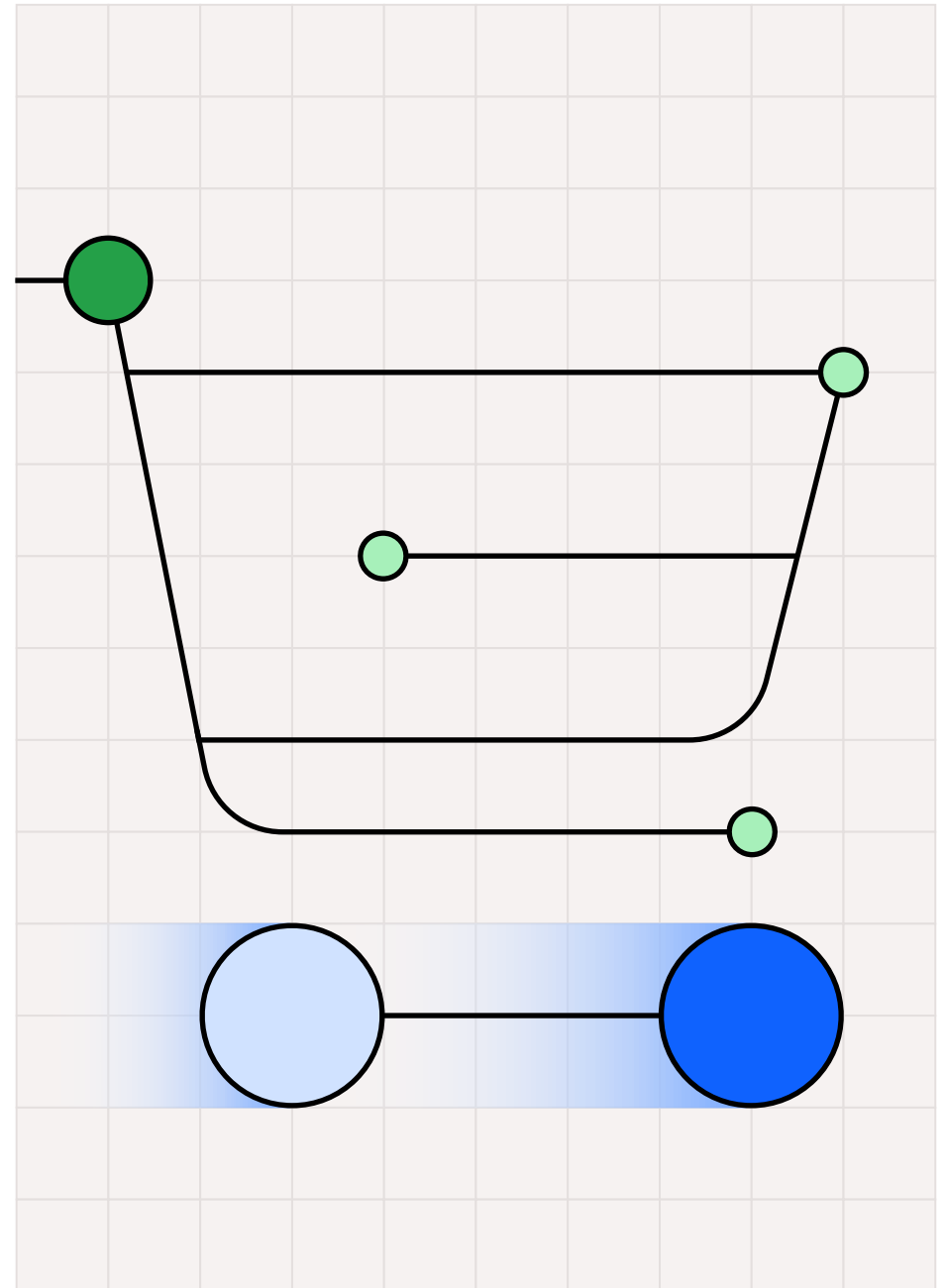


Retail and consumer products industries in the AI era

How AI is enabling brands to capture a competitive edge



Foreword

Artificial intelligence is upending the retail and consumer products industries, pushing companies to urgently reimagine customer engagement and seize new paths to growth. And many industry executives are realizing a critical truth: the AI race isn't just about beating competitors—it's about meeting and exceeding ever-rising customer expectations.

Today's consumers rely on AI for personalized recommendations, frictionless shopping, and smarter decisions. To meet these rising expectations, retail and consumer products companies are ramping up AI investments—not just through enterprise IT budgets, but with direct action from business domain leaders who see AI as key to competitive advantage.

While AI is already enhancing customer experiences and optimizing operations, the next leap forward lies in empowering AI to act, not just advise. AI now enables brands to make decisions, automate processes, and adapt instantly to market shifts and customer behaviors. This isn't about isolated, task-specific tools—it's about reimagining customer experiences across channels and ecosystem partners and innovating products from the ground up.

It's also about creating new ways for employees and AI to work together so the operational capability of AI is monitored, safeguarded, and continuously improved by the people who understand the brand and know what customers expect.

Winning in this AI-driven landscape starts with earning customer trust. To succeed, companies must put the customer experience at the center of their AI strategies. Hyper-personalized recommendations, immersive shopping journeys, and real-time service solutions aren't optional—they're essential. Every interaction must feel seamless, relevant, and uniquely tailored to build loyalty and drive growth.

In this paper we provide perspectives into what the future of an AI-driven retail and consumer products industry will look like and what concrete actions you can take today so your organization will win in the future. At IBM we are fortunate to partner with many of the world's leading retailers and consumer products companies on AI adoption. This experience gives us insights into what it takes to successfully pivot to AI-driven business models and what AI can deliver for your organization.

The time to act is now. AI isn't just a solution to meet today's challenges—it's essential for building a competitive advantage in the retail and consumer products industries. The opportunities are immense, and those who move boldly will lead the way.

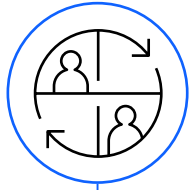
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Global Industry Leader

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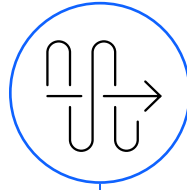
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Key takeaways



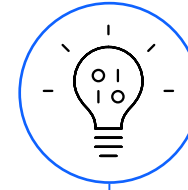
The AI race isn't only against competitors—it's a contest to meet and exceed customer expectations.

As consumers weave AI into the fabric of their lives, brands and retailers are responding by rapidly increasing AI investments, not just through IT budgets, but directly from business domain leaders. By 2027, 35% of total AI spend is expected to be outside of the IT budget.



Brands deliver the best customer and product experiences when AI not only advises but acts.

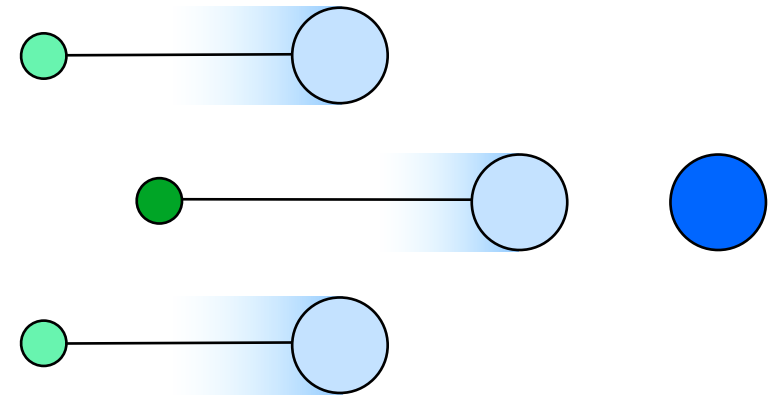
84% of retail and consumer products executives say AI will significantly enhance their ability to respond rapidly to market disruptions and evolving customer needs. This involves taking AI past operational efficiency improvements, incorporating the human touch at key moments, and tapping agentic AI to create new products and customer experiences.



Agentic and autonomous AI tools are drivers for innovation.

80% of retail and consumer products companies have a clear strategy to integrate AI into their long-term innovation roadmap. Well-governed AI, supervised by brand experts, can independently coordinate and execute complex tasks across the value chain and drive industry transformation.

AI is about getting closer to your customers—and outperforming the competition



Implementing AI is not simply about analytics or automation, it's about building ever-closer relationships with your customers, derived from the wealth of data you get from every customer transaction. Knowing customers through AI translates into growing with customers by anticipating behaviors, personalizing experiences, and optimizing marketing efforts.

By using secure, well-governed AI to redefine how you operate and innovate, your organization will be able to compete more successfully in a marketplace where your competitors are also stepping up investments in AI-driven transformation.

Artificial intelligence is no longer a side project for IT teams; it is becoming the connective force to reforge every link in the consumer value chain. The race is not only against rival brands, but to deliver on and surpass customer expectations. As consumers experience AI-powered interactions everywhere, they expect the same level of intelligence, responsiveness, and permissioned personalization from the brands they choose. This shift is driving a surge in AI investment from central IT budgets and increasingly from business domain leaders who see AI as a direct lever for competitive advantage and are rushing to accrue the benefits now.

AI spend outside of IT budgets is expected to increase from 28% of total AI spend in 2025 to 35% in 2027.

FIGURE 1

Where organizations are prioritizing their AI spend

In 2025, AI spend as a percentage of annual IT budgets is just under 10% and this is expected to grow to 13% in 2027. Meanwhile, AI spend outside of IT budgets is expected to increase from 28% of total AI spend in 2025 to 35% in 2027. But not only is AI spend increasing rapidly across the business, the focus is shifting from boosting operational efficiency to increasing innovation (see Figure 1). In fact, 80% of retail and consumer products companies have a clear strategy to integrate AI into their long-term innovation roadmaps.

Organizations in the retail and consumer products industries are increasingly using AI to enhance features, develop new product lines, and improve service delivery to enhance customer experiences across channels and partner ecosystems, while boosting profit margins. And they are already seeing tangible returns. 86% say AI delivers a clear and measurable competitive advantage, and 77% report significant revenue contributions from AI-powered initiatives. These figures are set to climb sharply in the next three years. The message is clear: AI is no longer experimental; it is a proven engine to deliver business growth.

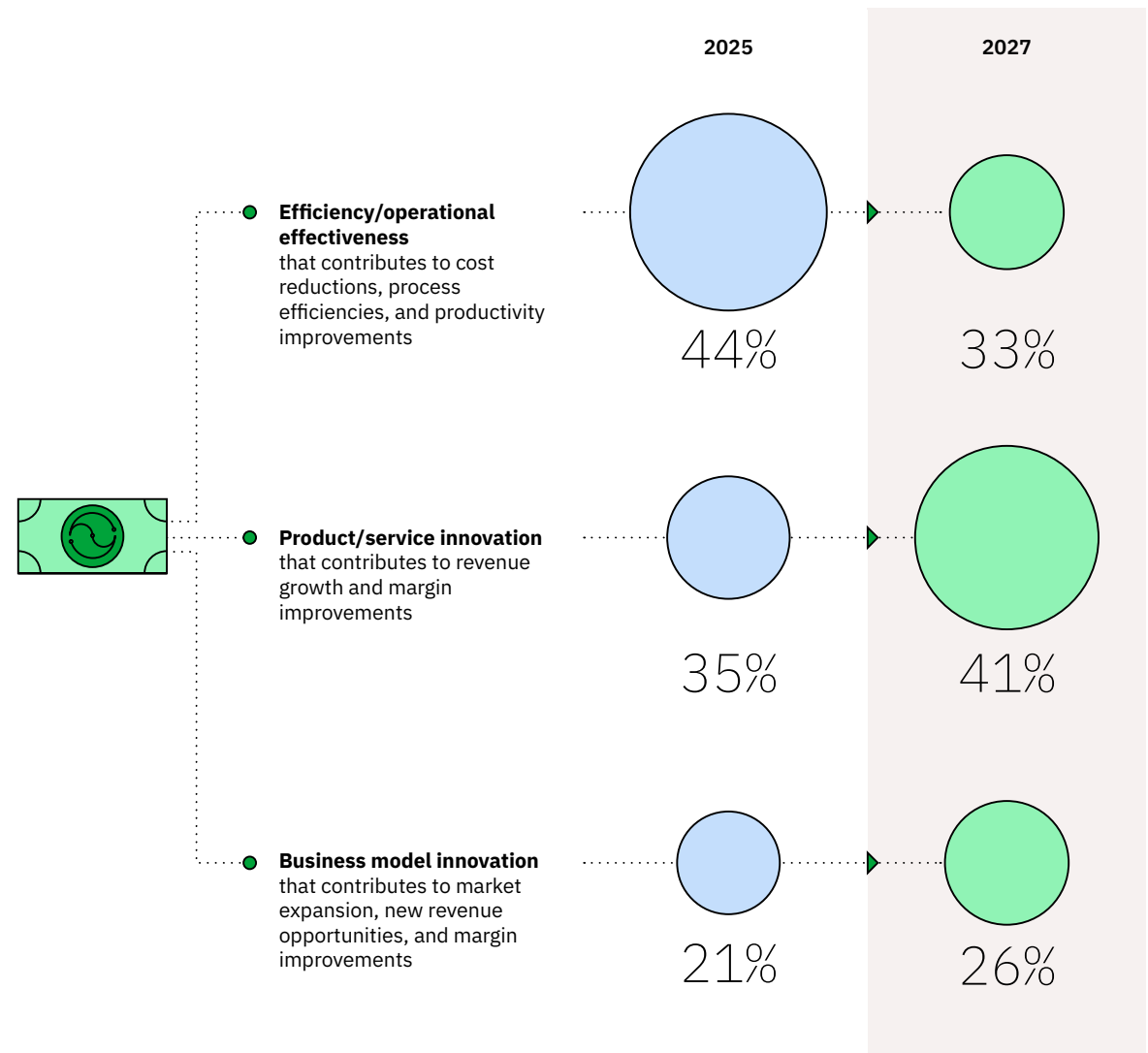
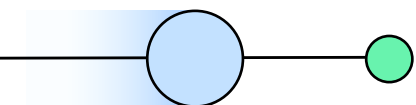
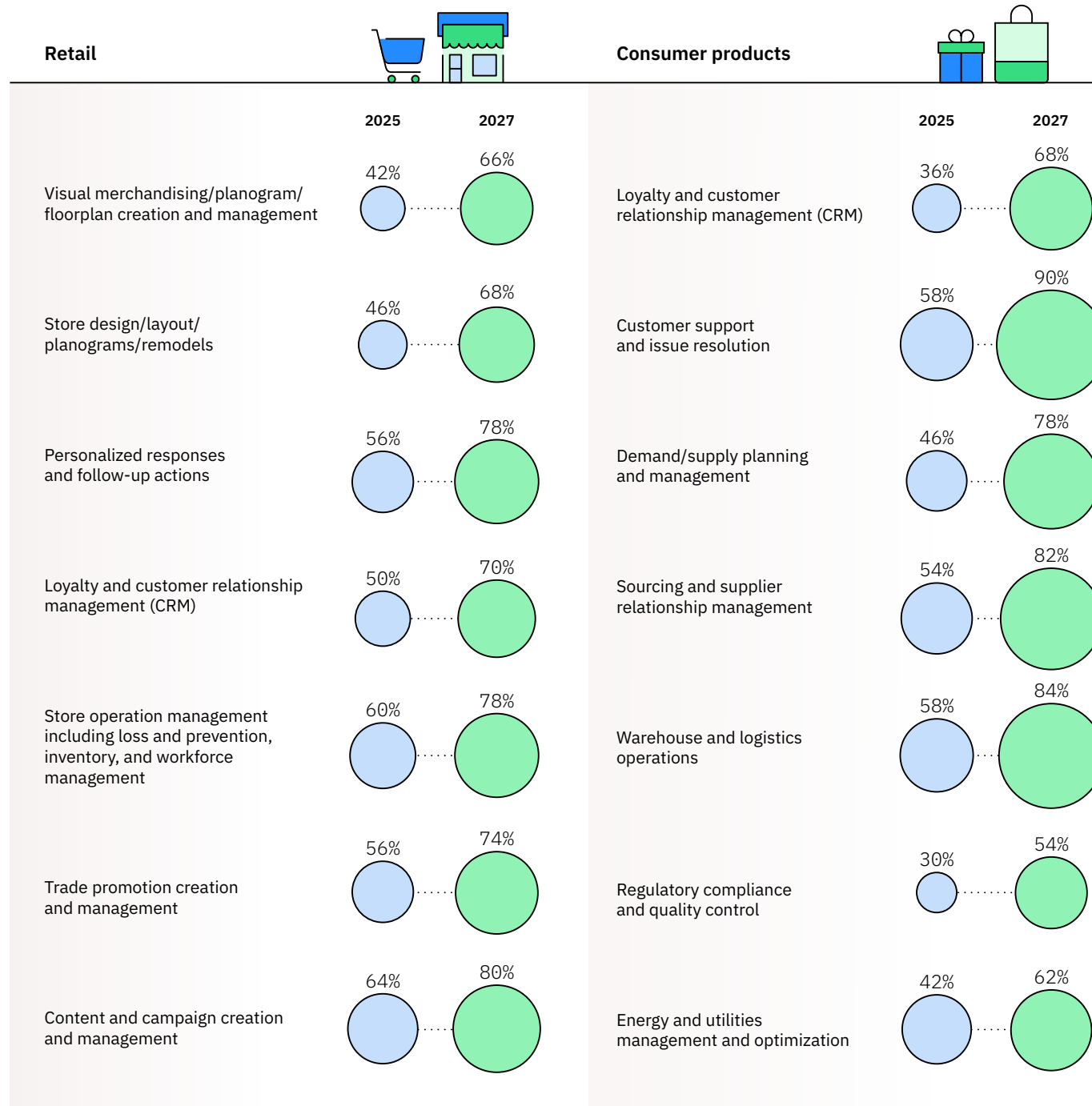


FIGURE 2

Where do you expect your retail consumer products organization to implement AI?



The competitive frontier is extending beyond pricing and promotions toward experience, adaptability, and consumer and market intelligence. Winning in all these categories will require meeting current customer expectations, as well as the expectations they will bring to the marketplace tomorrow. And that will require finding more opportunities for AI to make a difference (see Figure 2).



Deliver the best customer and product experiences when AI not only advises but acts

AI leaves no stone unturned by rapidly analyzing vast, complex datasets to uncover insights and opportunities at speeds humans can't match. AI agents transform this intelligence into action by executing multi-step processes, coordinating across systems, and removing the burden of repetitive tasks. Humans step in where judgment, empathy, and creativity are needed to guide AI agents, set priorities, and make final decisions on complex or sensitive matters.

To unlock its full potential, AI must be a core driver of critical workflows to automate processes, react instantly to market changes, and deliver experiences that resonate with customers and differentiate brands—all in real time. Going beyond slotting point solutions into existing workflows, this requires designing new business models that infuse and integrate AI tools across business ecosystems.

That's why leading retailers and brands are using AI to reinvent operations, create new customer journeys, and introduce new product discovery pathways and commerce experiences. 76% of executives are already transforming their business models to leverage AI for both efficiency and new revenue streams and 84% of executives believe AI will significantly enhance their ability to respond rapidly to market disruptions and evolving customer needs.

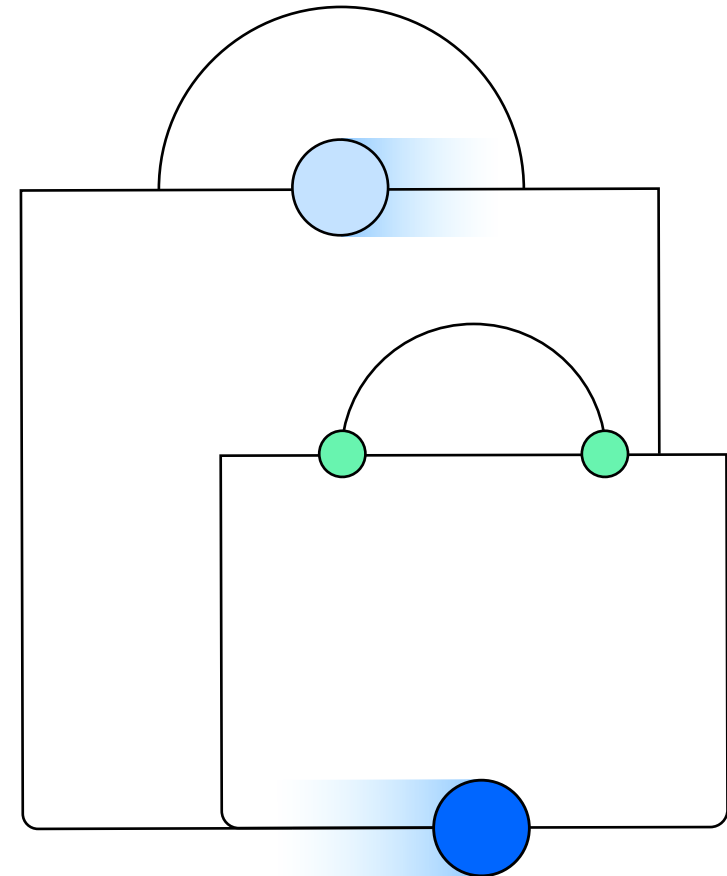
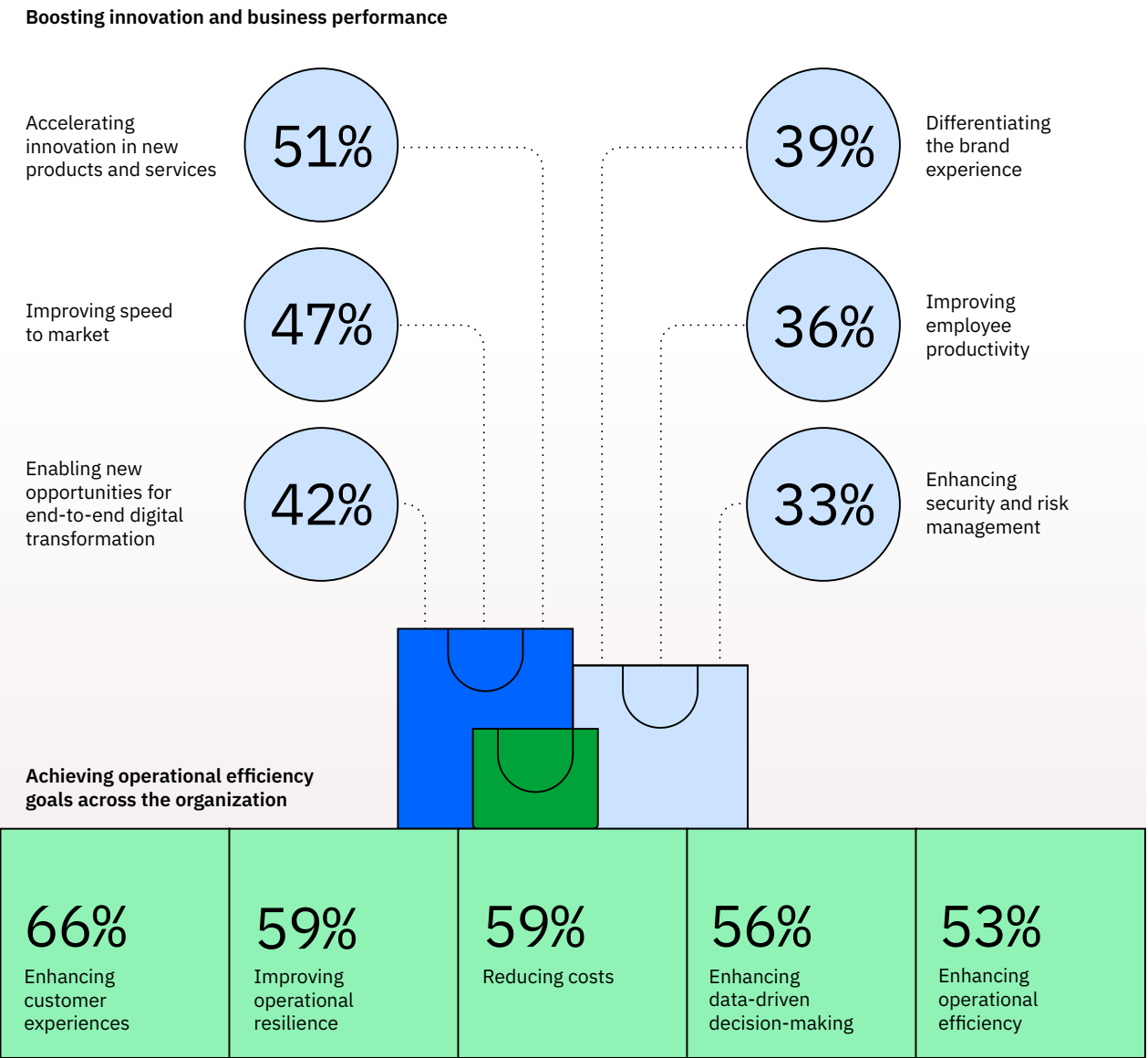


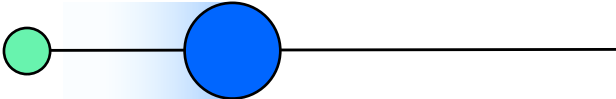
FIGURE 3

Which are the most important reasons for using AI in the retail and consumer products industries?



Working as an interconnected network, AI agents seamlessly link inventories, payments, logistics, and customer data to deliver service without delays or gaps. Humans oversee these workflows, intervene when exceptions occur, and use the time saved to deepen customer relationships and innovate on service offerings.

Today, consumer industry executives say that AI creates the most value in marketing, customer service, supply chain operations, and digital commerce. Recognizing the importance of continuously improving customer experience, two-thirds of executives rank this as the top driver for using AI (see Figure 3). What’s more, 58% of executives say that AI will help improve customer retention and satisfaction. And AI has contributed to an average 31% improvement in these areas during the last 12 months.



A diagram showing a blue ball moving from left to right. A large blue arrow points from the left towards the right, indicating the direction of movement. The ball is shown in two positions: a small blue circle on the left and a larger blue circle on the right, with the arrow pointing from the smaller to the larger one.

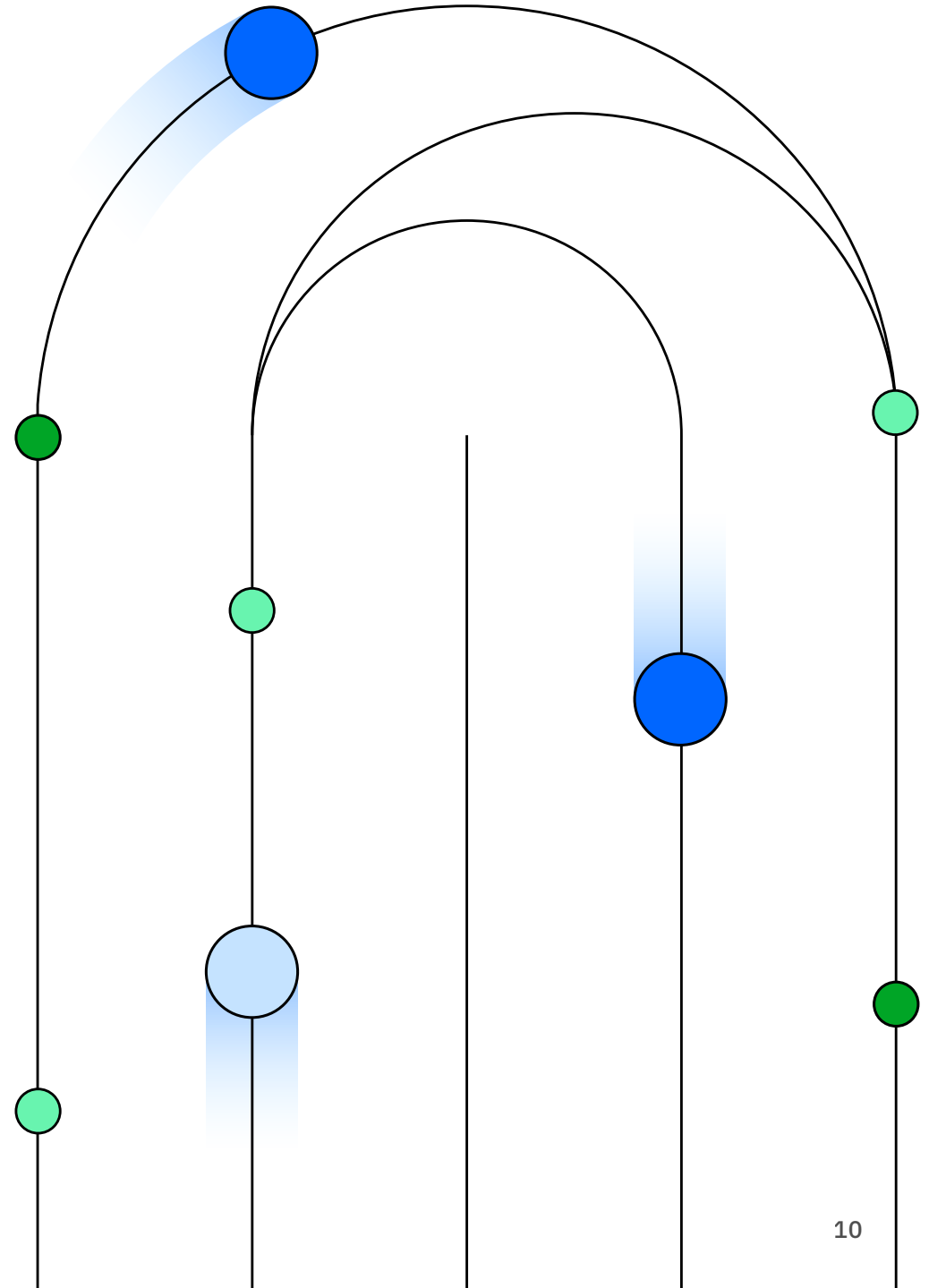
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As trusted operational partners, AI agents complete transactions with speed and intelligence, while people continue to provide the emotional touch points with customers, such as direct engagement during moments that require trust, empathy, or negotiation.

Innovating across ecosystems with agentic and autonomous AI

Shifting AI from assisting and advising into acting independently has far reaching implications. To realize its full potential, agentic AI needs collaborative ecosystems, where partners share capabilities and data securely to create richer, more valuable customer journeys. These systems can work together across brands and even across retailers, enabling cross-brand shopping experiences where customers move effortlessly between vendors without losing personalization or context.

The next stage is autonomous AI—AI systems that can independently coordinate and execute complex tasks across different parts of the value chain. This requires breaking down data silos and giving AI secure, standardized ways to interact with every part of the business, from marketing and merchandising to fulfillment and returns.



Today, while 64% of companies have proprietary data accessible to AI, less than half (49%) is usable and just over a quarter (26%) of this information is actually used by AI (see Figure 4). Because the retail industry has traditionally been a leader in collecting information about customer transactions and behaviors, it has a head start over many other industries when it comes to making proprietary data available for AI applications.

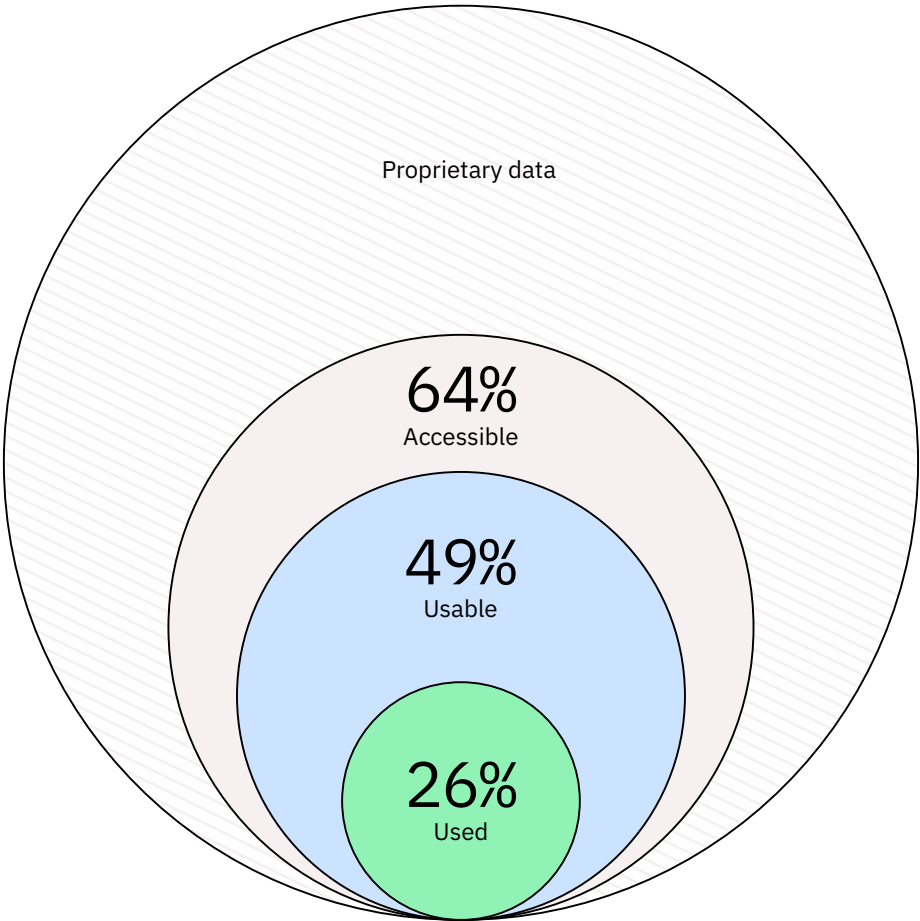
Turning fragmented silos into integrated systems will open up wide avenues for innovation. By rethinking roles and processes, brands and retailers can help ensure AI systems can successfully address data readiness issues and work together seamlessly.

To deliver on this promise, retailers must modernize their core commerce platforms into modular API-first systems, redesign processes for non-linear AI-driven interactions, and invest in data governance, security, and workforce upskilling.

In this future, core platforms still handle essentials like inventory, orders, payments, and customer data, but they operate as flexible engines within a connected AI-powered ecosystem. Retailers that embrace this model will not just adapt to the AI era; they will define it.

Brands that act now to give AI the ability to access, understand, and act across their entire business will surpass incremental gains and unlock entirely new ways to compete, grow, develop innovative new products and services, and lead in the marketplace.

FIGURE 4
How does your organization use your proprietary data for AI models?



Case study

Goodiebox surprises and delights customers with AI-powered business intelligence¹

Founded in 2012, Goodiebox is a monthly subscription service that provides cosmetics and beauty products to over 200,000 customers in 13 countries across Europe. To surprise and delight recipients, the Goodiebox team selects a mix of products and brands for inclusion, based on fashion and seasonal trends. Members test and evaluate the products, and in many cases, go on to buy items from the Goodiebox website.

With multiple brands and categories competing for inclusion in each pack, Goodiebox worked from shared spreadsheets to map out the best possible combinations. In addition, spreadsheets were used to manually track stock levels, new product arrival times, and expiration dates. But as Goodiebox grew, it became clear that working with spreadsheets would not scale, with too many factors impacting creative decisions.

To address immediate challenges and support future growth, Goodiebox has embedded a strategic solution that automates product recommendations, optimizes current inventory, and adjusts parameters to maximize customer satisfaction. This streamlines operational efficiency and improves planning. Using stock data and expiration dates, AI-powered tools suggest product mixes, enabling Goodiebox to edit selections, assess impacts on inventory, and reserve items for current or future boxes.

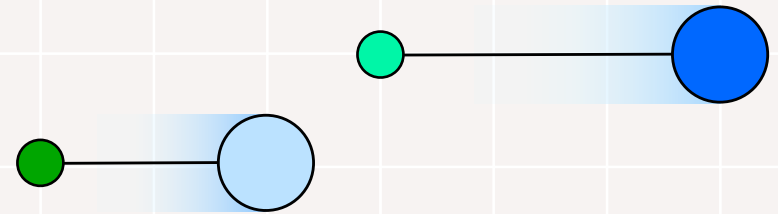
With the solution in place, Goodiebox has transformed operational efficiency and reported improvements in sourcing and designing monthly boxes. Streamlined planning provides the Goodiebox team with more time to design attractive beauty packages for each box, tailored to appeal to different audiences. Powerful data analysis enables Goodiebox to understand which products are popular by country and market segment, and which products lead to subsequent online purchases.

The solution has enabled Goodiebox to cut costs, improve productivity, and—most importantly for commercial success—enhance the customer experience.

“We achieved much better alignment with our business rules, and we were able to reduce inventory based on all the product expiration dates. We saved costs of between 5% to 10% per box.”

Annemette Bruhn
eCommerce Project Manager
Goodiebox

Action guide



Use AI to deliver permissioned and hyper-personalized customer experiences.

Harness consumer data to deliver tailored product recommendations, immersive shopping journeys, and real-time service solutions. Pace adoption to customer readiness and acknowledge that not all customers are ready for an AI shopping agent. Meet customers where they are—even outside your owned channels—and help ensure AI intermediaries represent your brand truth. Provide clear governance and guardrails to avoid security, compliance, and trust issues. Redefine your customer and product experience by deploying AI in high-impact areas like order to cash, procure to pay, and supply chain orchestration.

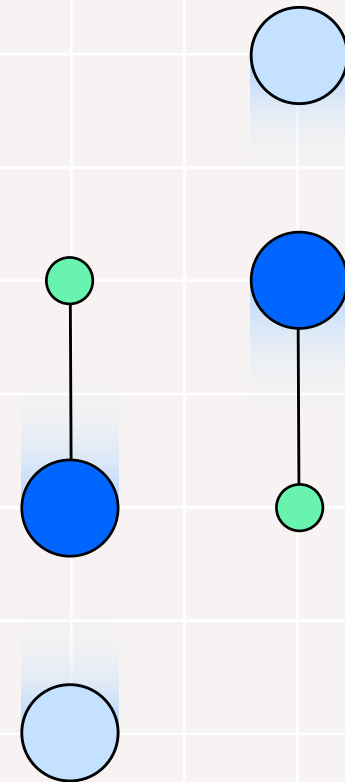
Enable conversational commerce and automate key tasks with AI.

Build capabilities for generative engine optimization (GEO) with structured facts, schema markup, comparison tables, FAQs, and fresh data feeds to help answer engines find, cite, and recommend your products with confidence. Adopt open standards, such as model context protocol, that allow AI assistants to call your live tools and data securely. Use agentic search demand capture to design content and offers for upstream decision making so that AI assistants can verify information and present offers. Start operational AI where it delivers clear, low-risk value on repetitive tasks such as supplier onboarding, inventory optimization, and order management. As trust and capabilities grow, expand into deeper customer facing roles.

Action guide

Orchestrate collaboration between AI agents and across consumer ecosystems.

Break down silos and establish seamless connections between business systems, tools, and data. Integrate AI assistants across the full retail value chain, transforming standalone AI helpers into coordinated crews of intelligent, autonomous agents capable of complex decision making and process execution. Rebalance personalization to work upstream in decision flows, not just downstream in owned channels. Help ensure that your AI agents and external AI platforms collaborate securely and that AI-mediated recommendations, comparisons, and transactions reflect your brand truth and deliver on your promises.



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Carlos partners with leading retailers and consumer goods companies across Latin America to reimagine how technology powers growth. By combining AI, cloud, data, and advanced analytics, he helps executives build intelligent supply chains, reinvent customer engagement, and design operating models for the future.

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As a leader in the retail and technology industries, Joe has a proven track record of driving turnarounds and accelerating growth. He specializes in retail, consumer products, sales, e-commerce, analytics, outbound marketing, event-based marketing optimization, executive management, strategic planning, supply chain, business development, leadership, and emerging and disruptive technologies.

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Shantha uses trusted generative AI, automation, agentic capabilities, and innovation to design customer experiences that unlock revenue and protect margin for clients across industries, with depth in retail and CPG. She advises and collaborates to prioritize investment and reduce risk, leveraging proven methodology and accelerators to compress transformation time-to-value.

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Jane leads the global thought leadership agenda for the retail and consumer products industries, collaborating with senior leadership teams to identify growth opportunities, shape strategy, and drive results. With over 30 years of expertise, she blends deep industry knowledge with innovative solutions to help organizations transform, scale and deliver lasting impact.

Research methodology

IBM IBV, in partnership with Oxford Economics, surveyed 100 executives in retail and consumer products organizations located in Australia, Germany, India, Singapore, the United Kingdom, and the United States. The respondents were CEOs, CIOs, CTOs, COOs, CFOs, or CDOs of their organizations. The mean annual revenue for these organizations was \$1.14 billion, and the mean total number of employees was 72,575. The survey was conducted between June and August 2025.

In addition to key demographic variables, participants were asked about the use and value of generative and agentic AI, technology adaptation, business priorities, partnerships, and other topics related to the retail and consumer products industry. Questions were posed in various formats including multiple choice, numerical, and Likert scale.

Our analytical approach began with foundational data preparation and descriptive statistics to help ensure data quality and uncover preliminary insights. This was followed by more detailed analysis of trends and expected changes in AI adoption, use, and impact over time. In addition, insights and recommendations in this report draw on case studies that provide more detailed perspectives on how retailers and consumer products companies are using AI. Our analysis also draws on insights gained through extensive direct work with retail and consumer products clients around the world.

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How IBM can help

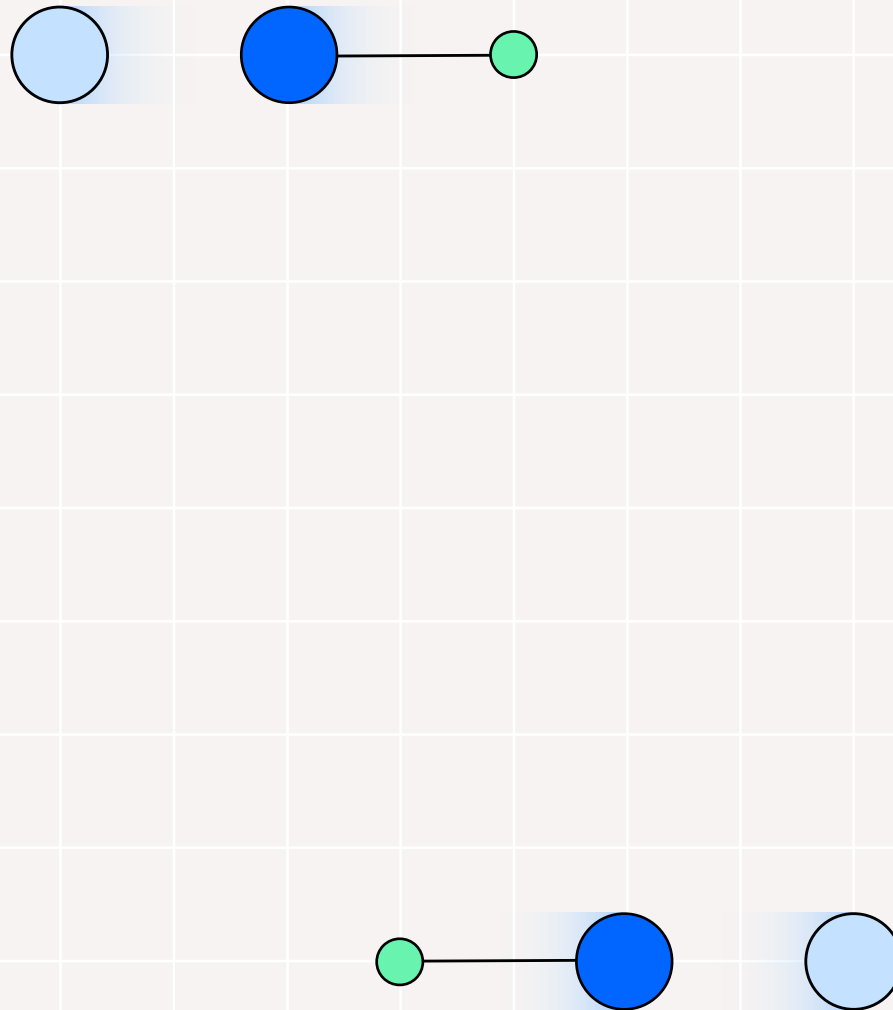
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Notes and sources

1. “Goodiebox delivers beautiful results.” IBM case study. December 2024. <https://www.ibm.com/case-studies/goodiebox>
2. “IBM Consulting Transforms Al-Futtaim Group’s Operational Excellence and Elevates Customer Experience.” CXO Insight. February 23, 2024. <https://www.cxoinsightme.com/news/ibm-consulting-transforms-al-futtaim-groups-operational-excellence-and-elevates-customer-experience/>



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Produced in the United States of America | October 2025

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