Avanade's TechVision

Why retailers need to prepare for an AI-first world, today – and how they can do it

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Avanade's TechVision: Why retailers need to prepare for an AI-first world, today – and how they can do it

In our Technology Vision, Avanade revealed how businesses must prepare today for a world that soon will be dominated by artificial intelligence (AI).

While all industries will face the AI-first revolution, the urgency is particularly high for retailers. After all, it's retailers that are on the front lines of almost every digital revolution; just think of the internet, mobile, e-commerce, and big data and analytics.

So what does our evolving AI-first world mean for retailers – and how should they prepare? Explore the five themes below for those answers and more.

• **New User Experiences**: Create simple, more human-like interactions

• **Augmented Workforce**: Empower your employees to do more

• **Platform Economy**: Tap into "digital shopping malls"

• **DesignOps**: Focus on the customer and value

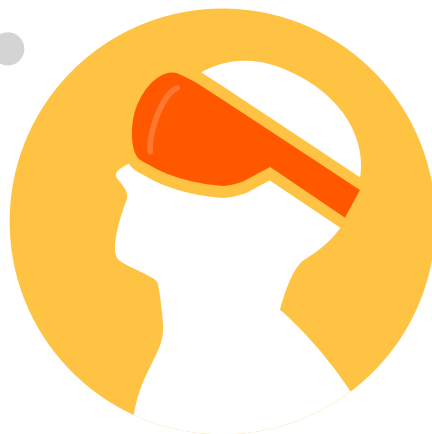• **Digital Ethics**: Put in place the proper framework

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New User Experiences: Create simple, more human-like interactions

Various forces are combining to fundamentally change the way businesses engage with consumers. From augmented reality to the rise of the chatbot, many of these new, emerging user experiences have one thing in common: ubiquity.

Today you can order your coffee from a voice-powered mobile assistant, or ask a Facebook Messenger bot if you need an umbrella. Amazon is betting you will be able to walk into a local grocery store, pick anything up off the shelf and walk out without stopping at the cashier.

These new and compelling retail experiences are about being invisible (think voice), incredibly simple and more human. You might say it all comes down to "zero-effort" experiences for customers, making their interactions as easy as possible. AI is the experience layer that makes this happen. If retailers don't provide AI-driven, zero-effort purchasing, your customers will leave you behind for a simpler, more fluid experience elsewhere.

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EXPERIENCES

AUGMENTED
WORKFORCE

PLATFORM
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Augmented Workforce: Empower your employees to do more

The AI-first revolution won't stop at the consumer layer. It's already expanding to reach all corners of the store, the back-office and operations – all of which will empower your employees to do more and be smarter, better and faster by leveraging bots, automated processes and machine learning, to name a few methods.

This intelligence is already happening and it will go mainstream soon. In fact, in a recent global study by EKN Research and Avanade, 52% of retailers said they plan to use augmented reality and robotics in their stores over the next year or two. Imagine a store manager automatically getting notified when a VIP enters her store, or using a liquid workforce that is fluid and adaptable to create on-demand teams for peak periods.
We will even have wearables that can detect a customer's mood and relay that insight to the salesperson.

The point is not that AI will replace your workers; it will augment them, taking their abilities to new heights. Nike, for example, provides its in-store sellers with constant, in-depth product training and insights into fitness training so customers get value they can't find online. You, too, should focus on training, optimizing your employees to work with digital tools so they can create zero-effort purchasing experiences and more valuable connections with customers.

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Platform Economy: Tap into "digital shopping malls"

Retailers have understood the value of a Platform Economy for decades. After all, the shopping mall is the original retail platform in which retailers unlocked exponential value while existing in an ecosystem alongside competitors. Thanks to open, fluid and frictionless consumer platforms, business models and integrations (think APIs), retailers can bring that shopping mall model to everything they do, including digital.

In our TechVision we show how the industry standards for these next-generation platforms are being established today. No matter what industry you are in, you likely can find emerging examples of a centralized, easy-to-use hub where individual vendors are transforming into platform providers in order to better serve customers in new ways and new places.

When it comes to retail, the examples are everywhere. Just think of the innovations coming with IoT, and in particular the smart-home hubs from Samsung, Google, Harman/Kardon and Amazon. With just one push of a button (built by Amazon), a user can refill an order of laundry soap or diapers. Like the song you are hearing on your smart speaker? Simply ask Cortana to buy it for you.

Open digital platforms are not new for retailers; eBay has been around for years. But the difference today is the proliferation of this model – the new expectation consumers have that they can easily buy what they are looking for, wherever and whenever they want.

Want to reach those buyers? You have to take part in the Platform Economy – start by adopting platforms as a way to increase agility and get out of the legacy IT business.

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DesignOps: Focus on the customer and value

Businesses of all kinds have begun to use two connected, but distinct approaches: modern engineering and design thinking. What we propose today is that you combine both, and re-engineer your business and customer outcomes along the way. Think of it as design-driven engineering, something we call "DesignOps."

Retailers already rely heavily on modern engineering principles like agile and DevOps to be responsive and fast with their digital channels, such as mobile apps and e-commerce, and to achieve agility with their back-end systems and processes. But given the scale and pace of change in the AI-first era, they must also make the human factor a central element of their operations so that everyone remains focused on the customer and value.

It is time to start questioning long-held beliefs and ideas about "the way things work" in the retail world. Instead of asking, "How do we build faster check-out lanes," we need to ask, "Why do we even have check-out lanes in the first place?" When you start to think like that, you imagine a world where shoppers just grab what they want off a shelf and leave, like in the Amazon example.

Start by identifying challenging parts of your shopper journey (such as getting product support) and determine what customers are seeking. Explore conversational interfaces (for example, chatbots), process automation and augmented reality. But make sure the customer experience is central to everything you do, as demanded by design thinking. And keep in mind that a culture and mindset change may be needed to be ready for the DesignOps revolution.

Digital Ethics: Put in place the proper framework

Some of the ideas and examples above may raise eyebrows: intelligent robots, employee disruption and automation, customer experiences based on detailed and personal data collection. It's clear the AI-first world comes with some important questions around privacy, responsibility and what it means to be human.

Retailers know intimately how important doing the right thing is to their brand. We don't need to repeat the names of major retailers that have suffered cyber-attacks, only to see billions in value evaporate (along with consumer trust). You have heard these stories, and you will hear more, especially as AI makes it possible to go deeper into the personal lives of customers.

And that's the key: Every major digital revolution comes with significant reactions and implications. It's impossible to know for sure what these consequences will be. Which is why we stress that in an AI-first world businesses will need to put in place the proper digital ethics framework. We also recommend you establish a dedicated team that is responsible for digital ethics as a core function and cross-pollinate it with members of your security team.

Regardless of industry, businesses must take extra caution, especially in a time where even the perception of a lack of digital ethics (especially with privacy) can sink a brand at the speed of a single tweet. When Microsoft was about to launch its Tay bot to the world, it had no experience to know just how quickly things could go wrong. The bot was taken offline, but a valuable lesson was learned – one we think helped push the AI business in a better, more intelligent direction.

The bottom line: As you pursue your AI-first retail experience, do so with caution.

ABOUT AVANADE

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences delivered through the power of people and the Microsoft ecosystem. Our professionals bring bold, fresh thinking combined with technology, business and industry expertise to help fuel transformation and growth for our clients and their customers. Avanade has 30,000 digitally connected people across 24 countries, bringing clients the best thinking through a collaborative culture that honors diversity and reflects the communities in which we operate. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at www.avanade.com.

Conclusion: Actions to get ready for the AI-first world

Retailers are on the front lines of customer engagement. So it stands to reason they have the most to gain from an AI-first world, but also the most to lose if they don't step up their game.

We suggest five strategic actions to take as you approach this new opportunity:

1. **Leverage AI to deliver zero-effort, invisible experiences** to wow and please your customers.

2. **Allow AI into the workforce**, harnessing it to automate and add extra context to sellers, while training your employees to focus on delivering a unique, differentiated experience.

3. **Tap into new opportunities in the Platform Economy** as a way to optimize the supply chain, reduce go-to-market friction and deliver on new customer expectations.

4. **Keep consumer needs in focus and use a DesignOps approach** to help you build the engaging experiences made possible by AI.

5. **Step forward quickly, but do so with caution.** We can't possibly anticipate all the effects AI will have on our planet, so be sure to put in place a digital ethics framework.

For more insights from Avanade's Technology Vision, please visit: www.avanade.com/techvision.

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