HIDING IN PLAIN SIGHT

Uncovering hidden growth opportunities in retail with the power of AI.

ROB HOWARD | BROOKS KITCHEL | JONATHAN MAYS | AL SAMBAR | PAUL SCHOTTMILLER

THE RETAIL GROWTH OPPORTUNITY

Pepper and Rachel are star performers in retail sales. Pepper singlehandedly boosted revenue by 300 percent at The Ave, a fashionable LA clothing boutique—in just three days.[1]

No wonder Pepper has multiple offers from other retailers. Rachel is an Internet sales phenomenon and, like Pepper, is in high demand. Wherever she works, she boosts engagement rates by 35 percent on average.[2]

These natural-born sales agents aren't "natural-born" at all. Pepper, a humanoid-like robot, perceives human emotions and responds accordingly. Rachel, an authentic-sounding virtual sales rep, effectively engages Internet leads.

Pepper and Rachel's success herald what's to come in retail, thanks to advances in artificial intelligence (AI). Customer-facing uses of AI currently garner lots of attention. However, retail applications for AI extend across the value chain and will transform marketing, merchandising, customer engagement, supply chain management and even back-office functions such as finance and HR, allowing machines to augment the human workforce in all areas. The economic benefits to retailers are virtually endless.

Unsure of how and where to invest to generate the greatest returns, most retailers have not taken advantage of what AI has to offer. Waiting is not a winning option. To survive even the next five years, retailers must dive into AI's full potential.

Accenture Applied Intelligence believes that AI needs to be embedded across every business function and process to help humans do things differently and to do different things.

THE STATE OF AFFAIRS

Consumers are increasingly comfortable with AI technologies.

Forty-four percent of consumers currently use some type of virtual assistant such as Apple Siri, Facebook M or Amazon Echo. One-third use their assistants at least once a day, and 86 percent like the experience.[3] Even consumers who may not have Siri, Alexa or Cortana on call enjoy AI experiences everyday—often without realizing it. Uber, Facebook, Google and other technology companies now routinely use AI, along with machine learning and analytics, to provide a steady stream of personalized content, interactions and prices.

Consumers are already open to the idea of AI-enabled retail. Many now expect traditional retailers to offer the same level of AI-based personalization that they enjoy in other aspects of their lives. Our research revealed that 42 percent of consumers feel it is critical for company experiences to set new standards for service and engagement. Yet, out of 11 industry groups, consumers rank retailers last in their ability to continually improve customer experience.[4]

AI presents a golden opportunity to deliver better, more relevant, more personalized—and more profitable—experiences. But traditional retailers continue to drag their collective feet. They can envision the value AI, machine learning or analytics can bring to their customer experiences and operations. And they know that AI can enable them to deliver cost-effective interactions to a broader set of customers. They simply struggle with where to begin.

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Given the perceived complexity of AI solutions and the fast-changing nature of the AI landscape, retailers' hesitancy may be understandable. But that hesitancy will prove costly in the long run. Unless they jump on board, retailers will miss countless opportunities to develop meaningful customer relationships, turbo-charge their operations, and grow their businesses. In fact, a strong AI capability and a data-driven decision-making culture will be table stakes for retailers in only a few short years. Retailers that don't prepare for this reality today will lose to those that do.

Fewer than 20 percent of retailers have deployed AI and/or machine learning[5]

50 percent of retailers with sales of more than $1 billion have no specific function to evaluate new analytics capabilities[6]

When implementing AI, approximately 40 percent of retailers lack the right data, skills, tools, culture and leadership.[7] Issues with data quality and access are particularly vexing.

AI's data revolution

AI is not as revolutionary as some may think. A hundred years ago, combining technology and human ingenuity to solve problems formed the basis for the industrial revolution. Even the mathematics and analytics that underpin today's AI solutions have been around for 40 years. What's different—even revolutionary—today is our access to more data than we ever imagined. That's posing a problem.

Many traditional retailers struggle with data management. Only 50 percent have a centralized data warehouse, and only 5 percent have a data lake for unstructured data. Even for those retailers that believe they have the data they need, only 52 percent report easy access.[8] The data challenge is likely to get worse before it gets better.

Retailers have traditionally relied on internal data sources, such as point-of-sale and inventory data, to improve their operations and customer experiences. But even with internal data, retailers have only really been scratching the surface as much of it is siloed or inaccessible in legacy IT systems. In the world of AI and connected devices, external data sources such as social media networks or geo-location applications can provide a more complete customer understanding. An ecosystem approach can help retailers capture, manage and make sense of the external data now available to them, and combine this with their own internal data. That's good news, since how effectively retailers manage data, structured and unstructured, will dictate whether their high-value AI solutions will succeed or fail.

MINING THE AI VALUE OPPORTUNITY

AI will impact virtually every aspect of retail operating models. It will become part of retailers' DNA, driving value across the organization. Three areas are particularly ripe for AI-inspired transformation:

Customer engagement

Robotic sales reps, both real and virtual, can deliver hyper-relevant experiences, make purchase recommendations and answer customer inquiries based on lightning fast processing of individual customers' information. Behind-the-scenes, AI, machine learning and analytics applications can apply an infinite number of algorithms to spot real-time consumer trends. AI also helps retailers predict consumer actions, which means they can more accurately estimate the likelihood that a customer will respond favorably to an ad, promotion or campaign. Programmatic marketing will never be the same.

Merchandising

AI will transform how retailers ensure the right variety of product is available via the right channels. Soon, hyper-fast computing power and real-time analysis of competitor and consumer data will enable dynamically configured assortments, content and prices. Our research shows retailers are already seizing these opportunities. The top three areas of focus for advanced analytics among retailers are buying, allocation and inventory placement.[9]

Back-office applications

In an omnichannel AI-enabled retail environment, the right product, right place, right time imperative has taken on new meaning. Only AI can effectively scale the advanced forecasting, planning, and supply chain execution capabilities —from optimized delivery routes to transport fleet maintenance—now needed.

Importantly, AI will be critical to labor productivity across all functional areas. An estimated 40 percent of activities performed by retail workers can be automated.[10] HR leaders will need to determine how AI can augment human-managed processes, and also identify new roles and skills required for a data-driven retail environment. Intuition, coupled with the ability to develop actionable insights from data, will be among the most important capabilities needed to make decisions in the world of AI.

WINNING THE AI RACE

One mistake traditional retailers make when developing their AI strategies is assuming that responsibility and accountability lie solely with the CIO.

IT will play a critical role, but AI is more than a technology play. It is a critical capability that retailers must embed into their company's DNA and also across the C-Suite. Working together, these leaders can quickly cycle through three phases of AI preparation and deployment. Actions in each phase will distinguish the AI winners.

Ready: build AI talent

Retailers must build a bench of AI talent—either by developing it in-house or partnering with external agencies/outsourcing providers that have the adaptive talent needed to launch the strategy. Leaders will need to generate excitement across their workforce and prepare their professionals, through upskilling and reskilling, to work with machines symbiotically (humans amplifying machines and machines amplifying humans) to carry out their day-to-day tasks. At a minimum, planning and merchandising expertise should expand to include deep learning, analytics and automation.

Set: build data management capabilities

With the talent strategy in place, retailers need to build the right data-management capabilities. This means focusing on data attributes and structures, and identifying or developing ecosystems that will grant access to the data necessary to make intelligence actionable and abundant. Harnessing insights from social media and messaging platforms that customers already use is critical to win the battle for influence. Equally important is the ability to use captured data to generate actionable business insights and make better decisions.

Go!

Traditional retailers have hesitated to wade into AI. They simply can't wait any longer. Retailers must seek opportunities to deploy AI inside their organizations and across the extended retail value chain. Customer engagement is a good place to start. Plenty of solutions already exist, and new advances soon will enable retailers to leapfrog their competitors. Merchandising, pricing, promotion, inventory placement, labor management and myriad back-office applications also hold great potential.

YOUR AI FUTURE STARTS TODAY

Innovative retailers poised to achieve competitive advantage and growth in the years ahead have already taken steps to create an AI-enabled future.

Retailers' bold search for new opportunities to use AI will fuel agile innovation capabilities and operating models. There is no such thing as a perfect AI solution, but embracing a test and learn mentality will move retailers that much closer to realizing AI's full potential.

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@AccentureStrat
www.linkedin.com/company/
accenture-strategy

CONTACT THE AUTHORS

Rob Howard
robert.g.howard@accenture.com

Brooks Kitchel
brooks.kitchel@accenture.com

Jonathan Mays
jonathan.mays@accentue.com

Al Sambar
al.sambar@accenture.com

Paul Schottmiller
paul.r.schottmiller@accenture.com

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