

Conversational Experiences

The Untapped Potential of AI in Customer Engagement

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The Future of Communication Is Already in Conversation

The way we communicate has always shaped how we do business. But today the pace and nature of change in communication technology are nothing short of transformational.

From the era of landlines and letters to the rise of mobile, messaging, and on-demand platforms, communication has become faster, smarter, and more personalized. Today, apps like WhatsApp, Rich Communication Services, and Apple Messages for Business have made real-time messaging-first interactions not just possible but expected.

We're entering a new era fueled by generative and agentic artificial intelligence (AI), intelligent automation, and conversational platforms that are redefining how businesses engage with their customers. These tools do more than support conversations; they learn from them, shape them, and even anticipate what comes next.

What was once reactive is now proactive. What used to feel transactional now feels personal. And as technology continues to evolve, so do the expectations of every customer in every channel and at every touchpoint. Yet for many organizations, meeting these expectations—especially across different regions, languages, and cultures—remains a complex challenge.

This research by Harvard Business Review Analytic Services, in association with Infobip, explores how this shift in business-to-customer (B2C) communication is unfolding in real time across industries. It reveals how forward-thinking organizations are moving from traditional communication models to dynamic AI-enabled experiences that put people—not platforms—at the center.

As a global communication platform, Infobip is working with innovators to develop new tools for B2C interactions, focusing on hyper-personalized conversations. These technological advancements are intended to complement human connections, not replace them. The next wave of business communication will be defined by immediacy, context, and personalization—driven by data, powered by AI, and designed for real impact.

In supporting this report, Infobip aims to contribute to a deeper understanding of how digital communication is evolving and to provide more insights on how to enable meaningful conversations between brands and their customers, no matter where they are or how they choose to connect.

By combining insights, innovative technology, and a shared curiosity about what's next, we hope this report sparks



Ivan Ostojic
Chief Business Officer
Infobip

new ideas and fosters dialogue across the business community—because when communication evolves, everything else follows.

Join the conversation about the future of business communication. For more information, please visit www.infobip.com.

Conversational Experiences

The Untapped Potential of AI in Customer Engagement

The launch of OpenAI's artificial intelligence (AI) chatbot, ChatGPT, in late November 2022 didn't only change conversations in boardrooms and coffeehouses across America. "The whole world began to change," recalls Kate Ancketill, CEO of GDR Creative Intelligence Ltd., a London-based consultancy specializing in the future of customer experience. "People realized that you could have a conversational exchange with a computer and it would be able to respond to you in a way that was close to what feels like a human conversation."

SINCE THEN, organizations have been chasing the promise of AI and its ability to simulate human interactions with consumers across the customer journey with varying degrees of success. Communication platforms such as SMS texting, email, messaging apps, social media messaging, and chatbots continue to multiply, serving as powerful digital channels for engaging conversationally with customers. For instance, live chat features embedded in e-commerce websites let customers ask questions in real time about product pricing or availability. With SMS texting, brands can provide customers with up-to-the-minute package-tracking information. And messaging apps can reengage existing customers with promotional offers based on previous purchases. The result is a

conversational experience that not only traverses multiple channels but also engages customers at precise touchpoints throughout the entire customer journey.

In fact, according to a February 2025 survey by Harvard Business Review Analytic Services of 167 members of the Harvard Business Review audience familiar with their organization's use of communication platforms to engage with customers, 93% of respondents believe creating positive conversational experiences is extremely important or very important to their organization. Conversational experiences refer to interactions an organization has with its customers through communication platforms across different points in their journey. According to respondents, these interactions are

HIGHLIGHTS

 **93%**
of respondents say creating **positive conversational experiences** is extremely important or very important to their organization.

 **87%**
of respondents agree with the statement, "It's important to my organization that conversational experiences be **personalized, meaningful, and humanlike.**"

 **36%**
say their organization is **extremely or very effective** at creating positive conversational experiences today.

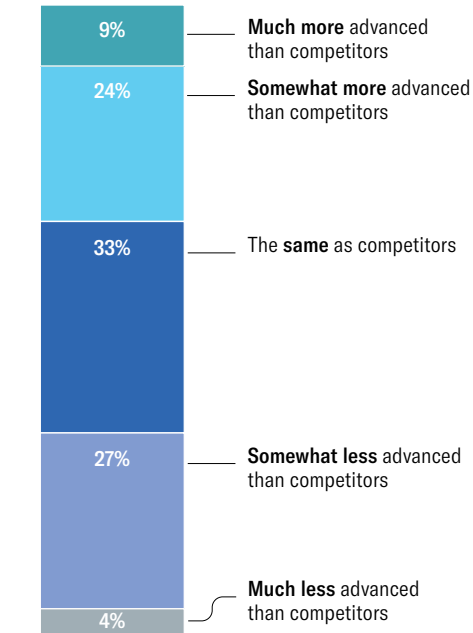
Due to rounding, some figures in this report may not add up to 100%.

FIGURE 1

The Conversational Competitive Landscape

Respondents are evenly split on how effectively their organization uses digital channels compared to competitors

How would you rate your organization's use of communication platforms compared to its competitors' use of communication platforms?



Base: 167 respondents. Not shown: 2% don't know, 1% not applicable.

Source: Harvard Business Review Analytic Services survey, February 2025

already delivering positive business outcomes, including improved customer satisfaction (53%), enhanced brand reputation (51%), enhanced customer data insights (44%), and increased customer trust (42%). Despite these competitive advantages, there is plenty of room for improvement when it comes to creating natural, humanlike conversations with customers. Less than a fifth say their organization has realized greater market share (17%) or increased cost savings (17%) as a result of using communication platforms.

To better engage customers conversationally, organizations must allow customers to have conversations on their terms over their preferred digital channels, recognize the importance of intent and context when engaging customers, and harness the power of AI while at the same time supporting human intervention. It's a tall order but one that can result in substantial rewards.

"End-to-end seamless conversational experiences, often backed by AI, can elevate interactions with a brand," says David Patterson, an associate partner at Clarkston Consulting Inc., a Durham, N.C.-based consultancy serving the life sciences, consumer products, and retail industries. "The real business benefit is that, if done right, these conversational experiences can drive loyalty, which most retailers put a premium on."

Room to Improve Use of Communication Platforms

It's easy to understand organizations' focus on creating conversational experiences. Today's consumers rely on an ever-widening array of digital channels to accomplish routine tasks, gather timely information, and make decisions. Whether booking a doctor's appointment via email, receiving an SMS alert from a food delivery service, or soliciting restaurant reviews from followers on social media, most consumers are accustomed to convenient and real-time interactions, and they expect the same from the brands they purchase from. As a result, organizations are under increasing pressure to meet consumers where they are with the information they need. At the same time, new and innovative messaging channels such as Rich Communication Services are emerging that feature customer experience-enhancing capabilities like high-quality media sharing.

Case in point: 62% of survey respondents cite evolving customer expectations as a primary factor driving their organization's interest in using communication platforms, followed by pressure to keep up with an evolving digital landscape (40%) and increased competition (38%).

"Consumer expectations are always increasing," says Michelle Evans, global lead of retail and digital shopper insights at Euromonitor International Ltd., a London-based data analytics company. "So if a company rolls out a new feature that can be used for communication, there's almost an expectation that other companies will introduce it as well, even if they're not in the same industry."

But while a rapidly changing and challenging business environment is prompting greater interest in leveraging communication platforms for customer engagement, organizations are evenly split on how effectively their use of platforms stacks up. A third of respondents say their organization's use of communication platforms is much more advanced or somewhat more advanced than that of their competitors, another third rate their use of communication platforms as the same as competitors, and nearly a third (31%) say their use is somewhat less or much less advanced than competitors. **FIGURE 1**

Nor has the use of communication platforms achieved distinction at any particular point in the customer journey. Marketing teams often rely on social media channels to attract customers with personalized campaigns. Messaging apps are an excellent vehicle for providing customers with tailored recommendations to drive e-commerce sales. And intuitive chatbots can facilitate post-sales support.

Yet when asked how effective their organization's communication platforms are in the areas where they have them in use across the customer journey, about a third of respondents say they are "extremely effective" or "very effective" in any given area—post-sales support/customer service (34%), marketing (33%), and e-commerce (30%).

Certainly there are signs organizations are stepping toward creating more conversational interactions. For one, they're actively using communication platforms to guide consumers at different points in the customer journey, including marketing (90%), post-sales support (87%), and e-commerce (74%).

But while leveraging communication platforms throughout the customer journey can drive real-time conversations between businesses and customers, these initiatives often fall short of fostering humanlike interactions. Simulating intelligent human conversations requires machine learning and natural language processing—technologies at the core of AI-powered chatbots, also known as conversational AI. By mining unstructured data in conversations and chats to identify a customer's intent and understand the deeper context of an interaction, intelligent chatbots can respond to customer queries in ways that feel natural and relevant.

Consider, for example, a customer who messages a chatbot "I want to cancel my streaming media subscription. I am frustrated with all these annoying outages." Using sentiment analytics to flag words such as "frustrated" and "annoying," the chatbot can easily detect a negative interaction. At the same time, the chatbot's machine learning models recognize that while the primary intent of the communication is to cancel a subscription, technical issues are also influencing

this decision. In response, the chatbot reassures the customer that any technical issues with the company's streaming media service have been resolved and offers a complimentary three-month extension.

Eager to capitalize on these capabilities, Evans says that "companies are increasingly betting on AI to stand out in a crowded marketplace and differentiate themselves."

Obstacles to Artificial Intelligence

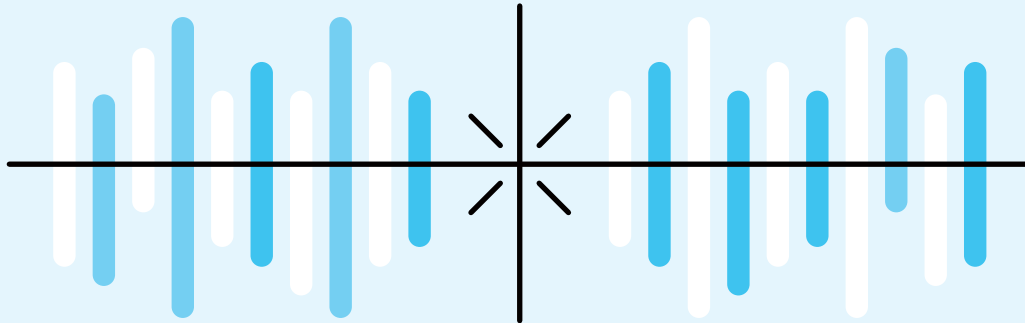
Yet many organizations are struggling to execute conversational AI use cases, notably when it comes to solving customer problems.

Just 11% of respondents say their organization is very or extremely effective at using communication platforms to create humanlike, meaningful interactions with customers using AI, although 87% strongly or somewhat agree with the statement "It's important to my organization that conversational experiences be personalized, meaningful, and humanlike."

The survey also reveals difficulties in performing specific tasks using conversational AI, such as providing personalized recommendations and resolving customer issues, without human intervention. In fact, when asked how effective their organization is at using conversational AI to perform a variety of tasks, across the board the most common rating for any given task was not at all effective or not very effective (between 42% and 56%).

A significant obstacle to glean value from conversational AI is the inherently complex and ambiguous nature of language. Words and phrases often carry multiple meanings depending on the context, making it difficult for chatbots to accurately comprehend a customer's intent.

"One of the key challenges [for AI-powered chatbots] is understanding different languages, different dialects, and sarcasm," says Evans. "There's still runway for growth; we have a long way to go for a chatbot to recognize a customer's frustration."



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Michelle Evans, global lead of retail and digital shopper insights at Euromonitor International Ltd.	
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Indeed, 56% of respondents say their organization is not at all effective or not very effective at resolving customer issues using conversational AI without human intervention.

Technological Barriers

Technological hurdles such as poor visibility and integration woes must also be overcome for organizations to make better use of communication platforms. For instance, the top technological issue organizations experience in their use of communication platforms is a lack of a central view of activity across all platforms, cited by 48% of respondents, followed closely by difficulty capturing customer data across all stages of the customer journey (46%). **FIGURE 2**

“Too often data lives in different disparate systems,” says Mark Abraham, head of Boston-based Boston Consulting Group Inc.’s (BCG) marketing, sales, and pricing practice in North America and coauthor of the book *Personalized: Customer Strategy in the Age of AI*. “It’s not clean, it’s not connected, it’s not updated at the right cadence.”

Creating a 360-degree view of customers across channels and touchpoints requires collecting insights from both online and offline sources. Apps, contact centers, customer relationship management systems, loyalty programs, payment systems—they all contain precious pieces of data that together paint a comprehensive customer profile. However, when data is fragmented and visibility is impaired, understanding customers’ preferences and keeping them engaged in relevant conversational experiences can become challenging.

Another heavy technological lift for organizations is integrating AI capabilities into their communication platforms. In fact, 44% of respondents cite difficulty integrating AI-powered features into these platforms as a technology challenge their organization is experiencing in their use of them, closely followed by difficulty integrating other software it uses (42%).

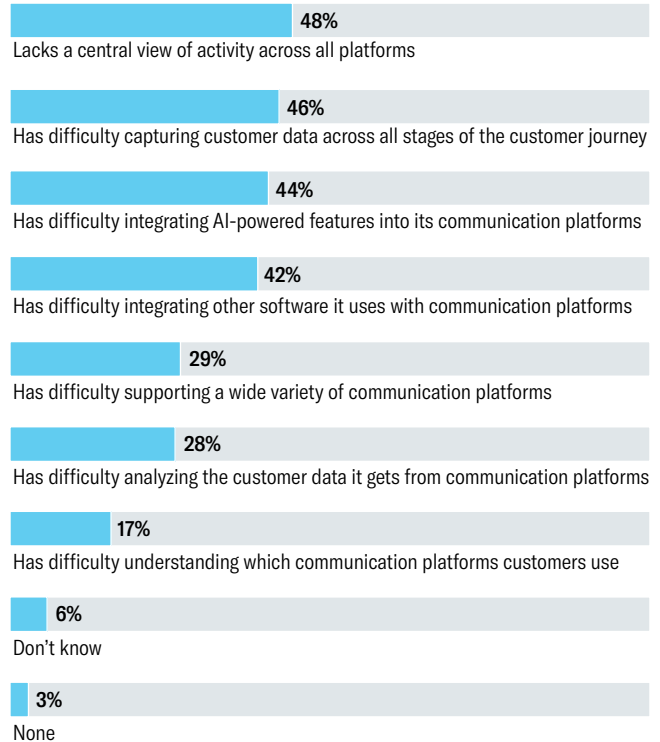
“The challenge is understanding what the technology can and can’t do, understanding how to implement

FIGURE 2

Technological Barriers to Using Communication Platforms

Poor visibility and integration issues top the list of technological challenges

Which of the following technological challenges is your organization experiencing in its use of communication platforms, if any? Select all that apply. *My organization...*



Base: 167 respondents. Not shown: 0% other.

Source: Harvard Business Review Analytic Services survey, February 2025

AI applications, and then making sure there’s integration across the entire IT backbone so that it all works together in a seamless manner,” says Jonathan Copulsky, a senior lecturer of marketing at the Kellogg School of Management at Northwestern University in Evanston, Ill., and coauthor of *The Technology Fallacy*. “Companies need to not only know how to use and deploy AI technology but how to integrate it into the whole fabric of the customer experience.”

Among the organizational barriers to using communication platforms, 48% of respondents cite not prioritizing investment in advanced conversational technologies. However, priorities could shift as companies begin to

realize more value from their investments in AI initiatives. Similarly, 47% cite the need for talent with expertise in communication platforms—a common refrain when it comes to any technology and the search for qualified IT professionals.

However, more surprising than poor investment and a scarcity of skilled talent is the organizational challenge respondents report most when using digital channels: Nearly half (49%) say their organization has not established best practices for the use of communication platforms.

The problem, says BCG's Abraham, is that "too many companies focus on building a huge data lake with all the possible bits of data they have about customers instead of asking themselves, 'What are the three to five key questions we want to have answered about a customer in order to help them?'" For example, he says, organizations must understand the products customers are interested in purchasing, their unique buying patterns, and price sensitivities before leveraging communication platforms for engagement.

The Value of Time, Intent, and Support

Fortunately, by adopting the necessary best practices, organizations can begin to advance toward creating natural, humanlike conversations with customers. A solid strategy begins with recognizing that time and relevance are critical components of engaging conversationally with customers. For this reason, Clarkston's Patterson recommends that brands "identify where the conversational touchpoints make the most sense. If you're not engaging at the right time in the purchasing journey, you'll miss the mark. Figuring out where personalization makes the most sense is where you should start."

Patterson provides the example of a multinational personal care company that developed an AI bot that engages customers by providing them with gift-giving suggestions for loved ones on a popular messaging platform. By finding a specific and unique use case for a conversational

experience, Patterson says the retailer can tap into an opportunistic moment in the customer's buying journey while at the same time collecting customer data.

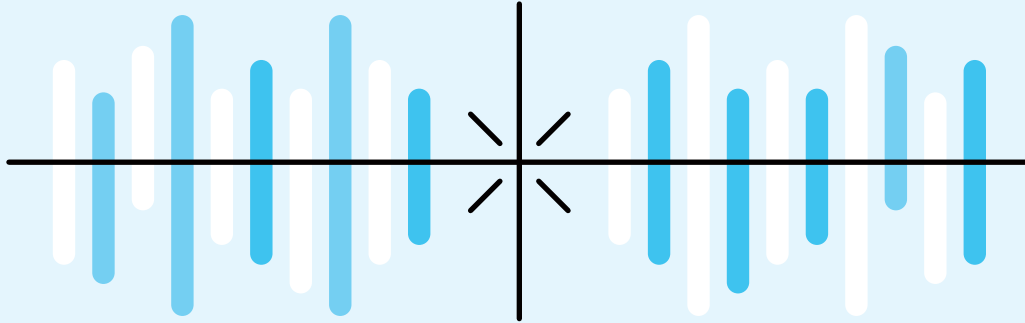
Setting an intention is another inroad to shaping positive conversational experiences. According to Northwestern's Copulsky, the question organizations must ask themselves is "Do I want to move on delivering a customer experience that is memorable versus a customer experience that is frictionless?" Based on the response, an organization must deploy the appropriate technologies. For instance, automated messages via messaging apps are ideal for asking customers to rate their satisfaction with a brand's customer service. However, an AI-powered chatbot is better equipped to recognize a customer's intent, which is essential to providing detailed answers about a product's unique features and functionality.

But for all the efforts to create humanlike interactions between businesses and customers, there are instances in which "a human agent can't be fully replaced," says Patterson. "There are still many support-type transactions that require some decision making that a chatbot can't perfect or navigate quite yet."

Consider, for example, a customer who is trying to renew a subscription for a service but also wants to contest a charge on a recent bill. The chatbot can handle the renewal, but a human agent will be required to explain billing charges. In this case, for a conversational experience to remain positive, a seamless transfer from chatbot to a well-informed human agent must occur.

Toward Automation, Artificial Intelligence, and Integration

Considering where individuals are in their customer journey, determining the intent of a conversational experience, and making human agents part of a conversational AI strategy are best practices that can help organizations derive greater value from creating conversational experiences.



“A human agent can’t be fully replaced. There are still many support-type transactions that require some decision making that a chatbot can’t perfect or navigate quite yet.”

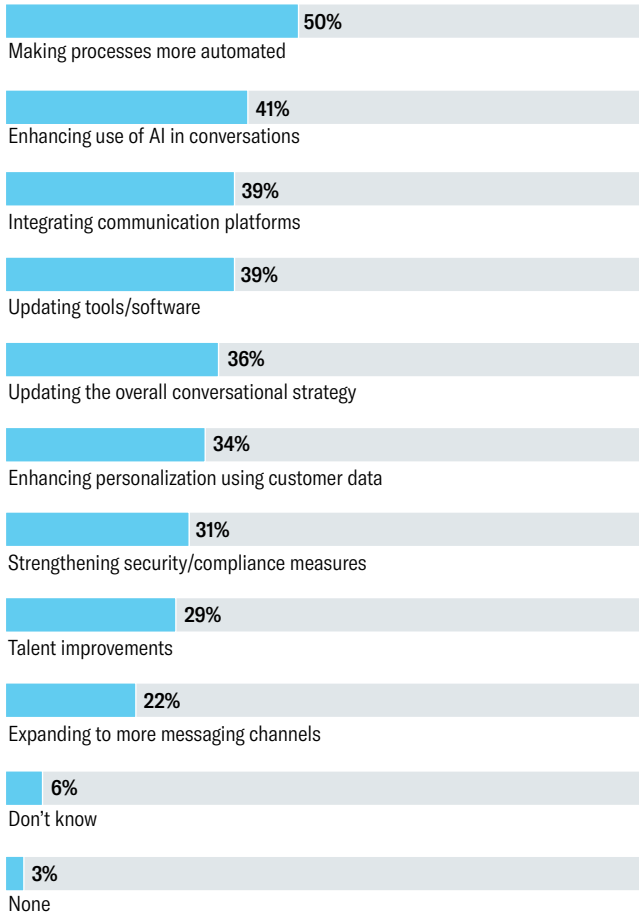
David Patterson, an associate partner at Clarkston Consulting Inc.	
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FIGURE 3

Improvement Efforts Underway

Many organizations are focused on automating processes and leveraging AI to improve conversational experiences

Over the next 12 months, when it comes to improving your organization's conversational experiences, what efforts are being prioritized (if any)? Select all that apply.



Base: 167 respondents. Not shown: 1% Other.

Source: Harvard Business Review Analytic Services survey, February 2025

There are already considerable efforts underway to enhance customer interactions across the entire customer journey. In fact, only 3% of respondents say “None” in response to what efforts are being prioritized when it comes to improving the organization's conversational experiences over the next 12 months. More specifically, half of organizations say they are prioritizing making processes more automated. Use cases for automation are generally understood to

range from automating answers and frequently asked questions to generating reports automatically on how customers interact with a brand.

Many also plan to focus on their use of technology to enhance conversational experiences. Initiatives include enhancing the use of AI in conversations (41%), integrating communication platforms (39%), and updating tools/software (39%). **FIGURE 3**

That's good news given mounting evidence of the demand for natural, humanlike conversations. Organizations have already made strides in automation and quick-response solutions. And many are gleaned key takeaways from past missteps, such as gaining greater insight into customer activity across communication platforms, securing talent with the necessary expertise, and recognizing the role of a human agent in increasingly digitalized interactions. But most importantly, today's customers want to buy from brands that can intuit their unique needs, provide them with personalized information, and simulate human interactions. AI will be critical to meeting these needs, due in large part to its ability to not only recognize individual words but also understand the deeper context of customer queries in ways that, up until now, only humans have been capable of.

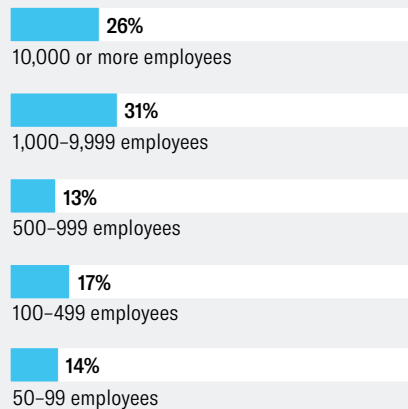
“That's why I'm so passionate and excited about what's coming in customer experience,” says Abraham. “Organizations can use AI to drive growth and significantly improve the customer experience.”



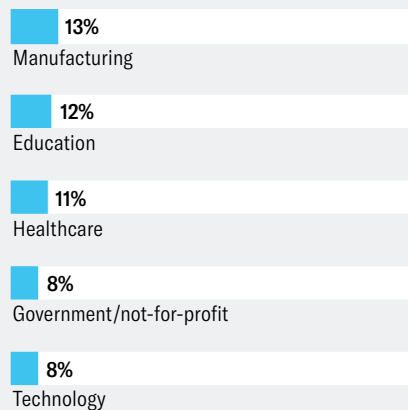
METHODOLOGY AND PARTICIPANT PROFILE

Harvard Business Review Analytic Services surveyed 167 members of the *Harvard Business Review* audience via an online survey fielded in February 2025. Respondents qualified to complete the survey if they were familiar with their organization's use of communication platforms to engage with customers.

ORGANIZATION SIZE

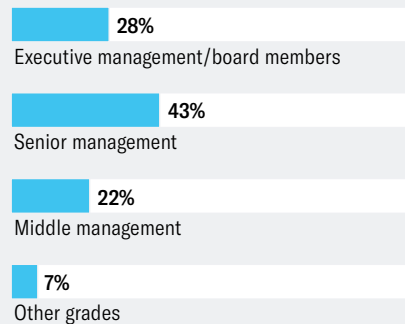


INDUSTRIES

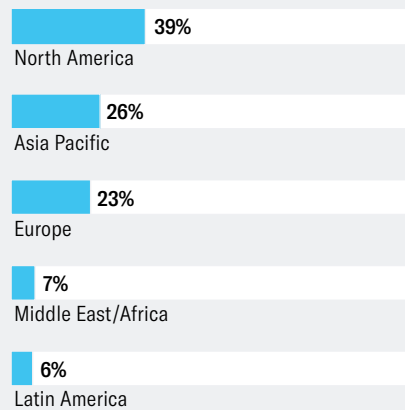


All other sectors less than 8% each.

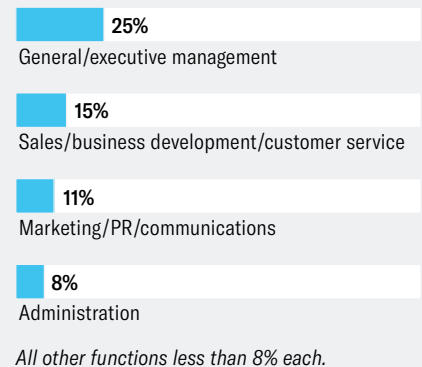
SENIORITY



REGIONS



JOB FUNCTIONS



All other functions less than 8% each.



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