

Jennifer Tescher

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I'm going to use this opportunity to really key up the rest of my colleagues on the panel and also to riff a little bit on what we've heard so far today.

Just for context, I'm the director of the Center for Financial Services Innovation. We're really all about transforming the financial services marketplace to better serve underserved consumers. And I think if there was one thing I could sum up about this panel we're about to have is, the big question is where is the account? All right?

So for pretty much all you've heard today to do with your phone with the exception of the mobile wallet perhaps, which is a little bit in the distant future, you need to have an account somewhere. Maybe someday it will live in a cloud and we don't need anything, we don't need an actual account. But today we still do and for folks who are unbanked or underserved that's a real barrier, and it makes all of the exciting things going on in the mobile world really not that relevant. And so I think I'm going to talk a little bit about what is going on that might be relevant in this market, and I think a lot of my colleagues will then provide really great examples of some important innovation, and I'm hoping we'll then have a discussion of what we can be doing to make all of this exciting technology and potential relevant for these consumers.

These consumers matter because there are a lot of them. This is the most recent data on this subject from the FDIC. We did a national survey in partnership with the U.S. Census, and lo and behold, very significant numbers of consumers in this country are either unbanked, meaning they have no financial services relationship, no account, or they're under-banked and they have an account but they're continuing to use a broad array of non-traditional services to meet their needs. I would also point out that of the people who are unbanked, a very significant percentage of them have had an account in the past. And thinking about how to engage or re-engage with someone who's had an experience that probably wasn't very positive is quite a different matter than trying to reach people who've never been part of the system before. And frankly, that's a bigger part of the unbanked population than folks who have zero experience with the system.

So we heard a lot about this today, about how mobile is growing. I think one of the really important points that was made early this morning is that while online banking tends to skew by income, education, race and ethnicity in terms of the digital divide and who's online and who's not, mobile defies most of those typical breakdowns which means the consumers that we're most interested in on this panel are absolutely reachable with the mobile channel.

I think a couple of things to think about, are these consumers subscribers or are they pay-as-you-go? In many other countries around the world, there is no subscription. It's kind of an oddity, you know, everyone's pay-as-you-go. In this country we're largely a country of subscribers, contract cell phone users -- which many of us frankly hate -- but it has real implications for how we design interventions or products, programs for

underserved consumers. It also, I think, has some regulatory issues around how you know your customer, the way in which we authenticate or we know who a customer is is quite different when they're not actually subscribing and giving you all that information when they sign up in the first place. And then another issue that was raised earlier that's important to keep in mind are technological disparities. What kind of phones are people using and what can they do with those phones versus a fancy iPhone?

Why is mobile such a good channel for un- and underbanking consumers? There's three primary reasons. They really value control, convenience and reliability and these are things we think mobile has to offer. Around control, they have a real, immediate need for liquidity and having real-time information to make decisions. A survey that we did in 2008 suggested that under-banked rate the location of where they're going to get their financial services taken care of as being an extremely important element in their decision-making process. And so, in some ways we're all driven by convenience but I think this segment of consumers, more so.

And I think that they're also really concerned about reliability, not so much the is my phone going to work every time kind of reliability, but more the issue of is my transaction secure? I'm not sure I really trust this operator or, you know, a lot of institutions frankly, and I want to make sure before I use it that my money's really going to get there if I'm using it to pay someone as an example. Then I think they also place a very high value on up-front fee transparency and understanding what things cost. And so, for all these reasons I think that mobile has the potential to be highly relevant for this audience.

[low audio]

So we heard a lot this morning about...

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So I thought that the framework that was laid out this morning about what do we mean by mobile was really helpful and I have sort of a similar version of that. You know, with customer communication at the top whether it's about alerting somebody that they're about to over-draught their account if they make the next transaction to other kinds of more vigorous education, if you will. This is something that can be immediately done with the phone and at least a couple of panelists are going to talk about things that are in this vein, I would say.

And then the next three bullets: payments, bill pay, and expedited bill pay and remittances are all kind of in that payments category and, again, there's some innovation going on here, particularly in the remittances space as it relates to un- and underbanked consumers. But the Holy Grail would be account access. How does this phone allow me to sign up and actually have an account, and I would say we're pretty far from that and given the way in which mobile's developing in this country for all the reasons that were

described earlier, this doesn't feel like it gets very much attention. It's not the big opportunity, I think, at least as seen by the big players in this space.

We also heard a lot about what was going on internationally and how it compares to the U.S., and I think this is where the excitement in the U.S. around mobile or the underserved comes into play because we see all this amazing innovation overseas and say, "Well, why can't we just do it that way here?" I mean, I think we've heard a lot of good reasons why it's developing differently in this country. You've already here these points about the fact that we already have an infrastructure in this country whereas in other countries often it's in developing countries, mobile technology is leap-frogging some other communications technology. And you've also heard about the existing reliability and convenience of our current system. The one point I want to make here is that we also have a very heterogeneous underserved market. First of all, it's really big and second of all, they're not all the same and that makes it, I think, difficult to figure out what the next right act is, if you will.

A couple of examples you've heard already about M-PESA this morning in Kenya and also I would point out another example from South Africa called wiZits [spelled phonetically]. And there are a few key lessons that can be derived, I think, in common from both of these examples as it relates to mobile on the underserved in the U.S. The first is the importance of the retailer or the broader distribution network. That we tend to think of the phone, the phone, as the distribution network, but not really. There's got to be a place to get cash in and cash out. I'm sorry, but we're not anywhere near a cashless society; it's not going to happen any time soon, particularly for underserved consumers where there's a real premium on cash and there's a lot of economic activity that needs to happen in cash. So that network of how you get cash in and out is really going to be critical, and this notion that this isn't just about payments, but this is about your account as a place to store money, I think, is really important.

So we were talking earlier about taking a picture of a check and using it as a way to make a deposit. Well, what if you could a picture of your driver's license and use that to authenticate yourself in the process of opening a new account? All right? That's what they do in South Africa, not just wiZits but others as well. So they're actually using the phone to be able to open a new account. That really would be, I think, the Holy Grail in the U.S.

A couple of examples of things going on in the U.S., these books happen to be mobile remittance examples. I'm not going to spend a lot of time because I'll steal all of Roy's thunder. But both of these, I think, rely on the prepaid debit card as the account, right? So right now, what's the solution that we've kind of cooked up in this country to help people that don't have a bank account use the phone for payments or for other things? It's buy a prepaid card and use that to link up with your phone. And in fact, Trumpet Mobile here is selling in the clam shell with the pay-as-you-go phone. Packaged into that product is a prepaid card, right there for you, to start using so that you can, in a partnership with Western Union, use it to send money to loved ones around the world.

So the prepaid card figures in in an extremely important way in making mobile work for folks, for underserved folks.

I'm barely touching this thing.

[laughter]

Thank you. So just a couple of quick points before I finish up. Again, I said, I think some of the consumer-centric challenges is around cash access and loading because this has to be a good value proposition. Just the whole, oh, I can make it more convenient now instead of taking cash out of my pocket isn't going to be enough I think to help underserved consumers see the benefit of mobile. If it costs too much to load their cash onto the prepaid card in order to use the mobile phone, well, what's sort of the point of all that if I can just keep what I was doing and it costs less money even if it's slightly less convenient. So I think why does it matter and what's the value are really important questions to ask.

And then I want to just echo what people have said so far around the Telco Bank [spelled phonetically] sort of tension or lack of a willingness to work together. I think that until that happens, it's going to be very difficult to see how kind of the current players are going to make room or make change in this space. But I do think that this may be a moment when a totally, you know, separate third-party provider is going to jump ahead of both of those entities and really capture this market space just in the same way that in other spaces we've had, you know, third-party entrants come in with some disruptive innovation.

So Dixon [spelled phonetically] from PayPal was pretty modest earlier about their goals and I love how he describes PayPal as, "We're just a network of networks." You know, PayPal has a real potential here to be a disrupter as do some others, and all it takes is one of them to really see the market opportunity among underserved consumers and then this might really turn into a new access channel.

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