IT'S ALL ABOUT THE CUSTOMER:
AI, BIG DATA AND BLOCKCHAIN IN AN OMNICHANNEL WORLD

Norrelle Goldring overviews the discussion panel on emerging technology uses in liquor retail at the recent Drinks Innovation Summit.

Following on from my recent articles on Big Data and AI, in late October I was invited by Intermedia, publishers of *National Liquor News*, to host a panel at the first Drinks Innovation Summit (DIS) on new and emerging technologies and their applications for customer experience in liquor retail.

Below is a summary of the panel discussion that revolved around AI, Big Data and Blockchain, with a few supplementary points.

Panelists included Matt Michalewicz, Managing Director of artificial intelligence consultancy Complexica; Rod Pritchard, GM Merchandise at Australian Liquor Marketers (ALM); Damien Bueno, ANZ Managing Director of enterprise software giant SAP; and Michelle Grujin, Managing Director of Retail at management consulting firm Accenture.

Why AI now?

If Artificial Intelligence (AI) has been around as a concept for 50 years, why is it only becoming prominent now? According to Complexica's Michalewicz, the two key drivers have been improvements in business and technology, and the two are linked. Consumers have been trained over the past generation to be able to get what they want when they want it, and businesses are looking for solutions to meet this expectation. Businesses have more digitised processes than in the past, and this has assisted the growth of AI. Technologically, computer power has become cheaper, and the data to train AI is readily available with the explosion of the internet. The capabilities and algorithms of AI have improved to incorporate 'deep learning'; considering what consumers see and what they say using their natural language, to recognise patterns in how they think. AI and machine learning automates analysis. It makes assumptions, assesses models and re-evaluates data to provide detailed predictions at speed and scale, without human intervention. It learns from itself, with predictions becoming increasingly accurate and more specific over time.

Applying AI to retail

Michalewicz sees the natural areas of AI application to retail as being areas of complexity and high value. These include customer communications personalisation, promotional planning, price optimisation, demand planning and forecasting, and optimising in-store inventory.

Pritchard provided an example of how ALM is applying AI. ALM's retail network numbers 2,700 stores, 1,600 of which are aligned to banners and 1,300 of whom contribute sales data. ALM also has scan data along with other data sources and was finding the challenge not to be an absence of data but rather making meaning of the data already available. Compounding this is the increasing consumer need for personalisation and location in liquor, particularly in wine but also in craft beer as the complexity in that category grows.

ALM has been utilising AI to connect the data source dots and optimise promotional planning. ALM has six banner groups, each in multiple states, resulting in dozens of potentially different promotional programs. Traditionally, promotional programs had been grouped for scale and efficient buying. AI has enabled ALM's category teams to improve the sales to customer through ensuring right products in the right store at the right price for the store's individual customer base. Eventually, Pritchard sees AI being employed for localised insights for use by BDMs and in-store, and for personalised offers through e-commerce and loyalty platforms.

What is 'Blockchain' and why is it important for retailers?

Accenture's Grujin explained that blockchain is about moving away from a 'single source of truth' and opening the value chain – tracing all steps in the supply chain for instance – through restricted and secure data. Blockchain enables knowledge of the value chain steps and controls what and when things are audited, and distributes information to a consumer in a way that demonstrates its authenticity.

This then enables suppliers and retailers to identify and isolate in which parts of the supply chain may be creating most wastage. Or for consumers, more immersive experiences, as they can see how and where the product has come from and validate its authenticity by tracing its provenance. An example is in wine, to prevent high value wines such as Penfolds Grange from being counterfeited, or at least counterfeits being purchased.

The role of Big Data in all this

SAP's Bueno perceives one of the primary uses of data is around customer satisfaction and experience. This is because organisations that feature high customer satisfaction, and experience scores outperform on the top and bottom lines. Engaged consumers are more likely to be frequent buyers and 60 per cent more likely to buy more. Five per cent retention of the customer base can have a 20 per cent impact on the bottom line.

One example is Kmart in the USA, where customer feedback via survey indicated levels of satisfaction but this was at odds with the sales data. Looking at multiple data sources identified the feedback was only coming from the lower value customers and they weren't receiving feedback from higher value customers.

Red Bull knows that 'a cold Red Bull is a sold Red Bull', so they monitor fridge temperatures through Big Data and intelligent technologies.

Another example Bueno provided is yoghurt manufacturer Chobani, which involves its customers in the product development process and localises product through iterative and ongoing feedback. Lion engages customers in key parts of the lifecycle such as packaging. The point being that organisations – whether retailer or manufacturer – that involve the customers in a statistically significant way perform better. And while Big Data may enable nimble supply chains, if there isn't emphasis on the customer then several tricks are missed.

Pritchard points to the quality of data collected as the fuel for AI, and impacting how hard and fast retailers can leverage it,

All the panelists agreed that rather than trying to boil the ocean or doing 'diagnostic' analysis, it is better to start with the problem or opportunity you're trying to solve. Simply having more data doesn't necessarily mean better outcomes. Further, Michalewicz suggests that any sort of diagnostic analysis has no value unless an action is generated and taken from it. However, because of the amount of data available, decision making has become more complex than a decade or so ago. He suggests focusing on the highest value decisions that need to be made. Grujin suggests using data to make decisions that impact the end customer.

Where to start?

To avoid data paralysis, Michalewicz suggests mapping out your problems, challenges, and desired outcomes rather than starting with what data you have. Begin with what you want to improve and what the future state looks like, and then determine what data and processes are required – in effect, work backwards. Effectively one of Steven Covey's Seven Habits of Highly Effective People: "Begin with the end in mind".

Grujin advocates the use of traceability to reassure customers not only where something comes from, but in the event something goes wrong to identify how and where it went wrong in order to reassure customers you know the problem and the solution.

Bueno brings it all back to the customer, stating that while the fascination with AI is real, it exists within known paradigms. That is, most executives say they know what AI is and most say they are doing it, yet few actually are. The focus on customers and AI can be mutually exclusive. Retailers need to ask customers what they think and feel. Small organisations that do best consistently ask their customers for direct feedback. **NLN**

About Norrelle Goldring:

Norrelle has 20 years' experience in the liquor industry and in retail, category, channel and customer strategy, planning and research, working in and with global retailers, manufacturers and research houses. Contact Norrelle on 0411735190 or email norrellegoldring@hotmail.com.

L-R: Norrelle Goldring, Damien Bueno, Michelle Grujin, Rod Pritchard, Matt Michalewicz