

INTERVIEWS

How I made it: Scott McInnes

Playing my cards right landed the large operators, but finding the right people for the business is proving to be a constant challenge

Rose Costello, 17 August 2010



Bryan Meade

Sitting in Starbucks on Wall Street, Scott McInnes glanced around while nursing a grande americano. Out of the corner of his eye, he spotted a Starbucks Card promotion near the counter. The colourful pieces of plastic promised discounts and rewards if customers loaded up at least \$5 (€3.9) in cash on the card.

“I wondered how it worked and who bought it,” he explained. The more he thought about it, the more McInnes realised that he had seen versions of these gift cards everywhere. “They were in all the big retail stores, from Target to Bloomingdale’s. You could even buy a Macy’s gift card in a convenience store if you forgot your wife’s birthday.”

It was 2004 and the concept had yet to be popularised in Ireland. Brown Thomas had launched an elegantly presented card the previous Christmas, but few Irish retailers had followed suit.

McInnes could see the possibilities. So, on his return, he contacted Dave Hunter and Paul Gaffney, two friends from his days at Marrakech, a dotcom casualty that had developed an online procurement system for big companies.

Today, Card Commerce, which sells “top-up-able” gift cards, employs 10 staff and is profitable on turnover of about €1.5m. Its customers include a number of retailers, banks such as Barclaycard and HSBC, and Elavon, the payment terminal company.

McInnes, 37, studied business information technology at Southampton University before moving to London to work with Apple. “It was a cracking course that applied business to technology,” he said.”

That was followed by a stint at PA Consulting where he worked with such clients as Hewlett-Packard, Virgin and Intel, all the while developing his marketing skills. That’s when he met his future wife, Janette, and his plans for the future changed dramatically. “We decided to move to her home of Ireland but to spend a year travelling first.”

The couple’s travels took them through India, Thailand and Singapore, with 10 months working in Australia.

In 2001, they landed in Dublin. Soon McInnes had found work as a marketing events manager at Marrakech. The company was raising about \$25m at the time. He was just in time for the dotcom bomb.

“The whole marketing team was let go. I had been there 363 days. It was a great idea but the wrong time,” he said.

The IT industry crisis meant there were no jobs, but McInnes was inspired by his grandmother to set up on his own. “She used to say, there is always opportunity, you just have to look for it,” he said. “You have to just get off your backside and do something for yourself. You can’t expect to be provided for.”

So McInnes set up Freedom Marketing. “It was a one-man band that offered to go into companies on a project basis. It paid the mortgage for four years but it was never going to be big.”

Luckily, McInnes had kept in touch with his friends from Marrakech, so he knew who to call when the gift card idea popped up.

Card Commerce has never tried to mimic the methods of Marrakech, and it kept fund-raising to a minimum until recently. It has raised €2.5m in funding over the past two years through the business expansion scheme. This money will go towards expanding its offering to include such services as debit and credit card processing.

This is a lot of cash for a trio that first pitched in €1,500 each to get going. “We didn’t spend any money. We called in favours from friends in the industry. One mapped out how much it should cost and another specified the first system. We started very small with just the seed of an idea,” said McInnes.

For the first year, Gaffney and Hunter continued in their day jobs at debit card payment processing for clients, while McInnes was a freelance marketer. “Over coffee and scones at the Davenport Hotel, we worked out what to do,” said McInnes. “Initially, it was just a sideline.”

Drawing up business plans proved futile. “Things were changing so quickly — costs, potential clients, revenue — by the time we had one finished it was out of date before we could get it into play,” he said. “So we never used one.”

Instead, McInnes sought out customers for the planned product and won over Eason, the book retailer. “I just rang up and said, ‘Can I come in and talk?’ I find Irish retailers very open to having a quick coffee if they think you have a good idea.”

For Christmas 2004, Card Commerce won a contract to supply 250,000 cards for the retailer’s 50 stores. “That made us take the idea seriously,” he said. “It went from being a nugget of an idea to a business with a client.”

Its next client win was Bank of Ireland Merchant Services. “It took a year to sign that contract. Big institutions take ages to move. As soon as the legal department gets hold of the paperwork, it seems to disappear into a black hole.”

When Card Commerce heard in 2008 that Barclays was looking for a similar service, it submitted a tender. The final document was 200 pages long.

“Barclays wanted 10 copies shipped in a box. So it took us nearly a month of 14-hour days getting it all together — but it was great craic.”

Better yet, they won the deal. “We were minnows going up against the leading lights in the industry, but we had a compelling business model and they liked us. That was a great lesson. Business is all about people. You can have the best technology but if they don’t like you, they won’t do business with you.”

Card Commerce could be even bigger if only some of the retailers it dealt with had not gone bust. “Our business model is that we provide the gift card system and then we get a small percentage on cards sold. When a customer goes under, there will be no more cash flowing.”

Finding the right people for the business is a constant challenge, he says. “This is a small business so it is very important to get it right. I can tell very quickly whether I like somebody or not but it can be just ‘no, no, no’ for six months. I don’t hire until I’m happy.”

Anybody thinking of setting up a business needs to know what they are getting into, he says. “Think about it long and hard before you jump. You have to give 110% sometimes for 15 hours a day. It’s not a good idea to try to turn a hobby into a business — unless you know there is a market there.”