

White Paper

The Importance of
Well-Programmed Chatbots
in Enhancing Customer Experience and
Delivering Self-Service Capabilities

10 | 24



Executive Summary

Chatbots are becoming an essential component of modern customer service, offering businesses the ability to automate many common interactions and improve efficiency. When well-programmed, chatbots can empower customers to self-serve on tasks like order tracking, date changes, address changes, returns, claims, balance inquiries, and frequently asked questions (FAQs). These automated solutions provide convenience and help businesses scale their customer service operations while reducing human intervention in routine tasks, allowing businesses to deploy their highly trained staff on more complex or profit generating tasks. However, poorly programmed chatbots can have the opposite effect, leading to customer frustration, increased support costs, and damage to brands reputation.

This white paper highlights the importance of well-programmed chatbots, explores their benefits, and addresses the risks of underperforming bots. It also emphasises the need for a blended approach, where automation is supplemented by human support when necessary, ensuring a seamless customer experience.

Introduction:

The Rise of Chatbots in Customer Service

In recent years, the adoption of chatbots has surged across industries, driven by advancements in artificial intelligence (AI) and natural language processing (NLP). According to Grand View Research, the global chatbot market is expected to grow at a compound annual growth rate (CAGR) of 25.7% from 2022 to 2030, highlighting the increasing reliance on this technology by businesses worldwide. Chatbots are designed to provide near instant responses, improve efficiency, and enhance the customer journey. When deployed strategically, they can manage a variety of customer service functions, freeing up human agents to focus on more complex queries. However, the success of chatbots depends heavily on their programming and the planning behind their implementation.

Benefits of Well-Programmed Chatbots

AI-based conversational analytics tools use advanced natural language processing (NLP) and machine learning (ML) algorithms to transcribe and analyse conversations from voice calls, chat interactions, emails, and social media. These systems can identify patterns, track keywords, evaluate sentiment, and detect compliance breaches far more efficiently than manual processes.

24/7 Availability and Instant Response

A key advantage of chatbots is their ability to offer around-the-clock service. According to IBM, chatbots can handle 80% of routine customer queries, offering instant responses and ensuring that customers don't have to wait for human agents during off-hours.

Enabling Customer Self-Service:

By automating repetitive tasks, chatbots help reduce the number of inbound inquiries that require human agents. This leads to significant cost savings. Juniper Research estimates that chatbots are expected to save businesses £6.1 billion annually by 2025, primarily through reduced labour costs. Additionally, chatbots can handle multiple interactions simultaneously, scaling operations in ways that would be impossible with human-only teams.

Personalisation

With advancements in AI and machine learning, chatbots can be tailored to recognise customer behaviours, preferences, and previous interactions. This enables more personalised experiences, such as:

- Recommending products based on past purchases.
- Providing specific responses based on user behaviour (e.g., a bot knowing a user prefers to be contacted via WhatsApp rather than email).
- Tailoring FAQs to individual customers' account histories.

Enabling Customer Self-Service:

Well-programmed chatbots allow customers to perform common tasks on their own. Examples of self-service capabilities include:

- Order Status Updates: Customers can inquire about the status of their orders in real time.
- Returns and Claims: Chatbots can walk users through the return or claims process, providing links to necessary forms or status updates on ongoing cases.
- Balance Inquiries and Account Details: For banking or financial services, customers can quickly check their balance or transaction history.
- FAQ Support: Chatbots can provide immediate answers to frequently asked questions, reducing the need for human intervention.
- Date, Location, Address or Name change: Very useful for policy updates in the insurance industry.

According to Forrester, 72% of consumers prefer self-service over phone calls, especially when dealing with simple inquiries. Chatbots, when programmed correctly, can facilitate this preference by providing fast, accurate, and reliable information.

Enabling Customer Self-Service:

Chatbots can be deployed across various channels, such as websites, mobile apps, social media, and messaging platforms like WhatsApp. This omnichannel approach ensures that businesses are available to their customers wherever they prefer to interact, providing a seamless, consistent experience across platforms.

Risks of Poorly Programmed Chatbots

Despite their many benefits, poorly programmed chatbots can lead to negative customer experiences and even harm brand reputation. The following are some of the most common pitfalls of underperforming chatbot implementation:

Inaccurate Responses:

A chatbot that is not properly trained or lacks access to accurate data can provide incorrect information, which frustrates customers and damages trust. For example, if a bot gives the wrong order status or mishandles a return, it can lead to customer dissatisfaction and escalate issues unnecessarily.

Customer Frustration:

When a chatbot cannot resolve an issue, or worse, cannot recognise the query, it can drive customers away.

A survey by Userlike found that 47% of users would stop using a company's chatbot after a single bad experience. Frustrated customers are also more likely to escalate issues to social media or review platforms, potentially harming a company's reputation.

Limited Functionality

Some chatbots lack the ability to understand nuanced language or handle more complex requests. This often results in dead ends, where the chatbot either fails to provide useful information or repeatedly directs customers to irrelevant responses. Poor NLP programming is a common cause of these failures.

Longer Resolution Times:

When a chatbot is poorly designed, it can create more work for human agents. Customers who can't find the answers they need through the bot may end up contacting support, anyway, leading to longer resolution times and higher support costs.

Brand Image and Trust:

A chatbot represents the company in customer interactions, so if it fails to deliver, it reflects poorly on the brand. A poorly programmed bot that consistently offers substandard service can tarnish a company's image and erode customer trust.

Planning the Customer Journey For Chatbots

To ensure a successful chatbot implementation, businesses must carefully plan the customer journey. The following steps are crucial for optimising chatbot performance and integrating them effectively with other channels:

Mapping Customer Journeys

Before implementing a chatbot, businesses need to identify the key customer touchpoints and interactions. Mapping the entire customer journey—from browsing to post-purchase support—helps businesses understand where a chatbot can add value and where human support may still be needed.

Designing a Blended Solution

While automation is powerful, it's important to recognise that not all customer interactions can be fully automated. A blended solution, where chatbots handle routine queries and pass more complex cases to human agents, is essential for maintaining high-quality service. Gartner predicts that by 2027, 25% of organisations will integrate a blended approach where AI-based systems collaborate with human agents for complex scenarios.

Testing Across Channels

Chatbots should be tested across all channels (e.g., web chat, email, WhatsApp, and phone calls) to ensure they provide consistent support. A well-programmed chatbot should offer the same level of service regardless of the communication platform, ensuring a seamless customer experience.

Human Escalation When Necessary

Chatbots should always have a mechanism to transfer conversations to human agents when they cannot provide a satisfactory response. This hybrid model ensures that customers don't get stuck in frustrating loops, enhancing their experience and preventing negative feedback.

Ongoing Improvement & AI Training

Chatbots should be continually trained and improved based on customer interactions. This involves analysing chatbot data to identify areas for improvement, such as recurring customer complaints, and updating the bot's language model and response protocols to handle those issues more effectively.

Real-World Examples of Well-Programmed Chatbots

Sephora

Sephora's chatbot allows customers to book in-store makeovers, get makeup recommendations, and ask about product availability. This chatbot offers a seamless experience across Sephora's app and website, providing helpful information while allowing customers to self-serve.

Domino's Pizza

Domino's chatbot, Dom, allows customers to place orders, track deliveries, and modify orders directly through messaging apps. This instant access to ordering and status updates has been instrumental in improving customer satisfaction and driving sales.

H&M

H&M's chatbot helps customers with product recommendations and size guides, and even assists with returns and exchanges. By offering quick, personalized service, H&M has enhanced its customer experience while reducing the load on its customer service team.

Conclusion

Well-programmed chatbots offer numerous benefits, from enabling customers to self-serve on routine queries to improving response times and reducing operational costs. However, poorly programmed chatbots can lead to frustration, inaccurate responses, and damage to a brand's reputation.

The key to successful chatbot implementation lies in careful planning of the customer journey, ensuring that the chatbot is well-programmed to handle common queries and escalate complex issues to human agents when appropriate.

A blended solution that combines automation with human support can significantly enhance the customer experience, offering both convenience and personalized assistance. Businesses that investing well-designed chatbot systems will be better positioned to meet the evolving expectations of today's digital-savvy consumers, ultimately leading to higher customer satisfaction and loyalty.

References

1. Grand View Research, "Chatbot Market Size & Share Report, 2022-2030."
2. IBM, "Why chatbots matter: Helping businesses drive customer engagement and satisfaction."Gartner, "AI in Contact Centers: Revolutionizing Customer Service," accessed September 2023.
3. Forrester, "Empowering Customers with Self-Service."
4. Juniper Research, "Chatbots to Save Businesses \$8 Billion by 2025."
5. Userlike, "What Makes a Chatbot Frustrating?"

This white paper emphasizes the importance of well-programmed chatbots and provides insights into their advantages while highlighting the risks of poorly implemented solutions.

CONTACT  ONE

Contact Us

T: 0330 880 4444

W: ContactOne.net