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Don't bank on competition - Why business must take action against the big four

By *Jost Stollmann*

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The big banks continue to fail their customers. Constructive industry behaviour can help reform the banking sector.

The world of commerce has moved into the internet age. As customers and business owners we demand speed, efficiency and reliability in transactions which are scattered over every facet of our lives. So it's no wonder when we depend on the major banks - which run on legacy IT systems that are more than 30 years old - we are so often frustrated or left short-changed.

The reality is that banking systems deliver slow and unreliable services. Last year the community dealt with six large-scale failures by the big banks. During peak trading periods, response times for payment transactions typically degrade and systems fail.

Why? Investment into the core systems has lagged to sweat the assets. Eventually this will result in the need for major rewrites, many of which will fail. The complexity and risk of migrating to the new world in a big step is significant.

If innovation was more continuous and the changes more incremental, the risk and scale of failures would be mitigated. Innovation emanates predominately from the requirements of demanding customers and merchants, as well as from fresh thinking, ideas and models that new players bring to market.

So it's important in particular for SMEs to exercise their will in favour of alternatives. This kind of action fosters innovation and competition.

Tyro Payments (my company) is the only new entrant that has dared to challenge the major retail banks in a core banking service that is increasingly critical for SME survival. Tyro offers an alternative to EFTPOS designed to minimize the merchant's costs. It has developed an end-to-end IP EFTPOS technology and positioned itself as a SME advocate bringing technology, efficiency and innovation to the business community.

The key question is how to create a regulatory and industry framework where Tyros can sustainably compete head-to-head in a banking industry that desperately needs NEW solutions and NEW competition?

It is heavy lifting, because the significant barriers to access and expansion have to be

levelled. Tyro has achieved a lot, but to make a difference it has to scale up. The main challenges are the lack of awareness that there is choice, the unknown brand, the switching inertia of the merchant community and the inadvertent or deliberate anti-competitive behaviour of the big banks.

Every merchant giving the new entrant and his superior solution a chance gives a clear message to the major banks that there is a choice. He makes bank policy.

If major banks were to refrain from anti-competitive behaviour and support new entrants – prima facie counterintuitive – they would actually serve their interest. They could benefit from innovative ideas and models spilling over into their organisations. They could invest into the new entrants or buy them outright at a later stage. They certainly would satisfy the expectation of the regulator and the Australian community.

There are other industries that have proven the virtue of such constructive industry behaviour. The current reality of glitches, failures and lack of competition and thus choice is unacceptable. It is time for change, for more Tyros being able to challenge the status quo.

Jost Stollmann is Executive Director and Chief Executive Officer of **Tyro Payments** [1]. In 1984 he founded and grew the German system and network integrator CompuNet Computer AG into a one billion dollar company. In 1996, he sold it to GE Capital US and led the integration and expansion of GE Capital IT Solutions across Europe. In 1998, as Federal Shadow Minister of Economy and Technology, Jost ran his successful election campaign making a significant contribution to the landslide victory of Gerhard Schröder to the Chancellorship of Germany. Jost commissioned an award winning 40m high performance racer-cruiser and sailed with his family around the globe before settling in Sydney in 2004.

Tyro Payments [1] provides Australian merchants with the banking service of credit and debit card acquiring. It does not take deposits.

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