



**FOR IMMEDIATE RELEASE:**

**Payments Industry 2015; No Clever Predictions Just Thoughtful Analysis**

**OMAHA, Neb., January 14, 2015** – Prediction lists are everywhere around the start of a new year and where there's a lot of speculation, clever headlines often take the stage over the sharing of insight. So, with that said, take a look at The Strawhecker Group's careful analysis of what 2015 may hold, without the leaps of faith.....or clever headlines.

2014 was a big year for the payments industry. The introduction of Apple Pay garnered a lot of attention, the variety of data breaches got major payment players (and the public) focused on security issues and major payment players started to lay the foundation for a digital ecosystem.

Despite heightened focus, increased investment dollars and strong media buzz around the payments industry there has been relatively little change in how we pay for things. NFC payment hasn't taken off despite the introduction of Apple Pay and POS integrations are incredibly fragmented.

In 2015, the industry will surely be driven by increasing consumer demands, and many organizations may simply be left behind due to the inability to respond to these expectations. Competition from outside of the industry will also be a key theme in 2015, pressuring payment players to innovate and outflank new entrants.

So, what's in store for the payments industry in 2015?

- **Spending Will Rise In 2015**

Each year since the financial crisis has provided a boost to consumer spending and put confidence back in shoppers' wallets. The 2015 spending forecast paints an optimistic outlook for the payments industry. The nation's GDP is expected to increase at a 3.5% rate in 2015 - a considerable improvement over the economy's average growth mode of 2.5%. If the projections hold true, it should mean consumers will be willing to spend more. Moody's expects retail sales to increase 6% in 2015, which is up from the anticipated rate of 3.9% that was projected for 2014.

- **2015 Will Not Be The Year That Mobile Commerce Becomes Mainstream**

We'll clearly see an uptick in mobile payments, but there are still too many factors to solve to achieve scale in 2015. Apple Pay and Google Wallet aren't sufficient by themselves. Merchants need to embrace and enable acceptance of mobile payments to see real traction. Some of the largest U.S. merchants have their own mobile-payments systems, and many merchants are simply not equipped to accept mobile payments. So, 2016 (or 2017) might be the breakout year for mobile payments.

- **Innovation and Uncommon Alliances**

As the industry continues to be impacted by niche players and outside companies, traditional payment players will begin to act and think like disruptors to avoid being outflanked by new entrants. This will result in the development of innovation labs and uncommon alliances across the industry. Expect intriguing partnerships that span payments, retail, and more in 2015. It simply won't be the same industry in 12 months.

- **Acquisition Mode Will Be in Full Effect in 2015**

There is a great deal of innovation in the payments industry, but a lot of it works better in combination than on its own. Food for thought: Walmart could acquire PayPal to gain a giant consumer base to challenge Apple Pay in mobile payments and replace the retailer-backed app CurrentC, which has not



officially launched yet. Walmart could also embed PayPal as the payment option on Walmart.com and reduce the credit card fees Walmart pays. Twitter could buy Stripe if it is serious about building an e-commerce business. Twitter could have its own backend payments provider that's simple for large and small merchants. Bottom-line: 2015 will see a wave of acquisitions in the payments space.

- **Social Commerce Companies**

Social media companies clearly set their targets on the payments and eCommerce space last year. Twitter added a "Buy" button to help use Tweets to push sales. Facebook notably recruited former PayPal CEO David Marcus away from PayPal. Though social media companies saw lots of expansion into commerce in 2014, there was still doubt that users will shop in places where they come to socialize. In 2015 someone will finally launch a social shopping platform that gains significant traction.

- **The New POS Terminal Frontier**

2014 saw many developments on the countertop front. In 2015, we will see more merchants embrace the trend of sleek point-of-sale solutions. Companies like Shopkeep will deploy more tablets, and traditional POS players will start to significantly expand their tablet product offerings. The availability of a new feature-rich Microsoft tablet in mid-2014 will push this change as many industry incumbents built their technology off of Microsoft's platform.

- **Large Retailers Will Be EMV Compliant....Most SMB's Will Not Be**

Many merchants and some acquirers still find themselves unprepared for the October 2015 deadline for having EMV capable payment systems. That includes not only the terminals but also the payment system software. In October, the liabilities associated with card fraud will shift to merchants who do not have EMV-enabled payment systems. Most large retailers will be EMV compliant by October 2015, but many SMB's will not. For SMB's the large amount of money that will be required to implement EMV will be difficult to swallow, so many will just delay EMV.

- **Omni-channel Payment Providers To See Great Returns**

The concept of "omni-channel" is quickly reaching overexposure status. In any payments article you read, you'll probably see the word "omni-channel." However, payment players who understand the implications of omni-channel realize they have a large opportunity in front of them. Payment providers who put strategies in place in 2014 to provide and support the omni-channel experience will see great returns in 2015.

What's PayPal going to look like separate from eBay? How will Apple evolve the Apple Pay solution? How will digital purchasing habits change the state of physical retail? How will security threats evolve as commerce moves online? Although there are still a lot of questions in the air, I think we can all agree that the payments industry is in the midst of incredible and exciting change.

### About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the payments industry. The company specializes in providing financial institutions, merchant acquirers, card associations, ISOs, processing companies, large merchants, and the investment community with advisory services to maximize their growth and profitability. TSG is also a resource of merchant acquiring industry research, benchmark studies and developing trends. For more information please visit [www.TheStrawGroup.com](http://www.TheStrawGroup.com).