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AI in Marketing: Retail Perspective

From Merchandise Intelligence to Market Differentiation

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Shaping the Future of Marketing

Incisiv conducted a comprehensive study of 405 executives across retail, CPG, and manufacturing to understand how AI is transforming marketing operations. The research reveals both significant momentum in AI adoption and clear pathways to value, while highlighting key priorities in scaling, standardization, and cross-functional integration.

The complete report is available here 👇.

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Industry Brief

From Content to Experience: How AI Is Shaping the Future of Marketing

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This companion report focuses specifically on findings from 135 retail executives, providing targeted insights for retail marketing leaders.

From Merchandise Strategy to Market Advantage

Retail marketing teams translate merchandise strategy into competitive advantage. Every decision point connects to customer value: assortment strategies shape brand differentiation, private label programs drive margin goals, and inventory positions determine competitive response. This traditionally requires intensive coordination across merchandising, marketing, and store operations.

AI transforms this complex orchestration into market opportunity. Consider the potential: Merchandise planning data automatically shapes competitive positioning, pricing algorithms balance margin and market share, and real-time sales data adjusts promotional strategy across channels. What once required weeks of cross-functional alignment can now happen in hours.

For customers, this operational transformation means receiving truly differentiated experiences. For marketing teams, it means shifting from promotional execution to strategic brand building.

86%

of retailers plan to adopt AI across marketing over the next few years.

72%

plan to do so within the next 2 years.

The Financial Impact of Fragmentation

While **86%** of retailers plan to adopt AI across marketing over the next few years, only **12%** have implemented standardized tools across operations. This gap has measurable business impact: missed margin opportunities, excess inventory costs, and promotional inefficiency.

The opportunity cost is particularly acute in areas like private label, as **75%** of retailers already use AI in some capacity but lack the integration to fully capitalize on such higher-margin opportunities.

Breaking Down Competitive Barriers

Consider how integrated AI transforms competitive response: A retailer identifies an emerging category trend through visual search data. Their private label team fast-tracks product development, while marketing automatically adapts storytelling across channels based on real-time competitive analysis. Price optimization algorithms balance market share and margin goals.

The advantage compounds across categories. Retailers with integrated AI implementation can rapidly identify and capitalize on market opportunities while maintaining profitability.

Beyond Channel Excellence

Retailers lead in website optimization (**41%** report full AI integration) but lag in cross-channel innovation (**8%**) and vendor collaboration (**22%** haven't started). This creates specific capability gaps in areas like return prediction, localized assortment planning, and joint business planning.

Consider an omnichannel category: While e-commerce might excel at product recommendations, the real opportunity lies in connecting digital discovery to store experience through smart fitting rooms, interactive displays, and clienteling tools that bridge physical and digital.

The Pure-Play Challenge

58% of retailers see personalization as their biggest near-term ROI driver, while **74%** believe AI will transform customer experience within 3-5 years. This creates an opportunity to establish clear advantages against pure-play competitors.

Leading retailers are building unique hybrid experiences. Consider how a specialty retailer could combine the convenience of digital with the immediacy of stores: virtual try-on drives online discovery while smart fitting rooms and clienteling tools create distinctive store experiences.

When Operations Drive Experience

43% of retailers worry about AI limiting creativity - higher than any other industry. Yet when executed properly, AI amplifies innovation by connecting operational capabilities to market opportunities.

Consider a department store: When AI connects margin goals, inventory positions, and competitive data with marketing execution, teams can focus on experience innovation and brand differentiation. Operational excellence becomes the foundation for creative distinction.

The next 24 months will determine which retailers translate their early AI adoption into sustained competitive advantage. The opportunity isn't just better marketing efficiency - it's fundamentally transforming how retailers compete in their highest-value categories.

☐ **Bridge Digital and Physical:** Implement standardized AI tools that connect online discovery with store experience, enabling consistent personalization across all touchpoints

☐ **Transform Merchandising Speed:** Move beyond basic website optimization to automate core marketing workflows - from assortment planning to pricing strategy to promotional execution

☐ **Drive Private Label Growth:** Use AI's capabilities to identify category opportunities and accelerate private label development, turning operational advantages into margin growth

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Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption. Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum. incisiv.com

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