

Carrier Billing 2.0, Ready for Prime Time!



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Agenda

Session Outline

BilltoMobile Overview

The Korean Example

Carrier Billing 1.0 vs. 2.0

Why Now, Why Here?

Consumer Transaction Flow

Q&A



Session Overview

Carrier billing in the US to date...

- Up until mid-2010, offering mobile payments for U.S. gamers via carrier billing was not an appealing option for publishers and merchants due to challenges like high rates, surcharges for the consumer and high refund rates.

While it is a mainstream payment option in Asia...

- But in Asia, carrier billing accounts for 60%+ of all in-game sales, thanks to the advantages offered by a technology called Direct Mobile Billing (DMB).

...and why the US market is now ready.

- Now that DMB is available in the U.S., it promises to change the landscape for the gaming market dramatically.
- Come learn what the differences are between PSMS (premium SMS) based carrier billing 1.0 and DMB based carrier billing 2.0 and the difference it will make for your business.

What is BilltoMobile

A proven carrier billing 2.0 solution...

- Financial grade payment platform.
- Direct connections with carrier billing systems.

...that delivers incremental revenue to merchants

- Proven to add incremental revenue by tapping into a large mobile subscriber base.
- Leverages existing billing relationship and security.

...and is simple, secure and fast for consumers.

- Enables consumers to charge purchases to their mobile bill.
- Hassel free - No enrollment, usernames/passwords needed to make a payment.

Who We Are

Danal

- Technology proven over 10 years.
- Pioneered Direct Mobile Billing. Publicly traded Korean Co (KOSDAQ), \$250M cap with 200+ employees globally.
- Partnered with 14 mobile carriers in 3 countries (Korea, Taiwan & China).
- Processed ~\$4 billion in payment volume and 100s of millions of transactions.
- Integrated over 12,000 online merchants in Asia.

BilltoMobile

- Founded in the US in 2006.
- Funded by Danal and Morgenthaler Ventures. March 2010, Danal became 65% shareholder.
- Launched with Verizon Wireless in May 2010 and AT&T in October 2010. 3rd Carrier to be Announced Shortly
- ~25 Merchants contracted & live with dozens in the pipeline.
- Support ~65% now & ~85% of the U.S. Wireless Market by Q2 of 2011.



Selected Carriers / Partners

Carriers

Merchants



Launched
May 2010



at&t

Launched
October 2010



Signed
Q1 2011

... T-Mobile ...

TBD



SafetyWeb



FANTAGE



imvu

doubloon



roiworld

streamingfliX

4nk
INTERACTIVE

Recent Headlines

Feb. 18, 2011

- **Sprint Selects BilltoMobile to Enable Subscribers to Charge Online Purchases to Their Wireless Bill**

Feb 10, 2011

- **BilltoMobile Demonstrates How to Extend the Reach of the GSMA OneAPI Billing Capability to the Majority of the U.S. Marketplace**

Feb 09, 2011

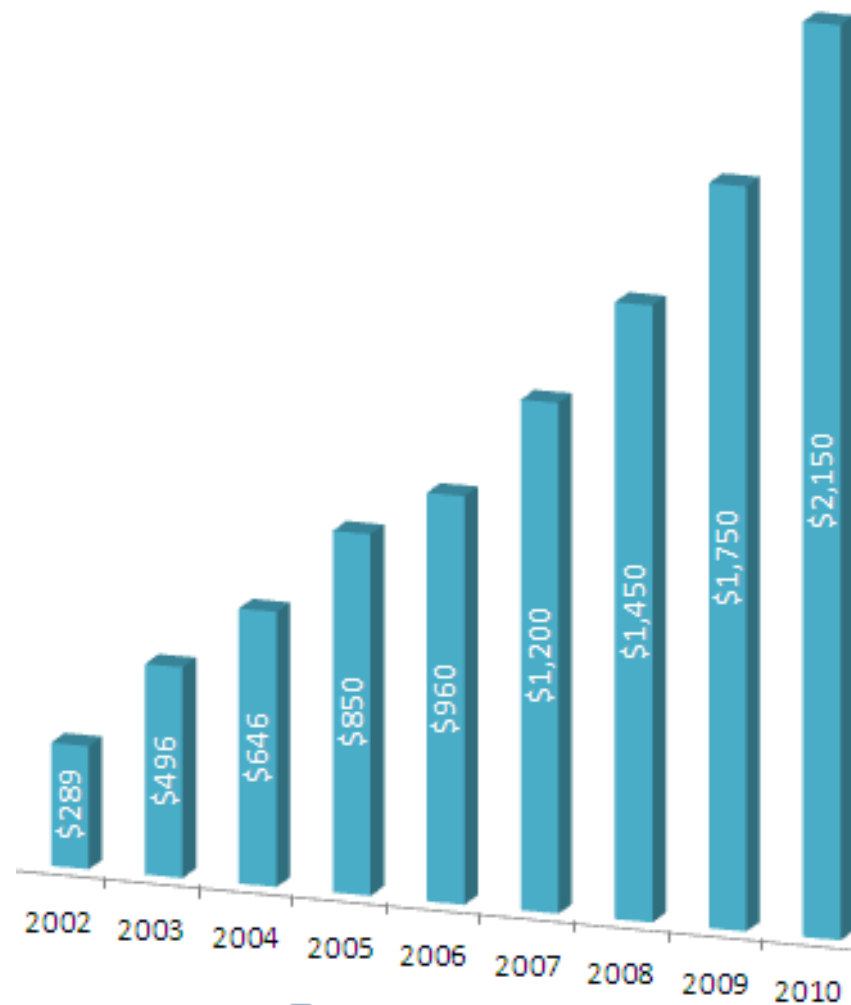
- **PaymentOne Partners With BilltoMobile to Expand Direct Mobile Billing**

JAN 27, 2011

- **BilltoMobile Opens Verizon Carrier Billing To Boku And Others**

History Tells Us...

Korea Transaction Volume
In \$ Millions

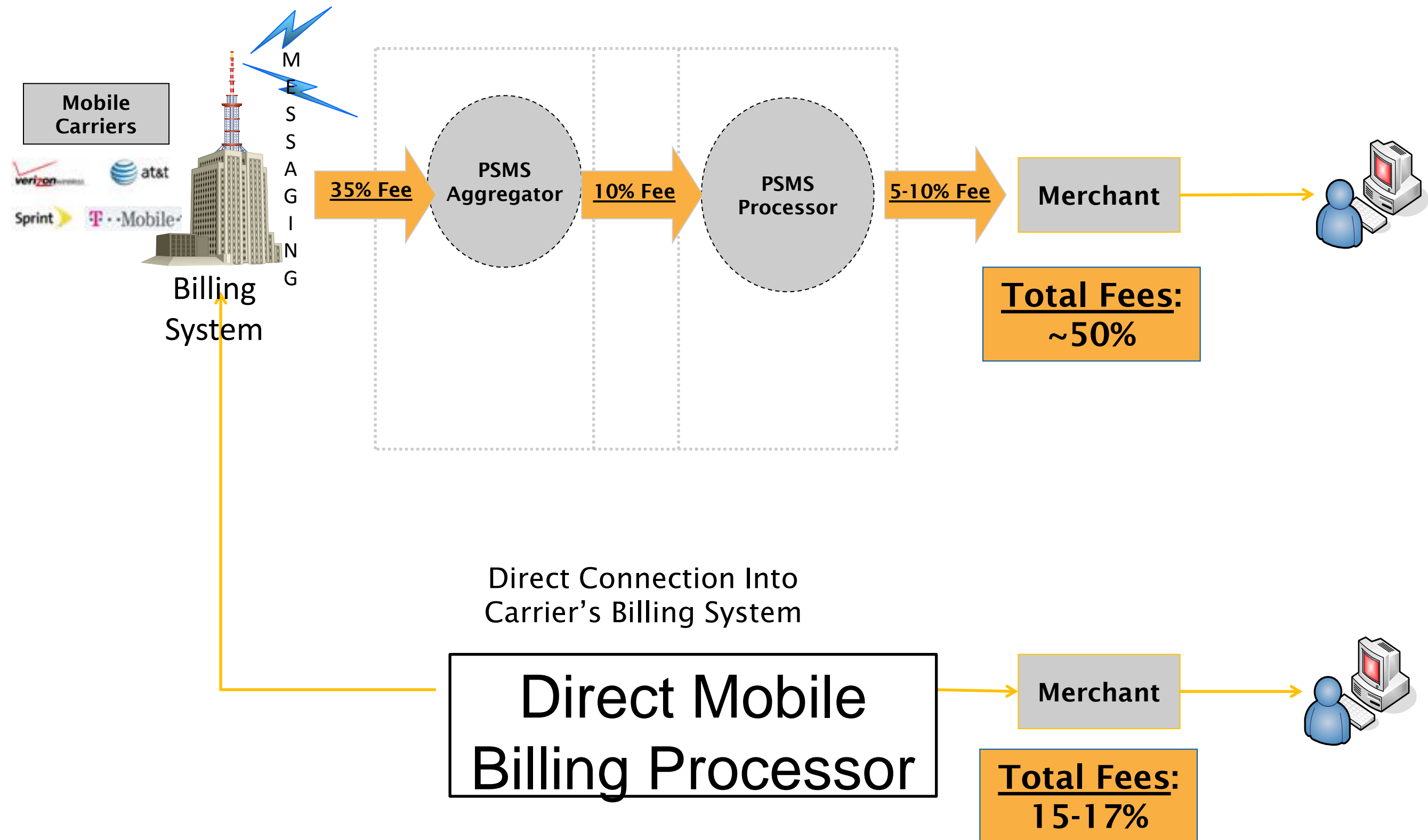


...that the “Korea Experience” demonstrates the potential!

- Processed transaction volumes in the **billions**.
- 60% of all digital content purchased online is billed to the mobile phone.
- 80% of all Korean mobile phone subscribers actively use Danal.
- 20% of all Direct Mobile Billing volume is now for physical goods.
- Credit card penetration in Korea is greater than in the U.S. and yet these results were still achieved!

The time has come for this proven capability in the U.S. market & beyond

Direct Mobile Billing



Impact On Merchants & Consumers

Carrier Billing 2.0

Merchants

- Fees of 15-17%
- 2-Factor Authentication
- Dynamic merchant pricing and control
 - Fully supports subscriptions
 - Low (1-2%) refund rate

Consumers

- Receive same value as with CC
- More control and sense of security
 - Parental controls

Carrier Billing 1.0

Merchants

- Fees of 40% to 65%
- 1-Factor Authentication
 - Restricted pricing
- Inconsistent subscription support
 - High (~17%) refund rate

Consumers

- Receive less than with CC
- Less control, no way to refund transactions with the provider
 - No parental controls

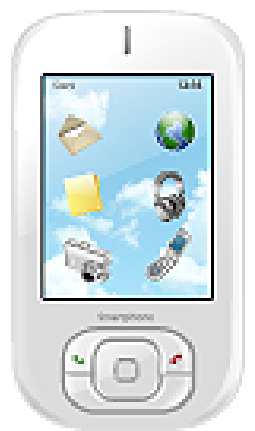
Why Now?/ Why Here?

- DMB eliminates the traditional barriers to adoption of new payment methods
- A profound shift in consumer comfort with online/mobile transactions—they have become commonplace
- Carriers have an ever increasing fear of becoming “dumb pipes” and are eager to offer products and services that allow them to have a bigger role in their customers digital lives

Barrier	Problem	Direct Mobile Billing
Cost of PSMS	PSMS providers charging approximately 50% merchant fees	Direct connection to carriers' lowers merchant fees to ~15-17%
Enrollment/Registration for ordinary alternative payments	Conversion rates drop significantly when a user is required to enroll or register	No registration required—user is already approved for post-pay transactions by carrier
Convenience	Consumers tend not to adopt payment offerings that are complex/ time consuming	Incredibly simple and streamlined process that can be done in seconds
Security/Parental Notification	Weak authentication and delayed notification to account owner	Two factor Authentication + Real-time Parental Notification
Carrier Engagement	Initially hesitant to offer lower rates and other key features due to fears of customer care costs	Proven to reduce disputes and bring mobile subscribers a positive value

The Rise of the Digital Lifestyle / Consumer

- Increase in digital content, gaming, virtual goods and digital subscription services
- Consumers shifting more of their purchases online
- m-Commerce is fastest growing segment
 - Impulse purchases for digital goods
 - 76.9 billion programs will be downloaded for games, news and entertainment by 2014
- Appeals to the youth market and mainstream consumers
- Consumers want frictionless and secure ways to pay for their goods



Source: ABI Research; IDC Research

The Consumer Speaks

When paying for apps, Nielsen downloaders prefer to be billed by their provider

	% of recent downloaders
% of Nielsen recent downloaders who prefer to pay for apps by...	
Billing from their cell phone provider	34%
Credit card	29
PayPal	18
iTunes	12
Amazon 1-click	2
Google checkout	*
Other	5
% of Nielsen recent downloaders who say their preference is based on...^	
Convenience	80%
Security	43
Bill consolidation	37
Other	4

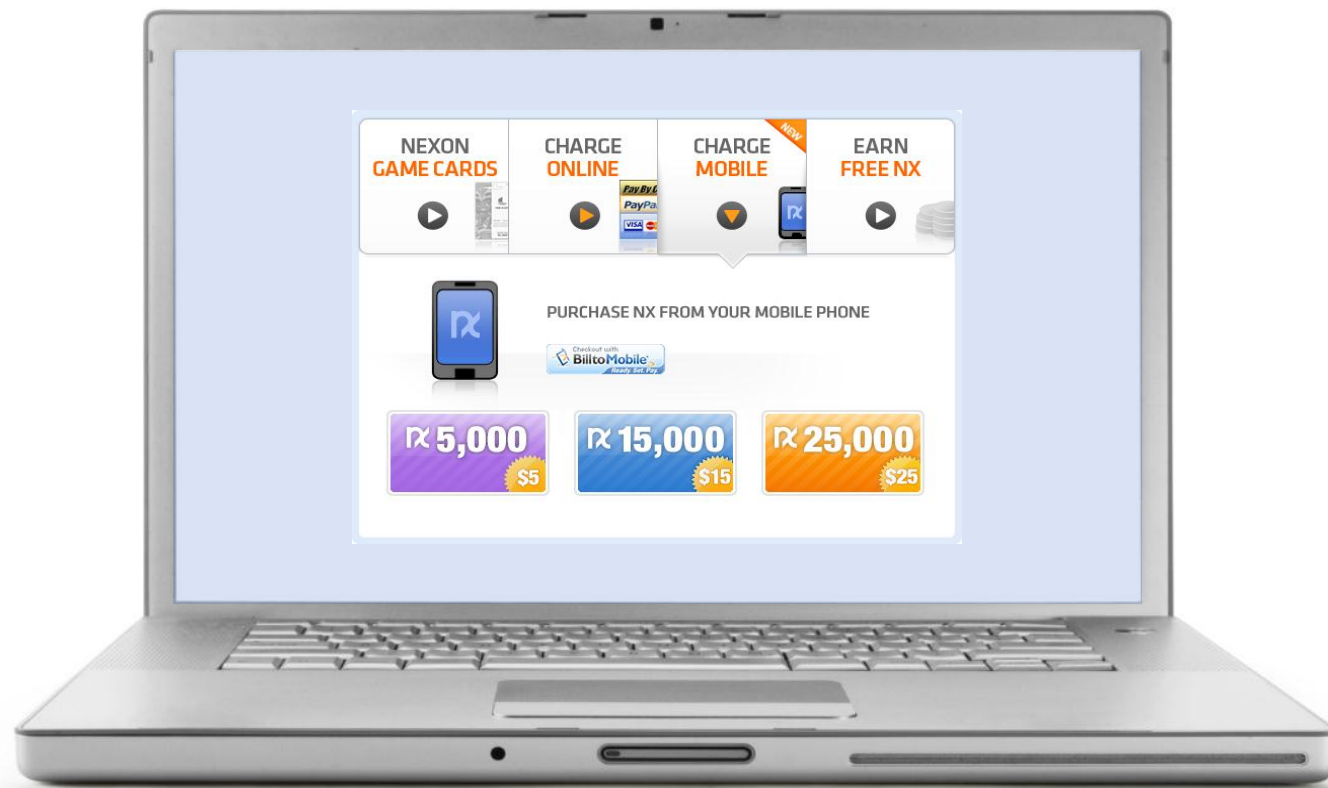
^ multiple response allowed

Source: The Nielsen App Playbook, December 2009. N=3,962 adults who downloaded an app in the 30 days prior to the survey.

Overall consumer interest in alternative payments is steadily increasing and consumers prefer to bill their purchases to their mobile phones for convenience and security

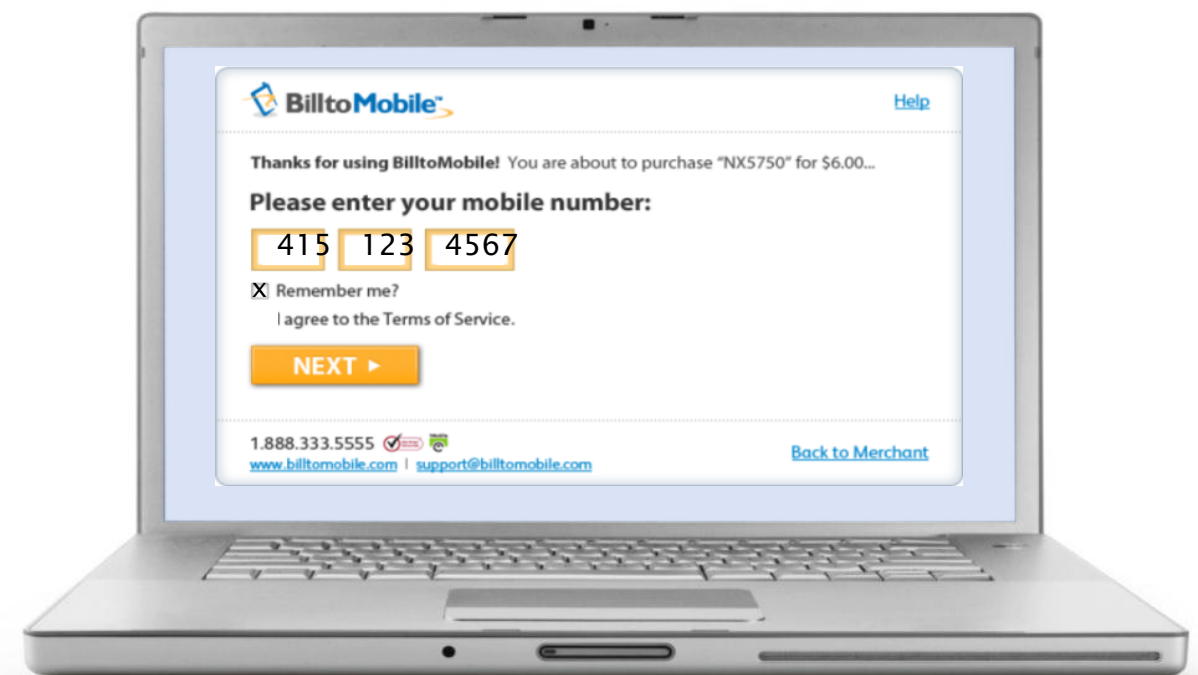
Source: Forrester Research; Javelin Research

Consumer Payment Flow

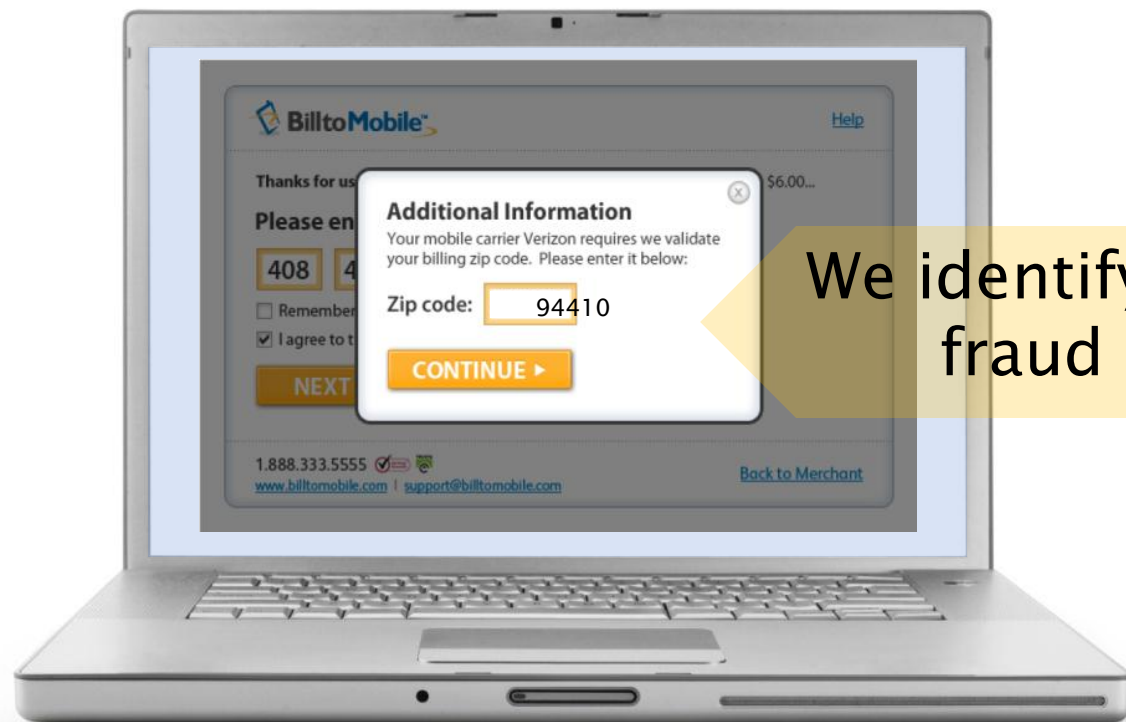


The customer selects the pricing option and BilltoMobile.

Enter phone number and agree to the terms.



Zip Code Validation



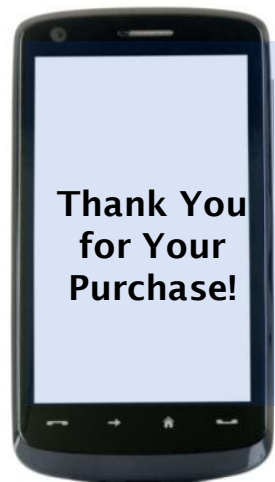
We identify the carrier, check for limits, run fraud rules, and do zip code validation.

A One Time Passcode (OTP) is then sent to the phone via SMS.

The customer enters OTP, which is a 4-Digit PIN.



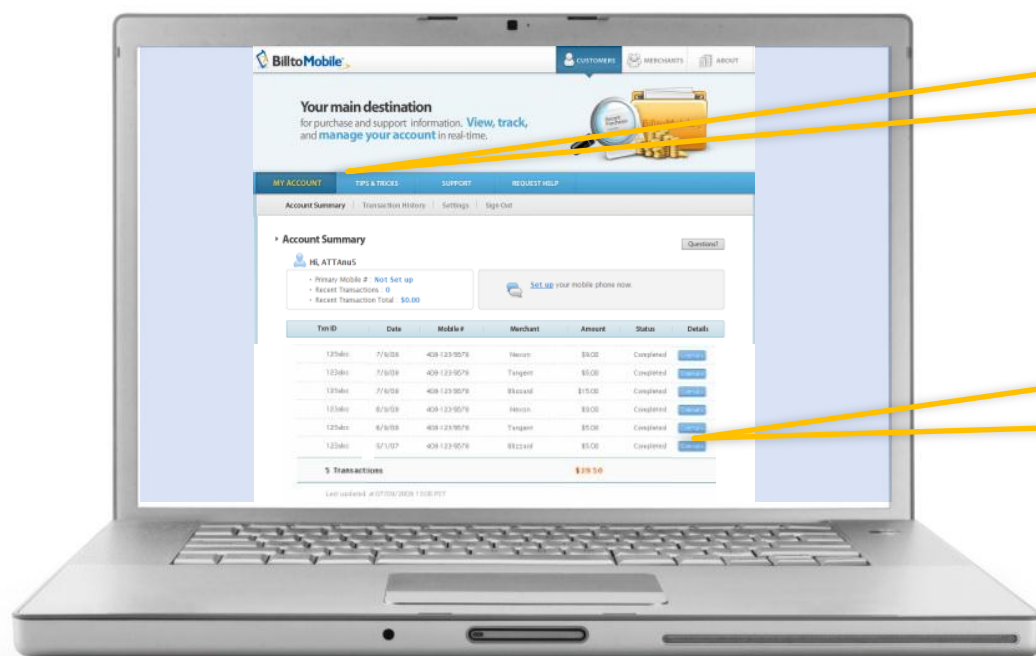
Transaction Complete!



We verify the OTP and processes the transaction.



The customer then receives a confirmation SMS.



Call, E-mail, or Chat Live with a Rep

Monitor transactions, initiate dispute

Self Service Consumer Portal

Questions?



Thank you!

