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Mobile ROI Hard To Quantify For Financial Firms

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By Jake Thomas's

At a debate on the impact of consumer technology in the financial services industry, four mobile specialists expressed their opinions on what has been overhyped and what's been underhyped.

Mobile innovations are almost never a direct driver of business, OpenFin CEO Mazy Dar explained during a discussion hosted by DataArt on consumer technology's impact on the financial markets. In fact, he called it the most overrated aspect of consumer technology in business. For one thing, its return on investment is difficult to quantify, according to Dar.

"People like to talk about it but it's something that rarely gets done," said Alexei Miller, SVP at DataArt, a Manhattan-based software outsourcer with operations in London and Eastern Europe, including its development headquarters in St. Petersburg, Russia. "The conversation dies right where the topic of return on investment starts. How do we justify this? The more interesting conversation about where the return on investment is, is on user experience and making investment banking systems look good again. Well, not good again – they never looked good. But good finally. This is one of those areas where consumer technology is leaving us no choice.

"The more interesting conversation about where the return on investment is on user experience, on making investment banking systems look good again. Well, not good again, they never looked good. But good finally." -Alexei Miller, DataArt

"We can resist by saying our industry is so special, is so different, and our requirements are so specialized," Miller continued. "But the reality is all those managing directors have bought their children iPads and used them themselves and they say, 'why can't my trading system look like that'? Little by little we're left with no choice but to invest in this user experience. Among all the technology skills out there, including sexy and popular things like cloud, big data and mobile, the biggest skills shortage on Wall Street right now is user experience."

Each According to Need

However, clients expect to communicate with their financial advisors in the same way that they communicate with the rest of the world, said Tsvi Gal, a CTO at Morgan Stanley. These days that could include everything except by phone: IM, Facebook, LinkedIn, text message. When they have meetings, they expect their advisor to show up with an iPad, not a mountain of papers. That way the advisor can dial up a demonstration showing the impact of a potential investment or a risk change with a couple of touches.

At the same time, he said, not every mobile upgrade is necessary. There's a blurry line between necessary client-support tools and unnecessary luxury.

And while clients may want to use social media to communicate, Bain Capital Ventures managing director Matt Harris said its importance to the investment world is overstated. He has seen dozens of firms try to monetize Twitter through sentiment analysis, with no notable successes and a few notable failures (see Capital, DCM).

He's watched even more firms attempt to introduce a transactions function into Facebook, again with no results. "There's a big thing happening in social networks, although it's not germane to capital markets," Harris said. Their paths could conceivably converge in 10 years, according to Harris, but not in two.

The subject of Facebook sparked a spirited debate comparing the social networking site to financial software providers. It began when Miller asked why financial software providers can't at least do quarterly updates if Facebook can update its program weekly without glitches. Gal countered that the comparison is unfair, as Facebook doesn't have the Securities and Exchange Commission (SEC) or the Commodity Futures Trading Commission (CFTC) breathing down its neck. Companies like his need to be more conservative about releases to ensure that they work as intended. Even some financial cloud providers only guarantee 99.6 percent availability. When that 0.4 percent happens, they apologize. Morgan Stanley and its ilk are held to a different standard.

Miller agreed that 99.6 percent reliability is very different than 100 percent. But he questioned whether 100 percent availability even existed.

Harris backed that up, saying that every major bank has had web outages within the last year (he excluded Morgan Stanley). Perfection, obviously, was not attained. "There's a theory of robust systems where failure is acceptable and it's about how you recover. It feels like a better mindset to have than believing that avoiding failure is doable."

Plan B

It is true, Gal conceded, that even his bank has the occasional failure. But it could have more without sufficient planning and investment. During Hurricane Sandy, all seven of Morgan Stanley's New York data centers lost power. Yet because it had planned for that possibility, it had generators up and running on five of those data centers and didn't drop a single transaction. "We are more than happy to give our clients less than 100 percent," he joked. "But they are not so happy to receive that."

The bank's IT budget is just shy of $4 billion annually. About $1.8 billion goes toward infrastructure, and most of that is non-discretionary spending (keeping the lights on in the datacenters, for example). That massive spend goes to ensure massive reliability. Those last few percentage points require the most money.

When it comes to the adoption of HTML5, all parties agreed that it will inevitably become the standard. However, "inevitable" and "soon" are two different things. Harris says that he hasn't seen vendors servicing the financial services industry go all-in with HTML5 yet.