



The Future of Chatbots. Will They Continue Transforming Business Operations?

The Future Looks Bullish for Chatbots as the Endemic Approaches

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Introduction

Chatbots made quite the splash, back in 2016 when they first burst into the scene and were touted as the next big disruptive technology that would replace apps among other things. The pipedream ran dry quite soon when in 2019, a Forrester report, declared that most of the chatbots were poorly implemented, in effect “ruining customer experiences” and – in the worst-case scenarios were, nothing more than “virtual idiots”. Different research agencies reached similar conclusions. Nearly 50% of the consumers in Europe, the USA and ANZ surveyed in 2018 said that automated chatbots were at best 'annoying' while 54% of online US consumers stated that interactions with customer service chatbots had “a negative impact on the quality of their lives”.

As 2019 drew to a close, the future of chatbots looked bleak. They were no closer to replacing apps than we were to achieving World Peace. In an unexpected quirk of fate, however, thanks to the COVID-19 effect, the need to go digital was accelerated lightyears into the future. The pandemic gave birth to a paradigm shift in completely revolutionizing the way businesses connect, collaborate and communicate with their customers. Chatbots received a new lease of life and integrated into apps as supplementary tools, thereby extending functionality and improving overall usability.

The COVID-19 effect

Research by NICE inContact found that 67% of B2C companies use Conversational-AI technology for their customer service in 2020, up from 46% in 2019. Another report by Linchpin states that 47% of organisations are expected to implement chatbots for customer support services through the next couple of years. Talking about growth, another market research leader Research and Markets predicts the growth of the chatbot market from US\$3.3bn in 2020 to \$8.7bn by early 2026.

While most enterprises and large businesses already had an online presence, COVID-19 also propelled the need for digital transformation with SMBs and individual entrepreneurs, pushing them to venture into the adoption of conversational AI technologies. This meant they adapted rapidly by taking their business online using simple measures like WhatsApp's own Business account or for bigger sellers, the API. Eventually, small businesses also saw the attraction of chatbots for customer support and started jumping on the bandwagon with the availability of live agents dwindling from the impact of the pandemic.

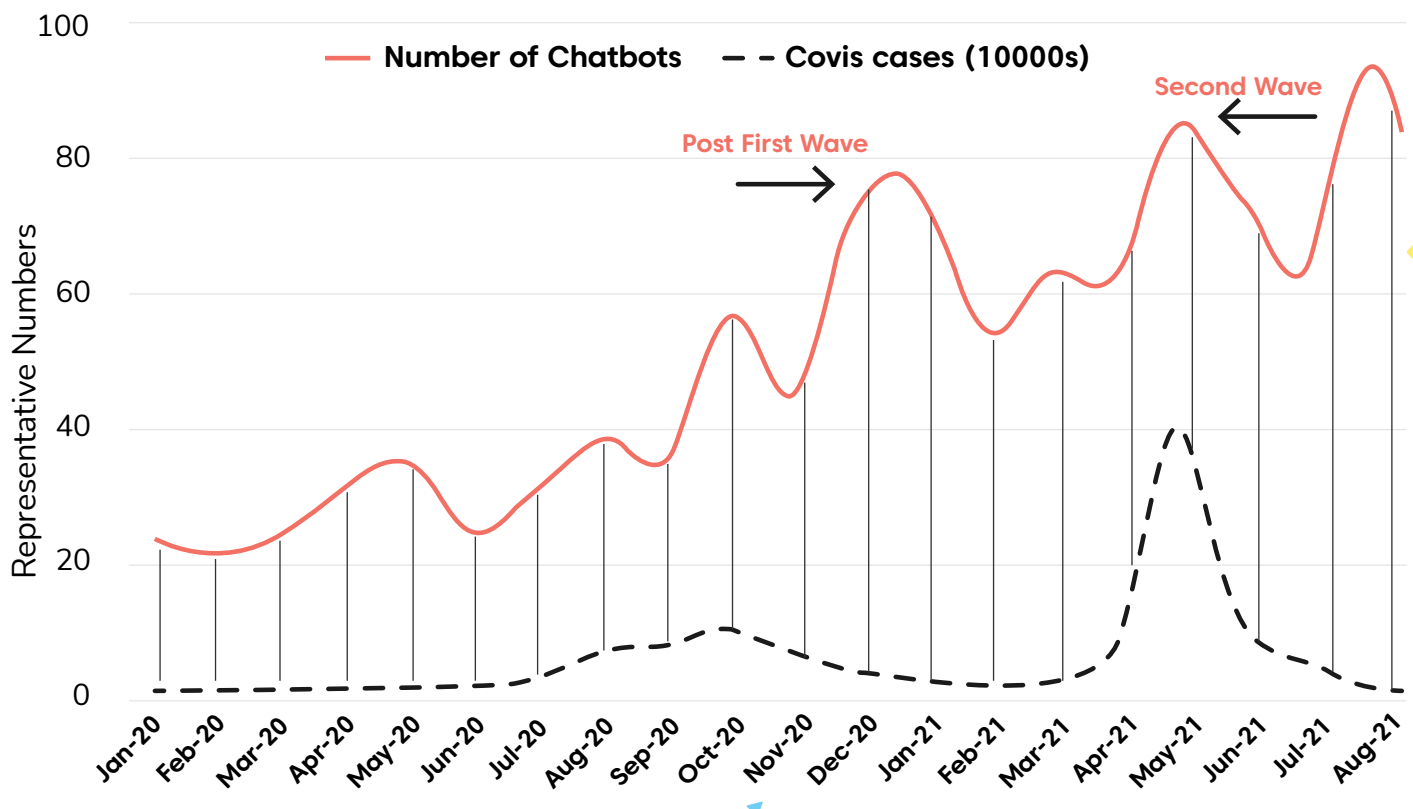
The rise of chatbots through COVID-19

Corroborating this theory, from our platform data, we were able to see an interesting correlation between the rise in the number of chatbots and the COVID-19 numbers in the country. Subsequent lockdowns also showed a direct impact on the number of businesses that adopted chatbots.

Interestingly, the two major leaps in chatbot adoption were just during or immediately after the first and second COVID-19 waves. With each COVID wave, more businesses engaged chatbots for faster and parallel query resolution to their customers. These came with the added advantages of minimal wait times while establishing a permanent solution to reduce query resolution times for ensuring successful journey completions and ultimately, customer satisfaction. Clearly, this is because businesses were rapidly adapting and going digital as they came to terms with the pandemic being here to stay. It was a way to avoid becoming collateral damage to the COVID carnage. The automation approach followed by Yellow.ai in handling customer support requests, live-agent handoffs and exception handling is redefining how businesses can ace customer support and how clients can achieve up to 70% increase in CSAT scores.

Another possibility to explain the increased adoption of chatbots is the fear of missing out. Businesses were adding chatbots with limited functionalities to test the waters before augmenting them further based on the responses they received from their customers.

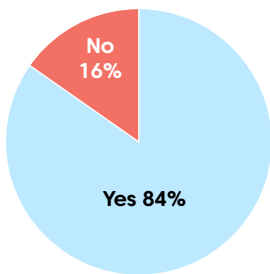
Rise of the chatbots during Covid-19



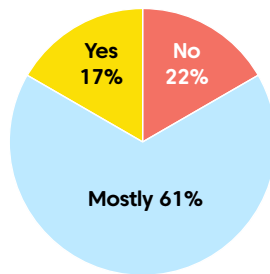
Why chatbots have proven to be successful

While the reason to deploy chatbots stemmed from COVID-19 for many businesses, their success has a lot to do with the value added to the end-users of the B2B model - the customers themselves. Chatbots have offered the exquisite convenience of 24/7 support and query resolution for simple things with absolutely no wait time. An end-user dipstick substantiated that these conveniences matter. 87% of the respondents said they preferred to have 24/7 Customer Service from businesses and close to 80% of them believed that chatbots were performing satisfactorily with the responses they were giving.

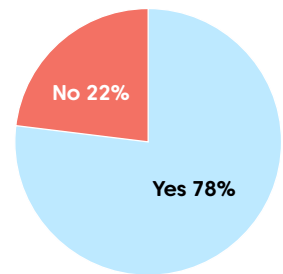
Prefer 24/7 Customer Support



Are chatbot responses satisfactory?



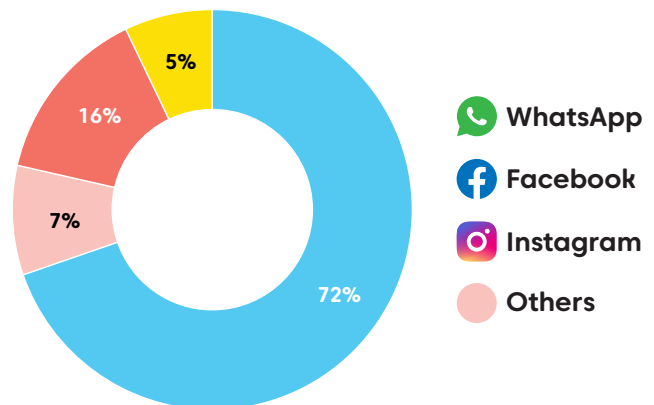
Do you trust chatbots with sensitive information?



*Results from a pool of over 300 respondents, Source:yellow.ai

78% of the respondents acknowledged their trust for chatbots even for sensitive use cases like checking their bank account balances, their insurance renewals, policy details, and much more. This explains the sustained exponential growth in the adoption of chatbots and voice bots, industry-no bar with innovative use cases and omnichannel support.

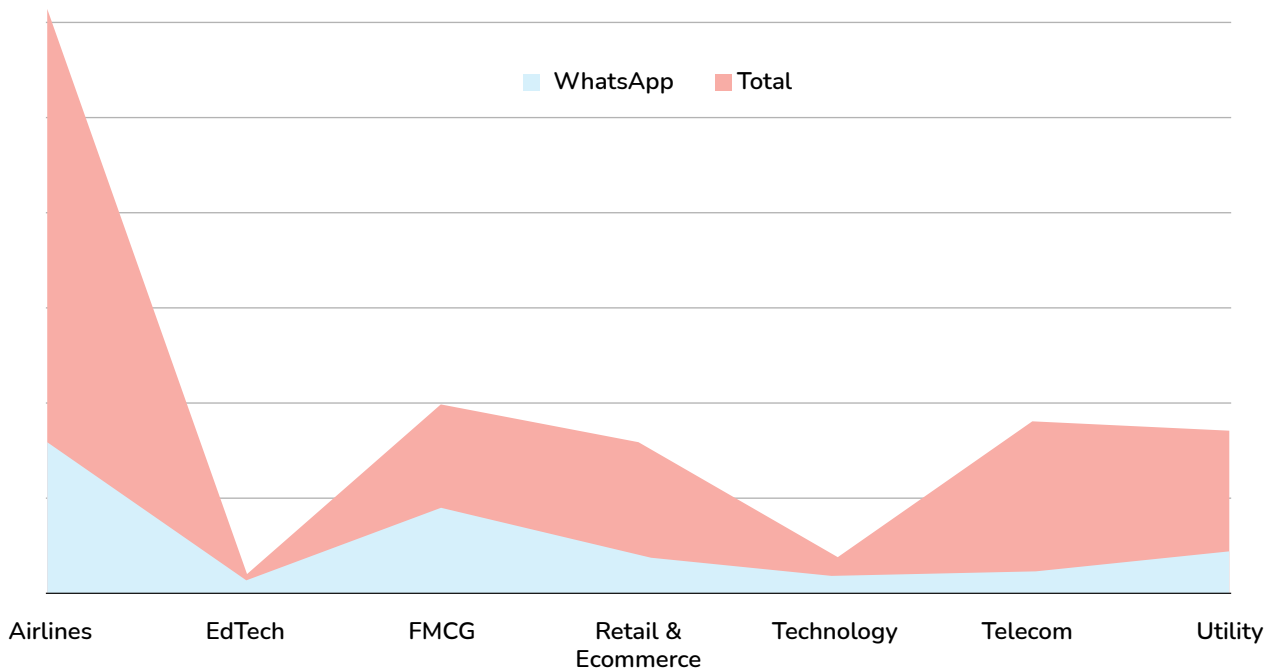
Preferred bot social media channel



*Results from a pool of over 300 respondents, Source:yellow.ai

Most clients are interested in knowing the ROI of investing in multiple channel support to cater to the different preferences of their users. When evaluating the preferred social media channel of bot engagement, the clear victor was WhatsApp with 72% of the votes, way above sibling partners like Instagram and Facebook. The rationale behind this is the two-way encryption and the personal touch that WhatsApp offers over other platforms.

WhatsApp vs Total Messages by Industry



WhatsApp as the preferred bot engagement channel is further validated by our platform data, which reveals that it supports the lion's share of messages and notifications for most industries over any other channel.

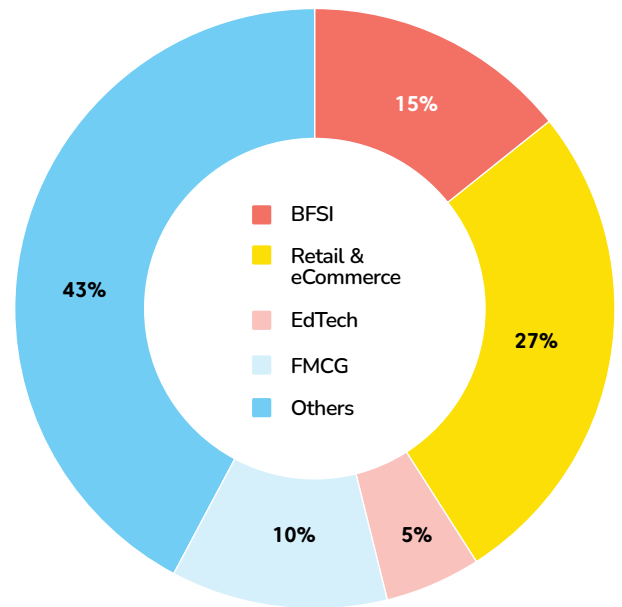
Industry-wise adoption of bots

Conversational AI has transcended boundaries when it comes to being adopted by various industries. It is now omnipresent from Healthcare to Manufacturing, increasingly skilled at enabling businesses to manage escalating workloads created by the competing demands of a shrinking workforce and higher call volumes.

One of the early adopters of chatbots at the start of the pandemic last year was the World Health Organisation (WHO) and the Centers for Disease Control and Prevention (CDC) of the USA, both of which successfully installed and deployed chatbots to provide up-to-date information on COVID-19 both were largely lauded for their successful deployment.

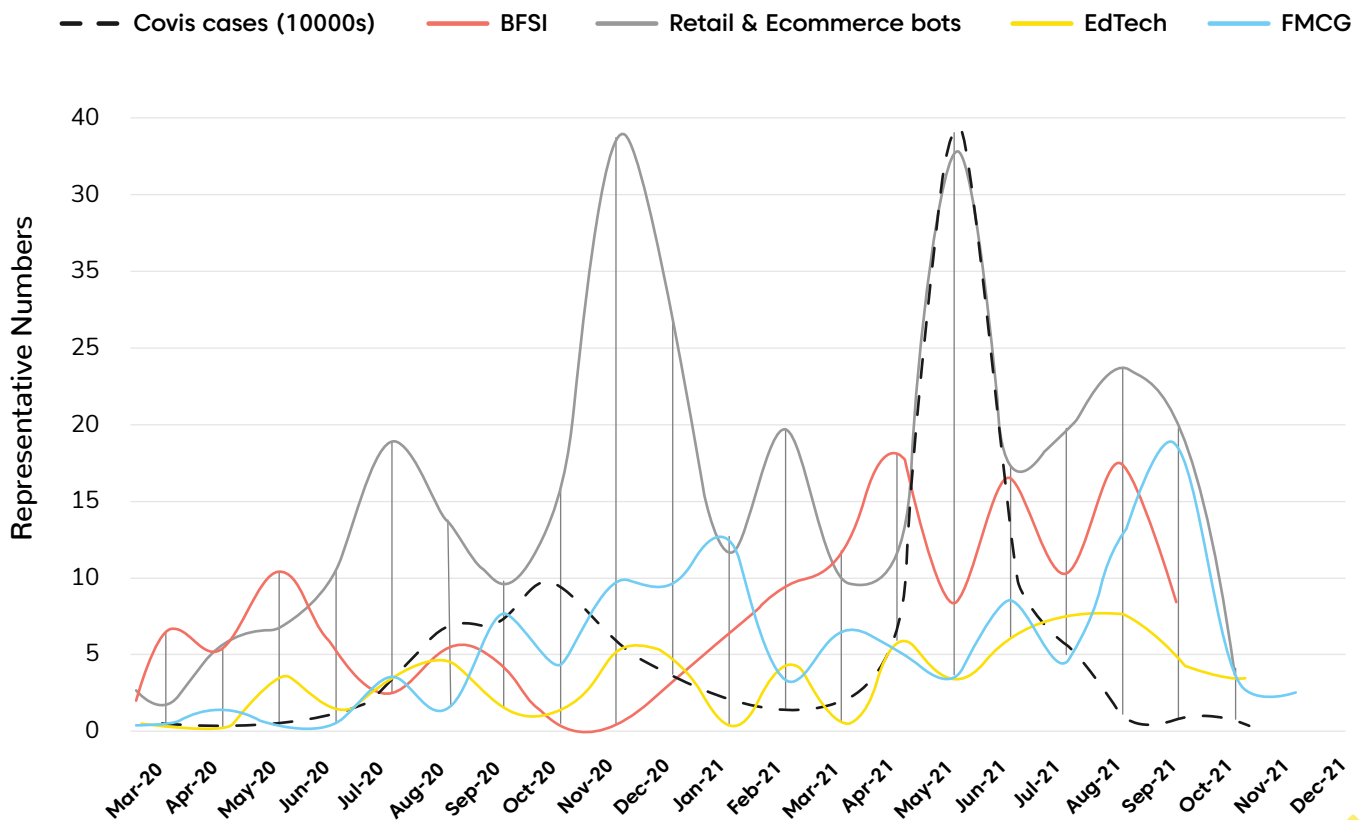
In everyday businesses, with the bots handling routine questions and transactions, live agents are available to spend quality time building relationships with customers and/or working on problems that require human creativity to solve. For instance, chatbots have allowed many businesses to scale down contact centers while also keeping service quality high.

But which industry takes the pie? Our data indicates that the Retail & Ecommerce sector has seen exceptional transformation through the pandemic. Brands are rapidly adapting and embracing innovative strategies and technologies like conversational commerce to meet consumer demand for highly personalised, connected and seamless online experiences. This sector has embraced chatbots with the most enthusiasm with a 27% share in the total chatbots deployed to date.



Other industries also had to adapt with alarming alacrity to the new situation at hand and did so, famously well at that, as indicated by the chart below. BFSI at 15% and FMCG at 10% were next in line to show their allegiance.

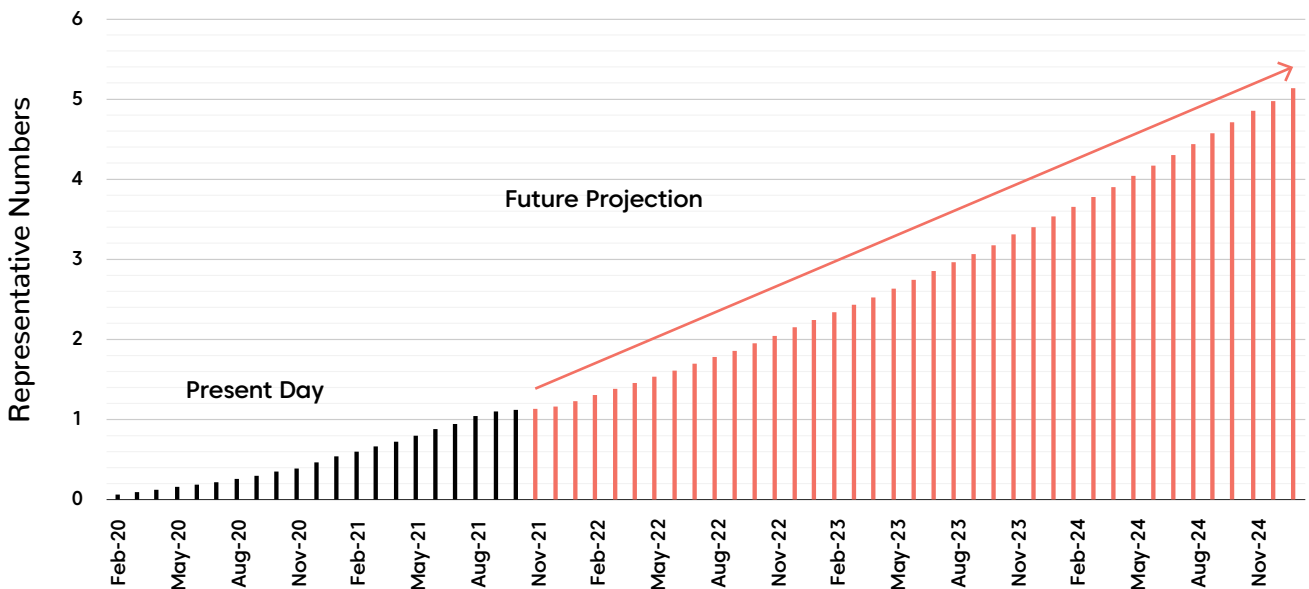
Industry vs COVID



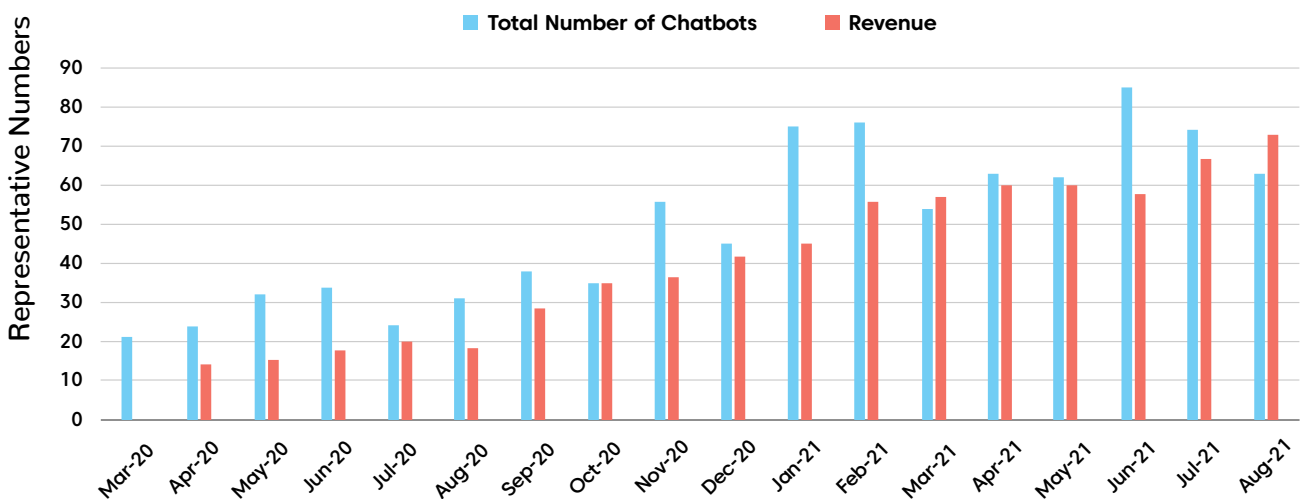
Watershed moment at the time of the Endemic

With aggressive vaccination drives around the world, the pandemic is soon reaching the endemic stage. People are slowly resuming their new “normal”, going back to work from the office and so on. What does the future hold for this pandemic-led chatbot renaissance then?

For chatbots, the pandemic proved to be a disruptive moment, and they have received a new lease on life, so to speak, from their underwhelming entry in 2016. They have managed to overhaul the way brands and businesses deliver customer service as an augmentation of human capabilities, thereby resulting in longer retention, higher agent satisfaction, etc., all while increasing their own productivity. With FOMO from businesses that haven’t jumped the bandwagon yet and emerging technology on the bot front, the good news is that yes, the bots are here to stay.



Number of Chatbots & YTD Revenue



What does the future hold for bots?

As we look ahead to 2025, it is certain that nearly 80% of all businesses will have some form of digital automation for their customer service. This is the only way forward with the increasing call volumes and the necessity for instant gratification. This is the way businesses can leverage the power of Conversational AI to address the most common pain points with additional channels of support. Chatbots will coexist with human agents to create a seamless customer experience that won't feel entirely "robotic", whilst providing delightful customer experiences.

Far from the coronavirus being Pandora's box event for chatbots alone, it is clear that Artificial Intelligence's role in the "call center intervention" has shown fruition in the past 18 months beyond anyone's expectations. Brands that were underprepared for digital traffic were caught off guard and were challenged by broken systems with these spikes. Having a digital strategy in place with opportunities to grow and even the possibility of a self-serve is what saved many businesses from running into the ground. And here is where chatbot automation plays a huge role. The revenue from chatbots and vice versa play hand-in-hand with one another leading to an exponential growth phase that will probably peak ~2025.

With omnichannel support, service and with the implementation of true Natural Language Processing, chatbots are powerful tools that can augment and elevate customer experiences to become an irreplaceable part of CX for most businesses.

With integrations happening across the board with different tools and expansions of bots into Voice and more, the future has begun right here, right now and we at yellow.ai are thrilled to be your ride to take your business forward.

About Yellow.ai

Yellow.ai is the world's leading Conversational AI and CX Automation Platform, recognized by Gartner, IDC, and G2 crowd as a leader. The platform is trusted across 50+ countries by 1000+ enterprises, including Domino's, Sephora, Hyundai, MG Motors, Bajaj Finserv, Food Panda, Bharat Petroleum, Waste Connections US and Tata. Weaving in the best of AI and human intelligence to automate customer and employee experience, the company aims to democratize AI through its no-code/low-code bot builders, omnichannel virtual assistants, and ticketing automation suite. Yellow.ai has raised more than \$102M from blue-chip investors and has offices across six countries. Visit www.yellow.ai for more information. Contact us at contact@yellow.ai

