

4 ways the cloud can help retailers in 2023

Article

Two weeks ago, **Guitar Center said it was moving to the cloud** because its current system was unable to handle huge spikes in demand.

CTO Ravi Balwada called the cloud “the biggest savior,” especially during “times where it’s hard to predict and things can be very volatile.”

Here are four examples of how web-based cloud platforms can help retailers as they struggle against rising prices, finicky consumers, and supply chain nightmares.

1. Inventory management

The opportunity: Retailers need access to real-time inventory data and analysis for both digital and physical channels. Think trend forecasting, out-of-stock messaging, promotions, and order fulfillment.

The use case: Supermarket chain Giant Eagle is testing an **AI-powered shelf inventory tool** at its innovation lab, according to The Wall Street Journal.

- The technology has shown over 90% accuracy during early tests in the lab.
- Giant Eagle will pilot the tech in one of its stores in the coming months, but a full-scale deployment is still a ways off, partly due to the expense involved.

Why invest now? Last year, **retailers struggled** with **ballooning inventories** as a result of surging consumer spend in 2021, and that issue has **crossed into the new year**. As retailers continue to ease the bloat, they need a clear picture of what's on the shelves, what's in the warehouse, and what is (or isn't) coming down the pipeline.

2. Pricing and margin management

The opportunity: To build a successful pricing strategy, retailers need to synthesize competitor price information, granular sales data, and what markdowns are being employed. It's also important to be able to pivot pricing strategies in real time in response to market conditions or consumer behavior.

The use case: Levi's uses AI powered by the cloud to make **pricing and shipping decisions**, per The Wall Street Journal.

- Katia Walsh, chief strategy and AI officer at Levi's, said the use of AI has given the company a new way to target customers, which has helped increase revenues.
- Following this success, Levi's will **transition its new enterprise resource planning system** to the cloud in the second quarter of 2023, giving it further access to real-time data and analysis.

Why invest now? While inflation is cooling, prices are still historically high, causing consumers to seek out the best deals. Retailers need to balance deep discounts with the bottom line by using a smart pricing strategy.

3. Employee experience

The opportunity: It can be difficult to ensure employees have access to all of the tools and information they need across thousands of locations. With the right resources, staff can make operational decisions in real time to improve the shopping experience.

The use case: Kroger is leveraging cloud data analytics, AI, and machine learning to boost worker productivity via task and store management applications, per Winsight Grocery Business.

- These tools provide employees with staffing information, stocking needs, a standardized audit checklist, and a customizable walk path to help associates evaluate store conditions.
- At the National Retail Federation's Big Show last month, Kroger chairman and CEO Rodney McMullen emphasized the importance of technology investments. "You look at the allocation of resources—both expense and capital—to technology, it would be three or four times what it was even five years ago. And we don't see anything at all slowing that down," he said.

Why invest now? A tight labor market has retailers fighting to attract and retain talent. By providing employees with the tools they need to succeed, retailers may be able to reduce turnover and enhance productivity among staff.

4. Personalization

The opportunity: To provide customers with a personalized customer journey and personalized messaging, a massive amount of data must be synthesized and analyzed in a short amount of time. This includes marrying past purchase data, web browsing history, and other first- and third-party data.

The use case: Netflix uses a cloud computing platform to help it with everything from recommendations to streaming servers.

- Through the cloud, the platform is able to leverage machine learning and recommendation algorithms to drive its personalization and search functions, which have become best in class.
- As its growth slows, Netflix may scale back its cloud capabilities to keep costs down.

Why invest now? Personalization scale will become more difficult as third-party cookies are deprecated and privacy regulations take effect across several states. Marketers will need all

the help they can get to **balance personalization and privacy**.

The takeaway: Investment in the cloud is a calculated risk. On the one hand, it can be a massive undertaking, requiring both human and financial resources. On the other, there's a huge opportunity to increase efficiency and grow revenues.

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