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The impact of (Gen)AI in the Retail Industry

Five steps for companies to seize the $310bn AI value potential in the future of retail

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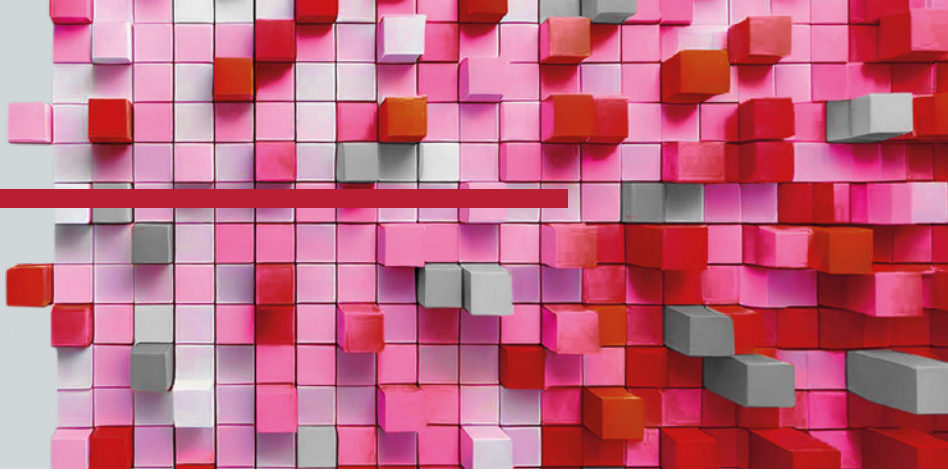


EXECUTIVE SUMMARY

Retail races to seize the $310bn AI opportunity

AI-driven transformation is set to redefine the retail industry, bringing hyper-personalization and a substantial boost to operational efficiency. Indeed, Artificial intelligence (AI) is not only confronting environmental challenges, capitalizing on technological disruption, and shifting customer expectations. It is also enabling retailers to reinvent their value chains and discover significant value within and beyond their traditional business operations. Retailers can thus harness AI to enhance customer experiences, streamline operations, and increase resilience, positioning themselves to thrive in a highly competitive market.

Over the last year, most leading retailers have started to prioritize AI and implement high-priority use cases. In this report, we have analyzed in detail the impact of 100 of these use cases. Based on this analysis and our recent industry experience working closely with clients in the sector, we have reached the following key findings:

- Retailers that industrialize AI use cases across their organizations can quadruple their operating margin by 2030. While first movers will generally need to make the highest investment and take the most risk, they are also likely to reap the greatest rewards.
- If there is widespread adoption and industrialization of AI, the retail sector could realize an additional $310bn in annual operating profits globally by 2030, which represents an increase in operating profits globally of almost 20%. Leading markets such as the United States and Europe will account for the majority of this increase.
- AI use cases in brand and marketing have the greatest potential impact, driven by improved customer understanding, experience, and hyper-personalized recommendations.
- The next most significant impact will come in sales and commercial, with the uplift mainly resulting from enhanced assortment planning and pricing.
- Supply chain, store operations, product development and enabling functions (including IT, HR, Finance and Legal) will also benefit from the advent of AI.

All retailers must decide how important AI is for their strategy and whether they want to be first movers or fast followers. First movers are generally found in e-commerce, as well as among premium retailers who are able to make early investments in AI. Fast followers who seek to emulate what others have achieved can typically be found in more traditional brick-and-mortar businesses, including discount retailers.

We have observed that much of the retail industry is already getting started and has settled on high-priority AI use cases. However, very few companies have successfully scaled these use cases to extract their full potential. This report explains five critical steps that retail companies should follow to realize the entirety of the AI opportunity.

SECTION 1

The AI impact on the global retail sector

The retail industry has typically been characterized by low margins and high costs, and is therefore highly vulnerable to any environmental and geopolitical disruptions, labor cost rises, or shifts in customer demand. At the same time, retailers have always been secure in the knowledge that their products are in demand, and as a result market rates have continually increased.

The industry can broadly be divided into e-commerce and brick-and-mortar retailers, each with distinct operational considerations (*see Exhibit 1, next page*). By eliminating the need for physical storefronts, e-commerce retailers benefit from lower overhead costs but face intense competition and logistical challenges, such as managing efficient delivery systems and handling returns. Conversely, brick-and-mortar retailers incur higher fixed costs due to the need for physical stores, often in a multitude of different locations. Meanwhile, omnichannel retailers aim to provide a seamless customer experience both online and offline, leading to additional complexity.

> “Retailers that re-invent their business through AI can quadruple their operating margin by 2030. To realize this opportunity, they must move from the incremental to the transformative. Instead of one or two selected AI uses cases, they have to embrace substantial change in their business model and organization. AI use cases must be deeply entrenched right across the value chain.”
>
> **Dr. Matthias Schlemmer**

EXHIBIT 1
Business considerations for e-commerce and brick-and-mortar players

	E-commerce	Brick and mortar
Product development and buying	Customer feedback from online channels for product development; efficiency in supplier relationships	Customer feedback from online and offline (e.g., in-person market research) channels; efficiency in supplier relationships
Brand and marketing	Virtual experiences focusing on convenience and accessibility	In-person shopping experience with tactile product interaction
Sales and commercial	Online sales through websites/apps with potential dynamic pricing and global reach as well as personalized recommendations for cross- and upselling	In-store sales (physical product interaction) with fixed pricing and local market focus
Supply chain	Centralized warehouses, requiring efficient logistics for delivery and returns	Decentralized inventory distributed across regional hubs and store locations, requiring efficient forecasting and replenishment
Store operations	No physical storefronts with store operations, click-and-collect opportunities to combine digital and offline interaction	Physical stores and locations requiring staff training, visual merchandising, and in-person customer service
Enabling functions (incl. IT, HR, Finance, Legal, compliance and the internal audit function)	Technology-driven solutions, IT infrastructure, cybersecurity, and cloud services	Additional focus on facilities management, physical security, and utilities management

Source: Strategy& analysis

In terms of innovation, we must generally look to the United States to see frontrunners. E-commerce player such as Amazon and brick-and-mortar players such as Walmart often lead the way when it comes to investment in innovation and taking on the associated risk. A closer look at the global retail landscape confirms significant regional differences in relation to AI, although of course some individual companies do not fit the generalizations.

We have found that retail companies could gain an additional $310 billion in operating profits worldwide by 2030, assuming a high degree of industrialization of AI use cases. This additional value from AI would comprise $165 billion in the US, $25 billion in China, $70 billion in Europe and $50 billion in the rest of the world. This analysis is based on the assumption of a 3.9% compound annual growth rate (CAGR) in the retail industry without any impact from AI.[1]

1 Sources: IHS (Information Handling Services) Retail market data (2024), Strategy& analysis; cf. Section 2.

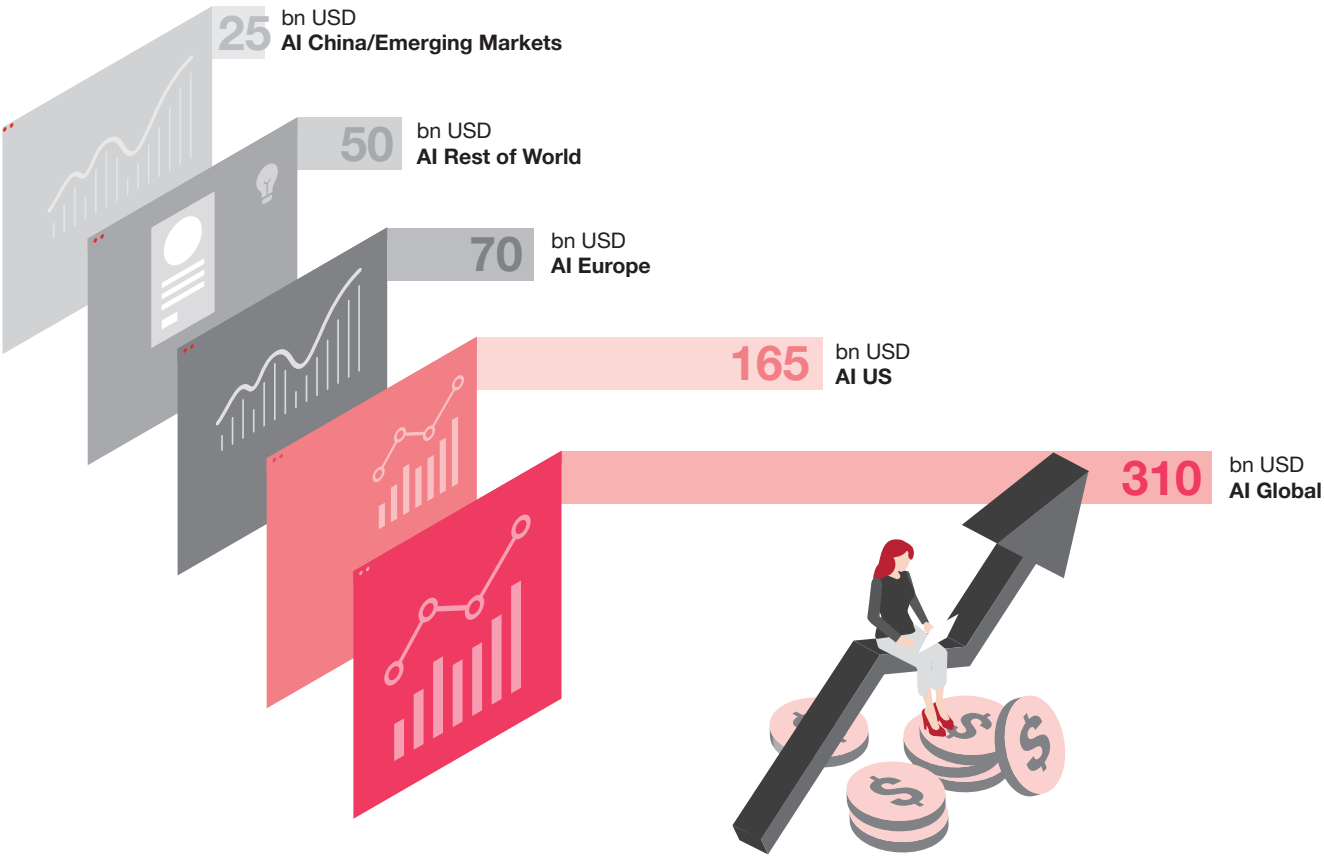
The large potential in the US can be partly explained by its entrepreneurial culture, and partly by access to capital and proximity to the corporate leaders of the global tech industry. Companies have consistently made substantial investments in AI and scaled its application across their businesses, positioning themselves as clear leaders.

In Europe, many retailers fall into the category of fast followers, focusing on incremental improvements. This is principally due to a more risk-averse culture and lower capital investment in growth. European companies have also yet to embrace AI fully in terms of operational integration. The difference between Europe highlights the strategic importance of both investment and execution in achieving AI-driven retail transformation.

In China, the retail landscape is characterized by rapid e-commerce expansion, led by tech giants such as Alibaba and JD.com. China has been quick to adopt new technologies and integrate AI use cases across the value chain, to a large extent because data privacy and protection is not as heavily regulated.

In the rest of the world, retailers at times still face infrastructure challenges, while local preferences and purchasing power have a major impact. Retailers have therefore focused their efforts on accessibility, product variations, and affordability rather than AI innovation.

EXHIBIT 2
Global distribution of the potential uplift in operating profits from AI in retail



Sources: IHS (Information Handling Services) Retail market data (2024), Strategy& analysis

SECTION 2

AI's value across the retail value chain

With AI disrupting the broader retail industry and holding out immense potential for the future, retail companies can discover value along the entire value chain.

For this study, we analyzed the 100 most promising use cases for (Gen)AI, evaluating their contribution to a typical retail company with an operating margin of 3%. Each use case was related to baseline elements of a retailer's profit and loss (P&L). Our retail and technology industry experts and thought leaders estimated the range of impact that each fully implemented use case would have on these P&L elements. Some steps in the retail value chain offered more use case opportunities than others. In reaching these conclusions, our experts considered the degree to which the use cases will disrupt existing business and operating models as well as the relevant feasibility of implementation.

Companies that industrialize AI use cases across their organizations can more than quadruple existing operating margins by boosting revenues and reducing costs. AI carries the potential to move from an operating margin of 3% to an operating margin of 14.4%. This huge increase emanates mainly from customer-facing use cases within the brand and marketing, and sales and commercial, areas of the value chain.

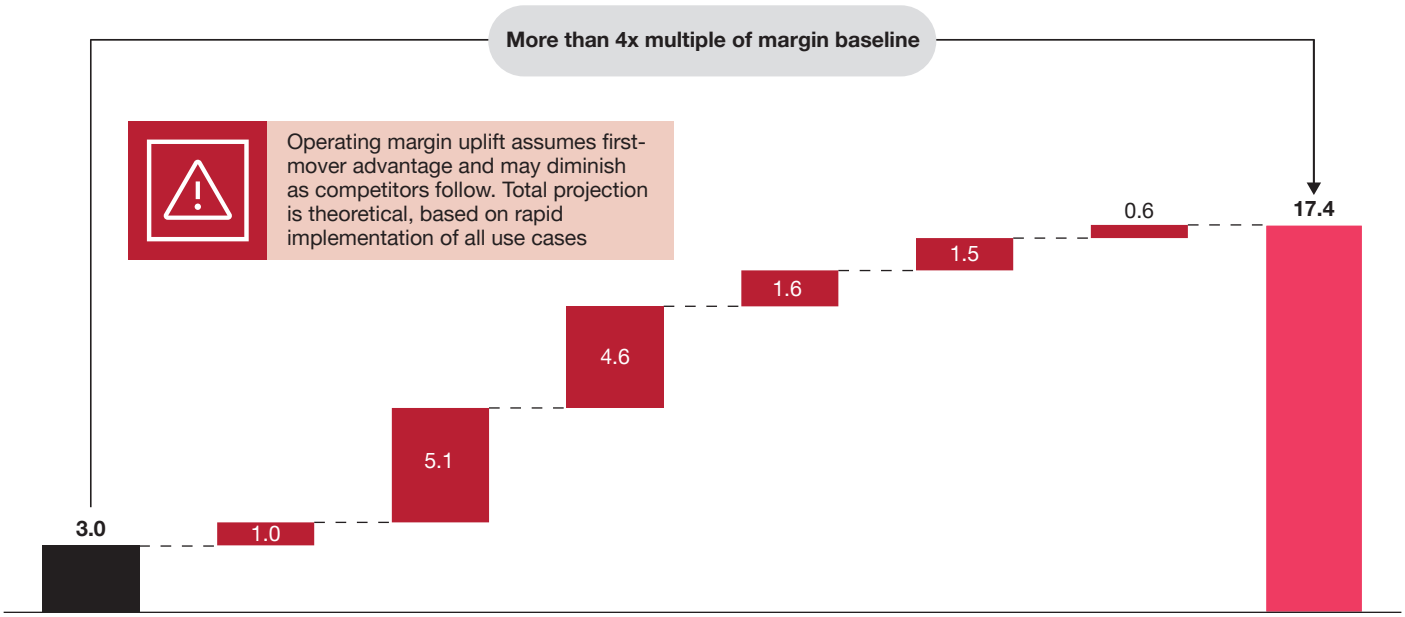
It is important to note that this operating margin uplift assumes first-mover advantage and may diminish as competitors follow suit. Moreover, the total projection is theoretical, based on rapid implementation of all use cases with the necessary investment and resources made available, as well as full integration of AI into the organization and daily processes. Indeed, the commercial imperative to invest early is clear. Advantages evaporate as soon as other players introduce AI, as the resulting reduced costs are then passed on to the end customer.

Naturally, the business model of specific retailers will be different, and not all use cases may be relevant for each and every retailer. For example, an e-commerce player will not implement use cases related to store operations. Similarly, it will be more difficult for traditional brick-and-mortar players to implement use cases relating to customer experience, if they are not yet gathering customer data at the transaction level.

We anticipate that the required industrialization process will be partially realized by companies that prioritize AI by 2030, with faster adoption rates among e-commerce leaders and innovative and premium retail chains that are willing to invest early.

EXHIBIT 3

Overall operating margin potential from AI value realization in retail (showing top use cases only)



Source: Strategy& analysis

AI value in product development and buying

Product development and buying are critical in shaping a retailer's competitiveness, driving innovation, and meeting customer demands. AI can contribute to an uplift of up to 1.0 percentage points in the operating margin potential in this step of the value chain (that is, around 7% of the overall uplift across all value chain elements), through improving product development and making supplier management more efficient.

One specific impactful AI use case is autonomous supplier negotiation, where AI enables automated triggers and text-based communication with suppliers. Using a "total value model", it evaluates multiple factors, including historical outcomes and market trends, to optimize negotiation strategies. This use case reduces costs and enhances procurement efficiency.

AI can also assist supplier negotiation preparation by analyzing historical supplier data alongside competitor and market insights to support procurement teams. The result is better terms and reduced costs.

Meanwhile, AI-inspired analytics can boost product development by harnessing fragmented public signals or customer data. Retailers can thereby identify emerging market trends and understand customer preferences, helping them to build targeted customer profiles and propose designs that align closely with market demand.

AI value in brand and marketing

Brand and marketing plays a pivotal role in retail by planning and executing strategies to attract, engage, and retain customers. This function encompasses several key areas, including personalized recommendations and promotions, hyper-personalized marketing, content creation, and customer sentiment analysis.

In today's competitive landscape, AI has become a critical enabler of data-driven, measurable, and impactful marketing decisions, especially as customers increasingly expect hyper-personalized interactions. With an uplift of up to 5.1 percentage points to the operating margin potential (around 35% of the uplift compared to the other value chain elements), brand and marketing represents the largest share compared to other functions.

For example, personalized recommendations and promotions utilize AI to analyze identifying buying patterns, creating tailored offers, smart shopping lists, and product suggestions aligned with individual preferences. This use case enhances engagement and increases the customer conversion rate.

Further impactful use cases for AI can be found in marketing content generation to create compelling texts, visuals, and videos for advertisements. The use of AI drastically reduces content creation costs and accelerates speed to market, while ensuring a consistent and appealing brand narrative.

Media spend optimization analyzes through AI the effectiveness and return on investment (ROI) of various media channels, and determines the most efficient allocation of marketing budget, for example by recommending which channels to use or the timing of campaigns. Meanwhile, customer service can be enhanced through chatbots or automated phone lines, allowing people to be deployed where they can have most impact.

There are also several use cases in marketing that focus on enablement, such as customer sentiment analysis and customer segmentation. For the former, AI can analyze feedback from reviews, social media, and surveys. For the latter, AI can analyze and categorize customers based on their shopping behavior, preferences and demographics. While these use cases may not have the highest value impact compared to others, they nevertheless help to confront outstanding issues, refine products and services, and foster stronger emotional connections with customers. This also offers data monetization potential in sharing insights with suppliers.

Looking ahead, AI-enabled customer analytics platforms are expected to revolutionize how retailers engage with their customers by offering predictive insights into shopping behaviors and preferences. Retailers that prioritize AI-driven solutions in brand and marketing will not only enhance their ability to connect with customers but also achieve efficiencies and measurable ROI. Despite this potential, adoption remains uneven across the industry, as many AI applications require access to high-quality customer data and integration into existing marketing workflows.

AI value in sales and commercial

Sales and commercial functions serve as the backbone of retail operations. This step in the value chain accounts for an uplift of up to 4.6 percentage points in the operating margin potential (around 32% of the total uplift). The key areas are assortment planning, dynamic pricing, and customer interaction.

AI enables retailers to optimize their product offerings through advanced listing and delisting strategies to determine which products to feature or remove, ensuring a balanced and profitable assortment. While this is nothing new for retailers, AI helps in analyzing the growing amount of data and considering new data points, such as sales performance, customer preferences, and market trends. This use case not only improves inventory efficiency but also boosts higher customer satisfaction by aligning product availability with demand.

Another impactful AI use case is dynamic in-store pricing, where AI utilizes competitor pricing, demand trends, inventory levels, and product freshness to recommend and implement real-time price adjustments. This ensures competitive pricing, prevents stockouts, reduces waste, and increases sales. In case of peak hours or promotional campaigns, advanced algorithms are able to adjust prices dynamically.

Another critical area for AI is localized assortment planning. This use case enables retailers to tailor their product offerings based on location-specific customer preferences and demographics. AI analyzes regional sales patterns, customer data, and market trends to recommend optimized assortments for each store.

Industry example

Amazon has made strategic use of AI to enhance customer experience and operational efficiency, exemplified by its $4 billion investment in Anthropic Claude, a rival to OpenAI's ChatGPT. This partnership enables Amazon to integrate advanced GenAI tools into customer interactions, product recommendations, and workflows, improving the shopping experience and streamlining operations. By incorporating Anthropic Claude, Amazon has boosted e-commerce sales showcasing the transformative impact of AI in driving customer retention and conversion rates.[2]

2 Source: New York Times, "Amazon Invests $4 Billion in Anthropic, Deepening Its A.I. Ties" (2024)

AI also significantly enhances the customer shopping journey by enabling advanced cross-selling and upselling. AI-powered recommendation systems, both in stores and online, help to identify complementary products for cross-selling and recommend additional or substitute products for upselling, always tailoring suggestions to customer preferences in real time.

Looking ahead, the transformative potential of AI in sales and commercial functions is vast. The journey to AI maturity demands investment in technology and data infrastructure, from visual recognition technology in store to electronic pricing labels.

AI value in supply chain

The supply chain function, another important part of the retail value chain, accounts for an uplift of up to 1.6 percentage points in the operating margin potential (around 11% of the total uplift across the value chain). This function ensures the seamless flow of goods from suppliers to customers, and comprises key areas such as inventory management, logistics, and delivery route optimization. With increasing complexities in global supply networks, AI has emerged as a powerful support to supply chain operations.

One impactful AI use case is demand forecasting, which uses machine learning models to analyze historical sales data, external market conditions, and real-time inputs such as weather or social media trends. This use case reduces stockouts, optimizes inventory levels, and minimizes overproduction.

Another significant use case is delivery route optimization, where AI analyzes traffic patterns, order volumes, and delivery constraints to enhance the efficiency of last-mile delivery. Companies such as Amazon have deployed AI-based route optimization to enable faster delivery times and superior customer satisfaction.

Inventory optimization within warehouses also plays a transformative role in supply chain operations. AI helps retailers to maintain optimal stock levels across their distribution centers.

Industry example

With “ready for anything” supply chains, for example, Walmart has gained significant improvements in supply chain operations.[3] Their SaaS solution “Route Optimization” optimizes the middle mile i.e., the transportation from distribution centers to stores. The solution includes optimizing the actual multi-stop route, efficiently loading trucks, and optimally utilizing return trips. Walmart states that by using this software internally, they have saved 94 million pounds of CO_2 (corresponding to nearly 43 million kilograms of CO_2) by eliminating 30 million driven miles.[4]

In the future, the adoption of AI across supply chain operations is set to increase further as technologies such as digital twins and autonomous vehicles mature. Retailers that prioritize AI-driven supply chain enhancements will benefit from cost reductions, improved service levels, and a more sustainable operational model.

3 Source: PYMNTS, “Walmart: AI Helps Create ‘Ready for Anything’ Supply Chains” (2024)
4 Source: Walmart, “Walmart Commerce Technologies Launches AI-Powered Logistics Product”

AI value in store operations

Store operations, responsible for creating memorable customer experiences and driving in-store efficiency, contribute to an uplift of up to 1.5 percentage points to the operating margin potential (around 11% of the total uplift for all value chain elements). This step in the value chain encompasses workforce planning, shelf management, and in-store customer interactions, all of which play a critical role in enhancing sales per store.

One impactful application is store and shelf planogram optimization, which uses AI to recommend product placements based on sales data, customer preferences, and spatial constraints. By maximizing shelf utilization and promoting high-margin products, retailers can significantly enhance sales performance.

Another key AI use case is workforce planning, where AI-powered tools analyze store traffic patterns, seasonal variations, and employee availability to create dynamic staff schedules. This ensures optimal staffing levels, reduces idle time, and enhances customer service quality. AI also plays a role in visual product recognition, where deep learning algorithms identify items at checkout or detect low inventory levels on shelves. By automating these processes, retailers can reduce labor costs and improve operational efficiency.

Industry example

Carrefour has transformed its store operations in Belgium by deploying AI tools to monitor product freshness and track best-before dates directly in stores. These tools analyze real-time data on in-store sales patterns and inventory levels, enabling precise restocking decisions and minimizing waste. By prioritizing product freshness and shelf optimization, the company enhances the customer shopping experience and reduces operational inefficiency.[5]

AI value in retail's enabling functions

Information Technology (IT): IT has a dual role in the AI reinvention. First, it provides the tools, talent, and training that the organization needs to deploy AI technology in the first place. Second, IT capabilities and processes are themselves subject to AI optimization. IT contributes to an uplift of up to 0.3 percentage points to the operating margin potential (around 1.8% of the total uplift for all value chain elements).

A major field of AI application in IT is software development and testing. Due to systematic programming language, AI can act as a co-pilot for developers and data engineers, adding impressive quality and speed to the process.

At the same time, AI can enhance the overall process excellence of IT, for example through bottleneck prediction at operations centers or through highly advanced chatbots for IT service. Mundane tasks such as data cataloging or IT asset inventory maintenance can mostly be automated. AI can also lend vital support to the Chief Information Officer in other ways, such as by helping to combat increased cyber-attacks and alleviate the impact of severe talent shortages.

5 Source: The Retail Optimiser; "Carrefour Belgium optimises best-before data management with Delegate" (2024).

Human Resources (HR): AI offers great potential for HR in almost all areas of the employee lifecycle, especially recruitment, workforce and talent management, and training. The biggest challenge is to harness this immense power to make processes more efficient and less biased, while also preserving the interpersonal element. HR contributes to an uplift of less than 0.05 percentage points to the operating margin potential (around 0.2% of the total uplift for all value chain elements).

In the future, AI will support recruiters to refine job requirements, personalize reach-outs to candidates based on their preferences, and offer productive ways to navigate all the incoming profiles. As AI takes over the routine tagging of skills and experiences by analyzing unstructured candidate data, HR staff will be able to invest more time in interpersonal communication. AI can also assist with unbiased candidate selection and the onboarding and training of new hires. In our analysis, we reviewed multiple AI use cases, including automated candidate screening and comparison, automated performance evaluation, and training content generation.

Due to the enhanced output, speed, and quality that it brings, AI can have a transformative impact on HR. Yet the advent of AI also poses a recruitment and training challenge for HR if the company is to remain competitive. There is a shortage of available talent with the necessary skills, while the existing workforce must learn how to handle AI. In this sense, HR is also an enabler of AI, as well as its beneficiary.

Finance: Finance is also both an enabler and beneficiary of AI. Acting in the capacity of an enabler, the CFO has to understand the impact of this technology on the value chain and allocate resources to the most promising projects, including overarching initiatives such as AI agents. Finance contributes to an uplift of up to 0.2 percentage points to the operating margin potential (around 1.1% of the total uplift for all value chain elements).

In terms of the benefits it generates, AI can automate repetitive tasks, generate complex reports from just a short prompt, and aggregate or analyze data. Our experts identified three use cases as especially impactful. Automated reporting completes writing tasks that follow the pattern set by style guides or previous projects, or simplifies and corrects language from existing drafts. Invoice processing involves the automated handling of invoices – identifying duplicates, matching purchase orders, and initiating payments. Financial planning and analysis (FP&A) chatbots can answer questions about datasets and document libraries by processing data from different sources.

Legal, compliance and the internal audit function: Analysis of AI use cases for retailers' legal functions identified some benefits, especially from reduced costs and optimized outputs. Some compelling examples are the generation, validation, and comparison of complex contracts, as well as compliance monitoring. Legal contributes to an uplift of more than 0.1 percentage points to the operating margin potential (around 1.0% of the total uplift for all value chain elements).

SECTION 3

Five steps to overcome challenges and realize AI value

In comparison with other sectors, the adoption of AI within the retail industry has been uneven. It has varied significantly according to the particular business model used by the retailer. Native online retailers, such as Amazon, were quick to embrace AI, and have placed increasing pressure on slower-adopting brick-and-mortar businesses to catch up.

Given the clear financial incentive to do so, we expect other retailers to close the AI value gap rapidly. The AI focus will shift from experimentation and incremental value with selected use cases to more extensive transformation. AI will become an essential component of the overall business strategy as well as distinct functional strategies, solving specific (cross-) functional business problems. Integrating agentic AI, which refers to AI systems capable of autonomous decision-making and action, will change the way retailers work and provide support to the entire workforce (and potentially handing over not only to humans but also other AI agents).

While AI use cases can demonstrate some value early on, significant ROI and scalability takes many years. As retail is a highly competitive and low-margin business, all players must start this process as soon as possible so that they can maintain their competitive position in relation to products, pricing, and a seamless customer experience.

Each retailer should decide the pace that suits them. The first movers that invested early on are likely to enjoy greater upsides, but they have also made the highest investment and taken on the most risk. Conversely, the investment and risk for fast followers is lower, but so is the upside. For retailers looking to catch up, there are five critical objectives.

> “To harness AI’s transformative power, retailers must move from incremental steps to strategic strides. Rather than applying AI haphazardly, this means addressing a specific business or functional problem, and then ingraining solutions deep into processes and culture.”
>
> **Eileen Dahlen**

1. Organize for AI delivery

To implement AI effectively and harness its transformative potential, retail companies must build organizational models that align with business goals. By crafting the right structures, empowering their workforce, and optimizing processes, retailers can enhance collaboration and accelerate AI delivery at scale.

All this necessitates an organizational design with clear roles and efficient governance mechanisms. The task of optimizing processes also requires well-defined metrics and comprehensive policies, standards, and guidelines. Integrating agentic AI can change the organization structure further, and streamline operational processes. People need to be empowered to make use of AI through targeted training programs.

2. Balance platform strategy and innovative tooling

Vendor-led delivery models have been dominant over recent years, especially for complex AI products, but their timeliness and quality have sometimes been questioned. Internal development and delivery are now becoming more prevalent as many retailers extend their capabilities across cloud services and data science. However, there are substantial challenges to be overcome, notably resource quality, skill sets and experience, cultural fit, and integration.

Due to the high complexity of many use cases, hybrid delivery in association with cloud hyperscalers and implementation partners has proven the fastest route to AI implementation. Such collaboration benefits from the combination of diverse skillsets across the business functions - software engineering, data science, and product delivery expertise.

3. Enhance data maturity and build access to strategic data assets

In the realm of AI, effective data management is fundamental to achieving success. Without mature data, even the most advanced AI applications may struggle to produce meaningful and accurate insights. Elements such as data modeling and cataloging are crucial for accelerating and refining AI development. Data modeling involves the comprehensive structuring of data across an organization, ensuring the transparency and accessibility of existing assets, such as customer, sales, market, location, and product data. Meanwhile, data cataloging creates a detailed inventory of all data resources, complete with metadata – essentially ‘data about data’.

Maintaining high data quality is vital, as inaccuracies or gaps can lead to flawed models and misleading predictions. Data quality involves accuracy, uniqueness, completeness, consistency, timeliness, and validity. In the retail sector, vast amounts of data are generated daily and with regional differences, making the data management process particularly complex. Where applicable, scalable data products can be built to overcome this issue and establish a solid foundation for successful AI initiatives.

4. Proactively address regulatory and ethical questions

Incorporating AI into business operations offers transformative potential, but it also brings critical regulatory and ethical considerations to the fore. To implement AI solutions that engender trust, organizations must proactively confront these issues and establish clear guidance. Understanding and complying with existing regulations is essential. Retailers must therefore stay informed about the evolving legal landscape surrounding AI, including data protection laws, intellectual property rights, and industry-specific regulations. By ensuring compliance, organizations not only mitigate legal risks but also reassure stakeholders. For example, retailers in Europe need to consider General Data Protection Regulation (GDPR), especially when dealing with sensitive customer data, as well as the EU AI Act which sets out the required transparency on the usage of AI and specific forbidden use cases.

However, ethical considerations also go beyond legal considerations and touch upon societal and organizational values. For example, organizations may want to ensure that their AI systems avoid biases that could lead to discriminatory outcomes. Especially in the retail sector, where AI use cases are directly used by customers or utilize customer data, retailers need to establish clear guidance on what they should be doing, and especially on what they should not be doing, with the data.

5. Establish a data culture and democratize the usage of data and AI

AI solutions promise to fundamentally alter the way business tasks are carried out, simplifying processes, enabling workers to focus on higher-value tasks, and enhancing overall productivity. While these outcomes may appeal to executives seeking cost savings and revenue generation, workforce adoption (from store associates to senior management) is a challenge to overcome. Employees entrenched in daily operations may fear and resist the impending changes to their roles.

Organizations must therefore implement top-down communication and training programs that not only explain the forthcoming changes but also highlight the benefits to individual workers, such as the opportunity to engage in more fulfilling and intellectually stimulating work. Solutions only capture value if they are applied.

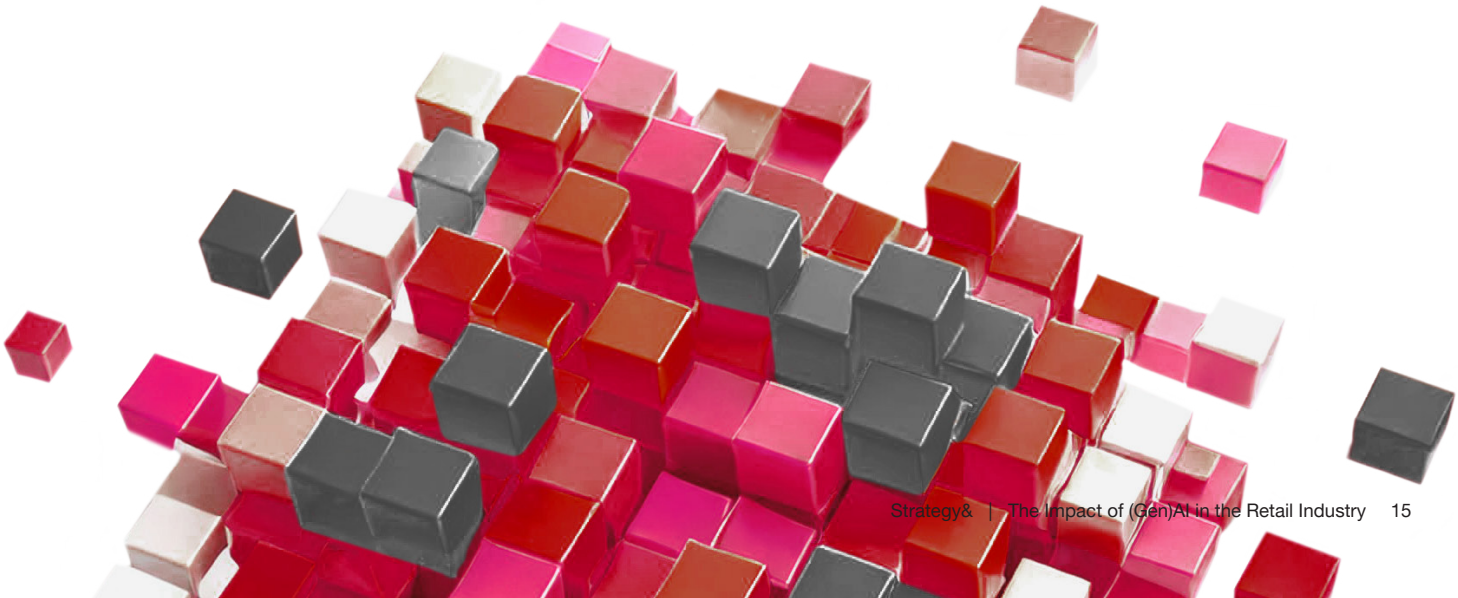
The path forward for retail: Embracing AI to confront headwinds and create value

As long-standing practices are turned upside down, retailers are being propelled toward a period of profound and urgent transformation. With the sector characterized by low margins, these retailers cannot afford not to confront disruptions relating to geopolitics and the environment, or similar far-reaching changes in customer demand. But understanding and addressing these disruptions is not just a matter of survival. The pivotal challenges offer an opportunity to redefine how value is created and delivered in the sector through the use of AI.

(Gen)AI and other advanced technologies are essential in reinventing the retail business for a new era. By embedding AI throughout the value chain, retailers can enhance resilience, boost efficiency, and deliver unprecedented value to both customers and stakeholders. Retailers have the potential to more than quadruple their operating profit margin. Indeed, AI has the potential to deliver up to $310 billion in value worldwide within the sector.

However, to harness this transformative potential, retailers must embrace AI strategically. This shift will require robust organizational models, solid technological and data foundations, a commitment to addressing regulatory and ethical considerations, and cultivating a culture that welcomes change.

Much more than incremental change is required. To achieve its potential before competitors race ahead, retailers must act without delay and start investing now in AI at scale. Those who act decisively and responsibly in adopting AI will find themselves in the optimal position to create substantial value for both customers and stakeholders.



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