

WELLS FARGO IS TAKING ITS STAGECOACH TO ROCKETSHIP SPEEDS

DIGITAL TRANSFORMATION AND TECH INNOVATIONS FUELED BY CONSUMER DEMAND

SUMMARY

The COVID-19 pandemic drove the adoption of new working methods across industries. In the financial industry, online and mobile banking channels emerged as vital, if not more so, than traditional branches and ATMs.

Now, banks worldwide are continuing technology transformations to modernize operations and legacy systems in order to deliver simplified products and policies, accelerate time-to-market, and ensure outstanding customer and employee experiences.

In addition, the most significant wealth transfer in history¹ means traditional banks are now competing with fintech firms for an increasingly tech-savvy consumer.

Today's consumer demands convenience, speed, and security in their financial transactions. Banks are responding with new mobile banking apps, biometric authentication systems, and other advancements that make banking more accessible and user-friendly than ever before.

Traditional banks have expertise, client knowledge, and resources to leverage, but they will need to revitalize and innovate outdated banking models to remain relevant to current and future generations.

YOUR GRANDPARENTS' BANK, ONLY BETTER

Wells Fargo is a 170-year-old multinational financial services institution that provides banking services to over 70 million people. Many of these are second-, third-, and fourth-generation customers. Wells Fargo has a long history and traditional marketing to match its values. To first-time customers, it may seem as antiquated as the stagecoach

¹ CNBC (2022, October 17). *Strategies to navigate the \$68 trillion 'great wealth transfer,' according to top-ranked advisors*. <https://www.cnbc.com/2022/10/17/how-to-navigate-the-great-wealth-transfer-according-to-top-advisors.html>

in its logo. The bank's "brand presence" emphasizes the institution's longevity, security, and traditional values, more than 100 years in the making.

Wells Fargo is now on a modernization quest to find solutions for a new, tech-savvy, convenience-driven consumer.

Wells Fargo aims to serve customers, clients, and employees with relevant innovations that also deliver the assurance of data safety and security. The company maintains a robust risk management framework, emphasizing stability and security. Wells Fargo works diligently to ensure the highest level of cybersecurity and protection for its customers' data, privacy, financial assets, and the bank's operations.

A NEW GENERATION OF CUSTOMERS AND THEIR BANKING EXPECTATIONS

Today's consumers expect personalized and seamless experiences across all touchpoints, forcing banks to prioritize digital transformation and innovation while maintaining the legacy banking level of security. Additionally, as wealth transfers to younger generations, banks must cater to this demographic's unique needs and expectations.

Wells Fargo is accelerating its digital transformation to meet current consumer needs by reimagining its operations, productization, and interactions with businesses and consumers. Leveraging advanced technology like artificial intelligence (AI) and machine learning (ML) helps transform business and enables the future of personalized customer experiences.

TECHNOLOGY- AND VALUES-READY FOR THE SHIFT IN CONSUMER DEMAND AND TRANSFER OF WEALTH

Banks must take a digital-first approach to reach customers where they are and to provide a seamless and integrated experience across their product ecosystem. Advanced technologies such as AI and ML have helped financial institutions create easy-to-use solutions that help customers achieve their financial goals. The company's product and platform architecture allows it to fuse in-person and digital customer experiences, providing even more value.

Wells Fargo recently enhanced its mobile app with a new [AI-powered virtual assistant, "Fargo,"](#) designed to make banking more accessible and efficient. The company

considers Fargo more than a “chatbot.” It provides a reliable and innovative banking experience, constantly striving to provide better and more personalized services.

“Fargo” is based on the concept of nonlinearity. This means that when a user logs in, they can immediately perform the task they want rather than being constrained by a predetermined sequence of actions. For example, instead of navigating through menus to access account summaries and selecting the desired account for a transfer, users can state their intent, such as “transfer money to savings.” This approach shifts the cognitive load from the user to the virtual assistant, streamlining the user experience.

Whether it involves conveying information or expressing subjective desires, language allows users to articulate their needs more naturally and intuitively. Once the user's identity is verified, the bank offers the option for a traditional experience if the user prefers it or allows users to state their desired actions for the virtual assistant to facilitate their needs promptly and efficiently.

The bank's vision² is to provide its customers with faster and more reliable AI-driven experiences focusing on relationship banking. For testing purposes, Wells Fargo uses large language models such as OpenAI's GPT and Google's LaMDA that are built on Transformer, a neural network architecture. Plans are to eventually move to a Wells Fargo-developed model trained on proprietary and known data to ensure proper model governance and data accuracy.

Research sponsored by Well Fargo³ shows that the rising generation inheriting wealth has a solid grasp of financial literacy but wants to learn more. As one generation transfers wealth to the next, the recipients are inclined to seek the help of advisors — whether it is about family finances, new types of investments, or opportunities for the future. One in four (24%) want to make decisions themselves.

Technology and innovative financial tools can help steer customers toward new types of investments or opportunities for the future. With the help of advanced technology, individuals can take control of their financial future and make informed decisions about their wealth management.

Additionally, the company improved its digital experience for commercial and corporate clients and modernized many of its platforms, including payments and lending. The company is committed to providing its customers – and its customers' customers with

² Based on customer feedback from an [Ipsos poll](#). See Figure 1-2 for results.

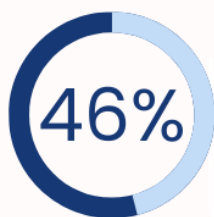
³ <https://sites.wf.com/rising-gen-research/media/2022-Wells-Fargo-Rising-Gen-Research-Reveal.pdf>

the best possible experience, and it believes that these enhancements will help achieve that goal.

The bank optimizes data transformation by leveraging APIs into accessible and usable assets, enhancing user experiences and task efficiency through seamless integration and interaction with diverse systems and applications. This strategic approach resonates with 59% of CFOs who prioritize payment digitization⁴. APIs provide a secure and preferred digital substitute for conventional payment methods, guaranteeing robust security measures and delivering a streamlined and convenient payment experience for businesses and consumers.

CONSUMER SENTIMENT ABOUT VIRTUAL ASSISTANTS*

Customer Sentiment About Virtual Assistants In Financial Services



Prefer to receive customer service from a virtual assistant rather than waiting on the phone



Believe a virtual assistant better anticipates their questions, saving them time



Believe a virtual assistant is more convenient than a live representative



Believe a virtual assistant saves time compared to a customer service agent



Six in ten people say the pandemic made them more open to virtual assistants

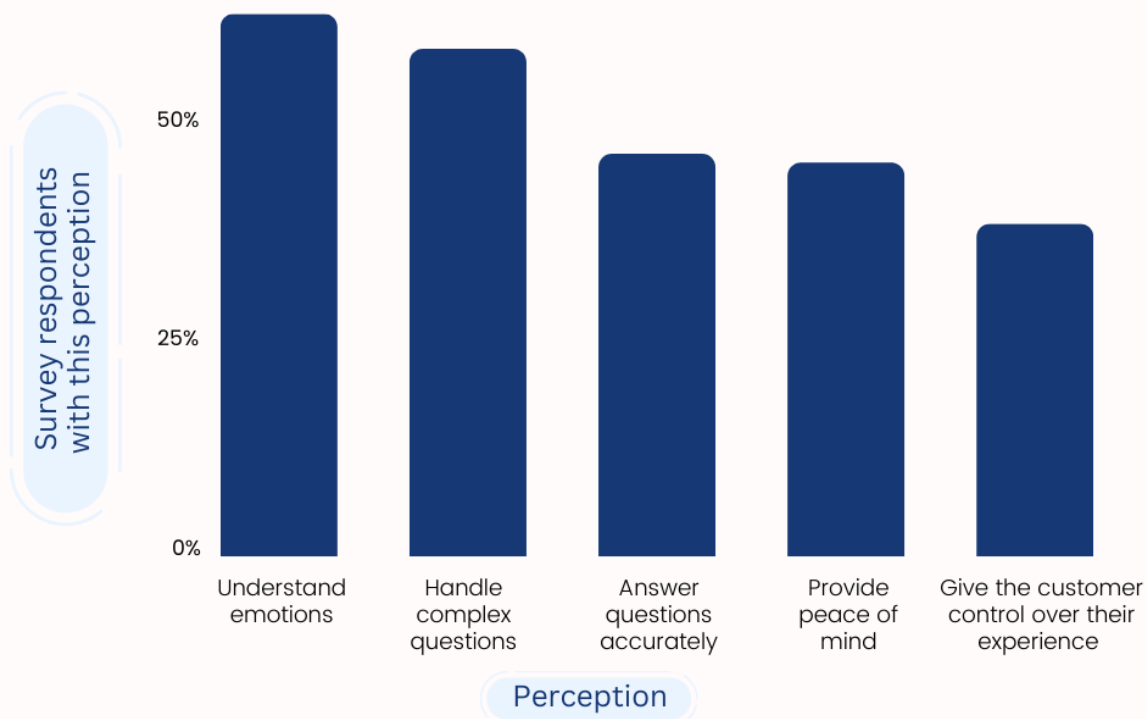


50% of people have used an online or mobile virtual assistant offered by their financial institution

Source: Moor Insights & Strategy

⁴ <https://www.pymnts.com/wp-content/uploads/2022/09/PYMNTS-Expanding-Payments-Choice-September-2022.pdf>

Customer-perceived strengths of human representatives that FIs aim to address with GAI



Source: Moor Insights & Strategy

**Data from Ipsos Poll: Most Americans have used virtual assistant to get answers to their questions*

Wells Fargo has been integrating AI into many aspects of its operations over the past decade, viewing it as a crucial component of its business strategy and fraud detection. The company aims to further incorporate AI into every business dimension, from customer experiences to automation and gaining new insights. Rather than isolating AI as a separate part of its operations, Wells Fargo sees it as an essential part of the bigger picture. The bank relies primarily on its own datasets. It engages in post hoc processes to handle explainability, enabling them to understand and interpret the decisions or outputs of the AI model.

Additionally, Wells Fargo prioritizes safety, carefully avoids bias in its AI models, and validates them with an independent group. The company frequently reviews the telemetry generated by their AI models to ensure compliance and prevent AI drift. Wells Fargo shows that it understands what it takes to integrate AI successfully throughout the organization: to truly scale AI, it must become an integral part of every go-to-market product it offers.

Wells Fargo is a forward-thinking institution that values collaboration and partnership. The company understands both the significance of responsible innovation and engaging with the broader technology ecosystem. Wells Fargo teamed up with AI pioneers such as Stanford, Microsoft, and Google to develop its internal AI/ML capabilities and ensure rigorous AI model risk management. Wells Fargo accelerated and matured its AI capabilities by streamlining the AI modeling process from discovery to deployment.

CONCLUSION

Wells Fargo is committed to answering customer demand and meeting the needs arising from wealth transfer through innovative solutions. The bank has done extensive, sophisticated research with AI and ML in banking, such as overdraft early warning systems, cybersecurity, and more. Explaining how AI/ML models obtain results is especially important for banks for regulatory reasons of accountability, fairness, and security.

Customers should expect even more from the company if it continues to invest in critical partnerships and diverse groups to create value for customers across various ecosystems. Moor Insights & Strategy believes this dedication to collaboration is a core differentiator for Wells Fargo, which has a long history of partnering with other entities within the banking and fintech ecosystem to bring quick, customer-centric experiences to market. By working with ecosystem and technology partners, Wells Fargo is well-positioned for responsible innovation and delivering bespoke services that cater to the changing demands of its customers, clients, and employees.

IMPORTANT INFORMATION ABOUT THIS PAPER

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