AI in Retail
Transforming the marketplace
# Table of contents

1. Can you give your customers what they want?
2. The high cost of not personalizing
3. Three ways AI enhances the customer experience
4. How AI transforms retail operations
5. Get ready for the retail revolution
Can you give your customers what they want?

In any industry that provides a service, customer satisfaction is everything. But in a world where customers carry buying power in the palms of their hands and expect nothing less than personalized, fast, and seamless experiences, how we define satisfaction is rapidly evolving.

In the race for customers’ dollars, some retailers have an advantage: data. For early adopters in the data analytics arena, some retailers have been wisely studying customer habits and feedback for years to deliver better products and experiences and anticipate trends.

More and more retailers are turning to artificial intelligence as a way to convert their mountains of data into differentiated, omnichannel customer engagement. From conversational chatbots that get to know customers to machine learning that streamlines operations, AI is quickly becoming a must-have for retailers that want to stay relevant in an increasingly global marketplace.

In this e-book, we’ll explore how AI solutions like intelligent agents, machine learning, and cognitive services can radically transform your processes to propel your retail business ahead of the competition and help you win with your customers.

2022: $7.3 billion in annual AI global retail spending. Up from $2 billion in 2018.1
02
The high cost of not personalizing

Customers expect real-time, relevant results and offers that fit their interests. Retail experiences that aren’t personalized to meet customers’ needs can carry big costs.

We’re trying to give our customers a consistent, world-class experience across all the channels they use to interact with us. To do that, we need to understand what the future of retail looks like and how technology can help us provide a better experience.

—Antonia Colin-Jones, Strategic Partnership Program Manager, Dixons Carphone

FOR CONSUMERS

77%
.expect personalization from large online retailers

51%
.expect personalization from brick-and-mortar retailers

FOR BUSINESS

$756 billion lost annually by US companies due to poor personalization and lack of digital trust

AI in Retail: transforming the marketplace
03

Three ways AI enhances the customer experience

Today’s customers are digital natives accustomed to having access to multiple shopping entry points, whether at home, at work, or on the go.

Integrating AI solutions into your digital and physical channels can help you reach customers with the right offer at the right time and place and deliver more engaging experiences.

“The physical and digital worlds are converging and with it so are your channels. Retail is at the epicenter of disruption.”

—Forrester®
CUSTOMERS EXPECT RETAIL EXPERIENCES TO BE:

1. Always on

The ubiquity of mobile devices and reliable internet connectivity has given rise to a new breed of customer—the digital native. Shoppers now take for granted that their favorite big-box retailer or department store can deliver an omnichannel experience.

Virtual agents, or chatbots, act as low-friction entry points for customers to engage with your brand at any time of day. When combined with customer-obsessed immersive technology that promotes personalization and engagement across these and other always-on touchpoints, you can elevate your brand and drive purchases.

“Chat tools ... [give] consumers a more personalized and seamless experience around the clock, allowing shoppers to gain advice from staff that they would otherwise have to go in store for.”

—Charlotte Pearce, Analyst, GlobalData Retail

2020: 50% of retail customer service will involve conversational AI apps

AI in Retail: transforming the marketplace
CUSTOMERS EXPECT RETAIL EXPERIENCES TO BE:

2. Relevant

Along the customer journey, which includes much more than point of entry to point of sale, context awareness is everything.

“Attention to consumer need, customer journey patterns, and the ability to maintain customer loyalty by engaging the consumer continually in their context is the key to success.”

—Leslie Hand, Vice President, IDC Retail Insights

To serve up experiences and support that are tailored to individual customers based on their locations, interests, behaviors, ratings, and even who they know, you need AI tools that can deliver results in real time.

AI recommendation engines powered by cognitive intelligence enable your business to stay agile and deliver suggestions and offers that convert customer attention into dollars.
CUSTOMERS EXPECT RETAIL EXPERIENCES TO BE:

3. Seamlessly connected

Whether customers are shopping online or in stores, they expect a seamless experience where both human sales associates and virtual agents know their history and preferences.

When a customer shops in store, cognitive point-of-sale (POS) services can assist human cashiers by recognizing shoppers and offering upsell opportunities based on that individual’s purchase and browsing history.
04

How AI transforms retail operations

An intelligent, connected platform—backed by enterprise-grade security—can help your business turn data into insights and take advantage of dynamic, agile systems that adapt to business needs, customer demands, and industry trends.

85%

of retail customer interactions will be AI managed by 2020^{10}
HERE ARE THREE WAYS THE RIGHT AI SOLUTION CAN TRANSFORM YOUR BUSINESS:

1. Optimize operational insights with a unified, intelligent platform

Predictive and proactive analytics—powered by a newly integrated AI solution or existing front-end and back-end apps modernized with infused AI—will save your business time and money while breaking down operational silos.

A centralized AI platform can help your business:

- **More effectively track and manage merchandising, inventory, and fulfillment** to cut down on high storage costs, shipping delays, markdowns, and more costly inefficiencies.

- **Predict what customers want** before they tell you—and ensure it’s in stock when they visit your store.

- **Detect and reduce security issues** like payment fraud and cyberattacks.

- **Sync omnichannel inventory** to support services like buying online and picking up in store.

- **Access comprehensive data-driven insights** in one place.

52% of C-level executives plan to replace existing systems of record with a single platform⁹
HERE ARE THREE WAYS THE RIGHT AI SOLUTION CAN TRANSFORM YOUR BUSINESS:

2. Empower employees to work smarter

While your newest team members may be machines with artificial intelligence, the purpose of AI is really to tap into human ingenuity. AI solutions that enable your employees to provide outstanding service at every point along the customer journey improve not only their performance, but also their job satisfaction.

Role-optimized AI solutions and easy-to-use cloud-based tools bolster employee efficiency, confidence, and longevity while creating new opportunities—from reskilling to improved work-life balance—for your workforce.
HERE ARE THREE WAYS THE RIGHT AI SOLUTION CAN TRANSFORM YOUR BUSINESS:

3. Realize ROI with a solution that grows with your business

In the not-so-distant past, retailers everywhere scrambled to build mobile apps to capture shoppers anytime, anywhere. But the apps haven’t paid off because they’re expensive to maintain and upgrade and they create an additional step for shoppers who just want your website to be optimized for mobile.

According to Gartner research, “brands are now investing to build presence in consumer messaging apps, such as Facebook Messenger and WeChat, to reach customers where they spend a high percentage of their time.”

From intelligent, conversational virtual agents to cognitive services that can tag and track product inventory, AI will drive greater ROI for retailers seeking to unlock the potential of their data, automate processes, and transform business models.

Retail companies that adopt AI to leverage data have a $94 billion revenue advantage.

AI in Retail: transforming the marketplace
Get ready for the retail revolution

Your customers are ready for seamless, differentiated retail experiences. Are you?

Discover how an intelligent, modern AI platform—backed by proven enterprise-grade security—can turn data into powerful insights, transform and streamline business processes, engage and empower employees, and predict and respond to evolving customer needs.

Learn more

1. Dan Alaimo, "Retail Spending on AI to Reach $7.3B by 2022," Retail Dive, February 1, 2018.

© 2018 Microsoft Corporation. All rights reserved. This document is provided “as-is.” Information and views expressed in this document, including URL and other internet website references, may change without notice. You bear the risk of using it. This document does not provide you with any legal rights to any intellectual property in any Microsoft product. You may copy and use this document for your internal, reference purposes.