Let's Get Phygital: Redefining the Retail Customer Experience with AI

Written by Amy Wallace   on   May 25, 2022

Retail, at its core, is all about connections between brands and their customers. Increasingly, AI is becoming the interface for these brand connections, and is also a necessary relationship facilitator as customer expectations evolve.

Prioritizing the customer experience is now essential to driving loyalty and growing revenue, as retailers today compete on customer experience just as much as price.

Customers today expect more, and these expectations are driven by every brand they interact with – not just other retailers. They expect truly effortless, personalized and intelligent interactions on their terms. In fact, nearly 90% of consumers seek a digitally enhanced shopping journey, whether engaging at home, at a physical brick-and-mortar store, or via mobile. As we look forward, the retailers that successfully bridge the divide between digital and physical -"phygital" experiences – will be the ones that foster meaningful and long-term customer relationships.

A Proactive Retail Customer Experience – From Awareness, to Returns, and Beyond

How can retailers treat every customer like a VIP throughout the entire journey?

In the online realm, sales representatives are not there to offer guidance and advice, to suggest an alternate size, to inform customers that these particular jeans tend to stretch, or a certain fabric does shrink upon its first wash, so it may be wise to consider one size up.

To do this at scale, retailers are turning to AI-powered virtual shopping assistants. These agents carry on personalized conversations, from awareness to consideration, purchase, service, and maintaining lasting loyalty. While these virtual assistants have been around for years, they are now shifting from being purely reactive to proactive and predictive – harnessing data to forge the most intimate connections with customers and becoming their true advocates at the exact moment of need.

Picking up on little details such as a customer perusing a section of the website, an AI can proactively send the customer a message, identifying those likely to return an item, which can also mitigate the costly and time-consuming cycle of returns and exchanges. The emphasis here is on a proactive, rather than a reactive approach to service – making the first move by spotting or anticipating an issue in advance. For instance, if a customer has consulted a website's size guide and added two of the same item to their shopping cart in two different sizes, a chatbot can intervene to assist the customer in finding the correct size. By answering questions regarding products and sizing, AI-powered virtual agents can empower customers to make the right purchase, optimizing the pre-sale experience.

> "Digital cannot be a new way of selling, it has to be a way of connecting, and my worry is that brands don't get it. How can we take that level of human emotion and interaction at scale, because obviously you can't do that for every customer? Look at your digital tools and start collecting data. Then you can start to do something pretty special with the data that makes people feel special and feels unique."
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> – Ken Hughes, one of the world's leading authorities on consumer, shopper and cyber shopper behavior

Individualization, On Overdrive

The opportunity for personalization and contextualization throughout the entire retail customer experience is greater than it's ever been. Now, it's not just about tracking clicks and time spent interacting with products, but conversations. By harnessing AI-powered solutions, brands can collect and analyze rich information gleaned from interactions to better grasp the needs and preferences of customers – and how these change based on context.

Abigail, for instance, often purchases pieces for her summer wardrobe from her favorite clothing store. It is now May, and she is looking to refresh her wardrobe for the season. An AI would pick up on the early summer season and surface some recommendations based on her purchase history, alerting her to similar pieces that she may like with expert precision, all through a conversation like she would have had with a personal shopper.

Tech-forward conversations no longer live solely online, as retailers are coming up with innovative new ways to bring the digital element alive in stores.

For example, Lush, a cosmetics brand known for its innovation and environmentally friendly practices, created the Lush Lens app. This tool eliminates the need for packaging and signage, and also empowers in-store customers with more information about the products they are purchasing. When shoppers point their camera at a product, they are shown details about it, including its ingredients, price, and an immersive video demonstrating how it is used. Fashion brand & Other Stories introduced a smart vending machine experience that serves as an interactive hub, allowing customers to try out a range of products from its beauty and fragrance offerings.

When It Comes to the Retail Customer Experience, We Are Just Scratching the Surface

For AI-powered conversations, the anticipated growth is strong – Insider Intelligence predicts that, by 2024, consumer retail spend via chatbots worldwide will reach $142 billion – an increase from just $2.8 billion in 2019.

While there are some elements of the in-store experiences that cannot translate to the online environment, such as allowing customers to feel the soft material of a cashmere sweater, with a little help from AI, the phygital is taking off.

How can conversational AI be integrated into your business, streamline your support strategy and enhance the overall retail customer experience? **Request your demo** to see an AI platform in action!

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