

PART 2

From search to agents

WHITEPAPER

How AI is
restructuring
retail power

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Introduction

AI-powered agents capable of acting on behalf of consumers are reshaping the fundamentals of retail economics. These systems compress research, comparison, and purchasing into a single interaction, displacing traditional search engines and e-commerce platforms as the primary intermediaries between brands and customers. The transformation extends beyond operational efficiency. It represents a structural shift in who controls customer relationships and therefore captures value in digital commerce.

Platforms such as Perplexity, ChatGPT, and Claude already collapse multi-step consumer journeys into conversational prompts. Early experiments in direct purchasing through these interfaces suggest a coming inflection point. When AI agents not only recommend but also transact, the gatekeepers of commerce change fundamentally. This article examines transition and its strategic implications for brands, retailers, and platforms.



Three eras of retail power

Understanding the current shift requires examining how control over customer data and relationships has evolved across three distinct periods.

In the pre-digital era, retailers and brands operated in relative equilibrium. Retailers possessed point-of-sale data showing what sold, when, and at what price. Brands relied on sell-through reports, market research, and consumer panels. Information asymmetries existed, but no single party dominated customer access. This balance enabled collaborative innovation: Brands invested in product development and marketing while retailers provided distribution and local market knowledge.

E-commerce disrupted this arrangement by concentrating customer-level data on platform operators. Amazon, Alibaba, Zalando, and similar players suddenly possessed granular information about individual purchasing behavior, browsing patterns, search queries, and demographic characteristics. This data became the foundation for advertising businesses, logistics optimization, and margin expansion. Brands increasingly found themselves reduced to suppliers within ecosystems they did not control, paying for access to customers through advertising while losing direct relationships.

The emergence of AI agents introduces a third phase. These systems aggregate information across multiple retailers, review sites, forums, and social platforms. They evaluate options based on synthesized signals instead of depending on any single platform's curated selection. This capability fundamentally alters the consumer's relationship with both retailers and brands. Where physical location once determined shopping options, and platform selection later narrowed those options further, AI agents now operate across the entire accessible web. The result is a flattening of retail hierarchy: Platform dominance erodes as agents prioritize different optimization criteria.

This evolution reveals a consistent pattern. Each technological transition shifts data control and, therefore, power. Physical retailers-controlled foot traffic. E-commerce platforms control digital traffic. AI agents now control attention and recommendation, potentially capturing transactions as well.



The mechanics of agent-mediated commerce

The operational logic of agent-mediated commerce differs fundamentally from platform-based e-commerce. Traditional platforms optimize convenience within their own inventory. They curate selections, promote specific products through placement and advertising, and guide customers through checkout processes designed to maximize conversion within their ecosystem.

AI agents operate differently. They evaluate options across multiple sources using criteria that align more closely with consumer goals than with platform business models. When a consumer asks an agent for the best wireless headphones under \$200, the system synthesizes product specifications, verified customer reviews, price comparisons, return policies, and delivery options from disparate sources. The recommendation emerges from a weighted evaluation of these signals rather than from a single platform's inventory or promotional priorities.

This creates several consequential dynamics.



First, retailer lock-in weakens. Consumers need not start their journey on a particular platform or remain within its ecosystem. The agent serves as an intermediary, reducing switching costs and increasing competitive pressure.



Second, brand signals become more important than channel placement. When agents evaluate products across sources, being featured on a prominent shelf matters less than possessing attributes the agent weights highly: Verified quality, competitive pricing, reliable fulfillment, positive review patterns, and responsive service.



Third, the criteria for visibility shifts. Search engine optimization focused on keywords, links, and page structure. Platform optimization focused on category placement, advertising spend, and conversion metrics. Agent optimization, which we term AI Agent Optimization (AAO), requires excellence in the substantive dimensions which the agents evaluate: Measurable product performance, authentic customer feedback, transparent specifications, and demonstrable service quality.



AAO is not SEO adapted for conversational interfaces. It requires ensuring that the actual attributes of agents evaluate reflect genuine differentiation. Marketing claims become less relevant than verifiable facts. Brand narratives matter less than operational excellence that generates positive signals across the distributed information sources agents consult.

Competitive implications and strategic positioning

The shift to agent-mediated commerce creates distinct winners and losers based on how business models align with the criteria for agent evaluation.

Operationally excellent, low-cost retailers gain an advantage. Companies like Amazon, which compete on price, delivery speed, return policies, and customer service, send strong signals across the dimensions agents optimize for. Their scale enables consistent performance, which translates into positive review patterns and higher recommendation frequency. As agents increasingly mediate purchasing, these operational capabilities become more valuable than brand equity or channel control.

Commodity brands face intensifying pressure. When agents make it clear that multiple products share the same manufacturer or components, brands without meaningful differentiation lose some of their premium. The agent does not carry legacy associations or respond to advertising frequency. It evaluates available evidence of actual performance. Brands that charge premiums based primarily on marketing investment rather than functional superiority will find that advantage of dissolving.

Innovative products and differentiated services gain new opportunities. Agents can identify and recommend lesser-known brands that offer genuine advantages in quality, design, sustainability, or specialized features. This creates openings for companies that previously struggled with distribution or advertising scale. The barrier to consumer awareness is lower if the underlying product generates strong signals along the dimensions agents evaluate.

However, capturing this opportunity requires more than product excellence, it demands ensuring that excellence is discoverable and verifiable across the information landscape that agents traverse. This means cultivating authentic reviews, maintaining transparent specifications, demonstrating consistent service quality, and building presence in the forums and comparison sites agents consult.

The strategic question for every brand becomes: What evidence exists across the digital ecosystem that our product or service represents the optimal choice for the needs an agent is trying to satisfy? If that evidence is absent or weak, the brand remains invisible regardless of its actual quality.

From AAO to intelligent commerce

AI Agent Optimization represents the tactical discipline of ensuring brand visibility and favorable evaluation in agent-mediated environments. It involves optimizing the signals agents detect structured product data, review authenticity, service reliability, and comparative performance.

But AAO alone is insufficient for navigating this transition. Organizations require a broader framework, which we term Intelligent Commerce: A strategic approach that treats agent mediation not as a channel challenge but as a fundamental restructuring of how value is created and captured in retail.

Intelligent Commerce encompasses several elements beyond optimization.



First, it requires redesigning product development and service delivery to generate inherently strong signals. This means building quality, sustainability, and customer experience into core operations rather than treating them as marketing claims.



Second, intelligent commerce demands transparency in specifications, sourcing, and performance. Agents increasingly have access to information that reveals inconsistencies between marketing messages and actual product attributes. Companies need to ensure alignment between what they communicate and what verifiable data sources confirm.



Third, it requires systems that can support relationships with consumers who discover the brand through agent recommendations, not through direct engagement. This includes post-purchase experience, service quality, and the data infrastructure to track customer satisfaction across agent-mediated journeys.



Fourth, it requires new measurement frameworks. Traditional metrics focused on brand awareness, consideration, and direct traffic become less relevant when agents' intermediate discovery. Organizations need capabilities to track agent referrals, understand recommendation patterns, and optimize the criteria agents weigh most heavily.



Finally, intelligent commerce involves strategic decisions about where to compete in an agent-mediated landscape. Should brands seek direct relationships with agent platforms? Should they focus on excelling in the evaluation criteria of agents to prioritize? Should they build proprietary agents that represent their own interests? These questions have no universal answers but require explicit strategic choices.

Organizational and operational requirements

Implementing Intelligent Commerce requires capabilities beyond marketing or technology functions, demanding cross-functional coordination around several imperatives.

Product teams must design agent evaluations. This means prioritizing specifications, performance metrics, and features that generate positive signals in agent-accessible data sources. It requires understanding what attributes of agents weigh heavily and ensuring products excel on those dimensions.

Operations must deliver consistency that generates authentic positive reviews. Agent recommendations increasingly depend on verified customer feedback aggregated from multiple sources. This creates pressure for excellent fulfillment, responsive service, and post-purchase support that encourages positive assessments.

Marketing must shift from persuasion to evidence of creation. No more crafting compelling narratives, marketing teams must ensure the market accurately perceives and documents genuine product advantages. This includes managing review of ecosystems, providing transparent comparison data, and building presence in the technical forums and specialized communities that agents consult.

Technology functions must build the infrastructure to track agent-mediated journeys. This includes understanding which agents drive traffic, what prompts generate recommendations, and how to optimize agent discovery without compromising direct customer relationships.

Legal and compliance teams must navigate new questions about agent relationships, data access, and algorithmic transparency. As agents become gatekeepers, issues of fair treatment, anti-competitive behavior, and consumer protection acquire new dimensions.

Most challengingly, leadership must make strategic choices about agent partnerships, data sharing, and brand positioning in a landscape where intermediaries increasingly control customer access. These decisions involve trade-offs between short-term revenue and long-term ownership of the relationship.

The economics of disintermediation and reintermediation

The agent revolution represents another cycle in retail's ongoing pattern of disintermediation and reintermediation. Physical retailers served as intermediaries between brands and local customers. E-commerce platforms displaced many retailers, but they also inserted themselves into the customer's relationship through digital channels. Now AI agents are beginning to do the same to platforms, influencing decisions through algorithmic recommendations.

Each cycle changes the basis of value capture. Physical retailers captured value through location and inventory. E-commerce platforms capture value through data, logistics networks, and customer relationships. AI agents capture value through information aggregation, recommendation quality, and potential transaction facilitation.

For brands, the question is whether each cycle leaves them with more or less control over customer relationships. The shift from physical to digital retail weakened many brands' direct relationships, forcing them to compete for visibility within platform ecosystems. The change to agent-mediated sales could further erode brand equity if agents treat products as fungible commodities, differentiated only by measurable performance metrics.

However, this outcome is not inevitable. Agents create opportunities for direct brand engagement if companies build compelling enough differentiation. A consumer who asks an agent about running shoes might receive a recommendation that leads directly to the brand's site if that brand offers superior customization, fit technology, or community features that mass retailers cannot replicate.

The strategic challenge is to build an advantage that survives agent-mediated mediation. This requires differentiation strong enough that agents recognize it and consumers value it more than the convenience of purchasing through the agent's preferred channel.



Measuring success in agent-mediated markets

Traditional retail metrics focused on traffic, conversion rates, average order value, and customer lifetime value in controlled environments. Agent mediation requires expanding measurement frameworks to capture different dynamics.



Organizations need visibility into agent recommendation patterns

Which prompts generate brand mentions, which contexts favor recommendations, and how positioning compares to competitors'. Since agents operate across distributed platforms, new data collection methods are required.



They must track referral quality

Whether agent-mediated customers exhibit different lifetime values, return rates, or satisfaction patterns than those acquired through traditional channels. This helps assess whether agent optimization attracts desirable customer segments.



They need metrics for signal strength across the agent ecosystem

Review volume and sentiment, forum discussions, comparison site rankings, and verified performance data. These indicators predict agent recommendation likelihood better than traditional brand awareness measures.



They must measure operational performance on agent-evaluated dimensions

Delivery speed, return ease, customer service responsiveness, and product quality consistency. Excellence in these metrics increasingly determines competitive success.



Finally, they require frameworks for portfolio decisions

Which products or services to emphasize given agent optimization requirements, where to invest in differentiation versus competing on efficiency, and when to partner with agents versus building direct relationships.

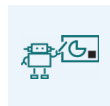
These measurement capabilities demand data infrastructure and analytical sophistication beyond traditional retail reporting. Organizations that build these capabilities early gain advantages in understanding and responding to agent-mediated competition.

Strategic choices ahead

The rise of agent-mediated commerce confronts retail leadership with several strategic decisions that will shape competitive positions for the next decade.



First, whether to treat agents as partners or competitors. Some retailers and brands will seek early partnerships with agent platforms, providing exclusive access to inventory, data, or fulfillment in exchange for preferential recommendations. Others will view agents as threats to direct customer relationships and invest in capabilities that reduce consumer dependence on agent intermediation. Both approaches carry distinct risks and opportunities.



Second, how to balance optimization for agents versus optimization for humans. The criteria that make products attractive to algorithmic evaluation may differ from those that drive emotional connection or brand loyalty. Companies must decide whether to design primarily for machine readability or human appeal, recognizing that agents increasingly influence even emotionally significant purchases.



Third, where to compete on the value chain. As agents compress discovery, comparison, and transaction into integrated experiences, traditional roles blur. Brands might forward-integrate into fulfillment and service. Retailers might backward-integrate into product development. Platforms might expand into agent services. Each option requires different capabilities and faces different competitive dynamics.



Fourth, whether to build proprietary agents. Some brands and retailers will develop their own agent capabilities to maintain direct customer relationships and control recommendation logic. While preserving autonomy over customer experience, substantial investment in AI capabilities, data infrastructure, and customer acquisition is required.



Fifth, how to differentiate beyond price and convenience. As agents optimize measurable performance, competitive advantage shifts toward dimensions difficult to commoditize design excellence, sustainability credentials, community engagement, customization capabilities, or service innovation. Companies must identify which forms of differentiation they can sustain and communicate effectively to algorithmic evaluators.

These choices are not mutually exclusive, but they call for a clear strategy, not incremental adaptation. Organizations that succeed in agent-mediated commerce will be the ones that make deliberate decisions about positioning, capabilities, and partnerships instead of relying on familiar patterns.

Conclusion: Competing for algorithmic endorsement

The emergence of AI agents purchasing intermediaries represents more than a new channel or marketing technique. It marks a fundamental restructuring of retail power dynamics. For decades, success depended on brand equity, distribution of reach, or platform dominance. Increasingly, it will rely on operational excellence that generates algorithmic endorsement.

This shift favors companies that deliver measurable value over those that communicate aspirational value. It rewards operational consistency over marketing creativity alone. It privileges transparency over opacity and verifiable differentiation over generic claims.

The transition will be neither immediate nor uniform. Consumer behavior changes gradually. Agent capabilities remain limited in many categories. Established advantages in brand loyalty and distribution channels persist. But the direction is clear: Commerce is moving toward a model where algorithmic intermediaries evaluate options based on synthesized evidence instead of a curated selection or promotional messaging.

For strategic leadership, the requirement is not just rethinking marketing tactics but the fundamental basis of competitive advantage. In markets where agents mediate purchasing, the companies that win will be those that excel on the dimensions agents evaluate, communicate that excellence through verifiable signals, and build direct value propositions compelling enough to transcend intermediation.

The question is no longer simply who owns the shelf or the platform. It is who earns algorithmic endorsement while maintaining enough differentiation to justify premium positioning. Answering that question demands operational excellence, strategic clarity, and the humility to recognize that competitive advantage increasingly depends on what independent evaluators conclude rather than what marketers claim.



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