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Making Proactive Chat Work

by Diane Clarkson

for eBusiness & Channel Strategy Professionals
Many online consumers want help from a live person while they are shopping online; in fact, 44% of online consumers say that having questions answered by a live person while in the middle of an online purchase is one of the most important features a Web site can offer. Proactive chat can provide this type of customer support, ultimately achieving multiple business goals for eBusiness professionals, including reducing abandonment, improving conversions, and driving customer satisfaction. Implementing proactive chat can be a complex process that requires aligning multiple business areas. However, a successful proactive chat implementation doesn’t end with a check mark next to the word “done”; savvy eBusiness professionals understand that proactive chat success requires ongoing refinement of the business rules that will trigger chat invitations, staffing, and customer experience.

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Forrester used data from its North American Technographics® Customer Experience Online Survey, Q4 2009 (US), in the preparation of this report.

**Related Research Documents**

- “Best Practices: Implementing Online Chat”
  - March 9, 2009
- “Selecting The Best Chat Strategy”
  - January 20, 2009
PROACTIVE CHAT HAS MANY POTENTIAL BUSINESS BENEFITS

Proactive chat — triggering of chat invitations based on a predefined set of visitor behavior metrics — can achieve multiple eBusiness goals. eBusiness executives commonly employ proactive chat to achieve sales goals, such as increasing conversion rates and revenue per order as well as shortening sales cycles. Other goals for industries such as insurance and banking include improving quote or application form completion rates. While reactive chat is more typically applied to customer support goals, proactive chat may also be useful for improving service or offering segmented service to high-value customers. As firms look for ways to drive sales and efficiencies, eBusiness executives at companies ranging from financial services to retail and travel are considering proactive chat.

Customers Are Looking For Live Help In Mid-Purchase Online

Nearly one in five online US consumers has used chat — reactive or proactive — for customer service in the past 12 months. Proactive chat can be a powerful channel to meet customers’ need for help when they are in the middle of their online purchase process because online consumers:

- Have a critical need to have questions answered mid-purchase online. Fifty-seven percent of online consumers say that they are very likely to abandon their purchase if they can’t quickly find the answer to their questions (see Figure 1). Indeed, shopping cart, site visit, and application abandonment rates have plagued eBusiness teams for a decade. Leaving customers with key questions unanswered in the process of making a purchase is the equivalent of providing them with a link to your competitor’s site.

- Have a strong desire for live help while shopping online. While online self-help can satisfy many consumers in many circumstances, it doesn’t replace the value of live help. Forty-four percent of online consumers say that having their questions answered by a live person while in the process of online shopping is one of the most important features on a Web site.

- Are seeking more opportunities to use chat. Nineteen percent of online consumers have used chat for customer service or support; 29% of US online consumers are interested in using chat for customer service or support. This 53% difference between use and interest is likely due to chat’s relatively lower availability, compared with other customer service channels. In an online customer service accessibility benchmark conducted in June 2009 among 90 Web sites (30 in travel, 30 in retail, and 30 in financial services), we found that 61 Web sites offered telephone customer service, compared with only 14 that offered chat.

- Are less averse to a chat invitation appearing proactively than you may think. Twenty-seven percent of online consumers agree with the statement, “I like having an instant messaging/online chat box appear and ask if I need help with my online research or purchase.” While this number is small, compared with the number of customers who prefer to initiate contact with a company for customer service (71%), Forrester believes that the idea of a proactive chat invitation will have growing appeal as the number of consumers who encounter such invitations increases.
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Proactive Chat Can Achieve Several Online Sales And Revenue Objectives

Among 291 retailers Forrester surveyed in Q4 2009, only 5% offered proactive chat, but 21% planned to launch proactive chat in the next 12 months. Proactive chat's appeal is its potential to assist companies in achieving many business goals such as:

- **Increased average order values.** By offering customers live assistance at the point that they need it, companies are realizing increased conversion rates and average order values. For example, Hoover’s — a Dun & Bradstreet company — reported that chat was one of its best conversion vehicles, with benefits including an 11% increase in average order value following a three-month trial of proactive chat with LivePerson.

- **Reduction of abandonment on product or sales pages.** Ask many eBusiness executives about their most frustrating metric and they will cite application or cart abandonment. For some firms, proactive chat has proven to reduce those abandonment rates. For example, Nationwide Mutual Insurance, among the largest insurance and financial services companies in the US, implemented nGenera’s proactive chat solution and reported capturing 30% to 40% of previously abandoning customers after implementing proactive chat.

- **Customer service cost reductions.** Although reactive chat is more commonly thought of as a customer service channel, proactive chat can also be an effective tool to deflect calls from call centers into a chat environment where concurrent chat sessions can reduce costs. For example, Internet service provider EarthLink implemented LivePerson’s proactive chat in 2006, and currently proactive chat represents 25% of all customer service volume. This has led to a permanent reduction in support cost.
• **Sales of high-touch products.** It may seem intuitive that proactive chat will not effectively drive sales for high-consideration products, but that is not the case. For example, David’s Bridal partnered with InstantService (now Art Technology Group [ATG]) and Global Response in the implementation of proactive chat on its Web site and reported that its shopping cart conversion rate improved 30% to 50%. Average order value improved 10% to 20%, depending on the item.7

**IMPLEMENTING PROACTIVE CHAT IS A COMPLEX PROCESS**

To fully realize the business benefits of proactive chat outlined above, eBusiness professionals must embark on a complex strategy and implementation process that includes:

• **Preparing a business case.** As is the case with any project or technology, eBusiness professionals must define key business strategies, objectives, and goals to make a case for proactive chat. This includes the always-elusive and difficult-to-measure potential return on investment (ROI). Forrester’s 'Total Economic Impact™ (TEI) analysis of proactive chat indicates that it can produce an incremental 105% in ROI in a typical business-to-consumer (B2C) organization; this TEI model can help you systematically assess the benefits, costs, and risks of proactive chat for your organization.8

• **Determining how proactive chat will fit into existing operations.** An implementation plan must include the impact and integration of proactive chat across multiple areas of your organization — particularly operations, technology, and user experience. In general, we find that sales-oriented chat agents should reside in and report to a sales organization, while service-oriented agents should reside in and report to the service organization. It is important that an implementation plan also includes establishing metrics and service levels that align with overall and existing goals.9 Increasing the level of complexity that can be readily addressed via chat deepens cross-functional requirements such as integration with customer relationship management (CRM) and knowledge bases.

• **Undertaking vendor selection.** There are many features to consider for proactive chat when documenting your technical requirements (see Figure 2). Vendors have evolved their solutions from simple chat windows to products that can integrate into existing customer service and sales processes. Understanding and defining whether you require a solution that can simply support online sales versus one that can tap into knowledge databases, for example, is crucial to selecting the appropriate vendor.

• **Establishing customer satisfaction metrics.** Beyond operational metrics, eBusiness professionals must also determine which metrics will assess the performance and benefits of proactive chat implementation. This typically includes a post-chat session survey with results that can be integrated into existing customer satisfaction metrics (e.g., Net Promoter Score). Again, multiple areas of the business must work together to establish cross-functional processes
that ensure that customer satisfaction metrics provide actionable insight for ongoing process improvement. In a retail organization, this could mean ensuring that questions or concerns about products are communicated systematically to the merchandising team, for example.

**Figure 2 Features To Consider In Chat Vendor Selection**

| General chat features | • Highly scalable  
| | • Low relative cost of management  
| | • Multiple language support  
| Customization | • Customize appearance (size, graphics)  
| | • After-hours button to indicate that chat is not available, including ability of consumers to send questions  
| | • Ease of refining chat invitation triggers  
| Routing | • Queuing for available agent  
| | • Automatic chat session rerouting when agent signs off  
| | • Ability to transfer chats between live agents  
| | • Ability to escalate to live help and push forward transcript to telephone rep  
| | • Ability for supervisors to view and intervene  
| Efficiency | • Prepared responses available to live agents  
| | • Automatic response suggestion to live agent  
| | • Live chat agent can push pages, launch additional Web content  
| | • Live agents can make notes  
| | • Form data entered by client that is visible to live agent  
| | • Internal chatting among live agents  
| | • Blended screens to reactive chat and email so agents can use downtime productively  
| Chat interface | • Availability of an HTML version so consumers can use without downloading or installing  
| | • Pop-up chat graphical user interface (GUI)  
| | • Ability for links and graphics to be embedded into text responses  
| | • Auxiliary pane for presenting complementary content  
| | • Live chat queue indicator  
| | • Availability of co-browsing  
| Systems integration | • CRM integration  
| | • Knowledge base integration  
| | • Integration capabilities with other vendors  
| | • Ability to archive chat interactions in auditable data stores for future reference and analysis  
| Reporting and analytics | • CSR response times, number of sessions  
| | • Escalations  
| | • Internal knowledge search results versus single answer  
| | • Query/response match by quality score metric  
| | • Custom reports easily accommodated  

Source: Forrester Research, Inc.
THREE KEY ELEMENTS OF PROACTIVE CHAT REQUIRE ONGOING REFINEMENT

It is critical that eBusiness professionals recognize that a successful proactive chat implementation does not end with a check mark on a to-do list implying that it’s done. A successful proactive chat implementation requires ongoing testing, analysis, and refinement in three key areas: business rules, staffing, and execution.

Set Defensive And Opportunistic Business Rules

eBusiness executives must set the rules that will trigger chat invitations to align with their proactive chat goals. eBusiness professionals should:

- **Create defensive rules that will trigger chat at points of abandonment.** These triggers include product pages with high abandonment rates, abandonment points in the checkout or application process, or session inactivity (see Figure 3). For example, a shopper on delta.com will see a proactive chat invitation offering assistance if a flight has been selected but the customer has not progressed through purchasing.

- **Set opportunistic triggers.** Don’t overlook the potential of setting opportunistic rules that will trigger proactive chat invitations for cross-selling or upselling. For example, a proactive chat invitation could offer assistance to a customer buying a computer online to find appropriate software to accompany her purchase. eBusiness executives must also be mindful to set rules that will not inundate customers with repetitive invitations.

- **Make evaluation of business rules an ongoing process.** The seasonality of many industries, and even the variations in consumer purchase behavior brought on by the economy, forces executives to continually test and revise trigger business rules. By evaluating the percentage of visitors who trigger a business rule, invitation acceptance rates, and conversion rates, firms can ensure that the right rules are in place.

**Figure 3** Samples Of Proactive Chat Invitation Triggers

<table>
<thead>
<tr>
<th>Defensive</th>
<th>Opportunistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Product pages with high abandonment rates</td>
<td>• Pages with opportunities to cross-sell</td>
</tr>
<tr>
<td>• Abandonment points in the checkout or application process</td>
<td>• Pages with opportunities to upsell</td>
</tr>
<tr>
<td>• Return shoppers who have abandoned earlier</td>
<td></td>
</tr>
<tr>
<td>• Session inactivity on product pages</td>
<td></td>
</tr>
<tr>
<td>• Session inactivity with item(s) in shopping cart</td>
<td></td>
</tr>
<tr>
<td>• Total shopping cart value</td>
<td></td>
</tr>
<tr>
<td>• Customers’ lifetime value</td>
<td></td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.
Consider starting small. Your long-term rules of engagement may include a broad offering of proactive chat throughout your Web site. This doesn't have to be your starting point. Instead, consider starting small and expanding as you understand what works and what doesn’t.

Ideal Staffing Is Key To Success . . . And Is A Moving Target

There is no universal formula to determine the right proactive chat staffing, but there is one universal truth: Getting staffing right is crucial to any chat implementation. Be prepared to learn as you go, and expect to have multiple iterations. It is critical to make the call center part of the planning and refinement process. Mitigate staffing challenges by:

• Adjusting invitation rates to align with staffing realities. Setting your business rules to trigger chat invitations requires balancing your desired acceptance rates with your staffing. How can you find that balance? Staffing levels and skills must support fast answers without compromising customer experience. An effective chat rep may be able to handle more than two or three concurrent conversations, but this will likely slow down responses. It is important to make sure that incentives for efficiency don’t compete with service standards for each chat conversation.

• Ensuring appropriate training. It is a mistake to underestimate the unique skills that will be required for a chat rep to effectively provide sales support. Firms have the option of training current call center reps, hiring chat reps, or outsourcing chat rep operations. For each of these, it is critical that call center reps have typing speed and grammar skills. In addition, eBusiness executives will need to establish guidelines for tone. For example, what level of informality is acceptable? Top-notch chat reps understand that sentences that sound appropriate on the phone can have a different inference on the screen and can take the appropriate tone to guide customers to a clear answer delivered with the equivalent of a smile.

• Keeping reps efficient with workable knowledge. A centralized knowledge base that acts as a single knowledge repository is ideal for assisting reps in their quest to quickly answer customer questions. If a knowledge base is not possible, eBusiness executives should select a vendor that will provide federated search to pull information regardless of its location (e.g., database, file server, Web content) and provide a single result set that reps can easily copy into chat sessions.

• Aligning incentives to your goals. Since proactive chat is commonly used for sales goals, incentives must extend beyond typical service metrics to incorporate if a sale is completed after a chat session. Cookies on customers’ computers can track online sales or application completion rates; each firm must set the appropriate time period for this attribution based on product research and purchase cycles. eBusiness professionals must also acknowledge that cross-channel sales will be a challenge to track.
Maximizing Results Requires A/B Design Testing

Your customers will likely respond differently to various elements of the proactive chat offering. With the potential to be obtrusive or unwanted, proactive chat must be deployed thoughtfully and cautiously. eBusiness executives can use A/B and multivariate testing in a variety of elements such as:

- **The appearance of the chat invitation.** While the invitation needs to be clear, also keep in mind that most consumers prefer to initiate contact: The chat invitation can’t be obtrusive or difficult to decline. Incorporate some branding elements for the window appearance, but be mindful: You don’t want the invitation to blend into the background or look like a pop-up ad. Dell’s proactive chat is a good example of an invitation that is both hard to miss and easy to decline (see Figure 4).

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**Figure 4** Proactive Help Should Be Contextual And Easy To Spot

Source: Dell Web site

Source: Forrester Research, Inc.
· **Invitation language to maximize acceptances.** Instead of a generic “Can I help you?”, experiment with various wordings for a contextual invitation such as “Can I help you find a hotel/select a laptop, etc.?” or invitations that explicitly make it clear that help will be via chat such as “Have questions? Let’s chat.”

· **Colors and imagery.** Consumers will respond differently to various images, colors, and designs. For example, some clients have reported that an invitation box with rounded edges has a higher response rate than one with squared corners. Others have observed different acceptances rates from male versus female images and those with smiling versus serious expressions.

· **Invitation timing.** Conduct tests to see if your acceptance rates are affected by varying the amount of time before an invitation is launched. For example, does your acceptance rate change when you offer chat 45 seconds after business rules are triggered, rather than 60 seconds after?

**SUPPLEMENTAL MATERIAL**

**Methodology**

For the North American Technographics Customer Experience Online Survey, Q4 2009 (US), Forrester conducted an online survey fielded in October 2009 of 4,653 US individuals ages 18 to 88. For results based on a randomly chosen sample of this size (N = 4,653), there is 95% confidence that the results have a statistical precision of plus or minus 1.4% of what they would be if the entire population of US online individuals ages 18 and older had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the adult US online population. The survey sample size, when weighted, was 4,623. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that this was an online survey. Respondents who participate in online surveys have in general more experience with the Internet and feel more comfortable transacting online. The data are weighted to be representative for the total online population on the weighting targets mentioned, but this sample bias may produce results that differ from Forrester’s offline benchmark survey. The sample was drawn from members of MarketTools’ online panel, and respondents were motivated by receiving points that could be redeemed for a reward. The sample provided by MarketTools is not a random sample. While individuals have been randomly sampled from MarketTools’ panel for this particular survey, they have previously chosen to take part in the MarketTools online panel.
ENDNOTES


2 Forrester conducted an online customer service accessibility benchmark of 90 leading eBusiness sites in financial services, retail, and travel, evaluating both the availability and the accessibility of customer service from the following Web site areas: home page, general navigation, site search, product page, customer service/help page, social customer service elements, and customer service touchpoint availability anywhere on the Web site. Sites were selected using Nielsen NetView traffic data during the month of May 2009. The WebTrack evaluation was conducted during the month of June 2009. See the August 7, 2009, “Online Retail Customer Service Availability Needs Some Improvement” report; see the July 31, 2009, “Financial Web Sites Need Customer Service Help” report; and see the July 27, 2009, “Travel Web Site Customer Service Is Far From Perfect” report.

3 In a survey of 291 online retail executives conducted at the end of 2009, we found that email is currently the most commonly offered online customer service among our respondents at 96%, followed by order tracking (83%) and live phone customer support (82%). We also found that retailers are taking an increasingly sophisticated approach to online customer service, looking to newer technologies to provide pre- and post-sales service, to support sales, and to reduce operational costs. See the March 18, 2010, “Retailers Plan To Expand Online Customer Service Channels In 2010” report.

4 At the conclusion of the three-month pilot, Hoover’s expanded LivePerson’s chat functionality throughout hoovers.com, which led to an 11% increase in average order value and a 48% reduction in length of average sales cycle. Source: “Hoover’s increases conversion rates and average order values with LivePerson proactive chat,” LivePerson (http://solutions.liveperson.com/company/customers/hoovers/).

5 Nationwide implemented proactive chat in an effort to decrease abandonment rates, increase customer satisfaction, and add significant revenue from specialty insurance customers. In a case study published by nGenera, Nationwide’s reported results include customer satisfaction ratings for the chat experience of 4.08 out of 5.0, an 82.3% Net Promoter Score, and capture of 30% to 40% of previously abandoning customers. Source: “Nationwide Adopts nGen Proactive Chat to Improve Customer Experience and Increase Revenue,” nGenera, 2009 (http://cim.ngenera.com/uploadedFiles/tal_resources/CS_Insurance_Nationwide_09NA.pdf).

6 Since its implementation of proactive chat in 2006, EarthLink’s customer service team handles almost 2 million chats a year, representing approximately 25% of all customer service volume. This has led to a permanent reduction in support cost. For EarthLink, a 1% shift of customer service telephone volume to online chat represented significant demonstrable savings. See the March 9, 2009, “Case Study: EarthLink Successfully Implements And Integrates Online Chat” report.

7 David's Bridal partnered with InstantService (now ATG) and Global Response in the implementation of chat on its Web site. In a Webinar called “David's Bridal: Boosting Conversions & Average Order Value on ‘High Tough’ Online Transactions” on March 3, 2010, Dwight Klingenberg, vice president of finance and profit improvement for David's Bridal, reported that proactive chat resulted in a shopping cart conversion rate improvement of 30% to 50%, average order value improvement of 10% to 20%, a reduction in checkout

8 It is critical to objectively evaluate the financial impact on business when considering the adoption or avoidance of interactive chat. How? Companies can use a simplified version of our TEI model to systematically consider: 1) benefits — how the company will benefit from interactive chat capabilities; 2) costs — how the company will pay, in both hard costs and resources, for the chat capabilities; and 3) risks — how uncertainties change the total impact of interactive chat on the business. See the February 4, 2008, “The ROI Of Interactive Chat” report.

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Headquarters
Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617.613.6000
Fax: +1 617.613.5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

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