

# Innovative Business Strategies

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# Questions we'll address

- What are the most promising new markets for retail payments over the next five years?
- How have companies changed their corporate strategies in the last few years?
- How have companies altered their offerings to reflect changes in the economic climate?



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# **The Hedgehog On The Highway**

**How the payment and financial services industry  
often worries about the wrong things**

Ron Shevlin

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# Leading causes of hedgehog death

- 3) Cars
- 2) Insecticide
- 1) Hibernation

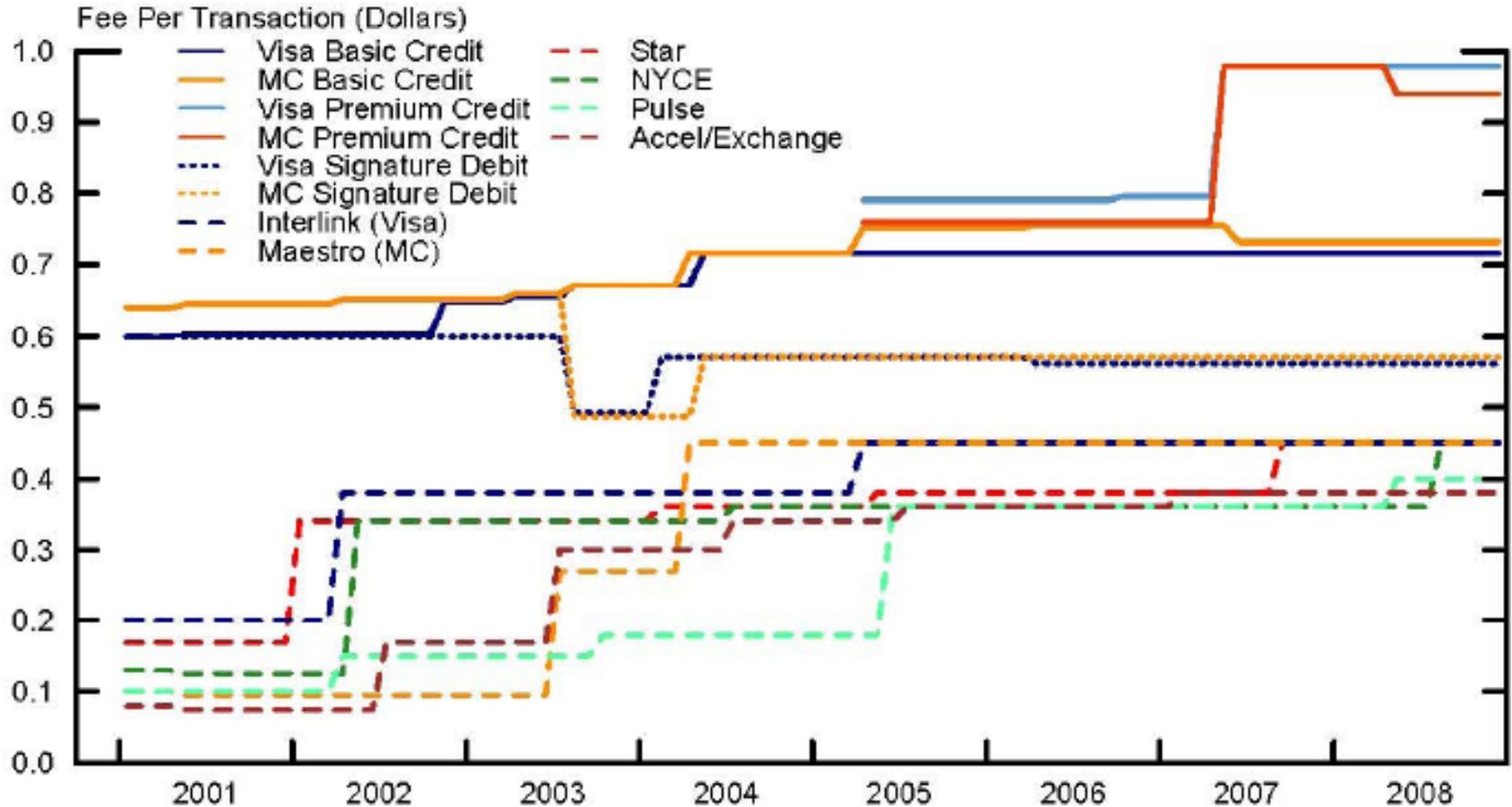
# Theme

**Financial institutions are  
mis-reacting to changes  
in the retail payments world**

# What do FIs mis-react to?

- Regulations
- Fraud
- Innovation

# Competition drives up interchange rates



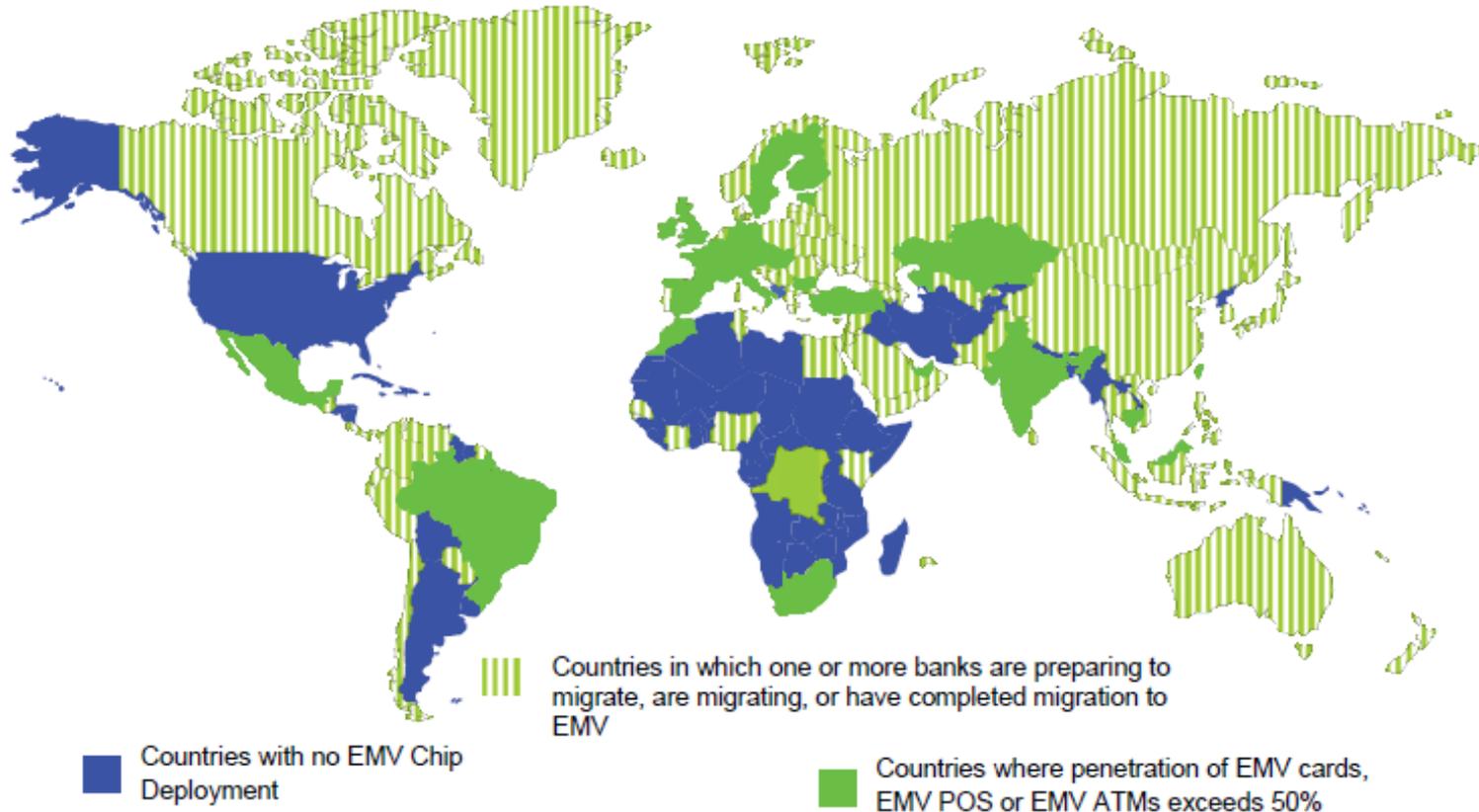
Source: Finance and Economics Discussion Series, Divisions of Research & Statistics and Monetary Affairs, Federal Reserve Board, Washington, D.C.

# What *should* FIs do?

## Delivering more value to merchants

- Good job:
  - Automated transactions/POS efficiency
  - Reduced fraud incidence
  - Reduced credit risk
- Needs work:
  - Multi-channel (mobile, eCommerce)
  - Marketing (analytics, efficiencies)

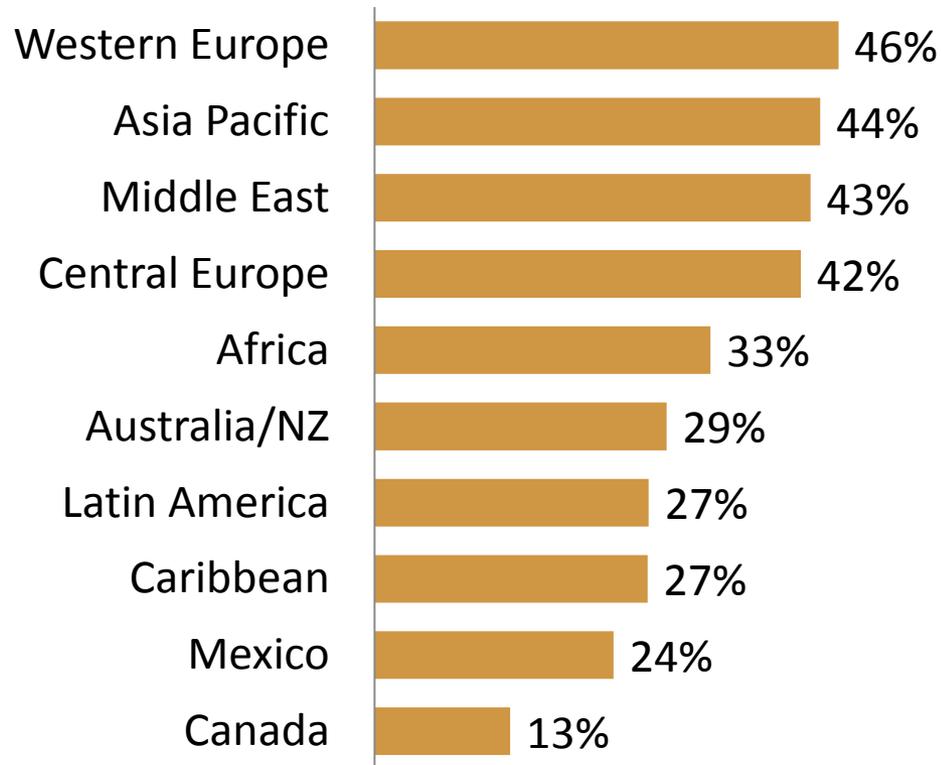
# FIs say they have a better fraud mouse trap



Source: Richard Detura, Managing Director, Citigroup Global Consumer Fraud Risk Management

# US cardholders face card issues in Europe

Incidence of Card Problems by Region (n=781)



## What *should* FIs do?

### Keep the “pay anytime/anywhere” promise

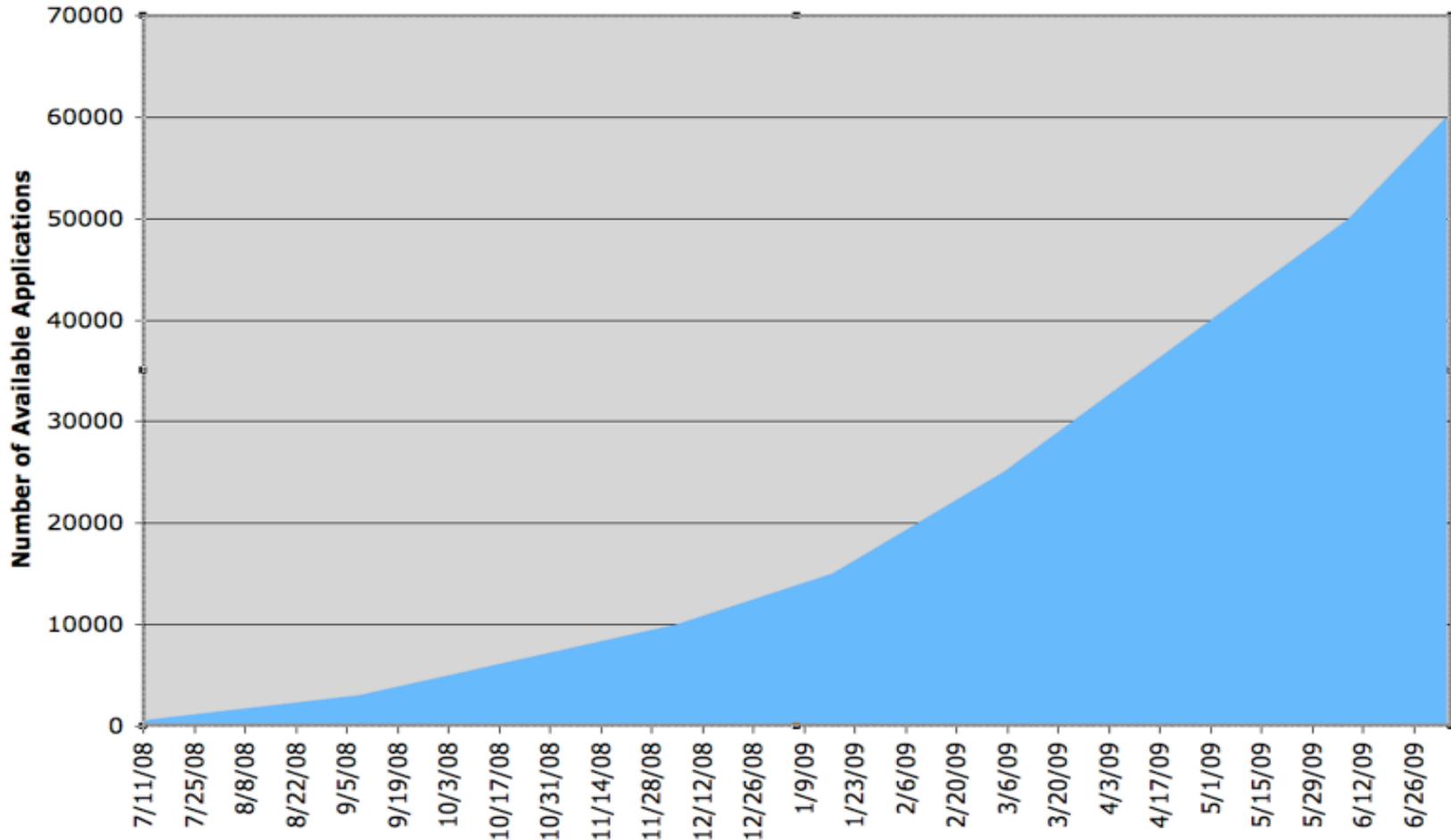
- It’s not just about who has the better mouse trap and catches the most fraud
- It’s about preventing fraud from undermining institutions’ promises to their customers

# FI: Obsessed with in-house innovation

- Institutions tend to think about innovation as a homegrown effort
- The open platform development concept has yet to be embraced by the industry at large

# Open platform strategy: iPhone apps

Number of iPhone Apps over time



# Paypal leads the payment industry with its open platform for developers

The screenshot shows the PayPal X Developer Network website. At the top left is the logo "PayPal X Developer Network". On the top right, it says "Welcome Guest | Login" and a "REGISTER" button. Below the header is a navigation menu with "Home", "Dev Tools", "App Showcase", "Global", and "XSpaces". A search bar with a "SEARCH" button is also present.

The main content area features a large banner for the "PayPal X DEVELOPER CONFERENCE INNOVATE2010" held from "October 26-27" at "Moscone West, San Francisco". A "GET MORE INFO" button is located at the bottom of the banner.

On the left side, there are four news items:

- PayPal X Innovate 2010**  
Dates Announced!
- PayPal X Developer Spotlight**  
MyStoreCredit
- New Mobile Payments Library**  
Get Paid!
- Check it out!**  
IBM Cloud BETA

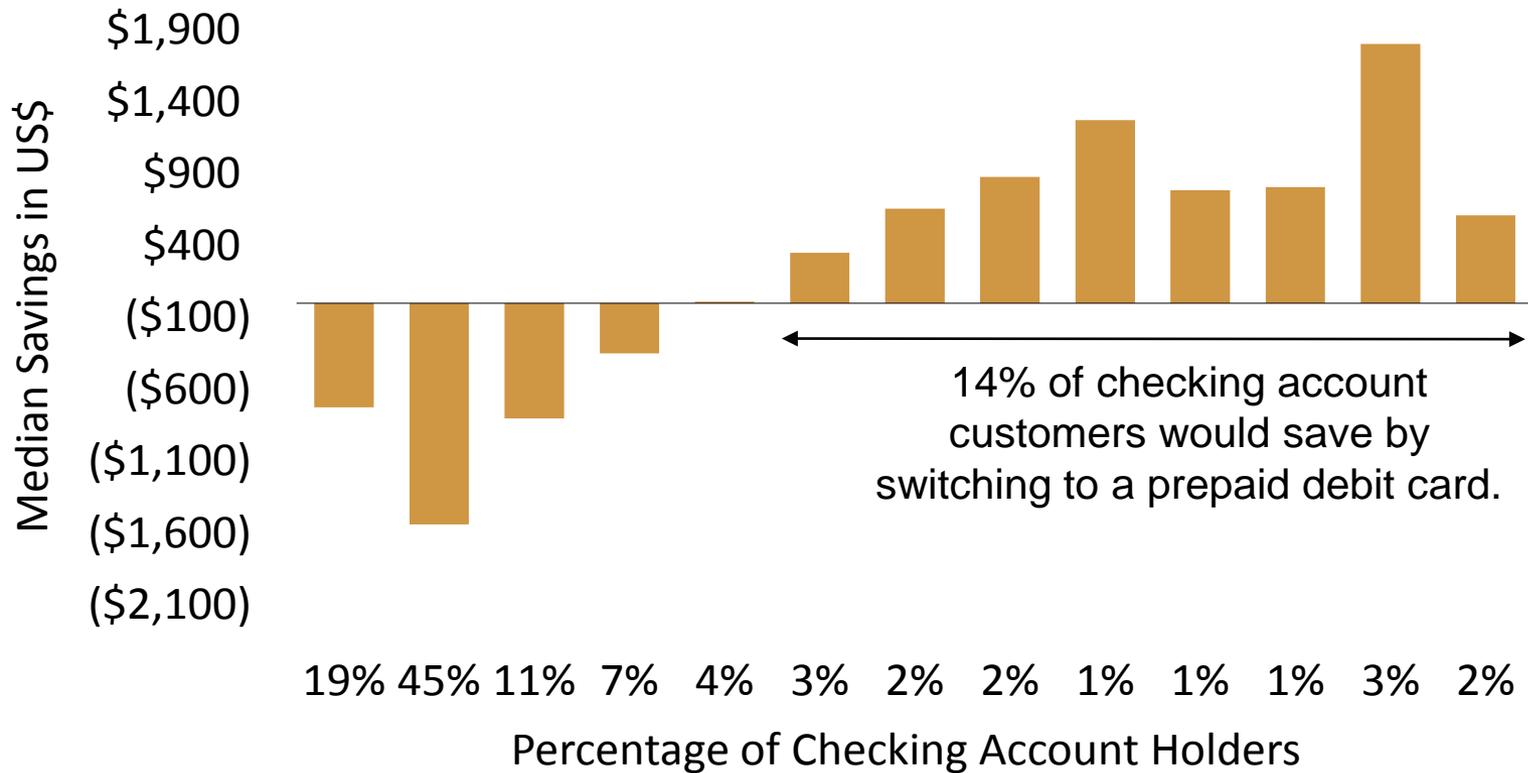
On the right side, there is a "Get Started" section with four main categories: "Learn", "Build", "Connect", and "Launch". Below these are two links: "Read the latest newsletter" and "Send us your feedback".

# **What *should* FIs do?**

## **Improve industry economics**

- Leveraging technology innovations through partnerships, networks, and communities
- Integrating product innovations like procurement and prepaid cards

# Potential savings for switching to prepaid debit cards



# **What *should* FIs do?**

## **Improve industry economics**

- Leveraging technology innovations through partnerships, networks, and communities
- Integrating product innovations like procurement and prepaid cards
- Capitalizing on social media and technologies

# Looking ahead: Innovative strategies

- Strengthening the FI/merchant relationship
- Repairing the FI/consumer relationship
- Improving the economics of the industry





# Aite: Partner, Counterpart

Aite Group (pronounced eye-tay) is an independent research and advisory firm focused on business, technology and regulatory issues and their impact on the financial services industry.

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