

Dr Dre, Sensitive New Age Dude

by [Steve Brown](#)

We don't follow every style trend among our hipster friends at the gym, but we must admit to having bought a set of Beats headphones. Not the big over-ear kind the real aficionados wear, but a set of PowerBeats, the earbuds that stay in place during strenuous exercise (whether its done in the gym or sprinting through airports). Beats Electronics was bought by Apple not too long ago, much to the scorn of "those in the know". Everyone expects Apple to focus efforts on its successful iPhones and tablets, so why would Apple branch into trendy hardware like high dollar headphones? Recall the quote attributed to Steve Jobs: "a lot of times people don't know what they want until you show it to them". This is certainly the case with Beats, designed by rap star Dr Dre, who came up with the concept based on instinct rather than market surveys, and upon his experience in the music industry. His instinctive move was right on the money and adoption has been swift.

Following tech trends, it appears that the products that really stick with customers either meet a real need at a crucial time or are due to a design so successful that they are considered a cultural necessity. We have talked plenty about mobile payment technology in this publication, but a recent article about a visitor to Kenya brought to light a whole different level of implementation. The writer's assignment required he use ONLY his mobile phone to pay for transactions large or small over a ten day visit. Africa has experienced rapid economic growth of late yet infrastructure like bank branches barely exists. Carrying cash is dangerous and storing it safely is almost impossible. There are very few land line telephones, but mobile tech jumped over that problem and everyone has a mobile phone.

The M-pesa payment system was introduced by a subsidiary of the Kenyan telecom monopoly in 2011 and now serves 18.2mm people. It has become the common currency of Kenya. The payment system uses SMS texting from one phone to another and the money is stored on the equivalent of a phone card. A digital receipt goes to both sides of the transaction and each party keeps the information of the other. The writer found that M-pesa was useful for buying everything from taxi rides to a cup of coffee. Maasai artisans at street bazaars took M-pesa and rural farmers who lived miles from any town used the system to buy seed and fertilizer. It was useful for almost everything except bribing traffic policemen who didn't want the digital receipt and for supporting the adoption of an orphan baby elephant which went over the daily limit. M-pesa has become universal in a ridiculously short time, but it is because there was no banking alternative in this economy.

Digital payment in the U.S. is clearly light years behind this. There are a few brand-specific applications like Starbucks but mostly in the US, we still use magnetic strip credit cards. There is no universal digital solution. In the end, if technological development isn't a necessity, then design and desirability become the primary drivers, and mobile payment systems are probably not sexy enough for that to happen.

The closest thing to a universal marketplace is probably Amazon with the ability to buy everything from music to shampoo with a few clicks. Amazon has just rolled out the "Fire Phone," which is designed to almost anticipate the purchasing desires of its owner. Sounds a tad creepy to us, but could this be the product idea that makes mobile payment stylish enough to become universal? Who knows, but it certainly beats alternatives currently in the market if it works as advertised.

ECONOMY & RATES

Yesterday

Treasury yields fell 2bps as the struggling European economy fueled investor appetite for the safe-haven asset.

Today

Yields are down 2bps ahead of the [GDP](#) announcement.

Rates As Of: 08/28/2014 07:54AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.03	0.00	0.00
6M	0.04	0.00	0.00
1Y	0.09	0.00	0.00
2Y	0.51	0.00	0.00
5Y	1.64	0.00	0.00
10Y	2.33	0.00	0.00
30Y	3.07	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

BANK NEWS

Bank Customers

A survey by Bain & Co finds 60% of bank transactions now occur through computer, mobile device or tablet devices.

Jobs Picture

In a good news story, a survey by Manpower finds hiring plans for employers for Q3 are to stay the same (71%) or add jobs (22%). Only 4% said that they expected to reduce jobs.

Rugulatory Flow

Regulators say the pace of new regulatory requirements may be challenging the change management capabilities of some banks, leading to increased operational and compliance risks.

Skewed M&A

An RMA survey of community bankers across the country finds while 59% of bankers plan to do a merger or acquisition in the next 2Ys, 80% plan to buy someone else while 20% expect to sell. That math just won't work.

Regulatory Preparation

Examiners say they will be looking closely at the following areas when examining community banks: adequacy of strategic and capital planning processes in light of risks and planned bank initiatives; changes to business models, processes, or delivery channels; contingency planning for operational or technology disruptions; underwriting practices of new or renewed originations; adequacy of interest rate stress scenarios and support for modeling assumptions and effectiveness in complying with consumer laws.

Biz Growth

The ABA reports 49% of community bank CEOs surveyed say improving their small business market share is critical to their growth.

Millennial Customers

A Synergy survey finds Gen Y find the following to be the most important bank features and services: ease of doing business (88%), continual access to ATM, internet and phone (85%) and online banking (80%).

Compliance Costs

An RMA survey of community bankers across the country finds 94% say the cost of regulatory compliance has climbed at least 10%, while 46% say it has jumped 26% or more.

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