MORE is better than less.

Dear Friends:

One thing that's always certain is change, and Artificial Intelligence has the potential to bring about all kinds of changes, both good and bad. This month's article takes a look at the implications being felt in the financial and media sectors.

It was great to connect with colleagues at the 2023 MFM Annual Conference in Los Angeles, and we enjoyed sponsoring the opening night party.

Our late-summer calendar is a busy one, beginning in August with the Nebraska Association of Broadcasters Annual Convention, August 8-9 in Omaha, where we are sponsoring the Owner/GM cocktail reception; the Szabo Quality Awards Banquet, August 24 in Atlanta, where we recognize the outstanding members of our team; and being a sponsor of the Lekotek of Georgia Run on August 26, supporting a nonprofit that helps children with disabilities. In September we are a sponsor at the Annual Media Credit Conference, September 14 in New York City and the Georgia Association of Broadcasters GABCON 2023, September 15-16 in Jekyll Island.

Best wishes for a happy Summer.

Robin Szabo, President
Szabo Associates, Inc.

Artificial Intelligence:
Powering Your Business into the Future!

Artificial Intelligence (AI) is seeing widespread implementation and acceptance these days. This futuristic technology, brought into the spotlight by chatbot ChatGPT, has far-reaching implications for all industries, certainly including the financial sector and the media. By using AI, companies can streamline and automate processes to make their businesses run more efficiently and profitably.

Much like the Metaverse *(Collective Wisdom, June 2022),* Artificial Intelligence is still evolving and experts disagree on its potential and even its definition. In general terms, AI involves using computers to do things that traditionally require human intelligence. This means creating algorithms to classify, analyze, and draw predictions from data. It is also capable of acting on data, learning from new data, and improving over time.

How AI Works: Neural Networks and Deep Learning.
Artificial Intelligence systems work by ingesting HUGE amounts of labeled training data, analyzing the data for correlations and patterns, and using these patterns to make predictions about future states. Tremendous increases in computing power and storage have helped make this possible.

A neural network tries to replicate the human brain's approach to analyzing data. These networks can identify, classify and analyze diverse data, deal with many variables, and find patterns that are too complex for human brains to see.

Deep learning is a subset of machine learning. When applied to a neural network, it allows the network to learn without human supervision from

unstructured data (data that isn't classified or labeled). This enables AI to analyze vast amounts of data that organizations collect, including but not limited to text, images, video, and sound.

While AI has the potential to revolutionize entire industries, even experts have trouble explaining how some tools work. And tech leaders often disagree on whether these advances will bring a utopian future or a dangerous new reality where truth is indecipherable from fiction.

The April 23, 2023 report "What Is AI" from McKinsey and Associates offers this comprehensive definition. "Artificial Intelligence is the ability of a machine to perform cognitive functions we associate with human minds, such as perceiving, reasoning, learning, interacting with the environment, problem solving, and even exercising creativity."

Examples of technologies that enable AI to solve business problems are robotics and autonomous vehicles, computer vision, language, virtual agents, and machine learning.

The Emergence of ChatGPT and Other Chatbots.
The most common way people experience Artificial Intelligence is through chatbots, which work like an advanced form of an instant messaging platform, answering questions and formulating tasks from prompts.

A chatbot that is fed examples of text can learn to conduct lifelike exchanges with people, while an image recognition tool can learn to identify and describe objects in

Artificial Intelligence —

images by reviewing millions of examples.

Chatbots have been incorporated into websites to provide immediate service to customers. The rapid advancement of generative AI technology such as ChatGPT is expected to have far-reaching consequences: eliminating jobs, revolutionizing product design, and disrupting business models.

These bots are trained on troves of internet data, including online forum conversations and digital books. Chatbots are incredibly adept at finding patterns and imitating speech, but they don't interpret meanings, experts say. It's more like a high-fidelity version of the autocomplete function we all experience when typing emails or texts.

Though it may be the most well-known of the chatbots, ChatGPT is one of many. Other companies in the chatbot race include Google, Microsoft, Meta, and IBM.

Since it debuted in November, ChatGPT has amazed users with its ability to produce fluid language — generate complete novels, computer code, TV episodes, and songs. GPT stands for "generative pre-trained transformer." Generative means that it uses AI to create things, pre-trained means that it has already been trained on a large amount of data, and transformer is a powerful type of neural network that can process language.

OpenAI, the software company behind ChatGPT, says "We've trained a model called ChatGPT which interacts in a conversational way. The dialog format makes it possible for ChatGPT to answer follow-up questions, admit its mistakes, challenge incorrect premises, and reject inappropriate requests."

While this early version of ChatGPT is free and available to the public, future versions will be subscription-based, including ChatGPT Pro, which will offer faster speeds and additional functionalities.

Some people predict chatbots will alter how people find and consume information on the internet. Instead of entering a term into a search engine, like Google, and sifting through various links,

people may ask a chatbot a question and receive a confident answer (though chatbots do make mistakes).

There are also much more common uses, often involving customer service inquiries on websites, and chatbots may even be coming to your favorite restaurant drive-through windows. Wendy's is experimenting with an AI-driven chatbot to take orders. It will use Google's AI. If this test run is successful, imagine chatbots taking take-out orders from understaffed restaurants. Customers might even prefer these non-human interfaces if orders are more accurate (and tipping a machine is not required).

Generative Artificial Intelligence: Real or Imagined?

New, rapidly improving generative AI techniques can create realistic text, images, music, and other media. Although this technology can't "think" like humans do, it can sometimes create work of a similar quality. AI-powered image generators have made illustrations and graphics that even art experts believed to be human-made. Voice-generated software has preserved voices of people suffering from medical conditions that make them unable to speak.

While all this sounds promising, there is also a dark side, including a proliferation of "fake news" sites using Generative AI to create their content. According to the May 19 *MediaPost* article "AI-Generated News Sites More Than Double In Two Weeks" by Joe Mandese, media fact-checker NewsGuard is seeing a 155 percent increase in the number of AI-generated news sites in just a two-week period.

According to NewsGuard, these newly identified websites, posing as legitimate news outlets, are churning out dozens or more "clickbait, poorly written articles," that include false claims, fabricated events and articles presenting past news events as current. The operators of these sites select generic names for them such as iBusiness Day, iWeather Today, and Daily Time Update, making them appear to publish traditionally created and edited journalism. The goal is to capture advertising revenue placed by ad tech firms. The danger is public acceptance of the contents as legitimate news.

"The opaque programmatic advertising industry has invited this new wave of using AI to generate page

views to attract ad revenues," NewsGuard co-CEO Gordon Crovitz said in a statement issued with the update, noting: "Brands, ad agencies and ad tech companies are now unintentionally funding these AI operations, encouraging the creation of websites masquerading as reliable journalism."

Another worry is "deep fakes," which are synthetically generated photos and audio or video clips that are fake but look real. The same technology that can produce awesome images could be deputized to fake wars, make celebrities say things they didn't actually say, or cause mass confusion or harm.

Most media companies' editorial departments are already holding training sessions on identifying deep fakes, fact-checking, making sure sources are legitimate and even identifying AI-written content that might be submitted by an unethical freelance writer as original work. Publishers are at risk for libel suits if they don't have such processes in place. And they don't want to risk their reputations and standings as reliable news outlets. Even teachers have concerns about students passing off Generative Artificial Intelligence essays and reports as their own work.

Artificial Intelligence in Marketing.

Like existing advertising and marketing strategies, the goal of Artificial Intelligence is to better understand customer behavior and deliver personalized and relevant content. Will advertising pitches and proposals be written by AI instead of advertising agencies and marketing professionals? CVS Pharmacy reports that this is already happening in the May 16 *MediaPost* article, "CVS CMO Says AI Will Have 'Profound' Impact On Agency Biz" by Sarah Mahoney.

CVS says Generative AI is already a powerful force in its marketing ecosystem, sometimes doing better work than humans do. Norman de Greve, the retailer's chief marketing officer, predicts that fast-learning software will shake up client-agency relationships in ways companies still haven't fully processed.

"AI is going to have profound effects on agency business," he said in the article. "And it's not because somebody doesn't like an agency.

People want things at lower costs and faster, and with quality at a level of parity with what they have now -- and that's starting to happen."

Programmatic advertising uses AI to help automate decisions about what ads to show to which people, so advertisers can save time and money on the process. AI can target customers whose behavior and demographic information matches based on information collected through cookies or other processes.

Financial Implications.
Banks are using machine learning and Artificial Intelligence to predict consumer behavior, understand their purchase preferences, streamline customer service, and improve fraud detection. In fact, *Business Insider* predicts that AI applications will save banks and financial institutions $447 billion this year.

In this era of worker shortages, banks are turning to AI to automate customer interactions. AI can automate routine tasks, such as account balance inquiries and password resets, freeing up customer service representatives to focus on complex issues. It could increase efficiency and reduce costs for banks while providing faster and more accurate customer support, available 24/7.

AI can also handle application processes for credit cards and loans, including acceptance and rejection, providing near-instant responses and eliminating human bias.

Banks could also use AI models to provide customized financial advice, targeted product recommendations, proactive fraud detection, and short support wait times. AI can guide customers through onboarding, verifying their identity, setting up accounts, and providing guidance on available products.

For example, Bank of America uses a chatbot named Erika to streamline customer service without compromising on quality. Clients activate the service from within the bank's app using text or voice. One service that Erika provides is debt collection, helping customers make down payments or consequential payments. In the background, the chatbot constantly checks for offers, sending personalized messages if there's the chance to reduce debt or save money.

AI can also be used to help identify fraudulent transactions. By closely monitoring purchase behavior and comparing it to historical data, AI can flag suspicious activity and automatically alert the bank and the customer to stop or verify the purchase or transfer in real time.

For investment firms, AI can quickly analyze large volumes of data to identify trends and help forecast future performance, letting investors identify growth opportunities and evaluate potential risk. Evaluation can also apply to insurance, where it is used to determine coverage and premiums.

There are some cybersecurity and privacy challenges for the financial sector, including safeguarding the security and privacy of customer data. Banks should ensure that their chatbot interface is secure and that sensitive data is protected from unauthorized access or disclosure.

Customer acceptance and adoption is also a concern. Customers must be made aware of the benefits of using chat interface and become comfortable with the technology. This will require investments by banks in chatbot software with an easy-to-use customer interface.

As far as future trends for banking, there are high hopes for increased transactional and account security, especially as the adoption of blockchains and cryptocurrency expands. In turn, this might drastically reduce or eliminate transaction fees due to the lack of an intermediary

An Early Warning System for Credit and Collections.
These same capabilities of analyzing vast troves of information to make educated predictions can be used to help determine creditworthiness and to identify potential problem accounts before they become delinquent. This data can give companies an early insight into problems before they arise and allow them to adjust the collections approach according to the possible data findings.

In the January 2021 article, "How AI is Modernizing the Collections Process," *Forbes* magazine sees AI as an early warning system. Historically, media debt collection has been predominantly reactive, a process to recoup losses after an advertiser has become delinquent, the article stated. Machine learning creates opportunities to proactively identify at-risk accounts before they fall behind on payments. In addition, machine learning is dynamic, recalculating risks as new information is introduced.
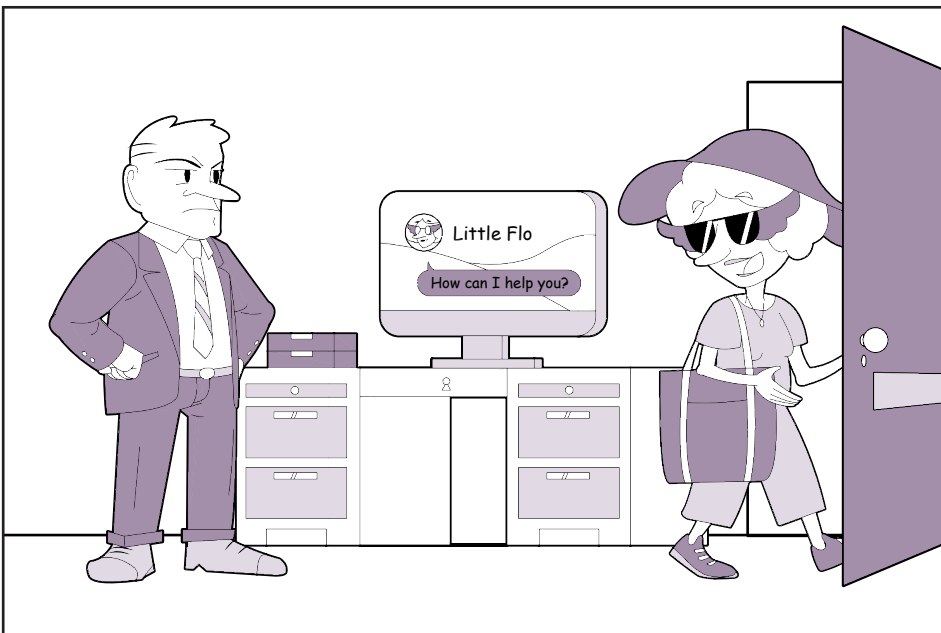
"Don't worry Boss. I've assigned my chatbot Avatar, Little Flo, to answer any questions from our customers. I'll be back next week."

Artificial Intelligence —

Artificial Intelligence can also help collections departments understand their customers and develop better outreach strategies, ultimately translating to better payback rates.

Optimizing collection requires properly choosing which methods of communications to use, knowing when to reach out, and crafting an effective message. These elements are influenced by numerous variables, making them ideally suited for analysis by machine learning to enhance customer engagement.

For instance, the customer's online activity patterns can help identify a preferred method and time of engagement. While some customers prefer to talk on the phone, others favor emails or texts and rarely answer phone calls. Artificial Intelligence can pinpoint each customers' preference, then media companies can tailor their strategy to boost both response and collection rates. Customer contact becomes more effective.

Artificial intelligence can also enhance engagement in novel ways. AI can analyze audio from customer calls to determine how different scripts or offers impact customer response and collections status. That information can guide future training and ongoing optimization to prevent or resolve the delinquency.

Streamlining processes is another advantage. Reaching out to busy customers with phone calls, letters and even emails and texts takes manpower that many companies are lacking. Asking busy customers to make payments over the phone or to log into your website portal is frustrating and time-consuming.

True, there's no substitute for the human touch. However, automating the payment process might make it easier and quicker for customers to check their account balances and make timely payments. While some customers probably resent or mistrust Artificial Intelligence, tech savvy customers might appreciate automated reminders with increased functionality. As technology develops, chatbots can guide customers through the process and include QR codes or links in the conversation to send customers to an external payment platform or help page.

In short, using AI as part of a collection strategy helps creditors avoid major credit risks. While it will always be impossible to predict all possible outcomes, companies can certainly reduce losses and improve the customer experience with the right tools. Artificial Intelligence debt collection software is available today from multiple sources.

Of course, Artificial Intelligence is not an appropriate substitute for long-term relationships between advertising sales representatives and their customers who respond promptly to a personal inquiry. However, AI can help media companies predict which customers will pay, be late in paying, or will not pay at all. ♦

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