



Why AI is Vital for Your Store in 2020



Contents

Introduction

02

Chapter 1

The Rise of AI in E-Commerce

05

Chapter 2

Why AI E-commerce Experiences Are a Must

09

Chapter 3

The Robot Revolution – How AI Is Changing E-Commerce

13

Chapter 4

How Brands Are Putting AI into Action

18

Looking AI-Head: Where Will We Be a Year From Now?

23

Introduction



In April 2019, [Walmart launched an AI-powered store](#). Boasting interactive displays and a suite of cameras that monitor inventory levels, it aims to keep stock replenished and fresh, while freeing up staff so they can interact with customers.

Tech-fueled supermarkets of the future might raise a few eyebrows (particularly among those that believe robots are plotting to take over the world), but the truth is a lot of consumers like the features that Artificial Intelligence (AI) can provide.

In fact instead of fearing AI and its connotations, [consumers are actively embracing it because it](#) serves them the content and information they want as and when they want it. They believe [it will lead to faster deliveries](#), less fraud, and better customer service. And they're right.

But more than that, it taps into an ever-increasing need for [personalized experiences](#) and [deeper connections with brands](#).

The automated and predictive nature of AI has opened up countless opportunities for e-commerce brands, particularly those that are tight on resources and time. It has even helped smaller brands compete with larger companies for new customers and open up access to new and emerging markets.

AI is at the forefront of a blossoming technology landscape. As a result, it's becoming more mainstream and is infiltrating almost every aspect of e-commerce business, from advertising and shipping, to restocking and everything in between. "Intelligent" stores like Walmart are just a small part of the revolution. The coverage this received was partly due to AI's visibility in the store through digital displays and cameras that seem to have minds of their own. But AI is working away behind the scenes in less visible spaces, too.

For e-commerce brands, tapping into AI to create better online shopping experiences is the top priority. Those that do it well are benefitting from mammoth time and cost savings, but the most meaningful returns are its positive impact on customer experience.

This ebook will dispel some of the myths around AI and dig into the importance of implementing AI-focused strategies over the next 12 months with some actionable tips thrown in for good measure.

In the first chapter, we'll go back to the start and document the rise of AI in e-commerce. We'll answer questions like "where did it all begin?" and "how did it get so popular?"

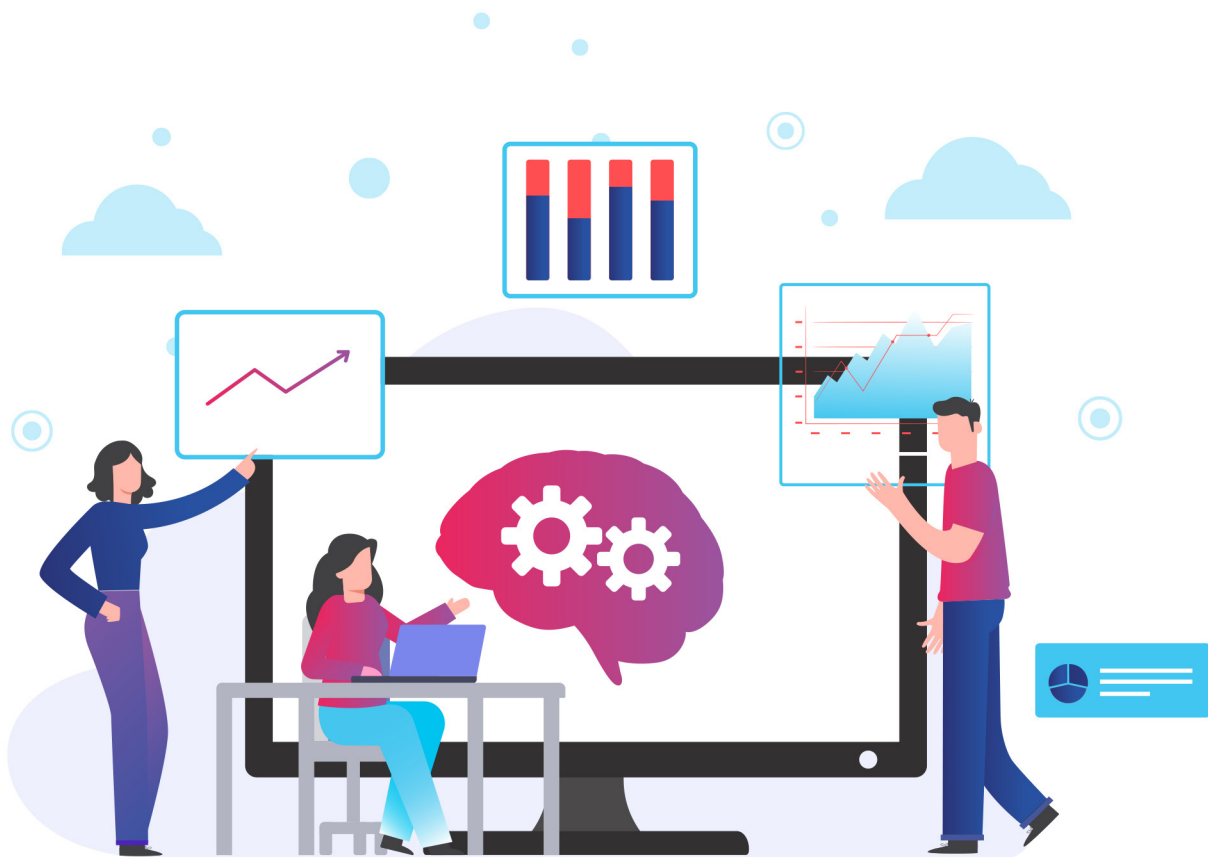
Chapter 2 highlights the reasons why AI experiences are vital if you want to give your store that all-important competitive edge.

In Chapter 3, we dig into the most common ways AI is reshaping the e-commerce landscape, including its impact on customer churn rates and personalization.

Finally, in Chapter 4, we present some of the most innovative ways e-commerce brands have been implementing AI to create stronger experiences and build more enjoyable customer journeys.

Chapter 1:

The Rise of AI in E-Commerce



The arrival of Amazon was a gamechanger for the e-commerce world. The brand's ability to personalize search results and create a unique shopping experience for each individual user was highly coveted. For a while, this led to the belief that smaller online stores had to be as big as Amazon to be successful.

Of course, this wasn't true. It was arguably Amazon's pioneering use of AI that pushed them quickly to the top, but now we're seeing even the smallest e-commerce brands testing out

advanced tools like AI-powered [chatbots](#) and predictive analytics to serve their customers personalized product recommendations and an improved customer experience.

To understand how AI is changing e-commerce and why it's now a vital part of any strategy, we have to understand what exactly it is. It's commonly used to describe four key components.

1. Machine Learning

This facet of AI is when computers or systems automatically learn and improve from experience, without having been explicitly programmed.

The most common application of this can be seen in e-commerce on-site search. [Machine learning](#) reveals past search patterns, purchases, and preferences for each user and serves optimal search results based on that data.

2. Deep Learning

This is a subsection of machine learning that aims to imitate the workings of the human brain. It can process data and create patterns from unstructured or unlabeled data, and make decisions from its findings.

The difference between deep learning and machine learning is that deep learning is used to track user behavior at a more complex level. In action, it can offer purchase options based on other items viewed, how much time has been spent viewing those items, what the user did before and after viewing each item, and user demographic data.

It uses a deeper layer of parameters to serve even more detailed and specific recommendations.

3. Predictive Analytics

Contrary to popular belief, predictive analytics can't see into the future. Instead, it is the practice of analyzing existing data and using that to determine patterns and predict potential future outcomes.

Predictive analytics has multiple applications in the e-commerce world, but most commonly we see it being used to optimize pricing. It does this by taking input from various sources such as historical pricing, customer activity and competitor pricing, to predict how much customers are willing to pay for a product.

4. Big Data

Big data is the term used to describe a massive volume of data (both structured and unstructured) that's too large to be processed by the human brain and even traditional databases. It also refers to fast-moving data that is constantly changing.

In the realm of e-commerce, big data is used to collect and collate consumers' shopping patterns to provide better insights into their behavior. This can then be used to serve certain product recommendations or specific content that's relevant to the different stages of the buying cycle.

Tapping into these tools gives e-commerce brands — both big and small — the chance to better understand their customers and, therefore, provide a better experience for them. In fact, it's proving to be so effective that [research from Tractica](#) shows AI in e-commerce is growing at such a pace that worldwide revenue is expected to reach \$36.8 billion by 2025.

[Consumer confidence in AI is steadily increasing too](#), although 70% of consumers still harbor some sort of fear of AI. This means it's vital for e-commerce brands to be transparent about their use of it.



Chapter 2:

Why AI E-commerce Experiences Are a Must



Gain a Competitive Edge and Stay Ahead of the Game

Companies are struggling to improve their customer experience without the help of technology. This is particularly true for fast-growing brands with limited resources — there are only so many hours in a day, after all.

AI paves the way for e-commerce brands to take some of the pressure off their staff and find new avenues for putting their customers first through automated segmentation, predictive product recommendations, and chatbots.

Brands that are succeeding at putting their customers first through strategic tech implementations gain a significant competitive edge.

Picture this scenario.

Rachel is looking for some red fluffy slippers for her sister's birthday at the weekend. She runs a search and comes across an online store that has what she's looking for.

The store not only shows her three pairs of red fluffy slippers, it also recommends similar products that are relevant to her search. But Rachel has a few questions about the slippers she needs answering before she buys. Just as she's about to leave the site to check out a competitor listing, a chat box pops up and asks her if she has any questions.

She asks whether the slippers will arrive before the weekend. The chatbot immediately says yes. She asks whether the slippers have a hard or soft sole. The chatbot immediately replies with hard. Rachel now has all the information she needs to click buy — so she does.

She didn't have to navigate to another site. She was provided with all the information she needed through predictive search results and AI-powered

customer service. The competitor never got a look in.

Serve Increasingly Savvy Consumers and Create Customer-Centric Strategies

Consumers are the savviest they've ever been.

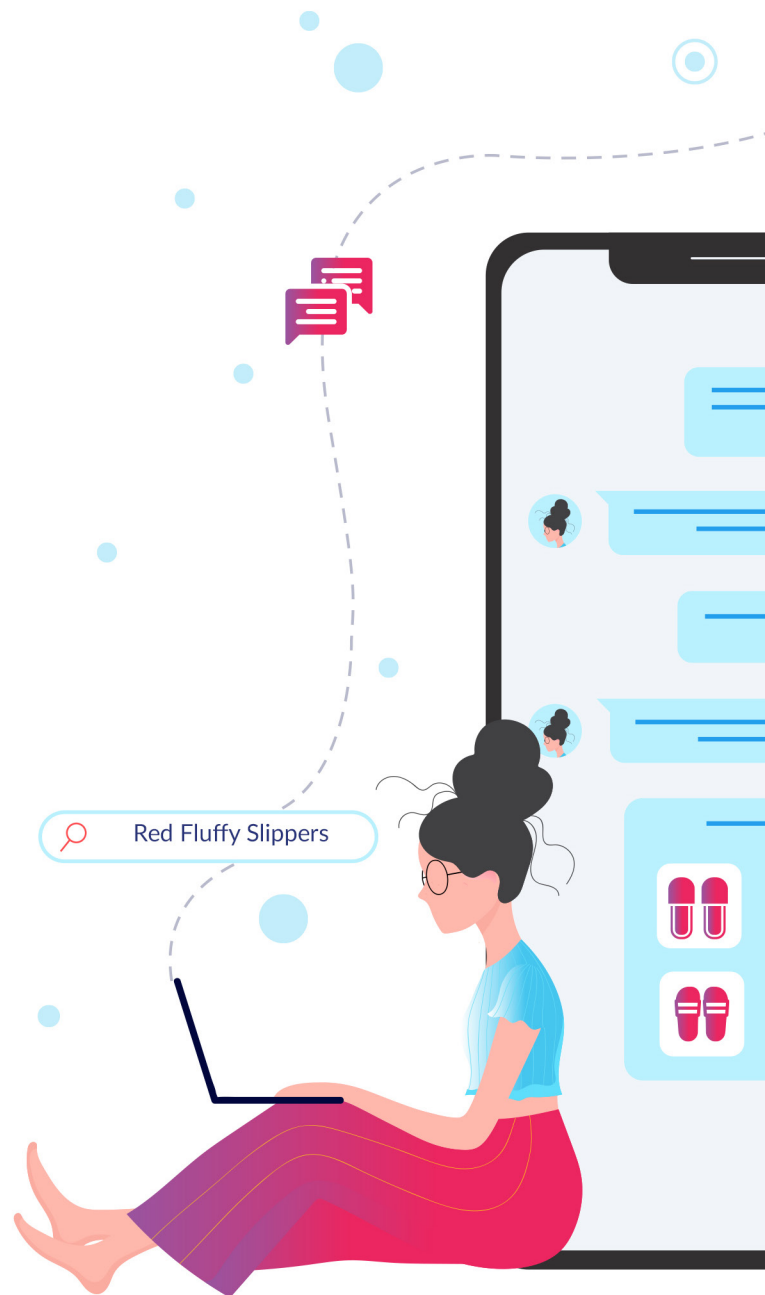
They have the entire world at their fingertips and can get the answers to pretty much anything in a matter of seconds. If you don't put them first, someone else will, which is why it's so important to consistently inject customer-centricity throughout the sales cycle.

Think about Rachel's situation we mentioned before.

Rachel knows that if the first e-commerce store didn't have what she wanted, or couldn't answer her pre-purchase questions, there would be plenty of others out there that would. She knows she has options, and that puts her (and all other consumers) in a position of power.

Through AI-powered technology, e-commerce brands are able to create personalized journeys, tap into in-the-moment needs (like questions that need to be answered before a purchase can even be considered), and offer perfect-fit solutions quickly and effectively. This is lucky, as there's only so much a human can do.

For example, an AI-savvy brand might take note of the questions Rachel asked about the red slippers and incorporate them into their product listings to avoid further objections in the future. All of this can be done automatically and fluidly with advanced technologies.



Chapter 3:

The Robot Revolution — How AI Is Changing E-Commerce



Addressing Immediate Needs

It's difficult to find an e-commerce site that doesn't have a live chat option these days. And more often than not, the person on the other end isn't actually a real person, it's an automated bot that's been loaded up with the answers to commonly asked questions.

In the past, if shoppers had a question about a product they would have to either send an email

to the seller (which could mean a lengthy wait for a reply) or call up customer service and face waiting on hold. For someone who needs to make a quick purchase or who's in the throes of impulse buying, these barriers would often stop them in their tracks.

As a result, they would go somewhere else where they could get their questions answered right away and could happily continue their purchasing journey.

The emergence of AI has meant that e-commerce brands can tackle in-the-moment objections with automated chatbots and keep the customer journey ticking along smoothly. Think back to Rachel's hunt for the red slippers. Without the automated chatbot, there's a very high chance Rachel would have gone elsewhere to make her purchase.

Personalizing the Shopping Experience

Shoppers crave unique experiences designed especially for them. More than that, they expect it. [Before customer segmentation and AI-powered product recommendations](#), consumers were often served the same selection of offers.

Imagine being served recommendations for meat products when you're a vegetarian, or cat related products when you're a diehard dog lover. It's going to turn you off, right? And that's exactly what was happening. People were turning their backs on stores that didn't understand or meet their needs.

Now imagine you're a dog lover looking for a mug with your favorite dog breed on. You come across a site selling the perfect fit, and they're also recommending dog-print towels and bedsheets — two things you can definitely be persuaded into buying. So you do.

At this point, the site knows you're a dog lover and will continue to tap into that interest of yours. Even better, you'll hopefully never see a recommendation for a cat-related product again.

This is because AI helps brands serve relevant product suggestions and create specific buyer journeys depending on past purchases and common behaviors. It uses data to get to know the individual interests and needs of each customer so it can recommend products they're going to struggle to say "no" to.

Decreasing Customer Churn

Customer churn is one of the biggest challenges e-commerce brands face — particularly in today's online landscape that provides consumers with so many options.

AI allows brands to dig deep into customer behavior and figure out the sore points where improvements can be made. This also touches on our previous point about personalization. Shoppers are far more likely to buy (and, more importantly, continue to buy) products from a store that “gets” them.

Craft beer company [Beer Hawk](#) wanted to put this into action to decrease their customer churn and convert more buyers — both old and new. [They used AI software from Nosto](#) to run A/B tests for product recommendations. On one side, they tested conversion rates on a generic selection of product suggestions and, on the other, they tested conversion rates on product recommendations tied to customer behavior.

‘Likewise, Beerhawk’s customers who complete a search are 2.5x more likely to convert with Klevu since moving away with Elastic Search. They saw a 35.75% + search conversion and 93% increase in revenue within 12 months compared to the previous year.’

It’s no surprise that the latter test gave the best results. In fact, it not only led to a 14% lift in conversion rate for first-time buyers, but a huge 35% lift in conversion rate for repeat buyers. This is likely because the more purchases a customer makes, the more data the company has to fuel personalized recommendations.

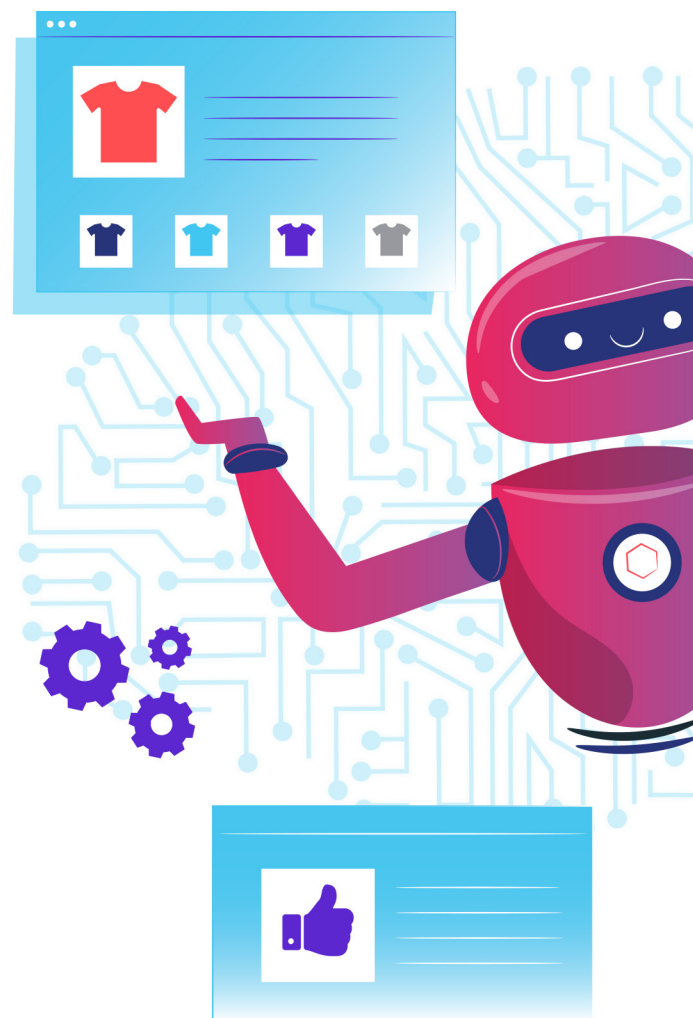
[The Pulse Boutique](#) also wanted to decrease their churn rate, and enlisted [the help of AI-powered loyalty program software from Loyalty Lion](#) to do so. The software pulled in user-generated content and encouraged engagement around the brand, leading to a 39% increase in returning customers.

Laser Focused Searches

The more products an e-commerce brand has on its site, the harder it is for customers to find them. AI technologies can improve and enhance search, making the process more detailed and relevant to each individual user.

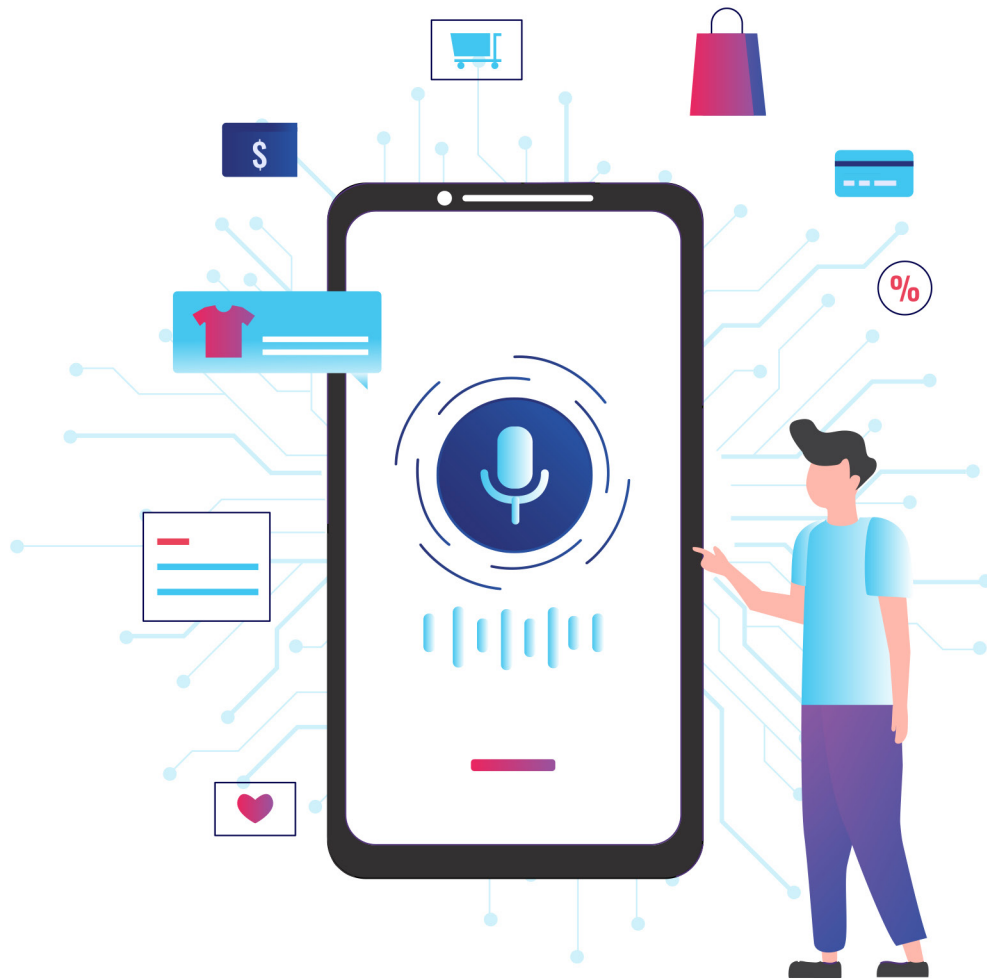
Klevu's smart AI-powered software is self-learning, and continues to learn from shoppers' interactions with on-site search to build on and optimize results automatically. It uses the most commonly typed-in search terms and implements them across relevant products, but it also adds contextual synonyms to product catalogs to capture searchers that don't necessarily use the most common terms.

On top of that, Klevu auto-completes search queries by providing rich, insightful suggestions that are based on past interactions and search behaviors.



Chapter 4:

How Brands Are Putting AI into Action



Predictive Product Recommendations

This is one of the most common ways we see AI in action in the e-commerce world. The technology allows you to tap into consumer data to create unique user journeys. For example, if one shopper has a penchant for buying woolly hats, AI will use that information to serve them more woolly hats.

Stitch Fix is a prime example of a brand that uses AI to personalize clothing recommendations at scale. They deliver customized recommendations to buyers every month and allow customers to keep what they like and return what they don't.

Shoppers can then provide feedback, which drives their next batch of personalized recommendations. AI technology uses this feedback, combined with the information about the items they kept and returned, customer

measurements, current styles and trends, and the expertise of personal wardrobe stylists to create even more focused recommendations.

Customer Service Bots

One of the easiest ways to inject AI into your e-commerce store over the next year is by integrating a chatbot that answers in-the-moment questions that potential buyers have. Take clothing brand The North Face as an example. It uses AI to help shoppers discover their perfect jacket by asking automated questions like “where and when will you be using your jacket?”.

The AI software then scans hundreds of products to find the perfect match.

Tommy Hilfiger runs a similar show. The designer fashion label uses a Facebook Messenger chatbot to provide customers with a personalized and interactive shopping experience akin to a digital personal shopper.

Embrace Voice Search

Voice search is a key component of the AI revolution. Today’s shoppers are busy and are constantly on the go, and voice communication allows them to carry out quick tasks without having to tap out a lengthy text.

The North Face example we mentioned before actively encourages consumers to ask their questions through voice input AI technology. This turns the shopping experience from a transaction into a meaningful conversation.

Klevu’s powerful search feature also comes with a voice search tool that allows customers to carry out voice-triggered searches.

Check out [Cox & Cox's](#) voice search capability which enables voice-activated search on their mobile and desktop site.

Monitor Stock Levels

As well as benefiting customers from the outside, AI can be used for internal success, too. You can

implement the technology to monitor your supply chain and automatically replenish stock when it's needed.

eBay does a good job of this. The huge marketplace uses repricing technology to help its sellers shift more stock. The AI solution alerts sellers to gaps in inventory of a particular product and makes competitive pricing recommendations.

Create Compelling Product Descriptions

If you're an e-commerce brand with a cumbersome product load, it can be time-consuming and costly to hire or write descriptions for each and every item. AI can scan and analyze the key features of each product and create effective descriptions by itself. It uses metadata as well as common search terms used by consumers to create compelling narratives about each product.

As well as crafting and optimizing product descriptions, AI can be used to populate product pages to optimize them for more sales.

Luxury bed linen seller Brooklinen sought out the help of user-generated content platform, Yotpo, to populate their product pages with customer reviews.

The brand knew that customer-centricity was at the heart of building a solid brand and cementing more sales, and providing social proof in the form of reviews is a key way to do this. The software managed to collect more than 25,000 five-star reviews and sprinkle them across the relevant product pages.

Supercharge Your Marketing

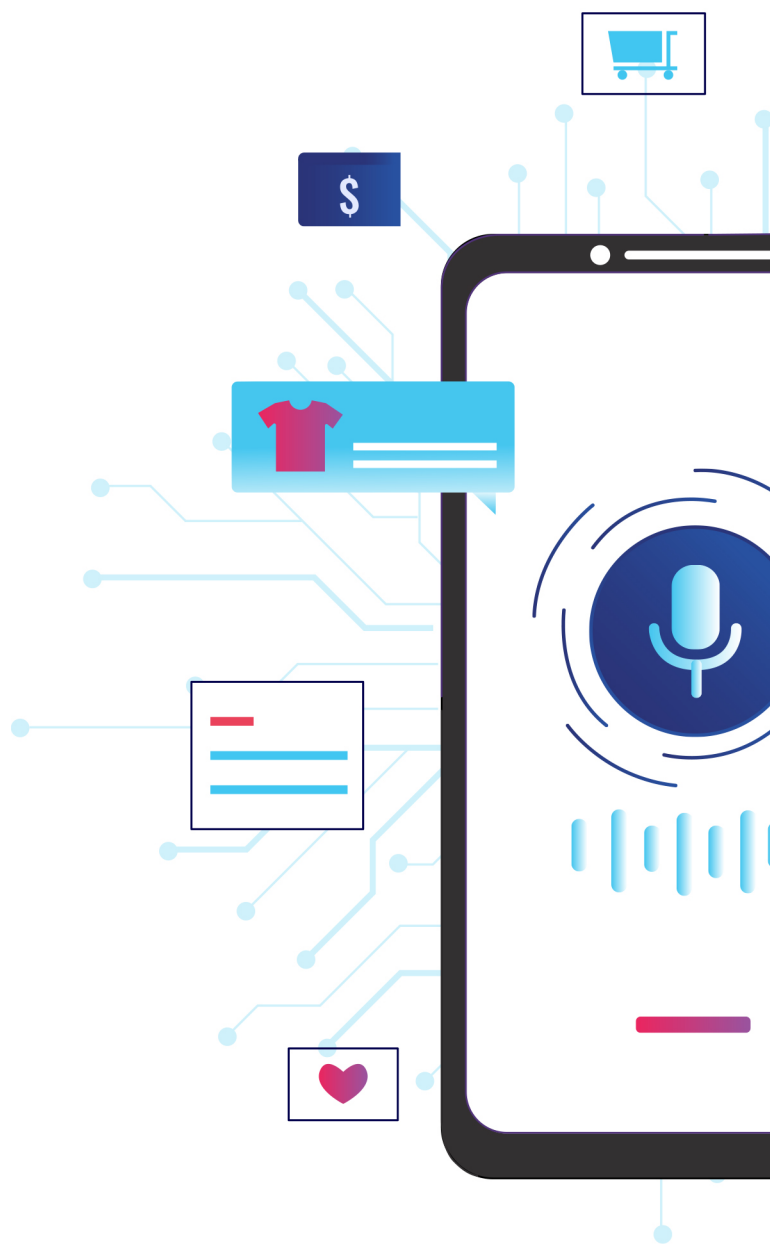
From a marketing perspective, AI can be used to gather and distribute UGC, pull together reviews and share them at the right touchpoints during the sales cycle — and not just on the product pages, as outlined in the Brooklinen example.

The technology can even serve the right content to the right people at the right time. This is particularly important when you consider that shoppers have different needs at different stages of the buying cycle.

Someone who is simply browsing might need content that offers inspiration, whereas someone who knows what they want to buy might need content that compares two similar options.

When Rocketbook, an innovative new notebook company, needed richer customer segmentation, they turned to Klaviyo. The aim was to send different email content to different customers to tackle their specific needs.

The AI-powered software does this by segmenting the list of email addresses into five target personas and then sending product-specific triggered emails based on the wants, needs, interests, and behaviors of the different personas.





Looking AI-Head: Where Will We Be a Year From Now?



AI has infiltrated almost every aspect of e-commerce over the past year, and we're set to see its use expand even more. Throughout 2020, brands will continue to implement key AI-powered strategies to create increasingly customer-centric experiences.

While a lot of bigger e-commerce brands are already tapping into advanced technologies to give them the push they need to get ahead, 2020 will see an increasing number of smaller

businesses implementing AI-powered solutions to give themselves a competitive advantage.

The e-commerce landscape is changing, and it's no longer a place where whoever shouts the loudest wins or whoever sells the most products wins. Instead, the winners are the brands that are shaping their entire store for customers.

There's no doubt that AI will have a major impact on the e-commerce sector – in fact, reports

suggest that [e-commerce is one of the top sectors that's ripe for AI investment](#). This isn't really a surprise, considering that consumers today have more power and choice than they've ever had before.

To get ahead, e-commerce brands will have to start implementing advanced technologies to create unique customer journeys. A [study by Business Insider](#) predicts that 85% of all customer interactions will be managed without human involvement in 2020, but with the way AI is heading, we reckon this percentage might be even higher.

What we do know for sure is that this year will be dominated by e-commerce brands that are AI-savvy and leverage advanced technologies to create personalized, enjoyable customer-centric experiences.

Those that fail to do this soon might find they fall behind their tech-savvy competitors.

If you want to stay ahead, now's the time to look at where you can incorporate some of the AI-powered technologies we've discussed in this ebook.

Check out Klevu's [blog](#) for more insight into all things e-commerce. To explore how Klevu's AI-powered smart on-site search solution can help you stay ahead of the curve, [schedule a live demo](#).



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