**Consumer Press Release**

**Amazon introduces Local Gift Cards**

*Customers can now select the perfect gift from tens of thousands of local merchants*

Seattle, WA – June 1, 2015. Gift cards are consistently among the most sought after gifts year after year. While gift cards are quick and convenient, they often feel impersonal because customers only have easy access to a handful of national brands at places like grocery and drug stores. Gift cards for smaller, local merchants allow customers to add a personal touch by customizing the gift to the recipient’s taste and locale. However, local gift cards are hard to find and buy - especially when the recipient lives in a different location than the buyer. There is no place for customers to choose between Starbucks and the local coffee house or between Lowe’s and the neighborhood gardening store - until today. With the introduction of Amazon Local Gift Cards, customers now have access to the broadest assortment of gift card brands on the planet - all under one roof – Amazon’s Gift Card Store.

“I was just so tired of buying the same gift cards – Starbucks or iTunes, iTunes or Starbucks. It limited my ability to make the gift more meaningful,” said Jody Rindy from McFarland, WI, “With Amazon Local Gift Cards, I can send something with a more personal touch. Just last week I needed something romantic for my parent’s anniversary. I was able to easily send them a “Happy Anniversary” greeting with a gift card for the little neighborhood bistro where they had their first date.”

Customers can visit Amazon’s Gift Card Store on any device and search by brand name or simply zoom in on a map of the recipient’s neighborhood to see which local merchants are available to add that personal touch to a gift. Starting with a greeting card that has the appropriate sentiment, customers can upload a photo, add a thoughtful message and even sign their name. The custom greeting card, with the gift card included, will be printed and mailed directly to the recipient for free via USPS. Customers have the option to upgrade to UPS 2-day shipping (with tracking) for only $3.99. Prime customers get 2-day shipping for free.

“Adding Amazon Local Gift Cards was a natural next step in expanding selection for our customers. We now offer more than fifteen-thousand brands making us the largest gift card store on the planet,” says Tahir Hussain, Director of Gift Cards at Amazon, “And we’ll continue to work towards our vision of allowing our customers to find and purchase any gift card they need.”

Amazon makes it easy to find the right gift card - be it a trusted national brand or a neighborhood favorite - that you know the recipient will love. To purchase Amazon Local Gift Cards, or for more information, visit www.amazon.com/giftcardstore.

**Merchant Press Release**

**Amazon Local introduces Gift Cards for Small Business**

*Bring customers into your store with an Amazon Local Gift Card*

SEATTLE, WA – June 1, 2015. The National Retailers’ Association Annual Survey has ranked gift cards the most desired gift among American consumers for the last seven years. However, small businesses are often too busy running their operation to have time to figure out how to set-up a gift card program, let alone how to market the cards to customers. With the introduction of Amazon Local Gift Cards (ALGCs), merchants can now rely on Amazon’s experience and infrastructure to set-up, promote and sell gift cards on their behalf – all with no changes to their existing point-of-sale equipment. Getting started is easy. In less than 10 minutes, merchants can sign-up with Amazon Local, upload an image of their logo to customize their gift card, run a test transaction and start selling. To stimulate sales, merchants can also promote their card at a discount. Amazon takes care of the rest including listing, promoting, printing and shipping.

“This was a no-brainer for me once I learned about it.” says George Turk, owner of Bits and Pieces - a local BBQ joint in Plano, TX. “My customers ask for them all the time but I don’t have time to research what I need to do to offer gift cards. Amazon made it easy for me and I only pay a fee when they sell a card that brings someone into my store.”

By matching customers and merchants, Amazon helps bring customers through the merchants’ door, giving them the opportunity to create a loyal customer. Offering an ALGC makes merchants more discoverable by giving them exposure on Amazon along with higher search engine result rankings to help customers find them. There is also no risk to the merchant and unlike other programs there are no monthly or fulfillment fees to participate. It is a true pay-for-performance program. If no cards are sold, the merchant doesn’t pay a thing. If a card is sold, then the 15% sales fee (opposed to industry averages of 20-30%) is only collected when that card is swiped at the merchant location (e.g., $7.50 fee on a $50 card).

“Gift Cards are a natural extension of the Amazon Local business. This is another way we aim to help local merchants drive customers into their stores and a step toward bringing offline selection online.” says Mark Eamer, Director of Amazon Local, “We want to provide the best selection and the best online shopping experience for the type of gift that Americans say they like most. I think that’s fantastic for our customers and participating merchants.”

Customers tell us that they are tired of buying the same gift cards over and over – coffee or music, music or coffee. It’s too impersonal. ALGCs let any merchant have the ability to offer gift cards and customers no longer have to drive all over town to try and find them. They can purchase directly from Amazon’s Gift Card Store and pair the gift card with a customized greeting card for any occasion. The custom card is then printed and mailed directly to the recipient. To start selling Amazon Local Gift Cards for your business, or for more information, visit www.amazon.com/amazonlocalgiftcards.

**APPENDIX I –** Customer, Merchant and Internal FAQs

**Customer FAQs**

1. **Q: What if the merchant I want is not available?**A: You can submit a merchant request online at: www.inserturl.com. We’ll do our best to add merchants that our customers request but cannot guarantee merchant participation.
2. **Q: Why is there a Discover logo on the back of the card?**A: We have partnered with Discover to create this program for small businesses. The logo ensures that the merchant knows it is a valid payment instrument.
3. **Q: Because it is a Discover card, can I use it anywhere Discover is accepted?**A: An ALGC can only be used at the merchant it is issued for.
4. **Q: Do the cards ever expire?**A: ALGC cards have an expiration date but the value does not expire. If your card has expired, contact customer support at XYZ and we will issue you a new card for any remaining balance.
5. **Q: Are there any fees?**A: There are no fees associated with ALGCs.
6. **Q: Do I have to spend the entire amount in one purchase? How do I know the balance on the card?**A: You do not have to spend the entire amount in one purchase. To check your balance go to: www.inserturl.com or call XYZ and enter in your card number.
7. **Q: Are there limitations on what I can buy with an ALGC?**A: There are no limitations on the types of products or services that you can buy from a participating merchant.
8. **Q: What if the bill is more than the gift card amount?**A: If the bill is more than the gift card the transaction may be declined depending on the merchant’s system. You may need to have the merchant re-run the transaction for only the balance on the card. To check the balance of your ALGC, you can call XYZ or go online at www.inserturl.com. (Refer to Merchant FAQ #4)
9. **Q: What if the card gets damaged?**A: If your ALGC gets damaged, contact customer support at XYZ and we will reissue you a new card with any remaining balance.
10. **Q: What if I lose the card?**A: Because ALGCs are like cash, you should keep them in a safe place and write down the serial number. You must have the serial number to get the card replaced. If you lose your card, call XYZ and report the card lost immediately. If there is still a balance on the card, we will reissue you a new card for the remaining balance.
11. **Q: Can I give my ALGC to someone else?**A: ALGCs should be treated like cash. You can give them to someone else.
12. **Q: Are ALGCs available outside of the US?**A: Currently ALGCs are available for select locations in the US[[1]](#footnote-1). To see a list of participating merchants go to www.inserturl.com. Enter a city, state or zip code to browse participating merchants on the map.
13. **Q: What if the merchant goes out of business?**A: If the merchant goes out of business, contact customer support at XYZ and we will issue you an Amazon GC for any remaining balance.

**Merchant FAQs**

1. **Q: What if I don’t accept Discover?**  
   A: You must accept Discover to participate in the ALGC program. Detailed instructions on how to enable Discover cards are available at www.inserturl.com.
2. **Q: What if I already have a Gift Card program?**

A: If you have a GC and would like to sell them on Amazon you can do so via our Sell on Amazon program (i.e., M@) for a 20% sales fee). This program requires you to ship the cards to the customer. More information on this program is available at www.inserturl.com. You can participate in both programs if you wish.

1. **Q: Do I have to run a Daily Deal to participate in the ALGC program?**A: You do not have to run a Daily Deal to participate in this program. If interested in learning more about the Daily Deal program, contact merchant support at XYZ.
2. **Q: What do I have to do to sign up?**A: Visit www.inserturl.com or contact merchant support at XYZ. You will receive a welcome kit via email with instructions on how to run a test transaction. We also recommend that you enable partial authorization to provide the best customer experience. Enabling partial authorization allows you to approve part of the transaction if the bill is larger than the GC balance. The customer then provides an alternate form of payment for the remainder such as cash or a credit card. If not, then the transaction will be declined and you will need to run 2 transactions: one for the exact amount of the gift card and a separate one for the remaining balance.
3. **Q: How do I customize my ALGC? Can I have more than one design?**A: You can view the specifications and instructions on how to customize in your merchant account. If you do not have a logo to upload, your merchant name will be printed on the front of the card. Currently, you can only have one design at a time.
4. **Q: Will Amazon promote my ALGC?**

A: Amazon Local may choose to periodically promote some participating merchants in its marketing. Your ALGC will always be featured in the GC Store on Amazon.com and may also prominently appear in Search engine results.

1. **Q: When do I see the funds when the gift card is used?**A: The funds, minus your normal Discover processing fee, are paid in your regularly scheduled credit card settlement.
2. **Q: When and how does Amazon collect the 15% fee?**A: The sales fee is collected on the first swipe of the card. It is deducted from your daily settlement amount and will appear on your statement as XYZ.
3. **Q: How do I opt out of the program if I do not like it?**A: You can opt out of the program at any time by calling merchant support at XYZ or visiting www.inserturl.com, logging into your merchant account and updating your preferences. If you do opt out, you are responsible for accepting and redeeming all previously issued gift cards. You can view the number of cards and balance outstanding in your merchant account.
4. **Q: What if the magnetic stripe or card is damaged and will not swipe?**A: You can hand key in the information like any other debit or credit card.
5. **Q: Can I promote ALGCs on my website?**A: Yes, you can download the gift card promotional widget from within your merchant account to add to your website and link this directly to your specific gift card listing (i.e., ASIN) on Amazon.
6. **Q: What if I have more than one location?**A: ALGCs can work across locations if those locations share a single Merchant ID (MID). If you have multiple MIDs, you may be able to link these together. Contact merchant support at YXZ.
7. **Q: Can I discount my ALGC?**A: You can offer your ALGC at a discount (e.g., $50 ALGC for $40) by linking a bank account to your Amazon Local Merchant Account to fund the promotion[[2]](#footnote-2). If you have an existing gift card program and would like to offer GCs at a discount on Amazon.com you can also do this by joining our Seller Services Program. You can learn more about this at [www.inserturl.com](http://www.inserturl.com).
8. **Q: How do I pay for the promotions I run?**In your Amazon Local merchant account you can link a bank account (ACH) or add a credit/debit card that can be charged for any accounts receivable.

**Internal FAQs**

1. **Q: What is the essence of Project Blowfish** **(aka Writing a Press Release is the first step in requirements definition as part of the Working Backwards development process. Start by writing the PressRelease in the box below. Nail it. The press release describes in a simple way what the product does and why it exists - what are the features and benefits. It needs to be very clear and to the point. Writing a press release up front clarifies how the world will see the product - not just how we think about it internally. More information about** [**Working Backwards**](https://w.amazon.com/?WorkingBackwards) **can be found on the** [**Amazon wiki**](http://w.amazon.com)**. Insert your Press Release for this project in the box below.Amazon Local Gift Cards)?**A: Each year over $110B worth of gift cards (GCs) are sold direct to consumers in the US and the average gift card purchaser buys 5 gift cards annually[[3]](#footnote-3). Our overall Non-Amazon branded (NAB) gift card strategy is about shifting these purchases to Amazon. We are securing NAB selection in three ways: 1) getting national brands through partnerships with major distributors - Blackhawk and InComm, 2) getting regional brands through regional distributors - QuickGifts and Sparkbase, and 3) developing platforms for going after local, “long-tail” merchants. Project Blowfish is about cost effectively scaling this third segment - our long-tail selection. It is a first-to-market approach that will allow Amazon to create and sell GCs for just about any US small business without requiring them to make modifications to their existing point-of-sale (POS) systems. The project will create the world’s largest gift card store delivering unprecedented NAB gift card selection to customers - driving the flywheel for both the Gift Card and Amazon Local teams. We will do this by partnering with Discover to offer Amazon Local (AL) branded pre-paid gift cards valid only at a specified merchant.
2. **Q: What are the program mechanics?**A: Merchants have to typically install custom POS software, pay a monthly fee and then pay an additional per transaction fee to enable a GC program. In many instances, merchants pay an additional distribution fee of 20-30% on top of this to have third-party partners sell their cards. In the prevailing model, the merchant manages the program – managing inventory, issuing the cards, collecting the funds and retaining any card breakage (i.e., unused balances). In the Blowfish model, Amazon assumes the responsibility of listing and selling the cards that are produced and distributed on the merchant’s behalf by Discover and its partners for a flat 15% sales fee. The merchant does not pay any monthly or per card fees and does not need to install any custom software on the POS terminal. Blowfish is a true pay-for-performance program because the sales fee is assessed on the first swipe of the card. As such, the merchant does not pay the fee unless a customer comes into the store and makes a purchase. In addition to the sales fee, because our partner issues the cards and holds the funds, our partnership allows us to collect a portion of card breakage[[4]](#footnote-4).
3. **Q:** **What partners are needed to build the solution?**  
   A: Bringing Blowfish to market involves multiple partners. ALGCs are a regulated product requiring a money transmitter license (MTL). As such, Amazon Payments - which has MTLs in all required states - will be the seller of record[[5]](#footnote-5). Discover Bank or a newly formed special purpose entity will issue the cards, hold the funds and serve as program manager for regulatory purposes. Discover Financial Services operates the network allowing point of sale redemption at the merchant location. The card processor will be Marqeta and Arroweye will print and fulfill the cards. As customers use their cards, Discover transfers the appropriate funds to the merchant and collects the sales fee using existing settlement processes (i.e., settled with any other credit and debit card charges).
4. **Q: What are the merchant benefits?**A: There are a variety of benefits that make ALGCs attractive to merchants:
   1. *Merchant exposure on Amazon*. Their gift card is listed and sold on Amazon.com. Merchants may also be featured in gift card marketing efforts conducted by the Amazon Local and Gift Card teams.
   2. *Search Engine Optimization (SEO) lift*. A significant benefit that merchants will get is the SEO lift. An ALGC on Amazon gives the merchant a significantly better chance of being a top result. As an example, conduct a search for Blue Moon Burger Gift Card on Google and Bing and you’ll see Amazon’s listing earns this Seattle merchant a top spot.
   3. *True pay-for-performance.* Amazon is bringing customers through the merchant’s door at no risk. There are no sales fees unless a card is brought into the store and swiped. ALGCs equate to direct business that Amazon is delivering to the merchant.
   4. *The cards will work*. There is no change to their existing POS equipment - they already accept and process Discover cards and they know how to handle pre-paid gift cards (e.g, Visa). The Discover logo will be on the back of the card to reassure the merchant that the ALGC is a valid payment instrument. When the merchant signs up for the program, we will confirm Discover acceptance and that they have partial authorization enabled to provide the best customer experience[[6]](#footnote-6).
   5. *Ease of program management*. With the self-serve on-boarding tool, merchants can sign-up in less than 10 minutes with just a few details (e.g., Business name, Address, Tax ID, Bank Account #, Logo) about their business. Amazon takes care of listing, selling and shipping all GCs. Merchants can opt out of the program for any reason and the program can work side-by-side with an existing GC program.
   6. *Lightweight marketing tools*. Merchants can discount their ALGCs. We believe that this functionality will increase the gifting use case for Amazon Local (as the recipient will not be aware of any discount). Additionally, merchants could use cards as a lightweight loyalty program (e.g., thank you for being a customer) or to issue a refund (e.g., for returns) by placing an order on Amazon and sending it to their customer. We will also provide a widget to allow them to sell ALGCs on their website.
   7. *Affiliate Extension*. We have the opportunity to partner with local content providers (e.g., Yelp, Google Places, Bing Places, Foursquare) to have them integrate ALGCs into their local listings - providing broader exposure to the program and for merchants while earning the partner affiliate advertising fees.
5. **Q:** **How will you acquire merchants?**

A: To acquire merchants, Discover and Amazon will co-market ALGCs to their respective merchant base via email, direct mail, direct sales and site merchandising. Using the Amazon Local Categories (e.g., Restaurant & Bars, Health & Beauty, Shopping & Services, Entertainment & Travel), we estimate that there are approximately 3MM Discover accepting merchants in the U.S. that meet the Blowfish criteria[[7]](#footnote-7). We intend to offer Blowfish as a standard Amazon Local program to extend the merchant value beyond Daily Deals. As the merchant is on-boarded as an Amazon Local merchant, they have the option to participate and upload a custom image with their logo to be printed on the front of the gift card (See Appendix I). Once complete, their gift card becomes an ASIN in Amazon’s Gift Card Store.

1. **Q: What are the benefits to Amazon?**A: Amazon’s benefits include:
   1. *Instant scale (aka Blowfish).* Amazon can offer more selection than any existing competitor – creating the world’s largest gift card store. Selection drives greater customer demand for Non-Amazon branded gift cards, increases traffic to Amazon’s gift card store, and drives incremental Amazon and NAB gift card purchases. We anticipate onboarding 15K brands in year one – eclipsing the existing largest gift card mall Quick Gifts (currently at 6K brands). We expect total merchant participation to reach 150K by year three[[8]](#footnote-8).
   2. *Profitability.* Over time, we expect ALGCs to grow to represent about 30% of total NAB issuance[[9]](#footnote-9). Because Blowfish cards are expected to be more profitable (~17% CM) than the national brands that we sell today, they will help drive overall NAB category profitability.
   3. *Lead Generation.* As cards are purchased, we get a “warm and free” lead. Blowfish sales provide a reason to contact the merchant and educate them about other Amazon services such as: 1) claiming their Amazon Local page, 2) running an Amazon Local Daily Deal, 3) issuing physical gift cards at their location with a FUSE register and/or 4) selling their goods and services on Amazon via our Sell on Amazon program.
   4. *Cross business connectivity.* ALGCs can be merchandised within the Amazon Maps product when it appears on Kindle devices and on Amazon Local Pages[[10]](#footnote-10).
   5. *Customer protection.*  Because Discover holds the funds on behalf of the customer, we are able to protect the customer if the merchant goes out of business. Additionally, this allows us to offer no “expiration” of the funds for the customer (e.g., if a card is lost and then found years later, it will still work despite the card being “broken” and recognized as revenue).
2. **Q: How will customers find out about ALGCs?**

A: ALGCs will be listed and sold in [Amazon’s Gift Card Store](http://www.amazon.com/gift-cards/b/ref=topnav_storetab_gc?ie=UTF8&node=2238192011) (GC Store). They will also be featured and cross-linked on the Amazon Local site. We will promote our broad selection via merchandising (e.g., onsite and email banners) as well as highlight local merchants via traditional email campaigns (e.g., hyper-local email featuring new, discounted and most popular GCs in your area). Within the GC Store, the customer is able to use a “location finder” to search/filter by zip code, city or state on a map. This location finder functionality is a necessary CX investment given the volume of merchants we expect to participate. While scoped as part of Blowfish, it benefits both the GC and AL businesses as a whole. When a customer places an order, a non-reloadable, open loop, Discover pre-paid gift card is printed on-demand and is “locked” to the specific merchant’s identification number (MID) – making it valid for use only at that merchant. The gift card is affixed to a greeting card and shipped for free via USPS. Customers can elect to pay for expedited shipping via UPS 2-day for $3.99. Prime members get 2-day shipping for free. Cards are shipped to the recipient and may be redeemed at the merchant’s POS just like a traditional debit card.

1. **Q: What are the economics of the program?**A: There are two primary revenue drivers for Blowfish: 1) we charge a 15% sales fee (assessed on the load value) for cards redeemed and 2) we estimate that 20% of total card value will go unused and be captured as breakage. This yields a 3-Year NPV of  $19.5MM (See Appendix II). The 3-year-NPV includes year one as a build year. The 4-year-NPV which includes 3 full operating years is $57.0MM. We believe Blowfish will deliver additional benefits including: 1) incremental Amazon and Non-Amazon brand GC issuance – under the general premise that selection matters, 2) incremental NAB issuance via Seller Services – merchants who have existing GCs begin to sell them on Amazon and 3) incremental Daily Deal and FUSE terminal sales – through warm lead generation.  We have *excluded* these incremental revenue sources from the base model.
2. **Q: What resources are required?**A: We are allocating resources to enable a V1 digital ALGC offering this year (See FAQ #23). As part of OP1, we are asking for a 2-pizza team plus $350K for upfront fixed costs (i.e., one-time program set-up fees, external legal counsel fees) to scale the digital offering and add the physical card capabilities. We have “leaned forward” on this initiative and have an SDE in place working on the architecture and evaluating partner APIs. One additional SDE and a TPM have accepted offers to come work on this program. They start in August. Amazon Local is asking for 3 additional heads as part of their OP1 to build the Blowfish components they are responsible for (i.e., merchant self-serve portal, merchant reporting, location finder, ASIN integration). We expect to ship before the end of 2015.
3. **Q: What is the long pole for the program?**  
   A: The need for Discover to obtain the necessary Money Transmitter Licenses (MTLs) is the long pole for the project. MTLs are necessary to both sell, as well as redeem, a card in a given state (e.g., if the buyer is in Utah, then *the seller* – Amazon Payments - must have an MTL for Utah; if the redeemer is in Maine, then *the issuer* – the Discover entity - must have an MTL in Maine). Discover conservatively estimates it will take 18-24 months for them to obtain complete coverage in the United States. Complete coverage is required to fulfill the minimum viable use case where a customer in any state can purchase a gift for a recipient in any other state. Given this, more resources cannot accelerate launch timing. If the necessary MTLs are not in place, we will launch (as we believe time-to-market is critical) using Discover Bank’s exempt status to operate the program as a stopgap (i.e., banks do not need MTLs). We would need to forgo breakage revenue during that time period. This would decrease the 3-year NPV to $10.8MM and Amazon’s development speed would be the gating factor to launching the product.
4. **Q: What is the concept’s Achilles heel?**A: There are a few weak points in the operating model that we will address over time: 1) we are tied to Discover. Discover is the only network partner that is currently open to this type of program, 2) we are tied to Marqeta. They are the only processor that can lock the card to a specific merchant, and 3) we have a single point of operational failure. Because of the security requirements to produce the product, we will be printing and fulfilling cards via a single partner and not using Amazon FCs. We have active conversations underway with other Discover authorized card printers (e.g., Oberthur) to understand their print on-demand capabilities.
5. **Q: What does Discover provide that can’t be replicated easily with another partner?**A: Discover has a number of benefits compared to other networks: First, they have a mechanism to collect the sales fee as part of their existing settlement process. Second, they currently have the sole domestic relationship with Marqeta - the processing partner that has the ability to “lock” the card down based on merchant ID. Third, Discover is a three party-network granting them a Durbin exemption. This improves the interchange we collect by 100+bps.
6. **Q: What is the penetration of Discover?**A: Discover acceptance is primarily a perception issue these days. They have significantly closed the gap in recent years. Discover estimates that 95+% of POS terminals can accept Discover and 90+% of merchants have it enabled.
7. **Q: What’s in it for Discover?**A: Financially, Discover benefits in three ways: 1) they earn a ~1.85% program management fee based on the load of each card, 2) they collect 50% of net interchange (~64bps per transaction) and 3) they retain 10% of the unused funds. Blowfish also has significant strategic importance for Discover, as it will be the first jointly developed program with Amazon.
8. **Q: What is the negotiation status with Discover?**  
   A: We have finalized business terms with Discover. Negotiations improved the 2 operating year NPV from $13.9MM to $19.5MM (+$5.6MM/40%) and 3 operating year NPV from $41.7MM to $57.0MM (+$15.3MM/37%). Key improvements were increasing the breakage revenue share from 70/30% split to 90/10%, reducing the program management fee from 2.40% to 1.85%, and increasing the interchange revenue share from 35/65% to 50/50%. If approved, we will start drafting contracts on 7/23 with an aggressive goal of execution within 120 days.
9. **Q: What does Marqeta provide that can’t be replicated easily with another processing partner?**A: Marqeta has the capability to make ALGCs redeemable only at the merchant’s location(s) by locking the card to the Merchant ID (MID) and a process for automatically managing MID changes if the merchant changes acquirers (i.e., their POS provider). They have applied for a patent on this MID functionality but it has not been granted yet. They are also a Discover approved processor and have completed all necessary network integration work.
10. **Q: Given they are a start-up, are we seeking warrants in Marqeta?**A: We are not seeking warrants at this time. Marqeta has raised $21.5MM to date, most recently at an $86MM valuation. They are currently in the process of raising a $25MM Series “C” and have a handful of key accounts like Facebook, Ebay, and Chevron. Further, the program is dependent on them, so we have very little leverage. They are the only issuing processor that can lock an open loop card to a specific MID. Our leverage is further decreased because we will not be contracting with, or paying, Marqeta directly. They will be a subcontractor of Discover.
11. **Q: What do merchants pay for other gift card programs?**  
    A: Gift Card program management fees are divided into two main areas – enablement and distribution. Enablement allows a merchant to order, load and sell gift cards in their stores. Distribution allows others to sell their cards on their behalf. Let’s use Blue Moon Burgers as an example. Blue Moon has a traditional GC program with a partner like Mercury Payment Systems. Their enablement fees include: a $30 per month fee, a $0.05 processing fee per swipe, and a $1.00 per card printing fee. They sell on Amazon via our Seller Services program for a 20% distribution fee and they are responsible for shipping the GC to the customer. Using our model assumptions of 15 cards sold/year at an ASP of $40, they would pay third parties $32.11 per month to run their program (net of breakage). Participating in Blowfish would cost Blue Moon $7.20 per month. Blowfish remains the economical option up to about 90 cards per year.
12. **Q: How are the Blowfish sales fees collected?**A: Discover will collect the 15% sales fee by deducting it from the Merchant Funds Disbursement (aka “Net Settlement”). Discover will have the merchant’s processor withhold it from the daily settlement by all brands to the merchant (e.g., across Discover, Amex, MC and Visa). This allows Amazon to collect funds in the settlement stream, increase the speed of payment and decreases the risk of non-payment. The fees will be aggregated and paid to Amazon on a set schedule (e.g., weekly).
13. **Q: How is breakage handled?**A: After two years, in conjunction with no activity for 12 consecutive months, the card will “break.” Discover will aggregate and transfer 90% of the funds associated with broken cards to Amazon on a set schedule. To ensure a positive customer experience, Discover will still approve any cards that come back into the system “post break” from their 10% revenue share. This allows us to provide our customers no expiration on the funds.
14. **Q: What is the largest friction point for merchant sign-up?**  
    A: The largest friction point is getting the merchant to enable partial-authorization (PA)[[11]](#footnote-11) on their POS equipment. While this is not required for the program to work, it provides the best customer experience so we will strongly encourage the merchant to turn it on. PA allows the gift card to be used against a bill that has a total greater than the card balance. If PA is not enabled and the bill is greater than the card balance, then the transaction will get declined. The merchant would need to re-run the card for the amount that matches the card balance. If PA is enabled, this transaction will be approved for the balance and notify the merchant that a second payment method is needed for the remaining amount. This is how all pre-paid gift cards work today – it is not unique to Blowfish.
15. **Q: What if an ALGC merchant goes out of business?**  
    A:A benefit of this model is that our partner Discover holds the funds opposed to disbursing them to the merchant. This allows us the ability to make the customer whole. If a merchant goes out of business and the customer contacts us, the current plan is to issue an Amazon GC for any outstanding balance. Discover would transfer the funds back to us in this situation.
16. **Q: Can ALGCs be issued electronically?**A:We are allocating resources this year to accelerate electronic delivery of Blowfish cards (eALGC) via the Surprise by Amazon gifting app. eALGCs would be redeemed at the POS by hand keying in the card number along with the expiration date and the CID number (i.e., the 3 or 4 digit number on the front or back of card). Our model assumes that this will prove to be viable and eALGC issuance would grow to 35% by year 3. If eALGCs are not viable, 3-year NPV would decrease by $1.3MM to $18.2MM.

**APPENDIX II -** Amazon Local Gift Card Mocks

|  |  |  |
| --- | --- | --- |
| **Front of Card – Custom Example** | **Front of Card – Generic Example** | **Back of Card Example** |
|  |  |  |

|  |  |
| --- | --- |
| **Blowfish Greeting Card Mock** |  |
| **Macintosh HD:Users:skbishop:Desktop:Screen Shot 2014-04-03 at 8.54.08 AM.png** |  |

1. Pending additional tax analysis, we may need to restrict the markets we sell ALGCs in. See Amazon FAQ #10. [↑](#footnote-ref-1)
2. Amazon Local is adding reverse Automated Clearing House (ACH) capability to be able to collect the discount from the merchant. We will align our promotions functionality with this availability. [↑](#footnote-ref-2)
3. Consumer Insights into the US Gift Card Market: 2012, First Data and Market Strategies, September 2012 [↑](#footnote-ref-3)
4. We have negotiated a 90/10 revenue share with Discover for the unused funds [↑](#footnote-ref-4)
5. Conversations with the Amazon Payments compliance and legal teams are underway [↑](#footnote-ref-5)
6. Having “partial authorization” enabled provides the best CX but it is not required for cards to work. See FAQ#21. [↑](#footnote-ref-6)
7. Criteria: less than $100K of Discover transactions processed annually, active in last 30 days, limited to specific merchant categories, clear merchant name field, single merchant ID. [↑](#footnote-ref-7)
8. Based, in part, on Amazon Local and FUSE merchant growth forecasts. [↑](#footnote-ref-8)
9. For comparison, 3P sales represent about 45% of total Amazon sales and small businesses represent about 40% of US retail sales. [↑](#footnote-ref-9)
10. Amazon Local Pages (ALPs) is a Merchant Platform project to create comprehensive business listings, like Yelp, on Amazon. [↑](#footnote-ref-10)
11. Industry estimates indicate PA is enabled in about 40% of merchants. It is increasing ~20% YOY. It tends to be higher in our target segments (e.g., restaurants). In a recent analysis of 19K existing AL merchants, we saw 50% enablement. [↑](#footnote-ref-11)