

Pete Swabey

Hello, and welcome to the second episode of The EIU Digital Economy podcast.

In this series, we're examining the impact of digitisation on the global economy. The series is sponsored by DXC Technology, an independent IT services company serving over 6,000 clients across 70 countries. We thank them for their support.

This month we're looking at the lifeblood of that economy: finance, and financial services.

The finance sector has had to contend with digitisation for longer and more intensively than most. The scale and complexity of today's financial markets would be unthinkable without computerisation, and competing in the financial services industry relies in large part upon the effective use of technology.

The industry also demonstrates that digital disruption is seemingly never-ending. Having survived successive waves of digitisation, from the early days of computerisation to the online banking revolution, financial services firms find themselves yet again at the sharp end of digital innovation. A new generation of fintechs is threatening to lure their customers away while cryptocurrencies call some of our financial system's core assumptions into question.

To understand the impact of this current wave of innovation on the financial services industry, I spoke to two executives who are helping their respective organisations capitalise on it: Greg Baxter, chief digital officer at US insurance company MetLife, and Tejal Mody, head of business development for Rabobank's wholesale banking division.

In our discussion, Greg and Tejal explained how their companies are integrating digital technologies such as AI into their operations, how they manage innovation, and where they see the finance sector evolving to in the near future. I started by asking Greg, what has digitisation meant for the insurance industry and what has it meant for the concept of insurance as a whole?

Greg Baxter

Pete, digital is fundamentally changing every industry, and clearly insurance is no different. It's truly a historical discontinuity. And we see it as being driven by what we call three megatrends, and the first of those is around changing customer expectations and demographics. Customers have far greater choice and control, and there's a real shift of power from corporations to consumers.

What that means is that you need to raise the performance bar. There's a saying that your last best experience anywhere is your next expected experience everywhere, and

so companies need to lift up to that level. And it's as true in insurance as in any other industry.

The second big trend that we're seeing is around this growth of exponential and intelligent technology, and it changes the art of what's possible. And in effect, we're really able to start to instrument life. And once we start to embed this intelligence all around us into the assets we have, into the things and decisions that we make, even into ourselves, you get real insight into what causes accidents or risks and how to predict them. And once you get into that space, you can actually think about how would you intervene to prevent them, and that's truly transformative for the insurance industry, to move from payout and protection to true prevention and recovery.

Then the third major trend is around this emergence of new business models and shifting industry dynamics. I think traditionally companies have created and captured value in vertical products. That value is really now being created in horizontal customers' journeys and in horizontal platforms. It brings different parties together.

So it's those three trends that I think are changing what's expected from an insurance company, what's possible for them to deliver, and how they're going to create and capture value.

Pete Swabey

Great. Thanks, Greg. So those technology drivers shaping insurance as a whole, how do they translate to MetLife as an organisation? What does it mean for your company in business terms and how has the business strategy responded to digitisation?

Greg Baxter

Yes. Our business strategy has put digital at the core of the strategy. Our corporate strategy has it sitting right at the center of it. And it's embedded into everything the businesses now need to do, and the digital strategy itself is focused on driving value and growth through a focus on customers, world-class capabilities and business transformation.

And if you unpack that just for a moment, this idea of driving value is about doing the things we do today better or more efficiently, and driving greater efficiency, optimisation, customer-centricity, single-customer view, and truly understanding our customer and being the most effective and efficient at the services we provide.

But delivering growth requires us to actually think about what the business model of tomorrow looks like. And that's not only about disrupting ourselves, but looking at how we would disrupt the entire industry. And so we look at this in a series of horizons or a portfolio, because attacking it all is a huge task for any of our businesses and for the organisation.

Pete Swabey

You mentioned disrupting the organisation then. Can you give our listeners a bit of an idea of what that means in practical terms for MetLife? What is the source of disruption within the organisation, and what impact is it having?

Greg Baxter

Yeah. Our approach to driving disruption is as part of a robust and integrated innovation ecosystem where we look at creating ideas from external partners and ourselves. And then we have built out an accelerator where we build out those ideas, test them through to minimum viable product, and then look to scale them or implement them.

And the reason we break it into those phases is to make sure that we're capturing as broad an array of ideas as possible, and that we're not trying to prematurely scale those ideas. We take the best of the ideas, we incubate them, and then we look to implement and to bring it to life.

If we look at how we've done underwriting in the past as an industry, life underwriting, a lot of that requires invasive testing once you become a customer or apply to become a customer. And our goal is to try and minimize the amount of invasive testing, to make it more streamlined, and ultimately to make it more of an advisory process where we can help people live better and safer lives.

And so we're actually deploying an AI engine that looks at all of the outcomes that happen in our industry that we have; look at our internal data and start to work out how would we predict those outcomes and how do we understand those risks. And then we bring in external data to further improve our prediction of those outcomes. And then look to advise people on how to live better, safer, more fulfilling lives, whether that's in your car, in your home or in your personal life.

Pete Swabey

Great, that's fascinating, and I'll come back to you on use of AI in insurance later on. Tejal, the macro-digitisation trends that Greg mentioned there, are they familiar? Are they similar to what Rabobank and other banks are encountering?

Tejal Mody

Yeah. I'll just start off by saying that the views that I'll be expressing are of course my own and not those of Rabobank necessarily. But, absolutely. I think what Greg discussed with respect to the changes we see in every industry exist between insurance and banking as well. He talked about customers and their expectations as well as sort of this idea of intelligence, and I think in both of those areas, we see those as being very transformative to our business.

I think there's also something really interesting around data, and increasingly recognising the value of data as an asset, and how we can use data essentially to not just drive our business, but innovate new products for our clients.

An interesting example I'd like to share is Rabobank is the preeminent bank to the food and agribusiness sector around the world. When we think about financing agriculture, there are a lot of really interesting applications that we're seeing take hold with respect to data on the farm, whether it's through an Internet of Things and sensors or just much better predictive ability around yield.

And could some of this data in the future help us with our underwriting? And I think there's some really interesting confluences of how data is transforming other industries, say like agriculture, that allow a service provider to that industry to perhaps innovate and develop new products that offer something differentiated to our clients. So I think that's quite interesting, this whole issue of data.

Pete Swabey

Sure. How would you characterise the response by the banking sector to these trends so far? Do you think that they have kept pace? Do you think they need to accelerate?

Tejal Mody

I think we all need to accelerate. The world is changing very quickly and I think especially as a large global organisation, as many of us are, there are challenges to adopting things very quickly at times.

One thing I wanted to add on this question was, if you look at the whole ecosystem in which we operate, it's quite interesting I think over the last few years, in a heavily regulated industry which you know financial services is, and particularly banking, what has been the response of the regulators as well. And you look at regulatory authorities that are relevant in our business, such as the Financial Industry Regulation Authority, which is known as FINRA on the market side, or the CFTC, and their own investments in innovation and outreach programs and labs so that the regulators themselves can also sort of really understand and play an early role in shaping the rules of the game around innovation and digitisation.

And I think that that is a promising and interesting development, and one that I think again just reflects the quick pace of change and the fact that all actors in the ecosystem really want to be on point.

Pete Swabey

I'm interested in how you both as executives try and effect the changes that you've been describing within your organisations. Greg, you joined MetLife in July of 2017, so a little over a year as we're recording today. What was your game plan when you arrived at the organisation, and how has it panned out since then?

Greg Baxter

Having joined a year ago in such a large institution and organisation, what you're really striving to do is help that organisation transform itself to be relevant in a digital world. And one of the most important things I've learned not only here but across my career is that true transformative change doesn't come from a central mandate or control or

assets. It actually comes by building a compelling and unifying vision, and then mobilising people around that belief and that purpose across the organisation.

That actually requires partnership, collaboration, participation from across the organisation. And so as the head of digital with that context, I see my role far more as a change agent, working in partnership across the organisation, and also working with the organisation to find those exemplar projects that start to create belief amongst the early adopters, and then start to bring other people along with that.

Pete Swabey

Great. We often associate digitisation with new and young startups, but MetLife is 150-year-old organisation. What's it like being the chief digital officer in a...an organisation with a long legacy like that?

Greg Baxter

Yeah. MetLife is only one of a handful of companies that has been around for 150 years, and it's an honor to serve a company that has built that sort of a history, that has what I would call a noble purpose, which is to help people live longer, safer and healthier lives and to protect their assets.

And we've built up huge resources of assets, of people, of capital, of established businesses. So it's a phenomenal platform on which you stand. But when you stand there, the challenge is that you need to look forward as well. And so part of it is helping the organisation learn how to be both an operator of an existing business, a global business, and also a creator of a future business. That's a phenomenal opportunity. We've got great access by which we can leverage.

But it's also the challenge of industrial companies to learn to innovate. But reciprocally, if you think of innovative companies which are far more agile and faster, they have a similar existential challenge, which is, how do you industrialise, how do you build scale out.

And the winners are not going to be one camp or the other; they're going to be those companies that are able to learn to innovate, industrial companies that learn to innovate in line with what the customer and the markets need. And the innovative companies that learned to industrialize and scale to serve a much broader base than a small target of customers that fit into their business model.

Pete Swabey

That's great. Tejal, you've been involved in a number of innovation initiatives, so what do you think is the key to instilling innovation in financial services organisations that can often be perceived at least as quite conservative?

Tejal Mody

I think that it's true, there are quite a lot of innovation initiatives that we are undertaking at the bank, and interestingly, because we do serve the food and agribusiness sector,

many of those innovation initiatives are actually within agriculture and food. And so there's an interesting cross-pollination when you look across industries, and you can see examples of how—the example I gave earlier: data proliferation and sort of value that's driving change in one industry can be applied to another.

And so I think that we have these innovation platforms really serving both financial services and food and ag. We actually have an accelerator out in California that's focused on food and agriculture, interestingly enough, even though we are a bank. And that's an example of a platform within which we actually get to stay quite current, and really sort of in the middle of that ecosystem, which is that of our clients.

On the financial side, we have many external partnerships as well. We work with accelerators. We're very much interested in exploration and sort of really understanding what is emerging. In many cases it's really sort of in an open- innovation sort of environment that, I think that as an institution that is quite large, and in many cases operates potentially still traditionally in some respects, we need to be exposed and almost probably collide with interesting things that are going on, so that we can then develop a sense of how we need to react. So it's very much I think an external. We need to be not inward, and we need to be engaging with various other actors in our industry and in other industries.

Greg Baxter

Tejal, I think that's a key point, this whole idea that traditionally we've focused in financial services on products, and the intersection between our company and our product and our consumers. And yet our consumers live in such a broader world than the one where we interact with them.

And if you want to serve customers, you actually need to start to understand the broader environment and the context in which they collectively and individually operate. And then start to position your products to help them achieve those outcomes, as opposed to just optimising the product. So I think this external orientation is a really critical point.

Pete Swabey

Now, how do you go about—and this is I guess a question for both of you. How do you go about getting that insight? Because by one degree, digitisation offers great oceans of data that you can analyze and detect and understand customer behavior through. But at the same time I can understand the argument that in order to really understand your customers' lives requires a bit more of sort of intuitive empathy with those customers that perhaps might not emerge from data. I don't know if either of you has any views on that.

Tejal Mody

I think that's a really good point. When we think about the adoption of technology, again, we're back in the human realm. And I think that that really is sort of the challenge and the opportunity, is for us to really navigate what I think about as sort of a scene that

exists between human judgment, the way we've done things in the past, and potentially the opportunity to do things in a different and better way with technology. And how do we navigate that?

So I think that while data can offer us insights, it very quickly returns back to the human realm with respect to what is our objective; what are we seeking to do? And if we're seeking to change behaviors because of data, again, how can we have a better understanding of the human response so that we can ultimately innovate? So it's a really interesting challenge there.

Greg Baxter

Yeah. There's a couple of examples that I found interesting at MetLife. We've introduced a technology to help our agents when they're talking to customers on the phone, to give them emotive prompts as to whether or not they're talking too fast, whether or not they should escalate something, whether or not they're talking over. If the pace is right, if there's long pauses. Whether or not they should be trying to speed the process up or offering callbacks, etc.

And the question was, how do you instill empathy into call center agents? The reality is that people naturally have empathy, and what we need to do is unleash that. And what technology can do, well positioned, is help remind our agents that we do value empathy, that we are helping develop in that space, and reminding them that there's metrics well beyond just through-putting transactions.

And so I think using technology to help augment the human performance is critical, and I think in an insurance environment, the moments of truth that really matter, the normally impactful and emotive moments for our consumers, points of illness, disease, of accident, etc. And that requires somebody to be there to help you through that at an emotive level.

Pete Swabey

Greg, you mentioned earlier that your organisation is increasingly using AI in the assessment of risk. And that's a good example of something, an assessment that would traditionally perhaps be associated with a human employee. So it's an example perhaps of how the role of your human employees is changing. And what I'm hearing from both of you now is that there's certainly a greater role for empathy and intuition. Is that right? And does that change what you're looking for in the ideal employee within your organisation?

Greg Baxter

I think it does. I think there's a few things. If you think about automation and deploying that, what that is really trying to do is free up our most important asset to focus on our most important objective, and that's freeing up our employees to focus on our customers, and delivering differentiated services when they need them.

Tejal Mody

If I can add to that, I think even to carry on from there, if we think about the sheer amount of time and resource that's spent even in sort of the middle or back office in a banking environment, where a lot of that may not immediately be customer-facing. But of course those actions and activities translate ultimately into customer experience and the bank's own, of course, risk management and required processes.

The automation there again, there's a lot of application around automating what might have been manual or what might have been paper-based, extracting data from paper-based documents into a digital and more usable format. So a lot of sort of easy wins and low-hanging fruit. But again, there are judgments and decisions being made in those back-office processes, and I think this is another area where we see a lot of potential to not only make an employee's life more efficient, but really, as Greg mentioned, really kind of free up time so that the most valuable asset that we have, our people, that they can spend that time on the incremental judgment and not on some of the more rote activities.

Greg Baxter

Pete, there's also that question about what sort of talent do you need and where do you get that talent from. And I think, whilst every organisation needs to look externally to bring fresh talent in, we also have a responsibility and obligation to provide the opportunities for our own existing staff to develop, to give them the competencies and skills that they need, to give them the opportunities to develop into those new roles.

And we're rolling out a digital academy which takes people through understanding, through to engaging, through to mastering different technologies that they're going to need in the future, and making sure that they're ready for what the future work will look like.

Pete Swabey

Great. We talked a little bit about the impact of digitisation on current employees. But do you think that digitisation is changing the perception of financial services organisations in the industry among potential employees?

Tejal Mody

Yeah, I think absolutely. I think there's a parallel to consumers. In the way that our lives have transformed, as we talked about earlier, I think employees are expecting those types of interactions and that sort of enablement the technology offers in the workplace. And this is something that again I think is happening very quickly.

So whether we're talking about virtual working environments or even tools, AI tools that can help individuals internally source information around sort of structured data, unstructured data, so that they can do their jobs better and quicker without relying on perhaps what would have been earlier another human interaction and one that would have taken much longer.

So I think there are expectations that as we are evolving and accelerating the pace of innovation externally and in customer-facing context, how can we equip our employees to be more effective and efficient, and offer them the same sort of technology enablement.

Greg Baxter

I agree. I think that increasingly, people are looking for that purpose and that impact, and as an organisation, you need to give them those opportunities and free them up from the things that don't really have the frontline impact that employees want to have.

And I think that "agile" is a word that's maybe a little bit overused, but this idea of distributed and empowered teams of a more organic structure, where teams can come together and form around a customer issue or opportunity and build something out at much faster speed, and start to see what the clients say, and feel a connection between what they're producing and what impact it's having on people's lives. And I think that's going to be the thing that motivates people. That's going to be what drives retention of employees.

Pete Swabey

Great. Then, switching back to technology for a moment, a discussion of digitisation wouldn't be complete without some examination of emerging technologies. Greg, from your perspective, what do you think will be the most disruptive technologies in the insurance space in the coming years?

Greg Baxter

Great question, Pete. Our biggest focus is on data analytics specifically as it relates to AI. And we think of AI in two broad categories: one is perceptive technologies, and the other is cognitive technologies.

Perceptive technologies just allow us to digitise the external world or capture the external world as we would perceive it. And once we digitise those signals, we can then feed them into our automation systems, into our analytics. And those technologies are already mature, and we're getting significant value out of them.

So whether or not that's understanding natural language conversations in our IBR or in our call centers, whether or not it's understanding handwritten documents or using drones to scan assets that own, or damage after incidents, or whether or not it's using monitors to understand the acceleration or deceleration of a car, all of those technologies are now feeding data back into our organisation and allowing us to be far more effective and efficient in auto-adjudication of our claims, of our far faster pricing for customers, and being able to serve them in their environment.

The second one, cognitive technologies, I think is still one that is building out, and that's the ability to take all of that data and start to make judgmental decisions far beyond just rules-based decisions. And once we start to get into that space, it's where large

corporations have a significant advantage, I think, because they have a history of data and outcomes.

And so machines are able to learn what data predicts what outcome. And in insurance, that means we get a far better understanding of the causes of risks and the causes of those causes. And over time, that allows us to start to advise people on how to change their behavior or their assets, or intervene in a way that would reduce those outcomes. Car driving is a great example, with telematics.

Pete Swabey

Great. Tejal, what do you think are the bigger technologies for banking in the forthcoming year?

Tejal Mody

I think absolutely AI. And I think specifically, though, if we do look at the corporate institutional context from which I hail, we're talking about very large facilities, very large financial transactions, in many cases that involve multiple actors.

And so a natural area of exploration in our space, in our competitive realm, is Blockchain, because if we take an example such as trade and commodities finance, which is a substantial business for Rabobank, this is basically the movement of core commodities around the world, the sale and purchase of these commodities. They could be agricultural commodities, metals, you name it, that sort of thing.

This is a very complicated business with multiple actors and points of verification across steps, from sort of storage to shipping to acceptance, receipt. And Blockchain offers a very interesting platform that could completely transform how this business is conducted around the world.

We've run a proof of concept in Australia, which is one of our markets, with a company called AgriDigital, where we facilitated a commodity sales in this proof of concept, using a common product called a SIP, on the Blockchain. And I think that again, it allows us to sort of test the waters. But then really start thinking about how we could see a commercial opportunity here.

We also recently announced joining a consortium called ComGo, which is an open platform in trading commodities finance that 14 other financial institutions have joined. And so this is a very real stake Rabobank is taking in exploring the use of Blockchain, knowing that it was going to change quite a lot in the financial services industry. It's going to take some time, but there are some applications that we see that are a bit earlier on the horizon.

Pete Swabey

My last question is really the big question: Where is this leading? So where do you think, as a result of digitisation, how will customers, whether they are businesses or consumers, how will they be interacting with financial services organisations? How will

they be consuming financial services? And what does that mean for your industry and your respective organisations? I'd like to start with Greg.

Greg Baxter

I think when you ask the question of how will we engage customers in 10 to 15 years, one, it's rather hard to predict. But what I do know is it will be on their terms. And I think that's the first thing we need to think about: what are the journeys and the experiences and the services that people will expect? And that's going to require a deep level of customisation towards their context. And that's something we've been talking about for a little while.

I think the second one is it will be far more outcome-based, and I think that forces companies to ask, why do people buy or need your product and what is the outcome that they want, not the product that they're trying to buy at that point in time. And an insurance space, it's really about protecting assets, lives and people that you care about.

And with these new technologies and the ability to embed intelligence everywhere, we should be able to improve our understanding of the causes of risk and the recovery from the sorts of illnesses or accidents you may have, and help mitigate, intervene or accelerate towards a positive outcome in that situation.

Pete Swabey

Great. And a question again to you, Tejal: Where do you see this going?

Tejal Mody

I really like what Greg said about outcomes versus products. I think again if we take it back to a corporate context, for example, increasingly we see ourselves as aligning our service model with the strategies of our institutions, the institutions that we serve.

So as opposed to thinking about products and specific services that we offer, that many organisations could offer, we're focused on and we think are clients will expect from us sort of a much more symbiotic, relationship-oriented sort of approach, where we are in many cases anticipating their needs. We are offering advice and suggestions and help and counsel at various points throughout the relationship lifecycle in ways that are valuable to our clients. And that is enabled because of the technologies that are available to us.

So I think it very much is around how do we cement this relationship, and I think our clients will expect more of that. So again, interestingly, with technology, we potentially could become more human and more empathetic and more understanding of each other. And I think that's the future.

Pete Swabey

Greg, Tejal, thank you both very much for joining us.

Tejal Mody

Thanks, Pete.

Pete Swabey

That concludes the second episode of the EIU Digital Economy podcast. Tune in next month, when we'll be discussing the implications of digitisation for work and management. To make sure you don't miss an episode, please subscribe on your preferred podcast platform. Thanks again to our sponsors DXC, an independent IT services company that specialises in digital transformation. And thank you for listening.