Chatbot Revolution in Switzerland:
A New Era of Customer Engagement

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A new era of customer engagement

Chatbots – digital programs that conduct conversations via auditory or textual methods – are disrupting forms of customer engagement as they effectively meet customers’ needs for enhanced user experience through artificial intelligence. With customers demanding support in everyday decision-making with a preference for using mobile solutions, chatbots are generally integrated into messaging platforms. Facebook Messenger and WeChat, especially, are considered as their key application space as this is where customers want to interact with their friends but also with businesses. Thus, chatbots represent an integrated and modern platform for customer engagement. Swiss companies can leverage on this digital opportunity if they recognise it.

However, how does the Swiss market respond to this new customer interface?

To find out, a quantitative and qualitative study was conducted across the banking, insurance, and retail and consumer industries. We analysed the perception of chatbots amongst top and middle management, digital experts and customers to identify chatbot readiness and chatbot market potential in Switzerland.

Executive Summary

We drew four key managerial implications from our study:

1. User centricity
As chatbots fulfill certain industry-specific customer needs, use scenarios cannot be duplicated from one industry to another.

2. Data and process integration
To fully leverage chatbot potential, data and process integration that allows for an integrated ecosystem is essential.

3. First-mover advantage
As tech-companies are gradually finding ways to lure customers, established companies can stay competitive by acting as first-movers.

4. Roadmap
Establishing a long-term strategy is necessary for a chatbot to perform most successfully.

Chatbots as a key business opportunity

Integrating these factors allows Swiss companies to consider chatbots as key business opportunities. Indeed, the current and future potential for chatbots was identified as being high in banking, insurance, and retail and consumer industry, while the latter category revealed the highest current potential.

About this study

The purpose of this study is to investigate the potential of chatbots in Switzerland. In cooperation with the University of St.Gallen/CEMS and PwC, three key industries were included in the study, namely banking, insurance, and retail and consumer. To ensure the robustness of our results, 27 interviews with industry experts from top and middle management, and digital experts were conducted. Moreover, three surveys with about 350 participants were used to develop a Chatbot Expert Readiness Index (CERI), a Chatbot Customer Readiness Index (CCRI) as well as an indication of potential use scenarios. Based on this research, our study highlights the correlation between industry-specific factors and the potential of chatbots. In fact, we identify the retail and consumer industry as the one with the highest potential.
Recognising chatbot technology as a new form of customer engagement

Fulfilling customers’ needs and offering appropriate services for customer engagement have always been at the core of business. Recognising the current shift in customer expectations and perceptions regarding digital solutions and company interaction drove this research. Yet, the emergence of the new customer service platform – chatbots – seems to have raised some uncertainty among experts. Indeed, questions on whether chatbots are equally beneficial in all industries or whether customers would accept the new technology were especially pressing. Thus, the main goal of this study is to answer these questions by focusing on Switzerland.

We were able to develop two indices that would allow companies from various industries to identify their industry chatbot potential, namely the Chatbot Expert Readiness Index (CERI) as well as the Chatbot Customer Readiness Index (CCRI), which are based on expert and customer surveys. By identifying dimensions per index, we provided survey participants with two to three statements per dimension. Participants could then scale their perception on a scale from 0 for the least agreement up to 10 for the greatest agreement with the statement.

It is important to note that the dimensions’ current and future impact are subdivided into two categories, namely cost reduction and revenue increase.

Figure 2: the Chatbot Expert Readiness Index and the Chatbot Customer Readiness Index were developed to answer four key questions

- Industries
  - Are Swiss industries ready to accept chatbot technology?
- Chatbot potential
  - How does the Swiss market respond to new customer interfaces?
- Customers
  - Are customers ready to accept chatbot technology?
- Functions
  - Which needs do bots fulfill?
Chatbot Potential Study

Three industries with impressive chatbot potential: banking, insurance, and retail and consumer.
Banking industry

Focus on retail banking
The focus in this study rests on retail banking. Most retail banks see a need for innovation and standardisation of processes due to high costs and relatively low margins. This goes along with the investment for planned chatbot integration being considerably higher in the Chatbot Expert Readiness Index. Industry experts see the highest future potential and impact in cost reduction. A recent study by Citi Bank revealed that 30% of retail bank jobs will be automated within the next 10 years.

User centricity: simple use scenarios
The market analysis showed that currently over 67% of customers are either calling their bank or sending an email if they need to contact them. Stated reasons for choosing these communication channels are time efficiency and convenience, but customers are dissatisfied with the solutions currently offered. Chatbots can be implemented as a texting or speaking bot and could therefore better fulfill the customer needs mentioned above without pushing people to change their behaviour. According to our survey, customers could mostly see themselves using a chatbot for activities which are currently conducted through online banking such as getting bank account information, changing contact details, transferring money or solving credit card problems. In addition to this, our interviews revealed that banks can also imagine giving consumer loans of up to CHF 10,000 with chatbots, because this process is already highly standardised. More complex uses such as opening a new bank account, buying and selling stocks or making investment decisions have great potential in the future.

Transforming online banking
To take advantage of the chatbot revolution today, we suggest that banks start implementing their online banking services via a chatbot. In fact, according to our customer survey, the uses most preferred by customers are currently available in online banking offerings. Therefore, a chatbot can serve as an additional, more modern interface for online banking. This approach enables the industry to be a frontrunner in developing and implementing chatbots, as their willingness to invest is already relatively high. Furthermore, 83% of our consulted customers would prefer using a chatbot hosted by a system run by the company offering the services. The chatbot technology could therefore serve as an effective, supplementary channel for most customers, while the 30% of customers, who (according to the survey) still prefer personal and human contact, can be assisted by traditional channels.

Existing best practice solutions
Kai, developed by Kasisto, is a best practice example and offers a base for the integration of chatbot technology with the banking industry. It is already used by major banks like the Royal Bank of Canada and offers various use scenarios such as providing account information, bank transfers or analysing spending habits.

Most likely uses for banking

<table>
<thead>
<tr>
<th>Use Scenario</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gather information about my bank account</td>
<td>80%</td>
</tr>
<tr>
<td>Request help for online banking</td>
<td>70%</td>
</tr>
<tr>
<td>Change my contact details</td>
<td>60%</td>
</tr>
<tr>
<td>Information about bank accounts</td>
<td>50%</td>
</tr>
<tr>
<td>Transfer money</td>
<td>40%</td>
</tr>
<tr>
<td>Company information</td>
<td>30%</td>
</tr>
<tr>
<td>Budget calculator</td>
<td>20%</td>
</tr>
</tbody>
</table>

Figure 3: banking industry Chatbot Expert Readiness Index
Figure 4: banking industry Chatbot Customer Readiness Index
Figure 5: use scenarios for banking (customer survey with 107 customers)
Insurance industry

Meet customers’ needs more efficiently
This study focuses on retail insurance companies since they have low revenue per customer and are faced with thousands of customer requests each day. According to our customer survey, 85% of the customers contact their insurance company via phone and email, because it is the fastest and most convenient way. Both channels can be taken over by a chatbot since they are already digital and only 20% of insurance customers in our survey indicated they were interested in a personal service. In combination with the customers’ relatively high dissatisfaction with the current communication solutions along with the service provided in the Chatbot Customer Readiness Index and the comparatively high technological affinity of the customers, the need for new methods of customer engagement clearly exists.

Customers readiness to use chatbots
The Chatbot Expert Readiness Index shows that the current impact is relatively low, however, industry experts are aware of a significant potential in the future. Customers support this opinion by stating their readiness for a wide range of chatbot uses such as information gathering, handing in insurance claims and changing insurance plans. And finally, insurance customers show the highest conviction that chatbots will serve their needs better than current solutions.

Start as an information provider
First, retail insurance companies should develop chatbots that serve as simple information providers for which a fully integrated database is not necessary. This enables them to not only gain experience in the application of chatbots, but to simultaneously fulfill the emerging customer need for easy information access, especially concerning company portfolio and product peculiarities. Based on these experiences more sophisticated use scenarios such as insurance claims and changing insurance plans can be implemented. In fact, from a company perspective a chatbot that allows customers to file their claims massively decreases the high ‘benefits and claims’ processing costs most insurers suffer from. From a customer perspective, 60% of customers would be more than happy to use a chatbot for insurance claims as it provides customers with the much faster, more convenient, 24/7 interface that they demand.

‘Trov’ as a best practice
A best practice example of an existing chatbot is ‘Trov’. The US start-up offers individual insurance for the widest variety of on demand insurance for items such as TVs, headphones or sports equipment. The whole process is included in an app and the claims process is completely handled by an in-app chatbot in a remarkably user-friendly way.

We will start with a specific use in a specific area in order to gain experience with chatbots”

Head of Strategy of a large Swiss insurance company

Most likely uses for insurance

<table>
<thead>
<tr>
<th>Use for Insurance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product information</td>
<td>80%</td>
</tr>
<tr>
<td>Insurance claims</td>
<td>70%</td>
</tr>
<tr>
<td>Company information</td>
<td>60%</td>
</tr>
<tr>
<td>Change personal contact details</td>
<td>50%</td>
</tr>
<tr>
<td>Change insurance plan for travelling</td>
<td>40%</td>
</tr>
<tr>
<td>Sign new insurance for travelling</td>
<td>30%</td>
</tr>
<tr>
<td>Insurance renewal</td>
<td>20%</td>
</tr>
</tbody>
</table>

Figure 6: insurance industry Chatbot Expert Readiness Index
Figure 7: insurance industry Chatbot Customer Readiness Index
Figure 8: uses for insurance (customer survey with 106 customers)
Retail and consumer industry

Industry with the highest potential

Across all industries, our study identifies the retail and consumer industry as having the highest future chatbot potential. Several factors, such as the low customer preference rate for personal service of 18% of the customer base, lead to this result. Another reason is that 75% of customers mention chatbot-ready communication channels as their preferred form of interaction with retail companies. On top of that the older generation is as willing as the younger generation to use chatbots in retail. Our survey among industry experts revealed that the highest potential for chatbots is seen in increasing revenue.

Low privacy concerns as an accelerator

Moreover, customers have relatively low privacy concerns when interacting with retail and consumer companies and are willing to engage with a broad range of use scenarios. Lastly, this complements a high overall result in the Chatbot Expert Readiness Index, which shows a comparably high value for data integrity and therefore sets a good base for chatbot introduction. Today, most companies are focusing on the integration of offline and online retail. Given a full data integration of all stores, a chatbot will be able to provide a wide range of services.

Using existing CRM data efficiently

The current and future impact of chatbots in the retail and consumer industry is the greatest compared to the banking and insurance industries. The reason is that large Swiss retail companies have developed a large CRM database with a huge amount of customer data which is already used for customised advertising and is the perfect starting point for chatbot integration.

Moreover, our customer survey highlights the fact that a huge variety of use scenarios would be used by customers, from delivery status information and support and guarantee questions to product claims, food ordering or even searching for similar products via picture recognition. Our interviews with industry experts revealed that they can particularly foresee implementing a use such as forwarding customers to offline stores, personalising advertisements to customers and offering a consultant for complex food products. Hence, this variance in uses shows that the customers – similarly to the industry experts – are mentally ready for this technology, which highlights the huge potential for this industry. This means, for instance, that chatbots could enable employees to spend more time with customers in-store instead of spending too much time calling customers. The low privacy concerns amongst customer when interacting with their retailer simplifies the chatbot introduction. According to our customer survey, 52% indicated that they would also contact their retail companies via third-party platforms such as Facebook or WhatsApp. This allows for easy chatbot implementation, as no full chatbot development based on a retailer’s own network database is necessary.

H&M as best practice

H&M interacts with their customers using a chatbot. The chatbot provides services such as product suggestions to customers who interact with the chatbot. The main goal of the bot is to increase revenues by providing ideas to customers.

Most likely uses for retail and consumer

<table>
<thead>
<tr>
<th>Use Scenario</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery status</td>
<td>0%</td>
</tr>
<tr>
<td>Support/guarantee</td>
<td>20%</td>
</tr>
<tr>
<td>Order food</td>
<td>40%</td>
</tr>
<tr>
<td>Contact for product issues (e.g. quality issues)</td>
<td>60%</td>
</tr>
<tr>
<td>Find similar products to purchase from pictures</td>
<td>80%</td>
</tr>
<tr>
<td>Order clothes</td>
<td>80%</td>
</tr>
<tr>
<td>Order other things online</td>
<td>80%</td>
</tr>
</tbody>
</table>

Sales Manager at a large Swiss retail company

Chatbots are an answer to the Google generation which wants information about products and their availability instantly in its pocket.

Figure 9: retail and consumer industry Chatbot Expert Readiness Index

Figure 10: retail and consumer industry Chatbot Customer Readiness Index

Figure 11: use scenarios for retail and consumer (customer survey with 101 customers)
Chatbots disrupt the way companies engage with customers

Customer needs create pressure to change
Chatbot technology is disrupting the way companies interact and engage with their customers. This is true due to emerging customer needs that demand individual, simple, fast, 24/7 service in all industries. It is not only the tech-aligned generation Y, but also older generations that are dissatisfied with current customer service solutions and hence, companies need to realise that it is time for a change. The sooner companies start to integrate their systems and work on implementing this new customer interface with simple use scenarios, the better they will be prepared for the chatbot revolution. Our study has revealed that the banking, insurance, and retail and consumer industry showed impressive, current chatbot potential. For Swiss companies in these industries we therefore recommend starting to implement chatbots in the form of minimum viable products (MVP). This will allow them to gain user feedback before launching the full chatbot service live.

Chatbot as a starting point
In conclusion, chatbot technology is only a stepping stone towards a contemporary customer service offering that is aligned with new customer perceptions, expectations and behaviour. Indeed, this new technology pressures companies further to prepare thoroughly for the current and future digital age. Only companies, which have successfully integrated their systems, will be able offer customer engagement that fulfills emerging customer needs.
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