CREATING CONVERSATIONAL COMMERCE:
USING DATA TO TURN ENGAGEMENT INTO ACTION

Hello. Can I help you?

I'm looking for something.

What product are you searching for?

INTRODUCTION

Digital channels have embedded commerce into consumers' everyday lives. Consumers now expect proactive, data-driven marketing, intelligent service and seamless payment features to be embedded into the channels they use daily, from Facebook to Google.

This is defined as "conversational commerce" or the process of enabling consumers to shop and communicate with brands through messaging channels, voice and chat throughout the browsing and buying journey. Conversational commerce has been named the "third wave of commerce," especially given its emphasis on creating a seamless, end-to-end experience for consumers. The conduit for these experiences? Mobile devices.

"We're all walking around with our phones and the data already states that consumers are moving away from websites and even branded app purchases in favor of conducting transactions in other social media and mobile channels they desire," said David White, Director of North America for CM.com in an interview with *Retail TouchPoints*. "**Brands have to realize that they're not dictating where transactions should take place, it's the consumer**, and we have to look at the behaviors and expectations of the New Age consumer."

By New Age consumer, White means Gen Z and Gen Alpha, which are acquiring more market share by the day. "Eleven-year-olds are going to have more spending power in the next 10 to 25 years than Gen X and Baby Boomers combined," White said. "Therein lies the importance of a mobile-first strategy and making sure you have a solid customer experience strategy in place. You can have the best product in the world, but if your support is no good, they tune you out."

There is a clear consumer migration to third-party sites and apps, especially among these younger demographics. While brands can "rent" land on these messaging and social media platforms in order to build their presence, conversational commerce helps ensure integration with owned ecommerce site chat experiences in order to bring brand consistency and relevance to an entirely new level.

The Conversational Commerce Opportunity

Global spending on conversational commerce channels will grow from $41 billion in 2021 to $290 billion in 2025, according to Juniper Research.

1 Identify Key Channels for Engagement

Conversational commerce at its core is channel agnostic. It's all about creating fluidity between owned and "rented" platforms and, of course, having the power and agility to add new channels as they emerge. Given the rapid acceleration of the social commerce landscape, Brian Manusama, Chief Strategy Officer for CM.com, said that being able to quickly implement transactional capabilities through Instagram or other social platforms as new features are rolled out would be a boon for socially active brands.

"We're turning social media into a commercial capability instead of just a social fan experience, but we need to finish the journey," added Manusama in an interview with *Retail TouchPoints*. "The journey is very disjointed, so the payment experience is going to be key. If you look into the different infrastructures of payments, we need to integrate those capabilities via in-app experiences, so you have a consistent user experience."

While this certainly holds promise for the big social players, investments currently fall into two key areas: chatbots and Rich Communication Services (RCS). "Organizations are very much betting on the fact that the ability to sell a product will be done via natural language interfaces," Manusama explained. "The next priority investment is RCS, which allows for richer messaging capabilities than SMS."

RCS is a communication protocol that allows users to share high-quality photos and videos within messaging threads, essentially allowing brands and retailers to share high-quality content with consumers in-market to purchase specific items.

Conversational Commerce: Key Channels and Platforms

Text Messaging

- SMS (Short Message Service)
- RCS (Rich Communication Services)

Chat

- **Scripted chat experiences:** These chat tools are established paths based on site structure and standard journey mapping. They are considered a cost-effective, value-driven replacement for brand's "frequently asked questions" (FAQs) section.

- **AI-powered chatbots:** Machine learning allows the bot to "learn" frequently asked questions, concerns and inquiries and offer more intelligent guidance.

- **Live chat:** Interaction with a human agent, which requires a lot of time and resources.

Messaging Apps

- **WhatsApp:** 2.26 billion unique users worldwide, with significant adoption in China

- **Google Business Messages:** Business Messages allows consumers to chat with merchant reps via Google Search and Maps.

- **Apple Messages for Business:** Business Chat allows users to ask for information, schedule appointments and make purchases right in Messages on their iPhones and iPads.

Social Media

- **Facebook Messenger:** 2.9 billion active accounts worldwide (via Facebook)

- **Instagram DMs:** 1.4 billion users worldwide

- **Twitter DMs:** 238 million daily active users worldwide

2 Understand Where Your Customers *Really* Are

The opportunities to reach and serve consumers seem endless, which is why merchants need to truly know where their core customers are in order to optimize their mix.

"If you don't know where your customer is, you're already in trouble," Manusama advised. "Consumers use so many channels, brands have no idea where they are. When you open those channels, you create interactions and then you don't have enough staff to answer all of those questions and provide all those shopper experiences. Using data in a Customer Data Platform (CDP) is key to understanding your customer base and the channels they prefer. That allows you to understand the front-end experience you need to provide."

Merchants can use feedback tools or Voice of the Customer (VoC) tools to track customer behaviors and build out their CDP so they have a clear understanding of where their shoppers really are and which channels matter most. Many organizations tend to build their conversational commerce strategies upon web chat services on their branded ecommerce sites. However, Manusama explained that this does vary by brand, audience and, most of all, region. For example, being present on WhatsApp is key for businesses that have a big presence in China, so that would be a top priority as the strategy is built out.

"A lot of companies are thinking from the inside-out as they develop their strategy," Manusama said. "**If you really, truly want to build a great, effortless experience, then you should be thinking from the outside-in, and listening to your customers is the only way to do that**."
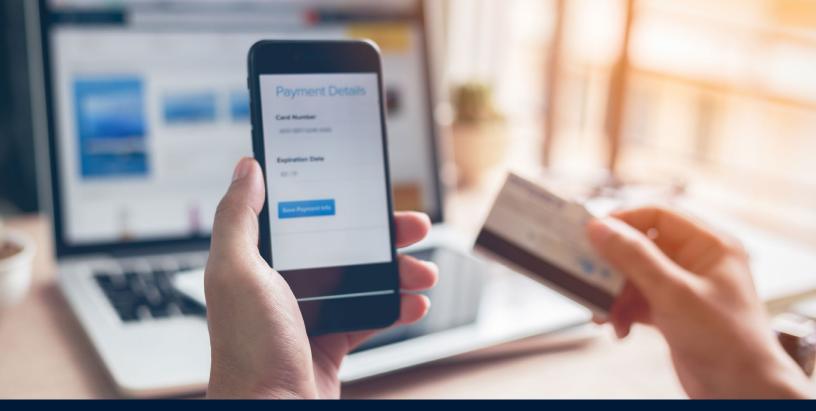
3   Aggregate Data to Map and Personalize Your Shopper Journeys

Big shifts in the ad-tech space have forced brand and marketing teams to prioritize first-party data collection. They are upgrading their Customer Relationship Management (CRM) platforms to CDPs, which gives them the power to store known customer data, such as name, address, birthday and past purchases, as well as behavioral data like service interactions.

CDPs integrate with third-party sources and platforms to garner a deeper understanding of customers, so brands can better personalize conversational commerce experiences, especially as they think about payment options and even inventory availability.

"It can get as granular as you set it up to be," White explained. "For example, if your inventory system or your logistics solution has an API available to connect into your CDP, you can do that. All those connections are made available to create that seamless journey, but it all depends on how far and deep you want to take it and how you want to bake it into your strategic plan."

And thanks to new AI and machine-learning capabilities, retailers can combine this data to eventually better learn, understand and predict behaviors in order to power more proactive (and helpful) interactions.

4   Embed Seamless Payment into Every Moment

Offering quick and easy payments isn't a differentiator — it's a standard if brands want to meet the needs of their consumers, especially if they're texting with a brand or have slid into their DMs.

"Payment is the last part of the journey, but sometimes it's a painful thing," Manusama said. "That's because there are so many different payment methods, and they all need to feel convenient and effortless as part of the whole customer journey." In fact, he argued that payments shouldn't just be convenient and effortless — they should be *frictionless* or even *invisible*. In an ideal scenario, merchants should be able to know consumers, have their data on file and allow them to opt into experiences that allow them to have frictionless payment experiences.

A lot of new innovations in payments revolve around this idea, from Apple Pay to buy now, pay later (BNPL) players like Klarna. Although the BNPL market has seen its fair share of controversy over the past year, usage of BNPL services increased 116% between 2021 and 2022. Consumers are using these apps for everything from concerts to luxury handbags to a new floor lamp for their living room, White explained.

Integrating BNPL into the payment experience not only drives a nice conversion jump for brands, it also gives them more granular data about consumers' behaviors and purchases through the apps, creating another layer of insight for improving the experience.

5   **Evolve from Reactive to Proactive Experiences**

The most direct value of conversational commerce is that it creates a more seamless customer experience and therefore increases the likelihood of conversions. However, the underlying power of conversational commerce lies in the robust data it generates about consumer behaviors, interactions and outcomes, which can provide rich insights into several areas of the business.

In fact, gathering and integrating this data can create more intelligent experiences and allow merchants to evolve from reactive service and engagement to more proactive and hyper-relevant customer experiences.

"Personalization is about *knowing* me and connecting with me, but it's also about truly *understanding me* from a behavioral standpoint — these are two different things," Manusama explained. "If I can monitor when you come in and connect with me, learn that behavior, predict it and then proactively share certain discounts or offers with you, that's when it gets very interesting."

Conclusion: Building a Culture of Experience Optimization

Data is the centerpiece of conversational commerce experience orchestration: a balance of inbound and outbound, reactive and proactive. It fuels a continuous journey between brand and customer and empowers organizations to always learn about their shoppers and the experiences that resonate — and the ones that don't.

A combination of Customer NPS scores, channel mix performance, as well as VoC and other customer feedback tools, also can help support the "outside-in" approach that is central to conversational commerce success. In fact, more tactical members of the organization can leverage data in concert with NPS scores to gauge how they should adapt their strategies. "Let's say of 100 automated chat conversations, 40% of them are escalated to a live agent," Manusama said. "Something is going wrong in that experience because it's clear that a fair share of the time, the experience isn't going how you would like it to go."

As consumer behaviors continue to evolve and more platforms and apps aim to embed commerce into the very fabric of their being, this continuous cycle of testing, learning and improving will provide a scalable framework for success.

CM.com

CM.com (AMS: CMCOM) is a global leader in cloud software for conversational commerce that enables businesses to deliver a superior customer experience. Our communications and payments platform empowers marketing, sales and customer support to automate engagement with customers across multiple mobile channels, blended with seamless payment capabilities that drive sales, gain customers and increase customer happiness.

1.888.296.8880
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201.257.8528
info@retailtouchpoints.com

ABOUT THE AUTHOR

Alicia Esposito, VP, Content

Alicia is an editor-turned-content marketer, with a passion for all things focused on digital-powered experiential retail.