

**Will chatbots
revolutionise
customer
experience
in financial
services?**



A TECH MAHINDRA COMPANY

Summary

Chatbot, virtual assistant, virtual agent, whatever you call it, these tools are projected to take customer service in the financial sector by storm.

But what exactly does the marketplace think?

We asked 1,000 consumers about their attitudes to customer service, data security, communications and complaints handling in financial services. Included within the survey were some questions around consumers' attitudes towards the use of virtual assistants, automated chat, and online chat operated by humans.

What are chatbots?

As technology evolves, and consumer demands escalate, companies are racing to get ahead in a competitive marketplace, and nowhere is this more prevalent than in financial services. As well as the constraints of increasing regulation and the fear of an uncertain future, traditional financial services companies are facing a whole raft of new entrants to the market, the so-called challenger banks. It's the threat posed by these banks, fuelled by the latest technology, that is prompting even the most traditional of providers to take note, and act.

Automation isn't new. The technology itself has been around for decades. What is new is the ability to adapt such tools and techniques to new environments, and to do so quickly and at scale. Banks are typically restricted by their sheer size, in terms of customers and their data; a feature that the challenger banks have used to their advantage.

Serving millions of customers across a multitude of complex products, throughout their entire customer journey is certainly a challenge, and one that is often outsourced. It's traditionally very costly to provide a facility that can answer all of the customer's queries, regardless of channel, in one place. Throw in the youngest generations' need to get their answers instantly, 24/7, and even the largest, best-established providers can be overwhelmed.

This is where alternative channel options like virtual assistants have stepped in to take the strain - an automated chat service, designed to answer consumer questions instantly, with pre-determined responses, personalised for the customer.

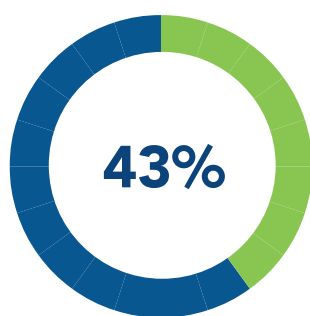
But to what extent is this the answer that the consumer is looking for? Let's explore.

Automation isn't new. The technology itself has been around for decades. What is new is the ability to adapt such tools and techniques to new environments, and to do so quickly and at scale.

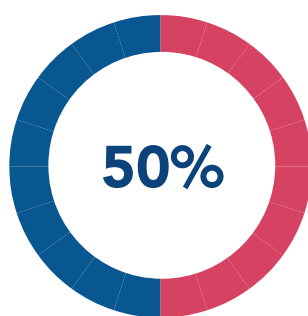
Appetite for automation

We asked our 1,000 consumers if they would be open to communicating with their financial services provider through a virtual assistant about their account maintenance tasks and general queries.

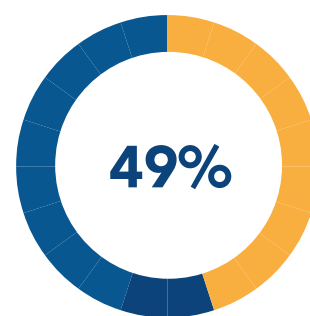
Percentage of consumers asked who would be open to communicating with their financial services provider through a virtual assistant



> 43% of Generation Z



> 50% Millennials



> 49% of Generation X

While there is some resistance to automated chat services amongst the Baby Boomer generation (59% would have some concerns or would only want to communicate with human beings), younger generations are much more accepting of the technology. 43% of Generation Z would be open to communicating with their financial services provider through a virtual assistant, as well as 50% of Millennials, and 49% of Generation X.

Alongside the consumers who were open to the use of a virtual assistant, there is a significant cohort of consumers who are indifferent to the technology, suggesting that some consumers have not been exposed to such a service, or at least not enough to form a strong opinion.

Also, when asked which channel the consumers prefer to use to complete various account management tasks, automated or human-operated online chat services were actually the channels of choice for some consumers, with similar sentiment across all age groups. On average, 3% of consumers would prefer to manage their finances with a human-operated chat service, and 4% would prefer to manage their finances online using an automated chat service, over more traditional channels such as a website, phone call or in branch.

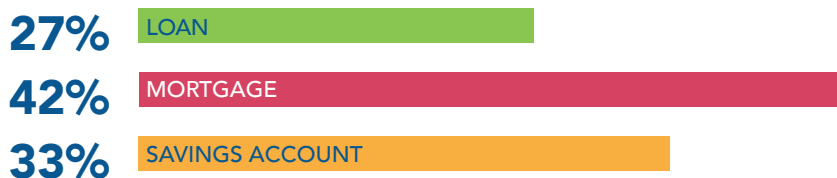
As expected, there is more of an acceptance and an appetite for automated web chat services from younger generations, who are likely more tech savvy, with a digital-first mindset. 43% of Generation Z, 50% of Millennials, 49% of Generation X, but just 28% of Baby Boomers would be open to communicating with their financial services provider through a virtual assistant.

The rise of commercially available voice-controlled AI helpers such as Apple's Siri, Microsoft's Cortana and Amazon's Alexa has introduced such customer service innovations to the mainstream, although voice assistants are not yet the "go-to" channels for consumers due to fears around security and data privacy. This being said, the above stats portray an openness to using such a facility for a large proportion of the population, and with several British banks having already released Alexa Skills for money management it is likely that, before long, this will become a legitimate new inbound contact channel for UK financial services firms.

Onmi channel

From our survey it seems that all generations desire an omni-channel approach to some extent, offering choice to consumers as to how they communicate with their provider and allowing for seamless channel-shifting.

Visiting a branch was the preferred or second choice of channel when applying for a:



All 8 suggested channels in the survey were chosen by at least some consumers as their channel of choice, from the more traditional white mail, branch visits and phone calls, to the more tech-driven virtual assistants, apps, self-service portals and human-operated web chat.

Their choice of channel varies significantly depending on the product involved, and the stage of their journey with that product. Online services are seen as favourable, in the main, when used to select products that require a lower financial commitment from the consumer, or where the product is already established.

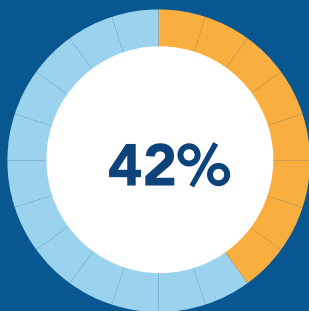
A face-to-face interaction still remains more popular, unsurprisingly, when setting up a new product or service, and indeed when purchasing a large or complex product.

For example, when applying for a Loan (27%), Mortgage (42%) or Savings Account (33%), visiting a branch was the preferred or second choice of channel. But when paying bills, or managing their current account, use of an app (28% average) or a website (39% average) were by far more popular compared to visiting a branch (12%).

Their choice of channel varies significantly depending on the product involved, and the stage of their journey with that product.

Always on service

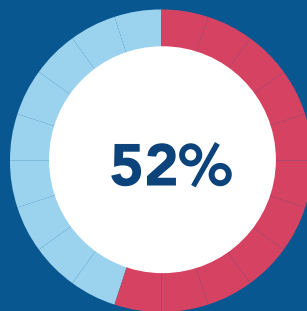
One thing that was clear from the survey results is the desire for 24/7 service provision, which was observed across all age groups.



> 42% stated 24/7 service is critical in choosing to stay with a financial services provider

42% of all consumers surveyed voted for the availability of a 24/7 service as a critical factor for them in choosing to stay with a financial services provider.

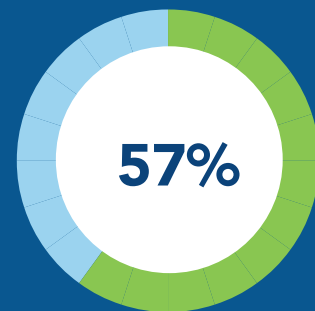
Further to this, more than half (52%) of consumers selected "The services available online" as one of their top 3 reasons to choose a financial services provider. This factor was only beaten by "Interest rates and charges" (57%) amongst the top 3 reasons for choosing a financial services provider. So, although price is still important in decision-making, providing an online service, and one that is available 24/7, is crucially important to consumers.



> 52% selected online services as one of their top 3 reasons

With most of Generation Z preferring to use their mobile device (58%) when managing their finances online, it's unsurprising that they are open to the use of automated or human-operated chat services, which are designed with such devices in mind.

With a robust infrastructure, automated online services are able to provide 24/7 coverage regardless of weekends, holiday periods and sickness levels, scaling with ease to cope with demand at peak levels. An agent-operated webchat can even be taken over by a virtual assistant when the agents finish



> 57% opted for Interest rates and charges as one of their top 3 reasons

work for the day, providing intelligent FAQ-based responses throughout the night and booking call-backs for the following day.

Although price is still important in decision-making, providing an online service, and one that is available 24/7, is crucially important to consumers.

Complaints handling

While our survey says that 37% of consumers would be comfortable using a human-operated online chat service for making a complaint, and 22% would be comfortable using an automated chat service to make a complaint, many UK retail banks businesses don't offer this as an option.



All the top retail banks offer an online form as one of their top four channel options for making a complaint, describing the form as "secure".

Looking at the websites of the top 10 banks in the UK, most advertise four channels for consumers to use for complaints. All but one list "Branch" as one of their top four channels for making a complaint.

And although Email is selected as the most popular channel through which to make a complaint, only two of the top retail banks offer this as an option (although this may be in response to concerns about the security of Email, especially when communicating confidential personal information). All the top retail banks offer an online form as one of their

top four channel options for making a complaint, describing the form as "secure". This secure online form approach offers similar functionality to an email, but with added security measures in place, and there has been a great endeavour to develop virtual assistants as onboarding support, assisting the customer with form filling and automatically populating fields where possible.

The consumers' choice of channel through which to complain is likely to be driven by the perceived urgency of the complaint.

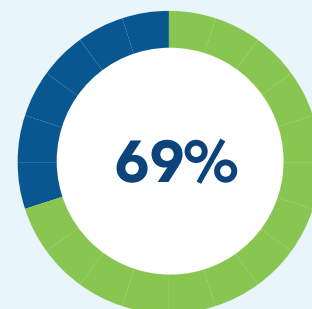
85%

> of consumers said it was Very or Fairly important for their financial services provider to respond quickly to their complaint.

Data security

With data security being the most important factor influencing consumer loyalty (69% of respondents selected data security in their top 3 reasons to remain with their financial services provider), how does this impact on consumer demand for online chat?

These solutions, both automated and human-operated, need to be governed by the same data security features used in all other communication channels, and the same authentication and authorisation checks need to be made for regulatory purposes.



What impact could chat solutions have on financial services?

The introduction of automated or human-operated chat services to a bank's communication strategy appears to be welcomed by the market, with large portions of the consumer population embracing the use of such technology.



Reduction in the level of risk



Revenue generation



Customer retention



Consistency



Continuous improvement

This suggests that the introduction of these solutions will bring about a positive impact on customer experience in the financial services sector, but what other impact could such technology have?

While one of the drivers behind the development of automated chat services is inevitably cost reduction, such tools could bring much wider benefits including:

- **A reduction in the level of risk**
Humans make mistakes. Removing the human element from some customer services activities removes those mistakes. Humans will inevitably fail on occasion when it comes to managing compliance, but an automated system provides a more reliable option.
- **Revenue generation**
Introducing automated chat services can help businesses to capitalise on cross sell and upsell opportunities which are generated from such interactions. The use of data-driven decision making, which is made possible by AI, can make compliant product and service suggestions to consumers, based on previous and predicted behaviours.

Gartner says that by 2020, 85% of customer interactions will be managed without any human intervention.

- **Customer retention**

By giving consumers what they're asking for (e.g. a personalised 24/7 service, quick responses to complaints), banks will be able to provide excellent levels of customer service, which holds significant influence over customer retention.

- **Consistency**

With an automated service compared to a human-operated chat system, there will be more consistency in messaging and brand alignment, as scripts and intents will be pre-determined and followed diligently.

- **Continuous improvement**

By using an automated chat service, providers are able to easily capture detailed usage data and consumer feedback. Not only can this be used for monitoring activity levels and customer satisfaction, it also enables real time reporting. Such data should then be utilised fully to enable further refinement and development of the service.

The human impact

Gartner says that by 2020, 85% of customer interactions will be managed without any human intervention.

Although one of the aims and benefits of the introduction of automated chat services is the removal of fallible humans from the process, there does need to be a consideration for the impact such a service will have on company employees, as well as on consumers.

Currently AI developers seem to be retaining some human elements in AI-enabled services, such as giving a bot a name, face and voice; the industry is cautiously transitioning to AI-driven services and intends to ease the consumer into being comfortable with automation by retaining some of those elements to provide familiarity.

Of course, automated chat services will still require human input throughout concept, development, deployment and maintenance, including a deep understanding of consumer needs and product specifics.

Juniper Research states that chatbots are projected to help global banks to save in excess of \$8bn annually by 2022.

Such an outcome is likely to do more than just line the pockets of these companies. Investment of this money into other areas of the business is more likely, including further development of technology and new products to fuel further business growth.

There are, of course, concerns that the introduction of automated chat services and other automation initiatives will remove jobs from the UK economy - former Citigroup Chief Vikram Pardi predicted in 2018 that 30% of banking jobs could be wiped out by AI in 5 years. The financial services industry, as with other sectors, reiterates that jobs will be created in other areas, and that although some administrative and menial tasks will be replaced by AI, this will allow a deeper personal customer service for those times when AI can't perform to the same level as a human.

Automated chat services can only support consumer needs so far. There will be times when another channel, potentially human-operated, will need to step in and continue the consumer's journey. Our survey shows clearly that consumers are already using multiple channels, switching regularly between them, and choosing different channel options depending on the product and complexity involved.