

Google Cloud



The ROI of Gen AI in Retail and CPG

A global survey of enterprise
adoption and value

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About this report

This report is based on a survey of 376 senior leaders of global enterprises (\$10M+ revenue) in the retail and consumer packaged goods (CPG) industry, conducted by Google Cloud and National Research Group. It provides a comprehensive benchmark of the impact of gen AI on business and financial performance.

Unless otherwise noted, all statistics in this report are derived from the survey and are focused on respondents in the retail and CPG industry.

Introduction

A year ago, the retail and consumer packaged goods (CPG) industry was abuzz with the potential of gen AI to transform their businesses. While the full impact of this technology is still unfolding, one thing is certain: gen AI is no longer a futuristic concept but a powerful tool that is actively shaping the retail landscape.

This report, based on a survey of over 376 executives from the retail and CPG sector, offers a compelling glimpse into this dynamic landscape. We discovered that retail and CPG leaders are not just experimenting with gen AI—they are actively deploying it to drive tangible results across their organizations.

The report highlights how companies are leveraging gen AI to enhance customer experiences, boost employee productivity, and improve security. It is clear that the future of retail is being shaped by those who embrace gen AI, and the time to act is now.

Paul Tepfenhart

Director, Global Retail Strategy & Solutions, Google Cloud

Gen AI is here

Not only is the retail and CPG industry embracing gen AI, but as our survey shows, it's having a strong impact on business outcomes. However, the pace of adoption varies, with a distinct pattern emerging in the industry.

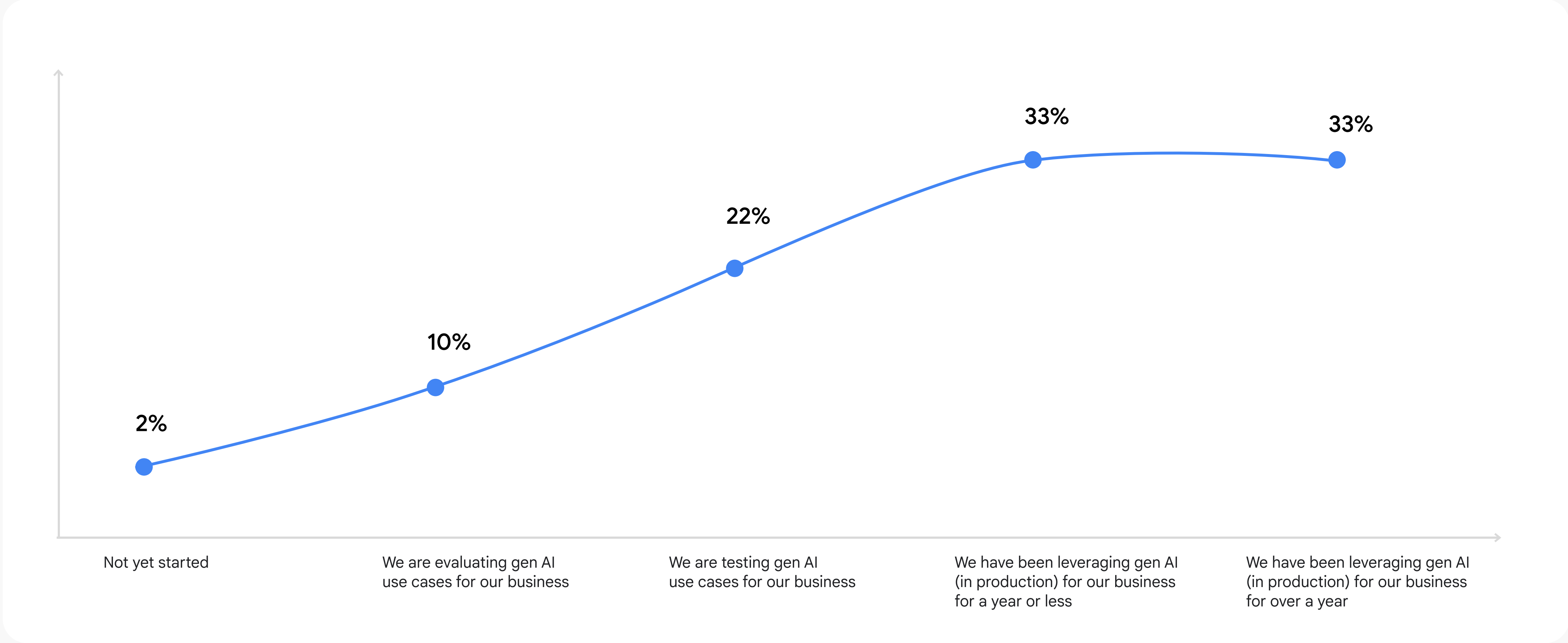
While 66% of retail and CPG respondents have already moved gen AI pilots into production, 32% are still evaluating or testing gen AI use cases.¹ This shows the urgency to capture the benefits of gen AI, especially in the area of customer experience—a key differentiator for many brands and retailers. Take, for example, the implementation of gen AI-powered virtual assistants that can help retailers like [Best Buy](#) troubleshoot product issues, reschedule order deliveries, and manage subscriptions.

Just as retailers are committed to providing a seamless and personalized customer experience, they are also obligated to protect customer data privacy, resulting in a more cautious approach to gen AI implementations. Since gen AI relies heavily on data, retailers need clarity on ensuring the integrity of the data used to train and operate AI models used to personalize experiences.

As the technology matures, we can expect to see more successful implementations that will serve as valuable inspiration for those still on the fence. Seeing concrete examples of how others have leveraged gen AI to achieve tangible results can provide the confidence and clarity needed to accelerate adoption. One such example is [Wayfair](#), which used gen AI to drive 65% uplift in developer productivity for refactoring SQL to GQL, and for simple stored procedure, 55% improvement in the time to build boilerplate code, 4x faster product tagging, and 10x increase in items being attached to online shopping carts.

¹ Total market - retail and CPG (global): n=376

Gen AI adoption among retail and CPG organizations¹



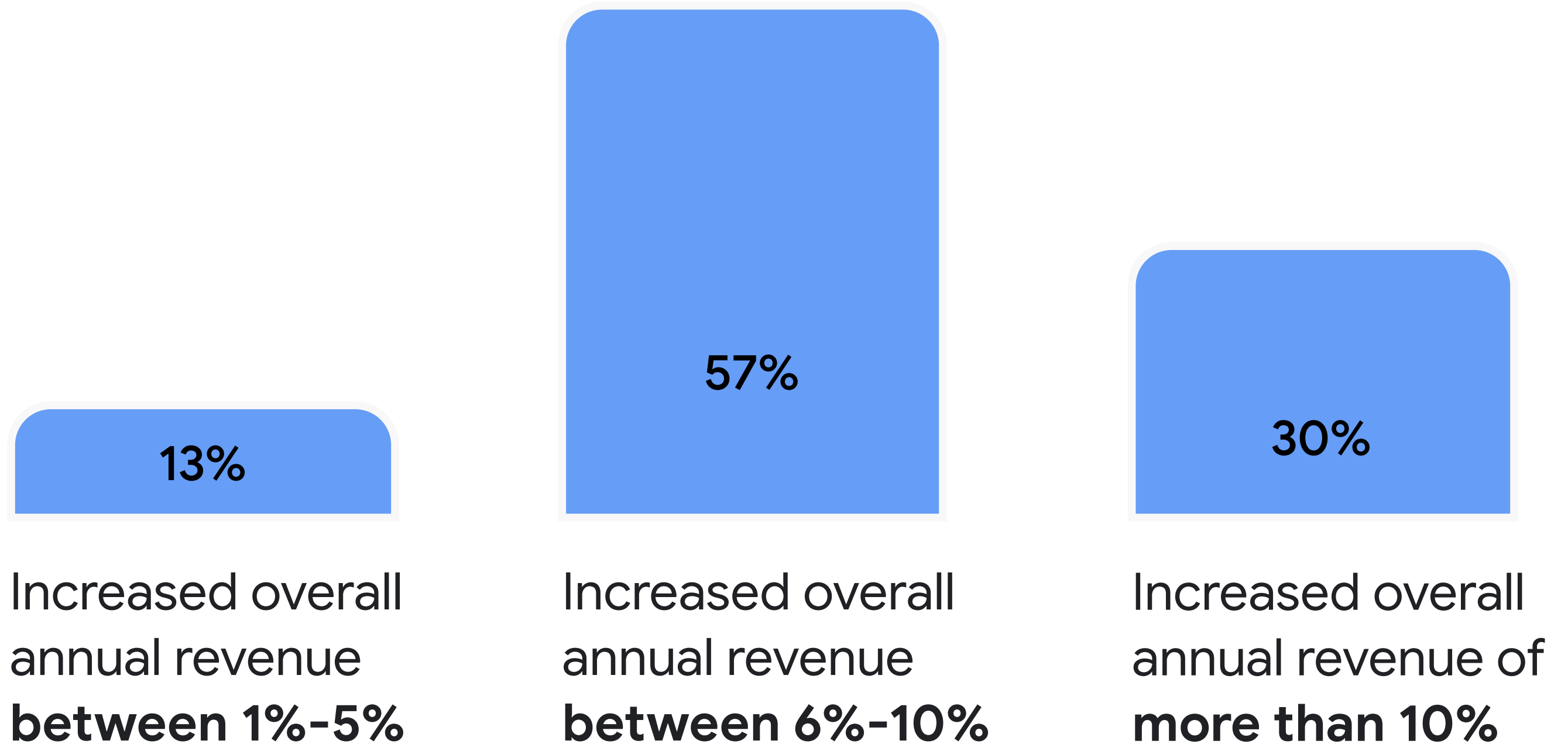
¹ Total market - retail and CPG (global): n=376

It's clear that early adopters of gen AI in retail and CPG are already reaping significant rewards. For those who have moved their gen AI use cases into production, the numbers speak for themselves: 87% of those running gen AI in production and experiencing revenue growth due to gen AI initiatives are reporting revenue gains of 6% or more.²

As results like these show, gen AI is no longer just an experiment—it's becoming a core driver of financial performance for those who are taking action.

Revenue growth attributed to gen AI²

Among retail and CPG organizations currently using gen AI in production and reporting increased revenue



² Retail and CPG organizations currently leveraging gen AI in production and reporting increased revenue: n=103



Realizing gen AI's benefits



01

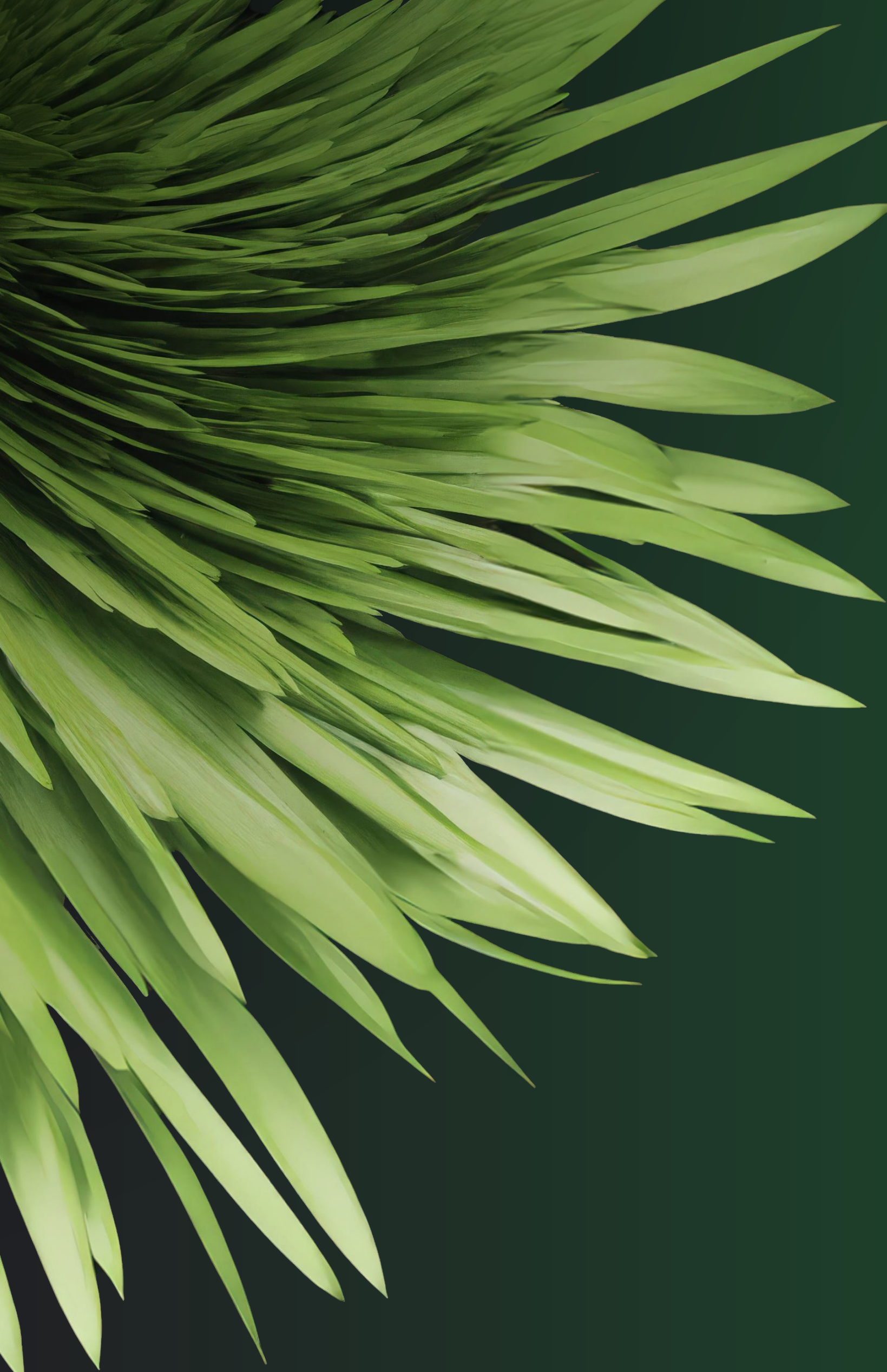
Chapter

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To understand the impact of gen AI on retail and CPG organizations, it's crucial to understand where this technology is being applied today. Our survey reveals a diverse range of use cases already running in production, particularly those benefiting from gen AI's ability to understand, summarize, converse, and analyze sentiment.

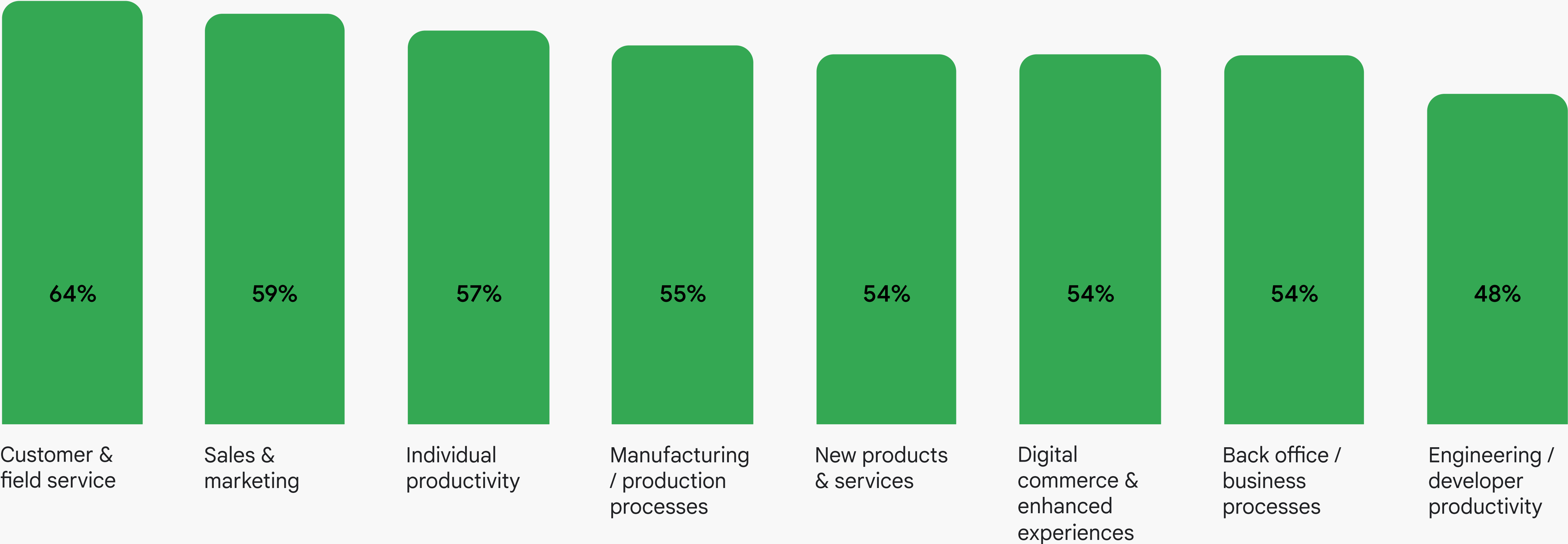
More specifically, retailers are zeroing in on areas like customer service, marketing, and productivity, using gen AI to enhance existing human capability and skills.

Gen AI can supercharge manufacturing, specifically in the area of supply chain management for retailers by accurately predicting demand, optimizing inventory levels, and streamlining logistics. This leads to reduced costs, improved efficiency, and ultimately, happier customers who get what they want, when they want it.

This ability to enhance existing human capabilities is also being leveraged in other areas, such as product design and development. Gen AI can be used to generate or iterate new product designs accelerating new product development cycles and bringing them to market faster.

In ecommerce, gen AI can help enrich digital properties, generating new product content and creating engaging, conversational interfaces to improve online shopping experiences.

Retail and CPG organizations have gen AI use cases in production across a range of functions³



³ Retail and CPG organizations currently leveraging gen AI in production: n=248

01 Time to market

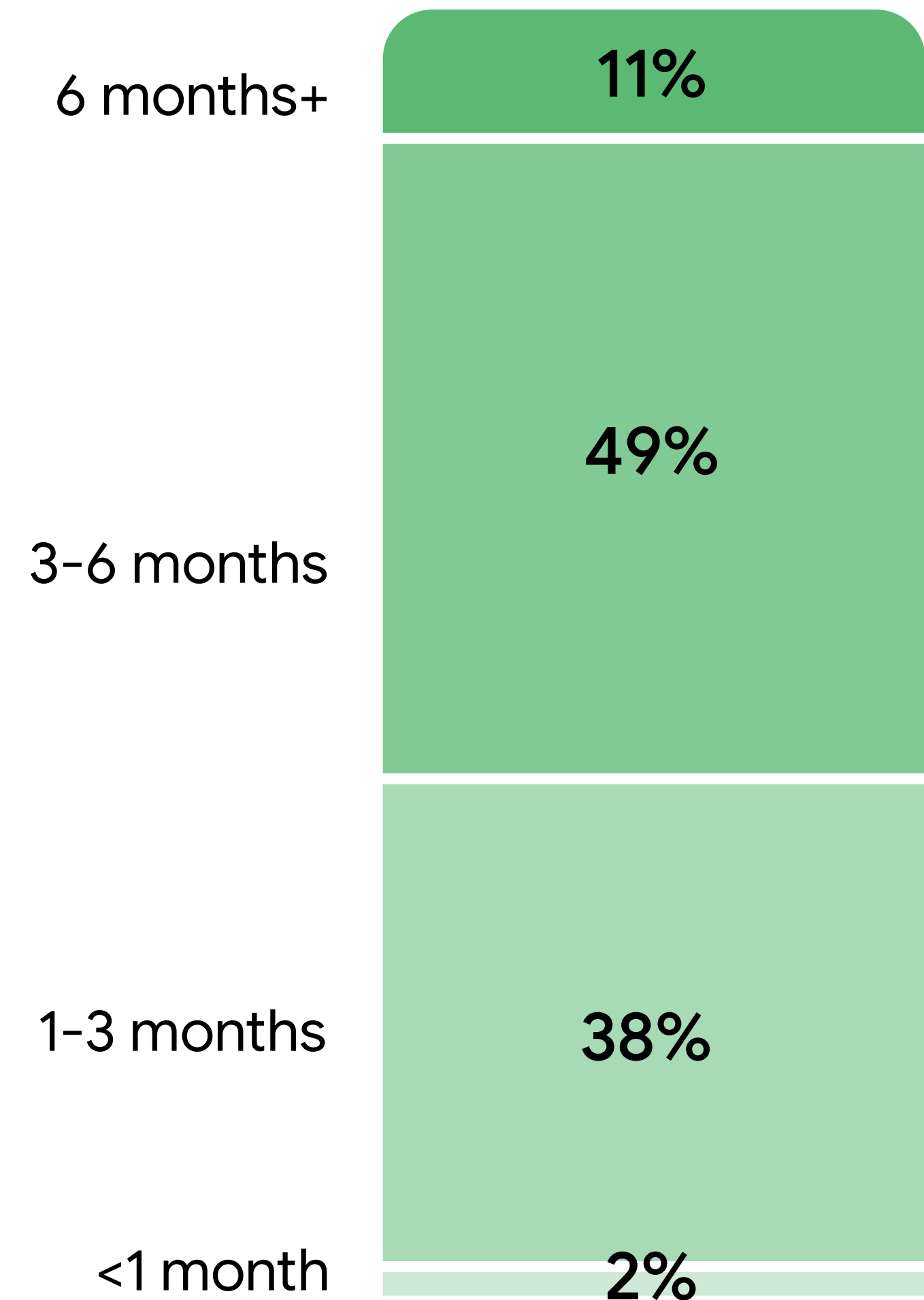
The retail landscape is fiercely competitive. Responding to market trends and competitive pressures requires fast development cycles. The good news is that retailers and CPG companies are masters at moving quickly, adapting to changing consumer preferences, and bringing new products and services to market with agility. This same focus on speed is evident in their approach to gen AI, with our survey showing that the majority are able to get their gen AI use cases off the ground quickly.

89%

of retail and CPG organizations⁴ can move a gen AI use case from idea to production within six months.

⁴ Total market - retail and CPG organizations that have at least one use case in production: n=370

Average time to market⁴



02 ROI

While the retail and CPG industries are known for their customer-centricity, many of their operations are still heavily reliant on manual processes. This can lead to inefficiencies in areas like customer service, where resolving inquiries can be time-consuming and frustrating for both customers and employees. It's encouraging to see that the majority of survey respondents are already seeing a positive return on their investment in gen AI, demonstrating its potential to transform these inefficient processes quickly.

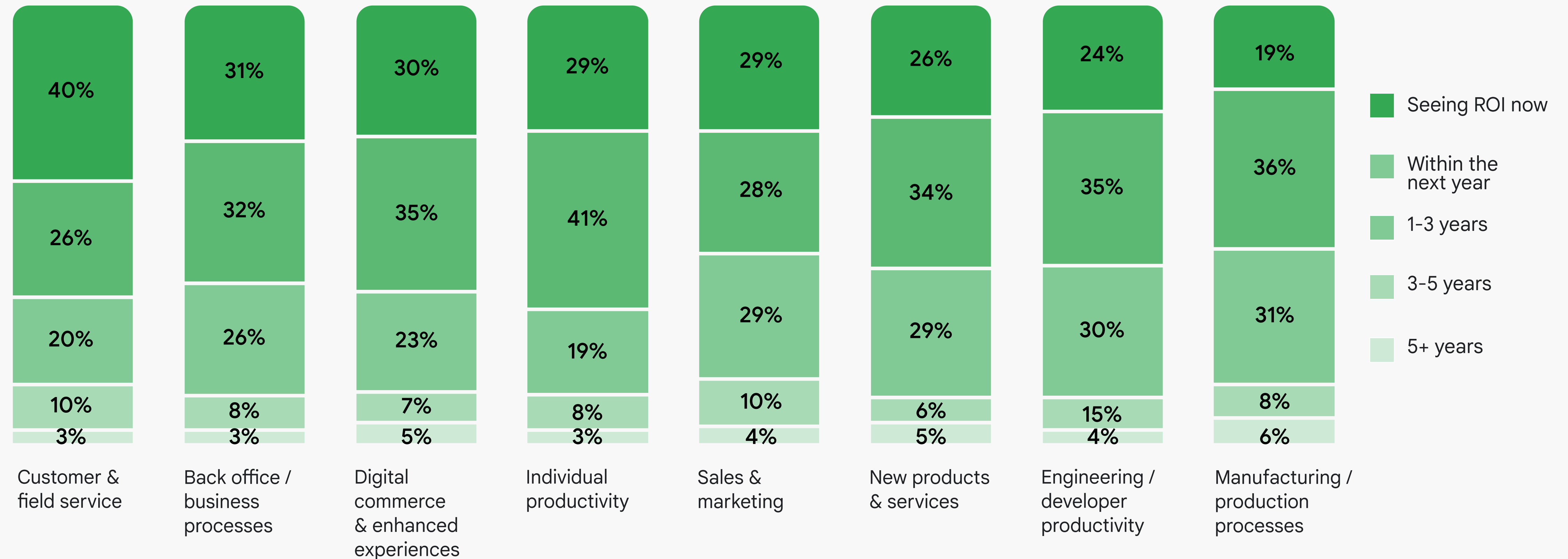
75%

of organizations currently leveraging gen AI in production are seeing ROI now on at least one use case.⁵

⁵ Retail and CPG organizations currently leveraging gen AI in production: n=248



ROI timeline for gen AI use cases⁶



⁶ Retail and CPG organizations currently leveraging gen AI in production that are currently using or planning to use gen AI on use cases: Customer & field service: n=237, Back office / business processes: n=233, Digital commerce & enhanced experiences: n=235, Individual productivity: n=236, Sales & marketing: n=233, New products & services: n=229, Engineering / developer productivity: n=235, Manufacturing / production processes: n=234

03 Customer experience

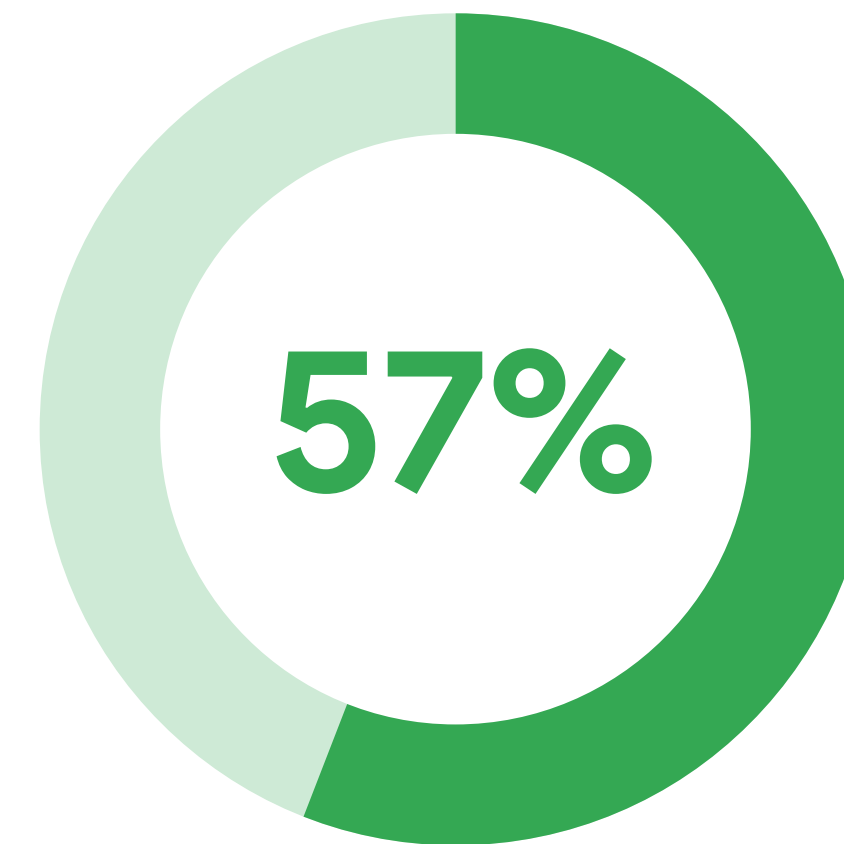
Retail and CPG organizations see gen AI enhancing customer experience. Customer service centers are deploying tools that can automate call transcription and summarization, generate smart replies, and respond to common customer questions faster, thus enhancing customer experiences.

Gen AI can also improve the overall search and findability of products on retailers' websites and apps. By leveraging contextual search, retailers can provide more accurate and relevant search results, helping customers find the products they need quickly.

However, gen AI can go beyond these improvements to deliver truly personalized experiences. Personal AI stylists, for example, can combine customer data with a retailer's products, promotions, and pricing to offer personalized style recommendations across multiple visits and channels. These AI stylists can even create visual representations of the suggested looks, using gen AI to generate images or videos.

Gen AI impact on user experience⁷

Among retail and CPG organizations currently using gen AI in production



indicate improved user experience

⁷ Retail and CPG organizations currently leveraging gen AI in production: n=248



A customer can now go to our website or mobile app, upload a picture of any product (from Victoria's Secret or another brand), and receive personalized product recommendations. AI enables us to simulate the in-person shopping experience on our digital platforms without having to scroll through countless pages to find what a shopper might be after—or not even know they might want.”

Murali Sundararajan

Chief Information Officer, Victoria's Secret

[→ Learn more](#)

04 Productivity

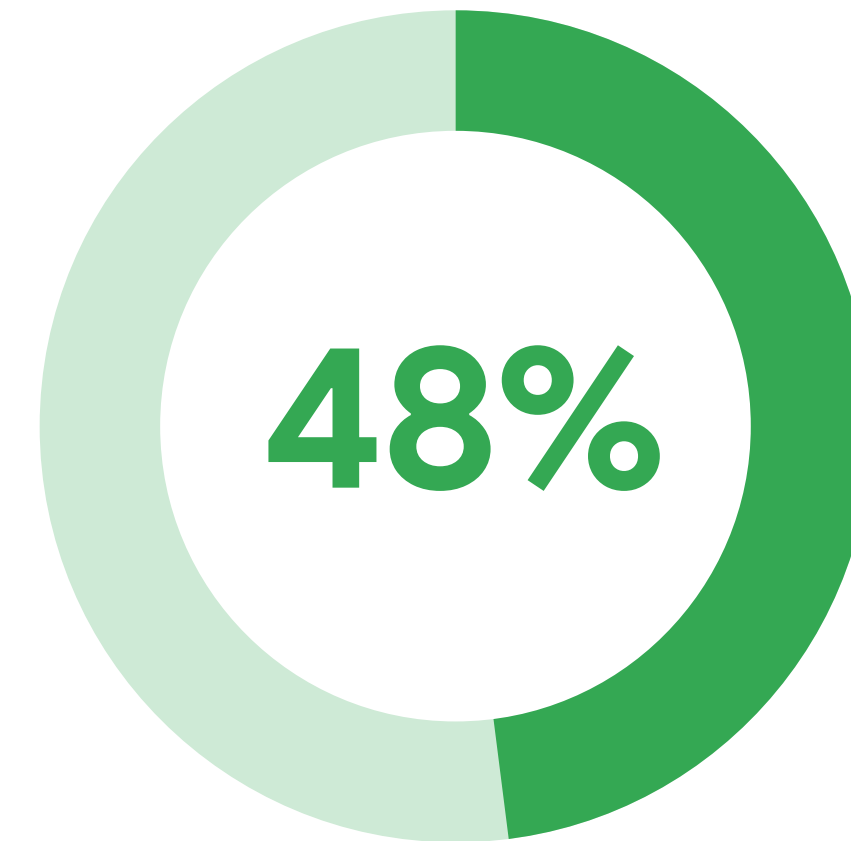
Retail and CPG respondents report significant improvements when asked about the ability of gen AI to increase business and IT productivity to drive innovation and transformation. This improvement is particularly evident in areas such as marketing, where generative AI can significantly enhance creativity and efficiency.

For example, gen AI can provide creative assistance to marketing teams, such as generating customer-centric marketing copy, product descriptions, and curating bespoke images and creative content for campaigns and editorial placements.

This same technology can also streamline onboarding for store associates by automatically creating personalized training materials from existing company resources.

Gen AI impact on productivity⁸

Among retail and CPG organizations currently using gen AI in production and reporting productivity improvements



indicate employee productivity has at least doubled

⁸ Retail and CPG organizations currently leveraging gen AI in production and reporting productivity improvements: n=177



Our pilot program utilizing conversational AI for sales agents has demonstrated a remarkable 10-20x improvement in average customer call handling time, enabling agents to address more complex queries with greater efficiency.”

Niraj Nagrani

VP & GM for Consumer and Supplier Technologies, Wayfair

[→ Learn more](#)

05 Security

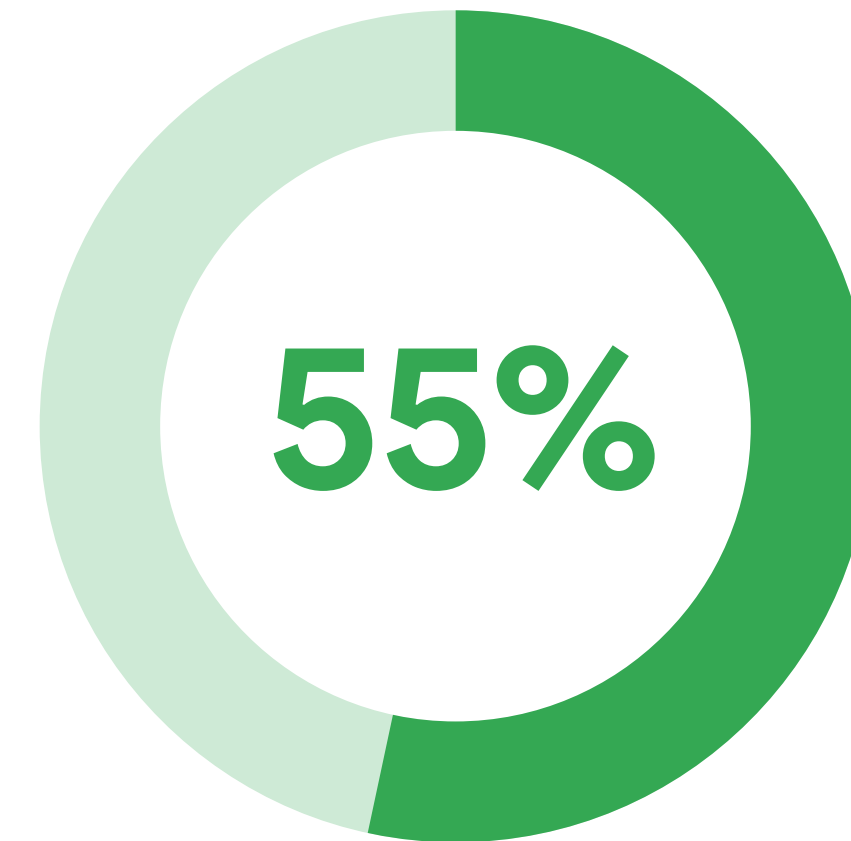
The retail and CPG industry is navigating an increasingly complex landscape of data breaches and security threats. This challenge is compounded by the fact that bad actors are now utilizing gen AI to create more sophisticated scams and fraud.

For example, fraudsters may steal personal identifiable information (PII) and even create fraudulent orders that are never paid for. This is often facilitated by tracking customer behavior on legitimate websites and using gen AI to mimic their purchasing patterns and preferences.

As gen AI may power more sophisticated scams, retailers need to proactively protect themselves and their customers. In addition to using gen AI to identify fraudulent activity, retailers can also leverage this technology to strengthen their own security systems, building more robust defenses against these evolving threats.

Gen AI impact on security⁹

Among retail and CPG organizations currently using gen AI in production



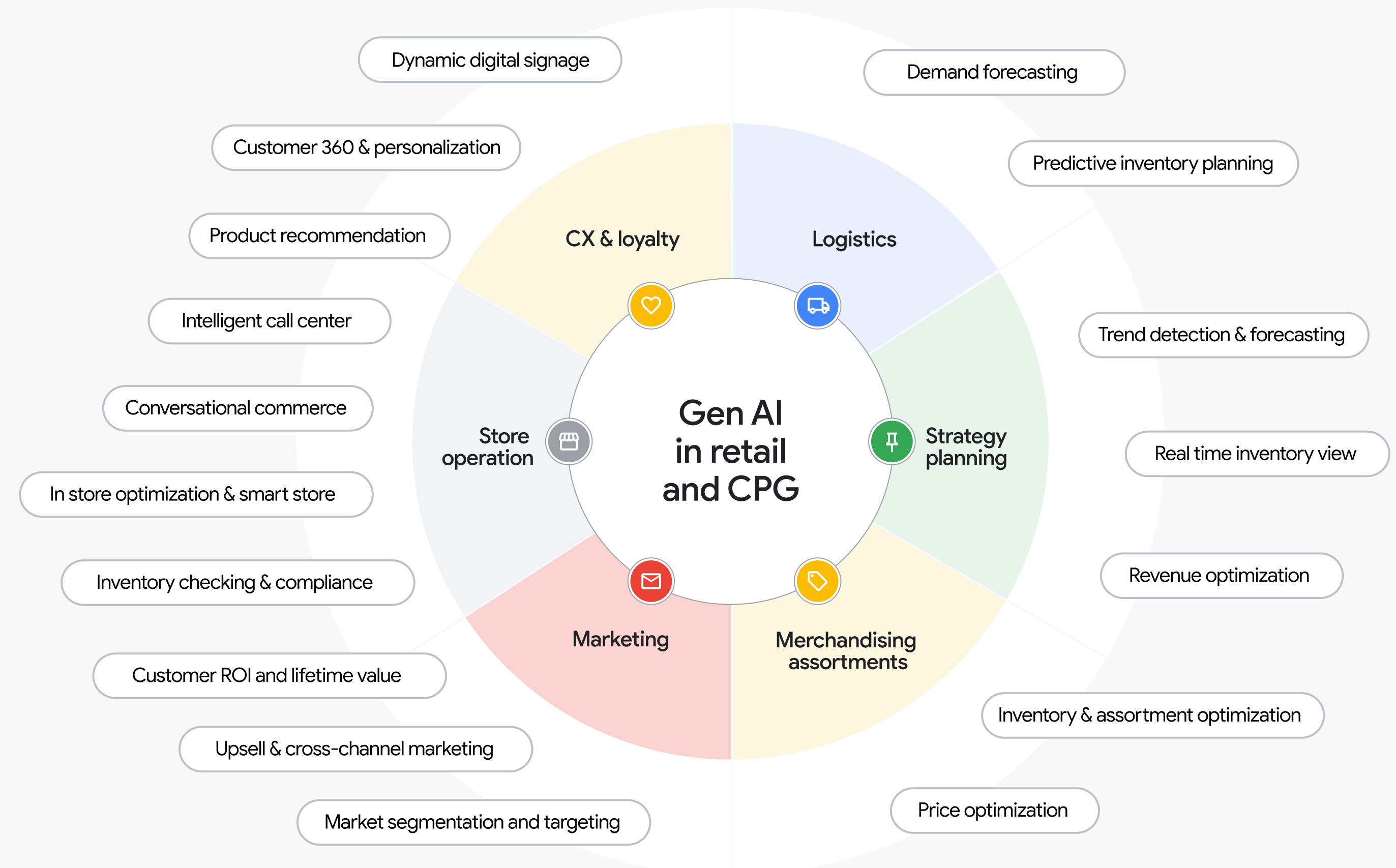
indicate improved security

⁹ Retail and CPG organizations currently leveraging gen AI in production: n=248

06 Retail and CPG value chain

Retail and CPG respondents are already realizing gen AI's benefits across productivity, security, and customer experience. But it shouldn't stop there. We see potential for gen AI to add value across the entire retail value chain. By doing so, retailers can achieve a level of efficiency, personalization, and customer satisfaction that was previously unimaginable.

Gen AI's impact on the retail and CPG value chain





C-level support helps unlock more value

With the backing of the C-suite, retail and CPG companies are more likely to have organizational alignment between gen AI and business goals. It can help realize success with gen AI initiatives. In fact, organizations with a strong gen AI connection to business goals are more likely to see a ROI now on at least one use case (75%), compared to the overall average of 69%.¹⁰

¹⁰ Retail and CPG organizations with a strong gen AI connection to business goals: n=239; Total market - retail and CPG (global): n=376

Retail and CPG orgs with a strong connection between gen AI and business goals report ROI now on at least one use case¹⁰

Seeing ROI now
(any use case)

64%

75%

Not seeing ROI now
for any use case

36%

25%

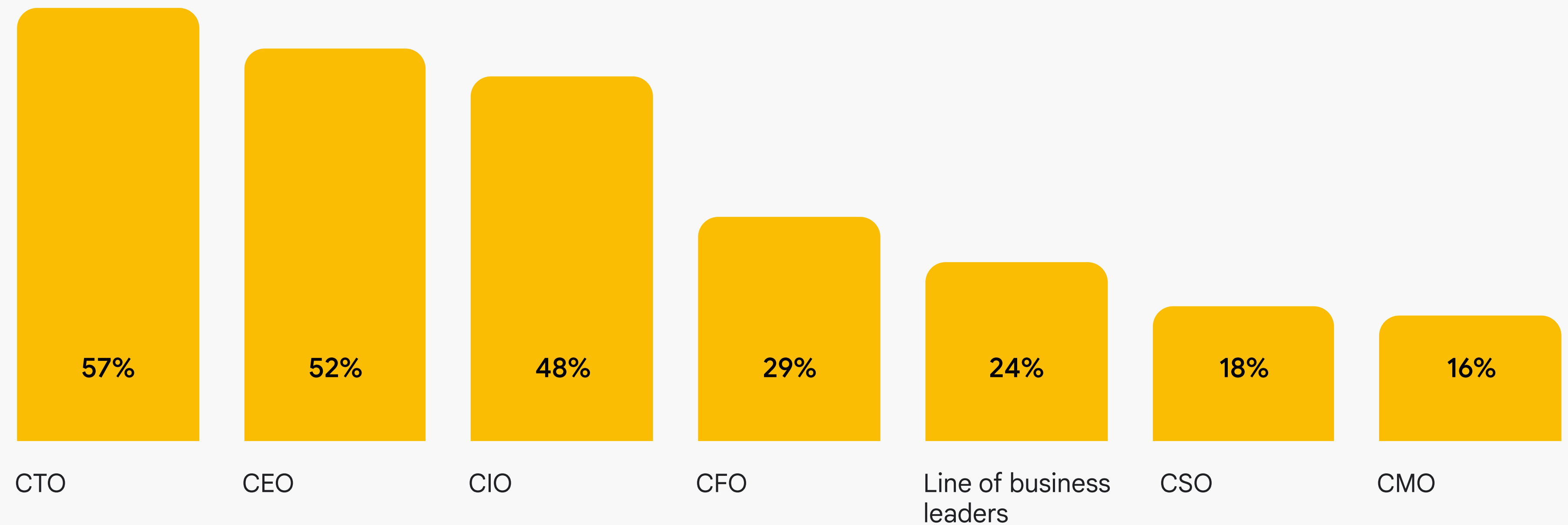
Total retail and CPG
orgs (global)

Orgs with strong gen AI
connection to business goals

¹⁰ Retail and CPG organizations with a strong gen AI connection to business goals: n=239; Total market - retail and CPG (global): n=376

To achieve this alignment, retail and CPG firms are increasingly taking a collaborative approach. In fact, 65% of retail and CPG organizations¹¹ say responsibility for driving gen AI strategy is shared—and the roles are evolving. Traditionally, CTOs and CIOs lead technology and innovation workstreams, often in collaboration with the lines of business leaders. Today, CEOs and CFOs are also actively involved in driving gen AI strategy—highlighting the need for closer collaboration across the C-suite to ensure strategic goals are reflected in gen AI initiatives.

Leaders responsible for driving gen AI strategy¹¹



¹¹ Total market - retail and CPG (global): n=376



Reinvesting in innovation

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Chapter

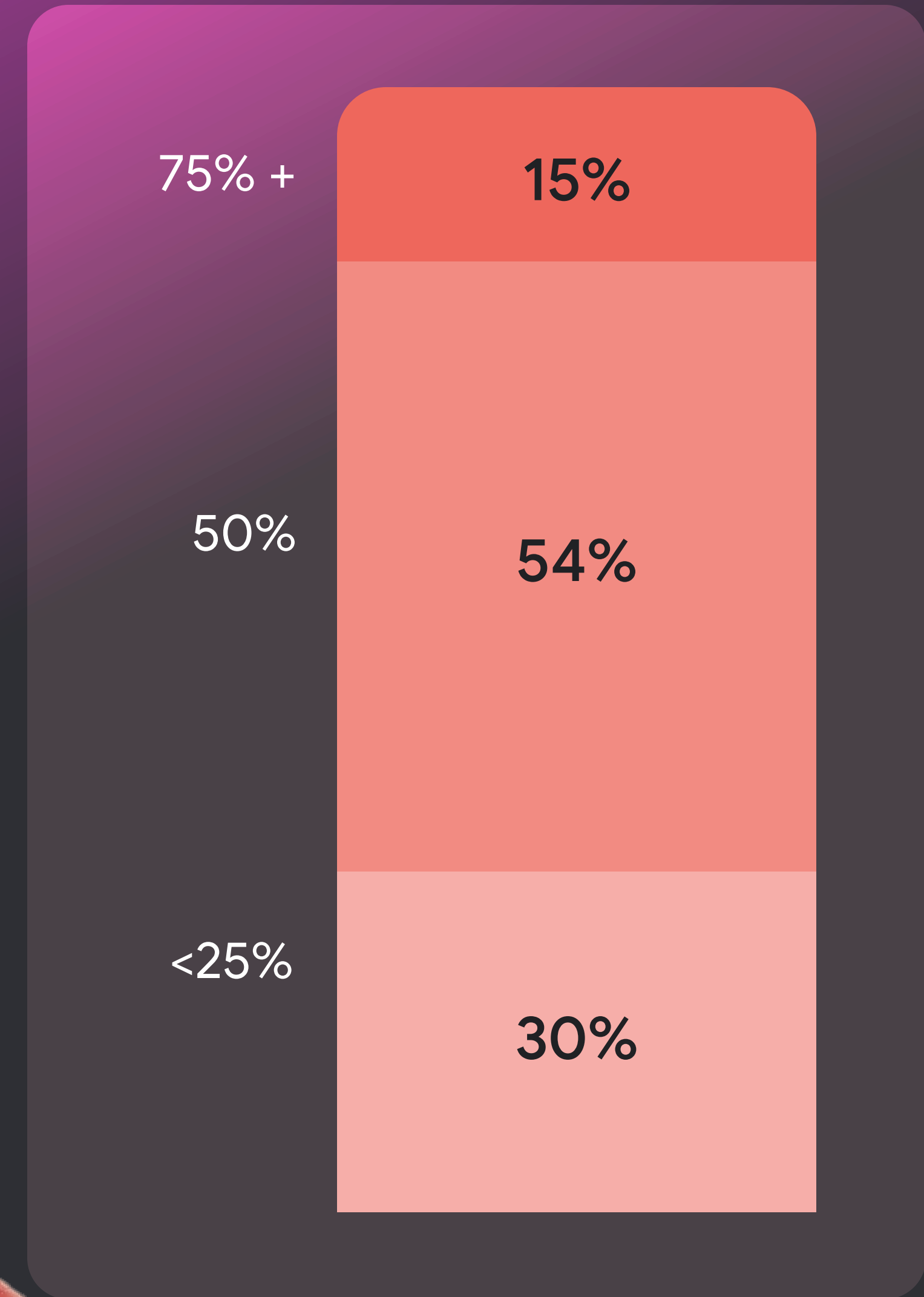
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With 69% of retail and CPG organizations¹² intending to allocate at least half of their future AI budget toward gen AI, it's undeniable that the technology is here to stay.

¹² Retail and CPG organizations with defined funding plans for gen AI: n=366

Future AI budget allocated to gen AI¹²



Retail and CPG organizations that realize gains from gen AI have their sights set on reinvesting across a wide range of priorities. In fact, 44% of respondents hope to leverage gen AI gains to improve brand perceptions, 42% to improve operating profit margin, and 40% seek to focus on new product development.¹³ It's obvious that the battle for brand perception is becoming increasingly crucial in a world saturated with choices. Gen AI can play a significant role in this by personalizing customer experiences, creating engaging content, and amplifying brand messaging in new and innovative ways.

This focus on brand differentiation, however, must be balanced with the need to improve operating profit margins, which tend to be lower than in other sectors. New product development presents an opportunity to drive revenue growth and enhance brand perception. Furthermore, newly launched products often don't require discounts, making them particularly attractive from a margin perspective. Gen AI can play a key role in this process by analyzing data, such as sales figures, customer reviews, and social media trends, to identify emerging preferences and unmet needs. These insights can guide the development of new products that resonate with shoppers and generate strong sales.

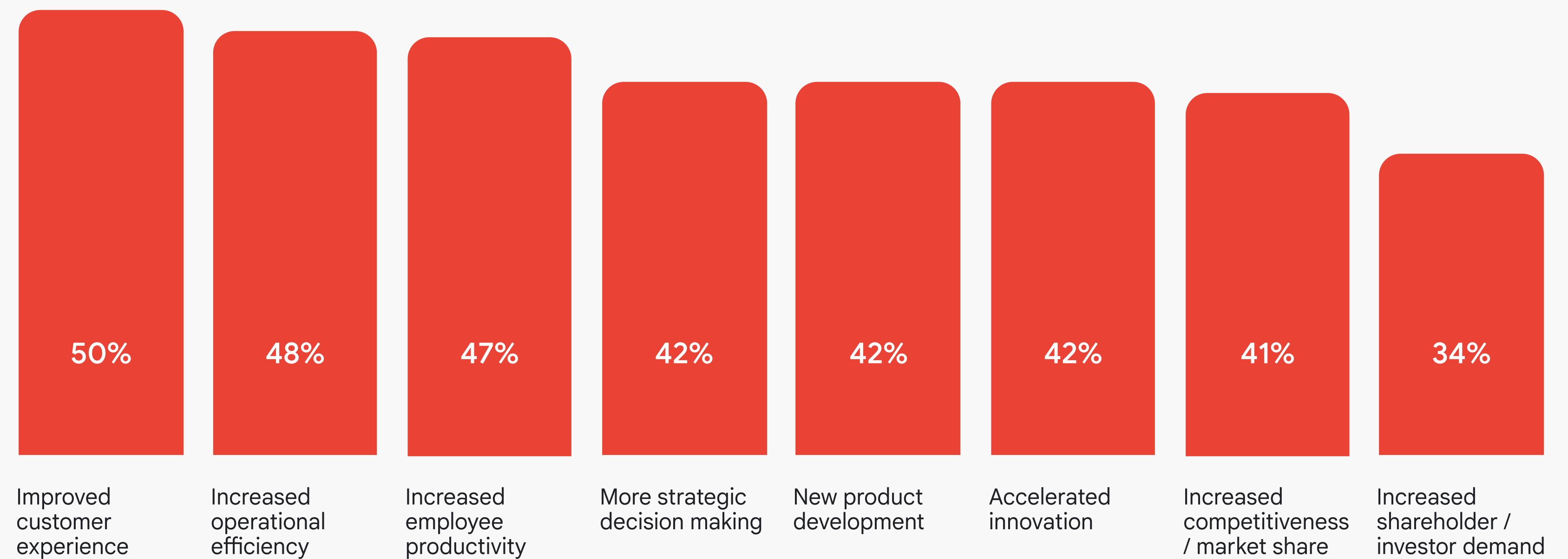
¹³ Total market - retail and CPG (global): n=376

Ways organizations want to use gains from gen AI¹³



Over the next two to three years, retail and CPG respondents¹⁴ are planning on using gen AI to achieve a range of objectives, with improved customer experience (50%) and increased operational efficiency (48%) at the top of the list. Seemingly competing priorities may end up supporting each other. For example, new product development and accelerated innovation—which are also in their sights—could help elevate the customer experience. One thing is clear though, retail and CPG organizations are setting their sights on leveraging gen AI for true transformation, suggesting a wave of exciting changes on the horizon.

Planned business objectives to pursue with gen AI in the next 2-3 years¹⁴



¹⁴ Total market - retail and CPG (global): n=376

7 ways gen AI can deliver real-world impact

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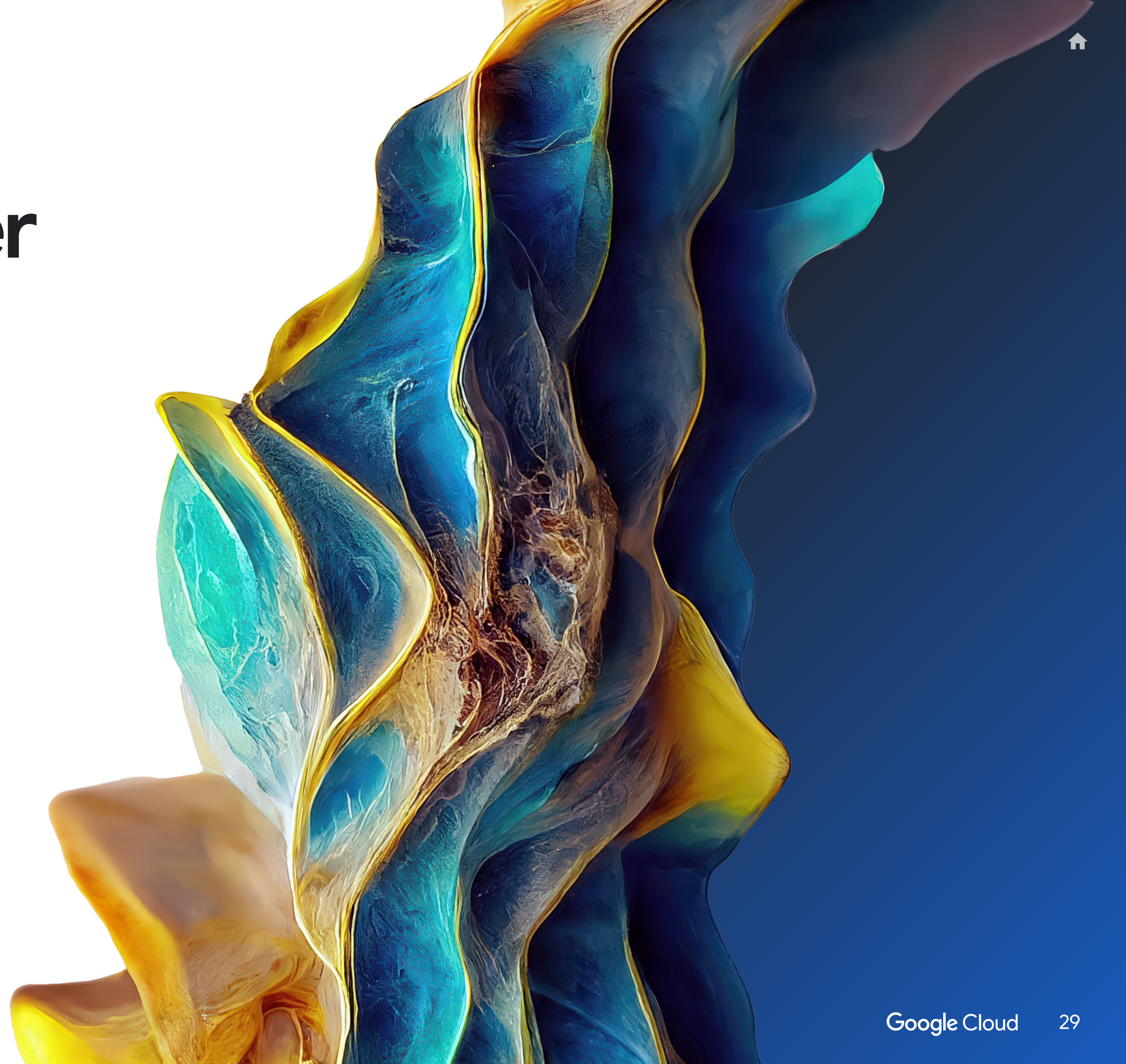
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Gen AI is no longer a theoretical concept. It's a game-changer with the potential to revolutionize the business landscape.



Not sure where to start? Focus on the following seven use cases that fall at the intersection of business value, strategic fit, data, and gen AI fit.

01

Marketing and creative assistance

Scale the production of product descriptions, creatives, and campaigns with personalized promotions, increasing customer engagement and driving repeat purchases.

02

Catalog enhancement

Identify emerging preferences and unmet needs by utilizing AI to analyze sales data, customer reviews, and social media trends, guiding the development of new products that resonate with shoppers.

03

Conversational commerce

Engage shoppers before they make purchases through chatbots or virtual assistants, allowing them to browse products, receive personalized recommendations, and complete purchases directly within messaging apps or on websites.

04

Customer service automation

Transform customer service through AI chatbots, virtual try-on tools, and self-service options, providing shoppers with instant assistance, 24/7 availability, and personalized solutions.

05

Unstructured data intelligence

Help employees query and analyze multimodal data, such as influencer product reviews, social media comments sentiment as well as search internal corporate knowledge repositories.

06

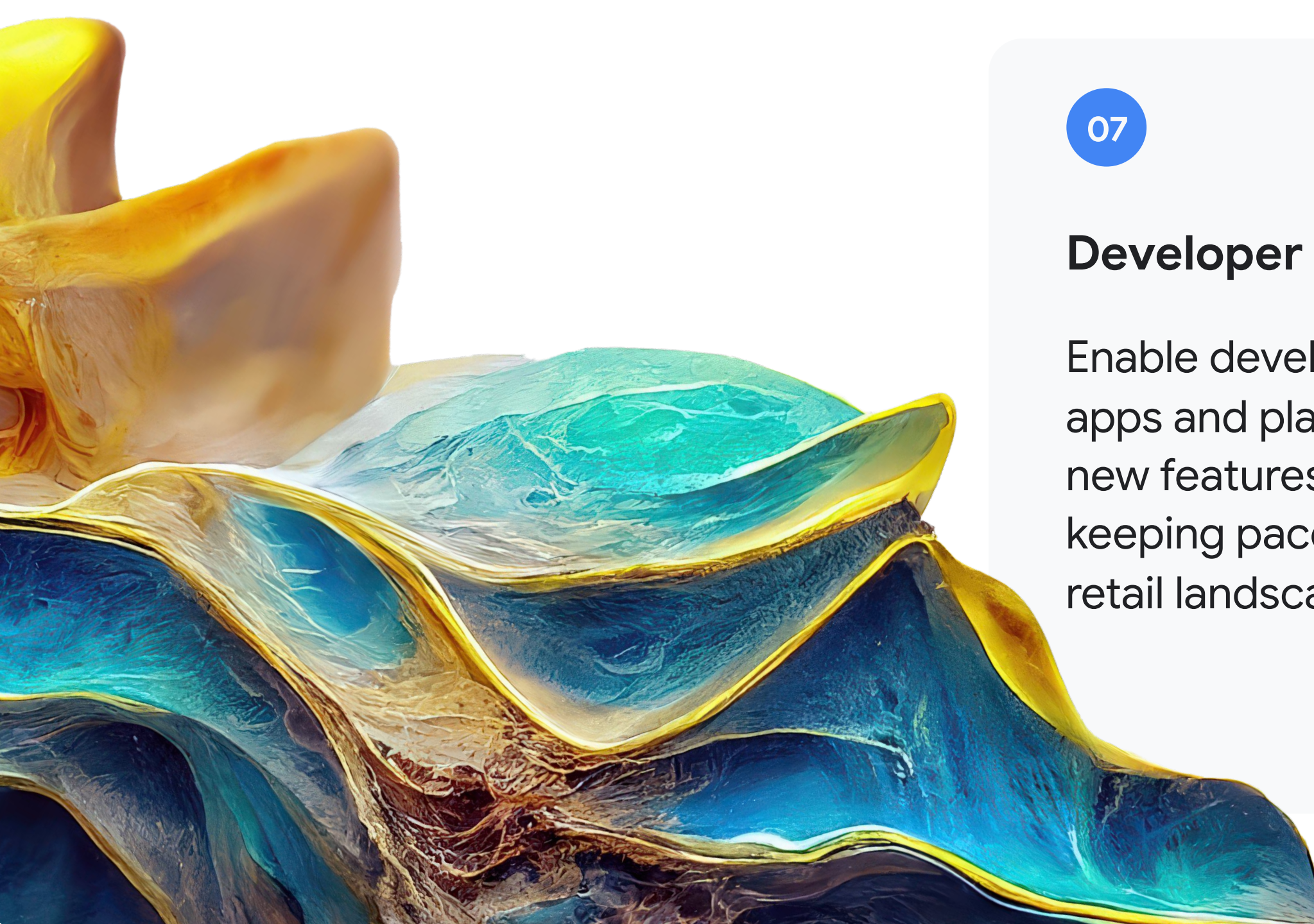
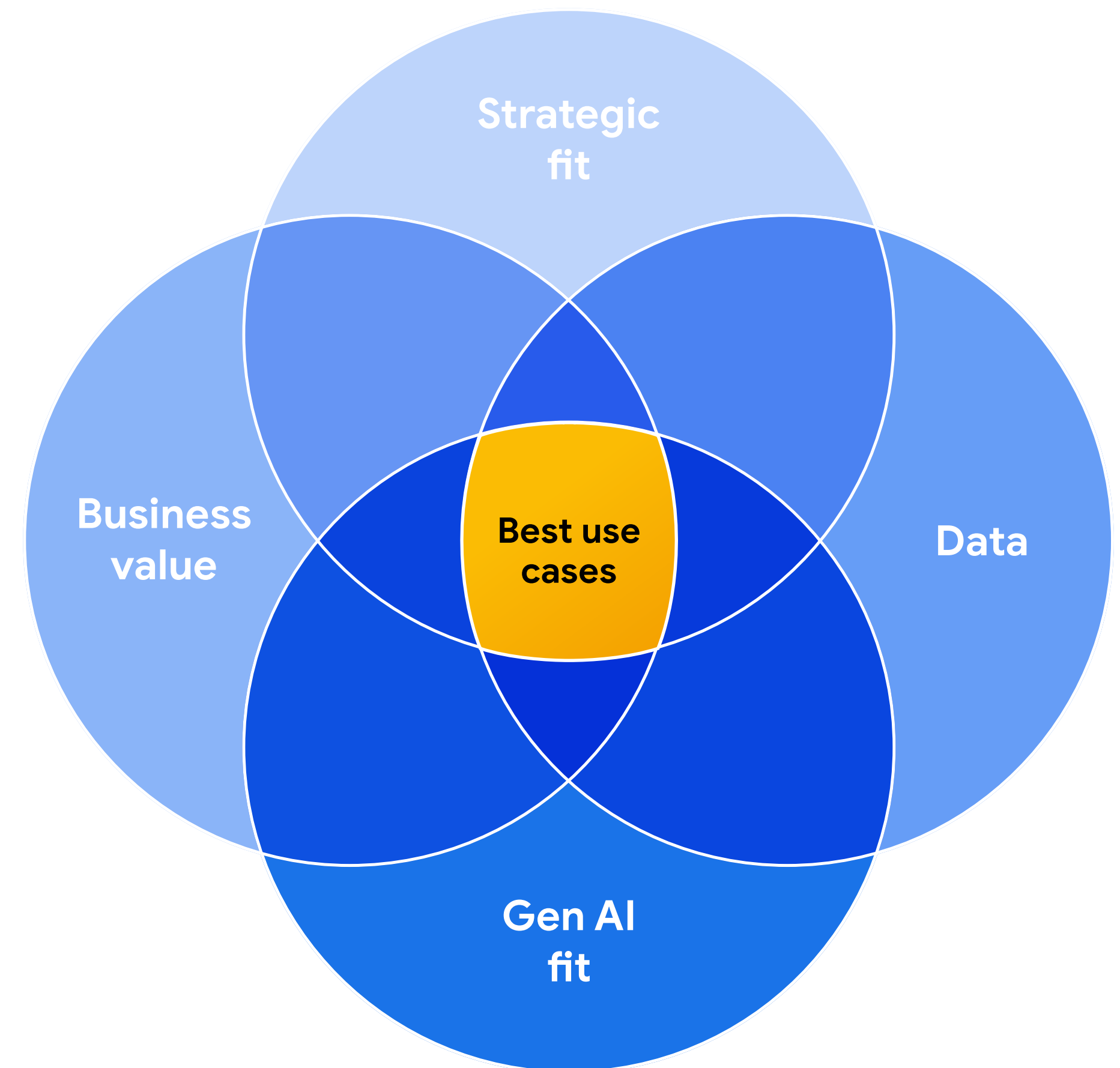
Store associate productivity

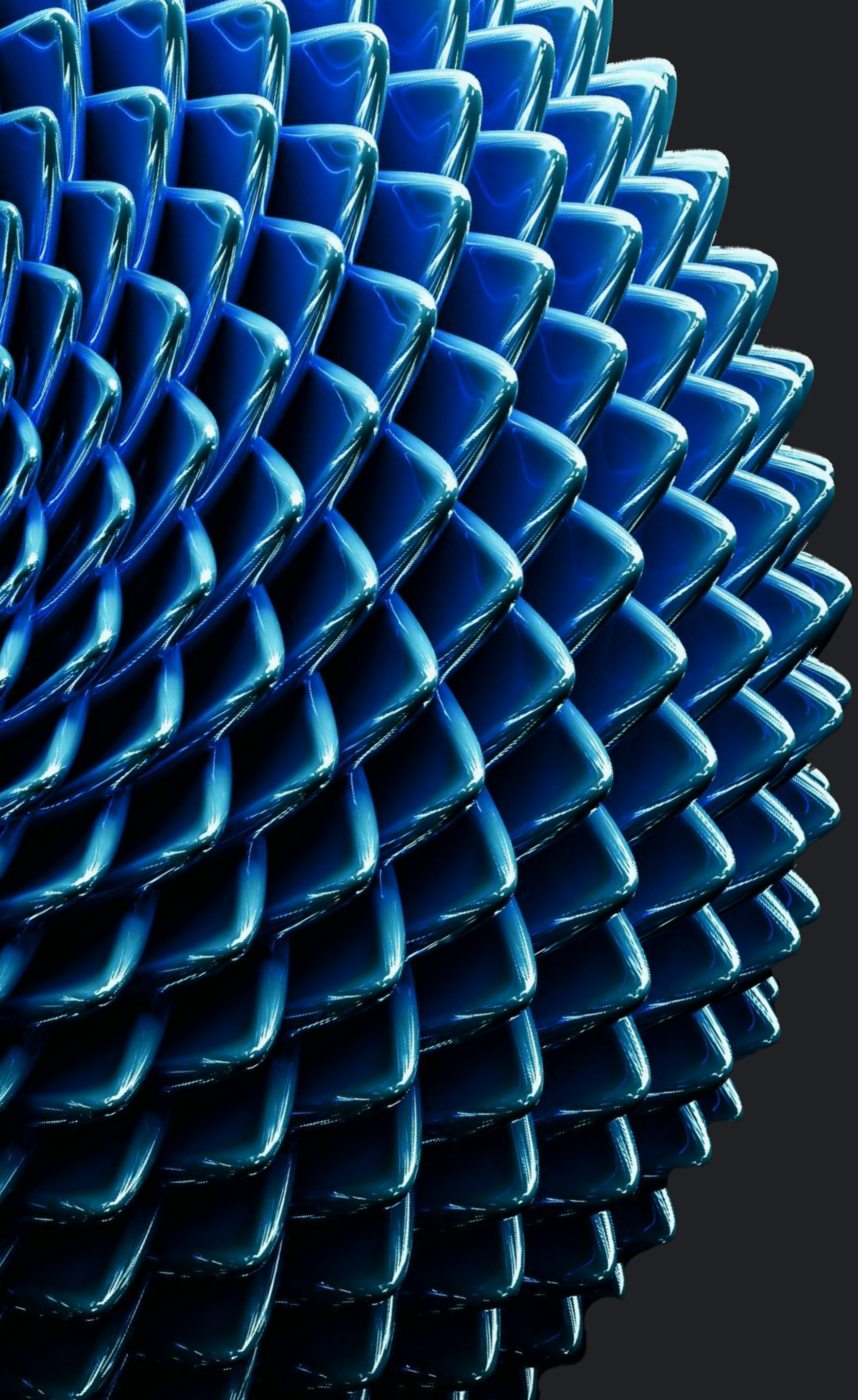
Empower store associates with AI-powered tools for inventory management, customer service inquiries, and task automation, enabling them to provide better service and focus on building relationships with customers.

07

Developer assistance

Enable developers to build helpful apps and platforms, and roll out new features more quickly, keeping pace with the dynamic retail landscape.





How Google Cloud helps organizations realize business value

Google Cloud helps organizations build transformative gen AI experiences with confidence and speed. Google's comprehensive AI stack, backed by a decade of research, empowers businesses to access and customize leading foundation models, build and deploy gen AI applications with an integrated developer platform, boost productivity with AI agents, and develop their own models using Google Cloud's cutting-edge AI Hypercomputer infrastructure.

Methodology

A 14-minute online survey with a total of n=2,843 business leaders, n=376 from retail and CPG organizations.

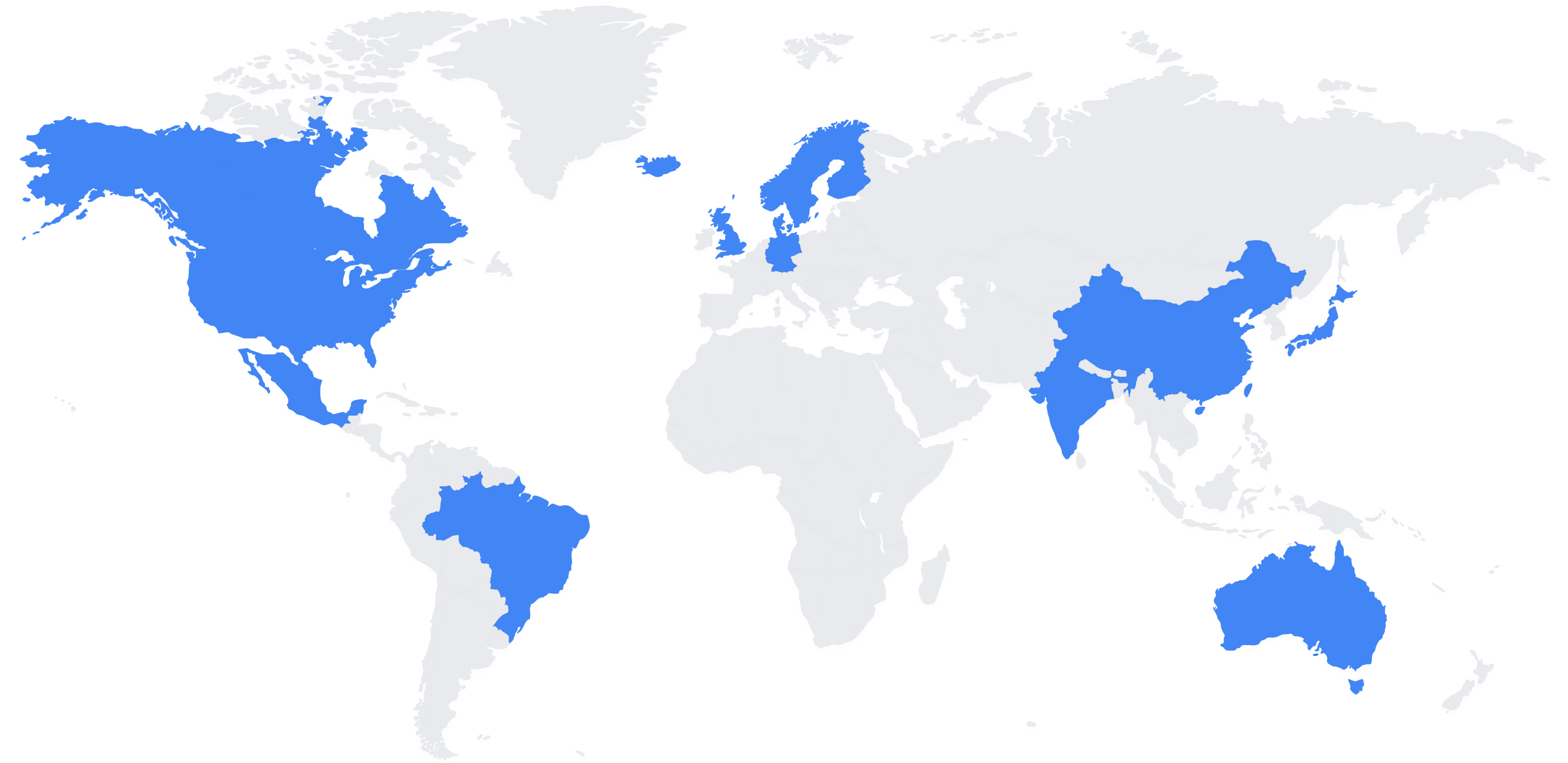
Upper-level, senior executive, and C-suite business leaders, including:

139 CEO, CIO

130 CFO, CMO, CTO

62 CISO, CDO, CSO, COO,
Director of Digital Strategy, VP of IT

45 IT Director, Head of Innovation



NorthAm 101
LATAM* 39

EMEA 90
APAC 146

*Low base (n<100)

Over
100
full-time employees

Over
\$10m
annual revenue

Must be at least interested in gen AI use cases

A robust representation from priority industries

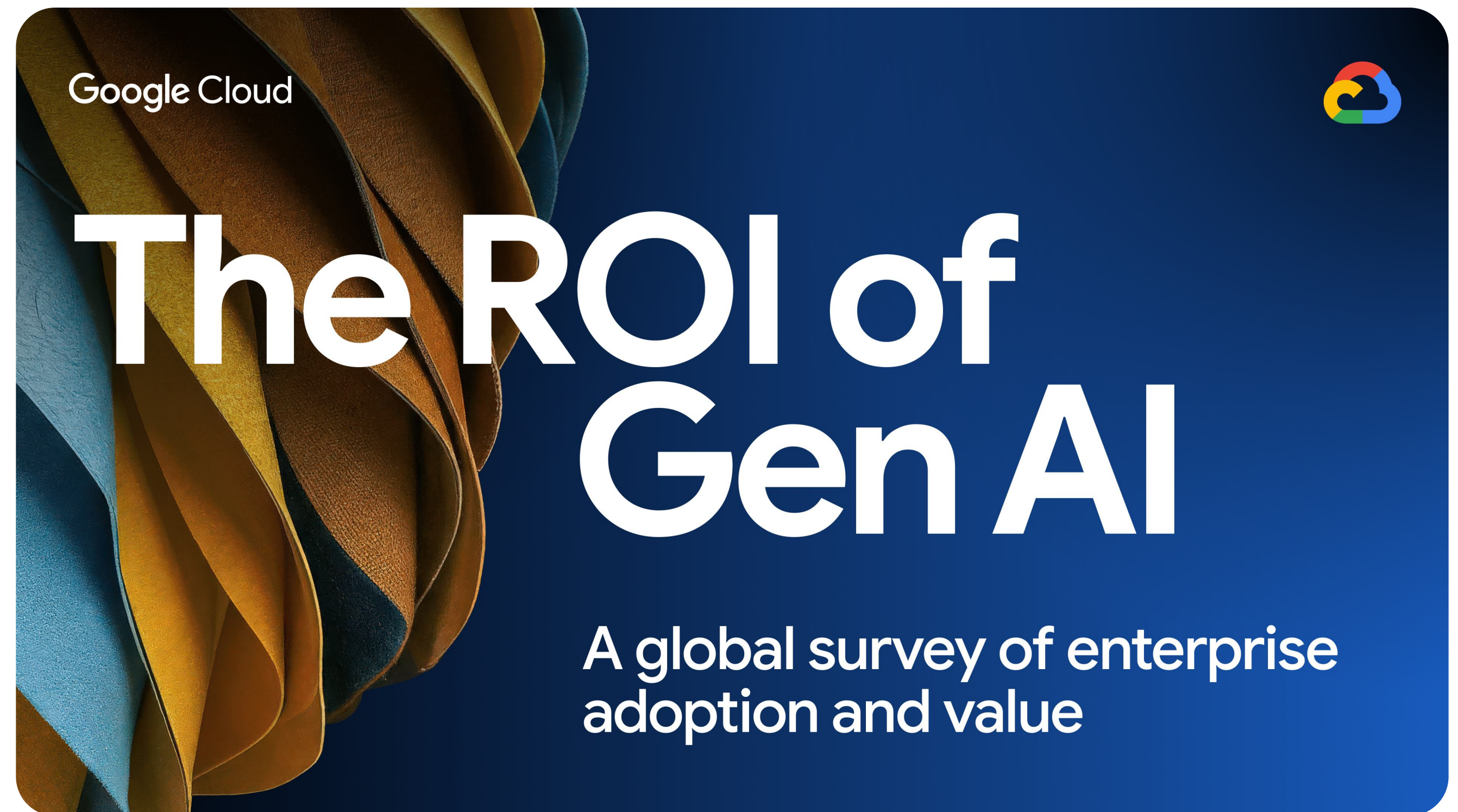
Global fieldwork conducted across 19 countries from February 23 - April 5, 2024
Additional North America augment fieldwork conducted July 2-24, 2024



National Research Group is a leading global insights and strategy firm at the intersection of content, culture, and technology.

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