

Victor Pascucci

Victor Pascucci:

Good morning everybody. Thanks for having me here today. Once again, I am Vic Pascucci from USAA. Couple of things that I am here to talk to you today. One, I want to introduce you to USAA for those who are not familiar with our company or don't have an infinity with the military, you might not be familiar with us, let you know how we see the mobile environment and finally talk to you about how we have innovated in the mobile environment with mobile technologies in order to serve more members and meet more needs. That last phrase, "Serve more members and meet more needs" in the title, the relevance become a little more apparent on the next slide.

So to talk about USAA industries or USAA, unless you know what our mission is, you really can't understand anything about us. We are a mission-based organization. Our mission is to facilitate the financial security of our members by giving them a full range of highly-competitive products and services and being a provider of choice for the military. I work a lot a with our -- [break in audio] -- and they did a great job. They make it real simple for even guys like me to understand, it boils down to two things. We have to serve more members and meet more needs. Everything we do is about serving our members and meeting their needs.

You know, like I said before, we are a mission-based organization. We are different than any, I say any other company out there. Nowhere in their mission do you hear things about shareholders, or about return on profits or quarterly returns or margins. We are about a mission. We are privately held; we exist to live up to this mission and to carry it out. You know we serve a particular niche; we serve the military. We are not serving the mass market. We set ourselves up and we revolve around their particular needs and make sure that they get served. All decisions we get made in our company start with this. Every major briefing in the company, every small briefing in the company starts with this. It is part of my job in enterprise transformation we look at kind of what is next or how are we keeping up with member needs. And my job is real simple, there is nothing complicated about it, kind of a pretentious title, Office of Enterprise Transformation, it just means serve more members, meet more needs. What are we doing in technology to make sure that we are serving more members and meeting more needs?

We look at our success, our matrix of success on whether we are the provider of choice for the military. Are we providing them the financial products and services that they need? You know, it is to the point that if we didn't really believe what we were doing, if we didn't believe that we were serving our mission, we wouldn't be around. Because if there is literally someone out there that serves the military better than us in the financial area, we would gladly give them that responsibility.

So as far as who are more, you know, "We know that what it means to serve" is kind of a tag line and you see it in a lot of our materials, and we know what it means to serve, because we, like I said, were founded to serve the military. We were founded by, in 1922, by a group of officers that couldn't get insurance anywhere else because guess

what? Nobody wanted to insure someone who moved every six to nine months. Oh and by the way, they got shot at for a living and risked their lives for this country.

[laughter]

So, you know, for an insurance company, not a real good risk, but they banded together to insure each other. From there we went into obviously other aspects of financial products and services, investments, banking. Now, we are serving 7.4 million of America's military community, which are basically the military and their family members. We do things differently to serve them. We write insurance policies for 19-year-olds sitting in foxholes. It's a real sobering thing to listen to our member services reps calls and listen to them with mortar fire going on in the background. So that's what we are there for.

Some of the other kind stats that are up there about Fortune 200, there's Fortune 100. That's the usual kind of stats. The things that we are excited about that make us happy are customer service awards that we get. And within USAA, no one is going to use the word customer, we use the word member because our members, they are members; it is a membership, an honor. They serve this country; we serve them. It is something that is passed down from generation to generation. You know, we are -- I think it came out last week, we went from number one to number two. Our social media outlets will be on fire for the next week screaming and yelling about, no, we got robbed, recalculate the numbers, that can't be true. We usually bounce from one to two on things.

Our internal metrics on how we challenge ourselves for member service satisfaction, we are at 98 percent plus. People aren't happy with that because there is no reason that every member shouldn't be 100 percent satisfied with what we do. You know, one of the things that I guess we are most proud about on top of our financial services, we saw banks crumbling left and right and that same year we had our most profitable year ever and actually returned \$1.2 billion to our members. So what does all that mean to mobile? How does all that apply to mobile? Well, this is a picture of one of our events on one of the bases, actually in Texas. But we've got 7.4 million members to serve, and we do it from one location. We are in San Antonio, Texas. We don't have the traditional branches. We don't have agents. We don't have someone in every corner. We serve them all; we serve them all from essentially one location. We have to innovate to mobile. If we don't, we're not going to be able to serve more members and meet more needs. We can't live up to our mission unless we do these types of things.

We have a very mobile membership as well. They move around all the time. They are being deployed left and right, they are given different assignments, they are changing bases on a very irregular and sometimes regular schedule. So our membership is mobile and we have to serve them from one particular location.

So what I'd like to do next is going to give you an idea of some of the statistics we use when we're looking at the mobile environment to see what is going on and how we can serve more members and meet more needs. Kind of the sobering fact is in eight quarters,

the iPhone and the iTouch does all of AOL, NTT DOCOMO and Netscape couldn't do in 20 quarters. So in eight quarters, they do what the biggest providers in the world weren't able to do in 20 quarters, right. What does that mean for us? We pushed very aggressively into the online space. We were one of the first financial providers out there, and that means that we have to push even farther into the mobile arena. Another interesting chart, 5,000 percent growth in traffic, in data traffic, in over three years. I am not a mathematician, not into stats but to me a thousand percent here, a thousand percent there, and I think there is a trend, let alone do it in three years. Our members, what do they want? They want their financial data always and really accessible.

Consumer demand, you can see it in the slide, notebooks, desktops up. You know, their traditional -- I am sorry, your traditional desktops going down, you know, feature phones swinging down, iPhones and your smart phones going up. So you can see the consumer trend in that.

U.S. mobile banking adoption, you have a 58 percent -- this is from our friends at Javelin as well, thank you -- 58 percent increase, obviously, this is what the consumer wants. Our members want it even more, and I will show you some stats on that as we go along.

Industry supplies, so what are the telecoms doing? Where are they at? Look at how they are making money. They are making money on data service plans, not their traditional ways of what they did before. As far as bandwidth growth, well, what do people want? Cable broadband? Yeah, kind of. What they really want? Look at the hockey stick on mobile. So very telling trends as to what they want to be. The important thing is that this is without 4G, right? This is just on old technology, what is considered old now, 3G technology. What is it going to mean at higher speeds? I mean, you can see the investments that the industries are making accordingly.

iPhone app growth, right, it wouldn't be a mobile conference unless you talk about the iPhone, right, so you have to talk about it. Three billion apps in about three years. A billion in 14 months. Once again, I am not a statistician, not a marketing guy, but a billion here and a billion there, and I think you got a market. I think you have a trend. This is 3G versus 4G in your face.

[laughter]

Expectations will go up; people will expect this. This one works. I like the [unintelligible] better, but this one is more impactful. How do you couple this with serving more members and meeting more needs?

So our challenge, what we have to deal with, is what do members want? Here is our members; they are scattered everywhere, like I said. We've got one location over there, so how do we get to that. We have 550 million member contacts just in 2009 alone. So our solution in the banking arena was remote deposit capture. Some of you have heard about this craziness, some was talked about in the beginning with snapping the check with your phone. That was actually us.

So we started with the positive home, took a scanner, desktop connectivity, we would treat that as good funds. In August of 2009, we came out with our iPhone application that allowed you to take a picture of the check with your iPhone and treat it as a deposit. We have had \$250 million already just within a hundred and fifty days of rolling it out.

Now, the interesting thing is that some stats came out just last week that of the people using mobile banking, fifty nine percent would use RDC, remote deposit capture, if it was available to them. The stat for most of the people out there. They are saying it was Mercades [spelled phonetically], one of the consulting groups. They expect a hundred million checks to get displaced this year and 1.5 billion checks to get displaced by 2014. So what does that mean for us to serve more members and meet more needs?

Some of the quotes, people said that they didn't know what they did without remote deposit capture. It was like they didn't have a cell phone. We will give you a brief video on some of the coverage and what other people are saying about remote deposit capture.

[begin video]

[music playing]

Female Speaker:

Well, you soon may be able to deposit your checks with your new iPhone, huh?

Male Speaker:

Skip the bank; forget the ATM; look no further than your iPhone.

Female Speaker:

Also making headlines today, it could give direct deposit a run for its money. U.S. [spelled phonetically] --

[break in audio]

Female Speaker:

An iPhone application is taking banking to the next level.

Male Speaker:

Be your own bank teller. USAA has a new app for the iPhone that would allow customers to make a deposit from anywhere.

Male Speaker:

This is great. I do hate going to the bank.

Female Speaker:

And then you send it in, and it will go straight to USAA's deposit-taking system.

Male Speaker:

Customers will then be told to file or discard the check, because the deposit will be handled entirely electronically.

Male Speaker:

And what do you do with the check?

Male Speaker:

Nothing.

Female Speaker:

Keep it for your files.

Male Speaker:

With 30,000 downloads already, it's a convenience whose time has come.

Male Speaker:

We have now created a bank in everybody's pocket.

Male Speaker:

Whether you are on a boat in the middle of the ocean...

Female Speaker:

From ball fields to PTA meetings, neighborhood gatherings...

Male Speaker:

Or in a tent in Afghanistan...

Male Speaker:

From the office, a restaurant, even overseas.

Male Speaker:

Anywhere you happen to be where you have a WiFi signal or a cellular signal...

Female Speaker:

And have access to that money, in most cases, in less than two minutes.

Female Speaker:

And the concept for this technology was developed right here in San Antonio.

Male Speaker:

Other banks are watching to see if the app might work for them. Nice, right?

Female Speaker:

Yeah.

Male Speaker:
Just take a picture of your check; instant money.

Female Speaker:
I don't know. I'm still a little bit --

[speaking simultaneously]

Male Speaker:
You don't trust technology quite that much.

Female Speaker:
Hmmm, interesting. Amazing stuff, huh?

Female Speaker:
That's a good one.

[end video]

Victor Pascucci:
So that's a little about the coverage we have had with it. We've got to, like I said before, serve more members, meet more needs. Not everybody has an iPhone, not everybody's got high speed connectivity, so what do we do? We have low bandwidth alternatives. So some of those guys and women out on ships, guess what, they are still stuck on not even barely a dial up connection to do their banking. So we got low bandwidth for them. It also can get on the future phones as well, if you can get to the mobile Internet that way. Additionally, we've got an application itself just for the future phone so that people can handle their banking, no matter where they are, no matter what their capabilities are as far as technology.

So our mobile banking adoption, us versus the rest of the industry, consumer adoptions at 14 percent. We get 900,000 weekly logins; last year we had 27 million logins to date. Mobile users, 81 percent are using Smart phones; 35 percent are using our phones. I am sorry, iPhones. Are we stuck? Gee, I am sure it is user error.

What's next? Well, actually, in order to serve more members and meet more needs, rolling out another applications, other platforms, providing we get the member experience right but these are things that are eventually going to be coming out. The next thing that we will be doing is to make sure it is voice enabled, because we are making sure that people are actually driving when they are supposed to be driving and not trying to thumb out so that they can talk on their phone and handle their applications so that I can pay my Amex bill. We will have speech recognition to handle it.

Our iPhone success to date has been -- we are one of the only number one rated financial apps that are out there. It's an app favorite. We've got over 250 million, [unintelligible]

over a 150,000 members depositing checks and over 390,000 downloads that are out there.

Some of the things that you will see next are part of our application is that we will have social media links, because our members want it to interact with us mobily, so they will be able to connect to our YouTube videos or My Space. We have more friends online than any major record label almost. It is kind of amazing people that follow us on these things. Then if we have time, I have a demo on how the application works.

[begin video]

Female Speaker:

You soon may be able to forget about running to the bank to deposit a check.

Male Speaker:

Yeah, use your new iPod or cell phone. Tonight, Fox 13's consumer [unintelligible] is going to show you how this new iPhone technology works and why some say there is a reason to be concerned about this.

[music playing]

Eric Seidel:

From cell phones to netbooks, advances in technology put convenience at your fingertips.

Burt Cooper: [spelled phonetically]

I'm a gadget person. I like it all kind of together in one [unintelligible].

Eric Seidel:

Burt Cooper's loaded his iPhone with all sorts of apps, but one's getting a lot of attention.

Burt Cooper:

It's the newest thing.

Eric Seidel:

It's called Deposit@Mobile. It not only gives him access to bank account balances, but lets him deposit checks in those accounts from anywhere using his iPhone.

Burt Cooper:

I don't have to go to the bank. I don't have to wait in line. I don't have to deposit the check. I don't have to go to an ATM machine. As soon as they give me the check, I can deposit it right from my iPhone. It'll be in my bank immediately.

Eric Seidel:

Here's how it works. Burt enters the amount of the check then snaps a picture of the front and back. Once the app tells him it can read the check, he clicks Submit, and the money instantly transfers into his account.

Burt Cooper:

It's kind of shocking the first time you do it. You're afraid to -- because they tell you to destroy the check when you're done. And you go, "I don't want to destroy it." I think it is the future of banking.

Eric Seidel:

CNET.com executive editor Tom Merritt tells me he's tried it too. USAA is the only bank with this app, but as others adapt the technology, Merritt thinks it could mean fewer bank branches with fewer services.

Tom Merritt:

Of course, on our on-the-go society, people want that ability just in their everyday life. They don't want to have to drive, you know, across town to a bank location. The banks don't want it either. They want to reduce the cost of running these branches.

Eric Seidel:

But high tech banking brings with it another concern: security.

Tom Merritt:

It's possible somebody can spy on the data you're sending, but it is encrypted, so they'd have to decrypt it. It's not impossible that they could intercept it, but it's pretty unlikely.

Eric Seidel:

Which is good news for Burt.

Burt Cooper:

The portability of it, just being able to use it wherever, whenever.

Eric Seidel:

He's hooked on this app because it lets him spend more time walking his dog instead of walking up to an ATM every time he needs to deposit a check. Eric Seidel, Fox 13 News.

Female Speaker:

I think that's something you just --

[end video]

Victor Pascucci:

So thank you very much, you know, the success that we have had in mobile, it all has to do with serving more members and meeting more needs. It's our mission, and that is what we exist for. Our future of what we will do next with mobile will be that same thing in order to serve more members and meet more needs. Thanks.

[end of transcript]