

Phigital Retail Under Pressure to Streamlining Shoppers' Path to Purchase Based on AI Integration



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Abstract

There is a rigorous challenge of data accuracy and quality for marketing and advertising technology ecosystem, being essential for leaders to effectively ensure relevant and timely information. Marketers are struggling to meet both companies' and customer expectations by providing high-quality data based on the joined forces of customer data platforms and GenAI, ensuring customers' unified and complete view, and reducing the experience gap between businesses and consumers. We are witnessing retailers' focus on AI integration and data analytics tools, as well on prescriptive and predictive analytics. There is an increased obvious AI role in streamlining shoppers' path to purchase in phigital spaces, while deepening our understanding of complexity and nuances.

Keywords: Phigital retail; Data Accuracy and Quality; AI Integration; CDP and GenAI; CX

JEL Classification: D83; L21; L81; M21; M31; M37; O31; O33

The challenge of data accuracy and quality for marketing and advertising technology ecosystem, being essential for leaders to effectively ensure relevant and timely information

In our last RDCM issue (Purcarea, 2024) we highlighted the importance of growing by reflection, considering both new AI strategies, and AI-enabled marketing teams facing disruption (including phigital and omnichannel pressures), while progressing on the path to the future of retail. In the same month, Gielens and Lamey (2024) underlined the retail sector need (within the

context of the additional value created and captured through platform technologies and omnichannel practices adoption and use) to benefit of a very carefully and in a detailed way holistic approach in the process of using data on a continuous basis to achieve higher operational efficiency and productivity, improving business outcomes.

Recognized as strategic consultancy specializing in the interdisciplinary approach of marketing & advertising, data, technology and commerce, Winterberry Group (2024) brought to our attention the data layer (considered a core element of the marketing and advertising technology ecosystem operating customer data across platforms and channels) continuous evolution (marketing landscape being shaped including by the widely extended AI adoption), data accuracy and quality being the main identified “challenge expected to hinder effectively leveraging data and data infrastructure to support marketing and advertising efforts over the next 1-3 years.” Their report showed how after the beginning of the omnichannel era (2018-present), passing from one era to another (digital data era: 2010-2018; eCRM era: 2000-2010; direct era: 1980-2000) took place the convergence of significant macro-level forces quickly moving across the marketing landscape and reshaping marketers’ strategies and approaches, while e-commerce exponential growth was powered by the intermixing of buying patterns, making less clear the difference between offline and online commerce.

On the other hand, well-known for its both data-centric forecasts, and rigorous analysis empowering strategic decisions, EMARKETER (2024) made reference to how essential is for leaders to effectively ensure relevant and timely information (based on their ability to distill and convey it) so as to communicate in a way that garners attention. Within this framework it was shown, for instance, the role of questions (clarifying if there are any surprise winners or interesting outliers, if there are important changes in the trends, if there are interesting contrasts between segments, if conventional wisdom does hold when we de-average, and if there are new developments truly meaningful in the broader context) in drawing compelling discrete units of information, as well of capturing data evolution over time (this way taking advantage not only of a broader scope of understanding, and the ability to recognize themes or outliers happening many times, but also of trend analysis and refined predictions, as well of increased arguments’ credibility).

Struggling to meet both companies’ and customer expectations by providing high-quality data based on the joined forces of customer data platforms and GenAI, ensuring customers’ unified and complete view, and reducing the experience gap between businesses and consumers

As shown by Wallace (2024), business outcomes and customer experience (CX) can be improved (while facing greater volumes of customer data) with a unified customer data platform (CDP), currently being an increasing well understanding of the improvement brought by CDPs and AI usage making customer insights actionable. By working together to enhance CX and personalization (see figure below), CDPs and AI make possible to meet both companies’ and

customer expectations, by providing high-quality data (not only for digital customer self-service, customer service/support enablement, customer sentiment analytics, voice of customer/customer feedback capture, but also for marketing campaign automation), to CDP vendors' existing predictive AI capabilities being added significant business value by GenAI technology.

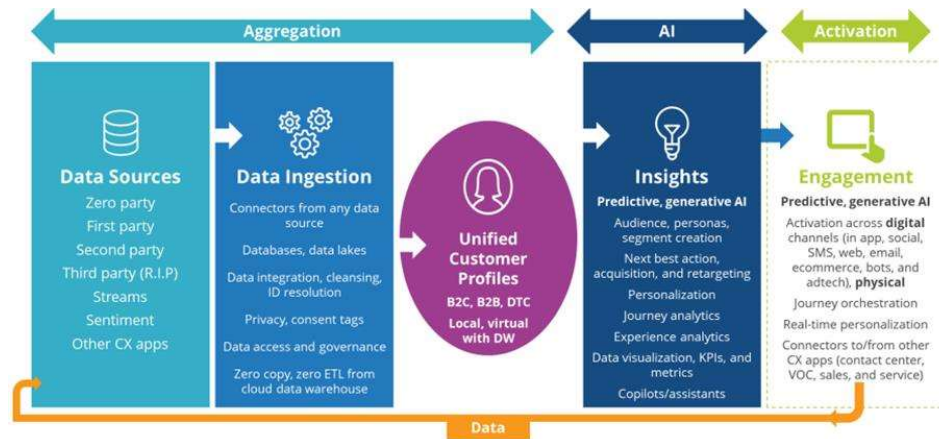


Figure no. 1: CDPs and AI – Working Together to Enhance CX and Personalization

Source: IDC, 2024 – Adapted from Wallace, D. (2024). *Winning with CX: CDPs Plus AI Equals Customer Growth and Personalization*, IDC Research, April 2024, p. 5 (work cited)

According to Treasure Data (2023), customers' unified and complete view involve ensuring both fast time to value (TTV, less time between implementation and value realization) delivering, and sustained ROI based on the right CDP selection. In retail and e-commerce (as well as in other complex environments, as shown in figure below), for example, can be ensured increased TTV (as well as improved customer engagement and reduced churn) by using Treasure Data Customer Data Cloud.

	CPG	Retail	Gaming	Automotive	E-commerce
Value	36% ad spend savings	Conversion rates increased by 10%	13% increase in sales	\$69M in overall annual revenue	\$15M savings in annual ad spend
Time to initial value	6 weeks	8 weeks	14 weeks	14 weeks	16 weeks
Profiles	53M	3M	500M	240M	31M
Data Sources	6	8	14	16	11
Data ingested	200B+	6B+	300B+	36B	100B+

Figure no. 2: Some examples of Treasure Data Customer Data Cloud TTV

Source: Treasure Data (2023). *How to Get the Best Customer Data Platform for Your Business. Six Key Steps to Successfully Managing the CDP RFP Process*, Whitepaper, p. 13 (work cited)

It is also worth remembering that a critical moment in CDPs evolution took place at CDP World 2023, when Treasure Data (Ohta, 2023) pledged to close the experience gap between

businesses and consumers by uniting Batch CDP and Real-Time 2.0 CDP, and blending them with advanced AI capabilities and a user-friendly (unified journey) interface (as shown in figure below).



Figure no. 3: Treasure Data's Revolutionary Announcements at CDP World 2023

Source: Ohta, K. (2023). *Reinventing the CDP: The Evolution of Treasure Data*, Treasure Data, October 31, 2023 (work cited)

It is important to keep in consideration what McKinsey's experts (Adams, Alldredge and Koh, 2024) recently recommended, taking into account that "... companies can't afford to rely on yesterday's consumer insights... If you think you know consumer behavior, think again," and that within the rising importance of ecosystems and the increased difficulty to make the difference between industry lines "Companies should take steps to engage with consumers on social media and other digital platforms. This involves identifying the right channels and platforms, creating attractive content, and tailoring strategies to meet evolving consumer needs."

Retailers' focus on AI integration and data analytics tools, as well on prescriptive and predictive analytics

A new traditional RetailWire discussion (Ryan, 2024) focused on Target's so-called Store Companion (GenAI-powered chatbot distributed to its associates) tool's functionality while serving to operatively clarifying various processes and procedures' aspects, and being improved based on Target's associates' feedback. Among as usual interesting points of view expressed on that occasion allow us to make reference to the comments of Brandon Rael, who underlined retailers' challenge to unify data and GenAI capabilities' role in the beginning of this cultural revolution, revolutionizing business strategies.

A strategic partnership of Target with the leading e-commerce platform Shopify was announced recently (Limmer, 2024), being expected an increase of Target's website frequent visits coming from this integration. Of course, Target's marketplace (Target Plus) is just starting to grow (now operating on an invitation-only basis), having over 1,200 sellers (comparative with Walmart's 135,000 sellers and Amazon's about 2 million sellers, according to Marketplace

Pulse). It is also interesting to note that in order to attract more businesses Shopify recently made available to more users its AI-powered tools (including the Sidekick chatbot and image-generation feature), the access to Sidekick assistant being expanded after testing (Malik, 2024).

GenAI is continuously implemented by the above-mentioned Amazon (accounting for 10% of total consumer retail spending) and Walmart (7.3%) across their supply chains, their sales becoming more profitable based on AI integration aiming costs cutting and profits boosting (PYMNTS, 2024). While Walmart is using AI (automating vendor negotiations with the help of a chatbot from Pactum AI) at the beginning of its supply chain, Amazon uses computer vision and GenAI in its “Project P.I.” model, detecting products defects before shipping based on products scanning, and this way ensuring reduced returns.

A recent infographic by Coresight Research in partnership with Workday revealed interesting aspects with regard to European retailers’ cost and margin management strategies and challenges impacted by digital transformation technologies (Bhatia, 2024). According to this research, AI/ML (including GenAI) is leading the top of advanced technologies considered by European retailers in identifying unexpected costs (30%), followed by data analytics tools (24%), prescriptive analytics (17%), and predictive analytics (17%).

Instead of conclusions: *AI role in streamlining shoppers’ path to purchase in phygital spaces, while deepening our understanding of complexity and nuances*

At the end of May this year, the composable AI search & generative experience platform Coveo (2024) highlighted AI role in streamlining shoppers’ path to purchase, rethinking product discovery on this basis, improving online conversions driving, and considerably impacting in-store revenue. As an essential conversion point is and remains retailers’ website (beyond social platforms increasing influence), the personalized, seamless product discovery experience should be incorporated by retailers needing also to ensure shoppers’ intent detection on the basis of advanced AI personalization techniques.

It was not a coincidence what we signaled in the last three years – and remembered in our last RDCM issue (Purcarea, ibidem) – with regard to connecting data, e-commerce personalization and the paradigm shift within the context of the new AI space race. Before building in GenAI for e-commerce, for instance, it is necessary to know what questions should you ask (see figure below), tell us BCG’s experts (Robnett et al., 2024). The startups also need to know what is to do (regarding what to build as point solutions vs. what to integrate into the major platforms). Accessing without delay the multiple LLM ecosystems is a real challenge today, involving companies’ products and services’ presence where and when consumers are looking to make their purchases (Pagano et al., 2024), GenAI-powered chatbots and search engines enjoying a rising use in finding new products and services.

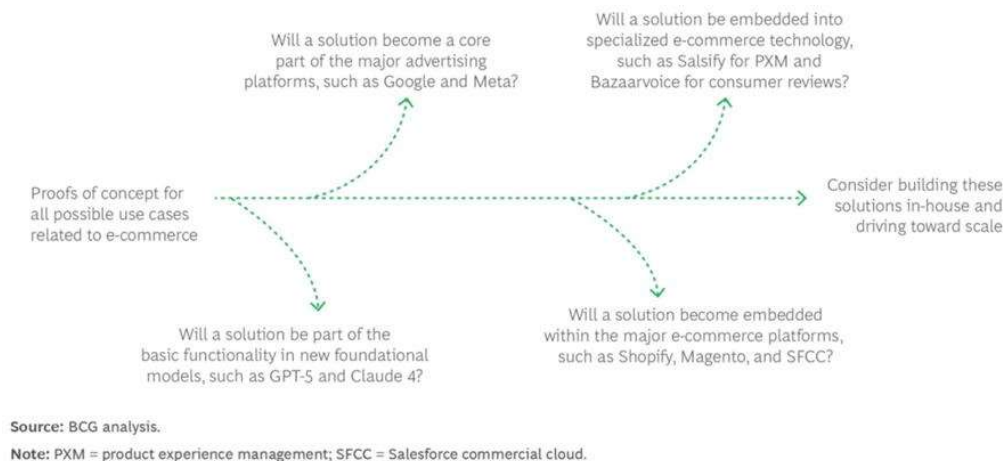


Figure no. 4: What questions should you ask before building in GenAI for e-commerce?

Source: BCG analysis – Adapted from Robnett, S., Evans, M., Darpö, O., Derow, R. and Lellouche Tordjman, K. (2024). *Pragmatist's Guide to GenAI in E-Commerce*, BCG, June 14, 2024, p. 2 (work cited)

On the other hand, as Kropp et al. (2024) stated: “Marketing organizations cannot capitalize on the opportunities GenAI unlocks until they also unblock the ways that data, work, and ideas flow through the organization. At the same time, leaders must begin planning for deploying GenAI in a way that is commercially safe, responsible, ethical, and easy to adopt across teams.”

Allow us to end by making again reference to the reputed Batat (2004): “...the complexity and nuances of consumer behaviors and experiences within phygital spaces necessitate a distinct research paradigm... The phygital research paradigm provides novel insights into consumer behaviors and experiences in hybrid physical-digital environments.”

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