

# How 2020 Reignited the AI Revolution in Financial Services

New insights into why the pandemic put AI and automation back on the front burner of digital transformation

By Ryan W. Neal



# How 2020 Reignited the AI Revolution in Financial Services

## Introduction

In a December 2015 article in *Foreign Affairs*, World Economic Forum chairman Klaus Schwab declared the world on the brink of a new industrial revolution. Like previous revolutions brought on by steam, electricity and digital technology, this Fourth Industrial Revolution is one powered by breakthroughs in robotics, connected devices and artificial intelligence.

A half-decade later, even the traditionally slow-moving financial services industry finds itself in the midst of that revolution, albeit still in the early days. Nearly every business leader today will say they have made an investment in AI-enabled automation, and Gartner expects 65% of organizations will introduce technology like machine learning and natural language processing by 2022.

Not even the COVID-19 pandemic and a resulting global economic slowdown can stop the revolution. In fact, industry leaders see AI playing a pivotal role in an eventual recovery by helping achieve billions of dollars worth of cost savings and increased productivity.

Every revolution has winners and losers, and some firms have already established a significant advantage in the development and implementation of AI technology. Yet even the most forward-thinking organizations must contend with AI's impact on its own workforce.

The bottom line, to paraphrase Schwab, is business leaders and senior executives need to recognize the changing environment, rethink assumptions about their own business and relentlessly innovate in the years ahead.



### Why read this report?

Arizent conducted this research to better understand the risks and rewards of AI-enabled automation, particularly with respect to the technology's impact on strategy and the future of the workforce.

# RESEARCH REPORT

## About this report

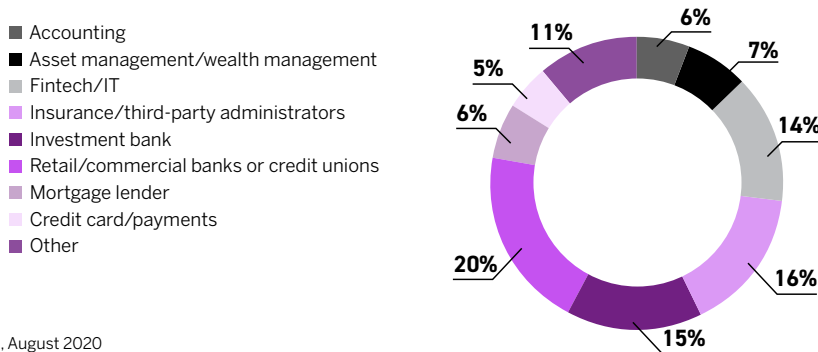
### Definition of AI-enabled automation

The exact meaning of artificial intelligence is the subject of debate across academics, futurists and business. It's also a moving goal post: a voice assistant like Siri would have been considered AI 10 years ago. Today it is "just" natural language processing.

For the purposes of this report, Arizent is focusing on AI-enabled automation, defined as the application of artificial intelligence (AI) technologies like robotic process automation to empower rapid end-to-end business process automation. This could include automation of any front- or back-office business process and orchestrating work across combined human/bot teams.

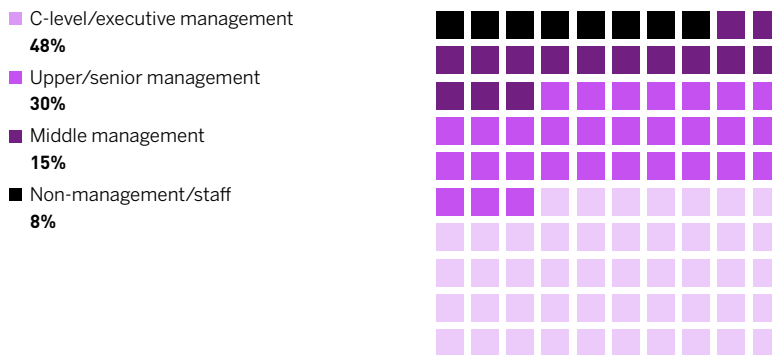
### Respondent profile

Chart 1: What type of company do you work for?



Source: Arizent, August 2020

Chart 2: Which one of the following most closely matches your job level or role?



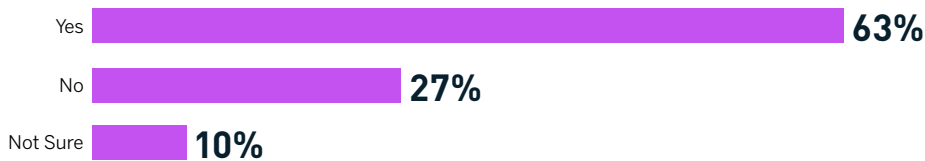
Source: Arizent, August 2020

## COVID-19 is accelerating interest in AI

The onset of the pandemic was met with a severe market dip, and global belt-tightening cast doubt on continued investment in technology. According to CB Insights, global fintech funding dropped to levels not seen since 2017.

Yet a majority of respondents to Arizent's survey across all sectors view AI-enabled automation playing a key role in the wake of COVID-19. Seventy-one percent called AI either "very important" or "critical" to an eventual recovery, and 63% say the pandemic has prompted their firm to explore or re-explore potential uses of the technology.

**Chart 3: Has the recent coronavirus (COVID-19) situation caused your organization to explore or re-explore the potential uses for AI-enabled automation technologies?**



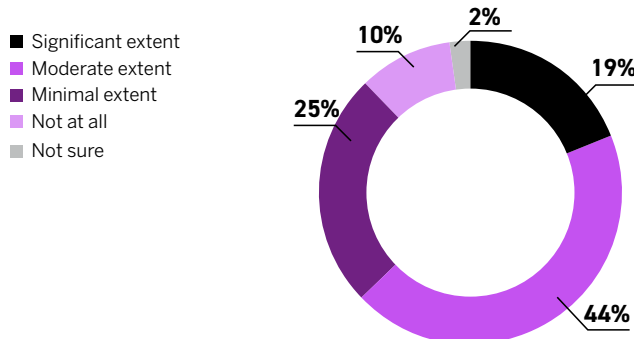
Source: Arizent, August 2020

Automation delivers efficiencies that can both cut costs and improve productivity, but firms also see potential to continue improving the customer experience. In an era of compressed margins and shrinking fees, automation is necessary for firms to operate at scale. And with financial services forced to embrace remote work and eschew in-person interactions, AI will play an increasing role in virtual client engagement.

## Current use of AI is limited and success is mixed

While firms have high hopes for the future, current deployment of AI technology remains limited across the industry. Early use cases in fraud detection and prevention, such as automatically detecting irregular spending, and customer service, like online chatbots, remained top priorities.

**Chart 4: To what extent has your organization already adopted or implemented AI-enabled automation technologies?**



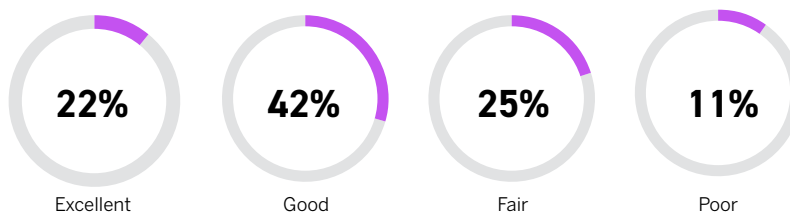
Source: Arizent, August 2020

**63%**  
say the pandemic has prompted their firm to explore or re-explore potential uses of the technology.

## RESEARCH REPORT

Satisfaction with these current initiatives is mixed, with one-third of respondents rating their firm's AI-enabled automation as fair or poor. Only a quarter of respondents feel the technology is "excellent."

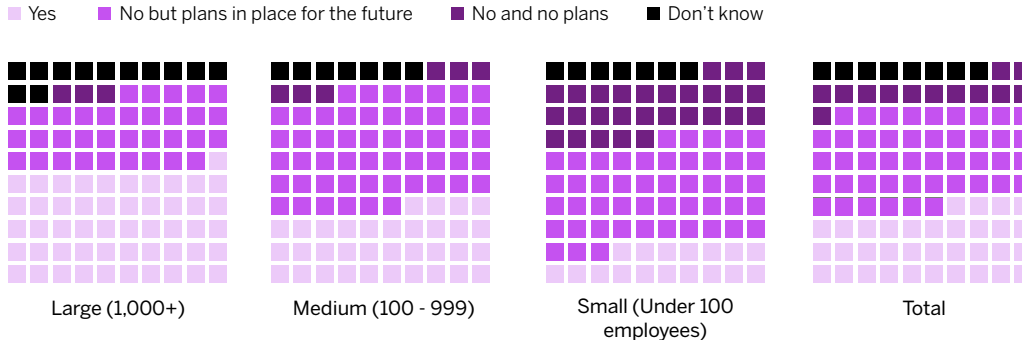
**Chart 5: Overall, how would you rate your organization's performance to date on its AI-enabled automation initiatives?**



Source: Arizent, August 2020

Part of the challenge for firms of all sizes is having proper metrics in place to track the success of investments in AI. Just one in three businesses say they have a system in place, though large firms are most likely to have one.

**Chart 6: Does your organization have metrics in place to track the progress or success of your AI-enabled automation initiatives?**



Source: Arizent, August 2020

The door is open for small- and mid-sized organizations to deploy cutting-edge automation beyond tracking irregular spending behaviors or online chatbots. These firms see opportunity for AI to help with financial advisory capabilities, back office functions and talent management.

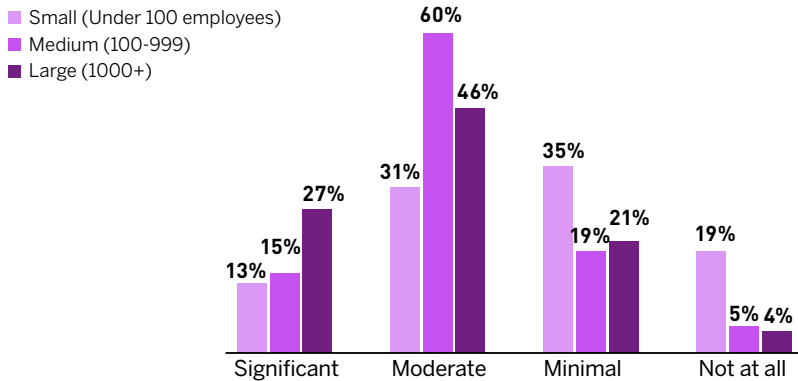
With a successful plan in place to track and measure success, AI-enabled automation can help these firms offer a differentiated experience to employees and clients not yet mastered by the largest institutions.

## A Widening Gap

Across all respondents, nearly every (88%) organization has made some sort of investment in AI-driven automation, but drilling into the respondents paints a different picture. While 94% of mid- and large-size companies are already leveraging AI, only 79% of firms with fewer than 100 employees say the same.

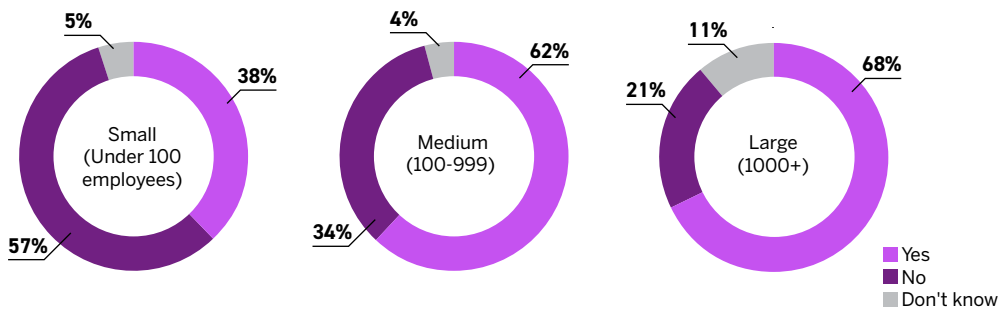
Additionally, the largest companies are most likely to report “significant” use of AI in the company. Sixty-eight percent have implemented new AI technology in the past 12 months and 79% plan to implement new technology over the next two years. The opposite is true for small firms: only 38% have implemented new AI-enabled automation, they are most likely to use AI minimally or not at all, and just 58% have plans to implement AI over the next two years

**Chart 7: To what extent has your organization already adopted or implemented AI-enabled automation technologies?**



Source: Arizent, August 2020

**Chart 8: Has your organization implemented any new AI-enabled automation technologies in the last 12 months?**

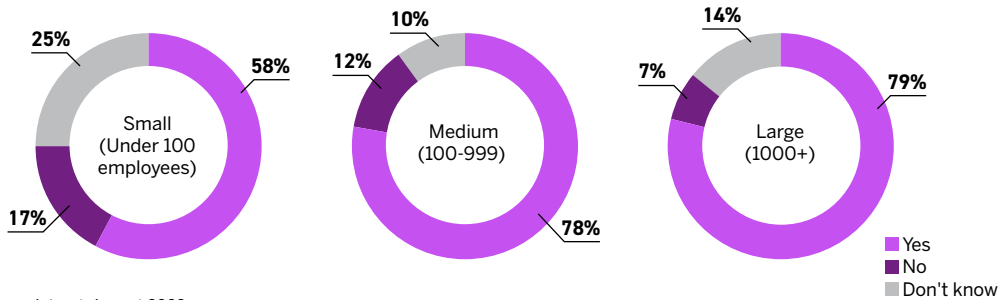


Source: Arizent, August 2020

Only  
**38%**  
of small firms  
have implemented  
new AI-enabled  
automation, they are  
most likely to use  
AI minimally or  
not at all.

# RESEARCH REPORT

**Chart 9: Does your company plan to implement any new AI-enabled automation technologies in the next 12 to 24 months?**

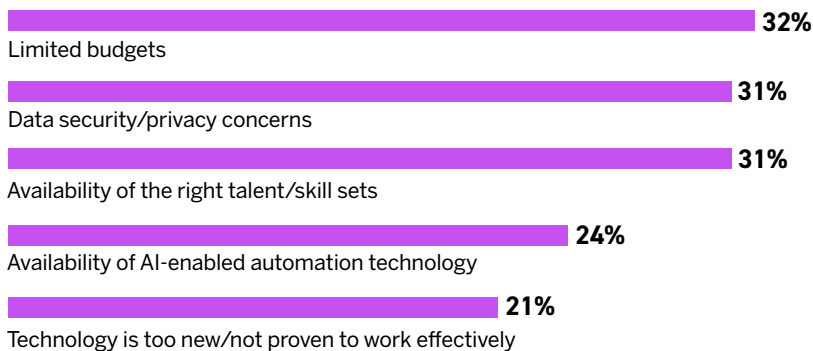


Source: Arizent, August 2020

One likely cause is access to data, which had been called the oil of the Fourth Industrial Revolution. AI technology needs large data sets to run effectively, and institutions like large banks have this data in-house. Professional services and wealth management firms sit between a customer and these financial institutions, limiting access to data and having to pay a third party to collect it.

Large institutions can also use their existing resource advantage to develop and deploy their own AI-enabled automation using that in-house data. Firms with fewer than 100 employees cited limited budgets as the most significant barrier to adopting AI.

**Chart 10: What do you see as the most significant risks or barriers to AI-enabled automation at your organization?**



Source: Arizent, August 2020

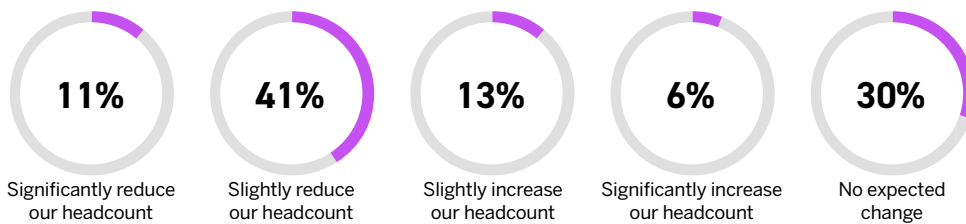
Small and mid-sized firms can turn to a growing ecosystem of enterprise technology vendors, but the largest firms' ability to keep everything under one roof may exacerbate an already growing divide in the industry.

Looking forward, firms expect AI to have significant impact on the human workforce

Perhaps the biggest concern with the Fourth Industrial Revolution is the impact automation will have on the labor force. What will happen to potentially millions of workers whose jobs are replaced by AI-enabled automation?

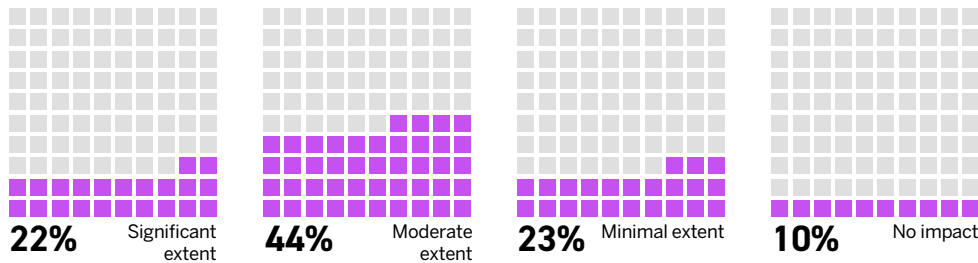
Leaders across the financial services industry are already grappling with the question. Half of the respondents to Arizent’s survey expect AI to reduce their organization’s headcount. Nine out of 10 expect AI will change the types of jobs that are available.

Chart 11: To what extent do you think AI-enabled automation will change the overall size of your organization’s workforce over the next 1-3 years?



Source: Arizent, August 2020

Chart 12: To what extent do you think AI-enabled automation will change your workforce composition (i.e., types of jobs available) over the next 1-3 years?



Source: Arizent, August 2020

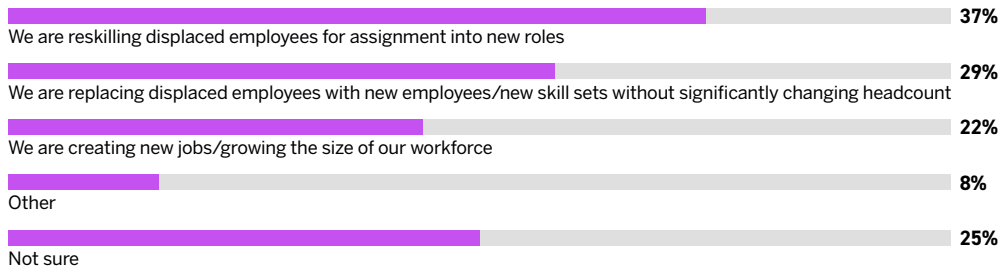
The good news is firms are making plans for navigating the anticipated change. More than a third of respondents say the firm is reskilling displaced employees to assign them into new roles, and 22% say the firm is creating new jobs as a result of AI-enabled automation.

52% say they expect that AI will cut headcount slightly or significantly



# RESEARCH REPORT

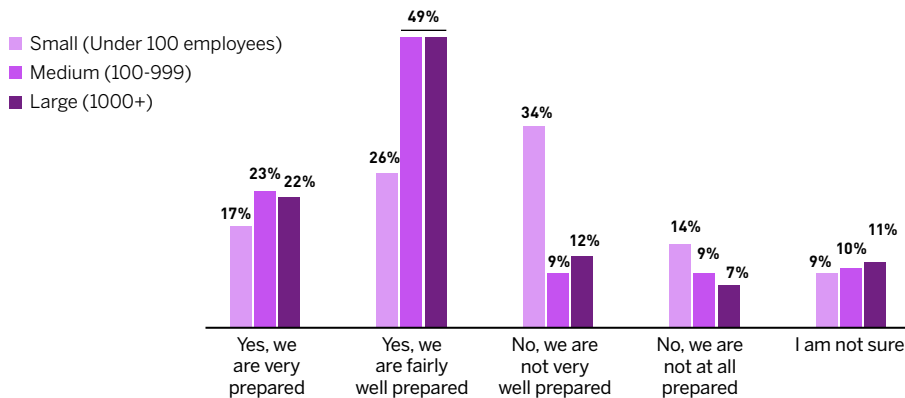
**Chart 13: In instances where jobs are being replaced or headcount reduced as a result of AI-enabled automation, what actions is your organization taking to reinvest or redirect those resources?**



Source: Arizent, August 2020

Though most companies feel they are well-prepared for a workforce transformation, the results once again split by company size. Seventy one percent of large companies and 72% of mid-sized companies are confident in their plans. Only 43% of small organizations feel the same.

**Chart 14: Does your company have clear goals and plans to govern its workforce transformation as a result of AI-enabled automation?**



Source: Arizent, August 2020

**66%**  
say that AI will change workforce mix either moderately or significantly

### Conclusion: The future is now

The financial services industry has long talked about the need to embrace digital technology and automation, but the time for talk is over. The age of AI is here, the pandemic has only shortened everyone's runway to catch up.

Months of social distancing forced even the most tech-averse among us to embrace digital tools. Clients and employees already demanded better digital experiences driven by automation. Now, it is mandatory. Businesses unable to deliver will be left behind.

The early advantage held by financial services is likely to increase in the short-term and fuel ongoing consolidation throughout the industry. Banks in particular can use automation to become one-stop-shops for customer's financial needs. Fintech startups with AI-enabled automation capabilities, particularly around customer service, may see a wave of M&A activity from institutions looking for a competitive edge.

To survive, smaller players will need the efficiencies AI provides to cut costs and increase the number of clients they can effectively serve. With clear goals, executable roadmaps and metrics to evaluate success, firms of any size can find ways to remain competitive. Worker displacement will be a challenge, but it also presents a new opportunity to reshape the labor force and the clients they serve. New types of jobs and demand for new skill sets can attract a more diverse workforce, and automation can help reach traditionally underserved customer demographics.

**“With AI enabled automation we can create adaptive processes, enable better decision making, and empower businesses to identify and capture completely new opportunities.”**

C-level Operations executive  
Investment Bank



### **Methodology**

Arizent collected data online from a total of 308 respondents during the May 13 to June 1, 2020 time period. Industries surveyed include financial services (retail/commercial banks, investment banks, mortgage companies, payments firms, insurance carriers), wealth management, professional services (accounting firms, benefits brokers, insurance agents), and fintech/IT. Arizent screened qualified respondents for knowledge about their organization's intentions related to AI-enabled automation. Three-quarters of respondents indicated they were either C-suite or senior management employees.

### **About Arizent Research**

Arizent delivers actionable insights through full-service research solutions that tap into their first-party data, industry SMEs, and highly engaged communities across banking, payments, mortgage, insurance, municipal finance, accounting, HR/employee benefits and wealth management. They have leading brands in financial services including American Banker, The Bond Buyer, PaymentsSource, Financial Planning, National Mortgage News, and in professional services, such as Accounting Today, Employee Benefits News, and Digital Insurance. For more information, please visit [www.arizent.com](http://www.arizent.com)

**Interested in learning more about how to put Arizent's full-service research capabilities to work for your company? Please contact: Janet King, Vice President Research, [janet.king@arizent.com](mailto:janet.king@arizent.com), 207-807-4806.**