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# Press Release

## U.S. Merchant Presence in Canada has Significant Ramifications for U.S. and Canadian Payment Card Acquirers

Linthicum, Maryland - January 5, 2009: According to research into merchant activity in the U.S. and Canada recently completed by First Annapolis Consulting, Inc., U.S. merchants control a significant portion of the Canadian marketplace, while Canadian merchants have a much smaller impact on the U.S. The study found that U.S. headquartered merchants control up to a quarter of the Canadian retail industry, as well as up to 20% and 30% of Canada's restaurant and hotel markets respectively. By comparison, companies headquartered in Canada have a less than 3% market share of the U.S. retail, restaurant, and hotel industries combined.

This market pattern is important for both U.S. and Canadian acquirers of payment card transactions. For Canadian players, the substantial presence of U.S. merchants is something of a risk as U.S. acquirers continue to follow merchants into Canada. For U.S. acquirers, this market dynamic is good news as the expansion of U.S. merchants into Canada creates opportunities for growth within the Canadian marketplace. Already U.S. acquirers control over 40% of the Canadian acquiring market, while the share of Canadian acquirers in the U.S. has not yet broken the 1% mark.

This pattern of acquiring market development will likely be repeated in key markets around the world, such as Mexico and the U.S., France and Belgium, or the U.K. and Ireland, where there is a merchant market overlap similar to the U.S. and Canada. "Bilateral trading patterns will result in merchant market integration that fuels the internationalization of acquiring most frequently to the benefit of acquirers in larger markets," says Marc Abbey, the Managing Partner of First Annapolis. "Perhaps obviously, this should be a sobering hypothesis for acquirers in small markets, begging a strategic response."

First Annapolis is a management consulting and M&A advisory firm with a focus on the financial services industry and a specialty in payment-related products, services, and delivery. Our clients include financial institutions, payment networks, service providers, retailers, affinity groups,

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manufacturers, trade associations, and government agencies. We offer a full range of services including strategy development, program management, portfolio/risk management, and marketing support/execution in areas such as product design, rewards/loyalty program development, and customer segmentation. First Annapolis also offers a suite of specialized M&A advisory services that complements our consulting practice. For more information, please visit the company web-site at [www.firstannapolis.com](http://www.firstannapolis.com).