

RETAIL & CONSUMER BRANDS · AI INVESTMENT STRATEGY

The AI ROI Matrix

Where retailers and consumer brands should — and shouldn't — invest in artificial intelligence

Why the biggest AI winners aren't using AI everywhere.

EXECUTIVE BRIEFING · PREPARED FOR THE BOARD



EXECUTIVE SUMMARY

From Experimentation to Accountability

- **AI has reached an inflection point.** Boards no longer ask whether a company has an AI strategy — they ask where AI is producing measurable financial returns.
- **The gap isn't the technology.** Some initiatives deliver ROI within months; others burn millions on impressive demos. The difference lies in choosing problems naturally suited for AI.
- **Winners are selective.** The highest-value organizations deploy AI where data is abundant, decisions are repetitive, outcomes are measurable, and human judgment is augmented — not replaced.

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The next generation of competitive advantage will belong not to organizations deploying the most AI — but to those deploying it in the highest-return areas first.

Four Business Questions Before Any AI Investment

Evaluate every initiative by business fit, not technical capability. Projects answering “yes” to all four almost always outperform those failing two or more.

01



Is the data clean?

Abundant, structured, governed data — not fragmented or inconsistent records.

02



Is the decision repetitive?

High-volume, rules-based choices — not creative or highly subjective judgment.

03



Can success be measured?

Clear financial KPIs — direct cost savings or revenue, not vague outcomes.

04



Is operational risk low?

Internal optimization with low brand exposure — not customer-facing experimentation.

The Same Capability, Very Different Returns

HIGHEST-ROI CHARACTERISTICS

- ✓ Structured historical data
- ✓ High-volume repetitive decisions
- ✓ Clear financial KPIs
- ✓ Back-office optimization
- ✓ Low reputational risk
- ✓ Fast deployment

LOWEST-ROI CHARACTERISTICS

- ✗ Fragmented or unstructured information
- ✗ Creative or subjective decision-making
- ✗ Difficult-to-measure outcomes
- ✗ Customer-facing experimentation
- ✗ High brand liability
- ✗ Multi-year transformation programs

The Five Highest-ROI AI Investments

1



Demand Forecasting & Inventory Optimization

AI's most proven retail success story.

2



Hyper-Personalized Product Recommendations

Every customer experiences a different store.

3



Dynamic Pricing & Markdown Optimization

Protecting margin instead of discounting by habit.

4



Customer Service Automation

Automating the repetitive, not the emotional.

5



AI-Powered Marketing Content

Multiplying creative capacity at scale.

HIGHEST-ROI · NO. 1 OF 5

Demand Forecasting & Inventory Optimization

AI's most proven retail success story.

Inventory is the largest balance-sheet asset for most retailers, so small improvements create disproportionate financial impact. Instead of forecasting products one at a time, AI continuously recalculates demand across thousands of SKUs simultaneously.

SIGNALS THE MODEL WEIGHS





TYPICAL BUSINESS RESULTS

15–25% lower excess inventory

20–30% fewer stockouts

↓

markdown expense, faster turnover, stronger cash flow

Executive value: Every point of forecast accuracy improves working capital while raising customer satisfaction.

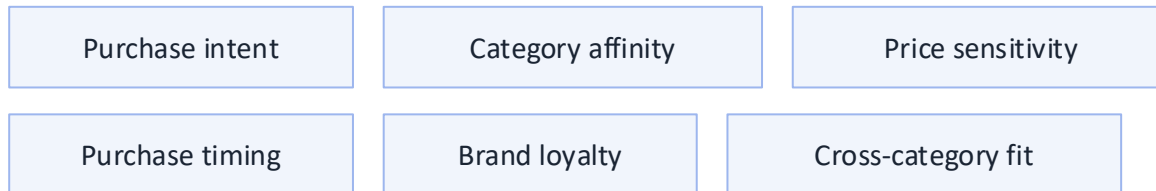
HIGHEST-ROI · NO. 2 OF 5


Hyper-Personalized Product Recommendations

Every customer experiences a different store.

Recommendation engines have evolved far beyond “customers also bought.” Rather than showing identical product pages, AI builds individualized merchandising experiences that adapt in real time to each shopper.

CONTINUOUSLY PREDICTED





TYPICAL BUSINESS RESULTS

10–30% higher average order value

↑ conversion and customer lifetime value

↑ digital engagement

Executive value: Personalization grows revenue without growing acquisition spend — one of the highest-margin levers available.

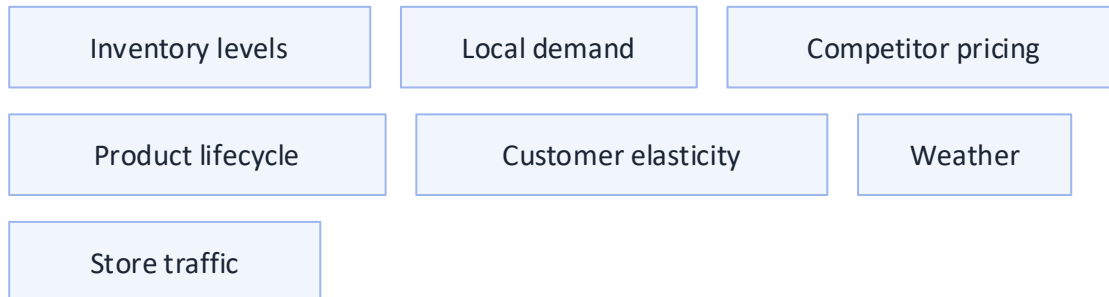
HIGHEST-ROI · NO. 3 OF 5

Dynamic Pricing & Markdown Optimization

Protecting margin instead of discounting by habit.

Traditional markdown calendars are static. AI pricing systems adjust continuously, shifting the question from “What should this product cost?” to “What price maximizes total profit today?”

INPUTS ADJUSTED IN REAL TIME



Executive value: Pricing becomes a daily profit decision rather than a fixed seasonal habit.

HIGHEST-ROI · NO. 4 OF 5

Customer Service Automation

Automating the repetitive, not the emotional.

Retail service contains thousands of repetitive interactions that are ideal AI use cases. The highest performers automate routine questions while elevating human agents to solve complex, emotionally sensitive problems.

IDEAL TO AUTOMATE

Order tracking	Return status	Shipping questions
Store hours	Loyalty balances	Refund updates



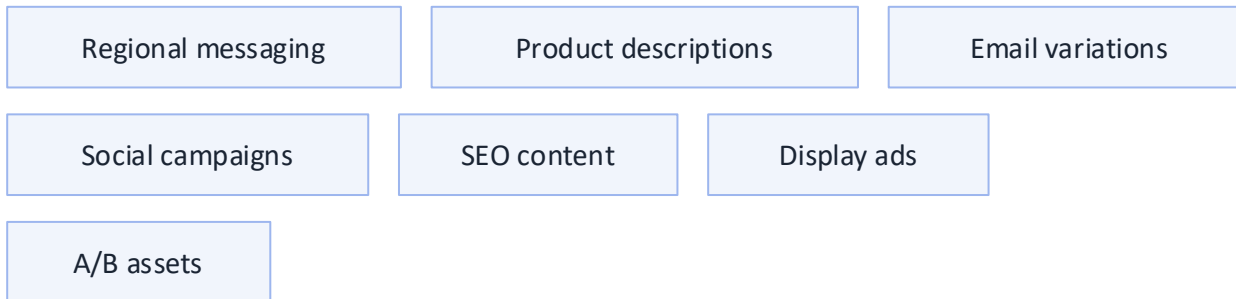
Executive value: Automate the routine; reserve human expertise for the moments that build or break trust.

AI-Powered Marketing Content

Multiplying creative capacity.

Generative AI has transformed marketing operations. Instead of producing one campaign, teams instantly generate many variations — freeing marketers to run exponentially more creative experimentation.

GENERATED ON DEMAND



TYPICAL BUSINESS RESULTS

75%

faster content production



customer acquisition cost



launch speed and personalization at scale

Executive value: The value isn't replacing marketers — it's letting them test more, faster.

WHERE TO BE CAUTIOUS

The Five Lowest-ROI AI Investments



Open-Ended Shopping Assistants

Hallucinate specs, suggest unavailable stock, and misread intent. Assist shoppers — don't replace trusted human expertise.



Fully Generative Product Design

Concepts often fail manufacturing, cost, compliance, and supply-chain reality. AI accelerates ideation, not product development.



Smart Mirrors & AR Try-On

High visibility rarely proves higher conversion or retention. Hardware and upkeep often outweigh measurable sales.



Fully Autonomous Loss Prevention

False positives create friction, customer frustration, and legal exposure. Human oversight remains essential.



AI Layered Over Legacy ERP

Technology cannot repair broken data. Successful transformation begins with data governance — not algorithms.

Why Some AI Projects Fail

The cause is rarely the technology. It is organizational readiness. AI deployed into a weak environment amplifies existing weaknesses instead of solving them.



“AI amplifies existing organizational weaknesses instead of solving them.”

PROJECTS STRUGGLE IN ENVIRONMENTS WITH

- ✘ Poor data quality
- ✘ Siloed systems
- ✘ Undefined ownership
- ✘ Subjective decision-making
- ✘ Unclear KPIs
- ✘ High customer-facing risk

Score Every Initiative Across Six Dimensions

EVALUATION CRITERIA	HIGH-ROI INDICATOR	WARNING SIGN
Data Quality	Unified, structured, governed	Fragmented, inconsistent
Decision Type	Repetitive and rules-based	Creative or highly subjective
Financial Impact	Direct cost savings or revenue	Difficult-to-measure outcomes
Time to Value	Less than 12 months	Multi-year realization
Risk Exposure	Internal operational optimization	Customer-facing brand risk
Scalability	Enterprise-wide repeatability	One-off pilot, limited expansion

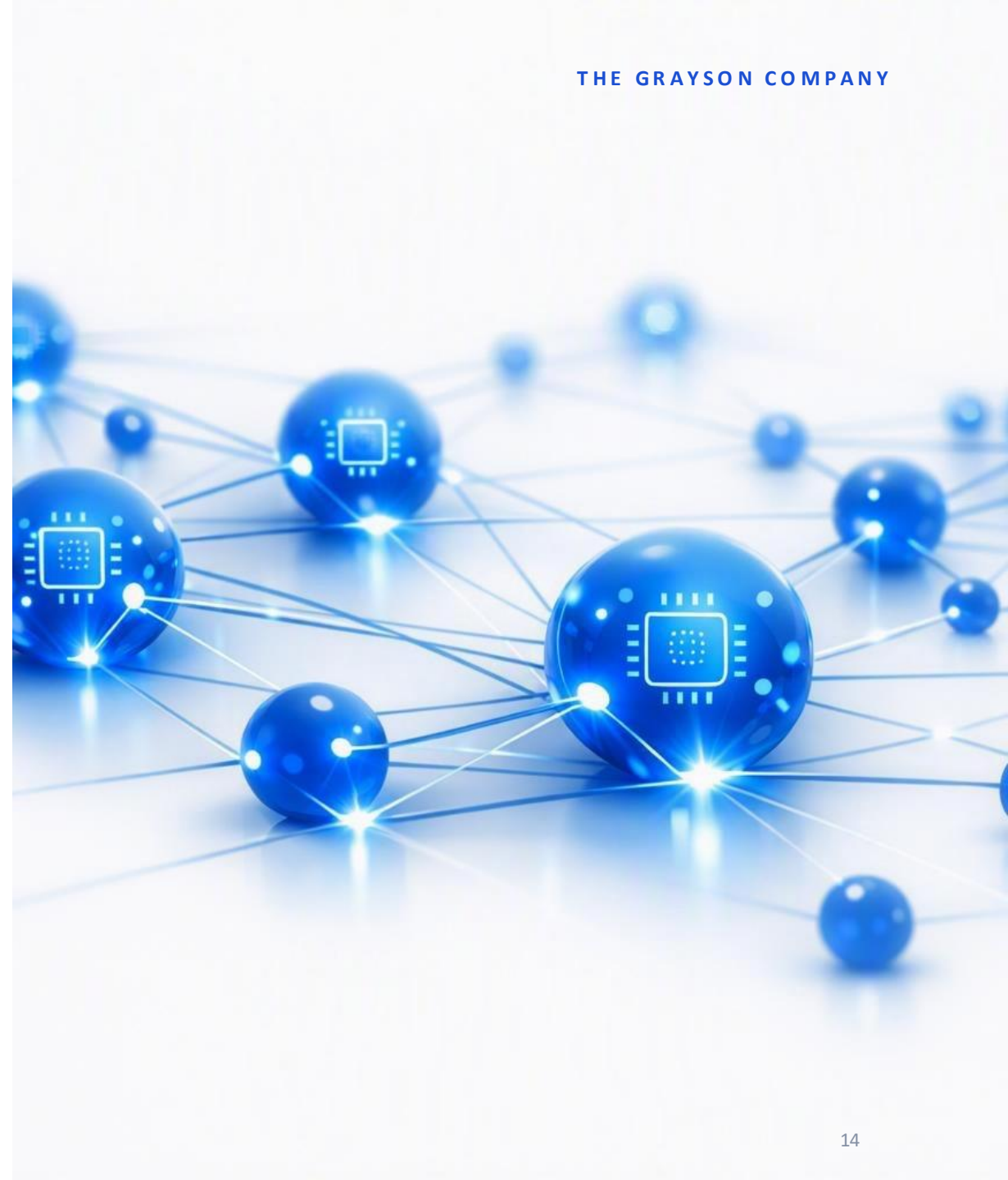
Projects scoring highly across all six dimensions are significantly more likely to deliver sustainable business value.

THE NEXT COMPETITIVE FRONTIER

Agentic AI

From predictive analytics to autonomous, goal-oriented systems that act across functions.

- **Orchestrates whole workflows.** Coordinates forecasting, replenishment, pricing, campaigns, and customer engagement with minimal human intervention.
- **Deploy in low-risk domains first.** Start where outcomes are measurable and governance is strong before widening scope.
- **Discipline wins.** Pairing agentic AI with strong data management and clear accountability captures the next wave of productivity.



Five Takeaways for the Boardroom



Prioritize the data-rich, repetitive wins

Back AI that automates repetitive, data-rich decisions with measurable financial outcomes.



Sequence for rapid returns

Start with inventory, personalization, pricing, service automation, and marketing content.



Earn the right to go customer-facing

Defer large customer-facing or enterprise transformations until data, governance, and process mature.



Govern for augmentation, not replacement

Balance innovation with risk so AI augments human expertise in high-stakes decisions.



Manage AI as a portfolio

Guide investment by economic value, implementation complexity, and strategic impact — not hype.



CLOSING PERSPECTIVE

The winners won't have the most AI — they'll have the highest return on AI.

The question is no longer whether to invest in AI, but how to allocate capital where it creates durable competitive advantage — disciplined investments that improve forecasting, optimize operations, and strengthen customer relationships over visible but uncertain bets.