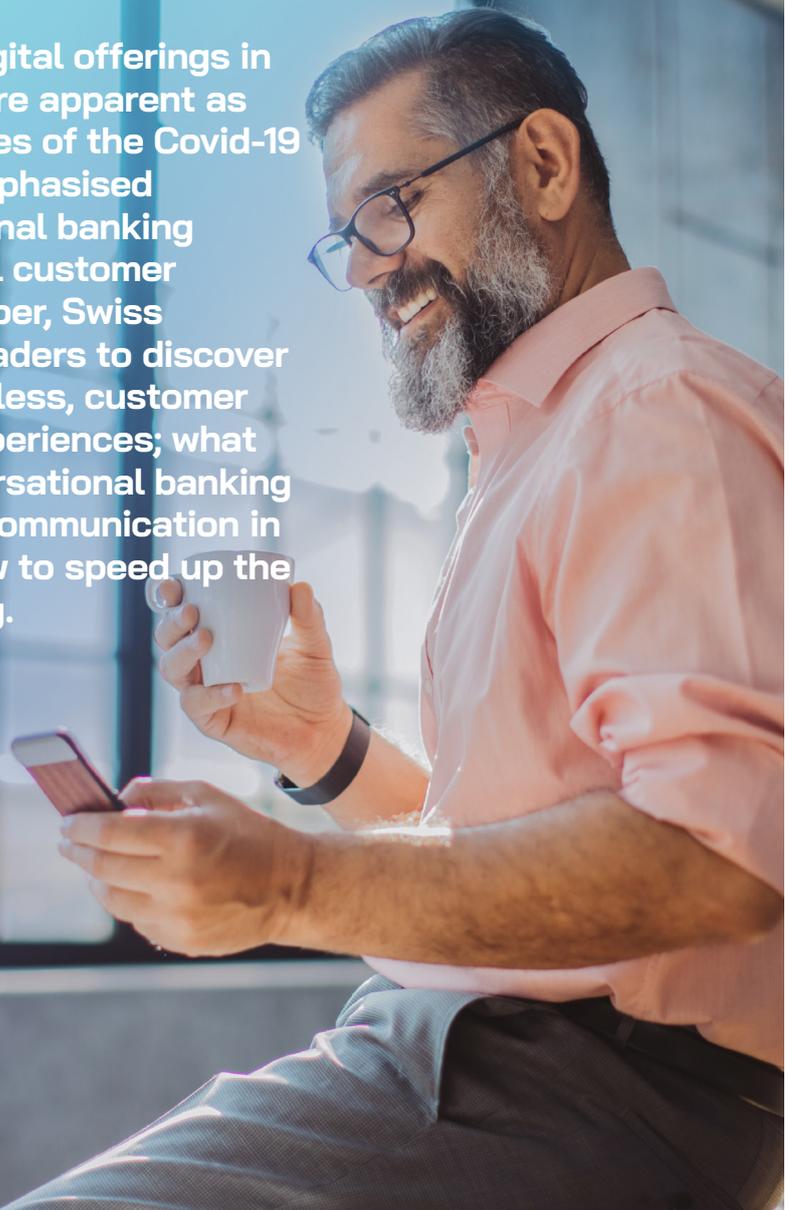


Conversational Banking

Engage Customers Using Trusted Mobile Communication

The importance of holistic digital offerings in banking is becoming ever more apparent as the world remains in the throes of the Covid-19 pandemic, which has only emphasised the case for why conversational banking is the game changer in digital customer engagement. In this white paper, Swiss FinTech CREALOGIX helps readers to discover how to create relevant, seamless, customer and context-specific user experiences; what the success factors in conversational banking are; how to boost proactive communication in investment advisory; and how to speed up the process of property financing.



EXECUTIVE SUMMARY

Around the world, text, voice and video-based messaging has replaced e-mail and the telephone as the most important digital form of communication. For banks, messaging channels are becoming the de facto way of interacting with their customers and, strategically, it's important they integrate them into their digital offerings.

Conversational banking enables financial institutions to go beyond just offering convenient 24/7 online and mobile banking services; it now enables personal interactions between the bank and its customers. As a result, banks can establish an emotional connection with their customers in digital banking, reinforce the customer-advisor relationship and strengthen customer trust in the bank.

Conversational banking helps financial institutions set themselves apart from their competition; it allows them to develop an individual and adaptable range of services and create relevant, seamless, customer and context-specific user experiences.

Using a SaaS-based solution, an institution can go live with the first set of conversational features at minimal cost and within a very short timeframe, and then gradually roll out conversational banking across the organisation.

Conversational banking offers the biggest advantages when new communication channels are coordinated centrally and integrated seamlessly into the entire digital banking process, and when customers see value in every conversation they have with the bank.

THE FUTURE IS CONVERSATIONAL

Messaging is the new form of digital communication: While e-mail and the telephone have been the dominant means of communication until recently, communication behaviour across all user groups is

increasingly seeing more usage of text, voice or video-based messaging. With 2 billion active users of WhatsApp, 1.3 billion users of Facebook Messenger and 1.2 billion users of WeChat (as of July 2020)¹, the numbers speak for themselves.

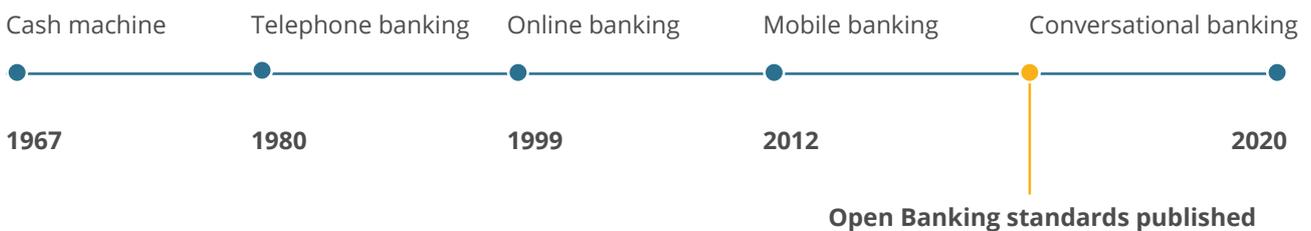
The question **“Why do we need conversational banking when we already have online banking?”** is just like asking **“Why do we need WhatsApp when we already have email?”**

The significance of this trend for the financial industry cannot be overestimated; messaging makes digital communication between the customer and advisor more diverse and flexible than ever before. Never has it been easier for bank customers to contact their advisor, nor has the customer had such a high degree of control over communication, nor has digital banking been as personal as it is today.

This new reality of digital communication signifies a new paradigm in customer interaction for financial institutions. It's called conversational banking. Conversational banking represents all the ways a bank can digitally interact with their customers using messaging platforms and text, voice and video-based dialogue with both human and virtual support.

PERSONAL CUSTOMER RELATIONS IN THE DIGITAL WORLD

Conversational banking allows financial institutions to close the loop in their existing digital banking services. This is because previous digital initiatives were primarily aimed at simplifying everyday banking tasks and increasing the number of customer transactions, and the human interaction element between the customer and advisor was often overlooked. Now, conversational banking places the focus on the personal relationship between the client and their bank, creating a feeling of trust, security and understanding – banks need to understand this if they are to establish and develop good advisory relationships.



Conversational Banking: A new paradigm in customer interaction

¹Source: <https://www.statista.com/statistics/258749/most-popular-global-mobile-messenger-apps/>

BANK CUSTOMERS' EXPECTATIONS HAVE CHANGED

While customers naturally expect their bank to offer new ways of interacting in the way they have come to know and appreciate in their everyday lives, financial institutions often lack a holistic, integrated concept. At present, banks still make the mistake of advertising products instead of having relevant conversations with their customers. They create point solutions where they would have to provide integrated, communicative offers from a single source. And all too often, banks are currently still focused on optimising internal processes rather than on improving customer advisory services. Now, in the wake of COVID-19, bank customers' expectations have changed; they expect financial institutions to improve the digital user experience even more than before. Conversational banking is the approach they need to achieve this goal.

SUCCESS FACTORS IN CONVERSATIONAL BANKING

Using the right platform architecture

The platform architecture determines the success or failure of conversational banking. Popular messaging services such as WhatsApp, WeChat or Facebook Messenger appeal to banks because of their enormous reach. However, in their standard configuration, these platforms are unsuitable for banks given financial sector requirements (sensitive data, regulations etc.). Communication takes place either via an insecure cloud service or using end-to-end encryption, which makes it impossible to document the conversation, which is a regulatory requirement for banks.

If these popular messaging services are developed into a business solution using Business APIs (as in the case of WhatsApp Business), various interesting use cases become possible, for example customer onboarding or offering customer support in retail banking. However, it is difficult to develop the customer relationship using these channels because the customer cannot contact specific people within a bank directly - such as his or her personal advisor. Financial institutions should therefore consider messaging services such as WhatsApp as an interesting add-on to their conversational banking architecture but should not rely solely on it.

Another type of messaging includes enterprise solutions such as ThreemaWork. These solutions only allow peer-to-peer communication and are therefore also unsuitable for a bank. Push messaging solutions such as Entersekt and Gemalto should only be considered as an add-on to a conversational banking infrastructure.

In order to exploit the full potential of conversational banking, banks must therefore rely on a proprietary solution that is tailored to the requirements of the financial industry. Proprietary conversational banking solutions adapt the interfaces and communication logic of popular messaging platforms so they may be used securely in a banking environment. An institution's mobile banking app can act as a container for the conversation between the bank and customer, creating a secure environment that complies with banking standards. If public messaging services are also connected via Business APIs, the bank can start a conversation on a public channel and conclude it via its proprietary messaging service.

Integrating messaging into digital banking

A bank can only maximise the full potential of conversational banking when conversational banking is integrated into its front-end ecosystem and requests generated via a messenger can be processed using the same system. However, it is precisely in this respect, where previous conversational initiatives continue to fail. For example, while banks can quickly roll out an online mortgage service or offer a robo-advisor to help with investments, such stand-alone services do not allow banks to cross-sell or upsell other services because customers lack a complete view. The customer experience suffers when customers have to take action themselves and switch between different applications. A successful conversational banking solution must therefore be orchestrated via a central platform.

Starting small, scaling quickly

The messaging revolution is in full swing. This makes the time-to-market of a conversational banking solution for a bank a determining factor for success. Implementation in the form of a Software-as-a-Service (SaaS) solution offers the advantage of being able to start conversational banking quickly and cost-effectively and to deliver tangible improvements for customers in a very short time. Since a SaaS solution does away with the time-consuming installation and operation of own systems, institutions can often go live with their first conversational features within a few weeks. Conversational banking can be implemented in a small, manageable pilot project and, if successful, it can be rolled out quickly and more widely across the organisation. Starting with a basic offering that is kept simple, institutions can gradually expand their conversational banking offering - in terms of automating conversations, giving access to existing bank data, payment transactions

 Benefits for the bank	 Benefits for the customer
 Using the right touchpoints With conversational banking, banks can communicate with their customers on platforms they already use day-to-day and seamlessly complete conversations on a secure proprietary messaging platform.	 Context-specific communication In conversational banking, the approach to prospective and existing customers is tailored to their needs. Customers receive the right information and offers at the right time.
 Acquiring new customer groups Because conversational banking is simpler and more intuitive than any other form of digital banking, it not only serves millennials who are used to messaging, but also digital sceptics who previously preferred visiting their branch to online banking.	 Personal advice services redefined Conversational banking allows personal interactions to happen across digital channels. Customers receive the right advice when they need it - even outside branch opening hours.
 Advisors become more efficient Whereas in traditional customer advisory services over the telephone, only one customer can be addressed at a time, in conversational banking one advisor can provide tailored advice to several customers at the same time.	 Optimal user experience Due to the serial nature of communication in conversational banking, customers can decide for themselves whether, when and how they wish to communicate with their bank.
 Higher conversion rates Since conversational banking is always geared towards a specific usage context, advisors can create added value for their clients in every conversation, and therefore maximise opportunities to cross-sell and upsell.	 Get better advice more quickly Straightforward communication in conversational banking leads to quicker flows of information and bank customers are more willing to contact their advisor.
 Compliance with regulatory requirements Implemented correctly, conversational banking meets all regulatory requirements, allows all conversations to be documented and meets the highest data security standards.	 Banking for the mobile age Conversational banking is completely adapted to the usage patterns of the modern mobile banking customer and therefore offers convenient "banking on-the-go".

Conversational banking: a win-win for banks and their clients

Type of messenger	Examples	Characteristics	Suitability
Public messaging service	WhatsApp, Threema, Viber, WeChat, Signal, Telegram, ...	Communication takes place via non-secure cloud services or via end-to-end encryption. Conversations cannot be documented, which is a regulatory requirement.	Unsuitable
Public messaging service business API	WhatsApp Business, WeChat Business, ...	Company is present on the platform, but users cannot contact specific people within the organization	Add-on for onboarding and customer support, additional software required (different providers)
Enterprise messaging service	ThreemaWork, Secure PIM, ...	Peer-to-peer communication, no ability for agents to manage multiple conversations	Unsuitable
Conversational banking	CREALOGIX, SecuChat, Unblu, Ubitec, Flowable, ...	Agent desk available, data protection, audit trail	Perfect
Push messaging	Entersekt, Gemalto	Solutions based on push messages	Add-on for other channels

Conversational banking: a win-win for banks and their clients

etc. - to fully integrating it with other systems used by the bank.

Building out the offer in a flexible way

Bank customers’ expectations and usage preferences are changing faster than ever before. To be successful in the long term, it is crucial that financial institutions implement conversational banking on a flexible platform that can be enhanced with additional content and new offers. In retail banking, for example, this could be the integration of a real estate portal that allows prospective buyers to view real estate offers within their mobile banking app and allows their bank to make them a loan offer for a specific property. In Private Banking, stock market news or market analysis can be linked to a bank’s messaging offering which would allow customers to interact with their bank in a context-specific way. Consequently, a bank can define an individual service offering in

conversational banking and, as a service orchestrator, implement an open banking strategy.

Using man and machine to meet goals

The question of whether to implement conversational banking using a chat bot or a human advisor should always be answered in relation to a specific application scenario, the customer segment that is being addressed and the objective at hand. Conversational AI can help obtain the information a bank requires from an interested party and automate simple customer conversations. The bank customer should always be able to see clearly whether there is a human or a machine at the other end, and should also be able to switch between the two forms of communication themselves.

Providing the right impetus

While traditional online banking was aimed at making information easily accessible to customers and



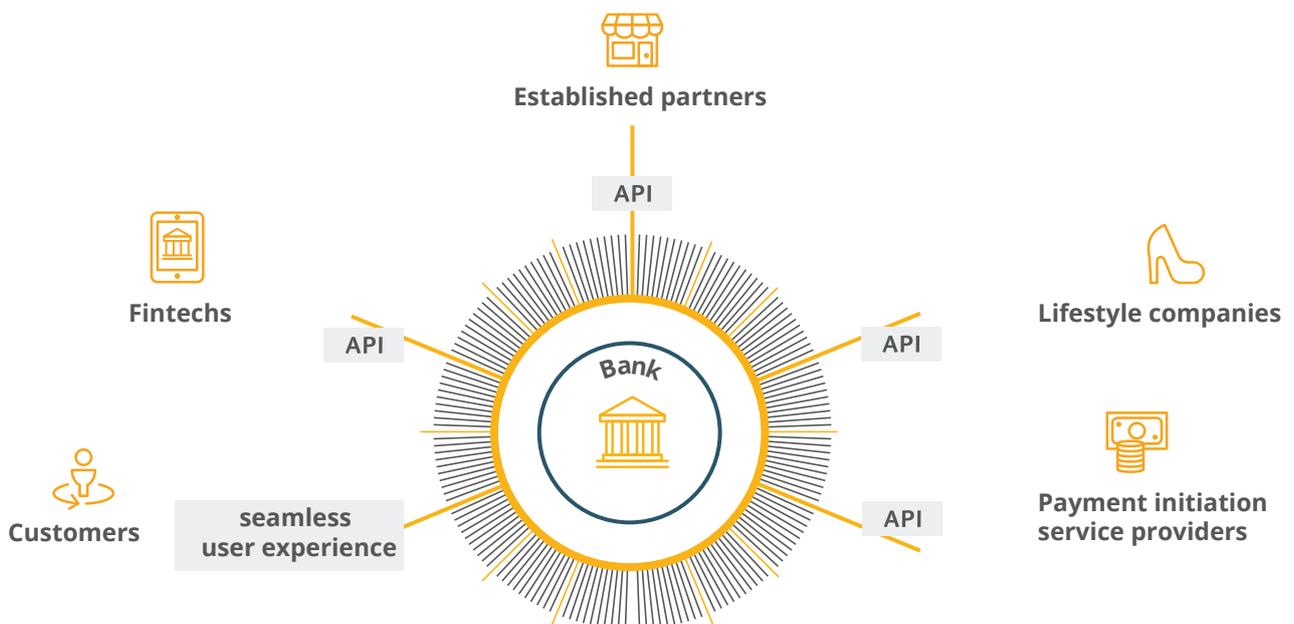
- Start the conversation on any public channel (e.g. WhatsApp, Banking App)
- Bot-supported question catalogue
- Clarification of questions by human advisor
- In-App identification (eID)
- Negotiation of conditions
- Digitally signing of contracts (QES)
- Communication throughout the business process
- Further development of the customer relationship

Seamless communication across multiple platforms

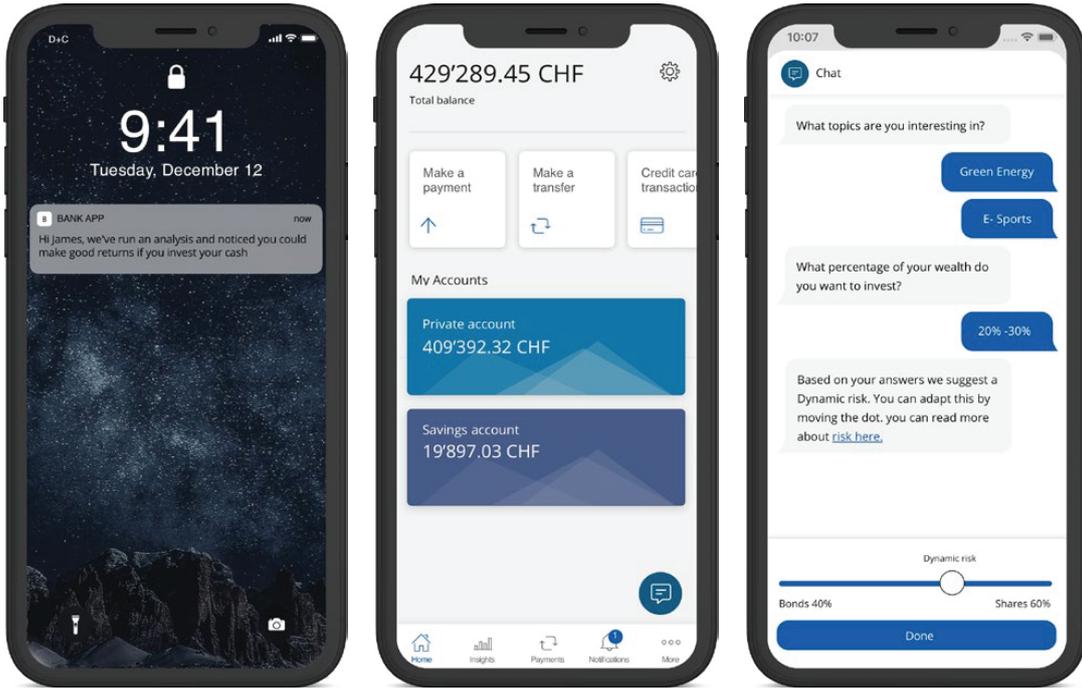
simplifying financial transactions, in conversational banking, the focus is on providing individual advice and maintaining relationships. The aim is to make every conversation deliver value to the customer. By approaching customers with relevant information and interesting and useful offers, a bank can build trust and strengthen customer relationships.

PROACTIVE COMMUNICATION WHEN GIVING INVESTMENT ADVICE

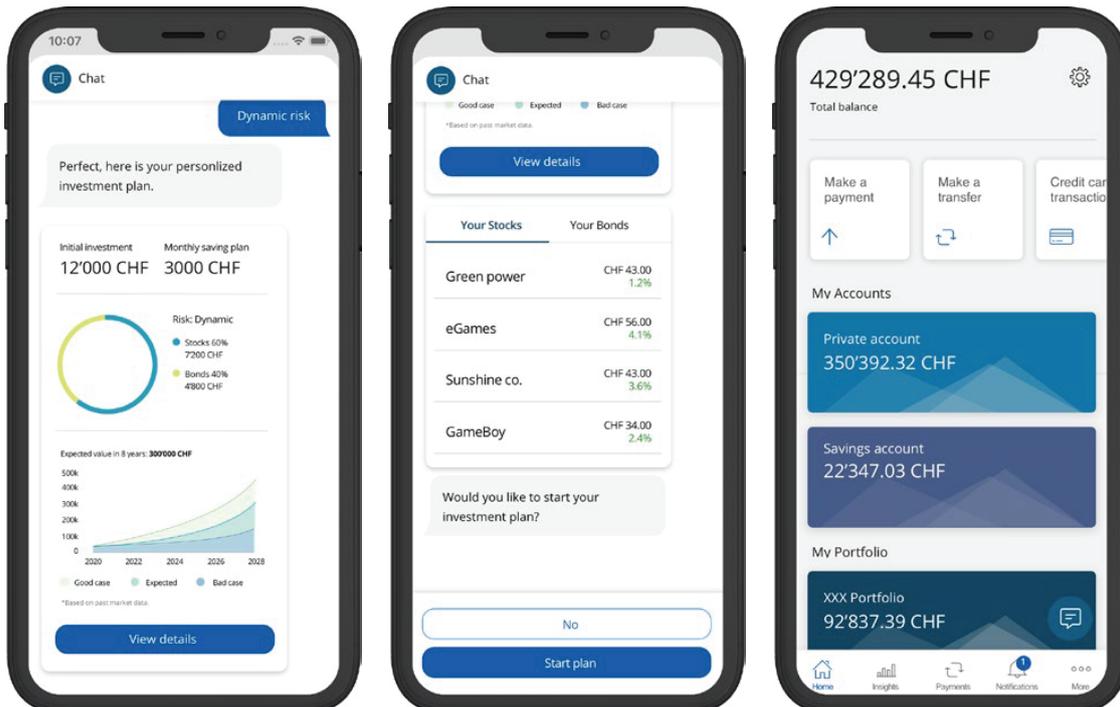
In private banking, the business relationship centres on trust and personal relationship between bank advisors and their customers. So far, a customer and consultant would use the phone to talk but conversational banking now



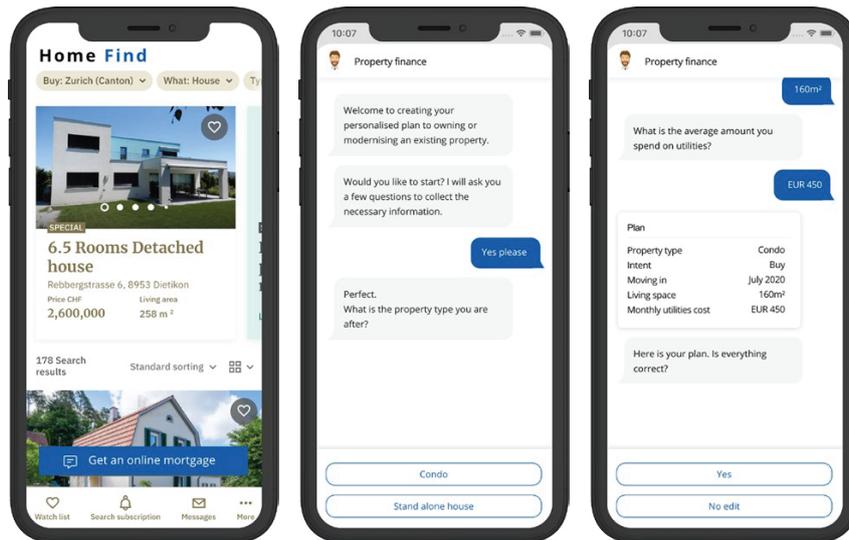
The Bank as a service orchestrator



builds on the direct method of a phone call by offering an unobtrusive and simple method of communication that is both personal and digital at the same time. It also gives the customer the freedom to decide whether, when and how they would like to respond to the advice they receive. A good use case of conversational banking when tending to affluent customers is the provision of investment advice, where automation and personal advice go hand in hand. For example, an advisor can send a chat message with details of a specific investment opportunity to a defined group of customers. Once they receive the proposal as a push message on their smartphone, customers then have the option of contacting their advisor directly via conversational banking to ask questions. Should a customer decide to act on the offer, they can confirm the trade in the chat platform, and when integrated into mobile banking, the trade can be also be triggered directly.

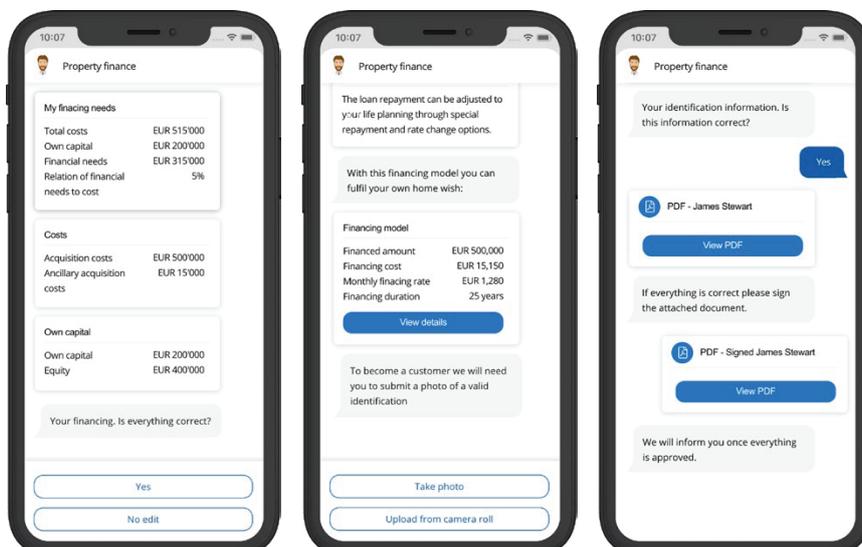


The entire conversation is documented, and the advisor can provide the customer with a protocol of the meeting, which the customer can confirm and save as a PDF. Even if the conversation between the advisor and customer changes from a text to a voice or video-based format, complete documentation is guaranteed. Voice and video conversations can not only be recorded, but also transcribed using speech-to-text technology. This means that the entire conversation between the customer and advisor can be searched, regardless of the manner in which it was conducted. Such a continuous process from giving advice to concluding a sale not only gives a bank higher conversion rates, but the individual advisor also becomes much more efficient. Unlike when using the phone, an advisor can have several individual conversations at the same time and therefore reach more customers in a much simpler way than before.



Process acceleration in real estate financing

Whether it's onboarding new customers, managing support requests or communicating with existing customers, conversational banking is relevant in retail banking throughout the entire customer lifecycle. An interesting conversational banking use case in retail banking is accompanying a property buyer from the initial idea of purchasing a house through to the conclusion of a mortgage application. So far, many banks have made finance calculators available on their website, which prospective buyers can use to receive a proposal and then use data to ascertain whether a property is financially viable. The problem with this approach is that interested parties cannot



seamlessly continue the interaction they have started with the bank and receive a binding offer that can be concluded directly.

In a conversational banking scenario, the process is different: Here the chat incorporates the bank's interaction with the interested party, be it automated via a bot or as personal advice from a human. If the bank has all the necessary information, the customer receives a binding offer (in the form of a PDF) within the chat. If the person interested in financing is not yet a customer of the bank, they can identify themselves using online identification. Should the customer accept the bank's offer, they can conclude the loan agreement with an electronic signature. In this conversational banking use case, those interested in financing can remain in the same channel from the first point of contact to concluding the mortgage application. Moreover, conversations that were started via a bot in a public messaging service such as WhatsApp can be continued seamlessly via a bank's proprietary messaging solution and brought to a conclusion with the help of a human advisor.

CREALOGIX CONVERSATIONAL: THE EASY ROUTE TO CONVERSATIONAL BANKING

With CREALOGIX Conversational, financial institutions can start conversational banking quickly and easily. Using a secure mobile channel, CREALOGIX Conversational enables a fully integrated communication process between the bank and the customer, for example in order to propose investments or share details about recent developments. The use of push technology, a chat user interface and other functions such as electronic signatures or WhatsApp for Business integration create new possibilities for a bank to interact with its customers.

Independent SaaS solution that delivers an integrated customer loyalty experience

As a software-as-a-service solution, banks can implement CREALOGIX Conversational easily and cost-effectively, and they can also integrate it into existing IT infrastructures. The solution includes a mobile app that can be branded and built out with more content. ■

The CREALOGIX Group

The CREALOGIX Group is a Swiss FinTech Top 100 company and a global market leader in digital banking. The firm develops and implements innovative FinTech solutions for the digital bank of tomorrow. With its solutions, banks respond to changing customer needs in the field of digitisation in order to assert themselves in an extremely demanding and dynamic market and to ensure they stay one step ahead of the competition.

