

How AI Will Impact Retail



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Introduction

AI has completely changed the way retailers work, engage with customers, and fight for market share in recent years.

AI has advanced even further with the introduction of chatbots and machine learning, allowing merchants to streamline their processes and provide individualized consumer experiences.

In this illustration, we'll highlight the key advantages of artificial intelligence (AI) for both online and physical retail businesses, as well as how well-known retailers use AI and machine learning to increase sales and win over customers.

What is Retail Artificial Intelligence, and why is it important?

To characterize contemporary consumers as spoilt and astute would not be excessive.

The need to satisfy growing customer expectations for efficient, easy, and personalized purchasing experiences has prompted a trend towards artificial intelligence.

Retail businesses are starting to use AI to improve customer experience and operations in order to win back their consumers' loyalty.

Using a solution driven by AI, retailers can

1. Cut back on overheads
2. Give their clients a flawless omnichannel experience
3. Increasing the efficacy of marketing initiatives
4. Boost decision-making speed and accuracy
5. Maximize inventory management
6. Offer individualized client support
7. Improve the identification and avoidance of fraud

A Fortune Business Insider article projects that the global AI retail sector would reach USD 31.18 billion by 2028.

Retailers, you just cannot afford to stay out of this AI game as it is here to stay.

Important advantages of using AI in retail

According to an Accenture analysis, by 2035, AI-powered retail solutions might boost profitability rates by 59%. Companies are gradually moving from having the option to use AI to having to do so in order to compete and stay competitive with customers.

AI applications that are meant to make the daily tasks of marketers, graphic designers, sales advisors, eCommerce managers, and customer care teams easier are being released on a daily basis.

Let's examine some of the key advantages of using artificial intelligence in retail in more detail.

#1 Customer shopping experience across multiple channels

Retailers can design a smooth online, mobile, and in-store buying experience for their customers with the help of AI.

Retailers can give individualized advice, 24/7 customer service, and personalized answers to client inquiries with the help of AI-powered chatbots and virtual assistants.

#2 More specialized marketing initiatives

Artificial Intelligence (AI) assists marketers in improving consumer segmentation by surfing through large amounts of data and drawing conclusions from customer base.

More specialized content and focused advertising follow, eventually raising conversion rates and generating income.

#3 Enhanced interaction with customers

Retailers may interact with customers in real-time, increasing customer satisfaction and loyalty, with the help of AI-powered solutions like chatbots and virtual assistants.

Retailers can utilize AI to anticipate consumer behaviour, comprehend client preferences, and provide tailored incentives.

#4 Tailored client support

Customization is essential to winning over today's consumers.

According to a Salesforce survey, 52% of customers are inclined to switch brands if they don't receive personalized messages, and 64% of consumers want tailored offers from merchants.

AI may assist merchants in providing individualized customer care by evaluating consumer data and making customized recommendations.

#5 Enhanced operational procedures

Using AI in retail increases decision-making processes, accuracy and efficiency while offering real-time information.

Retailers may anticipate demand for various goods and services, prevent overstocking or understocking, and improve personnel, pricing, and manufacturing methods by leveraging the power of data. Furthermore, by tracking production costs and enhancing supply chain management, AI forecasting systems can assist businesses in becoming more sustainable.

#6 Less human mistake and greater opportunity for originality

Indeed, AI can help businesses cut labour expenses. However, before you consider layoffs, learn more about AI below and provide your staff a sense of security.

Automation does not always imply doing away with redundant tasks and substituting technology for people in the workplace.

Rather, by automating repetitive tasks, artificial intelligence and machine learning can reduce the likelihood of errors in commercial processes.

This frees up your team from repetitive work so they may concentrate on more intricate and innovative projects that will improve your bottom line.

That's how brilliant ideas come to be.

How is AI applied in business?

Predictive Analysis

Retailers may make data-driven decisions regarding pricing, product recommendations, and inventory management with the aid of AI-powered predictive analytics solutions.

Identifying trends and possibilities and optimizing marketing efforts are also effective strategies for marketers.

Inventory Control

Businesses looking to increase profitability and optimize inventory management may find artificial intelligence to be a game-changer.

Demand forecasting is one of the main advantages of AI in inventory management.

Artificial intelligence (AI) algorithms can forecast future product demand with high accuracy using past sales data and market patterns. This helps firms manage inventory levels and prevent stockouts.

Businesses may lower costs, increase efficiency, and improve customer happiness by using AI to predict demand, optimize inventory levels, and streamline supply chain operations. This will ultimately lead to revenue growth and long-term success.

Product Suggestion

The "Also Check" area is familiar to everyone who shops online in Amazon or uses streaming services like Netflix or Spotify.

These AI-powered product recommendation systems examine user profiles and browsing histories among other customer data to suggest things that would be of interest to clientele.

These tailored product suggestions can boost sales, raise consumer satisfaction, and improve the entire shopping experience.

Product recommendation systems use artificial intelligence (AI) in three different methods to propose products to customers:

1. Collaborative Filtering: This widely used method is employed in recommender systems to make product recommendations based on the tastes of similar users. It operates by examining user activity to identify trends that point to shared interests.

For instance, if a client often purchases bags and shoes, the system can suggest complementary accessories to finish the ensemble.

2.Content-Based Filtering: This method generates suggestions based on product characteristics including size, colour, brand, and material. For instance, the system might suggest outfits that are similar to one another based on features when a buyer is looking for a particular dress style.

3. Natural Language Processing (NLP): In order to better understand consumer preferences, businesses can use NLP to examine reviews, social media interactions, and feedback from customers. Subsequently, this data can be leveraged to enhance product suggestions and enhance customer experience.

Customized Promotion

AI is an effective tool for evaluating consumer data and making tailored suggestions at each stage of the sales and marketing process.

Superior product information combined with a message that is well-tailored can increase sales and boost customer satisfaction.

According to Adweek publications, there are benefits to personalization. Seventy-five percent of consumers are more inclined to make a purchase from a company that they recognize, recall, or that offers recommendations that are relevant to them.

Image Identification

For many retail brands, counterfeit goods are the worst enemy. Artificial intelligence-driven picture identification technologies can assist companies in spotting fraudulent activities and counterfeit goods, therefore preventing fraud.

Artificial intelligence (AI) systems analyse visual data to recognize products, brands, and other features of a picture by automating the process of identifying and classifying products in photographs.

The development of visual search, product suggestions, and inventory management also depend on image recognition.

Client Segmentation

To build client profiles, AI systems can examine data from multiple sources, including demographics, social media activity, past purchases, and browsing patterns.

Retailers can utilize these profiles to better understand the interests, requirements, and habits of their customers in order to develop individualized marketing campaigns and suggestions.

Additionally, segments based on a customer's demographics, past purchases, and behavioural tendencies may be created via AI-powered tools.

Using these segmentation models in conjunction with customer review analysis to better understand consumer sentiment and opinions regarding goods and services results in the creation of more specialized marketing communication.

Fraud Prevention and Identification

By rapidly and reliably analysing vast amounts of data and seeing trends and abnormalities that can point to fraudulent activity, artificial intelligence (AI) can be very useful in discovering and stopping fraud in retail businesses.

Retailers can discover suspicious behaviour and transactions, such as high-value purchases, frequent chargebacks, and purchases made at strange hours or from unusual locations, frequent returns etc. with the aid of AI-powered transaction monitoring, for instance. Retailers can use this to find any scammers and take the necessary action.

Furthermore, through the examination of consumer data, artificial intelligence (AI) can identify behavioural patterns that point to fraudulent activity, like alterations in shopping habits, recurrent exchanges, or the usage of credit cards that have been stolen (a technique that Walmart employs among others).

Product Synopses

Rich product information and captivating product stories need the creation of engrossing and informative product descriptions.

ChatGPT and other contemporary AI writing technologies are capable of producing excellent product descriptions. Although they frequently still require editing, this can greatly reduce the amount of time copywriters and marketers must spend creating a large number of fresh product descriptions on a regular basis.

Chatbots and Virtual Assistants

Virtual assistants and chatbots can also offer round-the-clock customer assistance by automatically and quickly responding to questions and issues from clients, day or night.

This keeps consumers from having to wait for a live customer support agent to become available and guarantees that they may get help and support anytime they need it.

It also frees up the customer support team to concentrate on urgent and challenging issues.

4 examples of AI in Retail Business

Artificial intelligence and machine learning are used extensively by large international retailers in a variety of their operations.

Chatbots for customer support and personalized recommendations are now commonplace in most online retailers for modern consumers. AI assistance is also being utilized to enhance inventory control and pricing strategy.

Here are some motivating examples of how artificial intelligence might advance contemporary Retailing.

Amazon

Leading the way in artificial intelligence, Amazon uses the technology for a variety of purposes, including supply chain management, operational efficiency, and customer experience enhancement.

Here are two noteworthy instances:

Voice Recognition and Alexa: Natural language processing (NLP) and machine learning techniques are used by Alexa, Amazon's voice-activated virtual assistant, to comprehend customer inquiries and offer answers. Alexa is capable of ordering goods, scheduling reminders, and managing smart home automation.

Amazon Go Shops: Artificial intelligence (AI)-powered cameras and sensors monitor client movement and purchases in real Amazon stores located in the US and the UK. Consumers do not need to go through the checkout procedure; they may just stroll inside the store, select the items they need, and go. The AI-driven system monitors the products they have taken and charges their Amazon account accordingly.

IKEA

The biggest furniture retailer in the world is renowned for its innovative technological solutions and inventive marketing efforts.

IKEA leverages AI to better serve its consumers' requirements and enhance their shopping encounters.

IKEA uses augmented reality (AR) and virtual reality (VR) technologies to let buyers preview how furniture will look in their homes before making a purchase. For example, the IKEA Place app makes use of augmented reality to let users see how furniture might look in their home. This feature lowers the possibility of returns while assisting customers in making better judgments.

Product Development: IKEA creates new goods with AI. The business analyses client feedback and detects popular design trends using machine learning techniques.

In order to ensure that new products satisfy consumer demands and preferences, this data is used to inform product design.

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Sephora

One of the first companies to break new ground in the cosmetics industry with AI and AR was Sephora, the Omnichannel guru.

These are their two cutting-edge client services.

Virtual Try-On: Sephora has introduced a Virtual Artist tool that enables users to virtually try on cosmetics using augmented reality (AR) on both its website and app.

This AI-powered technology maps a user's facial features using facial recognition, then instantly overlays the desired makeup look on their face. This saves clients from having to physically apply a product to see how it will look on them.

Skin Diagnostic Tool: Using artificial intelligence (AI), Sephora's Skincare IQ tool determines a customer's skin type and suggests items that will be most effective for them. The program employs machine learning algorithms to suggest products based on their components and efficacy for comparable skin types after collecting information from the user via a questionnaire about their skin concerns.

ZARA

The industry leader in fast fashion has been integrating AI technology into design, production, inventory control, and customer experience, among other areas of its company operations.

Here are a few examples of Zara's use of AI:

Style: Zara generates new designs that are likely to be successful by identifying trends and evaluating client data and preferences. In order to inform the design process, machine learning algorithms examine sales data, customer reviews, and social media trends.

Inventory management: By forecasting future demand using sales data, artificial intelligence (AI) assists Zara in managing its inventory. This helps the company optimize its inventory levels and prevent stockouts.

Sustainability: Zara use machine learning algorithms to examine its supply chain and find areas where waste can be cut and productivity can be increased.

You can use AI to fulfil your consumers' ever-changing needs and stay competitive by taking a cue from these successful use cases.

AI & the Future of Retail

Artificial Intelligence has the ability to completely transform how businesses run, engage with their customers, and increase sales. It is a game-changer for the retail sector.

Robotic cafes such as DAWN in Tokyo and Metaverse shopping are just the beginning. But as of right now, AI is not flawless, and human advice is still required—and we think it always will be.

Retailers can deliver a better consumer experience with the use of artificial intelligence. They still have to be concerned about the veracity and timeless nature of the data they feed AI, though.

Even the finest algorithms are ineffective without it.

Therefore, it's a good idea to familiarize yourself with the fundamentals of product information management and useful retail automation tactics before implementing AI.

Artificial Intelligence (AI) is a game-changer for the retail sector and has enormous potential to transform how companies' function, and engage with.

One of the many pillars of a successful omnichannel sales strategy is product information management, which is essential for both brand consistency and a positive consumer shopping experience.

Engage your customers with accurate and consistent product content across all channels and touchpoints, it also simplifies multichannel distribution.

To find out more about Product Information Management and to begin creating a customized plan for your needs related to product content, get in contact with our consultants.

How AI Revolutionizes Product Information Management?

- ◆ Data Extraction & Cleansing
- ◆ Automated Product Categorization and Classification in PIM
- ◆ Improved Product Search and Discovery
- ◆ Personalized Product Recommendation
- ◆ Product Content Management
- ◆ SKU Matching
- ◆ Dynamic Pricing
- ◆ Demand Forecasting
- ◆ Image Recognition and Tagging

5 Challenges of Implementing AI in Retail

There is room for innovation in the retail sector. But according to industry surveys, a startling 60% of retailers still haven't included artificial intelligence (AI), one of the world's fastest-growing technologies.

Retailers can enhance their operations through AI's many benefits and potential, but putting it into practice has its share of difficulties. Will shops be able to bounce back from these losses and become more competitive and tech-driven?

It's safe to conclude that artificial intelligence (AI) and machine learning (ML), a subset of AI, will proliferate and become ubiquitous across industries - retail is no exception. But putting AI into practice is not an easy task. Retailers could encounter obstacles when using and adopting AI. These are a few of them.

1. Displacement of Workers

It's hardly surprising that many are worried about whether AI will result in widespread worker displacement given its development and acceptance. Self-service checkout lines and robotic caretakers are commonplace at big box and supermarket shops, helping to enhance the customer experience.

Retailers may worry that AI will replace workers if it develops further. But it's becoming obvious that AI, in its current state, will probably be used to augment human labour.

It hasn't developed to the point where it can do away with the necessity for humans. However, one worry that might keep shops from implementing AI is workforce displacement.

2. Aversion to Change

The retail sector is not the only one behind in using AI. The innate fear of change is one of the main reasons why AI adoption is sluggish in a number of different industries. Every business ought to be eager to adopt new technologies, but that isn't always the case.

Retailers are unable to accept and apply AI technologies due to a fear of change. It can appear too difficult to handle or would require significant adjustments to operations and procedures.

3. Difficulty Maintaining Data Security

Large volumes of data are necessary for AI systems to operate effectively. Retail data is created from a variety of platforms and sources, making it challenging to organize, store, and process in order to extract useful information.

The absence of a committed IT staff or workers with in-depth AI expertise may be a significant obstacle to the application of AI. Any retailer would prefer nothing more than to invest time and money in AI only to have it proven ineffective. Retailers also need to put a high priority on data protection, particularly in the increasingly dangerous cybersecurity climate of today.

4. Insufficient ROI

It is typically costly to implement sophisticated AI or ML systems, particularly for small and medium-sized enterprises (SMBs). While the cost will probably go down over time as more retailers use these technologies, many currently lack the resources to support AI projects.

For businesses in the retail industry, deploying AI may seem like a waste of time, effort, and resources if there is insufficient return on investment (ROI). Any company, regardless of sector, should evaluate the possible return on investment (ROI) before introducing new technologies. By implementing one or two innovative technologies, retailers may be able to start reaping the benefits of artificial intelligence.

5. Skill Gap in Employees

The personnel skills gap is the last obstacle merchants must overcome when deploying AI. Since artificial intelligence is still in its infancy, the majority of Indian work force know very little to nothing about it. They are unaware of its potential, its operation, the upkeep requirements for AI-based solutions, or the reasons behind their increasing demand.

Without enough staff members who are well-versed in AI and its inner workings, retailers may not be able to benefit from AI solutions.

Businesses may be able to close the skills gap and successfully adopt and deploy AI if they provide their staff with additional training to help them comprehend the technology.

The Retail Industry's AI Future

AI is bound to grow more prevalent in a variety of businesses, and the retail sector is no exception. Every new technology implementation will have some difficulties, but for businesses willing to take the risk, there will be plenty of rewards.

By using AI-based solutions, retail businesses may increase sales, enhance the customer experience, and operate more efficiently. The retail sector and others will continue to gain from AI's skills as it develops further.

71% of Indian retailers plan to adopt Gen AI in the next 12 months, says EY Survey.

24 Examples of AI Users in Retail & E-commerce

***Read these reports on Retail performance blog.**

AI IN RETAIL

AI Model/Algorithm	Application in Retail	Description/Example
Recommendation Systems	Product and service suggestions	Collaborative Filtering: User-item filtering, matrix factorization Content-Based Filtering: User profiles and item attributes Hybrid Models: Combination of collaborative and content-based filtering
Natural Language Processing (NLP)	Analysing customer feedback and social media	Sentiment Analysis: Models like BERT, GPT-3, VADER used for analysing customer reviews and feedback
Computer Vision	Product image recognition, visual search, inventory management, and security	Image Recognition: Product recognition and visual search Object Detection: Tracking products, preventing theft, and Monitoring shelves. Facial Recognition: Used for security and personalized experiences
Dynamic Pricing Algorithms	Real-time price adjustment	Adjusting prices based on demand, competitor pricing, and historical data
Inventory Management	Optimizing inventory levels	Demand Forecasting and Supply Chain Optimization
Fraud Detection	Identifying fraudulent transactions and activities	Machine Learning, Anomaly Detection, and deep learning models identify fraudulent activities.
Customer Segmentation	Grouping customers for targeted marketing	Segmenting customers based on shared behaviours and attributes, and categorizing them based on recency, frequency, and monetary value