

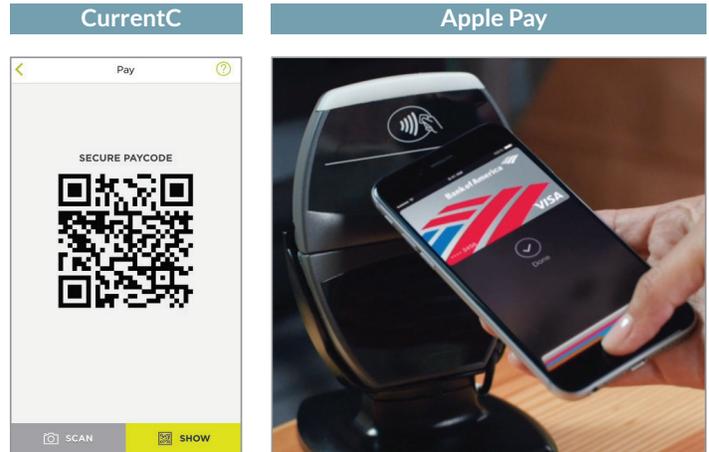
# Tracking Apple Pay: October 28, 2014: Week 1 Overview

**Overview:** Apple Pay has officially been in market for just over one week and has generated a tremendous amount of attention across the payments industry. Apple's CEO Tim Cook reported that over 1 million cards were loaded within the first 72 hours, an impressive number. With this level of consumer interest, competitive pressure is building on both issuers and merchants.

## Merchant Acceptance: The Wallet Wars Begin

### Observations

- Apple Pay is not limited to the named retail partners. It works at any NFC-enabled merchant. Of the 220,000 acceptance locations touted by Apple, only ~30% are locations of named Apple Pay merchants.
- Most named Apple Pay merchants previously accepted NFC payments. Only a few partners, including Panera and the Disney Store, specifically added NFC support for the Apple Pay launch.
- One impediment to broad merchant acceptance is the exclusivity policy of MCX, the coalition of leading merchants behind CurrentC.
- After initially accepting Apple Pay for several days, both CVS and Rite Aid reversed course and disabled all NFC contactless functionality on their POS terminals.
- The loss of CVS and Rite Aid is significant, removing over 12,000 locations from Apple Pay.



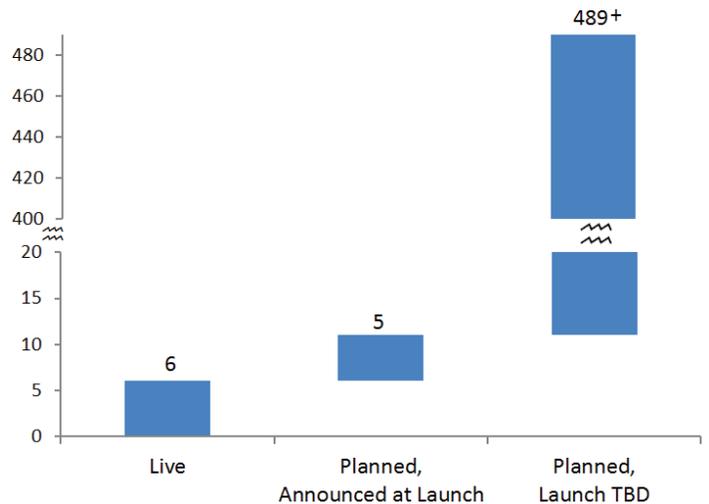
- Notably, Meijer, an MCX member, was recently added to the list of official Apple Pay merchant partners.

## Card Issuance: A Scramble to Sign Up

### Observations

- Six of the largest U.S. issuers have launched Apple Pay and another five have announced intentions to go live with the service in the coming months (Barclays, Navy Federal Credit Union, PNC, USAA, and US Bank).
- Visa recently published a list of 400+ soon to be participating card issuers and Apple announced that 500+ issuers overall have committed to the service.
- Those issuers who have announced participation, but have not yet launched have faced a mixed set of reactions from cardholders, many of whom took to Twitter and other social media to express frustration with the delay.
- No specific dates for new launches have been announced and we have not observed the same type of direct communication (e.g., email campaigns) that the first issuers used prior to the launch.
- There is also no indication about which party or parties decide the sequence of who launches next (e.g., Apple, Visa / MasterCard, etc.) and what the process is to launch.
- Issuers clearly recognize the importance of getting cardholders to select their card as the default payment

Number of Announced Apple Pay Issuers



method (e.g., Wells Fargo is currently offering customers \$20 to make a purchase with Apple Pay).

- We expect intense competition among issuers to be "top-of-wallet."

### For more perspective on these topics and others, please contact:

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Source: Apple.com, Apple announcements, company filings, and First Annapolis Consulting research.

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