



Chatbots: engaging with your customers like a friend

In today's digital age, customers, partners and employees dictate the manner in which they make purchasing decisions, gain information and seek support with issues important to them. The businesses that rapidly respond to this new environment will win in the market. In this article, we explore how organizations can leverage "conversational intelligence" to capture new customers and deepen the loyalty of existing ones.



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Chatbots are built to mimic conversations with human users – programmed to follow dialogue flow with natural language processing capabilities.

The rise of conversational commerce from a nerdy gadget to a mainstream concept is breathtaking. In 2016, *conversational commerce* and *chatbot* were perceived as buzzwords; a trend circulating the internet. Now, in 2017, they are embedded in business strategy, and we see more and more implementations being executed across a diverse range of industries, extending from retail to banking, entertainment and public health.¹ Conversational commerce carries the intelligent automation opportunity to the next level. What started a few years ago with robotic process automation (RPA)

of internal routine processes now extends from consistent, always-on processing to customer interactions and commerce.

Chatbots are the next battleground

Conversational solutions allow customers to interact with artificially intelligent chatbots through popular messaging channels, such as Facebook Messenger, Skype and WhatsApp as a new way of communicating with companies. Devices such as Google Home add voice recognition and speech to bring a hands-free conversational experience into our kitchens and living rooms. Chatbots are built to mimic conversations with

1. M. Quoc, *The state of bots: 11 examples of conversational commerce in 2016*, VentureBeat, 2016.

human users – programmed to follow dialogue flow with natural language processing capabilities – while artificial intelligence (AI) user interfaces can learn and understand context, as well as link concepts with one another. Basic chatbots are primed to respond to distinct terms and phrases and unable to venture outside the predefined dialogue, which also makes them easier to build and implement in contrast to AI-powered chatbots.

Retailers among the pioneers

Two of the most illustrative exemplars of conversational commerce in consumer retail are 1-800 Flowers and Pizza Hut,

from which customers can order flowers or pizza through chat. This allowed these and other retailers, such as Domino's, H&M, Victoria's Secret and Whole Foods, to position themselves among customers' friends and family on their preferred messaging platform. Yet a chatbot is not only a fun gadget within the retail industry, but a tool that seeks to drive commerce and sustain relationships across sectors.

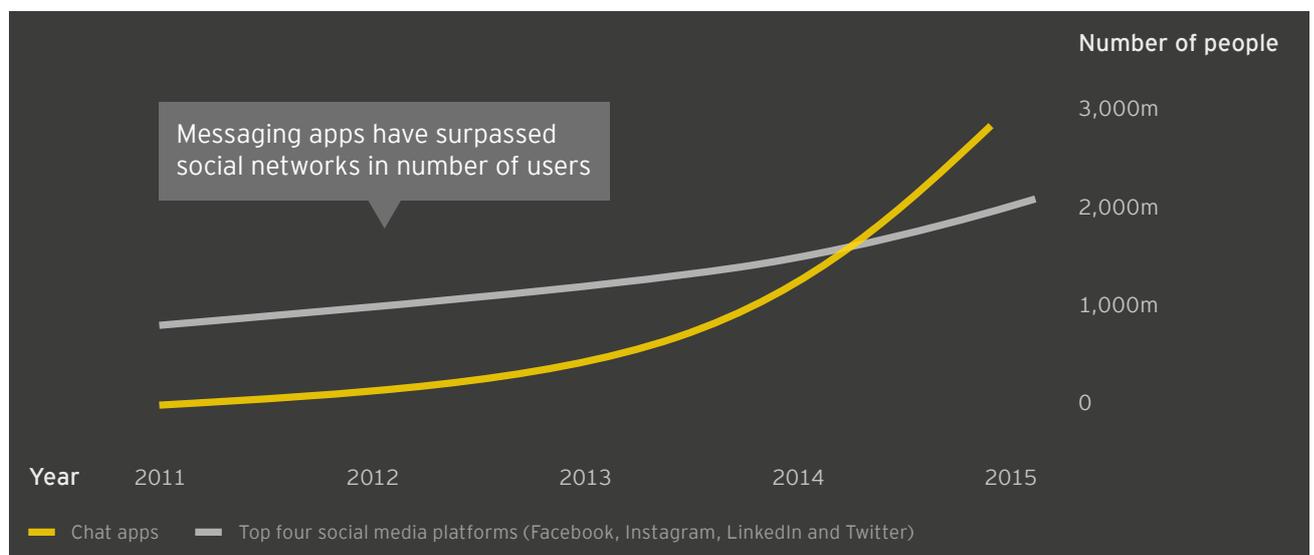
The time is now

In previous years, brands have focused on the development of branded applications to connect with their audience, yet

research has shown that, on average, users engage with only three apps for 80% of their usage²: a phenomenon referred to as "app fatigue." These apps have been selected from the more than two million available on major app store platforms.³ It is likely that at least one of these is a messenger app, such as Facebook Messenger or WhatsApp – each has more than one billion monthly active users,⁴ already surpassing social media apps that, until now, have been the most popular.

2. A. Lella, A. Lipsman and B. Marion, *The 2015 U.S. Mobile App Report*, comScore, 2015.
3. Number of apps available in leading app stores as of June 2016, Statista, 2016.
4. J. Constine, *How Facebook Messenger clawed its way to 1 billion users*, TechCrunch, 2016.

Figure 1. Messaging is the core app for smartphone users



Source: EY analysis.

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“Conversation is the new user interface.”

Keith Strier

Principal, Ernst & Young LLP, Americas
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App fatigue has driven customers to narrow down their app selection and usage. Instead, they use chatbots, as this avoids them having to download any additional apps and allows them to contact brands directly through messenger apps already installed on their mobile devices. Businesses no longer need to entice customers to download their apps, as their audience is already present and a frequent user of these messaging apps.

Customers are ready to engage

Millennials are mobile natives, projected to spend more than US\$200 billion annually in 2017 in the US alone.⁵ They are fluent and comfortable with messaging channels, and can quickly understand and grasp the chatbot medium. Yet it is important to highlight that the users of these messaging platforms are segmented across all ages, rather than solely focused on the younger generation. The majority of Facebook Messenger users are between the ages of 20 and 29, with equal distribution of around 20% per user segment between the ages of 30 to 39, 40 to 49, and 50 to 59. Around 40% of WhatsApp users are between the ages of 20 and 29, around 30% between 30 and 39, and around 15% between 40 and 49.⁶ The access that chatbots enable is unparalleled, allowing businesses to place themselves in their target user’s contact list, next to their best friend, anytime, anywhere, instantly available and ready to engage.

Enhancing the customer experience

Recent research has identified that the use of chatbots has helped one Canadian telecommunications company increase customer satisfaction levels by 65%, as well as reducing customer complaints.⁷ This use case emphasizes the positive effect that chatbots can have on the end user. Yet in what exact ways does the user benefit, and how is this increase in satisfaction created?

Chatbots enable the customer to contact and gain access to a company or brand without downloading an additional application, calling a service center, visiting a website or writing an email. Therefore, chatbots are less intrusive than other means of interaction and do not require users to make a conscious decision to engage with a brand via a dedicated portal. Yet they can still create a curated and personalized experience by bringing the brand directly to the user. The interaction takes place on the customer’s terms, meaning it can be instant and quick, or a lengthy conversation if desired. This ease and simplicity has a highly positive impact on overall customer experience.

5. M. Solomon, *The Millennial Customer Has \$200 Billion To Spend*, *Forbes*, 2015.
6. *A Day in the Life of Messaging Apps: Usage demographics*, Verto Analytics, 2015.
7. M. Meeker, *Internet trends 2016*, KPCB, 2016.

Communicating on customer's terms

As the customer initiates the communication with the brand by opening the chat and sending a message, the interaction is perceived as more trustworthy and authentic. By being embedded on a messenger platform, the interaction mirrors the manner in which we communicate with friends and family. The user can leave, return and reply whenever they desire to, without

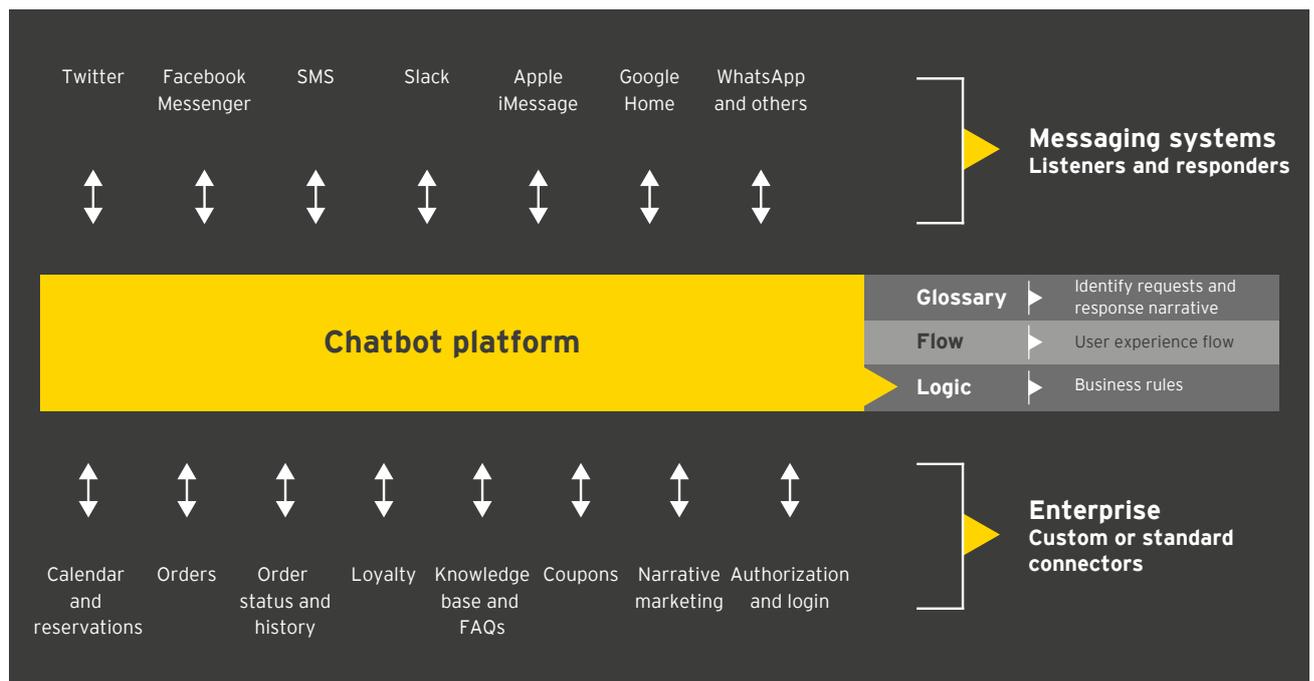
experiencing active waiting times and the negative associations we often perceive in relation to contacting customer services.

The reason why chat can be a better way to interact is not just because it can be more efficient and intuitive, but also because it feels more personal. Algorithms working with databases of responses can provide a certain degree of personalization, enabling a significant improvement over static web pages. For the user, chatbots are an omnipresent support system,

characterized by the concepts of ease, trust, authenticity and speed, which is why they provide such significant benefits for the overall customer experience from the user's perspective.

If the chatbot should struggle to deliver the service that the customer demands, or is unable to carry out a certain request, humans can seamlessly take over the conversation to help provide a great customer service experience.

Figure 2. Conversational solution architecture



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Driving commerce and sustaining relationships across sectors and business

Scenario 1: Retail banking

Bank of America, DBS, MasterCard and Wells Fargo are among the institutions in the financial services sector that are already employing chatbots to service their retail clients. In this space, chatbots are programmed to be able to give advice (RoboAdvisor), search and execute transactions, make payments, check balances and pay down debt, focusing on building banking products around the customer while creating a positive service experience.

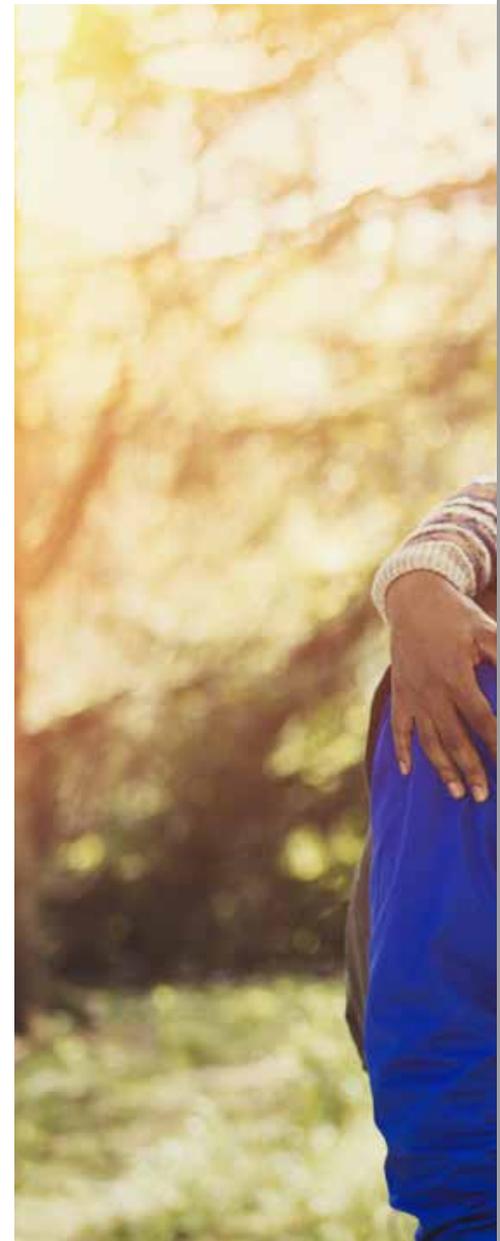
Scenario 2: Public sector and life sciences

Chatbot usage involving medical and pharmaceutical information is often perceived as more controversial than other chatbot-employment areas. Yet, in January 2017, the National Health Service (NHS) in the UK launched a six-month trial involving 1.2 million residents in north London.⁸ This chatbot will be provided as an alternative to the NHS telephone

helpline that patients can contact to receive health care advice and be directed to local and out-of-hour medical services. Even within the pharmaceutical industry, there has been increased interest in employing chatbots, allowing companies to take on a more digital and agile approach to their business strategy.

Scenario 3: B2B

Application of chatbots in the B2B sphere is equally viable. Research has shown that only 29% of B2B customers are fully engaged with the companies they do business with, while 60% are indifferent and 11% disengaged.⁹ B2B bots can be used in a variety of ways, from product information to checking inventory and shipping status updates, requesting invoice copies and filing complaints, allowing for a potential cost reduction and improvement in customer relationships.



8. S. O'Hear, *Babylon health partners with UK's NHS to replace telephone helpline with AI-powered chatbot*, TechCrunch, 2017.
 9. A. Adtkins, "B2B's Customer Base at Risk," *Gallup Business Journal*, 2016.



The “three Cs” of conversational commerce

The areas where conversational commerce can be employed most effectively and enable a great customer experience are within **commerce, content and care**:

- ▶ **Commerce** (purchase and reservations), i.e., placing an order, booking a car service or purchasing event tickets
- ▶ **Content** (information and availability), i.e., finding out information such as interest rates, flight schedules or special offers

- ▶ **Care** (personalization, convenience and loyalty), i.e., checking eligibility for benefits, filing a complaint or finding out if there’s a weather warning in the area

Given these examples, a business-to-consumer (B2C) scenario may seem the most obvious employment area for chatbots, yet the same opportunities exist in a B2B environment. Typical use cases can be found in the order-to-cash (OTC) process or in interaction and communication between suppliers. Significant potential can also be found

when examining the corporate applications for chatbots. Employee queries are often highly predictable: “Where do I find my e-payslip?” “How many vacation days have I got left this year?” “How do I reset my password?” Chatbots could be an ideal way to overcome employee reluctance to take full advantage of corporate intranets, and reduce the amount of time wasted by IT and HR departments on routine and repetitive queries.

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For companies, it's more than cost savings

The most obvious benefit of chatbot employment for organizations comes in the form of cost savings. As chatbots take on more of the routine tasks and queries, humans are left free to tackle more complex service issues.

But, in addition to the operational value created by reducing or reallocating staff hours, conversational chatbots will create value by shifting the dynamics of consumer engagement in five key ways:

1. **Accessibility:** chatbots can aggregate huge ranges of services and information onto one intuitive platform. A chatbot for an airline, for instance, could check flight times, buy tickets, and book transport and accommodation, all as part of one command, rather than consumers having to perform each function separately.
2. **Efficiency:** according to findings by the Baymard Institute, 69% of online transactions are abandoned in the shopping cart.¹⁰ Chatbot shopping assistants could help drive those sales and provide on-demand advice for customers who are confused or put off by lengthy checkout processes.
3. **Personal touch:** customers know what they want and, thanks to the likes of Netflix and Spotify, it's easy for them to get it, with algorithmic predictions and

recommendations selecting songs and movies with very little input necessary. Chatbots could similarly learn users' preferences and evolve into a digital concierge service. This will drive the sales of goods and services, and increase overall ease for the customer.

4. **Improved understanding of customers:** properly implemented, chat conversations can provide a wealth of data about customer preferences. Tracking customer queries has long been done by businesses to improve their products and service offerings, yet turning this into a dynamic, digital conversation can provide far more detailed data for more rigorous analysis. By tracking factors from the level of detail within questions through to tone of voice and speed of response, greater insights into the customers' reactions, decision-making and behavior can be gained.
5. **Greater consistency of brand experience:** humans can be highly inconsistent, afflicted by mood swings, fatigue and errors – be those factual, grammatical or typographic – while chatbots provide an incredibly continual and reliable experience for the user. Crucial elements, such as tone and brand language, can be designed and set to provide every customer with the same high level of experience, allowing for greater satisfaction.

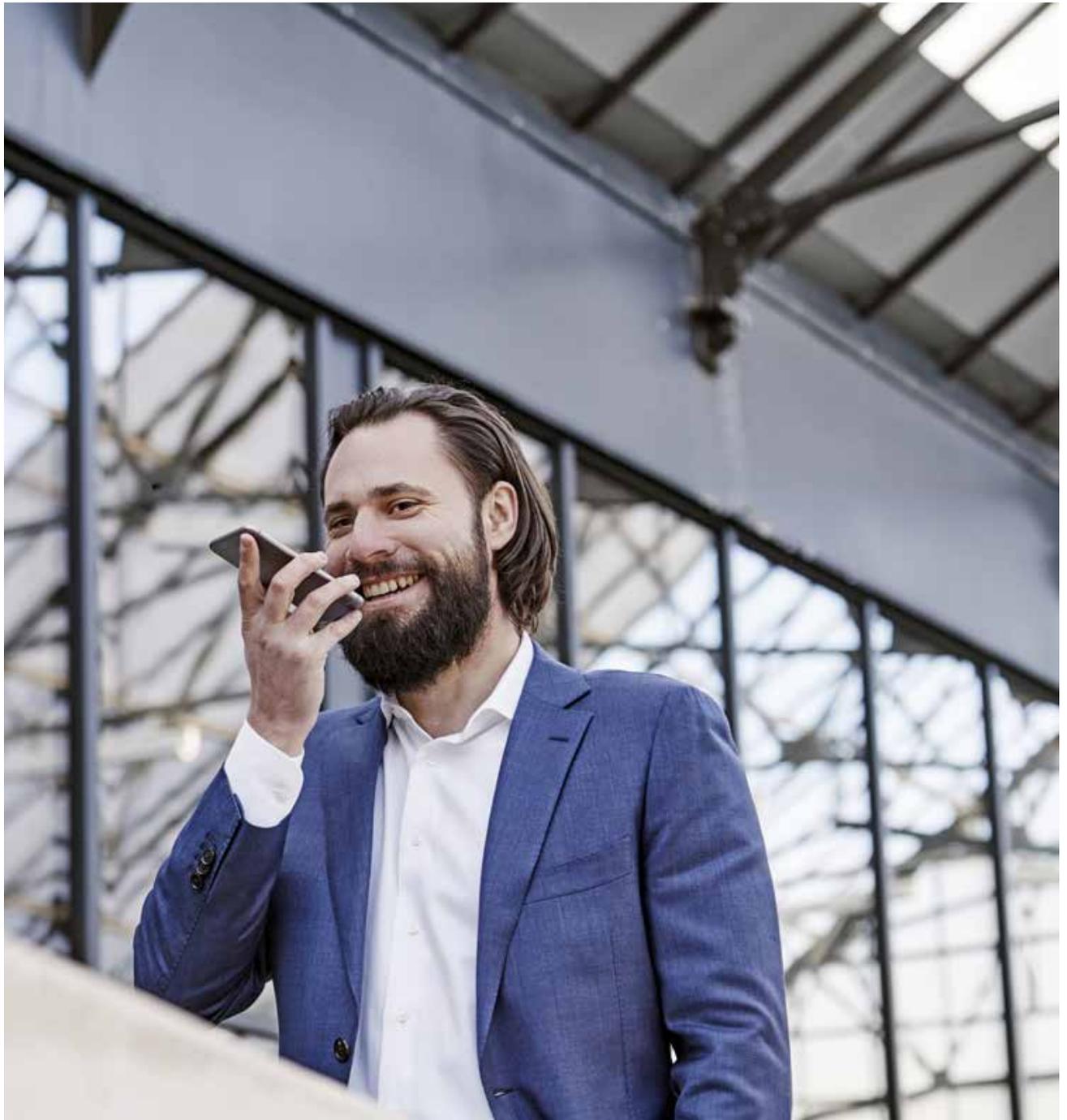
The human touch

Chatbots could be a hugely powerful tool for brands, but “engagement” is the key word to remember here, not “displacement.” Chatbots should reduce the friction that slows down a consumer getting what they want and need, by understanding, anticipating and predicting that particular user's behavior. If you want to maintain and build customer loyalty, automation, algorithms and analytics can only take you so far. The best, most trusted relationships aren't solely built on conversation, but on a sense that your interests are being truly understood and respected, and that your opinions matter.

Conclusion

While we cannot predict how the world will function in five years' time, we can assume that chatbots will play an integral role in customer engagement, across sectors and for years to follow. Chatbots are a highly efficient and cost-effective way to create a consistent experience for the customer, creating benefits for both the end user and the company employing them. ■

10. *E-Commerce Checkout Usability*, Baymard Institute, 2016.



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