

CONVERSATIONAL COMMERCE

2017

Chatbots and Virtual Assistants

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CONVERSATIONAL COMMERCE 2017: CHATBOTS AND VIRTUAL ASSISTANTS

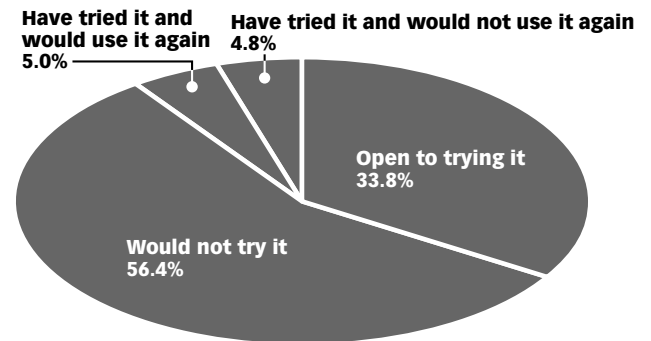
Thanks to rising comfort levels with virtual assistants and chatbots, as well as advances in technology, voice commands and messaging apps are presenting new sales platforms.

- A shift has begun from consumer usage of websites to platforms like messaging apps and connected devices, so retailers and brands are trying to follow them there—and exploring the possibilities of using these channels for digital commerce.
- As more smartphone users continue to choose texting over talking (at least to their fellow humans), more and more products are being created that allow consumers to talk to their devices. In many cases, it is faster and more natural to use voice commands for simple transactions.
- Currently, customer service is the most practical use case for chatbots and virtual assistants. When it comes to actual buying, the services are best suited for products that don't require deep research, or for reordering something a consumer has bought before.
- US consumers are very different from those in China, where many users are comfortable with messenger apps that can make payments, hail a ride or even apply for a mortgage. Here, the mobile-first cohort will be Gen Z, and conversational commerce is much more likely to resonate with them than with the adult shoppers of today.

WHAT'S IN THIS REPORT? This report examines consumer usage of chatbots and virtual assistants, as well as why and how retailers and brands are using both technologies along the path to purchase.

US Internet Users' Primary Attitude Toward Using Messaging App Chatbots* for Shopping-Related Activities, Sep 2016

% of respondents



Note: n=1,003 ages 18+; *e.g., on Facebook Messenger, Kik Messenger, WhatsApp or WeChat

Source: Sumo Heavy, "2016 Social Commerce Survey: The Future of eCommerce?" Dec 14, 2016

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KEY STAT: Although a majority of US internet users are not willing to shop through chatbots, one-third told Sumo Heavy that they are. Only 5% had tried it and wouldn't repeat the process, while about the same percentage said they would.

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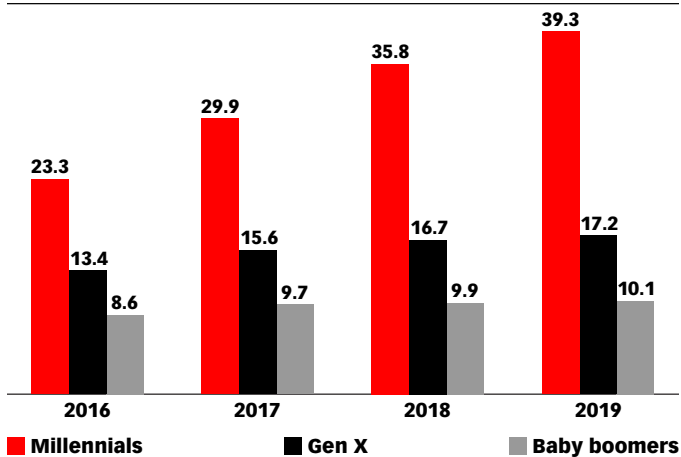
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CONSUMER USAGE OF VIRTUAL ASSISTANTS

Voice-assisted commerce is likely to be the next frontier for retailers. In 2016, Gartner forecast that 20% of all smartphone interactions will be through virtual personal assistants by 2019, and 25% of households will use digital assistants to power connected homes. This mainstreaming will open up new avenues for digital sales. "Whoever owns voice will be the gateway of commerce," Gene Munster, head of research at Loup Ventures, told Reuters in April 2017.

eMarketer forecasts that the market for voice-enabled digital assistants in the US will be driven by millennials. In 2017, 29.9 million of that younger age group will use virtual assistants at least once a month, compared with 15.6 million Gen Xers and 9.7 million baby boomers. Close to 40 million millennials will use digital assistants by 2019, while the number of boomers will just cross the 10 million mark in the same time period.

US Voice-Enabled Digital Assistant Users, by Generation, 2016-2019
millions

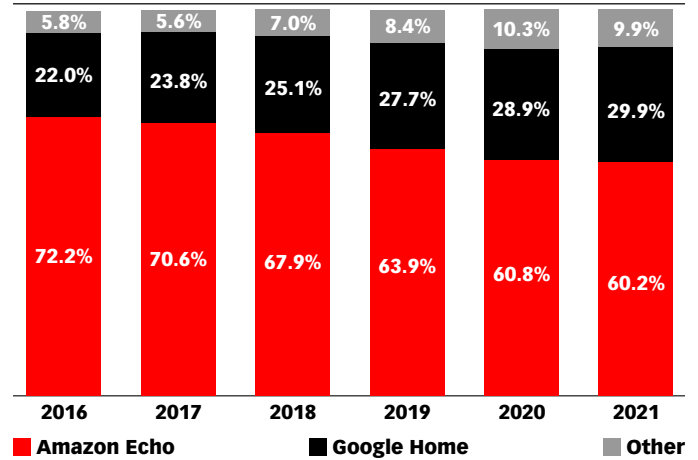


Note: individuals who use voice-enabled digital assistants at least once a month on any device; millennials are individuals born between 1981-2000, Gen X are individuals born between 1965-1980 and baby boomers are individuals born between 1945-1964
Source: eMarketer, April 2017

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(These numbers represent users of Amazon's Alexa, Apple's Siri, Google Now, Microsoft's Cortana and Samsung's Bixby, whether they are reached via a smartphone, voice-enabled speaker, laptop or another device. Voice-enabled speakers such as the Google Home must have assistance as their core function to be counted in eMarketer's numbers for the category. Smartphones, cars, smart-home devices and other similar devices are therefore not counted.) This year, 35.6 million people in the US will use speakers like Amazon Echo (making up 70.6% percent of all users) or Google Home (with a user share of 23.8%). In all, voice-enabled speaker users will represent 10.9% of the population. That proportion is set to grow to 18.2% by 2021. Amazon will continue to dominate over the next four years, but Google (and others) will take more share.

US Voice-Enabled Speaker User Share, by Player, 2016-2021
% of total



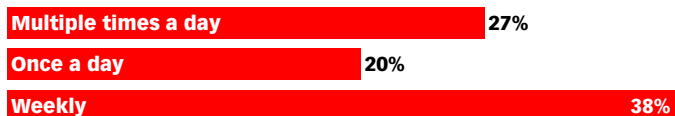
Note: individuals of any age who use a voice-enabled speaker at least once a month
Source: eMarketer, May 2017

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Marketing platform HubSpot surveyed internet users in Latin America, the US and Western Europe in November 2016 about the frequency with which they use voice-enabled search. Among those who had used this type of search in the past month, the most common answer was weekly (38%), while one-quarter used it more than once per day.

Frequency with Which Voice Search Users Worldwide* Use Voice-Enabled Search Engines, Nov 2016

% of respondents



Note: n=1,051 ages 18+ who used voice-enabled search in the past month; excludes responses of those who use it less often than weekly; *Colombia, Germany, Ireland, Mexico, UK, US
Source: HubSpot, "Artificial Intelligence Is Here - People Just Don't Realize it," Jan 30, 2017

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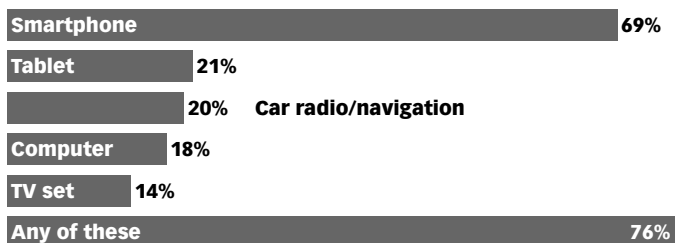
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Satisfaction with the quality of voice search results also increased in that timeframe. In November, 81% rated results a 4 or higher on a scale of 1 to 5, compared with 50% in May 2016.

US internet users have primarily used voice commands on smartphones (69%), according to a February 2017 GfK survey. Far fewer talk to their car radios or navigation devices (20%), TVs (14%) or other computing devices.

US Internet Users Who Have Used Voice Commands, by Device, Feb 2017

% of respondents



Note: ages 13-64; read as 69% of respondents have used voice commands on a smartphone

Source: GfK, "Commanding Media" as cited in company blog, April 26, 2017

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This same survey found low adoption of virtual assistants in the home: Just 12% of US internet users owned an Amazon Echo/Dot (10%) or Google Home (2%).

Consumers clearly aren't using virtual assistants en masse yet, but it appears that those who do are using them more frequently, and that user satisfaction is rising as time goes on.

SHOPPING

Branding Brand, a commerce platform, conducted a survey of US Amazon shoppers in February 2017 and found that only 1% said they most frequently made Amazon purchases via Alexa, and none primarily used Dash Buttons. The most popular purchase channel was desktop/laptop (37%).

An April 2017 survey by Toluna, a provider of real-time digital consumer insights, discovered that the most common activity conducted by US adult virtual assistant users was shopping and price comparisons, cited by 67.4% of respondents. This was the most common activity in each age group surveyed, with the exception of those 55 and older. Getting questions answered was the most popular activity for that segment.

Activities Conducted via Virtual Assistants by US Virtual Assistant Users, by Age, April 2017

% of respondents in each group

	18-34	35-54	55+	Total
Shopping and price comparisons	68.9%	71.7%	30.0%	67.4%
Turning on my music	60.1%	64.2%	56.7%	61.3%
Checking the weather or news	57.7%	62.9%	70.0%	60.2%
Getting questions answered	50.7%	58.5%	83.3%	55.4%
Checking scores	57.0%	55.4%	30.0%	54.7%
Managing to-do lists	34.3%	44.0%	46.7%	38.3%
Scheduling	36.0%	34.6%	30.0%	35.2%
Placing a call	34.3%	32.7%	26.7%	33.3%
Finding dinner recipes	25.5%	28.3%	26.7%	26.5%
Other	0.4%	0.0%	3.3%	0.4%

Note: n=475

Source: Toluna, "Voice-Activated Virtual Assistant Survey," May 9, 2017

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Shopping includes browsing and research, but actually buying via voice is still a fringe activity. A BI Intelligence study that surveyed millennials and business leaders found only 9% of voice assistant users had used voice commands to make a purchase, though that was higher than the 2% who had paid bills and 1% who had sent money to a peer.

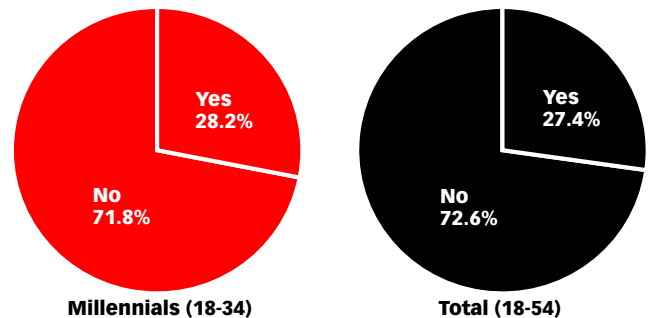
Another BI Intelligence survey discovered a majority (62%) of millennials trust these assistants for making safe purchases, with personal data concerns being one possible stumbling block. Siri was the most trusted (29%), followed by Alexa (17%), then Google Assistant/Now (12%).

CONSUMER USAGE OF CHATBOTS

It's hard to say for certain whether or not millennials truly overindex for chatbot adoption, because quite a few studies have focused exclusively on that age group. However, it may be the even younger generation for whom chatbots and messaging will feel like second nature. Gen Z will be the first wave to have grown up with mobile devices from birth. "I wouldn't be surprised if within a couple of years, teenagers transact everything through mobile," said Jaclyn Ling, director of strategic partnerships at Kik.

Local services transaction platform Pingup, however, found little difference between millennials and mobile messaging app users overall (ages 18 to 54) when it came to using a chatbot to connect with a business or brand. Some 28.2% of 18- to 34-year-olds had done this, compared with 27.4% of total respondents.

US Millennial vs. Total Mobile Messaging App Users Who Have Used a Chatbot to Communicate with a Business*, Oct 2016
% of respondents



Note: n=881 who own a smartphone and have used a mobile messaging app in the past 30 days; *local business or national brand
Source: Pingup, "Messaging and Chatbots in Local" conducted by Survata, Oct 27, 2016
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US smartphone owners are mostly fine with using chatbots to engage with companies, according to a November 2016 Vibes survey. More than six in 10 (65%) said they would feel comfortable.

Alexa is thought to have more potential for commerce than Google Now or Siri, given that Amazon is already a digital commerce behemoth. Even so, according to VoiceLabs research from December 2016, news (22.4%) and games (20.7%) made up the largest shares of "skills" available for Alexa on the app store. Just 0.3% were devoted to shopping.

Despite conversational commerce emerging to fight app fatigue, virtual assistants risk the same fate. The same study showed that when virtual assistant users enabled a new skill, there was only a 3% chance they would still be using it after week one. And only 31% of skills available on the Alexa platform had more than one consumer review.

Kyle Christensen, senior vice president of marketing at Invoca, an inbound call marketing platform, likened the rush to create skills to the early days of apps—when one-star ratings were common, and when everyone was building them with little thought given to the customer experience. "Retailers have to think through the different buying patterns or use cases that customers go through where a voice experience would enhance that, as opposed to forcing it on people," he said.

The Toluna study discovered changes in shopping behavior related to virtual assistant usage across all age groups, but among those under 55 in particular. Most pronounced was the propensity to make fewer in-store purchases, which was true for 52.6% of the total sample.

Ways in Which Virtual Assistants Have Affected US Virtual Assistant Users' Shopping Behavior, by Age, April 2017

% of respondents in each group

	18-34	35-54	55+	Total
Make fewer in-store purchases	58.4%	51.6%	3.3%	52.6%
Make fewer purchases online via web browsers	21.7%	21.4%	13.3%	21.1%
Make more digital purchases via virtual assistant	11.2%	18.2%	23.3%	14.3%
Has no effect on my shopping behavior	8.7%	8.8%	60.0%	12.0%

Note: n=475; numbers may not add up to 100% due to rounding
Source: Toluna, "Voice-Activated Virtual Assistant Survey," May 9, 2017

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Among 18- to 34-year-olds, 58.4% said their in-store purchase frequency had decreased, compared with 51.6% of 35- to 54-year-olds and just 3.3% of those 55 and older.

Customer service currently has more applications for retail and beyond. The HubSpot survey found that internet users in Latin America, the US and Western Europe preferred live help from a person over a program enabled with artificial intelligence (AI), though 40% said they didn't care as long as they received help quickly and easily. Respondents were more open to AI when they had uncomplicated requests—53% said it wouldn't matter in that circumstance whether customer service came from a human. About half as many (26%) said it wouldn't matter in the case of a complicated request.

Additionally, 61% of US internet users indicated they would be interested in using messaging apps like Facebook Messenger to interact with a customer service representative, which was higher than the global average (55%).

Internet Users in Select Countries/Regions Who Are Interested in Using Messaging Apps* to Contact Customer Service, Nov 2016

% of respondents

Mexico & Colombia	67%
US	61%
UK & Ireland	53%
Germany	38%
Total	55%

Note: ages 18+; *personal (e.g., Facebook Messenger)
Source: HubSpot, "Artificial Intelligence Is Here - People Just Don't Realize it," Jan 30, 2017

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"As long as it actually works and doesn't inhibit them from getting the answer and, in fact, makes them faster at it, [consumers are] willing and interested [in customer service applications] through chatbots," said Meghan Anderson, vice president of marketing at HubSpot.

However, among the internet users in six countries who were surveyed by Survata on behalf of LivePerson in April 2017, US respondents were the least enthused about customer service bots. If hypothetically a human and bot were equally accurate, US internet users' preferences were split 50/50, while those in Australia, France, Germany, Japan and the UK all preferred bots. The majority in the US also concluded bots were being used to save costs for the company (54%), while in the other countries more than half said it was for faster or better service.

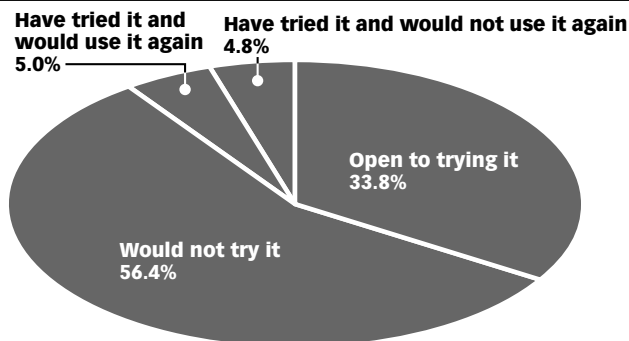
SHOPPING

There is no consensus about consumers' openness to shopping via chatbots. HubSpot found close to half (47%) of internet users in the six countries it surveyed would buy through a chatbot. LivePerson's survey discovered that one-quarter of bot users worldwide had made a purchase through one in the past year.

A majority (56.4%) of US internet users polled in September 2016 by Sumo Heavy said they would not use a chatbot for shopping-related activities. When it came to those who had already tried, nearly equal amounts said they would (5.0%) and would not (4.8%) do it again.

US Internet Users' Primary Attitude Toward Using Messaging App Chatbots* for Shopping-Related Activities, Sep 2016

% of respondents



Note: n=1,003 ages 18+; *e.g., on Facebook Messenger, Kik Messenger, WhatsApp or WeChat
Source: Sumo Heavy, "2016 Social Commerce Survey: The Future of eCommerce?" Dec 14, 2016

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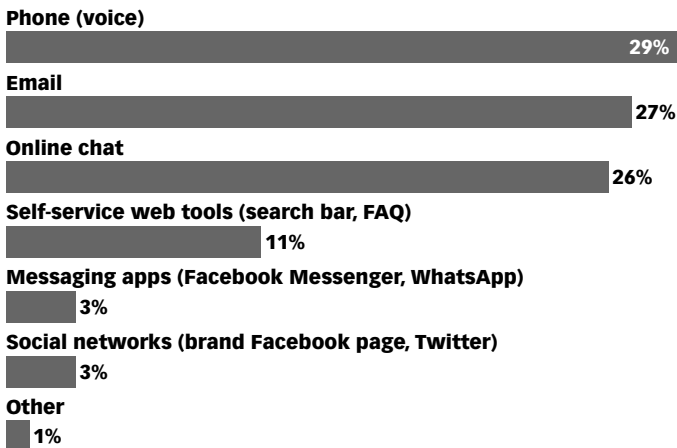
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"The purchasing piece might be the toughest nut to crack early on," said Dan Cripe, CTO of Retale, a local deals app. Right now, there are more use cases for the discovery phase, such as a virtual assistant suggesting flight options, or even group chats, where users could discuss sharing items of clothing, for instance, and get opinions.

US internet users polled by [24]7 in September 2016 were asked about their preferred method of interacting with digital retailers if they had a question. Messaging apps ranked at the bottom, tied with social networks, at 3% of respondents. Much more popular were phone, email or online chat (though it was not specified if this was live chat or chatbots). Millennials had a slightly higher preference for messaging apps (7%).

US Internet Users' Preferred Method of Contact with a Digital Retailer While Making a Purchase, Sep 2016

% of respondents



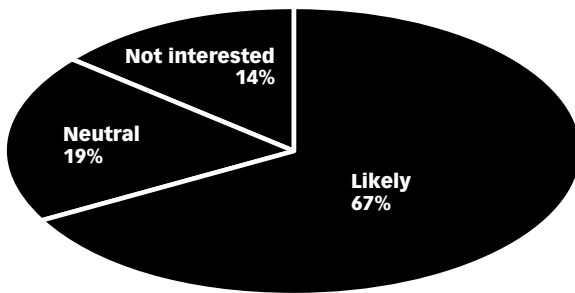
Note: ages 18+
Source: [24]7, "A Retailer's Guide to Chatbots, Live Chat, and Messaging," Nov 14, 2016

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Retail asked millennials who had ever used a chatbot about their experience in December 2016, and the sentiment was overwhelmingly positive (70%). A nearly equal proportion (67%) of the total sample, which included respondents who had not used a chatbot, said they'd be likely to buy products or services using a chatbot. Only 14% were not interested in doing so.

Likelihood that US Millennial Internet Users Would Purchase Products/Services from Brands Using a Chatbot, Dec 2016

% of respondents



Note: n=500 ages 18-34
Source: Retail, Feb 21, 2017

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Interestingly, DigitasLBI found in November 2016 that only 22% of US internet users had even heard of chatbots, yet 37% would be willing to make a purchase (worth \$55.80 on average) through one. An equal number would be willing to receive recommendations or advice, and 36% would like offers or coupons. Respondents were more interested in retailer recommendations (22%) than in pharma or style advice.

Recommendations that US Internet Users Would Like to Receive from Chatbots, Nov 2016

% of respondents



Note: ages 18+
Source: DigitasLBI conducted by The Harris Poll as cited in press release, Dec 12, 2016

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Privacy concerns came up in this study and varied a bit by income. US internet users with household incomes over \$100,000 were more likely to have issues with chatbots storing past interactions, purchases and preferences than those with household incomes under \$50,000 (28% vs. 20%).

Luke Starbuck, vice president of marketing at Linc, a post-purchase conversational commerce platform, recommends being explicit about asking shoppers to opt in to receive notifications, and about how their information will be used. For Linc, that means asking buyers if they want to track a purchase they just made and receive updates through Facebook Messenger. The offer is just that: a utility, with no incentives or discounts for doing so. Over 10% opt in, and when combined with those who choose to get text updates, that number approaches 25%. Because Linc has the customer's purchase information, the chatbot can be used to facilitate returns and exchanges. "If someone has opted in with a clear purpose, it makes more sense and it feels more natural when you start to see recommendations and other things coming through that same channel," Starbuck said.

Deploying chatbots also requires thinking about when to route a shopper to a live customer service representative (CSR). For instance, many shoppers balk at giving credit card information to a bot, and in that case a CSR might be required. "You don't want to force people into doing things they're not comfortable with," said Joe Migliozi, managing director and Shop+ lead at Mindshare North America.

THE RETAIL PERSPECTIVE: GETTING IN ON THE GROUND FLOOR

At its most basic, conversational commerce represents the intersection of messaging apps and virtual assistants with shopping. On the surface, voice-enabled speakers and chatbots might not seem that similar, despite both platforms harnessing AI and some degree of natural language processing, but in many ways both have the potential for added convenience, speeding up customer service interactions and removing friction from sales conversion.

Mobile shopping remains clunky, and apps have only been a partial solution—consumers tend to use the same few, and often don't even open the ones they do download. Conversational commerce has begun to emerge as a way to combat app fatigue and bring shopping to where consumers are spending more time—in chat apps, and interacting with digital assistants like Siri. This potential audience remains small, though, and conversational commerce has yet to see mass adoption from digital marketers either.

"It's impossible to launch new apps and impossible to get people's attention," said Retailer's Cripe. "So we just need to be where and when and how [consumers] want us to be, and it appears right now that they want you to be there in these micromoments that happen during chat conversations."

Linc's Starbuck also shares the belief that marketers need to go where their customers are. "If you're not even present on one of the communication platforms that your shoppers are using every day, it's tremendously difficult to maintain a strong relationship with them," he said.

Some retailers also felt like they missed the boat with mobile. Time and again, marketers waited in vain as experts said that this would be the year when mcommerce would finally take off. When it finally did take off with a vengeance, in 2015, many marketers were left scrambling to catch up. They don't want to repeat that mistake with these emerging technologies.

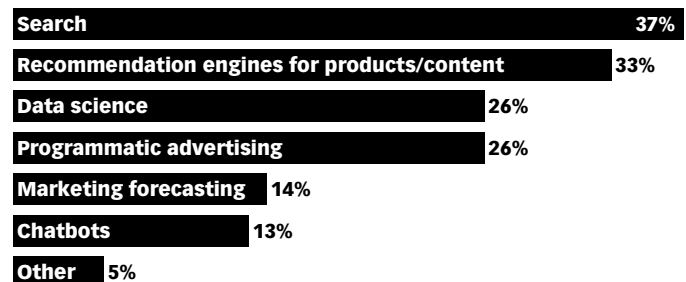
Chatbots are a relatively low-cost investment, at least compared with apps. "It makes sense for retailers to jump in now to test it out. There are some key learnings about how to approach it, and it's not a high point of entry from a cost standpoint either," Migliozzi said.

CONVERSATIONAL COMMERCE IS NOT A TOP PRIORITY

According to Sailthru, among retail marketers in North America and the UK who use AI, few were using chatbots to accomplish their goals in January 2017. More traditional marketing tactics like search (37%) and recommendation engines (33%) took precedence.

Ways in Which Retail Marketers in North America and the UK Currently Use Artificial Intelligence (AI) to Accomplish Their Goals, Jan 2017

% of respondents



Note: among respondents who use AI for marketing purposes
Source: Sailthru, "2017 Digital Retail Innovation Report," Feb 22, 2017

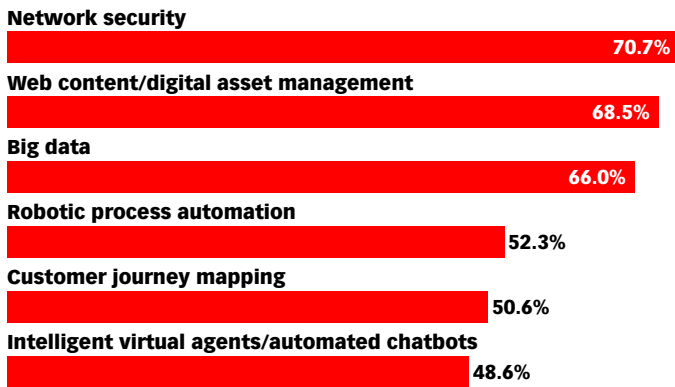
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Similarly, chatbots and virtual agents ranked last for planned spending increases among information and communication technologies decision-makers worldwide surveyed in Q4 2016 by Ovum. Though at close to half (48.6%) of respondents, the proportion isn't insignificant.

Technologies in Which Senior ICT Decision-Makers Worldwide Will Increase Spending, Q4 2016

% of respondents



Source: Ovum, "Digital transformation 2017," Dec 27, 2016

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Multiple studies have uncovered similar results. A December 2016 survey of marketing executives and brand managers worldwide by OnBrand found 9% would use chatbots in 2017, ranking third behind 360-degree video (19%) and virtual reality (14%). A full 65% weren't planning on using any of the listed technologies.

Altimeter specifically surveyed social media marketers in Q3 2016. In North America, messaging platforms (20%) and social apps such as chatbots (17%) were lower on the list of objectives compared with customer service through social (54%) or relationship building (53%). This may not be that surprising, since the last two tactics are much more established.

Leading External Social Media Objectives According to Social Media Marketers* in North America vs. Western Europe**, Q3 2016

% of respondents

	North America	Western Europe**
Customer service—providing direct customer support through social channels	54%	47%
Relationship building—developing ongoing dialog and engagement with customers to deepen relationships	53%	47%
Innovation—collaborating with customers on new products/services	50%	45%
Social commerce—increasing direct sales through social tools, like buy buttons	42%	35%
Brand & product—boosting awareness of our brand or increasing product consideration through social channels	41%	45%
Video & emerging media—the evolving use of live video, AR (augmented reality), VR (virtual reality), 360-degree photos, filters/lenses, etc.	39%	27%
Social sales—developing a social sales program to empower our sales workforce	38%	34%
Employee advocacy—using employees to amplify brand voice in social	37%	27%
Messaging—focusing on messaging platforms (Snapchat, WhatsApp, etc.)	20%	18%
Social apps—building new services in social to complete the buying cycle (chatbots for service, social apps that entertain and connect, payment, etc.)	17%	16%

Note: Europe n=202; North America n=321; *from companies with 500+ employees; **France, Germany and the UK

Source: Altimeter, "The 2016 State of Social Business," Nov 15, 2016

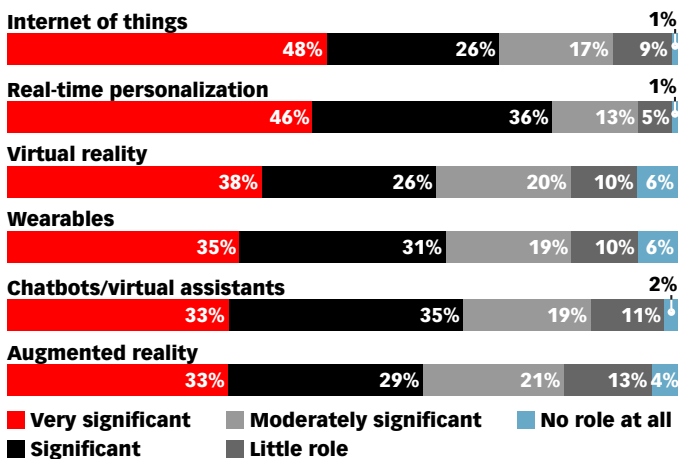
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Chatbots and virtual assistants are relatively new in marketers' repertoires. When US B2C marketers were asked about both of those technologies in September 2016 by Morar Consulting on behalf of LiveRamp, 68% said they expected them to be significant or very significant in the next five years.

Expected Role of Select Technologies According to US B2C Marketers, Sep 2016

% of respondents



Note: in the next 5 years; numbers may not add up to 100% due to rounding

Source: LiveRamp, "The State of People-Based Marketing" conducted by Morar Consulting, Oct 12, 2016

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Marketers' views on their future use of chatbots and virtual assistants appear cautiously optimistic. Justin Marshall, vice president of emerging media partnerships at digital agency Possible, considers chatbots a bit of a gimmick—at least until the technology and customer experience improve enough to justify investments. "You'll start to see that consumers not only view [chatbots] as an expectation, but brands also need to meet that expectation," he said.

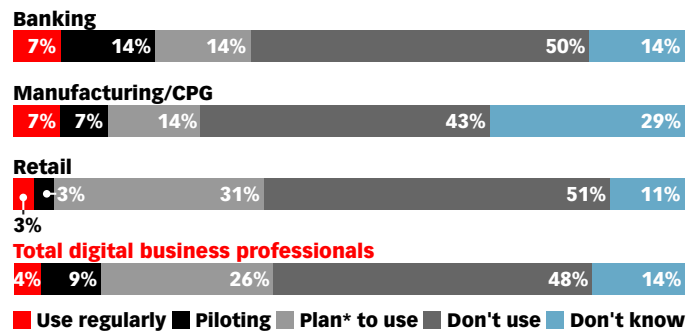
The pace of new platforms and consumer adoption is faster than ever before, so retailers have to be nimble. "The past 15 years have really upended a lot of what retail had spent 50-plus years getting great at," Starbuck said. "That makes it very, very difficult, because it's not just about digital transformation anymore—it's digital at the heart of everything you do."

RETAILERS AND BRANDS: INITIAL APPLICATIONS

Across industries, 4% of digital business professionals worldwide were using chatbots regularly in H2 2016, according to a Forrester Research survey. Retail had slightly less usage (3%), while banking and consumer packaged goods (CPG) had more (7% each). When it came to pilots and one-year plans, though, one-third of retailers were on board, which would put them ahead of banking or CPG by 2018.

Business Professionals Worldwide Whose Companies Implement or Plan* to Implement Mobile Chatbots, by Industry, H2 2016

% of respondents



Note: n=215; numbers may not add up to 100% due to rounding; *in the next 12 months

Source: Forrester Research, "H2 2016 Global Mobile Executive Online Survey" as cited in "Chatbot Commerce Benchmark," April 10, 2017

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Adoption of chatbots on just Facebook Messenger looked a little different, with 64% of banking respondents saying they don't use them, while 42% of the CPG professionals were using them regularly or piloting them. Retail had the largest number planning to use chatbots on Messenger this year (37%).

Linc's Starbuck thinks customer service is the best place to start with chatbots, regardless of industry, because the results are immediate. "You know you can save direct costs and can make direct revenues from recommendations there, and it's very simple when you sort of make the business case for it," he said.

Many experts agree that conversational commerce, at least as it stands now, is best suited toward reordering, replenishment and subscription-based purchases. Chatbots or virtual assistants can provide ease and convenience when intensive browsing and researching aren't necessary.

"The everyday commodity purchases that you've become accustomed to buying are great [to buy through] voice assistants," said Invoca's Christensen.

Retale's Cripe said that's why his company is investing in makers of shopping lists and recently acquired Out of Milk, an app for creating and sharing such lists. "We can see that there is a clear connection from somebody who's using a voice interface to add things to their shopping list to then using a natural English interface to say, 'Just get me everything that's on the list,'" he said.

It's true that shopping-related chatbots and virtual assistants have emerged more quickly in travel and transportation, CPG and fast-food/quick-service restaurants than in other industries. These products and services are mostly low-cost, and there is a manageable number of options available. Whether the commerce involves calling an Uber through Amazon Echo, group-ordering Taco Bell with coworkers via Slack, or Sephora suggesting five lipstick colors in Facebook Messenger to match shades in photos, there's a manageable number of permutations.

The landscape is constantly evolving, though. In May 2017, Amazon announced its Show device with a video screen, which could open the door for voice command-driven commerce in more visual (and product-filled) categories like fashion. It's not hard to imagine asking Alexa to show black leather flats available in a size 9, for instance. "If the technology emerges as consumer behavior changes, and people are really comfortable with this type of interaction, I believe it'll be a big channel for us in the future," Migliozi said.

In November 2016, **Madison Reed**, a maker of hair coloring for in-home use, introduced its Madi chatbot to help users choose products. Users can snap selfies and text the bot for color matches. This is a complementary offering as part of its online Color Advisor, a 12-question survey on the website.

Madison Reed has also partnered with beauty product chain Ulta to offer a branded version of the bot to encourage shoppers in-store to text selfies for recommendations on the spot.

The chatbot can switch between the bot and a live colorist for more complex questions. A new customer will be sent from the chatbot to the mobile site to check out, but existing customers who have created an account and saved their payment information can reorder straight from the bot. Users are also prompted via notification messages that suggest when it's time to color their hair again based on information they provide. Responding "yes" or "y" initiates a charge on your credit card and then ships the next box of coloring.

Madison Reed aims to give as many options for a consumer to interact and gather information as possible, including online, apps and in-store, but the advantages of its bot are that it's available 24/7 and essentially takes the user error out of assessing the right shade to use. "The role of technology is to eliminate barriers to purchase," said Heidi Dorosin, Madison Reed's CMO.

The company has a product in development with Alexa, focused on post-purchase engagement. For example, this might include voice tutorials on how to apply hair color, or how to use Alexa to connect with customer service. A hands-free virtual assistant could be especially useful while using the product, when a person might be dye-splattered or wearing gloves.

Betabrand, a crowdfunded clothing manufacturer and retailer, has been working with AI-powered personal stylist chatbot Epytom (currently available through Facebook Messenger and Telegram). Epytom already has a native audience and around 100,000 daily active users (DAUs), so that solved the issue of discovery for this new platform.

Betabrand was careful to make the bot experience more than a translation of its ecommerce site. Epytom identifies clothing that could be discarded from a user's closet, and then suggests pieces from Betabrand to build a new wardrobe around the items a user keeps. "You don't want to engage people just to engage them. You want to provide value. You want to make the decision easier or more engaging or more enjoyable. That's what we spend some time thinking through," said Aaron Magness, Betabrand's CMO.

According to Magness, the chatbot has been driving a new user base to Betabrand's site, and the conversion rates have been higher than standard mobile conversion rates. However, he cautioned against assuming chatbot-assisted commerce will translate to higher conversion across the board. For Betabrand, at least, the number of users is still small, and early adopters tend to be more engaged users. There are other advantages to using bots, however, in that they also help with branding, and can make the company be seen as innovative.

Apparel is complicated, not being made up of binary choices that are easily adaptable to bot-enhanced advice the way things like makeup (red lipstick or not?) or movie tickets (the theater closest to your GPS location? 6pm or 8pm?) are. But Betabrand believes bots could focus on selling existing best-sellers, like its Dress Pant Yoga Pants. For a customer who's already bought a pair, a bot could ask, "Did you know we have additional colors?" The size, shipping address and payment info would already be known.

Challenges

Shopping bots are still in the early stages, and some first-moving retailers have already called it quits after not seeing desired results. Online retailer Everlane partnered with Facebook Messenger as early as 2015, using it for order confirmations and customer service interactions. In March 2017, Everlane announced it would stop using the platform and focus on email marketing.

As with many new marketing initiatives, there are multiple challenges for getting a shopping bot off the ground. Discovery and awareness is just one. How do potential users even find out about shopping chatbots and voice-enabled assistants? In one attempt at surfacing the bots, Bing is starting to include examples from multiple messengers in its search results highlighted at the top of the page. And Amazon has started Alexa-only promos to lure shoppers to make purchases by voice.

Conversational commerce is still so new that it's hard to categorize. Is it a social or mobile campaign? And what kind of key performance indicators (KPIs) do you use to measure chat experiences? "It's a challenge for us to best define what success is on chat," said Kik's Ling.

Monetization remains elusive for chatbots, outside of direct ecommerce experiments. New models may develop, including native advertising (suggesting branded content, such as a recipe sponsored by Tyson when someone is making a shopping list) and affiliate marketing through group shopping bots like Kip.

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Dave King
CTO

Madison Reed

Interview conducted on May 15, 2017



Heidi Dorosin
CMO

Madison Reed

Interview conducted on May 15, 2017

Consumers Flirt with New Mobile Tech, but Still Love Apps



Chris Klotzbach
Director

Flurry

Interview conducted on December 13, 2017

Chatbot Users Have Higher Purchase Intent—If You Engage Them the Right Way



Aaron Magness
CMO

Betabrand

Interview conducted on May 11, 2017



Meghan Anderson
Vice President, Marketing

HubSpot

Interview conducted on March 6, 2017



Kyle Christensen
Senior Vice President, Marketing

Invoca

Interview conducted on May 11, 2017



Jaclyn Ling
Director, Strategic Partnerships

Kik

Interview conducted on May 9, 2017



Justin Marshall

Vice President, Emerging Media Partnerships

Possible

Interview conducted on March 28, 2017



Joe Migliozi

Managing Director and Shop+ Lead

Mindshare North America

Interview conducted on May 12, 2017

Dan Cripe

CTO

Retale

Interview conducted April 27, 2017

Luke Starbuck

Vice President, Marketing

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