Chatbot Marketing

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What is a Chatbot?

A Chatbot is a computer program that is designed to simulate a conversation with a real person via "chat" functionality online. A Chatbot is often used in a Messenger program (like Facebook Messenger) or in livechat on a website. Think of a Chatbot as running a conversation program in a Messenger or text application.

- Chatbots conduct chats in any chat service – Facebook Messenger, text, slack, livechat
- They are automated and operate off of rules – You are essentially chatting with a bot vs. a real person
- They have a wide variety of applications – They can be used for fun or functionally to help you solve problems.

chatbot
/ˈtʃatbɒt/ 🔊

noun

a computer program designed to simulate conversation with human users, especially over the Internet.
"chatbots often treat conversations like they're a game of tennis: talk, reply, talk, reply"

Instead of chatting with a live person, Chatbots simulate a conversation by asking questions and funneling answers down a pre-determined path. Think of it like an automatic phone system when you call your bank – "press 1 to get your balance, press 2 to pay a bill, etc.." While these phone systems are often cumbersome, time consuming and difficult to navigate, Chatbots allow you to quickly and easily navigate to what you want via text. Well-designed Chatbots do this in a way that is easier and faster than an automated phone system and provide better user experiences.

With a Chatbot you have a "conversation" with a program that has pre-defined answers to questions that you may ask, or that uses AI (Artificial Intelligence) to learn and answer your questions better over time.

Depending on the sophistication, some Chatbots can handle open questions or conversations (for example, asking "What is my balance?" or "How do I make a chocolate cake?"), others operate by guiding you through answers where you click on a specific option (Do you want a desert or dinner recipe?). The promise of Chatbots is that they are able to understand natural language and provide users with an easy way to find what they want. In a perfect world, it should be like talking to a person (although most Chatbots aren't there yet).

Chatbots aren't just a way to automate chat conversations – by using advanced programming they can provide meaningful experiences to users.

Chatbot Examples

It is helpful to further understand Chatbots by exploring some examples. You'll quickly see that the potential business application for Chatbots is huge and the opportunity is endless. Chatbots that are well designed provide seamless experiences to customers.

As you can see in the examples below, Chatbots perform best when they solve an actual problem that a user has, or they are built for a specific purpose.

Many businesses use Chatbot to provide a better user experience or a new consumer service that can be experienced better in a chat or voice platform vs. web or mobile app. Many businesses are looking at chat as a substitute for mobile apps – chat can provide a better experience and doesn't require a new application download, so it is easier for customers to use.

Example: Uber

Uber uses Chatbots to make it easier to order a car. While using the app seems easy enough, it involves downloading a specific app and checking in with the app. Using a Chatbot, Uber has made it even easier to order a car right from Facebook Messenger. You can order the car, get updates and even respond as needed.
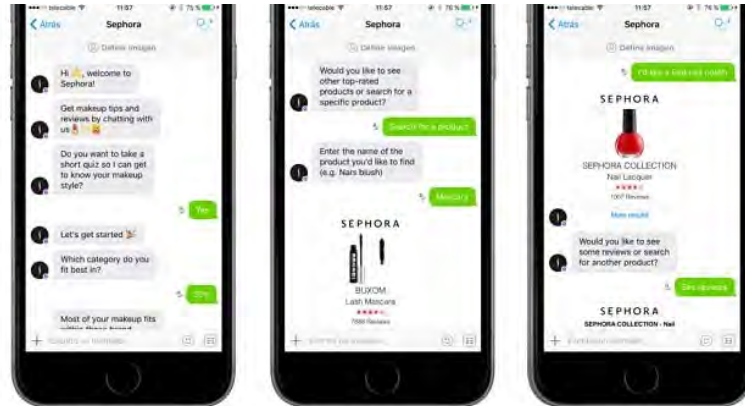
The advantages of the Uber Chatbot are that it is even easier to use vs. the Uber app and it works within Facebook messenger – an app that people are already using.
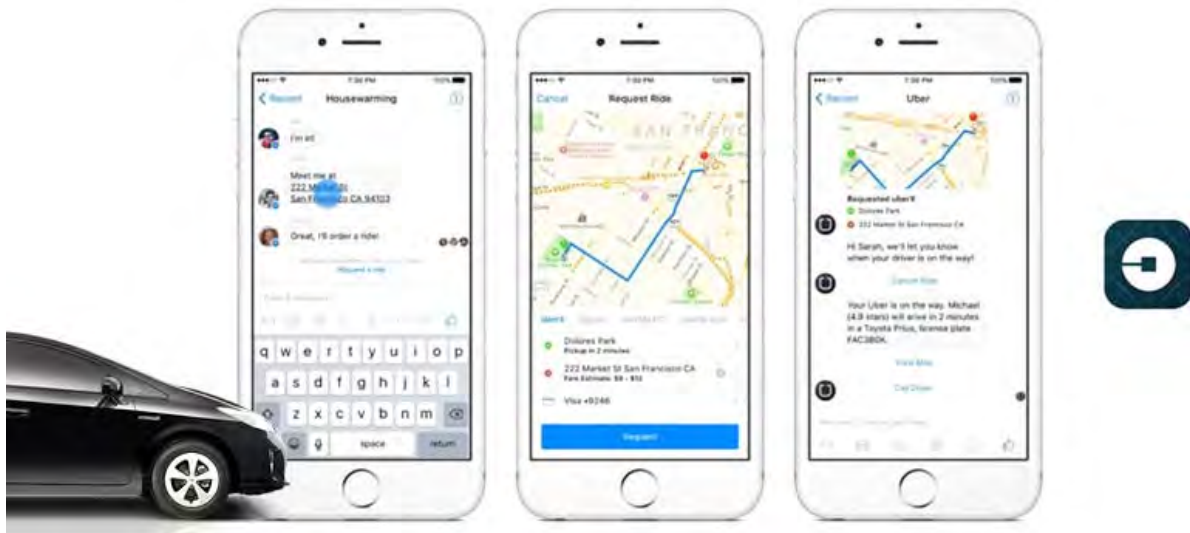
Example: Sephora

Sephora uses Chatbots to create a meaningful makeup buying experience. Sephora is a makeup and beauty retailer that created intelligent Chatbots that are designed to provide beauty consultations. The idea is that by creating smart conversation paths the Sephora Chatbot consultant can discover the products that customers are most likely to be interested in and then makes recommendations.

Recommendations:
The Chatbot is also able to anticipate what a user may want next in order to provide a real service. For example, after showing a product the Chatbot can offer reviews where users can learn more about the product.

The Sephora Chatbot helps users find the products that are right for them creating a seamless e-commerce experience directly in a Messaging App. Users don't have to go to an app or mobile browser – they can find the products they want and get smart recommendations.

Booking Appointments:
Sephora wanted to make its booking experience faster and easier to drive in-store visits. Messenger's conversational interface allows people to initiate a conversation by simply typing in the city in which they want to book a makeover. The bot then shares a list of the Sephora stores in that city. Once the person selects a store, the bot instantly displays available dates and times, allowing people to immediately book a makeover and receive a confirmation email.

The app does much more than just sell products though. In the Chatbot users can:
- Get makeup tips and tricks to discover the latest techniques.
- Book appointments in-store with consultants.
- Use ColorMatch which is an augmented reality program where users can hold the camera up to their face and see how different products will look on them.

Results
- 11% higher booking rate through Sephora Assistant versus other booking channels during the holiday season.
- 5 fewer steps required to book a makeover (three steps with Sephora Assistant versus eight or more with other booking channels).

Example: Absolute Vodka Bartender Promotion Bot

Absolut wanted to redefine how consumers sampled its products while out on the town and reach millennials with its product message at the exact moment of consumption—on their phones, at bars—to ultimately increase trial and purchase. The leading vodka brand used a bot for Messenger to offer consumers a complimentary drink at a local bar of their choice, resulting in campaign performance that exceeded benchmarks by 2X.
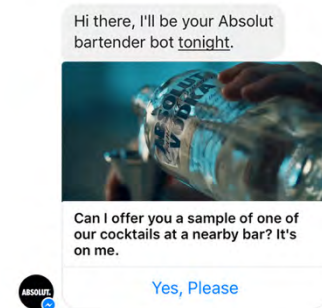
How the Bot Grew an Audience
The Absolut team took advantage of the integration between Facebook News Feed and Messenger and developed a customer pathway that would encourage people to try Absolut at a local bar — and get them home safely.

First, people saw a simple link ad that featured an image of the Absolut bottle and a refreshing drink. Ad copy encouraged people to "Get an Absolut and soda on us," while a Send Message call-to-action button opened the Bartender bot experience in Messenger.

The Bot Experience
In Messenger, the bot offered consumers a complimentary Absolut cocktail and suggested specialty cocktails. Through Absolut's technology marketing platform partner Gratafy, people who engaged with the bot received a code that they could redeem for a complimentary Absolut cocktail of their choice at a local bar or restaurant with Gratafy point-of-sale integration.

After people redeemed the code, Absolut sent them a follow-up message via the Bartender bot with a code for a complimentary safe ride home from ride-sharing app Lyft.

Results
- 4.7X lift in sales.
- 3X faster redemption time with Bartender bot versus mobile web-only experiences.
- 2X greater activation rate than campaign benchmark.
- 1.2X greater redemption rate than campaign benchmark.
- 36% bot engagement rate.
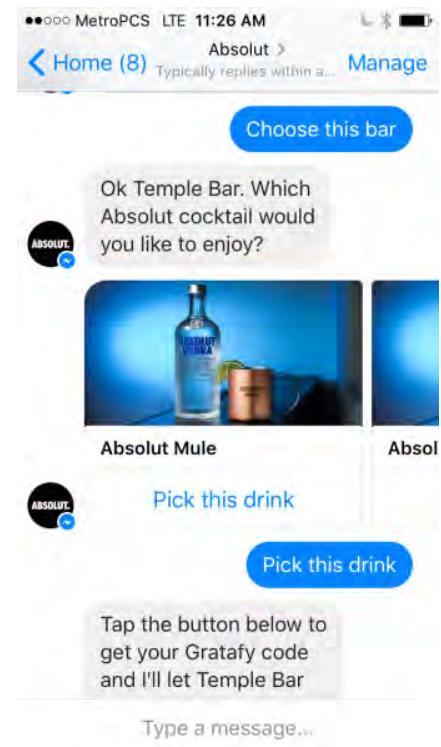
Example: KLM Blue Bot

The KLM bot has a name: Blue Bot. According to KLM, just like the humans who are there to help, Blue Bot is on Messenger and Google Home (with voice activation) waiting to help you out.

BB is still in the early stages, but what makes it unique is that it uses Artificial Intelligence to learn more about you, your needs and preferences, and becomes smarter over time.

Welcome to the family

Meet BB (that's short for Blue Bot), the latest member of our KLM service family. Just like her 250 human colleagues, she's dedicated to provide you with the best possible service. You can meet BB on Messenger and Google Home.

The BB is primarily a customer service and customer experience tool. It aims to make flying with KLM easier and more seamless, and to provide services to make your travel experience more enjoyable.

The KLM Chatbot is available in Facebook Messenger to make booking flights easier. Using natural language and learning about your preferences, BB can help you find and book the flights that are best for you.

This makes it easier and more enjoyable to book flights with KLM. Especially if BB can learn more about what you prioritize in a flight (schedule, price, etc.) and can filter out options to bring you the most relevant results.

> There will be plenty of sunshine in Buenos Aires, so I'd bring my sunglasses if I were you.

The Google Home integration of BB gives you tips to make your trip more enjoyable via voice. For example, it can help you to pack for your upcoming trip and give you tips on what to bring.

If BB isn't able to help you, the chat can easily be handed over to a live agent who can provide you with additional support. In this way you get the best of both worlds – you can easily get basic support via the bot or interact with a person when needed.

This provides a better experience for users and also is more efficient for KLM.

Example: Xiaoice Friend Bot

Xiaoice can be thought of as a "Friend Bot". It doesn't serve a specific purpose or function – it exists to be your friend. Xiaoice (built by Microsoft) that is actually designed just to be your friend – talk to you about the things that are important to you, give you feedback, respond to your daily conversations.

What makes the bot especially interesting is that it learns about you and becomes better over time. This means that if two people made the same comment or posed the same question to Xiaoice, they would each get a different answer.

The other thing that makes this Chatbot interesting is that it uses natural language – and learns from your language. Natural language is part of what makes Chatbots so interesting – you can carry on a "normal" conversation – so it doesn't feel like you are speaking to a robot.

The Chatbot is just designed to be fun – but as you think about the power of this application it could be used in different ways over time.

One interesting observation about this bot is that it doesn't engage in conversation about the Chinese government or topics that are controversial in China, like Tiananmen square.

Other Chatbot Examples

Applications of Chatbots range from helpful to interesting to why would anyone want that?!?!?!? As Chatbots continue to evolve the applications for them will get better as well.

While most of the case studies above showcase how big brands are doing innovative things with Chatbots, small and medium businesses can also quickly and easily launch simple Chatbots with existing integrations.

There are also a number of general applications where Chatbots can be used, for example:
- Scheduling bot – Schedules a meeting with someone automatically by linking their availability to mine.
- News bot
- Weather bot

As you can probably now see, the opportunities with Chatbots are huge, especially as they connect to other software or services like schedulers, customer service, sales and more. As businesses and users get more experienced with Chatbots their usage and experience will also improve over time.
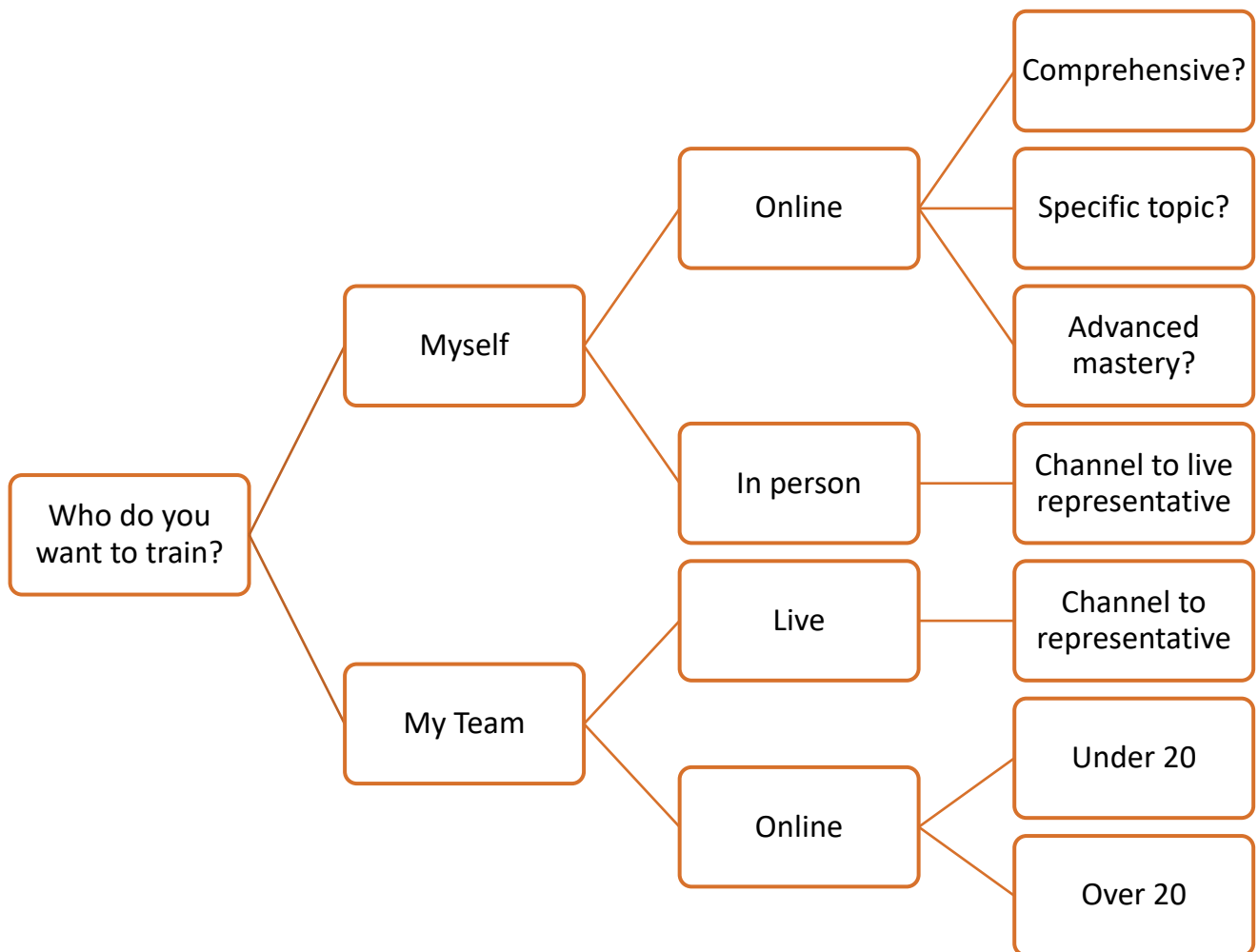
How Do Chatbots Work?

Once you can see the potential of Chatbots, it is helpful to understand how they work. Chatbot complexity can range from simple, guided conversations, to smart AI Chatbots that learn and adapt based on user-behavior.

Simple Chatbots

It is helpful to understand the basics of how Chatbots work. A simple Chatbot can be created easily to use guided choices, similar to a phone tree. With these simple Chatbots all you have to do is setup choices and different outcomes for each choice.

The beginning of your matrix may look something like this:

```
Who do you          Myself          Online          Comprehensive?
want to train?                                       Specific topic?
                                                     Advanced mastery?

                                    In person        Channel to live
                                                     representative

                    My Team         Live            Channel to
                                                     representative

                                    Online          Under 20
                                                     Over 20
```

Then you'll have to turn this into actual questions/text and choose where to send people for answers. Even in simple guided Chatbots you'll want to test whether or not you have obvious and intuitive questions and choices that address the value proposition you are aiming to create.

Complex Chatbots

A more complex Chatbot that uses AI and natural language requires a number of elements to work correctly, and these elements must be optimized on an ongoing basis. Complex Chatbots require "training" where you look at how the Chatbot is performing and "train" it to do better in the future.

Complex Chatbots are made up of a backend, integrations, channels, conversation intelligence, natural language processing and all is controlled through a control panel.
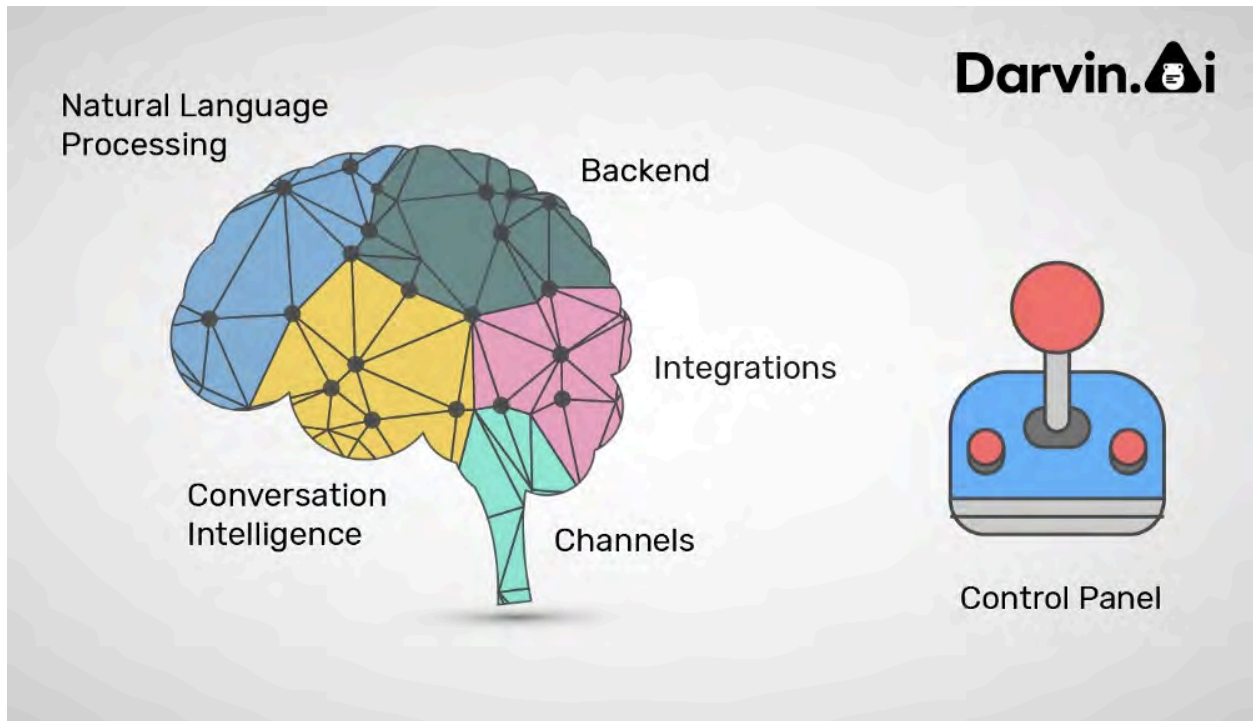
Backend
The backend is the glue that connects all of the pieces and processes it all together. The backend handles messages from the channels, processes them with a natural language processor and holds all of the business logic and integrations that "run" the Chatbot. The backend is basically where everything connects, and your business logic is set so that the Chatbot actually works.

Channels
The Channels are like the frontend of your Chatbot, or where people actually go to interact with your Chatbot. Every channel integration is different in terms of setup and functionality, which will have to be considered. The Channels have to be connected to the backend to send and receive messages. You'll also need to implement Channel-specific user interface like reply buttons, visual cues, etc. to guide your users. Facebook Messenger is an example of a Channel for Chatbots.

Natural Language Processing

If you want your Chatbot to function as a conversation platform where people can answer or ask questions, you'll need a Natural Language Processing service to understand and interpret the language people use.

The Natural Language Processor (NLP) has the job of understanding what people are saying and guiding them to the next step in the Chatbot based on your business logic. Setting up an NLP is straightforward, but then you will have to train it based on actual users. Over time this will make your Chatbot smarter.

For example, if the opening question is "What are you shopping for today?" you may start with Shoes, Shirts, Pants, Jacket, Dress, as your categories. Your NLP will guide a variety of language responses into each category – for example "Shoes" could also include Boots, Sneakers, Heels, etc. As you see how people respond to questions you can grow the logic you use to determine how to handle the answers. You may also find that you need to improve your business logic if responses don't fit into an existing category.

Conversational Intelligence

Conversational Intelligence is the most complex part of a Chatbot and depending on how complex your Chatbot is, this could become a large black hole. Essentially, you have to develop an algorithm for each conversation and simple navigation so that the user can start over if desired. This could be comprised of decision trees, workflows or deep learning algorithms to control the conversation.

This is the most important part of the Chatbot from a user standpoint as this guides the actual interaction that the user has. It may be difficult initially to anticipate what users want and how they will respond to your questions. Over time you can analyze their usage and behavior to improve the Chatbot experience.

Integrations

Integrations are used to connect the Chatbot to other backends. For examples, ordering items or purchasing products requires integration into your e-commerce system. Booking appointments require integration with your appointment system. Integrations connect your Chatbot to other systems that you use.

Control Panel (optional)

Some Chatbots may also have a control panel to support monitoring and actively improving the Chatbot. The control panel would allow you to view conversation history, error logs, users and more. It can also contain analytics to help you understand how your Chatbot is performing.
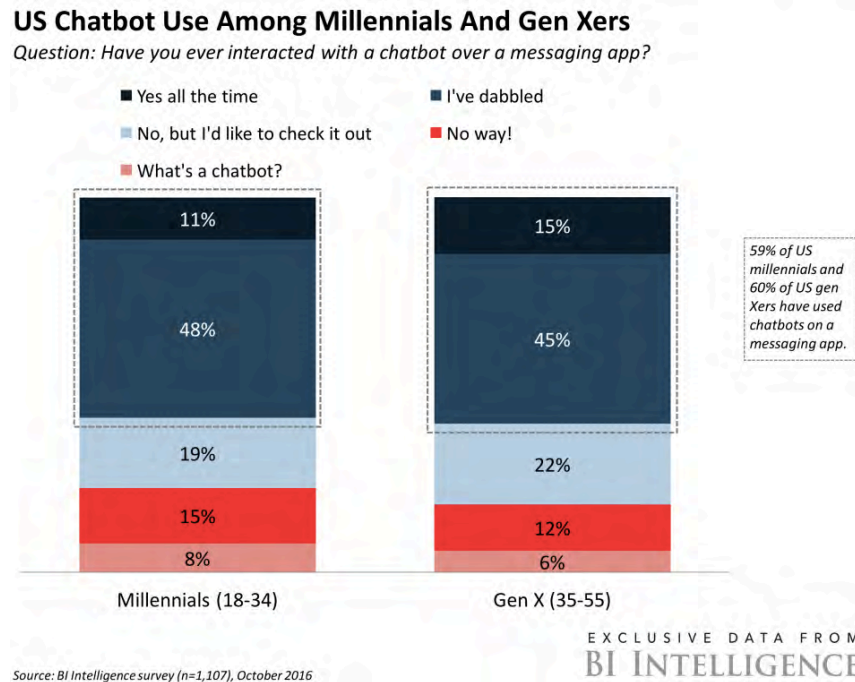
What is the Size of Chatbots?

Chatbots are predicted to grow considerably in the future as messaging platforms grow and become a standard communication channel. Facebook shared a vision for Messenger where Messenger replaces phone numbers, which actually makes sense when you consider all of the things that Chatbots and Messenger platforms can do.

Chatbot Market Estimates

There are many different estimates about the size and growth of Chatbots in the future, and while there are many estimates, what they all have in common is that they all show that the Chatbots market is big and growing.

- Market Size - Chatbots will reach $1.23 billion by 2025 (Grand View Research)
- Growth - 24.3% compounded annual growth rate (CAGR)
- Business use – 80% of businesses use them or plan to by 2020
- People use – 45% of end-users prefer Chatbots over humans for basic customer service

You may be tempted to assume that only young people use Chatbots, however Chatbots have been used heavily by both Millennials and GenX, showing that there is broad penetration across age groups.

US Chatbot Use Among Millennials And Gen Xers
Question: Have you ever interacted with a chatbot over a messaging app?

Legend:
- Yes all the time
- I've dabbled
- No, but I'd like to check it out
- No way!
- What's a chatbot?

Millennials (18-34):
- 11%
- 48%
- 19%
- 15%
- 8%

Gen X (35-55):
- 15%
- 45%
- 22%
- 12%
- 6%

59% of US millennials and 60% of US gen Xers have used chatbots on a messaging app.

Source: BI Intelligence survey (n=1,107), October 2016

EXCLUSIVE DATA FROM
BI INTELLIGENCE

Chatbots are big, they are growing, businesses use them, and people prefer them. These statistics together show that Chatbots are worth paying attention to in the future.

Messaging + Chat is the Future

Most Chatbots run off of messenger platforms (Facebook Messenger, What's App, etc.) and the size of the prize is huge – Messaging apps have eclipsed social networks in popularity. Three of the top 5 biggest social networks are Messaging and in 2015 Messaging overtook social networks in terms of monthly active users.

Messaging Apps Have Surpassed Social Networks
Global monthly active users for the top 4 messaging apps and social networks, in millions
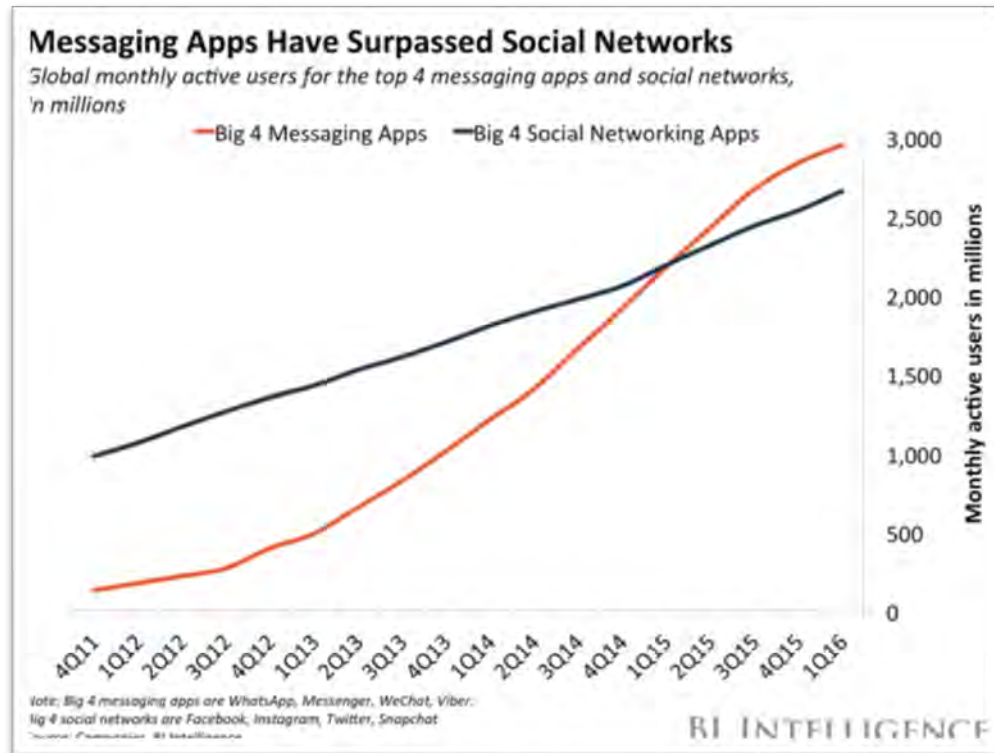
The big networks are all investing in Messenger as the future of communications. The Facebook Messenger platform would be the second largest social network (stand alone) and Facebook also owns the What's App messaging platform that would be the third largest network.

Why is everyone betting on Messenger Apps?

The future of communications probably isn't to have a phone number (that people have to remember and is registered to a specific phone network) and to have a phone network for phone calls and text messaging. Messenger apps always have up-to-date contact information that allows you to instantly connect via text, audio, or video using your data network to whoever you want.

Facebook has said they believe that Messenger will replace traditional phone and text Messaging and are heavily investing in the platform. Google, Apple, Amazon and Facebook are all investing in Voice messaging (Google Home, Amazon Alexa, etc.) as they believe that these communications are the future. Chatbots are built on large and growing platforms, so it makes sense that they will continue to grow in popularity and use.

Why do Businesses Use Chatbots?

Chatbots are still relatively new, but businesses are already finding many interesting ways to use them. Chatbots are a flexible technology that can serve many business purposes. Most Chatbots fall under three categories: Customer Service, a Substitute for an Existing Experience or as a Service.

Customer Service

Many businesses get started with Chatbots as a way to automate some of their customer service. Rather than having your customers navigate your public customer service content (website, discussion forums, documentation, etc.) or contacting you directly (phone, email, live chat) a Chatbot can provide customer service support.

Many businesses interested in using Chatbots will start by looking at their most common customer service inquiries and then determining if a Chatbot can help to answer any of the questions in a more streamlined way.

If you are considering using Chatbots as an alternative for customer service, consider the following questions:
- Do many people ask the same questions?
  - Can you answer most questions with the Bot?
  - Can you use natural language detection?
- Are there standard answers for these questions?
  - Do you have existing customer service "scripts" or Q&As?
- How complex are the answers?
  - Can you provide quick and short answers?
- Do you need to integrate with other systems to answer these questions?
  - For example, checking account balances, passwords, etc.
- Are there usually follow-up questions that are more complex?
- Can you easily create short/simple/intuitive paths for customers?

If the bot isn't able to provide a good customer service experience (at least equal to existing channels) it may not be a good idea to launch it. A Chatbot can work against you if users find it frustrating to use or unable to answer their questions.

Many businesses using Chatbots for customer service will use a combination of Chatbots plus live people to provide a strong customer experience.

Substitute for Existing Experience

More and more businesses are starting to use Chatbots as a substitute for their mobile app, website, or in-person services or functionality. This application varies dramatically for each type of business. The idea is that people already have chat on their phones and they are used to

using it. So instead of downloading and using yet another mobile app they can achieve their goals in chat or via voice.

This is the same rationale for many businesses in being active on other platforms – fish where the fish are and make it easy for them.

The idea here is to use Chatbots as a substitute (or maybe in conjunction with) a mobile app, website or even a live person. Some examples of this include:
- Financial service Chatbots that provide a balance or latest transactions.
- Airline Chatbots that help you find a flight and give you reminders.
- Dentist Chatbots that allow you to book an appointment.
- Car sales Chatbots to help customers find the car they want based on wants and needs.
- Recipe Chatbots help you cook with what is already in your fridge.
- Appointment Chatbots let you book appointments with your stylist.
- Reward and loyalty program Chatbots let you access your balance and other features without visiting and logging in to a website.

The examples above show that Chatbots can be used to replace or enhance an existing service or interaction.

As you consider the services you already provide your customers online, in-person or on mobile devices you may find that Chatbots are a good tool to provide these services better and faster.

Service – Customer Experience

Customer experience Chatbots aim to provide a unique customer experience via Chatbot. These are often more complex and difficult to program vs. simple Chatbots since they usually rely on AI (Artificial Intelligence).

A customer experience Chatbot provides a service to the customer – these often go beyond connecting customers with a product and aim to use the Chatbot to provide a real service to the customer.

For example, a fitness clothing company could use a Chatbot to help their customers find the right workout for them. So, I could share how much time I have and what I want to work on and the Chatbot could send me the link to a relevant workout. The fitness clothing company is providing customized workouts as a service to their customers.

H&M has a fashion stylist Chatbot that will provide customized clothing recommendations based on what you are looking for and your preferences. After answering a variety of questions about your style (colors, fabrics, styles, etc.), the Chatbot recommends customized clothes and outfits.

These Chatbots are often more complex to implement, but they can be a value-added way for companies to connect with their customers. This makes businesses more relevant when they may not naturally be top-of-mind with their customers and can also build brand equity and positioning.

Advantages of Chatbots?

- **Fish where the fish are** – Most people already use Messenger and Voice apps, so Chatbots allow you to become relevant where they already are. The same reason businesses use phones, email and social media because it is easy and convenient for customers, Chatbots exist in high-growth platforms where people already spend their time.
- **Better user experience** – Chatbots can provide a better experience vs. other channels. Reading text can be faster vs. talking to a person and the automation means it can happen any day or time. The experience can be further enhanced by the use of natural language which makes it easier and more natural for people to use the Chatbots.
- **AI and customization** - With AI, the opportunities for Chatbots are HUGE. Consider that a Chatbot can already become your virtual friend (and people actually really like it). Adding in AI means that Chatbots can learn specifically about you and what you want and provide a customized experience.
- **Cost savings** – Chatbots can save costs on customer service, mobile app development, and more. Depending on how you use the Chatbot and what it does for you it can provide cost savings, typically in people costs.

Disadvantages of Chatbots?

- **Creating a better user experience is challenging** – Chatbots can be difficult to use to create meaningful user experiences. While some businesses have had great successes in finding and solving real consumer needs via Chatbots, many businesses have unsuccessfully tried to launch Chatbots but discovered that they weren't able to provide a better consumer experience. Anticipating user needs is difficult and creating a meaningful experience requires a great idea upfront, the ability to map out the consumer paths and a continued effort to optimize.
- **Building on someone else's platform** – A Chatbot "lives" on a third-party platform, for example Facebook Messenger or Google Home. This means that you are at the mercy of the application. They can change the rules at any time – ban your Chatbot, require you to pay to access your audience…. and more. Keep in mind you are building on another platform and you won't have control.
- **Cost may be higher than you think** – Often when businesses look at Chatbots they only look at the cost of the technology platform – the cost to create the bot. The reality is that the creation and running costs are much greater. The biggest cost to create the

Chatbot is the cost of defining and mapping out the user interactions in a meaningful and helpful way. In addition, many businesses don't budget for running costs after they launch.

- **Bad ones can work against you** – A bad Chatbot can hurt your business if people have a bad experience with it. It is important to monitor the performance of your Chatbot and improve it over time so that you know if it is having a positive or negative impact on your customers. A poor consumer experience anywhere, including on a Chatbot can create frustration with your business.

How Do I Create a Chatbot?

A Chatbot can be created easily by using Chatbot software or it can be custom programmed. If you like to get your hands dirty or want to experiment you can try a simple Chatbot to get started and progress into a more complex Chatbot once you have some experience.

Regardless of whether you have a simple or complex Chatbot you should follow the steps to creating a Chatbot to be sure you have thought through the user experience and design.

For a Simple Chatbot

Simple Chatbots can be created on low-cost (or even free) platforms like Chatfuel (www.Chatfuel.com) or ManyChat (www.ManyChat.com). These services allow you to create a Chatbot for Facebook Messenger with simple and intuitive drag and drop technology. There are many similar platforms to these, each with their own unique features and technologies.

These DIY platforms allow you to create a Chatbot yourself in as little as a few hours.

If the functionality of these tools is sufficient to build your Chatbot, you can opt to DIY and build it yourself or you can hire a developer with experience to help you create and manage the bot.

If you want to create a quick proof of concept Chatbot or Minimum Viable Product you may be able to get started with these services before diving in to something more complex and expensive. This may be a low-risk way to test and learn.

A Complex Chatbot

A more complex Chatbot may require things like Artificial Intelligence, Natural Language Understanding and Processing or Integrations with other systems.

These complex Chatbots will require more time, effort, and investment in order to launch and work successfully. Complex Chatbots will typically be custom-coded. You may choose to work with your digital agency who can coordinate all aspects of your Chatbot, or directly work with a Chatbot agency that has experience with creating and optimizing Chatbots.

Steps to Building a Chatbot

Building a Chatbot has five stages: Discovery, Business Objectives, Create, Launch and Optimization. Some businesses get so excited about launching their Chatbot that they don't realize the amount of work and number of steps that go in to creating one.

If you want to create a good Chatbot you'll need to spend time in each of the five stages – this will ensure that your Chatbot is a well-thought out concept and will provide a good consumer experience.

If you are launching a simple Chatbot using standard Chatbot software, you may do an abbreviated version of these steps. Either way you should plan to spend some time and resources in each of these stages.

Once that's set up, keep in mind these key steps for choosing and implementing your Messenger experience:

1. Understand your audience by taking an inventory of the customer needs you want to address with your experience.
2. Determine the business objective you'd like to achieve with Messenger.
3. Create a development strategy and project plan so you can build the right experience for your business.
4. Build your experience.
5. Drive awareness and engagement by encouraging people to communicate with you via Messenger.
6. Adapt an always-on strategy so you can continually improve your experience based on feedback and performance metrics.

Step 1: Discovery & User Value

The discovery stage is where you explore and learn about Chatbots and your customers. It can be helpful to explore and try other Chatbots from your industry to see what is currently out there and evaluate the user experience.

The goal of this stage is to clearly define the user value proposition – what do you want your Chatbot to do and what customer needs does this address?

During this stage you should achieve the following:

- Understand Chatbots and their limitations.
- Determine the user challenges you can solve with Chatbots.
- Explore the real user need for the Chatbot. Is it:
    - Better

- o Faster
- o Easier
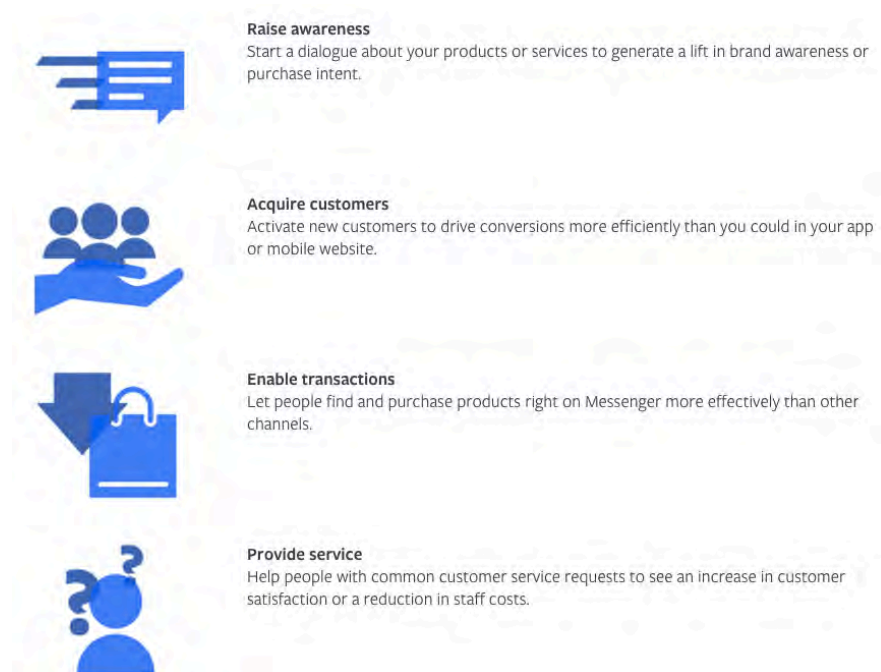- o More relevant
- o Convenient

The starting point for a good Chatbot is tapping into a real user need that is better solved via a Chatbot vs. other solutions.

This is the single most important step as having a relevant and valuable idea of how to use Chatbots will make or break your success.

Step 2: Business Objectives

To justify the investment in a Chatbot, you'll next want to determine the business objectives for your Chatbot. How does the Chatbot provide value to your business?

Consider your business objectives. Messenger bots usually achieve one of the following four business goals:

Raise awareness
Start a dialogue about your products or services to generate a lift in brand awareness or purchase intent.

Acquire customers
Activate new customers to drive conversions more efficiently than you could in your app or mobile website.

Enable transactions
Let people find and purchase products right on Messenger more effectively than other channels.

Provide service
Help people with common customer service requests to see an increase in customer satisfaction or a reduction in staff costs.

Step 3: Creation, Prototyping and Testing

The next step is to create, prototype and test your Chatbot. Creating the Chatbot isn't as simple as choosing the technology platform or assigning a contract. You'll have to carefully map out the different options or pathways that users can take through your Chatbot.

For example, you'll need to anticipate consumer questions or needs and then provide options based on these needs. This is the most challenging part of Chatbot development – designing the user experience. If the user experience isn't relevant and easy people won't use the Chatbot.

You can see in the example below the Chatbot needs to consider the ideal flow and set of options at each stage to be relevant.
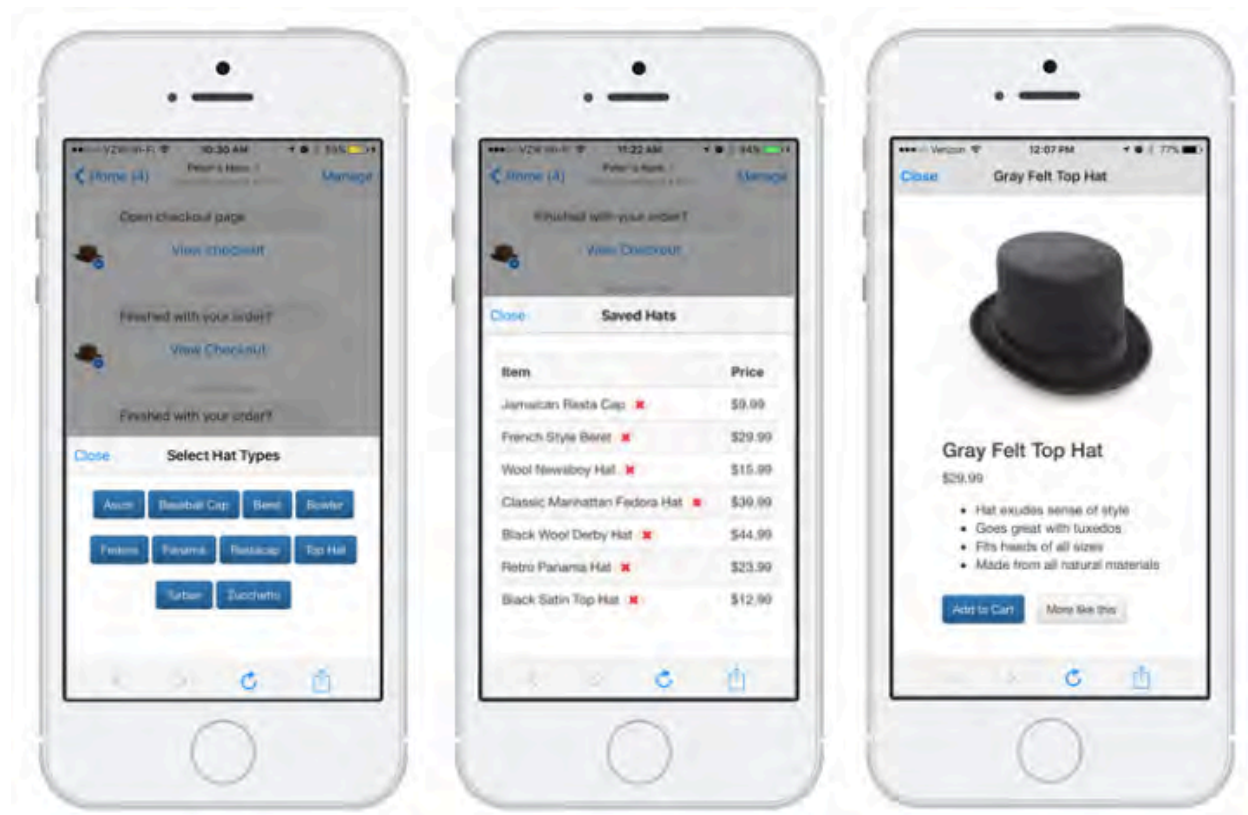
Be sure that you understand your consumers and what they are looking for before building the Chatbot. Then create a prototype and test with real users to determine if you have created an intuitive and valuable experience.

Step 4: Launch & Promote

Once you've created your Chatbot and tested it you can now launch and promote it. Promoting the launch of your Chatbot and driving users to it is a key part of the process. Simply providing a Chatbot doesn't mean that anyone will use it.

It is important to have an ongoing plan to promote and drive traffic to the Chatbot. Many businesses use paid ads (for example Facebook ads) to drive relevant users to their Chatbots. Consider how you can use paid, earned, and owned channels to drive interest in your Chatbot.

Build a promotion plan including:

- Launch PR
- Website promotion
- Social media promotion
- Ads
- Word of mouth
- Social media mentions
- Email potential users
- Have employees use and promote it
- In-store promotions/signage
- Event promotion

Evaluate all of your touchpoints with your target audience and determine which ones you can use to promote your Chatbot at launch and on an ongoing basis. If you have a clear business objective and can easily see the business value it will be easier to justify spending time and money on promoting your Chatbot.

Step 5: Optimize and Train

Launch is only the beginning. As you get more and more users on your Chatbot you will want to continuously optimize and train your Chatbot. Bots built with AI can automatically change and adjust based on user feedback.

As more people use your bot you can make it smarter and more responsive by analyzing the ways that people are already interacting with it.

If you have a more complex Chatbot that leverages AI, the Chatbot should automatically get smarter and more responsive over time. You can "train" your Chatbot to answer questions better as you get more information about how people use it and what they really want.

How Much do Chatbots Cost?

The cost of a Chatbot depends on the complexity of the Chatbot that you want to create. When creating a Chatbot the cost of the technology to power the Chatbot may not be the biggest cost. Often time the biggest cost of Chatbots is the time spent creating the user experience and responses that power the Bot.

- **Setup costs**
  - Consumer journey mapping
  - Technology
  - Mapping paths for questions/answers/interactions
  - Creating/testing/optimizing AI
  - User testing

- o Internal time/resources
- **Launch costs**
  - o Monitoring live launch
  - o Initial promotion
- **Promotion costs**
  - o Media costs
  - o PR
  - o Going promotion
- **Running costs**
  - o Technology costs
  - o Time to manage
  - o Updates
  - o Cost to promote and drive traffic
- **Optimization costs**
  - o Evaluate + improve customer experience

Technology Costs

The back-end or technology costs can vary widely depending on the type of Chatbot that you create. A simple Chatbot can use Chatbot software that already exists and cost as little as a few hundred dollars a month (or even less). A complex Chatbot will be custom coded and may need to integrate with other systems – these can cost hundreds of thousands of dollars.

In evaluating Chatbot costs, there is a large range depending on the complexity and how much custom development you plan to include.

Low-cost limited functionality Chatbot providers can cost as little as $25/month. This could be a good starting point if you want to simply test basic Chatbot functionality.

Custom developed Chatbots generally cost around $40,000+ for technology and programming.

If you want your Chatbot to include AI or connect with other software (ecommerce, loyalty program, etc.) you can expect to pay $250,000+ to develop the Chatbot and integrate your systems.

Keep in mind that these development costs are the technology development. The most challenging part is mapping out the user pathways that people use to interact with your Chatbots.

Should You Use Chatbots?

The challenge with innovative technologies is that as marketers rush to use them (remember QR codes?!?!?!?!), they forget about the customer and consumer.

Clear Customer Benefit
Successfully using any technology, including Chatbots should start with your customer – who will use the Chatbot and why?

- Is there an indication that people want this? Do they already ask us for this on Messenger or other platforms?
- What value is in it for them?
- What do they get out of it?
- Are you solving a problem that exists?
- How does it compare to how they currently solve this problem?
- Does it provide a better experience vs. currently?
- Does the Chatbot solve the problem in a better way vs. the current approach?
- How will people discover your Chatbot?

If you are considering using Chatbots, start by thinking about how the Chatbot will solve a problem for your customer or target audience. The customer experience should guide your decision to launch a Chatbot.

Be sure that your Chatbot has a great value proposition for your audience before you jump in.

A Chatbot shouldn't just exist to market your products – it should have clear value to your audience and a clear purpose to exist.

Clear Business Benefit
Be sure to also consider the business benefit of your Chatbot so that you know that you have a strong value proposition for your organization.

- What business metrics matter to you?
- Do your business metrics match a Chatbot use case?
- What does success look like?
- What KPIs will you measure?
- What are your targets or benchmarks?

Consider Your Investment vs. Impact
Chatbots can be fairly complex to implement, so it is important that you take time to consider the impact of the Chatbot relative to the investment that you'll need to make. For large companies that interact with millions of customers a day, Chatbots can be very impactful if they solve a real problem for their customers.

Investment
Before jumping in to Chatbots, consider the complexity of the bot you want to create and be realistic about the costs.

- Setup costs
- Time to setup (mapping paths, etc.)
- Time to manage
- Optimization costs
- Launch costs
- Promotion costs
- Media costs
- Technology costs
- Running costs
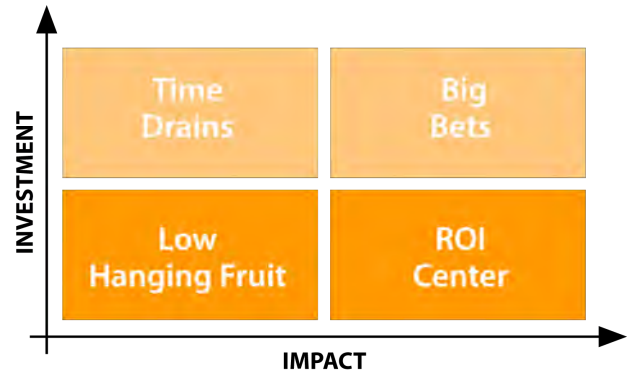
When you look at the investment, also consider if the Chatbot is replacing any costs that you already have. For example, a Chatbot that handles customer service should replace some of your customer service costs.

Impact

Consider the potential impact of the Chatbot. How many people do you expect to actually use it? How will people find out about it? How does it help to meet your business objectives?

Remember that the audience for Chatbots may still be relatively small. Only a segment of your customers are active on Messenger or Voice apps, and only a segment of them will have an interest in using your Chatbot. Be realistic.

For example:
Customer Service Chatbot = # of people contacting customer service today * 50% (assume half are on Messenger) * 5% (assume 5% of those on Messenger use the service).

Customer Experience Chatbot = # of customers * % with this need (20%) * 50% (assume half use Messenger) * 5% (assume 5% penetration of addressable audience).

Your key considerations should include:
- The size of the audience that you are addressing.
- The percentage of that audience that has the specific problem or interest that your Chatbot solves.
- The percentage of your audience on the device you built your Chatbot for.
- Your estimated penetration rate (the percent of people in the audience that you expect will actually use it).

Keep in mind your promotion plan when making the above estimates. If you don't plan to market or promote the Chatbot the audience will be much smaller.

While Chatbots can be fun and interesting to test, be realistic about the impact that it will have and remember that people aren't out there looking for Chatbots – you'll need to provide a real benefit to them and make sure that they know that the Chatbot is an option.