



PREVIEW

Key Participants in the Payments Ecosystem

A guide to understanding third-party processors, acquirers, gateways, and new technology players



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Report Overview

WHAT IS THIS REPORT?

This report is a guide to understanding third-party processors, acquirers, gateways, and new technology players. The latter half of the report provides readers with a detailed look at several internal and external forces impacting the merchant acquiring industry.

Areas to be covered include:

- An overview of four major third-party processors: First Data, TSYS, Global Payments, and Vantiv
- An overview of selected major merchant acquirers, focused particularly on players in the top 25
- An overview of seven industry-leading gateway providers
- An overview of six technology companies that have the potential to be disruptors in the payments space
- An overview of six external and six internal trends impacting the merchant acquiring industry

HOW WAS IT COMPLETED?

This report was written by TSG Associates. These associates are subject matter experts within the content presented in the report. The strategic analysis elements are not available by other means.

WHY IS THIS USEFUL?

This guide will provide newcomers, and industry veterans, with useful information into the various facets of the Payments Industry. This report is an excellent tool for competitive awareness, potential partner identification, and general reference purposes.

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Section 1: Third-Party Processors – **SAMPLE PAGE**

Processor Gross Revenue & EBITDA for 2011-2013 – Includes all revenue and EBITDA from all business units (issuing, acquiring, and other)



Gross Revenue
\$ In Millions



EBITDA
\$ In Millions

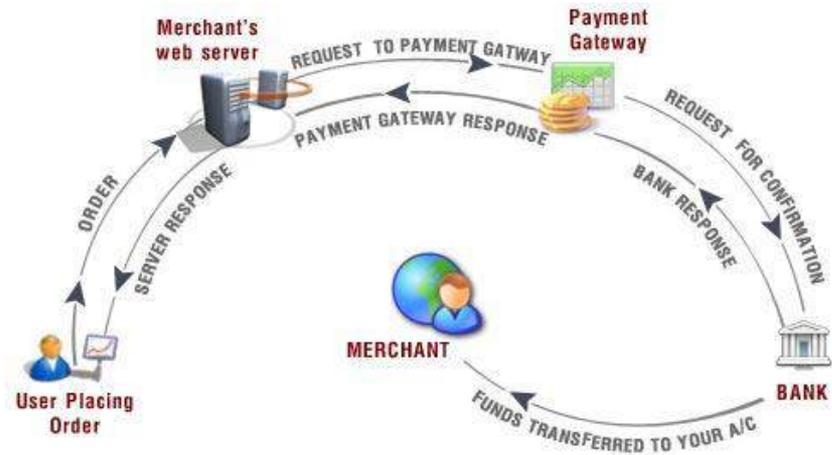


Source: Public financial statements

Section 3: Payment Gateways – **SAMPLE PAGE**

Introduction to Payment Gateways

- A payment gateway is a tool to process electronic transactions and provide the link to process payments between consumers, merchants, and Acquirers/Third Party Processors
- Merchants and gateways communicate using the internet, providing lower costs and higher speeds than traditional phone connections. Additionally, internet infrastructure leverages common standards such as HTML, Java, and SSL, greatly simplifying development effort.
- Gateways were initially introduced into the payment processing space by technology companies and were focused on eCommerce transactions
- Gateways may also be considered as “middleware” or “switches” that facilitate the routing of transaction data
- Many Gateways have been enhanced to also interface with the physical Point-of-Sale environments for card present transactions. Mobile products are also trending as a large user base, taking advantage of simple/fast integration times to gateways.
- Gateways have also been leaders in providing secure transaction data supporting Point-to-Point encryption and tokenization technologies
- There is a growing trend for Third Party Processors and ISOs to develop and manage their own proprietary gateways to control the entire processing cycle



Gateway Processing Volume	APRIVA	Brain tree	eProcessing Network	JetPay CORPORATION	PayTrace <small>The Secure Advantage</small>	secure net ™	TRANSFIRST® <small>First In Secure Electronic Payments</small>
	\$10B	\$4B	\$19B	\$30B	\$10B	\$14B	\$20B

Section 4: Technology Companies – SAMPLE PAGE

Technology Companies



Overview	Recent Developments / Pilots	Recent News
<ul style="list-style-type: none"> Apple Pay is a contactless payment technology utilized through the NFC chips within Apple Watch and iPhone 6 One touch pay with Apple's Touch ID Also works in apps, for example making a purchase through Target's iOS app Cards are stored via Passbook <ul style="list-style-type: none"> Add iTunes credit/debit card or take a picture of a new card to add Passbook also stores boarding passes, tickets, coupons and more A unique Device Account Number is assigned, encrypted and securely stored in the devices 'Secure Element' instead of using your actual credit/debit card numbers <ul style="list-style-type: none"> Actual card numbers are never shared with merchants Apple doesn't store transaction details – Passbook stores recent purchases 	<ul style="list-style-type: none"> Apple Pay will roll-out in October 2014 at 220,000 stores in the U.S. Negotiated deal with leading issuers to provide card present rates for transactions made on Apple's mobile payment platform <ul style="list-style-type: none"> Deal also gives Apple a portion of the card present interchange fees, around 15 basis points on each transaction Rates will not apply to a new buy button in EasyPay Apple has developed 	<ul style="list-style-type: none"> 11/20/14 – Apple Pay, By the Day 9/11/14 – Apple Pay's Success Could Hinge on Who Pays Transaction Fees 9/10/14 – Will Stores Warm Up to Apple Pay? 9/10/14 – Why Banks are Buying in to Apple Pay 9/09/14 – Payments Processors Hold Key Tokenization Role in Apple Pay 9/09/14 – Here's Apple Pay in Action 9/09/14 – Apple Announces Apple Pay
<h3 data-bbox="343 953 490 979">Technology</h3> <ul style="list-style-type: none"> NFC along with Touch ID fingerprint recognition Apple hardware's 'Secure Element' Apple iOS operating system iBeacon: Bluetooth low-energy allowing retailers to identify customers, provide offers and take payments <ul style="list-style-type: none"> In place at Apple stores, and a limited retail locations that include Macy's, American Eagle, Safeway, and Giant Eagle 	<h3 data-bbox="942 749 1051 775">Partners</h3> <ul style="list-style-type: none"> Merchants: BabiesRUs, Bloomingdale's, Disney, DuaneReade, Macy's, McDonalds, Nike, Panera, Petco, Sephora, Staples, Subway, ToysRUs, Unleashed, Walgreens, Disney Parks, Whole Foods In-app merchant partners: Disney, Groupon, Instacart, MLB, OpenTable, Panera, Sephora, Starbucks, Target, Tickets.com, Uber Card brands: Visa, MasterCard, and American Express, while Discover and China UnionPay will join shortly Card issuers: JPMorgan Chase, Bank of America, Capital One, Citi, Amex, Wells Fargo (coming soon: Barclaycard, Navy Federal, PNC, USAA, US Bank) 	<h3 data-bbox="1450 811 1636 836">Differentiators</h3> <ul style="list-style-type: none"> Potential to be highly disruptive as Apple has done with past products Large brand following with 40% of U.S. smartphone market share and more than 800M iTunes accounts that include payment details Proven reputation of simple, seamless technology Well positioned for adoption due to partnerships with card brands, banks, and merchants Security claims will most likely ease customer fears Good timing as more consumers are aware of mobile payments and more merchants have means of accepting

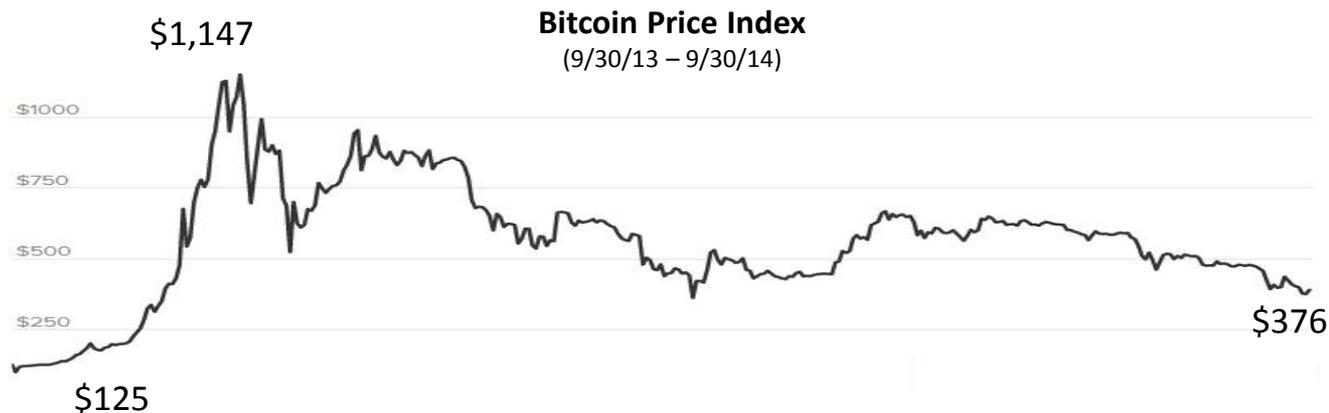
Section 5: What's Trending – **SAMPLE PAGE**

Trend: Bitcoin

Much has been published, discussed, debated and promoted over the past couple of years on Bitcoin and other virtual currencies which has become the darling of certain consumer types and some merchants

The Pros:

- At its simplest Bitcoin provides for an electronic, cross-border seamless “cash” transaction
- With only an approximate \$0.05 cost per transaction – the currency is very attractive to merchants, especially those with large transaction amounts
- Could be a great inexpensive alternative for cross-border person to person payments (both legitimate and not so) vs. PayPal and Western Union who command as much as a 10-20% transaction fee
- A variety of high and low profile merchants have begun accepting Bitcoin, such as PayPal, United Way, Overstock.com and HostDime
- Attracting attention by the San Francisco Open Exchange, Federal Reserve of Boston and CNN Money who are reporting on the crypto-currency in reports and value updates
- Total anonymity provides a cover from government, financial institutions and traditional payment brands on the ‘who’ and ‘what’ is being purchased
- May be protected from the fluctuations of established hard national currencies and hyper-inflation
- Was actually rumored to become the national currency if Scotland had voted to secede from the UK – hard one to believe that one



Source: coindesk.com

Related Reports & Services

Related Reports

- [Processing Pricing Benchmark Study](#)
- [Merchant Acquiring Industry Overview](#)
- [Merchant Acquiring: Leading Practices in Retention Management](#)
- [Gateway Competitive Analysis](#)

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Selected Free Resources from TSG

- [INFOGRAPHIC: The Top Ten Ways Acquirers Can Block the Breach](#)
- [TSG Analysis – Vantiv’s Acquisition of Mercury Payment Systems](#)
- [Q1 2014 U.S. Economic Indicators Report with Special TRANSACT 14 Introduction](#)
- [TSG Roundtable on the Target Breach, EMV, and the Ramifications](#)
- [TSG Analysis - Global Payments' Acquisition of PayPros at a Glance](#)
- [Brave New World in Payments - Tapping the Power of Big Data in Merchant Portfolio Management](#)
- [INFOGRAPHIC: Why are Electronic Payments Important?](#)
- [Trend Graphs of Payments Industry Google Search Terms](#)
- [Is Aggregation for Everyone?](#)
- [INFOGRAPHIC: What Benefits Me by Paying a Credit Card Swipe Fee?](#)

Have Questions?

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About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the electronic payments industry.

TSG's Service Groups

Payments Strategy - Payments Strategy encompasses the full spectrum of advisory services within the Payments Industry. The depth of these services is built on deep industry knowledge - the Partners and Associates of the firm have an average of over 20 years of industry experience. With clients from card issuers to merchant acquirers, TSG has the experience and expertise to provide real-time strategies.

Transaction Advisory - Whether buying or selling, seeking investment funding, or planning your company's exit strategy, TSG's experience can be critical to achieving success. TSG has performed more than 100 Payments Company Valuation and/or Business Assessments in the past three years - ranging in value from \$1 million to \$1 billion.

TSG Metrics - TSG Metrics, the strategic research and analysis division of TSG, provides the Payments Industry with highly focused research and industry-wide studies. TSG Metrics takes data, boils it down to information, transforms it to knowledge and presents it to provide wisdom to its client partners.

TSG's Unparalleled Experience

TSG consists of Industry leaders with extensive experience leading teams through explosive growth periods, mergers and acquisitions, and international and domestic expansion within the Payments Industry. Both Partners and Associates of the firm have held key senior management positions at leading industry companies including First Data / First Data International, Visa Inc., MasterCard, TSYS, Humboldt Merchant Services, WorldPay, Heartland Payment Systems, Cardservice International, iPayment, Alliance Data, RapidAdvance, Accenture Consulting, Redwood Merchant Services, Chase Paymentech, as well as other leading financial institutions and Payments companies.

TSG's Influence Shapes the Payments Industry

Over the last three years, TSG has completed over 400 projects for more than 200 different clients including financial institutions, merchant acquirers, card issuers, card associations, technology providers, ISOs, processing companies and the investment community. Additionally, the firm and its Associates sit on several industry committees whose focuses range from emerging product development to governmental regulation advisement.

Other recent TSG reports and analysis include (Click for more information):

The Top 10 Ways
Acquirers Can Block the
Breach

TSG Analysis: Worldpay
Acquisition of SecureNet

What Benefits Me By
Paying a Credit Card
Swipe Fee

TSG Mobile Payments
Infographic

ETA/TSG U.S. Economic
Indicators Report

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