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# **Emerging Payments Landscape**



**Presented by Jon Bartek  
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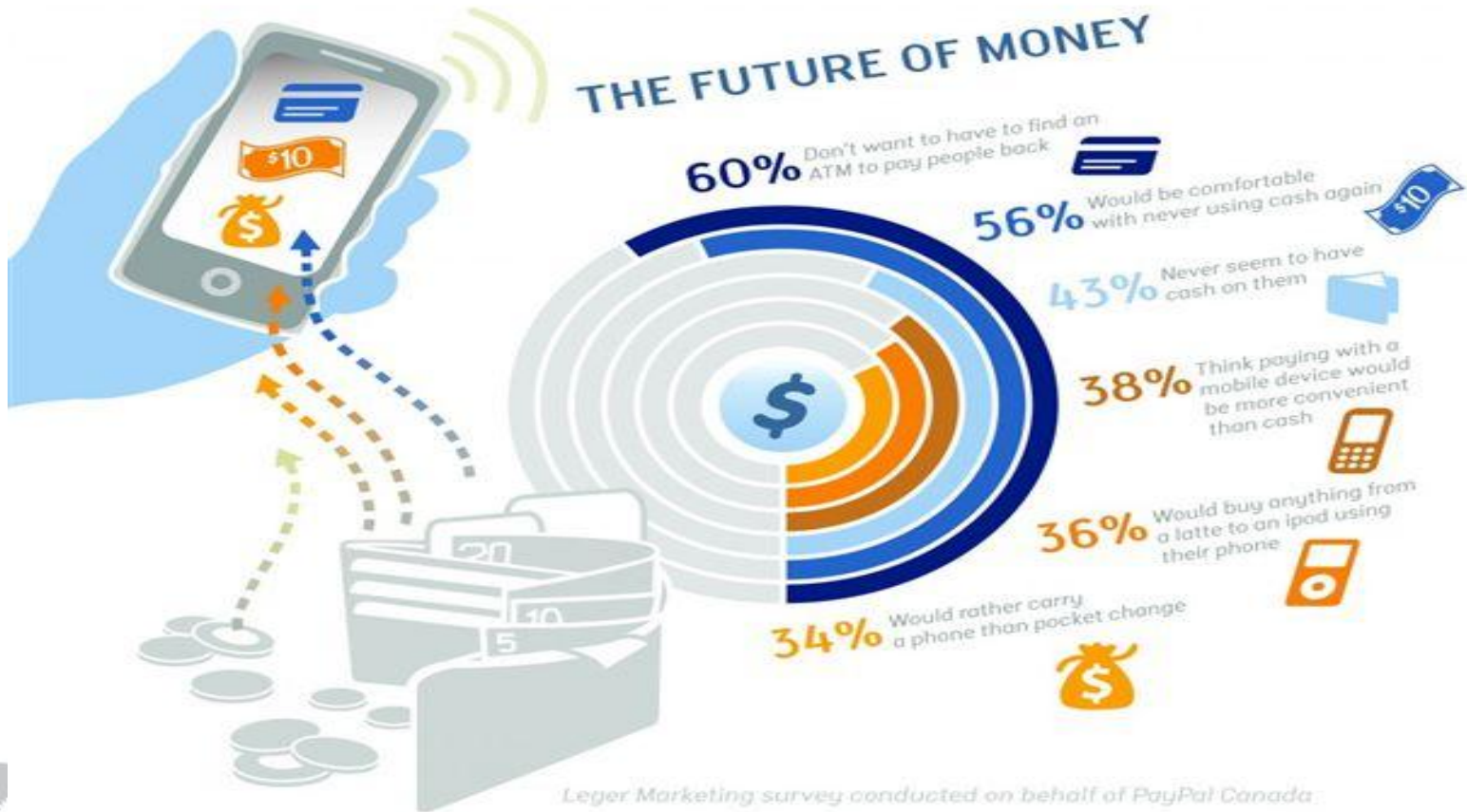


# Agenda

- Mobile commerce / eCommerce backdrop
- Emerging payments elements
  - P2P
  - Digital Wallet
  - Other unique evolutions
- What this means for your credit union
- CO-OP's focus
- Some final thoughts



# Money Attitudes



# Online Spending

2011 actual: \$309 billion, up 16%

2012 projected: \$346 billion, up 12%

2016 projected: \$444 billion

(source: Javelin Research)



# m-Commerce Emergence

- 52% of adults own a smart phone; 80% by 2014
- 1 in 3 consumers has made mobile payment
- 74 million consumers m-shop today
- 43% of all adult Americans say they've gone a week without paying cash
- 43% of consumers have used smart phones in-store during purchase process

Source: Juniper Research, Search Engine Journal, Gartner, IDC, ComScore, Brett King blog



# The numbers say a lot....

- There have been 50 billion Apple Store downloads, and 25 billion from Google Play
- Apple downloads 48.6 million apps / day
- There are over 1 million iPhone apps available; 700,000 Android apps
- Mobile vs. brick and mortar interaction:  
300 to 1

Source: Brett King blogs

# The tablet phenomenon

- 34% of tablet owners use them for financial activity
- Apple has sold over 80 million iPads
- They sold 23 million in fourth quarter 2012 alone!
- 1 in 4 smart phone users also use tablets; tablet owners skew older than smart phone owners
- Merchants are beginning to utilize for business purposes and for accepting payments

Source: ComScore, SYNERGISTICS





# So what are we talking about?

The ability to move money from one point to the other any way that works for me, wherever I am

- access my money
- transfer my money, deposit a check
- spend my money / shop
- pay my bills
- send my money to other individuals



# Emerging Payments Background

- Kaleidoscope of options for access
- Mobile devices are an extension of consumer's arms
- Apps to "do" anything and everything
- Payments - most sought after/most fear-inducing mobile activity
- For many online and mobile services = convenience
- No multi-institution, multi-functional financial app yet

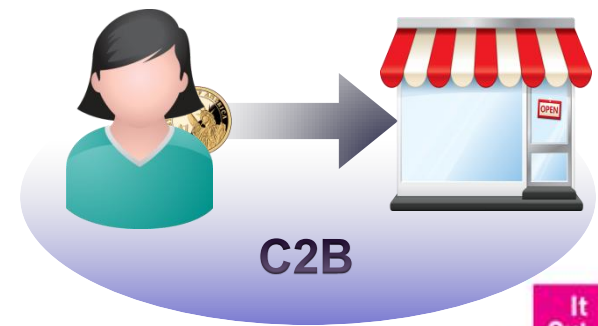
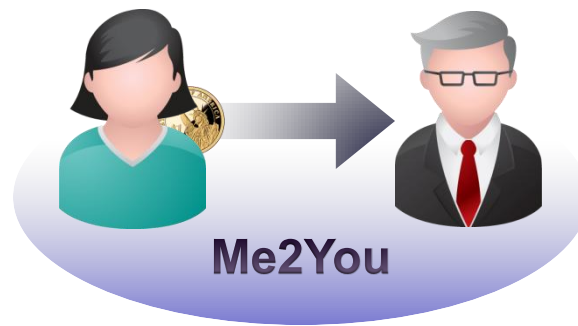
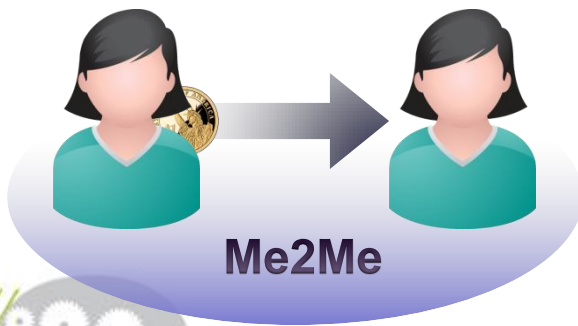


# What is P2P?

## PERSON-TO-PERSON (P2P)

P2P payments consist of moving money between people and their various types of sending and receiving accounts.

INCLUDES



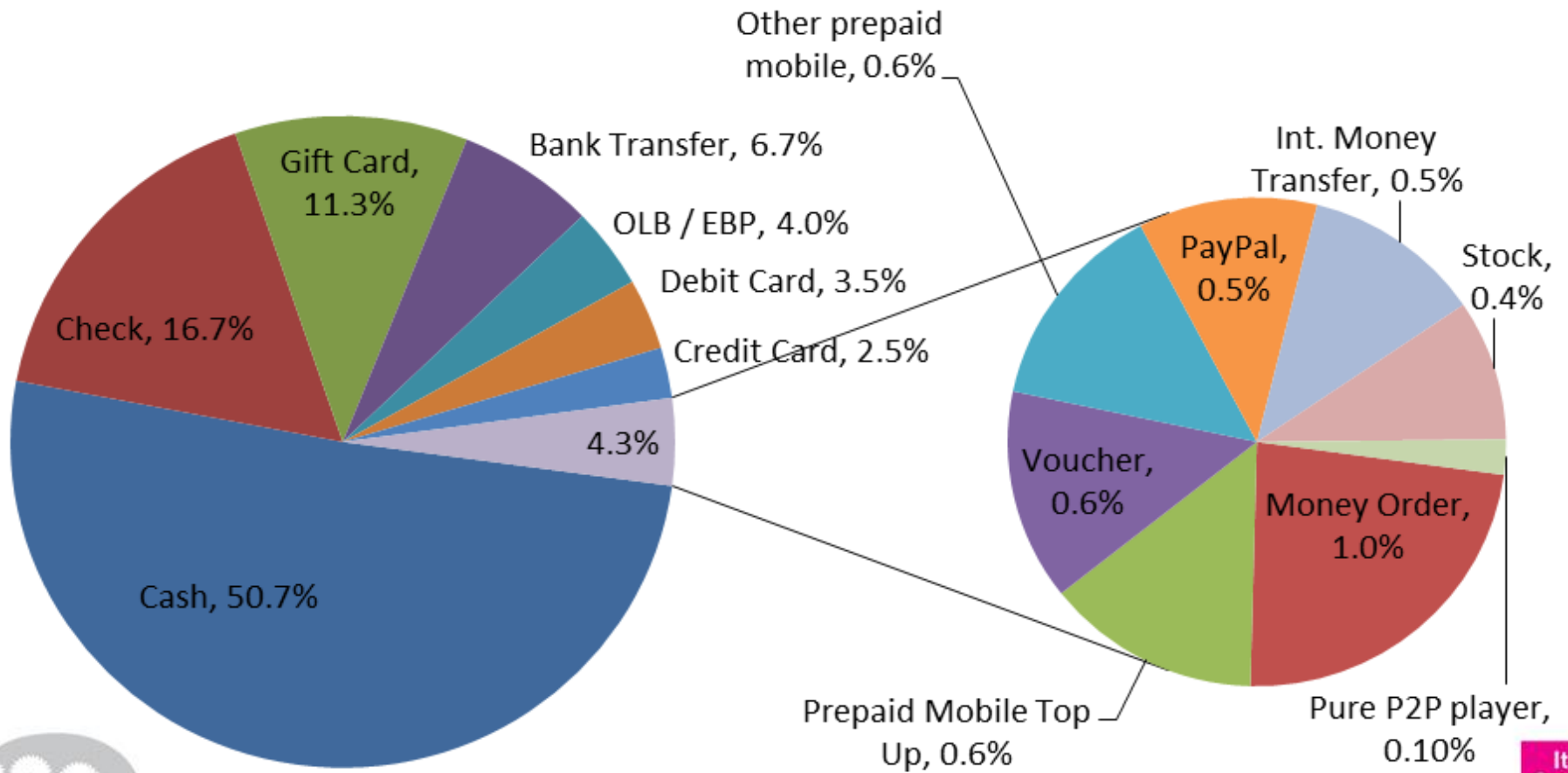
# Person to Person Payments

- 11 billion “P2P” transactions, \$865 billion in the United States
- 60 million households will make P2P payments by 2014
- Market place seems to want this, just trying to figure out if – and how much – it will pay for it
- Interoperability is a challenge
- Bill pay seems like a good place to house P2P
  - Centralized
  - One log in
  - Pay anyone

(Source: Aite Group, FIS, Javelin)



# P2P Opportunity



# How does P2P Work?

## PERSON-TO-PERSON (P2P)



**ACH**

facilitates movement of funds between the parties

# P2P Providers

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**PayPal**<sup>TM</sup>

 **DWOLLA**

 **serve**<sup>SM</sup>

**popmoney**

 **clearXchange**<sup>TM</sup>



# What is a digital wallet?

## DIGITAL WALLET...

Deliver a view and access library to accounts and payment tools. They can deliver real-time coupons, offers, and loyalty/reward programs.





# Account Aggregation + Merchant Acceptance = Successful Wallet



Digital wallets start as account aggregators but the key is how the wallet is used to interact with the merchant both online and at the POS



Digital wallets require the intersection of account aggregation and merchant acceptance for success



The goal for us is getting the card to the top for usage



# Current State of Wallets for CUs

- Currently there are no mature wallet products
- Security is a concern with all wallets
- Your cards can be enabled in multiple wallets
- Conversely wallets can have many participants
- No current product solves “top of wallet” challenge

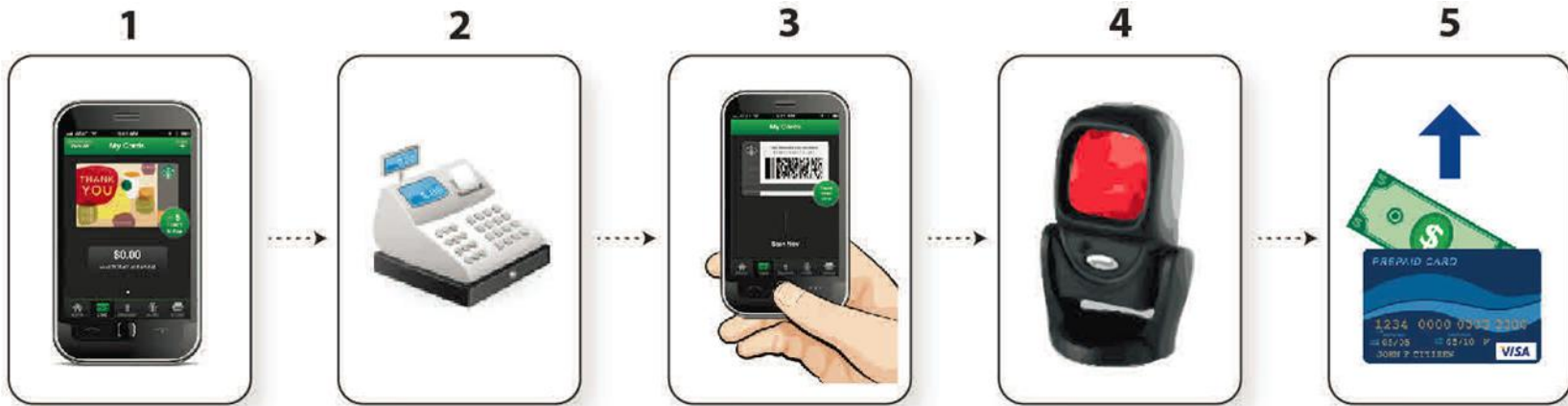


# More on mobile wallets....

- We are truly still in the “Model T” phase
- Adoption chicken and the egg: merchants vs. consumers
- 40-120 wallet providers depending on who you ask
- Wallet transactions expected to grow in a big way:
  - \$ 3 Billion in stores this year
  - \$300 Billion by 2017



# Mobile Wallet Example: Bar



1. Consumer selects merchant app, presses pay button and 2D barcode representing merchant prepaid account number appears on screen of phone
2. Merchant rings up transaction
3. Consumer holds up 2D barcode to be scanned by merchant
4. Merchant scans barcode. Barcode number is matched with transaction data and sent for authorization.
5. Consumer's prepaid account is debited for the amount of the transaction.



# NFC vs. The Cloud

## NEAR-FIELD COMMUNICATIONS

NFC technology allows for communication between two devices that are in close proximity to one another.

NFC technology respects the traditional card issuer/acquirer relationships, which keeps financial institutions involved in the payments value chain.



# Examples of Current Wallet Products

Google™

ISIS™

Bluebird<sup>SM</sup>



# Other emerging alternatives

- Point of sale - PayPal
- Pay with Square
- Card readers for mobile device / tablets

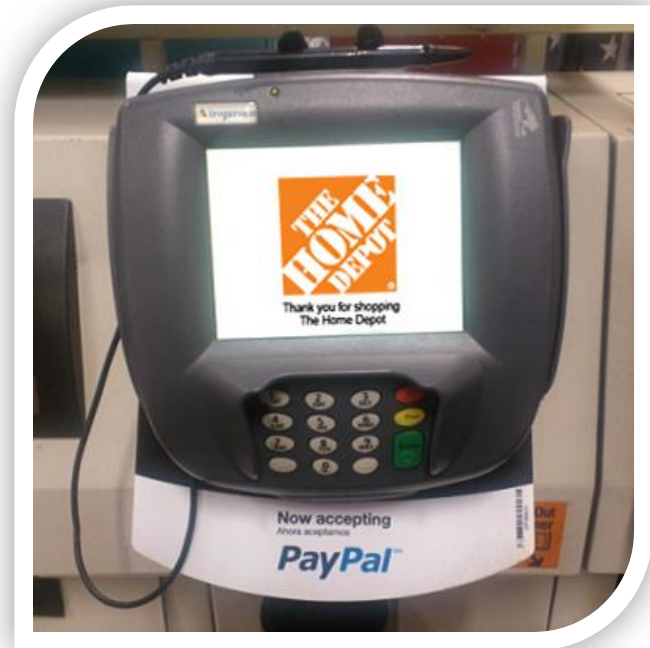


# Emerging Alternative

## PayPal: The New Way to Pay In-Store

Home Depot now allows customers to pay at the register by entering a phone number and pin.

No cards required.

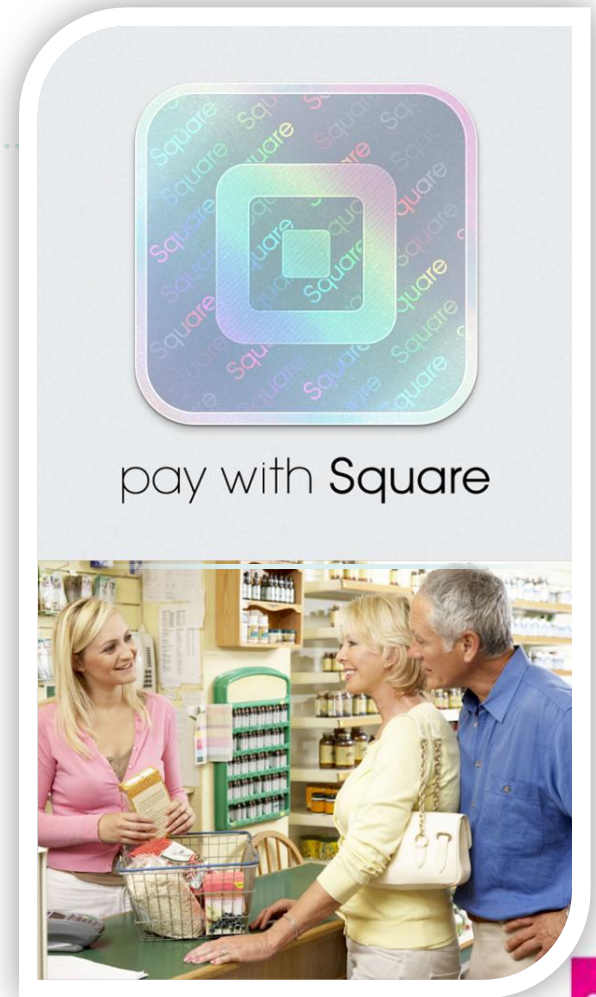




# Emerging Alternative

## Square

- Credit/debit card linked to Square account
- Open "tabs" at places you'd like to buy things
- Phone connects with shop and shows your name and picture at the register
- When ready to buy give name to cashier
- Cashier matches name and photo and confirms transaction
- Eventually you don't even have to take out your phone or wallet



# Mobile card readers

- Square, Intuit GoPayment, PayAnywhere, RoamPay, Chase Paymentech
- Dramatic change in mobilizing sales capture, especially for smaller merchants
- Examples
  - Cab companies
  - Not for profits, Girl Scout cookie orders



# What should CU's focus on?

- Educate yourself: wallets, competition, emerging payment alternatives
- Multi-channel member strategy must be focused on mobile, online, tablet
- Focus on getting your card top of wallet
- Consider bill pay as “pay anyone money movement hub”
- This is still real money. Can we help members manage?



# CO-OP's focus

1. Digital Banking and Bill Pay
2. Mobile Banking – existing CO-OP Mobile
3. Remote Deposit Capture - on phone or at home
4. Virtual & mobile shared branching: Sprig
  - Connect CU accounts, P2P, RDC
5. On the way
  - Continued focus on online banking / bill pay
  - Stand alone P2P
  - Mobile alerts



# 5 Things to Watch

1. Apple: 400 million+ iTunes/credit card accounts, 300 million devices
2. MCX retail group: they will look to dominate the wallet space
3. More alternative payments
  - Pay with Square, “Bill Me Later”, Dwolla, social media commerce
4. T-commerce: The ability to purchase goods on TV from mobile wallet or remote control
5. Mobile wallet tech platform: NFC vs. the Cloud

(Sources: Javelin, Digital Transactions)



Thanks for attending.....

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