

REIMAGINE BANKING OPERATIONS

What Is Your Bank's Operational IQ?

Much ink has been spilled on how banks can improve efficiencies, but solutions have always seemed to disappoint. Even so, there is growing optimism that a new generation of cloud-based artificial intelligence (AI) and machine learning (ML) technologies will finally empower institutions to make real advances with their operations—both in terms of cost and customer engagement.



Michael Abbott
Accenture

*In this series on **Reimagine Banking Operations**, Michael Sisk, contributing editor at American Banker, sat down for a conversation with Michael Abbott, a senior managing director at Accenture and the company's global banking lead.*

Michael Sisk: How would you characterize the industry's recent efforts to improve operational efficiencies?

Michael Abbott: It's been frustrating for banks. They've devoted a lot of effort and investment to improve the efficiency of banking operations over the last two decades, but costs have remained stubbornly stuck at levels that are far too high. Cost-to-income ratios remain in the 60s in the U.S. and Europe. They're somewhat better in Asia. But technologies have become available over the past year, that are ready right now, that make it possible to move the needle.

MS: We've heard about game-changing technologies before. What's different now?

MA: What's making this new era possible is the emergence of cloud-based AI and ML engines that are increasingly capable of surpassing human capabilities. The cloud has unleashed and democratized enormous computing power to create tools and capabilities to address operational problems—tools and capabilities that would have cost hundreds of millions of dollars only a few years ago but that today are affordable to banks with all sized budgets.

By combining these new cloud- and AI-based technologies with Six Sigma's classically rigorous approach to analyzing operational processes, and the more recent data-driven design-thinking discipline around those same processes, banks can move toward "zero-waste" operations.

MS: What are zero-waste operations? Is it really possible to get rid of all waste?

MA: Unfortunately, no, you'll never get rid of all waste. But machine-led thinking can predict, answer, and act in a human-like way to address many operational issues and deliver benefits an order of magnitude greater than simply cutting costs by 10% or 15%. Zero-waste operations allow banks to reimagine whether certain operational steps are even necessary. Some banks have already lowered overall costs by 50% or more in specific areas and, critically, they have also improved the customer experience.

MS: Going back to your comments about AI. Hasn't AI been hyped for a while? What's different about AI now?

MA: The difference is that cloud-based AI engines have steadily become more sophisticated. Just two years ago AI became better at taking tests than most humans, and this year Google's AlphaCode began to code better than most coders. With a new generation of powerful tools, Accenture estimates that banks can reduce their global expense base of \$1.4 trillion by up to a third, saving about \$450 billion.

MS: You said that AI is critical to improving the customer experience. How does AI's impact on the customer experience compare to its impact on lowering costs?

MA: Lowering cost is just half the story. A better customer experience is an important benefit of these technologies. Instead of using technology to guide customers through various journeys that the company has designed, the goal is to use AI to recognize customer intent and anticipate their needs even before customers have expressed them. If a bank can anticipate customer intent and solve a problem more easily, it can begin to have meaningful conversations. Instead of trying to deflect the caller with a clunky IVR (interactive voice response) system, the bank can have real conversations with callers focused on their intent.

MS: What does that kind of interaction look like?

MA: For example, today's contact centers have chatbots that are really nothing but glorified FAQ engines that direct customers to information they could find on their own through a Google search. But imagine a cloud-based AI technology that allows a company to organize data like a digital brain around each customer. So, if a customer has failed to log in three times from her mobile phone, and then calls into the contact center for help, the bank can anticipate the intent of the call. Instead of making the customer navigate through a phone menu, the AI can say, "I see you are having trouble logging in. Can I send you a link to your phone to resolve that issue?" This approach can organically lead to real conversations, and then to cross-selling and up-selling opportunities, driving revenue for the bank and improving the customer experience.

MS: What about implementation? How hard will that be for banks?

MA: Without question the challenges are significant. Many traditional banks must contend with complex, high-cost and inflexible legacy operational processes and systems. Meanwhile, regulations are a constant drain on attention and capital. Complex risk and compliance requirements can consume two-thirds of investment dollars. But it's vital that traditional banks invest and deploy these technologies. Increasingly customers are voting with their feet, turning to best-in-class banks, neo banks, and fintechs that can deliver the experience they have come to expect.

To learn more, please also listen to an [in-depth podcast with Michael Abbott](#), who expands on these trends hosted by American Banker.



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