



Automating personalized customer conversations with AI

3 practical use cases for better
one-to-one engagement

HTK

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INTRODUCTION

The personalization disconnect



Direct conversations with your company *should* be one of the most personalized experiences a customer has.

Whether it's a support inquiry, an order confirmation email or a request for feedback, it's one of the few times they're truly being addressed as a "segment of one".

But often, these interactions are the *least* personal. Standardized and dull, they do little to make a customer feel valued or cared for.

So what's getting in the way? For most companies, the issue is less about their strategy or commitment to customer experience, and more about how well they use customer data to make decisions on an individual level.

Imagine a customer reaches out via your business's support email with an inquiry. To respond in a

personalized way, you'd want to know things like:

- basic demographic information
- how long they've been a customer
- what they last purchased and when
- whether they've contacted you before and how recently
- how valuable they are to your business

With that information to hand, you could make well-informed decisions about how to best serve the customer. For example, if they were a first-time buyer with a high predicted value, you'd want to go the extra mile in making up for a bad experience.

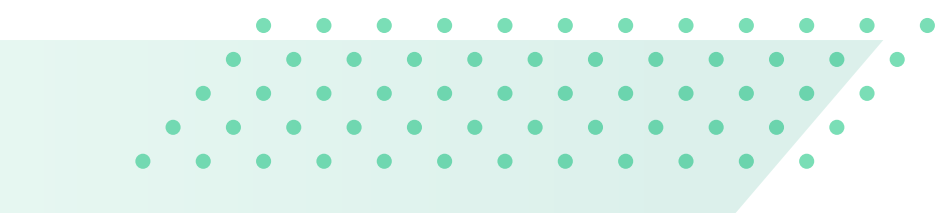
A human with access to the right data could make that decision quite easily. But most of the time, customer service agents don't have access to the right data, aren't



49%

of consumers switched brands because they felt unappreciated — the most common reason for leaving.¹

1. "The \$62 Billion Customer Service Scared Away", New Voice Media, 2019.



empowered to make those decisions or simply don't have time to serve customers at such a personalized level.

Instead, the customer's first interaction is often with an automated system or a canned response. Then, if the problem isn't solved, they get escalated to a live person - who often has little information on the customer's history or the reason for their inquiry.

This can lead to greater friction in the conversation — increasing the time it takes to serve a customer and making the interaction feel far less personal.

Over time, experiences like this erode brand loyalty and cause customers to shop around.

Making interactions smarter

The good news — for brands and customers — is that things don't have to stay this way.

With ongoing developments in AI and machine learning, even trans-

actional conversations can become much more personalized.

Machine learning algorithms can process thousands of data points at speed, which means they're great at drawing out insights, making decisions and predicting outcomes — just the sort of thing you need to serve customers individually, at scale.

But knowing that AI can help is only half the battle. The bigger challenge is scoping out exactly what problem(s) you want it to solve.

At the very start of your project, it's important to define what tasks you want to streamline with AI and what experiences you want to create for the customer.

If your objective is to personalize one-to-one conversations, what does that look like in your business?

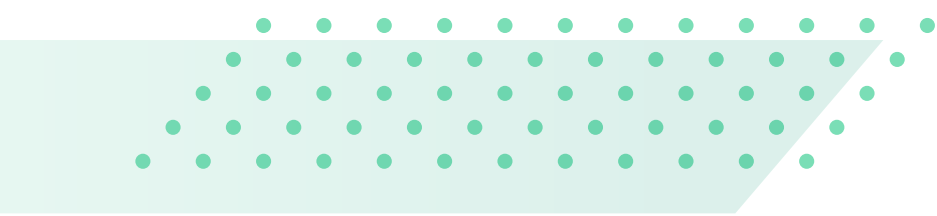
Defining your use cases

Ideally, you'll want to start with two or three use cases — specific



62%
of UK consumers left
a brand due to poor
customer service.²

2. "2018 State of Global Customer Service Report," Microsoft, 2018.



scenarios where AI could come in handy. These will form the scope of your initial project.

At this stage, you don't need to map out every detail of the interaction, but there are a few questions you should be aiming to answer:

- What channels will you use?
- What specific problem are you solving for customers?
- What data will you need?
- What are the benefits of using AI over the current approach (for the customer and for the business)?

Answering these questions will help you ensure that your project has a reasonable scope, that you have the data you need to pull it off, and that you're creating value — not just implementing AI for the sake of it.

To help you get started — and show you what's possible — we've written up three simple use cases.

Each one focuses on a different aspect of one-to-one conversation where AI could add value and create a more personalized experience. You'll also find a few key takeaways following each scenario.

Feel free to copy them or use them as inspiration for your own unique use cases — either way, we hope they'll help you envision a more personalized future for your customer conversations.



USE CASE 1

Handling feedback after an in-store return

Objective:

Collect customer feedback after a potentially negative experience. Show that the brand cares about any issues the customer may have had and proactively seek an opportunity to make things right.

Scenario:

For our first example, let's look at Lisa, a customer of a high-street fashion retailer. She's just been in-store to return a dress because the zipper broke on the first wear.

The store associate was pleasant but the shop was busy, so Lisa's return was processed quickly with little time for personal attention. The associate did, however, record the reason for the return against Lisa's customer record, noting it as a "defective item".

Now suppose the retailer uses AI and automation to follow up with all customers who have made a return. Things like the reason for the return, the customer's tenure with the business and their pre-

dicted lifetime value all affect the messages that are sent and the way the interaction is handled.

Because the reason for Lisa's return implies that the brand or product is at fault, she receives a text apologizing for the issue and asking if everything was resolved to her satisfaction.

Lisa responds that she was satisfied with the refund she was given, but still disappointed about the quality of the dress.

According to data in Lisa's customer record, she's a first-time buyer, so she has little brand loyalty built up. Based on the purchase she's made, as well as other behavior



70%

of consumers had a more favorable view of brands that reached out proactively with service notifications.³

(like her clicks in emails or on the brand's website), her predicted lifetime value is high. And her overall sentiment is leaning more negative than positive.

Based on all this information, the retailer's AI decides that the next best message for Lisa is one that will help re-establish her trust in the brand and encourage her to give them another chance.

So it triggers a follow-up message, apologizing again for the issue with the dress and offering Lisa 20% off her next purchase.

Key takeaways

Most one-to-one interactions between a brand and a customer are customer-initiated. Unless it's a transactional email (like an order confirmation or a follow-up after an online order), the customer is usually the one to reach out first.

But there's something quite valuable in proactively reaching out to

the customer, especially after a potentially poor experience like a return. This simple act of recognition and response makes them feel appreciated and cared for.

It's also an opportunity to restore trust and loyalty if something has gone wrong. In this example, the retailer responds to Lisa's poor product experience with a gesture that's proportionate to her long-term value.

Because this gesture is based on data — Lisa's behavior, interests and even similarities to other customers — the brand can be sure they're investing well in the right people, rather than encouraging a culture of discount-dependency and low expectations.

Altogether, it turns a potentially trust-breaking experience into a loyalty building moment.

3. "2018 State of Global Customer Service Report," Microsoft, 2018.



USE CASE 2

Ensuring a high-value customer has a smooth experience

Objective:

Ensure that a high-value customer has their problem addressed quickly and with as little friction as possible, to ensure that the overall relationship is not damaged.

Scenario:

Let's imagine a customer, John, has just bought a pair of high-end headphones from an online retailer. His order doesn't arrive on the expected date, so he reaches out to the retailer via SMS to ask where it is.

Because it's a simple query, this initial interaction is handled by the retailer's chatbot, which tells John that his package has been delayed at the warehouse and should be shipping out that day.

Two days later, however, John still hasn't received confirmation that his order has been dispatched. So he sends the brand another, more frustrated message.

Because the retailer is using AI to

manage incoming inquiries, they're able to identify John via his phone number straightaway.

That allows the AI to access John's customer record, which includes key information — like the fact that he's a high-value customer and is contacting the brand for the second time in three days.

This data, combined with the fact that the sentiment of John's message is negative, leads the algorithm to decide that this is a high-priority inquiry.

As a result, John bypasses the chatbot altogether and is directed straight to a live customer service agent.



76%

of customers expect the service rep to know their contact, product and service history.⁴

John's customer record is updated simultaneously, providing the agent with additional context about his relationship with the brand, as well as the content of his previous messages with the chatbot.

That means the agent can better understand why John is upset and take appropriate action to make it right. She's able to assist him quickly and in a personalized way, without him having to explain the issue all over again.

Key takeaways

One of the most impactful applications of AI involves recognizing high-value customers automatically and using this information to serve them in a way that acknowledges their relationship with your brand.

Even this can be broad though, so it may be wise to start with a more specific task — in this case, spotting when a valuable customer like

John is having a poor experience and acting quickly to rectify it.

Passing on contextual information to support agents reduces frustration for the customer and equips agents to handle a conversation more effectively, especially when it involves a customer you really don't want to lose.

And enabling the customer to bypass automated systems and speak directly to a live person conveys the message that they're previous relationship with the brand is valued — that they're more than a number in a call queue.

4. "2018 State of Global Customer Service Report," Microsoft, 2018.



USE CASE 3

Following up an interaction with the right message

Objective:

Show a customer that their previous history with the brand is remembered and appreciated. Open up an opportunity to add further value to the relationship.

Scenario:

For our final example, let's look at Hannah, a repeat customer of an online beauty retailer.

After placing an order, she realizes that she's entered her old address into the shipping field. So she reaches out to the retailer through their on-site chat to get the order details changed.

Her query is resolved quickly and successfully, and the sentiment of her messages is positive. The retailer is using AI to analyze their chatbot conversations and trigger appropriate follow-up messages.

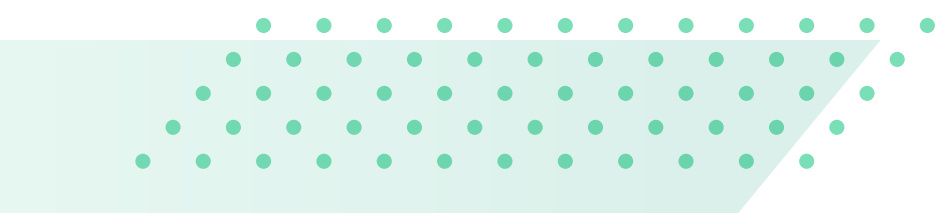
Because Hannah has purchased previously, has never left a review

and is feeling positively about the brand, the AI selects a follow-up message asking how she's getting on with the eyeshadow palette she'd previously purchased.

Hannah replies that she's very happy with the palette and particularly loves how vibrant the colors are.

Based on the positive sentiment of this message, a final message is triggered to ask Hannah whether she'd be up for leaving a review, along with a link to do so.

Hannah clicks through to the product page from the chat window and leaves a positive review under her account name.



Later that day, she gets a follow-up message by SMS, just to say thanks for her positive feedback.

Key takeaways

AI doesn't just shine when dealing with customer complaints or issues — it's also a great way to build on a customer's positive frame of mind.

Sentiment analysis can help brands understand when a customer is feeling particularly happy and capitalize on this moment to drive value — in this case, by capturing a review.

Showing the customer that your brand remembers and cares about their previous purchases builds loyalty and trust, and adds value for the customer by allowing them to share their feedback, positive or negative.

It's also important to note that AI is used throughout the interaction, to continuously determine the next best response.

In this example, had Hannah replied that she was dissatisfied with her previous purchase — expressing a negative sentiment — the AI could instead have passed this feedback onto the customer care team for follow-up and refrained from asking for a review at all.



49%

of customers said that being asked for feedback by a brand made them feel valued.⁵

5. "Consumer Census 2019," Ometria, 2019.



CONCLUSION

Starting the journey towards personalized conversations

AI has great potential to transform the current landscape of customer service and one-to-one engagement.

By enabling brands to analyze and act on customer data in real-time, conversations can become much more personalized — whether they involve a live agent, automation or a combination of the two.

The key is to start with two or three simple, contained and measurable use cases. This will help your project stay manageable — and allows you to learn what works, what data and tech you need, and how AI best augments your team.

As you map out your use cases (whether you borrow ours or simply use them as inspiration), the most important thing to keep in mind is value. *How will AI help you serve each customer faster, in a more personalized way?*

Ultimately, any personalization or automation you implement should make your customers feel pleased, valued and cared for.


That means showing them they're appreciated, using what you know about them to help them and being proactive in making things right.

Whether you're confirming a purchase, following up on feedback or solving a product issue, the focus should always be on creating value — first for the customer, and then (as a result) for the business.

Personalized, relevant and helpful experiences are what "put smiles on faces and money in the till" — even when the conversation starts on a difficult note.

If you're looking for software that can support these use cases (or others), check out [Horizon CXFlow](#).

6. "Experience Index: 2019 Digital Trends," Adobe & Econsultancy, 2019.



2x
CX leaders are twice as likely to be using AI in their organizations, vs those who are less advanced.⁶



About HTK

HTK provides cloud software that helps businesses increase customer value through two-way engagement, insight-driven promotions and personalized loyalty.

Our Horizon Loyalty & CX Cloud has rich customer insight baked in, making it easy to deliver individualized experiences on any channel — no data scientists needed.

By packaging the latest ML and AI technologies within financially proven use-cases, HTK enables brands to deliver industry-leading marketing, sales and service experiences at every customer touchpoint.



www.htk.co.uk



+44 (0)870 600 2311



hello@htk.co.uk

HTK, Ltd.
Chapmans Warehouse
Wherry Quay
Ipswich
IP4 1AS