



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.

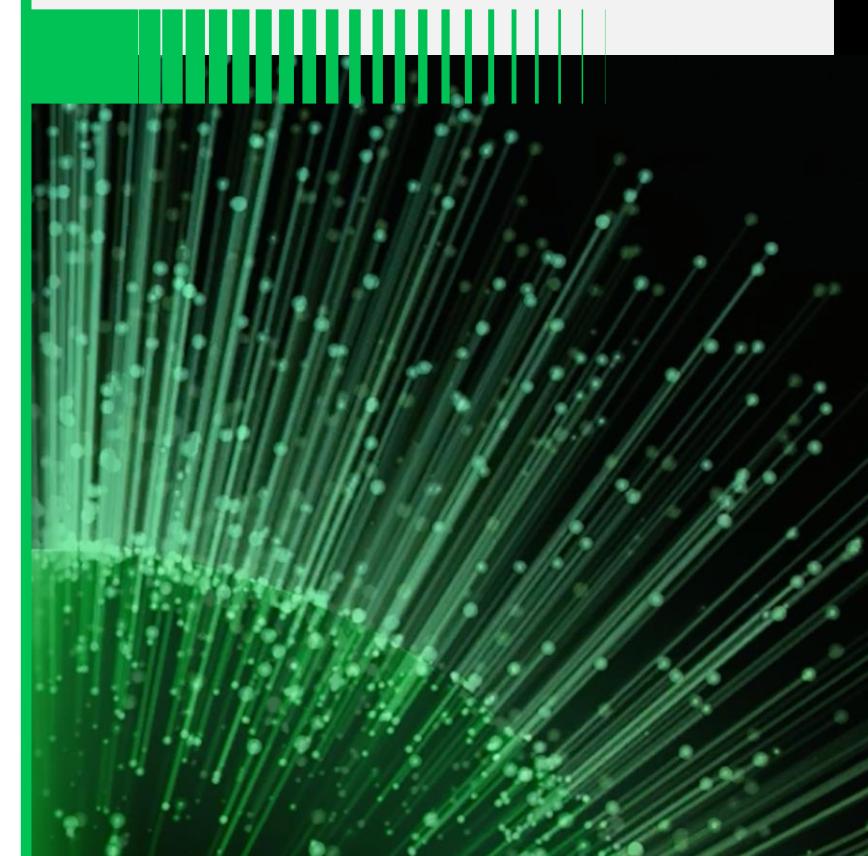
In this edition, we discuss the role AI will play in shaping the future of retail.

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 AI<sup>1</sup>



## Consumers

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

**60%**

of US consumers used AI to shop<sup>2</sup>



## Competitors

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

**64%**

of Fortune 500 retailers mentioned AI in earnings calls and reports<sup>3</sup>



## Talent

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

**40%**

of retailers have added AI leadership roles<sup>4</sup>

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

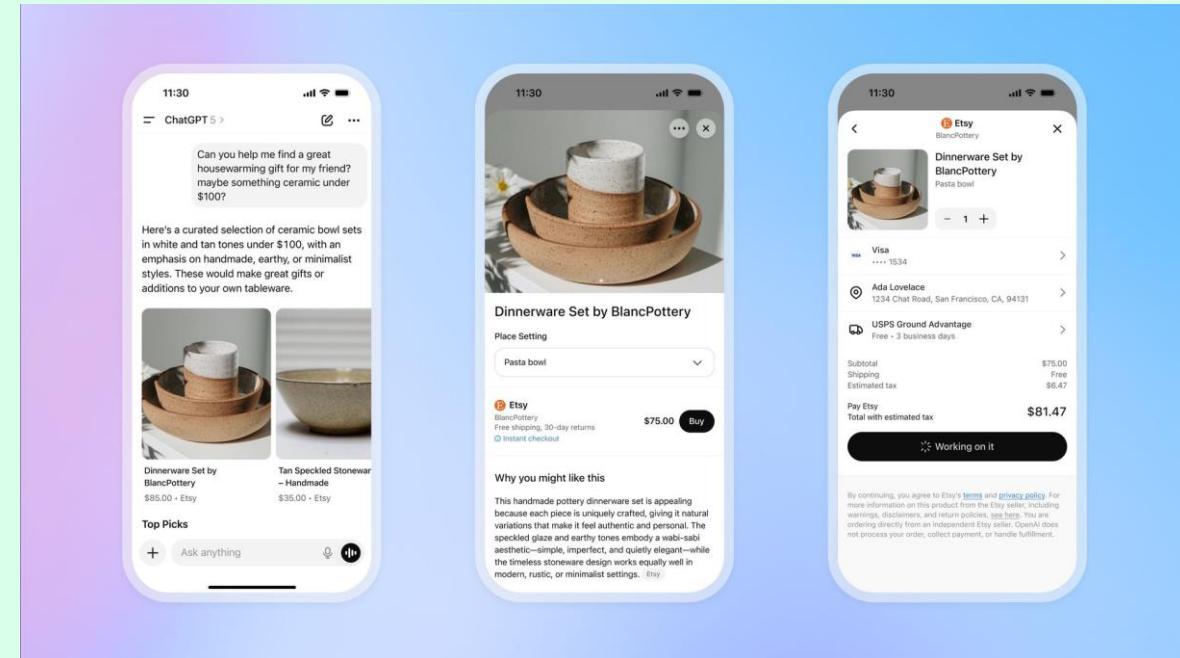
## Consumers are shifting behavior

- 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

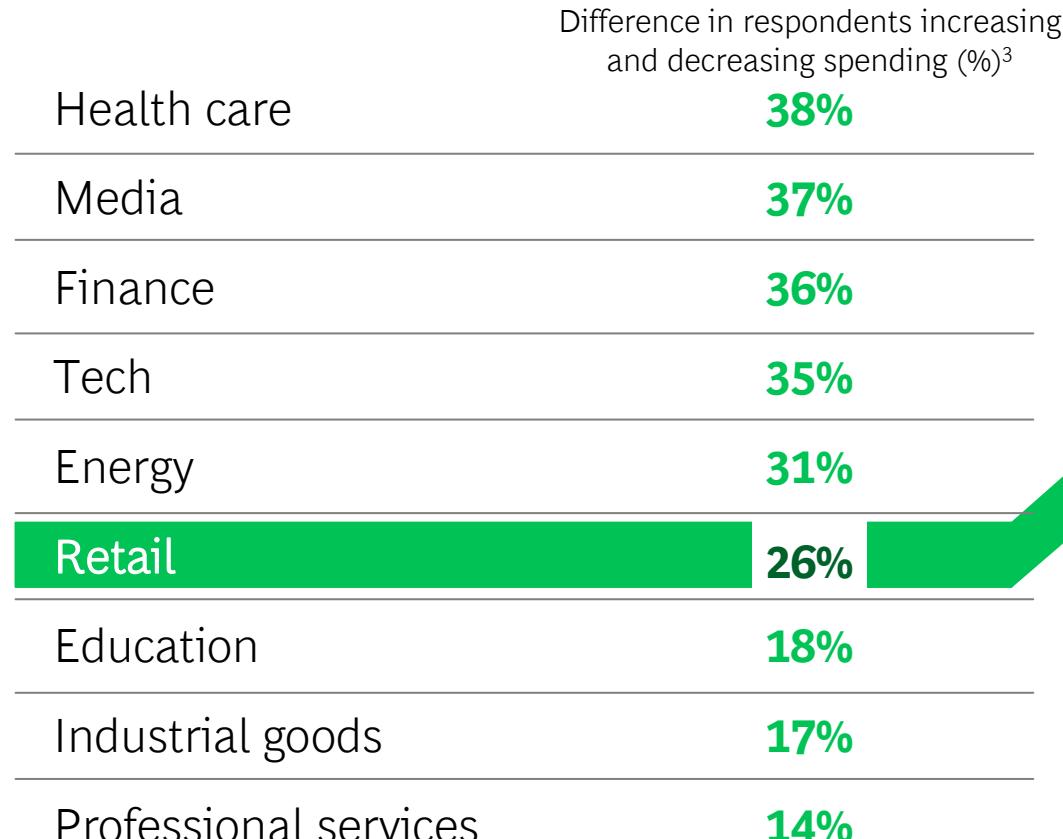
### Google Shopping

Adding AI product recommendations

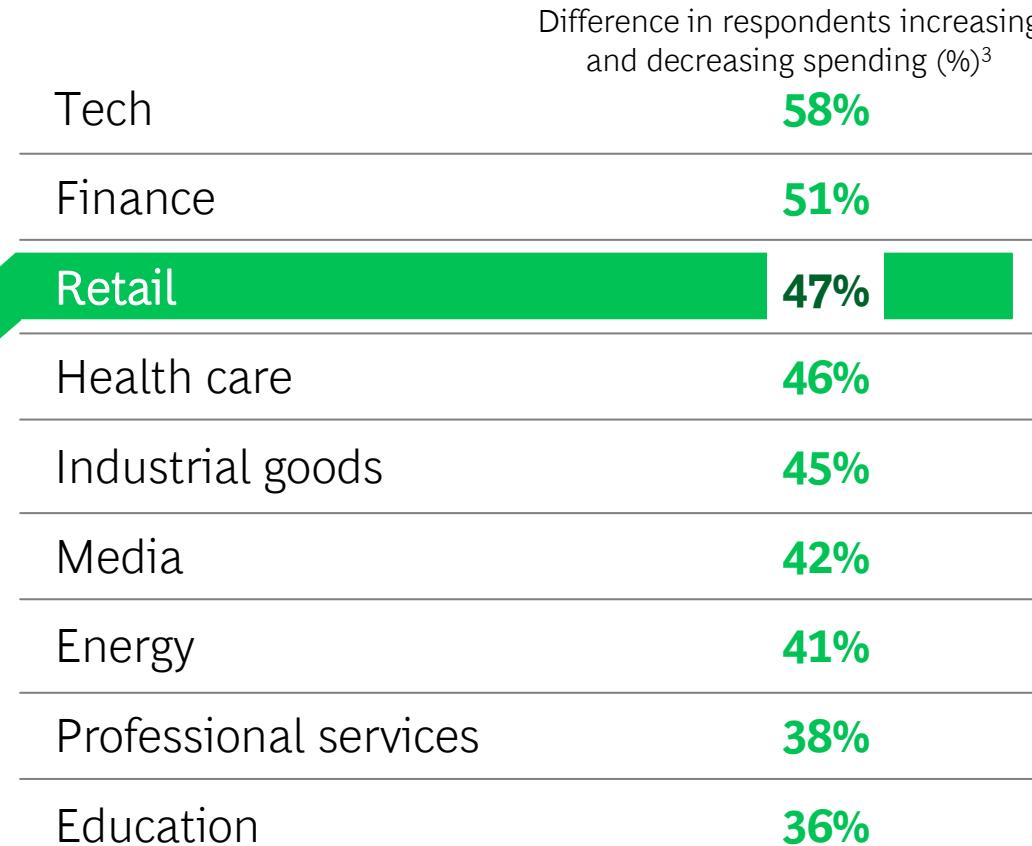


# Competitors | Retailers are rapidly accelerating AI spending

## From retail lagging others in AI investment...<sup>1</sup>



## ...to retail in top-three industries raising spending<sup>2</sup>



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.

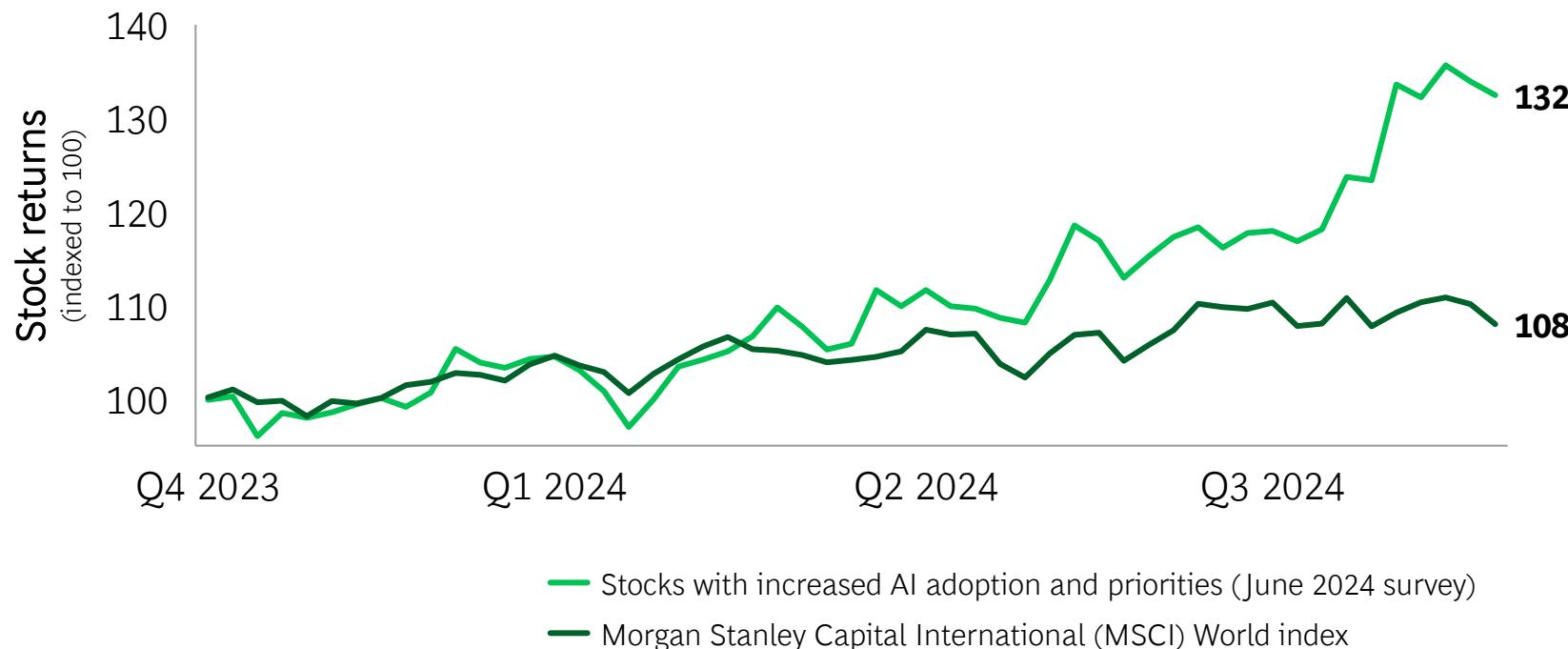
Source: BCG and GLG IT Buyer Pulse Check 6.0 (August 2023), N = 368; BCG IT Buyer Pulse Check 8.0 (Dec 2024), N = 602.

# Competitors | AI leaders see tangible returns



**Companies increasing their AI adoption and priorities are outperforming the market<sup>1</sup>**

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



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



Hussein M. Dajani - CCXP in

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

[Link to article](#)



Focus on AI and personalisation as Naveen Seshadri becomes Global Chief Digital Officer at Ralph Lauren

[Link to article](#)

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TECHNOLOGY | ARTIFICIAL INTELLIGENCE

### 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](#), [Krech Hagey](#) [Follow](#) and [Ben Cohen](#) [Follow](#)

July 18, 2025 8:00 pm ET

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# WHAT value AI is delivering for retail

Note: AI-generated image

## 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

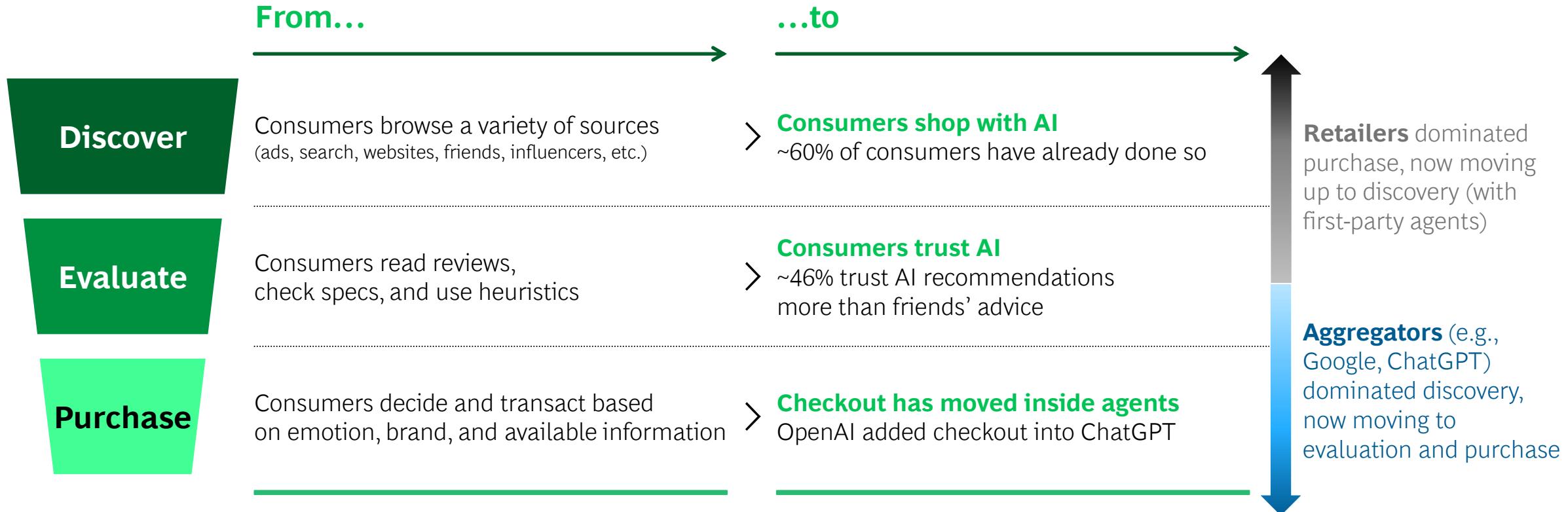


**External: Enhance the customer experience**



**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., ACP<sup>1</sup>) so data is up-to-date and shared on your terms

Build ChatGPT apps to surface products directly in user queries

1. Agentic Commerce Protocol by OpenAI.  
Source: BCG analysis.

# 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)



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)



Less relevant

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

## Evaluation game

Get recommended by agents

### 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)

- **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

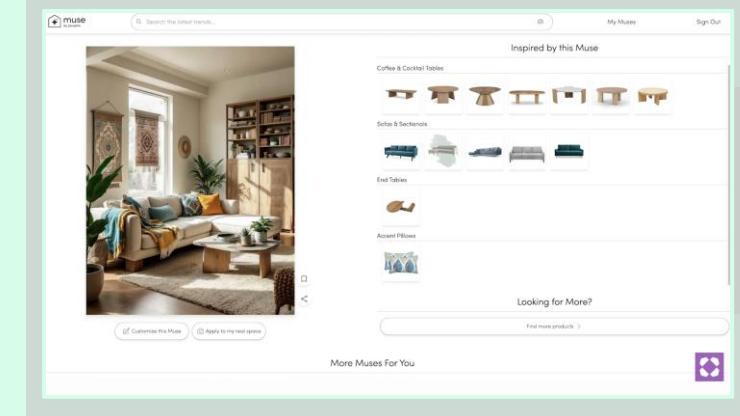
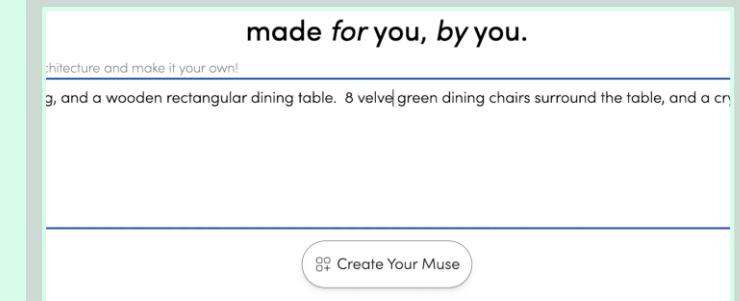
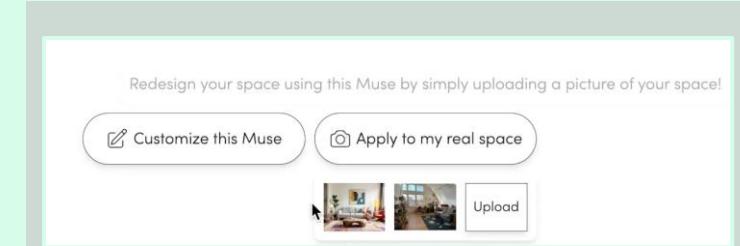
**4x–8x**

More high-intent behaviors  
(e.g., checkout starts)<sup>1</sup>

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

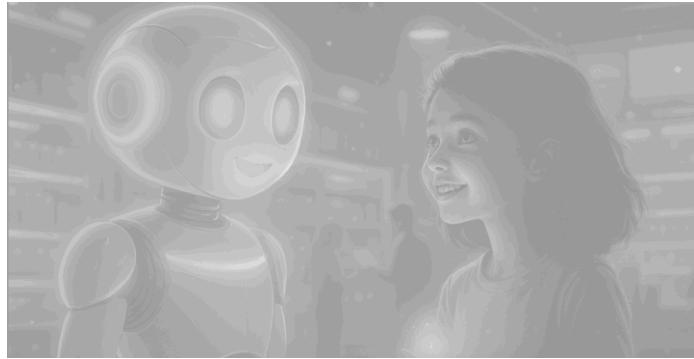


*Walmart*  
*Amazon Rufus*  
Curate product lists using input and inventory

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

Source: BCG project experience.

# AI is also improving the effectiveness of support functions

 <b>Customer support</b>	 <b>Inventory operations</b>	 <b>Finance</b>	 <b>IT</b>	 <b>HR</b>	 <b>Legal</b>
Resolves >90% of issues autonomously	Automates robotics and operator workflows	Detects fraud and anomalies instantly	Powers internal support desks	Recruits, screens, and schedules interviews	Summarizes contracts and highlights risks
Classifies issues and recommends next-best actions	Optimizes inventory across locations and touch points	Automates forecasting and variance analysis	Auto-completes code, test logic, and documentation	Coaches employees with personalized learning	Translates legalese to plain English
Escalates to human when needed	Predicts supply gaps and overstock in real time	Recommends financial actions based on goals	Routes tech issues to the right owner, fast	Automates onboarding and performance feedback	Drafts baseline agreements

 <b>General productivity</b>	Summarizes meetings, drives actions Searches internal and external content, answer questions Organizes workstreams across tools and teams
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**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

AI pilot closed 64% of long-tail  
*Walmart* 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* Conversational AI decreases *Hardware* interview no-shows by 40%

## Employee support agent

- Trains new associates
- Answers employee questions

*Green Dot Assist* provides *Starbucks* 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

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



# HOW to transform into an AI-first organization



Note: AI-generated image

## 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

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## 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

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## Create accountability

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

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## Invest in people and reshape workflows

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

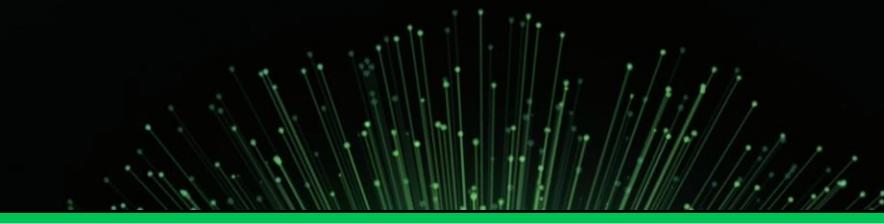
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## Model experimentation and learning

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



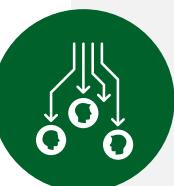
## Use AI to reap efficiencies



**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.

The background of the image is a dark, solid color. Overlaid on the top portion is a dense, fan-like arrangement of numerous green fiber optic cables. These cables are thin and light green, with small glowing dots at their ends, creating a sense of depth and data flow. In the center of the image, the letters "BCG" are displayed in a large, bold, white sans-serif font. The letters are slightly overlapping, with "B" on the left, "C" in the middle, and "G" on the right. The overall composition is clean and modern, suggesting themes of technology, connectivity, and data analysis.

BCG