

# Executive Interview Series

A Supplement to the First Annapolis Navigator

## A Conversation with Amir Wain, Founder and CEO, i2c Inc.

We recently had the opportunity to connect with Amir Wain, Founder and CEO, i2c Inc. In this Q&A, we discuss current challenges and opportunities facing card issuers, innovation in the marketplace, cloud-based platforms, and common misconceptions.

As founder and CEO of i2c Inc., Amir Wain is responsible for defining the company's vision to create the infrastructure driving the next generation of global integrated payments and commerce solutions. Widely recognized as a payments industry pioneer, Amir played a key role in expanding the global market for prepaid/stored value solutions and in advocating open standards for mobile payments systems. Amir founded Innovative Private Limited and Avanceon, Ltd., where he currently serves as a board member.



i2c provides the infrastructure that financial institutions, corporations, brands and governments need to launch and profitably manage payment and next-generation commerce products. Its global-ready product suite encompasses card-based, virtual and mobile payments, loyalty, and back office solutions. The company has a global reach spanning 216 countries and territories. To learn more, visit <http://www.i2cinc.com>.

### 1. What do you see as the challenges and opportunities facing card issuers today?

At a macro level, there are shifts in the business environment that are having a big impact on business in general. An important one is compressed timelines caused by the accelerating rate of technology innovation and adoption. If you think about the innovation diffusion model (i.e., innovators, early adopters, majorities, and the laggards), in the recent past there was typically ten years' time between the innovators and laggards. Today, that timeline has shrunk to two to three years. If the innovators introduce something into the market and you haven't responded in the next three years, you are not a fast follower, you are a laggard. This compressed time line has real implications for card issuers. Their existing technology infrastructure was designed to implement major changes on a multi-year timeline, which puts them out of sync with today's market needs. This change is affecting not just payments processing, but the industry in general.

The second major change we see, which may surprise many people, is rising corporate mortality rates. As an example, the risk that a company traded on the New York Stock Exchange of going out of business being acquired or merged within five years is now around 32%. So, one out of three publicly traded companies will not exist after five years. A CEO has

to do more than just manage quarter-to-quarter and beat expectations without having to worry about the longevity of the business; now it is a life or death challenge. Businesses must become and stay competitive in a much shorter period of time, highlighting the need for agility and innovation.

Finally, as younger people enter the market, the expectations of consumers are changing. Consumers are not just looking for a point solution or product, they're looking for a more integrated approach that works best in the context of how they run their lives.

Payments and financial services in general are technology-driven businesses. The ability to execute your business strategy and your technology infrastructure are more closely tied than ever before. So, when business leaders at financial institutions assess their existing infrastructure, there's a growing realization that their current infrastructure can't keep them competitive in today's market. It was not designed to be adaptable so they can respond to market feedback and build integrated, contextual product offerings.

### 2. We look at the credit market and we think that credit issuing continues to be a growth opportunity, although that growth is asymmetrical across the industry. That is, not all of the players are enjoying the same growth trajectory as some of the industry leaders. If you accept that it is a growth opportunity, why are issuers still struggling to differentiate themselves in the market and to innovate?

Again, the answer goes back to the infrastructure. Think about it. How can I offer an integrated and differentiated experience if I have a processing infrastructure that was designed for a point solution? That's a big problem for a bank with a limited distribution and marketing budget competing with the top-five issuers, unless they can offer something better.

Further, banks compete for resources at processors that have systems with long change cycles. If the big players are asking for the change, you will be in a queue, and you will be there years later. There is no viable path. After the recovery from 2008 crash and loss of debit interchange, credit looks like an extremely interesting and profitable product, but issuers outside the top five are finding it very challenging to compete. What they really need is a better technology infrastructure that can help them differentiate their products and roll out additional features and functions rapidly. Credit issuers understand their customers; they have tons of ideas. What they need is to turn those ideas into reality. Not in three years and for \$5 million, but now, at minimal cost. So there are a lot of missed opportunities in the market as we see it.

### 3. I agree with that. We have been talking to some of the larger players and there is an argument that says the last five to eight years have actually been a fertile environment, and that even without scale you can still be profitable in issuing given low interest rates, relatively good economy, and low credit losses and that the bar will continue to rise for issuers without scale or the ability to innovate.

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Absolutely. It is not just about going after the people with no credit file or sub-prime. I think there is opportunity across the board. I think there is a gap between what the consumer wants and what the providers offer today. There is opportunity for someone to come in and close those gaps.

**4. Let's talk about i2c. How does i2c help issuers compete more effectively in card issuing?**

We share the same dilemma many of our prospective customers face: how do you compete against large incumbents? The answer for us and our customers is differentiation and agility. So, from day one we started to build that into our platform.

With the amount of change taking place, it is difficult to predict all the possible use cases, features, or innovations that would differentiate now or in the future. What issuers really need is the right set of tools and building blocks to quickly create any solution in response to changing market needs over time. So we said, let's create a payments processing platform with interlocking pieces that snap together to build a solution, like LEGO bricks. We have built tens of thousands of LEGO bricks that support capabilities such as card controls, digital coupons and multi-currency. Just like LEGO bricks, these blocks can be rapidly assembled to bring new solutions to market. This allows our customers to compose new products and solutions unique to them. This is a level of control and flexibility they've never had. That is the business strategy: not a pre-defined use case or work flow, but a single global platform that is highly stable and configurable. It takes the issuer out of the business of coding.

This approach is at the heart of i2c's Agile Processing platform. It is extremely powerful in the sense that it gives our customers the flexibility and control to define what differentiation is. It takes them away from their process of predicting the future of payments, and allows them to them decide where they want to play and how they want to address that market. With this model, concepts can be created and implemented very quickly. What used to take months now can be done often within 30 days.

**5. And you can build the new LEGO pieces without affecting the existing million pieces?**

Absolutely. In doing so, it increases the availability, the stability, and the global nature of the platform. Think about this: If you imagine LEGO pieces, as long as the new piece conforms to how LEGOs connect, one piece is not going to make the others dysfunctional in any way or have a ripple effect because every piece is fully self-contained. This approach is why we are able to maintain an extremely stable platform with 100% uptime. We have 200 plus engineers building new LEGO pieces every month. There are monthly updates, and because our platform is cloud-based, anyone on it is using the latest updates and benefits from continual improvement.

**6. Are there other benefits to a cloud-based payments processing platform?**

A single, global SaaS platform like ours reduces the complexity of program development and maintenance while increasing control. Think about it; one platform for any debit, credit, or prepaid program, anywhere in the world. You don't need five different processing solutions for five different markets.

You can focus on differentiating your business, not on maintaining systems. And because you don't have the overhead to manage an in-house or legacy processing platform, you can get out of the coding business. That's a much bigger deal than you might think. There are a limited number of people who have the skill set to code and maintain these older legacy systems, and they are aging out of the work force. That's a significant long-term risk, and the situation is getting worse.

Also, a cloud-based platform like ours acts like a worldwide R&D hub for payments. You might ask how you can build a LEGO piece that works in Japan, and all of these other markets? If a new feature or capability is added to the platform to meet a local requirement in Japan, that improvement becomes available to any customer using the platform, no matter where they are. So the Agile Processing model benefits from continuous improvement and innovation from our work with customers around the world.

**7. You said i2c's platform supports credit, debit, and prepaid programs. How are your credit customers using it?**

Yes, our customers manage their credit, debit, prepaid, and more recently, DDA lite programs from the same platform. In terms of credit, there is a lot of opportunity for banks to offer differentiated financial services to their credit customers. Multi-purse and multi-currency technology is one example of how a bank can offer a new feature that allows customers to store and transfer cash and make purchases in different currencies when they travel abroad. Another is our credit product for SMB's called Flex Buy. It allows a business owner to use their existing card to quickly apply for an additional line of credit to make a purchase to grow their business.

Analytics is another powerful tool. Our platform can store and analyze important characteristics about consumer buying habits, preferences, and purchasing history. This three-dimensional view of the consumer is powerful. It opens new avenues for curating context-based, personalized purchasing experiences. You can deliver offers, rewards, and digital coupons that are relevant at that time to the cardholder. All these capabilities are already built into the architecture of our platform, and because of the LEGO model, implementation is less expensive and much, much faster.

**8. Is there an upper limit in terms of the size scale?**

Not at all. We process very large programs today. We have done testing with very large prospects. We have extremely impressive authorization response time of less than 250 milliseconds on a sustained volume of 3000 TPS on our platform. Based on our scalable design, we can as easily support much higher TPS.

**9. Where do you see the company in 3-5 years?**

I think what brings all of us together in this company is our commitment at being the best at what we do. It is about the pride of authorship. I think we have demonstrated that our product works and is highly differentiated. We have had great success and are in an excellent position to sustain our strong growth for the foreseeable future. With our momentum we have a clear path and are on track with our plan to be a billion dollar company.

**10. For the U.S. issuer who says 'I don't know anything about i2c and my boss knows a lot about First Data and TSYS and others', how do you talk to those issuers?**

This is a very common discussion. The truth is we are working with some of the largest FIs and brands in the world. We support top ten issuers on four continents. Ninety-five percent of our business is inbound. So when a prospect is told to look into i2c, when we share our credentials, the type of customers we deal with, the scale of the business, our internal processes, and the platform demo, the most common reaction is 'wow!' Our demo is very powerful. When we put up our credentials slide, people are pleasantly surprised by the size, scale, quality, and maturity of the organization. It is getting us a seat on the table with some really large opportunities in the market.