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THE STRAWHECKER GROUP

The Trusted Advisor To The Payments Industry



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## Trending This Week...

This week's news is a real monster mash. [First Data acquired Perka](#), a mobile loyalty startup, which First Data plans to use to scare Square and PayPal in the SMB market.

Trick-or-Treat? A new study has come out saying the [Durbin Amendment destroyed \\$22B of consumer wealth](#) - a trick indeed.

PayPal has provided treats for start-ups, [waiving \\$50,000 of payment fees for 18 months](#) as part of their Startup Blueprint Program.

Other highlights include:

- [Future of M-Payments Ghastly, NFC or Not](#)
- [Researchers Raise Contactless Card Security Fears](#)
- [TransFirst & Shopkeep POS Brew Up Strategic Alliance](#)

Enjoy all of your leftover candy!

## About to Renegotiate Your Contract?

*TSG's Merchant Processing Pricing Benchmark can help!*  
TSG has released their seventh edition of this widely popular report which includes the detailed line-item cost of third-party processing to ISOs/MSPs.

[Click here to see a preview of the report.](#)

Please [click here](#) if you are interested in ordering the report. The price is \$4,900. Please email [Info@TheStrawGroup.com](mailto:Info@TheStrawGroup.com) with questions.



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## This Day in History: 1512 Sistine Chapel Ceiling Opens to Public

The ceiling of the Sistine Chapel in Rome, one of Italian artist Michelangelo's finest works, is exhibited to the public for the first time.

Michelangelo Buonarroti, the greatest of the Italian Renaissance artists, was born in the small village of Caprese in 1475. The son of a government administrator, he grew up in Florence, a center of the early Renaissance movement, and became an artist's apprentice at age 13. Demonstrating obvious talent, he was taken under the wing of

Interested in other reports too? Check out [TSG Metrics Subscription](#).

## Featured

### [Payments Giant First Data Acquires Mobile Loyalty Startup Perka For ~\\$30M To Take On Square And PayPal In SMB Market](#)

*10/29/13 Tech Crunch*

In an effort to catch up with Square and Paypal, payment processing giant First Data has been quietly increasing its presence in the mobile payments market. As the largest credit card processing company in the U.S. with over one trillion dollars in card transactions passing through its network each year, First Data is looking to throw its weight around - even if its competitors do have a head start. Today, the payment infrastructure company announced that it has acquired Perka, the mobile loyalty startup whose launch TechCrunch was first to cover back in October, 2011.

### [The ETA Responds To Bob Carr's Letter To The Industry](#)

*10/28/13 ISO & Agent*

I read Carr's letter as a helpful reminder that certain practices found in the payments industry 25 years ago should not be replicated by any company today. As the CEO of ETA, it is my opinion that such behavior is not common in our industry in 2013. Indeed, I believe that through its trade association, the payments industry is doing what is necessary to ensure best practices and professionalism are the hallmarks of the services our member companies provide to their merchant customers. We can all agree that maintaining and encouraging professionalism is good for every company in the payments ecosystem. Let's look at some examples of how the ETA of 2013 is helping the industry grow and move forward.

### [Study: Durbin Amendment Destroyed \\$22 Billion Of Consumer Wealth](#)

*10/28/13 PYMNTS*

When regulators slash interchange fees-as they've done in Australia, Spain, and of course the United States-do consumers win or lose? One camp says they win since, of course, merchants are going to pass those savings on to consumers in the form of lower prices. What's not to love about that? Another camp says, naturally, consumers lose because their banks are forced to charge them higher fees to make up the lost revenues. Anyone who thinks merchants are going to cut prices because of the savings they received as a result of Durbin probably believes in the tooth fairy, too.

[Click here](#) to download the study from the Social Science Research Network.

### [Visa, MasterCard Post Big Volume Gains As They Fight for Credit, Debit Card Spend](#)

*10/31/13 Digital Transactions*

U.S. bank card purchase volumes rose in the 10% range in the quarter ending Sept. 30, with MasterCard Inc. growing faster than Visa Inc. in debit and Visa gaining faster than MasterCard in credit. MasterCard on Thursday reported total U.S. credit, charge, and debit card purchase volume of \$267 billion, up 9.2% from \$244 billion a year earlier. Visa late Wednesday reported U.S. total payment volume of \$575 billion for its

Lorenzo de' Medici, the ruler of the Florentine republic and a great patron of the arts. After demonstrating his mastery of sculpture in such works as the Pieta (1498) and David(1504), he was called to Rome in 1508 to paint the ceiling of the Sistine Chapel-the chief consecrated space in the Vatican.

Michelangelo's epic ceiling frescoes, which took several years to complete, are among his most memorable works. Central in a complex system of decoration featuring numerous figures are nine panels devoted to biblical world history. The most famous of these is The Creation of Adam, a painting in which the arms of God and Adam are stretching toward each other. In 1512, Michelangelo completed the work. [Click here to read more.](#)

fourth quarter of fiscal 2013, an increase of 10.3% from \$521 billion in fiscal 2012's last quarter

### **PayPal Waives \$50,000 of Payment Fees for Startups**

*10/30/13 The Guardian*

Global online payments provider PayPal is hoping to give digital startups a boost by waiving up to \$50,000 in payment processing fees for 18 months. PayPal's Startup Blueprint Program reduces the costs for startups helping them get up and running quickly, removing the complexity of payment processing, and helping them to expand while maintaining them as payment customers as they successfully go forward. Startups weren't interested in investment from PayPal; what they were after was help with working out how payments work and getting up and running fast."

### **In Dickey Payments Game, Bankers Are Picking Sides**

*10/28/13 BTN*

It may sound like a cliché, but it's true: Bankers are sitting around a proverbial payments roulette table placing bets. Bets on mobile. Bets on new networks. Bets on each other. Because as payments evolve - through technology, encryption and overall digital commerce - executives are turning to one another to establish standards and make strides into futuristic money movement. That was especially true here at the ATM, Debit and Prepaid Forum in Las Vegas, at the Bellagio Hotel in late October, where bankers say they are no longer benchmarking themselves against their peers.



## **Mobile Payments**

### **Future of M-Payments Uncertain, NFC or Not**

*10/30/13 StorefrontBacktalk*

Wireless carriers' lack of support for NFC mobile phones and consumers' slow adoption of mobile payments have analysts worried about the future of m-payments. Strategy Analytics recently lowered its NFC projections, saying that 115 million NFC handsets will be responsible for spending \$48 billion via NFC phones by 2017, down from an estimated 158 million phones spending \$53 billion in its July forecast. "Alternative methods of making in-store mobile payments through solutions such as LevelUp and Square Wallet have gained pockets of traction, and are fragmenting the mobile payment sector."

### **Starbucks: Mobile Payments Used in 11% of U.S., Canadian Sales**

*10/30/13 PaymentsSource*

Starbucks Corp. reports that it receives 11% of its U.S. and Canadian sales through its mobile app, continuing its momentum in enticing customers to pay with the mobile version of its closed-loop Starbucks Card. "Starbucks is a clear leader in mobile payments and we are encouraged by how consumers have embraced mobile apps as a way to pay," said Howard Schultz, chairman, president and CEO of Starbucks during an Oct. 30 conference call to discuss the company's fiscal fourth quarter, which ended Sept. 29.

### **FIS Study Shows Mobility and Convenience Key to Engaging Consumers in Real-time Payments**

10/31/13 FIS

Consumers demand convenience, flexibility and pay-anywhere availability from real-time payments, according to the third phase of a comprehensive banking behavior study by FIS™, the world's largest provider of banking and payments technology. Among the findings, consumers who transfer money person-to-person - especially those sending money overseas - want to make those transactions immediate; and, while young consumers are more likely to be among the early adopters of real-time payments, most importantly, they want the process to be convenient and easily accessible.

### **Bitcoin Pursues the Mainstream**

10/30/13 *The New York Times*

The currency known as bitcoin - a much-hyped and much-doubted type of digital cash that can be bought with traditional money - has mostly attracted attention for its popularity in the black market, and for its wildly gyrating valuation. But some entrepreneurs, investors and even merchants are eyeing a far more mainstream use for it. They are convinced that bitcoin, though not widely understood, offers a path to lower payment processing and more secure transactions.

### **Man Forgets About Buying \$27 of Bitcoin, Is Now Worth About \$1 Million**

10/29/13 *Gizmodo*

Four years ago, Oslo-man Christopher Koch's girlfriend scoffed at his purchase of \$27-worth of Bitcoin. Chances are she was singing a decidedly different tune last April, when Koch checked back in on his investment and found out it was worth \$886,000. And over a cool million today. Back in 2009, Koch was working on a thesis paper about encryption, which introduced him to the relatively unknown world of Bitcoin.

## **Regulation & Security**

### **Researchers Raise Contactless Card Security Fears**

10/31/13 *Finextra*

The security of contactless payment cards has again been called into question after researchers claimed to be able to pick up NFC data from as far away as 80 centimetres. Contactless cards are designed to only work when within a few centimetres of a payment terminal but researchers from the University of Surrey say that they have successfully "eavesdropped" on a transaction from far further away using "inconspicuous equipment".

### **How Should Industries Like Payments Be Regulated in the 21st Century?**

10/28/13 *PayPal*

PayPal is at the leading edge of the global, technology-enabled payments industry, serving 137 million consumers, entrepreneurs and businesses of all sizes in 193 markets around the world. The industry has seen tremendous innovation and competition from players large and small, with rapidly evolving technologies driving change and progress towards a brighter future. The payments industry is one that government policymakers and regulators around the world care deeply about. Yet, it's a common refrain among technology leaders that regulatory processes are far too slow to adapt.

### **ATM Skimming Arrests: Sign of the Times?**

10/29/13 *Bank Info Security*

Twelve members of an alleged ATM skimming ring in California have been

accused of stealing hundreds of thousands of dollars from U.S. bank accounts from late 2012 through fall 2013 as part of low-tech attacks that fraud experts say easily exploit magnetic-stripe card data. Experts say U.S. banking institutions and other ATM deployers can expect to see these types skimming schemes increase over the next 18 to 24 months as the United States' migration toward enhanced payment-card technology that complies with the Europay, MasterCard, Visa standard ramps up and the use of magnetic stripe cards.

## **Economy**

### **Discover Annual Holiday Survey Finds Consumer Spending Intentions to Be Bright**

*10/30/13 Discover*

Twice as many Americans are planning to increase their spending during the 2013 holiday season compared to just three years ago, according to the Discover Holiday Shopping Survey commissioned by Discover Financial Services. Half of Americans plan to spend between \$500 and \$5,000, compared to just 40 percent who planned to spend that much in 2012.

### **U.S. Jobless Claims Fall for 3rd Straight Week**

*10/31/13 Yahoo! News*

US jobless claims fell for the third week in a row, as the impact of the government shutdown earlier in the month appeared to ease, Labor Department data showed Thursday. Initial claims for unemployment benefits fell to 340,000 in the week ending October 26, a decrease of 10,000 from the prior week. The figure was higher than expected as the labor market works through the disruption of the October 1-16 partial government shutdown that furloughed hundreds of thousands of federal workers.

### **Consumer Confidence in U.S. Declines to More Than One-Year Low**

*10/31/13 Bloomberg*

Consumer confidence eroded for a fifth straight week, reaching the lowest level in more than a year as pessimism about the economy chipped away at views of conditions closer to home. The Bloomberg Consumer Comfort Index fell in the period ended Oct. 27 to minus 37.6, the weakest reading since October 2012, from minus 36.1. While the end of the 16-day federal government shutdown helped stabilize a measure of outlooks for the economy, households grew more pessimistic about their finances and the buying climate.

## **Payments Press**

### **Visa Inc. Reports Strong Fiscal Fourth Quarter and Full-Year 2013 Earnings Results**

*10/30/13 Visa*

Visa Inc. announced financial results for the Company's fiscal fourth quarter and full-year 2013. Net income for the fiscal fourth quarter was \$1.2 billion or \$1.85 per share, an increase of 15% and 20%, respectively, over the prior year adjusted results. Net income for the fiscal full-year 2013 was \$5.0 billion or \$7.59 per share, an increase of 18% and 23%, respectively, over the prior year adjusted results. Prior year results were adjusted to remove the impact of special items that were either non-recurring, had no cash impact or were related to amounts covered by the retrospective responsibility plan.

### **MasterCard Incorporated Reports Third-Quarter 2013 Financial Results**

*10/31/13 MasterCard*

MasterCard Incorporated announced financial results for the third quarter of 2013. The company reported net income of \$879 million, up 14%, and earnings per diluted share of \$7.27, up 18%, in each case versus the year-ago period. Net revenue for the third quarter of 2013 was \$2.2 billion, a 16% increase versus the same period in 2012. Adjusted for currency, net revenue increased 15%.

### **First Data Reports Third Quarter 2013 Financial Results**

*10/29/13 First Data*

First Data Corporation reported its financial results for the third quarter ended September 30, 2013. Consolidated revenue for the third quarter was \$2.7 billion, up \$38 million, or 1%, compared to a year ago, primarily driven by a \$32 million increase in reimbursable debit network fees, postage and other. Adjusted revenue, which excludes certain items including debit network fees, increased \$14 million, or 1%, year-over-year to \$1.7 billion.

### **TransFirst® and ShopKeep POS Announce Strategic Alliance**

*10/31/13 TransFirst*

TransFirst®, a leading provider of transaction processing services and payment enabling technologies, is pleased to announce an alliance with ShopKeep POS, the leader in iPad point of sale to brick-and-mortar businesses nationwide, to offer the ShopKeep POS iPad point of sale system to TransFirst customers, along with its full array of payment processing services. Under the alliance, TransFirst merchants will be able to combine industry-leading payment services from TransFirst with all the tools they need from ShopKeep POS to help manage and grow their businesses.

### **WorldPay US Broadens EMV Capabilities with American Express® Certification**

*10/29/13 MarketWatch*

WorldPay US, a leading payments acquirer, is pleased to announce it has successfully earned American Express EMV payment processing certification. In conjunction with the earlier completion of VISA® and MasterCard® EMV certification, this reinforces WorldPay's ability to assist its current and prospective clients with the inevitable migration to chip cards in the US. The card payment networks establish individual requirements for EMV implementation and define the testing processes to certify against these requirements. WorldPay is working closely with Discover® on certifying to their EMV requirements.

### **Square Names Former Goldman Sachs CFO David Viniar to Board of Directors**

*10/30/13 Square*

Square, the company making commerce easy for everyone, has appointed David Viniar to its Board of Directors, where he will also serve as Audit Committee Chairman. Viniar was most recently Executive Vice President and Chief Financial Officer of Goldman Sachs, and is currently a member of its Board of Directors. "David's extraordinary financial insight and expertise will add another valuable perspective to our world-class board," said Jack Dorsey, CEO of Square.

### **POS Tablet Offers a New Way for Small Business Owners to Lease or Buy Hardware for Tablet Based Point-of-Sale (POS)**

*10/30/13 PRWeb*

POS Tablet, the newly created venture from long-time merchant direct hardware provider POS Portal, announced the launch of POS Tablet. POS Tablet represents a simplified way for merchants and small businesses to get the bundled hardware peripherals that are necessary to run most of today's tablet-based POS-Software-Systems. The recent proliferation of available Point-of-Sale "Apps" that run on iPads has given many small businesses access to robust software tools that have previously been only available to larger enterprises. "This is an exciting time for small business" said Josh Johnstone, Marketing Director for POS Tablet. "Merchants can now get their hands on some pretty amazing POS software apps, all they need to make it work is hardware."

### **Heartland Payment Systems® Named One of 2013 Best Companies to Sell For**

*10/29/13 Heartland Payment Systems*

Selling Power magazine has named Heartland Payment Systems, one of the nation's largest payment processors and a leading provider of merchant business solutions, the No. 3 company to sell for in the United States. This marks the sixth consecutive year Heartland has received a top five distinction on Selling Power's "50 Best Companies to Sell For" list.

### **ACI Worldwide Named One of America's Best Performing Companies by Forbes**

*10/28/13 ACI Worldwide*

ACI was ranked at number 47 on Forbes' annual list of America's Best Performing Small Companies. This annual report highlights public companies with revenue under \$1 billion and ranks them based on return on equity, sales growth and earnings growth over the past year and past five years. As the ranking notes, ACI saw a 10 percent increase in sales over the previous period, a 44 percent increase in earnings per share and a 10 percent increase in return on equity.

### **First American Payment Systems Announces Next Day Merchant Funding**

*10/29/13 The Green Sheet*

First American is excited to announce the release of Next Day Funding. Next Day Funding allows qualifying merchants to receive their funds in half the time of traditional processing timelines, positively impacting businesses that rely on cash flow to meet operational obligations. "In a year marked by enhancements to our mobile solutions and the introduction of our proprietary tablet POS system, we are excited to announce the addition of Next Day Funding to our partners and merchants" said Neil Randel, Chief Executive Officer of First American Payment Systems.

### **Coach Focuses \$280M CapEx on Mobile POS in Store Remodels**

*10/29/13 RIS*

Following the success of its current mobile POS deployments, Coach plans to eliminate the fixed cash wrap in store remodel projects going forward, rely solely on the handheld checkout systems and increase floor selling space. The luxury goods company reports that while in-store foot traffic remains weak, its North American online business is growing, with double-digit web traffic growth driven by users browsing and shopping on smartphones and tablets, which account for 50% of all site visits.

### **Bluefin Payment Systems Launches PayConex Platform for Salesforce on the AppExchange**

10/29/13 BusinessWire

Bluefin Payment Systems, the leading financial technology provider of integrated payment solutions for software vendors, today announced that PayConex for Salesforce has launched on Salesforce.com's AppExchange. PayConex for Salesforce enables users to easily add electronic payments, including debit and credit card processing, to their Salesforce account. Users will enjoy the benefits of integrated, cloud-based payment processing and security features that can greatly minimize PCI compliance requirements.



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