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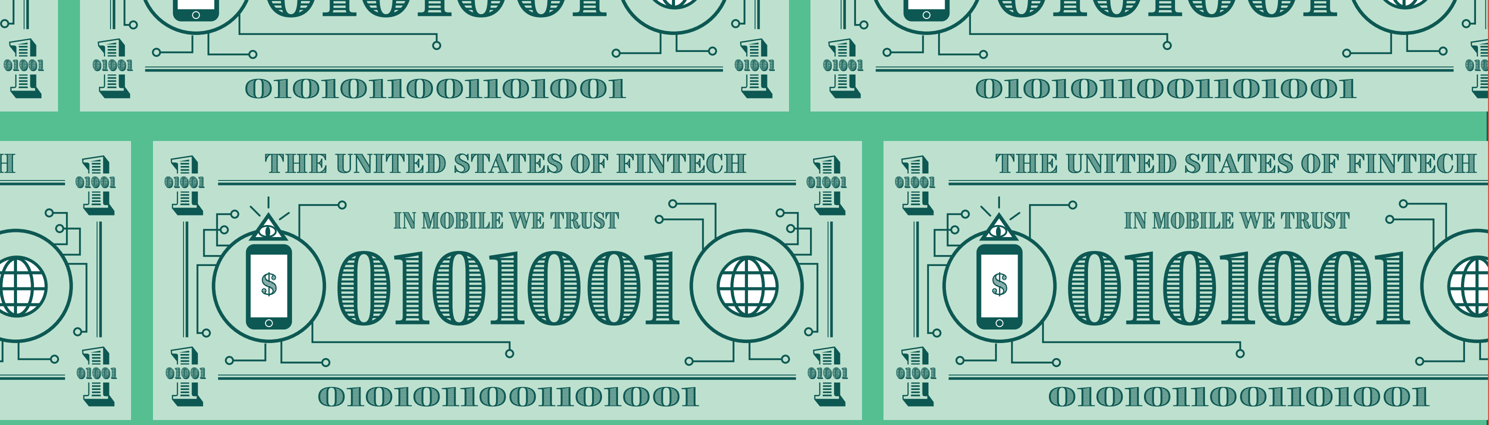
thinking

2018 • ISSUE 2

NO CASH
NO CARD
~~NO SERVICE~~

New problems



THINKING

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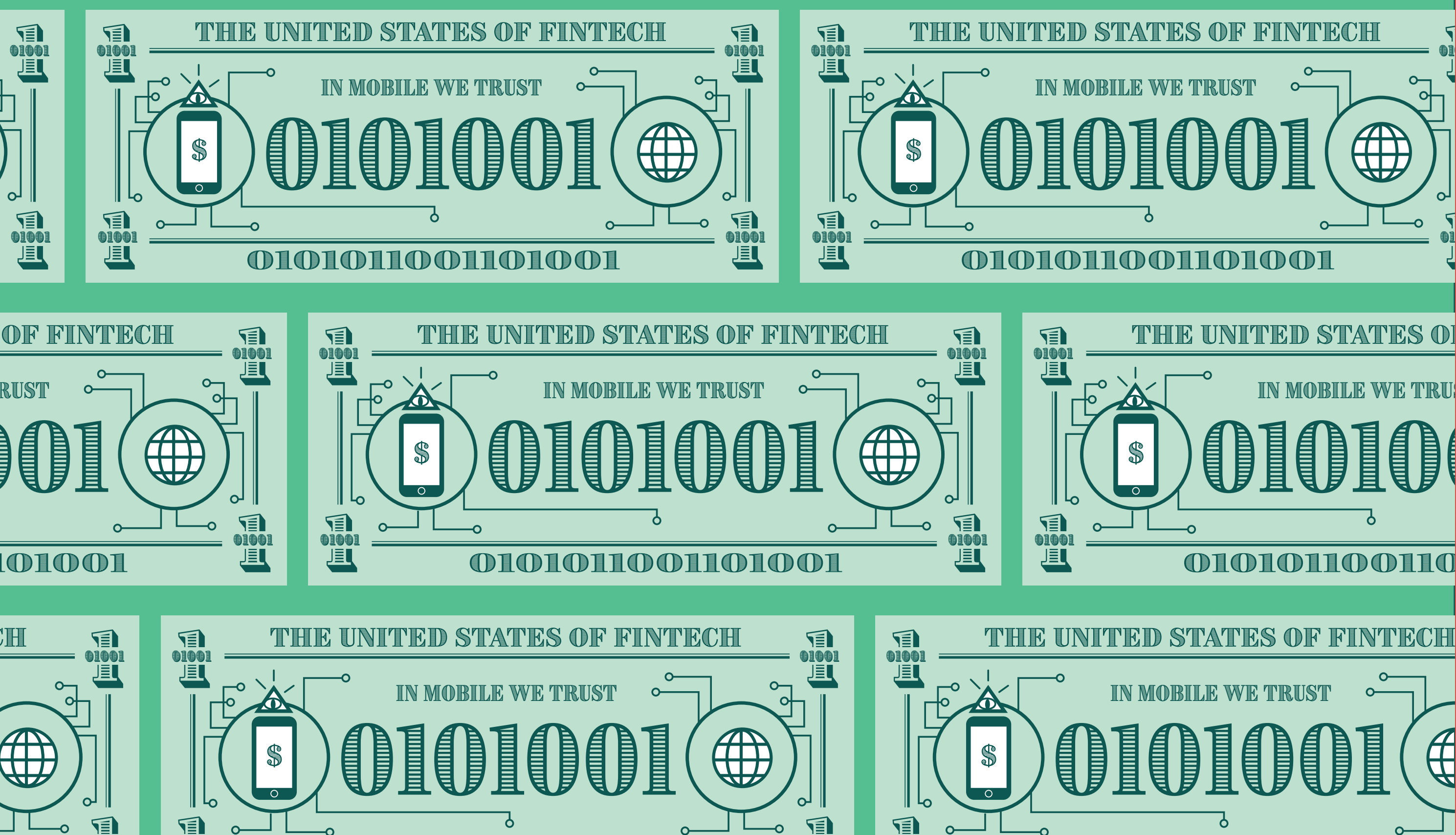
$ The advent of new ways to pay is ushering in a lot of changes in the wide world of FinTech. Apple Pay and Google Pay plus Venmo – oh my! People have lost their patience for waiting in line to make a transaction or conducting business over snail mail. They expect to be able to access their money from anywhere in the world using their almighty smartphone. The name of the game is now simple, easy, quick.

This shift in mindset affects marketers, even if they don't operate in the FinTech realm. In this issue of Thinking, get the scoop on FinTech's effect on marketers, along with an overview of commerce solutions, a deep dive of Apple Pay, and our quick take on Blockchain. And finally, we'll share some tips on how to update your website to meet the rising expectations. So you can make that money madness just a little more manageable.

Thinking is a collection of our knowledge, musings, tidbits, pretty drawings and any other information that helps businesses create successful marketing efforts. Thinking is entirely produced by the big-time thinkers at Bozell in Omaha, Neb. You can view these articles, as well as more Thinking, at bozell.com. Questions or suggestions? Email thinking@bozell.com.



BY JASON HAGAN, FIRST NATIONAL BANK FINTECH EXPERT AND GUEST WRITER

WHAT IS FINTECH?

STARTING WITH THE BASICS

"FINTECH," the portmanteau of financial technology, is often used as short hand for new participants providing internet-based, application-oriented financial services. However, focusing only on start-ups ignores that legacy financial institutions are dramatically transforming how they bring products and services to market – in an effort to be more nimble and responsive to customer demands.

So then, what exactly does a typical FinTech look like?

Typical is hard to define, and the landscape might look different a year from now as FinTech evolves.

I would define the FinTech players as:

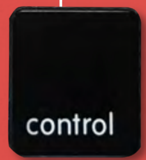
- Large, well-established financial institutions, such as First National Bank of Omaha, Mutual of Omaha or TD Ameritrade.
- Infrastructure companies that provide technology or facilitate financial services transactions, such as ACI, First Data or MasterCard.
- Big tech companies that have carved out a unique relationship with their users and are currently or could easily extend into financial services. For example, Apple, Google and Facebook.
- Younger, fast-moving companies like Plaid, D3 Banking or Prosper.

LEGACY FIRMS ARE NOT INNOVATING FAST ENOUGH, OPENING UP OPPORTUNITY FOR FAST-MOVING COMPANIES THAT FOCUS ON ONE PRODUCT OR SERVICE.

Though FinTech has been around since the advent of ATMs, it's no secret that the technology has been booming lately. And it's going to continue to grow. Rapidly.

While legacy firms are working hard to keep up, they are not innovating fast enough, opening up opportunity for fast-moving companies that focus on one product or service. Usually, these start-ups focus on disintermediating the most profitable activities of the legacy financial services providers, like mortgage, savings, transfers and payments.

This means it's important for all companies, large or small, whether in the financial industry or not, to think about their growth. The need is greater than ever to invest in new customer-facing technologies. In order to compete, and even to survive.



THE NEW CONSUMER

HOW FINTECH HAS CHANGED MARKETING AS A WHOLE

BY JACKIE MILLER, CMO

Here's the thing about the financial industry: it hasn't really been disrupted. Ever. Aside from allowing you to do simple online banking tasks. And now, tech companies are creating services and products for a fast-paced audience that appreciates convenience and is always on the go.

And now, after the taste, people want more.

Because finances touch every part of a person's life, this disruption has shifted expectations for many other non-financial services, as well. So here's the real question ...

How does this shift in consumer expectations affect non-FinTech marketers?

If you're in an industry that has not changed much over the decades – insurance, health care, etc. – it's important to remember that new expectations have been set, and that's not going to change anytime soon. Consumers want things to be faster, easier, more accessible.

So here are three rules of thumb to keep in mind when considering your future endeavors.

1. Make things convenient. The reason FinTech companies have been so successful is because they've implemented services and products that fit the consumer's lifestyle. It's about the consumer's convenience, not the other way around.

2. Make things easy. FinTech companies – particularly startups – have made everything so insanely fast and easy. Splitting a check? "I'll just Venmo you." Planning a trip? "Time for Acorn." If you're too complicated, your consumer is going to go somewhere else.

3. Meet them where they are. FinTech has made it so simple for people to do almost everything they need to do right where they are. They've removed the need to stop into a branch for a simple transaction. Or write a check. Or even use cash. People can do literally everything from their devices. And while this seemed "nice to have" in the past, it's expected now. So be aware.

Be sure to keep these three things in mind the next time you're focusing on marketing efforts or rolling out a new product or service. Because if you won't do it, believe me, there's a startup company right behind you that will. Consumers know what they want, and they won't settle for less.

BLOCKCHAIN ... THAT'S THAT BITCOIN THING, RIGHT?

BY SEAN GALUSHA, WEB DEVELOPER

With the recent explosion and fall of Bitcoin's price, marketing agencies have been eager to know how they can take advantage of the cryptocurrency trend. Some are turning to blockchain technology for answers.

Blockchain's main implementation is a method for tracking all cryptocurrency transactions, making it nearly impossible to fake a Bitcoin transfer.

But how does this affect a marketing firm?

My analysis: it doesn't.

Blockchain and cryptocurrencies are exciting to talk about, but until new advancements are made, they're best left to water cooler talk.

COMMERCE, SHE IS A CHANGIN'

BY SEAN GALUSHA, WEB DEVELOPER

AN OVERVIEW OF THE MANY DIFFERENT COMMERCE SOLUTIONS AVAILABLE.

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2	CATEPIL ROLL	18.00
1	EDAM	6.50
2	TUNA ROLL	21.00
1	EGGRL	3.50
3	SORKN ROLL	27.00
2	PENN ROLL	16.00

TOTAL 92.00

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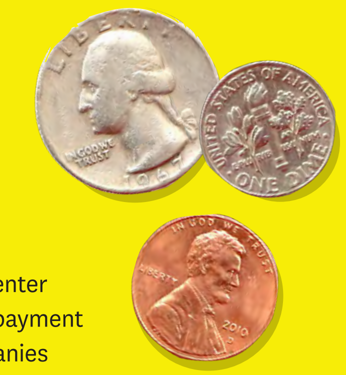
THANK YOU FOR DINING WITH US



As many technologies enter commerce as digital payment methods, payment companies are attempting to reach a very diverse userbase. Aside from the credit cards that most people are familiar with, we're now seeing Apple Pay, Google Pay, PayPal Pay, emerge as ways to pay for the things we want, as well as some fairly new options.

Venmo, for example, is an acquisition of PayPal and has emerged to fill in a gap of the current payment environment – paying your friends and contacts. Venmo does offer an option for businesses to take payment, but the platform's slogan summarizes the vision succinctly: "Download to pay, split and share." The strength in the app lies in the ability to split costs with other users, whether it be dinner, rent or anything else.

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Cryptocurrencies, predominantly Bitcoin, are also joining more common payment methods in the e-commerce realm. Where other payment platforms are based on government-backed currency, cryptocurrencies are much less stable. Since its release in 2009, Bitcoin reached a value of nearly $20,000 per coin in December of 2017. Leading up to this peak, businesses started adopting Bitcoin as a payment method with the hope that accepting payments of Bitcoin would be worth more after the transaction. As the price of Bitcoin rose, the cost to exchange Bitcoin for government-backed currency also was increasing.

By mid-December in 2017, popular video game distributor Steam announced that they were no longer accepting Bitcoin as payment for the games on their platform. When Steam started offering Bitcoin as payment, they were paying $.20 per transaction. At the time of removing the cryptocurrency from their platform, a single transaction was nearing $20.

From December 17th to December 22nd of 2017, Bitcoin lost 30% of its value, ending around $14,000. By the middle of May 2018, Bitcoin had fallen to below $9,000 per coin. This volatility has lead to numerous companies, including Reddit, Stripe and Microsoft, to drop Bitcoin as a payment method.

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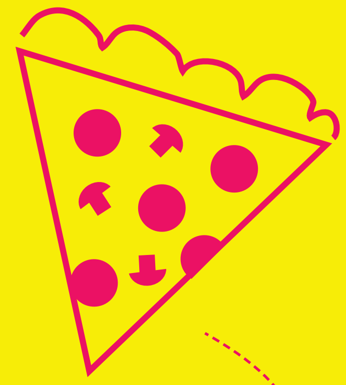
Though cryptocurrencies may not have a stable enough price to justify widespread adoption across e-commerce solutions, Apple, Google, PayPal and Stripe do offer excellent solutions to simplify paying digitally. And, of course, there is another option that just isn't possible with digital commerce solutions: cash.

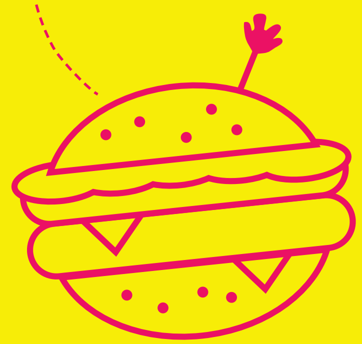
According to the Federal Reserve – which admits that, someday, we may no longer need a physical currency – cash is still very important in our economy. According to a study conducted by the Federal Reserve, one-third of an average consumer's monthly transactions have a total of $10 or less, and the average consumer uses cash for two-thirds of these transactions. For transactions less than $50, consumers will use cash half of the time.

As more and more options become available for consumers, it's important to note that businesses do not necessarily have to just have one offering for their customers. The previously mentioned payment solution, Stripe, allows payment with most major credit cards, Apple and Google Pay platforms, as well as several additional solutions. It is up to businesses to incorporate as many or as few solutions as they want to accommodate their customers.

CRYPTOCURRENCY IS LESS STABLE THAN GOVERNMENT-BACKED CURRENCY.



ONE-THIRD OF AN AVERAGE CONSUMER'S MONTHLY TRANSACTIONS HAVE A TOTAL OF $10 OR LESS.



FinTech in Action 3,000 Miles Away

By Kim Mickelsen, CEO

A firsthand experience of the convenience that comes with Apple Pay.

Apple Pay became my go-to payment option. It let me travel light, with just my phone.

I recently vacationed in Iceland and spent just 4000 krona (or about $40 US) in cash. The least amount of cash I've ever spent on any vacation in my life. Of course, I spent a lot more money than that, but Iceland is pretty much a cashless society, so I didn't need actual cash.

In a country of roughly 300,000 people and 800,000 sheep, you can pay using your phone everywhere. From the hot dog vendors on the streets of Reykjavik to the tiny merchants in the middle of nowhere and pay toilets in the countryside, everyone accepts mobile payments. The only place where we used cash was for road tolls, and we only did that because it was easier to just hand the attendant exact change when there was a line of cars behind us.

Before going to Iceland, I rarely used Apple Pay and didn't really see a benefit. The few times I had tried, it was awkward and slow to use at point of sale. And few places I shopped even accept it. Plus, I worried about the security. But on vacation, I got over it. Apple Pay became my go-to payment option because it was just so simple, easy and quick. At the grocery store, the gas station, the coffee shop, the Viking Museum – anywhere I wanted to go. It let me travel light, with just my phone.

I did have some trepidation, especially because Iceland was one of the countries that suffered the most from the financial crisis. Their three major commercial banks – who, together, were 10 times the country's total GDP – went bankrupt. Plus, I knew GDPR (European General Data Protection Regulation) officially went into effect the week I was there, and I worried that would somehow mess up something.

Most transactions in Iceland are set up to offer contactless card-based payments.

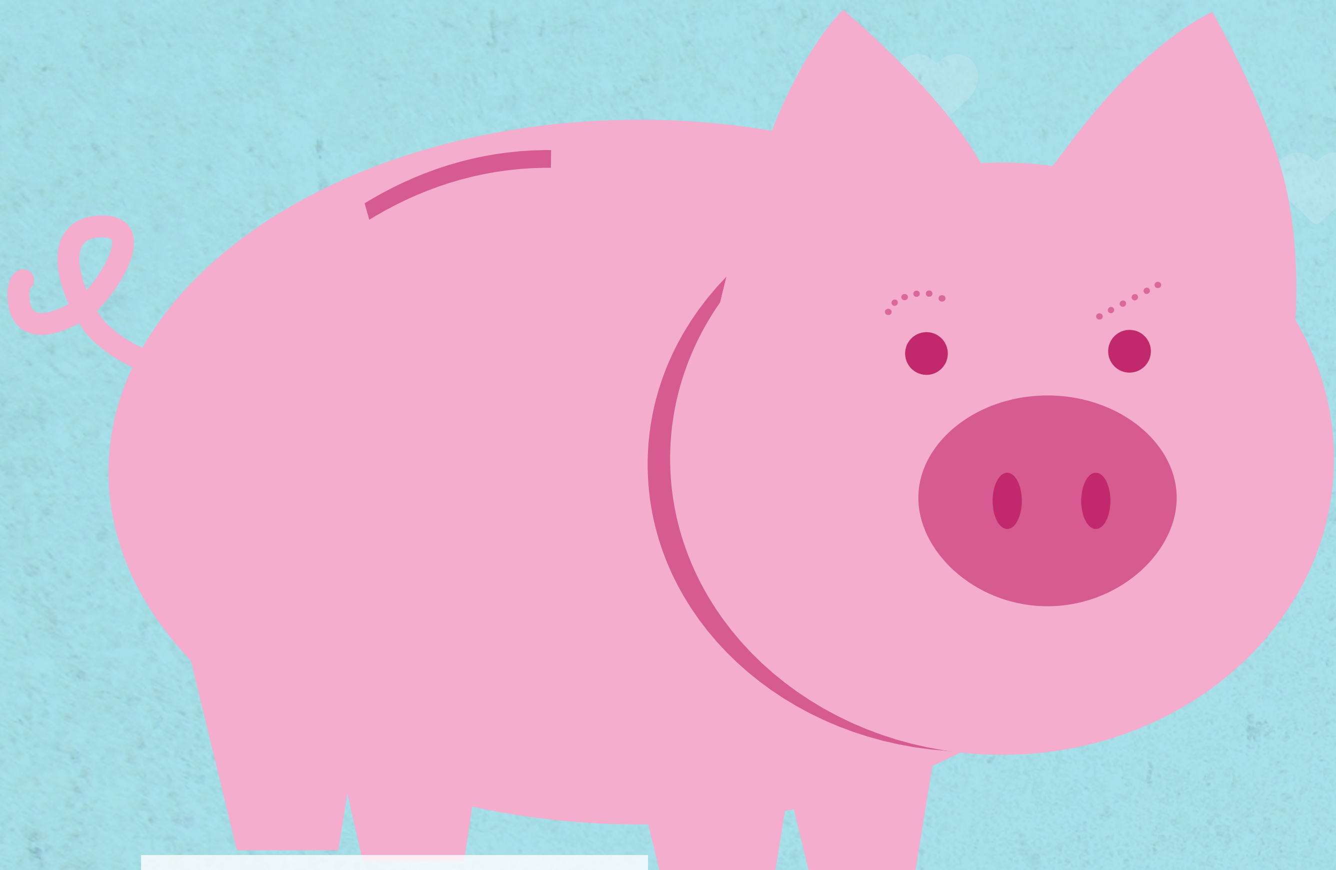
But the convenience of it was so compelling that I got over my concerns and figured it would all work out. It did. But I did check my banking account app several times during the trip to make sure nothing looked hinky.

Iceland launched contactless mobile payments back in 2013.

And, while there are no issuing banks in Iceland that agreed to the Apple Pay terms, Apple Pay uses the same protocols that are used in the general contactless payments world. Iceland uses Visa Paywave – a technology most Americans have likely never heard of nor used. Paywave is used across Europe, as contactless card-based payments are quite common there. Because most transactions in Iceland are set up to offer contactless card-based payments, by proxy, they also can accept an Apple Pay transaction, just not from their own banks.

Consumers across the globe are warming up to mobile payments. In 2018, for the first time, more than one-third (34.9%) of smartphone users ages 14 and older will use a mobile phone to pay for a purchase at a physical point of sale (POS) at least once every six months. I guess I'm now one of those.

Make like a paper airplane and travel light!



TRUST NOW. CONVENIENCE LATER.

BY JUSTIN HENRIKSEN, DIRECTOR OF USER EXPERIENCE

3 TIPS ON HOW TO INSTANTLY IMPROVE YOUR COMMERCE USER EXPERIENCE.

Here's the truth. Online and mobile commerce systems are not perfect and have a long way to go, so there will be days when customers don't have a great experience and convenience isn't the most important thing. But that doesn't mean you have to wait until you've achieved commerce perfection before you can start giving the customer what they want.

Imagine you give your customer a piggy bank. Inside the piggy bank, there's not a single coin. What's put in there is far more valuable; it's trust. In the world of m/e-commerce, tap-to-pay and online transactions, you have to understand how to deposit as much trust as you can for those rainy days (those pissed-off-customer moments). How do you do that?

Here are three user experience tips that you can do to help build trust over time – whether for e-commerce and payments or for overall experiences.

1. Clear communication.

"Are you sure you want to delete all 120,540 photos from your library?" Oh shoot. No. Whew. Could you imagine if you lost all your photos with one tap? Or instead of a confirmation page for a purchase, you were charged immediately only to realize later it's shipping to your old apartment? Yikes. (Amazon 1-click buy button for a later day.) It sounds innate, but don't forget to communicate with your customers. Tell them clearly what's about to take place and give them a chance to back out if they need to.

2. Meaningful design.

Your design actually has ROI. A study by Norman Nielsen Group finds that aesthetics do build trust and confidence and lower the impact of those rainy-day moments. Priceline.com does a wonderful job at balancing utility with visual appeal. It places emphasis on visual hierarchy, adds some fun design elements (such as confetti, so you know it's a good time), but it never trades off the fact that you, their customer, are looking for great deals. In fact, as part of that great experience, they're reminding you of how much you are potentially saving with the current trip choices you have made. Put some effort into the overall user experience and visual design; it goes a long way to build confidence and, ultimately, trust.

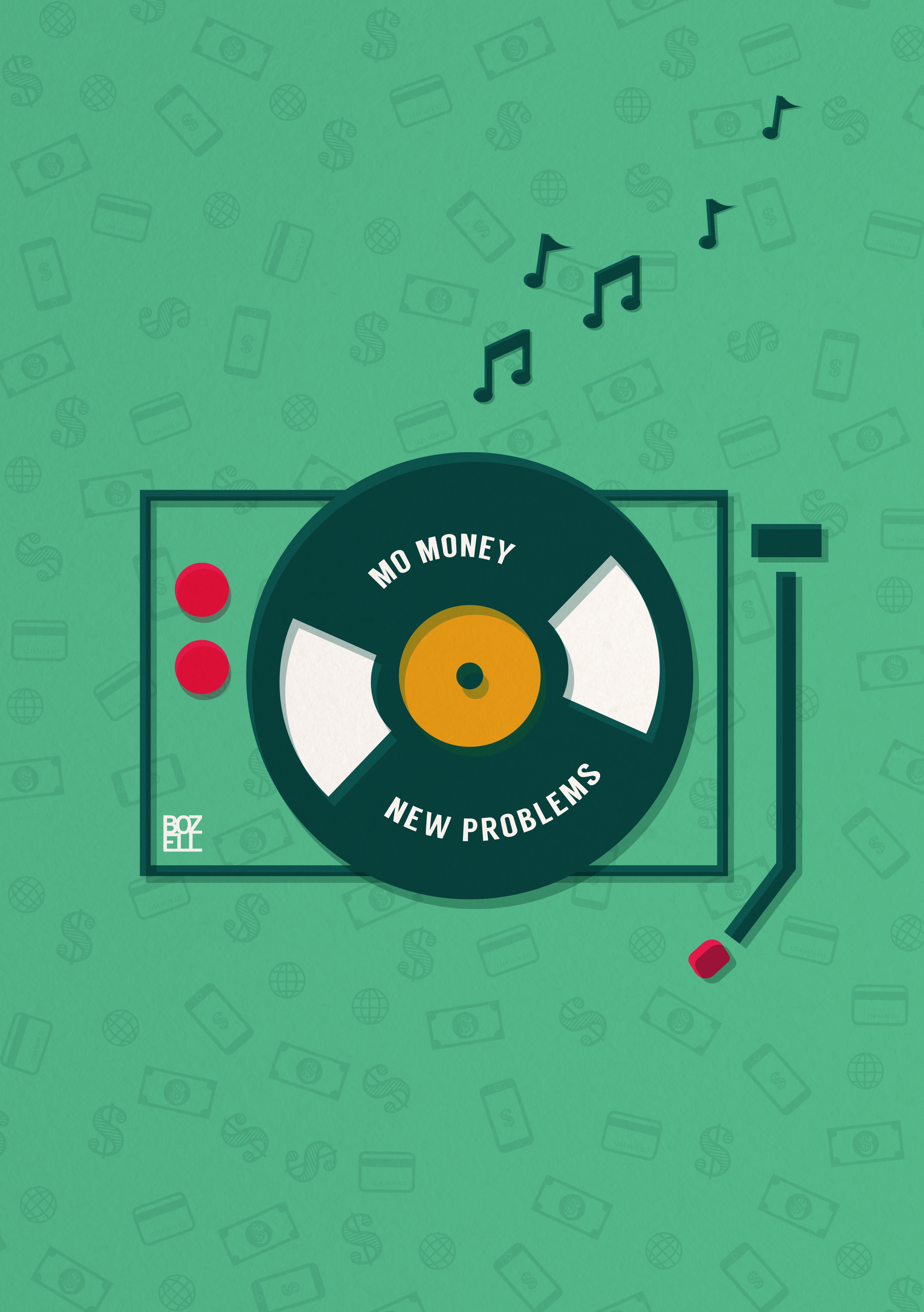
SOUNDS INNATE, BUT DON'T FORGET TO COMMUNICATE WITH YOUR CUSTOMER.

3. Get to know and understand your customer.

Target is famous for knowing their customer intimately. Infamously, in 2012, they mailed a teenage girl an ad for maternity items. The teen's dad was so outraged that he called to probably rip off someone's head, but later recanted because she actually was pregnant. This story illustrates how much Target gets to know their customers' buying habits, to the tune of predicting what they might need. The more a customer feels as though you get them and understand who they are, the more trust will be deposited into that bank.

TARGET GETS TO KNOW THEIR CUSTOMERS' BUYING HABITS, TO THE TUNE OF PREDICTING WHAT THEY MIGHT NEED.

YOU'RE GOING TO ALSO BUY THE STUFF YOU DON'T NEED, BECAUSE TARGET.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