

# How a local hero can match US tech giants

ROBERT GOTTLIEBSEN

February 1, 2018



The Knosys technology helps improve Indian and Philippines call centre services.

Sometimes an unusual David and Goliath tale crosses my desk that gives me hope that the technology revolution that is ahead might not be completely dominated by the US giants.

Occasionally we may get a look in.

But I must warn all those reading this story that our local small-time hero has a balance sheet that carries an “R” rating.

Some years ago the ANZ realised that local call centres were too expensive and it had to follow most of its major rivals, Telstra and others, to the Philippines and India.

But the ANZ wanted to try to avoid the horrible experiences so many Australians consumers have had dealing with overseas call centres.

So the bank looked around the world for technologies to improve Philippines and Indian call centre services. It quickly found that the available US technology carried huge price tags.

But among the local alternatives was technology developed by Alistair Wardlaw in a tiny “backyard” operation. After trials the ANZ took a punt and signed a contract with Wardlaw to put his technology into operation. The ANZ saved a lot of money.

The Wardlaw technology provided the information systems and skills to improve the ability of international call centre operators to handle queries and access the necessary information in a way that made them appear experts.

A public company was formed in 2015 to buy the Wardlaw technology for shares and former Victorian treasurer Alan Stockdale agreed to be chairman. The shares were floated just as the 2015 technology boom was subsiding and they quickly fell below the issue price.

When Shayne Elliott was appointed ANZ chief executive in 2016, everyone held their breath.

Would he switch to the majors? No. He actually expanded the Wardlaw contract. The number of ANZ people using the technology rose from around 11,000 to above 17,000 as the ANZ extended it to many other parts of their banking operation, including internal communication.

Unfortunately the original Wardlaw tender never envisaged the costs that would be involved in servicing a banking giant. The entrepreneur and his small band of people had tendered too low. Meanwhile the people who develop technology often find running a public company difficult. A technology entrepreneur, John Thompson, was appointed CEO.

As 2016-17 progressed almost all the equity capital had been lost and it was clear the Stockdale-Thompson company would soon run out of cash.

Not wanting his struggling technology supplier to go broke Elliott did a staggering thing. The ANZ paid a year’s contract (about \$1 million) in advance. Has anyone heard of a banker paying in advance? An Australian first?

The tiny listed company also issued \$1.5 million in a one-year convertible notes. Cash wise, the June 30, 2017 balance sheet looked all right on the surface but during the current financial year nothing is due from the ANZ and next May the convertible notes mature.

Then this week another amazing event took place. The \$50 billion market-capitalised Singapore Telecom (which owns Optus in Australia) uses Oracle technology to lift its call centre performance but has been searching the world looking for alternatives.

It discovered the minnow headed by Stockdale and Thompson.

The initial Singtel/Optus contact is only for \$6 million but it’s a highly significant Australian breakthrough.

Most of the majors using call centres are preparing for artificial intelligence. A lot of the current call centre work being done in India and the Philippines will be replaced by artificial intelligence.

The Australian system simplifies the contacts and looks like it is very suitable to be adapted to artificial intelligence.

Meanwhile the ANZ contract runs out towards the end of the current financial year. It's obviously possible the bank will walk away but with 17,000 ANZ people using the system it does not look likely. But Stockdale and Thompson will need to negotiate a contract that does not lock them into further losses

Up to this point I have not named the company because the "R" rated balance sheet shows the clear risks as well as the difficulty of developing Australian technology against the majors. But for the record it's called Knosys and it's not for the faint-hearted.

But win, lose or draw this story shows how a \$10 million capitalised Australian company can give the US majors a run.

And when companies like the ANZ back the locals there can be a lot of winners.

<https://www.theaustralian.com.au/business/opinion/robert-gottliebsen/how-a-local-hero-can-match-us-tech-giants/news-story/7dee05eb67c61279cbb7af15ab224363>