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Actionable, strategic advice on IT, business, and regulatory issues in the financial services industry

# Why Customer Intimacy Matters

FISCA 2009 Annual Conference & Exposition

**Gwenn Bézard**  
Research Director

# **Aite Group (eye-tay)**

**Independent research and  
advisory firm  
that helps financial institutions  
– and their providers –  
profit from customer,  
technology,  
and regulatory change**

# Agenda

- What key issues are facing the industry?
- What strategic advantage does the industry have?

# What key issues are facing the industry?

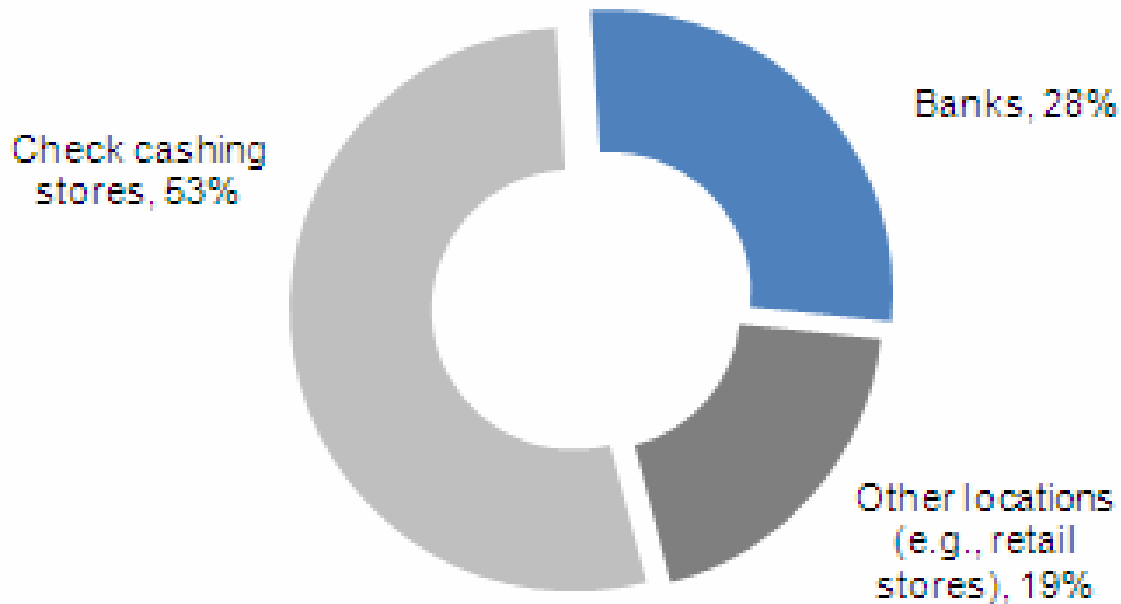
# Increased Competition

- 20 years of tremendous growth
- Flying under the radar no more
- From poor neighborhoods to middle income neighborhoods.
- Not just *your* customers anymore



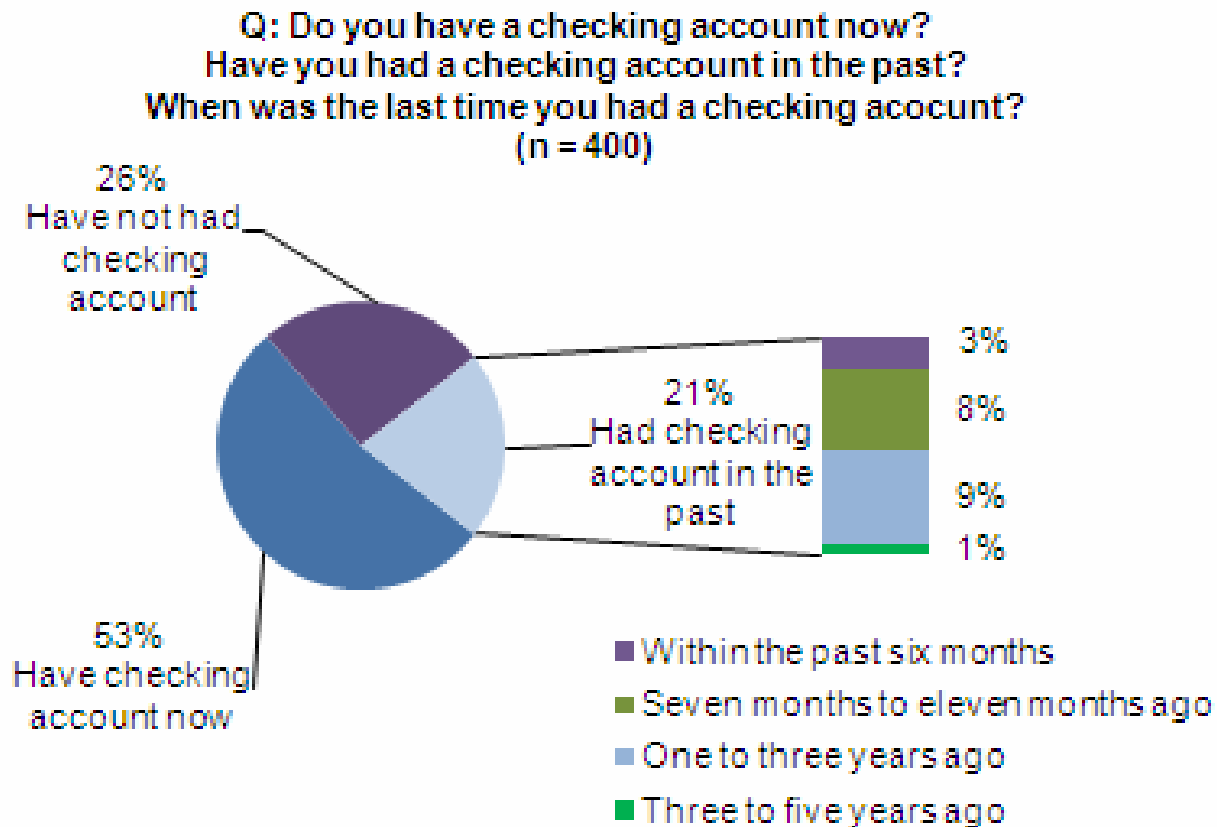
# Check cashing store customers are someone's else customers

Check Cashing by Channel Among Check Cashing Store Customers - Past Three Months  
(n = 400)



Aite Group, Survey of 400 Check Cashing Store Customers, November-December 2008

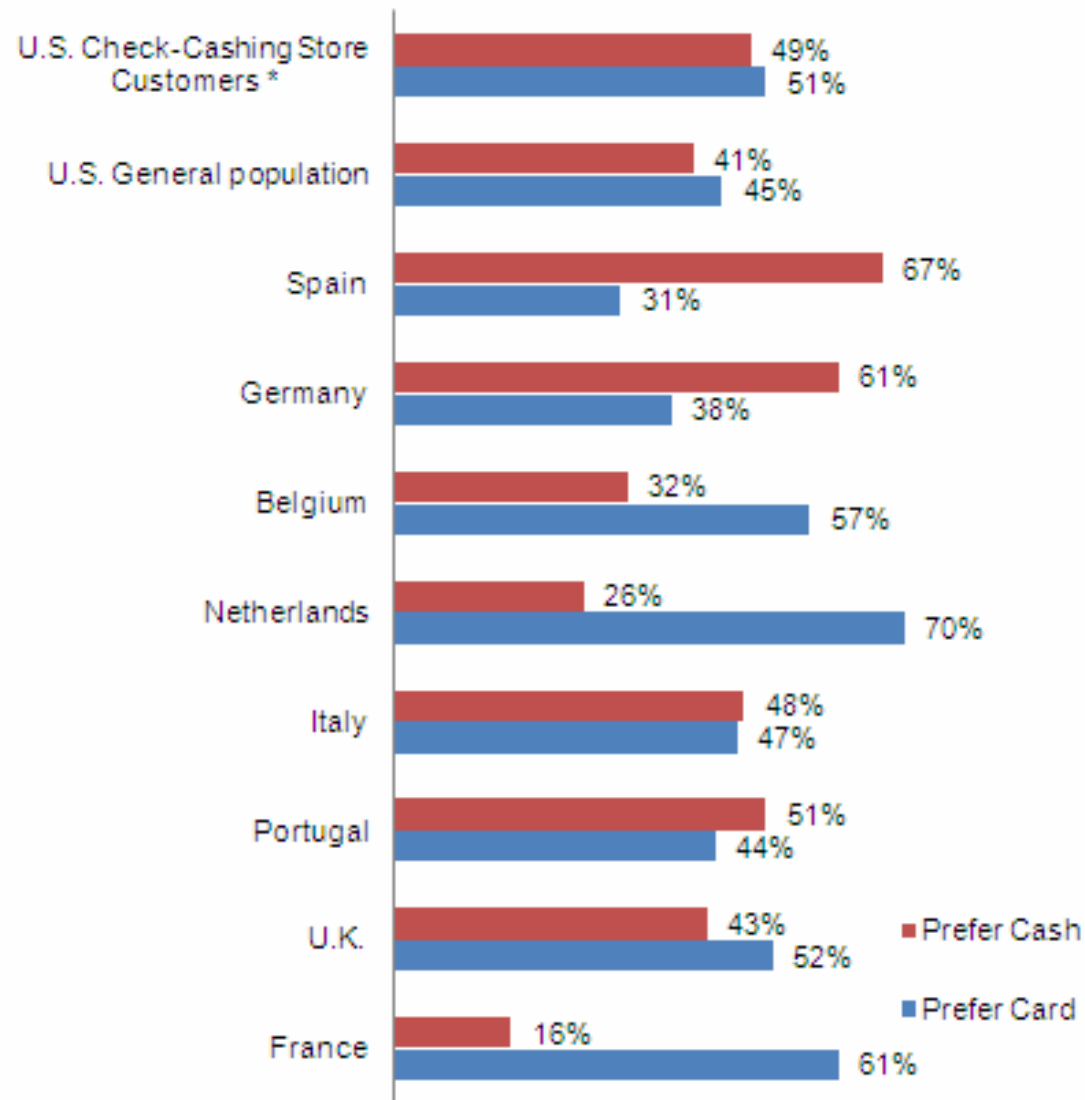
# The customer base is in constant flux



Aite Group, Survey of 400 Check Cashing Store Customers, November-December 2008

**Many of their behavioral traits, like cash preference, are not dramatically different from average consumers'**

Percent of Consumers Preferring Card vs. Cash \*



\* International study includes payment method options not included in U.S. study

# In search of blockbusters

## Yesterday

Food stamps  
Money orders  
Check cashing  
Prepaid long  
distance  
Tax refunds

## Today

Prepaid cell phones  
Prepaid cards  
Walk-in bill pay  
Payday loan

## Tomorrow



# **What strategic advantages does the industry have?**

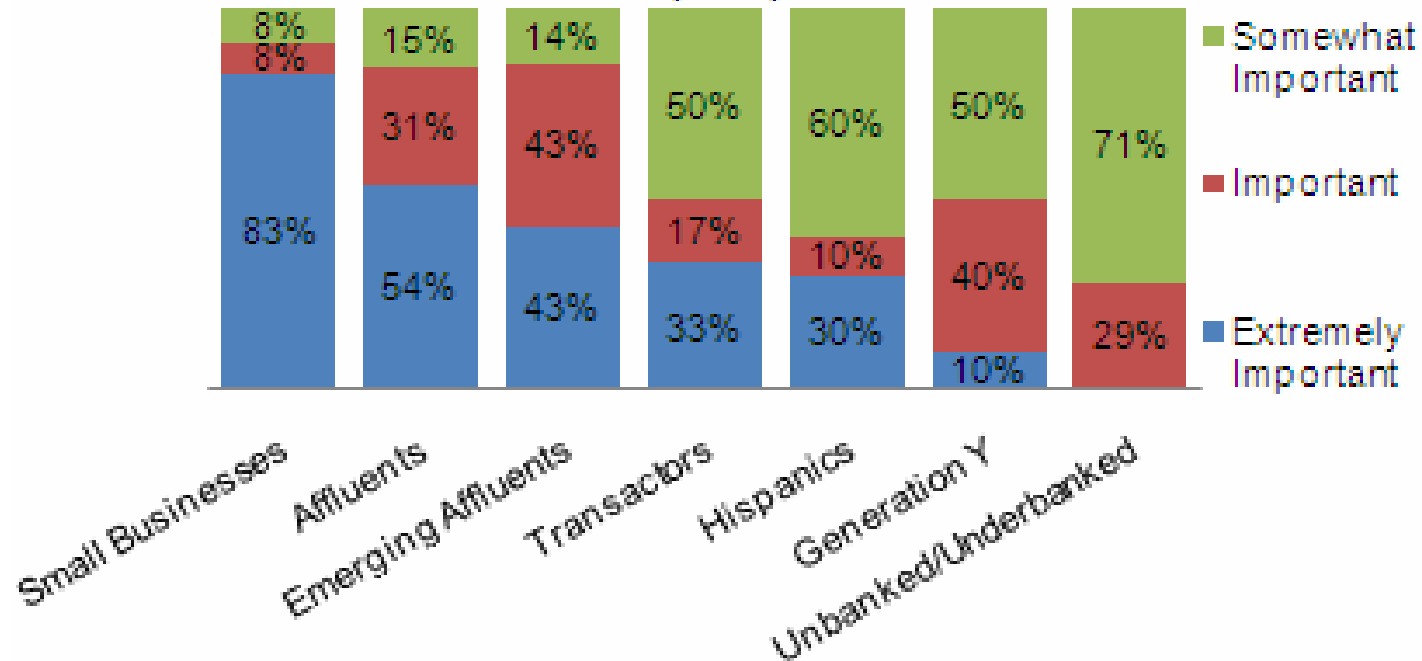
# Open distribution network

- (≠ banks)



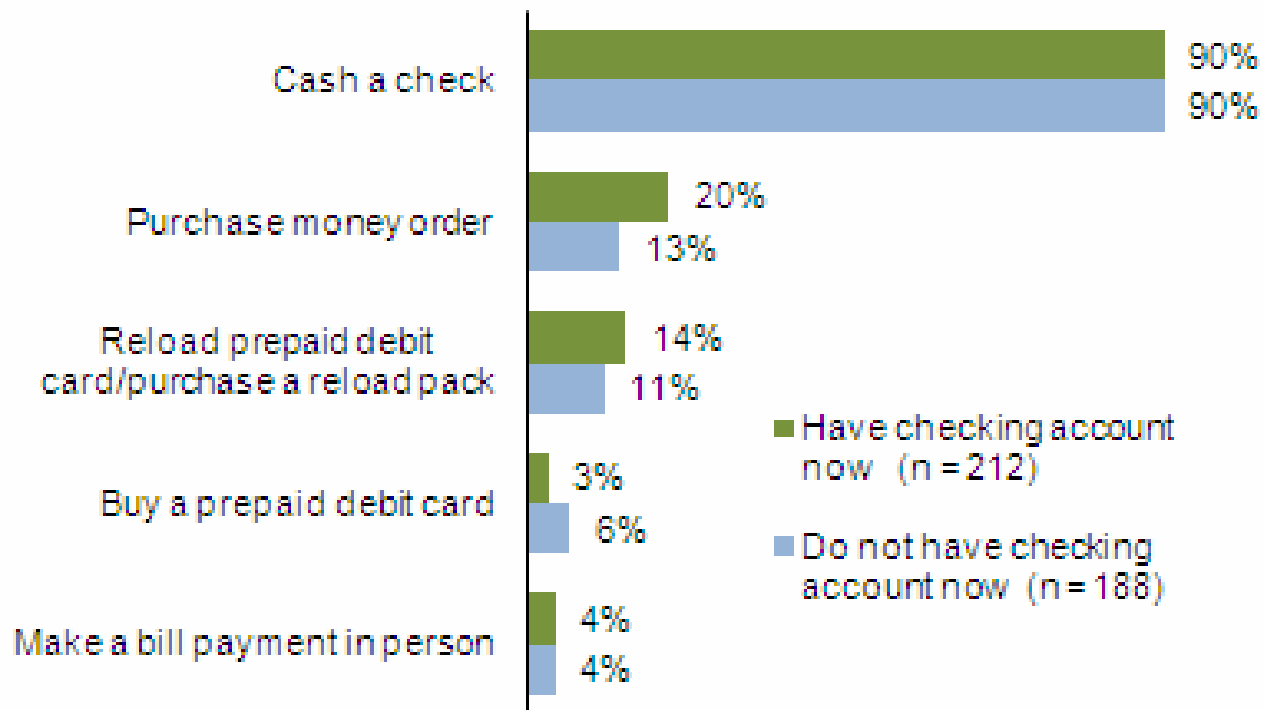
# The industry is committed (≠ banks)

Q: On a scale of 1 (not at all important) to 5 (extremely important) please indicate the level of importance you give to serving the following customer segments through your branches:  
(n=14)



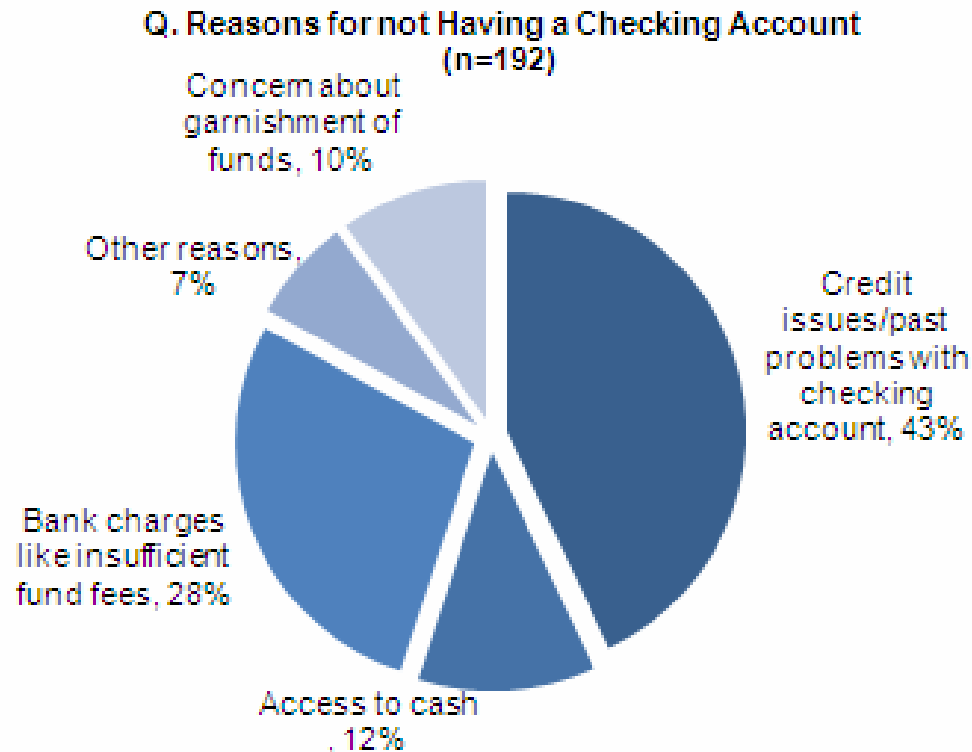
# The industry is good at wrapping itself around customer needs

Q: Which of these did you do at this store today?  
(n = 400)



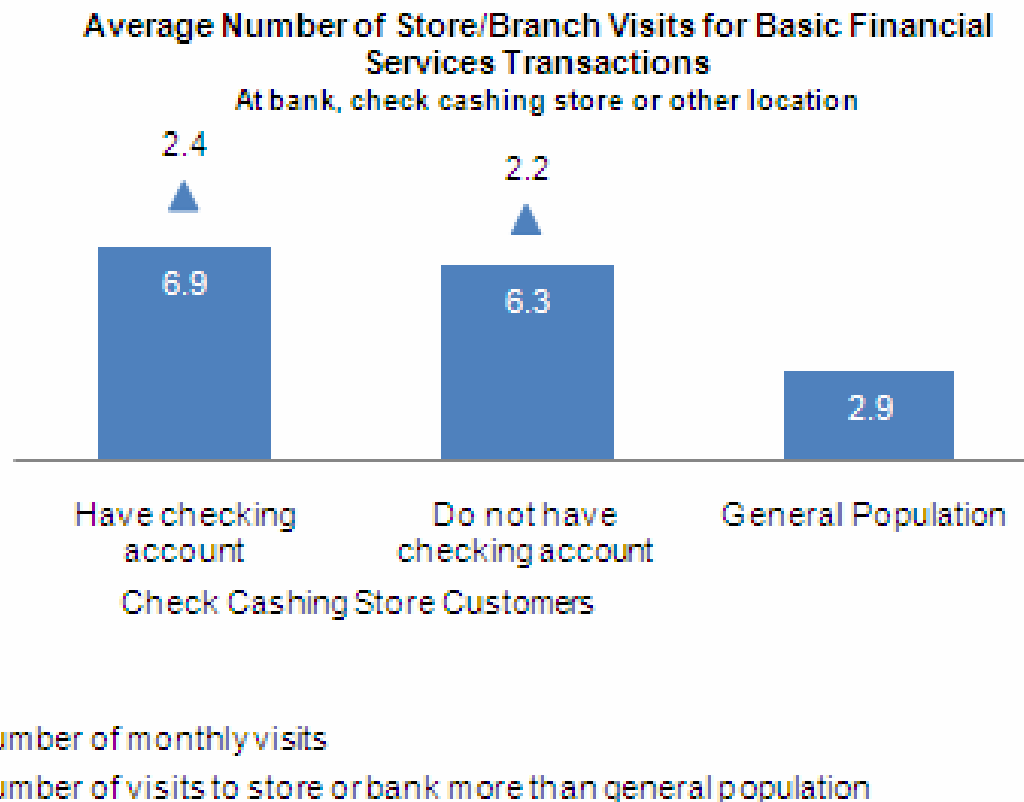
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# Many customers don't really have other places to go



Aite Group, Survey of 400 Check Cashing Store Customers, November-December 2008

# Alternative financial services customers are highly engaged



Aite Group, Survey of 400 Check Cashing Store Customers, November-December 2008

# Take Away

- The industry needs to make product innovation the priority.
- The industry needs to leverage its tremendous customer intimacy toward product innovation.
- The industry needs to move beyond relying on partners to drive product innovation.

# Thoughts?

Gwenn Bézard

Research Director

+1.415.472.2320

[gbezard@aitegroup.com](mailto:gbezard@aitegroup.com)