

The growth of AI in Retail: From Skepticism to Strategic Advantage

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Introduction: Navigating the AI Hype Cycle in Retail

The retail industry is navigating one of the most profound disruptions in its history – the tsunami of opportunities inherent in the use of Artificial Intelligence. The narrative surrounding AI is one of relentless hype and boundless promise, with predictions that it will revolutionize every facet of retail, from customer engagement to operational efficiency.¹ However, this paper offers a somewhat different perspective. Its objective is not to add to the noise but to cut through it, providing a candid, pragmatic analysis of the present-day reality of AI in merchandise planning and forecasting.

The framework for this analysis is "Skeptical, yet Practical," built upon two fundamental truths. The first is that a healthy dose of skepticism is essential. A growing body of evidence shows that a majority of enterprise-scale AI projects are failing to deliver tangible value, with many being abandoned altogether. The second truth is that despite these high failure rates, specific, targeted applications of AI and advanced mathematics within retail planning are generating significant, measurable returns. The critical challenge for every retail leader is to strategically separate the viable from the visionary. Ignoring this technological shift is not an option. Market projections indicate that the UK's AI in Retail market is set to grow from approximately \$311 million in 2023 to over \$3.5 billion by 2032, a compound annual growth rate (CAGR) of over 31%.² Across Europe, the market is expected to expand at a CAGR of 24.1% through 2028.³ This exponential growth signifies a massive injection of capital and a clear prioritization of AI at the highest executive levels.

This rapid investment, however, creates a significant paradox when juxtaposed against high project failure rates. The market's growth appears fueled more by the *promise* of AI's potential than by its widely *realized value*. This creates a high-risk, high-reward environment where vast sums are being invested, often inefficiently. For the retailers who can successfully navigate this landscape, a profound competitive advantage awaits. The central question, therefore, is not *whether* to invest in AI, but *how* to invest intelligently to ensure an organization is on the right side of this paradox.



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The ROI Paradox: *The Gap Between Adoption and Value*

It is imperative to first validate the skepticism that many seasoned executives feel towards large-scale technology initiatives. This is not about dismissing AI's potential but about understanding the systemic reasons why so many projects fail to translate from promising pilots to value-generating production systems. The data paints a stark picture of a widespread struggle to harness the technology's power.

The core of the issue is captured in what has been termed the "gen AI paradox." Recent landmark research from McKinsey reveals a startling disconnect: while more than 78% of companies report using generative AI in at least one business function, a nearly identical proportion—over 80%—report no material contribution to their earnings from these initiatives.⁴ This is not an isolated finding. A parallel global survey of C-suite executives by Boston Consulting Group (BCG) found that while 75% of leaders rank AI as one of their top three strategic priorities, only 25% are witnessing significant returns from their investments.⁶ The message is clear: widespread adoption and experimentation are not automatically translating into bottom-line impact.⁹

This gap between activity and value leads to a phenomenon of "pilot purgatory," where promising concepts fail to scale. The numbers on project abandonment are even more alarming. Research from S&P Global shows that the share of companies abandoning the majority of their AI initiatives before they reach production has surged from 17% in the previous year to 42% today.¹⁰ On average, organizations are scrapping 46% of their AI proofs-of-concept, representing a significant waste of capital, resources, and organizational momentum.¹¹ This trend points to the accumulation of "implementation debt"—the compounding cost of strategic shortcuts, poor planning, and organizational oversights that ultimately cause many (to be honest – right now it's most) projects to collapse under their own weight.¹⁰

A notable and encouraging counterpoint exists within the retail sector. A study by Lenovo and IDC found that 96% of AI deployments in retail are meeting or exceeding expectations, the highest satisfaction rate of any industry surveyed.¹² This suggests that while general enterprise AI struggles are real, retail-specific use cases, may be more mature and possess a clearer path to value. The crucial task is to understand the general failure modes to ensure retail-specific projects can replicate this success.

Metric	Statistic	Source(s)	Implication for Retail Planners
AI Project Abandonment Rate	42% (up from 17% in the prior year)	S&P Global 10	High risk of wasted investment in pilots that never scale.
Firms Reporting No Bottom-Line Impact from Gen AI	~80%	McKinsey ⁴	Widespread adoption does not equal value creation; focus must be on ROI.
Firms Seeing Significant Returns from AI	25%	BCG ⁶	A small minority are succeeding, indicating a specific formula for success exists.
Retail AI Deployments Meeting/Exceeding Expectations	96%	Lenovo/IDC 12	A stark, positive contrast suggesting retail-specific use cases are more mature and successful.
UK Retailers Unable to Find AI Talent	81%	Harvey Nash ¹³	The primary constraint on success may be human capital, not technology or budget.

Table 1: Root Cause Analysis: It's Not the Technology, It's the Transformation **The evidence strongly suggests that AI projects do not fail because the algorithms are flawed; they fail because of deep-seated organizational, strategic, and human challenges.**

A closer look at the reasons for failure reveals a pattern that should be familiar to any executive who has overseen a major business transformation.

First, **organizational misalignment** is the principal error. Alexander Sukharevsky, a senior partner at McKinsey, states unequivocally that delegating AI implementation to the IT department is a "recipe for failure".¹⁴ The reason is simple: capturing real value from AI requires a fundamental business transformation, not just the installation of new technology. It demands the redesign of workflows, the redefinition of roles, and a shift in decision-making culture. This level of change management can only be driven with committed C-suite sponsorship, yet fewer than 30% of companies report that their CEO directly sponsors the AI agenda.⁴ Without top-down business leadership, AI initiatives remain isolated technology projects, disconnected from the core value-creation processes of the company.

Second, the **data quality hurdle** is often insurmountable. AI models are voracious consumers of data, and their output is only as good as their input. Yet, a study commissioned by Epicor and conducted by Forrester Consulting found that 77% of retailers struggle to gain actionable insights from the data they collect, and a staggering 67% find they are unable to collect any usable data in the first place.¹⁵ The challenges are manifold: data is often trapped in legacy system silos, it is fraught with inaccuracies and inconsistencies, and the process of cleaning and preparing it for AI models is complex and resource-intensive.¹⁶ Without a foundation of robust data governance, any AI initiative is built on sand.

Third, the **people problem** manifests in two critical ways. There is an acute **skills gap**. New data reveals that 81% of UK retailers cannot find the AI talent they need, a shortage that threatens to create a £2.3 billion "digital divide" between the AI-haves and the have-nots.¹³ The need extends beyond pure data scientists to hybrid professionals who possess the rare combination of deep retail operations knowledge and an understanding of AI implementation.¹³ Compounding this is **cultural resistance**. Nearly 60% of business leaders cite overcoming workforce opposition and organizational resistance to change as a primary challenge to AI adoption.¹⁵ This resistance is often rooted in a lack of trust in the technology and a legitimate fear of job displacement.¹⁶

Finally, **strategic dilution** dooms many efforts. In the rush to embrace AI, many organizations place too many small, scattered bets, diluting their investment and focus. BCG's research provides a powerful quantitative insight: lagging companies pursue an average of 6.1 different AI use cases simultaneously, whereas leading companies, which generate 2.1 times the return on investment, concentrate their efforts on an average of just 3.5.⁹ This disciplined prioritization is a hallmark of success.

These root causes—organizational structure, data readiness, human capital, and strategic focus—are not unique to AI. They are the classic challenges of any major business transformation. This realization reframes the intimidating challenge of "implementing AI" into the more manageable domain of "leading a business transformation."

The Human in the Loop: Merging Merchandiser Artistry with Machine Science

The most critical and often overlooked component of any successful AI implementation is the people. BCG's 10-20-70 principle posits that 70% of AI success is attributable not to algorithms or technology, but to people, processes, and cultural transformation.⁹

A common and valid criticism of AI is the 'black box' problem—planners are asked to trust recommendations from a system whose internal logic they cannot see or understand.²⁴ Building trust requires making these systems more transparent, interpretable, and trustworthy.

Furthermore, AI promises to automate much of the manual data crunching that consumes a planner's time today.¹⁸ This leads to a "Great Rebundling" of the planner's role. Historically, the role has been a bundle of disparate tasks: data gathering, forecasting, collaborating with marketing, and strategic range planning. AI is exceptionally good at the first two—the highly analytical tasks. The fear this creates is that the remaining role is diminished. The opportunity, however, is that planners are chronically short on time for the latter two—the highly strategic, creative, and collaborative tasks. By offloading the computational burden, AI frees up significant human capacity. The planner's role can then be rebundled with a much heavier weighting towards strategy and creative problem-solving.¹⁸ This is not job loss; it is job *elevation*—a powerful narrative that can help neutralize the fear that drives organizational resistance.

Charting Your Course: A Pragmatic Roadmap to AI Maturity

This final section synthesizes the analysis into a concise, actionable framework for executives to begin their journey from a position of healthy scepticism to one of strategic advantage.

Step 1: Focus, Focus, Focus.

Resist the temptation to boil the ocean. As BCG's research has demonstrated, the most successful organizations achieve superior returns by targeting a small number of high-impact use cases—typically three to five.⁹ Begin by identifying a well-defined business problem where the potential ROI is clear and measurable. Improving demand forecasting accuracy or optimizing inventory are ideal starting points because their financial impact is direct and undeniable.

Step 2: Get Your Data House in Order.

This is the non-negotiable foundation upon which all success is built. As the Forrester study highlighted, poor data quality is a primary barrier for the majority of retailers.¹⁵ The journey must begin with a comprehensive data audit, followed by the establishment of robust data governance practices to ensure data remains accurate, relevant, and upto-date.¹⁶

Step 3: Lead from the Business, Not from IT.

Reinforce the critical lesson from McKinsey's analysis: AI is a business transformation initiative, not a technology project.¹⁴ Success requires visible and active sponsorship from the C-suite. The initiative must be led by the business functions that will ultimately use the tools and be held accountable for the results.

Step 4: Adopt the 10-20-70 Mindset.

Commit to the principle that the majority of your effort, budget, and leadership attention—70%—must be dedicated to the human side of the equation.⁹ This includes redesigning workflows, developing comprehensive training and upskilling programs, and leading a deliberate change management campaign to build trust and drive adoption. The technology is a catalyst, but the people and processes are what will ultimately generate the value.

The journey from scepticism to strategic advantage is a deliberate one, requiring focus, discipline, and strong leadership. By grounding AI initiatives in pragmatic, proven applications and leading them as business-first transformations, retail leaders can successfully navigate the paradox and unlock sustainable, long-term value.

About ANT USA

Since 1992, ANT USA has focused on solving real-world retail planning challenges. Our flagship Buyer's Toolbox AP software is a testament to this practical, results-driven approach, helping retailers around the world modernize their planning, achieve real-world forecast accuracy, and drive tangible profit growth. We provide the tools and the expert partnership to help you transform your Merchandise Financial Planning (MFP) and Open-to-Buy (OTB) processes.

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