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AI in RETAIL

India Phygital Report

2027

2026

2025

2024

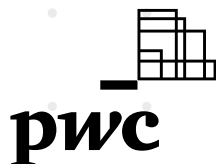
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About us



At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 364,000 people who are committed to delivering quality in advisory, assurance and tax services. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity.

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About us



Since 2012, Fynd has led the retail innovation. Today, we're the only AI-native platform providing comprehensive solutions across the entire commerce spectrum for over 2,300 brands in India and beyond. From design, cataloging, storefronts, online integrations, 3D/AR/VR virtual try-ons, faster in-store checkouts, POS, endless aisle, quick commerce, warehousing, logistics, and B2B—Fynd powers the commerce journey end-to-end, intelligently connected and AI-infused.

Our pioneering spirit extends to our partners, equipping them to scale smarter with breakthrough AI at every step, through design-as-a-service, AI-led photoshoots, automated cataloging, intelligent chatbots for shopping and support, immersive virtual try-ons, and workflow automation.

At Fynd, we don't just support commerce—we reimagine it with care.

About us



Established in 1992, IMAGES Group is India's most prolific and influential disseminator of retail intelligence.

Recognised by Indian and international retail communities through its B2B magazines, conferences, exhibitions, research reports and web portals, the IMAGES Group is the largest retail intelligence organization in South Asia and the Middle East, whose multiple products and services function as catalysts for the profitable growth of modern retail through knowledge platform leadership.

The Group's knowledge platforms include print and online reportage, research studies, and major annual business events with conferences, masterclasses and workshops serving multiple verticals/segments/ operations of retail.

The mega industry events include: India Food Forum, India Fashion Forum and the Middle East Retail Forum.

Commentary from partners



Ravi Kapoor
Partner & Leader,
Retail & Consumer,
PwC India

The retail industry is poised for a significant transformation, fueled by the swift expansion of AI investments. As AI becomes increasingly integrated into retail operations, it offers unparalleled opportunities for innovation and efficiency. This report delves into the dynamic relationship between AI and retail, highlighting the market's evolution and the substantial investments propelling this change.



Sameer Kanegaonkar
Partner,
Customer Transformation
PwC India

AI's role in retail extends beyond technological advancement; it is about enhancing operational excellence and redefining customer experience. With numerous success stories and evidence of AI's impact, retailers can learn from early adopters to navigate this transformative journey effectively. However, as we embrace AI, it is crucial to remain vigilant against potential pitfalls such as bias and ethical concerns, ensuring that AI applications are transparent and equitable.

The report provides a comprehensive view of AI's functional applications and the outcomes sought by retailers. It aims to assist retailers in understanding how AI can be strategically leveraged to achieve efficiency, effectiveness, and differentiation. Additionally, it sheds light on the lessons learned from early adopters and outlines imperatives for brands to successfully integrate AI into their operations.

Grounded in a detailed survey, the report captures the perspectives of industry leaders and stakeholders, focusing on AI adoption, challenges, and enablers. The respondents' demographics span across 8 categories, with organization ages ranging from 2 to 70+ years and revenue sizes from less than ₹100 Cr to over ₹1,000 Cr, offering a holistic view of the retail landscape.

As AI continues to shape the future of retail, this report serves as a valuable resource for understanding the guiding themes and strategic priorities necessary for successful AI integration. We hope it provides the insights needed to leverage AI's potential while avoiding common traps, ultimately fostering a competitive edge in the retail sector.

Foreword by Farooq Adam



Farooq Adam
Founder,
Fynd

The retail industry stands at the tipping point of an intelligence revolution. Over the last decade, we've watched digital transformation reshape consumer expectations, compress buying journeys, and redefine convenience. But today, we enter a new era—where transformation is no longer about going digital, but about becoming truly intelligent.

At Fynd, we've long believed that AI is not just the next technology wave; it's the engine that will redefine how commerce is built, operated, and experienced. The India Phygital Report 2025, developed in collaboration with Images Group and PwC, is a first-of-its-kind benchmark of AI maturity in Indian retail. It uncovers a simple but powerful truth: the promise of AI is real, but its impact is uneven.

Most Indian retailers have made inroads in applying AI for consumer-facing functions—personalised marketing, chat support, and demand prediction. Yet, the untapped value lies deeper: in intelligent supply chains, self-optimising stores, enabling high inventory turns, and adaptive fulfilment. The opportunity is not in selective automation but in holistic orchestration.

This report is both a mirror and a map. It highlights the fragmentation in readiness, the unevenness in investment, and the challenges in scaling AI. But it also offers a path forward: one that's built on clean, connected data; outcome-led use cases; and a mindset shift—from adoption to immersion.

At Fynd, we've worked with hundreds of brands to solve complex retail challenges—leveraging AI to unify inventory across channels, make fulfilment more responsive, personalise shopper journeys, and even reimagine physical stores as intelligent experience hubs. We don't see AI as a feature; we see it as the foundation of next-gen commerce.

To every retail leader reading this report: The future is not about catching up. It's about leaping ahead. And AI is the springboard. Use this report to assess where you are, what's holding you back, and where to go next. We hope it inspires you to not just adopt AI—but to lead with it.

Let's build a smarter, more intuitive future of retail. Together.

Foreword by Images



Amitabh Taneja
Editor-in-Chief,
Images Group

As Artificial Intelligence integrates itself even more intimately with the business of retail, moving to a sophisticated partnership via AI agents, generative AI, and AI-powered virtual assistants, customer experience, operations, and supply chains are set for unprecedented transformation.

This truly diagnostic report — AI in Retail — an intelligence initiative by IMAGES Group, powered by Fynd, along with Knowledge Partner Strategy&, reflects a 360-degree analysis of the AI landscape today, and what it portends for tomorrow. Because as a vast majority of retail companies worldwide today know only too well, AI agents will become essential to compete in the very near future.

But in order to optimise AI's superpower, intelligence is the biggest building block — Who, What, When, Where, Why, and How. And those are the questions this report answers — delving into the dynamic relationship between AI and retail, highlighting the market's evolution and the substantial investments propelling this change.

This study offers an all-encompassing perspective on AI's functional applications across retail, aiming to assist companies in clearly interpreting AI's applications to achieve efficiency, responsiveness to market shifts, and enhance differentiation.

Through insights from early adopters, we also attempt to guide brands on potential pitfalls and challenges — because there are real dangers if the knowledge of this dynamic field is incomplete or wrongly interpreted.

Built on the foundation of a detailed industry survey, the report captures the perspectives of industry leaders and stakeholders, focusing on AI adoption, challenges, and enablers. The respondents' demographics span across 8 categories, with organization ages ranging from 2 to 70+ years and revenue sizes from less than ₹100 Cr to over ₹1,000 Cr, offering a holistic view of the retail landscape.

As you will find, this report moves away from the theory and deep into retail, with real learnings, actionable lessons and viewpoints from AI innovators as well as the users. While there are numerous analyses on AI, if you're in the business of retail, there can be no finer encyclopaedia than this on the merger of Retail and Artificial Intelligence.

AI is transforming the entire retail value chain – our report seeks to understand retailer perspectives on leveraging AI solutions

In today's rapidly evolving retail landscape, the integration of AI is not just a trend but a transformative force reshaping how businesses operate and compete. It has become crucial for driving business success and customer satisfaction across the entire retail value chain. Retailers are leveraging AI to optimize sourcing, predict supply chain disruptions, and streamline inventory management. AI-driven demand forecasting minimizes overstock and stockouts, while smart logistics ensure timely deliveries..

On the retail floor, AI personalizes marketing and customer interactions, offering tailored recommendations and promotions. AI-powered chatbots and virtual assistants provide 24/7 support, enhancing customer satisfaction.

By leveraging AI, retailers can deliver relevant and personalized experiences to all stakeholders, driving efficiency, satisfaction, and growth across the entire value chain. As consumer expectations continue to rise, retailers are increasingly turning to AI to enhance their operations, personalize customer experiences, and stay competitive in a dynamic market.

This report delves into the current state and future potential of AI within the retail sector, offering a comprehensive analysis on ...

What functions are high priority when considering AI adoption?

What outcomes are retailers seeking to achieve using AI (efficiency, effectiveness, and differentiation) and how?

How mature is retailers' AI adoption?

What are critical enablers or hurdles in this journey?

Source: 1. Ainvest 2. Grand view research

“

“We foresee AI becoming integral across all key retail functions—from supply chain and inventory to customer engagement and personalization—driving smarter, faster decisions at every level.”

”

Indian apparel retailer

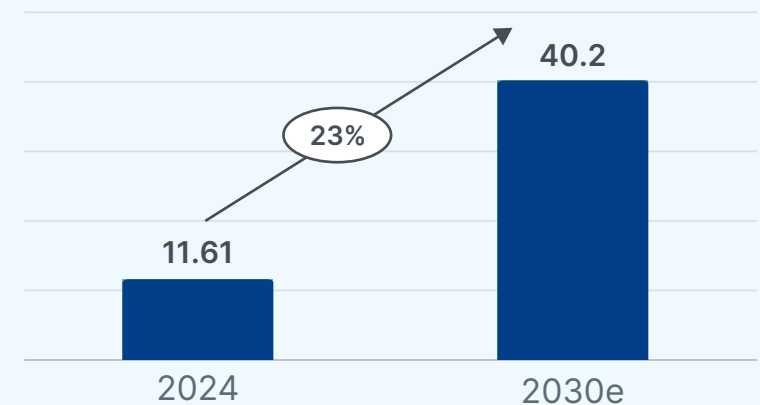
“

AI is a critical component of our strategy to enhance customer experiences and streamline operations. By analyzing customer data, we can predict shopping behaviors and optimize inventory management, ensuring that we meet our customers' needs efficiently.”

”

Doug McMillon, CEO, Walmart

Figure 1: Global AI in retail market size²



Global investments in AI by retail players have been substantial. AI startups received around \$73 billion in the first quarter of 2025, accounting for 58% of all venture deals¹

While there is keenness to adopt AI, progress is slow and limited to a few pockets; with Indian outlook a bit higher than global

CEO predictions about the impacts of GenAI in 2024 turned out to be **slightly optimistic**

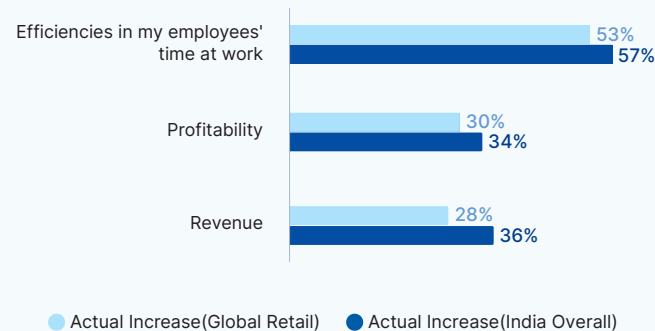


Figure 2

Q: To what extent did generative AI increase or decrease the following in your company in the last 12 months? (Showing increase)

Globally, only **1 out of 5 CEOs** in retail are systematically integrating AI into workforce and skills

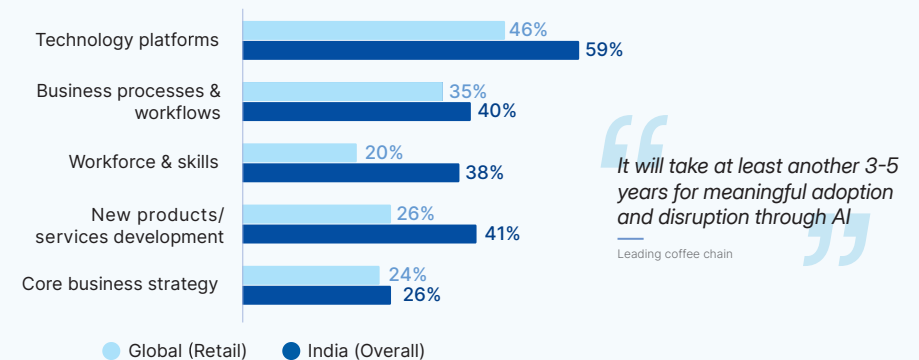


Figure 3

Q: To what extent, if at all, do you predict AI (including generative AI) will be systematically integrated into the following areas in your company in the next three years?

About **half** of CEOs expect **GenAI to increase profitability** in the year ahead, similar to expectations a year ago

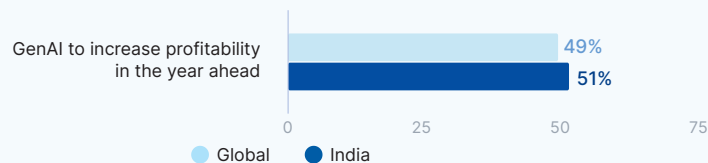


Figure 4

Q: To what extent will generative AI increase or decrease profitability in your company in the next 12 months?

CEOs in retail are saying there is **marginal** impact in headcount because of GenAI investments over the last year

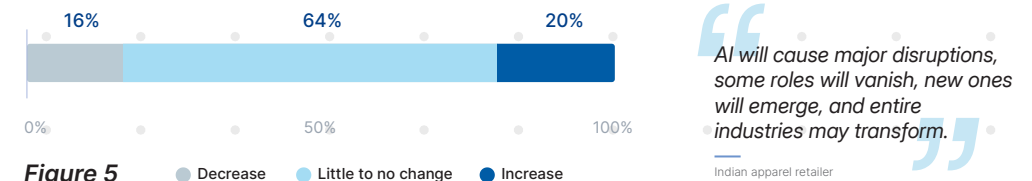


Figure 5

Q: To what extent did generative AI increase or decrease [headcount] in your company in the last 12 months?

While most CEOs in retail sector are adopting AI for operational efficiency improvement, transformational change is still not a priority.

Source: PwC's 28th Global CEO survey – India perspective

Across the retail value chain our survey assesses:

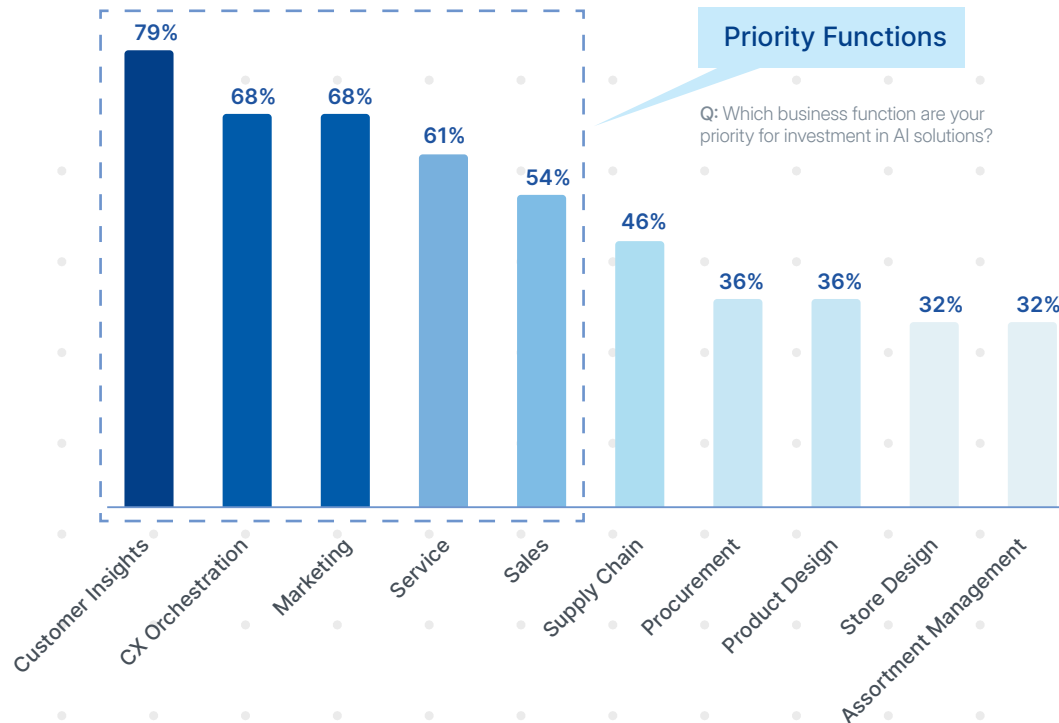
Functional view of AI	Outcomes sought	Maturity of AI adoption	Lessons learnt
How are retailers prioritizing business functions to explore AI use cases?	What is the function-wise focus for retailers: Efficiency vs effectiveness vs differentiation?	How are the retailers rating their AI maturity within organization compared to the wider industry?	What path do the retailer take to identify, experiment, create b-case, implement and measure value realisation for AI use cases?
Which are the high priority use cases within priority functions, based on the cases they have implemented or are exploring?	Insights on how these outcomes are being pursued, and the specific problems retailers are trying to tackle	What is the maturity level of AI adoption in the following business functions within their organization?	What were the critical enablers that facilitated the successful implementation of AI use cases?
			What were the main challenges retailers faced during the implementation of AI use cases?

We have looked at the entire retail value chain and assessed how AI is impacting each function in the chain. These functions are defined as below:

Customer insights	Product design	Procurement	Supply chain	Assortment management	Store design	CX orchestration	Marketing	Sales	Service
Using data to understand consumer needs, behaviors, preferences and current experiences	Creating and developing new products or improving existing ones to meet target consumer demands	Sourcing and acquiring raw material, selecting suppliers, negotiating contracts and cost saving	Overseeing the entire supply chain, from controlling the storage and movement of goods from production to end-consumer	The variety and depth of products, tailoring assortment to meet the specific needs of different regions and seasons	Creating store layouts and space to enhance the shopping experience and reflect the brand identity	Designing and managing the entire shopping journey to build customer loyalty and satisfaction	Managing promotions to attract and retain customers through tailored campaigns	Converting shoppers into buyers, achieving revenue targets and enhancing customer relationships	Providing support and assistance to shoppers before, during, and after their purchase

Retailers are clearly prioritising customer facing functions in their AI initiatives...

Figure 6: % of respondents based on top priority for investment in AI solutions



Backend functions while likely most amenable to AI solutions have not been as highly prioritised by brands

Interestingly, while assortment management is prioritized by apparel and bags retailers, other brands have underexplored opportunities to leverage valuable data such as inventory velocity, number of wishlists.

Survey reveals that organizations are currently prioritizing customer-facing functions, however that would change over the years. In the next 2-3 years, AI is expected to become a fundamental component across all business functions.

Despite of the availability of mature AI solutions across functions, mature players are continuing to invest in select popular use cases.

Need for focus: Several brands have highlighted a plethora of use cases as top priority across functions indicating that there is a need to narrow down focus to use-cases that can deliver the highest returns

Leaders speak – Clear priority to drive personalization and emotional connect

“AI-driven insights help us plan smarter, from finding the next store location to spotting upcoming trends. But in the end, it's not just about tech—it's about using AI alongside human creativity and empathy. That's where the real magic happens.”

Indian apparel retailer

“Everyone is looking to digitalize customer touchpoints; however, the success lies in humanization instead.”

Indian furnishing retailer

“For purpose-driven brands...
...AI can create an edge by **aligning personalization with values**, optimizing supply chains for sustainability, and delivering emotional intelligence in customer interactions.”

Indian apparel retailer

“AI will offer a competitive edge through hyperpersonalization, real-time data insights, predictive analytics, and automation—enabling faster responses to market shifts and deeper customer loyalty.”

Indian apparel retailer

...which is driven by the recognition that customer expectations have skyrocketed, and AI is set to elevate these expectations even further

Customers no longer seek just convenience - they now demand proactive, personalised and seamless experiences that adapt to their unique preferences in real time

Customer expectations	Functions	Key use-cases prioritised by brands
<i>"Understand what I feel, not just what I say"</i>	Customer Insights	<ul style="list-style-type: none"> ● Integrate sentiment and predictive analysis 68% of the respondents highlighted Social sentiment analysis as a priority use-case. However, other critical sources of customer insight such as service feedback analysers, feedback analysis-based product design, and product recommendation engines were not as highly prioritised.
<i>"Deliver my experiences consistently, no matter, where I am"</i>	CX Orchestration	<ul style="list-style-type: none"> ● Orchestrate uniform customer interaction Real-time journey mapping and next-best action are key priorities by 60% and 58% respondents. They believe it helps in creating seamless and consistent customer experiences across different touchpoints. Offline focussed retailers are also prioritising pathway mapping in store to reassess store layouts.
<i>"Make my experiences as unique as they are"</i>	Sales, Marketing and Service	<ul style="list-style-type: none"> ● Enhance hyper-personalisation Marketing: Hyper-personalising marketing content & cross-sell/upsell targeting emerged as high-priority areas to deliver on customer desire for unique experiences. Sales: Conversational commerce – need for a humanized purchase experience was well recognised by retailers as was dynamic promotions to nudge purchase "One disruption I really see is in expectations. As AI enables brands to offer superpersonalised experiences, customers will begin to expect that everywhere"
<i>"Solve my problems before I know they even exist"</i>	Service	<ul style="list-style-type: none"> ● Humanise AI usage Service bots and interaction summarisers that focus on providing human-like interactions and summarizing customer interactions to enhance the service experience are top priorities for 60% and 56% respondents.

Need for focus: Personalised product/bundle recommenders are key for brands to gain valuable insights related to customer needs – brands might be missing out as almost 50% did not prioritise such initiatives

Source: PwC's CX in the age of AI & beyond report (2024), 1. Supply chain dive, 2. Forbes, 3. Retail touchpoints 4. PYMNTS

Global examples

Target⁴ uses AI to optimise its inventory and ensure shelves are stocked with exactly what customers want, by analyzing purchasing patterns and seasonal trends.

Sephora² uses AI to offer personalised beauty advice through its Virtual Artist tool. It analyses an individual's facial features, to recommend personalized beauty routine, creating uniform and tailored experience across all touchpoints.

AI may disrupt how brands connect with customers, pushing faster, smarter decisions and raising expectations.

Indian baby products retailer

AI will disrupt traditional retail flows by speeding up decision-making and raising the bar for customer expectations.

Indian apparel retailer

Starbucks⁴ uses its AI to provide hyper-localised offers and personalised recommendations. It analyses customer data to tailor marketing efforts and product suggestions, ensuring a more personalised and relevant experience.

Nordstrom³ has implemented AI-driven virtual assistants that provide personalised fashion advice and support, enhancing the human touch in digital interactions.

Interestingly, customer-facing functions are also high on priority list for driving operational efficiencies

Efficiency for organizations is the ability to complete tasks at minimal cost and increase speed through automation, streamlining operations and optimizing processes

The survey results reveal that retailers of all sizes have maximum focus on AI-driven efficiency, with marketing being their top priority. Sales and customer insights follow closely, especially among apparel, furniture and e-commerce players.

Retailers highlight AI's ability to swiftly analyse vast customer data and segment audiences for targeted marketing campaigns, enhancing personalisation efforts. They emphasise that the speed of activity completion and accuracy of AI-generated insights significantly boost operational efficiency.

AI solutions are also focused towards shifting non-value-adding activities performed by sales reps to agentic automation, enabling sales teams to concentrate on customer facing tasks.

Need for focus: Currently lowest prioritised, supply chain and procurement functions are key opportunity areas for cross-sector retailers to drive efficiency through cost savings generated by streamlined inventory management and logistics optimization.

Leaders speak

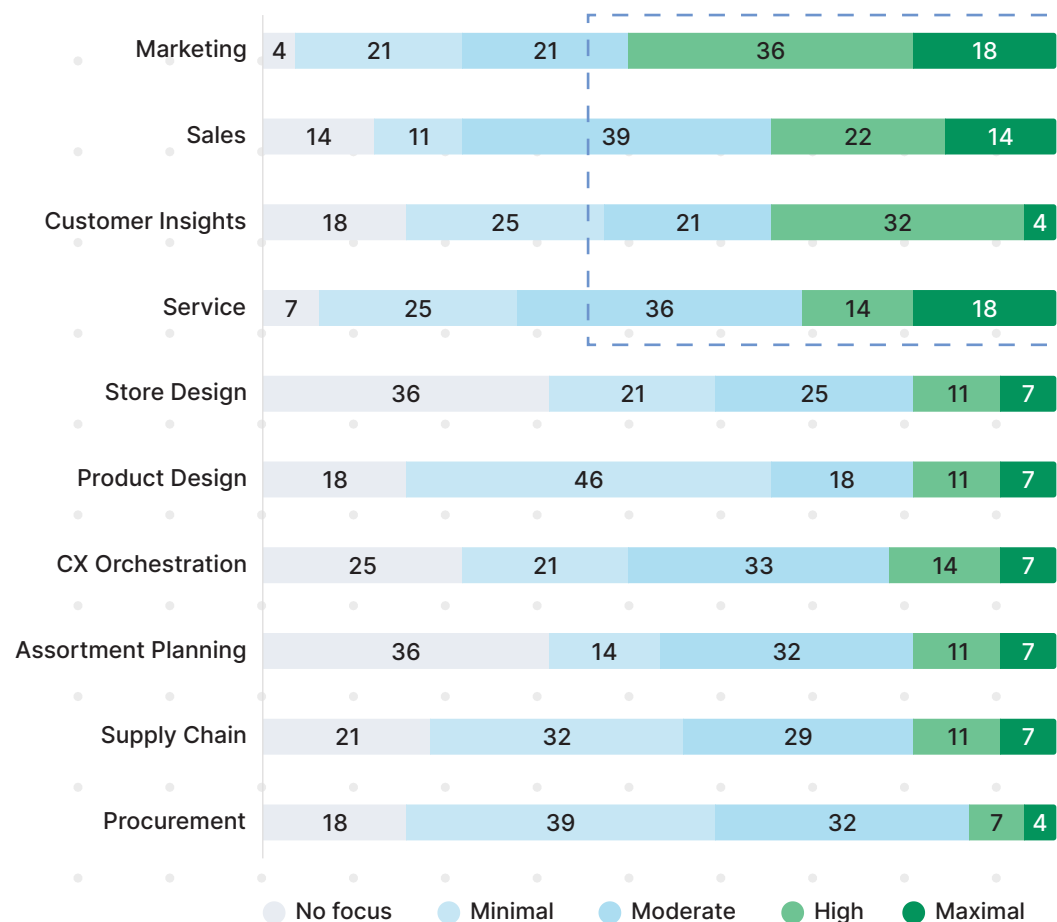
“What once took weeks of manual work—like digging through customer data or building targeted campaigns—can now be handled in hours, sometimes minutes.”

Indian apparel retailer

“AI will be adopted across nearly all business functions, becoming a universal driver of efficiency and innovation.”

Indian home furnishing brand

Figure 7: % of respondents based on degree of focus for AI solutions across functions



Q. Where is the highest focus for AI solutions in your organization: Efficiency | Effectiveness | Differentiation?

Revenue groups: Small (<100 Crs), Mid(100-500 Crs), Large (>500 Crs)

Marketing emerged as the highest priority function for driving operational effectiveness

Effectiveness is the ability to better predict future outcomes, take better decisions, achieve better outcomes (ex. higher sales conversion)

Retailers across all retailer sizes and categories are highly focused on enhancing marketing effectiveness, followed by customer insights. However, reason for prioritising marketing varies by retailer size, for instance, large-sized retailers with extensive databases use AI to drive sales growth through cross-selling, upselling and retargeting.

Small and mid-sized retailers primarily focus on customer insights and sales to drive AI-led sales effectiveness.

E-commerce and omnichannel retailers report increasing opportunities to penetrate new and diverse customer segments, thanks to a growing online footprint that provides access to multiple datasets. This data can be leveraged to create customer lookalike groups, better identify customer needs, and drive hyper-personalisation of marketing materials at scale.

Retailers are prioritising use cases that most impact their business models. For example, physical retail brands focus on customer pathway mapping and optimal planogramming for store design. Retailers aim to maximize potential for both assisted sales and sales assistance to continuously drive better conversions and higher-value sales.

Need for focus: Interestingly, few respondents across revenue groups are focusing on leveraging AI for assortment planning despite the availability of data.

Leaders speak

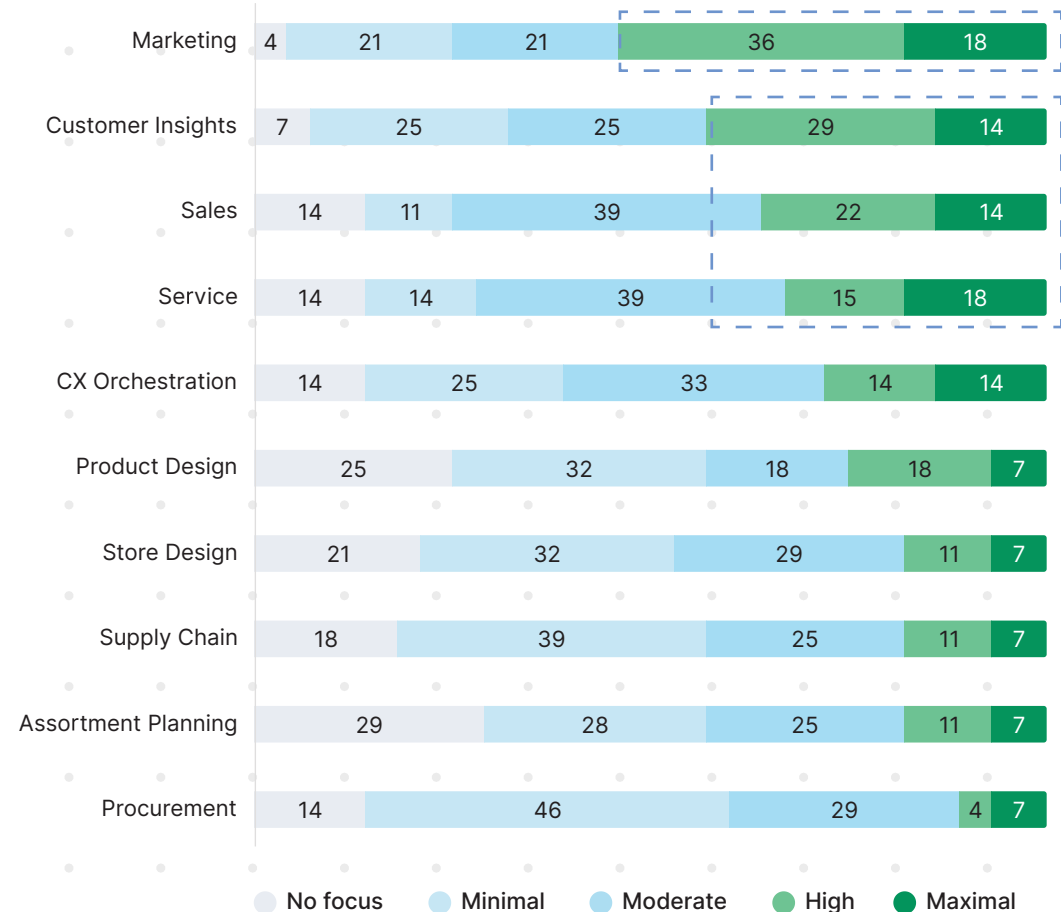
“Personalisation is key, AI helps us move beyond guesswork. It shows us patterns, predicts what customers might want, and helps us craft more meaningful, timely experiences.”

Indian apparel retailer

Footwear player Adidas¹ uses **AI-driven generative design** to generate thousands of design variants rapidly to continuously **test and optimize shoe performance** and comfort.

Source: 1- Digital Defynd

Figure 8: % of respondents based on degree of focus for AI solutions across functions



Q. Where is the highest focus for AI solutions in your organization: Efficiency | Effectiveness | Differentiation?

Revenue groups: Small (<100 Crs), Mid(100-500 Crs), Large (>500 Crs)

Retailers believe deep customer insights combined with hyper-personalised marketing can drive differentiation for their brands

Differentiation implies gaining a competitive advantage through higher value delivery to customers through products/experience/service/brand affiliation

Most respondents believe they can drive significant differentiation for their brand by leveraging AI for customer insights and marketing in tandem.

According to leaders, hyper-personalisation and instant experiences are no longer differentiators; customers are beginning to expect them everywhere, making them essential rather than exceptional. Retailers can differentiate by leveraging AI solutions to humanise interactions, personalise promotions, and tailor journeys for diverse customer segments—a near necessity considering they aim to serve a broader and more varied consumer base.

Beyond technology, organisations believe that long-term competitive advantage is achieved by enabling transparency and trust, through a blend of human touch and smart AI. Emphasising the importance of humanisation in retail, CXOs suggest that AI should enhance the human touch, not take it away.

Leaders speak

"I think AI will give businesses a real competitive edge when it's used thoughtfully—to truly understand customers and serve them better than anyone else."

CXO, Indian apparel brand

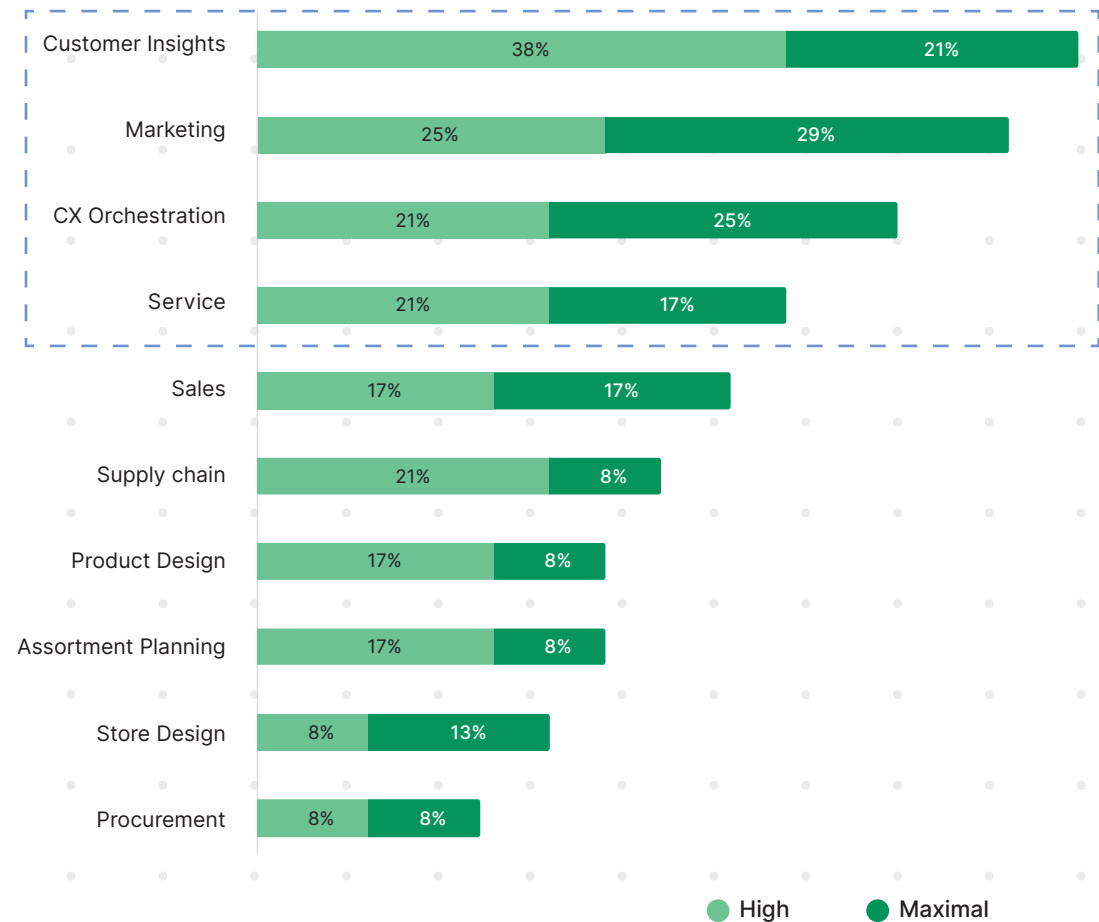
"In the AI-driven future, competitive edge won't just be about who has the tech, but how well you use it, adapt to it, and build around it."

Indian BPC retailer

Nike's "Nike By You" platform brings human touch to interaction by allowing customers to design and customize their footwear and sportswear. This AI-driven service tailors recommendations based on individual style preferences. The brand then leverages significant customer data to tailor marketing campaigns.

Sources: 1 – Renascence

Figure 9: % of respondents based on degree of focus for AI solutions across functions

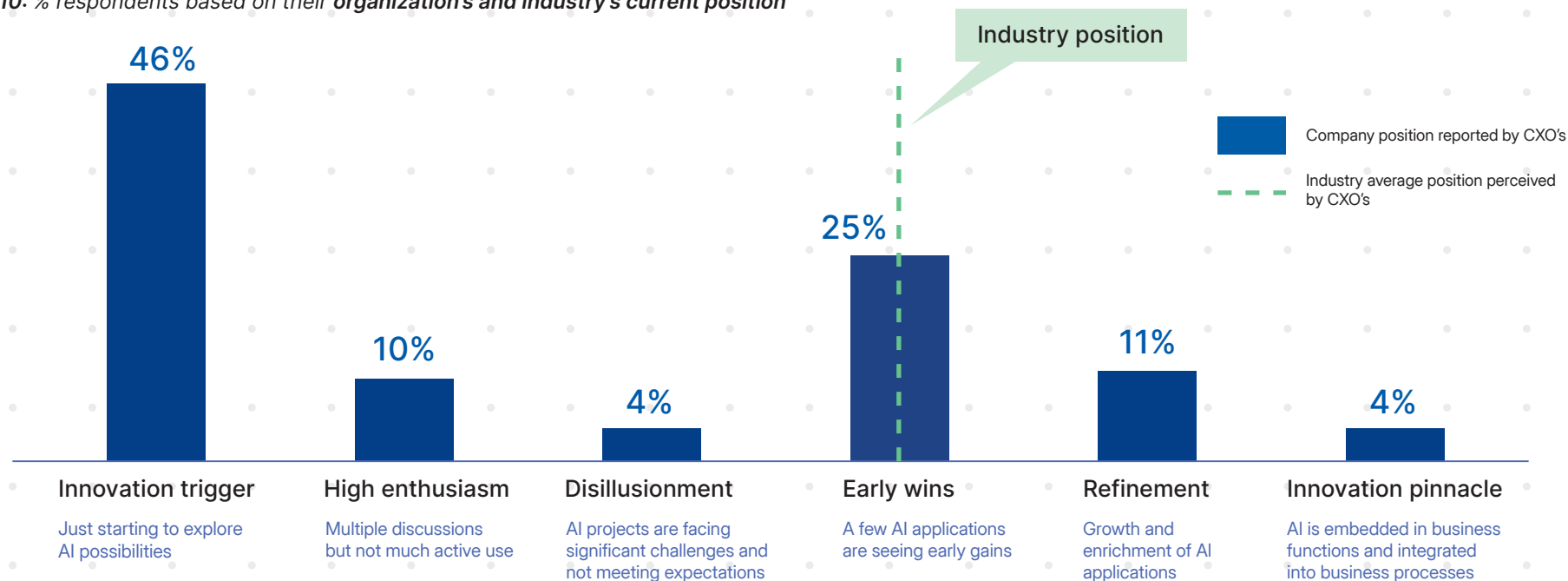


Q. Where is the highest focus for AI solutions in your organization: Efficiency | Effectiveness | Differentiation?

Revenue groups: Small (<100 Crs), Mid(100-500 Crs), Large (>500 Crs)

While retailers are prioritising AI to drive various business outcomes, most are still in the exploratory stage with a few early wins

Figure 10: % respondents based on their **organization's and industry's current position**



While majority of the respondent brands are exploring and generating early wins with AI solutions, a few place themselves at the refinement stage.

Most respondents perceive themselves to be a step behind their competitors/the wider retail sector with a few at par.

Ecommerce and mature apparel brands are at the refinement stage – e-commerce brands viewing it as a tablestakes.

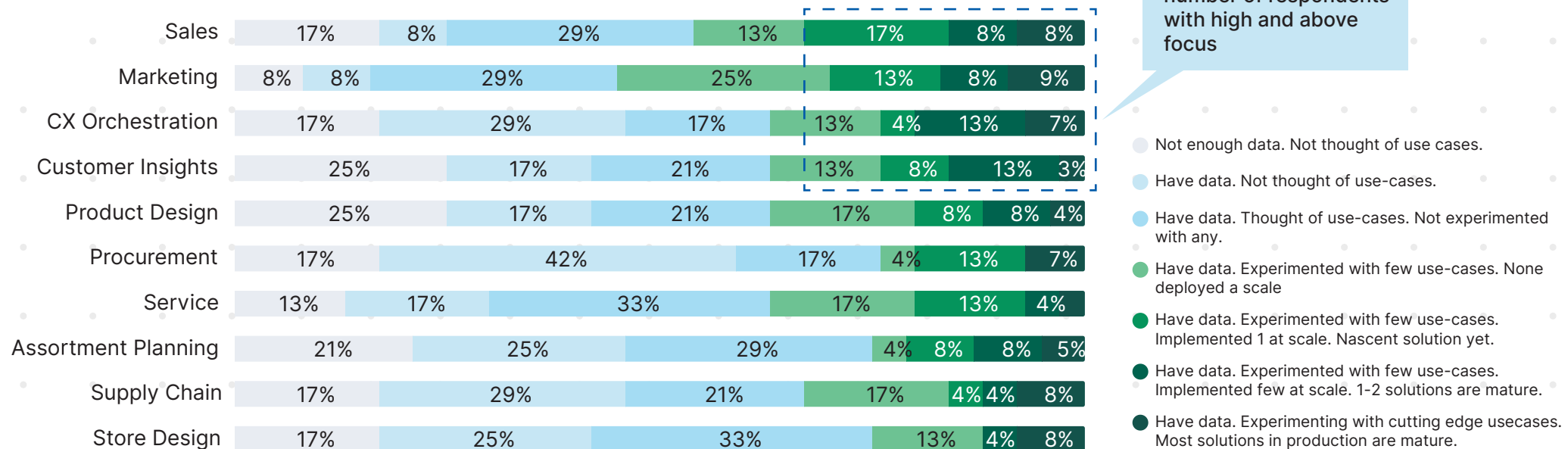
This is also supported by recent global industry trends¹, which show that leading retailers like Amazon and Walmart are rapidly deploying autonomous AI systems to enhance operational efficiency and customer engagement.

Source: 1 – AI News

Q. How far do CXO's perceive their organizations and their peers across the AI adoption cycle?

Majority retailers are still ideating or experimenting, and even early movers have mature solutions in only 4 of 5 prioritised functions

Figure 11: % of respondents based on level of maturity of AI solutions across functions



- Across functions, majority respondents have enough data, but have not thought of use cases or are still experimenting with them
- Brands that have invested early in AI have predominantly focused on sales and marketing use-cases
- Despite being a priority for driving efficiency and effectiveness strategies, along with sufficient data availability, brands have not experimented with use cases in the service function
- Assortment management has been prioritised by a handful of retailers in apparel and associated categories indicating a potential opportunity for retailers to leverage AI to drive growth and profitability

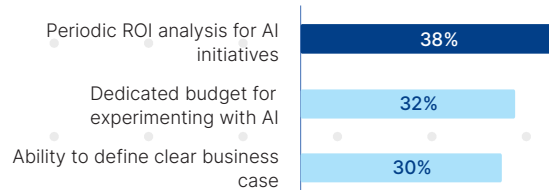
Ecommerce and omnichannel players are placed ahead in the AI adoption cycle irrespective of retailer's age and revenue size due to more customer data availability compared to offline-focused retailers, who are primarily still at the exploratory stage, with some experimenting with 1-2 use cases.

Q. How mature are your AI solutions across functions?

High quality data, ROI assessment, interoperable systems, and skilled workforce emerged as the most critical enablers for deploying AI solutions successfully

Financial

Figure 12: % of respondents based on critical financial enablers

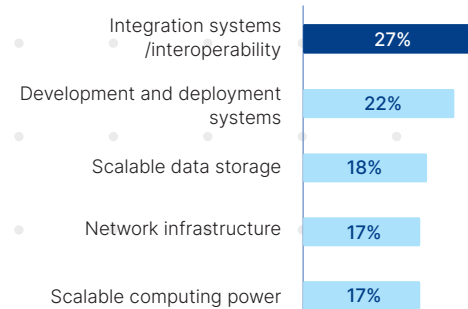


Brands emphasise the importance of demonstrating clear ROI from AI investments given the investment size and alignment to immediate business goals

Conversely, e-commerce players often prioritise the implementation of AI solutions over immediate ROI, viewing AI as a critical investment for long-term success.

Technology infrastructure

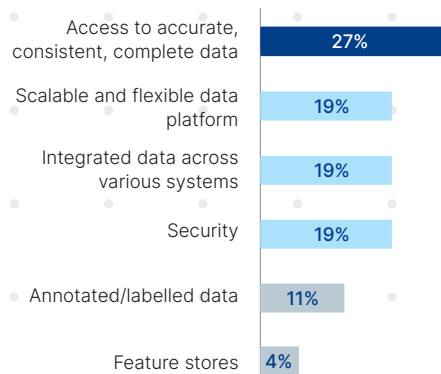
Figure 13: % of respondents based on critical technological infrastructure enablers



Interoperable systems and robust network infrastructure ensures that AI tools and different systems can communicate effectively, creating a cohesive AI ecosystem where data and functionalities are shared seamlessly across platforms making them critical enablers.

Data

Figure 14: % of respondents based on critical data enablers



While annotated data is not identified as a critical enabler by respondents, high-quality annotation is essential for training AI models and improving model performance

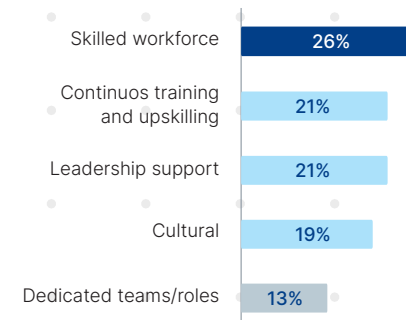
Dealing with large data is a constraint for most mid-sized brands, hence, scalability & flexible data platforms become key enablers.

“AI will reshape industries by driving a shift towards more ethical, data-driven retail models”.

Leading Indian apparel retailer

People and organisation

Figure 15: % of respondents based on critical people & organisational enablers



Skilled labor is the most critical enabler for smaller retailers to implement AI, while organisational culture and continuous training are key for larger retailers.

Continuous training is feasible for retailers with large investment budgets, whereas smaller firms prioritise having a well-trained workforce due to budget constraints.

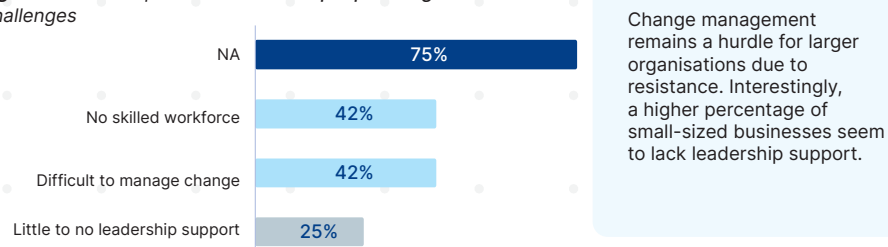
Q. What as per you are the most critical enablers to leverage AI solutions?

Revenue groups: Small (<100 Crs), Mid(100-500 Crs), Large (>500 Crs)

While quality data remains a challenge for laggards, other challenges across retailers have been integration complexity, security, and implementation costs

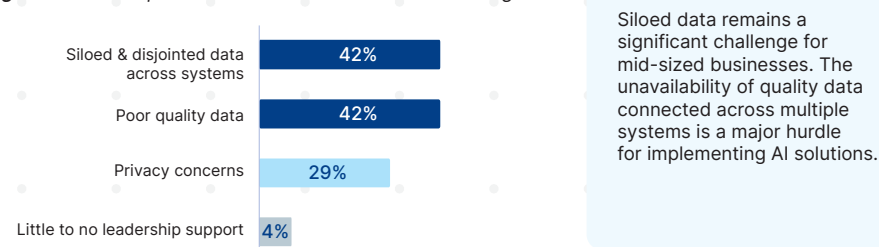
People and organisation

Figure 16: % of respondents based on people & organisational challenges



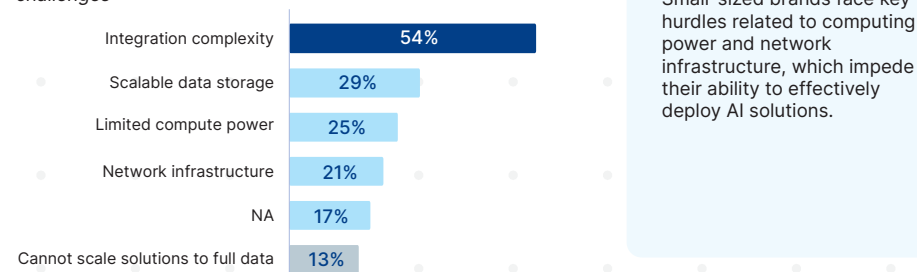
Data

Figure 17: % of respondents based on data-related challenges



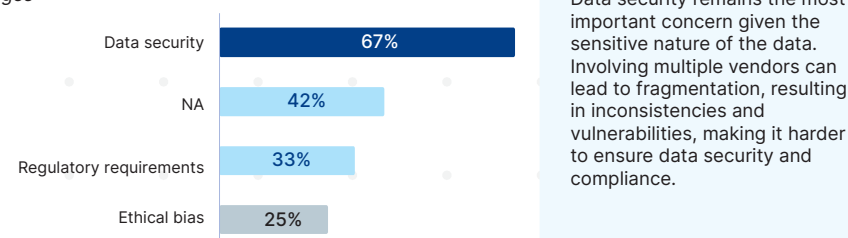
Technology infrastructure

Figure 18: % of respondents based on technology infrastructure challenges



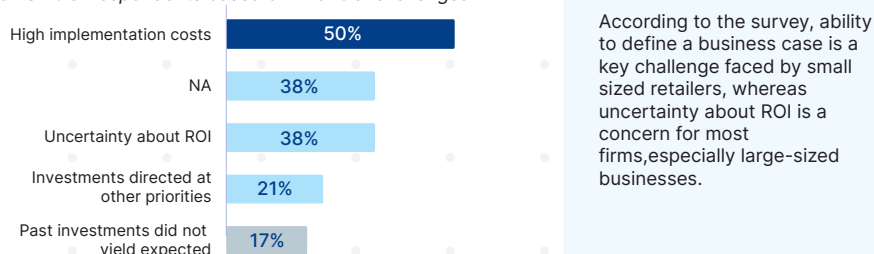
Risk and compliance

Figure 19: % of respondents based on risk & compliance challenges



Financial

Figure 20: % of respondents based on financial challenges



“But beyond the tech, there’s a very human side to this too. As we lean more into AI, we have to make sure we’re still being transparent, respectful with data, and focused on building trust.”

Indian apparel retailer

“From the people side, at lower level of hierarchy – key challenge will be how to manage redundant workforce at functions like coding, controllership, legal, audit.”

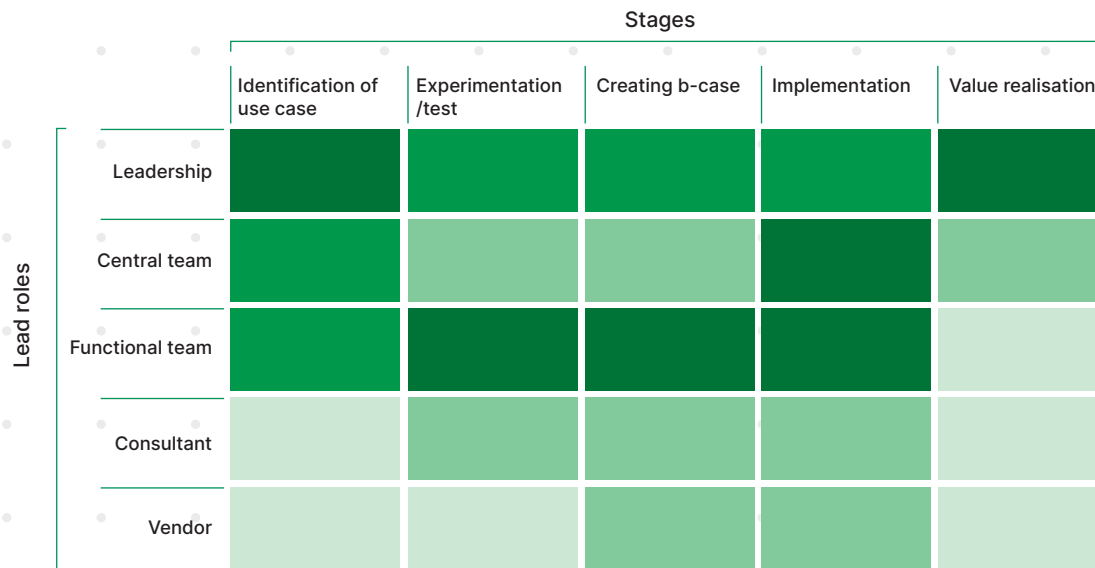
CXO, Indian e-commerce brand

Q. What challenges have you faced in implementing AI solutions?

Revenue groups: Small (<100 Crs), Mid(100-500 Crs), Large (>500 Crs)

Lastly, the journey of identifying, experimenting, and implementing AI solutions appears democratised

Figure 21: CXOs mentions of identified roles at each stage in the path of implementing AI solutions



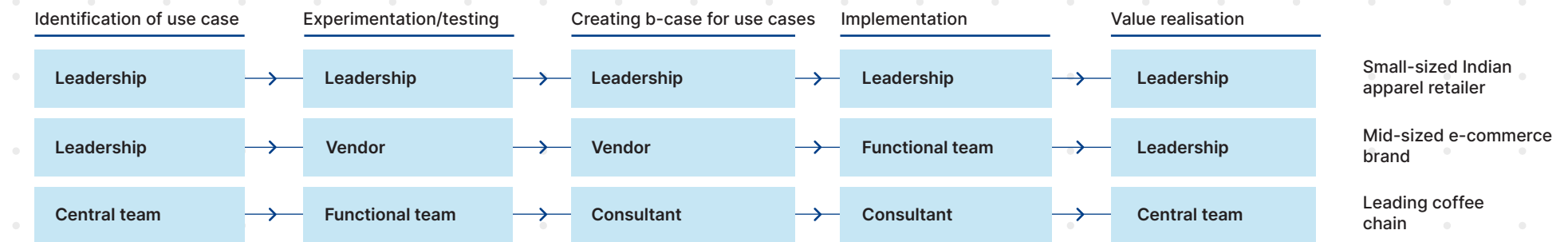
In the pursuit of identifying AI use cases, organisations foster collaboration across all levels, encouraging contributions from diverse teams regardless of the organisation's size or maturity.

In smaller firms, internal teams spearhead the experimentation and testing phases, with strong leadership involvement ensuring alignment. However, as the size of the retailer increases, leadership often steps back from direct involvement, delegating testing to specialised vendors to leverage external expertise.

Across all organisations, tracking value remains a key leadership responsibility, while a mix of functional teams, consultants, or vendors drive the implementation.

As noted earlier in the report, because business case development is a challenge for small-sized organisations, there is a dependency on leadership or external parties.

Some examples of preferred path across brands and categories



Scale for level of involvement → High Low

Q. In the path of implementing an AI solution, who leads/is responsible for the following stages ?

Leveraging these learnings, we believe retailers can extract the most out of AI solutions by prioritising right, building rich data, continuously evolving solutions and carefully examining what solutions to own

Retailers will need to rapidly adopt multiple AI solutions

“AI will disrupt jobs, industries, and societal norms by automating tasks, creating new roles, and posing new ethical, regulatory, and cybersecurity challenges. Businesses will need to **adapt quickly, or risk being left behind**, while governments and institutions will need to address the ethical and legal implications.”

Indian bags retailer

Prioritising business functions

Prioritising business functions for AI solutions requires assessment of business priorities and assessing applicability and efficacy of AI usecases.

For instance, retailers can choose to leverage proven solutions in specific functions (not necessarily the highest priority ones), rapidly realised value and funnel these gains into higher priority functions requiring more experimentation with A.I

Accurately identify best-fit use-cases

Use-case selection requires careful consideration of 3 factors:

- how my target customers behave (*e.g. a marketplace player is prioritising the resolution of customer choice paralysis by implementing a personalisation engine since their customers browse several products and often drop off, paralysed by the plethora of choices*);
- the type of ecosystem stakeholders I manage (*such as supply chain, technology, data, marketing, consultants and advisors*),
- coupled with my business goals.

Assess how 'data-fit' the organisation is

Fostering an organisational culture that prioritises high-quality data critical to the success of AI solutions.

On the flip side, advances in AI technologies have unlocked use-cases that eliminate the need for human data collection and all its associated pitfalls.

Stay ahead with continuous investments

To maintain a competitive edge, organisations will need to embrace a dynamic, iterative approach to evolving AI solutions that goes beyond one-time investments.

This starts with creating a continuous learning loop, regularly evaluating AI performance, successes/ failures, and external perspectives.

Identifying which solutions to own fully

Retailers must consider strategic priorities when deciding which AI solution to own in-house.

In cases where AI solutions are sought to drive differentiation, it becomes imperative to build capabilities in-house to evolve the solution to maintain the edge. Even if the earlier iterations are led by external parties, transferring ownership and expertise in-house for these solutions becomes key.

However, for cases expected to deliver operational efficiencies or tactical effectiveness, organisations can opt the solutions to be fully outsourced.

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Thank you




Commerce that wins hearts,
driven by AI

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