

U.S. Merchant Universal Commerce Tracker (Wave 2) 2013: Key Findings

Research Overview

First Data conducted this study to gather market intelligence about small and mid-sized businesses' evolving attitudes and behaviors in the areas of marketing, business management, payment acceptance and use of technology (before, during and after the transaction).

- Nationally distributed online survey of 602 merchants, conducted in May 2013. Wave 1 was conducted in the summer of 2012.
- Respondents comprise decision makers at businesses with annual revenue less than \$10M, representing a broad range of verticals.
- Wave 2 research includes both businesses that accept card payments and those that plan to accept card payments.
- Note: This was part of a larger research project conducted in 10 countries (UK, Germany, Poland, South Africa, India, China, Singapore, Mexico, Brazil, US).

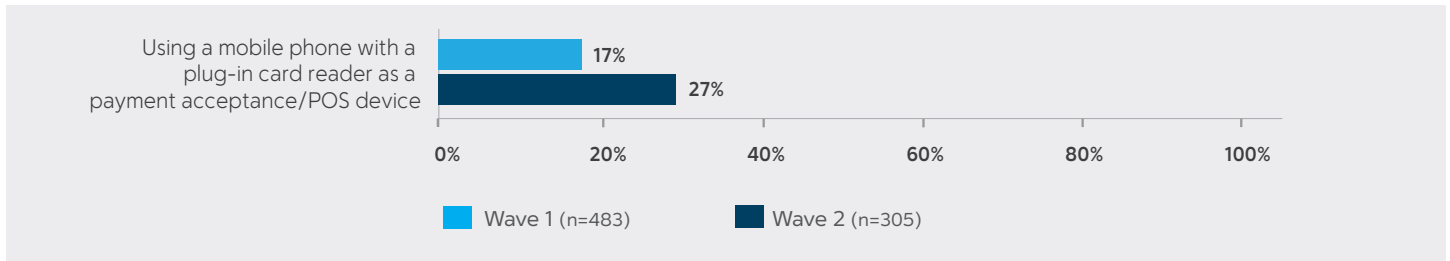
Bottom Line

- Rapid growth in the usage of Mobile POS technology is altering both the retail landscape and the payments industry.
- Small businesses monitor social media and use it to interact with their customers. Use of social media and new marketing tools increased in the past year.
- Small businesses are increasing their usage of marketing tools that were previously employed only by large enterprises.
- Small businesses hold themselves to high ethical standards when it comes to protecting their customers' privacy and personal data.
- Many small business owners' expectations for technology products (including payment services) are based upon their consumer experiences. Financial institutions and service providers must offer intuitive, easy-to-use solutions.

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Merchants aware of, using and interested in new POS solutions

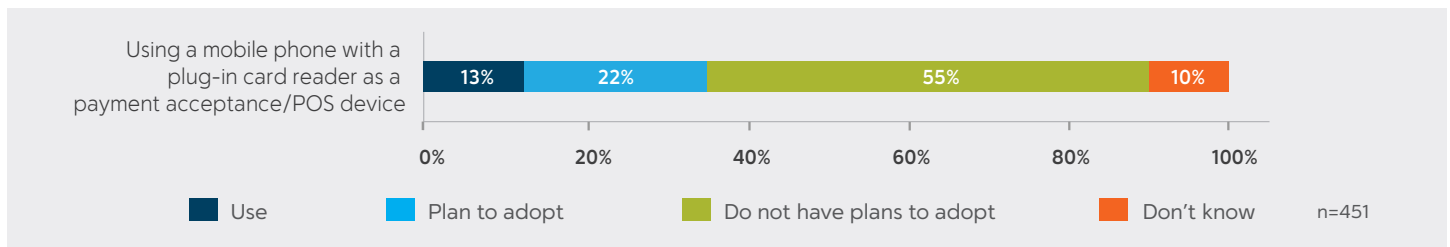
- Over a quarter (27%) of small merchants who accept cards now use a mobile phone with a plug-in card reader to process payments. This is up from 17% a year ago.



- Small to mid-sized businesses all show interest in adopting mobile POS options.



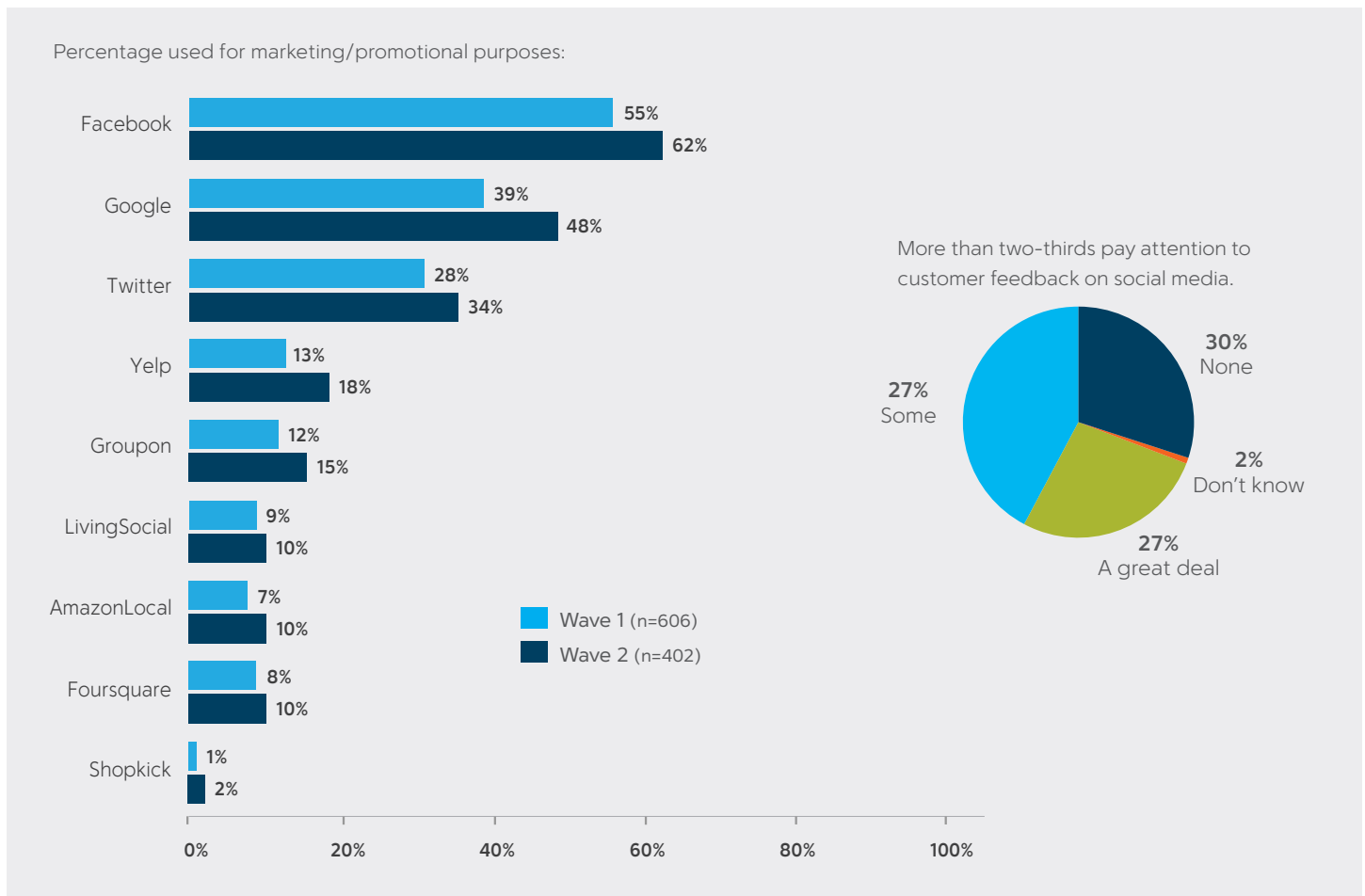
- Among small merchants with in-person transactions, 22% say they plan to use a mobile phone with a plug-in card reader.



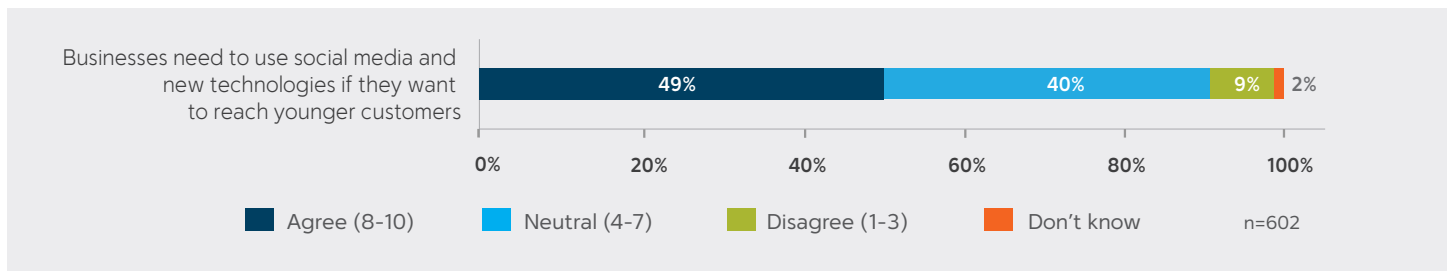
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Social media use grows among small merchants

- Significantly more small businesses are using social media tools (e.g., Facebook, LinkedIn, Twitter) for marketing and promotional purposes than one year ago.



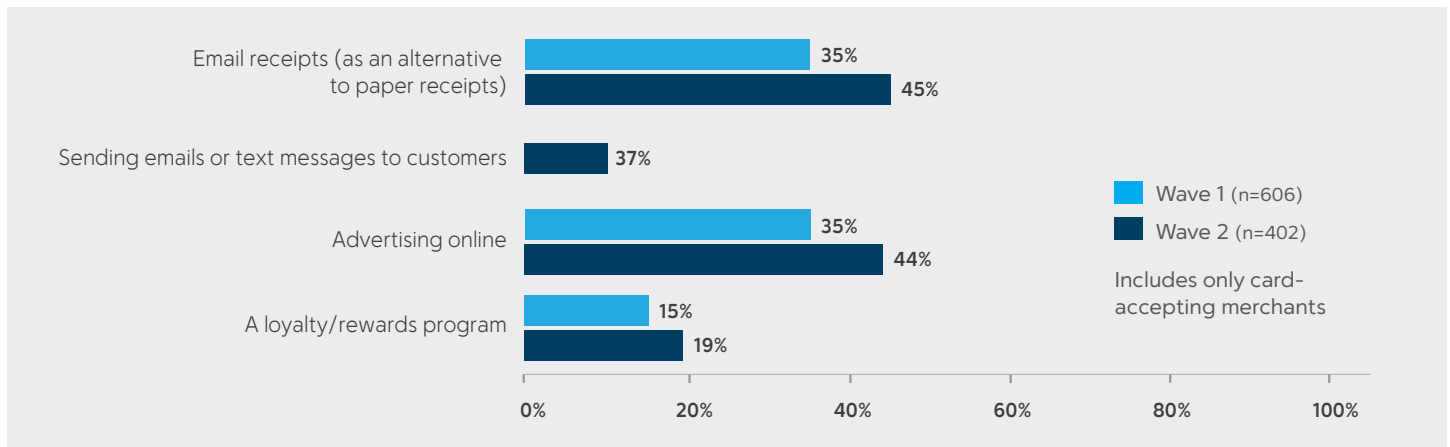
- About half of small merchants agree that businesses need to use social media and new technologies to reach younger customers.



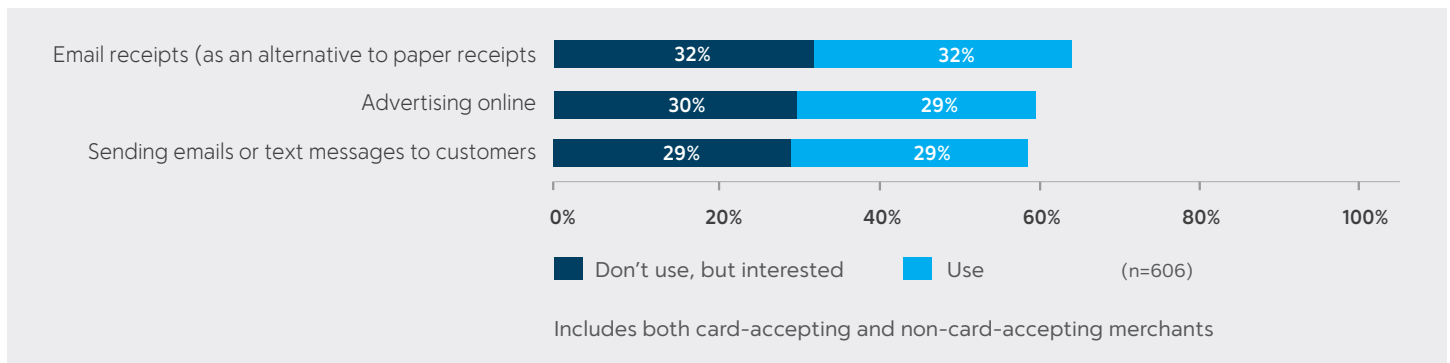
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Use of new marketing tools increases in past year, as does interest

- Significantly more small businesses advertise online (44%), provide an electronic receipt option (45%, note: includes businesses that offer eCommerce) and a loyalty program (19%) than in wave 1.



- Interest in adopting eReceipts (32%), online advertising (30%) and marketing via email/text is high (29%).

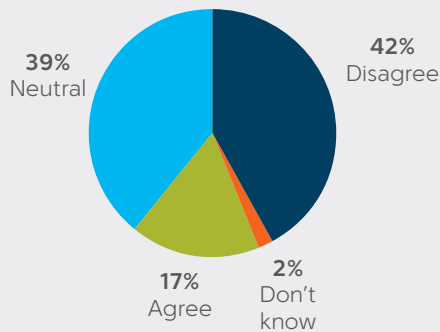


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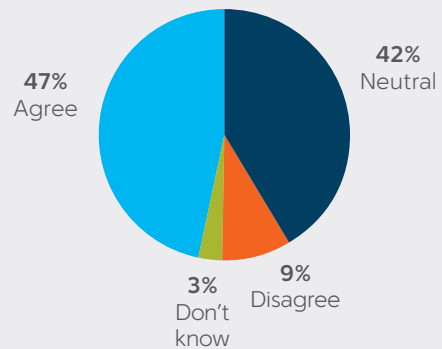
Small business owners respect consumer privacy and concern for security

- First Data's reputation as an ethical business is an important element in being a trusted partner, partly because small businesses hold themselves to high ethical standards.

Small businesses are very sensitive to the issue of consumer privacy; very few (less than a fifth) agree that businesses should be free to use customer information for any legitimate business purpose.

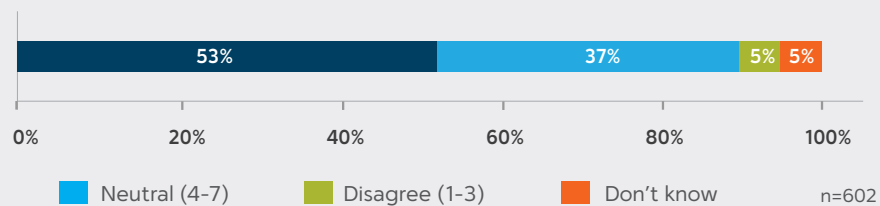


Nearly half of small merchants agree that it's important for their business to give back to the local community or other charitable causes.



- Over one-half believe that new payment acceptance methods make security an even bigger challenge for business.

New payment acceptance methods make security an even bigger challenge for businesses



Small business owners are consumers, too

- Many small business owners' expectations for technology products are based on their consumer experiences, rather than their business experiences.
 - About half of small merchants expect technologies developed for their businesses to be just as user-friendly and intuitive as consumer technologies like the iPhone and Amazon.com.

I expect technologies developed for businesses like mine to be just as user-friendly and intuitive as consumer technologies like the iPhone and Amazon.com

