

Greetings and hello. I am James Robert Lay and welcome to episode 210 of the Banking on Digital Growth Podcast. Today's episode is part of the Inside Digital Growth series, where I James Robert Lay, your digital anthropologist commit to continue to coach and guide you, your financial brand, your FinTech along your digital growth journey as you commit to guide people in the communities that you serve beyond financial stress towards a bigger, better, and brighter future. In today's episode of Inside Digital Growth, we are diving into the proverbial podcast inbox where my team has pulled together another set of really good questions that have been asked around voice banking.

But before we get too far, if you have a question that you'd like to gain clarity around, text your question to 415-579-3002, and my team will make sure that it gets answered on an upcoming podcast episode. Now, let's go ahead and jump into today's questions framed around how your financial brand, how your FinTech can maximize your future digital growth potential through voice banking. To begin, a CEO of a community bank ask, what does voice banking mean for community banks and for credit unions and how can it help us grow? Well, simplified, voice banking, the way I look at voice banking is that it is nothing more than another engagement channel for customers at banks, for members at credit unions to connect and engage with their financial brand.

However, as it stands today, our research has found voice banking, the way that voice banking is currently being positioned for many banks and for many credit unions, is through the old world model of calling into an automated system with a touch tone phone. And we've found this through our research and through our digital secret shopping studies, when we're working with organizations to gain clarity into how they're positioning products through their website. Now, when you think about a touch tone phone in voice banking, what does that even mean in today's modern world? What is a touch tone phone? I actually asked my kids that question and they had no idea.

Now, granted, my kids are part of what we're now framing as Gen C or generation COVID. But if you go up to Gen Z and ask them what a touch tone phone is, there probably is going to be some confusion there as well. So, it's clear that the verbiage published on many financial brand websites, even today around the idea of voice banking, was simply copy and pasted from brochures that were printed back in 1999. Voice banking though, as I see it going forward into the future, will continue to expand on what I would say is more of the traditional and the transactional nature of voice. It will expand beyond that to become more conversational through smart speakers like Google's Assistant or Amazon's Alexa, as well as mobile devices running, like the iPhone running Siri.

So, that brings us to our next question from a community bank chief experience officer who ask, is voice banking the next big thing or is it just simply an extension of mobile and computer devices? I have never seen voice banking to be the next big thing. It gets a lot of hype in the trades and publications, because it's something to hype up. I've never seen it that way though. I just see voice banking as the next thing, especially with the continued rise of smart speakers, of voice assistance. Once again, going with voice banking, going beyond the transactional nature of how historically voice banking has operated through the world of touch tone phones to become, once again more conversational.

When we think about how far we've come through the use of smart speakers and voice assistance, we need to be aware of the fact that we've been talking to our phone for over a decade and not talking to someone else on the other side. We've been literally talking to our phone for over a decade, as Siri came out, going all the way back to February of 2010. Now, that might have been odd for many of us at first, but what was odd has become commonplace as the daily interaction with digital devices like phones and

smart speakers. And smart speakers are even getting installed in cars now. Especially for Gen Z who grew up in a truly digital age, talking to a device, conversationally speaking that is, is normal.

And then once again, there's the generation after that. There's Gen C, those kids who have grown up in the COVID era like mine. I'm watching and I'm observing how they interact with devices, technology, whether it be tablet or phone or speaker, how they search for information. They don't really use keyboards, which over the next decade, I predict that we'll probably see a continued demise of the keyboard as an input function. Not in all situations, there'll still be time for keyboard use, but I'm predicting we'll see more conversations happening with devices, with phones, with tablets, with smart speakers.

And that's why it's always important to look at consumer trends outside of banking. Because when we look at what's going on outside of banking from what's trending, we can bring those insights into banking, into financial services, to guide future decisions for optimizing consumer or member engagement. For example, Google reports that 27% of the entire online global population is using voice search on mobile devices, and that 41% of adults use voice search at least once per day. Now, that number is going to continue to grow over the years to come. Because why is this important? Voice and mobile are highly connected, highly integrated functions.

An Adobe Analytics study found that the most common voice searches on smart speakers are, number one, asking for music. Number two, getting the weather forecast. Number three, asking fun questions, which my kids do all the time. Number four, online search. Number five, news. And then number six, asking directions. Which makes a lot of sense as to why that would come in last, because if we're having a conversation with a smart speaker at home, probably aren't going to be asking many directions there. But with smart speakers getting installed in cars, we'll see more and more of that. So, the location of the smart speaker device will impact the conversations or the questions being asked.

Now, consider this, doesn't matter if it's music, or the weather, or the questions, or online search, or news, or asking for directions, these are all transactional questions, if you will. And essentially right now, as it stands in the present moment, voice banking is what the ATM was, minus getting cash out and still is, but it is through AI and through automation. That is what will continue to transform the transaction of voice banking to be more transformative, to be more conversational over the next decade. Next question is from a marketing VP, they write in and ask, what are the biggest concerns we should be thinking about around voice banking? The biggest concern I'd say is not necessarily the platform or an app itself, but it's more philosophical.

In that with the voice banking, and not just voice banking, but we'll just call them smart speakers devices, there's the potential invasion of privacy, because smart speakers and voice assistants on phones are in a always on always listening state. And so, there's some questions that we must consider. For example, how might what is picked up or shared with a voice banking app on a smart speaker, how might those conversations be used by a smart device, because that's data that's getting collected? So, for example, if you're getting your transactions read back to your top five most recent transactions or top 10 most recent transactions, is it possible for a smart device to pick up on where those transactions might be and then use that information to serve ads to going forward into the future?

I know that there's, for example, a paranoia from some people when it comes to Facebook. Has Facebook been listening to them, because magically, there'll be ads that show up based upon a conversation? Now, Facebook, of course, denies this, but these are the questions. I think these are the

concerns around privacy and data that will really impact smart speaker, voice banking going forward into the future.

Let's move on to the next question before we get too far off into tin foil hat territory. As a credit and marketing director ask, what are the most obvious opportunities for voice banking when it comes to consumer interaction, as it stands today? Well, the majority of consumers are using voice banking to check transactional data, account balances, most recent transaction. There are more advanced use cases now being deployed, paying bills, moving money, but those are still transactional in nature. And that's why I say, one of the greatest opportunities looking ahead to the future of voice banking is in conjunction with AI to provide proactive guidance based upon the insights of a unique individual and their personal situation, their goals, their transactions. And the only way that, that is going to become a reality is applying voice banking as a key growth opportunity within an organization to put the resources behind it, to build out the AI models through say core data.

Another good question comes from the VP of IT at a community bank who wonders, how does voice banking align with KYC? And I'm glad you're thinking about this. KYC typically comes down to three things. With KYC, it's something that you have, like a debit card. It could be something that you know, like a password. And it could be something that you are, like a fingerprint, or your face, your eyes, or your voice. Now, the first two methods, something you have and something you know, have been the primary default for identification over the past few decades. Even with traditional voice banking, calling in on a touch tone phone, someone would self identify through MFA or multifactor authentication using PIN that played a part as KYC authentication.

But then if we look at going forward, when you have smart speakers and different devices, other factors can come into play here that are unique to the individual. Obviously, there's voice, but then there's location, there's behavior. Because I know some of the concerns are, can someone's voice be replicated to log in? Well, you cross reference that with a PIN and you're then taking into account a couple of those different elements I mentioned before, something you know, like a password, something you are, like voice recognition. And it's really only recently face, voice, and even fingers and eyes, are being used to identify people. Mobile adoption has played a key role in biometric verification. Even at an airport now, I'm a clear member and I'm verified to fly clear with my eyes, with my fingerprints.

And when it comes to banking, a FICO Consumer Digital Banking study found, "Consumers are becoming more trusting of using physical and behavioral biometrics to secure their financial accounts, as 78% say they would be happy for their bank to analyze behavioral biometrics." So, voice biometrics essentially are a voice print unique to each person, does have the potential to transform the verification experience from what was traditionally who you are to where I even see the opportunity to be identified, how you are, or how are you. Because you can tailor a voice banking experience based upon how someone self identifies around their feelings and emotions. So, not only are you identifying identity through voice, but based upon questions being asked, how are you doing today? And then based upon that, tailor the voice banking experience accordingly to a person's unique feelings and emotions.

Once again, I mentioned this before about the possibility of biometrics being hacked. In 2021, in February of 2021, Forster released a report stating, "Modern voice biometric solutions resist replay attacks and have improved inaccuracy in a performance in the past five years, making them well suited for call center security and fraud management use cases." So, the whole point is the security sided of voice banking will continue to improve in the coming years and AI is going to help facilitate a lot of that

progress. We have one more question before we wrap up today's thinking framed around voice banking as a path forward to maximize the future growth for financial brands and FinTech.

And this is from a FinTech CEO who asks, do customers consider voice banking to be too invasive when it comes to their banking activity? Are there barriers to adoption that we must consider? Voice banking does create what I call the digital dilemma. And the digital dilemma is really where we're going to have to have a lot of serious conversations, a lot of serious thinking done around data privacy, because data privacy is going to be central to the adoption and usage of voice banking. Yes, people are viewing voice as a convenient and easy way to interact with different devices, whether it be phone or a smart speaker. We see that looking at the patterns and trends of people and outside of the banking space.

But once again, these historically up to this point, have all tended and trended to be transactional interactions, searches for music or weather, or direction. The question is going to be, will people trust voice banking to hit some type of critical mass adoption? It's still too early to tell. Up to this point, adoption for voice banking has been slow, but I want to provide some caution here. Don't let the slow adoption of voice banking up to this point, fool you into thinking that there's not the potential for a rapid expansion and mass adoption over the next five to 10 years, where voice banking becomes the norm, perhaps even the primary engagement channel, replacing traditional mobile banking apps. That is the current cultural norm when it comes to engaging with a financial brand.

Because if we look back in time, all transformational technologies tend to have an initial slow adoption rate before they hit an exponential growth curve. And that's why I predict, we'll see this happen with voice banking. It's just not there yet. Maybe 2030 is that horizon line, between 2025 and 2030, is when voice banking has the potential to replace traditional mobile banking apps as they stand today. Just think where online banking was back in 1999 or where mobile banking was back in 2009. I think we're going to look back to this conversation in 2029 and see voice banking as being a primary, if not the leading engagement channel for financial brands and for FinTechs going forward into the future. So, it'll be fun to make a note to come back and visit this conversation, to see how far we've come in progress around voice banking, end of the decade, 2029, 2030.

As always, these mailbag episodes are a tremendous amount of fun to do some critical thinking and critical writing around. I always appreciate the questions that we get from you, the dear listener, because they help me understand what you're thinking about. And then we can tailor our podcast, our insights that we're sharing, accordingly to empower you to guide you forward on your own digital growth journey. So, if you're thinking about a particular digital marketing or a sales or a leadership question that you'd like to gain some clarity and insight, text that question right now to 415-579-3002. And I do in fact, look forward to answering it for you on an upcoming Banking on Digital Growth Podcast episode. Until then, and as always, be well, do good, and make your bed.