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Digital

Can AI-enabled marketing make personalized retail experiences more efficient to deliver?

Over the past year, stock prices fell, banks failed, and interest rates skyrocketed. Businesses are reporting less access to credit due to rising interest rates. Consumers are also facing pressure, lowering discretionary spending and showing more selective shopping behavior. Meanwhile, emergent artificial intelligence capabilities are opening massive new possibilities for the efficient generation of personalized text, imagery, and data while also spurring controversy around the legal, operational, and human capital implications of AI implementation. How can retailers remain competitive and thrive in this rapidly evolving economic and technological environment?

The pandemic-led revolution in omnichannel e-commerce has what the consumer's appetite for increased convenience, but often at the expense of the overall shopping experience. E-commerce doesn't always offer the personalization or the enhanced experience that goes with strolling through a store or working with a personal shopper. Creating a compelling digital narrative that speaks to each customer's current and future needs can help break through the screen barrier, providing the same personalized attention they would experience in in-person interactions. How? Through autonomous marketing—a fully automated marketing process that uses data about each customer combined with technologies that can personalize and optimize the time, place, and channel for each message. The emerging capabilities of generative AI offer the ability to make that process more efficient and even more personal, customizing messaging and artwork to meet the unique context of each buyer. **Gartner predicts** that by 2025, 30% of outbound marketing messages from large organizations will be synthetically generated, up from less than 2% in 2022. This new approach to decisioning and activation will be fueled by data-driven recommendations and optimized by AI in ways that promise to make every sales motion more efficient and effective. But is it ready for prime time?

How brands are experimenting with AI / GenAI to drive more personalized campaigns

Autonomous marketing helps to make the right decision in the moments that matter to keep customers passionately engaged with your brand. Increasingly, these personalization practices have become expected by consumers to optimize their consumer shopping experience. **The Deloitte 2022 Experience Management Personalization Survey** cited that 71% of retail consumers expect companies to use their data to deliver personalized experiences, with a similar proportion of consumers frustrated when this does not happen. Retail consumers are also reporting an increased desire for convenience. **Deloitte's 2022 holiday retail survey** reported that, on average, consumers expected to use 63% of their holiday spend by shopping online. Combining your archival data and existing automation tools with generative AI can help brands meet these conflicting desires for convenience and personalization, helping to ease consumer frustration and differentiate from the competition.

71%

71% of retail consumers expect companies to use their data to deliver personalized experiences

**The Deloitte 2022 Experience Management Personalization Survey**

63%

Consumers expected to use 63% of their holiday spend by shopping online

**Deloitte's 2022 holiday retail survey**

Integrating emerging AI technology into an organization may seem like an impossibly steep mountain to climb; it can be overwhelming considering the operational, legal, human capital, creative, and technological challenges. It's possible to start small and evolve your strategy over time by focusing on the most mature technologies and practical steps first. According to the 2023 Gartner survey, 100% of respondents already using Generative AI tools reported that their focus was on text creation. Few have so far leveraged the technology to develop multimedia content assets that combine machine-generated images (33%), videos (9%), or audio (7%).

But as these offerings become more commonly adopted, the competitive advantage retailers derive from them depends more and more on how "sticky" they can make them, so customers keep coming back. The value proposition of a service enhancement relies on a combination of factors, including price, quality, category depth and breadth, and how customer service influences the experience people remember. Learning what works comes back to insights gleaned regularly from your customer data. Using the data well is not just about knowing what to say, it's also about knowing when, where, and how to say it. Retail marketers achieve this level of personalization by building decisioning engines that drive the right product at the right time, with the right content in the right message, based on data from customers, from the market, and from macro trends.

HOW ARE MARKETERS PLANNING TO USE GENERATIVE AI?

100%	33%	9%	7%
TEXT CREATION	IMAGES	VIDEOS	AUDIO
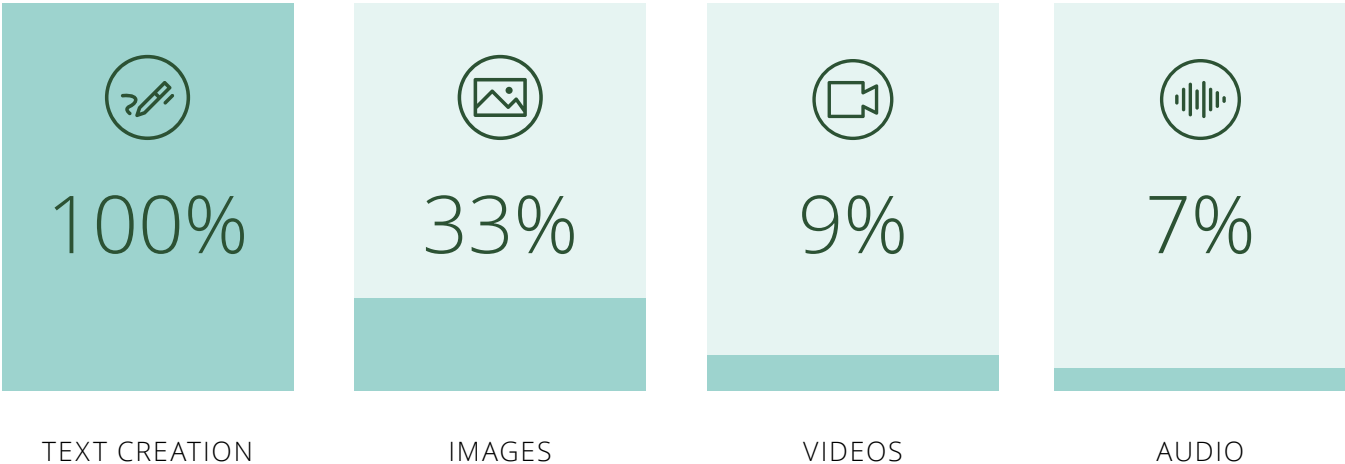
2022 Gartner CIO and Technology Executive Survey
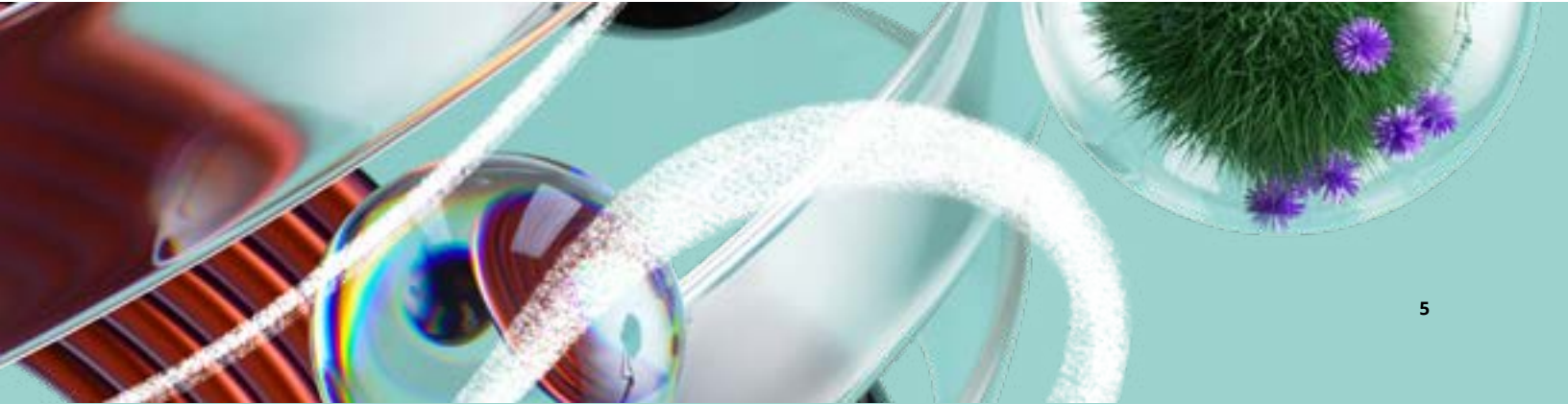
How can brands take advantage of Generative AI for their retail marketing?

1

GET YOUR DATA AI-READY

The first step in finding more effective and efficient ways to serve and retain customers is developing a solid data foundation. Without good data to work with, new methods of customer acquisition and retention will fail to optimally perform. With usable data and applied AI techniques, retailers are empowered to better understand the Who, What, When, and Where of their customers and marketing activities:

WHO

Which audiences should be targeted for your upcoming campaign?

WHAT

What advertising tactics need to be engaged?

WHEN

When should we engage customers with this tactic to maximize consumer interest?

WHERE

Which channels and modalities are working the best for each audience?

2

IDENTIFY THE RIGHT USE CASES AND BUILD YOUR AI TRANSFORMATION ROADMAP

Generative AI and machine learning have the potential to increase both quality and efficiency at every stage of the customer journey. Here are the 5 top use cases that address the most common pain points at each major step in the customer journey.

Advertising

THE CHALLENGE

How do we execute and decrease time to market to capitalize on emerging new consumer demands?

THE TREND

- **According to the 2023 Gartner CIO and Technology Executive Survey**, 34% of retailers have implemented AI in at least 1 process area and trends suggest that major fucus areas are demand forecasting, personalization, chat, and thread detection.

HOW AI CAN HELP

- *Get Faster.* Generative AI for ad copy development can help your campaigns be ready for market faster, meeting your customers when they are prepared to spend.

- *Get Stickier.* Decision automation powered by generative AI can improve the quality of campaigns delivered by generating content, personalized pricing, and real-time channel decisions to optimize the efficiency and effectiveness of each promotion. This results in more resonant brand messaging, increased customer loyalty, and more effective marketing campaigns.

Web Experience

THE CHALLENGE

How can we engage customers on the website in a more targeted and personalized way?

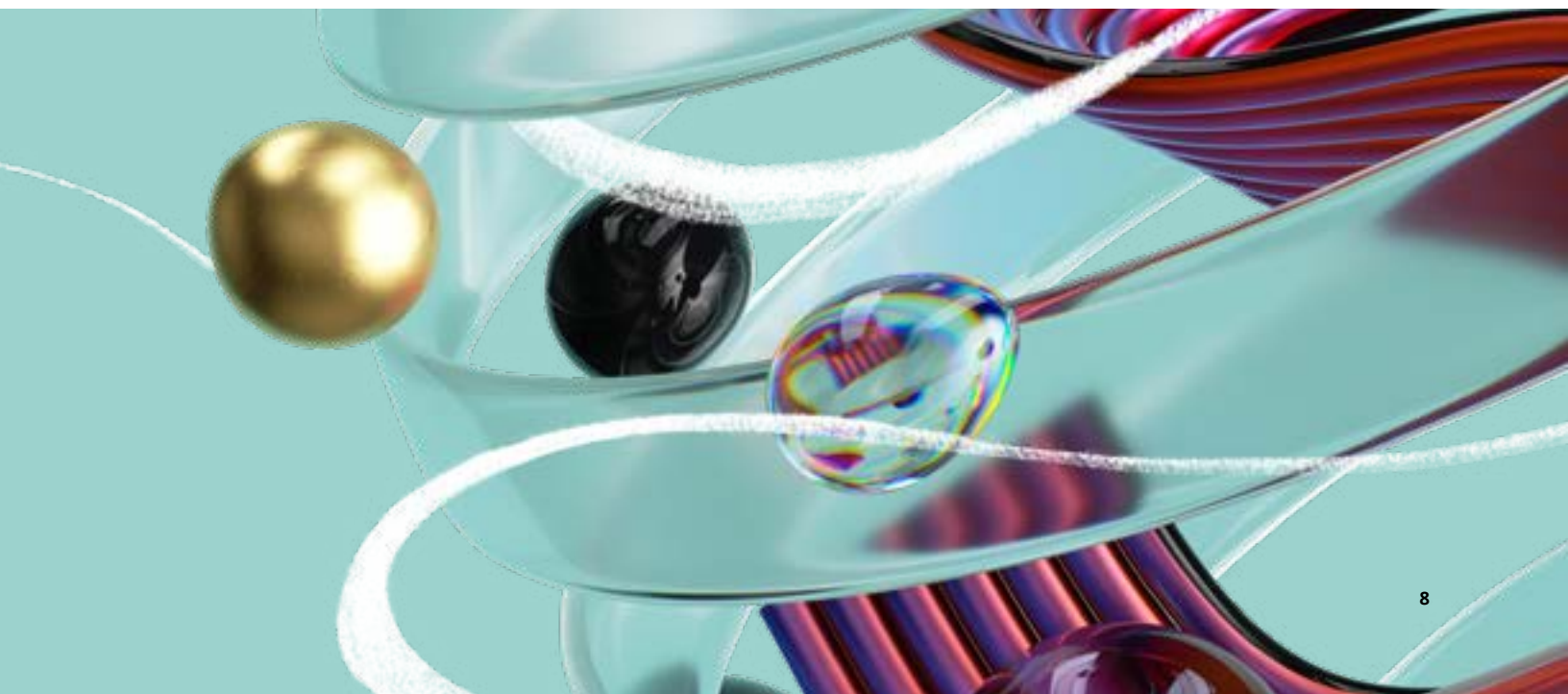### THE TREND

According to **Deloitte Digital's 2022 Personalization research**, 69% of consumers said they're more likely to purchase from brands that personalize experiences and 31% said they're 2X-3X more likely to purchase.

HOW AI CAN HELP

- *Get Chattier.* Generative AI may be used as a digital chatbot to assist customers with their product inquiries.

- *Get Choosier.* Generative AI can also be used for real-time personalized recommendations by evaluating a customer's interaction history across the brand's digital platforms. Depending on the analytical maturity of the retailer, Generative AI can produce personalized imagery and copy. This enables the AI to generate personalized email content, product recommendations, and targeted marketing campaigns which leads to increased customer engagement and loyalty.

In Store Experience

THE CHALLENGE

How can we integrate generative AI capabilities into the in-store experience?

THE TREND

- Per **Gartner**, by 2025, the top 10 retailers globally will leverage AI to facilitate prescriptive product recommendations, transactions, and forward deployment of inventory for immediate delivery to consumers.

- By 2027, immersive shopping technologies will expand to enable more than 7% of sales interactions in nonfood segments from **less than 1% in 2022**.

HOW AI CAN HELP

Get Interactive. In-store kiosks powered by generative AI can provide customers with a virtual personal shopper experience, increasing basket size and operational efficiency at the same time. The virtual shopper's assistant could provide enhanced product information, recommendations, or personalized graphics showing how a set of products would work together to achieve the shopper's goals.

Supply Chain

THE CHALLENGE

How can AI predict, prevent, and resolve supply chain challenges?

THE TREND

7 in 10 executives surveyed said supply chain disruption will impact retailers' growth during 2023. That leaves only 3 in 10 very confident in navigating supply chain disruptions in the year ahead.

HOW AI CAN HELP

- *Get Faster.* Machine learning tools can identify supply chain weak spots and predict potential roadblocks based on past data and performance. It can also be used to optimize routes and schedules to prevent the most common delays and service interruptions

- *Get Profitable.* AI analytics tools can help systematically identify margin optimization opportunities at every link in your supply chain, improving profitability at scale and across a diverse range of product and material profiles.

Customer Service

THE CHALLENGE

How can we optimize our service experience while saving on call center costs?

THE TREND

- **A Stanford University and MIT study** found that agents who used AI tools that created conversational scripts increased their productivity, measured as issues resolved per hour, by 14% on average.

- According to **Deloitte Digital's 2023 Contact Center Survey**, 74% of organizations are currently at some stage of chatbot testing or deployment. That's followed by virtual voice assistants (64%) and agent-facing chatbots (60%).

HOW AI CAN HELP

- *Get Effective.* AI-enabled quality assurance and listening programs can systematically identify challenges in consumer interactions and suggest the right intervention methods and channels to improve customer service outcomes.

- *Get Efficient.* Call center ecosystems that integrate generative AI can offer a human-like touch to customer interactions while directing the customer to more cost-effective channels like web, text, or chatbots. These chatbots understand customer queries, preferences, and past interactions, enabling them to generate appropriate responses and resolution recommendations, making the customer service experience more satisfactory and less labor-intensive.
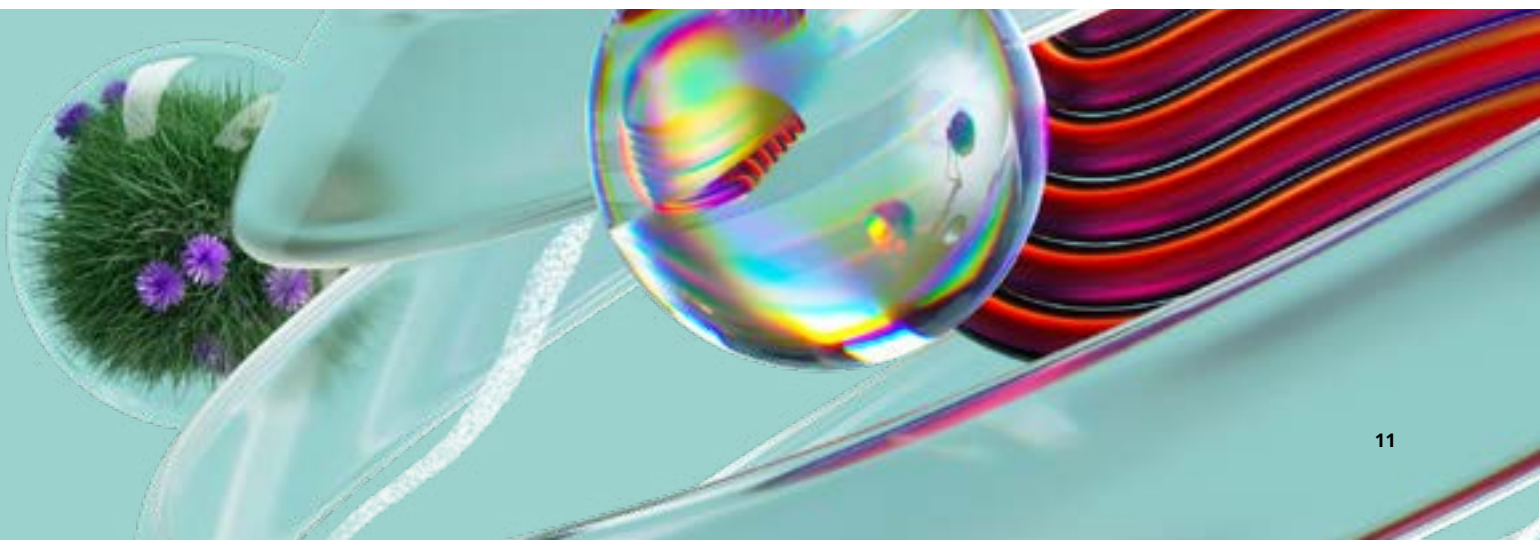
3

TEST AND LEARN

One of the primary reasons why generative AI is increasing in commercial popularity is that it can enhance an organization's agility by rapidly prototyping and testing new advertising campaigns, service flows, and predictive insight tools. Small-scale experiments can be enacted frequently to determine which implementations will likely have the most significant positive impact on organizational agility, profitability, and efficiency. A test-and-learn methodology can quickly produce positive effects on:

QUALITY

Produce higher quality marketing content at a lower headcount

SCALABILITY

Personalize content efficiently for a wide range of audience segments and consumer needs

ADAPTABILITY

Respond more quickly to changing customer sentiment and market trends

OPTIMIZATION

Continuously improve merchandise assortments, channel spend, and marketing performance

ACCURACY

Surface better analytics insights to predict future trends and prevent future challenges more effectively
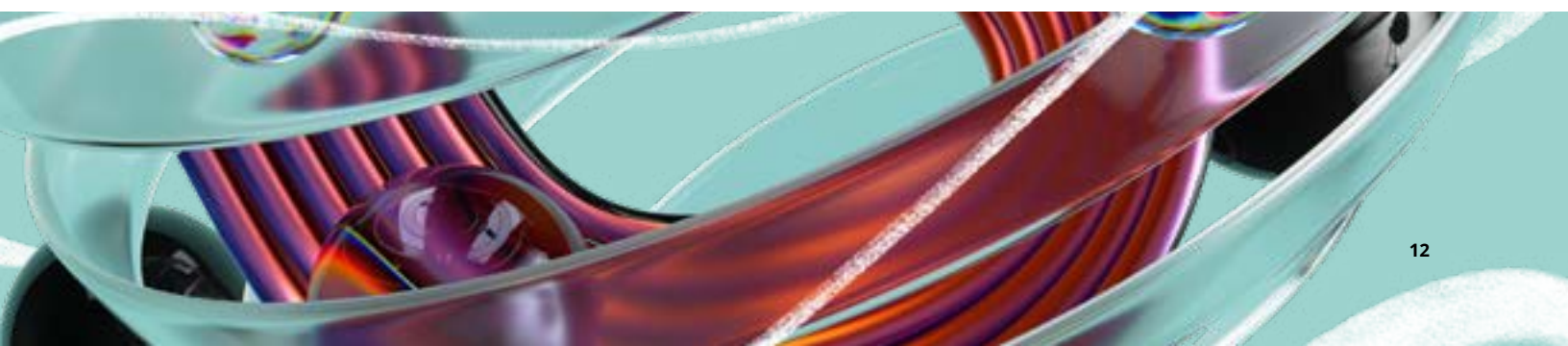
HOW DELOITTE DIGITAL CAN HELP

A service provider for capabilities like AI-enabled retail experiences needs to satisfy a dual mandate: It must take burdens outside the organization but keep control inside it. To help retailers build their AI strategy, Deloitte Digital offers assessment services in the following areas:

PERSONALIZATION

DECISIONING AND DATA

GEN AI CHANGE MANAGEMENT AND OPERATIONAL IMPACT ASSESSMENT

OMNICHANNEL CAPABILITY MATURITY

MEASUREMENT NEEDS AND CHALLENGES

Once these assessments are complete, Deloitte Digital can help build the complete AI vision and roadmap from strategy to implementation to helping operate the new capabilities as a full "as-a-service" provider. Our Operate services function as a de facto extension of your organization, allowing you to rapidly scale and deploy successful solutions while you build the internal capabilities needed to operationalize them over the long term.

The end goal is to provide customers with the best experience possible, and in this ever-changing marketing landscape, goal posts are constantly moving. Not too long ago, data and decisioning was the most innovative method to captivate customers and differentiate retailers. Now it is the minimum requirement to remain competitive. Retailers must constantly adapt and refine their approach to survive and continue providing a superior shopping experience for their customer base. Luckily Deloitte Digital has the depth of experience and breadth of specialist skills to help you stay ahead of this rapidly changing economic environment. Together we can support your organization as it gets ready to meet the expectations of tomorrow's customer.

Get in Touch

Contact Trinadha Kandi to start developing your AI transformation roadmap.

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