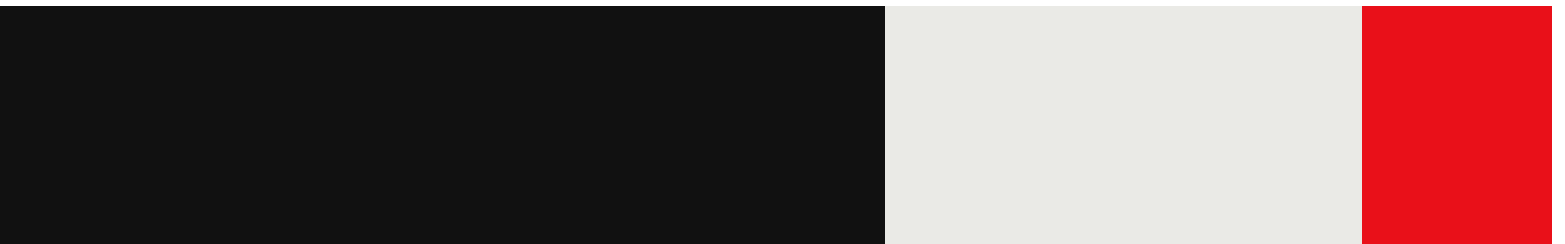# Reimagining Retail: How search is changing how we shop today—and in the future

Audio

On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how retailers are staying ahead of the curve on search and also search within retail media. Then for

"Red-Hot Retail," our analysts give us some spicy predictions about the future of search in retail. Join our analyst Sara Lebow as she hosts analyst Sky Canaves and director of Briefings Jeremy Goldman.

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Episode Transcript:

Sara Lebow:

Join e-Marketer on November 3rd for our next virtual event, Attention: Trends and Predictions for 2024. Our leading analysts and executives from brands like Pepsi, Colgate,

Palm Olive, and Kendra Scott will explore trends like generative AI, retail media, and more to help professionals to plan for the year ahead. Visit insiderintelligence.com/events/summit to register today.

Hello, listeners. Today is Wednesday, November 1st. Welcome to Behind the Numbers: Re-Imagining Retail, an e-Marketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is How Search is Changing How We Shop. First, let's meet today's guests. Joining me for this episode, we have senior director of briefings, Jeremy Goldman. Hey Jeremy.

Jeremy Goldman:

Hello. Happy November.

Sara Lebow:

Happy November. Also with us is Senior analyst Sky Canaves. Hey Sky.

Sky Canaves:

Hello. Good to be back, Sara.

Sara Lebow:

Good to have you. Okay, let's get started with free sample, our did you know segment where I share a fun fact, tidbit or question. In the spirit of search, I have a Google related trivia question for you today. Simple question. What was Google originally called? If you don't know it immediately, you probably don't know it.

Sky Canaves:

I'm going to guess Googol because that's where its name came from.

Jeremy Goldman:

Like a Googolplex.

Sara Lebow:

You are not correct. The answer is BackRub.

Sky Canaves:

What?

Sara Lebow:

Google was originally called BackRub when Larry Page and Sergei Bryn first built the search engine that would become Google in 1995, they called it BackRub before renaming it to Google. A 2015 Insider article said they called it this because the program analyzed the web's back links to understand how important a website was and what other sites it related to. So yeah, Google was called BackRub.

Sky Canaves:

That sounds so wrong.

Sara Lebow:

I am glad they changed it because I don't think that it would work to say, "Go BackRub it."

Jeremy Goldman:

Branding is important. Wow.

Sara Lebow:

Okay. Now it's time for our next segment. Retail me this, retail me that where we discuss an interesting retail topic. Today's topic is how search is changing how we shop. I don't have to tell you that generative AI is changing search with the potential to make searches more chat-based and results more personalized. And retailers are trying to stay ahead of the curve on search. In September, Walmart rolled out sponsored videos for search to its advertisers. Instacart launched a suite of AI powered updates, and Amazon added new features including the ability to add text to visual search, a find on Amazon feature that takes them directly to the Amazon app, and the addition of sales trends data to search results. Amazon also announced a new AI chatbot feature earlier this month. With all of those retailer updates in mind, where is search headed? Sky, why don't you start off?

Sky Canaves:

So it's evolving very quickly at the cutting edge tech side, but at the same time, it's always interesting to see how little search has changed for the most part in terms of how consumers experienced search from where it was 20 years ago. For the most part, we type words into a

search box and hope that we get results that match, also based on keywords. And if it doesn't work, we try with different words or variations of words. And it's still very, from a user perspective, kind of a time intensive, time-consuming, and not always very efficient process. I think online shoppers frequently cite difficulty finding things. Finding the products that they're looking for as the top challenge of shopping online and maybe one of the reasons why people prefer to shop in stores. They can see what's in front of them and figure out what they want a little faster. And I think books are a great example. The experience of browsing for books in a store just has not been at all replicated by any kind of digital book shopping experience.

Sara Lebow:

Yeah, that's so interesting you say that. Just before this call, I was having trouble browsing for a sequel to a book because I knew the name of the first book, but not the name of the sequel and I couldn't get the sequel to show up, which is probably more on me than on the search engine. But a great point on your part.

Jeremy Goldman:

Yeah, maybe one thing I just throw in there is that we forget about the fact that nobody wants to search and maybe we've kind of convinced ourselves of that over time that we want to actually search. We want everything that we're looking for to instantaneously appear in front of us, and that's obviously not possible. So the goal of search, if you think about it, is really to make that as frictionless as possible and to get us closer to the state where everything that we want gets in front of us very quickly. That's why you see certain things like visual search catch on. That's why you see on, for instance, Google, perfect example, rather than have a consistent interface, depending on what you're searching for on Google shopping, they have these chips that show up that allow you to navigate better.

So basically, depending on what you are looking for, if you're looking for a bedside table, there are going to be different chips that are basically attributes for you to toggle on and off and essentially search that's adaptive, as opposed to all things to all people. And I think the ultimate goal is to have as good of a CX as possible whenever you are providing somebody with a search interface, particularly when it comes to shopping, because dollars are at stake.

Sara Lebow:

Yeah, visual search, that's where you can take a picture of someone's cowboy boots or take a screenshot of them in a TikTok and ideally find them from a retailer depending on how

effective that visual search is. Yeah, I think that's interesting what you say. No one wants to search. That doesn't mean no one wants to use a search engine. It means that no one wants to do the activity of searching themselves.

Sky Canaves:

Right. And as we move into more artificial intelligence assisted forms of search, we're definitely no longer limited to those keywords. And you get the multimodal search where you can combine images, conversation, video, and snippets of each to get a more fully layered picture of what you might be looking for. And hopefully the search tool, which is enhanced with artificial intelligence, can put more context around the inputs to figure out the intent behind the search.

Sara Lebow:

Yeah, some of that ask Instacart functionality in particular is pretty cool. I mean, you can type in meal plan for a family of four that's vegan on a given budget, and you can get not just a shopping list, but a shopping cart. I'm not sure how well it works. I haven't tried it. Have either of you?

Sky Canaves:

No, not yet.

Jeremy Goldman:

Yeah. I think it's this interesting kind of novelty thing where it works to some degree, but ultimately it almost becomes a little bit of a thing that helps you improve the time spent within a particular app as a oh, that's interesting. I didn't realize I needed that ingredient. But ultimately it can sometimes be distracting because often you do know exactly what you want.

Sara Lebow:

Well, that's interesting you bring up time spent because it moves us, I think, to the topic of ads. So it's impossible to talk about search and shopping without talking about our favorite topic, retail media, at least my favorite topic. This year, retail media ads spend totaled 45 billion in the US according to our forecast. $30 billion of that $45 billion went to search advertising. Within retail media, both search and display spending are growing rapidly, but display is growing faster and making up an increasing share of retail media at dollar spent. Still, I don't

want to understate the importance of retail media search advertising. Last year, retail media made up 25% of all US search advertising. In 2027, it'll make up around 40% all according to our forecast. So with all of those numbers in mind, retail media, search climbing, what should we keep in mind when talking about search shopping and advertising?

Jeremy Goldman:

So one thing that we've definitely talked about a lot internally is just the whole balancing act that you as a retailer have to be thinking about. You have to make sure obviously that you're monetizing surface space, but the ads that you're serving still have to be very meaningful and tied to that particular search. And nobody really likes to have an experience where they do a specific search and then somebody bid on keywords or placements where you're just basically putting up an irrelevant or not quite relevant ad in front of the user. And that could wind up being dollars in the pocket of a retailer, but that's essentially a short-term metric. The user experience in that case is going down. So I think it's interesting that obviously it's something that works really well for retailers, but they just do have to think at the same time about are they monetizing too much service? Are they really making sure that those retail media ads are well-placed when somebody's running a search?

Sara Lebow:

Yeah. One of the things that's hiking up retail media spend is that inventory is expanding so quickly. Amazon's taking share from Google. There has to be a ceiling on this though. I mean, I guess there doesn't have to be with digital ads, there technically does not have to be a ceiling on inventory, but there must be. When you search through Amazon, at a certain point it becomes sort of a cluttered user experience.

Sky Canaves:

Right. And there's a limited amount of real estate on that critical first page of Amazon search results. And I think there have been different studies looking at how many of the results come up that are sponsored results versus organic results. And some people will say that it's too many if they count 60 listings and a third of them are sponsored. Amazon I think is trying to figure out what is the right number or where can they balance it. And maybe it also varies by user and by demographic as well. Some users, consumers might be willing to take a heavier Prime load or prime members more willing to look at ads or more likely to click on ads than non-Prime members.

These are things that they have to balance as they push the retail media, which is growing very quickly. In their earnings last week, the retail media business grew by some 26% in the third quarter over a year earlier, and I think that's the fastest growing business unit in Amazon that they report. And at the same time, they noted that a lot of that is being driven by search and not other forms of advertising.

Sara Lebow:

Do you guys ever do that thing where you search for an item and then you specifically don't click on the sponsored listings because you're like that one's an ad?

Sky Canaves:

Yeah, all the time. Especially on Google. I use Google shopping a lot to search for products, but I generally try to skip past the ad listings, which they put very clearly up on the top banner. So they kind of limit the ad real estate as well on their results page. But nowadays, more and more I do look at it. Because if the ads are relevant, if they're highly relevant and they're the product that you're actually looking for, then you'll be more likely to click on it.

Sara Lebow:

And those Amazon ads are getting really good. Before we move on to our second half, I just want to talk about search and the discovery journey itself. According to a Jungle Scout survey, 57% of respondents start their shopping searches on Amazon. Compare that to 42% who start on a search engine and 17% who start their searches on TikTok. So Amazon was way in the lead followed by search engines, and TikTok was far behind, although TikTok's share here has grown significantly. Is this the end of Google as we know it?

Jeremy Goldman:

So I'll say no. I mean, I think that it's just about the fact that there are a lot of different, first off, a lot of different type of sub product categories and obviously generational differences at play here. But I mean it's generally a bit strange to have everybody using the same exact platform nonstop with no competitor to it. So it's okay that search is basically moving to a whole bunch of different platforms depending on what you're looking for, depending on if you're looking to be entertained and maybe have a bit of a wayward journey in order to find a product, versus if you're just trying to buy something kind of from a replenishment

standpoint. So I think that you're probably going to see more and more of this, but Google will probably make it and be in our lives for quite some time to come.

Sara Lebow:

Sounds like someone has been watching the Google antitrust trials.

Sky Canaves:

I think Google would be protesting the opposite, that they're under threat from the TOS and Amazons and that it's so competitive. But I think Google is still investing so much in search and AI and particularly tying it to shopping and adding more AI tools in the mix for both advertisers and shoppers. And I would say for me overall, I still find Google shopping to be the best place to search for products because I can compare prices, I can find the products that might be near me. Amazon search results come up in Google as well. And especially now with the holiday season when there's so many retailers have competing promotions and consumers want to figure out where can they find the best deal. It's not always Amazon. Now with TikTok, well, TikTok has got a lot of low cost goods, but they're not always the real thing either. Sometimes those prices are a little too good to be true.

Sara Lebow:

Yeah, that's an interesting point about TikTok. I mean, this idea that Gen Z is abandoned in Google and moving all of their searching to TikTok, do you think that's real? Do you think that's overblown?

Sky Canaves:

I think Gen Z is definitely searching TikTok for trends and inspiration, and maybe they are looking for specific products because product reviews are super important to online shoppers as well, and it's a place where they can get different takes on products or see what people they know and trust are saying about products. But at the same time, when I look at the popular TikTok shopping hashtags, we always talk about TikTok made me buy it, but hashtag Amazon finds is a pretty close second on TikTok. It has something probably close to 60 billion views by now. It's not very far behind TikTok made me buy it.

Sara Lebow:

Yeah. Any creators linking to their Amazon storefront?

Jeremy Goldman:

I know you mentioned that Jungle Scout data, our own data, just to kind of put in perspective here, for Gen Z in the US, watching video is number one social media activity amongst US Gen Z social media users at 72.4%. Shopping and product discovery is 36.6%. So I think it's just really important to understand that social media, broadly speaking, yes, that's one use case, but it's far from the top. It's number 10 out of 12 different use cases that we looked at in one of our most recent surveys.

Sara Lebow:

I think it'll be interesting to keep an eye on how much of that watching videos is product discovery and brand discovery without consumers even realizing it though. On that note, let's keep moving. Now it's time for our segment Red Hot Retail. This is our guest's opportunity to give us their very specific and potentially risky predictions on a topic. The predictions can be mild, medium, spicy, or extra hot. The higher the spice level, the riskier the prediction. Today, Jeremy and Sky are sharing their predictions for the future of search in retail. Our guests will tell me what spice level to expect and then share the prediction. Sky, why don't you go first? Give me a spice level and give me a prediction.

Sky Canaves:

Okay. I think this one is just medium spicy. So I think it's already pretty well known that Amazon plans to launch a shopping chatbot that will be powered by AI and hopefully get consumers more personalized product recommendations, help them to find products in a more conversational way. And my prediction is that Amazon is going to move pretty quickly to try to monetize this by bringing ads into the chatbot, but with mixed results because I think that's a big hurdle for chat GPT or chatbots in general is how do you insert advertising into them, particularly when it's more conversational, how to place it, the amount of advertising that can be sustained or sustainable within that context. But I think it's going to try and be one of the first and faster movers in the space.

Sara Lebow:

Yeah, I mean, so six months ago I feel like I was seeing a lot of headlines that were like, is Amazon behind on AI? And the answer was probably yes. But I think that people expected the AI big players to really solidify faster, and that hasn't proven to be the case. They're still moving and shaking here, and the big players still have the advantage of having people

already there. So I think you're definitely right. I'm interested in seeing what ads look like in an AI chatbot. I think that they're going to sort of look like the AI influencer. That's what an advertisement from a person is. It's a recommendation. So you're going to need that AI to somehow win over consumer trust.

Jeremy Goldman:

And bear in mind, we've seen some of this to some degree with some early tests and snaps. My AI chatbot obviously in Bing, so I know you were talking specifically Amazon there, but I think that it's an interesting, you're right, it has not really been set and some of the big players are trying different things. There's an open question about what does the user want? How does the user want to see it versus how does the platform want to do it?

Sara Lebow:

Yeah. Okay. Jeremy, why don't you give us our next spice level next prediction?

Jeremy Goldman:

This is not quite Tabasco level, but I think that Google, they have their search generative interface that has been rolling out to more and more users that wish they mentioned and highlighted during their recent earnings report. And one thing is that I do believe that they are going to incorporate more Gen AI into its main Google shopping interface. I think that that's something that is definitely a 2024 thing, which essentially just means being able to query Google Shopping, using a little bit more of a natural way of talking and asking something more complex, and then having it automatically populate a few different fields so that you don't have to toggle on and off a whole lot of different attributes. Just basically getting people to that point of purchase a lot sooner.

Sara Lebow:

So if I'm buying a desk and I need it to be a certain size, certain price, and certain color, instead of checking boxes, I can just type that in?

Jeremy Goldman:

Yeah, exactly. I think that's a perfect college dorm room. So you do something like this and then the chatbot basically populates a number of different things based off of that, makes certain assumptions. Obviously you can toggle those on and off, but it's a smart assistant that

allows you to get to that point to where you say, yeah, it looks like these are the right things for me sooner rather than later, as opposed to that whole entire, it goes back to the customer experience about the toggling on and off and all these different attributes and sliders and stuff. And those things were necessary evils for a time, but I think that Google will make major inroads into essentially eliminating them or starting to eliminate them the next year.

Sara Lebow:

Google's search generative experience or SGE will probably have those same issues of an Amazon chatbot, though. I think it already is, with how will ads look, how open will people be to ads in there? So another thing to watch there. Sky, can you give us our next spice level and next prediction?

Sky Canaves:

I think this one is pretty spicy. I'll put it in the hot category. And it kind of builds upon the future of search in the age of generative AI and chatbots. And a lot of that search is going to fall by the wayside as chatbots become more sophisticated and start to act on behalf of users, and maybe take on tasks or complete searches and purchases on behalf of users. And I think this will first start out in the B2B space with purchasing, but eventually it will get to the mass consumer phase. And maybe advertising won't be as relevant there. It'll be more on marketers to figure out how to interact with the chatbots to differentiate themselves from others beyond price. And this might be a kind of service, at least initially, that users will have to pay for because it will be a much more high level type of personal assistant as opposed to a free product that would then have to be supported by ads.

Sara Lebow:

Do you think people will pay for these AI shopping assistants?

Sky Canaves:

I think of a lot of mundane tasks that I have to complete, including shopping, and I think an AI could eventually do my grocery shopping for me. I buy pretty much the same kinds of things on a regular enough schedule that I do think so. I mean, there are already smart fridges that let you know when you're running low on things. And I do think it will start out in the business to business context where things are already getting more automated.

Sara Lebow:

Yeah, that's interesting.

Sky Canaves:

I think there will be big challenges in terms of the trust and data sharing and privacy, and those will be the big hurdles to overcome from a consumer perspective. And the trust of course will be built on the accuracy and the data protection.

Sara Lebow:

And I would agree with you that I could see B2B trends moving to B2C trends, but at the same time, grocery specifically is one of the lower e-commerce penetrations. So if we're moving then from e-commerce to chat-based e-commerce, it's definitely going to be a jump. Okay, Jeremy, give us our final spice level final prediction.

Jeremy Goldman:

So I think that maybe this is more like scotch bonnet level if I want to be specific.

Sara Lebow:

Okay, and what is that for the folks that aren't daring pepper eaters?

Jeremy Goldman:

It's right below habanero, but above Cayenne and Tabasco. So if that's helpful.

Sara Lebow:

This is a podcast for everyone, including people who are not enjoying spicy foods.

Jeremy Goldman:

Sorry for not being inclusive to the people who are less into the peppers. But yeah, I think that retail media will actually move up funnel, and that just means when people are searching on particular websites that are generally, we think of as e-commerce, purely e-commerce websites, and Amazon obviously would be the number one example. Walmart is another one. You can imagine that you would start to see a lot more educational content, a lot more content that's not directly tied towards converting somebody right now. And I think the reason why this is something that I would expect to see, but it might take a little bit of time, is

just because as retail media becomes more mature, then you have to find other ways of engaging those advertisers.

And you have to find advertisers who are looking to hit different parts of the funnel, not just directly people who want to transact today, but people who also want to transact in the near future. Just in the same way as TikTok is moving and other social platforms are trying to get you to own that number one result on search because they realize that people will transact after they find a product. I think that the same thing will happen in reverse on retail media, and I think that that can be a major evolution of search.

Sara Lebow:

Yeah, the promise of retail media was that search ads are so close to the point of conversion that they really deliver, but I think you're right about things moving up the funnel. I wonder if there's a time further in the future that right now we delineate display ads and search ads, and I don't see us changing that anytime soon. But I wonder if there's a time where that distinction, especially in retail media, will become a little blurrier as you get sort of entertaining search ads.

Jeremy Goldman:

Makes a lot of sense. Yeah, everything converges.

Sara Lebow:

Everything converges, and then it diverges into a bunch of fragments and then it converges. Okay. That is all we have time for today, so thank you for joining me, Sky.

Sky Canaves:

Thanks, Sara. Great to be back.

Sara Lebow:

Great to have you and great to have you, Jeremy.

Jeremy Goldman:

Thank you as always, Sara.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts. And follow us on Instagram at @Behindthenumbers_podcast. Thank you to our listeners and to Victoria who edits the podcast. We'll be back next Wednesday with another episode of Re-imagining Retail, an e-Marketer Podcast. And tomorrow, join Marcus for another episode of Behind the Numbers Daily.