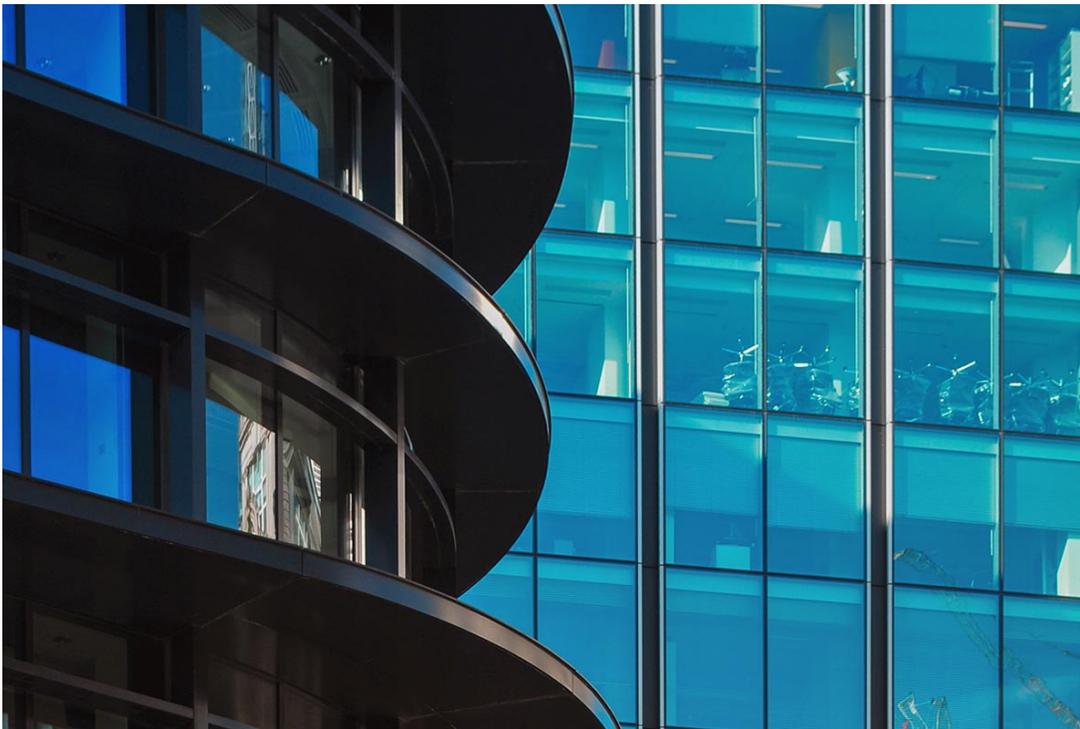


TECHNOLOGY

# From Financial Management to Financial Health: The Role of AI in Fostering the Financial Relationship Model

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*The financial industry needs to cater to new customer needs.*

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Artificial intelligence (AI) may well be the defining technology of the twenty-first century. AI will strengthen operational and service delivery models across industry and will have significant impact on the financial services sector. For example, retail banking institutions can utilize the transactional and behavioral data accumulated through customer spending habits to inform a robust, personalized approach, grounded in the customer's interests and overall financial health.

At the outset of the global pandemic, a survey of nearly 300 global financial service executives around the world revealed that **the banking industry remains at the very premature stages of utilizing new technologies to better enhance knowledge creation**, with the vast majority of banking organizations having yet to leverage modern technologies like the cloud (58%), customer mapping journey (56%) and Robotic Process Automation (45%) to help employees improve the customer experience.<sup>1</sup>

## Emerging challenges in financial management

In the current financial services industry, several challenges exist. Here are a few examples:

- **Disproportionate customer connection** – Customers are not treated the same and the quality of service has not been consistent
- **Absence of an exemplary standard** – There has been no clear model of service excellence for others to follow
- **Operational inefficiencies** – Current systems and procedures continue to slow down workflow
- **Lack of transparency** – There remains inadequate transparency in the way financial industries operate and as a result holistic solutions are not found
- **Inadequate innovation** – Despite the emergence of new technologies, innovation has occurred in a few areas, but has not taken place in a truly meaningful and disruptive way

As a result of these industry challenges, customers are somewhat disadvantaged. Yet there is potential for innovative technology, like AI, **to unlock over \$600 billion of incremental value for banks, annually**, in marketing and sales activities.<sup>2</sup> The financial industry needs to rethink their relationship with customers and come up with more groundbreaking and meaningful solutions.

## The financial journey re-imagined

The financial industry needs to carefully examine the customer journey alongside the financial needs of customers. Imagine a new journey with five (5) major steps:

### **Step 1: Building lifelong relationships with customers.**

Customers are increasingly seeking out financial service providers that can appropriately respond to their banking requirements and anticipate their future needs and protect their money against fraud. For instance, USAA, a Texas-based financial services company offering banking, investing, and insurance is able to **“actively monitor fraud in real time and is saving its customers on average around \$100 million a year** simply through these enhanced fraud prevention methods.”<sup>3</sup> Customers want banks to partner with them throughout their financial and life journeys. Underlying this growing sentiment is the impact of the global pandemic and the lagging global economic recovery, leaving many customers unsure of how to approach financial planning.

### **Step 2: Look at the bigger picture.**

These circumstances are underscoring the importance of a major shift in the retail banking relationship, one that goes beyond wealth management and seeks to provide total financial health. The transition to a financial health model has gradually started to take shape but can be improved. For instance, when the initial fallout from COVID-19 took place between March and April 2020, many banks approached customer relationships as they had previously – with general e-mails, letters, and messages on banking applications, reminding customers they were there for them during this time of great uncertainty. However, what these institutions failed to capitalize on was the opportunity to help

customers look at the full picture of their finances and recommend personalized financial and wealth management strategies based on their spending habits, financial goals, and obligations.

### **Step 3: Strive for consistent quality service.**

A recent survey of over two hundred global banks and credit unions in North America and Europe, found that properly addressing customer demands for an omni-channel, personalized experiences is paramount. **Customers want their interactions with their banks to be consistent and contextualized** based on their relationship and established behavior.<sup>4</sup>

### **Step 4: Unlocking the value within customer data.**

Ironically, banking institutions have access to the very information that will allow them to provide the level of personalization customers are looking for. However, they have failed to utilize it in such a way that brings the relationship between bank and customer full circle. Utilizing analytics to find insights in customer data can also go a long way to enhancing the customer experience. Simple, clearly defined, and targeted communications that offer personalized guidance can eliminate call center volumes, increase efficiencies, lower costs, and reduce customer frustrations.

### **Step 5: Banking on trust.**

To better serve customers, financial services institutions should incorporate the use of AI into their service delivery model. New AI models and tools can lead to improved customer interaction, satisfaction, loyalty, and revenue growth. It is this level of insight that will allow financial organizations to be more proactive in their engagements with customers. Moving their business ethos from that of service provider to one of trusted advisor will allow value added conversations that move beyond traditional financial management to a new paradigm of financial health and societal awareness.

According to Jim Marous, author of the report and co-publisher of **The Financial Brand**, “Thanks to digital leaders such as Amazon, Netflix, Nike and Spotify, consumers have grown to expect personalized experiences more than ever. Personalization at scale can positively impact both short-term and long-term value for financial institutions – making marketing more efficient and providing an uplift in revenue and share of wallet.”<sup>5</sup>

Transitioning into this model will have profound implications for the customer experience as financial service institutions adapt to a shifting customer base increasingly comprised of Millennials and Generation Z.

AI's ability to provide analytical insight remains heavily focused on the use of IoT and telematics to harness individual user behavior to determine personalized rates. This is particularly common with insurance companies, who utilize this technology to determine what to charge customers based on driving behavior.

Financial service institutions that shift their operations and strategic focus to one that incorporates AI will improve business continuity, retain existing customers and initiate advocacy. This model also opens avenues for tapping into customer emotion, especially after receiving service that meets or exceeds their expectations, allowing providers to cross sell and upsell products based on the needs and interests of every individual customer.

## Customer interaction in 2021 and beyond

AI is poised to infiltrate many areas of our lives. While numerous industries have begun to incorporate elements of AI into their planning and solution offerings, banking and wealth management institutions should actively begin to capitalize on the data-driven resources they have available to them. Banks and consumers will benefit from bringing the customer experience journey towards one that embraces a relationship of total financial health between institution and customer. AI can achieve this by determining whether customers qualify for appropriate forgiveness programs and specialized loans, saving time, unnecessary paperwork and ensuring the funds are directed to those who need it most.

Meeting the needs of customers who have now re-adjusted their behavior because of the pandemic should continue to be a top priority for financial services institutions. However, this is not to undermine the importance of developing a financial relationship with their customers, grounded in the concrete behavioral and transactional information available.

The potential benefits from this shift will not only transform the customer journey but bring financial services institutions to the forefront of the digital first era, ready to tackle the next challenges with a renewed focus on the customer and their financial journey.

## ► References

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