

# Progressive Payment Trends: The Gateway to Credit Union Growth



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# Payment Trends

## AGENDA

- ▶ Debit is the darling
- ▶ Gadgets are becoming a part of us
- ▶ Is Victoria's Secret your Facebook friend?
- ▶ Writing a check to a friend is soooo 1992
- ▶ Mapping trends to planning

# The Importance of the Payment Account

- ▶ The checking/payment account remains the center of the member relationship
- ▶ Today we'll explore some key components of that primary relationship, investigating some major trends and the corresponding opportunities for credit unions

Debit is the darling

**HOW DO YOU RESPOND?**

# 2010 Federal Reserve Payments Study

## Published April 2011

	2006	2009	CAGR*
<b>Total (billions)</b>	<b>95.2</b>	<b>109.0</b>	<b>4.6%</b>
Checks (paid)	30.5	24.5	-7.1%
ACH	14.6	19.1	9.4%
Credit	21.7	21.6	-0.2%
Debit	25.0	37.9	14.8%
Prepaid	3.3	6.0	21.5%

- ▶ Electronic payments (made with cards and by ACH) exceed 3/4 of all noncash payments
- ▶ Electronic payments totaled 84.5 billion in 2009 for \$40.6 trillion
- ▶ Electronic payments increased at average annual rate of 9.3% between 2006 and 2009

The estimated number of noncash payments totaled 109.0 billion in 2009, with a value of \$72.2 trillion

\* CAGR = compound annual growth rate

# Other Payment Forms

## Checks

- 23 billion items and dropping quickly
- The Fed now receives 90% of checks electronically and forwards 65% electronically

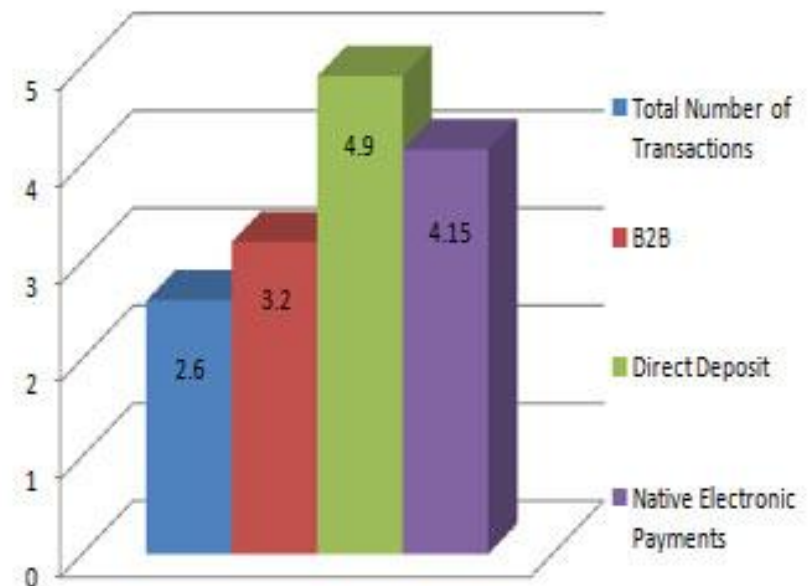
## ACH

- 18 billion transactions in 2009 & growing steadily
- Internet initiated accounted for 2.1 billion
- B2B – \$1 billion

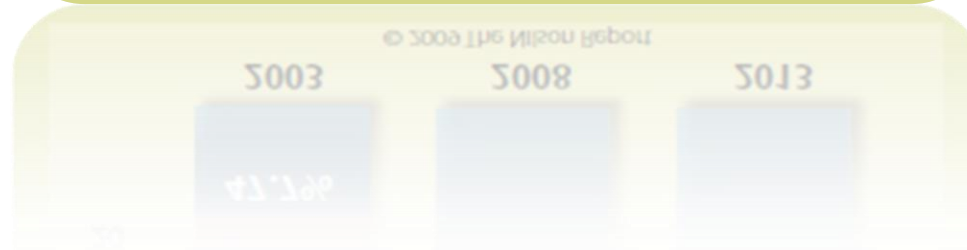
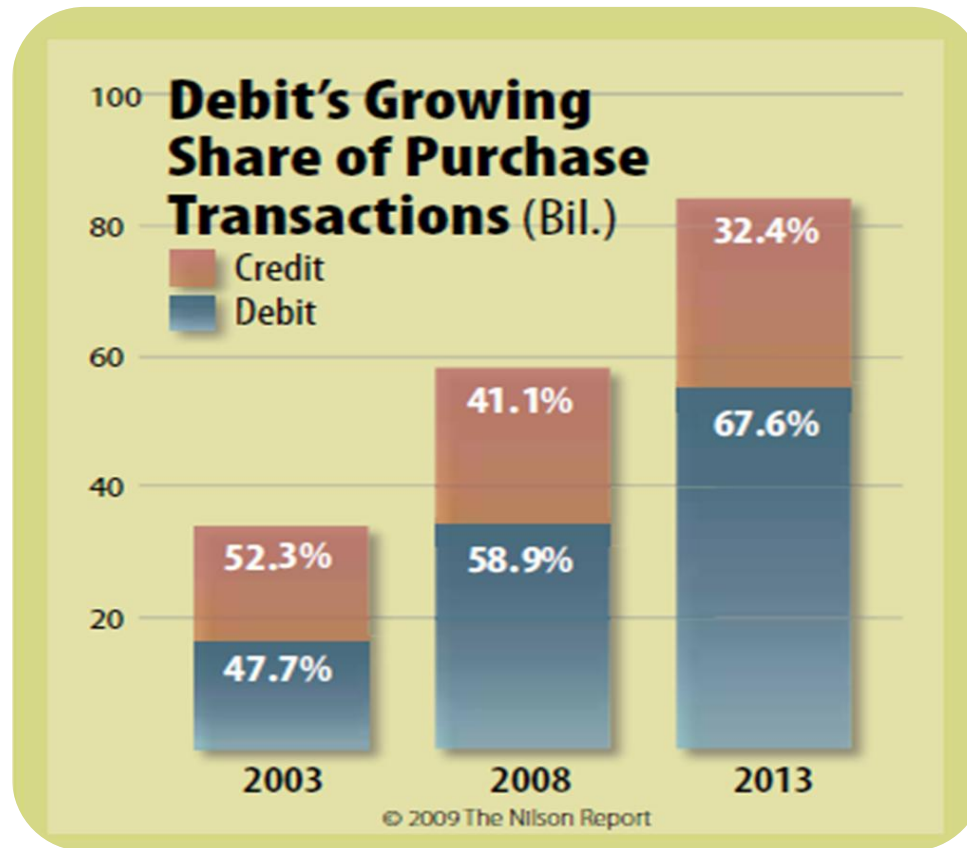
**ATM Transactions** – 11.5 billion and flat

**Bill Payments** – 2 billion with 10% annual growth

ACH Transaction Growth in 2009 (%)



# Debit Has Surpassed Credit



# Payment Market Share

- Debit prospects
  - Debit cards are in 71% of U.S. households but only 19% use them as a primary payment method
  - Growth has slowed but it is still fastest growing traditional payment method
- ▶ Credit prospects
  - Entrenched as stable market share holder
  - Valuable as earning product and retention driver for affluent households
  - New regulation (overdraft, interchange) mean more likely to sustain earnings than debit

# Payment Market Share

- Heavy Users of Neither 28.3%
  - Lowest education and income levels
  - Limited access to financial institutions means little debt
- Heavy Users of Debit 17.1%
  - Young and students
  - Middle incomes and some college education
- ▶ Heavy Users of Credit 38.9%
  - Higher income
  - Higher debt
- ▶ Heavy Users of Both 15.9%
  - Highest incomes
  - BUT worse measures of financial security

# The Credit Union Response

- ▶ It's more than data
- ▶ Data Analysis
- ▶ Data Understanding
- ▶ Call to Action
- ▶ Execution
- ▶ Subsequent Planning

# Three Part Progressive Solution



## Revelation Reports

- “One-click” executive-level reporting
- Dynamic unlimited custom reports



## Revelation Analytics

- Cardholder, transaction, portfolio, fraud and marketing campaign analysis
- Portfolio alerts and benchmarking.



## Revelation Consultation

- Outsourced portfolio analysis and recommendations including Board of Directors support
- Durbin Impact Analysis.

# Consultation: Turnkey Marketing

**GET UP  
AND GO!**

**TO SAVE AT THE PUMP  
USE YOUR DEBIT CARD  
EVERYWHERE**

Earn points toward gas vouchers  
when you use your debit card to  
**swipe, sign and drive!**

Credit Union  
Logo here.



OF YOU FOR YOU

# Credit Unions are Talking about the New CO-OP Revelation

“I totally love CO-OP's new Total Revelation. If you are on CO-OP, check it out. If you aren't, you should be!”



Nancy Crouch | AA Credit Union  
Director, Card Services

# CO-OP Pass-Through Credit

- ▶ **Streamline.** Gain efficiencies with a single platform for credit and debit.
- ▶ **Boost revenue.** Credit revenue can help replace lost debit interchange revenue.
- ▶ **Retain and protect members.** Use your newfound flexibility and control to offer terms that big name” card providers can’t or won’t, including offering credit to members in rebuild-status.
- ▶ **Cut costs.** Lower processing expenses as you realize volume, relationship pricing discounts.
- ▶ **Consolidate service relationships.** Our single service solution provides one point of contact for both credit and debit.
- ▶ **Provide better member service.** Real-time data integration eliminates float and lag time for payment and transaction posting.

# ...By the Way

- ▶ Debit isn't complete without
  - Tools to combat fraud
    - Falcon Real Time
    - CO-OP Concierge
  - 7 x 24 Call Center Services
    - CO-OP Member Center
    - Outbound and Inbound calling services
    - Loan Origination

Gadgets are becoming a part of us

**ARE YOU READY TO MOBILE-IZE?**

# Phone & PC – Both Are Moving Money

## ► Online Banking:

- In 2008, 46M households banked online
- In 2010, it's projected that 30% of all U.S. households will bank online

## ► Mobile Banking:

- Smartphone users make up 27% of the mobile market
- 54% of Smartphone users are mobile bankers

**Over 612 million mobile phone users will generate over \$587B worth of financial transactions by 2011** - *Jupiter Research*

# Payments Go Mobile

## Mobile notifications/payments (M-commerce) are growing quickly

- The sale of physical merchandise via mobile phones hit \$1.2B in 2009...and is projected to reach \$2.2B in 2010
- B of A passed 3.5 million mobile customers in November 2009 without a huge marketing push



# The iPhone is One Step Closer to the iWallet

Isis will fundamentally transform how people  
**SHOP, PAY AND SAVE.**



Tap phone to pay

Membership or loyalty programs

Personalized coupons, rewards and content

Patently Apple

ViVOpay 5000 image used with permission from ViVOtech Inc.

[www.patentlyapple.com](http://www.patentlyapple.com)

# Mobile is the Center of Everyday Activities

“The mobile phone is now the meeting point.”

*Eric Schmidt, CEO Google*

*Feb. 17, 2010*



# Call You Later. I Have to Pay For My Coffee.

- You can now download a barcode app for your iPhone and pay for your coffee at Starbucks by passing the phone over the reader
- Looking to expand its mobile capabilities, eBay has acquired RedLaser, a barcode-scanning app for the iPhone



# Where's Mobile Banking Today?

- ▶ At the end of Q1 2010, US mobile penetration was at 94%
- ▶ Deployment of mobile devices is driving deployment of services delivered on wireless devices
  - US Mobile Penetration was 94% at the end of Q12010
  - 23% of US households are wireless only – no landlines
- ▶ US Mobile data usage is expected to increase 4x over the next 5 years
- ▶ Smartphone deployment
  - 7% of market in 2007
  - 30% of market estimated by the end of 2010
  - Some predict only smart phones by 2015



# The Credit Union Response

- ▶ One option through one channel isn't enough
  - Text Banking – Works with most cell phones
  - Web Browser – Works with most cell phones
  - Downloadable App – for supported devices
  - iPhone Support
  
- ▶ A specific Credit Union branded iPhone application

# CO-OP My Deposit Mobile



- ▶ A new way for members to access their checking accounts.

# What Else can I do with that Phone?

## ▶ Remote Deposit Capture

- Snap and Deposit
- Deposit any where, any time
- Gen –Y appeal



## ▶ Safe, Secure, Fast, Reliable

## ▶ Another access point to the member relationship

# How Valuable is Mobile Remote Deposit to Members?

Percentage who consider mobile remote deposit valuable by age

18–34	35–49	50–64	65+
61%	51%	43%	17%

Percentage who consider mobile remote deposit by HH Income

<\$35K	\$35K–\$49.9K	\$50K–\$74.9K	\$75K–\$99.9K	\$100K+
33%	41%	46%	55%	51%

# By the Way

- ▶ Single Consolidated Image Platform
  - Home
  - Merchant
  - Branch



Is Victoria's Secret your Facebook friend?

# ONLINE TRANSACTIONS ARE EVOLVING

# Who's Using Electronic Banking?

Age	Under 30	30-39	40+
Percentage who log onto online banking 4+ times/month	84%	85%	73%
Percentage who use mobile banking 1+ times/month	30%	29%	13%
Percentage of those never visiting a branch	39%	36%	28%

# PayPal™

- ▶ 92 million active accounts
- ▶ 2011 revenue \$4.2 billion (estimated)
- ▶ 2010 processed \$92 billion
- ▶ Compound annual growth rate of 24% over the last three years
- ▶ Projected to process \$125 billion by 2013, yielding revenues between \$6 and \$7 billion

# iTunes

- ▶ Here's an idea:
- ▶ Do a promotion encouraging your members to register their credit union debit card on iTunes.



# Facebook Gets Serious About Payments

- ▶ 600 million users
- ▶ Facebook Payments, Inc. – subsidiary formed in Florida in 2010, registering in a host of states
- ▶ Long-term view of payments and credits functionality in mobile platform



# The Credit Union Response

- ▶ P to P by any other name is:
  - Moving money
- ▶ Investigating the field of players
  - Interesting developments here

# Stay Tuned

**popmoney (CashEdge)**

**obopay**

**PayPal**

**Dwolla**

**Venmo**

**ZashPay \***

\*only marketing to existing clients-easy deployment for existing Fiserv Checkfree RXP Billpay clients

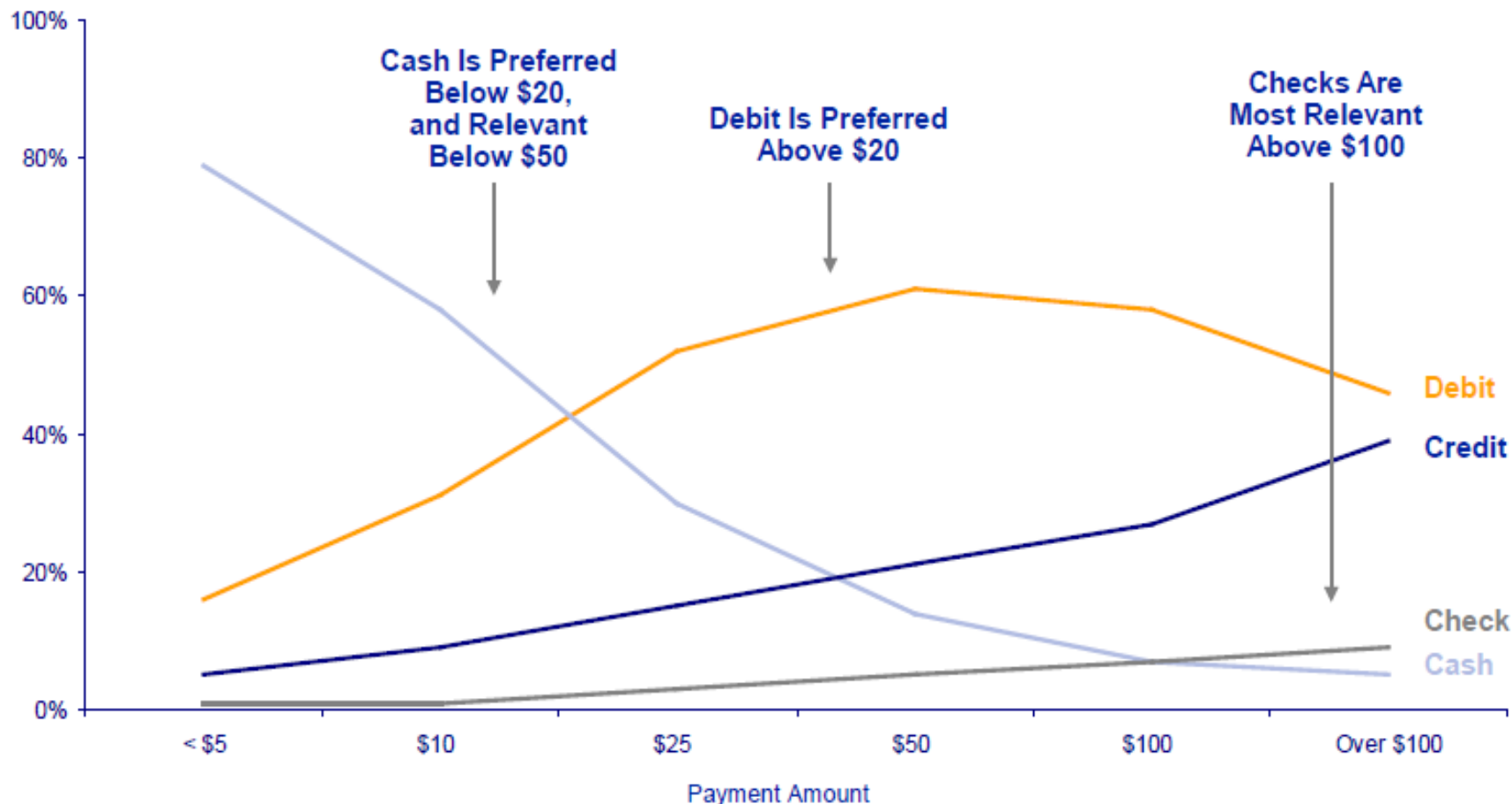
Writing a check to a friend is soooo 1992

**WILL P2P KILL CASH?**

# Opportunity to convert small-ticket preference for cash



Preferred Payment Method  
(% Total Consumers)



Base: Total Consumers

Q37. Thinking about your preferred method of payment for purchase at different dollar amounts, which one method of payment do you prefer for purchases at different dollar ranges?

# MasterCard – Migration from Cash to Debit

▶ **48% of consumers pay primarily with debit**

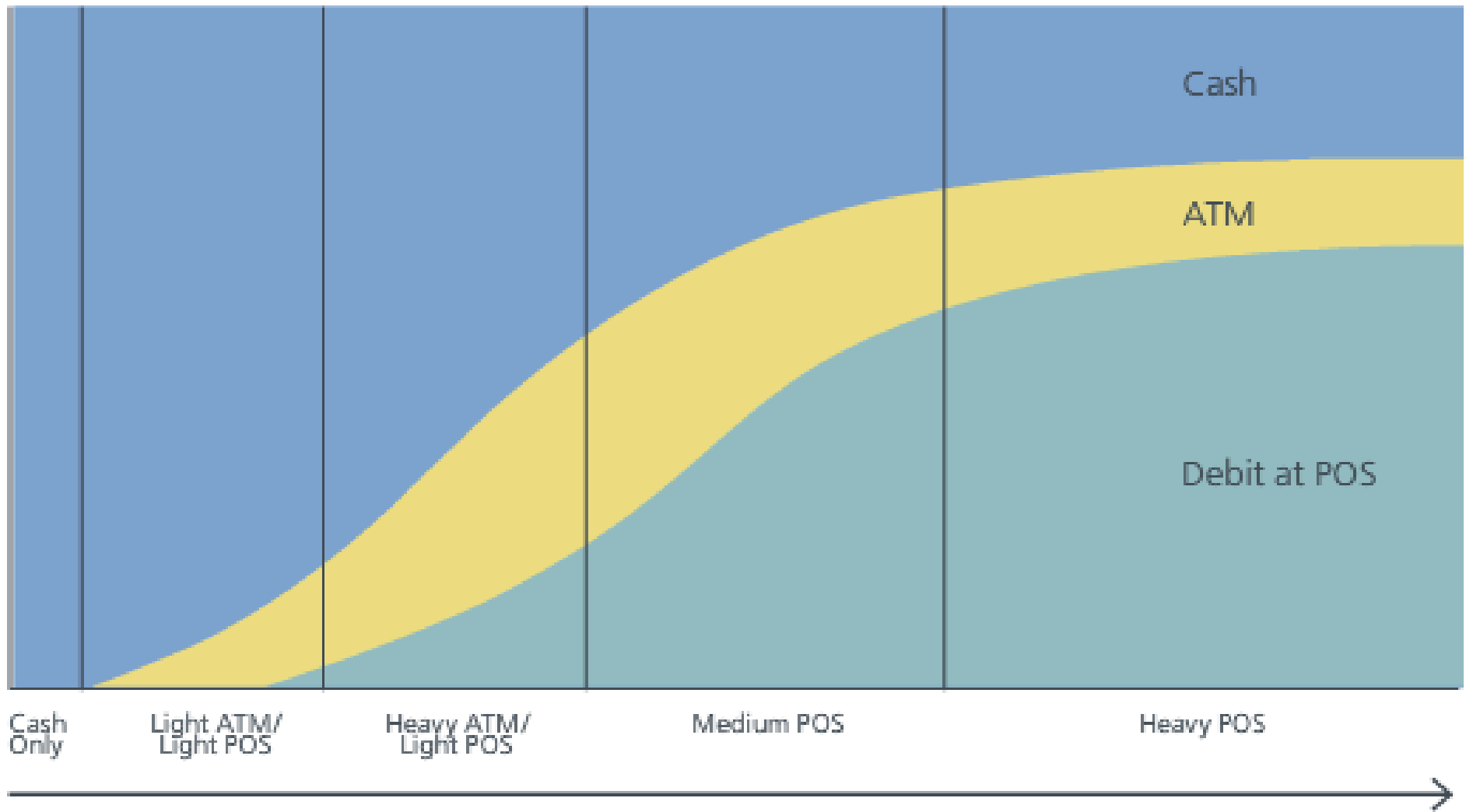
- 5% switched to debit in the last 6 months
- 14% switched to debit in the last 12 months
- 17% switched to debit in the last 24 months



▶ **36% of consumers who primarily use debit have done so for less than 2 years. Also in the last 2 years:**

- Convenience store purchases using debit are up 14%
- Entertainment purchases using debit are up 14%
- Fast food purchases using debit are up 13%
- Dollar store purchases using debit are up 10%

# CONSUMER ADOPTION OF ATMS AND DEBIT AT THE POINT OF SALE PROGRESSES ALONG A MIGRATION CONTINUUM

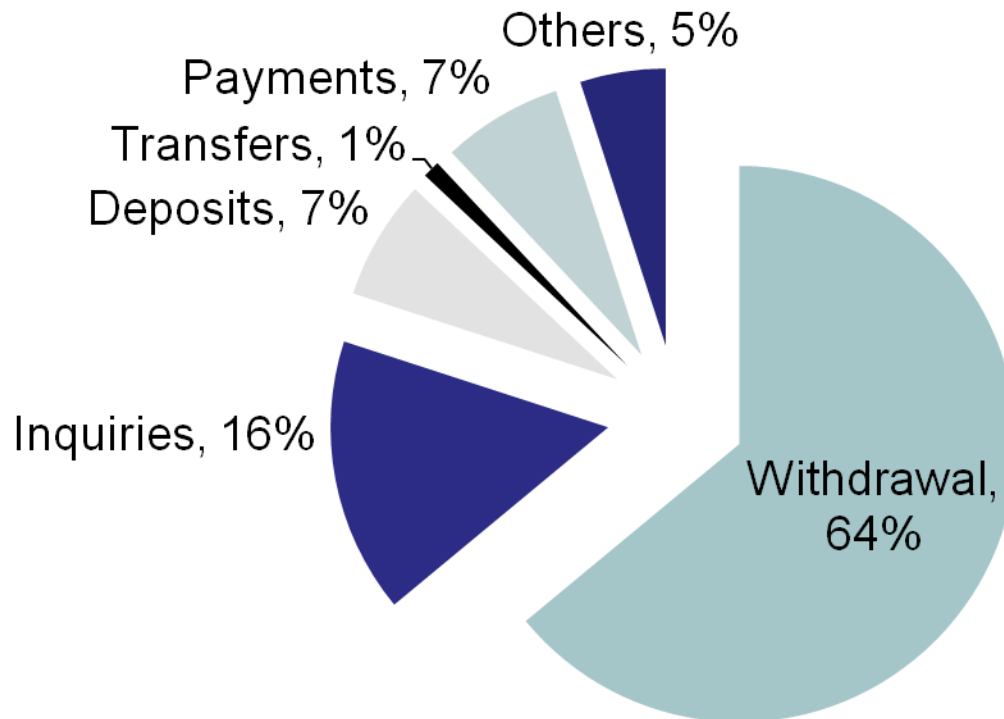


Source: MasterCard, 2010

# CO-OP ATM Transactions

▶ **Total ATM Transaction - 33,065,674**

**Percentage of Transaction**



Number as of October 2010

# The Credit Union Response

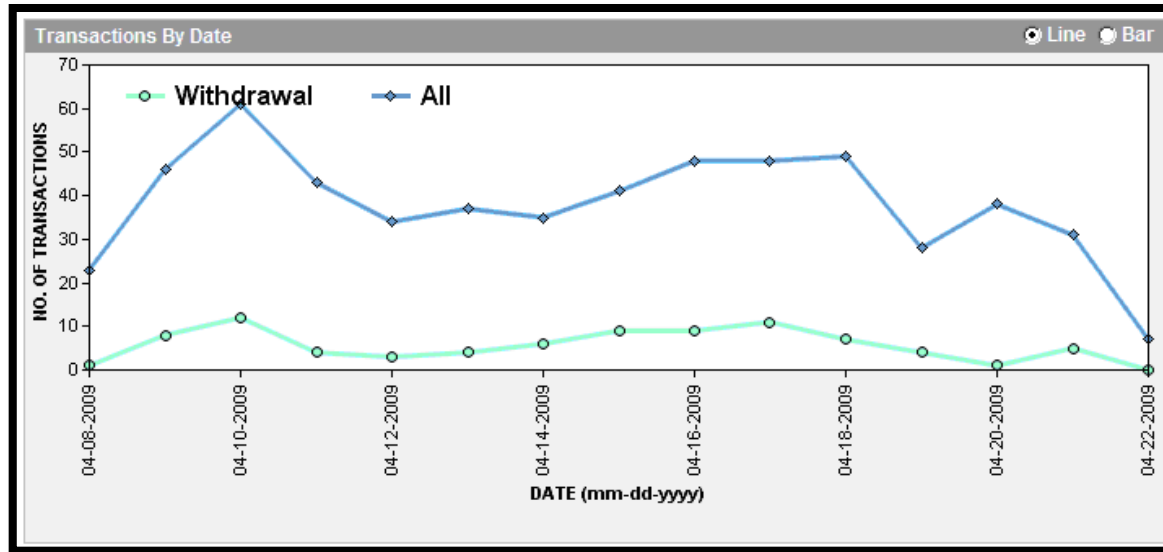
- ▶ ATMs are still the primary channel for Cash
  - Trusted, Accepted, Widely Available
- ▶ Continued investment in ATM Technology
  - More efficient cash and check handlers
  - New Software Versions

# I have to Mention

## ▶ Credit Union efficiency

- ATM Visual Control
  - Remote access for graphics and text distribution
  - Remote EJ Files

## ▶ ATM Managed Services



# Leading the Charge

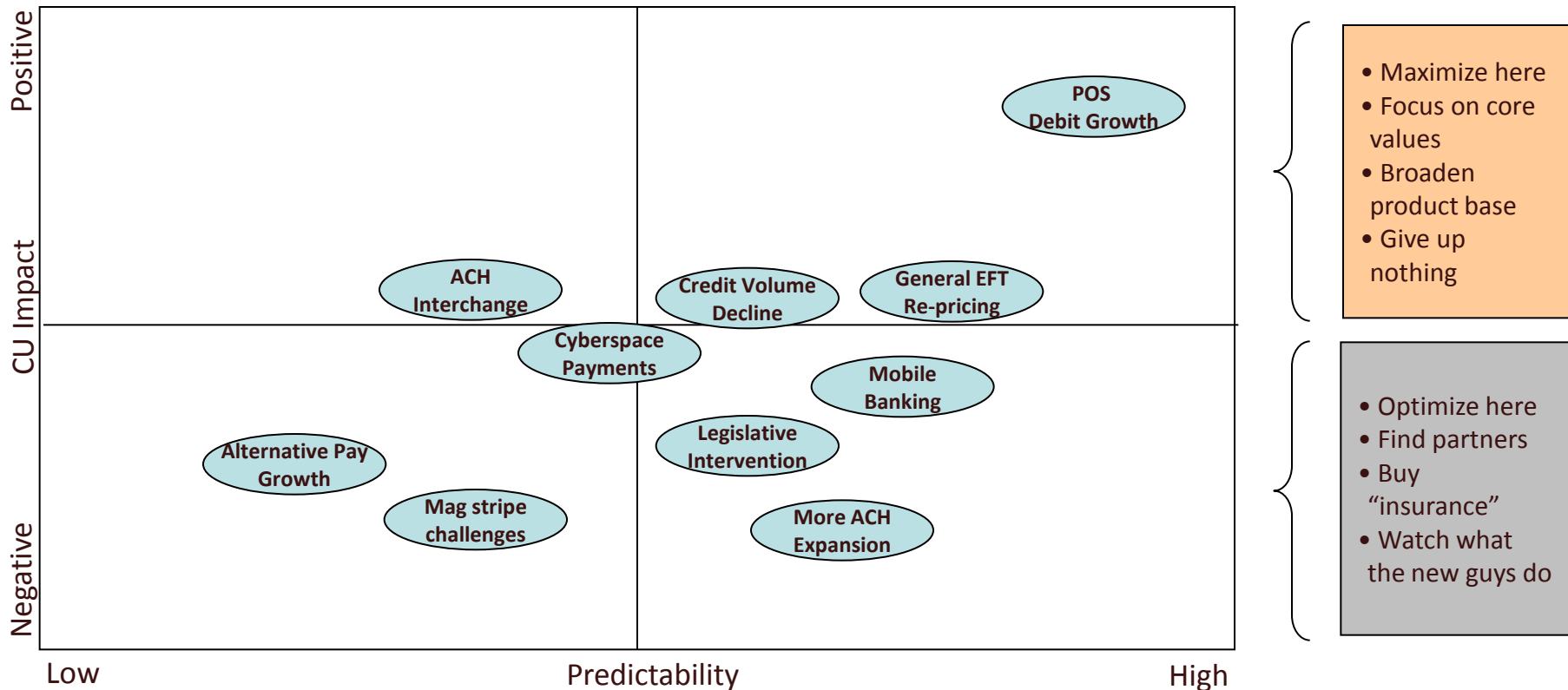
- ▶ Shared Branch at the ATM
  - Evolution
  - Full function, fully integrated solution built on industry leading specifications
    - IFX
- ▶ This is opening the vault to deploying other member services to the ATM
  - Faster, with more open access
  - Protect the investment in deposit enhanced ATMs

So, what's it all mean?

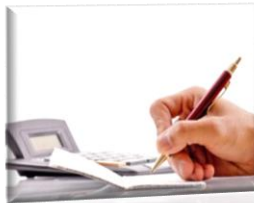
# MAPPING TRENDS TO STRATEGIES

# Emerging Payment Forms – What’s On the Way

## Mapping Trends To Planning



# The checking account is evolving



# Emerging Payment Forms

- ▶ Will EMV finally come to the U.S.
- ▶ Will Mobile and EMV cross to become a single solution
- ▶ What new players will cross the waters into financial services

**QUESTIONS?**



OF YOU FOR YOU

**THANK YOU**



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