Using Voice Self-Service to Enhance the Retail Banking Experience

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I. Executive Summary

Retail banks and credit card organizations have continuously pushed the boundaries of technical innovation. Now, as they strive to overcome the challenges of recent years, they must rebuild their image by delivering a superior level of service and demonstrating their financial stability. These two goals conflict, as "wowing" customers generally requires substantial expense while financial stability and a conservative risk profile depend upon frugality. The winners will be the institutions that deliver creative and innovative, but cost-effective, solutions that exceed customer expectations at the same time as they reduce operating expenses. For contact centers, this clearly means a renewed focus on investment in self-service solutions that prioritize customer needs. Innovative voice self-service technologies and related analytics and optimization best practices are delivering the tools. Banks that make the right investments will come out ahead in the area of customer perception and profitability.

II. Tumultuous Banking Environment Creates Servicing Opportunities

Banks are struggling with new realities and regulatory burdens. As they strive to rebuild consumer confidence, delivering a consistently outstanding customer experience is a fundamental requirement. However, they are also under great pressure to reduce their operating expenses so that they have more money available for traditional banking activities, investing in safe assets and making conservative loans.

Consumer relationships with financial institutions have changed. Call and interaction volumes have increased in most retail banking activities, account servicing, branch banking, credit cards and mortgage servicing. Hard-pressed consumers are managing their funds and loans much more actively than ever before. Changes in regulations for credit and debit cards and tougher standards for mortgages are driving an influx of customer inquiries and complaints.

Enterprise and contact center leaders are looking to voice self-service solutions to help meet their aggressive goals. Most retail banks and credit card companies have been using interactive voice response (IVR) systems for years. They assumed that the IVR would automate 45% to 85% of their calls. And it did. But the nature of calls is changing and, therefore, so must IVRs. Four critical areas where IVRs can make major contributions are:

1. Providing an outstanding customer experience
2. Increasing voice self-service adoption and automation rates
3. Improving the effectiveness of collections
4. Reducing fraud loss and risk

Enhancements in IVR, speech recognition and analytics technology and applications are giving managers plenty of new opportunities to dramatically increase automation rates and improve the customer experience. The underlying voice self-service technologies are better than ever. Success in using them depends upon how they are designed, implemented and marketed.

III. The Interrelationship between Self-Service and an Outstanding Customer Experience

There is a misunderstanding in some highly traditional financial services organizations that customers prefer not to use self-service solutions. The truth is that regardless of the generation, from Depression babies to the iPod crowd, the vast majority of consumers welcome any technology or application that helps them do what they want more quickly and/or enriches their lives. Although call automation is not for everyone, technologies such as the iPhone have dramatically and lastingly altered the global perception of mobile and speech-enabled applications.

Recently, some of the most conservative financial services companies have realized that voice self-service and advanced call routing applications can enhance the customer experience while helping to build their brand. The key to success is empowering customers to control their own servicing destiny; if they want a live agent, make it easy for them to access one whether using an inbound or outbound IVR.

Today, the majority of retail banks and credit card companies are already using IVRs to automate anywhere from 40% to 75% of their incoming calls. The disparity in these numbers reflects the opportunity to improve IVR utilization in many institutions. While the numbers vary by organization, an increase of as little as 1% in the IVR automation rate will likely save a large retail bank at least $250K in expenses per year. [1]

[1] See the Speech Recognition ROI Model on page 50 of the book, *The Real-Time Contact Center*, by Donna Fluss, to learn how to calculate the potential benefits and payback.

IVRs are used primarily to give information to customers about account balances, status, cash or credit availability, payments, etc. Some organizations allow customers to request document copies, although pointing them to a Website should be the first step. More sophisticated enterprises allow customers to use IVRs to conduct transactions, including payments, transfers, credit line increases, address changes and reporting lost/stolen cards. Change of address is an ideal IVR interaction, but some banks do not want to make this feature available because of security concerns. The use of voice biometrics, a form of voice printing to verify callers, would address this concern and even reduce the number of fraudulent address changes that get past agents. Voice biometrics is used in other parts of banks, insurance companies and home shopping networks, but is still in the pilot phase for retail banks and credit card companies. The benefits are clear; the challenge is to implement the voice printing "sign-up" process for a large consumer base with millions of customers.

Here are a few additional ways to use IVRs to improve service and the bottom line:

1. Offer IVR support when live agents are unavailable.
2. Use virtual hold technology to let customers know how long they are going to wait in queue. Use this time to present customers with customized offerings.
3. Invite customers to request a call back at a specific time and phone number.
4. Use IVRs to give high-value callers options for how they want to be helped.
5. Route premium customers to highly rated agents.
6. Use IVR to route low-value customers to offshore locations.
7. Use outbound IVR proactively to show customers that you are dedicated to them and/or to eliminate the need for a more expensive inbound call.

IV. Increasing Voice Self-Service Adoption and Automation Rates

IVRs are the most important productivity tools for delivering retail banking customer service. Unfortunately, most IVRs do not come close to reaching their potential because the institution does not have the IT and business resources to dedicate to the critically important task of IVR optimization. Below are some best practices of leading IVR users, those who have the highest automation rates and deliver outstanding customer service:

1. Review and enhance the IVR's performance and effectiveness on a monthly basis.
2. Dedicate a team of IT and business resources to manage the IVR.
3. Use IVR and speech scripting experts with vertical domain expertise to build and optimize scripts and voice user interfaces (VUIs).
4. Do not give customers too many IVR choices in any one menu.
5. Develop IVR code with trackers to capture all places where customers get stuck and hang up or request live agent assistance.
6. Ensure that IVRs are seamlessly integrated with the contact center infrastructure so that calls are not dropped and are transferred where expected.
7. Ensure that the IVR has the capacity to handle call spikes.
8. Survey and listen to customers, and give them what they ask for in the IVR.
9. Constantly work with agents to evaluate customer feedback to identify additional activities that can be automated using the IVR.
10. Carefully monitor actionable KPIs and reports that enable managers to rapidly identify trends and take action.
11. Ensure that all self-service channels, particularly IVRs and Web self-service, are aligned and provide the same information as agents.
12. Transfer caller information from the IVR to the agent so that customers won't have to repeat themselves; use information collected in the IVR to help agents deliver a customized and high-value experience.
13. Train and encourage agents to use self-service solutions so that they are comfortable helping customers with these tools and can continuously monitor system performance.

These are just a few of the proven industry best practices, and they make it clear that being "best in class" requires a culture dedicated to high-quality service and ongoing performance improvement. Many of these same tactics result in clearly superior agent performance. And very importantly, continuous IVR improvement programs pay for themselves many times over.

Lack of IT resources is no longer an acceptable or financially responsible excuse for neglecting an IVR. As of the end of 2009, hosted/software-as-a-service/cloud-based IVR solutions accounted for approximately 60% of all IVR activity, and this proportion is growing. Hosting is a highly secure and convenient way to acquire IVR functionality and capacity. Hosting providers also offer the vertical expertise required to realize immediate benefits.

Case Study: Optimizing IVR Applications Improves Utilization and Reduces Costs

A credit card issuer that handles more than 22 million calls monthly wanted to improve the effectiveness of their self-service solution, which had been installed five years prior. They hired consultants to identify ways to increase utilization and optimize the performance of their current voice self-service application. After a careful critique, they decided to add speech recognition and a number of new functions, including arranging and making payments, address changes, reporting lost/stolen cards and card activations. The combination of speech enablement supported by an improved script and new functionality increased customer satisfaction with the system by 30%, while call duration was reduced by 54%. The benefits were huge and far-reaching – the speech enablement yielded a 3% increase in containment and had an ROI of 18 months. The card activation application paid for itself in less than 8 months. Also, the credit card company was able to re-assign ten collectors to higher-value activities.

V. Improving Collections Effectiveness

Not surprisingly, the collections industry has grown rapidly during the recession. DMG expects this industry to continue to expand through 2013 as consumers struggle to recover from the impact of the severe economic downturn.

Collections may not be a well-respected profession, but it is a necessary function for any bank that makes consumer and/or credit card loans. Despite an awareness that the amount of dollars collected is highly influenced by best practices, particularly in early stage situations, many organizations have yet to make appropriate investments in technology and analytics for their collections groups.

The two primary productivity tools used by collections groups are outbound dialers and IVRs. Banks and collection agencies have recently started to make significant investments in multi-channel, interactive IVRs, as they have proven to be highly effective systems for contacting customers, accepting payments and achieving promise-to-pay commitments. Additionally, IVRs are being used on both an inbound and outbound basis to intelligently route callers to collectors who can help them (or convince them) to meet their obligations.

Here's a list of functional requirements for IVRs used by collections organizations:

1. Must support inbound and outbound traffic
2. Must process a variety of payment and account transfer types
3. Must handle and process promise-to-pay commitments
4. Must interact with customers in their language of choice (within reason)
5. Must allow customers to request and transfer to live agents
6. Must be able to analyze customer value and route calls to appropriate individuals (high-end customers may need to be handled differently)
7. Must share current customer information with agents when a call is transferred
8. Must deliver personalized scripts that address the needs of each caller
9. Must support multi-channel outbound communications/notifications, including calls, SMS, emails and faxes
10. Must recognize answering machines and leave appropriate messages
11. On an inbound basis, must be able to identify customers who are either at risk or are already delinquent and transfer them to an appropriate individual to assist them
12. Must use touch-tone and speech recognition and come with a highly flexible application development environment
13. Must have an easy-to-use environment for accepting and processing file feeds
14. Must offer highly-flexible pre-packaged solutions
15. Must offer standard and highly customizable reporting and analytics

Outbound IVR activity is the fastest growing technology sector in the contact center market today, and collections accounts for most of this activity. DMG strongly suggests that any organization that has not upgraded its IVR platform in the last three years should take a look at the new generation of inbound/outbound multi-channel and highly interactive IVR solutions. Even if an investment was made as recently as three years ago, a more capable IVR platform will likely yield a 6 - 9 month payback, as long as collections best practices are followed.

VI. Reducing Fraud and Risk

Losses from credit card fraud add up to billions of dollars annually. The credit card associations and their issuing institutions invest millions of dollars a year to reduce these losses. The problem is that as soon as they identify and shut down one fraudulent scheme, generally with the support of federal agencies, many others pop up. To meet this challenge, credit card issuers and merchants need tools to identify the early warning signals of fraud so that they can prevent and mitigate related losses.

IVRs are one of the most effective front-line fraud prevention tools. Their primary use is account verification. Thieves who steal credit or debit cards often call immediately to determine the amount available on a card. They also try to get agents to give them more of the account holder's personal information, which they use to evade merchants' fraud detection procedures. While clever thieves can and do intimidate agents, they cannot influence an IVR. When too many account verification attempts are made on a card number in a given time period, well-designed IVRs automatically transfer callers to the fraud department so that investigators can ensure that it's really the card or account holder on the line.

The inbound uses of IVR for fraud prevention and detection are still maturing. Today the primary inbound use is account activation, which is where card holders are asked to call in and activate a new credit or debt card. This process gives issuers an opportunity to identify cards stolen in the mail before they can be used. Another way inbound IVRs can be used is to monitor "flagged" accounts; this process can be used in conjunction with law enforcement to help identify and arrest perpetrators.

On an outbound basis, IVRs are used to notify credit card holders of suspect activity on their accounts, be it a change in buying patterns, change of address, request for card replacement or the addition of authorized users. IVRs are also used to reach out to people who were issued a new or replacement card but did not call to activate. IVRs are ideal for these types of outbound activities, as they can reach large numbers of customers rapidly and cost effectively.

Outbound IVRs are also used to validate online banking customers when a new IP address is first detected. While some consumers complain that this is a nuisance, security is important for Internet banking environments and protects online customers and their bank from losses. Outbound IVRs are just some of the ammunition in the fraud prevention arsenal, but they are an increasingly popular form of security because they are cost effective and less disruptive than freezing a customer's account. Customers can elect to respond to an outbound IVR interaction or ignore it, if the timing is not appropriate for them.

Case Study: Outbound Notification Platforms Improve the Customer Experience

An international retail bank with thousands of offices worldwide and over a dozen contact centers wanted to automate and enhance its fraud alert process to speed up notifications, reduce losses, reduce operating expenses and improve the customer experience. Being highly customer-centric, the bank's highly trained bank security specialists were manually calling customers to notify them of potential fraudulent account activity on their accounts. While customers appreciated the personal touch, the bank's highly valuable security specialists were wasting hundreds of hours trying to reach customers instead of using their time on loss prevention strategies. To address the challenge, the bank installed a multi-channel universal notification platform that could be updated in real-time, integrated with existing CRM and servicing applications, and applied business rules to route calls with the necessary information to the right employee to resolve the issue. Even better, the notification platform looked up how each customer preferred to be notified of suspicious activity – SMS, email or call – and updated the customer's CRM record, including if the message bounced or could not be delivered, so that all branch, contact center and fraud personnel were informed and positioned to be responsive to their needs. The return on investment for the project was less than one year and the bank estimates they saved $200,000 per year for each bank security specialist.

VII. The Future of Voice Self-Service for Retail Banks

Inbound IVRs are the leading contact center productivity tools, as they can fully automate a large volume of customer inquiries, eliminating the need for callers to speak to expensive live agents. Proactive customer care/outbound notification is growing rapidly because it gives customers information they want or need – notice that funds have been received, reminders of a payment due, warnings about potential fraudulent activity, etc. – resulting in high-value yet low-cost customer interactions. (Live customer service costs between $5.00 and $25.00 per interaction, while an automated outbound transaction costs approximately $0.01 to $0.25.)

Voice self-service solutions are an essential element of an enterprise customer experience strategy. Retail banks and credit card companies need IVRs and related customer identification and call routing technology to manage customer inquiries efficiently and cost effectively. Leading organizations routinely solicit feedback from customers and agents to optimize the performance of their IVRs. The result is a winning IVR solution that delivers an outstanding customer experience while reducing operating expenses.

About Nuance

Nuance provides tailored customer service solutions that support intuitive and pleasing interactions between companies and their customers. Our full suite of customer care solutions – including speech-enabled IVR, full-service hosting, proactive outbound notifications, routing and CTI services, desktop optimization and business consulting – enable organizations with complex and evolving customer care operations to earn happy, loyal customers.

About DMG Consulting

DMG Consulting is the leading provider of contact center and analytics research, market analysis and consulting services. DMG's mission is to help end users build world-class, differentiated contact centers and assist vendors in developing high-value solutions for the market. DMG devotes more than 10,000 hours annually to researching various segments of the contact center market, including vendors, solutions, technologies, best practices, and the benefits and ROI for end users. DMG is an independent firm that provides information and consulting services to contact center management, the financial and investment community, and vendors in the market.

More information about DMG Consulting can be found at www.dmgconsult.com.