Conversational AI – State of the Market 2023 – Update

December 2023: Complimentary Abstract / Table of Contents

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Background and scope of the research

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 worldwide 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 Customer Experience (CX), drive customer acquisition, and create market differentiation. The recent advancements in generative AI have the potential to significantly enhance the capabilities of conversational AI solutions, thereby making conversational AI more effective for use cases and increasing customer satisfaction. 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
- Impact of generative AI and LLMs on conversational AI solutions
- Market size and adoption trends across buyer geography, size, industry, and business function
- Buyer expectations, barriers to adoption, and best practices
- Conversational AI provider landscape and partnership ecosystem
- Outlook for 2024

Scope of this report

Geography
Global

Industry
Global

Product
Conversational AI

Overview and abbreviated summary of key messages

This report focuses on the growth in the conversational AI market, the impact of generative AI and LLMs on conversational AI solutions, and adoption trends that are categorized by industry, geography, process areas, buyer size, channel, and commercial model. It also focuses on buyer insights, provider landscape, and partner ecosystem.

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

Market size and adoption trends

- The conversational AI market is growing steadily and is expected to reach US$2-2.1 billion by the end of 2023. Although conversational AI is mainly adopted for end-consumer interactions, adoption for use cases in the B2E and B2B sectors is also growing rapidly
- BFSI and healthcare and life sciences are the major industries adopting conversational AI; healthcare and technology are experiencing the highest growth. In terms of geography, North America continues to be the major adopter; APAC, Latin America, and UK are growing quickly
- Large enterprises continue to be a major adopter of conversational AI solutions; midsize and small buyers are also growing rapidly

Impact of generative AI and LLMs on conversational AI

- The recent generative AI developments hold the potential to profoundly influence the current conversational AI market by enhancing conversational capabilities, agent-assist functionalities, conversational AI design and training, and augment data analytics capabilities
- Generative AI can enhance both conversational AI performance and business benefits metrics. However, providers must address concerns around data privacy and security, regulatory hurdles, and associated costs to seamlessly integrate generative AI within their existing capabilities
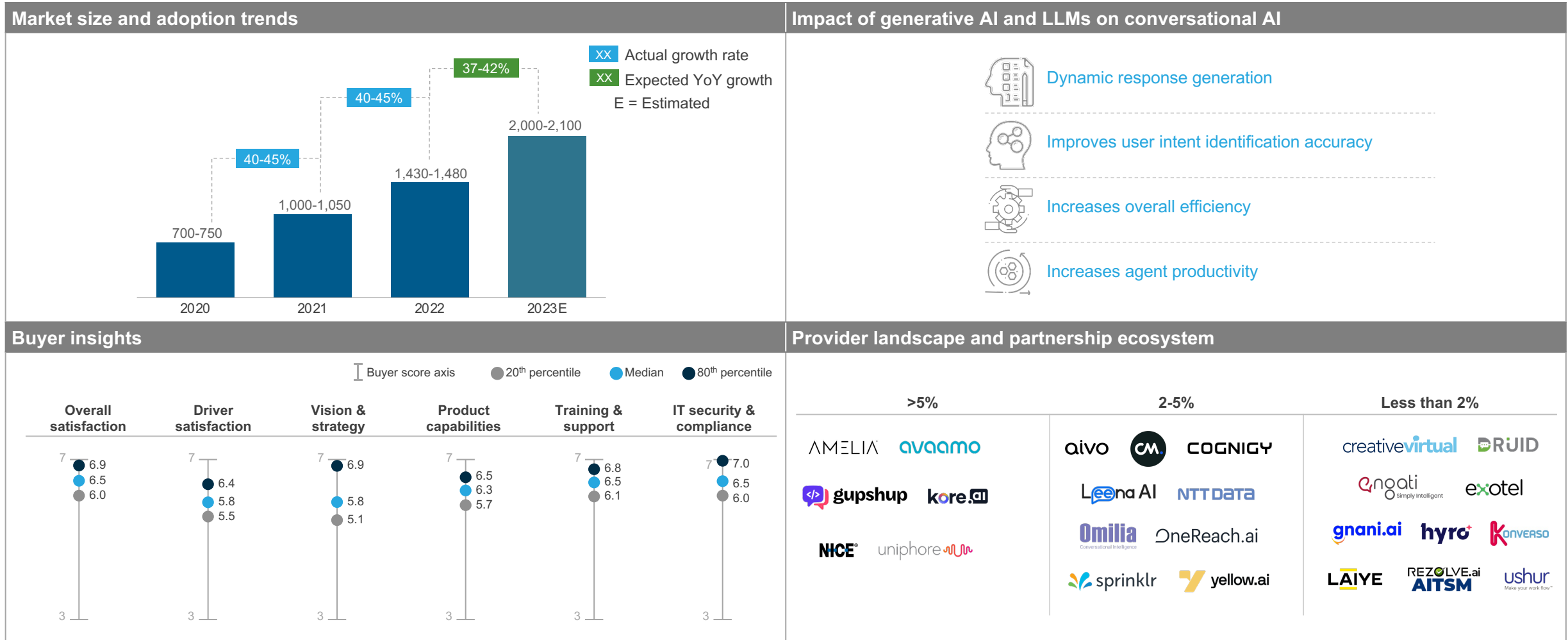
Buyer insights

- Improving customer satisfaction, enhancing employee productivity, and reducing costs are the top drivers of conversational AI adoption
- Buyers are fairly satisfied with overall performance of conversational AI providers, especially with the training and support provided for the product and the IT security and compliance features
- Buyers seek improvement in product vision and roadmap, agent-assist capabilities, and analytics from conversational AI providers

Provider landscape and partnership ecosystem

- Amelia and Kore.ai are top providers in all major industries; Gupshup is another leading technology provider across many industries. Kore.ai is one of the top providers across five of the major geographies while Amelia and Gupshup dominate Continental Europe and APAC respectively
- Conversational AI providers have made strategic investments in constructing partner ecosystems aimed at expanding the capabilities and integrations of their products, as well as facilitating training and implementation of their solutions for enterprises

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 size and adoption trends

XX Actual growth rate
XX Expected YoY growth
E = Estimated

- 2020: 700-750
- 2021: 1,000-1,050 (40-45%)
- 2022: 1,430-1,480 (40-45%)
- 2023E: 2,000-2,100 (37-42%)

Impact of generative AI and LLMs on conversational AI

- Dynamic response generation
- Improves user intent identification accuracy
- Increases overall efficiency
- Increases agent productivity

Buyer insights

Buyer score axis | 20th percentile | Median | 80th percentile

	Overall satisfaction	Driver satisfaction	Vision & strategy	Product capabilities	Training & support	IT security & compliance
80th percentile	6.9	6.4	6.9	6.5	6.8	7.0
Median	6.5	5.8	5.8	6.3	6.5	6.5
20th percentile	6.0	5.5	5.1	5.7	6.1	6.0

Provider landscape and partnership ecosystem

>5%
AMELIA, avaamo, gupshup, kore.ai, NICE, uniphore

2-5%
aivo, CM, COGNIGY, Leena AI, NTT DATA, Omilia, OneReach.ai, sprinklr, yellow.ai

Less than 2%
creativevirtual, DRUID, engati Simply Intelligent, exotel, gnani.ai, hyro+, Konverso, LAIYE, REZOLVE.ai AITSM, ushur

Research calendar
Customer Experience Management (CXM) Services

Reports title	Release date
Engaging with Customers in the Metaverse – Turning Fantasy into Reality	April 2023
Press Play on Player Experience: Level up Beyond Game Design	April 2023
Contact Center-as-a-Service (CCaaS) PEAK Matrix® Assessment 2023	May 2023
Contact Center-as-a-Service (CCaaS) – Provider Compendium 2023	June 2023
Customer Experience Management (CXM) Services PEAK Matrix® Assessment 2023	September 2023
Conversational AI Products PEAK Matrix® Assessment 2023	September 2023
Unleashing the Power of Data and Artificial Intelligence in Customer Experience Management (CXM)	October 2023
Playing to Win: Transforming Agent Experience with Gamification	October 2023
Conversational AI (CAI) Technology Service Provider Landscape with Products – Provider Compendium 2023	November 2023
Achieving Digital Customer Experience Management's (CXM) Full Potential with the Generative AI Revolution	December 2023
Turning Challenges into Growth Opportunities: Customer Experience Management (CXM) State of the Market Report 2023 – Update	December 2023
Conversational AI – State of the Market 2023 – Update	**December 2023**
Driving Data-Led Digital Customer Experience Management	Q4 2023
Customer Experience Management (CXM) – Provider Compendium 2023	Q4 2023
Customer Experience Management (CXM) Services PEAK Matrix® Assessment 2024	Q3 2024

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Service Optimization Technologies (SOT)

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Unlocking the Power of Hybrid Workforce – Process Orchestration State of the Market 2023	February 2023
Intelligent Automation – How Much is Your Dollar Worth?	March 2023
Intelligent Process Automation (IPA) PEAK Matrix® Assessment 2023	April 2023
Process Mining Products PEAK Matrix® Assessment 2023	June 2023
Continuous Process Improvement in Action – Process Mining State of the Market 2023	July 2023
Task Mining Products PEAK Matrix® Assessment 2023	August 2023
Conversational AI Products PEAK Matrix® Assessment 2023	September 2023
Robotic Process Automation (RPA) Products PEAK Matrix® Assessment 2023	October 2023
Innovate or Stagnate: the Generative AI Imperative	November 2023
Robotic Process Automation (RPA) State of the Market 2023	November 2023
Conversational AI (CAI) Technology Service Provider Landscape with Products – Provider Compendium 2023	November 2023
Process Orchestration Products PEAK Matrix® Assessment 2023	November 2023
Conversational AI – State of the Market 2023 – Update	**December 2023**
Intelligent Document Processing (IDP), Banking IDP, and Insurance IDP Products PEAK Matrix® Assessments 2024	Q1 2024
Intelligent Process Automation (IPA) PEAK Matrix® Assessment 2024	Q1 2024

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