REDEFINING RETAIL AND CONSUMER GOODS BUSINESS OPERATIONS WITH GEN AI

Introduction

Generative AI has taken the world of AI by storm with various technology players accelerating their AI offerings manifold in the past few months. Technology has played a very important role in Retail and CPG industry for decades now. Generative AI's potential can change the game for retail and consumer packaged goods companies with expected productivity of up to 2% of the overall annual revenues. The founding principle of Generative AI – "Human – machine collaboration" complements the heavily customer facing business in Retail & CPG industry which in turn provides enormous opportunities for value creation.

Current scenario for GenAI adoption in Retail & CPG companies

Implementation of GenAI based solution has enabled companies realize a pentagon of creative disruption with new 5Ps of the marketing mix.
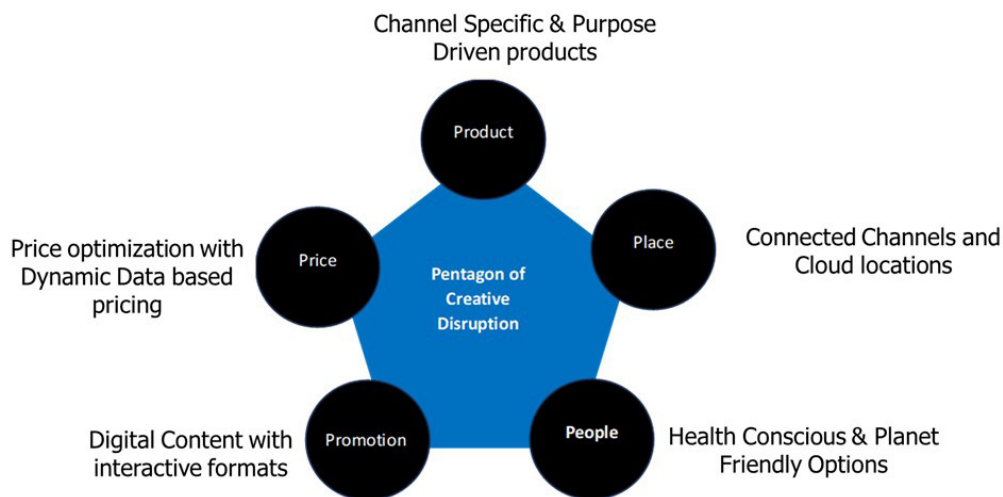
Knowledge on buyer choices and behavior, ability to order across channels, strategizing on promotions that work and use of cloud locations are primarily responsible for the disruption and rise of above focus areas in the CPG and Retail business. As per the latest report by McKinsey, organization wide GenAI strategy can produce the below results:

01

A potential impact of $400 Billion to $600 Billion a year when fully implemented.

02

Result in 60% to 70% of time savings by automating some of the individual activities.

03

Labor productivity growth is estimated to increase between 0.2 to 3.3 % YoY through 2040 depending on the rate of technology adoption among different stakeholders across the retail & CPG value chain.

04

Reduction of inventory carrying costs up to 15% and reduction of waste by 25% within 3 years of implementation and adoption across the company.

Common Questions in the minds of CPG and Retail companies

- How to start the journey into Gen AI?
- Will there be any impact in the current business processes?
- What are our competitors doing today?
- What considerations to be taken care for data security and privacy?
- Can AI be used as a layer on top of our existing ERP / CRM or other cloud-based solutions?

We have taken an earnest endeavor to answer some of the above points, with a broader outlook on some of the focus areas on above mentioned topics in the industry today.

Kickstarting the AI journey

As stated earlier, the very founding principle of AI is improving the "Human Machine" collaboration for automation of manual and mundane tasks and realizing better business outcomes. Below are some of the areas that we recommend to kick start the AI journey:

- **Self Service** through Integration of a well-trained human like chatbot to your e-commerce web portals & social channels is the best place to start your AI journey. With consistent brand voice and personalized responses, customers are sure to be impressed with this progress.

- **Recommendation Engine for in house agents** – AI based BOT that can act as an assistant to your Sales and Service Agents during telephonic conversations with customers can help you ensure that the agents deliver high quality streamlined services. AI BOT shall use historic and real time information to assist the agents with required data. It can also result in productivity improvement without having to spend time on data extraction. It can also act as an engine of self-improvement for agents themselves with the quality of communication improving with the BOT's assistance.

- **Designing effective communications** – With a lot of unstructured data sources available today such as social data, Search Engine results, Data from News and Research papers, Retail & CPG companies should aim at creating an AI engine that can create personalized communications to customers based on their internet behavior. It should also be capable of creating instant product recommendation campaigns based on analysis of available structured data such as customer's historic buying behavior.

Impact of AI on Business Process Operations

AI, when used along with human potential is sure to surprise you with efficient ways of working resulting in Business profit and Innovation focused operations. Some of the key benefits to be realized by Retail & CPG companies upon implementation of Gen AI solutions include:

Simplification - Sophistication of AI will be accompanied by simplification of business processes resulting in innovation across the value chain. For example, in any FMCG company, traditional or conventional ways of working involved multiple stages of brainstorming meetings, war room meetings and approvals before taking a new product to the market. With AI, the companies can fasten this process with available customer preference data and enable agile production line that can result in manufacturing of personalized products based on available customer information. This decision can also be delegated to manufacturers or intermediaries by sending them the monthly / quarterly product demand information. This way, the lack of transparency of customer preference & product demand information to manufacturers is broken and they will also feel more connected to the customers and company business holistically which was absent in the AI less world. Thus, multiple layers of business processes for taking a product to market is broken down to a simpler, Agile, and efficient "One Data for All" process.

Access & Transparency – In conventional ways of working, the key decision makers found it very difficult to follow up with different stakeholders to get the performance data in hand. With AI in place across stages of the business value chain, the required data is available with a click away to key decision makers of the company. For example, if the Sales Head of XYZ FMCG company wants to look at the travel expenses of a Sales Rep X from Territory A and Sales Rep Y from Territory B, he can instantly get the report with one line query to the AI tool. Previously he might have to follow up with the managers under him to investigate their team's performance. However, he can now check these data himself and run analysis of the data to plan the incentives based on individual performance and product Sales volumes in that territory. This way, the incentivization process is made transparent and any feedback from the Sales head to the workers will add a sense of motivation too to perform their activities better.

Accuracy – AI based process operations will be based on upgrades and updates to the existing model. AI based solutions need frequent training of the model and refresh of data which in turn will prevent the accuracy errors of manual analysis and decision-making procedures. For example- Customer A buys a Product B frequently from the company based on the e-commerce buying behavior which will make the marketing manager to send more details on Product B and remind her to order once again for replenishment. However, if Customer A is liking a Competitor Product C and showed interest in Social, the manager will have no idea about this. With the AI solution in place, the marketing manager will be intimated with this behavior and Customer shall be flagged for further follow up emails for retention or enable an option to explore personalized offers to Customer A. In conventional methods, this is not possible and there was no control over customer loyalty. AI based data can be more accurate if built in a flexible and controlled manner.

Efficiency ¬– With AI tools, Sales Rep productivity and Retail Store Operations efficiency can be improved manifold with a query-based search results on Product Information, Product performance and Promotion performance.

Key Use Cases implemented by Major Players

Customer Experience Enhancement – GenAI models aims at improving customer experience at both online and offline stores with Virtual Product Try Ons, Predictive Styling & Instant Reviews for independent decision-making options for customers without involvement of Sales personnel influencing their decisions thereby resulting in increased Trust and Satisfaction.

Store Shelves Stock Monitoring – With integration of Store Cameras to AI integrated cloud solution, the camera images can be used to monitor product placement in the stores on shelves and aisles and intimate the store manager for any revisions and replenishments required in a particular location. Companies can also compare the competitor product and stocks which will in turn enable them to improve their product sales and stay significant in the market.

Contactless Check Outs – With integration of RFID technology with AI, the bar code information shall be processed, and automatically fetched, and total price shall reflect upon check out resulting in contactless seamless check out & payment process. This shall save time for the customers without having to wait in queues for human intervened billing operations.

Virtual Assistants – AI enabled Virtual assistants play a key role in restaurant and cloud kitchen business where customers can order food by scanning the bar code from their seat, select the food from the online menu and mention the food taste / allergy preferences from the comfort of their device. The food selected and customer seating and preference information in turn is made accessible to restaurant team and chefs in the kitchen who can further plan for their exceptional dining and food eating experience.

Personalized Shopping – With interactive content formats and conversational chat-based search engines on e-commerce web and social channels, customers can realize personalized shopping experience with certain Consumer Goods players.

Inventory Management & Stock Replenishment – With more focus on sustainability and reduction in wastage in today's world, AI shall play a key role in demand forecasting, navigate product shortages, and help companies plan a stock replenishment strategy to mitigate costs associated with maintaining excess inventory.

Fraud Detection – In CPG industry, companies are using AI to identify counterfeit products and unauthorized sellers disrupting the product sales for major players.

Data Security and Privacy in the world of AI

With the millions of data at stake for CPG and retail business, there comes the risk of customer data privacy breaches and fraudulent payments. However, AI can also help these companies transform their security solutions with modernized strategies can help these companies identify anomalies and potentially shut down a payment and detect intrusions in seconds even before the real damage is attempted.

GenAI as a NEW solution or an ADD ON to existing Cloud Solution?

While starting the AI journey, it is imperative to identify the key business objectives even before shortlisting the technology or kickstarting the solution design. Major cloud technology companies such as Salesforce, Google and Microsoft are offering GenAI as a module with additional licenses and we recommend utilizing these pre-built modules for customer facing business processes that can have a huge impact on the customer experience. Also, the training cost associated with implementation of cloud based GenAI solution will be less as these cloud service providers provide training for all the partners and existing resources can be trained for building your AI vision as well. GenAI as a NEW solution can become a proprietary to your brand but executing that visions shall demand outsourcing to service integrators or hiring ML / NLP engineers and Data scientists and this can come with a huge investment on emerging AI skilled resources. This has even made a shift in the focus of CG & Retail Companies who were earlier focusing on Product Innovation to focusing more on Technology Innovation for realizing their business value.

Conclusion

CPG companies are spending over 1% of annual revenue on Gen AI applications today and this number is going to increase manifold with years to come. A more thought through, flexible, secure and ROI based AI strategy shall transform the way retail and CPG companies operate today and enable these players to stand out in the competition with increased productivity, improved operating margins and increased profits. While these initiatives can reap benefits, companies must also focus on reskilling their employees immediately and plan on how they can co-exist with AI based operating model to realize the benefits to its fullest potential. GenAI applications with reskilled human interventions at necessary touch points can help the companies maintain integrity, trust and transparency while letting this strategy redefine their business operations. Thus, a trusted and strategic GenAI enabled Retail & CPG companies have the advantage of exploring infinite dimension of business operations whilst achieving hyper personalized experience for customers.

Author

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