Will AI Transform Retail?

Article

Artificial intelligence (AI) is transforming several sectors of the economy such as automotive, marketing and healthcare. Retail could be next.

According to an August 2018 survey of 400 retail executives worldwide by Capgemini, AI could save retailers as much as $340 billion annually by 2022. Capgemini estimates that 80% of the savings would come from AI enabling more efficient processes for supply chains and returns.

Roughly 10% of respondents said customer-facing AI functions, such as chatbots and self-checkout services, will benefit retailers by enhancing customer satisfaction.

How Are Retailers Worldwide Expecting to Benefit from Using AI in Customer-Facing Functions?
% of respondents, Aug 2018

Enhanced customer satisfaction	9.4%
Increase in promotion efficiency	8.4%
Reduction in customer complaints	8.1%
Reduction in customer churn	5.0%

Source: Capgemini, "Building the Retail Superstar," Dec 17, 2018
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A similar number of respondents in Capgemini's survey said that AI will increase promotion efficiency and reduce customer complaints. The study also found that AI can boost promotion efficiency by enabling automated ad buying, personalizing customers' online experiences and serving users targeted recommendations. Retail and payment firms have used AI to spot fraudulent charges and give high churning customers a more personalized online experience in an attempt to improve customer satisfaction and reduce complaints.

eMarketer spoke with several retail industry insiders about AI. Here's what they said:

Frank Beard, Convenience Store and Retail Analyst, GasBuddy: AI has opened a world of possibilities for physical retail. The next few years will see continued enhancements to both customer experience and operations, especially with developments in checkout-free technology.

Andrew Scarbrough, Co-Founder, COO, PriceWaiter: AI in image recognition is now here to stay in ecommerce, and it blows away barcode scanning, which seemed like the future just a few years ago. It reminds us of the rapid digitization of DVDs to Blu-rays to [digital streaming] where at each stage people thought we might be done, at least for a while.

Daniel Druker, CMO, Instart: AI is revolutionizing the retail industry by making it cost-effective to deliver a completely personalized, immersive and optimized experience for every individual consumer at massive scale.

Chris Miglino, Co-Founder, CEO, Srax: AI's biggest benefit to retailers will be the analysis of all the wealth of data they have and creating actionable items that can be executed against them. Had machine learning not been there, they wouldn't have the opportunity to actually act on it.

Matt Sargent, Senior Vice President of Retail, Magid: AI has, and will, continue to change retail. There are four main areas where AI is currently changing retail and where AI will change

retail in the future: assortment planning, personalization, voice ordering and customer support.

Matt Glickman, Vice President of Customer and Product Strategy, Snowflake: All retailers are under disruption right now. If you don't develop a direct relationship with your consumers, you will not survive in Amazon's world. This disintermediation is critical to get data about your customers. With this data, AI can be used to create customized recommendations and products, which is all expected from consumers today.

Abinash Tripathy, Founder, Chief Strategy Officer, Helpshift: Today, most post-sales interactions are handled manually, but in 2019, AI-powered bots will help customers self-serve and resolve their problems faster.