



# Predicting what your customers want

An easy guide on using AI as a **Category Manager** to predict what your customers want.





# Introduction to AI in Category Management

Imagine a virtual assistant that can quickly analyse data, offer insight into your customers' patterns, and forecast market trends. Sounds helpful, right? Artificial intelligence (AI), will help you with exactly this.

Consumers nowadays want more personalized and convenient shopping experiences. That's why data, analytics and technology are important in category management. Analysts regularly support category management teams by turning data into clear insights on which they can build their decisions, but this costs time, and many retailers can still use some help with this. That's where AI comes in.

AI enables retailers and suppliers to improve their strategies. By analyzing real-time data and insights, they can make smarter decisions and offer better customer experiences cost-effectively. Think of items such as:

- **Personalization by predicting customer behavior and trends**
- **Product assortment**
- **Supply chain management**

In this small guide, we highlight the benefits of AI within category management, show use cases and help you start with our tips and tools.

Source: [Medium](#) & [State of grocery Europe 2023](#)

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# 1

## Personalize suggestions and offers

A primary advantage of AI in category management is its ability to offer personalization. Retailers can create individualized product suggestions and deals by analyzing data like past purchases, online browsing patterns, and customer demographics. Many retailers are exploring AI to reduce waste, avoid stock issues, and improve their bottom line. A great example of a market leader using AI for personalization is the e-commerce giant Amazon.



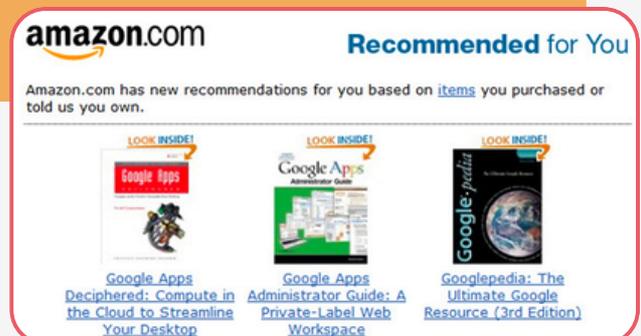
**Name: Amazon**

**Industry: Retail and wholesale business**

Based on AI and machine learning, Amazon's recommendation system intelligently analyzes customer shopping patterns to suggest products.

Their AI integration gathers data on user behaviour, demographics, and product attributes, showing patterns that help recommend products users might be interested in. This goes beyond just showing products similar to what users have viewed; it includes leveraging user-to-user similarities, user-to-product interactions, and product-to-product associations. From 2019 to 2020, ***Amazon's sales grew to \$386 billion, largely due to its integrated product recommendations. They state that 35%*** is linked to the recommendation system.

By offering personalized recommendations, retailers can retain potential buyers, boost order value with complementary items, and strengthen customer relationships by making shoppers feel valued.



## Predicting Consumer Behaviour and Trends

As discussed, based on customer behaviour and predicting trends, AI can make a huge contribution to personalization and thus sales.

A recent Gallup study on predicting consumer demand provided data on NASDAQ, product and brand searches, underemployment, and standard-of-living indices. By combining these data sources, Gallup created a predictive model that outperformed their client's previous consumer demand model by **more than 150%**!

But, how does AI predict these customer behaviour and trends? Here are 5 ways of how these predictive methods work:

1

### MACHINE LEARNING ALGORITHMS

Machine learning helps computers sort and understand tons of data, like what people buy or search online. It spots patterns that we might miss. For instance, it can see which products people often buy together. Stores use this to suggest items or make new product sets like we saw at Amazon.

2

### NATURAL LANGUAGE PROCESSING (NLP)

This helps AI understand human language. It lets companies analyze feedback like customer reviews and social media posts to learn what people want. This info can guide product choices, marketing, and better customer service. NLP also allows businesses to customize marketing messages for each customer, making their experience more personal and enjoyable.

3

### PREDICTIVE SOCIAL INTELLIGENCE

Using predictive social intelligence, companies can figure out what products people might like by analyzing their words and feelings on social media. For example, Amazon looks at customer reviews to see what's liked or disliked. This helps them make marketing campaigns that connect with people. This "predictive social intelligence" can guess which products will be in demand, understand what customers want, and predict how customers might change.

4

### PREDICTIVE SEARCH

Predictive search uses your past searches and others to guess what you might type next. For instance, searching for "Autumn recipes" before might hint at "Recipes with mushrooms" when you type again. This makes searching quicker. Online shops use this by watching how shoppers search to improve the feature over time.

## TOOLS (HEATMAPS)

Last but not least are tools like heatmaps as those made by Neurons Inc. Unlike traditional Heatmaps, these AI-enhanced versions go beyond showing user engagement. They incorporate eye movement and emotional tracking, converting this data into an easy-to-read color-coded map. Here, warm tones indicate sections capturing high attention, and cool tones represent less engaging areas.

But how are these heatmaps truly "predictive"? They integrate historical data with real-time analytics, forecasting potential customer behaviours rather than just representing current ones. These predictive heatmaps have a lot of benefits for retailers and brands:

- **They can determine where to place a product for maximum visibility**
- **Understand how packaging should look like**
- **Know where people click most often on a website**
- **Find the perfect placement for a call to action within a creative**
- **Testing if the product stands out compared to competitor products**

Before, such decisions leaned heavily on intuition, individual preferences, or endless team discussions.

By adopting predictive AI learning and tools like heatmaps, businesses can ensure more efficient shelf management and packaging designs, lowering advertising costs. This leads to more sales, happier customers, and making choices based on solid facts.

Source: [Neurosinc](#) & [Linkretail](#)



Image source: [Eyeware](#)

# 2

## Use AI to improve product assortments

A second benefit of using AI in retail can be improving your product assortment. By keeping track of what customers are buying and showing interest in, stores can better decide which products should be on their shelves in larger quantities and which ones they don't need as much. This is useful because it means they can better cater to what customers want, while also being smart about not spending money on items that aren't in demand. Walmart is a great example of this.



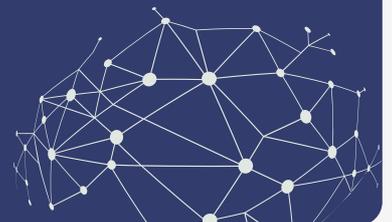
**Name: Walmart**

**Industry: Retail and wholesale business**

Walmart started using AI to really understand their shoppers. For instance, they noticed that many online shoppers searched for "gluten-free" products. So, they added more gluten-free options, both in their online store and in their physical branches. This change made a lot of their customers happy and, at the same time, increased their sales. It was a win-win!

But that's not all. Walmart also uses AI to ensure they have the right amount of each product. By studying sales, they can make sure that popular items are always ready for customers to buy. On the other side, they also avoid having too much of something that might not sell as quickly, saving money and space and having a sustainable way of operating. This helps Walmart run smoothly, save costs, and ensure customers find what they're looking for.

*Source: Ciodive*



# 3

## Tweak your supply chain management

AI can also play a role in helping stores manage their stock better. We already saw that at Walmart, but it also helps to get products to the stores faster and cheaper.

Stores can use AI to look at things like how fast suppliers deliver, how long a product stays in the store, and even what's trending with shoppers. With this information, retailers can ensure they're not ordering too much or too little stock, which can waste money and space.



**Name: Zara**

**Industry: Clothing Retail**

Zara is a standout example of a store using AI to improve their business. They review how suppliers perform, monitor stock, and track customer needs. This allows them to instantly tweak their production and shipping methods, making things run smoothly and cutting costs. Unlike some other big brands, Zara likes to manage everything from making the clothes to selling them. This gives them much information and data about what's happening at every step.

They keep track of things by putting special chips in their clothing tags. It's like having a GPS for every shirt or dress, so they always know where it is and how many they have.

Moreover, considering current weather and traffic, Zara uses AI to pick the best shipping routes. This helps them deliver products quickly and cheaply. By doing this, Zara saves money and stays competitive in the fashion market.

*Source: Thomasnet*

# 4

## Implementing AI, where to start?

Improving strategies within your organization with the help of smart predictions / AI might feel challenging, especially if you're still relying on older tools and methods. You might wonder how to transition from a system mostly reacting to past events to one that anticipates future needs.

Here's the good news: experts say you don't have to start from scratch. You don't need to eliminate everything you currently use or spend beyond your budget to get the latest fancy tools. Instead, it's about working smarter with what you have, understanding where the gaps are, and then making strategic upgrades to fill them. This way, you ensure smoother operations and better profits without a huge overhaul.

To help you we formulated 4 steps to get you started:

1

**Define your objectives:** Before selecting any new tools or strategies, clarifying why you are adopting AI and predictive technology is essential. What insights are you aiming to extract? What goals are you setting out to achieve? These answers will help shape your AI strategy.

2

**Establish a data infrastructure:** AI thrives on data. Thus, a well-organized, accessible data infrastructure is essential. Ensure you know your customers' data during every step of the funnel.

3

**Empower your team:** AI's potential is maximized when your team is informed of its benefits and its use of it. Make sure your team gets the necessary training to get the most out of data and insights.

4

**Choose suitable AI tools:** If you think that high-tech prediction tools are only for industry giants, it's time to reconsider. Align your tool selection with the insights you wish to gain: trend prediction, customer behaviour analysis, or other specific outcomes. Make sure to do your research first. To help you start, we give you 6 tools to experiment with on the next page.

# 5

## 6 AI tools to use in retail

Today, there are numerous tools tailored for smaller businesses to experiment with AI and analyze their data. We give you an overview of 6 helpful tools within category management.



howuku.

**Name:** Howuku

**Goal:** Website insights

**Functions:** Howuku is a heatmap tool that gives you insights into where people click, scroll, and how far they scroll on your website, helping you understand what's working and boost conversions on page.

[Learn more](#)



BY

**Name:** Blue Yonder

**Goal:** Supply chain operating

**Functions:** Blue Yonder delivers efficiency, inventory optimization, and data-driven insights for supply chains, enhancing operations, reducing costs, and improving decision-making.

[Learn more](#)



**Name:** Spoonshot

**Goal:** Food intelligence

**Functions:** Spoonshot provides valuable AI-driven insights for the food and beverage industry, helping discover trends, create unique products, and follow competitors.

[Learn more](#)



**Name:** Luminoso

**Goal:** Language processing

**Functions:** Luminoso is a text analytics and natural language understanding tool that helps businesses analyze customer feedback, social media posts, surveys, and customer support chat bots for better insights.

[Learn more](#)



dynamic  
yield

**Name:** Dynamic Yield

**Goal:** Online marketing

**Functions:** Dynamic Yield is a personalization and optimization tool for businesses, getting customer experiences by delivering tailored content, recommendations, and offers.

[Learn more](#)



**Name:** Brandwatch

**Goal:** Social insights

**Functions:** This tool provides insights into your brand's online reputation, customer sentiment, and trends, helping you make data based decisions and stay competitive in the digital world.

[Learn more](#)

# 6

## The risks when using AI

The use of artificial intelligence (AI) in the retail sector holds great promise, as we have seen in this guide, from personalizing the customer journey and creating immersive experiences to streamlining core functions like shelf management. However, there are risks associated with using AI in retail, which you should be aware of.

### 1

#### Lack of sufficient data:

It's important to keep in mind that AI relies on high-quality and accessible data to function effectively. Poor or insufficient data can lead to flawed or incomplete insights and predictions. So, always make sure that the data you are using is correct.

### 2

#### Create customer trust:

Retailers using AI, need to gain customer trust when implementing it. To gain customer trust, businesses should prioritize transparency, data privacy, reliable AI systems, regular updates, and customer feedback for informed and accepted AI adoption.

### 3

#### Security and Ethical Concerns:

Implementing AI comes with some concerns, including compliance risks related to data privacy regulations, the risk of data breaches leading to leaks of sensitive customer information, and the danger of biased decision-making when AI is trained on biased data.

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FOR THE AI RISKS  
MCKINSEY IDENTIFIED  
FOR INDIVIDUALS,  
ORGANIZATIONS, AND  
SOCIETY.





# 7

## How AI improves innovation at Limax

Now that you've explored the possibilities of AI in various industries and layers of a business, you may be wondering how we at Limax apply this within our business.

At Limax, our journey with AI is an open book. We're actively experimenting, using this advanced technology to go through big amounts of data and research and get actionable conclusions that can improve the results within our category management. For now, we see the biggest opportunities in:

- **Better Forecasting** - By comparing data sources with data from actual orders, AI can provide sharper forecasting by pinpointing the correlations.
- **Spotting Consumer Trends** - AI empowers us to detect consumer trends by analyzing diverse data sets.
- **Innovative Ideation** - AI can support us in brainstorming new strategies and solutions. It can create the right mixes that match certain trending cuisines and related recipes.

While we have a wealth of our own data, collecting our customers' data is most important. Currently, integrating and analyzing comes with challenges, and we still have a lot to discover in this field, but we look forward to all the developments the future holds.

Are you open to discussing the use of AI within category management with us? Feel free to get in touch.

# limax

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Curious about what Limax  
can do for you? Contact us!



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