

A thought paper on the strategy for competitive advantage of Square

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Current Strategy

Square seems to have all the elements required to make a scandalous movie, a male protagonist who the world perceives as both egoistic/arrogant and genius, a disruptive plot that changes the way the world operates, and the big green dollar machine. Square has grown exponentially since their inception in 2009. They have gone from \$240 million to \$5 billion in 3 years. (Fastcompany.com, 2014)

There are many medium and small businesses accepting only cash that lose out on customers, especially in countries like the United States where everyone gets by with just a card. This is the pain point cash started off wanting to solve. Bill Gates says “We need banking but we don’t need banks anymore”. This is exactly what Square is trying to do.

What’s been working

The idea of banking is intimidating to an average person. If you consider a barely educated lady trying to sell beagles in a food truck on the streets of new York, she might not be excited by the idea of having to register with a bank and getting permission to handle a piece of technology. ‘Dorsey challenged his engineers to build a product that would let him walk into a coffee shop, place an order, tell the barista his name, and walk away wondering if he even paid.’ (inc.com, 2013).

They have 3 products, the most popular is a small inexpensive, friendly looking piece of hardware which reads cards. They also have a fancy register for shops that are bigger and have a

larger customer inflow. Square is now so much more than just the small rectangle card reader. They have the Square cash mobile application which I and many of my friends use. They have really interesting features I discovered on their website, where they use their vendors rather than exploit customers. They have an option for inventory management, sales visualization on their website for vendors. They subtly mention that they have an option to order things online to replenish their inventory and if sales go low, they offer a sales and management team to help you out (at a small price of course). One of their lesser popular attempts is a scheduling software called Square appointments, where individuals can manage their appointments for 30\$ a month so that they don't have to spend more in having a receptionist.

What might not work. Square seems to have an unstructured cancellation policy and merchants have reported loss of money due to this. They do not have policies on account cancellations and risk mitigations and merchants run the risk of customers cancelling transactions without prior notice. (cardpaymentoptions.com, 2016)

What should be changed. In my opinion, when it comes to banking security is the most important and I don't think Square is doing enough to protect its merchants from fraudulent transactions. To begin with Square does not verify its users before getting them on board; no credit history verification, nothing! The customer service is really bad as well. For a 7 year old company Square sure has raked up a lot of hate from disgruntled merchants. According to the BBB (Better Business Bureau) there have been 1,123 complaints officially launched in total, but the unofficial complaints over consumer forums runs in thousands. The most common complaint is fund being kept on hold without communication as to why that is. Giving users a good experience is vital to make sure they continue to trust you with their money, and that does not seem to be the case; people are said to have waited for weeks together for a response.

Future strategy. All said and done, we cannot take away from the fact that Square made an interesting attempt at a disruptive idea. What could have been better? What's next?

If I were Jack, I would have probably started off with Square's chip reader as well, but associated with a loyalty program for businesses with returning customers. To elaborate, when people swipe their card at my business, I would provide (or so I would say) an elegant & effortless interface, enabling the users to register with us in return for a discount on their next purchase. The reward might be better if the users had a Square cash app and would choose to pay through the app. What I am trying to pull off here would be to extract all the users' information by creating a loyal customer information repository by making a pretty interface for the company. That way the merchant ends up feeling like he saves on paying for the software that tracks his customer information for the loyalty program but Square ends up with user information, now organized and easier to track, for all the merchants. The data I could get from this change would be worth so much more to me (because now I not only have their full name, but also their contact number and address), that I could even lower the prices I charge for each swipe from a registered customer.

Now let's talk about data monetization. The data I have is now is huge and it's mostly data and patterns that very few people other than me in the world would know. Just to give an idea of the volume of transactions, here are some numbers; the annual projected transaction volume is \$6,000,000,000 and in a 12 hour day is \$1,369,863 (quora.com, 2012). Below is a graphical representation published by Square of transactions in May 2012.

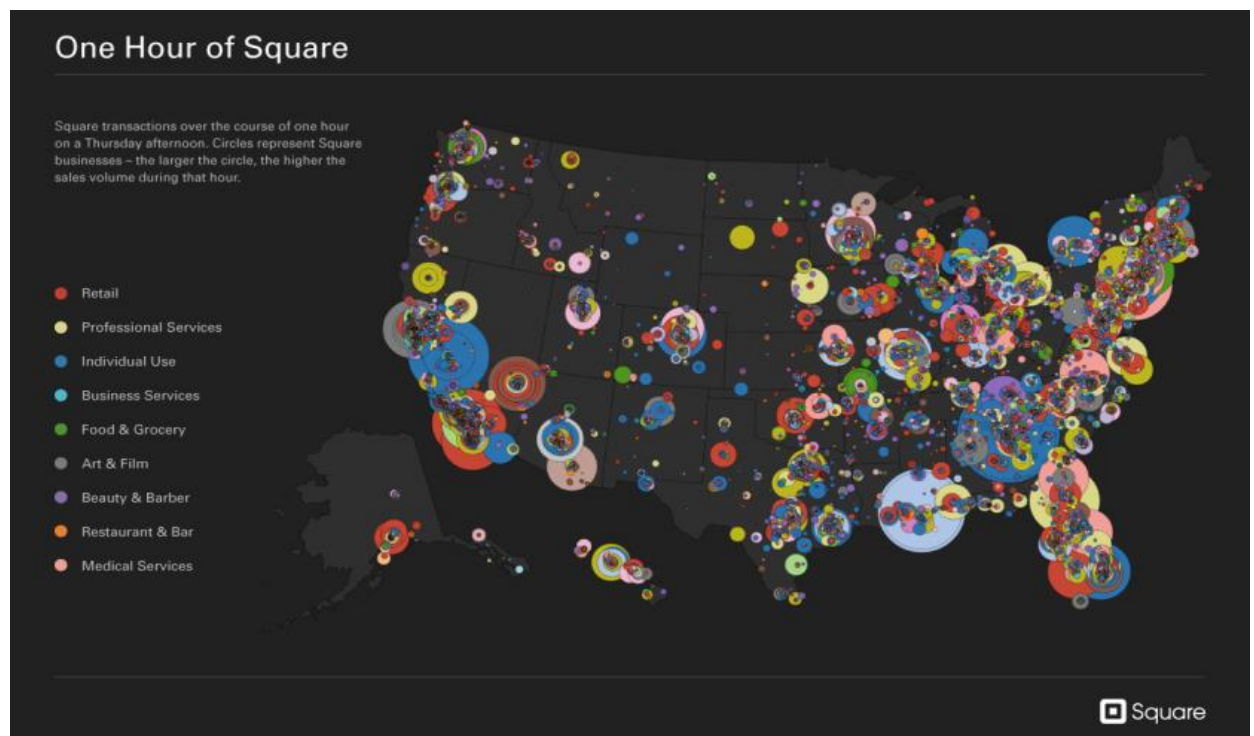


Figure 1. Distribution and transaction volumes of Square for May 2012. This image belongs to Square Corporation.

Now that we know how large and rich our database is, we can begin to strategize to monetize it. We can track spending patterns, travel preferences, mobility (what area does a person travel and how often), brand choices, typical grocery list, subscriptions to name a few. By this we can derive more personal information like gender, family size, nature and interests of a person, health condition (depending on if he swipes more in pharmacies), estimate income and check for anomalies in income and spending ratio. Let's discuss a few innovative ways we could monetize our big data. I would propose a traditional three pronged approach for a stable and safe inflow of revenue: offering discounts to lure adventurous customer into using a competitor's product, loyalty programs to keep the 'creatures of habits' in the bank, dynamic pricing on products which we know (or can derive) a customer wants or will have to buy. As simple as these

three points sound, its implications can range from discounts in flight prices for destination weddings, to dynamically pricing diapers for a new father.

Now for a few specific use cases; we can get details of a person from Facebook by validating the user's name with location as provided. From Facebook we can keep track of the kind of pages the user spends more time on, the nature of posts a person likes, how socially active the person is, and maybe even his job (if he has mentioned it on Facebook). This way our user is more predictable and we can project advertisements strategically. We would also track information of his family and spouse/girlfriend and project advertisements with a slightly higher price of things we can derive their significant other will like. If we identify users who are more open to registering for subscriptions or auto payments, we can maybe advertise harder and project better deals just for them just to force them into a subscription.

We could sell this data to struggling startups in the service, logistics and retail industry. Startups are always a good market to sell to, because of the sheer volume of them trying to make it! They're much more in number even if it means not much profit from each of them. Startups have such brilliant ideas but are always struggling with user traction and gaining the initial dataset, we could give them that.

Coming to the users, I would not stress the user out too much because I know how important his role is in my company's survival. If a user is not registered in a loyalty program with any of our merchants, I would constantly ask them if they need a receipt of every transaction mailed or sent to them via SMS and hope the user would ultimately give me what I need. If this does not work, I would slap on a 'Social responsibility' or 'Eco-friendly' tag and ask them if they need a receipt at the counter every time they make a purchase, hoping to ultimately get to them and give in.

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