

## **BEYOND THE BOT:** The impact of conversational al on business



### INSIGHTS YOU CAN EXPECT IN THIS REPORT:

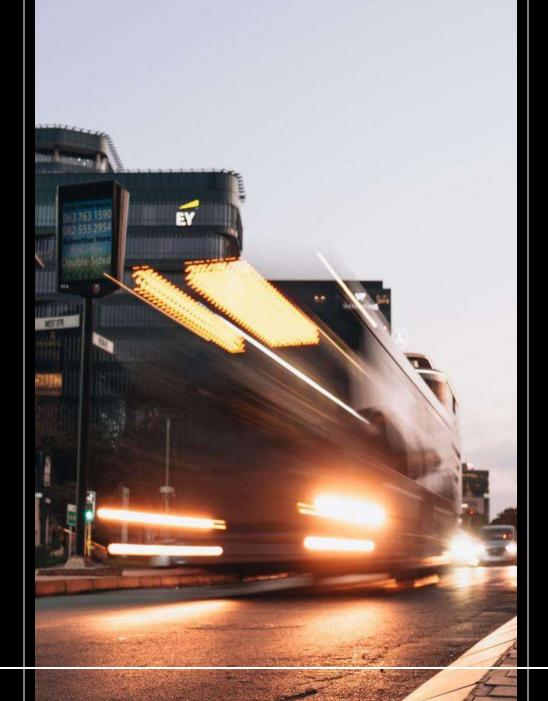
### **Global Outlook:**

- 1. History & Overview
- 2. Current Investment in Chatbots & Conversational AI
- 3. The Role of Chatbots Today
- 4. Media Integration

### Local Landscape:

- 1. SA Consumer Adoption
- 2. Local Best in Class
- 3. Local Platform Leaders

### **Best in Class Case Studies**







### CHATBOTS: THE FUTURE OF CUSTOMER ENGAGEMENT AND BRAND EXPERIENCE

In today's digital age, consumers expect seamless, personalized, and efficient interactions with brands. Chatbots, powered by artificial intelligence and natural language processing, are emerging as a powerful tool to meet these expectations.

By automating tasks, providing instant support, and delivering engaging experiences, chatbots are revolutionizing the way businesses connect with their customers allowing them to become powerful brand assets, fostering customer loyalty and driving growth.

However, it's crucial to strike the right balance between automation and human interaction, ensuring a seamless and positive customer experience.

From conversational commerce and AI-powered avatars to large language models and virtual agents, in this report we examine the latest trends and best practices in chatbot implementation.

## **CHATBOT EVOLUTION: DECADES OF DIALOGUE**

### 1960s–1980s:

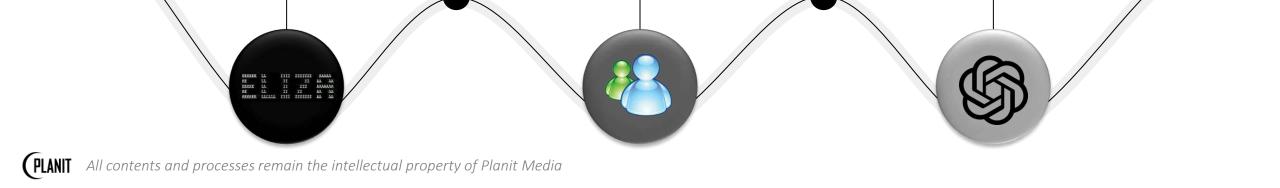
The first chatbots, like ELIZA (1966) and PARRY (1970s), introduced basic conversational interaction. ELIZA simulated therapist responses using simple pattern matching, while PARRY pioneered more nuanced, emotionallyinfluenced dialogue, hinting at the potential for complex human-like conversations.

### 1990s–Early 2000s:

ALICE (1990s) and SmarterChild (2001) brought more sophistication with patternmatching algorithms and AIML language, enhancing conversation depth. SmarterChild reached millions on platforms like MSN, popularizing chatbots in casual and entertainment spaces and setting the stage for service-oriented bots.

#### 2010s-Present:

Modern chatbots transformed with advances in natural language processing (NLP) and AI. Siri (2011), Alexa (2014), and Google Assistant (2016) pioneered AI-driven personalization. In 2020, OpenAI's GPT-3 set a new standard with deep-learning capabilities, powering highly accurate, human-like interactions in customer service, healthcare, and e-commerce.



## **OVERVIEW: TYPES OF CHATBOTS & APPLICATIONS**

#### **RULE-BASED CHATBOTS**

These operate on a set of predefined rules or decision trees and provide responses based on simple "if-this-then-that" logic. Great for straightforward, transactional applications like FAQ bots,

#### **AI-POWERED CHATBOTS**

Powered by machine learning and natural language processing (NLP), these bots are more dynamic and can handle complex interactions with users by understanding context and language nuances.



#### TRANSACTIONAL BOTS

Designed to complete specific actions or transactions on behalf of the user, such as checking orders, booking appointments, or processing payments.

### **Examples of Category Application**



**E-commerce:** WhatsApp Business API – Allows seamless product showcasing, payments, and customer support directly within WhatsApp.



**Banking:** Kore.ai – Industry-specific capabilities for secure transactions and fraud alerts.



**Customer Service:** Zendesk Chat – Widely adopted for multi-channel support with advanced ticketing systems.



**Community Engagement:** Telegram Bots – Popular for creating and managing community groups with automated functionalities.



**Healthcare:** Ada – Specialized in healthcare assessments, appointment booking, and patient triaging.



**Education:** ChatGPT API or Botpress – Effective for learning management systems, student queries, and training support.

#### **CONVERSATIONAL BOTS**

Focused on creating a conversational, human-like experience to entertain, inform, or engage users in a more relaxed manner. These bots are excellent for increasing user engagement on social media and customer engagement channels.

## **CURRENT & PROJECTED SPEND ON CHATBOTS**

By 2025, around 95% of customer interactions are expected to be automated, underscoring the strategic importance of chatbots for businesses aiming to maintain high service standards and improve customer engagement.

- The global chatbot market is experiencing rapid growth, with an estimated valuation of around \$7 billion in 2024.
- Forecasts indicate that this **investment could surge to \$72 billion by 2028**, reflecting the increasing integration of chatbots across sectors like retail, finance, and healthcare for enhanced customer service and operational efficiency
- Project compound annual growth rate (CAGR) is set to exceed 23% in the chatbot sector through the next several years

Key drivers of this growth include advancements in AI and natural language processing (NLP), which enable chatbots to provide more personalized and context-aware customer interactions. As a result, businesses are increasingly adopting chatbots to reduce operational costs and handle high volumes of customer service queries effectively



## **OVERVIEW: KEY INDUSTRIES LEVERAGING CHATBOTS**

The applications of conversational AI are constantly expanding. As technology advances, we can expect to see even more innovative and widespread use of conversational AI across various industries.



**E-commerce:** Transactional bots dominate here, providing order and delivery tracking, payment processing, and personalized product recommendations.



**Finance:** AI-Powered bots like those on Discovery Bank and Nedbank support personal finance queries, fraud detection, and personalized account support.



Media and Entertainment: Conversational bots are essential here, helping brands engage fans, generate content, and handle FAQs related to entertainment schedules or content releases.



## **TOP GLOBAL CHATBOTS**

#### **Google Assistant and Dialogflow**

Google Assistant is renowned for its natural language processing, understanding context, and integrating with Google's suite of services, like Calendar and Maps. Google's Dialogflow, used by many enterprises, allows developers to create highly customizable and complex chatbots with advanced NLP capabilities, enabling everything from basic customer service bots to complex conversational AI.

#### ChatGPT (GPT-3.5 and GPT-4 models)

OpenAI's models are known for their conversational fluency and ability to handle a broad range of topics. ChatGPT powers numerous chatbots across industries, excelling in providing detailed, human-like responses and offering natural, engaging interactions that adapt to user prompts.

#### Facebook Messenger Bots

Meta's Messenger bots are widely adopted for business-customer interactions, particularly in retail and customer service. These bots enable personalized communication with users at scale, including product recommendations, FAQs, and customer support. Meta's use of AI to optimize the user experience has made Messenger bots a leader in social media chatbot applications.



### ADDRESSING CHATBOT CHALLENGES: ENSURING SEAMLESS INTEGRATION AND SECURITY

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Handling Complex Customer Queries

Chatbots excel at straightforward inquiries but often struggle with complex or nuanced questions that require context or human judgment. This can frustrate users and may require escalation to human agents. Developing chatbots to handle complex questions remains challenging due to limitations in Al's natural language understanding and empathy skills.

#### Integration with Existing Systems

Chatbots need to connect seamlessly with existing customer relationship management (CRM), inventory, or order processing systems. Poor integration leads to gaps in information or miscommunication, reducing the chatbot's effectiveness in providing accurate, real-time answers to users.

#### **User Frustration with Limited Responses**

Chatbots can be repetitive or unhelpful if not welldesigned. Users may become frustrated when receiving generic responses that don't address their unique needs, which can ultimately harm customer satisfaction and brand perception. Continuous improvement through user feedback and testing is essential.

#### Data Privacy and Security Risks

Since chatbots often collect sensitive data, they can be vulnerable to privacy and security breaches if not properly secured. Ensuring robust data protection practices and compliance with privacy regulations (e.g., GDPR) is essential to maintain customer trust.



## THE ROLE OF CHATBOTS TODAY

Chatbots have become a significant tool for marketers to engage with consumers, generate sales, and automate customer service. Their efficacy varies across different categories, including increasing sales, attracting new customers, and retaining existing ones.

### 24/7 Customer Support:

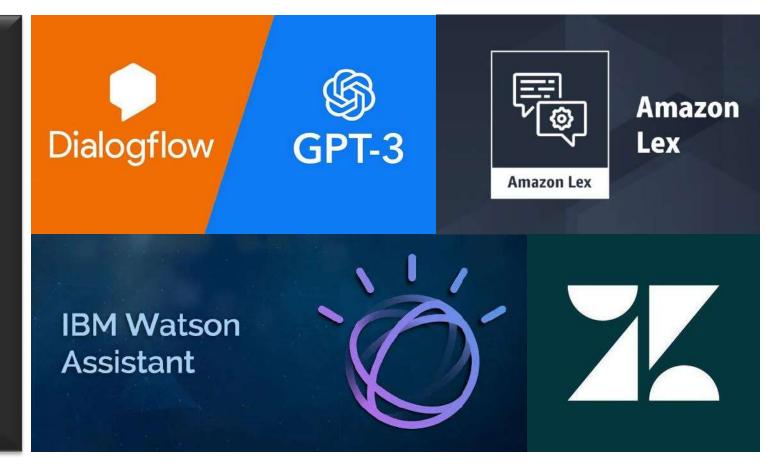
Chatbots handle repetitive customer inquiries, reducing wait times and enabling constant availability.

#### Lead Generation and Sales:

Conversational commerce allows users to browse products, receive recommendations, and even complete transactions within chat windows.

#### **User Engagement and Retention:**

Chatbots in media can share relevant updates, encourage interaction, and deepen user engagement.

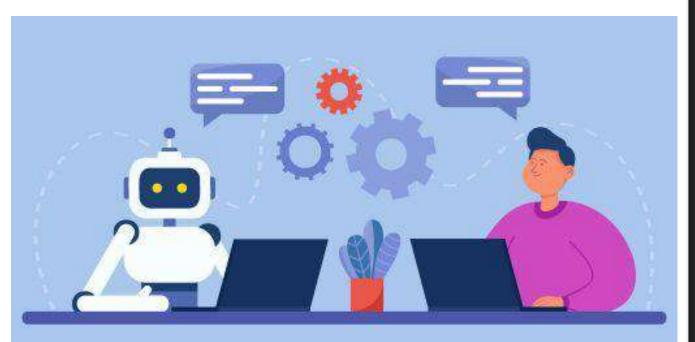




## ENHANCING CUSTOMER EXPERIENCE WITH CONVERSATIONAL AI

South African websites, especially in sectors like e-commerce (Takealot, Superbalist), banking (Absa, FNB), and telecom (Telkom), integrate chatbots to streamline the UX journey.

Chatbots personalize responses based on past interactions or user preferences, making communication feel more relevant. Chatbots provide fast responses, minimizing wait times and ensuring consistent customer experience across channels.



### Landing Pages:

Chatbots like those from Intercom and Zendesk are commonly used on landing pages to immediately assist with user inquiries.

### **Product Pages:**

E-commerce platforms such as Yuppiechef utilize chatbots on product pages to guide customers, answer common questions, and increase conversion rates.

### **Customer Support:**

In South Africa, many chatbots assist with FAQ handling, status updates on orders (for e-commerce), or account services in banking. Positioned as floating icons, they ensure an integrated experience, allowing users to interact seamlessly without leaving the page.



## ENHANCING CUSTOMER EXPERIENCE THROUGH PERSONALIZATION

### Key Personalization:

**Customized Responses:** Personalization enables chatbots to respond based on user history, preferences, and past interactions.

**Enhanced User Engagement:** Personalized chatbots drive higher engagement by aligning interactions with each user's unique preferences.

**Proactive Customer Service:** Personalization also allows chatbots to anticipate needs based on user data.

**Streamlined Decision-Making:** Personalization helps chatbots quickly offer suggestions or direct users to solutions, reducing friction.

**Feedback and Follow-Up:** Personalized chatbots can ask for feedback based on recent interactions or purchases, making follow-up feel genuine rather than generic.

### **Best in Class Personalization in Chatbots:**



**Spotify's** chatbot can provide personalized music recommendations based on a user's listening history and favorite genres.



**Starbucks** uses its mobile app chatbot to personalize user interactions based on location data.



**H&M's** chatbot personalizes fashion suggestions based on users' browsing history and past purchases.



**Replika** uses sentiment analysis to personalize conversations. It analyzes users' language to assess mood and adapts responses to provide comforting or encouraging messages.



## **INTEGRATION WITH MEDIA**

Media companies use chatbots to share personalized news, entertainment, and event updates based on user interests. Chatbots can serve interactive ads and gather customer insights, allowing media companies to target specific demographics.



## THE FUTURE ROLE OF CHATBOTS

#### **Increased Use of Generative AI for Enhanced Conversations**

Generative AI models like OpenAI's GPT and Google's Bard have shown the ability to create more natural, context-aware responses. Future chatbots will likely use generative AI to create hyper-personalized interactions, tailor recommendations, and respond in a more human-like manner. This evolution could transform chatbots from mere response tools into dynamic conversational agents capable of handling complex customer queries and providing insights based on predictive behavior analysis

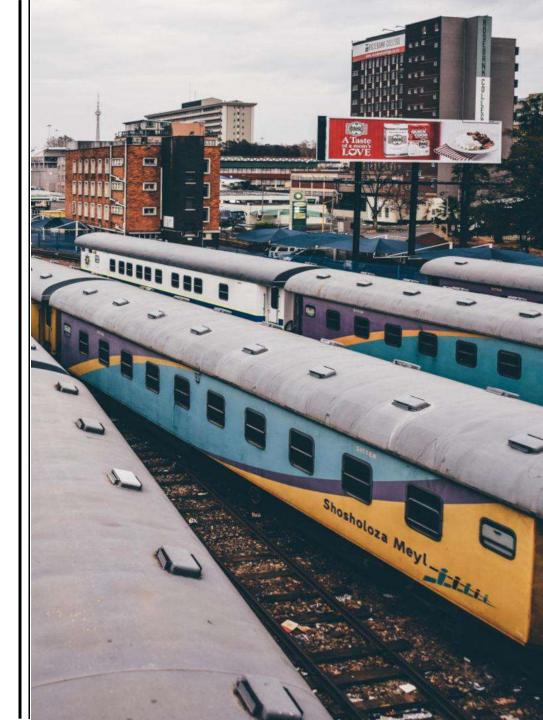
### **Emotional Intelligence**

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Emotionally intelligent chatbots are expected to play a larger role, particularly in customer service. By analyzing voice tone, choice of words, and user behavior, future chatbots will **better recognize and respond to users' emotions**. This empathetic response can **improve customer satisfaction**, **loyalty**, **and even de-escalate conflicts** effectively, making chatbots more reliable in sensitive or high-stakes interactions.

#### **Integration in Business Workflows**

Chatbots will continue to automate routine workflows, such as scheduling, data entry, and order processing. The future will likely see AI-powered bots handling more sophisticated tasks, such as **predictive customer support or workflow management, reducing the load on human agents and allowing them to focus on tasks requiring a higher level of expertise.** 



# COMMUNITY MANAGEMENT: SCALING ENGAGEMENT, SUPPORT, AND CONNECTION

### WHY IT MATTERS?

In today's digital landscape, effective community management requires more than human effort—it demands scalable, efficient, and responsive tools to foster engagement and connection.

By bridging the gap between brands and their audiences, chatbots not only enhance user satisfaction but also free up community managers to focus on strategic growth and deeper engagement initiatives.

### The Role of Chatbots in Community Management

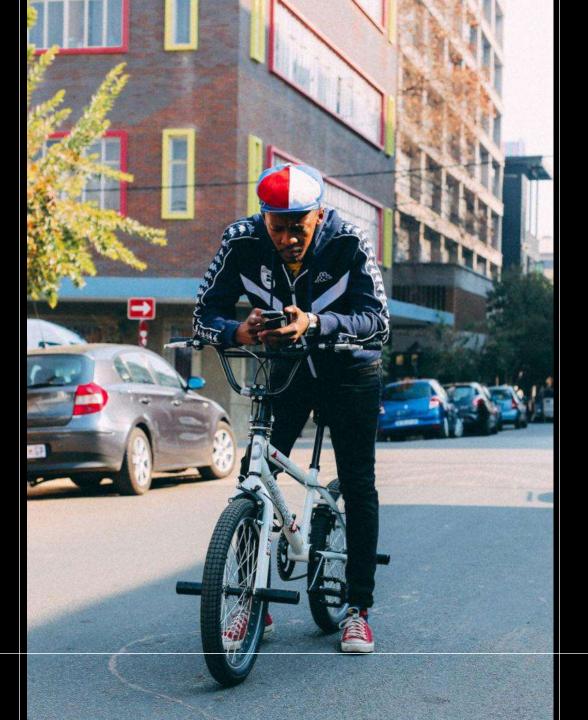
- 1. **Real-Time Engagement:** Chatbots provide instant responses to community inquiries, ensuring members feel supported and heard around the clock.
- 2. Scalability: They handle high volumes of interactions seamlessly, enabling community managers to serve larger audiences effectively.
- **3.** Task Automation: Routine tasks like answering FAQs, moderating comments, or onboarding new members are automated, saving time and resources.
- 4. **Proactive Support:** Al tools proactively engage community members by analyzing behavior and preferences, delivering tailored suggestions or content. This improves member retention and satisfaction, aligning closely with the goals of community management.
- 5. Personalized Interactions: Chatbots utilize data to create tailored experiences, enhancing user satisfaction and deepening community connections.
- 6. Multichannel Support: They maintain consistent communication across various platforms, from social media to messaging apps, ensuring a unified community experience.
- 7. Inclusive and Multimodal Communication: Multimodal AI (integrating text, voice, and visuals) enhances accessibility, making communities more inclusive.
- 8. Enhanced Efficiency: By managing repetitive queries, chatbots free community managers to focus on strategic growth and fostering meaningful engagement.

## LOCAL SPEND OVERVIEW

South African businesses are prioritizing chatbot technology as part of their digital transformation strategies.

Sectors like banking and telecom are leading the charge, investing substantial resources to automate customer service and enhance online engagement.

As a result, the local chatbot market is experiencing significant growth. It's anticipated that businesses will allocate 20-30% of their customer service budgets to digital automation solutions, including chatbots, in the coming years.





## SA CONSUMER ADOPTION: CAUTIOUSLY OPTIMISTIC

In South Africa, chatbot adoption is advancing, but the general sentiment is optimistic yet cautious. As businesses continue to roll out more user-friendly and efficient chatbot services, but the skepticism around complex interactions remains a key barrier.

 South African adoption rates for chatbots have seen gradual growth, with businesses leveraging chatbots for customer service, e-commerce, and engagement.

Where is my order #12345?

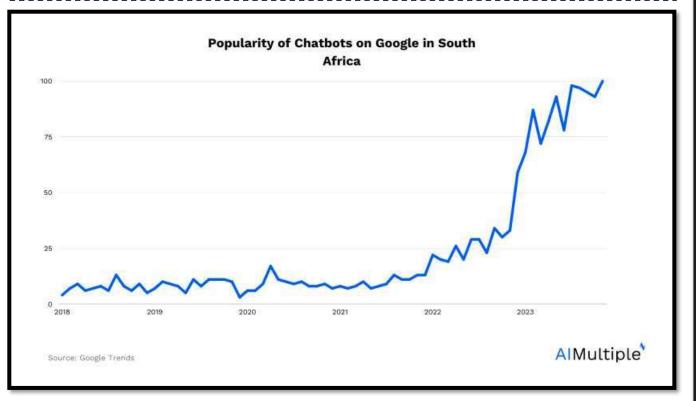
- ✓ A report from PwC indicated that **about 47% of South African consumers** had interacted with a chatbot in some capacity.
- ✓ Adoption is still lower compared to global markets like the US or UK, where chatbot engagement reaches **over 60%**.

Sentiment toward chatbots in South Africa is mixed, with consumers optimistic but cautious about their usefulness and reliability. While many appreciate the speed and convenience, there is a general concern about chatbots' ability to handle complex queries and provide human-like interactions.

South African consumers, especially in the middle-to-lower-income brackets, tend to prefer interactions with human agents when issues are more personalized or intricate. However, there's an openness to chatbots for routine inquiries or transactional services.

## SA CONSUMER ADOPTION: KEY CATEGORIES

South African interest in chatbots has grown steadily since 2018, reflecting the rising demand for efficient, automated customer interactions across various sectors, with notable traction in customer service, e-commerce, banking, and education.



### "Cautiously Optimistic" Categories:

**Customer Service Efficiency:** Many South African businesses are adopting chatbots for customer support, where chatbots help resolve basic inquiries and issues quickly. Users often remain cautious about how well chatbots can handle complex requests or complaints.

**E-commerce & Transactions:** Chatbots are gaining traction in the retail and e-commerce sectors, particularly for order processing and status updates.

**Banking & Financial Services:** Banks like have rolled out chatbots for basic banking transactions with consumers expressing positive sentiment, if the bot can handle their frequent queries with ease.

**Education and Learning:** Chatbots are being used to facilitate administrative processes and assist students with frequently asked questions. Students remain skeptical about the bots' ability to provide accurate academic advice or personalized learning experiences.



## PLATFORM SUPPORT & SUPPLIERS IN SOUTH AFRICA

#### **Global Leaders with Local Presence**

#### **IBM Watson Assistant**

Offers advanced AI capabilities for personalized and omnichannel interactions. Suitable for large enterprises but requires significant investment.

#### **Microsoft Azure Bot Service**

Powered by machine learning and natural language processing (NLP), these bots are more dynamic and can handle complex interactions with users by understanding context and language nuances.

#### Kasisto

Specializes in conversational AI for financial institutions, offering platforms like KAI for seamless customer interactions via WhatsApp, Messenger, and SMS

### **Regional & Local Providers**

#### Ozow Al:

A local payment platform that integrates chatbot functionality, perfect for businesses prioritizing secure and localized payment solutions

#### **RapidDeploy:**

Known for public safety chatbots, offering solutions that can integrate with emergency services and customer support.

#### BotConverse:

A Cape Town-based company specializing in chatbot development and integration for both social media and websites, catering to B2B needs across various industries

#### FCB.ai

Focuses on banking and insurance chatbots with third-party integration capabilities for document handling and esignatures

#### **Botlhale AI**

A local platform supporting multilingual chatbots in eight South African languages, primarily for telcos and financial services

#### Gotbot

Provides tailored chatbots for retail, insurance, and banking, featuring industry-specific solutions for customer engagement

#### Hi.guru

Specializes in customer communication platforms with features like reporting dashboards and self-service automation An Al-driven shopping assistant

Khoyn

connecting customers to brands, helping SMEs increase sales through personalized recommendations

#### **Bestee:**

A virtual assistant offering integration with platforms like WhatsApp and emotional awareness functionalities.

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## LOCAL CHATBOT APPLICATIONS

### Key Trends:

- Increased adoption of conversational AI in financial services, retail, and customer service.
- > A growing emphasis on multilingual support and integration with popular messaging apps like WhatsApp.



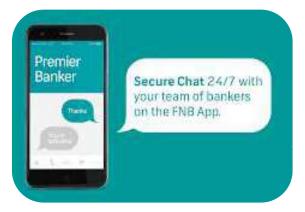
Clicks Pharmacy uses a rulebased chatbot on their website and WhatsApp to assist customers with inquiries about store hours, location details, and basic loyalty program questions.



Standard Bank's virtual assistant, Mervin, is AI-driven and helps customers with a wide range of services, from balance inquiries to transaction histories.



MTN's conversational chatbot on WhatsApp offers an interactive experience where users can inquire about various mobile plans and receive personalized recommendations.



FNB's chatbot on its banking app allows users to complete transactions like transferring funds, paying bills, and even applying for personal loans.

### LOCAL BRANDS LEADING THE USE OF CHATBOTS & Conversational AI

### **Checkers Sixty60:**

Checkers Sixty60, one of South Africa's most successful online grocery delivery platforms, incorporates a chatbot to streamline the customer experience. This chatbot helps in searching for products, placing orders, and tracking deliveries, making it easier for customers to get real-time information on orders.

### **Discovery Vitality:**

Discovery, a leading South African financial services group, uses a chatbot within its Vitality wellness program to support members' health and fitness journeys. The chatbot integrates into Discovery's broader ecosystem, assisting with queries on wellness goals, rewards, and personalized advice. It provides members with support for booking appointments, tracking goals, and earning rewards based on activity levels.

#### Shoprite:

Shoprite's WhatsApp chatbot offers a range of services that enhance the shopping experience, including store locators, up-to-date specials and promotions, product availability checks, customer support for orders and returns, and personalized alerts for deals and loyalty offers. By leveraging the popular WhatsApp platform, the chatbot allows customers to easily access these services in real-time, making shopping more efficient and personalized.



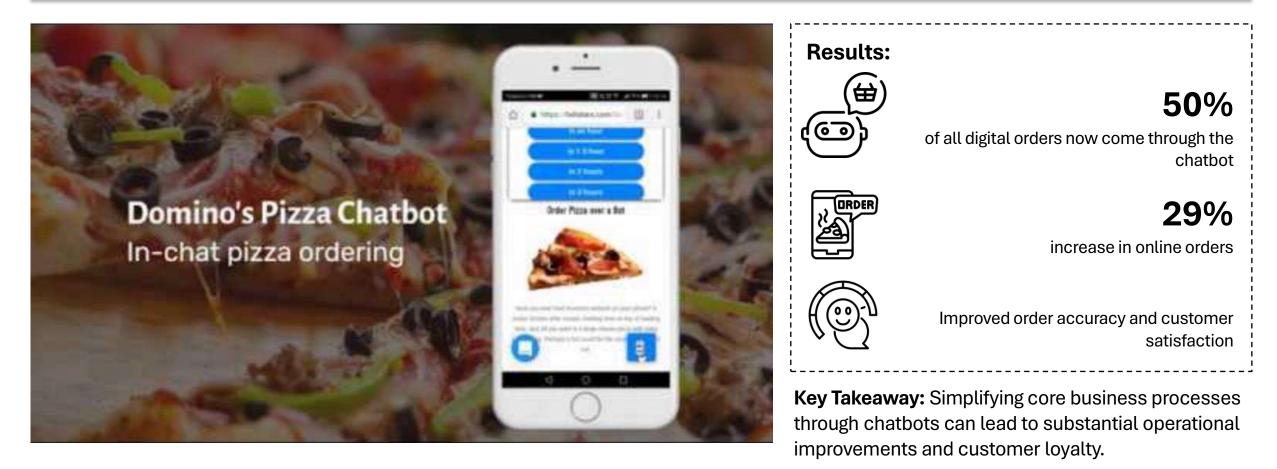


## **BEST IN CLASS:** BRANDS SUCCESSFULLY LEVERAGING CONVERSATIONAL AI



## **GLOBAL: DOMINO'S PIZZA**

Domino's introduced "Dom," a chatbot that allows customers to place orders via Facebook Messenger, Twitter, or Alexa. The bot simplifies the ordering process and remembers customer preferences.



## **GLOBAL: EMMA**

### The Challenge:

As it expanded its product range and global presence, Emma faced several challenges. As an e-commerce business, the company needed to enhance the online shopping experience for customers.

Since Emma has limited physical stores, many customers can't test Emma's products before buying them, leaving them feeling uncertain about which sleeping products best suited their needs.

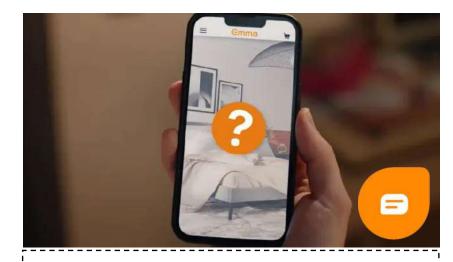
So, Emma needed a tool that was able to offer personalized product recommendations on their website, helping customers feel confident about their decision to buy.

### The Solution:

To address these challenges, Emma implemented a dynamic Product Finder on its website powered by a Landbot chatbot.

Product Finder was initially launched only in the Italian market in May 2023. However, soon after, the Emma team realized Product Finder was outperforming the product comparison tables that were available on their website.

Given the results, Emma expanded Product Finder to all its main markets in 15 countries.



**Results:** 



122%

Of orders per product finder user vs. Per website user



**78%** Completion rate for product finder



**18**%

In average order value

## **LOCAL: DIGIFY AFRICA**

### The Challenge:

Young people urgently need digital skills for employability, but many lack knowledgeable tutors and access to a PC or data to gain this information. In Africa, this is further amplified by poor technological infrastructure and limited financial resources to purchase equipment like laptops and tablets. The inability to use these technologies effectively can hamper the continent's development and limit citizens' economic opportunities.

EdTech company Digify Africa wanted to contribute toward young people's employability by helping them learn basic digital skills through easily accessible means.

### The Solution:

Digify Africa turned to the most dominant low-cost messaging platform in Africa to connect students with a tool to learn basic digital skills via a chatbot: WhatsApp.

The chatbot called Lesedi is designed to help 18-35 year-olds across Africa to gain critical digital skills and access to further training and work opportunities. This low-cost solution has a relatable bot personality with snackable micro-lessons and engaging functionality to help users learn at their own pace.

Push notifications also encourage learners to study consistently, and a gamified layer allows Lesedi users to track their performance compared to other participants.





## LOCAL: FASTA

### The Challenge:

FASTA's primary clients are individuals seeking quick and reliable financial assistance for short-term cash flow needs. To align their customer service operations with their product offerings and improve the traditional support environment, FASTA faced several challenges. Delayed response time, inconsistence service quality and frustrated customers.

FASTA is committed to delivering swift solutions to its customers. They sought new ways to align their customer service operations and improve their more traditional support environment to deliver on this commitment.

### The Solution:

FASTA wanted to make customer service easier and more accessible for its customers but wanted to use a platform that consumers are already familiar with and use frequently... WhatsApp.

FASTA then integrated with Landbot's AI assistant on WhatsApp to provide an efficient and responsive self-service customer support solution. Following an authentication and verification process to make sure they were speaking to the right customer; this service would allow customers with an active account history to.



**Results:** 





### **78**%

18%



Reduction in Phone and Email Support Dependency



Increase in Loan Collections Post-Channel Launch

## **KEY INSIGHTS:**

#### Chatbots Are Transforming Customer Engagement

- Chatbots provide 24/7 availability and instant responses, which are critical in meeting rising consumer demands for efficiency and accessibility.
- •Brands like FNB and Discovery are successfully using chatbots for transactional support and personalized interactions, demonstrating their ability to enhance customer satisfaction.
- •Actionable Insight: Invest in chatbots for front-line customer service to improve response times and reduce dependency on human agents for routine inquiries.

#### Emphasis on Personalization & Multichannel Experiences

- •Consumers expect tailored interactions, with chatbots increasingly leveraging data to deliver proactive and context-aware services.
- •Integration across platforms like WhatsApp and websites is key, as seen with Shoprite and Standard Bank.
- •Actionable Insight: Implement Aldriven personalization features to provide unique and engaging customer journeys while ensuring seamless transitions across touchpoints

#### **Local Adaptation Is Critical**

- •South African consumers are cautiously optimistic about chatbots, appreciating their speed for basic tasks but remaining skeptical about handling complex queries.
- •Platforms like **Botlhale AI** and **Gotbot** cater specifically to local languages and cultural nuances, enhancing their relevance.
- •Actionable Insight: Prioritize multilingual support and local context adaptation to build trust and accessibility among diverse user bases.

#### Chatbots Drive Cost-Effective Operations

 Industries like banking and ecommerce are allocating 20-30% of customer service budgets to digital automation tools. Chatbots significantly reduce operational costs, as seen with FASTA, which reported a 78% reduction in dependency on phone and email support.

Actionable Insight: Position chatbots as a key component of digital transformation strategies to optimize resource allocation and operational efficiency.

#### Chatbots Enhance Marketing and Community Engagement

- Chatbots like those on **Checkers Sixty60** and **Digify Africa** foster engagement by providing personalized recommendations, managing communities, and encouraging customer loyalty through gamified experiences.
- Actionable Insight: Use chatbots to amplify marketing efforts by integrating them into social media campaigns, loyalty programs, and community management to scale customer connection.

In conclusion, chatbots offer significant potential in increasing sales, attracting new customers, and retaining existing ones. However, their success depends on balancing automation with human interaction, addressing emotional engagement, and carefully measuring their effectiveness

"Chatbots are the future of customer service, providing real-time, on-demand communication for businesses." — Micha Kaufman, CEO of Fiverr



## THANK YOU

