

# Technology brings new spending power

**New system trades and settles unused business capacity.**

"Under-utilised business capacity is seen everywhere from empty restaurant tables and airline seats to excess inventories at every imaginable retail outlet," says Joel Hodroff, CEO, DualCurrency Systems (DCS). "At the same time there are individuals, families and communities seeking more of the very goods and services that these businesses wish to sell. Only a lack of purchasing power keeps willing buyers and willing sellers apart."

Hodroff has set out to capture the value of this wasted wealth with a supplementary financial instrument, which, he says, "can help to distribute goods and services that are more abundantly available, while the dollar continues to distribute goods and services that are in relatively scarce supply."

DCS holds two US patents for DualCurrency pricing, accounting and transaction settlement systems. The patents cover automated systems that manage earning and/or spending transactions settled in US dollars and any second non-cash currency such as frequent flyer miles, barter dollars, employee incentive points, food stamps and volunteer rewards. The patents also cover DualCurrency transactions over any automated platform such as credit cards, debit cards, smart cards and e-commerce.

Traditionally, says Hodroff, non-cash rewards such as frequent flyer miles are awarded for making purchases and for use of a designated credit card. Individuals with the most cash purchasing power therefore accrue the most rewards. The DCS system allows for alternative ways to earn non-cash rewards, including: employee benefits, retirement, healthcare programmes and volunteer incentives.

The system utilises a non-cash business scrip called Business Dollars™ (\$B). In the case of DCS, the incremental cash cost of a product or service, which, Hodroff points out, is different in every industry, is combined with an incremental cash profit and a cash transaction fee, before marking up the balance of the price in \$B. Under contract, participating businesses agree to sell a portion of their unsold products and services for some combination of dollars and \$B.

For example, a USD 400 plane ticket might cost USD 175 cash and \$B 225 in the second currency. \$B are issued and redeemed within a voluntary, co-operative network of businesses, banks and cardholders. Each merchant sets their own ratio of USD to \$B, as well as any relevant restrictions. Since \$B are denominated in USD rather than miles, points,

products or hours, Hodroff says they are compatible with standard transaction, accounting and retail point-of-sale systems.

While the market abounds with customer loyalty programs and discount offers, Hodroff points out, virtually no one distinguishes between the downward economic pressure of discounting versus the upward economic opportunities of a second currency. "The only market model we know is to downsize business capacity, seen today in layoffs and business failures, until we match perceived consumer purchasing power, rather than raising consumer purchasing power to match ever-increasing business productive capacity," he says.

In the DualCurrency system, the under-utilised productive capacity and excess inventories of participating businesses back the second currency, extending business opportunities beyond current cash resources, without increasing consumer debt. The DualCurrency system also assures that there is enough cash in each transaction to ensure a profit for participating business.

DCS itself earns revenue from licensing fees and royalties from companies that develop DualCurrency applications and from transaction processing fees built into the sale price



Joel Hodroff: DualCurrency Systems

of the product or service and shared with strategic partners. Other revenue opportunities derive from consulting and training, sales of demographic information and new product development.

Hodroff is keen to encourage an industry association of participating businesses to spread the use of the system and achieve critical mass. "Co-operating industry associations are an important way to improve the balance between competition and co-operation," he says.

An example, he says, is US electric power companies sharing excess capacity, rather than building additional expensive plants. He also cites the precedent of the 1969-70 creation of the VISA processing system, where a large number of competing banks co-operated to build the system, while still competing to acquire individual cardholders. ■