

“The fastest bank will be the winner” – Ignacio Juliá Vilar, ING

Blockchain, artificial intelligence... Banking has plunged head first into digitalisation. The challenge will be to keep up with the transformation pace while remaining close to clients.

Ignacio Juliá has been the chief innovation officer at ING Group for two years. It employs 52,000 people and has its headquarters in the Netherlands. As a major player in the European banking sector, the Dutch group had focused in recent years on overcoming the financial crisis, the zero rates policy of the European Central Bank and the arrival of new technologies. Juliá takes care of the latter aspect by implementing new ways of working and developing new tools or searching for these externally. Like the rest of his group, he acknowledges the reality that mobile phones are connected to social life and understands the future of banking will be very different from today's picture. That's why the group has to get to work now and stay ahead of whatever may come for ING and its 36 million clients.

QUESTION.- *How does the need for innovating arise in a large bank whose top priority is its own financial business ?*

ANSWER.- Banking is going digital because customers are going digital. If you do not travel down the same path you'll no longer have points of interaction with your customers and your business becomes less feasible. Access to services that had been exclusive is becoming widely available. This was the original success of ING's transformation. It gained a high degree of acceptance among clients. Then we made a strong bet to place clients at the core while evolving as the rest of the industry is doing right now. Now we are going into the next level. We are developing several platforms in the Netherlands.

Q.- *What role do banks play in this process?*

A.- In larger markets where we are firmly established we've concluded we need fewer people. This is the downside of going digital. It happened in the Netherlands, where a third wave of redundancies has already taken place because this is the market with the most staff.

Q.- *How do you apply innovation to customer service in the branches?*

A.- It's not that we don't need people, the issue lies in changing their role in this process. Where our branch offices had mainly focused on transactions and transfers, now customers use their mobile phone to do this. The business model has changed thanks to the democratisation of basic banking services. People along the value chain are much more useful for explaining complex financial processes.

Q.- *For instance?*

A.- Private banking was one of the most exclusive services and it demanded high volumes and a lot of staffing needs for only a few clients. Now more people can access services like these as banks develop technological platforms making them widely available to everyone. Yes, you hear a lot of talk about artificial intelligence, but replacing all human interaction with machine interaction is not that easy. Artificial intelligence can be useful for some customer-facing processes, where knowing and grouping similar questions can help resolve customer queries faster. We must try out things little by little and check whether the impact is positive. IBM developed medical diagnosis tools that made healthcare professionals fear for their future, but in the end it turned out that it helped to speed up the flow of information and personal attention. Jobs change into different ones.

Q.- *Are banks ahead of customers or it is the other way?*

A.- People are well aware of how fast everything is changing. My parents are between 75 and 80 years old. They had a hard time getting used to a PC. In fact, it did not change their ways. But indeed, with the arrival of mobile phones they skipped the whole transformation they should have done with PCs. Motivations as simple as viewing pictures in Whatsapp have spread access to these services and opened up the range of users. This has resulted in an increased speed and in more demanding

clients. This is happening globally. Many client experiences and behaviours in very different markets are similar and that is interesting for companies.

Q.- *And for banks?*

A.- Many things have changed. We must think of how we can keep interacting with clients. Our strategy lies in being a platform that helps them as much as possible to buy a house, not just sell them a mortgage. If we do our homework we will be on track for transformation. The challenge lies in moving fast and we have invested €800 million in these transformation projects over the coming five years.

Q.- *Nowadays there are hardly any banks that are not boasting about being at the forefront of digitalisation.*

A.- Everyone is taking these changes seriously. Some banks go faster than others. And speed is important: the ones going the fastest and staying the closest to clients will be the winners.

Q.- *Digitalization has also brought along the culture of not paying for the services.*

A.- We as banks have an obligation to be solid and reliable. We have to make money with a sustainable business model. In Europe we have been doing business at zero interest rates and that changes the dynamics of business models. Yet, banks are more solid nowadays than some years ago.

Q.- *With mobile phones as one of the major points of sale...*

A.- We are at 20% sales through mobile phones and marketing of mortgages, which is a complex product because of volumes, competition or period, 10% originates through mobile phones. From there we can innovate in instant credits, where we have been assisted by other companies, and also in payments. What we want is our platform to become a benchmark in the market, which we believe is the way to go. Millennials, a very digital group of customers, may have a harder time with other issues such as handling their finances. From payday to payday some have problems. Teaching them how to spend and save money is a way to address this. But the same can be said about other problems relating to managing pocket money or household budgets. Right now we are looking at ways to offer customers savings with electricity companies, payment management or financial advice.

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