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Verifi is a Leading Provider of Global Electronic Payment and Risk Management with a Platform of Customizable Payment and Real-Time Reporting in a Multi-Layered Approach for Card-Not-Present Merchants



Matthew Katz
 CEO

BIO:

Matthew Katz, Verifi's founder, started the company after developing the first customized solution that systematically identifies multiple types of payment risk. In his current role as Chief Executive Officer, Mr. Katz continues to drive Verifi's vision as the company further diversifies its product offerings, extending into many verticals and markets within the payment industry. Mr. Katz has the unique distinction of starting a successful business while still in college introducing a new interactive online gambling methodology. Mr. Katz has a well established career as a successful entrepreneur having founded and partnered several other businesses and consulting firms prior to Verifi. Mr. Katz is a graduate of Washington University in St. Louis with a degree in Economics.

About Verifi, Inc.: has been a leading provider of global electronic payment

and risk management solutions for card-not-present merchants. The highly customizable payment and real-time reporting platform serves as a foundation for Verifi's suite of fraud solutions and risk management strategies. With a commitment of reducing risk while increasing profitability for clients, Verifi's multi-layered approach enables transaction risk management and mitigation, business optimization strategies, cardholder authentication and chargeback representation for all major credit card brands. Verifi is PCI Level 1 certified and headquartered in Los Angeles, California.

Business Services
Merchant Services



Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Mr. Katz, would you tell us your vision when you started the company and where you are today?

Mr. Katz: My vision when I started the company was to help payments evolve by creating new technologies that allow for merchants to have a better understanding of what is happening in their business through an analytics

base approach and by adding up to 2,000 additional data points beyond your typical customer information so we could create more refined solutions and then leverage a very flexible decision engine to take action. As of today, we have branched into a number of directions. We originally were focused on the concept of risk. Most people understand risk of fraud and a chargeback. During our last seven plus years of continuously investing in the business and growing it, we have evolved by redefining risk. Risk is not just that of chargebacks and fraud anymore from our customers' perspectives but it is also the risk of a refund and the risk of a decline on a credit card. Ultimately, it all rolls up into the lifetime value of a merchant and their customer and the tools that we have built to increase the lifetime value of their customer relationships.

CEOCFO: Is there a typical customer or a range of customers?

Mr. Katz: Historically we have focused on recurring our subscription merchants. In the last several years we have realized that the technologies that we have built for recurring subscription merchants is more applicable to high velocity merchants who have no set schedule. However, due to their brands and the nature of the goods or services being sold, their customers have a high propensity to make repeat purchases whether it is for the same product again or for new or different product the merchant might sell. We have expanded outside of just the recurring subscription model into a high frequency business model as well.

CEOCFO: Would you walk us through

a customer scenario of a problem and how you address it?

Mr. Katz: It depends on what their problem is. The first thing we strive to do in all relationships in a sales environment is to sit down with a merchant and let them talk to us about what their concerns and fears are about their business. As they describe, hopefully in detail, their concerns and requirements, we try to look into all the products and services we now offer to help tailor the pitch. The direction of the meeting is to make it truly relevant and not just list everything we do as a business but to make it very specific to what the merchant needs or quite frankly what we think they might need and they just have not realized it yet.

CEOCFO: Do most people know what they need fixed when they come to you?

Mr. Katz: Generally speaking, payments is an incredibly complex space. Due to the complexity the thing that we have learned more often than not is that typically the merchant knows of the problem or has identified one ahead of speaking with us, but once we resolve it, it typically uncovers three or four challenges they hadn't realized or discovered because they were so focused on the first issue. Until that first one was resolved, they could not even look deep enough to understand what really their concern or need was. Typically, an engagement for us is when the merchant comes to us with one specific need that they have in mind and then once that is resolved it very quickly turns into I just realized this, this, and this, are also problems, so what can I do to address them? Due to the complexity of payments, one of our strengths is to clear out the initial concerns and help them get to the root of their problem and the root of their business to help maximize revenue and lifetime value of their customers.

CEOCFO: How do you reach potential customers?

Mr. Katz: It is an evolving process.

Historically we have done no marketing as an organization so most of our customers historically have been organically driven from existing customer referrals or from many of the credit card acquirers in the country that refer merchants directly to us. In the last few months we are starting to really invest in a shift. It is about how we can focus on marketing our products, brand and solutions to reach customers that otherwise would not know that we're here.

CEOCFO: Why is this the time to make that push?

Mr. Katz: We have been a very fortunate company. We have been profitable since our second week of busi-

“Due to the complexity of payments, one of our strengths is to clear out the initial concerns and help them get to the root of their problem and the root of their business to help maximize revenue and lifetime value of their customers. We have one rule of thumb at Verifi and that is we do not do field of dreams. What I mean by that is we do not build a product or a solution because we think it is a good idea but we build technology because our clients have told us and shared with us what we need to be relevant and valuable to them. I think that many companies take for granted the infrastructure within payments today. We feel very fortunate and we challenge one another internally.”

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ness so all of our growth to about one hundred employees right now has been purely organically driven out of cash flow. We have been very fortunate but we recognize that there has been a great deal of value and demand for our products and services so we feel that now, due to the stability of the platform and due to how much we have invested in a number of different products and services and solutions, it is a very good time to start pushing our brand and products from a marketing perspective to help drive more leads instead of relying on referrals.

CEOCFO: Considering the industry you do have a fair amount of time for a company handling payments. Does that count when you are talking to people?

Mr. Katz: I think it depends on the

type of customer or merchant you are looking to attract as a customer. When talking about very big brands in this country, I believe that longevity has a value all unto itself. We have seen a recent shift with Visa, Mastercard and American Express acquiring more businesses. We have also gotten a great deal of companies coming to us saying you are not an association and you are not part of them so they are almost more comfortable with us based on longevity but also based on the fact that we are truly independent. As of today, we have never raised a dollar and therefore the business model is very clean. We have one rule of thumb at Verifi and that is we do not do field of dreams. What I mean by

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CEOCFO: Your tagline is: Intelligent, Innovative, Integrated, Inspired. How does that play out on a daily basis?

Mr. Katz: We focus on being aggressive and we focus on being disruptive. I think that many companies take for granted the infrastructure within payments today. We feel very fortunate and we challenge one another internally. There is no such person as a 'yes' man or 'yes' women at Verifi. We actually believe that everybody internally has to identify problems and solutions before raising them. Our focus internally and externally is just because it has always been done a certain way does not mean that is the right way and how can we improve upon it.

CEOCFO: What do you understand at Verifi that others do not?

Mr. Katz: Data rules everything. He

who has more data and can associate more data through a transaction to a customer and what that customer divulges during the purchasing experience allows us to make the best informed decision.

CEO CFO: What is your geographic reach?

Mr. Katz: Historically we have been focused domestically. We have recently been asked by our customers to expand into South and Central America along with Europe. We just brought on our new EVP of Global Sales with a focus of an international push. Historically it has been domestic and in the last six to nine months, we have grown internationally which has been a great opportunity for the business.

CEO CFO: Do you find challenges or are the problems pretty much the same across the board or are there noticeable differences?

Mr. Katz: There are definitely noticeable differences culturally speaking. Different cultures act differently as it relates to payments and the risk factors involved. I think that fraud definitely exists in every region of this world. The concept of friendly fraud is different. It is still kind of novel and new in this country and I have not seen it permeate other countries as significantly as it has in the U.S., so far. Customers who are making purchases and did not understand the terms and conditions of the product they were buying and then demonstrate characteristics of buyer's remorse, etcetera. We have not seen that same level of friendly fraud in other countries outside of North America.

CEO CFO: What is new?

Mr. Katz: Our CDRN program or Cardholder Dispute Resolution Network has always been one of our unique and novel products in the marketplace. We directly connect credit card issuers with merchants effectively bridging the gap that has existed in payments. Our platform enables that connection so, CDRN has been a phenomenal product for us since 2007 and adds a tremendous amount of value to our customers and our customers' ability to create the best reso-

lution or cardholder satisfaction levels in the industry. We have a number of next generation products coming out this year which we are extremely excited about. Generally speaking we have what we call our Intelligence Suite which is effectively the Verifi marketplace where we have a lot of third-party partners providing other types of technologies and products that can help our merchants enhance the user experience and enhance the ability to predict and mitigate fraud. In the past year, we have continuously nearly doubled the size of participating third-party vendors in our Intelligence Suite just to add more opportunities and more options for our merchants from which to benefit. We have an initiative right now to be completed by the end of summer to increase our platform's volume capabilities by 25X. We have a tremendous amount of volume going through our systems and a several new customers that will go live in Q3 and Q4. Those have been very big initiatives this year.

CEO CFO: How do you ensure that products do what they should as easily as they should?

Mr. Katz: All of our customers have a relationship manager at Verifi. We do not have relationship managers who are loaded to the point where they cannot answer a phone call or cannot proactively as part of the job requirement reach out to their customers every single month and make sure that they are actively engaged with them. Through that process and level of communication it really does ensure that our customers have the best understanding of and the best resources available how to leverage upon our products to get the most value. We also get a great deal of feedback from them. No product is ever the easiest to use as it could be. Our relationship managers are constantly working with our customers to get their feedback and input of how we could improve upon the user experience and the usability of our products. We are constantly incorporating that into our product enhancements and that is how we try to stay close and intimate with our customers, so for us, that is a primary focus. That allows us to constantly reinvest in expanding or en-

hancing our products to ensure that they are relevant for our merchants and clients and to also ensure that it is as easy as possible to interact with them.

CEO CFO: Are you set to handle the growth or do you see additional personnel needed?

Mr. Katz: In Q-1 this year, we started with 17 new people. In Q-1 of 2013 compared with Q-1 of 2012 we are already up 42% from a staffing level putting us at nearly 100 FTEs. In Q-2 of this year we already have projected 16 new people. It is a constant process. I think that by the end of summer our technology platform will absolutely be equipped to handle the increase in transactional volume but it is critical that we also stay on top of our hiring and staffing. We are constantly hiring and looking to hire the best people we can who will challenge us and make us better.

CEO CFO: You did talk about some of the intangibles you want in your people. How do you assess whether they are onboard with the corporate culture and how do you find the right people with the technical and people skills?

Mr. Katz: It is a huge challenge and one of the biggest challenges we and probably any business face out there. We are only as good as the people on our team. It is something that is constantly a work in progress. We can always improve and we always strive to improve. Every time somebody new starts we get to understand better. At Verifi we take our culture very seriously and we have our Culture Club. Every department has one elected individual represented at the Culture Club. Those people are changed annually. We divide the company depending on which half the year it is into five or six teams because we do a lot of company events together, both internal and external. We do a company charity event every quarter. For instance, we close the office and head out and do it. Due to the Culture Club and how close we watch our company's culture during the interview process it becomes pretty apparent if people are going to contribute or if they are going to be neutral and subtract from it. We have had experi-

ences in the past where we hired the wrong person and not from a skills-set perspective by any means but from a culture perspective. Hiring one wrong person can really change the enjoyment of being at the office so it is something that we are critically sensitive about and we have adopted the policy instead of making sure that we hire correctly and we spend time in the hiring process to ensure that they not only have the right skill set but the right attitude and mentality for the organization as a whole. We are very upfront with it during the interview process.

CEOCFO: What surprised you most as the company has developed?

Mr. Katz: I started the company seven plus years ago in my apartment by myself. For the first six months of the organization, it was just me. As of today, it is an incredibly humbling and proud thing to be able to say we have one hundred plus employees with a few hundred family members. I never foresaw that we would get to a hundred plus people and that we would have the brand of clients that we have. It is just incredible and they are

very open with us to help us understand the value of our services and where we need to go. The two things that I pride myself in the business which shocked me compared to seven years ago is the team at Verifi is incredible and our clients are amazing. I am here now in Las Vegas at one of our client's user conferences to support them. We have nothing to do here but hang out with them and get to meet many of the folks at their company -- and they have tens of thousands of employees. To come out here and be in Las Vegas with them is a pretty cool opportunity just to be invited to it.

CEOCFO: Why should the business and investment community pay attention to Verifi?

Mr. Katz: Our clients are always ROI positive on our services. It is tangibly documented every single quarter and year. They are making more money from us than you would ever pay us and it is a great thing for them and for us. I would say there is a great amount of opportunity in payments of which merchants are not aware. When you work with Verifi, we help you get a

much different level of understanding of your business and how you can improve upon it and make more money from your same customer base.

CEOCFO: Final thoughts?

Mr. Katz: Fortunately, being the CEO and the founder I get to wake up every morning and go to an office where I know there is an incredible group of people who are like-minded. We have a customer base that is incredibly good to us in terms of helping us improve and build new products and services to add more value and make sure that we are relevant if five years, like we are today. It is an amazing experience to come into an office where a client might ask in a passing conversation if I have I have ever thought about a certain thing and then all of a sudden one to three weeks later, we have an entire group of people dedicated to building that type of product. So, it is a fun environment. It is the overall camaraderie and it is the drive and inspiration that we all kind of pick up from each other that makes it a pleasure to come to work every day.

