**Cultivating the groundwork in Europe**
**Cooperation is key for banks to grow payments convergence**

*Moderator: Pablo Castillón*

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**Pablo Castillón:** This is an IBM banking industry podcast. I’m Pablo Castillón and we’re talking to Gerard Hartsink and Erkki Poutiainen. Gentleman, welcome.

**Pablo Castillón:** IBM’s Institute for Business Value will soon release a whitepaper entitled “Cultivating the Groundwork in Europe” that argues that cooperation is key for banks to grow payments convergence – now more than ever. And that extends to the corporate customers.

A physical and financial supply chain convergence scenario, or “Convergence” in short, is certainly a buzz word today.

Gerard, as Chairman of the European Payments Council you’ve been a leading promoter of the transformation of the payments landscape. In your view, how does Single Euro Payments Area (SEPA) alter the nature of the bank – corporate customer relation?

**Gerard Hartsink:** Banks are delivering services to their customers, of course. Customers are expecting a value proposition and services of their institutions also in the SEPA environment. Of course from a corporate perspective they expect also to have more competition because the markets are being opened and it’s not any more the domestic environment.

All banks are starting to deliver SEPA payment services based on the same standards and not all banks will deliver the same type of service – that is very much depending on the value proposition of each individual bank. But there is a common element in all these types of services.

**Pablo Castillón:** Indeed. Erkki, as a member of the board of the European Banking Association, you have a critical role related to e-invoicing which is one of those key topics that Gerard mentioned. From the banking community perspective do you anticipate that a post-SEPA world will lead to a renewed e-invoicing scenario? Let’s call it version 2.0, if you will, regarding the previous efforts that have been made in this space. If you do agree, what would it look like?

**Erkki Poutiainen:** Well first of all, talking about 2.0, I would like to link this also to the basic SEPA that the key issue in 2.0 – and now I refer to the Web 2.0 – is responsiveness to end user requirements. And to me, in our scenario it is very important to the success of the e-invoicing to include the small and medium enterprises (SMEs) and consumer segments to the end users, not only the large corporate sector – that you could say that more or less has the strongest voice in the past in e-invoicing context.

The whole market will certainly not be served by banks only, but there are other service providers. To some users the integration to payments is vital, to some users it is integration
to the other processes in the supply chain or procurement. Banks do have a natural interest to provide services for invoicing through close integration to payments and finance, and a lot of synergy opportunities of course in the existing e-channels to customers and the network of banks.

So an infrastructure in the future scenario, it is a network, a platform which serves – let's say in a two way circle kind of interaction – between a scenario where there are at the two business partners and service providers in between. The invoice as such is only, let's say, a midway to a more complete picture where services will be offered and supported.

In summary, the renewed e-invoicing scenario will be and that is the definite target that we will have a very well functioning platform and network for different kinds of end users and the infrastructure will serve and be responsive to these different kinds of end user requirements.

**Pablo Castillón:** From the perspective of the banks the challenge is, as the potential benefits are, significant. How to successfully bring on board not only the corporates but also the SMEs, how to deal with a very fragmented market and a fragmented service offering it makes putting together a solution all the more challenging.

You know in preparation of our whitepaper, we found a significant perception gap between banks and their corporate customers on how active banks truly are in rising to the occasion today by generating new related products.

In your view, what innovative services lie beyond e-invoicing?

**Erkki Poutiainen:** If I have to give an answer, well of course we talk about e-reconciliation. In particular the corporates are very interested in e-reconciliation. It’s very closely linked of course to e-invoicing.

But from a banking perspective, several banking communities today already deliver authentication services for their consumers. They deliver mobile payment services. They are delivering SEPA online type of services and it makes sense that we cooperate together as banks to broaden the cooperative space in such a way that in the end we can deliver more benefits; value proposition services to our customers on the one hand, but also creating more value for our – in the end – shareholders for the bottom line of banks ourselves.

**Gerard Hartsink:** From my perspective, we are very well aware that the corporates like to have solutions for e-reconciliation. It’s closely linked to e-invoicing but it’s a different element out of it. They are really very ambitious that for the financial supply chain, banks are delivering more services, in particular, the SMEs.

But don’t forget that also new services, like authentication services of banks may be of interest for corporates, but also solutions for mobiles. In the end, mobiles will be used in the longer term to generate payments and that is also in the interest of the corporate sector.
**Pablo Castillón:** And with regards to how these will be presented to the market, as we know the European market varies significantly between regions and there are lessons to be learned in certain regions. Do you see any particular developments that the general market should be aware in this space?

**Gerard Hartsink:** From my perspective it is absolutely true that in general the Nordic countries are much more advanced than the Southern part of Europe. Also, don’t forget Italy: they also have very interesting elements in their product portfolio, in their value proposition and very strong link for instance between payments and financing. And I believe there are lessons learned for the rest of Europe of the Nordics but also of some other markets like the case in Italy.

**Pablo Castillón:** Erkki, would you like to add to that?

**Erkki Poutiainen:** Yes, but this calls for collaboration, of course – which is one of the themes of the discussion here. So what I would say, that now is a very critical time to agree or define that 2.0, or whatever we want to call that, to take new items on the collaborative space because I think that is vital for bringing the infrastructure on the next level to serve for the new service provision.

**Pablo Castillón:** So indeed it is a perception in the market that enhancement of service-offer of banks to include e-invoicing and like is widely regarded as an entrance hurdle to a service market which is currently dominated by other players.

Moving on with this idea and with the notion of collaboration, how do you see this area evolve in terms of collaboration and competition?

**Erkki Poutiainen:** The experience or the recent activity initiated by the EU commission proved to me that when looking at the end user perspective there’s definitely the need to find good cooperation models between the different kinds of service providers to reach as large number of counterparties or end users as possible.

So in terms of e-invoicing for example, the complementing that the large corporate-created operator network with reusing banking network here, should provide a win-win situation for everyone.

**Pablo Castillón:** And the expectation that this will be shared among the key players in the market as we move forward is that it will be increasingly so. Would you agree?

**Erkki Poutiainen:** Yes, I would say so, very much.

**Pablo Castillón:** Gerard, Erkki, it’s been good to talk to you. Gerard Hartsink and Erkki Poutiainen, thank you. I’m Pablo Castillón from IBM’s Global Business Services. For additional information please email us at ibv@us.ibm.com. Thank you.