How **conversational AI** can significantly improve customer experience in the financial services industry

Contents

Introduction

In today's on-demand world, customers' expectations are sky-high. They assume that the companies they interact with are available 24/7 with instant, helpful and personalized service, in the appropriate language - and rightly so. This is particularly true for enterprises in the financial services space, where differences in products can be difficult to spot for the inexperienced consumer. If you're unable to offer a frictionless experience, you can be sure that your competitors will be waiting in the wings, happy to oblige.

The mantra of putting customer experience first and letting the rest follow has never been truer than it is today. Financial institutions that lead the market in providing exceptional customer experience have a higher recommendation rate, a higher share of deposits, and a greater likelihood that customers will increase their portfolio of new products and services from their bank.

- Chatbots expected to manage **over 80%** of customer service inquiries by 2025 - **The Financial Brand**

- Bank cost savings to reach **$7.3 billion** by 2023 thanks to chatbots - **Juniper Research**

- **74% of users** prefer chatbots when seeking answers to simple questions - **PSFK**

So, what can financial institutions do in order to maximize the quality of the customer journey and, ultimately, improve their bottom line? Advances in artificial intelligence and chat technologies now make it easier than ever to reach customers where they are and - at the same time - lower the threshold for them to get in touch with their bank or insurance company.

It is well documented that **Millennials and Gen Z prefer to use chat** as a method of communication over traditional channels, such as email or phone, when interacting with a brand. And even **72% of Baby Boomers** now report using more digital technology to accomplish tasks than prior to the pandemic. Capitalizing on this trend is crucial to meeting those sky-high expectations but it must be handled competently or you run the risk of alienating customers and negatively impacting your brand.

In this guide, we will explore the methodology behind using conversational artificial intelligence (AI) to transform the customer experience and how it is already creating value for banks and other financial institutions in the Nordics and beyond.

Leading causes of poor customer experience

In a study published by the Journal of Consumer Behaviour, it was established that customers who have to wait 10 minutes in line (whether it's in a bank or a cafe) before being served will feel more dissatisfied than those who wait 10 minutes for their order to be fulfilled. This was true even if the total service time for both customers was the same.

Many of the leading financial institutions in the Nordics identified that online chat could be leveraged as a channel to solve the challenge of reducing long customer wait times and the likelihood of incorrect information, in turn dramatically improving brand loyalty amongst their customers.

The rise of chat as a channel

J.D. Power reports that <u>live chat has become the leading method of contact for online customers</u>, a staggering 42% of whom prefer live chat, compared to just 23% for email and 16% for social media.

The cost of deploying chat has also drastically decreased because of a rise in demand. Where the cost of phone and email support ranges between $5-8 per interaction, chat only costs between
$3-4 - an already built-in benefit to a company's bottom line.

These numbers are bolstered by reports that an estimated $30 trillion in wealth will transfer from Baby Boomers to Millennials and Gen Z **<u>over the next 30 years</u>**, identifying them as key demographics for financial institutions going forward. Raised on a steady diet of Facebook Messenger, WhatsApp and iMessage, these digitally-native consumers aren't willing to adapt to how a company does things. Instead, it benefits

forward-thinking banks and insurance companies that want to attract this demographic to adapt to customer needs and get with the (chat) program.

From chat to conversational AI

Having established chat as the optimal channel in which to maximize customer experience, we now have to address the elephant in the room: live chat is simply not scalable enough.

The average wait time for customers to get through to a human on chat is **2 minutes and 40 seconds**; the same amount of time they would typically need to be on hold for phone support. Relying solely on humans to handle all incoming chat inquiries is not going to cut it.

Instead, the 'human element' can be extended beyond just pure customer support, leveraging product knowledge and expertise, into a new role - the AI Trainer. Employees in this position are in charge of writing the responses and conversation flows that make up a digital advisor and are as vital a part of conversational AI as the algorithms that power it.

One classic example of a challenge that banks face is in dealing with unexpected periods of high volume due to system downtime. In these cases, it's almost impossible to successfully scale up staff at short notice as customers hammer support asking why they can't log into their accounts. The result? The bank incurs huge financial and reputational costs while a cycle of employee frustration and bad customer experience perpetuates until the system is back up and running.

boost·ai
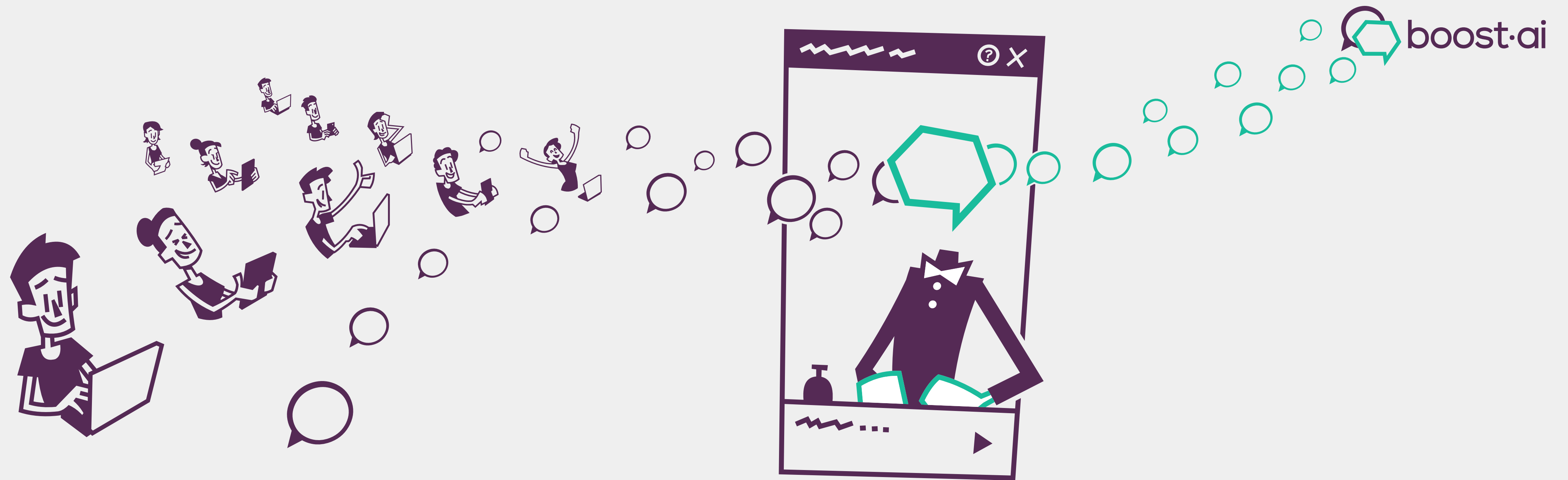
Conversational AI offers an elegant solution to this dilemma. By deploying a virtual agent powered by conversational AI to act as a 'first responder' for all incoming chat traffic, companies can more easily manage the customer experience. This advanced chatbot is tasked with taking care of all the menial, repetitive inquiries (such as the aforementioned login errors) that would otherwise tie up support staff. Anything else sufficiently nuanced, and outside of its defined scope, is transferred directly to the right human colleague - all within the same chat window and with an accompanying chat log to get the employee quickly up to speed.

This implementation of conversational AI has already proven a success amongst financial institutions in the Nordics. Norway's largest bank, DNB, automated **51% of all chat conversations** within four months of launch. This equates to 20% of all customer service requests across all channels including phone and email

Similarly, Tryg, one of Scandinavia's leading insurance firms, uses **10 virtual agents across three markets** to imporve both customer service and internal support functions with resolution rates averaging between 85-90%.

Advantages of conversational AI

The simple answer to the question "why conversational AI?" is right there in the name. It has the power to invoke the feeling of a personalized and discursive customer experience.

Gartner predicts that conversation (both voice and text) will be the **next user interface that apps and services will need to support** in order to reach customers. Combine this with research indicating that increasing customer retention rates by just 5% can help **boost profits by as much as 95%**, and you begin to see how crucial it is to get the chat channel right.

With conversational AI you get the best of both worlds - comparable empathy of speaking with a human one-on-one, coupled with automated and instantaneous responses. This dramatically increases the likelihood of customers sticking with a brand over time.

In a survey conducted by one of our clients over a six-week period, 7 out of 8 customers answered "I completely agree" when asked if a virtual agent was "a fast and easy alternative to other contact ways [sic] to get an answer to my question(s)". Similarly, 6 out of 8 people said that they didn't feel the need to contact any other customer service channel after interacting with the virtual agent.

And these numbers are just the start. Throughout boost.ai's client base we are seeing banks and other financial institutions leverage conversational AI to better understand the wants, needs and buying behavior of their customers on a level that was previously not possible, and using that data to improve customer satisfaction, cut costs and increase revenues.
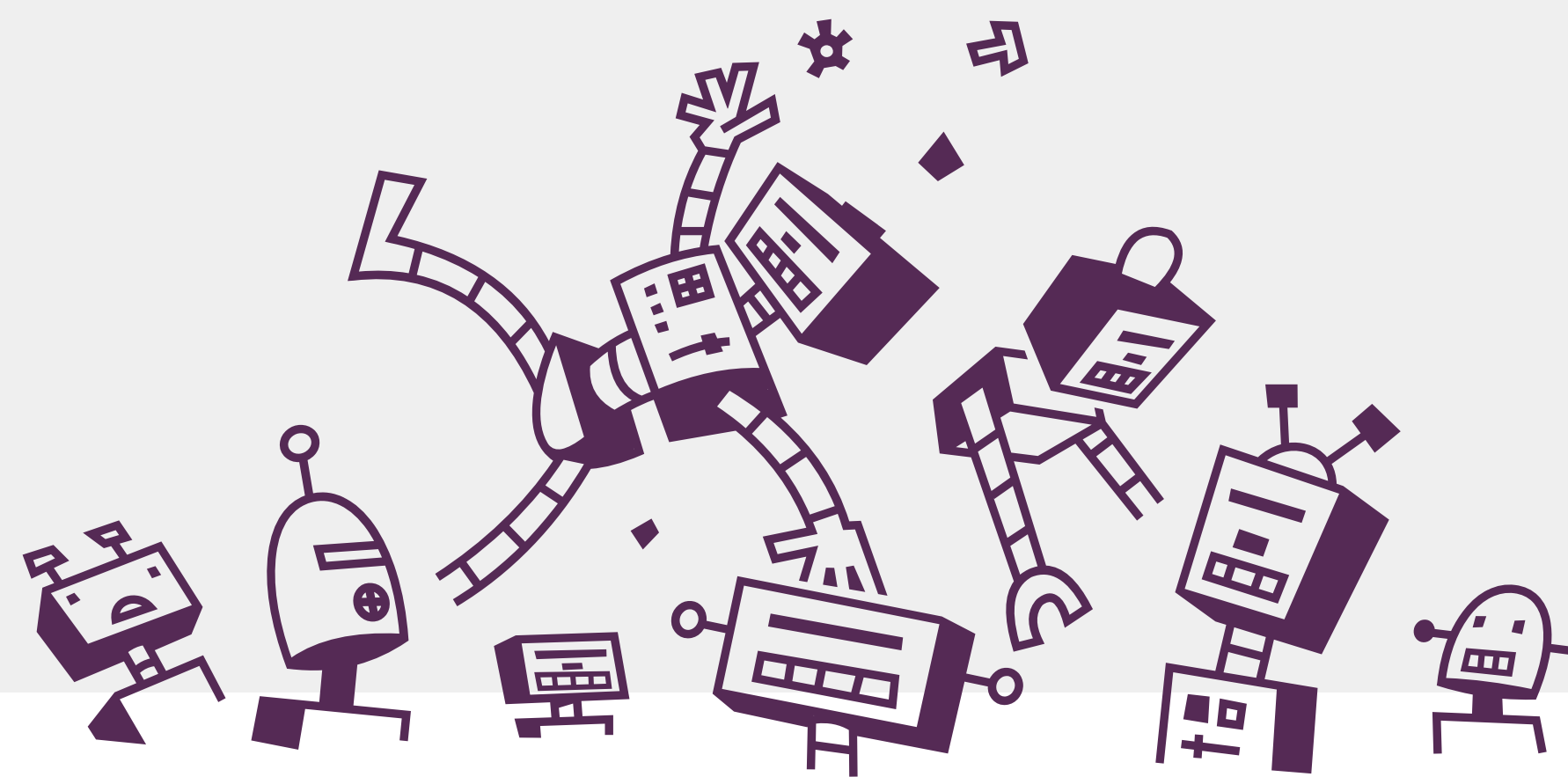
Use cases and case studies

Conversational AI opens up a variety of use cases within banking. Thanks to machine learning and Natural Language Understanding (NLU) technologies, today's banking chatbots can be seen as scalable tools to enhance customer experience and increase operational efficiency.

Automate core banking functions

Whether it's opening a new account, reporting a lost card, checking account balance, processing mortgage payments or a long list of other core banking services, conversational AI makes it possible to automate what once required human interaction, giving customers agency over the process via a friendly, always-available interface without ever needing to involve a human agent unless they want to.

Instant & personalized service

Break down customer service and support barriers by delivering instant, accurate and consistent answers to questions related to your bank's products and services. User authentication can allow for personalized and proactive responses tailored to individual customers' needs, that improve over time.

Onboarding and internal support

Combine conversational AI with Robotic Process Automation (RPA) to automate time-intensive, back-office process, such as document management and contract review, ultimately increasing employee productivity and streamlining operations. Onboard new staff with training and knowledge base content built directly into the chatbot.

Gather customer feedback

Chatbots present a unique opportunity to collect valuable customer feedback via a friendly, conversational interface instead of traditional static forms. Whether this is built directly into the core chat experience, or presented as a dedicated survey function, the data can be used to tweak and improve the customer experience to boost engagement and brand loyalty.

Case study #1: Nordea

CHALLENGE - Leading Scandinavian bank needed to scale customer and internal support to handle high volume of incoming chat traffic

SOLUTION - Deployed **12** virtual agents - 4 customer-facing and 8 for internal support functions including HR and 2nd-line support - across four markets

RESULT - **90%+** in-scope resolution rates across all customer-facing virtual agents. 220,000 average monthly conversations across all markets
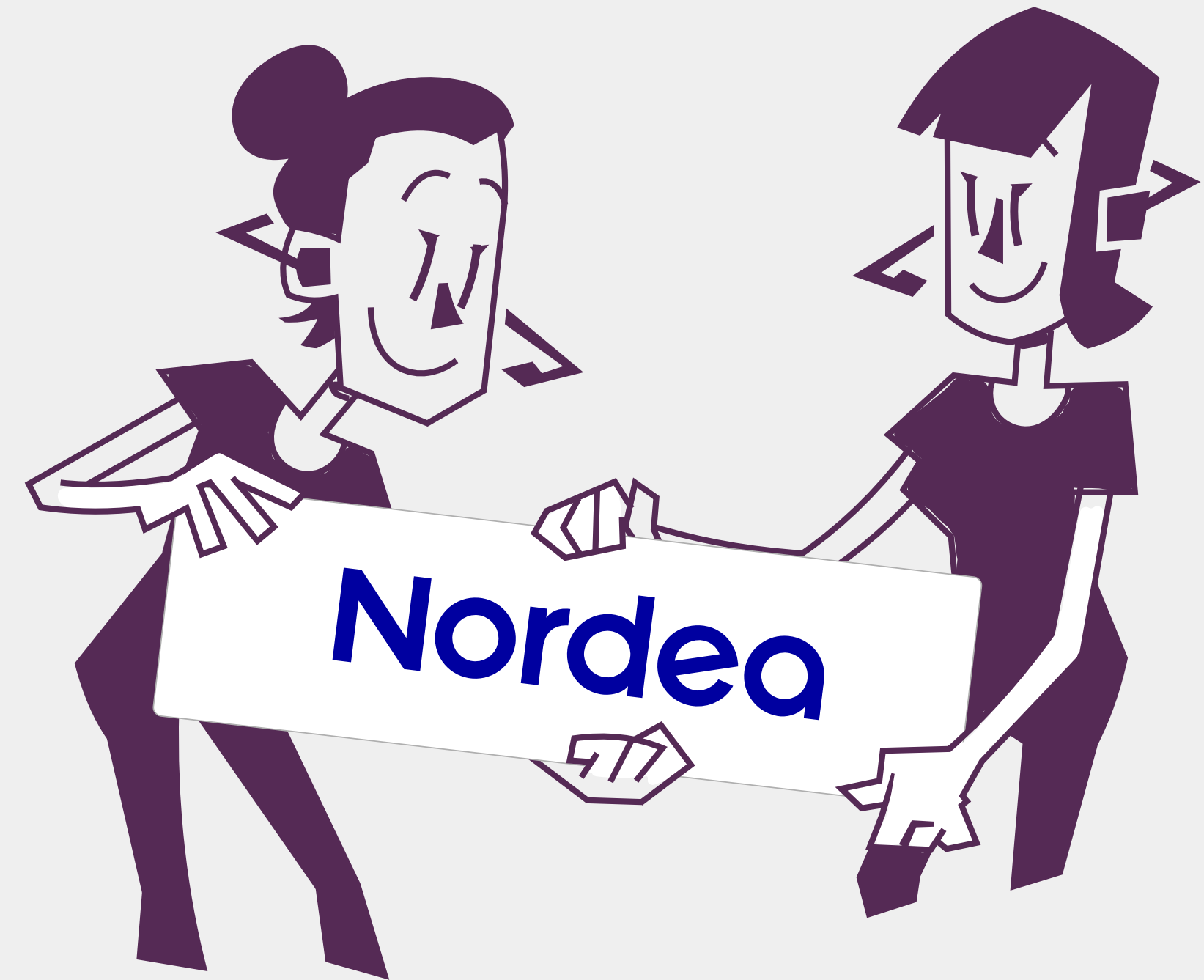
Case study #2: Íslandsbanki

CHALLENGE - Top Icelandic bank wanted to make its banking experience more digital and less branch-heavy, while simultaneously improving infrastructure

SOLUTION - Implemented virtual agent named Fróði to increase support outside of business hours **24/7**

RESULT - **50%** of all online chat automated in 6 months with a **97%** conversation resolution rate. **85-90%** of customer feedback is positive
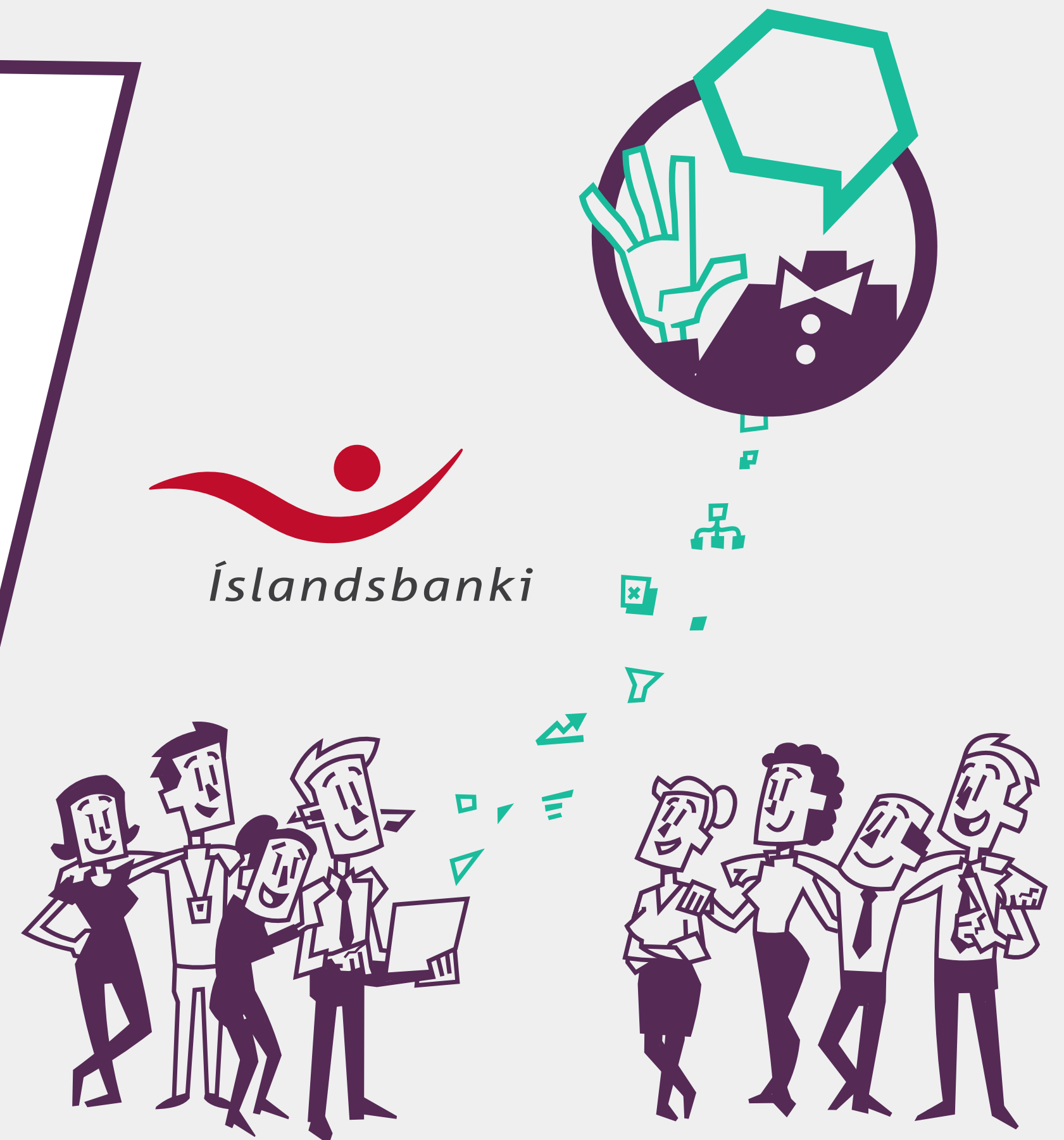
Case study #3: MSUFCU

boost·ai

CHALLENGE - Major US credit union needed to scale up digital member service as its live chat channel saw a **130%** increase in volume in spring 2020.

SOLUTION - Launched a member-facing virtual agent to provide **24/7** support. No-code nature of the boost.ai platform meant that no additional developers were hired.

RESULT - Virtual agent can answer questions on over 1,100 topics specific to the credit union with a **96%** resolution rate.

msufcu
MSU FEDERAL CREDIT UNION
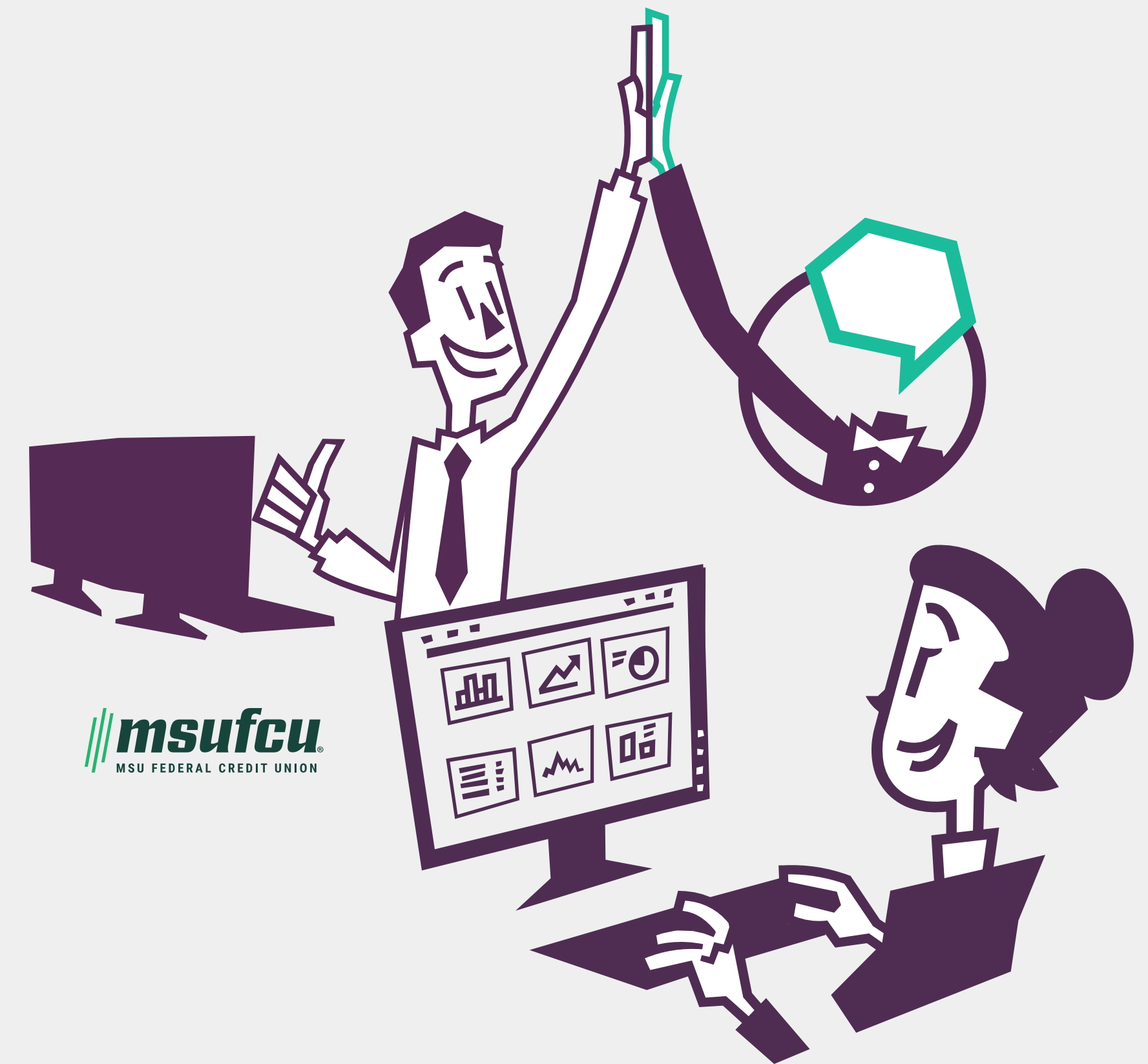
Putting conversational AI into practice

**As we have seen, improving customer experience has
a direct, positive correlation with increases in customer satisfaction, market share and revenue.**

To make an immediate impact on customer experience with conversational AI, we need to look for opportunities to improve the critical interactions customers have today. Here are some key recommendations on what to focus on:

- Make human support as accessible as possible. Resolution to human support is very important and, with the right conversational AI platform, your virtual agent should be smart enough to know when it doesn't know something. This distinction allows it to elegantly guide customers to the most suitable advisor for their query without having to leave the chat window.

- State the virtual agent's purpose at the beginning of the conversation. For example. "I am your concierge. My job is to assist you as efficiently as possible by either answering your questions or connecting you with the appropriate advisor. How can I help?" This eliminates any potential for confusion while letting the customer know precisely the scope of the conversation.

- Conversational AI is constantly improving. However, starting with pre-trained content for your industry means your virtual agent is smart from day one. Our solution offers pre-trained industry modules with thousands of banking-ready topics. Boost.ai offers these pre-made solutions tailored specifically for the banking, insurance and credit union sectors.

- Identify your KPIs. Whether they are based around resolution time, successful automation or CSAT, it's important to establish what metrics are important to your organization and monitor them regularly. Design your KPIs around measuring how you provide the best customer experience and the rest will follow.

- Be proactive. SpareBank 1 SR-bank enabled its digital advisor to **proactively guide customers through errors** in logging into its online bank. This empowered customers to solve problems on their own and helped the Norwegian bank reduce customer interactions on error handling by 24% overnight.

Next steps - what to consider

The common misconception that artificial intelligence can handle all incoming inquiries without the need for human support is a slippery slope to a subpar customer experience.

When looking at a potential conversational AI vendor, there are some key points to consider:

- What percentage of interactions can be resolved at the first point of contact?

- What percentage of interactions do customers receive incorrect answers to? (i.e. false positives)

At boost.ai, our proprietary NLU algorithims are fine-tuned to enable our conversational AI to truly understand the meaning behind the questions it fields.

That way customers are almost never confronted with the dreaded "I don't understand" response.

We are able to reduce the likelihood of **false positives that score as 'bad' in our algorithms by up to 90%** and offer a powerful enterprise toolset that, using chat data analytics and AI Trainers, can help close the remaining 10% gap.

Financial institutions should seek out solutions that can manage 100% of their customer interactions, and do so intelligently - identifying what to automate and which inquiries to hand-off to human support staff. Only in this way can they expect to successfully maximize their customer's digital chat experience at scale.
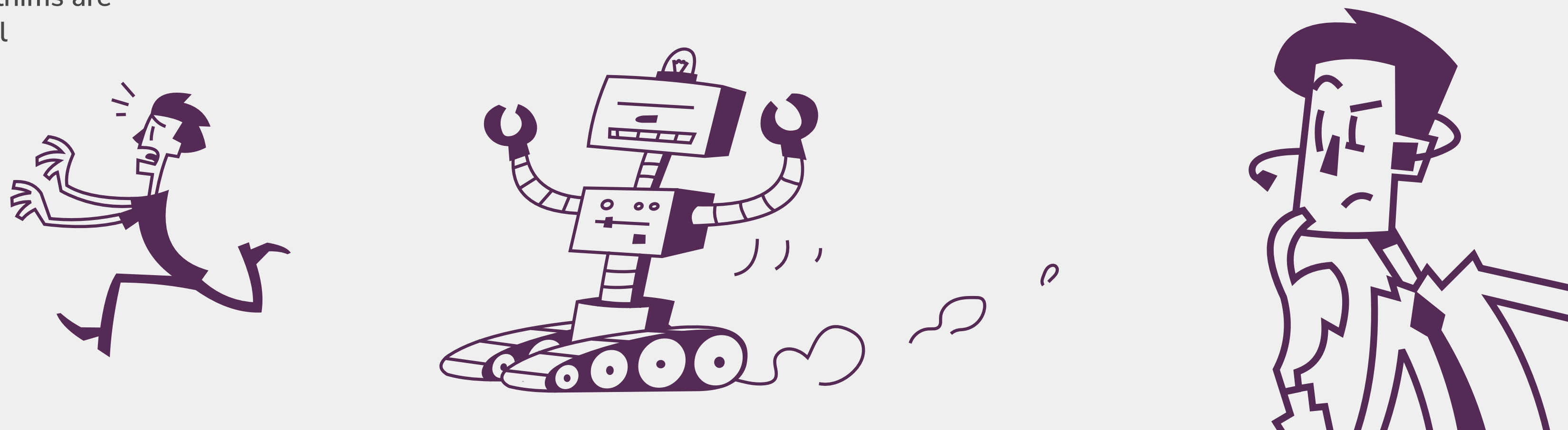
See all our guides at boost.ai/guides

boost·ai