AI in retail

Why there's nothing artificial about this more intelligent approach to retail.

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business

Artificial Intelligence (AI) has grown in both popularity and notoriety in recent years. From chatbots to smart speakers, AI-generated art, smart factories, data analysis... the list goes on. The potential applications for AI are endless. And as the technology continues to develop, businesses in all fields are discovering and utilizing more and more interesting, exciting use cases.

One industry where AI is already having a big impact is retail. It can help retailers automate internal processes. It enables them to make more informed decisions and it powers new technologies that enhance the customer experience. AI is big business for retail. But how exactly are retailers using it? And what does the future hold?

Creating efficiencies retailers can count on.

The most obvious use for AI in retail is streamlining processes and operations. With its ability to handle and analyze increasingly large data sets, AI is already used by many retailers to automate time-consuming tasks, like stock checking and managing inventories. By doing so, it takes those tasks away from staff who would usually have to do it manually, freeing them up to focus on providing great customer experiences. Also, because these tasks are handled by computers, it helps to reduce human error so that inventory management is more accurate.

AI is helping retailers make smarter choices.

With AI making it easier than ever to access and analyze data, retailers can use it to help them make more informed decisions about many areas of their business.[1] They can monitor and assess everything from consumer demand to competitive products and seasonal trends. They can then use these insights to improve their pricing strategy accordingly. Plus, they can monitor all this data in real time, meaning they can react to changes and adjust plans quickly.

" Retailers can monitor data in real time, reacting to changes quickly.

Retailers can also use AI to closely monitor and enhance their supply chain, so they can detect and mitigate issues quickly. And with the ability to analyze things like buying trends, historical sales and location, retailers can predict customer demand more accurately – then create the right approach to meet that demand.

[1] John Taylor, 2021, AI decision making: the future of business intelligence

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Speeding up check-out

The superior speed of AI can be used to improve experiences for customers in-store, making it quicker and easier to make purchases. With self-service and frictionless check-out, retailers can employ AI to help consumers scan and pay for their own shopping – without needing the assistance of staff. It speeds things up for customers, and again frees up employees to focus on other things.

AI can also help make things more secure for customers, adding an extra layer of protection to credit card transactions. It enables credit card companies to process data in real time, helping them spot potential fraud by recognising unusual patterns in user behaviour.

The right answer

It's not just about speed. AI can help retailers answer customer queries – whether they're frequently asked questions or more complex issues. For easier things, chatbots featured on in-store terminals, or mobile apps, could help people find their way around stores or check stock availability. At the other end of the scale, a customer could, for example, bring in a picture of an item they like. The retailer could scan the image and use AI – backed by powerful machine learning – to identify whether they have it for purchase, or suggest similar alternatives.

Smart retailers get even smarter with AI.

Retailers are finding new ways to use AI to their advantage. It can help them analyze consumer behavior and interests to learn more about their customers than ever before. They can then use those learnings to provide better, more engaging, more customized experiences that delight shoppers and help build brand loyalty.

One great example is voice recognition technology.[2] Retailers can use this AI-powered innovation in their contact centers to quickly identify returning customers against new ones. For the return customers (providing they've opted-in for voice recognition to be used), the call handler will instantly be given access to that customer's data – such as previous search and purchase history. This helps sales representatives to create a more personalized interaction, driving customers towards products and services they're more likely to want. It's a better experience for the customer, and helps stores improve retention rates.

> " **Sales representatives can drive customers to products they're more likely to want.**

² Ashok Krish, 2023, How To Enhance The Customer Experience Using AI And Voice Biometrics

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Turning up the heat

In-store heat mapping is another key tool that can help retailers get a better grasp on customer behavior.[3] Using a combination of cameras placed around the store, and special computer software, retailers can see things like:

- Which items are picked up most
- Which items are most commonly put back
- Where customers go after putting items back
- The flow of customers through the store
- The busiest and quietest areas of the store
- The busiest and quietest times throughout the day

Retailers can then use AI to analyze this data to create new strategies. They can keep track of what customers like and what they ignore. They can see what's working and what isn't – then make changes to the shopfloor to improve customer flow. They can determine the best places to feature advertising or special promotions. And they can monitor the impact and success rate of any changes they implement.

4 ways to drive sales with AI.

While it's clear to see the benefits for many of these use cases, the key question for retailers remains: How can AI help to drive sales and increase profits? The four key areas are:

1. **Better customer experience** – retailers can use AI to analyze customer data to help them create more enjoyable, immersive, personalized customer experiences – with customized recommendations based on preferences and purchase history. It means retailers can offer products and deals customers are more likely to want. And they can build brand loyalty by creating better buying journeys.

2. **Superior stock management** – AI can help retailers achieve more effective inventory management. This means they can minimize out-of-stock items by using AI to closely monitor which products are in stock, then send an alert, or order replacements, when items are running low.

3. **Smarter pricing** – retailers can use AI to monitor and analyze data around customer demand, seasonal trends, competitor performance and other key factors. They can then use those insights to optimize their prices, create special deals, notify customers about offers and price changes. They can also plan they have the right products in stock at the right time – and most importantly, at the right price.

4. **Swifter support** – in-store chatbots and help stations can help retailers handle basic customer queries like stock availability, or pointing people in the right direction. It means a faster, more seamless experience for customers. And it takes the strain off busy sales staff, letting them concentrate on other tasks.

[3] Neuratum, 2023, In-store heat map | X-MAP

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The perfect fit

Not only can AI help retailers drive sales and improve efficiencies, it can also help customers enjoy streamlined shopping journeys and get to know more about their own preferences and interests. With AI-enhanced dressing rooms and mirrors, for example, customers can easily see what they'll look like wearing a certain outfit. No more tiresome trips to the changing room – trying on item after item until they find the right one. With AI-enabled tech, shoppers can quickly change products, colors or get recommendations based on their previous purchases. And they can feel more confident in what they buy.

> " **With AI-enabled tech, shoppers can quickly change products, colors or get recommendations.**

It's also beneficial for retailers. Customers are more likely to leave with the right item first time, which means retailers' return rates go right down – saving them time and money.[4] With the increased convenience for both retailers and shoppers, it's no surprise that demand for the virtual dressing room market is expected to more than double by 2025.[5]

Other retailers are finding success with similar technology innovations. Furniture stores, for example, use AI-enhanced augmented reality (AR) to show how products will look in customers' homes. All they need is an image of the room they want the furniture to be placed in, and AR shows how it will look in that environment. Similarly, automotive retailers are using AR and virtual reality (VR) to help customers explore cars in the showroom. Again, shoppers can scan through

multiple options, giving them greater confidence they're making the right purchase.

Embrace the future of retail with Verizon.

As the technology continues to develop, and customers grow familiar with using smart technologies, AI will become a key feature of future retail. But adopting these technologies – and getting it right – can be easier said than done. That's why you need an experienced partner, like Verizon, to help you get more out of them.

We can help you explore the impact AI will have on the retail sector and how it can benefit your business. Together, we'll look at AI-powered technologies, what they do and which ones are right for you. We can demonstrate the various retail sales-related tasks AI can optimise for you. And we'll find the most effective ways for you to use AI to gather and analyze data on everything from shopping behaviors to consumer trends. Most importantly, we'll build a plan together, to help you use AI to streamline processes, keep data secure, maximize customer experience and drive sales.

However, it's not just about the technology itself. You also need the right network to back it all up. We can help you build and operate a robust digital infrastructure to help you meet your AI-powered business objectives. When innovative technologies, security, expertize and powerful digital networks come together, it's more than just smarter retail. It's Enterprise Intelligence.

Learn more about how Verizon can help you explore and adopt the technology that's reinventing retail. Click here

[4] Valueates Report, 2022, Virtual Fitting Room Market Report

[5] Andrea Byrne, 2020, Virtual fitting room market forecast to double by 2025

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