Proving AI's Value in Retail

2025 is a pivotal year for AI across industries, and while its transformative potential is still emerging in some sectors, it's starting to deliver tangible results across the retail value chain – from the instore experience to supply chain management. As companies are facing rising consumer expectations, mounting competition and increasing costs, AI is becoming an essential enabler, helping businesses meet these challenges with unparalleled speed and precision.

In retail, the ultimate challenge – and opportunity – lies in deepening customer loyalty and enhancing engagement. AI's true power is in enabling hyper-personalisation at scale, allowing retailers to create tailored experiences that resonate deeply with individual customers. From unlocking more granular customer segmentation to delivering personalised content and smarter promotions, AI can empower retailers to do more with their data – making their customer engagement strategies more targeted, effective and capable of driving long-term customer loyalty.

The challenge for 2025 is demonstrating AI's reliability in optimising customer interactions while addressing barriers like siloed or poor-quality data. Companies that bridge the AI Delta – the gap between success with AI and value loss from poor execution – will gain a strategic edge, boosting loyalty, accelerating decision-making and enhancing commercial performance in a highly competitive market.
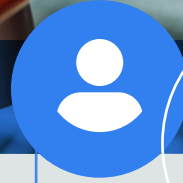
In focus: Key AI opportunities in retail

1 **Granular segmentation:** AI enables dynamic microsegmentation, enabling a more targeted approach as behaviours evolve.

2 **Efficient personalisation:** Generative AI streamlines content creation, allowing companies to engage customers in a more personalised way without excessive resources.

3 **Smarter promotions:** Machine learning tailors pricing and offers to optimise results, preserving margins and boosting satisfaction.

80% **of consumers** are more likely to purchase from brands offering personalised experiences

92% **of retailers** are increasing investments in generative AI for personalisation
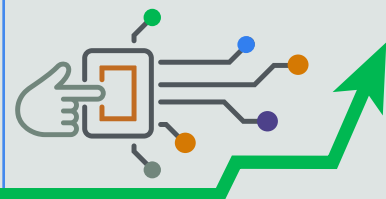
Retail AI adoption is projected to grow to **$31.18 billion by 2028**, at a CAGR of **30.5%**

Sources: L.E.K. research and analysis, Epsilon, Salesforce, Retail Insider

Want to find out more?

Contact us to discover how L.E.K. works with leading retail and consumer businesses to harness AI's potential to optimise customer loyalty and engagement. From strategic insights to practical solutions, we help clients overcome challenges to achieve measurable results. Explore our Look Forward series to learn why 2025 is the year AI transforms industries.

**Explore the Look Forward series**