

How AI-Driven Personalization Is Transforming the Retail Industry and Enhancing Customer Experiences

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Americans love to shop – so much so that NPR devoted an episode of its “Consider This” program to the country’s shopping culture during the second year of the pandemic. But while just a couple of decades ago, shopping meant a trip to the mall, much of the activity has now moved online.

Personalized shopping is another area that emerging technologies have transformed. Where personal shoppers used to curate clothes for their clients just a few years ago, artificial intelligence is poised to take their place and reinvent our shopping experience.

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AI technologies in retail personalization

Personalization has been a big subject in fashion retail for decades. While personal styling was only available to the elites during the 19th century, the advent of personal stylists and personal shoppers in department stores put a curated wardrobe within reach of the masses. Today, leading retailers are looking to artificial intelligence and machine

learning to take their customers' shopping experience to the next level.

The trend is not restricted to fashion. Retailers like Amazon have been embracing personalized recommendations since 2010, initially through the "customers who bought" feature. Offering product recommendations was not Amazon's first foray into personalization. The company started that trend as early as 1999 by allowing customers to store shipping and payment information.

Today, retailers continue to use sophisticated machine-learning algorithms to deliver personalized recommendations to their clients. The use of AI in retail also includes chatbots welcoming shoppers to an ecommerce website just like a shop assistant would have welcomed them in a brick-and-mortar store.

Benefits of AI-driven personalization

Picture a customer in a huge department store looking for a small item. Even with the best sign-posting, they are likely to spend considerable time searching before they find that particular item. A knowledgeable shop assistant would make things easier.

When it comes to ecommerce, most retailers offer a basic search function on their platform. However, using that search function implies that someone knows exactly what they're looking for. If the shopper only has a vague idea, the search could once again become time-consuming. A well-designed AI chatbot can cut down on that time by offering products that solve a consumer's problem, without them knowing the exact name of the product.

Looking at fashion, the benefits of AI-driven personalization

in retail become even more obvious. The legendary denim brand Levi Strauss & Co. is working on a project using AI-generated models that would allow customers to see clothes on different body types. The company acknowledged last year that it was not possible to present every single product on a range of different models. AI may be able to step into the breach.

Other benefits include more accurate forecasting of customer demand and the ability to manage supplies and staffing accordingly. As a result, in-person customers would benefit from limited wait times, while ecommerce clients would rarely, if ever, see the words “out of stock” when placing an order. Personalized retail marketing, including on social media platforms, is already offering more relevant products to customers than standard marketing tactics. AI can take retail marketing personalization to the next level.

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Implementing AI in retail

Retailers face similar changes to other businesses when it comes to implementing AI. Aside from accessible and affordable technology, they will need to gather consumer data, choose the most suitable AI tools for their circumstances and find ways to integrate AI-based applications with legacy systems.

According to the National Retail Federation (NRF), many retailers are interested in leveraging the benefits of AI and are watching developments closely. However, they continue to wait and see how the technology is developing and which best practices may emerge. Despite the hesitation, there seems to be no doubt that AI will change retail.

Challenges and considerations

Data privacy concerns and the cost of implementation are two

of the main obstacles currently keeping retailers from embracing AI more widely.

Some NRF members have noted that the cost of implementation remains relatively high, while the benefits may seem logical but are as yet unproven and may not deliver an acceptable return on investment.

Successful implementation of AI in retail also requires significant amounts of data to train algorithms to deliver meaningful results. Convincing consumers to share their valuable personal information requires high levels of trust. Just like Amazon needed to convince its early customers to store payment information on the fledgling platform, retailers need to assure their clients that personal information will not be abused.

As retailers and industry organizations work to build a framework for AI in retail, adoption of these technologies will likely grow.

Future trends

AI will play a major part in enhancing customer experiences across different areas of retail. Early adopters like Germany's largest producer of sparkling wine are already using AI to customize the content shoppers see in its stores. The company is using digital signs to display dynamic promotions for bottles close to the sign and avoids mentioning products that are out of stock.

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While retailers may differ, many share the same goal – to remove friction from the shopping experience, both in-store and online. Streamlining interactions and customer service through AI is likely part of this development. Like other

industries exploring the potential of AI, retailers are not looking to replace humans in their stores but rather to free up staff time for complex tasks.

Be it for fashion, gadgets, cars or groceries, Americans love shopping, and we are not alone in that. Personalizing the shopping experience is one of the keys to taking advantage of that affinity and growing any retail business's customer base. AI will be one of the driving forces behind maximizing personalization and changing the face of retail as we know it today.

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