

Chatbots vs Avatars

in Customer Service and Sales :
Choosing the Right AI Companion



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Abstract

This whitepaper dives into:

1

Why you should opt for an AI companion for customer service and sales

2

What's the better AI option for CX and sales: chatbots or avatars?

Use this comprehensive guide to inform your CX strategy and improve sales—with an AI companion of your choice.

Chatbots in a Nutshell

Chatbots are the result of convenience-driven (AI) technology.

Customers want to interact with digital platforms particularly ones that make their lives easier.

An AI technique that is finding its way into everyday lives is chatbots—an automated technology that:

- Interacts with customers—just as a human would
- Drives engagement at little to no cost
- Attends to customers 24x7x365
- Is not restricted by time, physical location, or factors like energy

Organizations that don't have an endless stream of resources and budget—in customer service and sales—find implementing chatbots more appealing for advantages relating to lower cost and higher efficiency

Common examples include Amazon's Alexa as well as Google Assistant, Facebook's Messenger, WeChat, and more.

Two Types of Chatbots You Should Know About

Depending on the way they work, chatbots are classified into two types:

Set Guidelines Chatbot	Machine Learning Chatbot
Works on predefined set guidelines, making the scope of conversation limited.	Made up of an artificial neural network—similar to neural nodes of the human brain.
It is only as intelligent as the programming code.	Programmed to self-learn new dialogues, words.
Responds to set vocabulary and requests with no scope to self-learn.	With every inquiry, the chatbot's ability to respond with accuracy increases.

Benefits and Challenges of Chatbots in Customer Service and Sales

84%

of companies believe AI chatbots will gain importance for customer communication (CCW)

by 2027

chatbots can become the primary customer support channel for a quarter of all companies (Gartner)

67%

increase in sales is brought by chatbots, according to business leaders (Outgrow)

 Dashly

[Source](#)

Let's dig a bit deeper to understand how chatbots are contributing to the field of customer service and sales, starting with:

Advantages of Chatbots

They provide 24x7 service:

Chatbots don't tire or take breaks, making it useful for customer service operations. Your agency's efficiency quadruples without having to break the bank. Plus, a chatbot is able to provide more personalized support - a big win for [64%](#) of customers.

They free up agent time:

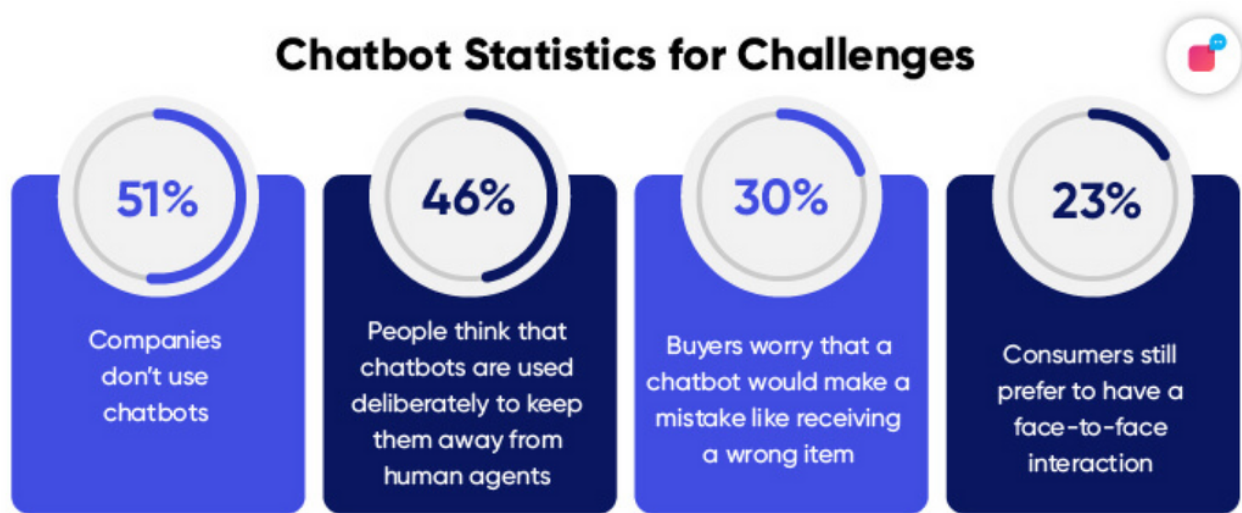
Since chatbots take over the grunt work of responding to repetitive queries, agents get to use their 'freed' time for other tasks that need a human touch. Data also suggests that chatbots saved businesses and consumers up to [2.5 billion](#) hours of customer service hours in 2023!

They are cost-effective:

Aside from freeing up agents (and phone lines), chatbots have a dedicated fan following since they are more cost-effective to run organizations don't need to set up an in-house team or hire experts to get the job done.

What Makes Implementing Chatbots Challenging?

Using chatbots comes at a cost. Here's what customers feel about chatbots in general



Source

Customers are vary of using chatbots, with **23%** preferring face to face interactions. Fear of inaccurate responses poses the biggest barrier for **30%** of customers.

Moreover, customers dislike that chatbots are text-driven in nature and cannot emote, making the interactions one-dimensional and unproductive in many cases.

What Are Virtual Avatars?

Virtual avatars or digital avatars are AI avatars that look like humans. They help add a human touch to your sales and customer service interactions.

Using Natural Language Processing, image recognition technology, 3D animation tools, AR/VR tools, etc., they are able to drive dialogue with the customer and self-learn along the way.

In essence, where AI chatbots miss the mark, AI virtual avatars step in. Hyper-realistic sales avatars can:

- **Sell real-world products:** These avatars can sell products from any industry—be it retail, banking, education, or even ecommerce—in a digital setting and steer the customer's behavior using emotions.
- **Engage customers meaningfully:** With their human-like appearance and interactive capabilities, virtual avatars can engage customers in more personalized and meaningful interactions, particularly outside of business hours (and that, too, every single day).

- **Provide personalized assistance:** Virtual avatars can shadow "ideal customers" and target as well as segment them with tailored help on customer queries, specific preferences, unique behaviours, and more; they can also understand the customer's psyche to some extent, thanks to emerging technologies such as AI, ML, and deep learning.
- **Serve as brand ambassadors:** These AI-powered avatars can also embody a brand's identity and values and represent the company in a consistent light across platforms/

How Avatar Adoption is Limiting for Customer Service and Sales

Avatar adoption, while offering several benefits as just seen, can also present limitations for customer service and sales, such as:

- **Lack of emotional intelligence:** While avatars can simulate human-like interactions, they may struggle to convey empathy and emotional understanding if not programmed accurately.

- **Problems with complex queries:** Avatars may also struggle with complex and nuanced customer queries that require a deeper understanding or specialized knowledge—both of which are specialties of human agents
- **Limited adaptability:** Avatars may demonstrate limited adaptability to handle unexpected customer situations—ones that deviate from predefined scripts and specific scenarios
- **Trust and credibility issues:** Customers may also find it harder to trust an avatar compared to a real human, especially in sensitive and high-stakes interactions
- **Technical limitations:** Avatars may find it challenging to understand unique accents, dialects, and languages, making them a problem for brands with a global user base

Comparing Chatbots and Avatars

When deciding between chatbots and avatars for customer service and sales, consider the nature of interactions you want to offer your users.

If you prioritize efficient text-based communication and automation of repetitive tasks, a chatbot is suitable.

In contrast, if you want to create a more engaging and interactive experience with a visual and emotive touch, an avatar works swimmingly.

Here's a comprehensive comparison between the two:

Aspect	Chatbots	Avatars
1. Functionality + Capabilities	<p>Are text-based AI tools to:</p> <ul style="list-style-type: none">• Simulate human conversation.• Execute tasks based on predefined rules and machine learning algorithms. <p>Handle inquiries, provide information, and perform automated tasks such as booking appointments or placing orders.</p> <p>Rely on natural language processing (NLP) and can be integrated with various platforms such as websites, messaging apps, and voice assistants.</p>	<p>Are graphical representations of virtual characters or real people that can interact with users through text, speech, or gestures</p> <p>Have a more human-like appearance and can convey emotions, which enhances user engagement</p> <p>Incorporates AI to understand—and respond – to customer queries</p> <p>Are more visual and interactive in nature</p>
2. User Experience + Engagement Levels	<p>Offers a convenient and efficient way for customers to interact with a business.</p> <p>Helps customers get information and assistance quickly, without the need to navigate complex menus and interfaces or wait endlessly.</p>	<p>Provides a more immersive and engaging experience compared to a chatbot.</p> <p>Creates a more personalized, engaging interaction by mimicking human gestures and expressions.</p>

Here's a comprehensive comparison between the two:

Aspect	Chatbots	Avatars
2. User Experience + Engagement Levels	It may limit emotional engagement due to the text-based nature.	Builds a more human-like connection with customers where emotional responses are the need of the hour.
3. Performance Metrics + Effectiveness	<p>Evaluated based on metrics such as</p> <ul style="list-style-type: none">• response time.• resolution rate.• customer satisfaction scores. <p>Are effective for:</p> <ul style="list-style-type: none">• handling routine and repetitive tasks.• providing consistent responses.• freeing up human agents for more complex inquiries.	<p>Evaluated based on metrics such as</p> <ul style="list-style-type: none">• engagement time.• interaction rate.• emotional responses. <p>Effective in scenarios where visual and interactive communication is instrumental, such as product demonstrations and virtual assistance.</p> <p>Enhances user experience and satisfaction by providing a more immersive and interactive experience.</p> <p>Require more resources for development and maintenance.</p> <p>Effectiveness is highly dependent on the quality of animation and design used for creating the avatar.</p>

Factors to Consider When Choosing an AI Companion

Creating an iconic AI companion requires strategic thinking.

Use these tips as a jumping point to build a highly engaging chatbot or avatar:

- **Conduct target audience analysis:**

The first task is to identify your customer preferences and expectations. Get the team together and brainstorm on the following:

- What are the most common, repeatable issues your customers are facing?
- How do your customers prefer to communicate with your business (think: chat, email, phone, or some other channel)?
- What languages do your customers speak? Do they have any specific preferences?
- Do your customers expect immediate responses, or are they willing to wait for a more detailed answer?

Spending time and effort at this stage will help you align your AI tool's interactions to your customer's immediate needs and deliver a more personalized experience.

- **Consider use case suitability:**

Want to match your tool's AI capabilities to specific customer service and sales scenarios? Dive into use case suitability testing, starting with the following questions:

- What specific tasks and interactions do you want the tool to handle (read: answering FAQs, driving product recommendations, etc.)?
- How complex are your business-customer interactions? Will the AI tool be able to keep up?
- Are there any regulatory and compliance requirements that the AI must meet for your industry?
- What level of personalization should the AI tool deliver in customer interactions?

Assessing the AI's suitability for your use cases ensures it can meet your business objectives efficiently.

- **Test for integration and scalability:**

Consider how easily the tool integrates with your existing systems—be it CRM or messaging apps. It should scale as your business grows and accommodate expanding functionalities as your real-time customers demand.

To evaluate the tool's integration and scalability, ask:

- - What systems does AI need to integrate with (for instance, your CRM, website, social media, and so on)?
 - How flexible is the AI's integration process? What resources can drive a friction-free implementation?
 - What's the anticipated growth of your customer base? Will AI be able to scale as needed?
 - Will the AI integration with your existing system amplify data privacy and security concerns?

Evaluating the tool's integration capabilities and scalability ensures a smooth implementation process and the long-term effectiveness of the chatbot or avatar in question.

Use Cases: Chatbots and Avatars in Customer Service and Sales

Let's first look at a few use cases of avatars for customer service and sales:

1

How Maruti Suzuki Used a Hyper-Realistic Digital Twin of a Celebrity Avatar to Boost Customer Engagement



[Source](#)

Automobile brand Maruti Suzuki used an avatar – **Varun Dhawan 2.0 – of popular celebrity Varun Dhawan in Auto Expo'23**. Varun, a brand ambassador for Maruti Suzuki, was part of the Expoverse.

DaveAI used 80 cameras to create his realistic avatar using technologies such as photogrammetry, motion capture, and animation.

The avatar was used to:

- Provide visitors with a chance to get a selfie with the actor via a Maruti Suzuki booth, each of which had a device
- Customers had to fill in the basic details on the device first, such as name, email ID, phone number, etc.
- Upon registration, customers were given a unique code, which they had to enter into a kiosk and take a selfie
- The selfie was then sent to the customer via email by the brand

2

B2B Agency Wunderman Thompson Helped ITC to Revolutionize Surveys by Using an Interactive Virtual Avatar

Wunderman Thompson enabled FMCG brand ITC to humanize the survey experience for customers and drive higher response rates for surveys using an engaging avatar.

Here's how this avatar helped gather customer feedback and improve customer service in the process. This virtual avatar was:

- Programmed to read survey questions aloud, adding a human touch to the (boring) process
- Creating a more interactive and conversational survey environment for participants
- Able to transform the mundane process of survey filling into an engaging conversation for customers!



Chatbots in Action Across Industries

Moving on, let's explore how chatbots are driving sales and enhancing customer service across sectors:

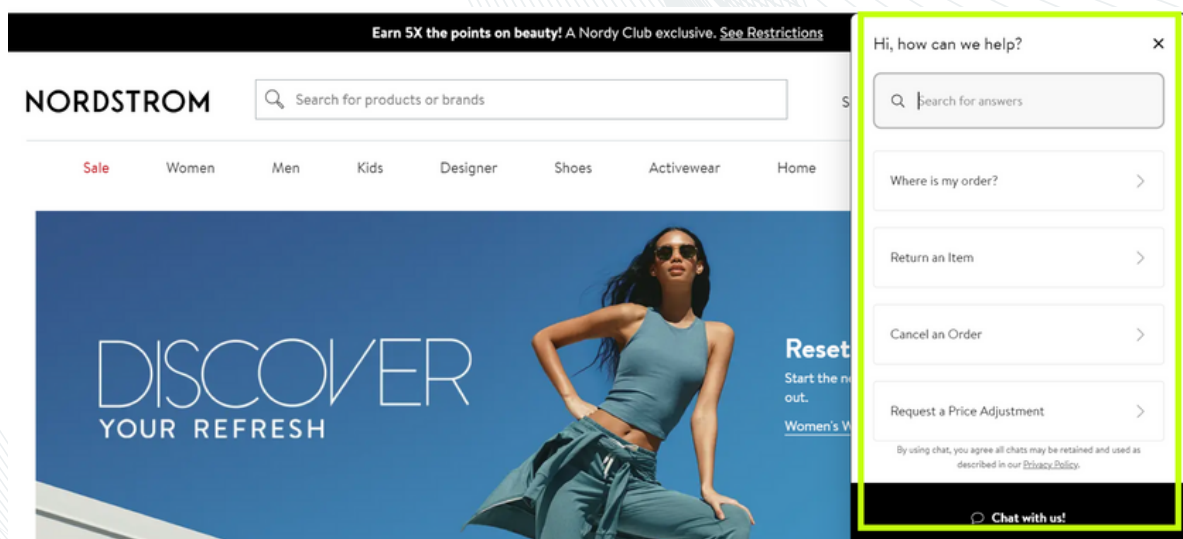
3

Nordstrom Uses a Customer Service Chatbot to Improve the Service Experience

E-commerce chatbots are extremely handy for:

- Answering customer questions online
- Suggesting personalized product recommendations
- Providing all sorts of information
- Automating customer support 24x7

Take a look at Nordstrom's customer service chatbot below, which offers a set of questions that customers can choose and get answers to instantly:

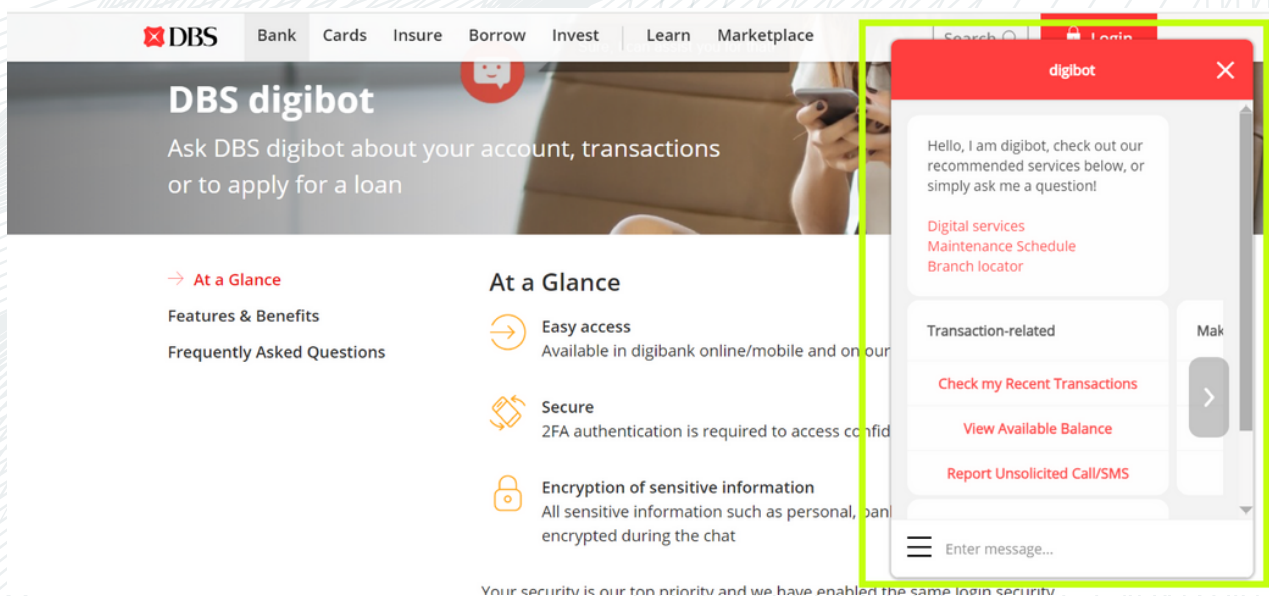


[Source](#)

4

DBS Bank Leverages Digibot to Accelerate Routine Financial Tasks

Forrester claims that a third of European and American customers trust chatbots to handle simple financial tasks—like DBS' Digibot demonstrates below:

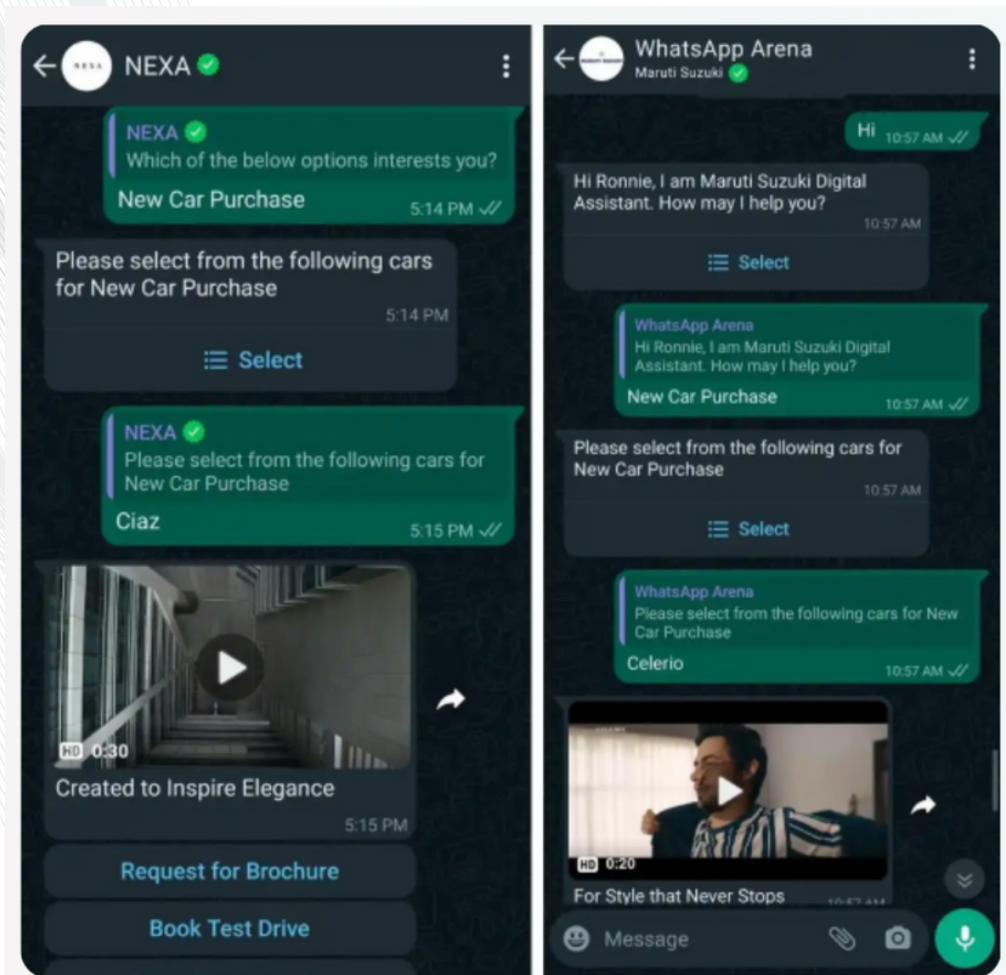


Source

These chatbots can answer foundational questions and speed up basic tasks such as providing details about available balance, transactional history, and so on.

5

Maruti Suzuki Developed a WhatsApp Chatbot to Offer Instant Answers to Customers



Source

This customer service WhatsApp Chatbot helped customers to:

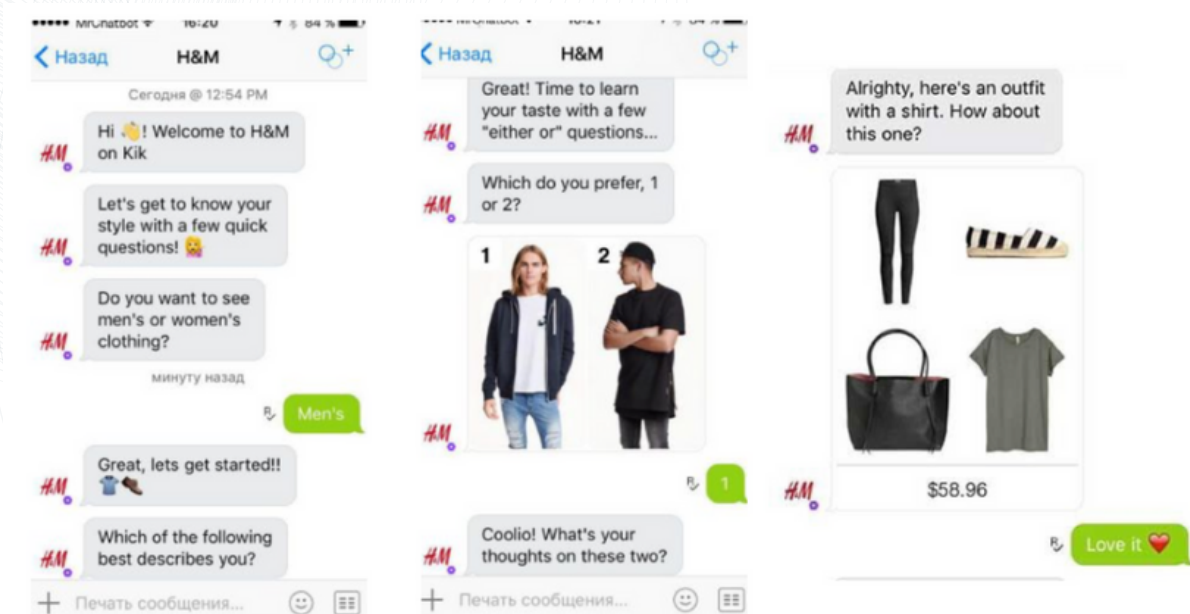
- Initiate conversations, inquire about Maruti Suzuki cars, and receive instant responses
- Get round-the-clock and prompt support in multiple formats, from text to images and documents

6

H&M Uses Chatbot to Drive Sales with Personalized Recommendations

H&M's sales chatbot helps customers to:

- Get personalized style tips as the chatbot gathers information by asking a few questions about their personal style
- Engage in meaningful conversations using emojis
- Save, share, and search for outfits of their choice
- Go to the H&M site for purchase



[Source](#)

The Takeaway:

Both AI-powered chatbots and avatars drive meaningful conversations with customers in varying intensities. With an AI avatar, customers can talk to the tool and build an emotional connection—an advantage that's missing with self-service portals and chatbots. A virtual avatar gives a digitally-driven yet human-like "form" to your brand and, by extension, service, making it more relatable.

Key Concerns for Implementing Chatbots and Avatars

As AI becomes more pervasive, questions of ethicality, data privacy, and oversight come into play.

Whether you're implementing an AI avatar or a chatbot, be mindful of the following considerations and challenges:

- **Ethical considerations:** Both avatars and chatbots raise ethical concerns related to bias and fairness in their algorithms. Choose an AI tool that prioritizes fairness and actively works to minimize bias across interactions.
- **Privacy and data security concerns:** AI tools are built on sensitive customer data. Failure to stick to data privacy regulations leads to loss of customer trust. As a preventive measure, your chosen tool must comply with the stipulated privacy

regulations and have robust security measures in place to protect customer data.

- **Human intervention and oversight requirements:** While AI automates time-consuming tasks, human oversight is still necessary, especially in complex customer service and sales scenarios. So, look for an AI tool that allows for human intervention when additional support is required (that the tool is incapable of offering).

3 Best Practices for Implementing Chatbots and Avatars

Implementing chatbots or avatars is not a decision to take lightly.

Here are a few best practices to keep in mind:

1. Develop a comprehensive AI strategy:

When creating the strategy, ask yourself:

- How can you make the avatar or bot be more human-like (read relatable)?
- How will the AI tool align with your brand identity and personality?

2.Design conversational interfaces for optimal user experience:

When creating the strategy, ask yourself:

- How can you make the avatar or bot be more human-like (read relatable)?
- How will the AI tool align with your brand identity and personality?

3.Monitor and improve your chosen AI companion continuously:

Your AI tool needs continuous monitoring to make sure it is:

- Optimized for platforms and devices that your audience uses
- Functionally useful while being aesthetically appealing

So, conduct regular A/B tests with real-time users, gather feedback, and incorporate relevant inputs to improve your tool's user experience.

Chatbots vs Avatars: Where's the Future Headed?

Let's finally address the most important question you might be having at this moment: What's the future like for chatbots, avatars, and everything in between? Read on.

Emerging technologies such as artificial intelligence and machine learning are giving chatbots and avatars a digital makeover, supercharging their capabilities in the process.

Chatbots and Avatars Are Getting an AI and ML Upgrade

Recently, Sam Altman, the chief executive of OpenAI, [claims](#): "Online chatbots like OpenAI's ChatGPT will take "a leap forward that no one expected"—meaning this new form of AI-and ML-powered technology will be able to:

- Instantly generate images, videos, and other types of media

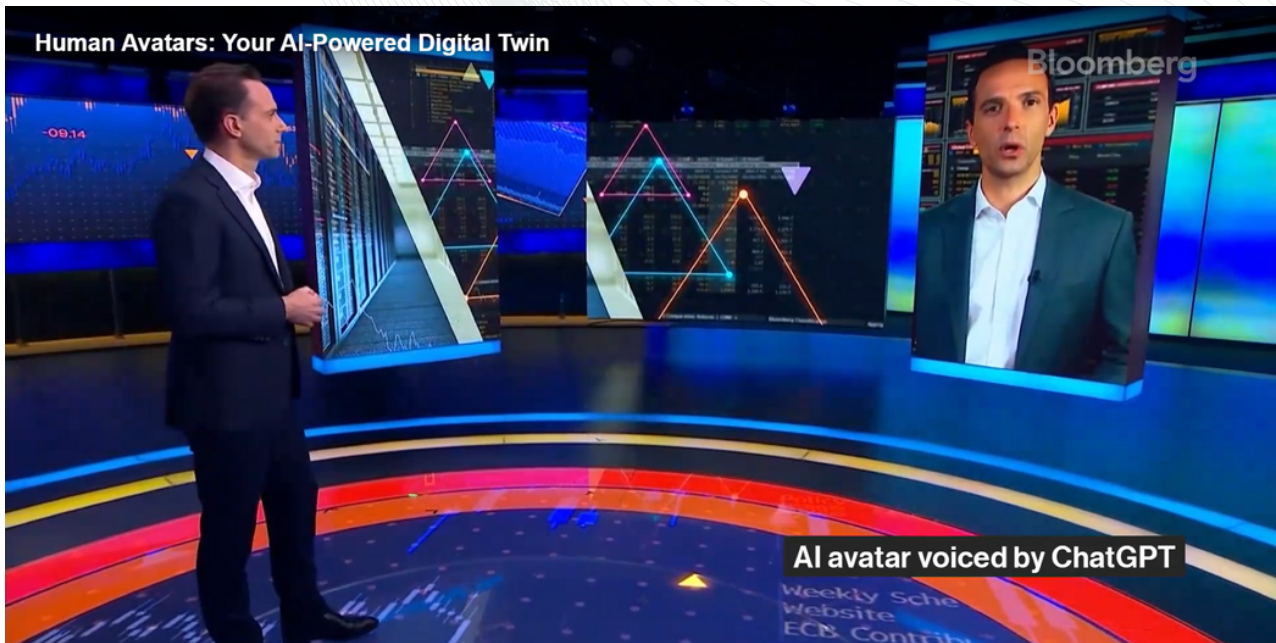
- Mimic human reasoning in original ways
- Seep into the physical world through a new breed of robots

More specifically, chatbots will be able to:

- Go beyond digital text and handle photos, diagrams, videos, charts, and other media
- Exhibit behavior that mirrors accurate human reasoning
- Tackle increasingly complex tasks in fields like math and science

On the other hand, AI-powered avatars are becoming more mainstream:

- **AI avatars are building a more inclusive future:** Tech giants Lenovo and DeepBrain AI, in partnership with the Scott-Morgan Foundation, are developing an AI-powered avatar platform to help people with amyotrophic lateral sclerosis (ALS) communicate!
- **AI avatars are being hailed as your "AI-powered digital twin:"** Recently, Bloomberg even experimented with an AI avatar powered by ChatGPT on live television:



Source

The takeaway:

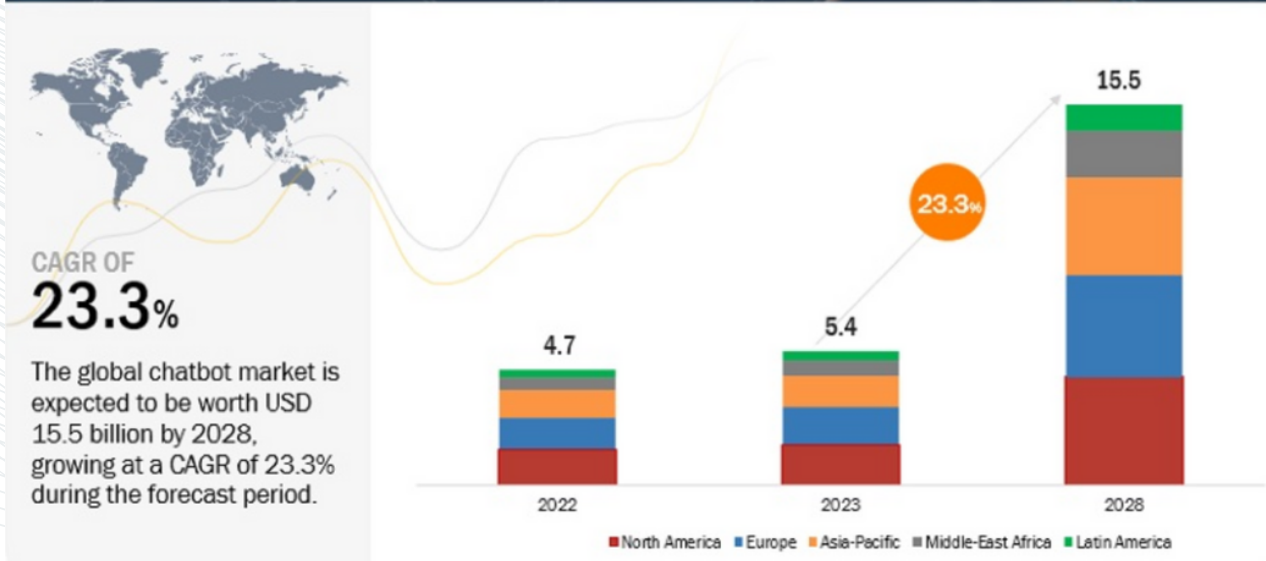
As technology becomes more robot-led, we'll be able to solve problems that extend beyond the digital world.

Predictions—and Potential Impact—of Chatbots and Avatars on CX and Sales

Gartner predicts that *"By 2027, chatbots will become the primary customer service channel for roughly a quarter of organizations."*

Additionally, the global chatbot market size is predicted to reach **\$15.5 billion** by 2028:

CHATBOT MARKET GLOBAL FORECAST TO 2028 (USD BN)



Source

Speaking of avatars, [Bloomberg](#) suggests that the digital avatars market will top \$525 billion by the end of the decade.

In other news, Apple [published](#) research into how companies can use "[Human Gaussian Splats](#), or *HUGS*, a type of generative AI technology to create digital human avatars from a video"—the applications of which are infinite for digital experiences such as virtual reality and consumer experiences.

Needless to say, virtual avatars are gaining traction, with bigwigs like Apple foraying into the space.

Ready to Choose Your AI Companion?

Chatbots and avatars are rightly finding their space in the physical world.

Considering the unique set of challenges and advantages both tools offer, the 'right' AI companion for your business will depend on your:

- Business model—be it customer service or sales
- Organizational objectives
- Customer's habits, work, lifestyle, likes, and more

Most organizations forget that their offering—AI tool in this case—must talk to their customers (quite literally). This is where AI avatars have the upper hand.

The conversations are fluid (not livid) and helpful. Plus, AI avatars are powerful tools that can help you build an organic, emotional relationship with the customer every time the avatar appears on the digital screen.

About DaveAI

DaveAI is a visual AI platform that bridges the gap between self-assisted online discovery & salesperson-assisted offline discovery.

We help brands drive sales with advanced product discovery experiences using an interactive Virtual Sales Avatar that mimics a human sales brain, understands customer requirements & provides hyper-personalized product recommendations.