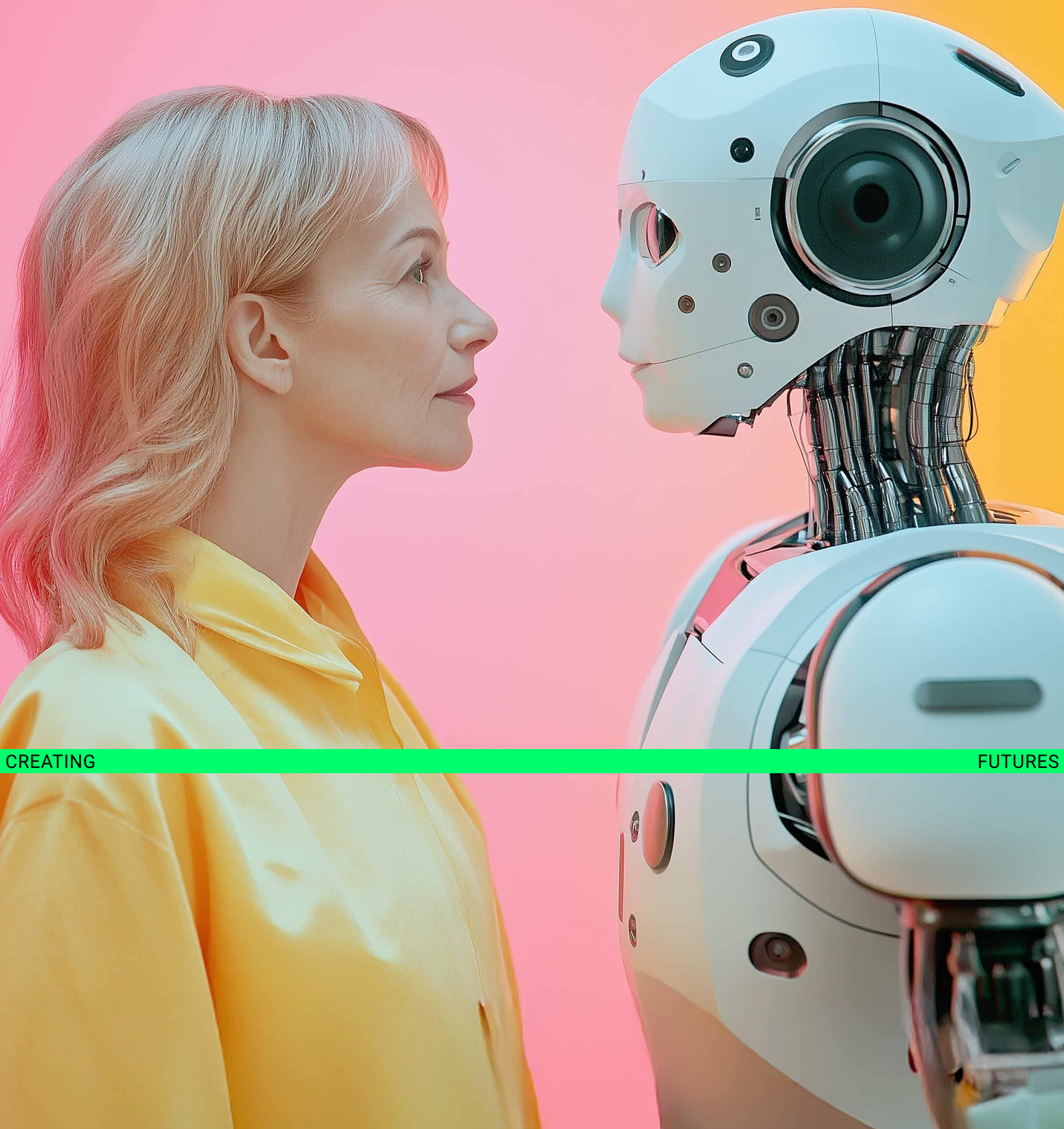


SMART AND HUMAN

NAVIGATING AI BETWEEN EFFICIENCY AND CUSTOMER CENTRICITY

by Dr. Gianluca Scheidegger and Dr. Johannes C. Bauer



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FUTURES

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Navigating AI Between Efficiency and Customer Centricity

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A LOOK AT THE ESSENTIALS

SUMMARY

THE AI (R)EVOLUTION

Key message: *AI is not a short-term fad, but the result of decades of research and is having a major impact on the economy, society and the environment.*

In recent years, artificial intelligence (AI) has developed into a technology that influences almost all spheres of life – from medicine, education and the entertainment industry to retail. Its foundations have been laid by decades of research. This sets it apart from short-term fads, such as blockchain and the metaverse.

AI has been made accessible to the masses in recent years. Applications such as ChatGPT and Midjourney mark a turning point. There is a mood akin to that of a gold rush at the moment. Between 2013 and 2023, USD 1300 billion was invested in AI companies, with the number of patents increasing by 63% in 2021–2022 alone. Companies such as chip manufacturer NVIDIA have hit historic stock market valuations. Many studies are also forecasting significant improvements in economic output as a result of AI.

A LOOK BACK AT THE PAST – INDUSTRIALISATION AND DIGITALISATION

Key message: *Technological progress does not benefit everyone equally, but instead presents the risk of widening social inequalities.*

Upheaval, such as industrialisation and digitalisation, have fundamentally changed society, the economy and culture. Analysing past transformations reveals how

technological progress can exacerbate social inequality. While industrialisation squeezed out highly specialised craftsmen, automation in the 20th century resulted in polarisation of the employment markets. AI could have similar effects – for example by automating routine tasks. This is likely to increase wage inequality between highly qualified and unskilled employees. That is why it is so important that we gain a good understanding of artificial intelligence, how it works and its potential impact on society before this technology is introduced on a large scale.

FOCUS ON PEOPLE – GDI CONSUMER SURVEY

Key message: *People in the 'DACH' region (Germany, Austria and Switzerland) expect AI to make many aspects of their lives worse – this leads to reactance.*

In August 2024, we surveyed more than 3,000 people in Germany, Austria and Switzerland on the topic of AI. This representative survey provides a comprehensive insight into public opinion:

- People are curious about AI. Yet AI also prompts a sense of mistrust and unease. People see major ethical and security risks in the use of AI.
- Almost everyone expects AI to change their lives – significantly in some areas. They generally expect things to get worse – because most people do not trust companies to use AI responsibly.
- Personal contact in retail is still important to people. They fear there will be less and less sales staff if retailers make increasingly use of AI. This is one of the main reasons for their lack of excitement about AI. They tend to see improvements through the use of AI in everyday life in other areas, such as medicine and education.

FOCUS ON BUSINESS – A SURVEY OF RETAIL MANAGERS

Key message: *Instead of critically examining what should (and should not) be automated, the main question currently being asked is what can be automated – while this may be efficient, it is often not customer-orientated.*

Surveyed in August 2024, a total of 287 managers from retail companies in Germany and Switzerland provide fascinating insights into their companies' AI strategies:

- Retail managers have a much more positive attitude towards AI than consumers. The majority believe it presents great opportunities for the retail sector, their own companies and in terms of making their jobs easier. Yet only a few of these managers use AI tools in everyday life.
- They usually describe the use of AI at their company as 'experimental'. Only 5% of companies have a dedicated AI strategy. Most of them are still finding their bearings or testing individual AI initiatives. The majority of retail companies intend to make much greater use of AI by 2030.
- Managers are primarily hoping to achieve efficiency gains from the use of AI. However, they also expect some things to get worse: for their customers (e.g. poorer quality of advice, higher prices) and for their employees (e.g. lower wages, less job satisfaction).
- A comparison of the management and consumer surveys shows that the prioritisation of AI initiatives at many retail companies is not based on customer needs. By 2030, many retail managers wish to invest in areas where the perceived added value for customers is relatively low.

A LOOK TO THE FUTURE – PATHS TO HUMAN-CENTRIC AI IN RETAIL

Key message: *AI in retail can only be successful if it addresses customers' everyday problems and strikes a good balance between efficiency and personalised service.*

AI per se does not represent a customer need. It must prove its worth as a tool for solving practical problems, e.g. by saving customers time and money. If AI helps to resolve individual consumers' everyday problems, acceptance will increase significantly. People want AI to help them make well-informed decisions without losing complete control in the process.

The use of AI in retail will only prove successful if the strategy focuses on customer needs. However, management at many retail companies has so far tended to use AI in areas where it is less appreciated by customers.

This is clearly revealed by the comparison of our two surveys. This comparison provides valuable insights into how synergies that benefit both customers and companies can be created in retail.

One thing is clear: staff remain a key success factor in the implementation of AI in the retail sector as many customers value personal contact with sales staff. However, the perceived quality of advice is falling. AI can provide sales staff with specialist support, giving them more time to talk to customers. However, greater use of AI in stores presents the risk of companies reducing their headcount. Well-balanced integration of AI that supports salespeople and maintains personal service is a crucial success factor for retailers.

FOCUS ON IMPLEMENTATION – ADDED VALUE FOR CUSTOMERS AND EMPLOYEES

Key message: *Efficiency gains achieved through AI must be passed on to employees and customers – for example, depending on the business model, in the form of more favourable prices or better quality of service and advice.*

While many retail companies are exploring AI, comprehensive implementation is still a long way off. Using the TRADE (Transform Retail through AI-Driven Excellence) framework, we provide practical support for retail companies based on the findings of our two surveys. This framework provides recommendations on courses of action for four different retail business models: discounters, quality leaders, service leaders and niche providers. It identifies the main objective that customer-centric use of AI should pursue in each type of company. The core of the framework is based on the principle that efficiency gains generated through AI must be passed on to employees and customers. For example, as price reductions (for discounters) or improved quality of advice (for service leaders). This is the only way to create a future where not only individual companies, but society as a whole benefits from technological change.

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