ARTIFICIAL INTELLIGENCE

The fast track to retail value at scale

Responsible Retail
We are reaching the peak of the hype curve with artificial intelligence (AI) in retail. Eighty-six percent of retailers are experimenting with it to forge new paths to growth,¹ and the vast majority agree it will continue to transform the retail industry and redefine financial and operational benchmarks for success.

But most retailers are pursuing AI as one-off experimental initiatives running in functional silos. Seventy percent know how to pilot AI, but are struggling to scale it across the enterprise.² Lacking a corporate strategy, process and governance to guide investments and a path to scale, they are not realizing its true potential to impact their top and bottom lines, and transform into strategic, data-driven organizations.

How can retailers benefit from AI quickly?

Responsible Retail, Responsible AI

In this era of responsible retail, companies need to operate ethically and fairly in terms of their customers, employees, partners and investors, and our planet. Through this lens of responsibility, retailers are delivering value to customers through data security, privacy and transparency—and AI is no exception.

Responsible retailers are adopting AI, using information and tools in a way that maintains users’ data privacy, security and enables transparency, while also unleashing the benefits of data. How? Through the right planning, oversight and governance models. Ninety-two percent of AI leaders train their technologists in ethics and 74 percent evaluate AI outcomes weekly.³
Accelerating AI value

The competitive landscape is shifting and it’s no longer about just pursuing AI—it’s about being among the first to adopt AI at scale to reach unprecedented levels of personalization, precision and profitability.

The good news is retailers now have access to the necessary innovation, compute power, skill sets and solutions required to fully embrace AI responsibly across the enterprise to create value and fuel profitability.
Personalization

Personalization is a direct path to growth in retail. Tailored offers drive higher levels of conversion and create consumer interactions that are relevant and meaningful. But not all customers are created equal—typically five percent of customers generate a third of a retailer’s profit, and 35 percent of the customer base accounts for 80 percent of profit. For maximum gain, retailers can use AI to identify their highest lifetime value customers and rapidly hone in on personalized messaging that works for each individual.

Rapidly growing online styling service Stitch Fix uses a combination of artificial intelligence and human stylists to create personalization for more than three million customers. The retailer uses customer data on preferences, budget, size and lifestyle, plus the all-important feedback data, to curate a box of five items for each customer for each ‘fix’.

RETAILERS HAVE HELD BACK FROM RAPID ADOPTION OF AI

Fear of the unknown
Not everyone understands AI. If a merchant responsible for the performance of merchandise doesn’t understand how AI can offer transparency into inventory, insight into future trends and more—they aren’t going to use it.

Shiny object syndrome
Retailers have selected new AI startups or individual best-of-breed products for each use case, such as pricing, assortment and marketing. Now they realize they can’t do pricing or assortment in isolation. AI has to work at scale and across traditional functional silos.

Lack of leadership
When implementing AI, approximately 40 percent of retailers lack the right data, skills, tools, culture and leadership. These are table stakes to be able to realize the benefits of AI across the enterprise.
Precision

In today’s omnichannel world, AI allows retailers to optimize processes and operate with better precision from the customer all the way back through the supply chain. AI can significantly improve the prediction of what consumers will buy, as well as when, where and how they will purchase. Then, AI can help retailers get to market faster and deploy inventory more efficiently and effectively across their omnichannel business models.

Accenture research finds that 82 percent of retail executives believe digital demographics are becoming a more powerful way to understand consumers. Operating with greater precision reduces costs and more accurate insight into inventory enables better pricing. As noted earlier, personalization increases effectiveness in selling across categories.

French supermarket Intermarché is working to transform into a data-driven organization. The retailer’s data factory uses AI technologies to offer local assortments tailored to customer preferences, while working toward the company’s purpose of helping consumers to eat better. The data factory identifies and develops use cases to quickly boost productivity and growth. It is also changing how employees perceive data, by putting data at the heart of decision-making to create measurable business value.

Profitability

No technology matters if it doesn’t move the needle. AI can affect the top and bottom lines of a retail business. Our research shows that companies embracing analytics and AI have significantly more growth than those who lag in adoption. Eighty-one percent of all companies identified as AI leaders experienced more than 10 percent growth in the past year compared with 36 percent of laggards.

Grocery conglomerate Kroger is working with Microsoft to develop Kroger EDGE, a new, cloud-based signage solution for retail shelves. These smartshelves allow dynamic pricing and can quickly display flash promos and coupons to customers. These features have helped to boost sales. The company hopes to tap an entirely new market by selling the technology to others.
How to scale—fast

When retailers adopt AI across retail functions and processes at scale, they can unlock unprecedented value and transform their businesses. There are four areas of focus for retailers to quickly unleash AI across the enterprise—people, data, platform and governance.
Lead from the top with a human-centric approach

To fully adopt and realize the benefits of AI, retailers need to lead from the top with an overarching strategy and human-centric approach. Becoming a data-driven organization requires the appropriate sponsorship, funding and commitment of resources.

Find the right internal and external talent

Accenture has identified nine data expert roles that define, transform and sustain value for the long term. This approach starts with the strategic visionary, an industry expert, who supports the C-suite to establish the strategic vision.

Retailers also need the right blend of internal and external people, who have the necessary mix of skills to execute AI at speed.

It’s a far cry from throwing data scientists into the data lake and expecting them to come up with business-changing strategies. To move faster, retailers should build an ecosystem that can help fill talent gaps quickly.

Collaborate between humans and AI

For many, AI is still an intimidating black box. But AI is not about displacing humans, it’s augmenting human capabilities and enabling people and machines to work collaboratively, giving people the ability to make informed decisions and extend them. Accenture research into 1,500 companies shows the most lasting, impactful performance boosts happen when people and AI-enabled smart machines work together.10
Nine roles to accelerate a retailer’s journey to a data-driven organization

The AI Data Tribe

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>The Cockpit</strong></td>
<td>Sets the direction and conditions for the data tribe to thrive</td>
</tr>
<tr>
<td><strong>The Foundations</strong></td>
<td>Creates the infrastructure to harness the data</td>
</tr>
<tr>
<td><strong>The Treasury</strong></td>
<td>Transforms raw data into useable data sets</td>
</tr>
<tr>
<td><strong>The Engine</strong></td>
<td>Manipulates the data into insights with services and solutions</td>
</tr>
<tr>
<td><strong>The Springboard</strong></td>
<td>Translates the insights into scaled and sustained action</td>
</tr>
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**Visionary**
Identifies the value potential and sets the vision for data, outlining how data will be used and building a community of senior data advocates.

**Match-Maker**
Explores and validates the external networks of companies, technologies and data sources—brokering relationships back into the organization.

**Tech Engineer**
Designs and builds the tech architecture, to support the data vision and operations.

**Data Healer**
Manages the veracity of the data—cleansing the data prior to storage and maintaining quality through trouble-shooting.

**Data Guard**
Secures the data infrastructure, taking a proactive approach to hunting down potential problems and meeting compliance expectations.

**Data Diver**
Computes and analyzes the data—designing and developing analytics solutions that convert numbers into insights.

**Data Detective**
Asks the right business questions of the data and looks for deeper human patterns that go beyond the what to the why.

**Data Narrator**
Tells compelling and accessible stories of the data, transforming insights into narratives and recommendations that build belief and ignite action.

**Tech Engineer**
Designs and builds the tech architecture, to support the data vision and operations.

**Data Detective**
Asks the right business questions of the data and looks for deeper human patterns that go beyond the what to the why.

**Catalyst**
Spreads the data-gospel at scale ensuring data becomes a new way of life within the business and solutions are adopted.

Accenture has identified a multi-disciplinary talent hub of data experts, who can help retailers realize maximum return from AI investments.
2 DATA Fuel for AI

Clean up your data!

Now is a critical time as the amount of accessible internal and external data will continue to increase as retailers can access new data from video, social channels and geo-location, combined with traditional data like POS and inventory. This is an area often overlooked at the C-suite level, yet a data strategy is table stakes for retailers to have the fuel—clean, secure and actionable data—that they need to drive AI across the business.

AI can harvest data, identify useful patterns and turn it into something meaningful and actionable. However, half of retailers with sales of more than $1 billion have no specific function to evaluate new analytics capabilities.11

3 PLATFORM The AI engine

Scale at speed with a cloud platform

A platform-based approach creates the structure by which retailers can capture, clean and build trust around data (through data quality, veracity and governance). Using a cloud platform also allows a retailer to gain speed and scale while enabling constant innovation. Consider the mega platforms such as Alibaba and Amazon that are masterfully using tremendous data to inform processes, and adapt by incorporating innovations.

Gain an ecosystem edge

With AI evolving fast, it is imperative that organizations don’t try to go it alone. Working with ecosystem partners is essential to adopting the best technologies, building strong AI capabilities and forming the right team to get the job done.

Cloud platforms allow retailers to tap into the ecosystem to benefit from advancements they are not directly paying for. For instance, Nike bought predictive analytics and demand-sensing company Celect to optimize inventory with hyper-local demand predictions.12
GOVERNANCE
The navigation tool

Govern toward growth

Retailers should have a process in place to move them from AI experimentation to widespread adoption. A governance model will provide perspective on where to harvest value, creating a set of decision trees that allow a retailer to drive to scale with speed. Governance offers guiderails that can help retailers to determine the highest potential use cases for AI so that they can prioritize, fund and grow those. This mediates across the functional silos to optimize ROI.

Governance should also include a strategy to drive cultural change and data-driven decision making. Rapid AI adoption at scale calls for retailers to evolve their collective mindset and build analytics IQ across the business.
By focusing on these four critical areas, retailers can move from experimentation to rapidly driving value at scale with AI. New benchmarks for financial and operational success will emerge from improved capabilities for prediction and precision. Cultures will transform to become data-driven.

The retailers that move to AI at scale with speed will outpace competitors by strengthening consumer relationships and forging new paths to growth.

Will you be one of them?
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