



It does not require users to have any AI experience, making it available to individuals of any technical background in any context—from students in the classroom to consultants in the field.

ChatGPT has taken the world by storm. Its meteoric rise to AI dominance is largely attributed to the tool’s incredible high-quality writing that is virtually indistinguishable from human-written text

The implications of these and many of its other advantages cannot be exaggerated—access to detailed, relevant, and synthesized information at your fingertips is a necessity in a world where we are proverbially “drowning in information but starved for knowledge.”

Although most of us may know about the software’s ability to draft emails, write essays, and even take standardized tests, its capabilities in a retail context have yet to be explored in detail. As such, we decided to take the first stab at testing the AI’s retail knowledge and analytical ability. Last week, we signed up for the free version of the software, and asked the bot to answer a simple prompt:

Write a 500-word essay about the 5 biggest trends impacting US retail in 2023.

Ten seconds later, the AI had already formulated a response complete with a bulleted list of trends along with a brief description of each written in perfect conversational English:

The following 5 trends are ChatGPT's exact output

01

E-commerce will continue to grow



E-commerce has been on the rise for several years, and this trend is expected to continue in 2023. With the COVID-19 pandemic forcing many consumers to shop online, retailers have invested heavily in their e-commerce capabilities. As a result, consumers have become more comfortable with buying goods and services online, and this trend is likely to continue.

In addition, retailers are likely to continue to invest in technologies that make online shopping more convenient, such as same-day delivery and buy online, pick up in-store (BOPIS) options. Retailers will also need to improve their online customer experience to meet the demands of consumers who are increasingly comfortable online.

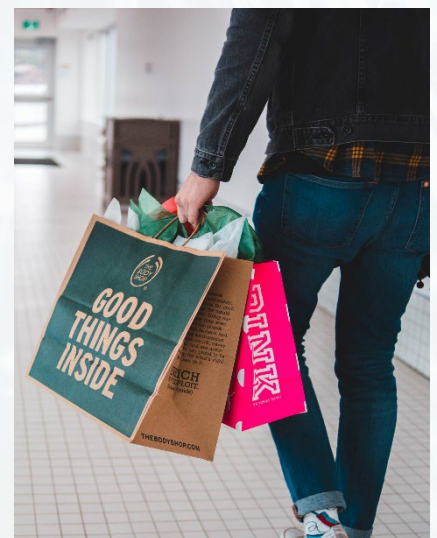
02

Sustainability will become increasingly important



Sustainability has become a key consideration for many consumers, and retailers are taking notice. In 2023, we can expect to see retailers taking a more proactive approach to sustainability, both in their operations and in the products they sell. This may include things like reducing plastic packaging, sourcing more sustainable materials, and offering products that are designed to be reused or recycled.

Consumers are increasingly willing to pay a premium for sustainable products, so retailers that can demonstrate their commitment to sustainability are likely to see a competitive advantage.



03

Personalization will become the norm



Personalization has been a buzzword in retail for several years, but in 2023 it will become the norm. With the amount of data that retailers have access to, they can now offer highly personalized experiences to their customers, both in-store and online. This may include things like personalized recommendations, targeted promotions, and customized product offerings.

Retailers that can offer personalized experiences will be able to differentiate themselves from their competitors and build stronger relationships with their customers.

04

Social media will continue to influence purchasing decisions



Social media has become a powerful force in retail, with many consumers turning to social media platforms like Instagram and TikTok for inspiration and product recommendations. In 2023, we can expect to see retailers investing more in social media marketing, with a particular focus on influencer marketing.

Influencers have become an important part of the retail landscape, and retailers are increasingly partnering with influencers to promote their products to their followers. This trend is likely to continue in 2023, as retailers seek to leverage the power of social media to drive sales.



05

Brick-and-mortar stores will remain important



Despite the growth of e-commerce, brick-and-mortar stores will remain an important part of the retail landscape in 2023. In fact, many retailers are investing in their physical stores as a way to create more engaging and memorable customer experiences.

Retailers are experimenting with new store formats, such as pop-up shops and experiential stores, that are designed to offer more than just a place to shop. These stores may include things like interactive displays, events, and workshops, all designed to create a more immersive and engaging experience for customers.

In conclusion, the US retail industry is set to undergo significant changes in 2023. From the continued growth of e-commerce to the increasing importance of sustainability and personalization, retailers will need to stay on top of these trends in order to remain competitive. However, with the right strategies in place, retailers can take advantage of these trends to create more engaging and profitable customer experiences.

Our Reaction to ChatGPT

ChatGPT's ability to produce the above in less than 10 seconds is—there's no other way to put it—quite remarkable. It did not produce any grammatical errors, and the tone was highly conversational. The information itself is synthesized well and flows logically throughout the piece, making it a natural read for the user.

However, the critical component of this experiment was the content itself. Overall, we were impressed with the information. All five of its points are valid, though most of the details are common knowledge to anyone who keeps up with the retail industry. In other words, it produced a good summary of high-level trends but did not deliver anything truly ground-breaking or tremendously thought-provoking.

This boils down to a key constraint with the app—limited knowledge beyond 2021 because of its training dataset cutoff. As such, we suspect it used forward-looking documents and trend predictions from previous years combined with late-2021 actuals to forecast 2023, which is quite a feat in and of itself.

With that said, here are some larger macroeconomic concepts affecting retail that we might expect the AI to pick up on after its next round of updates:

While a valid and well-founded response, considering the information gap, it lacked a few key elements...





INFLATION

Inflation may continue to keep price-sensitive consumers weary of unnecessary spending this year, or at least trade down to rationalize their expenditures. This may pave a growth path for private label and discount brands to capture more wallet share in 2023 as people opt for cheaper alternatives.

RETAIL JOB TURNOVER

We also anticipate retail job turnover to remain a significant challenge in the industry, both in the store where frontline workers have been rotating to higher-paying opportunities¹ and at the corporate level where several high-profile companies are operating without a permanent CEO². If not addressed timely and appropriately, these in-field labor shortages might impact customers via longer wait times and abbreviated store hours.



M&A ACTIVITY

Finally, 2022 illustrated M&A activity kickstarting certain areas within retail. The \$25 billion Kroger-Albertsons arrangement requires a divestiture of 650+ stores nationwide, which will allow other players to expand by acquiring those high-performing stores. Additionally, the broader landscape of smaller, regional grocers will be abundant with acquisition opportunities as sub-scale retailers continue to struggle with inflation, labor shortages, and a recovering supply chain

¹ Korn Ferry Insights

² New York Times



Closing Thoughts

At A&M CRG, we have been testing and leveraging the power of ChatGPT for a few months now. We see a myriad of use cases across diligence, benchmarking, and operational and margin improvements, just to name a few. We have developed our own proprietary application to harness the power of this new technology for our clients. This will be a major ***area of focus and investment for our practice***.

ChatGPT is a remarkable tool that has a lot of upside in any context. Though it is far from perfect and there are some obvious constraints with leveraging ChatGPT in the retail space today, the technology is still in its infancy. Looking forward, we expect it to evolve and garner widespread acceptance among the global community because of the demand for easy-to-access, streamlined information.



Business leaders near and far should keep an eye on this tech and recognize that the capabilities in development today may be the keys to enabling their long-term success tomorrow.



DAVE RITTER

dritter@alvarezandmarsal.com

JOSH JACOBS

jjacobs@alvarezandmarsal.com

DAVID SCHNEIDMAN

dschneidman@alvarezandmarsal.com

ROHAN BHIRANI

rbhirani@alvarezandmarsal.com

CONOR GAFFNEY

cgaaffney@alvarezandmarsal.com