~~CAN~~ Will YOUR BRAND SURVIVE AI?

The AI-Powered Grocery Aisle:
How Intelligent Assistants Could Rewrite the First Moment of Truth

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THE **"FIRST MOMENT OF TRUTH"** (FMOT)

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The "First Moment of Truth" (FMOT), that crucial 3-5 second window when a consumer encounters a product and makes a purchase decision, has long been the holy grail of CPG marketing. For years, brands have meticulously crafted packaging, in-store displays, and digital product pages to capture attention and drive sales. But the rise of AI, particularly agentic AI, is poised to fundamentally disrupt this established paradigm, threatening to shift the battleground from the shelf to the algorithm.

To explore this further, Ipsos Canada has begun investigating the potential impact of an AI grocery shopper – one with access to pricing, reviews, nutritional information, and even environmental impact data – on the consumer-brand dynamic. In our research, over 70% of respondents liked this idea and the implications point to a future where the AI, not the consumer's eyes, may become the first point of contact with a brand.

Our study reveals a significant openness among consumers to AI-driven recommendations, suggesting a potential weakening of traditional brand loyalty. While acceptance of AI recommendations varies by category, almost two-thirds (T2B 63%) of consumers would try a brand an AI suggested "even if it is not one of your usual brands". This shift will challenge the traditional "First Moment of Truth" (FMOT); giving rise to a new "Prompted Moment of Truth" [Pete Blackshaw] – the moment when an AI assistant, armed with data and consumer preferences, makes a recommendation before the consumer enters the store or browses online.

And while 75% of consumers generally stick to familiar brands, it is this openness to AI-driven recommendations that highlights the potential for disruption.

The data also confirm what we know to be true, that price and value are paramount for Canadian consumers, with 97% rating "best value for money" as very or somewhat important, and 93% prioritizing the "lowest price." While price is a key driver, we also recognize that value is a multifaceted concept that includes factors beyond just the lowest price. Environmental impact is also a consideration for 53% of consumers, making it a potential differentiator for consumers that prioritize sustainability.

This shift is not just about convenience; it's about control.

Consumers are increasingly seeking tools that empower them to make informed decisions, especially in the current economic climate. With 65% of Canadians expecting inflation to rise further, and financial anxieties on the rise, AI-driven tools that can help consumers find the best prices and optimize their grocery budgets are striking a chord.

This presents both challenges and opportunities for CPG brands and stores alike. On one hand, brands risk losing relevance if they fail to adapt to this new landscape. On the other hand, brands that can leverage AI to demonstrate product superiority, personalize value, and build trust in the AI's recommendations will thrive. Transparency and unbiased algorithms are crucial, as our research shows that 74% of consumers are concerned that brands will pay to 'artificially' manipulate algorithms in their favour.

While we know that consumers typically have a repertoire of brands they consider, and loyalty is not always a fixed concept; this research highlights a future where the FMOT moves from the shelf to the algorithm. Brands must shift their focus from simply capturing attention in the moment to building relationships with AI systems and demonstrating value that resonates with both consumers and their intelligent assistants. This means focusing on data-driven insights, personalized experiences, and a commitment to transparency and ethical practices. The brands that succeed in this new era will be those that understand that the "first moment of truth" is no longer a single point in time, but a continuous process of engagement and value delivery, often mediated by AI.

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Navigating the Landscape

How can CPG brands navigate this AI-driven landscape and ensure they remain relevant and competitive? Here are a few key strategies:

01

Embrace Data-Driven Insights

Embrace Data-Driven Insights: This is just the starting point for understanding how AI will reshape consumer habits. For example, what happens when an AI presents two options to a consumer – Brand A, which is slightly more expensive but boasts a better carbon footprint, versus Brand B, which is cheaper but less sustainable? The complexities and opportunities lie in details like these; brands that understand this new dynamic and evolve will win.

02

Build Trust and Transparency

Build Trust and Transparency: Consumers are wary of AI recommendations that appear biased or manipulated. And globally, Canadians are one of the most "nervous about AI" nations on the planet. Brands must prioritize transparency in their AI approach.

03

Focus on Value and Quality

Focus on Value and Quality: While price is a major driver for consumers, it's not the only factor. Brands must focus on delivering genuine value for money. This includes not only competitive pricing but also high-quality ingredients, ethical sourcing, and clear communication of product benefits. Interestingly, the resurgence of coupons as a key consumer tool is also something brands should be aware of.

a) According to a Canadian Grocer article from October 2024, 30.5% of Canadians are using more coupons.

b) Our research also indicates that 13% of respondents are always using coupons when grocery shopping.

c) When we presented the AI grocery shopper concept to respondents, the third most important feature was using available coupons, suggesting the resurgence of this marketing vehicle.

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04

Engage with AI Agents

Engage with AI Agents: It goes without saying that brands must find ways to engage with AI agents directly, ensuring that their products are considered and recommended. This may involve optimizing product data for AI algorithms and revisiting website content. As Raja Rajamannar points out, marketers must become the preferred brand not only for consumers but for AI agents as well – identifying a new skillset brands will need to pay attention to. This also means that brands will need to develop new skillsets within their marketing teams to effectively navigate this evolving landscape, including expertise in AI algorithm optimization and data management.

05

Don't Ignore the Human Touch

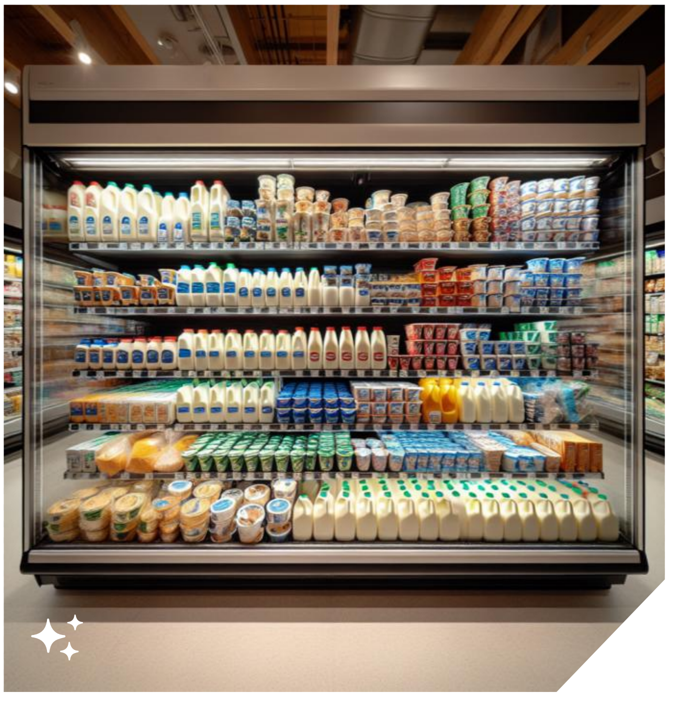
Don't Ignore the Human Touch: While AI is transforming the consumer journey, it's important not to lose sight of the human element. Consumers still value sensory browsing and spontaneous discovery. Brands must find ways to integrate AI into the shopping experience without sacrificing these important aspects. Our research shows that consumers prefer to use AI to "build a shopping list" rather than "filling an online shopping basket," indicating a desire for AI assistance in planning and decision-making, rather than full automation of the purchasing process.

06

Act with Urgency

Act with Urgency: The pace of technological adoption is accelerating, and AI is no exception. CPG brands must recognize that the rules of engagement are likely to change rapidly. Our data indicates a significant level of consumer interest in AI-powered shopping tools, suggesting that this shift is not a distant possibility but a near-term reality. Brands that delay adapting to this new landscape risk falling behind.

Conclusion

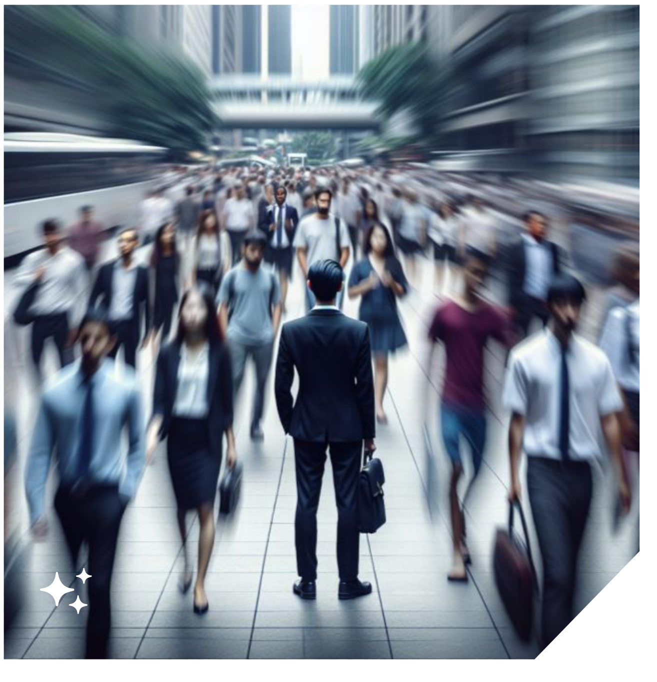


The rise of AI is not just a technological shift; it's a transformation of the consumer-brand relationship. The "first moment of truth" is evolving, and brands must adapt to this new reality. By embracing data-driven insights, building trust and transparency, focusing on value and quality, and engaging with AI agents, CPG brands can navigate this new landscape and thrive in the AI-powered grocery aisle.

If you're ready to explore the full picture and discuss how this impacts your business, please contact us.

About the Research

The insights shared in this article are grounded in both qualitative and quantitative research conducted by Ipsos in December 2024. Our qualitative findings were gathered through Ipsos' ongoing Conversations Community, allowing us to explore consumer perspectives in depth. Complementing this, our quantitative findings are based on a nationally representative sample of 2,000 Canadians aged 18 to 59, obtained through Ipsos' Omnibus tool, providing a robust statistical foundation for our analysis.



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THANK YOU

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