

Early-win retail AI business cases will emerge in 2024

Richard Clarke, Head of Global Sales, Consumer Industries, Fujitsu

AI-powered retail apps are slogging it out, according to Richard Clarke, Head of Global Sales, Consumer Industries at Fujitsu. Only those with a real business case will make it. He expects to see the first long-term winning use cases emerge in 2024.

Beyond the cosmetic

There are plenty of innovations taking part in this face-off. Natural language chatbots are big, but we're also seeing more focused developments in areas like shelf heat mapping and customer recommendations.

The risk is that some developments are purely cosmetic. It's not a challenge confined to retail, of course, but any project must ensure there is real business value. Does the investment add to customer loyalty, for example, and boost purchases?

Anything that's there just to look good won't survive. Is AI pushing emails at people because they're in a community group really driving sales? Is ChatGPT just taking over the voice of the sales agent or actually doing something new?

In the race to maintain leadership, perhaps some are losing sight of retail material impacts rather than what's techy and shiny.

Three AI retail winners for 2024

Fortunately, we can now see the first glimmers of AI value in retail. Here are what I think will be three winners in 2024.

1. Deep understanding of shopper's purchase decision making

What is going on when a shopper walks through your store? It's a question that retailers have probably puzzled over for a long time. In the last century, there were serious efforts to get to grips with it, using psychologists, shopper interviews and surveys.

These methods of understanding purchase discovery decisions were crude by today's standards. A psychologist on the store floor observing shopping patterns is so time-consuming that it can only handle a few snapshots and anecdotal examples. Consumer surveys or "ethnographies" rely on people to report what they think they were doing — usually well after the event. Faced with these limitations, retailers couldn't get the sample size or the objectivity necessary for real insights.

AI video analysis changes all that. The world's biggest retailers now use human sensing to understand gesture behavior in their stores. With the ability to track thousands of human-product interactions via AI computer vision, retailers can analyze, quantify, and predict what happens when a shopper browses an aisle, reaches out, picks something up, puts it back, looks at something else, and then buys.

This material has never been analyzed in volume before, leaving manufacturers and retailers blind to shoppers' decision-making processes. We simply didn't have the technology to do it. Now we do.

2. Staff abuse and retail crime

There's little doubt that some customers' store behavior is causing significant problems.

Target Corp's financial results in May 2023 stated that [inventory shrink will reduce the company's profitability by more than \\$500 million compared with 2022](#). CEO Brian Cornell said the retailer, the seventh largest in the US, is battling theft and organized retail crime. "It's an urgent issue, not just for Target, but across the entire retail industry," he said.

In terms of abuse of staff, the UK retail trade union USDAW [published a survey](#) of nearly 3,500 retail staff, which showed that 90% had experienced verbal abuse, 64% were threatened by a customer, and 12% were assaulted.

Things are so bad that some retailers are withdrawing from urban areas where problems are particularly acute. Target has closed nine stores in the San Francisco Bay Area, Portland, Seattle, and New York.

AI computer vision offers a way forward here, too, with the ability to analyze actions and detect potential theft or to predict behavior that might lead towards abuse — and have it on record.

3. Self-checkout fraud

Self-checkout fraud is a sub-set of the shrinkage issue and a growing problem for retailers. Customers have been caught scanning expensive items as cheaper ones or not scanning items at all.

In a July 2023 news report for Canadian broadcaster CBC, for example, Tom Doyle, a plain-clothes investigator in Ontario retail stores, said he frequently catches people scanning selectively at self-checkouts. "They'll scan the oranges there but put the steak in the bag... If there's \$200 worth of groceries, they might pay \$50."

AI computer vision can now recognize this sort of scam — and others, such as using a cheaper barcode for an expensive item.

Though still in its infancy, retail AI looks set to deliver real business value in 2024, particularly around insights into shoppers' decision-making and deterring theft and abuse of staff. But its success hinges on retailers implementing this powerful technology responsibly — to understand customers, not just police them. The future belongs to those who strike that balance.

Find out more about how Fujitsu leverages AI to go beyond the cosmetic for retailers. I'll be at NRF 2024 in New York, so come and meet me between January 14-16 at the Javits Center, New York, Booth # 5203.

Richard Clarke

Head of Global Sales, Consumer Industries at Fujitsu

Richard is responsible for bringing the best of Fujitsu's industry vision, consulting capabilities and solutions and services to its customers in the consumer industries across the world. Reporting into Fujitsu's global leadership in Japan, Richard and his team develop and execute compelling and relevant strategies to expand key markets and define differentiated propositions to meet the needs of existing and new customers.

