Chatbot Strategy

Market Research Report

November 2016
Methodology
Methodology

**Business survey**

- In total n=84 completes
- All businesses involved in the study sell products/services online or customers can complete applications online
- All business had at least 100 employees
- Email invites were sent out to the Fifth Quadrant newsletter subscribers and to TEG rewards panellists
- 5 minute online survey
- Surveys were completed between the 17th – 23rd November

**Consumer survey**

- In total n=528 completes
- All respondents were consumers who have abandoned an online purchase/application process in the past three months
- All respondents completed the survey through our panel partner (TEG Rewards)
- 5 minute online survey
- Surveys were completed between the 17th – 22nd November
Our sample: Our sample comprises of a wide range of businesses, across all industries and sizes.

### Industry
- Government: 14%
- Retail: 13%
- Banking and Finance: 11%
- Education: 10%
- Health: 7%
- Transport & Freight: 6%
- Wholesale: 6%
- Construction: 5%
- Hospitality, Tourism and Entertainment: 5%
- Manufacturing: 5%
- Telecommunications: 5%
- Other: 14%

### Number of employees
- 1,000-4,999: 33%
- 200-499: 17%
- 500-999: 15%
- 100-199: 13%
- 5,000 and over: 21%

### Position
- CEO/CFO/COO/CTO: 29%
- Divisional GM/Director: 19%
- Sales/BD Manager: 13%
- Head of CX/Customer Service/Contact Centres: 12%
- Project Manager: 7%
- CMO/Director of Marketing: 5%
- Head of Digital: 5%
- Research & Development: 4%
- Head of/Senior Procurement Officer: 2%
- Other: 5%
Our sample: A broad cross section of consumers throughout Australia participated in the research

**Age**

- 18-34: 27%
- 35-49: 24%
- 50-64: 24%
- 65+: 25%

**Gender**

- Female, 50%
- Male, 50%

**Location**

- NSW/ACT: 28%
- Vic/TAS: 27%
- QLD: 23%
- SA/NT: 12%
- WA: 10%
Research Findings
Complicated processes and website navigation are key obstacles preventing customers from finalising an online purchase or application. These issues can be overcome by providing consumers immediate online help to check through details.

60% of consumers state that they have abandoned an online application or purchase process in the past 3 months:

- On average, these consumers claim to have left more than 2.5 online purchase/application processes in the past 3 months
- 73% of consumers have abandoned an online process more than once in the past 3 months

Main reasons why consumers abandon the purchase / application process

- Price not competitive: 41%
- Complicated checkout process / poor shopping cart functionality: 38%
- Security concerns: 37%
- Complicated website navigation: 36%
- Lack of information about the product/service: 28%
- Lack of payment options: 22%

Consumers: Q1 - Have you abandoned an online purchase or application process for any of the following reasons in the past 3 months? n=874
(those who have not abandoned an online purchase or application process have been screened out following this question)
Consumers: Q1. Have you abandoned an online purchase or application process for any of the following reasons in the past 3 months? n=528
Similarly to consumers, most businesses believe that immediate online help would enable them to increase online sales conversion rates.

77% of consumers believe that immediate online help would increase their likelihood of completing transactions online more often.

85% of businesses believe that immediate online help would improve online sales conversion rates.

Consumers: Q3 - Do you think that if you could access immediate online help, you would complete transactions more often? n=528
Businesses: Q9 - Do you think that if your customers could access immediate online help, your online sales conversion rate would improve? n=84
Accordingly, optimising online sales conversion rates is an increasing focus for the majority of organisations. Businesses have a range of initiatives to improve sales conversion rates, including implementing webchat to offer immediate help.

**Focus on online sales conversion rate at businesses will...**

- Become much more important: 38%
- Become more important: 43%
- Stay the same: 2%
- Become less important: 17%

81% of businesses believe that focusing on online conversion rates will become more important in the next 12 months.

**Main ways organisations will improve online sales conversions (top 10 initiatives)**

- Improve online functionality and navigation: 45%
- More customer feedback to improve user experience: 40%
- Implement webchat: 35%
- Simplify web forms: 27%
- Upgrade technology platform: 25%
- Improve security: 24%
- Provide better information about the product/service: 24%
- Reduce complexity in the product/service offer: 20%
- Improve shopping cart/checkout functionality: 19%
- Provide FAQ's on the website: 18%

*Businesses: Q7 - How do you think the focus on online sales conversion rate optimisation will change in the next 12 months within your organisation? Q8. What will your organisation do to improve online sales conversion rates? n=84*
Businesses, however are challenged at various levels when it comes to providing immediate access to help online, with the lack of integration between systems being the biggest issue.

Reasons why organisations are not providing immediate access to help online:

- Lack of integration between systems: 42%
- Lack of skilled resources: 26%
- Lack of collaboration between departments: 24%
- Other priorities: 24%
- Current online solutions don’t work very well: 21%
- Lack of technology: 20%
- Too expensive: 15%

Businesses: Q10. What prevents your organisation from providing immediate access to help online? n=84
2 in 3 business decision makers have very limited knowledge about Chatbots. Consumers are even less aware of this technology, with only 1 in 5 claiming to have some knowledge.

### Knowledge around AI, Chatbots, Conversational Commerce

#### Knowledge of business decision makers around...

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<thead>
<tr>
<th>Artificial Intelligence</th>
<th>Never heard of it</th>
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#### Knowledge of consumers around...

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Consumers: Q5r - How much do you know about the following topics? n=528
Businesses: Q11r - How much do you know about the following topics? n=84
We showed consumers and business decision makers the following description of Chatbots before asking them further questions about this technology...

**Description of Chatbots for consumers**

Chatbots that use artificial intelligence are now being adopted to improve the customer experience in leading organisations throughout the world.

Chatbots are being used to guide you from landing page to purchase on both mobile and desktop devices. Chatbots understand language, not just commands, and continuously get smarter as they learn from conversations they have with customers.

Accordingly, you are assisted through the buying or application process, with the Chatbot providing relevant information to you throughout the buying journey. Of course, if you want assistance from a person at any stage throughout the journey it is easy to switch to human assistance.

**Description of Chatbots for businesses**

Chatbots that use artificial intelligence are now being adopted to improve customer acquisition and retention in leading organisations throughout the world.

Chatbots are being used to guide customers from landing page to purchase on both mobile and desktop devices. Chatbots understand language, not just commands, and continuously get smarter as they learn from conversations they have with customers.

Accordingly, the customer is assisted through the buying process, with the Chatbot providing relevant information to the customer throughout the journey. This makes it easier for the customer to buy the product or service, ultimately increasing conversion rates. Of course, if the customer wants assistance from a person at any stage throughout the journey it is easy to switch to human assistance.

With each completed interaction, Chatbots intelligently learn more about how your customers and employees interact. This allows the process to be automated, meaning your employees are required less often, or not at all.
Despite relatively limited knowledge, after having read the description of Chatbots, 3 in 4 businesses believe that Chatbots are relevant to their business, and the same proportion of consumers would feel comfortable using Chatbots.

### Relevance of Chatbots to businesses

- **Very relevant**: 18%
- **Somewhat relevant**: 55%
- **Not very relevant**: 20%
- **Not at all relevant**: 7%

### Consumers’ level of comfort using Chatbots

- **Very comfortable**: 10%
- **Comfortable**: 67%
- **Uncomfortable**: 19%
- **Very uncomfortable**: 4%

**Consumers: Q6 - How comfortable would you be using a Chatbot for assisted service when completing an online purchase or application process?**

**Businesses: Q12 - Based on what you now know, do you think the use of Chatbots would be relevant in your organisation?**
The majority of business decision makers believe that Chatbots would improve their key KPIs, particularly around online sales conversion rates, customer satisfaction and operational efficiency.

**Impact of Chatbots on KPIs (% Improve)**

- **Online sales conversion rates**: 55%
- **Customer satisfaction**: 55%
- **Operational efficiency**: 54%
- **Ability to up-sell/cross-sell**: 49%
- **Cost per transaction**: 48%
- **Renewals/Customer retention**: 44%
- **Information sharing across business units/locations**: 36%
- **Agent satisfaction**: 34%
- **Corporate governance & regulatory compliance**: 32%
- **On boarding**: 30%

*Businesses: Q14r - And what effect do you think the use of Chatbots might have on the following KPIs? n=84*
1 in 5 consumers think that Chatbots could provide a better experience than humans and the majority (78%) believe that Chatbots would improve their overall online purchase/application experience.

**Level of service provided: Chatbot vs humans (Consumers)**

- **Chatbots better, 21%**
- **Humans better, 79%**

**Likelihood of Chatbots improving the online purchase/application experience (Consumers)**

- Definitely would improve: 11%
- Probably would improve: 67%
- Probably would not improve: 19%
- Definitely would not improve: 3%

78% of consumers believe Chatbots would improve their experience, with no difference between age groups.

Consumers:

Q7 - Based on what you now know, do you think a Chatbot would improve your experience when trying to buy a product or complete an application form online? Base n=528

Q11 - Do you think a Chatbot would provide better service than a human? Base n=528
Consumers who believe that Chatbots would improve their experience understand that it would enable them to complete an online purchase or application process more efficiently, with immediate help when needed.

Why do consumers think that Chatbots would improve their experience?

- **Helpful/Useful**: 37%
  - It would help me to get things done.
  - At least I would be able to get some help and ask questions, but possibly not in full detail.

- **Easier/Faster/More efficient**: 29%
  - It would ensure that I make a purchase without any hiccups.
  - It makes it easier to access instant & basic help.
  - Would be a great help and would avoid confusion.

- **Any assistance is better than nothing**: 15%
  - Anything that helps with the red tape is good.
  - At least there’s guidance if I get stuck.
  - Any help is a positive.

- **Provide more information/answers**: 13%
  - It would help straight away if I had any questions.

- **Boosts confidence/encourage purchase**: 6%
  - Because if it can answer my worries I would complete the purchase.
  - There would/should be more/better info for decision making.

Q8 - Why do you say that? n=409 (would improve experience)
However, some consumers still find it hard to grasp the concept and doubt the ability of robots to provide good customer service. Hence, emphasising the benefits of Chatbots when communicating with consumers is essential.

**Why do consumers think that Chatbots would not improve their experience?**

- **Prefer personal/non robot interaction**
  - 34%: I would prefer to speak to a person if I need assistance.
  - 12%: It won't understand/have the answers.
- **Not needed/Won't effect me/No difference**
  - 19%: Unlikely it would change my shopping habits.
  - 9%: They are not able to answer all questions.
- **Technology is not reliable/intuitive/realistic**
  - 18%: I still prefer human contact. I do not believe a Chatbot could be programmed to cover all concerns.
  - 8%: Security concerns
- **Don't understand/know enough about Chatbots**
  - 12%: I don't talk to robots!
  - 8%: I've tried them on other sites and the answers are limited
- **Security concerns**
  - 8%: Bots or Chatbots used there cannot always define individual requirements and then its off to Mumbai or the Philippines and we are really in trouble with our personal information.
- **Poor past experience**
  - 8%: I have interacted with Jess - the Jetstar Chatbot - not very good at all
- **Depends on whether it works/or circumstances**
  - 7%: If it set up right it will work.. I will not use it anyway.

Q8 - Why do you say that? n=119 (would not improve experience)
There is a relatively high level of interest in Chatbots, with a large proportion of businesses seriously considering their deployment within the next five years.

**Timeframe for Chatbot deployment**

<table>
<thead>
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<th>Timeframe</th>
<th>Percentage</th>
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<tr>
<td>Already deployed</td>
<td>4%</td>
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<td>Currently trialling</td>
<td>11%</td>
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<tr>
<td>Within 12 months</td>
<td>18%</td>
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<tr>
<td>Within 2 years</td>
<td>12%</td>
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<tr>
<td>2-5 years</td>
<td>12%</td>
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<tr>
<td>More than 5 years</td>
<td>5%</td>
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<tr>
<td>Never</td>
<td>8%</td>
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<tr>
<td>Not sure</td>
<td>31%</td>
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*Businesses: Q15 - When do you think Chatbots will be deployed in your organisation? Base n=84*
Businesses mostly believe that Chatbots need to have a younger female persona, who is knowledgeable and problem solving, but also provide good customer service by being friendly and polite.

**Personalities most appropriate for organisation**

- **Top 5 personality traits**
  - Knowledgeable: 59%
  - Helpful: 51%
  - Problem solving: 51%
  - Friendly: 49%
  - Polite: 47%

- **Gender and age preference**
  - A young female persona (up to 35 years old): 33%
  - An older female persona (over 35 years old): 20%
  - An older male persona (over 35 years old): 20%
  - A younger gender neutral persona (up to 35 years old): 12%
  - An older gender neutral persona (over 35 years old): 12%
  - A younger male persona (up to 35 years old): 4%

Q17. If the Chatbot had a personality, which of the following traits would be most appropriate for your organisation?
Q18. If your organisation did have a Chatbot would you prefer it to have a persona that was?

*Base n=51 (businesses that gave a timeframe for Chatbot deployment)*
Consumers, however don’t expect Chatbots to be friendly and polite. They need Chatbots to be knowledgeable, problem solving and responsive to be able to assist them through their online purchase/application process efficiently.

### What type of Chatbots would consumers prefer

<table>
<thead>
<tr>
<th>Top 5 personality traits</th>
<th>Gender and age preference</th>
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<tbody>
<tr>
<td>Helpful</td>
<td>An older gender neutral persona (over 35 years old)</td>
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<tr>
<td>Knowledgeable</td>
<td>A young female persona (up to 35 years old)</td>
</tr>
<tr>
<td>Informative</td>
<td>A younger gender neutral persona (up to 35 years old)</td>
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<tr>
<td>Problem solving</td>
<td>An older female persona (over 35 years old)</td>
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<tr>
<td>Responsive</td>
<td>An older male persona (over 35 years old)</td>
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<td>A younger male persona (up to 35 years old)</td>
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</table>

Q9. If the Chatbot had a personality, which of the following traits would be most appropriate for you?  
Q10. If an organisation did have a Chatbot would you prefer it to have a persona that was...?  
Base n=528
Consumer expectations regarding the persona of a Chatbot differ by the age and gender of the consumer, and hence businesses need to make sure that their Chatbot’s persona is aligned with their target audience’s needs.

Type of Chatbots consumers would prefer

Preferences by gender

In general, women need Chatbots to be more helpful, knowledgeable, informative and problem solving than men.

Women are significantly more likely to prefer a gender neutral persona (52%) than men (37%), particularly when it comes to a younger gender neutral persona (25% vs 13%).

Men are significantly more likely to prefer a male persona than women (21% vs 12%), particularly when it comes to an older male persona (13% vs 6%).

Preferences by age

Older consumers (aged 60 years or over) need Chatbots to be more knowledgeable (71%) than those younger than 60 years (56%)

74% of consumers aged 60 years or over would prefer a Chatbot with an older persona (vs 45% of consumers younger than 60 years):

- 34% older gender neutral persona
- 24% older female persona
- 15% older male persona

Q9. If the Chatbot had a personality, which of the following traits would be most appropriate for you?  
Q10. If an organisation did have a Chatbot would you prefer it to have a persona that was...?

Base n=52
Appendix
Providing immediate assistance to customers to ensure higher sales conversion rates, improved CX and more cost effective operations are key reasons why businesses believe Chatbots are relevant to them.

**Why do you think Chatbots are relevant to your business?**

1. **Allows for immediate interaction with customer**
   - Immediate assistance. Reduces the reliance on telephones.
   - Our corporate clients are time poor and expect quick simple communication to answer their queries.
   - It can help customers with simple things.
   - If the customers need immediate help or want to ask a question, we are available to answer.

2. **Improved CX**
   - Improve CX = increased satisfaction = greater sales, advocates etc.
   - It could improve our online interaction with our customers.
   - Allows customers to navigate at their own pace.

3. **More cost effective**
   - It’ll lower our costs.
   - It’s a resource efficient option.

4. **Customers expect it**
   - Consumer expectations of what banking means to them is changing rapidly. In the future of banking, it will not be an add-on, it will need to fit into the everyday life of consumers i.e. not a conscious decision - I need to do my banking but just happens as part of a conversation/interaction.

**Businesses: Q13 – Why do you say that?**
Base n=61 Respondents who selected Chatbots are somewhat/very relevant to in their organisation
Complex offerings and queries are main reasons why organisations don’t believe that Chatbots are relevant to them. Also, similarly to consumers, some businesses doubt that robots could provide quality help, and hence educating them is key.

Why do you think Chatbots are not relevant to your business?

1. Complicated nature of queries/type of products offered
   - It is a health related website and not appropriate for Chatbots to provide or assist with medical knowledge or treatment.
   - Ability to interact is positive, not sure how the Chatbot would deal with product specific enquiries.
   - Designing doors cannot be learned and people have different tastes and needs. It will help but definitely not the final solution for our sales/customer service.
   - We sell complicated products.
   - Because of the complexity of the engineered solutions we provide.
   - There are a lot of out of the box queries.
   - Customers want to talk to a real person.
   - I would hesitate to completely remove human operators in the process.
   - It wouldn't suit our customers’ needs & won't influence their current buying patterns.
   - We focus on relationships.
   - We are a customer facing company.

2. Customers need a real person/would not suit their needs
   - Customers want to talk to a real person.
   - It is a health related website and not appropriate for Chatbots to provide or assist with medical knowledge or treatment.
   - Ability to interact is positive, not sure how the Chatbot would deal with product specific enquiries.
   - Designing doors cannot be learned and people have different tastes and needs. It will help but definitely not the final solution for our sales/customer service.
   - We sell complicated products.
   - Because of the complexity of the engineered solutions we provide.
   - There are a lot of out of the box queries.
   - We focus on relationships.
   - We are a customer facing company.

3. Process is easy enough already
   - Application process is straight forward.

Businesses: Q13 – Why do you say that?
Base n=23 Respondents who selected Chatbots are not at all/very relevant to in their organisation
2 in 3 business decision makers claim that their CX program objectives align with their organisational mission

Do your company’s Customer Experience Program objectives map to the organisational mission and vision?

- Yes, our Customer Experience Program is based on our organisational mission and vision: 64%
- Yes, our Customer Experience Program is defined in our organisational mission and vision: 44%
- No, we don’t have a Customer Experience Program: 20%
- No, our mission and vision don’t provide guidance for customer experience: 18%
- No, we don’t have a mission and vision for our company: 17%

Q20 - Do your company’s Customer Experience Program objectives map to the organisational mission and vision?
Base n=84
2 in 3 organisations believe that their IT systems allow them to deliver the desired CX

Do you feel your company’s IT systems allow you to deliver the desired customer experience?

- 67% Yes, we have enough information and share it across our organisation
- 43% Yes, our systems collect data, summarise it and provide insights about what’s happening
- 13% Yes, we have information overload
- 11% No, not even close
- 18% No, information about our customers is kept on separate spreadsheets by each individual department
- 15% }
While most businesses have mapped their customers' lifecycle journey or are working towards it, only 10% claim that their customers’ journey is understood, measured and regularly reviewed across the organisation.

**Have you mapped out your customers’ lifecycle journey?**

- **10%**: Yes, the journey of our customers is mapped, understood, measured and regularly reviewed.
- **32%**: Yes, we’ve mapped it out but not everyone understands how it relates to them.
- **30%**: We all understand the channels we impact but not how it relates to the lifecycle.
- **17%**: No, but we’re working towards mapping the journey.
- **12%**: No, it’s not a priority right now.

Q22 - Have you mapped out your customers’ lifecycle journey? 
Base n=84
For more information please contact:

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