

KEYNOTE · CLAV 2026

THE CONSUMER TEST

When Does AI Create a Better Retail Experience?



Dr. Jose Mendoza

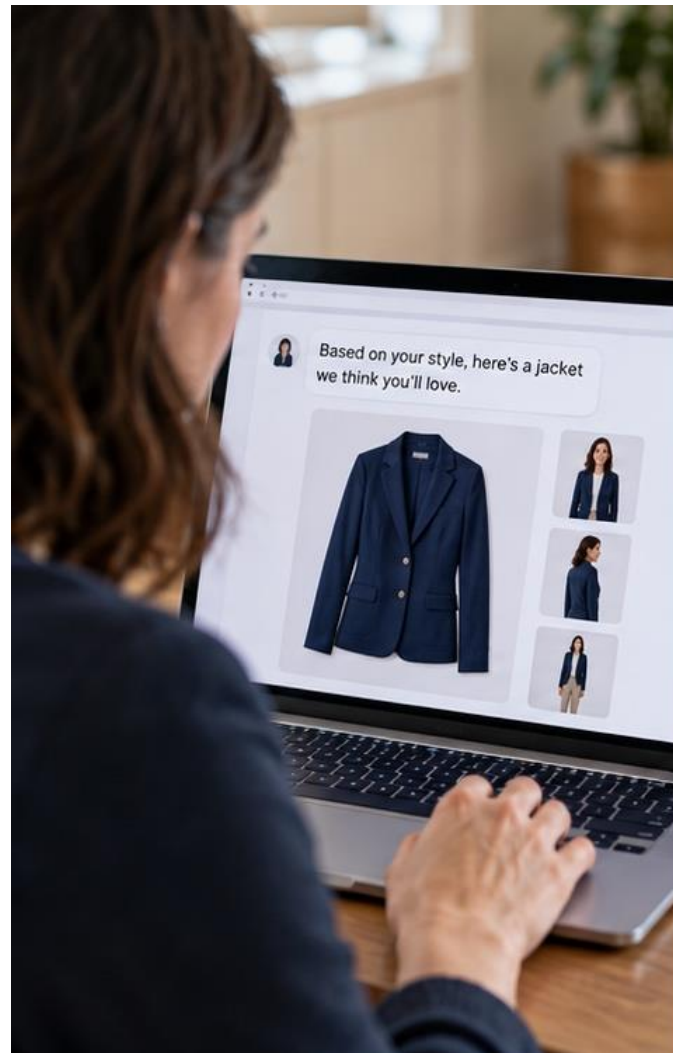
Clinical Associate Professor, New York University

17th Latin American Retail and Consumption Conference · FGV EAESP, São Paulo · October 28–30, 2026



One jacket. One shopping journey.

1 Recommendation



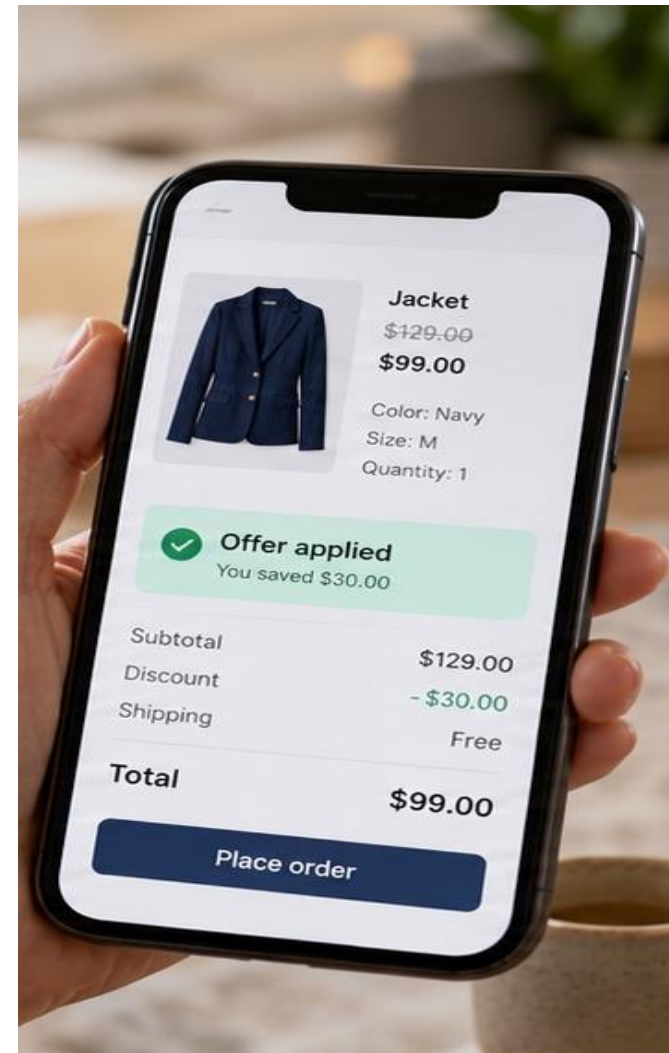
A product to consider

2 Virtual try-on



A preview of the fit

3 Checkout offer



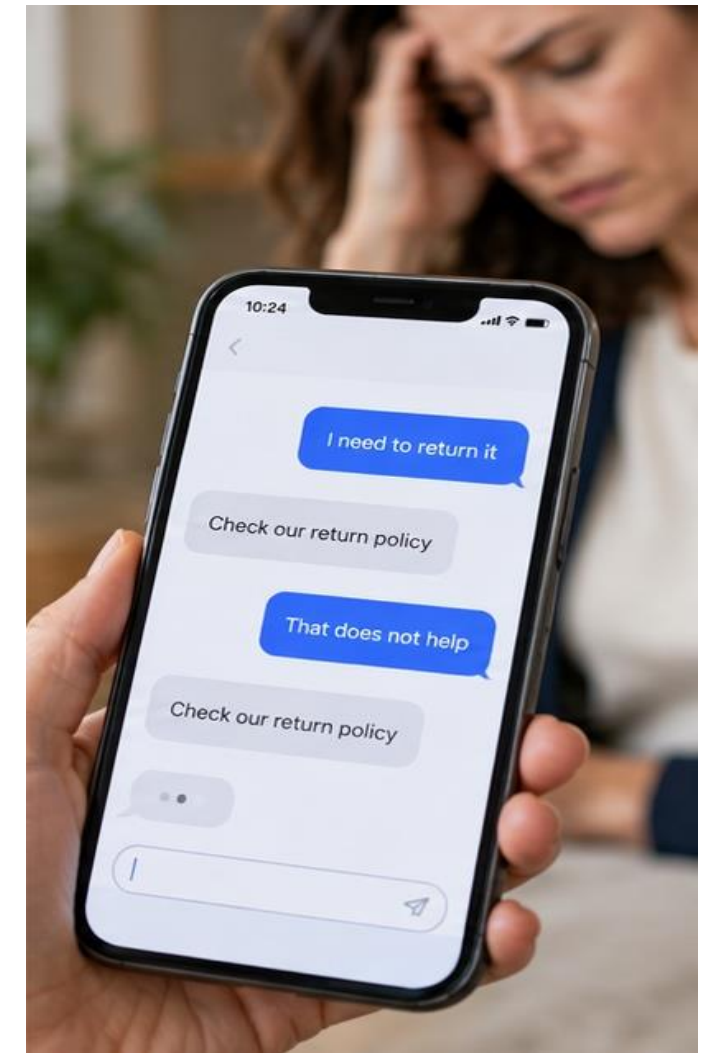
An offer at checkout

4 Poor fit



The jacket is too tight

5 Chatbot loop



The chatbot repeats itself

At which point did the experience improve?

Business / Retail

Why Consumers Are Frustrated With AI And What Retailers Can Do About It

By Sharon Edelson, Senior Contributor.

Aug 05, 2026

Consumer frustration with AI is growing. Mailboxes bloated with unrequested offers, full-throated pitches and botched bot sessions are leading to annoyance, and, in some cases, uncompleted purchase attempts – even a loss of faith in retailers and brands.

This disillusionment, exacerbated by economic uncertainty, is making consumers more pragmatic and risk-averse. They're abandoning aspirational purchases in exchange for defensive decision-making and searching for the lowest-prices, according to Alter Agents and Liveops.

Consumer fatigue with AI is marked by declining novelty, cognitive overload, and an active rejection of synthetic content. Users are exhausted by generic marketing, unreliable AI customer service, and the proliferation of low quality content often referred to as AI slop. According to Gartner, 49% of consumers agree that generative content has actively worsened the quality of AI-generated content.

AI advice can add verification work

CONSUMERS WHO USED AI WHILE SHOPPING FOR A RECENT PURCHASE

54%

said they had to double-check the accuracy of all information GenAI provided

Survey: 846 U.S. consumers, Nov–Dec 2025. Size of the recent-purchase AI-user group not disclosed.

Consumers value clarity about AI-generated content

U.S. ADULTS

75%

say AI-generated content makes it harder to trust what they see online

U.S. ADULTS

81%

trust brands more when they are clear about what is AI-generated

GEN Z RESPONDENTS ONLY

49%

say social scrolling makes them feel drained

Transparency is associated with reported trust

The Harris Poll for Quad: 2,004 U.S. adults, Jul. 23–Aug. 12, 2026. Gen Z: n = 134.
Quad / The Harris Poll, Return of Touch: The Human Advantage (2026). Sponsor: a print and marketing-services company.



WHO IS DOING THE WORK?

The hidden friction of retail AI

DISCOVERY



THE PROMISE

Less time searching



POTENTIAL FRICTION

More time verifying advice

CHECKOUT



THE PROMISE

Faster transactions



POTENTIAL FRICTION

More effort correcting errors

CUSTOMER SERVICE



THE PROMISE

Immediate responses



POTENTIAL FRICTION

Repeated requests.
Difficulty reaching help.

AI across the retail experience



Sources: Lemon & Verhoef (2016), Gallino & Moreno (2018), Priester et al. (2020), Dao & Theotokis (2021), Puntoni et al. (2021), Spatharioti et al. (2025), Zhang & Narayandas (2026), Hübner et al. (2024)

Three consumer tests

1

Decision quality

Does AI help consumers make better-informed decisions?

2

Trust and control

Does it preserve trust and meaningful control?

3

Responsible outcomes

Does it support responsible outcomes?

01

DISCOVERY AND ADVICE

Which options deserve my attention?



Home Depot's Magic Apron offers product advice



AI-generated illustration

WHAT THE COMPANY REPORTS

Product and project guidance.
Millions of questions per month.

WHAT THE RELEASES DO NOT ESTABLISH

Decision accuracy, successful projects and
shopper effort.

Faster advice still needs an accuracy check

DECISION MEASURE	TRADITIONAL SEARCH	LLM SEARCH
Average task time	3.4 minutes	1.6 minutes
Accuracy on the designed error task	93%	47%

A second experiment improved difficult-task accuracy from 26% without cues to 53–58% with confidence highlighting.

Retailer action: link claims to verifiable sources, flag uncertainty and test how many recommendations shoppers can use.

Spatharioti et al. (2025), CHI. Error result: one designed task. Experiments: n = 90 and 120.



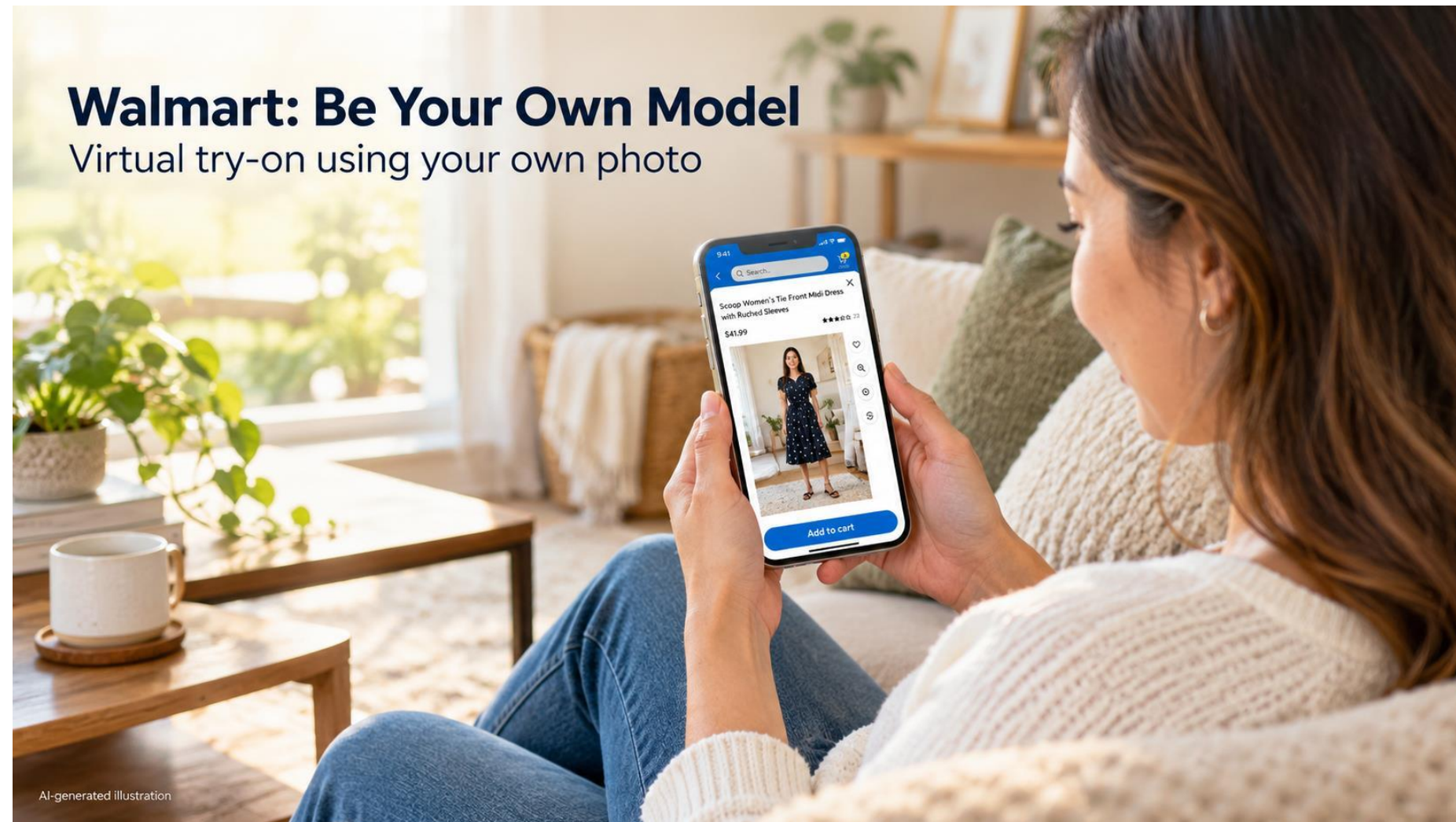
02

VISUALIZATION AND FIT

Will this product work for me?



Walmart's virtual try-on shows appearance



AI-generated illustration

BE YOUR OWN MODEL

Virtual apparel try-on using the shopper's own photo.

THE LAUNCH ANNOUNCEMENT

270,000+ items, initially on iOS.

Virtual fit needs evidence after purchase

Randomized field experiments at a Latin American apparel e-tailer used an avatar-based virtual fitting room. Conversion and order value rose, while returns and multi-size ordering fell.

OUTCOME	WITHOUT TOOL	WITH TOOL	EFFECT
Return probability	2.70%	2.58%	0.12 pp lower
Home try-on incidence	0.8%	0.6%	25% lower

Retailer action: track returns by cause and total units. Test outcomes across body sizes and follow returned products to their destination.

Return probability fell by about 5% in relative terms (2.70% to 2.58%).
Home try-on means ordering the same product in multiple sizes. pp = percentage points.

Gallino & Moreno (2018), M&SOM 20(4), 767–787, Sections 4.2.1–4.2.2. DOI: 10.1287/msom.2017.0686.

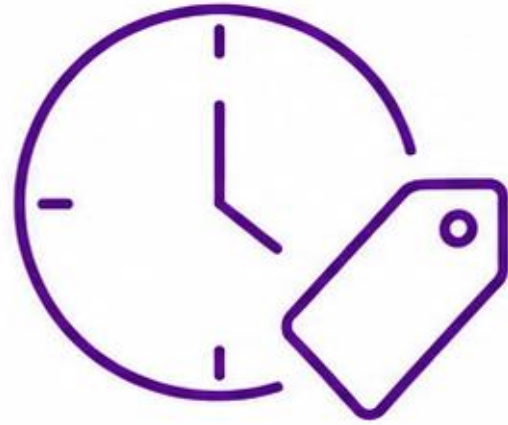
03

PRICES AND PROMOTIONS

Why did I receive this price?



Four pricing mechanisms



Dynamic pricing

Time or market conditions

Can shoppers understand the change?



Personalized pricing

Person or segment

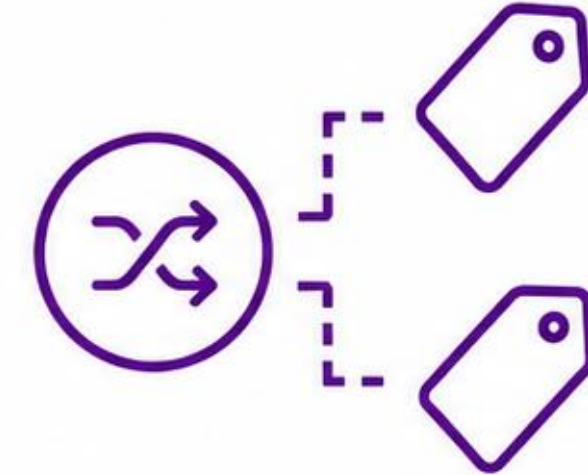
Which data determine the price?



Targeted promotions

Discount eligibility

Who receives the benefit?

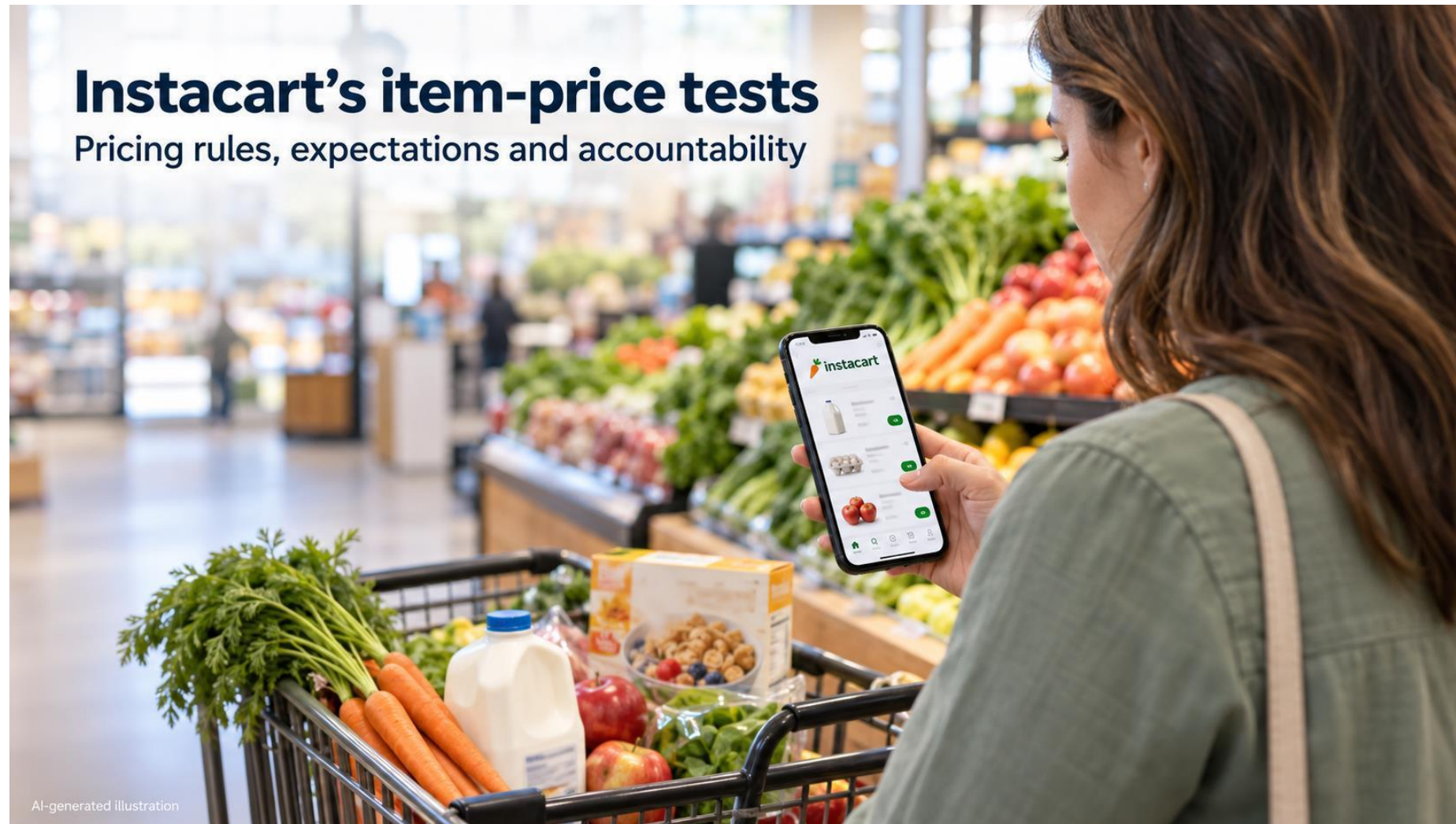


Randomized price tests

Experimental assignment

What do shoppers expect?

Instacart ended its item-price tests



AI-generated illustration

DECEMBER 18, 2025

Instacart described randomized A/B tests and denied using individual personal data.

DECEMBER 22, 2025

The company announced an immediate end to item-price tests.

Wendy's pricing proposal triggered backlash

FEBRUARY 15, 2024 · EARNINGS CALL

Proposed dynamic pricing tests

- Wendy's discussed future pricing capabilities.
- Media coverage framed the proposal as possible surge pricing.

FEBRUARY 27, 2024 · CLARIFICATION

No increases at the busiest times

- Wendy's said it would not raise prices during peak demand periods.
- It described potential discounts during slower periods.



Image: Wendy's

Pricing protections take different forms

Selected U.S. examples: personal-data pricing, antitrust and insurance

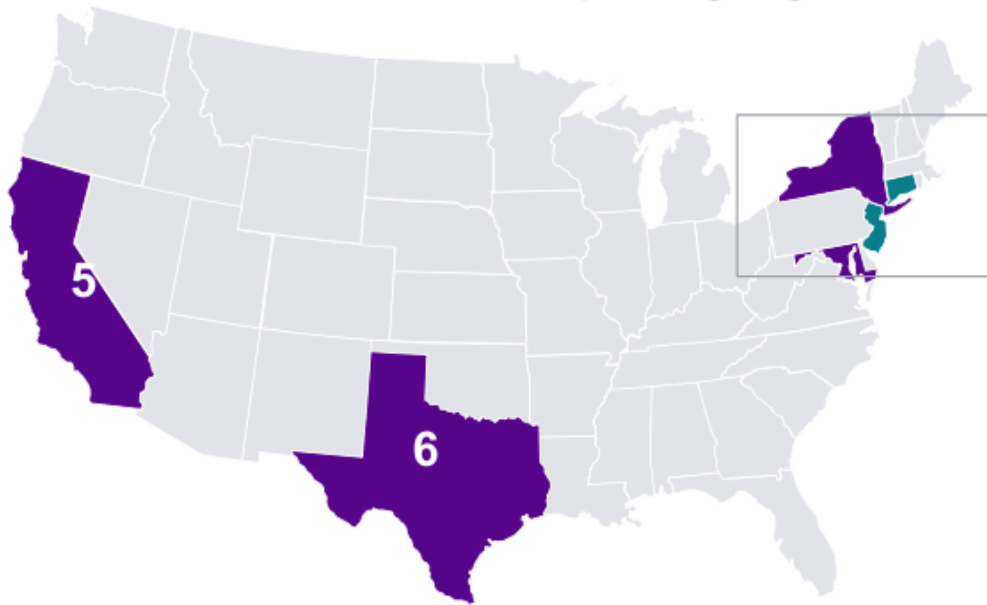
■ In force ■ Enacted for 2027

CALIFORNIA AND TEXAS

5 California

In force since Jan. 1, 2026

Antitrust limits on shared pricing algorithms



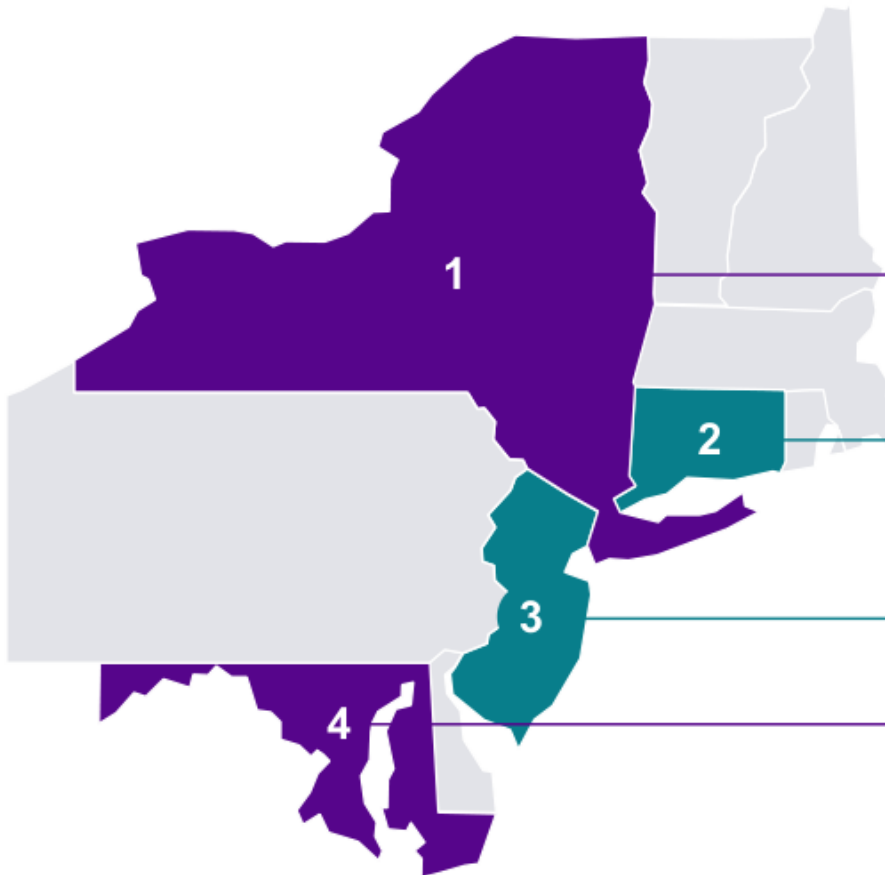
6 Texas

Existing ban reaffirmed Sept. 2, 2026

Ban on insurance price optimization based on willingness to pay

Illustrative examples only. Gray states may have other protections. Status: Oct. 28, 2026. Sources and exceptions in notes.

NORTHEAST DETAIL



New York

In force since Nov. 10, 2025

Disclosure of personalized algorithmic prices

Connecticut

Effective July 1, 2027

Retail restrictions and online disclosure rules

New Jersey

Effective Aug. 1, 2027

Restrictions on personal-data pricing for groceries

Maryland

In force since Oct. 1, 2026

Restrictions on higher personal-data prices for covered groceries

EUROPEAN UNION

Disclosure for automated personalized prices in covered distance and off-premises offers

BRAZIL

LGPD Art. 20: right to request review of solely automated personal-data decisions affecting interests

Pricing protections take different forms

JURISDICTION	PROTECTION	SCOPE AND STATUS
New York	Disclosure	Personal-data algorithmic prices. In effect Nov. 10, 2025. District-court challenge dismissed. Appeal pending.
Maryland	Limits on data use	Higher personal-data prices for tax-exempt food. Retailers ≥15,000 sq ft and grocery delivery. Exceptions apply. Effective Oct. 1, 2026.
European Union	Disclosure	Automated personalized prices in covered distance and off-premises offers. Demand-only dynamic pricing differs.
Brazil	Right to request review	LGPD Art. 20: solely automated personal-data decisions affecting a person’s interests, including consumer profiling.

NYS GBL §349-a; Maryland Ch. 154 (2026); EU CRD Art. 6(1)(ea); LGPD Art. 20. Status: Oct. 28, 2026.



Lower prices for many can coexist with a welfare loss

DUBÉ & MISRA (2023) · DIGITAL RECRUITING PLATFORM

Over 60% faced lower prices

Personalized pricing simulations, informed by field experiments, estimated a gain for many customers relative to optimized uniform pricing.

DISTRIBUTION MATTERS

Total consumer surplus fell 23%

The aggregate loss came from a minority.

Retailer action: state the price rule in advance and report gains and losses by customer group.

04

ORDERING, CHECKOUT AND EXIT

Can I complete the transaction easily?



Sam's Club reported faster exits



AI-generated illustration

AI-generated illustration

COMPANY-REPORTED RESULT

23%

faster exits for all members at clubs using the technology

MISSING FROM THE CITED RELEASE

Baseline time, verification failures and correction effort.

Sam's Club, April 30, 2024. Company-reported result.

Rhode Island preserves a staffed alternative

GROCERY STORES OFFERING SELF-CHECKOUT

1 staffed lane for every 3 self-checkouts

The ratio counts stations in operation.
At least one staffed lane must be ADA-accessible.

ENACTED · EFFECTIVE JANUARY 1, 2027

Help must be available

Self-checkout monitors must have no other duties.

Ratio exemptions: before 8 a.m., after 8 p.m.,
declared emergencies and severe-weather alerts.

A staffed alternative needs to be open when the shopper needs it

Checkout recovery depends on who caused the failure

FAILURE OR SETTING	WHO INITIATES RECOVERY?	WHAT THE SHOPPER NEEDS
Technology failure	Employee initiates	Visible help and prompt correction
Customer-caused error	Customer initiates	A chance to correct the error, with help available
No employee present	System initiates	A usable recovery route

Verdict: faster checkout needs a reliable exception path and an available staffed lane

Dao & Theotokis (2021), JIM 54, 25–39; Moeller et al. (2024), Journal of Retailing.



05

SERVICE AND RECOVERY

Will someone resolve my problem?



Best Buy reports operating gains from AI service



AI-generated illustration

TWO ROLES

AI serves customers directly and assists employees.

GOOGLE CLOUD CASE STUDY

Call containment increased by more than 50%.

Transfer rates fell by a reported 1.5–2%.

A service metric can conceal an unresolved problem

RETAILER METRIC	ADDITIONAL CONSUMER MEASURE
Fast first reply	Did the customer complete the requested action?
Few contacts reaching employees	Could the customer reach a person when needed?
High subscription retention	Could customers who asked to cancel actually leave?
Low cost per interaction	How much repeat effort did the customer expend?

AI assistance helps agents, with limits after bot failure

AI-ASSISTED AGENTS	RESPONSE TIME	SENTIMENT GAIN
All agents	−22%	+0.45 points
Least-experienced agents	−70%	+1.63 points

After a chatbot failure, very rapid human replies could appear automated and dilute the sentiment gain. The study measured sentiment on a five-point scale, rather than confirmed resolution.

Retailer action: route by problem type, offer an early human handoff and count repeat contacts alongside speed.

Zhang & Narayandas (2026), Management Science 72(1), 73–95. Randomized field experiment.



06

AVAILABILITY, FULFILLMENT AND WASTE

Will what I need be available?



Albert Heijn connects forecasting with waste



AI-generated illustration

AI-generated illustration

COMPANY-REPORTED SCALE

More than one billion product-store forecasts each day.

THE OUTCOME GAP

The account describes less waste and higher availability, without numerical results for either.

Ahold Delhaize, September 4, 2026. Company implementation account.

Forecasting needs service and physical outcomes

OBSERVED GERMAN BAKERY CASE

30% lower bakery return weight

Average reported for 2022, based on sales reports.

Environmental impacts were modeled separately.

RETAILER PILOT

Availability and kilograms together

Track stockouts and accepted substitutions alongside unsold kilograms and their destination.

Check whether promotions shift waste into households.

Brazil's AI divide: who gets to participate?

THE NATIONAL PICTURE



of internet users age 10+
used generative AI in 2025

PARTICIPATION BY SOCIAL CLASS

Reported using generative AI in 2025

Social class A



Social classes D–E



53 percentage-point gap
between social class A and classes D–E

RETAILER ACTION

Include nonusers in pilots. Keep a usable path without AI.

What did the shopper gain?

Six cases, six consumer questions still open

 Home Depot 01 REPORTED Questions per month ? TO VERIFY Accurate advice? Successful projects?	 Walmart 02 REPORTED Try-on capability + assortment ? TO VERIFY Better fit? Fewer returns? Higher satisfaction?	 Instacart 03 REPORTED Item-price tests ended ? TO VERIFY Who gained? Who lost?
 Sam's Club 04 REPORTED 23% faster exits* ? TO VERIFY Failures? Correction effort?	 Best Buy 05 REPORTED Containment + transfers† ? TO VERIFY Resolved problems? Repeat contact?	 Albert Heijn 06 REPORTED Forecast scale + qualitative benefits ? TO VERIFY Product availability? Kilograms wasted?

Show what changes for the shopper.

Adoption and operating gains leave part of the consumer experience unmeasured.

* Sam's Club (Apr. 30, 2024): company-reported exits. † Google Cloud Best Buy case study: vendor-reported operating metrics.

What retailers should do next



ADVICE

Make recommendations verifiable.



CHECKOUT

Make failures easy to resolve.



FIT

Measure returns and satisfaction.



SERVICE

Confirm resolution and preserve human help.



PRICING

Show who gains and loses.



AVAILABILITY AND WASTE

Track availability and waste together.

Each AI feature needs a measurable consumer benefit.

THE CONSUMER TEST

**AI creates a better retail experience
when the retailer can show
what the shopper gains.**

Better decisions. Meaningful control. Responsible outcomes.

QUESTIONS



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