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AI & the Current State of Retail Marketing

How retailers can maximize the potential of AI and overcome the primary challenges of retail marketing.

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ABOUT THE AUTHOR

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**Chief Artificial Intelligence Officer
at Untie Nots, part of Eagle Eye Group**

Schertzer is the first Chief AI Officer to be appointed within the Eagle Eye Group, signaling the company's commitment to integrating AI into its solutions and reflecting the rapid adoption of AI across the retail sector. His varied professional journey has seen him take on multiple roles, including those of a research engineer, an R&D data scientist, and a data science consultant, each contributing to his extensive experience in the field.

What's Inside:

AI and the Retail 'Holy Grail'

For years, segmentation was the best and final word in retail marketing – identifying a group of people, analyzing and modeling their behaviors and preferences, and designing marketing initiatives specifically for that customer segment. But even the most finely defined segment overlooks the uniqueness of the individual consumer.

Now, with AI, we're on the precipice of achieving the retail marketing holy grail: true one-to-one personalization, recognizing the individuality of each shopper and delivering a custom retail experience that reflects their unique needs and desires.

Our goal at Google – and our intention behind working with companies like Eagle Eye – is to democratize data and AI to enable retailers to compete by providing better service to their customers, creating new efficiencies in their operations, and offering more engaging experiences in both physical stores and digital channels.

This is the AI-powered future of retail marketing: a corner store for the world, stocked with shelves and baskets personalized for each shopper.

- Paul Tepfenhart

Paul Tepfenhart

Global Director Google Cloud-Head of Food, Drug, Mass, & Convenience Retail Solutions

Retail Marketing Today

Traditional marketing isn't dead, but it has changed.

Retail marketing tactics remain essentially the same today as they have for years. Whether it's innovative mobile apps, SEO, spot discounting, targeted promotions, newsletter marketing, or five-star loyalty programs that reward shoppers for their patronage, retailers broadly use the same strategies from a big-picture perspective. At the same time, digital retail advertising spending has skyrocketed, and a majority of shoppers are likely to look at a product in-store but then purchase it online, highlighting the importance of creating a seamless omnichannel shopping experience.

Observers would be forgiven for thinking that the pivot toward digital marketing means traditional marketing is a thing of the past – but they would be wrong. Far from the death of the old ways, we are observing a continuous reimagining of traditional practices. Retail marketing efforts should focus on everything from a desire for new tech experiences, such as Augmented Reality (AR), to in-depth omnichannel engagement with the brands customers love.

53%

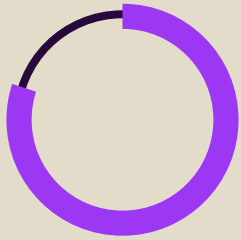of shoppers said they are likely to look at a product in-store but then purchase it online

$45 Bil

digital retail advertising spending has surpassed $45 billion and is expected to rise to $100 billion by 2027
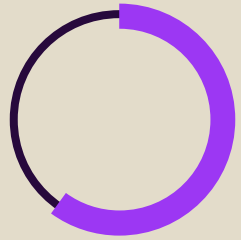
48%

of retailers are trying to make offers more relevant to consumers as they shop, and 41% are improving the visibility of offers
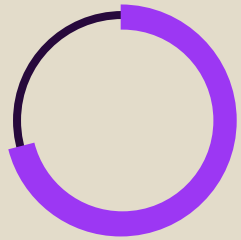
80%

of customers were likely or very likely to try a new grocery store brand
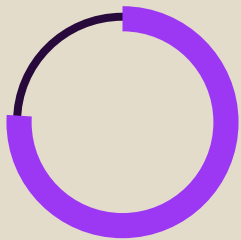
60%

of consumers said personalized offers were important or very important in helping them save money when they shop

71%

of consumers expect personalisation

76%

are frustrated when they don't receive personalisation

The Way We're Going: Next-Generation Personalization

Personalization is now at the heart of the retail experience.

Consumers today don't just want personalization. They expect it. And shoppers are now bold in switching from the brands and retailers they may have stuck with for years. The rise of what McKinsey calls the "zero customer," for whom brand loyalty is less important than a seamless omnichannel experience and who scrimp and splurge in unpredictable ways, is emblematic of this trend.

Personalization can both help shoppers save and help retailers retain those shoppers more effectively. The difficulty is in providing the personalization at the scale necessary to make an enterprise-level impact.

Retailers generate more data than ever, but wielding that data efficiently is another matter. Businesses that claim to offer personalization may have eight offer variations for 10 million customers. That's nowhere near the extent of personalization customers expect.

Confusion and Delirium: The Precipice of AI-Driven Retail

The transformative potential of AI

The role of AI in business and society is still finding its place. Since the emergence of ChatGPT in 2022, the world's eyes have been transfixed by generative AI without fully understanding how it will be applied or where it should be positioned.

There is a difference between generative AI – the term on everybody's lips – and predictive AI. Generative AI engines rely on existing data patterns to create something new. In contrast, predictive AI uses patterns in historical data to project future outcomes. In other words, it can support strategy formulation and decision-making. Retailers already make data-driven decisions, but predictive AI's emergence can take it to the next level.

Retail has already experimented with generative AI for language-based applications in areas like customer support, but predictive AI also delivers results. Critical functions like promotion spending, offer permutation and big-data-based consumer trend forecasting are already possible because of the retail industry's primacy of numbers (specifically, UPCs). Generative AI has its uses, but predictive AI is transformative for an industry built on barcodes.

AI adoption in retail is expected to **surpass 80%** in the next three years

60% of new unicorns (startups valued at over $1 billion) are generative AI startups

Three critical points for retailers:

1

The need for data quantity and quality

Predictive AI is an exciting development in retail, but it remains in its early stages. Just as future customer behavior cannot be predicted from a single data point, usable retail AI outputs (like measuring a shopper's brand affinity) need sufficient data to be effective. Similarly, AI models trained on poor-quality data will generate subpar outputs. Therefore, pre-processing data, from that perspective, is of paramount importance.

2

Optimal integration of AI outputs

When implementing an AI model's outputs, there is a trade-off between full automation (AI outputs trigger events such as emails, promotion offers sent to clients, generated images used for real-time ads, etc.) and systematic manual review. Sometimes, the choice is obvious. However, finding the right implementation balance often requires adapting existing tools (or utilizing purpose-built monitoring dashboards), putting common-sense guardrails in place, and enforcing manual review when AI predictions are uncertain.

3

An AI-driven virtuous circle

A significant driver of the relevance of AI outputs (prediction/content) is the ability to observe whether predictions are correct – or not. This allows for the next round of AI system optimization, driving the performance upwards. This continuous improvement cycle can end up being a solid competitive advantage. The first step of the journey to AI integration might seem high, but retailers should understand that optimizations multiply quickly, and the initial performance improvements are only the beginning.

None of these limitations reduce the value of predictive and generative AI, but brands must be aware of them when integrating AI into various retail marketing niches, including when planning sales, promotions, and loyalty program alterations.

Retailer Marketing Challenges: How Can AI Help Brands Break New Ground?

Like the transition ancient humans made when they moved from stone arrowheads to copper and bronze, AI is a tool designed to help us overcome the same challenges and achieve the same goals.

In other words, AI is a state-of-the-art arrowhead. But it's still just an arrowhead. And it can be used in a few impactful ways:

From Generative to Predictive

Generative AI can provide retailers with tools for addressing engagement through creating promotional materials; predictive AI can dig further into retailer data to optimize offers and promotions in several contexts, including:

· Personalized brand or product recommendations
· Customized discount percentages based on customer data
· Predictive cross-selling
· Hyper-personalized loyalty program engagement

Using already available data, retailers can understand customers' minds. And this translates to knowing what they want before they even know it.

Personalization for Better Outcomes

It's a fact that personalization is the next frontier of the retail marketing landscape. But to achieve it, retailers need to leverage all of the data at their disposal. And that's where AI comes in, allowing retailers to move from 5% data utilization to 100% data utilization, pumping up the value of this coveted asset brands already have. Forget eight offer variations for ten million customers but ten million for ten million customers. This is the long-term future we're looking at.

Companies that grow faster **derive 40% more revenue from personalization** than industry laggards

Currently just 5% of companies **fully utilize the data they have** available to them

36% of customers failed to renew their loyalty program memberships **because of a lack of engagement**

31% of customers failed to renew their loyalty program memberships because of **too little perceived value**

Explosive ROIs on Promotions, Loyalty Programs, and More...

Retailers face continuing challenges in providing value to consumers via loyalty programs, promotions, and sales. AI can boost ROI in all these areas by moving away from mass promotions that apply to everyone to intelligent promotions based on individual customer segments. This is already possible, but AI can drill far deeper than ever due to superior data utilization. Leveraging AI in this way will also make retailers more efficient in their marketing spend by increasing campaign success rates and reducing wastage.
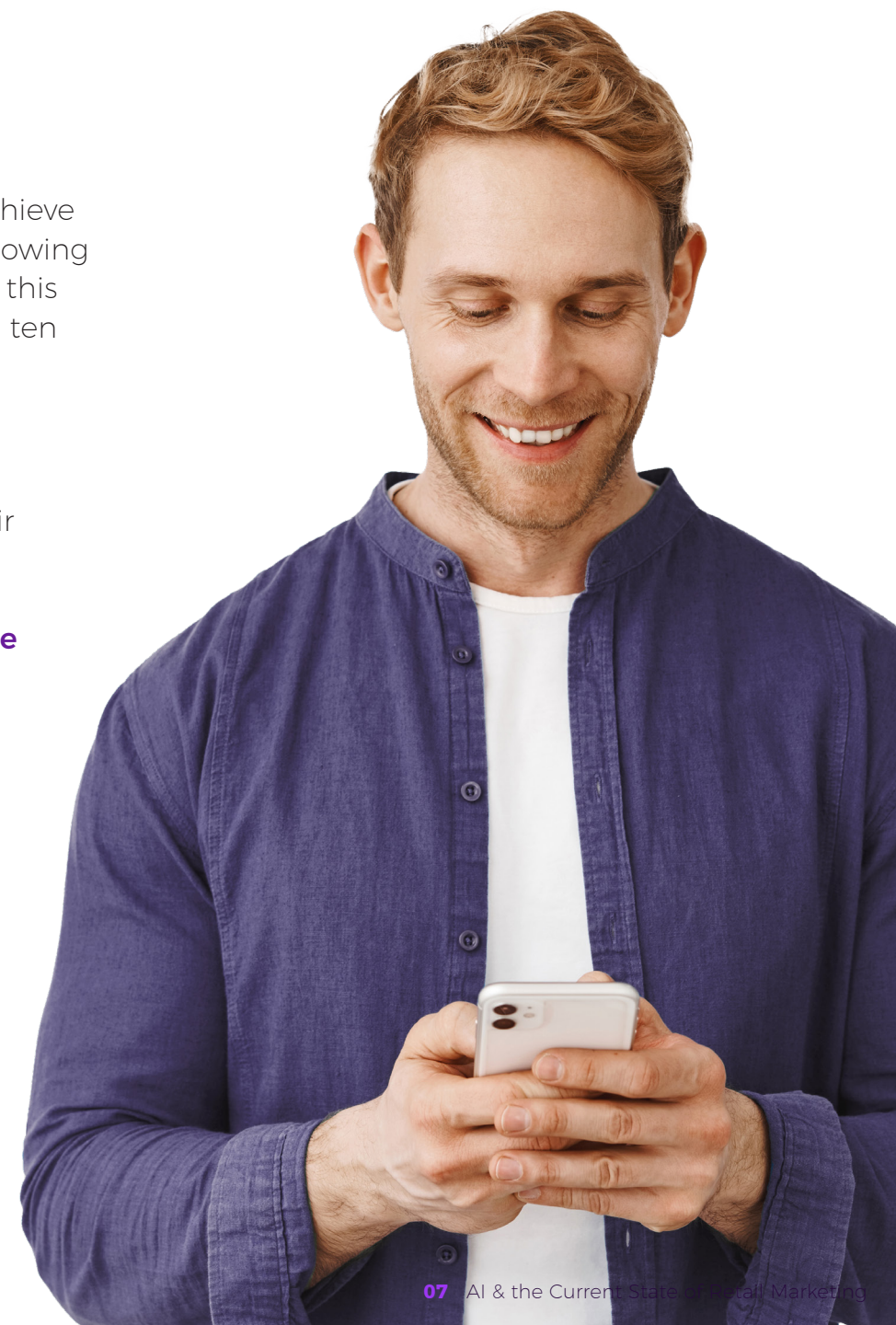
AI in Action

Carrefour's AI-Powered Gamification

In France, Belgium and Spain, the personalized Challenges that Carrefour is running together with its suppliers is probably the most advanced personalized, incremental-by-design loyalty/promotional program being implemented at scale today. And it's powered in part by AI and machine learning algorithms.

Carrefour's Challenges, built and run by Untie Nots (part of the Eagle Eye group), uses AI to create custom thresholds and goals for loyalty program members based on user purchase history, offer frameworks from suppliers, and predictive analysis of what will trigger the next desired action.

The gamification of the shopping experience through the Challenges initiative provides "the nudge" that is very effective at incentivizing customers and members to engage with Carrefour, their promotions and their loyalty program.

Boosting Customer Engagement

"The Eagle Eye/Untie Nots personalization platform is remarkable in its ability to precisely match the right offer to the right customer. And not just offers; it tailors thresholds and rewards to individual preferences as well, making it an ideal fit for our loyalty and customer retention strategies. Perhaps the best part of the solution is that it works seamlessly at scale and across all channels, allowing us to engage our customers how and where they want, with an accuracy and efficiency we've never seen before. It's a powerful, easy-to-use tool that's making a real impact on our business."

-Charles Giannesini, Head of Customer Marketing and Loyalty at Carrefour
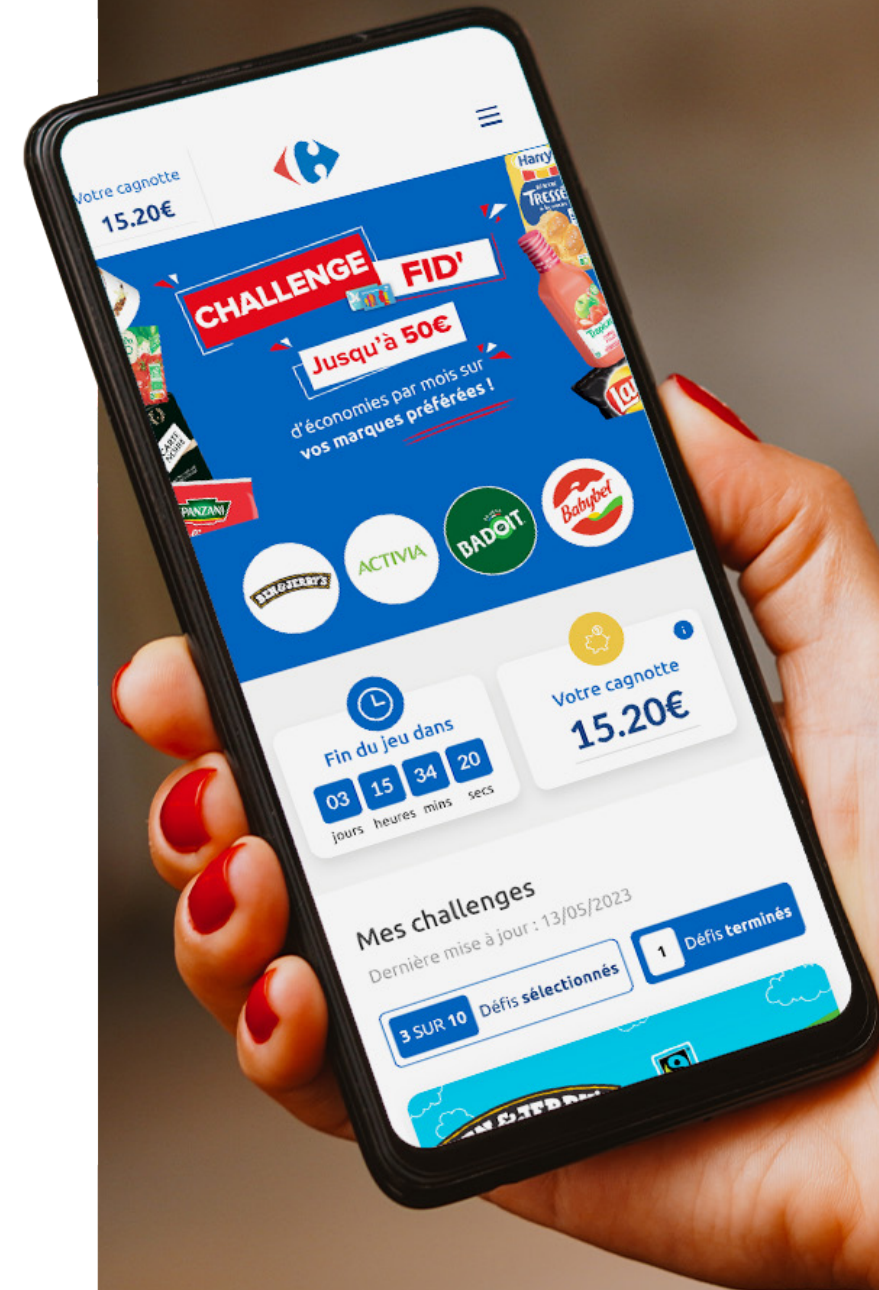
INTRODUCING,

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Boosting Customer Engagement

"Our vision for EagleAI is to empower businesses to personalize the end-to-end customer experience while maximizing ROI. We're giving retailers the capability to manage the full complement of promotional, loyalty and media investments for every individual customer across every business unit."

- Zyed Jamoussi , Co-founder of Untie Nots

Powering Next-Generation Retail Strategies

EagleAI is a modular, customer-centric data science solution powered by AI built specifically for the grocery and retail sectors.

EagleAI helps retailers and grocers across the globe better meet their customers' wants and needs individually, optimize promotional spending, increase ROI, and enable true one-to-one engagement that ultimately drives loyalty.

EagleAI automates the process of connecting and structuring customer data across touchpoints and uses cutting-edge machine learning and AI to create uniquely personalized offers for customers rather than curating the 'best fit' set of offers based on a finite number available. This approach sets a new global standard for retail personalization.

Eagle Eye developed EagleAI after it acquired Untie Nots, a Paris-based SaaS company with extensive and proven AI capabilities, in early 2023. Leveraging the expertise of the Untie Nots team, the power of the Eagle Eye AIR platform and Google Cloud technology such as Vertex AI, EagleAI is a standalone solution under the umbrella of the Eagle Eye Group.

AI on Autopilot? Not Quite Yet

AI, including the buzzy generative AI and traditional AI and machine learning tools, can accomplish what retailers previously dreamed of. But purchasing an AI platform and pressing a button isn't enough, and it certainly won't guarantee that retailers will be printing money until the end of time.

Implementing AI in retail operations is nothing less than a business transformation. As such, it requires rethinking processes, getting organizational buy-in, training team members and having a viable long-term strategy. The promise of AI is efficiency and optimization, but before that promise can be realized, there needs to be preparation.

AI isn't a magic bullet. It's a tool that must be purposed and repurposed if retailers will turn this emerging technology into more customers, more engagement, and more profits in the short term. But where it will take retail and how it will take us there five years from now is still a massive work in progress.

To learn more about how AI will impact retail marketing and what it can do for your business, get in touch with one of our experts.

Visit www.eagleeye.com to learn more.

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Eagle Eye is a leading SaaS technology company enabling real-time, personalized consumer marketing for retail, travel, and hospitality brands worldwide to earn the loyalty of their end customers. Our cloud-based platform, Eagle Eye AIR, delivers the most flexible and scalable loyalty and promotions capabilities globally, executing over 750 million personalized offers weekly.

We serve 200 million loyalty members for businesses worldwide and secure services at hundreds of thousands of physical point-of-sale locations, enabling real-time issuance and redemption of promotions, loyalty offers, gift cards, subscription benefits and more.

We partner with major brands and enterprise businesses, including Asda, Tesco, Morrisons, Waitrose, John Lewis & Partners, JD Sports, Pret a Manger, Loblaws, Southeastern Grocers, Giant Eagle, and Woolworths Group. Our recent acquisition of Untie Nots adds leading European brands like Carrefour, E. Leclerc, and Auchan to our portfolio.

Visit **www.eagleeye.com** to learn more.