



CARD CASH



WWW.CARDCASH.COM

CARD CASH

THE GIFT CARD MARKETPLACE

CardCash, headquartered in Brick, New Jersey, operates an online gift card marketplace where users can buy and sell discounted gift cards. The company was co-founded by its current CEO, Elliot Bohm, and COO, Marc Ackerman. CardCash has been featured twice in Forbes and Inc. Magazines and, in 2014, Bohm was recognized as one “America’s Most Promising CEOs Under 35.”

Recently, Business View Magazine spoke with Bohm to learn more about this unique company. The following is an edited transcript of that conversation.

BVM: How did CardCash get started?

Bohm: “It was right after the holiday season and my co-founder had a couple of gift cards that he received that he had no use for; he didn’t shop at those brands. I’ve always been a bargain hunter and I’ve always been someone who never likes to pay full price for anything. So, I offered him 80 cents on the dollar for those gift cards. And he went for it.

“Suddenly, the light bulb went off. There are many millions of consumers who lived through that exact, same scenario, where one consumer received gift cards after the holidays that they had no use for and another consumer who would love to shop at those brands and would

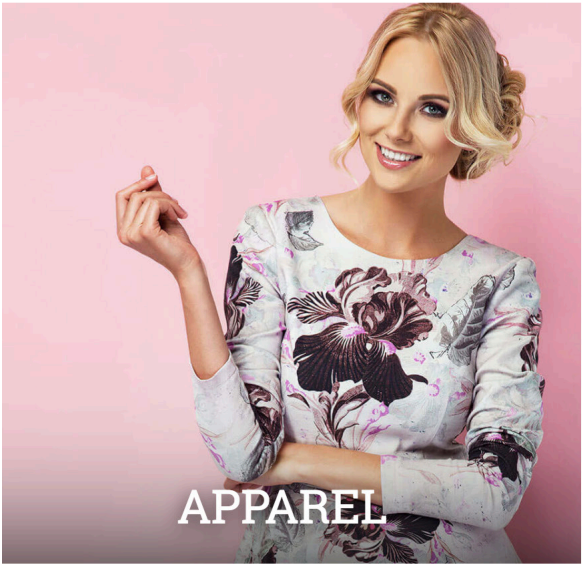
AT A GLANCE CARD CASH

WHAT: An online gift card marketplace

WHERE: Brick Township, New Jersey

WEBSITE: www.cardcash.com





APPAREL



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PETS



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buy that 'currency' to use with that brand at a discounted rate, essentially saving money on all their purchases.

"We started the company back in 2008-2009, right after the financial crisis. We saw this as a silver lining for many consumers looking to save money on things that they needed; being able to buy discounted currency to use for their shopping. So the master plan has always been to solve a problem for consumers on both sides. It's really all about helping people get the most value for things that they want, and things that they don't want."

BVM: How does it all work?

Bohm: "It is a secondary market so you have buyers and sellers, and then there are the retailers - so there are really three participants in every transaction."

There's Macy's, who issues a hundred dollar gift card; there's Bob who got the hundred dollar gift card for a gift he doesn't need and he'd rather have cash; and then there's Joe, who wants to shop at Macy's and get a hundred dollar value for 90 dollars.

"So, we're helping Macys get these gift cards redeemed by putting them in the hands of a customer who wants one and taking it out of the hands of a customer who doesn't want it. We're helping the seller get cash and we're helping the buyer save money."

BVM: I understand the benefits to both buyers and sellers, but don't retailers hate it? It seems to me that they make out better by not having to trade product for the card, at all. I mean, since Macy's already has the money for the gift card that somebody purchased for



Bob, wouldn't they rather not have anyone actually redeem it?

Bohm: "The dynamic on the financial statement of retailers is not exactly as you described. It's a liability for the retailer and they can't mark it as revenue until the gift card is actually spent. So, yes they have the cash, but it's a liability on their balance sheet. In many states, after a certain point, it gets escheated, and gets marked as unclaimed property, so the retailer would never actually get it. Even in the states where there aren't such laws passed, it can sit on the retailer's balance sheet as a liability for many, many years, until they slowly can chip away at breakage.

"So, the retailers aren't really looking for gift cards not to be used. Gift cards are intended to bring custom-

ers into the store and get them to shop. What retailers love is when somebody comes in with a \$100 gift card and ends up spending \$150, so they're getting some lift on that. And if you bought the gift card for \$90, you might even be more aggressive to spend more money at the retailer. That's really what the retailer's focus is."

BVM: So they actually love you?

Bohm: "Exactly. Some of their finance people might not 'get' it, because they look at it as a free load, albeit with some restrictions, because they can use the cash. But they can't mark it as revenue. And their marketing people definitely love us because their whole goal with gift cards is to put it in front of consumers and get consumers to increase the size of their shopping basket."



BVM: How about some nuts and bolts? What's your company's geographical footprint and how many employees do you have?

Bohm: "Our focus is on the entire U.S.; we ship gift cards across the country and we buy gift cards from every state. We have a team of about 100 employees."

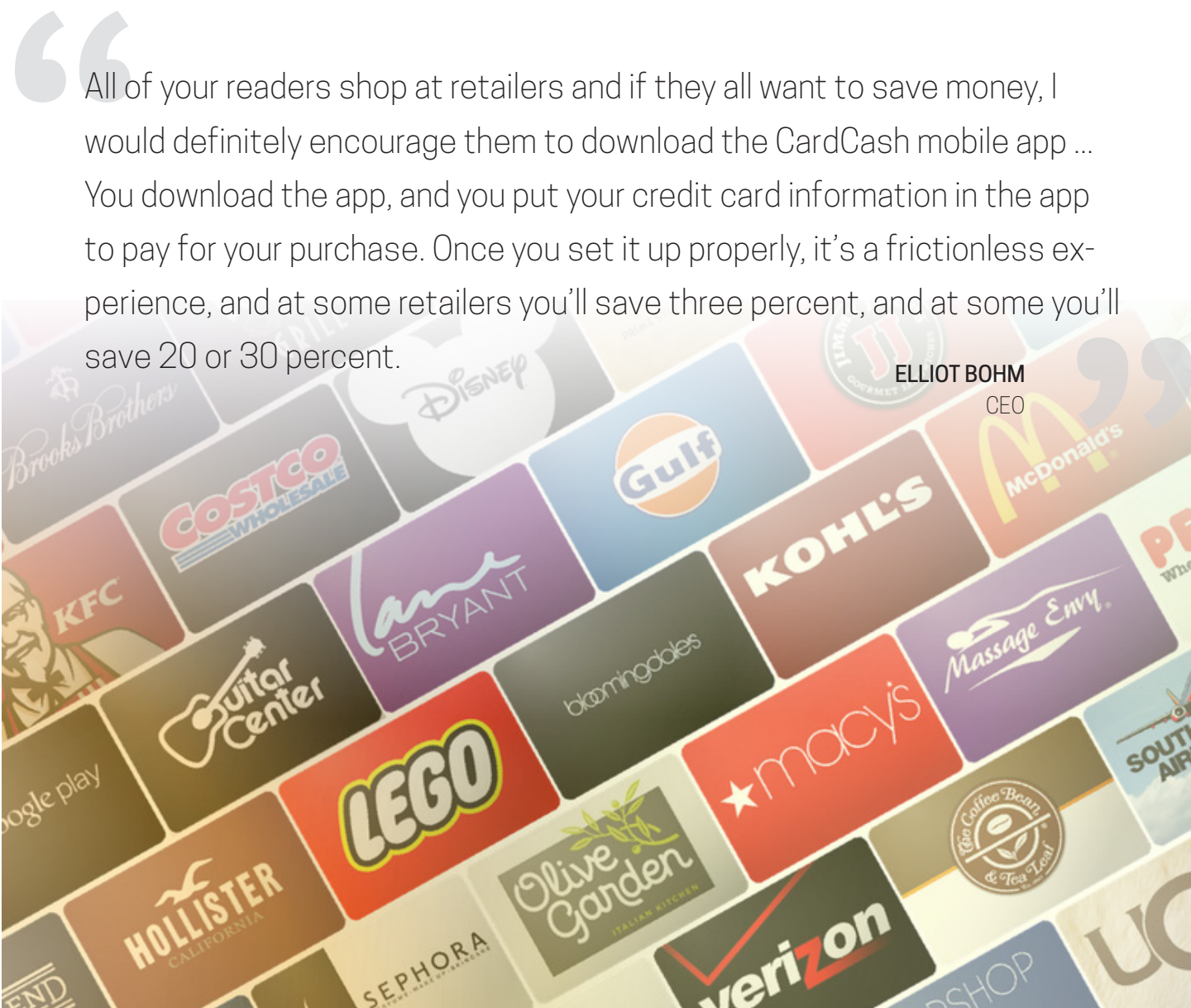
BVM: How do you reach out to your customers?

Bohm: "The way we reach our customers is mostly online-based, whether it's Google Adwords, Facebook ads, or social media campaigns. Word-of-mouth of our own customers referring them to their friends is also a great source of customer acquisition. We have a very

large recurring customer base. Customers get addicted to our platform as soon as they get introduced to it. It's not like there are any restrictions where you can only use the gift card for a certain product at a retailer, such as coupons that come with restrictions. Gift cards are, essentially, cash to be used for any item in the store. We carry over 1,000 brands, so there are very few brands where people shop that we don't carry. If it's a large national or regional brand, we're going to have that card on our website."

BVM: So anyone who either wants to buy or sell a particular card goes through you?

Bohm: "Correct. Anybody can sell us that card and then, there's going to be a buyer who



is interested in buying that card. Our average inventory turn is less than two weeks. Some cards go as quickly as minutes, depending on the popularity of the brand. And our pricing is such that we're in control over how fast that inventory moves, and the small margin we want to make on that card. A Wal-Mart card will sell minutes after it's been sold to us. If it's more of a niche market brand, it might take two weeks until a buyer is found for it, but all cards that we buy, we price to move fairly quickly."

BVM: What kind of competition exists in your space?

Bohm: "Well, obviously, there's eBay, because that's a secondary market for everything, but gift cards are a small portion of its business. There is a company in California, Cardpool, but I would say we're currently one of the largest in the space, if not the largest."

BVM: Has anything occurred recently, or planned for the near future that will impact the way the business operates?

Bohm: "We started an initiative which took off very nicely. In addition to offering consumers cash for their gift cards, we're also giving them the ability to trade



a gift card for another brand. Say you got a Macy's gift card and you don't want it. CardCash will either give you 80 cents on the dollar, or we can give you an Amazon gift card. Now, if you're doing a trade for, say, Amazon, you're going to get five percent more value than the cash option, so you would get 85 cents on the dollar for that gift card. If you were to trade it for a Dell gift card or a CVS gift card, you'd get some top-off over the cash option.

"So, for a seller, it's actually more value in their pocket. In our trade option, we have about 20 of the most popular brands in the U.S., such as eBay, Dell, Toys "R" Us, Amazon. You can trade your gift card for them and you get a lot more value. Now, for that retailer, Amazon, for example, it's a great deal – they now have the ability to offer something to someone who had a Macy's gift card but didn't want it and acquire them as a customer shopping at Amazon. And the reason why we're able to give that top-off is because it's actually being



fueled by the retailers. Amazon is actually contributing to the cost of their customer acquisition an extra few percentage points in order to attract a Macy's customer to come to Amazon."

BVM: Are your transactions done physically or digitally?

Bohm: "About 80 to 90 percent of our volume is



digital. We still do have a physical portion. When we started the business, it was 100 percent physical and over the past couple of years it started shifting more towards digital. Digital has an advantage for a customer wanting to save money because he or she can instantly buy something.”

BVM: How does that work?

Bohm: “If you get the CardCash mobile app, you can be standing in the checkout line in Starbucks, and immediately save 10 percent on your coffee. You put in that you need, say, \$7.82 in Starbucks gift cards. CardCash is going to find the closest match that we can get to \$7.82 - it might be one gift card, it might be two or three gift cards that we’ll be able to combine, and then

automatically present one or two or three barcodes on your mobile phone. You show those barcodes to the barista who scans it, and your coffee has been paid for. Now, even though you got \$7.82 of value, you only paid about six or seven dollars for that. So, you just saved money. So, digital has really helped us pivot from just being a gift card marketplace to being a payment wallet, similar to an Apple Pay, but with the added benefit of saving money.”

BVM: Does that happen often?

Bohm: “Oh, yeah. We have many consumers who are buying gift cards, mobiley, and getting them delivered almost instantly to their phones. And the time they’re purchasing them is while they’re in the

actual store location.”

BVM: Will there be any other changes in the company’s business model over the next several years?

Bohm: “We’re working closer and closer with retailers to give them the ability to accept other competitors’ gift cards, which is taking our trade option to the next level. Instead of coming to CardCash to actually do the trades, our goal is, one day, you’ll be walking in CVS and you have a Macy’s gift card, and you should be able to go ahead and just check out of CVS using your Macy’s gift card. Now, you won’t be getting your full value for it, but, at least, it provides more universal use for your card. We’re putting some technology in place to get there and there’s definitely a lot of interest from the retailers to start accepting their competitors’ gift cards – CVS would love to accept Walgreen’s gift cards.”



BVM: Is there anything else you’d like our readers to know about CardCash?

Bohm: “All of your readers shop at retailers and if they all want to save money, I would definitely encourage them to download the CardCash mobile app, which is available on Android and IOS, and go through the experience of buying a gift card and having it delivered almost instantly to their phones. You download the app, and you put your credit card information in the app to pay for your purchase. Once you set it up properly, it’s a frictionless experience, and at some retailers you’ll save three percent, and at some you’ll save 20 or 30 percent. It’s something that every consumer should try. It involves just a little bit of forethought.

“It’s really money thrown out, if you walk into a Wal-Mart or a Target and just swipe your Visa, Mastercard, or American Express card to make your purchase and not use the CardCash mobile app to get a Wal-Mart gift card for five percent off. You’re literally throwing away that five percent.

“On the other side of the business, anyone who has a gift card that they don’t intend to use within the next 60 days – it’s foolish on their part to be optimistic that they’re eventually going to use it and not lose it. So, they might as well convert it either into cash or into a retailer that they will use. If you have a gift card for a brand that you either are going to force yourself to buy something you don’t need, just because you want to spend the gift card, or you’re going to hold it until you eventually lose it, get cash for it, today, or trade it in for something that you will use, and you’ll end up ahead.”

PREFERRED VENDOR

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AS FEATURED IN BUSINESS VIEW MAGAZINE