

5 minutes With...

Vesta Corporation

◆ DOUG FIELDHOUSE

President & CEO

■ ROCKY SCALES

VP Sales & Marketing

It is said that not many companies can successfully migrate from their original business plan. At the Prepaid Markets Expo in New York, we found a company that did move off its initial plan, and very successfully. We sat down with Doug Fieldhouse, President & CEO and Rocky Scales, VP Sales & Marketing, who provided a revealing glimpse into not only Vesta, but into prepaid recharge fraud as well.

TPP: *What is the main business function of Vesta?*

◆DF: We went from prepaid long distance. Today, we have about 75% of the recharge market for prepaid long distance that's not cash based. Vesta does not work in cash or Point of Sale whatsoever. Completely virtual. So anyone who has a phone card, or a prepaid wireless phone, and they want to recharge it over the Web, or over the phone, or through an IVR, they come to Vesta.

TPP: *If you are recharging prepaid cards over the Internet using credit cards, you must have the world's longest list of stolen credit card numbers?*

◆DF: We have a very long list of stolen credit cards. But, you get it!

TPP: *I certainly got it! Who are your customers?*

◆DF: We support AT&T, Qwest, Excel, Sprint. We have supported MCI. We are doing the same thing with prepaid wireless. AT&T Wireless and Cingular right now. All their customers that want to replenish with credit cards or debit cards come through Vesta. We are in the process of doing the same thing with the stored value market, more generically.

■RS: If you had a prepaid wireless phone, if it was AT&T Wireless, press 611 on the phone, go to the customer care IVR, press 5 to buy more minutes on a credit card, that call is routed to Vesta, and we answer the call, "Thank you for calling AT&T Wireless."

◆DF: We are pioneers. We are a bit crazy, too.

TPP: *Do you compete with Western Union?*

◆DF: Western Union is focused primarily on cash based replenishment at kiosks. We are focused on virtual replenishment, using check, credit or debit. We serve two different channels.

We hit our 50 millionth transaction last week, so 50 million times we have processed some type of electronic transaction.

(ed. note- Some interviews give themselves, this is one of those!)

TPP: *What percentage of those were valid transactions?*

◆DF: Oh, the vast majority of them. A transaction comes in, in one of three states. Known Good. Known Bad and We're Not Sure. Not Sure are two categories, Good Customer-Good Credit-Suspect Behavior and Unknown Customer-Unknown Credit-Standard Behavior. Not Sure are not all the same. There are different reasons why people are Unsure. Some people might have a good payment device but some bizarre behavior. Some people, everything about them looks squirrely.

TPP: *Or they are brand new?*

◆DF: Some people, we would look at them and right away say, 'they are good.' Because of the time of day they call, the credit card they are using, their address, and the product they are buying.

■RS: They don't exhibit any behavior pattern of fraudsters and the bank accepts the transaction, then if we validate it against our algorithm, we'll accept the transaction.

◆DF: Most companies can get the good ones. A lot of companies get the bad ones. The problem is that when they get the bad ones, they get a whole lot of these "maybes." What Vesta patents is our ability to take these transactions that are in a certain gray area of the Maybe state and very quickly, properly slice and dice them. More than half of the questionable Maybes turn out to be legitimate transactions.

TPP: *How many do you ultimately end up rejecting?*

◆**DF:** At the end of the day, we probably reject on the total about 10%. But that is much lower than other people. We like to tell people, if you don't have a fraud problem for someone doing recharge, you have a revenue problem. The way you prevented the fraud problem was that you said "no" to 35% of the customers.

■**RS:** So, to prevent the one bad transaction, they will reject 40 potentially good ones.

◆**DF:** We think that's nuts. We like to say, "The hardest customer to get is the one you already irritated."

TPP: *How do you do it?*

◆**DF:** It is a black box — heuristic, neural network, rules based. A combination of the best software and intelligence that

you can get with human intervention at very important points along the way.

TPP: *Can a small service provider use Vesta services?*

◆**DF:** It would depend. We focus on highly leveraged deals.

TPP: *If I am a Tier 1 carrier?*

DF & RS: Of course.

TPP: *Even if the Tier 1 carrier is going to sell essentially the same products as the small service provider?*

◆**DF:** Yes.

TPP: *Why? What is the difference?*

◆**DF:** The people who would be interested in getting a branded card are a little bit different than the people who get the others.

TPP: *So a bad guy is not going to get an AT&T card?*

◆**DF:** Maybe, but it is less likely. There a huge number of people that are gaming the system, and will refuse to pay because there is no signature on file. We call that "friendly fraud."

TPP: *It doesn't seem so "friendly"!*

◆**DF:** Its not professional fraud. But our system is the only system that can flag this kind of fraud.



Doug Fieldhouse is President & CEO of Vesta Corporation.



Rocky Scales is VP Sales & Marketing of Vesta Corporation. He can be reached at rocky.scales@trustvesta.com