MERCHANDISING OF THE FUTURE
Merchant-Imagined, AI-Enabled
Recent retail news focuses on the role of the store in delivering an omni-channel experience or the dire state of shopping malls. Yet there is much more happening beneath the surface. Retail is undergoing a radical revolution for how it meets consumers’ needs—and merchandising is at the center of it all.

The merchandising formula that made retailers successful in the past is no longer the one that will fuel growth. The role of merchandising has undergone mini-makeovers over the past 25 years. In the 80s, humans curated, picked and priced each product for the consumer. Technology advancements in the 90s and early 2000s applied science at scale in the retail landscape, but via point solutions, such as assortment planning. These solutions failed to give time back to merchants for strategic thinking, and left them drowning in a sea of spreadsheets. Antiquated processes continued to hinder innovation over the years.

Merchandising today requires a complete rethink. Human creativity and inspiration can be top differentiators that distinguish marketplace relevancy, leading to increased revenue and profitable growth for retailers and dominant brands. Accenture’s leader in retail operating models, Courtney Spitz states, “Being successful today requires time, supporting capabilities and collaborating with ecosystem partners who can help retailers compete in an integrated marketplace where making a purchase is just a tap, or even a look, away.”

“There would be no retail if it weren’t for merchandising, so why isn’t anyone talking about it anymore?”

— Rachel Shechtman, Founder
Manhattan-based concept store, Story
HISTORY SHOULDN’T REPEAT ITSELF

As merchants adapt to this reality, it is challenging (borderline uncomfortable) to overcome deeply ingrained mindsets. In recent months, Accenture interviewed top merchants and heard these themes:

- “We need to be bolder and more agile.”
- “I have no time.”
- “My team needs to think and act differently, and I need to create roles that will attract and retain top talent.”

But still, the daunting bottom line is, “I don’t know what I don’t know.” So where do merchants start, and what do they do next?

By allowing merchants to increasingly love their job, they will do a better job. Studies show that companies with great employee experiences outperformed the S&P 500 by 122 percent.²
Merchandising is going to be more critical and creative than ever, focused on activities that make the role more engaging, energizing and fulfilling—and less administratively grueling. The merchant’s time needs to be spent on bringing creative ideas and intelligent experiences to consumers.

NEW MERCHANDISING. NEW MODEL.

In an era where consumer expectations, technology capacity and data availability multiply at exponential rates, it is time to adopt a model in which merchants can minimize the number of activities on their plates and push as much as possible down to an execution layer where specialized teams and/or machines alleviate the burden. This will free up time for merchants to focus on being creative strategists and giving consumers the exact products and services they want.

WHAT IS ARTIFICIAL INTELLIGENCE (AI)?

AI includes multiple technologies that extend human capabilities by sensing, comprehending, acting and learning—allowing people to do much more.

AI technologies include natural language processing, computer vision, voice recognition and machine learning. Availability of digital data, computing delivered through the cloud, advanced algorithms and the growth in funding are allowing AI to excel and scale at a pace we have not seen before.

In addition to AI, emerging technologies such as immersive reality and quantum computing enable companies to become an intelligent enterprise.
Merchants of the future will concentrate time and creative efforts differentiating their products and services, while offloading tasks to machines – see Figure 1.

The new role of the merchant will be focused on delivering the retailer’s purpose to consumers.

“Employees place a lot of importance in finding meaning in their work. The closer they feel to the mission and the product or service they are providing, the higher quality work you can expect.”³
EXECUTION.
Retailers will apply automation to highly predictable occurrences (e.g. item setup, order management and vendor inquiries) and/or repeatable processes that require minimal human judgment, thereby reducing errors, saving costs and freeing up time.

When computers are colleagues that oversee those left-brain execution and analytic decision-making tasks, the business fundamentals are self-driving. When the business fundamentals are self-driving, merchants can get back to their creative roots and dream big. For example, according to Accenture Retail Global Managing Director, Shyam Thyagaraj, “Being able to automatically populate hundreds of attributes for an item using image recognition and deep learning techniques changes the game on time-consuming maintenance tasks.” Now, time is freed up to focus on the outcomes of the process instead of the process itself.

INTELLIGENCE.
Retailers will use advanced analytics to enable precision at scale. Actionable data insights will direct merchants’ curation and segmentation of merchandise selections to be hyperlocalized and hyperpersonalized automatically.

Cognitive, self-learning machines will not only help with segmentation, they also will ensure that product offerings are tailored to individual consumers and suited for local needs, regardless of shopping channel. For example, machines can create customer choice models that confidently predict what consumers prefer to purchase when given specific choices, taking demand forecasting to the next level. Higher precision will lead to higher profitability.

STRATEGIC.
With execution and intelligence capabilities in place, merchants can invest brainpower in inspiring actions that deliver differentiated value propositions.

Merchants will be equipped to readily sense the needs of consumers and respond in meaningful and innovative ways—giving people what they want, when they want it, from someone they trust.
**AI: MERCHANDISING MAGIC**

AI can power growth by enhancing the productivity of people, and it can also be highly productive by itself. Innovative retailers are not afraid to challenge which activities can be accomplished by a machine versus those that must be done by a human, and are using AI to differentiate themselves and disrupt the market.

- One retailer manages its content using image recognition to automate the tagging of product attributes.
- A leading retailer uses internal and publicly available external data to identify trends in real-time and predict their strength and longevity using machine learning algorithms.
- FindMine automates the manual process of curating window displays, endcaps and online lookbooks, personalizing merchandising for retailers and shoppers.
- Screenshop uses image recognition to convert screenshots into shoppable results, instantaneously.
- Stitch Fix uses algorithms to predict "frankenstyles" entirely from data, and select relevant items for clients.
A merchant transcends what we think of today as a buyer or category manager. He or she has become the curator of experiences and the inventor of offerings for consumers.

As AI changes how work gets done, the job description of the merchant changes, too. Merchants are the customer experience designers, the trendsetters and the most important advocate for the consumer. They serve as the innovation engine for the consumer offering, experience and engagement. And most importantly, the merchant will be empowered with the right tools and organizational support to achieve these important outcomes.

**WHAT’S TRENDING?**

“Wal-Mart’s Tech Incubator Hires Co-Founder of Rent the Runway”

Leading retailers are hiring ingenuity, while commoditization of buying practices is being addressed in other ways.
AI offers its greatest value by augmenting the work that people do to improve the way they interact with their consumers and communities. With machines now part of the workforce, humans will need a different set of skills, capabilities and culture. The World Economic Forum predicts that, “by 2020, more than a third of the desired core skill sets of most occupations will be comprised of skills that are not yet considered crucial to the job today.” In addition, merchants need to embrace their colleagues – whether they are internal, external or robotic.

AI and other emerging technologies can reduce the burden when it comes to transactional, predictable, repetitive tasks—and they have already created new opportunities for humans to work more strategically and purposefully. According to Accenture research, 84 percent of workers surveyed are excited about the impact of digital on their job and 80 percent believe digital will provide more opportunities in their work experience.
What’s your winning team going to look like and how are you going to embrace AI and emerging technologies?

The new is now. What are you waiting for?

GET STARTED!

• Explore AI in action
• Imagine new ways of working at the Strategic, Intelligence and Execution layers
• Block obstacles to innovation
• Kill the ‘time-suckers’ and foster a culture of inspiration and creativity