Chapter 2
Impact of Artificial Intelligence on Customer Loyalty in the Indian Retail Industry

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ABSTRACT

Artificial intelligence has led to the automation of traditional manufacturing and industrial processes and practices. The use of artificial intelligence improves customer experience and it's a proven fact that consumers who enjoy their shopping experience end up making more purchases. Retailing is one of the sectors that has seen drastic changes after the inception of artificial intelligence. This transformation can be seen in the supermarkets like Amazon Go store, Alibaba Hema store, IKEA, and many others. The objective of this chapter is to study the impact of artificial intelligence on Indian retail customers. Primary survey was conducted for the study and it was found that retail organizations emphasizing store design/layout and adoption of technological innovation to ease the consumer buying process were more successful in creating loyal customers for their stores. It can be concluded that India is still lacking in the adoption of IT systems in the retail sector and serious efforts are required in this direction.

INTRODUCTION

In the current market scenario, only retailers leveraging innovation and differentiation can survive, and such innovation can come only from the use of creativity and the best available technologies. Technology is the solution to the problem in this digital era. Industry 4.0 brings four major innovations- Internet of things (IoT), robotic and automation, 3D printing, and augmented reality. All these innovations come with further series of technologies like Beacons, body scanner, PoS, EDI tech, etc. These technologies are impacting retail outlook (Berman and Evans, 2010; Rowley and Slack, 2003). All these innovative technologies in the retail sector not only increased the effectiveness of the retail business in terms of better inventory management, better prediction of consumer buying behavior but also improved customer experience due to customization and automation. Technology reduced long checkout lines with benefits of high speed in providing services in the store, loyalty card programs, etc. Artificial Intelligence being adopted these days is the combination of several technologies, which allow software and machines to sense, understand, act and learn on their own or augment human activities and forms the bases of Industry 4.0.

Industry 4.0 in Retailing

India is the world's fifth-largest global destination in the retail space. Indian retail industry has emerged as one of the most dynamic and fast-paced industries and has been on a growth trajectory over the past few years. It accounts for over 10% of the country's Gross Domestic Product (Indian Brand Equity Foundation, 2021). India is considered a booming market and the fourth most attractive nation for retail investment (Gandhi & Chinnadorai, 2017). Indian Retail comprises of organized and unorganized sector in which organized comprises of malls, departmental stores, company outlets, marketing channels, and most important E-commerce. And on the other side, the unorganized sector includes local pan shops, kirana stores, and roundabout stores, etc. in the local market (Aggarwal, 2015). Retail sector growth in India has been greatly facilitated by the e-commerce industry. Online retail is expected to reach 10.7% by 2024 (Equitymaster,2021). During Covid-19, Retail technology investments were made for digitization, decreasing expenditure on store openings and remodels. Due to rising demand during the lockdown, most players recorded a 20-80% surge in order volumes despite challenges such as order delays and cancellations. In a way, the lockdown gradually changed the mindsets of consumers and encouraged them to switch to online retail platforms (IBEF,2021). Artificial Intelligence is being used by retail stores to facilitate customers as to survive in such a competitive environment retailer must retain the existing customer and an

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