

# How Generative AI will transform eCommerce

The future of eCommerce

Written by Matthew Gertner, CEO of Salsita Software

# The eCommerce boom is slowing down

Few trends have been more reliable than the growth of eCommerce. For over a decade, tabloid headlines and industry experts have sounded the death knell of brick-and-mortar - and trumpeted the inevitable ascent of online stores.

But that all began to change in 2022.

Despite predictions anticipating the first-ever drop in online sales, they ultimately saw a modest increase in 2022. However, growth has slowed significantly. And while analysts blamed global supply chain disruptions and the aftermath of rapid pandemic-driven spending, another reality lurked beneath the surface of these findings: the online shopping experience appeared to be losing its novelty.

The Customer Experience (CX) offered online had plateaued, and customers were rediscovering the joys of in-store - with 50% citing a desire to 'touch and feel' products. eCommerce brands needed to up their game, but the majority were starting to bump up against technical limitations.

Enter generative AI - the tool that will help eCommerce realise its full potential.

Venture capital firms have invested over \$1.7 billion in generative AI solutions over the last three years, and these solutions are expected to support 70% of digital and marketing communications by 2025. But the potential of this technology extends far beyond this. In this report, we explore how it will help leaders transform every aspect of the eCommerce industry.

# Key Takeaways

## Generative AI is already transforming eCommerce

Forward-thinking eCommerce brands are already using generative AI across their business. Leaders cannot afford to waste time, as relatively small first-mover advantages will be magnified by technology this powerful.

Retail sales from chatbot-based interactions will reach \$112 billion by the end of 2023.

## Expectations for eCommerce Customer Experience (CX) are changing

80% of customers consider a brand's online shopping experience to be as important as their products. Generative AI is setting new standards across multiple aspects of CX, and those that fail to meet those standards will lose sales.

Shoppers are nearly 3x more likely to say they feel 'understood' by ChatGPT compared to standard eCommerce chatbots.

## Successful AI requires human intervention

By 2025, 30% of marketing content will be created by generative AI - up from less than 2% in 2022. But realising the efficiency gains associated with that growth will require human intervention, strategy and effective organisational systems.

Experts estimate ChatGPT currently produces inaccurate responses on 20% of queries.

## Brands must address risks directly

Most organisations don't mitigate most of the risks associated with traditional AI. The ethical and commercial risks associated with generative AI are even greater, and brands must ensure they are addressed.

70% of shoppers say brands should disclose the use of AI in customer-facing functions.



*“Generative AI chatbots, like ChatGPT, are game-changers. Previous generations of chatbots forced users to jump through hoops trying to get the bot to understand them. These new chatbots, underpinned by sophisticated AI, have dramatically changed the dynamics. Now, it's the technology that molds itself to understand the user, not the other way around. If you blink you might think you're chatting to a human sales rep, not a computer!”*

- Matthew Gertner, CEO of Salsita Software

# Three ways generative AI helps eCommerce


## 1. Improved customer experience

Every step of the eCommerce customer experience impacts sales. Consumers expect to find products with ease; check out speedily; and receive their orders within a few days. Friction at any point can lead to cart abandonment, negative reviews, a high-volume of returns, or the potential loss of a customer.


Generative AI promises to revolutionise every part of this process. From personalised product recommendations to more agile fulfilment, the right combination of solutions will create a smoother, faster and more enjoyable experience for customers.

### Adapting CX to foreign cultures

This is particularly true for emerging markets, where trust in AI tends to be higher - and where the majority of future growth in eCommerce is likely to come from. Generative AI will be able to fluidly adapt to the needs of specific regions, both in terms of language and customer preference. As a result, brands that embrace it will be able to scale faster and become more competitive in new markets.



**71%** of consumers expect companies to deliver personalised interactions



**76%** of consumers will switch if they don't like their experience

## 2. Increased profit

The net result of improved CX is higher revenue - and a fatter bottom line. But that is not the only way Generative AI will increase profits; Chatbots can help upsell and cross-sell more effectively, leveraging their greater understanding of individual shopping preferences.

Equally, the cost savings produced by faster, cheaper content production will be huge. eCommerce brands will unlock new marketing opportunities as less of their time is spent on product copy or images, and more is spent on brand strategy and generating creative ideas.

### Creating true end-to-end processes

Generative AI will eventually play a role in every part of eCommerce brands' value chain. 80% of executives now believe AI could be applied to any business decision, and generative AI will make many applications far more accessible to the average user. Generative AI will be able to explain concepts and decisions to them in plain language, making it easier to interact with a brand's eCommerce presence.

Brands that invest in AI are seeing a revenue uplift of 3-15% and a sales ROI uplift of up to 20%



3-15%

Revenue uplift



20%

Sales ROI uplift

### 3. Empowering human talent

When ChatGPT first hit the headlines, many feared it would displace human labour. The reality is likely to be very different. Because while Generative AI will reduce the need for humans to perform dull, manual tasks, it will also empower people to focus on high-value strategic work – which will ultimately make employees’ work more fulfilling.

This freedom could be used in any number of ways. Some will opt to focus on brand building work that requires human creativity; others may concentrate on innovation that will lead to new products and boost their competitive advantage.

#### Retaining the best workers

Survey data shows that 76% of eCommerce employees feel management should do more to encourage a better work-life balance. But this extends beyond employees. Stories of overworked, excessively stressed eCommerce founders abound. And while Generative AI is not a silver bullet for toxic cultures or the burdens of entrepreneurship, it certainly offers a valuable lifeline for many overworked eCommerce teams.



 **37%**

Generative AI has already boosted adopters’ productivity by 37%

# The next generation of eCommerce

Eight ways eCommerce brands can leverage generative AI

## 1. Better personalisation

Nearly half of all eCommerce shoppers say they've bought a product they didn't intend to because of an automated recommendation. But existing recommendation engines are limited: they produce a high volume of irrelevant or poor recommendations, and the average consumer does not trust their ability to 'know' what they want.

Generative AI will allow these engines to adapt more quickly - and accurately - to individual customers' preferences. Klarna has already partnered with OpenAI to launch a ChatGPT plugin that offers curated product recommendations and links to purchase through Klarna's search and price comparison tools.

**Personalised content will also become far easier to produce.** Generative AI will help them tailor content to specific audience segments using a few simple prompts. This will lower the cost barrier to hyper-personalisation and help marketers to produce impactful content at scale.



**63% of marketers currently struggle to produce adequate personalisation**

## 2. Product copy

Product descriptions have a huge impact on eCommerce shoppers. One experiment found that telling a compelling story about products increased the price people were willing to pay by over 6,000%. While results this extreme are uncommon, a high-quality product description is undeniably one key factor in maximising revenues and conversion rate. Yet many eCommerce sites still offer minimal descriptions that leave customers cold.

One reason is economic: skilled copywriters charge high rates. Generative AI will solve that problem, enabling brands to produce high-volumes of quality content at scale. While they will need to develop the right prompts, and put quality assurance measures in place, solutions like ChatGPT will allow them to produce product copy more quickly - and at a far lower cost.



**10% of eCommerce brands' product descriptions fail to meet customers' basic needs**

### 3. Content marketing

From Search Engine Optimization to website copy, content has become an essential marketing tool for eCommerce brands in recent years. But quality content - copy, design and video - is both expensive and slow to produce. This limits brands' bandwidth, and many simply do not have the quality or quantity of content they need to drive sales.

Generative AI enables brands to ramp up production, using human talent to check, edit and sign-off content produced by AI. Not only will this empower brands to capture the attention of prospects and customers - they will be able to focus on new forms of content that drive conversations, enhance the customer experience and help build their brand.

**\$63B**

Content marketing was credited with producing \$63 billion in revenue last year

## 4. Customer support

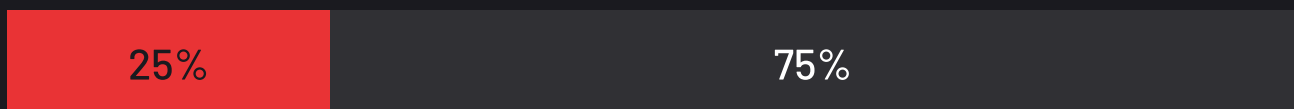
Consumers are used to having sales assistants at the ready to answer their questions and support their purchases. But eCommerce customer support is generally driven by chatbots that are limited in scope and prone to bugs. As a result, many consumers don't bother consulting customer support when they run into an issue with an eCommerce site - they just take their business elsewhere.

Generative AI solutions will transform this experience. By offering a persuasive proxy for human encounters, and metabolising enough data to offer personalised responses, these new chatbots allow eCommerce brands to recreate the feeling of in-store assistance - and keep customers on their website.

**67% of ChatGPT users said they "often" or "always" felt understood by the bot, compared to just 25% talking to a normal bot**



ChatGPT bot



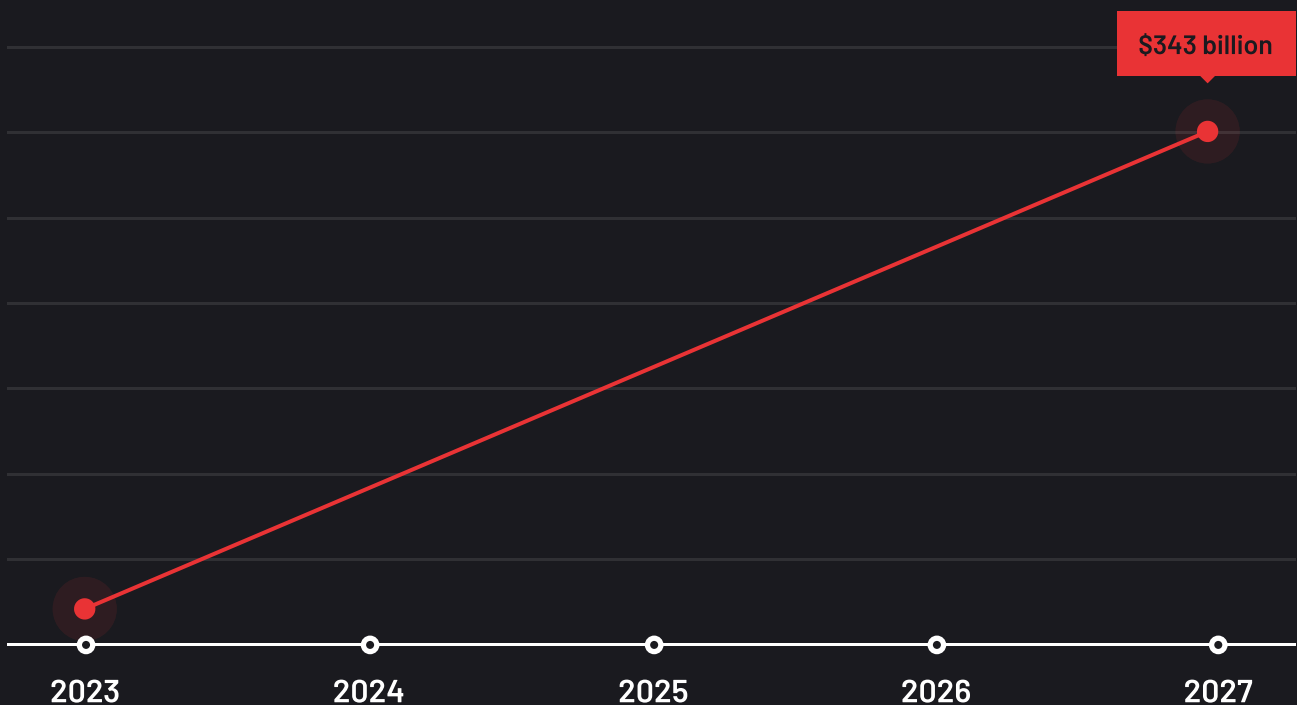
Normal bot

## 5. Fraud detection

Payment fraud is rife in the eCommerce industry; a recent study found that cumulative merchant losses due to online payment fraud will exceed \$343 billion globally by 2027. Brands have tried for years to shut down such illicit activity, but their efforts often backfire. Many legitimate shoppers find their payments are declined due to security precautions - and 28% of customers will completely abandon a purchase after experiencing a single such incident.

Generative AI will be used to augment existing machine learning fraud detection systems. Some experts argue that the same attributes that lead ChatGPT to 'hallucinate' can be leveraged to produce novel fraud data which can then be fed to fraud systems - ultimately making their detection more robust. For eCommerce brands, this could help bridge the gap, protecting them from both illegal payments and disrupting the CX.

### Merchant losses due to online payment fraud will exceed \$343 billion globally by 2027



## 6. Generative product imagery

According to Etsy, the quality of product images is the single most influential factor in eCommerce purchasing decisions. But good photography can be prohibitively expensive, especially for brands that have large product lines and no in-house visual talent.

Generative AI will empower such brands to produce beautiful imagery cheaply and quickly. With a few sample product images and a simple prompt, these solutions will produce high-calibre product lifestyle images in seconds. This will open up a range of creative possibilities, as brands can experiment, iterate and produce shots that would be otherwise difficult and expensive to achieve.



Upload your product



Choose a Style



Instant results!

**3D product images are a great example.** 3D features like augmented reality or product configurators have been shown to significantly increase customer engagement. As sites incorporate more 3D imagery, generative AI will be used to create 3D models automatically from 2D photos - greatly reducing the time and cost associated with 3d production.



**25% of product images are insufficient for users' need to perform a visual exploration and evaluation of a product**

## 7. Data analysis

One of the great promises of eCommerce is the volume of data that is generated online. Managers can analyse numerous metrics, evaluate their strategic choices and adapt their offering to increase margins and boost sales. But while generating data is generally a matter of choosing a plugin, analysing that data effectively requires skills many brands don't have in-house.

With generative AI, this analysis will be far more intuitive. These solutions will be used to query data warehouses and produce human readable responses, as well as fielding questions about specific responses. Analytics reports and business intelligence will be automated. Some experts claim the solutions could even be trained to add "near-real-time insights" by cutting out the need for human intervention to provide contextual oversight.

As a result, individuals without data science training or coding skills will benefit from the data-driven possibilities of eCommerce. But generative AI will also give a huge leg up to skilled analysts. 88% of developers using GitHub's Copilot - built on an OpenAI technology called Codex - already say they are more productive, while 96% believe they are "faster with repetitive tasks."



**58% of companies say they make decisions based on 'gut feel' or 'experience', rather than on verifiable data**

# The Machine Learning Curve

Four challenges eCommerce brands must address

## 1. Data privacy and security

Generative AI is trained on vast quantities of data - and that presents a number of legal concerns for users. From encroaching on individuals' privacy to using copyrighted data, generative AI has already led to multiple legal actions. As the regulatory environment races to catch up, brands should be prepared for these challenges - and consult legal experts at every step of their implementation process.

**Of the 25 countries analysed by Stanford University, 18 new laws containing mentions of AI were passed in 2021**



## 2. Biassed algorithms

The data generative AI systems are built on often contains biases - from racial and sexual to political and social. These biases can result in unsavoury responses from chatbots, as well causing the content produced to be less reliable. However, efforts to address these problems have been largely unsuccessful. NeurIPS collected 4 times more research papers on fairness and bias in 2021 than it had in 2017 - yet the problem persists.

**29% of leaders recognise 'equality and fairness' as risks for AI.**  
**But just 19% are addressing them**



### 3. Integration problems

According to Gartner, just 54% of AI projects make it from pilot to production - and 85% fail to deliver their promised benefits. The reasons are complex, but the takeaway is clear: integrating AI into existing systems is difficult. eCommerce brands cannot afford disruptions because a new chatbot is malfunctioning or their inventory is being mismanaged - so will have to plan very carefully before implementing a new AI solution.

Nearly 1 in 4 leaders say AI projects fail because they are too complex or difficult to scale



## 4. Building trust

While the media furor around ChatGPT drew millions of curious people to try the technology, trust in generative AI is still very low - though this varies greatly between countries. One study found that just 10% of people believe its output is 'very trustworthy', while another states that over 60% of people find human content more trustworthy. These concerns are well founded: ChatGPT currently produces inaccurate responses roughly 20% of the time. So getting shoppers to feel at ease using the technology to guide their purchases will require solid groundwork from brands.

**India, China and South Africa are the countries whose citizens are most likely to trust AI systems**



# Getting Ahead Of The Curve

## Our predictions for the future of Generative AI in eCommerce

The potential for Generative AI to transform eCommerce is clear. And experts are certainly confident that brands will jump at the opportunity. According to Amazon CEO Andy Jassy, "We... believe [generative AI] will transform and improve virtually every customer experience, and will continue to invest substantially in these models across all of our consumer, seller, brand, and creator experiences."

What is less clear is how brands will approach the opportunity - and how much time they have to waste. Here are four trends we predict will define the future of Generative AI in eCommerce:

### 1. Democratising innovation

While traditional AI was expected to be concentrated in the hands of a few massive corporations, Generative AI can be deployed and refined without huge budgets or infrastructure. Even large language models (LLMs) like GPT—which are famously expensive to train—can be used out-of-the-box, without the need to develop your own.

Solutions like ChatGPT cover a huge range of use cases, meaning it is no longer necessary to build new models from scratch to address specific needs. The democratising potential of Generative AI will therefore enable brave founders and eCommerce managers to experiment and innovate in ways that were previously unimaginable.

*"The barrier to entry for training and experimentation has dropped from the total output of a major research organisation to one person, an evening, and a beefy laptop"*

- Anonymous Google memo

## 2. Blurring the digital-physical boundary

While consumers appreciate the convenience and speed of eCommerce, certain aspects of in-store shopping still offer a better experience for most consumers. For example, brick-and-mortar environments make it easier to examine the product in detail. Generative AI will change that, enabling brands to create more immersive experiences for online shoppers. With chatbots that are able to understand queries and provide more detailed, human responses, brands may win customers back from the physical world.

But even more tantalising is the possibility for eCommerce to augment the in-store experience, providing each shopper with their own personalised assistant - who can upsell, cross-sell and help them find what they need even when human salespeople are in short supply.

## 3. Brand safety

The ethical concerns outlined earlier in this whitepaper are just the tip of the iceberg. eCommerce brands will face a further challenge deciding how to apply Generative AI to their brand without alienating customers or compromising their brand. Because while improvements to chatbots or search may benefit your bottom line, they must be compatible with the company's existing brand identity.

This will force implementers to face complex questions about brand image and the kind of experience they want to offer.

## 4. A race for adoption

Innovation has a nasty habit of clouding our collective memory. We might assume something as transformative as electricity would immediately capture the imagination of business leaders. But in reality, nearly two decades after the introduction of the Edison Central Generating Station, just 5% of the power used in factories was electric.

Generative AI could easily go the same way, with the companies that embrace it gaining an insuperable advantage - and leaving the rest in the dust. While the timeline is unclear, it seems reasonable to expect that brands that resist this new technology for too long will find it hard to compete over the longer term.

As with many new technologies, companies contemplating the adoption of generative AI for their e-commerce efforts face a critical decision: to proactively integrate this transformative tool into their operations, or risk falling behind in a rapidly evolving digital landscape.



## About Salsita

Salsita assists e-commerce brands in empowering their customers to discover, design, and experience their dream products, conversationally. We create state-of-the-art 3D configurators, 2D configurators, and room planners with advanced AR and AI features. With Conversational UI at the heart of the experience, shoppers can configure even intricate products, while receiving expert guidance and real-time recommendations from an AI design assistant with extensive product knowledge.

 [salsita.ai](https://salsita.ai)

