Conversational Commerce Changes the Customer Service Conversation
Introduction

Customers want to connect and engage with their brands. Yet today, brands that provide customers with great sales and service experiences are in the minority, which leaves the vast majority of customers yearning for something more. For those that are customer engagement leaders, there are tangible returns. Engagement “magnets” see measurably higher profit margins and increased rates of advocacy and loyalty than companies outside of the leadership quadrant.¹

The essence of customer engagement is personalization - humanized interactions that make customers feel like they’re doing business with a real person instead of a company. Often times, you’ll hear customers refer to great customer service as “old-fashioned” or “the way things used to be.” What they really mean is the desire for the days before companies ditched conversational engagement for automation and self-service. Grasping the importance of connection gives businesses a major competitive advantage. Gartner predicts that brands offering personalization will outperform competitive brands by 15 percent by 2018.³

The personification of commercial interactions has been dubbed “conversational commerce.” Indeed, because of the maturation and coalescence of technologies such as Natural Language Processing (NLP), cloud services, and machine learning, many believe 2016 is the year of conversational commerce.⁴

Engaged Customers Are²

- 90% more likely to make more frequent purchases
- Spending 300% more than unengaged customers each year
- 5x more likely to choose brands for future purchases
- 7x more likely to respond to a brand’s promotional offers
- Spending 60% more on each transaction
- Have 3x higher annual customer lifetime value
- 6x more likely to try a new product
What is conversational commerce? It's human-to-machine (H2M) engagement that utilizes chat, messaging, and other NLP interfaces (e.g., voice). Typically, the conversation driver is a chat bot that can integrate with various application interfaces, facilitating a dialogue between customers and companies. A chat bot can be device, channel, and application agnostic, meaning it can be wherever the customer is, which in today's business landscape is virtually everywhere. It also breaks down barriers separating different industries through an intertwining of API-based cloud services.

H2M interactions using a text-based graphical user interface (GUI) and voice-based interactive voice response (IVR) don't offer the level of personalization customers want. Why? Because they are largely one-directional and designed to route (or “course”) customers down a pre-destined path instead of addressing each customer’s needs individually. They also force users to speak machine language in order to communicate. Furthermore, they don’t intelligently route customers to applications or channels that best meet their needs, but rather they require users to make that determination themselves. This creates a gap that can be difficult to bridge, with 40 percent of customer problems not even represented on digital self-care channels.

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Customer self-service is up to 98% less expensive than channels that require human intervention such as call center or live web chat support.
Failed Engagement

There’s been talk in recent years about omni-channel and digital engagement as “the goose that would lay the golden egg” and turn frustrated, unhappy customers into passionate advocates. Well, the egg hasn’t materialized. In fact, if omni-channel and digital engagement were the solutions, then customer satisfaction should be higher today than yesterday. But that is far from the case. Customers feel businesses disrespect their time and de-humanize the engagement experience.

Customers dissatisfaction continues to grow—from 39 percent in 2003, to 45 percent in 2011, to 54 percent in 2015. An alarming 66 percent indicate they experienced rage as a result of a customer service issue; and only five percent report that their sales and service experiences exceed expectations.

How Failed Engagement Hurts The Bottom Line

Customer experience angst has a measurable business impact—and it isn’t positive. Eighty-seven percent of customers indicate their customer service experience impacts their decision to do business with a vendor. Forty-five percent will abandon an online purchase if they can’t find a quick answer to a question. Eighty-two percent are likely to stop spending with a company due to a bad service experience. And, with it being six-to-seven times more expensive to acquire a new customer than to keep an existing one, the financial repercussions can pile up very quickly.

Because of the rise of social media, the dark cloud of poor customer service influences more than just those directly impacted by a subpar experience. For example, compared to just five years ago, customers are three times more likely to share brand information with someone they don’t know. Forty-five percent share bad experiences on their social networks.

45% of customers share bad customer experiences on their social networks.
From Automated and Unintelligent to Personal and Intelligent

Admittedly, delivering a great customer experience isn’t easy. Research shows customers are four times as likely to leave a service or sales interaction disloyal than loyal. What customers really want in their interactions with businesses is for their time to be valued. They want easy and quick ways to get their questions answered and their problems solved. The majority prefer self-service when that channel will answer their question or solve their problem.

Self-service doesn’t necessarily mean speedy or efficient service. Currently, customers have the burden of doing a lot of guesswork and digging to find what they need. This is a huge time synch for them, but with conversational commerce that decision will be made for them. Contrary to what many assume, automation and self-service aren’t the problems. The issue is unintelligent, one-way service channels that are time consuming, frustrating, and lack personalization.

Sixty percent of customers interact through multiple channels irrespective of device and location. Having a seamless experience between channels is thus critical. However, nearly half of all call centers admit they are unable to manage the end-to-end workflow of interactions and information. The problem isn’t simple to solve; it requires integration across different channels, information sources, and applications. These are some of the reasons omni-channel and digital engagement have fallen short in turning the customer service needle.

Customer Service Wish List

When asked to compile a customer service wish list, customers listed the following:

- Phone systems that can understand them and provide navigation to answers, 42%
- A better way to search for and find information on a vendor’s website, 37%
- Proactive customer service systems that anticipate needs, 28%
- Virtual assistant technology to advise them on customer service issues, 19%
65% of customers report being given conflicting information when they move between a vendor’s customer service channels. 70% rank a poor multichannel experience as an annoyance.\(^{23}\)

Customers who receive a resolution or an answer on their first contact with a business are twice as likely to remain loyal and four times more likely to be a positive advocate about the company.\(^{26}\)

73% of customers indicate valuing their time as the most important thing a company can do to provide them with good service.\(^{25}\)

In contrast with these legacy H2M communications, conversational commerce speaks the language of the customer and is bi-directional. It is also contextually aware, retaining a human touch that is lost as a result of the GUI and IVR, and becomes increasingly intelligent over time using artificial intelligence (AI).

H2M interactions are more social and less technologic, employing verbs like invite, contact, mute, block, and message to humanize the experience. This makes H2M communications accessible to a broader group.

### Bots Bring Human Element to Digital Customer Experience

A crucial lynchpin in conversational commerce is bots. Using a combination of Natural Language Processing (NLP), machine learning, and AI, bots are poised to transform the digital customer experience. Customers no longer need to decide which medium best matches their requirements. Bots are contextually aware and connected to hundreds (which will quickly grow into the thousands) of different applications through open application protocol interfaces (APIs). What does this mean? A bot can identify and solve a customer’s problem faster and easier than ever before.

Because bots track each user interaction, a conversation thread with each user exists, making it easier to offer heuristic resolutions and recommendations that anticipate the individual user needs—whether through text or voice. This two-way conversation humanizes the service and sales experience through localized discovery and past behaviors. Simply put, the bot starts to know you, just like it would if you frequented a brick-and-mortar store.
Communications with bots also become proactive. In the same way that someone might be reminded by an assistant to buy their mother a birthday gift or take a business-related action, a bot can preempt those conversations. Delays in responding to customers, which plague many of the service channels employed today, evaporate with bots. Service and sales inquiries reach customer service agents in real time regardless of the channel—voice, email, live web chat, text, or social.

**Customer Service Response Expectations**

- 42% of customers expect a response to a service inquiry on social media within an hour (only one-third who submit a service request never get a response)\(^{27}\)
- 60% of customers want a response to an email service inquiry within four hours\(^{28}\)
- Nearly two-thirds of customers will wait only 60 seconds for voice support; one-third of customers feel being put on hold for voice support is unacceptable\(^{29}\)

Companies and developers also see the value of bots from an internal perspective. Businesses face burgeoning development costs and a landscape clogged full of different apps. App developers see bots as an opportunity to shrink development cycles from months to weeks or even days. For GUI-based applications, bots eliminate the need for the cycle of updates and releases, making it much more cost efficient for developers while also improving user adoption.

**Proactive Notifications: Things Customers Care About the Most\(^{26}\)**

- A notice about sales or discounts, 50%
- A reminder for an upcoming appointment, 46%
- A status update on an application or order, 42%
- A reminder about an upcoming payment, 35%
Making a Market Impact

There are a number of different market segments where the unleashing of bots will have a dramatic impact in how customer service is delivered. The following are a few use cases where immediate returns will be felt.

1. Cable, Internet, Telecommunications Markets. These market segments achieve some of the lowest customer satisfaction surveys of any industry.\(^{32}\) Customers typically need to go through seven or eight steps of pre-determined questions to route a call to the appropriate customer service agent. This requirement even filters into digital channels like live web chat. Additionally, customers find themselves constantly repeating themselves as the process continues.

The answer of many of the companies in these market segments is to hire more workers. While this may help address customer on-hold complaints and other problems, it’s merely a Band-Aid at best.

Conversational commerce offers an approach where customers text or speak their issue, and the bot determines the best channel, culls all of the relevant info on the topic, and routes the inquiry to answer the customer’s question or resolve the problem. If the bot doesn’t understand the customer, it asks for clarification through intelligent queries (as if the customer is speaking with a human customer service agent). And, if the customer begins to sound anxious or annoyed, the bot can immediately sense the rise in emotion and route the customer to a human agent.

When Humans Are Needed

Research does show that a human component is still needed when it comes to customer service. Personalization of customer service voice and text experiences with a two-way H2M conversational interaction certainly goes a long way in addressing what customers want. For example, 73 percent of customers agree that interacting with an automated IVR system that can converse and be understood - like a live agent - would significantly improve their self-service experience.\(^{30}\)

Yet, the need for human engagement doesn’t go away altogether. Thirty-nine percent of customers report being annoyed when they aren’t given the option to talk to a real person. Businesses need to offer that avenue of choice—whether through traditional channels like call centers and email — or digital channels such as live web chat, social, or texting.
2. **Insurance.** Applying for insurance and filing claims is a tedious and time-consuming process. Customers often find themselves on the phone for hours or awash in a sea of browser windows and a seemingly infinite list of questions. Often, in the case of online forms, one inaccurate answer or missed answer and you could be back at step 1. Frequently, the workflows require multiple forms and calls before the application is complete or the claim is accepted.

Conversational commerce can revolutionize how insurance companies service their customers. With simple voice or text commands, customers can retrieve the information they seek such as pricing, available discounts, and current status, as well as initiate applications, file claims, submit payments, add and delete assets covered, and much more.

3. **Banking.** The average customer interacts with their bank 17-plus times a month. With all of these opportunities to engage, one would assume that customers are getting what they want from their banks. Yet, this isn’t the case: only 23 percent of customers globally believe their bank is meeting their expectations.

The opportunity for banks to capitalize on customer engagement is huge. Customers indicate they would bring more business to their bank if it began offering more personalized, holistic advice. Banks waiting for customers to walk into their branches to engage will be waiting a very long time. Twenty percent of customers are digital-only users today, and this number projects to grow. The interactions customers want with banks go far beyond service transactions and problem resolution. As an example, 48 percent of customers want to get research and advice from their bank.

For an industry with such a high number of customer touch points like banking, a conversational digital experience presents an opportunity to make customer service a much more enjoyable and educational experience. Banks can deliver value-added services and information to grow wallet share and profitability.

**Join the Conversation Today**

There is a fundamental shift taking place in customer service. Conversational commerce changes the dynamics of the customer experience by putting the customer in control, all while providing a personalized, human-like experience.

NLP brings dialogue back into how customers interact with businesses. Customers can use “human-speak” in voice and text formats to get precisely what they want—quickly and easily. It’s also intelligent, tapping AI and machine learning to literally get to know customers the more they use bots. To learn more about how Kore is simplifying the way people work, visit www.kore.com or call us at 1-844-USE-KORE.
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About Kore
Kore's revolutionary platform streamlines business workflows and communications with a single message based interface. With Kore's powerful bots, users can both receive alerts from the systems they use and send information back to those systems from a message. Kore provides robust administrative features and enterprise-grade security to comply with regulatory mandates.

To learn more about how Kore is simplifying the way people work, visit kore.com or call 844-USE-KORE.

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