



Elizabeth McQuerry, Glenbrook Partners

Payments Innovations

What Role for Money Transfer Companies?



IMTC West 2013

Conference Day One – 10:05 - 10:30



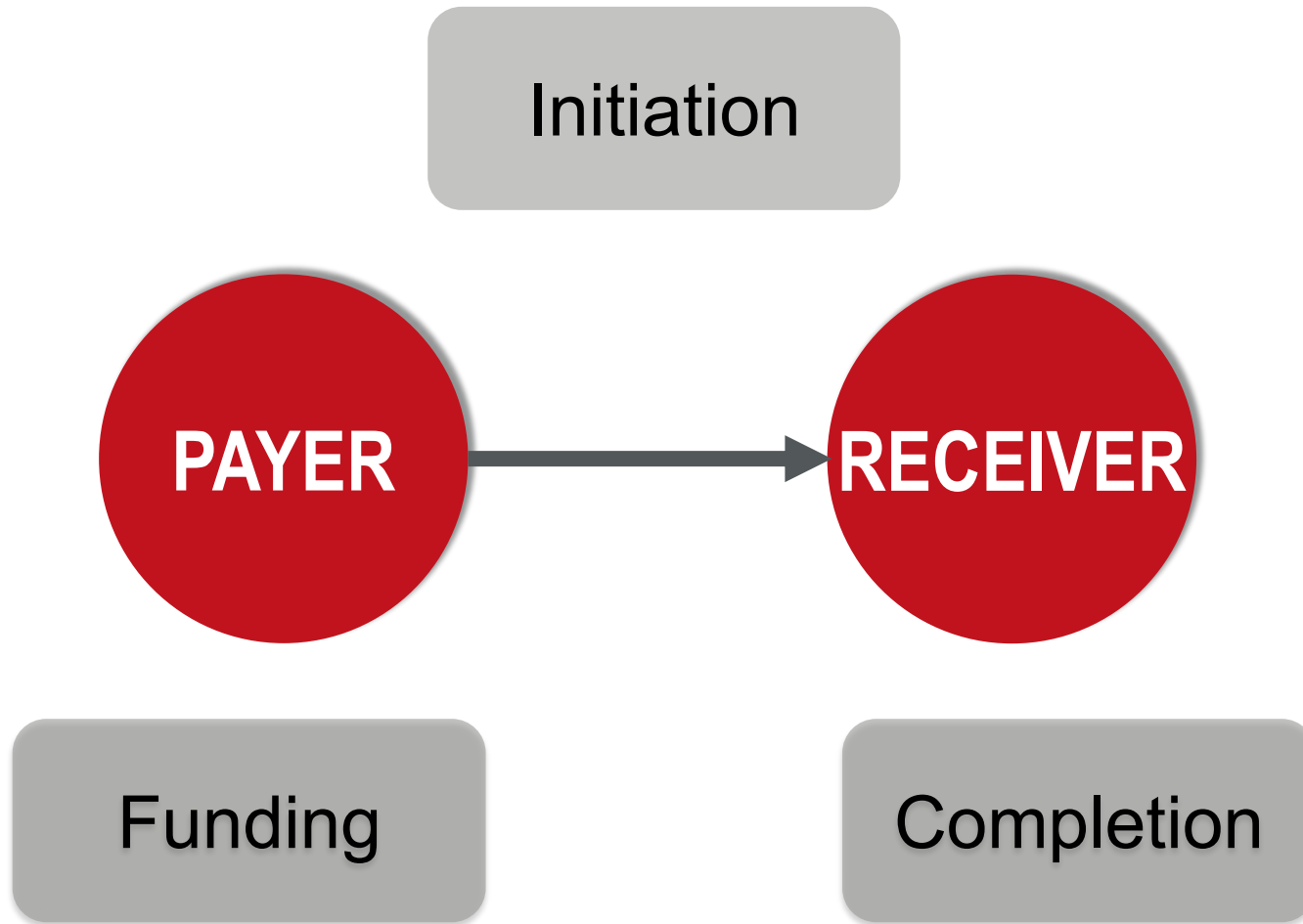
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Payments Innovation: What Role for Money Transfer Companies?

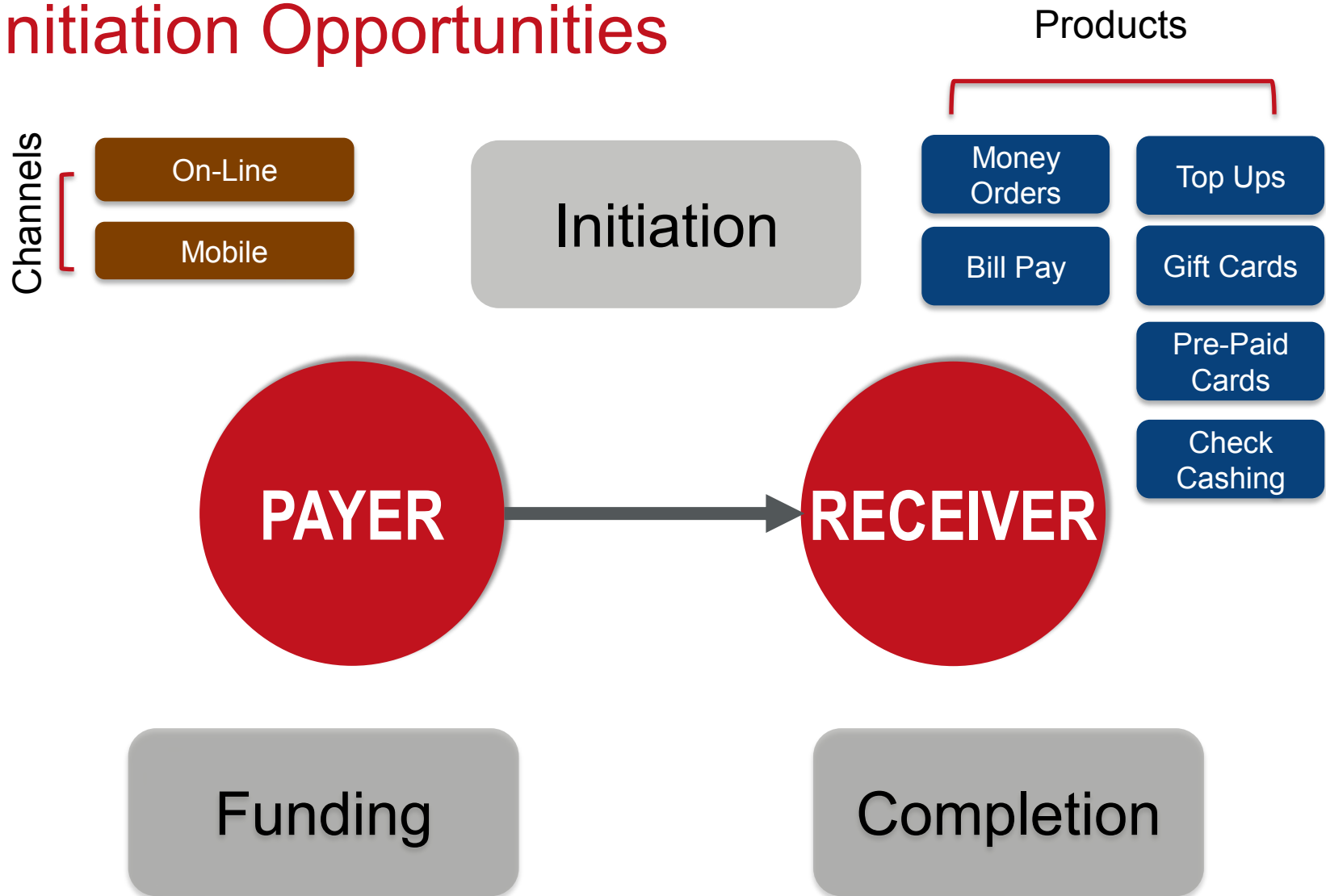
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IMTC-West – April 4, 2013

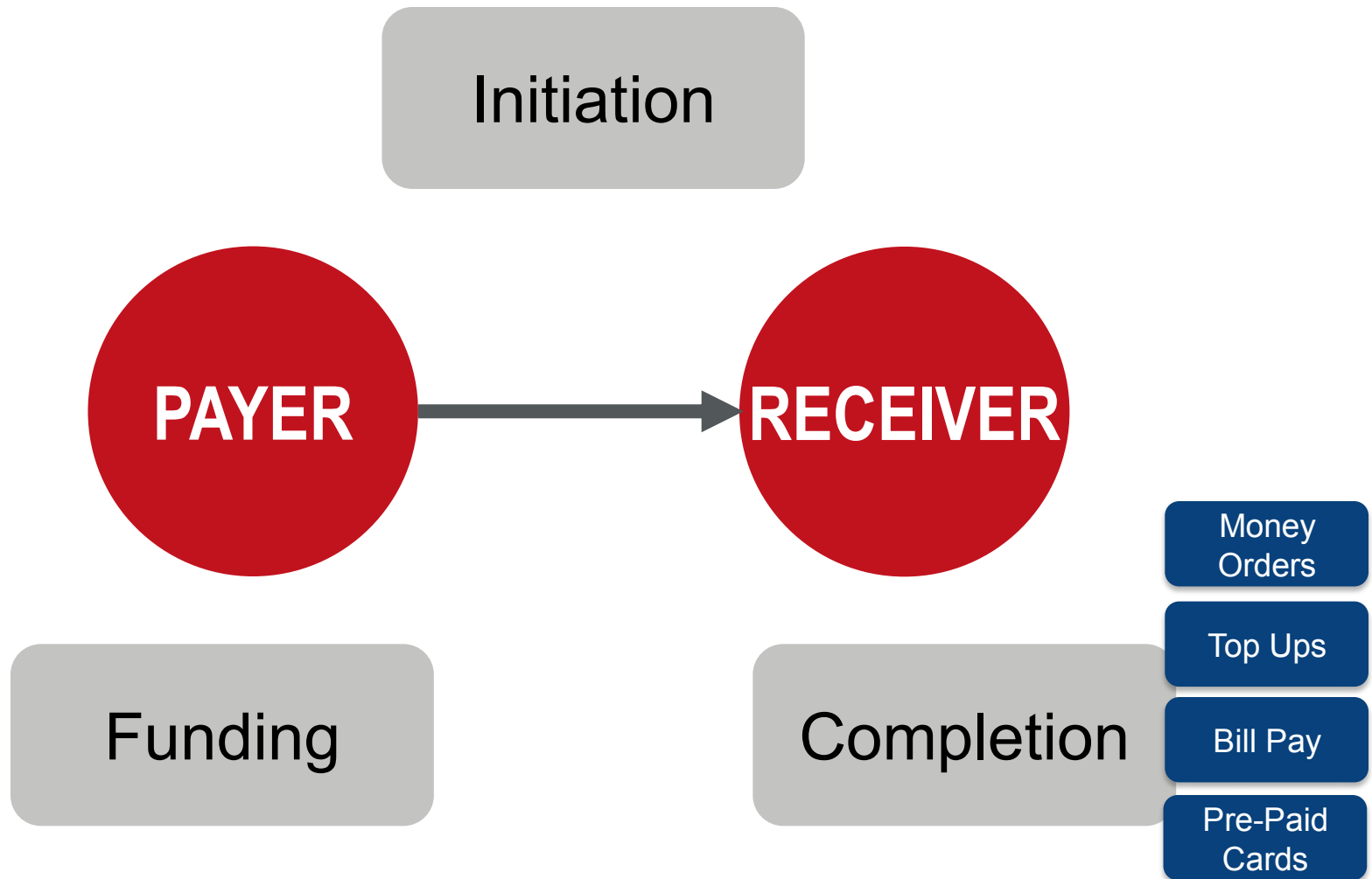
Points of Innovation



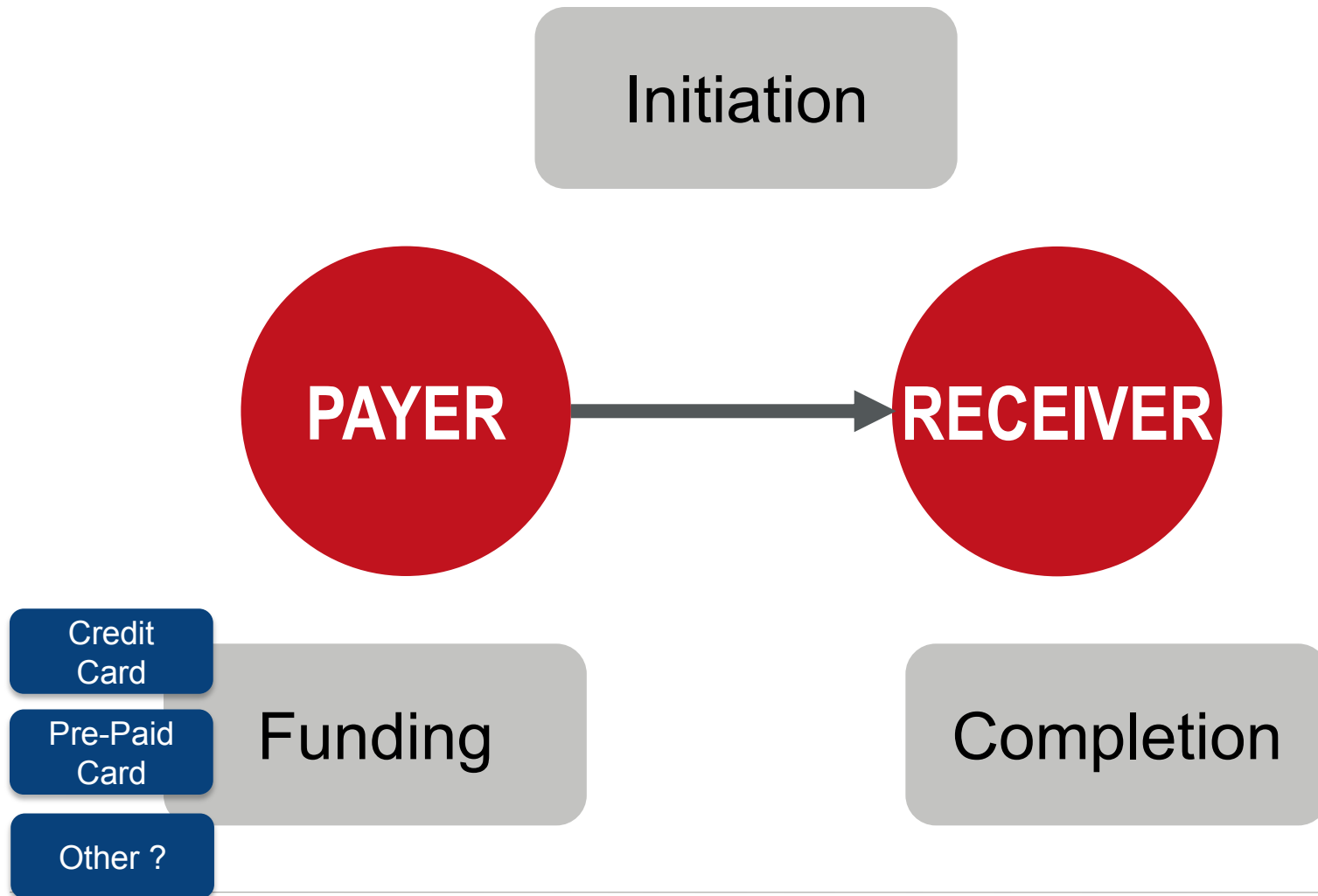
Initiation Opportunities



Completion Opportunities

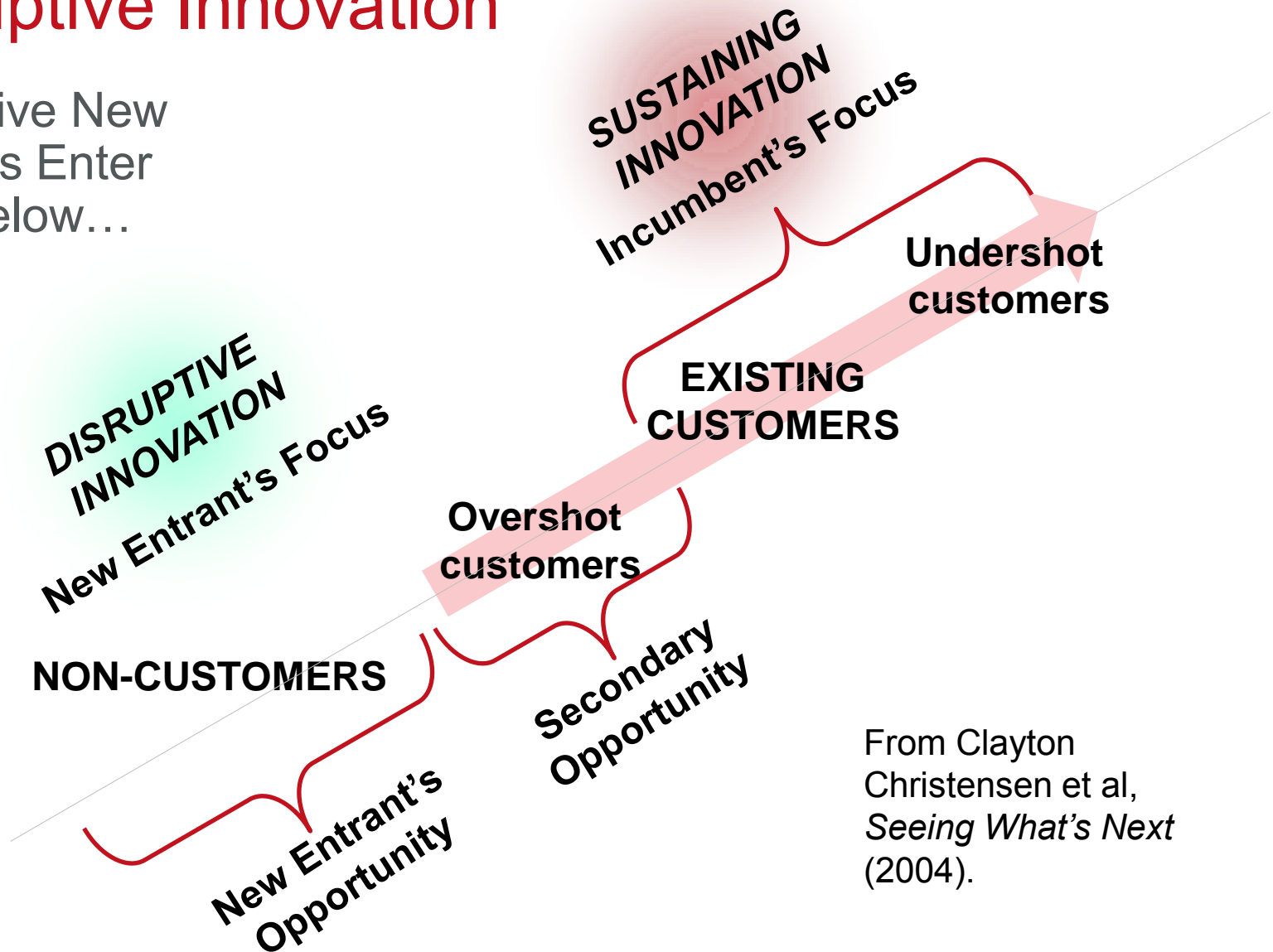


Funding Opportunities



Disruptive Innovation

Disruptive New Entrants Enter from Below...



From Clayton Christensen et al, *Seeing What's Next* (2004).

Sustaining vs Disruptive Innovation

Important Differences

- Sustaining innovation is what incumbents do every day
 - Pay attention to their best customers, attempt to serve them better
- Disruptive innovation comes from new entrants
 - Initially pursue opportunities with unserved – or over-served – customers of incumbents
 - Enter with a “minimally viable product” – a point solution -which incumbents typically disdain for many reasons resulting in them often ceding the unserved customers to new entrant
 - Often cheaper, but also less functionality

Disruption Barriers – Implications for Payments

- Point solution – Minimally Viable Product
- Momentum – how to scale
 - Convenience, incentives for consumers adoption
 - Bringing consumers to merchants to increase spend
 - Classic “poultry” problem
- Technical implementation
 - Minimize implementation details, simplify
- Ecosystem – harder for payments
 - Regulatory compliance
 - Operating rules of payment networks
- New technologies
 - Why, and how?
 - Is new technology required?
- Business model
 - Who pays?



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Innovative Areas

Wallets

- Mobile Payments
 - Mobile is about making payments easier
- Mobile Commerce
 - New revenue streams will come from merchants, consumer product manufacturers, and to a lesser extent (if at all), banks

“Ask not what mobile payments are, but how payments fit into a mobile world....”

Qualcomm - BurgerKing

- Via the BK Mobile Crown Card, consumers can pay for their purchases using an Android or iOS-based device by scanning a QR code placed on counters or drive-up windows of participating Burger King restaurants
- Linked to gift card balance



BURGER KING WELCOME TO BK®

Thanks for downloading the BK® App!

This app allows you to purchase and use a reloadable BK® Crown Card on your smartphone.

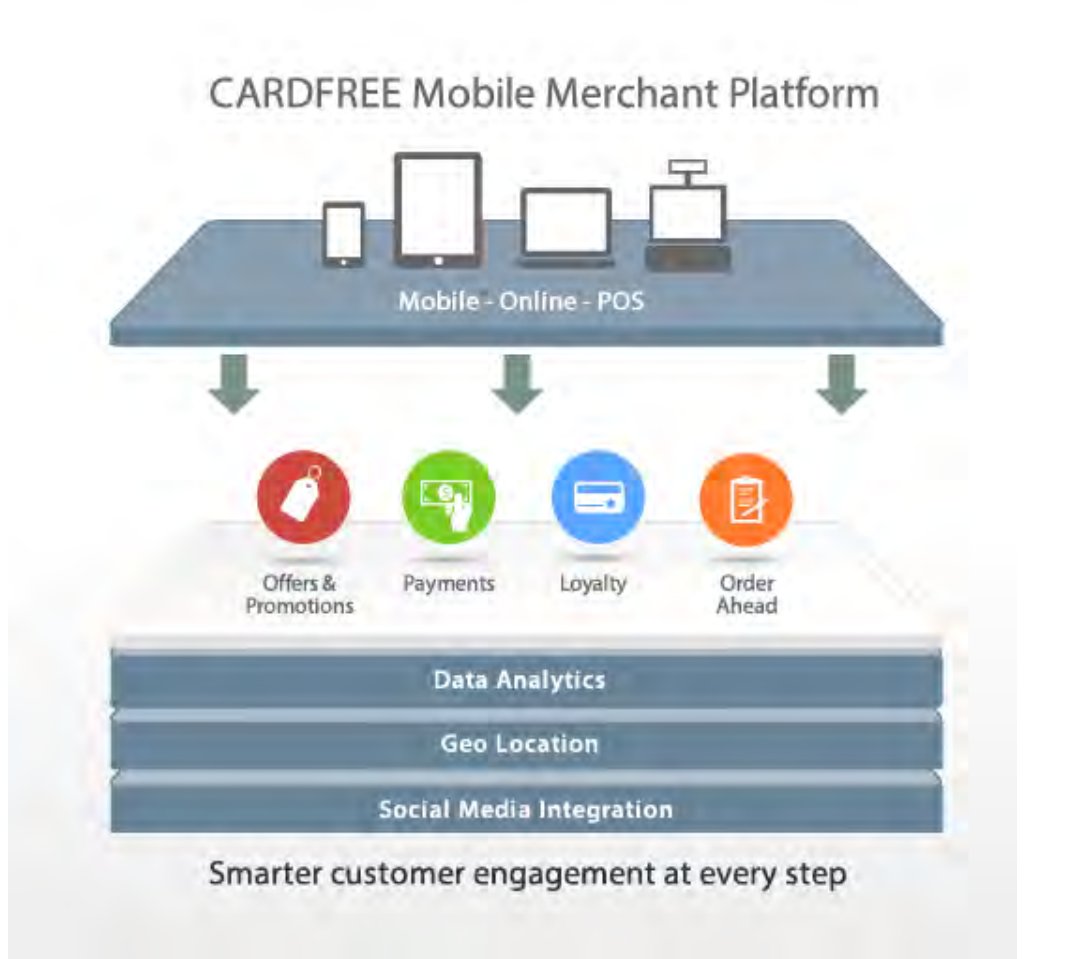
To pay, just scan the BK® QR Code at the register and you're finished!

Valid at participating Salt Lake City/Wasatch Front BURGER KING® restaurants only.

SPECIAL OFFER
For a limited time only, new users can purchase a BK® Crown Card for 50% off!

Back Sign Up

“Off the Shelf” Wallet Options

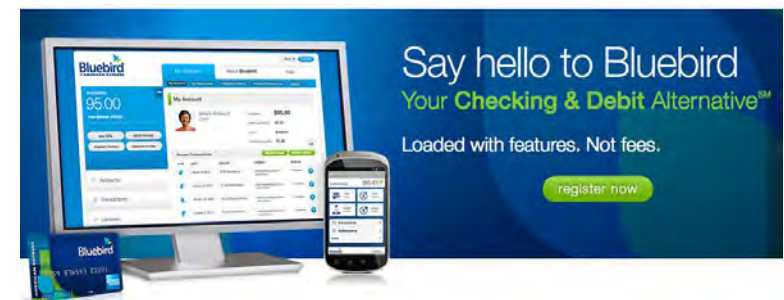
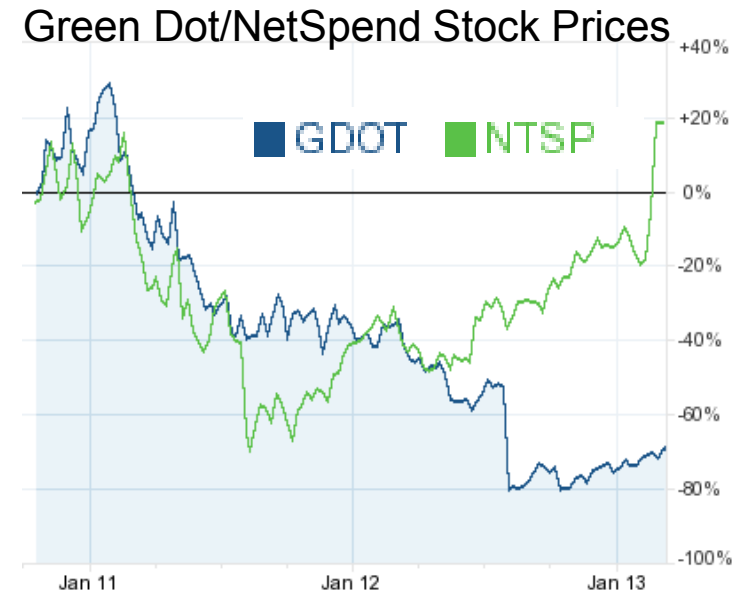


Pre-paid

Ups and Downs in a Strong Market

AmEx Bluebird expanding beyond mass affluent customer base to unbanked and “unhappily banked”

- As of January, 575K new accounts
- 85% are new to Amex
- 45% are < 35 years old
- Consumers have loaded \$275 MM into their Bluebird accts in < 90 days
- 30% of funds loaded via payroll direct deposit (up from 15% when product first launched)
- “Good proportion” of funds used for electronic bill pay, indicating solution is accepted as a viable DDA alternative

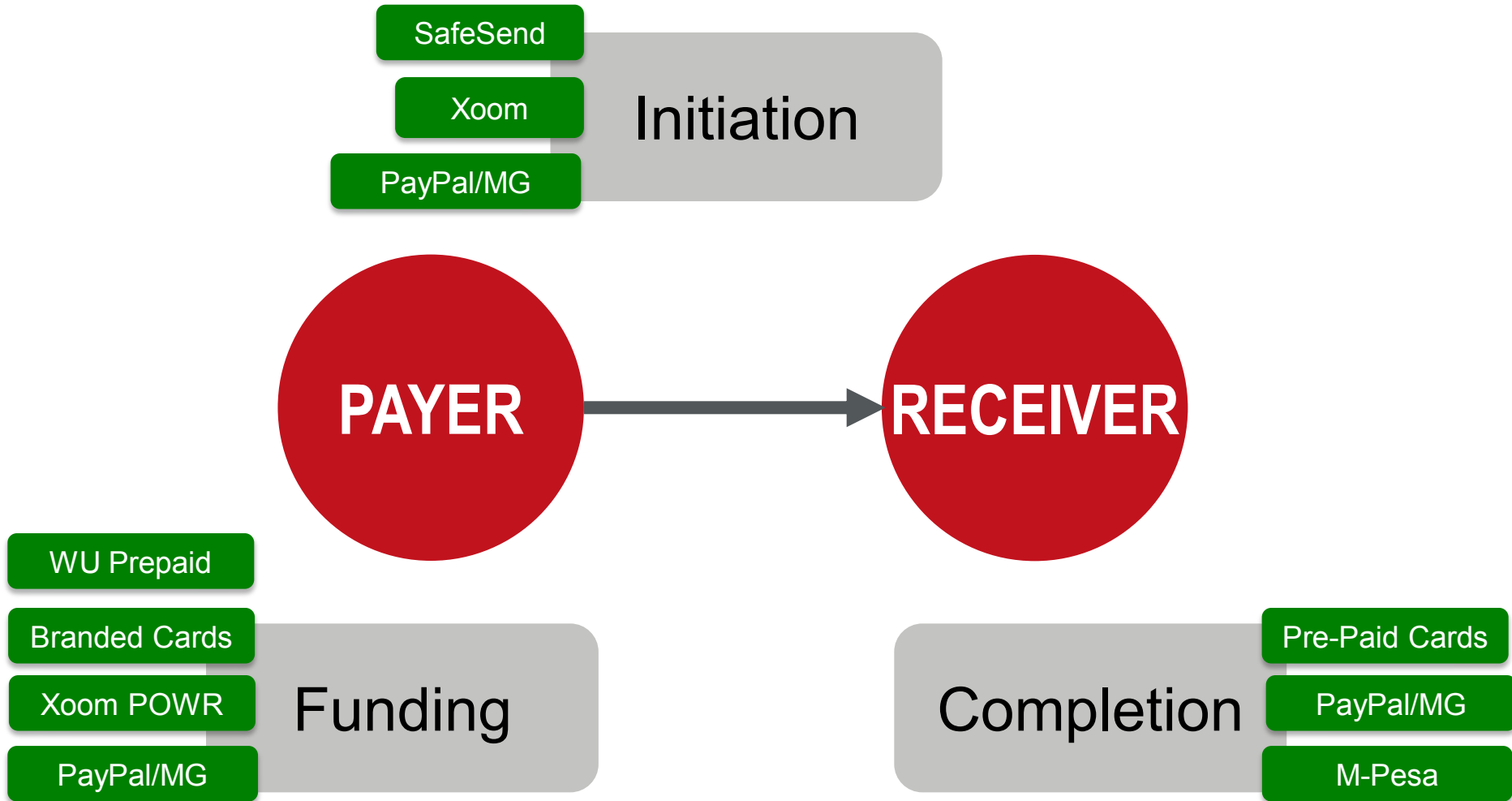


Open Loop Prepaid Business Model

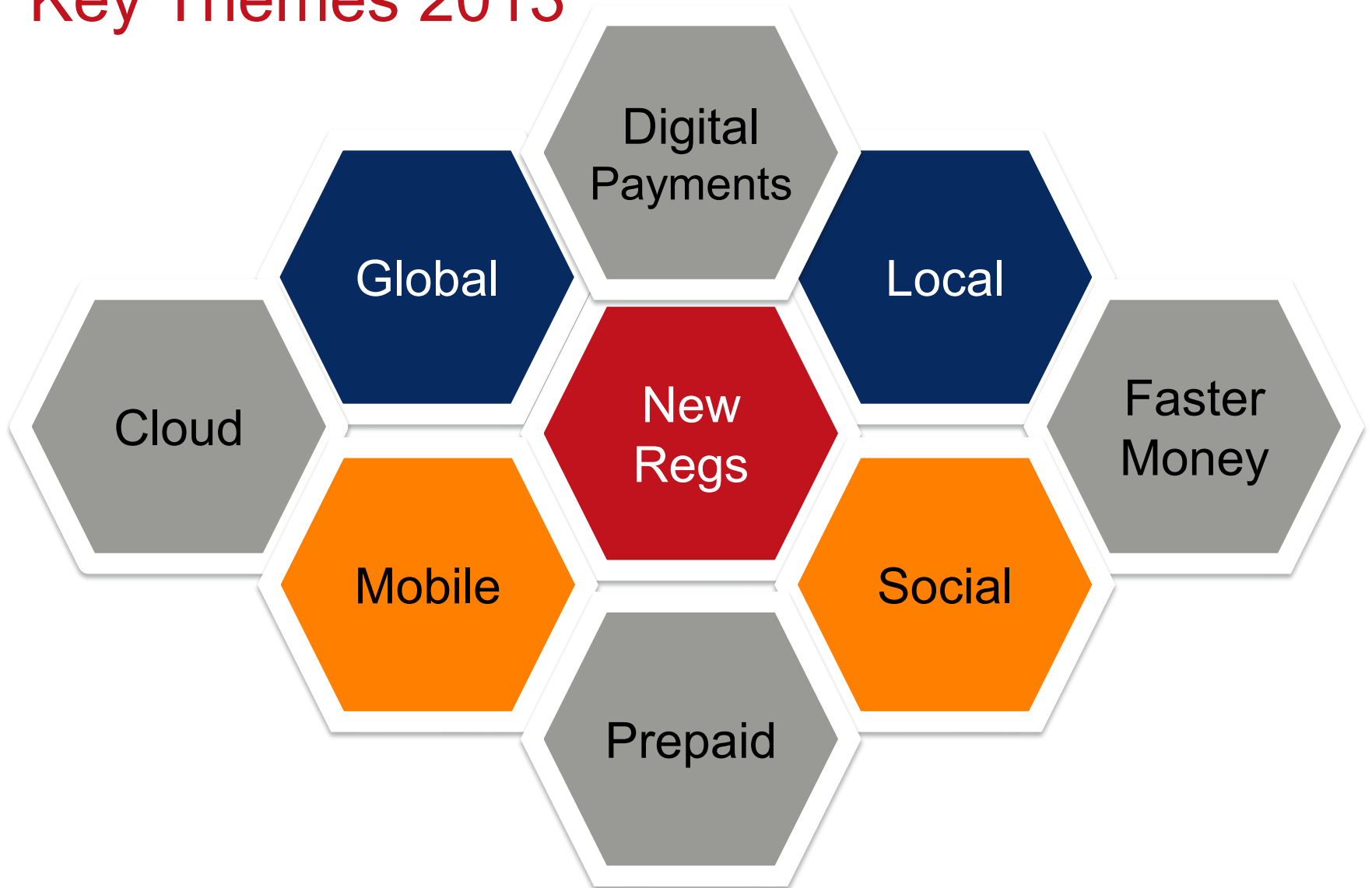
- Most revenues flow to Program Manager
- Sources of revenue
 - Card/load fees (paid by cardholder) – dropping rapidly
 - Monthly and other fees (paid by cardholder)
 - Interchange (paid by merchant)
 - Net Interest Income on balances (from bank)



Innovation Examples in Money Transfer



Key Themes 2013





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Payments Consulting, Research, and Education



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