

# Artificial Intelligence in Retail...

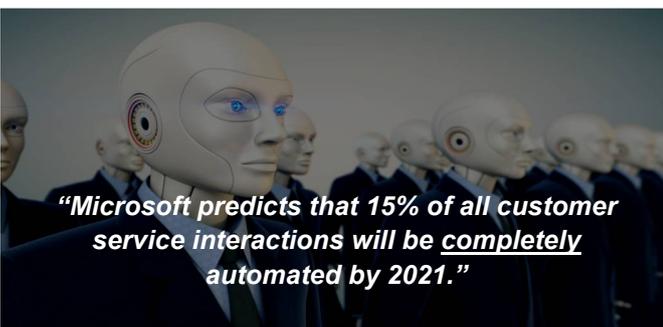
## *It's already here*

Walmart uses drones, and H&M has its conversational AI platform. The AI arms race has already begun.

How will **YOU** remain competitive?

### Why is AI important?

Increasing adoption of Artificial Intelligence is a trend that will profoundly transform how retailers operate and engage with their customers. AI deployment affects risk assessment, decision-making, and customer interaction in the sector, holding the promise for retailers to be able to work more efficiently, at lower cost, and deliver a better quality of service to customers.



### What is Artificial Intelligence?

Artificial Intelligence (AI) can be described as the use of machines to solve problems and interact in a way that can replace human activity. We've already seen machines able to perform tasks as varied as sifting huge amounts of information to draw conclusions faster than humans could ever manage, through to driving cars on public roads.

One incarnation of AI is robotic process automation (RPA), software 'bots' mimicking the way humans perform tasks—including using other software. Other uses of AI that are

becoming more common in the business world include data analytics and machine learning, and bots which use natural language processing. Physical robots are already cleaning floors, stacking shelves, retrieving items in the warehouse, and packaging goods.



AI is also making big strides in key areas such as:

- stock loss reduction and security
- store foot-print optimisation
- staff and resource planning
- product mix and supply chain optimisation
- targeted marketing
- virtual mirrors
- gesture recognition
- personalised shopping experiences

AI gives retailers a tool to engage with and get to know their customers better than ever before, whilst integrating their virtual and physical sales channels.

### How are retailers responding?

Over the past 36 months, we've seen retailers integrating AI into their operations in response to demand for more convenient, responsive, and personalised services. Walgreens optimises its flu-related product stocks by using spatial analytics to track the spread of influenza, Avon used machine learning and sentiment analysis to find out what



women want in a mascara to develop its new product, and Amazon has physical stores that don't need cashiers.

While AI (and RPA in particular) may deliver efficiencies fast, the scramble to implement these new technologies mustn't be allowed to side-step engaging with risk management. Even the most sophisticated retailers have unanswered questions on how to adopt AI without exposing themselves to undue risk, and the questions are deepening as legislators and regulatory authorities around the world begin to engage with the issues.

We've been engaging in strategic discussions with businesses as they seek to navigate the various issues, and can see that organisations are already investing substantial time and money in developing approaches suitable for their businesses. There is a need for speed if strategic advantage is to be gained.

## What issues are there?

***“Many early projects have not met their financial business case—often as a result of mismatched expectations or incomplete planning.”***

The biggest issue for retailers is likely to be getting the right risk management approach. Many of the possible pitfalls in implementing AI are very different to those involved in procuring traditional tech, while others will be more familiar. Retailers need to assess the limitations of the technologies, business continuity, information security, continued access to human skills, protecting competitive advantage, customer experience, and managing contractual liability.

Marrying business expectation to a sound risk management approach is crucial to the long term viability of AI projects in the retail sector. This requires fresh, strategic thinking from business leaders directed specifically at the issues raised.

Procurement can also be a challenge, even if buying new products can seem deceptively simple. Large corporate entities tend to have embedded procurement processes and governance demands, which can make it hard to engage with smaller, disruptive suppliers. We have found the procurement process can often take longer than

expected with AI vendors, even when a senior sponsor at the retailer is willing to coach both the supplier and his own team through the process. Finding the appropriate balance of risk between the end customer, retailer, and AI vendor is often challenging. Some projects simply never reach fruition.

## How to engage with the issues?

Forward thinking organisations are engaging their technology, operations, and legal resources holistically to identify the risks which need either to be removed, mitigated, or managed.

We've been working with a variety of organisations for a while now in evaluating the issues and how to respond. We typically recommend a good first step is to collect and assess intelligence on the market, and begin to hold internal discussions involving all stakeholders to develop a strategy. This is how we see our clients gaining the best business advantages from the opportunities AI is presenting.

Our clients are finding the insight brought by our leading technology lawyers invaluable in readying themselves for what is widely described as the 'next big thing' in retail business technology.



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