

E-BOOK

Digitium™

HOW CHATBOTS STRENGTHEN FASHION RETAIL

learn about the technology that
improves your omni-channel
capabilities.



WHY IT IS RELEVANT

Brands across industries are still learning how to reap the benefits of digital innovations at different levels. Today, business keeps the focus on chatbot technology as one of the recent digital news in the market. Capabilities of chatbots range widely from enabling automation to introducing AI solutions into business process, be it retail, food, electronics or travel industry. Many benefits have already been revealed and successfully applied in different use cases. Many more are yet to come.

\$8bn

This is estimated yearly cost saving by 2022 thanks to chatbots in retail, ecommerce, banking and healthcare. This year researchers forecast \$20 mln starting point.

Who would be interested

Here we reveal a comprehensive view of a chatbot technology and its application in fashion retail business.

This information is relevant for business owners and C-level executives - CMO, CIO, CDO, CEO, etc. - willing to scale up their digital presence and improve customer experience.

If you value cost-efficiency, chatbots should be already on your radar, and this book will be the first step to get acquainted with this technology.

Digital initiative on a radar

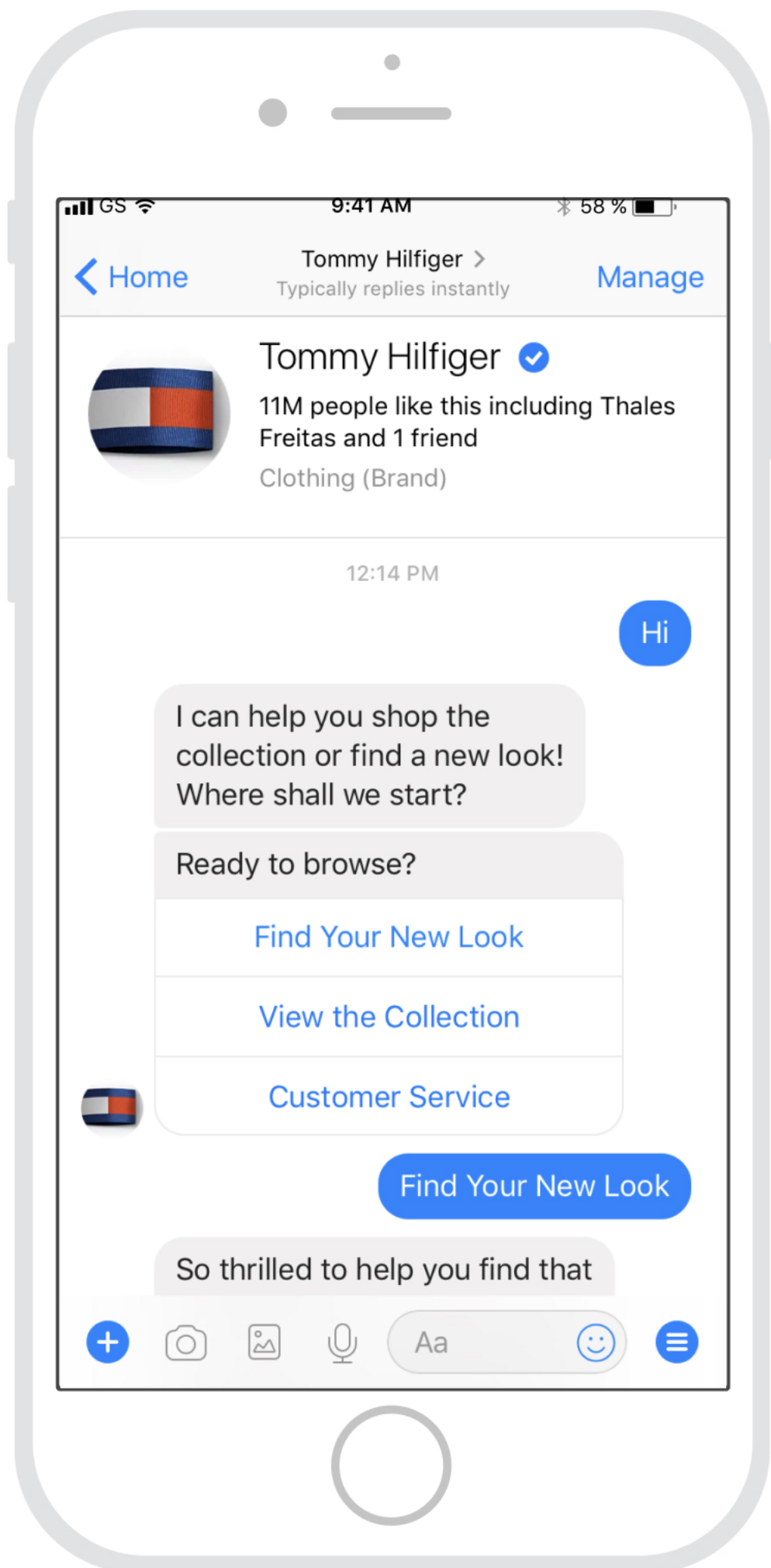


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Meet a chatbot

If this is your first encounter with a Chatbot, break up the name for a good association. ChatBOT is a bot, it's a technology. What makes it a CHATbot is its interface. This piece of software literally chats, say in English, to interact with its users. Unlike apps or websites based on graphic interface — pages, sliders, buttons, forms, tables, images, etc.



Meet Tommy Hilfiger chatbot

Usually, companies embed these bots into popular messengers, such as Facebook Messenger, Slack, Kik, or Telegram, email agents, SMS, websites and even their in-house systems. Why? To connect with the people who use these platforms, for example, their customers, users, employees, partners or general audience.

This piece of software literally chats, say in English, to interact with its users.

Ever talked to Siri or Cortana? Asked Amazon Echo to get information or order a cab for you? Here. You've been interacting with a chatbot.

Here's why chatbots are relevant for business:

WHY CHATBOTS

Market

Your market is growing.

Statista predicts \$70 bn growth of apparel, footwear and accessories retail revenue from online sales in 2017, with up to \$95 bn in 2021 in the U.S. only.

Chatbots are growing too, with messengers.

The reason of chatbot hype partially rests on the expansion of messenger platforms. Starting from 2016, people have relocated their attention from social media apps to messengers. And it seems they will stay there for good.

According to Statista, Facebook Messenger and WhatsApp have more than 1 bn monthly active users each, next come WeChat with 900 m, Skype and Kik with 300 m each, and Telegram with officially claimed 100 m* MAU.

-  **Facebook Messenger** - 1,000 M
-  **WhatsApp** - 1,000 M
-  **WeChat** - 900 M
-  **Skype** - 300 M
-  **Kik** - 300 M
-  **Telegram** - 100 M*

*Last update 2016, since then company's authorities keep the number of MAU confidential.

\$70 bn

*Fashion retail revenue
in 2017*

**Time spent on online
shopping for clothes, shoes
and accessories weekly:**

Millennials and Gen Xers — 6 hours
Baby Boomers — 4 hours
Seniors — 2.5 hours

These are billions of users across the globe. Chatbots are focused on interacting with this massive audience on messengers. In fact, this is what they do.

WHY CHATBOTS

Mobile

CHATBOTS LEVERAGE MOBILE EXPERIENCE

People continue to go mobile. Today, mobile search already generates 30 bn more queries than desktop. However, many companies fail to provide consistent customer experience on smartphones, especially when it comes to support.

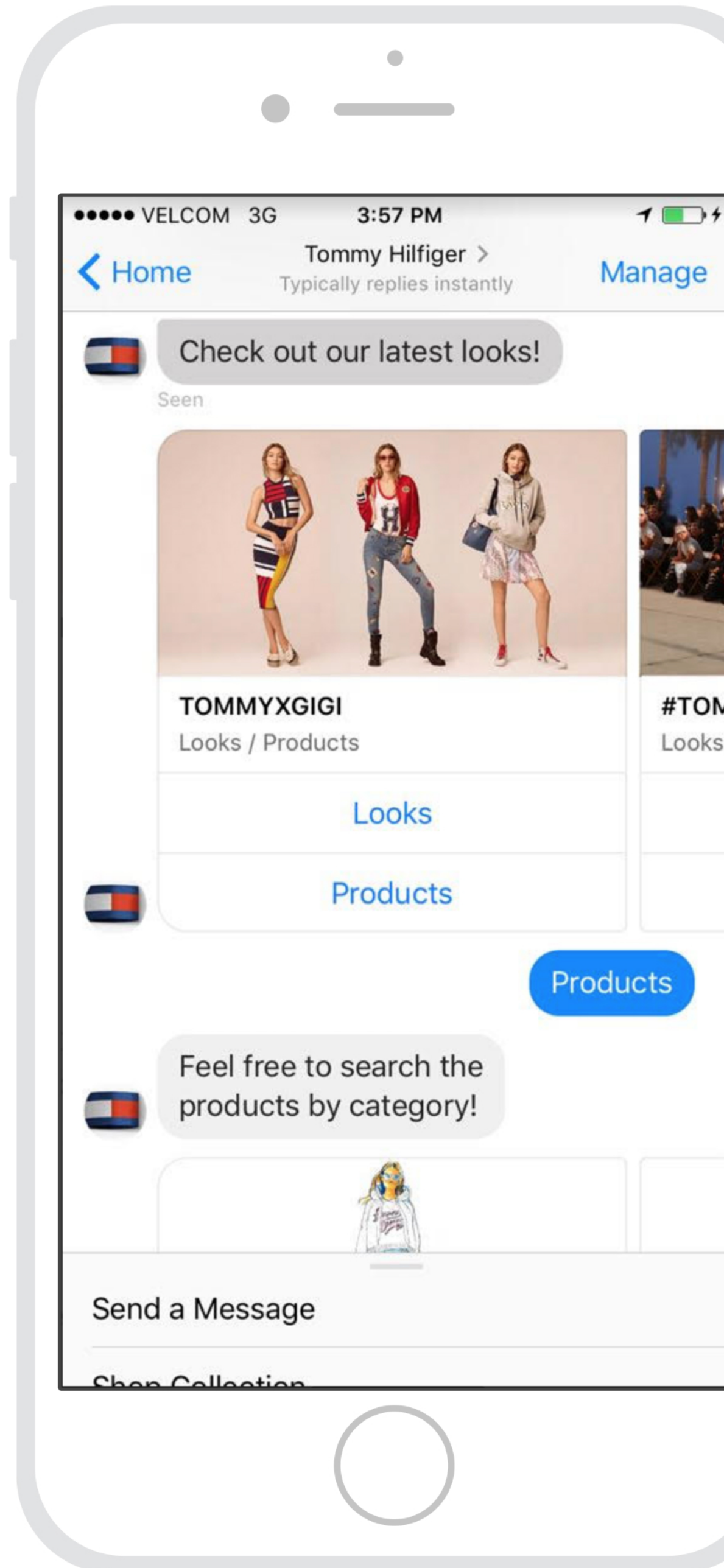
Chatbots are mobile natives

Chatbots are mobile natives. Most B2C chatbots occupy popular messengers and SMS on mobile or live as apps or skills for Alexa. In other words, chatbots prefer to adapt to the customers' environment and language, not the other way around.

90%

90% of users remain unhappy with customer service on mobile. Potentially, half of this audience is lost for the companies that ignore the issue of poor support.

Talking about customers...



Tommy Hilfiger chatbot on mobile



Digital shopping retreat

WHY CHATBOTS

Customers

CHATBOTS HANDLE CUSTOMERS BETTER

People often come across similar problems of online service – poor customer experience. McKinsey and Gartner have been speculating on customer expectations and frustration emerging from inconsistent online experience.

84%

84% hate to find out that brand agents simply don't have the information they need.

87%

87% deal with frustration having to repeat their queries multiple times to different company representatives.

58%

58% are ready to switch brands for better customer service immediately.

In particular, McKinsey research shows that companies need to focus on giving immediate response to a customer query if they want to survive competition. Gartner, in turn, predicts that 85% of customer-to-enterprise communication should be automated by 2020. Guess what technology does it best?

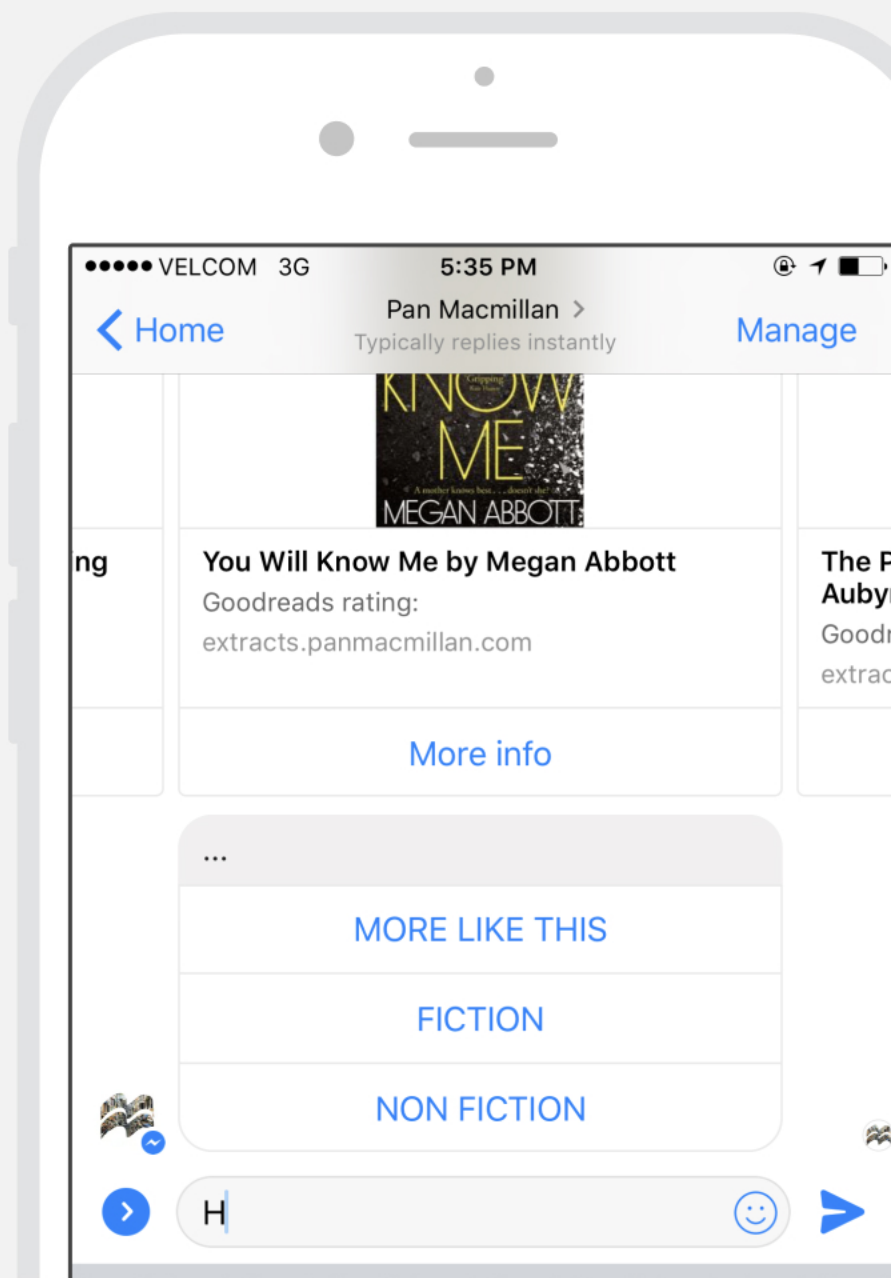
Chatbots were designed to give instant replies. In natural language. Automatically. 24/7/365.

What chatbots do

Chatbots can deal with a variety of tasks, from automating a full-cycle of business process to providing efficient customer service.

Some of these tasks appeared more relevant

for fashion retailers and e-commerce, others haven't revealed their full potential. And yet, this is where chatbots shine bright.



**#AUGMENT HUMAN TEAM
AND #AUTOMATE BUSINESS
PROCESSES**

THE NORTH FACE chatbot helps to find a perfect jacket depending on the location, season and activity and order the chosen item right on site.

**#PROVIDE CUSTOMER SUPPORT AND #SOLVE
"ABANDONED CART" PROBLEM**

Sephora Assistant, one of three successful brand's chatbots, allows to book a makeover, call for customer support right in Messenger, or redirect to leave customer feedback on the site.



**#GIVE PERSONALIZED RECOMMENDATIONS
AND #INFORM CUSTOMERS**

PINK Active Bra by Victoria's Secret helps young ladies fight the frustration of fitting rooms by recommending best fit bras on Kik messenger.



**#ADVERTISE AND BROADCAST
AND #UPSELL PRODUCTS
AND SERVICES**

Tommy Hilfiger chatbot for Facebook Messenger showcases looks from new collections, breaks them down into single items and upsells combos and complete outfits.

**HOW TO FIND OUT IF THESE CHATBOTS
ACTUALLY WORK? LOOK AT THE NUMBERS.**

One chatbot 4 million new customers

How Sephora uses chatbots to engage millions of new customers



Sephora was one of the pioneering companies that use chatbots for commercial purposes. Today, they have three bots – Sephora Virtual Artist, Sephora Virtual Assistant, and Sephora Reservation Assistant — across various messengers. After the launch, Sephora Virtual Artist has gained more than 4 million visitors and more than 90 million shade-matching queries.

The combination of chatbots makes the combination of functions. Virtual Assistant leverages Sephora’s video content and provides customers with the information they need right on Facebook Messenger. Reservation Assistant works as an in-app event manager and allows to book makeovers with human assistants, while Virtual Artist recommends and sells the company’s products online.

All these chatbots are able to understand limited natural language input. Even ambiguous queries such as “red” don’t confuse Sephora’s bots. Virtual Assistant, for example, understands human query and provides a series of relevant products of the desired color. Not bad for an agent that never gets rude and is happy to work 24/7, even on holidays.

BENEFITS

NO LOST CLIENTS

CHATBOTS DEAL WITH THE ISSUES OF LOST CLIENTS AND ABANDONED CARTS

Business can reap huge benefits from the use of chatbots. One just needs to choose the right use case. It means finding a problem that can be solved with conversational UX better than with other tools.

PERSONALIZATION

Chatbots collect feedback from every customer. In this case, users stop being a group and become individuals. Every one of them. This data is king. It helps brands to be responsive to individual customer's issues and provide focused customer service and recommendations.

SMOOTH UX

Around 30% of customers abandon carts because of complicated checkout. Chatbots smoothen this user experience. They easily integrate with third-party services for order processing, tracking, payment systems, and even feedback platforms already familiar to users.

CONNECTED 24/7/365

Chatbots can't solve all the problems, but they can handle standard issues that make customers go. One chatbot can explain extra costs and fees, delivery terms, locate stores, deal with FAQ and lead customers through the order and checkout process.



70%

Abandonment cart rate documented by recent statistics.

BENEFITS

NEW CUSTOMERS

CHATBOTS EXPLORE CUSTOMER ACQUISITION PLATFORMS AND ENGAGE NEW AUDIENCE

Billions of people use messengers regularly. Ignoring messengers as a channel of communication means a waste of a perfectly good potential audience.

Chatbots can be the means to introduce brands to this audience. Bots are able to speak the same language customers do and use the tone of voice that brand defines.

Moreover, hosted by messengers, chatbots are able to carefully choose audience and time.

They send more refined, focused messages. It implies targeted customer engagement and broadcasting.

In other words, these digital agents know exactly what to offer to each customer, when and where to send a message, and how to talk into buying a product or service without being pushy or dull.

650k

650k extra force retailers have to hire during hot seasons, according to the National Retail Federation. Seasonal boom effects different retail segments, with women's fashion apparel and jewelry staying the strongest performers.

CUT COSTS

CHATBOTS CUT COSTS ON AUTOMATION AND HELP TO AVOID SYSTEM OVERLOADS

Continuous growth of digital sales in retail puts the question of automation into every brand's agenda.

Chatbot technology is originally the tool for business automation. Designed to process multiple queries simultaneously, bots help to avoid system overloads and back up human employees.

The benefits don't end with process automation. On one hand, when chatbots augment human teams and free employees from routine for more qualified work, they help to cut cost on saved working hours.

On the other hand, dealing with multiple simultaneous queries, chatbots off-load systems and help you avoid customer frustration from long waiting lines or unfulfilled requests.

HOW TO Monetize a chatbot

**THIS IS HOW FASHION RETAIL BUSINESS CAN
MAKE MONEY ON CHATBOTS**

@IN-BOT SALES

Chatbot as a sales agent? Sounds promising. Using a bot, you can showcase products, provide targeted offers and allow customers order your goods and pay right in the bot.

@REFERENCE TO YOUR POINT OF SALE

Use chatbot as a lead generation tool. Attract messenger audience to your brand and redirect them to your online marketplace — website or app — to help them make a purchase.

@IN-CONTENT ADDS

Chatbot can work as an online advertising tool. Using conversational UX, you can advertise your goods, promotion programs, hold marketing campaign and simply provide the content that sells.

@BROADCAST AND UP-SELL

Chatbot studies customers' shopping behavior to provide them with personalized offers, ping them on sales and new collections, upsell with matching goods and accessories.

@COST OF HUMAN TEAMS

Augmenting your human team with a chatbot, you solve the problem of routine and repetitive queries and free your employees for more qualified work. You simply save on working hours and additional teams.

@COST ON RESEARCH AND AUDIENCE NURTURING

With a chatbot you collect and track valuable data on your customers, their shopping habits and preferences, at no cost. Further, you leverage this data into valuable insights for your marketing and business strategy.

THINKING OF WHAT A
CHATBOT COULD DO

FOR YOUR BUSINESS?

START WITH A CHATBOT
STRATEGY.

10 STEPS

OF YOUR CHATBOT STRATEGY

1/2

Chatbot is a technology solution. As in other software projects, chatbot's success depends on how well you can elaborate the strategy of its implementation. Here is a ten-step plan for a successful chatbot strategy that aligns with your business goals.

STEP 1. DEFINE BUSINESS GOALS

At this step you determine your business objectives and needs. Depending on your goals, you will be able to choose what chatbot capabilities will be beneficial and bring the best value to your business.

STEP 2. IDENTIFY TARGET AUDIENCE

Once you understand your customers, you realize how your chatbot can help both them to interact with your brand and you to reconnect with your audience. At this step you create a sort of portfolios for the audience segments you target.

57%

57% of firms surveyed by Forrester are already using chatbots or plan to begin doing so in 2017.

STEP 3. STUDY COMPETITORS

Know your market to stay competitive. At this step you learn from your competitors, assess existing chatbot projects, study industry best practices, and most importantly, identify your strength and weaknesses. What's your unique proposition?

STEP 4. CHOOSE PLACEMENT

Now you need to choose a place for your chatbot. Once you know where your target audience is, what your competitors do, and what you want to achieve launching a chatbot project, you can choose one or several platforms, for example messenger apps or websites, to place your bot.

STEP 5. COLLECT REQUIREMENTS

What your chatbot should do and how it should interact with your audience? This is what you need to decide at this step. Requirements serve as the basis for your chatbot functionality. By the end of this stage you will have a vision of your chatbot, more or less. But that's not all.

STEP 6. MAKE PRIORITIES

Discovering your chatbot's functionality unlocks creativity. However, you need to be pragmatic and think business too. To launch the first version and prove your concept you should prioritize features to Must have and Should have, and choose Could have perks for the future.



Many business owners who decide to get a chatbot often "fail to use them properly," so their virtual assistants never deliver. The most common reason is a poor chatbot strategy or lack of thereof.



Forrester Research

10 STEPS

OF YOUR CHATBOT STRATEGY

2/2



Brainstorm your strategy

STEP 7. CONSIDER YOUR BRAND

At this step you determine your business objectives and needs. Depending on your goals, you will be able to choose what chatbot capabilities will be beneficial and bring the best value to your business.

STEP 8. DESIGN CONVERSATION FLOW

This is the step when you teach a chatbot make decisions. Relying on the chosen functionality and your customers' expectations, you build the tree of conversation flow. In other words, you determine how your chatbot will act and reply depending on each customer's query or call.

STEP 9. CHOOSE TECHNOLOGY

At this stage you decide on the hows and wheres. Now you know what your chatbot should do and how it should make decisions. At this stage you choose frameworks and tools to develop a chatbot and define necessary integrations.

STEP 10. SELECT ANALYTICS

The last but not the least will be chatbot analytics. Chatbot collects massive data on requests, failed responses and calls, abandoned conversations and engagement volume. At this stage you determine what to track, how to analyze this data and how to turn it into valuable insights for further chatbot improvement.



Building A Chatbot For Business

HOW A CHATBOT IDEA CAN SHAPE
INTO THE SOLUTION OF ACTUAL
VALUE TO YOUR BRAND.

TOOLS FOR CHATBOT PROJECTS

Chatbot strategy is the brain of the project development. Technology is its spinal cord. There's a variety of tools for chatbot developers ranging from frameworks, engines and analytics to placement platforms, for example, messengers and email agents. Here's a short list of tools every chatbot strategist keeps in the kit.

DIY PLATFORMS

Big names in chatbot industry, Chatfuel, Motion.ai and Botsify are not familiar to business owners. Well, they should. These platforms for building ready-to-go chatbots are known for their CMS functionality. Applying visual drag and drop interface, DIY platforms allow to build and deploy chatbots relatively fast, provide integrations with popular third-party platforms, and scale up some of them to several placements.

NLP ENGINES

NLP engines allow to build a chatbot with cognitive functions. In other words, these systems help to make a bot so smart that it can understand some human language. Thanks to the cool kids - Amazon, Microsoft, Google, Facebook and IBM - we can implant AI into bots.

NLP engines are already in wide use. Such engines as API.ai, LUIS.ai, Wit.ai, Watson Conversation or Amazon Lex are available and affordable, fortunately. They enable chatbot developers to create bots that extract meaning from natural language input. Many of these platforms are multilingual (Wit.ai - 50 languages), some are free (API.ai).

**Amazon, IBM,
Google, Microsoft
and Facebook**

The Magnificent Five
of NLP engines

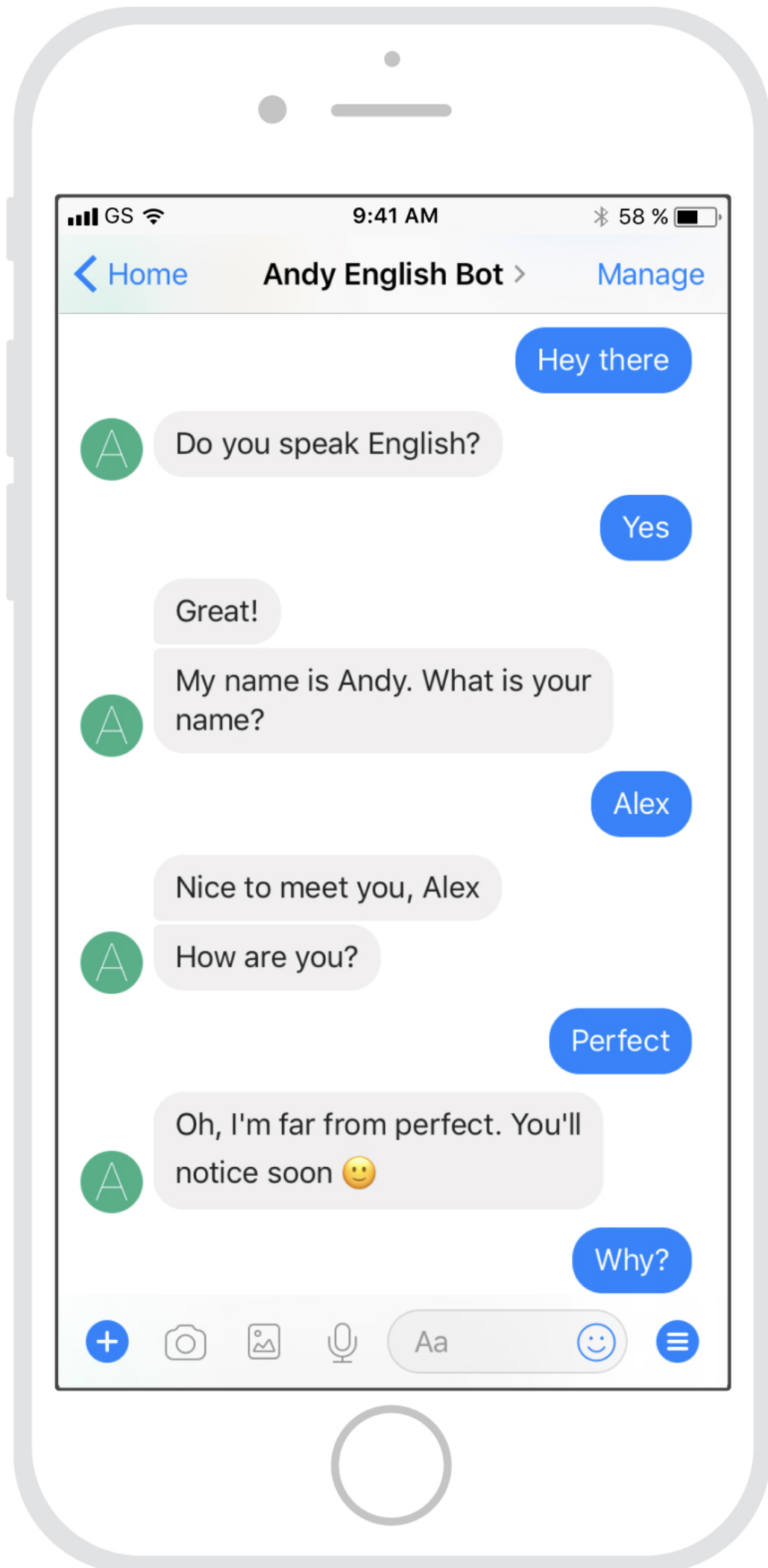
CHATBOT ANALYTICS

Another set of tools are built for chatbot improvement. Again, the names speak for themselves - Botanalytics, Botmetrics, Botlytics.

These platforms allow to analyze user experience and chatbot performance, adjust bots' scripts for complicated questions, control new/repeated/abandoned conversations, identify features with high engagements, track user information and input, analyze failed responses. In other words, these tools collect data to help make chatbots better.

CHATBOT DESIGN BEST PRACTICES

How to identify a good chatbot interface? A truly helpful chatbot knows how to hold a productive conversation with customers and fulfill its functions on time. These are the basic features of a chatbot interface that works.



Andy English Bot likes to talk

1 CHATBOT IS POLITE AND HELPFUL

Truly intuitive chatbot starts with greeting and short notes on how to interact with it. These instructions help to avoid ambiguity. If a chatbot starts with open questions or leaves users with failed expectations, it fails. If it asks several questions at the same time, it fails. If it asks the questions that have nothing to do with the user's goals, it fails. If it doesn't give clues on how to use it on the go, well, you know.

2 CHATBOT IS BRIEF AND TO THE POINT, IN STYLE

On one hand, a good chatbot is a part of brand's personality, so it talks using the right tone of voice and sticks to company's values and corporate style. On the other hand, it stays consistent, brief and to the point to help users get what they need as soon as possible. To make sure users understand what's happening, this chatbot asks for confirmations from time to time and suggests solution if it detects an error. Or simply calls for human backup.

3 CHATBOT USES IMAGES AND TRIES TO UNDERSTAND HUMAN LANGUAGE

To make conversations more intuitive, chatbots use card interface to show images when they provide options or recommend something, for example, fashion looks or certain items. This feature allows users to make more informed choices and eventually makes a chatbot helpful. However, text is the king in conversational interface. To get the best of it, teach a chatbot understand human language using NLP engines. It won't make it human, but definitely will make it more human-friendly.

CHATBOT SCALABILITY



Pan Macmillan Publishing was one of the pioneering retailers to recognize the benefits of chatbots for its sales and brand recognition.

First, they have launched a chatbot for Facebook that automates interaction with customers, integrates with Supadu and GoodReads to provide personalized book recommendations, engages new customers on Messenger, and redirects to Amazon for ordering and purchasing.

Soon after Pan Macmillan chatbot showed first results of high user engagement, publisher decided to scale up its chatbot and developed another online assistant. This time it was a Skill for Alexa that uses voice interface to promote publisher's products and direct to order books on Amazon right from Alexa.

Today, Book of the Day Skill successfully sells books online and reads audio versions from Audible to thousands of Alexa's users.

This is one of many business cases that demonstrates how a thoughtful chatbot strategy and smart chatbot design can bring viable value to a brand and contribute to its revenue and business growth.

**WOULD YOU LIKE TO TALK ABOUT A CHATBOT
FOR YOUR BUSINESS?**



Amazon Alexa voice assistant

How Digiteum Helps

At Digiteum, we help brands design and develop chatbot solutions that are worth investment and bring actual value to business and customers. Our team of digital strategists and engineers will help you develop a chatbot strategy tailored to your business goals and design a bot that fully meets your expectations. Let's talk about your chatbot project.

Thank You

CONTACT US

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