

12TH SCOTIABANK
COMMERCIAL CARD
CONFERENCE

SEPTEMBER 18 – 19
SAN DIEGO

Supplier Acceptance
Unlocking the Hidden Potential

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CHASE  Paymentech™



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Chase Paymentech Overview

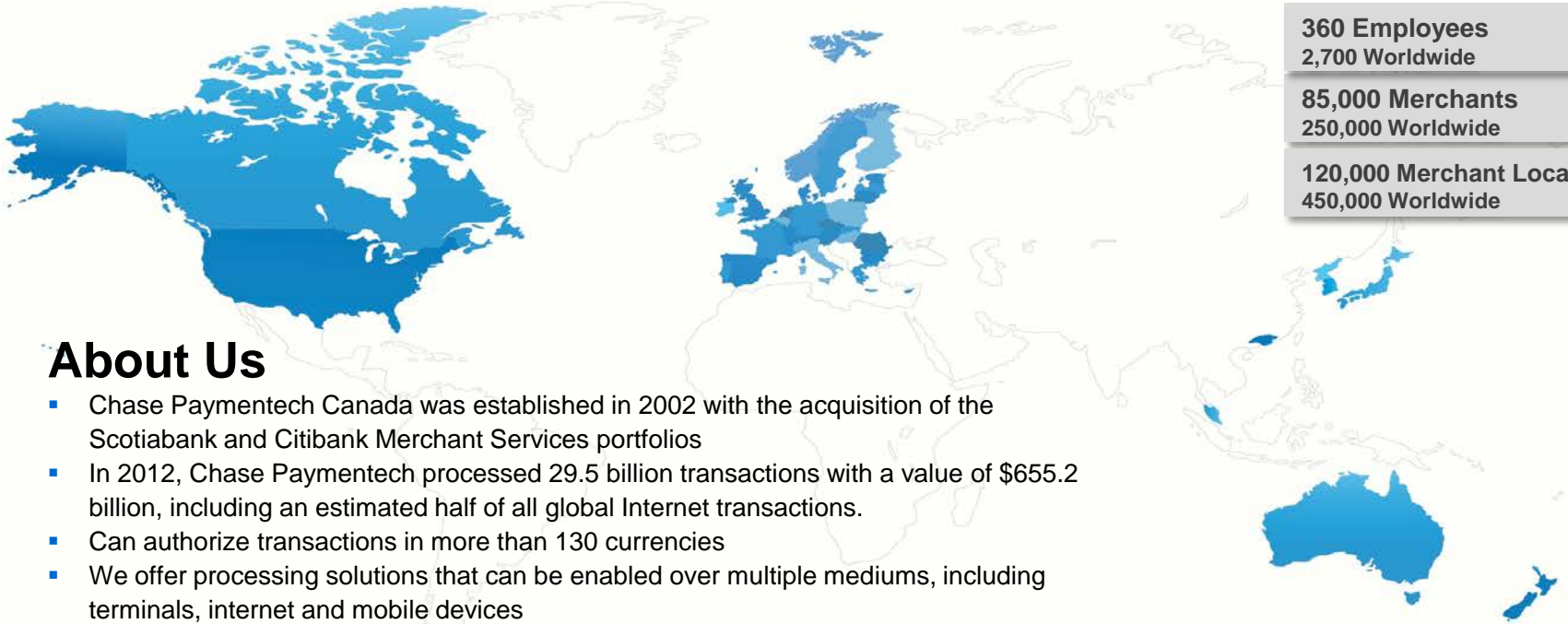


Canadian Presence

360 Employees
2,700 Worldwide

85,000 Merchants
250,000 Worldwide

120,000 Merchant Locations
450,000 Worldwide

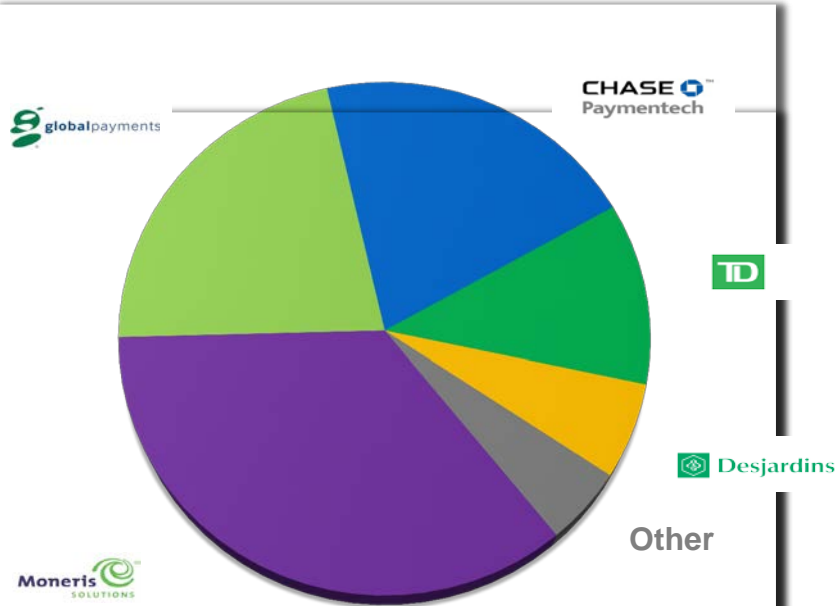


About Us

- Chase Paymentech Canada was established in 2002 with the acquisition of the Scotiabank and Citibank Merchant Services portfolios
- In 2012, Chase Paymentech processed 29.5 billion transactions with a value of \$655.2 billion, including an estimated half of all global Internet transactions.
- Can authorize transactions in more than 130 currencies
- We offer processing solutions that can be enabled over multiple mediums, including terminals, internet and mobile devices
- Commitment to a Great Customer Experience

Market Share Overview

Interac Market Share by Competitor



Key Accounts / Relationships



Electronic Payments are in Demand



92%

of business respondents have moderate to high interest in using more electronic payments.¹

50%

include card-related terms in contracts — more than **2X the number** just 4 years ago.²

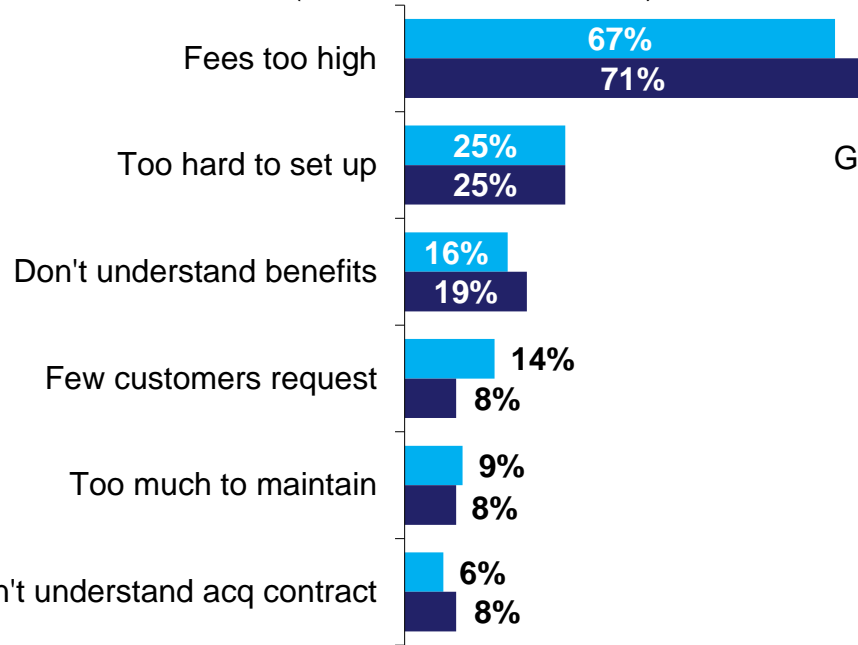
43%

of businesses include card-related terms in RFQs.²

While Suppliers See Benefits, Acceptance Fees Still Inhibit Growth

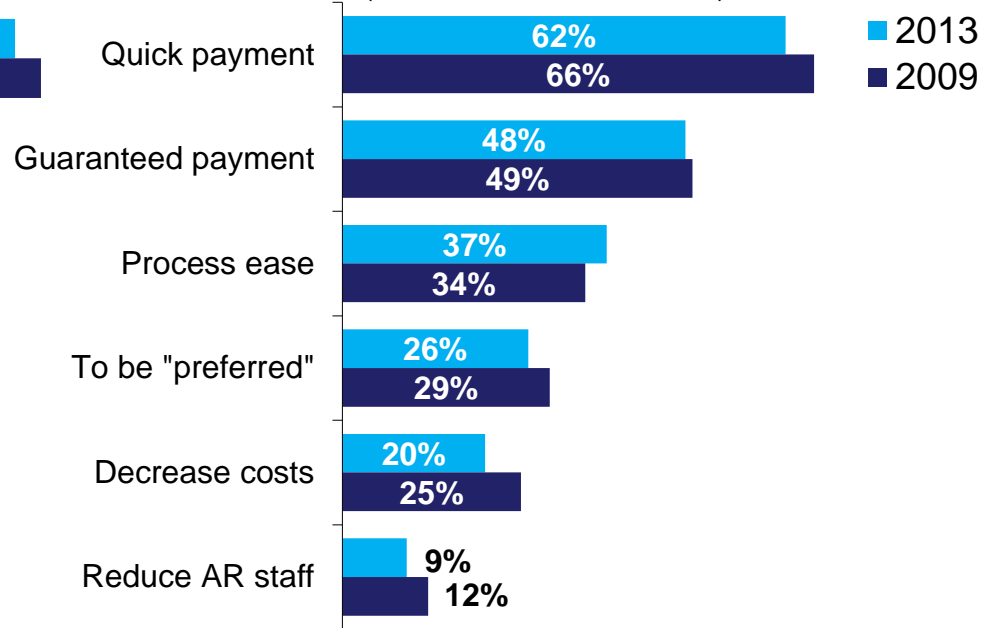
Frequently cited reasons suppliers resist or won't accept cards

(2013: n=101; 2009: n=146)



Frequently cited reasons suppliers give for taking cards

(2013: n=101; 2009: n=146)



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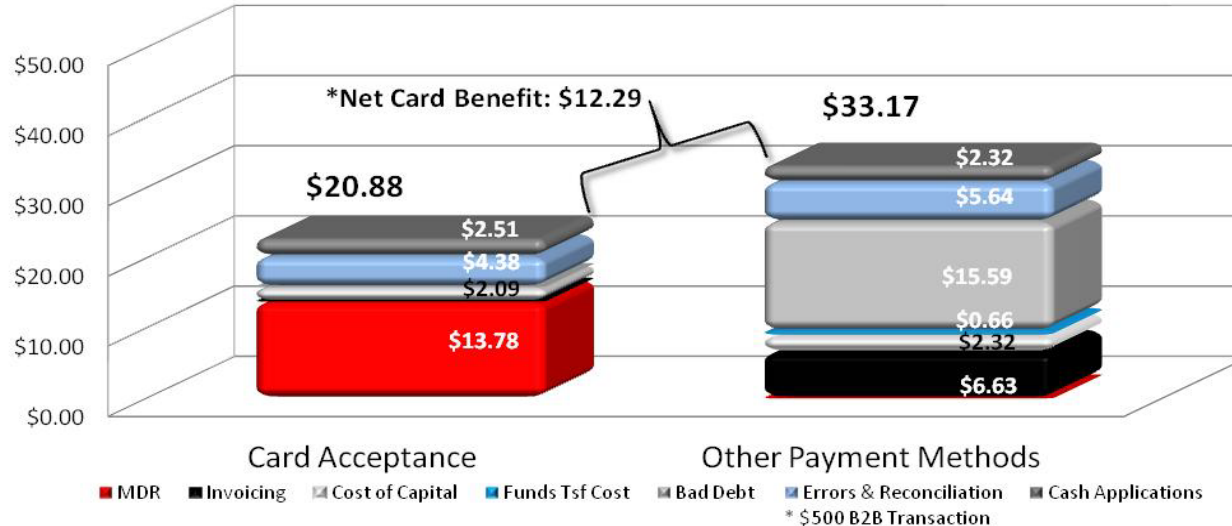


SOURCE: June 2013 First Annapolis B2B Acquiring Advocacy study prepared for Visa

Financial Impact

What is the Financial Impact of Accepting Cards as Payment?

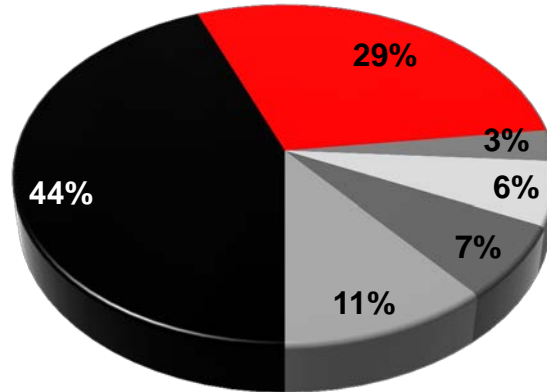
- There is a 37% cost advantage over other payment collections methods
- An order -> cash cycle that is 10X less than other payment collection methods.
- Bad debt reduction (pre-payment tool), streamlines operations and increases working capital efficiency.



Knowledge Gap

Supplier Acceptance faces a 'knowledge gap' given the net cost advantage associated with cards as a payment method.

Cost of the Knowledge Gap



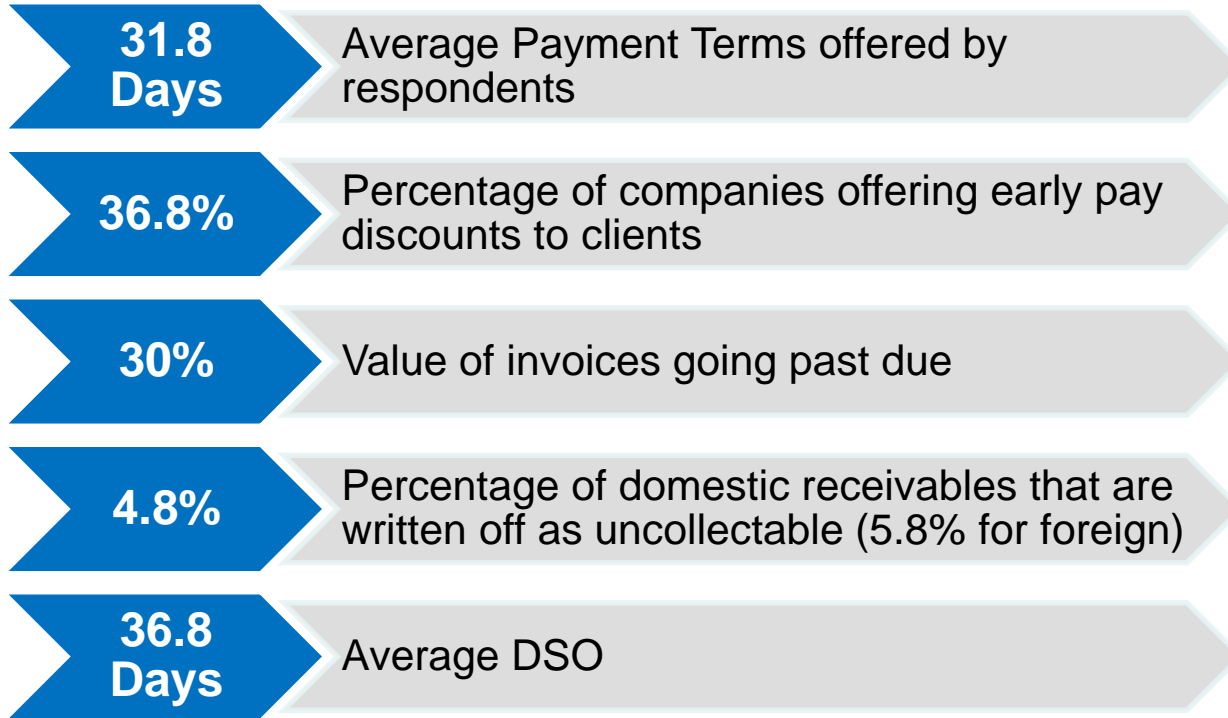
- Cost of Capital
- Bad Debt
- Errors & Reconciliation
- Cash Applications
- collection
- credit/risk

The cost of funds associated with waiting to be paid is the biggest component of overall accounts receivable costs, followed by bad debt.

Buyer/Supplier Value Proposition

Value Proposition	Supplier	Buyer
Payment process improvement	Automates payments/reduced collection efforts	Eliminates cheques/postage costs/processing errors
Cash Flow improvement	Reduces DSO and improves working capital	Potentially increases DPO/Float/Control
Improved customer/supplier relationship	Buyer payment of choice/preferred supplier	Suppliers paid quicker/reduced collection costs
Reduced risks	Can lower bad debt ratios	Online reporting with full audit trail
Positive impact to balance sheet	Less reliance on other credit facilities (loans, margins)	Provides additional financial flexibility

Atradius Payment Practices Barometer – Canadian Survey





How We Can Help

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Merchant ROI Calculator – Displays benefits of card acceptance

SUPPLIER ACCEPTANCE COST-BENEFIT MODEL

	ACTUAL	BENCHMARK	SOURCE
General Supplier Information			
Supplier Industry (select from drop-down menu)	Wholesale Trade - Durable Goods		
Target Annual Spending with MasterCard	\$10,000,000		
Target Annual Transactions with MasterCard	50,000		
Average Transaction Size	\$ 200		
Percentage of Receivables with early pay discount	10%		
Early Pay Discount Avoidance Benefit			
Total Receivables electing to pay early	\$ 1,000,000		
Early Pay Discount (2%, 10 net 30)	2%		
Days Outstanding (2%, 10 net 30)	10		
Cost of Early Pay Discounts	\$ 20,822		
Days Sales Outstanding Benefit			
Current Payment Term with Buyer (days)	45	47.7	Source: Credit to Cash Advisor DSO Benchmark
Payment Term with P-Card (days)	3		
Speed of Pay Benefit (days)	42		
Supplier Cost of Funds	3.00%	3.00%	Source: Bank of Canada Prime Rate (December 2012)
Speed of Pay Benefit	\$31,068		
Process Efficiency Benefit			
Invoicing Savings Per Transaction	\$ 7	\$ 25	Natl Assc of P-Card Professionals (NAPCP)
Cheque Handling Savings Per Transaction	\$ 2	\$ 5	MC Estimate
Total Txns	x 50,000		
Process Efficiency Savings	\$ 434,000		
Risk Management Benefit			
Eliminating Bad Debt	0.05%	0.05%	Credit Research Foundation Benchmarking Report
Total Volume with MC	x \$10,000,000		
Total Risk Management Benefit	\$5,000		
Merchant Discount Fee	2.00%	Insert Estimated Effective Rate	

SAVINGS SUMMARY

Total Savings	\$521,959
Total Cost	\$200,000
Net Savings	\$321,959

SOURCE: MasterCard

Merchant ROI Calculator – Displays benefits of card acceptance

Merchant Profile

Merchant Name

Step 1: Enter estimated annual sales:

Annual Sales

Step 2: Enter annual rate of funds:

Annual Rate of Funds

This is the cost to the merchant for borrowing money to cover receivables while they are awaiting payments.

Step 3: Enter payment distribution:

Payment Methods

Provide estimate on % of volume shift from check to card below.

	<u>Current Payment Distribution</u>	<u>Proposed Payment Distribution</u>
Check	<input type="text" value="50%"/>	<input type="text" value="40%"/>
Card	<input type="text" value="5%"/>	<input type="text" value="15%"/>

Step 4: Enter current average cost of card acceptance:

This is the discount rate in % when settling with acquirer

Average Cost of Card Acceptance %

Step 5: Enter current bank fees for check processing:

Bank Fees per Item

Fees charged by Financial Institution Per Check Processed

Lockbox fee	<input type="text" value="0.02"/>
Check processing fee	<input type="text" value="0.80"/>
Check copy for depository services	<input type="text" value="0.55"/>

Step 6: Enter average payment terms:

Payment Terms

Average Payment Terms (days to pay)

Check	<input type="text" value="45"/>
Card	<input type="text" value="15"/>

Step 7: Enter average payment size:

Average Payment Size

Please note that as payment volume moves from check to card the average payment size will likely increase for bc

	<u>Average Payment Size</u>	
	<u>Current</u>	<u>Proposed</u>
Check	<input type="text" value="\$23,000"/>	<input type="text" value="\$25,000"/>
Card	<input type="text" value="\$3,500"/>	<input type="text" value="\$7,490"/>

Product Solutions for Your Suppliers



Card Present

- Countertop
- Contactless
- Pay-at-the-Table



Ecommerce

- Online payments facilitated your website
- Orbital Gateway
- Certified to many leading gateways



Mobile Payments

- Long-range wireless
- Short-range wireless
- Chase Mobile Checkout



Integrated Payments

- Certified integrations with leading middleware providers
- VAR certifications
- Semi-integrated solutions

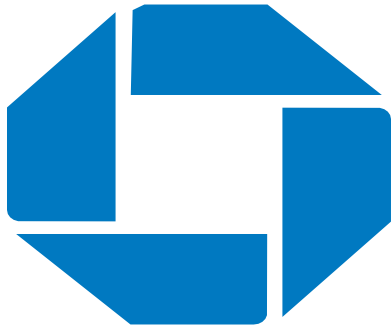


Card-not-Present

- Batch and Recurring payments
- Virtual Terminal
- TTC

Orbital Gateway Enables Commerce

- A modular set of Web-based payment processing tools that enable you to accept and process card-not present payments



- ▶ **Recurring Payments**
- ▶ **Flexible payment scheduling with Managed Billing**
- ▶ **Tokenization**
- ▶ **Real-time Reporting**
- ▶ **Helps reduce PCI scope and exposure**

Proposed Roles



- Available to participate in Sales process as a part of the proposed solution
- Develop supplier enrolment plan specifically tailored to the objectives & needs of your vendor base
 - Focus on non-acceptors
- Conduct a campaign to promote card acceptance from targeted suppliers
 - Launch marketing/calling campaign
 - Supply content/talking points that address all suppliers
 - Sign-up non-acceptors
 - Begin VPA enrollment process

Process

Campaign Preparation

Supplier Analysis

Handled by Visa and your Client team

Campaign Strategy

Recommend Go-To-Market strategy based on proposed target pool

Comm Plan

Assist with the development of marketing collateral

Campaign Execution

Outreach

Conduct vendor acceptance campaign

Proactive and/or reactive based on strategy

Track & Report

Provide regular updates and reporting

Track close ratios

Provide feedback

Supplier Activation

Supplier begins accepting cards and processes transaction

CHASE Paymentech™



Client Engagement



Keys to our success

- Engage Chase Paymentech early in the sales process
- Develop value proposition for all parties
- Buyer led merchant campaigns to grow acceptance footprint
- Proactive engagement of Client's non-accepting Vendor's
- Reporting our success

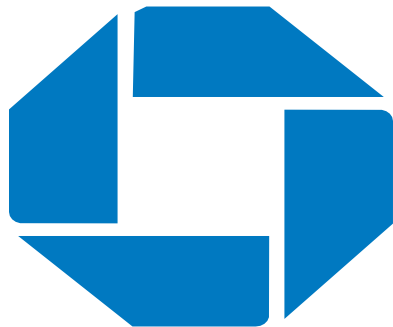
Question: Does your client currently accept cards for payment???



Next Steps

Referral Process & Contact Details

When To Refer



Options & Services

- Vendor enrolment campaigns
- Commercial Card Referral Form
- VPA
- STP
- U.S. Vendor acceptance & referrals

Referral Process

1

- Select the Chase Paymentech Referral Form

2

- Fill out all the required information including name, business name, address, phone number and e-mail, as well as the best time to contact them.

3

- E-mail the completed form to:
scotiabankpriorityservice@chasepaymentech.com



Merchant Services Referral Form - Commercial Card

Please fill out the fields below and email this referral page to scotiabankpriorityservice@chasepaymentech.com for prompt action.

Prospect Referral Information

Business Name: _____ Referral Date: _____ (DD/MM/YYYY)
Contact Name: _____ Phone: _____ ext. _____
Contact Title: _____ Fax: _____
Business Address: _____ Best time to call: a.m. p.m.
Industry Type: _____

Prospect Business Information

Referral will expire if no activity or disposition occurs within 90 days of referral date:

1. Estimated annual Visa/MasterCard card volume: _____ # of Debit transactions: _____
2. Does the merchant currently accept: Visa MasterCard Debit Cards Others
3. Have you already contacted a Chase Paymentech Representative about this merchant? Yes No
If yes, name of Chase Paymentech rep: _____
4. Is this an existing Scotiabank account? Yes No
5. Comments/Special handling instructions: _____

Referring Scotiabank Employee Information:

Please complete this section to ensure that you receive proper credit.

Scotiabank Contact Name: _____ Title/Department: _____
Branch Transit #: _____ Phone: _____
Email: _____
Chase Paymentech Sales Rep: _____

Thank-you for your referral!

Contact Details

Scotiabank Priority Service

- Chase Paymentech Priority Service for Scotiabank is a dedicated service exclusively for Scotiabank representatives
- If you know the name of your dedicated Chase Paymentech Representative, you should contact them directly with any questions.

Please include your bank transit # and contact information.

scotiabankpriorityservice@chasepaymentech.com

Phone 1-866-536-0287

Fax 1-877-268-4266

Contacts

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Questions?