



EDITORIAL

CHATBOT JACKPOT:

HOW ONLINE ROBOTS ARE STREAMLINING BUSINESS

With companies constantly looking to cut costs and save time, chatbots have emerged as an obvious solution in consumer-facing technology.

Read how to utilize chatbots to mimic human interaction and make customer engagement seamless across all touchpoints.

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One of the most impressive consumer-facing inventions to come down the pike due to AI is the chatbot, saving businesses time and money by mimicking human interaction in online transactions.

While chatbots have been around for years, recent advances in AI and natural language processing have increased their versatility and effectiveness to boost their popularity. Nowadays they can live on your website, in your SMS messaging or in any major chat product, including Facebook Messenger, Twitter, Slack or Telegram. As such, **Gartner** says such automated software tools are slated to dominate two-thirds of customer service interactions this year; only a third will require some form of human interaction.

User organizations appreciate their breadth of scale. Chatbots can be programmed to follow specific sets of rules that define and limit their “understanding,” or can be designed with more sophisticated technology allowing them to continually “learn” from their interactions. Once you get a handle on exactly what you’d like your bots to achieve, a skilled designer can customize a new system that will put them to work in your favor.

Bottom line on the industry

More than **30,000** branded chatbots utilizing some 6,000 different skills hit the market last year alone, with industry investments growing a staggering **229 percent** between 2015 and 2016.

The data-gathering tools have huge potential for boosting the efficiency of organizations heavily dependent on customer service and inbound sales. In fact, **Business Insider** estimates chatbots saved \$23 billion in customer service salaries last year, in addition to \$15 billion each in sales rep and financial rep salaries and \$12 billion in insurance rep paychecks.

Last year, 1.6 billion people used mobile messaging or chat apps; by 2018, usage is expected to reach 2 billion, representing 80 percent of all smartphone users. Already, the six apps most frequently used worldwide are messaging apps, which achieve twice the retention of other kinds. Other varieties are reportedly falling out of favor due to “app fatigue”; 50 percent of U.S. mobile users haven’t uploaded new ones in 12 months. In contrast, platforms such as Facebook Messenger, Kik and WhatsApp boast a combined user base of more than a billion; Kik alone boasts 300 million users who have already logged more than 350 million bot-driven messages.

What’s in it for you?

Those able to optimize emerging technologies to appeal to their customers in relevant, highly personal ways will face the future with a true competitive advantage.

To succeed in a world quickly transitioning from desktop to mobile, businesses must embrace time-saving digital tools like chatbots that quickly customize customer engagement, making it smooth and seamless across all touchpoints. The more you can pull off this transformation, the more easily you'll be able to build positive relationships between your brand and your customers.

By 2020, AI tools such as chatbots will empower 85 percent of all customer relationship-building efforts, reports Gartner, assisting in everything from vacation planning to car shopping to stock market investment. The primary target market? Tech-savvy consumers seeking innovation that works in their favor. While some 60 percent of chatbot users are 13 to 19, a recent survey shows **nearly half** of U.S. millennials are open to considering recommendations from chatbots.

Chatbot hotshots: Some industries set to maximize their potential

- **Retail:** Chatbots are acting as virtual assistants to offer online customers product suggestions, track their deliveries, manage their returns and help solve their transactional issues. For example, Mastercard recently partnered with Subway, Cheesecake Factory and grocer FreshDirect to create Messenger tools that conversationally walk customers through their pick-up sandwich orders, gift card purchases and grocery orders, respectively.
- **Banking:** The handy gadgets are helping account holders access, in real time, vital information such as account balances, recent transactions, credit card fees and due dates. Advanced versions are programmed to provide time-starved investors intelligence such as stock analyses, ROI figures and interest calculations.
- **Logistics:** Chatbots offering senders and receivers real-time tracking of deliveries are enormously helpful; they're also used to forecast shipping times.
- **Travel and hospitality:** Virtual travel agents are expected to disrupt the way consumers plan, coordinate and enact itineraries. Users also appreciate bot assistance in locating restaurants and accommodations while they're on the go.
- **Administration:** Productivity of office personnel is boosted as chatbots help them manage calendars, efficiently access information and handle mundane but otherwise time-consuming tasks. Bonus: The tools can be easily integrated with third-parties like Slack, Skype and Messenger.

How can you know your chatbots are effective?

Chatbots often boost both purchases and conversion rates for ecommerce businesses, which is why those elements are the most common KPIs. Other metrics of interest include the length and time of conversations between chatbots and clients.



Hot-button bot issues: What are the downsides?

To date, technology has not evolved to the point at which dialogue between bots and humans is effortless and foolproof. Bot conversations rely primarily on scripted dialogue, which means most companies must employ human backups to step in when bot conversations deviate from scripts. While many are designed to learn from previous interactions, that process isn't always fluid and instantaneous, which can lead to mediocre or negative customer experiences — especially when the customer isn't initially aware he or she is conversing with a computer program.

Further, businesses are cautioned to build safeguards into their systems as they program their machine learning models. In some cases, inadequately safeguarded systems have backfired; for example, the chatbot “Tay” released last year by Microsoft was pulled within 24 hours after Twitter users tricked it into making sexist and racist remarks.

Upshot on bots: Looking ahead

Because of the huge efficiencies enabled by chatbots — and their ability to scale to meet demand — they're expected to become a major focus of corporate digital strategy in the coming years. Bots of the future will be increasingly sophisticated and even less distinguishable from their human counterparts, allowing businesses to utilize them for more complex purposes and assignments.

How can Magenic help?

Because chatbots are still evolving and must be designed and developed to perform in an optimal and safe manner, they're best incorporated as part of a more comprehensive digital strategy. Magenic's full line of service offerings, which include application development, security and testing, can help you formulate a comprehensive plan that minimizes the possibility of embarrassing failures.



About Magenic

Magenic is a leader in business technology consulting. We understand the barriers to innovation companies are facing and apply the right technology to transform their business.

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