2022 Ecommerce Trends: AI and Omnichannel Experience

Constructor.io

"Unprecedented." "New normal." "Now more than ever."

We'll get those three classic cliches out of the way first. You won't find them in the chapters of this report.

Why? Not because the pandemic wasn't unprecedented (it was) or because normal in 2022 isn't fundamentally different from normal in 2019 (it is). But change isn't a bug in the system here in 2022. It's a feature of our daily lives.

Unprecedented isn't a surprise anymore, and every normal is new.

No industry knows this better than retail.

Today's top enterprise retailers are faced with a new set of challenges almost daily: labor shortages, the ongoing supply chain crisis, pandemic impacts wreaking havoc on revenue predictions and inventory management, all on top of responding to the latest customer expectations. (And that's just on Monday.)

But the fundamental mission remains the same: make it easy for customers to find and purchase the products they love—no matter what.

But how? Complicated times demand sophisticated solutions. It's here where AI and machine learning pose the most opportunity to bridge the gap between retailer and customer, especially in light of the challenges we face in the year (and years) ahead.

And we're excited to share these possibilities with you.

Entering 2022, we see three key areas where forward-thinking retailers are leveraging AI to drive business KPIs in 2022:

Trend 1

Hyper-Personalization (page 3)

Applying granular, customer-level data science in new ways to customize online experiences, enable sales, and grow customer loyalty.

Trend 2

First-Party Data (page 14)

Data privacy practices are changing the ways that retailers can learn about and market to their customers. Here's why basing AI solutions on first-party data is a better and more sustainable option.

Trend 3

Omnichannel Retail Experience (page 20)

How AI can help omnichannel retailers meet customers' expectations for the inventory they see online), the personalization of the in-store experience, and convenience above

Trend 1: Driving Ecommerce KPIs with Hyper-Personalization

Top brands understand their customer's unique needs and preferences, using this knowledge to create dynamic and powerful experiences. Think of Spotify, YouTube, Amazon, and Netflix.
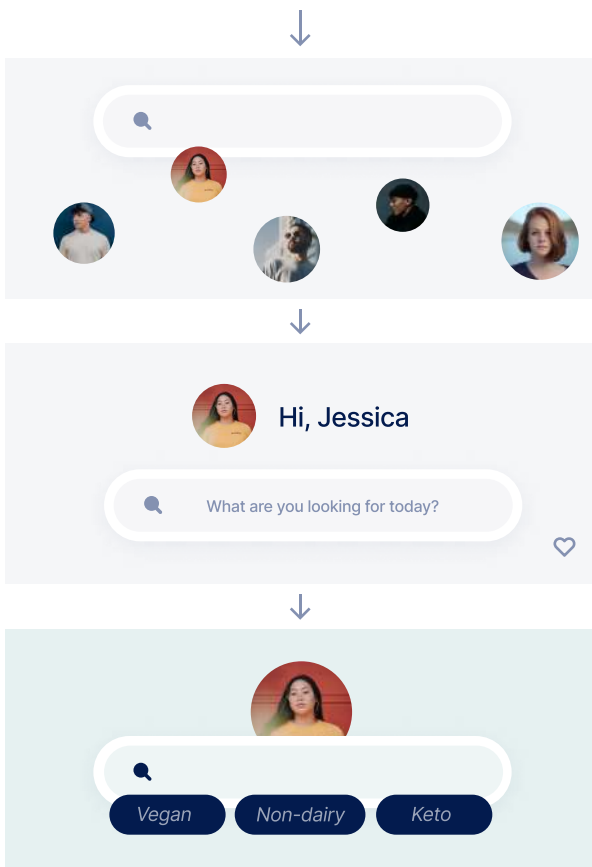
How does your brand's customer experience stack up? The difference between merely providing a list of products and providing an experience is hyper-personalization.

What is hyper-personalization?

"[Hyper-personalization is] done by creating custom and targeted experiences through the use of data, analytics, AI, and automation. Through hyper-personalization, companies can send highly contextualized communications to specific customers at the right place and time, and through the right channel."

- *Deloitte*

The entire ecommerce industry is on a **personalization journey**, moving from completely undifferentiated experiences toward dynamic, individualized experiences that achieve the desired result every time.

Four examples of hyper-personalization in ecommerce

1. Offering personalized shopping experiences based on demographics

This is a broad category, but represents a large portion of what hyper-personalization really means in enterprise Ecommerce: Making informed decisions about what your individual customers are likely to want, even before they ask.

Core demographic information such as **gender, age, and geographical location** go a long way in establishing trust, and demonstrating that you understand your customers.

After all, if you walked into a clothing store in Utah in the middle of a harsh winter, asking to see coats and were shown windbreakers that were not in your size or for your gender, you would be understandably confused and frustrated. Why should shopping online be any different?

As visitors spend more time on your site, they are giving you information with each action they take (even before checkout!). Leveraging this information as early and often as possible can pay huge dividends.

If we are being honest, most brands haven't gotten too far in this journey. But every step toward greater personalization, each new piece of information we can use, is a new tool to give a better customer experience, leading to more sales and stronger customer loyalty.

Hyper-personalization is when we take bigger steps on that journey, going beyond the basics and discovering the elements that really matter. It's about learning from every visitor action to provide an experience that speaks to that individual and drives business results.

Can you personalize search results for someone before you've even met them?

People in different locations buy different amounts of ice cream throughout the year. In Spain, where it's hot in June, July, and August, people buy close to 15 times the amount of ice cream in July than they do in January. But in Australia, when it's warm during December, January, and February, those are the greatest months of ice cream consumption—and July is among the least.

This makes sense when we think about it. But the next step is to start factoring this into what you'd want to surface to users based on the time of year where they're located—even if you know nothing else about them. If a user is searching for desserts, what do you want to show them?

Taking the user's locale into account, you're likely factoring in temperature and time of year—which means showing an Australian user in January considerably more ice cream and a Spanish user considerably less.

When Aussies are buying the most Ice Cream

SALES

JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC

2018 Data and Analysis by Square

Volume of Ice Cream consumed monthly in Spanish households in 2020

Consumption

JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC
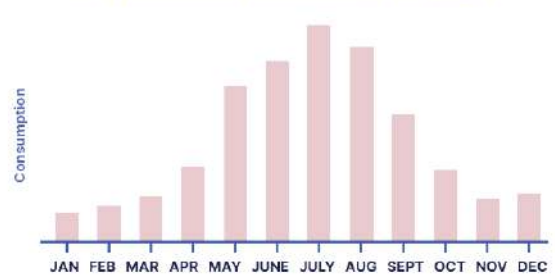
Temperature and time of year are two simple facets to examine, but taking into account regional differences can go even a little deeper. For example, some data from Instacart reveals that Moose Tracks ice cream (vanilla ice cream with a caramel swirl and fudge chunks, for the uninitiated) is the most popular flavor in some Midwestern American states like Michigan. But going back to Australia, the most popular flavor is licorice.

Knowing where somebody is from on this regional basis helps retailers personalize to them even more. Ice cream is likely a popular dessert for someone living in a warm climate at this time of year, but we also have a pretty good idea of which flavors to present to them. This is just one way of personalizing and improving experiences for individual users so that the products they're likely looking for are easier to find.

**Most Popular Ice Cream
Flavor by Location**

Michigan

Australia
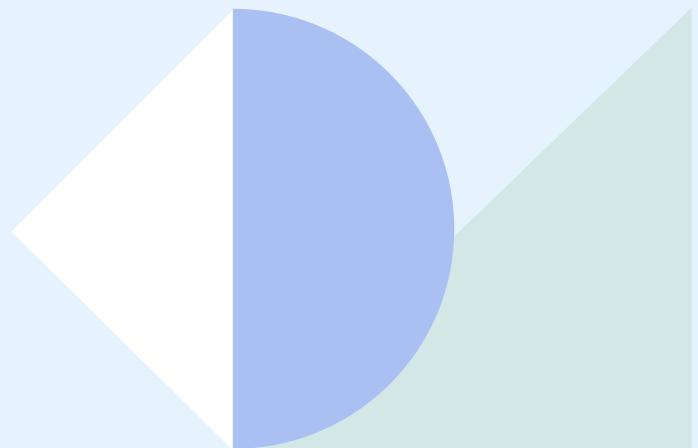
Moose Tracks

Licorice

## 2. Automating ecommerce search results with AI, ML, and NLP

Ultimately, the barrier to better ecommerce personalization is technology. Creating increasingly dynamic experiences starts in your tech stack.

If you aren't collecting the right data, you won't be able to provide customized experiences as early or as often as you need to.

Using technologies that employ Artificial Intelligence (AI), **Machine Learning** (ML), and **Natural Language Processing** (NLP) are critical. These tools can identify links between actions your visitors take and established outcomes, and make adjustments to the user experience without the need for manual intervention.
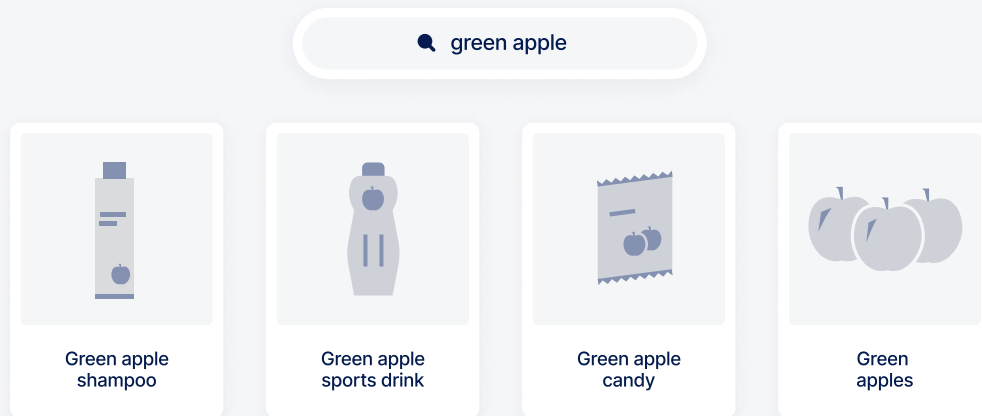
For example, let's say a shopper is looking for Granny Smith apples, but searches "green apples" instead. Most ecommerce search solutions would need manual intervention to show granny smith apples as a top result. Rather, the shopper would find green apple-scented shampoos, sports drinks, and candy as the top results. All these things might have the words green apple in the name but none are what this hypothetical customer is really after. However, using AI and ML, you can harness conversion data to understand that there is a strong positive link between people searching for "green apples" and purchasing Granny Smith apples, resulting in that search result getting featured more prominently in the results.

While this is a simple example, integrated AI solutions can take steps beyond the obvious links and create connections that give truly hyper-personalized experiences, showing your visitors what they are looking for even before they ask.

A great example of this technology at work is Constructor's clickstream-based search & discovery platform. Not only can it identify demographics for new and returning visitors, creating hyper-personalized search results and recommendations, but it can analyze each individual's actions and provide them with results that have the highest potential for a positive outcome.

Here are some of the outcomes this technology can create.

3. Customizing experiences based on clickstream data

Not all AI-based ecommerce platforms are the same. To create a truly hyper-personalized ecommerce experience it is important to provide personalization early (before the first checkout) and often.

One way to do this is with clickstream data and ML analysis.

Clickstream data includes visitor actions such as clicks, add to carts, etc. By looking at this data in real time, a clickstream-based product search & discovery platform can show products that are most likely to be attractive to that individual shopper.

For example, let's say a new visitor on an apparel ecommerce site searches for pants. The site knows nothing about them, starting with a completely blank slate and a very broad search term. The site responds by showing them top-selling pants.

The shopper clicks on a pair of women's dress pants in tan. Using this click, the system identifies that this customer wants to see women's clothes, seems to be shopping for office wear, and might have an affinity for the color tan. This information can be processed instantly to show items that are similar, and this clickstream data can be compared to all other visitors to find what shoppers with similar behaviours ended up purchasing.

+3 Geo   *Cold weather*

+2 Affinity   *Cotton*

+2 Similar   *Women*

A robust AI and clickstream-based product search & discovery platform will find these simple connections as well as more complex ones automatically, and provide them without the need for manual intervention.

4. Creating relevant product recommendations

Product recommendations are one of the most obvious places where personalization can shine. However, most ecommerce sites only personalize recommendations that are relevant to the current product viewed and use semantic or tag systems to link products to each other.
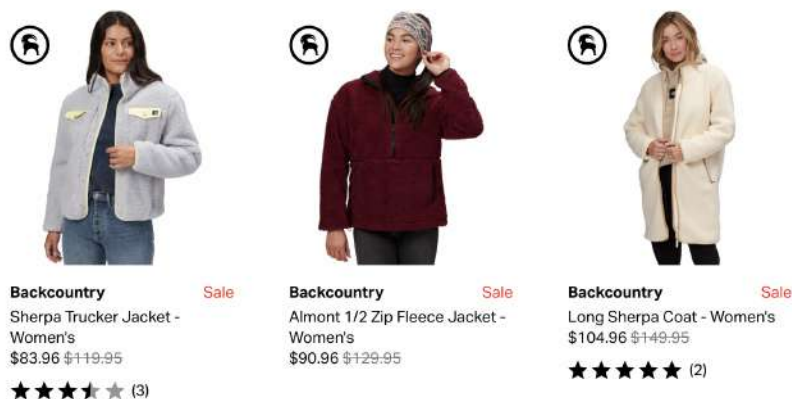
Clickstream data can do a much better job. With each click our shopper makes, their recommendations get better and better. This creates an experience where browsing recommendations becomes just as (or even more) powerful as site search.

A shopper starts their product discovery journey by looking in a broad category, but after just a few clicks they can identify critical information that might include their size, gender, color and style preferences, and more. By leveraging this data, your site can provide detailed recommendations that know exactly what the customer wants, without them having to be taken out of their organic experience to select product filters manually.

Providing hyper-personalized product recommendations starts with the right data. The full picture of what a visitor needs includes what they have clicked on, what they have searched, and what they have added to cart. This clickstream data can then be interpreted using ML to suggest products that have been shown to be attractive to other customers who made similar actions.

Recommended for you

| Backcountry | Sale |
| Sherpa Trucker Jacket - Women's |
| $83.96 $119.95 |
| ★★★½★ (3) |

| Backcountry | Sale |
| Almont 1/2 Zip Fleece Jacket - Women's |
| $90.96 $129.95 |

| Backcountry | Sale |
| Long Sherpa Coat - Women's |
| $104.96 $149.95 |
| ★★★★★ (2) |

Increasing revenue through hyper-personalization

Personalized experiences are table stakes. Hyper-personalized experiences move the needle.

According to **Twilio Segment's State of Personalization 2021 report**, 60% of consumers say they will become repeat customers after a personalized retail experience. Additionally, the report found that while 85% of businesses believe they are offering personalized experiences, only 60% of consumers agreed.

So what does this mean?

Brands are overestimating how well their personalization stacks up while they are undervaluing the impact of personalization on their customers.

Measuring the impact of hyper-personalization

While talking about hyper-personalization strategies, it is important to understand what success looks like. It can be easy to zoom in too much and look at metrics that paint an incomplete or perhaps misleading picture.

For example, focusing on Average Order Value (AOV) can send false signals. Since this metric doesn't take into account conversion rates, you could have lower overall revenue while AOV is up. For this reason, Revenue Per Visitor (RPV) is an excellent primary metric when measuring the value of personalization.
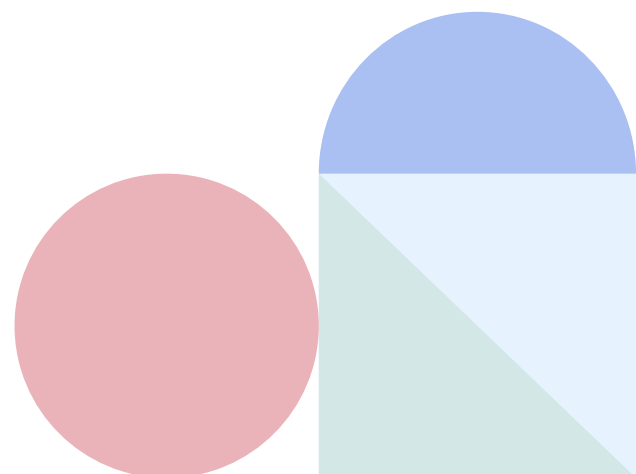
When properly used, hyper-personalization should:

- **Dramatically improve your customer experience,** driving loyalty and repeat business
- **Improve purchase satisfaction,** leading to fewer returns
- **Improve the KPIs that matter most to your business**
- **Provide measurable ROI** by not requiring your merchandising teams to engage in taxing manual work to create personalized shopping experiences

In the end, the best rubric for any ecommerce personalization is to ask, "Did it improve the customer experience?" If the answer is yes, it will likely have a positive impact on revenue as well.

Bringing hyper-personalization to your brand

The most significant impact a brand can have on a customer is to help them feel that their needs matter and trust that the brand can meet them. Can your customers quickly and easily find what they need on your website? This is the first step for meeting customer expectations and building brand loyalty in 2022.

But in a highly competitive ecommerce space with an increasingly diverse customer base, creating that sentiment becomes harder and harder to do. And it's simply not possible with a static, "one-size-fits-all" online shopping experience.

This is why hyper-personalization is so critical today. The right AI, machine learning, and natural language processing technologies can yield both a better customer experience and results that meet key business outcomes. Without them, you're left relying on just personalization—and as customers will tell you, personalization on its own just doesn't feel that special anymore.

Trend 2: First Party Data for Personalized Ecommerce Experiences

Online shoppers expect more personalization than ever before. **91% of ecommerce customers** expect relevant, personalized experiences and recommendations when they visit online retailers, and 48% will immediately leave due to poor product curation. But these expectations aren't always easy to meet in an era of increasing privacy concerns. As data about customer shopping preferences and behaviors is becoming more difficult to collect, how can companies provide personalized customer experiences to keep up with demand?

To adapt, many leading ecommerce companies are turning to first party data, driving business decisions and personalizing content based on the data they are able to collect directly from customers.

There are many reasons why first-party data is a better alternative for enterprise ecommerce companies. But first, let's take a look at how we got here, and why the types of data businesses collect matter.
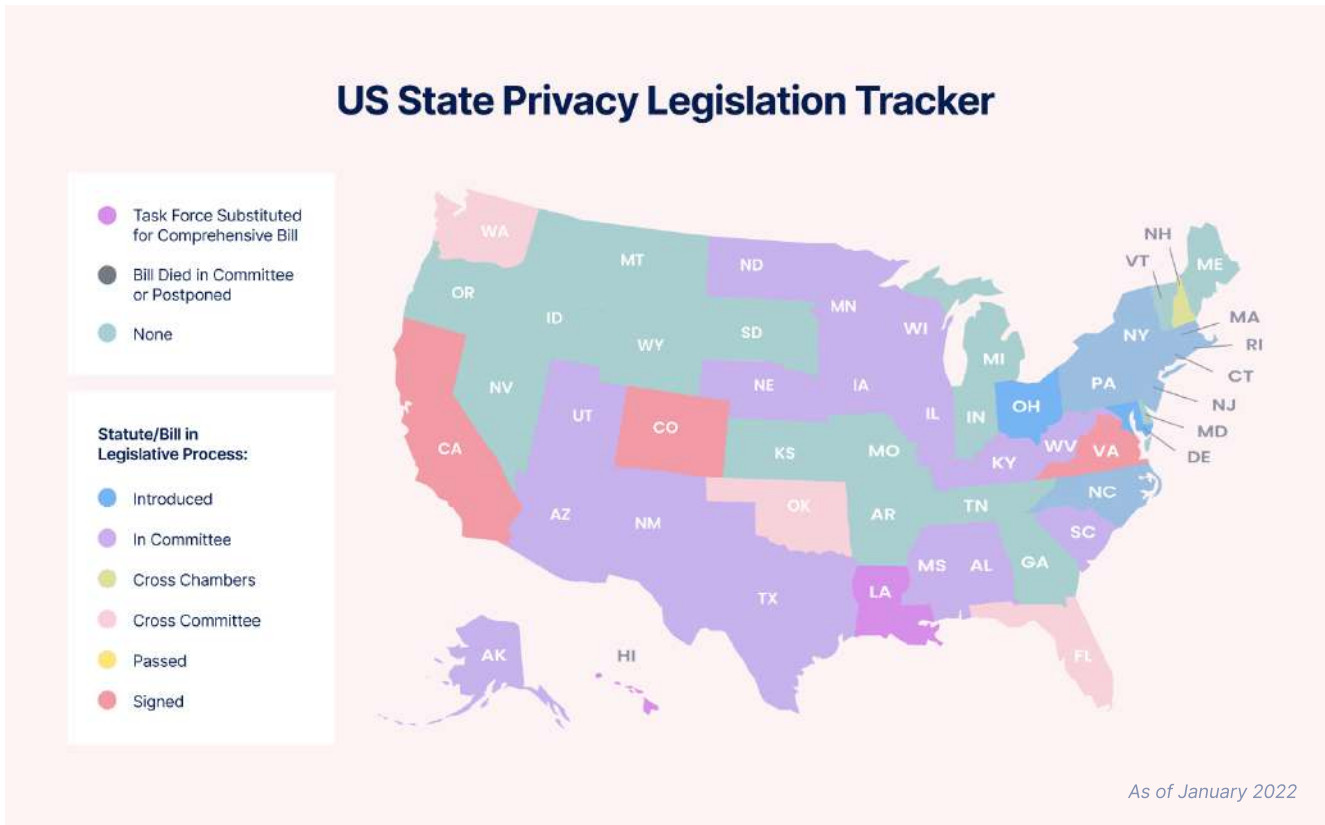
Why Data Privacy and Security Matter Now

The surge in ecommerce adoption since 2020 has galvanized lawmakers across the world to put more data privacy and security regulations in place.

According to Gartner, **65% of the global population** will be protected by at least one modern data privacy law by 2023, up from just 10% in 2020. These laws are making it increasingly difficult to collect personal information for promotional purposes, often requiring explicit permission from each website visitor.

2022 is shaping up to be a watershed moment for data privacy, a culmination of the gaining momentum of the past decade. After the EU enacted its General Data Protection Regulation (GDPR) in 2018, several US states have adopted their own versions of consumer privacy laws.

US State Privacy Legislation Tracker

Task Force Substituted for Comprehensive Bill

Bill Died in Committee or Postponed

None

Statute/Bill in Legislative Process:

- Introduced
- In Committee
- Cross Chambers
- Cross Committee
- Passed
- Signed

As of January 2022

Private companies are beginning to take note of consumers' growing concern for their data. In the past year, **Apple** and **Google** both announced enhanced privacy measures to give users more control of how their sensitive data is being used.

All of this has significant implications for online retailers. Each transaction isn't just an exchange of money for goods or services; it's an exchange of sensitive information. While customers want personalized experiences, they're more likely to balk when they learn that companies are targeting them based on their behaviors elsewhere.

It feels creepy, and that's because it is.

From 3rd Party Cookies to 1st Party Data

One of the most recent major advances in data privacy is the beginning of the end for third-party cookies. Cookies are small packets of code that a web server installs on a user's hard drive when they visit a website. This allows that user to be recognized (anonymously) when they return to the website. The "third-party" element comes in when the website shares that recognized user behavior to ad publishers like Google Adsense and Facebook. This allows advertisers to target customers based on what the cookies have tracked, often all without users' knowledge or consent.

Third-party cookies were one of the primary targets of the GDPR and CCPA legislation. Now companies are required to obtain customer permission to use them (hence the ubiquitous popups and consent forms on nearly every site since 2018). But consumer demand was already shifting in that direction to begin with. Google has announced that it will phase out third-party cookies on Chrome by 2022, following in the earlier footsteps of Firefox and Safari.

What does this mean for retail merchandising and marketing strategy? It means that the data on which we build our personalization efforts is going to have to change.

Enter first-party data.

Data collected directly from customers doesn't just protect data privacy. It offers other significant benefits as well:

- **Accuracy and Quality.**

  First-party data comes from your actual customers instead of abstract data points defined by a third-party advertising platform. It's simply the best data you can get.

- **Low cost.**

  Collecting your own data becomes a lot more economical when you can do it yourself using your own platforms and systems. You own the data outright, so you don't have to pay another company to use it.

- **Improved security and compliance.**

  Being the sole owner of your data means that you can feel confident in knowing that it is collected and stored in compliance with regulations.

- **Increased customer loyalty.**

  Customers expect personalization on a website based on the actions they take there. What they do not expect is getting retargeted on social media after their phone picks up a mention of a brand name. First-party data allows customers to retain a sense of goodwill and trust that the company is using their information responsibly.

According to Nielsen, **85% of companies believe that first-party customer data is critical**, but only 19% of retailers feel confident in their tech stacks' ability to use that data to drive decision making.

How Ecommerce Companies Can Collect First-Party Data

As first-party data is anything that you collect directly from customers, it can come in a variety of forms:

- Contact information from your CRM (as long as that contact information was provided willingly by the customer)

- Customer feedback, surveys, and quizzes

- Email activity like opens and clicks

- Clickstream, pageview, and behavior history from your website, including on-site search queries, purchases, and items added to cart

- Customer activity on your social profiles

Data collected directly from customers is objectively more accurate than third-party data, but the challenge lies in properly leveraging it once it exists. The information that customers provide on your own site is different from what Google or Facebook knows. How can you interpret and apply it so that it can be used to drive merchandising and marketing decisions?

Make the Most of First-Party Clickstream Data

Clickstream data, such as search queries, product page views, add-to-cart events, clicks on recommended products, and more, is especially valuable because it does not require any personally identifiable information. Yet it offers thousands of opportunities to customize customer experiences each day.

With the right technology, companies can tap into AI and machine learning to tailor relevant and attractive search results that are customized to each visitor's preferences as their behaviors demonstrate on the website, creating a hyper-personalized ecommerce experience in real time.

As these technologies provide optimized experiences without requiring manual segmentation or rule-building from scratch, they introduce an entirely new way of using data. While advertising platforms and third-party data providers might segment audiences into demographic cohorts or affinity groups,
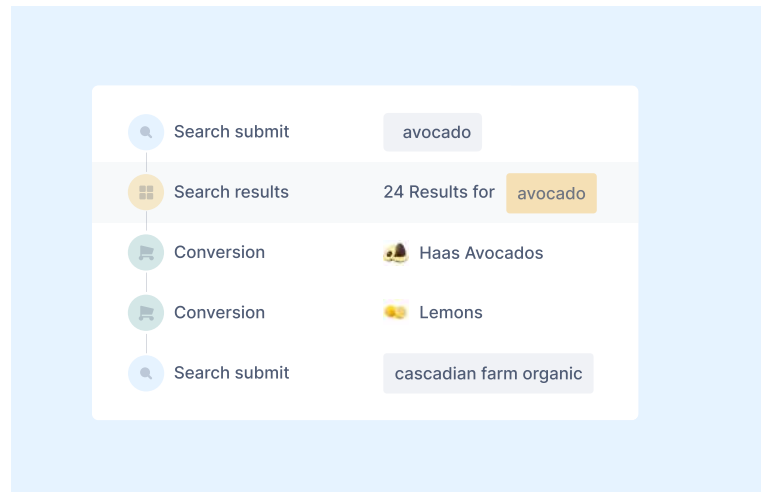
With clickstream-backed product discovery, ecommerce brands can create experiences that are truly personalized, down to each individual consumer, in real time—and without the intrusive data collection practices of the past. AI makes it possible to set sophisticated rules for what behavior triggers what products to display and promote in search results and category pages. And it even layers on other parameters such as what business KPI you'd like to optimize for as you display personalized results to customers.

Building Consumer Trust—One Click at a Time

As we look forward into 2022 and beyond, it's clear that data privacy and customer experience are not just legal or ethical imperatives: they're the result of market demand. Companies wishing to thrive in this new era of ecommerce must adapt quickly. In a time when distrust of institutions like government and the media is at an **all-time high**, brands are seizing the opportunity to fill the trust gap with more personalization, better

customer experience, and respect for their customers' data privacy.

Ultimately, customers vote for businesses with their dollars, and they vote for products with their onsite behavior. Clickstream data and the AI-backed platforms powered by that data make it easier and more cost-effective for companies to do the right thing. And in the end, they'll be rewarded with more revenue and increased customer loyalty.
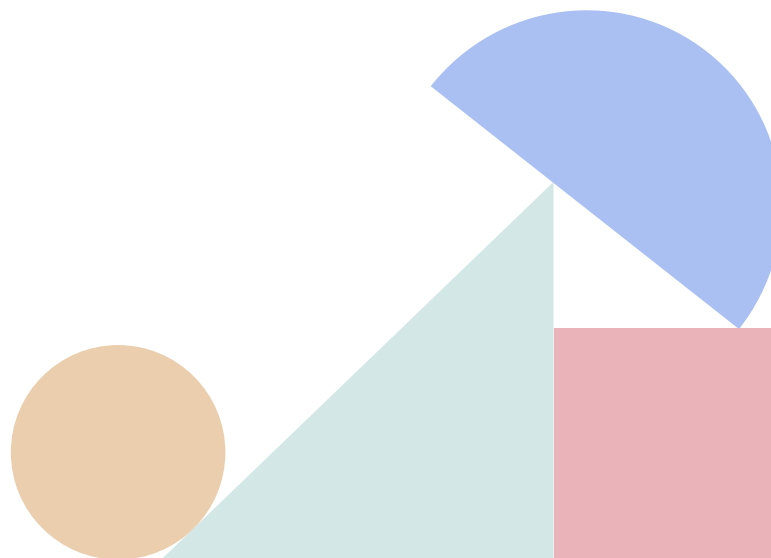
Trend 3: Enabling Omnichannel Retail Experiences

If omnichannel retail was having a moment before the pandemic, that moment is now a movement.

Though employees are returning to work, diners to restaurants, and shoppers to retail stores, buyer behaviors are reflecting a significant shift from pre-pandemic trends. For example, **consumers are still choosing to forego brick and mortar stores.** And revenue from customers choosing to pick up online orders in store is expected to see **significant growth** for years into the future.

The retail experiences that succeed will respond to the needs and behaviors of today's modern customer. Never more than three seconds from their browser or retail app, consumers in 2022 expect a seamless transition between physical and online experiences. They expect the inventory they see online in retail locations, the personalization of the in-store experience on their browsing pages, and convenience above all.

71% of consumers in 2021 expect a seamless omnichannel experience from retailers. But only 29% say they receive one.

It's easier said than done.

Hundreds of millions of retail customers and billions of transactions make this all but impossible to do at scale without help. Building a seamless omnichannel experience starts with the right tools. AI and machine learning are critical components of a successful enterprise omnichannel retail strategy precisely because they can help companies adapt to these ever-shifting priorities and expectations.

In this chapter, we'll look at three main areas of the omnichannel retail experience (BOPIS, in-store experience, and online personalization) and explore how retailers are leveraging each of these in 2022.

BOPIS Retail Strategy: Click, Collect, Convert

"BOPIS saved retail stores," remembers Sid Holland, former Senior Product Manager at Best Buy Canada. "During lockdown, contactless pickup—that little table in the entryway with orders packed up on it—was literally the only way that many stores could serve their customers."

While many stores have evolved their in-store pickup operations since the early days of the pandemic, BOPIS (buy online, pickup in store) is here to stay. The number of leading retailers with physical locations offering BOPIS **increased by over 500%** from 2019 to 2020, the majority of which are still going strong. Overall, **64% of shoppers today use BOPIS methods** (an increase of 23% over the course of 2021).
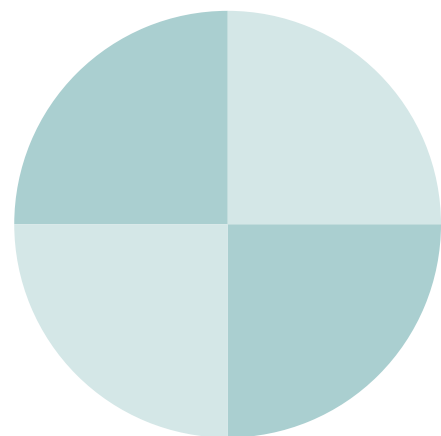
BOPIS by any other name

While BOPIS is the preferred term for ecommerce retailers in the US, the concept of paying for a product online and picking it up at a physical location is widely known as "click and collect" in non-US countries.

Some synonyms and subcategories:

- contactless pickup
- curbside pickup
- quick pickup
- store pickup
- order online for pickup

Other notable variations of BOPIS:

- **ROBIS** (reserve online, buy in store) or RPU (reserved pickup), which allows the shopper to reserve the item but not pay until they come into the store to pick it up

- **BORIS** (buy online, return in store), which allows the shopper to return an item to a physical location of the store or to a partner location instead of paying for return shipping

This increased demand makes BOPIS more than just another delivery model.

It also provides significant opportunities for businesses to maximize the impact of in-store pickup as an important factor in product search and discovery.
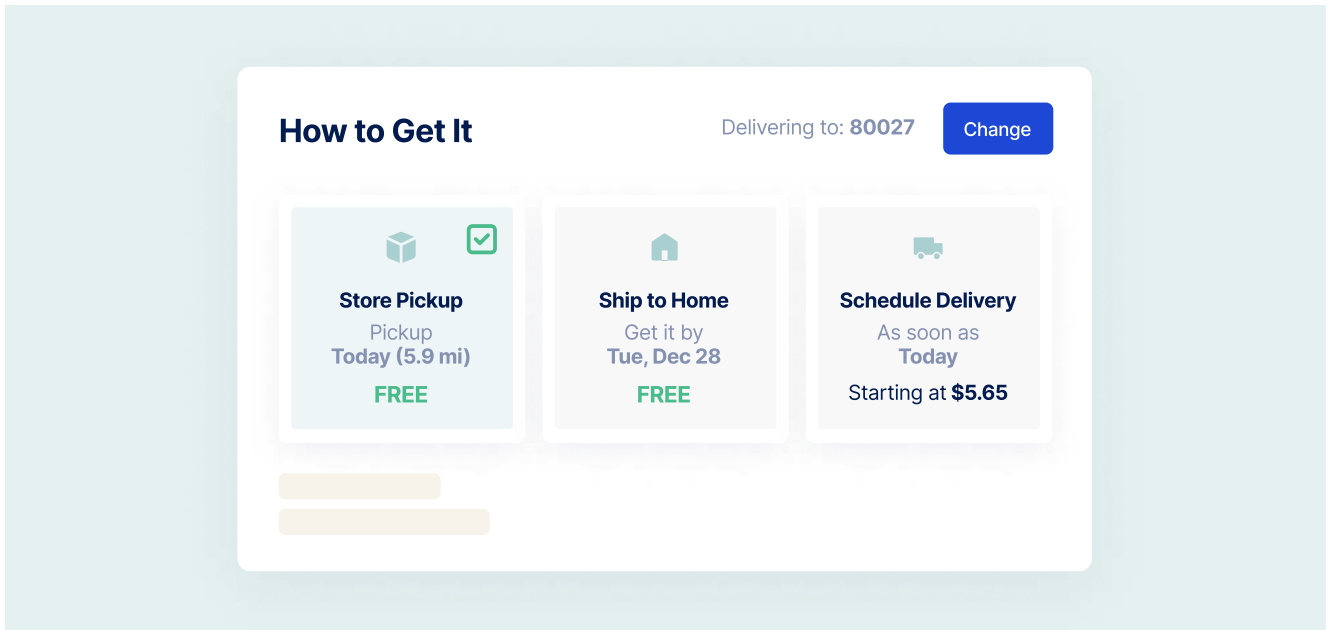
Why BOPIS?

Before we jump in, it's worth looking at how we got here. What are the benefits that buying online and picking up at a physical store affords to both shoppers and retailers? Wouldn't it be more convenient to just pick one channel or the other?

These questions are valid, but all signs point to today's customers preferring omnichannel retail. Online convenience is a big factor, but shoppers also use ecommerce sites to perform in-depth research on product specifications and variations before they set foot in the store. They know that most product information is available online; a retailer's ecommerce website provides a more comprehensive view of a massive selection of products and variations— many more than a retail store or showroom can physically contain.

BOPIS also allows shoppers to see what's actually available in their physical location. Having that information online expedites and enables an in-store transaction,

especially in cases where shoppers need an item as soon as possible ("do they have toilet plungers in stock?") or want to physically compare the item to possible alternatives in person.

71% of customers say that it is important to view inventory information for in-store products. 39% are unlikely to visit a store if that information is not available on the ecommerce site.

How to Get It   Delivering to: **80027**   [Change]

Store Pickup	Ship to Home	Schedule Delivery
Pickup Today (5.9 mi)	Get it by Tue, Dec 28	As soon as Today
FREE	FREE	Starting at **$5.65**

The advantages of BOPIS don't only extend to the customer. Retailers can also reap the benefits of an omnichannel approach by adding BOPIS to their offerings:

- **Savings on overhead**
  Leveraging the labor already in store saves the business costly shipping and logistics (though there are trade-offs here, as we'll explore in the next section).

- **Movement of in-store stock**
  BOPIS benefits stores by allowing them to move inventory in their physical location rather than being "bypassed" by local orders fulfilled by a warehouse.

- **Potential upsells**
  Research shows that nearly **85% of shoppers make an additional purchase** in store when coming in to pick up an online order.

- **Lower cart abandonment rates**
  BOPIS customers are less likely to abandon a cart for common reasons like balking on shipping costs or backorder notifications.

With benefits for both sides of the market, it's fairly safe to predict BOPIS is here for good. But where is it going next, and how does it relate to product discovery?

BOPIS and Product Discovery: Optimizing for KPIs

The more we see businesses adopt BOPIS, the more we see that its utility extends beyond just a simple fulfillment option. In fact, BOPIS presents opportunities for retailers to optimize for business KPIs by providing a more seamless shopping experience overall.

The pandemic wasn't the peak for BOPIS.

Click and Collect is predicted to reach more than $100 billion in 2022, a 21% bump YoY, according to **Insider Intelligence.**

On many ecommerce sites, customers have the option to filter items by delivery method or location just as they would by color or size. When paired with an AI-backed product discovery platform, retailers can use BOPIS to optimize for KPIs by having product rankings, recommendations, and category pages take store availability into account.

Leveraging local inventory data at retailers that offer BOPIS can help merchandising teams capture urgency and buyer demand. There are several ways that this combination of inventory management and product discovery might provide a better customer experience and drive critical business metrics:

- **Up-to-date inventory information available on the retailer's website** for a given store location helps bring shoppers into the store.

- **Local inventory alerts** ("only 3 left in stock!") can increase conversion rate and RPV.

- **Store-specific recommendations** based on each location's demographics and affinities can provide hyper-localized personalization.

- **Optimized search results** can bury items that are not available at a specific retail store and make appropriate recommendations for alternatives.

Imagine that a customer is looking to purchase a video game and wants to pick it up tonight in their local superstore.


However, the latest hit title is out of stock at that location.
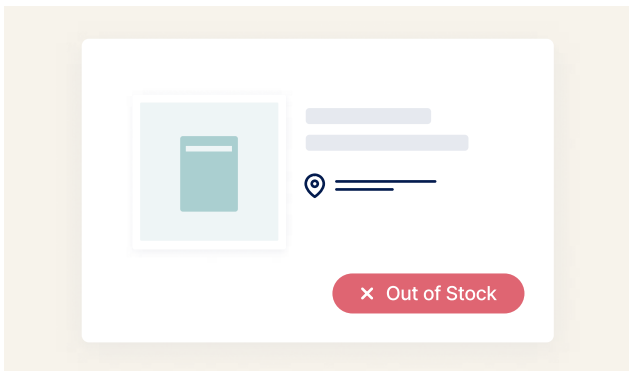
If that latest title is featured prominently at the top of the customer's category pages online, this reminder is more likely to cause the customer to bounce off the website and look for the product somewhere else.

Instead, that page could remind them of what other popular games are in stock, improving the chance that the location will make the sale and the customer will be satisfied.
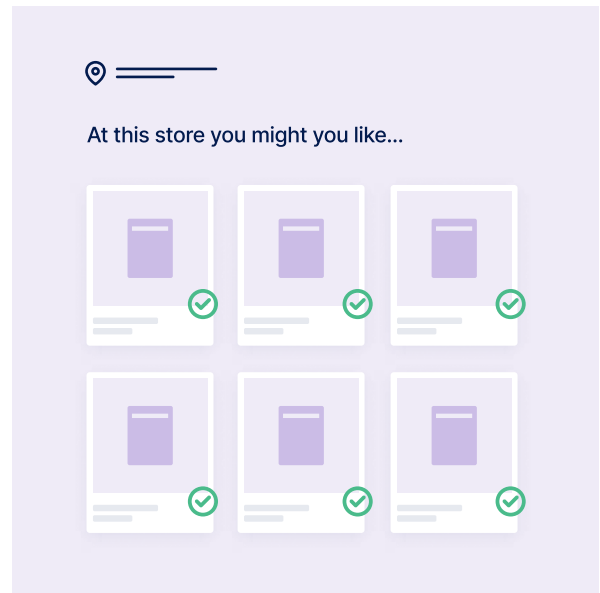
These types of personalizations create a **sizable lift** in key business metrics. But they depend on an AI solution that can tap into accurate inventory data to offer product-level availability—and that can leverage that data in a way that's appropriate to each visitor's individual shopping experience.

AI Equips Retailers for BOPIS and Beyond

Complex inventory management poses a fundamental challenge for ecommerce retailers, but a pioneering opportunity for AI tailored to unique ecommerce needs. Light years beyond a general search engine algorithm scanning for synonyms, a modern discovery platform can leverage specific ecommerce behaviors and inventory data to optimize for customer experience and business KPIs.

With BOPIS, the pandemic taught us that omnichannel agility is the touchstone of a future-proof retail strategy. But now we move into a future where omnichannel isn't new anymore. It's just normal. Leading the pack in 2022 will be the ecommerce brands that build that same agility into their omnichannel strategies— and into their tech stack.

Optimizing In-Store Retail Experience with AI

While alternative fulfillment options like BOPIS are on the rise, it's important to remember that omnichannel isn't just digital. Black Friday weekend in 2021 saw a **14% increase in foot traffic** over 2020 (and a corresponding dip in online sales) as some shoppers returned to stores.

But in 2022, the reason that people visit retail stores has shifted somewhat, and shifted away from pure transaction. Involving all of the senses, the brick-and-mortar storefront is a curated space that delivers a very particular brand message and experience to the customer. Even if the in-store experience is not the same as it has been, customers are still seeking the benefits that personal attention and one-on-one interaction provide. Expectations for customized experiences have never been higher.

"A store is no longer a place for people to buy products. It's not a fulfillment center," explains retail experience consultant

Taylor Arno. "So much of retail is about storytelling, and the human touch and the people involved is the foundation on which relationships with brands are built."

Arno says she has seen a shift in how brands adopt omnichannel strategies—and in how customers respond. "The retail team is there to serve as an expert on the brand. It's not about the product specifications—customers can see those online, so they know more than store associates do most of the time."

This reveals some insights about the role of each channel in modern retail. If the in-store retail experience is about connecting more deeply with the brand from a sensory perspective, and the online experience is about educating customers and enabling sales, how can digital solutions empower customers and enable sales in-store?

Better Customer Experience through AI

It might seem counterintuitive that technology could be at the forefront of helping improve in-store retail experience. How could we possibly offer better, more personal in-store experiences with less human interface time?

There's a certain amount of pragmatism required here in 2022, when we're in the midst of a labor shortage, a supply chain crisis, and ostensibly the tail end of a pandemic. It's not necessarily about the quantity of time a sales associate spends with a customer, but the quality.

"The most important area in apparel retail, the conversion zone, is the fitting room," Arno explains. "If the fitting room is a party, the sales associate staffing the room is the host who cares for their guests. There's a customer in the room who is physically experiencing something for the first time, and it might be different from what they expect. They are vulnerable, and they need someone who is an expert in the brand who can either affirm them or guide them to a different option."
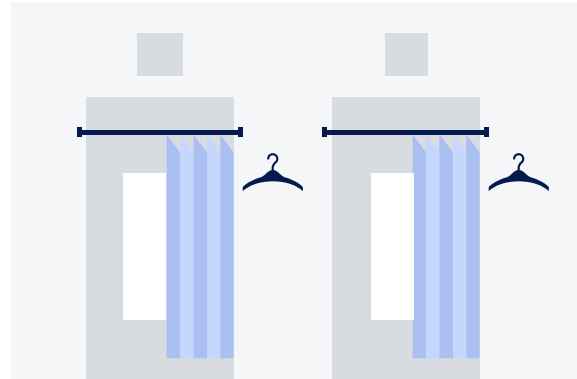
But if the fitting room is where the sales associates should be, especially in this time of staffing concerns, that takes attention away from the sales floor where customers are trying to complete simple tasks like finding products or determining garment care instructions. And sometimes those needs are actually not best met by sales associates.

Imagine you're shopping for fitness clothes for the first time in a while so you go into a high-end fitness apparel retailer. You might be feeling a little intimidated. You might not understand the difference between lines or products (is this shirt actually made for intense Crossfit workouts or is it just athleisure?). And the presence of the staff and other customers who are much more physically fit than you has you beginning to question

your entire motivation for walking in the store in the first place.

It's here where tech can step in. With a digital solution (either on your own device or one available in-store), you could answer a few short questions about your goals. From there, you'd receive specific product recommendations and a map to those items in the store. If you don't like a specific item, those recommendations could change as the AI learns more about your preferences. And if you do like a specific item, more information about it (materials, pricing, color variations, care instructions) are all available at your fingertips.

"Tech can remove the barrier to entry in a way that's non-threatening, especially in retail spaces that can be potentially overwhelming," Arno says. "It can be an additional touchpoint before you work

with a human and have to share a lot of personal information. Tools that can answer basic questions and make recommendations can give the customer a positive experience that a store associate can build on in the future."

These technologies can also allow store associates to be where they're needed most: interacting with customers in fitting rooms, offering expert advice and counsel, and building each retail brand's reputation.
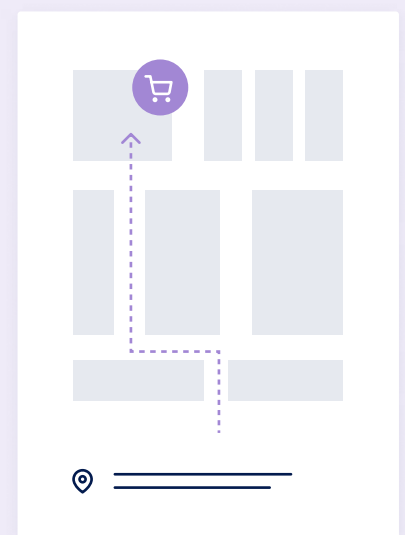
Omnichannel strategies in the wild

- **Sephora** offers a number of product discovery options in store and in the app, including contactless try-on through the Sephora Virtual Artist and quizzes like the Sephora Fragrance Finder.

- **Lululemon** incorporates large tablets into their retail experience, where customers can look up product information. Smart mirrors also offer opportunities for engagement and community building, informing shoppers about upcoming events in their area.

- **Zara** has introduced a smart mirror that offers self-checkout options simply by holding the item up in front of it.

- **Levi's** offers virtual try-on services through its app. It's also investing in an AI-powered solution with up-to-the-minute inventory information for each location to promote curated collections based on what's in stock now.

- **Burberry** has launched the first "social store" in Shenzhen, China. Introducing gamification and immersion into the customer experience, customers are rewarded with real-life exclusive experiences in-store when they complete actions within the store's app.

- **Adidas** offers Run Genie, a sensor system that helps analyze the customer's running gait and recommends the right shoes. Providing a personalized, four-minute experience that involves both the store associate and the customer, Run Genie has contributed to **60% conversion rates** in store.

Augmenting Reality through Ecommerce Product Discovery

While technology can enhance the in-store experience in the moment, the truth is that the majority of customers today do their research **before they come in store.** The store associate is no longer the single source of truth for a savvy customer: the store website is. Smart retailers are recognizing that fact and leveraging it.

Ecommerce websites have the power to affect user behavior and experience in store. Just like BOPIS, in-store inventory status can provide an avenue for online product discovery by tailoring results to what customers can walk into the physical store and purchase at that very moment.

Some retailers like Home Depot display not only what's in stock in-store on each product page, but even the granularity of what section or aisle an item is in. This takes things a step further, enhancing the in-store experience with the convenience of a website.

Applying omnichannel strategies, such as displaying what products are in stock at nearby locations, results in an **80% increase in incremental store visits.**

There are other ways for retailers to augment the in-store experience with technology. By offering a QR code next to each item in-store, you can suggest other in-stock alternatives to that particular item—and those recommendations could be tailored to each shopper's preferences based on their previous in-store and online activity and shopping history.

82% of smartphone users **consult their devices in-store** as they're making purchasing decisions.

As we move toward a more omnichannel future, retailers are recognizing that product discovery optimizations don't just happen online. The goal is an integrated ecosystem where any customer wanting to find a product can do it without friction, no matter where they (or their products) are.

A true omnichannel strategy is able to marry the physical immediacy and sensory gratification of the retail store with the actual immediacy of online search and discovery. Not only can you have your cake and eat it too, but thanks to new technology you can now find that cake even faster in the store—and eat one you like more next time.

Translating Store-Level Personalization to the Online Experience

If companies can enhance the in-store experience by tapping into AI and machine learning technologies, can those technologies also provide more of the benefits of in-store shopping for online customers?

The "virtual try-on" using customers' smartphone cameras is used across retailers for everything from beauty products to jewelry to eyeglasses. At first it was a novelty, then a necessity during the pandemic. Now, it's just one scratch on the surface of better online shopping.

Here are some strong trends we see for AI in customizing ecommerce experiences.

Where Everybody Knows Your Name

Anyone who's ever been a "regular" at a coffee shop knows what that experience is like: how you get to know the counter staff a little better each day; how they greet you by name when you walk in the door, how they know your daily order by heart and prepare it without even needing to ask.

When it comes to customer service, it feels good to be remembered.

Far beyond simply storing your credit card information, the omnichannel ecommerce experience also provides an opportunity to help customers feel "remembered" with AI and machine learning. For example, your online purchase history is stored in your account. Why not your in-store shopping history as well?

This is actually already in play at many grocery stores that use rewards accounts. When a customer logs in to place an online grocery order, they're often prompted to "Start Your Cart" with items that they've purchased in the past—both online and in store. This is because their store account tracks customer purchases for the purpose of awarding fuel rewards and printing out customized coupons at the register.

Your new jeans would go great with...

Optimized for: **Profit**
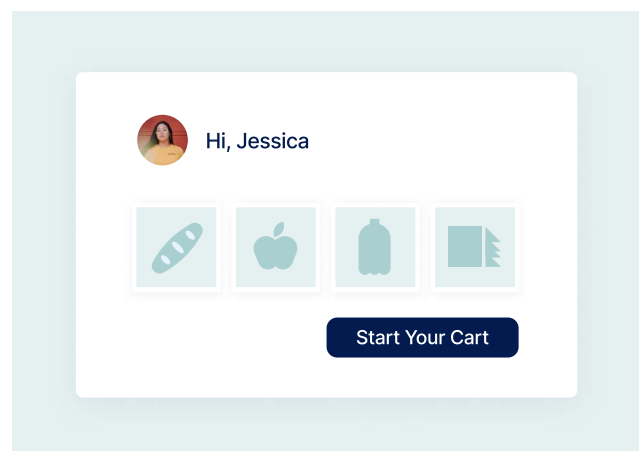
In-store purchase data could be potentially very valuable to businesses and provide more accurate recommendation pages for online consumers. Products purchased in-store are **three times less likely to be returned** than items purchased online. If they've passed the vetting process in real life, shouldn't those items factor just as equally as online purchases into what a customer sees when they visit an ecommerce website?

A product search and discovery platform that's able to analyze this purchase data with machine learning and AI could leverage it strategically in online **category pages** and in **recommendations**. Say a customer buys a new pair of jeans in store, likely after having tried them on (maybe even checking them out using a smart mirror right in the dressing room). That customer probably isn't in the market for another new pair right now, but your discovery platform might display a sweater and boots that coordinate well with those jeans on your landing page the next time they visit. The result is a better, more personalized experience.
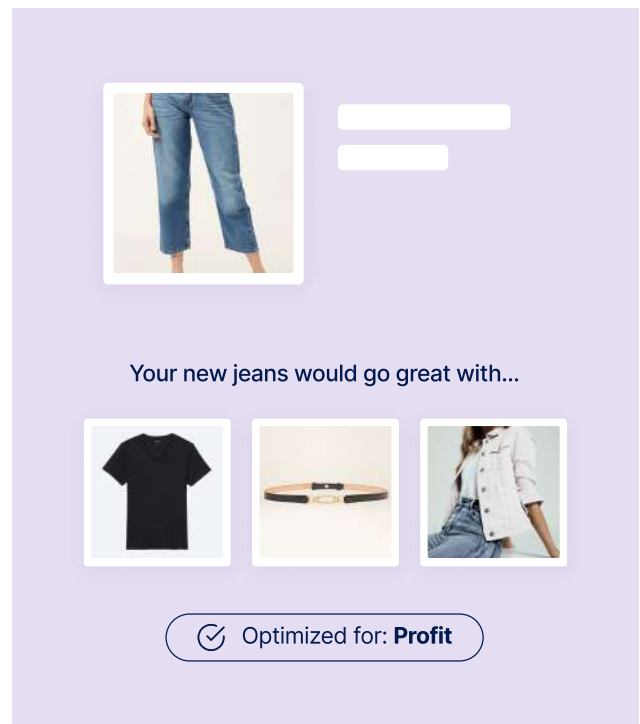
A Shopping Experience of One

Online environments have potential advantages over in-store experiences when it comes to personalization.

In-store merchandisers spend time creating appealing product displays and painstakingly pairing products on mannequins. They might design collections based on new inventory or

seasonality… but it's impossible to have an in-store experience that's tailored to everyone. Imagine a collection of mannequins standing together at the front display of a department store. They might have men's and women's clothes, be styled for older adults and young teens, or feature lines for different sizes.

Instead of walking into a store for everyone, ecommerce merchandising teams can leverage data to make each online visit a completely curated, personalized experience for each customer's desired specifications.

Using hyper-personalization techniques like crafting **tailored landing pages** or browse pages based on clickstream data creates better customer experiences. And those better, more personalized experiences reduce the chance a user will click off the page because it doesn't seem relevant or attractive to them. More relevance and attractiveness will improve a number of critical ecommerce KPIs, such as product clicks from search and browse, add to carts, and conversions.

Understanding Shopper Intent

A customer walking into a furniture store would be taken aback if they asked a sales associate for help finding a nightstand and the store associate replied, "Sorry, we don't have nightstands…but do you mean a bedside table? An end table? A side table?"

But this is the experience that millions of online shoppers experience everyday across the internet. Typing a term into a search bar feels like a gamble. Will there be 10 results that come back? 1,000? Zero?

Ecommerce websites and their search platforms need to improve at understanding shopper search intent, and AI and machine learning can help. This is achieved through "contextual awareness," the idea that the search algorithm should be able to understand and learn the relationships that terms have with each other, so that it can return the most attractive results to customers.

For example, say the algorithm is able to map out relationships between the terms "healthy," "no sugar added," and "organic." If a user searches for "healthy peach snack," and there are no peach items in the product catalog, the search platform could return "no sugar added" or "organic" snack options instead of no results at all.
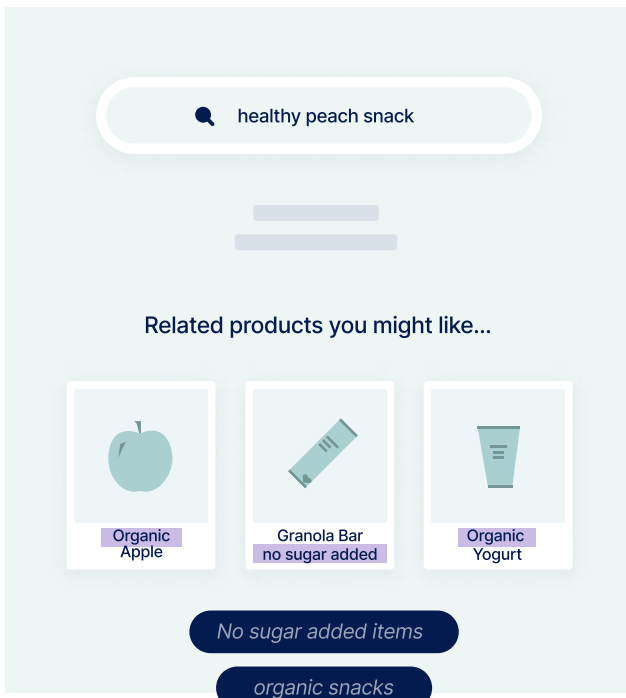
This work would be highly manual and mind-numbing for merchandising teams not using an AI-backed search solution. But the nature of this problem—always changing and evolving along with human language usage—is exactly the type of problem that AI and machine learning are designed to solve.

Tapping into these solutions can help make search results more natural, more attractive to shoppers, and more like what they might gain from the in-store experience.

Q healthy peach snack

Related products you might like...

Organic Apple

Granola Bar no sugar added

Organic Yogurt

No sugar added items

organic snacks

Omnichannel: Here for Good

More and more enterprise companies from food service to retail are taking deliberate steps to make customer experience a priority, going so far as to create the role of CCO: chief customer officer. The message is clear: internally as much as externally, customers matter.

And as the shifts in consumer behavior and expectations have made clear, omnichannel is the world in which these efforts will need to manifest.

Retailers succeed when they help customers easily find products they love —wherever they are, and despite whatever changes are coming next. This ability lies at the heart of a successful omnichannel strategy.

In the end, the companies that stay ahead of their competitors in 2022 and beyond will be those that are able to put the customer first and cultivate experiences that make those customers feel special, in store and online.
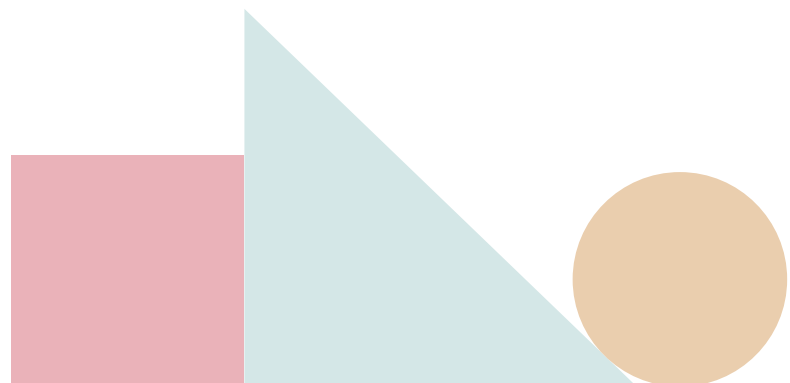
Product Discovery As It Should Be: Designed for Ecommerce. Driven by AI.

With every action they take on your website, your customers are telling you what they want to buy. Constructor actually listens to them.

Applying machine learning and AI to your product catalog and customer clickstream data, Constructor creates personalized, optimized product discovery experiences across search, browse, recommendations, and more. Our products help top ecommerce companies drive KPIs and grow lifetime value.

PetFlow

AMERICAN EAGLE

ebuyer

maxeda
DIY Group

scrubs&beyond
life uniform | Uniform City

PRINCESS AUTO

SEPHORA

Target
AU

Kmart

FRENCH TOAST

Backcountry

CURTSY

Let us prove how Constructor's machine-learning backed platform can lift key metrics like conversions and revenue per user—on *your* site, using *your* data.

Prove it