



# Thriving in the digital payments revolution

## A White Paper

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*Forrester Research*

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No business plans for obsolescence. Just think about movie rental stores like Blockbuster or brick and mortar travel agents. Change can seep in over time, or in today's fast-paced digital commerce world, overnight. The challenge is to adjust to the paradigm shift and remain competitive and relevant. That is where financial institutions find themselves today — at a crossroad.

Financial institutions, at one time the central facilitators of payments, find themselves in a rapidly changing payment environment today and confronted by all the various competitive digital payment and money movement offerings that are available in the market and directed at their account holders.

In addition to the preference of online access, much is at stake with consumers increasingly utilizing the mobile channel for additional convenience. In fact, the U.S. mobile payments market is projected to reach \$142 billion by 2019, up from \$52 billion in 2014, according to Forrester Research.

Fueling the transformation are the shifting demands of tech savvy account holders, especially millennials, a generation redefining many things including banking, who seek a consistent experience across all of their devices including PC's, tablets and smartphones.

Take for example PayPal-owned Venmo, a P2P payment service that enables users to conveniently make money transfers using a mobile device app or web interface. In less than five years Venmo went from a technology concept by two college roommates to a full-fledged business that processed \$1.3 billion in volume in one quarter alone in 2015 on the way to almost \$4 billion for the year. Comparable services including Snapcash on Snapchat and \$Cashtags also appeared to fill a void in the marketplace.



These P2P payment methods are trending high among millennials, as well as others, as popular ways to sidestep ATMs or share a restaurant bill. Another service, Square, which already disrupted the small business payments landscape by simplifying the card payment process, is working to do the same thing in the P2P space.

This disruption raises the question, what are banks and credit unions doing to compete?

In comparison, payment solutions offered today at most community banks and credit unions are dated and put financial institutions at a disadvantage as many transactions still process through the 40+-year-old ACH network, a batch-based system filled with codes, addenda records, with no transaction confirmation and no funds guarantees. In addition, it is a multi-day process often taking three to five days to process, not including weekends.

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As a response to this, the group that runs the ACH network announced it will spend the next few years creating a system of real-time digital payments and the Federal Reserve recently said it is working to speed up processing times. Unfortunately, it is just a Band-Aid approach to the challenge. By the time they act, how many other new payment mechanisms will emerge? It is comparable to the classic “buggy whip scenario” where, when faced with the arrival of the automobile, the buggy-whip industry continued to try to innovative its product instead of adapting to the new mode of transportation. As it turned out whips were useless when it came to horseless carriages.

Banks and credit unions need help now.

## Regaining Control of Payments

Digital payments are a big opportunity for banks and credit unions to retain their rightful spot as the facilitators of commerce.

To help in this endeavor newer FinTech players like Malauzai, Backbase, D3, Access Softek, VSoft, IBT and NYMUS to name a few have emerged to streamline multiple channel, modern day online and mobile banking services that offer a competitive advantage. For example, VSoft’s IRIS omni-channel platform enables account holders to conduct transactional and non-transactional tasks using the



device of their choice. Member Credit Union-owned technology and services provider CU\*Answers also writes technical applications to support multi-channel approaches for the credit union marketplace. Moreover, NYMBUS has also entered the market with a next generation all-in-one core processing system with single sign-on, combined with a modern user-friendly interface.

The fact that non-traditional banking entities do not come close to providing the same level of services, convenience and safekeeping of current accounts as banks and credit unions provides FIs with a real opportunity to compete. In fact, P2P services, such as Venmo often face criticism for lacking the robust security, consumer protections and support that banks and credit unions must provide.

While many consumers think digitization of the payments ecosystem will drive the financial services industry in a new direction that does not mean account holders are willing to hand over the banking keys to nontraditional payment providers just yet.

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According to a Raddon Financial Group consumer survey, nearly half of all consumers believe new providers will affect the financial space, but only 38% would consider using them. The data also indicates that consumers prefer traditional providers like banks and credit unions in the payments ecosystem as a whole.

## Take Advantage of Trust

As consumers' behavior changes, financial institutions require adaptable solutions. They need to and can provide consumers with a seamless experience across multiple delivery channels. Banks and credit unions can adjust to the new behavior for new payment methods.

So how do banks and credit unions stay relevant?



While the heavily regulated financial institutions encounter challenges from unregulated non-traditional vehicles, banks and credit unions still:

- Manage the accounts and the information
- Start and end payments
- Connect consumers and businesses
- Are trusted, regulated, insured and secure
- Have been in place for 100's of years and have proven themselves to the markets they serve

To compete better with non-traditional payment players, financial institutions need to evolve with the right technology to meet the changing needs and demands of the new digital world.

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The digital payment revolution, though disruptive, does not have to be a game changer for financial institutions, but instead be a game saver for those that respond quickly. To move forward banks and credit unions need to evaluate new solutions that take advantage of modern technology to create a safe, ubiquitous and faster payments experience. They should be looking into a single unified platform that reliably processes bill payment, P2P and A2A money movement transactions.

To succeed, it is very important that banks and credit union closely examine the money movement experience they currently offer account holders today. What kind of experience is it and how does it compare to consumer expectations? Is the payment process using a risk-free, good funds model? Is the branding and experience consistent across products? Does the platform extend to other future innovative solutions such as digital commerce? While non-bank competition will continue to intensely challenge traditional payment methods, there is a real opportunity for FI's to maintain control of payments. The right technology can level the playing field and ensure that banks and credit unions remain at the forefront in an ever-changing landscape.



## About Payveris

# “Payments in a Digital World”

Payveris is a next-generation provider of digital payment solutions, which features a single consolidated platform for electronic bill pay, account-to-account (A2A) and person-to-person (P2P) offerings designed to keep banks and credit unions at the center of commerce.

Along with our innovative technology, cloud delivery model and single platform approach to digital payments, our people set us apart from our competition. We bring extensive financial services industry experience to everything we develop, and we thoroughly understand your business. We focus on market trends and demands while continually enhancing our solutions to provide a competitive edge.

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Payveris can help your bank or credit union address the threats and capitalize on the opportunities involving the payments space and provide your bank or credit union with the emerging payment technologies to better serve the needs of your customers or members.

We look forward to demonstrating how partnering with Payveris can help you to better compete in the marketplace

For more information on how to modernize your payment capabilities to provide your customers or members with an enhanced user experience, contact Payveris at 860.372.4111 or visit **[www.payveris.com](http://www.payveris.com)**.