

AN IMPACT ANALYSIS OF CONVERSATIONAL AI ON MARKETING PROCESSES

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Abstract: *New tools and technologies are continuously being developed, and the field of market is in a permanent change. Yet conversational AI represents a breakthrough, a ground-breaking technology that provides unmatched speed, price and breadth of features, providing users a quick advantage over rivals. More than simply a tool, it's also a means of considering how to strike a balance between technological data-driven innovation and human creativity. Marketing specialists should consider employing AI tools as part of a well-rounded strategy that blends technological innovation with creative human inventiveness.*

Key words: *conversational, AI, impact, marketing*

1. Introduction

The term conversational AI refers to the use of artificial intelligence technologies, such as machine learning (ML) and natural language processing (NLP), to create chatbots, voice assistants, and other conversational tools that simulate human-like interactions with users. These conversational agents should be able to understand and respond to natural language queries, provide recommendations, and offer personalized assistance to customers in real-time.

2. Development timeline

The search for a conversational AI started many decades ago.

Artificial Intelligence (AI) has been traditionally defined by the quote "A computer would deserve to be called intelligent if it could deceive a human into believing that it was human." (Alan Turing)

Predictably, the first attempts were extremely clumsy and far removed from the pursued objective - that is, to have a "human" conversation in a way that the participants do not "feel" the artificial way of constructing the dialogue.

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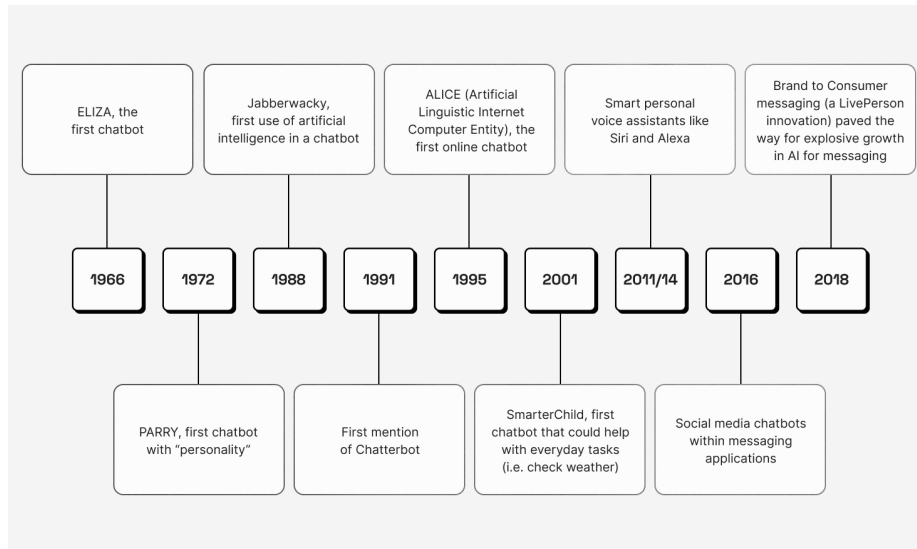


Fig. 1. A timeline of conversational agents (Radanovic, 2022)

Lately, and specifically in the last year, the advances in technology pushed the domain to the frontline of the digital development. Companies like OpenAI, along with Microsoft and Alphabet (Google's parent company) came up with new and improved models, with extended capabilities and astonishing results.

To further illustrate the advancement in the field, the first GPT launched by OpenAI in 2018 used 117 million parameters, while the second version (GPT-2, 2019) took a huge jump with 1.5 billion parameters and the current version (GPT-3, 2020) has 175 billion.

Apart from the moral, ethical and even specific scientific debates, these tools definitely marked a new chapter in the development and use of the conversational AI tools.

The US advertising business has already shown the first signs of acceptance, with Mint Mobile launching a new TV commercial in January that was written using ChatGPT and voiced by the company's owner Ryan Reynolds (Beer, 2023). A joke, a swear word, and Mint's Christmas marketing pitch were all on the list. The copy was "eerie" and "mildly horrifying," according to Reynolds.

With Microsoft's announcement of its integration with the Bing search engine via OpenAI's GPT-4 model in early February, the application of AI in the search industry advanced significantly. It's a "new day for search", Microsoft CEO Satya Nadella stated at the event. The integration would provide users the option to follow up on prior inquiries and provide more context for their search in order to provide a ChatGPT-like experience within the search engine. This "new day" entails two things: first, moving toward a conversational approach that can address complicated issues, and second, providing responses that go beyond simple website links. The ultimate objective of chatbots is to simplify user query refinement, provide more accurate, current results, and even facilitate shopping.

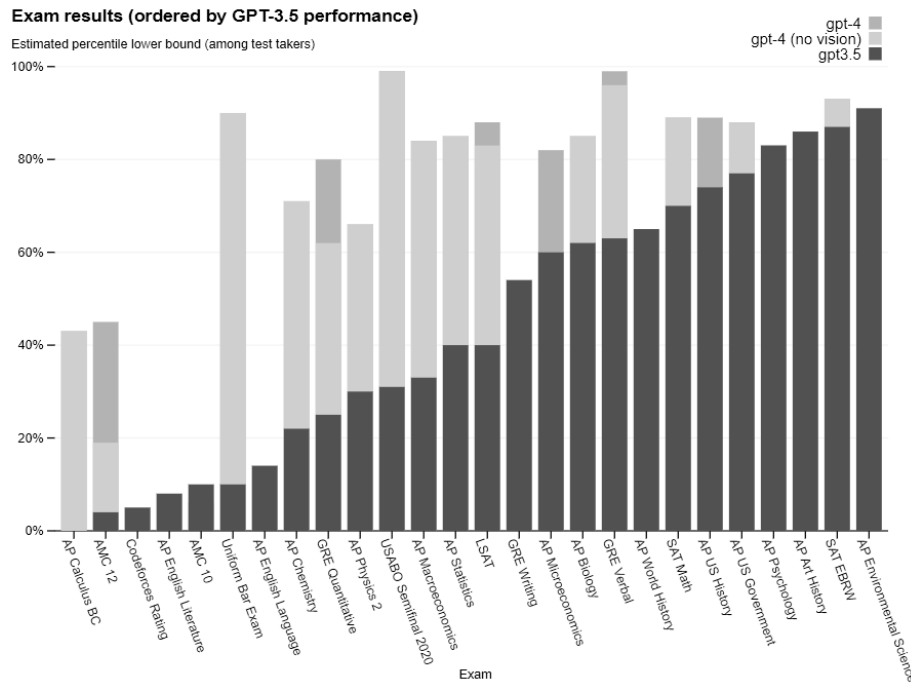


Fig. 2. Performance advancements of the GPT model (OpenAI, 2023)

A number of experts in the industry believe that Google's long-term market share supremacy may be threatened by this integration of AI technology with Search, while others see it as a crucial opportunity for Microsoft to increase its 9% market share in the billion-dollar sector. With the artificial intelligence chatbot LaMDA, the text to image creator Google Muse, and most recently the trial of "Bard," a chatbot technology that directly competes with ChatGPT, Google has already been making investments in this area. Bard recently made its premiere, but in doing so, it misidentified the first technology to snap pictures of a planet beyond of our solar system. The error had little impact other than on Google's stock price, which cost the parent firm of the search engine, Alphabet, more than \$100 billion. This shows how disastrous outcomes can result from using flawed AI output to guide important human decisions.

3. Benefits in Marketing Planning and Execution

Conversational AI is a great tool for developing headlines, email subjects and emails themselves, material that is SEO-optimized, ad copy, and other types of content. The marketing team can cut down on time spent on creatives like headlines or hooks for cold emails by using these tools and the appropriate suggestions. However, a keen eye should be kept on all the information produced to fulfill predetermined goals.

Some of the practical uses for conversational AI in marketing planning and execution are as follows:

- Creation of thousands of personalized email messages in minutes rather than days;

- Content strategies drafted in hours, using the tools for creating a list of topics, crafting personas, building content based on client's preferences, listing pros and cons according to the client's POV;
- Generation of campaign strategies for social media, including copy, targets, formats, optimization, budget and so on;
- Creation of content which has a higher chance to become viral, based on previous data, in view of the idea, title, heading, hook and even art;
- And most of all, cutting hours or even days of the research and planning phases.

4. Benefits in market research

Market research widely employs automation, but the use of AI tools enables machines to learn and adapt automatically through feedback. This distinction is crucial as there are multiple ways businesses can benefit (SIS International Research, 2022) from incorporating AI in their market research approach.

The use of conversational AI in market research can streamline research and provide audience insights to gain a thorough understanding of the target segment. It collects and analyses data at a remarkable speed, giving analysts the ability to make quick decisions or even kick off a report with reliable data. The tool is capable of analysing text-based data, identifying trends and patterns that may be pertinent to improving market research, thereby reducing the amount of time spent on understanding customer feedback.

These tools can also aid in research by producing actionable content for a market report that is highly valued by customers. Organizations can harness these core competencies to streamline content delivery and help writers overcome writer's block issues. The tool also allows market analysts to easily translate from one language to another, potentially helping businesses to broaden their reach and open up new markets.

The use of conversational AI tools can enhance the quality of research findings by detecting correlations and subtle meanings that human analysis may miss. These instruments allow companies to perform competitor data analysis, gain insight into a client's competitive landscape, and obtain a first approximation of the competitive performance in a given market.

Respectively, AI supervised market research could screen customer demographics, behaviors, and practices. It can aggregate key market segments, providing recommendations on how to effectively target them, which can provide valuable data to initiate market research. Consulting firms can gain insight into customer perceptions and preferences, enabling them to make recommendations for product or service improvements for the target population segment. The tool can potentially generate reports, overviews, and thoughtful insights derived from the data previously compiled by consulting firms, dramatically simplifying the reporting process and saving consultants time and resources.

Other tangential ways (Clear Seas Research, 2023) of adding value to market research with the help of AI are:

- Improved customer service by automation, providing instant and accurate responses to common customer inquiries;
- Increased efficiency through handling multiple chat conversations simultaneously, allowing businesses to take more customer inquiries in less time;
- Personalized responses to customer inquiries, improving the customer experience and increasing customer satisfaction;
- Cost savings by automating the customer service and saving businesses money, reducing the need for human customer service staff;
- Improved accuracy by training on large amounts of data and generating accurate and appropriate responses to customer inquiries;
- Improved analytics through access to sophisticated analytics tools that can track customer interaction trends over time and make better resource allocation decisions.

5. Conclusion

What does all of this mean for marketers, then? Without a doubt, brands and agencies will begin to investigate the benefits and drawbacks of incorporating AI-based search into their strategies in the future. The advantages are obvious: better targeting, more relevant ads, and, ultimately, higher ROI for companies, might result from matching inquiries with advertisements in a more logical way. But, it's important to remember how crucial customer trust is to business and how detrimental it can be when businesses err. Consumers aren't scared to walk away; 71% of consumers switched brands at least once in the last year, an indication that consumers want brands to get it right. 88% of consumers say trust is more crucial in times of upheaval, like the present cost-of-living problem (Wrenn, 2023). While we wait for a higher standard of quality and safety to be achieved, the best course of action, at least in the near term, is to prevent both harmful headlines and undermining consumer trust.

One critique of conversational AI is that it can propagate prejudices and recycle themes by using derivative content, especially when requested to write a tale, an essay, or even a script for a movie. While the interpretation of the text may be creative, the outcomes of running a visual query through an AI generator can often produce truly original results. For instance, brands may be able to design and offer fresh, individualized visual experiences at scale. Users with no technical expertise can access high-quality media assets that uphold brand requirements and increase brand awareness.

Consumer behaviour is evolving quickly, forcing marketers worldwide to employ cutting-edge technology like AI. It's a means for companies to streamline operations and apply marketing strategies that are pertinent to customer needs, improving conversion rates.

By using such AI solutions, marketers can automate their email campaigns, SEO outreach, sales pipeline, and nearly every business function today. This includes data collecting, customised user experiences, and utilization of behavioural data to improve Customer Relationship Management (CRM).

The emergence of conversational AI is changing the face of several industries, including marketing and e-commerce. Yet, all the experts who have used these tools for their work so far concur that, at least for the time being, a human cannot be replaced by this instrument. Hence, it shouldn't be used as a replacement but rather as a tool to help create campaigns, products, websites, content, etc. that are more tailored and effective.

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