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DEFINING THE PRINCIPLES OF SKY PEER-TO-PEER BANKING
DISCUSSION PAPER
FOR
W3C

Sky Peer-to-Peer “Skype” Banking Discussion Paper

Purpose

The primary purpose of to this discussion paper is to begin a dialog around the concept of Sky Peer-to-Peer banking in order to uncover and further define its underlying principles and the necessary steps to make it a reality for everyone around the globe. A further goal is to gain a robust understanding of the innovators in this area and thus evaluate them with the intention of making an informed decision as to how each should be viewed and understand what role they will eventually play within the overall scheme.

The old view moving to the new view

The theory that the best way for a corporate, bank, government or a private individual for that matter to manage their liquidity is to push out their accounts payable deadlines as far as they can and at the same time reduce the number of days outstanding of their accounts receivable as much as possible is outdated and must be replaced. Receiving money as quickly as possible for work that has been completed is moving in the correct direction but in order to make this happen what also must take place is the reduction in the number of days it takes a company or consumer to pay its accounts payable. Only in this manner can true optimization of overall liquidity in the global market place be achieved. This will increase the velocity of money in circulation, in turn reduce the Working Capital Gap of the entire Cash Management Eco System, and thus strengthen the overall global business environment, consequently signalling the start to true global and real-time banking services.

The concept that this all can be controlled within specific country borders and using multiple currencies is a thought that is also waning and will soon be replaced with a more holistic view on how the global economy needs to develop in order for it to become more efficient and therefore induce steady and stable growth around the globe. This is not to say competition should not exist or be promoted, on the contrary. It does however, surmise that the organisation that is the first to understand the concept of true Global Cash Management and a global purchasing process in this new world paradigm will be the organisation that will corner the market in the value added services that will be offered to a truly global customer base. Just like Skype-telephony is doing by redefining the customer base of a telecommunication’s company from a few countries to the entire globe.

It is estimated that there are currently around 450 million Skype subscribers worldwide and the CEO of Skype has made no secret of his ultimate goal of 1 billion users. We cannot forget that it was a concept developed by 6 people, three from Estonia, one from Denmark and one from Sweden: Three countries known for their telecommunication prowess? Not necessarily, but nevertheless they are redefining the services and revenue model of the telecoms industry.

Now many companies are aspiring to emulate Skype and come up with a completely global and connected customer base. Skype is owned by Microsoft and therefore, Skype combined with Microsoft’s 1.25 billion user base of its Windows operating system has laid the foundation for a truly global hub of inter-connected customers. What the ultimate plans are for this customer base is a very interesting question. This is only one of many examples of how non-traditional companies are

innovating and in a sense disrupting the status quo of standard business practices. Hence, if the current providers of these services do not take heed of these movements in their respective market, they run the risk being left behind to pick up the scraps of business left over by the most innovative.

It is not about the payment it is about the purchase process

In the case of the implementation of a new standard for purchasing on the web: We need to understand both end customers' needs – the initiator of the purchase – the buyer and the recipient of the transaction – the seller. Unfortunately, both will have different expectations on what requirements should be completed first or which attributes of the solution are the most important part of the process. Nevertheless, we cannot assume we know what either of these end points desire.

Most companies say they understand in which direction their customers are headed and what their needs are but in reality, these organisations are very often mistaking assumptions for actual knowledge and insight. Assumed customer needs lead to disintermediation because the solution that is often brought forward is actually not making the customers' life easier or solving a problem that the end users actually find frustrating. Authentic knowledge and insight of customers, on the other hand, leads to innovation that connects with them and forms longstanding and strong relationships.

Einstein stated: "Information is not knowledge". Therefore, the challenge is how can organizations consolidate and analyse the masses of data/information that they can/will be able to collect on the purchasing process/experience of a customer and turn that into intelligence. In turn, how can that be used to help facilitate current and future purchases either in-store or on the Web and how can this efficiency enable a company to become more profitable and deliver better products and services to its customers. We must also not forget that there may be more than one company involved in any one purchasing process and each of these entities may require different bits of information in order to conduct their analysis.

We not only need to understand what problems a global standard can solve when transferring purchasing information over the web from one participant to another in the terms of the finance process or for inventory purposes. We first should understand how a new standard could improve the whole purchasing process for all parties involved. We also need to consider that these issues need to be solved not just for today's generations of purchasers and sellers, but also for the up and coming generations.

Where to start

We should start from the purchasing customers' point of view and address the following thought process– *I want/need to buy something now and I want to do this quickly, cost effectively and pay for the purchase using the value that I have in my wallet exactly at this particular point in time. I do not want to be bothered with how the seller wants to be paid. I have enough funds to cover the purchase price and would like the transaction to be completed immediately and I want to have*

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possession of the goods as soon as possible, preferable today. These are only a few of the concerns that should be addressed. Years of surveying buyer activity has proven that the purchase process of all customers follows a similar path and every step of this journey has associated questions that need to be answered in order for a client to make a purchasing decision. These can be answered more efficiently by being equipped with customer intelligence.

Only after we have looked at these issues should we view these standards and their potential impact from a business perspective. Businesses will be asking themselves: *How will a new proposed global standard help my businesses become more efficient with my working capital management? How do I collect the funds from the purchaser as soon as possible? What supply chain finance instruments can be built into the process? How does this information help me manage my physical supply chain better? What information do I need to collect about the product the purchaser would like to buy in order to send this information to “my” 3D printer that is right around the corner from my customer to ensure a speedy delivery? How do I collect information that ensures that I stay customer relevant? Again, this is just touching on a few of the issues that should be addressed.*

The last issue begs the question: So, who owns the customer? The simple answer: In the future, where there is a smooth transition of customer information moving from one provider to another: No one will own the customer and for that matter, customers do not like to be owned. Customers like to be catered to, have their needs fulfilled, feel special when dealing with a particular provider and so on. Therefore, the goal of a provider should be to make their customers feel so welcome and at ease that they always come back to that particular provider for further purchases. Therefore embracing a solution that aims at more customer transparency and intelligence is one well worth exploring with excitement and rigor. Why, because it will show the purchaser of products and services, which of their providers is actually spending the time to get their needs and requirements, which is the ultimate goal of a customer intimate service provider.

Transforming information to knowledge to intelligence

Therefore, we need to think about how we will make this transfer of information between parties as seamless as possible in order for the whole purchasing experience to be a much more enjoyable one for both the buyer and seller. We need to take into account both parties’ activities and requirements. Hence, the questions that need to be answered are more end customer focused in nature and not just centred on addressing the technology issues. We need to answer: How do we design standards that will support the customer purchasing experience. How do we help facilitate the overall purchasing process and the quick exchange of funds/value from the buyer to the seller?

If we make this just a technology play, it will take much longer for a global standard to be adopted by all players as not everyone will see the benefit in moving to the new standard. If we get the actual customer on board and show them the benefits of adopting the new technology, it will entice more industries and organizations to join in on adopting the standard because they will see more products being sold. Therefore, any new standard should enable both parties to take a quantum leap in improving how they interact with each other.