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## Square Faces Harsh Rivalries in Europe



By **Kate Fitzgerald**  
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Square Inc. has long hinted it plans to expand to Europe and new clues suggest its base camp will be in the U.K. for an ambitious push into several countries.

The move is fraught with challenge. To break into the competition, Square will likely have to make its pricing very attractive in an aggressive market, steepening the road to **profitability**.

“European expansion is another example of Square trying to sustain high volume growth, but at lower margins,” said Gil Luria, an analyst with Wedbush Securities. “With existing incumbents such as iZettle, Square will have to price competitively and ramp up from a very low base, without any benefits of scale.”

The San Francisco-based company, which already operates in Japan and Australia, recently incorporated an operation in the U.K. called Squareup Europe Ltd., and Square Register began accepting purchases in pounds, signaling it's ready to take on the European region.

Square also posted ads in August seeking U.K. job applicants, including a compliance analyst and a communications manager in London, and a technical support representative in Dublin. Square has beta-tested its services in London, according to a Reuters **report**.

But Square will face plenty of challenges in Europe from local established players in the region. Sweden-based **iZettle**, founded in 2010, already has a strong foothold in Europe, where it distributes mobile card readers in 11 European nations.

SumUp, based in the U.K., has expanded rapidly since its launch in 2012, and this year announced plans to **merge** with London-based Payleven, extending the firms' combined reach to 15 countries.

PayPal also has a strong and growing presence in Europe.

Square did not reply to a query about its moves in Europe, but the company's CEO Jack Dorsey reminded analysts last month during a discussion about its second-quarter **earnings** that Square's new EMV card reader equipped with Near Field Communication technology is designed for international growth, including in Asia.

“(The new card reader) is a global platform, which enables us to really look more globally around the world in terms of getting sellers in China and new markets too,” Dorsey said.

Square's gross payment volume rose 42% to \$12.5 billion during the second quarter ended June 30, 2016, and revenues increased 41% over a year earlier, including the decline from its processing deal with Starbucks, which was announced last year and finally expires this fall.

Some observers believe that despite Square's current struggle to turn a profit, the company's strength lies in marketing its ancillary services including business-management tools, and expanding globally could be the long-term payoff for that strategy.

“Square's original masterstroke was enabling merchants without a merchant acquirer account to accept credit and debit cards, and the company still has the opportunity to come up with another masterstroke differentiator (or services) which might enable it to compete against incumbent payment processors,” said Ketharaman Swaminathan, founder and CEO of India-based GTM360 Marketing Solutions, which advises clients on marketing technology products and services.