



**READY
TO TALK!**

**BANKS ARE
EMBRACING
THE POWER OF
CONVERSATIONAL
BANKING**

It's time for banks to start talking to their digital customers in a different way.

HOW?

Through the most natural medium of all—conversation.****

Recent advances in artificial intelligence (AI) and shifts in mobile usage are creating a new customer interaction paradigm. We're entering the age of conversational banking.



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.

According to several indicators and analysts,^{1 2 9 10 12} CUIs are expected to become a primary interface and interaction model for everyday access to digital services, and the entry point for large-scale introduction of AI on B2C processes.

Conversational banking—as the third channel after branches and mobile—opens up new and unexplored challenges to traditional banking organizations. With conversational banking, there is access to a new channel where automated interactions—transactions, marketing, customer service and advice—are reshaped in a unified, customer-centric interface. Banks then have an ideal place to start introducing AI in B2C and customer-facing services, after early adoption of cognitive technologies in back-office applications. Each interaction can be adapted to reflect the bank’s brand identity and the customer’s individual profile—but it won’t happen by itself. Banks will need to define new organizational structures processes, hire new talent and nurture new skills. They’ll also need to create new levels of integration between their digital channels, CRMs, data and contact centers. Eventually, they’ll also have to understand how to differentiate their conversational channels—linking their brand identity attributes to bots’ personalities.

STARTING THE CONVERSATION

Commerce is embracing conversation. We're surrounded by devices that listen, learn and respond to our thoughts and questions. We're happy to talk. Through these new everyday interactions, we share information about ourselves we once kept private. We create streams of data and insights into how we live, how healthy we are and what we buy.

Our mobile apps have reached a tipping point. They're becoming more intelligent and integrated into our daily activities. From Google's "Now on tap" personal assistant, to the millions of third-party apps hosted in the WeChat ecosystem, we're moving beyond the traditional idea of the standalone app. WeChat's 860 million active users³ can interact with any number of other service providers, without ever leaving the messaging app. This represents a shift in how we think about mobile services—a transition from transactions to interactions.

Those interactions rest on a symbiosis of artificial intelligence (AI) and human input. The human aspect is essential in creating intelligent agents with real empathy and emotion. By reducing the cost and friction of trying out new services, conversational interfaces bring forward an entirely new era of lightweight experimentation. Building bots on established platforms lets developers focus on delivering value, rather than creating bespoke interfaces for each app.



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 today call for something new.

Internet and mobile banking growth is showing signs of saturation in more advanced countries⁴. In addition, digitized customers say they miss the personal interactions once provided by tellers⁵. The cost of maintaining traditional branch networks is becoming increasingly unsustainable. Traditional digital channels have the lowest cost per customer contact, but relevant customer segments still make limited use of that.



Figure 1. The shaping of automated customer interaction in banking¹³

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—WhatsApp, Facebook Messenger, WeChat, Telegram, Snapchat—are now the dominant form of mobile interaction. Most consumers may already have them installed on their devices. These apps are perfectly suited to mobile use—enabling easy, fun interactions on the move. Their simple, intuitive text or voice-based interfaces are loved by Millennials, and consumers typically more reluctant to embrace digital channels. They’re asynchronous, so users can dip in and out of conversations as the demands of daily life require. They're AI-ready, offering easy integration with chatbots and cognitive agents.

#2 AI IS BECOMING READY FOR B2C

The relentless growth of low-cost computational power—and breakthroughs 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.

Messaging apps have surpassed social networks

Global monthly active users for the top 4 messaging apps and social networks, in millions

Note: Big 4 messaging apps are WhatsApp, Messenger, WeChat, Viber. Big 4 social networks are Facebook, Instagram, Twitter, LinkedIn.

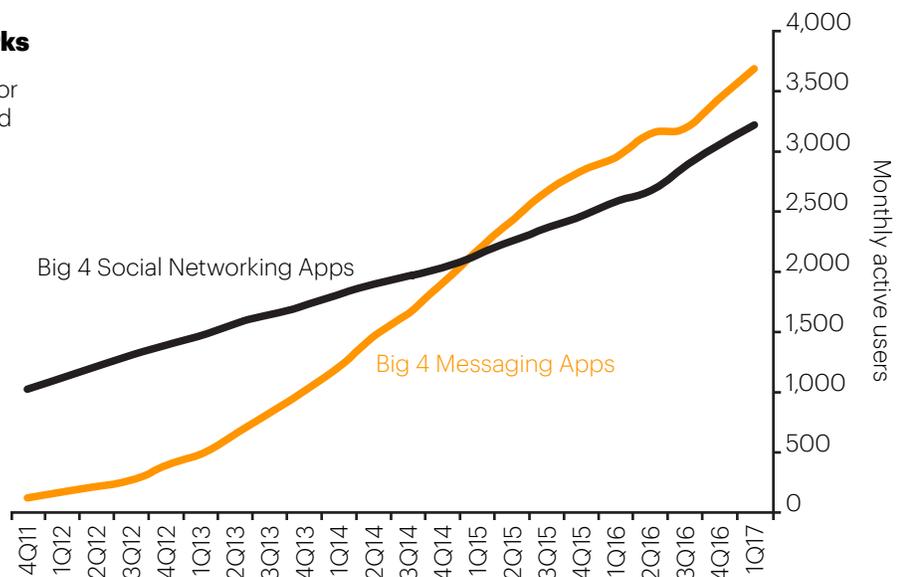


Figure 2. Messaging apps have massive reach (source: BI Intelligence, March 2017)

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

As shown in detail by Fjord¹, 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, they’re able to offer personalized digital services at a mass level. This allows for an unmatched customer experiences, influencing consumer expectations, including financial services, right across the board.

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.

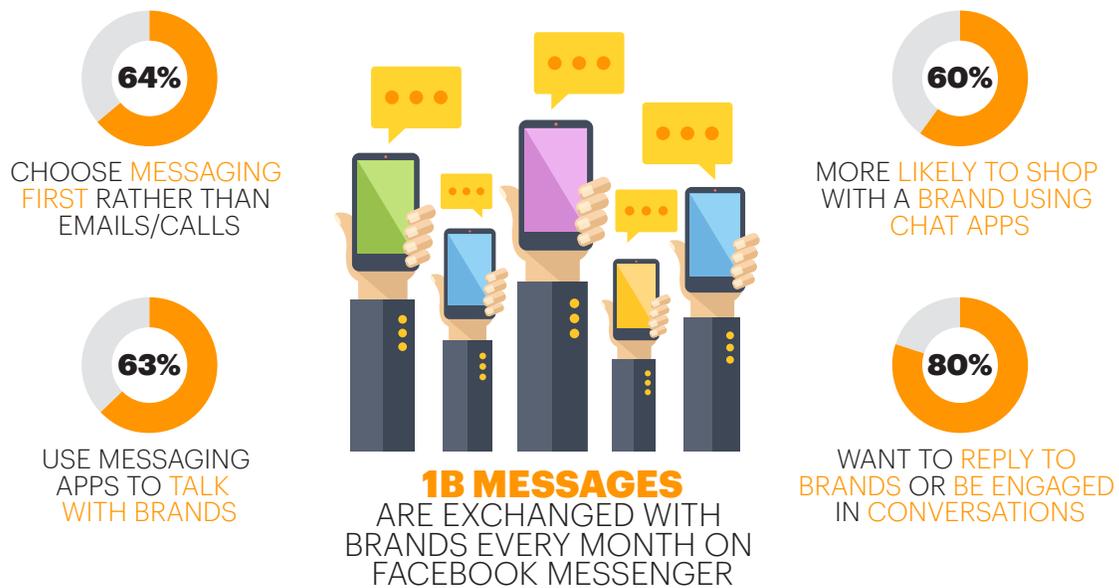


Figure 3. How messaging is influencing commerce⁶

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

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

2 They're natively mobile first and perfectly suited to mobile use (long-lived sessions, easy interactions on the move).

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

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

5 They're natively integrated with social media (e.g. Facebook/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 WeChat environments).

7 They're becoming the most popular apps in the world (see Figure 2), 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, they're becoming a part of consumers' everyday lives. There are already more than 33,000 bots on Facebook Messenger⁷, offering automated customer support, e-commerce guidance and other interactive experiences. Chinese digital giant WeChat, which first introduced chatbots back in 2013, today hosts more than 100,000 bots—including major players like China Southern Airlines, Microsoft Xiaoice and Chumen Wenwen⁸.

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're 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.

POSB DIGIBANK VIRTUAL ASSISTANT

Available since January 2017 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, adding balance enquiries, fund transfers and card payments—extending the service to WhatsApp, WeChat and other platforms.

CAPITAL ONE AND AMAZON ALEXA

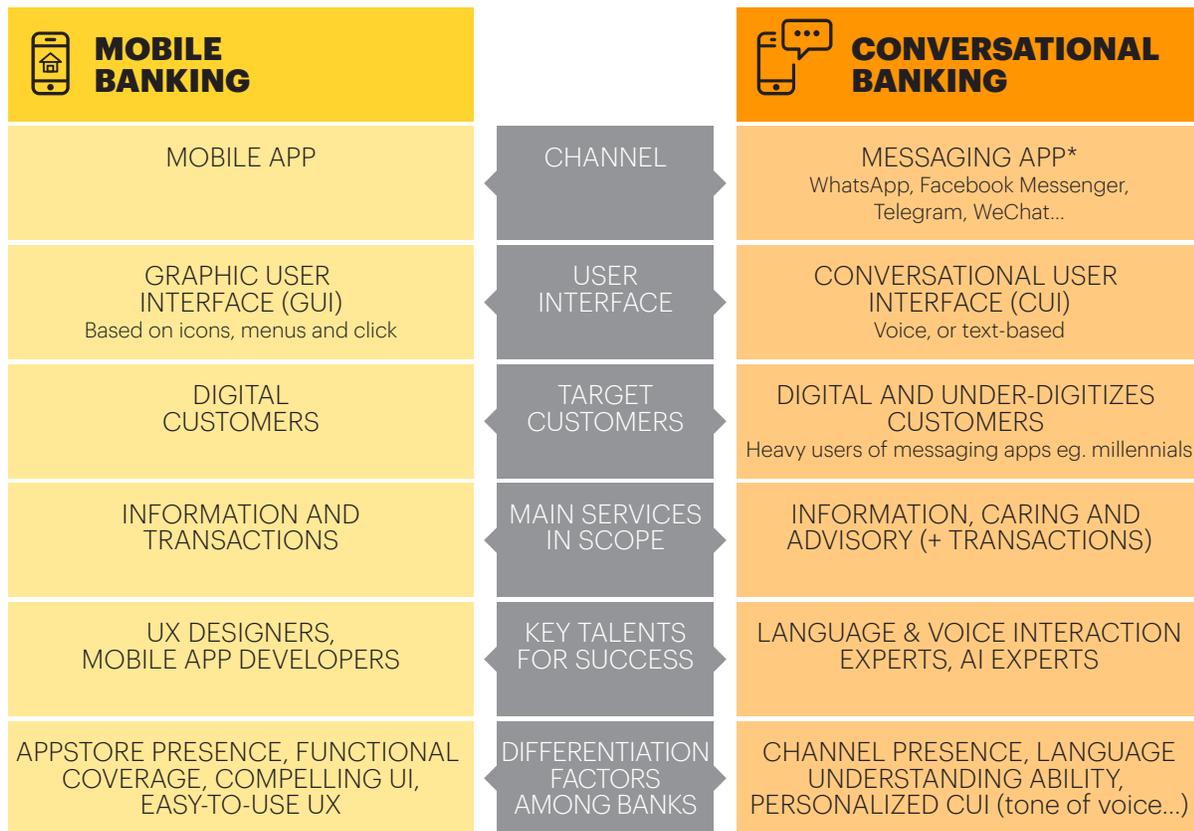
Capital One has expanded Amazon Alexa's skills to let its customers check their balances, review transactions and pay their mortgages and bills—without lifting a finger. This represents the first venture into voice commands for a credit card company. Users simply need to link their Capital One account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

GARANTI BANK MOBILE INTERACTIVE ASSISTANT

Garanti Bank, one of the largest private banks in Turkey, and part of the BBVA Group, is reinventing customer experience with a human-like conversational interface in its mobile banking app. The Mobile Interactive Assistant converses with customers about account details, fund transfers, exchange rates, buying/selling foreign currency and a host of other functions. Users can even find out more about nearby retail offers. That's clearly delighting customers—usage rates have already hit 60 percent.

TAKING CONVERSATION TO THE NEXT LEVEL

The implications of conversational banking are far reaching. Having the right development approach and business model is essential. Here are six steps for banks to consider:



*Subject to availability of branded channels and end2end privacy protection

Figure 4. Mobile vs. Conversational banking comparison (source: Accenture, July 2017)



#1 BUILD SPECIALIZED TALENT

Conversational Interface design, and natural language processing, isn't yet a core competency in banks, and 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's an essential step to success.



#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 (e.g. GDPR in Europe).
- Closely monitor the evolution of messaging platforms. Mainstream platforms like WhatsApp and Facebook Messenger may not yet be usable due to security and privacy concerns, but could evolve in the future. In the meantime, banks may select other platforms or adopt in-app chat technologies.
- Embrace application programming interfaces (APIs), which bring necessary agility to rapidly meet 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 therefore essential. Banks must reconsider current privacy protection policies in an AI age. They must then keep that data safe using industry best practices in data security, and new data privacy regulation such as GDPR in Europe. Ensuring customers feel the bot is on their side is vital for acceptance.



#4 BE TRANSPARENT

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



#5 BE CONSISTENT 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 (Facebook Messenger, WeChat, Telegram...), 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 we expect this to be allowed in the future.





#6 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—AI and humans working in tandem—may be the safest way forward¹¹. 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.

Furthermore, 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—online and mobile banking for the digitally savvy, conversational banking for Millennials and the digitally skeptic. Consider adapting a proprietary banking app to give mobile banking customers access to a chatbot through an interface they're already familiar with.

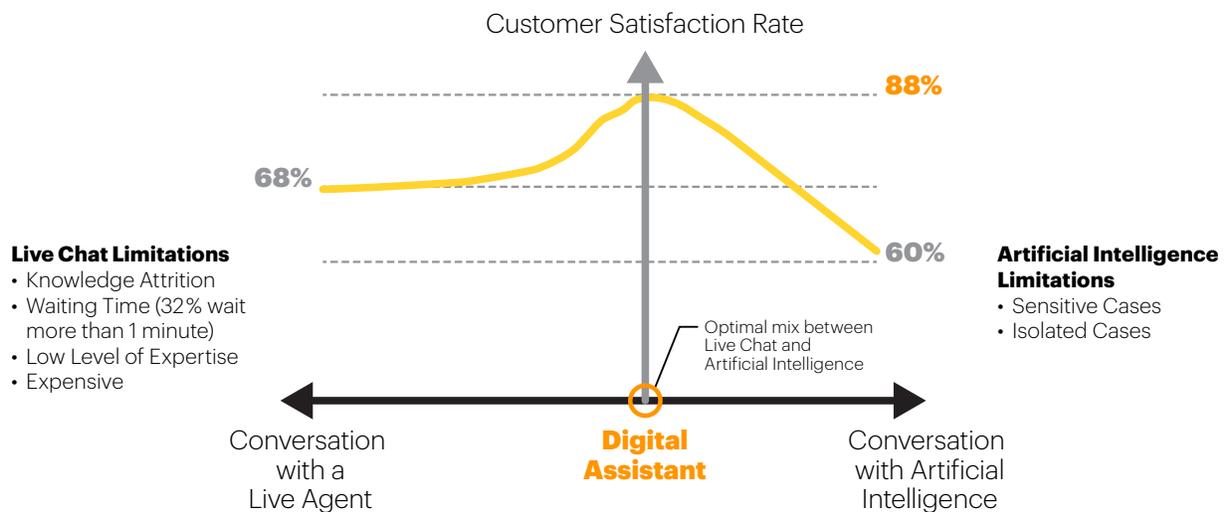


Figure 5. When to hand over to humans (source: Accenture 2016)

THE POWER OF CONVERSATION.

Conversational banking is still at an early stage. 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 clients to better understand and fulfill their clients' needs.

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