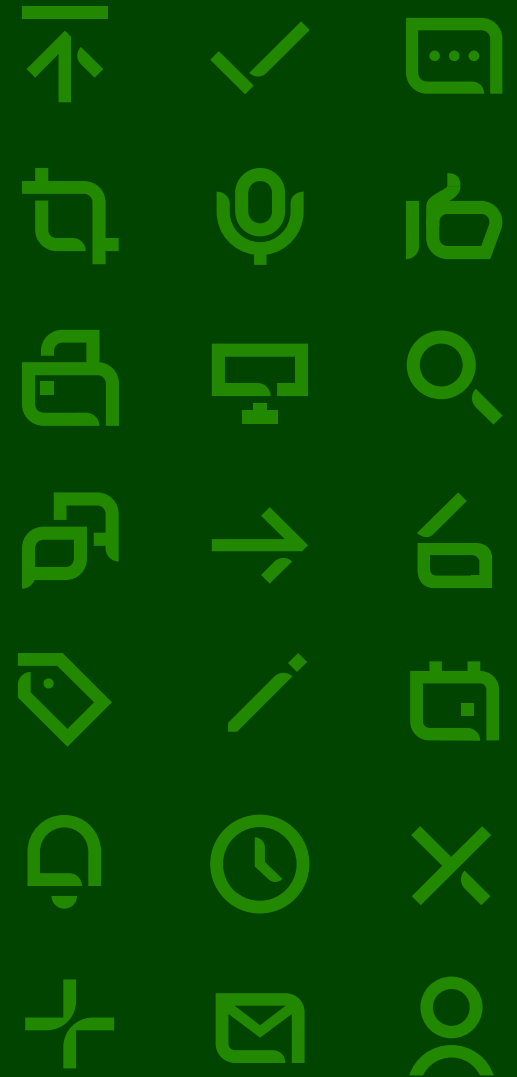**clover**

Clover Compact Tethering Billing

November 2024

Compact Refresher

Executive Summary

Clover Compact

Cost-conscious, entry level, payments terminal to meet the needs of price sensitive merchants. Replacement option for the FD130 and comparable to the FD150, Ingenico, and Verifone starter devices.

Context

Clover does not currently play in the low-cost entry level payment terminal segment. These devices are strictly for payment acceptance use cases for a standalone implementation.

Fiserv currently serves this market segment with FD 150/130 terminals and 3rd party devices from Ingenico, Pax, and Verifone.

This strategy would enable Clover to expand into this segment of the market while extending the Clover brand, increase average revenue per user (ARPU) through value-added software and services (Clover Capital, Rapid Deposit, Surcharging, Clover Gift Cards).

Offering

- Retail Price:

- Supported SaaS Plan (*For net new Clover Merchants with Compact ONLY*) - Payments or Healthcare Plan

- Supported SaaS Plan (*For Clover Merchants with additional Clover devices*) - Payments Plan or higher

- Launched date: July 2024

- Target customers: Professional Services, Salons & Spas, Grocery, Retail, Restaurants, Non-Profits & Charities

- Target markets: North America

Product - Market Fit & Customer Profile

"**As a small business merchant** like a *Salon, Shop, Dentist office* **I'm looking** for an ideal <u>countertop payment terminal</u> for credit/debit <u>card payment</u> processing and enhance my customer experience"

Nail Salon	Bike Repair Shop	Dry Cleaner	Medical Services	Tax Services

Target Customer

✓ Price sensitive merchants looking for a simple terminal to accept payments

✓ Merchants requiring a simple terminal to accept payments and to integrate with their existing POS system

✓ Buying requirements: cost, durability, security, integration capability

✓ Target segments: Retail, Restaurants & QSR , Medical, Professional Services

Not Target Customer

✗ Fuel - Require Fuel discharge feature

✗ Automotive - Require automotive features

✗ Hotels & Lodging and Travel

✗ Large franchises who also need a terminal management system to support fleet management

✗ Restaurants and Retailers requiring a mobile payment device

✗ Restaurants requiring table management and counter service support

✗ Micro merchants looking for very low cost mobile payment options

✗ Service-based merchants requiring mobile payment device and invoicing capabilities

Clover Compact Advantages

Compact: Stand Alone
Payment Terminal for the countertop

Features that enable merchants to operate more efficiently.

- **Faster Processing:** Payment processing that accommodate their customers' preferred methods (card/contactless)
- **Instant funding:** Access to Clover financial services during cash shortages for payroll or inventory (via Clover Capital/Rapid Deposit)
- **Surcharging:** Apply surcharging to help reduce operational costs and increase profit margins.
- **Cash Discount:** Solution enabled for price-sensitive customers with Cash Discount App
- **Gift Card:** Gift card increase repeat business and expands customer base (Clover Gift Card coming soon)
- **Cellular Data (Wireless Manager):** Network redundancy through optional Cellular Data connectivity.
- **Reporting:** Standard transaction insights and reporting, including Closeout reports.

Price and design features:

- **User-Friendly Interface**: Simple, intuitive payment flows on the device for non-tech-savvy users.
- **Standalone:** Focus on payment processing and not complex POS features.
- **Budget Friendly:** Cost-effective, no high upfront costs or complex pricing.
- **Compact Size:** Space-efficient, saves counter space.
- **(Optional) Tether-ready** *(NOW AVAILABLE)***:** Easily tether Compact-to-Compact for customer PIN Pad usage.

On **Swivel stand**
for seamless Merchant & Customer interactions
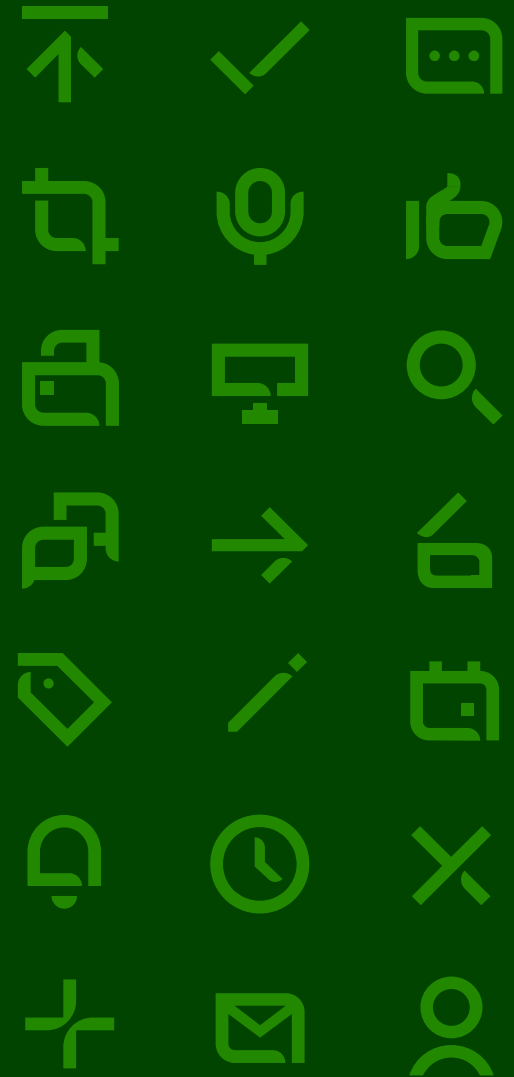
Compact Accessories

Accessory	Description
Clover Compact Tether Cable	4.6 ft (1.4m) cable to connect Merchant-side Compact to Customer-side Compact. Proprietary USB Connector.
Clover Compact Swivel Stand Bundle	Includes Mini Swivel Stand and Compact Stand Adapter

Compact Tethering

Executive Summary – Clover Tethering

Clover Compact Tethering Solution

Listening to customers' needs, Clover created an option to speak to pricing concerns that may limit Compact sales & revenue

Challenge

Clover does not currently offer a basic PIN Pad device (comparable to the Fiserv RP-10 which can be used with FD130 or FD150 payment terminals). However, Compact can be used as both Payment terminal as well as PIN Pad.

Using 2 tethered Compacts comes at a price – an additional device fee that is applied to the merchant's billing. Based on input received, the merchants are less likely to pay for an additional non-processing device.

Clover Compact has no flag or indicator identifying whether a device is tethered and used as Merchant- or Customer-facing. Nor can the assumption be made that multiple Compacts AND tethering cables will be ordered in unison and used in the tethered configuration.

Approach

- Develop a solution to accommodate for multiple Compacts usage

- Billing solution is the most feasible and configurable to address the challenges as quickly as possible

- Merchant will need to designate Merchant- vs Customer-Facing devices for the solution to work as designed

- Devices that Clover deems as processing will be billable

- New Billing Solution only applies to Compact-to-Compact connections, no other solutions such as Mini-to-Mini

- *Systemic Readiness: November 1, 2024*

About Compact Tethering

With the Compact tethering cable, a Clover Compact can be used as a customer-facing PIN Pad.

This is perfect for liquor stores, retailers accepting EBT payments, or any business that needs a customer-facing card reader.

How It Works:

- Two Clover Compact terminals: (1) Merchant Facing **PLUS** (1) Customer Facing
- Compacts are connected using the Clover proprietary Compact tethering cable (sold separately)
- Customer facing device is considered **"tethered"** and is not counted as a **"billable"** device
- Compact tethering only works with another Compact – not other Clover or non-Clover devices
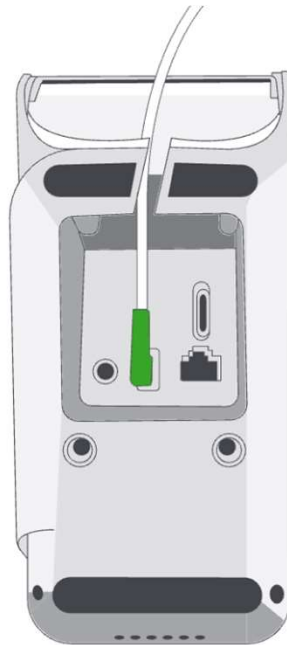
About Compact Tethering

Customer facing side:

Plug the green end of the cable into the USB connector on the device.

The device will receive power from the merchant facing device without an additional power adapter.

Connect the device to a LTE, LAN, or Wi-Fi network.

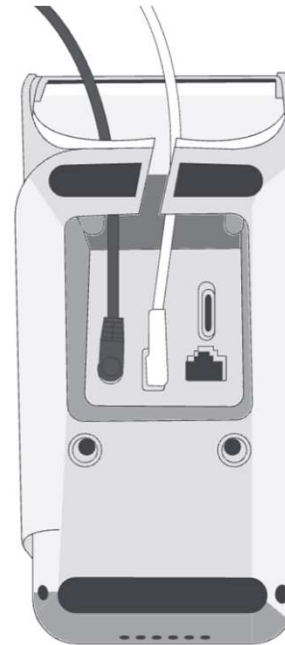Printing receipts is not supported on the customer facing side.

Merchant facing side:

Plug the white end of the cable into the USB connector on the device.

Plug in the supplied power adapter into the device.

Then, plug adapter to the wall.

Connect the device to a LTE, LAN, or Wi-Fi network.

Both devices must be individually connected to LTE, LAN, or Wi-Fi

Tethering Identification

How do we know a device is "tethered"?

- Merchant Facing Device (MFD):
  - Will create an order but not process the payment.
- Customer Facing Device (CFD):
  - Will not create an order but will process the payment.

Challenges with developing a solution:

- There are no other indicators from the device that note the device as "tethered"
- All orders of the cables can not be tracked, nor can an order of a cable assume tethering
- Compacts are all shipped the same. There is no "tethering" configuration.
- They can be tethered and untethered at will by merchants.

Billing High Level Rules

Subscription vs Arrears Billing

- Tethered Compacts will be billed a subscription based on rules and the prior month's activity.

  Why Subscription?

  - Single Compacts and those not tethered will be billed like all other devices.
  - Arrears worked for "seasonal" but only because seasonal suppresses all SaaS.
  - Billing a single device in arrears will require extensive legacy work.

Rules & Conditions

- All SaaS plans are eligible
- A single Compact will be billed like all other devices
- Do not count a "tethered" Compact as a "billable" device
- Devices must remain tethered in the designated positions (CFD vs MFD) for the entire prior month

Defining the Tethered Scenario

Compact-to-Compact Tethering Configuration:

1. Total # Compacts / 2 *(rounded down)* = # Potential Tethered Compacts

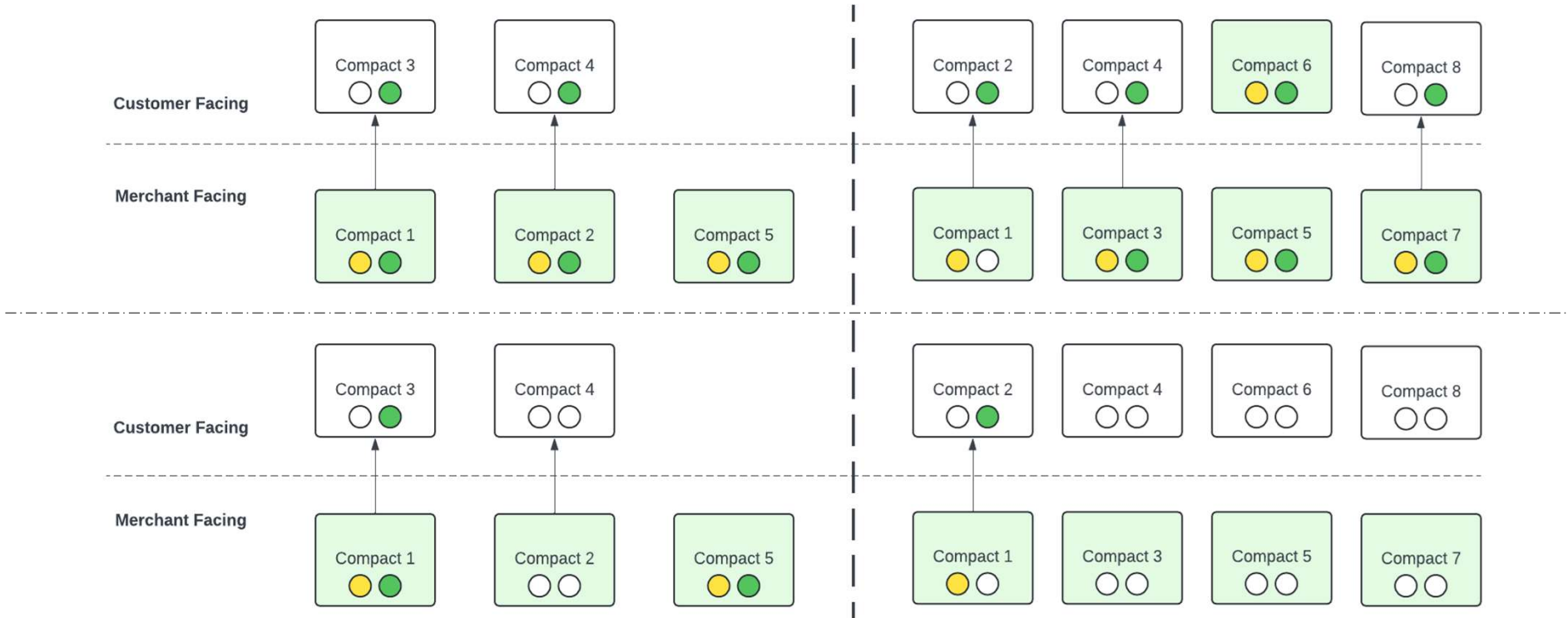2. A Potential Tethered Compact must then have ***no orders for the entire prior month***.

Example:

Merchant has 3 Compacts, where 2 Compacts are connected, 1 Compact is standalone
- Potential Tethered Devices = 1 *(3/2 = 1.5, rounded down to 1)*
- (2) Compacts are billed like any other device (the "billable" devices).
- (1) Is not billed if there is 1 without orders for the month (the "tethered" device).

Scenarios

Legend
- 🟡 Orders
- 🟢 Payments
- ⚪ Idle
- 🟩 Billable

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Plan Selection Page

Service plan

ⓘ The bank account with routing number 0000000000000000 and account number ***********3770 will be debited monthly.

Payments	Essentials	(YOUR PLAN) Register	Counter Service Restaurant	Table Service Restaurant
$0.00 per month	**$14.95** per month	**$49.95** per month	**$59.95** per month	**$89.95** per month
with up to one device. $7.95 per month for each additional device.*	with up to one device. $11.95 per month for each additional device.*	with one device. $19.95 per month for each additional device.*	with one device. $19.95 per month for each additional device.*	with one device. $19.95 per month for each additional device.*
Select plan	**Select plan**		**Select plan**	**Select plan**

Payments — Includes:
- ✓ Payments Acceptance
- ✓ Mobile Payments with Clover Go
- ✓ Virtual Terminal with Invoicing
- ✓ Transaction Reports

Essentials — Everything in Payments, plus:
- ✓ Order Management
- ✓ Customer Management
- ✓ Basic Inventory Management and Reporting

Register — Everything in Essentials, plus:
- ✓ Advanced Inventory Management and Reporting

Counter Service Restaurant — Everything in Register, plus:
- ✓ Online Ordering

Table Service Restaurant — Everything in Counter Service Restaurant, plus:
- ✓ Table Mapping and Tableside Ordering/Firing (requires Mini or Station)

Add Here

*No monthly fee for each Clover Go card reader **or Compact connected to another Compact.**

What to Keep in Mind…

- Customers should understand that the subscription logic is based on the previous month.

- Customer **will be billed** if they are tethered for part of a month.

- If Customer is on a plan which waives the 1st device, that will not change

  - For example, 1st device on Healthcare / Payments SaaS is $0/mo

- Billing may occur for an idle device (as with other Clover devices) - see illustrations Slide 14

- This solution is not applicable to other Clover tethering setups, such as Mini or Station

Thank you