

## Notes from the 2014 CEO Roundtable

At the Frederik Meijer Gardens, November 5, 2014

Compiled From Notes Taken By the "Table Scribes"  
Revised November 14, 2014

## Topic 2: 2015 Apple Pay

2015 Business Plans

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**Let's discuss what everyone is prioritizing for 2015, and see what we can learn**

- Every CEO should list 3 initiatives you have for 2015, then report the 3 most common initiatives from within your group
- Which initiative from your group would you nominate as the most far-out and unique?
- List 3 things you put into your business plan, hoping your examiner will read and take note of
- List 3 things you put into your business plan that you hope inspire your stakeholders and create some excitement

RK says, "Most organizations share 85% of the same goals and agendas. The trick is getting everyone to agree what a collective could enhance about that 85%."

RK says, "That leaves 15% of the 2015 goals as a pool of things we might all consider unique and even weird. I hope this group surprises me."

RK says, "Every CEO and every examiner hopes the other side is listening. Smart CEOs should stack the deck and put a couple of things in their business plan so the examiner can declare feel like they are getting through to you."

RK says, "We would never have heard of PT Barnum if he was boring and lacked the ability to get attention. Make sure your business plan has just enough PT Barnum in it to inspire the hope your team needs for its future."

## Participants

Grp	Scribe	CEO Participants	Grp	Scribe	CEO Participants
1	Barb Cooper	Leo Vaulin, CU*South Donna Bullard, Clarkston Brandon Chris Ison, Tahquamenon Martin Carter, Parkside Terri Meloney, Catholic United Bob McDonald, CU*South	6	Karen Sorensen	Scott Harriman, Cumberland County CU Steve Kelly, Metro Comm CU Corrine Coyle, Advantage CU Randy Gailey, Horizon Utah David Wright, Services Center Jennifer Oliver, South Bay CU
2	Starla Honea	Donald Mills, Alpena Alcona Area CU Ernie Jackson, CommStar CU Sara Redeker, Tri- Cities CU Jason Matley, Washentaw FCU Phillip Heinlen, Northwest Consumers CU Linda Bodie, Element FCU	7	Julie Gessner	Barbara Mathey, IBEW Kim Burdo, Service 1 William Burke, Day Air Eric Jones, Kansas City CU Val Mindak, Park City Jim Miles, Mid USA
3	Janelle Krupa	Barbara Mills, Calcite CU Jordan Modell, Internet Archive CU Kim Kniola, First Trust Jeff Jorgensen, Sioux Empire FCU Greg Hilbert, Fox Communities CU Janelle Franke, River Valley	8	LizWinninger	Greg Smith – CU*South Mike Williams – Colorado CU Rudy Callen – Kalsee CU Sally Dischler – Heartland CU Mark Richter – First United CU Walter Swanson – Superior Choice CU

Grp	Scribe	CEO Participants	Grp	Scribe	CEO Participants
4	Pete Meyers	Cathy Ellis, Meijer CU Chris Butler, Community Dennis Degenhardt, Glacier Hills CU Scott Pauly, Awakon FCU Kevin Ralofsky, CitizensFirst Steven Janssen, Brewery CU	9	Laura Zazakis	Vickie Schmitzer, Frankenmuth CU Scott McFarland, Honor CU Susan Fisher, Tongass CU Tracy Miller, Kellogg Comm FCU Christy Leslie, Bridge CU Janet Borer, Members 1st Comm CU Sheila Schinke, Prospera CU
5	Annalyn Hawkes	John Rupert, Muskegon Co-Op FCU Barbara Bean, Cal Poly FCU Dean Wilson, FOCUS CU Chuck Papenfus, Inland Valley CU Andy Fogle, Des Moines Police Officers CU Scott Collins, Xtend			

## Group Notes

The following notes are included exactly as taken by table scribes. Scribes were instructed to jot down everything that was discussed at the table, with the idea that reading the notes would be a little bit like eavesdropping on the conversations.

## Discuss with your group what you are thinking about when it comes to Apple Pay and 2015:

### Is Apple Pay on your credit union's radar to research in 2015? Go active with in 2015? Or simply ignore in 2015?

#### Table 1

Donna and Martin are moving forward – think it is going to be an important service to get your card in the wallet. This affects interchange income, however, if I lose this service = no interchange

Chris and Terri - Still researching, but not in our plan yet. Chris would like to see some history with this service.

#### Table 2

Still researching.

Not on the list yet for 2015. Should be.

Too soon to discuss.

Researching

We need whole lot more info. Apple isn't going away.

Yes, need more info. Apple is not sharing enough info.

#### Table 3

Kim- It didn't come up on radar, so far behind on stuff. Loans are bad. Took Bill Pay under consideration, only 500-600 members out of 12,000 using Bill Pay. So Apple Pay is not a priority.

Jordan – Apple Pay didn't come up on my radar with everything else going on. Didn't do Apple Pay, waiting until things shake out a little bit. 5/6 people here probably didn't do apple pay.

Barbara- I am monitoring and watching it. Apple pay and Google wallet have similar characteristics.

Jeff- Switching to Vantiv next year, if we weren't we would be doing apple pay. Thinks people will want it and be demanding it but need to be out there with something similar. Need to find a product that will be shared on both droid and apple. Don't think you can identify a transaction in apple pay, how do you analyze data to determine what members need? Can't determine transaction settlement – shows up as a normal transaction.

Janelle- Other things have a higher priority over Apple Pay. Many methods of payments these days. What do we have time for? Getting on EMV soon.

Greg- Decided to do Apple Pay.

#### Table 4

Some are going in on it, some are waiting to learn more. Risk vs convenience. All six CEOs know they need to get educated and be prepared for it. Meijer CU has done a lot of investigation.

#### Table 5

- No one in the group has made the decision yet to sign up for ApplePay. Some have already decided they will not pursue it further at this point. Others are still researching it. None are ignoring Apple Pay or other mobile payment solutions.
- Members are not really asking for this yet. If members were asking we would push harder.
- Could be either an offensive play to be involved early and pull members along with us, or could be a defensive play to offer only if members are interested
- One concern is that members may go elsewhere to get it if we don't offer ApplePay

#### Table 6

No one at the table is signed up for it. Most do not know that much about it and have not done the research yet (concentrating on other things). They have adopted a wait and see approach.

In order to use Apple Pay you must have tokenization system. There is a 36 month contract. What do you do when Co-Op/VISA add more fees? What about the liability for adding Apple as a new vendor. A lot of players are coveting the interchange.

When their provider is ready they may consider offering Apple Pay. Do you want to be in the leading edge or the bleeding edge? Apple Pay is just a delivery mechanism. Merchants have to adapt new technologies in order to accept it. The consumer is the one who benefits.

If we can get rid of cards, then Apple Pay is more attractive.

We as a credit union have the opportunity to make something of this, have a new delivery channel that we can make money off of.

#### Table 7

- Apple Pay is coming. Continues to be on the radar internally as well as with the merchants especially larger companies. The consensus is that the technology, fees and structure is not far enough along to "turn on".
- Information has not been received timely or consistently. Reputation risk is at stake. We know it's needed and we must be early movers but not at the stake of our members by moving to soon.
- I must think about how this type of transaction interchange affects my bottom line and how and how am I going to manage that?

#### Table 8

- At this point they we don't know what we don't know. We do not know the difference between Apple and Google pay. The questions brought up were; is it dependent on processors? What costs are involved?
- Heartland would love to see the CUSO drive research for the group.
- There have been many conversations around hard currency. There are many people going back to hard currency due to the fraud occurring.

- A short discussion around triggers and purchasing credit bureau triggers for members.
- The adoption rate of payment options have been shorter and shorter over the years. The government is working to get more tracking options. Through the technology is there, the compliance is not.
- Members are not ready for the technology yet. Do you want to get into something that might now hold? What is the responsibility we have to the members by implementing these products?
- Which consumers will drive this technology?
- When it comes to Millennial's, they are quick to adopt and quick to move on.
- Mike Williams – the industry as a whole needs to find the balance between products needed for each technology.
- The table had a consensus to research the technology first.

#### Table 9

Susan - Objection is money. Doesn't know what is holding her up.

Christy – on radar...not sure about activating

Janet – focusing on other technologies first.

Vickie – If you don't pay the 30 cents you're missing the bucket of money and the other 70 cents you would gain. Application has been in for 3 weeks....waiting, CSCU (one of the first 500 to sign up....will get on-boarded faster) Campaign – advocate to local retailers. Retailers want people to shop local. Want to make sure they can use CU card.

Not going to market, rather talk about it in community. Frankenmuth on board, good idea for retailer to be on board....gives you a one-up in the marketplace.

Group -

Concerned about places that will not use it (Walmart, CVS & Rite-Aid)

Can't use Apple pay on any google sites.

Core Processor has to be ready

Scott – signing agreements. Vantiv is ready...have fees and costs. Feel like you have to be at the party or absence will be noted. Implement 1<sup>st</sup> or 2<sup>nd</sup> quarter of 2015

CU Wallet – is trying (better than Google Wallet).

Apple Pay – retailer only gets token number, but no consumer data.

Scott –

Research – 53% of CU members are apple users (info from Vantiv) Closets competitor is Samsung at 22%

Price per bin

Bin fees

Implementation fee is between \$1500 - \$2,500

Retailers will drive based on their acceptance

### What is different about Apple Pay compared to Google Wallet? What are you thinking about Google Wallet these days?

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#### Table 1

Security approach – Apple has the reputation for reliability. Google has less.

Device driven. Google Wallet is as important for those who are not 'Apple' users.

#### Table 2

Apple doesn't save as much info.

Apple has more devices. People will get to not carrying wallets. Retailers control this.  
How is apple and google protecting info? How do we protect the CU from the cost? Will the retailers pay if we wait to jump on board? Need to educate members. Need legislation to protect CUs.  
Google wallet offers cards too, not just mobile.

### Table 3

- Apple Pay – member data, only for iPhone6 and Apple users.
- Branding is biggest difference.
- Don't have fingerprint recognition on Google wallet. On Apple pay, finger print is fast, Google pay you have to swipe and put in your password, takes longer.
- Cheaper to use Google because you don't have to upgrade like you do with Apple.
- Google Wallet captures data and keeps all data which can be more at risk for fraud. Apple does not capture data, seems more secure.
- Google Wallet doesn't sell machines like Apple does.
- Google Wallet doesn't explain as well as apple pay. Apple Pay explains process – more user friendly.
- More merchants that accept Apple Pay over Google Wallet? Haven't heard a lot about Google Wallet

### Table 4

Google Wallet is prevalent, but has not taken off. Google Wallet has no interchange fees.

### Table 5

- Subscribed to CUWallet, but projections seemed to indicate years of losses before it became profitable
- Concerns with ApplePay being limited to only iPhones/Apple accounts.
- Discussion about securely accessing the physical phone
  - Google Wallet is typically used on Android phones which do not have fingerprint sensors. Chuck made the point that Android may not have fingerprint sensors yet, but they have many other options for securing access outside of the standard PIN or passcode entered on the lock screen.
    - Ex. Chuck's son even gave him instructions for getting past the lock-screen on his android phone, but he is still unable to because he needs to draw a picture just the right way with his finger and is unable to do it exactly like his son does.
- Dwolla is popular in the Iowa area as an alternative mobile payment solution.
  - Group members are from Midwest and West Coast areas. It was determined that among the group, Android phones dominate on the West Coast and Apple iPhones dominate in the Midwest area.

### Table 6

Google Wallet is not a threat to our members. Should we promote things that are not related to us? Scott made the comparison of MySpace and how it was replaced by Facebook.

How to explain all these gateways to our members? Comparison was made to PIN based vs. signature based authorizations.

Jennifer discussed CU Wallet and the fact that they use a bar code. We would control the marketing, a new layer (comparison made to how Groupon works). We could give real offers.

Look at it as a toll road system for payment systems.

Discussion about Dave Ramsey and using cash over debit/credit cards. People do not have the same feelings about spending money when it is a plastic card vs. cash. There is distrust by consumers about the payment systems based on recent debit/credit card breaches. Soft loss is different than hard loss.

No one is using EMV. IT is already out-of-date and is very expensive.

#### Table 7

- Google Wallet has never made a splash. Apple Pay did a phenomenal job with product launch. Early players were all part of the product launch. Apple Pays future of security seems to be more technologically secure. (More sophistication in technology- bio-metrics-lost phones, etc.)
- Leadership teams must be considered what they need to do and learn to implement this type of technology and walk in the member's shoes.
- Technology initiatives are something we must do to remain relevant.

#### Table 9

Google Wallet –

Google Analytics

Google Alerts – data diving. Need to be able to analyze. Web Services at CU\*A – Can they help with analyzing data?

Tokenization on Apple Pay is the big thing - safer

**As new payment systems solutions come out, how are you deciding on what to pay attention to and what to ignore? What influences your decision to prioritize the research?**

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#### Table 1

- Analyze membership now and how will they change?
- What is my technology posture? Should this be combined with other electronic offerings (offering online account openings etc?)
- How far is my credit union to becoming an Internet Retailer? Chris's membership uses online shopping as there is no access to malls etc.

#### Table 2

Third party vendor influence. Contract restrictions on current vendors. Influence: peers

Need vendor help, like maybe Vantiv. Need more time to vet it before we can implement it. We have several items.

Listen to members, age groups. What new members want.

Talk to peers and Cuanswers

EMV is old news. Influences: Member relevance.

### Table 3

- Barbara – Going to look at vendors and how they are handling it, what are they doing? Making decisions on vendors. Jeff says some vendors won't give you guidance.
- We still charge for Bill Pay, doesn't think Apple Pay is going to sell.
- No businesses can use Apple Pay- only for customers. Can businesses start using it so they can travel? Starbucks won't take Apple Pay & Rite Aid jumped out of Apple Pay.
- Too much other consumer in demand. Don't think Apple Pay will stick
- Merchants start having express lanes, NFC lanes. If you're paying digitally, go to this lane. Theoretically it's supposed to be faster – interesting observation.
- Don't have to pull out plastic anymore, just pull out your phone.
- Can you get cash back with Google wallet or Apple Pay? We push members to avoid ATM fees by just going to ATM.
- What will it cost us to not be in the game? Will cost the retail a lot more not to be in the game.
- Vantiv is very cool. Easy to use. Seamless and smooth running.
- A lot of debit card fraud. Will cut down on some of the fraud because they don't have your fingerprint. NCUA is always breathing down neck on security, apple pay is more secure.
- Never had anyone or any members ask questions about Google wallet.
- Merchant that drives it or consumer that drives it?

### Table 4

EMV - doing it because the competition is doing it. The entry fee to CU Wallet was way too high. New NFC card possibly coming out. Risk and not limiting members are the biggest reasons not to participate.

### Table 5

- EMV expected to be rolling out widely next year, and must also be considered when making decisions and reviewing payment solutions.
  - Group agrees that EMV seems to have been proven to reduce fraud in card-present transactions, but not necessarily in card-not-present transactions.
- Consider that i-Phones are typically a 2-year contract so as more members upgrade, they will be committed to it for a good amount of time.
- Tokenization is important and a key piece to look for in the payment systems of the future
- Security is one of the most important factors to consider
- Need to consider what happens to a card number in someone's phone if the physical card itself gets compromised.
- We have to also remember that the responsibility for fraud is shifting to financial institution's shoulders next year.
  - Andy also noted: When cards are compromised, we send a letter notification to each member affected asking them to monitor their account and transactions, but we tell them that if they are concerned about the security of their financial information to write to their congressman asking for help keeping merchants accountable as well for their part in any compromise of their data.

### Table 7

Don't ignore anything. Put your posse on it to stay on top of what is available. Using this we can roll out new products/services that allow you to stay relevant in the marketplace.

### Table 8

Journal, Vantiv and peers. The table was in favor of the mobile movement in the beginning, then backed off after seeing the businesses who were developing these products fracture.

### Table 9

Scott - Consumer drives what you pay attention to in some respects

Tracy – vendor has to be ready. That could potentially drive you to a different vendor

What is driving the market?

Christy -

It's too expensive to be disruptive. Can't jump on everything

Vickie – Would be nice to have a trusted source to read everything and brief you on new information. What is relevant? CU\*Answers needs to share the facts. Need the tech people to give the info.

With Apple have an opportunity to participate with our cards

Stick with the vendors that allow us grab our part of the interchange income

Pay attention to the ones that share the interchange

Budgeted process in business plan

Sheila – Pay attention to the ones that allow us to stay in the game

Screening process is understanding what the consumer uses – driven by use of iPhone

Members asking about iPay but not necessarily Google Wallet

Data breaches will push people to the safest application.