The Changing Dynamics of Customer Engagement

RESEARCH INSIGHTS

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THE CHANGING DYNAMICS OF CUSTOMER ENGAGEMENT

Shifting consumer preferences and technological change demand that marketers find new mediums to personalise user engagement. The Covid-19 pandemic has only added to the urgency of doing so. Being able to provide customers with information on call, 24 hours a day, seven days a week, in an easily accessible format, can significantly increase interest and engagement, and eventually shape purchase behaviour. Conversational marketing (CM) enables brands to provide a customised experience that was formerly assumed to be limited to in-person interactions. Such practices are most deeply established in the e-Commerce, financial-services and food-delivery sectors but going forward, and increasingly, they are now becoming common in traditional industries such as healthcare, travel, hospitality amongst others. This paper highlights how CM has evolved and how it can be leveraged by businesses of all types.

THE FUTURE IS CONVERSATIONAL MARKETING

CM can be a highly effective, dialogue-driven approach to marketing that allows brands to engage with consumers, at every stage of the customer journey:

Nokia introduced incoming message notifications in 1999

- **Pre-purchase**: promoting products through catchy notifications, pop-ups and GIFs. A WhatsApp campaign by **OuterWhere** begins by introducing the first day of fall and informing customers that there is a 25% discount on sweaters and jackets. When customers accept the promo code, OuterWhere takes them to the website, allowing them to buy the item(s) after automatically applying the promo code. This creates urgency and reduces decision conflict.
- **Purchase**: Given the tendency of customers to jump brands, most businesses seek to avoid 'cart abandonment' (i.e. leaving a selected item un-purchased). To counter this, some gauge the strength of a consumer's interest in their products, and then, when the person appears ready to check out, offer them a code for free shipping. AI conversational platform Yellow.ai saw a 25% reduction in cart abandonment and faster conversions.
- **Post-purchase**: At this stage, CM allows customers to give feedback, receive delivery tracking information or invoices, etc. **RedBus** has an AI-driven WhatsApp bot that sends ticket confirmation messages and helps process cancellations and refunds using a one-click mechanism.
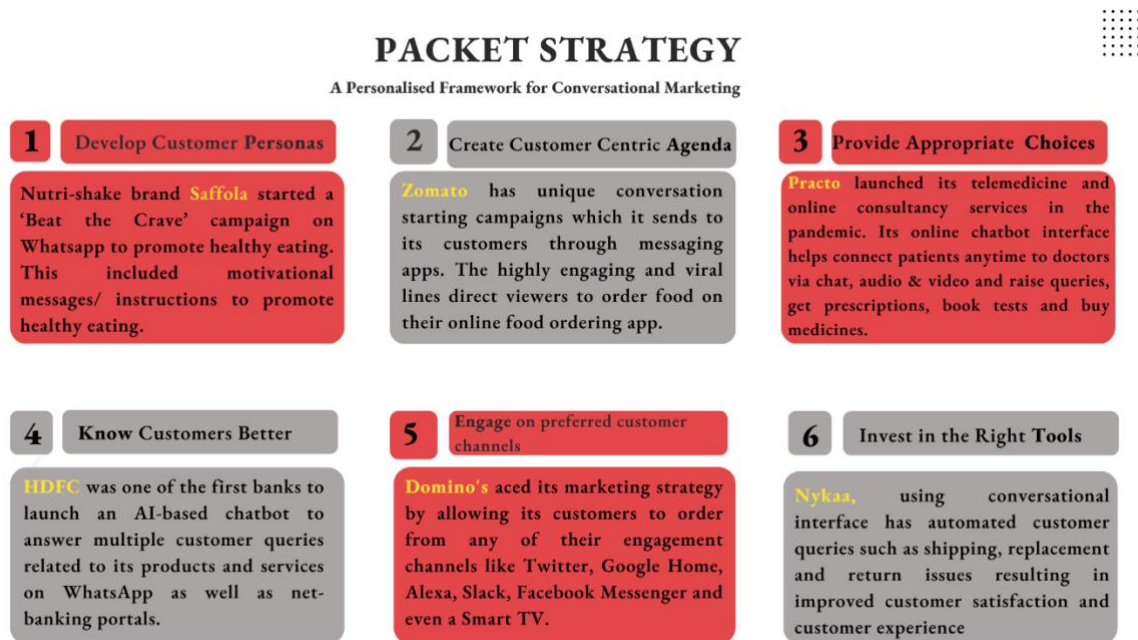
A key tenet of CM is to engage the customer in meaningful two-way communication, i.e., in a *conversation*. One-way channels are most effective in cases where a response is unnecessary – such as order, shipping and delivery confirmations. Two-way channels work better for special announcements, such as product launches, events and promotions or for conversations that may necessitate a follow-up conversation, such as for shipping and delivery confirmations. CM leverages real-time communication to provide customers with a more authentic experience and enhanced value.

Conversational marketing focuses on two-way communication

In a CM framework, customers can use chat services to find a product, obtain product details, solve technical issues during the purchase process and even make a purchase – all without dialling a number, sending out an email or completing a form. In order to

make this experience more personalised, brands can use a PACKET strategy as illustrated below:

PACKET STRATEGY
A Personalised Framework for Conversational Marketing

1 Develop Customer Personas
Nutri-shake brand Saffola started a 'Beat the Crave' campaign on Whatsapp to promote healthy eating. This included motivational messages/ instructions to promote healthy eating.

2 Create Customer Centric Agenda
Zomato has unique conversation starting campaigns which it sends to its customers through messaging apps. The highly engaging and viral lines direct viewers to order food on their online food ordering app.

3 Provide Appropriate Choices
Practo launched its telemedicine and online consultancy services in the pandemic. Its online chatbot interface helps connect patients anytime to doctors via chat, audio & video and raise queries, get prescriptions, book tests and buy medicines.

4 Know Customers Better
HDFC was one of the first banks to launch an AI-based chatbot to answer multiple customer queries related to its products and services on WhatsApp as well as net-banking portals.

5 Engage on preferred customer channels
Domino's aced its marketing strategy by allowing its customers to order from any of their engagement channels like Twitter, Google Home, Alexa, Slack, Facebook Messenger and even a Smart TV.

6 Invest in the Right Tools
Nykaa, using conversational interface has automated customer queries such as shipping, replacement and return issues resulting in improved customer satisfaction and customer experience

MEDIUMS OF CONVERSATIONAL MARKETING

Leveraging multiple channels, CM enables brands to engage their audiences in one-on-one conversations. Voice and email remain critically important, but going forward, mobile-based solutions will increasingly be at the fore:

SMS: Studies find that SMS open- and response rates can reach 98% and 45%, respectively. SMS marketing is a simple yet effective strategy because it reaches every cell phone without extra effort, is crisis-proof and is easy to integrate. It does not require people to download an app, navigate a website to find a form, or even to connect to the Internet. Customers want to feel special and personalisation helps achieve this. **Myntra** personalises its SMSs with the customer's name, offering limited-time cashbacks and free shipping on festive occasions.

SMSs can have an open rate of as high as 98%

WhatsApp: WhatsApp has 2 billion daily active users and is available in 60 languages in 180 countries. It enables business owners to create an in-app store by providing details on products, pricing, opening hours, physical location, website links and contact information. Aside from a business profile and product catalogue, users can set up quick replies and broadcast messages (up to 256 at a time). This puts potential customers at the tip of one's fingers. **Unilever** used Whatsapp to launch its new fabric softener brand, 'Comfort'. When interested customers called the number, a chatbot called 'MadameBot' gave them tips on how to care for their clothes and introduced them to the new product through multimedia. Customers received a 50% discount on the new products as well as free shipping at the end of the chat.

WhatsApp messages have a 44% conversion rate and result in 20% cost saving due to reduction in call-centre call volumes

GBM: Google Business Messaging allows businesses to send and receive messages from Google Search and Maps to their Google
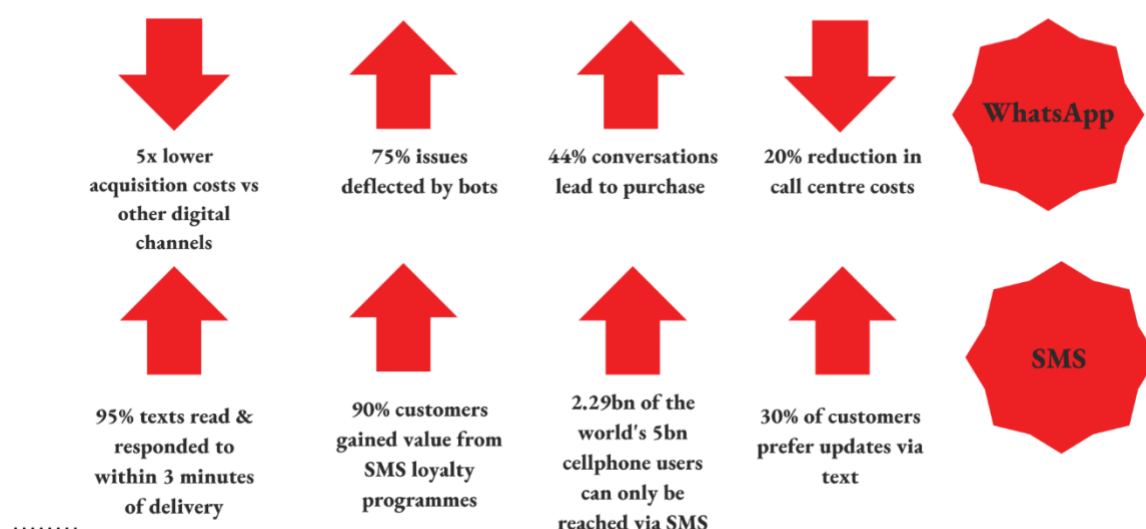
GBM is a unique marketing

My Business listings. Customers can ask questions or express concerns in a quick and easy manner, resulting in a better purchase experience. With store hours impacted by the pandemic, **Levi's** required 24-hour service to accommodate after-hours shoppers. Customers could communicate with Levi's through Google Business Messages without visiting the website, going to a store or making a phone call.

RCS: Rich Communication Services (RCS) is a reinvented SMS protocol that takes text messaging to a new level but is currently available only on Android devices. It offers users a plethora of rich features, such as the ability to view images, videos and GIFs, share locations, conduct transactions and redeem offers. Users can experiment with these features in a completely secure environment, which also helps build brand loyalty. **Pizza Hut** first deployed RCS campaigns in 2018. Customers were sent promotional messages via SMS (plain text) and RCS (which supports images, carousels, barcodes, video, etc). It sent 64,000 messages and discovered that click-throughs to RCS were 37% higher than those via SMS

Business success metrics for text based marketing

5x lower acquisition costs vs other digital channels	75% issues deflected by bots	44% conversations lead to purchase	20% reduction in call centre costs	**WhatsApp**
95% texts read & responded to within 3 minutes of delivery	90% customers gained value from SMS loyalty programmes	2.29bn of the world's 5bn cellphone users can only be reached via SMS	30% of customers prefer updates via text	**SMS**

Source: Various marketing reports

BEST PRACTICES IN CM

Conversational marketing helps develop an immediate connection between the brand and the customer by engaging the latter's attention and encouraging two-way communication. As with anything, there are some 'dos' and 'don'ts' worth noting while implementing a CM strategy:

Analyse quicker: A Harvard Business Review study found that companies should respond within five minutes of the initial contact to have the best chance of converting a lead. **Doubtnut**, an educational platform provider, has created a WhatsApp chatbot to provide a seamless experience for students. Users send their questions and receive links to solution videos in 11 different languages in less than 10 seconds. The chatbot has a 95% user satisfaction rate, which has increased the number of daily users by 224%.

Make better use of data and analytics: Making the right decisions begins with having the right information. **Behr Paint** uses AI to engage customers in real-time, one-on-one conversations, enabling it to provide personalised paint-colour recommendations to thousands of customers.

Personalise the customer experience: When responding to questions about the brand, a personalised advertising solution takes user data into account. During the pandemic, theme parks saw a significant drop in attendance. During this time, the **Lord of the Legends** Park built a CM platform that helped win back business. To enhance its in-park experience, it added a web widget to the website, and AI-backed CM handled more than 85% of customer inquiries. Conversion rates increased by 25% and response time decreased by 70%.

One-on-one interactions strengthen the consumer's relationship with the brand

Focus on customer interactions: The primary distinction between CM and traditional approaches is its ability to engage the customer in a natural dialogue. These conversations make users feel more at ease and provide a medium to gain consumer insights. In 2014, **General Motors** had to recall a large number of vehicles because of an ignition-switch failure. GM was open about the problem and took ownership for it, raising the bar for customer service and experience along the way. Instead of letting AI handle the complaints, it ensured that enough 'live' customer service representatives were available to handle individual complaints and offer on-the-spot solutions.

Conversational marketing differs from traditional in customer engagement

Keep it short: Most people who interact with brands are looking for a solution to a problem. It is ideal to stick to the problem at hand and keep the conversation short. Online flower retailer **1-800-Flowers** uses chatbots on Facebook Messenger to communicate with customers. All that is required is to initiate contact with the chatbot, make a choice, and then get directed to the payments page with a single click. The chatbot now accounts for 70% of all orders.

Stick to the problem and keep it short!

Reward your customers: Consumers expect to be rewarded for the time and attention they commit to the brand. Some common examples of rewards include discount coupons, free shipping, etc. **Starbucks** engages with customers via its app as well as through two-way SMSs. It has a strong loyalty programme globally, and enables users to activate offers through text.

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*The contents of this paper are based on IMA India's in-house research, supplemented with insights provided by conversational marketing specialist, **Exotel**. The paper is meant for the exclusive consumption of IMA's Peer Group Forum members and may not be copied, shared or distributed without explicit permission. This paper is available on the Knowledge Centre of the IMA website as well as on the IMA app (which can be downloaded from the Google Playstore and Apple Appstore). Additionally, a podcast version is available here and can be heard on the podcast platform of your choice. IMA Forum members may log in using their personalised website access codes.*