# Consumer in practice

A consumer products and retail playbook series

**Issue 3: Five GenAI focus areas for strategic alignment**

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Generative artificial intelligence (GenAI) is prompting a dramatic reimagining of how retailers and brands will operate in the near future. Having already adopted this relatively new technology at varying speeds, most consumer products and retail (CP&R) companies seek to integrate GenAI across the enterprise to improve overall business performance and, more importantly, drive a complete re-examination of the company, how decisions are made and the role of humans. But many industry leaders are uncertain about how to retool their operating models to incorporate GenAI and machine learning (ML), and lack cross-functional visibility into the value proposition, business impact and operational benefits of modern AI innovation.

Companies are also recognizing that establishing ROI means much more than driving shareholder returns. These businesses see the need to develop new methods for calculating ROI in the fast-moving space of AI innovation that address the impact to employees, accelerate internal innovation, drive better and more sustainable products, augment decision-making and enable improved experiences. As such, understanding where and how to invest strategically in GenAI and other AI capabilities can be challenging.

In today's rapidly changing consumer environment, CP&R companies often face competing goals: on one hand, wanting to adapt quickly to keep pace with

expectations and, on the other, needing to properly vet potential use cases and their potential value and risk. Other barriers to strategic GenAI adoption include technical complexities, data-related inefficiencies, integration issues and people challenges. And often, organizations don't have the master data systems needed to lean into GenAI with enterprise knowledge responsibly. Also, concerns persist around costs of implementation, legal compliance, scalability and ethical considerations. In a recent EY survey, 54% of global consumer CEOs strongly agreed that GenAI complicates AI strategy development and implementation.

# THE CHALLENGE

Although AI is not new, a transformative wave of change is occurring. CP&R companies seeking to enhance value through AI innovation need to engage functional leaders for a strategic, unified mindset around AI. This involves a fundamental rethinking of organizational structures and processes, product design, customer and consumer engagement, and the ways and extent to which AI-driven decision-making will be adopted. Often accompanying this strategic thinking is the identification of which value levers to consider when deciding investment and adoption speeds:

1. Improving efficiency
2. Improving decision support
3. Reducing risk/improving resiliency
4. Enhancing experience
5. Generating revenue

Once a modern, strategic view of the business is established and levers are identified, there are four potential approaches to start the strategic AI adoption journey:

1. Create a top-down vision.
2. Build an AI Center of Excellence poised to accelerate the development of value-added use cases.
3. Experiment and test use cases.
4. Do all the above in tandem.

AI is a multidisciplinary field involving intelligent agents that can perceive their surroundings and deploy reasoning and decision-making to achieve specific enterprise goals. ML, an AI subset, centers on developing algorithms and statistical models that enable machines to learn patterns from data without explicit programming. GenAI, another AI subset, creates algorithms and models to produce new content, including images, music, text and virtual worlds.
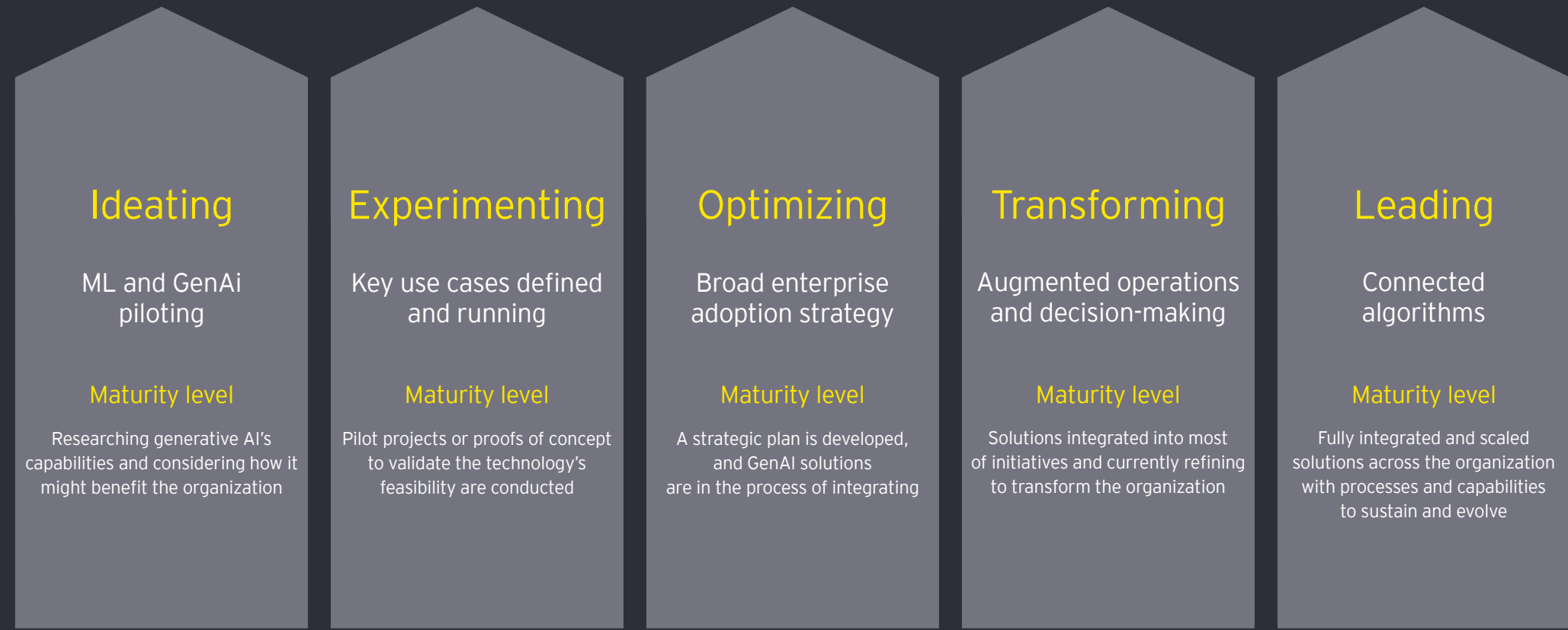
ML addresses complex problem-solving tasks requiring human intelligence, while GenAI concentrates on content creation. It also empowers machines to adapt and improve performance based on accumulated data and experience, a powerful tool to address real-world CP&R challenges.

While starting with a top-down vision is advisable, there are multiple pathways a company can take. The area where AI innovation will create business value sheds light on the pathway best suited to your organization. Strategically assess what is best for your company. Not everyone needs to be "leading" (see graphic). By identifying your vision and value levers, you may determine that the "optimizing" maturity and adoption stage makes the most sense.

The journey does not need to be linear. And not all pathways need to be explored. For example, some companies can move from "ideating" straight to "optimizing," while others begin their journey at "experimenting."

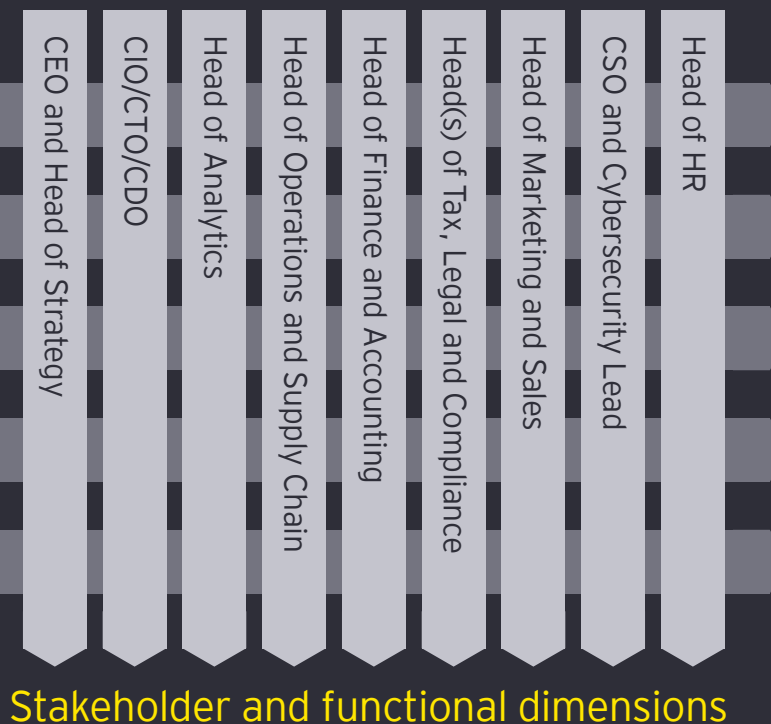**Strategic value and experience-led journey**

### Ideating

ML and GenAi piloting

**Maturity level**

Researching generative AI's capabilities and considering how it might benefit the organization

### Experimenting

Key use cases defined and running

**Maturity level**

Pilot projects or proofs of concept to validate the technology's feasibility are conducted

### Optimizing

Broad enterprise adoption strategy

**Maturity level**

A strategic plan is developed, and GenAI solutions are in the process of integrating

### Transforming

Augmented operations and decision-making

**Maturity level**

Solutions integrated into most of initiatives and currently refining to transform the organization

### Leading

Connected algorithms

**Maturity level**

Fully integrated and scaled solutions across the organization with processes and capabilities to sustain and evolve

For CP&R leaders who seek to begin the strategic AI adoption journey, these five steps will be key.

# TAKE ACTION

## 1

**Assess your readiness across functions, understand value levers and create a business strategy.**
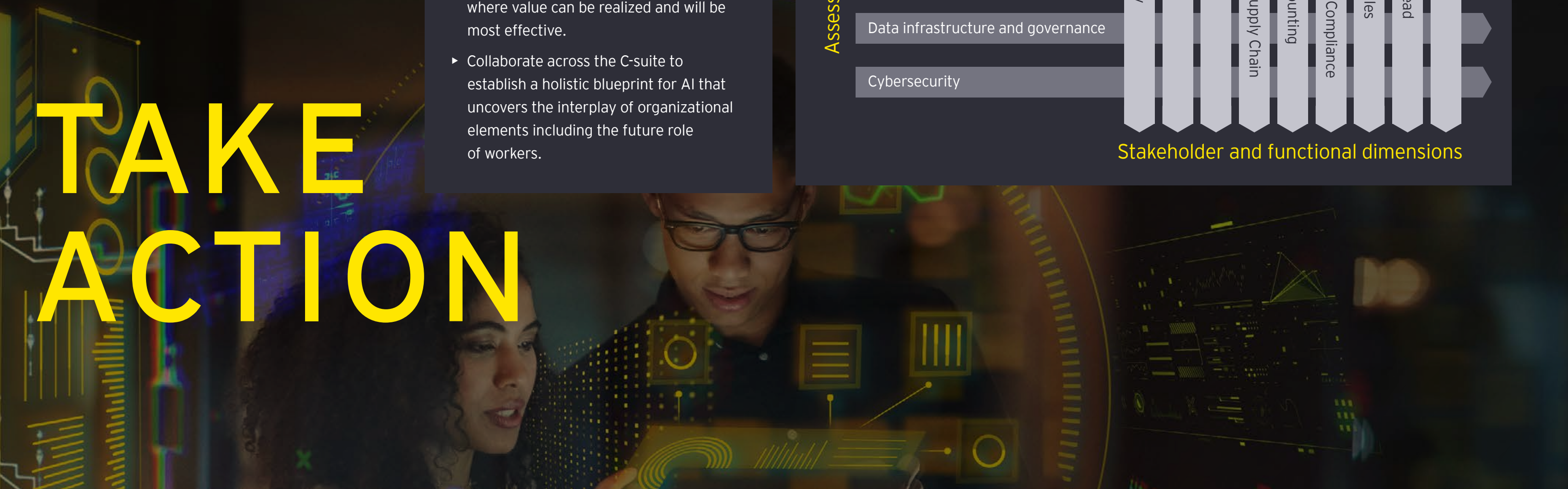
- ▸ Capture a complete picture of your organization's readiness to embrace GenAI and ML across the entire organization.

- ▸ Ensure clarity and agreement around where value can be realized and will be most effective.

- ▸ Collaborate across the C-suite to establish a holistic blueprint for AI that uncovers the interplay of organizational elements including the future role of workers.

**Assessment areas**

- Strategy and business value
- Governance and process
- Tech infrastructure and governance
- Data infrastructure and governance
- Cybersecurity

Stakeholder and functional dimensions:
- CEO and Head of Strategy
- CIO/CTO/CDO
- Head of Analytics
- Head of Operations and Supply Chain
- Head of Finance and Accounting
- Head(s) of Tax, Legal and Compliance
- Head of Marketing and Sales
- CSO and Cybersecurity Lead
- Head of HR

**Stakeholder and functional dimensions**

## 2

Develop a strategic transformation roadmap for each of the key functions that AI will touch in a CP&R environment (e.g., supply chain, finance, customer experience, merchandising) that address several considerations.

▸ Current state maturity and desired destination, and how quickly adoption should be realized

▸ How GenAI and ML will impact operational structures and processes

▸ Clarity and leadership agreement on use cases, focusing on high-value opportunities

▸ Realistic building blocks, timelines and implementation processes that align leadership oversight to different tracks, creating visibility into progress and adoption across teams

## 3

Create guardrails and governance structures that promote responsible AI deployment.

▸ Form cross-functional and multidisciplinary execution teams including functional, technical data and change management stakeholders to oversee the development and adoption of the AI strategy, which should include specific enablers around GenAI and ML.

▸ Ensure adherence to established and future regulations locally and globally that cover privacy, bias and other issues.

▸ Develop an operating model and process to continuously measure progress, gain feedback, and mitigate bias and other control risks.

▸ Evaluate existing data quality and management to allow for a solid foundation.

## 4

Align GenAI strategy to measurable business imperatives or transformations.

▸ Embed a GenAI and ML strategy alongside business priorities, identifying benchmarks and key metrics.

▸ Gain consensus on where value will be realized, and consider a full list of value levers.

▸ Harness the power of AI to drive human-centered transformation, optimizing performance, enriching experiences and unlocking new sources of sustainable growth.

## 5

Determine humans' role in the future enterprise and develop an associated culture transformation agenda.

▸ Assess current skills gaps and determine the future skills required to align to the organizational GenAI strategy.

▸ Develop a change management plan and communication cadence to bring employees along with you.

▸ Consider GenAI as a platform to augment people's potential, creating seamless human-AI collaborations.

# IN PRACTICE

GenAI can drive value in numerous ways across retailers and consumer product companies. Here are a few ways EY teams have helped consumer companies employ GenAI as a strategic driver bridging transformation and business imperatives:

## Retail: text-to-image

A retail company wanted to streamline product development timelines, including commercialization, and stay at the forefront of consumer trends. To address these needs, an EY team accelerated the design process using GenAI models trained on sales and competitive data, customer feedback and thousands of labeled images of features and designs. Using a series of prompts, AI augmented the designer's process with suggested hyper-realistic, uniquely styled designs inspired by real-time concepts. As a result, design cycle times were reduced, customer satisfaction increased, and cost savings were generated through AI-driven automation. With this approach, the retailer achieved market differentiation and speed to market by responding to real-time concepts and generating unique, realistic designs aligned with consumer preferences.

## Retail: employee enablement

A Fortune 500 retailer needed to address the challenges of employee turnover, education and training to reduce enterprise risk and improve in-store efficiency. EY professionals collaborated with the retailer, engaging the chief stores officer, chief information officer and chief risk officer, to employ a natural language prototype to mitigate misinformation, avoid elongated response times, and reduce risk and compliance issues while helping improve the employee experience. A customized, GenAI-enabled chatbot empowered employees to prioritize their daily responsibilities, easily access onboarding guidance and receive timely communications.

## CPG: focus on value

A global beverage company wanted to better understand how to integrate GenAI after seeing chatbot use rise rapidly across their network. Leadership teams sought

to learn how to responsibly scale GenAI across the organization, including the ideal architecture, governance and use cases, with a focus on value creation. Following strategy conversations across leadership teams, the company is expected to save US$1 million through more efficient customer service calls, a reduction of hundreds of hours per month on reporting processes and improved brand positioning through enhanced product descriptions.

## CPG: operationalizing AI

A Fortune 500, multinational snack company wanted to operationalize AI across the organization. The consumer packaged goods (CPG) company, which had use cases in pockets across various functions, sought to provide standardization and operationalize a Center of Excellence to increase value, create efficiencies, and drive organizational scale and transformation responsibly. Focusing on value creation, ecosystems and existing accelerators to speed up the adoption, the EY team created an innovative strategy leveraging GenAI technologies that would allow the CPG giant to unlock new growth opportunities, achieve unprecedented efficiency and gain access to timely, accurate business insights.

Embracing AI capabilities is crucial for CP&R success. Companies that strategically transform their enterprise across all functions, emphasizing value creation and re-evaluating humans' role, will sustain long-term growth and competitiveness. To maximize success in deploying new capabilities and modernizing their businesses, companies need a holistic approach, and redesigned processes, operating structures and human involvement in decision-making.