

CONVERSATIONAL MARKETING - NEW ROLES OF CONSUMERS

Mladen Mirosavljević, Mirjana Milovanović

Banja Luka College, Miloša Obilića 30, 78000 Banja Luka, Bosnia and Herzegovina,
mirjana.milovanovic@blc.edu.ba

ABSTRACT

Consumer behavior has changed. Everything is gravitating towards customization. The key driving forces without a doubt are technological growth that is developing in a rapid rhythm. Historically, the companies had a one-way communication with the consumers, where the goal was to push broadcast marketing whereas today consumers are becoming producers at the same time. In the new age of consumers, they are more knowledgeable, demanding and they expect unwavering and experiences tailored to the extreme. Emergence of conversational agents is a technology in development that is bringing the topic of conversational marketing to the broader audience through its applicability in various fields thus including the inevitable - e-commerce. A prominent feature of every conversational agent is to engage in personalized one-to-one real-time communication with a consumer and offer availability for 24 hours a day, every day. This paper aims to discuss the opportunities and challenges of conversational marketing and strives to draw the practical ramifications from it. Research method is done through the literature review. The findings clearly indicate that nowadays companies need to align with conversational marketing or they will lag behind. Three main things are the key to consumers: what they are buying i.e. product, from whom they are buying i.e. the brand and the path they take to get there i.e. service.

Keywords: Customer, Engagement, Conversation, Marketing, E-commerce.

JEL classification: M21, M31, M37.

INTRODUCTION

When we think about how we buy products and use services today compared to just a few years ago, whether it is buying a book, movie, booking for the ride to the airport and staying in a hotel, the whole experience has undergone a massive transformation. Nowadays, instead of visiting physical stores or offices at the convenience of the companies, you can not only do everything from the comfort of your home but also you are able to choose at what part of the day or night you want to do it. There is no more waiting in line for your favorite product or being in a fear that you will miss to watch your favorite tv show. With just a few clicks you are getting what you want at the time you want. The only necessity today is having an internet connection. Underlying truth with which most marketers and salespeople are facing is the balance shift of power. In the time being, all the power belongs to the customer. In addition to the shift of power, the success of the company is not anymore dictated by the supply but demand (Cancel, & Gerhardt, 2019). According to Cancel & Gerhardt there are three key factors that made a difference in today's buying decision process of customers.

These are - product information became free, real-time interaction became expected, and supply became infinite. In the past, customers were limited in terms of the information they gathered about the product. Their hope was that the product does what the company says it does and the same goes for the quality. However, this is not the case anymore as there are a wide variety of sources (reviews, social media, search engine, etc.) which customers can use to their advantage to make an informed decision about the product. Furthermore, the customers care not only about the product and what value it brings them but also who is selling the product. They care about the company brand and who is behind the brand, and if their values are aligned. Real-time communication became imperative and customers want to communicate with the companies the same way as with their friends, i.e. through the same platforms at any time. In such a chaotic and

dynamic world, customers expect immediate responses to their questions and immediate solutions to their problems. Moreover, with a lot of choices around us, the companies are fighting for our money and the customers are being more selective. There is no unique factor determining the purchase decision. Just think about when going grocery shopping how many brands there are for ketchup, pasta, potatoes or any other product. Just as an example, the brand Gillette was an association for all the razors and dominated the industry with the supply until the other company, Dollar Shave Club, started dominating the demand instead of the supply by doing the opposite of their competitors (Cancel, & Gerhardt, 2019). This leads us to the core value of any company and that is the communication between the buyer and a seller, hence the conversational marketing which is an unavoidable part of the process. One of the most important questions to raise are - how to set-up and maintain the conversation with the customer(s) and how to have a desired outcome as a consequence of the communication with the customer(s). According to the definition, “conversational marketing is a tool which helps in building and sustaining one-to-one personalized lifetime dialogues across all marketing channels to enhance revenue and marketing effectiveness” (Bagirathi, 2014).

One of the major tools for conversational marketing is the use of social media to reach the broader spectrum of audience, where the word-of-mouth advertising appears to be the most convincing. In other words, no ad works better than having someone whom you trust recommending a certain product. A single consumer has enormous power, with just a few clicks, to spread the message about the particular product or service worldwide. Nonetheless, this has its advantages and disadvantages which will be further discussed in the following chapters. The next chapter aims to discuss the evolution of conversational marketing which will help us to understand more its impact and hopefully predict its potential for the future.

THE EVOLUTION OF CONVERSATIONAL MARKETING

In the past several years, we have observed the huge development of artificial intelligence technologies which includes conversational agents as well. Conversational agents are usually introduced as chatbots whose purpose is to interact with the users by using the natural language. Following a logical path, many fields such as e-commerce, education, finance, healthcare, marketing, entertainment, business, etc. have noticed the vast potential in conversational agents and have started to adopt the technology. Back then, in some circles, the conversational marketing was considered as just a ‘hype’ and a passing trend, however this is the most probably due to the fact that the concept was way ahead of its time and technology was not developed to the extent as it is today, to back it up and make it a reality. However, let us scroll through the history of conversational technology. The first interests go back to the 1950s where the infant studies started growing from communication theory and focusing on the interaction between humans and computers. One of the first published articles was by Alan Mathison with the title “Computing Machinery and Intelligence” which had the aim to test the computer’s ability to think like humans. Mathison’s research laid the foundations for the further development of the conversational agents (Pinsky, 1951).

Furthermore, the first chatbot was named ELIZA and it was developed in 1966 by Joseph Weizenbaum. ELIZA was a Rogerian psychotherapist that was based on a mirroring model, however it had many flaws as it was not capable of recognizing the human feelings and therefore keep up the natural flow of the conversation (Weizenbaum, 1966). Six years after that, in 1972 at Stanford University, another chatbot was developed by Kenneth Colb. The chatbot was named PARRY and its role was to stimulate a person with paranoid schizophrenia (Abu Shawar, & Atwell, 2015).

In 1995, another chatbot named artificial linguistic Internet computer entity (abbr. ALICE) was developed by Richard Wallace with a goal to recognize and improve human-like conversation. With the development of technology so did the chatbots developed and there were more and more options on the market, with the interaction mode not only as text but voice as well. Some of the personal assistant chatbots are Smarter Child by Robert Hoffer developed in 2001, Siri by Apple launched in 2010, Alexa by Amazon in 2015, Google Assistant by Google in 2016, Bixby by

Samsung in 2017, and recently, in 2020, Meena by Google and Blender by Facebook as the most recent with the improved human features (Aron, 2011; Adiwardana et al., 2020).

According to Braun and Matthes (2019), conversational agents can be classified based on the tasks they perform i.e. general/purpose or task-specific and based on the interaction style with the user i.e. menu based or text/voice based. Conversational agents or chatbots are usually integrated within messenger platforms or websites and are rarely stand-alone applications that one can simply install. In simple terms, they are internet robots used in the field of human-computer interaction to take advantage of a dialogue system. What is advantageous for conversational agents is that they analyze vast amounts of data through AI algorithms before giving the final output. This in return reduces the necessary time spent for the companies to find the right information. In order to understand the user's responses, it is necessary to dig deeper into the speech recognition technology (Haridas, Marimuthu, & Sivakumar, 2018).

Alexa, Siri, Apple, Google Assistant and others are typical examples of voice assistants and conversational user interface (CUI) that connect human interaction with dialogue systems for the purpose of mimicking social chatting. Beside voice other modes of communication possible with conversational agents include text, emoji, and other types of interaction techniques. Moreover, conversation agents are the key to conversational marketing and conversational marketing is a key relationship marketing for the age of social media. If we think about any relationship, without a doubt we can say that it takes time and patience for it to form and develop. Conversations on the other hand are different in terms of the forms in which they can exist however companies are starting to realize more and more that it takes both sides to keep the conversation ongoing and to grow into a relationship. As an outcome of the conversations with the customers the relationships are not the end goal but the value created for the customers. The goal is to ensure the lifetime value and a two-way conversation with the customer. Social media is a powerful tool in conversational marketing as one person has a broader reach of audience and the word of mouth is highly valued. As the nature of social media lies in the interaction between people i.e. customers, the engagement could often lead to a very intimate relationship with the brands and this in turn can influence customer's further support for products or services. Social media can be very transparent to how the company handles the customer service.

This chapter has introduced us to the history of conversational agents and its applicability, however to determine its usefulness and weigh up the advantages and disadvantages can be quite challenging. The next chapter will just try that.

WHAT DOES RESEARCH TELL ABOUT CONVERSATIONAL MARKETING

Customers today have the awareness of what is possible therefore they expect personalized experiences from companies and 24/7 support. According to the Drift insider research, buyer and seller conversations shifted almost exclusively online and there is no thinking involved in going back. Furthermore, Drift and Heinz Marketing conducted a survey in July 2021 in order to understand the state of Conversational Marketing in B2B more in depth. The data comes from 503 B2B professionals across different company sizes, industries and experience levels (Drift Insider, 2021). These are the report key findings.

Overall frustration with B2B experiences is on the rise: frustration with accessing basic company information has grown by 20%, with website navigation it has grown 25% and with old school forms is growing by 27%. Quick, authentic experiences are a priority for both businesses and buyers: top feature is learning more about buyers according to 46,3% respondents, human, authentic experience is their solution according to the 36,2% respondents and 50,7% say they are providing quicker response time. Personalization is a necessity: expectations for personalized experience have grown by 26%. The study conducted by Folloze research has found that 77% of B2B sales and marketing professionals believe that the key improvement to their customer relationships was personalization. COVID-19 accelerated Conversational Marketing adoption: in response to COVID-19, 58% of respondents adopted conversational marketing, 99% said the solution was valuable to highly valuable and 45,2% said the engagement has increased during the pandemic. AI-powered Conversational Marketing solutions are gaining traction: 82% of

respondents find AI-enabled technology as their solution valuable, 56% increased the sales productivity.

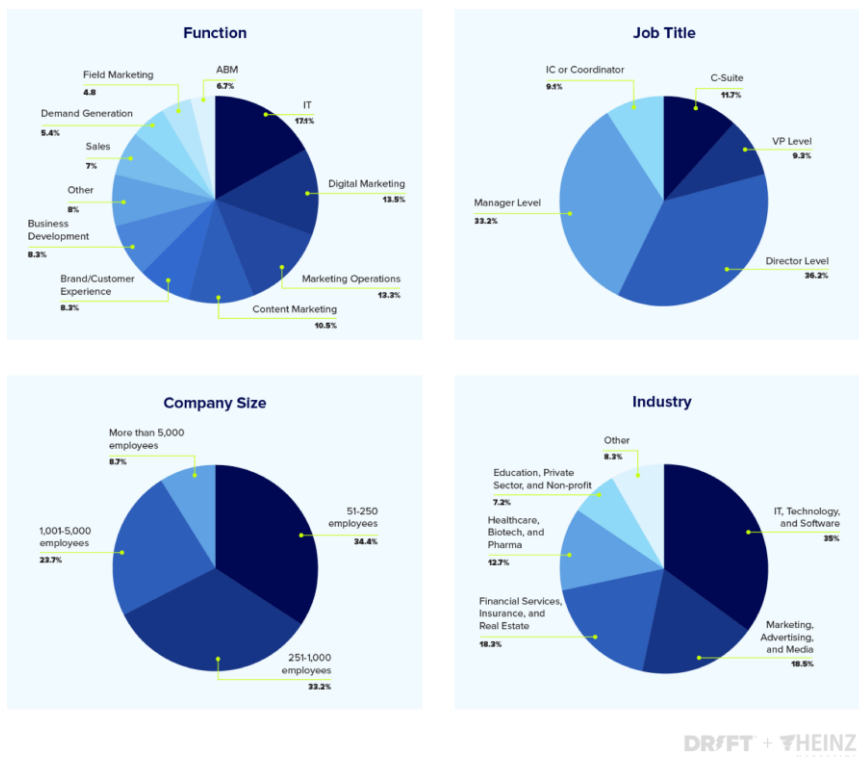


Figure 1. Depicting characteristics of 503 B2B companies participating in the survey conducted by Drift and Heinz in July 2021. Data comes from different function levels, job titles, company sizes and industries (Drift Insider, 2021).

The study from Drift also showed that about 1/3 of all U.S consumers used chatbots, however based on their experience they consciously decided to use them less or not at all in future. Moreover, buyers are twice likely to confirm that chatting with a live human provides better customer experience compared to chatbots even though the benefits of chatbots can provide answering questions, according to the 34% respondents, getting answers and explanations in detail, 29%, and resolving complaint or issue according to the 27% respondents (Drift Insider, 2021). Figure 1. summarizes characteristics of 503 B2B professionals considered in the study.

OPPORTUNITIES AND CHALLENGES

As we are living today in a more responsive and more on-demand world, so does the adoption of conversational marketing increases and therefore the opportunities to implement the conversational agents better, to meet the customer needs. Human behavior was and still is one of the key indicators for the direction in which markets are flowing. Changes in human behavior dictates the customers preferences and this shapes the way product is marketed, sold and delivered. Hence, the most innovative companies were always evolving in parallel to the changes in human behavior. Some companies have disrupted entire industries by offering the exact same service, just in a more convenient form for the customer. In order to provide the best experience to the customers, companies need to find new ways to engage with them and to incorporate a wide range of tools and data to customize that same experience. This includes the insights on the customer’s buying behavior, interests, location, habits, purchase decisions and many more.

For companies, it all comes down to making the right decision, using the right data through right and multiple channels and offering the right products with the right services. Compared to other customer service technologies, conversational agents seem as an promising alternative however as the machine learning and artificial intelligence are developing dynamically so will the customer service technologies. Some of the drawbacks of the conversational agents are poor interactive user interface, multi-lingual deficiency, third-party integration, and capability to read human-like emotions (Nuruzzaman, & Hussain, 2018). On the other hand, if a company is relying entirely on human beings to promote its growth, there might be quite some limits to how much it can grow. What otherwise would be a long, exhausting process, with a room full for errors, the conversational technology presents the solutions that simplifies these processes. The conversational technology saves business owners the wasted time, resources, labor and therefore finances.

The next chapter will discuss and conclude the final findings on conversational marketing.

CONCLUSIONS

There are significant options for the companies, if they want to take advantage while considering consumer's behavioral shifts in their purchase decisions and consumerism. It is important, if not crucial, to implement the shopping journey based on artificial intelligence technology. Conversational marketing has received an increased attention in the past years among a variety of fields including education, finance, virtual assistance, healthcare, e-commerce and many others. Conversational marketing tries to keep the constant balance between the company's and customer's action and reaction. More than ever, the customers desire mutually engaging, loyal and personal relationships with the brands they are buying from. Customers care not only for the product that will solve their problem but also who is behind the brand they are buying from and what values they stand for. In today's digital age of conversational marketing, time is crucial.

This paper made an introduction into the conversational marketing concept and described the history of its development. Furthermore, some of the opportunities and challenges were presented and discussed. As the findings suggest, it is clear that conversational marketing is an exceptional tool used by the companies in several fields, especially through social media and this trend can be highly utilized to the company's advantage. Where conversational marketing is headed, no one can predict with certainty, however, the following can be highlighted - taking advantage of mobile consumers messaging first, privacy-first practices, customer personalization expectations, social commerce and evolution of conversational artificial intelligence.

The further research can be taken by conducting a study on multiple channels using conversational agents to draw concrete buying patterns of customers and factors influencing their purchase decision making. Additional study can be done on determining exact methodology on the customer's attitudes towards conversational agents and success factors that influence the customer's satisfaction with the conversational applications.

LITERATURE

- Abu Shawar, B. & Atwell, E. (2015). ALICE Chatbot: Trials and Outputs. *Computacion y Sistemas*, 19(5), 625-632. Reterieved May 4, 2022, from <https://doi.org/10.13053/cys-19-4-2326>
- Aron, J. (2011). How Innovative Is Apple's New Voice Assistant, Siri? *New Scientist* 212 (2836), 3-69. Reterieved May 4, 2022, from [https://doi.org/10.1016/S0262-4079\(11\)62647-X](https://doi.org/10.1016/S0262-4079(11)62647-X)
- Adiwardana, D., Luong, M. T., So, D. R., Hall, J., Fiedel, N., Thoppilan, R., & Le, Q. V. (2020). *Towards a human-like open-domain chatbot*. Reterieved May 4, 2022, from <https://doi.org/10.1016/j.aiopen.2022.02.001>
- Bagirathi K., (2014). *Conversational Marketing: A Word of Mouse (Consumer's Perspective)*. Indira School of Business studies.
- Braun, D., & Matthes, F. (2019). Towards a Framework for Classifying Chatbots, In *Proceedings of the 21st International Conference on Enterprise Information Systems (ICEIS 2019)*, 496-501.

- Cancel, D., & Gerhardt, D. (2019). *Conversational Marketing: How the World's Fastest Growing Companies Use Chatbots to Generate Leads 24/7/365 (and How You Can Too)*. John Wiley & Sons.
- Drift Insider. (2021). 2021 State of Conversational Marketing. Enhancing the Buyer Experience and Driving Pipeline with Conversational Marketing. Retrieved May 25, 2022, from <https://www.drift.com/books-reports/conversational-marketing-trends/#state-of-convo-marketing>
- Haridas, A. V., Marimuthu, R., & Sivakumar, V. G. (2018). A Critical Review and Analysis on Techniques of Speech Recognition: The Road Ahead. *International Journal of Knowledge-Based and Intelligent Engineering Systems*, 22(1), 39-57.
- Nuruzzaman, M., & Hussain, O. K. (2018). A Survey on Chatbot Implementation in Customer Service Industry through Deep Neural Networks. *In Proceedings 15th International Conference on e-Business Engineering (ICEBE)*, 54-61.
- Pinsky, L. (1951). Do Machines Think About Machines Thinking. *Mind*, 60(239), 397-398.
- Weizenbaum, J. (1966). Eliza - a Computer Program for the Study of Natural Language Communication between Man and Machine. *Communications of the ACM*, 9(1), 36-45.