



Canadian Merchants Driven by Change

Ipsos Study Examines the Evolution of the Payment Processing Industry in Canada

Toronto, ON, April 10, 2006 – Findings from an independent study of the Canadian Payment Processing industry revealed that payment processing service providers need to safeguard the stability of their merchant base now more than ever and exercise vigilance in what promises to be an increasingly competitive marketplace.

The study from Ipsos, a global survey based market research firm, found that 26% of companies had already identified a competitor they would switch to and 31% more were undecided. This means that 57% of companies are currently at risk of defection - an important consideration for key processing acquirers given the environment of change in the payment processing industry.

"We expect this accelerated pace to continue unabated as service providers jockey for share and push the industry even further through the next wave of change," said the study's author, Lise Dellazizzo, vice president of Information Communications Technology at Ipsos.

"This climate of unpredictability will continue to permeate the industry as leading service providers consolidate and gain momentum, seeking new ways to capitalize on emerging trends and services."

Top line results from this year's study include the following highlights:

- Despite growing payment method options, the use of cheques is still ubiquitous for the vast majority (97%) of companies. Most companies (68%) do not offer customers the option to use other innovative payment methods such as micro payments, stored value or prepaid cards, mobile payments or eWallet, nor do they plan on offering these services;
- By far the most significant attribute driving 43% of merchants to migrate from conventional credit cards to chip-enabled credit cards is the need for increased security; yet, less than one in four companies are aware of what Payment Card Information (PCI) data security standards are, indicating that most merchants are not prepared to undertake the security measures required for PCI adoption in the near future;
- Bricks and mortar operations still account for the vast majority of total revenue, with nine-tenths of this revenue attributed to domestic sales; and eCommerce sales account for one-twentieth of total revenue, with most eCommerce revenue generated by domestic sales as well.

For more information on the full report please contact:

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Methodology

The methodology used for this study was primary quantitative research. A total of 500 merchants were carefully selected to represent individual companies across the Canadian business community. Businesses were segmented based on annual revenue and vertical sector to achieve deeper insight into relevant market and industry sensibilities. Each company selected was a headquarter location to avoid duplication by including multi-locations and subsidiaries of the same company. Respondents were senior level only to ensure that our sample base was comprised of key decision makers and buyers of payment processing products and services. In a sample base of this size, the margin of error is +/- 4.4%.

About Ipsos

Ipsos is a leading global survey-based market research company, owned and managed by research professionals. Ipsos helps interpret, simulate, and anticipate the needs and responses of consumers, customers, and citizens around the world.

Member companies assess market potential and interpret market trends. They develop and build brands. They help clients build long-term relationships with their customers. They test advertising and study audience responses to various media. They measure public opinion around the globe. Ipsos member companies offer expertise in advertising, customer loyalty, marketing, media, and public affairs research, as well as forecasting, modeling, and consulting. Ipsos has a full line of custom, syndicated, omnibus, panel, and online research products and services, guided by industry experts and bolstered by advanced analytics and methodologies. The company was founded in 1975 and has been publicly traded since 1999. In 2005, Ipsos generated global revenues of €717.8 million (\$853.8 million U.S.).

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