



PAYMENTS

## P2P Tech Rollouts Are in Full Bloom

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By Karen Epper Hoffman

When it comes to payments, several banks are ready to get a lot more personal. Whether customers are also ready is yet to be determined.

Person-to-person (P2P) electronic payments have taken hold in the banking industry in recent months, as dozens of financial institutions have rolled out or announced plans to launch their own services. Much like [PayPal's](#) eponymous and vast online payment service, the banks' P2P offerings would allow customers to pay friends, family, or the babysitter or the teenager who mows the lawn from their PC or cell phone. All the money sender needs is the recipient's email address or cell phone number.

Activity's coming fast. For example, [iPay Technologies](#) announced it had signed more than 1,000 banks last year (more than half of those in the fourth quarter of 2009) to use its white-label P2P payments technology. All together, [iPay](#) boasts more than 2,300 bank customers. In November, at BAI's annual Retail Delivery Show, [Fiserv](#) also kicked off its own person-to-person payments offering, ostensibly hoping to appeal to the more than 3,000 banks that already use the vendor's other online payment services.

Despite its well-established position in P2P, [eBay](#) unit PayPal has also tossed its hat into the bank market as well, announcing in November deals with popular bank service providers FIS and [S1 Corp.](#) to integrate the PayPal system into their bank service offerings. FIS said it had at least three banks planning to pilot the PayPal service.

Grand Rapids-based [Mercantile Bank of Michigan](#), a customer of S1, became the first bank to publicly announce in November 2009 that it would offer the PayPal-based service. Despite PayPal's position as a perceived competitor to the financial industry, [John Schulte](#), svp and [CIO Mercantile Bank of Michigan](#), said that the payment purveyor's tens of millions of customers, and its vision for the future of payments helped sway the bank's decision to work with PayPal.

Yet another bank services provider, [CashEdge](#), is also purveying its own person-to-person payments service dubbed POPmoney, which builds off of the vendor's previous TransferNow service that allowed consumers to transfer funds between their own accounts at different institutions. The company announced that by the end of the second quarter of this year, more than 100 financial institutions will have rolled out this service, including [First Hawaiian Bank](#), [PNC Financial Services Group](#), and most recently announced, [Bank of the West](#).

[Matt Macomber](#), evp for the [Internet](#) banking group at San Francisco's Bank of the West, says his bank's customers are "increasingly saying the want to go to one place to manage multiple [activities]."

But for all the action swirling around this market, is there a solid market-never mind a business case-for banks offering person-to-person payments? [Citibank](#) didn't think so, it pulled the plug on its P2P payments trial with Obopay. Those willing to report statistics say P2P usage is limited. iPay's users are conducting about 100,000 P2P transactions per month -just a fraction of the 6 million payments handled.

Further, the jury is out on whether banks will in fact be able to get customers to pay for P2P payment access. First Hawaiian Bank announced that it would charge a \$1 fee for these transactions (as the bank already does for most external transfers)-but virtually all of the other banks to announce P2P services have not said they would charge.

"The struggle for banks, and this has been true on the Internet all along, is that everything is [expected] to be free," says [Catherine Palmieri](#), global head of product and marketing for CashEdge, adding traditional online bill payment is free from most banks. "Some banks are thinking 'I can't charge for this because my competitors aren't charging.'"

Keeping up with other banks, and with nonbanks like PayPal, may indeed be a primary motivation encouraging banks to step up to the plate and begin offering P2P payment now. Banks fear that if they don't offer it, they may lose more of the payments business, and its potential revenues. "I've been in the online banking space long enough to know that nothing happens as quickly as we think it will...I would think for us, and any bank, the business case is two-fold: the retention factor, just like bill payment customers...and the marketing and buzz that says we're out there and doing this," says [Macomber](#) of Bank of the West. He didn't rule out the possibility of charging for P2P payments in the future.

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