Retailers turn to AI to overcome staffing, supply chain challenges

Article

The trend: More retailers are investing in automation and artificial intelligence to streamline operations and reduce costs.

Three prominent uses include:

- Implementing automation to reduce labor needs

- Making ecommerce fulfillment more efficient
- Personalizing the shopping experience to maximize conversions and LTV

Managing the labor crunch: Amid a continuously tight labor market with nearly twice as many job openings as available workers, restaurants are struggling to get by with fewer staff than they would prefer. That's led many to embrace automation wherever they can.
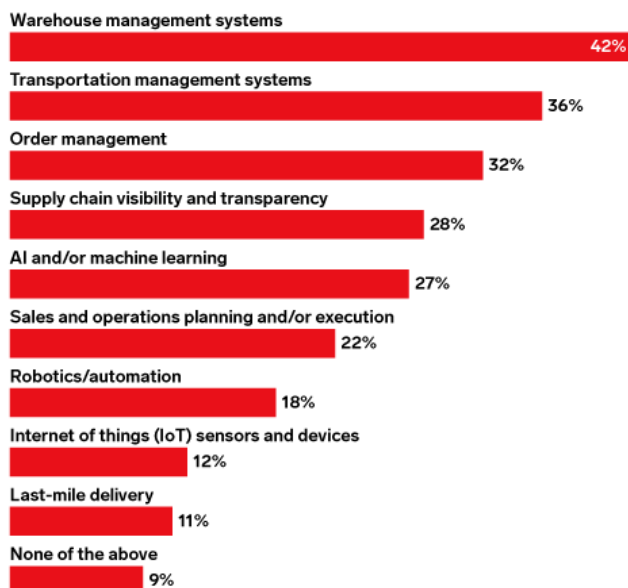
- **Panera**, **Chipotle**, and **White Castle** are just a few of the fast-food chains <u>implementing robot cooks</u> to handle food prep and reduce the number of workers needed per store.
- Panera is also **testing AI voice tech in drive-thru lanes** to speed up ordering and enable employees to focus on other tasks.
- Restaurateur **Danny Meyer invested $10 million in AI voice tech firm ConverseNow**, whose products enable restaurants to automate order taking via phone and other voice channels.

Fulfillment optimization: While ecommerce has become a necessity for most retailers, ecommerce fulfillment is an expense, resource-intensive, process that can be difficult to get right. AI has proven to be a valuable tool for companies looking to optimize fulfillment and become more responsive to fluctuations in customer demand.

- **Levi's** developed its BOOST engine to maximize efficiency and minimize the resources required to ship ecommerce orders. The system allows more orders to be fulfilled by stores, which expands inventory availability while reducing fulfillment costs.
- **DoorDash** is partnering with **Relex Solutions** to use machine learning to optimize inventory planning and restocking for its DashMart convenience stores. The partnership should allow the food delivery platform to avoid getting caught with excess perishable inventory, as well as tailor its product selection based on local demand.

Logistics Technologies Areas That US Supply Chain Executives Plan to Implement/Enhance, April 2022
% of respondents

Category	%
Warehouse management systems	42%
Transportation management systems	36%
Order management	32%
Supply chain visibility and transparency	28%
AI and/or machine learning	27%
Sales and operations planning and/or execution	22%
Robotics/automation	18%
Internet of things (IoT) sensors and devices	12%
Last-mile delivery	11%
None of the above	9%

Note: in the next 12 months
Source: Blue Yonder, "Supply Chain & Logistics Executive Survey," May 23, 2022
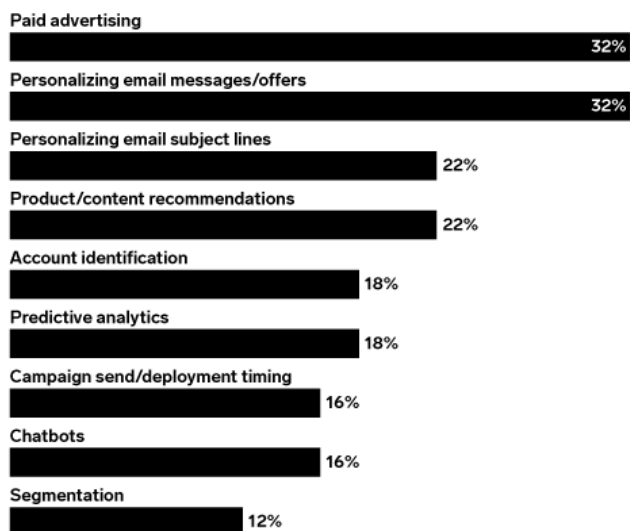
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Personalizing the customer journey: By using AI to offer an experience personalized to consumers' habits and product preferences, retailers can convert more customers and maximize lifetime value.

- For example, **Dick's Sporting Goods** is using AI to combat cart abandonment. The retailer partnered with **Metrical** to deliver personalized content—such as discounts—to improve cart conversions as well as the overall customer experience.

- **Lily AI**, which counts **Macy's, thredUP**, and **The Gap** as clients, raised $25 million in Series B funding for its AI-powered algorithms that connect shoppers with the products deemed most relevant to them, per TechCrunch.

In Which Areas Are Marketers Worldwide Currently Testing or Utilizing the Use of AI in Conjunction with Their Marketing Automation?

% of respondents, Feb 2022

Area	%
Paid advertising	32%
Personalizing email messages/offers	32%
Personalizing email subject lines	22%
Product/content recommendations	22%
Account identification	18%
Predictive analytics	18%
Campaign send/deployment timing	16%
Chatbots	16%
Segmentation	12%

Source: Ascend2, "The State of Marketing Automation 2022," March 9, 2022

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The big takeaway: Implementing AI and automation can be complicated, especially across large organizations with many moving parts. At the same time, these technologies help retailers deal with issues ranging from rising fulfillment and labor costs to inventory buildups caused by rapid changes in consumer demand.

While large-scale transformations like Levi's BOOST engine may be an impossibility for many retailers, moves like Dick's Sporting Goods' personalization initiative or Panera's AI-powered drive-thrus can have just as big an impact on bottom lines. As eMarketer principal analyst at Insider Intelligence **Patty Soltis** noted, these moves allow companies to learn "what inspires behavior, which is more valuable than a survey or other forms of feedback."

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