



Zelle's Success Rests In Offering A Bank P2P Alternative To Venmo

09 March 2017 By: Michael Moeser

Taken at face value, the idea of launching a new P2P service in a market already crowded with competitors would appear to be a daunting task. Then considering the possibility of achieving success in that market, when it already has an established competitor that is growing by leaps and bounds would seem to be an even harder undertaking.

These challenges would be difficult to overcome unless that new service had an “ace in the hole” which could virtually guarantee its adoption overnight. That new service is ZelleSM and that “ace in the hole” is the population of bank customers wanting to use a bank provided P2P service but have largely been left with few options, other than Venmo and other nonbank competitors.

That's the equivalent of ordering a Coca-Cola[®] in a restaurant and being told they only sell Pepsi[®], then much like a bank is forcing customers in using Venmo is similar to leaving the restaurant and going to the convenience store next door to get your cola fix.

The root of the issue is that banks have been slow in providing consumers with the ability to conduct P2P transactions from their PCs and mobile devices. In Javelin Strategy & Research's [2016 Online Banking Scorecard](#) and [2016 Mobile Banking Financial Institution Scorecard](#) benchmarked the top 30 banks. Only 70% of banks offered the ability to conduct P2P payments from their online banking websites. For mobile apps, the level of support was just 47% or 14 out of 30 banks. This has meant that if a customer of these banks wanted to send a P2P payment using their phone, but their bank didn't offer the service on their mobile banking app, it forced them to use Venmo or another service.



Therefore the key to Zelle's success rests in the adage “build it and they will come.” That's because until now, many consumers have been forced to go elsewhere to send P2P payments. Going forward the number of digital P2P users is expected to grow from 84 million consumers in 2016 to 129 million in 2021 according to Javelin's [P2P Market Sizing and Introduction of Real-Time Payments](#). Given this 50%+ growth in P2P users over the next 5 years, many new, as well as existing ones, will be asking the question, “does my bank offer digital P2P payments?”

Banks and their service providers have heard this chorus from their customers and are responding. In Zelle's road to launch it has put together a massive network of banks, such as Bank of America, Citi, and Wells Fargo, leading card networks including Visa and Mastercard, and key FI service providers such as Fiserv, FIS and Co-Op just to name a few – as of March 2nd, 2017 there are 24 banking related partners listed on its website.^[1] This clearly demonstrates that the banking community is actively engaged in building the P2P platform its customers want. This is the “ace in the hole” that will deliver Zelle's success. While Zelle won't replace Venmo, much as Coca-Cola has not replaced Pepsi, it does provide bank customers with a P2P option from their bank that many have not heretofore had available. This bank offering will also help serve many customers who have opted to do nothing. In other words, go thirsty in a Pepsi-only restaurant. Zelle will achieve success by offering the bank choice many customers are demanding.

[1] <https://www.zellepay.com/partners> Accessed March 2, 2017