# Retail and consumer sectors set for AI spending surge



A recent study from the IBM Institute for Business Value highlights a significant shift in how retail and consumer product industries are integrating artificial intelligence (AI) into their operations. The report, titled "Embedding AI in Your Brand's DNA," emphasises that these sectors are poised to increase their AI spending considerably, with projections indicating a potential surge of 52% in expenditures beyond traditional IT budgets within the next year.

The study, which surveyed 1,500 global executives from various retail and consumer product companies across 15 countries, reveals a clear trend towards the extensive adoption of AI technologies. According to the findings, a remarkable 81% of executives and an even higher 96% of their teams are already employing AI to a moderate or significant degree in their operations. Additionally, there is a strong intention to enhance AI capabilities, particularly in areas like integrated business planning, where executives plan to expand usage by 82% by 2025.

Financially, organisations expect to allocate an average of 3.32% of their total revenue towards AI initiatives, translating to approximately $33.2 million annually for a company with $1 billion in revenue. This investment is intended to cover diverse functions, including customer service, supply chain operations, talent acquisition, and marketing innovation. Notably, the anticipated growth in AI utilisation for customer service, especially for personalised interactions, is expected to soar by 236% over the next year.

However, this transformation also presents challenges. Executives anticipate that 31% of employees will require new skill sets to effectively collaborate with AI technologies within the next year, a figure that is expected to rise to 45% in a three-year period. The study underscores the critical role of human-AI cooperation, predicting that 55% of AI enhancements will involve a combination of human and machine effort, with fully automated processes representing only 30%.

The report indicates that companies within the retail and consumer products sectors are also likely to ramp up their investment in AI ecosystem platforms—tools designed to enhance data exchange and model integration. Respondents expect the number of companies investing in these platforms to rise from 52% to 89% over a three-year horizon. This suggests a concerted effort to amalgamate AI capabilities with partners in business and technology sectors to foster innovation and efficiency.

Despite the apparent enthusiasm surrounding AI, the study notes a significant governance gap. While a considerable 87% of surveyed executives claim to possess clear AI governance frameworks, fewer than 25% have fully implemented mechanisms to manage risks associated with bias, transparency, and security. This inconsistency raises concerns regarding operational oversight in the adoption of AI technologies.

Dee Waddell, Global Industry Leader for Consumer, Travel & Transportation Industries at IBM, stated, "AI is no longer just a tool; it's a strategic imperative. Retail and consumer product companies are at a tipping point where embedding AI across their operations can help define not just productivity gains, but the future of brand relevance, engagement and trust."

The future of AI in retail and consumer products not only hinges on investments in technology but also on the pivotal need for brands to integrate AI into their core strategies. This includes fostering collaboration among various stakeholders within the organisation and leveraging partnerships with technological innovators and start-ups, all aimed at creating robust business cases that underline AI's potential as a long-term competitive advantage.

IBM plans to showcase its developments in AI at the upcoming NRF 2025 event, where industry experts will elaborate on the multifaceted role AI plays in enhancing customer engagement and operational efficiency across various sectors.

Source: [Noah Wire Services](https://www.noahwire.com)

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