



Paranoid About Chatbots?

by [Steve Brown](#) Topics: [digital banking](#), [AI](#), [technology](#)

Summary: Gartner estimates that by 2020 chatbots will be handling no less than 85% of all customer service interactions. We provide the basics on chatbots.

Paranoia used to be a term relegated to the world of psychiatry, but now it is [estimated that up to 15%](#) of the general population has some paranoia regularly. This can range from the mild (thinking others disapprove of you) to severe (evil forces are against you). Studies based on twins show this can also be both genetic (abnormal activity in the amygdala) and environmental (trauma). You are not paranoid though if you think chatbots are coming.

What are they? These "virtual assistant" computer programs are designed to help humans do something faster using a more conversational way of interacting in the digital world.

How do they work? These programs are driven by rules and some also use artificial intelligence and machine learning to interact with you. They are designed to have a personality, ask questions to get clarification and provide an answer to the question asked, either via text or voice.

How are they used? Chatbots are scattered across the internet and embedded in websites worldwide. Some examples include getting the weather or latest sports whenever you want; buying something online; getting alerts; helping you manage your money or keep track of your calendar; and oh yes, you can also use it to do simple banking tasks.

Why do companies use bots? Reasons vary, but they certainly include speed and cost savings. For instance, IBM research finds chatbots save an average of 4 minutes per inquiry vs. a traditional phone discussion with customer service. [IBM also projects](#) that by 2022, success rates for chatbots in the banking industry will be a whopping 90%. Soon it seems, customers will be able to pretty much get answers to reasonably simple questions by interacting with a program vs. a human.

Where are the big banks on this? Bank of America, JPMorgan Chase, Capital One, USAA, Mastercard, Royal Bank of Canada and Bank of Montreal are among the large financial companies that have launched consumer-facing chatbots, with others continually entering the fray.

Any more research to share? We think the time may be right for community banks to more strongly consider offering chatbots of their own, within guidelines. Consider industry research suggesting that chatbots will save banks billions in the coming decade. [According to Juniper](#), chatbots could be responsible for \$11B in annual cost savings by 2023; Gartner estimates that by 2020 chatbots will be handling no less than 85% of all customer service interactions.

Final words. Chatbots need to be programmed to detect when a customer may be getting frustrated and hand off the conversation to a human promptly. We've lost count of the times when we've been cut off by an automated phone system while trying to reach a person. Community banks should ensure that customer interactions with chatbots enhance the relationship, not hinder it.

We see we are out of space, so we will pick this back up tomorrow. After all, chatbots are nothing to be paranoid about when you know how best to leverage them.

BANK NEWS

Biz Loan Growth

YoY business loan growth increased 5.5% at the end of June, according to the Fed. This is up from 1% at the end of 2017 and welcome news for banks.

M&A Activity

1) Platte Valley Bank (\$566mm, NE) will acquire American Bank of Sidney (\$93mm, NE) for an undisclosed sum. 2) Bryant State Bank (\$37mm, SD) will acquire Richland State Bank (\$42mm, SD) for an undisclosed sum. 3) First Secure Community Bank (\$267mm, IL) will acquire First Secure Bank and Trust Co (\$121mm, IL) for an undisclosed sum. 4) Toronto-Dominion Bank (\$1.2T, Canada) will acquire investment management firm Greystone Capital Management (\$36B, CT) for \$792mm as it seeks to become the largest money manager in Canada. 5 & 6) City National Bank of West Virginia (\$4.1B, WV) will acquire Town Square Bank (\$450mm, KY) for \$93.5mm in stock (100%) or 1.57x tangible book and separately also acquire Farmers Deposit Bank (\$122mm, KY) for \$24.9mm in cash (100%). 7) ConnectOne Bank (\$5.2B, NJ) will acquire Greater Hudson Bank (\$501mm, NJ) for \$76.3mm in stock (100%).

Capital Returns

Over the past 9 quarters, the biggest US banks have returned \$224B to shareholders.

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