CHAT COMMERCE:
A revenue and engagement revolution

By Nirmal Nair

The chat economy is changing global market dynamics — and for businesses and consumers, the most relevant manifestation of that change is chat commerce. Chat commerce will transform the way companies engage and transact with their customers. Purchases will flow through popular chat apps, such as WhatsApp and Facebook Messenger, instead of through traditional channels. Most importantly: consumers will choose commerce in chat over other options for simplicity, speed, and convenience.

As discussed in my last article, [Chat economy: The digital transformation tsunami](#), the chat economy is the latest and most transformative phase in the evolution of the digital economy. In the chat economy, people and businesses will turn to chat apps to drive economic activities. They will bypass cash, phone calls, in-person interactions, and brand-specific apps and websites in the process.

Today, you can do banking and subscribe to streaming media services within chat, get flight status updates in WhatsApp, and receive hairdresser appointment reminders in Facebook Messenger. That's all evidence of the chat economy sweeping the world. But chat commerce is the aspect of the chat economy commanding the attention of smart business leaders.

Why chat commerce matters

Today, billions of dollars' worth of transactions flow through chat. In China, more than [900 million](#) people turn to WeChat for commerce each month. WeChat offers a fully functional chat commerce ecosystem, with payments, authentication, and more all handled within the WeChat platform. Commerce is on the verge of a similar boom in other chat apps.

> *"Chat will not only become the 'internet' for the rest of the world," says Pieter de Villiers, CEO of Clickatell. "I believe that with advancements in AI, bots, and smart automation, chat will soon become the preferred way we will interact and do business with the brands we love. Why? Simply because it is already the preferred way we interact with family and friends.""*

Though billions of dollars' worth of transactions flow through chat in China every month, there are challenges for brands working to open chat as a sales channel in other countries. In this article, I lay out the challenges to a successful chat commerce rollout. These hurdles need careful consideration for successful proof of concepts and large-scale rollouts.

The five challenges of chat commerce

Smart businesses want to do real business — without resorting to hacks — in all widely used chat apps. However, there are five significant obstacles: chat rail fragmentation, authentication, payments, discovery, and fraud.

1: User experience and fragmented chat rails

Chat apps are the rails of chat commerce. But unlike standardized rail routes used to ship freight, chat rails have no standards. You can't create once and deploy the same user/commerce experience across the various chat apps. However, consumers expect just that — a consistent brand experience regardless of the channel. Businesses must offer a similar experience no matter what chat app a customer uses.

Consider Facebook Messenger and WhatsApp. Messenger incorporates buttons while WhatsApp is more reliant on text commands. Without actually reinventing the user experience for every app, businesses need to design experiences that offer consistency across apps.

Importantly, consideration must be given to the service experience design. For example, it is key that businesses handle exceptions gracefully to avoid frustrating consumers. A human-in-the-loop implementation is necessary in many cases.

My colleague Jeppe Dorff, chief product and technology officer at Clickatell, explains the problem this way:

"The chat ecosystem is quite fragmented. Businesses need to get on as many chat rails as possible to access their customers. At the same time, businesses must find smart ways to smooth over fragmentation to provide the frictionless user experience people expect from chat. Brands that try to overcome chat rail fragmentation on their own should expect to make significant investments, especially since the chat rails, AI, and human-like response technologies are evolving quickly and simultaneously."

2: In-chat payments

Businesses engaging in chat commerce need to support in-chat payments. Without getting too deep into the weeds of transaction processing, a quick look at payment handling reveals an ecosystem that's more disconnected than chat rails. Even credit and debit cards aren't as similar as they seem. Credit card companies have built their businesses on APIs that are far more standardized than debit cards. The cost structures are different, and banks use fragmented processes — even within the same country.

A myriad of potential solutions have emerged that attempt to improve the payment experience. Venmo provides U.S. consumers with a chat-like experience as they exchange funds with each other. U.S. banks developed Zelle to power interbank exchanges between consumers, but Zelle isn't open to businesses yet. Facebook wants to launch a new cryptocurrency called Libra, but the company is meeting resistance from regulators. It would take a book to fully explain the murky world of payments.

"In many ways, payments are the wild west of chat commerce," says Hannes van Rensburg, founder of Fundamo, the first mobile money platform, and currently chief commercial officer at Clickatell. "Businesses that take a DIY approach to in-chat payments will find that it's quite difficult to handle payments. Current payment handling processes don't translate well from a backend processing perspective, or from the standpoint of user experience."

3: Authenticating users across platforms

Businesses must be able to authenticate users to deliver chat commerce. Does that mean making users authenticate themselves? Or should businesses have a way to authenticate users without hoops? To some extent, chat apps should be able to support a seamless authentication process based on the link between a user's unique chat identity and their mobile device.

Any authentication step should be easy for the user and transferable between platforms. For instance, a PIN or ID that works on a downloadable app should also work in chat. Ideally, a customer should be able to shift between chat apps like WhatsApp and Facebook Messenger without having to re-authenticate themselves.

4: Product discovery

Depending on the products a business sells, product discovery can either be fairly straightforward or incredibly difficult within chat. For instance, a telecom customer who wants to buy a data plan should be able to send a message to their service provider that says something like "buy data plan." The customer should then be presented with relevant options from the product catalog, such as three to four popular choices based on inventory, region, customer type, and other factors. This kind of model eliminates much back and forth and provides a single-turn response. A single-turn conversation is one that satisfies the customer's needs with a single response.

Other discovery experiences will be more complex and may require multiple turns. Imagine that a customer wants to buy a blue sweater from a retailer. This is likely to start a long conversation about hue, fabric, weight, style, brand, size, and cost. The customer might have to answer several questions before ever seeing a blue sweater. Providing in-chat browsing for products like clothes and shoes is a high hurdle due to discovery complexity, and it's likely that transactions that can be resolved in single or few turns will dominate chat commerce, at least in the near term.

5: Preventing fraud

It seems that wherever you find commerce you find fraud attempts. Chat is no exception. Yet, there's nothing about chat that makes it riper than other channels for fraud. In fact, chat is more secure. The difficulty of spoofing a chat profile may reduce the appeal of in-chat fraud to the average fraudster. Still, all the legitimate players in the chat ecosystem must be vigilant, including consumers.

A fraudster masquerading as a trusted brand could hurt consumers — and trust in the brand. On the flip side, fraud perpetrators could impersonate consumers in order to steal goods and services from businesses. Strong, secure authentication processes will certainly help prevent some forms of fraud. However, as new and cunning misuses of chat emerge, the ability to quickly spot and stop threats will be essential. It's likely that a number of interesting fraud prevention techniques will be invented for chat.

Prime chat markets: Replacing complexity with simplicity

Where will chat commerce make the biggest impact? Markets where chat lets businesses replace complexity with one- or two-turn conversations. In many markets, the complexity of actually interacting with a business makes simple transactions annoying. Consumers wrestle with logins, chatbots, unwanted survey popups, and jumps between email and web links just to do mundane things like pay a bill or buy access to a pay-per-view event.

With chat commerce, it would be possible to buy a seat upgrade in less time than it takes to log into a website

For instance, the airline industry is ideal for chat commerce, especially with regards to add-on purchases made after booking. Imagine that you're considering buying an airline seat upgrade. Getting a price and buying by phone will probably take 10 minutes. On a website, the interaction will likely take half that time — assuming you navigate the site efficiently. An airline-specific app might be a little faster than a website. Of course, you might not have the app installed on your phone — but most people have a favorite chat app. Chat commerce has the potential to let a consumer ask about upgrade prices and purchase that roomier seat in under a minute. It's a scenario where chat pares down a transaction to its simplest components: how much and buy/don't buy.

Telecommunications companies present even higher potential for chat commerce. Service providers can offer all sorts of products within chat. Additional data and plan upgrades are the obvious starting points. Service providers can use chat to offer partner products, such as subscriptions to streaming services, games, and pay-per-view events.

Utilities and media companies have similar potential to delight customers with chat and to generate new revenue. With chat commerce, utility customers can pay their bills, schedule services, and discover new service offerings. Customers skip phone trees and websites to complete routine tasks. Media companies can use chat commerce to sell access to packetized content quickly and easily.

Chat commerce: The insider view

As the CMO of Clickatell, I'm watching chat commerce advance rapidly and on a global scale. In our view, chat will triumph over other sales channels for the same reasons that chat wins over phone calls: simplicity and speed. People want convenience from chat commerce, not conversation. People will choose chat for commerce when — and because — it offers the best experience.

Simplicity of In-chat commerce

Clickatell offers a complete solution for businesses that want to dive into chat commerce. Our team is tackling chat commerce challenges — quite successfully. We're focused on helping clients win with high-conversion use cases where in-chat commerce is as simple as **Hi**. **Buy**. **Bye**. Our early successes highlight its enormous promise.

30+ million in-chat transactions per month

GT Bank, one of the largest banks in Nigeria, turned to Clickatell for help reaching its many customers through USSD — a simple chat-like experience that can work on any phone and is popular in developing countries. We helped the bank roll out a chat banking and commerce experience. Bank customers can check their balances, transfer funds, and complete other routine banking tasks. More importantly, GT Bank customers can buy products such as prepaid data and airtime from telecom service providers with a few simple selections using their funds in their bank accounts. GT Bank is now testing the same experience on WhatsApp. In-chat commerce has proved popular, with more than 30 million monthly transactions and growing. That's convenience. No need for cash, phone calls, in-person interactions, and apps.

MTN Chat - How it works

Profile
Verified tick confirms you're dealing with MTN. Bio tells you what you can do on MTN Chat.

View balance
Start with the full menu, or send 'balance' to see a detailed balance.

Buy airtime
Send the word 'data' to find and buy a bundle for yourself or someone else.

Telecom provider connects customers to partner products

MTN, one of the largest telecom service providers in South Africa, came to Clickatell with a vision for selling data and airtime within WhatsApp, the most popular chat app among the company's customers. After launching chat commerce and finding immediate success, MTN is forging ahead to expand chat commerce to additional products.

Getting a head start

In my view, 2020 will be the year of global chat commerce. In 2018, we saw the leading chat rails, WhatsApp and Facebook Messenger, become more open to business-to-consumer engagement. As 2019 took shape, many businesses began exploring chat for one-turn self-service and commerce interactions. We expect to see the chat economy explode in 2020, with businesses turning successful concepts into new sales and service channels. At Clickatell, we see strong evidence of this in high levels of inbound interest, speed of contract finalization, and focus from the world's leading brands on launching chat commerce initiatives. Their timing is perfect.