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“What’s Next in Banking” Transcript

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RICHARD LUMB: Welcome from Davos 2017 and I’m joined here today with my good colleague, Ashok Vaswani, from Barclays. Ashok is the Chief Executive of Barclays in the UK and has responsibility for retail, for business banking, for wealth management and for the card business in the UK. And our subject and our discussion is on the digital transformation of banking. Barclays is a leader in the UK with many of these digital programs. And he’s well known amongst his customer base for his Digital Eagles initiative helping customers better understand how they can use digital to get better banking services, and he’s very much leading the way.

So, Richard, first of all, first time you go to college and you hoped that that knowledge kept you going for 50 years. That equation is over. This time around we are committed to information to help large companies grow, and you’re certainly leading in the UK with digital transformation and the new services that are required by customers. What are your key priorities around this?

Ashok Vaswani: So, Richard, first of all, thank you. Great to catch up with you as always. Our business, you know, we’ve been on this digital transformation for the last three or four years and the way we are thinking about it is that digital is going to change everything. Frankly, the digital revolution is bigger than the industrial revolution or the agricultural revolution that came before it. And, therefore, when we think about it, we think about it end to end, right from teaching kids coding in our branches every evening to a life skills program. Three and a half million young adults have gone through our life skills program which helps people move from the school way to the work environment, then the Digital Eagle program, which you obviously referred to, leveraging technology to help people with […] abilities and disabilities.

You know in the UK the fastest growing age segment is the plus 60 age segment and automatically, you know, these things kind of come along. Technology for the sake of technology is interesting, but technology that truly helps people get over these and be independent is a big deal. Leveraging technology for small businesses to helping them grow and leveraging the part of information to help large companies grow, right. This time around we are committed to leaving no one behind. It’s a pretty fundamental transformation of the entire business.

That’s pretty amazing and that really fits with the discussion this week because a big part of the discussion is that tech is obviously advancing incredibly quickly. I mean we’re kind of moving on to talk about the next waves of artificial intelligence and blockchain, many, many panels on that, but people are concerned about whether we’ve got the skills in society for those jobs in the future unless technology augments work. But people, we’re also finding are pretty excited about what digital means for their jobs enriching their work and making lives easier. What do you think is required in the economy? What do you think the UK government, the UK education system should be doing? You’re obviously doing a lot with your customer base, but do you think that we have the right educational systems in place?

AV: Richard, actually we ran a very good kind of research report in about 12 countries, including some of the digital tigers as we call them, places like Estonia and obviously the Scandinavian countries, obviously the United States, China, India, the UK and stuff like that. It was a research that kind of said across two dimensions. One is what are the policy dimensions that the government needs to put into place to make sure that digital kind of takes on, right? And the other one was are the people of that country really leveraging digital to the extent they could?

UK did pretty well. Came out about fourth, but the speed at which things are changing is just so dramatic. I mean Estonia is using blockchain to do voting. So the general elections are using blockchain. I mean just a couple of months ago, maybe on November the 7th actually the Prime Minister of India gets up and completely demonetizes cash and wants everything to shift to digital payments, right? So things are moving so fast, we’ve got to keep pace with this. If we don’t keep pace with this, we will fall behind. This is right from changing the education system.

In the good old days, at least when I was studying, you know, you studied for 25 years and you hoped that that knowledge kept you going for 50 years. That equation is over. There has to be a constant re-innovation, a constant re-imagining of skills, a constant re-education that has to happen. And governments would have to start thinking about what rules, regulations, policies that they can put into place to facilitate these things? This is a dialogue that has to happen in the nation.

And you know ultimately things like cybersecurity, data privacy, these are things that we’ll have to kind of start talking about, but we’ve got to do it really quickly, Richard.

You’ve spoken about digital to provide differentiation in customer relationships. That’s very much the strategy at Barclays. That’s what you want to achieve with this technology. So talk to me a little bit about how you achieve that differentiation, how that’s working.

AV: Richard, completely right. I mean, look, at the end of the day digital is not just about taking what you’re doing in the physical world and putting it on digital. You guys, you know, have taught us all of that and you guys will teach a lot more companies that, right? So the question is what does this new technology allow to happen? And this new technology is really all about connectedness, right? And connectedness is a big deal. So in any person’s life, for example, there aren’t more than maybe 12 or 15 very significant moments, right -- first time you go to college you buy a car, you get married, you have kids, retirement, second home, and I’m at seven and I’ve kind of run out, but you can think of five or six more.

For each of these moments, can we create an entire ecosystem? So, for example, let’s take a very simple case of buying a car. With propensity modeling I can know when Richard is in the market to buy a car. Knowing a little bit about Richard, I know exactly what car you would like. Maybe he loves a Jaguar Land Rover, right, and because Jaguar Land Rover is a client of mine, I can sell Jaguar Land Rover. Here is a client who I think will really love your car. Give him a free test drive. When you drive the car, then I say, by the way, Richard, if you want it, I can give you the loan, I do the insurance. By the way, your papers are all filed on Cloud It, which is our internal cloud for customers. By the way, AA is a client of ours. They’ll give you ten percent off. By the way, Black Tires is another client of ours. They’ll take care of all your retreading. We can basically create an entire ecosystem which makes your life much, much, much easier.
Yes, so, you’ve obviously learned a lot over the last few years. You’ve learned you will have made some mistakes, I’m sure. You’ll have had some good successes. What do you think are the big lessons learned in your digital transformation? Give me maybe one or two.

AV: So I think you’re absolutely right. We’ve learned a lot. I personally have made enough mistakes. I think that, you know, this digital transformation is more about moving the mindset of the organization. A lot of people think about this as throwing money at technology or adopting the new technology. I don’t think that’s it. I think the real secret sauce is how do you move the mindset of the organization? If you can move the mindset of the organization, then it becomes much, much, much easier to do. That’s where the Digital Eagles program I think has been so rewarding as far as we are concerned.

The other thing which is becoming amply clear to me now, which was not clear even maybe 12 or 18 months ago is that you can’t pursue a digital program without having a data program sit solidly behind it. Without the data, your ability to deliver digitally or deliver a new business model just doesn’t happen. And I think these are two big learnings that come to mind right away.

Since you’re always looking for what is the next wave of tech, you know, we don’t want to be too far in advance, but we need to get it about right. So we have focused on the moment on three strategic growth initiatives in the next wave, artificial intelligence, blockchain, and virtual reality. What do you think of those three technologies? Are you starting to look at those today and use those today?

AV: So, Richard, as you know we do a lot of work together and, therefore, it’s no surprise that we think about it pretty much as you guys do. We are more focused on artificial intelligence and blockchain. We’ve tried a lot with artificial intelligence. It’s very, very appealing at its concept, but frankly we’ve struggled with it. We haven’t really come out. The technology hasn’t evolved to the sense that lives up to the promise.

I’m sure it’ll get there, but as of today I don’t think it’s there. So we’re continuing to kind of work with artificial intelligence and see what are the places that we can deploy it. How do we test? How do we learn?

Blockchain, very interesting, one small company called Wave, which was actually on an accelerator, we actually did the first trade transaction on blockchain ever to be done in the world, a company [...] in the UK. Again, blockchain -- I think the protocols will grow, but it’s not going to take central stage in the same way as AI because blockchain is going to be internal and it’s really going to just speed up processing internal to the company, but I think these two areas are very, very, very interesting. I look forward to working with you on these two areas.

We’ve just come from the British business leaders’ lunch and listened to the UK Finance Minister talk about 2017, the economy and Brexit. What are your predictions for 2017? Perhaps with more a little bit of a tech slant in terms of what is going to be happening. What is Barclays going to be focused on in 2017?

AV: So, look, I think, you know, between us I would say I’ve been at Barclays now seven years. I feel really optimistic. Maybe I feel the most optimistic today than I felt in a long period of time. It’s been a period of intense change at Barclays. It’s been a period of intense heavy lifting at Barclays, but I’m feeling really, really good about where we are at Barclays. We’ve simplified the company considerably.

We’ve got a narrative around being the transatlantic bank because we say the people who are looking to get capital or deploy capital essentially come to London and New York, and we are nicely based in both of them. We’ve got a very deep-rooted retail business and a card business in the UK. We are building some great assets there. Our ability to take those assets to the United States at some stage could be a very interesting kind of play. So feeling really, really good about where the company is. Now not entirely done. Always a lot more to do, but feeling good about where we are.

The UK—Brexit was a big event obviously. Things would never happen off a cliff like we were chatting. The pound has actually dropped much off a cliff, but others have not gone off of the cliff. Looking very carefully at the economy and what the implications are. Clearly inflation will kind of step in. What that means for interest rates, what that means for household debt and, you know, things like that, what does that mean for unemployment? So cautiously optimistic is what I would say going into 2017 for the UK.

A little more bullish on the U.S. The regulatory environment there with Trump seems to be kind of easing up a little bit so on balance cautiously optimistic.

Lastly, Ashok, we are very thankful for our relationship with Barclays—what advice would you have for us and our people who may be watching today in terms of providing service to the clients?

AV: Obviously we value the relationship a lot. I think we work as a company really well. We’ve got connects at many, many points. We obviously would like you to do more business with us, but I think there’s a real value not only in doing this on a kind of project basis, but really keep lifting it to a more strategic level. I think we’ve started taking steps in that direction in ’16 and I think there’s an opportunity to do more in that regard.

We really value some of the thinking that you bring to the table and some of the work that your folks are doing, your colleagues are doing, so a big thank you from me and a big thank you from Barclays.

Thank you so much for joining me today and it’s great to talk with you.

AV: Very nice to meet you again.

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