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THE STRAWHECKER GROUP

The Trusted Advisor To The Payments Industry



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Trending This Week...

This week Square announced another new product, Square Cash. [Square Cash allows debit card users to send money via email to another.](#) While Square is certainly not the first to present a solution of this nature, they hope to be the most convenient with no account creation, apps to download or account info to look up.

On the Fed front, Heartland's CEO, Robert O. Carr, gave a speech at the SLF [predicting merchant processors can expect federal regulators to continue cracking down on the industry.](#)

Finally, be sure to check out [TSG/ETA's Special Edition Economic Indicators Report](#), which was released this week during the SLF.

Other highlights include:

- [First Data Gets \\$300M From KKR](#) to Help With Debt
- [Bitcoin is a Remarkable Innovation](#), Here's Why it Will Fail
- [Mobile Payment System of the Future](#): PayPal or Isis?
- [MCAG: Visa/MasterCard Settlement](#) Offers Cash to Millions of U.S. Merchants
- [TSYS Releases Third Annual Research Results](#) on Consumer Payment Preferences

NEW REPORT: Tablet POS - Merchant Insights & Company Research

TSG's Tablet POS: Merchant Insights and Company Research report ([click here for preview](#)) is a robust offering of quantitative and qualitative insights from the U.S. SMB marketplace. Merchants with under \$2 million in sales were presented a Tablet-POS concept in an effort to gauge the level of interest and values associated with the potential use of a tablet point-of-sale system. In addition to these valuable merchant-

[Transaction Advisory](#)

[Acquisition Multiples & Attrition Summary](#)

[Merchant Aggregation](#)

[Acquirer Strategic Assessment](#)

[TSG MPPS Benefits](#)

[MPPS Example Report](#)

[ETA/TSG Economic Indicators Report](#)

[Case Study: Driving Value Through Competitive Bidding](#)

[Should Traditional Merchant Acquirers "Beware of Square"](#)

[What Benefits Me By Paying a Credit Card Swipe Fee?](#)

[Use a Smart Phone to Buy Things!](#)

This Day in History: 1867 U.S. Takes Possession of Alaska

On this day in 1867, the U.S. formally takes possession of Alaska after purchasing the territory from Russia for \$7.2 million, or less than two cents an acre. The Alaska purchase comprised 586,412 square miles, about twice the size of Texas, and was championed by William Henry Seward, the enthusiastically expansionist secretary of state under President Andrew Johnson.

Russia wanted to sell its Alaska territory, which was remote, sparsely populated and difficult to

level findings, this report also includes market research on tablet POS providers and their offerings. This report offers an incredible value to those who are interested in the growing tablet-POS market. [Click here to order](#) or call 402.964.2617 and order over the phone. This report costs **\$1,195**.

Interested in other reports too? Check out [TSG Metrics Subscription](#).

Featured

TSG/ETA Report Identifies Business & Personal Services as Attractive Merchant Vertical for Merchant Acquirers

10/17/13 TSG Metrics

Special Edition Economic Indicators Report Released at ETA's SLF

Through analyzing trends in attrition rates, same-store sales, new account production and net revenue margins among a proprietary database of 1.7 SMB million merchants (representing over 20% of the market), the special edition report identifies two merchant verticals that have outperformed and underperformed the database average in terms of value creation since Q4 2010. The report is powered by The Strawhecker Group (TSG), a consulting firm focused on the payments industry.

Among the 1.7 million, Business & Personal Services merchants have outperformed relative to the average while Home Furnishing, Improvement & Supply Stores, and Auto & Hardware Stores have underperformed. Primary factors of relative outperformance include lower/improving attrition rates, above average new account production (younger vintage), and relatively stronger same store sales growth. Factors contributing to relative underperformance include higher and worsening attrition rates, slowing same store sales (more cyclical merchant groups as economy slows) and comparatively lower rates of new account production (older vintage).

[Click here for the report.](#)

Square Cash Lets Anyone With a Debit Card Send Money Instantly Over Email

10/15/13 The Verge

What if sending money was as simple as sending an email? That's the premise of Square Cash, launching today for all debit card users in the US, using any email service. To use Square Cash, all you do is compose an email to a friend, type the amount you want to pay in the subject title, and cc cash@square.com. If it's your first time using the service, you're directed to Square's website where you type in your debit card number - and you're done. There are no accounts to create, apps to download, friends to add, surcharges to pay, or bank account numbers to look up.

PayPal: Third Quarter Update

10/16/13 PayPal

I've always believed in the power of numbers to tell a business story. As we've been compiling our third quarter results, however, I've been struck by how much of the story of what's going on at PayPal today goes beyond numbers. It's not that our financials are any less impressive than the results we've shared in previous quarters. PayPal's results were strong in Q3. Active accounts increased by 5 million again, and now stand at 137 million. Revenue increased 20 percent* to \$1.62 billion. Total payment

defend, to the U.S. rather than risk losing it in battle with a rival such as Great Britain. Negotiations between Seward (1801-1872) and the Russian minister to the U.S., Eduard de Stoeckl, began in March 1867. However, the American public believed the land to be barren and worthless and dubbed the purchase "Seward's Folly" and "Andrew Johnson's Polar Bear Garden," among other derogatory names. Some animosity toward the project may have been a byproduct of President Johnson's own unpopularity. As the 17th U.S. president, Johnson battled with Radical Republicans in Congress over Reconstruction policies following the Civil War. He was impeached in 1868 and later acquitted by a single vote. Nevertheless, Congress eventually ratified the Alaska deal. Public opinion of the purchase turned more favorable when gold was discovered in a tributary of Alaska's Klondike River in 1896, sparking a gold rush. Alaska became the 49th state on January 3, 1959, and is now recognized for its vast natural resources. Today, 25 percent of America's oil and over 50 percent of its seafood come from Alaska. It is also the largest state in area, about one-fifth the size of the lower 48 states combined, though it remains sparsely populated. [Click here to read more.](#)

volume reached \$44 billion mark, a leap of 25 percent*.

Citing Shady ISO Practices, Heartland's Carr Predicts Further Crackdowns by the FTC

10/16/13 Digital Transactions

Merchant processors can expect federal regulators to continue cracking down on their industry, Robert O. Carr, chief executive of Heartland Payment Systems Inc., predicted in a speech Wednesday at an acquiring-industry conference. The reason for stepped-up federal oversight, Carr said, is that independent sales organizations haven't policed themselves effectively. He referred to a number of shady ISO practices that have come to his attention, including falsifying interchange on merchant statements, pocketing merchant savings from Durbin-mandated debit rates, and changing a merchant's category to qualify for a lower rate.

Bitcoin Is A Remarkable Innovation, Here's Why It Will Fail

10/17/13 PYMNTS

Bitcoin is absolutely brilliant. The insight behind this alternative currency is counterintuitive. Most everyone in payments sees cash as an inferior species. Cash is technologically backward and dirty to boot. It's only bad habits that die hard that perpetuate anyone ever paying with paper. But Satoshi Nakamoto-the pseudonym for the anonymous inventor of bitcoin-recognized that people use cash because it has critical features that other payment methods lack. Like being untraceable, for starters.

ETA Forms Political Action Committee To Lobby For Industry

10/17/13 ISO & Agent

The Electronic Transactions Association is forming a political action committee to lobby for the interests of the acquiring industry. News of the ETA PAC came Wednesday in a presentation by Jason Oxman, the trade group's CEO, at the association's annual Strategic Leadership Forum. Oxman called his audience's attention to a PAC lapel pin he was wearing and said it was the second most expensive piece of jewelry he had ever purchased. The most costly, his wife's engagement ring, had a higher price tag than the donation he made to the PAC, he said.

Bitcoin Mining Rush Means Real Cash for Hardware Makers

10/15/13 Bloomberg

Bitcoin, the virtual money that exists only in digital form, is spawning a real-world hardware boom. The currency, used to buy and sell everything from electronics to illegal drugs on the Web, has surged to about \$135, more than 10 times its value a year ago. The rally has created a cottage industry of speculators eager to get their hands on Bitcoins, which can only be created digitally by using powerful computers to solve complex software problems.

Cash & Check Still Dominate US P2P Payments

10/15/13 Finextra

Digital methods still lag behind old-fashioned cash and checks when it comes to person-to-person payments in the US, according to a survey from vendor Fiserv. Of 2500 Americans quizzed, 88% have sent money to another person in the last year. Cash is the most popular method, used by 56% of the 88%, while checks were sent by 41%. Only 31% used online method such as a bank-based P2P payment services or PayPal.

Mobile Payments

Mobile Payment System of the Future: PayPal or Isis?

10/16/13 StorefrontBacktalk

While eBay-owned PayPal's new mobile payment solution is getting a lot of media attention, Isis believes its Android-based mobile wallet will be THE m-payment system of the future. But how long will it take? Even though Isis has the backing of AT&T, T-Mobile and Verizon, its system is not supported by Apple. Plus, its technology is still in trials in Austin and Salt Lake City.

Loop Rolling Out Mobile Wallet that Works at 90% of Retailers

10/17/13 Boston Business Journal

A Boston-area entrepreneur is using Kickstarter to drum up excitement for new mobile payments technology that will let consumers store credit cards on a smart phone and use it to pay at most retailers. Winchester resident Will Graylin and his Miami-based business partner, George Wallner, have invested about \$4 million of their own money in the "mobile wallet" technology, dubbed Loop.

Revel Systems to Offer PayPal at More Brick-and-Mortar Retail Locations

10/14/13 PRNewswire

Revel Systems, the leader in iPad point-of-sale (POS) solutions today announced that they will offer PayPal's mobile payment capabilities as an integrated service within the Revel POS solution. According to the analyst firm Heavy Reading, the mobile payments market is poised to reach \$1 Trillion by 2015. Revel's integration with PayPal is part of a new wave in the POS industry evolution with a mobile commerce offering directly integrated with a major POS platform for quick and easy mobile ordering and payments.

Jamba Juice, Isis, Team Up for Mobile Payment Promotion

10/16/13 Fast Casual

Jamba Juice Co. and Isis, the mobile commerce joint venture created by AT&T Mobility, T-Mobile US Inc. and Verizon Wireless, will give away up to 1 million free smoothies to U.S. consumers who tap to pay using their Isis Mobile Wallet. The giveaway will kick off later this year at participating U.S. Jamba Juice locations following the national launch of Isis, according to a news release.

Cardless ATMs Allow You to Get Cash With Your Phone

10/14/13 Yahoo!

While eBay-owned PayPal's new mobile payment solution is getting a lot of media attention, Isis believes its Android-based mobile wallet will be THE m-payment system of the future. But how long will it take? Even though Isis has the backing of AT&T, T-Mobile and Verizon, its system is not supported by Apple. Plus, its technology is still in trials in Austin and Salt Lake City.

Regulation & Security

Managed Care Advisory Group, LLC: Visa/MasterCard Settlement Offers Cash to Millions of U.S. Merchants

10/16/13 *BusinessWire*

Over the past month, the Payment Card Interchange Fee Settlement has drawn considerable attention among U. S. merchants. (In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation | MDL No. 1720). Since the opportunity is almost unprecedented, there is considerable confusion and misinformation regarding the settlement, its terms and provisions designed to provide cash and various forms of relief to merchants. Although final approval of the settlement is still pending, there is no better time than the present for merchants to educate themselves about the opportunity and their options.

Low-Tech Scheme Targets Small Merchants

10/15/13 *Bank Info Security*

Many merchant network breaches involve fraudsters intercepting unencrypted transactions as they're transmitted from the point of sale. But last month, fraudsters targeted a handful of small retailers in Kansas City, Mo., with a low-tech scheme designed to block transactions. Local merchants notified authorities that the satellite dishes they use to transmit payment card transactions, including authorizations, had been covered with aluminum foil to block transmission of credit card transaction data via satellite to card issuers, helping to pave the way for fraud.

Insurer's Data Breach Lawsuit Against Schnucks is Terminated

10/16/13 *St. Louis Business Journal*

A lawsuit filed against Schnuck Markets Inc. by its insurer, which sought to avoid paying damages related to the grocer's widespread data breach, has been terminated. The case, brought by Liberty Mutual Insurance Co., was terminated on Oct. 1, according to court records. Liberty Mutual filed the lawsuit in August in the U.S. District Court in St. Louis, seeking a judgement that would free it from liability associated with the data breach that affected an estimated 2.4 million credit cards used at Schnucks between December 2012 and March 2013.

Fraud Security Startup Zumigo Goes Live

10/17/13 *BTN*

Zumigo, which detects fraud by authenticating mobile devices, debuted its Assure security products, this week. The San Jose startup uses cellular phone protocols in order to make sure customers' mobile devices are in the same building as, say, a merchant receiving a payment at the point of sale. The company's authentication service is supported through the use of APIs.

Walmart Shoppers Fill Carts to Overflowing When EBT Card System Fails

10/14/13 *CBS 12*

Shelves in Walmart stores in Springhill and Mansfield, LA were reportedly cleared Saturday night, when the stores allowed purchases on EBT cards even though they were not showing limits. The chaos that followed ultimately required intervention from local police, and left behind numerous carts filled to overflowing, apparently abandoned when the glitch-spurred shopping frenzy ended. Springhill Police Chief Will Lynd confirms they were called in to help the employees at Walmart because there were so many people clearing off the shelves. He says Walmart was so packed, "It was worse than any black Friday" that he's ever seen.

Shutdown Over, Government Slowly Gets Back to Normal

10/17/13 The New York Times

The United States government sputtered back to life Thursday morning after President Obama and Congress ended a 16-day shutdown, clearing the way for federal agencies to again deliver services, reopen public facilities and welcome hundreds of thousands of furloughed employees returning to work. The political standoff in the nation's capital ended just minutes before a midnight deadline when the government's ability to borrow money would have expired.

Washington's Shenanigans Cost the Economy \$24 Billion

10/17/13 The Wall Street Journal

Washington's budget battle could result in a \$24 billion hit to the U.S. economy. That estimate comes courtesy of ratings firm Standard & Poor's, who you'll remember stripped the U.S. of its pristine credit rating in the summer of 2011 during the previous major debt-ceiling spat. This time around, S&P says the 16-day partial-government shutdown and the wrangling over the debt limit has taken an even bigger hit to the economy. S&P estimates the shutdown shaved at least 0.6% off fourth-quarter GDP growth.

Holiday Shoppers Plan their Clicks and Coupon Clips to Spend More and Purchase Earlier

10/17/13 MarketWatch

With a late Thanksgiving and the shortest holiday shopping season in years, consumers say they're starting their holiday shopping sooner and spending more this year, according to the latest American Express Spending & Saving Tracker. While it's still not clear how the holiday season will actually play out, consumers say they will expect to spend \$1,260 this year, up \$400 from last year.

Create Jobs by Ending the Swipe Fee Rip-Off

10/14/13 Real Clear Politics

Even though the monthly jobs report went undisclosed last week because of the government shutdown, recent ones from the Labor Department have sent a clear message: If we want to quicken the pace of the economy recovery, we must do more than what we currently are. Here's one idea: Cut the fee that merchants and consumers pay to swipe credit and debit cards. A recent study found that more than 154,000 jobs could be created annually if debit card swipe fees were limited to 12 cents a transaction (as originally proposed by the Federal Reserve) and credit card swipe fees were limited to 24 cents – amounts that would still allow credit card companies and the banks that issue the cards to realize a healthy profit, given the low cost to process transactions.

Weekly Jobless Claims Fall from Six-Month High

10/17/13 Fox Business

The number of Americans filing new claims for unemployment benefits dropped from a six-month high last week, but remained elevated as California continued to deal with a backlog related to computer problems. Initial claims for state unemployment benefits fell 15,000 to a seasonally adjusted 358,000, the Labor Department said on Thursday. Economists polled by Reuters had expected first-time applications to fall to 335,000 last week.

Payments Press

TSYS Releases Third Annual Research Results on

Consumer Payment Preferences

10/15/13 TSYS

TSYS announced it has made available to the industry the results of its 2013 Consumer Payment Choice Study, which consists of an online survey and in-person focus groups - both of which were conducted to gauge current and potential future consumer payment preferences. The nationwide primary consumer research study utilizes both quantitative and qualitative data to highlight how consumers are making payments today and how that may change in the future.

KKR Writes New Check to Help First Data Refinance Debt

10/14/13 Reuters

Private equity firm KKR & Co LP and its co-investors, which took First Data Corp private for \$29 billion in 2007, are making a new \$300 million investment in the world's largest payment processing company to help it refinance its debt. KKR and other small shareholders will receive new convertible preferred equity in First Data in return for their \$300 million cash investment, First Data said in a statement on Monday.

Fifth Third Profit Rises on Credit Quality, Sale of Vantiv Shares

10/17/13 American Banker

Fifth Third Bancorp (FITB) in Cincinnati reported a 16% rise in quarterly earnings thanks to improvements in credit quality and gains from its gradual divestiture of a payments subsidiary. The \$126 billion-asset company earned \$421 million in the third quarter, it said Thursday. Per-share earnings of 47 cents were 23 cents off the estimates of analysts polled by Bloomberg.

American Express Third Quarter EPS Up 15% to \$1.25; Revenues, Card Member Spending and Loans Continue to Grow

10/16/13 American Express

American Express Company reported third-quarter net income of \$1.4 billion, up 9 percent from a year ago. Diluted earnings per share was \$1.25, up 15 percent from \$1.09 a year ago. Consolidated total revenues net of interest expense rose 6 percent to \$8.3 billion in the third quarter, from \$7.9 billion a year ago. The increase was driven by a rise in Card Member spending and higher net interest income that reflected lower funding costs and growth in Card Member loans. Adjusted for foreign currency translations, consolidated total revenues net of interest expense rose 7 percent from a year ago.

CardConnect and OnDeck Join Forces to Provide 50,000 Businesses Access to Immediate Capital

10/17/13 Cardconnect

CardConnect, one of the nation's fastest-growing providers of payment processing services, today announced an alliance with OnDeck, the Main Street lender that leverages its proprietary credit platform to efficiently deliver capital to a market underserved by banks. This partnership extends immediate, pre-authorized and transparent funding to the 50,000 U.S. businesses using CardConnect to accept billions of dollars in transactions each year.

VeriFone Increases Speed and Versatility of C-Store Management with New POS and Site Management Solutions

10/14/13 EON

VeriFone Systems, Inc., announced the availability of Commander Site

Controller, the company's next generation site management solution, and Ruby2 a touch-screen point of sale (POS) solution, both designed to provide greater efficiency, faster payment acceptance and new management capabilities that maximize profit potential for convenience store retailers.

ProPay Selected as Top Online Payment Service Provider

10/17/13 Fort Mill Times

ProPay, a TSYS company and industry leader in merchant services, payment security and mobile payments, announced today it was recently recognized as the top online payment service by merchants participating in the EcommerceBytes awards survey. ProPay provides a robust portfolio of merchant services that enable merchants to process payments anytime, anywhere-in-person, online, offline and over the phone.

JetPay® Corporation Receives \$10 Million Capital Investment from Flexpoint Ford

10/15/13 Daily Finance

JetPay® Corporation announced the closing and receipt on Friday, October 11, 2013 of a \$10 million investment from an affiliate of Flexpoint Ford, LLC ("Flexpoint"). The \$10 million investment was made pursuant to the previously announced agreement with Flexpoint in which it agreed to invest up to \$40 million into JetPay subject to the satisfaction of certain conditions.

Signature Card Services New Online Store Supports Affordable EMV Transition for U.S. Merchants

10/16/13 Signature Card Services

Signature Card Services, the industry-leading payment processing services provider, has launched a new online store that features low-cost EMV-capable terminals for retail merchants. The store will offer merchants the ability to purchase discounted terminals in order to support their transition over to processing chip-based credit cards.



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