Innovative Business Strategies

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Questions we’ll address

• What are the most promising new markets for retail payments over the next five years?
• How have companies changed their corporate strategies in the last few years?
• How have companies altered their offerings to reflect changes in the economic climate?
The Hedgehog On The Highway

How the payment and financial services industry often worries about the wrong things

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Leading causes of hedgehog death

3) Cars
2) Insecticide
1) Hibernation
Financial institutions are mis-reacting to changes in the retail payments world
What do FIs mis-react to?

- Regulations
- Fraud
- Innovation
Competition drives up interchange rates
What *should* FIs do?
Delivering more value to merchants

- **Good job:**
  - Automated transactions/POS efficiency
  - Reduced fraud incidence
  - Reduced credit risk

- **Needs work:**
  - Multi-channel (mobile, eCommerce)
  - Marketing (analytics, efficiencies)
FIs say they have a better fraud mouse trap

US cardholders face card issues in Europe

Incidence of Card Problems by Region (n=781)

- Western Europe: 46%
- Asia Pacific: 44%
- Middle East: 43%
- Central Europe: 42%
- Africa: 33%
- Australia/NZ: 29%
- Latin America: 27%
- Caribbean: 27%
- Mexico: 24%
- Canada: 13%

What *should* FIs do?
Keep the “pay anytime/anywhere” promise

- It’s not just about who has the better mouse trap and catches the most fraud
- It’s about preventing fraud from undermining institutions’ promises to their customers
FIs: Obsessed with in-house innovation

- Institutions tend to think about innovation as a homegrown effort
- The open platform development concept has yet to be embraced by the industry at large
Open platform strategy: iPhone apps

Number of iPhone Apps over time

Source: Edible Apple
Paypal leads the payment industry with its open platform for developers.
What *should* FIs do?

**Improve industry economics**

- Leveraging technology innovations through partnerships, networks, and communities
- Integrating product innovations like procurement and prepaid cards
Potential savings for switching to prepaid debit cards

14% of checking account customers would save by switching to a prepaid debit card.
What *should* FIs do?

Improve industry economics

- Leveraging technology innovations through partnerships, networks, and communities
- Integrating product innovations like procurement and prepaid cards
- Capitalizing on social media and technologies
Looking ahead: Innovative strategies

• Strengthening the FI/merchant relationship
• Repairing the FI/consumer relationship
• Improving the economics of the industry
Aite: Partner, Counterpart

Aite Group (pronounced eye-tay) is an independent research and advisory firm focused on business, technology and regulatory issues and their impact on the financial services industry.

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