Adobe ✕ ●**Econsultancy**

2024
Digital Trends
Retail in Focus

Adobe 2024 Digital Trends — Retail in Focus

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Executive Summary

The 14th annual Adobe *Digital Trends* survey, in collaboration with Econsultancy, reveals a retail industry poised to unlock personalization at scale. However, retailers need the right data and the right tools to deliver contextually relevant experiences across all channels and interactions. As companies aim to automate and leverage customer data and insights in real time, many are looking to AI and machine learning as the key.

Key Learnings:

- **Fewer than 40% of retailers have real-time capabilities to personalize the customer experience (CX) or aggregate data into a single customer profile.** However, many plan to start doing so within two years, suggesting that they are still building the foundational elements to enable personalization at scale.

- **Adoption of generative AI is correlated with market leadership and business performance.** Notably, 42% of Market Leaders have generative AI solutions in place, more than twice that of Market Followers (19%).

- **To support enterprise-wide generative AI adoption, retailers need skill-building programs, governance guidelines, and privacy standards**—as well as an AI roadmap that is aligned with broader business goals and KPIs to measure impact.

- **Retailers can learn from industry leaders whose greater organizational agility enables them to set higher standards, move faster, and solve more complex problems.** Market Leaders' greater personalization maturity and adoption of generative AI offer concrete examples of best practices for retailers interested in upping their game.

- **Generative AI can help deliver personalization at scale.** Those who can successfully harness the power of generative AI will be poised to outperform their peers and capture outsized value in an increasingly competitive market.
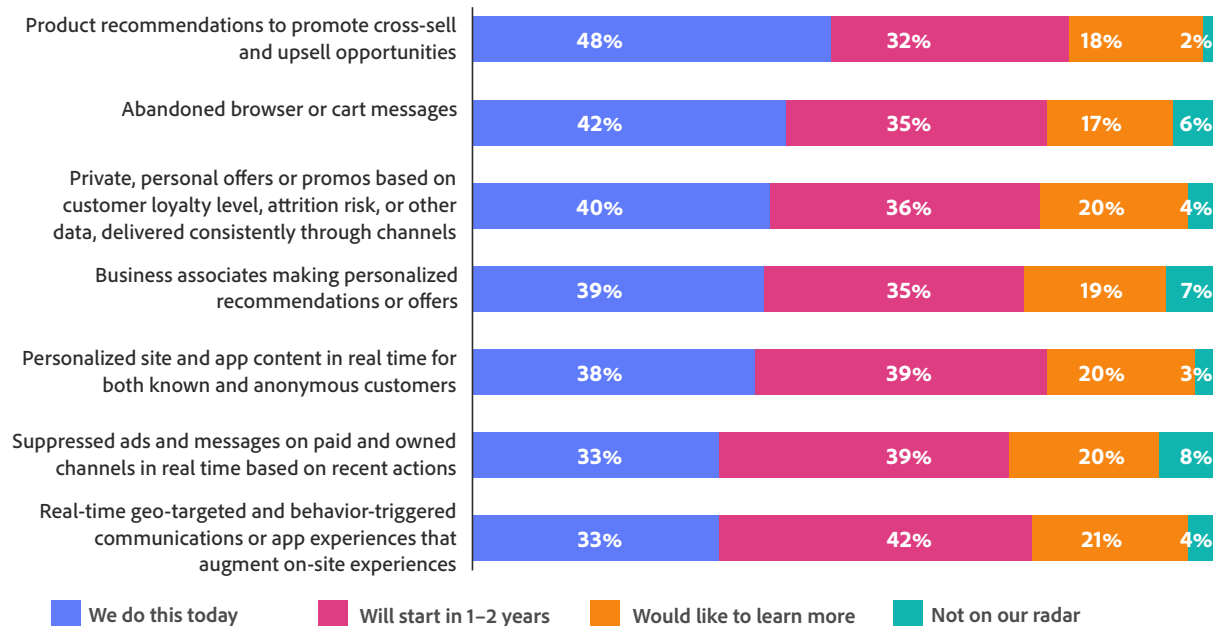
How are retailers delivering omnichannel personalization at scale?

The bar for personalized, omnichannel shopping experiences keeps rising. Our survey of retail consumers shows it continues to be "important" or "critically important" to receive personalized product recommendations (71%)—and even more so, to have consistent, seamless interactions across channels (77%). And retailers are turning to advanced technologies to deliver those experiences at scale.

Product recommendations and offers are the most common personalization tactics used today—and real-time capabilities and content are next.

Figure 1 shows the most widespread personalization tactics used today: product recommendations (48%), abandoned browser or cart messages (42%), and personal offers based on customer data (40%).

Figure 1: Degree of implementation for various personalization tactics in retail organizations.

Tactic	We do this today	Will start in 1–2 years	Would like to learn more	Not on our radar
Product recommendations to promote cross-sell and upsell opportunities	48%	32%	18%	2%
Abandoned browser or cart messages	42%	35%	17%	6%
Private, personal offers or promos based on customer loyalty level, attrition risk, or other data, delivered consistently through channels	40%	36%	20%	4%
Business associates making personalized recommendations or offers	39%	35%	19%	7%
Personalized site and app content in real time for both known and anonymous customers	38%	39%	20%	3%
Suppressed ads and messages on paid and owned channels in real time based on recent actions	33%	39%	20%	8%
Real-time geo-targeted and behavior-triggered communications or app experiences that augment on-site experiences	33%	42%	21%	4%

Sample size: 719 senior executives and practitioners

Real-time capabilities to tailor messages to each shopper interaction are less commonly used today, but most retailers have plans to implement them within the next two years. For example, real-time capabilities make it possible for retailers to recognize customers from one device to another and offer a continuous shopping experience, as well as the ability to tailor messaging in real-time to respond to

customer interactions, signals, and intent. Similarly, real-time ad suppression capabilities can enable retailers to achieve better cost efficiency and ROI while delivering a better shopping experience.

To deliver personalization at scale, retailers need to have three key elements: unified customer profiles, an efficient content supply chain, and orchestrated omnichannel customer journeys that enable them to connect digital and in-store touchpoints. We can see these broad categories reflected in retailers' capabilities in Figure 2.

Figure 2: Capabilities enabled by retail organizations to support omnichannel personalization.

Capability	We do this today	Will start in 1–2 years	Would like to learn more	Not on our radar
Cross-functional data governance and privacy management	41%	39%	17%	3%
Personalized experiences triggered by a customer's real-time behavior	39%	42%	17%	2%
Connected, multi-step cross-channel campaigns and journeys using a single tool or canvas	35%	41%	20%	4%
Data aggregated across customer touchpoints into a single operational customer profile	34%	45%	17%	4%
Storing all content in a DAM with robust search capabilities	33%	43%	21%	3%
Content intelligently automated into fully personalized on-site, in-app, and email experiences	30%	43%	23%	4%
Leveraging an AI and machine learning decisioning engine to determine which customers receive which messages and experiences over which channels	30%	43%	21%	6%

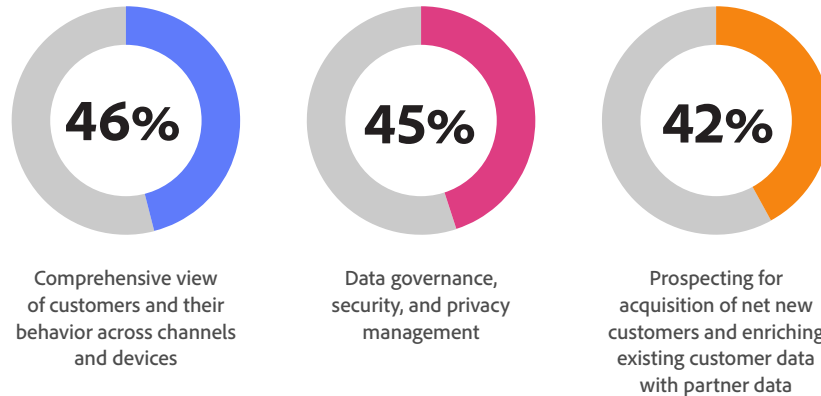Sample size: 701 senior executives and practitioners

As brands grow their omnichannel personalization capabilities, they're prioritizing data governance and privacy management (41%), which aligns with the 90% of consumers who said it's important their personal data is used responsibly and securely. More sophisticated capabilities, such as AI and machine learning or the intelligent automation of assembling modular content into personalized experiences, are less common today—but are on the roadmap for the next 1–2 years.

While retailers have been focusing on aggregating offline and online data for the past few years, the complexity of data and channels continues to increase. This means there's still room to grow, with 34% of retailers aggregating customer data into a single customer profile today and another 45% planning to in the next 1–2 years.

The most effective tool to aggregate customer data is a customer data platform (CDP), which unifies customer data and makes it accessible and actionable for personalization and activation. When it comes to CDPs, retailers are looking for three main capabilities (Figure 3).

Figure 3: Most important capabilities retailers look for in a customer data platform.

46%

Comprehensive view of customers and their behavior across channels and devices

45%

Data governance, security, and privacy management

42%

Prospecting for acquisition of net new customers and enriching existing customer data with partner data

Sample size: 712 senior executives and practitioners

In addition, 42% consider CDPs a tool for customer acquisition. Using a CDP for this use case can help retailers uncover high-value audiences, activate cross-channel campaigns, and personalize the website experience in real time—for new and unknown customers when they land on the site.
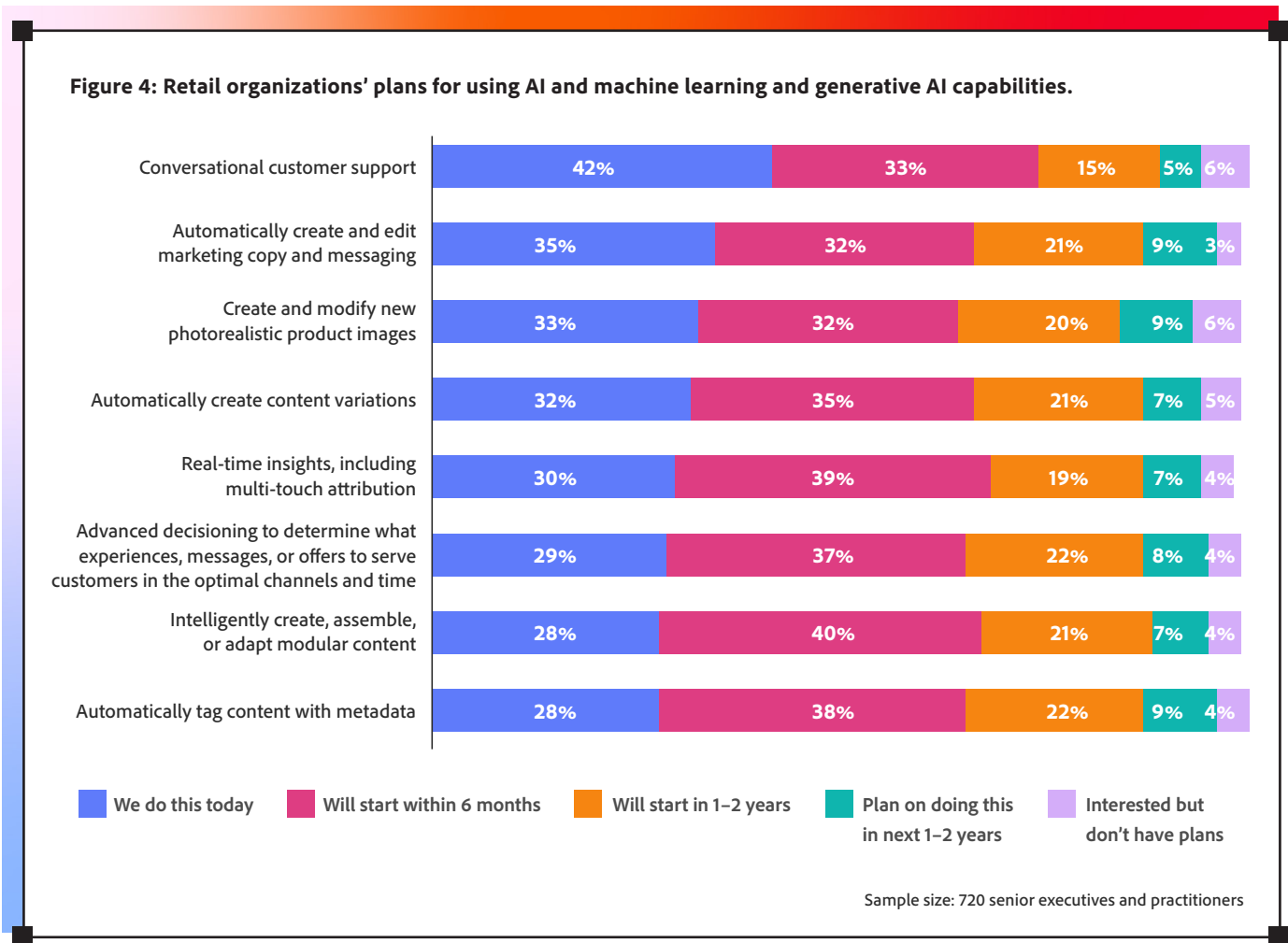
THE WAREHOUSE GROUP

CASE STUDY

In just four months, New Zealand's The Warehouse Group (TWG) implemented the Adobe Real-Time Customer Data Platform to achieve a single view of each customer across its five brands. Within one month of going live, marketers were able to create over 700 new segments. A subsequent campaign resulted in a 24% higher email open rate than average and a 40% higher open-to-purchase rate compared to pre-order emails sent to non-CDP segments. Learn more >

Consumers are comfortable with retailers using AI to personalize CX.

Having established a unified customer view, retailers can leverage AI and machine learning and generative AI to accelerate and scale their personalization programs (Figure 4). For example, AI and ML can improve advanced decision-making, while generative AI can help scale content creation.

Figure 4: Retail organizations' plans for using AI and machine learning and generative AI capabilities.

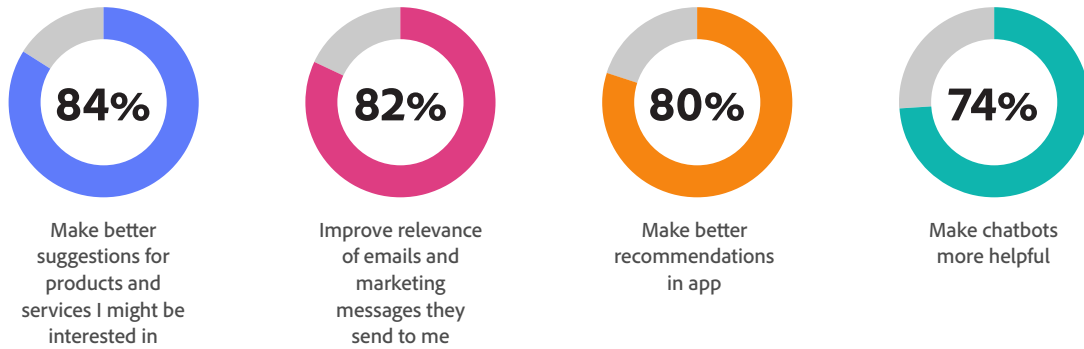| Capability	We do this today	Will start within 6 months	Will start in 1–2 years	Plan on doing this in next 1–2 years	Interested but don't have plans
Conversational customer support	42%	33%	15%	5%	6%
Automatically create and edit marketing copy and messaging	35%	32%	21%	9%	3%
Create and modify new photorealistic product images	33%	32%	20%	9%	6%
Automatically create content variations	32%	35%	21%	7%	5%
Real-time insights, including multi-touch attribution	30%	39%	19%	7%	4%
Advanced decisioning to determine what experiences, messages, or offers to serve customers in the optimal channels and time	29%	37%	22%	8%	4%
Intelligently create, assemble, or adapt modular content	28%	40%	21%	7%	4%
Automatically tag content with metadata	28%	38%	22%	9%	4%

Sample size: 720 senior executives and practitioners

Within the next 1–2 years, most retailers plan to use AI and machine learning or generative AI to meet the growing demand for personalized content at scale. Generative AI can help retailers create custom content more efficiently, for **different devices** (smartphones, desktops, in-store kiosks, and bulletin boards), **formats** (email, social media, website, and app), and **media types** (images, videos, and lookbooks). Generative AI can also help determine what message each customer should see and then dynamically create and assemble content tailored for each individual.

Notably, no matter where retailers are in their AI maturity level today, the vast majority expect to use all eight of the listed capabilities within two years. These span a wide range of use cases, including content and creative, insights and attribution, and advanced decisioning and intelligent assembly.

And how do consumers feel about it? They are comfortable with brands using AI to personalize CX (Figure 5).

Figure 5: Consumers comfort level with brands using AI for various personalization purposes.
(Percent of retail consumers who feel "comfortable" or "fairly comfortable".)

84%
Make better suggestions for products and services I might be interested in

82%
Improve relevance of emails and marketing messages they send to me

80%
Make better recommendations in app

74%
Make chatbots more helpful

Sample size: 1,876

The Home Depot used Adobe Real-Time Customer Data Platform to achieve a unified profile of its customers across all channels, capturing shopper behavior about "what they do" and combining it with "who they are." The team uses AI to build audience segments, along with Adobe Customer Journey Analytics to orchestrate customer journeys to push the right experiences to the right customers—and has increased its personalized campaigns by 62% year over year. **Learn more >**
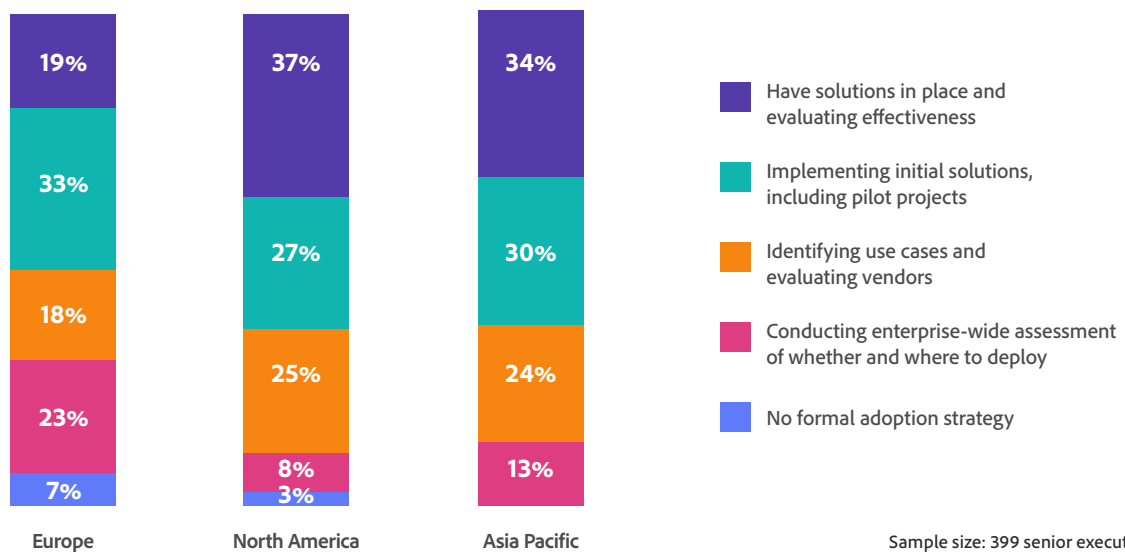
Market Leaders in retail have the edge with generative AI adoption.

Our research identified two groups: Market Leaders, who outperformed their retail peers in 2023, and Market Followers who kept pace or underperformed their peers in 2023. Given the potential for generative AI to transform the entire enterprise, we can infer best practices from where industry leaders are focusing. Notably, 42% of Market Leaders have generative AI solutions—compared to 19% of Market Followers.

Generative AI adoption is correlated with retail market performance.

Examining adoption by geography, North American retailers are most likely to have generative AI solutions in place (37%, Figure 6), followed closely by Asia Pacific retailers (34%). European retailers lag at 19%.
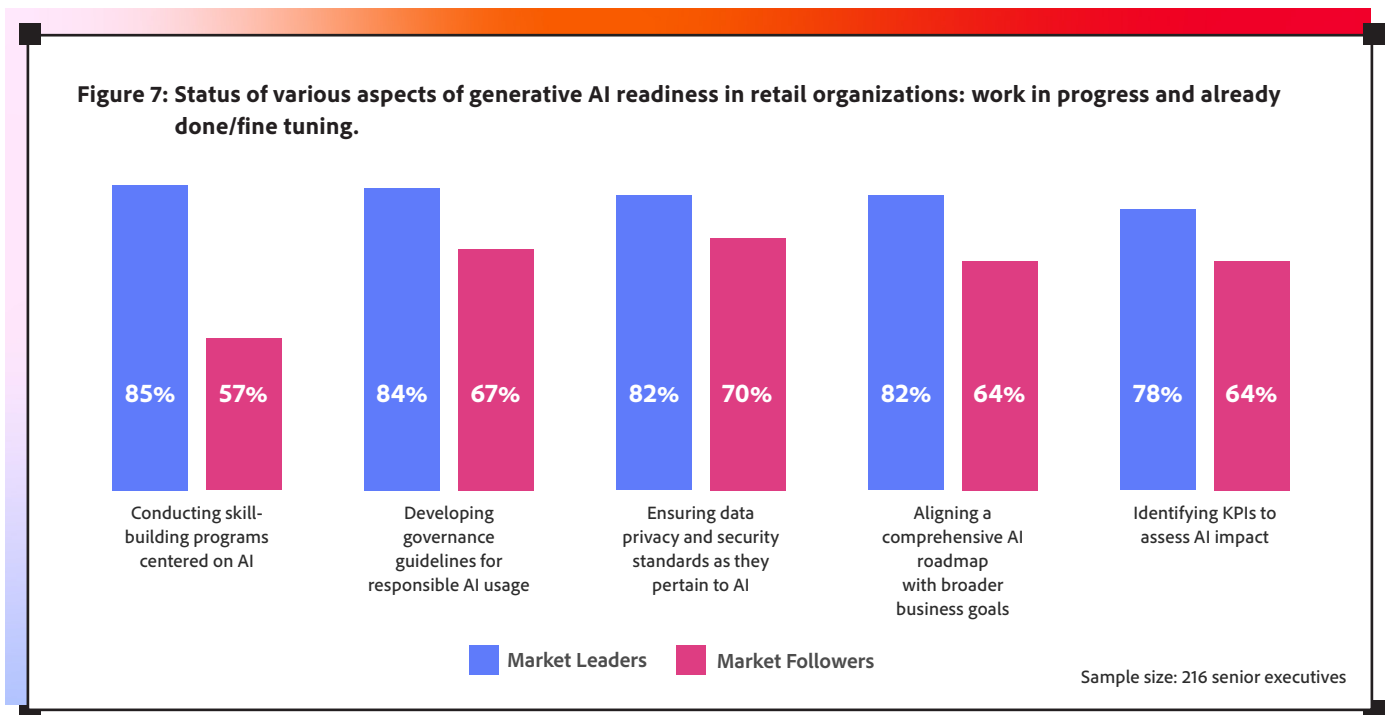
Figure 6: Current adoption status of generative AI in retail organizations.

Legend:
- Have solutions in place and evaluating effectiveness
- Implementing initial solutions, including pilot projects
- Identifying use cases and evaluating vendors
- Conducting enterprise-wide assessment of whether and where to deploy
- No formal adoption strategy

	Europe	North America	Asia Pacific
Have solutions in place and evaluating effectiveness	19%	37%	34%
Implementing initial solutions, including pilot projects	33%	27%	30%
Identifying use cases and evaluating vendors	18%	25%	24%
Conducting enterprise-wide assessment of whether and where to deploy	23%	8%	13%
No formal adoption strategy	7%	3%	

Sample size: 399 senior executives

Skills development is key to retailers' generative AI readiness.

In general, three-quarters of retailers report that the adoption of generative AI is either a work in progress or already done and being fine-tuned across five key areas.
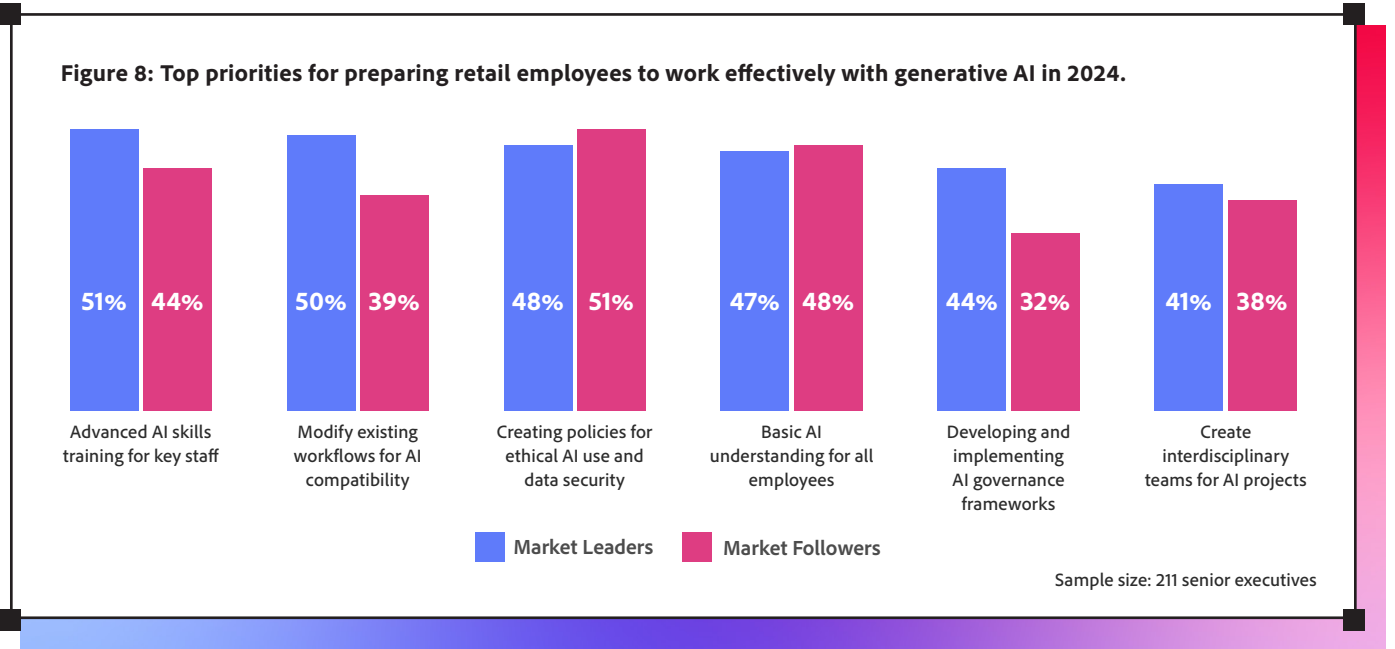
Figure 7 compares Market Leaders and Market Followers, revealing significant disparities in readiness. Market Leaders consistently show higher levels of progress or implementation, with the gap most pronounced in conducting skill-building programs.

Figure 7: Status of various aspects of generative AI readiness in retail organizations: work in progress and already done/fine tuning.

	Conducting skill-building programs centered on AI	Developing governance guidelines for responsible AI usage	Ensuring data privacy and security standards as they pertain to AI	Aligning a comprehensive AI roadmap with broader business goals	Identifying KPIs to assess AI impact
Market Leaders	85%	84%	82%	82%	78%
Market Followers	57%	67%	70%	64%	64%

Sample size: 216 senior executives

Market Leaders' greater maturity in skill-building may indicate a heightened awareness of the complexity involved in effective implementation, leading them to set higher standards. Retailers earlier in their generative AI journey should carefully consider how they train and upskill their employees to work with AI.

A foundation of governance, workflows, and cross-functional teams supports retailers' successful adoption of generative AI.

Skill-building programs are just one aspect of preparing employees to work effectively with generative AI. Figure 8 shows other aspects of how retail executives are achieving this capability.

Figure 8: Top priorities for preparing retail employees to work effectively with generative AI in 2024.

	Market Leaders	Market Followers
Advanced AI skills training for key staff	51%	44%
Modify existing workflows for AI compatibility	50%	39%
Creating policies for ethical AI use and data security	48%	51%
Basic AI understanding for all employees	47%	48%
Developing and implementing AI governance frameworks	44%	32%
Create interdisciplinary teams for AI projects	41%	38%

Sample size: 211 senior executives

Retailers can take a cue from where Market Leaders are focusing to a greater degree than Market Followers: advanced AI training (51%), modifying workflows for AI compatibility (50%), and developing and implementing AI governance frameworks (44%). Ultimately, this foundation of governance, workflows, and training enables Market Leaders to be more agile than their peers.

Finally, while there's little difference between how Market Leaders and Followers prioritize interdisciplinary teams—Market Leaders are able to move faster than Market Followers. Elsewhere, we found that 85% plan to establish cross-functional teams by the end of 2024, compared to 59% of Market Followers.
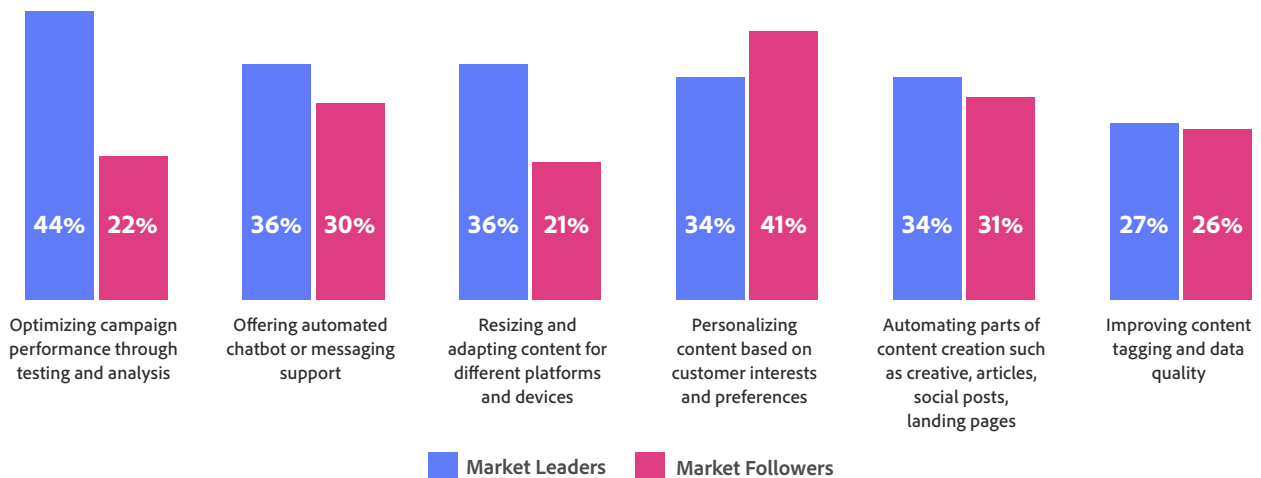
Retailers with greater agility are prepared to solve more complex problems with generative AI.

In the previous section, we saw that Market Leaders' foundation of governance, workflows, and training equips them to move faster. In this section, we'll see that their greater agility also enables them to use generative AI to solve more complex problems.

Figure 9: Top areas where retail organizations plan to use generative AI for digital marketing and experience management in 2024.

44% / 22%	36% / 30%	36% / 21%	34% / 41%	34% / 31%	27% / 26%
Optimizing campaign performance through testing and analysis	Offering automated chatbot or messaging support	Resizing and adapting content for different platforms and devices	Personalizing content based on customer interests and preferences	Automating parts of content creation such as creative, articles, social posts, landing pages	Improving content tagging and data quality

Legend: ■ Market Leaders ■ Market Followers

Sample size: 204 practitioners

For example, Figure 9 shows that Market Followers' primary use cases for generative AI are personalizing content (41%) and automating content creation (31%). Market Leaders also recognize the importance of these use cases. However, they are much more likely than Market Followers to see value in data-driven optimization of campaign performance (44%).
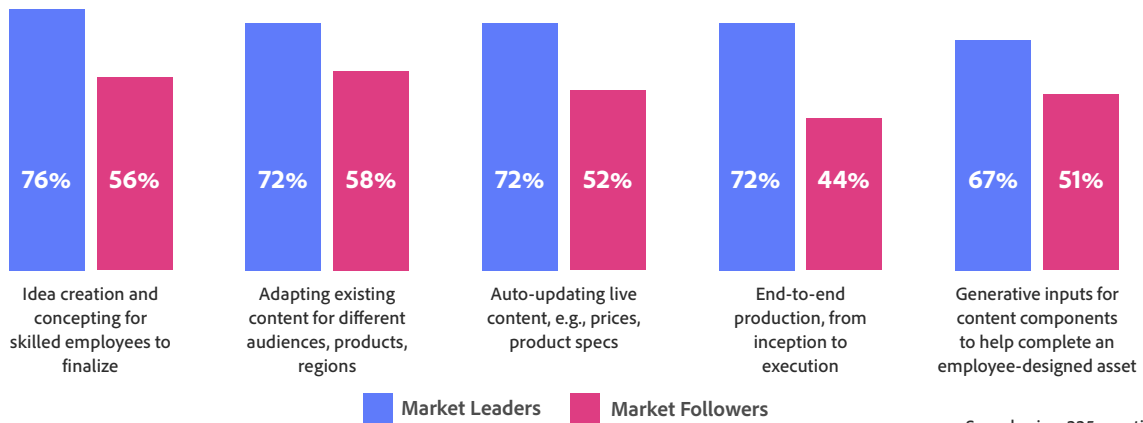
This suggests that Market Leaders place a disproportionately higher emphasis on testing: applying best practices like data-driven decisioning, validating hypotheses, and iterating to optimize and improve campaigns. Applying generative AI to optimize campaigns can further accelerate the virtuous cycle with improved operational efficiency, optimized ad spend, and increased ROI.

CASE STUDY

UNDER ARMOUR

Under Armour implemented Adobe Experience Manager Assets to consolidate 5TB of data into a centralized digital asset management (DAM) system, bringing creative assets within the company's corporate security framework and streamlining workflows. Under Armour is also leveraging Smart Tags, powered by Adobe Sensei, to automatically identify relevant metadata, and Smart Crop to deliver social assets more efficiently. Learn more >

Finally, Market Leaders have more ambitious plans than their peers to use generative AI for content production in 2024 (Figure 10).

Figure 10: Expected adoption timeline for generative AI in various areas of content production (Responses indicate use today or planned use by the end of 2024).

	Idea creation and concepting for skilled employees to finalize	Adapting existing content for different audiences, products, regions	Auto-updating live content, e.g., prices, product specs	End-to-end production, from inception to execution	Generative inputs for content components to help complete an employee-designed asset
Market Leaders	76%	72%	72%	72%	67%
Market Followers	56%	58%	52%	44%	51%

Sample size: 225 practitioners

For example, 72% of Market Leaders plan to use generative AI for end-to-end production, a use case that requires a degree of agility that their peers may not yet have. In other words, while generative AI accelerates and augments retailers' capabilities, applying it to more complex use cases demands that retailers first establish a solid foundation: governance guidelines, cross-functional team collaboration, and workflow alignment.

Recommendations

Generative AI is poised to transform every aspect of the retail organization.

The strategic approach taken by Market Leaders positions them to scale personalization with generative AI. For retailers looking to navigate this transformative technology, this year's *Digital Trends* research highlights three key recommendations:

- **Prioritize foundational capabilities.** Before diving into generative AI initiatives, retailers must focus on building the necessary foundation for personalization at scale: unified customer profiles, an efficient content supply chain, and orchestrated omnichannel customer journeys. Market Leaders' stronger foundation across these areas acts as a springboard for deploying generative AI to enhance CX.

- **Break down silos.** Retailers are rich in data but poor in data insights. Past purchase behaviors and interactions provide valuable first-party data. They can be some of the strongest predictors of future behavior, but many retailers struggle to merge them with other customer data. CDPs enable retailers to not just unify customer data but also make it accessible and actionable. Similarly, DAM systems store and organize content so it can be leveraged at scale.

- **Plan for generative AI adoption at scale.** To unlock the promise of generative AI, retailers must plan for enterprise adoption of embedded AI solutions. That requires alignment between generative AI initiatives and overarching business goals, as well as KPIs and incentives. Skill-building programs, governance guidelines, and data privacy standards ensure that employees can use generative AI confidently, effectively, and responsibly. In addition, they must consider enterprise readiness, ensuring they are using AI that is commercially safe, scalable, on-brand, and trained on appropriate data sets to protect proprietary information and customer data.

To learn more about AI built for business, visit: Adobe Sensei GenAI — Generative AI for Business.

Methodology

Executive survey

The executive survey was fielded in January and February 2024 to Econsultancy, Adobe lists, and external panels. Launched on January 1, 2024, the survey closed on February 19, 2024, with 845 qualified client-side retail respondents.

- 46% of respondents are senior directors or higher, while 54% are practitioners. The report includes comparisons between these groups.

- The most represented regions in the sample are Europe (40%), North America (35%), and the Asia Pacific region (23%).

Executive Market Leaders, Challengers, and Followers

This study draws comparisons between Market Leader and Market Follower organizations. These are defined based on respondents' answers to a survey question relating to their 2023 company performance versus sector competitors.

- Market Leaders are those who agreed they "significantly outperformed" their sector (22% of all respondents).

- Market Challengers are those who agreed they had "slightly outperformed" their sector (39% of all respondents). While they are not specifically called out in this report, their responses are included in all the respondent figures.

- Market Followers are those who agreed they had "kept pace" or "slightly or significantly underperformed" their sector (39% of all respondents).

Consumer Survey

Between February 1, 2024, and February 13, 2024, we surveyed 1,876 consumers who had interacted with retail brands online in the past three months. The demographic breakdown is as follows:

- 45% were men and 55% were women.

- 12% were 18–24 years old, 17% were 25–34, 16% were 35–44, 17% were 45–54, 21% were 55–64, 13% were 65–74, and 4% were 75 or older.

- Respondents were sourced from across three regions. 52% came from Europe, 18% from North America, and 15% from the Asia Pacific region.

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