

CHAT ECONOMY:

the digital transformation tsunami



By Nirmal Nair



Many of us recall our earliest encounters with innovations that have gone on to shape modern life in new — and usually better — ways. New modes like peer-to-peer ridesharing, streaming media, and subscription meal kits have transformed the way we access the basics of life including transport, music, and food. For people and businesses, a bigger seismic shift is happening right now: the chat economy.

The chat economy is the latest phase in the evolution of the digital economy. The [digital economy](#) is a term first used by Don Tapscott in his 1995 bestseller, *The Digital Economy*. Broadly, Tapscott defines the digital economy as the economic activities enabled by information and communication technologies.

The digital economy's first phase was desktop-driven e-commerce and the internet economy. The app economy came into being with the advent of smartphones and global wireless adoption. Now, we see the chat economy taking shape — and it may prove to be the biggest, longest, and most globally transformative chapter in the unfolding story of the digital economy.

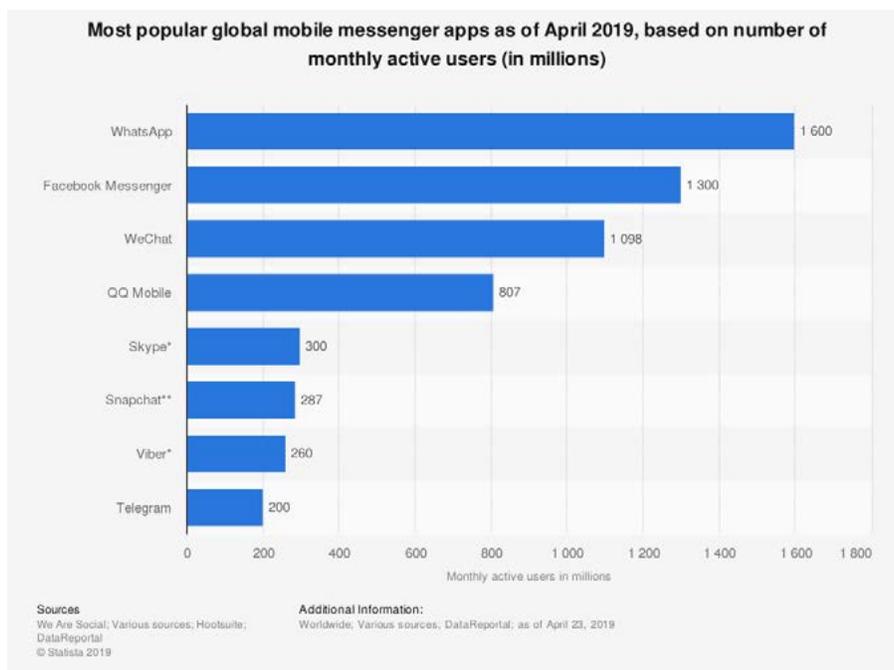
Chat economy can be defined as: Economic activities including the discovery, access, and purchase of goods and services, enabled within chat apps.

In the chat economy, consumers and businesses *bypass cash, talk, in-person interactions, brand-specific apps, and websites*. That's massive.

In this piece, we'll look at how the chat economy is evolving rapidly around the world. In a following article, we'll explore **chat commerce**, the key component of the chat economy.

Chat everywhere

Chat — especially using chat apps — is the preferred communication path for billions of people all over the world. Roughly, more than 2.3 billion people, which is about 34% of the world's population, access the internet through smartphones. And a significant percentage of people use at least one chat app.



WhatsApp leads the race with 1.6 billion monthly active users across 180 countries. Facebook Messenger has 1.3 billion monthly active users. WeChat dominates the Chinese chat landscape with about 1 billion users. Viber and Line enjoy regional popularity in key markets. The privacy-focused Telegram has many adherents. And, yes, many people use multiple chat apps.

WeChat leads the way as others quickly follow

If you use WhatsApp, Instagram, or Facebook Messenger, there's a good chance that your participation in the chat economy has been largely limited to customer-service-oriented interactions. But in China, the chat economy thrives — especially on the country's dominant chat app, WeChat.



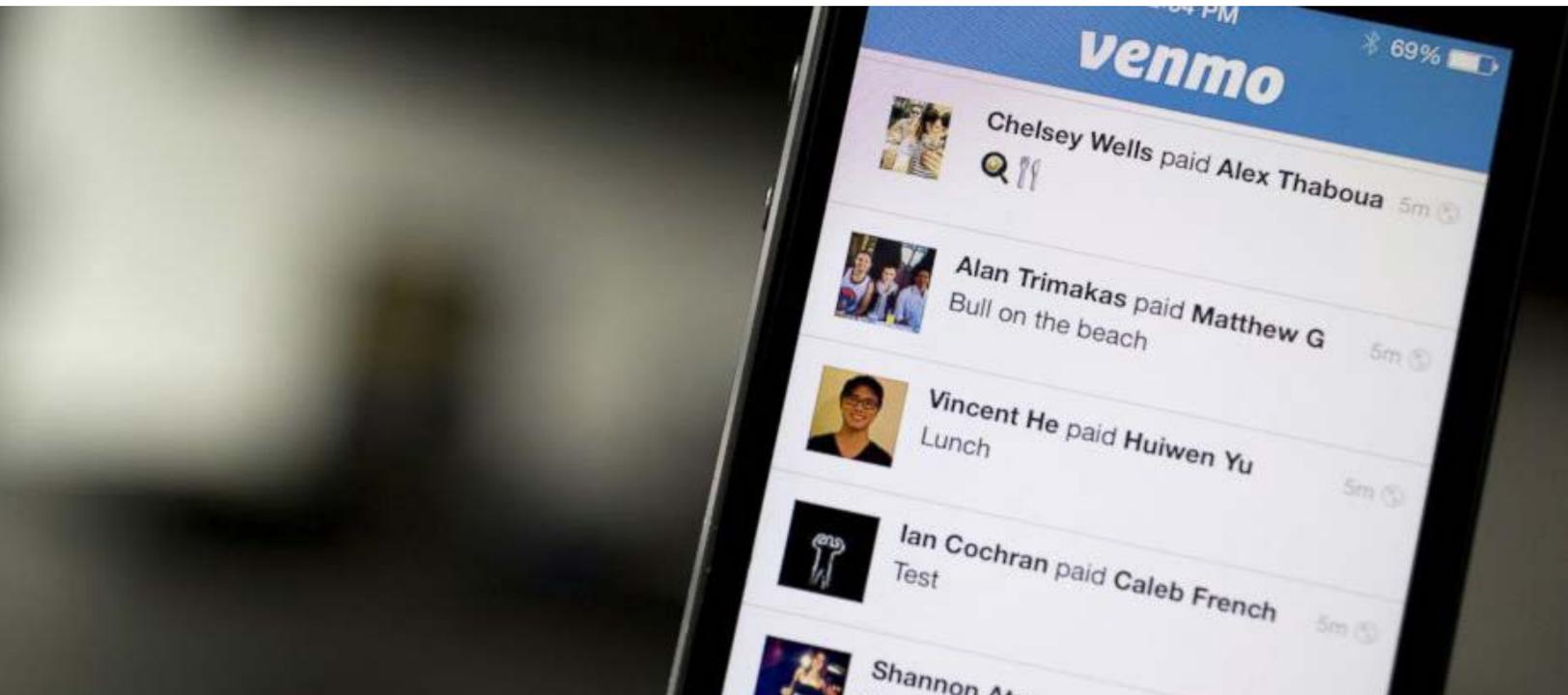
The WeChat mobile payment feature, **WeChat Pay**, enables people to use WeChat to exchange funds. According to *Business Insider*, more than [900 million people](#) use WeChat Pay each month. That's nearly three times the total population of the United States. People can use WeChat Pay for in-person retail purchases; but they can also make in-chat purchases, with [about half of WeChat](#) users spending the equivalent of US \$75 or more each month. [Top-ranked](#) items for sales in 2018 included everything from digital goods (such as games) to clothes and mundane items (such as fruit, toothpaste, supplements, and chargers).

Viber, which is popular in Eastern Europe and parts of the Middle East, enables chat economy participation. The company asserts that when users encounter a transaction link, it results in an impressive [16% buy](#) rate. **Line**, Japan's leading chat app, offers payments, delivery services, ride services, on-demand streaming video, and retail — all within chat. Popular with privacy enthusiasts, **Telegram** makes payments and transactions part of its service.

These examples are just the tip of the commerce iceberg. The **next article** will cover the transaction side of the chat economy in greater detail. For now, let's take a broader look at the current state of the ecosystem in which the chat economy is growing.

Chat economy in the United States

From an economic perspective — using apps to exchange funds, work with businesses, and buy things — Facebook Messenger and WhatsApp are lagging behind other options. Although Facebook is in the process of adding more [business-friendly features](#), WhatsApp and Facebook Messenger users have found other chat-like tools for blending social and economic activity.



Courtesy: <https://abcnews.go.com/Technology/venmo-turning-hilarious-social-network/story?id=25204442>

To exchange funds with each other in the United States, people have turned to social-enabled transaction apps, including **Venmo** and **Zelle**. In Venmo, people can post that they've just finished — and contributed funds for — an amazing meal with friends. *Every transaction is a social conversation.* Many businesses have Venmo business accounts. Their brands benefit from the social exposure that often accompanies each transaction.

Apple Pay is another payment technology with both chat and social aspects. When connected to the user's iMessage chat account, someone with Apple Pay can use [Apple Cash](#) to send money to chat contacts. An estimated [43%](#) of iPhone users have adopted Apple Pay, a number that could surge with the introduction of the new [Apple Card](#) credit card.

For its part, Google is working to make better chat part of the Android experience with RCS (rich communication services).

India provides countless examples of hacking chat for economic reasons—and simple convenience. My favorite example is the use of WhatsApp by a [court to serve a summons](#). Have a question about public safety in Delhi? You can send your question to the Delhi police [helpline on WhatsApp](#). Plus, it's common for restaurants in India to [accept takeout orders](#) using WhatsApp, and people in India to use WhatsApp to send photos of their prescriptions to their [local pharmacy](#) for fulfillment.

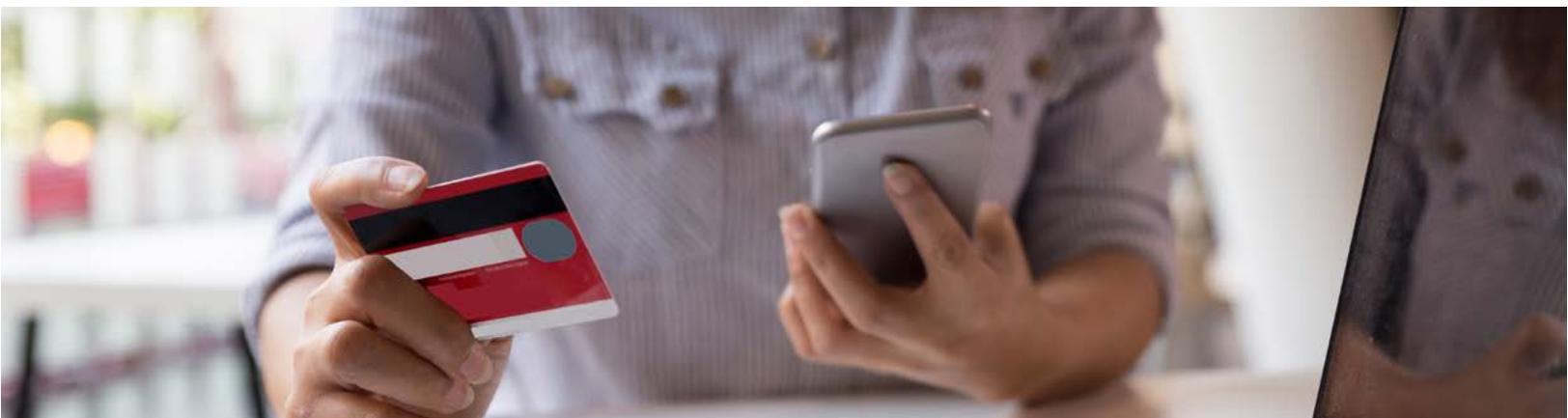
A Brazilian contact recently told me how auto repair shops in San Paulo use WhatsApp to make appointments and keep customers updated about repair status. She gets flight vouchers and answers to travel questions from her preferred airline through WhatsApp. That's just one person's experience. A recent [article in Latin American Business Stories](#) profiled the many ways that Brazilians use WhatsApp. According to the article, 46% of Brazilians buy products through the app.

Pushing the boundaries of WhatsApp

Unlike many other technology-driven trends, the chat economy took root in the developing world before spreading to the first world. That's because a huge percentage of the population in developing countries is **mobile-first** and **mobile-always**. Many businesses in developing countries delight their customers by pushing the boundaries of what's possible with WhatsApp.

Many people in Africa turn to USSD (Unstructured Supplementary Service Data) and WhatsApp to bank. For instance, [United Bank for Africa](#) meets customers' banking needs without forcing them to [download an app](#). Several other [major African banks](#) offer similar chat banking tools.

Bank patrons can transfer funds, check their balances, and complete other routine tasks on WhatsApp in *less time than it takes many first-world banking apps to open*.



Why people love chat

As these examples show, given the option of using a chat-like interface, people will choose it time and time again. The chat economy is even taking off in regions without a digital wallet available within popular chat apps. Why? The chat economy came into being—and is predicted to grow rapidly—because people **prefer low-friction interactions**.

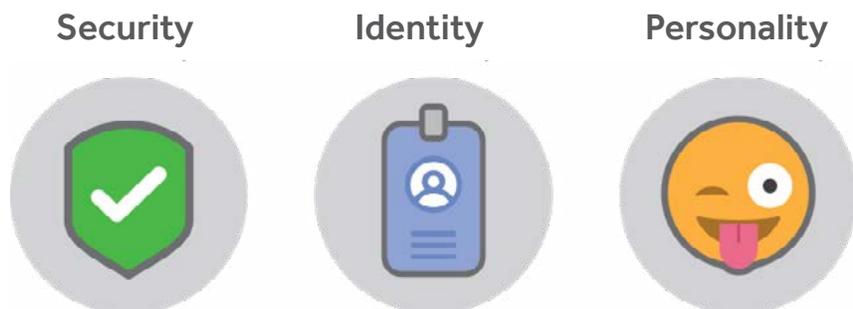
Chat has advantages over other digital options beyond not requiring downloads of single-brand apps. People already spend significant time within their favorite chat apps. Many of us can't resist checking our messages each time our mobile device registers a notification.

Unlike most other forms of communication — like in-person interactions and phone — chat is **asynchronous**. We can have intermittent conversations while doing other things. That's huge, given our increasingly interruption-driven lifestyles. Many younger people rarely make phone calls or listen to voicemails.

Do your younger relatives actually listen to your voicemails and callback? They're more likely to respond to a chat message.

Every business that expects to thrive in the future should formulate a plan for making asynchronous communication easy.

Chat apps also deliver advantages that people want to take into their economic activities: **security**, more-automatic **identity verification**, and **personality**. For security, popular chat apps use encryption. For example, with WhatsApp, people get end-to-end encryption. The built-in security and privacy aspects of chat apps enable trust, lending that trust to the businesses using it.



Chat offers simplicity as it makes security, identity and personality part of engagement

The linking of the chat app to a person's phone through a unique number and a verification process helps identify the user. That opens the door to streamlining the annoying identification processes that require us to verify our identity multiple times to a business. Done right, identity verification could be eliminated or greatly simplified for all chat-based interactions.

People can personalize interactions and convey their emotions and status in chat apps. A thumbs up or down and a smiley or an angry face emoji (*there are 2,823 emojis in the Unicode Standard*) can often better convey the essential message than writing.

An important consideration: *There's no standardization of chat apps or their functionality. So, consistency of the customer experience across apps might be a challenge. You often see good ideas for features start on one app only to be introduced — and gain traction — on another. This cross-pollination is good for the consumer.*

Will chat reign supreme?

Let's take a quick look at the alternative points to the inevitable dominance of chat. Take branded apps. I, like most consumers, have **app fatigue**. People don't want too many apps. Nor do they want to constantly master new interfaces just to do similar things. And there's a limit to how many "auto updating" app cycles we can tolerate. A [majority](#) of U.S. mobile users download fewer than one app per month, on average.

The phrase "there's an app for that" is now more of a joke than an expression of appreciation for creativity. But I imagine that, in the future, people will say, "**there's a chat contact for that.**" For example, ride-hailing services — such as Uber, Grab, and Go-jek — started out as dedicated apps, and now have chat as a feature because people like chat. I expect this to flip. We will soon see **chat-centric** and **chat-first** businesses succeeding wildly. To compete, incumbents will need to join their customers within chat apps instead of just adding chat as a feature.

The chat economy ecosystem

The main players in the chat economy ecosystem belong to one or more of these sections: Chat platforms, digital currency, payments, mobile wallets, chat commerce, chatbots/Conversation AI and identity management.



Chat economy ecosystem. Illustrated by Albert Campos.

This is really a rough cut. As the ecosystem matures, various other areas like marketing, analytics and support services will emerge and thrive.



Future of the chat economy

As we see, the chat economy is well underway. WeChat, Viber, and Line users show that, given the chance, people will look to their favorite apps to connect with the goods and services they want. These are strong regional successes. The inclusion of two critical pieces, **commerce** and **payments**, on more widely popular chat apps will usher in a global chat economy.

There has been a flurry of developments on the payments side. The [Facebook-led Libra](#) cryptocurrency initiative has the potential to bring easy cross-border transaction capabilities into Facebook Messenger and WhatsApp. [Banks and digital currency consortiums](#) are trying to crack the same problem through other coalitions. Whether through Libra or some other option, simple transactions will soon become increasingly common within all popular chat apps.

To engage in commerce, businesses need to be able to find customers — and customers must be able to find services — within chat apps. Then, chat interactions must support intuitive product selection, friction-free payments, and fulfillment experience. Easy identity management is essential to both building trust in chat commerce and maintaining the simplicity of chat.

At [Clickatell](#), we're working to address payment handling and other commerce challenges with businesses eager to join their customers in chat. We have the goal of supporting any type of legitimate transaction with speed, simplicity, and security, and our team has solved the transaction puzzle for some types of businesses, such as banks and telcos.

Although big, the hurdles to chat commerce are being actively worked on as I write this.

The next article will focus on how **chat commerce** is happening today, and the surge of transactional activity likely to flow from easy in-chat shopping, payments, and identity management.

Get ready for your first in-chat purchase. Your first in-chat fund transfer. Your first in-chat utility outage update.