

Increasing Connectedness and Consumer Payments: An Overview Commentary

Don Kingsborough

Good morning. It seems that I am always standing in front of an audience and telling them I think it is *not* going to be an evolution, but instead, that we are at the beginning of a revolution. So I am here today to say that.

This has happened to me three times now. In the 1970s, I was president of a company called Atari. I got up in front of an audience with a game called Pong and said it was going to lead us to a brand new entertainment network.

In the 1980s, I invented a new talking toy called Teddy Ruxpin that changed the way kids got electronic toys. In 2000, I got an idea that paper could be changed to plastic and we could put branded gift cards in other retail stores and create a new way for people to get products.

I am here today to tell you I think we are at the beginning of a revolution. During Dr. Katz's remarks, he suggested that when the bank is in the center of an ecosystem, the ecosystem will not change very much and the change that does occur will be evolutionary in nature. If this stays the same, we agree with him. But we think there is a small, but significant difference.

This view of the future is limited only by the status quo and incumbents trying to maintain their position in market share. We believe the balance of power is shifting and the technology is the facilitator of the shift. In our view, the consumer is at the core of the ecosystem. Consumers are the ones who are going to drive this change. We think the revolution has already started.

In just the few short years since the iPhone was invented, multichannel shopping accounts for almost 50 percent of all retail sales. It is the consumer who says they want to buy anytime, anyplace, and in anyway. It is this type of shopping and buying that will drive this revolution. Consumers will determine the new payment types, as they encounter new options for how and when to pay.

In his paper, Dr. Katz talks about multichannel shopping. Let me bring it to life for you by showing a brief video of how PayPal is helping to make that happen. Millions of people can now live, shop, and buy anytime, anywhere, anyway, because they have PayPal. It is innovation you can use and share with friends today, no matter where you are. Innovation that finds exactly what you are looking for. It's putting advantages at your fingertips. It's your money moving with you, listening to you, following your lead. It's all on you—the power of information. Rewarding you in a meaningful way and saving you time when it really counts. It's meeting the need for a whole new kind of convenience. And it's letting you decide how to pay...long after you've checked out. So if you have PayPal, you have it good.

Dr. Katz says revolutionary changes can come from services. On this we agree. It is a consumer-driven revolution. It is no longer about location, location, location. The new commerce is about access to the consumer and you get access when you bring value. You can save them time, you can save them money, or you can provide critical information. It is about consumers who get value and trade information for that value. And it is based on their needs and their choices.

The digitization and virtualization of currency and payments have shifted control from financial institutions. Instead of an existing channel today to the consumer, the digital wallet is a channel for the consumer. Consumers now choose information to pull and information to share. The proliferation of apps enables consumers to build relationships when they benefit and to disengage when there is no more value. This is not a revolution about tapping or swiping. New commerce is about frictionless payments. It is about adding value. These are the things that are going to determine how the consumer decides to pay.

Consumers will share this information only when it benefits them. The ecosystem and the technology that knit this together will be shaped by new players and who are able to do this when they bring value to the consumer. It is about an opt-in world, where consumers are connected to the cloud at will—to do their shopping, to do their buying, when and wherever they want to.

We think these changes are a continuum of technology and consumer needs. In Dr. Katz's paper, he says he does not think there will be any real winners. And we think a lot of the players today will still be the players of tomorrow, but we think the batting order may change. And, for sure, we think the market share will change.

It is who satisfies the needs of the consumer and gets them to connect that wins. There will not be one device for all people; it will be 50 billion devices connected to the cloud with many different payment systems. But it will have to work with the existing infrastructure.

It will not be just your iPhone that you touch and pay; it will be the screen that is closest to you when you decide to buy. We believe the change will occur when you move the consumer to the center of the ecosystem.