



Zelle vs. Venmo: Financial Institutions and Third-Party P2P Providers

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When new payment products are introduced to the market, executives need to understand whether it is a passing fad or whether they need to get on board with the new technology. Being an early adopter has its benefits, but being a fast follower may be more advantageous. The third position of adoption is being on the tail end of implementation and missing growth and revenue opportunities. In the landscape of person-to-person payments, the U.S. financial sector is on the cusp of being too late, with nonfinancial institutions increasing their digital payment capabilities and expansions into P2P sectors. With online P2P payments having been market available for almost 20 years, P2P payments are not a fad. A banker's worst fear is coming true: Non-banking companies are winning consumers over with better experiences and doing payments better.

To avoid missing revenue opportunities, financial institutions need to make P2P payments a priority in 2019. When determining the payment mix strategy, executives have fiduciary responsibilities to ensure decisions made today will make positive impacts tomorrow. If P2P payments are not included in the payment strategy, future revenue growth is limited. P2P payments are not cannibalizing FIs' existing revenue streams; in some cases P2P is already helping financial institutions that don't have a strategy. But through abdication of a P2P strategy to consumer preference, financial institutions lose relevance in the market. This paper evaluates the key areas payment professionals need to consider as P2P becomes a component of a payment mix strategy.

Key questions discussed in this report:

- Who uses person-to-person payments?
- What options do financial institutions have available?
- What are best practices to increase adoption and utilization?
- How is a business case evaluated to determine whether P2P should be a component of the payment mix strategy?

Companies Mentioned: ACI, FICO, PayPal, NICE, SHAZAM, Square, Venmo, WeChat, Zelle

Consumer data in this report is based on information gathered in a Javelin survey administered in 2018. Data was gathered and weighted to reflect a representative sample of the adult U.S. population:

- A random-sample panel of 10,768 consumers in a June/July 2018 online survey. The margin of sampling error is $\pm 0.94\%$ at the 95% confidence level.

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