

The State of Tech in Financial Services with Scott Harkey

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Speaker 1: Tech Reimagined, redefining the relationship between people and technology. Brought to you by Endava. This is Tech Reimagined.

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Speaker 2: Hello and welcome back to Tech Reimagined. I'm Bradley Howard, and I'm very pleased to welcome you to the latest episode of our show. We're now running into season three, in which we explore how technology is influencing the fabric of our society, the way we work, the way we live, and the way we do business. Stay tuned on every podcast platform to listen to our fantastic guests this season. And speaking of fantastic guests today, we're glad to introduce you to Scott Harkey. He's a colleague of mine at Endava. He's our EVP of Financial Services and Payments and Global Head of Marketing at Endava. He's also a speaker, an advisor, a record label owner. And we're going to find out in a moment, he's also a break dancer. And last but not least, he's also the podcast host of the PayCLT Payments Hub Podcast, a very insightful collection of discussions on the technology and strategies in payments technology. Hello Scott, that was quite a bit of an introduction. Thanks for joining us today, how are you today?

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Speaker 3: Hey Bradley, thanks for having me. I'm doing great. That's quite a bit to live up to, so I can only hope that I can still do all those things, but it's fantastic to be here today.

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Speaker 2: Well, on a somewhat personal and funny note, you've got to explain, what's your experience in break dance?

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Speaker 3: Well, I was once a world champion in it. No, I was not. It's funny, I've found that there's a lot of signal to noise out there with people, and sometimes figuring out how to find interesting people and connect with people can be a bit of a challenge. And so a number of years ago as I was building out my LinkedIn profile, the first couple of things are true. I definitely do a lot of speaking, worked in a lot of organizations and done a lot of things. I have had a record label for the last 20 or so years. But I was like, what is something even more interesting that maybe is a little bit of a stretch and break dancing is it. So I'm sad to say, and I was actually challenged on this very recently at an event we had where someone said, "You're a break dancer, right? Let's get out there and see what you got."

And I had to quickly back peddle a little bit and say, at one point in time I may have done some break dancing, but I am far from a break dancer who at least the age I'm at now is going to get out there in front of a group of people and try to bust out my skills. So I'm here to dispel the myth, I am I not to be challenged at a live event with my break dancing skills or you will be disappointed. But it's a great way to introduce people and have conversations sometimes. So I'll stick with it for now.

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Speaker 2: I bet it is. So let's talk for a second about the ingeniously named record label. It's called Silent Uproar. And how does that fit in? And how do you fit in enough time to do it as well?

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Speaker 3: That is the never ending question. So Silent Uproar was even more interesting from a name perspective because when we first built it, it was all online. And so the idea was, it's music but it's on the internet. And at the very beginning it was based around a website where we were doing music news and music reviews. And so we were making all this noise about music, but it was silent because it was all words on the screen. But that started out as something that a friend and I started in college. I've always been into music, I always had friends that played music, but I never had any musical talent. And for whatever reason I decided the better path instead of learning how to play guitar was to use the business acumen that I had and figure out how to get the music out into the world.

So that was always my role, my friends would make all the music and I would hang out with them and then I would help them get the music into stores. I would help them figure out how to do digital distribution, how to make t-shirts and sell them, and all the things that in retrospect actually plays a lot into what I do now and some of the things I do now, especially on the marketing side. So I joke with the team that I've been making company / band swag for 20 plus years. I know all the tricks at this point. But no, it's always been a bit of a passion hobby and we still do it. So we don't do a whole lot because I have other jobs to the point and have a lot going on. But it's always been a fun thing to do on the side. It keeps me close to music and I always love being out there and being part of that world as well.

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Speaker 2: So one last question on the subject of your other passions before we go into financial services, any particular successes with the record label? Any particular bands that stand out?

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Speaker 3: Yeah, I would say the one I'm most proud of is, we have a band, the band is called Nemo, like the fish. They had the name before the fish. But what's exciting about them? So I'm big into rock music and I like early punk music and they are a punk band, so loud, really aggressive, really in my opinion, fun music. But they are actually a band that became the Avett Brothers, which is a more widely known band, at least here in the US. They're a kind of a bluegrass, Americana band. And we went to college with those guys and we held on to that record, the Nemo record for about 15 years as the Avett Brothers got bigger and bigger and bigger. And we started having to negotiate with their label about when we could release it because the Avett Brothers played the Grammy's and have had just tremendous success.

But we had to wait for our time to be able to put out that record so we didn't distract that part of their career. And we finally put it out four or five years ago. And believe it or not, we just keep printing vinyl. So the thing in music today again is vinyl. And so we run a batch of 500 or a thousand of them every year or so and sell out of it immediately and just keep making that and it's a lot of fun. So we've had a lot of great bands, but that's one of the ones I'm most proud of for sure.

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Speaker 2: Excellent. I'm quite surprised that as Head of Marketing, you haven't replaced break dance in your LinkedIn profile with you are the record label that found Nemo.

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Speaker 3: Yeah, no, I've got to be multifaceted, right? You've got to add some variety in there.

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Speaker 2: Okay, so let's talk about banking and financial services because the topic of today's episode is the state of technology in financial services. So what got you into banking and financial systems in the first place? I know you've got a really lovely story about this.

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Speaker 3: Yeah, there's two steps to the journey. The first one is less exciting or maybe less strategic, or planned than the second one. And the first one is, my first job out of university was actually at a bank. And it was only because there was the only place I could get a job. So I graduated from university in the early two thousands or 2000 to be specific, 2001. Moved to a city in the States that was a tech city. So Raleigh, North Carolina was kind of a tech hub and all the tech jobs disappeared all of a sudden because there was a .com bust and a lot of the jobs that were around when I decided that was a path I was going to take, were suddenly gone.

So I spent a bit looking for a job and actually ended up at a bank because that was the only place I could get a job. I quickly found my way into the IT side of things there and managed to craft my career around that. But I think probably one of the more pivotal points in my career in getting into payments specifically, was that the time when I was at Bank of America. And I came into the bank broadly working on technology initiatives and had the opportunity to work on some mobile payments things. And this was early days before Apple Pay, it was early Google Wallet. We were actually building mobile payments on phones, mainly on Android devices because they were the only ones that could enable it at the time.

And I remember being in the bank, I was working on this stuff as kind of a technical delivery manager and I got wind of the fact that Google was coming in and they were again, early versions of Google Wallet they were working on. And I was all excited because I was like, "Great, I'd love to work with Google and love to be engaged." And I remember going to my manager at the time or maybe a couple levels up and asking "Can I be in this meeting?" And he was very politely, "No, we'll put the right people in the room and when we need to have you involved, we'll let you know." That didn't feel real great to be really real about it. I felt like I should get to be part of that conversation. I wanted to be part of that conversation. And so I kind of made a determined, or put in some focus around, how do I ensure that next time that happens that I am the person that they put in the room?

We were a large organization, there are lots of people that could have played that role. I wanted to be the person that played that role. So I actually spent the next couple of years digging deep into mobile payments, spent some time, all through my employer helping support that journey. But I got to spend some time in the Netherlands with a company that was really helping us understand on the technical level how the technology on the devices worked. Spent a bunch of time building different projects for the bank and through other clients. And spent years really honing the craft on that. And then my kind of shining moment came when at the time what became Apple Pay, Apple came to the bank and said, "Hey, we're building this thing. It's very, very confidential. It's not something that people within the organization can really know about there's two people that can know about this from a bank perspective and know what it really is. We need someone on the tech side that'll be engaged and someone on the business side, who do you have?"

And what ended up happening is I was the person that they put in from a tech standpoint and ran that initiative from the bank side and it was a fantastic journey. Got to go to the Apple launch event for both, at that time it was I think the iPhone six and the release of Apple Pay. And was just really instrumental I think in a theme throughout my career of, I tend to be opportunistic in the long view. I didn't wake up or when I was five years old, I wasn't like, "Ooh, I want to be exactly this." And then followed that through to a T. I've always known the type of thing I want to do, but I've been fairly opportunistic about the path to get there.

But I think this was always a good example to me of being very determined in, when I see something I wanted to achieve or a place I wanted to get to or a technology I wanted to learn, just sometimes you got to just put in the work and go after it. And that's probably the heart of that story for me. And it was a moment in my career where I did see exactly where I wanted to be and what I wanted to do and recognized that to get there I was just going to have to put in the work and do it. And fortunately it has a happy ending in that I did get to where I was wanting to get.

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Speaker 2: Definitely. We've had lots of successful people like yourself on the show who have talked about their pivotal moment in their career was when a new innovation came along or a new business opportunity came along and they were the first to step forward. It's really interesting to hear you actually prepared for that moment by essentially reading a bit about the Apple spec and knowing huge amounts about how Android Pay worked behind the scenes so that you were ready for the next competitor to come along. I find that really interesting. Would you say that how the mobile payments work has been the biggest innovation that you've seen in banking technology? Or are there other technologies?

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Speaker 3: Yeah, there's a couple. I mean certainly in payments I think that changed a lot, right? And it's not just the mobile payment bit, but the tokenization that underpins that. That was at a time where when we first built a lot of those interfaces with the card networks, we were cramming data into ISO messages, basically the existing message format that was very minimal in what could be put in there because none of the card networks offered APIs yet. So that just tells you timing wise the impact of things. And we saw real time through that work, the evolution into APIs. And I can remember when we were first building those interfaces, the way tokenization and the flows behind a lot of the payment products worked is a series of calls that happened between the digital wallet, so the Apple Pay or whatever it is, the card network. So say visa, the bank and then full loop back.

So every time you go to add a card to a mobile wallet, it goes through that loop. Or sometimes the card network will stand in for the bank and there's variations, but that's kind of the fundamental loop. So each card network has a different kind of flow because whether it's American Express or Visa MasterCard. And I remember an exercise of, all right well for each of the card networks, which one has APIs for which set of interfaces and which one? So we have to cram the messages into ISO messages, old messaging format. And I bring that up only to say that I think the APIs in general, it's the non-sexy answer, but it is the thing that has most fundamentally changed the way all technology works. Because it's enabled so much, it's enabled all these different partnerships, it's enabled all the embedded banking and embedded finance.

None of that could even exist if it wasn't for the fact that there are now clear standards and usage around APIs. There's API management platforms and tools to keep them secure, there's platforms to manage them. All that's kind of evolved on top of that. But

fundamentally that shift into an API and it's ability to be leveraged to interact between organizations. That's it to me. I mean it manifests in all kinds of different experiences. Mobile, you can look at things like the iPhone as saying that was clearly game changing from just a consumer experience standpoint. But all the apps that interact on an iPhone, all the things that aren't Apple, nevermind within Apple's own set of apps. All that's driven by or underpinned by the usage of APIs to build these connections between different sets of data or different entities. So again, like I said, it's kind of the unsexy answer, but it's so fundamental to me. And it's not that old. The usage of APIs and proliferation of them, it's only 10 years old or so that it's really been at this kind of scale.

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Speaker 2: Yeah, it's the magic behind the scenes, isn't it? That makes everything work automatically.

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Speaker 3: Absolutely.

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Speaker 2: And what do you think is going to be the next big thing in financial services technology?

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Speaker 3: It's almost a cliché to say data, but I think it's so true. And I think that then feeds into AI and other things that will help us use the data in a better way. I do think AI will be huge in terms of the even little bits of it in the way it influences automation and other things that happen. But I think that's underpinned by just the evolution of data such that it becomes more and more useful to both the underlying business as well as to the end consumer. And then I think today, again we're still so early in organizations getting their hands around the data and even knowing what they have. I feel like that's probably been the last say five to 10 years, is more and more organizations understanding, well, what do we even have? You've got maybe a couple years of more advanced organizations starting to look at, okay now we understand what we have now, how do we use it in a really light touch way?

And most of the things we've seen manifest have been fairly basic things. It's recommending you a product at the right time. If you're a financial institution, you can proactively recommend a lending product because you see someone keeps overdrawing their account or you see the timing of funds deposited versus withdrawn, creates a clear short term lending opportunity. Or you see a spending pattern behavior and so you make a mortgage recommendation. So that's kind of the bare minimum basics. But I think where we'll go is the more predictive data, the more predictive things that we can do to say, not only do I understand an immediate opportunity to offer you a product, but I can start to help you more proactively manage your money. And I can do that in a way that's not about necessarily extracting more fees or more revenue from that standpoint out of you. It's about deepening the relationship to build trust.

Because ultimately, I feel like a lot of financial institutions today, they're a secure place to keep your money, but they're not necessarily loved for their experience. And a lot of that stems from a feeling of, does my financial institution actually care about me? I know they're protecting my money and I value that, but do they care about me or are they just trying to make money off of me? And I think that stems from the fact that a lot of the ways financial institutions interact with our customers today are very reactive and they're very like, "Oh, this thing happened now I'm going to charge you for it." Or maybe I don't

charge you for it, but I'm not helping make your life better. I'm just giving you visibility into how messed up your life is, right?

I think as they transition to using data to transition to, how can we actually make your life better? That's where organizations, financial institutions start to be able to build more trust, to become more of a part of customer's lives as opposed to just being a transactional record. So it's just one example, but I think underpinning that is data. The usage of data and its ability to help drive deeper, more meaningful experiences where the end customer actually gets value added from the relationship.

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Speaker 2: I hear what you're saying about trust. I've always said that I think people massively trust banks because we all get paid our salaries into banks. And certainly in the western world, we don't see people mass withdrawing it on the first day because they don't trust their bank at all. So I think we massively trust banks. I wonder though, if the wider public is ready for those proactive suggestions, a bit like social networks use data incredibly well to do what they do, maybe a bit too well sometimes, in order to give that customer experience. But do you think that the average customer is ready for those kind of proactive, deep data recommendations?

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Speaker 3: I think if it adds value, I think that's the key to it. When people feel like you're stepping in their privacy for your own gain or for a benefit that they don't see or understand, I think that's when they get a little nervous. I think when there's a clearly communicated value that they're getting out of it, I think the data would show that there's a lot stronger willingness for customers to agree to whatever or to adopt whatever terms or whatever the case may be. Just anecdotally, I can remember... I guess at this point, it's probably been about 10 years ago, being at a large bank and we were working on our mobile app. And at the time, basically if you allowed the app to connect to your local contacts on the device, and on Android devices, you had to physically prompt the user whenever they were downloading the app.

So as part of the app download process, you had to tell them, and it was as specific they had to agree to it. This app is going to be able to see your contacts. Do you want to allow that to happen? And I remember when we were at the bank, we had built in a tool, basically so when sending a person to person payment, we could use your contacts to basically fill in the details that we would need to send it to. And so that flag was on there and we had a massive negative feedback on the app in the app store, to the point where we had to pull that piece of functionality because it was killing our operating. And it was because people were so anxious about the fact of, "Well, why does my bank need to see my contacts?" And the problem is, that prompt came without an understanding of what the experience was we were trying to enable, right?

Because you download the app in an app store, again this was 10 years ago, you're not really understanding why would the app want to see my contacts? Don't understand why that would need to happen. And so you're instantly like, "Oh wow, no, that's invading my privacy." Now it's not a big deal. It's like, okay cool, if you want to send a person to person, payment to someone, and you want to enable to fill in that field by looking at your contacts, then enable the app to look at your contacts. So what even in this case, Android and Apple did was they shifted that prompt to the moment of interaction so that you only get the prompt when you're doing something that requires the hook. So now if I'm trying to auto fill that field, it asks me, "Do you want to allow access to contacts?" Perfect, right? If I do, then I do. And if I don't, I don't.

But I think it's a great example of shifting the question to where the customer sees the value that's going to get added and it allows them to make the decision in that context.

And that I think this sort of stuff is the same way. If I tell you that I can ensure you that you never have an overdraft or your balance never goes negative because I'm going to proactively move money around for you, right? Okay. If I'm someone who's worried about that, then that's probably something I allow or enable and it requires proactively looking at my data in a way to do that. If it doesn't add value to me and I'm worried about the privacy aspect, then I can say no. Right?

But I may say yes to a different prompt that is, hey, we can actually save you 10%. We see your recurring insurance bill, We can actually save you 10% on your insurance because we have a partnership with another insurance company. You don't have to do anything except allow us to do that. Well, I might say yes to that value prompt, right? Whereas I wouldn't have said yes to the other. They both involve sharing data more deeply. But again, if the prompt to the end customer is in the context of the value that's going to get added, I do think they're ready for that. And I think that's the path we're on.

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Speaker 2: Well, thank you so much Scott, for joining us and sharing the anecdotes from early on in your career and your expertise with us. It's a really good conversation. To all of our listeners. I hope you enjoyed this episode of our Tech Reimagined podcast, you know where you can find us on all the major podcast platforms. And if you're really interested in payments, then head over to PayCLT Payments Hub podcast to enjoy some top-notch thought leadership content on payments and the technology behind it from Scott himself. Until next time.