

Predicts 2024: Profit From GenAI, Employee Experience and Recommerce in Retail

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Initiatives: [Unified Retail Commerce for Digital Business Execution](#)

GenAI, a significant rise in theft and continuing consumer pressure on circular economy practices are three major trends impacting the retail industry in the past 12 months. Retail CIOs can use Gartner's 2024 predictions to prioritize technology investments for increased profitability.

Overview

Key Findings

- Retailers plan to adopt generative AI (GenAI) much faster than other forms of AI, driving big changes over the next 12 to 24 months because of its potential as a transformative technology.
- Combating internal shrinkage from inventory losses, while maintaining an attractive shopping environment, requires a people-centered approach augmented by technology.
- Establishing a cost-effective resale program of preowned fashion items is vital to achieving customer expectations for sustainability as well as retailers' profit objectives.

Recommendations

CIOs responsible for retail digital transformation and innovation should:

- Leverage Gartner's GenAI Retail Use-Case Prism research to better understand the value and feasibility of use cases to guide the business on strategic investments in GenAI technologies.
- Prioritize in-store and associate-facing technologies based on their ability to reduce shrink through improved associate workflows and enhanced associate experiences.

- Collaborate with chiefs of digital, supply chain and merchandising to evaluate new business models as well as the technologies needed for reselling preowned items, not forgetting to factor in the costs of integration to internal systems.

Strategic Planning Assumptions

By 2027, 90% of Tier 1 retailers will successfully execute at least one business-transforming GenAI use case.

By 2028, Tier 1 retailers will target store associate experiences as the top in-store technology investment priority to reduce internal shrink by 50%.

By 2029, preowned fashion items will grow to at least 10% of all products hosted on global Tier 1 fashion retailers' websites.

Analysis

What You Need to Know

In the past 12 months, rapid development and adoption of GenAI, escalating shrinkage rates and consumers' ongoing expectations for circular economy practices are three major trends that have continued to place a strain on retailers' profitability. The prevailing market uncertainty and volatility has meant that retail CIOs have been under relentless pressure to deploy technology to enable the business to respond with agility for resilience, not only to survive but to thrive. Operating with notoriously low margins, retail leaders who sign off on technology investments strongly expect spending to spur innovation for competitive differentiation.

Retail CIOs have, therefore, been severely challenged with balancing the need to use technology to support revenue-driving business outcomes that deliver growth with those that optimize costs. Take, for instance, the need to create value for customers and employees through immersive experiences while having to implement automation for improved operational efficiency.

In 2024, the market is only going to get more competitive. If retailers have a chance of achieving their growth and profitability targets, they must:

- Embed GenAI immediately in every short-term and long-range planning activity, because it will become as fundamental “utility” for survival as connectivity to the internet.
- Prioritize in-store and associate-facing technologies that are capable of improving associate workflows and enhancing associate experiences as a viable means of reducing internal shrink.
- Establish recommerce business models, such as reselling preowned items, aligning them closely with your customers' values and providing clear and easy processes to encourage them to participate.

In this research, we present three strategic planning assumptions that will happen as a result of these evolving market conditions (see Figure 1).

Figure 1: Gartner Retail Predictions 2024

Gartner Retail Predictions 2024



Source: Gartner
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These predictions will help retail CIOs identify and prioritize short- and long-term value-adding technology decisions to enable robust execution of unified retail commerce in the constantly volatile macroeconomic climate.

Strategic Planning Assumptions

Strategic Planning Assumption: By 2027, 90% of Tier 1 retailers will successfully execute at least one business-transforming GenAI use case.

Analysis by: Robert Hetu

Key Findings:

- GenAI is a transformational technology that will become a fundamental everyday general purpose requirement akin to electricity and internet connectivity.
- The adoption curve for GenAI in retail is unprecedented for an emerging technology.
- Retailers are increasing technology investment in GenAI, prioritizing processes that can deliver significantly improved customer experiences.

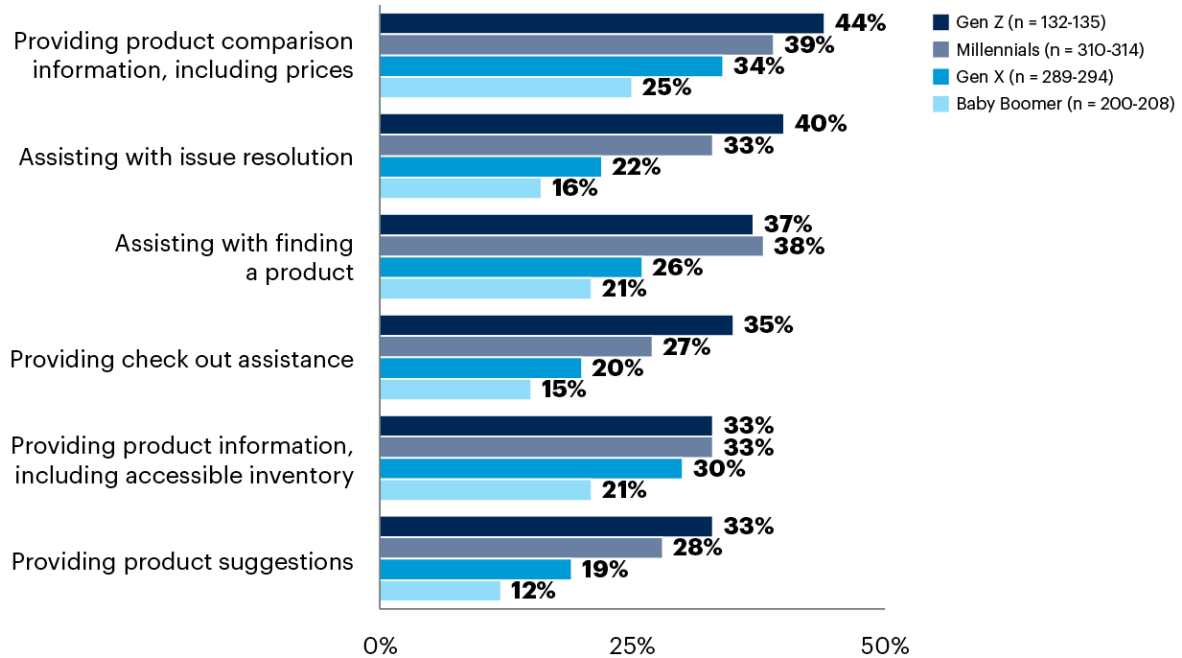
Market Implications:

- According to the 2023 Gartner Business Outcomes of Technology by Use Case Survey, ¹ 44% of retailers have started utilizing/experimenting with GenAI, and 47% of retailers expect to implement GenAI in the next 12 months. This is galvanizing the market with a plethora of vendors offering a variety of GenAI solutions providing contextualized language-based recommendations to improve customer experiences or enabling accelerated software development to improve speed to market of profit driving functionality.
- In the next three years, 87% of retailers expect high industry impact from GenAI. In contrast, it took seven years to achieve 40% adoption for traditional AI techniques. One reason for this was the lack of receptiveness among business users. The impetus for the forward momentum of GenAI appears to be coming from Gen Z. In a 2023 Gartner Customer Experience and Trust Survey Gen Z, the youngest potential customers, responded the most positively (33%) to GenAI providing product suggestions. ²
- Customer experience use cases are a top priority for retailers' GenAI investments. In the same 2023 Gartner Customer Experience and Trust survey, more than one-third of Gen Z (44%), Millennials (39%) and Gen X (34%) respondents expect GenAI tools, such as ChatGPT, to have a very positive impact for providing retail product comparison information and pricing (see Figure 2).

Figure 2: Impact of GenAI on Customer Shopping Experiences

Impact of GenAI on Customers' Shopping Experiences

Percentage of Customers Who Interacted With Retailers in the Last 6 Months, Very Positive Impact, Global



n varies, customers who interacted with Retailers in last 6 months, excluding 'Don't know/Not sure'

Q: To what extent do you think the use of artificial intelligence tools (such as ChatGPT) to provide automated assistance could have a negative, positive or no impact on the following shopping experiences for you?

Source: Customer Experience Survey, 2023

Note: 1 – Very Negative Impact, 3 – No Impact, 5 – Very Positive Impact

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- While the long-term outlook for GenAI use cases — looking out three years — is still evolving, there was universal alignment (100%) among the retailers surveyed that GenAI will have a moderate or high impact on the retail industry. Gartner expects GenAI to have a transformational impact on the retail industry, including the vendor markets.

- Publicly available GenAI use cases include:
 - Zalando — Its fashion assistant offered in beta to select customers in Austria, Germany, Ireland and the United Kingdom will be launched, with support in both English and German translations.
 - Instacart — In May 2023, it launched Ask Instacart, a ChatGPT-enabled virtual assistant for customers.
 - Walmart — The retailer has rolled out a GenAI virtual personal assistant to more than 50,000 corporate associates.
- The implementation of GenAI use cases will require the convergence of technologies and other AI techniques, including hyperautomation, conversational chat, and, in the future, Web 3.0.
- GenAI will require governance, which will include assigning and assuring organizational accountability, prescribing decision rights, identifying risks and creating and implementing policies for making investment decisions on AI.

Recommendations:

- Include GenAI in all your tactical and strategic planning as it is set to become an everyday technology the business will use.
- Leverage Gartner's Generative AI Use-Case Prism to better understand the value and feasibility of GenAI use cases to prioritize for technology investment in the next 12 to 24 months.
- Remember that the implementation of GenAI use cases will require the convergence of multiple technologies, business processes and diverse AI techniques.
- Focus on implementing one or two GenAI use cases to demonstrate measurable improvements to existing KPIs.

Related Research:

[Use-Case Prism: Generative AI for Retail](#)

Strategic Planning Assumption: By 2028, Tier 1 retailers will target store associate experiences as the top in-store technology investment priority to reduce internal shrink by 50%.

Analysis by: Kelsie Marian, Max Hammond, Sandeep Unni

Key Findings:

- Employee theft and internal process errors account for more than 50% of overall retail shrink.
- Reducing internal shrink will become a top business priority for in-store technology investments.
- Investing wisely in associate experiences will contribute to a significant decrease in internal shrink.

Market Implications:

- Total annual shrink has grown to \$112.1 billion ³ in losses annually for U.S. retailers.
- The National Retail Federation estimates ³ that the majority of retail shrink is due to the combination of internal/employee theft (29%) and process failures/errors (27%), factors that are within the retailer's control.
- Labor shortages can increase exposure to internal theft, as there is less oversight in stores and a likelihood of increased leniency in hiring criteria.
- Associate burnout can also lead to negative work environments, which may increase internal shrink (i.e., tiredness or feeling the retailer "owes them something").
- Furthermore, economic factors such as higher living costs, high inflation and increased fears of further economic disruptions can lead to more internal theft.
- Retailers continued to focus on supporting stores as the executional hub for unified retail commerce. According to the 2024 Gartner CIO and Technology Executive Survey, ⁴ 71% of retail respondents plan to increase store technology investment as part of overall digital spend. The same survey also reports 49% of retailers plan to increase their investments in store labor — such as more hiring, training, pay and benefits.

Recommendations:

- Set up and facilitate meetings with relevant roles from stores, legal, asset protection and merchandising teams to identify the main sources of internal shrink in stores.
- Work with store operations and HR leaders to support a multipronged approach to mitigate shrink targeting people, processes and technology.
- Prioritize in-store technologies based on their ability to reduce shrink by improving associate workflows and enhancing their experiences. For example:
 - Implement AI-enabled scheduling with accurate shift coverage to reduce over or under staffing.
 - Use mobile employee communications and training apps to improve knowledge and awareness of shrink-related issues.
 - Implement in-store IoT such as RFID, smart shelves, computer vision and automated robots to reduce the physical burden and high error rates associated with manual inventory processes.
 - Invest in modern store inventory management applications for better and more granular visibility of stock and decrease “paper shrink.”
 - Educate store operations leadership on protecting through positive and proactive approaches, which can be to protect inventory supported and reinforced by technology. Locking down inventory behind bars or glass can frustrate customers, straining valuable associate resources.

Related Research:

[Top Trends Shaping the Retail Store Associate Experience](#)

[Retail Strategic Growth and Technology Imperatives 2024](#)

[5 Best Practices to Attract and Retain Excellent Retail Store Associates](#)

[Market Guide for Retail Store Inventory Management Applications](#)

Strategic Planning Assumption: By 2029, preowned fashion items will grow to at least 10% of all products hosted on global Tier 1 fashion retailers’ websites.

Analysis by: Jonathan Kutner, Hanna Karki, Tom Nolan

Key Findings:

- Consumer sentiment on the circular economy, the need for compliance with environmental legislation and the adoption of sustainable development goals mean that retailers are being forced to significantly reduce waste.
- The cost-of-living crisis over the last 12 months has been driving significant changes in consumer behavior and changing perceptions toward purchasing preowned products, especially within fashion buying.
- Fashion retailers are taking ownership of preowned resale activities to avoid losing traffic, to enhance customer loyalty and to acquire new customers.
- To accelerate scale and speed to market as well as to reduce the cost of reselling, fashion retailers are hosting preowned items on their own e-commerce websites.

Market Implications:

- The consumer recommerce trend toward preowned clothing is encouraging fashion retailers and other players in that industry to launch a spate of recommerce resale initiatives.
- A variety of business models are being implemented, such as takeback, resale-as-a-service and models involving customers selling to other customers (some vendors refer to this as peer-to-peer [P2P]) with no clear winner emerging yet. Early indications from our ongoing research show that, for items with an Average Selling Price (ASP) of \$50, the customer-to-customer “self-service” model could be the most cost-effective and scalable one for Tier 1 fashion retailers.
 - In the customer-to-customer service as operated by Zara, buyers and sellers are hosted on a resale platform accessed via the retailer’s main e-commerce website. Sellers are responsible for both creating the listing preowned items as well as shipping them to the buyers. Buyers make the payment to Zara and sellers receive payment in the form of vouchers. Once the buyers are satisfied with the purchase, the sellers can redeem them in Zara.

- Currently, sales of preowned products from e-commerce sites within fashion retailers are estimated within the range of 1% to 3% of total e-commerce sales within North America/EMEA. This market is expected to grow appreciably — in terms of volume of items — in the near to midterm. On one hand, this could cannibalize the sales of new products. But on the other hand, flawless execution of sales of preowned items could catalyze “halo” sales of new products. For example, new accessories could be a way of smartening up a preowned garment for a special occasion.

Recommendations:

- Engage with the business stakeholders, such as the chiefs of digital, supply chain and merchandising, to evaluate the upfront costs and benefits of the various emerging business models for reselling preowned items, including:
 - Desire to create a high-quality customer experience
 - Need to integrate resale and new merchandise on one platform
 - Costs of hosting on e-commerce platforms, including integration to third-party microsites
 - Costs of integration to internal systems supporting business capabilities, such as assortment planning, inventory management, loyalty, personalization and secure and smooth payment processing
 - Requirement for additional investment in, such as in stores, warehouses or DCs, if the business model is wholly or largely operated through in-house capabilities
- Enable data and analytics capabilities to calculate the impact of the sales growth of resale on sales and margin of the overall mix of new and preowned items. Use this data to influence merchandise planning for unified commerce.
- Acquire new-generation merchandising solutions, such as AI-led assortment optimization, to increase sales conversion by identifying and targeting customer behaviors most likely to appreciate recommerce products.
- Include resale models in strategic business sustainability initiatives to minimize packaging, reduce emissions and authenticate items (such as through digital ID technology) to avoid accusations of “greenwashing.”

Related Research:

[The Contemporary Guide to Retail Supply Chain Excellence: Part 3 – Returns and Recommerce](#)

A Look Back

In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale – one where we were wholly or largely on target, as well as one we missed.

On Target: 2020 Prediction – By 2023, five Tier 1 grocery retailers will have adopted hybrid store models, installing go-style, smart check-out formats within their larger superstores.

Over the past 12 months, while several retailers have implemented the entire store approach, the model has largely gained traction in small format store footprints (below 6,000 square feet). Retailers with larger store formats, such as over 15,000 square feet, or in traditional supermarket formats, have focused on implementing smart check-out capabilities directly into the shopping cart.

This approach meets both the requirement for a hybrid experience and the ability to introduce frictionless check-out in a larger store setting. Implementations include:

- Edeka's implementation of KBST's Smartshopper ⁵
- Whole Foods Market's deployment of the Amazon Dash Cart ⁶
- H-E-B's implementation of Supersmart's Model S3 ⁷
- Selgros's implementation of Supersmart's Model S3 ⁸
- Monoprix's implementation of Cust2Mate's Smart cart platform ⁹

Missed: 2019 Prediction – By 2024, Tier 1 retailers in North America and Europe will reduce inventory carrying costs by 30%, dramatically improving free cash flow for digital investment, while revamping balance sheets.

While the pandemic and economically driven supply chain disruptions slowed some retailer's efforts at reduction in overall inventories, many retailers reported reductions of 10% to 20% over COVID-19 prepandemic levels. Some have achieved the 30% level. For example:

- Abercrombie & Fitch's Q2 earnings report shows that the supply chain is performing better compared with 2022. It claims it reduced inventories by 30% compared with 2022, and improved operating margin significantly to 9.6%. ¹⁰
- Target profits surged in its most recent quarter where it announced a 14% inventory reduction over the same period last year. ¹¹

Acronym Key and Glossary Terms

Tier 1 Retailers	Gartner defines the Tier 1 market as large, global retailers that conduct business in multiple geographic locations. Tier 1 global retailers operate extensive store real estate as one of many channels and touchpoints and generate annual retail revenue of at least \$3 billion per year.
Preowned	An item that has been previously owned by a consumer before it is resold. Common synonym is secondhand.
Loss Prevention	Any actions taken to reduce the amount of theft, breakage or wastage in a business.
Shrink/Shrinkage	The loss of inventory attributed to multiple factors, including employee and customer theft, process error, damage and associate error. It is the difference between recorded inventory on the retailer's balance sheet and its actual inventory.

Evidence

¹ **2023 Gartner Business Outcomes of Technology by Use Case Survey.** This survey investigates how organizations leverage industry-specific technologies, including GenAI, for particular use cases. Business outcomes are explored utilizing a “Fundamental Five” stakeholder framework to show the impact of technology investments on customers, employees, partners, funders and society. Factors influencing positive and negative business outcomes are also assessed. The survey was conducted online during June through August 2023. In total, 624 director-level or above respondents representing 10 industries participated (n = ~60 per industry). Qualified respondents were associated with either a business or IT function (~50% each) and either influenced or had the final say in technology investment decision making for their organizations. Qualifying organizations were from North America, Western Europe and APAC and reported enterprisewide annual revenue of at least \$50 million or the equivalent. Disclaimer: The results of this study do not represent global findings or the market as a whole but are a simple average of results for the targeted countries, industries and company size segments covered in this survey.

² **2023 Gartner Citizen and Customer Experience and Trust Survey.** This survey covers themes around customer perception on GenAI, their willingness to use this technology and their expectations in customer support. The study also assesses customer trust across various providers as well as the importance of personalization, understanding customer needs and their willingness to share data. The study investigates actions that firms can take to support customers amid economic volatility and drive customer retention in the current environment. The study also includes time series analysis for retail banking and insurance customers to assess how customer behavior has changed via human and digital interactions. The survey was conducted online from July through September 2023. In total, 4,111 customers participated in the survey. Qualified customers were 18+ years of age, with less than \$1 million USD in investable assets and must have interacted with either a retail banking or insurance provider in the last six months. The customers surveyed also have interactions with retailers, healthcare providers and automakers in the last six months. The countries covered were the United States of America, the United Kingdom, Canada, Australia, Singapore and Republic of Ireland. Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the customers surveyed.

³ [National Retail Security Survey 2023](#), The National Retail Federation.

⁴ **2024 Gartner CIO and Technology Executive Survey.** This survey was conducted online from 2 May through 27 June 2023 to help CIOs determine how to distribute digital leadership across the enterprise and to identify technology adoption and functional performance trends. Ninety-seven percent of respondents led an information technology function. In total, 2,457 CIOs and technology executives participated, with representation from all geographies, revenue bands and industry sectors (public and private), including 85 from retail. Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

⁵ [KBST's Smart Carts Are Rolling in More Edeka Stores](#), The Retail Optimiser.

⁶ [Denver Whole Foods Stores Introduce Amazon Technology](#), Retail Dive.

⁷ [H-E-B Launches Futuristic New Checkout Option at San Antonio-Area Store](#), San Antonio Current.

⁸ [Gideon Shmuel Appointed as New CEO of Supersmart](#), CTech.

⁹ [A2Z's Cust2Mate Secures First Purchase Order to Deliver Smart Carts to Monoprix Stores](#), Miami Herald.

¹⁰ [Abercrombie & Fitch Co. Reports Second Quarter Results](#), Abercrombie & Fitch.

¹¹ [Target Stock Surges as Earnings Overshadow Sales Decline](#), The Wall Street Journal.

Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

[Infographic: 2024 Top Technology Investments and Objectives for Retail](#)

[Toolkit: Create a Strategic Technology Map for Unified Retail Commerce](#)

[Tool: Gartner Essential Frameworks for Unified Retail Commerce](#)

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