Win with Conversations

Transforming consumer engagement in India with generative AI-powered conversational commerce
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Research Methodology

*Win with Conversations* is a research report jointly developed by Bain & Company and Meta. The research leverages Bain analysis, primary and secondary research, market participant interviews, and industry sources.

The “Bain & Meta Conversational Commerce Survey” is a Bain & Company and Meta commissioned survey of 7,800 users and 150 businesses from India. The survey was conducted in October 2023 and more than 25 senior executives from large and mid-market enterprises across CPR, BFSI, auto, and travel were a part of the study.

This survey is referenced as “Bain & Meta Conversational Commerce Survey” in this report, wherever applicable.
Building personalized relationships at scale

India is seeing rapid growth in digitization, with more than 650 million Indians now active on social media (e.g., Facebook, Instagram, and YouTube) and messaging platforms (e.g., WhatsApp). Despite this massive engagement, only 30% of users (approximately 200 million) shop online. A similar story unfolds among small merchants, with only 15% (approximately 5 million) of the 30 million formalized small businesses (registered on the Udyam portal) selling online. With most future online shoppers and sellers already present within the digital funnel, India presents a significant untapped opportunity.

Most existing and upcoming apps across products and services are targeted toward the 200 million savvy digital users. However, app adoption is relatively limited beyond the top categories (social media and messaging, entertainment, Unified Payments Interface [UPI], and horizontal marketplaces). Even in high-frequency categories (e.g., grocery, banking, and mobility), maximum monthly active users top out at 35 million. There are early indications of app fatigue, with 65% of savvy digital users finding app downloads frustrating and 40% abandoning a purchase if pushed to install apps. The next 450 million non-savvy digital users are still not ready to adopt apps, driven by a preference for assisted shopping, limited phone storage, and difficulty navigating apps. Consequently, the app-led model will likely plateau beyond the top 50 million to 100 million customers for most business-specific apps, necessitating businesses to proactively seek new avenues for customer acquisition and sustained engagement.

Implementing chat-based assisted journeys, known as conversational journeys, on platforms with high user engagement (e.g., social media and messaging) can be key for businesses to engage and facilitate online transactions. This is already in motion—most consumers are informally engaging with both small and large businesses (e.g., messaging carpenters, doctors, bank representatives, and direct-to-consumer brands) on social media and messaging platforms. Going forward, more than 50% of the surveyed users cited that they would strongly prefer to transact via conversational journeys across industry verticals, especially for high frequency use cases (e.g., accessing bank statements, obtaining travel details, paying utility bills, and booking liquefied petroleum gas cylinders).

However, scaling these humanlike conversational journeys has been challenging for both large and small enterprises. While larger enterprises have automated simple use cases through artificial intelligence (AI) chatbots (e.g., raising service requests and order tracking), handling complex or urgent interactions still requires human involvement. Consequently, crafting and scaling end-to-end journeys cost effectively across all key use cases remains a challenge for large enterprises. Conversely, small businesses, constrained by resources and expertise, are cautious about investing in automation until they achieve scale, relying on manual approaches. Thus, a democratized, affordable, and intelligent AI solution is imperative for the seamless implementation of end-to-end journeys.

With the advent of generative AI-powered assistants and ease of integration with conversational platforms, these conversational journeys can now be implemented at scale with much faster deployment cycles. This is driven by the capabilities of generative AI assistants, enabling contextualized, humanlike conversations with reasoning ability, multimodal support, and vernacular language proficiency. The investments by leading tech players to democratize access to generative AI platforms and cultivate an ecosystem of offerings will further fuel this new era of consumer engagement.
The conversational future

Today, businesses in India are engaging with customers across a plethora of channels, ranging from SMS and email to contact centers, websites, and apps, with most of the spending going to traditional channels (SMS, email, and interactive voice response [IVR]). However, businesses are increasingly questioning the effectiveness and return on investment (ROI) of traditional channels due to rising spam and low engagement rates. Hence, businesses are actively experimenting with conversational platforms across various touchpoints in the customer journey.

Large enterprises see many benefits from using conversational platforms, such as high engagement rates and personalized interactions at scale. As a result, more than 60% of enterprises are planning to increase spending on conversational platforms over the next three to four years, focusing on building end-to-end journeys. Generative AI emerges as a top-of-mind priority for businesses, with approximately 95% of surveyed enterprises in India demonstrating familiarity and more than 80% planning to invest in generative AI-based solutions within the next one to two years.

Small and medium businesses (SMBs), in particular, face a series of pain points across the customer journey, including heavy reliance on offline marketing channels. This leads to limited reach for customer acquisition and challenges in establishing digital storefronts and managing payments. Conversational platforms can be a powerful solution, addressing key challenges related to discoverability, commerce, payments, and communication. Early signs of success are already evident, with 15 million SMBs using WhatsApp for Business to create digital presence and drive traffic through click-to-chat ads.

With the rising adoption of conversational platforms across large and small enterprises and the transformative power of generative AI, businesses will focus on driving purchases and transactions (e.g., ride-hailing, loan disbursals, and grocery purchases) through conversational journeys known as conversational commerce. Large online platforms will spearhead the adoption of conversation journeys by developing proprietary chatbots and building AI-assisted journeys on conversational platforms. However, offline players (organized and unorganized SMBs) will drive a significant portion of conversational commerce, as existing conversational platforms will empower these businesses to leapfrog to digital commerce, potentially bypassing the traditional marketplace seller route. Given that service journeys (e.g., utility bill payments, travel, and ridesharing are inherently less complex than product transactions (e.g., grocery purchases and online shopping), service commerce will accelerate user adoption and drive transaction volume on conversational platforms. Conversational commerce will thrive in domains characterized by frequent transactions (e.g., utility bill payments) or purchases (e.g., grocery).
The winning playbook

To stake a claim in this opportunity, businesses must follow six key imperatives to craft a winning playbook:

1. Conversations vs. communication: Reimagine end-to-end customer journeys, interweaving a seamless thread of conversation across every touchpoint

2. Personalization at scale: Harness the power of generative AI to deliver highly personalized experiences across each customer interaction

3. New markers of trust: Establish credibility through digital markers of trust, signaled through hyper-personalization, to persuade customers to engage and make purchases through a chat-based interface

4. Generative AI at core: Embed generative AI in the organization’s DNA to create a competitive advantage and stay ahead of the curve

5. Scale experimentation as a competitive moat: Start experimenting across diverse journeys and adopt an agile “test and learn” mindset to identify and scale the most fitting use cases within a specific context

6. Return on conversations: Define a new and clear measurement framework based on business objectives to gauge returns on end-to-end conversational journeys

The vanguard of generative AI adoption will secure a lasting competitive advantage over time, with their scale of hyper-personalization and strength built by running agile generative AI experiments. Businesses that can implement and scale end-to-end hyper-personalized conversational journeys will take the prize. The time is now.
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**Figure 1:** We surveyed 7,800 end users (consumers) and 150 enterprises and interviewed more than 25 senior executives across verticals from India as part of the study

### Voice of user (n=7,800)

<table>
<thead>
<tr>
<th>Survey focus</th>
<th>Voice of user (n=7,800)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male: 50% Female: 50%</td>
</tr>
<tr>
<td>Age groups</td>
<td>18–30 years old: 55% 30+ years old: 45%</td>
</tr>
<tr>
<td>Income²</td>
<td>SEC A: 50% SEC B/C: 50%</td>
</tr>
<tr>
<td>City tier³</td>
<td>Metro/Tier 1: 40% Tier 2 and beyond: 60%</td>
</tr>
<tr>
<td>Primary language</td>
<td>English: 55% Hindi: 25% Regional: 20%</td>
</tr>
<tr>
<td>Survey focus</td>
<td>7,800 UPI¹ users</td>
</tr>
<tr>
<td>Shopped online in last 6 months</td>
<td>80%</td>
</tr>
<tr>
<td>Don’t shop online</td>
<td>20%</td>
</tr>
</tbody>
</table>

### Voice of business (n=175)

<table>
<thead>
<tr>
<th>Survey focus</th>
<th>Voice of business (n=175)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of enterprise</td>
<td>Large: 70% (revenue: &gt; INR 800 crore) Mid-market: 30% (revenue INR 80–800 crore)</td>
</tr>
<tr>
<td>Vertical</td>
<td>50% CPR⁴ 50% BFSI⁵</td>
</tr>
<tr>
<td>Enterprises that used conversational messaging platforms in the last 6 months to engage with customers</td>
<td>150</td>
</tr>
<tr>
<td>Qualitative discussions</td>
<td>Interviews with senior executives from large and mid-market enterprises across CPR, BFSI, Auto, and Travel</td>
</tr>
</tbody>
</table>

Notes: 1) UPI = Unified Payments Interface; 2) SEC classification based on income and education of chief wage earner of household. SEC A = Mostly people with college diplomas and working as business person or officer; SEC B = Mostly people with at least four years of schooling and running a business or in service; SEC C = Mostly people with schooling up to four years and working as skilled worker, petty trader, or small businessman; 3) Metro/Tier 1 = cities with avg. population > 1 Lakh; Tier 2 and beyond = cities with avg. population < 1 Lakh; 4) CPR = consumer products and retail, including fashion and lifestyle, electronics, e-commerce, food and beverage, grocery, jewelry, D2C brands, travel, leisure; 5) BFSI = banking, financial services, and insurance

Sources: Bain & Meta Conversational Commerce Survey; Bain analysis
Building personalized relationships at scale

As in the past with Internet and app proliferation, the current generative AI-driven disruptions in the tech landscape are likely to spark pivotal changes in the consumer engagement model. More than 650 million Indians are already on social media and messaging platforms, many engaging informally with businesses across these channels. They have also shown a high preference to shift to conversation-centric journeys for day-to-day use cases. With generative AI-empowered tools potentially changing user interactions to be more multimodal, vernacular, and intuitive (i.e., humanlike), the consumer engagement model will evolve rapidly to more conversation-centric user journeys designed by businesses.

Figure 2: India is at an inflection point—most of the future online shoppers and sellers are already within the digital funnel, signaling a large, untapped opportunity

<table>
<thead>
<tr>
<th>650M+ Indians are engaged on messaging and social media, but only ~200M shopped online</th>
<th>65M+ small businesses in India, but only ~5M sell online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Messaging and social media users¹</td>
<td>Small businesses (SMBs)</td>
</tr>
<tr>
<td>650M+</td>
<td>65M+</td>
</tr>
<tr>
<td>UPI² transactors</td>
<td>Formalized SMBs³</td>
</tr>
<tr>
<td>~350M</td>
<td>~30M</td>
</tr>
<tr>
<td>Online shoppers</td>
<td>Online SMB sellers⁴</td>
</tr>
<tr>
<td>~200M</td>
<td>~5M</td>
</tr>
</tbody>
</table>

Notes: 1) Messaging and social media includes platforms such as WhatsApp, Instagram, Facebook, YouTube, etc.; 2) UPI = Unified Payments Interface; 3) Formalized SMBs are defined as those which are registered on the Udyam portal; 4) SMBs selling online across e-commerce and services
Sources: MSME Annual report; Udyam registration portal; GST portal; Bain analysis
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Figure 3: While most of the apps across products and services are targeted toward approximately 200 million savvy digital users, there is limited success in app adoption, with usage restricted to a few categories

Monthly Active Users (MAU¹) across Apps – Sep’23

<table>
<thead>
<tr>
<th>Messaging and social media</th>
<th>Entertainment</th>
<th>UPI</th>
<th>Horizontal marketplaces¹</th>
<th>Gaming</th>
<th>Food and beverage</th>
<th>Banking</th>
<th>Travel and mobility</th>
<th>Vertical marketplaces</th>
<th>D2C brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Messaging and social media ³ 350–650M</td>
<td>Entertainment¹ ~150M</td>
<td>UPI¹ 100–200M</td>
<td>Horizontal marketplace¹ 100–150M</td>
<td>Gaming¹ 50–80M</td>
<td>Food and beverage 25–35M</td>
<td>Banking¹ 15–30M</td>
<td>Mobility¹ 20–25M</td>
<td>Travel¹ 10–15M</td>
<td>Beauty and personal care¹ 5–10M</td>
</tr>
<tr>
<td>Large, engaged customer base but free app usage</td>
<td>Large customer base but low transaction frequency / total share of spend</td>
<td>High transaction frequency but low customer base; driving app adoption increasingly harder</td>
<td>Small but high frequency users base (loyalty-driven)</td>
<td></td>
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</tr>
</tbody>
</table>

Unlock monetization potential Identify new customer acquisition channels or increase spend per customer Explore alternate customer acquisition engines to expand top of the conversion funnel

Notes: Savvy digital user is a user who has shopped/ordered food online and conducted a UPI transaction in the last 6M; (1) MAU numbers are for Android users only (90% of total smartphone base in India); 2) Includes WhatsApp, Instagram, Facebook, Google; 3) Includes YouTube, Disney+ Hotstar, JioCinema, ShareChat; 4) UPI = Unified Payments Interface; Includes Paytm, GooglePay, PhonePe; 5) Includes Flipkart, Meesho, Amazon; 6) Includes Ludo King, Free Fire; 7) Includes Zomato, Swiggy; 8) Includes Zebpay, BigBasket, Blinkit; 9) Includes HDFC Bank, YONO SBI; 10) Includes Ola, Uber; 11) Includes IRCTC, Makemytrip; 12) Includes Nykaa, Purplle; 13) Includes Country Delight, The Souled Store, boAt; 14) Includes Tata 1mg, PharmEasy

Sources: Similarweb; SensorTower; Bain analysis

Figure 4: Early signs of app saturation evident in the savvy digital user base—users across geographic tiers likely to abandon purchases if pushed to install

Digital funnel

<table>
<thead>
<tr>
<th>Messaging and social media users 650M+</th>
<th>App saturation is leading to growing frustration among users</th>
<th>New app download is a major drop-off point in purchase journey</th>
<th>Users have shown high preference to adopt frictionless (conversational) journeys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savvy digital users ~200M</td>
<td>65%</td>
<td>40%</td>
<td>3 in 5</td>
</tr>
<tr>
<td>Non-savvy digital users ~450M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shop online via e-commerce platforms/brand apps/websites</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Users surveyed find it frustrating if businesses require them to download an app to avail product/service</td>
<td>Users will abandon the purchase or look for alternatives if asked to download an app: ~45% in SEC A vs. ~30% for SEC B</td>
<td>Users would prefer to shift to conversational platforms for some or all their needs</td>
<td></td>
</tr>
</tbody>
</table>

Businesses will need to craft low-friction (intuitive, seamless) journeys to engage savvy digital base

Note: 1) UPI = Unified Payments Interface

Sources: Bain & Meta Conversational Commerce Survey; Bain analysis
Figure 5: The next approximately 450 million non-savvy digital users actively consume content online. However, barriers to transacting/engaging with businesses through apps exist

**Digital funnel**

- Savvy digital users (~200M)
  - Shop online via e-commerce platforms/brand apps/websites
- Non-savvy digital users (~450M)
  - Primarily use messaging, social media, and entertainment apps. Some (~150M) use UPI apps

**NSDU¹ actively use online platforms for discovery**

85%+ NSDU surveyed leverage online channels² to discover new brands
~50% NSDU haven't used any app³ beyond social media/entertainment in the last 6M

**Multiple barriers exist hindering app adoption**

- Need for assisted shopping: 60%
- Limited phone storage: 54%
- Difficulty in navigation: 40%

- NSDU like to interact with sales staff for recommendations
- NSDU have phones that support limited apps
- Users feel that the features/interface of website/app is very complex

Unlocking the non-savvy segment demands a tailored approach—businesses will need to embrace user-friendly channels with guided shopping features

Notes: 1) NSDU = non-savvy digital users; 2) Online channels include Google, YouTube, WhatsApp, Instagram, Facebook; 3) Approximately 50% of NSDU haven’t used apps across any other key need (e.g., fashion and electronics, food and grocery, travel, health) beyond social media/entertainment in the last 6 months; 4) UPI = Unified Payments Interface

Sources: Bain & Meta Conversational Commerce Survey; Bain analysis

Figure 6: Conversational journeys can be a key unlock—most users are already engaging with both small and large businesses informally on these platforms

<table>
<thead>
<tr>
<th>SDU¹</th>
<th>NSDU²</th>
</tr>
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<tbody>
<tr>
<td>Chat with local service providers (e.g., carpenter, plumber, mechanic)</td>
<td>49%</td>
</tr>
<tr>
<td>Consult with doctor for any queries/follow-ups</td>
<td>46%</td>
</tr>
<tr>
<td>Chat with bank representative</td>
<td>42%</td>
</tr>
<tr>
<td>Reach out to nearby grocery store/fruit and vegetable vendor</td>
<td>36%</td>
</tr>
</tbody>
</table>

Adoption of conversational platforms for informal interaction with businesses is higher in Metro/Tier 1 (vs. Tier 2+) and SEC A (vs. SEC B/C)

Notes: All percentages on the right-hand side indicate the preference of surveyed users to use conversational platforms for key needs today; 1) SDU = savvy digital users; 2) NSDU = non-savvy digital users

Sources: Bain & Meta Conversational Commerce Survey; Meta internal data; Bain analysis
Figure 7: Across both savvy and non-savvy digital users, 50%-60% have shown high preference to move to conversational journeys for day-to-day use cases across verticals.

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</thead>
<tbody>
<tr>
<td>BFSI¹</td>
<td>~65%</td>
<td>~50%</td>
<td></td>
<td></td>
<td>~45%</td>
<td>~35%</td>
</tr>
<tr>
<td>Utility</td>
<td>~50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Health</td>
<td>~45%</td>
<td></td>
<td></td>
<td></td>
<td>~35%</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>~50%</td>
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<tr>
<td>Auto</td>
<td>~60%</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>CPR³</td>
<td>~60%</td>
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</tbody>
</table>

Both SDU and NSDU indicated a similar preference for transitioning to conversation-centric journeys, highlighting the pivotal role of these platforms in initiating engagement across a diverse user base.

Notes: All percentages indicate the preference of users using conversational platforms for key needs; 1) BFSI = banking, financial services, and insurance; 2) FD/RD = fixed deposits/recurring deposits; 3) CPR = consumer products and retail, including fashion and lifestyle, electronics, e-commerce, food and beverage, grocery, jewelry, D2C brands, travel, leisure; Insights for CPR are for SDU only (for the rest of the verticals, preference percentage is for the entire sample) Sources: Bain & Meta Conversational Commerce Survey; Bain analysis

Figure 8: Generative AI has started enabling businesses to build contextualized conversational journeys at scale with accelerated deployment.

- Human-like interactions
- Reasoning capability
- Mimics near-human thinking demonstrated by assessments (passing SAT and bar exams)¹
- Multi-modal data processing
- Comprehends various forms of media (speech, text, images, video) and provides contextual responses
- Vernacularity
- Understands and responds across languages (ChatGPT can understand 50+ languages)

- Democratization of access
- For customers
- Accessible to general masses (ChatGPT achieved 200M+ user base globally in less than 6 months)
- For businesses
- Availability of pre-trained open-source models (such as Llama 2)

- Customization with faster deployment cycles
- Generative AI unlocks near-real-time content creation and workflow automation leading to rapid experimentation and contextual personalization

- Ecosystem creation
- Creation of generative AI ecosystem with generative AI-based plugins, middleware, and new generative AI models (general and domain-specific)

With the advent of generative AI, businesses can effortlessly deliver personalized one-to-one interactions in the user’s preferred language, enabling seamless human-like engagement on platforms where users are already engaging (app, web, social media)

Note: 1) SAT = standardized college admissions test in US; bar exams = legal professional qualifying examinations Sources: Secondary research; Bain analysis
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**Figure 9:** Generative AI-driven interactions can drive highly personalized and seamless end-to-end purchase journeys

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**Discover**

1. Hi Preeti! Your friends recently shopped for ethnic-wear from Sanskruti collections this Diwali. Here are 3 special offers for you from the store! Do you also plan to buy something?

2. Yes, I have been waiting to buy the dress Deepika was wearing in "YJHD"!

3. Great! I found that dress on Sanskruti collections!

**Consider and purchase**

4. I am ordering size S for the dress based on your past purchases. Your order will cost INR 4k. Should I complete the purchase?

5. Yes, I have reviewed the details, please go ahead with the purchase.

6. Hi Preeti, here are 3 options. Do you want to do a virtual try-on?

7. Let's do it! Can I try on matching shoes too?

**Receive and update**

8. You will reach home later than expected, should I reschedule your delivery from 'Sanskruti'?

9. Sure! Can you please arrange for a replacement for my new dress?

10. I will need size M

11. Let's check with my mom if she can manage the parcel.

12. Sure, Should I message this to your mom? नहीं, आपने कैसे किया कि माँ को बांटना है?

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**High degree of trust and comfort**

**Assisted end-to-end journeys**

**Multimedia and vernacular support**

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Note: 1) YJHD = Yeh Jawaani Hai Deewani, a popular Bollywood movie
Source: Bain analysis
Businesses continue to engage consumers via traditional channels, such as SMS, email, and IVR, but they are actively looking for more effective alternatives with higher ROI and engagement. Large and small businesses are actively experimenting with conversational platforms and witnessing tangible benefits. With rising adoption and a high preference for implementing end-to-end conversational user journeys, we expect that these interactions between customers and businesses will redefine commerce.

**Figure 10:** The current customer engagement model is deeply fragmented
Figure 11: Currently, business messaging spends are primarily on traditional channels, with increasingly unclear effectiveness and ROI

Traditional channels have their advantages, but limitations will hamper effectiveness going forward

<table>
<thead>
<tr>
<th>SMS</th>
<th>Email</th>
<th>Contact center</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost-effective with wider reach</strong></td>
<td><strong>Low cost, with ability to integrate with CRM</strong></td>
<td><strong>Real-time interaction with ability to solve complex queries</strong></td>
</tr>
<tr>
<td><strong>Low engagement rates (open rates, CTR) driven by rising spam</strong></td>
<td><strong>Limited personalization, with mostly one-way interaction</strong></td>
<td><strong>Ineffective in addressing rising customer preferences for asynchronous conversations</strong></td>
</tr>
<tr>
<td><strong>Lack of multimedia support, making it less engaging</strong></td>
<td><strong>Communication landing in promotions folders, which users tend to ignore</strong></td>
<td><strong>High cost of contact center with poor CX (variable service quality, inadequate resolution)</strong></td>
</tr>
</tbody>
</table>

"SMS has become obsolete in generating customer engagement. It has very low open rates and majority go unread."

"Most business communication emails end up in user’s promotional section, resulting in a low 1%–2% open rates."

"Customers reject calls from businesses/unknown numbers and prefer to get back whenever they have time."

—CMO, Apparel Co —Digital Head, Insurance Co —AVP, Bank Co

Note: 1) Click-through rate is the percentage of impressions that resulted in a click.
Sources: Market participant interviews; Secondary research; Bain analysis

Figure 12: Hence, enterprises are actively experimenting with conversational platforms across the customer journey

Discover |
---
Consider |
---
Purchase |
---
Care |
---
Re-engage |
---

Sources: Market participant interviews; Secondary research; Bain analysis
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**Figure 13:** Large enterprises prefer to leverage conversational platforms for marketing and promotion-centric use cases, followed by customer service and updates

<table>
<thead>
<tr>
<th>Marketing and promotions</th>
<th>Customer service</th>
<th>Transaction updates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage of enterprises who prefer conversational platforms as go-to channels across following use cases</strong></td>
<td><strong>Percentage of enterprises who prefer conversational platforms as go-to channels across following use cases</strong></td>
<td><strong>Percentage of enterprises who prefer conversational platforms as go-to channels across following use cases</strong></td>
</tr>
<tr>
<td><strong>70% of surveyed enterprises already engaging with 50%+ of their customer base using conversational platforms</strong></td>
<td><strong>95% Share offers, nudge users to complete application, send payment reminders</strong></td>
<td><strong>75% Share order confirmations, invoices, delivery tracking details, return/refund updates</strong></td>
</tr>
<tr>
<td><strong>Banking, financial services, and insurance</strong></td>
<td><strong>80% Resolve queries (account balance, policy details, renewals), and address complaints</strong></td>
<td><strong>55% Send updates including application status, transaction confirmations, account statement</strong></td>
</tr>
<tr>
<td><strong>Consumer products and retail (CPR)</strong></td>
<td><strong>90% Send offers, product launch alerts, abandoned cart reminders, retargeting, sale announcements</strong></td>
<td><strong>30% Retail enterprises prefer interacting with customers over email for sharing sensitive documents</strong></td>
</tr>
<tr>
<td>Enterprises still prefer traditional channels for select use cases</td>
<td><strong>90% Send offers, product launch alerts, abandoned cart reminders, retargeting, sale announcements</strong></td>
<td><strong>15% Financial services enterprises prefer interacting with customers over email for sharing sensitive documents</strong></td>
</tr>
<tr>
<td><strong>50%</strong></td>
<td><strong>85% Address product-related queries, collect feedback, and resolve complaints</strong></td>
<td><strong>30% Retail enterprises prefer interacting with customers over email for sharing sensitive documents</strong></td>
</tr>
</tbody>
</table>

Sources: Bain & Meta Conversational Commerce Survey; Bain analysis

**Figure 14:** Large enterprises see a multitude of benefits and are planning to amplify their investments on conversational platforms

**Enterprises see six key benefits from using conversational platforms**

1. **High engagement rates**
   - “We have seen ~100% delivery rates and 80%–90% click-through rates on WhatsApp vs. less than 5% click-through rates for SMS and email. Hence, we are planning to over-index on conversational platforms going forward.”
   —Performance Marketing Head, Lending Co

2. **Personalized interactions at scale**
   - “Conversational platforms enable one-to-one interactions with each customer, helping us personalize each conversation with the right product recommendations and quick query resolutions.”
   —CMO, Fintech Co

3. **Feature-rich platforms**
   - “We have created three chat-based WhatsApp bots to engage with customers, agents, and farmers … we are communicating with farmers in over 12 languages through our WhatsApp bot.”
   —Data & Digital Head, Insurance Co

4. **Efficient customer support**
   - “Our order-to-contact ratio went down from 75% to ~5%. WhatsApp has been a key enabler in this turnaround—we communicated all critical order updates through WhatsApp to preempt any concern.”
   —Chief Customer Experience Officer, E-com Co

5. **High conversions**
   - “We have experienced 5x growth in our bottom-funnel metrics through campaigns on WhatsApp compared to our traditional channels.”
   —Growth Head, InsureTech Co

6. **Wider outreach to non-savvy digital customer base**
   - “We use WhatsApp to hand-hold first-time shoppers in their purchase journey. This helps onboard users from Tier 2, 3 cities and engage on the platform where they are comfortable.”
   —Marketing Head, E-com Co

Note: 1) Order to contact ratio is the number of post-purchase customer-initiated contacts typically for queries

Sources: Bain & Meta Conversational Commerce Survey; Market participant interviews; Bain analysis
Win with Conversations

**Figure 15:** Most large enterprises are planning to invest in delivering end-to-end journeys through generative AI-powered conversational platforms

![Most large enterprises are actively investing/will invest in generative AI](image)

95%+

Large enterprises surveyed are familiar with the generative AI landscape

80%+

large enterprises surveyed that are aware of generative AI have invested or planning to invest in generative AI in 1–2 years

<table>
<thead>
<tr>
<th>无缝， 支付功能</th>
<th>联系和地方语言支持</th>
<th>语音聊天的点单和支持</th>
<th>互动式的菜单/表单/目录</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seamless, in-chat payment functionality</td>
<td>Native and vernacular language support</td>
<td>Voice-enabled in-chat ordering and support</td>
<td>Interactive menus/forms/catalogues</td>
</tr>
</tbody>
</table>

“We have already started investing in generative AI and are currently working on multiple use cases across customer service, content, and marketing.”

—Head of Digital Partnerships, Bank Co.

“We are building end-to-end restaurant booking journey within WhatsApp, and are seeing high customer adoption even in the early phase.”

—Product and Growth Head, Food Aggregator Co.

**Figure 16:** Enterprises are already witnessing tangible benefits of the power of conversations:

**PolicyBazaar Case Study**

Founded in 2008, PolicyBazaar is a leading insurance marketplace where consumers can compare, assess, and buy various types of insurance policies (e.g., life, term, health, motor)

**Key use-cases:** Leveraged conversational platforms to drive conversions across touchpoints

- **Consultative selling**
  - Policy recommendations based on information captured during conversations
- **Re-igniting intent**
  - Tailored communication basis drop-off points to assist conversion
- **Cross-sell and up-sell**
  - Personalized offers based on customer past purchases and engagement metrics
- **Renewals/Purchases**
  - Timely premium payment reminders based on policy schedule and smooth in-chat payment enablement

**Key drivers:** Ensured seamless integration and experimentation mindset to achieve early wins

1. **Hyper-personalization**
   - Leverages CRM data from WhatsApp, call center interactions, and past policy purchases for highly personalized experiences
2. **Integrated channel experience**
   - Enables seamless channel transition between WhatsApp and voice calls with agent to continue conversations
3. **Building end-to-end journeys**
   - Automates purchases of low-complexity products (e.g., compliance-driven motor insurance) with in-chat payment integration
4. **Early adopter mindset**
   - Started experiments with generative AI technology to enable assisted purchase journeys and 24/7 customer support

**Results**

- **5x**
  - Growth in bottom-funnel metrics vs. traditional channels
- **30M**
  - Messages delivered per month
- **300%**
  - Year-on-year growth in business volume in FY 2023 (vs FY 2022)

“We focus on conversations, and not communication. We use our chatbot to empathize with our customers … many companies are aware of this secret sauce but aren’t using it to full capacity.”

—Growth Head, PolicyBazaar

Sources: Bain & Meta Conversational Commerce Survey; Market participant interviews; Bain analysis
Figure 17: Enterprises are already witnessing tangible benefits of the power of conversations: Cars24 boosted customer engagement across the purchase journey

Cars24 Case Study

Founded in 2015, Cars24 is an India-based multinational that runs an online marketplace to buy and sell pre-owned cars. It has operations across India, Australia, Thailand, and the UAE.

Key use-cases: Adopted conversational journeys to drive personalization across customer lifecycle

Re-targeting drop-offs
Targeted communication based on key drop-off points (e.g., consideration stage, booking test drive)

Re-engaging current customers
Tailored offers/reminders based on customer intent and product life cycle (e.g., repairs, servicing post-purchase)

Driving end-to-end experiences
Users can book appointments for taking test drives or car inspections before selling within conversational platforms

Key drivers: Delivered hyper-personalization and built end-to-end journeys to achieve early wins

1. Hyper-personalization
In-depth understanding of customer interests and purchase intent through extensive user engagement

2. Tech integrations
Implemented seamless integrations across CRM platforms and chatbot solutions

3. Building end-to-end journeys
Built service journeys across lifecycle—booking appointments to post-sale messages to collecting CSAT scores

Results

30%
Month-over-month sales (number of cars delivered) involve customer interaction on conversational platforms

“Adoption of WhatsApp as a conversational platform for customer engagement has helped us connect better with our customers across the customer life cycle, strengthening the brand trust for Cars24.”
—Digital Head, Cars24

Note: 1) CSA scores = Customer satisfaction scores, which is a commonly used key performance indicator used to track how satisfied customers are with an enterprise’s product or service
Sources: Market participant interviews; Bain analysis

Figure 18: The impact of conversational platforms will not be limited only to large enterprises—it will also transform the way small businesses engage and interact with customers

90%+
of non-savvy digital users surveyed will prefer to interact with SMBs through conversational platforms for day-to-day needs

Top conversational use cases

65% Users surveyed will prefer to connect with local restaurants to receive offers and place an order

70% Users surveyed will prefer to connect with local grocery store to send list of items and place an order

80% Users surveyed will prefer to raise service tickets, manage warranty, or request for technician visit/spare part replacement

Source: Bain & Meta Conversational Commerce Survey; Bain analysis
Win with Conversations

**Figure 19:** Conversational platforms can be a critical unlock for SMBs, addressing key pain points and empowering them to rapidly integrate into the conversational economy

**Most SMBs are facing a series of pain points across the customer journey …**

<table>
<thead>
<tr>
<th>Discoverability</th>
<th>Commerce</th>
<th>Payments</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy reliance on offline channels for customer acquisition</td>
<td>Time intensive (catalog creation) and complex process for digitization</td>
<td>Difficulty in managing payments; tracking and recovering credit</td>
<td>Challenging to scale customer engagement (promotions, queries)</td>
</tr>
</tbody>
</table>

… which can be effectively addressed through conversational platforms

- Click-to-chat ads across social media platforms to drive more traffic to digital storefront
- Digital storefront with profile and product catalog to facilitate in-chat seamless browsing and order placement
- Streamlined payments, receipts, and requests within the platform
- Scaled personalized support via quick/automated replies and labels for cohort-specific engagement

**Early signs of success—15M SMBs actively use WhatsApp for Business**

Sources: Market participant interviews; Meta internal data; Secondary research; Bain analysis

**Figure 20:** Across industries, online platforms will lead the adoption of conversational journeys and organized players and SMBs will drive growth, powered by conversational platforms

Scale marketplaces (e.g., Amazon, Flipkart, JioMart) and online aggregators (e.g., Zomato, RedBus) will lead the adoption of conversational commerce, given established trust with customers and proactive investments already underway

- **Flipkart Flippi:** Chat-based shopping assistant
- **RedBus:** End-to-end bus ticketing bot
- **Zomato AI:** Personalized recommendation bot

Offline players (organized and SMBs) will leapfrog to conversational platforms for commerce, potentially skipping the marketplace route. Within unorganized SMBs, Kiranas¹ will lead the wave of conversational commerce

Conversational commerce will thrive in domains with frequent purchases (e.g., grocery), frequent transactions (e.g., utility), or frequent interactions (e.g., ride sharing), helping to bring NSDU² into the commerce fold

- **Delhi Metro:** Launch of ticketing via WhatsApp
- **Jiomart bot:** End-to-end WhatsApp shopping bot
- **HP Gas:** Cylinder booking and payment via WhatsApp

Notes: 1) Kiranas = grocery stores; 2) NSDU = non-savvy digital users

Sources: Market participant interviews; Secondary research; Bain analysis
Every business can tap into the power of conversation to win customers and be a part of conversational commerce. Businesses need to embrace two key imperatives—reimagining every customer touchpoint across the customer journey to deliver a hyper-personalized experience and reorienting the operating model to leverage the power of generative AI and identify conversations that matter to customers while generating returns for the business.

**The winning playbook**

Figure 21: Six key imperatives to craft a winning playbook

- **Reimagine customer journeys**
  - “Conversations” vs. communication
  - Personalization at scale
  - New markers of trust

- **Re-orient operating model**
  - Generative AI at core
  - Scale experimentation as a competitive moat
  - “RoC”—Return on Conversations

Source: Bain analysis
Win with Conversations

**Figure 22:** “Conversations” vs. communication: Customer journeys today cut across multiple touchpoints—businesses need to weave a single thread of conversation

---

**Figure 23:** Personalization at scale: Deliver highly personalized experiences across each customer interaction

---

Sources: Secondary research; Bain analysis

Note: 1) UPI = Unified Payments Interface
Win with Conversations

**Figure 24:** New markers of trust: Establish authenticity and credibility through digital markers of trust and hyper-personalized, relevant interactions

With rising spam and fraud concerns, Indian consumers are facing a severe trust deficit with digital platforms, making it harder than ever to reach customers.

**1. Conversational markers of trust**

- Hyper-personalized, relevant and vernacular communication
- Round-the-clock customer support
- Quality assurance and convenience
- Transparency in data usage and storage
- Robust security features for user protection

**2. Visual markers of trust**

- Business authenticity (Physical store address, GST)
- Clear and comprehensive product/service descriptions
- Trust badges (verified tick, logo)
- Demonstrated scale (e.g., 1,000+ recent orders)

**3. Social markers of trust**

- Trusted by connections (number of people from your contacts)
- Community approval (ratings and reviews)

Sources: Secondary research; Bain analysis

**Figure 25:** Generative AI at core: Generative AI offers a unique opportunity for early adopters to establish a competitive advantage and take the lead in defining the new rules of customer engagement

Why should you pursue this opportunity now?

**Stay ahead of the curve**

Generative AI will reshape consumer expectations from businesses and set new ground rules. (e.g., hyper-personalization becomes table stakes)

**Create a competitive advantage**

Early adopters of generative AI can strengthen their customer proposition while achieving industry-leading efficiency (e.g., 24/7/365 vernacular support with no human in the loop)

**Accelerate strategic priorities**

Generative AI can enhance revenue opportunities (e.g., drive LTV), cost efficiency (e.g., low CAC), and customer satisfaction (e.g., CSAT, NPS)

**Accelerate internal capability building**

Starting early will allow businesses to recruit and train in-demand talent and build contextual generative AI models to expand use cases and enhance effectiveness

**Test and learn**

Experimentation will allow companies to test low-risk use cases before there is pressure to expand to client-facing use cases; successful adopters are experimenting already

Notes: 1) LTV = Lifetime Value of Customer; 2) CAC = Customer Acquisition Cost; 3) CSAT = Customer Satisfaction Score; 4) NPS = Net Promoter Score

Sources: Secondary research; Bain analysis
Win with Conversations

**Figure 26:** Scale experimentation as a competitive moat: Generative AI is so nascent, experimentation is the only way to identify right use cases and build a competitive moat

**Experimentation is the only way forward to...**

1. **Define delights vs. baseline expectations**
   - In an ever-evolving landscape of customer preferences, experimentation provides real-time insights into what truly delights customers, helping businesses align with evolving expectations.

2. **Declutter long list of use cases**
   - When done right, experimentation allows you to test key use cases in a controlled environment and validate potential before you make bold moves.

3. **Contextualize generative AI unlock**
   - The true power of generative AI is unlocked when it has your business context built in. Building this context demands ongoing experimentation and testing.

4. **Make an impact when it is part of DNA**
   - The only way to identify what works best in your specific business context is to build the organization muscle to run actual experiments.

**Early adopters are already seeing traction...**

<table>
<thead>
<tr>
<th>HDFC Home Loans: E2E home loan journey</th>
<th>Conversion rate for customers completing process on WhatsApp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enables customers to get conditional home loan approval within few minutes through a guided conversational flow; available 24/7</td>
<td>Unique user interactions on WhatsApp every month</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bharat Petroleum: AI-based vernacular customer support</th>
<th>Messages exchanged (until August 2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers 24/7, quick and contextual support to customer queries in 13 Indian regional languages</td>
<td>Conversations in regional languages</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Swiggy: Hyper-personalized customer engagement</th>
<th>Increase in customer engagement (vs. other channels)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creates highly personalized-centric marketing campaigns (e.g., sends influencer videos about specific food items based on users’ recent search)</td>
<td>Better activation rate of dormant customers (vs. other channels)</td>
</tr>
</tbody>
</table>

**Figure 27:** “RoC”: Return on Conversations: Define a clear measurement strategy and deliver a seamless end-to-end journey on conversational platforms to maximize returns

**What are you measuring?**

- Clearly outline specific business objectives you aim to achieve and define key metrics accordingly

**When are you measuring?**

- Decide early on if you are investing for short-term benefits or long-term success

**How are you implementing?**

- While simple use cases can demonstrate ROI uplift (vs. traditional channels), the real unlock lies in E2E journeys

**Revenue enhancement**

- (Increase in impressions, click-through-rate, number of new orders, number of new users)

**Retention**

- (Repeat purchases, churn rate, lifetime value, re-engagement rate)

**Cost savings**

- (RoAS, customer support cost reduction, reduction in order to contact ratio)

**Increasing profitability**

- (Increase in CLTV, improvement in direct channel mix, share of high margin sales)

**Improved customer experience**

- (NPS, customer satisfaction scores, number of queries resolved)

**Point in time metrics**

- Open rate, click-through rate, cost-per-message

**Short-medium term metrics**

- Conversion rate, customer acquisition cost, re-engagement rate, NPS

**Long-term metrics**

- Lifetime value, repeat orders, order to contact ratio

**Notes:** 1) RoAS = return on ad spends, a metric that measures efficacy of a digital ad campaign; 2) Order to contact ratio is the number of post-purchase customer-initiated contacts typically for queries; 3) CLTV = customer lifetime value; 4) NPS = net promoter score; 5) As of January 2023

Sources: Secondary research; Bain analysis
## Glossary

<table>
<thead>
<tr>
<th>SDU</th>
<th>Savvy Digital Users: Users who shopped/ordered food online and conducted a Unified Payments Interface transaction in the last six months</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSDU</td>
<td>Non-savvy Digital Users: Users who conducted a Unified Payments Interface transaction in the last six months but didn’t shop / order food online</td>
</tr>
<tr>
<td>SMBs</td>
<td>Small and micro businesses with typical annual revenue less than INR 5 crores</td>
</tr>
<tr>
<td>Generative AI</td>
<td>Advanced AI (large language) models capable of generating human-like content through deep learning and contextual understanding</td>
</tr>
<tr>
<td>CTR</td>
<td>Click-through Rate: Percentage of impressions that resulted in a click</td>
</tr>
<tr>
<td>UPI</td>
<td>Unified Payments Interface: A real-time payment system developed to facilitate inter-bank transactions through mobile phones</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ROI</th>
<th>Return on Investment: Measure of benefit of an investment vs. cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business messaging</td>
<td>Communication between businesses and their customers, typically for marketing, updates, or customer support, via traditional channels or conversational platforms</td>
</tr>
<tr>
<td>Traditional channels</td>
<td>Conventional business messaging channels including SMS, e-mail, Interactive Voice Response (automated, pre-recorded calling)</td>
</tr>
<tr>
<td>Conversational platforms</td>
<td>Messaging platforms that allow real-time, two-way, rich communication through text, multimedia, and interactive features (e.g., WhatsApp, IG Direct, FB Messenger, chatbots, Telegram, Viber, Google RCS)</td>
</tr>
<tr>
<td>Conversational commerce</td>
<td>Commerce journeys across products (e.g., buying t-shirts) and services (e.g., booking doctor appointments) leveraging chatbots or conversational platforms</td>
</tr>
</tbody>
</table>
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