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THE STRAWHECKER GROUP  
The Trusted Advisor To The Payments Industry



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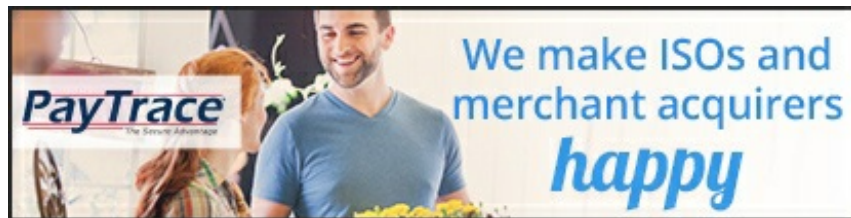
## TSG Resources

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## Trending This Week...

Today, TSG has released data illustrating 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. [Click here to see the chart and findings.](#)

TSG also attended the NEAA conference this week, [see below for a recap of highlights.](#)

Other highlights include:

- [Supreme Court Rejects Challenge to Debit Card 'Swipe Fee' Rules](#)
- [Government Rolls Out Chip and PIN](#)
- [Google is in Talks with Mobile Payments Company Softcard](#)
- [More than 50 Percent of Retailers Not Fully Prepared as EMV Deadline Approaches](#)
- [Payments Industry Pairings and Partings in 2015](#)

## NEW TSG REPORT: [Global Retail eCommerce Market](#)

Did you know: *China / US are by far the world's leading eCommerce markets, combining for about half of global eCommerce sales in 2014.*

### What is this report?

This 44-page report is a guide to understanding trends in the global eCommerce market.

[Transaction Advisory](#)

[Acquisition Multiples & Attrition Summary](#)

[Merchant Aggregation](#)

[Acquirer Strategic Assessment](#)

[TSG MPPS Benefits](#)

[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: 1957

### Toy Company Wham-O Produces First Frisbees

On this day in 1957, machines at the Wham-O toy company roll out the first batch of their aerodynamic plastic discs-- now known to millions of fans all over the world as Frisbees.

The story of the Frisbee began in Bridgeport, Connecticut, where William Frisbie opened the Frisbie Pie Company in 1871.

The first section is a briefing on the global eCommerce industry, including current eCommerce trends and projected eCommerce trends by region, a look at digital buyer penetration, retail eCommerce sales as a percentage of overall retail sales and online browsing and buying intention for regions around the globe.

The latter half of the report provides a unique glimpse into 20 geographies across the planet and provides details on each country's retail eCommerce statistics, major payment players for that particular geography as well as insights into the country's payment and technology infrastructure. Highlights include top issuers, top acquirers/processors, internet, smartphone and digital buyer penetration, retail eCommerce sales and eCommerce sales by payment type for each respected geography.

[Click here for a preview.](#)

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## Featured

### TSG - Comparable New Merchant Profitability

The following 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.

[Click here to see the findings.](#)

### TSG's Northeast Acquirers Association Recap

*TSG Commentary by Senior Management Consultant, Barry Davis*

TSG attended the Northeast Acquirers Association (NEAA) conference in Boston this week, which was very well attended. Boston served as host to the event after being held in Mt. Snow, VT for over a decade. Some highlights and key observations included:

Students from nearby universities would throw the empty pie tins to each other, yelling "Frisbie!" as they let go. In 1948, Walter Frederick Morrison and his partner Warren Franscioni invented a plastic version of the disc called the "Flying Saucer" that could fly further and more accurately than the tin pie plates. After splitting with Franscioni, Morrison made an improved model in 1955 and sold it to the new toy company Wham-O as the "Pluto Platter"—an attempt to cash in on the public craze over space and Unidentified Flying Objects (UFOs).

In 1958, a year after the toy's first release, Wham-O—the company behind such top-sellers as the Hula-Hoop, the Super Ball and the Water Wiggle—changed its name to the Frisbee disc, misspelling the name of the historic pie company. A company designer, Ed Headrick, patented the design for the modern Frisbee in December 1967, adding a band of raised ridges on the disc's surface—called the Rings—to stabilize flight. By aggressively marketing Frisbee-playing as a new sport, Wham-O sold over 100M units of its famous toy by 1977. [Click here to read more.](#)

- ISOs and acquirers are quite certain that very few small business will be prepared (let alone even aware) of the EMV liability shift occurring in October 2015. Many believe that merchants will weigh the pros and cons of investing in EMV-capable terminals and decide to take the risk of a loss. However, the liability shift certainly creates a revenue opportunity for ISOs and acquirers that should not be missed. In fact, many attendees anticipate some processors and acquirers to experiment with EMV non-compliance fees.
- Even though "chip & signature" will be initially implemented this year, lessons learned from Europe and Canada show that it won't take long for consumers to figure out the "chip & PIN" process. Chip & PIN provides enhanced counterfeit and fraud security, and many believe will ultimately become standard practice in the U.S.

[Click here to read more.](#)

### **Supreme Court Rejects Challenge to Debit Card 'Swipe Fee' Rules**

*1/20/15 Reuters*

The U.S. Supreme Court on Tuesday declined to hear a challenge to controversial debit card "swipe fee" rules, dealing a blow to retailers, grocers and restaurant owners who argued the charges were unfairly high. The high court's refusal to hear the case keeps intact a March 2014 ruling by the U.S. Court of Appeals for the District of Columbia Circuit that found the fees set by the Federal Reserve at 21 cents per transaction were appropriate.

### **Winklevoss Twins Aim to Take Bitcoin Mainstream**

*1/22/15 The New York Times*

Bitcoin, the virtual currency that was once the talk of the financial world, has been taking a beating over the last year with the price tumbling downward. Now two of the biggest boosters of the virtual currency, Cameron and Tyler Winklevoss, are trying to firm up support by creating the first regulated Bitcoin exchange for American customers - what they are calling the Nasdaq of Bitcoin.

### **Government Rolls Out Chip and PIN**

*1/23/15 Bank Info Security*

As a result of President Obama's "Buy Secure" initiative, the federal government this month is kicking off its EMV roll-out, which includes the issuance of chip-and-PIN cards for all federal employees and benefits programs. On Jan. 21, the U.S. General Services Administration announced that its SmartPay program, which provides credit cards for government employees, will begin its issuance of chip-and-PIN-enabled cards later this month. The rollout is expected to continue throughout the year.

### **Human Touch Can Trump Tech**

*1/21/15 ISO & Agent*

With technology at the forefront of payments, it's tempting for industry players to become so enamored with the gee-whiz factor of the next new thing that they forget their end users—the consumers who make the payments. ISOs have been known to measure success by the number of merchants in a portfolio. But some pundits advise focusing more sharply on the end user. The idea is that consumers are going to have much more influence on the future of payments. "The new competitors will compete based on different dynamics. It will be the value of a consumer, in addition to the value of the transactions," said Donna Embry.



## **Mobile Payments & Bitcoin**

### **Google Is In Talks With Mobile Payments Company Softcard**

*1/29/15 TechCrunch*

Apple has Apple Pay, and now it looks like Google may be fattening up its own wallet. According to people familiar with the situation, the search giant and maker of Android is interested in buying Softcard, the mobile payments company formerly known as Isis. The price may be under \$100M, according to our sources. That is either a huge bargain or a testament to Softcard's difficulties as an enterprise: sources tell us that AT&T, Verizon and T-Mobile - the three carriers that started Isis in 2010 - have collectively invested hundreds of millions of dollars.

### **Apple Pay Bank Support Continues to Grow**

*1/20/15 GottabeMobile*

Apple Pay launched back in October alongside the iOS 8.1 update for iPhone and iPad users. The new payment platform already has a handful of banks that support it, as well as a growing list of retail stores. However, one big roadblock has been bank support, with only a handful of banks supporting Apple's digital wallet service, but that's quickly changing. Apple has updated its list of banks and credit unions that support Apple Pay.

### **Federal Reserve Bank VP: We're a Protocol Just Like Bitcoin**

*1/20/15 CoinDesk*

An interest in bitcoin and digital currency makes Federal Reserve Bank of St Louis vice president and research director David Andolfatto something of a rarity among Fed officials. However, while he may see the technology's big picture, why he believes bitcoin is potentially transformative doesn't exactly fall in line with the common mantras of the community.

### **Amazon to Fold its Mobile-Wallet App Beta**

*1/20/15 Cnet*

Amazon has pulled the plug on its Amazon Wallet beta, six months after it launched the limited mobile-wallet effort. The Internet retail giant began informing users by email on Tuesday that it is shutting down the beta and removing the app from app stores. The beta's closure comes as Silicon Valley companies struggle to expand beyond their roots selling products or services and into the lucrative financial industry.

### **Gates Makes Mobile Banking Bet**

*1/22/15 Finextra*

By 2030, two billion people who don't have a bank account today will be storing money and making payment with their mobile phones, predicts Bill Gates. In their annual letter, Gates and his wife Melinda place mobile banking as one of their five "big bets" that will help transform the lives of the poor by 2030.

## **Bitcoin Startup Coinbase Raises \$75M From DFJ, the NYSE and Two Banks**

*1/20/15 Recode*

Coinbase, a software company that allows people to buy bitcoin and enables businesses to accept it as payment, has closed a giant \$75M investment. In real U.S. dollars. The round is by far the biggest investment in a bitcoin company to date. Beyond its size, the funding is sure to make waves in financial services thanks to the participation of three industry investors: the New York Stock Exchange, USAA Bank, and BBVA, a multinational bank with a large presence in Spain and Mexico.

## **Regulation & Security**

### **ACI - More than 50 Percent of Retailers Not Fully Prepared as EMV Deadlines Approach**

*1/21/15 BusinessWire*

With only nine months until the EMV migration deadline, retail and technology professionals are still unprepared, according to a recent survey by ACI Worldwide. The survey of 200 retail industry professionals was conducted in January 2015 at the National Retail Federation's 104th Annual Convention and Expo, "The Big Show," in New York.

### **EMV: U.S. Won't Make October Deadline**

*1/20/15 Bank Info Security*

U.S. card issuers and merchants likely won't complete a shift to EMV for many years to come, despite the card brands' October 2015 liability shift date for counterfeit card fraud, many forecasters say. In fact, some security experts question whether the U.S. will ever complete its adoption of chip cards and POS terminals that conform to the Europay, MasterCard, Visa standard, better known as EMV.

### **PCI Compliance Not Synonymous with Security, Panel Says**

*1/20/15 SC Magazine*

None of the companies in a soon-to-be released Verizon report that experienced a data breach "were fully PC compliant at the time of breach," according to Roldophe Simonetti, managing director of compliance consulting at Verizon Enterprise Solutions, who participated in a company-hosted Jan. 12 evening panel discussion on securing mobile and online retail payments.

### **Court Rules in Favor of Breached Retailer**

*1/22/15 Bank Info Security*

A breached retailer has won a court ruling against its payments processor and merchant bank, setting a \$500,000 cap on how much it must pay for a point-of-sale breach it suffered in late 2012. Now the processor and bank must pick up the rest of the breach-related tab. Security and legal experts say the case isn't likely to set a precedent for other breach cases involving retailers, although it could push processors and banks to more carefully spell out retailers' breach-related contractual obligations.

### **Wingstop Investigates Possible Data Breach**

*1/20/15 Nation's Restaurant News*

Wingstop Restaurants Inc. is investigating a possible data breach in a "security attack on point-of-sale systems" at four of its franchised locations, the company said over the weekend. The Dallas-based chicken wing chain said the suspected breach, which could have enabled



attackers to capture customer payment card information, affected three restaurants in California and Texas in June 2014 and July 2014, and one Texas restaurant in two periods of 2012.

## **Economy**

### **Fed Officials Reassess U.S. Outlook Amid Global Weakness**

*1/21/15 Bloomberg*

Federal Reserve officials are starting to reassess their outlook for the economy as global weakness and disappointing data on American consumer spending test their resolve to raise interest rates this year. San Francisco Fed President John Williams last week said he will trim his U.S. estimate because of slower growth abroad. Atlanta's Dennis Lockhart said Jan. 12 that he advocates a "cautious" approach to rate increases and inflation readings "maybe pivotal." Both are voters on the Federal Open Market Committee in 2015 and repeated that rates could be raised in the middle of the year.

### **Holiday Ecommerce Sales Topped \$100 Billion**

*1/21/15 eMarketer*

The final results for holiday retail sales are pouring in. According to the National Retail Federation, US holiday retail sales growth rose for the third consecutive year, with an increase of 4.0% topping the 3.8% seen in 2013 and 3.0% in 2012. In all, total holiday retail sales-which include November and December-reached \$616.1 billion, compared with just over \$600 billion last year.

### **More Americans Than Forecast Filed Jobless Claims Last Week**

*1/22/15 Chicago Tribune*

More Americans than forecast filed applications for unemployment benefits last week, a sign of lingering holiday turnover. Jobless claims decreased by 10,000 to 307,000 in the week ended Jan. 17, from a revised 317,000 in the prior period, a Labor Department report showed on Thursday in Washington. The median forecast of 52 economists surveyed by Bloomberg called for a decline to 300,000.

## **Payments Press**

### **Payments Industry Pairings and Partings In 2015**

*1/20/15 PYMNTS*

According to companies that track this sort of stuff, January is the month when most husbands and wives decide to officially call it quits - opting apparently to stay together over the holidays and then splitting right after the holidays end. Ironically, December is the month in which most proposals happen, and when happy couples decide to make their commitment to each other more permanent. So, what better time (or reason) to talk about who in payments might get hitched in 2015 or, alternatively, call it quits.

### **First Data Teams Up for Transition to EMV Cards**

*1/19/15 OWH*

A new partnership between payment technology and processing giant First Data Corp. and product testing and standards developer Underwriters Laboratories aims to speed merchants' transitions to new and more secure card payment technology this year. First Data officials say they see an opportunity to streamline and expedite the change as the

clock ticks toward October 2015.

### **Eye on Earnings: Card Volume Up for AmEx And Discover, But AmEx To Cut Jobs**

*1/22/15 Digital Transactions*

American Express Co. reported \$182.5 billion in U.S. card-billed business in the fourth quarter, up 7.9% from \$169.1 billion a year earlier, and discount-fee revenues increased 1.8% to \$4.99 billion from \$4.90 billion.

The average worldwide discount rate, however, decreased three basis points to 2.45% of the sale.

### **Monitise Goes Up for Sale After Missing Financial Targets Again**

*1/22/15 The Telegraph*

Monitise, the mobile payments technology specialist, has put itself up for sale after warning it will not deliver the sales growth it had predicted for 2015. The AIM-listed company, which issued two revenue warnings and lost more than half its market value in 2014, said it had appointed the investment bank Moelis to "conduct a review of all strategic options to maximise value for shareholders".

### **TSYS and Ingenico Group to Offer EMV, NFC and Apple Pay Enabled POS Payment Solutions**

*1/22/15 TSYS*

TSYS®, a leading global payments provider, and Ingenico Group, global leader in seamless payments, today announced a new agreement to offer merchants a seamless and secure solution for accepting all payment types, including magnetic stripe, EMV®, NFC and Apple Pay™. TSYS is the first processor to Class A certify Ingenico Group's new PCI 3.0-certified smart products - the iCT 220 Contactless and iPP310 PIN pad - thus providing merchants with front-line support for a complete end-to-end payment solution.

### **Ingenico Acquires the Rest of Mobile Payment Provider ROAM**

*1/22/15 PaymentWeek*

French point of sale provider Ingenico Group has purchased ROAM Data for an undisclosed amount. ROAM was one of the first to offer card readers that could connect to mobile devices, and has seen strong adoption of the device globally. In total, over 100,000 merchants use a ROAM credit card reader, and the company has integrated in-app purchasing, chip and PIN compatibility, and certified magnetic stripe readers for merchants in Europe, America, and around the world.

### **Mercury Payment Systems Wins Two Prestigious Customer Service Awards Including "Service Team of the Year"**

*1/21/15 Vantiv*

Mercury Payment Systems, a Vantiv company and a provider of payments technology and services for SMBs, announced that it has received two prestigious awards for its customer service. The Customer Service Institute of America (CSIA) selected Mercury for the "2014 International Service Excellence Award" in the Medium Business category, and the National Customer Service Association (NCSA) selected Mercury as the "Service Team of the Year" for 2014.

### **Integrity Payment Systems Partners with CardFlight to Offer Mobile Point of Sale Solution to Merchants**

1/20/15 PR Newswire

CardFlight, a leader in mobile point of sale (POS) technology is announcing that it has partnered with Integrity Payment Systems, a leading payment service provider, to offer CardFlight's mobile POS solutions to Integrity's merchants and partners. As part of the partnership, Integrity will leverage CardFlight's SwipeSimple product as their preferred mobile POS solution for merchants looking to accept mobile payments from smartphones and tablets.

### **Clearent Adds Split Funding Service for MCA Providers**

1/20/15 *The Green Sheet*

Clearent, one of the nation's fastest growing credit card processing companies, announced its new Split Funding service which enables Clearent to automatically make daily payments directly to merchant cash advance providers. The addition of Split Funding enables sales professionals to easily integrate merchant cash advances with Clearent's payment processing services.

### **JetPay Corporation's MAC Prepaid Visa Adds Ingo Money**

1/20/15 *TheStreet*

JetPay® Corporation, a leading provider of debit and credit card processing, payroll and prepaid card services, Tuesday announced that it has added Ingo™ Money as a new and convenient funding method to its Money Access Card® (MAC) Prepaid Visa®. Consumers download the Ingo Money mobile app directly to their Android or iPhone device. Following enrollment, they can then load approved checks directly onto their MAC card.

### **Allpoint and STAR(R) Network Renew Surcharge-Free ATM Program Relationship**

1/22/15 *Yahoo! Finance*

Allpoint Network and STAR Network have renewed their relationship allowing STARsf(R) surcharge-free program member financial institutions and their cardholders unlimited access to the Allpoint network in the United States. Allpoint operates the world's largest surcharge-free ATM network and is an affiliate of Cardtronics, Inc. (CATM), the world's largest retail ATM owner / operator. First Data's STAR Network is one of the leading debit networks, with more than 2M retail and ATM locations.



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