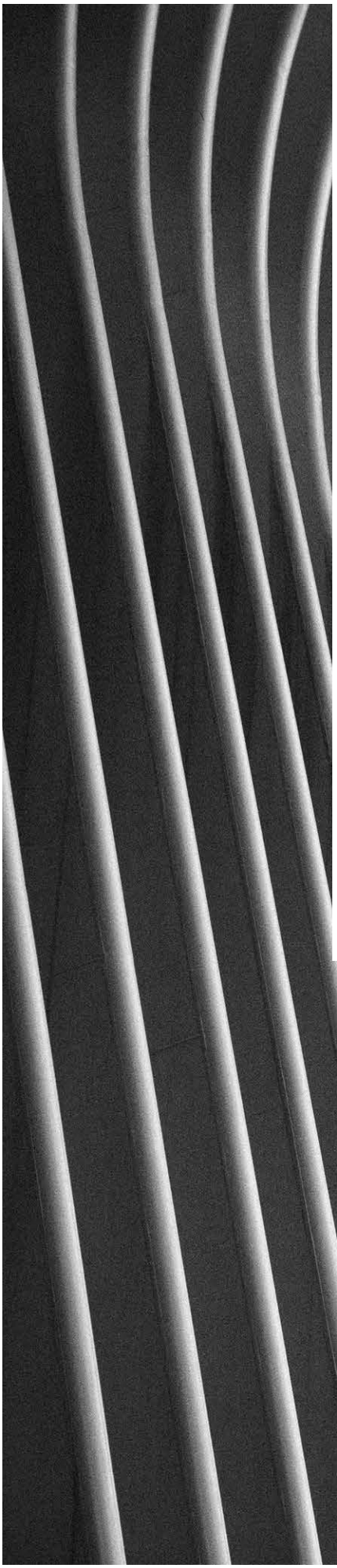

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State Of The Conversational AI Market In ANZ

AUTHORED BY

Audrey William

Principal Advisor

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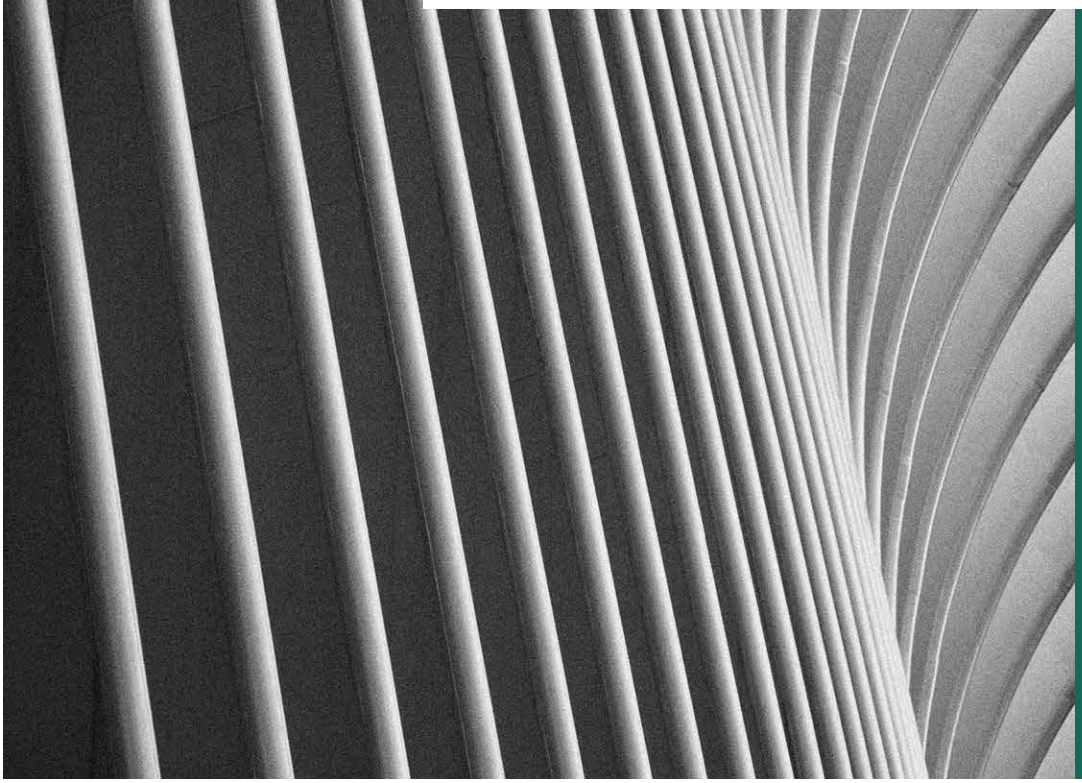

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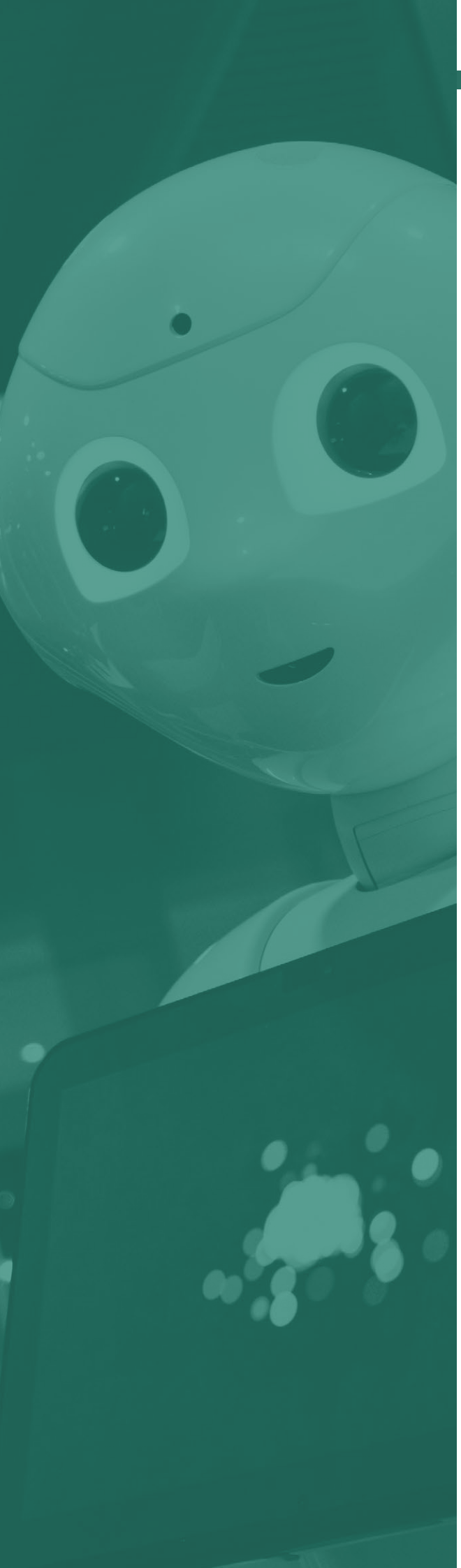


The Confusion in the AI Market

Customer experience (CX) decision-makers in Australia and New Zealand are being forced to re-evaluate their entire CX strategy to remove the inefficiencies in their current processes.

They are waking up to the need to automate repetitive tasks and queries; to analyse the data to help make time-sensitive decisions; and to use automation to improve operational efficiency. Ecosystm research finds that 48% of CX decision-makers in ANZ are planning to deploy Conversational AI in the next 12 months. The pressure to reduce costs, and CX inefficiencies - and ultimately to drive up self-service - is becoming important.

As organisations look to empower consumers with alternative channels of communication and engagement, there will be a greater adoption of Conversational AI. The biggest challenge lies in getting the deployment right from the start. There are many vendors that are promoting their offerings around Conversational AI, and some enterprises that have rushed to invest have been disappointed with the outcome - no improvement in CX but at a higher cost. Organisations need to evaluate the entire design framework, plan where AI fits into the enterprise's overall CX vision and understand what constitutes Conversational AI.

This whitepaper outlines the definition of Conversational AI and what tech buyers need to consider before embarking on a Conversational AI deployment. The data used in this paper is from the global Ecosystm CX and AI studies, that are live and can be accessed on the Ecosystm platform.

Do Enterprises Understand What Conversational AI Means?

Bots and Conversational AI are defined in multiple ways by vendors. This has not only been confusing, but also hindered enterprises in achieving excellence in CX.

There are distinct differences between the two and it is important for a CX decision-makers to understand the complexities around the deployment of Conversational AI. A poorly planned deployment without looking at the depth of the components that comprise the solution is likely to result in poor outcomes. Enterprises are now looking to move away from basic one-dimensional chatbots to building truly conversational interfaces across all channels.

Basic chatbots can handle routine unauthenticated enquiries - for instance FAQs, information requests and provision of marketing material or appointment scheduling. As soon as the user asks a question that is out of the learned set of knowledge, these chatbots are unable to handle the queries, often repeating the same set of responses. Customers may find these solutions frustrating and they seldom succeed in resolving the customer enquiry; failing to reduce the load or the inbound traffic in contact centres; or improving customer experience.

Conversational AI is an intelligent means of creating an artificial digital or voice conversation between a customer and an enterprise regardless of touchpoint or channel.

Conversational AI uses natural language algorithms, machine learning technologies, and is supported by state-of-the-art conversational tools. They are designed by experienced user interface and content creation professionals who focus on creating truly conversational experiences. A full suite of open APIs is also necessary to support integration to back-end systems to retrieve customer history and context.

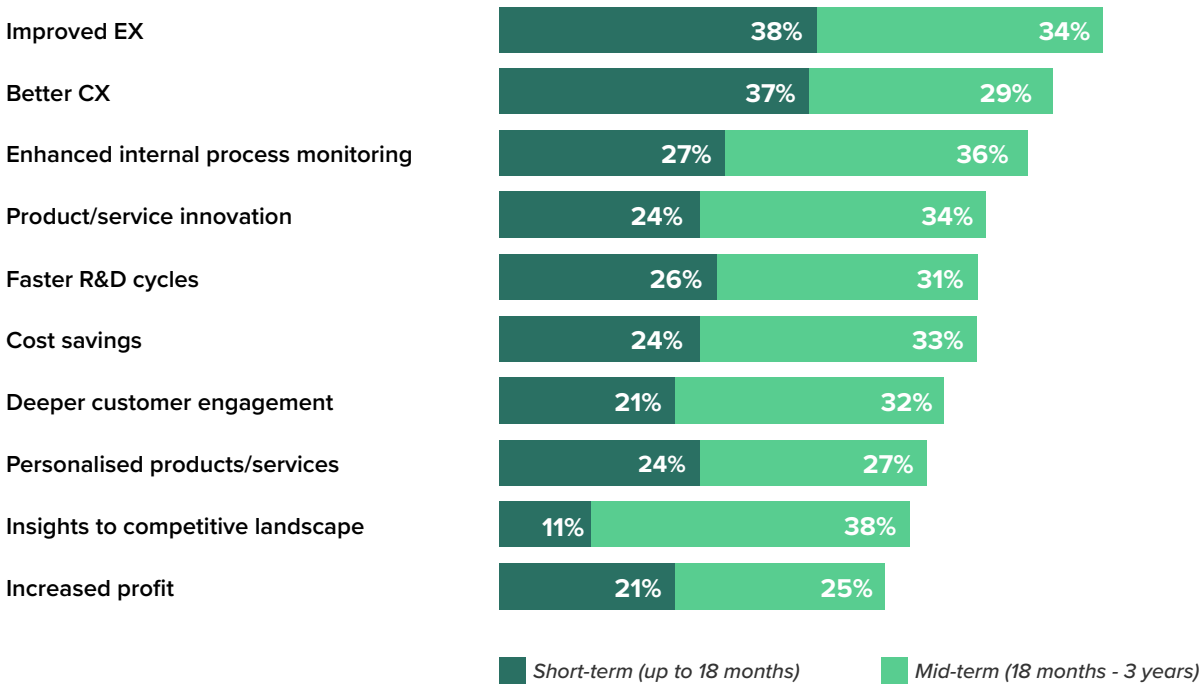
Customers expect your company to leverage what you know about them in the dialogues they have with the Conversational AI solution. A successful solution should start with being able to identify and authenticate the customer's identity and using a design which is agnostic of the channel or touchpoint used. There must be a mechanism to measure and monitor the conversations and the outcomes. This analysis should form a feedback loop to continue to train the Conversational AI solution and evolve its capabilities. The aspect of building conversational interfaces must not be taken lightly. There are not many vendors that provide a robust Conversational AI solution.

What are the Key Benefits of AI Adoption?

Organisations are trying to incorporate AI in their existing processes for cost-effectiveness, deeper customer engagement, to provide personalised services, and for process redesign or automation.

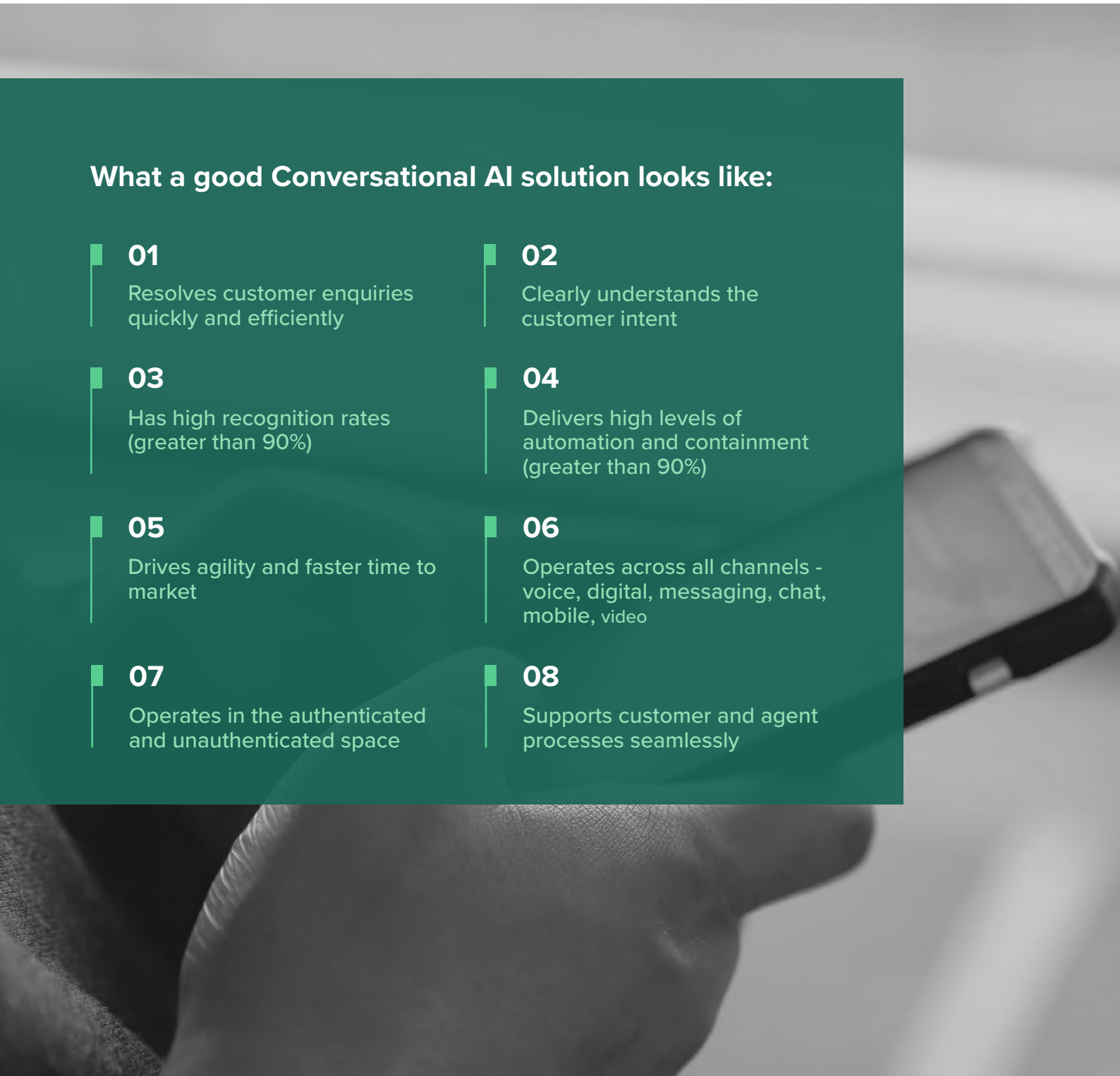
Ecosystm research finds that in the first three years of adoption, the focus of AI tends to be on the value they bring to employees and customers, and on process optimisation. In ANZ the key short-term driver of AI adoption is improvement in employee experience (Figure 1). Especially in contact centres and other customer-focused environments this is critical. Agents work in high pressure situations and attrition is high in ANZ. AI and automation can ease the load on agents and equip them with the right information that prepares them to better manage customer interactions and consistently deliver great CX. Better employee experience automatically translates to improved customer experience, which remains a top organisational priority across industries.

FIGURE 1:
Drivers/Benefits of AI Adoption - ANZ



Source: Ecosystm AI Study, 2020 *N=122*

With time, technology decision-makers will leverage data for deeper customer engagement. An AI deployment produces large datasets that can be used to more accurately predict how to better engage with customers by understanding call patterns and through sentiment analysis. The data drives proactive and deeper customer engagement. This will ultimately bring in greater revenue for the enterprise through lead generation and targeted sales-led conversations. Cost savings is also an important driver for business leaders embarking on an AI deployment. Enterprises can save time and money by automating and optimising routine processes and tasks. This can drive greater efficiency by allowing agents to focus on more urgent and complex issues. The cost savings realised through AI will ultimately lead to increase in profits.



What a good Conversational AI solution looks like:

01
Resolves customer enquiries quickly and efficiently

02
Clearly understands the customer intent

03
Has high recognition rates (greater than 90%)

04
Delivers high levels of automation and containment (greater than 90%)

05
Drives agility and faster time to market

06
Operates across all channels - voice, digital, messaging, chat, mobile, video

07
Operates in the authenticated and unauthenticated space

08
Supports customer and agent processes seamlessly

Why is Evaluating the Outcomes of Conversational AI Important?

> **Many organisations have embarked on an AI and automation journey and many have failed to achieve the outcomes expected in delivering better CX.**

These have been large and costly projects. The market has been confused for a while largely due to a long tail of vendors that state that they offer chatbot solutions that can resolve customer queries. While it may be true for simple questions and queries, these conversations tend to stop at a certain point.

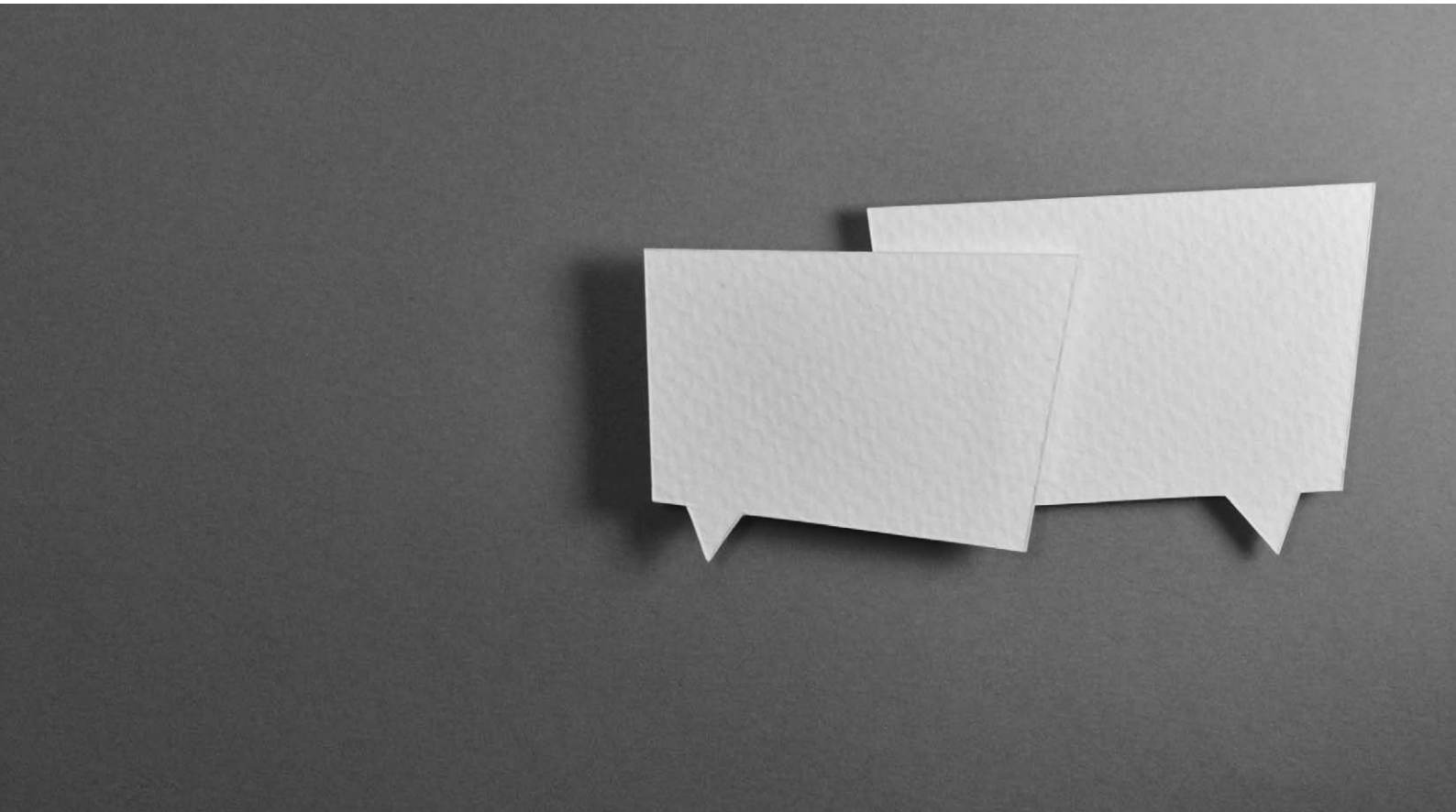
With a successful conversational AI deployment your customers will not have to:

- [×] **Repeat themselves because the intent was not understood**
- [×] **Repeat themselves hoping for the right answer**
- [×] **Get confused (often this drives them away from using the bots)**
- [×] **Get the wrong options**
- [×] **Have only 20-30% of their problems solved**
- [×] **Call the contact centre for the same query**

These scenarios are common and indicate that the solution has been poorly designed. Designing conversations is not easy. Many enterprises choose to skip this part which has primarily led to poor outcomes. Most organisations do not realise that there are many ways that a customer can ask the same question and these differences need to be incorporated to in the conversational design. Catering for a question being asked in one or two different ways usually leads to poor recognition rates and unhappy customers. Additionally, without rigorous testing throughout the design process, the same faults continue to appear in the conversation design. Authentication is a major part of the Conversational AI solution - it not only reduces fraud and errors, but also drives great experience for the customer. Many contact centres still ask the customer to authenticate and re-authenticate themselves many times in the course of an interaction.

The solution must also be able to integrate to third party channels through APIs. The API integration with legacy systems should be seamless.

Conversational AI solutions should focus on outcomes from the start of the project. The conversational design must be crafted on actual conversation flows based on various permutations. You will ultimately want to automate as much of the common and repetitive questions asked and design the appropriate responses. The outcome that you are after is that your customers feel comfortable using the channel and use it continuously.



What are the Critical Success Metrics for Conversational AI?

The cost conversation can hardly be avoided in any AI discussion. When companies are looking at a Conversational AI solution, the cost of implementation and - importantly - ongoing costs always come into the discussion.

The cost angle includes:

- **Expected rate of automation (20%,30% or more)**
- **Licensing model (on-premises, hybrid, or cloud)**
- **API costs**
- **Level of support and resources required to operate the platform (including conversation experts and designers)**

There is a clear view emerging. The more you successfully automate contacts at the beginning of the customer journey - the less human, IT, licensing, and service costs you have to invest in. This will determine the success of the project and have an impact on overall costs. 62% of technology decision-makers state that reduction of operating costs was the top metric for measuring the success of a Conversational AI deployment (Figure 2). AI also brings speed, agility, reduction in process time and reduction in process costs. A Conversational AI deployment if executed well, can drive customer satisfaction and promote customer retention. What is becoming obvious, is that the cost of maintaining and evolving these solutions can vary significantly. More emphasis should be given to the ongoing cost of running these systems, not only from a licensing perspective - but more importantly from a resource perspective.

FIGURE 2:
Top 10 success metrics for Conversational AI

Source: Ecosystm AI Study, 2020 *N=122*

What Should be Considered when Selecting a Conversational AI Provider?

Partnering with the right technology provider for an AI deployment is a good starting point.

Technology and operational decision-makers increasingly look for vendors and partners who provide a great product or service that matches the needs of their business, integrates with their existing systems, matches their industry requirements and is easy and intuitive to use. As the AI solution market consolidates, technology decision-makers must also evaluate a vendor's partner ecosystem.

92% of decision-makers in ANZ emphasise the importance of quality of service and support as the most important criterion when selecting a Conversational AI vendor (Figure 3).

AI projects can be complex and require customisation. Often, when organisations lack the expertise in a technology area, they rely on their technology vendors to provide essential guidance and help with framing the right technology roadmap. Knowledge of and experience in, implementing technologies such as natural language understanding (NLU), Deep Neural Networks, speech analytics, and voice biometrics will be an added advantage as organisations realise the value these technologies can bring.

FIGURE 3:
Top Selection Criteria for Conversational AI Solutions - ANZ

92%
Quality of service and support

89%
Alignment with organisational strategy

88%
Integration with existing systems

88%
User experience

88%
Industry expertise

Source: Ecosystm AI Study, 2020 *N=69*

Technology and operational decision-makers also choose vendors that understand the overall strategy of the organisation. Conversational AI is often part of a company-wide AI strategy, especially in large enterprises. The discussion is typically led by multiple stakeholders across the organisation, including senior management - not just by CX decision-makers.

One of the leading challenges of AI deployments is the integration with existing systems. Organisations often have multiple legacy systems, where data may reside in silos. To extract greater value and insights from these often-disparate datasets, it is critical that the Conversational AI solution can extract data from multiple systems. A deployment in isolation is bound to fail. For a Conversational AI solution to be effective, it will require access to data from Knowledge Management systems, CRM systems, and previous call recordings. This will help isolate the questions and issues that can be handled through automation and in understanding how Conversational AI can complement other channels such as live voice calls.

Competencies of a Conversational AI provider:

01

The ability of the NLU engine to understand and recognise intent accurately

02

A common conversational tool set to drive design, technical and organisational change

03

Operational and customer experience expertise to advise the enterprise on elements of organisational and conversational change

04

Ability to integrate current technical and business silos and develop a common approach to design customer authentication and security capabilities

05

Range of languages that the machine can handle, including dialects

06

Ability for the engine to convert Text to Speech and Speech to Text accurately

07

Application of speech analytics and voice biometrics to understand conversation patterns

08

Integration to APIs seamlessly including a Knowledge Management system

09

Effort and cost required to maintain and evolve the solution over time

Checklist for a Successful Conversational AI Deployment

- Understand the specific business and technical outcomes you want to achieve as opposed to just “embracing AI”
- Have a detailed understanding of your customer intent - customer intent is the building block of conversational AI
- Drive cross-functional alignment. Get the UX, Innovation, Contact Centre, Digital and Conversational Design teams involved to drive success of the deployment. It will ensure that every function is working towards a common goal
- Ask all the necessary questions about the ethical use of data - understand how the data will be used, stored, whether it will be monetised, ways to ensure customer privacy and data security
- Look for expertise in NLU, user interface design, speech analytics and voice biometrics
- Work with a vendor that can span the digital and contact centre spaces

Conclusion

Contact centres are overwhelmed and continue to witness a high surge in inbound activity. In some instances, service levels have dropped, resulting in poor CX.

Ecosystm research finds that over 40% of CX decision-makers are looking to invest in speech analytics, voice biometrics, conversational AI, RPA, and predictive analytics in the next 12 months. This indicates the importance of AI and automation in managing some of the challenges contact centres are grappling with.

The journey towards Conversational AI must be carefully evaluated and with precision. Many enterprises have rushed to deploy a solution without thinking through the dynamics about what entails Conversational AI. This has led to disappointing outcomes. If the steps towards automation and conversational design are poorly planned from the start of the project, enterprises will have to go back to re-architecting and re-designing the solution. When designed and executed well, the project will deliver positive outcomes.

The benefits of Conversational AI to enterprises are significant. The customer and employee experiences can be vastly improved as inbound queries can be handled through the solution. This will allow agents to focus on the more complex issues. By blending the use of Conversational AI with actual agents, contact centres can deliver on the promise of delivering superior customer service across any channel. A successful deployment will drive increased customer engagement, deeper customer insights, higher customer satisfaction, and better opportunities for revenue generation.

About the Author
AUDREY WILLIAM

Principal Advisor, Ecosystm

One of the foremost multi-disciplinary analysts in the APAC region, Audrey boasts an eclectic set of expertise, in segments as diverse as enterprise collaboration, unified communications-as-a-service (UCaaS), video, contact center, CX, outsourcing as well as artificial intelligence, enterprise mobility and digital transformation.

Audrey has a proven track record both as an analyst and a business leader, having spent close to two decades in various analyst roles at Frost & Sullivan, providing counsel to C-level executives on go-to-market strategies – most recently as Head of Research and Senior Fellow at the firm's ICT practice in Australia and New Zealand. As one of the pioneers of the firm in the region, Audrey played a pivotal role in its regional expansion, including building and mentoring a team of analysts across various markets in Asia-Pacific, including Malaysia, Singapore and Australia.

Beyond her involvement as an analyst, Audrey is also a prominent keynote speaker, having delivered over 150 speaking engagements addressing various technology segments. She is regularly quoted in the media for her insights into ongoing technology trends and news.

Audrey is an honours graduate from the Institute of Chartered Secretaries and Administration (ICSA) in the UK. She also holds Diplomas in Management Accounting and Financial Accounting from the London Chamber of Commerce Institute (LCCI). In her free time, she loves to read literary fiction and is a jazz enthusiast.

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As a global first, Ecosystm brings together tech buyers, tech vendors and analysts into one integrated platform to enable the best decision making in the evolving digital economy. The firm moves away from the highly inefficient business models of traditional research firms and instead focuses on research democratisation, with an emphasis on accessibility, transparency and autonomy.

Ecosystm's research originates from its custom designed "Peer2-Peer" platform, which allows Tech Buyers to benchmark their organisation in "real-time" against their industry or market. This bold new research paradigm enables Ecosystm to provide Tech Vendors access to ongoing and real-time Market Insights in an affordable "as-a-Service" subscription model.

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Nuance enterprise solutions power over 31 billion intelligent customer interactions annually across all channels to increase revenue and customer satisfaction while reducing costs.

An artificial intelligence pioneer serving Fortune 2500 companies worldwide, Nuance combines deep vertical expertise with a flexible deployment and partnership approach. Our superior cloud-native, AI-powered customer engagement technology delivers industry-best digital, voice, and biometric security innovations.

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The data findings mentioned in all Ecosystm reports are drawn from live and ongoing studies on the Ecosystm research platform, based on participant inputs that include decision-makers from IT and other Lines of Business, from small, medium and large enterprises.

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