



HARVARD

Office of the Vice Provost for Advances in Learning



MODULE 1 UNIT 1

Casebook Video 1

Transcript

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LAUREN COHEN: So who do I bank with? Well, that's Citibank, but my trading, that goes through Charles Schwab. My retirement though, that's going through Vanguard, my health insurance, Blue Cross Blue Shield, my car insurance, Geico, my life insurance – that's going to be MetLife. Of course we need a mortgage, and went straight to Wells Fargo.

Now this is the complicated evolution of the financial landscape in the US and globally. And that is to say, that each one of these firms specialized on the very particular service that they provided to you. Now, Long Chen, sitting at his offices in Hangzhou in China, decided that that should be turned on its head.

And so he, along with Ant Financial, had a very bold plan about what the future was going to look like. And in particular, he wanted to provide this entire life of financial services in a single online platform using the power of FinTech. And through Ant Financial, essentially wanted to provide your financial life from cradle to grave.

Now how are we going to do this? Well, they were going to do this by integrating a huge number of services under that platform. So everything from your bank to where your insurance would be, to where your wealth was managed – he wanted to integrate that all into a single platform.

Now take a step back. This is very different than financial services had been conducted throughout the entire recorded history, and in particular the way financial services started were with a single handshake. So you would go to the person who you trusted with your resources – these things you've worked so hard for – and you want to look them in the eye and know that they were going to keep your resources safe, that they had your best interest in mind, that they were the exact right person to chart your course for your financial future and maybe for that of future generations.

Now Long had the bold idea that hey, we can do all this and we can do it more efficiently and in a way that will have more power with clients – all online. We're going to take the person out of this personal finance that's been provided. The really tricky part of this for Long – and he knew this – was going to be that he not only had to convince himself and all these consumers, but they had to convince everyone else at Ant Financial. And so, what if I told you that the way he was going to do that was through 11.11 – November 11th – Singles' Day. Okay, so what does Singles' Day have to do with financial services? Well I'll tell you. Singles' Day is the single largest consumer finance day throughout all of China. And in fact, it's now the single largest day throughout the entire world. So more purchases are made on November 11th, than any other day throughout the year. This has developed as a day in China, and now globally, where singles would come online, where a lot – to buy things and where banks and firms would give huge discounts.

Now Alibaba used this Singles' Day as an experimental grounds to really push forward all of these different financial services. So they would try out new deals. They would try out new financial services within wealth management and really use that as the experimental laboratory. And look, some things had worked and some things hadn't worked, but that was part of this plan of Alibaba and Ant Financial to really push forward deeper into consumers wallets – both in China and abroad.



In this exhibit, we can see just the range of financial services that Ant Financial was hoping to get consumers to latch onto. And so, their first and most successful product to date had been Alipay. So this was their mobile and online payment platform. And look, this was developing everywhere in the world, so not surprisingly, Alibaba and Ant Financial really wanted a leg in, and they really viewed this as, kind of, their foot in the door for many of these other services. Of course, once they had their foot in the door and once they had a hold of your wallet, they then moved on to things like their investment and wealth management platform – their money market fund. So this was a place where you could kind of park your money where you didn't exactly want to tie it up for let's say the next year, or the next five years, but you wanted to earn interest on it in the meantime, while you didn't need it that week or that month. They had a credit scoring system. So this was a way for you to prove that you were a great bet and that companies and other banks should take a bet on you, once you could opt into this credit service. They had an internet banking service, right, so these were all the usual things that a bank would provide – all the way down to different kinds of insurances and their cloud technology platform.

So as you can see, they really wanted to provide you this integrated financial life that you could lead.

I want you to think about the potential limits to this or the limitlessness of this strategy. Could Long Chen, could Ant Financial, achieve this lofty goal that they had? Could they convince people to live their entire financial lives with one company without ever meeting a single person from that company?

