

Long Live Mobile Payments The New King

by [Steve Brown](#)

January 8 would have been the 79th birthday of Elvis Presley, the King of Rock and Roll. For many years his music held the record for the most songs to appear in the Billboard's Hot 100 charts. Interestingly, only the "Glee" cast and Lil Wayne have surpassed Presley's 108-hit record, with 205 and 110 hits respectively. Clearly, no monarchy can last forever.

In banking, the long reign of cash as king also seems to be nearing its end. Industry data suggests that cash is increasingly being replaced by cards. Studies also show U.S. consumers are increasingly choosing plastic over checks, as well. In fact, a new Fed study shows credit and debit card payments now account for more than 67% of all noncash payments, while the number of checks paid continues to decline.

Clearly, the payments space has changed widely over the past few decades and continues to evolve at a fast clip. Within payments, we believe the area of mobile payments deserves some royal attention.

For starters, it's a fast-growing market with forecasters at Forrester Research expecting the U.S. mobile payments market to reach \$90B by the end of 2017. In addition, mobile payments are a great way to build and solidify customer relationships. What's more, business payment products can be a good revenue driver for banks, so, simply put, it makes financial sense to explore how to increase mobile payment adoption rates.

Community banks have been slower out of the gate to provide this technology, but most are now making headway. An ICBA study finds 37% of community banks now offer mobile payments and another 43% intend to do so by next year. By asset size, the study found 54% of banks with \$500mm or more in assets offer mobile payments vs. 46% of those \$250mm to \$500mm in size.

This is definitely a step in the right direction, but banks still have more work to do. A recent study by Accenture underscores what we've been saying for some time - it's not enough to build mobile payments technology and believe customer relationships are yours for the taking. Rather, banks need to take extra steps to convince customers to use mobile payments. The biggest banks are working very hard to do this right now, so community bankers know mobile offerings are now needed to level the playing field.

One way to begin is to promote to customers and prospects the many benefits associated with mobile payments. It may also help to incentivize current and potential customers with instant coupons or reward points. At the same time, work hard to decrease the fear factor associated with mobile payments so customers aren't afraid to get started.

Remember to keep an eye on the competition as you go. It will help you know what else is out there, what is working and what is not to better position your offerings. Paypal, for example, recently flexed its muscles with the purchase of Braintree, a mobile payments company. Then it bought StackMob, known for a platform that lets developers and companies easily create and manage mobile apps. Large banks are also very active in this game so it pays to keep your eyes wide open as you proceed.

How long mobile will reign remains to be seen, but banks recognize that there's a new king in town already or arriving soon for an extended gig. You don't need to make controversial moves like Elvis's famous hip swivels to build lasting customer relationships, but you can no longer sit back and hope basic mobile offerings get you noticed either. It is time to form a mobile bank band and start playing, if you aren't already doing so.

BANK NEWS

Optimistic

A BofA Merrill Lynch Fund Manager Survey finds 75% of investors believe the global economy will get stronger this year, 72% say US stocks are overvalued, 67% say companies are under invested and 48% expect corporate profits to increase.

Jobs Participation

The most recent employment report shows 62.8% of people are either working or looking for work - the lowest level in 35Ys (Feb 1978).

Biz Payments

The ICBA Community Bank Payments Survey finds that the following are the most prevalent business payments products offered by community banks: online bill payment (88%), business debit cards (84%), international payments (79%), payment card merchant processing (74%) and remote deposit capture (68%).

Better

Epiq Systems reports the total number of US bankruptcy filings declined 13% in 2013. By category, business filings fell 24% YOY.

Future Home Prices

A Fed economist expects baby boomers to sell their homes in coming years and move into apartments, assisted living facilities or condominiums, putting downward pressure on home prices. The economist further speculates that a shift into cities could also reduce the demand for automobiles and gasoline, while increasing demand for restaurants, city parks and public transit.

Consolidation

From 1997 to 2012 the banking industry has seen 35% of all banks disappear, while the credit union industry has declined by 40% over the same period.

Customer Growth

A survey by Constant Contact finds the top goal for small business owners is to grow this year, followed by running their business more efficiently.

Small Biz

The SBA reports the 23mm small businesses in the US produce 54% of all sales in the country.

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