Let's Talk

Does Live Chat Provide the Answers?

By Linc Wonham, Associate Editor

Few resources available to companies on the Web evoke as much discussion as live chat. Ironic as it may be, chat is one of the most talked-about Internet business tools of the day.

Vendors in the space abound, as do a growing number of retailers and service providers making chat available to their website visitors. Strangely, there also exists some hesitation on the part of many would-be adopters.

To help eliminate some of the confusion, we will examine the statistical evidence linked to live chat implementations, address the most common misperceptions surrounding the technology and provide a guide for evaluating its benefits as they relate to the immediate needs of your own business.

The facts

Most of the data compiled about live chat technologies point to increased conversion rates, average order values and customer loyalty, as well as reduced shopping cart abandonment and return rates. The e-tailing group, commissioned in 2010 by leading chat provider Bold Software, reported that online retailers adopting live chat were experiencing as much as 15 times higher conversion rates, 30 percent higher order values and 8 percent lower cart abandonment rates as a result.

A more recent study of the 2010 online holiday shopping season determined that nearly a quarter of the e-commerce sites surveyed experienced 40-percent or better conversion rates among live chatters, and that more than half the retailers reported 20-percent or better conversion rates for their chat users.

Perhaps the most compelling evidence for live chat can be found in simple Google Analytics. The conversion rates and average order values shown here are significantly higher for customers that chat, according to these reports from the clients of live chat provider Ability Commerce.

"Google Analytics has been the best way for us to show our clients what a great investment live chat is," says Ability Commerce CEO Diane Buzzeo. "Once they see the conversion rates with chat and without chat, there's no question whether or not it's the thing they should be paying the most attention to. But not everyone is all that keen about it until we can show them the results. Sometimes we have to push them a little bit, and after they see the results they tend to get very serious about it."

The myths

Most Web companies' uncertainty about live chat is founded in misinformation, despite the statistical sup-

port of its value both economically and in terms of customer perception and company image.

"Many businesses don't see it as being that important," says Buzzeo. "They think a customer can just as easily call the 1-800 phone number listed on your website. But this is a person who wants to be looking at your website and not making a telephone call, so not having chat is the same as not having an 800 number. And this person is already engaged on your site, so why interrupt their pattern by forcing them to make a phone call?"

Many businesses also fail to realize that the cost of an 800 phone call can be significantly higher than a live chat conversation that takes place right on their website.

"When you shake out all the variables, live chat costs about one-third of a phone call," says Bold Software CEO Steve Castro-Miller. "So it's not only less expensive to use, but the link between the presence of live chat and the customer satisfaction and trust it can build is significant."

Yet another reason cited for businesses' reluctance to implement live chat is the perception of its intrusiveness, when the reality is that chat provides a level of service less intrusive than it is unfamiliar to many website visitors. The importance, then, of hiring and training the most qualified chat staff poses another significant challenge for many companies.
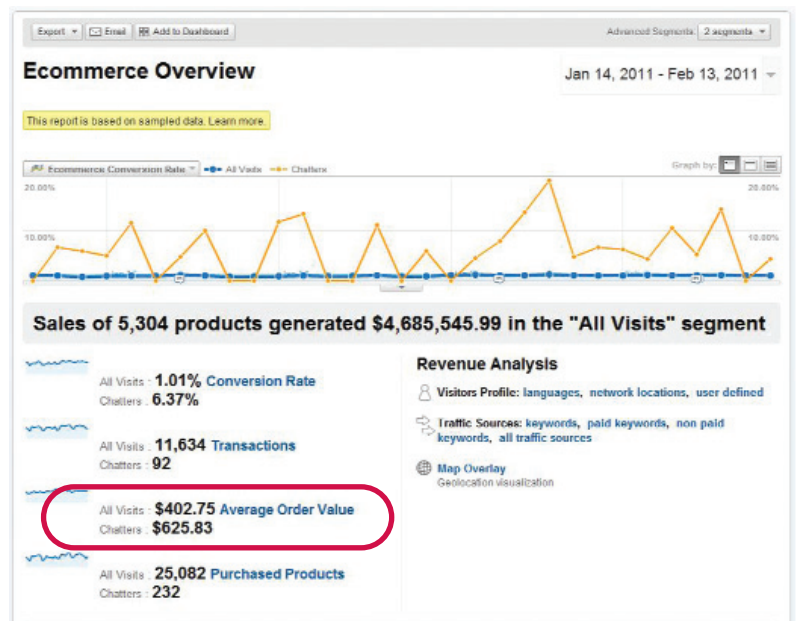
"Probably 50 percent of the businesses that don't use chat are afraid of being too intrusive," says Reid Manchester of Parker Software. "And the other half are afraid that if they don't do it well enough, it will hurt their business more than not doing it at all. Both of those assumptions are wrong. It's a program that needs constant revision and testing to make it work best for your company, but ignoring it altogether is a big mistake."

How to choose

So how do you know if live chat is the answer for your business? Key metrics to consider include the previously mentioned conversion rates, average order values, cancel and return rates, as well as the number of returning customers who previously utilized chat services. Weigh those numbers against the potential investment into the live chat channel — which will include labor, training, management and other operational overhead costs — and the bigger picture will start to develop.

One company that underwent a detailed study of this kind is ShopNBC, the online television retailer that uses a live chat platform provided by LivePerson. Research firm Forrester Consulting determined that live chat enabled ShopNBC to move customers through the sales pipeline at a 40-percent higher rate of efficiency than without chat, accounted for 38 percent higher average order values than non-chatting customers, and reduced the website's combined cart abandonment and return rates by more than 12 percent.

Furthermore, customers that had previously completed chat-assisted orders on ShopNBC.com accounted for 23 percent more orders upon returning to the website. Forrester's final evaluation was that live chat accounted for a 300-percent return on investment for ShopNBC, with a payback period of less than two months at a net value to the company of more than $4 million.

Ecommerce Overview
Jan 14, 2011 - Feb 13, 2011

Sales of 5,304 products generated $4,685,545.99 in the "All Visits" segment

The Value of Chat

Live chat as a strategy presents a different way to interact with consumers. This means that existing support personnel will ultimately need to be trained on how to interact — but much more should happen before full integration is complete.

The way live chat vendor Velaro addresses the client-side challenges of implementing live chat solutions is through its success-management team. Once a customer is on board with Velaro, the team does a "deep dive into problem areas," says Velaro CEO Michael Titelbaum. While some clients use live chat for sales conversion and others for support, "Uncovering the overall objectives of the organization and making recommendations on whether proactive or reactive messaging is appropriate is fundamental," he added.

It is only through that close contact on both an initial and ongoing basis that live chat provides value for the enterprise. However, no technology alone or customized implementation of such should forever remain static. "In terms of innovation, we want to give customers a 365-degree view of their CRM," says Titelbaum.

And so do the more robust live chat solutions. Velaro currently integrates with a host of third-party services and applications including SalesForce, NetSuite, SugarCRM and ZenDesk; the live chat solution even works with shopping carts such as ASPdotnetStoreFront and will add others in the coming year. If that were not enough, Velaro also integrates with Google Translate to help support personnel and clients communicate in real time regardless of language.

"The goal is to continually optimize the program to increase both top-line and bottom-line contributions to the company," says LivePerson's Jim Dicso. "Ways of doing that are by constantly evaluating performance and making adjustments to the labor or the technology itself."