

Retail reinvented:
**Unleashing
the power of
generative AI**

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Introduction

Imagine a customer service experience without any hassle. Picture connecting with a customer agent that effortlessly troubleshoots product issues, reschedules order deliveries and manages your subscriptions within seconds.



Or imagine speaking with a customer care agent who understands your concerns and your sentiments almost instantly and appeals to you with solutions and recommendations that help to quickly solve the issue at hand. No long waits, no arguments, no misunderstandings.

The transaction delivers better customer service to you and less customer friction for the care agent. Does it sound impossible? It's not. In fact, it is what Best Buy has begun to deliver, as the US-based consumer electronics company seeks to reinvent both the consumer and worker experience with the support of generative AI. The technology is also demonstrating the power it holds for retailers across the board, as businesses begin to deploy generative AI to improve efficiency in other areas across their value chains.

Companies that can excel at delighting the customer with an effective generative AI strategy stand to grow their topline. Indeed, a recent Accenture study shows that 75% of retail executives view generative AI as instrumental to their business's revenue growth.¹

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Meanwhile, retailers that can use generative AI to better streamline operations and delight their workforce will be able to significantly reduce their bottom line. Succeeding at both stands to unleash capital for businesses, which they can then reinvest in innovation, training and new products.

What should retailers do to seize this generative AI opportunity?

Getting there is far easier to describe than it is to do, as retail executives know. According to our research, an overwhelming 93% of retail CxOs are planning to scale up their investments in AI and generative AI over the next 3–5 years in terms of time, money and human capital.² But almost a third of retail executives (31%) believe that a lack of skills will hinder their companies from fully utilizing generative AI. More than a third (36%) fear that workers won't adopt the technology due to a lack of understanding.³

Retailers must begin working now to overcome these hurdles. And they need to do so with a clear strategic picture and a cohesive plan to transform how consumers shop, how people work and how businesses operate. As they do so, they will begin a journey of reinvention for the retail industry that will ultimately affect all stakeholders—from customers and workers to suppliers and partners.

Our latest research shows that 72% of retailers plan to use generative AI to fundamentally reinvent how they operate.⁴ The window of opportunity is open. Retailers can capitalize on this opportunity if they engage now.

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Changing how consumers shop and connect with brands



Generative AI: The latest and greatest shopping influencer

Generative AI is changing the way consumers discover brands and products, ask for and receive information and experience shopping. Look, for instance, at Instacart. Instead of customers logging onto its application and searching for items, last year it began offering a plug-in that allows customers to request recipes, and then takes care of ordering all the ingredients and delivering them to the customer's door.⁵

Or consider the generative AI shopping assistant from Bricorama, one of France's leading DIY retailers.

When a customer is looking to paint a new space, their 'pAInt' assistant provides inspiration and recommendations while building a shopping cart. At the outset, pAInt suggests trending styles and offers advice on paint colors and finishes. Interacting with the consumer, it advises on the paint type and quantity that would be best for the surface and client's space. The assistant is fully integrated with Bricorama's e-commerce systems so that recommendations shown are only for products in stock. The assistant then offers continued support with practice guides on the painting process itself.⁶

These are just two examples of how generative AI is expected to fundamentally reshape the customer experience, transforming what consumers purchase and how. They also highlight how generative AI is expected to boost personalization and tailoring of the customer journey to an extent we've never witnessed before. Lastly, it hints at how generative AI agents that handle entire tasks from start to finish may soon become the new norm, making multiple decisions a day on behalf of the customers they serve.

Generative AI agents that handle entire tasks from start to finish may soon become the new norm.

The opportunity for retailers is significant.

First, by redesigning the customer experience with generative AI at its core, the ability to upsell products and generate more brand loyalty improves.

Even basic search will be made more contextual and use-case-based. So, for instance, instead of shopping for five distinct items, a consumer could simply type in “40th birthday party” and be shown a host of relevant products to consider, which saves them time and also introduces them to new products or services they hadn’t previously considered. Second, the more retailers can keep consumers within their brand experience, the less likely consumers will be to navigate to other platforms for inspiration, better deals or better experiences. Lastly, as leading retailers are able to keep customers engaged, they will also be able to pull more insights to direct and drive sales and loyalty strategies.

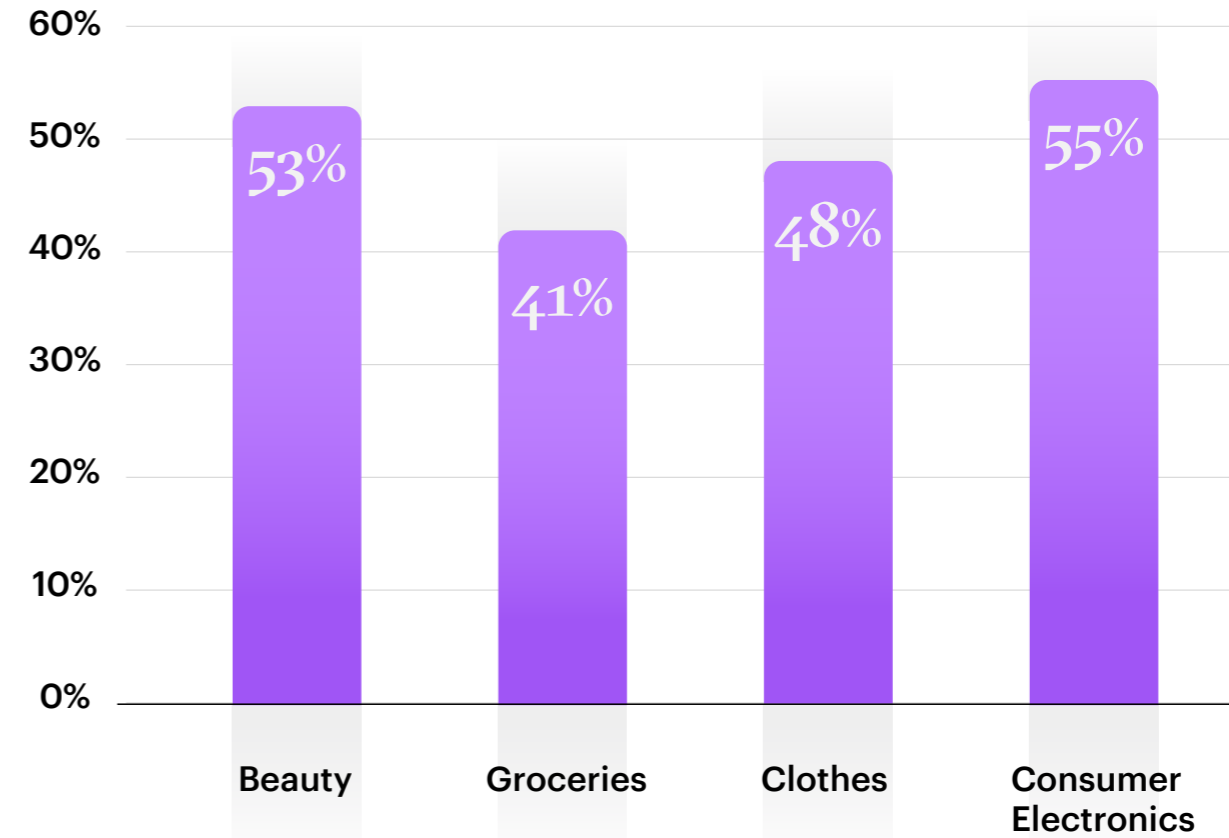
Encouragingly, a recent Accenture analysis of 9,780 global retail consumers shows they are ready for this evolution. Roughly one in two consumers are open to using conversational AI to receive advice and recommendations (see Figure 1).

Additionally, they already have high expectations of this technology. The majority of consumers express a desire that generative AI provide a range of options from multiple brands, surprise them with suggestions and manage negotiating, purchasing and resolving queries or complaints on their behalf (see Figure 2).⁷

Given these consumer desires, it becomes even more crucial for brands to establish themselves as preferred partners in the generative AI space.

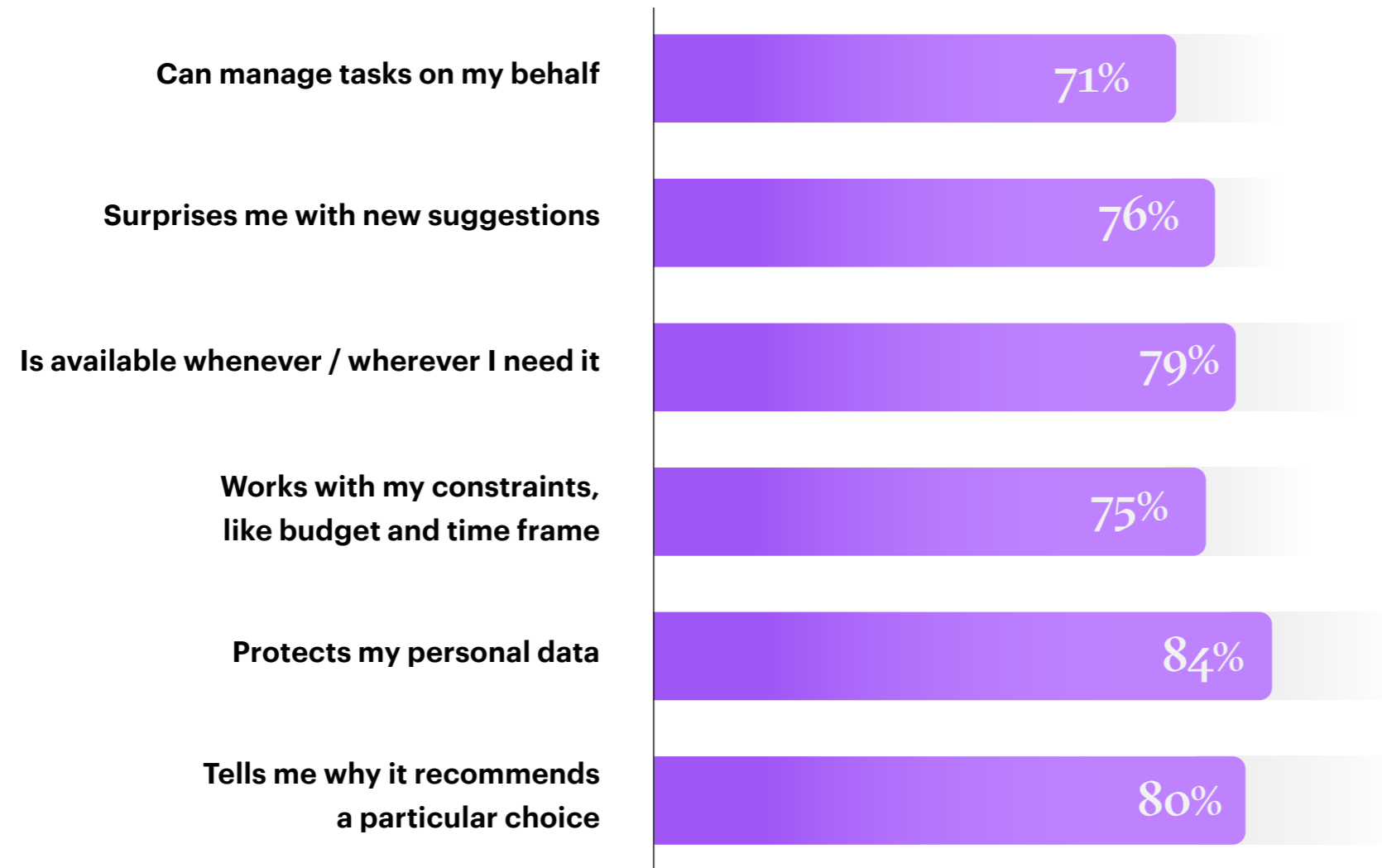
Figure 1

Consumer likelihood of using conversational AI for advice and recommendations



Source: The empowered consumer. Accenture, April 2024.

Conversational AI characteristics: What do consumers prefer?



Source: The empowered consumer. Accenture, April 2024.

Generative AI is set to disrupt a key traditional marketing technique—search engine optimization.

As a result, identifying how to best link large language models (LLMs) to a retailer's product and brand information will be key to whether a brand's product appears as a recommendation. Therefore, identifying how to best use current and new technologies to be where people are when making decisions will be critical to becoming a shopping influencer of tomorrow. Also, a focus on how to make the shopping experience easier and more convenient with the support of AI and generative AI is key. Failing to do both risks losing market share and relevance in this rapidly evolving landscape.

Transforming work, empowering employees

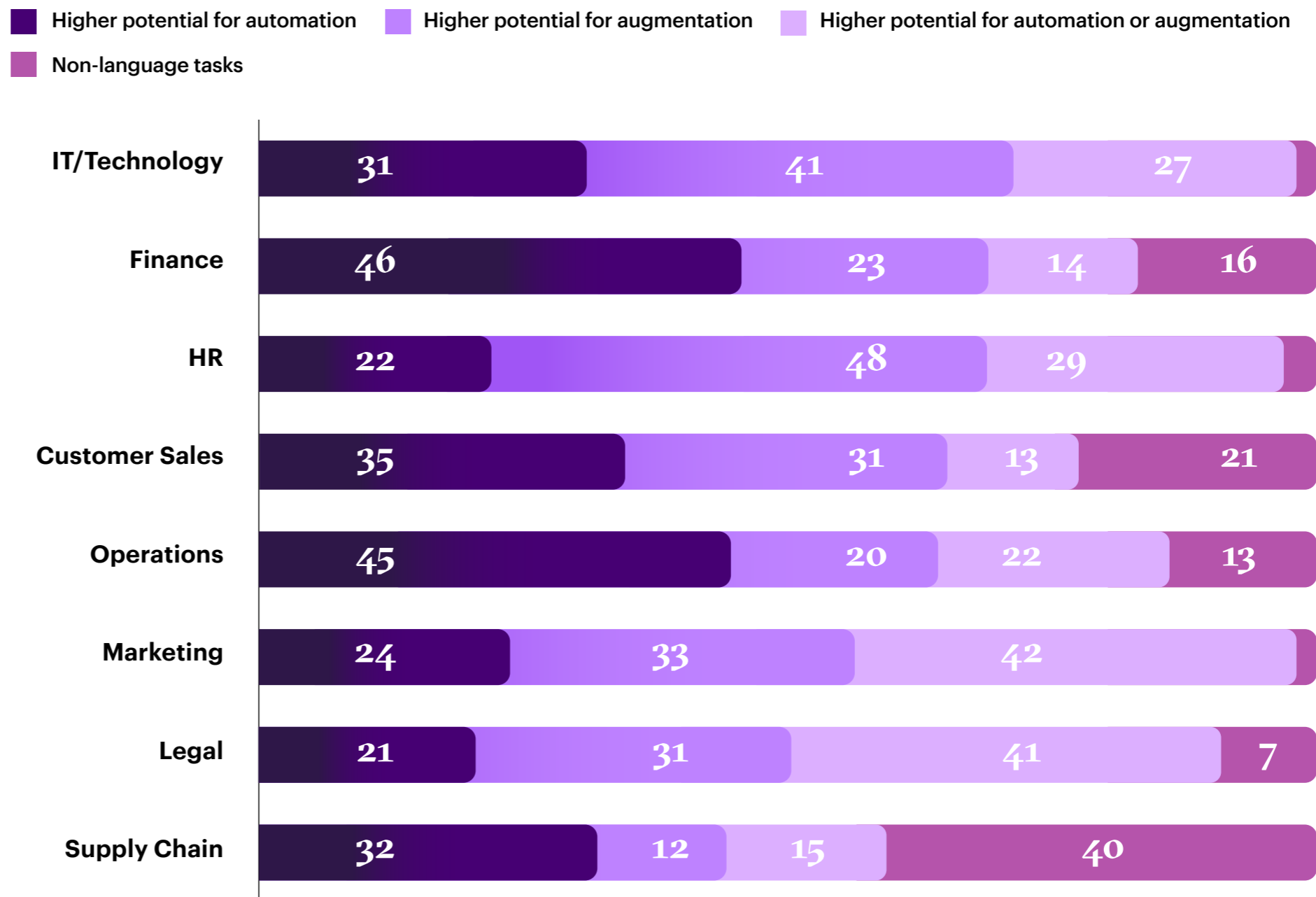
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Figure 3

Retail work time distribution by function and potential LLM impact

Weighted by their employment levels in the US in 2022



Recognizing the full value of generative AI will require the reinvention of the consumer relationship and customer journey, as well as jobs and work processes. Based on an in-depth Accenture study across 19 industries and 21 countries, generative AI has the ability to transform 50% of all working hours across the retail industry.⁸ Drilling down further, a similar analysis across retail functional roles in the United States showed that 36% of the time spent in those roles is susceptible to automation, while 28% has the potential for augmentation (See Figure 3).

Source: Accenture Research based on National Statistical Sources, O*NET, publications from MIT, Microsoft and NBER



Against this backdrop, leaders will need to be keenly attentive to developing and implementing change initiatives that put people first.

It's one thing to anticipate what emerging technologies can do. It's another to find the right blend of human intelligence and AI capabilities that improves performance by fostering employee engagement. It will be important to shape talent models, programs, policies and practices with input from workers, and with a commitment to continuous feedback and improvement. With that in mind, organizations will be

able to maximize the capabilities of their skills-tech ecosystem and scale it to power a flywheel effect as the use of generative AI grows.

Take, for instance, the job of a front-store retail associate. Existing tools and technologies already support them to some extent, yet with the integration of generative AI tools and proper training, associates will soon be able to provide a new level of personalized assistance to customers. For example, if a customer asks for help redesigning their backyard patio, the associate can use AI-powered applications to swiftly access the customer's preferences, budget and style

choices. The associate could then use generative AI to create a virtual layout of the redesigned patio, incorporating different furniture options, landscaping ideas and decor elements. AI can simulate various design scenarios in real-time, allowing the customer to visualize the plan and make informed decisions. Additionally, the associate could provide recommendations for the best materials and products available in the store, and even check inventory levels to guarantee availability. This blend of existing AI and generative AI capabilities will enable associates to offer comprehensive, personalized solutions that enhance the customer experience and drive sales.

Generative AI will make workers feel more supported and equip them with the latest technology and insights at their fingertips.

Overhauling operations and building a strong digital core



The implementation of generative AI across both the customer and worker journeys will increase satisfaction and loyalty, and will also lead to revenue growth and cost savings.

Realizing this value, however, requires a total redesign of retail's current operating model. Across the value chain—from resourcing and supply chain management to inventory control, merchandising and even front-store clerks—there are significant opportunities for generative AI to drive leaner management, resulting in less waste, fewer delays, greater accuracy and a better user experience than ever before. It's therefore important that leaders immerse themselves in the

technology, effectively identifying areas of opportunity as well as embedding learning into the flow of work.

The first place to start is to make sure your organization has a strong digital core. This requires an integrated and intelligent platform that allows businesses to take advantage of emerging technologies, such as cloud computing, AI and data analytics. The digital core should support functions across the business, such as finance, supply chain, human resources and customer experience, providing real-time insights, automation and agility.

According to our *Generative AI for Customer Growth* study, over half of retail executives report that inadequate

data formats and structures hamper their ability to fully use their intelligence capabilities.⁹

To harness the full potential of generative AI, companies need to establish a robust data foundation. Structured, unstructured and synthetic data in unified data platforms provides decision-makers and workers access to the information they need when they need it, in a format they can use—a format that allows them to understand consumers in human terms and make their next move accordingly. Based on a strong digital core, a company can redesign their operating model with confidence.

The first place to start is to make sure your organization has a strong digital core.

For example, merchandising is an area ripe for improvement. Tapping generative AI's ability to complement classic AI and machine learning (ML) to analyze data—including sales history, forecasts, market trends and competitor insights—would enable retailers to identify the most profitable mix for distinct locations and customer segments. Consequently, it would allow retailers to offer curated product offerings and recommendations to customers, ultimately driving higher conversion rates and loyalty. Price point decisions driven by existing AI models would become more accurate in such a scenario, given generative AI's ability to analyze real-time market

data and competitor pricing. Ultimately, integrating generative AI with existing AI/ML systems could lead to more agile, responsive and accurate inventory management processes, driving better results for retailers.

Now imagine the same extent of reinvention across every part of retail's operations. How jobs get done, who does them, what metrics are used to evaluate their success and the cost required to get work done are all expected to radically change over the coming months and years.

As a result, governance of that change and transformation will be critical. Indeed, just as jobs will be redesigned, so too will the roles that support the governance of retail operations. The role of a Chief AI Officer, for instance, will gain importance to help drive enterprise-wide reinvention powered by generative AI. Additionally, applying the use of responsible AI and addressing privacy concerns with new implementations of AI will also require greater oversight.

To harness the full potential of generative AI, companies need to establish a robust data foundation.

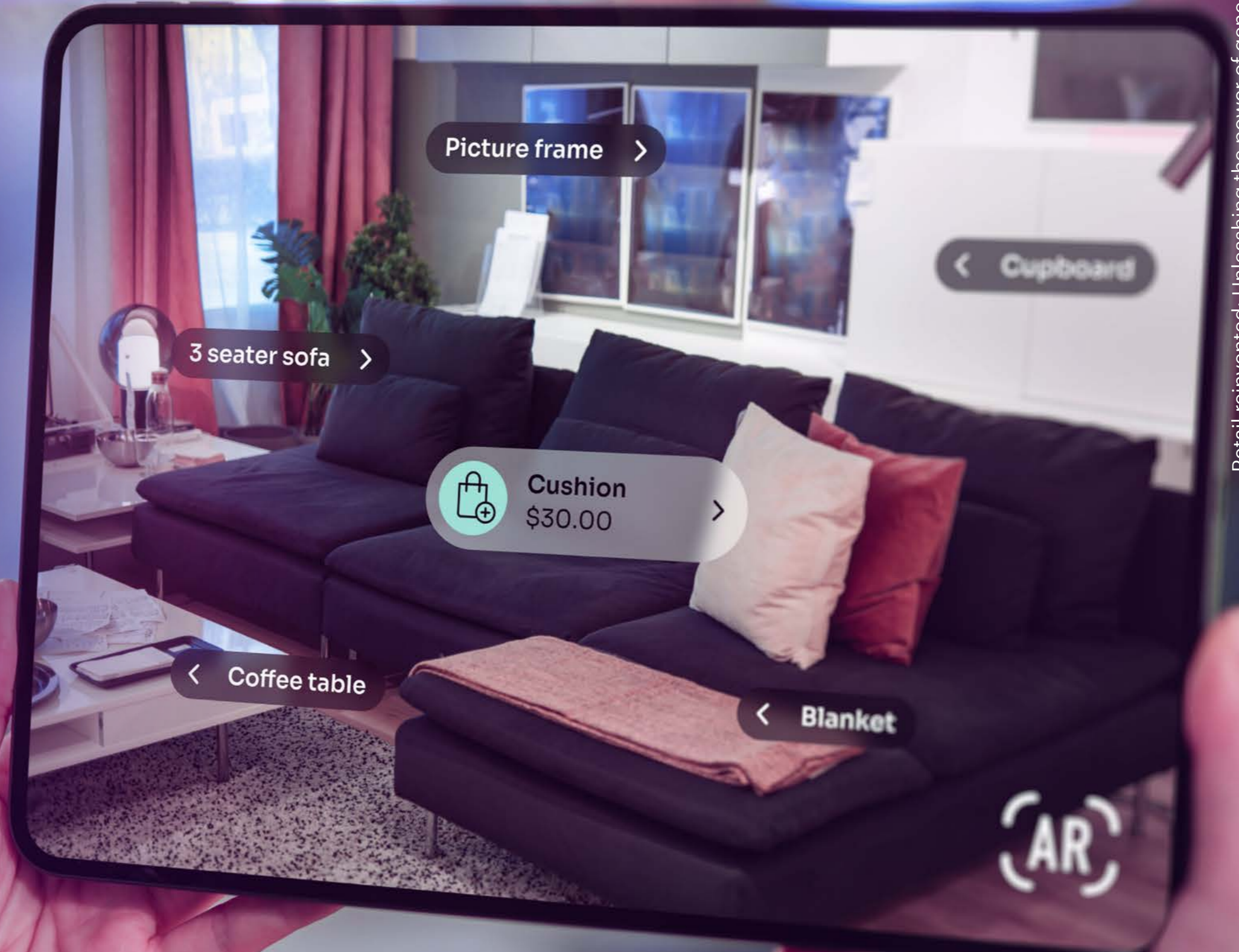


Next steps in the generative AI journey

Large enterprises have long been promised increased agility and flexibility through technology. Generative AI is arguably the most promising technology to deliver on that promise.

Retail leaders who take a holistic approach to reimagining large-scale processes across the business—and who do so while successfully employing human-centered change programs—will likely come out to be the winners in the industry.

Generative AI can deliver a powerful trifecta—accelerating economic value, boosting productivity and fostering more meaningful and creative opportunities.



Retail leaders who are ready to take full advantage of generative AI should address the following five imperatives¹⁰:

1/ Lead with value in retail:

Shift the focus from siloed use cases to prioritizing business capabilities across the entire retail value chain, based on an objective assessment of the business case, enterprise readiness and the corresponding return on investment.

2/ Understand and develop an AI-enabled, secure digital core:

Invest in technology that runs seamlessly and allows for continuous creation of new capabilities.

3/ Reinvent talent and ways of working:

Set and guide a vision for how to reinvent work, reshape the workforce and prepare workers for a generative AI world.

4/ Close the gap on responsible AI:

Design, deploy and use AI to drive value while mitigating risks for all retail stakeholders, from consumers to suppliers and workers.

5/ Drive continuous reinvention:

Because change is constant, reinvention never ends. Make the ability to change a core competency and part of company culture.

Remember the opening example of the customer care agent supported by generative AI?

That is just one customer profile type among dozens that could be tailored to deliver greater value to customers, workers and the business by meeting these five imperatives. We're not just looking at a step forward for retail; the industry is on the cusp of a transformative leap. Your company can fade, follow or lead. Choose to lead.



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