

2024

RETAIL ISSUE 3

Guide to Next.



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2024

How retailers can create the most impact
in the coming year—on their business
and their shoppers.



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● The Key to Profitable Commerce

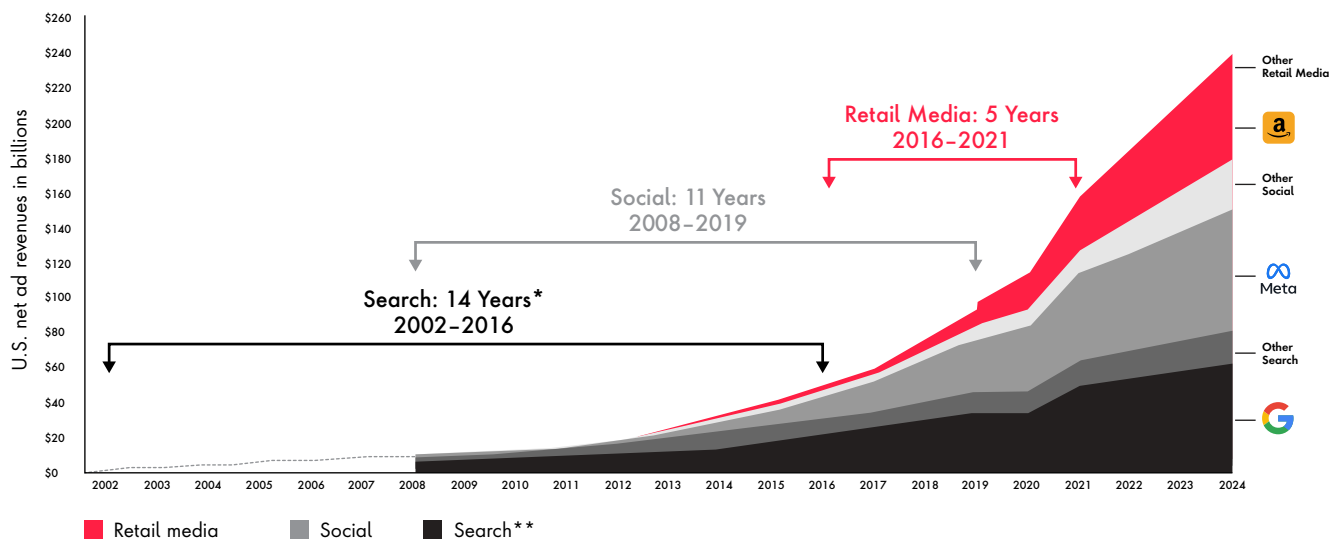
THE TOP 3 STRATEGIES FOR INCREASING RETAIL MEDIA NETWORK PROFITABILITY

The retail industry is transforming from an industry powered by transactions to an industry that runs on data-powered retail media. In fact, some retailers say that their marketplace fees and ad sales will become more profitable than sales of merchandise within the next five years alone.

This is all part of a continued trajectory of the fastest-growing digital ad format in history. Retail media has reached \$30 billion in revenue faster than both search and social, according to Luma Partners, and continues to fill a market need for consumer packed goods and branded manufacturers. Reuters projects that by 2028 revenue from [retail media networks](#) (RMNs) will account for 15.4 percent of all revenue from ads, eclipsing television as an advertising platform.

RETAIL MEDIA IS SCALING FASTER THAN PREVIOUS MEGA-TRENDS

YEARS FOR SEARCH, SOCIAL, AND RETAIL MEDIA ADVERTISING MARKETS TO GROW FROM \$1 BILLION TO OVER \$30 BILLION



With retail media’s distinct advantage of owning customer transactions, advertisers can trust the closed-loop measurement available in retail media is proven performance for their ad dollars.

In 2023, retailers have been feeling increasing pressure to prioritize cutting operating costs over topline revenue growth. Looking forward, 2024 provides an opportunity for a long-term retail media profitability play that also drives customer lifetime value (CLV).

HERE ARE SOME KEY STRATEGIES THAT RETAILERS CAN CONSIDER TO INCREASE RMN PROFITABILITY IN 2024:

- Expanding into new markets
- Creating a value proposition for consumer-packaged goods (CPGs)
- Hyper-personalizing ad experiences

“ Retail media networks are the biggest e-commerce profitability play for retailers in 2024. Even retailers that partially invest in point solutions are seeing hundreds of millions in annual revenue. ”

GUY ELLIOTT, RETAIL LEAD FOR EMEA AND APAC AT PUBLICIS SAPIENT



Expanding into new markets

The proliferation of RMNs has not yet fully translated to the European market, leaving an opportunity for global retailers across sectors to establish themselves as regional leaders.

Because many European retailers hesitate to invest more heavily in RMNs due to a lack of confidence in returns from the European market, there is a massive opening for technology expansion in this market that begins with better targeting and data strategy.

“It’s becoming more and more necessary for European retailers to harness their first-party data for more advanced targeting strategies,” says Elliott. “Implementing more precise audience segmenting is what will elevate not only your RMN, but any digital advertising.”

In June 2023, Albertsons Media Collective proposed new industry-wide standards for RMNs, which include transparency on RMN capabilities, like targeting offerings. As the industry begins to more openly disclose how RMN metrics are calculated, retailers with robust first-party data capabilities in Europe and beyond will rise to the top.

The RMN value proposition for CPGs

Another strategy to increase RMN profitability is to collaborate with competitor CPG brands outside of the retail industry. These collaborations would allow retailers to stitch together smaller pieces of data from many different contexts in real time.

For example, customer purchase history at a grocery retailer can inform RMN targeting for a CPG brand looking to increase repeat purchases. But combining purchase history with a customer's streaming data can identify new customer segments with targeted

advertising, like easy weeknight meals for parents turning on kids shows, or health and wellness supplements for customers streaming workout classes at home.

These legal and privacy data cleanroom collaborations will fuel advanced targeting within the next generation of RMNs, creating a much more engaging customer e-commerce experience.

“

There's a hesitancy out there that advertising could interrupt the e-commerce experience. But seamless advertising deepens customer engagement and improves customer experience with personalization across advertisers and house brands. ”

**RAY VELEZ, GLOBAL CHIEF TECHNOLOGY OFFICER
AT PUBLICIS SAPIENT**

Hyper-personalizing ad experiences

While robust loyalty programs are already the backbone of successful RMNs, retailers have an opportunity to kill two birds with one stone by further segmenting loyalty members to use as a testing ground for new offers and targeted advertising.

In most cases, loyalty program segments are differentiated by recent spend and/or points accumulation. An incredibly diverse group of customers are all hit with the same blanket offerings and promotions, a spray and pray approach. While the contact information that these loyalty members provide is valuable on its own, RMNs that further segment their promotional offers within their loyalty programs receive higher engagement and return business.

For example, a delivery driver that frequents a U.S.-based convenience store for snacks will appreciate very different offers than a single mom stopping by for coffee on her way to work. A monthly coffee subscription that allows the latter customer to accumulate points to save on gas would not be appealing to the former customer. A BOGO snack and hotdog promotion notifying the former customer as they pull in for a rest stop wouldn't be appealing to the latter customer.

EXPANDING E-COMMERCE MARKETPLACES

At the same time, less active loyalty members are also a diverse group that retailers can target more easily using services marketplaces. While a business customer purchasing farm equipment may only need to replace their products once every five years, retailers can offer maintenance services and other farm goods through third parties, turning an inactive loyalty member into a data-rich customer profile that can be nurtured and leveraged.

By taking advantage of these opportunities, retailers can position themselves for long-term growth and success in the rapidly evolving retail media landscape.



2024 retail media trends and recommendations by sector

However, retailers should also think about consumer behavior trends within their sector when it comes to 2024 investments.

These are the top retail media network recommendations from our industry experts, based on consumer trends, proprietary research and sector expertise.



B2B RETAILERS

- **B2B sales go digital:** While B2B sales thrive on customer relationships, younger B2B customers are craving streamlined, digital sales processes that they're used to in their personal life through marketplaces and hybrid sales processes



GROCERY RETAILERS

- **RMNs combat brand switching:** As many customers switched to owned brands to combat inflation, CPG brands will continue to rely heavily on RMNs to lure customers back to their products, despite the fact that CPGs will compete with ads from these owned brands



DEPARTMENT STORE RETAILERS

- **Fast-fashion returns proliferate:** Gen Z will continue to opt for low-cost and fast-fashion; to keep costs down, retailers will need to find ways to connect supply chain data with retail media advertising to optimize supply and demand



CONVENIENCE STORE RETAILERS

- **Loyalty-based promotions bolster RMNs:** C-store retailers can build strong RMN networks through closed-loop measurement via in-store screens and in-app advertising, relying on frequent visits and promotions served up through loyalty programs

To craft your retail profitability strategy for 2024 and beyond, contact Guy Elliott and Ray Velez below.




● Profitable Net Zero Strategies

THE RETAIL INDUSTRY CARBON EMISSIONS BLINDSPOT: WHAT'S NOT BEING COUNTED?

Decreasing greenhouse gas (GHG) emissions, namely carbon emissions, is not a new goal for retailers. However, many global corporations are struggling to obtain and utilize scope 3 emissions data effectively.

Upcoming mandatory reporting requirements are exposing a lack of accurate, end-to-end emissions data across the entire retail value chain, says Suzi Gulin-Warren, senior client partner at Publicis Sapient.

In 2024, the retail industry will need to invest in measuring their indirect GHG emissions to meet reporting requirements, satisfy shareholders and inform consumers—which won't be an easy task.



What do retailers need to get there?

- The technological infrastructure to evaluate sustainability data
- A platform to connect emissions data to underlying operations and the business model
- Collaboration within retail sectors to create emissions measurement consistency

The importance of carbon emissions data in the retail industry

In 2023, many retailers invested in downstream efforts to decrease scope 3 emissions, i.e., indirect emissions from retail suppliers, transportation partners and customers. New resale platforms, increased recyclable packaging and supplier tracking were amongst some of the most popular projects. The sense of urgency for these efforts is only increasing for 2024.

WHAT ARE SCOPE 3 EMISSIONS IN RETAIL?

In the retail industry, scope 3 emissions can represent more than 90 percent of total GHG emissions. In the retail industry, scope 3 emissions include emissions from product suppliers, procurement, delivery and consumer waste. An example of scope 3 emissions for retailers is coal and natural gas burned to dye and treat clothing fabric.

WHAT ARE SCOPE 1 EMISSIONS IN RETAIL?

Scope 1 emissions are GHG emissions produced directly by the business. For retailers, scope 1 emissions include GHG emissions produced from company-owned facilities, like stores or manufacturing plants, as well as company-owned vehicles. An example of scope 1 emissions for retailers might be refrigerants in a grocery store.

WHAT ARE SCOPE 2 EMISSIONS IN RETAIL?

Scope 2 emissions are emissions from the purchase of electricity, steam, heat or cooling. In the retail industry, scope 2 emissions include energy and utilities bills for all owned facilities and vehicles. An example of scope 2 emissions for retailers might be the electric bill for a storage facility.

“Reliable data is at the heart of sustainability. Understanding the data today is imperative to defining your future plans.”

**SUZI GULIN-WARREN,
SENIOR CLIENT PARTNER
AT PUBLICIS SAPIENT**



Decreased carbon emissions create higher shareholder value

Strong sustainability performance leads to better access to capital and new markets for retailers in the future, which could lead to higher profits as your cost of capital goes down, says Sudip Mazumder, retail industry lead at Publicis Sapient. In fact, [companies with superior ESG performance perform better financially and are valued higher in the market](#) compared to industry peers.

Carbon emissions reporting mandates are almost here

At the same time, mandatory emissions reporting is looming on the horizon, across several regions.

The Corporate Sustainability Reporting Directive (CSRD): requiring scope 1, 2, and 3 greenhouse gas (GHG) emission disclosures starting in 2025 from retailers operating or incorporated in the EU.

The Climate Corporate Data Accountability Act (CCDA): requiring scope 1 and 2 GHG disclosures in 2026, and scope 3 disclosures in 2027 from companies with total annual revenues of \$1 billion that operate in California.



However, many retailers are still behind on their scope 3 emissions reduction goals. What's holding them back?

“From bio-degradable packaging to resale platforms to carbon offsetting, retailers have a lot of sustainability strategies to choose from. But what differentiates retailers that are gaining the advantage with consumers and investors is that transparency and accountability, which comes from auditing and accurate data.”

**SUDIP MAZUMDER, RETAIL INDUSTRY LEAD,
PUBLICIS SAPIENT**

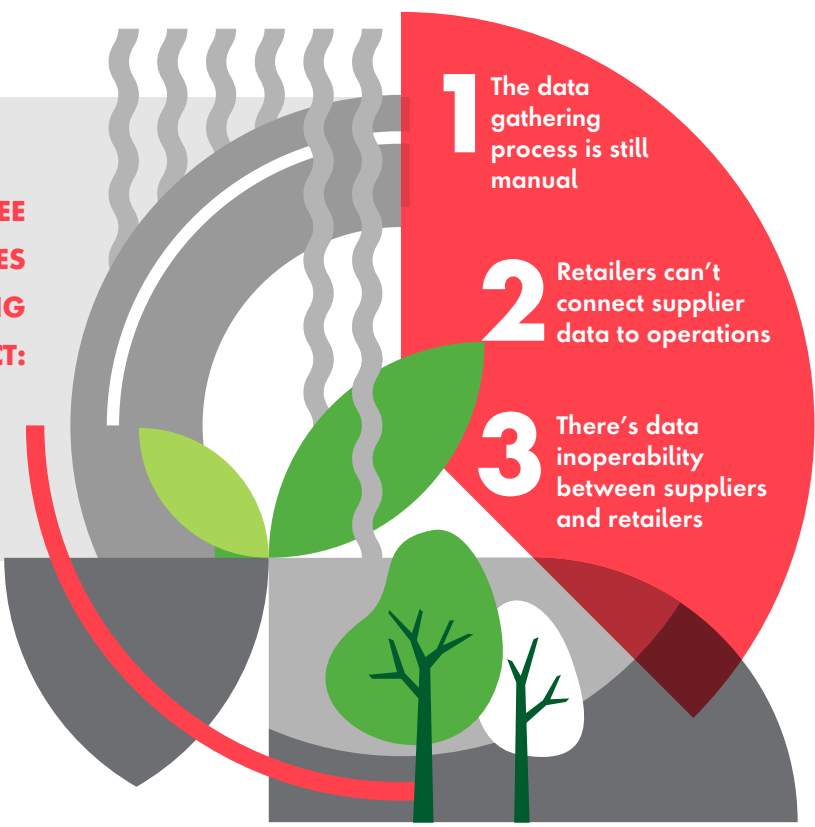
The top carbon emissions challenges in retail

Carbon accounting, or greenhouse gas accounting, is incredibly challenging for retailers as the heart of the data comes from suppliers.

Reporting and tracking GHG emissions across the supply chain requires a robust, cloud-based data collection and management solution that can connect to your corporate network in a secured manner ideally via APIs.

If retailers invest in this technology now, they'll not only be prepared to accurately disclose scope 3 emissions, but can also collaborate more efficiently with other industry sustainability leaders to generate and analyze data for shared suppliers and drive remedial behavior if necessary.

THE TOP THREE CHALLENGES FOR MEASURING SCOPE 3 IMPACT:

- 
- 1 The data gathering process is still manual
 - 2 Retailers can't connect supplier data to operations
 - 3 There's data inoperability between suppliers and retailers

A new approach to carbon management for retailers in 2024

“The importance of sustainability in business is growing rapidly, comparable to the rise of digital technology just decades ago. Sustainability should be integrated into standard business practice and become everyone’s responsibility. By prioritizing sustainability, organizations can not only reduce their environmental impact but also create long-term value, risk reduction and resilience. Therefore, it is essential to view sustainability as a fundamental aspect of business operations and prioritize it accordingly.”

SUZI GULIN-WARREN, SENIOR CLIENT PARTNER AT PUBLICIS SAPIENT

To reduce their emissions, retailers need to invest in a sustainability data backbone. This is a centralized repository for all of a retailer’s emissions data. The data can be used to track emissions, identify opportunities for reduction and report to regulators. A centralized data repository can help retailers to:

- **Automate the data gathering process:** A sustainability data backbone can help retailers to collect and track emissions data more accurately and securely. This is important for meeting regulatory requirements and for making informed decisions about how to reduce emissions
- **Connect supplier data to operations:** A sustainability data backbone can help retailers to identify opportunities for emission reduction across operations. This can be done by analyzing the data to identify areas where emissions are high and where there are opportunities for improvement

- **Ensure data operability between retailers and suppliers:** A sustainability data backbone can help retailers to collaborate with their suppliers and educate customers to reduce emissions. This can be done by sharing data with suppliers and customers so that suppliers can work towards reducing emissions throughout the supply chain and customers can understand how their actions like frequent returns have a negative environmental impact

For example, the Sustainable Retail Action Group (SRAG) is an industry association that brings together retailers from around the world to share best practices on sustainability. SRAG has developed several tools and resources to help retailers track and reduce their scope 3 emissions, including a data-sharing platform that allows retailers to share data on their emissions with each other.

Walmart and Target have already partnered with the Sustainability Consortium to develop a common framework for measuring and reducing scope 3 emissions. This framework is being used by hundreds of retailers around the world to track and reduce their emissions.

Top retail sustainability trends and recommendations by sector

In order to achieve success with net-zero emissions targets and sustainability projects, a sustainability data backbone is essential.

Once your data backbone is in place, these are the top retail sustainability initiatives to consider in 2024, across sectors:

DEPARTMENT STORE RETAILERS

- **Secondhand resale platforms:** Apparel retailers are experimenting with technology to provide new avenues for consumers to donate and reuse products, creating a circular economy. Retailers that can automate the authenticity and wear identification using artificial intelligence will create cost-savings and generate a competitive advantage in this growing market
- **Supply chain tracing:** As retailers test and learn with alternate supply chains for a circular economy, blockchain and IoT technology will be crucial to help in tracking and measuring the carbon emission across the supply chain

B2B AND SPECIALTY RETAILERS

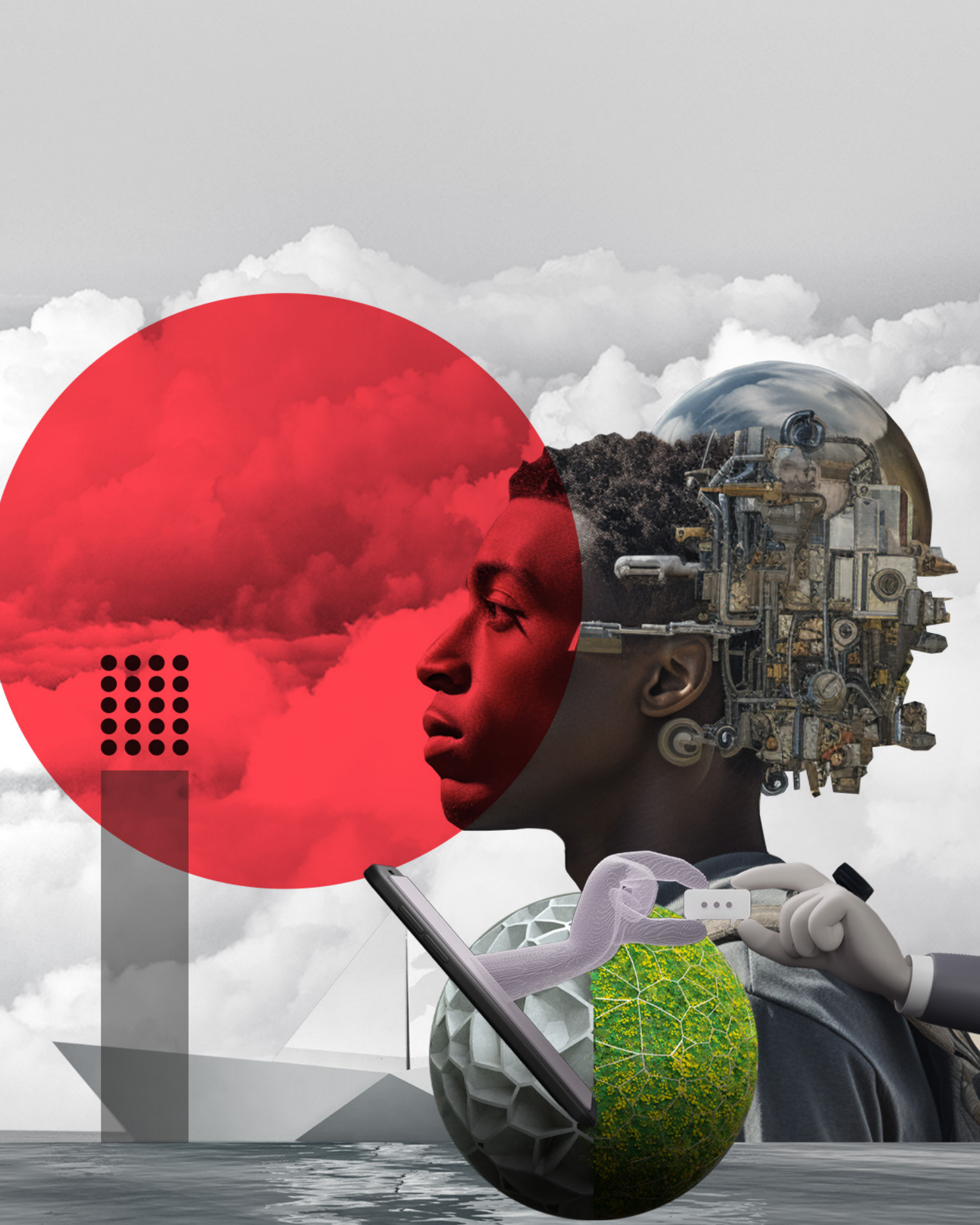
- **Ethical sourcing:** 71 percent of consumers in a Publicis Sapient survey said it's essential to know where products are sourced from. Ensure raw product materials are not only designed for durability and longevity, but that they are also ethically sourced
- **Incentivized recycling:** Partner with business customers for large-scale, incentivized recycling programs as part of a circular supply chain

GROCERY RETAILERS

- **Food waste AI:** Introduce AI and ML to implement better inventory management, offering discounts so that they can get items that are getting close to the expiry date off the shelf or partnering with food banks and other organizations to donate their products

A sustainability data backbone is an essential tool for retailers who want to reduce their emissions. By investing in a sustainability data backbone, retailers can make significant progress towards a more sustainable future with a net-zero retail strategy.

Contact Suzi Gulin-Warren and Sudip Mazumder to begin tracking carbon emissions across your retail supply chain in 2024.



● Unpacking Artificial Intelligence

TOP 5 RETAIL USE CASES FOR ARTIFICIAL INTELLIGENCE IN 2024, BY SECTOR

With the acceleration of generative AI, retailers are discovering how artificial intelligence (AI) models can enhance the customer shopping experience, from interactive chatbots to dynamic and personalized content.

However, only 54 percent of AI models move from pilot to production, according to a 2023 Gartner survey. While the future is bright for generative AI-powered shopping in 2030, there's quite a bit of data foundational work that's required for retailers to move their AI projects from ideas to reality.



What are the biggest AI opportunities for retailers in 2024?

For the retail industry, the biggest opportunities lie in **artificial intelligence experimentation and customer data management**. “If retailers aren’t doing micro-experiments with [generative AI](#), they will be left behind,” says Rakesh Ravuri, CTO at Publicis Sapient.

In order to conduct these micro-experiments, it’s important for retailers to cleanse and organize their data, ensuring that it’s structured and can be used to correctly train new AI models. Retailers should also take this opportunity to evaluate use cases for artificial intelligence that aren’t based in generative AI, but that may drive a better customer experience or more cost savings.

These are some of the most high-value use cases for AI models across sectors next year, and how retailers can get started:



Specialty retail: AI-powered customer service

Already, specialty retailers are using AI-powered chatbots and [call centers](#) for simple customer inquiries—but generative AI can take these chatbots to a new level. IKEA’s artificial intelligence bot “Billie” has handled 47 percent of customer queries to call centers over the past two years, according to reporting from Reuters—and has allowed the Ingka group to train 8,500 call center workers as interior design advisors.

Generative AI will humanize chatbots for more complex and emotion-driven conversations, allowing retailers to investigate the potential of generative AI customer service.

Artificial intelligence can also elevate high-margin specialty services across sectors, from home design consultations to makeup appointments to jewelry fittings. Sephora, Ulta and Benefit Cosmetics are already expanding their services offerings in the beauty and cosmetics space, from skin evaluations to makeup color analysis, some powered by AI. At its immersive Shanghai location, Sephora employs AI for makeup inspiration, using the technology for color matching.

AI-powered visual tools can tell customers what color jewelry they should be wearing (silver or gold?), what pieces of furniture would look best in their new living room or what their skincare routine should be based on a photo of their face.

“

Retailers must shift their perspective on customer service interactions, including chatbots and email, from a mere transactional cost-saving approach to prioritizing authentic, humanistic experiences. Generative AI is an opportunity to deepen customer relationships and make customers feel respected and cared for, at scale.

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**SARA ALLOY, HEAD OF
EXPERIENCE FOR THE RETAIL
INDUSTRY AT PUBLICIS
SAPIENT**



Apparel and department store retail: the generative AI microchannel

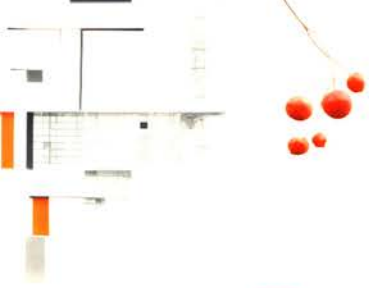


Approximately 63 percent of U.S. consumers begin their product search on Amazon, while only 3 percent start their search on a website— like a retailer-owned website— instead of on social media or search engines. How can retailers gain more customer headspace at the discovery stage of the customer journey?

Ravuri predicts that generative AI plugins being implemented into platforms like ChatGPT, Google Bard, Amazon or Apple could take shoppers all the way to checkout through a live link within the chat interface.

For example, Klarna’s ChatGPT plug-in already allows shoppers to search for products across thousands of stores through natural language and creates live links to products that meet the customers’ search requests.

Apparel and big box store retailers have a natural opportunity for these plugins, as many are already expanding into owned [ChatGPT-powered shopping assistants](#), like Mercari’s Merchat AI and Zalando’s own fashion assistant. As larger tech companies expand their ChatGPT-style product search offerings, retailers can follow along and meet customers where they are at the ground level of their search.



Grocery retail: conversational shopping assistants

The dream of fully conversational commerce is still far from a practical reality, but in 2024, it's time for grocers to begin experimenting with conversational shopping plug-ins on their own e-commerce websites.

Grocery retailers have a unique opportunity with conversational shopping assistants, as customers are open to new brands, products and ingredients that fit into their diet, budget and lifestyle—and this channel can also become a key part of [retail media networks](#).

For example, Instacart's search feature "Ask Instacart" allows shoppers to get personalized shopping recommendations through natural language questions, like "What's a good, easy, healthy dinner recipe?" CPG brands can then partner with retailers to sponsor products that fit customers' needs within this chat-like style of search.

Grocers can experiment with generative AI bots that would allow shoppers to create grocery lists based on their budget, dietary preferences, history and tastes through a quick conversation. As inflation continues to impact shopping decisions, especially in the U.K., shopping assistants that can empower shoppers to save money and time will stand out.





B2B retail: virtual selling knowledge assistant

A majority of B2B buyers—86 percent, to be exact— expect companies to be well-informed about their personal information during sales interactions, according to a Gartner survey, yet a lack of intelligent, connected sales support tools leaves B2B retail employees struggling to meet this expectation. Generative AI can help employees more quickly access internal sales knowledge and respond to common customer questions with the most effective language.

For example, Publicis Sapient experts are testing a prototype for a “colleague AI bot” that can answer questions that a new or even experienced sales hire would have. For example, a salesperson could ask, “I was told to check the

warehouse NCR for issues, what does that mean?” Or “Can you draft an email to [insert customer name] asking if they would like to upgrade to the new product model for their next purchase?”

This virtual selling knowledge assistant would be helpful across sectors but particularly for B2B clients that aren’t homogenous, often require bespoke solutions and are dealing with complex transactions that use industry jargon.





Convenience store retail: Dynamic Pricing Optimization

For convenience store (c-store) retailers, the conversational power of generative AI may prove its value later in the future than in 2024. However, other types of artificial intelligence, like dynamic pricing algorithms, can help c-store retailers improve margins right now.

While dynamic pricing has been in the c-store conversation for many years now, 2024 is a crucial year for action.

Unlike other retail sectors, customers are extremely price sensitive and have been even more so during periods of higher inflation this year.

Because c-store customers are highly sensitive to price changes, it's important for c-stores to implement machine learning when it comes to dynamic pricing, in order to keep trust

and avoid alienating loyal customers with price changes that are too frequent, or too drastic.

Electronic shelf labels that are used to implement dynamic pricing can also help reduce waste—automatically discounting products that are close to hitting their expiration date.



My suggestion to retailers is to look at customer journeys where you've made assumptions about complexity or scale issues. Generative AI might be able to solve some of those issues and invalidate those assumptions, and that's where you'll see differentiation.



**RAKESH RAVURI, CTO
AT PUBLICIS SAPIENT**

How to turn generative AI use cases into reality

There are a variety of valuable use cases for generative AI within the customer shopping experience—but retailers need to create a customer data foundation to make sure that AI pilot projects are part of the 54 percent (by Gartner) that actually move into production.

To get started, retailers should centralize customer data and data capabilities to get an accurate 360 view across stores, regions and partners.

Publicis Sapient can help you establish AI incubators using our unique SPEED approach: holistically integrating strategic growth, digital product thinking, next-generation customer experience, engineering, data and AI.



Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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