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Payments Experts. Powerful Data.  
THE STRAWHECKER GROUP



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TSG Resources

## eProcessingNetwork Introduces iEMVPay

- Our Secure, Mobile Chip Reader
- EMV/MSR for iOS and Android

[eProcessingNetwork.com](http://eProcessingNetwork.com)



This week, TSG was at the [ETA's Strategic Leadership Forum](#) in Phoenix. The meeting was one of the best yet, filled with high energy and great content.

### "Quotables" @ SLF:

- Mike Strawhecker, on disruption in the payments industry: "To paraphrase Jeff Goldblum in Jurassic Park - payments will find a way"
- Jared Drieling from TSG: "Regarding mobile payments acceptance, the question is, who do consumers trust with their wallets? Apple, Google, or banks?"
- Kurt Strawhecker: "Today, a 'successful' acquirer looks very different than a 'successful' acquirer from five years ago. The modern acquirer may specialize on a particular technology, focus on a specific sales channel such as an ISV or VAR referral arrangement, focus on a certain industry vertical, or a combination of all."

[Click to read more.](#)

### Other highlights this week include:

- [First Data Slips in Trading Debut](#)
- [Square Officially Files for IPO](#)
- [Worldpay Floats in Largest London IPO This Year](#)
- [FBI EMV Gaffe is the Latest Setback for Payments Security](#)
- [MCX Expands CurrentC Beta to 150 Stores](#)

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

[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](#)

## This Day in History: 1934

### The Long March

The embattled Chinese Communists break through Nationalist enemy lines and begin an epic flight from their encircled headquarters in southwest China. Known as Ch'ang Cheng-the "Long March"-the retreat lasted 368 days and covered 6,000 miles, nearly twice the distance from New York to San Francisco.

Civil war in China between the Nationalists and the Communists broke out in 1927. In 1931, Communist leader Mao Zedong was elected chairman of the newly established Soviet Republic of China, based in Kiangsi province in the southwest. Between 1930 and 1934, the Nationalists under Chiang Kai-shek launched a series of five encirclement campaigns against the Soviet Republic. Under the

## New eReport

### Attractive Vertical Analysis (AVA)

The AVA eReport ([PREVIEW](#)) utilizes data from TSG's data warehouse of over 3M merchants. This report lists 245 merchant types and includes key metrics on each of them including volume statistics, profitability, and attrition. Using the Profitability and Attrition Metrics, a score is assigned to each merchant type. This is the "attractiveness" of the merchant. **Forward-thinking acquirers are using this type of data to prioritize their sales strategies as well as benchmark their own metrics.**

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## Featured

### TSG News @ ETA's SLF

This week, during ETA's annual **Strategic Leadership Forum**, TSG released a handful of useful resources and news. Check out what you may have missed:

- [TSG's 'AIM' Platform Reaches New Milestone](#)
  - TSG's Acquiring Industry Metrics (AIM) platform now holds metrics on more than three million card-accepting merchants. AIM's dynamic data warehouse is populated with over six years of consistent data from its merchant portfolios and represents an annual dollar volume of nearly \$600 Billion. This dataset represents over 30 percent of the U.S. card-accepting market. [READ MORE](#)
- [U.S. Spending Report - First Half 2015](#)
  - TSG released its U.S. Spending Report covering the first half of 2015. This report provides a comprehensive look at same-store sales and consumer spending behavior by merchant categories and geographic breakdowns. [READ MORE](#)
- [Enhance Your Value and Marketability](#)
  - TSG released a brief overview on items to review when looking to enhance the value and marketability of a portfolio or a business. Whether buying or selling, seeking investment funding, or planning an exit strategy - it is important to realize strengths and expose opportunities. [READ MORE](#)

[Raising \\$2.56B In IPO, First Data Opens Only 2.4% Up At \\$16.39, Now Trading Below IPO Price](#)

leadership of Mao, the Communists employed guerrilla tactics to resist successfully the first four campaigns, but in the fifth, Chiang raised 700,000 troops and built fortifications around the Communist positions. Hundreds of thousands of peasants were killed or died of starvation in the siege, and Mao was removed as chairman by the Communist Central Committee. The new Communist leadership employed more conventional warfare tactics, and its Red Army was decimated. [Click here to read more.](#)

After payments processor First Data priced its initial public offering at \$16 per share last night, below the expected range of \$18-\$20, all eyes were on the company to see how the year's biggest IPO - raising \$2.56 billion - would perform in its debut. Ultimately, there were no fireworks. Trading under the FDC ticker on the New York Stock Exchange, First Data's stock opened this morning at \$16.39, up 2.43% and coming in not with a bang, but a whimper.

Related:

- [First Data Corp. Slips in Trading Debut](#)
- [First Data Little Changed After Pricing IPO Below Range](#)

## **For First Data 2016 Matters A Lot More Than Its Busted IPO On The NYSE**

*10/15/15 Forbes*

Payments processing giant First Data raised \$2.6 billion in an initial public offering and began trading on the New York Stock Exchange Thursday, but the KKR-controlled company may find 2016 to be a decisive year as it tries to manage a heavy debt load and return to profitability. First Data's IPO proceeds will be used to cut its debt below \$19 billion, but favorably refinancing some \$10 billions in notes next year may prove more important to the company's bottom line.

## **Square Officially Files for IPO**

*10/14/15 Venture Beat*

Today Jack Dorsey's fledgling payments company is stretching its wings. A recently filed document reveals that Square is officially seeking an initial public offering (IPO). In the first half of 2015, Square took losses of \$77.5 million on revenue of \$560.5 million. In 2014, the company reported gross payment volume of \$23.78 billion. The filing reveals that retail is, unsurprisingly, the biggest source of transactions for the company, constituting 21 percent of its gross payments volume. Retail transactions eclipse those from services, food, beauty, contractor, and transit.

Related:

- [Square S-1 Filing](#)
- [The Four Myths About Square's IPO Filing](#)
- [Square's IPO Filing: It's Complicated](#)
- [Hip to Be Square](#)
- [Square's IPO Now Matters More Than Ever for Other Tech Unicorns](#)

## **Square Will End Payment-Processing Agreement With Starbucks**

*10/14/15 Tech Crunch*

Square disclosed Wednesday in its IPO filing that it will discontinue its payment processing agreement with Starbucks. The partnership, which formed in 2012, began to unravel last year when Starbucks stopped accepting payments from mobile devices running Square Order. But until August 2015, Square continued to process all transactions paid with credit and debit cards. As of October 1, Square's exclusivity provision with Starbucks was eliminated, and Starbucks began to pursue another payment processor. Square said it expected Starbucks to eliminate their partnership altogether before it sets to expire next year, and Square says it will not renew the partnership.

Related: [Square IPO Filing Shows Starbucks Deal was a Bust](#)

## Worldpay Floats in Largest London IPO This Year

10/13/15 *The Telegraph*

Worldpay has joined the London Stock Exchange in the UK's largest IPO this year, giving the payments processor a market value of more than £5bn and giving its existing investors and staff a windfall of more than £1bn. Shares in the company rose from their initial 240p price to close at 265p, increasing the firm's market cap from £4.8bn to £5.3bn on its first day of conditional trading.

Related: [Bain Capital, Advent International Reap \\$4.9 Billion Profit from WorldPay](#)

## FBI EMV Gaffe is the Latest Setback for Payments Security

10/16/15 *ComputerWorld*

It's bad enough when the FBI announces to the world that you're not secure enough. It's even worse when it then reluctantly takes it back - that second bout of publicity will be even bigger than the first, after all. Such is the current plight for EMV, the payment card security upgrade that is years out of date. It's also managed to accomplish the impossible: uniting retailers in almost unanimous opposition.

## Netflix's Excuse for Slow Growth - the Switch to Chip-based Credit Cards

10/14/15 *Wired*

Netflix is blaming its lower-than-expected US subscriber growth to changes to Americans' credit cards. In a letter to shareholders, the company said its over-optimistic estimates for its third-quarter results were "driven in part by the ongoing transition to chip-based credit and debit cards." In other words, the company is claiming that the number of US subscribers to Netflix didn't meet what the company had expected for the third quarter in part because, well, fewer people than expected paid up. "I read this Netflix quote and I scratched my head and thought, 'What?'" says [Ken Oros, a Senior Associate at The Strawhecker Group](#), which focuses on the electronics payments industry.



## Mobile Payments & Bitcoin

### MCX Expands CurrentC Beta to 150 Stores

10/15/15 *NFC World*

US retailer-led consortium MCX is expanding its CurrentC mobile wallet pilot to further locations across Columbus, Ohio, making it available for use in nearly 150 stores. New participating retailers include Kmart, Sam's Club, Sears and Walmart. "Our goal is to deliver real value to consumers, incentivizing them to use, and keep using, CurrentC," MCX CEO Brian Mooney told attendees during a keynote speech at the Electronic Transactions Association's Strategic Leadership Forum.

### Banking Kingpin Chase Prepares an 'Aggressive' Push for Its Own Digital Wallet

10/14/15 *Digital Transactions*

Another 800-pound gorilla will soon be promoting a digital wallet, only

this time it's not a technology firm. It's JPMorgan Chase & Co., a world leader in payment card issuance and merchant acquiring. "We're launching our own wallet. You'll be hearing a lot more about it," Mike Passilla, chief executive of merchant services at Chase, on Wednesday told high-ranking acquiring executives during a panel discussion at the Electronic Transactions Association's Strategic Leadership conference in Scottsdale, Ariz.

## **Capital One Pushes Into Mobile Payments with Android App**

*10/14/15 BTN*

Capital One Financial Corp. introduced a tap-to-pay mobile-payments service, becoming the first major U.S. bank to offer such functionality in competition with Google Inc.'s Android Pay. The bank's updated Capital One Wallet app now lets consumers tap their Android phones on in-store terminals to pay for things ranging from coffee to clothing. Capital One, a bank that gets more than half of its revenue from credit cards, is following technology heavyweights like Google Inc. and Apple Inc. in the nascent tap-to-pay market. Both Google and Samsung Electronics Co. Ltd. debuted an Android-based mobile-payments service in the U.S. in September.

## **Swatch Launches Pay-by-wrist Watch in China**

*10/15/15 Finextra*

Swatch has teamed up with China UnionPay and Bank of Communications to introduce a watch with inbuilt contactless payments functionality. The Swiss watchmaker first outlined plans for a payment-enabled timepiece earlier this year, as it seeks to compete with a host of smartwatch rivals, notably Apple, moving in on its patch.

## **Facebook Continues Shopping Push, Adds Dedicated Shopping Section**

*10/12/15 Recode*

Facebook is trying all kinds of things to get people shopping on Facebook. The social network added two new e-commerce features Monday, including a dedicated shopping section offering users a way to find products outside of their News Feed. Only a "small group" of retailers will list products within this section, according to Matt Idema, head of monetization product marketing at Facebook. He added that the products will be customized for each user based on their interests.



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## **Regulation & Security**

### **After Four Years, Durbin Amendment Still Failing Consumers**

*10/14/15 BankThink*

This week marks the fourth anniversary of the "Durbin amendment," a defective law directing the Federal Reserve to impose price-controls on debit interchange fees. Slipped into the Dodd-Frank financial reform bill at the eleventh hour, the amendment has resulted in billions of dollars in revenue for merchants and not even a Slurpee of savings for consumers. Big-box retailers like Target, Walgreens, Home Depot, and

Walmart promised Congress they would pass their savings - about \$8 billion annually - to consumers in the form of lower prices. From the beginning, critics of the law, including consumer groups, predicted that retailers would pocket these savings instead.

### **Target Rolls Out Chip & PIN Cards**

*10/14/15 Bank Info Security*

Target, the nation's second-largest discount retailer and best-known data breach poster child, has begun issuing its house brand REDcards with chip and PIN. "We are in the process of reissuing all of our REDcard credit and debit cards [as] chip-and-PIN cards," spokeswoman Molly Snyder tells Information Security Media Group. Target says it opted to use PINs - rather than signatures - for its EMV-compatible cards because of the extra security offered by PINs. "Requiring a PIN offers an additional layer of security to help protect against someone using your card if it is lost or stolen," the company notes in a related FAQ.

### **Britain Provides Clues for the U.S.'s EMV Future**

*10/16/15 American Banker*

EMV card technology has fully replaced traditional magnetic stripe cards in virtually all developed countries except the U.S. In these markets, it's proven to be an effective technology to reduce fraud for card-present transactions, forcing fraudsters to migrate to areas that have not adopted a chip-based payment system. As the U.S. payment ecosystem executes a smart card migration, it's valuable to look back at how other large economies made the shift and compare how different migration patterns and policies have affected fraud rates around the world. In turn, the lessons learned from these developed countries that have already adopted EMV can be very indicative of what will happen in the U.S.

### **Credit Card Breach at America's Thrift Stores**

*10/12/15 Krebs on Security*

Another charity store chain has been hacked: America's Thrift Stores, an organization that operates donations-based thrift stores throughout the southeast United States, said this week that it recently learned it was the victim of a malware-driven security breach that targeted software used by a third-party service provider. "This breach allowed criminals from Eastern Europe unauthorized access to some payment card numbers," the company's CEO said in a statement. "This virus/malware, is one of several infecting retailers across North America."



## **Economy**

### **Survey Finds Millennials Confident, Yet Chronically Stressed About Money**

*10/13/15 Nasdaq*

Only one-third (34 percent) of millennials feel "content" about their finances, while many are "anxious" (27 percent) and "overwhelmed" (22 percent). Still, despite these negative emotions, millennials haven't necessarily lost confidence in their ability to manage money and say they feel confident because they know how to budget and manage their

finances, have good spending habits and have savings.

## [U.S. Retail Sales Rose 0.1% Last Month, Commerce Dept. Says](#)

10/14/15 *The New York Times*

Retail sales in the United States barely rose in September, and producer prices recorded their biggest decline in eight months, data released on Wednesday showed. The weak reports were the latest suggestion that the economy was losing momentum in the face of slowing global growth, a strong dollar, an inventory correction and lower oil prices, which are hampering capital spending in the energy industry. Job growth braked sharply in the last two months.

## [32% of Americans Say Economy Will Get Worse: Survey](#)

10/12/15 *CNBC*

The plunge in the stock market and weaker growth in the U.S. and abroad look to have taken a toll on American economic optimism. The CNBC All-America Economic Survey finds views on the current state of the economy about stable, with 23 percent saying it is good or excellent and 42 percent judging it as fair. About a third say the economy is poor, up 3 points from the June survey. But the percentage of Americans who believe the economy will get worse rose 6 points to 32 percent, the highest level since the government shutdown in 2013. And just 22 percent believe the economy will get better, 2 points lower than June and the lowest level since 2008, when the nation was gripped by recession.

## [Payments Press](#)

### [The U.S. Merchant Acquiring Transaction Market is Extremely Active](#)

**TSG is presently assisting buyers in connecting with sellers.**

**TSG has been engaged to identify ISO and merchant acquiring business acquisitions and capital partnerships.**

Key investment criteria includes:

- First Data back-end portfolios (with/without the sales component)
- Producing monthly Net Revenue of \$20,000 to \$35,000

If you are interested in discussing a potential transaction, please provide high level details of your business and [email us](#). Learn more about [TSG's Transaction Advisory services](#). All responses will be treated confidentially.

### [Vantiv's "ShopTalk™" Report Reveals New Fraud Statistics](#)

10/15/15 *Vantiv*

How big of a problem is fraud? A new Vantiv and Socratic Technologies survey, named ShopTalk, found more than 40 percent of consumers have experienced credit or debit card theft or fraud, with 65 percent dealing with it in the last two years. The survey defined fraud as charges on a consumer's debit or credit card that the cardholder did not authorize. "At Vantiv, we are shining a light on consumer card fraud so we can help businesses, large and small, understand the risk and better secure their systems and their customers' data," said Larry Drury, chief marketing officer at Vantiv.

## **Verifone Acquires Curb, Expands E-hail, Payments and Media Business**

*10/13/15 PaymentWeek*

Payments and commerce solutions provider Verifone has expanded its taxi and car-for-hire electronic hailing, payment and media business with the acquisition of Curb. This acquisition further improves Verifone's e-hail and payment app business with additional technology and a bigger network of drivers and vehicles across the US.

## **Visa and FireEye Launch New Cyber Intelligence Service**

*10/13/15 FireEye*

Visa Inc. and FireEye, Inc. announced the launch of Visa Threat Intelligence, Powered by FireEye. Tailored to the needs of the payments industry, this new service will deliver real-time threat information to merchants and issuers so they can quickly assess and act on the most critical cyber-attacks that could breach their payment systems.

## **MasterCard Enables Corporate Card Use in All Digital Wallets**

*10/14/15 MasterCard*

MasterCard today announced it will provide tokenization services to commercial credit card issuers. Soon, corporations and business travelers will be able to load eligible corporate credit cards within participating mobile and digital wallet services. With the addition of corporate cards, MasterCard will now enable tokenization across virtually all its products - consumer credit, debit and prepaid cards, as well as small business and commercial cards.

## **TSYS Ranked No. 10 Among Top 100 Providers of Financial Technology**

*10/13/15 TSYS*

TSYS announced that it has been ranked No. 10 on the 2015 FinTech Forward 100 list of the leading technology providers in the world. The list, a collaboration of American Banker and BAI, was released today at the BAI Retail Delivery Conference in Las Vegas. The ranking was based on TSYS' 2014 revenue of \$2.4 billion.

## **MasterCard Launches Safety Net to Protect Against Cyber Hacking of Banks and Processors in Europe**

*10/14/15 The Point of Sale News*

MasterCard announced the launch of Safety Net in Europe. Safety Net is a global tool that reduces the impact of cyber hacking of banks and processors. It is designed to use the power of MasterCard's global network, to identify unusual behavior and potential attacks - often, even before the bank or processor is even aware. Around the world consumers consider safety and security of their payments a key priority when shopping, which is why MasterCard has been working to ensure payments and the data connected to payments are safe, wherever they are.

## **TSYS' U.K. M-Payments Report Released: Shows High Satisfaction**

*10/15/15 MarketWatch*

TSYS has published its inaugural U.K. M-Payments Consumer research report. The report includes information on key consumer m-payment preferences and provides new insights on a range of related digital engagement topics. TSYS conducted quantitative research of more than 500 U.K. consumers, covering diverse demographics, including gender,

age and income. The respondents were over the age of 18, had at least one debit card and one credit card, as well as a smartphone.

## **Shopify and Uber Reinvent Local Shipping**

*10/14/15 Shopify*

Now Shopify merchants can deliver their products to local customers faster than ever. We've partnered with Uber to do what once seemed impossible-make affordable, reliable same-day delivery a reality for even the smallest business. With Shopify and UberRUSH, your customers can get their online orders in hours not days, making last minute online shopping convenient and impulse buying irresistible.

## **Barclaycard US And Priceline.com Extend Long-Term Partnership Agreement**

*10/16/15 PR Newswire*

Barclaycard US, the payments business of Barclays in the United States, and priceline.com, a leader in online and mobile travel, have extended their co-branded credit card agreement under which Barclaycard issues the priceline.com rewards Visa card. "We are thrilled to extend our partnership with priceline.com," said Ann-Marie Archino, director of travel and entertainment partnerships, Barclaycard US. "Since 2009, priceline.com has been one of our fastest-growing travel portfolios. We share a mutual commitment to providing great value and service to our customers."

## **Clearent Launches Virtual Terminal With Simple, Responsive Design**

*10/14/15 BusinessSolutions*

Recently Clearent, one of the fastest growing credit card processors in the U.S., announced the addition of a new virtual terminal that complements the company's broad array of products and services. With the Clearent virtual terminal, merchants have the flexibility they need to securely process credit card payments in an office setting on a computer or when they're on the go from their smartphone or tablet.

## **FreedomPay Certifies For EMV On First Data For All Card Brands**

*10/15/15 BusinessWire*

The FreedomPay Commerce Platform has been approved as a payment gateway for EMV on First Data, a global leader in commerce-enabling technology and solutions. First Data is at the forefront of EMV expertise and readiness as the company has been producing EMV-enabled cards and processing EMV transactions for years. "FreedomPay's EMV certification combined with P2PE enables merchants to adopt advanced payment security at the point of sale," said Brendan O'Meara, Worldwide Managing Director of Retail for Microsoft Corp

## **Computop, CardinalCommerce Form Alliance**

*10/14/15 The Green Sheet*

Computop, a leading payment service provider (PSP), and CardinalCommerce, the global leader and pioneer in the remote payments industry since 1999, today announced a global strategic partnership that will help retailers improve their authorization rates and reduce their fraud risk. Through this relationship, Computop has integrated Cardinal Consumer Authentication into the Computop Paygate platform, providing retailers in the US, Europe and other key international markets with secure, guaranteed payments and the best possible conversion for their e-commerce and mobile operations, including cross-board transactions.

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