Making cents of generative AI

Driving business and customer value with generative AI in financial services

2024

Introduction

In an era of rapid digital transformation, financial services institutions constantly explore groundbreaking solutions for sustaining a competitive position and elevating both employee and customer experiences while lowering cost. Generative artificial intelligence (AI) is swiftly emerging as an influential and transformative technology, spanning functions within banking, wealth and asset management, and insurance.

Of consumers surveyed, 74 percent trust organizations that increasingly use generative AI in their daily operations, and **51 percent are "extremely or very" excited about generative AI** *(Source: 2024 KPMG Generative AI Consumer Trust Survey, KPMG LLP (US), 2024).* Nevertheless, those same consumers said that all types of organizations are responsible for ensuring it is developed and used ethically.

As customer expectations, regulatory challenges, competition, and the need for cost reduction intensify, **generative AI could prove to be a formidable tool to triumph over these challenges and unlock new business opportunities within financial services**. However, AI-driven innovation calls for cautious and responsible navigation that considers generative AI's rewards as well as its limitations.

In this paper, we explore **the opportunities and challenges of generative AI adoption** focused on customer experience and servicing and marketing within financial services, and offer guidance on how organizations can **strategically integrate and harness the potential value** of this technology while **ensuring its responsible and ethical use.**

74%
of consumers trust organizations that increasingly use generative AI in their daily operations

51%
of consumers are "extremely or very" excited about generative AI

Source: 2024 KPMG Generative AI Consumer Trust Survey, KPMG LLP (US), 2024
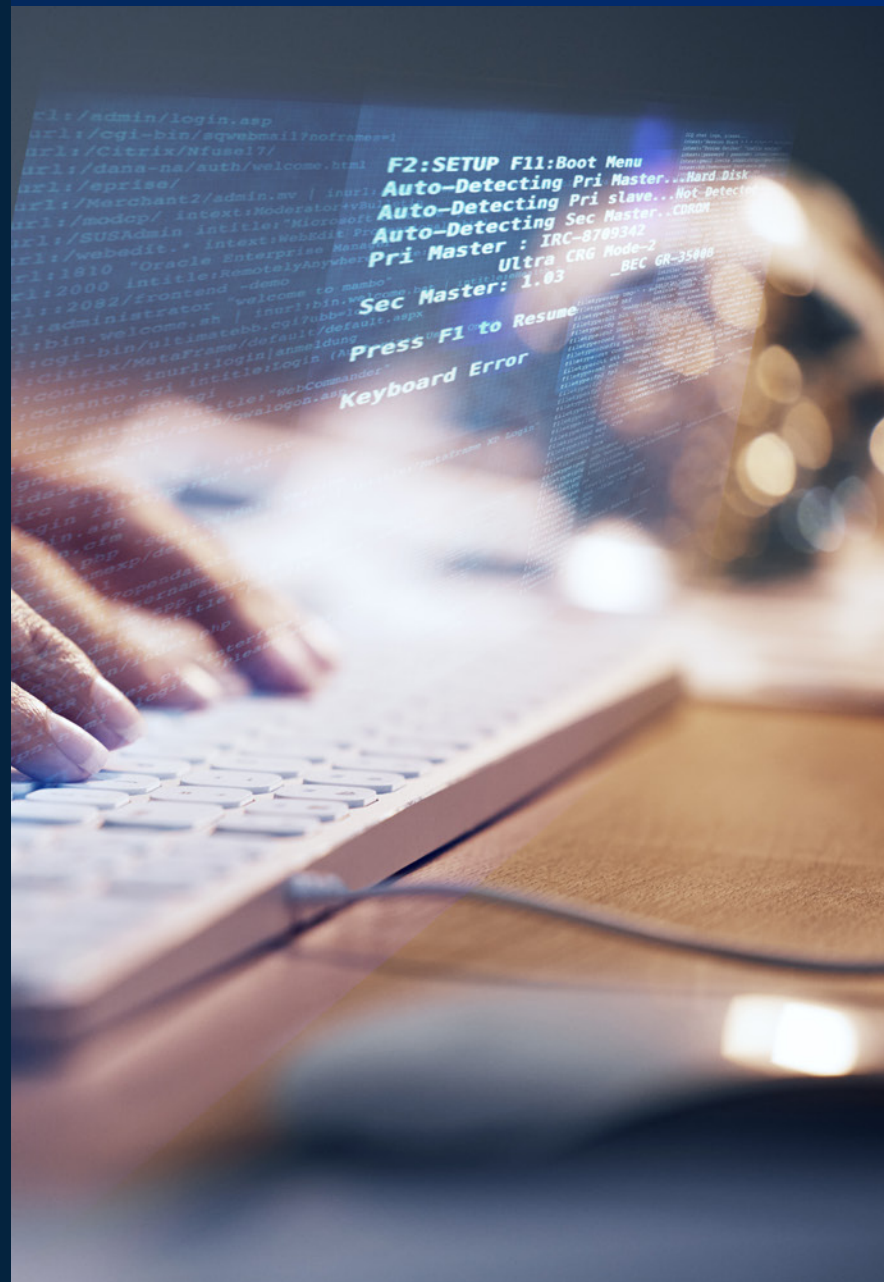
1

Generative AI overview

We have seen traditional AI at the core of financial institutions for years, automating routine tasks, managing data, and streamlining business processes. However, its rules-based nature and reliance on structured data creates limitations for expansion and adaptability.

Enter generative AI—a more dynamic and powerful tool that leverages complex algorithms, unstructured data, and deep learning to simulate human-like cognitive reasoning, creativity, and decision-making.

Generative AI has garnered significant attention for its ability to create new, unique content, such as text, images, or music, based on patterns observed in existing data.

This potential game-changer enables businesses to break free from conventional practices and achieve heightened efficiency, personalized customer experiences, and optimal value.

2

The case for
generative AI

KPMG Customer Advisory

Financial services industry challenges

Increased competition

The rise of fintech alternatives, technology giants, and digital-native banks has intensified competition. Traditional financial institutions are forced to reinvent themselves, embracing disruptive technologies and fostering innovation to maintain a competitive edge and attract customers.

Need for cost reduction

As new entrants and existing players battle for market share, the need for cost reduction becomes crucial. Financial institutions must ensure that they remain profitable while adopting innovations that drive efficiency and growth.

Rising customer expectations

Given the emergence of digital-first solutions and a strong emphasis on user experience, customers now demand instant, comprehensive, and personalized services. Financial institutions must implement innovative solutions that cater to these expectations without sacrificing speed and security.

Regulatory challenges and compliance

Evolving regulations and government policies result in a complex landscape to navigate. Compliance with ever-changing laws and adhering to strict industry-specific requirements can strain resources, limit innovation, and pose costly challenges.

As generative AI becomes more sophisticated and accessible, financial services firms should consider exploring its potential benefits and integrate these technologies to overcome the challenges—enabling them to reduce costs, enhance customer experience, and continuously thrive in an ever-changing environment.

KPMG Customer Advisory
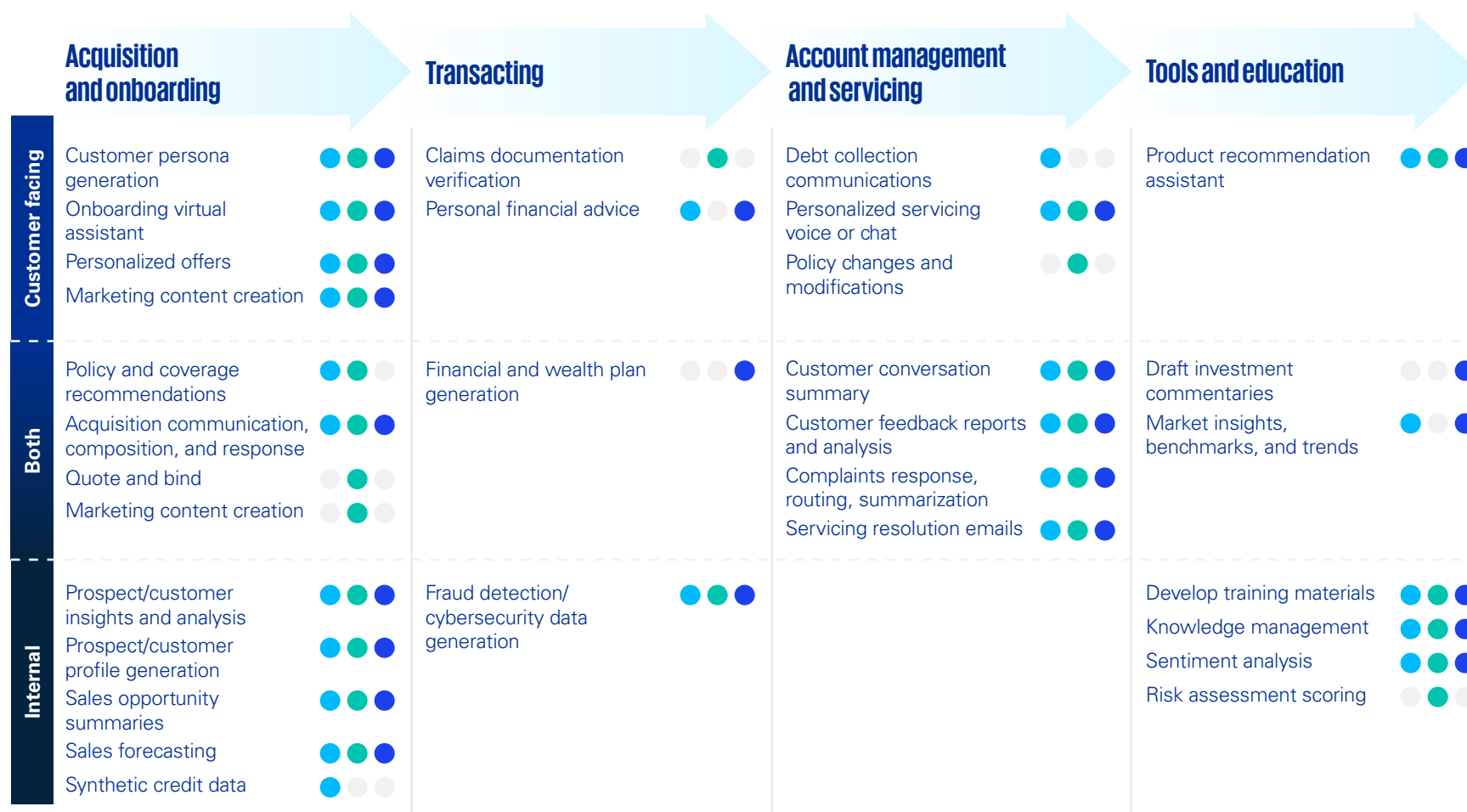
A customer lifecycle view

Generative AI can be applied across the customer lifecycle, enhancing customer acquisition, onboarding, account management, transaction processing, and advisory services. It can be used internally and externally for a variety of use cases across industries as illustrated below.

Industry key
● Banking   ● Insurance   ● Wealth and asset management

(● = applicable, ○ = not applicable, in order: Banking, Insurance, Wealth and asset management)

Acquisition and onboarding → Transacting → Account management and servicing → Tools and education

Customer facing

Acquisition and onboarding	B	I	W
Customer persona generation	●	●	●
Onboarding virtual assistant	●	●	●
Personalized offers	●	●	●
Marketing content creation	●	●	●

Transacting	B	I	W
Claims documentation verification	○	●	○
Personal financial advice	●	○	●

Account management and servicing	B	I	W
Debt collection communications	●	○	○
Personalized servicing voice or chat	●	●	●
Policy changes and modifications	○	●	○

Tools and education	B	I	W
Product recommendation assistant	●	●	●

Both

Acquisition and onboarding	B	I	W
Policy and coverage recommendations	●	●	○
Acquisition communication, composition, and response	●	●	●
Quote and bind	○	●	○
Marketing content creation	○	●	○

Transacting	B	I	W
Financial and wealth plan generation	○	○	●

Account management and servicing	B	I	W
Customer conversation summary	●	●	●
Customer feedback reports and analysis	●	●	●
Complaints response, routing, summarization	●	○	●
Servicing resolution emails	●	●	●

Tools and education	B	I	W
Draft investment commentaries	○	○	●
Market insights, benchmarks, and trends	●	○	●

Internal

Acquisition and onboarding	B	I	W
Prospect/customer insights and analysis	●	●	●
Prospect/customer profile generation	●	●	●
Sales opportunity summaries	●	●	●
Sales forecasting	●	●	●
Synthetic credit data	●	○	○

Transacting	B	I	W
Fraud detection/cybersecurity data generation	●	●	●

Tools and education	B	I	W
Develop training materials	●	●	●
Knowledge management	●	●	●
Sentiment analysis	●	●	●
Risk assessment scoring	○	●	○

KPMG Customer Advisory

Illustrative and Non-Exhaustive

A task level view

Another approach to identifying potential use cases for generative AI is to consider the four fundamental categories of tasks that are shared by the majority of roles within an organization. At a high level, most employee tasks can be placed into the categories of create, analyze, search, and interact, which can be augmented by generative AI.

Create

Generate text or multimedia content for intermediate or final use.

Analyze

Evaluate, explain, edit, or summarize structured or unstructured information.

Search

Locate desired information within pretrained knowledge or external sources.

Interact

Generate personalized communications, offers, coaching, training, and recommendations.

An illustrative role and task-level view

The figure below illustrates where generative AI could be applied across tasks performed by typical key roles in a customer service or support function, along with potential associated benefits.

	Create	Analyze	Search	Interact	Key benefits
Customer service agent	— Task prioritization — Follow-up schedules and outbound messaging — Email draft generation — CRM record updates — Notes summarization — Multimedia content generation — Automated knowledge creation	— Case and ticket classification — Case and contact routing — Interaction analysis and relevant actions — Sentiment analysis — Fraud detection and analysis	Real-time conversational search to quickly access: — Specific information — Documents — Solutions — Leading practices	— Language translation — Real-time coaching, navigation guidance, and next best actions — Tailored messaging suggestions — Personalized product and/or service recommendations	— Tailored messaging and service experiences — Improved accuracy and speed — Improved speed to employee proficiency — Reduced time and effort for customers and employees, higher satisfaction — Improved cross-sell/upsell — Reduced cost to serve
Customer service manager	— Performance reports, workload analysis, and procedural improvement suggestions — Meetings/workshop schedules and agendas — Coaching materials and follow-up actions	— Analysis of issues, customer reviews or other feedback and identification of root causes — Process/procedural assessments	— Relevant agent performance history and customer feedback data — Coaching session history and relevant knowledge/materials	— Virtual meetings (e.g., talking points, activities, key questions) — Cross-team collaboration and project coordination	
QA analyst	— Personalized feedback for agents based on metrics and improvement areas — Customized coaching materials — Structured action plan to address gaps	— Analysis and evaluation of 100 percent of interactions — Identification of areas of inconsistency and opportunities for improvement across the enterprise	— Identification of key performance metrics, action items and relevant stakeholders — Search and prioritization of issues and challenges in quality — Matching of quality concerns with potential solutions and leading practices	— Meeting and workshop agendas — Follow-ups on decisions and action items — Targeted coaching discussions	
Trainer	— Learning suggestions based on trainees' needs and skill gaps — Multimedia content (video, images, presentations) — Training assessments	— Gauge trainee engagement and analyze performance by identifying patterns — Measure training effectiveness with sentiment analysis on trainee feedback — New training methodologies and tools — Suggested actions to enhance learning experiences and outcomes	— Identification of knowledge gaps — Training resources, leading practices, and materials based on detected gaps	— Scenario creation for interactive exercises and workshops — Personalized feedback and support suggestions — Chatbots for training inquires	

3

Moving from efficiency enhancements to transformation

Embracing the full potential of generative AI

Financial institutions are currently focused on incremental improvements and should not lose sight of the game-changing potential that generative AI can enable:

— Shift from growing existing customer bases to exploring new client demographics.

— Move from competing with traditional financial services institutions to venturing beyond typical financial services.

— Transform from enhancing existing value propositions to offering novel value propositions.

— Progress from reinforcing the existing brand identity to reinventing the brand.

— Elevate from boosting revenue within primary businesses to generating revenue beyond primary businesses.

— Evolve from improving business with indirect data monetization to capitalizing on data directly for new opportunities.

— Transition from aiding human personnel through technology utilization to employing a human workforce that supports technology.

— Change from implementing technology to advance current offerings to marketing technological solutions that cater to financial institutions.

4

Assessing benefits and limitations

KPMG Customer Advisory

Benefits and risks

Integrating generative AI into financial services can unleash remarkable gains in operational efficiency, enriched customer and employee interactions, and lower costs. By automating and optimizing tasks, generative AI can free up valuable human resources, allowing for a more strategic and customer-centric focus.

Implementing generative AI is not without challenges. Organizations must address concerns around data privacy, security, and regulatory compliance while ensuring that AI-enabled services maintain a human touch and adhere to ethical standards. Additionally, the rapid pace of technological development may make it difficult for financial institutions to stay competitive and up to date with the latest innovations.

Generative AI implementation considerations

Thoughtful approach

Implementing generative AI should focus on creating value at multiple levels, encompassing human-centered applications that drive innovation, improve productivity and decision-making, and foster customer loyalty.

A multidimensional outlook can enable companies to capitalize on generative AI, not just as a cost-saving mechanism, but also as a catalyst for long-term growth.

Ethical concerns and regulatory compliance

Businesses must address potential biases and ethical dilemmas arising from relying on algorithms. Ensuring fairness and transparency in decision-making will require constant monitoring, auditing, and regulatory compliance.

Organizations must work closely with regulators to ensure alignment with AI governance, ethics, and risk management frameworks.

Use cases

Current in-market use cases span the customer lifecycle and functions, but are primarily focused on internal employee augmentation versus direct customer-facing use cases as generative AI is an emerging technology with associated risks.

Technical complexity

Integrating generative AI can be highly complex, requiring skilled expertise and specialized resources. Financial institutions will need to invest in new technologies, dedicated AI teams, and oversight to harness and maintain the full potential.

Data security and privacy

Generative AI involves processing vast amounts of sensitive data, which increases the risk of security breaches and misuse of information. Financial institutions must prioritize data security and privacy, complying with strict regulations.

Resistance to change

Organizations may face resistance from employees who are concerned about job displacement or reduced importance of human expertise.

Organizations must engage in effective change management and adoption strategies, emphasizing the role of AI as a complementary tool to human professionals, and invest in continuous learning and upskilling of their workforce.

KPMG Customer Advisory

Actions to take

1

Define business objectives and use cases

Establish clear objectives and analyze friction points to identify opportunities where generative AI can deliver tangible benefits, which may include improved customer experience, enhanced decision-making, cost reduction, or revenue uptick.

2

Invest in AI talent and infrastructure

Prioritize building AI competencies by hiring skilled professionals, training employees, and providing necessary resources, and infrastructure for effective AI-driven solutions.

3

Adopt AI ethics guidelines

Develop guidelines emphasizing data privacy, algorithmic transparency, and fairness to maintain public trust, minimize risks, and ensure compliance.

4

Strengthen data management

Prioritize data collection, cleaning, and storage for better AI model training and accurate results.

5

Pilot and iterate

Use a gradual, small-scale approach to test and refine AI-powered solutions before full-scale implementation.
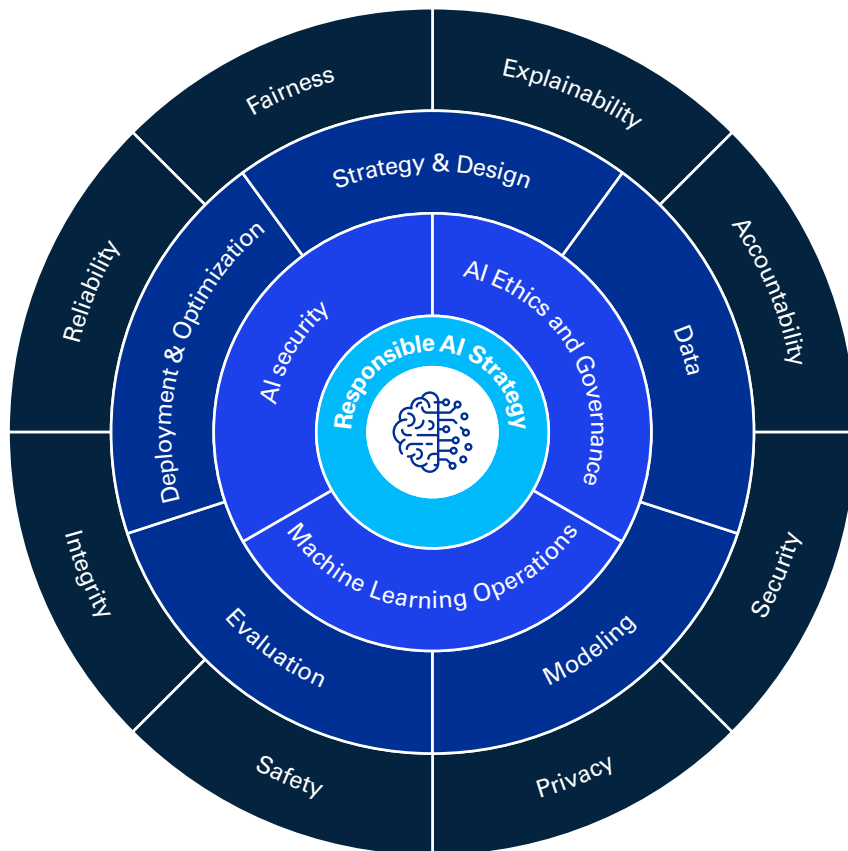
6

Monitor and evaluate AI performance

Regularly assess AI models, and conduct audits to fine-tune initiatives and ensure alignment with objectives and ethical guidelines.

KPMG

Customer Advisory

15

While the future is promising, companies must implement AI ethically and responsibly

The KPMG Responsible AI Framework

The KPMG responsible AI offering is a **set of frameworks, controls, processes and tools** to help ensure AI systems are being designed and deployed in a trustworthy and ethical manner so that companies can accelerate value.

01 Fairness
Help ensure models are free from bias and are just.

02 Explainability
Help ensure AI can be understood, documented, and open for review.

03 Accountability
Help ensure mechanisms are in place to drive responsibility across the lifecycle.

04 Security
Safeguard against unauthorized access, corruption, or attacks.

05 Privacy
Help ensure compliance with data privacy regulations and consumer data.

06 Safety
Help ensure AI does not negatively impact humans, property, and the environment.

07 Data integrity
Help ensure data quality, governance, and enrichment steps embed trust.

08 Reliability
Help ensure AI systems perform at the desired level of precision and consistency.

KPMG strengths to support your generative AI efforts

We are a leader in customer experience strategy

We are a recognized leader by Forrester in Customer Experience Strategy consulting. Our Customer Center of Excellence has harnessed the power of multiple acquisitions, strategic investments, unified methods, and deep insights to fuel our growth and serve our clients' needs. Our resources bring deep experience across financial services and other industries as both business operators and consultants—helping to drive maximum value from generative AI while balancing customer and employee expectations and overall business goals.

We are a global innovator in AI

We offer industry-leading AI/Machine learning guidance in traditional and generative AI as recognized by analysts including Gartner, Forrester, and IDC. As pioneers in this field and veterans of the financial industry, we have continually evolved our framework by working with financial services clients and building a powerful partner ecosystem. Using leading functional and operating model practices, we are able to deliver exceptional value for your organization.

We are an industry leader for security, risk, and compliance

As the AI technology landscape continues to evolve, risk management should be an ongoing process, working in lockstep with your initiatives and receiving an appropriate level of attention-KPMG has a differentiated, multi-disciplinary approach that will help ensure security and trust are part of the equation.

Kalpana Ramakrishnan

Principal
Advisory
KPMG LLP
E: kramakrishnan@kpmg.com

Scott Lieberman

Principal
Customer Advisory
KPMG LLP
E: scottlieberman@kpmg.com

Manish Shah

Managing Director
Customer Advisory
KPMG LLP
E: mkshah@kpmg.com

Contributors

Colin Lieblich
Managing Director
Customer Advisory

Ria Dalal
Senior Associate
Customer Advisory

Maddie Kreinbrink
Associate
Customer Advisory

Samantha Osovsky
Associate
Customer Advisory

Namira Quayum
Associate
Customer Advisory

About KPMG Customer Advisory

KPMG Customer Advisory helps some of the world's leading marketing, sales, and service professionals make the right investments that deliver meaningful, sustained growth. At every step, we deliver insights that help you make decisions with precision and confidence. Together, we can turn opportunities into tangible, transformative results. Let's start the conversation.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:

www.kpmg.us