



WHITE PAPER

DO YOUR MEMBERS ACTUALLY WANT A WALLET?

Why the Smartest Credit Union Wallet Strategy May Not Center On a Wallet

On the topic of mobile wallets, it's easy to concede that no one really has all the answers. Will merchants begin rolling out mobile commerce in appreciable numbers? Will Apple include NFC on the iPhone 6? Will a dominant wallet product emerge at last? Finally, will the 86 percent of consumers worldwide who told PayPal™ they wanted to leave their wallets at home last year ever get their wish?

If these questions have you puzzled, take heart. Even recognized experts in this space seem to be operating with a wide margin of error. Meanwhile, maybe it's time to consider whether finding these answers are relevant in the first place. Instead, maybe credit unions should be asking different questions:

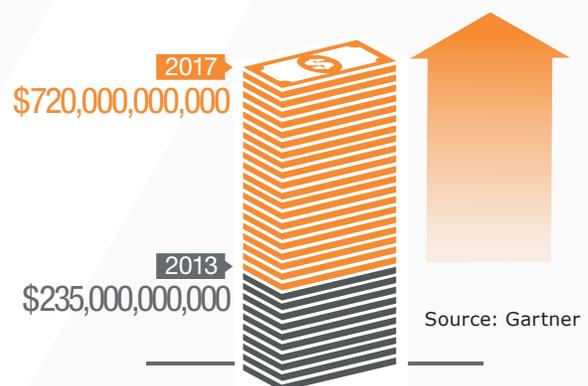
- What can we do today to participate in mobile payments?
- Which of today's players will be relevant to our credit union's success, specifically? Which ones can we safely eliminate from our consideration set?
- What mobile payments features would our members like and use now?
- How do we incent our members to include us in their mobile payment journey?
- Can we use mobile to build loyalty?
- How can we create systems that will evolve with this rapidly changing space?

As CO-OP Financial Services rolls out a new version of its mobile consumer app, Sprig® by CO-OP, these are the questions we aspire to address. To be sure, CO-OP believes mobile payments are the future of payments. Will we be toting around our card-laden, receipt-stuffed, pocket-worn wallets a generation from now? Not a chance. But wholesale change in the payments space never happens overnight. And meanwhile, there are advantages to be had in leveraging today's opportunities intelligently. Following are a few ideas on how credit unions might accomplish this.

Focus On the Possible

We are constantly being confronted with the dream of mobile wallet adoption. Here are a few statistics:

- Mobile payments are projected to reach \$720 billion a year by 2017, up from \$235 billion in 2013.



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- One in five U.S. smartphone users—about 29 million people—have installed a mobile wallet application.



Source: Datamonitor

- Some 47 percent of consumers would consider using a mobile wallet if it had all the components of a physical wallet. (TSYS)

These figures seem compelling, we admit. And they're a few of many—all pointing toward a big future for mobile wallets.

The reality, however, doesn't quite match up. Consider this, from Javelin Strategy & Research:

"With an annual U.S. retail POS market of almost \$4 trillion up for grabs, the stakes are extremely high. But slow adoption, lack of merchant enthusiasm, fragmented offerings, and blocking by competitors has resulted in stalled growth for mobile wallets."

If fragmentation is the problem, credit unions probably aren't the solution. Why not? Here is a technology challenge that Google hasn't been able to crack. It's a merchant-adoption challenge that has merchants of every size and style pitted against each other, with no clear winner in sight. Is there any way consumers wouldn't be confused, given the environment?

While there are plenty of options for action-minded credit unions within the mobile payments space, diving headlong into the wallet wars doesn't seem like a good one—at least for now.

Go Where You Can

If not into the wallet business, where should credit unions focus their energy? The simplest starting point: Get your cards into everyone's wallets. Incentivizing mobile wallet transactions is an easy, no-fuss way to integrate your cards into a variety of existing mobile wallet products—and to help your members associate your credit union with mobile payments.

In the same vein, make sure your card programs are competitive: Do you offer the best rewards? The most attractive rates and fees? Targeted promotions?



The best way to move your card to the top of the wallet—any wallet—is to make sure your card programs are competitive

At the same time, consider the problem from the opposite perspective. Forget wallets altogether for a moment and instead think about the development of new payment alternatives as a mobile engagement challenge. Instead of focusing on issues beyond your immediate control like merchant adoption, you can turn your attention to issues you can address, such as mobile payments. As an added bonus, shoring up your mobile offerings can help you build loyalty. Consider:

- One in three mobile banking users stay because of mobile banking. (Yodlee)
- 71 percent of mobile banking users are "satisfied" or "very satisfied" with their financial institution. (Yodlee)
- Mobile banking users give a 14 percent higher net promoter score than nonusers. (Bain)

Credit unions can provide members with the mobile access they want and need: mobile banking, account transfers and alerts, real-time P2P payments and mobile check deposits. Users of Sprig by CO-OP can also use mobile access to perform shared branching transactions, including transfers between accounts at different participating credit unions.



New technology will expand these offerings and provide even greater utility. For example, soon-to-be-released CardNav by CO-OP promises users control of their payment card accounts via their mobile devices. CardNav users can set spending and usage limits, turn cards on and off, receive security alerts and more—making users' accounts more interactive and useful.

Put Time On Your Side

Also in the works: real-time payments. For a few years now, users of Sprig by CO-OP have been able to transfer funds P2P to other credit union members using a real-time good funds model. Now, by integrating with the FIS PayNet network, CO-OP is currently evolving its real-time network to include expanded endpoint (recipient) access.

Faster payments may be the most intuitive selling point there is. Who doesn't want to be paid faster? A survey conducted by the Fed earlier this year found 69 percent of consumers and 75 percent of businesses want real-time or within-the-hour payments. Not only that, but consumers want real-time payments from the financial institutions they trust. According to FIS, 55 percent of consumers want real-time payments from their primary financial institutions—and not card or alternative providers. Offering your members faster payments not only capitalizes on their trust, but also enhances it. Speed and security are, after all, primary to a great member experience.

Faster payments are showing up on the radar in more than one place. In fact, The Fed is currently working on a faster payments initiative. Their goal is the creation of a real-time payments network within the next 10 years.

But honestly, who wants to wait 10 years? What's fast about that?

Where technology is marketable and available now, put time on your side. While you can't offer your members a beautifully configured, universally accepted wallet product now, you can move toward real-time payments—in the real, foreseeable future. That's not only a benefit, but also a differentiator.

Again, credit unions are not in the driver's seat on many wallet-critical issues. You will not be deciding whether to include the NFC chip on the iPhone 6. You won't

singlehandedly cobble together a merchant alliance that paves the way for a dominant pay system. But on key features and capabilities, you can actually lead the pack. Doing so is a little like building a wallet from the inside out. Win the day on mobile payments, card controls, mobile usage and loyalty, and card programs, and you'll be sure to be in the mix when member mobile wallet adoption follows.

Get Ready To Evolve

On the other hand, one hardly knows where the wallet journey ultimately will lead. Will any of the wallet products currently on the market or in the works eventually dominate the landscape? Or will some new device or concept rise up and capture the future market?

What seems most likely is that the mobile wallet and payments space will continue to be in flux—most likely for a long time, and possibly forever. For credit unions, the smartest strategy may well be to position themselves for an evolutionary future. Advantage belongs to organizations that can adapt.

One of the goals at CO-OP is to build products that integrate, evolve, innovate and grow—so that today's real-time payments network can be the backbone for tomorrow's new payment application, and the new CO-OP by Sprig app easily evolves into new iterations. Right now, our drawing board features a white-label version of Sprig by CO-OP, a standalone P2P app, enhanced and integrated mobile and online banking, and more new ideas than we can mention.

Behind each new idea is the notion that the best wallet strategy for credit unions might be the one that includes—but doesn't revolve around—wallets themselves. Rather, gearing up for speed, innovation and change is the best place to put your money. Evolution is all.

To learn more,
visit www.co-opfs.org,
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call 800.782.9042, option 2.

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