

# Digital innovation: a new imperative for financial institutions

The opportunity for banks to reduce customer effort  
and increase satisfaction.

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Many major banks around the world are already pouring resources into developing and improving their digital experiences. And new, digital-only banks and fintechs can innovate at speed, unencumbered by legacy technology and processes.

## Your guide to the digital future of customer experiences

For many banks, the challenge is to remain relevant and competitive—and the scale of it can seem overwhelming. But far from being a threat, this ongoing sea-change presents new opportunities for incumbent banks to streamline customer engagement, connect siloed channels, and meet digital competitors head-on (or even partner with them to deliver innovative services). Incumbent financial institutions can use the vast quantities of data and technological resources at their disposal to evolve the way they engage with customers—and increase customer satisfaction while reducing the cost to serve.

In this guide we'll explore:

- **Why digital innovation is so essential** for financial institutions to thrive in the future
- **How to create omni-channel experiences your customers love**, using modern conversational AI technologies
- **A new approach to security in digital channels** that balances effortless authentication with effective, proactive fraud prevention

## The digital innovation imperative

One of the biggest challenges facing customer engagement leaders in financial institutions is how to attract the next generation of customers; the “born digital” generations who are accustomed to running their entire lives through their smartphones.

Millennials and Generation Z consumers expect a slick user experience, they expect services to be personalised, contextual, and secure, and they expect to be able to handle all financial decision-making within the app or website.

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**~70%** of millennials and Generation Z consumers already access banking services on their phones<sup>1</sup>

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But legacy technology and customer experience structures weren't built for this new way of banking. They tend to add friction to customer journeys with unwieldy authentication processes and unnecessary touchpoints that can put off younger people who expect a more seamless experience. Forward-thinking banks and fintechs understand this, and they've worked hard to create intuitive user interfaces, personalised interactions, and straightforward processes within their apps.

In truth, though, it's not just millennials and Generation Z that expect modern digital experiences. People from all generations are adopting digital engagement channels, especially since the COVID-19 crisis forced many people to familiarise themselves with their bank's web and mobile apps. Even when the world returns to something approaching normal, these digital habits will remain.

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**50%+** of financial services consumers say that they have used digital banking apps more since the start of the pandemic<sup>2</sup>

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**87%** plan on maintaining their increased usage after the pandemic ends<sup>3</sup>

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If incumbent banks wish to compete or partner with nimble, digital players, they must prioritise digital innovation—not just to attract new customers, but to retain existing ones.

### The digital banking landscape is shifting

Over the last few years, several trends have reshaped the digital aspects of the banking sector.

- **Differentiated digital experiences** – First, in the race to provide differentiated digital experiences, many financial institutions now see fintechs as potential partners, or even as targets for acquisition—a way to offer their customers digital innovations without the time and expense of developing them in-house.
- **Collaboration between companies** – Both within and outside the financial services sector, collaboration between companies is seen as the key to growth. A recent survey shows that among financial services companies that want to collaborate for growth, 47% are likely to collaborate with a fintech.<sup>4</sup>
- **Open banking for personalised services** – Similarly, the move toward Open Banking will mean increased collaboration with fintech partners to find ways to use customer data to offer new—and highly personalised—banking services.
- **Fraud is rampant** – Alongside these developments, fraud is on the rise in both contact centres and digital channels, as criminals acquire stolen customer data on the dark web and use it to get around traditional knowledge-based authentication methods. As we'll see later in this guide, AI-powered biometric authentication is clearly the way forward for the whole banking sector.

## The omni-channel experience

As the shift to digital banking continues, a financial brand's differentiation increasingly comes from the digital customer experience they provide alongside traditional in-branch and phone experiences. An effective, satisfying digital experience must be consistent across many channels, from chat and virtual assistants to messaging platforms and the IVR.

It's important to keep in mind that customers don't see "channels"; they simply see a conversation with their bank. In a truly omni-channel experience, the context of that conversation should follow the customer on their journey as they move between channels. Regardless of the interface, or the technology behind it, each customer engagement should feel like a single dialogue, happening on a single platform. And once authenticated in one channel, a customer shouldn't have to reauthenticate every time they switch channels.

This requires seamless integration between five key areas of the customer experience.

### 1: Digital agents

Digital engagements are great for reducing call volumes and increasing customer satisfaction. Unlike phone agents, contact centre agents supporting digital channels, such as the website and mobile app, can handle multiple concurrent conversations, shrinking queue times and lowering operational costs.

Today's AI-driven live chat platforms can analyse customers' behaviour on the website or mobile app to identify when someone might need assistance, and then proactively launch a chat and connect the customer to an agent with the best skillset to guide them to resolution.

Financial institutions also use AI to "coach" agents during conversations with customers by offering advice on next steps and the fastest path to resolution, monitoring regulatory compliance, and helping managers identify training needs.

### One of the largest retail US bank-holding companies and live chat

A leading banking brand wanted to increase its online customer acquisition, deflecting from the call channel, and to enhance its customer experience through Nuance live chat and targeting engine. Within the first year of implementation, the bank increased CSAT by 80% in chat and achieved 90% completion of general banking applications within the first 24 hours of interaction. Now, it's adding live chat to its mobile website, where 40% of its traffic goes.

### 2: Virtual assistants

With a rapidly increasing number of enquiries coming through digital channels, agents can have trouble keeping up, leading to long wait times, overburdened agents and dissatisfied customers. A virtual assistant (VA) is ideal for quickly guiding customers to the answers they need.

Today's VAs can handle more than FAQs and simple queries; they can understand a customer's natural language and accurately identify their intent. An intelligent VA will engage customers in conversations that feel natural, offering personalised responses and maintaining contextual awareness throughout the engagement. In this way, the VA provides a conversational experience that leads to a faster resolution for the customer. And if it can't resolve the issue itself, the VA will pass this context on to a live contact centre agent when the customer requests escalation.

### Swedbank and virtual assistance

Swedbank, one of Europe's largest financial institutions and a leading innovator when it comes to enabling a better customer experience, deployed an automated VA on its website that answers customers' questions while simulating a human conversation. In an average month, the VA handles over 30,000 conversations and successfully answers eight of every 10 questions, helping Swedbank resolve 2 million out of its 3.6 million annual calls. Martin Kedback, Swedbank's Head of Channel Management, says the virtual assistant has been so well received by customers that the next step is to enable it across all its digital channels.

### 3: Messaging platforms

Third-party messaging platforms are a vital part of today's omni-channel engagement mix. From the ubiquitous SMS, to Facebook Messenger and WhatsApp, to Apple Business Chat—and now Google's Business Messages embedded in Google Search and Maps—we all use some form of messaging app almost every day.

Customers who value convenience and speed are likely to choose messaging over a phone call. Using messaging channels, banks can blend proactive notifications for alerts and reminders with two-way conversations using virtual assistants and live agents. These communications can happen in real time and be asynchronous, happening over time to provide a seamless experience for customers who had to pause and return to a conversation.

#### A global financial services company and messaging

A major US financial institution is leading the way for consumer banking interactions by meeting its customers in their channel of choice and responding with agility. With Nuance Customer Service Messaging in its branded app, the company uses a VA to understand customer intent and route the enquiry to the live chat agent best suited for the engagement. This doesn't just help resolve customer issues faster—it also dramatically improves the agent experience due to asynchronous conversation capabilities which enable proactive follow-ups.

84%+ intent recognition of the VA leading to accurate agent routing the first time

### 4: Conversational IVR

While digital customer engagement is crucial, there are still use cases that require customers to call in to the contact centre. But when customers call their bank, they don't want to wait in a queue; they want to speak with someone right away. And while waiting to speak to an agent is annoying, negotiating menu trees in traditional touch-tone and directed dialogue IVRs can be even more frustrating.

Similar to a virtual assistant in digital channels, a modern, conversational IVR, can offer callers interactions that feel natural and seamless. A conversational IVR lets the caller explain the reason for their call in their own words, and then guides them to a fast resolution or connects them to an agent with the right skillset to help.

Further, by connecting their conversational IVR to their digital experiences, banks can weave together a single AI-powered experience with insights from the entire omni-channel, enabling them to direct customers to the most appropriate channel for a speedy resolution. This approach also helps customers become comfortable using digital experiences, so they're more likely to pick those channels first the next time they get in touch. This in turn further reduces service costs and frees up phone agents to focus on more complex customer issues and enquiries.

### 5: Analytics and the omni-channel experience

An effective omni-channel experience requires data from all the different channels. Banks can leverage this data to identify opportunities for costs savings, efficiency gains, and customer journey optimisations. And most importantly, these data-driven insights are an essential component to delivering the same level of personalisation in the digital experience that customers would expect if they walked into a branch.

## Secure authentication and fraud prevention

As customers use more digital channels to interact with their banks, the security of their accounts must always be a top priority. But hastily thrown-together digital experiences that prioritise customer experience over security leave banks and their customers vulnerable to fraud. Fraudsters are moving between websites, mobile apps, and the contact centre to acquire customer information, identify security weaknesses, and attack. And as the COVID-19 pandemic forces agents to work from home, fraudsters are exploiting this confusion and uncertainty. Agents are left without their usual support and supervision, leaving them susceptible to social engineering by fraudsters.

In the past, adding security measures meant also adding friction to the customer experience. For years, financial institutions of all sizes have relied on knowledge-based authentication (KBA) using factors such as PINs, passwords, and security questions. But for genuine customers, KBA can be a long, frustrating, and alienating experience—the antithesis of the seamless, personalised experience they expect.

What's more, KBA information is easily lost, forgotten, or stolen. At best, a real customer who forgets a security question answer or loses a password will have to go through an arduous account recovery procedure, again undermining their banks' commitment to deliver personal, outstanding service. But that's not all—the inherent insecurity of KBA puts members at risk of fraud. There are more than 15 billion account credentials for sale on the dark web, so customers' data may already be compromised by fraudsters.

### Biometric authentication

Biometric authentication eliminates both these issues. Instead of authenticating customers based on what they know, banks can authenticate members based on who they are.

Behavioural biometrics, which analyses behaviour patterns such as how an individual types or uses a mouse, is especially useful for continuous authentication in digital engagements, quickly identifying when a fraudster has hijacked a session or when a bot is at work. And when it comes to fraud prevention, conversational biometrics can also be a

valuable tool, helping catch fraudsters by the way they use language, such as identifying when they've hired a mule to follow a script.

Voice biometrics isn't just for the contact centre. Some financial institutions, such as EVO Banco in Spain, are now using the technology for authentication in digital channels, including mobile devices. Having customers say a passphrase to authenticate in mobile apps is a faster and more secure experience than entering a password or waiting for an SMS-based one-time passcode. This makes voice biometrics the ideal digital authentication factor for high-risk or high-value use cases, such as transferring large amounts of money or recovering an account.

### NatWest Group and biometrics

NatWest Group uses Nuance voice biometrics technology to quickly detect fraud attempts coming into its call centre and disrupt organised crime activities across all its customer engagement channels.

The Nuance solution enables the bank to take a holistic approach to fraud detection and prevention. By combining Nuance Security Suite data with information from other criminal activity detection tools, NatWest has discovered that fraudsters on the voice channel also perpetrate a lot of fraud on digital channels. Armed with that knowledge, the bank has been able to identify and disrupt organised crime activities to protect its customers and assist law enforcement.

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“Although this initiative isn't just aimed at reducing losses, we expected to save a reasonable amount of money, and we've already saved one and a half times that. The ROI from the tool is probably well over 300%, so as payback from a technology deployment, it's been very impressive.”

— Jason Costain, Head of Fraud Strategy and Relationship Management for NatWest Group

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## Define the digital future of your customer experience with Nuance

With Nuance technologies and professional services, your bank can increase customer satisfaction by providing consistent, secure, personalised experiences in every channel.

It's not about handing over the reins to AI. It's about using the very best conversational AI technologies to augment what you already do—reduce operational costs and support your employees while giving your customers outstanding experiences, however and wherever they choose to interact with you.



**Digital agents:** Meet customer needs quickly, with prompt live assistance, co-browsing, and intelligent routing that maintains context at every stage.



**Virtual assistants:** Reduce costs and provide effortless experiences, with intelligent, automated conversations that feel human.



**Messaging platforms:** Offer customers simple experiences built for the mobile world they live in, with real-time and asynchronous assistance, and proactive notifications.



**Conversational IVR:** Reduce contact centre costs and improve customer experiences, with intuitive self-service in the IVR using natural language.



**Analytics and the omni-channel experience:** Optimise omni-channel performance and offer personalised engagements with actionable insights from all your customer interaction data.



**Secure authentication and fraud prevention:** Improve customer and employee experiences by streamlining authentication and increasing security in every channel.

### LEARN MORE

Get started on your bank's digital journey today—contact one of our omni-channel experience experts to talk through your opportunities. Email us at [CXexperts@nuance.com](mailto:CXexperts@nuance.com) and we'll be happy to help.

1 <https://everfi.com/blog/financial-education/marketing-trends-for-credit-unions/>

2 <https://www.bai.org/research/bai-banking-outlook/>

3 <https://www.bai.org/research/bai-banking-outlook/>

4 *Global Fintech Report 2019*, PwC, December 2019



### About Nuance Communications, Inc.

[Nuance Communications](#) (Nuance) is a technology pioneer with market leadership in conversational AI and ambient intelligence. A full-service partner trusted by 77 percent of U.S. hospitals and 85 percent of the Fortune 100 companies worldwide, Nuance creates intuitive solutions that amplify people's ability to help others.