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Editor: Mike Strawhecker, VP & Director of TSG Metrics
Co-Editor: Andrew Nuss, Marketing Associate



THE STRAWHECKER GROUP
The Trusted Advisor To The Payments Industry



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Trending This Week...

[Heartland Payment Systems has filed a federal lawsuit against Mercury Payment Systems](#), alleging that Mercury is illegally competing against Heartland with deception trade practices.

Following last week's announcement by Global Payments to acquire PayPros for \$420M, [TSG has completed a brief analysis on this transaction.](#)

In mobile payments news, Amazon has been building a Kindle-based POS service for merchants using technology it picked up via its GoPago acquisition, [while also developing a solution for P2P payments to compete more directly with PayPal.](#) On the PayPal side, [rumor has it that they have been pitching Apple](#) on helping to bring their payments initiative to fruition.

Other highlights include:

- [Brave New World in Payments - Article by Mike Strawhecker](#)
- [New Clues in the Target Breach](#)
- [TSYS CEO: No Target Breach Exposure at Our Company](#)
- [U.S. Economy Grew at 3.2 Percent Rate in Q4](#)

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

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

This Day in History: 1950

Truman announces development of H-bomb

U.S. President Harry S. Truman publicly announces his decision to support the development of the hydrogen bomb, a weapon theorized to be hundreds of times more powerful than the atomic bombs dropped on Japan during World War II.

Five months earlier, the United States had lost its nuclear supremacy when the Soviet Union successfully detonated an atomic bomb at their test site in Kazakhstan. Then, several weeks after that, British and U.S. intelligence came to the staggering

1/31/14 TSG Metrics

Last week Global Payments announced they would acquire PayPros for \$420M. TSG Metrics has put together a brief analysis of this acquisition in comparison with [TSG's Merchant Database](#) as well a look at Global's transaction motivation.



PayPros[®]

[Click here to view the analysis.](#)

Brave New World in Payments - Tapping the Power of Big Data in Merchant Portfolio Management

1/31/14 Transaction Trends

Article by Mike Strawhecker, VP & Director of TSG Metrics

In the novel Brave New World, Aldous Huxley wrote, "One believes things because one has been conditioned to believe them." The same might be said of portfolio owners and managers who previously were limited by what they knew-what they believed to be true. But in today's competitive landscape, we now have the power to act upon what is true. Big Data gives information to merchant acquirers that wasn't available in the past.

[Click here to read more.](#)



[Click here for the full edition of Transaction Trends.](#)

Heartland Payment Systems Files Federal Lawsuit Against Mercury Payment Systems, LLC

1/30/14 Heartland Payment Systems

Heartland Payment Systems, yesterday filed a federal lawsuit against Mercury Payment Systems, charging them with false advertising, unfair competition, intentional interference with contractual relations, and intentional interference with prospective economic advantage. The suit, filed in United States District Court in the Northern District of California, San Francisco Division, alleges that Mercury is illegally competing against Heartland with deceptive trade practices.

New Clues in the Target Breach

1/29/14 Krebs on Security

An examination of the malware used in the Target breach suggests that the attackers may have had help from a poorly secured feature built into a widely-used IT management software product that was running on the retailer's internal network. As I noted in an earlier story - A First Look at the Target Intrusion, Malware - the attackers were able to infect Target's point-of-sale registers with a malware strain that stole credit and debit card data.

MasterCard Exec: It's Time for EMV

1/30/14 Bank Info Security

In one of the first public statements by a major payment card company in the wake of the Target Corp. and Neiman Marcus breaches, an executive for MasterCard says it is now time for the U.S. to migrate from magnetic

conclusion that German-born Klaus Fuchs, a top-ranking scientist in the U.S. nuclear program, was a spy for the Soviet Union. These two events, and the fact that the Soviets now knew everything that the Americans did about how to build a hydrogen bomb, led Truman to approve massive funding for the superpower race to complete the world's first "superbomb," as he described it in his public announcement on January 31.

On November 1, 1952, the United States successfully detonated "Mike," the world's first hydrogen bomb, on the Elugelab Atoll in the Pacific Marshall Islands. The 10.4-megaton thermonuclear device, built upon the Teller-Ulam principles of staged radiation implosion, instantly vaporized an entire island and left behind a crater more than a mile wide.

[Click here to read more.](#)

stripe card technology to the more secure Europay, MasterCard and Visa chip technology standard. "This migration is about an upgrade that will drive both innovation and security for all parties, most importantly for consumers and cardholders," says Chris McWilton, president of North American markets at MasterCard.

[Visa CEO Calls For Better Payment Security As Increased Card Use Lifts Visa Profit And Revenue](#)

1/30/14 Forbes

Payment technology company Visa, the world's largest credit and debit card company - saw its first quarter earnings and revenue get a boost from consumers using less cash and more cards to pay for goods and services, the company announced Thursday morning. But on the heels of the increase in volume and the numerous card breaches at retailers like Target TGT and Neiman Marcus, Visa CEO Charlie Scharf is pushing for advances in payment technology and security.



[Mobile Payments](#)

[PayPal Wants Role in Apple's Mobile Payments Dreams](#)

1/30/14 Re/code

Apple may finally appear serious about facilitating the purchase of physical products in retail stores through its devices - and that has gotten the attention of at least one potential major competitor. Three payments industry executives tell Re/code that eBay-owned PayPal has been pitching Apple on helping the consumer electronics maker bring its long-rumored payments initiative to fruition. These people, who have spoken to contacts at both Apple and PayPal, say that PayPal is essentially willing to white-label parts of its payment service to be used in an Apple mobile payments system - anything from fraud detection to back-end infrastructure, even possibly down to the processing of payments.

[Mobile Payments Will Transform Acquiring, Speakers Say](#)

1/30/14 ISO & Agent

Acquirers could find themselves looking a lot like marketing firms in the near future. They'll make that transformation by offering merchants the value-added features that come with mobile payments, says Henry Helgeson, CEO of Merchant Warehouse, a Boston-based independent sales organization. Those features include data crunching that helps merchants run their businesses more efficiently and profitably as well as digital approaches to loyalty and gift-giving, according to a panel that convened Wednesday at the Northeast Acquirers Association 2014 Winter Seminar and Outing in Mount Snow, Vt.

[Amazon Wants To Include Peer-to-Peer Payments In Its "Real World" PayPal Competitor](#)

1/30/14 TechCrunch

Earlier today, the WSJ published a report on how Amazon is building a Kindle-based point-of-sale payments service for local merchants using technology it picked up via its Gopago acquisition - something we actually reported on back in December. In fact, this looks like just part of what Amazon has in mind. The e-commerce giant is also developing a solution for person-to-person payments - bypassing banks and other

payment networks - putting it in even closer competition with P2P payment giant PayPal.

Dunkin' Donuts Scales Mobile Loyalty Program to Drive Payments Volume

1/28/14 Mobile Commerce Daily

Following a test in several markets over the past few months, Dunkin' Donuts is taking its new DD Perks loyalty program national in a move that could have a big impact on the volume of mobile payments. The DD Perks program will be fully integrated in the Dunkin' Donuts mobile app by early February, enabling users to earn rewards and pay for purchases at the coffee and baked goods chain from their mobile phones. The strategy puts Dunkin' Donuts in competition with Starbucks, which is seeing close to five million mobile transactions every week.

New York Gears Up for Virtual Currency 'BitLicenses'

1/31/14 Finextra

Plans floated by New York regulators to issue 'BitLicenses' specifically tailored to virtual currencies, drew mixed responses from industry players at a hearing this week. The New York State Department of Financial Services (NYDFS) heard from bitcoin start-ups, venture capitalists, law enforcement agencies and academics as it seeks to map out a regulatory approach to the nascent crypto-currency market.

Apple Could be Readying Mobile Payments Program

1/28/14 FierceRetailIT

Shoppers could soon be able to pay via a proprietary payment system on Apple devices as the company builds an internal team to address payments. Eddy Cue, Apple's iTunes and app store chief, has reportedly held meetings to discuss Apple's interest in handling payments for physical goods and services on its devices, according to The Wall Street Journal, citing "people familiar with the situation." According to these sources, Apple recently tasked Jennifer Bailey with building a payment business within the company. Bailey had been running Apple's online stores.

Mint Teams up With Coinbase to Add Bitcoin Support

1/30/14 CoinDesk

Financial planning firm Mint has added bitcoin support to its service, following a deal with wallet provider Coinbase. Following the move, Mint's popular finance app will allow US users to keep track of their bitcoin investments, alongside more traditional investments. Mint product manager Vince Maniago told Venture Beat that there are already 12 million bitcoins in circulation, adding that 60,000 merchants are already accepting the digital currency via Coinbase.

Regulation & Security

TSYS CEO: No Target Breach Exposure at Our Company

1/28/14 BTN

Total System Services CEO Phil Tomlinson took time out from discussing record revenue during the payments processor's Jan. 28th earnings call to proclaim his company safe from the slate of recent data breaches that have afflicted Target and other retailers. "I want to address the Target situation because the question is burning in your mind," said Tomlinson at the start of the call. "TSYS has no involvement in the Target issue or any of the other breaches that are announced daily."

ETA Congressional Letter Seeks Uniform Standard for Data Breach Notification

1/27/14 The Green Sheet

The Electronic Transactions Association (ETA), the global trade association representing the payments technology world, today sent a letter to congressional leaders updating Congress on the state of payments networks that address the growing threat of cybercrime and data breaches. The letter reiterated the payments industry's support for a uniform, national standard for data breach notification, bringing clarity for companies that maintain data and consumers who may be harmed by criminal breaches.

Michaels Stores Investigates Data Breach

1/27/14 InformationWeek

Arts-and-crafts retailer Michaels Stores is the latest business to confirm that it's investigating an apparent hack attack against its systems resulting in the theft of shoppers' credit and debit card details. "We recently learned of possible fraudulent activity on some US payment cards that had been used at Michaels, suggesting we may have experienced a data security attack," said Michaels CEO Chuck Rubin in a statement Friday.

Banks Can't Be the Only Backstop for Fraud

1/27/14 WSJ

On Thursday, luxury retailer Neiman Marcus announced that hackers had lifted the credit card information of as many as 1.1 million customers during four months in 2013. This news comes closely after Target's announcement that up to 110 million of its customers were affected by a data breach over the holidays. These data heists underscore the need for updating the payments system to protect consumers from cybercriminals. That's something bankers and retailers, who share the responsibility for the system's integrity, should work together to accomplish.

Economy

U.S. Economy Grew at 3.2 Percent Rate in Q4

1/30/14 ABC News

The U.S. economy grew at a 3.2 percent annual rate in the October-December quarter on the strength of the strongest consumer spending in three years, an encouraging sign for 2014. The fourth-quarter increase followed a 4.1 percent growth rate in the July-September quarter, when the economy benefited from a buildup in business stockpiles. For 2013 as a whole, the economy grew a tepid 1.9 percent, weaker than the 2.8 percent increase in 2012, the Commerce Department said Thursday. Growth was held back last year by higher taxes and federal spending cuts.

Charts: Putting U.S. Economic Growth in Perspective

1/30/14 The Wall Street Journal

The economy had its best second half in a decade, indicating that the U.S. is on firmer footing. But the current expansion remains slow, and the pace of growth still is weak historically.

Consumer Confidence in U.S. Climbs to a Five-Month High

1/28/14 Bloomberg

Confidence among U.S. consumers unexpectedly climbed to a five-month high in January as optimism about the economy and labor market improved. The Conference Board's index advanced to 80.7 from a revised 77.5 in December that was weaker than initially estimated, the New York-based private research group reported today. The median forecast in a Bloomberg survey of economists called for a reading of 78.

Payments Press

MasterCard Incorporated Reports Fourth-Quarter and Full-Year 2013 Financial Results

1/31/14 MasterCard

MasterCard Incorporated announced financial results for the fourth quarter of 2013. Excluding a special item, the company reported net income of \$684 million, up 13%, and earnings per diluted share of \$0.57 (adjusted for the company's ten-for-one stock split), up 16%, versus the year-ago period. Including the special item, a \$61 million after-tax charge related to the opt-outs in the U.S. merchant litigations, the company reported net income of \$623 million, or \$0.52 per diluted share.

TSYS Reports 2013 Adjusted Cash EPS Increased 17.8%

1/28/14 TSYS

"Our total revenues exceeded \$2 billion for the first time in our history, and we met the high end of the range of our adjusted cash EPS guidance of \$1.72. This was truly a transformational year for TSYS," said Philip W. Tomlinson, chairman and chief executive officer of TSYS. "During the fourth quarter, we reduced our debt by \$62.5 million, bringing our total reductions since the NetSpend acquisition to \$124.9 million. Also during the quarter, we purchased 3.1 million shares of our stock for \$97.6 million.

First Data Forms Payments Partnership with 1800Accountant

1/28/14 First Data

First Data Corporation, the global leader in payments processing and electronic commerce solutions, today announced that the company has formed a partnership with 1800Accountant, a leading national business services and accounting firm specializing in small businesses. Serving more than 300,000 merchants across the U.S., 1800Accountant's team of Certified Public Accountants (CPAs), enrolled agents and accountants provides affordable accounting, tax preparation, payroll, bookkeeping, business planning and consulting services.

YapStone Makes Key Hires in Pursuit of Payments Land Grab

1/27/14 San Francisco Business Times

YapStone made three executive hires and plans to add more to its team as it seeks to grab a bigger piece of the payments business. The Walnut Creek company operates in one of the hottest sectors in finance, facilitating payments. YapStone is the company behind services such as RentPayment and ParishPay. With YapStone moving deeper into mobile payments, the firm recently hired Tim Armandpour as senior vice president of engineering and technology. Armandpour previously led engineering teams at PayPal and Zong, which was acquired by PayPal.

Clearent Announces Record 2013 Results

1/30/14 Clearent

Today Clearent announced its 2013 financial results, which highlight the fact that it continues to be one of the fastest growing credit card processing companies in the payments business. Clearent processed \$4.4

billion in transaction volume last year, marking a 61% increase over 2012. The company now serves approximately 20,000 businesses. This rapid growth was driven by the many unique benefits that Clearent offers its sales partners and merchants, ranging from best-in-class technology to superior customer service.

Zappix Selected by Merchant Warehouse to Deliver Enhanced Mobile Customer Support

1/29/14 PRWeb

Today, Zappix announced that Merchant Warehouse, a leading provider of payment technologies and merchant account services, has selected the Zappix enterprise-class Visual IVR and Self-Service mobile app solution to provide mobile customer care to its merchants. "Merchant Warehouse is recognized for delivering unsurpassed customer support. We are delighted to have the opportunity to extend the access to the contact center and provide self-service options on smartphones," said Gal Steinberg, Vice President of Marketing at Zappix.

FIS Continues its Leadership Role in U.S. EMV Smart Card Transition

1/28/14 BusinessWire

FIS, the world's largest provider of banking and payments technology, continues to lead the way in EMV production and transitions across the United States. Having launched EMV programs for more than 50 financial institutions over the last 12 months, FIS provides implementation and issuance programs for providers looking to upgrade to the EMV standard used across most of the world. FIS also issues EMV-enabled cards in Canada, Aruba, Brazil, Mexico and the U.K.

Acquirer Systems features at the 2014 Smart Card Alliance Payments Summit

1/29/14 Acquirer Systems

Acquirer Systems, the market leader in enterprise test and validation solutions for the payments industry, today announced that Ed Mastrangelo, Head of Business Development, North America, will be participating as a panellist at the Smart Card Alliance 2014 Payments Summit during the keynote session, "What Retailers Want and Want to Avoid with EMV and NFC".

Feedzai Launches Fraud Detection Software in U.S. to Help Retailers Stop Data Theft

1/29/14 VentureBeat

U.S. retailers and banks scared by recent data breaches now have a possible new security solution. Portuguese startup Feedzai is now selling its fraud detection software in the States. Feedzai's technology, which has been available in Europe since 2008, analyzes transactions made through brick-and-mortar stores or online purchases and searches for abnormal activity. The company's solution is different from other fraud detection software because Feedzai's algorithms use a much larger sample and range of data to make this determination, chief executive Nuno Sebastiao told VentureBeat, and remember cases where fraud actually occurred.



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