

OWNING THE MOBILE WALLET: Customers prefer banks, but could drift elsewhere

By John Ginovsky

Consumers today increasingly prefer online and mobile forms of payment and trust their banks the most to provide those services—but they’ll switch to nonbank providers if they find better options elsewhere.

“Banks are the most trusted for payments transactions but banks no longer have a lock on the payments franchise,” said Virginia Garcia, corporate vice-president, Fiserv, speaking at the ABA National Conference for Community Bankers. “Getting it back will mean doing new things, not just doing the old things better or more efficiently. The nonbank payment vendors understand that the world has changed.”

Garcia pointed to several trends, including demographics, advancing technology, behavior changes, and emerging competition, that are driving a sea change in what used to be the straightforward process of exchanging value for value. Briefly:

- Gen Y, those born between 1977 and 2001, numbers 100 million strong, a larger generation than the huge baby boomer segment and the undisputed customers of the future—the ones most receptive to online payment opportunities.

- The rise of mobile devices—smartphones and tablets—enable a fundamental shift from browser mode to application mode. “The consumers have voted with their phones and said, ‘I don’t want anything to do with the browser,’” said Garcia. Of course, she added, the browser will never entirely disappear.

- More and more, consumers expect simple, rich, and intuitive experiences through their electronic devices. “They’re not comparing Bank A with Bank B, she said. They’re comparing the service they get from American Airlines, Groupon, and Starbucks—with the service they get from your bank.”

- Online payments offer unparalleled convenience—no more schlepping to the ATM for cash or scribbling out a check. “Consumers are clamoring for convenience and they are willing to pay for convenience,” said Garcia.

Meanwhile, research last year strongly indicates that consumers prefer using their relationship with their financial institutions for all types of payments. Some results: 64% prefer using their bank to pay bills online, rather than a third

party; 50% prefer their bank to send money to a family member; 44 % prefer their bank to send money for goods or services.

“They’re very firm in their intentions. They want to do business with and through their financial institution,” Garcia noted.

All of which sounds good for banks—except that the potential also sounds good for a lot of very powerful nonbank companies, including PayPal, Apple, Google, the telecommunication companies, and even such outliers as Walmart and Facebook.

While the evolving mobile payment structure is and remains extremely intricate, the one simple thing that these nonbanks are doing in this area is to capitalize on the sense of community—a community connected electronically.

“The concept of community has changed to include having the community develop the payments architecture, drawing the consumer into the discussion of innovation,” said Garcia. “The community value proposition is roaring back in a very big way. The brand of community, of being a pillar of community and supporting social issues, supporting community issues, is something the new generation of customers very much respect.”

What should banks do to reaffirm their hold both on payments and as community leaders? In simple terms, said Garcia, find out what customers want and give it to them. This can be done, she added, through surveys, focus groups, and even hiring people from Gen Y.

“Find out what payment models are most wanted by your customers, and target those customers,” said Garcia. “Every bank is different in large part because the customer base is different. Doing research on your specific customer base is key.”

About the Author

John Ginovsky is contributing editor of ABA Banking Journal and editor of the publication’s TechTopics e-newsletter.

For more than two decades he has written about the commercial banking industry. In particular, he’s specialized in the technological side of banking and how it relates to the actual business of banking. He previously was senior editor for Community Banker magazine (which merged with ABA Banking Journal) and was a staff writer for ABA’s Bankers News. You can email him at jginovsky@sbbpub.com

[This article was posted on April 24, 2012, on the website of ABA Banking Journal, www.ababj.com.]