

BankingDay

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Payments proliferation stretches resources

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Meeting the banking expectations of Generation Y is causing the financial sector a dilemma, forcing it to offer mobile banking, online banking and in-branch banking to meet client expectations, while simultaneously fending off payments' competition, particularly in the peer-to-peer space.

While the banks wrestle with the need to offer multiple different access points, an AIIA financial services briefing on Friday heard that, internationally, banks would face a "perfect storm" in terms of market disruption if Apple does, as rumoured, launch a new iPhone with embedded NFC (Near-Field Communication) and forge a deal with PayPal.

Rod Farmer, director of research and strategy for Mobile Experience, said the fact that the iPhone platform was open would make it a much bigger threat than Google Wallet, which is tied to MasterCard.

Farmer said that when devising strategies to meet the expectations of technologically savvy users it was important that banks integrate their mobile platform with their online banking system and the in-branch experience, to deliver "experience roaming", which allows customers to "engage on one channel, continue on another and complete on yet another."

However, for some banks at least the branch doesn't feature in their plans for the future at all. For example, Andrew Henderson, chief information officer of ING Direct, said: "We are not seeing in our model any need for branches."

But, Andrew Davies, program director for Westpac, said: "Gen Y absolutely needs branches – they are very receptive to branch advice. It's a furphy to think they would only transact on the internet." Although, he said, the role of the branch was changing as it became more of a location for advice than for product sales.

The role of banks in payments systems is also changing as a result of technology, with peer-to-peer payment systems such as New Zealand's Pago, part of the PayCheck offering; Facebook credits, and alternative virtual currencies such as Bitcoin gathering steam.

According to ING's Henderson: "The question for me is whether payments is a core system for a bank." However, banks could not afford to ignore the issue. "What Facebook credits could do to cash is what online banking is doing to the branch," he warned.

Speakers at the event were critical of the slow progress of the Mambo initiative, a coalition of the major banks and BPay, which has been working on a hub-based retail payments system that would see individuals assigned a BPay number allowing peer-to-peer payments.

Farmer said that Mambo had now been "leapfrogged" by clearXchange, which was launched in the US, in May, by Bank of America,

JPMorgan Chase and Wells Fargo. The system lets the three banks' customers move funds directly from their existing cheque accounts using an email address or mobile phone number.

Henderson said that Australian banks were more focussed on investing in their core systems' revamps and new infrastructure than on alternative payments systems. But speakers warned that the entry of new, non-traditional players into the banking space could not be ignored. They singled out iTunes, which has been canvassed as the basis for a payments system from next year, a potential "giant-killer", according to Farmer.

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