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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 their work on an overhauled dongle](#) which will support chip and signature as they prepare for the October 2015 transition. At the same time, it has been rumored this week that Amazon, who just released its own digital wallet, [will be releasing a Square competitor in August](#).

According to an alert from federal authorities, [a new POS malware strain known as Backoff is putting small merchants at risk](#) as it has already been identified in at least three separate investigations.

[TransFirst filed for registration of a proposed IPO](#) this week putting a tentative value of [\\$100M on the offering](#).

Other highlights include:

- [Heartland Payment Systems to Acquire TouchNet Information Systems, Inc.](#)
- [The Big-Ticket Mercury Acquisition Already Starts to Pay Dividends for Processor Vantiv](#)
- [FDIC Withdraws Alleged 'Hit List' of High-Risk Merchants](#)
- [First Data Announces Agreement to Acquire Gyft](#)

TSG Quick Stat - Merchant Type: *Political Organizations* (8651)

- New Volume Added: **56%**
- Account Attrition Rate: **-42%**
- Average Ticket: **\$80**

Notes:

- Source: TSG Database of more than 2 million merchants
- Sample: At least 500 merchants in sample of each merchant type
- Time Period: TTM Mar. 2014
- New Volume Added = Volume added from new accounts boarded over the last 12 months expressed as a % of total volume from the prior year
- Account Attrition: Attrited accounts are defined as those with net revenue activity in the same period of the prior year but with net revenue
- Merchant Type: Number referenced is MCC Code ([Link](#))

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[Acquisition Multiples & Attrition Summary](#)

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[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 SmartPhone to Buy Things!](#)

[The Top Ten Ways Acquirers Can Block the Breach](#)

[Analysis: Vantiv's Acquisition of Mercury](#)

## This Day in History: 1498

### Columbus Lands in South America

Italian explorer Christopher Columbus sets foot on the American mainland for the first time, at the Paria Peninsula in present-day Venezuela. Thinking it an island, he christened it Isla Santa and claimed it for Spain.

Columbus was born in

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20/20

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## Featured

### Emerging POS Attacks Target Small Merchants

*8/01/14 Bank Info Security*

A new point-of-sale malware strain known as Backoff has been linked to numerous remote-access attacks, putting small merchants at greatest risk, according to an alert from federal authorities. The alert from the Department of Homeland Security, the Secret Service and the Financial Services Information Sharing and Analysis Center notes that Backoff is a recently discovered family of POS malware that has now been identified in at least three separate forensic investigations.

### Square Bets Big on Next-Gen Credit Card Tech

*7/30/14 Wired*

Square first came to fame with a credit card reader you could plug into your iPhone jack. But next year, the company's signature device will be on its way to obsolescence as the U.S. transitions to a new kind of credit card that verifies purchases with an embedded computer chip. In anticipation of this sweeping change in the way Americans pay, Square designers and engineers have been working on new hardware the company hopes will not only navigate that change, but make Square the first and best option for the millions of merchants who will need to make the switch.

### Rumor: Amazon to Debut Mobile Credit Card Reader in August

*7/27/14 PC Mag*

Mobile payments are all the rage nowadays. At least it seems that way thanks to gadgets and services from Square, PayPal, Intuit, Google, and more. Amazon, which recently released its own digital wallet app for Android, might soon be joining them. According to 9to5Mac, documents from Staples indicate that an "Amazon Card Reader" is being added to the company's stock alongside PayPal's "Here" mobile card reader and Staples's own mobile card reader.

### The Big-Ticket Mercury Acquisition Already Starts to Pay Dividends for Processor Vantiv

*7/31/14 Digital Transactions*

Vantiv Inc.'s \$1.65 billion acquisition in May of Mercury Payment Systems LLC appears to be paying off already. In the second quarter, Cincinnati-based Vantiv said Mercury accounted for approximately 5% of the payment processor's net revenue growth. Vantiv's second-quarter revenue increased 11.6% to \$331.3 million from \$296.9 million a year ago. "Our expanded presence in the integrated payment channel will continue to generate future growth, Charles Drucker, president and chief executive, told analysts during a conference call Thursday.

### TransFirst Files Registration Statement for Initial Public Offering

*7/30/14 TransFirst*

TransFirst Inc., a merchant acquirer and payments technology and

Genoa, Italy, in 1451. Little is known of his early life, but he worked as a seaman and then a sailing entrepreneur. He became obsessed with the possibility of pioneering a western sea route to Cathay (China), India, and the fabled gold and spice islands of Asia. At the time, Europeans knew no direct sea route to southern Asia, and the route via Egypt and the Red Sea was closed to Europeans by the Ottoman Empire, as were many land routes. Contrary to popular legend, educated Europeans of Columbus' day did believe that the world was round, as argued by St. Isidore in the seventh century. However, Columbus, and most others, underestimated the world's size, calculating that East Asia must lie approximately where North America sits on the globe (they did not yet know that the Pacific Ocean existed). [Click here to read more.](#)

services provider for small- and medium-sized businesses in the United States, announced that it has publicly filed a registration statement on Form S-1 with the Securities and Exchange Commission for a proposed initial public offering of its common stock. The number of shares to be offered and the price range for the offering have not yet been determined.

### [PayPal: Give Us Some Credit](#)

*7/30/14 Readwrite*

Lend PayPal your ears: The eBay-owned payments company doesn't want to just process your transactions. It wants to fund them, too. The most visible move it's making is changing the name of BillMeLater, a provider of consumer credit eBay bought in 2008 for a little under \$1 billion, to PayPal Credit. That minor branding fix is just the tip of a financial iceberg. PayPal is also rapidly expanding PayPal Working Capital, a financing program for small businesses.

### [FDIC Withdraws Alleged 'Hit List' of High-Risk Merchants](#)

*7/28/14 American Banker*

The Federal Deposit Insurance Corp. said Monday that it has withdrawn a list of merchant categories, including payday lenders, debt consolidation firms, pornography businesses and others, that it said warranted heightened attention by banks processing their transactions. In a letter to financial institutions, the agency said the list, which was first published three years ago, had been misinterpreted, resulting in banks' severing ties with legitimate businesses.



## [Mobile Payments & Bitcoin](#)

### [Bringing Digital Payments To 13 Million New Merchant Locations](#)

*7/31/14 PYMNTS*

Unattended retail is the sleeper of the payments industry. This \$120 billion sector in the U.S. includes everything from vending, commercial laundry, and self-serve kiosks, to arcades. It's also estimated that there are between 3 and 15 million locations ready and waiting to move from cash to digital payments. In a recent podcast interview, MPD CEO Karen Webster sat down with Michael Lawlor, Senior Vice President of Sales & Business Development at USA Technologies, to talk about why this sector is now waking up to the digital potential.

### [Payment Processor Stripe Helps Launch a New Currency, the Stellar](#)

*7/31/14 Venture Beat*

Stripe might be best known for enabling online merchants and websites to process payments more easily, but its team also strongly believes in decentralized payment networks and cryptocurrencies. Today, Stripe announced that it has invested \$3 million into Stellar, which is an open source project, a currency-exchange network, a currency in its own right, and a non-profit. Stellar also launches today.

### [Easier Ways to Make Payments With Smartphones](#)

*7/30/14 The New York Times*

AT this point, smartphones are practically permanent attachments to our hands. But that quickly changes the moment you need to pay for something at a store and you take out a credit card. The idea of using your phone as your wallet - for storing payment methods and even swiping, scanning or tapping it to pay at the checkout register - is a long-promised future that has been surprisingly slow in coming. Multiple technologies exist for mobile payments, but there is no clear winner and a lot of chaos.

### **If iPhone 6 Comes With NFC, Will it be a Game Changer?**

*7/30/14 Let's Talk Payments*

A new iPhone is imminent and again there is much fascination in the payments world as to whether Apple will finally join the NFC fray. It now appears that the iPhone 6, which is expected in September, will be the device that sees Apple enter the mobile payments market. As with all Apple launches, speculation has already begun and there are strong rumors that the device will feature NFC and an embedded secure element, but will not support HCE.

### **BitPay Offers 'Free and Unlimited' Payment Processing for Merchants**

*7/30/14 CoinDesk*

One of bitcoin's leading merchant processors, BitPay, has introduced a new pricing plan that makes its basic level of service free and unlimited. The new plan allows merchants unlimited use of any plugin, API or app from the BitPay library and access to the company's email support. The company's business and enterprise plans, which offer customers additional features, will continue at existing prices.

### **Google Wallet vs. Amazon Wallet: Which Mobile Payment App Deserves to Manage Your Money?**

*7/29/14 PCWorld*

Google aims to make carrying a physical wallet obsolete with its Google Wallet app. By connecting a card or bank account, you can use the app to pay for anything at a retailer that supports Near Field Communication (NFC) payments, just by touching the payment terminal with a smartphone that has an NFC chip. Yet Amazon is not content to sit by and let Google conquer the burgeoning mobile payment market. Last week the company launched Amazon Wallet Beta. It is available now in Google Play and comes pre-installed on the Amazon Fire Phone.

## **Regulation & Security**

### **AmEx CEO Chenault Says Merchant Rules Help Keep Trust**

*7/31/14 Bloomberg*

American Express Co. Chief Executive Officer Kenneth I. Chenault defended company rules that bar merchants from asking customers to use cards with lower processing costs as a needed measure to protect its brand. Chenault, 63, testified at a trial in Brooklyn, New York, over U.S. Justice Department claims that the rules violate antitrust law.

### **Hackers Back to Their Old Tricks**

*7/30/14 Tech News World*

Old tricks that have helped hackers penetrate computers for months or longer worked again last week at Goodwill and Stubhub. Taking a page

from the gang that pillaged payment card and personal information from Target last year, hackers clipped payment card information from an undisclosed number of Goodwill Industries International customers. As they were in the Target attack, it's believed point-of-sale systems were compromised at Goodwill, which has 2,900 U.S. retail locations that collect and sell donated clothing and other goods, with the proceeds earmarked for community programs.

### **Target Picks Pepsi Veteran as New CEO**

*7/31/14 The Wall Street Journal*

Target Corp. named PepsiCo Inc. executive Brian Cornell as its new chief executive, turning to an outsider for the first time in its history to repair a battered corporate culture and navigate a sea change in Americans' shopping habits. Mr. Cornell, age 55, steps into the role vacated three months ago by Gregg Steinhafel, a Target veteran who left after a revolt by key lieutenants who worried the cheap-chic discount retailer had lost its way.

### **Target's VP of Security: Collaboration is Key**

*7/30/14 FierceRetailIT*

Collaboration is the key to cyber security. This was the underlying message delivered by Target's security team as the retailer tries to move past the massive data breach of 2013. Ralph Boelter, VP of corporate security, and Brad Maiorino, senior VP and CISO, stopped to answer a few questions on Target's blog, A Bullseye View, before going on to represent the retailer at the annual Aspen Security Forum held earlier this week in Aspen, Colorado.

### **States Debate Regulating Digital Currency**

*7/28/14 Pew Trusts*

Now that consumers can use digital currencies like bitcoin to buy rugs from Overstock.com, pay for Peruvian pork sandwiches from a food truck in Washington, D.C. and even make donations to political action committees, states are beginning to explore how to regulate the emerging industry.

## **Economy**

### **Fed Offers a Dual Message on Health of US Economy**

*7/30/14 ABC News*

The Federal Reserve offered a mixed message on the U.S. economy Wednesday: Growth is strengthening, and the unemployment rate is steadily falling. Yet by some measures, the job market remains subpar. A statement the Fed issued after a two-day policy meeting suggested it wants to see further improvement before it starts raising its key short-term interest rate. It offered no clearer hint of when it will raise that rate.

### **Modest Growth Trend Continues In Small Business Economy**

*7/31/14 Newtek*

Newtek Business Services, Inc., The Small Business Authority®, announced today the release of the SB Authority Index of small business indicators for June 2014 which reached 127.83 points. The Russell Microcap Index, approved SBA lending volumes and new business formations led the increase. The SB Authority Index is up 0.32% from May 2014. On a year-over-year comparison, the SB Authority Index is up 7.07%.

## Strong Growth in G.D.P., but Some Caveats

*7/30/14 Upshot*

Well, that's a nice surprise. Gross domestic product grew at a 4 percent annual rate in the second quarter of the year, far better than the 3 percent analysts had forecast, and a sharp turnaround from the 2.1 percent contraction (previously thought to be 2.9 percent) of the winter-weather-stricken first quarter. But there are some caveats. What drove the sharp expansion, and what does it mean for the future? These charts help explain it.

## Initial Jobless Claims Jump to 302,000 But Remain Low

*7/31/14 LA Times*

Initial jobless claims jumped to 302,000 last week, but have averaged their lowest level in eight years during the previous month in further evidence of a strengthening labor market. The number of people filing for first-time unemployment benefits was up 23,000 from the previous week's 279,000, the Labor Department said Thursday.



## Payments Press

## Heartland Payment Systems to Acquire TouchNet Information Systems, Inc.

*7/30/14 Heartland Payment Systems*

Heartland Payment Systems announced that it has entered into an agreement to acquire TouchNet Information Systems, Inc., an integrated commerce solutions provider to higher-education institutions. "I am extremely pleased to announce the acquisition of TouchNet, which is not only Heartland's largest acquisition to date, but is also an excellent complement to our existing Campus Solutions business that will immediately improve our growth profile and contribute to our bottom line," said Robert O. Carr, chairman and CEO of Heartland Payment Systems.

## Merchant Portal Offers Settlement And Authorization

*7/30/14 ISO & Agent*

CardConnect, a King of Prussia, Penn.-based super ISO, has developed a "one-stop" merchant portal that combines authorization and settlement data to help retailers track and manage transactions. Providing information on settlement and authorization in a single reporting system called the Merchant Center constitutes "the key differentiator for our Merchant Center, compared to some of the other ISOs' and processors' versions of this," said CardConnect CEO Jeff Shanahan.

## First Data Announces Agreement to Acquire Gyft, the Leading Digital Platform that Enables Consumers to Buy, Send, Manage and Redeem Gift Cards Using Mobile Devices

*7/30/14 First Data*

First Data, the global leader in payment technology and services

solutions, has taken a key step to provide consumers with spending flexibility and help businesses grow through the acquisition of Gyft Inc., the Silicon Valley-based company that entered the \$100 billion gift card market in 2012 and pioneered the concept of a mobile wallet for gift cards. Gyft is the leading digital platform that enables consumers to buy, send, manage and redeem gift cards using mobile devices.

### **MasterCard Incorporated Reports Second-Quarter 2014 Financial Results**

*7/31/14 MasterCard*

MasterCard Incorporated announced financial results for the second quarter of 2014. The company reported net income of \$931 million, up 10%, or 9% adjusted for currency, and earnings per diluted share of \$0.80, up 14%, in each case versus the year-ago period. Acquisitions had no impact on earnings per diluted share. Net revenue for the second quarter of 2014 was \$2.4 billion, a 13% increase versus the same period in 2013, both as-reported and adjusted for currency.

### **First Data Reports Second Quarter 2014 Financial Results**

*7/30/14 First Data*

First Data Corporation today reported record financial results for the second quarter ended June 30, 2014. Consolidated revenue for the second quarter was \$2.8 billion, a new record, up \$128 million, or 5%, compared to a year ago. The strong performance in the quarter was driven, in part, by a \$55 million increase in reimbursable line items and an increase in merchant and card services revenue.

### **American Express Reports Second Quarter EPS of \$1.43, Up 13 Percent from a Year Ago**

*7/29/14 American Express*

American Express Company reported second-quarter net income of \$1.5 billion, up from \$1.4 billion a year ago. Diluted earnings per share rose 13 percent to \$1.43, from \$1.27 a year ago. Net income from the quarter included a gain of \$626 million (\$409 million after-tax) from the closing of the previously announced joint venture transaction for the company's business travel operations.

### **Sage Technology Strategy Drives Choice and Opportunity for North American Small and Medium-Sized Business**

*7/29/14 Sage*

Sage North America, a leading provider of business management software and services for small and mid-sized businesses (SMBs), today shared a significant progress update on the company's technology roadmap in three key areas shaping the future for SMBs: Hybrid Cloud, Mobility, and Big Data/Business Intelligence.

### **Ingenico Group and Moneris Solutions Deepen Long-Term Strategic Partnership in Canada With Expansion of Mobile Point-Of-Sale Portfolio**

*7/31/14 MarketWatch*

Ingenico Group, a global leader in seamless payment, announced that Moneris, Canada's largest credit and debit card processor, has selected Ingenico to deploy Canada's first EMV(R) and contactless mobile solution. Ingenico strengthens its 15-year relationship with Moneris, following the successful deployment of Ingenico's Telium 2 range of products across Moneris' national network in the first half of 2014.

### **LevelUp's Gift Card Grab**

7/31/14 PYMNTS

When asked what they did on their summer vacation, the vast majority of people will usually talk about something relaxing-time by the pool, travel, BBQ's-the sort of thing that suggests a slower pace of life. But then, Seth Priebatsch isn't most people. In a digital payments industry full of CEOs, he is the lone Chief Ninja.

### **ACI Worldwide, Inc. Reports Financial Results for the Quarter Ended June 30, 2014**

7/31/14 ACI Worldwide

"ACI had a strong second quarter, driven by continued market interest in our Universal Payments solutions and solid execution company wide," commented Phil Heasley, President and CEO, ACI Worldwide. "We expect the addition of Retail Decisions to continue this momentum and we remain optimistic regarding the remainder of 2014 and beyond."

### **Alliance Data signs long-term agreement with BJ's Wholesale Club**

7/29/14 The Green Sheet

Alliance Data Systems Corporation announced its Retail Services business, which manages more than 130 private label and co-brand credit programs, has signed a new long-term agreement to provide co-brand credit card services for BJ's Wholesale Club. The BJ's credit program will convert to MasterCard.



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