Market Size

Digital Goods

Virtual Goods
$3B in '09

Gaming
- Casual Gaming
- Mobile Gaming
- MMO, MMOG

$5B in 2009

Online Physical Goods
- E-commerce
- Internet Business
- Served

$165 Billion in 2009 (US)

Social Networks
- Virtual Goods, Online apps (Widgets)
- Virtual Worlds
- Examples: Zynga, Playfish; Second Life

Online content or services
- Purchased online or mobile
- Subscriptions, avatars, downloads

Served Market
- Traditional e-commerce
- Purchase of physical goods online
- Purchased on mobile phones

Sources: comScore, Jupiter, Yankee Group, eMarketer
There are MANY ways to pay and be paid

What’s the right way to think about all these payment methods?
Web 2.0 Payments Realms

Many realms, many companies, many overlapping...

- Micro-payments
- Bill to Mobile
- Virtual Currencies
- Offer-based Payments
- GameCards & Cash
### Web 2.0 Payment Terminology

Some new terminology for some old ideas…

<table>
<thead>
<tr>
<th>Old Term</th>
<th>New Web 2.0 Term!</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micropayments</td>
<td>Virtual Currencies</td>
</tr>
<tr>
<td>Closed Loop Prepaid Card</td>
<td>Game Cards</td>
</tr>
<tr>
<td>1-900 Billing</td>
<td>Bill to Mobile</td>
</tr>
<tr>
<td>Performance Marketing</td>
<td>Offer-based Payments</td>
</tr>
<tr>
<td>Digital Goods</td>
<td>Virtual Goods</td>
</tr>
<tr>
<td>Business Model</td>
<td>Monetization Strategy</td>
</tr>
<tr>
<td>P2P Payments</td>
<td>Social Payments</td>
</tr>
</tbody>
</table>
Micropayments

They’re back and they thrive on the social Web

• Small transactions – as little as 25¢ – are difficult to cost justify without micropayment specific solutions
  - Many small transactions are aggregated into a larger single purchase transaction
  - Pricing to merchants optimized for small value transactions
• Early micropayment systems overreached and failed to gain traction
• Today, micropayments are back as a key element of social game and application monetization strategies
  - Purchases are denominated in familiar national currencies, not a virtual currency (e.g. $1.99 vs. 20 Facebook Credits)
  - Tend to be used by sites that do not offer their own virtual currency
  - Providers make it very easy for non-payment savvy application and game developers to integrate
Virtual Currencies

Virtual currencies drive the Social Web

• What is a virtual currency?
  - Virtual currencies are like tokens in an arcade
  - They have some notational value that can be exchanged

• What is a virtual currency platform engine?
  - Helps sites issue, manage, analysis, and control their own virtual currencies
  - Used by online game sites and by apps on social network sites

• What can you sell with a virtual currency?
  - Functional goods: Special game powers
  - Self Expression artifacts: Decorations for avatars, charity donations
  - Gifted goods: Virtual beer, virtual flowers
  - Digital goods: Music, video, etc.
Facebook Credits
The safe and easy way to buy things on Facebook

Available in your favorite games
Credits offer a quick and secure way to purchase premium items in many of your favorite free games.

We never share your financial information
When you use credits to buy premium items, the transaction is between you and Facebook. You get to

Facebook Credits gift cards
Now you can give your friends the gift of powered-up game play. Use our store locator to find a gift card retailer near you.

Re redeem Gift Card

Have a great Facebook Credits experience!
Who We’re Watching in Virtual Currencies

- In-House Currencies
  - Facebook Credits
  - Zynga zCoins
  - Microsoft Points

- Virtual Currency Providers
  - PlaySpan (acquired by Visa)
  - Social Gold (acquired by Google)
  - FatFooGoo (acquired by Digital River)
  - Others…
Game Cards & Cash

Facilitate payment from the underbanked

• Enables youth and others without access to payment cards to participate in online game communities
  - Purchase in a retail environment, typically for cash
  - Global solutions often tied to kiosk and walk-in payment schemes
  - Often purchased by someone other than the game player, e.g. parents
  - Some are re-loadable

• Some cards are game specific, others can be used across a variety of game properties
  - The multi-game providers often offer branded solutions to game developers

• Most are closed-loop prepaid cards, but some are beginning to move to open loop
Who We’re Watching in Game Cards & Cash

- Zynga (via InComm)
- Zeevex (Via InComm)
- Ultimate Game Card (from PlaySpan’s PayByCash)
- Electronic Arts (Prepaid Visa)
- Playdom
Serve more customers by accepting cash payments

Reach 24% of U.S. households that don’t have a credit or debit card

CONSUMERS
Buy online and pay offline with cash

LEARN MORE

MERCHANTS
Accept cash nationwide for online or phone orders

GET STARTED

PARTNERS
Drive more foot traffic to your business

LEARN MORE

LATEST NEWS
PayNearMe Launches Cash Payment Service at 7-Eleven Locations Read...

Win an iPad! We're celebrating the launch of PayNearMe by giving away an iPad... Read...

PayNearMe Betting Cash Makes Comeback Read...
PayNearMe

How it works… high-level story

• Buyer make a purchase online and prints out PayNearMe Slip

• PayNearMe Slip directs buyer to the nearest 7-Eleven
  - Buyer enters their zip code as part of checkout process

• Buyer presents PayNearMe Slip to 7-Eleven clerk, who scans bar code and accepts exact cash amount

• Payment credit is posted in real-time to merchant; merchant prints purchase receipt on 7-Eleven cash-register receipt

• Everything is done with the buyer is at face-value with no extraneous fees
Offer-Based Payments

Earn credit to purchase goods, play games, and earn virtual currencies

• No cash, no problem!
  - Research indicates that “29.7% of social gamers do not have the ability or the means to pay for virtual currency with cash options”*

• Offer-based schemes enable users to participate in surveys, watch a video, or sign up for a trial subscription in order to earn credit that can be used to purchase goods, play games, or earn virtual currencies
  - Promotional advertisers include name brands
  - Claim significant reach and ability to precisely target offers

• Solutions across multiple social and game sites, as well as virtual worlds

• Industry tainted by offers that caused unwitting consumers to download unwanted software or unknowingly sign up for a recurring subscriptions

* Source: comScore, March 2010
Who We’re Watching in Offer-based Payments

- TrialPay
- Tapjoy
- Super Rewards
- Peanut Labs
- SponsorPay
- gWallet
- Gambit
Bill to Mobile Payments

• Near-frictionless payment within a game or social app

• Billed with mobile phone charges on monthly statement

• Global schemes, operating in dozen of countries with hundreds of mobile carrier partners

• Game developers pay large fees – in excess of 15-45% - but when selling virtual goods with minimal cost, that’s okay
Boku Economic Pitch to Merchants

IT ADDS UP

Let’s assume 1000 customers each willing to pay $10

BOKU
600 Customers (60% conversion)

Credit Card
70 Customers (7% conversion)

!!
$3900 35% carrier fees

$686 2% carrier fees

Better conversion means higher net payout, even with carrier fees.
Who We’re Watching in Bill to Mobile Payments

- Zong
- Boku
- BilltoMobile
- Allopass
- mBlox
- MoPay
- Payfone
Evolution Paths?

Bill to Mobile Today

- Digital Goods
- Paid by Carrier Bill
- Small Dollar Value
- High Discount Rate

Tomorrow?

- Physical goods
- Platform linked to other non-carrier payment methods
- Larger dollar values
- Lower discount rates enabled by “direct connect” to major carriers

A Convenient Payment Platform