

A Forrester Consulting
Thought Leadership Paper
Commissioned By LivePerson
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Use Automation, AI, And Chatbots To Improve Customer Engagements

Engagement Technology Helps Companies
Combat The Rising Tide Of Customer
Interactions

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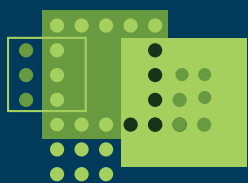
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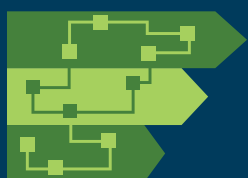
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AI, automation, and chatbots help companies meet high customer demands and gain powerful insights on interactions.



Executive Summary

More than ever before, customers now hold the reins in their interactions with companies. With the increase of communication platforms available, companies have more opportunities for touchpoints, as well as more interactions to manage. Customers expect easy and effective experiences — that are personalized and in context to their situation — that leave them feeling good about having done business with the brand. These types of experiences have a direct positive impact on customer retention, lifetime value, and advocacy. Customers are turning to conversational commerce (the ability for consumers to ask questions, make purchases, and get help by messaging with brands) to interact in a more efficient and personal way than what is available on websites and apps. In addition, a brand's ability to mine conversations for data leads to a better understanding of product capabilities and customer use, allowing companies to evolve products in line with customer needs and requests. These combined benefits increase revenue to the company while improving overall customer satisfaction.

In March 2019, LivePerson commissioned Forrester Consulting to evaluate the use of AI and automation in the customer journey. Forrester conducted an online survey with 331 director-level and above IT, operations, customer service, marketing/advertising, contact center, sales, and digital professionals that influence customer engagement and commerce strategy at enterprises in North America (NA), EMEA, and Asia Pacific (AP) to explore this topic. We found that companies must use automation, AI, and human resources together to deliver interactions that are in line with customer expectations. This combination drives loyalty, satisfaction, and revenue, while giving companies invaluable access to additional data on interactions. Companies that succeed more fully realize the business drivers of conversational commerce, such as increased efficiency, revenue, and access to new customers.

KEY FINDINGS

- › **Companies must meet increasing customer demands for personalization and instant gratification.** Eighty percent of companies agree that customers increasingly expect relevant, personalized information based on where they are in their journey. Seventy-nine percent say that customers are more impatient than ever before.
- › **Companies struggle to harvest data and insights from interactions, and spend too much time on routine interactions.** Only about one-third of companies feel confident they can respond to customers in real time and take the steps required to track customer journeys, while 83% say automating routine interactions would allow staff to focus on complex customer interactions.
- › **AI, automation, and chatbots help companies satisfy high customer demands at scale while gaining powerful insights on interactions.** In fact, three-fourths of users of these technologies reported achieving higher than expected revenue growth, and half of users said their customer satisfaction scores were higher than planned over the past 12 months.

Customers Expect Customized Interactions In A Short Window Of Time

More than ever before, customers want personalized, effective, and easy interactions that allow them to achieve their goals in a short amount of time. For example, more than half of US online adults (52%) say that they are likely to abandon their online purchases if they cannot quickly find answers to their questions.¹ To meet these demands, companies have begun to focus on improving personalization and mobile experiences to boost customer satisfaction. In surveying enterprise decision makers that influence customer engagement and commerce strategy, we found:

- › **Businesses' top priorities include increasing revenue and operational efficiencies.** Companies have a balanced scorecard approach to customer engagement and commerce strategy, with revenue growth, customer experience improvements, and operations efficiencies as their top initiatives for the next year (see Figure 1). Companies recognize that by improving response rates for support issues and operational efficiencies for customer service workflows, the buyer's journey will irrevocably improve. By creating more efficient customer support and increasing customer retention, companies are ultimately supporting their top initiative of increasing revenue.
- › **Customers have newfound expectations for speed and efficiency, but they still require a human touch.** Eighty percent of companies agree that customers increasingly expect relevant, personalized information based on where they are in their journey, matched with 79% that say that customers are more impatient than ever before (see Figure 2). Customers are expecting valuable interactions in a very short amount of time: Seventy-nine percent of businesses believe that their customers will dismiss them if they don't receive value in their first interaction. While technology can aid in predicting customer needs and delivering self-service capabilities, much of this value still comes from human engagement. Customers desire a channel to efficiently ask questions before making a purchase and would prefer human interaction when there are unique needs that can't be met with AI. This shows the critical need for a blend of AI (for routine interactions) and humans (for complex interactions) to provide value-added customer support in line with customer expectations.



Figure 1

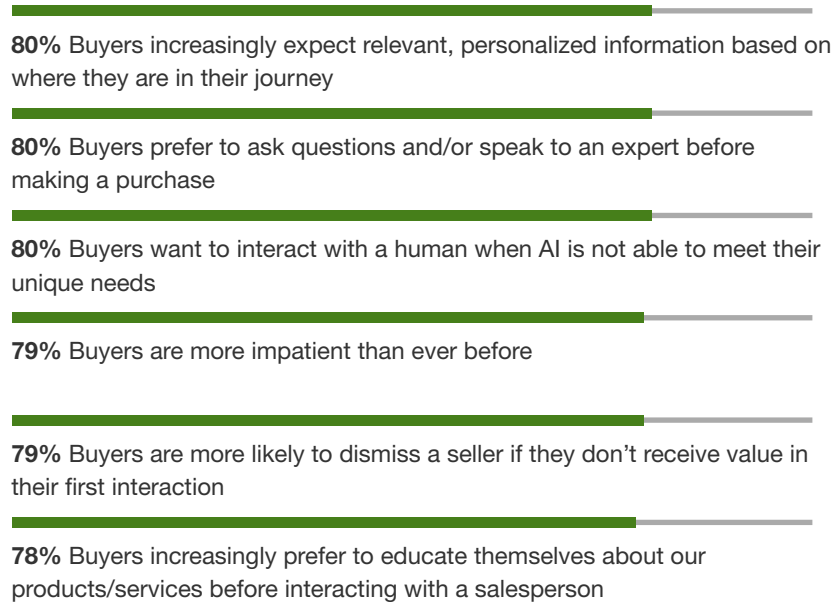
Top five customer engagement/ commerce strategy initiatives

-  1. Increase revenue to company
-  2. Improve response rate to sales and support issues
-  3. Improve operational efficiency of customer service department
-  4. Increase customer retention and lifetime value
-  5. Improve digital experience of customers

Base: Variable 300 director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

Figure 2

“To what extent do you agree with the following statements about your buyers’ needs and behaviors?” (Only “Somewhat and strongly agree” responses are shown)



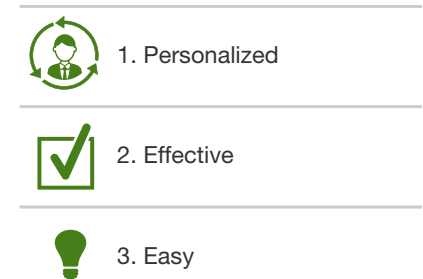
Base: 331 director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

› **Customers expect their interactions to be personalized, effective, and easy.** When asked to rank their customer’s expectations for interactions, companies say the top three demands are for interactions to be personalized, effective, and easy (see Figure 3). This aligns to Forrester’s three elements of customer experience: effectiveness, ease, and emotion. While brands have long focused on effectiveness, and more recently on ease, brands that want to stand out from the competition will focus on emotion.² Tapping into emotion means delivering highly personal, contextual engagements while doing the right thing for the customer at the right time, with full knowledge of who the customer is and where they are in their personalized journey. In fact, research on brand performance in the Customer Experience Index (CX Index™) from 2018 shows that elite brands provided 22 emotionally positive experiences for each negative experience, while brands performing in the bottom 5% only provided two emotionally positive experiences for every negative experience.³ Providing a consistently positive emotional/personalized experience is a huge boost for overall customer satisfaction.

Customers expect relevant, personalized information, but will dismiss a seller if they don’t receive value in the first interaction.

Figure 3

Our customers expect their interactions with our company to be:

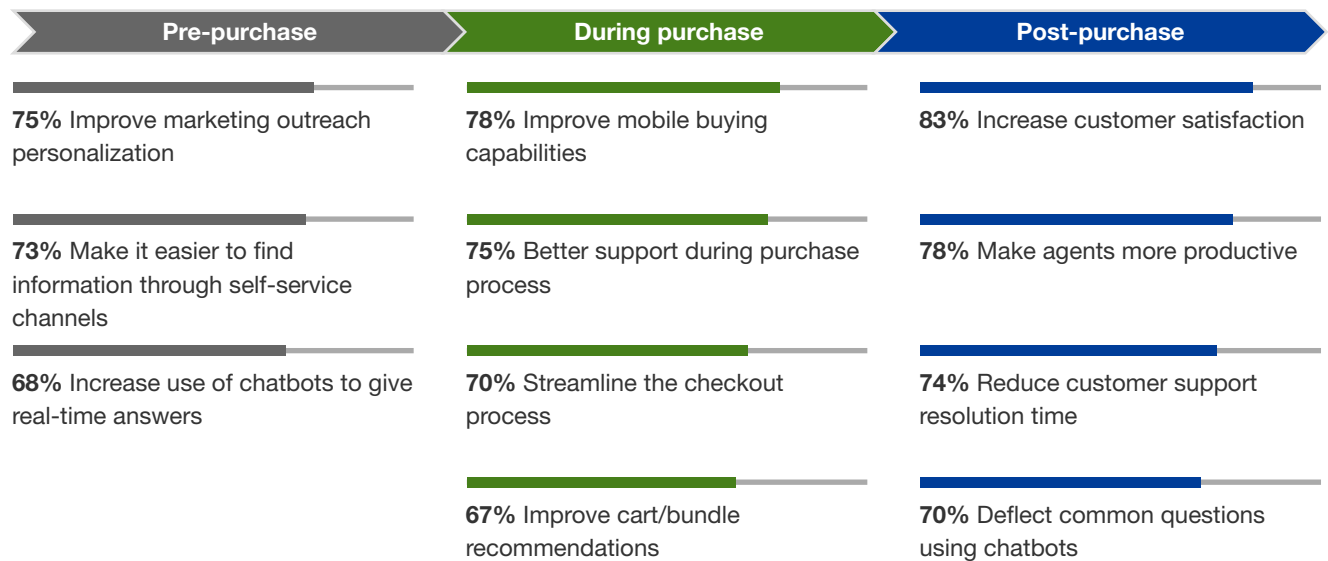


Base: Variable 300 director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

- › **Businesses focus on personalization, mobile experience, and efficiency to boost customer satisfaction.** Businesses recognize the value of personalization, as more than three-fourths of companies find improving marketing personalization, improving mobile buying capabilities, and increasing customer satisfaction to be critical or high priorities in each phase of the customer journey (see Figure 4).

Figure 4

“Which of the following initiatives is your organization prioritizing over the next 12 months to improve various stages of the customer journey?” (Critical and high priority)

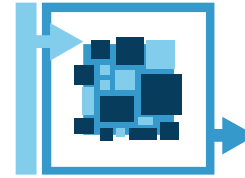


Base: Variable director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

COMPANIES SHIFT CUSTOMER INTERACTIONS TO MORE AUTOMATED PLATFORMS

As companies make engagement easier, while adding more value and personalization to interactions, the number of engagements will rise. This causes companies to seek a combination of AI/automation and human agents to deliver effective and quick engagements in line with customer expectations. In an analysis of interactions by platform, we found that:



- › **Companies expect a decrease in phone and in-person interactions, while anticipating an increase in online chat and social.** Survey respondents predict that the fastest growing customer engagement platforms over the next two years will be online/mobile chat and social media, while in-person and phone interactions are predicted to decline (see Figure 5). This demonstrates that companies understand the value of efficient interactions and the value of their consumer's time. Phone calls and interactive voice response (IVR) channels take a lot of time, while tools like messaging are more efficient but still allow for human interaction. Companies want to move away from analog channels (i.e., phone calls) and toward digital channels while keeping personalization intact — analog channels suffer from high friction, agent connection difficulty, and long wait times.

Figure 5

“What percentage of customer interactions have taken place through the following channels in the past year? The next two years?”

	Past year	Next two years	Delta
Online/mobile chat	11.2%	13.8%	2.60%
In person	19.3%	15.6%	-3.70%
Phone	20.7%	17.1%	-3.60%
Social media	11.1%	13.5%	2.40%
Self-service portals	14.2%	15.1%	0.90%
Video/co-browse sessions	9.6%	9.5%	-0.10%
Messaging in brand's mobile app	11.4%	12.7%	1.30%
Messaging apps	8.5%	9.3%	0.80%
Email	16.7%	16.2%	-0.50%
Website	18%	18.3%	0.30%

Base: 331 director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and AP

Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

- › **The use of chatbots and automation is expected to increase over the next two years in all channels.** The percentage of interactions using chatbots and automation is planned to increase across all channels over the next two years, with social media and online/mobile chat being the highest (see Figure 6). This shows that companies are looking to automate simple, routine customer interactions, allowing for more efficient interactions when possible.

Figure 6

“What percentage of customer interactions have included interactions with chatbots/automation in the past year? In the next two years?”

	Interactions with chatbot/automation — past year	Interactions with chatbot/automation — next two years	Delta
Online/mobile chat	14.8%	17.4%	2.60%
Phone	22.6%	22.8%	0.20%
Social media	12.1%	15.1%	3.00%
Messaging in brand’s mobile app	17.5%	18.7%	1.20%
Messaging apps	12.9%	14.5%	1.60%
Email	18.6%	20.1%	1.50%

Base: Variable director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and AP

Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

› **Companies are driven toward AI to increase revenue and improve interactions.** Increasing revenue to the company, which was cited as the top customer engagement/commerce strategy initiative, also tops the list for drivers to pursue AI (see Figure 7). Companies also look to AI for increased insights on customers and improving customer satisfaction through personalization. Increased insights help companies to better target customers at the right point in their journey with the right offer or bundle, while gaining a better understanding of customer preferences (like communication modes) and buying behaviors.

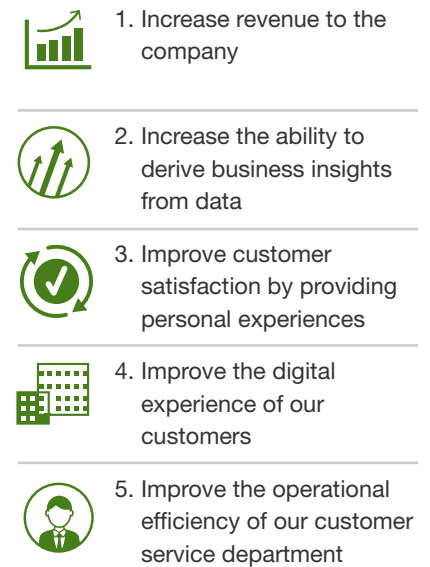
› **Companies plan to implement and expand their implementation of AI for marketing, sales, and customer support tasks.** These tools help companies offload repetitive work and free up customer-facing personnel to focus on value-added engagements. Automating tasks like activity capture, engagement scoring, sales process optimization, and product pricing decreases manual work for administrative tasks. Automating dynamic content recommendations and recommended answers arms customer-facing personnel with the right content to best engage with the customer to drive relationship and revenue growth. Companies are planning to implement, or have implemented/expanded, their use of AI in the following tactics:

- › Activity capture (85%)
- › Engagement scoring (84%)
- › Dynamic content recommendations (84%)
- › Product pricing (84%)
- › Sales process optimization (84%)
- › Proactive support (84%)
- › Recommended answers (83%)

The largest area of implementation expansion is among customer-facing chatbots for customer support, with 35% of companies expanding their implementation of AI in this area.

Figure 7

Top five drivers for using AI/automation for customer engagement:



Base: Variable 300 director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and AP
Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

Companies Struggle To Create Efficient Customer Interactions

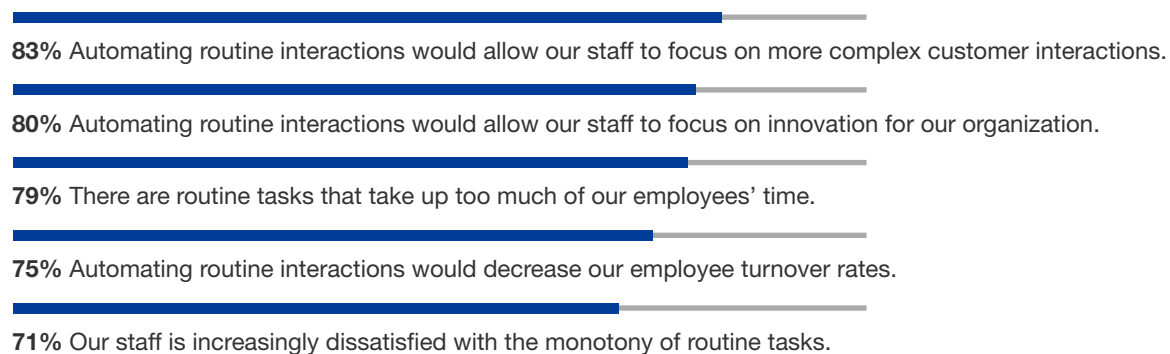
To meet these increased customer demands, companies know that they need to provide value in every interaction. However, companies face challenges with lack of insights and too much time spent on interactions. In an analysis of customer engagements, we found that:

- › **Employees spend too much time on routine interactions that detract from innovation and complex engagements.** Over +80% of companies agree that automating routine interactions would allow staff to focus their valuable time where it has the highest impact: on complex customer interactions and innovation (see Figure 8).



Figure 8

“Rate your level of agreement with the following statements regarding your company’s employees that facilitate customer interactions.” (Only “Somewhat and strongly agree” responses are shown)



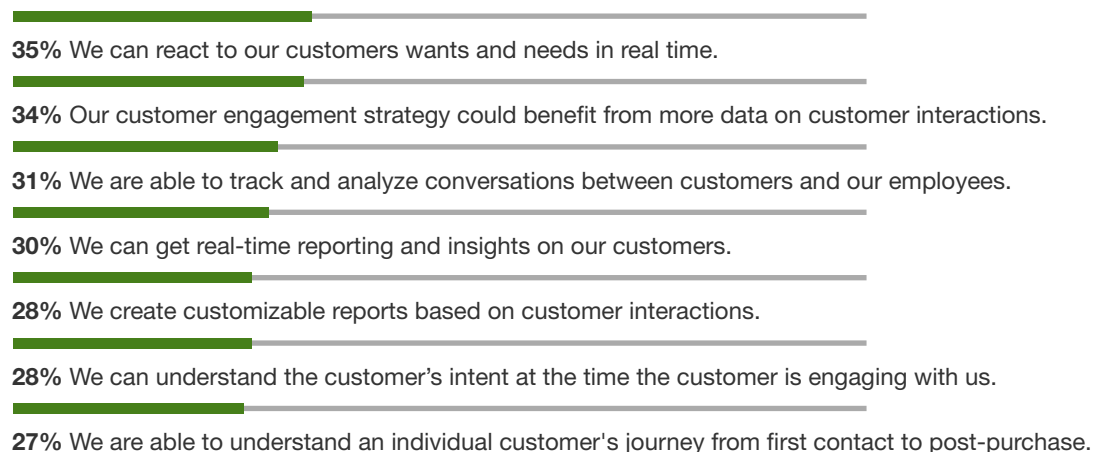
Base: 331 director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprise in NA, EMEA, and AP

Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

- › **Few companies feel confident they can understand and respond to customers in real time.** Sixty-six percent of US online adults said that valuing their time is the most important thing a company can do to provide them with a good online customer experience.⁴ Customers expect their time to be valued, yet only about one-third of companies feel confident they can respond to customers in real time and take the steps required to track customer journeys (see Figure 9).
- › **Companies want more data from their interactions.** Seventy-four percent of companies agree that their customer engagement strategy could benefit from more data on customer interactions. Increased data helps link the entire customer journey and allows for more personalization and efficiency that customers want. Companies are increasingly challenged with creating a holistic, 360-degree view of their customers. In a recent Forrester report about CRM performance, organizations cited their biggest challenge to improving their CRM capabilities as creating a single view of customer data and information.⁵

Figure 9

“Rate your level of agreement with the following statements regarding your company’s customer engagement capabilities.” (Only “Strongly agree” responses are shown)



Base: 331 director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprise in NA, EMEA, and AP

Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

Companies Move Toward Automated Interactions To Improve Customer Support And Grow Revenue

In order to meet customer demands and gain powerful insights on interactions, companies look to AI, automation, and chatbots. These tools allow for more personalization within interactions, while freeing up employees to spend more time on innovative, higher value tasks. When taking a closer look at companies that have already implemented AI, chatbots, and automation, we discovered that:



- › **Users of AI, chatbots, and automation experience an improvement in overall customer satisfaction.** Fifty-five percent of AI users, 50% of chatbot users, and 54% of automation users cite this as their top benefit when using the tools to engage with customers. Other benefits include the creation of an additional revenue stream, an increased access to new customer bases, and an increased amount of data on customer interactions. These benefits directly address the goals that companies have of increasing customer satisfaction and creating more efficient interactions.
- › **Users of AI, chatbots, and automation experience an improvement in the way they track and analyze conversations between customers/prospects and employees.** Top benefits of this technology are increased customer retention for automation users, increased customer lifetime value for AI users, and increased customer retention for chatbot users.
- › **Companies experience higher than planned revenue growth and customer satisfaction scores with AI, automation, and chatbots.** Three-fourths of users achieved their top goal of increasing revenue to the company as they reported achieving higher revenue growth over the last 12 months versus the previous 12 months (see Figure 10). More than half of users report that their customer satisfaction scores were higher than planned over the past 12 months, which indicates that companies can use these tools to provide customers with what they want — personalized, effective, and easy interactions.

Figure 10: AI, Automation, And Chatbot Users Report Gains In Key Business Metrics

	AI users	Automation users	Chatbot users
We achieved higher revenue growth over the last 12 months versus the previous 12 months	76%	77%	76%
We achieved higher revenue growth over the last 12 months versus plan	64%	65%	67%
Customers regularly recommend us to their peers and colleagues	71%	68%	69%
Our customer satisfaction score was higher than planned over the past 12 months	55%	56%	56%
Our average customer retention rate	73.4%	72.6%	73.4%

Base: Various director level+ enterprise decision makers that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

Key Recommendations

Today's customers hold the power in business relationships. There are more choices of brands, products, and communication touchpoints. The path of engagement, being steered by the customers' desire for convenience and savings, takes them through a myriad of channels. And the one thing customers don't have is time. Customers want engagements that are friction-free, highly personal, and in context of where they are in their purchase journey.

In order to garner customer satisfaction and brand loyalty, companies must meet customer expectations. A mature customer engagement strategy drives customer retention, enrichment, and advocacy — this level of maturity drives top line revenue. Even with the explosion of communication channels, companies struggle to meet demands.

Forrester's in-depth survey of enterprise decision makers about AI, automation, and chatbots yielded several important recommendations:



Put the customer at the center of your operations. A competitive strategy is obsessed with understanding, engaging, and delighting customers at scale. To understand customers, companies must use AI to gather intelligence from every touchpoint and facilitate valuable interactions. Customer experience must be a core company strategy, and customer engagement operations must deliver experiences in line with expectations.



Increase operational agility to keep pace with changing engagement preferences. The saturation of social channels used in personal interactions has impacted how customers interact with brands. Customers contact companies more often and over more channels, providing new opportunities for outreach. They also use digital and social channels to engage companies, with the most growth anticipated in online/mobile chat and social media. Brands should respond by using AI and automation to handle routine work, allowing personnel to focus on complex interactions.



Embrace AI and automation to deliver better customer experiences. Great customer engagement rests on the systematic adoption of AI and automation working in conjunction with human talent to complement each other's unique strengths. Conversational commerce offloads routine, repetitive tasks from customer-facing personnel, allowing them to focus on value-added, complex interactions, while arming organizations with the right content, data, and insights. This allows you to better personalize engagements and optimize products and services, which drives customer retention and revenue.

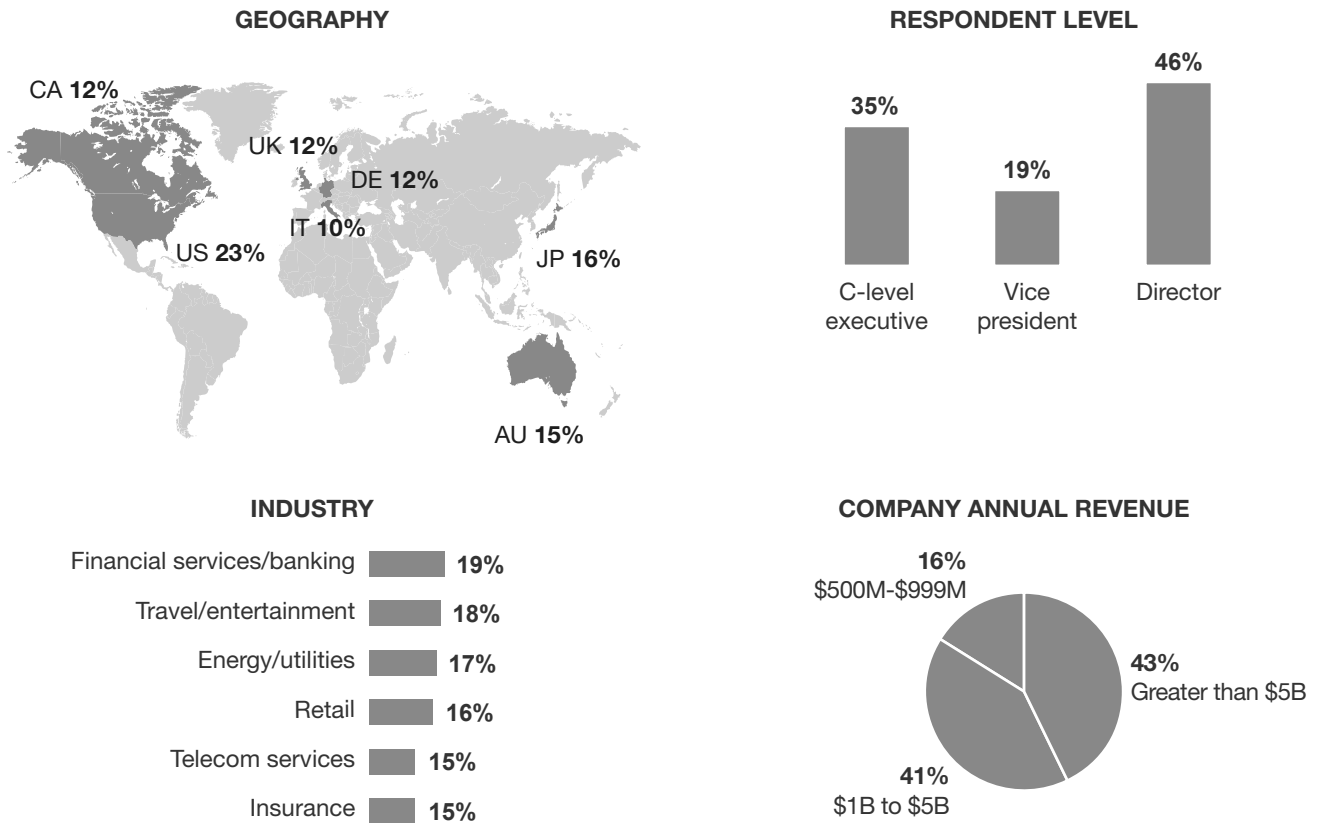


Prepare for the changing nature of your workforce. Automation and AI are the most transformative technologies to impact the nature of work, including customer engagement. Automation and AI address reproducible work, meaning the overall complexity of customer engagement work will change. Start planning how your workforce will evolve, including the training needed to upgrade company resources and facilitate new roles that may emerge, such as supervising managers for automation and AI technologies, or crafting dialogues and content used by AI technologies.

Appendix A: Methodology

In this study, Forrester conducted an online survey with 331 director level+ enterprise decision makers that influence customer engagement and commerce strategy at enterprises in the United States, Canada, Germany, UK, Italy, Japan, and Australia to explore this topic. The study was completed in March 2019.

Appendix B: Demographics



Base: 331 director level+ IT/Marketing professionals that influence customer engagement/commerce strategy at enterprises in NA, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of LivePerson, March 2019

Appendix C: Endnotes

¹ Source: "Drive Revenue, Please Customers By Connecting Customer Journeys," Forrester Research, Inc., April 19, 2017.

² Source: "Use Emotion To Beat Customer Service Stagnation," Forrester Research, Inc., February 21, 2019.

³ Source: "The US Customer Experience Index, 2018," Forrester Research, Inc., June 19, 2018.

⁴ Source: Forrester Analytics Consumer Technographics® North American Retail And Travel Customer Life Cycle Survey, Q1 2017 (US).

⁵ Source: "Benchmark Against Best Practices To Optimize CRM Performance," Forrester Research, Inc., March 2, 2018.

⁶ Source: "How Customer Experience Drives Business Growth, 2018," Forrester Research, Inc., September 21, 2018.