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Do what matters

Analyze buyer behavior

Personalizing the shopping experience

Improve recommendations

Regenerative retail AI

Guide: Imagine what you will do with generative AI in retail

Unlocking resilient, responsible retail growth through generative AI

If you're in retail, you're in the people business. This is an industry built by the people, for the people. And there's a shopping basket-full of reasons why people – both consumers and employees – are right to be excited about the arrival of generative AI.

This fast-emerging and fast-evolving technology has the potential to change the way we live, work and shop. From continually elevating customer and employee experiences through to always-optimized operations supported by data-driven decisions, retailers stand to benefit and gain competitive edge.

We've already seen many retailers experimenting with and even introducing early generative capabilities to augment their brand or customer interactions. These first steps might appear novel to begin with. But it won't be long before any task or process in the retail industry can be either significantly augmented or automated through the smart use of generative AI.

This eBook explores the most appealing opportunities for retailers who are ready to thrive in the generation of generative AI – and tells you how you can get started on your journey.

Retailers are wrestling with AI readiness

Before diving into the unbridled excitement around generative AI use cases, let's acknowledge a universal truth. AI readiness doesn't happen by accident. Just because a capability is there, doesn't mean you're instantly ready to embrace it – and do so at scale, or successfully. To take full advantage of AI, you need the right foundations in place.

So, just how ready are retailers for the AI-first era? That's precisely what our new global AI study sought to discover. The research embraced the opinions of over 300 senior retail leaders across the globe, to uncover their perspectives on AI readiness and their confidence levels in the gen AI age.

To begin with, the study uncovered surprisingly high-levels of confidence among retailers in their AI readiness – across a number of areas:

94% of retailers were either very or mostly confident that their organization is ready to harness the benefits of AI faster than competitors.

96% of retailers were either very or mostly confident that their leaders understand generative AI and its governance needs today.

97% of retailers were either very or mostly confident that their organization's risk management processes are adequate for an enterprise-wide technical integration of generative AI.

But perhaps most surprisingly, 88% of retailers said they believe their customers are ready for either all or most of interactions and processes to be done through AI. That's above the average for all industries, which was 85%.

However – despite this purported proactivity, our research exposed some significant gaps when it comes to retailers' overall AI readiness.

- 50% of retailers have just started to implement or only have some of the necessary human capital/workforce planning processes in place to safeguard roles as generative AI is scaled.
- 50% of retailers have either only implemented some specific guidelines for responsible AI – or are still in the process of developing guidelines and have not yet started implementation.
- Finally, 45% of retailers think significant support will be required to onboard/train workers to use generative AI tools, like Microsoft 365 Copilot.

What does this mean?

Excitement around gen AI use cases is understandable. And we're here for it. That's why we wrote this eBook, and why you're reading it. But retailers must recognize the importance of AI readiness, before jumping in. Without taking the necessary steps to get your people, platform and processes prepared, your ability to succeed in the new AI era is going to be extremely limited.

The retail leader's gen AI use case map

Explore these gen AI opportunities to drive growth while controlling costs

Merchandizing
Data-driven approach to merchandizing strategy, centered on deep customer insights, to boost sales and product performance.

Forecasting
Accessible and automated demand forecasting based on evolving shopping behavior and product preferences.

Pricing and promotion
Optimal, dynamic pricing strategies leveraging real-time customer, competitor and inventory data.

Support portals
Personalized, conversational support for store associates and back-office workforce, enabling them to complete tasks efficiently.

Scheduling and WFM
Enhanced workforce management (WFM) and optimized staff scheduling based on automated data analysis.

Knowledge access
Seamless knowledge sharing and information access through a user-friendly messaging interface.

Training
Interactive training portals tailed to individual employee's needs, increasing engagement with upskilling programs.

Supply chain
Intelligence-powered supply chain resilience, using real-time data to inform supplier and logistics decisions.

Store design
Optimized store layouts, embracing customer traffic data to steer product and signage placement.

Product insight
Automated commercial analysis to direct product prioritization and optimization roadmaps.

"Phygital" experiences
Intuitive, frictionless in-store experiences – tailored for individual customers via their devices, using purchase history insights.
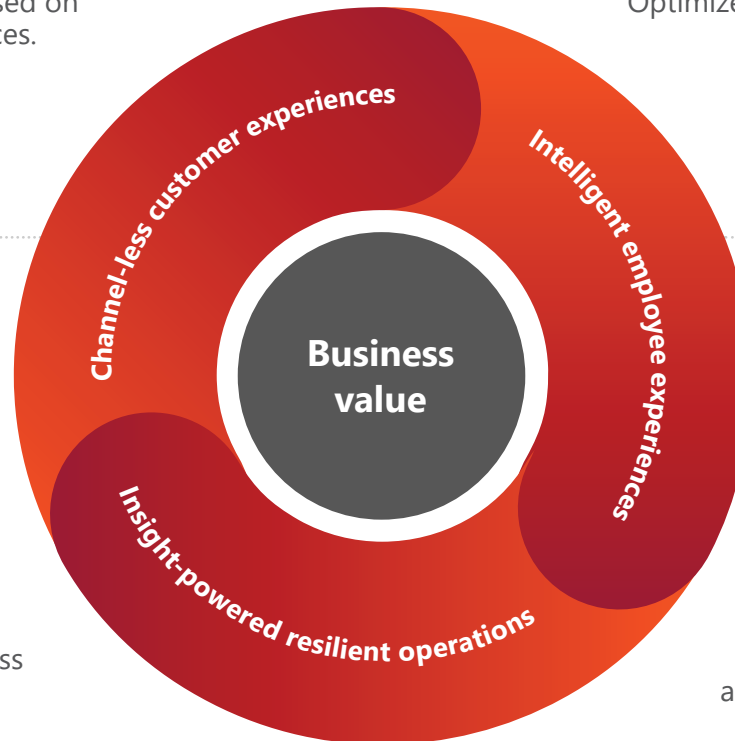
Customer support
Conversational, contextually relevant customer support across every channel provided by generative AI assistants.

Clienteling
Personalized product recommendations and advice for a superior sales experience – increasing customer satisfaction.

Marketing efficacy
Hyper-personalized marketing that truly resonates, using insights to treat each customer as an individual.

Channel-less customer experiences

Intelligent employee experiences

Insight-powered resilient operations

Business value

3 gen AI opportunities to explore right now

1. **Hyper-personalized in-store experiences:** By connecting digital and physical data, retailers can embrace gen AI to automate the delivery of deeply personalized in-store experiences. Unifying online and offline channels gives rise to a "segment of one" approach, going beyond tailored product and service recommendations to provide the exact solution to an individual customer's requirements.

2. **Real-time customer insights:** Utilizing natural language processing and machine learning, customer data can be analyzed to create true 360-degree profiles – continually updated in real time – which embrace purchase history, demographics, and product preferences. These insights can then inform targeted marketing campaigns, optimized promotion and pricing strategies, as well as broader CLV uplift opportunities.

3. **Intelligent support for frontline workers:** By learning from interactions with store associates and other frontline workers, generative AI platforms can provide tailored responses to specific needs, creating a more empathetic and supportive experience. Additionally, training data can be analyzed to identify areas where additional support or training may be needed, providing on-demand support through chatbots.

The AI-powered intelligent store

Reigniting physical retail with Avanade's unique framework

ICA-Roslagstull partnered with Avanade to implement our Intelligent Store framework. Built using Microsoft Azure, Azure IoT Edge, Azure Digital Twins and AI technology, the Intelligent Store framework is designed to help retailers like ICA accelerate time to value and unlock value at scale.

For customers this means: Increased product and service accessibility and access to knowledge helps customers more confidently complete their grocery shopping. They can avoid a long line at checkout, get shopping done faster or savor the browsing experience.

For employees: Actionable, role-specific notifications make it easier and faster to complete prioritized tasks, allowing employees to spend more time focusing on increasing customer value and satisfaction.

For management: Real-time notifications enable more immediate remediation, remove safety concerns, increase product accessibility and reduce lost sales. More insights about products and service availability can lead to new, high-value experiences that can keep customers coming back for more.

Why Avanade?

The global leader on the Microsoft platform with industry-leading generative AI expertise

Avanade has partnered with Microsoft on AI for almost a decade and hundreds of clients rely on us to help them responsibly innovate and work with AI to achieve things never possible before.

Wherever you are on your AI journey, Avanade offers workshops and assessments that can help. With more Microsoft MVPs, Microsoft Accreditations and Microsoft Partner Awards than any organization on the planet, Avanade can meet you where you are on your AI journey and help you take advantage of all it can offer while maximizing returns on your technology investments. Our professionals have been working with OpenAI since its early integration with Microsoft and can leverage the collective knowledge we've cultivated across technology, people enablement, and responsible AI.

Contact our team to learn more about our generative AI solutions, including:

The Avanade AI Organizational Readiness Framework, which provides a comprehensive assessment of an organization's business and IT areas. It offers detailed insights into AI readiness across people, processes, and technologies, enabling leaders to prioritize responsible actions for leveraging AI's benefits. The service includes executive coaching, tailored employee training, and an innovative "AI control tower" with cloud-based tools, dashboards, and knowledge resources. This ensures continuous AI readiness and empowers leaders to monitor and take real-time actions.

The Avanade AI Governance Quick Start service, which addresses the crucial requirement for responsible AI governance. It enables leaders to translate corporate values into guidelines and practices for governing the ethical use of AI. With a strong framework and methodology, organizations can proactively assess risks in AI projects and enhance their existing business and IT governance processes, policies, and behaviors to effectively manage and reduce AI risks across all functions.

Learn more and talk to our team today

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Do what matters

Imagine what you will do with AI

www.avanade.com/ai