RETAIL GAZETTE



THE RETAIL GAZETTE BIG AI REPORT, 2026

Let's cut through the buzz and focus on what AI can REALLY do for you and your business. And, HOW you can get to a place where it's actually delivering its return on investment...

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Foreword



Felix Hoffmann,
CEO & co-founder, 7Learnings

There's a lot of noise about AI right now, much of it focused on chatbots, content tools, and the experiments that grab headlines. These are not where the biggest business impact will be felt. Behind the scenes, something a lot more practical is happening. Retail is learning to make better decisions.

What AI does, when applied well, is help retailers understand the impact of every choice before they make it. Pricing, promotions, stock, campaigns; these are the decisions that shape performance. AI gives those decisions structure and foresight.

This is pure decision automation. Predictive models forecast how the market will respond to a given move, while optimisation algorithms identify the action that best meets your business objectives. This represents a marked shift from the manual, intuition-based processes many retailers still rely on - processes which simply can't adapt to the rising complexity of retail decision making.

The application layer is then known as target-driven steering: defining the destination, such as maximising profit or accelerating sell-through, and letting AI calculate the most efficient route. Decision automation builds the map; target-driven steering decides where to go.

The result is a quieter kind of transformation, representing a move from chasing results to designing them. AI stops being a project and becomes the operating rhythm of the business. As agentic AI begins to shape the shopping experience, with consumers' own systems comparing products, evaluating prices, and even buying autonomously, the same principle will apply externally. Retailers won't just need to convince people, they'll need to convince algorithms. Trust, transparency, and clarity will become the new front of brand experience.

The crux of AI in retail is about predicting outcomes and deciding precisely. Data is only valuable when it drives a clear outcome, turning intelligence into direction, and direction into measurable success.

If you are working in B2C pricing, I would like to invite you to join the Dynamic Pricing Community, our exclusive community of over 250 retail pricing experts. Members enjoy access to invite-only events where professionals network, share insights, and learn from top practitioners.

Our past speakers include experts from leading eCommerce and retail companies like Zalando, Philips Healthcare, SellerX, Avon, and Flink. Sign up through: 7learnings.com/dynamic-pricing-community/.

Foreword



Jocelyn Paulley,
Co-leader of Retail & Leisure Sector (UK), Gowling WLG.

AI has become the most talked-about topic in retail, yet much of the conversation is dominated by hype, headlines, and surface-level experiments. The real story, however, is unfolding quietly behind the scenes.

Retailers are not just adopting new tools – they are fundamentally rethinking how decisions are made, how value is created, and how customers are served.

This report cuts through the noise to reveal what AI truly means for retail in 2025 and beyond. It explores how decision automation, predictive analytics, and agentic AI are reshaping everything from pricing and promotions to supply chains and customer experiences. The focus is not on the technology itself, but on the outcomes it enables: smarter decisions, greater efficiency, and greater personalisation for customers.

As you read, you'll discover that the winners in this new era are not those who chase every trend, but those who use AI with purpose and clarity. They start small, build momentum through targeted use cases, and scale what works. They understand that AI is not a silver bullet, but a powerful enabler – one that amplifies human creativity, sharpens strategy, and turns data into direction.

The report will help guide you to navigate this transformation. It offers practical insights, real-world examples, and expert perspectives to help you move beyond the buzz and unlock the true potential of AI in your business.

Demystifying AI

Section 1

If you're part of the vast majority of retailers that have, in confidence, told Retail Gazette that AI feels somewhat like the sword of Damocles hanging over their heads, fear not - you aren't alone.

Not a day goes by without some dramatic leap in artificial intelligence making headlines. Some are optimistic to the point of evangelism, others lean heavily into the apocalyptic. ***"AI may replace 300 million jobs." "AI will kill creativity." "AI will kill us."***

Whatever the angle, the message is consistent. This is big, it's urgent, and if you're not already using it, you're probably behind.

It's no wonder retail leaders are quietly panicking. Everyone's talking about AI and everyone seems to be using it in mysterious, almost mystical ways. Competitors claim their marketing teams now have 'AI copilots'. Technology vendors insist that generative intelligence' is transforming customer journeys. Investors, analysts, and consultants all seem to agree that this is retail's make or break moment.

And yet, if you strip away the noise, what's actually changed?

For most retailers, the truth is rather less dramatic. AI today is simply a tool. A powerful one, yes, but a tool nonetheless. "***The advent of AI is like the advent of the internet,"*** notes Jocelyn Paulley, Partner at Gowling WLG.

1 Demystifying AI

A very exciting general-purpose technology which the world, business, consumers and governments need to work out how they want to use it, where it creates the most value, how to manage the risk, but most of all, how to trust it.

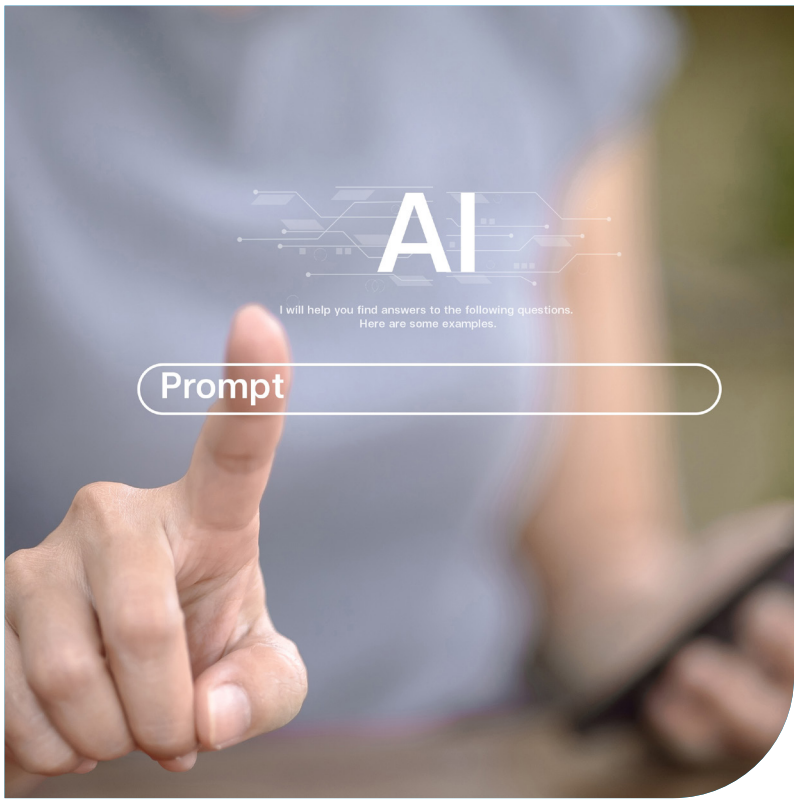


The internet was, as Paulley highlights, a new, confusing and nebulous idea that, in many ways, was more of an idea than it was a truly transformative tool. It, like much of the innovation before it, crawled before it could walk.

Now it's running, and the use cases are incredibly clear for retailers.

It took about 10 years for ecommerce to normalise on the internet (facilitated by the rise of complementary technologies like smart phones and online payment processing), and of course ecommerce hasn't remained static but has continued to develop with mobile commerce, social commerce, and unified commerce. Our use of AI is likely to be the same, although not likely to take 10 years,

Paulley adds.



1 Demystifying AI

> ***You don't go around with a hammer looking for nails.***

Yet simply sitting around a boardroom table demanding that 'we must be on the internet or we're dead!' was an unproductive and frankly dangerous mindset. Without clear use cases, the internet was a neat tool that wasn't anywhere near an evolved proposition for business. An extremely apt metaphor one retailer told us at a recent roundtable summarises this point perfectly.

That line stuck with us because it perfectly captures the moment we're in. Retailers aren't short of tools. They're short of time, clarity, and capacity. AI won't replace strategy, creativity, or leadership but it can help connect systems, fill in the gaps, and take on the repetitive, inherently non-human-centric work that keeps teams from doing what they do best. Used wisely, it's the connective tissue that helps everything else in the business work better. Used badly, it's another expensive hammer, swinging wildly in search of a nail.

As anyone with knowledge of its evolution will tell you, AI has been around for years. What's new is accessibility. The rise of large language models and generative tools has pulled complex machine learning out of the data lab and dropped it onto everyone's laptop. And in retail, where margins are tight and efficiency is everything, that accessibility has changed the conversation. You don't need a PhD in computer science to benefit from AI. You just need to understand where it fits.

Because right now, many retailers are treating AI like an existential imperative rather than a strategic opportunity. They're rushing to 'adopt' something they don't fully understand, often with the hope that it will magically solve problems that have existed for decades. Slow decision-making, disjointed systems, poor data visibility, inefficient promotions, unpredictable customer behaviour.
AI can help with all of those things, but only if it's applied surgically, not as a blanket solution.

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The reality check

Despite the hype, very few retailers are using AI at scale. McKinsey's 2024 State of AI report found that while 79 per cent of companies globally claim to be experimenting with AI, only 15 per cent have successfully embedded it across multiple business functions. In retail, it's even lower. Most projects are still pilot-phase, and many (projections from the likes of Gartner place the number somewhere between 85 to 95 per cent) fail to make it past year one.

The same research found that 40 per cent of retail leaders admit they 'don't yet know where AI will have the most impact', a remarkably honest admission for an industry that's supposedly in an AI arms race.

At the same time, the numbers are too significant to ignore. According to PwC, AI could add $15.7 trillion (£11.6 trillion) to the global economy by 2030, with retail touted among the top three beneficiaries. Deloitte reports that AI-driven pricing optimisation alone can lift margins by 4 to 6 per cent, while predictive stock forecasting has been shown to reduce waste by as much as 30 per cent in grocery operations.

> ***Because AI is a technology with so many use cases and applications, it presents the opportunity to affect retail at almost every level. Discoverability, marketing, product design, stock management, personalisation and consumer experience,***

notes Paulley.



1 Demystifying AI

> ***The challenge for every retailer is assessing where in its business AI can have the greatest positive impact by performing a function better than the previous solution, but also being true to a retailer's values and objectives.***



In short, the opportunity is real, but so is the confusion.

A new kind of retail infrastructure

Here's the practical truth. AI isn't replacing retail as we know it. It's becoming invisible infrastructure. Just as the internet quietly transformed every process behind the scenes - from stock management to marketing analytics - AI is becoming the silent engine of modern retail.

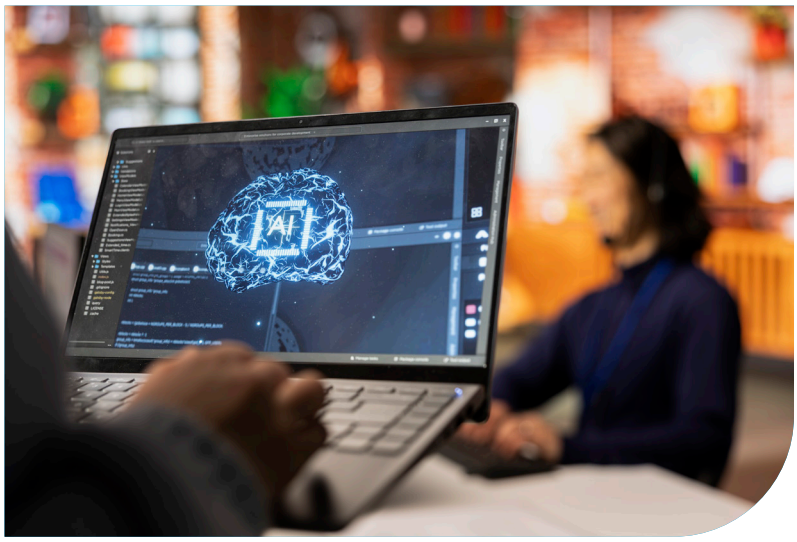
> ***So much of the conversation around AI is dominated by generative models, especially large language models (LLMs), but this overlooks where the true benefits can be attained,***

says Hoffman.



1 Demystifying AI

The real power of AI lies in decision automation, that is, not replacing human creativity, but giving every decision a data-informed foundation. In retail, thousands of micro-decisions happen daily: pricing, promotions, replenishment, markdowns. When AI automates the routine and surfaces the exceptions, retailers can finally focus on strategy instead of firefighting.



At its best, it's not something your customers even notice. It's what helps your store associate check availability before they've finished a customer conversation. It's what allows your pricing team to tweak offers in real time, rather than waiting for next week's reports. It's what helps your ecommerce engine understand intent, not just clicks.

In other words, it's plumbing. Not poetry.

If 2023 to 2025 were the years of AI hype, 2026 may well turn out to be the year of its reckoning. We've already seen it happen before, from the dot-com boom to the social media gold rush. There's always a moment when the noise drowns out the nuance.

The truth is, many experts including ChatGPT founder Sam Altman have admitted that we're now likely living through the 'AI Bubble' phase. And yes, it will probably pop. The technology won't vanish, after all the internet survived its own crash and is now fundamental to society as a whole, but the inflated expectations will. Some vendors will disappear, some over-hyped use cases will quietly die, and the market will stabilise. When it does, the retailers who have treated AI as a business tool, not a buzzword, will more than likely be the ones left standing.

1 Demystifying AI

Because here's the irony. The AI race isn't about being first. It's about being effective. And effectiveness comes from understanding your own business, your people and your data before you start wiring in algorithms.

So, where does that leave retailers?

Right now, there are three truths worth keeping in mind:

1. **AI is not coming for your job, it's coming for your inefficiencies.** It's here to remove the boring parts of work, not the people who do it, provided that they're open to the kind of agility which is simply a fabric of the working world right now. Is it that surprising that those obstinate few who refuse to embrace change will find themselves redundant among a sea of willing participants?
2. **You don't need to do everything at once.** This could almost be the summary of this report in a single paragraph. If you want the best advice on the implementation and utilisation of AI, it's this. Start small, start specific. Pick the processes where AI can deliver measurable ROI and let those wins build momentum.
3. **It's okay not to have all the answers.** The retailers who admit uncertainty are often the ones making the smartest moves. That pressure to look over your shoulder at all times is strong, but it's easy to completely miss where you're heading if you're constantly assessing the minute actions of others who are taking their own gambles that may not pay off. We all want to be Amazon at the dawn of ecommerce and grab opportunity, but we forget that this path was littered with other retailers, seemingly doing everything right, who didn't make it.

The promise (and point) of this report

This report exists to do one thing - cut through the fog. We're going to explore what AI actually means for retail in 2026 and beyond. The reality behind the headlines. We'll

1 Demystifying AI

look at how it's being used across marketing, supply chain, pricing, and the customer experience. We'll talk to experts with unique insight born from experience. And we'll tackle the big existential questions that are starting to reshape the industry:

- If AI agents start shopping for consumers, what happens to websites as we know them?
- If we've spent the past decade mastering SEO, how do we prepare for GEO, aka generative engine optimisation?
- Is this the time to invest, or should we wait until the hype fades and the cost of entry falls?
- How do you even begin to build a credible business case for something that's changing by the month?

These are not theoretical questions that'll get you lost in the weeds. These are practical questions that should help you gain direction. And over the next few sections, we'll answer them.



The new retail reality

Section 2

The phrase ‘AI revolution’ has been used so often that it’s starting to lose its meaning. What’s actually happening isn’t so much a revolution as it is an evolution. One that’s been quietly unfolding for years, but is now impossible to ignore.

For the first time, artificial intelligence isn’t tucked away in back-end systems or hidden inside enterprise software. It’s right in front of us, baked into tools that retailers use every single day, often without even realising it. From email automation to dynamic pricing to demand forecasting, AI has quietly moved from lab experiment to boardroom staple.

And, crucially, it’s no longer about innovation for innovation’s sake. It’s about necessity.

> ***AI can be thought of as a nervous system for retail. It connects data from across the business (marketing, stock, logistics) and translates it into actions that were previously too slow or too complex for manual processes. The key feature of decision automation is that it operationalises intelligence, not just insights,***

Hoffman adds.

The truth is, AI has already crossed the adoption threshold. According to PwC, around half of UK retailers say they’re already using AI in some minor capacity, whether through marketing automation,

2 The new retail reality

chatbots, or for the very few further down the pipeline of implementation, inventory management tools.

This perhaps seems like a contradiction, but in actual fact there's a vast difference between taking a consumer-centric view of AI and utilising just the surface-level technology such as GPT, and actually finding key use cases throughout the business. Globally, that figure rises to over 80 per cent when you include machine learning embedded in existing platforms.

In other words: you're probably already using AI, you just might not call it that.

The maturity curve has shifted dramatically. A few years ago, AI was an optional experiment: a pilot project, a small proof of concept, a quiet 'let's see what happens'. Today, it's woven into the core of competitiveness. McKinsey found that companies leading in AI adoption (read, those using it correctly) are 3.4 times more likely to outperform peers in revenue growth, and nearly twice as likely to report cost reductions across major business functions.

For retailers, the shift has been particularly fast. The arrival of generative AI and large language models in 2023 and 2024 was the inflection point. Overnight, AI stopped being a distant technical capability and became something anyone could interact with, not through lines of code, but through conversation. The moment ChatGPT, Copilot, and Gemini entered the mainstream, AI became democratised.

Now, store managers, merchandisers, and marketing teams all have access to tools that once required a dedicated data science team. And that's changed the game.

The pressures pushing AI forward

So why now? Why is this wave of adoption happening with such speed? Because retail, more than most industries, is under pressure from every direction.

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Economic volatility has squeezed margins tighter than ever. Inflation may have eased slightly, but costs remain stubbornly high across labour, logistics, and energy. According to the British Retail Consortium, UK retailers saw operating costs rise by an average of 19 per cent between 2022 and 2024, with profitability dipping to its lowest level since 2009. This is without mentioning the impact of global tariff and trade shake-ups, and the effect that evolved cyber security risks poses. It's clear that efficiency is a term now synonymous with survival.

At the same time, consumer expectations have changed beyond recognition. In a world of one-click orders, same-day delivery, and personalised recommendations, shoppers expect retail experiences that are not only fast, but intuitive. Salesforce's 2025 State of the Connected Customer report found that 73 per cent of consumers now expect brands to anticipate their needs, and 62 per cent say they'll switch brands if personalisation feels off the mark. How can the average retailer get their house in order, and find the capacity to keep up with these expectations?

AI is one of the few tools capable of meeting them without burning out human teams.

And then there's the technological leap itself. The rise of generative AI, and now agentic AI (systems capable of taking action autonomously), has changed the nature of what's possible. Gartner predicts that by 2026, one in five customer interactions in retail will be handled end-to-end by AI systems. To be clear, not chatbots, but full decision-making engines capable of adjusting promotions, rewriting product copy, or scheduling staff in real time.

It's a seismic shift, not because retailers suddenly 'want' AI, but because they no longer have much choice.

Yes, the last few years have proven that technology alone isn't enough to guarantee survival. The retail graveyard is full of once-innovative brands that lost sight of the basics. But ignoring technology isn't an option either, and again, it

2 The new retail reality

comes down to not the use of AI, but that concrete slab of infrastructure and data that solid businesses are plugging into AI to gain agility and efficiency. True outcomes as a result of tireless internal work to gain one true picture of their business.

So, the retailers winning today aren't necessarily the ones doing the most with AI. They're the ones doing the right things with it. They've stopped seeing AI as a project and started treating it as a principle.

They're using it to, among other things:

- **Cut operational friction** - automating the boring, repetitive stuff that drains productivity.
- **Unify data** - connecting systems so decisions happen faster and with more accuracy.
- **Enhance creativity** - using AI to test, learn, and iterate marketing ideas without months of production time.
- **Predict change before it happens** - identifying shifts in customer behaviour or stock movement early enough to act.

It's not glamorous work. But it's effective and effectiveness are what separates the hype-chasers from the survivors. As one senior retail executive told us during research for this report:

> ***AI won't make you a better retailer. It'll just make your weaknesses more efficient.***



2 The new retail reality

That may sound cynical, but it's absolutely right. AI will magnify whatever systems and structures you already have, good or bad. If your data is a mess, AI will make bad decisions faster. If your teams aren't aligned, it will amplify confusion. But if your foundations are solid, AI becomes a force multiplier.

To put this evolution into perspective:

- **2018–2020:** Early adopters toyed with AI for recommendations, chatbots, and image recognition. It was novel, experimental, and largely confined to global giants.
- **2021–2023:** The pandemic accelerated digital transformation. AI crept into forecasting, logistics, and customer service, often behind the scenes.
- **2024:** The explosion of generative AI tools turned AI from a technical resource into a cultural phenomenon. Suddenly, every department wanted in.
- **2025 and beyond:** We're now entering the age of integration, where AI becomes a core component of retail operations, not a separate initiative.

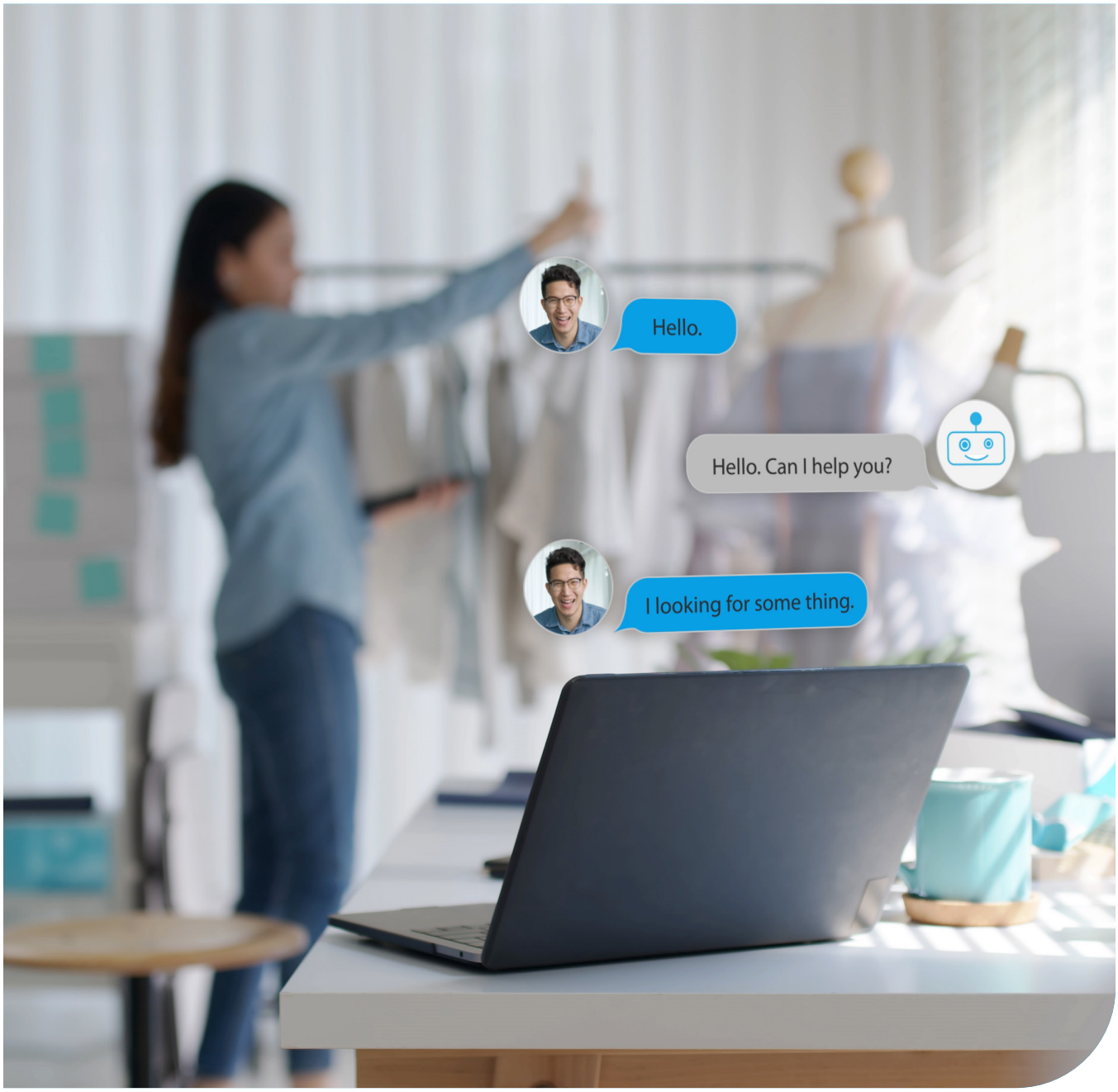
AI isn't the touted super-evolved behemoth it ostensibly will be in the future; smarter than the smartest humans at all major occupations. It's the operating system quietly reshaping how retail works today. But that doesn't mean it's easy, or risk-free.

> ***The biggest success stories come from retailers who use AI for what is known as target-driven steering,***
>
> Hoffman says.
>
> ***They define the destination first (higher profit, faster stock rotation, increased full-price sell-through) and let AI calculate the optimal route. Think of it as Google Maps for your business.***



2 The new retail reality

In the sections that follow, we'll examine where AI is already proving its value across the retail value chain, and where it's still finding its feet. We'll look at the practical use cases - the ones that really deliver ROI - and explore the next frontier. The rise of agentic AI and what it means for consumer behaviour.



The state of AI in retail, 2025

Section 3

We can't talk about AI's future without first looking hard at where we stand today. It's messy. It's uneven. But it's also real, and growing faster than many expected.

Generative AI, in particular, has caught fire: McKinsey data states that 65 per cent of companies say they're now regularly using gen AI in one or more business areas, nearly double the figure from the previous survey.

And it's not just one-off experiments. Organisations are increasingly spreading AI across functions. Half now report use of AI in two or more business areas - a jump from less than one-third just a year ago. But - and this is key - the intensity of use, and the depth of impact, varies wildly. Many retailers remain in the 'pilot purgatory' stage, using AI in a campaign or a module rather than embedding it into operations.

What's working, and what's not

When adoption is widespread but full-scale success is rare, the devil is in the details. Here's what the data tells us:

Where AI shows promise

- In business units where gen AI is deployed, respondents are already seeing cost reductions and revenue uplift.
- Companies that redesign workflows, rather than just layering AI over existing processes, report more

3 The state of AI in retail, 2025

meaningful bottom-line impact. In fact, 21 per cent of survey respondents say their organisations have fundamentally altered workflows as part of gen AI deployment.

- Larger organisations (those with annual revenues upward of £500 million) tend to lead in deployment, governance structures, and AI maturity.
- More organisations are building governance and reskilling into their AI plans. According to McKinsey, companies are increasingly hiring for AI roles, retraining staff, and elevating oversight on accuracy, security, and risk.



Where AI is falling short (for most)

- Despite adoption, enterprise-level EBIT impact from generative AI is still rare. Over 80 per cent of respondents say they have not seen a tangible effect on their company-wide profits yet.
- Risks are real. Inaccuracy, data issues, IP, cybersecurity, and lack of explainability are top concerns.
- Many pilots stall because they don't evolve into workflows or business systems. Without integrating AI into daily operations, the benefit remains superficial.
- Smaller retailers lag behind. They often lack the data infrastructure, talent, and scale to act quickly or broadly.

3 The state of AI in retail, 2025

Retail's percentile: How far ahead (or behind) are we?

In retail and consumer goods, AI adoption is catching up, though still uneven. NVIDIA's 2024 State of AI in Retail and CPG report notes that 53 per cent of retailers (especially those over £500 million in revenue) are already using AI for in-store insights like queue analytics, shelf monitoring, and footfall measurement.

At the same time, categories with tight margins like grocery, fast fashion, big box stores are experimenting with demand forecasting, price optimisation, and supply chain AI more aggressively than others. McKinsey's "LLM to ROI" piece suggests that generative AI alone could unlock up to $390 billion (£290.4 billion) in economic value for retail, equivalent to a 1.2 to 1.9 per cent margin lift industry-wide.

But adoption doesn't guarantee advantage. The generative AI 'reset' argument is gaining ground. Companies that simply bolt on tools without rethinking roles, workflows, data, and culture will - the data says – inevitably fall behind in the future.

Jobs, skills, wages: The human shift

One of the biggest fears around AI is that it will obliterate jobs. The data suggests something more nuanced - disruption, yes. But also, transformation and value uplift.

PwC's 2025 Global AI Jobs Barometer shows that even in the most automatable roles, jobs and wages are rising, not falling. Workers with AI skills command a 56 per cent wage premium compared to their peers without such skills.

Industries with higher exposure to AI are seeing twice-as-fast wage growth relative to their less exposed

3 The state of AI in retail, 2025

counterparts. To keep pace, the skills employers demand are changing rapidly. In jobs most exposed to AI, skill change is happening 66 per cent faster than in less exposed roles.

In short: AI doesn't (in this data) look like a job-destroyer. It looks like a force multiplier for those who can adapt.

Here's the catch: AI's potential has outpaced many retailers' readiness. The best use cases are emerging, but the infrastructure, governance, talent and mindset needed to capture that value are still catching up.

We're now in a phase where hype meets reckoning. Many executives believed AI would deliver immediate transformation. Instead, the winners are those who saw it as a long play, layering it in over months and years, testing, learning, and iterating.

Increasingly, the difference between AI adopters and AI leapers comes down to maturity, not in the tech, but in organisational capability: clear data strategy, decentralised decision rights, cross-functional collaboration, risk management, talent programmes, governance.

Retailers that admit the mess and lean into the rebuild - rather than pretending AI is a magic plug-and-play fix - will be the ones who survive the shakeout seemingly ahead.



Core AI use cases across the value chain

Section 4

If Section 2 painted where retail is heading, this one shows where it's already happening. The real, working AI use cases. Because knowing what's possible is helpful. Knowing what's already working is what lets you leapfrog.

Personalisation and hyper-personalisation

What it is, simply: instead of one marketing message for everyone, smart systems tailor offers, content, and journeys to each individual in real time.

Why it matters now

Consumers are increasingly intolerant of irrelevance. Salesforce reports that 62 per cent of customers will switch brands if they feel personalization is off. AI gives brands the power to deliver relevance at scale, not just for 'VIPs,' but for every user.

How it's being used

- Dynamic email content: product suggestions, messaging, offers change for each person.
- Behavioural triggers: someone abandons a cart, AI activates a sequence.
- In-app "you might also like" offers that shift in real time.
- Cross-channel coherence: the experience you have in app, web, or store feels coordinated and context-aware.

4 Core AI use cases across the value chain

What makes it sticky

It's not just about predicting the next item to show. The real work is integrating data (browsing, purchase history, loyalty, third-party signals), predicting intent, and ensuring real-time responsiveness. That requires clean data flows, solid integration, and careful segmentation logic.

Caution

Hyper personalisation can feel creepy if done poorly. Too many variables, too fast, and you lose trust. Privacy, transparency, and 'explainability' become critical.

AI for dynamic pricing and revenue optimisation

Dynamic pricing sits at the sweet spot between science and salesmanship and AI finally gives retailers the precision to master it. Instead of relying on blanket discounts or instinct-driven markdowns, AI analyses real-time demand, competitor activity, stock levels, and even local weather to recommend the right price at the right moment.

Use cases

- Competitive pricing: AI monitors competitor pricing, demand, inventory & adjusts your price in near real time.
- Elasticity modelling: rather than one-off markdowns, your system forecasts how different price changes will impact volume, margin, and inventory.
- Promo impact forecasting: before you run a campaign, run AI simulations to model lift, cannibalisation, and margin trade-offs.
- Markdown timing: determine when to discount and by how much - too early, you sacrifice margin; too late, you incur excess inventory costs.

4 Core AI use cases across the value chain

Why it works

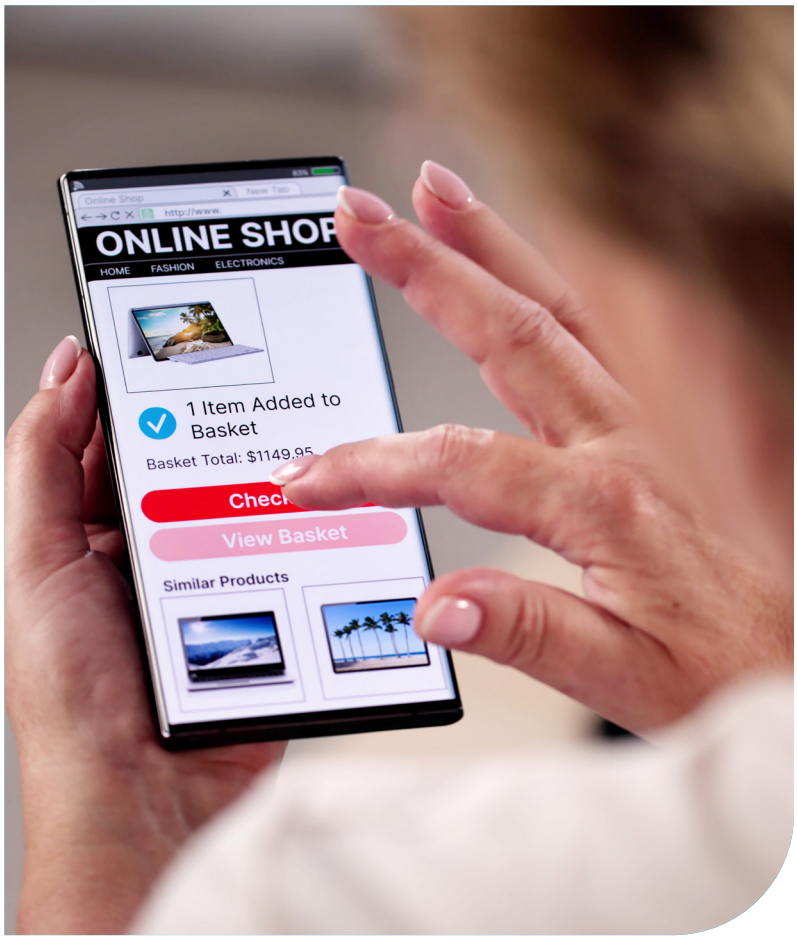
Retailers using AI pricing report 4 to 6 per cent margin increases in year one. (This is seen in vendor literature and analyst reports, make sure we check for credible third-party data).

Pitfalls to watch for

- **Price wars:** if every competitor is broadcasting, you can get into downward spiral pricing.
- **Lack of guardrails:** the AI shouldn't go wild. You need floor/ceiling constraints, human override, logic around brand integrity.
- **Data latency:** if your sales or inventory data is stale, AI will optimize for yesterday, not tomorrow.

> ***There's a huge difference between changing prices and deciding prices. Most retailers do the first: they adjust, react, follow trends, typically dictated by the actions of their competitors - without even knowing whether their competitors are taking a fully informed approach. The real step forward is in the latter: using predictive AI to decide prices based on how each move will affect revenue, sell-through, and profitability,***

notes Hoffman.



4 Core AI use cases across the value chain

Pricing shouldn't be about copying competitors, it should reflect an understanding of the chain reaction your decisions create. Predictive systems allow you to simulate outcomes before you commit, meaning every change is made with full awareness of its impact. This is how pricing becomes a strategic capability, enabling retailers to protects margins, improve sell-through rates, and giving teams the confidence to act proactively rather than defensively.

This approach is defined as predictive pricing.



Inventory and demand forecasting

Arguably one of the more 'foundational' use cases. Get this right, and many downstream problems mitigate themselves.

Why it's core

Overstocked inventory eats cash and margin. Understocked inventory means lost sales and frustrated customers. AI can help shrink that error band.

4 Core AI use cases across the value chain

Typical use cases

- Multi-factor forecasting: incorporate weather, events, macro trends, store-level signals.
- Inventory rebalancing: moving stock between stores or DCs based on predicted demand shifts.
- Safety stock tuning: AI-driven buffers instead of rigid rules.
- Perishables forecasting: tighter forecasts to reduce waste in grocery, food, beauty perishable items.

Retailers who adopt advanced forecasting systems reduce waste by 20 to 30 per cent in perishables, while cutting stockouts significantly, according to Gartner.

Challenge zone

Forecasting works only when the inputs are good. If data is siloed, dirty, or delayed, your AI will lag. Also, AI models must continuously adapt; seasonal changes, supply chain shocks, consumer trends all break static models.

Supply chain intelligence

Beyond the store or warehouse, AI can help smooth the flow across the entire chain.

Key sub-uses

- Route planning & optimisation: minimising fuel, time, and cost.
- Predicting disruptions: AI ingests news, weather, logistics data, regulatory changes to flag risks.
- Warehouse automation & vision: using computer vision to pick, sort, check quality.
- Vendor risk scoring and supply sourcing: assessing supplier stability, lead times, defaults.

A strong example: retailers using AI disruption prediction systems have avoided or mitigated delays during port strikes or transport bottlenecks.

4 Core AI use cases across the value chain

What to watch

Supply chain is complex and cross-functional. AI needs to integrate logistics systems, ERP, vendor systems, and often external data. It demands coordination and often C-level sponsorship.

Fraud prevention, shrinkage and loss reduction

No retailer has margin to waste. Theft, returns fraud, theft at POS; all those leaks must be patched.

Typical applications

- Point-of-sale anomaly detection: spotting unusual transaction patterns in real time.
- Video surveillance + computer vision: detecting suspicious behaviours (loitering, lift-and-run).
- Return fraud detection: assessing patterns in returns to flag likely abuse.
- Predictive shrinkage: using historical data to find stores/areas with high risk and adjust staffing or security.

Retailers implementing AI-driven loss prevention report 10 to 20 per cent reductions in shrinkage in some pilot deployments.



4 Core AI use cases across the value chain

Warnings

- Privacy and regulation: video and surveillance are sensitive. Must comply with laws and manage optics.
- False positives: if your system flags too many 'errors,' staff waste time investigating them.
- Integration: often these systems must tie into store POS, security, and back-office systems.

AI in store and in-person experience

The store is not dead. In fact in the UK, in-store spending still accounts for about 70 per cent of total retail sales, while online spending makes up approximately 30 per cent. However, AI is helping it evolve in interesting ways.

Illustrative use cases

- Footfall heatmaps and dwell time analysis: understand where customers slow, linger, or leave.
- Smart shelving and planogram compliance: computer vision watches shelves and flags deviations (out-of-stock, misplacement).
- Frictionless checkout: sensor fusion, computer vision, RFID systems that let customers leave without scanning.
- In-store recommendations via kiosks or staff assistants: staff get real-time prompts for upsell/cross-sell based on inventory and customer profile.

One retailer piloted vision-based planogram compliance and saved dozens of hours a week in audit and correction time.

Limits and risks

- Infrastructure cost: cameras, sensors, compute. The capital expense is not trivial.
- Coverage: blind spots, accuracy under lighting changes, etc.

4 Core AI use cases across the value chain

- Staff adoption: associates may resist systems that feel like surveillance or micromanagement.

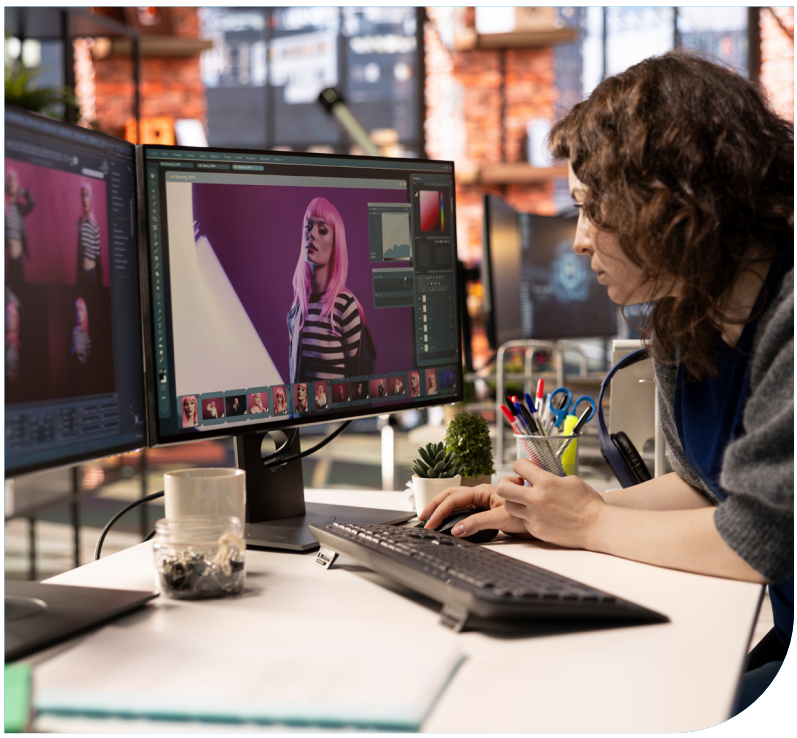
Marketing automation and campaign optimisation

Probably the most visible area, and a place where many retailers dip toes first.

Usage modes

- **Creative generation:** AI drafts ad copy, email content, image variants.
- **Campaign sequencing and timing:** determine when to push, which channel, which customer.
- **Budget allocation:** distribute spend dynamically across campaigns.
- **A/B testing at scale:** multi-variable tests across audiences, creatives, offers.

Often, AI in marketing is low-risk and fast to pilot, making it a go-to entry point.



4 Core AI use cases across the value chain

Trade-offs

- You can lose brand voice if you over-automate creative.
- Campaigns must be monitored. AI can over-optimise short-term metrics at expense of long-term brand equity.
- Data privacy and consent become more exposed in consumer-facing use.

Integrating use cases - the real multiplier

The strong ROI happens not when you implement one or two of these, but when they truly talk to each other. When pricing, inventory, marketing, store, and supply chain AI share data, opinions, and feedback loops.

That kind of orchestration is hard. It requires governance, clean data pipelines, accountability, cross-functional teams, and change in how decisions are made.

As McKinsey puts it, the 'generative AI reset' is less about new tools and more about "rewiring how companies run". Later, we'll show how to pick your first 1 or 2 use cases, scale them, and build that orchestration.



The agentic AI shift, a new era of consumer behaviour

Section 5

If generative AI was the spark, agentic AI is the wildfire. Until now, artificial intelligence has largely been about prediction and assistance. It could answer questions, draft emails, generate ideas, and summarise data..

But it was still waiting for a human prompt. It's a partner, not a participant. Agentic AI changes that dynamic entirely.

These new systems don't just respond, they actually act on your behalf. Hence the name – these are agents, taking agency over some level of decision-making. They can make choices on your behalf within a given remit, take actions, and complete tasks with little or no supervision. Instead of being the assistant, they become the intermediary. The layer between a customer and a brand. And that changes everything.

What is agentic AI, really?

Forget the buzzwords for a moment. Agentic AI simply means an AI system capable of taking initiative to achieve a goal. Think of it as an employee who doesn't just follow instructions, but knows what needs to be done next. In retail terms, it's the evolution from 'help me find this' to 'buy this for me'.

Microsoft, Google, and OpenAI are already deploying this in early forms. Copilot, Gemini, and GPTs can now perform autonomous tasks: ordering stock, summarising sales reports, even managing inboxes. Gartner predicts that by

5 The agentic AI shift, a new era of consumer behaviour

> ***Retail could be the first industry where consumers use agentic AI to act on their behalf,***

predicts Paulley.

> ***This means being the first to tackle the operational, legal and reputational issues that will arise as individuals allow software to make transactions autonomously on their behalf.***

2026, over 20 per cent of all digital interactions will be handled by autonomous AI agents, up from virtually none in 2023.



The shift isn't just technical. It's behavioural. Because as these systems become more capable, consumers are beginning to trust them to act on their behalf. And that means the consumer relationship itself is about to change.

The rise of the 'superhuman consumer'

In the same way that calculators made us faster at maths and the internet made us faster at finding information, AI agents are now making consumers faster at decisions.

Imagine a world where your customer doesn't browse, compare, and checkout. Their personal AI does it for them. It knows their size, budget, favourite brands, and ethical preferences. It has access to their loyalty data and shopping history. When it detects a need - maybe they're low on dog food or running out of skincare - it goes out, compares retailers, applies discounts, and completes the purchase automatically.

5 The agentic AI shift, a new era of consumer behaviour

This may sound like science fiction, but it's logically the trajectory we're already on. According to Cognizant, AI-powered consumers will drive 55 per cent of retail spending by 2030 as agent-based purchasing becomes mainstream.

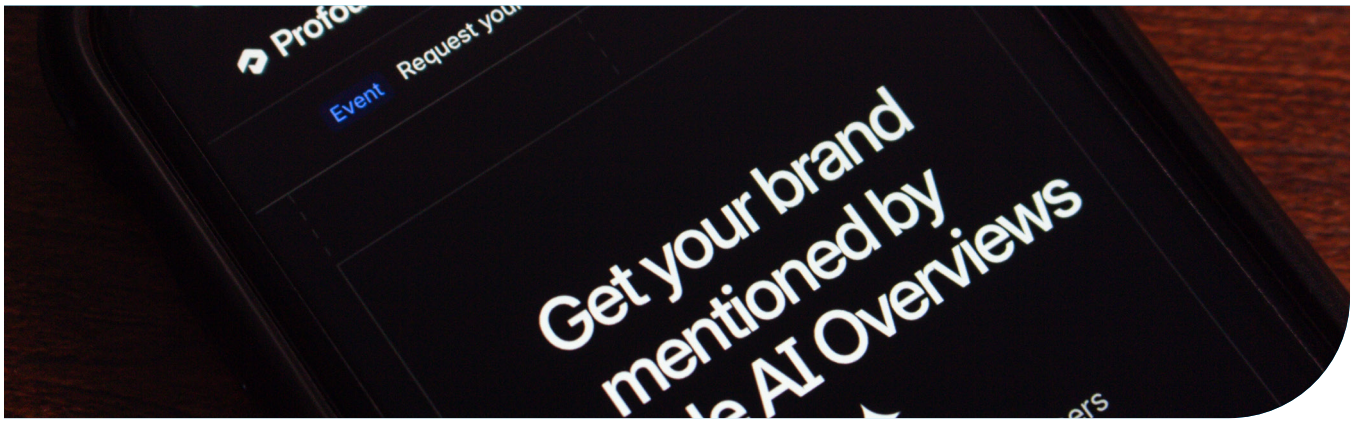
For retailers, that's a profound shift. Because if the customer no longer starts their journey with you - if they start with their AI - your brand is no longer convincing the shopper. You're convincing the algorithm.

From SEO to GEO - convincing the machine

For the past decade, retailers have obsessed over search. SEO, paid ads, discoverability - the entire marketing ecosystem has been built around being the first link a customer sees. But when an AI agent does the searching, there is no results page.

Welcome to the era of GEO, aka generative engine optimisation.

Instead of optimising for keywords, retailers will need to optimise for context. How does your brand appear in an AI's data model? Is your pricing structured in a way that's readable to an agent? Does your product metadata include the information an AI system needs to make a confident recommendation?



5 The agentic AI shift, a new era of consumer behaviour

According to Gartner, by 2027 80 per cent of consumer-facing brands will invest in GEO strategies, treating AI agents as a primary customer acquisition channel. The logic is simple but seismic. In the same way you once asked, 'How do I appear on Google?', the new question will be: 'How do I appear in the LLMs that my customers' AIs trust?'.

That means structured, transparent, well-tagged data will become a competitive differentiator. The retailers who treat their data as a product, not an afterthought, will rise to the top of AI-driven discovery.

The implications stretch far beyond marketing. Loyalty, long the cornerstone of retail strategy, is about to be rewritten. When a human makes a purchase, emotion, habit, and brand perception all play a role. When an AI agent makes that purchase, those factors may not. The agent doesn't care that you like a brand's tone of voice or packaging, it cares about quality, value, ethics, and performance, as measured by data.

That could mean the death of 'points-based' loyalty and the rise of predictive loyalty, where brands earn repeat purchases through consistent, data-backed value.

In this new world, trust becomes the currency. Retailers will need to prove, in data form, that they deliver on their promises, from product quality to sustainability claims. McKinsey found that 71 per cent of consumers are more likely to purchase from brands that can demonstrate transparent and verifiable AI ethics, a figure that's doubled since 2022.

If customers' AI agents are filtering choices, that trust has to be machine-readable, expressed through certification, explainable pricing, ethical sourcing data, and accurate metadata.

5 The agentic AI shift, a new era of consumer behaviour

Agentic AI will fundamentally change how consumers shop. When algorithms start making purchase decisions on behalf of customers, based on value, trust, and transparency, retailers will compete for both attention as well as algorithmic confidence (think online reputation management on a huge scale). This means every data point matters: price consistency, ethical sourcing, availability,

says Hoffman.

In the near future, your true customer might not be the shopper, but their AI.



Omnichannel reimagined

For two decades, retailers have pursued omnichannel integration: connecting stores, online, and mobile into one seamless experience. Agentic AI forces a rethink.

When an AI can handle customer service, recommend replacements, or initiate a return automatically, the "channel" starts to dissolve. The point of sale could be anywhere or nowhere at all.

Some early adopters are already testing this model. In South Korea, ecommerce giant Coupang has begun integrating generative AI agents that manage post-purchase care automatically tracking deliveries, reordering consumables, and offering real-time refunds. Similar pilots are underway at Walmart and Carrefour.

5 The agentic AI shift, a new era of consumer behaviour

Perhaps the biggest question of all is this. If AI agents become the new gatekeepers of commerce, how do retailers maintain visibility?

The short answer is by being useful, transparent, and technically legible. Retailers will need to provide structured, trustworthy data that AI systems can read and validate easily. The brands that win will be those that make their truth easiest to verify.

That may sound clinical, but it's an opportunity. If the web was about persuading people, the AI era is about convincing systems. Those who understand that shift early will have an enormous first-mover advantage.

A quiet revolution

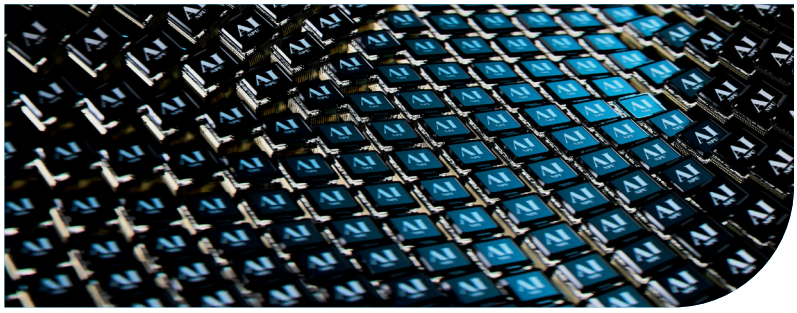
> ***Agentic AI won't replace human decision-making; it will reshape the context in which it happens. As Paulley states: In law, we say AI won't replace lawyers, but lawyers who use AI will replace those who don't. In retail, ecommerce and pure e-tailers didn't wipe out traditional bricks and mortar retailers, but the two channels have come together and now the degree to which a retailer blends those channels is a core part of its strategy,***

she adds.



5 The agentic AI shift, a new era of consumer behaviour

Agentic AI (permitting customers to buy through AI agents) will likely be the same, those who manage to implement it in a way that complements their overall strategy will win.



Consumers will still feel loyalty, excitement, frustration, and discovery but those emotions will increasingly be mediated by their digital agents.

It's easy to see this as dystopian, but the reality is more nuanced. The technology may actually bring retail closer to what customers have always wanted: convenience, relevance, and trust. The challenge now is making sure you're not invisible in the process.

Because soon, your customer won't be the one walking into your digital storefront — their AI will. And if it doesn't recognise your value, you'll never even know you were considered.

As AI agents start making purchase decisions, brands will need to communicate on two levels: emotion for humans, logic for machines,

Hoffman adds.



Sector deep dives, AI in action by category

Section 6

AI isn't one-size-fits-all. The way it creates value in fashion looks entirely different to how it transforms grocery or home improvement.

Each retail vertical has its own pressures, data realities, and customer expectations.

What ties them together is a simple truth. AI doesn't replace the fundamentals. It enhances them. It takes what retailers already know how to do. Anticipate needs, move product, serve customers. And helps them do it faster, smarter, and with greater precision.

Here's how it's playing out across five of retail's biggest categories.

Fashion and apparel

Fashion has always been a fast-moving business but now, it's a data-driven one. The days of relying on instinct alone are fading. AI is helping brands read trends, manage stock, and personalise experiences with surgical precision.

According to Edited, AI-led trend forecasting is cutting time-to-market by up to 50 per cent, allowing designers and buyers to react to viral trends within weeks rather than months. Tools like Heuritech and Stylumia use image recognition across social media to predict which colours, cuts, or fabrics will surge next season.

Retailers are also using AI to reduce one of fashion's biggest pain points: returns. Zalando's size prediction algorithms, powered by machine learning, have reportedly

6 Sector deep dives, AI in action by category

reduced size-related returns by 10 per cent year-on-year. Similar models at H&M and ASOS combine body-shape data with past purchase history to recommend more accurate sizing and fits. .

Hyper personalisation is now the front line of customer experience. Brands like Very and Farfetch are experimenting with generative AI to create dynamic lookbooks and styling suggestions. Instead of static product listings, customers see outfits curated for their taste, body type, and location.

The result isn't just better engagement; it's efficiency. McKinsey estimates that AI could add $275 billion (£204.4 billion) in incremental operating profits to the global fashion industry by 2030. But the real win? Fewer wasted products, fewer returns, and fewer disappointed shoppers.

> ***The fashion sector is one where we have seen that AI-driven predictive pricing can have a huge positive impact. For example, predictive systems can model how a new discount strategy will play out across hundreds of SKUs before you commit. You start to see what each move costs, what it saves, and steer pricing towards your business goals. In an industry particularly sensitive to price adjustments, this is a real competitive advantage,***

says Hoffman.



6 Sector deep dives, AI in action by category

Case in point:

7Learnings worked with TOM TAILOR, one of Europe's largest lifestyle fashion companies, to reduce the complexity of managing pricing for its large, seasonal assortment.

By adopting a predictive approach, the company was able to steer towards the duel goals of revenue and sales uplift, achieving increases of **6.7 per cent** and **10.7 per cent** respectively.



Grocery and FMCG

Few sectors are as complex or as operationally brutal as grocery. Margins are measured in decimals, shelf space is finite, and waste is constant. AI has quietly become the industry's secret weapon for precision. Machine learning models are being used to forecast demand at SKU level, accounting for weather patterns, local events, holidays, and even social trends. When Wimbledon hits, the system knows to ship more strawberries to London and more cream to the suburbs, automatically.

Carrefour reports that its AI forecasting platform has reduced waste by up to 30 per cent on fresh produce. Walmart's "Intelligent Replenishment" system has cut stockouts by 15 per cent while freeing thousands of staff hours once spent on manual ordering.

6 Sector deep dives, AI in action by category

Meanwhile, generative AI is beginning to reshape how grocers engage customers. Sainsbury's and Kroger are piloting recipe-generation engines that build personalised meal plans around what customers already have in their basket, dietary preferences, and budget. The results aren't just for fun, they drive bigger basket sizes and reduce food waste at home.

And with agentic AI on the horizon, the grocery sector is poised for another leap. Imagine a digital assistant that not only builds your shopping list but compares loyalty offers, substitutes out-of-stock items, and completes the order autonomously. It's not far off, Ocado is already testing early prototypes. In a category obsessed with seconds and cents, AI's ability to make millions of micro-decisions automatically is nothing short of transformational.

Home and DIY

Home improvement is one of the more surprising beneficiaries of AI. Not because it's flashy, but because it's so practical. AI is making sense of huge catalogues of SKUs, simplifying planning, and improving delivery accuracy. IKEA, for example, uses computer vision to help warehouse staff identify and track items, cutting picking errors by up to 70 per cent. Lowe's in the US has deployed AI-powered digital twins, 3D replicas of stores that allow staff to test layouts, stock levels, and seasonal displays virtually before making physical changes.

For customers, the experience is becoming more immersive. Generative design tools like Houzz's AI Visualiser or Home Depot's AR Planner let shoppers upload a photo of a room and instantly see colour changes, furniture swaps, or layout suggestions. Shopify data suggests AR-enabled products see 94 per cent higher purchase conversions than static listings.

Then there's logistics. AI route optimisation tools are helping DIY retailers deliver bulky products faster and with fewer emissions combining order data, traffic

6 Sector deep dives, AI in action by category

Predictive AI helps retailers bring simplicity back to processes that have become endlessly complex. An example we have seen is in price harmonisation for product families, like keeping prices for a carpet consistent across ten colours without manual updates. When algorithms manage those relationships, pricing becomes more consistent and commercially sound. Teams can then spend less time debating numbers and more time focusing on strategy and storytelling. AI doesn't just optimise; it simplifies,

Hoffman adds.

updates, and weather forecasts in real time. In a sector where success depends on precision and timing, AI has quietly become the backbone of both warehouse and delivery operations.



Health and beauty

Beauty may be the most emotionally charged category in retail and AI has given it an entirely new language. Brands like L'Oréal and Sephora have been at the forefront, using computer vision and generative modelling to power 'virtual try-on' experiences. Sephora's app alone has been used over 200 million times, turning what used to be a guessing game into an interactive discovery journey.

AI is also redefining how products are developed. L'Oréal's AI-driven skincare diagnostics can analyse a selfie and recommend routines with clinical accuracy. Smaller brands, like Proven and Atolla, use customer data and machine learning to formulate personalised products

6 Sector deep dives, AI in action by category

for each individual, effectively bringing the science of dermatology into the D2C space.

According to Statista, AI-powered beauty tools will account for $13 billion (£9.6 billion) in revenue by 2027, growing at nearly 20 per cent per year. But perhaps the bigger opportunity lies in post-purchase support: predictive replenishment, automated product advice, and customer sentiment analysis to inform new launches. As with fashion, the risk lies in over-personalisation. The best retailers are learning that AI should empower human connection, not replace it.

Electronics and consumer tech

If any category embodies the dual nature of AI - opportunity and disruption - it's electronics. This is an industry already built on innovation, so expectations are high. AI is helping brands like Samsung, Currys, and Best Buy rethink everything from product recommendation to aftercare.

Samsung's 'AI for All' initiative integrates generative AI into its ecosystem, allowing devices to anticipate user needs like automatically adjusting power usage, predicting component failure, or syncing seamlessly between appliances.



6 Sector deep dives, AI in action by category

Retailers are using AI to create assisted-selling tools that arm store associates with instant product comparisons and tailored recommendations. Best Buy's in-store app, for instance, uses natural language processing to help employees explain complex features in plain English, something that's boosted customer satisfaction scores by 15 per cent.

Then there's predictive maintenance. Retailers are leveraging AI to detect warranty issues before they escalate, notifying customers and arranging replacements automatically. It's a small but powerful shift. One that builds trust and repeat purchase intent.

The takeaway

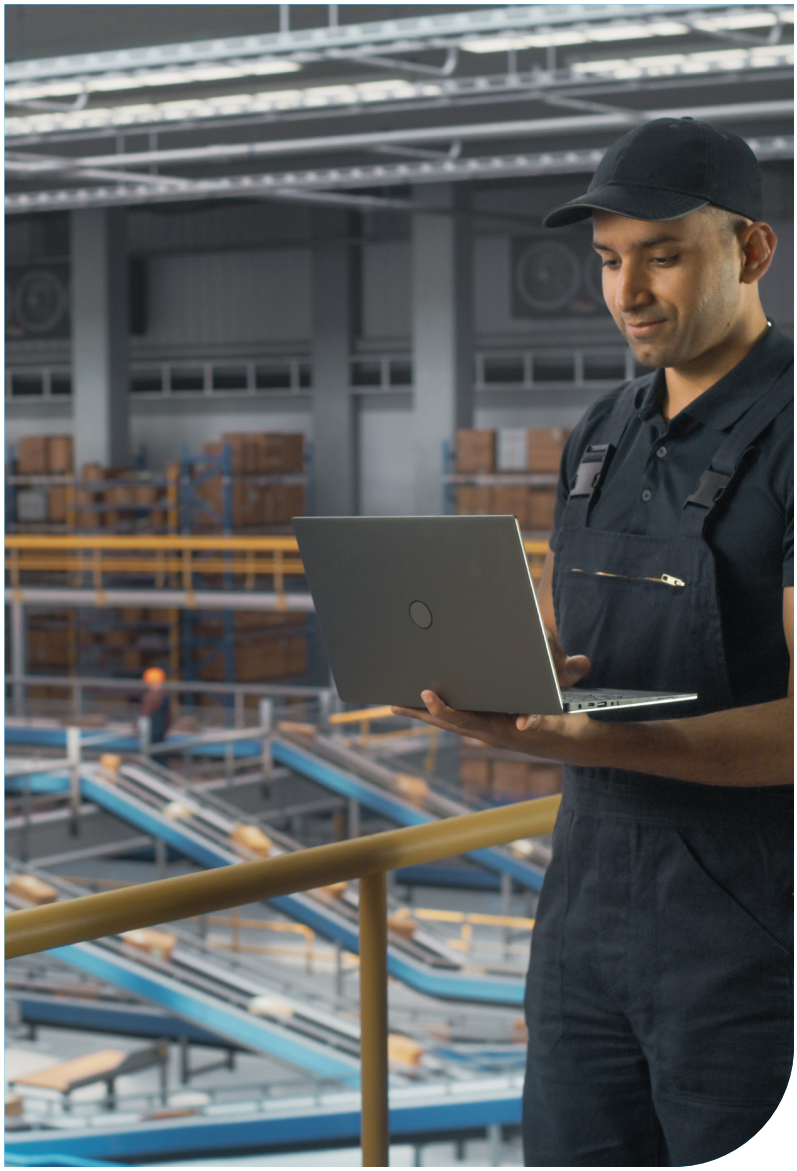
Across every retail sector, the pattern is clear. AI isn't being introduced to replace pre-existing elements, unless they're antiquated and not fit for purpose anyway. Instead, this is a process of refinement. It's about the hundreds of small, hidden optimisations that add up to something transformative. Smoother experiences, smarter operations, and better margins.

> ***Retail is increasingly experiential,***
>
> says Paulley.



6 Sector deep dives, AI in action by category

Despite the rise of digital services, a physical retail environment gives the opportunity for a retailer to deliver something unique, true to brand and memorable. Deployed badly, AI could destroy that human-to-human contact. Used well, it could enhance it, giving store colleagues more and better information about stocks, customer preferences and shopping habits to deliver an exceptional experience. This is part of the challenge in using AI well, deploying it thoughtfully so it is additive and authentic to experience.



The technology is already proving itself in measurable ways. Less waste, higher conversion, more accurate forecasting, and improved staff productivity. But it's also revealing something bigger; the retailers who thrive in the AI era aren't necessarily the ones with the flashiest tech. They're the ones who understand their customers deeply, and use AI to scale that understanding, not substitute for it. Because as the next section will show, AI's ultimate value in retail doesn't come from what it is. It comes from what it returns.

The ROI of AI - cost, efficiency and profitability impact

Section 7

Hype doesn't pay bills. ROI does. For every ambitious headline about AI 'revolutionising' retail, there's a CFO quietly asking the same two questions.

How much does it cost, and when will it pay back? After a year of pilots, experiments and proofs-of-concept, the dust is finally settling and we're beginning to see the economics of AI in retail take shape. The results, when done right, are significant. But the path to them is rarely linear.

Globally, the numbers are staggering. PwC estimates that AI will contribute $15.7 trillion (£11.6 trillion) to the world economy by 2030, with retail among the top three beneficiaries.

McKinsey goes further, projecting that generative AI alone could unlock £178 to £300 billion in annual value for retail and consumer packaged goods, equivalent to a 1.2 to 1.9 per cent margin increase across the industry. That might sound abstract, but put simply, AI could be the single biggest efficiency driver retail has seen since the barcode.

Where the money comes from

AI drives ROI in two ways: by reducing costs and by creating new revenue.

Cost efficiency

- **Automation and augmentation:** Replacing repetitive, manual work such as data entry, report creation, and stock analysis, with AI-assisted systems saves enormous labour hours. Retailers deploying 'copilot' tools have

7 The ROI of AI - cost, efficiency and profitability impact

cut admin time by 30 to 50 per cent across certain departments.

- **Demand forecasting:** More accurate predictions reduce overstock and waste. Carrefour reports a 30 per cent drop in fresh produce waste using AI forecasting.
- **Supply chain optimisation:** AI route planning and predictive maintenance can reduce logistics costs by 10 to 15 per cent.
- **Fraud and shrinkage prevention:** AI surveillance and anomaly detection reduce losses by up to 20 per cent, especially in high-volume environments.



Revenue uplift

- **Personalisation:** AI-driven recommendations and dynamic pricing increase conversion and average order value. Retailers using advanced personalisation see 10 to 15 per cent uplift in revenue per customer.
- **Marketing optimisation:** Campaign automation and AI-generated creative reduce cost-per-click and improve ROI by 20 to 30 per cent.
- **Dynamic pricing:** Price elasticity models lift margins by 4 to 6 per cent, while reducing discount dependency.

7 The ROI of AI - cost, efficiency and profitability impact

In other words, AI doesn't just make things cheaper. It makes them smarter, creating a compounding effect where each efficiency feeds into the next.

How long until it pays back?

The myth is that AI takes years to deliver ROI. In practice, the timeline depends on ambition, scope, and integration. According to Accenture, 62 per cent of retail leaders implementing AI solutions saw ROI within 12 months, particularly in pricing, forecasting and customer analytics.

Retailers that start small with tightly defined pilots tend to achieve faster payback.

> ***focused use cases with clear data pipelines deliver 2 to 4 times higher ROI than broad, exploratory ones.***
>
> McKinsey notes



Typical timelines look like this:

- **6–12 months:** Measurable cost savings from automation, price optimisation, or predictive analytics.
- **12–24 months:** Revenue uplift from personalisation, campaign automation, and demand forecasting.
- **24–36 months:** Strategic transformation, AI embedded into core operations, culture, and decision-making.

The danger isn't slowness, it's actually the opposite, starting too big. Many failed AI initiatives began with enterprise-wide rollouts instead of narrow, high-impact experiments.

7 The ROI of AI - cost, efficiency and profitability impact

Traditional KPIs such as profit, margin, and turnover aren't enough to measure AI's impact. Retailers are now talking about time to value (TTV): how quickly an AI investment begins producing measurable outcomes.

A 2025 Gartner survey found that top-performing retailers achieved TTV in under nine months, versus an average of 18 months across all industries. The difference comes down to readiness. Not just of technology, but of mindset. Businesses that already had cloud-based data architecture, automated workflows, and defined KPIs hit ROI twice as fast as those still wrestling with legacy systems.

The hidden returns: human productivity

Perhaps the most underestimated return is human. AI fundamentally changes how people work. Microsoft's 2024 Work Trend Index found that employees using AI tools were 29 per cent more productive and 77 per cent more satisfied with their workload. Nearly half said AI reduced burnout and improved creativity.

Retailers echo this sentiment. When associates are freed from data drudgery - manually checking stock, collating sales, or chasing reports - they can focus on higher-value work such as, say, building relationships, refining displays, upselling, innovating.

So is it worth it? Well, as we know, retail operates on tight margins, often 2 to 4 per cent on average. A small uplift can be monumental. Take a retailer with £1 billion in revenue and a 3 per cent margin (£30 million profit). A 1.5 percentage point margin gain through AI-powered efficiencies (entirely plausible based on current benchmarks) adds £15 million in profit annually. That's the equivalent of opening a dozen new stores, without any new leases, staff, or stock.

These are the kinds of numbers that shift AI from 'innovation budget' to 'core strategy'.

> ***The most consistent ROI from AI comes from automating high-impact, high-frequency decisions, like pricing and promotions, where small optimisations compound over time. One successful pilot often funds the next, creating a self-sustaining innovation loop,***

says Hoffman.

Building your AI strategy

Section 8

If there's one truth that's emerged from every conversation we've had with retail leaders this year, it's this. AI strategy isn't about technology, it's about translation.

Almost every retailer has some form of AI pilot running, whether it be a chatbot here, a forecasting model there, but few have a coherent vision of how it all fits together. The result is a patchwork of promising ideas, disconnected from business outcomes.

Building an effective AI strategy means stepping back, seeing the whole picture, and asking a deceptively simple question: what are we actually trying to achieve? The worst place to start is by imagining that you can paint it like roofing tar across your business and it'll work some kind of wholistic magic.

A successful AI strategy begins not with what's broadly possible, but with what's painful. The retailers getting this right are those identifying their biggest bottlenecks and aligning AI use cases directly with business value.
For example:

- If markdown timing is eroding margins, AI pricing optimisation makes sense.
- If wasted labour is hurting efficiency, copilots or task automation should come first.
- If slow reporting is blocking decisions, focus on analytics and natural language insights.

AI should solve problems that already exist, not create new ones to justify its presence -we're back to our poignant hammer and nail analogy.

8 Building your AI strategy

McKinsey's 2024 State of AI report found that companies that began their AI journey by mapping clear pain points achieved 4 times higher ROI than those who implemented solutions reactively.

The other key mindset shift? Start small, scale fast. Define one or two measurable, achievable pilots that will deliver clear wins within 6 to 12 months. When those succeed, reinvest the learnings and capital into the next layer. The best strategies aren't grand or abstract, they're iterative, evidence-based, and relentlessly practical.

Also, just as every retailer has a different business model, every retailer has a different 'AI maturity curve'. The challenge is understanding where you sit on that curve and what needs to happen to move up it.



8 Building your AI strategy

We can broadly break this into four stages:

1. **Experimentation (Year 0–1):** Pilot projects exploring use cases. Minimal governance, ad hoc measurement. Success = proving feasibility.
2. **Adoption (Year 1–2):** Embedding early wins into workflows. Cross-functional teams begin to collaborate. Success = clear ROI from at least one function.
3. **Integration (Year 2–3):** Connecting use cases across departments. Data governance, model monitoring, and staff training become standard. Success = AI contributing directly to KPIs.
4. **Transformation (Year 3+):** AI as business-as-usual. Predictive and generative systems operating at scale, supporting decision-making across the organisation. Success = measurable competitive advantage.

According to BCG, only 14 per cent of retailers currently operate in the integration stage or beyond, meaning the vast majority are still in early adoption mode. A maturity roadmap provides clarity: where you are, where you want to be, and the gaps you need to close in data, talent, or culture.

Building the foundations with data and technology

Now, this one is vital. No AI strategy survives bad data. If AI is the engine, data is the fuel, and most retailers still have a messy garage (excuse the metaphor). Disparate systems, inconsistent formats, and legacy software create barriers that make scaling AI nearly impossible.

A modern AI strategy rests on three core pillars:

1. **Data quality and governance**
   Invest in a single, clean source of truth. Establish metadata standards and audit trails. Poor data hygiene is the fastest route to poor AI outcomes. According to Gartner, dirty data costs retailers an average of 15 to 25 per cent of potential AI ROI.
2. **Cloud infrastructure**
   AI thrives in the cloud. Cloud-based data lakehouses allow for real-time analysis and model training, breaking

8 Building your AI strategy

down departmental silos. Retailers using cloud-first data stacks realise ROI 1.8x faster than those using on-prem systems.

3. **Interoperability**
   Systems need to talk to each other. AI works best when pricing, logistics, and marketing data flow seamlessly. Use APIs and integration layers that allow models to read from multiple data sources without friction.

For smaller retailers, this doesn't have to mean a complete rebuild. Start by modernising one data stream. For example, inventory, and build from there. The goal is consistency, not complexity.



Team structure and AI talent

Retail is no stranger to transformation, but AI brings a new challenge: it doesn't just require new tools, it requires new roles.

The most effective AI teams blend three skillsets:

- Business translators who connect AI outputs to real-world impact.
- Data engineers who ensure systems are robust and scalable.
- Ethics and governance leads who maintain trust, compliance, and explainability.

8 Building your AI strategy

Crucially, these teams shouldn't sit in a silo. AI must be cross-functional, embedded in merchandising, marketing, logistics, and HR, with a centralised governance layer to ensure alignment.

Deloitte research found that retailers with cross-functional AI taskforces are 60 per cent more likely to achieve sustained ROI than those with standalone data science units. And while specialist hires are valuable, upskilling existing staff is often faster and more sustainable. Courses in prompt engineering, data literacy, and AI ethics can turn teams from sceptics into advocates.

As one retail CTO told Retail Gazette: "You don't build an AI company by hiring a thousand data scientists. You build it by teaching your merchandisers how to think in data." Perhaps the hardest part of any AI strategy isn't the data, or the tech, but the mindset. AI doesn't demand that humans step aside. It demands that they step up. That means embracing experimentation, failure, and continuous learning.

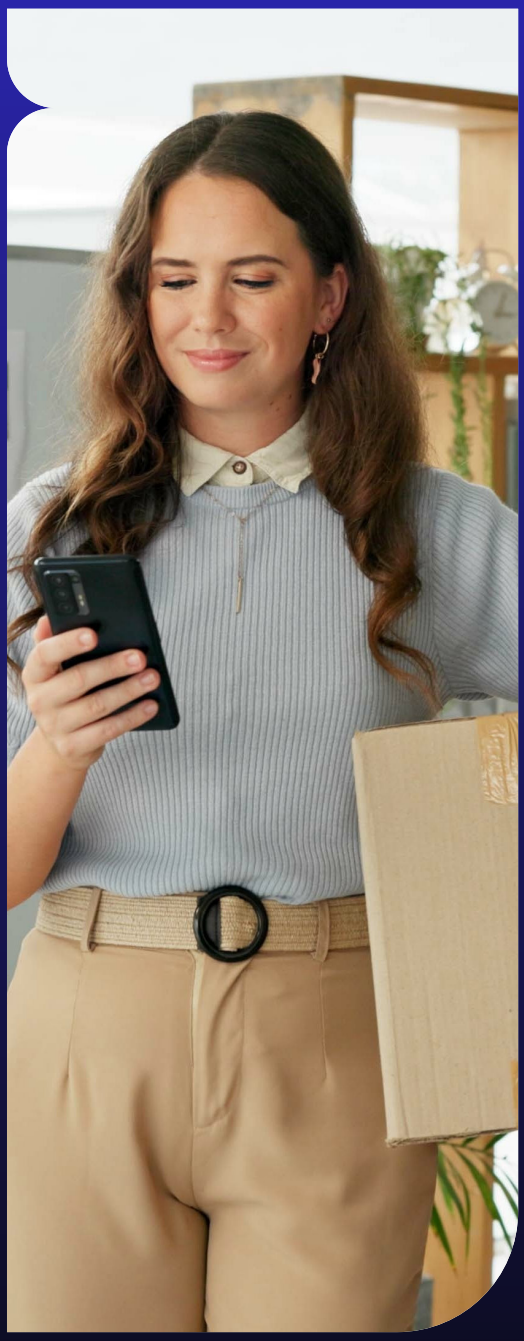
The retailers thriving in this space are creating AI-positive cultures where curiosity is rewarded and fear is replaced by exploration. Tesco's digital team, for example, runs 'AI Office Hours', open to anyone in the business who wants to explore a use case or learn a new tool. Others are establishing AI councils that oversee ethical deployment and share best practice across departments.

The key is transparency. When employees understand that AI isn't coming for their jobs, but for their inefficiencies, adoption accelerates naturally.



Conclusion

From hype to habit



So here we are. After all the noise, the think pieces, the breathless LinkedIn posts, and the vendor promises, the truth about AI in retail is refreshingly simple. It's just another tool, after all. But it's a tool that, used wisely, will indeed reshape the fundamentals of how retail works.

We've spent decades optimising retail around people, process, and product. Now, data is the connective tissue holding them together, and AI is the nervous system that makes it move. The danger lies not in falling behind the technology, but in misunderstanding what it's for.

AI isn't a silver bullet. It won't make you a better retailer any more than Excel made you a better accountant. What it will do, if implemented with discipline and purpose, is make you faster, clearer, and more capable of acting on what you already know. It will take away the repetitive, time-consuming friction points that have long dulled creativity and slowed innovation.

And if there's a thread that's run through every chapter of this report, it's this. Success doesn't come from racing to adopt every shiny new model. It comes from focus. Retailers that start small, prove ROI early, and scale intentionally are already reaping the benefits. They're treating AI as infrastructure - invisible, essential, and quietly transformative - not as a gimmick for investor decks.

Of course, there are questions left hanging in the air. What happens when agentic AI begins shopping on our behalf?

Conclusion From hype to habit

Resources:

Reimagining Retail Commerce in 2025
Responsible AI Revolutionizing Retail and Ecommerce with AI-Powered Experiences
Boost productivity with AI agents
Artificial Intelligence In Retail: 6 Use Cases And Examples
AI in Retail: 20 Statistics Marketers Need to Know
WHY GENERATIVE AI-POWERED STORES ARE THE FUTURE OF RETAIL
Retail reinvented: Unleashing the power of generative AI
Retail Agility: Navigating the AI frontier in retail
LLM to ROI: How to scale gen AI in retail
How to tell if your organisation is ready for AI Using AI to power perfect pricing
Unified Commerce Benchmark for Specialty Retail in Europe: UK Country Playbook

How do we speak to algorithms, not audiences? What becomes of a website when discovery no longer starts in a browser? These are coming shifts that every retail leader will need to face.

But panic helps no one. We've been here before. The internet. Ecommerce. Mobile. Social. Every seismic change in retail began as confusion and ended as common sense. AI will follow the same pattern, from headline hysteria to everyday habit.

The retailers that thrive through this transition will be those that remember what technology is for - to serve strategy, not dictate it. They'll focus on clarity, governance, and trust; the unglamorous work that turns innovation into advantage. They'll build solid data foundations, empower their people to use new tools, and keep ethics front and centre.

Because at the heart of all this code and computation lies something deeply human, understanding. Understanding your customer, your team, your business, and your purpose. AI, in its best form, amplifies that understanding. It helps you see patterns sooner, act faster, and serve better.

So, take a breath. The goal isn't to be the first retailer to 'do AI'. In fact, this mindset is doomed to fail. It's to be the one who does it well.

In a few years, the term 'AI strategy' will disappear altogether, not because the technology faded, but because it became as ordinary as electricity. The retailers who start building that current now, carefully and deliberately, will be the ones lighting the way.

About the sponsor

7Learnings

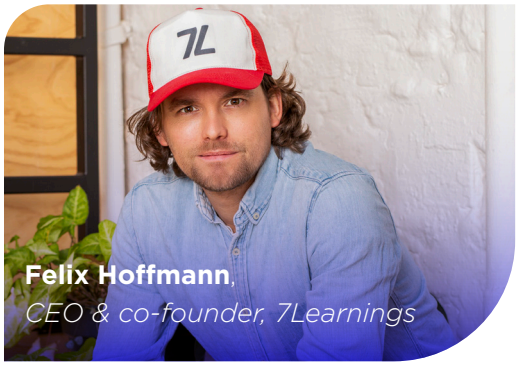
7Learnings

7Learnings provides an AI-powered retail optimization platform for B2C companies, pioneering the overarching optimization of pricing, performance marketing, and product ordering. With 7Learnings' predictive AI, retailers and brands can forecast the impact of business decisions, determine the optimal price or steering for all products, and reduce manual labor by up to 80 percent. The solution has been rigorously tested in numerous A/B experiments and consistently delivers measurable performance improvements and profit increases of more than ten percent.

7Learnings was founded in Berlin in 2019 by Felix Hoffmann, Eiko van Hettinga, and Martin Nowak. Its clients include international companies such as Hummel, Oh Polly, Westwing, Bonprix, Tom Tailor, Tamaris, and DK Company.



Contributors



Felix Hoffmann,
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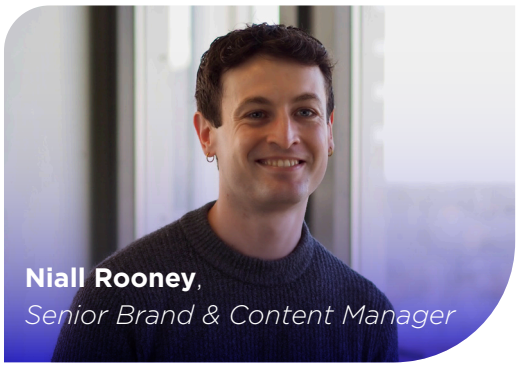
Felix Hoffmann is CEO & Co-founder of 7Learnings. With more than 15 years of experience in pricing optimisation, he has made it his mission to help retailers and brands make smarter decisions through AI. Before founding 7Learnings, he was responsible for Zalando's global pricing algorithm and spent six years as a pricing consultant at A.T. Kearney. Today, he leads 7Learnings in pioneering predictive and target-driven steering solutions that maximise profitability and efficiency across pricing, marketing, and purchasing decisions.



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