Conversational AI – State of the Market 2023

November 2022: Complimentary Abstract / Table of Contents

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Introduction

"Conversational AI" is a network of advanced technologies and solutions that integrate and communicate with each other to share information across systems and is a key enabler of front, and back-office automation. Businesses across the globe are realizing the importance of conversational AI solutions to serve customers across different industries on a spectrum of digital channels and fulfill customer needs, as well as support internal processes such as HR support, IT helpdesk, sales, F&A, and marketing. The demand for self-service solutions such as conversational AI is at an all-time high and is expected to gather greater momentum as enterprises show a greater propensity to leverage these solutions to provide superior CX, drive customer acquisition, and create market differentiation. For the scope of this study, we are covering leading global technology providers that offer these solutions on an independent licensing basis.

In this study, we investigate the state of the conversational AI technology provider market and focus on:

- Conversational AI synopsis
- Market size and adoption trends across buyer geography, size, industry, and business function
- Conversational AI solution characteristics and provider landscape
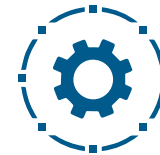- Buyer expectations, barriers to adoption, and best practices
- Outlook for 2023

Scope of this report

Geography
Global

Industry
Global

Services
Customer experience management services and service optimization technologies

Overview and abbreviated summary of key messages

This report focuses on the growth in the conversational AI market, changing market dynamics adoption trends that are categorized by industry, geography, process areas, and buyer size. Additionally, it focuses on emerging provider trends, best practices, and solution characteristics along with provider landscape.

Some of the findings in this report, among others, are:

Market overview

- The conversational AI market is experiencing strong growth and is expected to reach US$1,400-1,500 million by the end of 2022. While conversational AI is mainly being used by enterprises for interacting with end customers, B2E and B2B use cases are also showing growth
- Many providers support multi-lingual bot deployments, highlighting the holistic demand for conversational AI solutions and their scalability across geographic regions

Adoption trends

- BFSI and telecom & media are the leading adopters of conversational AI, accounting for a significant market share; retail and healthcare are observing the maximum growth in the market
- North America continues to account for more than half of the global market share; while Latin America, UK, and Asia Pacific have been experiencing faster growth
- While large enterprises account for the bulk of conversational AI adoption, midsize and small enterprises are adopting at a faster pace

Solution characteristics

- Conversational AI providers partner with various service providers to expand their product reach in the market . NLP, cloud, AI services, and RPA are among the top technology areas where the highest number of technology partnerships are being formed
- While the usage-based model is the most prevalent pricing option in the market, adoption of outcome-based pricing is expected to increase

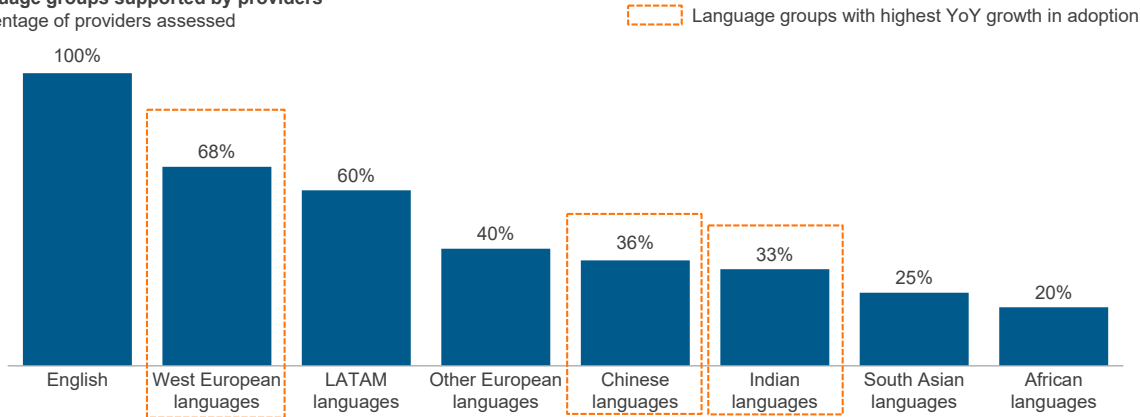**Provider landscape**

- Conversational AI providers are investing to improve their technology capabilities, increase their geographical footprint, and expand their partner ecosystem
- As the need for differentiation increases, acquisitions emerge to strengthen channel offerings, improve capabilities, deepen verticalization, and integrate conversational AI with other key areas

This study offers six distinct chapters providing a deep dive into key aspects of the conversational AI market; below are four charts to illustrate the depth of the report
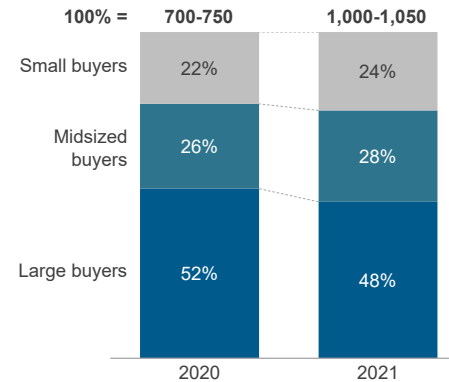
Market Overview

Language groups supported by providers
Percentage of providers assessed

⌐ ⌐ Language groups with highest YoY growth in adoption

Language group	Percentage
English	100%
West European languages	68%
LATAM languages	60%
Other European languages	40%
Chinese languages	36%
Indian languages	33%
South Asian languages	25%
African languages	20%

Market size and adoption trends

Adoption of conversational AI by buyer size
Percentage split of revenue; US$ million

100% =	700-750	1,000-1,050
Small buyers	22%	24%
Midsized buyers	26%	28%
Large buyers	52%	48%
	2020	2021

Solution characteristics

Distribution of service partners by scope of partnership
Percentage of partners

73%
Consulting/ Implementation partners

39%
Resellers

15%
Training partners

Technology provider landscape

Distribution of conversational AI provider FTEs by type of work
Percentage of FTEs

Product development	35%
Support services (such as training and implementation)	23%
Sales	19%
QA & testing	5%
Others	17%

Research calendar
Customer Experience Management (CXM) Services

Reports title	Release date
Enterprise Technical Support	June 2022
Transforming Customer Experience (CX) Operations	July 2022
Catering to Global Customer Experience Management (CXM) Requirements: What It Means to Be a Truly Global Service Provider	July 2022
Customer Experience Management (CXM) in the Americas – Service Provider Landscape with PEAK Matrix® Assessment 2022	August 2022
Navigating the Digital CXM Transformation Journey	August 2022
Customer Experience Management (CXM) in APAC – Service Provider Landscape with PEAK Matrix® Assessment 2022	August 2022
Customer Experience Management (CXM) in EMEA – Service Provider Landscape with PEAK Matrix® Assessment 2022	August 2022
Conversational AI – Technology Vendor Landscape with Products PEAK Matrix® Assessment 2022	September 2022
Conversational AI – Technology Provider Compendium 2023	November 2022
Conversational AI – State of the Market 2023	**November 2022**
Buyer Satisfaction with conversational AI – Exploring the Buyers' perception of the market	November 2022
Customer Experience Management (CXM) in the Americas – Service Provider Compendium 2022	Q4 2022
Customer Experience Management (CXM) in APAC – Service Provider Compendium 2022	Q4 2022
Customer Experience Management (CXM) in EMEA – Service Provider Compendium 2022	Q4 2022
Customer Experience Management (CXM) in Healthcare – Service Provider Landscape with PEAK Matrix® Assessment 2022	Q4 2022

Note: Click to see a list of all of our published Customer Experience Management (CXM) Services reports

Research calendar
Service Optimization Technologies (SOT)

■ Published ■ Planned ■ Current release

Reports title	Release date
Intelligent Process Automation (IPA) – Solution Provider Compendium 2022	May 2022
Intelligent Document Processing (IDP) – Technology Provider Compendium 2022	June 2022
Process Mining – Technology Provider Landscape with Products PEAK Matrix® Assessment 2022	June 2022
Intelligent Document Processing (IDP) – State of the Market Report 2022	July 2022
Process Mining – Technology Provider Compendium 2022	July 2022
Task Mining – Technology Provider Landscape with Products PEAK Matrix® Assessment 2022	August 2022
Conversational AI – Technology Provider Landscape with Products PEAK Matrix® Assessment 2022	September 2022
Process Mining – State of the Market Report 2022	September 2022
Robotic Process Automation (RPA) Provider Landscape with Products PEAK Matrix® Assessment 2022	October 2022
Scaling Automation Across the Enterprise	October 2022
Conversational AI – Technology Provider Compendium 2023	November 2022
Conversational AI – State of the Market 2023	**November 2022**
Buyer Satisfaction with conversational AI – Exploring the Buyers' perception of the market	November 2022
Process Mining in Global Business Services (GBS)	Q4 2022
Robotic Process Automation (RPA) Provider Compendium 2022	Q4 2022

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