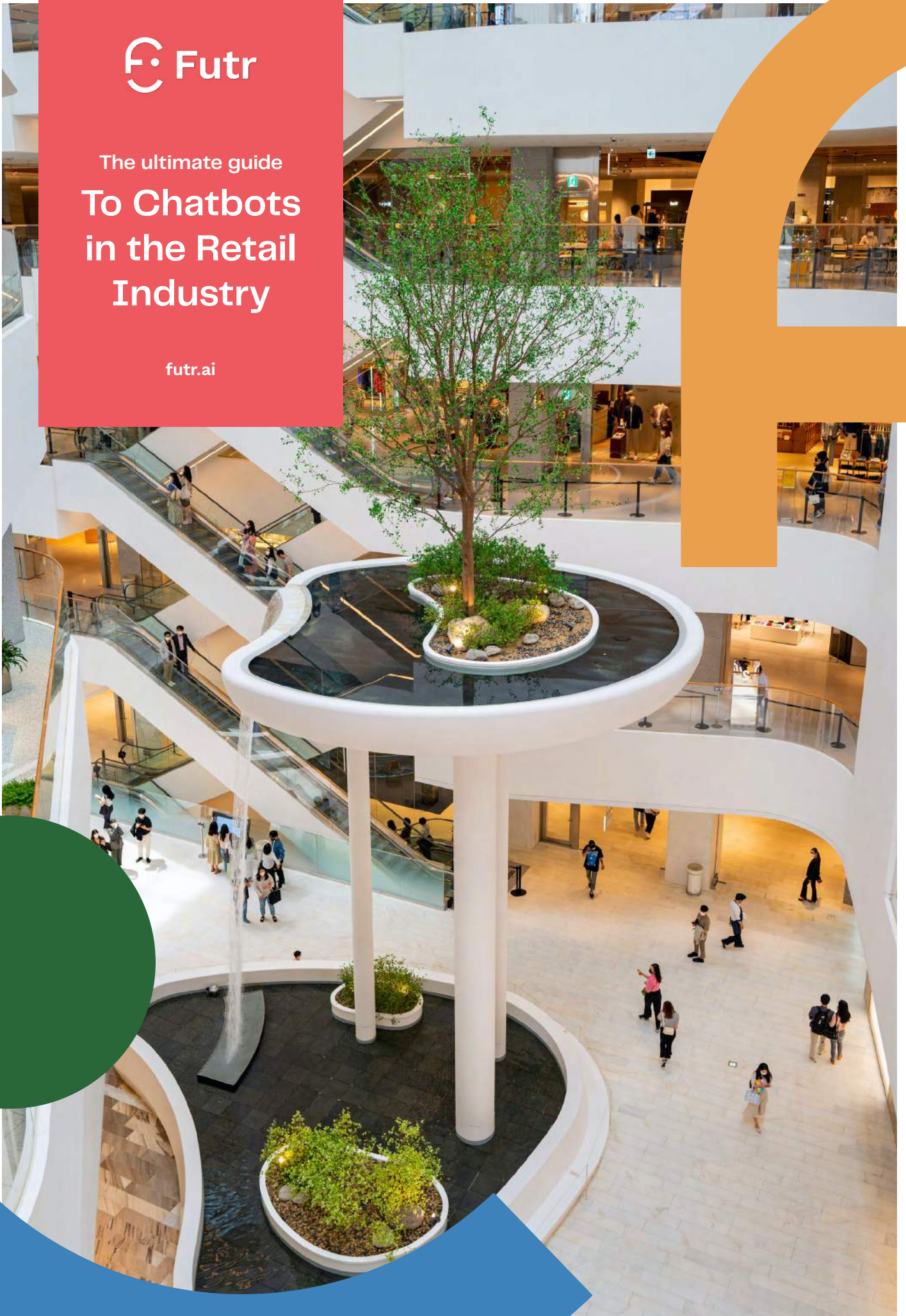




The ultimate guide  
**To Chatbots  
in the Retail  
Industry**

futr.ai





The retail sector remains one of the most [competitive industries across the UK](#) and worldwide.

**The impact of a global pandemic, combined with an increase in living costs, has only made the competition even more challenging.**

In such a competitive landscape, automation is becoming one of the most essential tools to help retail brands stand out and be remembered.

That's where chatbots come in.

We're now a long way from the early days of chatbots. During the first chatbot wave in 2016, customers and brands alike found the level of technology and the interactions with automated chatbots frustrating, confusing, and ultimately off-putting. The effects of that first wave are still felt today.

However, in 2022 we're seeing a quieter yet far more potent chatbot renaissance. Already being adopted by some of the biggest names in retail to great effect, the results of using modern chatbots are proving to be revolutionary. They are more sophisticated, faster, capable of learning more, and, most notably for retailers, they come with a range of benefits that are hard to ignore.

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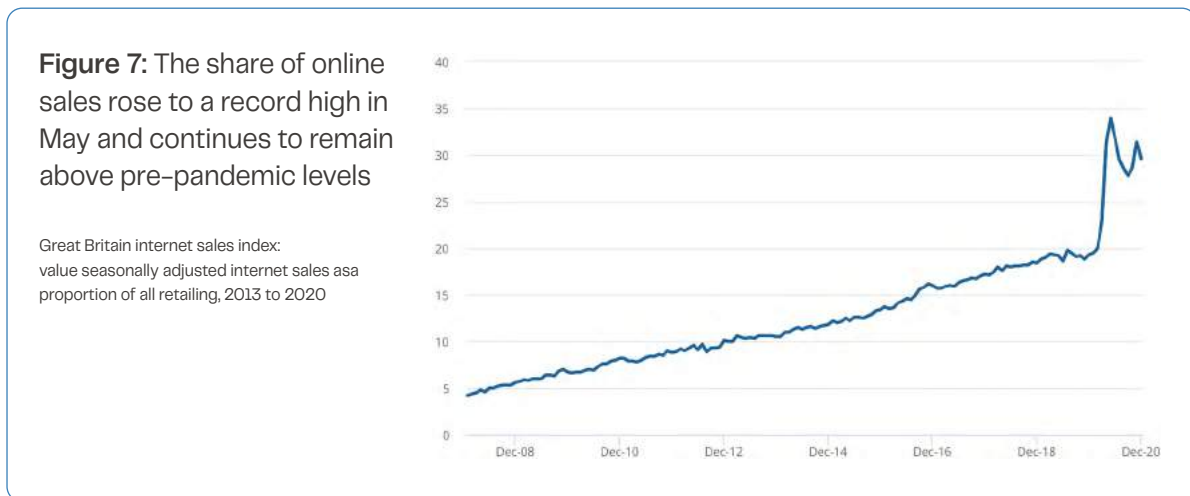


# The acceleration of digital transformation

The COVID-19 pandemic has played a major role in the last two years of retail management. One of the key trends has been the rapid shift to online platforms by consumers. Retailers had little choice but to extend their digital offerings at a rapid pace, combining the adoption of:

- **Click and collect services**
- **Online shopping**
- **Home deliveries**

Even at the beginning of the pandemic, online sales saw a dramatic increase, and by May 2020, online sales in the UK had risen to a record high of 34% of all retail sales<sup>1</sup>. In the February before the first impact of COVID, online sales averaged around just 20% of retail sales.



Of course, online sales have dropped slightly since those early days of the pandemic once physical stores reopened. However, they remain a lot higher than they ever were pre-pandemic. With each new lockdown announced, those online sales spiked, and there has been a long-term behavioural change in the way consumers buy from and use retailers.

So the rapid shift to improving online services was a clear priority for retailers prepared for the change. And one of the most important of those services was related to improving online customer service.

1 Source: [ons.gov.uk](https://ons.gov.uk)



## A better customer service

Creating the most positive customer service experience possible has [always been a key strategy](#) to gain a more competitive advantage. As eCommerce growth has been consistent year on year, and as technology continues to advance in giant leaps, retailers have had to work hard to keep up with the pace of change. If retailers want to be on the map of consumer perception, they need to deliver the best and most memorable customer service approach.

And it's not just the technology or the dramatic global pandemic that's forcing change in the retail sector. Consumers have changed too, and [now have more power](#), are savvier, more aware of their buying options, and more willing to do deep-dive research on the products and services they buy.



## The modern chatbot in a retail environment

Advances in machine learning (ML) and artificial intelligence (AI), combined with the growing popularity of messaging apps, have changed public awareness of chatbots. Now, around [70% of retail and eCommerce brands in the UK](#) have said that AI in the form of virtual assistants may be the cause of the most important impact on their industry.

Aside from chatbots, AI offers a lot of solutions in retail, including:

- [Improving the efficiency of a supply chain](#)
- [Cost savings](#)
- [More dynamic and agile pricing options](#)

But to create more meaningful and memorable relationships with customers, retailers are looking more at chatbots. They are increasingly deployed across messaging services and are rapidly becoming an integral part of present and future customer service. There's a reason for a [92% increase in the chatbot market](#) over the last few years, and that growth means chatbots are now the fastest-growing communication channel for brands.



# Consumer perspective of retail chatbots

Ask a consumer whether they'd rather talk to a person or a chatbot, and the response leans to the human. There's a bitter aftertaste for many people who remember the inefficient, confusing, and frustrating chatbots of 2016. Consumers' reluctance to engage with chatbots is down to the perceived lack of usefulness and outdated thoughts on ease of use.

To improve that perception, chatbot creators have had to focus on improving the ways that those bots tackle the four big challenges of customer service content:

- **Quality of the service**
- **Response time**
- **Relevant solutions**
- **Overall performance levels**



# Using chatbots in retail

In the US, the National Retail Federation carried out a survey that revealed that 54% of consumers go online because they want to [buy something specific](#). Who they choose to buy from depends on these factors:

- **Being able to find what they want to buy quickly and easily**
- **High-quality customer service**
- **Fast checkouts**

These are the areas where chatbots excel. They are the factors embedded into the nature of chatbots, and their ability to integrate across multiple comms channels only adds to their value. There are simply so many ways that chatbots benefit retailers that it's easy to see why such widespread adoption is occurring at such a rapid pace.

Pandemic-aside, the potential uses for chatbots in the highly competitive retail sector is hard to beat. Those uses include:

- Using information provided by the customer to offer relevant product pages
- Make upselling recommendations based on the data they have about each customer
- Locating local stores after a customer finds a product online, alongside contact details for that store and details about opening hours
- Allowing customers to directly place orders and pre-orders on multiple platforms
- Tracking shipping and deliveries
- Providing information to customers about return policies, current promotions, and anything that brands have set up as a frequently asked question
- Conduct conversations with customers across multiple platforms and in multiple languages
- Ease the strain on live agents who may get overwhelmed with multiple communications
- Deliver personalised communications based on user-provided information
- Manage loyalty schemes and points
- Respond to complaints
- Gather consumer feedback
- Monitor the mood of users through advanced Natural Language Processing (NLP)

Hiring hundreds of live agents to carry out those different tasks is extremely costly. Instead, chatbots are easing the workloads of live human agents by taking over the repetitive tasks and queries. And so retailers are making use of conversational chatbots to

deliver a more proactive and efficient service

reduce their operational costs

improve the workloads of their customer service employees

And with the capability to carry out all of those functions in multiple languages, chatbots are only adding to their value in retail.



# The fight against poor customer service

Consumers simply want better service, they expect it across multiple channels, and they want it to be accessible 24/7. And if their experience with a retail brand is not up to scratch, they're quick to jump on social media and call out those brands that have delivered a sub-par service. Retailers have to keep pace with that demand and the expectation of a positive, fast, and accurate customer service strategy.

In the UK, even as far back as 2016, poor customer service experiences cost businesses around [£37 billion every year](#). It also dramatically increases customer churn, with around half of all customers saying they'll move to a competitor if they have even one bad customer service experience<sup>1</sup>. That doesn't even take into account all of the customers a business loses due to negative word of mouth.

Chatbots can plug that leak simply because they can go further than human operatives. Those humans still play a role, but the chatbots are doing the heavy lifting, which means human teams are freed up to be more accessible when consumers need to resolve more challenging issues.

Chatbots are used to deliver communications that proactively meet the needs of retail customers anywhere and at any time. The results will continue to be far-reaching and will affect the retailers themselves as much as the consumers, employees, and even the wider world.

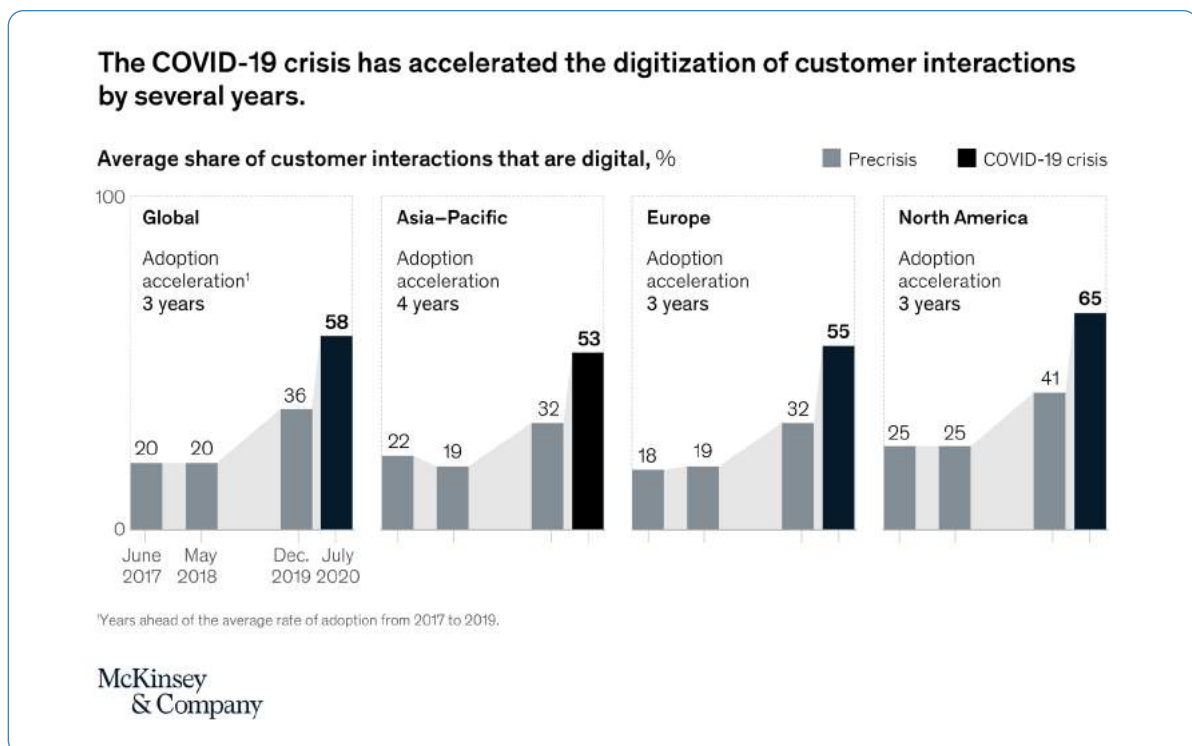




# Exploring the benefits of chatbots for retailers

It's not just that conversational commerce is now essential for retailers. Chatbots represent an alignment between bleeding-edge technology and consumer demand and have become the most significant interaction method between retailers and their customers. And when 27% of consumers aren't even sure that who they were [talking to online was a real person or a bot](#), it's clear that lingering resistance to consumer buy-in is fast becoming an irrelevance.

It is now common knowledge that the pandemic accelerated [digital transformation](#) dramatically. In Europe, businesses of all sectors saw a rapid growth in their use of technology, advancing developments by three years.



And this is no fad. Instead, the pandemic was an unavoidable catalyst resulting in massive digital growth that's here for good. With conversational marketing now at the core of customer service, chatbots offer retailers a wide range of benefits.

## **Benefit #1: A revolution in customer service**

If communications channels are closed overnight or across the weekend, the result is frustrated customers. When things go wrong with products or shipping, those customers want immediate responses and solutions. While chatbots aren't a replacement for humans, they can bridge the gap in customer service.

Not only do customers demand that speed and immediacy, they expect it as the norm. Chatbots allow retailers to deliver a 24/7 service without paying for any additional workers and with no such thing as overtime salary hikes.

## **Benefit #2: Improving work environments**

One of the most important aspects of chatbot adoption is that automation isn't replacing human customer service teams, they are strengthening them. When an organisation's chatbots are capable of tackling the most consistent customer queries, customer service staff can work on the more challenging queries. Those staff get more job satisfaction, and are capable of dramatically boosting productivity that immediately affects the brand.

There's a common misconception that chatbots are a replacement for humans. They aren't. Instead, they work alongside one another, with consumers often bouncing from chatbot to human seamlessly, often unaware that a chatbot was involved in the conversation at all.

## **Benefit #3: Providing two-way communication**

Traditional marketing is all about one-way communication. A retailer will send out some form of marketing message, and the consumer will receive that message. That's all changed, and the focus now is on two-way communications. That's because consumers now want to be able to (and have the platforms and channels to be able to) communicate with retailers as and when they want.

With consumers being able to directly communicate with brands through text messages, social media, messaging services such as Facebook Messenger and WhatsApp, and emails, the onus is now on retailers to not only have a presence on those channels - those retailers need to manage those channels continuously. The key to this is centralisation, and that's where chatbots and retail have found a partnership that's going to last long-term.

By being present on multiple channels at once, all controlled by a central platform, means that retailers can fully enhance their engagement strategies. Of course, two-way communication requires a significant commitment to the experience of

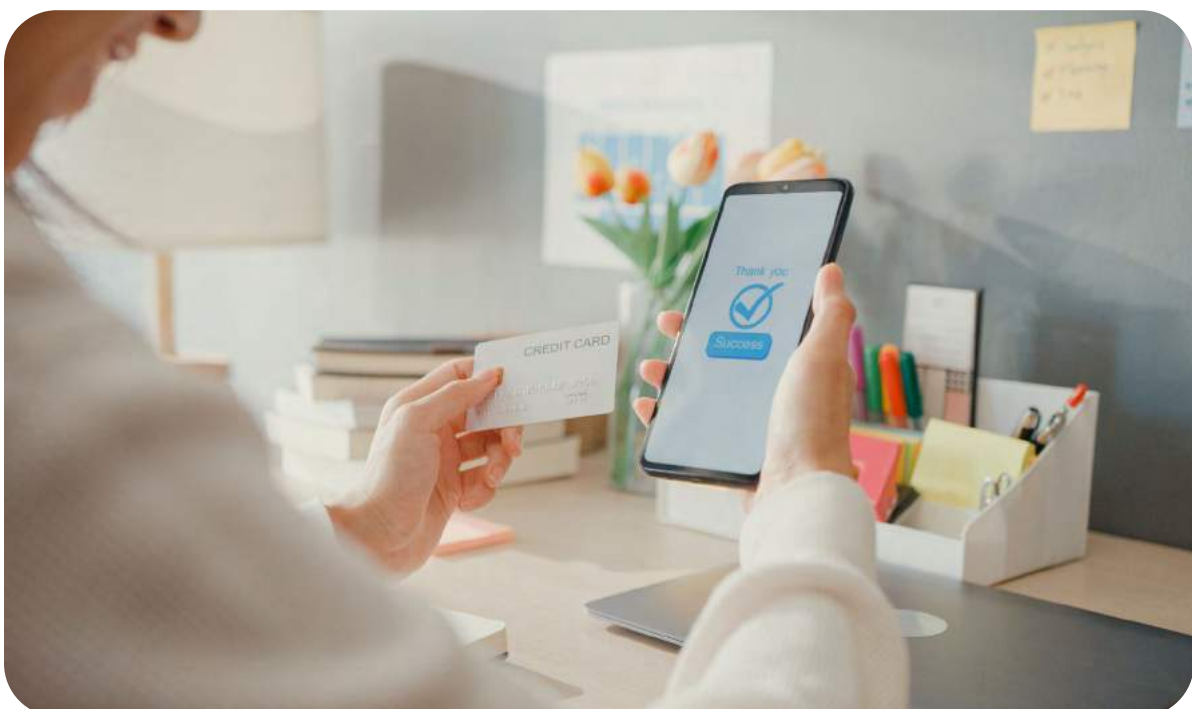
the consumer, and consistency is essential. Chatbots solve the two-way communications process quickly, easily, and without interruption of the communication flow. And by being accessible on the platforms and channels where billions of consumers spend their time, such as social media and messaging apps, retailers are perfectly positioned to build relationships at ease.

## Benefit #4: Avoiding cart abandonment through conversational marketing

Conversational marketing is all about being customer-centric and using a marketing approach powered by dialogue. In recent years it has become the go-to strategy for improving the experiences of consumers, boosting consumer engagement, and, as a direct result of those, growing brand revenue.

Part of that is down cart abandonment. Globally, cart abandonment levels in retail are around [76.34% or 85% for consumers on mobile](#). The total global cost of those abandoned carts is an estimated £13.76 million. Conversational marketing in the form of social commerce, automated display ads, and, of course, chatbots are proving to be the most effective means of tackling the threat of shopping cart abandonment.

With chatbots able to bounce from platform to platform while maintaining a consistent conversation, consumers simply have fewer barriers to a purchase. And if consumers are browsing their favourite platforms and decide to make a purchase directly from that platform, the chatbot is already there and ready to help.



## Benefit #5: Reducing operational costs

Clearly, retailers can save money by using chatbots and [chatbot best practices](#). That's not just about lowering wage bills by reducing the need for human workers. It can also reduce turnover rates by helping those human employees lower the demands on their time. When staff turnover leads to increased hiring costs, reducing staff burnout is a critical benefit of the right retail chatbot.

Chatbots in retail also have a fantastic ROI. While your AI takes care of the repetitive queries, your human teams can deal with the more interesting, challenging, and complex tasks. They will feel less pressure while dealing with more rewarding tasks. So alongside the benefits that chatbots deliver to customers through a better experience, staff also benefit through improved working conditions.

## Benefit #6: Generation of better leads

Chatbots gather and then use data. Vast amounts of it. They collect data constantly, and they store that data to be used for all future interactions. They learn, and they adapt. And there's a reason why data is considered the new oil. The more you know about your customers, the easier it is to deliver targeted communications via multiple marketing methods.

The more that the chatbots are used, the more they learn about those customers. They can even use that data and recognise when a specific customer has a pain point that needs to be resolved. They can reach out independently of any human interference, making sales without any input from the head of the sales department or the team of customer service employees. More leads and more prospects based on communications at the right time means more sales based on percentages alone.

## Benefit #7: Improved brand engagement

According to a survey by the social media marketing firm Sprout Social, consumers connected to brands on social media are more loyal to those brands. 9 out of 10 said that they buy products from the businesses they follow on social media. Plus, [57% said they spent more money with the brands they follow](#) (by around 12% more than in 2019), so it's clear that having a more targeted communication strategy on those social networks delivers very real value.

Now that chatbots are capable of not just holding conversations with customers but can do so in multiple languages across full omnichannel deployment, brand communications are easier to maintain than ever. Chatbots can be designed and adapted to have a personality that matches branding too, creating even more of a conversational communications flow. That only adds to brand understanding, trust, and loyalty.

## Benefit #8: Building relationships

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# How consumers benefit from retail chatbots

Of course, it's not just the brands deploying chatbots that are earning their benefits. There are also many benefits for the consumers that encounter them. Here are some of the most relevant for the retail sector.

## Benefit #1: 24/7/365 availability

The concept of “opening hours” is a relic of the past. Now, [51% of consumers](#) expect the businesses they interact with to be available all day, every day. Nobody wants to wait around for answers to questions or hit a roadblock to a desperately wanted product. Chatbots are the obvious solution. By delivering 24/7/365 communication, those AI-powered bots resolve customer pain points quickly, efficiently, as and when needed.

This leads to a more continuous, uninterrupted communications stream between brand and customer. However, there is a risk. If the bots being used are not up to modern standards, then the value they can offer is severely limited.

That's why it's so important not to just choose a chatbot and hope for the best. Retailers need to do their research and make sure that their chatbot of choice does all of the actions that they need it to. So if a retailer needs a multichannel, multilingual chatbot, they know that's something to look out for.

## Benefit #2: Omnichannel communication

Today's consumer has a multitude of choices when it comes to the websites, social media platforms, and communications apps/platforms that they use. Being able to communicate with retail brands on the sites and messaging apps that they're already on is immediately desirable. If someone is browsing Instagram and they spot a fashion item, they are now less keen on hunting for that specific item on the retailer's website.

Instead, they want to be able to buy from the platform they're already on. And they want to carry on conversations as they move from platform to platform.

They want to buy what they need, and they're more than ready for a more integrated experience. That's because today's consumer will sign in on a variety of devices, and communicate in a wide range of ways.

Chatbots allow retail brands to be present on multiple platforms and channels, And conversation can continue even when those consumers bounce from channel to channel. So a conversation can begin on Facebook, and a few hours later can continue on WhatsApp or Twitter. The customer gets a seamless experience, and the retailer gets satisfied customers who have had a positive experience. By not being wedded to a specific platform or website, chatbots are where the customer is, always.

### **Benefit #3: Immediate solutions**

A human customer service team member can only answer one query at a time. If they try to do more, they risk delivering very subpar service — that's not good news for customers. Chatbots are at the opposite end of the spectrum. They can provide answers to thousands of customers simultaneously. So there aren't any delay issues for customers who might otherwise experience "high call volume" and long wait times.

Instead, thanks to chatbot scalability and the speed of cloud-based software, customers get the answers to their pain points whenever they need them.

### **Benefit #4: Solution consistency**

Most people have experienced talking to different brand representatives only to get different answers to the same query. Discrepancies or inconsistencies are very common for multiple reasons. Members of staff could be new and not know everything yet, onboarding sessions can go wrong, or they could just be having a bad morning.

Customers won't find that problem when the brand is using chatbots. There's no inconsistency because the bot will only be working from a single source of truth, which means fewer opportunities for frustration or confusion with customers.

## Benefit #5: Transferable solutions

When required, chatbots will record conversations and convert them to text that they can send to the customer and then archive. The customer may get transferred to a live customer service representative, in which case they won't have to repeat all the same queries — the human will have the customer-to-chatbot conversation in front of them already.

This not only speeds up communications but also reduces the potential for customers to get frustrated. There's nothing quite as infuriating as getting passed around departments and having to answer the same security questions and explain what you need multiple times. Customers instead get a seamless experience.

## Benefit #6: Multilingual communication

One of the reasons why chatbots are utilised by police forces, [charities](#), and social housing associations is that being able to communicate in multiple languages is critical for those organisations. The same is true for the retail sector. Chatbots can be fluent in over 120 languages! So whatever language customers want to communicate in, chatbots are a frictionless solution.

For consumers that use global brands, this option has many clear advantages. Depending on where that customer is, they could have their preferred language as the default, or they can choose from languages based on the data that the bot already has about them. In both instances, the customer doesn't have to struggle to understand the solutions they're given.

## Benefit #7: Infinite patience

There's no disputing that customer service staff can get frustrated with customers. Recovering from bad news, not having enough coffee that day, or a customer who isn't quite sure what they want, can all lead to frustration on both sides. That's not a problem that retail chatbots have. Instead, they have a level of patience that even the most zen-like staff member can never match.

That's only good news for consumers. They can take as long as they need to clarify what they want, and the chatbot will never get frustrated. Once the chatbot has identified the resolution required, it can either deliver the necessary solution or pass the customer over to the right human representative.





# Complementing the human, not replacing it – Human intelligence meets artificial intelligence

The first-ever chatbot was developed way back in the 1960s by an MIT professor called Joseph Weizenbaum. That chatbot was called ELIZA, and it was based on the concept of a psychotherapist who simulated conversation through pattern matching and substitution methodology.

It was the first step to [natural language processing](#) (NLP), but while Weizenbaum intended the bot to be little more than a caricature, others were immediately invested. Weizenbaum is said to have been horrified by how users were confiding their deepest darkest secrets to the rudimentary chatbot.

Although he argued against it, most experts declared that chatbot conversations would quickly become indistinguishable from human conversations.

Weizenbaum argued for many years that machines couldn't and wouldn't replace humans and that chatbots were instead tools to take advantage of. And that's exactly where we are right now. Post-pandemic, and in the throes of a giant leap forward in technology, chatbots are more ubiquitous than ever. But they aren't replacing humans; they are working alongside them, each complimenting the other.

Retail brands aren't trying to get rid of their teams. Instead, they are freeing them up and moving them higher up the organisation so that they can commit to activities that drive revenue. Forward-thinking retailers that have adopted AI-powered chatbots don't view them as replacements for humans but as a means of using real people more productively.



# Chatbot evolution and consumer resistance

Chatbots are now an AI-powered software that is multipurpose, and that artificial intelligence allows them not to simply react to the information they receive but to comprehend it. Giant leaps in machine learning capabilities mean chatbots can map the intent and input of users. They then, at speeds equivalent to humans, can classify each message so that they can deliver a response that's as close to human as to be indistinguishable.

For retail brands, that opens up a lot of possibilities. Rule-based chatbots, which we saw rolled out in large numbers in 2016, are now a relic of the past in AI terms. Today's chatbots are powered by AI, ML, and NLP technologies and can easily overcome the established limitations of the outdated rule-based programming of their descendants.

Some segments of the general public may be resistant to the notion of chatbots. They remember the offensive tweets of Microsoft's Tay or the French healthcare chatbot that suggested suicide to a trial patient. There have certainly been (and continue to be) [chatbot mistakes](#). Fortunately for businesses (and consumers), those early teething problems are no longer relevant. Today's chatbot is better, faster, capable of doing more, and resolves multiple friction points between brand and customer, benefiting both.





# Chatbots – The future of retail is already here

Online chat via chatbots is now the [fastest-growing communication channel](#) for brands. The old reliance on call centres, social media, mobile apps, and websites is no longer the only option for retail brands. More than ever before, chatbots have become the retail must-have for any retailer that wants to engage with and grow profitable relationships with their target audience.

Of course, chatbots can go a lot further than simply being customer service revenue generators. They can be repositioned to act as researchers, lead generators, or even for doing little more than raising brand awareness. From the discovery stage of the buyer's journey to the aftercare following a purchase, chatbots are there.

When the modern consumer demands hyper-personalisation and immediacy, outdated communications and marketing simply aren't adequate. The one-to-one experience is the preference, and that's simply not possible at the scale retailers need unless they have a budget that covers all of the costs of providing people as a resource.

Smart chatbots are the solution.



Do you want to learn more about the Futr solutions [available to your retail brand](#)? Contact the team at Futr today using our [contact page](#), or email us at [hello@futr.ai](mailto:hello@futr.ai)

[Schedule your free four week trial of our chatbot and live chat platform or get a FREE demo.](#)

Futr's live chat and chatbot solution help charities and nonprofits drive digital transformation in their organisation. Be there for donors, volunteers, employees and beneficiaries 24/7 with self-serve features and automated responses to FAQs. Use chatbots to triage queries and enable your live agents to focus on helping users that need a human touch.