# Let's Talk!

**Banks are Starting to Embrace the Power of Conversational Banking.**

## WHY?

**Conversation** is the most natural medium of all.

**We are entering the age of conversational banking with shifts in consumer mobile usage and more important advances in artificial intelligence (AI).**

# INTRODUCTION

Conversational User Interfaces (CUI) - based on messaging platforms and voice, or text-based interfaces—are becoming an increasingly popular customer interaction paradigm for digital natives and digital skeptics alike.

That's creating a new challenge for banks, with conversation set to become the third pillar of multichannel banks' distribution networks, along with mobile and a limited number of qualified/reformatted branches.

# STARTING THE CONVERSATION

Commerce is embracing conversation. We're surrounded by devices that listen, learn and respond to our requests and questions. We enjoy talking through these new everyday interactions. We have information, on demand, readily available with streams of data and insights on how we live, how healthy we are and what we buy.

# A BANK THAT LIKES TO TALK

Conversations are driving the next wave of digital growth—set to impact the banking industry in a big way. While there's a rich history of automated customer interactions in banking—from early forays into telephone banking, to the mass adoption of online and mobile banking—the challenges of managing our time today call for something new.

# Conversational channels have the potential to help banks solve this customer interaction conundrum—capitalizing on three major consumer and technological trends:

## #1 MESSAGING IS NOW THE PREFERRED CUSTOMER TOUCHPOINT

Messaging apps are now the dominant form of mobile interaction. Most consumers already have them installed on their devices. Their simple, intuitive text or voice-based interfaces are loved by Millennials, and consumers typically more reluctant to embrace digital channels. They are AI-ready, offering easy integration with chatbots and cognitive agents.

## #2 ARTIFICIAL INTELLIGENCE (AI) IS BECOMING READY FOR BUSINESS TO CONSUMER

The relentless growth of low-cost computational power, and break-throughs in machine learning and deep learning, mean bots can now be built with self-learning capabilities. This enables the automation of repetitive customer care tasks, and low-value advisory services. As AI continues to mature, bots will become ever more human-like in their interactions.

## #3 THIS IS AN ERA OF "MASS PERSONALIZATION" AND LIQUID EXPECTATIONS

Big digital players continue to push the boundaries of personalized services and unique digital experiences.

By leveraging big data, advanced analytics, sophisticated customer interaction models and predictive algorithms, personalized digital services at a mass level are capable of being offered. This allows for an unmatched customer experience, influencing consumer expectations, including financial services, in every situation.

We call this phenomenon 'liquid expectations' - customers expect each digital interaction to be as good as their best last experience, regardless of brand or industry. Competition for consumers' attention is thus now happening across industries, not just within them.

Conversational banking lets banks taking profit of all these trends—messaging apps, conversational UIs, artificial intelligence, big data—combining them in an intelligent way. It's a cost effective approach that offers digital, automated interaction with a personal touch. Most of all, it ensures a bank keeps pace with the needs and expectations of its customers, be they digital natives or digital skeptics.

# WHY DO MESSAGING APPS HOLD SO MUCH POTENTIAL FOR BANKS AND THEIR CUSTOMERS?

**1**   They support both text and voice-based directional interaction.

**2**   They're natively mobile first and perfectly suited to mobile use.

**3**   They support one-to-one and many-to-many communications.

**4**   They're natively AI-ready and can easily be integrated with cognative engines or chatbots to partially or totally automate interactions.

**5**   They're natively integrated with social media (e.g. Facebook and Facebook Messenger).

**6**   They have their own discoverability mechanisms (i.e. branded channels and chatbots can be hard to find in app stores but are far easier to find inside the Facebook Messenger and similar environments).

**7**   They are becoming the most popular apps in the world not just among Millennials, but with customer segments, which are more reluctant to embrace internet and mobile banking apps.

# HI, CHATBOT

**The first step in a conversational banking strategy is a chatbot or virtual assistant. These cognitive agents are booming, thanks to advances in natural language processing, speech capabilities and object recognition, together with the increasing availability of low cost cloud computation and real-time access to almost limitless volumes of data.**

Established messaging apps have embraced chatbots. As the bots proliferate, the are becoming a part of consumers' everyday lives. There are already more than 33,000 bots on Facebook Messenger, offering automated customer support, e-commerce guidance and other interactive experiences.

A chatbot might be a sensible starting point in a journey to setup a conversational channel, but it shouldn't be confused with the final destination. Most bots today have limited capabilities. Some are merely interactive replacements of static FAQ, or low cost, limited service alternatives to human-based customer services via chat. Forward thinking banks are going much further. They are using bots to look beyond transactional services and traditional iconic User Interfaces. This is a first step to support all banking processes including sales, care and advice, with higher levels of personalization, user-friendliness and automation.

## CAPITAL ONE AND AMAZON

Capital One has expanded Amazon Alexa's skills to let its customers check their balances, review transactions and pay their mortgages and bills, without lifting a finger. This represents the first venture into voice commands for a credit card company. Users simple need to link their Capital One account to their Echo via a setup app. Then they have the bank at their command.

## POSB DIGIBANK VIRTUAL ASSISTANT

Available on Facebook Messenger, POSB's AI-driven Digibank virtual assistant lets customers chat with the bank about products and services. Conversations are easy and immediate— no more calls and no more waiting in line for a response. The bank will shortly enhance the service by adding balance inquiries, fund transfers and card payments while extending the service to additional platforms.

# TAKING CONVERSATION
# TO THE NEXT LEVEL

The implications of conversational banking are far reaching. Having the right development approach and business model is essential. The following are steps to consider.

## 1. BUILD SPECIALIZED TALENT

Conversational Interface design, and natural language processing, isn't yet a core competency in banks as AI and Digital Assistant tools are rapidly evolving. Banks will need to look for new skills and talent, including neuro-linguists, voice recognition experts, AI experts and CUI designers. The usage of AI is also posing brand new challenges requiring new competences to legal, compliance and risk management departments.

Recruiting and retaining these people won't always be easy. Industries across the world are after the same talent, but it is essential to be successful.

## 2. UNDERSTAND TECHNOLOGY

Conversational banking can only deliver if it's backed up by the right technology. Banks must therefore look to:

♦ Re-engineer back-end data systems to enable real-time actions. Chatbots and other digital services need access to real-time data and systems of insight.

♦ Evaluate AI solutions and platforms which accelerate integration with existing systems. Select the right AI technology, taking into consideration elements like maturity, long-term support, self-learning performances, but also auditability and compliance with privacy protection regulation.

♦ Closely monitor the evolution of messaging platforms. Current mainstream platforms may not yet be usable due to security and privacy concerns but could evolve in the future.

♦ Embrace application programming interfaces (APIs) which bring necessary agility to rapidly evolving customer expectations.

♦ Adopt a truly agile, design-thinking approach to develop CUIs and modify them over time.

## 3. PROTECT THE USER

Developing AI means banks need access to highly personal information about their customers.  Establishing necessary trust is essential.  Banks must reconsider current privacy protection policies in an AI age.  They must keep that data safe using industry best practices in data security.  Ensuring customers feel the bot is on their side is vital for acceptance.

## 4. START WITH A HYBRID MODEL

Developing conversational engines on existing platforms isn't risk free.  The technology still needs to mature fully.  Consider the reputational risk of setting an AI free with customers.  A hybrid approach may be the safest way forward.  That way, human agents can closely supervise and train the chatbot.  They can intervene when they think it's required or when the AI flags a conversation for human attention based on the mood of the customer's questions and the nuance of their query. Bots and conversational user interfaces won't replace traditional online and mobile apps.  Banks must consider how all will coexist, each focused on different customer segments and different processes.  Consider adapting a proprietary banking app to give mobile banking customers access through an interface they are familiar with.

## 5. BE TRANSPARENT

Successful face-to-face conversations rest on a sense of trust and openness.  Nobody likes to feel duped by the person they are talking to but that is a risk for chatbot-led conversations, especially when the AI becomes ever more indistinguishable from actual human interaction.  What can be done about it?  Banks must be honest about when they are using AI.  Not only will customers appreciate the transparency, they will also marvel at the technology and quality if service.

## 6. BE CONSISTANT ACROSS CHANNELS

When launching a CUI, banks need to carefully select the channels to prioritize.  Conversational banking can be launched on one or more relevant messaging platforms, on a custom chat app or on a chat add-on of existing
mobile apps.  The right choice depends on geographic factors, target audience and on privacy protection issues.  Many of the messaging apps still don't allow a fully protected conversation between a consumer and a brand, although this should be allowed in the future.

# THE POWER OF CONVERSATION

Cloud conversational banking is available today. It's a new digital channel that will surely become mainstream and a key element of an omnichannel distribution network for banks. Today's banking customers have an appetite for messaging and expect a personalized digital experience. Banks need to increase efficiency and can do so by leveraging AI to automate some customer operations. Embracing conversational banking can be a complex journey, similar to the development of phone and internet banking in the past decades. Banks will require new skills to be recruited and nurtured, new technologies to be integrated, a strong organizational focus and a sound marketing strategy to differentiate and be successful. This also provides banks the opportunity to restart conversing with their customers to better understand and fulfill their needs.



Simple. Smart. Scalable.

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