

**Michael Salmony**

## Why should we feel inferior to the car industry?

complex. I say: please stop this! Because it is just as undeserved as untrue. Let's look at the situation a bit more objectively and systematically.

First the process. The car industry is indeed incredibly efficient in its production methods, thanks to the introduction of Lean/Six Sigma, which was first developed by Toyota in the first half of the previous century and then introduced in the US and European car industry in the eighties. This has led to impressive results in terms of just in time delivery, minimal inventories, KanbanFlow, low error rates (but with big product recalls every now and then) and what have you. But this revolution took place twenty years ago! And it was driven not by insight but by force – due to the Japanese car manufacturers threatening to overcome the US auto market with their new lean modern methods. In the meantime, the payments industry took up its lean lessons as well, with the result that today we can say we are far ahead of the car industry. We are in control of every link in the payment chain, we know the cost of every step of our production process to several decimal places – and tune them relentlessly down, STP is becoming more and more common practice, and what's more, we have far better in our error rates. At Equens, for example, we process more than 10 billion credit transfers annually with an uptime of virtually 100 % and zero errors! The other day we had a Six Sigma consultant in house whose measurement instrument could not even handle such low numbers as we now have and refused service! SixSigma being, of course, the long

There is something strange at hand within the payments industry. On many occasions we keep being told that we are doing so much worse than the car industry when it comes to innovation. On conferences, in articles, we seem to indulge in this inferiority

term goal that the car industry eventually at some distant future aim to achieve.

Now take the product. What are the innovations in cars? Okay, fuel consumption decreases, but much slower than possible. Electronic cars are introduced, hesitantly. You can start your car now by pushing a button in stead of turning a key ... again. Because this is how it was done in the fifties already. Alright, some cars offer automated parking systems. But these are by far not perfect yet, are mostly rather expensive and function differently in every other car brand. Incomprehensible electronic dashboards and (irritating) warning voices abound, but require special education to deal with. Even after having spent hours reading the instructions, I didn't manage to change the clock in my car from wintertime to summertime. And I have a PhD in computer science! How different are payment products. There are many ways to pay, but almost all of them can be carried out very easily. Apart from banking on your PC or mobile, we have PayPal, iZettle and many other convenient solutions that meet any possible demand. And at the same time all of them meet the highest security standards. So let this be the last time we compare ourselves with the car industry, because that is the sector that is lagging behind!

Hans-Gert Penzel

## Why we may have a reason to feel inferior to the car industry

complex! Maybe there are some arguments that we should consider. Let's look at the situation a bit more objectively and systematically.

First of all, banking covers a wide spectrum of activities. No doubt, it is difficult to provide a consistently high level of quality when people – advisors – perform personalized services for other people, facing a wide spectrum of wishes, attitudes and behaviours. Advising on a proper asset allocation is probably more difficult than getting a cheeseburger right. Although, when we check the most recent results from two thousand mystery shoppings done between January 2012 and February 2013, we should get doubts whether things have to remain THAT bad. The average performance centered around 27 out of 100 possible points. If a car was delivered like that, the dealer would get it back on his yard within hours. When we agree that innovation should strive for high quality, we have to be ashamed of the low innovation rate in advisory services and go for more!

But let's turn to payments. Of course, we are much better off in this arena: highly standardised, fast, cost efficient, and the customers get what they expect. In a variety of formats if they want, from everywhere to anywhere, driven by continuous innovation.

Admittedly, starting conditions for payments are easier than those for the advisory business: An ob-

In the banking industry, on many occasions we keep being told that we are doing so much worse than the car industry when it comes to innovation. On conferences, in articles, we seem to indulge in this inferiority complex. I say: well, maybe it is not only a

jective transaction, no subjective feelings between people involved, and only a few data fields: an amount, some short information on the purpose, a sender and a receiver, and a date. Also, this is about pure information with no physical goods involved. Therefore it is less complicated than providing a cheeseburger or producing the clock in my car (which may consist of dozens of parts)! It should be self evident that a payment transaction gets transferred fast and reliably - like an SMS or an email.

Wait a moment ... transferred fast? Wasn't it until a few years ago that you had to be very patient when passing a payment from bank account to bank account? I mean: not patient for some minutes or an hour. Not patient for a day. Often it was for two days, sometimes for more. Better not remember what happened when you wanted to send a payment from one country to another one. Not from China to Barbados, but let's say from Freiburg in Germany to Colmar in France, twenty-five kilometers across the river Rhein. It took less time to withdraw the money, go for a good half day walk to the other side, enjoy a dinner with some onion tart and red wine, spend the night in a nice hotel, and pass the cash to the recipient the following morning! Given the historically high fees for international payments, this might have been the che-

aper way as well! For many years, utmost pressure from legislation and supervision was required until things have gotten better. Still not really good. Regular payments are not instant like an email but take a day when you ask your trusted bank for the standard service.

But at least, with a money transfer I get done what I want!

Well again, let's not be too complacent! Let's look at an extensive number of money transfers across Europe that ibi research tested in the context of moving to SEPA. For simple money transfers between EU countries, in one out of four cases the attached information was abbreviated or garbled. And even worse: Close to one third of all direct debit transactions failed completely. Often, the wrong MT was delivered to indicate the problem. If a newly introduced car was delivered in such a state, the dealer wouldn't have a good time!

So let this NOT be the last time we compare ourselves with the car industry. And let's not wait for regulation to force us into innovation and get the services better. Let's just do it because the customers can expect it! Or even better: Let's exceed their expectations!

### **Authors**

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