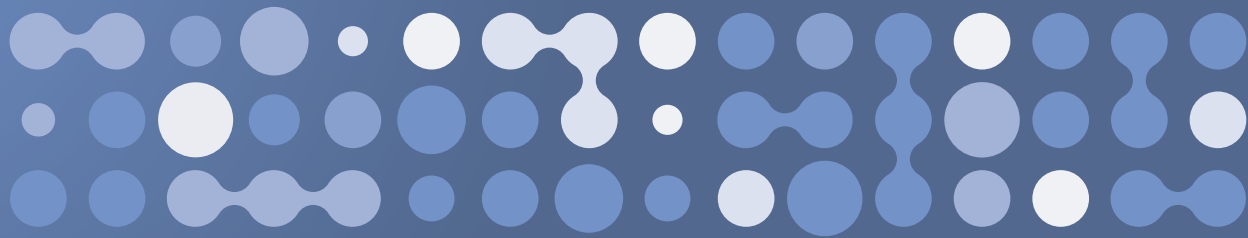




# MICROSOFT® AUTOMATED SERVICE AGENT SOLUTION: THE MARKETING ADVANTAGE

Converting Web Site Visitors to Committed Brand Customers



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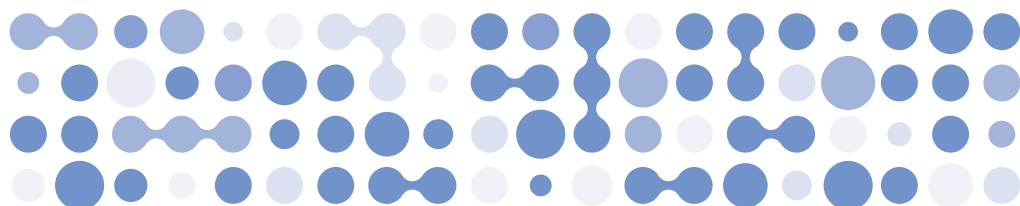
## Introduction: The Advantage of High-Touch Service

In recent years, the Internet has radically transformed the way consumers and businesses interact. Commerce now moves at a pace heretofore unimaginable: customers shop online or by telephone at all hours of the day and night, and companies fulfill orders as quickly as they are placed. Many types of products and services can be delivered electronically in an instant, and physical goods often reach a customer within hours of being ordered.

As a natural consequence, customers now expect and demand much more responsive service from companies with which they consider doing business. To acquire and retain customers, a company must be able and willing to answer questions and resolve issues with prompt attention. Providing high-availability, high-quality service is neither easy nor inexpensive, however. Many companies find customer satisfaction decreasing, even as they pour ever-increasing resources into their service features and operations.

Increasingly, such companies are turning to Web-based self-service solutions to provide cost-effective service. However, Web-based self-service tools often fare poorly in terms of service quality, resulting in damaged customer relationships and brand perceptions. And most self-service solutions fail to tap into the potential of service as a sales channel, leaving valuable customers to turn away.

Herein lies the new service challenge. How can a company meet the ever-increasing customer need for world-class, around-the-clock service, to maximize revenue while minimizing costs?



## The Ideal Customer Experience

Before examining the strategies that companies employ to service their customers, let's take a moment to describe the ideal service experience from a customer's perspective:

- A customer should be able to get help whenever he/she has a question or a problem, regardless of what day or what time it is.
- A customer should not have to wait in line to get attention, regardless of how many other customers may be asking for help at the same time.
- A customer should not be forced to jump through hoops just to ask for help; they should be allowed to state their request in their own words.
- Upon making a request, a customer should receive an immediate response: an accurate answer, an offer to take appropriate action such as make a purchase, or—when necessary—some expert help in better defining the request and determining how to proceed.

## The Ideal Service Experience: A Company's View

A company's objective for service (ignoring cost for the moment) is to maximize customer satisfaction: satisfied shoppers tend to become customers, and satisfied customers tend to become repeat purchasers. Consequently, a company's ideal service experience is essentially the same as a customer's, with one significant addition:

- When appropriate, a customer should be offered the opportunity to purchase additional products and services.

Companies have long recognized customer service as an effective sales channel. The best solution to a customer's problem may involve purchasing an additional product or service from the company, or stepping up to a more expensive offering. Even in cases where an additional purchase isn't required, a well-served customer may be happy to entertain a targeted offer. A company can't afford to let such valuable sales opportunities slip away.

While it's easy to imagine the ideal customer service experience, it's not so easy to make it a reality. In a traditional call center environment, fulfilling this simple list of requirements would require a company to have an infinitely large pool of perfectly trained customer service representatives (CSRs) on hand 24 hours a day, 7 days a week. Realistically, a company's challenge is to come as close as possible to this level of service while carefully managing costs.



## The Next Step: Self-Service

Typical self-service tools draw upon a customer relationship management (CRM) solution's knowledge base, providing customers with a Web-based interface for accessing information.

While there are many subtle interface variations, virtually every customer self-service tool on the market employs one or both of the Web's standard methods for finding information: browsing and searching. In a typical browser-based interface—a Frequently Asked Questions (FAQ) page, for example—the customer clicks his or her way through a hierarchy of common questions or topics, “drilling down” until finding one that matches his or her situation. In a search-based interface, the customer types a set of keywords (or, less frequently, a naturally phrased question or statement) into a search box, clicks a button, and receives a list of potentially matching topics sorted by estimated relevance. As with the browser-based interface, the customer then scans the list for a topic that suits his or her needs and clicks the associated link.

## Why Most Self-Service Tools Don't Work

The problem with browser- and search-based self-service tools is that they force customers into unnatural modes of interaction, making it difficult for them to find the information they need. Unable to make a simple request, customers must feel their way through a complex maze of topics, or guess at the proper search terms to express their problem—either way, an effort-intensive process with a high likelihood of failure.

Even in the unlikely case that the customer navigates directly to the right category or hits upon the perfect set of search terms, he or she must still pick the appropriate answer from a list potentially numbering in the hundreds—another daunting task, for the right answer may not be in the list at all, or may be depicted in a form that the customer fails to recognize.

In a customer service scenario, these are fatal shortcomings. A customer with a pressing product need or question or complaint understandably has no patience for a difficult discovery process, and will quickly turn to another store or in the case of a service inquiry, resort to an attended service option.

Browse- and search-based self-service solutions fare even worse when you factor in lost sales opportunities. The limited interactivity offered by these tools provides virtually no opportunity to make a sales offer; if one is made, a customer is likely to dismiss it as just another piece of online advertising. Worse yet, the high levels of frustration and low levels of satisfaction typically produced by browse- and search-based self-service tools inevitably leave customers unreceptive to sales offers, even if those offers are presented in a subsequent session with a live CSR.

Returning to our description of the ideal customer service experience, it's easy to see that typical self-service tools do well in terms of availability, but fail miserably in all other respects.

## The True Cost of Ineffective Self-Service

It goes without saying that a company pays a steep price for ineffective self-service tools. After all, the less effective a self-service tool is, the more customers will turn elsewhere to find a product that suits their needs or interests. And once a dissatisfied customer has had a poor experience, he or she is unlikely to return to the same brand or store for a subsequent need in the product category.

Finally, as we have discussed, self-service tools that can't effectively offer additional products and services lead to lost sales opportunities. Attempts to calculate the total cost of ownership for self-service tools seldom take into account damaged customer relationships, increased per-incident costs, and lost sales. If they did, the true cost of browser- and search-based tools would be far greater than most companies believe.

## The Missing Piece

To succeed, self-service must ultimately supersede attended service as the customer's channel of choice. Self-service has an inherent advantage over attended service in that it eliminates hold time and response latency, but today's self-service tools squander this advantage by making it too difficult for customers to get the help they need. Until the usability of self-service crosses a critical threshold, customers will continue to reject it in favor of attended service—and companies will fail to meet the customer service challenge.

What companies need is a new class of self-service technology, one that greatly increases the quality of the interaction between the customer and the self-service tool.

## The Microsoft Solution

The Microsoft Automated Service Agent (ASA) Solution represents the next generation of self-service, combining the best traits of attended service with the best traits of traditional self-service tools. An ASA is a virtual CSR who "talks" to customers via a text-based chat interface, typically on a company's Web site.

- Like other self-service tools, ASAs are available to customers 24 hours a day, 7 days a week.
- Like other self-service tools, ASAs can serve a virtually infinite number of customers at once.
- Like human CSRs, ASAs allow customers to express questions and problems in their own words.
- Like the best-trained human CSRs, ASAs respond immediately and accurately, answering questions, engaging customers in dialog to address customer inquiries interactively, and presenting product or service offerings appropriate to the customer's expressed interests.
- Like the best-trained human CSRs, ASAs can easily recognize up-sell and cross-sell opportunities. When such an opportunity occurs, the ASA can present an offer in the natural flow of the conversation, or if the company deems appropriate, pass the customer to a live CSR to make an offer in person, ensuring that no high-revenue opportunity is lost.

Looking back once again to our discussion of the ideal customer service experience, we see that ASAs—unlike competing self-service tools or attended service—perform favorably in all respects.



## ASA as Marketing Concierge

The advantage of a Microsoft Automated Service Agent (ASA) Solution as a marketing device is best understood by example. Let's examine an example of how an ASA serves to inform customers about a product line and product features. Let's review how an ASA treats customers as they would be treated in a store environment, where the store personnel have vast product knowledge and adept selling skills.

The session transcripts presented here represent the use of an ASA in a marketing environment.

**Guest:** What kind of camera should I buy?

**BrandASA:** **BRAND A has an extensive line of cameras. If you answer a few questions for me I'll be able to recommend the best camera for your needs.**

**What will you be doing with most of the photos you take?:**

- 1) Viewing online**
- 2) Printing snapshot (3x5 or 5x7) format**
- 3) Printing larger format (8x10 or greater)**
- 4) Using for professional purposes**

**Please choose one or more numbers from above or just tell me.**

**Guest:** I'll mostly be printing pix for a photo album.

**BrandASA:** **OK. That helps me. Now tell me, how important is size? Might you be willing to pay a bit more for something that can fit in your pocket?**

**Guest:** Yes. I want something small and handy.

**BrandASA:** **Would you like your camera to take movies or just pictures?**

**Guest:** Movies would be cool if it doesn't cost too much.

**BrandASA:** **OK. Small and handy it will be then. And I'll show you some models that have movie capability.**

**Here are some of our models that will probably suit your needs and deliver you great pictures, a very convenient size and at a price that will make you smile.**

**Click on any link, or type a number to find out more:**

- 1) Model 12-3456**  
Video Camera with Flip & Twist LCD, Silver  
Take great stills or videos with this handy and versatile model.  
Suggested retail price: \$399.99
- 2) Model 78-91011**  
Megapixel Digital Camera with 3x Optical Zoom  
Black.  
Suggested retail price: \$299.99

**Would you like to see how you can publish your movies online?**

**Guest:** I checked them out. I like the one that takes movies. Yes. Tell me how I can put movies on the Internet to show my friends.

**BrandASA:** **BRAND A can recommend a number of ways you can put your movies online. I'll need to know a few things before I recommend the best solution. What kind of internet connection...**

As you can see, the Microsoft Automated Service Agent Solution interacts with a customer unlike any typical Web site. The customer is treated to a helpful exchange. The ASA helps the customer find the product that suits his or her needs, and suggests product uses—in this case posting movies online—that may feature an up-sell service offered by the company.

The design of an ASA can be tailored to accommodate a company’s unique product line to up-sell products and services or to take advantage of known marketing leverage points. For example, if a company’s Web logs indicate that customers who navigate initially to Product A then subsequently view Product B are 20 percent more likely to make a purchase, then the presentation of product offerings in an ASA conversation can be adjusted to take advantage of this information.

And if a company does not currently have this kind of information, or seeks to enhance its marketing knowledge, an ASA’s data collection and processing capabilities enable an unlimited set of possibilities. Microsoft’s ASA Solution features a robust suite of analysis tools that enable product marketers to gain valuable insight into customer desires, from a platform—open-ended chat—that is more natural and revealing than Web click stream records.

Beyond simple analysis of top topics that customers ask about or hourly/daily/weekly levels of interest by topic or overall (see Exhibit A “Standard ASA Usage Reporting”), the ASA system can be set up to track, record, and analyze an unlimited set of customer insights.

## The ROI Story: Interactions That Drive Revenue

As has been discussed, the greatest advantage of a Microsoft Automated Service Agent Solution relative to typical online customer interactions is the heightened degree of customer satisfaction and long-term brand affinity. But the ASA also delivers immediate returns on investment (ROI) when compared to traditional Web site selling practices.

ASAs have proven to increase customer click-through to “purchase now” or “where to buy” links (see Exhibit B for sample conversations).

	ASA Sessions	Web Site Visits (non-ASA)
Total Visits/Conversations	10,000	10,000
Cost Per Visit/Conversation <sup>1</sup>	\$0.42	\$0.01
Purchase Link Click-through <sup>2</sup>	18.0%	7.0%
Purchase Rate <sup>3</sup>	3.0%	3.0%
Number of Sales	54	21
Average Revenue Per Sale	\$200	\$200
Revenue	\$10,080	\$4,200
Revenue Minus Cost <sup>4</sup>	\$5,800	\$4,100

<sup>1</sup> Cost Per ASA session; cost for site visit (All currency indicated in U.S. dollars)

<sup>2</sup> Percent of visitors who click a purchase or store link

<sup>3</sup> As “purchase rate” figures not known, equal estimate for both cases

<sup>4</sup> Cost for 100 ASA sessions @ \$0.42; cost for 100 site visits @ \$0.01

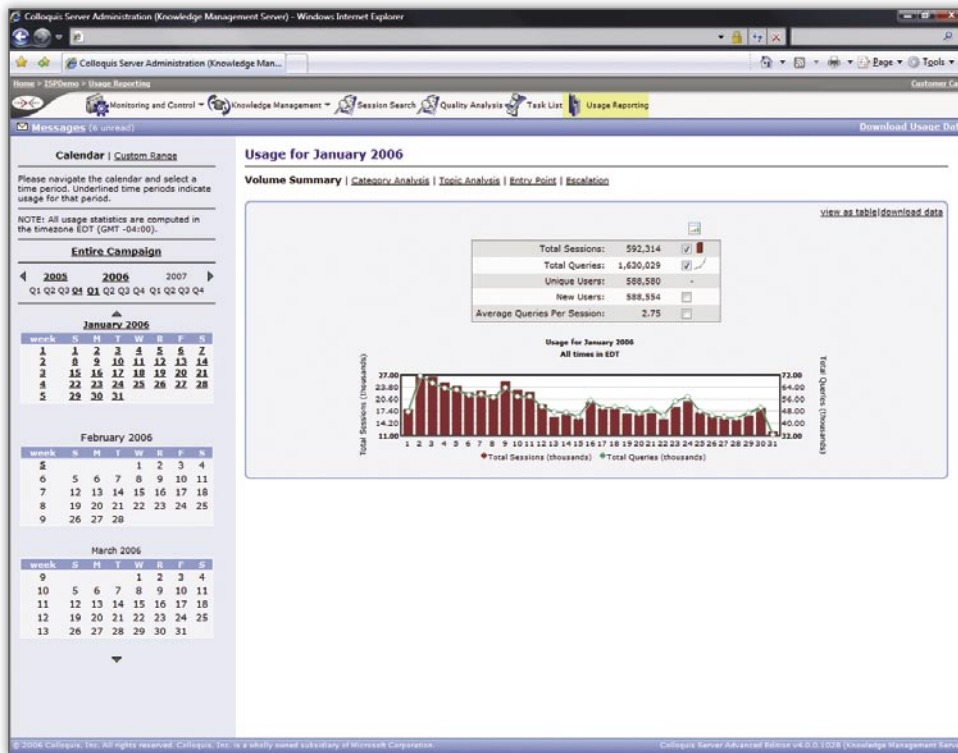


While the cost per-visit is considerably higher for a Microsoft Automated Service Agent Solution relative to a simple visit to a company's Web site (in the above example, a Web visit is calculated as one cent per visit; this figure may be higher depending on other technology implemented), the ASA has proven to capture customer purchase interest to a greater degree than a company's other site visits.

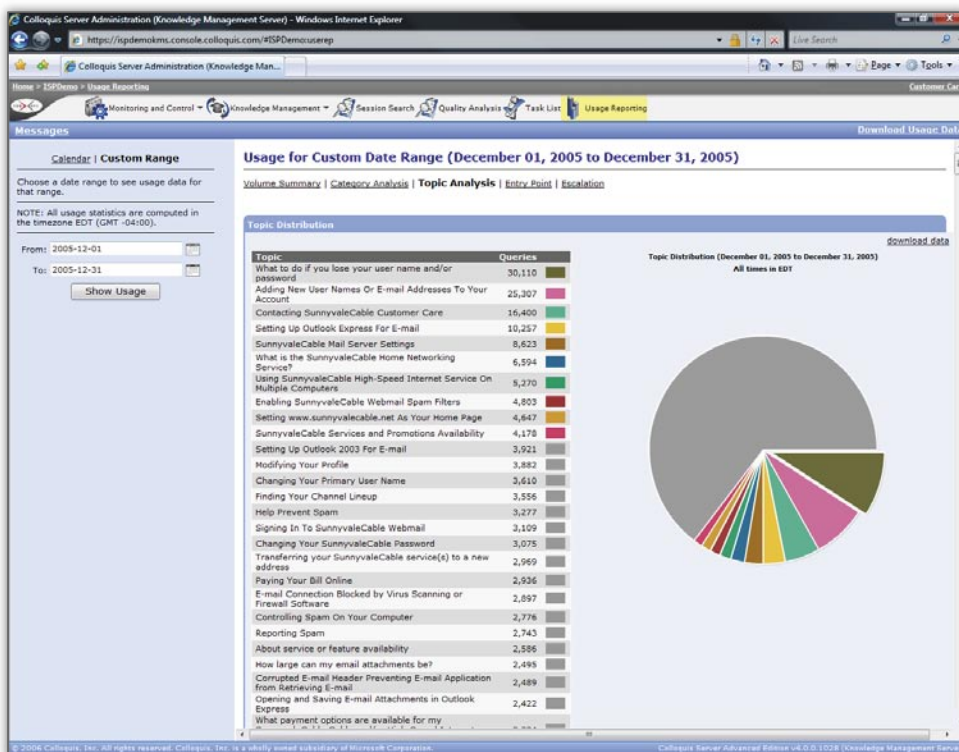
The analysis presented above does not factor repeat purchases or purchase of products or services other than the average price of a presented product. If these factors were added to the equation, the ASA's advantage would be significantly greater.

It must be noted that, in a typical scenario, ASA visits are a subset of total site visits. It may be the case that site visitors who click into an ASA and engage in a presales support conversation are more likely to have purchase intent than visitors who do not engage the ASA. However, when an ASA is not available, the increased level of customer conversion does not occur.

## EXHIBIT A: Standard ASA Usage Reporting



# EXHIBIT A: Standard ASA Usage Reporting (continued)





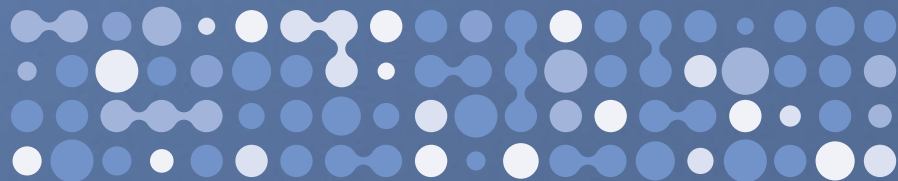
## EXHIBIT B: Sample ASA Conversation Featuring “Purchase” Link Presentation

**AskBrandX:** Would you like to learn how to buy the TV-A1B2C3?  
**Guest:** Yes.  
**AskBrandX:** Ways to Buy a BRANDX TV:  
1) Buy from a Dealer  
2) BRANDX Series Dealers  
3) Buy BRANDX TVs Online Direct from BRANDX  
4) Buy BRANDX TVs by Phone  
Make a selection by typing a number or clicking a selection.  
**Guest:** How do I find a BRANDX dealer for home BRAND X TVs?  
**AskBrandX:** Buy from a Dealer.  
Do you want a store near you or an online dealer?  
**Guest:** Store.  
**AskBrandX:** What's your ZIP Code?  
**Guest:** 18951.  
**AskBrandX:** Here are BRANDX Dealers near you that carry the TV-A1B2C3:  
Dealer A, (0 Miles)  
Dealer B, (10 Miles)  
Dealer C, (10.4 Miles)  
Type “more” to see more dealers near you.

Or if the customer requests an online store:

**AskBrandX:** Ways to Buy a BRANDX TV  
1) Buy from a Dealer  
2) BRANDX Series Dealers  
3) Buy BRANDX TVs Online Direct from BRANDX  
4) Buy BRANDX TVs by Phone  
Make a selection by typing a number or clicking a selection.  
**Guest:** How do I find a BRANDX dealer for home BRAND X TVs?  
**AskBrandX:** Buy from a Dealer.  
Do you want a store near you or an online dealer?  
**Guest:** Online.  
**AskBrandX:** Here are BRANDX Online Dealers that carry the TV-A1B2C3:  
1) Dealer D  
2) Dealer E  
3) Dealer F  
Click on any one to purchase or get pricing information.

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