



THE STRAWHECKER GROUP
The Trusted Advisor To The Payments Industry



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mPayments: The U.S. Mobile Marketplace

www.TheStrawGroup.com / www.PaymentsPulse.com

The mPayments Marketplace

mPayments include mCommerce, mWallets, and mMerchants



Comments

- The lines between in-store commerce, eCommerce, and mobile commerce are blurring as consumers and merchants have various tools with which to complete a transaction – mobile payments are at the crux of this transitional period
- The picture (left) displays TSG's segmentation of the three primary parts of mobile payments (mPayments):
 - mCommerce
 - mWallets
 - mMerchants
- This report focuses on the current status of mPayments, particularly the drivers and barriers behind merchant and consumer adoption, as well as the payments players involved

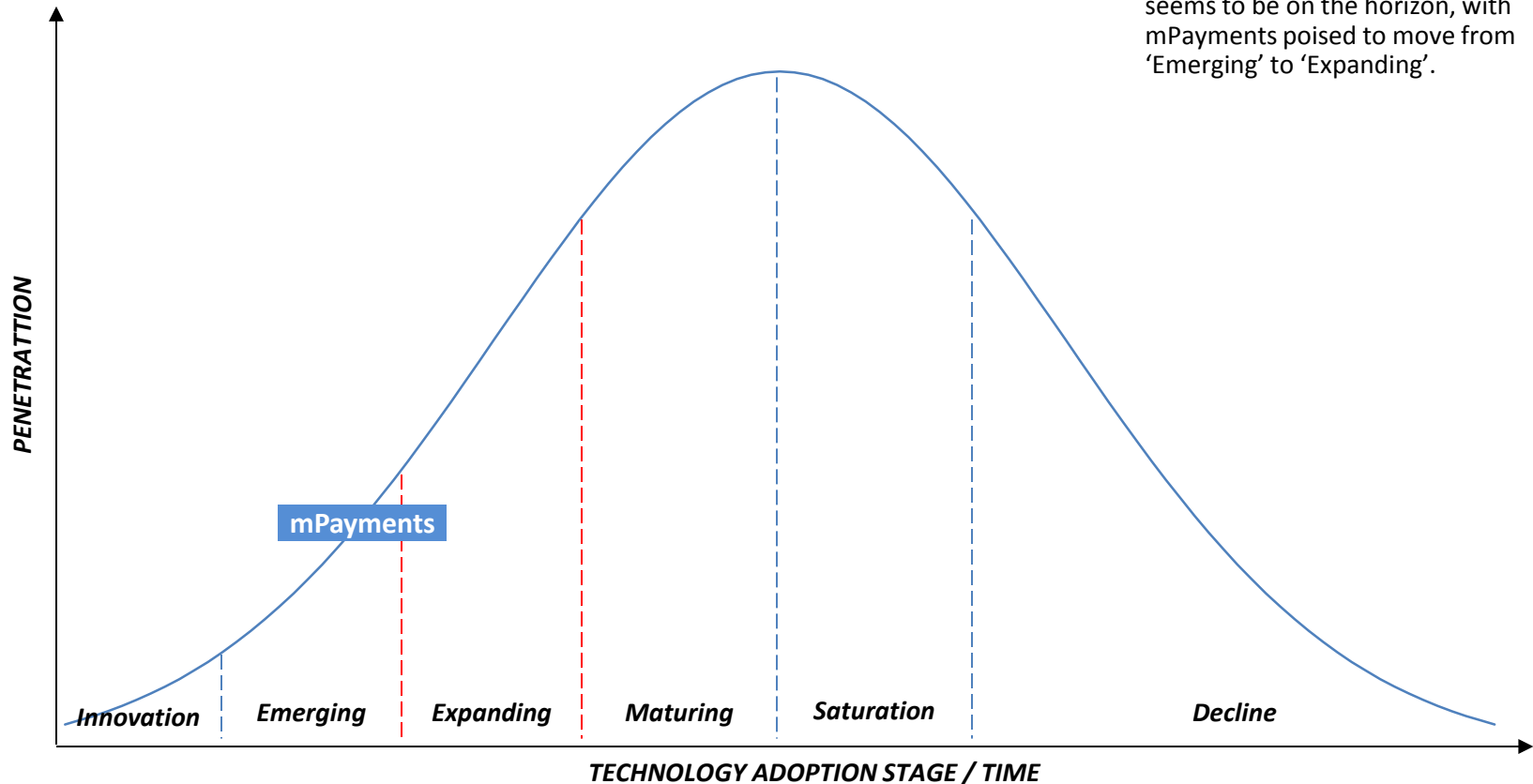
The mPayments Marketplace

TSG hypothesizes that mPayments are poised to soon dramatically expand in the marketplace

Comments

- The cycle of consumer adoption and the current position of mobile payments is shown below. Due to various barriers, mobile payments have yet to reach a 'tipping point'; however, that point finally seems to be on the horizon, with mPayments poised to move from 'Emerging' to 'Expanding'.

mPayments in the U.S. Product Lifecycle



Merchant trends in mPayments

Barriers and drivers behind widespread merchant adoption of mPayments

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1. Costs of redeploying new / updated terminals
2. Lack of a common mobile payment platform / technology standard for mobile payments
3. Lack of compelling business model
4. Lack of consumer usage (demand)
5. Security and fraud concerns
6. Lack of information on what consumers want from mobile payments

SUPPLY (Merchant's Ability to Accept)

**D
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S**

1. Card brands push of EMV – updating terminals will allow for NFC capability as well
2. Ability to integrate payments with functions consumers are using to make purchasing decisions, including:
 - Social media
 - Review sites
 - Loyalty programs

About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the electronic payments industry.

TSG's Service Groups

Payments Strategy - Payments Strategy encompasses the full spectrum of advisory services within the Payments Industry. The depth of these services is built on deep industry knowledge - Partners and Associates of the firm have average industry experience of more than 20 years. With clients from card issuers to merchant acquirers, TSG has the experience and expertise to provide real-time strategies.

Strategic Acquisitions - In the Payments Industry, success in buying and selling relies heavily on relationships and industry knowledge. At TSG, these areas are our forte. Over the past three years, we provided services to 30 of the top 50 U.S. Acquirers and have prepared more than 50 valuation assessments of payments properties; with individual values ranging up to \$2.3 Billion. In aggregate, these analyses represent more than \$5 billion in value.

TSG Metrics - TSG Metrics, the strategic research and analysis division of TSG, provides the Payments Industry with highly focused research and industry-wide studies. TSG Metrics takes data, boils it down to information, transforms it to knowledge and presents it to provide wisdom to its client partners.

TSG's Unparalleled Experience

TSG consists of Industry leaders with extensive experience leading teams through explosive growth periods, mergers and acquisitions, and international and domestic expansion within the Payments Industry. Both Partners and Associates of the firm have held key senior management positions at leading industry companies including First Data / First Data International, VISA USA, MasterCard, TSYS, Humboldt Merchant Services, WorldPay, Heartland Payment Systems, Cardservice International, iPayment, Alliance Data, RapidAdvance, Accenture Consulting, Redwood Merchant Services, Chase Paymentech, as well as other leading financial institutions and Payments companies.

TSG's Influence Shapes the Payments Industry

Over the last three years, TSG has completed over 300 projects for more than 175 different clients including financial institutions, merchant acquirers, card issuers, card associations, technology providers, ISOs, processing companies and the investment community. Additionally, the firm and its Associates sit on several industry committees whose focuses range from emerging product development to governmental regulation advisement.

Other recent TSG reports and analysis include (Click for more information):

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Cielo Acquisition of
Merchant e-Solutions

What Benefits Me By
Paying a Credit Card
Swipe Fee

Vantiv - Initial Public
Offering Analysis

Durbin Amendment's
Unintended Consequences

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