

**VERINT.**

# **CONVERSATIONAL AI BAROMETER: CHATBOTS AND NEXT-GEN AI**

Revealing Consumer Preferences for Chatbots and Conversational AI

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# TABLE OF CONTENTS

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Executive Summary ... 3

The Engagement Capacity Gap ... 3

Methodology ... 4

- Type and Frequency of Usage

- Conversational Interface Preference

- Likes and Dislikes

- Relatability

- Overall Sentiment and Comfort

Discussion ... 5

- Appreciation Comes With Use

- Embrace AI Natives; Bridge the Generation Gap

- There's an Untapped Opportunity in Voice

- There's Opportunity in Multiple Industry Verticals

- In Some Industries, Investing in Certain Interfaces Is Crucial

- Focus on What Your Customers Actually Want, Not What the Industry Says They Want

- Plan for Privacy Concerns

Conclusion ... 14

Appendix ... 15

- Background Research

  - What Do Customers Need?

  - Do Users Relate to Chatbots?

# Executive Summary

In 2020, the global pandemic led to an unprecedented surge in the usage of AI-powered customer service. The combination of a reduced labor force and high volume of support inquiries caused a 426% increase in chatbot usage as businesses began to rely on virtual assistants more than ever before<sup>1</sup>.

By 2024, the global market for chatbots is expected to grow at a CAGR of 34.75%<sup>2</sup>. This rapid growth was in part due to the pandemic, which didn't create a new market trend so much as accelerate what was already happening. Across verticals, the pandemic had a profound impact on customer behavior and expectations.

As a leading provider of customer-engagement solutions and conversational AI technologies for the Fortune 500, Verint works to evaluate, understand, and exceed customer expectations.

We've collected decades of the highest quality data across over a dozen verticals to design a comprehensive library of business intents. Standing in the customer's shoes requires making use of every opportunity to truly listen and understand what customers want and need. It's rarely, if ever, what you assume.

To that end, Verint commissioned a survey – administered by an independent third party – of 1,000 US consumers. We asked people from all walks of life about their interactions with chatbots and Intelligent Virtual Assistants (IVAs). Our goal was to learn directly from the public at large and better understand evolving consumer preferences to help design better customer experiences.

This report introduces our top-level findings.

Verint's Conversational AI Barometer contains critical insights for any organization leveraging conversational intelligence to design digital-first experiences. They also speak to larger cultural trends regarding the way individuals relate to chatbots and virtual assistants. In that sense, this report includes insights important for continuously improving AI-powered technology and for designing superior customer experiences.

## THE ENGAGEMENT CAPACITY GAP™

*Here's what we know: businesses rely on chatbots now more than ever and customer expectations are – in turn – higher than they've ever been. Business leaders are aware of this change in expectations but often lack the resources to keep up. At Verint, we refer to this delta between expectations versus budget and resources as the Engagement Capacity Gap.*

*The key to adequately meeting customer expectations while working with scarce resources is to truly listen to your customers. Knowing exactly what your audience needs empowers business leaders to invest in technology that addresses customer desires.*

*Bridging the Engagement Capacity Gap requires brands to orchestrate customer journeys with a connected experience across their consumers' channels of choice.*

<sup>1</sup> Katie Evans, "On hold: Retailers encounter customer service strains amid coronavirus," last modified May 13, 2020, <https://www.digitalcommerce360.com/2020/05/13/on-hold-retailers-encounter-customer-service-strains-amid-coronavirus/>.

<sup>2</sup> "Chatbot Market - Growth, Trends, and Forecast (2019-2024)," Market Reports World, June 1, 2019, <https://www.marketreportsworld.com/chatbot-market-13594776>.

# Methodology

This survey was carried out by an external market research organization that gathered responses from 1000 participants living in the United States between the ages of 18 and 65. In addition to demographic information, the survey included various questions on consumer chatbot preferences through a combination of multiple choice, Likert Scale, and ranked responses. For a comprehensive look into consumer-chatbot preferences, questions included the following subject areas:

## **TYPE AND FREQUENCY OF USAGE**

Respondents were asked about whether they prefer to interact with a chatbot or a human in a number of situations that span across industries where chatbots are most often used. Industry verticals included retail/eCommerce, HR, medical/health support, insurance, tech support, and travel. We also asked users about their frequency of interaction with chatbots, and whether the pandemic changed how frequently they interact with chatbots.

## **CONVERSATIONAL INTERFACE PREFERENCE**

Respondents were also surveyed on which interfaces they preferred when interacting with chatbots. They were asked to choose between desktop and/or laptop, phone, or mobile app. Respondents were also given the chance to clarify whether they preferred to interact through voice (speaking directly with a chatbot), or text (a typed conversation with a chatbot).

## **LIKES AND DISLIKES**

Respondents were given a list of the most common reasons people like and dislike both voice and text-based chatbots. A free-response option was made available for those who did not identify with the given options.

Based on prior research, the most common reasons that users have liked chatbots included "24/7 service," "convenience," "instant responses," "the ability to multitask," and "not having to interact with a human."

The most common reasons users disliked chatbots were "my issues are not resolved," "having to repeat myself," "the chatbot lacked context for the situation," and being "misunderstood."

## **RELATABILITY**

We surveyed users on the perceived relatability of chatbots, including questions around whether users were more comfortable if the chatbot they were interacting with had an avatar, a name, or if users felt the chatbot was personable during the interaction.

## **OVERALL SENTIMENT AND COMFORT**

Finally, to get a complete picture of user sentiment toward chatbots, respondents were asked: how useful they found chatbots; the primary emotion felt when interacting with chatbots; and what they wished to see from chatbots in the future. We also asked what types of information users would be comfortable providing to chatbots, ranging from their names and email addresses to their social security numbers and account passwords.

# Discussion

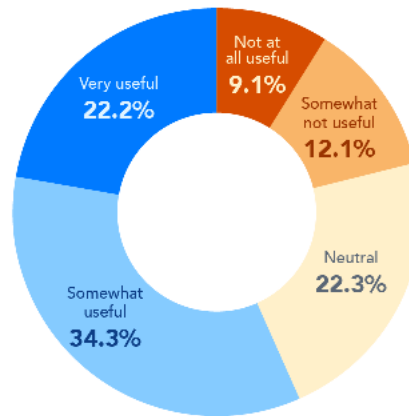
At Verint, we pride ourselves in knowing what your customers need, their specific pain points, and areas of opportunity to improve customer experience. The survey results include a wealth of information about consumer experiences with chatbots and intelligent virtual assistants (IVA). From interface preferences to frequency of usage, these insights can assist business leaders when choosing to implement or improve an IVA.

## APPRECIATION COMES WITH USE

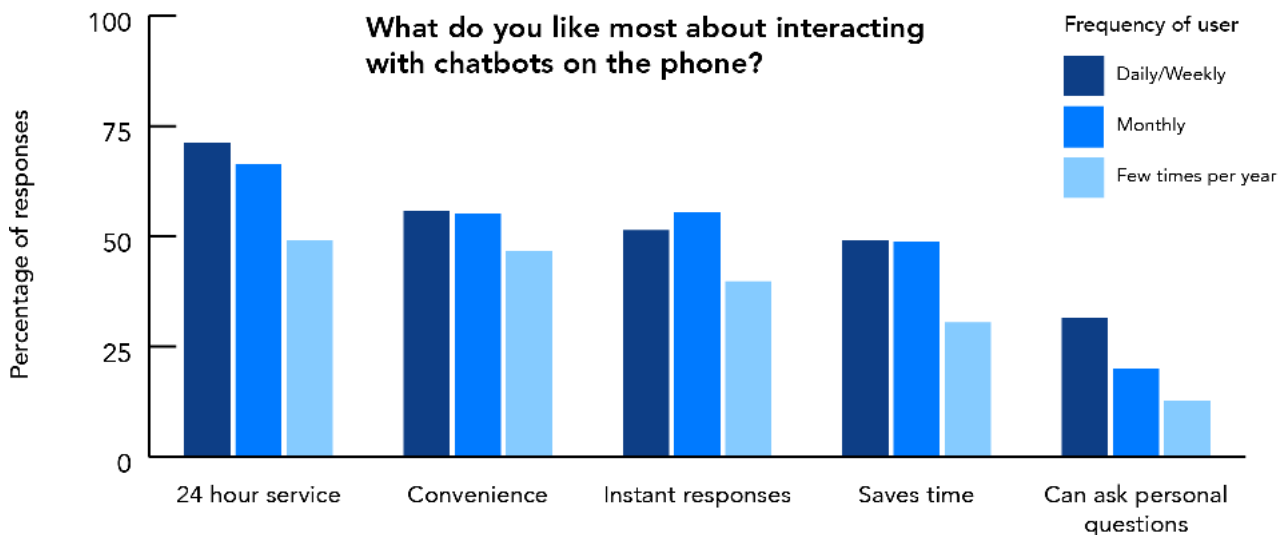
Most consumers appear to appreciate chatbots in some capacity, with 56.5% of respondents finding chatbots “very” or “somewhat” useful. Conversely, just one-fifth of users found chatbots “somewhat not useful” or “not at all useful.”

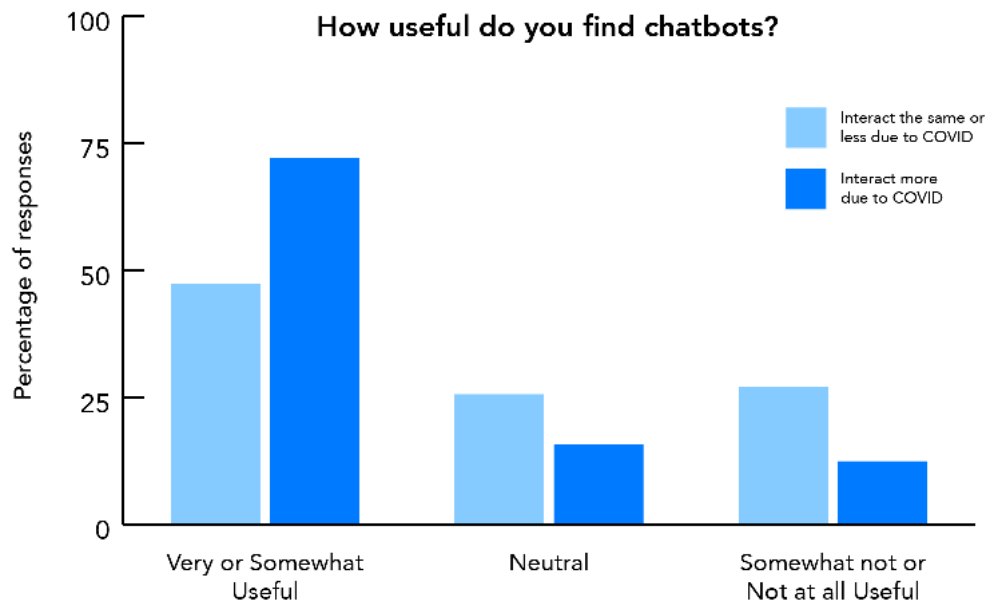
Across use cases, a significant relationship emerged between respondents’ frequency of interaction with chatbots and their perception of how useful they are.

Those who used chatbots frequently were significantly more likely to acknowledge what they liked about interacting with chatbots – sometimes at rates of nearly 20%. The opposite was true as well. Those who didn’t find chatbots useful were significantly more likely to select the traits they disliked about interacting with chatbots.



How useful do you find chatbots?





Of course, correlation doesn't necessarily equal causation. It isn't guaranteed that consumers only like chatbots more solely because they use them more. However, users who reported interacting with chatbots more frequently due to the pandemic were significantly more likely to find them useful, with 50.6% of respondents finding them useful, and 23.1% finding them not useful.

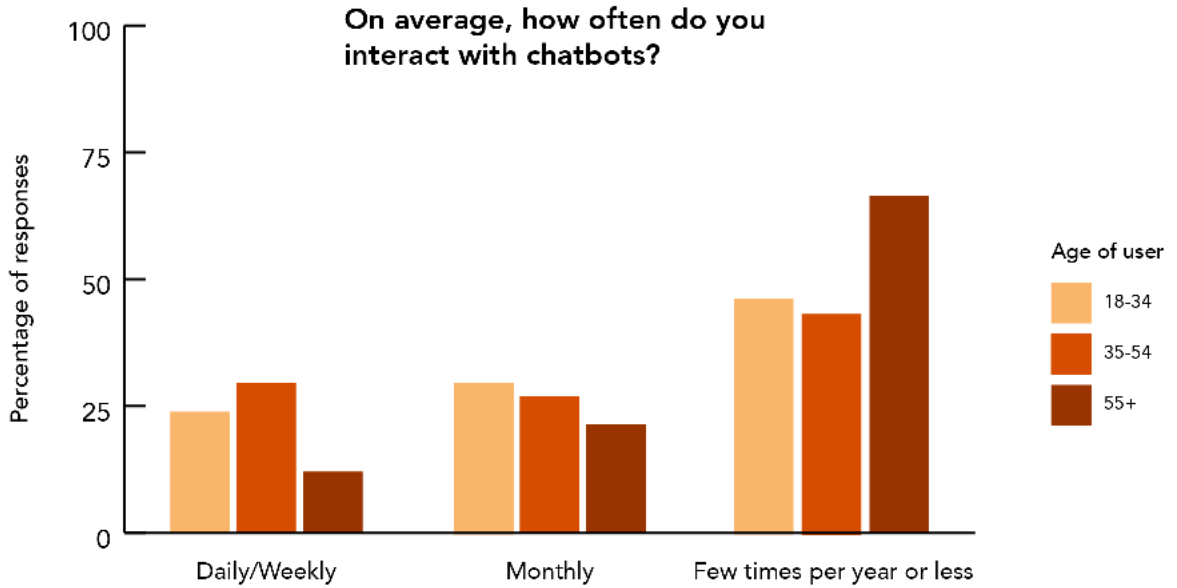
### KEY TAKEAWAYS

We know from experience that many AI implementations are abandoned early on, in part due to poor planning, but also because of poor initial consumer reception. Across use cases, less than 10% of consumers reported they could "never" find success when interacting with a chatbot, so many cases of dissatisfaction are likely the result of underperforming and/or outdated chatbots. It's critical for business leaders to understand that adopting sophisticated intelligent virtual assistants powered by next-generation conversational AI is a necessity. Customers have come to expect empathetic, personalized conversations with virtual assistants. Falling short of that will lead to poor rates of customer willingness to engage in automated channels.

**In essence, if customers aren't initially fans of chatbot implementation, they may be in the future with continuous improvement and expansion of the IVAs knowledge and capabilities.**

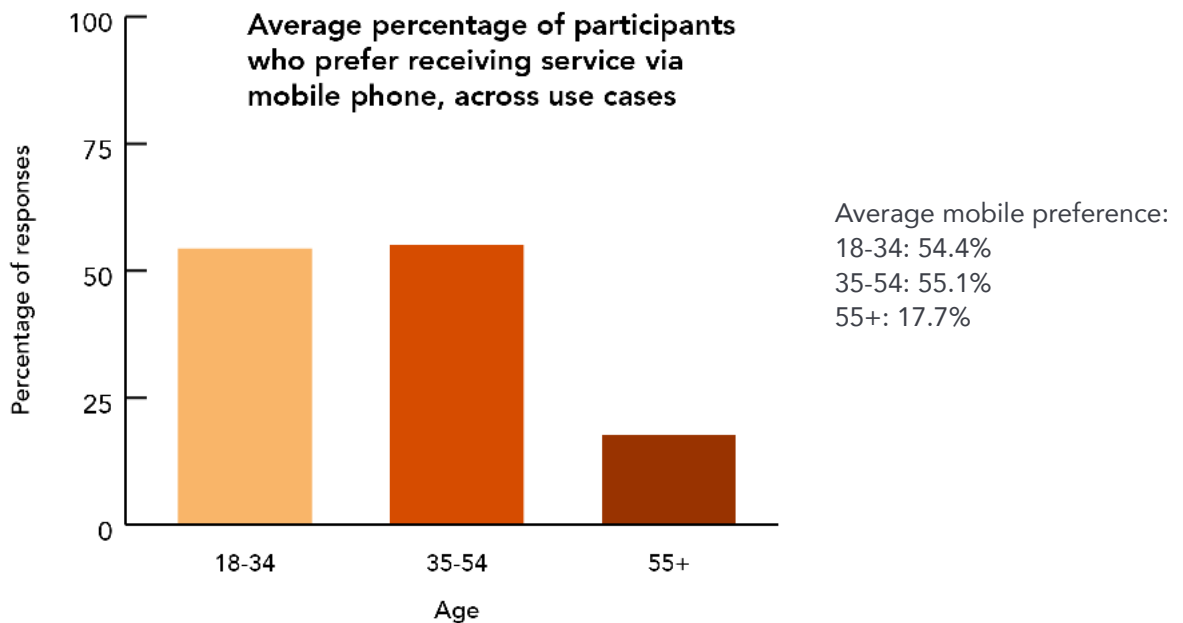
## EMBRACE AI NATIVES; BRIDGE THE GENERATION GAP

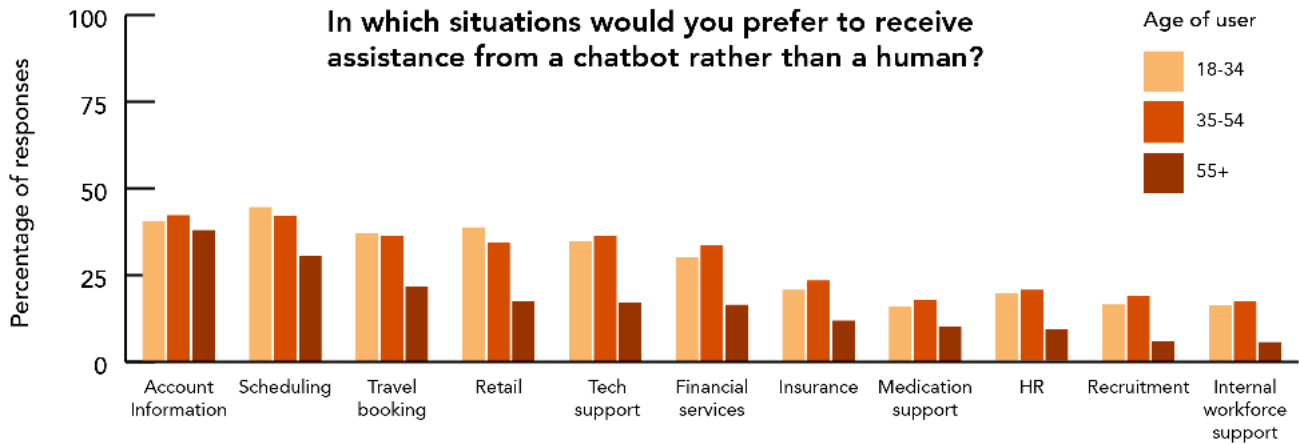
AI Natives include Millennials, members of Gen Z, and those of Generation Alpha when they come of age. AI Natives have spent a significant amount of time interacting with AI. Chatbot technology is neither new nor unsettling to them. They have a built-in trust in automation, especially when it comes to self-service, and they see chatbots as a tool, not a novelty. They regularly use voice assistants such as Alexa, Siri, and Google Assistant.



Over 50% of respondents aged 18-34 reported interacting with chatbots on at least a monthly basis, as opposed to 33% of respondents over 55.

In addition, AI Natives were far more comfortable interacting with chatbots on mobile app platforms across use cases than those over 55.





## KEY TAKEAWAYS

It's critical to bridge the generational gap between those we consider AI Natives and users from prior generations. We do so by meeting customers in the middle. The results show that older users may not be comfortable with interacting with chatbots on platforms such as mobile apps, and prefer using voice technology at higher rates than their younger counterparts.

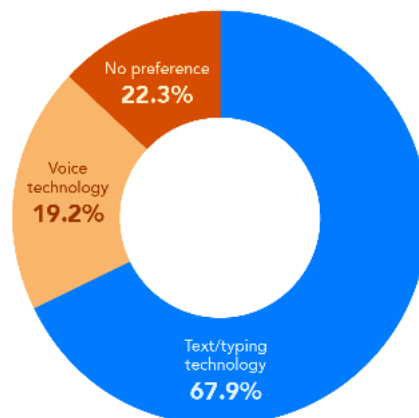
**Superior IVAs need to service customers across channels, including voice and text, and at equal rates of quality.**



## THERE'S AN UNTAPPED OPPORTUNITY IN VOICE

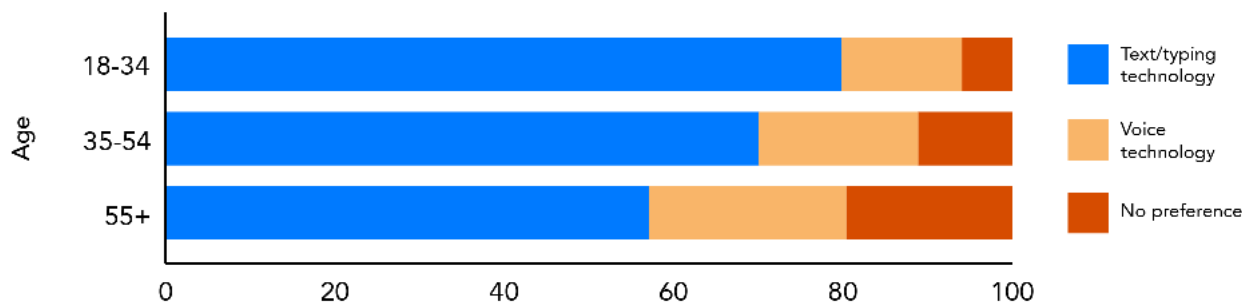
In general, previous reports have found that consumers prefer interacting with chatbots using text-based technology. Our data further supported that hypothesis as well--nearly 70% of respondents preferred using text-based technology, and around 19% of respondents preferred voice.

23% of respondents 55 and older prefer to interact with conversational AI through voice channels, which is at a higher rate than AI Natives, at 14.2%.



**How do you prefer to interact with chatbots?**

**Interaction preference by age group**



### KEY TAKEAWAYS

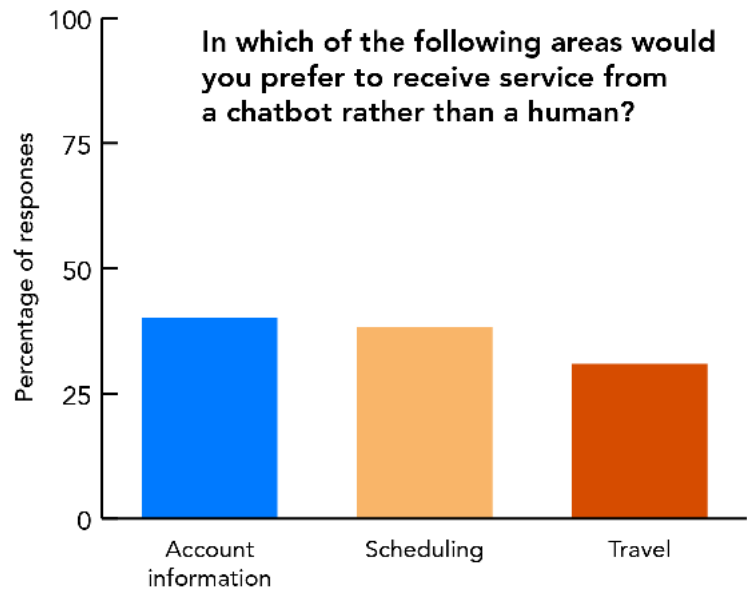
Based on the data, there's untapped opportunity in consumer-facing voice technology. Choosing to invest in an IVA with advanced natural language understanding capabilities can lead to better accessibility for consumers. For example, one of the most common factors users disliked when interacting with chatbots via voice technology was that they had to repeat themselves--at nearly double the rate compared to via text-based technology.

In addition, voice technology is an important platform to bridge the generational gap. Respondents aged 55+ preferred using voice technology at higher rates than AI Natives. However, AI Natives are clearly comfortable with voice technology, given their usage of virtual assistants like Alexa and Siri. Consumers need to interact with chatbots that they feel understand their queries, especially when interacting through voice. Misunderstandings are not only more noticeable, they're also more grating. However, a positive voice experience feels almost seamless.

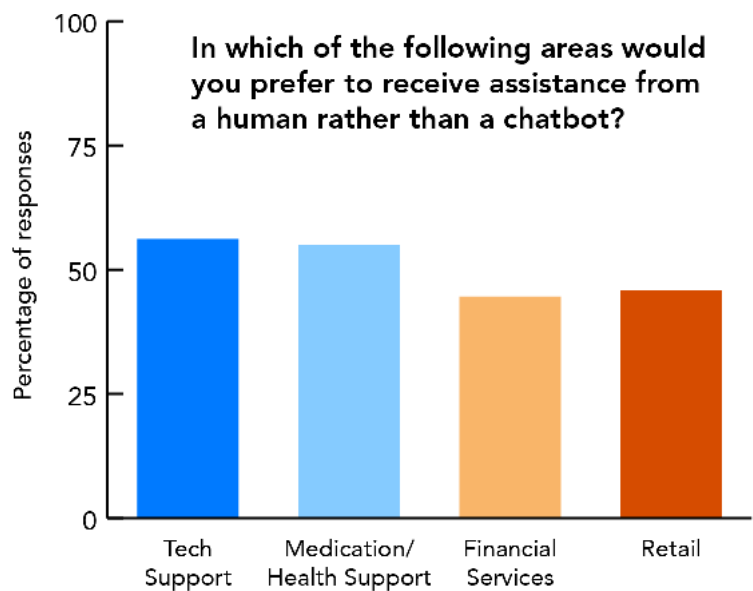
**Natural language processing, natural language understanding, and most importantly, contextual understanding are the key to making voice-based interactions feel organic.**

## THERE'S OPPORTUNITY IN MULTIPLE INDUSTRY VERTICALS

People are very comfortable using conversational AI for account information (40%), scheduling for appointments or services (38.3%), and travel booking (30.9%).



However, there are still critical areas in which customers prefer to receive service from a human, like healthcare (55%), tech support (56.2%), retail (45.8%), and financial services (44.6%).



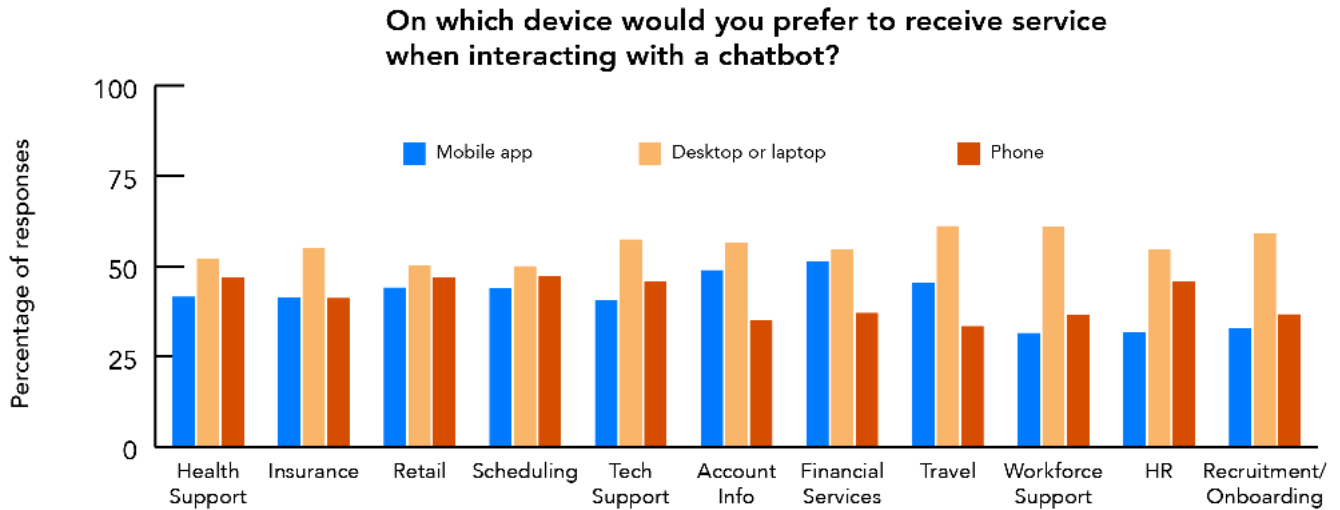
### KEY TAKEAWAYS

Move quickly if your business hasn't invested in chatbots for the most popular use-cases among consumers. Not only is there already a solid foundation of trust in these areas, they often don't require human intervention or involve sensitive information.

Chatbots and IVAs are increasingly effective in key areas that require 24/7 assistance and quick responses like healthcare, especially when it comes to increasing patient adherence. Medication management is an important use case that can save money, time, and most importantly, improve patient lives.

**In use-cases where consumers prefer human assistance the most, it's important for business leaders to find creative yet cost-effective solutions to keep humans in the loop. Put digital first at the forefront of your decision making.**

## IN SOME INDUSTRIES, INVESTING IN CERTAIN INTERFACES IS CRUCIAL



### KEY TAKEAWAYS

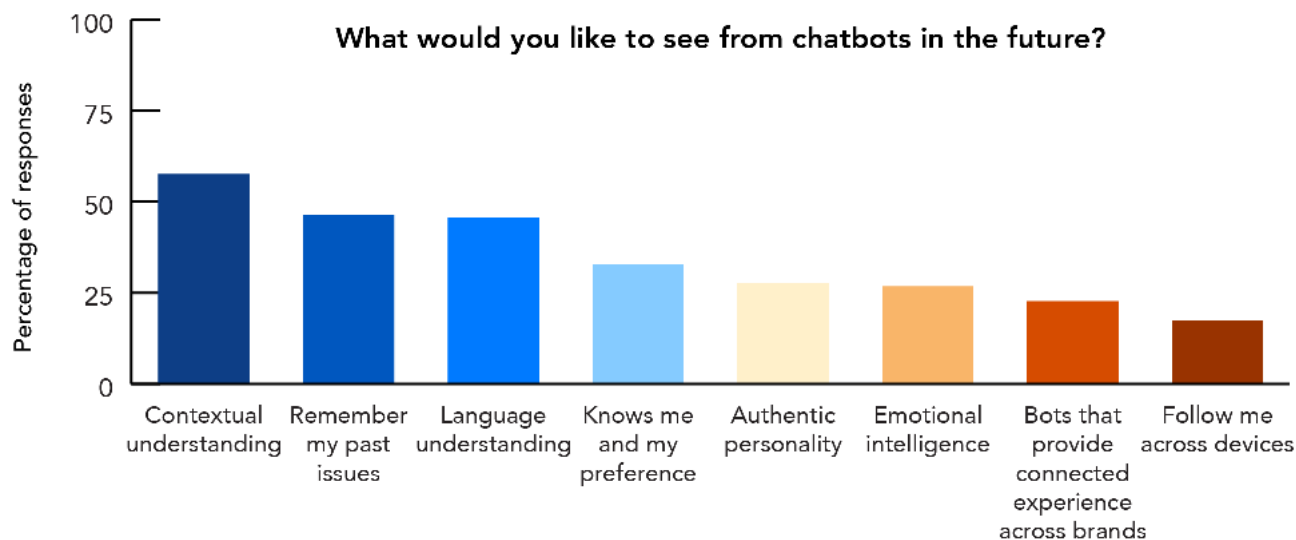
Consumers generally have similar preferences for which conversational interfaces they prefer across industries, with a primary preference towards interacting with chatbots via desktop or laptop.

However, there are certain areas where there's a stark difference in interface preference. For financial services, consumers prefer to interact with chatbots via mobile apps at a rate of 51.3%, more than any other industry. They also prefer to interact with chatbots via phone channel the least in financial services and travel.

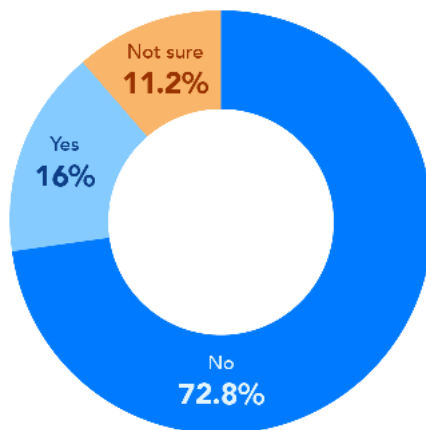
These differences may be due to a variety of reasons--those industries tend to offer more digital support with more built-out mobile apps. They're also often associated with poor phone experience.

**Either way, it continues to prove that business leaders need to focus on delivering a superior customer experience across channels, especially as consumer preferences continue to shift.**

## FOCUS ON WHAT YOUR CUSTOMERS ACTUALLY WANT, NOT WHAT THE INDUSTRY SAYS THEY WANT



By far the most common component of chatbots that consumers wanted to see in the future was contextual understanding (57.6) and language understanding (45.6%), along with remembering past issues (46.4%). The least common choice that consumers reported wanting to see from chatbots in the future was to have them follow across devices (17.5%).



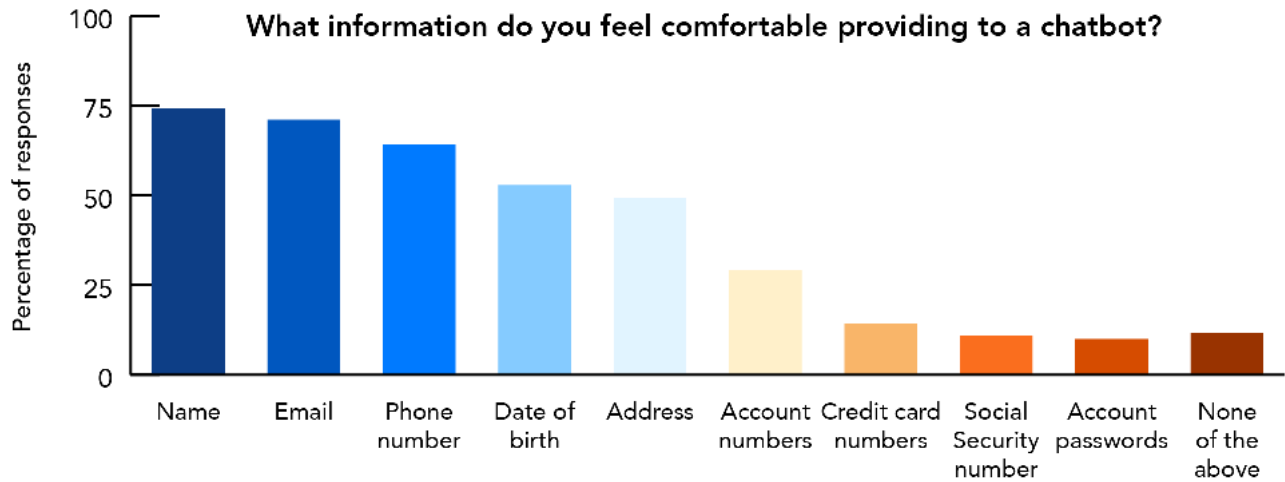
### Have you ever confused a chatbot with a human?

#### KEY TAKEAWAYS

It's more important for your customers to feel truly understood than to focus on industry buzzwords and what's considered "cutting edge." Before emphasizing omni-channel or before passing the Turing Test and replacing humans, your IVA technology needs to flawlessly execute the fundamentals.

**Ultimately, chatbots are meant to augment and understand user issues and support your customer service agents. That means to focus on NLP, NLU, and industry intents to ensure customer problems are properly addressed and escalated to customer agents if the need arises.**

## PLAN FOR PRIVACY CONCERNS



Overall, consumers are comfortable with sharing innocuous personal information such as their names, email, phone number, and date of birth. Respondents reported “yes” to those pieces of information at rates above 50%. However, sensitive information such as account numbers, credit card information, and SSN had response rates of below 20%. What business leaders must prepare themselves for is how to effectively handle consumer discomfort giving sensitive information.

### KEY TAKEAWAYS

IVAs must elegantly adapt to individual levels of privacy preferences. If there’s discomfort from the consumer, a chatbot should effectively escalate the situation to an agent, with details to support the agent seamlessly picking up the conversation. In addition, business owners need to invest in AI that does a superior job at contextualizing information. State clearly why the chatbot needs certain sensitive information and how it will be used, giving the option to escalate to an agent if needed.

**Trust is developed and maintained at the level of your brand. While we can’t always anticipate what consumers will and will not be comfortable disclosing, we can handle sensitive situations in a way to further solidify trust and brand loyalty.**

# Conclusion

The top-level findings of this report reinforce the investment that enterprises are putting into conversational AI, chatbots, and IVAs, to deliver world-class customer experiences. Notably, the quick-developing trends and consumer preferences relative to conversational interfaces also highlights the need for a digital-first engagement strategy, enabling businesses to adapt quickly to customer preferences and world events that disrupt business operations.

In a series of spotlight reports, we'll dig deeper into each of the top-level findings to reveal further insights on consumer preferences, and provide practical advice for businesses to capture each opportunity to better engage customers.

Please visit [www.verint.com/engagement/your-role/digital-first-engagement](http://www.verint.com/engagement/your-role/digital-first-engagement) to learn more about digital first engagement, the engagement capacity gap, and other key insights from Verint, and our work on the frontlines of customer engagement.

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# APPENDIX

## BACKGROUND RESEARCH

### *What Do Customers Need?*

As of 2021, conversational AI technologies – from smart speakers to enterprise IVAs – are widespread enough that most people have interacted with a chatbot in some form.

There are certain traits pertaining to chatbots that previous research affirms consumers love. One of the most important elements is convenience. According to one report, 64% of internet users surveyed stated that 24-hour service is the best chatbot feature. Another report confirmed this desire for convenience, finding that the top three benefits of chatbots that consumers reported were 24-hour service, instant responses, and answers to simple questions.<sup>1</sup> This is hardly unexpected– when used effectively, chatbots streamline the support process to ensure consumers receive help quickly and efficiently.

However, there is much less trust in chatbots and their capabilities when customers need assistance with more complex issues. When registering a complaint, one research organization recorded that only 12% of respondents wished to speak to a chatbot.<sup>2</sup> A large portion of this is due to the fact that many chatbots lack the capability to understand sophisticated issues. In one survey, only a third of respondents stated that chatbots effectively resolve their queries.<sup>3</sup>

### *Do Users Relate to Chatbots?*

Users can relate to virtual assistants far more than they think. Researchers have documented that customers use relational language with chatbots, despite the knowledge that there is no human on the other end<sup>4</sup>. In fact, some are more likely to disclose information to virtual assistants due to perceived freedom of judgement from the other party.<sup>5</sup>

Robot anthropomorphism refers to the human tendency to project human emotions and features onto robots and AI. As artificial intelligence has gotten more sophisticated, its prevalence has only increased. In general, it seems that humans appreciate anthropomorphic traits in chatbots.

We're more likely to want to speak to them,<sup>6</sup> and even tolerate mistakes and lack of knowledge from chatbots at higher rates.<sup>7</sup> These trends generate a kind of feedback loop-- the more we see human-like features, the more they are normalized. We give virtual assistants names, sometimes avatars, and may even program them to give jokes and respond to questions with a less formal tone.

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<sup>1</sup> Erik Devaney, "The State of Chatbots Report: How Chatbots Are Reshaping Online Experiences," last modified January 23, 2018, <https://www.drift.com/blog/Chatbots-report/#4>.

<sup>2</sup> "Are Chatbots Ready for Prime Time?" Call Centre Management Association, December 2020, <https://www.ccma.org.uk/are-chatbots-ready/>.

<sup>3</sup> Saumya Tewari, "Report: Consumers face challenges using chatbots to resolve queries," last modified June 24, 2021, <https://www.thestar.com.my/tech/tech-news/2021/06/24/report-consumers-face-challenges-using-chatbots-to-resolve-queries>

<sup>4</sup> Ian Beaver et al. "An Annotated Corpus of Relational Strategies in Customer Service," last modified August 17, 2017, <https://arxiv.org/abs/1708.05449>.

<sup>5</sup> Lucas et al. "It's only a computer: Virtual humans increase willingness to disclose," *Computers in Human Behavior* 37, (2014): 94-100, <https://doi.org/10.1016/j.chb.2014.04.043>.

<sup>6</sup> Blut et al. "Understanding anthropomorphism in service provision: a meta-analysis of physical robots, chatbots, and other AI," *Journal of the Academy of Marketing Science* 49, (2021): 632-658, <https://doi.org/10.1007/s11747-020-00762-y>

<sup>7</sup> Mozafari et al. "Trust me, I'm a bot – repercussions of chatbot disclosure in different service frontline settings," *Journal of Service Management*, (2021): <https://doi.org/10.1108/JOSM-10-2020-0380>.