

Fintech Predictions

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BRADLEY HOWARD, ENDAVA HOST (BH): Welcome back to Tech Reimagined. I'm Bradley Howard, and I'm delighted to welcome our guest today, Joe Dunleavy, the Head of Innovation at Endava. Hi Joe, it's great to have you here. Can you tell us a bit more about your career?

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JOE DUNLEAVY, HEAD OF INNOVATION, ENDAVA (JD): Sure. Yeah. Thanks very much, Bradley, for the opportunity to join you today on Tech Reimagined. I'm a big fan. I've actually listened to all of them as part of coming into Endava over the last couple of months. I, as you mentioned, head up innovation, just recently joined in June. Prior to that, I worked in financial services for both TCS and Pramerica, which is a subsidiary of Prudential Financial, the large U.S. financial services organisation, for 16 years. So I played multiple roles in there, everything from software engineering to a little bit of innovation and various different bits in between. Prior to that had worked at a start-up with a couple of other guys that was in more the media monitoring side of the house, so was a different domain, and prior to that, I started my career at Microsoft in Dublin, in their European headquarters. So that was a bit about my background, the last kind of almost 20 years.

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BH: Well, welcome to the show and welcome to Endava as well. So what are your top three predictions for the future of technology in financial services?

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JD: I suppose the democratisation of financial services and wealth management away from maybe being so focused on an agency or working with a third party agent, I've been able to self-manage. So you've clearly seen the rise of the smartphone apps like eToro, Degiro and others, whereby people can buy, trade and sell equities, shares and other things themselves. So from a wealth tech perspective, the ability for you to make more with the money that you have available to you in terms of instead of just investing it in the bank, is clearly now more in your control.

I think the other thing is obviously data and artificial intelligence. So the amount of information that's gathered by you - about you and by you - it's huge. It only continues to increase. So how can companies in the financial services space show up differently? How can they predict what you would like to do from a product perspective, that they can be very much more relevant to you is really, really important. And I think, you know, gathering that data in a way that's really it has to be done in the right way. So with GDPR and other things, it has to be done with the discretion of the person being comfortable with that. But I do think it can drive more and more outcomes that are ultimately better from a financial services perspective.

Then finally, I think the whole rise of the IoT sensors, how they're tied to wearables and the likes as well as is a significant one when you, when you think of insurance specifically in the financial services domain, I mean, at the end of the day, it's very much about managing risk. So how do you manage risk at a greater scale when it's pooled? If you're an insurance company, when it comes to managing the risk, anything that can mitigate or reduce that risk and certainly in the case of wearables on people, if it's health insurance, for example, or if it is a plug in on a car that's tracking their driving behaviour, for example, I think there are three kind of key areas that that I see impact of financial services in the past and will continue to impact them in the future also.

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BH: Well, thank you for that, that's quite a broad set of answers there. What's been your favourite innovation project that you've worked on? It doesn't need to be at Endava, either.

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JD: I suppose the favourite one here in Ireland was when I came home from the US after doing an international rotation with Prudential, where I lived over in New Jersey. When we consolidated our building to a brand new campus, we were able to physically build an innovation lab and a capability from scratch. So that was really, really nice because it was an opportunity to do something that hadn't been done before in the Pramerica ecosystem in Ireland, and they're building that alongside a couple of colleagues. So that was the physical design of an innovation space and how that lends itself towards, you know, idea tracking workshops, hackathon events and that type of thing was really, really nice, but also debating the capability was the really sweet part about it. We create an operating model from scratch, how we integrated our innovation approach with everybody that worked at the organisation and how we were going to be built for success, ultimately on behalf of our parent company. So it was something we were really proud of because only a small, nimble team of five of us that did that and we were able to have quite a nice impact doing that as well. So in more recent times, it's probably the one that we learned a lot doing it, right. You don't know what you don't know until you do it, type of thing. So it was new for all of us. There was a chance to do something really, really interesting.

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BH: Switching back to insurance and investment services. How do you think the pandemic has influenced consumers of investment or insurance services?

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JD: I think it's really, really interesting, particularly for something like life insurance. I know that there has been - life insurance is one of those products that people aren't... you know, do you buy or sell it? So I think the value proposition of knowing what life insurance is, there's again working for Prudential for as long as I did, a lot of my insight will be more from a US-centric perspective. So, you know, life insurance is typically a product that people buy much later in life, so if you buy your first life insurance product, maybe late 30s, early 40s, and a lot of it is driven by people get married. They start to have a family. They realise the value of what life insurance coverage provides.

I think when you look at what's happened with COVID, particularly whereby people younger demographics, 20s and 30s may feel like life insurance, and the impact of that, is something that they don't have to worry about. But clearly, what we've seen with COVID in particular and people losing their loved ones, unfortunately through the virus, has been something that's put life insurance right back in the centre, right? So people are now buying life insurance at a much younger age, and that's just not the US, but across Europe as well, for example. So I think it's showing the value of having that coverage because at the end of the day, life insurance is there to protect your loved ones and what's left behind if unfortunately you aren't there.

So the nice part of what it provides in terms of that safety net has put it front and centre when it comes to COVID. I think the other key thing has been, you know, we've talked for years about digital transformation. We've talked for years about what that actually means. Everything went online in order for businesses and a lot of cases to actually still be relevant and survive. They had no choice but to adopt. You know, online websites, integrated payments, just in the case of actually still being able to bring in some income.

So I genuinely think what has happened with the industry as a whole, from a financial services perspective, is that if you weren't online or you had a plan to be slow in getting online, that basically got brought forward. I think people are talking a couple of years, personally I think it's more like five to ten years we've accelerated as a result of it. So what it does, what it has done is that it has shifted strategies and priorities overnight.

Things that may have been more the next three to five years are now, we just need to be this way, because everybody jumped online because they had to, as the consumers did, and the consumers' expectations are, is that, you know, everything needs to be available to you. So in order to meet that demand and again, a lot of us tried to be user-centered on what we design, these companies are just going to have to be digitally led first and foremost, and I don't think the genie ever goes back in the bottle there in terms of, you know, not being digitally focused. So I think it's accelerated things massively and I think it's hard to see it going back.

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BH: definitely I agree with all of what you just said. But what do you think is coming next in terms of consumer expectation?

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JD: I think personally, the consumer expectation is twofold. I touched upon it in a previous question. I think the security of you online is something that's only going to grow in importance, particularly if you are going to have your personal identity stolen or mimicked, in which case that's obviously a big, big concern for any company servicing a consumer. If you have information on your customers, consumers are entitled to think that they are safe and that you're taking all the measures possible to make sure that their identity is safe and everything goes with that. I think that's only going to become bigger, a bigger challenge over the next while. In addition to that, I think the green energy and the whole climate change agenda is very, very strong. I listened to a podcast recently on BBC Sounds, the case was made that from a shareholder value perspective and the shareholder expectation of a company, it's going to point at, where is your definitive strategy to be green and to meet your climate change targets, as much as it's going to be, how quickly can you deliver a parcel to me?

So I find that really, really fascinating because we're just starting to see the overlap more and more of technology and those green agendas, but the security of us online is going to be more and more important. It's massively important today, and it's going to become more and more important as more and more stuff moves online. But in addition to that as well, that climate change agenda, because I don't think there's any company out there, or charity, that's not going to have an expectation of the consumers and society as a whole to say, how are you doing your bit to help us on the targets that we need to be?

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BH: Yeah, definitely. On the cyber security, a couple of our family members have had their Gmail accounts hacked during COVID, and that was kind of the repository of all their account information. You try resetting any of your accounts, and you've lost your email as well at the same time, it's just really, really bad.

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JD: Yeah, no. It's the modern equivalent of not being able to light a fire for some people, I mean, that's maybe overstating it slightly, but for a lot of people, access to their email and access to their technology is the ability for them to stay in contact with people. I remember when we lived in the US, when we moved to the US for rotation, within the first three weeks of landing there, Superstorm Sandy hit and it knocked out our power for almost six days, which was everything. Our internet, our phones died very, very quickly because we had no power. A lot of the cell services were affected as well in the US.

So we actually couldn't get in contact with home for a couple of days, and we ended up taking our car out and traveling to a town that had power. And that was our first time that we see on television how much of an impact it was Sandy had hit on Lower Manhattan, for example. But our family couldn't get in contact with us. You think from a technology perspective, that's the importance technology plays in scenarios like a pandemic. I think our reliance on them is so, so strong that when we are hacked, or there's a cyber security threat to us, it can mean major impact to us financially and for our ability to reach out and even make contact with loved ones. That's something I don't see breaking and I think it's going to be stronger as we move forward. I mean, most people's smartphone now is the number one thing that they don't want to leave the house with, even ahead of cash, because you've got your ability to pay on your phone anyway, which are with your digital cards, you know?

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BH: How soon do you think digital first payment options will completely dominate the market over traditional services?

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JD: I think it's case by case. It very much depends on where in the world you're living. I had this conversation actually yesterday because I travelled down to my niece's communion and I needed coins for the basket, to pay a toll. I don't know about you, but I certainly I don't carry cash with me anymore, ever. My wallet is completely empty. So you know, that thing of needing coins for a toll, is like an alien concept. Now. The only reason I actually have cash, I take money out of an ATM, then break money to get the coins. You think about that, like in terms of it would have been something that would have been just so normal a couple of years ago.

Whereas now I have an Apple Watch and I can go running. If I want to pick up a bottle of water in a store, I can pay on the watch without even having the phone on me. So I think in the case of where I am in Ireland, more and more people are moving away from cash, particularly from the safety of it and not having to carry it around. But I think it's a generational thing. I think it depends where you live. My parents would still carry money on their person, whereas for me - I'm the world's worst person to come and try and sell a ticket at the door, and I always I'm embarrassed, so I try to keep a little bit of money here in the house.

Just that if you get - particularly at this time of the year, if you got a ticket seller for a local sports club and you're there like, oh, you know, will you take an Apple Watch, they're like we'll take the Apple Watch by all means! But the ability to pay on it is what I'm getting that. So I suppose the adoption of the technology, like Square and others that provides everybody the ability to take a digital payment is also the other side of it as well, Bradley. So I think it depends.

But the one thing I'm really excited about is with global rollout of broadband, now. When you think about Starlink and other companies that are deploying low Earth orbit satellites, that will for the first time globally connect the world. If you take the cost of it out, because it's always expensive at the start and obviously it gets cheaper as we go. When you think of somewhere like Africa as a continent, over a billion people, and how many of that continent are going to get rolled online for the first time? When you think about the adoption of e-commerce and digital payments, particularly when Africa has led the way in things like M-PESA mobile payments, for example, I think it's a really, really fascinating space. But in summary, it's going to take some countries longer than others. But I do genuinely see a world whereby cash will may be only used for maybe the dark arts, unfortunately, there'll always be cash, I think, for criminal activity. But that, you know, maybe, maybe when, criminal activity takes on a completely digital thing, I don't know if that's a good sign, but it's certainly a future I can see.

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BH: And finally, what do you make of the recent Amazon Visa credit card ban?

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JD: It's obviously a win for MasterCard. It's very interesting because the reasons being cited were around costs, but I think Visa have shown that the cost is actually on par. So I'm not sure - the cynic in me says it's more a political will battle behind the scenes. I know Amazon have also done partnerships internationally with both sides of the Visa/MasterCard dynamic, so I'm not quite sure if it's a leverage battle at play, but I certainly - I'm not an expert on it, so I'm not sure I'd say one way or the other where it'll land, but I do think it's an interesting one. I think Amazon obviously has a lot of impact because something like that goes very much viral online. A decision like that gets a lot of traction.

But in addition to that, Amazon is also a company who are playing a lot in financial services themselves, and particularly in Asian markets. They're doing a lot of, even the insurance game, so the whole dynamic of offering you insurance on a product that you've just bought from them, for example, I know that's now available in the UK also. So I think Amazon's an interesting one because they have nearly a foot in both camps. They are a provider of services and the cloud business to financial services, but they're also dabbling themselves in financial services as well. I can tell you from talking to peers and working in insurance myself for a number of years. It is a discussion that happens at the C-suite level of organisations in terms of storing your content and being on the AWS cloud ecosystem and the potential, or perceived maybe, conflict of interest in doing that as well. So I think there's probably two sides to that Amazon story. I'm not sure I would pin it down on one side or the other. So I think it's definitely something interesting to watch.

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BH: It's also really interesting the timing - just before the Black Friday event and Christmas is particularly interesting. Well, on that bombshell, thank you very much Joe for joining us today and sharing your views on so many topics. It was a really fantastic conversation. To all of our listeners, I hope you enjoyed this episode and thank you for joining us today. Please show us some love. Hit that like and subscribe button if you liked the episode. Until next time.