



That AI thing

Your strategic guide to intelligent online retail



Welcome to the new era of online retail

Online retail is unrecognisable from a decade ago. Connected consumers expect to shop when, how and where they want. They want relevant, timely offers and a seamless service, every time.

From voice-activated search to joining up digital and physical channels, technology continues to shift expectations. In many cases, it will be the retailers who make the smartest use of their digital tools who will thrive.

Customers still care about cost, choice and convenience. But now they're also looking for personalisation, engagement and value-added experiences.

This is changing the way e-tailers approach everything from their website to their back-end processes. And it's creating new pressure to differentiate.

The next stage of digital innovation

Digital tools have freed many retailers to work faster and sell smarter, providing the personalised, convenient service that wins and keeps customers.

Supporting this transformation is AI. It's helping to identify trends, support back-end processes, and forge stronger connections between customers and e-tailers.



The problem is, for many smaller e-tailers, that AI thing can feel out of reach. But it doesn't have to. Although bigger companies may be more likely to make major investments, even small AI projects can make a big difference. And in an increasingly competitive market, that big difference is sorely needed.

Recently, we conducted a survey of over 300 e-tail leaders. We asked how their AI strategies are working out and what kind of benefits they're looking for.

In this e-book, we'll share their responses. We'll also outline what you could achieve by embracing 'that AI thing'. And introduce you to the partners that can help you find success.

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The strategic challenges of online retail

You might be at the head of the company. Or you could be in charge of a part of it. Either way, strategic leaders like you face a unique challenge.

With influence across the whole company, your decisions could affect every department.

As the barriers to entering the e-tail industry get lower, competition increases. To survive, and thrive, e-tailers need to add value to their offerings. They also need to make a deeper connection with customers. The aim? Make your brand the brand that consumers identify with and use because it takes care of their needs. For many, this could mean transforming their business model. In fact, 41% of leaders believe their business models will cease to exist altogether in the next five years.¹

For many leaders, profit margins are the chief concern. Though profit will always be important, focusing on how you interact with customers and the value you offer them is a more effective way to drive loyalty. In turn, this will help you boost sales in the long run. After all, maintaining customer relationships is cheaper than attracting new business.

Another challenge that's occupying the minds of strategic leaders is the skills gap. Over a third (36%) of our survey group is concerned about a skills shortage. With more demand than supply, it has become tougher to attract top talent. And new tech-savvy entrants to the e-tail market will likely make it even tougher.

E-tailers will need to attract and retain talent in numerous ways. Experiences and chances to train or grow will matter. So too will a dynamic technology strategy.

All this means the need for AI is becoming more pressing every day.

Here are just a few examples of how AI can help:



Personalise product offerings
by analysing your customers' individual shopper profiles.



Contextualise services
by basing customer support on previous interactions and purchase histories.



Cross-sell, upsell and offer smart deals with algorithms based on shopper profiles, seasons, time of day, and previous purchases.



Attract and retain top talent by marketing yourself as a dynamic, tech-driven company.



¹Maximizing the AI Opportunity, Microsoft, 2018

The picture today: understanding attitudes to AI

AI is set to become a vital part of e-tailers' strategies. But how ready are strategic leaders – and how well do they understand the technology? To build your own AI strategy, it's useful to know where others are on their journey.

According to our research, over a third of leaders in strategic roles say they have a good understanding of AI. This is likely because they're often involved with the technology side of the business, too. They know it's a great chance for their business to grow, with 56% seeing AI as an opportunity.²

Half of strategic leaders plan to invest in AI over the next two years.³ If you've been holding back, now is the time to start planning.

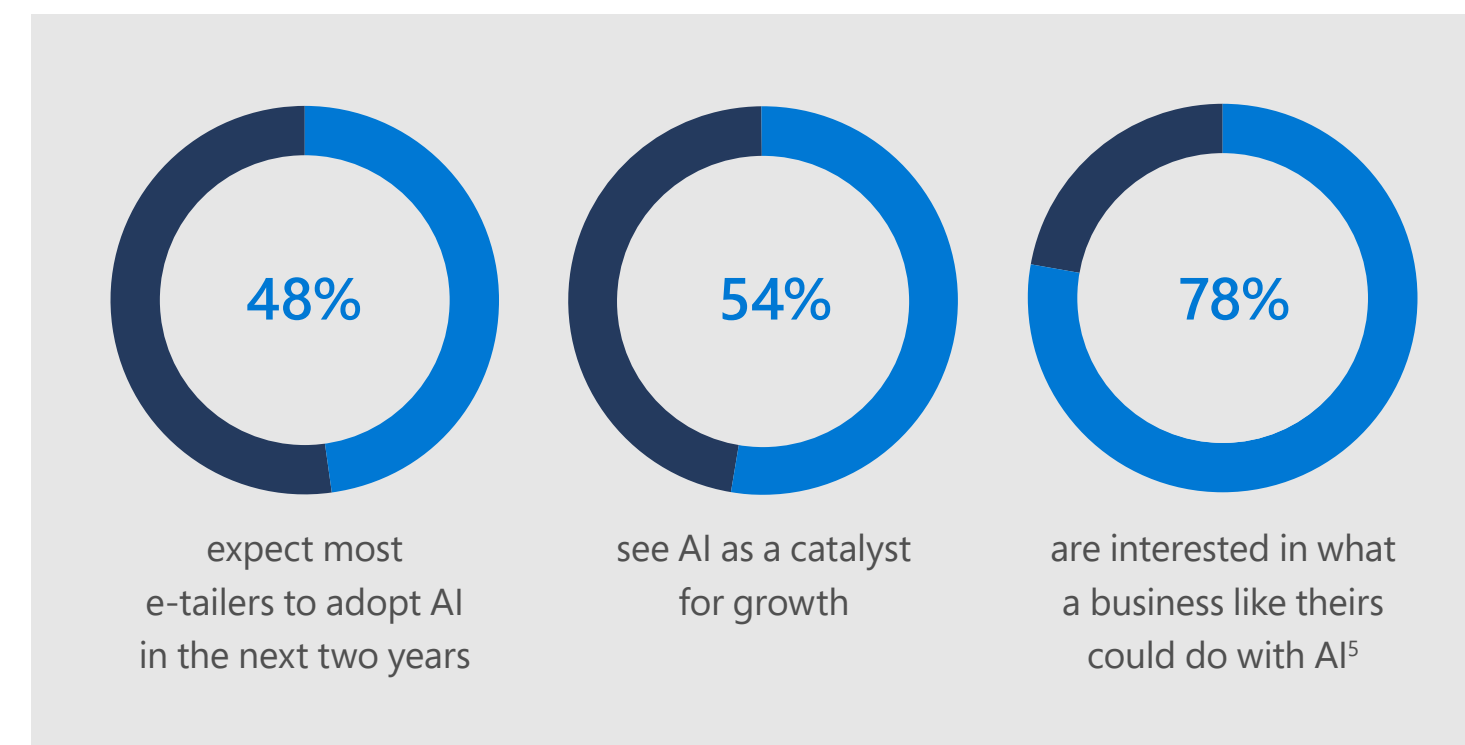
Currently a quarter of strategic leaders have a well-defined AI strategy that they're implementing right now. A further 48% are developing an AI strategy but are not yet ready to deploy it.⁴

Though they're not taking advantage of AI yet, these organisations will still be among the early adopters if they finalise their strategies soon. And you don't want to be left behind.

Drivers and detractors: the tipping points and barriers to adopting AI

Across the e-tail industry, customer demand is one of the key factors driving investment in AI. However, many are also looking for a low cost of entry and a clear business need the technology can help solve.

By identifying a single, clear business need, you can make a small investment to start with. This means, you can see major benefits without a 'big bang' tech overhaul.



Organisations that are already underway with their AI strategies are outperforming industry laggards by 5% in metrics such as productivity, performance, and business outcomes.⁶

What's stopping them?

- Lack of knowledge and understanding**
 If you don't have a technical background, that AI thing can seem complex. However, it's becoming more accessible all the time. In fact, AI is built into a lot of the software and tools you already use every day. And, if you work with an expert partner, they can handle the technical side and offer packaged services to help you deploy AI quickly and easily.
- Cost and upfront investment**
 Only 39% of all leaders understand what it costs to develop for AI³. But managing the costs are easier than you might expect. It doesn't need to be a major 'rip and replace' investment. As we've discussed, it makes great business sense to start small and add to your infrastructure as your needs change.
- We're too small, and the products are too complicated**
 Far from being out of the reach of small companies, AI is now something businesses of all sizes can use to stand out. Take a startup like The Drop. It uses AI to design and produce suits to a series of measurements unique to each customer. It's a highly personal model that's disrupting the menswear market. One that wouldn't be possible without AI.



² AI and the SME Online Retailer – Research Findings September 2018

³ ibid

⁴ ibid

⁵ ibid

⁶ Maximizing the AI Opportunity, Microsoft, 2018

The art of the possible: exploring ways to use AI

Where do you want to see the positive effects of AI? Knowing this is vital for planning your strategy. Here are three key areas strategic leaders expect to see the biggest benefits:

- **Customer satisfaction**
Customers expect access to brands 24/7 and in a variety of ways. Be there for your customers anytime through chatbots. Or make it easy for them to find you through a voice-activated search.
- **Increased revenue**
With AI, you can drive the right offers to the right people at the right time. This can increase basket size, cut cart abandonment and generate repeat visits.
- **Improved decision-making**
AI can help you to collect real-time data about sales frequencies and conversion. And to use this information to inform your ongoing strategy.

Other use cases for AI include:

- Voice and visual search
- Virtual personal shoppers
- Personalisation of products or services

Where are the investments likely to be?

We've identified three significant areas where AI investment can make a real difference:

- **AI-driven insights**
Insights based on AI can boost your ROI. As you serve your customers, AI can learn how they behave and how they like to interact with you. It can then build detailed profiles, predict trends and make sure you have stock where and when you need it.
- **Content generation**
Content marketing is still one of the best ways to build brand awareness. AI can help you create targeted, relevant content at scale. As user-generated content becomes more popular, it can help you pull in extra content directly from your customer base.
- **Chatbots**
AI and machine learning can give chatbots the context they need to deal with more day to day enquiries. This in turn gives staff the time to focus on more complex customer requests.

69% of strategic leaders expect to see the biggest positive impact in ecommerce and sales.⁷

The scope of AI in the future is broad and bright.



Establishing your AI strategy

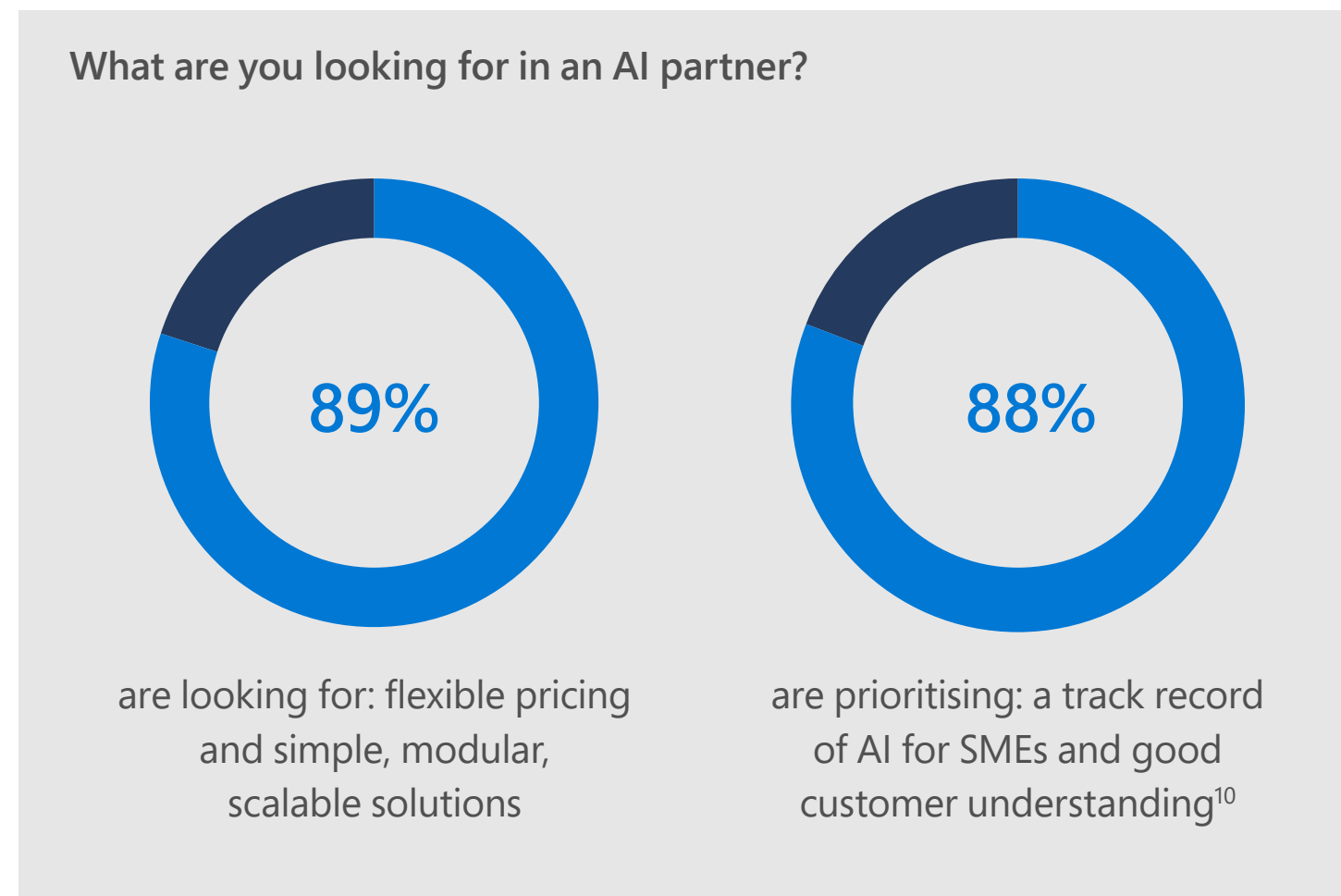
As we've already discussed, rolling out small pilots or test projects first is the most effective way to get started with AI.

It helps you to build a clear business case and monitor the outcomes, to see how effective your strategy is. This is echoed across the e-tail industry, with 76% of strategy leaders preferring this approach.⁸

A key thing is not to rush into implementation. It's crucial to build your strategy on a strong foundation of values, ethics and processes. Organisations that have done this are already outperforming others by 9%.⁹

Getting the support you need

It's common for strategic leaders to feel their businesses lack the technical expertise for AI. After all, it's a reasonably new field for most e-tailers. This has led to an overwhelming preference for third-party support. Most strategic leaders (84%) would prefer to use a third-party. 63% would bring in a third party alongside their own teams, and 23% would outsource completely.



Unravelling artificial intelligence: introducing AI with Microsoft

AI is set to transform retail, with chatbots, personalised recommendations, automated lead generation and fraud detection among its many possible applications.

For retailers to thrive in this environment, they must adapt. But that doesn't have to be a cause for concern. We have a network of expert partners who can help you get started on your journey.



⁸AI and the SME Online Retailer – Research Findings September 2018

⁹Maximizing the AI Opportunity, Microsoft, 2018

¹⁰AI and the SME Online Retailer – Research Findings September 2018

Meet the Microsoft Partners

Here are three of our key partners in AI – explore what they could do for you:



With AI fast becoming the new standard, ANS helps organisations understand what is possible. It's one of the UK's only genuine end-to-end AI providers. This puts it in an ideal position to help you assess your infrastructure, build your business case, deploy bespoke AI applications.

What ANS do is incredibly valuable. They bring it all together, the setting, the configuration, which means we receive a full solution aligned to our requirements; not a set of components. We know that selecting ANS as our strategic partner means we will effectively deliver, now and over the coming years.

Gareth White
Portfolio Manager, ECP



Screenmedia believes that all technology should be clever, creative and centred on the human. With efficient, purpose-built technology, it helps enterprises to improve service and excite users. Screenmedia uses UX best-practices to help clients design across web, mobile, voice, API and cloud technologies.

Screenmedia were instrumental in fast-tracking new capabilities into our teams, allowing us to provide the software solutions our business demanded. Their architecture, scoping, user experience and coaching capabilities gave us the confidence to make bold solution decisions and the skills to take the technology forward. The consultants were friendly, enthusiastic and practical throughout, allowing them to engage seamlessly with the delivery teams.

Next IT



Prefixbox is an on-site search tool that tracks how website visitors behave. And then learns from their search behaviour. It draws on data mining, natural language processing and machine learning to give relevant search results for e-tailers.

After implementing Prefixbox's search functions, our webstore had more relevant suggestions. It helps our customers receive instant product and category suggestions that are easy to understand, which has greatly improved the overall user experience of the site.

Szilvia Burka
Head of Marketing and Online Services, Praktiker

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Beginning your journey

As a strategic leader in your business, one of your main responsibilities is to ensure that your technology helps you reach your goals. AI is set to become one of the cornerstone technologies for business. And, as we've seen above, it's not as complicated as many fear. As it becomes more accessible, that AI thing will likely become a vital part of your infrastructure.

What's more, there's still the chance for you to join the other early adopters. And to see all the benefits that come with being a future-facing business.

Learn more about what you could achieve with our partners:

