What Retail AI Looks Like in Western Europe

ARTICLE

eMarketer Editors

AI has been a hot topic for a while, and attitudes about the technology vary throughout Western Europe. Still, companies are adopting AI to improve business results.

The retail sector in Europe has responded eagerly to AI's potential. In fact, algorithms that use AI have powered the recommendation engines of major regional retailers for years, including Amazon, Carrefour, John Lewis & Partners and Otto. Chatbots are also quite widespread in the industry.

According to July 2019 data from P&S Intelligence, the global market for retail-related AI is expected to be worth nearly $4.34 billion by 2024, posting a compound annual growth rate (CAGR) of 35.4% between now and then.
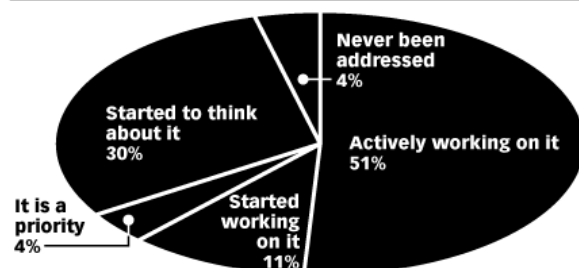
An October 2019 Octopeek survey of retail, marketplace and ecommerce decision-makers in France found that 51% were already working actively on ecommerce solutions that used AI, and more than 11% were doing some work in this area.

Status of AI Deployment in Ecommerce at Their Company According to Retail, Marketplace and Ecommerce Decision-Makers in France, Oct 2019
% of respondents

Never been addressed 4%
Started to think about it 30%
Actively working on it 51%
It is a priority 4%
Started working on it 11%

Source: Octopeek, "Impact de l'intelligence artificielle dans le Retail," Nov 5, 2019

251750   www.**eMarketer**.com

Two-thirds of retailers in France considered the use of AI indispensable for ecommerce, and a further 18.5% said it was very useful, per Octopeek.

"Besides customer experience, some AI implementations operate at the back-end of retail operations," said Karin von Abrams, eMarketer principal analyst and author of our latest report, "Western Europe Ecommerce Trends 2020: Consumer-Facing AI, Social Commerce and Delivery/Returns on the Agenda."

"For example, fashion store H&M uses AI to analyze purchases and returns at physical stores; these patterns help determine whether a specific store should promote or increase stock of certain items," she said.

Stores can also analyze consumers' online search behaviors over time to identify products that regularly attract interest but could be marketed more effectively.

Retailers typically see consumer-facing AI as a natural extension of traditional in-store activities. "We're reproducing the logic of a sales person in a store—no more, no less," François Marical, data director at French retail chain Cdiscount, told Journal du Net in June 2019.

Consumer-facing AI retail implementations are already common in Europe. Some are homegrown, but many are operated by international retailers and were first introduced in the US. In the UK, for example, West Elm customers can use the company's Pinterest Style Finder.

This AI-based software scans a shopper's Pinterest boards or photos to create a list of recommended furniture and interior decor items based on similar styles.

Across Europe, eBay customers already encounter AI, too. The auction site's product recommendation engine uses algorithms to calculate the potential for cross-selling items similar to those already viewed by a visitor. Also, eBay's Image Search function allows consumers to reference a photo or online image and pulls up similar products.

Visual search is also an option in the app of fashion retailer Farfetch, headquartered in Western Europe but now operating worldwide. It has partnered with visual AI startup Syte on a "See it, Snap it, Shop it" feature. Like similar functionality in other fashion retailers' apps, it allows customers to upload a photo or online image; the app will then display the item, or something very similar, on one or more retail sites.

Not surprisingly, Amazon is a key player in the present and future of AI in Europe. Germany in particular is crucial to Amazon, not just as a major regional consumer market, but as a source of brainpower in the battle for AI supremacy. Politico reported in May 2019 that Amazon has several research and development sites in Germany pursuing AI projects, and now employs hundreds of AI experts. Amazon's director of machine learning Ralf Herbrich is based in Berlin and manages all AI operations in collaboration with the firm's chief economist based in Seattle.

To learn more about using AI to influence digital shoppers, the gradual progress of social commerce and new delivery and returns solutions in Western Europe, eMarketer PRO subscribers can read our latest report:

Report by Karin von Abrams Jan 28, 2020

Western Europe Ecommerce Trends 2020

WESTERN EUROPE ECOMMERCE TRENDS 2020

Consumer-Facing AI, Social Commerce and Delivery/Returns on the Agenda

JANUARY 2020
Karin von Abrams
Contributors: Alina Bestreuili, Mateus Cicconelo, Bill Fisher, Angela Kim, Ambrose Ujamman

eMarketer

Not sure if your company subscribes? You can find out here.