

Driving loyalty and new customer acquisition with virtual assistants

How financial institutions can address
evolving consumer expectations for mobile
and Web banking with virtual assistants

Mobile consumer expectations are evolving fast.

Young generations have adopted the smartphone as their primary channel to interact with businesses. 58% of those between 18 to 25 years of age use a speech-enabled virtual assistant on a regular basis to interact with their smartphone. This white paper examines how financial institutions can respond to these consumer expectations to establish loyalty and drive new customer acquisition.

58%

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Overview

On October 4, 2011, Apple set in motion a transformation of mobile consumer expectations with the launch of Siri. Two years later, over 58% of 18 to 25 year old smartphone users are periodically interacting with a speech-enabled virtual assistant to accomplish tasks such as setting their alarm clock and answering mind numbing questions such as “what does 0 kelvins convert to Fahrenheit.”¹ Virtual assistants are delivering real value to users, as showcased by the 98% repeat usage rate, meaning that virtually all those that try the virtual assistant capability use it on a daily, weekly or monthly basis.² Since Siri, several other voice-enabled virtual assistants have been released, including Samsung’s S-Voice which was launched on May 30, 2012. However, this new paradigm of speaking naturally with technology has primarily been adopted by electronic goods manufacturers, from smartphones, to TVs to gaming consoles. **How is the virtual assistant relevant to financial institutions?**



In August of 2013, USAA, the San Antonio, Texas-based Fortune 500 financial services firm offering banking, investing and insurance services to the US military community and their families, was the first financial institution (FI) to deliver a speech-enabled virtual assistant to its smartphone app users.³ USAA members can now pay bills, inquire about past transactions and request account information through a natural speech interaction. Watch a video [here](#) for an overview of the USAA mobile app (or go to <http://bcove.me/2ys9ptwt> to view). USAA has been followed by others, including Garanti Bank in Turkey, and top FIs in the US and Europe are currently in the process of adding speech virtual assistants to their own banking apps.

1 Research Now, 2013 – Conversational Interfaces Survey

2 IBID

3 http://www.nuance.com/company/newsroom/press-releases/2013_08_12_USAA_Supplier_Award_Web.docx

One of the key reasons FIs around the world are adopting virtual assistant technology within their mobile apps is quite simple – addressing mobile consumer expectations drives loyalty and new customer acquisition. In a competitive environment where financial service products are perceived by consumers to be similar from one FI to another, especially retail banking services, differentiation on service delivery is key. Building brick and mortar branches with long operating hours and friendly staff won't attract millennial consumers that favor digital interactions, but delivering conversational interfaces on mobile apps and on the Web will. This white paper reviews key data points that confirm this trend and provides guidance to financial institutions on how to take advantage of virtual assistant technology.

General Demographic Trends vs. Mobile Demographic Trends

Many FIs are investing heavily to attract baby boomers, after all this generation currently holds approximately three quarters of America's wealth.⁴ However, Gen Z and Millennials are currently establishing relationships with financial institutions as they enter their productive years. These young adults are signing their first mortgage and purchasing new cars, and FIs currently have a window of opportunity to attract these consumers and establish loyalty. Providing enhanced customer interactions ensures that FIs are attracting new customers and are well positioned for the impending shift of wealth to these younger generations. Financial institutions that wish to gain and retain this category of consumers need to pay close attention to how these consumers wish to interact with their FI, which fundamentally differs from previous generations.

Three key trends have been observed that FIs should pay special attention to. First, consumers spend more time on their smartphones than they do on PCs or TVs. The Web has transformed banking over the past two decades, however smartphones have ignited another transformation to the banking sector that may be as profound, if not more. Second, young generations have adopted smartphones at a significantly greater rate than their parents and grandparents. Third, a majority of young consumers are interacting with their smartphones through speech-enabled virtual assistants. The studies revealing these trends are highlighted below.

PCs and TVs Are Taking a Back Seat to smartphones

Although the year 2013 didn't see the demise of PCs and TVs, it did mark a significant milestone in a progressive shift by consumers away from those devices to the benefit of the smartphone. According to a study conducted by comScore, smartphones for the first time surpassed traditional PCs as a platform for accessing Web content.⁵ In fact, consumers now spend about an hour every day glued to their smartphone,⁶ surpassing time spent watching TV (58 minutes for smartphone vs. 43 minutes for TV).⁷ These figures highlight that the smartphone is now a much more powerful channel to attract consumers than the traditional Web and the once dominant TV.

However, the smartphone has not been adopted equally amongst age groups. Research conducted by Forrester shows that the Millennial generation leads in smartphone usage with 72% adoption, and that only a minority of Baby Boomers follow in their children's footsteps, and only 16% of 68 to 88 year olds have taken the smartphone plunge.⁸

2013

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4 <http://www.immersionactive.com/resources/50-plus-facts-and-fiction/>
 5 <http://www.mediapost.com/publications/article/208569/most-online-time-spent-on-smartphones-tablets.html>
 6 <http://allthingsd.com/20130602/average-american-spends-an-hour-a-day-of-quality-time-with-their-smartphone/>
 7 <http://www.statisticbrain.com/television-watching-statistics/>
 8 <http://www.emarketer.com/Article/Generation-Y-Leads-Way-on-Smartphones/1009604>

U.S. Mobile Phone and Smartphone Penetration by Generation, May 2012
% of Internet users in each group

	Mobile Phone	Smartphone
Gen Z (18-23)	95%	64%
Millennials (24-32)	97%	72%
Gen X (33-46)	95%	61%
Younger Boomers (47-56)	92%	39%
Older Boomers (57-67)	89%	28%
Golden Generation (68-88)	85%	16%
Total	93%	50%

Source: Forrester, 'State of Consumers and Technology: Benchmark 2012' as cited by ReadWrite, 12/27/12

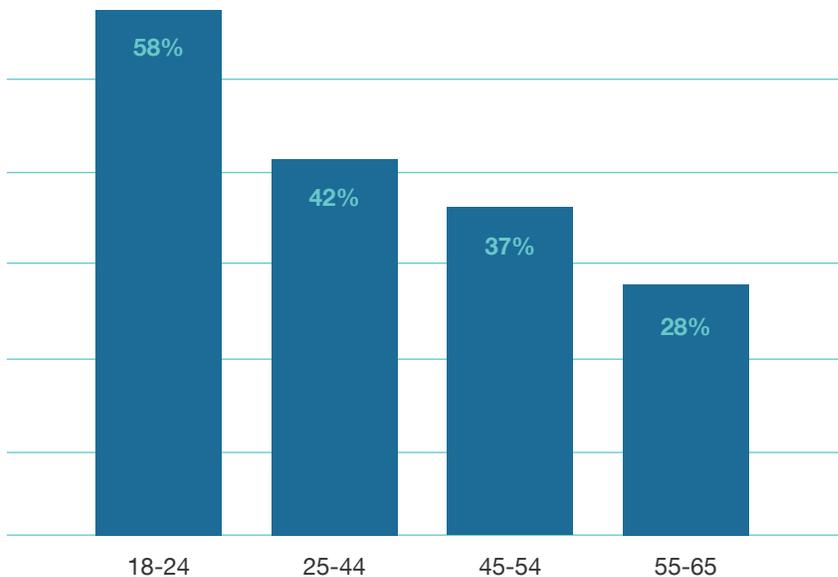
72%

of U.S. Millennials (24-32) use a smartphone.

Not surprisingly, the way that younger generations use smartphones is quite different as well. A survey conducted by Research Now in August of 2013 revealed a direct correlation between age and speech-enabled virtual assistant use. When asked “Do you use a virtual assistant such as Siri or S-Voice”, only 28% of 55 to 65 year old respondents answered yes. That figure progressively increases until we reach the youngest polled cohort, where a majority of respondents answered positively.

Although many FIs have invested in mobile apps, these apps are often falling short of consumer expectations, in particular those Gen Z and Millennials that are at the forefront of this mobile transformation.

Percentage of Virtual Assistant Users by Age⁹



What's wrong with existing mobile banking apps?

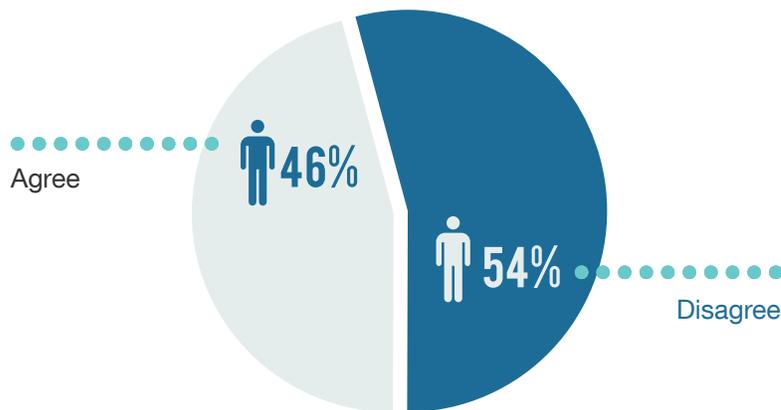
Virtually every FI has a mobile app with core capabilities such as looking up account balance, transaction history and bill pay. Some FIs have made more significant mobile app investments and provide their mobile customers with functionality that goes beyond these key capabilities, with innovative features such as cashing a check by capturing an image of it through the smartphone's camera.

However, despite these investments, almost half of 18 to 34 year olds aren't satisfied with their bank's mobile app. A survey commissioned by Varolli reveals that 46% of respondents within this age group have considered deleting their bank's app.¹⁰

How Strongly Do You Agree or Disagree with the Following Statement:

"I Have Considered Deleting My Bank's App."

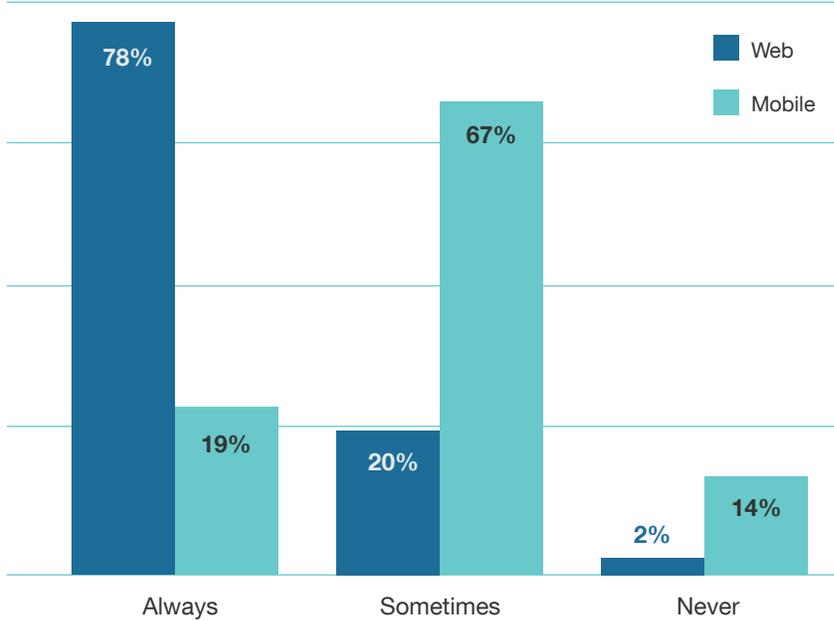
(Among Those Ages 18-34)



Why are so many young consumers dissatisfied? A key issue with existing mobile banking apps is revealed by the same Research Now study, which highlights a key gap in the performance of mobile apps and Web sites at delivering answers and information that consumers are looking for. Banking mobile apps have been designed to effectively deliver core transaction capabilities, but little effort has been invested in answering customer questions and guiding customers to the right financial products and services due in part to screen real-estate limitations. Considering that young consumers live in a digital world, walking into a branch and speaking to an advisor or picking up the phone and speaking to a representative is not an experience they favor.

FIs need to take into account that Gen Z and Millennials expect to be able to conduct all interactions on their smartphone. As such, the mobile app should not be seen as a secondary interaction channel, but rather as the primary method of interacting with young consumers.

Are You Able to Get the Information and Answers You Need?¹¹



90%

of consumers say that a positive experience with a company's mobile app makes them more likely to continue doing business with them.

Given that 90% of consumers say that a positive experience with a company's mobile app makes them more likely to continue doing business with them,¹² offering a mobile app experience that meets and surpasses expectations can have a significant impact on customer loyalty and ongoing revenue, especially when we consider that it is the primary interaction with the FI for Gen Z and Millennials.

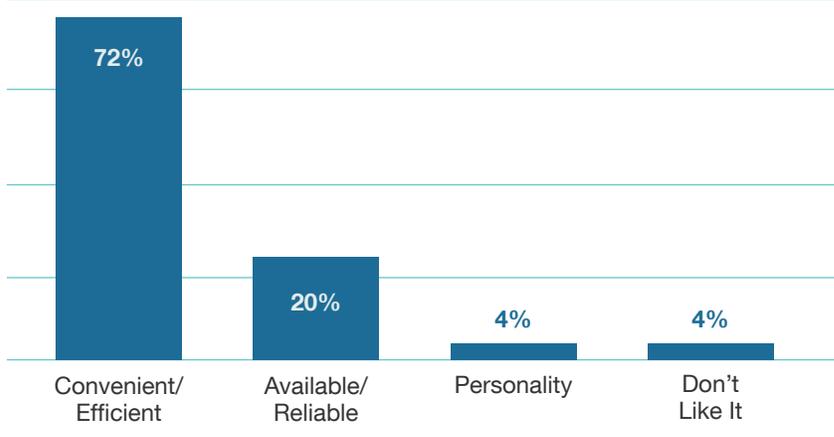
How Virtual Assistants Can Transform the Mobile Banking Experience

Virtual assistants transform the mobile banking app experience by providing an alternative way of interacting with the app that is perceived to be more convenient and efficient than using the tap, swipe and type interface. In the results of the Research Now study on this topic, an overwhelming majority, 72%, found that the virtual assistant experience was more convenient and efficient.

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Virtual Assistant Experience Rating



¹¹ Research Now, 2013 – Conversational Interfaces Survey
¹² Research Now, 2013 – Conversational Interfaces Survey

Even typical transactions can be accelerated through the speech interface, and made possible even in highly mobile contexts such as while driving or walking. Speaking a command to “Pay \$500 to my credit card bill next Thursday” can be performed in seconds, without having to look or touch the screen. Saving time, and eliminating the need to tap through several interfaces, delivers an efficient interface that consumers value.

However, beyond allowing consumers to perform transactions that are already available on the mobile phone through voice, the most transformational value that a virtual assistant can provide is the ability to deliver capabilities that could not be offered effectively with a touch screen interface. For example, enabling mobile app users to ask questions such as “How much did I spend on restaurants last month?”, “What’s the current variable interest rate on my line of credit?” or “What’s the maximum one-time payment that I can make on my mortgage?”, significantly enhances the value of the app and delivers an experience that is differentiated from current mobile banking apps. In these interactions, the objective is to deliver the types of interactions that FI customers would have when speaking with a bank employee, rather than simply provisioning transactional capabilities.

The virtual assistant enables the mobile banking app to evolve from a highly mobile ATM to a financial advisor that is there to assist customers with their financial needs, rather than simply fulfilling transaction requests.

In this perspective, virtual assistants can also proactively deliver notifications, such as “Your utility bill is due today, would you like to pay it?” and advise the customer on financial products and services as new situations arise, such as “I’m buying a new car, what are my financing options?”

In effect, by becoming the primary point of engagement with the FI, the virtual assistant represents the FI’s brand, and through a conversational interface replaces the face-to-face interactions with tellers and financial advisers that formed the bedrock of banking relationship management with previous generations.

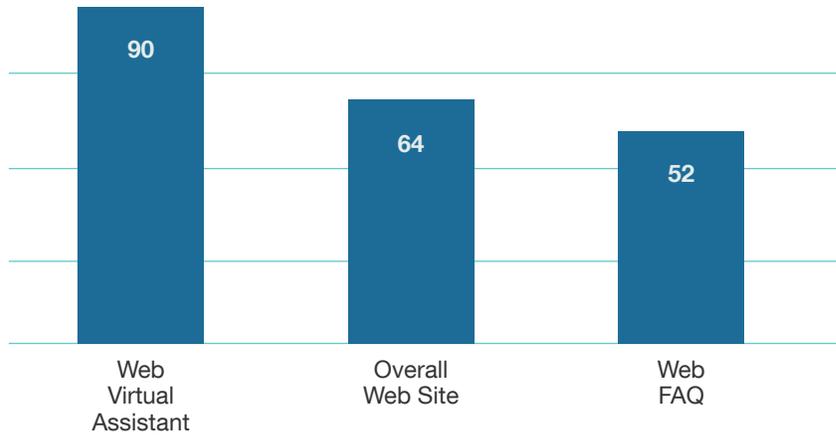
Due to the recent arrival of this technology within the FI context, the impact of virtual assistants on mobile apps is still being uncovered. For greater clarity on how mobile virtual assistants can impact consumer perceptions and behaviors, a parallel can be made with Web virtual assistants that have delivered value to organizations for several years now.

Learning from the Web

FIs, as well as organizations in other verticals, have been benefiting from virtual assistant technology on the Web for years. Although not speech-enabled for the most part, these Web virtual assistants enable consumers to ask questions and perform transactions using a natural language interface. Web virtual assistants deliver the same type of conversational interaction as mobile virtual assistants, but through text input. Research conducted by Interaction Experience in October 2013 found that the Web virtual assistant delivers an experience that people value far beyond a standard Web site, as showcased by the figures below.¹³

Beyond delivering a better experience, virtual assistants have proven to deliver up to double the conversion rates within e-commerce sites as standard Web interfaces, and contain between 20% and 30% of support queries within self-service delivering operational cost savings.

Standard Usability Survey Scores



83%

of consumers responded they prefer a two-way conversational interaction over a one-way interaction with technology.

Virtual assistants on the Web have proven that the conversational experience is valued by consumers, and works to replace functions that human employees traditionally performed in the past, such as advising and upselling customers on product and services and responding to support queries.

In effect, the experience with Web virtual assistants has demonstrated that the closer the interaction with technology mimics a human interaction, the better the business outcomes and the more favorably the experience is perceived by consumers.

Nina Virtual Assistant

Hi, I'm Nina, Sphere Bank's Intelligent Virtual Assistant. How can I help you?



I'm buying a new house, I need help choosing the best mortgage. Can you help? |

The Virtual Assistant as a Proxy for Human Conversation

The paradox with consumer expectations, especially those of younger generations, is the desire to perform tasks on their own via digital self-service channels, yet they also highly value a conversational, human-like interaction. In fact, 83% of consumers responded they prefer a two-way conversational interaction over a one-way interaction with technology.¹⁴ The problem is that most Web sites and mobile apps today deliver a static one-way interaction. Mobile apps and Web sites today expand on the experience first introduced by the ATM, however, consumers really want the interaction that exists when speaking to an advisor or a teller, without the inconvenience that these human interactions entail. Highlighting this expectation consumers spoke out about using virtual assistants during their participation in the Interaction Experience study:¹⁵

¹⁴ Research Now, 2013 – Conversational Interfaces Survey

¹⁵ Interaction Experience, 2013 - Nuance Nina Web Assistant Research Report



“Because it makes you feel like you’re not alone. Maybe that’s just me, but I like that, to know there’s somebody there. Even though I know it’s a computer. I know it’s crazy.”

“You have a human connection. You feel like your concerns are important.”

“It’s like, oh good, someone’s there to help me, you’re not alone. Makes it more personal.”

This is a key learning for FIs as they rethink how they interact with the Gen Z and Millennial generations. As these young adults increasingly turn to self-service on their smartphones, and have expectations to perform everything from opening an account to receiving financial advice through this device, the opportunity for a bank to initiate a relationship that establishes loyalty is entirely dependent on the mobile app experience. A virtual assistant acts as a proxy to the human interaction that exists

with branch employees or an event with a contact center agent. Traditional mobile banking apps deliver a static experience that leaves little opportunity to build a client relationship, and establish loyalty. A virtual assistant delivers that opportunity to establish loyalty, to express the brand’s attributes through a persona and differentiates the FIs from competitors.

How to Make it Happen

Nuance’s Nina solution delivers virtual assistant capabilities within banking mobile apps, as well as on banking Web sites. Nina is the only virtual assistant deployed within banking apps today, with implementations with innovative FIs such as USAA and Garanti Bank. Nuance is unique in its ability to deliver a consistent multichannel experience, and has extensive experience delivering self-service solutions to the financial services industry via IVR, mobile and Web.

About Nina

Nina is an intelligent multichannel virtual assistant; a digital persona who delivers personalized, effortless digital experiences via a human-like conversational interface. Nina can be the ambassador for your brand, the all-knowing guide to your content and the reassuring voice of your customer service organization. Deployed by customer experience leaders such as USAA and Coca Cola, Nina delivers business outcomes while surpassing consumer expectations for a conversational experience.

About Nuance Communications, Inc.

Nuance Communications is reinventing the relationship between people and technology. Through its voice and language offerings, the company is creating a more human conversation with the many systems, devices, electronics, apps and services around us. Every day, millions of people and thousands of businesses experience Nuance through intelligent systems that can listen, understand, learn and adapt to your life and your work. For more information, please visit nuance.com.
