

# Comparable New Merchant Profitability

## OVERVIEW

- The graph illustrates **Comparable New Merchant Profitability**, which is the Go-To-Market Net Spread as compared to the existing merchants in a portfolio, for different volume tiers.
  - Net Spread is defined as gross revenue charged to a merchant less total processing cost of sales divided by sales volume.
  - This is essentially the profitability of different merchant sizes compared to the existing portfolio at the time the account is boarded.

## FINDINGS

- Historically, Go-To-Market prices are less than that of existing merchants in a portfolio.
- For example, new merchants in 2014 with volume from \$1 million to \$5 million were boarded with a net spread of 84.1% of the Net Spread for existing merchants.
- Since 2011, the average of these volume tiers has decreased from 84% - 80%, a nominal change.
- Go-To-Market Net Spread ranges from ~78%-88% of existing merchant Net Spread over the last four years.

## DATA SOURCE

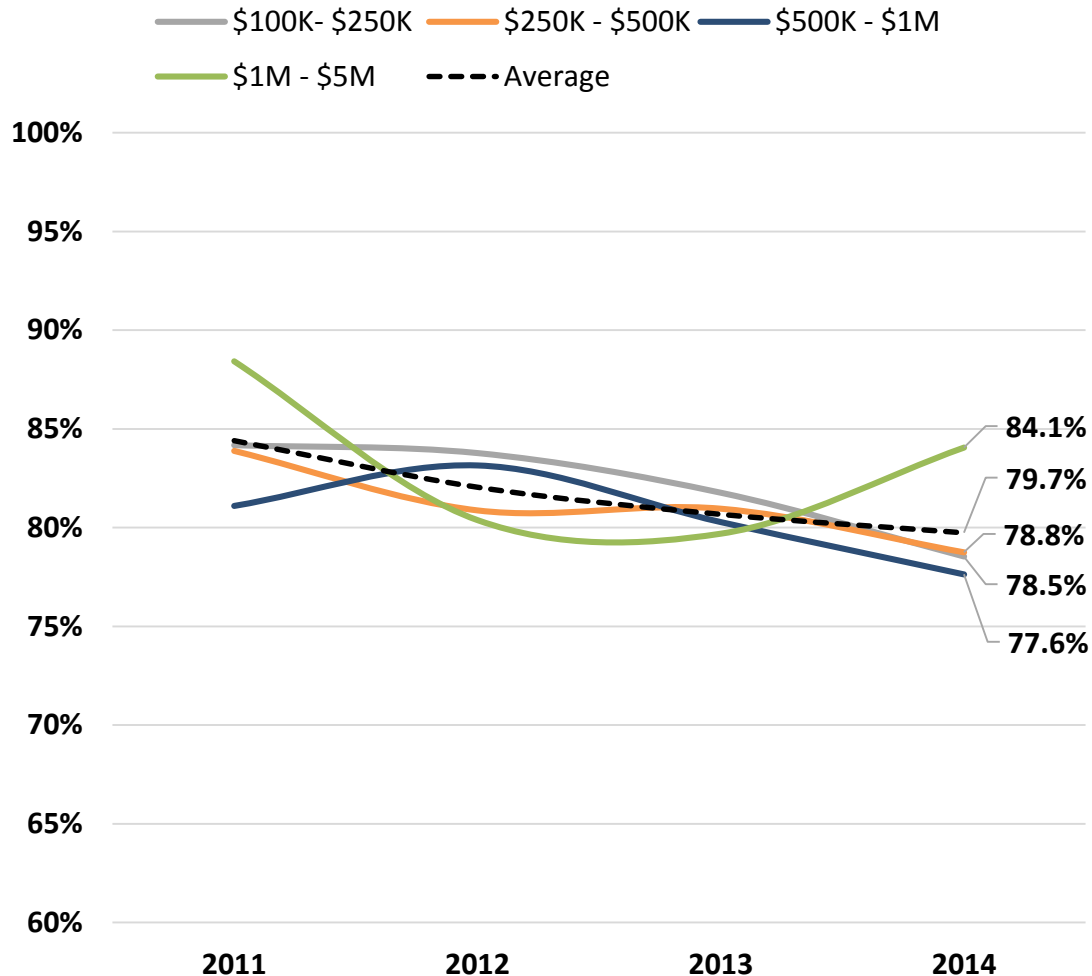
- Sourced from TSG's dynamic database of 2.3 million merchants from 21 merchant portfolios.
- The dataset is a consistent set of merchant data dating from Q1 2009 to the present.
- The dataset maintains a 96% direct correlation with the U.S. Retail & Food Service market and 98% direct correlation in regards to merchant population by U.S. state relative to U.S. census data.

## About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the payments industry. The company specializes in providing financial institutions, merchant acquirers, card associations, ISOs, processing companies, large merchants, and the investment community with advisory services to maximize their growth and profitability. TSG is also a resource for consumer spending data, industry research, benchmark studies and developing trends. For more information please visit [www.TheStrawGroup.com](http://www.TheStrawGroup.com).

For discussion purposes only. © Copyright 2015. The Strawhecker Group. All Rights Reserved.

## Comparable New Merchant Profitability



Payments Experts. Powerful Data.

# Related Reports & Services

## Related Reports

- [Processing Pricing Benchmark Study](#)
- [Merchant Acquiring Industry Overview](#)
- [Merchant Acquiring: Leading Practices in Retention Management](#)
- [Gateway Competitive Analysis](#)
- [TSG Directory of U.S. Merchant Acquirers](#)

[Click here for a full list of TSG Reports](#)

## Selected Free Resources from TSG

- [TSG Analysis – Vantiv’s Acquisition of Mercury Payment Systems](#)
- [U.S. Economic Indicators Report Featuring: The Payments Top 5](#)
- [INFOGRAPHIC: The Top Ten Ways Acquirers Can Block the Breach](#)
- [TSG COMMENTARY: Worldpay Enters Agreement to Acquire SecureNet; Further Boosts](#)
- [TSG Analysis - Global Payments' Acquisition of PayPros at a Glance](#)
- [Brave New World in Payments - Tapping the Power of Big Data in Merchant Portfolio Management](#)
- [INFOGRAPHIC: Why are Electronic Payments Important?](#)
- [Trend Graphs of Payments Industry Google Search Terms](#)
- [Is Aggregation for Everyone?](#)
- [The 2014 Payments Market: The Wrap Up](#)

## About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the payments industry. The company specializes in providing financial institutions, merchant acquirers, card associations, ISOs, processing companies, large merchants, and the investment community with advisory services to maximize their growth and profitability. TSG is also a resource consumer spending data, industry research, benchmark studies and developing trends. For more information please visit [www.TheStrawGroup.com](http://www.TheStrawGroup.com).

Have Questions?

402.964.2617

[info@thestravgroupp.com](mailto:info@thestravgroupp.com)



Payments Experts. Powerful Data.