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Machine Learning will not replace the advisor, rather significantly enhance them

Machine Learning is a powerful tool – however, it's the combination with human capabilities which unleashes its maximum potential.

As of now, real AI that passes the Turing test does not exist. Currently this term regularly refers to Machine Learning (ML) instead: Classic algorithms, trained with data. ML allows identifying significant information from large data sets, recognizing patterns, and finding relevant solutions by objective criteria. ML is a key technology with potential: As per a study by IDG, 71 percent of ML projects bring an economic benefit within 3 months.

According to German Bitkom though, only 6 % of companies use so-called AI today: Mostly in marketing or payments; very rarely for advanced applications. Particularly in the financial services sector, due to lack of proper conditions, this is unlikely to change soon.

Where and how can ML create additional value?

The focus and quality demanded by clients are certain to keep growing: Clients ask for perfect individualization based on information and data they share. This can only be attained by a combination of high-quality ML processes and human capabilities. ML alone is not sufficient for maximum individualization – but it significantly improves the chances of getting there.

"If AI is the new electricity, the fuel that powers these plants is data," says Oren Etzioni, CEO of the Allen Institute for AI. For companies to benefit from ML at scale, they must create suitable conditions: End-to-end digitalized infrastructure that allows accessing and analyzing all substantial data.

The currently widespread on-premise structures of data silos, disjoint systems and divergent formats without standardization or sufficient processing power, make the application of ML virtually impossible. A cloud-based infrastructure, covering the entire value chain and ensuring high data quality, addresses all these problems at once. Cooperating with regulated fintech can speed up the replacement of legacy IT.

High-quality ML can then be used to deliver automated, uniform processes or pre-identify the top five out of 500 possible results. Evaluating large data streams in real time provides decision support in previously unattained quality.

The human capabilities for advice and trust, emotional and social intelligence stay the decisive USP

Regardless of how effective ML will be, to maximize individual customer value, financial services do need – and will always need – humans. In complex tasks such as wealth management for a family unit, every single member, their emotional and professional requirements are of utmost relevance to find the perfect solution.

Does the solution proposed by ML really fit? Given the current emotional state, the immediate reaction, the history of the client? Considerations a non-human algorithm is unable to integrate for the foreseeable future, if ever.

There is no absolute objective truth with regard to financial decisions. Advisors with intuition and experience have to decide in the face-to-face personal contact, if the theoretically best decision is also factually best.

The model for success clearly lies in the ideal combination of data-driven resources and human decision-making power. If real AI ever manages to elicit the authentic trust that can arise between humans today, it might take over. Until then, human mental power and empathy will remain indispensable. ●