retail TouchPoints®

TECH GUIDE

3 WAYS GENERATIVE AI IS TRANSFORMING BRAND EXPERIENCES

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Retail organizations of all sizes and across categories are eagerly exploring the benefits of generative AI.

A staggering **93%** already use gen AI to support customer-facing personalization, while **36%** of employees are using it internally to drive productivity and performance, according to research from the **Retail AI Council**.

While the use cases are vast (and continue to expand by the day), the most exciting value prop for gen AI is how it enables brands to break free from static, one-size-fits-all ecommerce experiences that often lack inspiration and discoverability.

This Tech Guide outlines retailers' key priorities across the decision-making journey, including:

STAGE 1:
DISCOVERY

- Improving the search experience by blending accuracy and inspiration

- Creating on-brand and relevant content at scale

STAGE 2:
RECOMMENDATION

- Boosting the relevance of automated customer service and chatbots

- Optimizing product curation and recommendations

STAGE 3:
CONVERSION

- Digitizing the try-on experience

- Customizing product designs and styles

DISCOVERY

OPTIMIZING THE DISCOVERY-BASED SEARCH EXPERIENCE

It's not that consumers, especially Gen Z, *don't* want discovery-based search. Many are already doing so using **TikTok** and **Instagram**, according to **eMarketer research**. These platforms not only have a vast pool of content from different sources but are rooted in discovery, allowing consumers to search using more abstract keywords and phrases that align with how they speak in real life and the distinct trends (like **Barbiecore**) they want to learn more about.
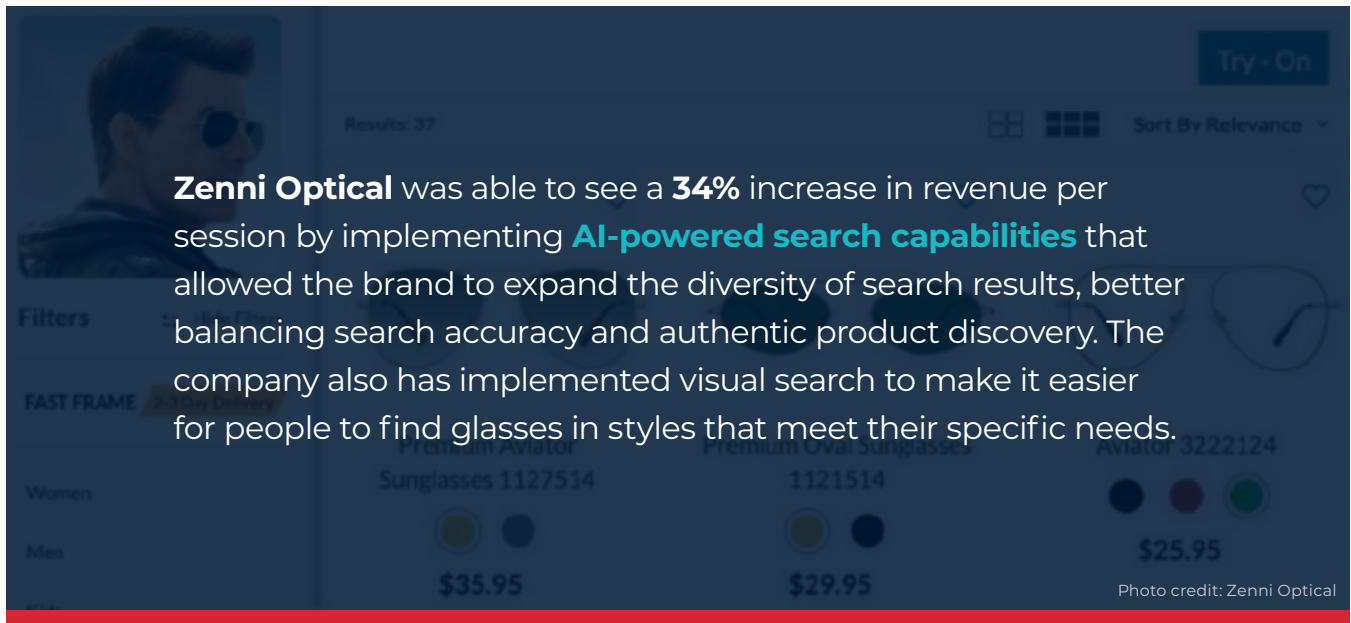
However, brands that want to use gen AI to improve their search results face a big challenge:

49% of consumers say that they don't trust gen AI to give them the most comprehensive search results.

-**CI&T**

"Search is such an important piece of the retail puzzle and it's still a huge hurdle for consumers," said Melissa Minkow, Director of Retail Strategy for **CI&T** in an interview with *Retail TouchPoints*. "They base a lot of their retail journey on how strong the search experience is, so the fact that a lot of people point that out as a concern for using generative AI is super interesting because it shows a lack of understanding on consumers' part. That's because **when implemented correctly, generative AI makes that search experience a lot better**. It opens a big opportunity up for retailers to communicate these benefits effectively to consumers."

Zenni Optical was able to see a **34%** increase in revenue per session by implementing **AI-powered search capabilities** that allowed the brand to expand the diversity of search results, better balancing search accuracy and authentic product discovery. The company also has implemented visual search to make it easier for people to find glasses in styles that meet their specific needs.

Photo credit: Zenni Optical

The evolution of AI also is transforming the search experience beyond retailers' ecommerce sites, which will have a trickle-down effect for internal brand marketing and merchandising teams, according to Matt Maher, futurist and Founder of **M7 Innovations**.

Perplexity AI provides users with robust answers for queries, including relevant images, videos and specific product display pages. In some cases, the platform asks qualifying questions to ensure an even more tailored response. **"The fundamental piece that is so different from traditional search is that it goes out to the internet and brings the internet to you,"** Maher explained. "It lays out the web page for you and everything is there. Of course, this is an existential risk for Google, because it cannibalizes ad revenue and discoverability, but it creates a better user experience."

Brands need to be mindful of how these new platforms are changing consumer expectations and, most of all, how they may impact SEO keyword strategies. "You might have to change how you adapt your SEO for these answer engines," Maher noted. "When the internet comes to the user and you're not part of that wave, you simply don't exist. **Consumers' worlds get very small when we get into this age of assistance**."
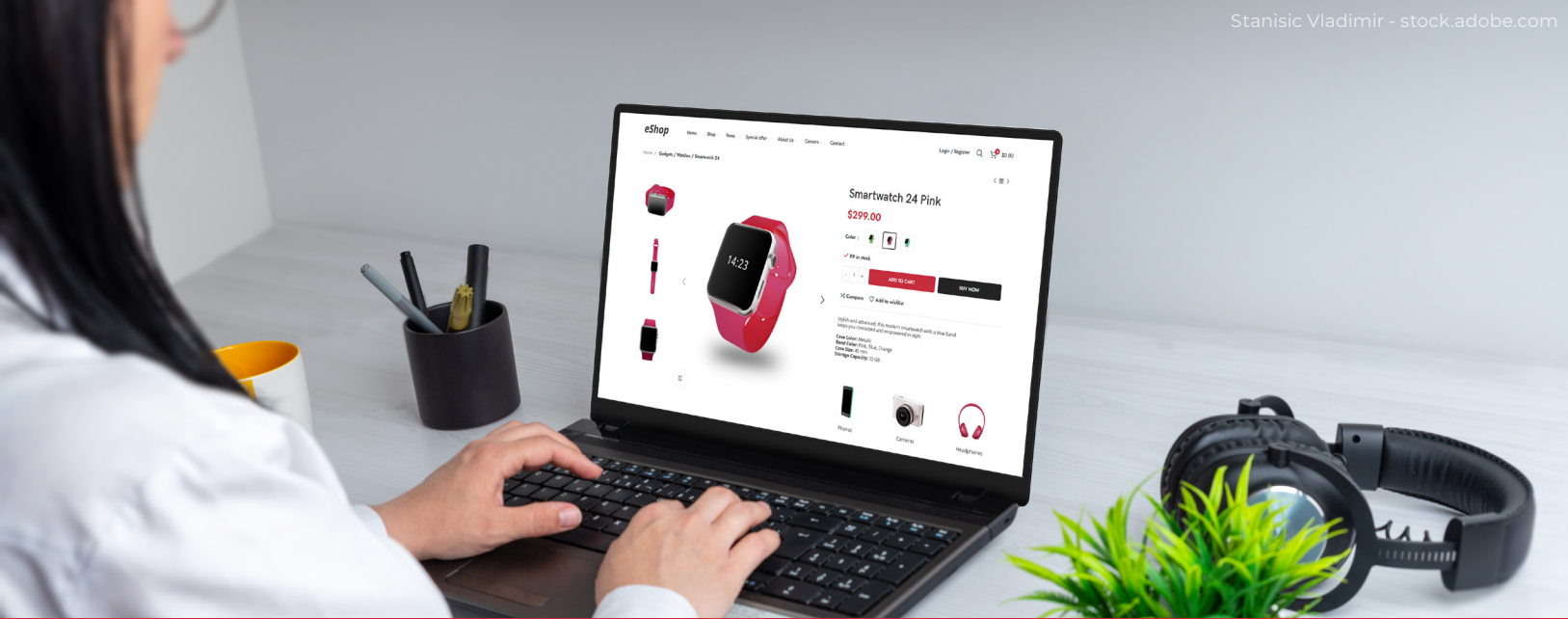
DISCOVERY

PERSONALIZING BRANDED CONTENT AT SCALE

Gen AI can help brand teams develop product display page visuals and content — something that takes a lot of time and effort to manually create and optimize at scale. "It's a huge productivity saver," noted John Harmon, Managing Director of Technology Research at **Coresight Research**. "Gen AI acts as a co-pilot or accelerator for people to create a higher quantity of high-quality content."

Gen AI also facilitates content personalization across various delivery channels and advertising touch points. "Personalization is something we have talked about in retail for a long time, but generative AI can help me get messages based on the brands I like, letting me know when something new comes in or goes on sale," Harmon noted.

Nearly half (**47%**) of consumers believe having these detailed product descriptions that would be powered by gen AI would vastly improve the shopping experience, according to research from CI&T. Another **42%** noted that they'd like to see more photos showing how products are used or worn by many types of consumers.

Brands like **Kroger** are eagerly testing these theories, as well as how more tailored content leads to improved revenue results. The grocer recently implemented a digital shelf optimization solution that combines gen AI and real-time data capture to create comprehensive product listings for shoppers — and provide rich data and insights to guide the company's content creation.

However, brands should look at gen AI as an enabler of human creativity — not a replacement, Maher advised. "With gen AI, you can free yourself to get **20 to 30** minutes of strategic thinking time in [that you didn't get before]. That's the true unlock. But AI is training itself on what humans create, so the less time humans spend creating new and unique things, the more the AI becomes the snake eating its own tail. **We still need the idiosyncrasies and amazingness of random human thought to feed these things**."

![Cloudinary logo]

GEN AI FOR VISUAL CONTENT: 3 THINGS TO KNOW

Generative AI can be a truly magical tool, helping unlock the creative process for brands of all sizes. If you're completely new to gen AI and want to understand the implications for you and your team, Daniel Amitai, Cloudinary's VP of Innovation, offers some helpful insights:

1 GEN AI CAN DRIVE CREATIVITY OR EFFICIENCY

Gen AI-powered solutions can create varying results. To remedy this, one must keep in mind that, "the prompt is mightier than the pen." When writing prompts for generative AI tools, stay focused on your goals. Continually ask yourself what you are looking for. Is it only creative variation? Or are you seeking a precise or predictive result? Your goals also will impact the tools you will want to use as well as the level of detail you write into your prompts.

2 FACTOR THE RAPID EVOLUTION OF AI INTO YOUR STRATEGY

The pace of AI evolution is by any measure staggering; it is nearly impossible to keep up with. The text-to-image capabilities of platforms like Midjourney have become incredibly sophisticated. The quality of both images and videos is becoming better. Now, any user can create content at scale. Figuring out which tools best meet your unique needs is as easy as running a few experiments. Tap into some of the mainstream platforms and run a few prompts. Note the difference in outputs as your prompts get more detailed and specific. Then, test prompts that align with your brand's creative needs.

3 EMBED AI SOLUTIONS INTO YOUR WORKFLOWS

Given the adaptability of gen AI tools and capabilities, they can be integrated into your existing tech stack and production workflows. Additionally, if your brand has a vast library of visual content, you can use gen AI to repurpose these assets by creating color variations, managing version control, and enhancing customer experiences. You can even automate sophisticated editing tasks, such as switching out products and removing unwanted elements. AI-powered automations free your creative teams to focus on higher value work. To determine which of your workflows will benefit most from automation, develop a list of use cases based on your business needs and pain points. This will help you narrow your focus on possible solutions.

For more on how gen AI can ramp up your visual content visit: **https://ai.cloudinary.com**
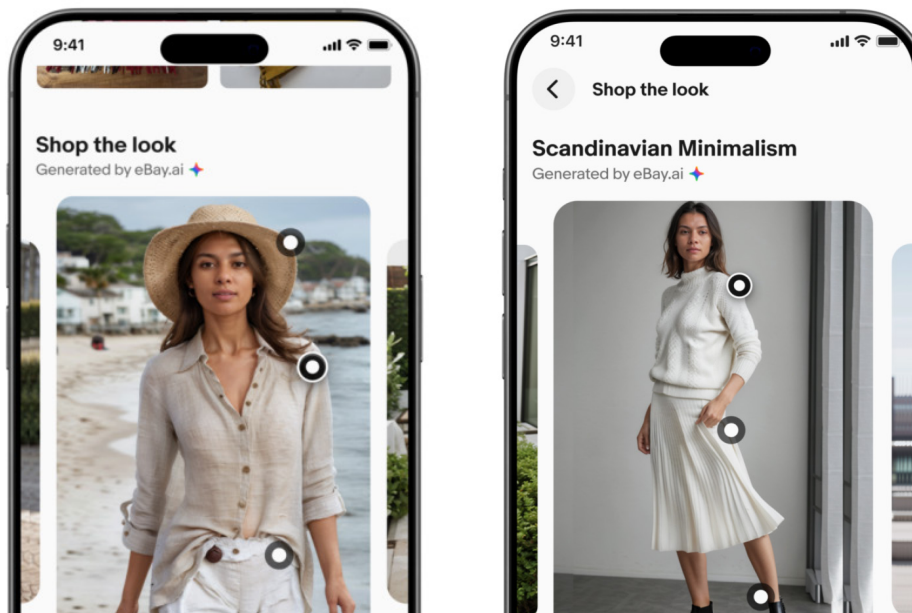
# FINE-TUNING CUSTOMER SERVICE AND PRODUCT CURATION

Brands across categories, from **Walmart** to **L'Oreal**, are creating Large Language Models (LLMs) trained on historical data, customer service calls and other proprietary data sources. These LLMs are then used to power branded AI service agents and chatbots that guide consumers through their browsing and buying journeys and provide robust product recommendations.

"**L'Oreal's Beauty Genius** is a great example because they took into account the tone, the voice and everything they've learned about customers over the past **10 to 20** years and the pain points they've had," Maher explained. "We're trying to build an experience around that so it's not just a chatbot but is something that is actually going to create value for the customer."

Taking this more refined and curated approach, where the LLM is based on actual consumer data and feedback, can help merchants better serve shoppers who have a distinct goal or need, according to Maher. While AI-powered systems like **Amazon**'s Alexa can handle "**tens of millions** of intents, many consumers don't know exactly how much they can actually do with it."

Ebay recently unveiled a new feature that essentially acts as a personal shopper and stylist. **"Shop the Look"** presents users with curated style "looks" that feature products relevant to consumers' browsing and buying journeys.

There is a clear opportunity for these types of experiences to become more curated, even if they're based on more abstract inputs. "I want to see more styling happening," Minkow said. **"I don't know why I can't upload a picture of the shirt I'm wearing right now and ask a brand to share product recommendations that would go with that shirt.** I also don't know why I can't share the colors that go best with my skin tone or hair color and get product recommendations that would match nicely."
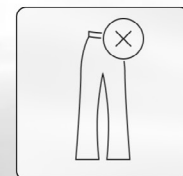
UPLOAD A FULL-BODY PHOTO

CONVERSION

TAILORING PRODUCT DESIGN AND TRY-ON EXPERIENCES

While many customer-facing use cases for gen AI revolve around getting shoppers closer to products and empowering them to make decisions, the next wave is very much focused on optimizing the confirmation and purchase experience.

Maher pointed to **DressX's gen AI** solution as a possible industry game changer. Currently, users can access the solution on the company's website and upload a photo into the system. They can then either select from a series of pre-made fashions or generate their own using simple text prompts. "It's this bellwether for retail because returns are such an issue due to fit," he said. "We still haven't figured out the best form function for virtual try-on clothes."

While some retailers are using augmented reality (AR) to create these virtual try-on experiences, "that's technically very hard to do well," Maher explained. Performance can lag based on a user's movements, whether they're using an app or mobile web, among other factors. Conversely, DressX's solution simply overlays the clothing over each image, adapting to each person's distinct body type and posture.

Because DressX allows users to enter their own prompts, it showcases the clear opportunity for product customization. "I want to see gen AI being used in more exciting and creative ways through actual product design," Minkow said. "Why aren't more companies using gen AI for creative product development and even one-to-one product development yet?"

Of course, product sourcing and supply chains play a big role in actualizing this idea, but it does help bridge the gap between inspiration and conversion, which can not only drive engagement but also generate tangible revenue for brands.

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THE DO'S & DON'TS OF USING AI TO MAKE SHOPPING MORE MAGICAL

By Purva Gupta, Co-founder and CEO of Lily AI

We've all been there. You're inspired by a trend on social media (Coastal Cowgirl, but edgier), yet can't find relevant items when shopping online. Or you're searching on Google for a new patio table with very specific qualities — you know, things like kid-friendly, no glass top, no sharp corners — yet despite hundreds of results, none of them match your criteria, your needs. When you search for face lotion (headed into summer looking for something lightweight with clean ingredients and high SPF) on a retailer's website, you get either zero or irrelevant results. You tire of searching and decide instead to swipe through the long scroll of recommended products, only to realize that most of those don't hit the mark either.

Delivering meaningful and successful shopping experiences is, put simply, very difficult to execute well. It's not easy to find the perfect item. Why? As the Co-founder and CEO of Lily AI, my "aha moment" almost a decade ago was that products — not people — are at the center of the retail experience, and therein lies the root cause of the problem.

Fortunately today, AI is powering the next generation of shopping experiences that bridge the gap between the customer and the product. Here are my do's and don'ts for getting it right.

1 DO CHOOSE SOLUTIONS THAT IMPACT THE BROADER DIGITAL EXPERIENCE.

When evaluating AI solution providers, be wary of focusing too much on technology or point solutions that impact only one area of the business. As an example, according to our recent research with RETHINK Retail, the top areas where consumers would appreciate more AI-driven personalization in online shopping were related to the products themselves, not a channel or new shopping feature. Our survey of 1,000 people showed that when it comes to AI, they prioritized:

• More detailed product descriptions; and

• Product recommendations based on their interests and past purchases.

This shows that there's ample room to improve product discovery by enhancing product details and recommendations. Even better, the impact of these product enhancements can be felt at each step of the shopping journey, in a wholly omnichannel way, from advertising and social media to ecommerce, marketplaces and even stores.

2 **DON'T** GO ALL-IN ON ONE TYPE OF AI.

As powerful as generative AI is, it's not always the best tool for the job. Rather, optimal performance comes from integrating a suite of AI in order to harness the right AI for the task. From large language models to computer vision, natural language processing, machine learning and deep learning, each type of AI has an advantage and role to play.

Another dimension to think about is horizontal versus vertical AI. Each has its advantages, so consider that:

- **Horizontal AI solutions** like OpenAI's ChatGPT, DALL-E and Sora, are broad-reaching AI that can be applied to numerous use cases. While powerful, the models are not trained for industry-specific applications, and results may not be as accurate or consistent.

- **Vertical AI solutions** on the other hand are purpose-built for an industry and to perform specific tasks. They are also trained on industry-specific data to complete these specialized tasks with precision.

For the most significant and reliable results, consider a vertical AI solution that can easily integrate with multiple areas of your business to achieve results quickly, that is, impact realized in weeks, not years.

3 **DO** CHOOSE PARTNERS THAT CAN PROVE MEASURABLE IMPACT.

Many technology vendors claim easy integrations and high ROI, and in the ever-crowded AI space, you hear a lot of big claims like these. What metrics and results can you, and your CFO, really believe?

When evaluating any investment's payoffs, consider:

- Does the AI solution directly improve sales? How much, and how do they measure the incremental lift of this specific solution?

- What does implementation look like? When can you expect to see results?

- What points of the customer journey does it enhance? What does performance lift look like at each point?

It's easy to *claim* impact. Yet are these solutions driving tangible results that you can measure via sales? Is there analytical rigor in the measurement data and methodologies?

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At Lily AI, we speak your customer's language and get results. We bridge the gap between merchant and customer-speak by applying the language of the consumer down to the most granular attributes of every product. Through this customer-centric product attribution, we enhance descriptive features and further enrich product data by applying subjective attributes, like styles, trends and occasions. This translates the vast and evolving language of the consumer for brands and retailers, helping to connect people with the right products.

Product attributes that are enriched with real consumer language enhance multiple areas of the shopping experience — from discovery on **Google Search** and enhanced **on-site search** to **AI-generated product descriptions**, **better product recommendations**, and more.

Of course, with elevated customer experiences come elevated results for retailers and brands. With AI-powered product attribution, retailers can see **8% to 9%** increases in both product discoverability and average revenue per visit, driving upwards of **20%** increases in incremental sales.

I founded Lily AI with a vision to bring humanity to shopping. As a vertical AI platform purpose built for retail, I've seen time and again the impact of making shopping more intuitive for consumers, and increasingly, I'm proud to say, also more magical.

Imajinajib - stock.adobe.com

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Cloudinary is the image and video technology platform that enables the world's most engaging brands to deliver transformative visual experiences at global scale. More than 1.5 million users and 10,000 customers, including Apartment Therapy, Bleacher Report, Bombas, Grubhub, NBC, Mediavine, Minted, Paul Smith and Peloton, rely on Cloudinary to bring their campaigns, apps and sites to life. With the world's most powerful image and video APIs backed by industry-leading artificial intelligence and patented technology, Cloudinary offers a single source of truth for brands to manage, transform, optimize, and deliver visual experiences at scale. As a result, the most engaging brands across all industries are seeing **up to a 203% ROI** using Cloudinary with benefits including faster time to market, higher user satisfaction and increased engagement and conversions.

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Lily AI is a female-founded retail AI company empowering retailers and brands by bridging the gap between merchant-speak and customer-speak. Leveraging generative AI, computer vision and machine learning, Lily AI enhances customer shopping experiences by injecting human-centered language throughout the retail technology ecosystem. Interoperable with eCommerce, marketplace, and product management platforms, Lily AI maximizes existing technology investments to deliver upwards of 9-figure revenue lift through improved product attribution and descriptions, enhanced discovery, and higher customer conversion.

www.lily.ai

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Alicia is an editor-turned-content marketer, with a passion for all things focused on digital-powered experiential retail.