

The Frictionless Economy

And Its Positive Impact on Retail





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How technology will free us from itself

Zippin's checkout-free technology is just one part of a much larger shift that is already underway. For too long, technology has required us to learn new skills and do more work — often repetitive, mundane tasks — to reap its benefits. Changes are happening. Thanks to advances in Artificial Intelligence we can now expect our technologies to alleviate our work, rather than pushing more work onto us. The result? An already emerging frictionless economy.

In the past, we've accepted that new technologies require us to change our behavior, rather than them adapting to ours. Instead of talking to a computer, we've had to type on a keyboard or touchscreen, learn which buttons do what, and scroll through menus. To watch TV, play music or control our home environments, we've needed to learn each one's user interface - some intuitive, most not. To buy anything — groceries, clothing, etc. — we must stand in a line to get them scanned by a human trained to operate a checkout computer. The store's idea of saving us time — the self-checkout line — only pushed the cashier's job onto us and created yet another line.

→ **AI rescues us from technology**

It may seem ironic that Artificial Intelligence (AI) is what makes it possible for us to use our tech more naturally, the way we interact with other people. Voice recognition, machine learning to spot patterns in data, and predictive analysis let computers operate

themselves instead of training us to do it. Every year AI gets better and more affordable. The frictionless economy's rollout has been evident for some time. At home, I can carry my daughter on one arm while speaking to Alexa to dim the lights and put on my favorite TV show. At work, my colleagues and I can schedule meetings without needing trained personal assistants to learn our rhythms and struggle with email and calendars. And of course, Zippin's checkout-free platform lets me pick up a snack and bottle of water at the airport and pay simply by walking out with it.

→ **Making life more human**

By removing the time and grind of friction from technology, AI lets us focus on building better human connections, as we participate in more rewarding experiences.

In this white paper, we look at how each of three stakeholder groups — consumers, workers and companies — can benefit from a frictionless economy that is already upon us and continues to expand.



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1. Consumers are already switching to frictionless experiences



47%

of shoppers say they are likely to choose smartphone-based checkout over cashiers or self-scan stands

— 2022 [survey](#) by Civic Science

Thanks to Covid, the recent years spent avoiding human contact led consumers to adopt substitutes to in-store retail outings. Online shopping, home delivery and curbside pickup, powered by AI and competing on convenience, have raised our expectations for convenience and efficiency in the physical world. As even our doctors moved to telemedicine to cut back on physical office visits, we've become aware of, and resistant to, anything that adds time and effort to our core tasks and experiences.

Consumer spending has rebounded from its pandemic era shift to goods to a return to buying services: restaurants, travel, lodging and other experiences. Customers here are returning with the same expectations. They now recognize that frustrating feeling of friction in their lives — friction that AI can remove.

“They now recognize that frustrating feeling of friction in their lives — friction that AI can remove.”

Today, brick-and-mortar stores still account for more than 80% of retail sales. But shoppers' expectations have been raised by their online experiences.

They expect more personalized service in stores, and they've never wanted to stand in a checkout line. More than a quarter of young adults have already tried checkout-less shopping and liked it. It's not only tech-savvy digital natives. The whole point of frictionless technology is you don't have to figure out how to use it. AI figures it out for you.

These expectations extend beyond stores. Fans at a stadium wonder why they need to spend so much time in line to get snacks and drinks. Students in a college cafeteria likewise want to grab their food and go eat it.

AI is removing friction across a wide range of everyday activities. The "Press 1, press 2" of customer service phones is being replaced by a more natural, "Tell me in a few words why you're calling" that removes the need to wait for a human operator. And while you may not want your car to drive itself just yet, it will likely become better at letting you know — as a human passenger would — when you appear to be distracted or sleepy behind the wheel.

Not every business today can upgrade its technology to remove friction. But as more and more services become more and more frictionless, every business's customers will grow ever more aware of the friction that gets in the way of their fulfillment.

2. Workers are shifting to more human jobs



10%

More than 10% of workers in blue-collar and hourly work retrained to “new collar” jobs since 2020

— survey of 80,000 workers by Oliver Wyman

The Great Resignation spawned a labor shortage that isn't likely to go away. A fifth of retail industry staff surveyed by Retail Trust said they're looking to leave the industry. One in ten workers polled by Oliver Wyman have already switched to less menial, better-paying careers. Not only at retail stores have staff realized they don't have to accept their robotic old jobs. So much of the work was friction that technology didn't remove, and often added.

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Supermarket customers in the UK petitioning for the return of human checkout staff have identified the problem but not the solution: They don't need another human to ring up their purchases. They should be able to simply walk out. No one should have to stand and

scan. Today's AI and cheap sensor technology remove the need for human staff to count inventories, enter data, and ring up purchases.

If it's hard to hire help for these roles, it may be that workers recognize they are relics of a less automated era. Friction isn't something that requires an expert to find it. It manifests itself as frustration: Why do I have to do this, every time? The customer and I would both be glad to skip this part of the experience.

Beyond our daily experience with retail stores, we see workers in many fields eager to escape friction-filled jobs in clerical and administrative work, in labor that could be automated, in any role that feels suspiciously robotic. They're now able to find new employers willing to reskill them for more engaging work. Tech companies in particular have shown a knack for automating away friction to free their hires to become sales reps and data scientists.

Employers struggling to hire can identify friction and remove it, and instead invest their human resources in higher-value work. Instead of standing in place at a cash register scanning products, retail associates could be engaging with shoppers in the aisles. So it goes for any job in any industry: Let AI remove the mundane tasks, and free people to connect with customers for a more human experience.

White-collar workers also benefit. Busy managers no longer need to choose between hiring a personal assistant or, as is more common now, becoming their own. AI will step into that role without complaint. Why type an urgent message if you can dictate it? Why go back and forth trying to schedule a meeting when our calendars can do it for us?

In a previous era, business leaders relied on an army of secretaries and assistants to manage their calendars, take dictation of their spoken memos, and serve as human buffers to block solicitous visitors and callers. There may never be a full replacement for a savvy executive assistant, but EAs who embrace AI will work smarter instead of harder.

3. Businesses already use AI to remove friction across the board



A large, stylized purple graphic of the number 86 followed by a percentage sign, set against a light gray background.

of companies say AI is becoming a “mainstream technology” for them

— PwC survey

AI insights can obviously be applied to deliver more personalized experiences to each customer, through data analysis of their behavior both individually and in aggregate. Businesses can provide each customer a uniquely better experience—often one they hadn’t imagined, but have in a way come to expect.

But businesses also have friction of their own, often behind the scenes from customers. To keep on top of customer support, inventory management, and overall resource allocation they’ve needed to hire and train huge teams of people, often with high turnover rates. To benefit from the efficiency of a JIT supply chain, they’ve needed to keep watch for sudden changes in demand and respond quickly. Letting AI handle these operations lets them focus on their core business — the products and services that bring revenue.

UPS touts its many applications of different AI tools: their chatbots help customers track packages, and give them shipping locations and rates instantly and more accurately than an army of customer service reps that must be constantly trained and replaced. AI routing software optimizes delivery drivers’ routes constantly to minimize both time and fuel costs, finding insights to efficiency that no human dispatcher could match.

AI also outperforms humans at forecasting demand and other predictive work. PredictHQ helps clients like Walgreens and Uber recognize upcoming spikes in demand, optimize inventory and staffing, and calculate dynamic pricing by analyzing factors ranging from weather to special events to airport delays. It can spot, for example, that a public rally called on short notice will occur near a major retail site on payday for many of the participants, forecasting an unplanned demand for in-store staff and inventory.

AI business applications remove the friction of tracking and forecasting, and often the friction of responding to a shift that AI can see coming where human analysts would not.

**AI:
promise,
not risk**



Machine intelligence in its various forms — speech and facial recognition, predictive analysis, deep learning — is too often cast as a threat that could ruin or even take over our civilization. Quite the opposite, AI is the means to help solve many of the problems technology created. By better emulating human behavior, AI takes care of the frustrating tasks and unnecessary skills which other technologies have pushed onto us.

The frictionless economy isn't a future scenario. It's already here and growing. Anyone in any field at any level should look at what they do, every day, and ask themselves: Where is there friction in my work and life dictated by technology? And where does what I offer to others add friction to their own experience?

We have reached the point where we can not only imagine a frictionless economy, but demand it.

<https://hbr.org/2021/09/ai-adoption-skyrocketed-over-the-last-18-months#:~:text=Just%20about%20all%2C%2086%25%2C,their%20AI%20strategy%20in%202021.>



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