

Unlock The Hidden Value Of Chatbots For Your Customer Service Strategy

Go Beyond Just Cost Reduction

by Daniel Hong and Ian Jacobs
January 19, 2018

Why Read This Report

Chatbots have strong appeal as firms bring mass personalization to customers. Cost savings are the best-known benefit, but less-well-known benefits include insights from unstructured data, cost optimization, and experience improvement for customers and agents. This report details how application development and delivery (AD&D) pros can create a chatbot strategy for customer service that aligns with business benefits that transform engagement.

Key Takeaways

Cost Reduction Alone Does Not Provide For A Compelling Business Case

Contact deflection is only one of the many benefits that a company must incorporate when creating a business case for chatbots. Companies should also consider less obvious benefits when examining the ROI.

The Voice Of The Customer Exists In The Conversation

Chatbots will be at the heart of conversational experiences in the enterprise. The sheer volume of data from interactions will give companies a new lens for identifying customer frustration and gauging experiences at scale.

Enterprises Gain Three Strategic Benefits As They Deploy, Maintain, And Optimize Chatbots

Implementing chatbots and constantly improving the technology and processes that support them is a journey in and of itself. Along this journey, enterprises can obtain deeper customer insights, improve customer and agent experiences, and transform cost models.

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Your Chatbot Strategy Needs To Go Beyond Cost Reduction

Chatbots provide interfaces that streamline tasks by allowing users to engage naturally through conversational language.¹ Today, chatbots provide a range of services from basic information search to answering questions to more complex troubleshooting and transactional capabilities. Enterprises use chatbots for customer-facing interactions on websites, mobile, messaging platforms, and — more recently — Alexa, Google Assistant, and Siri. They also use them for employee-facing activities to help guide contact center and help desk agents.

Since the 1980s, customers have disliked — even loathed — the automated experiences provided by interactive voice response (IVR) technologies. When the goal is to minimize the time that a customer spends with a human agent, the customer can feel like the brand does not value them or their time. This is a problem, as 66% of customers say that valuing their time is the most important thing a company can do to provide them with good customer service.² There are two missteps that firms have made with chatbot strategies:

- › **Brands have focused too much on contact deflection.** Chatbots have the potential to create new and compelling customer service experiences. Brands, however, seem content to just treat them as a cost take-out play by automating FAQs and deflecting escalation. But deflection often comes at the cost of experience. As Adam Moore, vice president, interactive care at Charter Communications, put it, “A really high deflection rate does not necessarily equate to a good customer experience. High deflection may mean that customers are moving to other channels.”
- › **Brands have focused on replacing — rather than augmenting — human agents.** Someday, chatbot technologies may perform well enough to replace human agents in most situations. That day is not today. These tools can, however, allow human agents to work faster and solve more complex problems. KLM Royal Dutch Airlines, for example, built a bot that monitors chat conversations between customers and agents and provides suggested responses to the agents.³ The customer never sees or needs to know about the chatbot; they simply have a better customer service experience.

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Deploy Chatbots To Unlock Three Long-Term Operational Benefits

The benefits of chatbots will crystallize over time as customer adoption increases and companies become adept at operationalizing the technology. AD&D professionals will need the right resources and processes in place to manage chatbots, handle escalations, and make chatbots an AI-powered touchpoint with the end goal of bringing end-to-end automation across interaction, business, and back-office processes.

As enterprises undergo their own journeys in implementing and optimizing an effective chatbot program, they will uncover strategic benefits (see Figure 1).

FIGURE 1 Strategic Benefits Of Deploying Enterprise Chatbots

Gain insight from the unconstrained voice of the customer.	Enhance experiences for both the customer and agent.	Optimize — rather than simply reduce — costs.
Get critical customer-level data.	Improve the ergonomics for Millennial customers and agents.	Bring scale with chat concurrency.
Shed light on customer friction points.	Enhance security by blocking phishing attacks.	Automate end-to-end business processes.
Obtain competitive intelligence.	Prepare customers for the next wave of AI-led experiences.	Enable new customer service models.

Benefit No. 1: Gain Insight From The Unconstrained Voice Of The Customer

Conversational engagement is the unconstrained voice of the customer (VOC). It represents an unfiltered, free-flowing dialogue between customer and enterprise and gives a realistic gauge on customers' needs (their intent). Firms have applied text analytics to agent-assisted interactions like chat, email, and call transcripts for years, and they can now apply it to chatbot transcripts.

In addition, chatbots can handle interactions on a far larger scale than agent-assisted channels. This means more interactions, more conversations, and therefore more VOC data. Enterprises can already glean various insights from chatbot transcripts, which enables them to:

- › **Get critical customer-level data.** Conversations with chatbots provide insights on how customers engage the enterprise and how that changes over time. These include insights on the customer's journey, the types of questions they ask, their reactions to the answers they get, response times, language, tone, use of emojis, and preferences.⁴ This data helps keep customer service and marketing teams abreast of how best to engage customers with the right language and tone for chatbot interactions.

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- › **Shed light on customer friction points.** Looking at the entirety of a conversation, such as chat transcripts, to understand why customers are frustrated is a rich source of insight. It is a powerful way to determine frustration at points in a single journey as customers escalate from the chatbot to an agent if the chatbot can't help them resolve their problem. Natural-language-processing-based text analytics can go a step further and route customers to specific chat agents based on customer intent in real time.⁵
- › **Obtain competitive intelligence.** Chatbot heat-map tools can provide insights and help drive action accordingly. For example, a large North American insurance provider experienced a large influx of questions pertaining to “winter tires” and “discounts.” The firm discovered that a competitor had shown a commercial on winter tire discounts. This resulted in a swell of inquiries where the insurance provider's customers asked the chatbot if the provider offered the same discounts. Armed with this insight, the insurance provider partnered with a tire retailer to offer the same discount to its customers.

Benefit No. 2: Enhance Experiences For Both The Customer And Agent

According to a chief delivery officer at a large multinational outsourcer that manages several thousand contact center agents, “Today's agents are predisposed to searching for the solution over and over again. They don't directly retain specific content anymore; instead, they are more focused on the method to find the content.”⁶ Chatbots can help agents find information, obtain guidance, and conduct transactions that:

- › **Improve the ergonomics for Millennial customers and agents.** Millennials are better equipped to search for information compared with other generations. Repeated use of search engines and virtual assistants has strengthened the neural pathways associated with information search. Both customer-facing and employee-facing chatbots provide a better way to find information faster. For a generation accustomed to the help of Google and Siri as well as constant communication via messaging, lacking a conversational interface can translate to suboptimal customer experiences and employee dissatisfaction.
- › **Enhance security by blocking phishing attacks.** Fraudsters have been known to conduct phishing attacks to fool customer service agents and obtain sensitive customer information. This will increase as chat is more widely adopted by enterprises. Chatbots can play a vital role in blocking phishing attacks. For example, a major online gaming company sped up and improved the customer identification and verification process from 10 minutes (with a human agent) to just 3 minutes (with a chatbot). The company found that approximately 4% of total chats were phishing attempts.⁷
- › **Prepare customers for the next wave of AI-led experiences.** As the most tangible and visible form of AI in customer engagement, chatbots are foundational in getting customers comfortable with engaging a virtual conversational computer entity. This is important as enterprises look to introduce new AI-led experiences throughout the customer life cycle and also evolve toward more

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sophisticated chatbot interactions that can be emotive and empathetic. Moreover, consumers' everyday interactions with virtual assistants like Alexa, Cortana, Google Assistant, and Siri are conditioning customers to have higher expectations of chatbots.

Benefit No. 3: Optimize — Rather Than Simply Reduce — Costs

Enterprises expect that bringing personalization to customers in a one-to-many paradigm, via chatbots, will yield cost savings through call, email, and chat deflection. For example, Charter Communications decreased live chat volume with more than 50% automation. A global event ticket retailer increased call and email deflection from 88% to 95% and was able to shut down a contact center. Results like these are not very common today. Forrester estimates that companies can typically deflect 20% to 30% of calls, emails, or chats with an effective chatbot.

Companies that take advantage of chatbots' larger cost optimization opportunities can:

- › **Bring scale with chat concurrency.** Enterprises can drive more contacts to channels where agents can handle simultaneous customer interactions. Chat and messaging are the optimal agent escalation paths for chatbots, as they keep customers in a text-based experience, so enterprises can achieve better economies of scale for agents. Chat agents, on average, can handle 1.7 to 3 — and up to 6 — simultaneous chat sessions for customer service and sales, respectively.⁸ This provides scale, unlike other channels where agents can't handle more than one call or email at a time.
- › **Automate end-to-end business processes.** Complex business processes often give customers heartburn. Using chatbots to simplify and speed up these processes can both save the brand time, effort, and money as well as provide an improved experience. Online insurer Lemonade, for example, has a chatbot that handles customer claims. This chatbot resolved a customer's claim in 3 seconds and with no paperwork. In that time, it "reviewed the claim, cross referenced it with the policy, ran 18 anti-fraud algorithms on it, approved the claim, sent wiring instructions to the bank, and informed" the customer of the result.⁹
- › **Enable new customer service models.** Charter Communications utilizes a chatbot to complete the most common chat inquiries and transactions, but it's really a stealthy way to improve the overall service experience. Rather than take the cost savings from the chatbot and apply them to the bottom line, Charter used the savings to fund a program to bring offshore chat agents back onshore. The chatbot was an enabler of insourcing and allowed the company to hire agents able to handle more complex customer service interactions.

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Recommendations

Start Your Journey With A Phased Approach For Chatbots

Determining what success means for chatbots differs from company to company. Whether the benefits of deploying a chatbot are aligned with cost, experience, or even revenue gains, you need to define the metrics for success within your organization. From there, you need to create a framework for chatbots to become increasingly intelligent and evolve with your customers' ever-changing needs. Specifically, as an AD&D pro, you should:

- › **Gather customer insights in-channel and out of channel for experience design.** Understanding how your customers engage with you and what your customers go through on a day-to-day basis is vital to creating the initial framework for a chatbot. Use unstructured data to your advantage. You can use call, email, and chat transcripts to help determine the right types of dialogue, information flow, and content for chatbots. In addition, by using A/B and multivariate testing methods, you can create the optimal chatbot experience for your customer.
- › **Start with a foundational chatbot that delivers quick ROI and can evolve.** Deploy a foundational chatbot today, and evolve it to become more intelligent. Chatbots today can be very effective without AI. If the goal is to increase self-service or call deflection rates, many of the chatbots do just that without the overkill of AI and machine learning. Foundational chatbots should have an evolutionary path toward providing more intelligent and personalized engagement over the long term.
- › **Build out the supporting processes as you start with AI.** The machine-learning techniques for chatbots require humans to train models in addition to human intervention when the chatbots cannot understand what the customer said or typed. The key is to operationalize AI by creating the right internal business process so your agents or business analysts (any large team of qualified individuals in the current workflow) can manually tag interactions from chatbots, chat, or even calls with intent data. The tagged content is then fed back into the data set for machine learning.
- › **Integrate chat with chatbots for seamless agent escalation.** Humans should be a backup for when chatbots can't determine the intent of what a customer types or business rules determine that the customer should talk with an agent. The chatbot should then pass context onto the agent, and the entire interaction should then be tagged by the agent and fed back into the data set for machine learning. Currently, T-Mobile Austria, Verizon Wireless, Vodafone UK, and several other large companies support chatbot-to-chat escalation.

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Supplemental Material

Survey Methodology

The Forrester Data Consumer Technographics® North American Retail And Travel Customer Life Cycle Survey, Q1 2017 (US), was fielded in March 2017. This online survey included 4,513 respondents in the US between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 1.5% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed.

Forrester weighted the data by age, gender, region, and income to demographically represent the US online adult population. The survey sample size, when weighted, was 4,513. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Ipsos fielded this survey on behalf of Forrester.

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Companies Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the research for this report.

[24]7.ai	Interactions
Charter Communications	IPsoft
Clarabridge	Nanorep
Convergys	Nuance Communications
Creative Virtual	Oracle

Endnotes

- ¹ Source: "Eliza," Chatbots.org (<https://www.chatbots.org/chatbot/eliza/>).
- ² Source: Forrester Data Consumer Technographics North American Retail And Travel Customer Life Cycle Survey, Q1 2017 (US).
- ³ Source: Gil Press, "Artificial Intelligence From Salesforce Partner DigitalGenius To Boost KLM Customer Service," Forbes, October 5, 2016 (<https://www.forbes.com/sites/gilpress/2016/10/05/artificial-intelligence-from-salesforce-partner-digitalgenius-to-boost-klm-customer-service/#776470ea75e7>).
- ⁴ "The Nanorep chatbot will even flag gaps in a company's knowledge base to make the team aware of the information customers seek. That lets employees focus on bigger-picture issues rather than FAQs." Source: Naveen Rajdev, "Rethinking Chatbots: They're Not Just for Customers," Entrepreneur, June 8, 2017 (<https://www.entrepreneur.com/article/295157>).
- ⁵ Source: Interviews with representatives from Clarabridge.
- ⁶ See the Forrester report "[Brief: Focus On Three New Service Experiences To Thrive In The Age Of The Digital Customer.](#)"
- ⁷ Source: "Case Study — Online Gaming Company: Transforming Customer Experience with Amelia," IPsoft (http://www.ipsoft.com/wp-content/uploads/2017/11/Case-Study-Online-Gaming-Company_v1.pdf).
- ⁸ These are aggregated results from the following. Source: Interviews with [24]7.ai, Convergys, IPsoft, Nuance Communications, and Oracle.
- ⁹ Source: "Lemonade Sets New World Record," PR Newswire, January 5, 2017 (<https://www.prnewswire.com/news-releases/lemonade-sets-new-world-record-300386198.html>).

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