Innovations in Payments

Ryan Zilker
Business Manager, Product Development
CO-OP Financial Services
What We’ll Cover

Mobile and ecommerce

Growing membership

Changing member behavior and expectations

Anytime, anywhere access

Serving the under-banked
YOU CAN OBSERVE A LOT BY JUST WATCHING

Yogi Berra
A Little Bit of Background
Interested in loyalty? Make it easy
How can you determine how easy it to do business with your credit union?

1. An effort audit: With your top three member experiences, where are the pain points?

2. Journey Mapping: Work with your subject matter experts to chart out the entire member experience with your top three member experiences. Include your strategists and map your dream state. The gaps drive your strategic initiatives.

3. Live Observational Research: Watch your members and potential members use your website and mobile application. What you think they will do and what they actually do may be very different and help you to improve your omni-channel experience.

Delivery Redirect

“Delivery Redirect is about facing up to the tough choices concerning resources, the sales force, and new organizational capabilities that financial institutions must address in order to be viable in 2020 and beyond.”

Source: Cornerstone Advisors
© CO-OP Financial Services
Delivery Redirect

“Delivery Redirect is not about just migrating transactions but **REVENUE PRODUCTION**: the optimal mix of channels and resources to successfully influence the buying behavior of current and future members to drive new and cross sell/upsell revenue.”
Preparing For the Future: Delivery Redirect and Your Members

Delivery Redirect Is Strategic

• It costs too much money to offer all functionality through all channels
• Rather, credit unions need to think about the “right channel” for their members
• It’s not about transactions, but interactions, and balancing member experience, cost, and security

Source: Cornerstone Advisors

© CO-OP Financial Services
Citi sells more branches to focus on digital

Citigroup has sold a further 41 branches in Texas to BB&T as it looks to cut back on its high street footprint and focus on online services.
Member Experience Disrupters
The Continuous Shots Across the Bow in the Mobile Wallet Wars
There is an increasing willingness to do business with non-bank providers:

Q: If these companies offered banking services how likely would you be to bank with them?
Percent of customers which would likely bank with each non-bank with which they do business.

- Square: 50%
- PayPal: 41%
- T-Mobile (US only): 31%
- Costco: 29%
- Apple: 29%
- Google: 29%
- Amazon: 26%
- AT&T Mobility (US only): 26%
- Sprint (US only): 26%
- Walmart: 23%
Mobile First and The Age of Impatience
Internet Usage (Engagement) Growth Solid
+11% Y/Y = Mobile @ 3 Hours / Day per User vs. <1 Five Years Ago, USA

Time Spent per Adult User per Day with Digital Media, USA, 2008 – 2015YTD

- Mobile
- Desktop / Laptop
- Other Connected Devices

2015: Year of Mobile

Number of mobile devices worldwide

Number of humans worldwide

Source: OpenMarket
Mobile, Mobile Everywhere

90% of consumers own a mobile phone

30% own a tablet

Source: OpenMarket
Senator Cory Booker

“The democratization of technology is helping people to maximize their economic potential.”

-Cory Booker
For Low-Income Kids, Access to Devices Could Be the Equalizer

March 13, 2013 | 10:35 AM | By Tina Barseghian

http://blogs.kqed.org/mindshift/2013/03/for-low-income-kids-access-to-devices-could-be-the-equalizer/
The Democratizing Impact of Mobile Technology

GadgetAdvisor.com
Fast + Brilliant

“USEFUL IS THE NEW COOL.”

— Jeff Fromm, Forbes.com
Millennials on Fast & Brilliant

89% say:
"The best mobile apps are the ones that make my life easier."

56% say:
"My phone is my most valuable shopping tool when I’m in a store."

78% are dependent on technology

Source: "Digital Dopamine,” Razorfish 2015 Global Digital Marketing Report
5 Life Problems Solved by App

I need a ride. - Uber
What are you listening to? - SoundCloud
Look at this! - Snapchat
Where’s that paper? - Evernote
I’m lonely. - Tinder
Credit Union Members Mobilize

Credit Union members are now more mobile

68% CREDIT UNION members who use mobile banking more than 1X per week

57% BANKING customers who use mobile banking more than 1X per week

© CO-OP Financial Services
Impatience is a Virtue

- More than **50% of users** abandon a slow loading app/video after 2 seconds
- **80% of consumers** use their phone while waiting for something
- **66% of users** stopped buying after one negative service/experience interaction
- Instant Gratification Economy: smartphone is the all in one ordering tool, payment system and fulfillment services
Mobile Misgivings

21% of Mass Affluent Millennials have had problems using mobile banking.

50% of Mass Affluent Millennials say online banking takes too long.

*Mass Affluent Millennials have liquid assets of $250,000 to $1 million.
Source: "Digital Enablement for Retail Banking," Nielsen, 2014
Mobile Stands Alone

“Smartphones are always within reach. They are the first place consumers go to communicate, research and share. As of last year, mobile platforms accounted for 60% of total time spent on digital media, according to ComScore.”

– Brian Solis, Principal Analyst, Altimeter Group, in AdAge
More Ways to Pay

Bill Pay
- 57% or 58% Bill Payments Now Made Electronically

P2P Transfers
- $900 Billion in P2P Exchanges

Mobile Wallets
- 150 Different Wallets in the Marketplace

© CO-OP Financial Services
From the Archives: Wallets Circa 2013

Square | Google Wallet | MasterPass™ | V.me by Visa | ISIS™

---

[Image: Logos of Square, Google Wallet, MasterPass, V.me by Visa, and ISIS]
Four Different Forms of E-Commerce Payments

- **E-Commerce PC**
  - PCs and Laptops

- **M-Browser**
  - Tablets and smartphones

- **M-App**
  - Native mobile and tablet apps

- **M-Card**
  - i.e. Starbucks, Dunkin Donuts, Apple Pay

Source: Mercator Advisory Group
U.S. Mobile Payment Dollar Volume by Type, 2014 to 2025
Mobile as a % of all U.S. E-Commerce

Source: Mercator Advisory Group

© CO-OP Financial Services
Cashing in on Mobile Payments

Mobile payments up from 2013

PAYPAL

$46B
2014

68
PERCENT

Source: Forrester

U.S. MOBILE PAYMENTS

$52B
2014

$142
2019
Cashing in on Mobile Payments

<table>
<thead>
<tr>
<th>STARBUCKS MOBILE PAYMENTS</th>
<th>APPLE PAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>4M Q4 2013</td>
<td>ACCOUNTS FOR ABOUT</td>
</tr>
<tr>
<td></td>
<td>$2 IN EVERY $3</td>
</tr>
<tr>
<td>6M Q4 2014</td>
<td>Mobile-phone contactless payments across Visa, MasterCard and American Express</td>
</tr>
</tbody>
</table>
Mobile First / Mobile Only Foundation

• Majority of brands are developing products/services/marketing on a mobile first/only foundation
  – 2 hours, 57 minutes each day on mobile: 11 minutes more than TV
  – 46% of consumers are unlikely to return to a mobile site if it didn’t work properly in the last visit
  – Smartphone users check their device **180 times** daily, fill their day with mobile moments
FO-MO

FEAR OF MISSING OUT
anxiety that an exciting or interesting event may currently be happening elsewhere.

“I realized I was a lifelong sufferer of FOMO”
Members Buy The Channel Experience, Not The Product

- Members are focused on channels as this is the way they interact with their financial institution.
- In this channel-centric (and increasingly mobile) relationship, it’s time to re-think organizational alignment and focus on capabilities per channel rather than products.

Source: Cornerstone Advisors
The Battle Is For The [Member] Interface

http://techcrunch.com/2015/03/03/in-the-age-of-disintermediation-the-battle-is-all-for-the-customer-interface/#.qzldhd:oM01
Look for Change
WHAT SHOULD CREDIT UNIONS DO?
Your Discover card is ready to be used in Apple Pay

Yesterday at 7:08 PM

Inbox – Yahoo!

RYAN ZILKER, Your Discover card is ready to be used in Apple Pay

You can now use Apple Pay™ from your iPhone to pay in stores wherever contactless payments are accepted.

A few things to note:
INTEGRATE
QUESTIONS?
THANK YOU

Ryan Zilker
Business Manager, Product Development
CO-OP Financial Services
ryan.zilker@co-opfs.org
909.786.3482