

the
e-tailing
group

*Ante Up: Live Chat a
“Must Have” for Retailers*

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Proprietary research conducted by the e-tailing group
Sponsored by **Bold Software**

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A. INTRODUCTION

In today's retail climate merchants must deliver superior service 100% of the time and technology like live chat affords just such an opportunity. With a consumer culture seeking immediate gratification in their everyday lives, it is not surprising that instant information via live chat would be desirable. Live chat is a technology that the e-tailing group has monitored with strong interest over the last five years. Annually we mystery shop 100 merchants and have been surprised, and somewhat dismayed, to see the penetration of live chat grow only incrementally to 42% penetration among these leading merchants.

FEATURE	4Q10 Penetration	4Q09 Penetration	4Q08 Penetration
Live Help	42%	38%	32%

While there is some year-over-year growth we continue to question why more rapid adoption of this technology among retailers has not come to fruition. The results from this research effort provide even more evidence that live chat can deliver excellent customer satisfaction coupled with significant ROI, and while many retailers tell us that live chat is on their website roadmap we again wonder why it's not universal.

After initially embracing live chat as a topic for consideration, we began with a series of perceptions and myths surrounding the subject and once again reached out to the merchant community to garner their perspective. We designed a questionnaire that covered issues of consumer interest along with merchant concerns prior to deployment and the goals they hoped to achieve via live chat. Knowing the importance of achieving pre-established KPI benchmarks, understanding the incrementality of purchases was top-of-mind especially given the ROI of potentially competing priorities. One top-line insight gleaned among live chat users was that they viewed chat as a preferred channel of contact choice among consumers, initially serving as an extension of one's 800#.

Retailers across the landscape simultaneously reported strong KPI performance and high satisfaction with both execution and performance.

Specifically we sought to find out from believers why and how live chat performs for their business.

We were fortunate to speak to merchants in the industry who had on average three to five years experience with some true pioneers having chatted upwards of eight years where their average chats ranged from 4,000 to 20,000 per month. At the same time we wanted to put forth a balanced perspective and reached out to others not currently employing live chat. The findings were fascinating and quickly altered the approach and tone of this white paper. While the retail categories were diverse, the insights

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shared were surprisingly consistent in seeing minimal downside risk to live chat's deployment. We thank those retailers and our sponsorship from Bold Software, a leading provider of live chat

software, who pushed us to explore the topic but more importantly to seek the truths surrounding this exciting technology.

Twenty Internet Retailer Top 500 retailers participated across a range of categories that included technology, sporting goods, home, apparel and accessories as well as jewelry. While some of the retailers we spoke to were Bold Software customers, the majority of live chat users were getting their live help services from another provider.

THE BOTTOM LINE: LIVE CHAT NOW A MUST HAVE FOR RETAILERS

Buzz Supported by Performance

The industry “buzz” surrounding live chat is strong. In fact, we did not surface a single concern among retailers polled that live chat might tarnish a brand’s reputation in any way. Most could not conceive of a properly implemented chat tool that would not work well for almost any brand. Some simply saw live chat as “standard operating procedure” given their long-term commitment to the technology.

Less than strong success was reported by only a handful of retailers, and even they blamed their performance on not having adopted the appropriate features such as co-browsing to deliver the right experience for their customers. An electronics’ cataloger for instance faced challenges around browser compatibility, pop-up windows, and the ability to transact in chat acknowledging that they were utilizing an extremely old version of their live chat software. This same retailer wisely recognized that the primary strength of one’s chat functionality is in the expertise and professionalism of one’s chat advisors, an area where they already excel. Knowing this, he cautioned that to achieve excellence, assessing one’s level of product knowledge must be considered prior to deployment.

Its preferred status among consumers suggests the #1 reason retailers should embrace this technology.

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The e-tailing group’s Methodology

It is from this enthusiasm that we explore live chat and its many dimensions, confident a broader understanding and testing of the technology will escalate the growth we had long ago predicted for the feature. **Its preferred status among consumers suggests the #1 reason retailers should embrace this technology.** From there we will showcase concerns that still ruminate among merchants regarding live chat and couple those apprehensions with counter-balanced positive experiences already being reported by live chat users. We will see that live chat’s ability to serve as a multi-faceted marketing tool begins with its efficiency capabilities and ends with strong KPI performance including conversion, AOV, abandonment, and just as important, customer satisfaction metrics. A discussion of metrics currently being measured enables merchants to assess chat’s true value to their business while continually advancing its execution. Lastly, we wrap up with a checklist for live chat deployment success.

Whether you are an ardent believer or just beginning to assess if this opportunity is right for your business, we believe the knowledge you will gain on this emerging topic will be invaluable to best serve your customers as live chat evolves exponentially in 2011 and beyond.

B. LIVE CHAT IS ABOUT CUSTOMER CHOICE

The most important insight shared and greatest influence on the direction of this white paper was that live chat is about consumer choice since the customer has clearly voted on its significance as a preferred method of communication. If a merchant is truly in the service business then live chat must be part of their customer communication options as the responsibility falls squarely on the retailer to interact with customers in whatever manner they choose. For one large multi-channel retailer 20% of their contact volume on average is coming via chat so it is no longer an option (similar to the universal adoption of the toll-free number years ago).

Retailers using live chat have become “converted” of sorts and adamantly believe that they cannot succeed with this particular set of customers any other way given this preferred contact method status. In these retailers’ minds then, live chat has been elevated from a “nice to have” to a “must have” tool.

Interest was to be expected from a younger, tech savvy audience; yet one multi-channel retailer reported success with their much older demographic, an initial concern when weighing adoption of the technology. One retailer quite accurately summed up live chat’s appeal: “It’s convenient, anonymous, and one can do it from Starbucks. When it is not present, browsers will go elsewhere to seek answers and more importantly, to shop.”

Differentiation was also seen as important, particularly in highly competitive categories where retailers want to be sure that they offer the best possible service. Today it is about keeping people engaged, especially those who might otherwise leave and live chat has proven to be the best form of communication to support such needs. We asked merchants, “What are the top two reasons why you would encourage an industry colleague to deploy live chat.” The following responses shed light on its ‘preferred status’ among customers including:

“Today’s customers expect live chat to be standard functionality on retail web sites. This is the way people communicate now on the web so this feature is no longer optional.”

“Live chat is customer-preferred, especially in younger audiences and as retailers we must speak how customers want to be spoken to.”

“This customer will not migrate to other channels and we need to be there for those who desire chat.”

“I think it is important to have chat for those online shoppers that would prefer to interact with us using this medium, much like we run the call center for those who would prefer to talk to someone.”

“Chat is similar to the alternative payment discussion; however they want to pay you should allow them to; however they want to talk to you, let them talk.”

“The customer is focused and it shows up in the results.”

“Live chat is seen by shoppers as more anonymous than a phone call and certainly more convenient.”

“A lot of web shoppers don’t want to talk to phone reps so live chat is an important point-of-contact.”

C. CONCERNS SURROUNDING LIVE CHAT

Despite positive buzz, reliable vendors, relatively simple deployment and integration, plus apparent satisfaction with the technology, not all merchants have plans to embrace chat in 2011. To specifically understand merchants' top concerns regarding deployment of live chat on their sites we inquired, **“What is the one thing you could hear from a fellow merchant that would elevate live chat’s chance to be on your 2011 site roadmap?”** Most retailers acknowledged the consumer demand so not surprisingly the issues ranged from a combination of standard considerations like cost savings and conversion performance to service level challenges including quality of service along with overall fit with the brand. We must concede that many of these trepidations were seen as non-issues from those merchants who have deployed live chat but exposing them is still useful especially for those who might be at the early stages of investigation.

Workforce Management Tops the List

Hesitancy regarding deployment most often centered on workforce management concerns. Skepticism was not about perceived value but resource concerns or limitations such as needing the right skill set to execute well, or CSRs who are not web savvy requiring significant internal adjustments.

Concerns with staffing demands, including if one could provide the same or superior levels of customer service seen via the phone, were addressed via training and cross-functional know-how in order to achieve desired cost savings. Determining service level standards that meet customer expectations prior to deployment when retailers are unsure of expected chat volume

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levels was a factor as well. Integrating with call center operations and strategically prioritizing incoming customer contacts was an issue raised by some merchants since with any new technology there is a learning curve. This also necessitates that updates are provided from live chat partners

and that a current promotional calendar is accessible for efficient and informative dissemination. Tangentially, attribution was cited, wanting to understand who gets credit as customers utilize all communication touch points.

Ensuring the right staffing levels and proper training along with service levels on par with, or better than, the brand value proposition and existing call center experiences were also discussed. One manufacturer noted that their small staff, with only a few dedicated reps already inundated with emails and phone calls was now compounded by having to handle social media activity. Another pureplay retailer felt they had a good sense of the relationship between chats and unique potential chatters but today would have to juggle and multi-task in the call center to provide ample service. Like others they felt a need for a dedicated resource prior to deployment where back-up personnel should be in place to meet performance demands.

Merchant Sophistication Matters

The sophistication of ecommerce operations also merits consideration because many baseline priorities must be addressed prior to live chat consideration. Examples of priorities include onsite search, SEO, and back-end integration. Marketing including mobile and social initiatives are also seeing investment based on buzz, consumer interest and 2010 performance. Additionally some

simply believe that while consumer interest is strong, their customer would still **prefer to talk to an individual**, perceiving that their high-touch brands demand a more personal sales approach. They also want to attain thoughtful deployment and avoid appearing like “big brother” despite an honest desire to gain learning from the experience.

Technology dynamics were addressed from a site compatibility perspective. In the early years of live chat, deployment providers were often spotty and incompatible with existing browsers and site crashes could occur. Today concerned merchants mention load times that may be negatively impacted from pixels being added on every page. A desire for fast loads is paramount especially as Google monitors and factors them into their overall site rankings.

Cost-Savings

From a cost savings point-of-view one retailer shared that today they bury their 800# in customer service so exposing live chat would need to deliver significant cost savings to warrant consideration. Talk also ensued regarding the **cost factor** and the notion that multi-tasking facilitated via chat would deliver cost savings that vendors had readily promised.

Performance

Desire for double-digit conversion was mentioned yet high single-digit growth would be acceptable for most. Achieving similar or better than phone conversion was also seen as a prerequisite. More important for some was validation from similar brands as category-appropriate examples were a “must” for executive consideration.

Sentiment was shared regarding category-centric challenges where merchants sought to evaluate the impact of chat on conversion and ultimately sales. These particular retailers sell fairly complicated products and felt compelled to try and qualify whether chat would result in incremental sales or instead be employed for more technical (non-sales) related sessions. Some also sought to understand the questions customers are asking via live chat and if chat was the best touch point for such queries or if a presentation of answers via FAQs would be adequate. A subset of retailers with significant sales and still being store-based simply do not want to serve as the public library.

Bottom Line:

Most agreed that all of these challenges can be overcome with ROI and proof-of-concept coupled with solid execution. Coverage of these concerns and challenges will be thoroughly addressed given the multi-faceted nature of the live chat where its ability to deliver far outweighs anything negative.

D. LIVE CHAT IS A MULTI-FACETED MARKETING TOOL

Live Chat is multi-faceted beginning with an ability to build both brand equity and bolster the bottom line. This yields dividends in terms of conversion and sales as well as customer satisfaction levels and overall brand perception. One e-tailer mused that Lands' End will forever be etched in his mind after a personal encounter with their superior live chat where a positive experience and a free shipping incentive shared by the live chat agent prompted him to purchase. Discussion yielded that live chat is mostly about growing sales not about reducing call center costs. "Everyday status" likens it to answering the phone or email options. Ultimately one merchant concluded, "To me it's like chicken soup, it works, so why wouldn't you do it?"

Live Chat is an Efficiency Tool

Merchants currently are deploying live chat for customer service as a baseline with SaaS tools available for merchant usage in-house or via outsourced models. Both domestic and offshore solutions can serve as other options. One pureplay accessory e-tailer we spoke with employs offshore live chat to handle blocking and tackling on order questions, particularly as accents are not a factor with such technology. This extends service to customers on a 24x7 basis while addressing time zone challenges head-on. Escalated customer service queries are routed as needed and they are generally happy with the results although there are opportunities to further enhance the functionality. Many merchants reported that chat interfaces were easy to manipulate, adopted quickly by agents with the ability to manage multiple chats realistic, contrary to phone limitations. While initially costs are added, long-term the payback is significant particularly as phone costs can be three to four times greater. Experiences shared suggest chat being more efficient with up to five people chatting at once though we caution that taking it beyond three often results in longer than necessary waiting times for customers in the queue.

As a byproduct of chat's service strength another retailer was able to lower return rates by helping shoppers select the right size and fit.

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Others wisely deploy live chat for selling purposes and several reported that it has especially served them well when products were more complex and information needed for decision-making purposes. One uniquely reinforced their 100% satisfaction guarantee resulting in strong conversion. As a byproduct of chat's service strength another was able to lower return rates by helping shoppers select the right size and fit.

Seeking immediate gratification, customers desire efficiency. One merchant touted their performance record with 98.7% response to chats within 20 seconds. Queries are handled much more quickly online versus phone calls. Customers who feel stalled are unlikely to return to the site; they are even less likely to come to a store following an attempt to handle things online, making vigilance about service levels critical.

Efficiency also comes in the form of problem solving for those customers who cannot find an item or require product specifics prior to purchase. Merchants can make quick fixes to solve any problems that otherwise would go unnoticed. Customers can be assisted with order placement such as entering a credit card number, links can be sent out as needed to find products, and such assistance can lead to immediate conversion based on the concern displayed by the retailer. Its value for one retailer came from sharing the transcripts with their merchandising team every

Monday, identifying issues of concern from a merchandising, site usability or technical perspective. One senior executive welcomed the ability to see problems people were having on the site in real-time. The “always on” live chat screen on his desk left no doubt that the company would react with real-time improvements.

Chat Performance is Measurable and Powerful

Just like many other technology solutions retailers look to KPIs to rate their performance but anecdotal feedback also sheds light on success from capturing the initial sale through subsequent satisfaction with the process. Conversion and customer acquisition were clearly top of the list for reasons merchants would try the technology followed by addressing customer service questions.

Our discussions revealed a myriad of performance results noting that poor chat can be problematic. It is important to emphasize that **chat must be done right to achieve desired results**. We begin with customer satisfaction as that metric is a barometer for long-term success. Live chat was seen as providing better service given its timely and contextual nature including recommending the right link to a product of interest. Compliments from customers were forthcoming with very few complaints noted plus testimonials shared speak volumes to customer sentiment. One merchant commented that, “Many customers take the time to complete post-chat surveys and give the service a ‘10’ telling us how much they enjoy live chat.” Customer satisfaction is strong and chatters share feedback via surveys and testimonials. An interesting encounter was observed when an experienced agent assisting with a return recommended an alternative item thereby saving the sale.

Sales and Conversion Seal Merchant Interest

These two critical KPIs go hand-in-hand as chat pushes borderline buyers over the edge towards conversion. Performance varies by merchant so the following shared data is very insightful:

“Phone is the highest earner for us yet chat performs well and converts at 5X unassisted customer service though performance varies by time of year.”

“15-20% conversion on every conversation is standard for our brand; what can be bad about that?”

“Gives me a chance to interact and get 20% conversion while we may see 15-20% conversion rates on the phone and it costs 3-4X as much.”

“Alternative suggestions can be made and customers can be up-sold as they otherwise might walk away and you can lose a sale.”

“Live chat is strong-13% place an order which is 10X site conversion.”

“10-15X current conversion rates.”

“We allow our salespeople to add their associate number to the order so they get credit for phone and live chat sales. As they do whatever it takes to close the sale we are seeing a 20% lift on conversion.”

"If you have an algorithm that a customer triggered based on a lack of response to certain behavior targeted deployment will get a sale you would otherwise have missed."

"Chat performance is 5X conversion rates of other points of contact."

"If the right people are manning chat agents can cross-sell out-of-stocks and sell the right stuff to the right customer and therefore inventory turn is more productive as well."

Average Order Value

Over half the merchants we interviewed cited an increase in AOV and in some situations chat AOV was actually double standard efforts. A number of retailers, including one selling solutions-oriented products, found that more expensive items receive greater inquiries which serve as confidence builders for consumers who ultimately purchase a higher priced product. Given that consumers tend not to read everything online they often miss the cross-sells that may be needed for the product being purchased (i.e. cable for a computer) and live chat is perfect to close such sales.

Shopping Cart Abandonment

Shopping cart abandonment is always a challenging metric viewed in a myriad of ways by retailers. Several indicated live chat was the best way they had found to reduce shopping cart abandonment and one even suggested seeing 6-8% declines in this metric given its ability to lend confidence to the undecided. With so many shoppers putting products in their carts it was simply low hanging fruit to interact via live chat. A jewelry company specifically employed live chat to go after anonymous abandoned carts, taking notice of the number of products and overall cart value along with the IP address. They set their own parameters, choosing to engage anonymous cart users after three minutes and have deployed an array of incentives to increase conversion in this manner. Using one chat representative they assisted 155 shoppers. Almost ½ (77) said they would like a discount they could use on an order that day. Of the smaller group, 48 of the people who requested a coupon code used it for almost \$4,000 in incremental sales. **This merchant estimated that with the employee cost and licensing they saw a 10:1 ROI.**

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Live Chat Builds Solid Relationships

Live chat offers merchants a chance to both acquire and retain customers while simultaneously providing customer service as shoppers have both questions and concerns. Several retailers alluded to its ability to be a “relationship builder.” Customers tell you things that are actionable and you can quickly supply the information they need to best direct and subsequently impact their behavior.

By its very nature live chat is customer-centric with an ability to offer both better and timelier service. Unfortunately the Internet can be impersonal and this feature has a unique ability to be

the personal touch ecommerce is lacking, often providing the reassurance a customer needs ranging from product specs to fashion advice. Simple rote tasks are also served when customers chat looking for a product on the site or a specific color of an item that had previously been available.

This merchant estimated that with the employee cost and licensing they saw a 10:1 ROI.

” Many think about customer service yet one sophisticated multi-channel gifting retailer viewed chat opportunities from a different lens as marketing and potential revenue-generation. Focused on growing their business, they strategically deployed chat by building proactive models that engaged their customers rather than center on cost reduction. Another retailer even mentioned that they need to budget live chat as part of their marketing spend, given its propensity to secure new customers.

Execution Sophistication

Selling to new customers was widely adopted and savvier deployers of live chat have been able to uniquely identify existing vs. newer customers, talking to them differently with messaging tailored to their site location and sophistication. They perceived live chat to be about customizing the customer experience, giving shoppers the information they need which ultimately makes them respond accordingly. Merchants can modify and enhance initiatives based on forthcoming customer profiles, optimizing and adjusting the levers based on pre-established goals.

Satisfaction stems from sophistication of execution where retailers implement distinct strategies for different parts of the site experience. One merchant emphasized taking great care with their deployment so as not to scare away a potential buyer. Additionally they classify their customers by behavior type, triggering incentives accordingly. This merchant did not award the highest satisfaction rating of a 10, smartly acknowledging there is still a lot to be learned especially with consumer behavior constantly changing.

A home multi-channel retailer noted increases in both conversion and AOV so they are now building predictive models that serve up chat, applying a “marketer’s mindset” to deployment. They acknowledged being unaware of how sophisticated a merchant could be and see a bright future for this technology. Strictly going after the gift registry, learning will be applied across the site once they better understand the results, reapportioning sales and support based on those findings. Despite restricted promotion of the feature, volume is strong and understanding how to strategically place it (i.e. cart and checkout; lower on product page) based on one’s company needs is essential.

E. LIVE CHAT PERFORMANCE MONITORING

There are a series of metrics that retailers use to measure live chat's performance. They include conversion and revenue-oriented metrics along with agent benchmarking and time-sensitive elements of the live chat experience.

Conversion-Centric

- Chat engagement rate
- Proactive vs. reactive engagement rate
- Started chats/Abandoned chats/Missed chats
- Email address capture rate (via Pre-Chat survey)
- Chatter KPIs (conversion, AOV, etc.) vs. non-chatters
- Proactive vs. reactive
- Number of orders and dollar amount of transaction vs. standard onsite order metrics
- Shopping cart abandonment impact
- Customer satisfaction (based on surveys and anecdotal feedback)

Proactive

- Acceptance percentage/Percent of invites
- Acceptance percent by rule
- A/B tests per rule
- Personalization and acceptance by type of incentives employed
- Conversion performance by incentive

Agent-Specific

- Actual vs. SLAs
- Average speed of answer
- Average number of messages per chat
- Average chat time
- Average chats per agent
- Service levels achieved by agent
- Post chat survey scores
- Canned messaging use

F. EG CHECKLIST FOR LIVE CHAT DEPLOYMENT SUCCESS

Success starts with ownership of live chat within the organization and coordination among the appropriate groups form the foundation for a successful venture. Information gathered from merchants that we interviewed suggests involvement from customer service, the call center, and ecommerce at large given the nature of the technology investment. Customer service's role is most vital as they will likely staff it and benefit from conversion performance especially in an incentive-based organization. Designing the experience is of great consequence as the initial build of the knowledge base must come from those who are closest to serving one's customers.

The Right Execution

- ✓ Involve key stakeholders in the organization, approaching technology with a "team" mindset leveraging unique skill sets
- ✓ Establish internal goals that allow you to deliver a strong experience rather than one that may be viewed as degrading by your visitors
- ✓ Determine the "right" experience for your brand and level of training that is required to meet those objectives
- ✓ Explore 24x7 deployment or an on/off switch based on availability and pre-determined triggers
- ✓ Create scripts that support your brand and customer base – ensure you can report on the relative effectiveness of the scripts over time
- ✓ Know when to route chatters to specialists to optimize the experience
- ✓ Monitor chats to continually build on your knowledge base, fine-tuning the chatting experience for your customers
- ✓ Strategically deploy proactive chat when customers are in a "close" mindset
- ✓ Consider starting small to gauge agent receptivity and to control volume. Live chat is very easy to scale up so this approach often makes sense.

The Right Resources

- ✓ Ensure that agents are well trained, avoiding over-scripting particularly in the early phases as savvy shoppers may opt to revert back to phone calls.
- ✓ Assess your personnel demands to understand if you will staff chat agents internally or outsource to a domestic or off-shore 3rd party
- ✓ Explore the best way to transfer product knowledge to your agents
- ✓ Understand where scripting and your knowledge base can quickly address a customer's needs
- ✓ Acknowledge skill sets that are required vs. what may be currently employed in the call center knowing that quick thinkers as well as fast and accurate typists will be important
- ✓ Establish service level standards for agents
- ✓ Determine scheduling needs for peak and non-peak capacity periods as customers never want to wait, especially those that seek out live chat

THE BOTTOM LINE: LIVE CHAT REACHES "MUST HAVE" STATUS FOR RETAILERS

ABOUT THE COMPANIES



The e-tailing group, inc. serves as the multi-channel merchant's eye, bringing a merchant's sensibility to evolving the multi-channel shopping experience. A Chicago-based consultancy, we provide practical strategic perspectives and actionable merchandising solutions to merchants selling online as well as to enabling technology firms.

For more background about this white paper or for additional information on the e-tailing group, inc. please contact **Lauren Freedman**

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Bold Software LLC, is a leading provider of world-class web communication tools designed to help businesses improve online support and increase sales. Using Bold Software's live chat, click-to-call, email management, and active co-browsing tools, businesses can quickly and effectively engage visitors on their website. Bold Software sells a wide variety of competitively-priced products under the BoldChat, BoldCall, and BoldCCM brand names. Businesses of all sizes – from small proprietorships to large ecommerce enterprises – can provide more intelligent online customer interactions and close more sales using Bold Software solutions. The company is headquartered in Wichita, KS, with thousands of customers around the world including 3M, American Cancer Society, Corel, Dean & DeLuca, and ViewSonic.

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