



How generative AI will spur a new retail era

3 ways generative AI will
redefine shopping across
commerce, marketing and
customer service



Executive Summary

A look at retail in the age of Gen AI

In the next 12 to 24 months, there's no doubt generative AI will fundamentally change the shopping experience, making it less about sifting through SKUs and more about having a conversational, one-to-one personalized experience.

Amid the virtually limitless possibilities for generative AI in retail, we've identified three areas where this disruptive technology will have the largest and most immediate impact—commerce, marketing and customer service—as well as the steps companies should take to become a leader in what appears to be the next retail revolution.

Table of contents

Impact #1: Conversational and Curated Commerce

- Overview	04
- In Action	06

Impact #2: Marketing Through True One-to-One Campaigns

- Overview	08
- In Action	10

Impact #3: Service: Expanding and Enhancing the Support Experience	12
--	----

Influence of Generative AI on Retailers and Brands	14
--	----

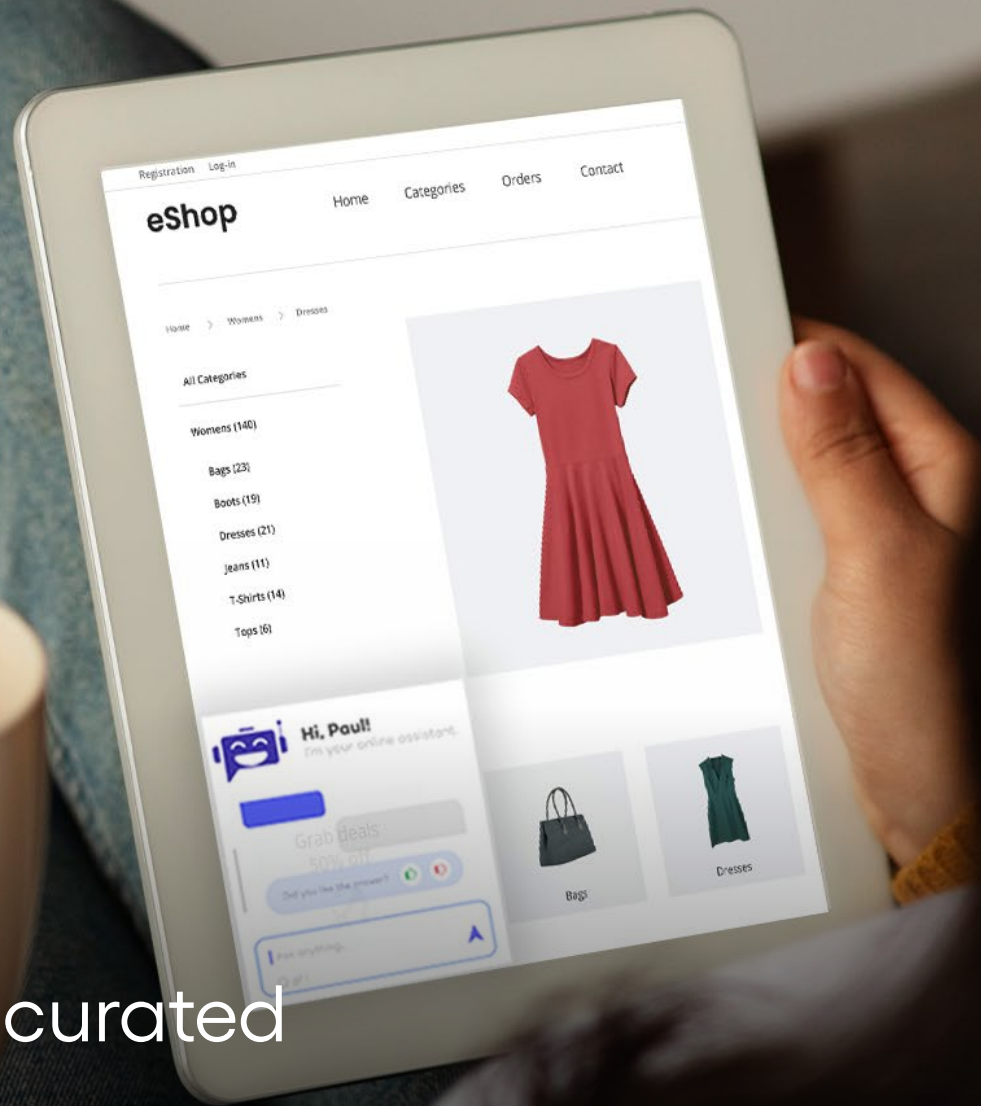
Leading the Way into a New Retail Era: Next Steps	16
---	----

The Next Retail Revolution	18
----------------------------------	----



Impact #1

Commerce:
conversational and curated

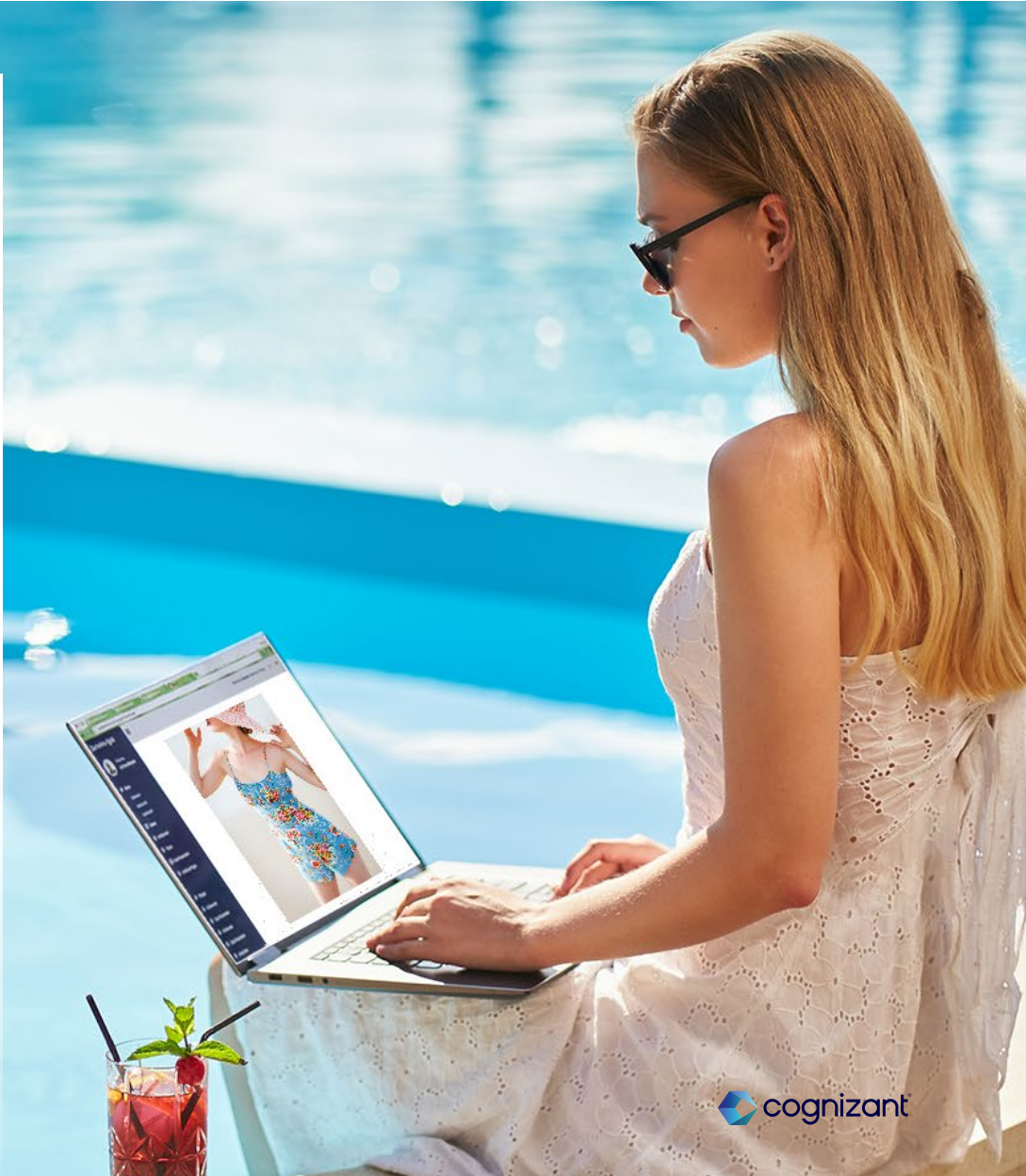


With generative AI, commerce will shift from structured—where retailers help shoppers find the products they need from thousands of SKUs—to “conversational.” Using AI-enabled chatbots, messaging apps and other automated technologies, retailers and brands will communicate directly with customers in a more natural way.

Another advantage of generative AI is that it understands nuance and context in a way that existing search engines do not. With generative AI, that shopping experience becomes much more curated.

Traditional shopping experience	Generative AI shopping experience
Jane uses search or navigation menu on a site to view swimwear options. All relevant products are returned. She can filter by price, color, size, style, etc.	AI understands Jane is specifically looking for a one-piece swimsuit with sleeves for a surf holiday in Hawaii. It will also factor in other known customer data and past purchase history to refine Jane’s results.

In the above example, the traditional shopping experience is aggregated, meaning a collection of products is displayed, and the shopper can act on what is presented. In the generative AI example, insights from Jane’s current search would be applied to future shopping experiences, and nuance would be incorporated into her new search results. Even if Jane returns next season, the tool will understand that the past search for a swimsuit with sleeves was based on a specific need and not an overall preference.



A photograph of two women in a clothing store. The woman on the left, with curly brown hair and wearing a dark blue blazer, is holding a pink sweater. The woman on the right, with long dark hair and wearing a yellow sweater, is looking at the pink sweater with a smile. In the background, there are clothing racks with various items, including a blue polo shirt and a red bag.

Impact #1

Conversational and curated
commerce in action



Leverage generative AI to enable new shopping experiences

Google recently announced a virtual try-on feature in the US for select women's tops from H&M, Anthropologie, Everlane and Loft. They are using generative AI to virtually display items on a variety of real models (sizes XXS to 4XL), helping shoppers visualize how the clothing would look on someone like them.

Personalized recommendations

The Man Company, an online retailer of men's grooming products, implemented an AI-enabled chatbot via WhatsApp to provide personalized product recommendations based on shoppers' prompts. With this approach, the company tripled conversion rates within six months—without making any other changes to its marketing campaigns or shopper experience.

Immediate, easy answers

Grocery delivery service **Instacart** recently rolled out its Ask Instacart tool, which uses ChatGPT to incorporate shoppable answers into the app. Customers can pose open-ended questions, such as "what is a healthy pasta dish I can make in 20 minutes," and get not only recipes but also a shopping list of all the ingredients they'll need.

“ Soon, shopper journeys will begin not with people browsing a navigation menu or scanning the store directory, but by describing their needs to a digital tool that then provides shoppable answers. ”

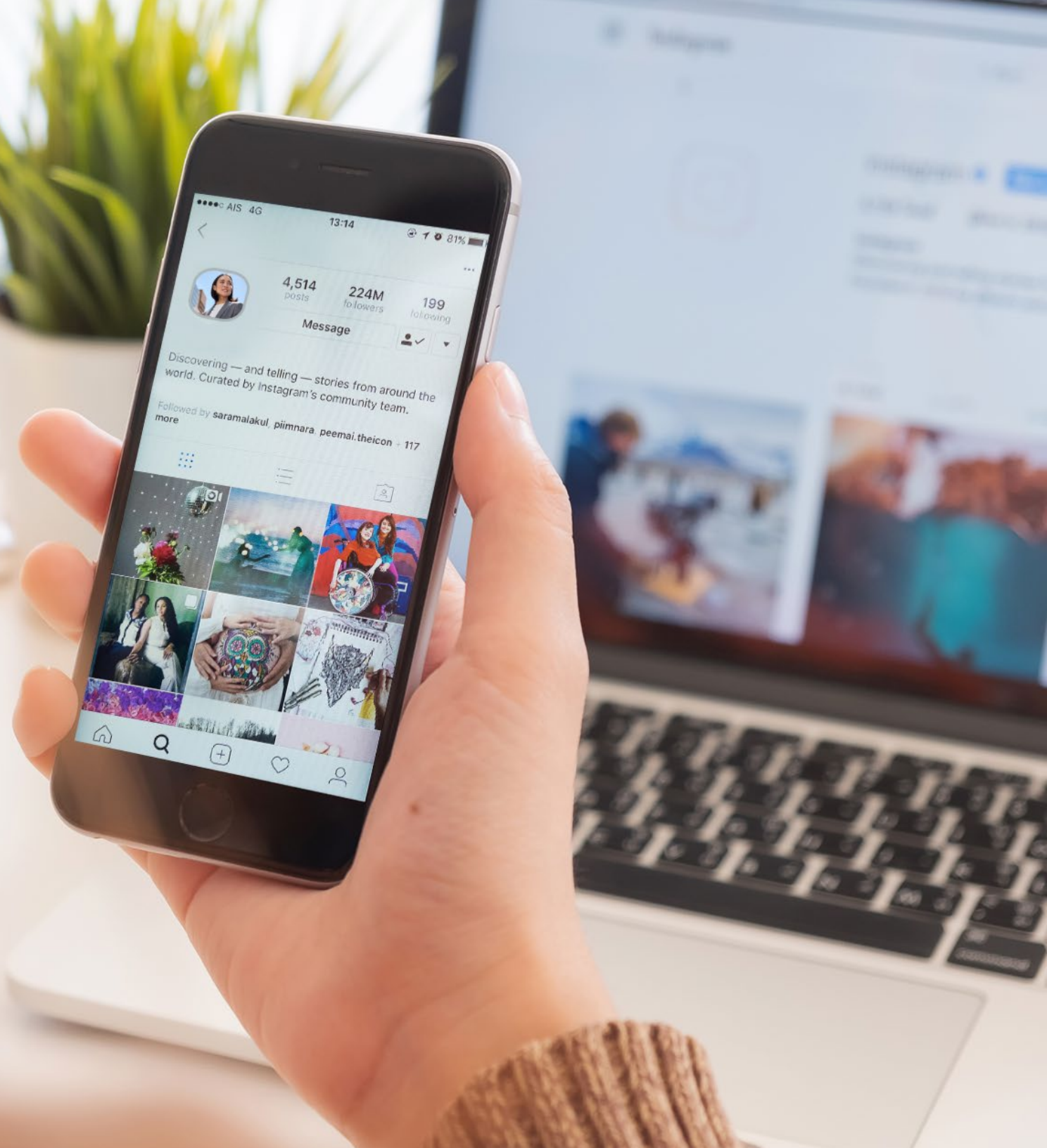
Impact #2

Marketing:
True one-to-one campaigns



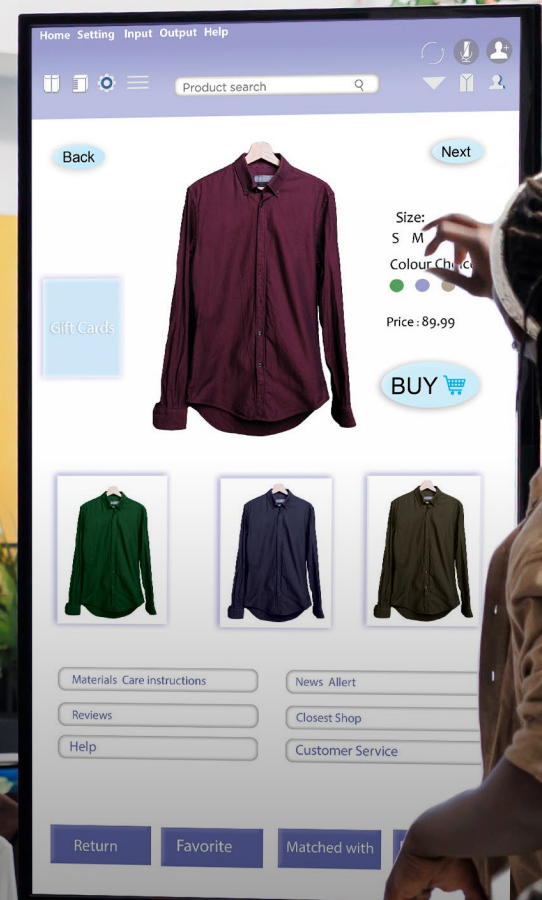
One of the most common (and discussed) use cases of generative AI across all industries is the near instantaneous production of written content, such as emails, and social media posts.

For retailers, the value of generative AI isn't just that content can be produced but also that it can be combined with customer data to develop extremely relevant and personalized interactions. This technology can enable true one-to-one campaigns by generating images, product descriptions, ad copy, social media content and other written or creative assets tailored to each recipient.



Impact #2

Marketing:
True one-to-one campaigns in action



Personalized campaigns

Coca-Cola has signed on to use OpenAI's DALL-E and ChatGPT technology to “improve business operations.” We expect they might leverage this technology to create hyper-personalized social media posts or digital ads that determine which product to promote (based on customer data), quickly produce relevant graphics, and generate a customized call to action.

For example, the brand might serve digital ads to long-time Diet Coke drinkers reminding them to take along a can or bottle as they head into rush hour traffic at the end of a workday.



Product descriptions and reviews

Amazon recently announced it is experimenting with generative AI to analyze and summarize product reviews. The goal is to reduce the amount of time shoppers spend scanning reviews to manually deduce the “pros and cons” of each product.



SEO efficiency

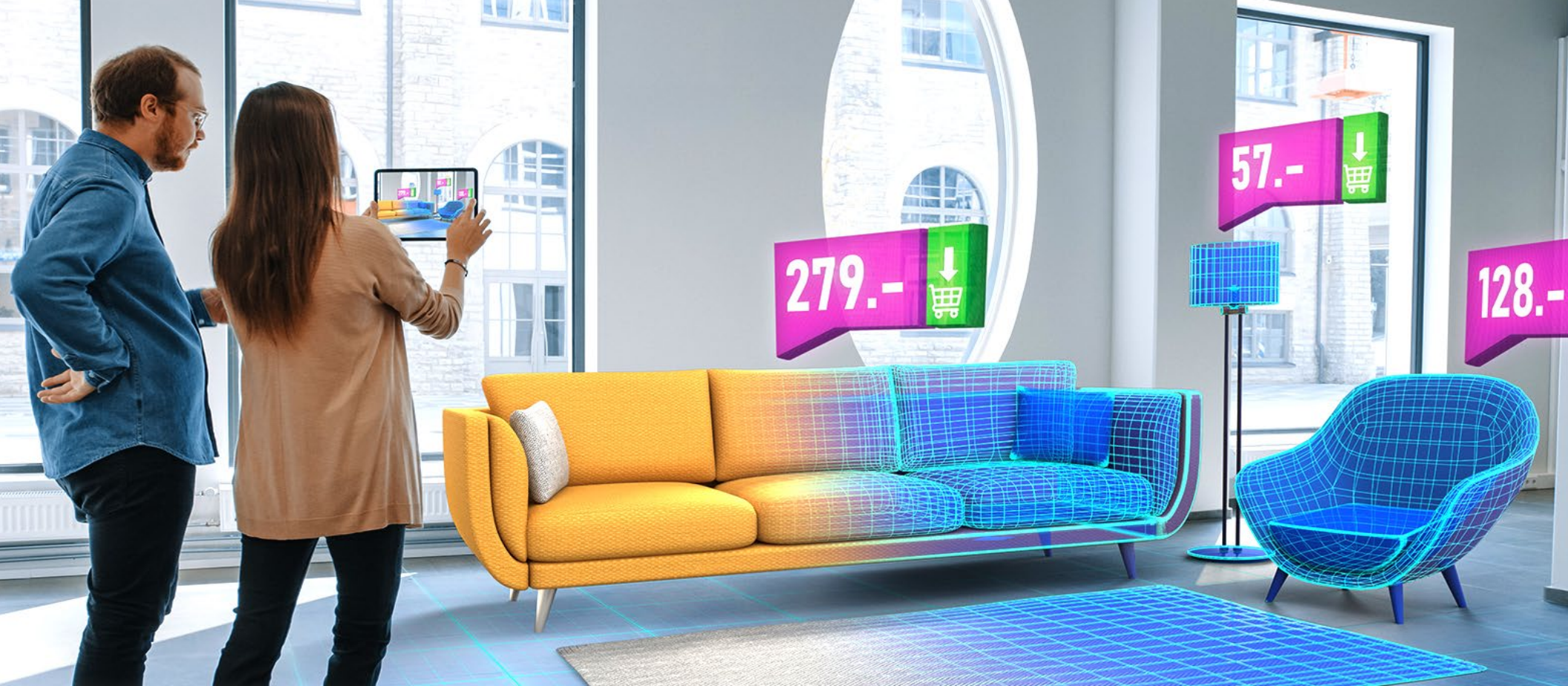
Streetwear brand **Snipes** is experimenting with AI tools such as Copysmith, Copy.ai, Jasper and Hypotenuse AI to generate product descriptions. The brand says the shift does not negate the use of human writers but enables the retailer to automate production of SEO-enabled product descriptions (that are then reviewed by humans), allowing human writers to focus on “richer” or more creative content, such as blog posts.

A man with dark hair and a beard, wearing a light blue polo shirt and a blue lanyard with an ID badge, is smiling and looking down at a tablet. A woman with curly red hair, wearing a dark green button-down shirt, is also smiling and looking at the tablet. They are in a modern office with a ceiling of white geometric light fixtures.

Impact #3

Service:

Expanding and enhancing
the support experience



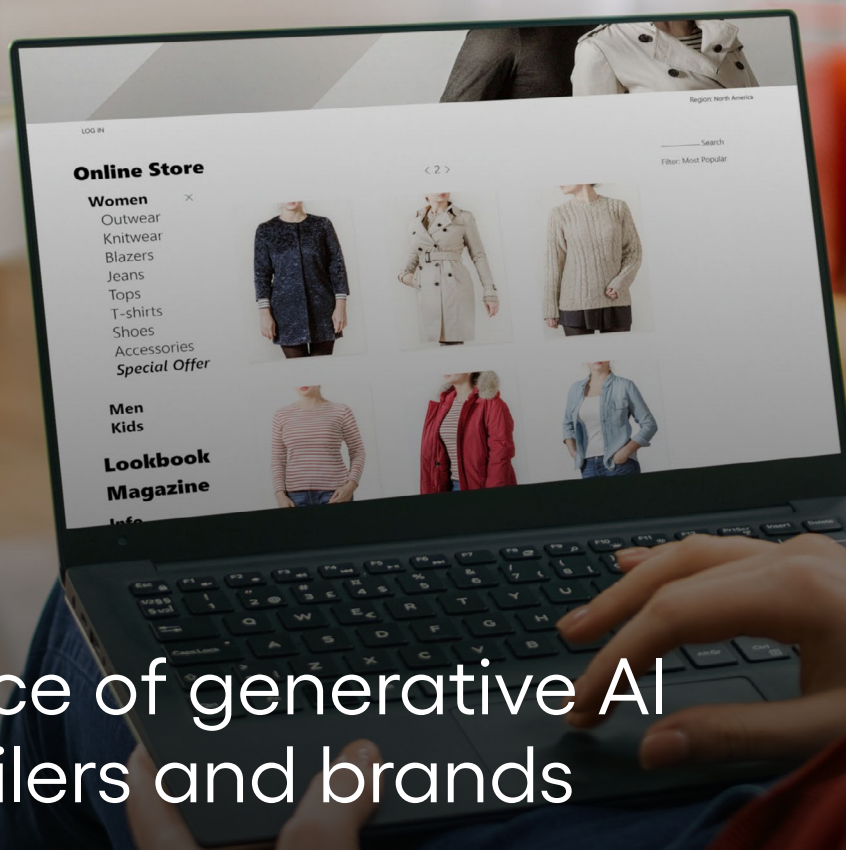
Two of the most apparent use cases for generative AI in retail customer service involve developing co-pilot tools for customer service agents and sales enablement tools for in-store associates.

In both cases, generative AI can enhance the service agent's existing toolset. For example, AI-enabled tools can be used to call up all relevant customer data, and provide next-best actions or product recommendations.

- **Faster, more accurate service:** AI will help brands build satisfaction and loyalty among shoppers and may improve job satisfaction for agents and associates, potentially lowering attrition.

- **Better training:** AI can produce real-world scenarios that instruct people on how to respond to common service situations.
- **Adaptive customer journey:** AI can analyze the tone of a customer's voice to help tailor responses and actions. For example, if an AI-enabled tool recognizes frustration after a long wait time, the agent could suggest contacting the customer once the issue is resolved more information is available.
- **Improved self-service:** A customer might contact a consumer electronics retailer and ask for the specific model number of an item purchased in the past, request a downloadable owner's manual, or check on warranty status. The service tool could also recommend similar products to replace the item or options for repair.

Influence of generative AI
on retailers and brands



The introduction of generative AI into retail is likely to create a ripple effect across the business, prompting companies to rethink everything. Retailers and brands must thoughtfully prepare a comprehensive and connected strategy that not only enables a specific generative AI use case, but also considers the wider impact on the business, its workforce and the customer experience. Elements of this strategy should consider:



Data: AI will produce a volume of data that current systems and teams are not equipped to manage. These tools must be integrated into data strategies while maintaining security, privacy and governance. And people must be trained in how to turn this information into actionable and valuable insights.

The changing role of the store: The use of generative AI is likely to further accelerate the shift to digital channels, spurring even more changes to the store's role within the broader retail experience. Retailers should consider how to leverage these valuable physical assets based on consumer shopping patterns and preferences.

“Some retailers may consider retrofitting or adapting the store so that it can serve a hybrid function as a traditional storefront, as well as a warehouse, pick-up point, exchange/return center or showroom.”

Increasing pace of change: The rapid rollout of generative AI tools will prompt change at an almost unbelievable pace. This shift will pose new challenges for retailers, many of which are still in the process of building and scaling technology. The next several years will be a critical period for companies to develop and launch programs in a way that not only meets shoppers' expectations but also ensures profitability.

Consumer backlash: The use of generative AI is still highly experimental and has already proved problematic for some brands. While brands can and should experiment, they should also consider any new features from the consumer's point of view—and ensure adherence to data privacy and security standards, as well as social norms. In most cases, retailers and brands will need to analyze customer sentiment to ensure they are not exceeding their comfort levels.



TANGERINE
1 KG

ADD TO CART

BUY NOW

Next steps:
Leading the way into
a new retail era

Retailers and brands that want to harness the power of generative AI to create a competitive advantage should do three things simultaneously:

01

Build a strong foundation



To leverage generative AI, companies must have a robust customer data platform (CDP) in place. For those without this foundation, the priority is to build the data capabilities, including rolling out the necessary tools and platforms to enable a 360-degree view of the customer and data sharing across the organization. This is critical for harnessing the full power of generative AI in marketing, commerce, service and beyond.

02

Experiment with and scale POCs and pilots



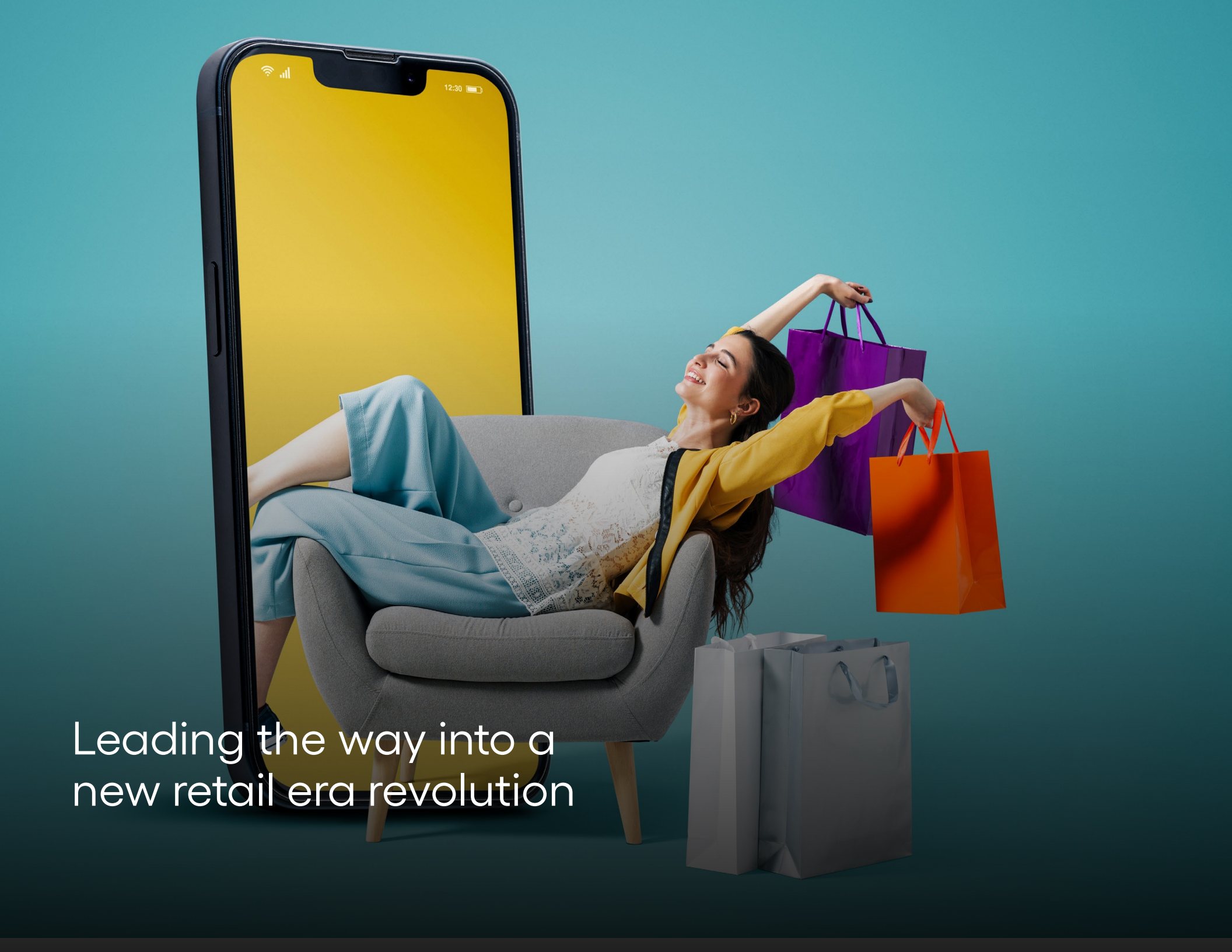
Generative AI is evolving quickly, and the competitive advantage will go to those at the forefront of this revolution. Organizations must explore multiple areas around AI with proofs of concept and early prototypes at a fast pace. We recommend running pilots across the main areas of marketing, commerce and service concurrently; at the same time, it is critical to ensure the business is aligned on overarching efforts through a common, connected strategy.

03

Build partnerships to enable change



Generative AI expertise is in short supply and high demand. For that reason, it is unlikely for retailers and brands to have the internal resources and skills to tap into this opportunity and scale initiatives. It is important for companies to partner with organizations that not only possess the technical capabilities needed to advance these programs, but also have the industry expertise, broad data capabilities, cybersecurity and regulatory awareness, and access to a robust technology partner ecosystem to ensure a cohesive, comprehensive program.

A woman with long dark hair, wearing a yellow cardigan over a white lace top and light blue trousers, is reclining in a grey armchair. She is smiling and holding up two shopping bags, one purple and one orange, with her arms raised. To her right, on the floor, are two more shopping bags, one white and one grey. Behind her is a giant smartphone that serves as a backdrop. The phone's screen is a solid yellow color. At the top of the phone's screen, there are status icons for Wi-Fi, cellular signal, and the time 12:30. The background is a solid teal color.

Leading the way into a
new retail era revolution



With the advent and rapid advancement of generative AI, the retail industry is on the brink of a major revolution. It is possible for brands to begin leveraging this technology across commerce, marketing and service to personalize, streamline and strengthen the customer experience.

At the same time, brands must be mindful of how and where they apply generative AI. This technology is not meant to replace human interaction, so much as deepen the human connection through faster service, new features and personalized experiences.

As the world explores and experiments with generative AI, it is critical that retailers maintain human oversight of this technology and remain focused on the customer's needs and wants. The real leaders of this new retail revolution will be those that successfully apply the power of the technology in a way that brings value to shoppers, without exceeding their comfort level. After all, being at the forefront of the retail revolution means that companies need to inspire shoppers to follow their lead.



Cognizant (Nasdaq-100: CTSI) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at www.cognizant.com or [@Cognizant](https://twitter.com/Cognizant).

World Headquarters

300 Frank W. Burr Blvd.
Suite 36, 6th Floor
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277

European Headquarters

280 Bishopsgate
London
EC2M 4RB, England
Tel: +44 (0) 20 7297 7600

India Operations Headquarters

5/535, Okkiam Thoraipakkam,
Old Mahabalipuram Road,
Chennai 600 096
Tel: 1-800-208-6999
Fax: +91 (0) 44 4209 6060

APAC Headquarters

1 Fusionopolis Link,
Level 5 NEXUS@One-North,
North Tower Singapore 138542
Phone: +65 6812 4000

© Copyright 2023, Cognizant. All rights reserved. No part of this document may be reproduced, stored in a retrieval system, transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the express written permission of Cognizant. The information contained herein is subject to change without notice. All other trademarks mentioned here in are the property of their respective owners.