

Marketing services

We also use the insights derived from our payments and POS services to develop unique marketing services that help our sellers reach customers and increase sales. Square Customer Engagement helps sellers understand their businesses, engage customers in ongoing conversations, and promote their offerings through email marketing. The result is a personalized and improved shopping experience for buyers that helps drive growth for sellers. By linking buyer payment cards and information to marketing efforts conducted in our ecosystem, we have created a closed loop that allows sellers to easily assess the return on their marketing efforts—a difficult feat in the offline world.

Mobile device proliferation has also enabled delivery-as-a-service. Caviar, our food delivery offering, helps restaurants reach customers and increase sales without having to create and manage their own delivery logistics. By providing delivery services for them, Caviar makes it easy for restaurants to expand their reach with little additional overhead. Buyers can access Caviar through our iOS and Android mobile apps or through our Caviar website.

Our Strengths

- *We create technology to transform commerce.* We invest significantly in hardware and software design and engineering to rapidly deploy product updates to sellers and buyers. At the end of 2014, over 45% of our employees served in product engineering, development, and design functions.
- *We have tremendous scale.* Our millions of sellers provide a sizable opportunity for up-selling and cross-selling our products and services. Our scale also enables us to establish favorable partnerships with financial institutions to provide attractive pricing for our sellers.
- *We have a strong brand.* We estimate that, to date, nearly half of our sellers have found us and signed up, rather than us having found them. This is the result of building services that deliver value and that sellers eagerly recommend.
- *We have a deep understanding of our sellers.* Payments and POS activity in our ecosystem allows us to create products and services that address many of the functions our sellers need to operate and grow their businesses.

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- *We use a differentiated approach to risk management.* Our risk management approach starts with trusting sellers. We remove the friction of signing up, then use technology to quickly detect and eliminate risky and fraudulent activity. Since inception, we have ceased providing services to fewer than 5% of sellers due to suspected or confirmed fraudulent behavior, their exceeding our risk parameters, their violation of our terms of service, or other concerns. Our risk and fraud losses accounted for approximately 0.1% of GPV in the 12 months ended September 30, 2015.
- *We have a persistent communication channel with our sellers.* Our direct, ongoing interactions with our sellers help us to tailor offerings directly to them, at scale and in the context of their usage. For example, when a seller accesses their Square Dashboard—a centralized hub from where they can view and manage daily business operations—we can automatically send a notification to prompt the seller to sign up for Square Customer Engagement and take action on what they learned. On average, nearly 70% of sellers who process more than \$125,000 per year engage daily with analytics in their Square Dashboard.
- *We have a large and growing buyer network.* We have a direct relationship with buyers through various touch points in our ecosystem. In the 12 months ended September 30, 2015, our sellers accepted payments from approximately 180 million payment cards, which we estimate represents approximately one in four active payment cards in circulation in the United States, based on data from The Nilson Report published in February 2015. Our relationship with buyers strengthens our ecosystem and many of our services, including Square Customer Engagement, Square Cash, and Caviar.

Our Growth Strategy