A man in a dark suit is shown in profile, looking down at a smartphone he is holding with both hands. The phone screen displays a mobile banking interface with various icons and text. A large, semi-transparent blue rectangle is overlaid on the right side of the image, containing the title text. The background is blurred, showing what appears to be an office or cityscape at night with bokeh light effects.

Rise of conversational banking, transforming mobile client advice

Mobile is changing the way we interact

New communication technologies created new opportunities to interact differently with each other in many facets of our lives. While banks were quick to introduce mobile solutions for the retail segment, the transformation in their wealth management departments makes slower progress. But wealth management clients' expectations of digital services, shaped by their experiences outside banking, are on the rise. Relationship managers need the right tools to connect with clients on their preferred channels of communication.

The rise of mobile technology

Whenever a disruptive new communication technology sets out to conquer the market, it slowly begins to change the way people interact with each other. The telephone, fax, internet, e-mail and many more – their long-lasting impact has shaped the way society looks today. But nothing so far has had the potential to change our society as the rise of the mobile phone, particularly the more powerful version, the smartphone.

Mobile devices started a transformation of our daily life, so far unmatched. This transformation has lost none of its power and energy and continues to spread into all facets of our life that were previously dominated by physical interaction.

With the advancement of technology, the expectation and demand for a seamless digital customer experience also increased

Services, once considered an in-person activity, have been replaced by smartphone applications and have become an essential and accustomed convenience. Though financial institutions were quick in enabling their clients to use self-service products like payments in secure mobile banking apps, one of the services lagging behind in the transition to mobile is wealth management. Self-service products created a new digital customer experience and enhanced productivity for the retail banking sector, but the traditional wealth management advisory processes continued to be delivered

in physical meetings or other traditional communication channels. With the advancement of technology, the expectation and demand for a seamless digital customer experience also increased. Challenged by fully digital robo-advisors and fintech start-ups, traditional wealth managers are seeking ways to deliver the added value of their advisory in this new environment.

Conversational banking means clients are serviced through their preferred channels

This is where the idea of conversational banking started to develop. The concept aims to service the new generation of clients on their preferred channels, while still fulfilling the expectation of strict compliance and security. Conversational banking allows relationship managers to move from a sporadic exchange with their clients to an ongoing interaction. To keep up with the new intensity of communication, a set of AI-based analytic tools and natural language processing capabilities assist the relationship manager in detecting client intentions and to answer client questions.

This paper will highlight the development of mobile communication and why it is a must for wealth managers to engage with clients on those channels.

Executive summary

The rise of the smartphone and social messaging apps represent an opportunity for financial institutions to improve their wealth management client experience. To give the client the freedom of using their preferred channel of communication, relationship managers need a mobile workplace on their end to ensure convenience, availability and compliance , while delivering high-quality service.

Key take-aways

1

The rise of mobile technology

New communication technology has created new opportunities in how we interact with each other and increased expectations for how businesses, including financial institutions, connect with their clients. Financial institutions adopted many processes but have yet to catch up to the convenience smartphone applications to allow relationship managers (RMs) in wealth management to connect with their clients.

3

It's time to adapt processes to users, not the other way around

Clients have already seen the convenience of communicating with RMs through social messaging apps but now it's imperative that financial institutions create a safe and compliant environment for the client and relationship manager interaction, striving for the highest level of service.

2

The impact of text messaging and a new form of communication

As the functionality of the mobile phone improved, the SMS was an overwhelming success as a quick and efficient form of communication. Over the years, the high price tag of text messages made newer social messaging applications for smartphones more cost efficient as they could be used through an internet connection. Now, access to social messaging applications worldwide has grown exponentially and branched out to be an everyday communication tool to connect with friends, work and businesses including financial institutions.

4

The transformation to digital, personalized advice at scale

The digital shift to smartphones is not only a social transformation but a shift in our perception of mobile apps as on the go multitasking tools to handle daily business and personal activities.

5

Make relationship managers want to adopt

A financial institution wealth management app equipped with features to chat, the latest news and trends, securely check client information at a glance and implement daily tasks supported by artificial intelligence (AI) technology can improve customer service and drive RM client business.

The impact of text messaging and a new form of communication

The native characteristics of mobile phone text messaging ultimately conquered the landline and made way for smartphone social messaging applications. High prices made newer social messaging applications more cost efficient than text messaging. Today, access to social messaging applications worldwide continues to grow and has become an everyday communication tool to connect with friends, work and businesses including financial institutions.

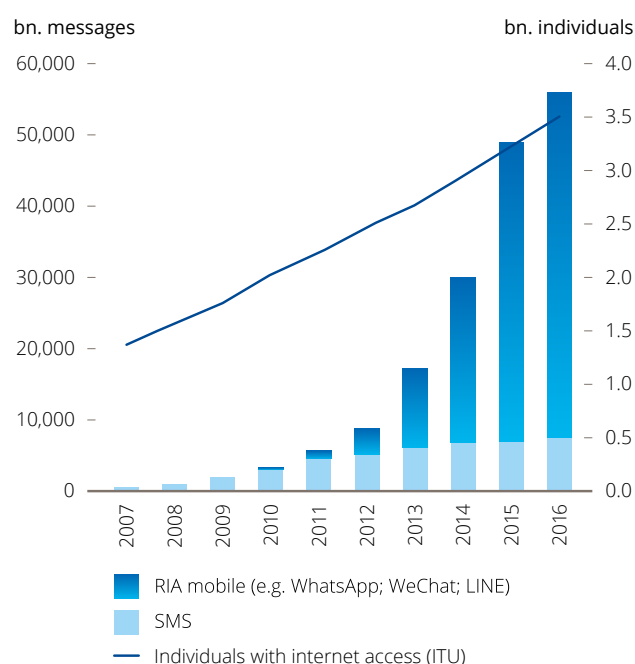
Digital communication changes also happened on a more molecular level. Thinking back a few decades, although a by-product of the emerging mobile phone industry, text messages seemed to conquer the market overnight. Service providers expected people to stick with phone calls mainly, which was still the only option to contact landlines. The advantages of texts though, are evident; short, informal communication on a channel that does not require both parties to be available at the same time. These texts turned out to be what the customers wanted and became a cash cow for service providers.

With the emergence of smartphones and mobile devices with an internet connection, this kind of interaction soon got replaced by its younger, cooler (and cheaper) brother – social messaging applications, such as WhatsApp, WeChat, Facebook Messenger or iMessage.

Social messaging applications created the next revolution of interaction and everyday convenience, growing expectations for businesses to keep up with the latest technology.

Figure 1

Use of texts stagnated once social messaging got established¹



With the rise of mobile phone usage in the early 2000s – as shown in figure 1 – the trend of SMS grew as fast as the spread of internet use and within 10 years, with the advancement of mobile phone software applications, social messaging apps began to dominate and ultimately overtake the SMS¹.

Today, classic text messages have diminished in relevance and are mainly used for automated client interaction, such as two-factor authentication, a short computer-generated message used as a security mechanism.

Just like text messages surpassed phone calls some time ago for short informal communication, so has social messaging apps surpassed text messages (and other services) today (as shown in figure 2).

Advantages of social messaging services

No barrier to entry:

- Free to use 24/7 and worldwide
- Easy to use

Critical mass:

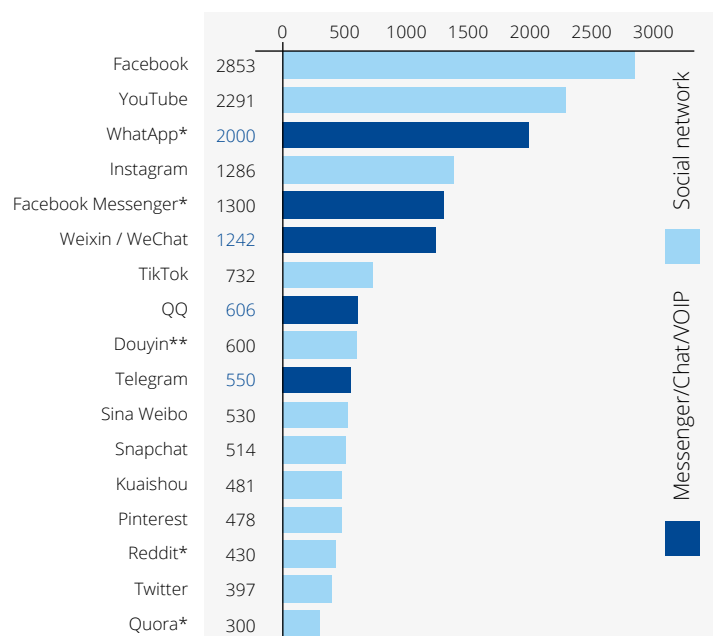
- All your friends use social messaging already

Pure text-based communication became optional:

- VoIP calls for interaction with people in a different country
- Video calls
- Sharing of videos, images, files and links
- Informal elements, such as Emojis and GIFs

Figure 2

Most popular social networks world wide
Monthly active users in millions, as per July 2021²



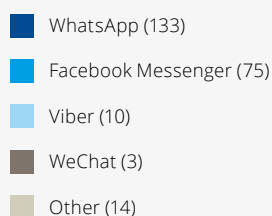
*Platforms have not published updated user figures in the past 12 months, figures may be out of date and less reliable

**Figure uses daily active users, so monthly active user number is likely higher

Figure 3

WhatsApp and Facebook Messenger dominate (Top social messengers around the world)³

As shown in figure 3, social messaging apps have reached all corners of the globe. The corresponding colours show which app has market dominance in a given region.



Source: Based on SimilarWeb's algorithm integrating current installs from the Google Play Store with active app users (December 2018).

Note: Figures in parentheses represent the number of countries/territories in which each platform is the top-ranked messenger app.

It's time to adapt processes to users, not the other way around

The convenience of social messaging applications has allowed communication between RMs and clients to enhance the client service experience. Unfortunately, social messaging applications are not created for highly confidential client personal and financial information. This puts the financial institution and the client in a perilous and unprotected situation - many compliance departments prohibited the use of social messaging for client communication. To bring convenience back in the client and RM communication, financial institutions should invest in a secure environment instead of banning social messaging from their client relationships.

Due to the convenience of smartphone social messaging applications, clients already communicate through social messaging apps with their RMs. That's not a big issue in itself since informal and instant communication is a sign of trust. The problem is that the RMs employer, be it a financial institution or a wealth management company, has no control over that channel. In addition, most financial institutions do not have clear guidelines on what may be communicated through that channel.

In order to address this challenge, the RMs endpoint should be embedded into the safe banking environment. This has the potential to solve two problems at once:

1. The connection is now secure from the client endpoint to the safe banking environment.
2. The financial institution or wealth manager keeps full control, transparency and auditability of the relationship managers interaction with the client.

Since the choice of communication channel usually is made by the client, financial institutions need to find a way to react to those needs. Therefore, social messaging apps must not be ignored since they offer a lot of benefits.

Global downloads of finance apps hit 3.4 Billion in 2018, up 75% from 2016⁵

Advantages of social messaging apps for financial institutions⁴:

- Support text AND voice-based bi-directional interaction
- Perfectly suited for long-lived sessions and easy interactions on the move
- Support one-to-one and many-to-many communications
- Natively AI-ready and can be easily integrated with cognitive engines (chatbots)
- Easy to access and natively integrated with social media (e.g. Facebook/Facebook Messenger).
- Emerging as the most popular type of app in the world

The pandemic and the absence of in-person meetings helped to speed up the adoption of new ways of communication in banking. A seamless digital experience became more important than ever to deliver the RM's expertise to the clients. But the pandemic was only the accelerator of an existing trend. Years ago, clients started to prefer digital channels for interaction with financial institutions, exemplified by global downloads of financial apps rising 75% from 2016 to 2018⁵.

The transformation to digital, personalized advice at scale

The digital shift to smartphones is not only a social transformation but a shift in our perception of mobile apps as on the go multitasking tools. It's never been easier to conduct a multitude of tasks through smartphone applications as they've been marketed as convenient, easy to access and secure. Secure self-service banking applications have been around for a while and now is the time to focus on wealth management and provide the same safe, secure and convenient digital advisory experience clients already expect from their financial institutions.

These new technologies had a revolutionary impact on our everyday life. Human interaction shifted more and more from real life to digital media. This is owed to several facts – see some of these to the right.

Though it may seem that consumers do not value personal service as much anymore, this does not mean they do not value personalized service. On the contrary, customers expect the collected data to be put to good use and improve one's digital experience.

Today, service is expected to be tailored to specific needs and requirements and be just as great as if talking to a long-standing customer advisor who invested the respective time into the client interaction.

Though it may seem that consumers do not value **personal service** as much anymore, this does not mean they do not value **personalized service**



Convenience

Digital means convenient; people value digital self-service capabilities; they are in control, and the service and feedback are instant. (e.g. changing your card pin in your banking app). The next evolutionary step would be to develop this channel to service and not only self-service capabilities.



Availability

Technology became an integral part of our life. Today, people cannot imagine their lives without a mobile device and always being connected. A mobile phone with an internet connection is as much part of today's world as a Walkman, or a newspaper was a few decades ago. A smartphone with an internet connection is not considered a luxury good anymore but has become a basic need.



Security/identification

The process for digital self-service usually is less painstaking and faster than walking into a branch or verifying one's identity via phone or mail.

Building trust through digital services means the clients must feel the service has not diminished in any way compared to a face-to-face meeting.

As much as a client understands that many things are automated today, wealthier clients still expect hyper-personalized care, direct contact and one face to the customer. As financial institutions are investing a lot to earn trust, double the effort has to be made to build the same level of trust through a digital channel, as opposed to a personal connection with “handshake quality”.

To be able to offer the same level of service and to build the same level of trust with a client, supporting technologies have to be used in order not to increase the workload of the individual client-facing employee.

The right balance of technology usage is of utmost importance. A client must not get the feeling that it is near impossible to get a real person on the line. To continue to satisfy clients’ demands, a balance between a certain level of human interaction and technology support may be the right mix.

It is essential financial institutions build specialized AI tools, invest in smart technology, ensure robust privacy protection, and develop trust and transparency with clients.⁴

This approach is supported by three important consumer and technology trends:

Three important consumer and technology trends

- Messaging is increasingly becoming the preferred customer contact point.
- Artificial intelligence is getting ready for B2C markets.
- Customers increasingly expect personalization and individualization.⁴

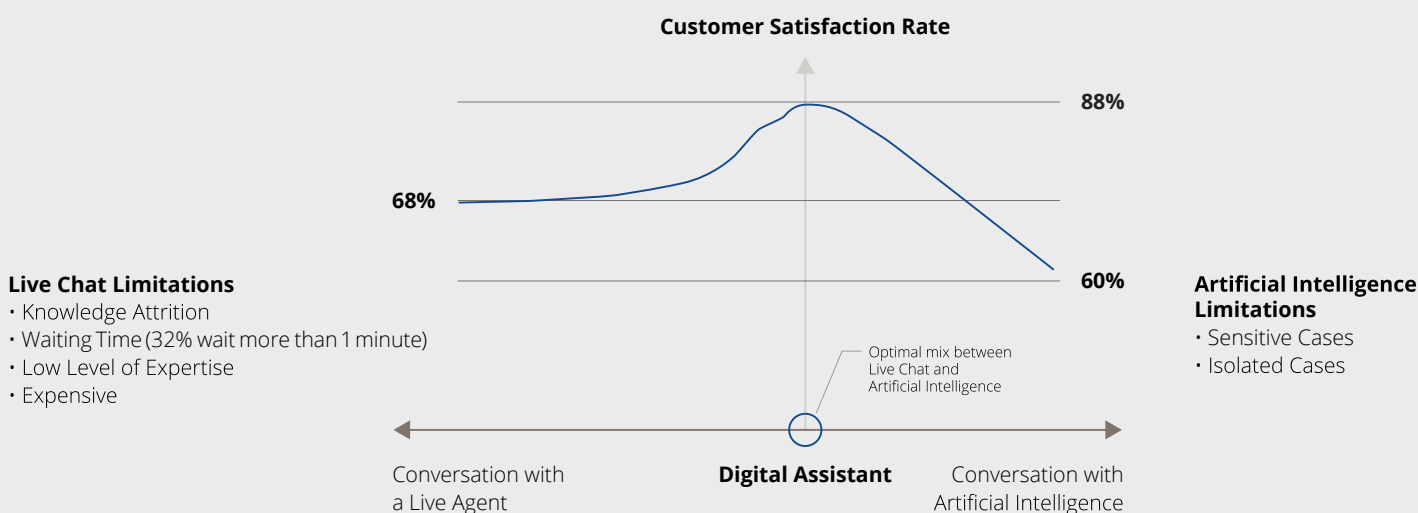
Especially in private banking and wealth management, keeping the right balance is highly important due to several factors, of which we want to focus on two specifically:

Value of a relationship manager: Clients need to clearly see the value added by relationship managers and their respective costs since more things can be done in self-service than ever before, such as placing trades. Whether this value is directly generated through the RMs actions or through a supporting artificial intelligence is of no relevance for the perceived value.

Fierce competition: Incumbents are under heavy attack from new market entrants, focusing on the new generation of wealth owners (digital natives). For this reason, competition is fierce and fought mainly through price, further reducing margins. Incumbent financial institutions either need to offer better service for the same price or need to become cheaper while maintaining their service level.

Figure 4

The balance between AI and human interaction impacts customer satisfaction⁴



Make Relationship Managers want to adopt

In today's world, the next step in wealth management for financial institutions is a social messaging application equipped with the features an RM needs to engage its clients: in-app chat feature, updates on the latest news, secure access to client information, and innovative AI technology to support on the go RM daily tasks.

In order to ensure RMs stick to the process defined by the company, make it the most convenient one for them. Nobody is going to win, if a compliant process is inconvenient and forces an employee to divert from the most efficient routine.

For RMs, their daily business is to interact with their clients and provide a tailored service to them, no matter the channel. Whether meeting their clients in person and being on the road most of the day or grooming the relationship via a social messaging channel, a native mobile app has the potential to offer several capabilities that cater to an RMs needs:



Built-in chat capabilities

Offering chat capabilities allows for convenient interaction with the client, while at the same time puts the RMs endpoint into the safe banking environment. This will allow for compliant advice through the appropriate channel, fully within the financial institutions' premises.



Client relationship management

All relevant client data has to be at hand while on the go – only one click away. Whether it's the clients' metadata, such as birthday or address, or their financial situation like their account balance or portfolio.



News & feeds

Relevant news has to be at hand, so they can easily be shared with clients. This communication channel can also be used by the financial institution to push a sellable item through the sales organization.



Artificial intelligence

A built-in NLP analysing the client interaction offers the next best action, supports the RM in their tasks and reduces tedious administrative tasks, such as initiating a KYC renewal or proposing the right account statements upon a client's request.

While the bulk of client interaction shifts towards a digital experience, in-person meetings remain irreplaceable. It is, therefore, of utmost importance to equip a relationship manager with the right tools to facilitate and ensure an

efficient, effective, compliant and value-adding interaction with their clients – whether they're working remotely or on the move – in public transportation, at the airport or between client meetings.

Contact and authors

Do you want to learn more details about conversational banking?
We welcome you to get in touch with one of our conversational banking experts. See contact information below.



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Our solutions and services bring simplicity to financial institutions and wealth managers every day. As a leader in financial software, services and digital technology, we provide the platforms and services financial institutions need to enhance efficiencies and foster exceptional relationships.

Avaloq software and digital banking solutions



Avaloq service and delivery models



Avaloq Engage App

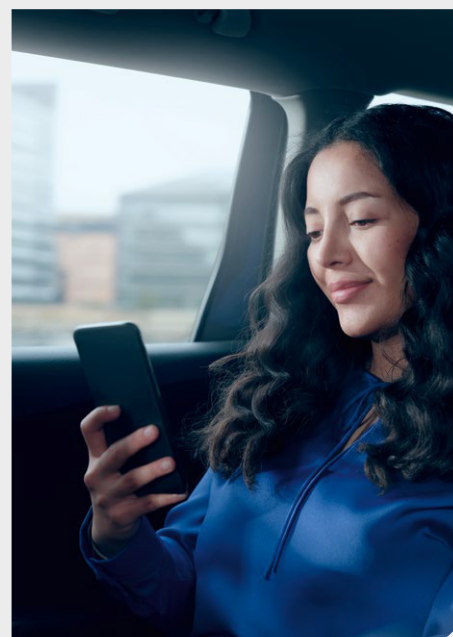
Provide excellent service on the go

Avaloq is introducing the conversational experience application, Avaloq Engage, mid-2020. It allows RMs to stay present and relevant in clients' everyday life through their preferred form of engagement. A social messaging application built to nurture today's client expectations and build meaningful efficient interactions.

Avaloq Engage benefits:

- easy-to-use
- in-app search assistant
- client management
- news and content provision
- client intent detection

If you want to learn more about Avaloq Engage visit www.avaloq.com/avaloq-engage.



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