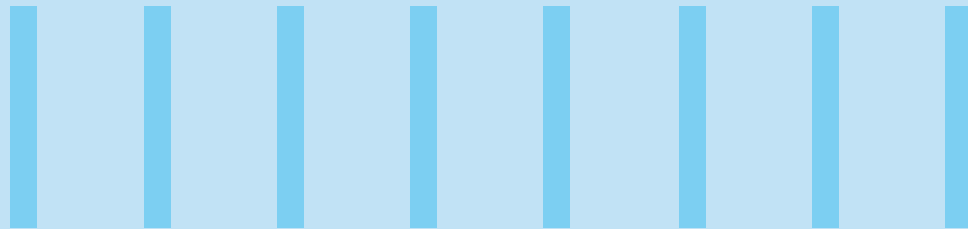# PERSONALIZED BANKS: HOW DOES AI CHANGE THE DIGITAL BANKING LANDSCAPE

Abstract

The digital transformation across industries and a plethora of offerings from neo-banks and new age FinTech's, require the banking industry to keep up with technological innovations to meet rising customer expectations. Artificial intelligence (AI) and Machine Learning (ML) are key to building customer-centric solutions which are at the heart of the personalised banks of the future.

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The Banking and Financial Services (BFSI) industry has experienced several challenges in recent years – changes have been made to regulations, limitations due to legacy technologies and squeezed margins. A plethora of financial services from neobanks and new-age FinTech's coupled with a digital world has increased customer expectations. While the digital transformation of the financial services industry is underway, banks find it hard to keep up with radical customer expectations. Improving customer experience (CX) requires banks to gain a deep understanding of customer needs and provide personalized in-person and digital services and support. These must be done in the face of the global economic slowdown and geopolitical instabilities.

Understanding and predicting customer needs requires banks to adopt a multifaceted approach.

Customer behaviour is influenced by several factors such as gender, age, the type of business, turnover, and so on. Continuous innovation has led customers to expect cutting-edge and smooth digital experiences from their banks, whether it is at the bank branch or online. Banks thus need to find ways and means to satisfy their customers both physically and virtually. According to a Harvard Business Review study, today's customers are expected to self-serve and stay in control of their transactions. Banks need to be able to predict customer needs and provide services based on customer demand. By leveraging artificial intelligence (AI), natural language processing, and automation of processes, banks can offer highly personalised services. There are several reasons that personalization is a key factor in building customer trust and retaining customer loyalty.

Why personalisation in banking is important?

Consumer and business finance is a competitive space with several players aiming to grab a share of the market. With increased competition in the digital economy, personalized and targeted advertising is key to grabbing a slice of the pie. Paid media campaigns and referral programs are the norm, which means that the digital advertising budgets need to be increased . For instance, if a person has been searching to buy homes, the bank's home loan campaigns should show up on the social feed of the potential customer. Personalization done right through the customer journey fosters better customer experience. Personalized email campaigns can boost account activation and improve click-through rates.

Neo-banks and FinTech's are lean and powered by cutting edge technology that provides a gamut of digital financial services including traditional aspects of banking. With increased focused on convenience, it becomes crucial to provide great customer experience to reduce their attrition from the banks. Personalization can help improve customer engagement and make them less likely to look for alternatives. For instance, by proactively analyzing spending patterns, banks can offer vouchers for brands preferred by the customer. Recommendations based on past and recent history help drive customer loyalty. For example, a bank may recommend a luxury credit card if the customer is a frequent traveller and has a record of staying at five-star hotels. Customer engagement not only helps with customer retention, but also results in selling additional services and products.

With buyers expecting their banks to offer user-friendly, initiative-taking and intelligent services, banks need to become customer-centric, with personalization being akey aspect of this. AI and Machine Learning (ML) technologies can help usher in the bank of the future.

How banks can leverage AI for personalization?

For most people, meeting their financial advisor and taking decisions on investments, and maintaining their portfolio is a daunting task. What if such investment advice can land directly on the portal or as an email, presenting diverse options that are available at the click of a button? This is just a small fraction of what financial applications based on AI/ML can do.

Transform customer experience

According to Forrester's Customer Experience Index methodology, a 1-point improvement in the CX score of a large multichannel bank can lead to an incremental USD 123 million in revenue. AI and ML can take personalized banking to the next level. Onboarding new customers can be simplified by using AI for processes such as identity verification, Know Your Customer (KYC) and document processing.

Transaction approvals, fund transfers and bill payments can be done using AI tools, to improve efficiency and provide quick service. The credit card application process can be streamlined, and limits can be based on customer credit history and financial behaviour. AI-driven automated reminders can be personalized. Such services result in improved customer satisfaction.

Derive customer insights

AI-driven analytics can be used to provide personalized service to customers. Analysing customer habits, preferences and financial needs can help predict customer behaviour and requirements. For instance, presenting the choice of a typical withdrawal amount at the ATM can save the customer time and effort of navigating a menu. Cheque processing can be sped up for individual accounts on a case-by-case basis. AI-powered analysis can be used to make decisions on whether the bank can approve payments that are above the typical limit, based on a variety of factors.

Offer hyper personalized financial advice

With generative AI, financial platforms can analyse income, assets and liabilities and provide tailored investment recommendations. Customers can then either use this advice or connect with their relationship managers to make further decisions. Similarly, personalized credit solutions can use ML algorithms to analyse custom credit history, loans, borrowing patterns etc. to offer tailor made loan proposals to be sent for approval.

Provide intelligent assistance

One of the most useful applications in banking personalization is the use of AI-driven chatbots or virtual assistants. These chatbots can understand natural language, are context-aware and can be available 24x7 to answer customer queries, provide personalized recommendations, and even execute simple transactions on behalf of the customer, such as funds transfer, mini account statements, or checking account balance. AI-based chatbots also become a mechanism to understand what customers are looking for, and "learn" to anticipate and refine further interactions with the customer. AI can also be applied to provide voice assistance, as well as integrate with other applications such as Alexa or Siri to provide voice-enabled banking services. In the physical branch too, banks can leverage AI to deliver on-site engagement via tablets or kiosks to improve the customer experience.

With AI-driven personalization, banks are presented with new opportunities to transform customer experience, explore new opportunities, and achieve long-term success. Armed with a large customer base and trust built over years, banks and financial institutions can leverage AI to transform into intelligent digital enterprises to retain customer loyalty and stay ahead of the competition.

How can Infosys BPM help?

The banking business process needs to transform significantly to keep up with digital innovations and meet rising customer expectations. Infosys BPM for the banking industry offers specialised services to help the banks of the future build AI-powered personalization solutions that augment business performance, streamline BPM processes, reduce costs, and deliver enhanced customer-centric solutions.

For more information, contact infosysbpm@infosys.com

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