

REVOLUTION



Magic
is easy,
utility
is hard

Retail Revolution: Magic is Easy, Utility is Hard

The capabilities of Artificial Intelligence (AI) technologies are exploding after many decades of promise. Already shoppers around the world are utilising voice applications, visual search and a menagerie of smart connected devices around their homes, their landscapes and even their bodies.

The revolution has already begun but there is still a very long way to go as AI technologies take up the mantle of driving transformation across sectors and experiences. A critical component in creating successful transformation strategies is to understand the consumer's perspective.

To enhance our understanding of how consumers accept, understand and trust AI in their daily lives, OMD launched the Retail Revolution research initiative in 2017. This global multi-phased research project tracks longitudinal AI perceptions and adoption, as well as investigating how AI should be applied to create more valued and valuable brand experiences across the consumer journey.

Through multiple research phases and methods, including both a quantitative survey and qualitative methodologies, OMD has tracked over 30,000 respondents across 21 global markets, 21 shopping categories and 80 future retail scenarios over four years.

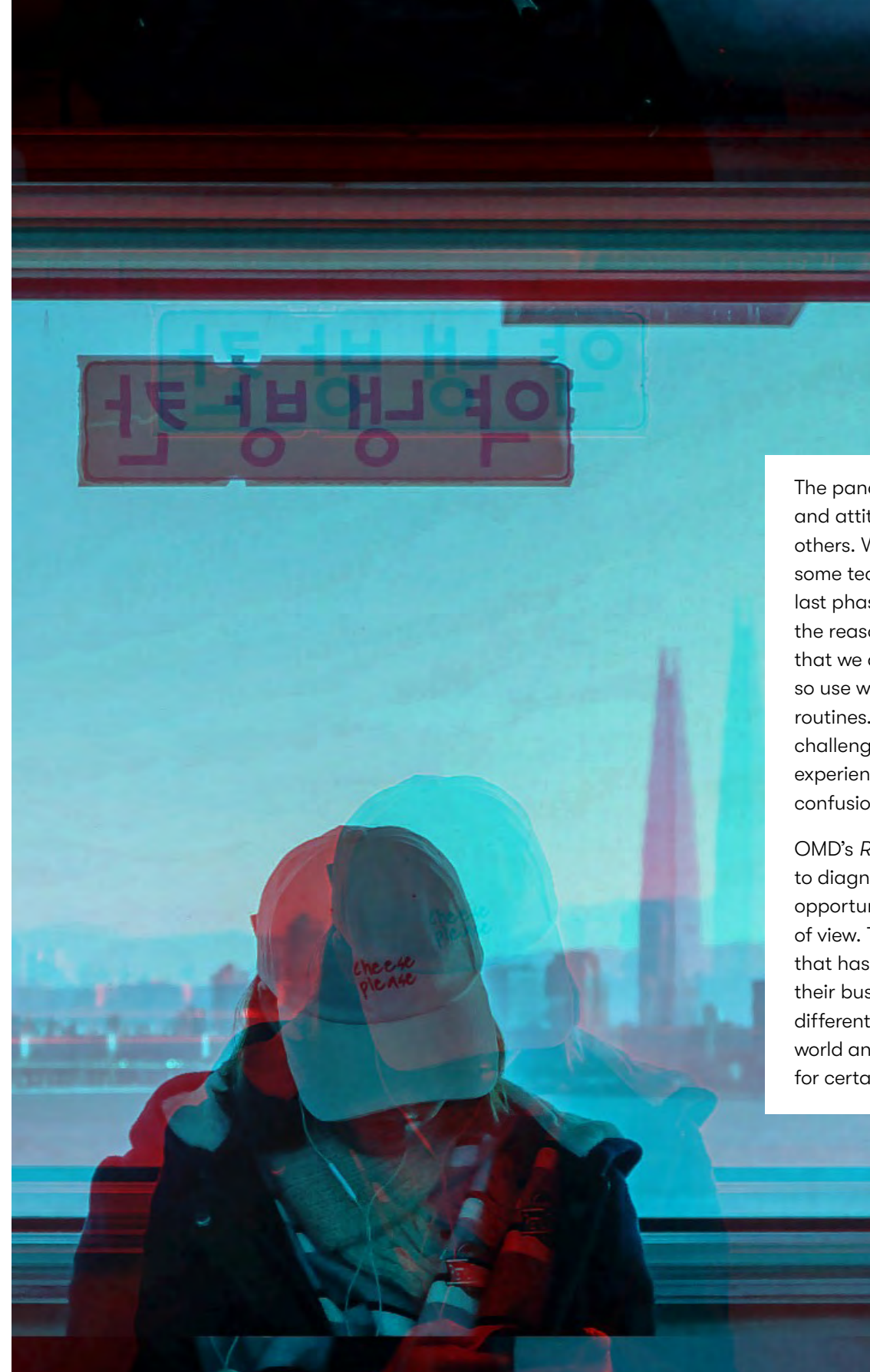
The Covid-19 pandemic has added a further layer of disruption to consumer retail behaviors. In 2021 OMD delivered two reports aimed at understanding what has changed about consumer behaviours and attitudes.

The [Future of Commerce](#) report looks at how the pandemic has changed people's offline to online shopping behaviours to foster a 'Wow Right Now' mindset.

Whilst this report, *Retail Revolution | Magic is Easy, Utility is Hard*, tracks consumer attitudes to these rapidly changing technologies to understand barriers to adoption, the new influences on purchase decisions, who is most trusted in this environment and the opportunities for brands to engage through these new capabilities.

The pandemic has shaken up behaviours and attitudes in this space like all others. We have seen the utilisation of some technologies decline since the last phase of research in 2019. For some the reason could be down to the fact that we are out and about less often so use will return as we return to daily routines. Others have more fundamental challenges failing to deliver a worthwhile experience, lacking trust or suffering confusion about the value they deliver.

OMD's *Retail Revolution* seeks to diagnose the challenges and opportunities from the consumer's point of view. To plot a path forward for brands that has the most potential to transform their business. This report will highlight different patterns of behaviour around the world and how some markets will be ready for certain innovations before others.



The good news is that consumers are still engaged with these technologies and are excited by their potential.

Our latest phase of research kicked off by asking respondents to rate the potential of AI to enhance their shopping experience, taking in both in-store and online experiences. When asked about their belief in the benefits across 18 shopping objectives, measured AI technologies scored higher than both in-store and online shopping in every case.

The understanding of, and belief in, AI technologies has continued to grow, but the context has shifted from the magic of AI to a focus on practical utility in their daily lives. This is a far more significant challenge that requires engagement and commitment from across an organisation.

The brands that have delivered this utility to date are the most trusted and have

the greatest opportunity to lead in future iterations of technical capability. From the research we have seen that 62% believe AI can make purchases more convenient.

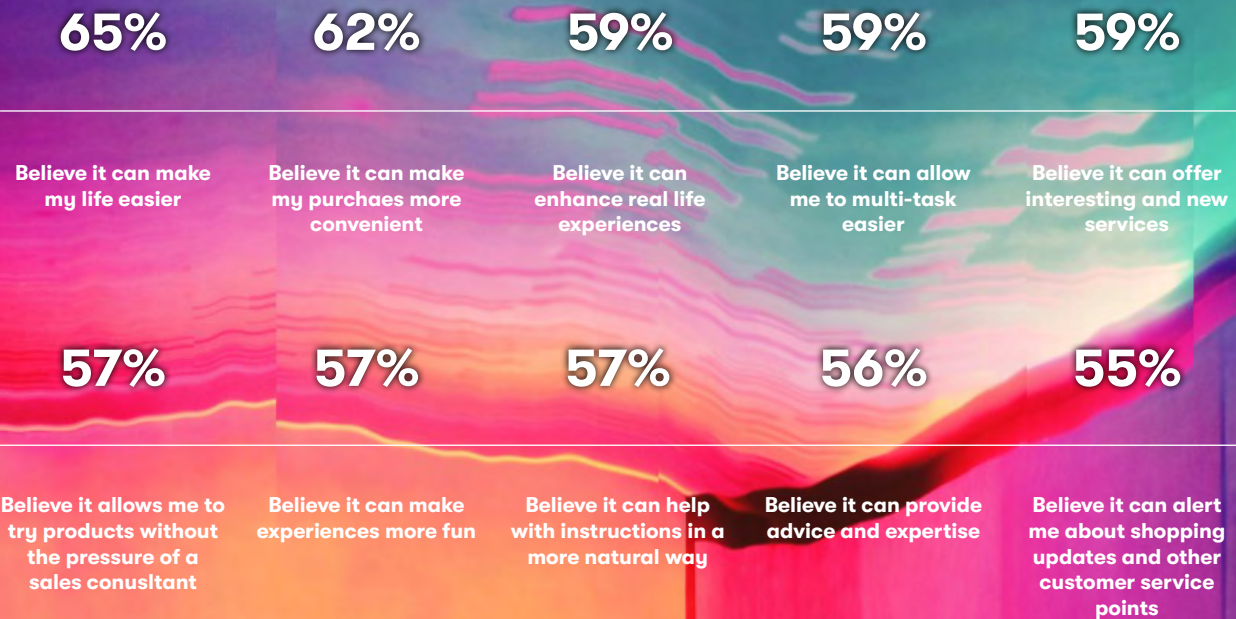
Take Netflix for example, the streaming giant uses AI to offer a more engaging user experience by curating movies and showing recommendations based on subscriber behaviour. However, Netflix’s utilisation of AI goes much further. It’s also used to decide which thumbnails we see when scrolling down the homepage, which locations to use when filming and even which talent to poach from competitor platforms.

It is utility that drives regular use, which then drives trust, which in turn drives openness to more advanced services and experience built on access to more personal data.

In one line: **Magic is easy, utility is hard...**



10 shopping benefits where the majority believe that AI technologies can make a positive difference



65% of respondents say they believe that AI interactions make their life easier

Evolving the Retail Revolution

There is now a need to drive utility at scale with AI and new technology applications.

Since 2017, when we launched the first phase of the Retail Revolution research, we have tracked maturing attitudes and understanding of AI technologies and there is now a need to drive utility at scale with AI and new technology applications.

In 2017 AI services were just coming to market. Smart home technology penetration was low and consumers were tentatively starting to use voice and image services on their devices. Shoppers around the world had heightened expectations and a lack of understanding – likely more shaped by sci-fi visions of the future than everyday experience.

Through the second phase in 2019, we saw significant growth in penetration. The need for real-time decision making pushed AI closer to 'the edge' and the ability to respond faster to locally processed data; facial recognition became more widespread (from unlocking phones to boarding flights), and retailers invested heavily in contextual understanding of e-commerce search terms.

In the US, according to Stanford University's "The AI Index 2019 Annual Report", the share of jobs in AI-related topics increased from

0.26% of total jobs posted in 2010 to 1.32% in October 2019, with the highest share in Machine Learning (0.51% of total jobs).

Consumers spoke of the practical benefits of the technology and frustration when it didn't work for them. In 2021 after more, than a year of pandemic disruption consumers were less enamored with the magic of AI but more focused on its developing utility in their daily lives with 33% of respondents trusting AI (up from 27% in 2019). Some technologies and sectors are meeting those expectations and consumers continue to use and trust them more. Whilst others that have failed to meet expectations, result in mistrust or being ignored.

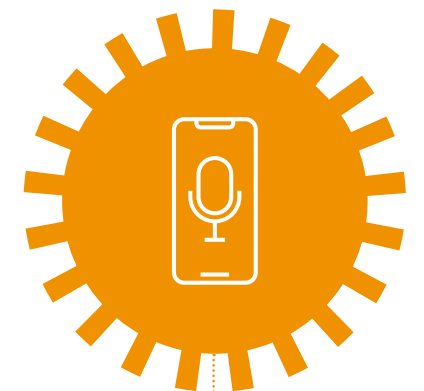
Digital assistants have become increasingly ingrained in our lives



61% of smart speakers have been owned for over a year, compared to only **25%** in 2019



Making weekly purchases have increased across image search functions and smart speakers. However, there has been a decline in their overall perceived shopping influence



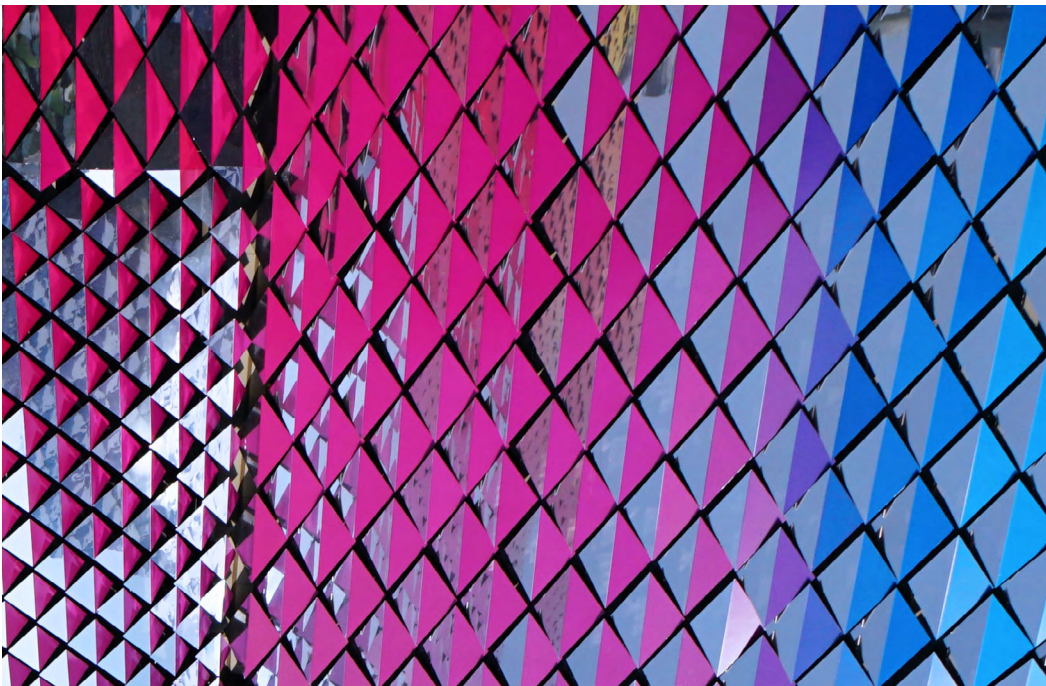
People's use of voice assistants has become a familiar part of everyday life, 32% in 2021 versus 26% in 2019



Exploring the AI value exchange

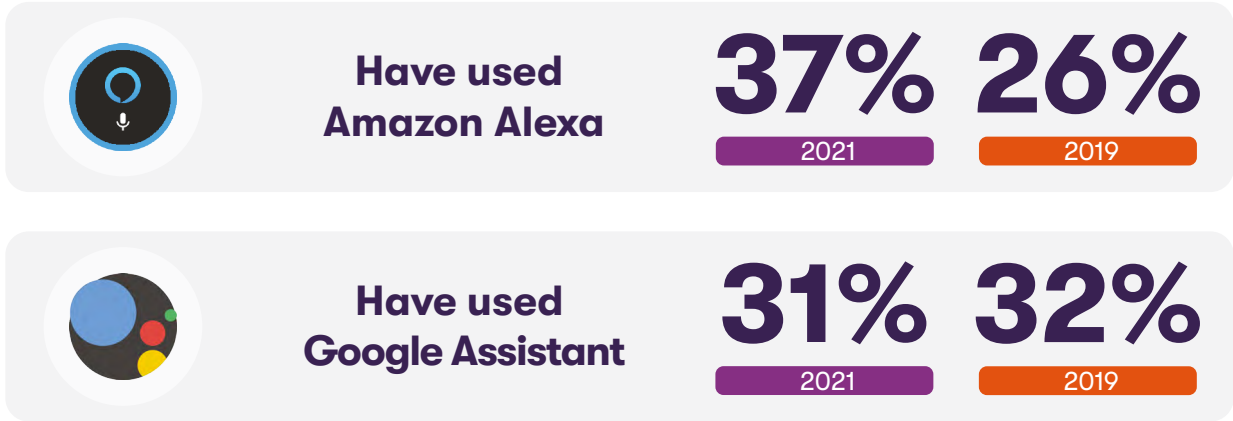
Digital assistants remain the most engaged with smart technology category however, **41%** of voice assistant users don't think they are using this technology to its full potential.

Digital assistant usage is on the rise – **71%** of respondents in the UK, Germany and Spain tried a digital assistant in 2021 vs **68%** in 2019. As people learn how to use voice assistants and the benefits become more valued, they will become more habituated and their importance in our day-to-day lives will continue to grow.

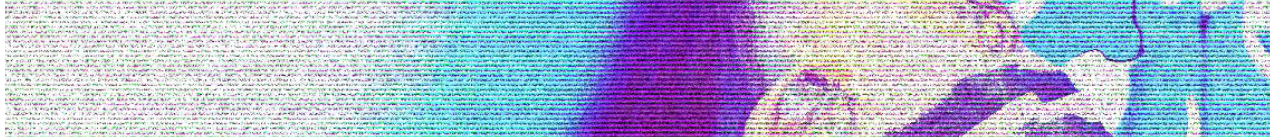


Respondents see less prevalence for visual search across the influence stages of their shopping journey in 2021, compared to two years ago, when the technology was still relatively new to market.

We hypothesise this is likely because we are spending less time away from home discovering new things and the utility may well return. Usage has gone up in China significantly where consumer movement has been nearer to pre-pandemic levels with **89% claiming to have tried image search in China in 2021 compared to 72% in 2019.**



In China, 89% have claimed to have tried image search in 2021, up from 72% in 2019



Making weekly purchases have increased across image search functions and smart speakers.

The main AI interactions respondents find most appealing are the ones that make their lives easier, purchases more convenient and enhance real life experiences. **55%** of respondents feel technology has improved the simplification of transactions and immediacy of shopping and people would like to see more health and safety measures, more product reviews and recommendations in-store the most.

There is a slight shift in tolerance of data collection between 2019 to 2021 – down from **70%** in 2019 to **62%** in 2021. Yet there is also a small dip - **34%** in 2019 vs **32%** in 2021 - for how happy people are to share their data in exchange for personalised services or offers on regular purchases. This indicates dropping perceptions of the usefulness of targeted promotions. There is room for improvement for brands to do better here – programmatic data segmentation is one tool in agencies’ playbooks for how promotions can be created more efficiently driving utility of AI at scale.

Between 2019 and 2021, AI technologies used in digital assistants, smart speakers and image search have become significantly more influential across the purchase funnel.

Researching a product or service carries the highest ranking for influence (**50%** in 2021 vs **19%** in 2019), marking an early point for AI technology interaction in the consumer purchase journey; this is followed by ‘purchasing a product or service’ with **42%** in 2021 vs **23%** in 2019, which showcases an increase in adoption of AI technologies in later stages of the consumer purchase journey.

How influential are digital assistants, smart speakers or image search?

Influential

	2019	2021
When looking for inspiration	22%	43%
When researching a product or service	19%	50%
When purchasing a product or service	23%	42%
For after-purchase customer service	27%	36%

Pandemic fuelled behaviours

People have tried more digital platforms and behaviours including shopping more online and trying new ways to purchase

60% are shopping online more as a result of the pandemic

Restrictions and health concerns during the pandemic limited our mobility. Whilst digital adoption and trial of new technology interactions - for both brands and consumers - increased.

In 2020, we saw 10 years of e-commerce growth happen in just three months, according to McKinsey & Company. Between **12-21%** of consumers in the US, UK, Germany and France said they had switched to brands that sent them relevant messages or promotions in their preferred channel.

We've seen how businesses and people increasingly engage with new technologies and platforms for a variety of reasons, such as shopping, entertainment and socialising to name a few, upping their interactions and use cases as they became aware of them. We also saw new applications of

technologies that are delivering novel experiences from contactless in-store to AR/VR enabling virtual try-ons at home. All of which has led to higher levels of AI familiarity (increasing by **29%** from 2019 to 2021) and trust (increasing by **7%** from 2019 to 2021).

Overall, AI has hit the point where it has proven itself – it's less sexy but more ingrained in our daily lives.

We have also seen the pandemic create an environment where brands and people are increasingly open to, and trying, new digital interactions – ultimately leading to new habits being built around them.



With businesses investing in seven years of digital adoption by October 2020 to adapt to the pandemic environment, according to McKinsey & Company, brands now have the technology and data infrastructures needed to deliver more valuable experiences to consumers. However, the opportunities and challenges lie in identifying and building practical applications at scale that people want or need, establishing new behaviours and habits.

Technological capability has developed at a pace never seen before

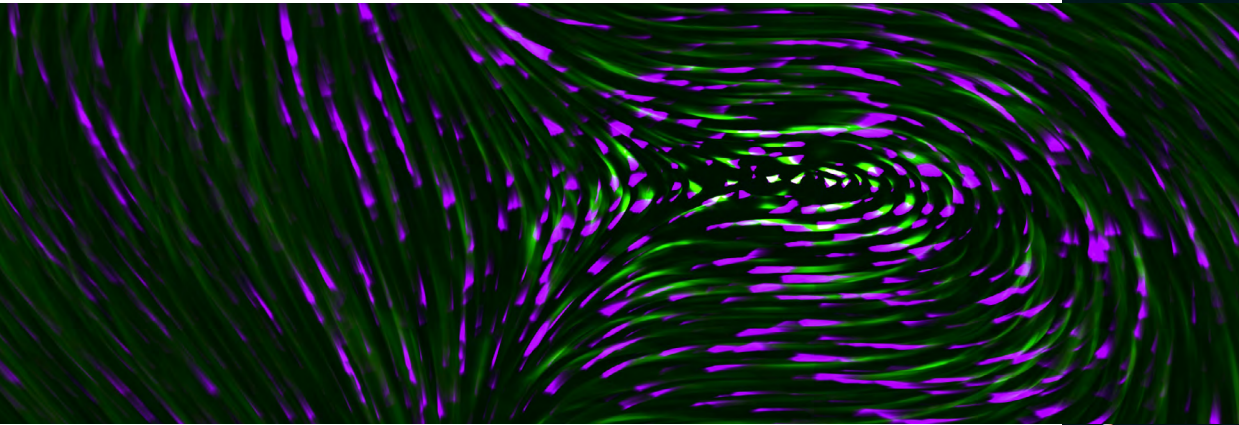
With growing familiarity among consumers, investment in AI technologies has skyrocketed over **400%** since 2015 to \$67.85bn in 2020, often led by global digital platforms such as Google, Amazon and Meta. The past 10 years has seen phenomenal strides forward in capability of a huge range of AI technologies. Many of these models are becoming commercial products as paid-for subscriptions through APIs, enabling brands to access ever more powerful capabilities, including these recent AI developments that will change the world:

Open AI built GPT-3

a language model that uses deep learning to produce human-like text. From translation of contracts to elementary school grade English to writing of news articles and stories based on one-line briefs. As of November 2021, everyone can access the GPT-3 API so we can expect more innovative ideas throughout 2022.

DALL-E is an extension to GPT-3 that adds a similar level of intelligence to images. Going beyond an image search engine to create original images just from textual inputs.

Google Magenta is a research project and code library that develops machine learning capabilities and tools to create music art and other cultural assets. It is opening a whole new approach to creativity for brands to express themselves in new ways blending utility and experience.



We can expect to see even more powerful applications come on stream in the next few years. However, we must not forget that AI functionality is a product of both the technology’s capabilities and people’s trust.

The utilisation of AI technologies has not developed in a bubble. It has also been influenced by the pandemic and by wider shifts in attitude regulation and policy.

The past few years have seen numerous stories about data misuse and data security, whilst governmental regulation such as PIPL in China and CCPA in California have come into force in 2021. We have also seen significant changes in policy from the major global platforms to protect consumer privacy.

These developments have driven an increased awareness of the data being harvested about consumers.

A narrative has been built that states the capture and utilisation of data is purely a negative for consumers with no perceived benefit to them.

But the positive, somewhat unrecognised, side of the story is that this information can make products, services and experiences better and at a lower cost.



The following chapters will deep dive into:

How attitudes and behaviours are defined by a trust gap

How to close the trust gap

How trusted AI services address marketing challenges through the 2020s

1 Defining the new trust gap

The speed and depth of adoption of new technology behaviours is often influenced by trust. Far more so than for established behaviours and brand relationships. Across multiple variables; market, demo, sector, utilisation, we see that familiarity and trust correlate strongly.

It is a circular relationship where the ongoing use of a technology drives trust, whilst a lack of trust can inhibit use of the technology. As use has increased over the past two years so has trust.

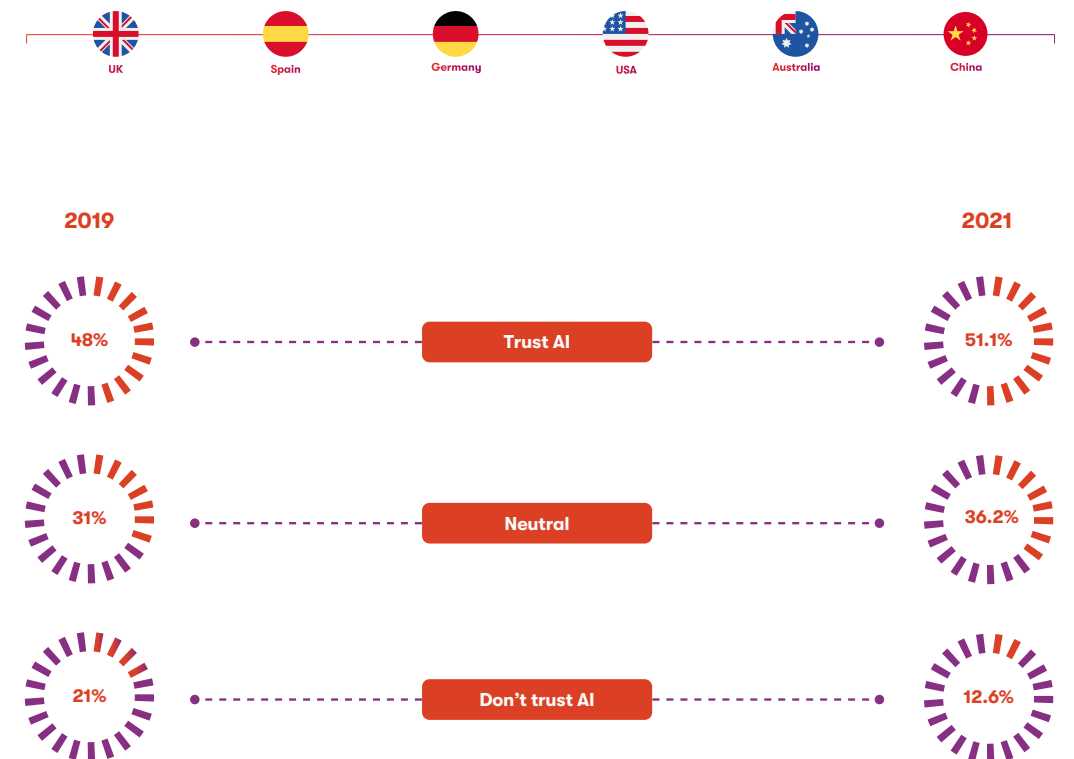
We have seen this pattern in previous phases of the Retail Revolution research. The current research expands this idea that there is a developing trust gap - with some brands and technologies being used more which is driving more trust and hence more use, whilst for others trust may be a barrier to further use.

We have seen consumer AI technologies mature quickly and adoption is reaching mass penetration.

There are many signals of a maturing sector where behaviours are stabilising and becoming part of daily life – led by growth of usage of digital assistants and ownership of a smart speaker between 2019 and 2021.

According to Omdia's latest Smart Speakers 2020 report, the global smart speaker market grew by **58%** in 2020 accounting for 154 million units shipped and in 2021, total smart speaker revenue was up to \$3.2 billion globally.

As such adoption of AI technologies will no longer be fuelled by fast growth in penetration amongst those keen to experiment and explore. The next set of consumers to use these technologies will be late adopters who have very different motivations for use. They often only adopt when alternatives are limited or more expensive. As a result, the utility case will need to be made very clearly.



Changing trust perceptions of AI

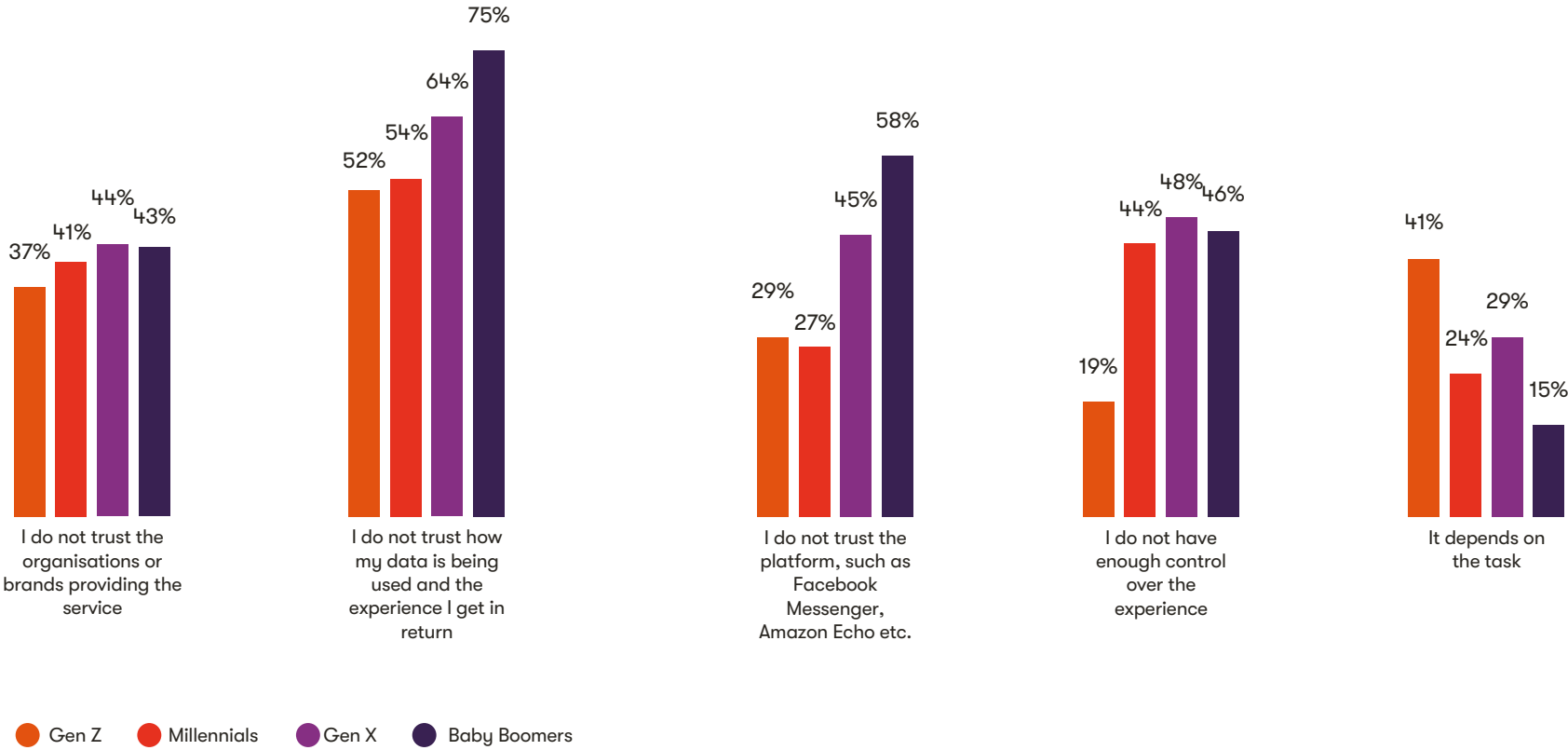
- Facebook announced in November 2021 that it has stopped using its facial recognition AI software for photo-tagging. This is a sign that consumers' trust issues with the Meta-owned social network platform are still very much in evidence (post Cambridge Analytica scandal) and Facebook itself has understood that experts and activists have a point: facial recognition is plagued with bias and privacy issues.
- An AI generated voice of Anthony Bourdain was used in the upcoming documentary Roadrunner to enhance the storytelling and bring to life a letter written by the late chef. However, it has divided people on the ethics of how AI should be used, sparking our imaginations around the possibilities of how AI can bring people back from the dead and the overall human-like voice capabilities of AI.

61% of Millennials are familiar with AI, with 57% of them trusting it vs 25% of Baby Boomers who are familiar with AI, with 30% of them trusting it.

Reasons why respondents don't trust AI

On average **41%** across all age groups do not trust the organisation or brands providing the AI service.

The majority of consumers still do not trust how their data being is being used and the experience they get in return. A little under half of all age groups do not trust the brand providing the service - trust in platforms differs significantly by age. The majority of older consumers are not trusting of these brands and platforms - likely a result of a lack of exposure to them. Gen Z consumers understand that different tasks require different levels of trust; **41%** say trust in AI is dependent on the task.



Trust

Over the last two years, we’ve seen retail brands gain people’s trust, while media and news brands have lost it. **42%** of respondents cite retail brands (in their top 3) as trustworthy enough to make decisions on their behalf, indicating a progressive attitude to encouraging utility as part of the purchase decision. While media and news brands have dropped to **25%** from **30%** in 2019.

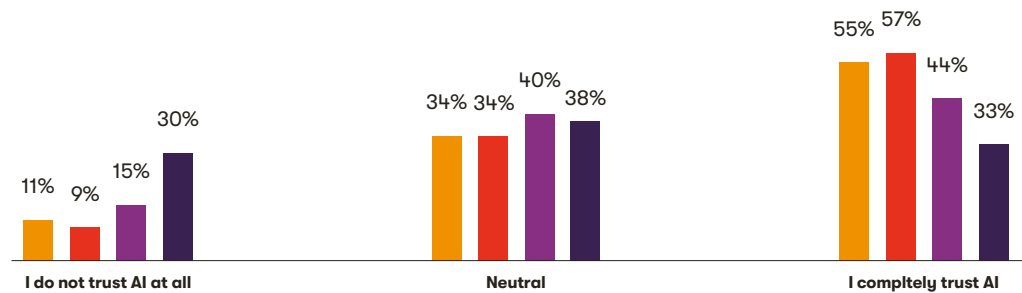
Those who trust media and news brands to make decisions on their behalf are, perhaps not surprisingly, a younger audience, with our data showing a **10%**

YOY increase in Gen Z and Millennial respondents trusting media and news brands **(50% Gen Z and Millennial composition compared to 40% in 2019).**

On the surface there is scepticism towards the utilisation of data to deliver ads. However, dig a little deeper on how the use of data will make the ads more relevant or would generate more relevant ads, then comfort and willingness both go up significantly.

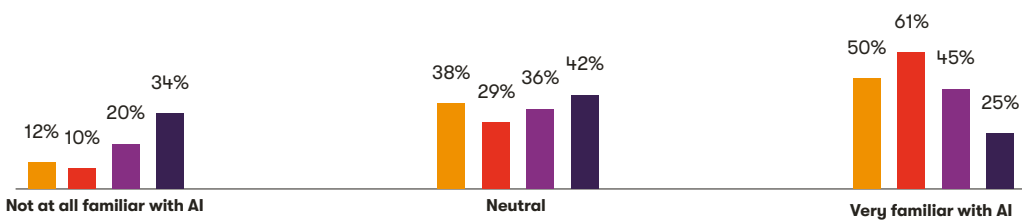
Trust in AI

● Gen Z ● Millennials ● Gen X ● Baby Boomers



Familiar with AI

● Gen Z ● Millennials ● Gen X ● Baby Boomers

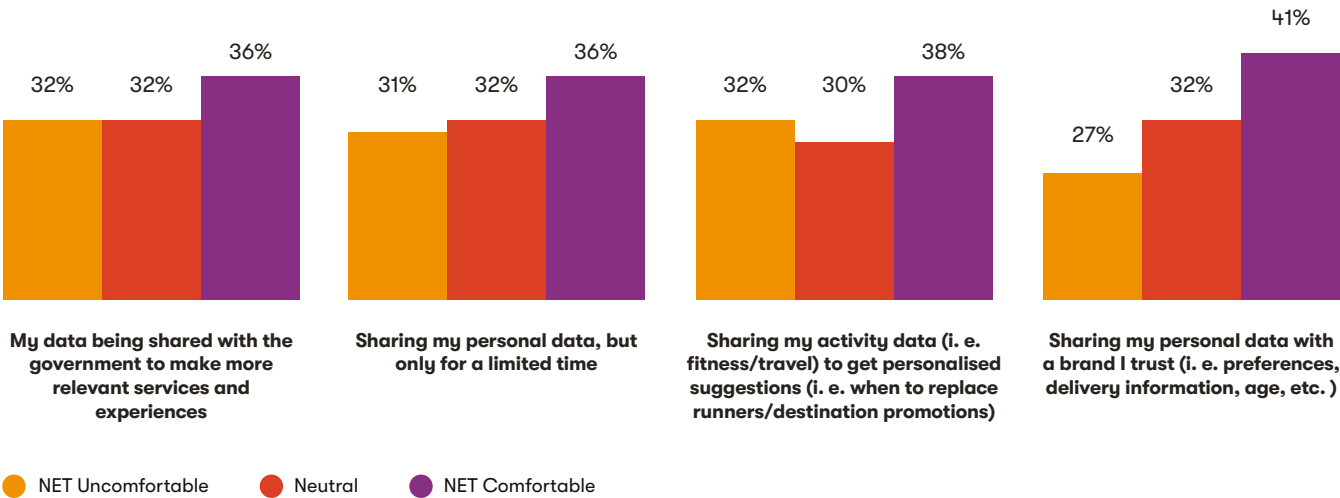


Positive attitudes to data usage foster distinct behavioural change

Respondents who trust technology platforms, financial brands and entertainment brands have distinct perceptions about sharing data.

A net positive score of **+38%** in awareness of data sharing indicates potential to foster change: consumers need to understand the benefit they are receiving to be comfortable with sharing data - when the benefit is most clear the majority are happy to share - but if it is intangible, ambiguous or opaque, the default attitude is against sharing data.

How trust in brand categories has changed from 2019 to 2021 indicates a progressive attitude to using AI for utility.



2 Closing the trust gap

Back in 2017, we mapped out a future based on developing capability and trust. We continue to see amazing capabilities being developed but trust and clarity of use cases still lags behind. For AI technologies to scale to their full potential, this will need to change. Consumer attitudes illustrate where we should invest our focus.

Open to personalisation

People are becoming more open to how their data fuels these capabilities – especially when the value exchange is clear and tangible. The ability to see and analyse real-time data and make actionable changes is key to business success in the 21st century. With an AI-powered telematics platform, businesses not only see the right data at the right time, but the system can spot irregularities far in advance of human ability and help fleets operate at their maximum potential.

The biggest increase in openness is for retailers to use facial recognition to provide a more personalised in-store experience **(+18% increase)** and for fashion brands accessing photos to provide personalised promotions and suggestions **(+11% increase)**.

However, there are privacy issues for the uptake of facial recognition in stores.

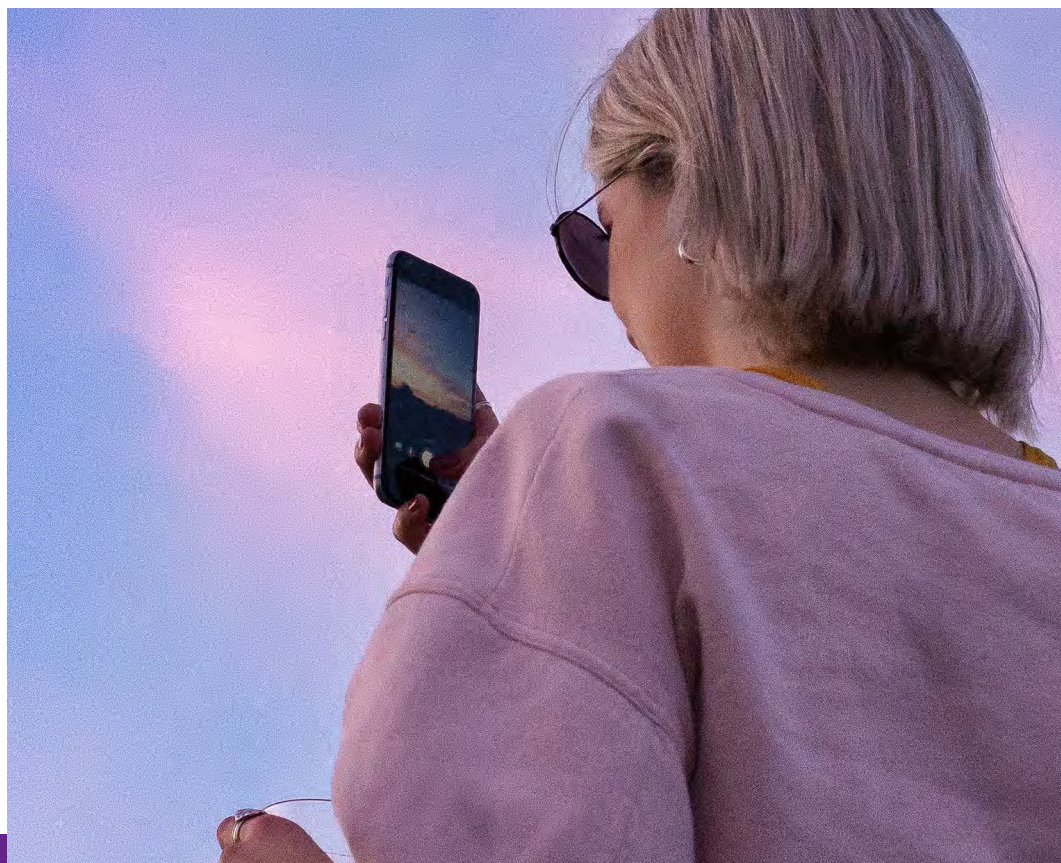
In the US, there is growing controversy as campaign groups lobby to ban major retailers from using facial recognition software set to recognise customers and staff without their knowledge. The software has been installed to deter theft and identify shoplifters however the boundaries of usage are becoming blurred. Furthermore, while a majority **(60%)** of American consumers are aware of the existence of facial recognition technology in stores, according to a recent Pipsley research report, there is a relatively even split for those who say they don't mind it **(42%)** vs those who are against its use **(38%)**. The use and the benefit must be made clear.

The lowest level of openness was allowing a TV streaming brand to access all viewing habits to enhance their subscriptions.

75% do not trust how data is being used vs experiences received

This aligns with the more general trend of mistrust in entertainment brands as many feel less comfortable with the attention being algorithmically curated – made especially tangible through political polarisation with filter bubbles.

Clearly, people are still hesitant about sharing their data – with or without the benefit of personalisation. Lack of overall trust, familiarity in AI and being uncomfortable sharing data are key reasons why respondents do not find AI interactions appealing. I do not trust how my data is being used vs the experience I get in return is the highest scoring reason, especially among Baby Boomers **(75%)**.



AI Trust Innovators

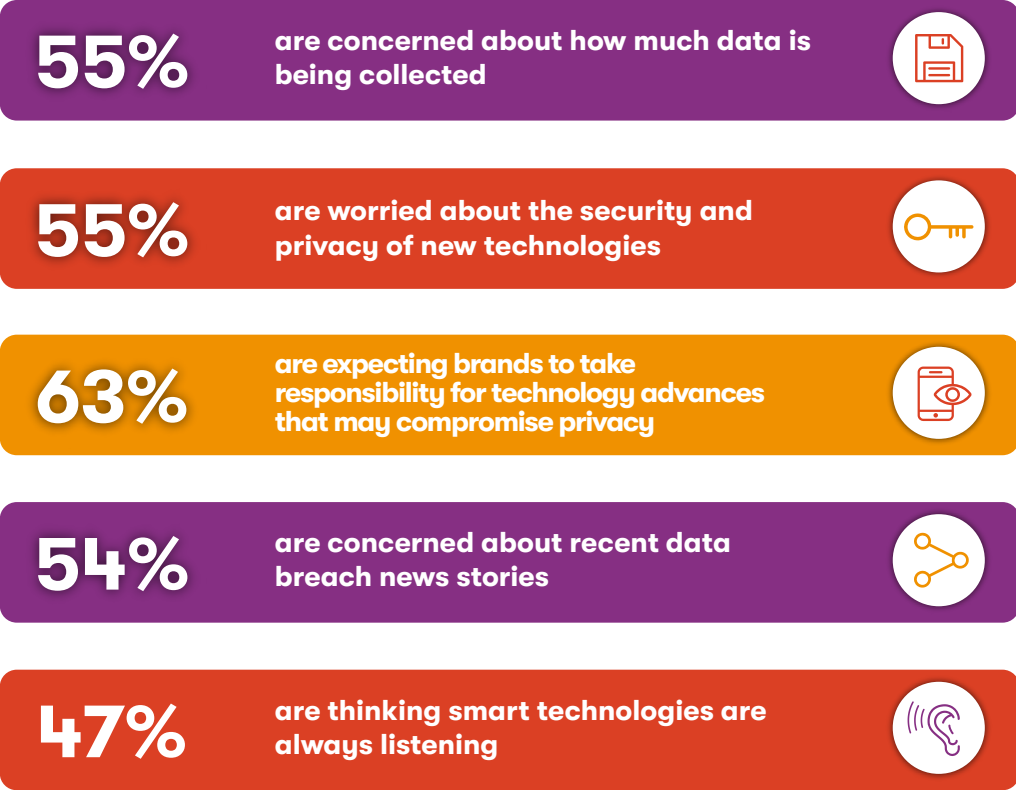
- Grubhub and Yandex partnered to deliver food at US colleges using autonomous bots, starting with approximately 250 colleges. The delivery bots can navigate pedestrian areas and handle delivery tasks typically performed by human deliverers. Robots have had use imagining all sorts of scenarios over the years with capabilities advancing to provide real-life experiences.
- Zego is a UK start-up specialising in vehicle insurance for gig-economy workers such as Uber drivers. The service uses telematics to collect driver behaviour data – such as hours driven and driving history – and personalises cover via its usage-based AI model. 67% of respondents expect brands to take responsibility for technology advances that may compromise privacy and 64% of respondents worry about the security and privacy of new technologies.

New technology when done properly drives relevancy for consumers and enhances brand values

People feel most strongly about brands taking responsibility for the technological advancements that may compromise privacy and therefore worry about the security of new technologies.

There is an opportunity for brands to lead on security and privacy in their sectors, with the major platforms already competing in this space. Brands should highlight the measures they take around security and respect for privacy in public messaging, as well as working with platforms on their latest developments in this space.

Alternatively, brand communications for a last-mile delivery service could highlight why brands aren't using consumers' data; such as when providing an updated delivery status to a customer noting that their address was used to provide them with the relevant information of when to expect the delivery but that's all – with a clear statement highlighting that none of their data has been or will be used for other purposes and that their data also hasn't been stored. Data should only be requested when there is clear value to the consumer.



63% are expecting brands to take responsibility for technology advances that may compromise privacy

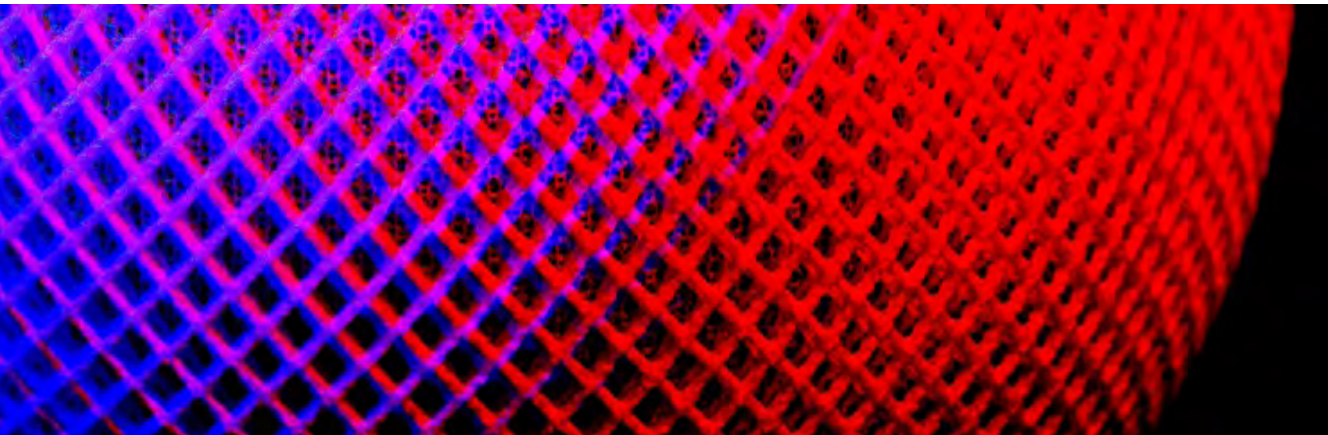
Responsibility in machine learning

It has been illustrated repeatedly that machine learning technologies can amplify biases in existing data sets or code. This leads to inaccurate or even damaging outcomes- especially for groups poorly represented in sampled data.

Twitter recognises this challenge and has set up a specialist team called META - Machine learning Ethics, Transparency and Accountability. Recognising that significant investment needs to be made to enable trust in the algorithms that are shaping our daily lives.

This group is focused on understanding the negative implications of algorithms, enabling greater transparency and to better connect those algorithms to the brands core purpose and to involve consumers in that purpose.

This points to an increased opportunity for technology and data to drive relevancy for consumers and values of brands going forward, as well as ease concerns.



3 The new AI value exchange

Data becomes increasingly important in a cookie-less environment and to build next level technology experiences

AI technologies are becoming ingrained in people’s daily lives. To be sustainable and not ultimately rejected by consumers or ignored by brands there needs to be a clear value exchange where both parties profit from the increased sharing and utilisation of data. The consumer is providing permissions to access necessary data and to interact with services, and in return brands are providing services that help them in multiple ways. Trust and clarity of simple use cases are the mechanisms by which consumers start to use these technologies. To scale and be impactful, the trust between consumer and brand will need to be maintained.

Leveraging trusted utility through the purchase funnel

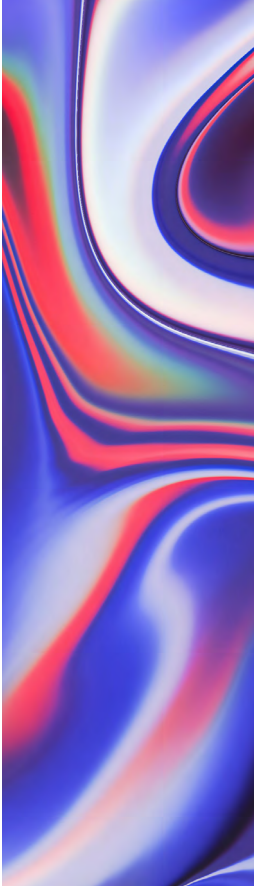
There are multiple ways in which the AI value exchange can be enabled. The wide variety of services and use cases already discussed will be joined by a multitude yet to be invented that are enabled by foundational technologies such as GPT3, Google Magenta and its successors.

Trust in the utility of brands’ AI-based services is potentially the solution to many of the industry’s most pressing issues as we seek to capture attention and permissions to drive effective marketing.

Capturing and utilising consumer attention has been an increasing area

of focus for many brands in recent years. As the supply of media content has increased exponentially, consumer attention has remained static, resulting in greater challenges for creating impact. Brands need to compete with a near endless supply of video and interactive content to drive awareness, saliency, consideration, trial and repeat purchases.

AI technologies enable a range of creative solutions to these challenges throughout the purchase funnel. Retail Revolution data over the past four years illustrates a clear trend towards consumers use of devices and services that were science fiction only a decade ago.



Much more at ease to share data when smaller purchases or perceived less impact



Taste preferences with beverages brands for new products, recipes and promotions

28% ↑

Past grocery purchases with a food brand for automated shopping orders to approve

24% ↑

Fashion brands analysing browsing history and past purchases to provide a selection on arrival

22% ↑

Using apps and image recognition to have a check-out free shop that automatically bills as you leave

22% ↑

This data goes along with media brands not being the most trusted

Car manufactures accessing calendars to provide custom content while driving

15% ↓

Telecoms brands analysing the emotion in your voice to provide better customer service

14% ↓

Sharing location data with TV broadcasters to get more personalised services

13% ↓

AI value exchanges

- Hungryroot is an AI-powered grocery delivery service that uses a collaborative filtering, supervised learning model to match consumer preferences to foods. On a weekly basis, the Hungryroot algorithm predicts groceries and recipes the customer might like and through regular preferences inputs the service learnt dietary requirements. Engagement with this kind of service derives significant value for the consumer who can better manage their dietary needs, exploring new tastes. The platform can far more quickly and accurately understand specific needs and emerging consumer trends.
- Facebook is investing in more visual search capabilities across its platforms, encouraging the development of its ecommerce solution Facebook Shops. A key new feature is Visual Search for Instagram, that enables users to find relevant product listings and recommended items by tapping on photos, with the goal being to turn almost every item appearing on Instagram into a shopping product. Driving convenience and discovery for the user and monetising more content for the platform and brands.
- Cashierless Stores, AI Machine vision technologies power new retail propositions. The cashierless store has been pioneered by Amazon with their Go store format. Cameras recognise customers who log in with a swipe of their device, the app logs what they buy and then charges as they leave. Retail brands around the world are now implementing this technology which has already seen a 96% decline in costs. Leadership in this emerging sector is by itself newsworthy, consumers get a faster shopping experience, and there is a far more structured data set about what sells when, where and to whom, leading to better consumer understanding and therefore more targeted, personalised offers.

Capturing attention near the top of the funnel

Recapture attention and permissions through personalisation.

Capturing even a few seconds of consumer attention is increasingly hard. OMD has focused on this challenge in recent years measuring how different channels and creative formats deliver consumer attention and how that attention is best utilised to drive both mental availability and purchase.

AI services and AI initiated personalised messages can and will be a useful tool in this battle. The brand that is able to gain insight about how and where they can be more useful or interesting to their consumers and then deliver that proposition in a few short seconds will win. Mass penetration of digital channels mean that the promised pay-off is only a click away.

Ideas can be built around numerous moments and contexts such as

- AR/machine vision games to play in moments of boredom- waiting for a bus or waiting for a friend.
- Personalised radio delivered to the smart speaker that blends a national show with traffic on the school run.
- The creation of new assets by AI technologies, for example songs that follow the style of popular music as seen in the emotive [‘Lost Tapes of the 27 Club’](#) campaign which created music in the style of artists who passed away at 27.

As we have seen in Part 2: Closing the trust gap, consumers are most open to simple easily understood propositions where the value to them is clear and they don’t have to decode what is being asked of them. Alternatively, the clever utilisation of cutting edge AI technologies can be the story in itself, the centre of a PR campaign to shift perception of the brand’s purpose and capabilities. There are many draft proposals for ideas that can have a big impact on the world that need funding from somewhere- so we may see the emergence of the AI sponsorship model where brands fund the development of AI solutions that positively impact the world.

The tactic of creating cutting edge technology to drive awareness and salience has been employed by major digital platforms for some years now. What is new is that entry costs are far lower and the creative potential far wider so the opportunity is now available to all.



Directing attention further down the funnel

Nearer the point of purchase, attention is utilised very differently. The opportunity is to direct and manage attention rather than capture it. AI technologies have a wide range of applications to convert intent to purchase and to discover specific need states to make better purchase decisions that are more likely to result in repeat purchases.

The technologies can provide cost effective scalable solutions to both long standing problems and emerging challenges.

Chatbots have been with us for some time but are getting more sophisticated, answering frequently asked questions, recommending products and addressing grievances. We all hate having to repeat the same birthdate and postal address in all our interactions. Persistent IDs and well-designed chatbots can enable far faster resolution of consumer needs.

Machine learning is already enabling navigation and discovery across a vast range of products. Enabling consumers to discover the products that are just right for them and to connect them with other consumers with similar niche tastes.

To understand where this opportunity is heading we should look to China where an eco-system of micro-apps and mini-programmes have been interoperable within the major platforms for some time now. AI technologies are upgrading these services to drive sales at huge volumes.

- 2021 Singles’ Day in China illustrates how this can scale. Supporting a strategy called Zhong Cao or ‘planting grass’ AI technologies are scanning users shared shopping baskets and wish lists- machine learning analysis enables accurate prediction of other products that may be desired.
- Consumers are then directed to content created by micro-influencers and ‘Key Opinion Leaders’ at various scales. The live-streamer Austin Li sold over USD 2bn of products in 14 hours whilst over USD 140bn was sold across the whole Singles’ Day event.

The opportunity for AI technologies to remove friction from the purchase process and enable discovery is only just beginning, we can expect to see much more innovation and disruption in coming years.

Data and utility to support long term loyalty via partnerships

A suite of rich services embedded in products, with partners and across messages, provides a varied source of insights and a mechanism to maximise value to specific niches. This will likely become a key brand asset, with significant lock-in potential; after all most of us do not change our email provider or bank regularly because so many other services are connected to them.

As e-commerce grows in every market, there will more opportunity to directly connect to online sales through these cross-platform services. Driving more impulse purchases with a single click, enabling more integrated proposition from multiple brands with little friction.

There are numerous opportunities for deeper brand partnerships between brands in different sectors: For example, the partnership between global payments platform, Klarna and the online fashion marketplace, ASOS, enables unified marketing around the concept of deferring parts of payment for up to 60 days. Connecting fashion and a micro-loan gets around the pay-day problem that many ASOS customers face and enables a wider range of products to become impulse purchases.

The art of marketing strategy in the AI age will be based around connecting brand and product value to a greater range of contexts, need states and value mechanisms. The pace at which

this can happen will be a function of the technical capability (which is likely to be widely available) and the trust in the brand to maximise value for the consumer. Remember the most appealing benefits in 2021 are ones that are making their lives easier, creating more convenient purchases and enhancing real life experiences.



Unlocking retail's smart data future

Further down the value chain are the processes the consumer doesn't see, where AI technologies are also having significant impact. Marketers will benefit from a deeper understanding of the challenges and opportunities they create.

The supply chain crisis of late 2021 is an excellent illustration of this concept. AI technologies are being implemented across global supply chains to address resilience challenges caused by the relentless focus on cost cutting of the last 50 years.

This will be a two-way process as aggregated consumer data is passed back as predictions of future demand. Likewise understanding of the supply of products and their status will need to be updated in real time impacting marketing plans, pricing and local distribution.

The specific capabilities of such an approach will be a function of the scale and accuracy of the data collected – which in turn is a function of the permissions given by consumers.

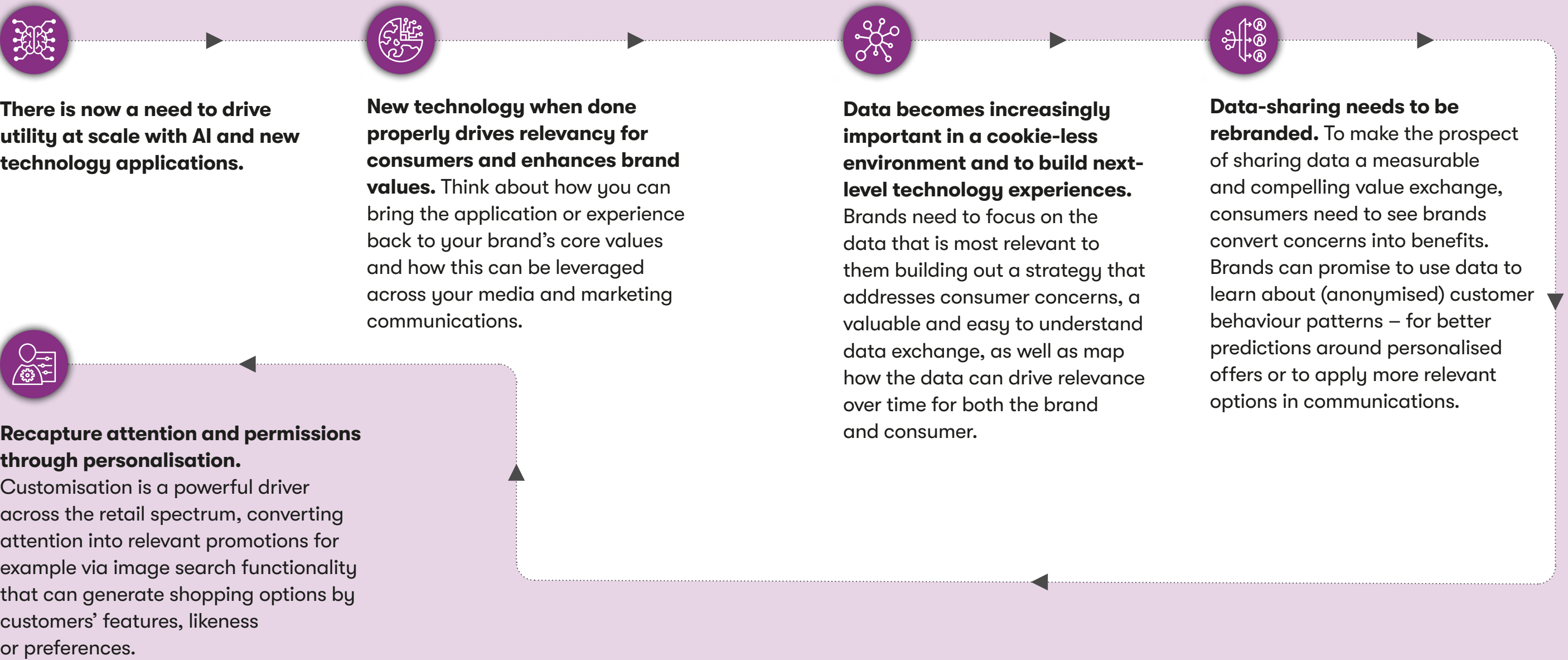
- Respondents are currently most open to share data with brands and retailers on lower priced items that are bought frequently, such as groceries, drinks and clothes
- Their primary incentive is a more personalised experience and paying less for a product or service.

- Respondents are most uncomfortable with their data being shared with different companies. However, if their data is anonymised or shared by a trusted brand their comfort increases.

Understanding what kinds of information consumers are willing to share and what incentives they require is core to success.

A well-thought through strategy of content and services built with the right emerging capability to deliver less fiction, lower cost, greater discovery and utility will not just drive short term sales but also unlock a smart data future all the way back through the business.

Key highlights & conclusion



Authors & Contributors

Helping set your course for the future

To find out more on how OMD can help you map your course to making Better decisions, faster through embracing technology to evaluate and elevate your brand presence, workshop your commerce strategies, build an innovation roadmap, learn more about Attention metrics or to discuss any of the research featured in this report and request a copy of the full dataset contact **Vicky Bloyce** at **vicky.bloyce@omd.com**.



Jean-Paul Edwards
Chief Product
Development Officer,
OMD EMEA



Chelsea Horncastle
Product Innovation & Insights
Director, Marketing Intelligence,
OMD EMEA



Vicky Bloyce
Managing Partner
Communications & Marketing,
OMD EMEA



Grace Coops
Communications &
Marketing Manager,
OMD EMEA



Mike Lee
Insights Manager,
Marketing Intelligence,
OMD EMEA

About the **Retail Revolution** Research

New technologies are increasingly woven into our daily lives. They have changed the way we communicate and make purchase decisions. To this purpose, OMD’s Retail Revolution research initiative was launched in 2017 as a global multi-phased research project to track longitudinal AI perceptions and adoption, as well as to investigate how AI should be applied to create more valued and valuable brand experiences across the consumer journey.

Through multiple research phases and methods, including both a quantitative survey and qualitative methodologies, we have tracked over 30 thousand respondents across 21 global markets, 21 shopping categories and 80 future retail scenarios over four years. With a wealth of data on people’s adoption, usage and openness to smart technologies – we can create more valued and valuable brand experiences as a result.

*An online survey conducted 11-27 May 2021 across 4,200+ internet users aged 16-64 in the USA, UK, Germany, Spain, China and Australia. Sectors explored were Automotive & Vehicle, Electronics, Fashion & Apparel, Health & Beauty, Home & Garden, Groceries. Smart technologies covered were digital assistants, image search features, smart speakers, smart TV devices, smart lighting, smart thermostats, smart home monitoring/security and wearable devices. (Survey conducted by Global Web Index)

Previous waves included qualitative methodologies as well as quantitative surveys. In 2017 an online survey was conducted across 3,200+ internet users aged 18+ looking at comparable markets UK, Germany, Spain and in May 2019 an online survey was conducted across +4,200 internet users aged 18+ looking at comparable markets UK, Germany, Spain, USA, Australia. A second online survey was conducted in 2019 across +9,700 internet users aged 18+ looking at comparable markets UK, Germany, Spain, USA, Australia and China. (All surveys were conducted by Dynata)