



Do what matters

Avanade Trendlines AI Value Report 2025

Retail and Consumer Goods





EXECUTIVE SUMMARY

**Generating
real value
from AI**
For retailers
and consumer
brands

Generating real value from AI: For retailers and consumer brands

In the race to unlock competitive advantage from generative AI, retailers and consumer packaged goods organizations (CPGs) know they must act now – or be overtaken. AI transformation urgency is real and the upside is there. And if one thing immediately stands out from our new research, (based on over 800 interviews with retail and CPG decisionmakers across the globe), it's that the appetite for AI shows no signs of slowing down.

A huge majority of retailers (79%) and consumer goods firms (76%) plan to move AI programs into production by the end of 2025. In fact, we found that one third (32%) of retailers say they've already fully implemented AI across their organization. That number might sound steep – after all, "fully implementing AI" is bold call – but retail actually lags behind consumer goods, where 55% believe they have fully implemented AI. Meanwhile, the all-industry average stands at a similarly confident figure of 50%.

Indeed, we found that nearly two-thirds of retailers (63%) and over half (56%) of CPG firms plan to increase their investment in generative AI by over 20% before the end of 2025.

So, the appetite for AI is there, it's growing. And, as we'll see next, so are expectations around its impact. This report explores the routes retail and CPG leaders are taking to derive value from AI — and how effectively they're doing that.



Extensive global survey focused exclusively on mid-market – including retail and CPG firms

Our insights in this report are based on research with 4,100 decision-makers – including 800 leaders from retail and CPGs – across Australia, Brazil, France, Germany, Italy, Japan, Netherlands, Spain, UK, and US. Respondents work in both IT and business leadership roles, at organizations with global annual revenue between \$500M and \$5B.





SECTION ONE

Retailers and CPGs expect big value from AI – but constrained by simplistic ROI metrics

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Mid-market retailers and consumer goods organizations are bullish when it comes to their expectations around the value AI can deliver.

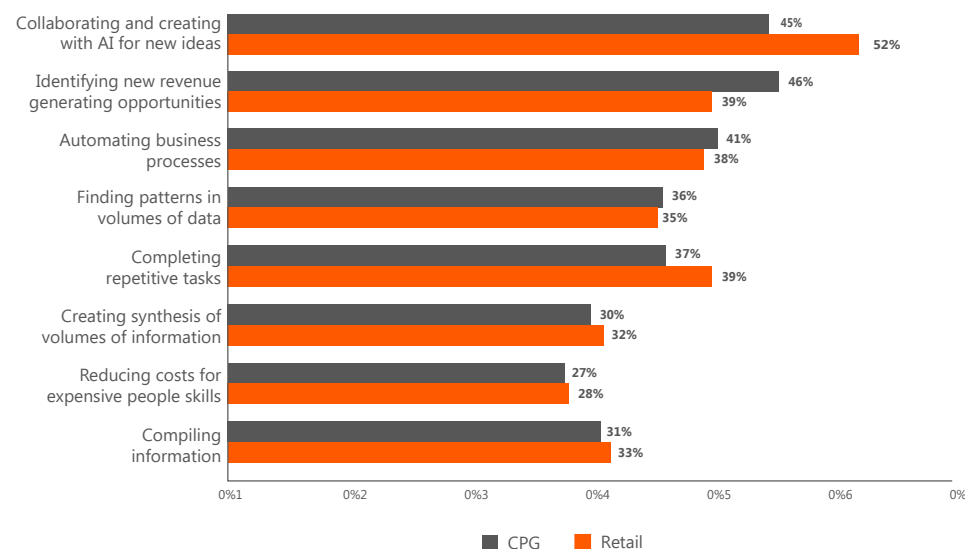
Half of both retail (48%) and CPG (52%) leaders told us they were expecting returns of 4x or greater from deploying AI copilots and agents (digital colleagues). What's more, the vast majority of retailers and CPGs expect to see those returns within 12 months.

And the value they expect from AI is far more than a luxury – it's fundamental to their growth. 79% of retailers agree they are at risk of losing competitive edge through not moving fast with AI – while CPG leaders were even more emphatic, with 85% fearing they risk missing out on the AI advantage. "AI FOMO" might not be that surprising, given premium that retailers and consumer brands place on differentiation, in these ultra-competitive industries where the battle for customers is particularly fierce.

More broadly, the potential benefits and value outcomes that retailers and CPG organizations expect from AI are big and bold:

- **97%** of retail and 100% of CPG leaders believe that AI will revolutionize the way they extract value from data.
- **97%** of retail and 95% of CPG leaders say AI can help their organization create exceptional new customer experiences.
- **93%** of retail and 93% of CPG leaders say AI powered sales and service holds the key to outperforming their competitors.
- **96%** of retail and 100% of CPG leaders believe adopting AI will improve employee retention.
- **90%** of retail and 93% of CPG leaders are planning to use AI tools to address sustainability objectives.

Retailers and consumer brands also see big opportunities from Copilots and AI colleagues, as showcased in the chart below:



Up to **4X** return is expected for every **\$1** spent on AI copilots and agents

But while the adoption and aspirations around AI are clear, our research uncovered a mismatch between the value expected and the value being measured.

Specifically, we found that retailers and CPGs instinctively turn to simplistic KPIs, favoring them over broader business outcome-aligned measures (which would show progress towards the type of true ROI they're seeking). Two-thirds (65%) of retailers and 77% of CPGs said they're primarily measuring the ROI of AI through short-term measures such as productivity and operational efficiency.

Why might this be a problem? Because productivity and efficiency by themselves are no guarantee of business value for retailers and consumer goods firms. Leading with productivity as a primary ROI indicator can be reductive: It's only when the time saved is either reinvested to grow revenue, accelerate competitive differentiation or translate into cost reductions that the business sees value.

Our perspective on measuring AI value:

Short-term success metrics such as productivity still have a role to play in assessing the ROI of AI – but as part of the measurement blend, not as the primary KPI. Productivity is not the goal – or at least it shouldn't be. Growth, new revenue streams, cost savings – these are the macro-outcomes retailers and consumer goods organizations are ultimately targeting. They need align the strategic goals they're setting for AI with a measurement framework that will truly measure progress towards them – rather than simply selecting "what can be measured quickly".

"I think that the best approach is trying to find a small use case to explore the AI potential. AI can help you with so many use cases on efficiency. You can bridge concept design and production more efficiently, you can test and iterate much more, and that will cut a lot of time. You can use AI just to scrape information from the market and combine that with your own data to get better decisions".

**Director, Digital Solutions and Product Development,
Multinational Retailer, Germany**



SECTION TWO

**High hopes
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roadblocks**

High hopes for AI value are being hindered by three recurring retail and CPG roadblocks

Despite the thirst for AI value, there's resounding consensus when it comes to the challenge of unlocking its potential. Three prevailing themes emerged when we asked retail and CPG leaders about the obstacles they face in turning AI value into reality: **People, data and technology.**

#1: The people puzzle

There's adoption. And then there's the type of organization-wide, change-enabled and culturally aligned adoption that delivers true value. Our research hints at number of people-centric areas where retailers and consumer goods leaders believe they need to make progress – and do so quickly – if they're to start seeing value from their AI investments.

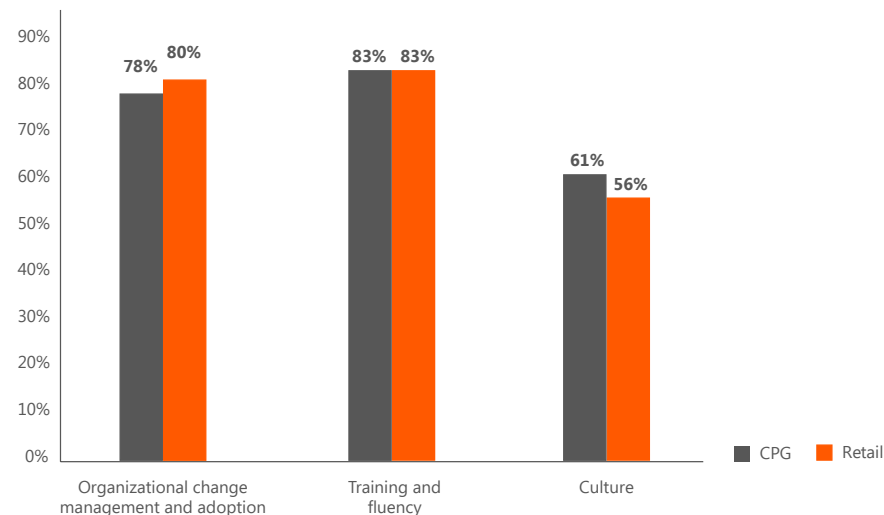
Both retailers and consumer goods firms identified the importance of their people in the journey to unlock value from AI. In retail, "developing employee capabilities with comprehensive AI training" was selected as the overall top initiative that was being targeted to unleash the full potential of AI, while in CPG the focus was on a more culturally centered approach, by "crafting a visionary AI strategy for your organization or department".

That both industries selected these options points to the progress that needs to be made here – a fact that's further borne out by the volume of retailers and CPG leaders who signaled they plan to increase investment in people-centric initiatives in order to improve returns from AI programs:

"We want to remain competitive. If we don't [encourage experimentation and new ideas] while our competitors are doing so, we will be out of the market because our costs will not be sustainable. Our workforce is even more supportive when they understand what we want to do. They add real value in suggesting how to do things... and what we should avoid doing."

COO, Multinational FMCG

HR and people programs where retailers and CPG leaders plan to increase investment to unlock AI value



#2: Data dilemmas

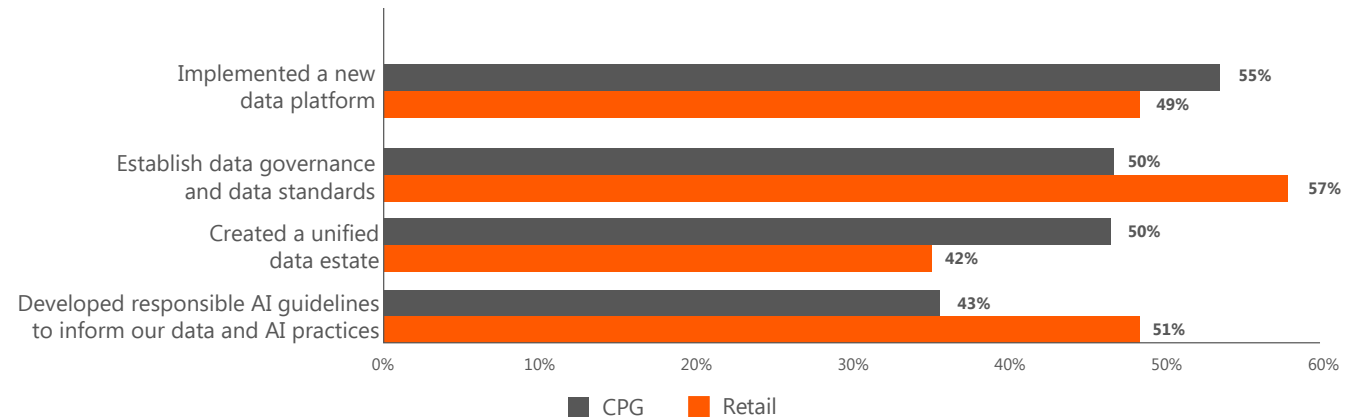
99% of retailers and 96% of CPGs said they expect to encounter data and analytics roadblocks as they seek to harness the power of AI. In retail, the main reason for this was data quality challenges, including large language models (LLMs) – and the majority of both retail (70%) and CPG (63%) leaders agreed that poor data governance and data quality is inhibiting AI acceleration in their organization.

As a signal of how much progress needs to be made, significant volumes of retailers and CPGs are either taking (or plan to take) steps to ensure the data feeding their AI tools and models is accurate and reliable.

"I think the biggest challenges in the next year are going to be the continued availability and proliferation of data. It's going to be about how we start to make decisions about AI. So how we start to have AI interface with our data, and do it in the right way, in a meaningful way, and put the right governance around it."

Head of Data and Technology, Multinational FMCG

Which of the following has your organization done/does it plan to do to ensure the data feeding your AI tools and models is accurate and reliable?



#3: Tentative tech introduction

Finally, findings from our study found that retailers and CPGs acknowledge they have a long way to go if they're to give their people the tools and platforms to wring the full potential from the possibilities AI offers.

We found that 79% of retailers and 83% CPG organizations depend on out-of-the-box solutions or are using platforms that are isolated to specific functions. While it's understandable that retailers and CPG organizations would lean on pre-built or pre-trained solutions for specific use cases as AI adoption matures, it points to the lack of a clear, consistent approach to AI tools and tech across the organization. Intermittent and uneven access to AI platforms across the value chain inevitably restricts the value that a retailer or CPG firm can unlock.

Moreover, the research noted further evidence of the need to modernize technology and legacy applications to unlock the full value of AI – including:

- 92% of retailers and 97% of CPGs agreed that they have accelerated legacy modernization plans as a result of AI.
- 94% of retailers and 98% of CPGs agreed that they are planning to accelerate cloud adoption to get more value from AI
- 98% of retailers and 95% of CPGs agreed that the ability to secure sensitive data will be the make or break for organizational reputation with AI.

Our perspective on AI value roadblocks

There's a reason we arranged the list of roadblocks this way – with people at the forefront. Because while getting the right data into the right tech platforms is essential, ultimately AI value centers around having the right people, operating with the right skills in the right culture. As we've done with this list – start with your people. Build your vision with them, understand how to empower them and move forward to tackle subsequent roadblocks buoyed by the power of a shared, common mission.





SECTION THREE

AI value is worthless without trust. Responsible AI questions that retailers and CPGs must address

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Trust still weighs heavily on the minds of the retail and CPG leaders we spoke to – with our study unearthing a variety of lingering questions around responsible AI that need to be addressed. To underscore this, just under one-fifth of retailers (18%) and CPG organizations (17%) said they do not (or only somewhat) trust the output of generative AI.

This is particularly crucial in retail and consumer goods – two of the most people-first, trust-dependent sectors, which cherish their relationship with the customer above all else.

Responsible AI is a nuanced and multi-faceted topic – but at its heart lies trust. Our study discovered a number of key questions that retail and consumer goods leaders must address:



Governance

Does your organization currently have a specific set of guidelines or policies in place for responsible AI? 55% of the retailers and 60% of the CPG organizations we asked revealed they still need to do more, their policies are still a work in the process, or that they have no plan.



Privacy

When we asked why organizations were limiting employee access to generative AI tools, both retailers and CPG leaders identified privacy as one of their top three concerns – for retail specifically, it was #1. Additionally, 89% of retailers and 88% of CPGs said they have legal concerns when it comes to compliance with data protection laws for both customers and employees. Do you have a framework in place to address privacy concerns around generative AI use?



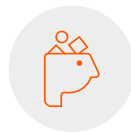
Bias

Have you considered the legal implications related to your organization's adoption of AI, when it comes to amplifying biases leading to discrimination? 83% of retailers and 85% of CPG firms told us they had concerns around bias in AI.



Transparency

How concerned are you about employees being properly involved and informed about AI's decision making at your organization? 84% of our retail and CPG respondents said they were concerned about the level of transparency around AI-driven decision making in their organization.



Attribution

Along a similar transparency theme, we asked retail and CPG leaders whether they were concerned about the attribution of human-generated outcomes and achievements to AI by mistake. 78% and 77% respectively said this topic was a concern for them. Meanwhile 91% of retail and 93% of CPG respondents told us that they also had concerns around the legal implications of protecting the intellectual property of work created by AI.

Generating real retail and CPG value from AI – how to get started on your journey

From our report it's clear there's no shortage of eagerness or enthusiasm about the potential of AI in retail and CPG. But leaders need to confront some potentially uncomfortable truths if they're to unlock the full potential value on offer. Here's how you can stare down those difficult decisions and steer your journey forward on the right path:

1. Set the right commercially-aligned goals for your AI program – not the ones that are easiest to prove value from.

Example: You could set the goal of increasing the productivity of your store associates and managers with a new AI store app – and simply measure the impact through time savings created by eliminating or automating repetitive tasks like cycle counting, staff scheduling or

planning promotions. But that doesn't generate value to your top or bottom line. Instead, a more comprehensive and commercial goal would be increasing sales in stores where the AI store app is introduced. Record the number of increased sales and up- or cross-sold items and services, which store associates and customer advisors have been able to achieve by reinvesting the time they've saved and spending it with customers on the shop floor.

2. Demand nothing less than total flexibility from your data platform, ensuring it can adapt as your AI journey accelerates – rather slowing down your progress.

A solid data strategy – defining how data is collected, stored, managed, analyzed, and used – provides the foundation for a successful AI program. And that strategy must address the how the organization will identify and maintain the right data platform for the AI era. The right platform will be the one that blends scale, security, integration and flexibility – so it can prepare, harmonize and analyze data from various systems and formats, including unstructured text, images and audio. Tools like Microsoft Fabric give retail and CPG organizations the ability to simplify data integration from across clouds and analytics engines, helping to scale AI effectively and derive meaningful insights without being constrained the limitations or integration rules of any one platform or provider.

3. Build your AI strategy around all your people – both employees and customers – and prioritize them above tech and tools

AI fluency is an imperative for the whole organization, not just a handful of departments, roles or experience levels. For retailers and CPGs, understanding (but not assuming) broader AI fluency among customers is just as important. An AI strategy must identify where to adopt AI today and how that might shift in the future, both for employees and customers. Additionally, it should address how responsible AI frameworks can mitigate risks like bias, security issues and unwanted AI divides, with an inclusive approach that considers digital skills for all employees as well as the data footprint of customers. Knowing when not to use AI can be just as crucial as when to use AI.

Avanade can help you prove value and scale your AI programs

With deep industry insight, our retail and CPG teams can partner with your team to uncover the strategic vision, technical requirements, change management and measurement framework to realize value at speed. Talk to our team today to learn more about how we can help you realize real retail and CPG value from AI:

Visit www.avanade.com/retail or www.avanade.com/consumer-goods

How we created this report

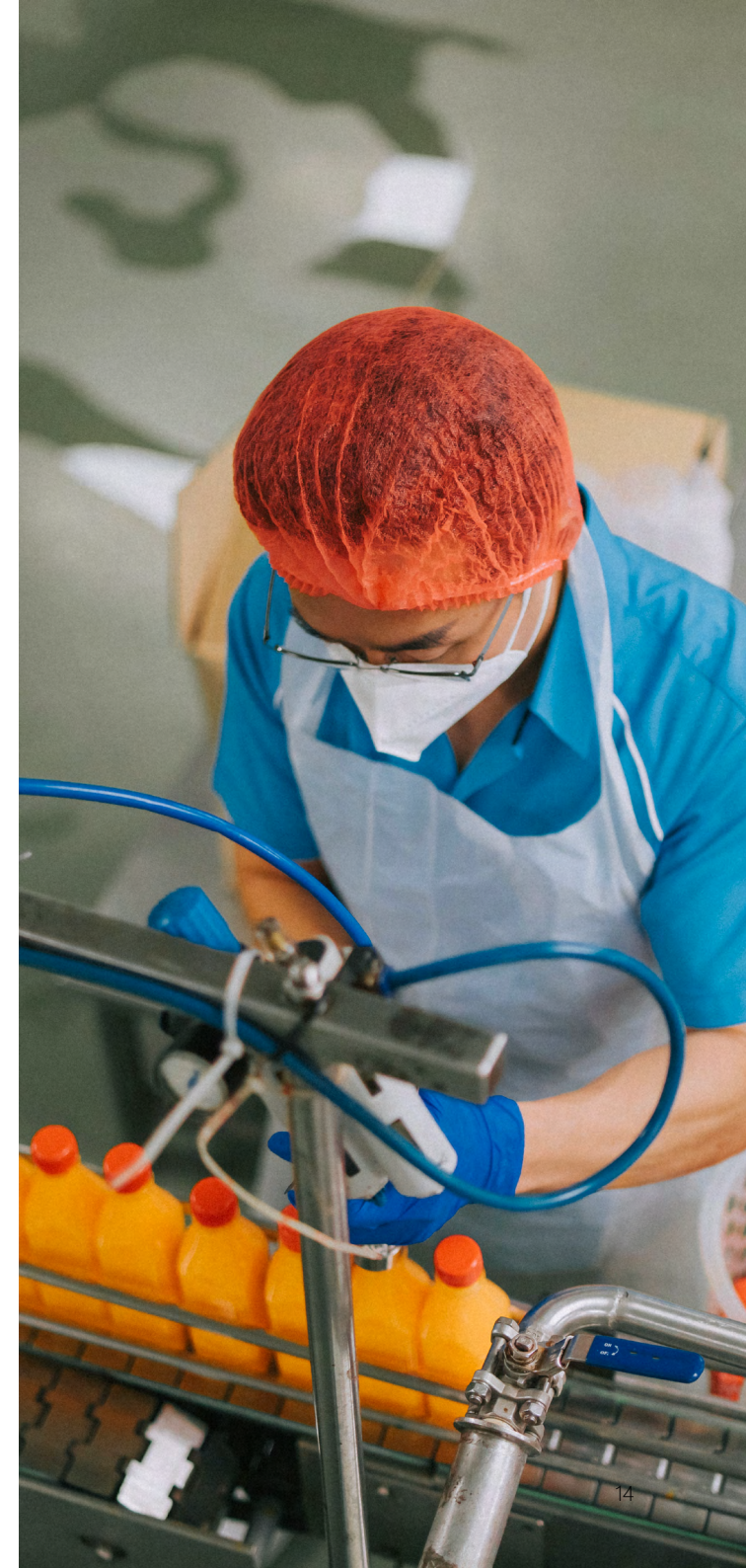
This report was created through collaboration by people across Avanade and select industry leaders. It combines inputs from primary research with our hands-on experience of AI on Microsoft across technology, data, responsible AI, experiences, advisory, sales and marketing.

Survey methodology

Avanade commissioned independent market research firms McGuire Research Services and Vanson Bourne to undertake quantitative and qualitative research to understand the mid-market's experience in developing and implementing AI solutions and emerging technologies.

Across the two separate research projects, a total of 4,100 IT decision makers and senior business decision makers outside of IT were interviewed in August and September 2024, across Australia, Brazil, France, Germany, Italy, Japan, Netherlands, Spain, UK, and US. Respondents worked for organizations with \$500M to \$5bn global annual revenue in these industries: Banking, Consumer Goods and Services, Energy, Government, Healthcare, Life Sciences, Manufacturing, Non-profit, and Retail.

The interviews were conducted online and were undertaken using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.





Do what matters

For additional information: Avanade Trendlines full report

Avanade is the world's leading expert on Microsoft. Trusted by over 5,000 clients worldwide, we deliver reliable, AI-driven solutions that solve business challenges of all sizes and unlock the full potential of people and technology. We empower organizations to use Microsoft technology to optimize operations, drive growth, and foster innovation, enabling them to excel in delivering exceptional customer experiences.

Together with Accenture, we combine global scale with local expertise in AI, cloud, data analytics, cybersecurity, and ERP to create human-centered experiences. We are committed to doing what matters for our clients, their customers, employees and partners by designing solutions that prioritize people and drive meaningful impact.

Since 2000, Avanade has leveraged its close partnership with Microsoft to bring the latest technologies to market, serving as Microsoft's "Client Zero" and earning, with Accenture, Microsoft's Global SI Partner of the Year Award a record 19 times.

As a purpose-driven and responsible organization, Avanade champions diversity, inclusion, and sustainability, ensuring our work benefits society as well as drives business success.

Avanade. Do what matters. Learn more at www.avanade.com and follow us on LinkedIn.