



Executive
Perspectives

AI-First Companies Win the Future

Retail

October 2025

Introduction

We meet often with CEOs to discuss AI—a topic that is both captivating *and* rapidly changing. After working with over 2,000 clients in more than two years, we are sharing our most recent learnings in a new series designed to help CEOs navigate AI.

With most sectors going through major shifts, the focus in 2025 has been on how to leverage predictive, generative, and agentic AI to fully transform organizations and create new sources of competitive advantage.

In this edition, we discuss the role AI will play in shaping the future of retail.

We address key questions on the minds of retail executives:

- Is now the right time to invest in AI or should I wait?
- What are the AI deployments that actually unlock value?
- How do I get started, and how do I get this right?

This document is a guide for retail executives to cut through the hype around AI and understand what creates value now and in the future.

**In this BCG
Executive Perspectives,
we articulate the vision
and value of the future
of retail with AI**



Executive summary | Future of retail, driven by AI

WHY NOW

is the right
time to act

- **AI is enterprise-ready:** Agents now reason, act, and automate entire workflows
- **Consumers already shop with AI:** Opting out is not a possibility; must meet consumers where they are
- **Competitors are investing:** Leaders are accelerating spending in AI and seeing tangible returns
- **Top AI talent is scarce:** Early movers can attract better talent than laggards can

WHAT

value AI is
delivering for retail

- **Integrate with agents:** Retailers must decide strategically whether and how to show up
- **Launch owned agents:** Retailers that have launched AI-enabled experiences see 5%–15% conversion gains
- **Reshape functions:** Leading retailers reshape core and support functions for speed, quality, and cost gains

HOW

to transform
into an AI-first
organization

- **Rewire the operating model:** Agentic AI is forcing companies to rethink the operating model with flatter hierarchies, autonomous agent decision making, and cross-functional teams that bridge tech and business
- **Adjust leadership style:** Lead with bold ambition and prioritize a few big bets at a time; create accountability and focus on change management to unlock tangible and sustained results
- **Redirect tech spending:** AI can unlock tech efficiencies, which can partially fund investment in AI enablers



WHY NOW is the right time to act

Note: AI-generated image

AI is enterprise-ready

Agents now reason, act, and automate entire workflows

Consumers already shop with AI and agents

Retailers must meet consumers where they are

Competitors are investing

Leaders are accelerating spending in AI & seeing returns

Top AI talent is scarce

Early movers can attract better talent than laggards can

Four forces make AI a strategic imperative in retail



Tech

AI models are cheaper, more accurate, faster, and easier to deploy than a year ago

10x

improvement in cost of use for a given level of AI¹



Consumers

AI is redefining how consumers discover, evaluate, and purchase products

60%

of US consumers used AI to shop²



Competitors

Retail leaders are already deploying AI to reshape functions and consumer journeys

64%

of Fortune 500 retailers mentioned AI in earnings calls and reports³



Talent

The battle for AI talent requires rapid adaptation of organizations, operating models, and compensation

40%

of retailers have added AI leadership roles⁴

1. Sam Altman (February 2025). 2. Build for Future BCG Survey (2025, N = 1,233 across NAMR, EMESA, APAC); UVA Darden research
3. Mentions of AI topics in 2025 Q1 earnings calls and reports. 4. LinkedIn Talent Insights.
Source: BCG analysis.



Tech | AI technology is accelerating, increasing opportunities

In the past five years

AI **laid the foundation** for smarter decisions and more productive teams

Prediction and simulation models matured—improving revenue management, pricing, supply chains, and marketing

GenAI boosted productivity across the board, accelerating content creation, planning, and decisions

In the past 12 months

The **shift from tools to agents has begun**—entire workflows are now being automated

AI agents started **orchestrating end-to-end processes**, not just tasks

Synthetic content creation (e.g., video, voice) became **indistinguishable from human output**, disrupting creative models

In the next three years

Tools will continue to evolve; competitive advantage comes from **an adaptive mindset**

AI reasoning engines will tackle complex business strategy, forecasting, and innovation

Physical AI will upend cost structures in supply chains, fulfillment, and in-store operations

Agentic AI will dominate how consumers discover, evaluate, and buy

Consumers | Consumers have started to use agents to shop



Consumers are shifting behavior

77% Used ChatGPT as a search engine

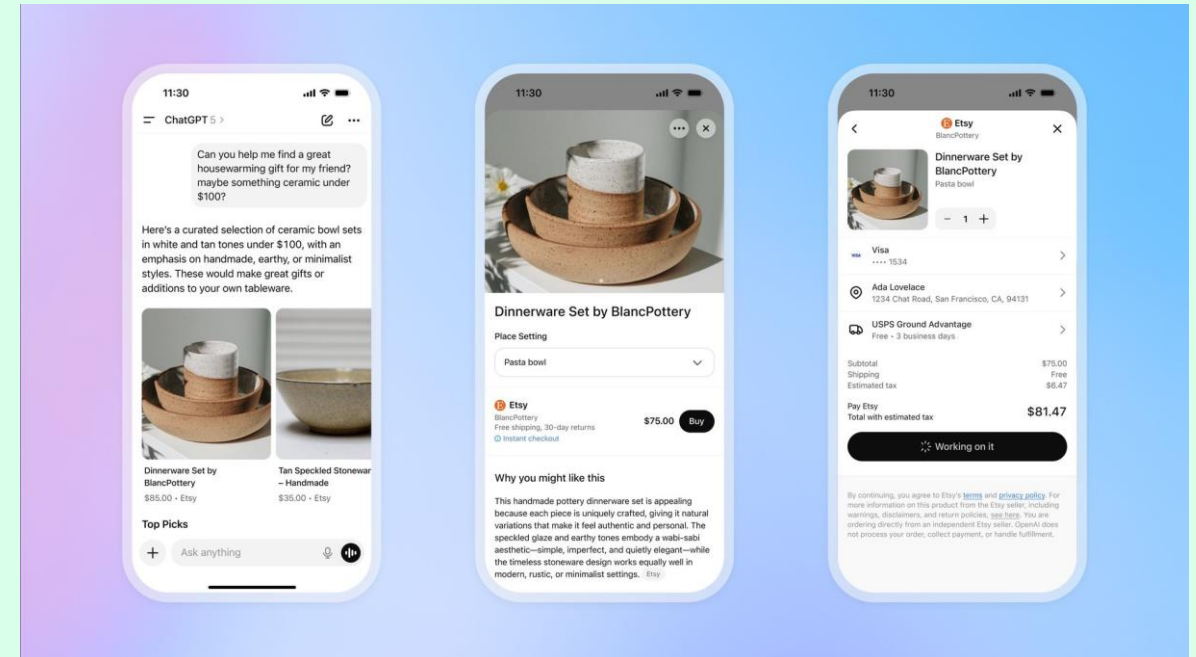
60% Used AI for part of shopping journey

Agents are driving traffic and engagement

4,700% Surge in GenAI-sourced traffic

8% Higher engagement from users from agentic sources

Source: Adobe Express N = 1,000 US consumers and marketers, 2025;
Adobe Analytics N = 5,000 US consumers, 2025; BCG analysis.



Examples (non-exhaustive)

OpenAI

ChatGPT now supports Instant Checkout and third-party apps

Perplexity

Launching Shop like a Pro, which assists with checkout

Google Shopping

Adding AI product recommendations

Competitors | Retailers are rapidly accelerating AI spending



From retail lagging others in AI investment...¹

Difference in respondents increasing
and decreasing spending (%)³

Health care	38%
Media	37%
Finance	36%
Tech	35%
Energy	31%
Retail	26%
Education	18%
Industrial goods	17%
Professional services	14%

...to retail in top-three industries raising spending²

Difference in respondents increasing
and decreasing spending (%)³

Tech	58%
Finance	51%
Retail	47%
Health care	46%
Industrial goods	45%
Media	42%
Energy	41%
Professional services	38%
Education	36%

1. 2023 H1 AI investment. 2. 2024 H2 AI investment. 3. Percentages are the net respondents spending change (percentage calculated by percent of respondents increasing spending minus percent of respondents decreasing spending).

Question: Please select the top three products where you expect your company to have the largest spending increases/decreases (in terms of %) in the next 12 months.

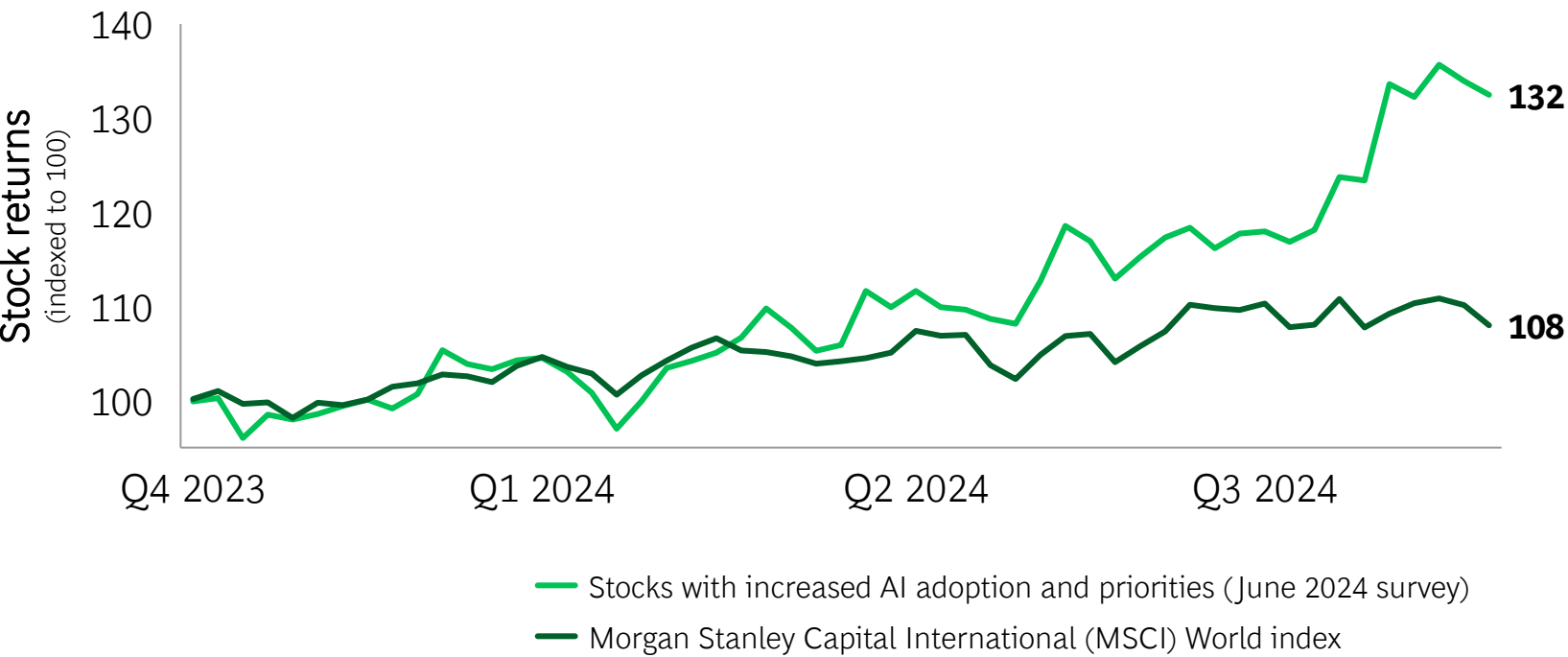
Source: BCG and GLG IT Buyer Pulse Check 6.0 (August 2023), N = 368; BCG IT Buyer Pulse Check 8.0 (Dec 2024), N = 602.



Competitors | AI leaders see tangible returns

Companies increasing their AI adoption and priorities are outperforming the market¹

Stock returns of firms that increased both AI adoption and priorities vs. the return of the market index



Impact for AI leaders

1.8x Revenue
(3-year average)

2.2x RoIC
(3-year average)

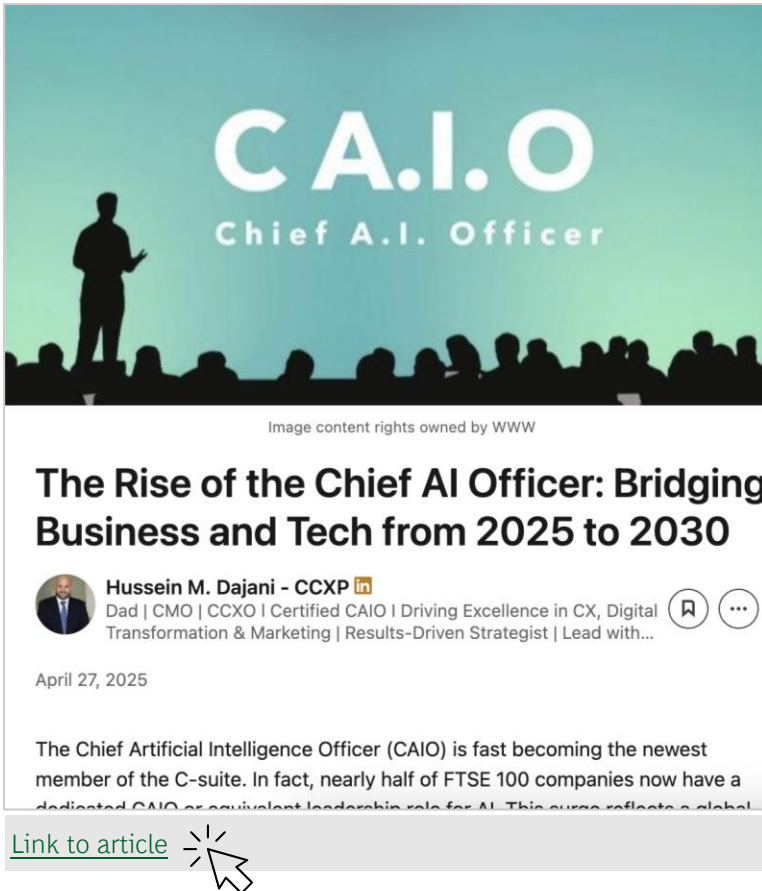
4x Improvement
in TSR

+29% Stock returns

1. Morgan Stanley Uncovering Alpha in AI's Rate of Change.
Note: Past performance is no guarantee of future results. Results shown do not include transaction costs.
Source: BCG Build for the Future 2024 Global Study (merged with DAI) N = 1000; Morgan Stanley, which leverages Eikon, MS Research.




Talent | Leaders are battling for top AI talent in the C-suite



CAIO
Chief A.I. Officer


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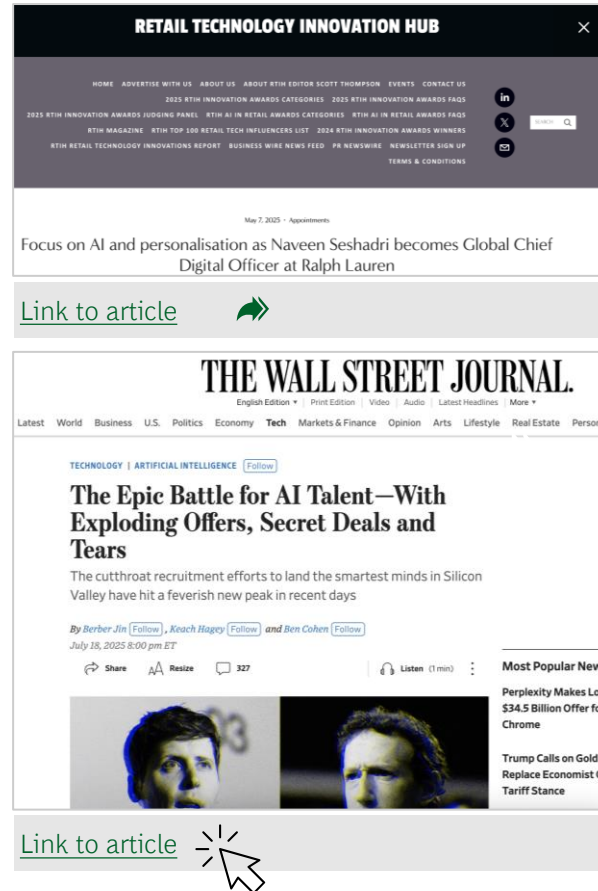
The Rise of the Chief AI Officer: Bridging Business and Tech from 2025 to 2030

Hussein M. Dajani - CCXP 
Dad | CMO | CCXO | Certified CAIO | Driving Excellence in CX, Digital Transformation & Marketing | Results-Driven Strategist | Lead with...

April 27, 2025

The Chief Artificial Intelligence Officer (CAIO) is fast becoming the newest member of the C-suite. In fact, nearly half of FTSE 100 companies now have a dedicated CAIO or equivalent leadership role for AI. This surge reflects a global

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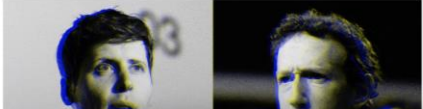
The Epic Battle for AI Talent—With Exploding Offers, Secret Deals and Tears


The cutthroat recruitment efforts to land the smartest minds in Silicon Valley have hit a feverish new peak in recent days

By [Berber Jin](#) [Follow](#), [Koach Haggy](#) [Follow](#) and [Ben Cohen](#) [Follow](#)

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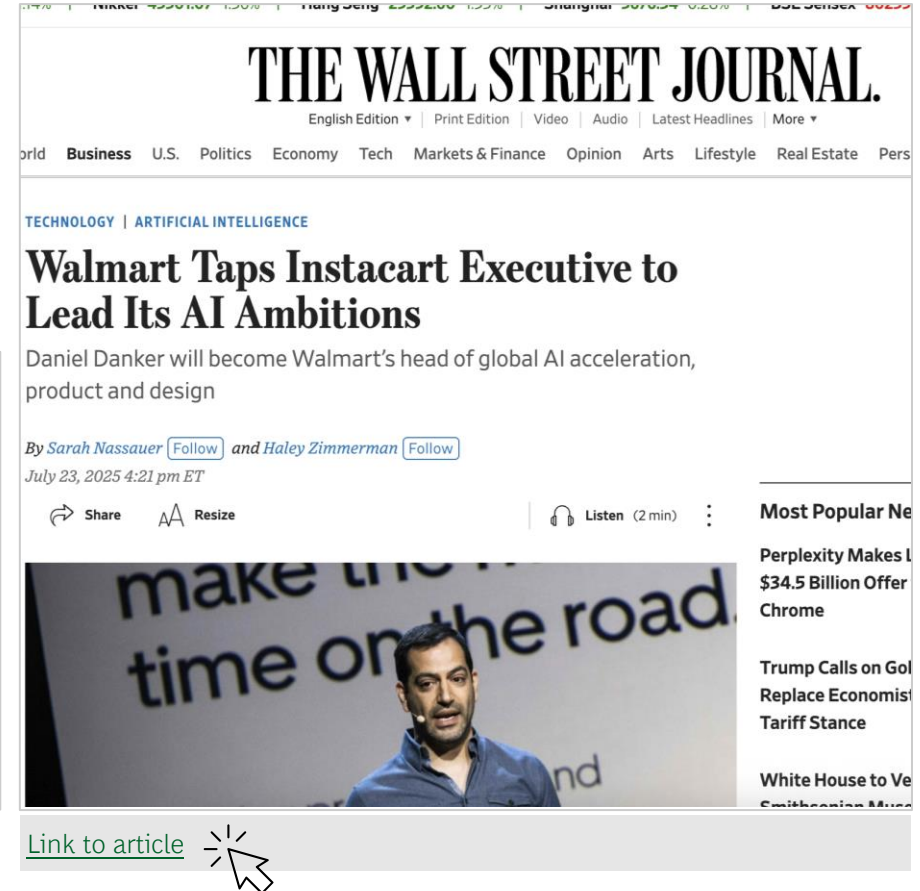
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Walmart Taps Instacart Executive to Lead Its AI Ambitions


Daniel Danker will become Walmart's head of global AI acceleration, product and design

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WHAT value AI is delivering for retail



Shoppers increasingly use agents

Retailers must decide whether and how to show up to win in this rapidly growing channel

Leading retailers are launching owned agents

A more personalized experience leads to 5%–15% gains in conversion

AI is reshaping core and support functions

Agentic AI drives radical gains in speed, quality, and cost across most functions

Agents disrupt retailers on two fronts



External: Enhance the customer experience

Agents are intensifying battle to own customer relationships

- ~60% of consumers already use AI and agents to shop
- ~46% of consumers trust AI recommendations more than friends' advice
- OpenAI integrated checkout directly in ChatGPT



Act early to shape how your brand appears to agents

- Third-party agents: Decide whether and how to play, ensuring visibility, brand voice, and accuracy
- Owned agents: Improve customer experience to increase conversion and basket size



Internal: Transform functions

Leading companies are using agents to transform

- **Faster:** E.g., 40% faster development of marketing content
- **Leaner:** E.g., 30%–50% reduction in marketing production cost
- **Better:** E.g., 10% higher click-through rates



Redesign core and support workflows around agents

- Decide functions to prioritize
- Transform end to end: Introduce AI/agents and adjust organization and operating model for higher speed, autonomy, and productivity

Agents disrupt retailers on two fronts

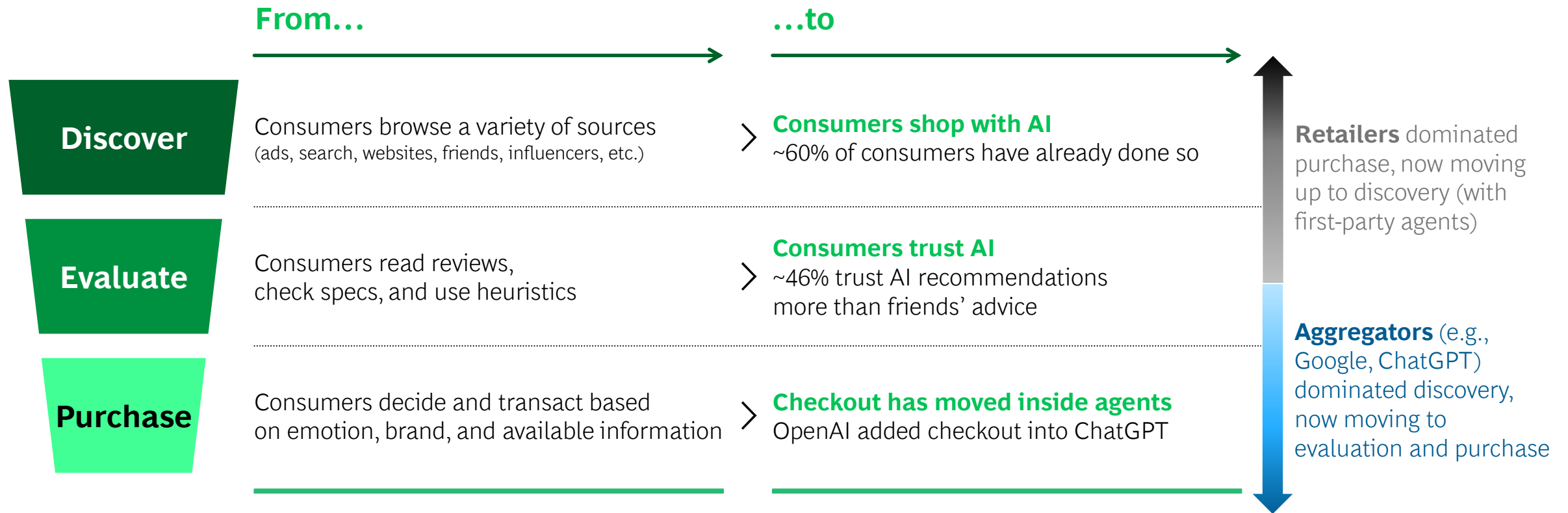


External: Enhance the customer experience



Internal: transform functions

AI agents are already reshaping how consumers shop



“ For every company, AI agents will be their most important digital interface, as important as their website or mobile app. ”
– Bret Taylor, Facebook former CTO, Salesforce former Co-CEO, OpenAI Chairman, and Shopify Board Member

Best practices to interact with third-party agents, such as ChatGPT

Be strategic

Decide whether and how to play on third-party agents

Destination game:

Drive customers to owned channels to protect margins and brand

Evaluation game:

Get recommended by agents to partake in growing channel and attract new customers

Deep-dive to follow

Be visible

Invest in answer engine optimization (AEO)

Publish high-quality and authoritative content

Use clear and semantically rich language (e.g., FAQs, summaries)

Optimize presence on LLM sources (e.g., Reddit, Quora, Wikipedia, review sites)

Test AI search ads (in future)

Be accurate

Control what agents say about you

Structure PDPs for agent consumption

Participate in open-source protocols (e.g., ACP¹) so data is up-to-date and shared on your terms

Build ChatGPT apps to surface products directly in user queries

Patterns emerge from strategic responses to prior disruptions

Example responses

Prior disruption		Destination game		Hybrid game		Evaluation game	
Online travel agencies (e.g., Booking, Expedia)	>	<i>Airbnb</i>	Not on OTAs, given unique inventory	<i>Marriott</i>	On OTAs, but no loyalty points	<i>Small hotels</i>	OTAs as primary sales channel
Retail: Amazon	>	<i>Ikea</i>	Not on Amazon, given low prices and strong brand	<i>Nike</i>	Basics on Amazon, hero SKUs on own site	<i>Hanes</i>	Amazon as main driver of growth
Retail: Instacart	>	<i>Trader Joe's</i>	Not on Instacart, given unique SKUs and store experience	<i>Sephora</i>	On Instacart, but with limited promotions	<i>Publix</i>	Gained share as number one Instacart grocer
Digital ad platforms (e.g., Meta, Google)	>	<i>The New York Times</i>	Behind paywall, given quality content	<i>Bon Appetit</i>	Some free content, rest behind paywall	<i>Reuters</i>	Licenses content to Facebook
		Win by differentiation, not distribution		Attract from platform, convert to own channel		Partake in growing channel, win on utility	

Choosing your game starts with knowing your edge

Sources of competitive advantage in an agentic world

Destination game

Convince customers to shop direct (vs. researching)

Evaluation game

Get recommended by agents



More
relevant

Win with uniqueness: “Consumers want YOU”

- **Brand:** Form emotional connection (e.g., Nike)
- **Price:** Be undisputed price leader (e.g., Walmart)
- **Assortment:** Offer unique SKUs (e.g., Trader Joe’s)
- **Quality:** Offer the best and freshest (e.g., Whole Foods)
- **Membership/loyalty:** Consolidate spend (e.g., Costco)
- **Experience:** Host, serve, and showcase (e.g., IKEA)

Win with utility: “Consumers want IT”

- **Price:** Cheapest for the right SKU/area/time (e.g., Temu)
- **Speed:** Deliver fastest (e.g., Walgreens with Doordash)
- **Visibility:** Integrate with agents (e.g., Etsy with ChatGPT)
- **Product fit:** Tailor to niche needs
(the number one in quality, sustainability, service, etc.)
- **Subscription:** Lock in repeat orders (e.g., Autoship)



Less
relevant

- **Location:** Location is an eroding convenience
- **Expertise:** Agents outperform human advice

- **Store fleet:** Use stores for speed, not discovery
- **Store size:** Cannot beat an agent’s infinite aisle

Retailers also launch their own agents to drive conversion

Retailers are launching first-party agents

1. **Act as personal shoppers** based on true consumer need
2. **Personalize final selection** based on live inputs and cues
3. **Suggest potential add-ons**
4. **Support postpurchase**, resolving issues and questions

Impact

Conversion

+5%–15%

Lift in purchase rate

Engagement

4x–8x

More high-intent behaviors
(e.g., checkout starts)¹

1. Behaviors correlated to conversion include add-to-cart events, product page views with high intent, starting checkout, email, or text sign ups, and more.

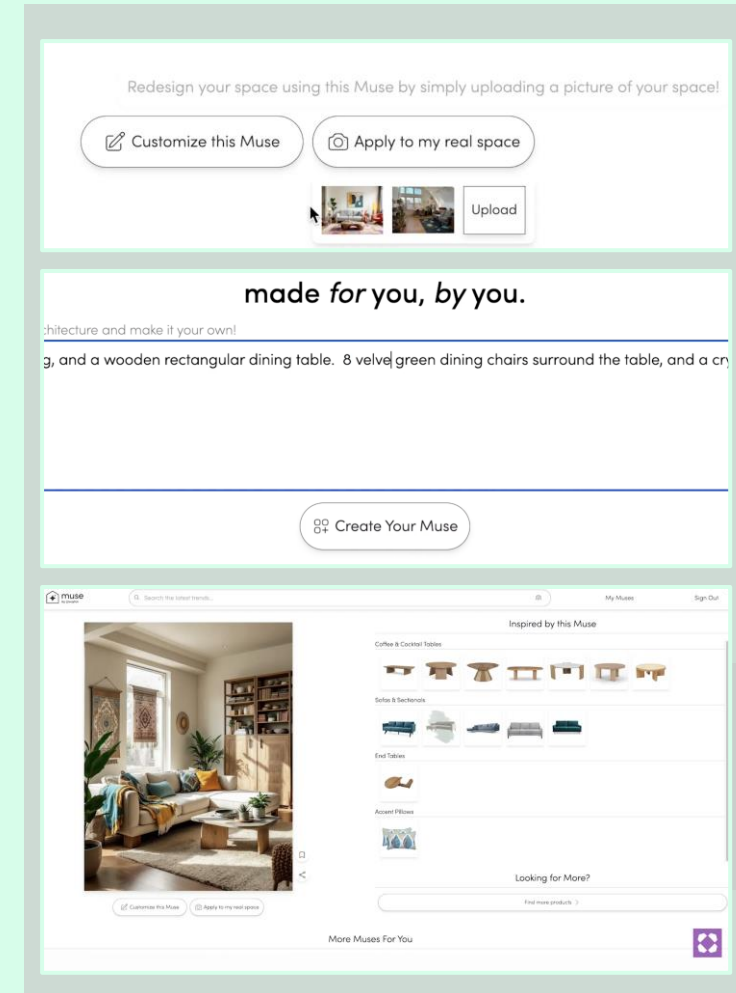
Source: BCG analysis, Wayfair disclosures on Muse suite of AI tools.

Examples

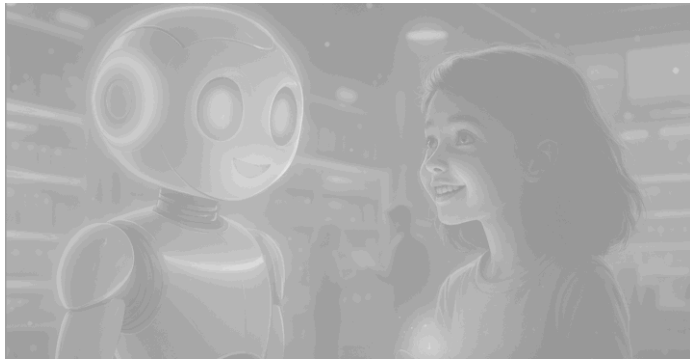
Walmart
Amazon Rufus
Curate product lists using input and inventory

Lowe's
Defines project plan to suggest materials

Wayfair
Visualizes how furniture looks in your home



Agents disrupt retailers on two fronts



External: enhanced customer experience



Internal: Transform functions

Agents and AI are transforming core functions end to end

Radical gains in speed, quality, and cost

	1. Merchandising →			2. Supply chain →	3. Marketing →	4. Store operations →
	Assortment and space <ul style="list-style-type: none"> Localize and rationalize SKUs based on marginal productivity Optimize space and automate planogram design 	Supplier negotiations <ul style="list-style-type: none"> Prepare fact packs, draft emails, and conduct live coaching Compare contracts vs. POs and invoices to identify leakage 	Pricing and value <ul style="list-style-type: none"> Optimize prices and promotional calendars Drive perception, not just P&L impact Dynamically react to competitors 	<ul style="list-style-type: none"> Forecast demand, including external signals (weather, live events, etc.) Optimize replenishing, labor & asset allocation Flag vendor risks proactively 	<ul style="list-style-type: none"> Rapidly design and test creative Adjust creative and spending based on live performance 	<ul style="list-style-type: none"> Co-pilot to onboard employees and answer questions Dynamically generate schedules and shifts Automate hiring, e.g., auto screens
Speed	10x Faster assorting	30% Reduced cycle times	50x More dynamic pricing	60% Faster simulations	3x Campaign speed	25% Time saved on manual tasks
Quality	10x More localized planograms	100% Product order compliance	10% Improved value perception	2–5% Stockout reduction	3x ROI on campaigns	30% Improved employee satisfaction
Cost	3%–6% Gross profit lift	2%–4% Savings negotiated with AI	3%–5% Gross profit lift	5%–10% Inventory holding costs reduction	15% People and agency spending efficiency	5%–10% Labor costs reduction

Source: BCG project experience.

AI is also improving the effectiveness of support functions



Customer support

Resolves >90% of issues autonomously

Classifies issues and recommends next-best actions

Escalates to human when needed



Inventory operations

Automates robotics and operator workflows

Optimizes inventory across locations and touch points

Predicts supply gaps and overstock in real time



Finance

Detects fraud and anomalies instantly

Automates forecasting and variance analysis

Recommends financial actions based on goals



IT

Powers internal support desks

Auto-completes code, test logic, and documentation

Routes tech issues to the right owner, fast



HR

Recruits, screens, and schedules interviews

Coaches employees with personalized learning

Automates onboarding and performance feedback



Legal

Summarizes contracts and highlights risks

Translates legalese to plain English

Drafts baseline agreements



General productivity

Summarizes meetings, drives actions

Searches internal and external content, answer questions

Organizes workstreams across tools and teams



30% increased productivity

Example: Merchant of the future is an orchestrator of agents

Negotiation agent

- Prioritizes vendors to approach
- Negotiates end to end with long tail
- Prepares fact packs and asks
- Coaches on counteroffers
- Checks invoices and claims leakage

Walmart AI pilot closed 64% of long-tail negotiations without a human, delivering 1.5% savings

Replenishment agent

- Forecasts demand by store and SKU, and triggers replenishment
- Identifies bottlenecks and reallocates inventory dynamically across stores

Carrefour Belgium AI inventory management reduced food waste by 40%

MERCHANT OF THE FUTURE



ILLUSTRATIVE, NOT COMPREHENSIVE

Price and promotion agent

- Prices dynamically, adjusting when customers, competitors, or costs change
- Designs full promotion calendar that maximizes true net incrementality
- Orchestrates across all value levers (price, promo, loyalty offers, etc.)

Canadian Tire AI pricing engine drives sales and gross profit, while investing where it matters to customers

Assortment agent

- Identifies white space by analyzing competitor SKUs and consumer trends
- Localizes assortment by store needs
- Designs store-level planograms that maximize marginal productivity

Tesco AI curates assortment based on local customer needs

Example: Store experience of the future is enhanced by agents

Customer experience agent

- Recommends personalized offers, styling tips, or product pairings
- Answers customers' questions

Best Buy AI provides personalized customer support & assists human employees

Store tracking agent

- Monitors customer traffic and dwell time to adjust staffing and layouts
- Monitors and replenishes out of stocks
- Increases retail media monetization

Harmons Autonomous robots scan stock levels and verify prices, so associates focus on service

STORE OF THE FUTURE



ILLUSTRATIVE, NOT COMPREHENSIVE

Hiring agent

- Screens candidates
- Assesses candidate fit
- Runs interviews

Ace Hardware Conversational AI decreases interview no-shows by 40%

Employee support agent

- Trains new associates
- Answers employee questions

Starbucks Green Dot Assist provides real-time barista training, order assist and upskilling

Scheduling agent

- Generates rosters and handles callouts
- Creates task lists and updates based on real-time traffic

Walmart AI task management tools reduce shift planning time from 90 minutes to 30 minutes



HOW to transform into an AI-first organization

Rewire the op model

Flatten hierarchies and shift work to agents, bridge tech and business

Adjust leadership style

Prioritize a few big bets, create accountability, and focus on change management

Redirect tech spending

Use AI to streamline legacy tech and direct investment to AI enablers

Agents are causing a shift in the operating model

From...



Specialist roles with deep expertise



Function-led hierarchies
with layers of approval



Decisions via **meetings and reporting**



Siloed IT teams supporting the business



Tech investments **driven by CTO and CIO**

...to

Fewer roles with broader scopes,
with AI filling in knowledge gaps

Flat organizations with agents
driving execution and humans steering

Real-time decisions by agents
with human oversight

Embedded AI teams across IT and business

AI roadmap owned strategically by
full executive leadership team

Five behaviors for senior leaders to drive AI impact



Lead with bold AI ambition

Make AI a top-three CEO priority, tied to strategic vision
Overcommunicate so sponsorship is unmistakable



Do less, reap more

Focus the organization on two or three high-impact bets at a time;
reinvest gains to create a self-funding roadmap



Create accountability

Track the value of AI for productivity, quality,
and employee and customer satisfaction



Invest in people and reshape workflows

Success is 10% AI models, 20% data and technology,
and 70% change of organization and operating model



Model experimentation and learning

Demonstrate usage: be an AI leader, not an AI cheerleader
Invest in upskilling at scale

AI unlocks tech efficiencies, which can partially fund AI investments



Use AI to reap efficiencies



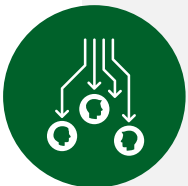
Free up engineering capacity

by using AI to handle coding and upgrading legacy tech



Automate manual tasks

(e.g., reporting) and routine work to cut waste



Improve IT buying process to increase agility (e.g., RFPs, spending negotiation, contract audits)



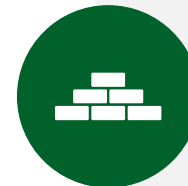
Reinvest to support AI



Pursue an LLM-agnostic approach given rapidly changing capabilities and cost curves in AI technologies



Buy where possible, build for strategic advantage



Invest in foundational enablers—high-quality data and APIs, AI infrastructure to host agents, etc.



BCG