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THE STRAWHECKER GROUP
The Trusted Advisor To The Payments Industry



Mar. 14th, 2014
Edition #395

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Trending This Week...

Target continues to take a beating as reports this week cover how [Target missed alarms ahead of the data breach](#). Six months prior, Target installed a \$1.6M malware detection tool from FireEye, to monitor anything suspicious...and as the hackers uploaded exfiltration malware to move the credit cards numbers, FireEye spotted them. However, when Target HQ was notified, nothing happened. DOH!

In Bitcoin news this week [Warren Buffett told people to stay away from it](#), calling it a mirage. At the same time Goldman released research arguing that [Bitcoin fails to meet the criteria of a viable currency](#).

Click the image to watch the video:



Other highlights include:

- [MasterCard/Visa Form Alliance to Accelerate Payment Security](#)
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[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 SmartPhone to Buy Things!](#)

This Day in History: 1879 **Albert Einstein Born**

On March 14, 1879, Albert Einstein is born, the son of a Jewish electrical engineer in Ulm, Germany. Einstein's theories of special and general relativity drastically altered man's view of the universe, and his work in particle and energy theory helped make possible quantum mechanics and, ultimately, the atomic bomb.

After a childhood in Germany and Italy, Einstein studied physics and mathematics at the Federal Polytechnic Academy in Zurich, Switzerland. He became a Swiss citizen and in 1905 was awarded a Ph.D. from

Analysis

The Essential Guide to Merchant Attrition & Growth

*The Strawhecker Group announces the availability of a new industry study: **TSG Attrition & Growth Report.***

This report contains attrition and growth metrics from [TSG's Merchant Portfolio Performance Study \(MPPS\)](#) database of 1.8 million merchants, which is prepared using merchant level data from multiple merchant portfolios representing both Bank and ISO participants, a variety of business models and sales and marketing strategies.

[Click here to see a preview of every page of this 118 page report.](#)

Please [click here](#) if you are interested in ordering the report. The price is \$3,750. Please email Info@TheStrawGroup.com with questions.

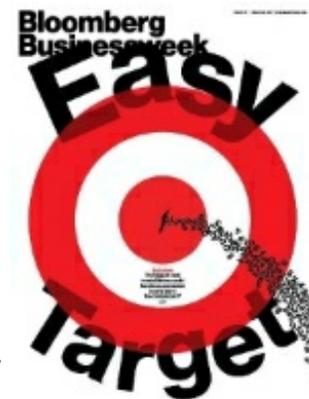
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Featured

Missed Alarms and 40 Million Stolen Credit Card Numbers: How Target Blew It

3/13/14 BusinessWeek

It's a measure of how common these crimes have become, and how conventional the hackers' approach in this case, that Target was prepared for such an attack. Six months earlier the company began installing a \$1.6 million malware detection tool made by the computer security firm FireEye (FEYE), whose customers also include the CIA and the Pentagon. Target had a team of security specialists in Bangalore to monitor its computers around the clock. If Bangalore noticed anything suspicious, Target's security operations center in Minneapolis would be notified.



MasterCard & Visa Form Alliance to Accelerate Payment Security

3/12/14 FierceRetailIT

MasterCard and Visa announced the formation of a new cross-industry group focused on enhancing payment system security in the wake of multiple security breaches. The group will focus on a broad range of security-related topics, including advancing the migration to EMV in the United States, promoting additional security solutions like tokenization and point to point encryption to protect mobile and online transactions, and developing an actionable road map for securing the future across all segments of the payments industry.

Goldman Sachs: Bitcoin Is Not A Currency

3/13/14 TechCrunch

the University of Zurich while working at the Swiss patent office in Bern. That year, which historians of Einstein's career call the annus mirabilis--the "miracle year"--he published five theoretical papers that were to have a profound effect on the development of modern physics.

In the first of these, titled "On a Heuristic Viewpoint Concerning the Production and Transformation of Light," Einstein theorized that light is made up of individual quanta (photons) that demonstrate particle-like properties while collectively behaving like a wave. The hypothesis, an important step in the development of quantum theory, was arrived at through Einstein's examination of the photoelectric effect, a phenomenon in which some solids emit electrically charged particles when struck by light. This work would later earn him the 1921 Nobel Prize in Physics.

[Click here to read more.](#)

Goldman Sachs thinks that Bitcoin believers need to take a cold shower, drink some coffee, and sober up. In the wake of Mt. Gox's collapse, the supposed outing of Bitcoin's creator, and some high-profile arrests, the financial services firm has put together an exhaustive survey of "Bitcoin" and "bitcoin" and ultimately finds the technology promising but the currency wanting. The key takeaway: Bitcoin likely can't work as a currency, but ... the ledger-based technology that underlies it could hold promise.

Buffett: 'Stay Away' From Bitcoin

3/14/14 MoneyBeat

Uncle Warren is not warming up to bitcoin. Mr. Buffett, who earlier this month said he wouldn't own bitcoin because he doesn't consider it a store of value or reliable means of exchange, again dismissed bitcoin Friday. During a CNBC interview promoting a contest related to the NCAA basketball tournament, he opined on a range of topics, one of them being bitcoin. "Stay away from it," he said, according to a transcript. "It's a mirage basically."

Accidental Disruption: Max Levchin Discusses How Close PayPal Was to Never Existing at All

3/13/14 Pando Daily

PayPal's status as one of the most successful pre dot-com crash companies is beyond dispute. But for the billions in value that it created and the impact that it's had in revolutionizing digital payments, it's remarkable to consider how close the company came to never existing. It wasn't just teetering on the brink of insolvency, something that every startup encounters at some point. Rather, PayPal was never intended to be a payments company, but started out as an encryption solution for early Palm Pilots.

Acquirer Says High Risk Pays Off

3/12/14 ISO & Agent

In an industry where many acquirers shun high-risk merchant accounts, Michael Foy seeks them out. For the past 15 years, Foy has run International Merchant Processing Solutions, a company he set up in Belize for the sole purpose of providing processing services to the kinds of online merchants that most U.S. banks won't touch. The businesses in his portfolio run the gamut from adult content and gaming sites to timeshare properties and nutritional supplements.



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Mobile Payments

What is Apple's Commerce and Payments Strategy

3/13/14 Mobile Commerce Daily

The stars are aligning for Apple to make a dynamic move into the commerce and payments space. The portents for something big and potentially disruptive are piling up with Apple CEO Tim Cook recently calling out commerce as a major and under-valued asset in Apple's market presence. It is actually Apple's fastest-growing product sector - up 19 percent in the first quarter - while sales of iPads and iPhones stagnate.

Move Over, Small-Time Bitcoin Exchange Startups-Wall

Street Has Arrived

3/12/14 Ars Technica

On Wednesday morning, Perseus Telecom and Atlas jointly launched their new high-speed trading platform for Bitcoin and likely other cryptocurrencies in the future. Perseus is a firm that specializes in high-speed financial data networks, while Atlas is a relative newcomer to the Wall Street scene since starting in 2013. The platform's debut puts Bitcoin trading much closer to the modern world of automated and secure trading. Atlas deals will have a matching speed of 30 millionths of a second.

Starbucks Adds Digital Tipping, Shake to Pay to iPhone Mobile Payment App

3/12/14 ZDNet

Starbucks said Wednesday that it will revamp its mobile payment app on the iPhone to add digital tipping, a new interface and a shake-to-pay feature. The features launch March 19. With 11 percent of transactions happening via its mobile app, Starbucks has used its mobile payment tools as a way to better engage the customer. Starbucks also was among the first companies to add a chief digital officer and split the role from the chief information officer.

Thought Paying With Your Phone Was Futuristic? Now You Can Pay With Your Watch

3/11/14 MarketWired

The world's first open platform for wearable applications is now linked to the world's first open payment network. BeautifulLab has built the first wearable payment app that enables customers to "pay with their Pebble smartwatch." The app is powered by LevelUp's payment platform and featured in the Pebble appstore. LevelUp's Developer Platform enables third party developers to integrate LevelUp directly into their own applications or web services, creating the opportunity for consumers and business owners to make and accept transactions by paying with their phone, paying online or now paying with their wristwatch.

Paym is the New Mobile Payment System on the Block

3/12/14 TehcRadar

The Payments Council, the organisation that sets strategy for UK payment mechanisms, has confirmed the name of a new secure way to pay using just a mobile phone number. The new method will be called Paym, and will be integrated into customer's existing mobile banking or payment apps. At its launch (the data of which will be announced in April) nine bank and building societies will adopt the method.



Regulation & Security

Look Within Thyself for the Most Effective Fraud-Prevention Solutions, Some Merchants Say

3/10/14 Digital Transactions

The coming of Europay-MasterCard-Visa (EMV) chip cards to the U.S. has many American merchants worried about the inevitable shift of credit

and debit card fraud from the point of sale to online channels. EMV cards, while highly effective in thwarting counterfeiting and related card-present fraud, offer no more fraud protection on the Internet than the magnetic-stripe cards they will eventually replace. In the United Kingdom, card-not-present fraud shot up to 62% of all card fraud in 2010 from 30% in 2004, the year the U.K. began its big EMV conversion.

Paying for Post-Breach Expenses

3/10/14 Bank Info Security

A retailer should help pay for payment card re-issuance and other expenses after a breach if the merchant is shown to have had inadequate security measures in place, says Viveca Ware of the Independent Community Bankers of America. This is a very complex industry issue, but we believe, in general, that where there is a party that has not performed as expected - and that seems to be the case in these recent [retailer] breaches - we would like to see community banks be compensated appropriately rather than absorbing the cost to protect their customers."

ETA Announces Operation Choke Point Boot Camp at TRANSACT 14: Powered by ETA

3/13/14 ETA

ETA announced today the addition of the Operation Choke Point Boot Camp at TRANSACT 14, the world's premier payments technology event. In light of increased targeting of payments companies by state and federal law enforcement agencies, ETA's new educational program includes comprehensive risk and fraud guidelines for ISOs, agents, processors, and financial institutions. Boot Camp attendees will receive the new ETA Guidelines on Merchant and ISO Underwriting and Risk Monitoring.

NoMoreRack.com Probes Possible Card Breach

3/12/14 KrebsOnSecurity

For the second time since Aug. 2013, online retailer NoMoreRack.com has hired a computer forensics team after being notified by Discover about a potential breach of customer card data, KrebsOnSecurity has learned. Over the past several weeks, a number of banks have shared information with this reporter indicating that they are seeing fraud on cards that were all recently used by nomorerack.com customers. Turns out, nomorerack has heard this as well, and for the second time in the last seven months has called in outside investigators to check for signs of a digital break-in.

How Real Is Loyalty and Rewards Fraud?

3/13/14 FIS Global

Consumer loyalty rewards programs are widely used in marketing today, with a variety of brands shaping their own program. From Starbucks® to your local grocery store chain, to hotel giants and even car dealerships, consumers are inundated with rewards possibilities. Whether it pertains to points awarded on every dollar spent toward a future discount or miles earned for airline purchases, these programs all vie for consumer attention. Even more astonishing is that, according to Colloquy, there is more than \$48B in outstanding value across all these types of rewards and loyalty programs in the United States.

Economy

First Data Releases February 2014 SpendTrend® Analysis

3/12/14 First Data

First Data Corporation, the global leader in payment technology and services solutions, today released its First Data SpendTrend® analysis for

Feb. 1, 2014, through Feb. 28, 2014, compared to Feb. 1, 2013, through Feb. 28, 2013. SpendTrend tracks same-store point-of-sale data by credit, signature debit, PIN debit, EBT, closed-loop prepaid cards and checks from nearly four million U.S. merchant locations serviced by First Data. Dollar volume growth remained positive at 2.4%, but marked a slight slowdown versus January's 2.5% growth as severe winter weather lingered into February.

Jobless Claims in U.S. Fall to Lowest Level Since November

3/13/14 Bloomberg

The number of Americans filing applications for unemployment benefits unexpectedly fell last week to the lowest level since the end of November, a sign of further improvement in the labor market. Jobless claims dropped by 9,000 to 315,000 in the week ended March 8, a Labor Department report showed today in Washington. The median forecast of 53 economists surveyed by Bloomberg called for a rise to 330,000. Continuing claims decreased for a third straight week.

New Survey of 25,000 US and European Consumers Finds Users of Mobile Payments Spend Nearly Twice as Much Through Digital Channels Overall

3/11/14 Yahoo! Finance

While the ubiquity of mobile devices in the U.S., U.K., France, Germany, and Spain has created a widespread platform for using mobile payments, a revolution is being held back because consumers do not yet find mobile payments secure, private or convenient enough to merit rapid adoption; this according to "The Consumer View of Mobile Payments", a study of 25,000 consumers in five countries released today by Bain & Company. While more than half of consumers on average, and over 70 percent in Western Europe, are aware of mobile payment options, only a quarter of those surveyed are willing to use their mobile device for in-store payments



Payments Press

A Look At How E-Payments Got To Where It Is Today

3/10/14 PYMNTS

For those of you who might have cleared the five forces stuff from your brain's memory bank to make room for other stuff, it's a strategic framework that Porter first published in Harvard Business Review in 1979. It establishes a consistent way to look at an industry to determine its profit potential. Porter's punch line is that there are forces, five of them, in any given industry that drive profit and, therefore, influence its competitive landscape.

Fiserv, MasterCard Agreement Advances Debit EMV Adoption in the U.S.

3/12/14 Fiserv

Fiserv, Inc. and MasterCard today announced an agreement to make MasterCard's U.S. common debit EMV solution available for the Accel™ debit network. Under this agreement, MasterCard issuers receive flexibility to select and implement network relationships, while merchants and acquirers will continue to route transactions as they

prefer, without introducing multiple applications and complicated technology upgrades. The agreement provides Fiserv clients with access to a broad EMV solution.

Ramón Martín joins Visa Inc. as Head of Merchant Sales and Solutions

3/13/14 Visa

Visa Inc. announced the appointment of Ramón Martín to the newly created position of Global Head of Merchant Sales and Solutions. In his role, Mr. Martín will be responsible for leading Visa's global merchant strategy and integrating key functions to deliver customized products and services designed to help merchants achieve their business goals and advance Visa's strong merchant and acquiring partnerships worldwide. Mr. Martín will report directly to Ryan McInerney, President, Visa Inc.

ACI Worldwide Makes Real-Time, Any-to-Any Payments a Reality for Payment Operators

3/12/14 EON

ACI Worldwide, a leading international provider of electronic payment and banking systems, unveiled the next generation of its consumer payments solution, enabling real-time, any-to-any payments. ACI is empowering financial institutions, retailers and billers to reduce payment processing costs, increase customer loyalty and drive new revenues by giving consumers more control over their money and the payment services they value.

First Data and IBC Renew Merchant Acquiring Relationship

3/13/14 Finextra

First Data, the global leader in payment technology and services solutions, and International Bank of Commerce (IBC), today announced that the companies signed a long-term extension for merchant services and payment solutions. IBC has been a partner since 2004 and First Data will continue to provide innovative business solutions to enable the bank's clients to accept all forms of payments and grow their businesses.

TSYS Transforms Cardholder Experience

3/11/14 TSYS

TSYS announced today that it has enhanced its online, self-servicing solution, Credit Care, to provide consumer cardholders an improved user experience and issuing banks greater administrative control. The new responsive and user-friendly design empowers TSYS clients and their customers with greater accessibility to account information. Credit Care now features a flexible user interface providing account holders easy and secure access to their accounts from any mobile device, regardless of size.

Pivotal Payments Acquires Key Assets from Capital Processing Network LLC

3/10/14 Pivotal Payments

Pivotal Payments, a leading provider of merchant services and global payment processing solutions, announced today the acquisition of substantially all the assets of Phoenix-based Capital Processing Network (CPN). CPN provides complete merchant services and credit card processing to point-of-sale businesses across the U.S. The agreement expands Pivotal Payments' direct sales channels in strategic markets and adds significant processing volume and cross-selling capabilities.

Lord & Taylor's Pounce Trial Could Be First Step in Bitcoin Plans

3/12/14 CoinDesk

A few months have passed since Overstock became, arguably, the most high-profile retailer to accept bitcoin. While only a handful of major brands have followed Overstock's lead, that doesn't mean its decision isn't having an impact. As evidence, Ryan Craver, senior vice president of corporate strategy at Hudson Bay Co., told CoinDesk that Overstock's continued bitcoin sales were a key reason he decided to test the waters with bitcoin, albeit through a business partner.

Former Heartland Payment Systems Executive -- Jeffrey S. Tourek -- Joins JetPay Payment Services as Executive Vice President of Sales

3/11/14 PR Newswire

JetPay® Payment Services, a division of JetPay Corporation ("JetPay" or the "Company") is pleased to announce the appointment of Jeffrey S. Tourek as Executive Vice President and National Sales leader. Mr. Tourek comes to JetPay from Heartland Payment Systems where he was Executive Director for Major Accounts. His addition is part of the Company's efforts to increase its national presence among all of its product lines.

Monitise Launches Next-Gen Omni-Channel Consumer Alerting and Engagement Solution

3/11/14 Monitise

Monitise plc, a global leader in Mobile Money solutions, today announced the launch of Alerting+, a next-generation consumer alerting and engagement solution for financial institutions (FIs). For the first time, FIs utilising Alerting+ can evolve alerts from one-way notifications to real-time two-way conversations that build trust and unlock new opportunities for revenue generation, customer acquisition and retention, fraud reduction, risk management and customer engagement.

Shift4 Certifies for EMV Transaction Processing with Moneris

3/11/14 Shift4

Shift4 Corporation, provider of DOLLARS ON THE NET®, the world's largest independent payment gateway, announced the completion of certification to Moneris Solutions Corporation, Canada's largest debit and credit card processor, of Shift4's Universal Transaction Gateway® (UTG®) DOLLARS ON THE NET solution for EMV® transaction processing. "EMV certifications are notoriously complex and resource intensive," said Bob Lowe, Shift4's VP of Business Development.

2Checkout Offers Instant Underwriting for New U.S. Merchant Accounts

3/11/14 SYS-Con

2Checkout, a leading global online payments provider, now offers online retailers the ability to apply for their new merchant accounts online and be underwritten and approved instantly. No other bank or payments processor enables a merchant to start selling as quickly. A new merchant can go from application to live payment processing in seconds, versus the industry norm of weeks. 2Checkout is a global payments processor that lets online retailers accept credit cards, debit cards, PayPal, and recurring billing in 26 currencies and 15 languages.

Cardtronics Helps BBVA Compass Expand in Texas With H-E-B Store ATMs

3/13/14 Nasdaq

Cardtronics, Inc., the world's largest retail ATM owner, today announced a licensing agreement with BBVA Compass, providing the bank branding rights to more than 300 ATMs in H-E-B stores across Texas. The move equates to a nearly 50 percent increase of the bank's statewide ATM network, bringing its total to nearly 1,000 machines. "This agreement provides us an opportunity to deliver convenient banking options for H-E-B shoppers and BBVA Compass customers alike," said Gabriel Palafox, director of multichannel development at BBVA Compass.

U.S. Bank to Offer Visa Payment Controls Service for Small Business Owners

3/13/14 BBR

US Bank is the first bank in the nation to offer Visa Payment Controls, which gives small business owners control over how, when and where their employees' business credit cards are used. "Visa Payment Controls lets small business owners spend more time focused on their business and less time worrying about how their business credit cards are being used by their employees," said Cathi Stanton, senior vice president for U.S. Bank Retail Payment Solutions.

Acquirer Systems Announces Qualification to Supply Test Cards for D-PAS Certification

3/14/14 Acquirer Systems

Acquirer Systems, the market leader in enterprise test and validation solutions for the payments industry, today announced that it has been qualified by Discover Financial Services to supply D-Payment Application Specification (D-PAS) EMV certification test cards for Discover Network and Diners Club International® acquirer testing. Fergal Molloy, CEO of Acquirer Systems, says, "The qualification for Acquirer Systems to supply Discover Financial Services Certification Test Cards for Discover and Diners Club International is part of our commitment to support Discover's business both in the US and worldwide.

BitPay Surpasses 26,000 Approved Bitcoin-Accepting Merchants

3/12/14 News BTC

Bitcoin payment processor BitPay continues its rapid growth as more and more businesses turn to bitcoin to solve challenges presented by the traditional financial system (exorbitant fees charged by credit card processors, for example). The Atlanta-based company announced on Tuesday that they've surpassed 26,000 approved merchants.



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