

# Driving a GenAI Transformation of B2C Commerce

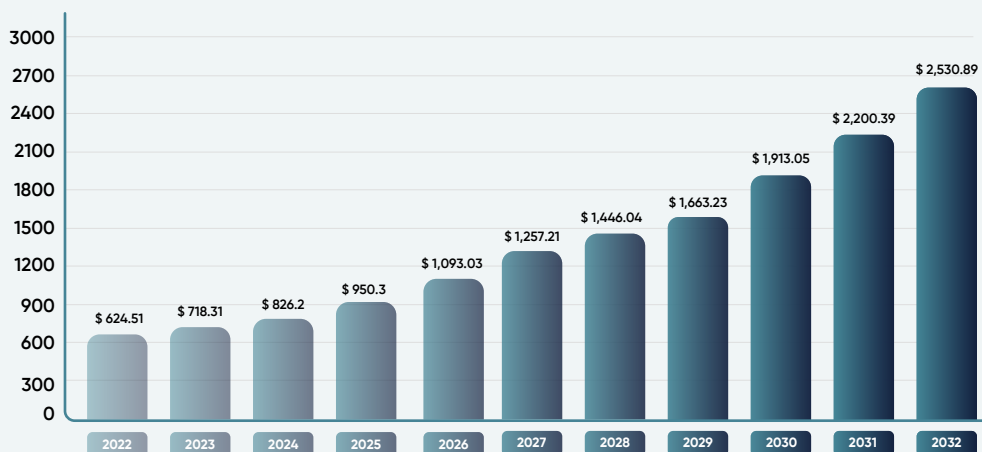




The mantra for B2C is to do more with less. Businesses today are under immense pressure to increase productivity and exceed customer expectations with limited resources. [The State of Commerce Report](#) reveals that 64% of respondents find meeting customer expectations more challenging than ever. However, the integration of GenAI offers a silver lining for businesses looking to overcome these challenges. Top retail and CPG brands have seen a massive surge in adopting GenAI, jumping from almost zero in early 2022 to 27 by mid-2023, as reported by [Forrester](#).

This shift aligns perfectly with the 'less is more' approach by simplifying consumer choices, refining marketing efforts, and ensuring operational efficiency. With GenAI, companies can effectively curate product selections, tailor customer interactions, and simplify processes, achieving a more focused and efficient operational model. For digital leaders, understanding and using GenAI is no longer just an option but a necessity to wade through the rough waters of B2C.

**Generative AI in e-commerce market size, 2022 to 2032 (USD Million)**



Source: [www.precedenceresearch.com](http://www.precedenceresearch.com)



# The Significance of Generative AI for B2C Retailers

GenAI, short for Generative AI, is a technology that streamlines and enhances tasks that are typically done manually and can be time-consuming. It has gained popularity in the retail industry for its ability to train algorithms to produce content similar to what already exists in current data sets. This includes product information, customer reviews, and marketing materials. But it's not just about automating tasks; it's also about creating new and relevant content that seamlessly integrates into the retail experience.

According to a report by the [Capgemini Research Institute](#), 62% of marketers believe that generative AI will enhance human creativity and unique qualities like intuition, emotion, and understanding of context. Many organizations are already investing in this technology for marketing purposes, with nearly two-thirds of their marketing technology budget dedicated to it.

Take, for example, the way B2C commerce vendors are integrating GenAI into chat applications. These intelligent chatbots answer questions about product features, manage business inquiries, and complete administrative duties using conversational language to improve efficiency and elevate customer experience.

A [Forrester survey](#) from 2023 shows that the retail industry is increasingly adopting GenAI technology, with 61% of professionals using it to generate images for customer communications. This trend highlights a shift towards more visually engaging methods of consumer engagement.

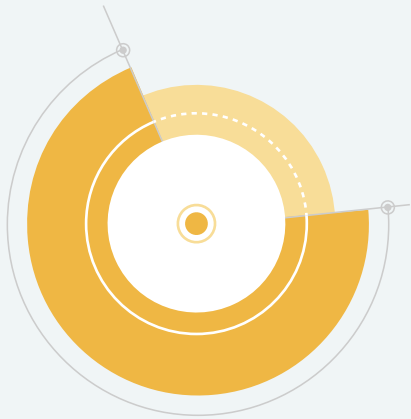
Retailers also use GenAI to efficiently manage and maintain accuracy and brand consistency across multiple channels, specifically on product listing pages (PLPs) and product detail pages (PDPs). With the help of GenAI, retailers can craft product names and descriptions and summarize customer reviews to enhance consumers' shopping experience.



# Opportunities from AI Models to AI-Driven Personalization for B2C Retailers

Nonpersonalized communications pose a business risk in a low-loyalty environment.

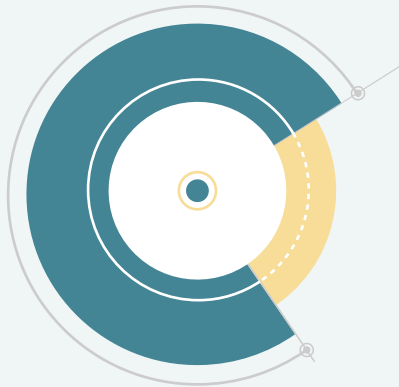
Loyalty is up for grabs...



75%

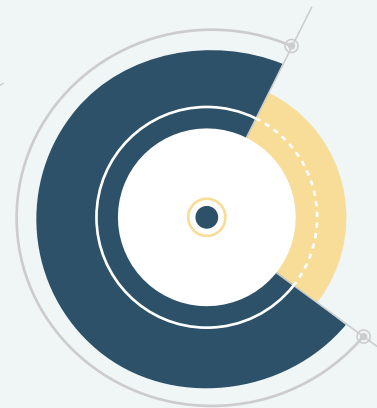
of consumers tried a new shopping behavior during the pandemic

...and consumers expect personalization from the brands and businesses they choose.



71%

of consumers expect personalization



76%

of consumers get frustrated when they don't find it

Source: McKinsey

## Personalization now matters more than ever.

According to [McKinsey](#), companies that experience rapid growth generate 40% more revenue from personalization than their slower-growing counterparts. The majority (71%) of consumers expect personalized interactions from businesses. And when these expectations are not met, 76% of consumers feel disappointed.

In today's competitive market, offering personalized shopping experiences can set a brand apart from its competitors. Generative AI technology is instrumental in achieving this goal by analyzing vast amounts of customer data, such as browsing patterns, purchasing habits, and preferences to create customized product recommendations.

Early adopters of AI are not only saving time and increasing productivity, they are also improving the customer experience.

A [Salesforce report](#) reveals that 37% of organizations have recognized AI's role in enhancing customer personalization. Using advanced algorithms, data analysis, machine learning, and natural language processing (NLP), GenAI can understand and predict individual preferences, behaviors, and needs. This allows for real-time recommendations tailored to each customer's unique shopping experience. Unlike traditional systems that rely on static rules, GenAI constantly evolves and improves its ability to provide personalized interactions to increase conversion rates and build customer loyalty no matter where or how customers shop.



Here is how GenAI drives personalization for B2C retailers:



### Personalized product recommendations

AI has long been a feature of online shopping, providing product recommendations. However, GenAI makes the process even more personalized and nuanced with precise targeting for faster, context-driven experiences.

Data lies at the core of every interaction, and the ability to instantly access a treasure trove of information enhances personalization, product searches, and numerous other scenarios that directly influence the consumer. GenAI extracts data from diverse sources and efficiently deciphers unstructured data, empowering businesses to generate valuable data-driven insights. For example, a plethora of commerce data and valuable insights are scattered across different systems, making it challenging for business users to locate and utilize them

effectively. With its quick engineering solutions, GenAI can identify hidden signals and trends, support various applications like customer segmentation, and enhance product recommendations through customer feedback.

From personalized product recommendations to exclusive discounts and deals, GenAI leverages historical data, browsing behavior, and wishlist items to curate tailored content for shoppers. It can generate personalized recommendations through various forms of content, such as text, images, audio, and video, for guided selling across multiple channels and formats. With GenAI, businesses can even create dynamic product descriptions tailored to each customer's specific preferences and needs. Additionally, it excels in personalizing PDP information according to user demographics, traffic sources, and other relevant data points.





## Effortless product discovery

Brick-and-mortar stores rely on sales and service agents to provide personalized assistance to customers during their shopping experience. With GenAI, this same level of customer engagement can now be achieved online through chatbots. In fact, according to [Forrester](#), chat is now the most common customer-facing application in B2C commerce solutions, thanks to GenAI's capabilities.

But there's more to customer engagement than just AI-driven chat. GenAI has paved the way for a range of innovative applications, from improving product search and personalization to creating interactive in-store experiences.

Traditional searches that rely on keywords can often frustrate users and result in suboptimal experiences. With GenAI, search functionalities become more intuitive and context-aware. This means that product discovery becomes easier and more relevant, as users can search by posing questions or describing what they intend to purchase. Rather than users having to guess the right keywords or phrasing to get meaningful results, GenAI allows the search engine to interpret their intent for better results.

Imagine using GenAI to effortlessly search for products by uploading images instead of typing out search queries. Using visual cues, it identifies similar products, enabling a more conversational interaction with search engines. This feature simplifies the process of expressing preferences and finding relevant products.

For example, picture a scenario where a customer wants to buy a gift for a gardening enthusiast but is unsure where to begin. Instead of scrolling

through endless options, they can describe their friend's interests to GenAI, which suggests personalized gardening tools, books, and plants based on their friend's unique gardening style and expertise. With GenAI, shopping is not just convenient but also delightfully personalized.



## Customer reviews summary

Companies rely on customer reviews to drive conversions, but the abundance of feedback can overwhelm consumers. GenAI offers a solution by condensing reviews for easier consumption. Take Amazon, for example, which uses AI-generated summaries to showcase both positive and negative aspects of products. This approach is not exclusive to retail giants; Adorama, a retailer specializing in cameras and electronics, also utilizes GenAI to streamline user feedback and FAQs into one convenient location. The ultimate aim is to retain customers on their website by providing comprehensive product information easily without overwhelming them with information.



### Generative AI for Hyper-Personalization

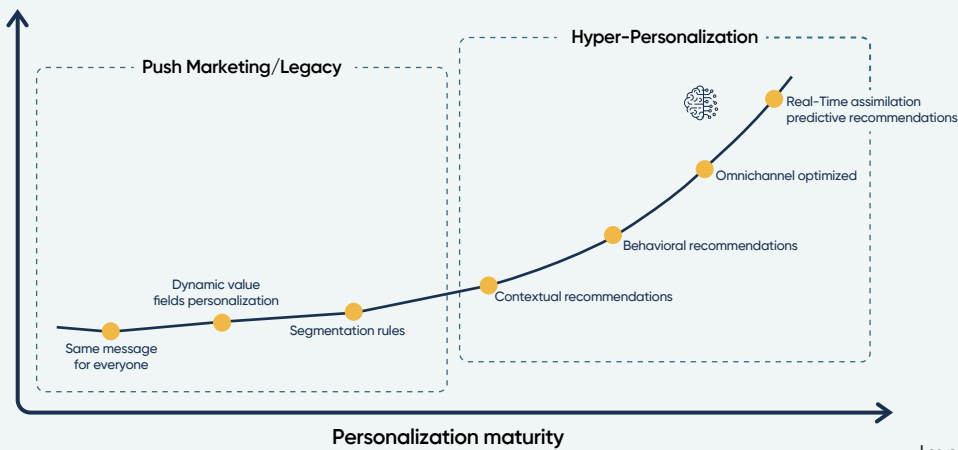


Image via Marc Chabel



### Interactive in-store experiences

GenAI enables customers to visualize products in real-world settings before purchasing through AR and virtual try-on features. This enables businesses to provide immersive, try-before-you-buy experiences for clothing, cosmetics, and furniture. Using GenAI-powered smart mirrors and interactive displays, businesses can offer personalized product recommendations, style tips, and virtual fitting sessions within their stores.

Analyzing customer preferences, body measurements, and style profiles, it delivers tailored suggestions that enhance the in-store shopping experience and boost sales. For instance, **Five Below uses Gen AI** to help customers navigate its vast product selection efficiently. With GenAI's rapid data processing capabilities, Five Below can extract valuable real-time insights to create meaningful and seamless in-store experiences for customers.



# Key Considerations and Recommendations for Successful AI Implementation

When incorporating GenAI into your business, it is important to consider the various opportunities and challenges that come with it. A well-executed plan should address these challenges and offer feasible solutions.

Here's a roadmap with potential challenges and their solutions for successful GenAI implementation:

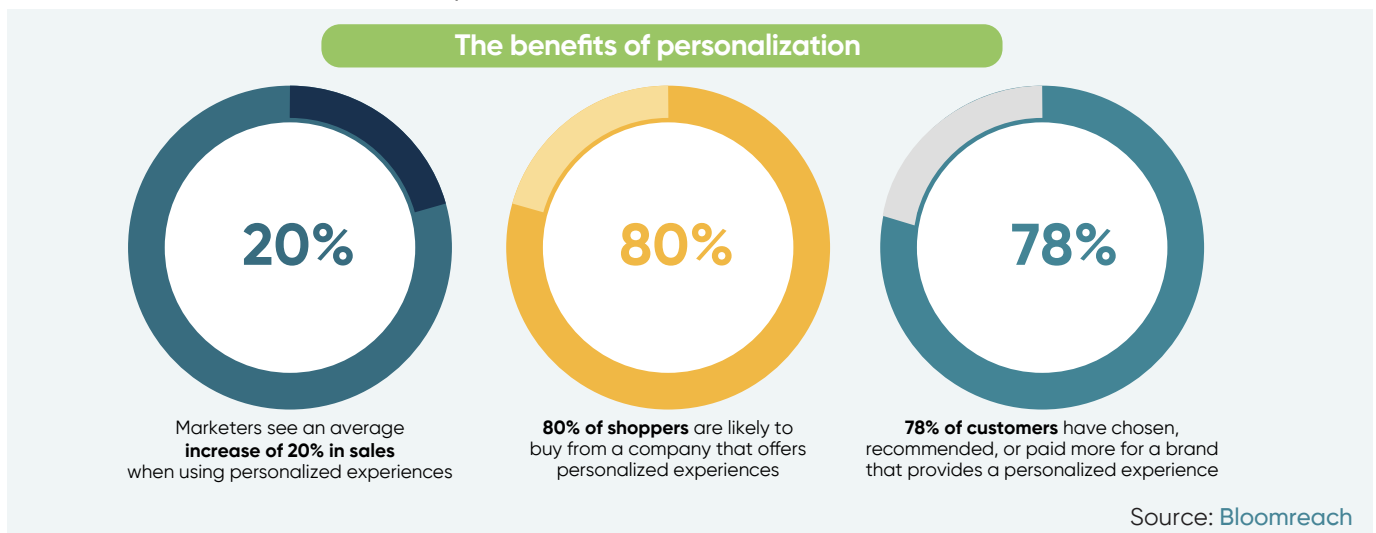
Business factors	Challenge	Solution
<b>Business alignment</b>	To ensure that GenAI is in sync with business objectives and can keep up with market shifts	Conduct detailed market analysis and regularly evaluate GenAI projects against business goals to guarantee alignment and flexibility.
<b>Organizational readiness</b>	Lack of internal expertise and resources	Invest in training programs to build expertise internally and explore partnerships or hiring options for specialized support. Upgrade infrastructure as needed to support GenAI technologies.
<b>Legal and ethical compliance</b>	Dealing with legal and ethical complexities, such as data privacy issues and potential biases in AI models	Establish strong data governance and ethical AI guidelines. Conduct regular audits on AI systems to identify biases and ensure compliance with changing regulations.
<b>Financial considerations and ROI</b>	Justifying the decision to invest in GenAI despite uncertain financial prospects	Create a well-defined business proposal with estimated ROI from trial runs and gradual rollouts to showcase benefits before full-scale implementation.
<b>Data management and integration</b>	Ensuring data quality and availability while integrating GenAI into current systems to avoid operational disruptions	Prioritize data harmonization and establish a data governance model. Plan for gradual integration of GenAI with legacy systems to minimize operational impact. Conduct feasibility assessments and pilot tests to ensure compatibility, identifying potential integration challenges early on.
<b>Talent acquisition and ethical use</b>	Recruiting skilled professionals for GenAI initiatives and guaranteeing the ethical application of the technology	Develop a talent acquisition strategy that targets key GenAI competencies. Also, establish ethical guidelines and training programs for AI project teams.

# A GenAI Implementation Checklist for Organizations

- ✓ How does GenAI support our business objectives and enhance our competitive advantage?
- ✓ What internal capabilities and skills are necessary for GenAI implementation, and do we currently have them?
- ✓ How will we address legal and ethical challenges related to GenAI, such as data privacy and model bias?
- ✓ What are the financial implications of adopting GenAI, and how can we measure ROI effectively?
- ✓ How can we seamlessly integrate GenAI with our existing systems and infrastructure?
- ✓ What measures will be taken to manage and secure the data required for GenAI while maintaining quality standards?
- ✓ How do we ensure the anonymization of sensitive data, monitor accuracy, and audit for bias, toxicity, or hallucinations?
- ✓ In what ways can GenAI drive innovation and create new opportunities for our organization?
- ✓ How will we monitor the performance and impact of GenAI in our operations on an ongoing basis?

## Embracing the Future with Generative AI

Incorporating GenAI into business strategies, especially in the retail and e-commerce sectors, offers a golden opportunity for organizations to revamp their operations, elevate customer satisfaction, and outshine competitors.



While the potential of GenAI is immense, companies should conduct thorough research and vigilant monitoring before fully integrating it into their core functions. Businesses should approach GenAI with a strategic outlook to ensure a well-thought-out integration to truly unlock its power. Embrace GenAI wisely and early to lead the way and make the most of the exciting opportunities it offers

