

Book Review

Virtual Banking: A Guide to Innovation and Partnering

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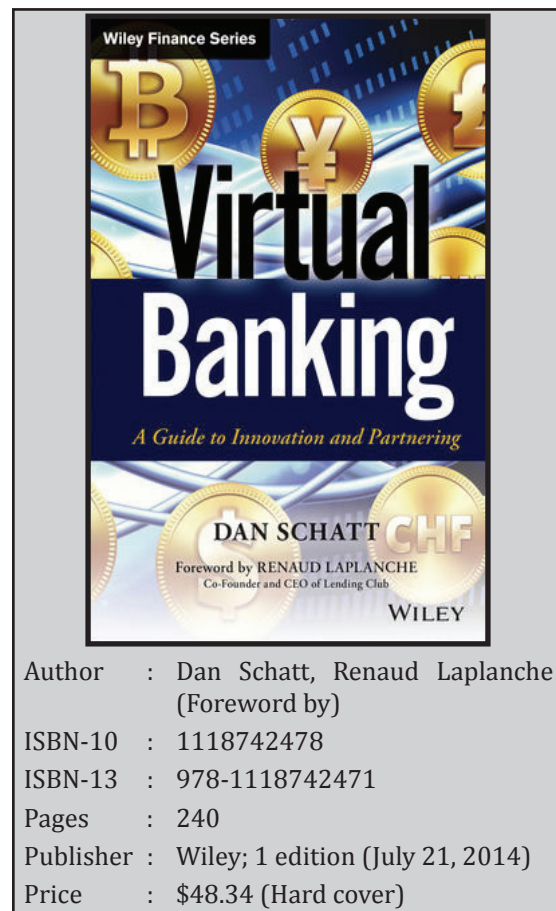
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Virtual Banking is an intersection of banking, financial services, and technology. Technological frontiers include geo location capabilities to enable pop-ups and alerts on the mobile phones of consumers whenever they pass favorite malls or restaurants. The fingerprint access introduced on smart phones, card details stored in digital wallets, the acceptance of near-field communications as a standard, and contact less point-of-sale terminals at stores — all will lead to “one-click” payments. The pace of innovation is so rapid that author Schatt will need to update this book in the near future.

Virtual Banking: A Guide to Innovation and Partnering offers a hands-on approach to competing in today’s financial services environment. As a professional running virtually any financial organization how can you position your institution to become a customer magnet instead of a repellent? This book is intended for those who would like to understand how to innovate and drive significant positive change in their organization through creative partnering. According to Schatt “ New technologies and platforms are now available on a wide scale and those financial institutions that can strike deals with nonbanks can meet their regulatory requirements while offering valuable new experiences that delight customers “ Virtual Banking also explores the divergent thinking that leads to innovation – how consumers rule the day and governments capitulate when an innovation catches hold.

The book is filled with illustrative case studies from such industry leaders as PayPal, Google, Square, and Face book. These examples clearly



Author : Dan Schatt, Renaud Laplanche
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show the acceleration of innovation through banking partnerships, as well as the mechanics behind banking’s most credible threats. Virtual Banking gives bankers to tap into the power of digital payments the inside track on managing

the shift and dominating the new marketplace with insight such as:

- Evolving bitcoin, prepaid and retail point of sale ecosystems and how banks can partner with new players
- Where revenue may be derived in the future and how to shift gears to focus on greenfield markets
- Best practices that financial companies can employ on their digital channels that can make their customer experience similar to some of the best commerce websites out on the market today.

Schatt depicts, “The new age of partnering and innovation in the financial services arena is filled with brilliant shades in development. but there are really very few pure competitors in the arena. The challenge is to recognize and seize new opportunities of every kind. Any institution a financial services company might view as a disinter mediator for banks might just be what’s keeping your financial institution relevant.”

With the rapid expansion and globalization of banks, that customer connection seemed to disappear. It is now making a comeback—through the use of technology, be it social media, mobiles, or analytics that use big data. Now, according to a recent survey of younger customers, the desire for mobile banking capabilities is a main motive for switching banks. The three main features that attract these customers are mobile remote deposit capture, mobile payments, and actionable offers.

In *Virtual Banking: A Guide to Innovation and Partnering*, Dan Schatt — former head of financial innovations at PayPal and currently the chief commercial officer of Stockpile — provides an excellent view of the changes taking place in banking and financial services & suggested that most of the innovations are occurring outside banking. If banks do not adopt these innovations, they run the risk of becoming irrelevant to their customers. “Banking is necessary, but banks are not,” Bill Gates also famously said the same in 1994 & this statement remains valid today. Schatt gives various examples of how banks

are successfully implementing social, mobile, and big data technologies in serving their retail customers. Banks in Poland can now deliver special offers to customers directly in their Facebook accounts, personalized with respect to their transactions. The Commonwealth Bank of Australia can facilitate peer-to-peer payments between Facebook “friends” by using mobile phone numbers and addresses and can enable customers to request payments, check balances, and transfer money between accounts. In India, Banks now provides its customers account information through Facebook application, hosted on the bank’s servers. Customers are quickly gravitating toward mobile banking & customers of Safaricom and Vodacom, the largest mobile networks in Kenya and Tanzania, respectively, using a mobile phone eliminates a great deal of risk using M-Pesa account. M-Pesa is a mobile-phone-based money-transfer and micro financing service launched by Vodafone in 2007, allows a user with a national identity card or passport to deposit, withdraw, and transfer money easily with a mobile device.

Schatt argues, however, that the technological foundation of math-based currencies (MBCs) could prove transformational for financial institutions. Bitcoin’s core functions are currency mining, transaction logging, and ledger replication. One of the simplest uses of MBCs involves a payment rail. This transaction is a “push” payment between two endpoints, so it avoids settlement risk. It is best suited for such business-to-business segments as interbank trading and settlement, online micropayments, and international money remittances — all at a fraction of the cost of conventional methods.

The distinctive features of Virtual Banking are the inclusion of interviews of experts from a range of technology and financial services. The interviewees include Dana Stadler, a partner at Matrix Capital and former COO of PayPal, Scott Thompson, CEO of Shop Runner and former president of PayPal, Meyer “Micky” Malka, a serial entrepreneur and currently a partner at Ribbit Capital, Renaud Laplanche, CEO of Lending Club and Brett King, CEO of Moven.