COMMENTARY

FINANCIAL REVIEW

Web-shy banks risk losing out to foreigners

As Australians desert shopping centres for lower prices and more choice online, it is not only retailers that are failing to follow them. Banks, too, are guilty of leaving the e-commerce field vacant for foreigners to conquer.

The banks' failure should not only concern bank shareholders, who stand to miss out on millions in revenues from processing online payments. It should also concern retailers and policymakers.

As things stand, it costs retailers more to receive payments online than offline. This is because there is no online equivalent of the eftpos system used in offline payments. Online shoppers mostly pay with Visa and MasterCard credit and debit cards instead. As well as forcing shoppers to reveal card information to retailers they might know little of – and to snooping criminals – retailers pay higher "interchange" fees to the American companies that run the Visa and MasterCard schemes than they do to the Australian company that runs eftpos.

Indeed, with eftpos it is the card schemes, together with the issuer of the card (usually a bank), that pay the interchange fee to retailers and their banks.

This inducement to retailers to accept eftpos, introduced with the system in the 1980s, is now under review by the banks and retailers that own it. But even if the direction of eftpos interchange fees is reversed, they are likely to stay lower.

According to the Reserve Bank of Australia, the average interchange fee on a $100 credit card payment is about 50¢, and 12¢ for a scheme debit card payment, compared with 4¢ to 5¢ on an eftpos payment of similar value.

Despite this, banks have until now been happy to leave e-commerce to Visa and MasterCard. As the card issuers, banks share in the interchange fees collected from retailers. And when they sit on the other side of a transaction, as the retailers' banks, they collect "acceptance" or "acquiring" fees from the retailers (which, together with the interchange fee, make up the "merchant" fee paid by retailers).

Enter PayPal. The American company wants to become the global standard for online payments. It has been welcomed in Australia by both consumers and retailers, hitherto starved for choice in making or receiving payments.

Consumers like having to divulge card information only once, to PayPal, which then pays retailers on their behalf. Retailers get paid immediately and avoid the set-up and monthly fees charged by banks for processing online payments. These attractions have propelled PayPal to a 10 to 20 per cent share of the $26 billion e-commerce market.

So far the response of banks has been feeble. An attempt to turn the BPAY system for bill payments owned by the major banks into a PayPal "killer" is crawling to market, when leaps and bounds are needed.

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In the meantime, rules set down by Visa and MasterCard when e-commerce was in its infancy are making it difficult for rivals to emerge online and put pressure on the big banks.

These require banks receiving online payments to set aside more capital than for offline payments, to meet claims against fraudulent retailers – a not uncommon occurrence when pornography and gambling sites dominated e-commerce. Sydney-based Tyro Payments, which is undercutting the banks offline, says these rules prevent it from offering the same, better deal to retailers online.

If the card schemes won't lower these and other barriers to entry of their own accord, the Reserve Bank of Australia should consider intervening. It took the intervention of the "reluctant regulator" in 2003 to stop Visa and MasterCard from charging exorbitant interchange fees and preventing retailers from passing them on to cardholders.

Australia's reluctant innovators, the major banks, have one last chance to give shoppers a fairer go online. If they fluff it, as retailers have done, PayPal and policymakers will make them do it on terms they are sure to dislike.

GLASS CEILING PETER WILSON

Gender equity: don't be left behind

An overdue public debate was generated in 2010 on Australia's representation of women within senior business ranks. The debate was prompted by imminent Australian Securities Exchange guidelines on reporting gender equity and was accompanied by uncomfortable data that suggested Australia had world's worst practice.

By year's end, the position had improved somewhat with women representing 10.3 per cent of board positions (up from 8.3 per cent) and senior executive female participation moving from 10 per cent to 12 per cent. However, with the ASX Corporate Governance Guidelines now a fact of life and the federal sex discrimination commissioner calling for targets of 40 per cent senior female participation within five years, Australian business is on notice.

Adoption of the following steps is a good way to get started. When in doubt, step one is to ask the women in the company what gender equity means to them. Lion Nathan started policy development with a survey of its female employees and now conducts regular engagement surveys classified by gender and followed by timely action on the findings.

London Business School reports the top-rating teams have 50-50 gender make-up. Photo Michele Mossop

Flexible working arrangements: Provision for flexible hours, shared jobs, working remotely from the office, and adopting the discipline of confining meetings to core hours (say 10am to 4pm) provide advantages for working parents to organise their work and family responsibilities. IBM and SingTel Optus are leaders in such practices and report no discernible loss of productivity.

Mentoring: University of Michigan research shows that 30 per cent of workplace learning takes place through mentoring. Some corporations have "dual" in-house mentoring programs that help women to work better in heavily male environments, as well as programs to counsel men on working more productively and co-operatively with women. Last year, two successful mentoring programs were established. One was the Australian Institute of Company Directors moving to boost the supply of board-ready female candidates. The other was the Business Council of Australia and the Australian Human Resources Institute building an all-important pipeline of senior female executives.

Managing return from maternity leave: This is the time when highly experienced and productive women can become despondent, feel the "imposter syndrome" and promptly retire. Assigning executives as buddies to work alongside returning mothers can forestall premature exits, and also motivate renewed success in both work and family roles.

Childcare: Affordability and access to childcare come up in most corporate surveys as significant drivers behind women giving up their careers. Many employers have found that reconfiguring the workplace to allow for a childcare facility, or joint venturing an adjacent solution with neighbouring employers, can provide lasting advantages to retention and productivity as well as morale.

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Recruitment and development: A number of organisations have introduced target ratios for a minimum proportion of women to be present at recruitment, in-house selection, talent management and leadership development programs. ANZ requires its executive search firms to have a minimum of 40 per cent of women on a long list prepared against any senior role.

Remuneration benchmarking: It is estimated that women are paid anything from 65 per cent to 85 per cent of what a man earns in a comparable role. Boards are now testing for chronic bias in their annual remuneration reviews, and acting on the results.

Community care and well-being: As the competition for top senior executive women heats up, these women will have stronger negotiating power as to which employer brand they are prepared to work with. According to Human Synergistics surveys, top-performing women executives are attracted to companies with a positive reputation in their communities and to companies that help employees manage their health and well-being. Women seem to recognise better than men that to juggle work-life pressures requires healthy choices in food, exercise and health. Further, organisations with poor awareness of health and well-being are often places with cultures of overeating, excessive drinking, and workaholic and harassment-prone lifestyles.

Policies on diversity and harassment: It is not possible to sustain gender equity without clear and explicit policies on diversity and sexual harassment. These are only seen as credible if they are embedded in practice through active training, and if there is effective action against any contraventions, regardless of the seniority of offenders.

Yielding a man's seat: This change is the toughest one of all. The only way women will move to 40 per cent membership in the next five years is for at least two or three male directors of every large organisation in Australia to voluntarily retire to make way for board-ready female candidates.

Recent research from the London Business School shows that male-only teams are the lowest performers. The second lowest comprise only women. The highest-rating teams have a 50-50 gender constituency. Board resistance to the idea is particularly entrenched.

The path to sustained progress up the gender equity slope is steep and has many pitfalls. However, the evidence is that a large cohort of hard-working, highly organised and committed female talent is the prize for getting it right.

The trend for women to assume more leadership responsibilities is now irreversible, and best practice companies say better diversity correlates with sustained levels of high performance. Hopefully that's enough incentive for companies to be more proactive.

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