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A Lifeline for <mark>Conversational Commerce</mark>?

Conversational commerce has struggled to take off in the US. But now that Americans are becoming more comfortable chatting to bots, that could be about to change…

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An idea before its time

Five years ago, we were told that **conversational commerce was the inevitable future of online retail.** Soon, the experts said, virtual assistants would be a core component of the e-commerce experience; all of us would eventually be using branded chatbots to place orders, resolve customer service queries, and get personalized product recommendations.

It's easy to see why there was so much excitement around these technologies. In theory, conversational commerce offered the possibility of a **truly frictionless and responsive shopping experience**—an experience consumers say 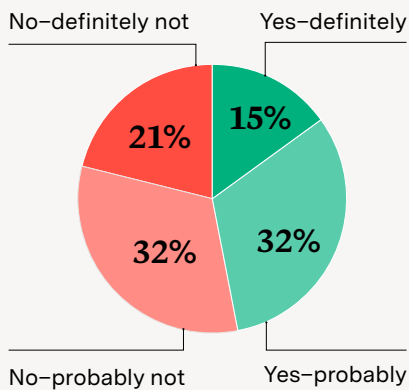is increasingly important to them. For younger shoppers in particular, the appeal of being able to engage with retailers in a more friendly, personal and immediate way seemed self-evident. After all, most millennials now say that texting has become their preferred way of engaging with brands.
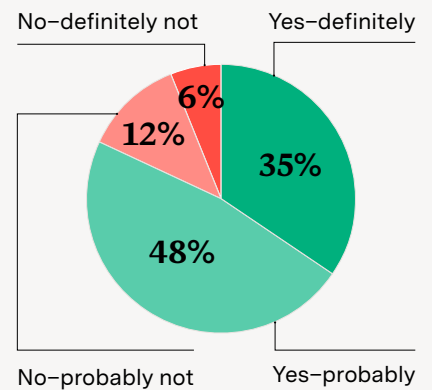
Q: **Would you be comfortable using conversational commerce services to buy products through the chat or messaging features of social media platforms?**

US consumers

No–definitely not   Yes–definitely

21%   15%

32%   32%

No–probably not   Yes–probably

Chinese consumers

No–definitely not   Yes–definitely

6%

12%   35%

48%

No–probably not   Yes–probably

So, it's somewhat perplexing that the dream of conversational commerce never became a reality— at least, not in the United States. While social media giants like Facebook and Instagram were launching chatbot support for retailers as early as 2016, these services failed to truly find an audience; several of them would ultimately be quietly shelved. Recent research from NRG found that **fewer than half of Americans (47%) would be willing to use conversational commerce** to buy goods or services on social media platforms.

The refusal of Americans to embrace conversational commerce becomes particularly stark when compared to the attitudes of Chinese shoppers. **In China, more than 8 in 10**

consumers are already comfortable with the idea of buying from chatbots. In large part, this is due to the success with which WeChat— the immensely popular all-purpose app that dominates so many aspects of daily life in the country— has integrated conversational commerce features into its digital ecosystem. For many shoppers in the People's Republic, chatting with bots is already a core part of the e-commerce experience.

The fact that China has embraced conversational commerce so rapidly is hardly surprising. The country is, after all, both the United States' most direct competitor in the research and development of AI technology, and solely responsible for over half of all online transactions globally.

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Moreover, the success of conversational commerce in China suggests that there may be specific cultural factors at play in the US that have, until now, acted as barriers to its adoption. When surveyed by NRG, **Americans tended to point to concerns around data privacy and payment security** as the primary reasons they felt reluctant to use conversational commerce services.

Many consumers in the US already have a healthy skepticism when it comes to buying goods and services online. The added vulnerabilities introduced by interacting with a bot created a trust barrier that was, for most of them, simply too great to overcome. Altogether, it looked like conversational commerce would have a steep hill to climb in the US—at least until these deeply entrenched perception challenges had been adequately resolved.

Q: Why are you unwilling to use conversational commerce?

🇺🇸 US consumers not open to using conversational commerce

"I would be worried about the security of the payment" 46%

"I don't want to give social media companies more of my data" 44%

"I don't use social media enough" 27%

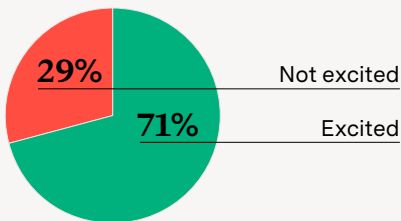**"I'm worried about the temptation to make impulse purchases"** 20%

"I would be worried about the service misunderstanding my instructions" 19%

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A new dawn for conversational commerce?

Q: Are you excited about using AI-powered search?

🇺🇸 US consumers aware of AI search

29% Not excited

71% Excited

Over the past few months, however, **the long-term prospects for conversational commerce in the US may have brightened significantly.** Last year, OpenAI released GPT-3.5, the latest iteration of their large language model for producing human-like text. They followed this up in March 2023 with the release of GPT-4, both of which have been made available to the public through the firm's ChatGPT platform. These models represented major leaps forward in the advancement of generative AI—which, combined with the success of similar technologies such as AI-powered image generators like DALL-E and Midjourney, have made artificial intelligence one of the most talked about topics in tech.

The public has been quick to embrace these new technologies. ChatGPT surpassed 100 million monthly active users only 2 months after its launch—making it arguably the [fastest growing](#) [consumer application in history](#). And major search platforms like Google and Bing have started taking steps to incorporate AI-powered chat functionality into their search engines. While these technologies have certainly had their [fair share of teething problems](#), all signs suggest that more people than ever before will soon be conversing with bots on a regular basis.

This has led to a revitalization of interest in conversational commerce, for two key reasons. Firstly, tools like GPT-4 offer brands the possibility of **building more powerful and more sophisticated chatbots.** In the past, retailer's bots tended to be useful in only a narrow range of scenarios; they quickly broke down whenever customers strayed from a pre-programmed set of tasks. Now, however, AI-powered chatbots are capable of responding organically to even the most unexpected of requests. We'll soon be able to see what this looks like in practice in a retail environment, as major e-commerce platforms like Amazon in the US and JD.com in China [have already announced plans](#) to roll-out ChatGPT-style tools across their platforms.

The second reason has less to do with the technology itself, and more to do with the evolution of consumer attitudes towards it. One of the major barriers to the adoption of conversational commerce in the US has been the problem of trust; consumers weren't yet ready to accept that the experience of interacting with a human shop assistant could be adequately replicated by a machine. But as more and more people get the opportunity to use tools like ChatGPT for themselves, **perceptions about what chatbots are capable of will inevitably start to change.**

Already, **Americans are expressing a newfound openness to the idea of using AI-powered chat services.** Among those who have heard of the concept of AI-powered search, for example, 71% say they're excited to start using it. It's easy to imagine that this enthusiasm could transfer over to the idea of conversational commerce—provided, that is, that retailers make the right decisions when it comes to incorporating these new tools into the shopping experience.

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Maintaining momentum

So, what can retailers do to ensure that, this time around, conversational commerce is more than just a passing fad?
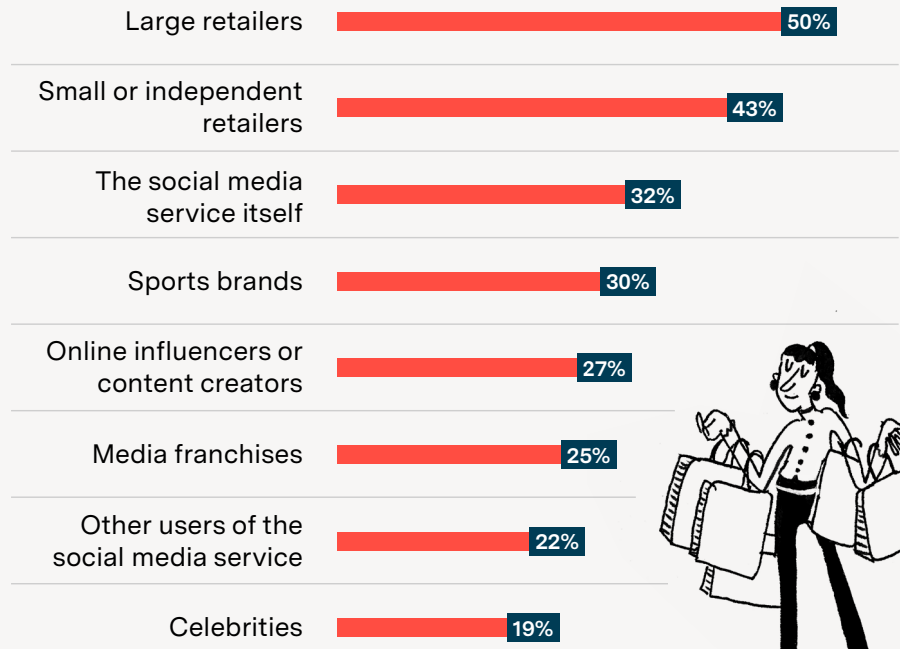
Ultimately, it all comes down to trust. Shoppers are most likely to embrace conversational commerce if it is pioneered by large retailers and mega-brands who already have an in-built level of loyalty and brand trust; brands that they know aren't going to try to scam them or use their data for nefarious purposes. By a significant margin, Americans say that they'd be **more likely to use conversational commerce tools to buy products from large, established retailers** than from any other type of vendor.

While consumers may be more likely to trust larger retailers, it's small businesses who will likely have the most to gain from adopting conversational commerce technology. AI-powered tools will provide a way for lean teams to scale their sales and customer service operations in a more cost-effective way—without sacrificing the ability to offer shoppers an experience that feels responsive to their needs. That said, these technologies will require sufficient data stores in order to offer the tailored recommendations consumers will expect. Smaller retailers who want to take advantage of these technologies will need to first ensure that they have enough historical data on their customers to apply them in a meaningfully personalized way.

In recent NRG research on the future of commerce, a consistent

Q: **Who would you be willing to buy products from using conversational commerce on a social media platform?**

🇺🇸 US consumers who are open to using conversational commerce

Large retailers	50%
Small or independent retailers	43%
The social media service itself	32%
Sports brands	30%
Online influencers or content creators	27%
Media franchises	25%
Other users of the social media service	22%
Celebrities	19%

fear among shoppers has been the notion that new technologies—and the ongoing shift from brick-and-mortar to online shopping and digital transactions—might lead to **a world in which the human gets left behind;** one where the shopping experience feels sterile and alienating. Retailers, therefore, are likely to have the most success implementing conversational commerce if they are able to position it as a tool that can help push back against this trend of dehumanization—rather than just a source of brute efficiency.

In practice, this means not using chatbots as an excuse to scale back or underinvest in the human element of customer service. Instead, retailers need to **focus on creating seamless paths to purchase that organically blend artificial and human**

intelligence. Longer-term, they should work to create new models for sales and customer service in which humans and machines are able to support and learn from one another in co-dependent and mutually beneficial ways.

No matter the size of the company, conversational commerce presents a unique opportunity for brands to engage with their shoppers dutifully and colloquially, replicating the experience of interacting with a personal shopper or sales assistant. As shopping continues to migrate online and more and more of our conversations are mediated by social messaging platforms, conversational commerce looks poised to be the technology that bridges the gap between in-store and online—between the automated and the human.

AT A GLANCE

# Three key lessons for retailers

01

Even if you've had limited success in the past with conversational commerce, new breakthroughs in generative AI have created a strong incentive to start exploring this space with fresh eyes.

02

Trust remains one of the biggest barriers to the adoption of conversational commerce, so it's crucial that you leverage existing brand equity to add credibility to any efforts in this space, and that you ensure the right safeguards are in place before deploying any consumer-facing chatbots.

03

Conversational commerce should be positioned as an extension of—rather than a replacement for—your human sales and customer service teams, with the two working in tandem with one another across the marketing and sales funnel.
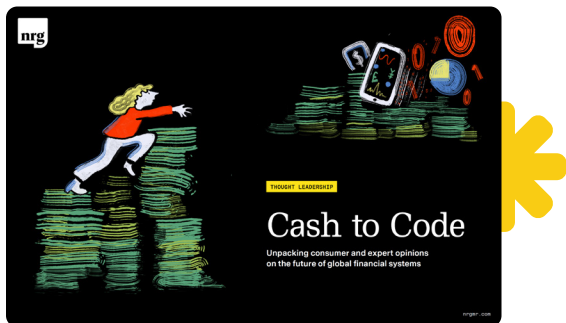
For more on the evolution of the shopping experience, download our report: Cash to Code: The Future of Money

This 34-page visual white paper features original survey data from 4,300 global consumers, as well as in-depth analysis of thought leadership from financial services industry experts.

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WORDS AND ANALYSIS

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CREATIVE

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METHODOLOGY

Data for attitudes towards conversational commerce is based on a study of 1,502 consumers in the US and 700 consumers in China conducted in November 2022.

Data for attitudes towards AI-powered search is based on a study of 1,000 consumers in the US conducted in February 2023.

Participants for these studies were selected and weighted to be representative of national demographics in terms of age, income and gender.