



# 2018 NRF Big Show roundup

## What's really happening with personalization, AI, and robotics

January 2018



If you have ever attended the NRF Big Show, you know that it is a lot to take in. As much as there is to see, this year's show was dominated by a few big buzzwords. Here is our take on what is getting some traction with retailers and what still needs to take hold.

### Personalization is reaching scale

Whether in the Expo or the Main Stage, personalization was featured heavily at the show and it still means a lot of different things to different people. One of the areas where we heard the most application was in recommender engines. Gone are the days when your recommender engine simply recommends the next best product or cross-sell products based on your purchase. Some of the best applications of recommendations are powered by AI and getting much more sophisticated. Some of our favorites included:

- A concierge powered by AI to recommend the best purchase; what makes this application unique is that it takes into account the person receiving the gift as well as your past purchase history to become much more relevant
- The ability to snap a picture and search for the closest approximation of the product on the retailer's site; this not only highlights the role that AI is playing in driving advanced search algorithms but also the level of product transparency we expect in the future.

### Robotics is beginning to get traction

We are beginning to see some of the biggest and most sophisticated retailers leveraging robotics in the supply chain and in distribution processes with impressive results. Given the margin compression that we expect to continue in the industry, we anticipate that this is a trend that will be on the rise and we will continue to read more about. We expect to see more robotics in these areas as well as in marketing and merchandising.

### Virtual reality and augmented reality are not yet widespread





It has been a number of years since we saw the first endless shelves or augmented reality dressing rooms in a store, but these seem to now be really gaining steam on the Expo floor. While there were some examples on the Main Stage of good business results from these technologies, they were not widespread. Our take is that this is still relatively new technology and adoption has not yet hit its stride.

**The consumer segment is expected to lead growth in robotics through 2025 with a CAGR of almost 22%.\***

**While not the most prominent trend at the show, this is one that we expect to gain momentum this year.**

\* Source: Statista

## Top capabilities necessary for returns on technology investment

 <p><b>Value proposition of the future</b></p>	<ul style="list-style-type: none"> <li>— With increasing price and product feature transparency, a rapidly growing competitor list, and enhanced personalization, the largest brands will no longer win at the same rate.</li> <li>— Now is the time to ensure that you know where your brand proposition is at a microsegment level so that you are ready.</li> </ul>
 <p><b>Customer experience map</b></p>	<ul style="list-style-type: none"> <li>— The best technology case studies were rooted in making the customer experience better.</li> <li>— If you do not have a clear experience road map, you are probably not ready for the technology road map.</li> </ul>
 <p><b>Customer data strategy</b></p>	<ul style="list-style-type: none"> <li>— We expect the amount of customer data to grow substantially as new technologies generate even more information about your customers and their preferences.</li> <li>— If you are struggling to capitalize on today's data appropriately, the time to act is now. You may even be able to leapfrog others.</li> </ul>
 <p><b>Future-proofed cost structure</b></p>	<ul style="list-style-type: none"> <li>— One of the promises of robotics is a dramatically lowered cost structure. Instead of starting with robotics and figuring out how efficient you can become, we recommend figuring out the cost structure you need to compete, how you will invest in your customers, and how all of this fits together to provide a profitable transition.</li> </ul>

### Our view on 2019 and beyond

Location analytics has been on the rise for a number of years with a focus on geo location and targeting. Two things stood out at the show that make us think that this is about to get a lot more interesting:

- 1. Facial recognition technology** – With the introduction of new capabilities in recent phone launches and improved technology in your security systems, we see facial recognition beginning to take hold in new ways in the retail store. Whether it is for preventing theft, as a new means to identify loyalty, or for researching emotions associated with a product or packaging, we anticipate that this technology could serve a number of new purposes within retail.
- 2. Video analytics** – Analyzing all of the data captured in video is still in its infancy, but we believe that there is tremendous power in this form. While most of the video analytics around today are on either online media or security systems, we see a number of rich applications and a growing sophistication for turning this data into a more meaningful source for the most innovative retailers.

**The currency of tap** – We also think that tapping may gain steam in the in-store shopping experience. Whether it is in presenting additional information by touching a sensor on a product or tapping to pay, this could become the new currency for interaction.

### Success takes time and commitment

Let's face it, as cool as all of the technologies and case studies sound, changing the way you do business and implementing new technologies is hard work. If you need to make a short-term number, there are definitely actions that you can take, but personalization, loyalty programs, and even applying machine learning to your current situation needs to be thought through carefully. If you are struggling with any of the issues outlined in this paper, we can help. Please contact your KPMG lead for insights and perspectives.



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