



THE STRAWHECKER GROUP
The Trusted Advisor To The Payments Industry



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mPayments: Company Competitive Analysis

www.TheStrawGroup.com / www.PaymentsPulse.com

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Mobile Program Overview

- Square Card Reader
 - Merchant signs up and receives a free card-reader (dongle) in the mail
 - Simple rate of 2.75% or 0% with one flat \$275 monthly price
- Square Register -iPad
 - Simple, customized at the counter register experience
 - Attract new and old customers with loyalty/reward programs
 - Get market analytics for decision-making
 - Paper, text, or email receipts
- Pay with Square (Previously Card Case)
 - iPhone/Android App
 - Never have to touch your wallet or phone
 - Link credit card and automatically open tab when you enter a Square business
- Offers a 'Business in a Box' that includes two square readers, an iPad stand, and a cash drawer for \$299. A \$599 version includes a thermal receipt printer
- [Should Traditional Merchants beware of Square](#)

Technology

- Stop fraud via live monitoring through real-time transaction monitoring
 - More users, stronger algorithms
- Square Register credit card processing and analytical software

TSG Comments

- TSG does not believe Square is cannibalizing the SME market from traditional merchant acquirers; most of their merchant base is a merchant sub-set that was not pursued by much of the merchant acquiring industry (micro-merchants).
- For example, the average Square merchant processes \$278/month (down from \$333 mid-'12) in card volume; the average acquirer that focuses on the SME market has merchants that process \$14,000/month. (Source: TSG Merchant Database)
- More than two-thirds of the 27M small businesses in the U.S. do not currently accept credit/debit – penetration of these non-accepting micro-merchants is still low.
- It is unproven that the Square pricing model will be sustainable; TSG sources explain that Square merchants with avg. ticket under \$15 lose money for Square

In the Works

- Recent launched new encrypted readers, hope to migrate users to the new readers over time
- Further funding secured; reported valuation of \$3.25B
- International expansion in late 2012
- Launched in 7,000 Starbucks locations within US last fall, hope to then move to international Starbucks
- Windows phone support if it attracts large user base

Partners

Payment Network

Visa, MasterCard, Amex, Discover

Corporate Partners

Starbucks, Blue Bottle Coffee

Technology

iOS and Android devices

Distribution

Wal-Mart, Staples, Office Max, Target, Radio Shack, FedEx, Best Buy, Walgreens, Staples and FedEx

Relevant Statistics

- Over two million businesses used Square in April 2012, with over three million users as of February 2013
- Transactions using Square totaled an annualized rate of around \$1B in 2011, \$8B in 2012, and \$10B as of February 2013
- It is unclear if Square is earning enough to grow as financial results are not released
- Square readers can be purchased at 20,000 retail locations

Recent News

- 2/20/13 - [Square's New Hardware Bundle Turns an iPad into a Cash Register](#)
- 2/12/13 - [Blue Bottle Coffee Adopts Square for its Point of Sale](#)
- 2/1/13 - [Square taps into the mobile payment business](#)
- 11/12/12 - [Jack Dorsey on Twitter, Square Success](#)
- 9/17/12: [Square Closes \\$200M Funding Round](#)
- 8/16/12: [Square Introduces One Monthly Price for Small Businesses](#)
- 8/08/12: [What's Missing in the Starbucks-Square Deal? A Lot](#)
- 8/08/12 - [Here's How Mobile Payment App Square Will Process Your Bucks at Starbucks](#)
- 8/08/12 - [Starbucks Accelerates Mobile Payments Leadership by Choosing Square for Payments](#)
- 6/04/12 - [With New Retail Deals, Square Doubles Locations that Sell Card Readers](#)
- 5/08/12 - [Summer of Square](#)

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):

Should Merchant Acquirers
Beware of Square?

Cielo Acquisition of
Merchant e-Solutions

What Benefits Me By
Paying a Credit Card
Swipe Fee

TSYS Acquisition of
NetSpend

Durbin Amendment's
Unintended Consequences

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