



NASIR ZUBAIRI





# Innovation as Incremental Progress

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**? YOU'RE CURRENTLY A CEO, BUT YOU HAVE STUDIED FOR A CONSIDERABLE TIME AND HAVE BEEN INVOLVED IN RESEARCH. HOW HAS THIS HELPED YOU VIEW HOW TECHNOLOGY FUNCTIONS IN RELATION TO GLOBAL PROGRESS?**

Technologies and innovation continue to inspire and drive the world forward, but a lot of the technologies don't become mainstream and aren't necessarily very practical. Virtual reality, for example, is really cool, but it isn't that practical as yet. It's like 3D televisions—it's a bit silly to wear those glasses, and it's not exactly fully immersive.

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But, regardless of whether technologies become mainstream, the innovation helps drive the world forward. I'm an honorary research fellow at University College London (UCL) and I wrote this research concept once. It was about what I termed the "theory of normalcy." My hypothesis was that if you look at the world, you will see that people adopt technology in a certain way—in a bell curve ("Normal" distribution). On one side you have technophiles and on the other hand you have technophobes and the mass market in the bulge in the middle; none of which is necessarily determined by age. If the x-axis is an arbitrary level of technology adoption, then that bell curve shifts forward about the line as technology advances, but it doesn't leap—it shifts incrementally. The only time we see leaps in adopted innovation is when a technology offers so much incremental value that it's worth people changing their behavior for it. Because people do not change behavior easily.

If we look back in history, I would argue that one of the biggest leaps in adopted innovation was social media in that it changed behaviours in a massive way because of the significant value it delivered. Some people think the iPhone was a leap forward, but I don't think so. Let me give you a little story. When I was a kid, there were the beginnings of gaming systems. The revolution was Nintendo Game and Watch, a handheld gaming device. We started getting used to handheld interaction. We then saw a few streams of related advances in innovation; firstly, handheld gaming, through the increasing sophistication of the Gameboy, PSP, and other devices.

Secondly, handheld PDAs, such as the Psion organizer evolving into the PalmPilot, then others such as the Hewlett Packard PDA, which became more powerful, capable of more things, and which had better and better screen interfaces, eventually you were able to write on them. Over time they became thinner and slimmer.

Then came music devices—the iPod, iTouch, again, rapidly increasing in sophistication. Now we are fully converged across all these lines, with the iPhone and other Smartphones ruling our lives. It was not one giant leap forward—we got here incrementally.

So when I talk to startups who propose some technology that will require a change in peoples' behavior, I question whether it will work; does it really provide so much incremental value today that people will do things differently? Google glasses, for example, were too big a jump. In ten years or less, we'll see something like them. But for the moment the change was just too much.



Another example, in the FinTech field, is mobile payments. In the western world, mobile payments just haven't taken off yet. Why? Because our cards are so easy to use. However, mobile payments have taken off in developing markets because the incremental value is so large. In Kenya, more than 70% of payments are done with a phone because they don't have cards or any other industrial way for large populations to pay and store value, but everyone has a mobile, and this has been leveraged to enable a thriving mobile payments ecosystem which has also driven more inclusiveness; they have leapt ahead of the western world in technology use for payments. China has shot ahead of the west as well. With touch-to-pay, it's now easier than ever to use a card, so I wonder how long before we see enough value in mobile payments to encourage widespread adoption in places like the UK, Luxembourg, France, and behavioural change.

Innovation only cracks the market and is adopted when it provides enough incremental value to change human behavior.

**YOU MENTIONED VIRTUAL REALITY. WE HAVE NOTICED THAT A LOT OF EXHIBITIONS ARE USING VIRTUAL REALITY TO SHOW OFF THEIR PRODUCTS. DO YOU SEE THAT SIDE OF IT BECOMING IMPORTANT?**

Sure—there will be uses of it. Advertising will leap more into virtual reality as time goes by. But we have got to figure out a way to do so without wearing this gear on our heads. It's just too heavy and cumbersome.



**I REMEMBER YOU TELLING A STORY ABOUT YOUR SON AND FORTNITE. COULD YOU TELL US ABOUT THAT AGAIN?**

Of course. It's a really enlightening story to me. This past year, my son was saving and spending his pocket money, including his birthday money, on credits for Fortnite. It's the biggest online game on the planet at the moment. Fortnite is a game based on Battle Royal, an old Japanese cult classic movie in which an organization takes one class from a school and dumps them on an island, where they have to fight for survival. (The goal is to remind society to appreciate what it has.) So, you have to collect weapons and materials, and the last man standing wins. The game recently broke the record for most concurrent users playing – 3.4 million people at the same time.

**‘ THERE IS SOMETHING TO BE SAID FOR A CHANGE IN VALUE FROM PHYSICAL TO VIRTUAL IN THE FUTURE.**

My son came to me one day and asked me to get him credits for Fortnite. He gave me 50 euros and asked me to buy it worth in V-bucks, the virtual currency in the game. That allowed him to buy a new outfit and some funky dance moves for his character. That frustrated me because it's not even real! You know what he said? "It's important to me." That was somewhat of an epiphany. It really made me think. Money is a means of transaction for us to buy things we value. Children value different things than us. If my son only cares about online money—does real money really matter? Will it matter in the future? Should there be a bank for this virtual money?

As part of Cybersecurity Week in October, we are going to run an education programme for children with Securitymadein.lu themed around Fortnite. The kids want super star players to be there, the most important of which is a guy called Ninja. There's actually this funny song called Fortnite Friday, which is a spoof of Freaky Friday, in which an American rapper named Lil Dicky wakes up in Chris Brown's body. Fortnite Friday is the spoof of the spoof! That's how big this game is.

Anyway, long story short, there is something to be said for a change in value from physical to virtual in the future.

**YOU SPOKE ABOUT HOW NEW TECHNOLOGIES BECOME MAINSTREAM THROUGH INCREMENTAL CHANGES. COULD YOU ELABORATE MORE ON HOW INNOVATION AFFECTS OUR DAILY LIVES?**

Of course. Carrying on from before, let's look at mobile payments. At some point in the future, I am sure mobile payments will be mainstream in the western world. But right now, the value offered is just not enough to overcome the widespread use of credit cards. I'll tell you another little story. I went to speak to a group of kids, around eight years old, and I pulled out my card and showed it to them. I asked, what is this? They all responded by saying, "that's how you buy things!" Then I pulled out my phone and asked, can I buy things with this? They all laughed and said, "don't be silly." So, this is a kind of social proof—kids see what we do and follow suit.



So let's walk through a use case. A few years ago, I tried to use my phone to pay. I downloaded the PayPal app and walked into a Starbucks. You have to pull out your phone, unlock it, go to the app, login to the app, if the Wi-Fi/3G is even working, and pay, all while saying "please hold on a moment." And we keep multiple apps and services active on our phones on every day, like Bluetooth. That's a major battery drain, raising a concern that if all my payment means (my wallet) are stored on my mobile, what happens when (not if) the battery runs out?

I think we need to see considerable progress before mobile payments become competitive in the West.

**IN AFRICA, MANY PHONES COME WITH AN IRREMOVABLE BANK APPLICATION. IT'S BUILT-IN. DO YOU SEE SOMETHING LIKE THAT HAPPENING IN EUROPE?**

Well, I'm not sure I can speak to that. But you bring up an interesting topic. I'm curious as to when banks will start issuing phones instead of cards—this would change the whole system. If you look at the customer acquisition cost for one new customer, it's in the range of 300 to 600 euros. How much does an iPhone cost? Six hundred euro? Why not just offer an iPhone, and install all of your apps directly on the device? All things done on a phone are based in payments, but banks are still third-party players on smartphones. Doing this would also give banks more direct access to customer data and decision-making information.

The market leaders in banking will be those that learn to better use their data. Right now, banks are really not great at managing and using their data, even though they have the most valuable data in the world—transactions. What people say and what they do are two different things—and banks have the data to know what people do! They really need to start utilizing this incredible resource to better understand their customers and deliver better services

**ARE THERE ANY LEGAL CONSIDERATIONS FOR THIS KIND OF DATA MANAGEMENT? IS THERE A SLIPPERY SLOPE TO LETTING BANKS USE THE DATA?**

They can use the data, even share the data, as long as it is anonymized and aggregated. For an individual, yes, banks would need permission. But not for the big data.

In all honesty, I question how many people really care about data collection—is it just an issue because a few make it so? We are born into this world to share. Little children don't care about their privacy; they want to share with people. Frankly, I get a bit suspicious when I google someone online and I don't find a lot of information. If you google me, you find out a lot about me. Sure I don't want my bank account info and info about my wealth online, but otherwise? Maybe I'm an exception, but I don't care, and I don't think I'm in the minority.

I think part of the issue around data privacy is that we don't understand the value of our data. The fact that Google and Facebook are making billions on our data means it is valuable, but we just don't know how valuable. At some point, I believe we'll be able to borrow, lend, buy, sell and, most importantly, pay for services with specific sets/amounts of data. It will become a currency. I don't see why there can't be a "Data Bank" in the near future.

But we started on this topic with the question of banks' management of data. The first step is understanding the data they possess, but this is a still quite a hard thing to do. Right now, banks are relying on legacy systems that prevent them from organizing and accessing the data in an effective way. I think they need help on accessing, cleansing and analyzing their data more effectively; to work with Fintech services like, Tetrao, Finologiee, Governance.com and others who deliver technology that could help them.

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### DO YOU TRUST IN CRYPTOCURRENCIES?

No, I don't trust cryptocurrencies because most firms in this sector are not regulated. I trust in regulation. bitFlyer, for example, is great because they're regulated. You hear a lot of buzz around ICOs, and how people are making a fortune on them right now, but I still think there is some way to go, more evolution, before the ICO becomes more mainstream. The Bitcoin frenzy is bizarre to me because there is no structure to the value of the coins. The value is entirely determined by supply and demand, and something like 90% of the wallets are controlled by less than 10% of the participating population, the "Whales." If it's not regulated, then risk is high.

### WHY ISN'T THE MINING AND COMPUTER POWER BEING USED TO SOLVE MORE USEFUL PROBLEMS THAT PUSH THE WORLD FORWARD?

In any case, cryptocurrencies are undoubtedly pushing innovation in financial services forward, although I am certain it still needs to evolve significantly for mainstream adoption.

What disappoints me a great deal is the mining involved in Bitcoin; it seems so wasteful. If the mining community were a country, its power consumption would be greater than that of Switzerland, than Kuwait, than Columbia. And the complex problems that miners solve are throw-away problems. Why isn't the mining and computer power being used to solve more useful problems that push the world forward?

### WHAT ABOUT BLOCKCHAIN?

In short, blockchain will have impact, but I'm not quite sure when. It's not tomorrow, but like Bitcoin, it pushes innovation forward.

### WHAT ARE MAJOR TRENDS TO LOOK OUT FOR?

In general, it's what I've already said: data combined with automation tools, AI, and Machine Learning are really the core. On another note, I have a friend who set up an investment company looking at innovation and technology that will prolong life. Can you imagine how that would affect the financial industry, the life insurance sector, the pension fund sector? If we live to 150, how would that affect our finances? How will it impact marriage, homeownership, and a whole load of other things? It would revolutionize the finance industry because it affects behavior, and our needs in finance are based on behavior.

On a personal level, I would like to see a world where financial services become invisible—we should focus on enabling transactions, not spend so much time engaging separately on loans, payments and other, no matter how complex, financial services we need to make transactions. Finance, to me, boils down to two things; enabling us to make transactions today and make transactions tomorrow. Enable my life as simply and with the least amount of friction as possible. ● ○

