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Oral History Conversation With Evan Malter

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ORAL HISTORY CONVERSATIONS WITH CHANGEMAKERS

By Students in PHILOSOPHY 332: Business Ethics | Spring 2017

EVAN MALTER (COUNT LOYALTY)

with Mary Ann Lee, Max Opperman, Sal Llamas, and TJ Hodges

TJ: This is an oral history document with Evan Malter, the founder of Count Loyalty. Evan, thank you for joining us today. We appreciate it.

Evan: Thanks for having me.

TJ: Of course. So, our first question starts, not only for the beginning of this interview, but chronologically from the beginning -- what was your childhood like and were there specific childhood experiences that you might be able to connect to the kind of work you're doing with Count Loyalty? This can include sources of inspiration and motivation, seeds from specific ideas, or important mentoring relationships.

Evan: Sure. Absolutely. So, I was born in the Northeast, in Massachusetts. I grew up in a small town just outside of Boston. It was a middle-class childhood with parents who cared about me, nurtured me. So, it was always a nature-nurture question. I think that nurture has a lot to do with who I've become today, for sure. More so I think, than nature. I think that my father's difference-- my mother and father nurtured me differently than what I think my father has in nature to be. If that makes sense. And so, my mother is caring, compassionate, and self, for sure has a lot to do with how I treat other people today -- how I view the world, how I want to be part of the world. And, in addition to that, an experience that happened for sure during that time was that my mother was diagnosed with cancer when I was very young -- she was nine years old. Sorry, I was nine years old. She was older than that. My life was colored quite a bit by experiences of being in hospitals and having a mother who really wanted to live everyday like it could be her last, and taught me to sort of have a carpe diem kind of life: Don't put it off for ten years if you could do it right now. And so, that always kind of colored my decisions as to where I was going to make my next step. And so, when I went off to college, and I maybe I'm jumping ahead chronologically, but when I went off to college, it was...and I... do I use this for financial success, for impacting the world? And frankly, very early on, it was, I'm going to get an Economics degree, and I'm going to double major in Japanese, because at the time the Japanese economy was booming, and I thought I could make millions of dollars because I'm a really smart kid who can use my business sense, and it sounded like I was going on a perfect progression here, but this is the... I kind of went off to the side and said "Why will I not do that?" I'm seeing all of these people who were making millions of dollars, you know, at that time of America, and why wouldn't I want to do that? And sure enough I got sick my freshman year of college. So, it was January of my freshman year of college and I got a brain infection, and was basically knocked out for 6 months. I lost all balance, I slurred speech. There were many people that didn't think I was going to make it past that experience, but I set out to get past it, and sure enough did. I got healthy, changed sort of my course, and again, that sort of woke me up to the same thing that my mom had taught me through life, which was: Do it today, make sure you're accomplishing something that if tomorrow, you fell off the side of the cliff, you would have made

an impact in the world. And so, it was with that that I set back on the course to hopefully make an impact. There's been a number of times over the course of my life that I've swayed, strayed a little bit -- and it has taken events in my life to kind of push me back towards what I think is important-- making an impact.

Max: So, initially, out of school, so you worked as a securities analyst, after that experience, how did that occur and then what changed to start your first business?

Evan: So, I'm going to change that history a little bit, to make it real, to make it accurate. So, I actually went to Columbia to be a baseball player. I was on the varsity team my fall of my freshman year, and didn't make it to the actual season, spring of my freshman year, and when I got healthy, my doctor said that I couldn't play baseball anymore. I still had depth perception issues, I was a third baseman -- not a good call to be third baseman with depth perception issues, and so I became a sports announcer. And while at Columbia, I broadcast all the college football games, all the basketball games, all the baseball games, and was kind of doing that mostly to satisfy my love of sports, but it was also something to do. My senior year, as I, as all of my friends with Economics degrees were heading off to go work on Wall Street to make six-figure salaries, and to do that thing, I was writing a paper in my Economics courses that was, how Jack Welch ruined America, and it was sort of an accidental decision to write that paper -- I don't even remember exactly why I wrote the paper, but it had a huge impact on me. Basically, it was research to sort of understand that shareholder value that has become so important over the previous how ever many decades, whether or not it's Jack Welch's fault.

All Students: *Laughter

Evan: Great admiration for Jack Welch, but it was really Jack Welch who kind of set this tone in American Wall Street that you had to hit quarterly numbers to constantly make your shareholders happy, and it was much less important to make your customers happy. And it was with that that I thought to myself, "Is this the system that I want to be a part of -- do I really want to be working on Wall Street, kind of compelling the world to go this route?" And so, I had a choice to make -- do I want to take a six-figure job on Wall Street, or do I want to do something else? And my something else wasn't a social impact, it was a 'this is going to a much cooler job,' and so I became a play by play announcer. So, for 7 years, I was a play by play announcer doing minor league baseball, college football, college basketball, and uh, greatest experience of my life! Best job I ever had. Didn't make the impact necessarily that we're talking about today, but it was the choice that I made to not go to Wall Street. I then got married and had to find a way to not be travelling as much, to be around my wife, to make enough money to put her through medical school, and I had opportunities to go back and do something in Wall Street, so to speak. So, I was actually in Boston and I was a Securities Analyst, in the Financial District of Boston, doing public and private equities, and it was at a time when you guys were like, 3, actually, probably, even younger than that.

Everyone: *Chuckles

Evan: But it was 1999 through 2001...How old are you guys?

Max: 22

Mary Ann: I was five.

TJ: I was six.

Evan: Anyway, the economy kind of uh.... it was the beginning of the tech bubble. Everything was spectacular for about a year and then everything was stomach turning for a year. And so, that was my two years in Wall Street and I saw everything I knew I would hate about Wall Street, saw a lot of things that I loved -- that I thought "Wow, this is the right way to do things" and learned from those experiences and kept an open mind; I think that's sort of the key there. I didn't just go "Boo, boo, boo Wall Street."

Max: Yeah

Evan: There are a lot of things that work and don't work. And so, it was with that that I did make my move to something that I thought would make me feel more empowered inside -- creating a bigger impact in the world, and it was working with Mom and Pop businesses to do web design and marketing. So, this was, again, this was 2001, long before you guys could even imagine this -- you couldn't build a website. It was \$50,000 for a pizza shop to make a website, which obviously just --- the Economics just didn't work, but they could be impacted much greater than a Macy's, dating myself again, but the big companies that were putting up websites-- there wasn't much there. But for a pizza shop, you can really engage your customers, you could really change that experience. And so, it was that that I started what I really consider to be, a lifestyle business at the time. It was going to be enough to make my family comfortable, to do what I love, spend time in local communities, which you know, I love being a part of these Mom and Pop businesses, and it was, for myself, as much as anything, whether or not I was making an impact on the greater world, wasn't really what I was going after. I then let the business scale more quickly than I thought it would -- it was highly successful, it was highly viral. It was at the time the tech economy had imploded, so I was able to outsource a lot of work, and scale, you know -- the key lesson in business is "Never work for yourself, always have other people work for you." That was sort of, the opportunity that I fell into in 2002,3,4,5. There were a lot of people that were willing to work overnight to build these websites, that initially I thought, "Oh, I'll just kind of do this myself." And grew that to a point in 2005 that I was able to make another life choice -- and I think what's important, I may be telling too many stories in a row...

Max: No, that's alright.

Evan: What's important to know about that decision I made in 2005 was I never wanted to be sales guy. I never really wanted to go into sales. I had experiences as a minor-league announcer, selling radio advertising. There's a story I always tell of there was a chiropractor, who I had to sell him a \$3500 radio ad, and in order to sell that radio ad, I had to get his service. I did not want his chiropractic service.

All Students: *Laughs

Evan: I did not want a guy standing at my back doing any of that stuff. And so, I - I basically said, "I can't sell you this, because I don't want to have to say in the air that I'm..." He couldn't believe it. I just turned down a \$3500 ad, which was like a \$700 commission, because I didn't want to

have to lie in the air that I had chiropractic service. And I just hated this idea of selling something that a) I would have to lie about and b) the other thing was selling a product that to him would have been an ego buy... Oh, I want to be on the radio! And to me, it was hard to sell that. I wanted to sell something that I felt I was giving ultimate value to the customer. So, when I started Finger Print Web Design, which was the web design, marketing company, earlier on, I knew that I was bringing revenues into these businesses: That I would charge \$500 a month, and they would increase their revenues by 1000, 2000, 3000 bucks, and I felt really good about that. When 2005 came along, you could get a template website. You could pay \$495 and have a beautiful website done.

I would find myself walking into sales and saying what I do is awesome but it's going to totally change but you know what, you're totally fine with a template website. You don't really need me. So, I found myself really killing my own business and out of business ethics, I had this idea of why would I sell this to this guy if he doesn't need it. Truthfully, from a practicality standpoint, it's must harder to sell something when you don't feel passionate about what you're offering so it was at that point that I basically sold off the business in parts. I sold off each customer to a provider that I knew would service that customer correctly. So, I didn't sell the business as a whole but I had some customers who were better served by a marketing company, I had some customers who were better served by a web design company or an email marketing company and so we kind of distributed it off like that. There's a few more steps but maybe I'll wait for next question and go from there or do you want me to keep going in my life story.

Max: No, I think this is good.

All Students: Yeah.

Evan: So when I sold off fingerprint web designs in 2005 my wife had finished up her medical residency she was at UCSD doing her residency in radiology and we kind of had all sorts of options of what we could do and I had always been a city kid, my parents grew up in the Bronx in New York City and I went to school in Columbia in New York and my wife was a little bit more country and definitely wanted more warm weather and so we had landed here in San Diego but we had landed in San Diego four years earlier and so I guess I appeased my wife earlier than I appeased myself and I wanted the city so we picked up and moved to Sidney, Australia and that was, you know, my compromise. It was a world city that wasn't quite New York and it was the warm weather that wasn't quite San Diego weather but we were pretty happy. We had a sixteen-month-old son at the time and we were going to just kind of adventure and see the world and I actually spent six years, we lived in Sydney for six years, and I was basically a stay at home dad. I told people I was a professional photographer and I traveled the world and shot photography but it was much more about being a dad, more about seeing the world and showing the world to my kid and this would be another one of those sort of events, moments, in my life that shaped me. I had seen, you know my parents had taken me to Europe growing up and we had done sort of European trips and seen the Louvre and seen the but I hadn't really seen the world and I wanted to make sure if I was going to bring my kid to the other side of the world he was going to see the world he was going to, we were going to learn from this experience and so when we traveled we would, we actually traveled around the world seven times in the course of that six years spending about two months on each of those trips and we would actually pick, I would plan, I was also a travel agent. I was a professional photographer, I was a travel agent, I changed diapers, (laughs), but I would plan the trip and we would do a week at a time in these

places and we would really see these places and we would stay, you know this was pre-Airbnb, but we would find people who we could stay with and really experience it not from a hotel standpoint. We stayed in hotels for sure but whenever possible we would find an apartment and we would stay there for a week. When we were in, one of my most memorable was Florence, Italy. You know in Florence, Italy, you know we were there and we would walk downstairs and we would eat some pizza and we would kind of do all of those things that you would do as a native and after twenty-four hours you feel like you're waking up in your house. And so, I'm kind of bouncing around, but this is a little bit to get me to Count Loyalty which is sort of this local economy sort of thing. In Europe and in Australia people have a different appreciation for their communities than they do in a lot of American cities that is, it is your local neighborhood. Everything in Europe is built around a plaza. In Australia, there are these villages that you live in and you go to the fruit guy for fruit and you go to the florist for flowers and you go to the meat guy for meat. You don't just go to Walmart or Target or wherever and get your groceries but there's someone who has this passion for what they're doing and it was those six years in Australia and traveling the world that I really realized that, America is an awesome place, but there's so much that we don't get and seeing America from the outside gave me this different appreciation for how I thought this great country should be and maybe we'll go back to my Australia but I came back to America and the story, this is probably even published on the internet more times than I want to know, that my wife would definitely doesn't want to know, was we had been home maybe two months and my wife came back from Target with groceries and I said to myself, really? The guy at Target picked out my fruit? You know I had been in Australia where we would literally go to this guy who like when the fruit came in he picked out the fruit that he wanted to sell to me because it was the good fruit! And it sounds like a funny story but it's more symbolic of the bigger picture and I just couldn't believe it that she bought groceries at Target and it was sort of at that moment that I started thinking what am I going to start? How am I going to impact the world? How am I going to change the way we look at things in America? And it wasn't immediately, it was probably six, twelve months later that I really started down towards this path to the business I've created now.

TJ: Would you say that the way that the American economy operates now, with the big Walgreens and Targets and huge stores focusing on a lot of different things, would you say that what you're trying to do is going against the tide of the direction that America is going in or do you see sort of a natural path back to the Sydney, Australia look of things?

Evan: I think there is a natural path and I think what's interesting is, I don't want to put you guys all in a category here but, your generation, you're the millennials, sort of are starting to understand that the world can't be so commoditized, it can't be so efficient, efficiency. One of the things I talk about all the time is I'm an economics major, right I have this degree in understanding economics and how great efficiencies are and if you can create efficiencies your bottom line is going to grow. It's not the case in the place we want to live. Where we want to live, we don't want to live in a perfectly efficient world. The analogy I always use is, if that was the case, why do we sit down for a meal with our families? Why do we go out to a restaurant and enjoy that experience? We should just get an IV to put our nutrients inside our body and then we will have efficiently absorbed the food we need to survive. No, we want to experience our family at dinner, we want to go out to a nice meal and that's true too for everything. That's even true in retail, there's an experience of going to a store to window shop, to have some time. The more personal one to me when I started the company was I had been this stay at home dad and I had been the guy who you know when my kid was 2, 3, 4, I would go shopping and he

would sit in the shopping cart and I would push the shopping cart around and we would go shopping and I have a few specific moments that I can recall and one was walking around a big department store and no one talking to use. You know my kid who when you're 3, when you're 4, you're absorbing everything, you're seeing everything that's happening and no one talking to us. I'm just putting this stuff in the cart and there's no interaction in this sort of consumer experience. So much of our lives is a consumer experience and for my kid to be learning, absorbing that this is how other people treat each other. This is what we do, we walk around and push carts around was somewhat horrifying and being. The other story that I often tell is when we first moved back to America I brought my son in to get soccer cleats, and we went to actually a local sporting goods shop and the guy came over and he said, how can I help? You know let me try on these shoes and he talked to my kid and he had this interaction and it was great. But it was nothing I really thought of at the time and certainly wasn't something my kid thought of at the time and then six months later we went in to buy him a baseball glove and the same guy walks over and says, hey Jake! How was soccer? And again, no way my six year old remembers that or remembers who this guy was but he walked into this setting where another human being who he doesn't even remember came over and remembered his name and asked him a question about his life and I want to believe that's shaping who my kid is as opposed to if we had walked into Target and I walked to the sporting goods section and I looked at the seventeen gloves and looked around to see if anyone could help me and no one was around and I said okay we're going to do this one and put it in the cart. Whether or not that even means anything in the grand scheme of things or not, I don't know, I'm not a psychology guy but it feels like it does, it feels like this is how our society is growing up and if my kid clicks a button and amazon drops a box off at the front door, when is he ever going to have to interact with other human beings? First of all, and second of all, maybe this one's a wrong way to look at it too, but I'm telling it for the history of the Earth, he doesn't necessarily have to treat anyone nicely, right? When I walked into that sporting goods shop and I had this conversation with the guy who was helping me with the cleats, if I had said, just give me the cleats I want to go, he wouldn't have come up to my kid the next time and we wouldn't have had this sort of bigger picture experience. And this is, if I do this, and they drop it off at my front door, why do I have to treat anyone nicely or treat anyone with any sort of respect? All I have to do is, I can fend for myself with a click and something's going to show up at my door. So, I think there is a bigger picture here, I think there is more than just the economics of local economies, I think there is a societal shift that I think we all do have to realize and I think we will realize and I think there is a history to how the world has gone. You take the Boston Tea Party and I won't get into, I'll let historians do the Boston Tea Party story, but the Boston Tea Party is another story just like that where they said at that point we can't have it be this way. We're going to all throw our tea off the boats, through history we've had these moments and I do hope that Count Loyalty can contribute to this sort of bigger picture where we need to empower ourselves, we need to fend for ourselves. It might be more efficient for Amazon, Walmart, and Target to succeed but we need to fend for ourselves, we need to step up and make sure that it doesn't go that way.

Max: How are millennials influencing Count Loyalty and then helping to expedite the process? And then on top of that, how are you finding these companies and finding ones that you actually believe in that hold some of the goals and compassions of Count Loyalty?

Evan: Yeah, so I think to take a step back for the viewer or the listener, or whatever this is, to sort of explain County Loyalty a little bit. I kind of skipped over that. Basically, I founded Count Loyalty as a company called ZipCap, actually founded a company called raise99.com, which was

raising \$99,000 by 99 members of your community so it was equity crowdfunding and sort of just coming about. And you could now raise money as a local business and I said, "Hey, a community should want to empower these local businesses!" And so, with that we said "Let's get 99 people together "and all sorts of reasons shifted very quickly to what became ZipCap, and what ZipCap was, was zip code capital. And the idea was that members of the community could have an influence on the success of these local businesses and that they could make things happen in their own community that they wanted to see happen by simply being a better customer, by simply saying that they would back them. I'm eating pizza at Bob's Pizza every Monday night. I know that and Bob probably knows that, but no one else knows that and if Bob needs access to capital he can't go into the bank and say hey Evan is eating pizza at my place every Monday night and so it was with that that I sort of pulled all of my memory together of economics and local business and put everything sort of together and said there is a way to use technology to help Bob get access to capital by helping the bank better understand who he is as a business and so what ZipCap was ...was, we would get 100 customers to make a commitment to spend at Bob's Pizza for example, let's say that was a 400 dollar commitment and they didn't have to prepay it they simply had to say hey I am going to come back. and now we had \$40,000 dollars of what we call loyalty capital and that gave us an account receivable that we could basically say hey we know 40,000 dollars are coming in so let's give Bob his 20 grand and as that money comes in we know we will get paid back. And so, where ZipCap kind of went was when we started this as a financial instrument company, we started as a company that said we have this new Accounts Receivable that didn't exist before and we will factor it. We realized the amazing insights we could get out of data and figured out that we necessarily didn't need to have me commit to spending \$400 dollars but rather just see my transactional pattern know who I am, where I lived and have a better understanding of that guy is going to be good for \$400 dollars and use that to help a lender or now a vendor or landlord or anyone who is making of decision about a small business to better understand that small business and give them more opportunities. From that standpoint, what a lot of landlords will tell you, what a lot of vendors will tell you, what a lot of lenders will say is that these businesses are too risky. And it is very much our belief that these businesses are not too risky, they are just not well enough understood and that if they could understand them better they won't be risky and they can take a chance on them they can give them opportunities and instead of it having to be a Starbucks on the corner it can be that coffee shop that actually is a better anchor business for your strip mall than Starbucks. Because instead of drawing people from a half-mile away you are drawing those people from nine miles away who have to be at your coffee shop and so it's not that they are riskier it's not that they are a worst tenant it's just that we don't understand them. And so, with that we kind of built up what became ZipCap and within the last 4 months now we rebranded as Count Loyalty and the idea really being that customer's loyalty should count that a business owner's loyal customers should count and by making my loyalty count at Bob's Pizza, it's not me just getting an 11th pizza for free but I'm making an impact on the place I live, the world I live in and what I can do. And so, we have just really now started to really embrace this marketing message that your loyalty should count at Bob's Pizza, your loyalty should count at Sally's coffee, your loyalty should count and it is millennials who are getting it a little bit more so than others. It's funny because this a social impact conversation too, but when you're in college and in your early 20's you really want to change the world but then all of sudden you have kids and you have responsibilities and you have very little time for yourself, you have toddlers running around and mortgages to pay and all of sudden it is harder to want to make an impact on the world and then you get to this stage in your life like okay I'm comfortable and I feel pretty good, now I'm ready to make an impact on the world again. And so, we found it is that 18-25 and 40-

50-year-old range and technology being a struggle on the older side, that those are kind of our core customer bases right now from a customer standpoint for a small business.

TJ: So how do you get...I mean this idea of loyalty capital, especially for small businesses, is a pretty unique one. How do you get the small business, the customers, and most especially the banks to kind of see that vision? And not only that, but also to see the value of that Sydney, Australia economy you're talking about versus just kind of falling into the Walmart economy of America?

Evan: You know this is funny because this is one of those answers I'm curious about leaving this indelibly in the history of the earth, but we often talk about the fact that if we depended on everyone to be good we be in big trouble and that sometimes we do have to kind of trick people into making an impact we have to trick people into being good. One of the beauties of this model of it being is this is about you, this is your community you are making better, this is about getting that 11th pizza free, this is about a lot of other things that aren't just for you. One of the things that we don't talk about too much publicly, but is a strong driver of what we are doing, is most loyalty programs if it's just to buy 10 get one free, customers aren't that engaged to get 50 cents off a cup of coffee in three months. The amount of friction to get them to not go let me pull out my card or even link my credit card is it doesn't much to go eh it is not worth it. What we have created is a way for that customer to pat themselves on the back and say I am making a difference here. What social media has shown us is that if my kid does anywhere near cute then I am going to post it so that people will go wow your kid is cute. We all kind of want this more than we want to do it and crowdfunding has kind of showed us this that do I want to give 5 dollars for the kid that is going to Disneyland and she is sick and we are going to send her to Disneyland but eh you know what I am not interested. The number of people who said yes to that when all of sudden A) there was some recognition and B) they saw the impact they saw the tangible impact they watched the video of that girl getting to go to Disneyland. That changes people, the ability to see that tangible impact changes people. And so, I think I kind of went in a few circles here but at the end of the day one of the things that worked really well with count loyalty is you are making an impact here your loyalty does count it is still there. We get the "shop local" message, right, so we all have probably heard the shop local message at some point in our lives and so everybody kind of knows what shop local means but what I found as I studied the shop local world and I was in the shop local world for a few years before I started ZipCap was that 8% of people were engaged and 92% of people said hey you know what he is probably shopping local we are probably good, that coffee shop will still be here. I can still stop at Starbucks it is 1/8th of a mile closer, I going to just stop at Starbucks and keep it moving. But as soon as that place disappears they will be like oh my god I can't believe that. So, you know there was a store there was a drugstore in Coronado called, wow, I can't believe I don't remember the name, but there was a drugstore in Coronado that had been there for 80 years and it was the second oldest business in all of Coronado, second only to the hotel del Coronado. And they were the place that you walked by on orange avenue that gave lollipops to the kids and delivered prescriptions to the elderly and the sick. They needed to be there for this community, but then a rite aid opened and a CVS opened and he started to just not be able to make the revenue he needed. It was only kind of revealed, he was too proud to say anything, but it was only kind of revealed they were was shutting down when there was a zoning request by a t-shirt shop and for him it was what it was and he was going to have to shut down after all these years and there were a few owners but this guy had been there for 25 years. And he said people come in here and they feel like they are still supporting me they will get their prescription here, but

then they will walk past the counter and through my aisles and won't buy the toilet paper by the Tylenol because they know they can get a 30 pack from Costco and so why would they buy a single roll at a time that will cost them an extra 14 cents a roll. In our heads as consumers, we ask ourselves why would I spend an extra 14 cents more since someone else will make sure he is still around and buy that single roll. And it was sort of those moments that he realized he was close to shutting down. As I started talking to people around Coronado about the drugstore, their response were, "I can't believe it closed I would have bought that single roll or that Tylenol from there if I had known that was going to make a difference. "And so, know how are we going to change the shift and it is by making sure that people understand that your loyalty does count here your loyalty will make an impact on whether or not this drugstore is here or not. And if you're not here if you're not doing it he can't get access to capital, which means he is not going to be able stay in that building because they are going to raise his rent because Starbucks is offering something else and so we need YOU and it is going to be very important as we grow as we become bigger to make sure that message is clear to the consumer and hopefully that empowers people to see a tangible impact.

Mary Ann: How do you extend that vision to people in the community who are just very indifferent and also can you provide me with an example of an instance in which you felt people that people weren't believing in this vision that you had for Count Loyalty but not even for Count Loyalty but for the local economies that they have been a part of?

Evan: So, the first question was how do I...?

Mary Ann: How do you extend that vision to people who are just very indifferent in the community.

Evan: I think there is an element of not beating your head against a wall. There's an element of...some people and never going to totally get it and it's a sea of change and it's, you know, rising tides raise all boats, and that you do need the majority of people to get it and to feel it and to do something, but you're never going to get everybody, and you need to kind of just be ok with that. We haven't really talked about what it's like to be a social entrepreneur, but as a social entrepreneur, you know, there is this sort of "why didn't you become a non-profit?" and there's an analogy that I just heard recently which is a great one, which is "I need to succeed as a business person to make the bigger impact." The analogy that was used, which I think is great, was that when you're on an airplane, put the oxygen mask on yourself first before you put it on your children.

Mary Ann: Mm Hmm.

Evan: And there is some element of "I need to make my business succeed" and to create a bigger success so that the people who are involved look at it and say, "Wow that looks like a success I want to be a part of that" and then I can start spreading a little bit more of the social impact side of it. And so, we always have a mission to every decision we make. With AdCount, we have a very specific manifesto that we wrote very early on to make sure that we stay to our core beliefs and we stay to what we're doing. Early on, we only did bank rate lines of credit because we thought that anything more than that, anything higher interest, wouldn't help. And we realized we weren't going to get the shareholders we needed, we weren't going to make the impact we were going to be making. And so, we needed to stray a little bit from that. We also realized that

a 20% loan was actually fine, it actually was making an impact and it actually was helpful. We had to satisfy everyone...well we really had satisfied enough people to raise the capital we needed. We needed to satisfy the customers enough in order to make them realize that making that impact matters. And so, there's always doubters, there's all sorts of, and you know I think there's a question that I dodged, but not intentionally, of are there people who didn't believe that this was going to work, and this was this completely new concept. You need to constantly pound at it, but not pound at places that aren't worth your time. It is that. It is making sure that the customers that are going to embrace it, are going to engage it, are going to truly embrace it, it is the early adopters, in the business school I am sure you know that getting those early people—those are the passionate people, those early adopters. If you can get those right early adopters to be passionate and to spread it...one thing is that social media is a wonderful thing to get the 8% who are a part of the early adopter group to seem like they are 40%. Because they're talking a lot, and they're on social media a lot. And that's a good thing if you are trying to impact change.

Max: How are you finding these companies? Are they reaching out to you?

Evan: Initially, we reached out to the business through channels. It was through shop local movements, it was through municipalities, it was through people who, who understood our goals and would spread it through, again, a little bit because they wanted to spread it for us but a little bit because they wanted to spread it for themselves. We were empowering the shop local movement. If I was a shop local, and I could say “hey this is going to help my customer to get my message. This is going to help these businesses to get that we're aligned with them,” then they would push that out.

So initially it was a lot of hand-to-hand combat getting that out. And now with the transition to Count Loyalty, and this is going tech conversation a little bit, the APIs that allow anyone and everyone to tap into Count Loyalty. There are loyalty and there are sale systems, there are all these providers who have a relatively unsticky product with the risk of churn and with just not enough value proposition to hold their audience. But if you can inject Count Loyalty into it you can say to that small business, “hey, you know you're using basically a marketing program that is basically a loyalty solution but now you have access to capital, now we're going to engage your community. That's worth something. So now we're plugging to other products and letting them push us out. So, we've gone from being relatively small to probably being the biggest loyalty solution in North America by the end of the year. We have almost a million businesses within our loyalty capital network now and there's something about that that's again a little bit what I talked about earlier. It used to be “hey I really want to go into Beasley's Cafe and power b-roll and b-roll again and get b-roll's customers to get it. (42:30) This way, the way the model has shifted, I can get 25 phone calls and literally change the entire world. We can be in 70 million businesses throughout the world within 2 or 3 years by making the right tweak to the value proposition better for others.

Max: Yeah. How did the New York Times article change about Count Loyalty and your recognition nationwide?

Evan: It's funny, you know, there are all these PR firms that reach out to you saying, “oh my god we can do great PR for you” but as a start-up you have almost no money and they send you proposals for \$27,000 initially and \$10,000 a month and you go “You know what? I can probably just make some phone calls?” And the New York Times article actually just happened by chance.

I knew someone at the New York Times who I thought eventually would write an article about us, and it ended up not being her because I met this other woman who just I literally was, you know, talking about what I was talking about and when you're as passionate as I am about what we're doing, that engages people. And so, she called me up the next day, and I didn't even know she was a New York Times writer, and she said we're going to pitch the article and push it as the, you know, next story in a few weeks. I had no idea...and it was actually too early, to be honest. We were very small, we didn't have the opportunity to really grow quickly from where we were. We were still piloting what we were doing. That article came out and I got all sorts of outreach from...It was funny, the New York Times gets a lot of international readers. A lot of people who are travelling or flying on airplanes read it because that's where you see a New York Times these days and so we got four acquisition offers after the New York Times article. But I wasn't ready to sell and it wasn't something where small business owners were picking up a copy of the New York Times and reading, right, I mean the small business owner hardly has time to lock the door at the end of the day let alone pick up the newspaper and read the newspaper. It wasn't being read by the customers at the time we were reaching out to them. What it has done is...it has given us the credibility. It has given us the, you know, "as seen in the New York Times" is very powerful. It is very hard to separate yourself from 77 other startups. But when we were a print article in the New York Times, a fully page, it certainly got us more on the map. The media we have gotten since then has only supported that, I think.

Mary Ann: Wha-...go ahead

TJ: Sorry I was going to say that we are almost out of time...

Mary Ann: Oh ok.

TJ: Do you want to ask a final question?

Evan: I might have talked too much. I'm sorry.

Max: No this is great!

Mary Ann: I guess going off of that, a big thing that we've been covering in our class in the weeks leading up to this interview is the whole notion of uncertainty. So, you mentioned the time in which you were getting acquisition offers from bigger companies and you were saying that, you know, you weren't ready to sell yet. So, on one hand if, you know, if you would have been ready to sell that would have been instant money, that would have been something that, for yourself as an entrepreneur, you could say I succeeded because I was able to make this much money off of it. But then you were dealing with that uncertainty of, you know, I'm not sure how much this can grow in the next five years...what was the thought process like in being able to weigh in on choosing that uncertainty and...can you explain to us more how that attitude of choosing uncertainty has shaped the way your company has grown to where it is now.

Evan: Sure. I think the, as we went through my life from college to today, we jumped around a little bit, but I think it is important to have noted that when I started ZipCap, when I started this company three years ago, it was...I didn't need to start a company. I didn't need to make money. I had retired seven years prior. I had loved being a dad more than I would have ever imagined. The very quick story there was that when my youngest son had turned five and he

was heading off to kindergarten, and I was all of the sudden going to be playing with my kids every day, there was actually a moment where my older son was sitting in the back seat. I was driving as a stay at home dad does, I was driving to a field trip and my son's four young friends were in the back seat and they were all talking about what their dad did. One kid's dad worked at an oil company and other did, you know, all of these other sort of high powered jobs. It got to Jake and Jake said, "My dad plays with us." I got goosebumps just now, you know, there was a moment of, like, "that's cool" and there was a moment of "am I really inspiring him? Am I really helping him understand that he can use to intellect that I've passed on to him, this ability to change the world, is...completely lost" I mean, I'm changing his world, I'm changing his brother's world, but am I, you know, I could be doing bigger and better things. And so, I started ZipCap 100% for my children. A lot of people said, you know, oh ZipCap started as a non-profit, we won't get into that since we're running out of time, but I chose to do it as an entrepreneur because it's what I know how to do. It was time to spread my entrepreneur wings again and I wanted to make an impact on the world. I didn't want to make a million dollars, I didn't want to make three million dollars or whatever, you know, whatever I could have realized from an acquisition at that point in time. I wanted to change the world! I bootstrapped, you know, I spent my own money in a lot of ways because I had been around venture capital, and as soon as I give up too much equity in this company, they're going to realize "wow! You can make a lot of money off the backs of small businesses" and now "we can change the way the world sees small businesses...we can change the way the local economies work." And so, at that point, you know, I would say one of the offers could have potentially kept me down that road of "I'm going to run this company and we were going to make an impact on the world" but I wasn't ready to give up that sort of control over what was my new baby. I was a stay at home dad to this company now. And I was not ready to send him off to kindergarten. I was not ready to let a kindergarten teacher change, you know, who this kid was, this kid being my company. And so, I made the decision I had to make and I continued to plug away and there's definitely days in the last two and a half years when I thought "wow, what was I thinking?" But there's more days when I think that we're getting somewhere now. We're really starting to change things and we have a chance to really make an impact, and that's cool.

TJ: Great, thank you so much, we really appreciate it.

Max: Yeah, I really appreciate it.

Mary Ann: Thank you.

TJ: I know that was some pretty impactful stuff to hear for me so...

Evan: Well good, I'm glad.

TJ: I appreciate that you came down here to share with us.

— End of Transcription —