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How AI reshaped shopping this holiday season

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Keeping on AI on the money. Image credit: Coveo

By **Mark Floisand**

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This year retailers are expecting to ring up more than \$1.1 trillion in holiday sales, according to a recent **forecast from Deloitte**.

With so much competition for the discretionary dollar, leading retailers and forward-looking brands are adopting new tactics to reach consumers. Foremost among them is embracing artificial intelligence (AI).

As a result, this holiday season we are seeing an AI-driven overhaul of the marketing landscape as brands use AI to create personal, one-to-one relationships with every customer.

This level of direct customization allows brands to recommend products specific to each customer, ultimately improving business processes and driving sales.

Reshaping the marketing landscape

Most marketers will tell you market segmentation is a foundational principle of any good marketing plan.

Typically, this process involves experts grouping customers by geographic, demographic, behavioral or psychographic qualities, and creating a unique outreach plan customized to each group.

However, advances in machine learning have made this once-bedrock strategy obsolete.

Today, AI is capable of market segmentation down to the individual, to the point where customizing offers and promotions occurs at the level of that individual shopper.

The pillars to make this happen are threefold.

First, an effective AI system needs to be able to capture and store individual interactions, or signals, for every person who engages with the system. This enables the AI to begin building an individual profile for each person.

Second, the AI needs to be able to unify interactions across all data silos, bridging the gaps to build a comprehensive user profile at every touch point in the experience.

Finally, the AI needs to be able to recognize and provide the most relevant possible content for that individual. The goal here is that at every touch point every user is offered material tailored to his or her needs based on the individual profile that the AI has been able to compile.

This process removes the need to generalize market segments, and allows the AI to interact with each user on a one-to-one basis.

AI effect

Brands are already leveraging this technology to drive sales, often substantially.

According to **McKinsey**, "35 percent of what consumers purchase on Amazon and 75 percent of what they watch on Netflix come from product recommendations" based on AI.

At every stage in the buying process Amazon's AI tries to smooth interactions and provide more relevant information, a strategy that has so far put it on track to become the first retailer to be worth \$1 trillion.

As a result, instead of resorting to "best Christmas presents for moms" lists, holiday shoppers this season will be able to search for gifts tailored to family members and friends.

Using effective AI to surprise and delight shoppers is a key way brands are seeking to attract and retain customers.

Future of marketing

Some may imagine AI-based marketing to be a passing trend, but this new way of connecting with customers is here for good.

According to **PwC**, AI represents the biggest commercial opportunity in today's world.

By 2030, **McKinsey** predicts 70 percent of companies will have adopted at least one type of AI technology. It is essential for marketers and merchandisers to consider how they are harnessing their data and whether or not they're investing in the appropriate AI now if they intend to compete in a data-driven world.

AI represents a restructuring of the way companies do business, and extends to everything from operations and finance to marketing and sales.

GONE ARE THE days of human-organized segmentation and outreach.

Today's world requires that business leaders support their teams in relinquishing manual control and direct management of customer interactions, and learning to trust and rely on AI to help them raise their game at scale for each individual shopper and, in so doing, creating better customer relationships that improve the bottom line.



Mark Floisand is chief marketing officer of Coveo

*Mark Floisand is chief marketing officer of **Coveo**, San Francisco. Reach him at mfloisand@coveo.com.*

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