Conversational AI in Retail

Case Study Recommendations and Field Perspective for the Merchant-Facing AI Page

Submitted to the RSPA AI Resource Hub | Prepared by Debra Peter-Smith of Advanced Business Computing. | April 28, 2026

Purpose

This document is a contribution to the Merchant-Facing AI Applications page of the RSPA AI Resource Hub. It is built around a thesis that has come up in nearly every client conversation I have had this year: conversational AI is no longer a feature merchants adopt. It is becoming the primary interface between merchants, their customers, and the technology that runs their business.

The document contains two parts:

- A curated set of seven recent case studies that show conversational AI and adjacent merchant-facing AI categories producing measurable business outcomes today. Each is sourced from a credible publication.
- A field perspective for RSPA members on what these examples mean for the channel, where the next opening is, and why the window to lead is narrower than most VARs assume.

Curated Case Studies for the Hub

The following seven case studies cover three lanes worth showing on the same page: customer-facing conversational AI (the lane Nike, Sephora, and Avis are pioneering), AI-driven loss prevention and asset protection (the lane producing the fastest documented ROI for retail operators today), and the early-stage operations-side conversational AI that is just beginning to surface in the channel.

1. Nike: Conversational AI Shopping Assistant for 170M Loyalty Members

Retailer	Nike
Application	Generative AI shopping assistant deployed across the Nike app and digital channels. The assistant holds a real conversation with a customer about what they are shopping for, adapts its recommendations based on shopping history and stated preferences, and improves with each interaction.
Documented Result	Built and deployed in approximately three weeks. Rolled out to over 170 million Nike loyalty program members. Early data shows higher engagement and customer satisfaction versus the static recommendation engines it replaced.
Source	Rangle: How Nike Built a Personalized AI Shopping Assistant in 3 Weeks

2. Sephora: Conversational AI Across the Customer Journey

Retailer	Sephora
Application	An ecosystem of conversational AI tools including the Skin Diagnostic Tool (deep-learning skin analysis driving personalized skincare recommendations), the Virtual Artist (AR-based makeup try-on), and AI-powered chatbots and virtual beauty assistants that bring the in-store advisor experience online.
Documented Result	Reported 200 percent increase in customer engagement and 35 percent increase in conversions across AI-powered touchpoints. The Skin Diagnostic Tool alone is credited with a 25 percent lift in average order value and a 17 percent rise in repeat business.
Source	Neontri: AI in Personalized Shopping

3. Avis: Conversational AI on WhatsApp

Retailer	Avis
Application	AI-powered conversational assistant deployed on WhatsApp to handle reservation queries, modifications, and customer service requests in the channel customers already use to message each other. No app download, no IVR.
Documented Result	70 percent of customer queries are now resolved by the assistant without human handoff, producing 39 percent cost savings within the first year of deployment.
Source	Insider One: Conversational AI for Retail Growth

4. Freshworks Freddy AI in Retail: Operations-Side Conversational AI

Retailer	Multiple retail deployments (Freshworks Freddy AI Agent platform)
Application	Conversational AI deployed inside the merchant's support and service operations rather than facing the consumer. The agent handles incoming queries from the merchant's own staff and customers, resolves common issues, and escalates with full context to a human when needed.
Documented Result	53 percent of incoming queries resolved by the AI agent without human handoff. First response time reduced from 12 minutes to 12 seconds. Resolution time reduced from over an hour to approximately 2 minutes. 94 percent of retail companies surveyed report AI has helped reduce operational cost.
Source	Freshworks: How AI is Unlocking ROI in Customer Service

5. Walmart: AI-Powered Self-Checkout Loss Prevention

Retailer	Walmart
Application	Computer vision overlay on self-checkout that detects unscanned items and flags shrink in real time. Used in tandem with AI-powered camera alerting that has reduced reliance on live guard monitoring.
Documented Result	Reported 15 percent reduction in inventory loss tied to AI-driven checkout systems. By mid-2025, Walmart eliminated approximately 60 percent of live guard camera monitoring in U.S. regions, replacing it with AI-powered alerting and forensic search.
Source	ArcadianAI: Inside Walmart's War on Retail Crime (2025)

6. Kroger: Computer Vision Shrink Detection at Scale

Retailer	Kroger
Application	Deployment of Everseen computer vision software at the self-checkout lane. The system detects unscanned items in real time and discreetly alerts an associate before the customer leaves the lane.
Documented Result	Began rollout in 2025 with plans to deploy across as many as 2,500 supermarkets. Positioned as a primary tool in Kroger's broader shrink reduction strategy.
Source	Grocery Dive: Kroger steps up AI deployment to combat checkout losses

7. Lowe's Project Unlock: RFID and Blockchain for High-Theft Items

Retailer	Lowe's
Application	Embedded low-cost RFID chips with blockchain verification on power tools and other high-theft merchandise. Items will not activate unless they have been legitimately purchased.
Documented Result	Removes resale value from stolen items, materially reducing the financial incentive to steal targeted SKUs. Featured as a model approach for retailers facing organized retail crime.
Source	Forward Pathway: AI in Retail Loss Prevention

Field Perspective: What This Means for the Channel

Looking across the seven case studies above, three patterns are worth flagging for RSPA members. The third one is the one I want the channel to sit with.

1. Conversational AI is no longer a feature. It is becoming the interface.

Two years ago, conversational AI lived in a chatbot widget bolted to the corner of a website. The case studies above tell a different story. Nike is delivering a real conversation to 170 million customers inside the app. Avis is meeting customers in the messaging channel they already use. Sephora is running an entire customer journey through AI-led conversations. The retailers winning the conversational AI conversation are not adding a chat tool. They are replacing the entire interaction layer with one a customer can simply talk to, in voice or in text, in the channel of their choice.

The implication for merchants is straightforward. The customer expectation has shifted. A merchant who cannot offer a conversational front door, on phone, on chat, on the messaging app the customer prefers, is going to feel that gap inside of twelve months. The implication for VARs and ISVs is that the conversational layer is not a vendor checkbox anymore. It is the merchant's relationship with their customer.

2. The next frontier the channel is sleeping on is the operations side.

Five of the seven case studies above face the consumer. Avis, Sephora, and Nike are talking to a customer. Walmart, Kroger, and Lowe's are protecting margin from a customer. Only one case study, Freshworks Freddy, sits on the operations side, where the conversational AI is helping the merchant's own staff and the merchant's own customers run the business.

That ratio is not because the operations-side opportunity is smaller. It is because the operations-side opportunity is earlier. Most retail merchants today still onboard new POS hardware with a printed manual and a hope. They still call human support for password resets, simple how-to questions, error code lookups, and inventory setup. Those interactions cost the ISV $15 to $50 per call by industry estimate, and they are the calls a conversational AI agent can absorb without drama. The merchant who learns to ask a voice agent how to set up a department, run their first report, or pull a void receipt is a merchant who never churns out of frustration in the first thirty days. That is real money for the ISV and the VAR. And it is real retention for the merchant.

This is the lane that is going to define the next two years of merchant-facing AI in the channel. It is wide open today.

3. The channel has a closing window. Vendors going merchant-direct will own the relationship if VARs do not move.

Here is the part that should sting a little. Every merchant in the case studies above is being served conversational AI by a vendor, not by a VAR. Nike built theirs in house. Sephora bought theirs from an enterprise stack. Avis went straight to a global messaging platform. None of those merchants needed their reseller, their ISV, or their channel partner to broker the conversation. The relationship moved past us.

In the mid-market, the same dynamic is showing up faster than the channel realizes. Vendors like 86d are going direct to restaurant operators with a conversational AI assistant the operator never asked the reseller for. The pattern repeats every time the channel is slow. Square went direct. Toast went direct. Shopify went direct. Each of them now owns the merchant relationship that the local reseller used to own.

The VARs and ISVs who own the conversational layer first, who deliver it under their own brand, who make it the on-ramp for every new merchant they sign and the safety net for every existing merchant they support, are the ones who lock in retention before the next direct-to-merchant vendor lands. The VARs who wait for the perfect vendor partnership are the ones who will spend 2027 explaining to their installed base why the conversational tool the merchant just signed up for came from somewhere else.

The opportunity is real. The window is shorter than it looks.