

A white humanoid robot is shown in profile, facing right, with its right hand raised to its chin in a thinking pose. The robot's head is tilted slightly forward, and its body is partially visible. The background is a solid, vibrant red. The text "BREAK THROUGH THE HYPE: UNCOVER THE REALITY OF AI" is written in white, bold, sans-serif capital letters on the right side of the image.

**BREAK THROUGH THE HYPE:
UNCOVER THE
REALITY OF AI**

ORACLE® + Bronto

Break Through the Hype: Uncover the Reality of AI

Artificial intelligence (AI) is a hot topic in commerce marketing and may be the fastest growing technology trend today. Experts believe AI will have a huge impact on our daily lives, our interactions with one another and the broader economy.

- » According to Accenture and Frontier Economics, AI has the potential to double annual economic growth by 2035 in 12 developed economies that, together, generate more than 50% of the world's economic output.
- » Google Alphabet's Director of Engineering Ray Kurzweil predicts machines will be smarter than humans by the year 2029.
- » In its report *Predicts 2017: Marketers, Expect the Unexpected*, Gartner research estimates that AI bots will power 85% of customer service interactions by 2020.

A growing number of commerce marketing software providers claim their systems use AI. But it can be difficult to know for sure what that means for your brand and how you can use it to market products and services more effectively to consumers. Does the rise of AI and related technologies signal a sea change in commerce marketing?

In a word, yes.

Let's take a closer look at these techniques and how they can boost your marketing efforts and success. We'll also look at their limitations and the questions you can ask to help you distinguish between marketing hype and tools that can provide value for your business.

What is AI?





Artificial intelligence means machines carry out tasks in smart ways. Simple, right? You could argue that a calculator uses AI because it solves mathematic equations. That’s smart.

But authentic AI includes dynamic adaptation to novelty. That means the solution using AI must consume arbitrary data, autonomously select the best method among several options, make smart decisions and then take a corresponding action. Essentially, an AI-driven system can think and act for itself.

The pathway to AI is a broad and linear continuum that begins with simple, rule-based decision-making. Software development must progress through multiple stages of programming, data science and complex system analysis to qualify as authentic AI.

Decision-Making in Software



Rule-Based Decision-Making	Statistical Reasoning	Machine Learning	Artificial Intelligence
Text notification to a group of travelers when their flight is delayed.	Software finds shoppers who spend at least \$200 on one purchase are 5x more likely to spend \$1,000 than shoppers who spent \$50.	Smart devices adjust features based on an individual user’s preferences and external conditions like weather.	Systems with human-like conversational skills.
			

Let's Break It Down

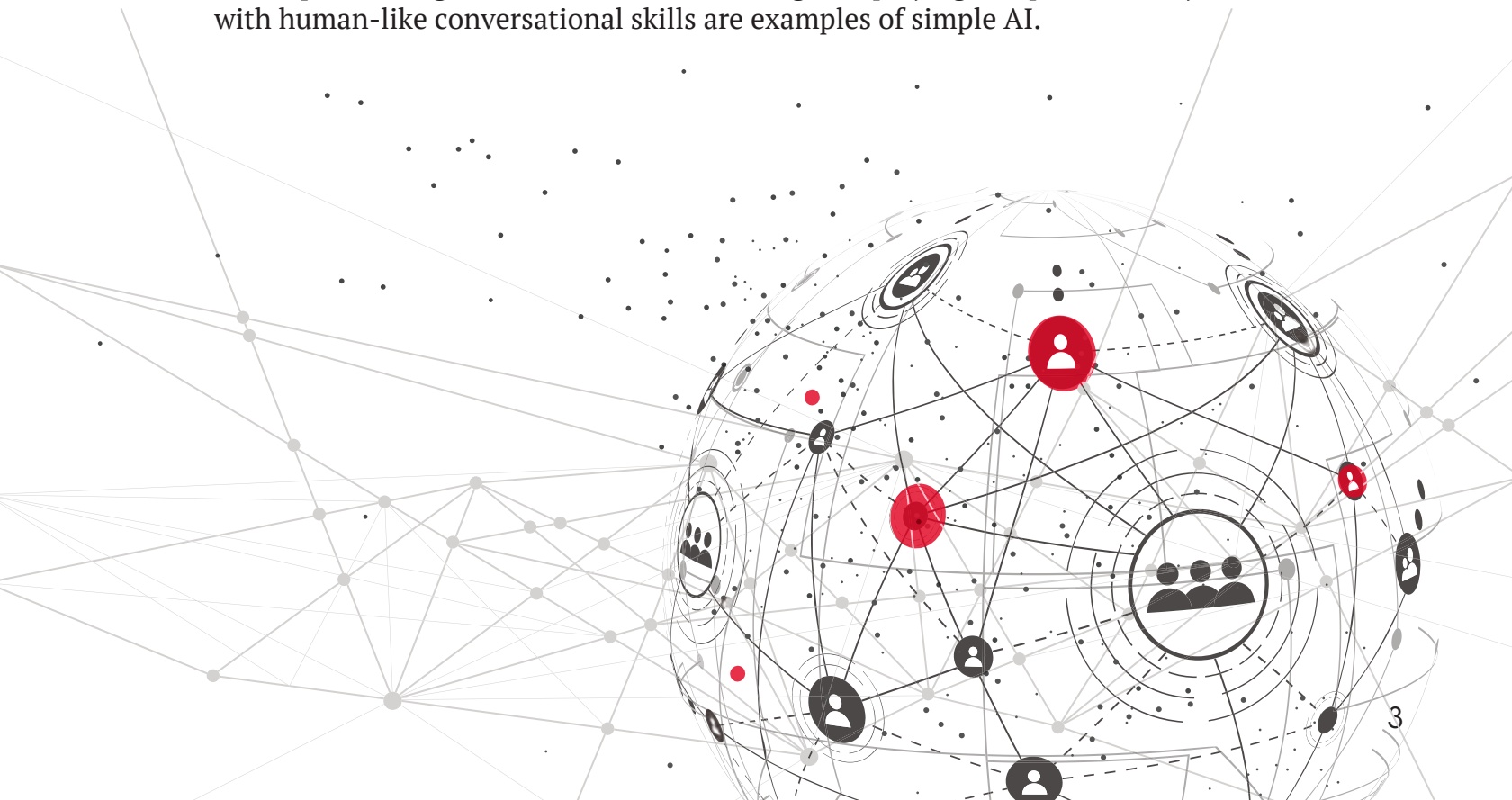
Rule-based decision-making uses “yes or no” data, also known as Boolean data, to allow different actions or change control flow. Almost all software programming uses this system of logic, which is primarily associated with conditional statements denoted as true or false. “If this, then that” logic falls into this early category.

Statistical reasoning applies simple regression to numerical data to predict scores on one variable from the scores on a second variable. This is where data science enters the picture, making it possible to detect outliers, predict value and estimate whether existing trends will continue.

Machine learning (ML) is technology that teaches software to learn on its own, without being explicitly programmed to do so. A system that uses ML can change when it is exposed to new data. Simple ML requires supervision, or human expertise, to review, validate and adjust program actions. Advanced machine learning can detect patterns and adjust actions accordingly, without the assistance of a software developer.

An example of advanced ML is a neural network that makes decisions or predictions as the human brain does, such as recognize an image or classify data. The system can learn without human intervention.

Artificial intelligence (AI) means a device or system can sense its environment and take actions without human intervention to maximize its chance of success with a particular goal. Autonomous vehicles, game-playing computers and systems with human-like conversational skills are examples of simple AI.



The Potential of Machine Learning

Of the four decision-making systems, machine learning offers the greatest revenue-generation potential for commerce marketers. Software developers are applying it to build tools that can analyze millions of data points about shoppers' preferences and actions to create a more personal experience.

As consumers interact with personalized content, the software captures even more data about their behaviors to make product recommendations for a single shopper grow more relevant over time.

Research shows consumers are embracing personalization, but they want to feel in control of their experiences. Three in five consumers (58%) had a positive attitude about the idea of having their grocer suggest a shopping list for their approval based on purchase history and social and environmental data, according to *Oracle Retail 2025*. Almost the same number (54%) of consumers indicated that having that grocer automatically charge and ship items based on that information was invasive.



Machine Learning in Action

Jillian is 33. She lives in Philadelphia and shops online regularly with Lash, an omnichannel retailer of beauty products.

As an email subscriber, she receives product recommendations based on her browse, cart and purchase behaviors. Lash occasionally offers her incentives based on her history.

For about a year, almost every three months, Jillian purchases mascara online from Lash. Her browse history shows she has also explored Lash's skincare products.

After four months without a purchase, Jillian receives an automated email with a discount on skincare. She opens the email while on a business trip to San Diego. A few minutes later, she receives a text message notifying her of a skincare workshop that week in a nearby Lash store.

Personalization is just one example of the tremendous potential machine learning offers commerce marketers. ML enables other innovations like cognitive content, which analyzes words, phrases and emotions to generate campaign-specific language with proven appeal.

Augmented reality (AR) is another promising technology for retail that machine learning can enhance. An estimated 100 million consumers will shop via augmented reality by 2020. Rebecca Minkoff's flagship New York City store in SoHo allows shoppers to use smart fitting rooms equipped with an interactive mirrored video wall. Shoppers can control the lighting and notify an associate via touchscreen when they need a new size or different color.

Virtual reality (VR) is another technology enhanced by machine learning. *Oracle Retail 2025* showed 64% of consumers liked the option of using virtual reality to navigate a personalized in-store experience and have a hand-picked wardrobe to try on in-store. Home improvement retailer Lowe's uses VR to provide do-it-yourself instruction. Shoppers can put on a VR headset to interact with a 3-D representation of a bathroom, for example, where they can learn how to mix grout and install tile.

Machine learning makes these experiences more convincing and immersive by personalizing visual results and recommendations. As technology advances and consumers' use of it increases, we can expect a corresponding surge in shoppers' demand for a more convenient, personalized experience. Machine learning will play a vital role in creating that experience and in the use of authentic artificial intelligence in commerce.

Our Approach

We have plenty of data about shoppers' behaviors and actions and can identify what they're interested in based on their browse behavior, cart actions, email opens and clicks. We also know what, when and how often they buy. We built Recommendations Premium to automate highly personalized product content in messages to consumers based on this information.

We use machine learning to classify data or extract features from data using iterative algorithms with tunable parameters. The algorithms process data once and produce a new result or data set. We can use the information about that data set – along with what changed – to run the next iteration until the desired result is achieved or a maximum time or number of iterations is reached. We can also use similar approaches to optimize machine learning models themselves.

Paul Fredrick

Men's fashion retailer Paul Fredrick paired Bronto's Browse Recovery and Recommendations Premium to automate the creation and delivery of highly relevant product content for each contact. Success was immediate. The open rate is 130% higher than standard promotional emails, click rates are 218% higher, conversion rates are 75% higher, average order value is 46% higher and revenue per email is 15x higher.

More importantly, the programs aren't eating into the revenue: The return on investment for the two additions is 30x on an annualized basis. And the emails triggered lower-than-industry-average unsubscribes – a critical metric to monitor when launching a personalization campaign.

Our approach to applying machine learning, artificial intelligence and other techniques to our software development process is rooted in our commitment to transparency, security and an excellent experience for both the commerce marketer and the consumer.

We are guided by these basic principles:

- » **You are the expert on your business.** Commerce marketing automation requires your expertise to direct and “teach” it how to achieve your business outcomes. You must review the results of your campaigns and make changes over time to spur improvements. You are still in charge of your marketing program and the tools, strategies and services designed to boost your business success.
- » **Use data responsibly.** The desire to create a more personal and interactive experience with the consumer is not an excuse for unchecked data mining. We built our commerce marketing automation platform for high performance, scalability and security. We are committed to using consumer data responsibly and ethically, and we expect the same of our business partners.
- » **Be honest.** Our platform provides commerce marketers with exceptional speed, reliable performance and scalability. We carefully apply technology to our approach, and we only do it when we can prove it works and that it will provide the value we promise to you. (When we’ve designed robots that can execute your marketing campaigns from soup to nuts, we’ll let you know.)

Value vs. Hype: Questions to Ask Your Commerce Marketing Automation Vendor

Technology vendors are eager to claim their solutions use artificial intelligence, but it's important to distinguish between buzzwords they use to get your attention and features their solutions provide that will add real value. Remember: You are the expert on your business. Regardless of the techniques used to make commerce marketing automation work, the solution you choose should give you the power to expand the scope, ease and success of your marketing program.

Ask these questions to break through the hype and uncover a solution's potential to add value for your business.

- ☒ **How will this feature or solution generate revenue for my business?**
Ask vendors to provide customer success stories from businesses who have used their solution to increase revenue. Technology is great, but if it isn't contributing to your bottom line, it's just nice to have.
- ☒ **What's required of me when I use your features that run on artificial intelligence?** Does the system choose for me which messages should include recommendations? Does it design or create messages for me? Must someone from your software team review and improve feedback loops over time, or is that learning process automated? If the system requires a software developer's expertise to learn, it's supervised ML, not artificial intelligence.
- ☒ **How does your solution allow me to set my own course?** For example, does the product recommendations engine allow me to limit recommendations to products that offer the highest profit margin? Can I recommend products that are currently trending on my website? If you can't set your own business rules for recommending products, you're not getting the best automation money can buy.
- ☒ **How integrated are the features in your solution that use artificial intelligence?** For example, can I create product recommendations in the same place where I prepare my messages? Look for solutions that are as integrated as possible. It will save time and increase productivity for you and your team.

Carefully review the promises a vendor makes during the sales process, and ask questions about the ones that matter most to your business success. Reach out to other retailers who use their solutions to learn about their experiences. If a vendor promises something that sounds too good to be true, it just might be. And if they're not being honest about their use of technology, they may not be telling you the whole truth about what else they can (or cannot) do for your business.

The Bottom Line

Commerce marketing is on the front end of an exciting, decades-long discovery of what artificial intelligence can do to transform the experience for both marketers and consumers. For now, intelligent systems that automate your marketing program without human intervention are not available, but we expect that to change quickly over the coming decade.

As you consider the latest technology for your marketing program, be sure to look closely at your own customer's journey and how the technology available can improve and personalize their experience with your brand. Choose a marketing automation partner who can work with you to establish a strong foundation of trust as you roll out new experiences to consumers, and make it easy for your customers to communicate and adjust their preferences so you can meet their growing expectations over time.

Most importantly, remember that technology is simply a tool to expand and accelerate your own efforts. It's the combination of your team's expertise and the technology you use to automate marketing tactics that will win the day.

We designed our commerce marketing automation solution with a solid foundation for applying the latest software engineering technology. Packed with features and built for speed and scale, the Bronto Marketing Platform provides the flexible architecture and powerful tools today's commerce marketers need to succeed.

Interested in learning more? Get in touch with us. We'd love to share how we can boost your ecommerce revenue generation and business growth.

About Bronto

Oracle + Bronto provides a cloud-based commerce marketing automation platform to mid-market and enterprise organizations. Oracle + Bronto is the number one ranked email marketing provider to the global Internet Retailer Top 1000, with a client roster of leading brands, including Rebecca Minkoff, Vince Camuto, Lucky Brand, Theory, Björn Borg, Ashley Homestore and Christopher & Banks. For more information, visit bronto.com.

