

Born Out of Innovation

**An Interview with J. Patrick O'Shaughnessy,
President and Chief Executive Officer, Advance America, Cash Advance Centers, Inc.**

EDITORS' NOTE *J. Patrick O'Shaughnessy has served as President and Chief Executive Officer since February 2011. Within one year of being named CEO, he had delivered a return of over 100 percent to shareholders and subsequently merged the company with Grupo Elektra, a leading financial services provider in Latin America. Prior to assuming his current position, he served as a member of the company's board of directors and as its Executive Vice President and Chief Financial Officer. Before joining the company in August 2007, O'Shaughnessy spent 15 years in the investment banking industry at a number of firms including Donaldson, Lufkin & Jenrette. He recently became Chairman of the Community Financial Services Association of America (CFSA), the national organization dedicated to advancing financial empowerment for consumers through small dollar, short-term credit. O'Shaughnessy is a graduate of the University of Notre Dame and received an M.B.A. from the University of Chicago Booth School of Business.*



J. Patrick O'Shaughnessy

COMPANY BRIEF *Founded in 1997, Advance America, Cash Advance Centers, Inc. (www.advanceamerica.net) is the country's leading non-bank provider of cash advance services with approximately 2,500 centers in 29 states. The company offers simple, reliable, and cost-competitive financial services to millions of American consumers.*

How has Advance America performed so well year over year?

First of all, our company's founder, George D. Johnson, deserves tremendous credit for the vision he had in recognizing from the very beginning the value proposition associated with fast unit growth and a focus on customer service, as well as regulatory compliance. We first became a leader in the consumer financial services market through high growth and delivering short-term credit products that satisfied the needs of consumers. These remain the pillars of our business today as we continue to adapt to our customers' changing needs and those of the broader marketplace.

Is the type of value you can bring understood? How broad is the competitive landscape?

Short-term credit is well understood by our customers, who carefully weigh their credit solutions, comparing bank and credit union services alongside those offered by our company. Regardless of the provider, consumers choose

the one with the most favorable features and lowest fees. When consumers compare short-term credit options, they find that our credit services are often the most cost-effective.

So from a macro perspective, we compete against anyone providing short-term credit to customers, including any vendor that takes late payments, as well as banks that offer overdraft credit, pawn lenders, and a host of others. So it is difficult to pick a single company, but if I had to I would say Bank of America is our biggest competitor. We have about 2,500 locations, which is large for our industry. Bank of America has a tremendous distribution network with over 20,000 ATMs and thousands of branches. Their customers can take an advance on their checking account at most of those locations, providing a very convenient option to them.

How broad are your service offerings?

We are always trying to innovate and expand the services we offer. In addition to credit products, we offer prepaid card services and bill payment and money transfer services. We also do tax preparation for our customers in many locations.

What metrics have you put in place to track the customer experience?

We regularly survey our customers to determine their needs and their satisfaction with Advance America. Year in and year out, more than 90 percent tell us they are highly satisfied with the services we provide. They also realize that if they have problems later on, we will work with them to make sure that they are successful borrowers.

One unique feature we offer our customers is an extended payment plan, which is really a unilateral right of modification of the original terms of a loan. If a customer realizes he can't pay his loan back by its original due date, we allow him to pay it over a period of time with no additional interest or fees charged.

How do you promote the understanding that a company like Advance America does an ethical and honest business?

It starts with our commitment to customer service and responsible lending. Our company provides strong consumer protection measures, including truthful advertising, fair collection practices, and transparency and clarity around all transactions. We want to ensure that our customers understand all the details.

How have you benefitted from the affiliation with Grupo Elektra?

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Grupo Elektra understands consumer financial services very well, and from that perspective, they are a good advisor and parent for our company. On a tactical basis, they're helping us develop our technology to better serve our customers.

They have an interesting business model through Banco Azteca in Latin America. They are a depository with 16 million deposit customers, but the average size deposit is only around \$330 – they don't try to make fees off of their depositors, not even ATM fees. They make money by making small consumer loans.

It sounds simple, but models like this don't exist in the U.S. outside of very small credit unions or community banks. Grupo Elektra is doing it throughout Latin America.

In terms of corporate responsibility, why have you focused on improving financial literacy?

We have always believed that customers should understand their financial decisions. So through partnerships, we provide financial literacy workshops on topics such as basic budgeting, saving, and money management as well as programs to educate consumers about their credit choices. Our broad footprint, with centers across the country, also allows a myriad of opportunities for impactful contributions by our employees in their communities.

Is it challenging to avoid losing your innovative edge as you grow?

Advance America's founders recognized the emergence of a consumer need and a corresponding gap in the marketplace and the company grew rapidly for most of its first decade. Our primary service – the cash advance – has transformed the way millions of Americans manage their finances, saved them millions of dollars in fees, and paved the way for other credit products and services. Now, we are focusing on a different kind of growth: evolving and diversifying our offerings to meet changing customer demographics and shifting consumer need. Our goal is to be the specialty financial services industry's leading provider of a diversified portfolio of financial services, which meet the needs and expectations of consumers and are offered in strict compliance with laws and regulations.

Our partnership with Grupo Elektra and this dynamic path forward has injected new energy and enthusiasm across our group of nearly 6,000 employees. It's an exciting time for Advance America. ●