Bringing Chatbots into the Customer Conversation
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Introduction

Thanks so much for taking the time to download this new white paper, Bringing Chatbots into the Customer Conversation. Chatbots have captured the imaginations of many business leaders and marketers, but making the most of this technology to drive your business forward is easier said than done. Brands need to ask themselves: am I throwing a chatbot together just for the sake of technology? Or can I maximize the potential of chatbots as part of a greater messaging strategy? Somewhere between the frothy overhype and premature pessimism about chatbots is a sound, strategic place for them in the modern customer experience.

It’s important to understand the current state of the chatbot market, but this white paper is going to go a step further. Make sure you read through the end to see the different approaches to chatbots and find out how best to implement the technology for your company.

Thanks again for reading. And if you’re ready to dive into chatbots, get in touch with us to learn how we can help you integrate them into better conversational experiences.

The Layer Team
Navigating the AI & Chatbot Idea Maze

The chatbot hype comes loaded with terms like artificial intelligence, machine learning, and deep learning. These are important concepts to understand when discussing chatbots, but the problem is that they’re often used interchangeably or confused for one another.

Before getting deeper into the chatbot conversation, business leaders should understand the hierarchy of these terms:

1. **Tier 1, Artificial intelligence (AI):** The blanket term for machines executing tasks that are considered “smart.” Other than the far-off idea of human-level artificial intelligence, AI is a squishy term that can mean different things in different contexts.

2. **Tier 2, Machine Learning:** An application of AI in which continuous access to data results in adaptive responses and actions. One key to machine learning is the ability to bypass hand-coding in favor of an algorithm that is continuously trained by data ingestion. The problem is that early attempts to practically implement machine learning still required hand coding and were prone to human error.

3. **Tier 3, Deep Learning:** The modern technique for implementing machine learning in which a neural network is trained by millions of data points. Deep learning was popularized when Andrew Ng was able to exaggerate the size of neural networks to achieve image recognition by analyzing tens of millions of YouTube videos. Now, deep learning is poised to enable the future of AI.

How does all of this apply to chatbots? The key distinction to make is that chatbots may use machine learning, but they are not one and the same.

Ultimately, chatbots are automated applications delivered via a conversational interface, typically text. Chatbots can use machine learning for a more adaptive conversational experience. But the majority of today’s chatbots are keyword-based, meaning they rely on static decision trees rather than cognitive technology. Deep learning will come down the road, but we aren’t there yet and those looking to implement a chatbot should temper expectations.

Whether or not a brand integrates machine learning into chatbots depends on its business goals. Making chatbots feel like human interaction is the ultimate goal, but that doesn’t mean more basic bots don’t have a place in the conversation experience.

“I think we’re going to see two parallel processes happening. I think we’re going to see more and more workflows happening in conversational interfaces, and in conjunction, we’re going to see advances in AI—but they’re not necessarily tied together.”

—Amir Shevat, Director of Developer Relations at Slack.
The Growing Role of **Bots and Messaging** in Business

**Mobile Messaging Emerging as the Universal Experience**

Business has always been about the customer conversation. However, those conversations take on different forms as technology and customer behavior changes. One-to-one, in-person transactions were once the norm until phone calls took over. Emails displaced phone calls to an extent until websites and mobile apps became the primary means of interaction.

At the core of generational changes in these conversations is the need for businesses to adapt to where (and how) customers want to interact. Even if it feels like just a few years ago that brands could easily connect with customers via phone calls, a ringing smartphone is now assumed to either be an emergency or spam.

Instead, businesses have rushed to create effective mobile apps. And for good reason—for all the time consumers spend on their smartphones, 78% of that time is spent within mobile apps.\(^3\)

There’s no arguing the fact that mobile is the primary screen for today’s consumers (regardless of industry). However, while consumers may use up to 30 apps each month,\(^4\) 88% of their time is spent on the 5 major platforms.\(^5\) Unsurprisingly, these major platforms aren’t games or news apps—they’re social media and messaging experiences.

The Big 4 social media apps have typically received all the attention from brands, but messaging apps like WhatsApp, Facebook Messenger, and WeChat surpassed the monthly active users of social platforms in early 2015.\(^6\)

This shift toward messaging as the preferred consumer communication channel is bleeding into the business world.

As consumerization of IT continues to take hold, the way business communicate with customers should mirror consumer communication.

Even though brands have just started diving into chatbots, nine of ten consumers say they’d prefer to interact with brands via messaging.\(^7\) The true movement is happening at the behavioral level—regardless of whether the application is SMS, Facebook Messenger, or a native mobile experience, business-to-consumer communication requires messaging. And for many brands to successfully facilitate a messaging channel with customers, a chatbot is necessary.

**The Current State of Chatbots: Coming Back to Reality**

Chatbot technology has existed for years, but Facebook kicked adoption (and hype) into high-gear when it announced developer support in early 2016. By the time Facebook held F8 2017, Messenger was home to over 100,000 chatbots and nearly as many developers.\(^8\)

Despite all the hype surrounding chatbots, there’s still plenty of room for brands to adopt this technology. A Forrester benchmark survey of 128 companies found that just 9% had chatbots already, 30% relied on human interaction within messaging apps, and the remaining brands had no messaging presence at all.\(^9\)

But before these brands without chatbots rush to adoption, it’s important to understand the current state of the technology and the state of its adoption. Despite a year of excitement and rapid development, Facebook revealed that its Messenger chatbots failed to understand the user and produce a response 70% of the time.\(^10\)
At first glance, such a high failure rate would seem like a problem with chatbot technology in general. However, these failures often point to mistakes on the part of brands:

- **Not Focused on Providing Value:** Some brands are jumping into the chatbot craze for the sake of being early adopters and getting a PR lift. A simple chatbot built to deliver quizzes or surface-level content can be fun, but users may abandon the experience when the novelty wears off. Unless the express goal of your bot is to entertain and engage, not having a clear value proposition is a dead-end.

- **Goals Are Too Ambitious:** Other brands take the other extreme and promise more than existing chatbot technology can deliver. Promising a chatbot built on machine learning when it's really built on keyword structures will lead to inevitable user frustration (more on the distinction in a later section).

- **Purpose Is Too Generic:** It may seem smart to sell a chatbot on its ability to answer simple, generic questions about your product/service. However, this often results in unclear usage guidelines for users, which leads to questions that fall outside the scope of your bot and failed experiences. Having a chatbot won’t mean much if customers have to constantly refer back to a set of commands or approved phrases to discover your bot’s functionality.

Regardless of the reasoning, a 70% chatbot failure rate might seem like enough to avoid the technology altogether. However, brands can’t ignore the benefits of chatbots done right.

**The Promise of Chatbots Done Right**

In years past, a conversational customer experience may have felt like a luxury. However, it’s only a matter of time before consumers expect these natural, conversational experiences in all interactions with brands.

This is why it’s so important for companies to embrace messaging as the universal experience. And, if used correctly, chatbots can help brands ease the burden of maintaining a messaging experience.

There are many reasons why companies are so excited about chatbots, but some of the most crucial benefits are:

- **Respect for Customer Time:** There’s nothing worse for consumers than feeling that time is being wasted on overly complicated interactions with brands. Messaging puts you in a natural conversation with customers and chatbots can make those experiences even more seamless by efficiently interacting and exchanging information with customers.

- **Always-On Engagement:** Today’s messaging experiences are mostly powered by human interaction. Chatbots won’t displace humans in the conversational customer experience, but they can fill in for support agents in off hours or help collect routine information from customers and efficiently route requests to the right sales or support agent.

- **Scalable Personalization:** Personalization is often the enemy of scale. Forging one-to-one relationships with customers isn’t easy, but chatbots can make it easier. Messaging conversations keep track of customer context to help chatbots deliver more effective responses. As the saying goes, “a computer should never ask you a question that it should be able to work out the answer to.”

For any brand looking to enjoy these benefits, it’s important to choose the right approach to chatbot technology.
6 Approaches to Chatbots for Unique Business Needs

Questions to Ask Before Choosing a Chatbot Path

One of the biggest problems in the world of chatbots right now is that brands aren't putting enough time into the planning and design phase. There's this misconception that chatbots are a monolithic concept and a one-size-fits-all solution. Brands are diving in headfirst without a plan for solving customer pain points—a mistake that was made when mobile apps first took off.

Before any brand starts moving forward with implementing chatbot technology, there are 3 key questions that must be answered:

- **Where Does the Bot Fit into the Overall Customer Journey?** We have another white paper that dives into messaging at each stage of the customer journey. But as mentioned earlier, it's important to focus chatbot efforts rather than thinking the bot can cover every aspect of the customer experience.

- **What Are the Business Goals of the Chatbot?** This is directly related to the customer journey question. Should the bot be focused on generating leads? Engaging with new customers? Building loyalty? Knowing the business goals will help set the chatbot on a successful path.

- **Who Is the Target User?** If a chatbot is built for everyone, it's built for no one. Everything from the bot's voice to its script to its use of rich content is dependent on the target user.

Once a brand has answers to these questions, it can sort through the 6 main approaches to chatbots and make an appropriate choice for implementation.

The 6 Chatbot Options to Align with Business Goals

After answering the key chatbot questions, consider which of the following 6 approaches fits best for a brand's unique business needs.

- **The Hybrid Support Approach**: This is one of the safer approaches to chatbots given the state of today's technology, where humans and bots work together. If you've ever used the customer support feature on Amazon's mobile app, you know that there's already a chatbot in place. The experience opens directly to a chatbot, which will escalate seamlessly to a support agent if necessary. Benefits of the hybrid approach include greater leverage/context for support as well as giving customers the feeling of instant gratification in the conversation.

- **The Fully-Automated Support Approach**: This is a much narrower (and harder) use case than the hybrid approach. In this case, brands can only allow the chatbots to execute simple, repeatable tasks. However, this is where many of the Facebook Messenger bots are failing. This approach may be best-suited for simple data collection rather than trying to deliver deep value to users. For example, retailers and eCommerce brands can implement a fully-automated support bot to help customers check order statuses and ask simple questions like when the brick-and-mortar location is open.

- **The Hybrid Sales Approach**: Here, the idea is the same as the hybrid approach with more of a focus on selling to customers. This is particularly useful in retail where companies like Trunk Club are creating one-to-
one relationships between stylists and customers. A chatbot can help develop context for new customers with things like style preferences or size information before handing off to a stylist to give the customer a completely personal and personalized experience. Here’s an example of how Staples uses Layer and Watson to deliver a hybrid agent-bot experience inside of its mobile app:

- **The Fully-Automated Sales Approach:** While this approach can be just as difficult as the more generic fully-automated option, focusing on sales can provide a clearer path to success. For example, a bot built to automate the sale of movie tickets could provide information about showtimes and carry customers through to purchase. However, failed responses on the part of your chatbot could result in abandoned transactions. This approach is risky and unproven, so brands must be ready to fail fast and continually experiment.

- **The Agent-Side Assistant Approach:** Not all chatbots have to be customer-facing. In some cases, support agents can benefit from having a chatbot helping them better address the needs of customers. The telecom industry is a good use case for this approach. Many telecom service agents have a decision-tree script to sift through during a customer conversation, making the whole experience feel impersonal and choppy. Implemented correctly, a chatbot can automatically find the right answers so agents can have more seamless conversations with customers.

- **The Awareness/Engagement Approach:** Many of these approaches are geared toward the later stages of the customer journey. One example is how Activision built awareness for its game, Call of Duty: Infinite Warfare, in 2016. With the help of a Facebook Messenger chatbot, Activision exchanged over 6 million messages with customers to give them a sneak peak at the upcoming game. There was no transaction and no human interaction, but the opportunity to engage with customers was important for the studio.

Each approach has its advantages and disadvantages, but it’s important to make a decision before diving into implementation. Once a plan/strategy is in place, brands can start thinking about how to execute.
Key Considerations When Implementing a Chatbot

Like any piece of technology, there are many decisions to make when brands are ready to implement a chatbot. As we’ve said, there’s no one-size-fits-all solution. But if you’ve already answered the key questions and chosen a specific approach, you’re in a better position to make educated decisions about the path to implementation.

Here are a few important things to consider when getting ready to implement the chatbot:

- **Choosing Target Platforms:** Facebook Messenger is often in the chatbot-spotlight, but every major player is getting in on the action. Amazon, Twitter, Microsoft, Kik, Google, Apple, and more are all giving companies options for chatbot support. Beyond third-party platforms, there’s the brand’s own native web and mobile experience to consider. Brands must decide where their chatbots will live (and what that decision means in terms of benefits and sacrifices). Thankfully, most of the leading bot creation platforms offer multiple channels to deploy your bot. For example, Meya.ai lets you build and deploy a chatbot to your web or mobile app via Layer, as well as to Facebook Messenger and SMS.

- **Finding an Intelligence Provider & Authoring Environment:** Assuming you’re doing more than a simple, scripted chatbot, you’ll need an AI engine powering the bot’s functionality. Some providers bundle an AI engine with an authoring environment or chatbot IDE, others are pure-play intelligence engines. You could go with a powerful, fully-customizable intelligence solution or take advantage of a simpler, WYSIWYG solution that has less flexibility, but could potentially get you to market faster.

  It’s important to consider what you’re trying to accomplish with the bot and the relative skill of your in-house team when choosing a provider. Are your data scientists building your bot, or will your copywriters be needing a point and click solution? Some intelligence providers we recommend:

  - Meya.ai
  - Watson
  - Api.ai
  - Pullstring
  - Microsoft Bot Framework
  - Amazon Lex

- **Retraining Staff to Work with Chatbots:** If you choose the common hybrid approach to chatbots, it’s important not to forget the organizational and operational changes that accompany implementation. Chatbots aren’t just a set-it-and-forget-it solution in this case. Support agents need to understand escalation protocols and be prepared to take over for chatbots when necessary. Without a trained staff, the chatbot won’t realize its full potential.

- **Keep Iterating, Keep Learning:** No matter what approach you choose, chatbots are still a work in progress. Some paths are harder than others, but there are no perfect answers to strategic questions. Because everyone is still learning what works best with chatbots, brands must be ready to continuously iterate and learn from their mistakes.

- **Native vs. Third-Party:** Some business leaders feel that chatbots and messaging experience are one and the same. However, chatbots are just a small piece of a much larger customer-centric business strategy rooted in messaging. Working with third-party chatbots could be good for awareness, but brands will find more long-term value in a chatbot native to their own mobile experiences.
How Serious Are You About Chatbots?

After all of this information about the promises, pitfalls, approaches, and execution of chatbots, we come back to the same question:

Taking shortcuts early on will only leave you further behind your competitors as chatbots mature. And this isn’t like falling behind on mobile-responsive web experiences. AI-powered chatbots rely on machine learning, which becomes exponentially more effective over time. The sooner you can start teaching your chatbot about what customers need, the more personalized and frictionless the customer experience you’ll be able to offer them in the future.

If you’re ready to take chatbots—and, more importantly, messaging as a whole—seriously, contact us today for a free demo of the Layer Customer Conversation Platform and see how you can enjoy the benefits of a custom experience without the development headaches.

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About Layer

Layer is the customer conversation platform. We let you talk to your customers how and where they want to be spoken to, and as a result, do more business. With mobile messaging at the core, Layer enables you to aggregate other communication channels like email and your website, chatbots, applications and analytics to bring together a complete view of each customer and create a unified, branded customer experience—one that helps you close sales faster, support customers more effectively and delight people at all stages of the customer journey.

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