

Generative AI TRENDS

IN RETAIL AND ECOMMERCE

How Retailers Are Strategizing Around
This Groundbreaking Technology

Table of Contents

Executive Summary	02
About the Respondents	03
Key Insights	05
Companies Are Successfully Integrating Generative AI Despite Common Challenges	07
Generative AI Will Change Retail Operations for Good	10
Retailers Still Grapple with Questions About Privacy, Ethics, and Use Cases Surrounding Generative AI	14
Conclusion: Harnessing the Future Prospects of Generative AI in Retail	17
Key Suggestions	17
About the Authors	18
About the Sponsor	18

Executive Summary

Retailers already use generative AI (GenAI) to provide personalized product recommendations, generate accurate forecasts of future demand, and more. However, there are still significant questions and challenges surrounding the use of generative AI in the sector, particularly when it comes to ethics and consumer sentiment.

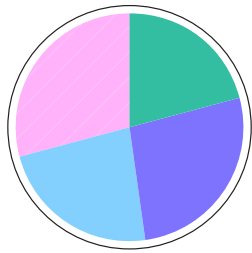
This report reveals what future capabilities lie in store for this technology in the retail industry. It also explores what retailers are doing to successfully leverage AI in the current retail environment and how they plan to expand their use of AI in the future.



About the Respondents

The WBR Insights research team spoke with 100 retail leaders from across the U.S. and Canada to generate the results featured in this report.

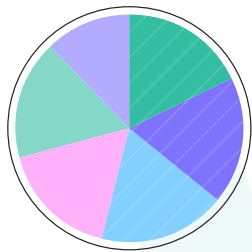
What is your seniority?



- 21% C-Suite
- 27% Vice President
- 23% Department Head
- 29% Director

The respondents are C-suite executives (21%), vice presidents (27%), department heads (23%), and directors (29%).

What is your role?

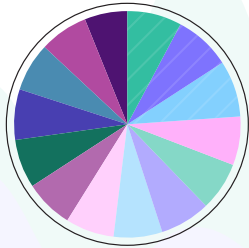


- 18% Marketing
- 18% Customer Experience
- 18% eCommerce
- 17% Customer Analytics
- 17% IT
- 12% D2C

The respondents occupy roles in marketing (18%), customer experience (18%), eCommerce (18%), customer analytics (17%), IT (17%), and direct-to-consumer sales (12%).

About the Respondents

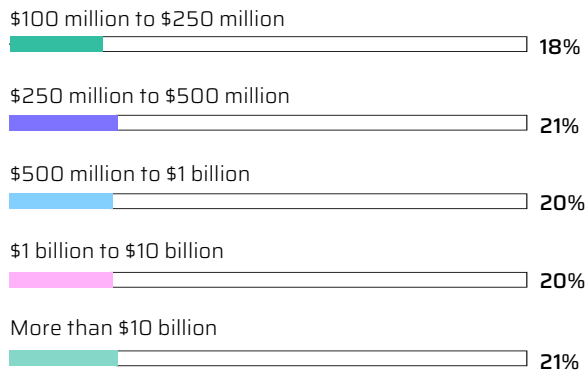
What type of retailer do you represent?



- 8% Hardware, Electronics, and Appliances
- 8% Specialty Retail
- 8% Toys & Hobbies
- 7% Apparel
- 7% Auto & Transportation
- 7% Department Stores
- 7% Entertainment, Food, and Travel
- 7% Health & Beauty
- 7% Home Furnishing
- 7% Pet & Animal
- 7% Sporting Goods
- 7% Supermarkets
- 7% Telecommunications
- 6% Food & Beverage

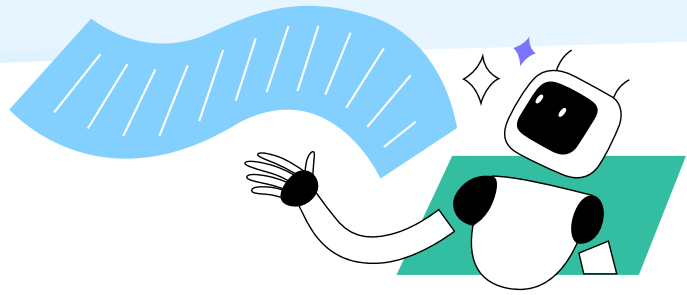
A variety of retailer types are represented in the study, including hardware, electronics, and appliance retailers (8%), specialty retailers (8%), toys and hobbies retailers (8%), and apparel retailers (7%), among others.

What is your annual revenue?



The size of the companies represented in the study varies, as measured by annual revenue. More than one-fifth of the respondents (21%) represent companies that make more than \$10 billion in annual revenue.

Key Insights



Among the respondents:

59%

have integrated generative AI into some areas of their operations, while 32% are still in the early stages of using generative AI.

85%

use generative AI for customer service and 83% use it for marketing and promotions.

37%

use generative AI for search and discovery, but 81% of these respondents are only somewhat satisfied with their current capabilities in this area.

98%

agree or strongly agree that generative AI significantly improves the efficiency of their operations.

53%

believe generative AI will have a moderate impact on the future of retail, but 39% believe it will be significant or critical.

95%

agree or strongly agree that the benefits of generative AI justify its costs.

34%

will increase their investment in generative AI over the next five years.

In each case, **almost half** of the respondents say their top two criteria for ensuring the ethical use of generative AI are following privacy standards (47%) and validating AI-generated content for accurate information (46%).

71%

are at least somewhat concerned about potential customer backlash to using generative AI in eCommerce and data management.

56%

say they'd apply generative AI to product information management if they could only apply it to one capability in their business.

The top two AI eCommerce innovations being considered by the respondents are:

- Making eCommerce operations more flexible through interchangeable components (59%)
- Enabling interactive conversational experiences to improve site search (58%)



**The leading provider of MDM, PIM, and PXM solutions.
The largest integrated network for content distribution.**

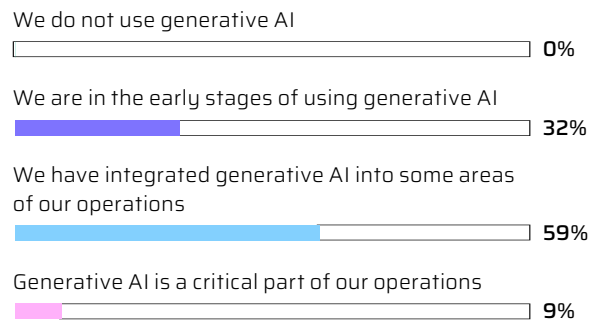
Syndigo 

Data Unlocked
Potential Unleashed.™

Companies Are Successfully Integrating Generative AI Despite Common Challenges

The retail sector is experiencing a surge in the use of generative AI. This innovative technology offers unprecedented opportunities for personalization, marketing, and customer service. However, it also poses unique challenges in terms of integration, data privacy, and proficiency.

How would you describe your current use of generative AI in your retail operations?

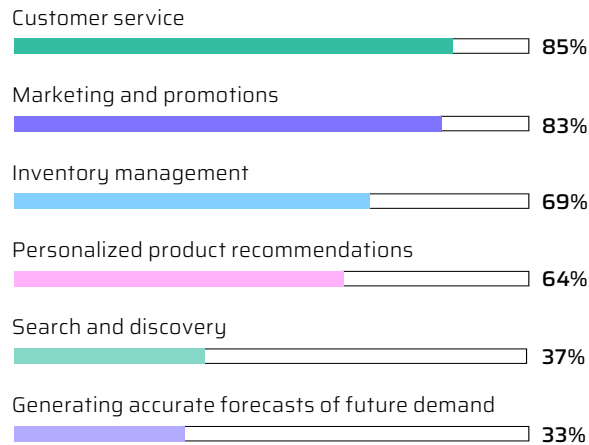


Most of the respondents have integrated generative AI into some areas of their operations (59%), but only 9% consider it a critical part of their operations. This aligns with recent industry trends surrounding the technology. Many retailers are still exploring new applications of generative AI and are working out details internally surrounding its ethical use and their ability to incorporate it into workflows.

According to a recent report by Forbes, "In 2023 we've seen the widespread emergence and adoption of generative AI across sectors. For retailers, there are many opportunities to leverage this technology to better understand and engage with customers through marketing strategies that will earn them higher revenue and stronger, more loyal customer relationships."¹

¹Drenik, Gary. "How Retailers Are (actually) Driving Revenues With Generative AI." Forbes. September 29th, 2023. <https://www.forbes.com/sites/garydrenik/2023/09/29/how-retailers-are-actually-driving-revenues-with-generative-ai/?sh=501678d3503c>

Which of the following areas in your retail operation use generative AI?



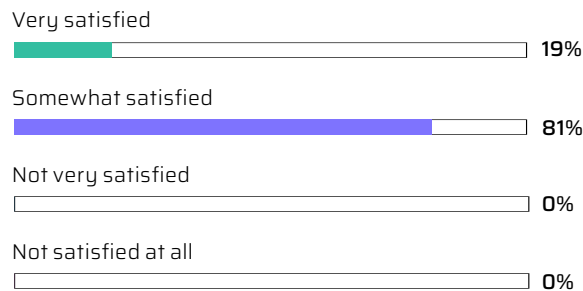
Indeed, 85% of the respondents say they currently use generative AI for customer service, while 83% say they use it for marketing and promotions. These applications are already widely used in the industry. However, many retailers are still exploring how they can expand generative AI usage in marketing operations, particularly when it comes to generating marketing creative like images, videos, and text.

One particularly noteworthy result is the fact that more than one-third of the respondents (37%) are currently using generative AI for search and discovery purposes.

Generative AI could revolutionize the search and discovery process in online retail stores by creating a truly personalized shopping experience. Using machine learning algorithms, GenAI can analyze a customer's past purchases, product preferences, and other data to generate custom-tailored product recommendations and communications.

Moreover, as the algorithms learn over time, these recommendations become increasingly accurate and relevant.

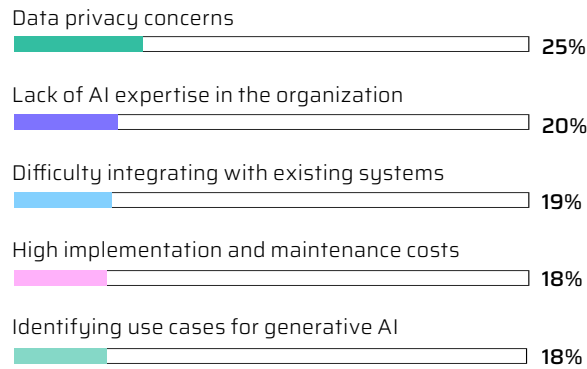
Since you said you use generative AI for search and discovery purposes, how satisfied are you with your current generative AI capabilities in this area?



Currently, 81% of the retailers who are using generative AI for search and discovery purposes are only somewhat satisfied with their current capabilities in this area. Only 19% of these respondents say they are very satisfied.

Likely, the respondents in this category who aren't as satisfied as they could be lack the right platform or technology to support generative AI in the search and discovery experience. Ideally, their platform should be able to personalize and dynamically curate the shopper's experience, leaning on generative AI not only for personalization but also to supplement promotions with contextualized content.

What is the biggest challenge you face while implementing or using generative AI?



Many of the respondents could also be struggling with common challenges when applying generative AI.

Retail leaders were presented with five such challenges. They are almost evenly split over which one presented the biggest challenge. However, one-quarter of the respondents say data privacy concerns are their biggest challenge, while 20% say lack of AI expertise in the organization is their biggest challenge.

Notably, 19% of the respondents say their biggest challenge with implementing generative AI is the difficulty they face in integrating it with existing systems.

Researchers asked the respondents to describe how they plan to overcome these challenges.

Respondents who are concerned about data privacy say they are planning to work with experts on the subject.

“Regulations and compliance around data sharing are constantly evolving and we are working with the experts to ensure we have all the compliance measures in place,” says a head of customer analytics at a food and beverage retailer.

Other respondents in this category say they are focusing on being more transparent with customers about how they collect and use data. They will also take measures to keep data secure, such as by using encrypted channels.

The respondents struggling with a lack of AI expertise say they will focus on developing knowledge internally first, before seeking outside assistance.

According to one C-suite IT executive at a pet and animal retailer, they are “investing in skilling teams on AI.” They are also planning on “participating in events and conferences related to applications of AI for the business.”

However, other respondents who are struggling with a lack of internal skills are “interacting with industry experts” on the subject and seeking out other vendors who can assist them.

The respondents struggling with systems integration are taking a slow, deliberate approach to the process. They are working closely with providers in the industry, but they are also taking steps to keep their internal systems managers involved in the process.

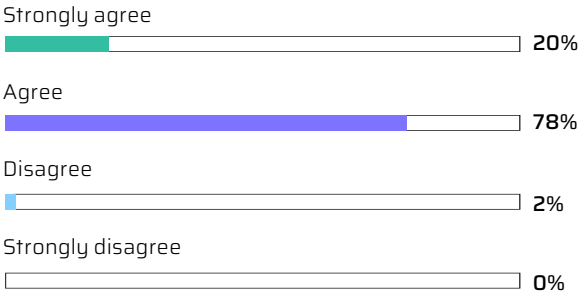
“AI is new at the moment, and it will have its challenges of integrating with our existing systems,” says a D2C director at a specialty retailer. “We are consulting with our system integrators to see how we can integrate it.”

Generative AI Will Change Retail Operations for Good

We've established that most retailers and eCommerce vendors are already leveraging generative AI in some capacity. Some of the respondents have more sophisticated implementations of the technology than others, going beyond simple customer service chatbots.

However, retailers will likely begin to differentiate themselves thanks to their use of generative AI in the coming years, as many of those implementations are likely to become more sophisticated. Retailers that can incorporate generative AI into more business functions, such as search, discovery, and personalization, will have an advantage over their competitors, especially when it comes to online sales.

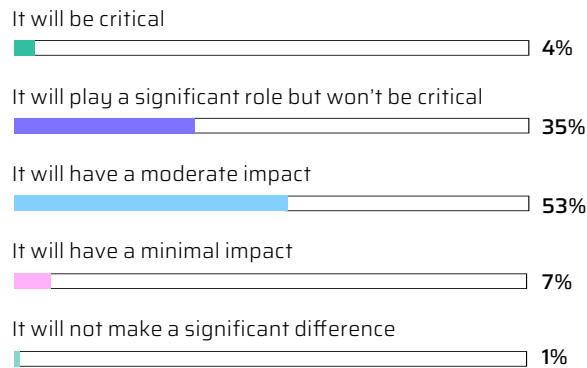
How strongly do you agree with the following statement: "Generative AI significantly improves or will significantly improve the efficiency of our retail operations."



Almost all of the respondents either agree (78%) or strongly agree (20%) that generative AI significantly improves or will significantly improve the efficiency of their retail operations. Only 2% of the respondents disagree.

This result is particularly telling of how quickly generative AI has become critical to marketing and sales workflows within the retail industry. Even with modest implementation, retailers are already realizing a boost in efficiency.

To what extent do you believe generative AI will be instrumental in the future of retail?

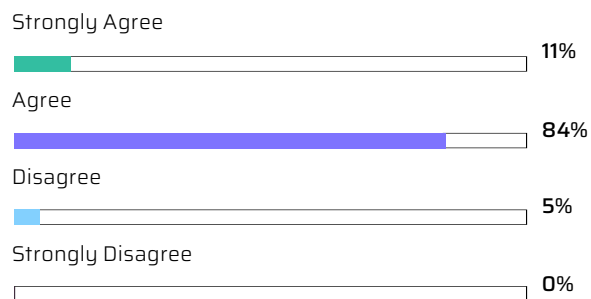


Most of the respondents also believe that generative AI will have an impact on the future of retail, but they differ in how much of an impact they foresee.

For example, 53% believe generative AI will have a moderate impact on the industry. Likely, these respondents believe current trends in the use of generative AI will continue. The technology will serve as a means to expedite certain workflows, develop supplemental materials, and generate personalized content for marketing purposes, but they don't foresee it having any particularly ground-breaking changes to how retailers currently operate.

However, more than one-third of the respondents (35%) believe AI will have a significant, but not critical role in the future of retail. They foresee the technology being used in more applications than are currently feasible, and they believe it will change some of the fundamentals of retail sales and marketing, as well as search, discovery, and personalization.

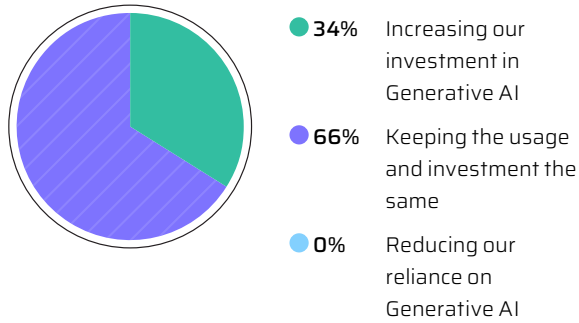
How strongly do you agree with the following statement: "The benefits of generative AI justify the costs associated with its implementation."



Despite these differences, almost all the respondents either agree (84%) or strongly agree (11%) that the benefits of generative AI justify the costs associated with its implementation. Likely, we will see a future in retail where marketers, analysts, salespeople, and others can't imagine life without the ability to use generative AI in some capacity.

Retailers have already witnessed tangible benefits from this technology, and they are actively seeking to expand on their early successes.

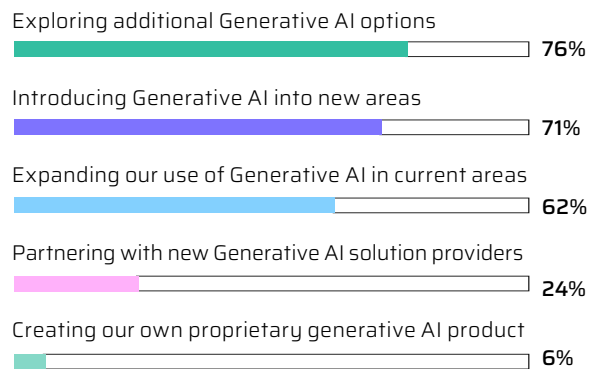
What are your organization's plans for the use of generative AI in the next 5 years?



Most of the respondents will take a cautious approach, with 66% saying their investments in generative AI will remain about the same over the next five years. This is likely a strategy to buy time while the technology continues to develop. Generative AI is still in its early stages, and there are still questions to answer regarding the technology's applications, not to mention concerns about regulation, data privacy, and ethical use.

Nonetheless, more than one-third of the respondents (34%) are planning to increase their investments in generative AI over the next five years.

Since you are increasing your investment in Generative AI, which of the following strategies will you adopt?



Among these respondents, most will explore additional product options for generative AI (76%), introduce generative AI into new areas of the business (71%), and expand their use of generative AI in current areas (62%). Based on the results of previous questions, those current areas include customer service, promotion, and inventory management.

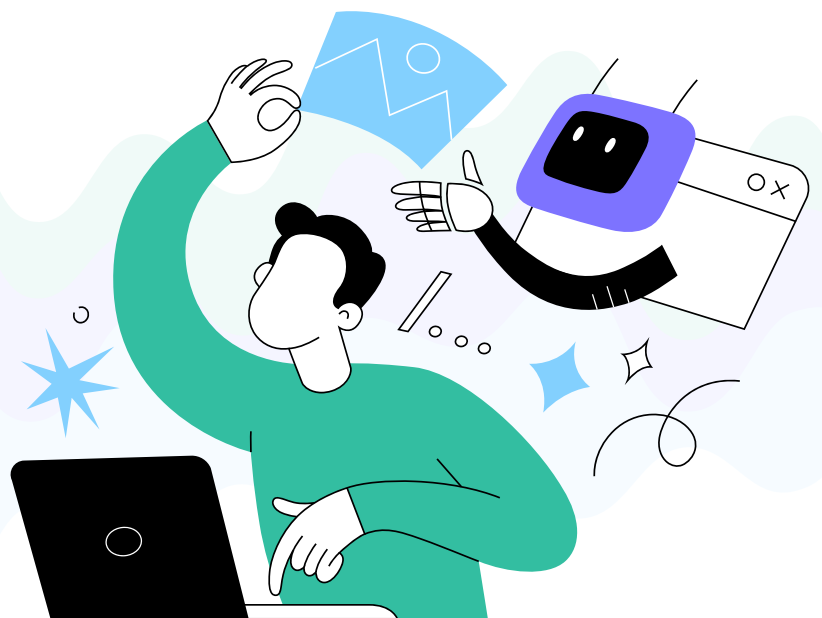
To gain a better understanding of how generative AI will change retail and eCommerce, researchers asked the respondents to describe what they believe will be the technology's biggest impact.

Looking at the myriad of responses from industry insiders, it's clear that generative AI stands to dramatically transform the retail and eCommerce sectors. Its impact can be grouped into four significant areas:

- **Personalization and Customer Engagement:** Retailers believe that generative AI will enhance the personalization of customer experiences, creating offerings tailored to individual preferences and improving customer engagement. It is anticipated to change marketing strategies, making them more targeted and effective.
- **Demand Forecasting and Inventory Management:** Generative AI is expected to provide more accurate demand forecasts, leading to better inventory management. Retailers will be able to maintain the optimal product mix and reduce instances of stock-outs or overstocking.

- **Fraud Detection:** Retailers see the potential in generative AI to enhance security and trust through improved fraud detection mechanisms. This can boost consumer confidence and protect businesses from fraudulent transactions.
- **Operational Efficiency:** Generative AI is expected to streamline processes, reduce manual labor, and improve productivity, making operations smarter and more efficient. This will transform traditional work methods and enable faster growth.

Generative AI's most profound impact in retail and eCommerce will likely be its ability to help businesses understand their customer's needs and preferences on a deeper level, enabling a more personalized, secure, and efficient shopping experience. However, it also has benefits for internal operations as a means to improve efficiency.

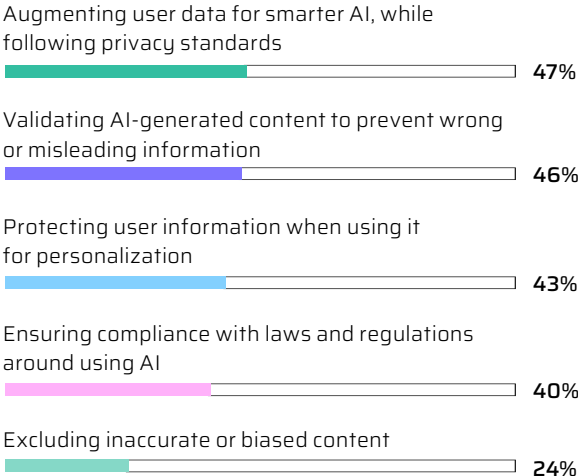


Retailers Still Grapple with Questions About Privacy, Ethics, and Use Cases Surrounding Generative AI

As a relatively new technology, generative AI still raises some questions and concerns from both retailers and consumers. AI has already shown itself to be incredibly useful, but there are also already plenty of examples in the public about how AI can be used poorly and unethically.

For example, some professionals have run into trouble by relying on AI to create drafts and reports for them, only to discover later that their AI tool invented false information. These are risks that retailers must consider and head off when using this technology.

When implementing generative AI now or in the future, which of the following would you consider your top-two criteria for ensuring ethical and responsible use?

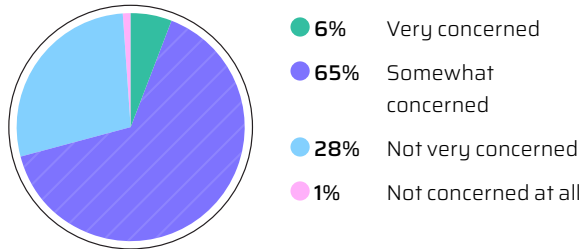


The respondents identified several criteria for ensuring the ethical use of generative AI in their organizations. The top two criteria are augmenting user data for smarter AI while following privacy standards (47%) and validating AI-generated content to prevent wrong or misleading information (46%).

Both criteria will be critical to ensuring that generative AI is used ethically in the retail sector. By following privacy standards and carefully validating AI-generated content, retailers can build trust with consumers and avoid potential negative consequences. Most importantly, they can ensure they are using consumer data responsibly and that they are releasing accurate information into the world.

Other key criteria include protecting user information when using it for personalization (43%) and ensuring compliance with laws and regulations around using AI (40%). This final criterion will be important as more jurisdictions pass laws and regulations regarding generative AI.

How concerned is your organization about potential customer backlash to using generative AI to support eCommerce or data management efforts?

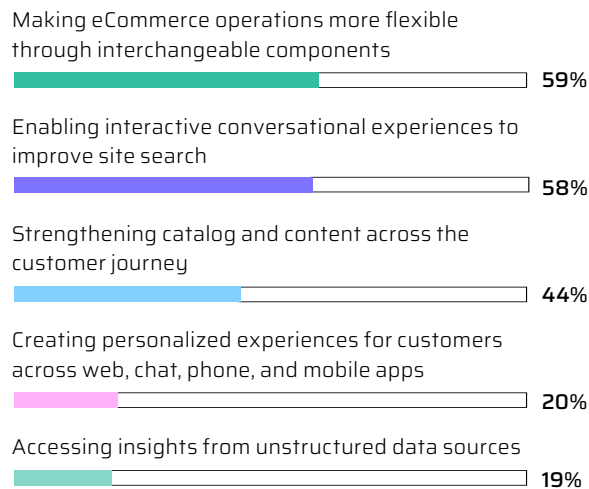


Some retailers are also thinking about how consumers will respond to the knowledge that they are using AI for content generation, personalization, search and discovery, or other purposes. Not all the news surrounding generative AI has been positive, as it has been shown to produce bias and can be used for nefarious purposes, such as creating false images.

At 65%, most of the respondents say they are somewhat concerned about customer backlash. However, only 6% of the respondents are very concerned.

This suggests that most retailers are aware that there could be negative sentiment surrounding their use of generative AI, but they believe their cautious approach to its use, and their transparency with consumers, could protect them against any negative responses from customers.

Looking ahead, which two of the following generative AI eCommerce innovations or improvements would you consider the best investments?

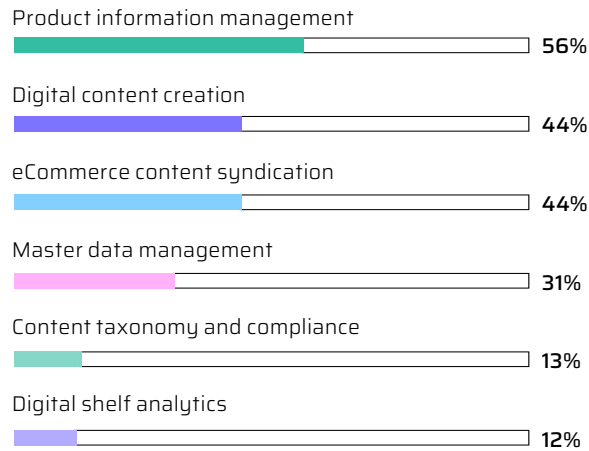


Retailers are looking forward to unleashing generative AI's potential, and they are already identifying what improvements they'd like to see with the technology.

For example, 59% of the respondents would consider it one of their best investments if they could use generative AI to make eCommerce operations more flexible through interchangeable components. In this context, generative AI could automatically generate content, recommendations, and personalized materials that fit within modules in the eCommerce operation. Those modules could then be interchanged to create unique experiences for each customer.

Most of the respondents (58%) would also consider it one of their best investments if they could enable interactive, conversational experiences to improve site search. This would replace the traditional search bar with a conversational AI that could present products and recommendations based on its understanding of the customer. Ideally, the AI could gain this understanding through simple conversations instead of simply through the analysis of past purchases.

If you could successfully apply generative AI to any of the following capabilities in your business, which two would you choose?

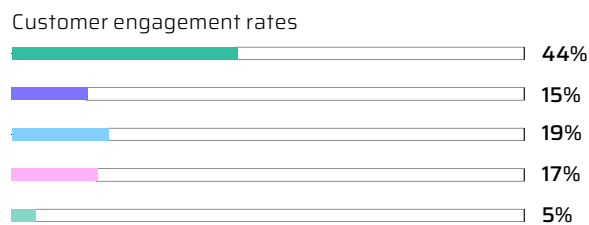


Furthermore, 56% of the respondents say they would apply generative AI to product information management if they could successfully apply it to two of six potential capabilities within the business. In each case, 44% say they would apply it to eCommerce content syndication and digital content creation.

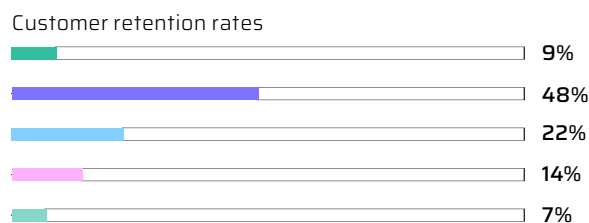
The respondents view generative AI as a turnkey way to improve product information on their eCommerce sites, as well as search and discovery. However, they also recognize the creative potential of generative AI, as it has already demonstrated strong applications in content creation.

Please rank the following five methods for measuring the effectiveness and performance of generative AI tools in your eCommerce strategies, whether or not you use them today. Rank the methods from “1” to “5,” where “1” is your top priority.

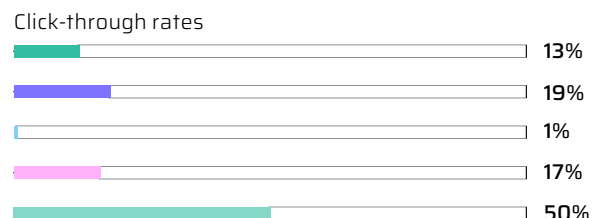
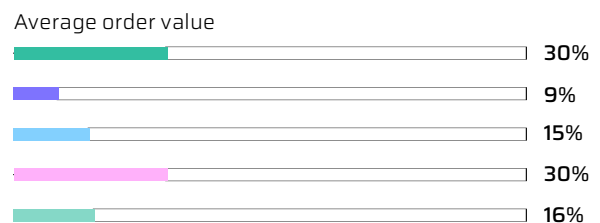
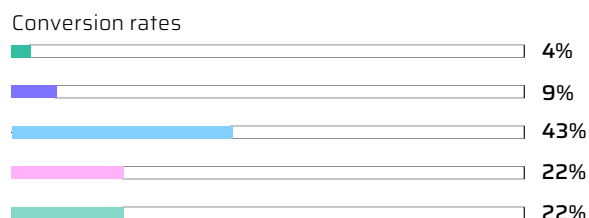
● 1 ● 2 ● 3 ● 4 ● 5



Moving forward, retailers will need a means to gauge the effectiveness of their generative AI investments. Some of these metrics may depend on the context in which generative AI is being used. However, 44% of the respondents consider customer engagement rates their most important measurement for the effectiveness of generative AI. Another 30% consider average order value their most important measurement.



Notably, 48% of the respondents consider customer retention rates their second-most important form of measurement, while 43% consider conversion rates their third-most important form of measurement.



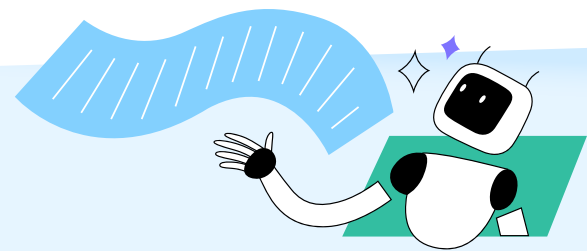
Conclusion: Harnessing the Future Prospects of Generative AI in Retail

As the retail sector continues to navigate the opportunities and challenges offered by generative AI, this report underscores the potential of this rapidly emerging technology while also highlighting the ethical complexities it presents. Retailers are increasingly recognizing the value of generative AI in providing more personalized, secure, and efficient shopping experiences. The potential of this technology to bolster customer understanding, augment eCommerce operations, and enhance interactive experiences is considerable.

However, it is also evident that the sector grapples with concerns surrounding privacy, ethics, and the appropriate use cases for generative AI. The apprehensions range from the inadvertent generation of false information to potential customer backlash against AI-driven personalization.

A cautious and transparent approach seems to be the preferred strategy for mitigating negative consumer sentiment. Measurement of generative AI's effectiveness will also be key. The findings suggest that retailers consider customer engagement rates, average order value, customer retention rates, and conversion rates as important metrics to gauge the efficacy of generative AI.

Going forward, it will be crucial for retailers to continue learning, experimenting, and adopting best practices to ensure both the ethical use and the maximum potential of generative AI. The road toward the seamless integration of this promising technology into the retail sector may be challenging, but it also promises to be rewarding, both for retailers and customers.



Key Suggestions

- **Invest in generative AI for eCommerce personalization:** Leverage generative AI to provide personalized product recommendations and create unique customer experiences. Personalization has proven to improve customer engagement rates and average order value, which are key metrics for evaluating the effectiveness of generative AI.
- **Address ethical and privacy concerns continuously during implementation:** Ensure compliance with laws and regulations surrounding the use of AI and adopt practices to protect user information. Addressing these ethical concerns is vital to avoid customer backlash and to maintain trust, which is a prerequisite for successful AI implementation.
- **Enhance eCommerce search and discovery with generative AI:** Explore the possibility of using generative AI to make eCommerce operations more flexible through contextualized search and discovery and by using interchangeable components. This can lead to efficiency improvements and provide more bespoke experiences for customers, increasing conversion rates.
- **Implement conversational AI where possible:** Consider replacing or augmenting the traditional search bar with a conversational AI that can present products and recommendations based on its understanding of the customer. This can lead to a more engaging shopping experience and potentially boost customer retention rates.

About the Authors



WBR Insights is the custom research division of Worldwide Business Research (WBR), the world leader in industry-driven thought-leadership conferences. Our mission is to help inform and educate key stakeholders with research-based whitepapers, webinars, digital summits, and other thought-leadership assets while achieving our clients' strategic goals.

For more information, please visit wbrinsights.com.

eTail

We launched eTail in 1999 and have been dedicated to supporting the growth of the retail industry ever since. What started off as 100 people in a room discussing where this sector is headed has led to 2,000 senior-level eCommerce executives being inspired whilst learning and developing their company as well as their careers.

For more information, please visit etailwest.wbresearch.com.

About the Sponsor



Syndigo is the leading provider of MDM, PIM, and PXM, delivering data mastery and exceptional customer experiences across departments, organizations, and commerce platforms. With the largest integrated network for content distribution, Syndigo is the end-to-end solution on the journey to data confidence and success. Whether you need to achieve a "single source of data truth" inside the organization, or distribute it to an external network in pursuit of faster, more efficient commerce, Syndigo makes it happen.

Syndigo serves more than 14,000 leading enterprises worldwide across key industries including grocery, foodservice, hardlines, home improvement/DIY, pet, health and beauty, automotive, apparel, energy, and healthcare. For more information, visit www.syndigo.com or follow us on LinkedIn.