



How consumer and retail is scaling AI without sacrificing trust



AI is reshaping consumer and retail, but not because of any radical reinvention. Instead, the sector's advantage comes from incremental change, predictive insight, and using human judgment alongside machine intelligence.

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Foreword



AI is allowing consumer and retail firms to be more proactive across multiple dimensions, from personalized marketing and promotions through to dynamic pricing and inventory management. This already has the potential to drive a 30 percent uplift in conversion and up to a 20 percent increase in lifetime customer value.”

— Barry Raghunathan
US Technology Leader, Consumer, Retail & Hospitality KPMG LLP



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Consumer and retail (C&R) businesses live or die based on their customers’ trust, and bad tech or bad data can damage that trust faster than anything—consider the impact of a faulty AI chatbot, a data leak, or persistent stock outages. And too much tech in front-of-house retail can leave customers feeling marooned in over-automated spaces with no human connection.

But there’s a balance to strike, as cutting-edge tech can be a lifeline for C&R businesses struggling with supply chain complexity and a rapidly evolving business landscape. To achieve that balance, businesses will have to keep customer experience in mind at every stage of their digital transformation efforts.

The **KPMG Global Tech Report 2026**, which conducted

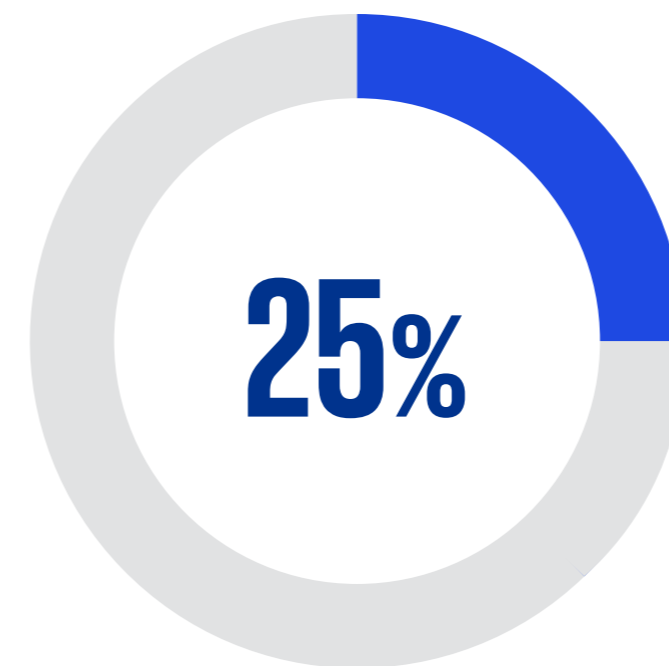
The survey of

2,500
executives from

27
countries

including
648
in the US

and 100 tech executives from the US C&R sector, shows that C&R businesses are taking a measured and steady approach to digital transformation to avoid disrupting customer journeys and being held back by tech debt. This approach seems to be working—C&R sector firms say that they realized 25 percent more value from digital technologies in the past year than the average for other sectors.



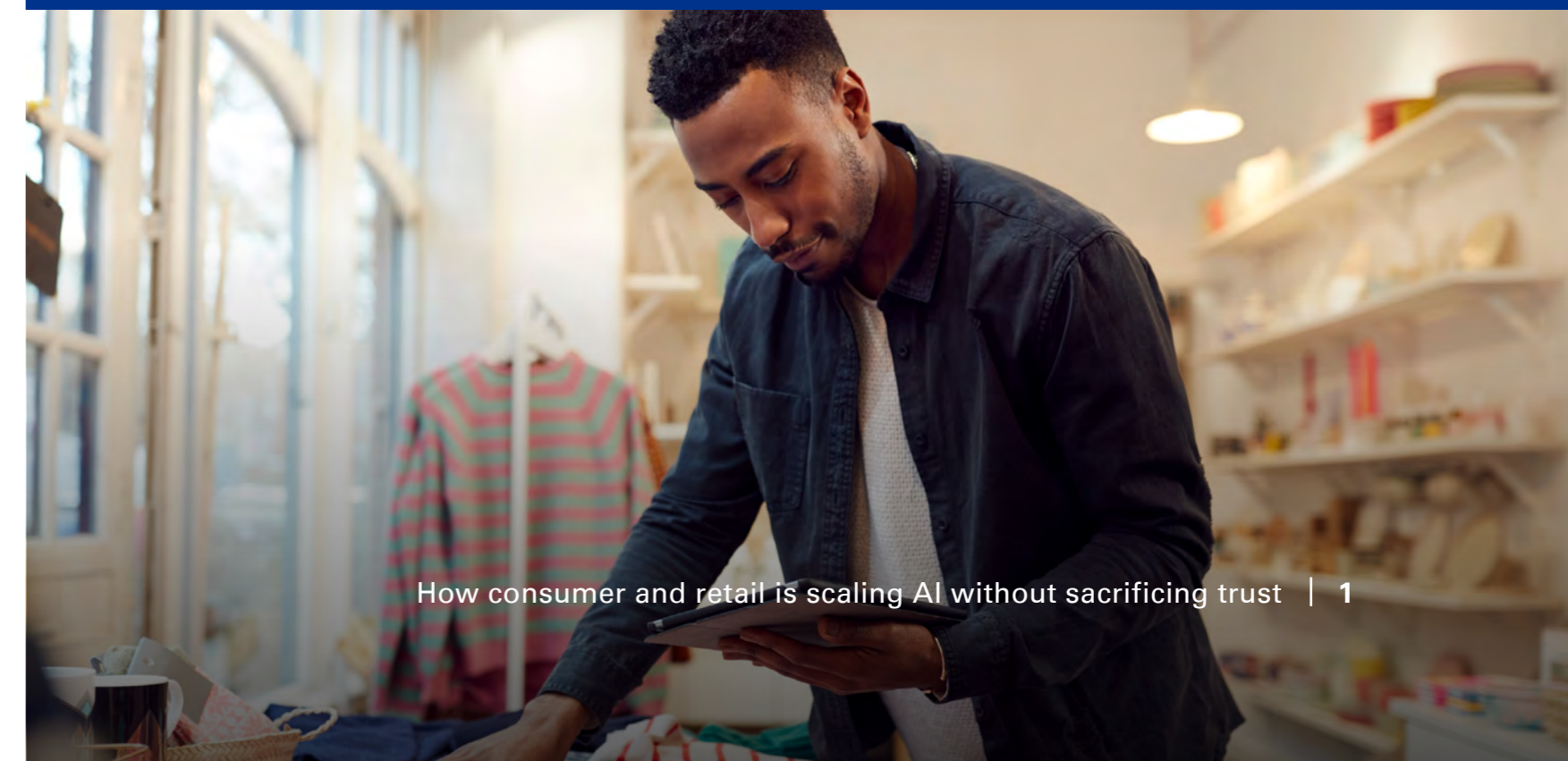
This is a crucial moment in the C&R sector’s adoption of AI.



“I’ve seen a shift in the past 12 to 18 months from experimentation with AI to scaling,”

says Brett Benner, US consumer, retail and hospitality consulting lead at KPMG LLP. AI’s impact on operations and revenue is increasing, says Barry Raghunathan, US technology leader, consumer, retail and hospitality:

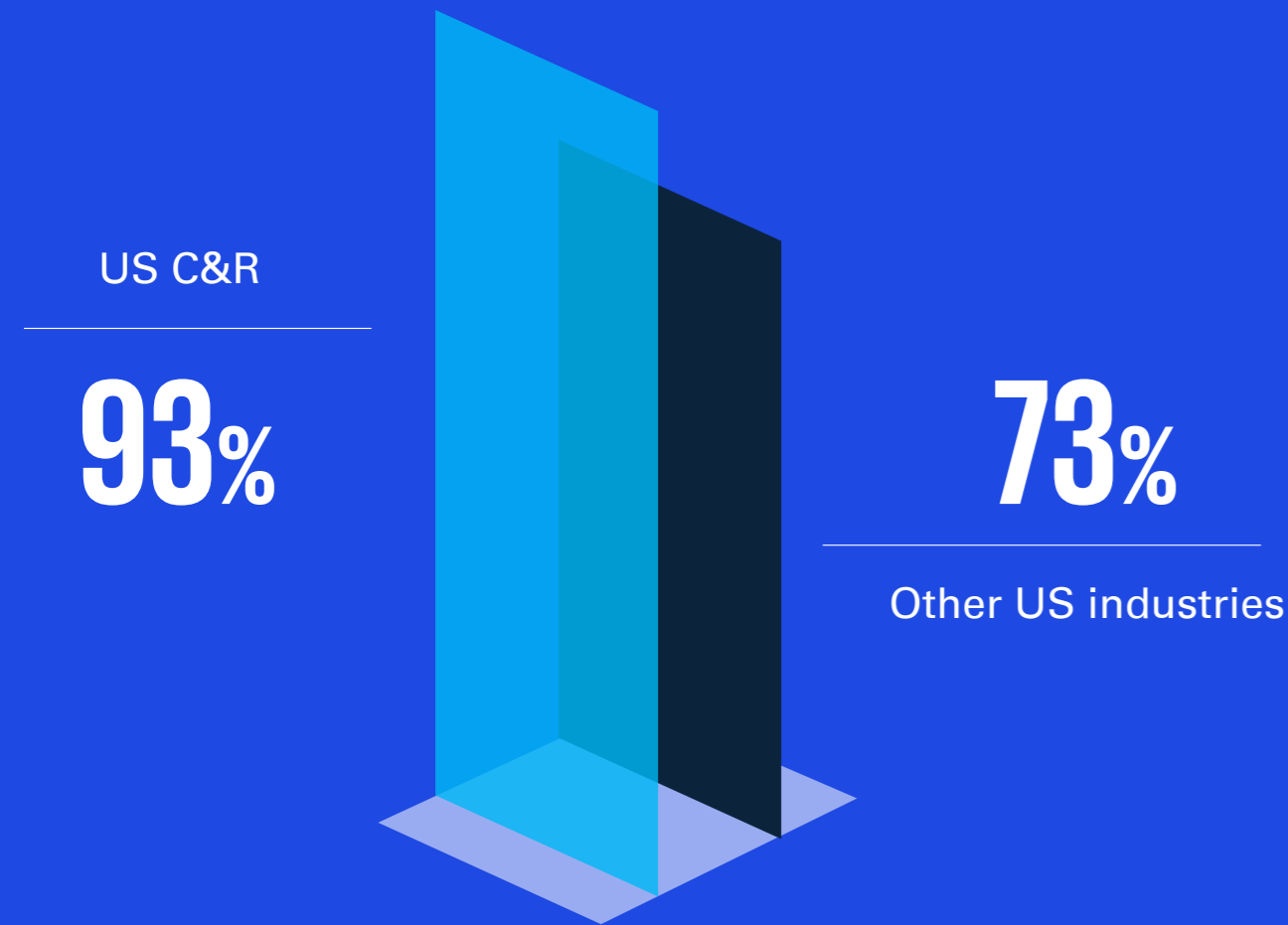
“The use cases have gone from cool pilots to really measurable ROI.”



From reactive to proactive: C&R's data edge



When we asked them how their organization approaches IT investments, C&R executives' top response is viewing IT as a strategic differentiator and are aiming to be first adopters of new tech. We see this differentiation especially around data and AI tools that enable businesses to plan ahead: 93 percent of C&R businesses say they use predictive analytics and near-real-time or real-time data for strategic planning, 20 percentage points higher than the average for other industries in the US.



Uses predictive analytics and near-real-time or real-time data to drive strategic planning

This can be especially transformative for retail giants with complex supply chains. One Fortune 500 retailer uses AI-enabled demand forecasting focused on individual neighborhoods to reduce food waste and data from cameras scanning shelves to feed into AI stock-planning models.



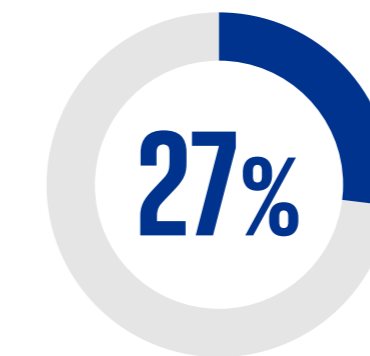
That's how these companies are truly going to get the value from an ROI perspective. Using AI in the back office helps you make better, more informed decisions from an operations perspective while becoming more efficient from a staffing perspective."

Brett Benner

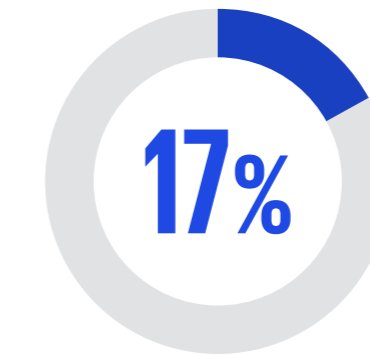
US consumer and retail consulting lead
KPMG LLP

AI tools also allow C&R businesses to use up-to-date, in-depth data from many sources to set prices more dynamically. "The concept of dynamic pricing has always existed," says Raghunathan. "But it was driven by reactive models. Now, AI is allowing us to be more proactive when it comes to promo effectiveness modeling, or markdowns for end-of-season inventory, for example." Some retailers, meanwhile, are using AI to combat shrinkage, using machine learning to analyze customers' movements and spot shoplifting.¹

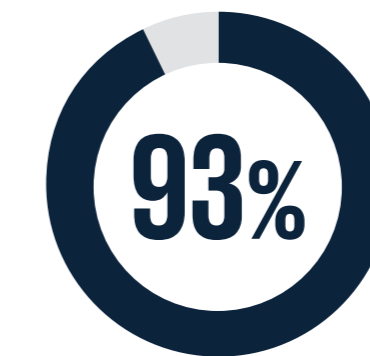
Predictive and real-time intelligence allows C&R businesses to move from reactive strategies to proactive ones. This helps them to grow more resilient to the volatility of complex supply chains and changing demand. C&R businesses seem to be particularly confident in their ability to use forecasting to insulate them from volatility:



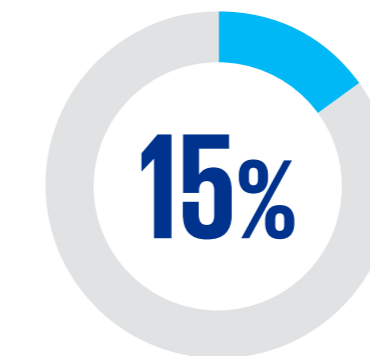
just 27 percent say that ineffective forecasting or scenario planning leads to negative consequences in how they respond to market shocks, regulatory changes, or technology shifts,



17 percentage points lower than the average for other industries.



Perhaps as a result, 93 percent say they're highly resilient to change.



15 percentage points higher than the average for other industries.

¹ Onita, L. (2025, June 26). *The high-tech fight against shoplifters*. The Financial Times. <https://www.ft.com/content/226fe81e-6eff-4fcd-aca6-f52497c473b4?utm=&syn-25a6b1a6=1>

The C&R blueprint for tech



Steady and strategic

Our research shows that C&R businesses are approaching tech transformation in a way that seeks to minimize disruption to customers. This is good news in a sector where even temporary IT issues can make headlines, widely damaging brand trust.²

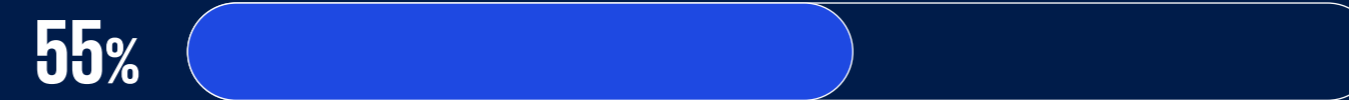
When we asked the executives in our survey about their priorities when they optimize enterprise architecture to stay competitive, C&R's top choice is ensuring business continuity while adopting new technologies (hybrid architectures). For example, using targeted upgrades and modular overlays—such as headless storefronts, API layers, and ERP upgrades—can improve the performance of platforms without the risk and disruption of replacing them.

²Bhoora, R. (2024, March 20). Tech meltdowns: what can retailers learn from Sainsbury's, Tesco and Greggs' woes?. Retail Week.

Ensuring business continuity while adopting new technologies (hybrid architectures)



Enable business scalability and flexibility throughout IT landscape optimization



Improving data accessibility and analytics



Enabling AI adoption



Optimizing the front-office suite to increase market footprint



Enabling back-office transformation



Reducing IT costs

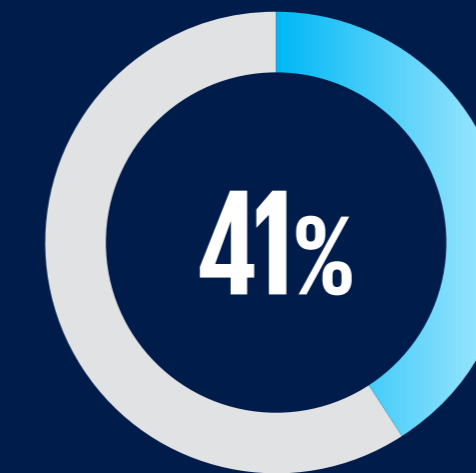


We are not currently optimizing our enterprise architecture



■ US C&R

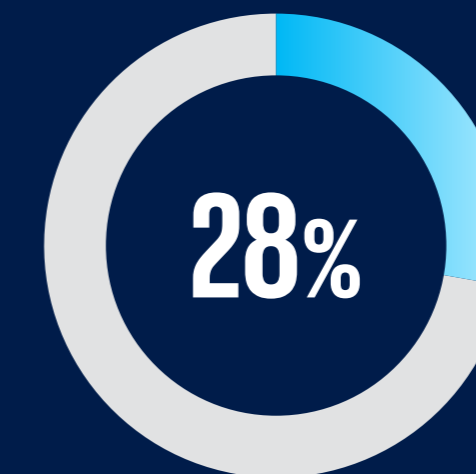
This incremental approach to improvements reduces the risk of expensive tech debt. C&R businesses spend more of their tech budget than other industries on making incremental improvements to their systems



5%

points higher than the average for other industries

but spend a lower percentage on the maintenance of their current systems



5%

points lower than the average for other industries

AI technology is increasingly enabling incremental improvements. AI orchestration layers allow organizations to evolve their systems step by step, coordinating modular components, swapping out workflows when needed, and experimenting with models in isolation before rolling them out gradually.

Compared with other industries, C&R businesses also seem to be taking a more measured approach to tech investments and are less likely to rush technology programs:

92%

say they follow established, formal processes when evaluating and adopting emerging technologies to drive future innovation and growth



9%

points higher than the average for other industries

30%

say that in trying to be as cost-effective and fast as possible, their tech programs make trade-offs that affect other areas, such as security, scalability, and data standardization



17%

points lower than the average for other industries

This lack of shortsighted investment strategies seems to be paying off:

■ US C&R ■ Other industries

30%

of C&R businesses say their technology plans quickly become outdated due to rapid technological change



27%

points lower than the average for other industries

32%

of C&R businesses say they're never impacted by market, regulatory, or technology shifts



10%

points higher than average for other industries

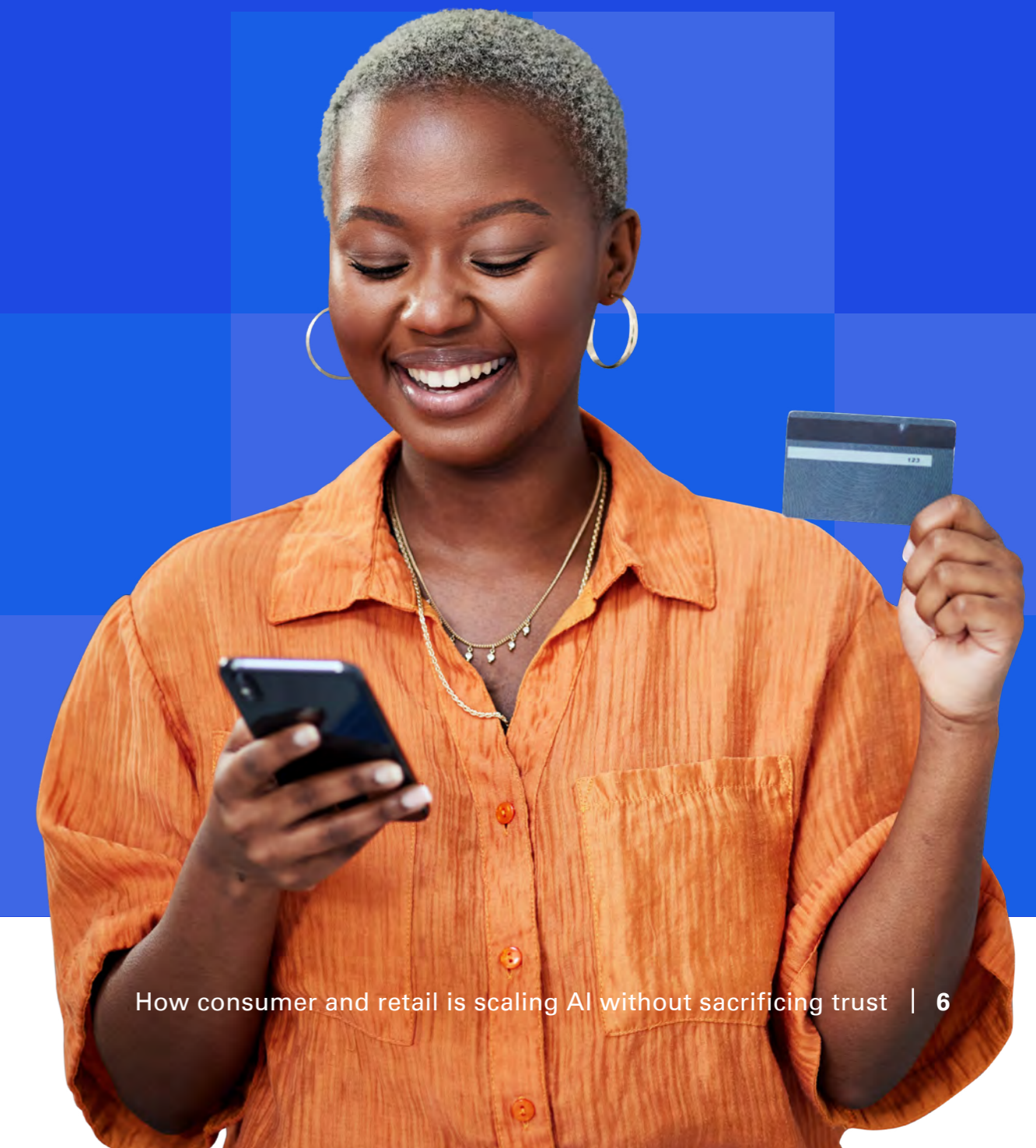
24%

of C&R businesses say their business strategies are frequently made irrelevant by unexpected tech innovations



18%

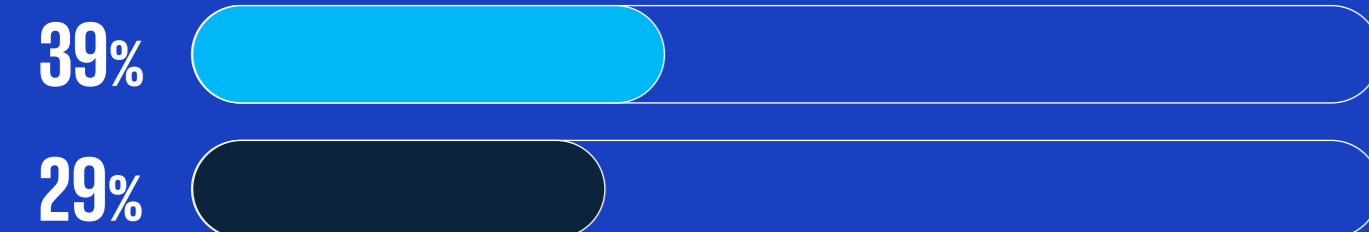
points lower than the average for other industries.



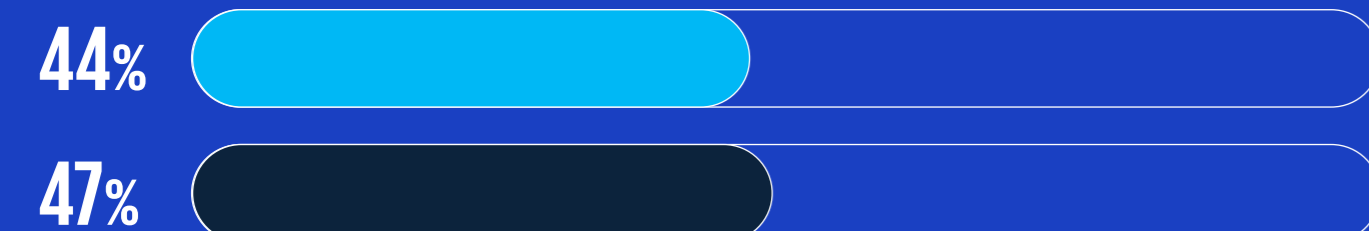
Human focused

Reflecting the depth of AI expertise across the C&R industry, 39 percent of executives are deploying the technology into production at scale and delivering ROI across multiple use cases, 10 percentage points higher than the average for other industries. Executives in C&R are also less likely to struggle to demonstrate the value of AI to stakeholders and shareholders (34 percent, 18 percentage points lower than the average for other industries), which indicates their AI maturity.

Innovating and deploying AI use cases into production at scale, delivering ROI across multiple use cases



Strategic investment in core business capabilities, and some AI use cases running actively across the organization that are returning business value



Multiple AI proof of concept tests running and a limited number of ad hoc use cases in production, but ROI not achieved yet



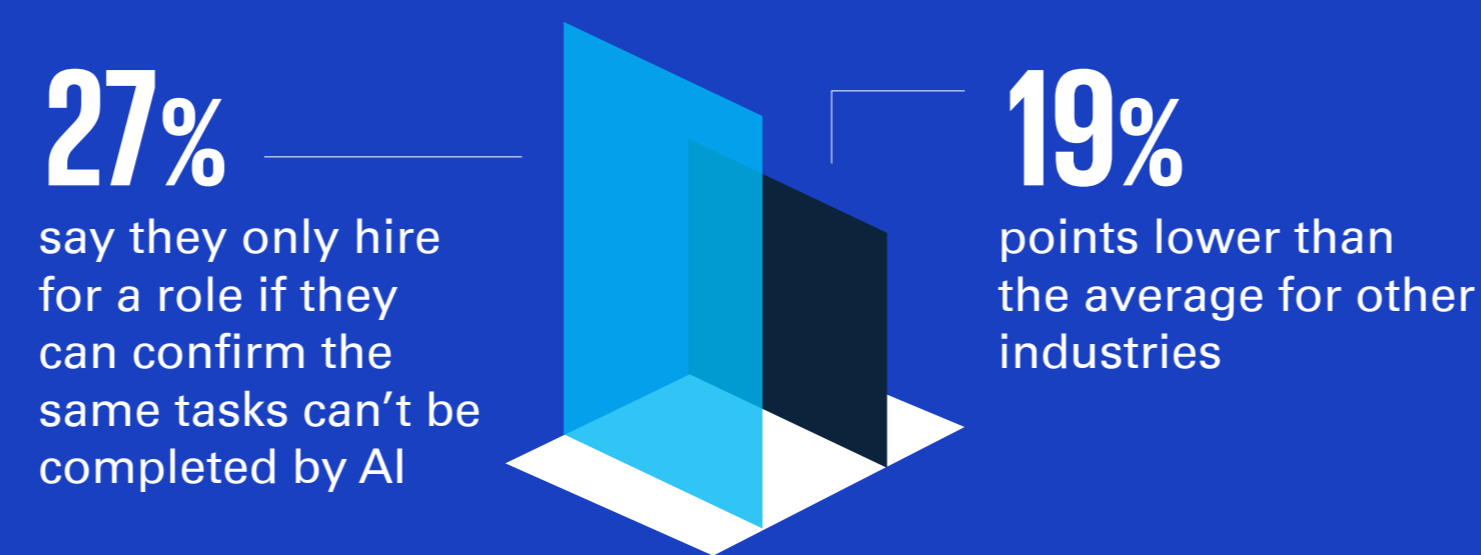
Limited number of AI proof of concept tests running and some use cases identified



US C&R Other US industries

C&R organizations see AI as an enabler of widespread change in their businesses and ecosystems. Almost every C&R business is evolving its business models and industry ecosystems with AI to reimagine its value streams and operating models (97 percent, 7 percentage points higher than the average for other industries).

Despite the huge potential for AI to transform C&R, our survey suggests that there's less disruption to the workforce than in other industries:



But AI has been given as a reason for several back-office and corporate layoffs in the C&R sector, which suggests there may be a front-office/back-office divide.³ "You still need to have customer support within the stores," says Raghunathan. "Some stores do have automated robots for restocking, but the technology isn't at the point where it can replace people. But there's definitely less hiring when it comes to the back office."

In front-of-house roles, AI has been more directed toward its use as a copilot to help human workers spend less time on administrative tasks. Starbucks, for example, has tools that use AI-powered automated counting to tally stock, which means stock counts happen eight times more often and provides more data for supply chain optimization tools.⁴ And at Target, the company has provided employees with Store Companion, a generative AI tool that acts as a personal assistant to help with questions about store processes in real time.⁵ CIO Prat Vemana has talked about AI being an "amplifier of talent."⁶

³Parton, M., & Liu, I. (2025, November 10). *AI is reshaping retail downsizing and restructuring*. Modern Retail.

⁴Hall Lefevre, D. (2025, September 3) *How AI powered automated counting is brewing a better experience at Starbucks*. Starbucks.

⁵Wright, W. (2024, June 21). *Target embraces generative AI with Store Companion*. The Drum.

⁶Target. (2025, October 16). *Tech at Target: Powering Possibility in Stores and Beyond*.

This complementary approach seems to be working. C&R executives are happy with how their teams collaborate on AI:

17% just 17 percent say they have too many disconnected AI projects and teams, with limited coordination or shared governance

15% points lower than the average for other industries



27% **46%**

We are only hiring for a role if we can confirm the same tasks can't be completed by AI.

US C&R **Other US industries**

26% **43%**

Some of our employees are feeling left behind in the ever-changing tech landscape.

17% **32%**

There are too many disconnected AI projects and teams, with limited coordination or shared governance.

A governance shortfall threatens trust

There's evidence in our survey that C&R organizations are falling behind other sectors on some areas of strategy and governance:

55%
say they have a cross-functional AI governance structure in place that includes executive sponsorship, risk, legal and compliance



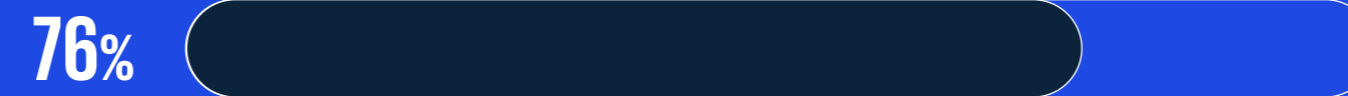
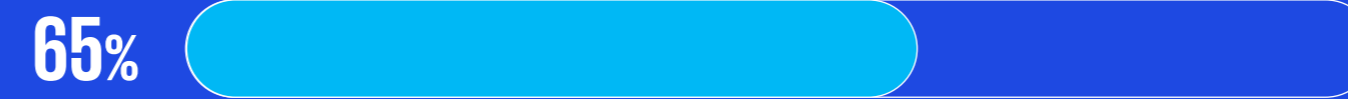
15%
points lower than the average across other industries

65%
say they have a clearly defined, enterprise-wide AI strategy aligned to their business and technology goals

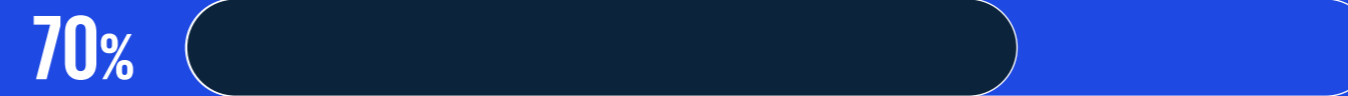
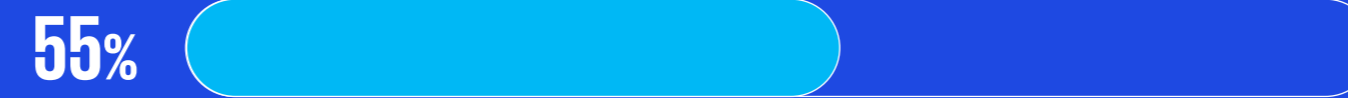


11%
points behind the average for other industries

Our organization has a clearly defined, enterprise-wide AI strategy aligned to our business and technology goals.



We have a cross-functional AI governance structure in place that includes executive sponsorship, risk, legal, and compliance.



Trust is such a vital component of C&R that a comprehensive AI governance model is now essential. And in an age when customers' AI agents are making decisions about which retailers to use, it could even become a selling point.⁷

A bottom-up approach to AI governance that focuses on upskilling workers is an essential part of this. IKEA, for example, is training employees to use AI in a way that fits their own roles instead of using a single approach, with the aim of training most employees by 2027.⁸ H&M, meanwhile, has even created an AI and ethics debate club where employees can discuss their ethical concerns about AI.⁹



⁷ KPMG (2026), AI in retail: Global lessons from strategy to storefront.

⁸ INGKA Group. (2025, June 30) *How IKEA is navigating AI literacy in a world without instructions.*

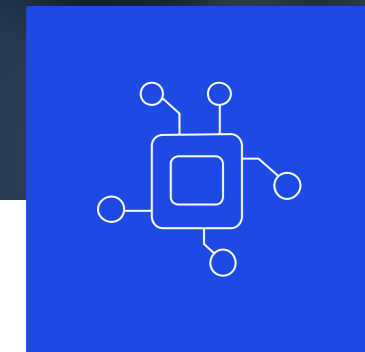
⁹ Gomez, G. (2025, November 20) *H&M's AI Playbook: The Tech Strategy Behind Its Transformation.* CTO Magazine.





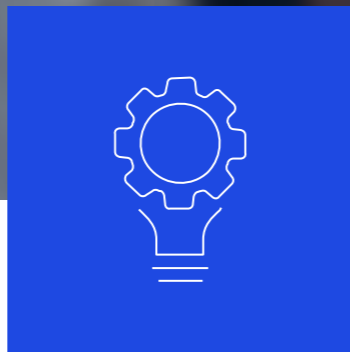
Three moves for
consumer and retail leaders
in the next
12 months

Our latest KPMG GlobalTech report shows that C&R businesses are finding ways to introduce and scale cutting-edge tech without damaging consumer trust. But there's still work to do.



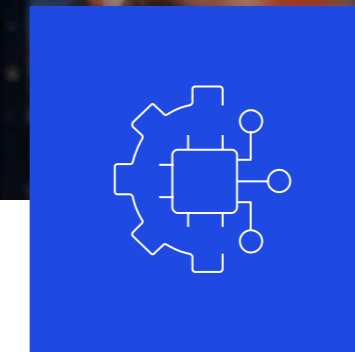
Shift decisively from AI experimentation to scaled, ROI-driven deployment in the back office

C&R organizations are scaling AI across operations and finance. Already ahead of the curve on using predictive analytics and real-time data for strategic planning, leaders should focus on areas that already have strong data foundations and allow AI to enhance speed and precision. Organizations should focus on value-based use cases for AI that increase forecasting accuracy, reduce shrinkage and stockouts, and optimize pricing and promotions.



Modernize architectures pragmatically while retaining customer trust

Organizations should continue to avoid large-scale, high-risk transformation that risks customer disruption, and carry on with a more incremental approach that allows AI to scale while avoiding damaging consumer trust. In the next year, they should continue with modular upgrades that augment existing systems. High CapEx experiments such as fully autonomous stores or trend-prediction tools with weak data foundations aren't yet delivering reliable returns.



Reinforce AI governance to match the pace of adoption

As businesses continue to scale AI, leaders must strengthen governance and workforce engagement to avoid undermining the trust of both customers and employees. While AI is transforming the back office, organizations should continue to be cautious about replacing humans in front-of-house roles and continue to see AI as a copilot that can strengthen human decision-making and efficiency. Over the next 12 months, they should prioritize AI governance and equip employees with the ability to use AI responsibly. Done well, this can reinforce brand trust and employee engagement while allowing businesses to scale AI with confidence.

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