

## HUMANIZING THE DIGITAL EXPERIENCE OF BANKS' INTERACTION WITH CONSUMERS

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**Abstract.** Today, consumers of banking services use digital channels for routine transactions, but for complex transactions, many of them choose personal interaction, even though their needs change in accordance with changing social, economic, cultural and technological trends. In this regard, the need to expand digital banking offerings focused on increasing customer loyalty and taking into account various factors, ranging from personalization of experience to reducing security risks, is being actualized. Despite the fact that digital banking symbolizes convenience, consumer's still lack human communication and personal connection, so modern financial organizations should combine digital practice with physical interaction. These transformations will contribute not only to the creation of new products and services, but also to the formation of complex ecosystems that support the humanization of the digital experience of interaction with consumers.

**Keywords:** humanization of communications, customer loyalty, banking services, digital transactions, personalization of experience.

The COVID-19 pandemic has changed everyday life around the world by digitizing traditional processes. The financial services sector was no exception, as digital banking became necessary. With many bank branches temporarily closed and most physical interactions minimized, retail banking consumers had no choice but to use self-service channels.

Between 2020 and 2022, almost every bank saw an increase in digital consumption. The pandemic pushed many customers to use mobile banking for the first time, especially consumers in the older age groups. As a result, the questions are relevant:

- Whether the pattern of digital banking behavior, in which some consumers were forced to use online channels, will persist;

- whether this kind of digital interaction will lead to a lasting relationship (which is more important).

To understand the current situation, the authors conducted an independent survey of consumers' opinions on the use of digital banking in Russia. The study involved 400

consumers, representative of the banking sector, stratified by age: 18-23 years old (stratum 1-100 people); 24-39 (stratum 2-140 people); 40-55 years old (stratum 3-80 people); 56-74 years old (stratum 4-50 people); 75 years and older (stratum 5-30 people). The purpose of the survey was to get an idea of the customers' loyalty and their attitude towards the banks' digital offers.

The survey found that a third of respondents were much more likely to use digital banking channels compared to the pre-pandemic period. In fact, many banks recorded a record surge in digital usage. Not only did the rise in digital transactions bode well for banks' cost-cutting plans, but it also helped boost revenue. Digital channels accounted for 61% of total retail sales, confirming the need to use digital channels for simple transactional activities such as bill payments, fund transfers, etc. (Table 1).

It's worth noting that 52% of consumers surveyed pay their bills through online mobile banking, and 48% of those surveyed would like to update their account information. Even

respondents in the older age category (strata 4 and 5) said they preferred to use online banking [1, 2]. Meanwhile, respondents in strata 1 and 2 use mobile banking apps much more often than older generations because of the availability of "anytime, anywhere" banking

features. Today, mobile banking is actively used in the digital life of the population, providing an opportunity to check account status, pay receipts, transfer money, and access alternative financial services.

Table. Channels of banking operations preferred by consumers\*

Digital banking services	Survey results (number of respondents), %			
	Internal structural division (ISD)	Contact centers	Online banking	Mobile applications
Introduction to new products	40	12	23	11
Transfer of funds to another person or to an account	17	8	46	30
Payment of bills	11	9	52	28
Updating Account Information	23	10	48	24
Making an application for a loan	33	9	19	11
Opening a new checking account	38	8	21	12
Opening a new account for money management	31	8	16	10
Getting financial advice	35	12	15	9

\*In the survey, respondents could choose several answers to the question or none at all.

Nevertheless, banks should expand digital offerings with a focus on increasing customer loyalty and considering a variety of factors, from personalizing the experience to reducing consumers' perceived security risks. While digital banking symbolizes convenience, consumers still lack human interaction and personal connection, so it is equally important to humanize communications, whether consumers prefer to interact with their bank in person or digitally, through chatbots [3].

However, not all attempts to combine digital and physical communications have been equally successful. The demand for online channels and mobile apps, combined with increased call volume, has encouraged chatbots to be embedded in digital platforms. As consumer demands became more complex, chatbots found it difficult to adequately provide satisfying solutions. As such, the majority of respondents (82%) who have used chatbots for inquiry in the past year would not use this type of interaction in the future.

Humanizing chatbots and other digital interactions to provide rapid resolution to consumers, whether they are disputing a transaction, reporting a lost card or fraud, is essential to shaping interactions in digital banking. Customers may use digital channels for rou-

tine transactions, but for complex and engaged services, many will choose face-to-face interaction, even as their needs change in response to changing social, economic, cultural and technological trends.

It should be noted that post-pandemic consumers are seeking not only instant gratification, but also an increase in convenience and flexibility, personalized services, as the "human interaction" factor is still relevant. That's why today's financial institutions should combine digital experiences with physical interactions. The ability to use both physical and digital channels is creating new expectations for hybrid experiences. That said, it's important that banks' technology systems are tightly integrated to ensure seamless data exchange between physical and digital channels. Because many consumers in strata 1 and 2 don't just want to use a bank to buy a financial product or complete a transaction, they are seeking a seamless, integrated and intelligent experience with a financial partner they can trust. In addition, consumers are looking for innovative services currently offered by non-banks that provide automated spending information, P2P payment functionality, etc. (table 2).

Table 2. Consumers' readiness (stratum 1 and stratum 2) to use digital channels of banking services

Communication channels	Stratum 1 (18-23 years old), %		Stratum 2 (24-39 years old), %	
	Exposed to risk	Loyal	Exposed to risk	Loyal
Services and technologies of non-banking organizations	62	31	75	26
Digital technologies only, for obtaining loans	56	35	67	28
Only digital channels for deposits	57	40	71	34

Thus, the retail banking sector faces two challenges: how to keep digital behavior constant and how to retain customers [4]. Solving the data problems requires a concerted effort to humanize customer interaction and to improve the convenience of banking services through physical and digital channels. At the same time, self-service channels should not be reduced, but rather search for new ways to understand consumers' hidden needs and influence their banking behavior.

Equally important is the transformation of digital banking communications into more intelligent ones that quickly solve customers' problems. Introducing artificial intelligence models that respond to different ranges of consumer emotions and adapting them can make consumers' interactions with digital channels more personal. In this case, work should be done in at least three directions:

- personalization of consumer needs;
- overcoming the fragmentation of physical and digital channels;
- ensuring the confidentiality of personal data of consumers.

Personalization of needs provides new horizons for scaling personalized offerings that foster customer loyalty [5]. Banks could consider creating a range of financial products and services tailored to individuals' unique needs and lifestyles, based on transactional and behavioral data, without overwhelming them with a full product portfolio.

To overcome siloed channels, the banking experience needs to be integrated across VSPs, online banking, mobile apps, chatbots, contact centers (call centers) and third-party digital assistants. Since one-fifth of respondents under the age of 39 in the survey said they would prefer constant interaction across all channels, banks should strive for a seamless flow of data. In doing so, mobile banking

apps should be at the center of interconnected interactions, making it easier for consumers to access, remotely. The development of mobile apps as an assistance tool will minimize the need for call centers. The combination of physical and digital channels implies not only the creation of new products and services, but also their integration, and the formation of complex ecosystems that humanize the digital experience.

Current advances in technology, including application programming interfaces, artificial intelligence, 5G, and data sharing, further heighten consumer concerns about information privacy. As such, banks must take appropriate measures in the area of cybersecurity, which remains a major cost of technology. Financial institutions should pay particular attention to "consumer perceptions of security and privacy." Because one-third of survey respondents agreed that they would use more mobile apps if banks strengthened mobile data security. Therefore, there is a need to develop targeted communications campaigns focused on the security and privacy features of digital banking offerings and to educate consumers on best practices for their use.

From the above, it follows that at the moment, the development of digital banking behavior is moving to a new level. Today's consumers are quite aware of the features of digital banking, which they actively use. Moreover, the landscape of banking is changing from "no choice but to use digital technology" to "digital technology by choice," which increases the humanization of the digital banking experience. Today, digital banking is an indispensable tool in engaging consumers and in personalizing everyday interactions. Transforming digital banking channels and improving the experience has a positive impact on building long-term relationships.

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### ГУМАНИЗАЦИЯ ЦИФРОВОГО ОПЫТА ВЗАИМОДЕЙСТВИЯ БАНКОВ С ПОТРЕБИТЕЛЯМИ

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*Аннотация.* Сегодня потребители банковских услуг используют цифровые каналы для рутинных транзакций, но для совершения сложных операций многие из них выбирают личное взаимодействие, даже несмотря на изменение их потребностей в соответствии с меняющимися социальными, экономическими, культурными и технологическими тенденциями. В этой связи, актуализируется необходимость расширения цифровых банковских предложений, ориентированных на повышение лояльности клиентов и учитывающих различные факторы, начиная от персонализации опыта до снижения рисков безопасности. Несмотря на то, что цифровой банкинг символизирует удобство, потребителям по-прежнему не хватает человеческого общения и личной связи, поэтому современным финансовым организациям следует сочетать цифровую практику с физическим взаимодействием. Данные преобразования будут способствовать не только созданию новых продуктов и услуг, но и формированию комплексных экосистем, поддерживающих гуманизацию цифрового опыта взаимодействия с потребителями.

**Ключевые слова:** гуманизация коммуникаций, лояльность клиентов, банковские услуги, цифровые транзакции, персонализация опыта.