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THE STRAWHECKER GROUP

The Trusted Advisor To The Payments Industry



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## Trending This Week...

This week, [the drama continues](#) as the Fed has decided to appeal Judge Richard Leon's recent decision to reject the ruling on debit card fees. In the wake of an appeal, Leon suggested the Fed create an interim rule to satisfy his objections; however, the Fed has opposed this idea, stating it would undermine their position.

In other news, despite 25% of retailers bowing out of the swipe fee settlement, [Visa and MasterCard opt not to walk away from the lawsuit.](#)

Other highlights include:

- [ISO Differentiates With Big Data](#)
- Mobile-Payment Startups [No Match for PayPal](#)
- [PCI 3.0 Pushes Security](#), Not Just Requirements
- [The Audacious Pragmatist](#)

## **56% of SMBs Paid Under \$1K for POS Hardware**

The Strawhecker Group has recently released a new report titled - *SMB Merchant Survey: POS Feature/Functionality*. This 49 page report highlights results from an online survey of small business owners and those responsible for small business payments. A total of nearly 300 surveys were gathered covering five segments: restaurants, retail sales, retail food/liquor, business/personal services. and auto/boat/mobile/dealers/shops. [Click here for a preview of this report.](#) This enhanced preview contains a table of contents containing the outline for the full report, you will know everything you are getting before you purchase. [You can order it here](#)

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## This Day in History: 1902

### Fannie Farmer Opens cooking School

On this day in 1902, pioneering cookbook author Fannie Farmer, who changed the way Americans prepare food by advocating the use of standardized measurements in recipes, opens Miss Farmer's School of Cookery in Boston. In addition to teaching women about cooking, Farmer later educated medical professionals about the importance of proper nutrition for the sick.

for \$1,195.

## Featured

### [Fed Appeals Rejection of Rule on Debit Card Fees](#)

8/21/13 *The New York Times*

A fierce legal battle that pits financial firms against the retailing industry took a new turn on Wednesday when the Federal Reserve said it would appeal a recent decision involving debit card transaction fees. Judge Richard J. Leon of Federal District Court for the District of Columbia shocked banks and companies like Visa and MasterCard last month when he struck down a Fed regulation that governs how much retailers must pay to lenders and other companies when customers swipe their debit cards.

### [Visa, MasterCard Pass on Chance to Drop Fee Settlement](#)

8/20/13 *Bloomberg*

Visa Inc. and MasterCard Inc. will pursue a multibillion-dollar antitrust settlement with U.S. merchants over credit card fees even though opposition to the deal reached a level that would have allowed the card firms to walk away, according to the head of MasterCard. U.S. retailers accounting for more than 25 percent of the total volume of credit card purchases have decided to opt out of the settlement, meeting a threshold that permitted the card firms to back out, MasterCard President and Chief Executive Officer Ajay Banga told investors.

### [The Banks of Tomorrow: Think Google and Facebook](#)

8/22/13 *Wired*

When you swipe your debit card at the grocery store, no one walks into a bank vault looking for a box with your name on it. If you're among the 90 percent of Americans with a bank account, you're not exactly storing a personal stack of bills under lock and key. Your money is data - a series of ones and zeros. Sometimes, you convert these numbers into greenbacks at a nearby ATM, but mostly, you just shuffle them in and out of your account, with things like electronic bill payments, direct deposits, debit card transactions, PayPal trades.

### [The Six Things That Will Change the Future of Payments](#)

8/19/13 *PYMNTS*

Well, it's that time of year ... summer is (sadly) coming to a close, the kids are headed back to school and 2014 strategic planning sessions are kicking off. If you're someone who is leading, contributing to or relying on the output of these sessions, then pull up your beach chair, apply some sunscreen (this is a bit long) and read on. The interactions among PYMNTS Summer School Faculty and students last week cemented my view that this isn't payments as usual anymore and even payments the way everyone thought it would be even two or three years ago.

### [ISO Differentiates With Big Data](#)

8/21/13 *ISO & Agent*

When Signature Card Services was trying to help one of its merchants learn more about its customers, the ISO went in looking for the typical clientele of a West Coast e-tailer. The merchant operated as an e-commerce kitchenware business based in San Diego. So when Signature started analyzing data from the merchant's transactions, it came as a surprise that the business' best sales were coming from Minnesota.

### [ETA/TSG Release Q2 2013 U.S. Economic Indicators Report](#)

Farmer was born March 23, 1857, and raised near Boston, Massachusetts. Her family believed in education for women and Farmer attended Medford High School; however, as a teenager she suffered a paralytic stroke that turned her into a homebound invalid for a period of years. As a result, she was unable to complete high school or attend college and her illness left her with a permanent limp. When she was in her early 30s, Farmer attended the Boston Cooking School. Founded in 1879, the school promoted a scientific approach to food preparation and trained women to become cooking teachers at a time when their employment opportunities were limited.

[Click here to read more.](#)

8/14/13 TSG Metrics

The Electronic Transactions Association (ETA), the trade association of the global electronic payments industry, and The Strawhecker Group (TSG), a management consulting company focused on the payments industry, have released the U.S. Economic Indicators Report for the second quarter of 2013. Published quarterly with analysis from TSG for the benefit of ETA member companies, the 18th edition of the report shows strong industry performance during the second quarter.

This edition kicks-off with a special introduction: *Disintermediation & Industry Price Compression*, as a follow-up to last quarter's topic. Data indicates, adjusted for Durbin, that gross pricing is at levels nearly identical to those in 2009 indicating little, if any, price compression overall.

The TSGPX continues to outperform the S&P 500, showing the continued strength of the payments industry. TSG's industry metric, the Gross Value Profit Index (GPVI) shows the value of merchant portfolio revenue streams using data from TSG's internal database of 1.6M merchants, representing nearly 20% of the U.S. brick and mortar merchant market. According to the latest report, the GPVI shows a growth rate (CAGR) of 16 percent since Q4 2010.

[Click here to read the report.](#)

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## Mobile Payments

### Mercury Leverages Developers To Sell PayPal Wallet to Brick-And-Mortar Merchants

8/22/13 Digital Transactions

Durango, Colo.-based Mercury, which serves 80,000 small and medium-size merchants, works with a network of 500 point-of-sale system developers and resellers that potentially can reach about 1 million merchant locations, estimates Matt Taylor, Mercury' chief executive. "We want to make sure scale happens, so when PayPal hits the streets, it's used," he tells Digital Transactions News. Mercury has recruited a pilot group of 20 merchants that will start accepting PayPal mobile transactions in October, according to John Berkley, the company's senior vice president of product.

### Mobile-Payment Startups No Match for PayPal

8/18/13 Bloomberg

The market for tools that help consumers buy goods using mobile phones is getting crowded, inundating small businesses, putting off venture capitalists and making it hard for many payment startups to make a buck. Just ask Kristy Fassio, owner of a Fit4Mom exercise franchise near Seattle. She's getting bombarded with pitches from mobile and web-payment companies pledging to provide low-cost, easy

ways for her to accept payments for the mom-focused workout classes she teaches. Some don't even charge fees.

## Why Some Are Turning to Sound for Mobile Payments and More

*8/20/13 MIT Technology Review*

Next time you take a taxi in New York City, there may be a new way to pay your fare. Instead of handing over cash, swiping a credit card, or-if you're one of the few with a capable smartphone-tapping your handset on a near-field communication (NFC) reader, you could be able to settle up by pressing a button on a smartphone app that communicates using sound.

## Mobile Payments: What Will It Really Look Like?

*8/19/13 The Telegraph*

Earlier this month, Paypal launched an app which allows users to pay in selected restaurant chains using their smartphones, with a waiter checking their face against a photograph and deducting the bill directly from their account. This was immediately followed by Zync Wallet, a British start-up operating on a similar system but for independent shops, with integrated loyalty schemes for participating stores. Using a phone to claim discounts is already a possibility on iOS with the Apple Passbook, and Samsung recently announced it would be launching its own version of the app.

## Payments in 2022: Cash Out, Mobile In

*8/19/13 Finextra*

Gazing into its crystal ball, the UK's Payments Council predicts that Brits will turn their backs on cash over the next 10 years as plastic cards continue their ascent and mobile money becomes a mainstream player. The number of cash payments made in the UK will fall by a third from 21 billion in 2012 to around 14 billion in 2022, predicts the Council in a new report.



## Regulation & Security

### PCI 3.0 Pushes Security, Not Just Requirements

*8/21/13 StorefrontBacktalk*

If you want to get a handle on PCI version 3.0, one place to start is compensating controls. You know the idea: You can't meet the letter of some PCI requirement, so you come up with an alternative security measure that your QSA confirms will produce the same result. Instead of having to twist your systems in knots over a requirement, you focus on making your systems secure. And that, in a nutshell, is what the new version of the PCI Data Security Standard is trying to do too.

### DDoS Attacks Strike Three Banks

*8/20/13 Bank Info Security*

Izz ad-Din al-Qassam Cyber Fighters' so-called Phase 4 of distributed-denial-of-service attacks against major U.S. banks hasn't stalled, it's just been ineffective at disrupting online availability, security experts say. The latest attacks have been sporadic and seemingly less targeted. U.S. banking institutions, which have been under attack since September 2012,

have adapted their defenses, making their online-banking sites hard to take down, experts say.

### Germany's Ruling on Bitcoin Paves the Way for its Legitimacy in the EU

8/19/13 *The Verge*

The German Ministry of Finance has issued an official statement recognizing the virtual currency Bitcoin as "Rechnungseinheiten," a legal designation that translates to "units of account" - more than Monopoly money, but not quite currency. This type of accounting unit, which also covers regional currencies, is also referred to as "artificial currency" or "side payments." (Think barter clubs or Disney dollars.)

### British Credit Card Customers to Be Reimbursed

8/22/13 *DealBook*

Some of the largest banks and credit card companies in Britain will have to pay a total of up to £1.3 billion, or \$2 billion, to customers who were sold inappropriate financial products, a British regulator said on Thursday.

The compensation is the latest in a series of fines British banks have been required to pay as a result of actions taken during the financial crisis, and it is a further blow to chief executives who are trying to rehabilitate the banks' reputations.

### Hackers Cracking New Online Bank Security Measures

8/21/13 *Yahoo! Finance*

As fast as banks are trying to outwit online hackers, the hackers are revising their strategies to evade the new security measures. Banks have started to send one-time codes via SMS text messages to customers to use in addition to passwords for logging in to their accounts. So hackers have devised insidious software to steal the texted codes in real time.



## Economy

### Leading Economic Indicators Index in U.S. Climbs 0.6%

8/22/13 *Bloomberg*

The index of U.S. leading indicators rose in July by the most in three months, showing the world's largest economy will improve in the second half of 2013. The Conference Board's gauge of the outlook for the next three to six months increased 0.6 percent after no change the prior month, the New York-based group said today. The median forecast in a Bloomberg survey of economists called for a 0.5 percent advance.

### The Audacious Pragmatist

8/22/13 *The New York Times*

Shortly before Ben S. Bernanke was nominated as chairman of the Federal Reserve in 2005, he paid a return visit to Stanford, where he started his academic career in 1979. In a speech, he recalled that he and his wife, Anna, had rented a house with friends because he was certain that local real estate prices would fall. Instead, prices in the Bay Area doubled, then doubled again.

### U.S. Unemployment Aid Applications Rise to 336,000

8/22/13 TIME

The number of Americans applying for unemployment benefits rose last week after reaching the lowest level in nearly six years. But the broader trend suggests companies are laying off fewer workers and could step up hiring in the months ahead. The Labor Department said Thursday that applications for first-time benefits rose 13,000 in the week ending Aug. 17 to a seasonally adjusted 336,000.

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## Payments Press

### STAR Network Expands Surcharge-Free Access to More Than 2,000 ATMs at Walmart and Sam's Club

8/20/13 First Data

First Data today announced that STARsf® cardholders now have surcharge-free ATM access at more than 2,000 MoneyCenter Express machines located in Walmart and Sam's Club stores nationwide. This expansion brings the total number of available ATMs to more than 56,000 for the more than 2 million cardholders whose financial institutions participate in the STARsf program.

### B of A Reports 1 Million Small Business Mobile Customers

8/21/13 BTN

Bank of America (BAC) has passed a mobile banking milestone. More than one million small business customers are using the Charlotte, N.C., bank's mobile banking application, it announced Wednesday. The app lets small business customers manage their accounts, pay employees and suppliers, set up bill payments and track transactions, and is available on the iPhone, iPad, Android, BlackBerry and other mobile devices, the company said.

### TSYS and FICO Launch Integrated Fraud Management Solution

8/19/13 TSYS

TSYS, a leading global payments solution provider, and FICO®, a leading analytics software company, have announced the integration of FICO's latest version of its fraud management solution, FICO® Falcon® Fraud Manager 6 with TSYS' licensed PRIME card and merchant management solution. This extension to TSYS' global strategic alliance with FICO will enable TSYS to offer the Falcon Fraud Manager solution as a hosted service to its licensing clients around the globe.

### American Express Ranks Highest in Customer Satisfaction for the Seventh Consecutive Year

8/22/13 American Express

For the seventh year in a row, consumers have rated American Express highest in customer satisfaction among U.S. credit card companies, according to the annual nationwide study by J.D. Power. The study, released earlier today, places American Express highest in overall satisfaction among 11 of the largest card issuers in the U.S. American Express remains the only credit card to receive the study's top ranking since it was first conducted in 2007.

### Dunkin' Donuts Drills Down on Location to Boost Mobile

## Payments App

*8/19/13 Finextra*

Dunkin' Donuts has given its mobile payments strategy a jolt in the past year, evidenced by the 3.5 million application downloads and continuous marketing push behind its application. Since launching the mobile payments app a year ago, Dunkin' Donuts has used a variety of mediums, including a time-sensitive Twitter campaign last week, to market it.

## Trustwave and TNS Team to Help Businesses Protect Payment Card Data

*8/21/13 Trustwave*

Trustwave and Transaction Network Services, Inc. (TNS) have joined forces to offer an open and vendor agnostic point-to-point encryption service designed to help merchants protect their customers' payment card information. According to the 2013 Trustwave Global Security Report, cardholder data was the primary data type targeted by cybercriminals in 2012.

## Sage Payment Solutions and Yola, Inc. Partner to Offer Integrated E-Commerce Solution for SMBs

*8/22/13 Sage*

Sage North America today announced it has partnered with San Francisco-based Yola, Inc., a leading online presence solutions provider for small and mid-sized businesses (SMBs), to offer an integrated e-commerce solution for SMBs powered by Sage Payment Solutions, the payments division for Sage. Yola helps SMBs build and grow their online and mobile presence with mobile-optimized websites, hosting services, domains, email services, e-commerce tools, social media integrations and SEO and SEM tools.

## FrontStream Payments Adds GiftWorks Donor Management Platform

*8/19/13 Frontstream*

FrontStream Payments, Inc., has announced the acquisition of Pennsylvania-based GiftWorks. FrontStream, through its wholly owned subsidiary FirstGiving, provides nonprofit organizations with a comprehensive peer-to-peer fundraising platform that gives users access to donation tracking capabilities, social media integrations and robust data management tools.

## POS Nation Appoints New CEO

*8/21/13 Cardlytics*

POS Nation, a leading provider of point of sale systems, announced the selection of Cort Ouzts as the company's new Chief Executive Officer. The appointment of Mr. Ouzts further signifies POS Nation's shift in strategy as the company continues to expand its emphasis on customer service. At twenty-nine, Mr. Ouzts joins the growing ranks of young professionals in the Charlotte community



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