



STRATEGIC LEADERSHIP FORUM

SLF Special Edition: U.S. Economic Indicators Report

The ETA Economic Indicators Report is a member benefit provided to ETA member companies on a quarterly basis. (See last quarter's report.)

This *Special Edition* analyzed 14 merchant SIC code groupings in order to identify the more favorable and unfavorable types of merchants to merchant portfolio owners by three metrics: merchant attrition, growth rate, and profitability. Using TSG's merchant database of 1.7 million SMBs, the following was determined:

- **Favorable SIC Grouping:** *Business & Personal Services* (see page 3 for SICs included in grouping)
- **Unfavorable SIC Grouping:** *Home Furnishing, Improvement & Supply, Auto & Hardware Stores* (see page 4 for SICs included in grouping)

Comments:

Business & Personal Services

merchants are relatively smaller, possess attractive attrition rates, have above average new account production, and are of a younger vintage than TSG's overall database average.

- Typically, smaller account sizes would indicate higher attrition rates, however, the presence of integrated distribution channels (low residual rates) among this vertical may create a more sticky merchant relationship
- Higher new account production, lower attrition rates and smaller account sizes may be indicative of more start-up/new card accepting merchants (insurance agents for example)

Home Furnishing, Improvement & Supply, Auto & Hardware Stores

are relatively larger, possess less attractive attrition rates, have below average new account production, and have comparatively less volume in younger vintage years.

- Is likely a more mature vertical as evidenced by lower new account production
- Retained account growth (Same Store Sales) has been comparatively slower than Business & Personal Services

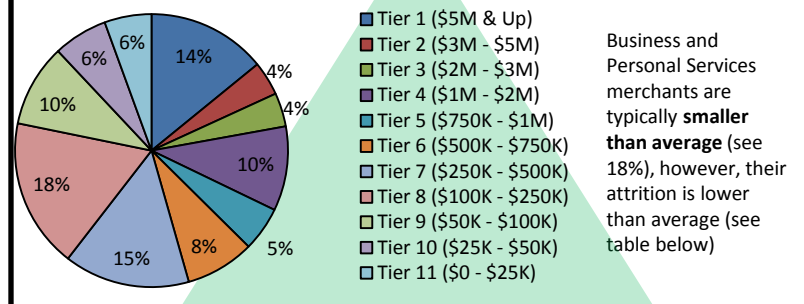
Questions?
Email TSG Director of Analytics, Bob Loewens: BLoewens@TheStrawGroup.com

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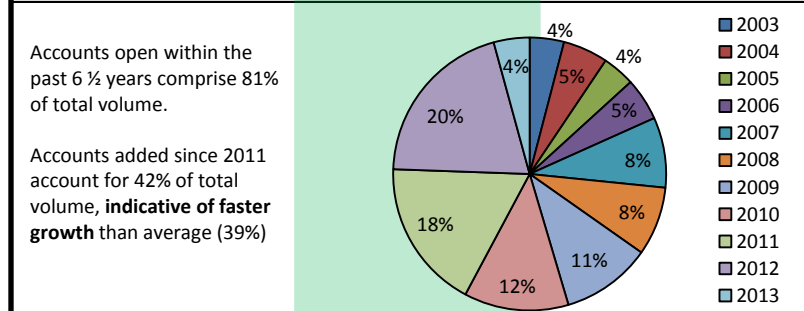


Favorable SIC Grouping Business & Personal Services

V/MC \$ Volume Distribution by Tier - (TTM* Q2 2013)



V/MC \$ Volume Distribution by Vintage - (TTM Q2 2013)

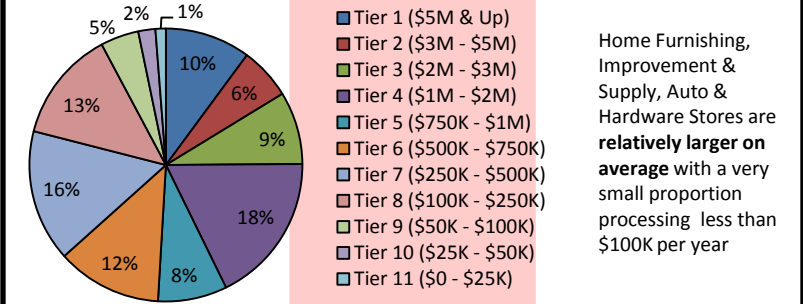


Performance Snapshot/Trends

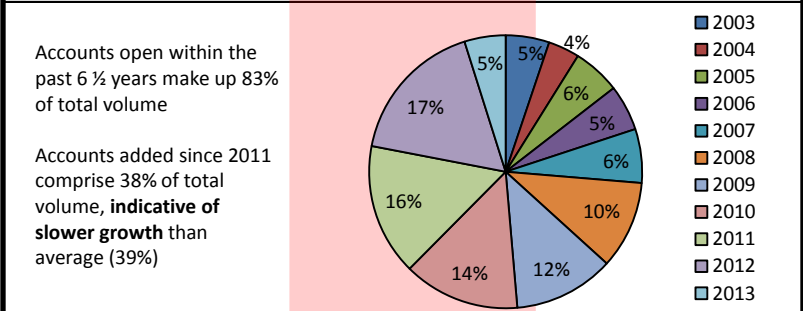
	Q4 2010	Q4 2011	Q4 2012	Q2 2013
Total Active Accounts	181,220	196,402	213,074	224,143
Annual Vol/Acct (000s)	\$84	\$89	\$92	\$90
Net Revenue (% of Vol)	1.080%	1.087%	1.207%	1.194%
Residuals (% of Net Rev)	22%	24%	23%	23%
Volume Gross Attrition	-13%	-11%	-11%	-11%
Ret Acct Vol Growth	4%	7%	6%	3%
New Accounts Added	33%	33%	34%	34%

Unfavorable SIC Grouping Home Furnishing, Improvement & Supply, Auto & Hardware Stores

V/MC \$ Volume Distribution by Tier - (TTM Q2 2013)



V/MC \$ Volume Distribution by Vintage - (TTM Q2 2013)



Performance Snapshot/Trends

	Q4 2010	Q4 2011	Q4 2012	Q2 2013
Total Active Accounts	26,490	26,969	30,028	29,923
Annual Vol/Acct (000s)	\$204	\$226	\$239	\$241
Net Revenue (% of Vol)	0.678%	0.674%	0.764%	0.767%
Residuals (% of Net Rev)	31%	35%	32%	31%
Volume Gross Attrition	-13%	-12%	-12%	-14%
Ret Acct Vol Growth	3%	4%	3%	1%
New Accounts Added	28%	26%	26%	25%

*TTM = Trailing Twelve Months



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Comments:

The gross profit stream from a portfolio of **Business & Personal Services** merchants increased in value 47% from Q4 2010 to Q2 2013, above the 41% average.

- Driving factors include an increase in accounts, improving attrition, and new account production
- Slowing retained account volume growth was a major headwind

The gross profit stream from a portfolio of **Home Furnishing, Improvement & Supply, Auto & Hardware Stores** merchants increased in value 29% from Q4 2010 to Q2 2013, below the 41% average.

- Worsening attrition, slowing retained account volume growth and relatively less new account production were major headwinds to value creation
- Increase in average account size was the most favorable factor

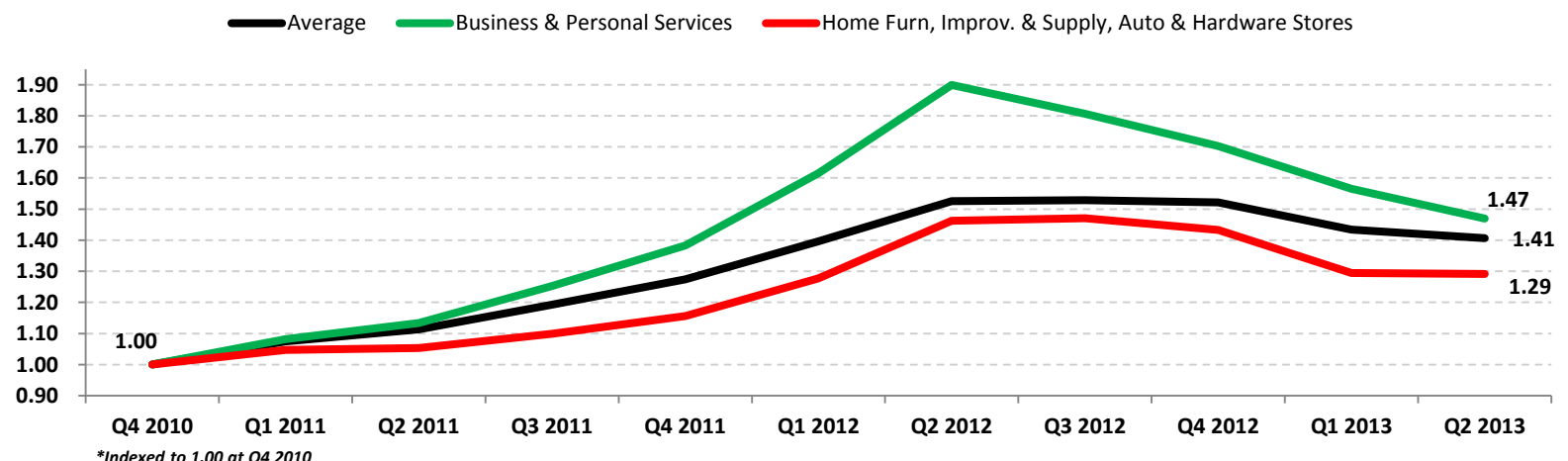
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This page takes a deeper look at the two identified SIC Groupings – in particular, the value of their revenue stream over time. This analysis is similar to a merchant portfolio valuation process and is displayed below as TSG’s [Gross Profit Value Index](#) (GPVI).

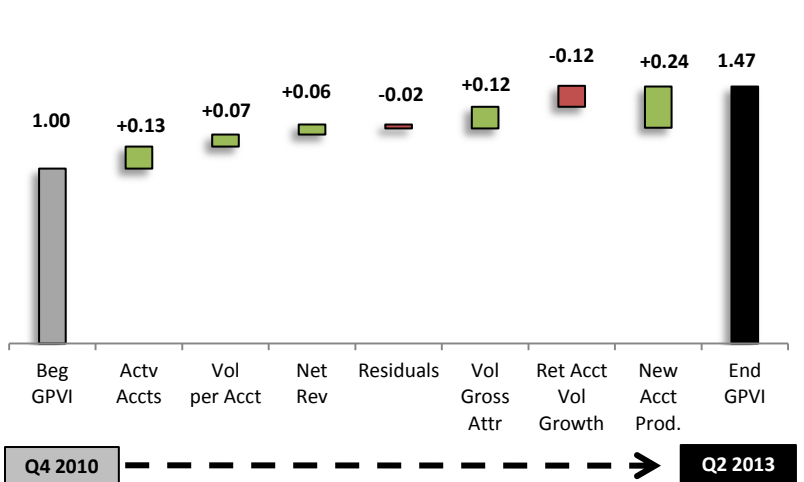
The **top chart** presents the change in each “portfolio” or SIC Groupings’ value indicator as compared to the market (market is represented by the database average/total). TSG created this index by valuing the future gross profit generated from the portfolios on a quarterly basis and has indexed this value to 1 beginning in Q4 2010.

The **bottom charts** are growth bridges for both SIC Groups displaying contributions of different metrics to change in value over the period. For example, number of Active Accounts contributed to +13% of the +47% growth of Business & Personal Services, while Retained Account Growth created a -12% headwind to the value change.

Gross Profit Value Index (GPVI)

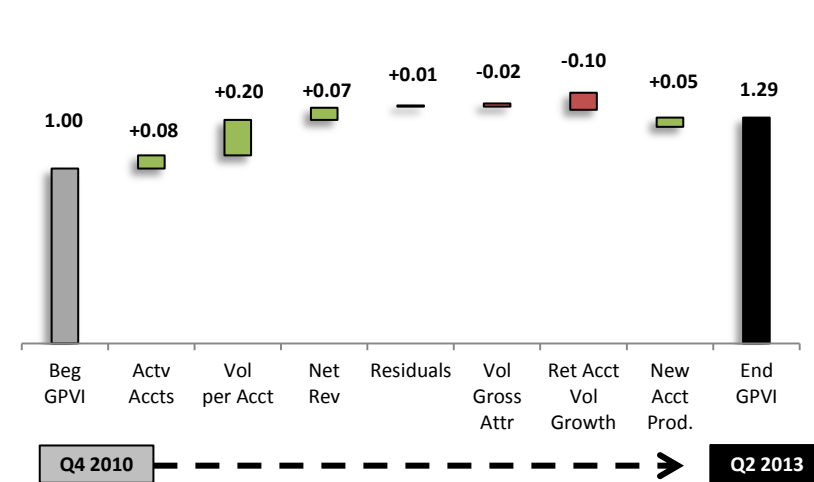


Business & Personal Services GPVI Growth Bridge
(Q4 '10 to Q2 '13 BPS contr. to GPVI chg)



* Numbers may not sum due to rounding

Home Furn, Improv & Supply, Auto & Hardware Stores GPVI Growth Bridge
(Q4 '10 to Q2 '13 BPS contr. to GPVI chg)



* Numbers may not sum due to rounding

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Business & Personal Services: Individual SIC Codes

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SIC Codes within the *Business & Personal Services* Group are shown to the right.

Did you know that TSG's Merchant Database...

- Represents an estimated 21% of U.S. merchants
- Sources from companies that are top 60 U.S. merchant acquirers
- Can be cut into almost 10,000 different ways within the existing five dimensions: Merchant Vertical, Vintage, Merchant Size, Region Breakdown, and Sales Channel



SIC Code	SIC Code Description
112	Rice
708	Agricultural Services
712	Soil Preparation Services
742	Veterinary Services for Animal Specialties
742	Veterinary Services for Animal Specialties
748	Veterinary Services
763	Farm Labor And Management Services
763	Farm Labor And Management Services
780	Landscape And Horticultural Services
780	Landscape And Horticultural Services
793	Agricultural Services
870	Forestry
999	Fishing, hunting, and trapping
4225	General Warehousing and Storage
4812	Radiotelephone Communications
4813	Telephone Communications, Except Radiotelephone
4814	Telephone Communications
4815	Telephone Communications
4816	Telephone Communications
4817	Telephone Communications
4818	Telephone Communications
4821	Telegraph And Other Message Communications
4829	Telegraph And Other Message Communications
4899	Communications Services, Not Elsewhere Classified
4900	Electric, Gas, And Sanitary Services
6011	Federal Reserve Banks
6012	Central Reserve Depository Institutions
6023	Commercial Banks
6051	Depository Institutions
6061	Credit Unions, Federally Chartered
6141	Personal Credit Institutions
6162	Mortgage Bankers and Loan Correspondents
6163	Loan Brokers
6211	Security Brokers, Dealers, and Flotation Companies
6300	Insurance Carriers
6381	Insurance Carriers
6399	Insurance Carriers, Not Elsewhere Classified
6462	Insurance Agents, Brokers, And Service
6513	Operators of Apartment Buildings
6529	Real Estate
6531	Real Estate Agents and Managers
7121	Non-Identified Services
7179	Non-Identified Services
7203	Personal Services
7210	Laundry, Cleaning, And Garment Services
7211	Power Laundries, Family and Commercial
7212	Garment Pressing, and Agents for Laundries and Drycleaners
7213	Linen Supply
7214	Laundry, Cleaning, And Garment Services
7216	Dry cleaning Plants, Except Rug Cleaning

SIC Code	SIC Code Description
7217	Carpet and Upholstery Cleaning
7219	Laundry and Garment Services, Not Elsewhere Classified
7221	Photographic Studios, Portrait
7229	Photographic Studios, Portrait
7230	Beauty Shops
7231	Beauty Shops
7232	Beauty Shops
7236	Beauty Shops
7238	Beauty Shops
7239	Beauty Shops
7251	Shoe Repair Shops and Shoeshine Parlors
7260	Funeral Service And Crematories
7261	Funeral Service and Crematories
7273	Personal Services
7276	Personal Services
7277	Personal Services
7278	Personal Services
7279	Personal Services
7289	Personal Services
7290	Miscellaneous Personal Services
7296	Miscellaneous Personal Services
7297	Miscellaneous Personal Services
7298	Miscellaneous Personal Services
7299	Miscellaneous Personal Services, Not Elsewhere Classified
7311	Advertising Agencies
7319	Advertising, Not Elsewhere Classified
7320	Consumer Credit Reporting Agencies, Mercantile
7321	Consumer Credit Reporting Agencies, Mercantile
7322	Adjustment and Collection Services
7331	Direct Mail Advertising Services
7332	Mailing, Reproduction, Commercial Art And Photography, and Stenographic Services
7333	Mailing, Reproduction, Commercial Art And Photography, and Stenographic Services
7338	Secretarial and Court Reporting Services
7339	Mailing, Reproduction, Commercial Art And Photography, and Stenographic Services
7342	Disinfecting and Pest Control Services
7349	Building Cleaning and Maintenance Services, Not Elsewhere
7358	Miscellaneous Equipment Rental And Leasing
7361	Employment Agencies
7372	Prepackaged Software
7374	Computer Processing and Data Preparation and Processing Services
7375	Information Retrieval Services
7378	Computer Maintenance and Repair
7379	Computer Related Services, Not Elsewhere Classified
7389	Business Services, Not Elsewhere Classified
7392	Business Services
7393	Business Services
7394	Business Services
7395	Business Services
7397	Business Services
7399	Business Services
7459	Non-Identified Services



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SIC Codes within the Home Furnishing, Improvement & Supply, Auto & Hardware Stores Group are shown to right.

Interested in learning more about TSG's Merchant Database?

Do you know the makeup of your portfolio and what drives its value?

Email info@TheStrawGroup.com or call 402-964-2617.

Learn more about TSG:

- TheStrawGroup.com
- PaymentsPulse.com
- [TSG's Twitter](#)
- [LinkedIn](#)

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Home Furnishing, Improvement & Supply, Auto & Hardware Stores: Individual SIC Codes

SIC Code	SIC Code Description
5200	Building Materials, Hardware, Garden Supply
5211	Lumber and Other Building Materials Dealers
5212	Lumber And Other Building Materials Dealers
5221	Building Materials, Hardware, Garden Supply
5231	Paint, Glass, and Wallpaper Stores
5251	Hardware Stores
5261	Retail Nurseries, Lawn and Garden Supply Stores
5287	Building Materials, Hardware, Garden Supply
5299	Building Materials, Hardware, Garden Supply
5531	Auto and Home Supply Stores
5532	Auto And Home Supply Stores
5533	Auto And Home Supply Stores
5535	Auto And Home Supply Stores
5538	Auto And Home Supply Stores
5539	Auto And Home Supply Stores
5712	Furniture Stores
5713	Floor Covering Stores
5714	Drapery, Curtain, and Upholstery Stores
5716	Home Furniture And Furnishings Stores
5717	Home Furniture And Furnishings Stores
5718	Home Furniture And Furnishings Stores
5719	Miscellaneous home furnishings Stores
5722	Household Appliance Stores
5723	Household Appliance Stores
5752	Home Furniture, Furnishings, And Equipment Stores
5772	Home Furniture, Furnishings, And Equipment Stores
5791	Home Furniture, Furnishings, And Equipment Stores

Here are other reports and analyses from TSG



TSG Analysis: TSYS Acquisition of NetSpend

TSG Analysis - WorldPay Auction Postmortem

Is This the End of Merchant Acquiring?

Should Merchant Acquirers Beware of Square?

What Benefits Me By Paying a Credit Card Swipe Fee

TSG Mobile Payments Infographic

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