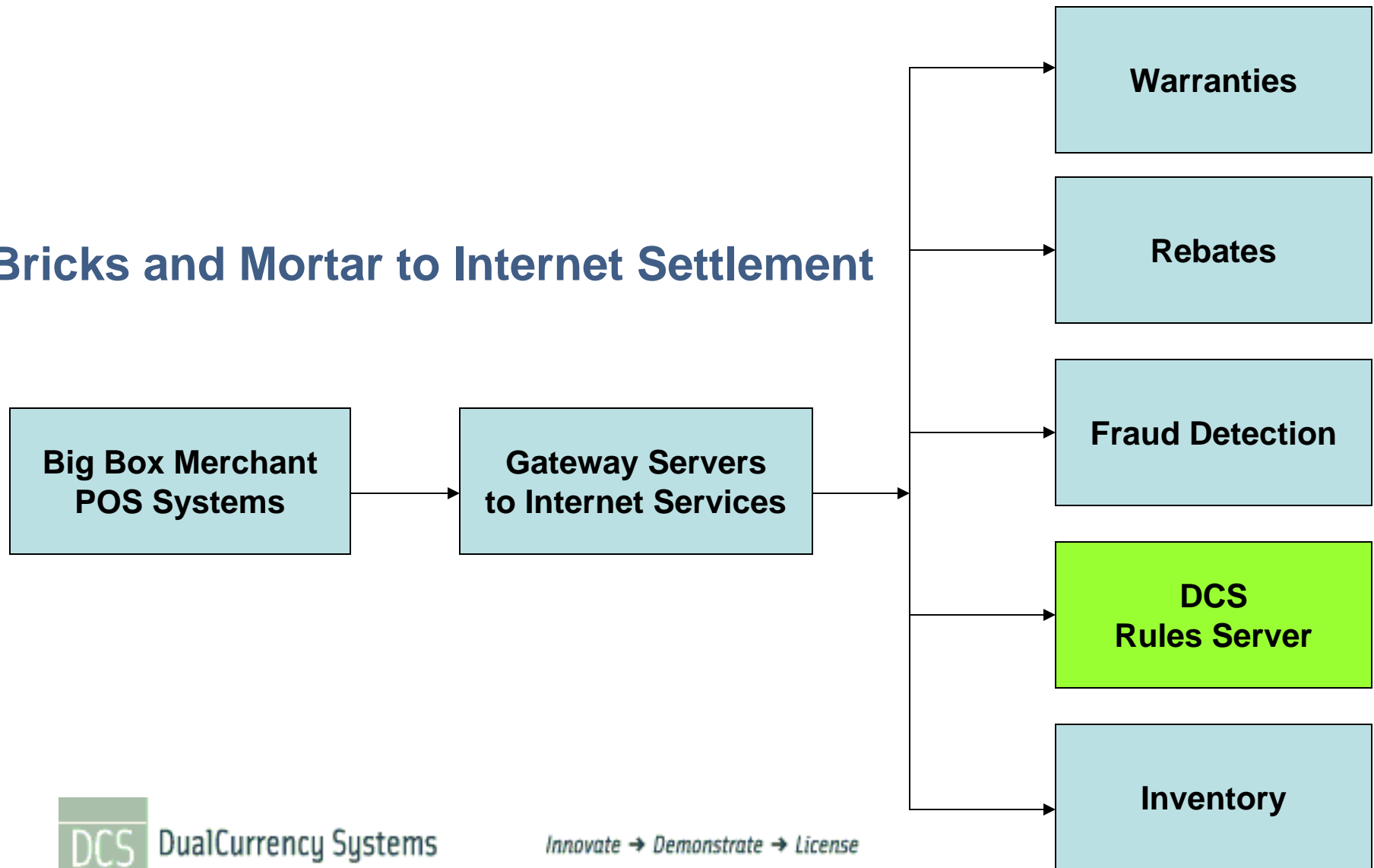


- Fees on DualCurrency transactions
- *Burn-down fees* from loyalty program operators; sale of next generation DualCurrency rewards
- Design, consulting and licensing fees for reward programs and other loyalty solutions
- Improved capture of customer demographic data

Enabling Technologies (2)



Bricks and Mortar to Internet Settlement



DCS Engages Merchants through Existing Networks



A Member of the BSP Rewards Network



(700+ National Merchants)



BANANA REPUBLIC



OfficeMax



Walgreens



macy's



Innovate → Demonstrate → License

Competition and Barriers to Entry



- No companies, today, offer dual currency rewards redemption, from a large variety of loyalty programs, both online and at brick and mortar retail stores
- DCS offers to enhance current loyalty reward programs and payment systems, rather than competing with them
- Barriers to entry include:
 - 2 issued U.S. Patents
 - First mover advantage
 - A disruptive paradigm for the payment systems industry

Additional DualCurrency Programs



The *DCS Virtual Warehouse* can back many types of incentives and rewards:

- *HealthBucks* wellness incentives to lower healthcare costs
- *In-Network* employee benefits
- Social Security enhancements that don't raise taxes
- Community Service Dollars and EcoBucks

DCS rewards can be issued at \$.20 on the dollar in contrast with traditional cash-backed rewards

Summary



- ***Universal Reward Solutions***SM and ***In-Network Advantage***SM are timely innovations for today's loyalty rewards market and beyond
- Our transaction system is patent-protected
- Our leadership team is capable and growing
- No one is doing what we are prepared to do
- We invite your participation

Thank you for the opportunity to share *Universal Reward Solutions*SM and *In-Network Advantage*SM

