A Review of Conversational Marketing

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Abstract

This review looks at conversational marketing, a new marketing approach that is focused on replacing staff with technology in order to enhance the overall customer experience. It starts with the introduction of the concept, followed by the foundation theories, benefits, and conclusion. Essentially, this paper has been developed to concisely discuss what conversational marketing is all about and how ventures can incorporate it into their marketing activities.

Keyword: Chatbots, Conversation, Customers, Marketing, Technology

1. Introduction

Following the emergence of the internet, the increase in big data, the explosive growth of computer science, and enormous advancements in robotics and programming, the development of artificial intelligence has been advancing, and it aids in handling complicated tasks and difficulties. On the same note, these technologies seem to generate different kinds of content, which include music, dialogues, artwork, poetry, jokes, film or news scripts, and creative problem-solving (Israfilzade&Pilelien, 2018; Akerkar, 2019; Israfilzade, 2020). The last development in artificial intelligence has strengthened the effectiveness of powerful tactics like deep neural networks and machine learning (Wang & Yuan, 2016; Hori et al., 2019; Hussain et al., 2019). On the same note, numerous researchers have shown that these techniques are extensively used in conversational interfaces.

These technologies now imply that customers now have access to a vast amount of information at their fingertips. With the use of conventional tactics, ventures face challenges in the area of retaining and recruiting customers, with

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the better-informed customer accessing numerous alternatives. On the same note, to be effective and easily attain success, companies must be willing to conduct their businesses efficiently and effectively without disruptions. The relationship between firms and their customers is no longer straightforward, and it comes with numerous touchpoints, making the entire relationship increasingly complex. Today, marketers are confronted with many issues in organizing and managing a huge amount of data, including truly targeted, personalized, and highly influential communication streams across the entire customer journey. Recently, an e-commerce chatbot for Google Assistant has been developed by eBay (Thomas, 2020), which can be accessed by using devices with Google Assistant once the person says: "Ok Google, let me talk with eBay," which will enable eBay to provide the customer with results based on the person's voice search. Alternatively, it can be put in another way as: customer buying behaviors have evolved in the past few decades.

One unique thing about digital marketing is that each digital marketing action has the potential to generate massive amounts of data in the form of clicks, impressions, visits, customer conversion rate, engagement metrics, acquisition channel, behavioral profiling, keyword phrase, pageview, geo-demographics, transaction, and emotional indicators. This is the area where conversational marketing may save the day as it would enable the breakdown and observation of a large pool of data that would normally be impossible for a human to undertake alone.

Conversational marketing is a one-on-one marketing approach that promotes significant relationships and creates value across platforms, improving customer experience, increasing customer engagement, improving customer service, and retaining customer loyalty (Xu et al., 2017; Flstad&Brandtzg, 2017; Gentsch, 2018; Sotolongo&Copulsky, 2018; Cancel et al., 2019; Thomaz et al., 2020; Adam et al., 2020).Conversational marketing, unlike the conventional marketing approach, makes use of tailored messages and intelligent chatbots to communicate with customers at their convenience. Therefore, conversational marketing is a new way for businesses to learn and listen to their customers by engaging with them through a conversational interface and satisfying their needs.

Based on the above understanding, Israfilzade (2021) defined conversational marketing as "marketing that is centered on one-to-one interactions between a customer and an agent in real-time and as personalized as possible across numerous channels that can aid in creating collaborative brand experiences by allowing firms to build on customer relationships and enhance customer experience."

In this paper, conversational marketing is defined as marketing anchored on direct and personal communication between customers and ventures through a personalized service experience across different platforms, which allows the customers to feel like an integral part of the organizational process. Therefore, it is assumed in this paper that conversational marketing phenomena require the establishment of a scale. That is to say, to have a more explicit definition of conversational marketing, it is imperative to have a scale that can be used to quantify

the influencing factors of the Conversational Agent (CA). As highlighted earlier, it is anchored on human-computer interaction, and the conversational agents function as a substitute for human interaction.

2. **The Theoretical Foundation of Conversational Marketing**

Based on the Cambridge English Dictionary (2020), a conversation is defined as a form of a dialogue between two or more people in which their feelings, views, and ideas are interactively conveyed, giving rise to questions and answers, and the sharing of news and information. Thus, based on the above definition, it is evident that there is a flow of data and there is asymmetry as the initiator might correspond to both parties at different stages of their conversation.

According to the first premise of The Cluetrain Manifesto, markets are considered conversations (Locke et al., 2001), which is a book about interaction between ventures and customers in a networked environment. At the onset of the book, there is a statement that "people populated the very earliest forms of markets, not mathematical analysis or abstract concepts, as they were marketplaces in which demands met supply with a handshake." However, for a larger audience, this present study is focused on conversational marketing as it relates to how this market of dialogue could be attained through human-computer interactions and not human-to-human connections.

Conversational marketing implies marketing that permits communication with consumers. This is possible through voice assistants, live chats, chatbots, and other forms of conversational agents. The venture can deliver such an experience through their websites, social media channels, paid advertising, and even their in-store or linked smart home devices.

Conversational marketing is considered highly integral for customer relationships, especially when it comes to customer engagement (CE), with earlier studies showing that CE does boost customer loyalty (Leckie et al. 2016; Maslowska et al. 2016; Hinson et al. 2019); customer satisfaction (Hollebeek, 2011; Calder et al. 2016; Israfilzade&Babayev, 2020), and they all yield positive effects on sales (Kumar et al. 2010), assistance for peers or community members (Hinson et al. 2019; So et al. 2020), coupled with a new approach of regular communication with the customers. With the aid of conversational marketing tools, the marketing and sales departments of a company can better understand what is happening on their webpages and develop more personalized interactions with the most qualified customers through instant feedback from chatbots, lead reports, embedded voice calls, and live chats (Akerkar, 2019; Ashfaq et al., 2020). In an investigation, Chung et al. (2020) looked at the relationship between chatbots and customer satisfaction within the context of luxury brands and summarized their findings as: the use of e-commerce chatbots increases the satisfaction of customers with a given brand, as chatbots can communicate with the customers and offer the right support for customers.

Chatbots are a form of conversational AI. To understand conversational AI, it is imperative to first understand the concept of AI, which provides fundamentally new ways for human-machine interaction to

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take place. However, it is necessary to state that artificial intelligence has been around for decades, but there is still plenty of room for advancing the technology. Artificial intelligence is the simulation of the human mind by computers that are designed to think more like people and to mimic their very own actions.

Based on the above understanding, some elements distinguish conversational marketing from other forms of customer-centric marketing tactics. Conversational marketing could be viewed more as the present marketing effort of a given company, undertaken through different channels and interactions with their vast audience. Essentially, the difference between conversational marketing and traditional marketing tactics is all about whom the customers interact with. Most often, the present customer-centric marketing techniques make it possible for human involvement throughout the communication between ventures and their customers. However, in the case of conversational marketing (Cancel et al., 2019), the one-on-one human presence is substituted by machines (AI or non-AI conversational agents) in the course of interaction with potential customers with individualized product/service offers or suggestions.
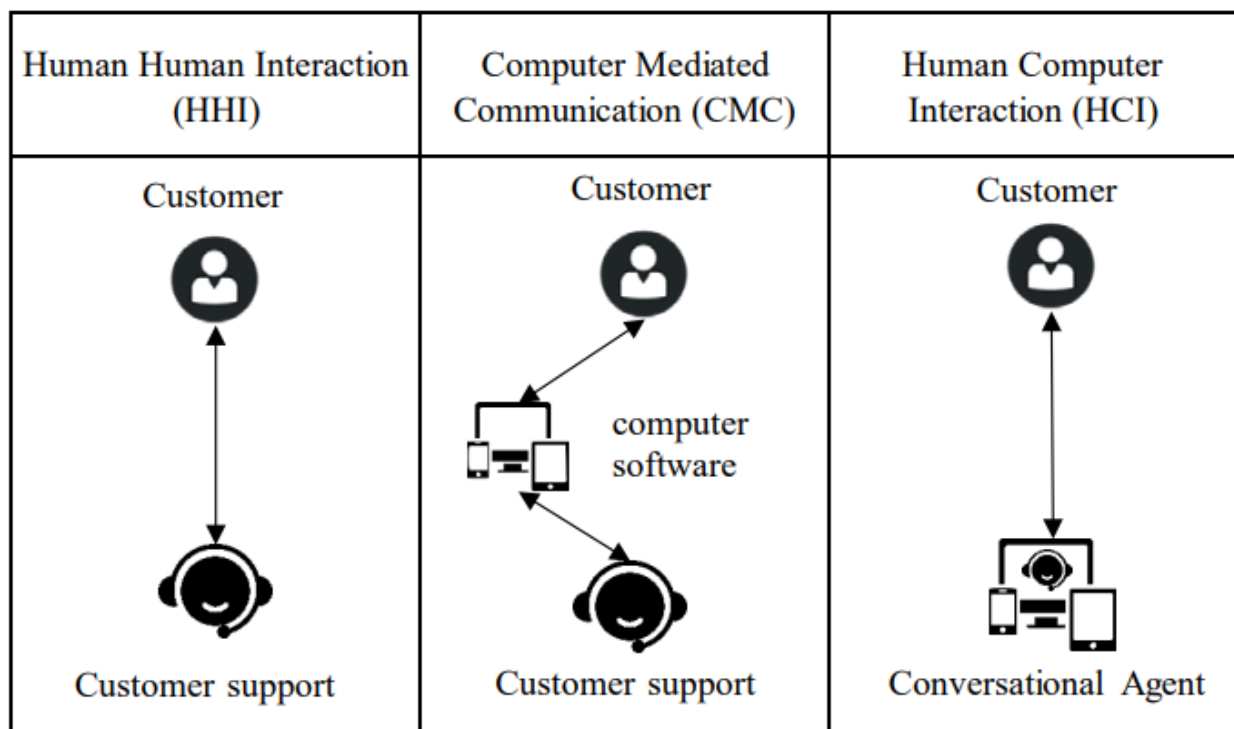
To precisely clarify these discussions, there are mainly three forms of customer interaction. Computer-mediated communications (CMC) is one of these categories, and as a concept, it has already been established in academia and business, and it represents all computer-mediated conversation, which indicates contact between humans via machine, not just the computer (Muir et al., 2017). For instance, when the customer contacts the company representatives through WhatsApp to express concerns relating to their products or services, the said dialogue is mediated by a computer instead of humans.

In any case, a conversational agent is a form of human-computer interaction (HCI) (Norman, 2017; Fitzpatrick, 2018) that integrates two scientific domains that are normally distinct. The main concept, which underlies the interaction of humans with chatbots, is rooted in the computer and social sciences. As a term, "conversational agent" refers to the interaction between a human and an artificial machine via natural language. Table 1 demonstrates a conversational agent that is empowered with social capabilities to interact and communicate with customers in the course of one-on-one customer support.

Table 1: The three interaction types of customer communication compared

Human Human Interaction (HHI)	Computer Mediated Communication (CMC)	Human Computer Interaction (HCI)
Customer	Customer	Customer
Customer support	computer software — Customer support	Conversational Agent

Source: as developed by Israfilzade (2021), from developed from Norman (2017), Muir et al. (2017), and Fitzpatrick (2018).

These three concepts (as developed by Norman, 2017; Muir et al., 2017; Fitzpatrick, 2018) define a range of user communication styles. While human-to-human interaction represents a dialogue between humans, CMC is also a way for individuals to communicate, although the said communication, in the case of CMC, is mediated by software programs. Finally, since HCI represents communication between an individual and computer software, it can be argued that this distinguishes the conversational forms of marketing from other approaches to marketing.

3. **The Main Benefits of Conversational Marketing**

At this stage, it is necessary to consider the benefits of using conversational marketing

and how it can be integrated into the business sphere. The potential that comes with conversational marketing, concerning lead generation, is immense, but the benefits are even wider-ranging and the main ones are considered here.

It makes the customer experience better.

To think that price is the deciding factor for today's consumers would be to make the wrong assumption. Per the study conducted by McKinsey Group, 70% of the customers' journeys are based on how they feel about the treatment they receive from the company (Amaresa, 2021). Through conversational marketing, ventures can put customers' experiences at the forefront of their marketing plan, giving customers what they want, within a shorter period of time, and with less fuss.

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To be precise, in today's round-the-clock global economy, businesses cannot afford to just shut down and not be available to their customers. Inevitably, time must be created for lunch breaks and coffee, for staff to see their friends and family, and even for a rest here and there. Therefore, while the company might be out, customers might be in, and this makes it necessary for companies to develop a solid conversational marketing strategy. With the aid of a solid conversational marketing strategy, companies can always be available to their customers with efficient and targeted responses (even when their human resources are still sleeping).

On the same note, by avoiding the delays that come with more conventional forms of communication, conversational marketing also makes it possible to save time and money for businesses.

- **Increased Conversion Rate**
Since chatbots can streamline customers' experiences, they can have a very positive influence on conversion rates. In a study, it was discovered by Moran (2022) that about 41% of customers make use of conversational marketing tools in making purchases, and the implication is that chatbots are good beyond just customer service. Customers state that just the act of talking to a representative (through chatbots and other conversational marketing tools) makes it more likely for them to purchase. Traditional leads seem to have a high abandonment rate, while through conversational marketing, customers will be able to skip this step and get straight to what they need. The whole experience is slicker, and it makes customers happier.

- **Uses a Sales Funnel to Prioritize Customers**
One might ask, how can conversational marketing speed up the sales funnel? The answer is quite simple. It is because it utilized significantly fewer steps than what is required in the traditional marketing strategy. For instance, take the traditional sales funnel, where customers will have to land on the company's website, fill out a form, become a lead in CRM, get assigned a score, get enrolled in an automated email, reach out to customers with feedback, cold-call — and so on. It can be exhausting for both the company and its customers.

Through the traditional marketing approach, customers will likely wade through a minimum of five laborious steps before the company will be able to reach out to them. Thus, it implies that there are way too many obstacles in the way of customers that want to purchase from a given brand. This is why it is not surprising that the conversion rates of typical landing pages are low.

On the contrary, chatbots offer a frictionless journey for customers through the sales process with only three steps: engagement, understanding, and recommendation. Therefore, the customers have quicker and more efficient steps toward their purchase process, and they also go through fewer hoops with limited chances of the buyer getting distracted, changing their mind, or abandoning the sales process. Thus, it is a win-win situation for the customers and the ventures.

- **It provides 24/7 customer service.**
Nature demands that humans not be workaholics. There is more to life than just

cold coffee and answering emails. However, creating a good work-life balance for the employees does not imply that the business should suffer. Thus, if possible, the company should integrate conversational marketing to moderate the process once employees are off duty.

It is better to face the fact that most customers might not be available during the regular 9–5 working hours. This is because they might have their own jobs to do. Thus, the chatbots are there to take the reins by ensuring that there won't be any more annoying voicemail messages explaining that the company has closed for the day and no more frustrations from the customers that are waiting for a reply.

In the global market, 24/7 customer service also opens the company's doors to customers outside the company's time zone. Thus, it can create an exciting potential for growth as the company will be able to access and serve customers throughout the day.

- **It gives a personal touch.**

  One of the most highlighted benefits of conversational marketing tools (such as chatbots) is that they can enhance businesses over time. Through conversational marketing, companies will be able to learn more about their customers and tailor their responses in such a way that they suit the needs of the customer—helping them to deliver more effective solutions, fast.

  Through chatbots, the company will be able to guide its visitors toward the relevant content and also define ways of capturing their information while the customers are going through their experience. On the same note, the company can also highlight the challenges being faced by their customers, their overall shopping preferences, and what they already know about the company's products and services. The result is some sort of personalized digital shopping assistant, offering tailored advice that works for each of the customer's specific needs.

Thus, it is clear that there are numerous ways in which companies can benefit from conversational marketing. In any case, one is still not entirely sure, and the venture must conduct its research and analysis to better understand how to integrate conversational marketing into its business process. (Threesixtee, 2022)

4. **Conclusion**

In conclusion, the discussions above point to the continued growth of conversational marketing. The advancement is mainly attributed to AI, which can integrate, understand, and interpret human feelings, emotions, and thoughts into meaningful data that can be used to serve customers. Conversational marketing has numerous advantages, including improved customer experience, increased conversion rates, using a sales funnel to track customers, 24/7 customer service, and personalized touch. In any case, the overall success of conversational marketing will depend on the company integrating it and how it is integrated. Thus, there is no guarantee for success.

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