HOW AI IS REVOLUTIONIZING E-COMMERCE

AI is turning intelligence—the most valuable commodity humans have ever possessed—into a utility. Ask ChatGPT, Grok or Gemini a simple question, and the language models will reply, having already consumed a mass amount of knowledge that humanity has produced on a given subject.

The implications of this are only now starting to materialize. A quote from a PwC executive caught my eye and had me thinking about how AI is impacting our usefulness and value as working individuals. To summarize, the notion was that Gen-Z employees who want to succeed in the age of AI should be getting into the office five days a week. Today, that's just not happening.

When intelligence itself becomes a utility, what is the biggest asset humans still possess? Without a doubt, it's human connection, a domain yet to be mastered by AI. This underscores the importance of nurturing human connections, perhaps hinting at the benefits of physical office spaces and community-centric events for fostering such relationships.

In 2024, the e-commerce sector stands at a pivotal juncture, largely due to its early adoption of AI technologies. The impact of AI on e-commerce is poised to be monumental, offering unprecedented opportunities for innovation and growth. This optimism is echoed by industry leaders and research firms, identifying AI as a critical focus area for driving business strategy and innovation.

However, the marketing landscape faces a unique set of challenges. Nearly $16 billion will be spent on political ads this year—a 31% rise from the 2020 election cycle. This will send digital advertising costs through the roof at a time when brands are trying to advertise their way back to pre-pandemic engagement rates.

What's more, 70% of marketers are also concerned that digital advertising will deteriorate in effectiveness following the deprecation of the third-party cookie, which is slated for Q3 of this year. These hurdles only accentuate the need for a strategic pivot to survive, let alone attempt to thrive.

It's clear that 2024 is the year that brands and marketers must focus on building first-party databases and lean into their owned channels. Channels like email and text cut through the noise to reach consumers, and first-party data allows brands to connect on a personal level. Adding a strong identity resolution partner increases the ability to opt in and reach more unknown consumers across these channels, all at a fraction of the cost of paid retargeting.

But most marketing solution providers are touting their adoption of AI as revolutionary when it's really akin to slapping a coat of paint on an old car. It looks new and shiny, but the solution didn't change its core function or value much at all. Remember Microsoft's Clippy, the AI assistant no one asked for but was forced to adopt in our day-to-day work

streams? Don't be fooled by today's vendors that are simply slapping Clippy-like AI enhancements on the outside of their core products rather than gutting them from the inside out to rebuild with AI at the center of their engine. These vendors will not be on the cutting edge of what is happening 18 months from now. They may actually be out of business.

These Clippy-like productivity enhancements in tools, built for workers, are not the north star of AI adoption for e-commerce businesses. Business outcomes, such as increased revenue, should be the north star, with much of the human workflow removed. This means AI is not only creating major technology disruptions, but it's about to disrupt existing business models themselves.

When innovation brought in the Cloud, all the existing vendors that were selling on-premise software with perpetual licenses were disrupted by software-as-a-service companies selling annual subscriptions to software hosted on the Cloud. It was just fundamentally more cost-effective and you could cancel your subscription if you weren't satisfied with the service. Many on-prem software giants were literally killed by the rise of Cloud-native vendors like Salesforce.

I believe the same will happen with AI, which promises business outcomes with little to no human involvement needed for much of the workflows of today. Vendors will emerge that have new business models based around these AI-driven outcomes vs. business models based on subscriptions for your employees to access tools that help them execute tasks. No amount of "tooling" built to assist marketers with their jobs will compete with an entirely AI-driven application for many of the things we do manually today.

But that future relies on AI learning from the right data to enable any given strategy and reach the desired outcome. At Wunderkind, we believe this is the lifeblood of our AI-first value proposition. Each year, our identity network recognizes over 9 billion consumer devices and 1 billion opted-in consumer profiles and stores these, along with insights and context from over 2 trillion digital transactions. It's the data that matters when we talk about the outcomes AI can provide.

The business model is simple: guaranteed revenue is the outcome, not a subscription to a tool. Services that drive an outcome powered by AI are the future of e-commerce and, most likely, many other industries. Furthermore, for marketers, the idea of linear journey orchestration and the current practice of humans building campaigns and customer segments is soon to be a thing of the past. AI can deliver this at a scale never before thought possible while removing the human from a vast majority of the workflow. Autonomous engines will listen to trillions of consumer signals to provide real-time, personalized experiences.

Organizations that spend R&D dollars to place AI at the core of their offering and leverage their vast proprietary datasets will have the advantage of delivering the outcomes brands need to thrive in this new world.

Now, we only need Gen-Z to come back to the office to ensure the human connection between the brand, solution providers and their customers continues to flourish.

From Richard Jones, "How AI Is Revolutionizing E-Commerce", *Forbes* (Apr. 2024), https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2024/04/10/how-ai-is-revolutionizing-e-commerce/