

# Industry *Report*

**A First Financial USA White Paper**

## **Payment Processing Industry Overview: A look at the Major Players, Economic Outlook, Trends and Opportunities for Investors, Entrepreneurs, and Sales Professionals**

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**By: First Financial USA, Ltd**

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## Introduction

Imagine a beautiful spring day; a woman from Minneapolis is vacationing in a quaint Florida beach town. She rides her bicycle through the sunshine to a local French café for a croissant and a latté. She walks into the bustling establishment, places her order with the jovial café owner, and makes eye contact with an elderly gentleman in a corner table - who gives her a warm smile as he looks over his Wall Street Journal. She then hands the cashier her debit card, leaves the cafe, hops on her bike and heads to the beach. Ahhh, the easy life. But wait a moment, something just happened and it was really big! Back in the café, that smiling older gentleman watching the transaction with a smile - his name is Warren Buffet, the third wealthiest person in the world. What does Warren Buffet have to do with this story and what's he so happy about?

Most people never give it a second thought, they walk into a store make a purchase, hand the clerk their card for payment and they're on their way. That transaction was 40 years in the making and engaged a system that handles trillions of dollars around the globe.

There is an entire industry behind making that transaction work, one that passes trillions of dollars through it. It is the same industry that has allowed merchants to prosper from higher transactions, and more frequent impulse buying. Because of this system we can make purchases over the phone and internet. We can fly to foreign lands and use the same card we used in Minneapolis to buy breakfast in the morning, lunch in Los Angeles, internet access on the airplane and breakfast in Hong Kong. Amazing!

It's the same system that allows the local plumber to come to your house, perform service and get paid on the spot. Yet, you don't have to pay him for 30 days if you use a credit card or rather than him wonder if your check is good, it comes right out of your checking account and into his. It allows him to operate more efficiently, lowering his overhead and reducing the cost to you.

This payment processing system has helped spur both the American economy and global economy and has brought us amazing ability and convenience. It has also made the creation of industries possible. Because of how we are able to pay industries are born and people prosper. In this paper we'll examine the many connection points in the payment processing network, and the role of each.

### ► About First Financial

Our business runs on a core philosophy we call the "Spirit of FFUSA" - which includes providing merchants the very best service while adding more to their bottom line.

We create custom solutions for merchants. In addition to credit and debit cards (Visa & MasterCard, American express, Discover, etc.), we also help our clients establish their check services, gift cards, and web-based transaction acceptance systems.

Voted Best Places to work by Mpls. St Paul Business Journal four years in a row!

As one of the leading merchant services providers, First Financial has consistently been rated with the utmost credibility from the Better Business Bureau. To see for yourself, go to [www.bbb.org](http://www.bbb.org).

## Shifts in U.S Consumer Spending

In America we have changed the way we spend our dollars. Gone are the days where we used cash and checks, today we use plastic – credit cards and now more than ever, debit cards.

### According to VISA

- Nearly 1 in every 3 consumer purchases in the United States is made with a payment card—including credit, debit, and prepaid products.
- Of every \$100 spent by consumers, nearly \$40 is in a form other than cash or check.
- Consumers carry more than 1 billion Visa cards worldwide—more than 450 million of those cards are in the United States.
- U.S. Visa cardholders alone conduct more than \$1 trillion in annual volume.
- The average ticket for Visa purchases is consistently more than cash.

[www.visa.com](http://www.visa.com)

## Accepting Credit and Debit

This shift in spending means more opportunity for merchants who accept credit and debit cards. According to Visa, payment transactions take place every second of every day in every corner of the world. Visa has built one of the world’s most advanced processing networks, capable of handling more than 10,000 transactions per second. They are accepted in more than 200 countries and territories across the globe.

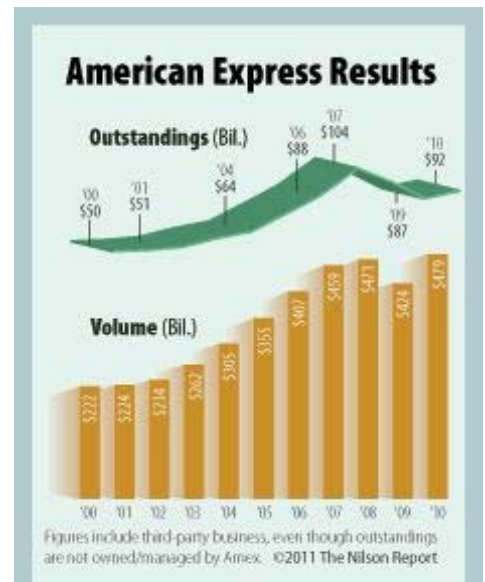
### According to the U.S. Small Business Administration (SBA)

“Credit and debit cards are popular, convenient, flexible, and have become increasingly important in business commerce...”

[www.sba.gov](http://www.sba.gov)

### Pros of Accepting Card Payments:

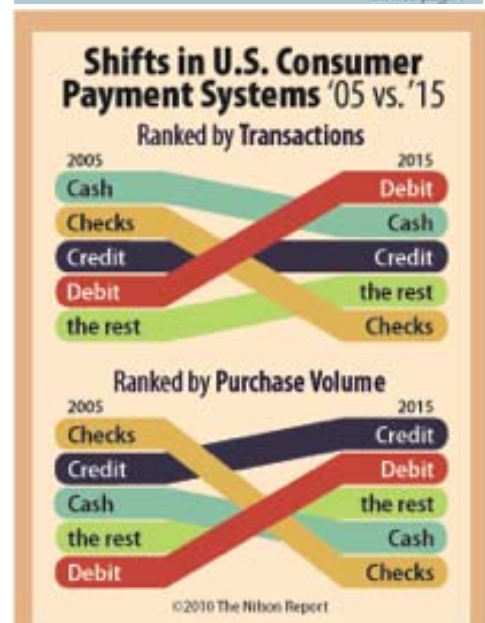
- Card payments are evolving into the most common method of customer payment.
- Businesses can easily accept card payments.
- The convenience of using credit cards generally increases the likelihood of consumer "impulse purchases," which ultimately contributes to an increase in a business's average sale. Customers are more likely to make these purchases if they have access to credit or their available bank account funds.



### AMERICAN EXPRESS RESULTS — U.S.

Total volume of purchases at merchants and cash advances generated by cards issued directly by American Express in the United States increased by \$52.28 billion or 12.8% to \$461.51 billion in 2010. This was a substantial improvement from the \$48.00 billion decline Amex experienced in 2009. The 42.6 million cards issued directly by Amex represented an increase of 0.3 million compared to a decline of 5.1 million in 2009.

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### U.S. CONSUMER PAYMENT SYSTEMS

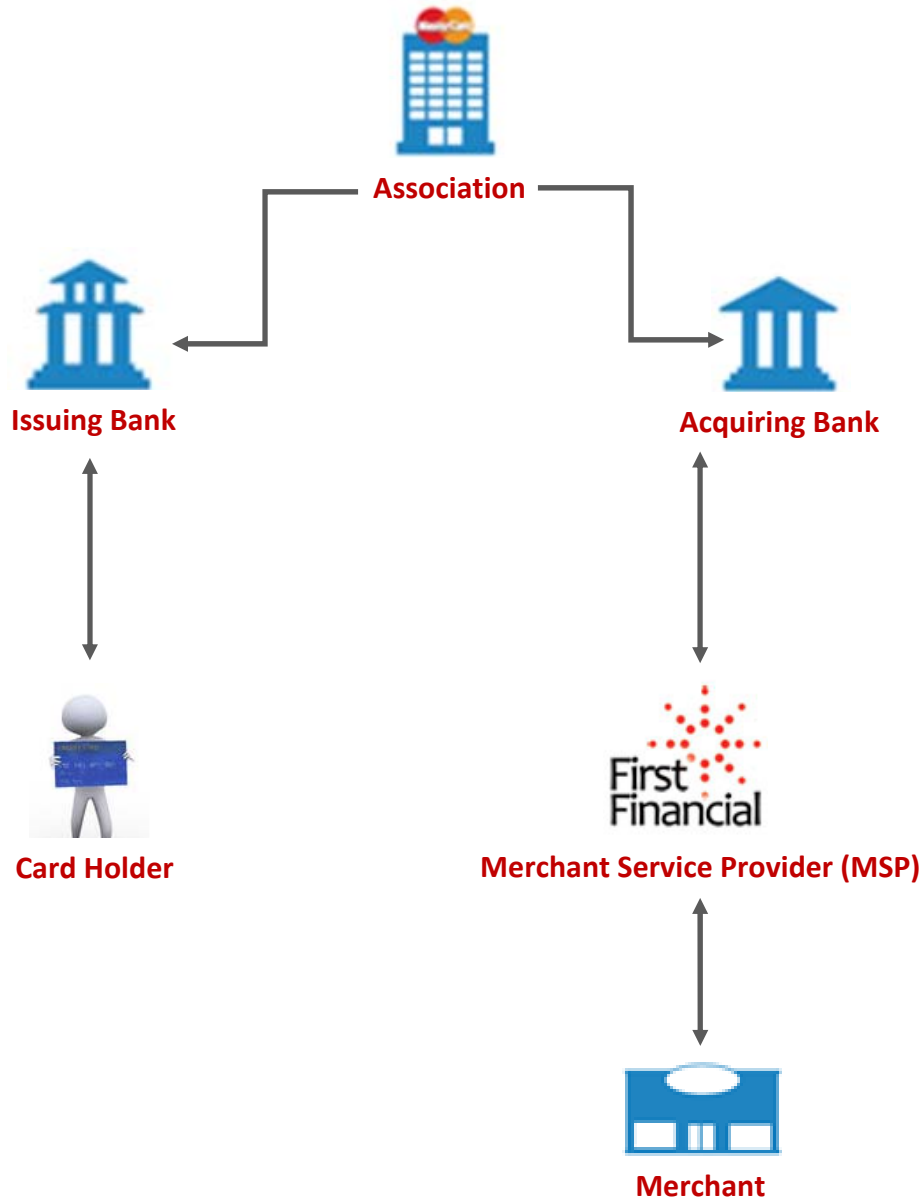
Personal consumption expenditures (PCE) calculated by the U.S. Department of Commerce's Bureau of Economic Analysis totaled \$10.001 trillion in 2009. Of that amount, 76.8% was for purchases of goods and services or \$7.682 trillion. The remaining \$2.319 trillion was from transactions for which no payment was made.

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<http://www.nilsonreport.com>

## Understanding the Players

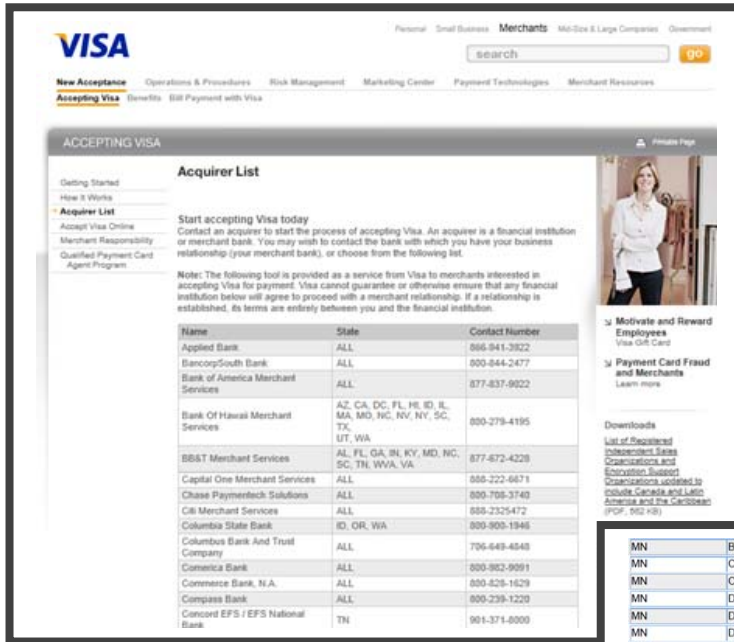
The payment card business can be somewhat confusing for people unfamiliar with it. It's not nearly as complex as you think. The following illustration is a great place to start:



Associations (MasterCard, Visa, Amex, Discover) traditionally do not offer their service to merchants directly- they leave that up to acquirers or Merchant Service Providers (MSP). The gap here is between the acquiring bank and the merchant, the gap or “toll bridge” as Warren Buffet calls it.

# How FFUSA Fits into the Industry

Acquirers are big banks and yes, they set you up, but really their job is buying and selling money. The people who really do the work within the “toll bridge” are the merchant service providers (MSP). FFUSA is a MSP.



MN	BRUBER FINANCIAL SERVICES, INC.	-	ISO - M
MN	CARLSON LEISURE GROUP, INC.	-	ISO - C
MN	CPP NORTH AMERICA, LLC	-	ISO - C
MN	DELUXE CORPORATION	-	ISO - PPD
MN	DELUXE CORPORATION	-	ISO - C
MN	DIRECT SOURCE, INC.	-	ESO
MN	EASY CARD SERVICES, INC.	-	ISO - INT
MN	EASY CARD SERVICES, INC.	-	ISO - M
MN	ECOM LLC	-	ISO - M
MN	EXPRESS ATM SERVICES, INC.	-	ISO - PLUS
MN	FIRST FINANCIAL USA, LTD.	-	ISO - M
MN	GLOBAL BANKCARD SYSTEMS, LLC	-	ISO - M
MN	HIGHER STANDARDS, INC.	-	ISO - M
MN	LEAGUESAFE LLC	-	ISO - C
MN	LIEBERMAN COMPANIES, INC.	www.liebermancompanies.com	ISO - PLUS
MN	LIEBERMAN COMPANIES, INC.	www.liebermancompanies.com	ISO - M
MN	LIEBERMAN COMPANIES, INC.	www.liebermancompanies.com	ESO
MN	LION'S LYNK PAYMENT SYSTEMS INC	www.lionslynk.com	ISO - M
MN	MERCHANT CREDIT CARD SOLUTIONS, INC.	-	ISO - M
MN	MIDWEST FINANCIAL PROCESSING	-	ISO - PLUS
MN	MIDWEST FINANCIAL PROCESSING	-	ESO
MN	MII LIFE, INCORPORATED	-	ISO - C
MN	MINNESOTA DAKOTAS RETAIL HARDWARE ASSOCIATION	www.mdrha.com	ISO - M
MN	MONEYGRAM INTERNATIONAL	-	ISO - PPD

<http://www.usa.visa.com>

## FFUSA is the Bridge that Connects the Merchant to the Payment Processing System

We take the entire processing system to the merchant and equip them with the right products (credit cards terminals, wireless, contactless, online systems, PIN pads) and services (understanding the types of cards they accept, transaction for their needs). We show them how to put it all together for their business type, create customizations that they may need, and support them when they have questions about transactions, cash flow, and security. For this, we receive a fee for service. We earn a small piece of the fee merchants pay to turn that transaction into cash.

# The Toll Bridge Effect: Why Warren Buffet Loves this Industry

In our opening story, we situated Warren Buffet in the same quaint French café as our happy traveler from Minnesota, and we posed the question, “why is he smiling?” Warren Buffet is smiling because he loves this business and he’s invested heavily in it. If you don’t know who Warren Buffet is, according to Forbes, he’s the third wealthiest person in the world. Check it out at <http://www.forbes.com/wealth/billionaires>

Rank	Name	Net Worth	Age	Source	Country of Citizenship
1	 <b>Carlos Slim Helu &amp; family</b>	\$74 B	71	telecom	Mexico
2	 <b>Bill Gates</b>	\$56 B	55	Microsoft	United States
3	 <b>Warren Buffett</b>	\$50 B	81	Berkshire Hathaway	United States
4	 <b>Bernard Arnault</b>	\$41 B	62	LVMH	
5	 <b>Larry Ellison</b>	\$39.5 B	67	Oracle	

<http://www.forbes.com>

Now that you know a bit about Mr. Buffet, let’s look at what he owns right now.....

Company	Class	Value (\$1000)	Change (\$1000)	% Change	Shares Held
COCA COLA CO	COM	\$13,400,000	\$0	0.00%	200,000,000
WELLS FARGO & CO NEW	COM	\$8,803,940	\$236,964	2.83%	352,327,608
AMERICAN EXPRESS CO	COM	\$6,840,675	\$0	0.00%	151,610,700
PROCTER & GAMBLE CO	COM	\$4,932,985	\$0	0.00%	76,766,036
KRAFT FOODS INC	CLA	\$3,458,489	(\$199,822)	(5.46%)	89,467,624
JOHNSON & JOHNSON	COM	\$2,719,021	\$0	0.00%	42,624,563
WAL MART STORES INC	COM	\$2,138,455	\$0	0.00%	39,037,142
CONOCOPHILLIPS	COM	\$1,988,806	\$0	0.00%	29,101,637
US BANCORP DEL	COM NEW	\$1,630,021	\$0	0.00%	69,039,426
MOODYS CORP	COM	\$896,501	\$0	0.00%	28,415,250
WASHINGTON POST CO	CL B	\$587,492	\$0	0.00%	1,727,765
M & T BK CORP	COM	\$395,582	\$0	0.00%	5,363,821
COSTCO WHSL CORP NEW	COM	\$356,896	\$0	0.00%	4,333,363
TORCHMARK CORP	COM	\$159,521	\$0	0.00%	4,235,819
SANOFI	SPONSORED ADR	\$139,872	\$0	0.00%	4,063,675
MASTERCARD INC	CL A	\$135,724	\$63,338	67.50%	405,000
U S G CORP	COM NEW	\$134,870	\$0	0.00%	17,072,192
GENERAL ELECTRIC CO	COM	\$126,235	\$0	0.00%	7,777,900
UNITED PARCEL SERVICE I...	CL B	\$97,200	\$0	0.00%	1,429,200
VERISK ANALYTICS INC	CLA	\$71,228	\$71,228	New	2,101,125

<http://holdings.nasdaq.com>

See anything interesting..? Wells Fargo (one of the largest issuers) American Express, and MasterCard (both Toll Bridges)

The screenshot shows an article on Investopedia titled "Buffett Says: Invest In 'Toll Bridges'". The article is dated October 27, 2009, at 12:52 PM by Sham Gad. It discusses Warren Buffett's investment strategy, specifically his preference for "toll bridges" which are companies that have a high volume consumer base on a regular basis and are easy to use. The article includes a section titled "Trading the Euro can be EASY" and a sidebar with various financial topics like "Top Searches", "Stocks", "Options Trading", and "Fundamental Analysis".

<http://stocks.investopedia.com>

## What does the Rest of the Market Think about This Industry?

Let's look at MasterCard & Visa.... It seems the world likes them as much as Warren Buffet!



<http://finance.yahoo.com>



<http://finance.yahoo.com>

## Is this Business Recession Proof?

The global payments industry is undergoing a massive shift – away from cash and check, to card-based and other electronic payments. In fact since 2001, credit and debit card purchases increased from 13% of payment volume to 27%, a compound **annual growth rate close to 15%**. **Rest assured this trend still has great legs!** According to The Nilson Report, we can expect the global card purchase market to expand by at least 11% per year through 2012, with particularly strong growth coming from international and emerging markets. Again, expect Visa to deliver even stronger growth. **This is precisely what we've experienced over the last 16 years at FFUSA!**

## That's Great for FFUSA & Warren Buffet but what's in it for Me?

You can, of course, be an entrepreneur and start your own business. Running your own business is one of the only ways to really **make a lot of money**. Maybe you want to open up a restaurant. The world is your oyster! If you have all of the pieces, it's *the* way to become financially independent. If you do open your own business, be sure to accept money every way you can - tap into brand recognition that the card associations provide – use Visa, MasterCard, American Express, Discover logos on your door and in your advertising! **Tap into the way consumers spend**. Look at the data and use it to your advantage.

Or, of course you can be **just like Warren Buffet** and invest in exactly what he does. You can invest your money at any level; there are publicly traded companies from associations (ex. Visa, MasterCard) and banks to processing networks and merchant service providers.

Or perhaps you're motivated to create those links – toll bridges. You can go out and put yourself in the transaction and make money on toll bridges; that's the route FFUSA has chosen. There's virtually no investment, and when you work with FFUSA, you have access to an organization that has established 1000's of toll bridges already. And, you're in business for yourself but not by yourself. If you qualify, we'll invest in you.

Whether you want to be a local salesman and establish a small number of accounts, become a sales professional, you may qualify to participate in **toll bridge revenue for life**.

## Don't all the Businesses Already Accept Cards?

Yes, most businesses do already accept cards and it's a competitive industry - that's part of the beauty! Business owners already understand the benefits of accepting credit and debit cards - bigger purchases, more frequent purchases, spontaneous purchases and the ability for card holders to access tremendous spending power. U.S. businesses rely on cards as part of their cash flow. We don't need to talk them into accepting cards, we just need to show them a better program - and we're very good at that. Very good.

## The Spirit of FFUSA

If you find yourself clicking with our spirit and would like to talk more:

Accepting cards for your business: Please feel free to contact us right away. There's no obligation. After speaking with one of our representatives you'll know whether you have the right program for *your business...or not.*

Creating toll bridges: There may be opportunity to work with us in your market. Please inquire to find out - may just be the best decision of your business life.

**"The secret of *getting things done* is to act"**  
*- Dante Alighieri*