



TSG Commentary on the Apple Pay Announcement

- **Technology Heavyweights** -This action by Apple, just behind the major announcement of Amazon entering the payments space in August, brings two of the largest technology heavyweights squarely into the merchant payments arena. Apple's entry is consumer-centric while Amazon's is merchant accepting focused
- **Partners, Users, and Merchants Oh My!** - Apple's step into the payments space was well planned and structured to bring the right relationships together; e.g., 800 million potential users from iTunes, major merchants (online and offline) to introduce the initiative, and card network/bank partnerships
- **Timing** – more consumers are aware of the idea of mobile payments and more merchants have means of accepting those payments now than before. This is especially true from the merchant perspective given the upcoming EMV liability shift (Oct. '15) - it will be less of a hurdle to only have to upgrade terminals once for both EMV and NFC acceptance
- **The Resurrection** - NFC has been in the market for many years with little adoption from consumers to make payments and may now get a jump start from Apple's influence
- **Security, Security, Security** – Top of mind with all consumers today is security, especially with all of the recent high-profile data breaches. Apple's Touch ID utilization, and a dynamic security code for payments, will provide consumers reassurance that their sensitive information is safe.
- **Proven** - Apple's proven consumer friendly innovation within their own store environments will allow for ease of adoption for other participating merchants
- **Brand Clout** – Apple is instantly recognizable worldwide; Apple is typically not first to market but has taken technology, and captivating ideas, transforming them into industry standards
- **Once an Apple, always an Apple** – after entering Apple's ecosystem it becomes far easier to stay in than to leave – once consumers are locked into Apple's payment platform – why go elsewhere?
- **The Others** –Apple has a 40% smartphone market share in the U.S. (Source: ComScore) but only 15% globally (Source: Strategy Analytics), will competing manufacturers take note and change strategy to follow in Apple's wake?