



The Mobile Banking Prize

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By Jamie Swedberg

Richard Crone, CEO and founder of Crone Consulting LLC (www.croneconsulting.com), San Carlos, Calif., has collected 12 years' worth of data about the touchpoints credit unions share with their members. CUs know the financial services market is changing, but when it comes to mobile banking, his numbers are a reality check.

"Branches and the contact center and the ATM used to account for nearly 95 percent of all the service interactions 15 years ago," he says. "Now, the mobile app accounts for more than 50 percent of all the service interactions. Right now, the No. 1 feature is mobile remote deposit capture. Right under it, though, is payments at the physical point of sale. Fifty-two percent of millennials say they'll switch financial institutions for the ability to pay with their phone."

If credit unions think point-of-sale payments are still too futuristic to pursue, they should think twice, agrees Tim Daley, director at Cornerstone Advisors (www.cornstone.com), a CUES Supplier member and strategic provider in Scottsdale, Ariz. Consumers are already using their phones to pay for coffee at Starbucks, and it's considered routine to use an airline app to display a barcode for a boarding pass.

To put a finer point on it: Several years ago, Chase launched the mobile remote deposit capture revolution with its advertisement showing a couple depositing wedding checks while on their honeymoon. Consumers suddenly expected the new technology as a matter of course, and they left institutions that didn't offer it. Last fall, that same big bank launched a branded mobile point-of-sale payment solution. The effects could be just as dramatic.

"Once the big banks lead the way, I think a lot of smaller and medium-sized credit unions will realize this is real, it's coming, and they're going to need to compete," says Paul Fiore, founder and CEO of CU Wallet (www.cuwallet.com), Los Angeles. "People are getting more and more comfortable with using their phone as their primary way to buy things."

With its central role in people's lives, mobile banking is not only an important self-service channel, says Crone. It's the branded launch pad for new products and services to members. And he believes CUs aren't taking it nearly seriously enough.

How, then, should credit unions drive mobile adoption and make the most of their members' mobile device usage? We found some key ideas.

Think Again

The most obvious way to drive mobile adoption is through rewards programs.

If your credit union has soured on rewards in the past because they haven't worked, Daley says you might want to reconsider.

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Taking Off

Is 2016 the tipping point for mobile payments?

By CO-OP Financial Services



Industry experts agree that after years of discussion and much speculation, mobile payments are finally taking off. In fact, according to eMarketer.com, the U.S. market is expected to triple this year to \$27 billion, up from \$8.7 billion in 2015. And, the research firm reports, the number of people making proximity payments will increase by nearly 62 percent to more than 37.5 million.

Consider also a recent Gartner, Inc. report predicting that by 2017, mobile commerce revenue will account for 50 percent of all U.S. digital commerce revenue.

"While consumers and merchants have been relatively slow to adopt mobile payments until now, we are starting to see the numbers tick upward," says Amanda Smith, strategic product architect for CO-OP Financial Services. "So 2016 may just be a breakout year for the technology."

Emerging Markets Are Going Mobile

According to Smith, to-date the U.S. has lagged a bit behind some nations in terms of mobile payment adoption.

"Interestingly, some of the fastest adopters of the technology have been such regions as Southeast Asia, the Middle East and Africa," she says. "Because their emerging economies are not hindered by legacy systems, they have been able to leapfrog into the future with infrastructure that is purpose-built for mobile."

Smith notes, however, that the U.S. leads the world in terms of non-cash payments. "We are quite accustomed to using our cards instead of cash," she says. "As mobile payment technology becomes more readily

available on smartphones and at merchant sites, we expect consumers to embrace it."

The All Important 'Wow' Factor

When it comes to mobile payment adoption, Smith emphasizes that the experience delivered by the technology must entice customers in order for them to use it.

"Most of us within the financial industry are focused on speeding up payments," she says. "But when you consider how efficient cards are for the consumer, you quickly realize that speed is not enough. Consumers are looking for flawless utility and an experience that 'wows' them."

Smith adds that rewards may emerge as a key factor in furthering adoption of the technology. "If consumers can receive special offers or points for switching to mobile payments, that may keep the technology top of wallet," she says.

Another factor that could drive mobile payment adoption overall is the increasing popularity of P2P payments, a technology whose journey into the mainstream has taken its own twisted turns.

"Early on, the vision for P2P payments was one of friends splitting the bill at lunch without having to divvy up cash," she says. "What we have found instead is that the average P2P transaction amount is much higher than that—in the hundreds of dollars. This suggests the technology is primarily used today for sharing larger purchases or dividing up household expenses. However, smaller transactions are gaining ground, and we expect this trend to continue."

To support an increasingly mobile member base, Smith advises credit unions

to get behind the major digital wallet providers and to ensure CU employees are well versed in everything mobile.

"CO-OP offers support for all the 'Pays' and 'Buy' buttons," she says. "These tools simplify both mobile and online transactions for members."

Another trend sure to impact payments, adds Smith, is the emerging "Internet of Things" (the network of physical objects—devices, vehicles, etc.—embedded with electronics that enable these objects to collect and exchange data).

"This amazing development is widely discussed in the press and promises to yield a whole new class of devices that are on 24/7, taking instructions and intuitively doing what they need to do," she says.

"What is ironic about this dynamic is that the technology may actually restore a sense of simplicity that modern commerce lacks today. For example, if you had lived in a small town back in the days of the Wild West, your goods and services would all come from one general store—and you would have a running tab there. Mobile devices of the future will likely serve as that running tab, tallying our transactions as we go about our daily lives. That is where the technology is headed."







CUES Supplier member CO-OP Financial Services is the nation's largest credit union service organization in terms of number of credit unions, assets and members. The company, based in Rancho Cucamonga, Calif., helps credit unions thrive by providing products and services that make it more convenient for members to do business with them. To learn more, visit www.co-opfs.org.

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"Time was, if you had a certain balance, an institution would provide a certain value of rewards back," he says. "But that didn't seem to move the bar on whether it was the member's primary financial institution or not. The members might park a lot of money with you, but they didn't always transact with you, so you'd lose money on the servicing."

But mobile rewards are inherently different. They are awarded on a "do something, get something" basis. The more members engage, the more they are rewarded.

"We'd like for you to deposit your checks via our mobile app, so we give you an incentive to complete that transaction, hoping that it's a good enough experience that you'll continue to do it," Daley says. "And then if you do it a certain number of times, we can start to reward you based on your behavior rather than your dollar relationship."

"Because it doesn't cost us as much money as you walking into a branch, we can potentially afford to do quite a bit of this."

Mobile also gives CUs a way to customize rewards and make them maximally useful to the member. Fiore says consumers want convenience: savings of time or savings of money. Their mobile device gives the CU their location—a very valuable piece of data the CU can use to reward the member for using the institution's app.

"Not every customer wants to download Groupon or Living Social," he says. "There are a million apps to download. But if you're inside the credit union's app, we can know your location and present to you 10

offers near where you are now. If you want to just look at restaurants, we'll populate it with restaurants. If you're looking for a pizza, this place is offering three dollars off for members. And it goes right to your credit card. You don't have to do anything; you don't have to show anything."

Relatedly, mobile banking apps can be used to deliver rewards for other CU programs, thereby deepening the member relationship. Daley says one of Cornerstone's clients provides its cash-back program via mobile; members no longer have to get on a wired connection or call the contact center to find out what their rewards points balance is. He's not sure it drives mobile adoption per se, but it increases engagement on the least expensive, most convenient channel.

Smooth the Way

The biggest obstacle to mobile adoption is, fairly obviously, having insufficient mobile banking capabilities. If your CU can't provide the services members want, they won't just desert the mobile app—they might leave the credit union altogether.

"After fees, the No. 1 reason cited for leaving a credit union is mobile banking capabilities," Crone says. "And the No. 1 [mobile-related reason] for leaving is not having mobile remote deposit capture, or having a low limit on mobile remote deposit capture. Maybe the credit union limits the value of the check to, let's say, less than \$2,500—but the big banks have much higher limits, or no limits, on mobile remote deposit capture."

That statistic highlights an important factor in the potential success or failure of CU mobile apps: It's important to avoid throwing up unnecessary barriers to usage. Crone points out that about half of all accounts are opened online nowadays and, of that, half are opened via a mobile app. But many financial institutions with perfectly good mobile banking apps still require members to open accounts with a wired desktop interface. He believes it is an unneeded roadblock.

"Millennials aren't using desktops," he stresses. "They will be using their smartphone or a tablet. So you should allow them to sign up for mobile banking through their mobile device. You don't need to worry about throwing money at them, or special promotions, or sweepstakes or contests, as long as you get the online account opening process right."

He says balance inquiries, by far the No. 1 use of mobile banking, can be made easier, too. Balance information is private, but not strictly confidential, so it can technically be provided without requiring a member to log in.

"Some apps now allow you to see your balance simply by opening the app, not by logging in," he says. "Now, if you want to transfer funds, if you want to pay bills, that's a different story. It will require you to log in. But you need to get the user experience right, and that begins by having a best-in-class offering. That's the incentive itself for getting people to try it and use it."

Jamie Swedberg is a freelance writer based in Georgia.

Resources

Read bonus coverage about why it pays to enroll members in payment options of all kinds at cues.org/041116skybox. Read more about the "millennial opportunity" for CUs on p. 10.

Also read related articles at cues.org/0416omnichannel and cues.org/0416selfservice. In addition, you may be interested in reading "Mobile Movers and Shakers" from the March issue at cues.org/0316mobilemovers.

Learn more about channel management at CUES School of Member Experience (cues.org/some), slated for Sept. 26-27 in Charleston, S.C.



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