

Why **Going AI-Native** Should Be Retail's Big Bet For Growth

A Vue.ai Report



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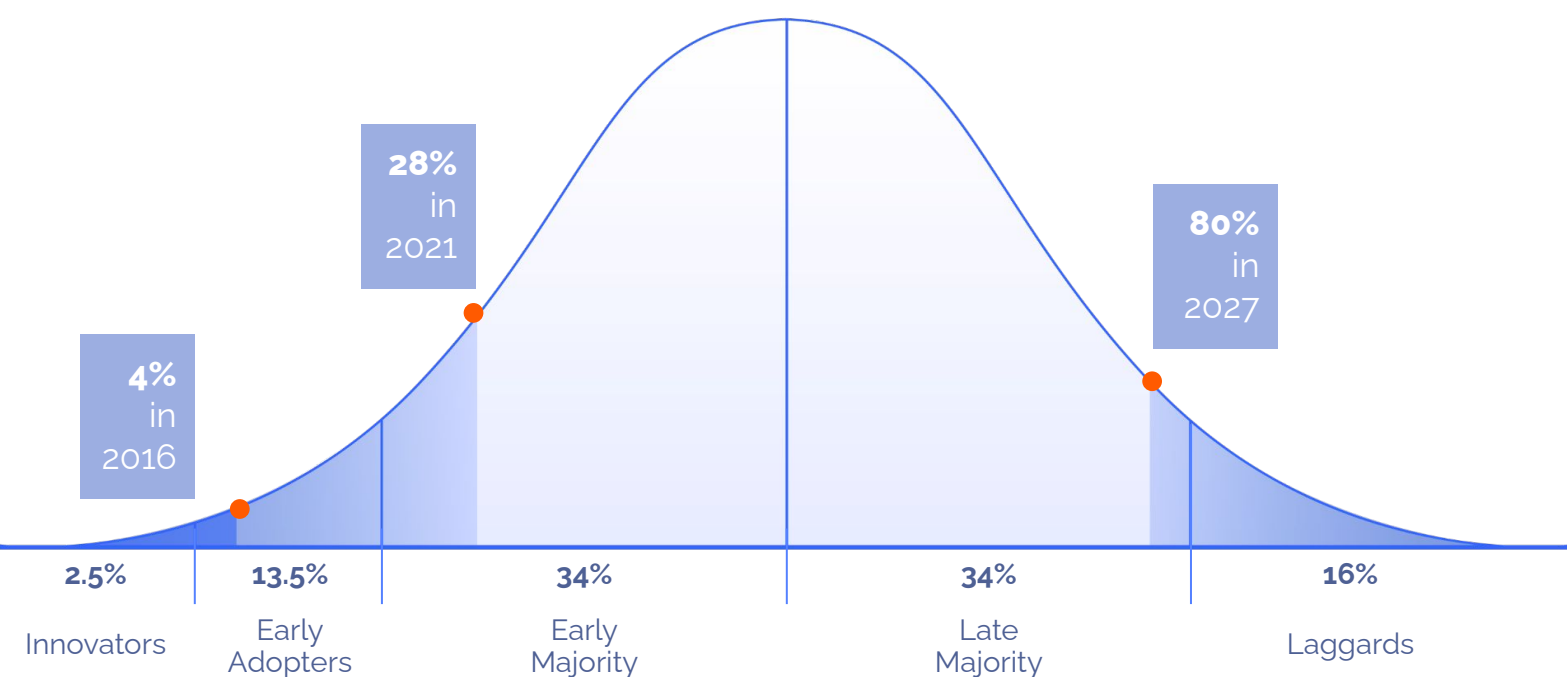
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AI Adoption in Global Retail

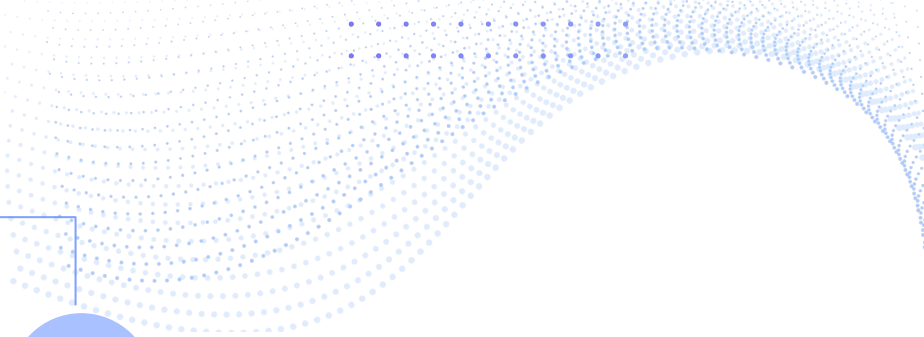
The global adoption rate for AI in retail in 2021 hovers around 28% - a **7x** increase since 2016.

Today, global retail is at an inflection point — on one side, retailers are discussing digital transformations & what it means for brands to go digital and on the other, large-scale retailers are using **AI & automation to secure an edge amid their competitors**. And they are changing the game by using AI for improving customer engagement, increasing operational efficiency, capitalizing on market trends, understanding buying patterns, and more.

The AI adopters today are still the early majority. It's these innovators that are going to be the visionaries and pragmatists in retail — **the ones who stay ahead of the curve, outperform their peers and capitalize on significantly higher ROI by the time the technology has matured**.



AI Adoption in Global Retail



68% of pure-play online retailers have implemented AI, compared to 30% of omni-channel and 10% of physical stores.

1

Retail and consumer products executives project that intelligent automation capabilities could help increase annual revenue growth by up to 10%

2

AI opportunities in retail exceed \$300 billion if companies are able to scale and expand the scope of their existing deployments.

3

There is going to be a massive shift in the next few years. The retail industry is accelerating the rate of technology adoption to a point where **80% of employees expect their businesses to adopt AI-powered intelligent automation by 2027**. This transformation is expected to be so widespread that by the time this is complete, **all of retail will be AI-powered**.

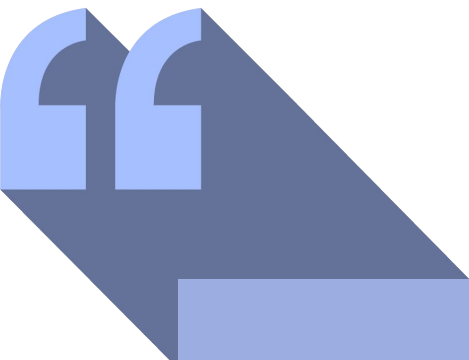
eCommerce brands must understand that they can go AI-Native at the same time as they're growing and scaling their digital footprint. By doing both at the same time, they will still be able reap the benefits of the early majority of AI adopters.

What It Means To Be AI-Native

We're moving away from an era of cloud-native and mobile-native and into an AI-native world.

AI-Native brands are those that wield the power of data to fuel AI systems and use it to power every aspect of their business. Whether it's automating tasks and workflows, improving operational agility and efficiency or deriving insights based on consumer patterns and market trends to inform decision making in real time.

By being AI-Native, brands are able to gain a significant edge over their competitors and see remarkable results in terms of growth.



Asking how AI can help improve conversion rates on one particular page is like bringing a bazooka to an arm wrestling match

Ashwini Asokan,
CEO, Vue.ai

Brands that have succeeded in becoming AI-Native in some form have 2 things in common:

1

They understand that AI simply gives them the ability to connect all the different aspects of data together

Simply put, AI unites all the different types of data relevant to the business and draws insights that can be used to drive larger business goals.

2

They understand AI is not magic.

Before gauging the potential for impact AI can have, it's important to understand 2 things. First, the different levers AI can provide to tweak the brand's strategy. Second, the areas of business it can impact.



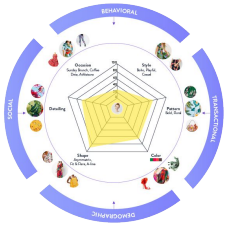
At the end of the day, recommendation engines and search engines are tools. AI is what sits behind that to look across different decisions that your business can take and the data points these decisions require.

Ashwini Asokan,
CEO, Vue.ai

It is important to note that data by itself is of no significant advantage. **It's when data is transformed into something meaningful for a retailer and is effectively used to drive a well-defined goal,** whether it's providing a better customer experience through personalization, or enabling faster go-to-market with merchandise, that **it begins to form a moat around the business.**

CUSTOMER

AI GENERATED CUSTOMER PROFILE



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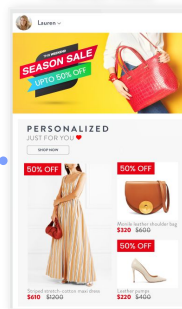
AI GENERATED AUDIENCE SEGMENTS



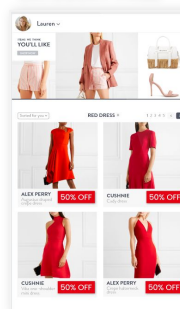
AI GENERATED PRODUCT DATA

DYNAMIC 1:1 PERSONALIZATION OF CONTENT

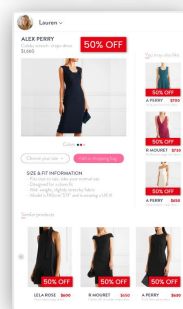
HOMEPAGE



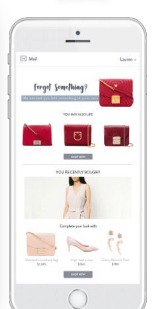
CATEGORY PAGE



PRODUCT DETAIL PAGE



EMAIL



PRODUCT DATA + CUSTOMER DATA + CHANNEL DATA = MAGIC

While the advantages of possessing a data moat is infinite, there are certain aspects that are expected to be in order before retailers can reap the benefits.

1

One of these is **constructing high-quality inventory data**. **Poor, inconsistent product tags and metadata often result in missed opportunities** when search engines are unable to map the exact search phrase to a relevant item in the retailer's inventory. **Therefore, it is integral for retailers to detail and enrich their product tags and metadata** to ensure that they are able to cater to the nuances in shopper preferences.

60% of customers will leave your site if they can't find what they were looking for in the first place.



2

The second is to constantly update product data and make it relevant to the market at any given point in time.

Retailers will be able to draw inferences about the demand for a certain category of products in real-time and use those insights to inform merchandising and inventory planning.

It's really important to know your user, as they are, at any given point of time on the site. AI connects your catalog data, your price data, their behaviours & brand affinities to deliver exactly what they want at that moment

Ashwini Asokan,
CEO, Vue.ai

Throughout their journey, customers leave crumbs of data relevant to themselves all across a retailer's site. By picking up on these cues, retailers can generate robust customer profiles, marry that with the existing product data and dynamically personalize the content that they see on the site to align with the shopper's preferences.

When a retailer is able to combine a customer's profile with product intelligence, channel intelligence and use that inference to gauge real-time intent and show the right product to the right person at the right time, that's when the magic happens.

The Two AI Pillars for eCommerce Brands



In the space of eCommerce, it's all about the individual.

We've seen that individualized personalization has really boosted customer retention with all the global brands we've worked with.

Ashwini Asokan,
CEO, Vue.ai

The eCommerce segment has witnessed colossal growth over the last few years and the pandemic has only fast-tracked the success of this model. With shopping behavior shifting to being predominantly online, **2022 is set to become the first trillion-dollar year for eCommerce in the US alone.** Retailers are amping up their digital offerings, and brands across the world are getting a digital shopping makeover.

Today, retailers can experiment with a host of new possibilities ranging from subscription models and digital-first strategies to the ability to directly connect with their consumers and understand them at a granular level, which in turn enables them to deliver better experiences for shoppers. But with scale, brands could stand to lose their biggest advantage. And this is where AI can help. The benefits of AI boil down to two main pillars - i) **AI-led revenue growth** and ii) **AI-led retail efficiency**.



AI-led Revenue Growth



Increased conversions and growth



Improved customer lifetime value



Cross-channel customer journey management



AI-led Retail Efficiency



Clean efficient data that enables building data moats



Faster go-to-market time with automated processes



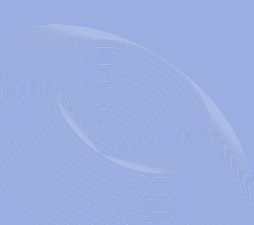
AI-based productivity tools for retail teams



AI-led revenue growth entails scaling all **existing efforts** improving conversion, achieving more efficient targeting, increasing basket size, sending targeted, personalised reminders and **manage the cross-channel journey of the customer and maximise conversions and the customer lifetime value.**

AI-led retail efficiency enables brands to really crack down on building enriched, actionable data, automating routine tasks and direct workflows and **boosting productivity for eCommerce management teams and enabling faster go-to-market time.**

As competition within the market rises, AI presents the perfect opportunity for brands looking to scale and get an edge over their competitors.



AI-led Revenue Growth



According to a report by Capgemini, retailers stand to save over \$340 billion in the future if they scale AI applications across the value chain.

The advancements in intelligent automation & AI offer a plethora of benefits to brands and retailers. According to IBM, executives whose companies are using intelligent automation today are experiencing a much higher degree of positive impact.

Today, brands are actively leveraging AI to increase competitiveness, improve the quality and speed of decision making, and enhance the customer experience to sustain long term growth.

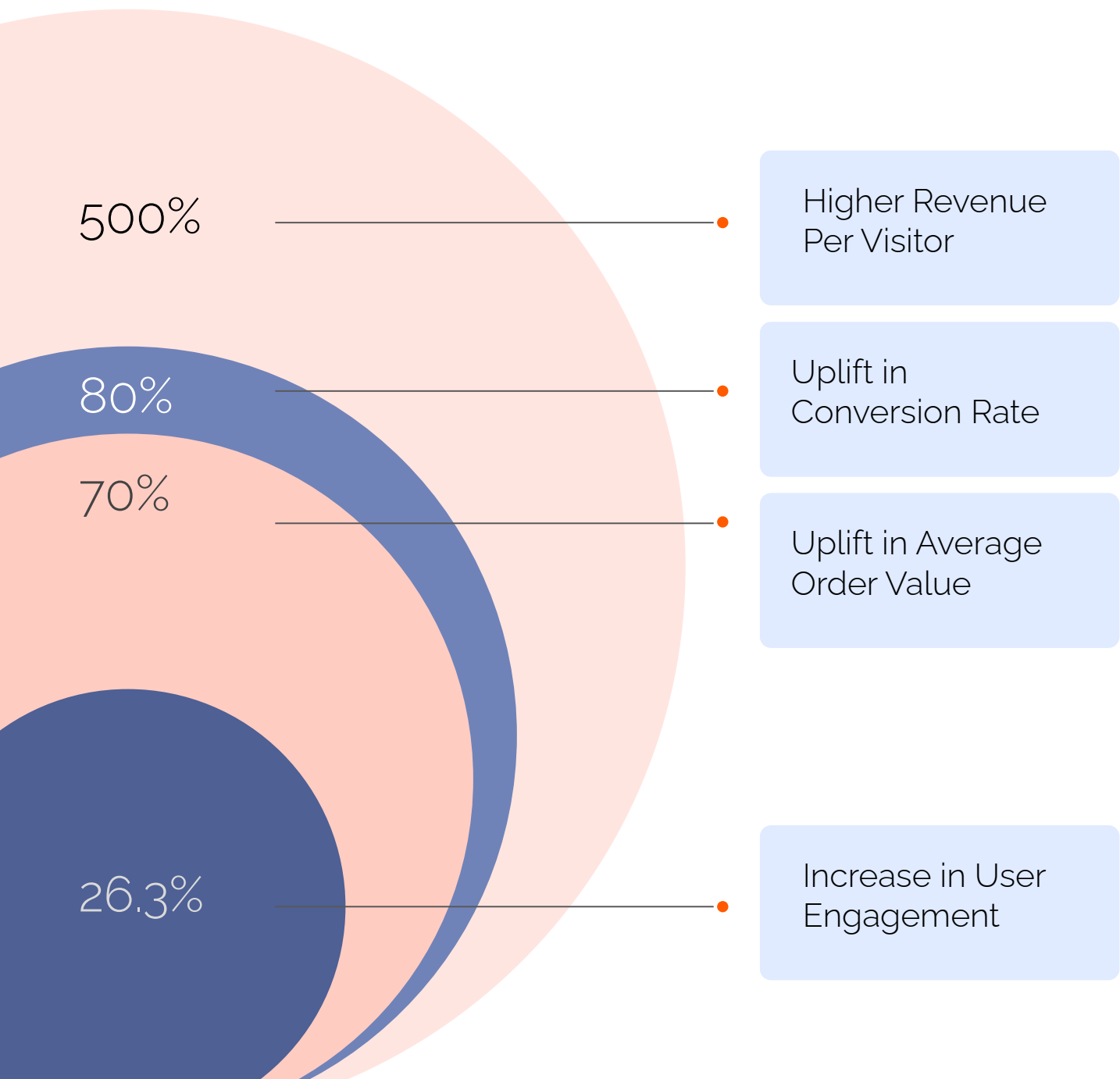
It's not enough if you know your conversion, AOV, cart abandonment numbers. That's par for the course - the question retailers should be asking is why those numbers are the way they are?

Ashwini Asokan,
CEO, Vue.ai

Impact Stories

Here's some of the impact retailers around the globe have witnessed in terms of revenue growth and efficiency after adopting AI.

AI-led Revenue Growth



Get More For The Same Investment

eCommerce stores
lose **\$18 billion in
sales revenue**
each year due to
abandoned carts.

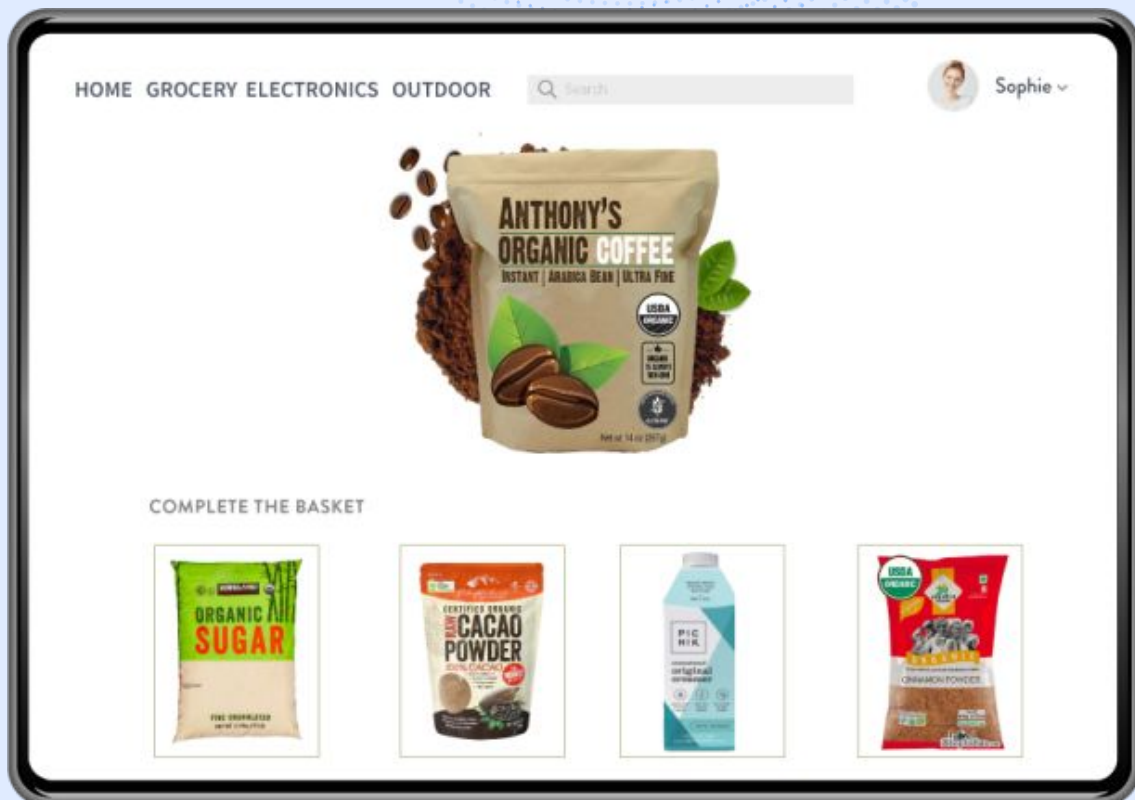


70%
of online
shopping carts
are abandoned

While there are many pieces to the puzzle when it comes to AI-led revenue growth, one of the channels to achieve this without rejigging the top of the sales funnel is to reduce cart abandonment rates.

Today, over 40% of shoppers abandon carts due to a lack of urgency and unclear purchase intents. By retargeting shoppers with personalized contextual offerings and reminders to complete their purchase, retailers can reconnect with shoppers who have canceled an order, understand their intent further, and get them closer to what they were looking for.

Another way to solve for this, is by experimenting with cross-selling and upselling methods.



Bundling & cross-selling can uplift average order value by 70% for lifestyle categories

Did you know? It is 5-25 times more expensive to acquire a new customer than it is to retain an existing one. Furthermore, the odds of converting an existing customer hovers around 60-70% as compared to the 5-20% likelihood of selling to a new prospect. Thus, retailers must prioritize retaining their existing customers.

By gauging real time intent and providing relevant cross-sell recommendations, retailers can boost the cart size and value of customers who are already in the sales funnel.

With AI, retailers can automate the heavy lifting and identify the perfect opportunities to cross-sell, **potentially increasing average order value by over 70%** during sessions.

Keep Them Coming Back For More

By being where they are

When it comes to improving the rate of repeat purchases and increasing the pool of loyal customers, endless discounts are not the only way to keep shoppers coming back for more.

Today, 73% of customers shop on more than one channel and siloed, solitary interactions simply don't cut it.

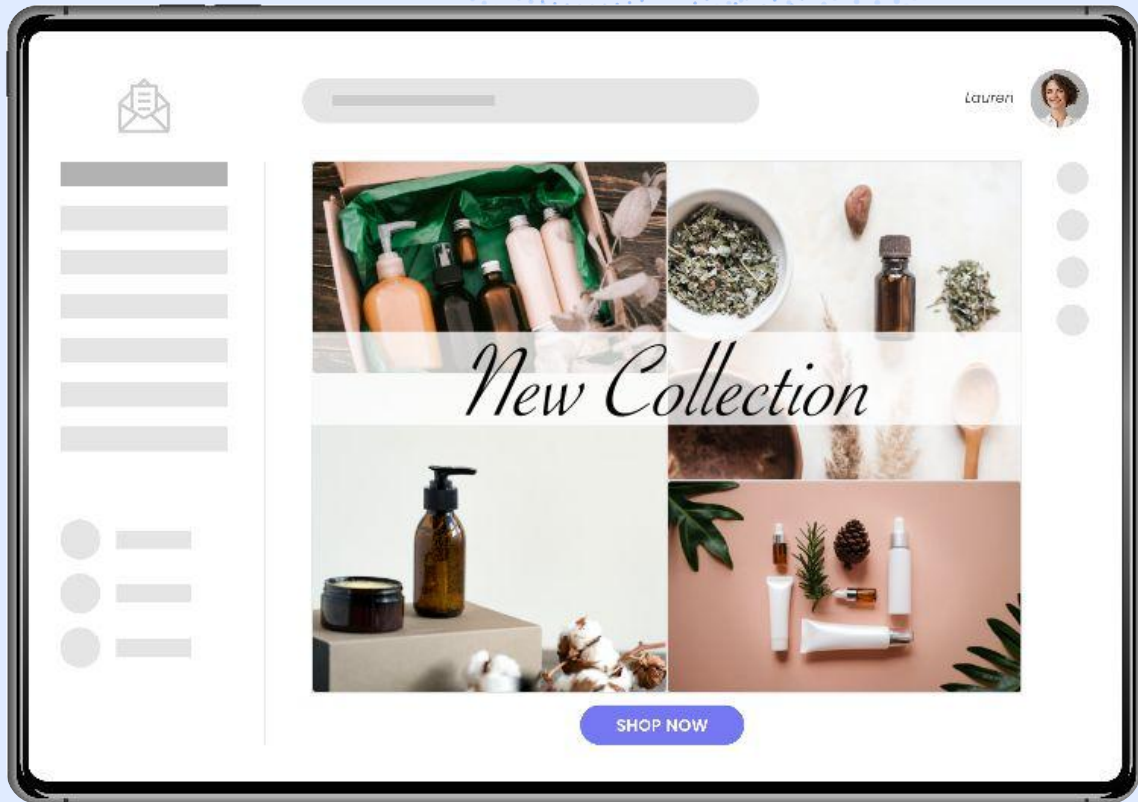
Brands must strive to actively engage their consumers meaningfully, across all channels.

For instance, every category has its own replenishment cycle. For grocery it's every few days, for skincare it's every few months and furniture is every 10+ years. **With AI brands can identify these windows of time when a product is due for replacement and enable retailers to target consumers at the right time and remind them to make a purchase.**

And with AI brands can target behavioural cycles with precision and stop shooting in the dark.



Repeat customers are responsible for **40%** of the average store's **annual revenue**



**Personalized marketing emails have a
58% increase in click-to-open rates**

In addition to this, being strategic about how emails and notifications are sent to engage with a customer can drive the frequency of repeat purchases and open up a plethora of opportunities for revenue for retailers.

When brands launch new collections, by leading with the products the shopper is most likely to love, based on historical data, retailers will be able to drive them to the site and make a purchase. Order confirmation mails can also be used as an opportunity for cross-sells and to bring back shoppers even after they have made a purchase.

AI-powered emails see over a 58% increase in the click-to-open rate for mails as compared to an industry average of 18.39%.

Offer White-Glove, Personalized Experiences

66% of consumers say encountering content that isn't personalized would stop them from making a purchase.

Giving every shopper the white-gloved, personalized treatment can have a massive impact on average order value and basket size.

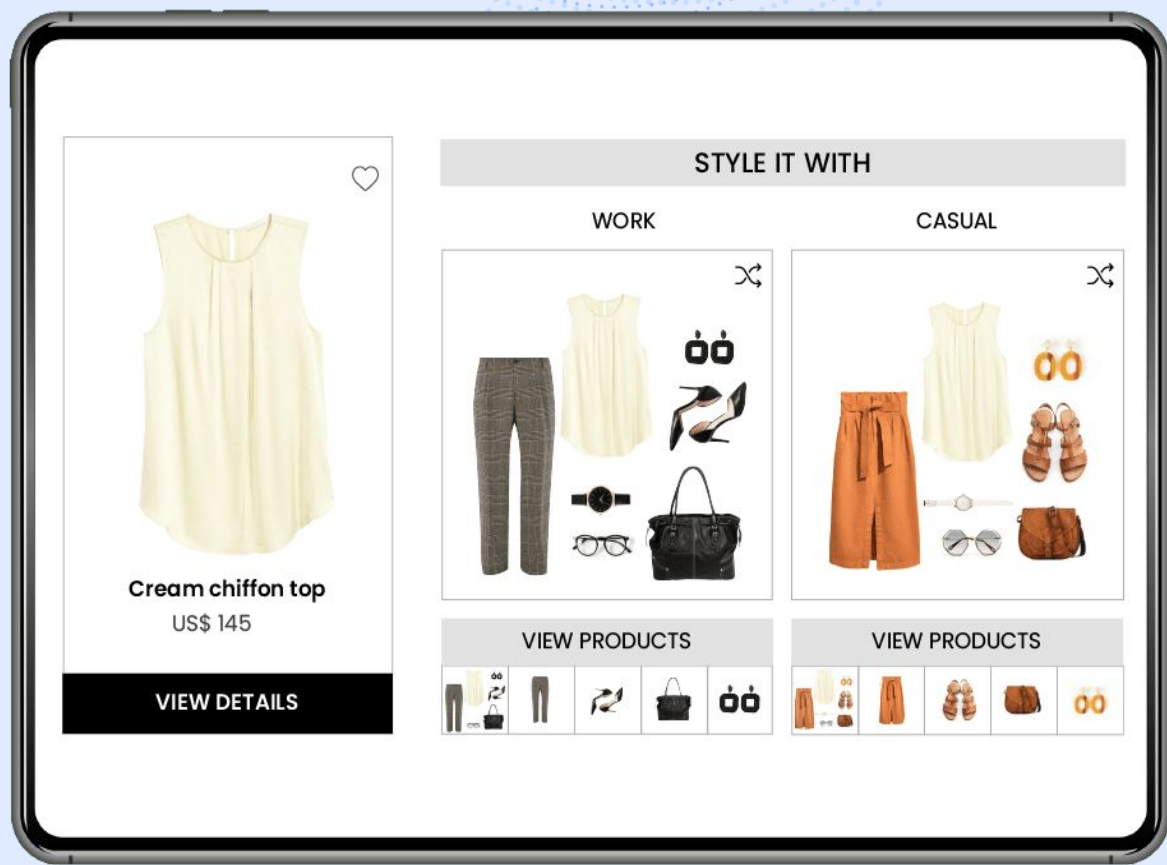
Shoppers today have come to expect and desire personalized experiences. This might seem daunting to retailers but it doesn't have to be that way...



91% of consumers say they are more likely to shop with brands that provide offers and recommendations that are relevant to them.

AI can basically alter content & recommendations dynamically for every customer, based on their intent in that particular session - at scale.

Ashwini Asokan,
CEO, Vue.ai



Styling and outfitting in fashion retail can uplift average order value by over 40%

One of the best things about AI is its ability to scale.

This means with AI, retailers have the ability to scale their efforts and provide personalized experiences that accommodate their growing user base and all of their individual preferences, seamlessly and at scale.

In fashion eCommerce, **personalized recommendations built from individual customer profiles and deep product intelligence can have as much as a 40% increase in AOV** and in some cases even more.

AI-led Retail Efficiency



According to Forbes, AI can boost productivity in retail businesses by over 40%

Apart from the myriad of ways in which AI can boost revenue growth for brands, AI can also help businesses improve operational efficiency, extend and expand capabilities, and enhance customer experience.

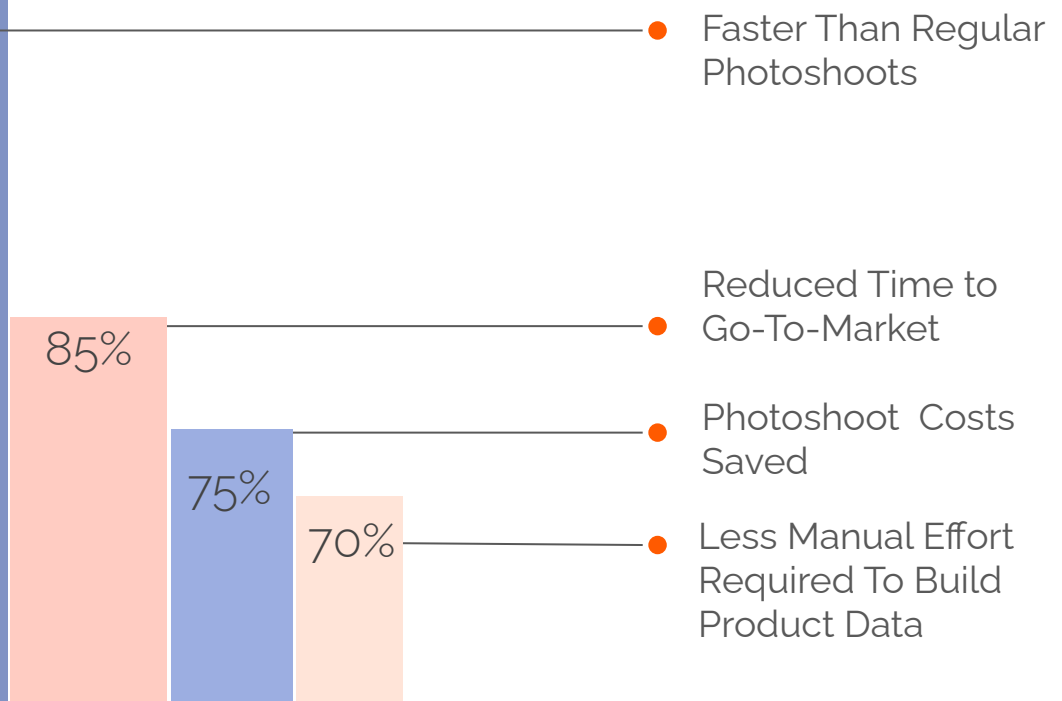
Through automated tagging, product image moderation and virtual photoshoots & similar productivity tools, **AI can enable massive savings in terms of time, resources and personnel, bring consistency across channels and enable brands to go-to-market faster and cheaper than traditional methods.**

**AI is like a
swiss army knife.
The power and the
impact that AI
can have on your
business knows no
bounds**

Ashwini Asokan,
CEO, Vue.ai

AI-led Retail Efficiency

500%



AI is about creating, enriching and combining your product & customer data to drive revenue & improve efficiencies.

Ashwini Asokan,
CEO, Vue.ai

Automate Functions End-to-End

Save Costs

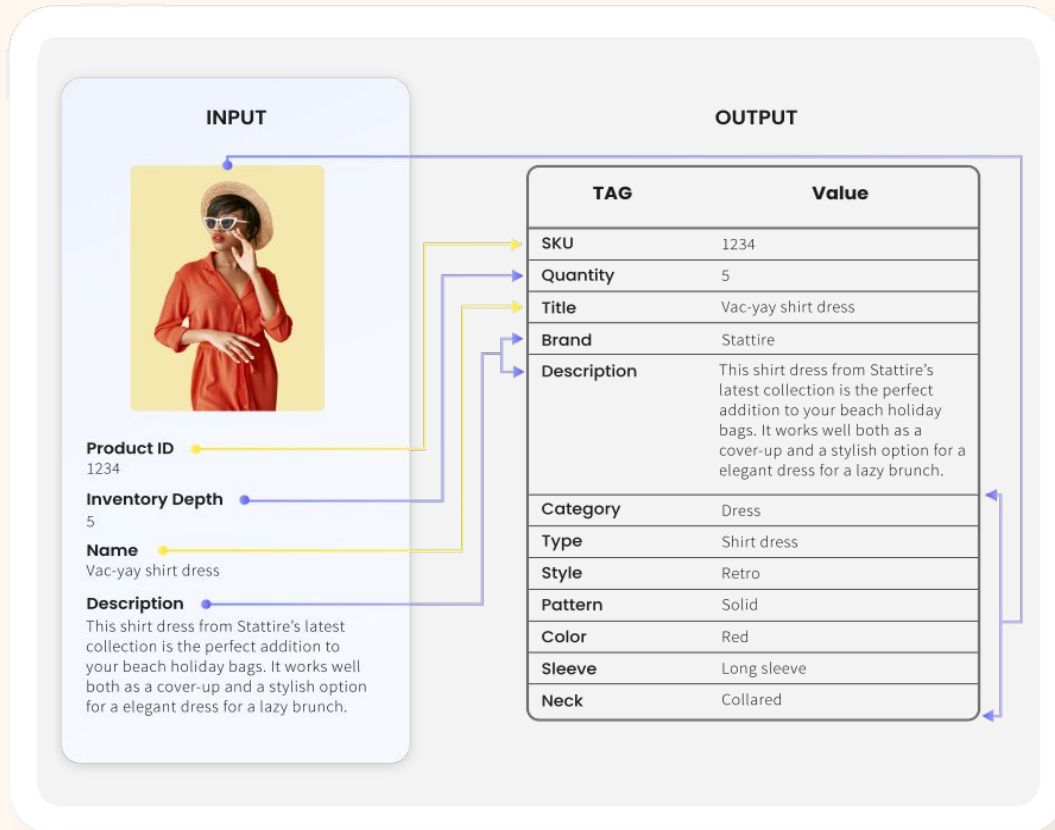
INPUT GARMENT



Today **product returns are a \$430 billion problem**. In fact, **30% of apparel purchased online is returned**. What makes returns particularly expensive are the additional logistical, shipping, restocking costs that get added to the cost of the products being returned.

This is where facilitating informed purchase decisions really makes a difference. With automated photography and virtual dressing rooms, **brands can help shoppers understand a product in context to themselves, engage them better, convert faster and reduce returns.**

Constantly Create, Clean & Enrich Data

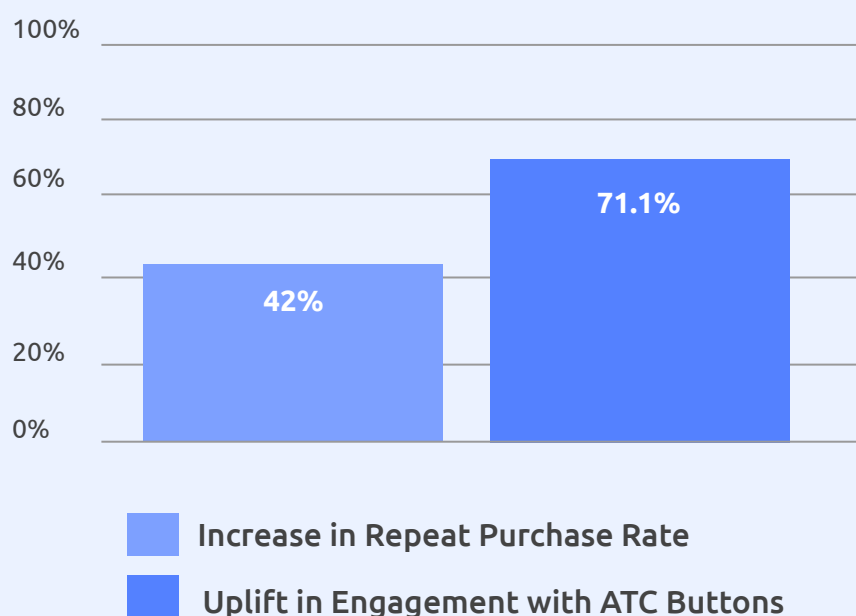


Data is constantly evolving and changing. Thus, **there need to be systems that continuously work on creating, organizing, and enriching data to yield reliable insights.**

Through this, brands can make product discovery simpler and more efficient, **improve catalog efficiency by over 51%** and impact the bottom line through improved search and discovery.

With AI, retailers can automate tasks like generating tags and product metadata thus, freeing up time and resources that can be used to focus on other aspects of their business.

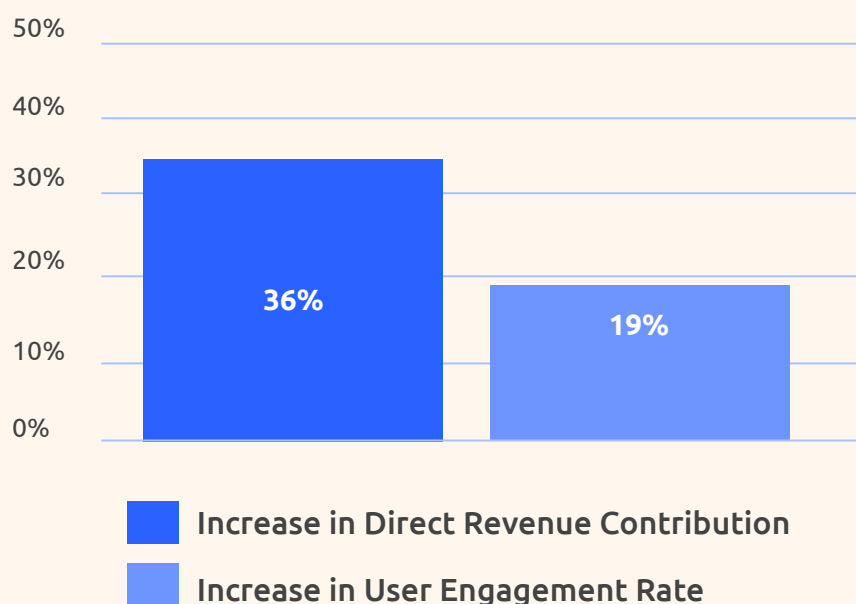
First-hand Stories of Brands That Have Gone AI-Native



Kapiva Ayurveda, a homegrown healthcare brand saw a **42% lift in repeat purchase rate** and **improved retention rate** by **introducing past purchase recommendation modules on their home page**.

After a detailed analysis showed that pages that showed shoppers recommendations of products they had bought, browsed earlier, or trending led to increased click-through rates, **Kapiva introduced the recommendation modules to great success**.

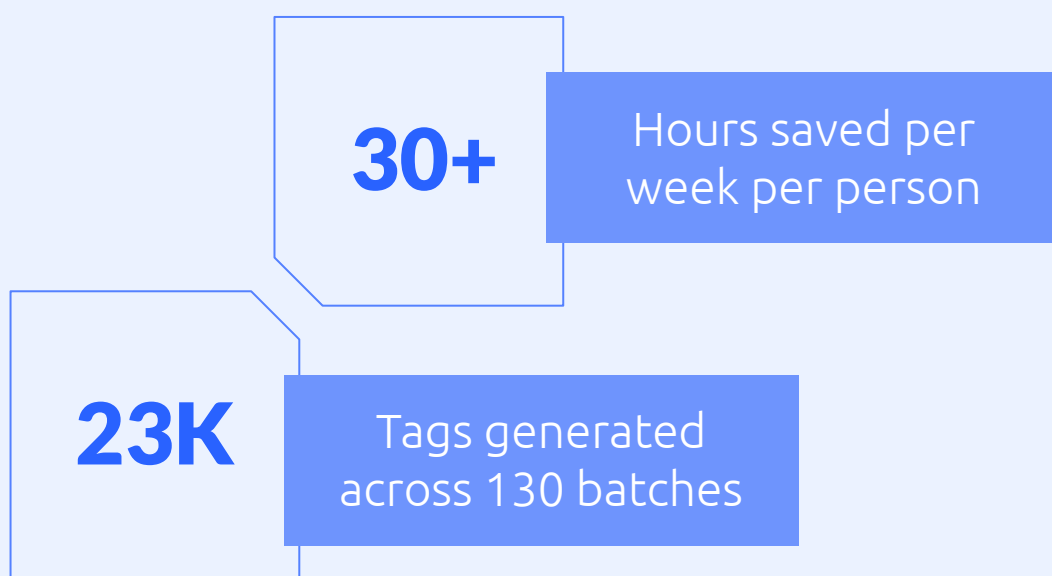
First-hand Stories of Brands That Have Gone AI-Native



A leading fashion company in India saw a **19% increase in user engagement rate** when more recommendation modules such as Recently Viewed, Top Picks for You, and Inspired by Your Browsing History were added to the Home, Search, and Cart Pages. This also resulted in a **36% increase in contribution to direct revenue**.

Today, the brand is leveraging AI to curb discount hunting - a persistent problem for brands in to the present Amazon-dominated world - through relevant retargeting and shopper journey optimization.

First-hand Stories of Brands That Have Gone AI-Native



- • The iconic denim brand - Diesel leveraged Vue.ai's AI-powered automated tagging solution, VueTag, to get their products to market faster by automating over **23 thousand tags across 130 batches.**

- • Additionally, as a result of the depth of product data, Diesel was also able to enhance search and detail filters for better product discovery. The well-optimized pages on the site now helps teams make better-merchandising decisions and plan inventory. With VueTag, retail merchandising teams save over **30 hours of time per week per person.**

There's no doubt that the benefits that AI lends to eCommerce growth are multi-fold and paramount.

Making Performance Marketing Work for You



In order to grow and scale, it is vital for retailers to thoroughly understand the true nature of their business:

- If a brand has a high repeat purchase rate, then their strategy must be one that makes the buying process simple, intuitive and personalized.

Brands should focus on re-targeting customers with relevant recommendations. **Incentives such as Free Samples and Discount Codes** are also a great way to drive repeat purchase and direct customers back to the eCommerce site.



- **If a brand's repeat rate is low but it sees large volumes of fast-moving items**

Then the brand's efforts should be directed towards **widening the top of the funnel**. This would include targeting the right personas with relevant content at scale and optimizing product pages for conversion.

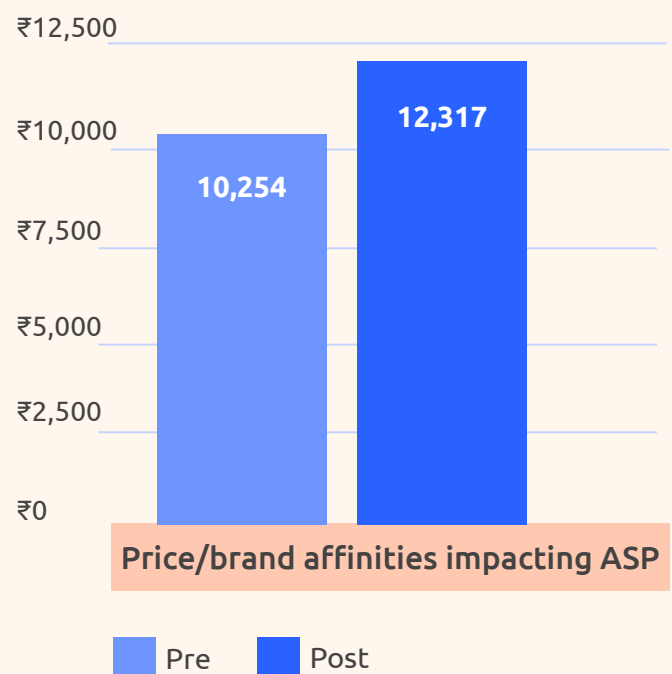
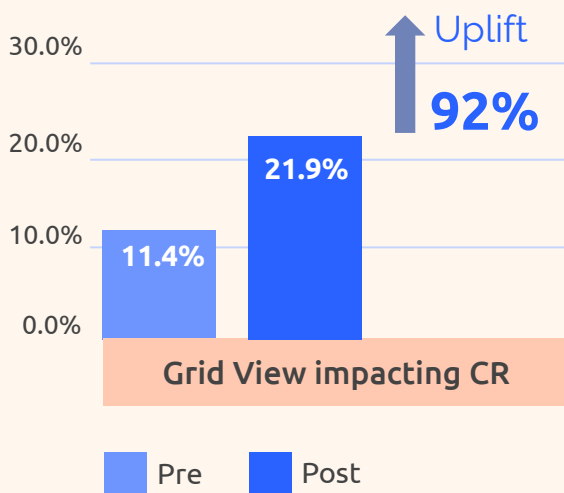
In a nutshell, what performance marketing or revenue marketing for retailers entails is **setting specific goals for a given period of time and then experimenting with all the tools at their disposal to achieve those goals**.

AI & performance marketing go hand in hand. Whether it's bundling based on their preferences or sending them targeted, personalized messages on all the right channels, AI can help you do the right thing for the right customer.

Ashwini Asokan,
CEO, Vue.ai



Leveraging AI opens up a world of levers that gives retailers the ability to tweak their systems with incredible amounts of flexibility and optimize for brand, price, product attributes, individual tastes, preferences and even the seasons of the year.



Simply put, each quarter, **retailers can isolate a specific goal and tweak the levers of their business to solve for just that and then rinse and repeat the cycle for other areas of business growth.**

With AI and performance marketing, brands have an opportunity to **eliminate windows of lost opportunities & turn them into profitable engines.**

Takeaways

eCommerce has transitioned from being an add-on to a must-have business arm for retail brands is a permanent reality in the post-COVID landscape. Retail players with an omni-channel presence can no longer underestimate the value of a data-powered eCommerce channel. Retailers can ahead of curve by adopting an online business model and see success that's larger than life.



AI can form a data moat around the business and drive revenue growth and retail efficiency.



With AI-powered bundling & cross-selling recommendations, brands can see an **uplift in average order value by 70%**



By being strategic about their push notifications & emails, brands can **increase click to open rates by 58%**



Through AI-powered photoshoots, brands can **save upto 75% of traditional photoshoot costs**



With automated tagging, brands can **reduce the manual effort required to build product data by 70%**



With AI-powered productivity tools, brands can **go-to-market upto 85% faster**

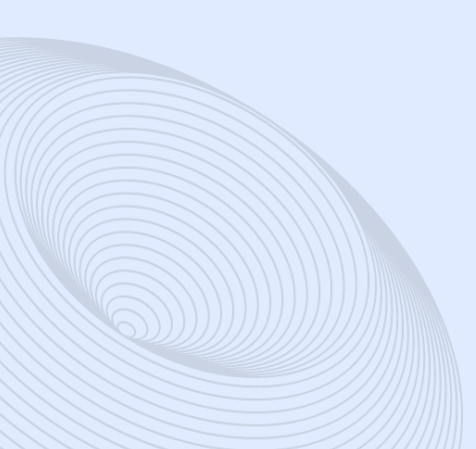
To become AI-Native,

reach out to us at
sales@vue.ai





Sources

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- 



Intelligent Retail Automation

Process Automation & AI solutions for the Retail Industry

Vue.ai is a digital experience management platform that is redesigning the future of retail with Artificial Intelligence. Using Image Recognition and Data Science - we extract catalog data, analyze it with user behavior and help your marketing, product and cataloging teams get actionable insights that improve customer experiences, drive conversions and reduce costs. We help you digitally map your products' DNA to create one-of-a-kind retail experiences for your customers and translate product information into the language that your teams can understand and make business decisions with.

Making Retail Teams, AI-Ready