Reimagining retail
powered by AI

Contents

Introduction

This guide will demonstrate how artificial intelligence (AI) can revolutionize retail operations, connecting data to allow you to make great business decisions, all the time.

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The volatility and uncertainty of 2020 spilled into 2022 and will likely continue into 2023. In today's complex commercial landscape, the potential for Artificial Intelligence (AI) to transform traditional retail operating models has never been more needed. I have worked in retail and consumer organizations my entire career and have seen the highs and lows through multiple lenses. I've never been more excited about the potential for technology to fundamentally transform our industry.

The way we work is changing, and how we run retail businesses will follow suit. The thousands of decisions a retail business makes every day add up to the value it creates. Every single one of these decisions can and will be informed by AI, resulting in unprecedented leaps in operational efficiency and improvements in customer experience.

As with all new technologies, transformation and successful adoption are gradual, and do not happen seamlessly. AI technology is facilitated by an overarching data strategy, yet the majority of retailers are thinking about the two separately. While most decision makers already have or plan to implement a data strategy, few are doing so with an eye on AI adoption.

Dealing with unprecedented volatility – across a multitude of factors – means commercial success is about more than simply growing. Today, winning in retail means making decisions that have a positive impact: on our people, on our planet, our communities and our balance sheet. And AI is at the heart of that change.

What's happening in retail?

Great decisions make great business.

These can be great marketing decisions, great product decisions, or great supply chain decisions. In retail, those businesses who are accelerating away from the competition are able to make the right decisions, all the time, keeping their customers happy and their operations slick.

The retail sector is at a crucial juncture at the moment. The pandemic sent seismic shockwaves across the industry, and has resulted in the demise of many well-known high street brands, who were unable to survive one of the most turbulent periods in recent history.

The continued rise of e-commerce, which has accelerated by five years due to the pandemic, means that:

Offering convenience to customers has never been more important.

The highly competitive, 'survive or die' nature of the industry now means that brands can't afford to be out of stock, miss sales opportunities, or keep customers waiting.

Once little more than just buzzwords, flexibility and agility are now mission-critical objectives that retailers need to be succeeding in.

That said, out of adversity comes opportunity – and there are plenty of opportunities there for the taking for retailers at the moment. Increased competition and a challenging market have resulted in an increased appetite for new technologies that help retailers work smarter, not harder. Those businesses who are embracing this change are not just surviving, but thriving.

How are they doing this?

They're placing trust in their data, and making it work to their advantage. By leveraging data from multiple sources across the organization and using it to its full potential, businesses can make optimal decisions that can revolutionize the way they operate – and the way they communicate with, and serve, their customers.

However, being able to make faster, more consistent, more accurate decisions across vast amounts of complex data isn't something humans can do alone. It requires access to best-in-class technology that has been out of reach for the majority of retail businesses.

Until now.

The intelligence era

As we transition into the Intelligence Era – a fourth Industrial Revolution characterized by AI– digital transformation will increasingly focus on embracing AI and the software that enables its build and adoption. With increasing innovation comes the generation of more data – globally we're projected to create, capture, copy and consume 97 zettabytes of data (each one equal to a trillion gigabytes) this year alone. While having a wealth of information initially sounds positive, in its current volumes the data available is simply too much to process.

AI can analyze huge volumes of data far quicker than humans, identifying trends and providing a predictive view of potential future outcomes. In a high inflationary environment, with volatility in everything from supply chains to geopolitical conditions, more businesses are starting to recognize the potential of the technology to ensure operational efficiency and a competitive advantage against a backdrop of uncertainty.

The value of a business it the sum of all the decisions it makes. Given this, making good decisions is critical. The ability to augment and automate high quality decision making will be the primary source of competitive advantage for businesses in the future. In retail this shift will usher in three dominant trends: interconnected data, a move to probabilistic decision making and more sustainable businesses.

We're all now well accustomed to AI playing a role in our everyday lives. Whether you're asking Alexa a question or being targeted with a new Netflix recommendation, these are just examples of AI joining up lots of different data points and using them to make predictions and categorizations.

Retail brands like Nike, Fitflop, AO, ASOS, boohoo, PrettyLittleThing and Footasylum are now using AI to make better business decisions.

Why should you care?

AI can help retailers make great decisions across vast amounts of complex data, in a way that was impossible before. Faster, more accurate, more consistent decisions, all the time. For example, these could be great marketing decisions, great product decisions or great operational decisions.

It offers you the ultimate gift: more time. The more data analyzed, the better a decision will be. For humans this takes time, but with AI, it's instant.

AI gives time back to people to work on the outcome of the decision, allowing teams to do more with each day, spending less time combing through spreadsheets row by row, column by column.
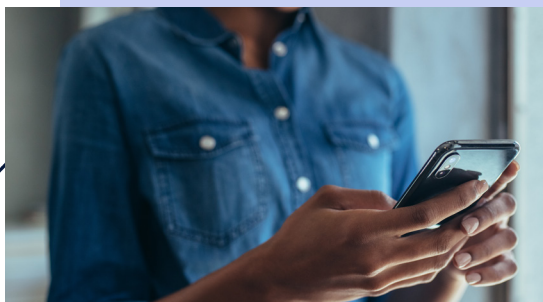
AI drives growth by making the right decisions, quicker. It capitalizes on changes in consumer behavior and fluctuating market conditions, grabbing opportunities from the jaws of indecision.

Rethinking business rules

One of the most exciting things about building AI across a variety of data sources is the potential to disrupt entrenched business concepts. One of those concepts is the notion of "business rules." Every retailer has those rules, and uses them to make decisions. But the truth is that rules alone were never meant to be the basis for good decision making. The constraints of technology and the linear nature of programming have made business decision-making models what they are today.

We've ended up with a lot of rules-based systems, not because it works best, but because that's all we could handle. We are often told new tech systems will be customized to fit our way of doing business but it's actually the other way around; our business models have been made to fit what tech could manage. These systems and the rules they brought have not prioritized innovation and creativity but rather standardization and compliance.

Things don't have to be that way any longer. The right way of doing things no longer means a single right way to the exclusion of other options. Data-driven decision making is probabilistic by nature, with infinite options allowing for more creativity, flexibility and innovation. For example, an AI-powered business could allocate a different quantity of every product to every store, or send a different marketing message to millions of individual customers. AI gives you the flexibility to rework, reimagine and reegineer your business quickly and easily.

Whether it's pricing, marketing messages, stock holding or logistics, the opportunity to throw out the rule book has never been so exciting.

The benefits of artificial intelligence in retail

AI can leverage data from across the entire retail value chain.

It drives great decisions which improve customer engagement and acquisition, optimize supply and demand and support a more efficient fulfillment process.

Imagine if your recommendation engine on your website automatically knew if you had a challenge in the supply chain and reacted accordingly. Or if you could ensure that the right stock is available at the right time for the right customer, supported by intelligent, personalized marketing – marketing that's aimed at guiding customers to the products that need shifting in the supply chain.

AI means that an entire organization can operate in sync, towards a common goal of growth and profitability. It can help retailers take their decision making to the next level, driving tangible outcomes across different areas of the business...

Customer experience

No more blanket email spam. Customer conversations are about highly-personalized, relevant content that appeals to them, only when they are in-market to buy.

Improved loyalty

Exceed your customers' expectations. Show them that you "get them" through personalized touchpoints across channels, building brand loyalty and LTV.
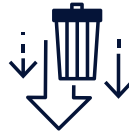
Optimized stock

Ensure customers can find the sizes and styles they want in stock, all the time, with no concerns over missing out on their favorite products.

Effective delivery

Smarten up your supply chain to ensure orders are fulfilled on time, in full, building customer satisfaction and reducing churn.

Improved sustainability

Smarter forecasting and logistics means less wastage and a reduced carbon footprint, helping retailers move towards sustainability.
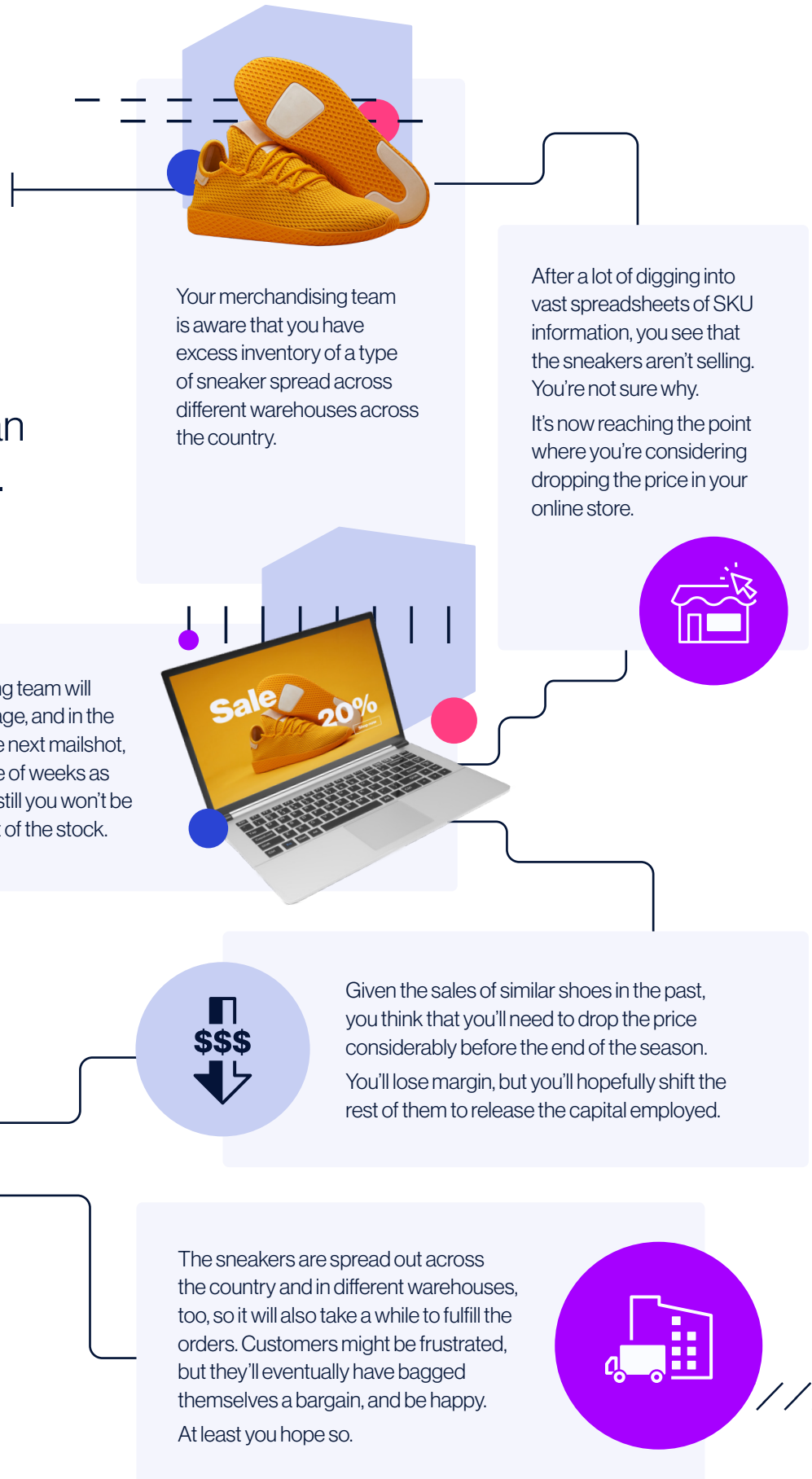
Growth across the value chain

Optimize and enhance every aspect of your operation with AI, driving efficiencies across your business.

Scenario 01

# You're the CEO of an online-only retailer...

Your merchandising team is aware that you have excess inventory of a type of sneaker spread across different warehouses across the country.

After a lot of digging into vast spreadsheets of SKU information, you see that the sneakers aren't selling. You're not sure why.

It's now reaching the point where you're considering dropping the price in your online store.

You hope that the marketing team will place them on the homepage, and in the discount section, and in the next mailshot, but this might take a couple of weeks as they are super busy – and still you won't be guaranteed to shift the rest of the stock.

Given the sales of similar shoes in the past, you think that you'll need to drop the price considerably before the end of the season.

You'll lose margin, but you'll hopefully shift the rest of them to release the capital employed.

The sneakers are spread out across the country and in different warehouses, too, so it will also take a while to fulfill the orders. Customers might be frustrated, but they'll eventually have bagged themselves a bargain, and be happy.

At least you hope so.

Your merchandisers can see that across your thousands of products, those same shoes were not selling as quickly as expected. They spot this rapidly, just days after the sneakers were launched. They didn't have to search – this anomaly was flagged automatically.

Scenario 02

The same company, and yet different...
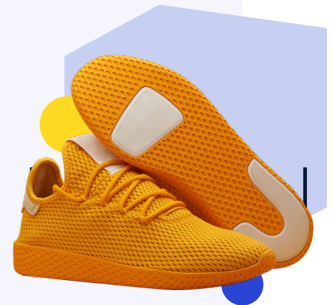
At the click of a button, the marketing team can see a segment of customers that are in the market to buy and who love this brand.

In a few clicks, they've set up and sent a personalized marketing message to them, and within a day, the rate of sale has increased massively.

For the remaining pairs that didn't sell, the same team instantly set up a PPC campaign to target likely buyers at a low cost-per-acquisition (CPA). The rest now sell. What's more, you've personalized the experience and upsold them with a set of socks that other customers think are the perfect pairing. The margin on those is higher.
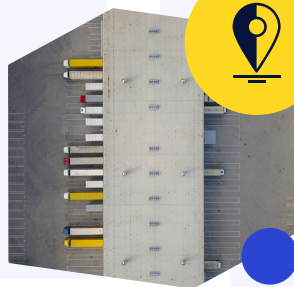
The goods are already on the way – your warehouses already had the optimum stock levels in each location, based on predicted demand, with your pickface optimized to fulfill promptly and efficiently.

This information is fed back into the systems used, so it learns over time. It gets better, easier, faster, more accurate.

This organization is responsive, lean, connected, and operating in sync. No margins lost, no inefficiency, and lots of growth. Imagine what it would feel like to work at the second company – to be a member of a team that could operate at such a consistently high level. To make impactful decisions quickly and consistently.
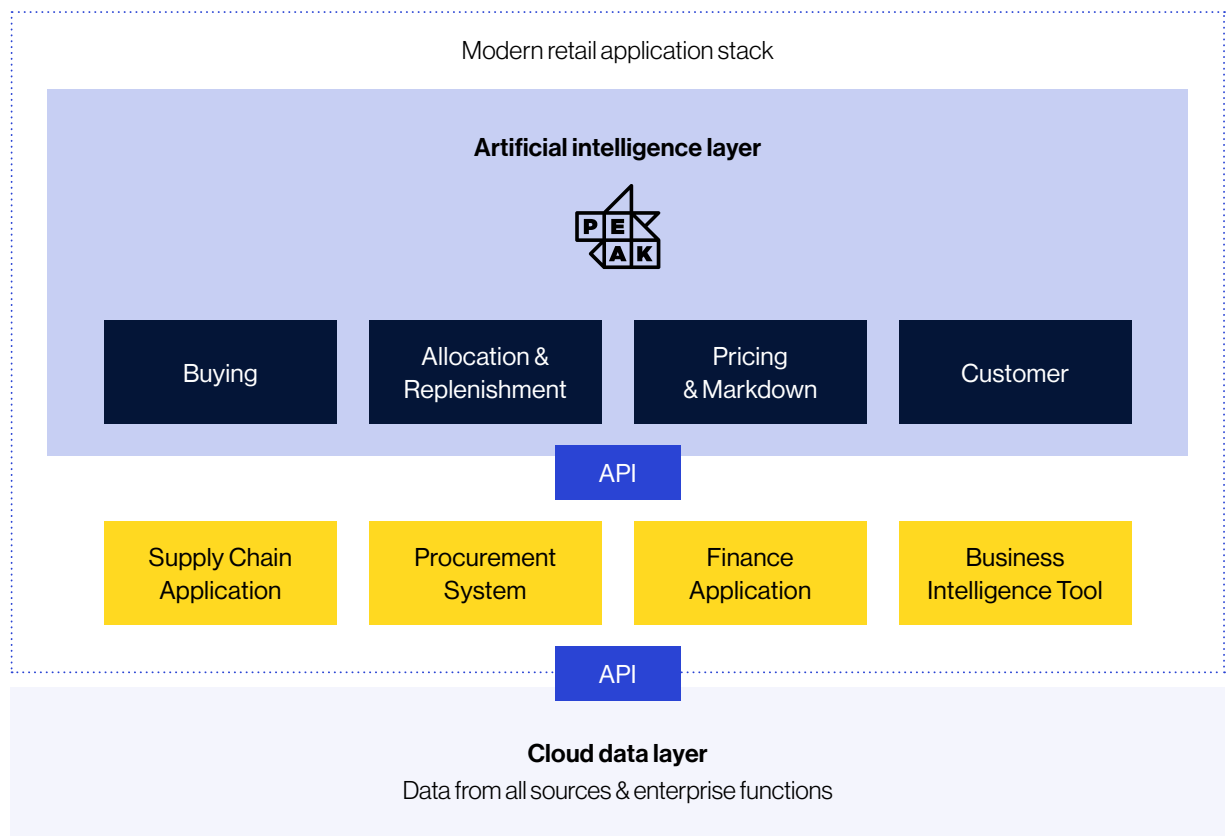
What's the difference?

This company is using AI

Making it a reality: infusing existing systems with artificial intelligence

To leverage the transformational potential of AI, retailers need to build a layer of artificial intelligence that powers decision making across the value chain.

Rather than a single monolithic system, the future lies in a composable approach to technology with individual tools and systems working together as a modern retail application stack.

This will offer retailers greater flexibility, and creates the opportunity to infuse AI across the entire business.

Modern retail application stack

Artificial intelligence layer

P E A K

| Buying | Allocation & Replenishment | Pricing & Markdown | Customer |

API

| Supply Chain Application | Procurement System | Finance Application | Business Intelligence Tool |

API

Cloud data layer
Data from all sources & enterprise functions

The future of business technology is composable and modular.

AI for retail sales and marketing

Artificial intelligence allows you to know your customers like never before.

Peak's Customer Intelligence applications enable sales and marketing teams to leverage customer, transactional, and historical data with AI – providing you with a predictive view of your customers and enabling smarter segmentation.

It means you can...

Stop hoping those blanket emails are relevant. **Start knowing** you're having personal conversations at every touchpoint.

Stop hoping you're using ad spend effectively. **Start knowing** who to target, with what product, and when.

Stop hoping customers will like this new product. **Start knowing** exactly who will want to buy, and what else they'd like.

Stop hoping customers won't leave. **Start knowing** you can build brand loyalty with tailored recommendations.

What about your customers?

No more annoying blanket emails with irrelevant offers. Your customers are provided with highly-personalized, relevant content that appeals to them, only when they're in-market to buy.

They feel that you understand and value them as a customer, exceeding their expectations and driving brand loyalty.

Put the power of customer acquisition back in your hands

It's time for you to call the shots. Improve the effectiveness of your marketing campaigns and regain control of your advertising spend.

Build brand loyalty and engagement

Provide a more personalized experience to increase LTV and reduce churn by serving the right recommendations, at the right time, via the right channel.

Attract and acquire new ideal customers

Sophisticated AI-powered targeting generates segments highlighting your most valuable customers – and prescribes actions to help you acquire more of them, at the lowest cost.

Spend your money where it matters

Use AI to deliver intelligent ad recommendations and smarter targeting segments – leading to increased return on advertising spend and reduced acquisition costs.

Increase engagement and relevance

Have one-to-one conversations with your customers by delivering personalized, intelligent recommendations via your marketing comms to increase LTV and reduce churn.
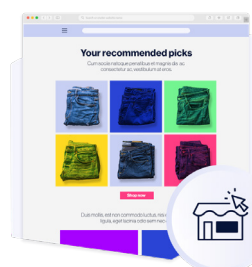
Enhance the online shopping experience

Increase conversions and average order values by predicting exactly what your customers want, serving them with intelligent onsite recommendations in real-time.

AI for retail demand planning

Artificial intelligence offers retailers a complete view of every product, all the time. It allows you to forecast demand accurately and make decisions that maximize profit. Peak's Demand Intelligence applications collate and analyze data from across the business, makes sense of your thousands of SKUs, and arms merchandisers and planners with a predictive view of demand, rebuy requirements and suggested stock movements.

It means you can...

Stop hoping you don't give away margin. **Start knowing** you've maximized margin with the perfect markdowns.
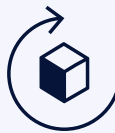
Stop hoping you've bought the right product every week. **Start knowing** you've always bought the right amount, styles, sizes and colours, 24/7.

Stop hoping you've got the right stock in the right place. **Start knowing** you have exactly what you need, where you need it.

Stop hoping that focusing on the top 20% of the stock file will be enough. **Start knowing** you can optimize every SKU, without trawling through spreadsheets for hours.

Make smart buying decisions, all the time

With AI-driven range planning and rebuying, ensure you have the right products to meet demand, avoid stock-outs, and reduce over-stocking. Drive more sales while reducing the need for margin-busting sale periods.
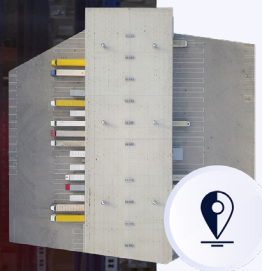
Have the right stock in the right place, at the right time

Match your product ranges to variations in customer demand across your stores. Optimize initial allocation, replenishment, and assortment planning to efficiently meet demand – while minimizing stock-piling in the wrong location.

Optimize your pricing strategy

Maximize sell-through while achieving the highest possible margin. Use AI-driven markdown scenario analysis to identify the optimal pricing for each product, taking a data-driven approach to develop a "right price, first time" strategy.

What about your customers?

Your customers can always find the items they want – in the right size, color, and style – in stock, whether they're shopping online or in store. They have no concerns around missing out on their favorite products, and recommend your business to their friends because you always have what they need.

AI for retail supply chains

A holistic view of your supply chain.

AI provides retailers with a holistic view of their supply chain, all the time, and ensures that operations are slick and efficient. It introduces data-driven decision making into your warehouse and logistics operations, enabling you to maximize fulfillment at the lowest cost – and keep your customers satisfied.

It means you can...

Stop hoping you won't disappoint your customers. **Start knowing** that you'll exceed their expectations.

Stop hoping that you'll be right about what the next warehouse wave will look like. **Start knowing** so you can increase pick efficiency to save time and money.

Stop hoping you've got enough trucks available. **Start knowing** that you've got the optimal number of trucks to fulfill demand.

Stop hoping stock is spread out across warehouses and distribution centers in a sensible way. **Start knowing** that stock is always allocated intelligently, reducing journeys and their environmental impact.

Optimize your warehouse

The warehouse or distribution center is the heart of your supply chain – and running an efficient operation is critical. Leverage demand forecasting and AI process optimization for a range of use cases, such as pickface optimization, wave planning, and workforce planning. Fulfill orders on time, in full, at the lowest cost.

Increase logistics efficiency

Efficient transportation of stock is critical to managing costs, meeting demand, and achieving sustainability targets. Demand forecasting and AI process optimization can ensure you move stock to the right place, at the right time, via the most efficient and sustainable method.

What about your customers?

Your customers' expectations are always met, with products shipped on time and a range of convenient delivery options available. They enjoy shopping from a brand that is taking action to reduce its carbon footprint through more optimized logistics processes.

Artificial intelligence is happening now

AI-driven decision making isn't the future. Businesses like yours are leveraging this technology today to gain the edge on the competition.

The numbers speak for themselves...

5%

increase in picks-per-person, per-minute

8%

reduction in total supply chain costs

4x

return on capital employed

5%

increase in total revenue

30%

efficiency gain

27%

increase in profit from AI-driven rebuying

8400%

return on social media ad spend

180%

increase in click-through-rate

For more success stories:

Learn more

Get in touch

If you're interested in learning more about Peak and our approach to implementing Artificial Intelligence in retail, we'd love to hear from you.

Live chat   **Email**

Click the link below to visit our Content Hub for more resources, blogs, guides and success stories.

Peak.ai/hub

Peak is an AI company that provides the platform, applications and services to help businesses harness the potential of AI to grow revenues, increase profits and efficiency. With features to support both technical and commercial users, Peak makes AI applications widely accessible to everyone within a business, simplifying and accelerating AI adoption.