



Retailers Sell Better with Artificial Intelligence

White Paper

Introduction

Innovation and growth are key driving forces of the \$ 23.8 trillion global retail industry today. Retailers today have to contend with opportunities and challenges of unpredictable markets. From single channel transactions of the past, technological advancements have led to multi-channel retailing.

Today's consumers can buy from any channel based on their liking. Consumers today expect:

- The personalization they receive in online stores
- Instant gratification and greater product choices
- Cross-channel consistency- the same offers and experience across devices and channels
- Access to the right information at the right time

Multiple sales channels have made marketing campaigns, supply chain operations, and sales accounting processes more isolated.

How Brick & Mortar clicks in the Digital Age

Consumers now looking to cut the middleman out so that they get the most out of the money they spend. They constantly flip between brands and online/offline shopping modes, trying to pursue the most fulfilling shopping experience. They prefer ordering online to avoid delivery hassles.

In most cases, retailers use outdated legacy solutions and channels that create challenges for retailers. These channels, coupled with poor inventory forecasting techniques create out-of-stock situations, damaging customer expectations and leaving retailers with razor-thin margins. According to McKinsey, 70% of buying experiences are based on how the customer feels they are being treated. Sales can flourish depending on how well businesses

convey their customers' value.

Clienteling by Applexus

The way ahead is for retail sales channels to transform themselves from information sources to points of engagement. Applexus has created the artificial intelligence (AI)-enabled product Clienteling, which knits together the power of AI and analytics helping businesses to connect customer behavior to business operations.

Clienteling provides a holistic view of inventory, pricing information, customer shopping habits and preferences. Sales associates can use this information by create a happy shopping experience for customers. AI holds the key to customer personalization. Behavioral and demographic data, used by businesses to understand the products and tap into customer preferences, form the crux of personalized selling.

Instances of Personalization and Chatbots Transforming Businesses

Amazon's recommendation success is not a stroke of luck. The company's homegrown algorithm anticipates a customer's next move from their purchase history, products they have liked and rated, to make product recommendations. It presents their customers with a one-to-one shopping experience.

Amazon reports, which show a 29% increase in sales from \$9.9 billion in 2011 to \$63 billion in Quarter 2, 2019, attests to this fact. Many other retail leaders have raised the bar with spot-on product suggestions. For instance, Icebreaker, a privately held clothing designer and manufacturer company achieved 28% more revenue from recommended products and a 11% overall increase in average order value.

Chatbots powered by AI are effective virtual customer service channels to meet the increasing number of customers whose primary touch point is mobile. Janie Yu, Partner at Fung Capital, says, “Consumers are spending most of their time on their phone and chat channels—at least one to four hours a day, depending on their location. Retailers need to bring a relevant experience there.” Bestowed with the ability to grasp the context of customer’s queries, the best Chatbots can deliver a customer experience that leaves no trail of machine interaction.

Retail giants like Macy’s have turned to AI-powered shopping assistants for timely engagement with their customers. “We can see, in real time, what our customers are asking and how our answers are performing, depending on which we can work on giving our customers a better experience,” says Robert Michaels, Director of Information Technology at Macy’s. The virtual agent handles about one-quarter of customer inquiries and has liberated their customer service agents to handle other pressing tasks.

The Power of Anticipatory Algorithms

Retailers are rethinking their supply chain strategies using AI to strike the right balance between service and supply. With big data based predictive algorithms, retailers are moving towards anticipatory logistics. Driven by customer demand for shorter lead times from order to delivery, anticipatory algorithms determine the right level of goods and resources to offset peak demands during holiday season shopping.

A perfect example for anticipatory logistics is the forecasts by IBM Watson. They use weather data analytics to match supply chain availability with Demand, gathers climatic conditions from weather stations and scours news feeds and social media data to understand weather patterns and create forecasts. Retailers use such data to control seasonal inventory levels, increase cross-selling and improve traffic in their stores.

Time to Shift to Adaptive Retailing

Retailers are continuously working towards adopting adaptive retailing -- to provide the right kind of information at the right time through the channel customers prefer. This enables retailers to forge a laser-focused, direct-to-customer relationship through personalization and in-store behavior analysis.

At Applexus, we've helped retail leaders navigate change since 2005. If you would like to understand how Applexus can help your retail business sell better with AI, write to us at info@applexus.com.

About Applexus

Applexus Technologies (Applexus) is the global technology leader offering business consulting and SAP services to transform customers through digital innovation. We specialize in advisory, migration, implementation, and management of SAP S/4HANA and BW/4HANA solutions. Applexus delivers transformational business solutions for a marquee list of clients spanning retail, fashion, and consumer products industries. Applexus operates out of centers in North America, the United Kingdom, the Middle East, and India. For more information, visit us online at www.applexus.com.

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