

## Comprehensive Industry Overview

# POS Goes Digital: Evolution of the In-Store Shopping Experience



March 2012



Gridley & Company<sub>LLC</sub>

# A Word from Gridley & Company, LLC

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Increasingly, the consumer is taking control of his/her in-store shopping experience. Consumers are using mobile and digital technologies to receive highly targeted offers, decide when and where to shop, compare product pricing and features, and make purchases. For example, during the 2011 holiday season, 25% of cell phone owners used their phones inside stores to compare prices. Of those, 19% eventually bought the product online, presumably for a better price. Roughly 24% of cell phone owners also used their phones to look up online reviews during the 2011 holiday season.

The in-store consumer shopping ecosystem has changed significantly over the last few years due to rapid innovation in digital and mobile technologies. Some of the most important recent trends we have seen include:

- Consumers are increasingly opting to go paperless and are searching online before going shopping;
- Mobile phones are offering more pricing transparency, greater convenience, and product information;
- Large technology companies such as Google, Verizon, Apple, and eBay and two dozen retailers including Target and Wal-Mart are trying to build integrated payment and marketing systems;
- Traditional coupons and incentives are being threatened by more measurable digital alternatives;
- Mobile couponing is well on its way to becoming ubiquitous. Digital couponing, which includes mobile and web services, surpassed print coupons for the first time in the fourth quarter of 2011; and
- The Durbin bill is causing disruptions to traditional debit payment methods and opening the door for new mobile systems.

We expect the in-store consumer shopping ecosystem to change even more dramatically in the next five years as the entire value chain continues to undergo profound change.

- Smartphone use will continue to increase, driving the creation of more in-store marketing applications and increased use of existing applications including scanners;
- The coupon, loyalty and payment segments will converge and at least one company will succeed at creating an integrated mobile payment and marketing system that will be a real threat to traditional payment and marketing leaders; and
- Data will continue to become increasingly more available, making performance based decisions more main stream.

We hope you enjoy this overview and our perspectives. Please call us to discuss the content of this report.

Linda Gridley  
President & CEO  
linda.gridley@gridleyco.com  
212-400-9710

Peg Jackson  
Managing Director  
peg.jackson@gridleyco.com  
212-400-9709

Pratik Patel  
Director  
pratik.patel@gridleyco.com  
212-400-9712

Maura O'Neill  
Vice President  
maura.oneill@gridleyco.com  
212-400-9718

*Source: Pew Research Center, The Rise of In-Store Mobile Commerce (January 30, 2012).*

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# Table of Contents

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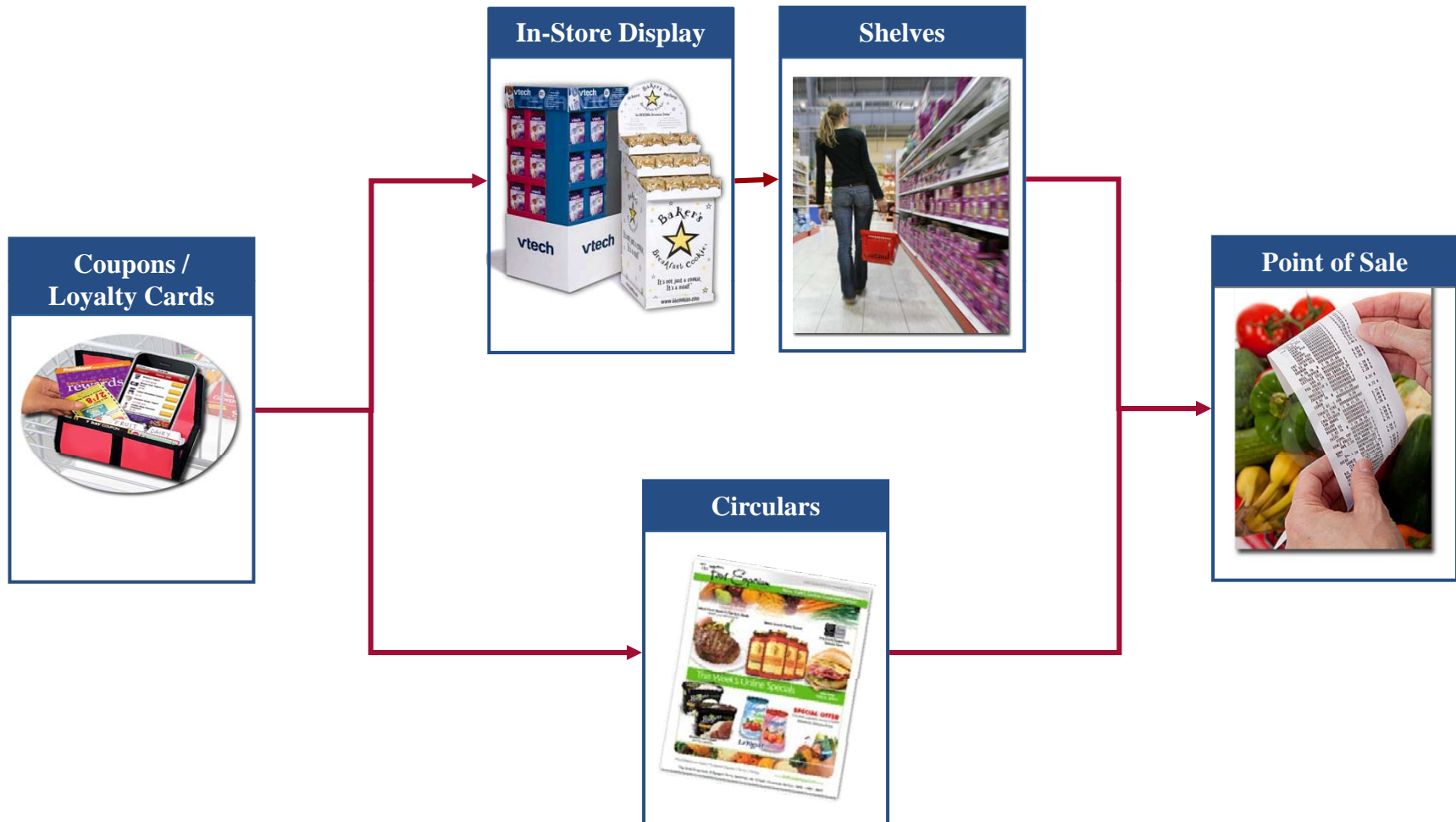
- I. Trends in the In-Store Consumer Shopping Experience**
- II. Competitive Overview**
- III. Select, Recent M&A Deals and Capital Raises**
- IV. Summary Thoughts**
- V. Gridley Overview**

# **I. Trends in the In-Store Consumer Shopping Experience**

# In-Store Consumer Shopping Ecosystem



# Disruption is Happening at Various Points within the Store, Creating a More Informed Customer...



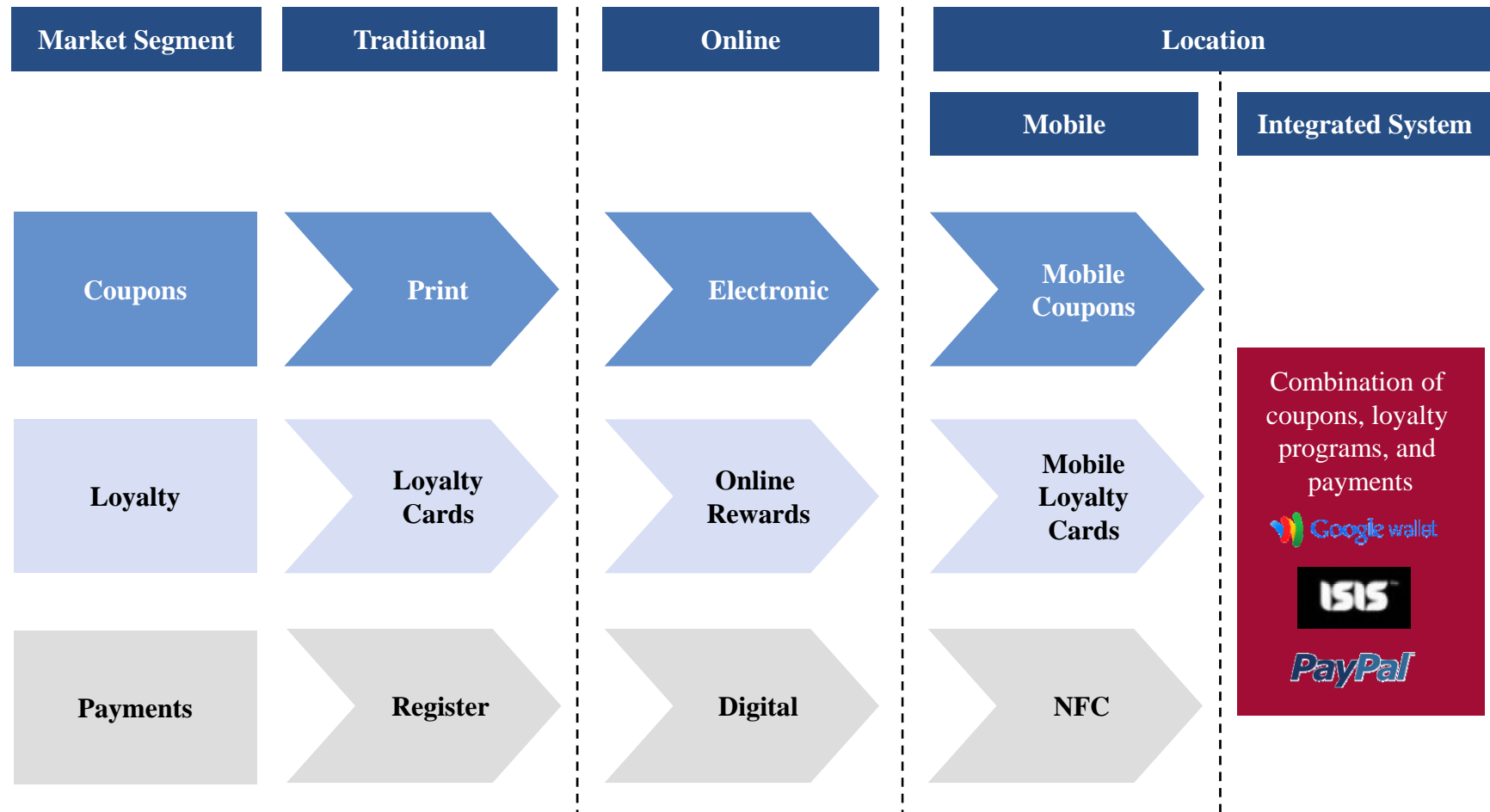


# ...and Changing the In-Store Landscape as well as Consumer Purchasing Behavior



# The Coupons, Loyalty, and Payments Sectors are Expected to Converge in the Next Few Years

The coupon, loyalty, and payments segments are converging, creating new opportunities for digital players while disrupting traditional models





# There Is a Shift to Integrated Pay for Performance Consumer Experience...

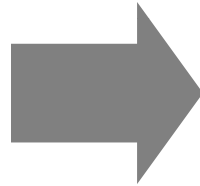
...as payments and promotions move to digital channels

## Distribution Based

### POS (Paper)



### Circulars



## Pay for Performance

### Online



### CLO



### Loyalty



### POS (Digital)



### Mobile Payments



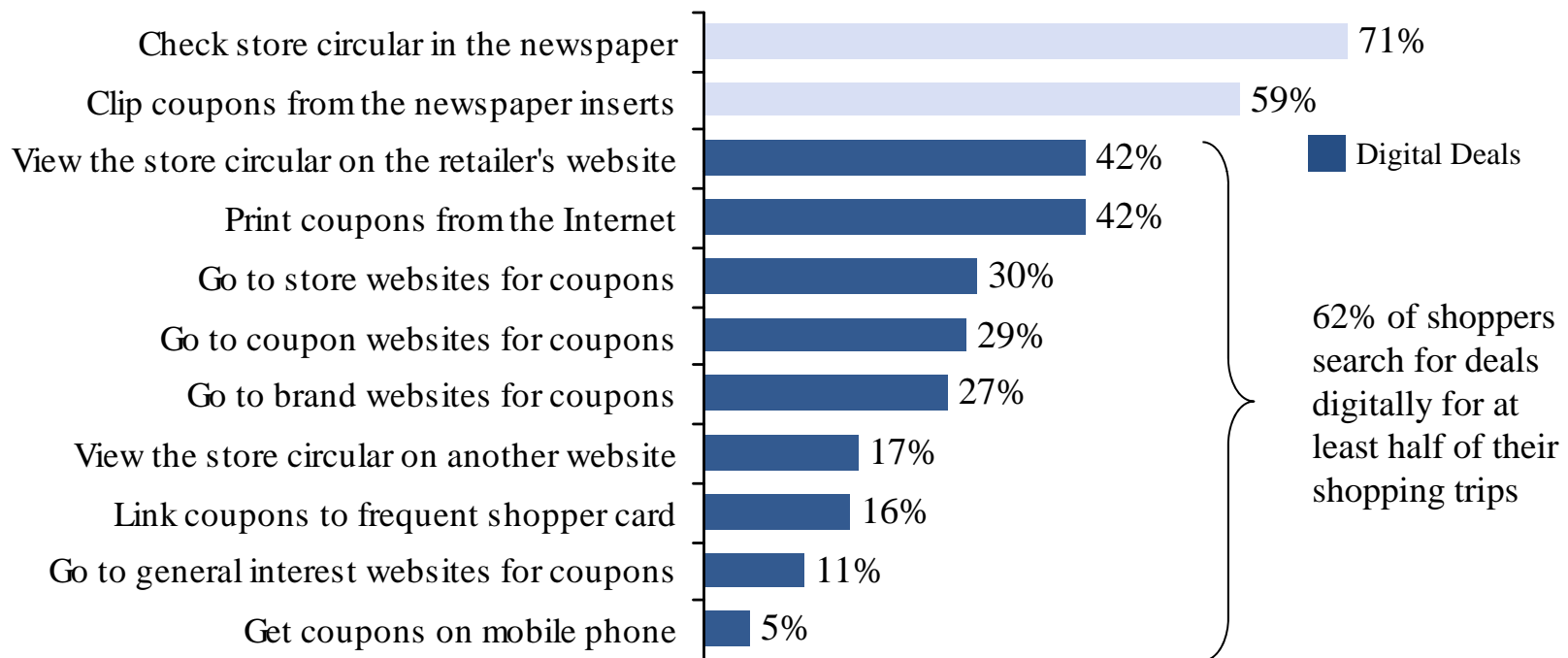
### eReceipts



# Digital Deals Are Gaining More Traction and Altering Consumer Buying Patterns

**Consumers are increasingly opting to search online before going shopping**

## Shoppers Who Participate in Deal-Hunting Activities Before Half or More of Their Shopping Trips

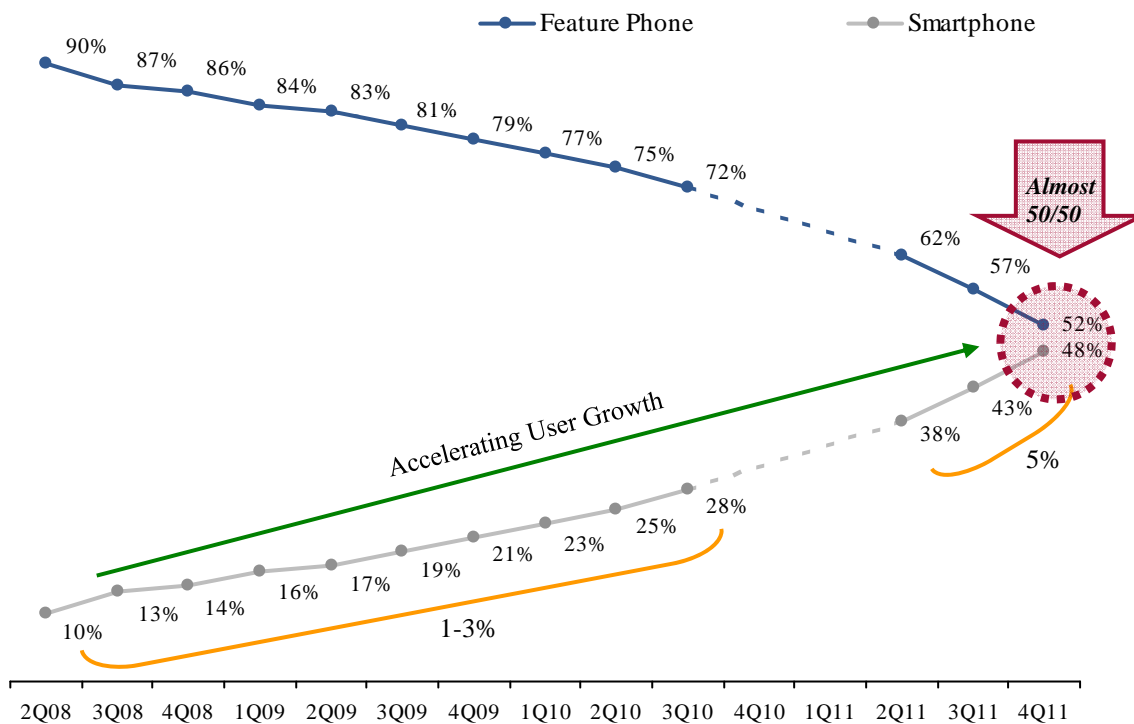


Source: GMA/Booz & Company Shopper Survey (Summer 2010).

# Accelerating Smartphone Use Is Also Driving Changes in Consumer Behavior

User conversion from feature phones to smartphones has been accelerating over the past few quarters, and is likely to continue

US Smartphone Penetration<sup>(1)</sup>

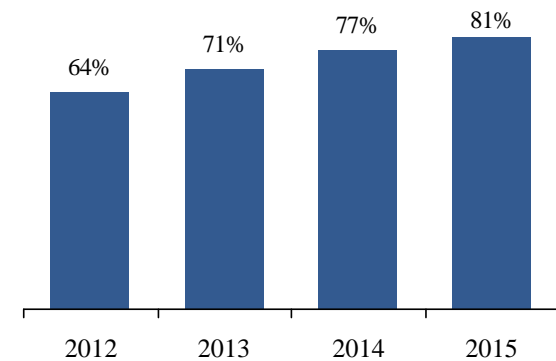


Note: Dashed lines indicate extrapolated data.

(1) Source: The Nielsen Company.

(2) Source: Goldman Sachs (June 2011).

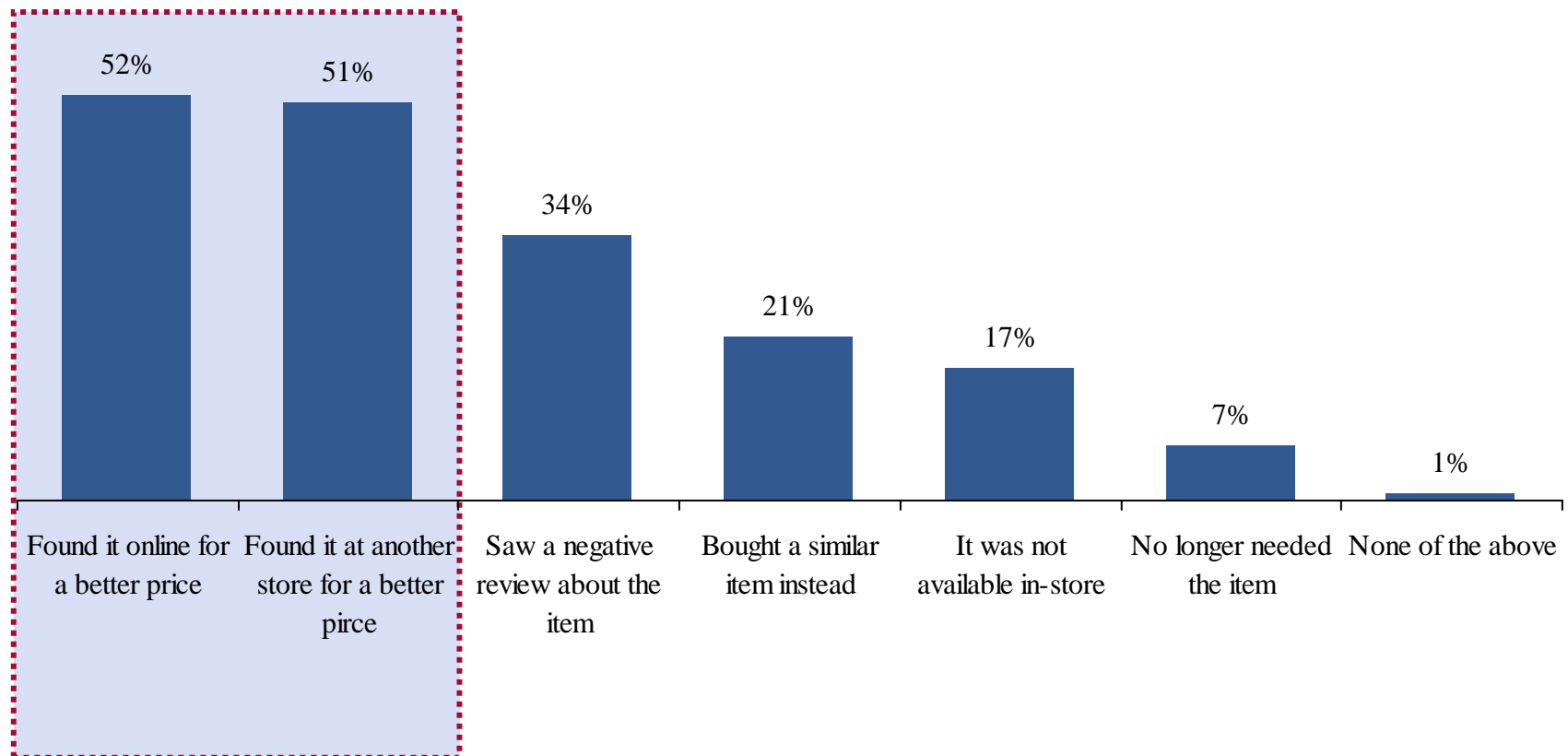
% of US Users with Smartphones<sup>(2)</sup>



# Mobile Phones Are Creating New In-Store Purchasing Behavior

In a mobile world, pricing matters more than ever...

## Reasons for In-Store Purchase Abandonment Among US Smartphone Users



Source: comScore, US Smartphone User Survey (July 2011).

# Mobile Scanners Are One Type of Application Driving Change

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**The number of US mobile phone owners who have used 2D bar codes in the past three months increased from 1% in 2010 to 5% in 2011 and reached 15% among smartphone users**

## Pricing Transparency

- Barcode scanning capabilities take the pricing transparency of the Internet to a new level, giving consumers the power to instantly compare prices on branded merchandise

## Consumer Experience

- Distorts a feature of physical retail because customers can go into a store, touch and see a product, and then buy online (usually at a lower price)

## Winners and Losers

- Winners will include retailers with structurally low prices or those with a high percentage of exclusive products, or categories with limited price comparability
- Losers will include retailers with higher prices on commodity products (e.g., electronics, branded housewares)

*Sources: Forrester Research (November 2011); Wells Fargo.*

# Showrooming Has Become a Real Threat to Traditional Big Box Retailers

**Showrooming is when customers shop at brick-and-mortar locations, often using scanners to compare prices, but then purchase the same item for less online. Showrooming has prompted traditional retailer powerhouses to pursue new strategies**

## Case Study: Target<sup>(1)</sup>

- In January 2012, in an urgent letter to vendors, Target suggested that suppliers create special products that would set it apart from competitors and shield it from the price comparisons that have become so easy for shoppers to perform using computers and smartphones
- If special products were not possible, Target asked suppliers to help it match rivals' prices
- Target also said it might create a subscription service that would give shoppers a discount on regularly purchased merchandise



*(1) Source: Wall Street Journal (January 23, 2012).*

## Showroom Effect<sup>(1)</sup>

- Showrooming is an increasing problem for chains ranging from Best Buy to Barnes & Noble while at the same time showrooming has created a boon for Amazon and other online retailers
- In 2011, offline store sales edged up 4.1% during the holiday season, while online sales jumped 15%
- While online sales represent only 8% of total sales in 2011, online sales were only 2% in 2000

### Showroom Effect: At Risk



**BARNES & NOBLE**  
BOOKSELLERS

### Showroom Effect: Winners

**amazon.com**





# Loyalty and Rewards Programs Should Get a Boost Due to the Showroom Effect

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**Disruption of the in-store shopping experience is expanding the potential size of the loyalty and rewards market**

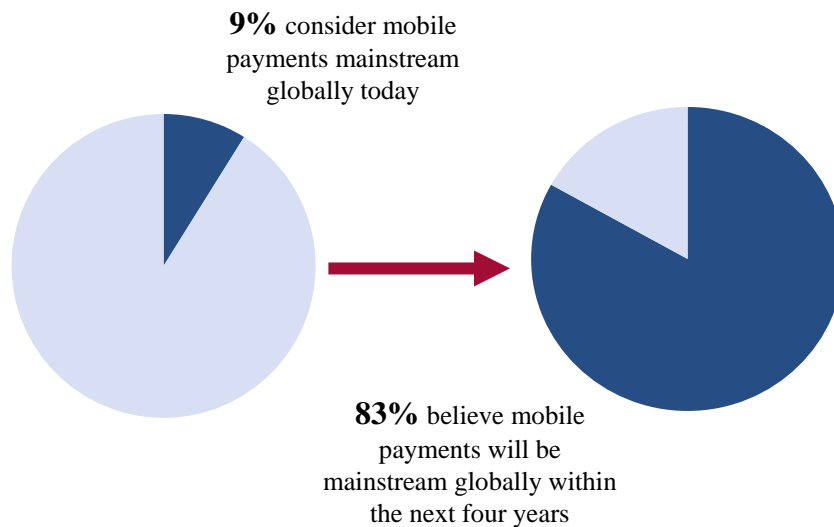


- As mobile comparison-shopping becomes increasingly part of the in-store shopping experience, loyalty and rewards tools will become ever more important components for merchants to counteract the showroom effect
- As the emphasis shifts to real-time interaction with in-store consumers, a slew of second-generation loyalty tools, led by location-based startups like Foursquare, are set to capture a bigger chunk of local merchants' marketing budget than ever before

# The Mobile Payments Market Is Rapidly Growing as Technology Improves

Mobile payment solutions are making it easy for businesses to get paid and for consumer to pay anytime, anywhere

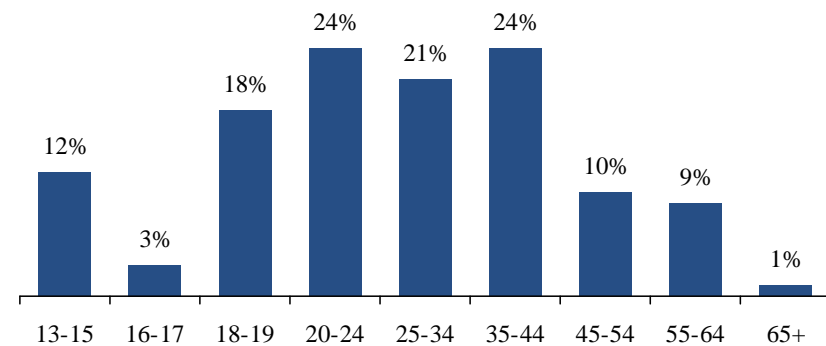
## Consider Mobile Payments Mainstream



Source: KPMG.

## % of Age Group Interested in Mobile Transactions

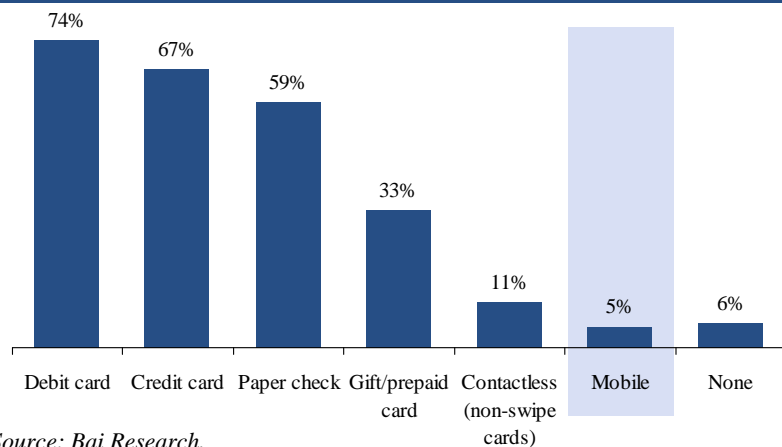
People between the ages of 20 and 44 appear to be most interested in mobile transactions such as mobile banking, payments, coupons, and shopping



Source: Yankee Group.

# Rise of Mobile Payments

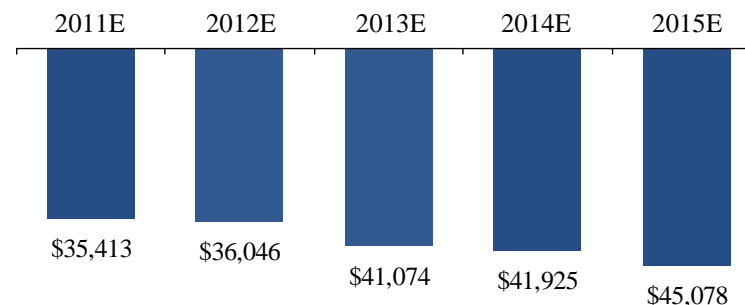
## Payment Method Ownership in 2010



Source: Bai Research.

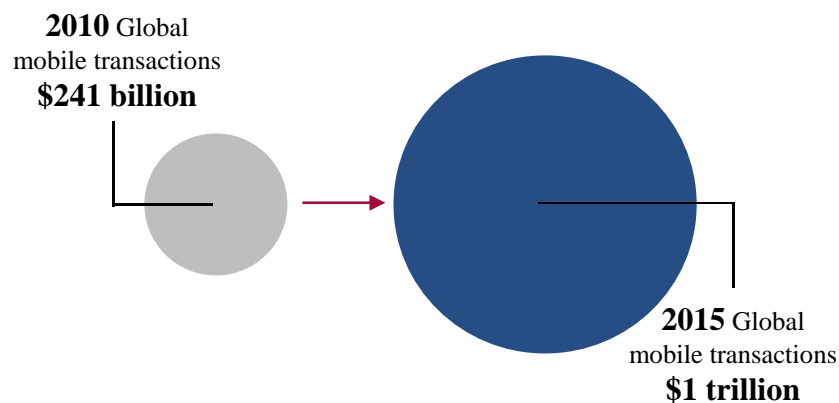
## Decline of Cash: Forecast Change in Cash Use (\$ MM)

U.S. consumers' use of cash will decline by a total of 17%, or 4% per year, between 2010 and 2015, dropping to slightly more than \$1 trillion.



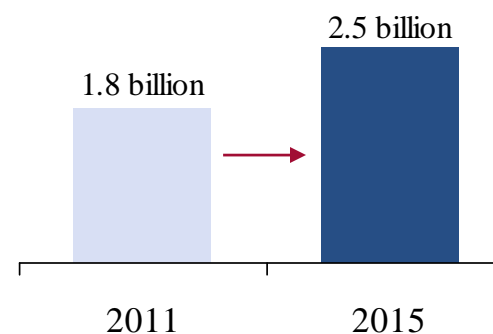
Source: AITE Group.

## Global Mobile Transactions



Source: Yankee Group.

## Global Mobile Phone Users Paying for Digital Goods



Source: Juniper Research.

# The Durbin Bill Is Disrupting Traditional Payment Methods and Opening the Door for New Mobile Systems

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**The Durbin Bill was designed to reduce US debit card interchange fees paid by merchants to card issuing banks and to break down card network exclusivity and routing arrangements**

## New Regulation

- The passage of the legislation resulted in two notable changes:
  - Debit card fees capped at 21¢ (or 22¢, if certain fraud prevention measures are met) per transaction, plus 0.05% of the transaction price (in effect as of October 2011)
    - Before the bill was passed, fees could be as high as 44¢
  - Card companies must allow cards to be processed on at least two independent networks (in effect as of April 2012)

## Impact on Banks and Merchants

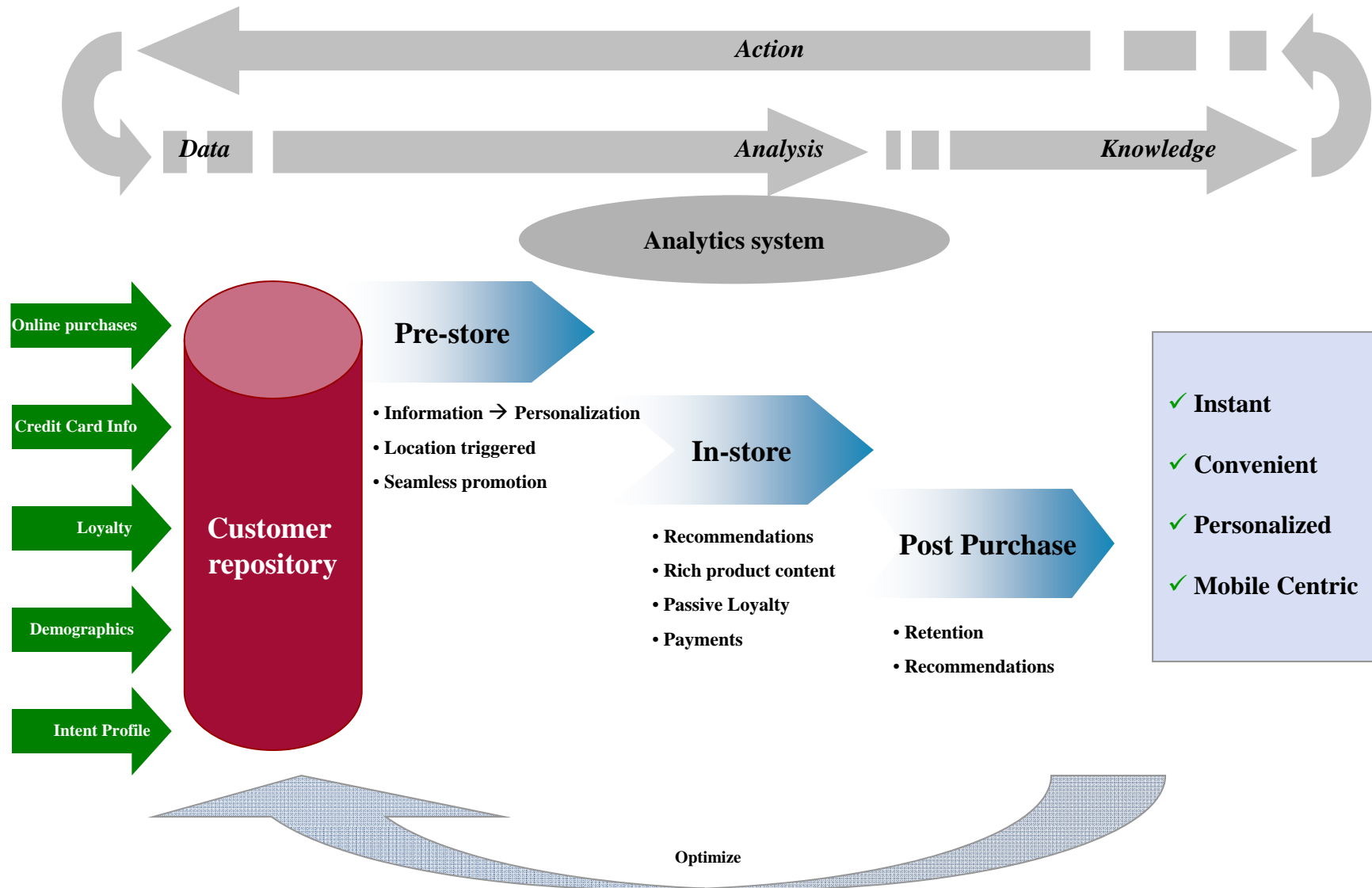
- As a result of the legislation, some banks have claimed debit cards are no longer profitable and changed their rewards programs, making debit cards less attractive to consumers
- On the other hand, merchants lobbied for the bill, wanted to see fees paid to banks capped, and were satisfied with the result of the legislation

## Impact on Mobile Payment Systems

- The decreased use of debit cards should make alternate forms of payment, especially ones that are easier to use, more attractive to consumers
- In addition, retailers are incentivized to use mobile payment methods if they are less expensive than credit and debit cards

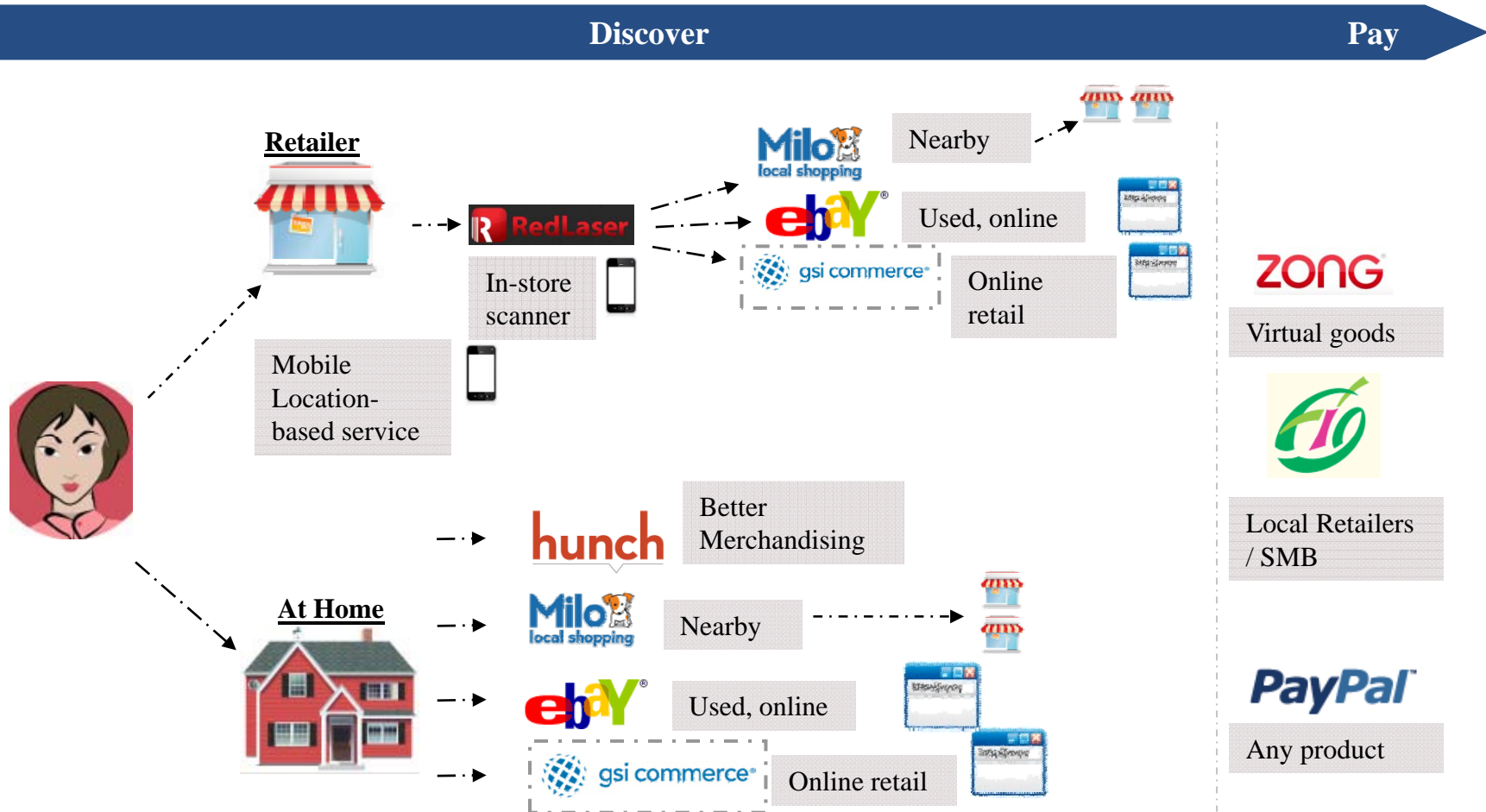
*Source: William Blair (April 14, 2011).*

# In-Store Consumer Experience Will Be Tightly Integrated in the Future



# M&A Case Study Winners' Circle: eBay





eBay made a series of acquisitions, most notably of PayPal, GSI Commerce, Red Laser, Zong, and Milo, that enabled eBay to become a front-runner in the race to become the next generation in-store leader





# M&A Case Study Winners' Circle: Visa

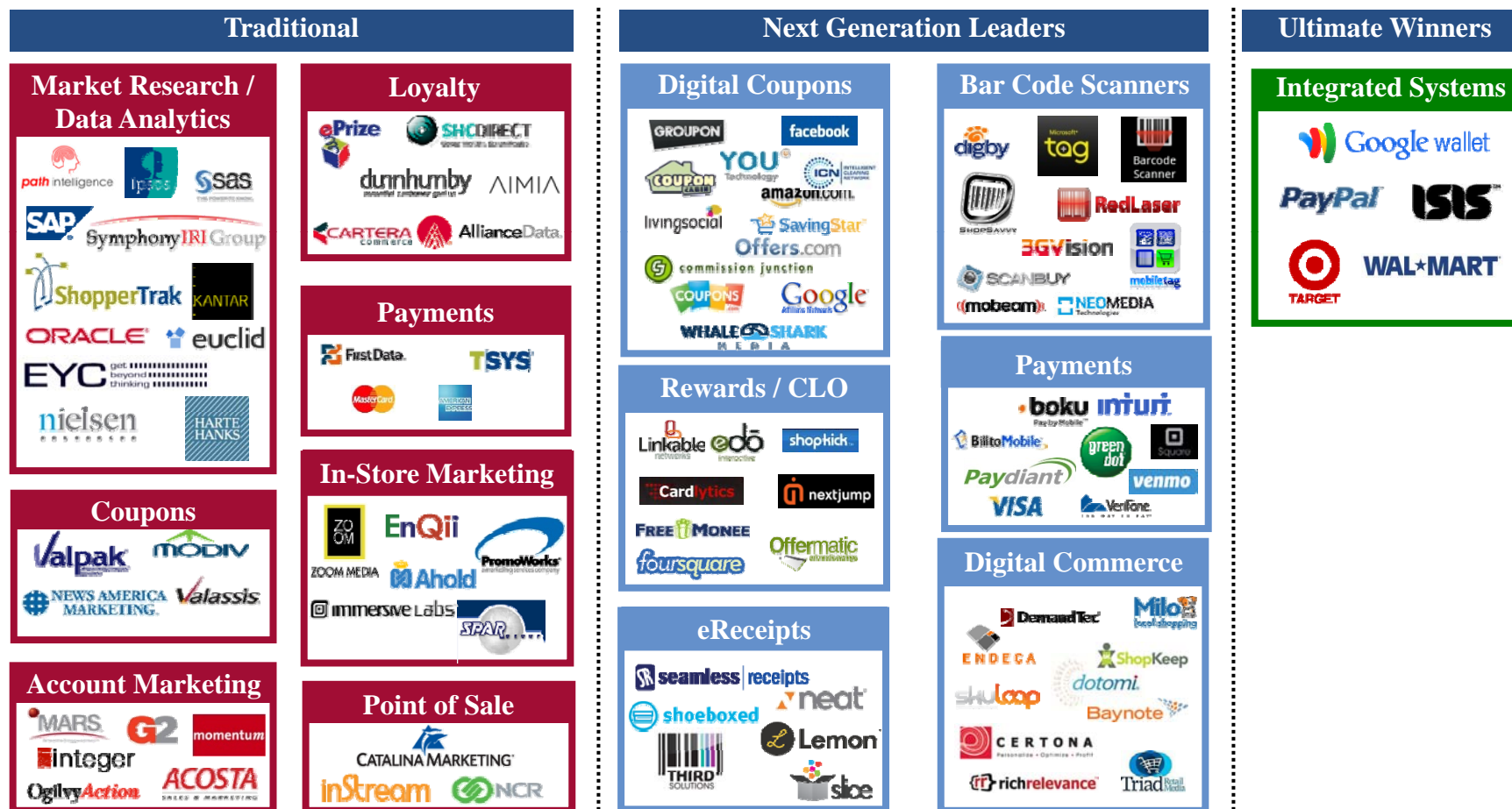
Visa made a number of major moves in the mobile and digital payments sector in order to implement its strategy of becoming the leading provider of next generation payment solutions by enabling consumers to transact wherever and whenever they want, using cards, computers or mobile devices

Company				
Type of Investment	<ul style="list-style-type: none"> <li>Acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Investment</li> </ul>
Amount Invested	<ul style="list-style-type: none"> <li>\$2.0 BN</li> </ul>	<ul style="list-style-type: none"> <li>\$180MM</li> </ul>	<ul style="list-style-type: none"> <li>\$110MM</li> </ul>	<ul style="list-style-type: none"> <li>Funding in single digit millions</li> </ul>
Date	<ul style="list-style-type: none"> <li>April 21, 2010</li> </ul>	<ul style="list-style-type: none"> <li>February 9, 2011</li> </ul>	<ul style="list-style-type: none"> <li>June 9, 2011</li> </ul>	<ul style="list-style-type: none"> <li>April 27, 2011</li> </ul>
Type of Company	<ul style="list-style-type: none"> <li>Process ~25% of all e-commerce dollars transacted in the US</li> </ul>	<ul style="list-style-type: none"> <li>Monetization as a service platform that powers virtual goods marketplaces across 1,000 video games, virtual world publishers and social networks</li> </ul>	<ul style="list-style-type: none"> <li>Platform provider of mobile financial services for mobile network operators and financial institutions in developing economies</li> </ul>	<ul style="list-style-type: none"> <li>Mobile payments start-up that turns phones and iPads into credit-card readers</li> </ul>
Strategic Rationale	<ul style="list-style-type: none"> <li>Bolster online sales and offer new and enhanced online fraud prevention services to merchants, financial organizations and end consumers</li> </ul>	<ul style="list-style-type: none"> <li>Click-to-buy technology within a game or app</li> <li>Extends Visa's presence in digital and mobile commerce</li> </ul>	<ul style="list-style-type: none"> <li>Enables delivery of mobile financial services to unbanked and under-banked consumers including person-to-person payment, airtime top-up, bill payment and branchless banking services</li> </ul>	<ul style="list-style-type: none"> <li>Square could convert the 27 million businesses that do not accept credit cards into Visa customers</li> </ul>

## II. Competitive Overview

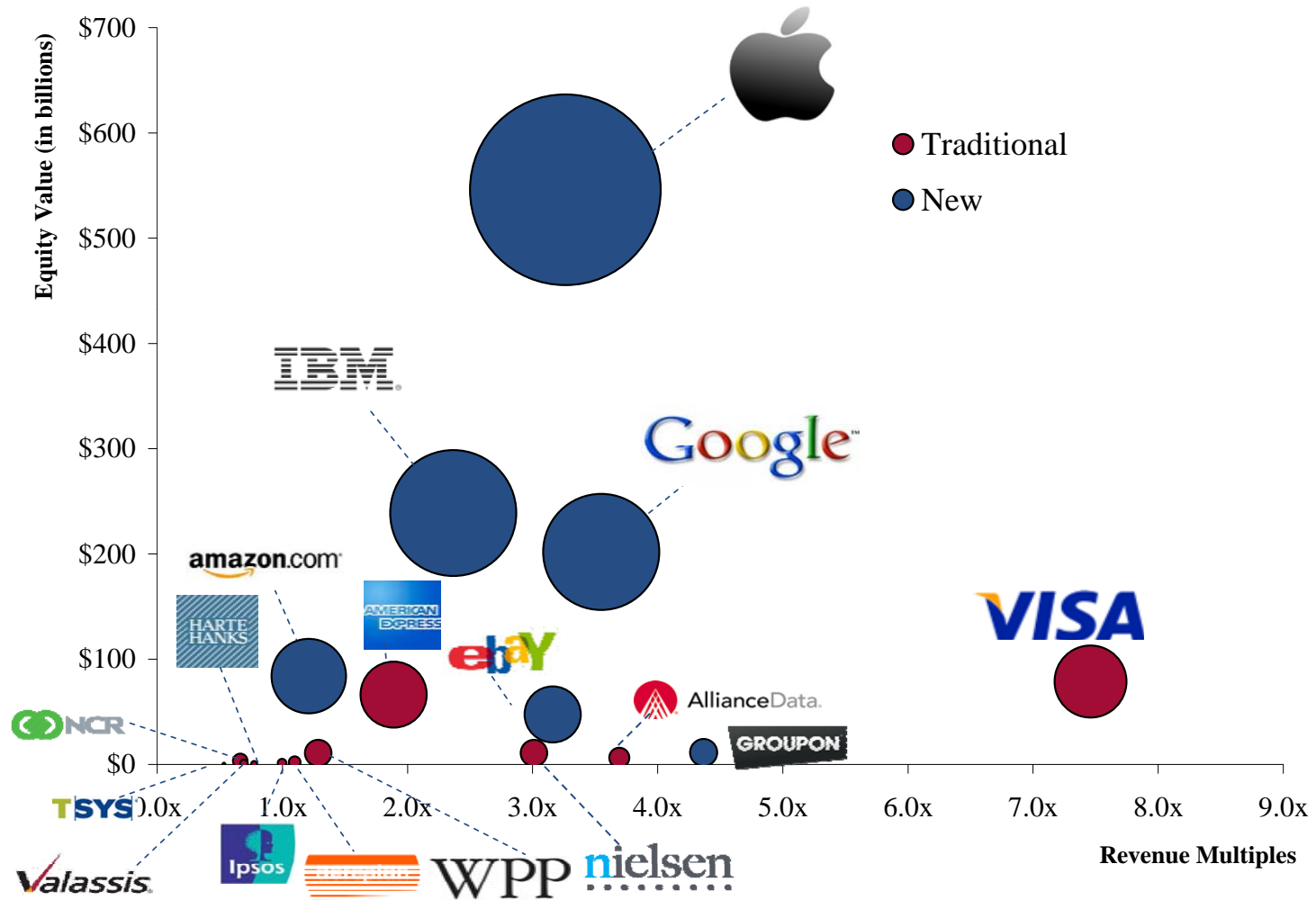
# Traditional vs. Next Generation Leaders

As marketing and payments converge, the ultimate leaders of the in-store industry are likely to be integrated payment systems that are able to push targeted promotions and make payments



# Emerging Public Market Landscape: Traditional and New Leaders

Equity Values vs. Revenue Multiples































Source: CapIQ as of March 16, 2012.

# Next Generation Leaders

	Current State	Projected State
<b>eBay</b>	<ul style="list-style-type: none"> <li>Owns PayPal</li> </ul>	<ul style="list-style-type: none"> <li>Built an app, which is still in beta mode, that can store credit cards, gift cards, frequent flier miles and more in one location</li> <li>Also, comes with a linked PayPal card, which enables users to pick up purchases in store or redeem rewards</li> </ul>
<b>Google</b>	<ul style="list-style-type: none"> <li>Started Google Wallet</li> </ul>	<ul style="list-style-type: none"> <li>Using Google Wallet to gain meaningful traction on mobile devices</li> </ul>
<b>Amazon</b>	<ul style="list-style-type: none"> <li>Provides in-store price check service which gives users cash back for simply checking prices</li> </ul>	<ul style="list-style-type: none"> <li>Tapping into 80% of the retail market that is not online by going mobile</li> <li>Will continue to try to grab market share from offline retailers</li> </ul>
<b>Carriers (AT&amp;T, Verizon, T-Mobile, Sprint)</b>	<ul style="list-style-type: none"> <li>Provide mobile service for in-store shoppers</li> </ul>	<ul style="list-style-type: none"> <li>Do not want to continue to be viewed as “dumb pipes”</li> <li>Want to participate in mobile payments in a more meaningful way (e.g., iTunes)</li> </ul>
<b>Credit Card Companies (Visa, AMEX)</b>	<ul style="list-style-type: none"> <li>Made strategic investments in the payments sector</li> </ul>	<ul style="list-style-type: none"> <li>Trying to get involved in mobile payments because different mobile technologies could potentially disrupt their business models</li> </ul>
<b>IBM</b>	<ul style="list-style-type: none"> <li>Just bought DemandTec’s cloud-based analytics software which is used by businesses to examine different customer buying scenarios, both in-store and online, and to spot trends in consumer behavior and make better pricing, promotion and assortment decisions</li> </ul>	<ul style="list-style-type: none"> <li>Will continue to expand into in-store marketing</li> </ul>
<b>Apple</b>	<ul style="list-style-type: none"> <li>Dipped its toe into mobile payments by introducing a new service called EasyPay which lets a user look up information about a product based on the barcode and then charge the product to his or her iTunes account</li> </ul>	<ul style="list-style-type: none"> <li>Could easily introduce its own digital wallet</li> </ul>






# eBay and Google Are the Front-Runners to Becoming the Dominant Players in the Sector

...but the carriers, credit card companies, IBM, Apple, and Amazon also pose a very credible threat to existing companies

	Payment Capabilities	Marketing Capabilities	Access to Customers	Depth of Database
eBay				
Google				
Amazon				
Carriers (AT&T, Verizon, T- Mobile, Sprint)				
Credit Card Companies (Visa, AMEX)				
IBM				
Apple				



# Select Recent Application Innovation in Mobile

					
<b>Founded</b>	• 2009	• 2009	• 2009	• 2009	• 2009
<b>Products / Services</b>	• Geographical location-based social network that incorporates gaming elements	• Location-based shopping app that rewards shoppers for walking into stores and interacting with products	• Barcode scanning app for comparison shopping and finding product information	• Free credit card reader and app to accept payments on iPhone, iPad, and Android devices	• Social payments platform that allows users to send and receive money via mobile phone
<b>Traction</b>	<ul style="list-style-type: none"> <li>• 15MM users</li> <li>• 1.5BN+ check-ins</li> <li>• 600,000+ business partners</li> </ul>	<ul style="list-style-type: none"> <li>• 3MM users</li> <li>• 1BN+ offers viewed</li> <li>• \$110MM in revenue driven to partners in 2011</li> </ul>	<ul style="list-style-type: none"> <li>• 15MM downloads</li> <li>• 200+ partners, including Groupon and NASA</li> <li>• sold to eBay in 2010</li> </ul>	<ul style="list-style-type: none"> <li>• 800,000 readers in circulation</li> <li>• on track to process \$2BN in payments annually</li> </ul>	<ul style="list-style-type: none"> <li>• Still in private beta testing, but tens of thousands of people have used</li> <li>• Processed millions of dollars in transaction volume</li> </ul>
<b>Financing (MM)</b>	• \$81.4	• \$20.0	• NA	• \$168.0	• \$1.3

Sources: Capital IQ, Crunchbase

# Select Traction Stats

In the last four years, several companies have entered the digital coupon and rewards sector and managed to gain significant traction in a relatively short period of time. A few representative examples follow:

Company	Year Founded	EV (\$ BN) <sup>(1)</sup>	Traction to Date
<b>Shopkick</b> <sup>(2)</sup>	2009	NA	<ul style="list-style-type: none"> <li>• 2.5 million users</li> <li>• 700 million product views</li> <li>• 2 million physical walk-ins to stores</li> <li>• Shopkick signal device installed at 3,000 stores and 250 malls</li> <li>• Major retail partners include American Eagle Outfitters, Best Buy, Macy's, Old Navy, Sports Authority, Target, and Toys-R-Us</li> </ul>
<b>Groupon</b> <sup>(3)</sup>	2008	11.8	<ul style="list-style-type: none"> <li>• 83.1 million subscribers</li> <li>• Deals across 175 North American markets</li> <li>• Deals in 43 countries across the globe</li> <li>• Sold over 70 million Groupons</li> <li>• 56,781 retailers</li> <li>• Partners include Microsoft, Zynga, eBay, and Yahoo (for advertising, promotion, and distribution)</li> </ul>
<b>WhaleShark Media</b> <sup>(4)</sup>	2007	1.0	<ul style="list-style-type: none"> <li>• Largest online coupon source in the U.S.</li> <li>• More than 265 million unique visitors per year</li> <li>• Over 140,000 top U.S. merchant s, stores, and retailers</li> <li>• More than 500,000 active coupons</li> </ul>

(1) Source: CapIQ. Data as of February 2012. Rumored value of WhaleShark Media.

(2) Source: CrunchBase (August 2010).

(3) Source: Groupon S1 Filings (June 2011).

(4) Source: WhaleShark Media homepage (November 2011).

# Select Traction Stats

Company	Year Founded	EV (\$ BN)	Traction to Date
<b>Coupons.com</b> <sup>(1)</sup>	1998	NA	<ul style="list-style-type: none"> <li>• 41<sup>st</sup> largest website in the U.S.</li> <li>• 350+ employees as of June 2012</li> <li>• Affiliate network reaches tens of thousands of sites across the web</li> <li>• Thousands of the world's top brands utilize the company's digital marketing initiatives</li> </ul>
<b>GoPayment (Intuit)</b> <sup>(2)</sup>	2009	NA	<ul style="list-style-type: none"> <li>• Over 220,000 merchants use credit card processing services</li> <li>• Processes over 116 million transactions per year</li> <li>• Takes as few as 15 minutes to sign up and start processing</li> <li>• Accepts Amex, Visa, MasterCard and Discover</li> <li>• Syncs with QuickBooks and offer 24/7 live customer support</li> </ul>
<b>Cardlytics</b> <sup>(3)</sup>	2008	NA	<ul style="list-style-type: none"> <li>• Reach 71% of banked households in the US (78 MM households)</li> <li>• Hundreds of millions of transactions processed monthly</li> <li>• Working with some of America's largest financial institutions: <ul style="list-style-type: none"> <li>– 4 of the Top 10 Banks</li> <li>– 2 of the Top 3 Online Processors/Providers</li> <li>– 3 of the Top 5 Prepaid Providers</li> </ul> </li> </ul>
<b>Shopsavvy</b> <sup>(4)</sup>	2008	NA	<ul style="list-style-type: none"> <li>• 10MM+ users</li> <li>• 50MM product scans per month</li> <li>• 40,000 partnerships with retailers, including Walmart, Target, and Best Buy</li> <li>• Top 10 Android App and Top 100 iPhone App</li> </ul>

Sources:

(1) CapIQ, TechCrunch.com,

(2) Business Insider, GoPayment

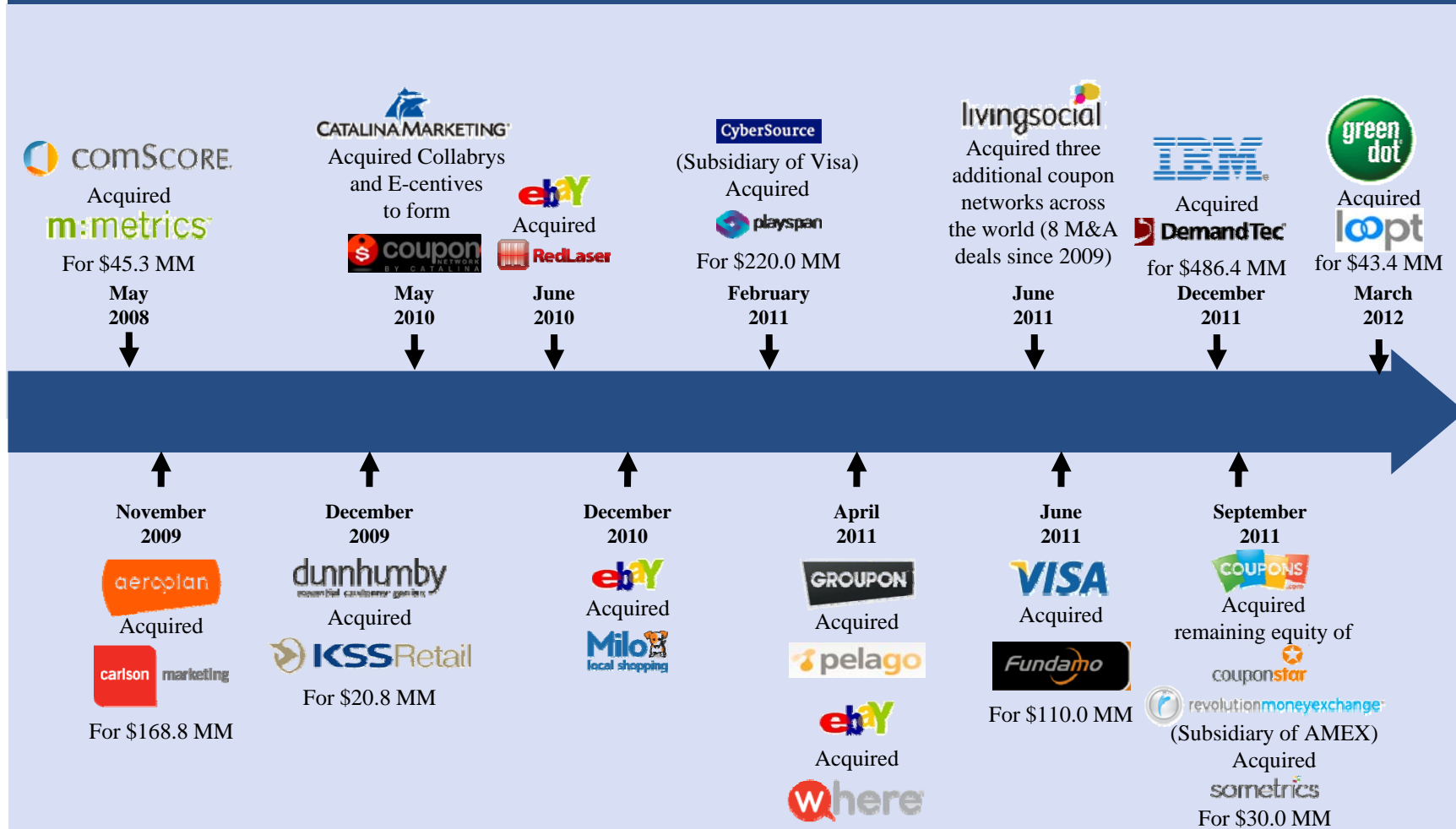
(3) Cardlytics.com

(4) TechCrunch.com

### **III. Select, Recent M&A Deals and Capital Raises**

# Evolution of the In-Store Consumer Shopping Ecosystem

## Notable M&A Events Since 2008



# Notable M&A Events Since 2008

## Precedent Transactions from 2008 to 2012 (\$ in millions)

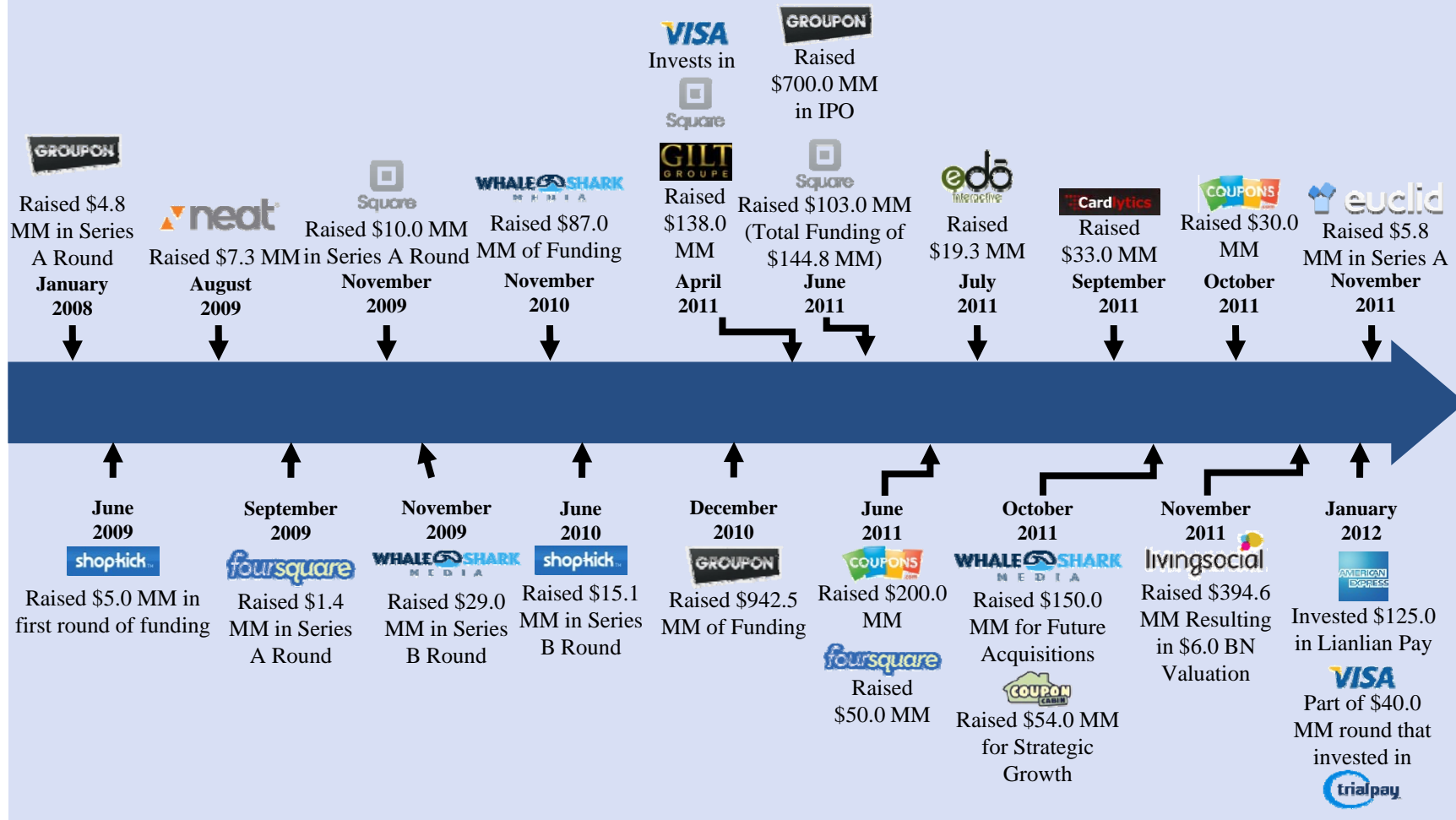
				Implied Enterprise Value	LTM Revenue Multiple	Forward Revenue Multiple	LTM EBITDA Multiple	
Date	Acquirer	Target	Size					
Coupons / Rewards								
9/30/11	Coupons.com	Couponstar	NA	NA	NM	NA	NA	
4/19/11	eBay	Where	NA	NA	NM	NA	NA	
5/3/10	Catalina Marketing	Collabrys and E-centives	NA	NA	NM	NA	NA	
12/31/09	Dunnhumby	KSS Retail	\$20.8	\$20.8	NM	NA	NA	
11/3/09	Groupe Aeroplan	Carlson Marketing	168.8	168.8	NA	NA	NA	
Mobile								
3/9/12	Greendot	Loopt	\$43.4	\$43.4	NA	NA	NA	
6/9/11	Visa	Fundamo	110.0	110.0	NA	NA	NA	
4/18/11	Groupon	Pelago	NA	NA	NM	NA	NA	
5/28/08	comScore	M:Metrics	45.3	43.7	4.41x	NA	NA	
Payments								
9/20/11	Serve	Sometrics	\$30.0	\$30.0	NA	NA	NA	
2/9/11	CyberSource	PlaySpan	220.0	202.0	NM	NA	NA	
Other								
12/7/11	IBM	DemandTec	\$486.4	\$426.9	4.79x	4.43x	NA	
11/21/11	eBay	Hunch	NA	NA	NA	NA	NA	
12/2/10	eBay	Milo.com	NA	NA	NM	NA	NA	
					Minimum	4.41x	4.43x	NA
					Maximum	4.79x	4.43x	NA
					Median	4.60x	4.43x	NA
					Average	4.60x	4.43x	NA

Sources: Company filings, CapIQ, and Wall Street research.



# Evolution of the In-Store Consumer Shopping Ecosystem

## Notable Capital Raises Since 2008



# Notable Capital Raises Since 2008

## Notable Capital Raises Since 2008 (\$ in millions)

Date	Target	Amount Raised	Pre-Money Valuation	Post-Money Valuation
<b>Coupons / Rewards</b>				
11/18/11	LivingSocial.com	\$394.6	\$5,594.6	\$5,989.3
10/28/11	WhaleShark Media	150.0	NA	NA
10/20/11	CouponCabin	54.0	NA	NA
10/3/11	Coupons.com	NA	NA	NA
9/8/11	Cardlytics	33.0	207.0	240.0
7/22/11	edo interactive	19.3	NA	NA
6/9/11	Coupons.com	200.0	800.0	1,000.0
6/2/11	Groupon	700.0	NA	NA
12/17/10	Groupon	942.5	3,807.4	4,749.9
11/24/10	WhaleShark Media	87.0	NA	NA
8/16/10	Cardlytics	18.0	NA	NA
11/24/09	WhaleShark Media	29.0	NA	NA
1/31/08	Groupon	4.8	NA	NA
<b>Mobile</b>				
1/18/12	Lianlian Pay	\$125.0	NA	NA
6/24/11	Foursquare	50.0	550.0	600.0
6/30/10	shopkick	15.1	NA	NA
9/4/09	Foursquare	1.4	NA	NA
6/29/09	shopkick	5.0	NA	NA
<b>Payments</b>				
1/31/12	TrialPay	\$40.0	NA	NA
6/7/11	Square	103.0	1,497.0	1,600.0
4/27/11	Square	NA	NA	NA
11/30/09	Square	10.0	35.0	45.0
<b>Other</b>				
11/3/11	Euclid	5.8	NA	NA
4/15/11	Gilt Groupe	138.0	1,000.0	1,138.0
8/4/09	The Neat Company	7.3	NA	NA

Sources: Company filings, CapIQ, and Wall Street research.

# Capital Raises in 2011: Coupons / Rewards

Company	Date	Last Raised	Total Raised
	Nov. 18, 2011	\$400MM	\$1,018MM
	Nov. 10, 2011	150MM	300MM
	Oct. 20, 2011	54MM	54MM
	Oct. 3, 2011	30MM	230MM
	Sep. 8, 2011	33MM	65MM
	Jul. 22, 2011	20MM	29MM
	Jun. 24, 2011	50MM	71MM
	Jun. 15, 2011	6MM	8MM
	Jun. 2, 2011	700MM	1,874MM
	Apr. 15, 2011	138MM	236MM

Sources: Company filings, CapIQ, and Wall Street research.

# Capital Raises in 2011: eReceipts and Bar Code Scanners

eReceipts (in millions)			
Company	Date	Last Raised	Total Raised
	Oct. 13, 2011	\$10.0MM	\$10.0MM
	Jun. 3, 2011	\$1.4MM	\$1.4MM
	May 26, 2011	\$9.4MM	\$9.4MM
	Feb. 11, 2011	\$1.5MM	\$1.5MM
Bar Code Scanners (in millions)			
Company	Date	Last Raised	Total Raised
	Aug. 26, 2011 <sup>1</sup>	\$7.6MM	\$8.3MM
	Apr. 13, 2011	\$12.5MM	\$32.7MM
	Feb. 15, 2011	\$8.9MM	\$14.9MM

(1) Announcement date. Transaction not yet closed.  
Sources: Company filings, CapIQ, and Wall Street research.

## IV. Summary Thoughts

# Technology Is Infiltrating the Consumer Retail Experience More and More Every Year

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As technology continues to change, so will the in-store shopping experience. As a result of big box retailers' increasing need to retain existing customers and compete more effectively with online and discount merchants, loyalty and rewards programs should grow. Coupons will also continue to be an important part of retailers' marketing plans since comparing prices of a product sold at different merchants is becoming easier and easier for consumers.

Smartphone use will also continue to increase in the coming years, driving the creation of more in-store marketing applications. The coupon, loyalty and payment segments will also converge within the next few years. It is currently unclear whether Google, Verizon, Apple, or eBay will ultimately develop the most successful integrated payment and marketing system, however, it is clear that someone will succeed at building an integrated system and will be a real threat to traditional payment and marketing leaders. It will be interesting to see how Visa, Amex and other payment companies continue to adapt as regulation and technology changes.

As consumers continue to rely more heavily on their smartphones and computers, it will become possible to collect even more types of consumer data. In February, Scanbuy, a barcode scanning company, released its 4Q 2011 trend report. In the report, Scanbuy was able to show by hour how many times consumers used its scanner during the holiday season, and was able to report that the largest scan day of the year was Black Friday.<sup>(1)</sup> Scanbuy is also able to track a wide array of consumer demographic data. As new applications and technology continue to develop over the coming years, it will also be interesting to see how big data companies find ways to take advantage of these new opportunities and develop more innovative products to help marketers and consumers.

While many things are uncertain, it does seem clear that the consumer of the future will have a much more holistic in-store experience as marketing, payments, and loyalty converge. In addition, better technology and data should allow shoppers to receive more targeted promotions in-store that are tied to their payment mechanism.

We hope you enjoyed this overview and our perspectives. Please contact us to discuss this report in further detail.

Linda Gridley  
President & CEO  
linda.gridley@gridleyco.com  
212-400-9710

Peg Jackson  
Managing Director  
peg.jackson@gridleyco.com  
212-400-9709

Pratik Patel  
Director  
pratik.patel@gridleyco.com  
212-400-9712

Maura O'Neill  
Vice President  
maura.oneill@gridleyco.com  
212-400-9718

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*(1) Source: Scanbuy, Fourth Quarter 2011 Trend Report.*

## V. Gridley Overview



# Gridley Overview

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**Gridley & Company, a New York-based boutique investment bank, provides advisory services to companies in the Information Services industry**

Gridley & Company	
<b>Leading Boutique</b>	<ul style="list-style-type: none"><li>• Sharp focus provides clients with valuable strategic insights and perspectives</li><li>• Specialize in Internet Services, Digital Media &amp; Marketing Services, Data Services, Financial Technology, and SaaS &amp; Outsourcing Services</li><li>• Founded in 2001</li><li>• Headquartered in New York, NY</li></ul>
<b>Strong Reputation</b>	<ul style="list-style-type: none"><li>• Strong industry reputation on assignments led by senior bankers</li><li>• Experienced, bulge-bracket trained M&amp;A bankers – The “A” Team</li></ul>
<b>Trusted Advisor</b>	<ul style="list-style-type: none"><li>• Thoughtful ideas – not just logical combinations</li><li>• Deliver value to buyers, sellers, and investors alike</li><li>• Broad industry network developed over 25+ years with industry leaders, emerging growth companies, and senior investors</li></ul>

# Gridley's Differentiated Strategic Approach

**Our broad network allows us to discern important trends early in their development, advise clients on the best strategies to profit from those trends, and execute successful transactions**

## Well-Known Thought Leadership

- Often hired by public company leaders to advise them on major growth initiatives
- Approximately 25% of business is retained, strategic buy-side work for industry leaders and selected PE investors
- Use industry overviews to effectively guide strategic buyers and PE investors

## Ability to Strategically Position Companies

- Spend more time than our competitors on the strategic positioning of our clients
- Work together to optimize market positioning
- Offer strategic insights based on our understanding and perspective of the industry



## Strong Network of Relationships

- Split time 1/3, 1/3, 1/3 between strategics, VC/PE firms, and private company CEOs
- Built our business by visiting over 400 companies a year annually for 10 years
- Have set up over 1,000 one-on-one “meet and greet” meetings at our annual January conference

## Impressive Track Record

- Over 25 year history of successfully completing transactions
- Clients like us and the job we do
- Goal is 100% referencable clients
- “No client gets left behind”

# Strategic Thought Leadership is Well Known

## Quarterly Newsletter: The Compass



- Highly respected quarterly newsletter about industry trends and corporate finance/M&A activity
- Received by over 2,200 industry CEOs and CFOs, investors, and financial sponsors

## Industry Guides



## Frequent Industry Speaker

- Business Insider: IGNITION
- OMMA Display
- Capital RoundTable
- SIIA Midmarket Growth Conference
- IAB Marketplace: Mobile
- OMMA Mobile
- Upstream Seller Forum
- Digital Hollywood NYC: Media Disruption
- ad:tech NYC 2010

## Gridley Hosted Events

- Digital NY
- January Conference
- Mobile in May
- Annual Golf Outing
- AdTech Cocktail Party

# Our Team is Experienced, Focused, and Trained for Success

- **Gridley's bankers are experienced, bulge-bracket trained bankers – The “A” Team**
- **Recent additional hires add execution capability and further outreach**

Team Member	Background
<b>Linda Gridley</b> President & CEO	<ul style="list-style-type: none"> <li>• 25+ years relevant banking experience</li> <li>• Prior firm experience at Lehman Brothers, Furman Selz, and ING Barings</li> <li>• In depth knowledge of marketing services sector                             <ul style="list-style-type: none"> <li>– Successful sale transactions with KBM, M/A/R/C Group, PRIMIS, Communifx, and Digitaria</li> </ul> </li> <li>• Frequent industry conferences circuit speaker</li> </ul>
<b>Peg Jackson</b> Managing Director	<ul style="list-style-type: none"> <li>• Extensive knowledge and experience in digital media and technology sectors as venture capitalist</li> <li>• Managing Director at NeoCarta Ventures. Served on boards including Data Synapse (Acquired by Tibco), Silverpop, and Zoom Systems</li> <li>• Vice President of Business Development at NBC. Responsible for investments including Tivo, Preview Travel (acquired by Microsoft), Whowhere (acquired by Lycos), Wink (acquired by Liberty)</li> </ul>
<b>Pratik Patel</b> Director	<ul style="list-style-type: none"> <li>• 9 years banking experience, 5 years covering software and digital media sectors</li> <li>• Prior firm experience at JPMorgan</li> </ul>
<b>Maura O'Neill</b> Vice President	<ul style="list-style-type: none"> <li>• 7 years banking experience, extensively working with media and marketing services companies</li> <li>• Prior firm experience at Lehman Brothers and Citadel Securities</li> </ul>
<b>Michael Lambe</b> Vice President	<ul style="list-style-type: none"> <li>• 7 years transaction experience, executing transactions for leading private equity firms</li> <li>• Prior firm experience at Harris Williams &amp; Co.</li> </ul>
<b>Feng Hong</b> Associate	<ul style="list-style-type: none"> <li>• 3 years tech banking experience</li> <li>• Prior firm experience at Credit Suisse</li> </ul>

# Selected Recent Gridley Transactions

Gridley clients include industry leaders and premier emerging growth companies

<p>Undisclosed</p>  <p>Acquired by SAS Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by GfK Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Channel Intelligence, Inc. Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Minicom Digital Signage Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Oversee.net Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by TeleTech Holdings Advisor Gridley &amp; Company, LLC</p>	<p>\$20,500,000</p>  <p>Acquired by The Dolan Company Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by WPP Group plc Advisor Gridley &amp; Company, LLC</p>
<p>Undisclosed</p>  <p>Acquired FetchBack Inc. Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired M3 Mobile Marketing Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by MDC Partners Inc. Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired Pepperjam Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired Silverlign Group Inc. Advisor Gridley &amp; Company, LLC</p>	<p>\$20,000,000</p>  <p>Investment by TZP Group LLC Placement Agent Gridley &amp; Company, LLC</p>	<p>\$367,000,000</p>  <p>Acquired by Roper Industries, Inc. Advisor Gridley &amp; Company, LLC</p>	<p>\$157,000,000</p>  <p>Acquired e-Dialog, Inc. Advisor Gridley &amp; Company, LLC</p>
<p>Undisclosed</p>  <p>Acquired by WPP Group plc Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Quest Software Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Sold to One to One Interactive, Inc. Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Sold to Aegis plc Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Sold to Parthenon Capital LLC Advisor Gridley &amp; Company, LLC</p>	<p>\$113,189,337</p>  <p>Secondary Offering Co-Manager Gridley &amp; Company, LLC</p>	<p>\$17,450,000</p>  <p>Acquired by Verisign Issued Fairness Opinion Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Schulman, Ronca, &amp; Bucuvalas, Inc. Advisor Gridley &amp; Company, LLC</p>
<p>Undisclosed</p>  <p>Acquired by ISIS Equity Partners, Inc. Advisor Gridley &amp; Company, LLC</p>	<p>\$138,000,000</p>  <p>Acquired Modem Media, Inc. Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Valassis Communications, Inc. Advisor Gridley &amp; Company, LLC</p>	<p>\$58,000,000</p>  <p>Acquired Performics, Inc. Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by ARAG Group Advisor Gridley &amp; Company, LLC</p>	<p>\$55,200,000</p>  <p>Follow-On Offering Co-Manager Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Carlson Marketing Group Advisor Gridley &amp; Company, LLC</p>	<p>Undisclosed</p>  <p>Acquired by Alliance Data Systems, Inc. Advisor Gridley &amp; Company, LLC</p>



**Gridley & Company LLC**  
10 East 53<sup>rd</sup> Street, 24<sup>th</sup> Floor  
New York, NY 10022  
212.400.9720 tel  
212.400.9717 fax  
Twitter: @gridleyco  
[www.gridleyco.com](http://www.gridleyco.com)