



Apple Pay, Amazon & Community Banks

by [Steve Brown](#)

Despite the hype around mobile payment services, the majority of the population still relies heavily on traditional credit cards and has yet to embrace it. However, with the volume of mobile payments expected to reach \$503B by 2020, according to Business Insider Intelligence, that is about to change. Two of the biggest mobile payment platforms are aggressively working to ramp up the number of customers who use their services by adding things customers want most - such as loyalty programs and the convenience of one stop shopping.

It's no secret that people love loyalty and rewards programs, and Apple Pay is hoping to increase its footprint in the mobile payment market by incorporating both into its payment platform. To do this, Apple has partnered with technology provider Blackhawk Network, whose B2B and B2C oriented digital platform enables financial service providers, mobile payment providers and retailers to simultaneously manage stored value products and loyalty programs. By adding these capabilities to its own, Apple Pay provides its users with the capabilities to store the monetary value of gift cards in their digital wallets by merely taking a picture of any physical gift cards they receive, or by entering a card's details into their account.

As if that weren't interesting enough, Apple also recently partnered with payment technology provider, USA Technologies' MORE loyalty program. This allows people who use Apple Pay to make purchases from the company's smart vending and receive loyalty points and discount offers for future purchases. To further boost the cross promotion effort, customers that use an iPhone or an Apple Watch at certain retailers will receive a digital message encouraging them to join the MORE loyalty card program.

Like Apple, Amazon Payments hopes to spur consumer adoption of its service by making payments easier than its competitors. In fact, when it comes to online shopping, Amazon is hoping that consumers will forego their credit cards in favor of its Amazon Payments platform. That platform lets consumers make purchases from a variety of online businesses without having to login anywhere but their Amazon account.

In an effort to boost the adoption of Amazon Payments, this past spring the company debuted its Amazon Payments Global Partner Program. The program gives businesses around the world the benefit of free usage of the payment platform in exchange for partnering. While Amazon ultimately hopes some of the traffic driven to its site through the partnership program will convert to additional sales on its own website, the lure for businesses that choose to partner with the retail giant is the ease and security of the platform. This allows businesses to offer their own customers around the clock account management, and even the possibility of co-marketing (depends on the traffic they drive to Amazon).

As much as these payment systems may still seem a bit of a novelty, there are takeaways for community bankers. First of all, Amazon continues to increase the number of businesses that use its payment platform. Last year the number increased by 70%. Understanding these are your customers

too and knowing how to support them given these payments competitors is important. As for Apple Pay, there are currently hundreds of banks using it. Since Visa and Amex are partners, your business customers may already see this as an additional payment option.

Although this is a lot to absorb and it is difficult for anyone to keep up, let alone count themselves as an expert, suffice it to say that things are changing in the payments arena and community bankers should be closely monitoring those changes to allow time to tweak the business model.

BANK NEWS

Regulatory Relief

Now that Treasury Secretary Mnuchin has been confirmed by Congress, he will reportedly provide recommendations to President Trump for regulatory relief by the end of May or early June.

Tax Reform

The last US tax code reform occurred in Oct 1986 under President Reagan. For the record, the number of pages in the federal tax code has climbed from about 26,300 in 1984 to 74,608 as of the end of 2014 according to Wolters Kluwer. That is an increase of about 184% over that time period.

M&A Activity

1) First Merchants Bank (\$7.2B, IN) will acquire the remaining portion of IAB Financial Bank (\$1.1B, IN) for about \$251mm in stock, after purchasing 12% prior. 2) West Town Bank & Trust (\$280mm, IL) will acquire Sound Banking Co. (\$185mm, NC) for about \$24.6mm in cash (35%) and stock (65%) or roughly 1.4x tangible book.

Little Coverage

Banks that lend in earthquake areas of the country may be interested to know that the maximum FEMA grant after an earthquake is \$33,300 and the average grant awarded following a 2014 quake in Napa was only \$2,670.

Branch Technology

Research by Codigo finds the top areas where financial institutions are implementing technology in their branch network are: digital signage (59%), tablet kiosks (43%), interactive kiosks (28%), interactive tellers (27%), video conferencing (16%) and video walls (13%).

Payments Growth

For bankers keeping track of changes in the payments space, CNBC observes that the Dutch payments company behind Facebook, Airbnb, Spotify, Uber and Netflix reported transaction volumes surged 80% in 2016 compared to the prior year.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.