

Sleigh bells, stockings, and silicon chips: How AI is making Santa's job easier this holiday season!

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The 2023 holiday shopping season may face a few headwinds. Inflation is coming under control but interest rates are high and this is impacting customers' wallets. Consumer behaviour in general has permanently shifted to value-seeking. This means that for products where the brand is not the actual thing the customer is buying (i.e., luxury products), price becomes the key determinant to purchase. Search tools, with which we are all now familiar, show search results based on the criteria that users will want to see because these factors cause click throughs which is the goal of search businesses. The goal of both aggregators like Amazon and UberEats and search tools like Google and Bing is to intermediate customer engagement. They excel at personalisation and decision support and this is why the biggest percentage of shoppers start their journeys on these sites. In the US, as many as 57% of shoppers start their purchases on Amazon and a big percentage of the rest start them with Walmart (according to a June 2023 Jungle Scout report). If you are a QSR, more and more customers start their journey with the delivery services because their goal is to get the food. They can purchase from multiple brands in one order and these businesses offer loyalty in the form of reduced delivery fees which is a key determinant in the overall price. AI-prompted search from Bing and Google are compelling tools for customers and they will serve as a big lure for consumers who want to use natural language queries to understand what is on offer.

For white goods distributors or "Big Box" retailers, customers regularly shop in-store with their phones out to compare prices and features. A practise referred to as "shopping" – e.g., to shop on your phone while shopping. Klarna, a prominent BNPL player, has an in-app shopping lens which identifies over 10 million items and matches them with products sold by stores in Klarna's database, enabling shoppers to learn more and compare prices, retailers, and reviews. This is yet another form of intermediation by an aggregator. While Klarna is a payment provider, the strategy remains the same – i.e., aggregate users and direct them to merchants where that transaction garners a fee.



So what do retailers need to do acquire, convert, retain and re-acquire customers this holiday season? In order to take back some of the engagement ground that was delegated to search and aggregators, retailers need to focus on providing extremely low friction and high engagement experiences. These experiences need to cater for the both the context and purpose of the retail brand and to the specific channel that the customer accesses to purchase the specific goods. Managing the yield and cost to serve for an omni-channel environment is challenging but AI can assist retailers to level the playing field.

The first thing retailers need to consider is moving to a unified commerce system. Unified commerce offers consumers a similar experience on any channel they access, and these channels can be powered by context specific personalisation and loyalty, which can be driven by AI to manage online, and in-store calls to action. Unified commerce provides a “retail operating system” which enables retailers to manage the cost per channel and much better utilisation of services which are integrated to the unified commerce system. The consumer experience via an online channel can be automatically geared to prioritise price, features, colours, and any other product attribute that appeals to the individual customer for any specific individual transaction. Notice I made a point of saying individual twice. This is because it is only via AI that this level of personalisation can be automated and delivered. For in-store transactions, unified commerce platforms will allow for clienteling. Clienteling is human-assisted personalisation. This means when a customer is in-store and requires assistance or assistance is provided proactively, that assistance can be supported by the same AI service which powered the online transaction. The sales assistant is able to utilise tools powered by AI via a tablet to provide the decision support the customer, drive the kind of experience the customer is looking for and manage multiple factors which assist the customer to make a decision. The AI tool will assist all sales people to provide a high-end experience and these tools effectively equalise the knowledge around product features, availability and all the triggers or calls to action that are required to raise conversion rates.

There are also AI tools to understand consumer behaviour. These tools will assist retailers to optimise shelf selection (planogram), merchandising (how items are arranged to assist the customer to see them in context and buy in bundles) and flow (how the design of the store causes consumers to make connections like “this goes with that” or simply discover highly consumed items that they may need as well).

Many retailers will experience accuracy problems. This is referred to as order accuracy. In QSR this affects between 10-25% of all orders and at Fujitsu we have heard of order accuracy failure rates as high as 40%. Order accuracy issues means that the QSR must refund the food, manage the customer service associated with a claim and also pay for the delivery. Order accuracy does not, however, only affect QSRs. It also affects any retailer who provides a pick and pack service for click and collect or delivery. AI can assist retailers to understand what is being packed into orders and how that might deviate from what has been ordered. The Rol on these types of system is usually fast and order accuracy failure rates also affects customer experience so fixing it is often a high priority.



Generative AI can be used to drive in-store personalisation via apps, smart carts, in store media screens and electronic shelf labels. This means that if the customer is authenticated these systems will create a custom ad on the fly to appeal to the specific customer depending a number of factors relative to historic behaviour, promotions, time of day, the message types that the customer normally responds to and a large number of other factors that a human being could never be expected to factor in.

AI services are a game changer for retail and definitely not an “if” but a “when”. In order to take back ground from aggregators, retailers will need to really focus on the experiences that they provide to customers, the data that is required to drive these experiences, the measurement and the tuning of AI “recommenders” to drive the customers to engage directly. The investment in AI tools is often quite easy to justify. Retailers either spend to provide a memorable and highly engaged experience or they pay to come up to be found in aggregator searches.

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