



“The Future of Fintech” Transcript

- [Alex] Well welcome David. Good to have you on board. This is my first ever interview or podcast; I've done a couple myself but I've never hosted anything. Thanks for having a chat out with us today. If you could just kick off with a bit of an intro on yourself. I know you've been in the industry a long time. We've known each other probably since my mobile payment days, which is about 7 or 8 years ago now. You've obviously been in the fintech industry for 40 years, won a numerous amounts of awards and stuff, but I'd love for you to just kind of give the audience a bit of a summary of your career if that's all right.

- [David] Sure. I mean it's a quick potted history. I mean I started off working in secure communications. I did a lot of... I worked for NATO and GCHQ and things like that, for a consulting company and domestic satellite work for international organisations. I started off in communications round about the time of Big Bang, which is none of your listeners will remember, but so round about the time of Big Bang.

What happened was that, in the finance sector, people started to need the kind of secure, reliable communications that I knew a little bit about, and my colleagues knew a little bit about. And that took us into the financial sector, and from there into payments. And I discovered I liked it. I was just very interested in payments. I liked the kind of mass-market, retail side of things, developed a lot of expertise in new payment types and technologies and smart cards and chips and all this sort of thing.

That of course then went inevitably into mobile and mobile payments and new platforms for payments. And then of course, as soon as you start studying payments in any real detail, you run up against the identity problem. So that led me into thinking a lot and I claim a tiny about a bit of credit for one or two, bits of thinking around the relationship between identity and money. And that took me into the sort of more of the fintech space, which is where I've ended up as an advisor to a couple of companies. And I wrote a couple of books, and I write for some magazines and things so... It's from comms to finance, to payments, to identity. I guess that's the trajectory.

- [Alex] And Dave, do you... I remember this quite clearly when I think contactless first came out, just picking on that specifically and how the press were quite... I would say quite derogatory towards the uptake of it. And just slowly, it's just been growing, growing and growing and no doubt now it's just incredible the amount of people using Apple pay and contactless and just mobile payments and all that sort of stuff. Is there anything else that sort of you've found sort of surprising the identity piece might be something, but is there anything there that you think that has sort of changed much more dramatically than that, or surprised you more than anything?

- [David] I think mobile really. In a way I kind of wasn't surprised not cause I'm a genius, but we were lucky enough to work on a couple of the very early projects in that space. Particularly around the very first experiments in mobile contactless, the first NFC payments. I worked on projects for Orange and O2 and people like that. And I just saw how people reacted to them. You gave out these pilot phones for people and you couldn't get the back off the people like once people... And so it wasn't like I was had a crystal ball or something. I was just sort of observing what was going on. If you rolled it forward to now If you rolled it forward to now and said, what is it sort of that you're playing without the corner of your eye. Now I'd have to give you quite a surprising answer because I think it's NFTs. I think, yeah.



- [Alex] That's Interesting. - [David] I think people see it as a lot of money laundering, criminality, scams, nonsense, stupid pictures of chimpanzees with sunglasses, all of which is true. But as the underlying technology evolves, there's something bubbling there, the sort of tokenization of everything kind of thing.

- [Alex] Well, did you see, I don't know if you saw the... It was advertised on Instagram quite a lot. And actually one of my friends, two of my friends actually bought, but Damien Hirst did a release of some artwork. And actually what he'd done is he did the release of his physical paintings of these prints. But he'd also done these NFTs that go with them. So you could either have the physical print or have the NFT. And in two years you could exchange for either or hold on to them - instantly sold out, which is incredible. So people are really... it's interesting how artists are using them. And obviously they've got the luxury houses using them as well to their advantage. I'm not a professional or I don't fully understand I need to go on a 101 course to.

- [David] I mean, I'm just going to sound funny, but in my head I divide NFTs into sort of two parts. There's like NFTs, which are essentially useless and don't do anything. And that's art basically. I mean, art doesn't do anything. It just sort of is. And actually I'm not that interested in that because I don't really care about it. I wouldn't have any kind of... I couldn't tell you a Damien Hirst from... It's probably not true. I probably could tell a Picasso from Damien I wouldn't have bought the Mona Lisa in a garage sale. I'm not an art person, but NFTs that do things like concert tickets or open doors or allow you to drive a car or whatever, I'm extremely interested in those. And the financial sector is interested in those because the idea of moving sort of assets around without any clearing or settlement points towards a much lower cost of intermediation, basically a much lower cost of delivering financial services. So yes, it sounds like an odd answer cause everything in the paper about NFTs is just crazy at the moment. But underneath that there's something bubbling.

- [Alex] I think that's really interesting. Its like house transactions you're saying it could be just the opportunities and this isn't which I think why...

- [David] I think we have a long way to go before its houses, but yes, in principle you're right. Asset transfer, because for that to happen, you have to have a digital identity infrastructure that's reliable alongside it. And that we don't have yet though

- [Alex] Well, it's just quite interesting changing the subject slightly. I had the NHS app alert me that my GP had sent me a message on there and just that's all just coming into its own. I think it's a great application. It's really great. I mean the GPs are using it, you can do prescriptions on there. It's all becoming in this one hub if you will, which I think is really exciting.

- [David] And actually the one of the sort of... Nobody would've wanted it this way. It goes without saying, but weirdly the pandemic has driven one or two things. So the idea for a lot of people who either couldn't be bothered or just not interested in the technology have been forced to sort of use some apps and QR codes to get stuff done and have discovered oh actually it's quite easy. I'm not sure if I want to go back to it. Like, a lot of those things where you just call up the GP, I forgot what it's called. We have the thing on the phone where you call to the GP. Most of the time they tell you to go to the doctor, but sometimes they can just write up the prescription and you can go around the corner and get it. Why weren't we doing this 25 years ago?

- [Alex] Well, that's it. And I was in London, what three weeks ago, out for dinner with seven people I've been networking with, it's like a forum thing I go to and I know them really well, but we are at dinner. And the way you paid at this restaurant, which was really lovely, it was in Middle Eastern called Chameleon. And basically, they don't have a PDQ machine. They don't have anything, basically you're in this sort of greenhouse thing, eating this really lovely food. And then there's a QR code that you all scan and then you go through the payment journey there all on Apple pay.



It's absolutely incredible. And it says, how many's at the table, 7 of you? And then it divides your payment up. You want to give a tip and everything, you just walk out. It's absolutely the most seamless, great experience of any transaction that I've ever been a part of within a restaurant environment. That is...

- [David] So having had that experience I'm sure you didn't collapse with surprise when you read in the newspapers that Worldline has gotten rid of Ingenico terminals business that they bought two years ago.

- [Alex] No, I didn't know that interesting it's but who would've thought, who would've thought QR codes would've caught on in the UK? - [David] Yeah. I think, - I certain wouldn't have. - [David] I still think that for a lot of these things actually tapping on things is easier than opening the camera and looking at the QR code, but QR codes work. Why argue with the box office?

- [Alex] Exactly. That's it. So obviously there's lots of exciting trends in digital, financial services at the moment. It'd be great to hear some thoughts on these. what do you think is the most interesting trend at the moment. Do you think it's open banking and the sort of applications laying on top, do you think it's NFTs do you think what... Crypto obviously, I saw the blockchain co-founder and CEO's doing... I think he's doing the keynote talk over in Money20/20 America. And it's becoming crypto.com sponsoring the UFC. It's becoming real headline now, in terms of reach

- [David] Actually you went to Money20/20 Amsterdam last year, didn't you? They really should change the name of that to identity20/20. Cause two thirds of the stands were KYC, AML, CTF, PEP, transaction risk monitoring, network monitoring. It's like the payments bits got easier and easier and easier. The big block to getting anything done is identification, authentication, authorization now. is identification, authentication, authorization now. But, yeah I dunno where you want to start on the trends, but I mean, if you start a crypto, actually, I'm not exactly a statistical cross section of the industry, but I suppose I'm a useful barometer, I suppose, cause of the things I get involved in.

And actually I have to say most of the actual paid work that I do at the moment to take care of the rent and put food on the table is actually digital currency rather than cryptocurrency. So because central banks have started talking about digital currencies and the Bank of England have started their task forces and work streams. So when the Bank... I think, I can't remember exactly, but I think the bank of England said second half of the decade. So sort of 2026 onwards, they would think about launching it. But of course, 2026 is within the strategic horizon now for large scale enterprises. A lot of people in that same value chain that you are very familiar with have started to think, well, okay, we're not going to do anything about digital currency tomorrow, but we need a strategy for it. Like we need this 3-5 year plan and it's intellectually quite interesting to look at different businesses and work out well, okay. If there's a digital pound and it works like this, if there are some digital dollars and they work like that, what would the impact on the business be? What would the impact on the business be? How would our value chain shift? One obvious implication of course, is nobody's expecting any margins on digital currency. So you're not going to make transaction margins. So where else, what adjacencies? It's intellectually very interesting, but it's actually mostly digital currency, not cryptocurrency at the moment. I'm involved in one or two little experiments and startups and things, but...

- [Alex] That's super interesting. That is really interesting. And I think we are sort of seeing that in the ecosystem as well. ourselves as Tillo but we'll come onto that. But yeah, it didn't surprise me. - [David] I think for Tillo it has two separate strategic threads, doesn't it? Because on the one hand there's crypto as a payment mechanism that needs its own rewards, its own incentives to go with it. And then there's Tillo in terms of the adjacencies like if you imagine that the payment margins are going to drop, what can you do around the payments to give people more value? I think, you've got look at these... Well, I'm sure you are looking at these two threads intertwined.



- [Alex] Yeah, absolutely. And I think the crypto space in particular, I find really interesting and actually not just because it's a hot topic and everyone's talking about it, it's up and down and everything, but actually from your perspective, you've obviously written, not just one book, two books on cryptocurrency. We are seeing in our world applications within the crypto space, actually using it as a way of giving more to the consumer building loyalty programmes within there. And I think that talk goes back into your point, David, around the margins being very, very slim. It's how do they build these programmes to be profitable? Cash revenue, most of these crypto, a lot of the bigger ones. Anyway, the crypto businesses that have got millions of users are quite unsustainable reward and loyalty programmes. And that is where we are coming in to help with making them profitable. The more revenue generating on that front with.

- [David] No, no the reward side, I think, obviously you're right and that's a traditional business. When I say traditional, that's a business where you are very strong. It's traditional to you, but there's also the actual kind of interaction with crypto so I can sort of say okay, if I do so much trading at this exchange or whatever, I'll get some rewards and so on, but actually, I've got a few different accounts that I play around with, for different experiments, with different clients. And frankly, if I could go to the exchange and cash out and get an Amazon gift certificate, email to me instantly instead of mucking around, waiting for money to go to faster payments and whatever I'd be perfectly happy with that. and whatever I'd be perfectly happy with that. I think there are different points of interaction with crypto, all of which are frankly, pretty good Tillo.

- [Alex] And I think, these as it becomes more popular, more mainstream, even my mother and father-in-law, literally they really are in the dark ages in terms of technology. They even mentioned to me two or three months ago, what's all this stuff about Bitcoin, do you think I should buy some? (both chuckling) I was like hang on a minute. - [David] Wait till the roof falls in. (indistinct chatters)
- [Alex] What did you just say? He says Bitcoin. I'm like, hang on, you don't even know how to make a cup of tea properly or you pretend you don't, so I make it for you, so I make it for you, but it is becoming much more mainstream. You're seeing it on the front. They're spending tens of millions of dollars. Some of these businesses on advertising with it'd be before long, I'm in no doubt that we are going to see it on the front of a mainstream football club shirt. No doubt about it. That is very obviously the UFC have got crypto.com there and I think you're going to see other brands, I think coming.

- [David] Formula 1 as well.

- [Alex] Formula 1 as well. It's really interesting. It's becoming much more mainstream and I think as it develops in this industry, it becomes much more accessible. There lies the opportunity obviously for these sorts of businesses to build rewards and loyalty and all the other stuff that kind of comes with it to keep those sort of customers there because it is a battle to the bottom in some respect.

- [David] As everybody says, and I'm not an expert on this thing, but I do read people who are, the margins are unsustainable. So as it turns to a proper business, then it's got to look at rewards and loyalty incentives, just like any other proper business would. Probably not that far away, given the speed at which the competition is accelerating. given the speed at which the competition is accelerating.

- [Alex] Do you think there's any other trends there you're seeing? - [David] Well, as I said if you look at what's going on in the NFT space and you look underneath it, the world of decentralised finance and the protocols that are evolving there and the business models that are evolving there, I definitely think it will be wrong to dismiss that as a space. And that takes us into other... For example this sounds absolutely mad, but a couple of weeks ago I was helping to run a seminar for a very conservative and traditional financial organisation, not a bank.



On the metaverse and financial services in the metaverse. And it sounds crazy that they'd be thinking about something like that, but then you think, I don't know Microsoft just paid \$75 billion for Activision. This isn't sort of messed around anymore and the ability to bring NFTs. In other words, like property that can be owned into those virtual worlds is really quite radical. And if you look at some of the financial services already springing up there, you know, pawn shops and I mean, P- A- W-N shops and mortgages for virtual lands and all that sort of thing. (indistinct) I'm really interested. And I come from the technology side of things, Alex. So obviously I'm interested to see how the underlying technologies evolve and develop because they're coming from a different place. They're coming from the world of cryptography. They're coming from a actually pretty solid base. Things that sound slightly implausible, if you talk about them in normal business, the ability to have zero knowledge proofs, homomorphic encryption, cryptographic blinding, these are actually not new things. These are tried and tested technologies from that space and they do open up a new spectrum of business models.

- [Alex] Do you think it's scalable though? Do you think it can really go into the masses or. - [David] I'm going to sound like a broken record on this one, cause I think it is scalable, but it's not scalable without an evolved digital identity infrastructure. And until we move to that kind of reputation economy And until we move to that kind of reputation economy where you can be sure who you're dealing with or you can trust them to deliver things it's going to carry on being full of scams and criminality. - [Alex] Which is sad. (indistinct chatters)

- [David] No, is definitely one area you're right.

- [Alex] That's really good to kind of understand your sort of thinking on that. You've obviously been in and around and hearing and seeing this industry evolve massively and I have too, to be fair since coming into Tillo and founding this business. But even just before that there was a lot of talk around it. And now with the success of the GoCardless of the world. But open banking is a huge key, you know, buzzword, that's kind of going around at the minute. I think (indistinct) was talking around, this is a once and a generational time of sort of businesses shifting and using and taking advantage and almost the start of open banking opportunities there. But what do you think about the consumer piece here? What are the benefits? I get the benefits to the merchants are sort of, it's cheaper, but what's the benefit to me/you getting your Amex out and not spending on your Amex or Monzo or whatever it might be than using a sort.

- [David] I think it's more than that, Alex. I think so. I mean, so first of all, from a point of view of sort of interesting strategy stuff, actually the time when I was working on that with clients actually was a couple of years ago. There's a lot going on, but it's kind of all under the surface. People don't see quite how much is bubbling there, but the ability to use open banking to deliver this portfolio of financial services to people all sitting on top of banking, I think is... I'll give you an example of where there was a discussion earlier in the year. I can't remember when it was, it was at the end of last year because of Anne Boden of Starling, who is someone I really look up to. I've met Anne many times, she's an incredibly impressive person. And she made a passing comment that open banking wasn't working because of account switching (indistinct) but I think that's a bad measure of open banking.

Cause the point about open banking is that I shouldn't have to have umpteen different bank accounts and keep switching between bank accounts to get all the different services I need. I should be able to get the service I want and then just plug it into my bank account. And you already see that emerging. If you look at, I'm looking at the machine that's next to the other desktop computer I've got here. I was just doing some other stuff. I've got Revolut, Wise, all of these kinds of things running. They all work really well. They all do the things I need them to do. And they're all sitting on top of the same old, they're all plugged to the same old Barclays bank account that I've had forever. I think people don't see what's going on.



And there was a US survey from my good friend, And there was a US survey from my good friend, Jim Rose, at Financial Brand. And he pointed out, I can't remember the numbers, but I know roughly what they were - if you interview people and say, what do you think about open banking? What do you think about allowing third parties access to your bank account or something? Everybody says no, terrible idea. And it turns out 85% of them have already got Plaid, connecting their bank accounts to umpteen other things cause they don't see it as a banking thing. It's cause it's that world of embedded finance. Where you go to get some useful product or service and get something done. And then they say, well log in using Plaid to do it. And then people do it. And it all connects up for them. So I say open banking. I think it's more successful than people think. I mean there's already something like 5 million accounts in the UK connected to open banking.

- [David] But like a few months ago, if you were paying like employees, you had to find out how much you need to pay. Then you had to do this funny thing with faster payments. You had to put this code number on it or you had to use a debit card. Now I just click pay from my bank and it just goes to Barclays. I login at Barclays, I hit okay. And that's it - paid! People are a little bit critical saying, well has open banking really changed? I think they're wrong. I think they don't see how much is bubbling along under the surface. They don't see, I don't think they see how much it's already being used.

If you're talking specifically about PISP, payment initiation for account to account transfers in a way I'm surprised that it hasn't in a way I'm surprised that it hasn't happened a little bit quicker because a lot of retailers now have their own apps. Like I have the Tesco Pay Quick, whatever it's called and you nip into the Tesco Express and you do the barcode, it does your club card points and takes the payment. But it charges to... Actually it charges it to a credit card. It's quite expensive for them, I think. But I do sort of wonder why I haven't got the message yet from Tesco, which says actually there's no real need to use cards. We'll just take the money straight from your bank account if you give us permission. And by the way, we'll give you double club card points. If you do that, in which case, a lot of people would do it I'm sure. I'm a bit surprised that it hasn't happened a bit quicker, but I'm sure it's coming along.

- [Alex] I was going to ask that, do you think that is going to come along now? I was just listening to this article that the CEO of GoCardless, Hiroki, was talking about, like now this is becoming much more widely used and accepted and it is the start of this opportunity. Do you think these applications, especially payment giant, not payment giants, well payment giants, to some extent I can see Stripe sort of getting into this area big time, but also companies like Tesco doing that very thing, Netflix, I think trying to bypass and not using the app store, using this embedded finance to save huge card fees, But saying that, but like the UK it's quite low anyway, isn't.

- [David] I think we do. You know, I think I do see it. And I think if you talk to a lot of people in the industry, what they'll say is that we're sort of missing a layer in the sense that what the big billers want, what the big retailers want is not to go directly to open banking. What they want is a request to pay mechanism. And what's called the VRP, the variable recurring payment mechanism. What they want to do is sit on top of these standardised mechanisms that use open banking rather than the existing card rails. And actually what happened last week? The chap came around to have a look at the central heating boiler and afterwards to pay, he broke out, he's got a phone and I think it was a SumUp one of the little Bluetooth readers. Which of course you won't need anymore. Cause with Apple you'll just tap the phone directly and he had to wave it around because he couldn't get the signal, whatever network he was on to sort of do that. He just like in a relatively short time, he'll just go to his QuickBooks and say, charge Dave 75 quid, the RTP will come through to my phone. The plumber's asking you for 75 pounds, Yes or no, you hit okay and the money just goes, done like that.



And I think you'll see a bit of a bifurcation. If I'm buying stuff from Tesco or Waitrose you know, people I've bought stuff from for years and there's a revealed customer experience there, then fine, I'll let them have access to the bank account. I'll take the double points. If I'm buying something from a dodgy shareware merchant, online somewhere, I'll use my card with all of its protection and chargebacks and that sort of thing. I think it's about, we were talking about this the other day, in connection with airlines. Some of the airlines are doing this experiment with the IATA credit transfer system. I was thinking about something similar kind of thing. Like I'm a British gold member for my sins. I'm on their site all the time. Like if I'm buying stuff from British Airways and they say to me, can you stop using that damn Amex card? Just let us take the money from your bank account and we'll give you triple AVIOS or whatever, probably do it. If I'm booking something from some other airline another low cost airline, then I'll use my credit card.

- [David] Just saying, I think it's a complex landscape. So I think, for familiar billers you'll go to variable recurring payments over open banking for one-off and other kinds of retailing you'll go to request to pay. But you'll carry on using your card for an awful lot of the time. And I can't remember the time but I think that the current projections are that our account to account is going to take a third of card volume or something, I can't remember exactly, but we also remember the UK is a little bit, we use cards for everything. Money20/20 Amsterdam they were talking about the Dutch ideal, which is the online account to account payment mechanism. That's the overwhelming majority of all online payments; they never go anywhere near cards. It's developing in different directions, but I mean, you're right to highlight it, Alex, because I think people are mistaking the fact that they don't see all sorts of things going on for there's nothing happening and that's not true there's lots of things happening.

- [Alex] What we are seeing, within this open banking sphere is actually, enablers or third parties that use open banking to allow merchants to accept, account to account transfers. They're actually building loyalty programmes out the back of it, but they're doing it in a really interesting way. And they're doing it just what you just mentioned there on the BA sort of example, what they're doing is they're looking to service brand affiliations sort of, they feel will work quite nicely within the transaction. Let's say you're shopping on ASOS; they will service a gift card, actually that will be for Deliveroo. And it will say that, if your basket is at 75 pounds, if you spend an extra 15 pound more, we'll give you five pounds as a Deliveroo gift card to go and get yourself a little treat. And it's the same sort of premise as the BA example there, it's saying that once spend thresholds get to a certain level, they're then servicing sort of opportunities there to increase basket spend, brand affiliation. And then that loyalty piece that comes into it all.

- [David] If you are buying something online for a hundred quid and the merchant's going to spend three pounds on the card transaction or whatever it is, or they can spend 20 P more than that, say 50 P on an open banking transaction, give the customer a pound back and split the difference you can see it works out. I think to your point, the Deliveroo example I think is a good one, because I think in fact, as your experience has shown your growth has demonstrated this for a lot of customers, they attach more value to the five pound Deliveroo voucher being given £4.50 off, which would be the margin spread on it. And obviously the merchants aren't paying five pounds, those Deliveroo vouchers. The cycle there, I think works quite well. It's probably more explicit on the BNPL side of things than the card side of things, but yes, absolutely you're right. This is a really interesting area for growth.



- [Alex] What do you think in terms of this section 75 protection for consumers, do you think that will come into play for open banking or do you think it will just be, that's the risk that you take and that use of...? (indistinct chatters)

- [David] I think it'll be unbundled. So like I said, I don't need section 75 charge-backs at Waitrose I'd rather have cheaper prices. (Alex chuckles) Because like, if I come back Waitrose around the corner. If I come back from Waitrose with some mince and it's off, I'll take it back and they'll give me another one. I don't need section 75 to sort that out. - It makes sense. I think those things need to be.. And because, the merchants become so competitive with these areas. I think those things will become... But that's why I say it's not a universal solution because there's an awful lot of things where I will still use my card, so I don't have to think about it. But if you think for the average, I can't remember the figures of the UK, but I think for the average household, I think there are five merchants that take 95% of weekly household spending. Basically in our house, in terms of sort of discretionary spending during, basically goes to Waitrose, Tesco, Boots, Shell, and Martins, the news agent. I mean, that's it. If those guys, and those are people use all the time. I don't need section 75 chargebacks for those people.

- [Alex] Yeah, no, exactly. That does make sense. Well you mentioned just a minute ago, David, buy now pay later this is just... I'm so fascinated with it. The PR, the power, the weight behind the industry leader, which is Klarna and what they're doing and the lobbying that's happening within this space there's such a... It's exploded within a few years. What's your opinion on these platforms and can they encourage consumers to spend with them more than traditional planners? Like why would I, again, it goes back to open banking. Why would I use my Amex over and beyond this by now pay later option? Why would I use Klarna over Amex, or vice versa. For you probably like me, it's the points, I'm going to get my Amex. That's why I'm going to use my Amex over buy now pay later.

- [David] Well, I also use my Amex because it's extremely reliable. I trust it. It's to do with revealed customer experience the couple of times in my life... I mean, I'm very old school. I literally... Remember the old advert you'd never leave home without it. I wouldn't, I would never... I would never go anywhere without my Amex card. Cause my revealed experience is the couple of times in my entire working life when I've absolutely needed it, when my wallet got stolen or whatever Amex 100% they were fantastic. So part of it is revealed experience. So part of it is revealed experience, but part of it is also the shopping journey. If you look at, I mean Klarna is a fantastic example, everybody knows how clever they've been with their acquisition strategy. Their end game is to become the sort of super app, not a payment mechanism. People start their shopping journeys in Klarna. It's not that they go shopping and then finish up with Klarna. Klarna is already pushing it the other way around. You look at your offers and go to different places. I think I'm not the only genius that's predicting that there's going to be a regulatory tightening, The figures speak for themselves. There are some people who have overspent using the mechanism and may not completely understand the difference between merchant funding and credit and all this sort of thing. So things are going to tighten a bit there, but actually for some of the big players, they're becoming successful because they're reorganising the customer journey. And....

- [Alex] Do you think that's it, do you think that's why they've done extremely well over and beyond putting it on a credit card? Do you think it's that the customer journey is so much more superior.

- [David] Well, I can't remember which, but I remember sitting through a presentation three or four years ago, was it After Pass? I can't remember, but I remember sitting through a presentation where the... And there was a very good presenter talking to this group, which included merchants and finished by saying, we are not bringing you another payment mechanism, we're bringing you another customer. And I thought what a fantastic line. Whether it was Saatchi or whoever came up with that for them deserved all the money because the merchants loved it and I think they've largely, they've held up on that promise, haven't they really?



If you look at the sophistication of what Klarna is turning into but the other stuff they're building around the payment experience, it's impressive. There's no doubt about it.

- [Alex] Absolutely. And I think there's some really cool things they're shaping up within the industry, which is why I used it to buy my Peloton and I thought do I want to part with two and a half thousand pound in lockdown I thought, no, not really. I fancy just paying in no interest and just getting a bike and paying an extra 50 quid and it's sort of done and dusted. And then I found out that like, I think it was 30% of Peleton's revenue was actually via Klarna and that doesn't surprise me because it's made accessible to the masses. I mean, they've obviously had their own issues Peleton but I think the point is, it's helping reorganise finances, how you're paying. Another example would be if you buy quite an expensive coat or you buy some tyres for your car or whatever it might be, and you haven't got them fitted or delivered yet, why should you pay for it immediately? You might not want to pay until you actually really happy with it. And that gives you the flexibility as a consumer to do that. And then they've... I just saw in the news only the other day, actually the Klarna is now rewarding with the loyalty programme, with gift cards. But the really cool thing that they're doing is they're rewarding their consumers for paying early or paying on time, which I think is that's really cool. That's really nice.

- [David] That's what HMRC should do. Instead of sending me these letters, you haven't paid your bill which you don't even know anything about or have completely forgotten. They should send you nice letters, but if you pay it on time, you'll get some Amazon points or something.

- [Alex] Yeah, no - exactly! But I think they [Klarna] set about doing things very differently and they set about doing this uniform platform for all. So this loyalty programme they want to make accessible, wherever Klarna is being offered or is in a country, which I think is a really bold move. And that's what they want to offer. There's some real complexities there with especially brands, gift cards in different countries and the mechanics of how that works. But I just think it's really smart the way that they've also, they're not precious around a lot of buying now pay later companies are sort of following suit.

They're not precious on the brands that they in their loyalty programme, given that they might not be working with them. So like for instance, they offer Amazon vouchers in there, Amazon is not accepting Klarna, Amazon probably will never do that with Klarna. But Klarna know that their shoppers will shop at Amazon. So they're offering those brands in their loyalty programme. They're not particular, they're putting the brands that they love in there, which I think is super interesting. And more to the point it's letting Klarna potentially work with merchants that they might not work with in time, which I think is super interesting because there's so many guises of this buy not pay later... There's this MasterCard thing with Zilch, they're doing their own thing. You can basically buy now pay later for anything anywhere.

Obviously Klarna is only accepted in certain stores, which I think is interesting. But it's definitely a space that I think is going to, become more tightly regulated, as you say. I also think that as this sort of increases in brands, I can see brands themselves doing it themselves. I dunno if anyone's doing it themselves yet, but I can imagine an Amazon's going to do it themselves. They've got enough money to do that, absolutely. And then potentially Tesco, I don't know that they could potentially do that in time, which would be interesting. I dunno what your thoughts are on that.

- [David] I think that the retailers have a reasonably sophisticated view of the customers and services that provide them with more data, like Klarna are inherently more attractive, I think, than alternatives. Without repeating the sort of, it's all about data mantra, it sort of is all about data. So the decisions won't be made pure, it's like is payment mechanism A is cheaper than payment mechanism B - that's only part of the calculation, isn't it, It's what data do we get? How can we serve customers better? How does it fit with the customer journey? It's, all that sort of stuff nowadays.



- [Alex] Well, David, thank you so much for coming on board to give a little talk and give us your very experienced view on some really interesting topics here today, buy now pay later, open banking, crypto, NFTs. I really appreciate your time as always, but just to end on a bit of a sound bite, what do you think is the greatest opportunity that branded currency offers for fintech organisations today?

- [David] It's the connection with the customer, isn't it? Cause when you talk about branded currency, you don't mean like random brands, what you mean is brands that mean something to the customer. Like that deliveroo example you gave earlier on. It's what customers already want to do. Like it's their revealed preference and you are fitting in with it. So it looks really good to me. It really does.

- [Alex] Nice, good. Thank you, David. I appreciate your time again, but yeah thank you.

- [David] No problem.

- [Alex] And until next time.