

Internet Retailing



HOW IS AI CHANGING THE ROLE OF THE MARKETER?



Introduction

Eustomers today demand a personal and immersive customer experience when they interact with a retailer through any of the myriad channels or media available to them – and meeting this demand is becoming an increasing challenge to retailers.

This shift has been ushered in by widespread use of the smartphone and, in doing so, has presented retailers with not only more demanding customers, but also a vast array of data about them: simultaneously providing the problem and its solution.

The conundrum is that the vast amount of data produced by such a large number of customers can help retailers personalise their marketing efforts, however, the data is so vast that it can't really be made sense of by any human force. It would take an army of people to crunch the data produced around one brand per day, let alone offer a chance to spot micro-patterns and trends as they happen.

The answer increasingly is to turn to machine learning and Artificial Intelligence (AI). While science fiction fans may well think of AI as some sort of super intelligence that will crush us puny humans, in reality, machine learning and AI are software solutions – complex sets of algorithms – that can process vast amounts of data and look for trends and patterns and flag them up for action.

And brands and retailers are taking note of AI as it delivers benefits both internally and externally. For the customer, AI technology makes it possible for brands and businesses to create efficient and consistent experiences and interactions. For marketers, it can automate time-consuming tasks, allowing them to spend more time on creative and strategic aspects of campaigns.

Here in the digital age, more than 90% of the data accumulated in the world today has been created in the past two years. Understanding these mountains of data exceeds human cognitive capacity, which creates an ideal scenario for unleashing AI marketing technologies. Indeed, AI offers the potential to create value for businesses that range from driving revenue growth to better serving customers and meeting their expectations. In fact, firms are also investing in AI marketing technologies to remain competitive and improve the strength of the brand.

While many marketers understand this, what many find hard to fathom is how do the machine learning and AI solutions 'plug in' to their existing operations? It is well understood in theory, what is lacking is praxis.

In this white paper we will look at what AI is and how,

specifically, it can work with marketing to create the levels of personalisation and customer experience that customers now demand. But we will also look at how to put it in to practice.

Bespoke research we have undertaken for this report among more than 60 of InternetRetailing's UK Top 500 retailers reveals that most understand the need for AI and even that AI is the answer to their personalisation and CX issues. However, they are also unsure as to how to make it happen in reality.

In this report we will show you how AI isn't a box you plug into your EMS or other marketing systems, but more something that is vertically integrated across your business to feed off the data you gather and inform everything from marketing strategy to how your business moves forward.

It's critical for marketers to understand the capabilities that AI can deliver today and what it can accomplish moving forward. In the short term, AI-powered marketing solutions promise to drive efficiency by automating processes and surfacing insights to marketers. In the longer term, AI-powered marketing solutions will enable contextual marketing and drive lift in marketing KPIs by autonomously creating and delivering customer interactions. Over time, marketing technologies that leverage AI capabilities will ease deployment and ongoing management of critical marketing activities such as personalization, ad buying, and content creation.

ABOUT THE AUTHOR

Paul Skeldon is mobile editor at Internet Retailing



Sponsor's Introduction

There's a promise of marketing that, thus far, has gone unfulfilled. What is it? It's the ability for marketing to deliver truly personalized, 1:1 interactions to their customers. Today's customers not only want it, but are growing to expect it. Marketers want to provide it, but find it increasingly difficult to do so. Why? Because despite the bevy of tools, technologies, and data sources available, it's simply not possible for humans to manually craft and deliver all the hundreds – even thousands – of personalized interactions their customers are seeking.

In short, human-driven personalization doesn't scale.

At Emarsys, we believe technology enabled by artificial intelligence, machine learning, and data science has the potential to help marketers finally deliver on the promise of marketing. This is why Emarsys partnered with Internet Retailing on this study. We sought to understand how marketers feel about AI in marketing, what role it plays in their organizations today, and what their plans are for incorporating it into their strategies, tactics and day-to-day tasks in the future.

Why? Because artificial intelligence has the power to fundamentally change the marketer's role, transferring much of the data-related minutia from the human to the machine. The result is a realization among marketers that the long-unachievable goal of delivering the right message to the right person at the right time on the right channel is now a reality. What's more, they can make it happen while simultaneously increasing their focus on the things they really love: strategy, content and creative.

AI has the power to truly revolutionize the marketer's role for those who embrace it. But first, we must start the conversation. We hope that the findings revealed by this survey will remove some of the fear and mystery of artificial intelligence and make it more approachable.

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ABOUT EMARSYS

Emarsys is the largest independent marketing platform company in the world. Our software enables truly personalized, one-to-one interactions between marketers and customers across all channels — building loyalty, enriching the customer journey, and increasing revenue. Our AI-enabled marketing platform offers an intuitive, easy-to-use solution for marketers, enabling companies to scale marketing decisions and actions far beyond human capabilities.

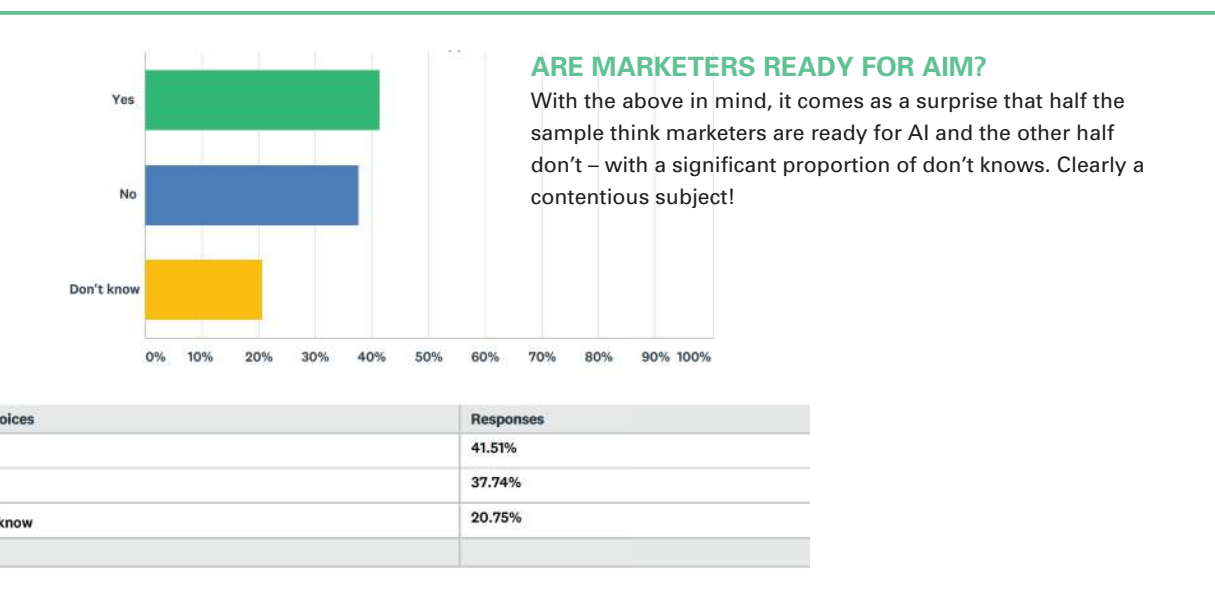
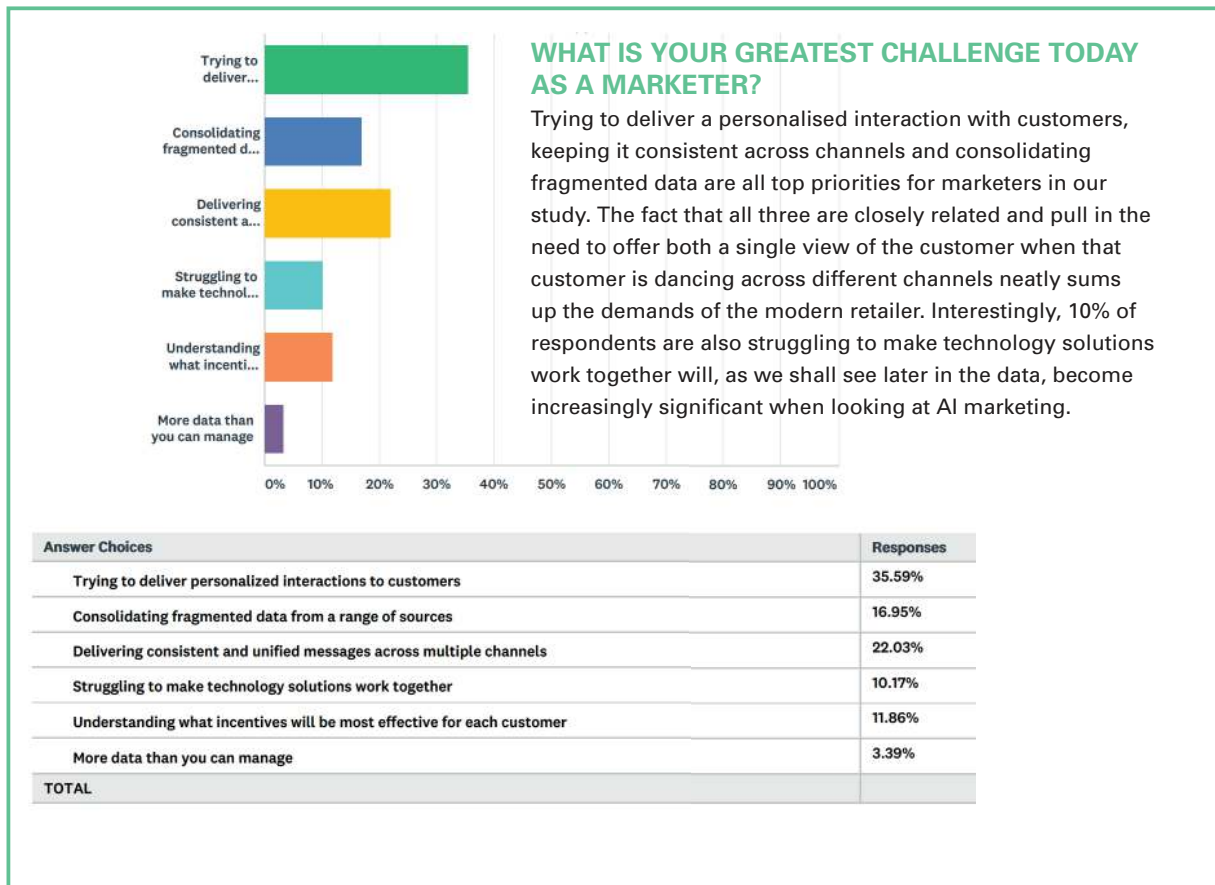
Founded in 2000, Emarsys makes it possible for more than 2,000 brands in over 70 countries to connect with their 2.5 billion customers around the world. Each day, we deliver more than 140 million personalized interactions across email, mobile, social and web, leading to 1.5 million daily purchase events on our software. The AI-enabled Emarsys platform continuously learns and improves with each interaction. Learn more about Emarsys at emarsys.com.

Survey findings

To assess the state of understanding and deployment of AI marketing in the UK, bespoke research was undertaken among more than 60 leading retailers selected from InternetRetailing's UK Top 500 retailer index to ascertain just what their views of machine learning and artificial intelligence in the marketing function are

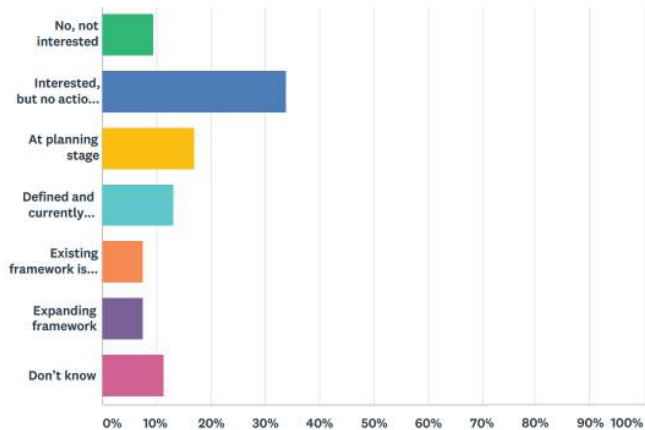
and how many were actually deploying or planning to deploy it. Since it is such a cutting-edge technology, we also assessed the roadblocks and hurdles to implementation.

70% of the retailers quizzed were at the smaller end – with 2 to 249 employees, while 10% employed more than 20,000 staff. The rest filled the gap between.



DOES YOUR ORGANISATION HAVE AN AIM STRATEGY IN PLACE?

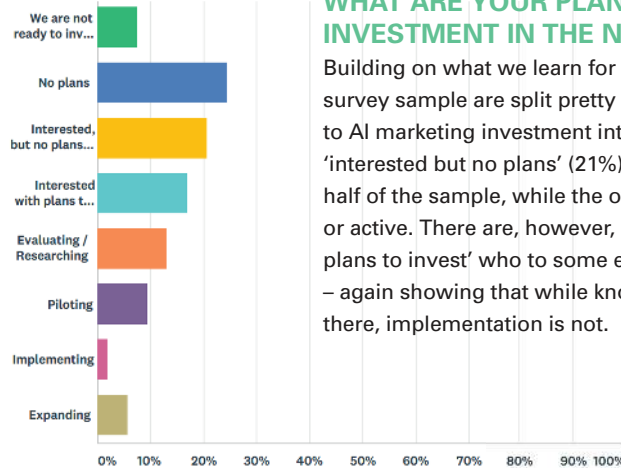
Encouragingly, only about a third of respondents are not actively engaged with AI marketing at this stage, with the remaining two thirds working on it or actually using it. While this is encouraging, the spread of experience with AI marketing is huge. The largest single segment of those interested in AI marketing are the 17% at the planning stage only, showing that it is for many still very early days. Defined and executing and fully implemented together cover just over 20% while 8% are expanding their existing processes. However, with 11% ticking 'don't know' 34% interested but not taking any action, there is still a long way to go before the majority of retailers are using it.



Answer Choices	Responses
No, not interested	9.43%
Interested, but no action taken at this stage	33.96%
At planning stage	16.98%
Defined and currently executing	13.21%
Existing framework is in place and fully implemented	7.55%
Expanding framework	7.55%
Don't know	11.32%
TOTAL	

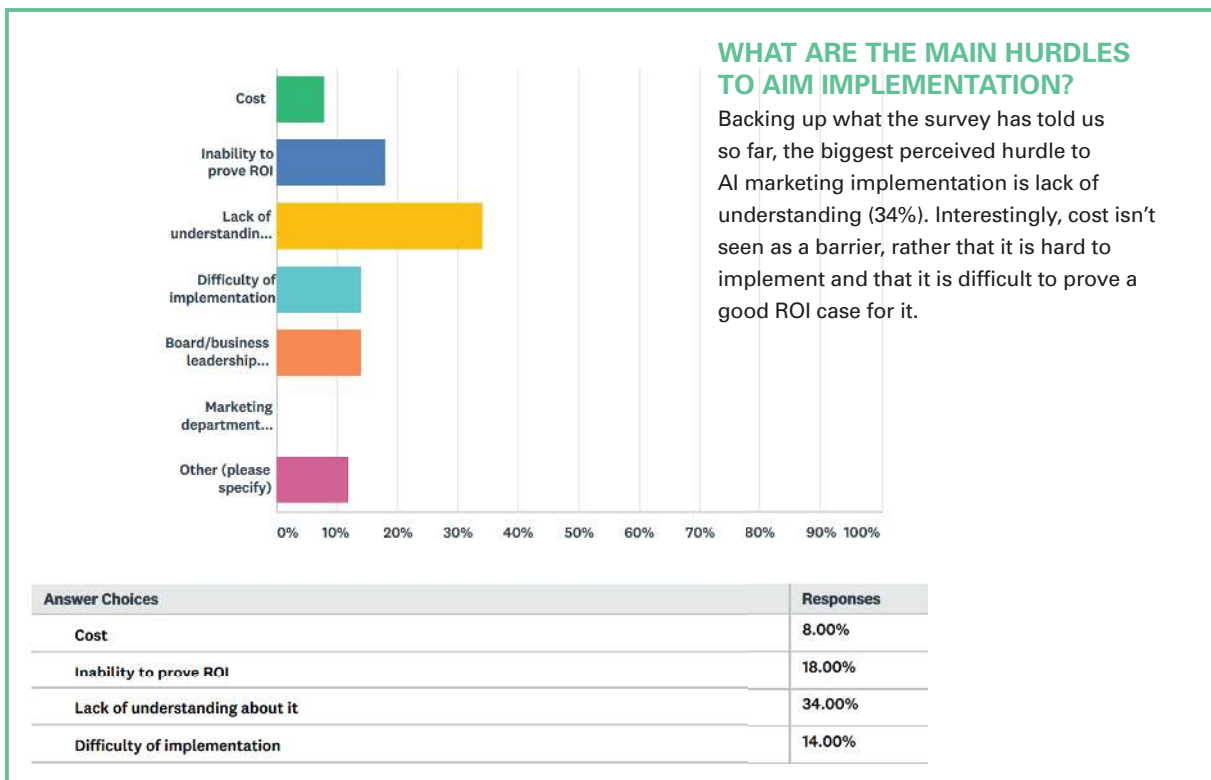
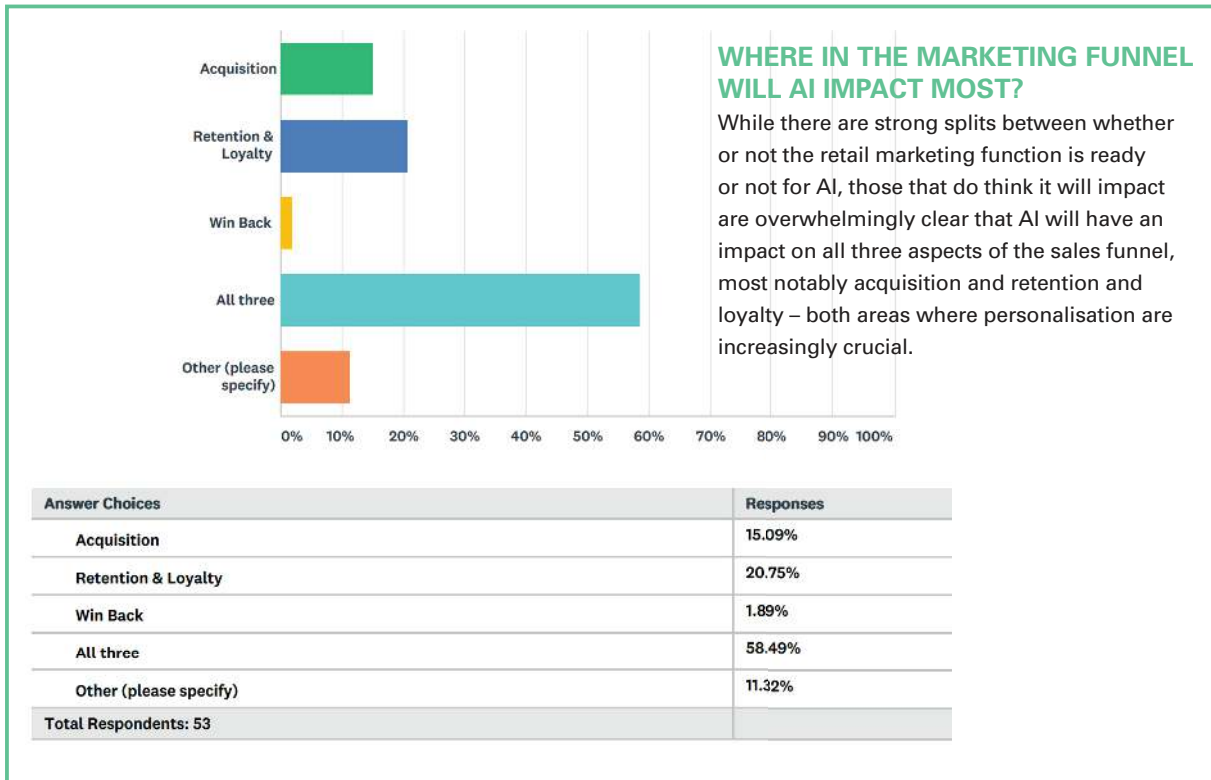
WHAT ARE YOUR PLANS FOR AIM INVESTMENT IN THE NEXT 12 MONTHS?

Building on what we learn for question 2 above, the survey sample are split pretty much down the middle as to AI marketing investment intentions. 'Not ready' (7.5%), 'interested but no plans' (21%) and 'no plans' (24.5%) cover half of the sample, while the other half are interested and/or active. There are, however, 17% that 'interested with plans to invest' who to some extent straddle the two camps – again showing that while knowledge of AI marketing is there, implementation is not.



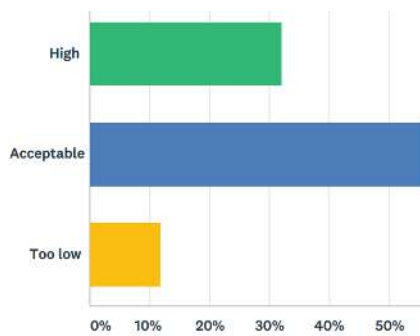
Answer Choices	Responses
We are not ready to invest in AI marketing	7.55%
No plans	24.53%
Interested, but no plans to invest	20.75%
Interested with plans to invest	16.98%
Evaluating / Researching	13.21%
Piloting	9.43%
Implementing	1.89%
Expanding	5.66%
TOTAL	

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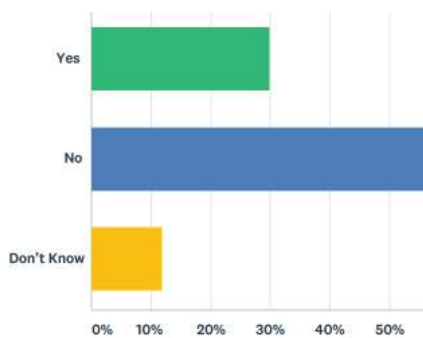
“ The majority of those quizzed about AIM (56%) see the ROI on such project as acceptable, with a third rating it ‘high’. ”



Answer Choices
High
Acceptable

WHAT ARE YOUR VIEWS ON THE ROI OF AIM?

Building on that, the majority of those quizzed about AI marketing (56%) see the ROI on such project as acceptable, with 33% rating it ‘high’. Only 12% see it as too low – again reinforcing the idea that marketers and retailers can see the benefits, even financially, of AI marketing, they just lack understanding and concrete deployment examples to follow.



Answer Choices
Yes
No

WILL AI TAKE JOBS AWAY FROM MARKETERS?

The wider debate about robots, AI and automation and jobs is perhaps one of the lesser discussed aspects of the machine learning debate. Interestingly, of those that expressed a view on the matter, 58% believe that AI marketing won't take away jobs from marketers. This is borne out later in this report when discuss how AI marketing merely takes the leg work out of personalisation and CX marketing, leaving marketers to work on the creative side, rather than the boring old data side.

Pain: where digital marketing falls short

“ AI, increasingly, is seen as the way to make marketing tap into the blossoming need for the ‘instant gratification’ generation ”



The digital age should, in theory, make marketing much easier: the vast amounts of data thrown off by consumers as they go about their everyday lives through their smartphones, social media and app use should all paint a picture of each one in minute and intimate detail.

Yet this very richness of data and the fact that each consumer now wants to be treated as an individual by brand marketers makes digital marketing inherently difficult. A recent survey by Forrester for Emarsys finds that most businesses see AI marketing as key to driving revenue growth, to better serve existing customers, meet those rising customer expectations and improve the brand. But above all, they need it to remain competitive.

The rise in consumer expectations around everything from customer service to personalised marketing and deep engaged interaction is putting huge strain on all businesses. Consumers today demand more from retailers than ever, and if you aren't treating them how they want to be treated then they will readily go find a brand that does do what they want.

As outlined in the Introduction – and spot lit in the survey results – the answer to this conundrum lies in using machine learning and artificial intelligence to collect and analyse the vast amounts of data, understand the trends and patterns therein and use this information to target the right kinds of marketing, at the right moments, to the right people. This, increasingly, is seen as the way to make marketing tap into the blossoming need for the 'instant gratification' generation.

So what are the pain points with digital marketing for marketers?

TODAY'S DIGITAL MARKETING PAIN POINTS

Digital marketing is the backbone of any business, but retail relies on it more than most – with its drive into e-commerce and m-commerce and its customers having embraced smart technology with alacrity. Retail was also an early adopter of digital marketing and so has a wide range of old and new systems, very demanding customers and a very competitive marketplace.

In our survey, the first thing we asked our retail marketers was where their current pain points are, and this is what they told us.

- **Personalisation** – As we have seen, the biggest pain point for today's digital marketers is delivering personalised interactions to customers. Our survey shows that 36% of retailers see this as their biggest day to day headache. Customers these days follow a fragmented and erratic path to purchase and, using a wide array of devices and touch-points, it is increasingly difficult to predict what they want when they want it.
- **Data** – Part of the reason that personalisation is causing such headaches for marketers is because there is so much data generated by and about each customer and each interaction they have with the business. But our survey tells us that it isn't the volume of data that is the problem – only 3% of respondents claimed to have more data than they could handle – rather it is fragmented nature of the data that proves problematic. Data lies in silos across the business, often corralled by channel and in many cases in different formats. Pulling this all together to build that holistic picture of the consume to deliver personalised marketing is proving to be a nightmare for many.
- **Consistent messaging** – This fragmented data set, often spread across different parts of the business, not only means that delivering personalisation



is a headache for digital marketers, but also that it makes delivering consistent messaging difficult. In our survey, 22% of retail marketers see delivering consistent and unified messages across multiple channels to be a challenge.

■ **Integrating technology** – Most marketers have invested over the past decade or more in technology to assist what they do and to meet the growing ‘digitisation’ of their businesses. While each has no doubt delivered incremental – and at the time, much needed – improvements, it leaves many marketers trying to work not only with fragmented data sets but also fragmented technologies. According to our survey, 10% of retail marketers are struggling to make all this technology work together and it is hampering any moves to make sense of all the data they have, to collate it and to offer that personalised marketing that they all chase. This technology integration issue is a real one, but it is also a metaphor for the disparate data sets and unjoined up way in which most businesses have grown in to. For many years this fragmentation didn’t matter. It is only now that the consumer demands a more personalised service does existing systems and set ups seem inadequate.

■ **Incentivising customers** – The final part of the puzzle is incentivising customers. 12% of respondents struggle to know what customers want and what they will react to. This stems from the systemic problems outlined above – need to personalise, fragmented data, fragmented technology and the need to make it all work together – but is the consumer facing aspect of the problem. The data and technology issues make it hard to understand and target the consumer from within the business. From the outside they make it hard to know how to personalise these interactions with consumers.

WHAT CHALLENGES DO MARKETERS FACE THAT NEED TO BE SOLVED?

These pain points show us several things that need to be addressed within the digital marketing function of any retailer – but they also point to a much wider, cross-business issue.

The rise of the digital consumer has been incremental and, while relatively rapid, it has been tackled by businesses in stages. As a result, everything from the technology to the company’s very structure is not quite fit for purpose in the digital age.

And this throws up a number of business challenges.

■ **Business integration** – The key findings from our research suggests that the wider problem faced by retailer marketing departments is that businesses still operate in silos. Multi-channel retailing has led to a fragmentation in the behaviour of consumers, but has also led in many cases to silo-ed businesses that keep online, in-store and mobile as three separate entities.

The challenge to retailers is to integrate their businesses to offer a more flattened structure that sees customers – and more importantly customers data – as a single entity across the business. For marketers, this would give them access to the data that they need from every channel to help build that personalised view of the consumer that can feed into on-going marketing strategy.

Ecommerce businesses need to look at much wider business integration across job function to cater to the multichannel consumer. Even talking here about ‘digital marketers’ or the ‘marketing department’ should be anathema: instead there should be integration between IT, marketing, operations, merchandising and all other functions in the business. The e-commerce manager needs to part of the marketing team, while the head of marketing needs to be au fait with IT. In the digital age, no one job function can operate in isolation from the others.

“Part of the problem is a direct result of lack of business integration, where each part of the business has evolved technologically at its own pace and with its own demands”

It's quite a cultural shift, but one that has to be undertaken to lay the ground work for the technological shifts that are also needed.

■ **Technology integration** – Just as the business needs to flatten its structure and integrate job functions more widely, so too does the technology used. One of the biggest issues digital marketers in retail tell us they have is in trying to make disparate technologies work together.

Part of the problem is a direct result of lack of business integration (see above), where each part of the business has evolved technologically at its own pace and with its own demands. This has led to each part of the business not necessarily having compatible systems – even from the same supplier, they have been configured differently.

The other issue is that digital marketing, as stated before, has evolved over the past decade or more and each incremental step forward has required its own technological leap. This has resulted in each part of the business having its own technology integration issues, with systems growing with bolt-ons and plug-ins and further making each individual system less likely to integrate with these similarly rigged systems elsewhere in the company.

The challenge is how to make all this technology work together across the business and, with this specific report in mind, how to integrate AI technology therein to make it work.

This becomes more challenging when looking at how to integrate AI into existing technologies and how to integrate all that across all business elements. This is quite a task – both culturally and technologically.

■ **Data analysis** – A secondary challenge that these pain points present marketers with is fragmented data. As we have seen, data is the life blood of the marketing function in the digital age and the unintegrated nature of both business structure and business technology makes the collection, collation and analysis of it all the more difficult.

This data challenge is compounded by the consumers themselves – the generators of all the data – being fragmented too. They shop and interact with brands and retailers in myriad ways and the data they create is hard to piece together and assess to form a coherent picture of their behaviour, likes and preferences.

Taken together, these two things make creating a coherent data analysis strategy much harder to do – and it is a problem exacerbated by the sheer volume of data that we are talking about and the burgeoning number of channels through which marketers seek to reach these consumers.

Integrating technology and changing the nominal structure of the business can help smooth out the data, but until it can be assessed in new and more flexible ways, the fragmented nature of how it is collected and collated will be a challenge to business.

■ **What does it mean for jobs?** – A less obvious, though no-less-powerful, challenge is that of what it means for the marketer's job. Changes to business structure and especially to technology, can be worrisome – things work as they are and there is always the fear that change and automation will lead to loss of jobs. In the case of changing marketing technology and strategy – and especially the implementation of things like machine learning, AI and other data handling technologies – it looks very much like jobs could be lost.

This isn't necessarily the case, however. New technology leads to new ways to do things and often times can free up marketers to be less focussed on tactical 'grunt work' tasks and more focused on the creative and strategic roles. In short, changes to how technology and business works to flatten the structure of the business can lead to new and exciting challenges for marketers in the retail space.

Gain: how AI marketing can ease the pain

Business restructuring aside, many of the pain points that digital marketers face are being addressed by implementing new technologies such as machine learning and artificial intelligence (AI). In fact, AI marketing is starting to garner major interest across the retail sector driven by the need to fully personalise customer experience with brands at every point of the user journey, including the marketing phase.

And AI can deliver much to the marketing function. In the short term, AI-powered marketing solutions promise to drive efficiency by automating processes and surfacing insights to marketers. In the longer term, AI-powered marketing solutions will enable contextual marketing and drive lift in marketing KPIs by autonomously creating and delivering customer interactions.

Over time, marketing technologies that leverage AI capabilities will ease deployment and ongoing management of critical marketing activities such as personalisation, ad buying and content creation.

That's the theory, but what can AI marketing deliver in practice, how does it pay for itself and what other gains can it deliver?

WHAT DOES AIM DELIVER?

Today's AI marketing systems can deliver anything from automation of data handling tasks right through to surfacing insights. Such systems mark out the beginnings of delivering contextualised marketing – it all depends on how ready the business is to embrace the technology.

Breaking down what AI marketing can deliver we see that there are several key areas that it can help with immediately and which can be grown to develop more fully formed AI powered marketing.

■ **Personalisation** – The key pain point for digital marketers is how to personalise interactions with consumers and this is driven by understanding data. Here AI comes into its own by offering the ability to take in hundreds of thousands, if not millions, of data points, order them and understand them. This number crunching potential allows marketers to, for the first time, understand customer behaviour across channels and touchpoints and get a much more holistic view of what they are doing, when they are doing it, on what device and start to answer the question of 'why are they doing it?'

Understanding 'why' – especially in the context of 'where' and 'when' – is vital to completing the picture of today's omni-channel shopper.

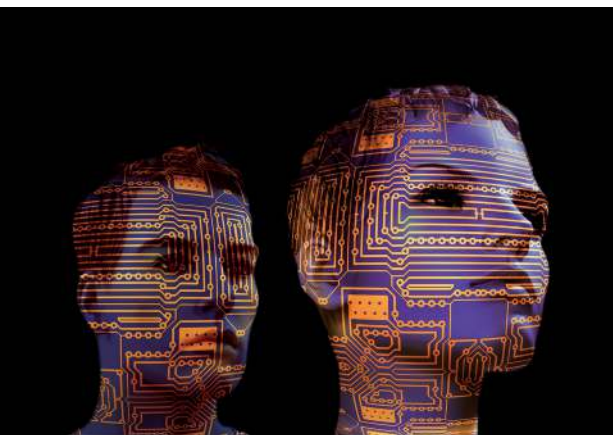
AI technology offers the sheer number crunching ability to process this data, but it is more than just a glorified bean counter. What AI brings is the ability to not only process vast swathes of data, but to also process it, along terms defined by the business and to spit out useable information.

Typically, this is patterns and trends in usage, but it can also be used to group similar kinds of users together so that each group can be marketed to in the way that suits them.

And it is this level of categorisation that makes AI marketing so valuable to today's digital marketer: it is this grouping that allows for the creation of personalisation at scale – the nirvana of modern retail marketing.

■ **Managing real-time interactions** – While personalisation is an end in itself, this level of data understanding afforded by AI marketing offers many other benefits besides and which can take the need for personalisation to new levels. One way to enhance customer experience is to deliver real-time interactions. In fact, recent Emarsys-Forrester research finds that 72% of marketers' plan to address today's shortcomings by implementing real-time customer interactions across channels or touchpoints within the coming year.

And AI is crucial to making this happen – although as the Forrester research points out, "a cross-functional AI approach will extend marketing's goals for



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contextual relevance beyond advertising and marketing channels to ensure CX consistency that spans e-Commerce, sales, service centres, and mobile or location-specific operations”.

■ **Recognising customers across touchpoints** – Slicing the data the other way, AI enhanced, cross-functional marketing can not only allow real-time interactions with consumers to enhance the brand experience, but it can also help the business see which touch points – and understand when and why – consumers are interacting with them. For multichannel retailers this is increasingly vital data as it allows the business to not only reach out to customer through the right channel at the right time, but also it allows it to fully attribute sales funnel actions to channels too.

Today’s shoppers don’t follow the linear sales funnel approach of traditional retail, jumping from research to browsing to more research to sharing – all before even contemplating the purchase. In many cases goods are added to wish lists or popped in baskets at any point in the process and reviewed later, discarded then re-added and purchased or not.

Understanding this process in detail – ideally for each consumer group – helps the business target them more effectively, as well as understanding where to focus more or less effort, not just in marketing, but across all business processes.

■ **Loyalty and retention** – The upshot of all this is that the business can interact on a more personal level, offering a user experience that will delight your customers. This leads to improved loyalty and customer retention – especially if you can use the technology to correctly identify when carts are going to be abandoned, as well as when and where to attempt to get users back in to the purchase mode, regardless of channel.

This is many ways is one of the key reasons why AI marketing technology is so interesting to retailers: it is a tool for creating loyalty through personalised experience.

■ **Targeting prospects** – Of course, retention and loyalty are just one part of the customer equation: targeting and converting prospects is also vital for business growth. Here again, AI marketing can help. By understanding what existing customers are doing and who they are, you can take a much more educated approach to identifying new targets and marketing to them accordingly. This is why 41% of companies polled by Emarsys and Forrester see targeting prospects as one of the key drivers to investing in AI marketing.

WHAT IS THE ROI EQUATION FOR AIM?

In our survey, 18% of respondents claimed that inability to prove ROI was one of the main hurdles to implementing AI marketing. To put that in context, complexity and lack of understanding is by far a bigger hurdle for 34% and difficulty with implementation at 14%. But, proving ROI is going to be one of the issues with getting board and business leadership level buy in. So how does it pay for itself?

Much of where AI marketing ROI comes from is outlined in the previous section on how it can deliver umpteen benefits to the business. But these themselves lead to tangible ways in which it can deliver ROI.

■ **Efficiency** – The chief way that AI marketing can deliver ROI is through efficiency. Being able to munch through all that data and moreover make sense of it without having to employ an army of people rapidly delivers an obvious advantage. Costs of implementation will vary (as we shall see in the next section of this report), but by handling data more efficiently, it will create savings for the business in terms of time and manpower.

Efficiencies will also be gained from being able to rapidly segment data and use it as you need it to achieve multiple tasks, such as real-time interactions with customers while they are browsing, shopping or researching, looking for prospects to target and building loyalty and retention of high value customers.

■ **More effective use of data** – AI can also create ROI out of existing investments. The whole point of AI marketing is to leverage better and more efficient use of data. In doing so it offers an ROI on your existing and legacy data investments.

Debunking some AIM myths

According to a recent Forrester survey, 46% of businesses confirmed that their sales and marketing teams are leading the investment and adoption of AI systems – the highest among any department.

This research on AI and marketing claims that the technology is becoming a necessity for B2C marketers, but according to Forrester’s Joe Stanhope, to successfully evaluate and adopt AI-powered marketing technologies, they must understand – and avoid falling victim to – five AI myths:

Myth: AI is new to martech
Reality: Marketers have been laying the groundwork to adopt AI for years

Myth: AI is all about fancy math and algorithms
Reality: AI is about data

Myth: AI systems work out of the box
Reality: Like human brains they need time to be trained

Myth: AI autonomy will put marketers out of a job
Reality: AI lets marketers do their real jobs

Myth: AI will reveal a treasure trove of rich customer insights to marketers
Reality: AI learns for its own sake rather than to externalize knowledge.



“ One of the upshots of AI-driven business and marketing enhancement is that it will not only meet existing customer experience (CX) demands, but will drive continued improvement and evolution in customer experience ”

In many ways, you can look at it that you have spent years collecting data and have invested heavily in collecting data, storing data and probably have an ongoing strategy of collecting more of it. AI can effectively squeeze more revenue out of that legacy data and your ongoing data collection strategy.

Competitive differentiation – Those that consider themselves expert and early adopters at using AI are already showing that it offers huge competitive advantage. According to research by Emarsys and Forrester, 49% of experts and 26% of opportunists see themselves as exceptional in engaging and retaining customers – compared with just 12% of novices and 8% of laggards. Another 47% of experts consider themselves to be quite strong in this regard, as do 60% of opportunists. Consequently, 49% of experts and 33% of opportunists consider themselves the fastest-growing organizations in their industry, compared to just 13% of novices and 8% of laggards. In other words, those that are mature and follow through on their AI marketing strategy are better able to leverage the latest technologies to gain performance boosts and establish competitive differentiation. In an already competitive retail landscape, companies that can build unique selling propositions with significant differentiation through customer engagement are better positioned to retain their customers and succeed.

WHERE ARE THE OTHER GAINS?

Aside from supercharging customer experience levels, improving marketing efficiency and effectiveness and making any business that adopts AI, even at an early stage, much more competitive, AI marketing can also deliver other benefits.

Driving CX evolution – One of the upshots of AI-driven business and marketing enhancement is that it will not only meet existing customer experience (CX) demands, but will drive continued improvement and evolution in customer experience. Currently, consumers drive the demand for customer experience, translating the exceptional experiences they get from all the interactions they make with their devices – and that is with everything they interact with, not just retailers – into the demand for you to perform better. AI marketing, as outlined, can help to meet this demand, but going forwards as this sort of technology gets more embedded in the business psyche, so it will start to see brands and retailers setting the pace for CX development and evolution. Retailers can leverage AI marketing to deliver exponentially better CX in the future, but only if they ready themselves via requisite changes in strategy and organizational structures.

Reinventing retail – Similarly, AI and AI marketing are going to totally reshape retail. Better CX – and the overall better and more agile understanding of consumers – will slowly see retail shift to being a one-on-one, two-way conversation between customers and retailers. It will be the ultimate in personalised experience, with retailers able to second guess what consumers want, even before they know it themselves – but at scale. Imagine a world where you know each customer ‘individually’ and can deliver the ultimate in personalised interaction with them?

Many marketers already share this vision. Emarsys and Forrester found that the majority of firms strongly agree or agree that AI will reinvent the retail industry (88%) and dramatically change what the company does (81%). This feedback aligns with Forrester’s research that shows AI is poised to completely reframe how businesses operate and consumers interact.

Better marketing jobs – One final benefit is that it may well make marketing an even better job than it is today. AI and machine learning have the ability to take out all the repetitive time-consuming tasks – especially those associated with spreadsheets and data – and free up marketers to focus on being creative with campaigns and strategy. The need to transform the business to fully leverage AI will also see the marcomms role change, taking it elements of IT and ecommerce, while those already employed in these fields will see elements of their job stray into marcomms.

There will also be more money for marketing. Gartner predicts that the CMO is set to spend more on technology in the coming years than the CIO – marking the shift in where technology can reap the greatest rewards in an organisation in this new paradigm.

Action: How to deploy an AIM strategy

“As complex AI marketing tools become more intuitive, retail and e-commerce marketers will find them accessible without specialised skills”

Both the need for and benefits of an AI-backed marketing strategy are clear, but how do you actually put it into practice? There is no set plan nor are there any ‘boxes’ to plug in, rather AI is a concept that uses a range of tools, deployed in a way that works with your business aims, business needs and business structure.

Only a handful of retail organisations and brands are experts in the AI marketing readiness, strategically and organisationally prepared to leverage AI technology innovations to enjoy its business benefits. What they all have in common is that they have addressed the following.

TECHNOLOGY AND INTEGRATION

AI marketing isn’t a module or an off-the-shelf technology, more it is a strategic plan which, tactically deployed, involves using software systems integrated into potentially all of your business systems.

While that may not appear to be a helpful bit of advice, it should convey the idea that AI is not a thing: it is a way of doing things – and you need to plan accordingly.

■ **What technology** – When it comes to technology, it is best to work with technology partners that have AI capabilities backed into what they do. If someone tries to sell you an AI marketing module, it probably won’t do what you want it to.

As complex AI marketing tools become more intuitive, retail and e-commerce marketers will find them accessible without specialised skills. In the meantime, seek guidance from technology vendors that have the expertise and track record to support your firm’s AI marketing strategy. Early adopters also have the opportunity to work with vendors to influence the evolving simplicity and effectiveness of AI marketing solutions, ultimately maximising their business value in the long term. AI needs to be vertically integrated across the whole business.

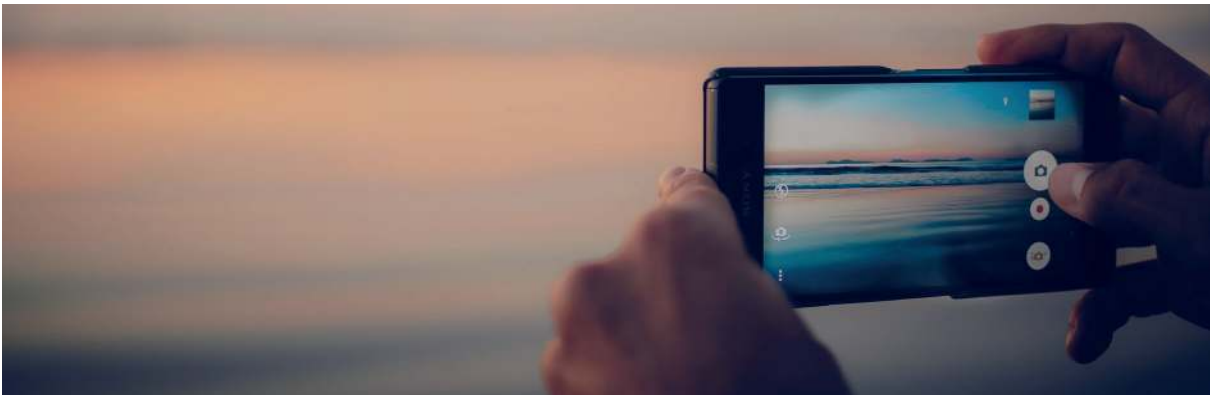
■ **Integrating into the business** – The technology may well need to be vertically-integrated across the business systems that you have, but the idea of AI and what it can do needs to be integrated across the whole company too – it is a change in culture and, eventually, a change in how you operate, after all.

AI-powered marketing enables retailers to make efficiency gains across cross-functional processes from data management and analytics to interacting with customers in real time. Marketers must collaborate with customer-facing colleagues from across the organisation to prepare for AI marketing readiness. Start by testing AI solutions on specific problems and monitoring the impact to prove the value of AI-enabled use cases.

■ **Data** – Data is the underlying bedrock of the whole project and this should be the one thing that you really work on when looking to implement an AI marketing strategy. Many people worry about getting the right AI, or employing top flight data scientists, but all that counts for nothing if you have bad data. The old computer adage stands: “Garbage in, garbage out”.

So, you need to manage your data well – and if moving to an AI project – prepare your data well. The best thing to do is to work with a vendor who can apply AI to your existing systems and which can manage and leverage your data for you – again you have to pick vendors that have the AI baked in to their data handling products. You can then learn for the next AI project how to manage your data better going forwards.

Another aspect of data is that it isn’t always about quantity. Big data may be the buzz right now, but small data has its merits too – not least quality. Personalisation works when you have quality data, not quantity data.



GETTING BUY-IN

According to our research, 14% of retailers find getting board-level buy in to AI marketing the biggest hurdle to its implementation, but this belies the fact that getting AI systems integrated into even part of the marketing process does require a leap of faith.

There are clear benefits to using AI and clear ROI-cases for doing so. There are also pressing business imperatives that are becoming more dramatic every day. However, you still have to get both board and staff buy in.

■ **Getting C-level buy-in** – Successful retail marketers understand the importance of executive sponsorship to drive a company-wide culture obsessed with delivering contextually relevant customer experiences. Be prepared to articulate how AI marketing investments support your firm's CX strategy and align with business objectives. Address misconceptions among both users and decision makers with regards to the skills and resources required to drive value from AI marketing.

■ **Getting buy-in from the rest** – Users are after all consumers too, they must get their hands-on AI-powered marketing tools to understand, control and teach it to get the best results. Not all firms will have all the required skills in the marketing organisation, and given the talent shortage, it's also likely that firms won't be able to rely on external recruitment to fill the gaps. Decision makers must educate themselves in all things AI, and ensure that for AI to work there is first and foremost excellent data stewardship, and not necessarily the need for marketers with tech skills.

GETTING STARTED

So where do you actually start? Integrating AI into your marketing is essentially and will be forced upon you by your customers and competitors, so you may as well take the plunge now. We have seen what you need to consider and how to get the company on board, but where do you actually start?

If you want to make AI part of your marketing organisation, start small and tactical, then scale upwards. Make it central to the success of every micro project.

Get comfortable with the data-sets available to you and collate customer data in one place and explore data patterns for meaningful insights. See what you can find and what you can learn from a small section of data and see if that does multiply its effect. Retention and Loyalty is usually a very data rich part of the funnel, so start there.

This will give you the ability to cut your teeth, understand what you don't understand and give you a much better idea moving forwards of what you need to change.

It will also allow you to produce some demonstrably benefits that again can be used to garner board buy-in to take the project further and out across the business.

Then plan, plan, and plan more before you implement. And test, test and test once you have a project up and running.

Case Studies: Practice of the Best

COSABELLA: dressing AI up just right

Founded in 1983 by husband and wife Valeria and Ugo Campello, Cosabella – “beautiful thing” in Italian – is a second-generation, family-owned company that brings Italian artisanship to the US, producing elegant women’s intimates, swim-, shape-, and lounge-wear. Run by the Campellos’ children Silvia and Guido, Cosabella has always focused on intensifying its customer relationships in a competitive market.

With design headquarters in Miami, a flagship store in New York, and production headquarters in Italy where the clothing is made, Cosabella products are sold in thousands of boutiques worldwide, through major department stores like Neiman Marcus and Nordstrom, and via online giants like Amazon and Zappos. Including direct-to-consumer sales, Cosabella.com ships to over 40 countries, and operates in six languages.

To do its marketing, Cosabella relied heavily on the manual efforts of hard-working employees, but even after expending significant time and energy on email marketing, the company was flat-lining.

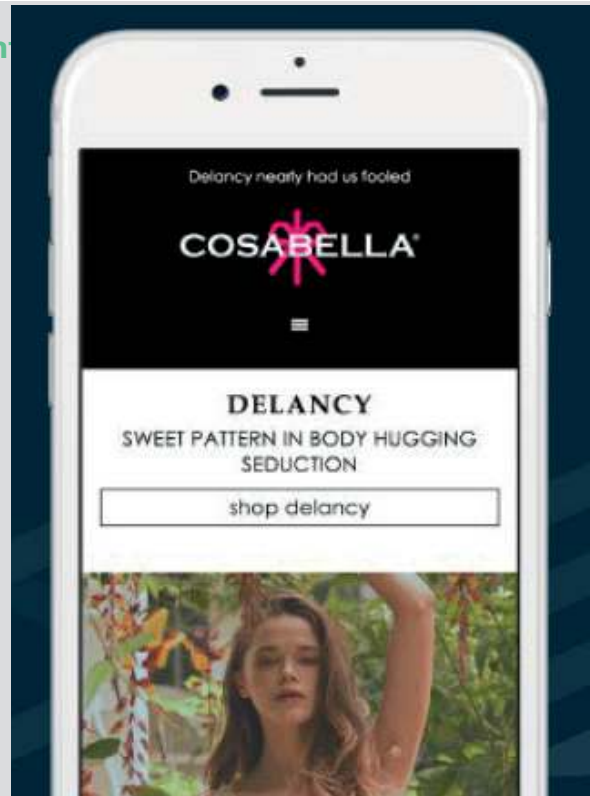
The marketing team had access to an abundance of customer data from its email campaigns, boutique locations, and website, but there was simply too much information to manually sort through, analyse, and convert into actionable insights.

In many ways, Cosabella was flying blind. The marketing team didn’t know if they were missing opportunities to deliver on the needs and preferences of customers. Nor did they know the types of incentives to which shoppers would be most responsive.

Additionally, its email service provider involved clunky, hard-to-use recommendation engines, and left all the hard design work to Cosabella’s graphics and e-commerce staff.

Cosabella was struggling to make its technology work, losing valuable time to email marketing campaigns that failed to perform. It needed a way to translate customer data into insights that could be shared across the company and transformed into results Cosabella was actively seeking a solution that could reach far beyond email to help improve its overall marketing efforts.

The company eventually chose Emarsys, which offered, among other things, an intuitive dashboard of customer insights, reports, and graphical charts that could immediately be applied to strategic decisions in advertising, sales, and merchandising.



While many marketing platforms can gather data, this one proved to Cosabella that its metrics would reach far beyond measuring email KPIs.

Before the implementation, Cosabella had lost touch with its newsletter subscriber base, falling into the trap of treating everyone the same and missing out on real personalised connections with customers.

Now Cosabella can provide the heads of sales with easily digestible insights that they could immediately use to inform reps of both defecting buyers and highly engaged customers, so they could easily prioritise monthly tasks and goals.

Where sales data and customer status used to be solely contained within cumbersome spreadsheets and reports, Cosabella can now effortlessly communicate customer lifecycle impacts on revenue and overall longevity, especially important for its boutique business.

“Emarsys ingested two years’ worth of our customer data and interpreted it into really easy-to-understand graphs and charts,” says Courtney Connell, Marketing Director, Cosabella. “So all of a sudden, my marketing team and sales team were smarter. We were able to take that insight and create meaningful and actionable, easy-to-understand data communication with the rest of the company.”

JAPAN CENTRE: Deep data driven insights

Japan Centre is a family run business, operating since 1976, and located in central London. In addition to their online department store, the Japan Centre group includes a

wholesale department and restaurants. Selling groceries and specialties from the Far East, they cater to all kinds of customers with interest in Far East Asian cuisine and cooking.

With more than 3000 products and a growing database of customers, Japan Centre identified a strong need to improve their customer insights in order to create customer personas by cross-referencing customer lifecycle information with product affinities.

In addition to sending personalised content, the Japan Centre marketing team also needed to know when to engage customers, and needed the technology to connect these two variables to execute timely and effective retargeting campaigns.

The marketing team also wanted their strategy bespoke to their specific business needs, ensuring that the new technology produced the maximum impact. Benchmarking their proposed strategy against best practices looked to be a daunting and time-consuming task, and so access to expert and industry-experienced advisors was seen as a key requirement for success.

Furthermore, they also identified a strong need to move away from manual work by automating as much of their campaign efforts as possible, and maximizing return on any manual work. With so many products and customers, the Japan Centre marketing team needed the ability to effortlessly create, automate, test, and optimize campaign content at scale.

The company turned to Emarsys B2C Marketing Cloud to solve all three issues in one go. Firstly, the platform enabled Japan Centre's marketing team to defragment and unify all of their customer data across all different online and offline touchpoints, through data science and advanced machine learning that enabled a deep understanding of every single customer.

From there, smart analytics scored and categorized customers by their behaviour and affinities, creating segments that could then be targeted with programs optimized to encourage conversions.

Secondly, with expert guidance available from on-boarding onwards, Japan Centre were able to ensure that their strategies and materials were developed to maximize impact and conversions, from design adjustments through to ongoing tips and tricks. Long-term strategic projects were then

implemented to further develop holistic lifecycle marketing strategies that combined multi-channel execution with their new deep data insights.

Finally, Japan Centre applied smart targeting and powerful execution across the whole lifecycle, with automated programs that dramatically reduced the need for manual input. The Japan Centre marketing team also took advantage of the automatic value-control mechanisms, which handled all the testing using built-in randomization and scientific control group measurements that identified best performers for tuning and programme optimisation.

As a result, Japan Centre has enjoyed a significant increase in performance since implementing Emarsys technology, transforming their database into an actionable intelligence source that fuels intelligent automation along the entire customer lifecycle.

Access to real-time reporting and scientific value control indicators allows the Japan Centre marketing team to effortlessly replicate success across campaigns, and keep boosting key results.

Increased click-through rates are translating to more conversions, which enables Japan Centre to keep strengthening and extending customer loyalty with each campaign.

With continuous support from Strategic Services, and regular reviews and performance reports, Japan Centre's team has all the information needed to make sure that it can maximize customer lifetime value through relevant engagement efforts across all channels.

"Programmes that automatically target defecting and inactive customers are very important to our business, and we immediately saw significant improvements," says Svetlana Novichkova, Head of E-commerce, Japan Centre. "We also now know who our loyal customers are, and can easily reward them at each point of their journey."



EVOLUTION SLIMMING: Taking the healthy approach to data



With a database of 250,000+ contacts, health supplement provider Evolution Slimming was struggling to find ways to increase revenue, even after a redesign of their website. Commerce Director, Russell Nicholls, used Emarsys to identify their prospects, first-time buyers, and defecting customers. Based on customer behavioral intelligence, he targeted each of these segments with one of three automated lifecycle emails, generating a 270% return on investment and 1.1% uplift in projected annual revenue from just one automated campaign.

SO HOW DID THEY DO IT?

Before Emarsys was involved, Evolution Slimming optimized their site through responsive design and a cleaner layout to improve the customer buying experience. Once they completed this optimization, they constructed a regular newsletter to drive web traffic. But, considering their investment, open and click-through rates seemed relatively low.

The first step of the solution was to identify why Evolution Slimming was getting lower than expected click-through and open rates. Smart Insight, the Emarsys customer intelligence tool, revealed the behaviour of Evolution Slimming's customers on their web shop. It became apparent that they did not struggle with getting first-time buyers, the challenge was keeping them.

Emarsys' e-commerce strategy team analyzed their current communications strategy, and found that every customer as being treated the same way. Working with Evolution Slimming, a test was conducted to see if a more deeply personalized customer experience returned more revenue.

Evolution Slimming created three personalized lifecycle email programmes, based on the retention challenge discovered by Emarsys Smart Insight (detailed on the following page). They then split 10% of Evolution Slimming's contacts into a test group, offering personalised discounts, while the remaining 90% were in a control group that was not offered incentives.

This strategy meant Russell could measure whether his contacts were responding well to discounts. Evolution Slimming used Smart Insight to combine the correct mix of timed incentives and product information, personalised for each target audience. They distributed their campaign via the Emarsys Automation Centre, using a pre-set marketing automation template.

In just eight weeks, Evolution Slimming generated 270% return on investment from these personalized lifecycle programmes. More specifically, they received 13% more revenue from the Welcome Program, 38% from the Repurchase Programme and 4% more revenue from the Win-back Programme.

In each program, the revenue increase was higher for the test group than the control group, showing that people who registered to Evolution Slimming's communications responded well to discounts and special offers.

Evolution Slimming has increased conversion rate from 4% to 7% in just six months, and based on this eight-week test period, has projected an annual revenue uplift for the entire business of 1.1%

"It's so much easier to convert customers once you know how to give them what they want, when they want it. I couldn't believe how many opportunities I was missing out on," says Russell Nicholls.

12 Takeaways

1 CUSTOMERS DEMAND PERSONALISATION
The rise of the ecommerce and the proliferation of smartphones has seen consumers become ever more demanding of brands and retailers – expecting a personal level of interaction through the channel, and at time, of their choosing. This puts great demands on the marketing department to get the right message to the right shoppers at the right time and place.

2 YOUR COMPETITORS ARE ON THE CASE
Your customers are also not as loyal as they used to be and so, if your competitors are giving them the level of personalisation and service that they hanker after, then they will go buy from them. So, building a personal rapport with your customers is now a business imperative.

3 YOUR DATA IS THE ANSWER
Sounds tricky? But you have the data already to build that personal interaction and ‘brand delight’ with your customers. You just need to know how to pull it together, curate it and how to analyse it for patterns and trends that you can turn to your marcomms advantage.

4 AI HOLDS THE KEY
On its own, mining this data is a daunting task, but machine learning and artificial intelligence (AI) can help to power through the data, pulling out trends, micro-patterns, and grouping together like-minded shoppers to allow you to understand – often in real-time – who is doing what, when, where and, if you are lucky, why. This means that you can target individuals with seemingly personalised content, messaging and more but live and at scale. Marketing nirvana.

5 AI IS NOT A ‘THING’
AI holds the key to being able to do this, but it isn’t a magic box or a software programme you can just plug in, rather it is a set of technologies that you need to incorporate across the business to help understand your data and work out what you want to do with it. Anyone selling you a box with Marketing AI on the side is not to be trusted.

6 START SMALL
As with any project that is likely to have seismic reverberations across your entire business, AI marketing needs to start small. Get a feel for what it can help you do by picking one area and trying that out. Test it for the results you get based on what kind of data goes in; compare to what it is you want to achieve with what you do achieve and keep tweaking. Once you have cracked it in one place, start to roll it out in others. The end game is to have AI integrated into every level of your business at a microscopic level.

7 WITH SMALL, CLEAN DATA
Don’t be swayed by the trend for Big Data. Start trying AI with a small part of the business and a

small, quality data set. The AI marketing of AI marketing is to deliver near perfect personalisation – and personalisation depends on quality of information about a person not necessarily quantity. So, think small, high quality data to start with. A good place to start is in your loyalty scheme, if you have one, as this is rich in data.

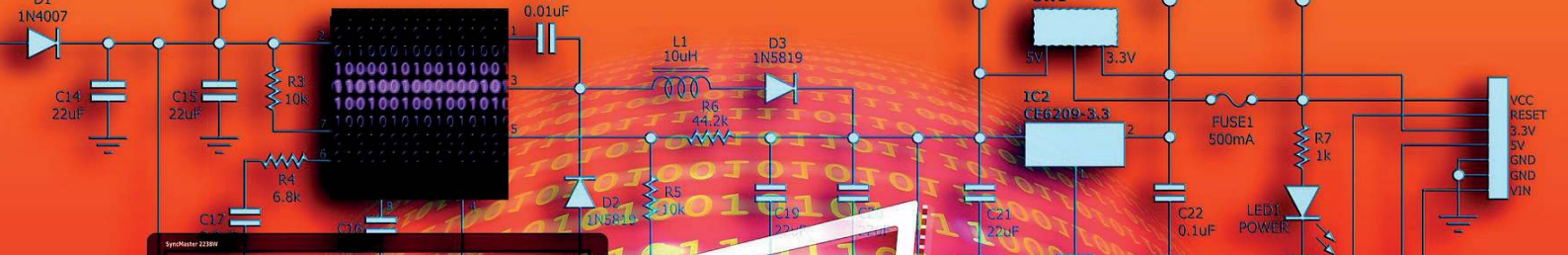
8 GO ‘BIG DATA’
The key is to start small – but don’t stay small. As your AI marketing strategy develops and rolls out across the business, you should be looking to be able to offer the system lots of high quality data: good big data, for it to really get to grips with what is going on.

9 AI IS BUSINESS WIDE
AI is not just for marketing, it needs to go business wide to be truly effective. As you shift from pilot project to incorporating AI in more areas, you will see that it will change how your business runs. AI is already being seen to have changed the very nature of retail businesses by those early adopters who are becoming expert in it.

10 GET BOARD-LEVEL BUY-IN
Since AI has the potential to be transformative of your business, you need to get board level buy in from an early stage. Anyone running a retail business will already be well aware that AI is coming down the pipe and that it will impact what they do, but showing them quite how is crucial. You can show them this white paper for starters, but then make sure that a small AI pilot delivers and show them that.

11 GET EVERYONE ELSE ON BOARD
With AI looking to be a technology that will integrate across the whole business and reshape everyone’s job function, it is imperative that, as well as getting the management on board, you also make sure that everyone else gets where this is going – and that it is a good thing. AI has the power to change the boundaries between traditional departments in a company: blurring the lines between marketing and ecommerce, ecommerce and IT and so on. Show everyone that it will be a positive force for change.

12 YOUR JOBS ARE SAFE
Don’t believe the scare-mongering that the robots are coming for our jobs and that AI will replace humans. In 50 years maybe, but right now, AI in marketing at the very least has the power to automate and more efficiently and effectively handle all the grunt work on data analysis, leaving marketers free to be more creative and strategic with what they do with that data. In theory, you will know your customers better than ever before, so you can devise and implement new and delightful ways to interact with them.



Summary

Customers today demand a personal and immersive customer experience when they touch a retailer through any one of the myriad touchpoints available to them – and meeting this demand is becoming an increasing challenge to retailers.

This shift has been ushered in by widespread use of the smartphone and, in doing so, has presented retailers with not only more demanding customers, but also a vast array of data about them.

The vast amount of data produced by such a large number of customers can help retailers personalise their marketing efforts, however, the data is so vast that it can't really be made sense of by any human force.

The answer lies in machine learning and Artificial Intelligence (AI). AI has the ability to sift through the vast ocean of data and fish out the trends, micro-trends and patterns that lie hidden in its morass. This allows retailers and brands to understand consumers on a wholly new and much richer level – and allows them to be marketed to individually, but at scale.

This is marketing nirvana; this is Artificial Intelligence Marketing (AI marketing).

AI marketing is here today and those that have mastered it are seeing great returns. Can you afford not to implement it?

Backed by bespoke retail industry research, this white paper outlines the current pain points felt by digital marketers in the retail sector and how AI marketing can start to remedy them. It also outlines how, put to use properly, AI marketing will shift how retailers operate and how consumers shop.



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