BCG + **rai**
RETAILERS ASSOCIATION OF INDIA

Winning Codes for Retail 2035

Capturing the ₹200Tn Prize

› Way Forward for Indian Retail Industry

📅 FEBRUARY 2026

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rai
RETAILERS ASSOCIATION OF INDIA

Retailers Association of India (RAI) is the unified voice of retailers in India. A not for profit organization, RAI, works with various stakeholders to create the right environment for the growth of modern retail in India. It represents an entire gamut of retailers, from chain store retailers and department stores to independent emerging retailers.

RAI encourages, develops, facilitates and supports retailers to modernize and adopt best practices. It works with all levels of the government and stakeholders to drive employment opportunities, promote retail investments, drive thought leadership, enhance customer choice and build industry competitiveness.

For more information, please visit - rai.net.in

Meet the **Authors**

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Abheek is the Chair of the Practices and Partner Committee for Boston Consulting Group in India. Previously, Abheek has led BCG's Consumer practice in Asia Pacific and has been a member of the Global Practice Leadership Team. Abheek has more than 25 years of experience in consumer goods and services, retail and other B2C sectors.

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Managing Director and Partner, Boston Consulting Group

Bharat is a Managing Director and Partner with Boston Consulting Group, with a focus on Retail and Consumer Products. He has extensive experience with Retail companies across categories, both offline and online. He has led multiple large scale digital-led growth transformations in Retail.

Akshata Dalvi
Project Leader, Boston Consulting Group

Akshata is an integral member of the Consumer and Retail practice in India. She brings strong enthusiasm for driving consumer-focused digital transformation and growth, with deep experience across e-commerce, direct-to-consumer (D2C), and omnichannel ecosystems.

Foreword

India's retail industry enters 2026 with three truths in parallel: demand remains resilient, the consumer is becoming more discerning and retailers are innovating.

The last year demonstrated a positive consumption trend, with the first quarter of 2025 seeing 3-4% growth, rising to 7-8% in the second quarter. The final leg of 2025 witnessed double digit growth, with some categories performing better than others. Consumption and experience-led segments have outpaced discretionary, upgrade-driven categories.

This divergence is not an anomaly with consumer choice becoming increasingly complex, context driven and informed. Retailers have also leveraged technology to reshape the shopper journey across discovery, consideration, and purchase. It signals that the next decade's ₹200Tn opportunity will not be captured by scale or sales alone. It will be captured by retailers who sharpen value proposition, transform journeys, functions and capability to be AI-led, and modernize how they serve a consumer who is simultaneously value-conscious, convenience-seeking, and increasingly informed.

Against the backdrop, this report on **"Winning Codes for Retail 2035: Capturing the ₹200Tn Prize"**, jointly developed by Boston Consulting Group (BCG) and Retailers Association of India (RAI) tables the exciting retail outlook and themes for success in retail in the next decade. It is intended as a practical agenda for action, highlighting the steps already taken by forward-looking retailers. It points to a pivotal moment for retailers to make explicit business model choices, embed AI across the shopper journey to improve personalization and conversion, embrace AI to power agent-led functions, and rebuild talent and operating model with sustained operational excellence to win across Bharat and metro India with equal rigor.

Retail has always been a dynamic sector. What changes now is the pace and the stakes. The winners of the next decade will be those who treat transformation as a discipline, not a project, and who build trust by delivering consistently, across formats, channels, and price points.

We hope these insights will empower industry leaders to make informed decisions as we shape the next phase of retail growth in India

Abheek Singhi
Chair of Practices,
Boston Consulting Group

Kumar Rajagopalan
Chief Executive Officer,
Retailers Association of India

Executive **Summary**

Retail in India remains an exciting opportunity:

India continues to outperform major global economies, recording GDP growth of 8% in 2025 and remaining on track to become the world's third-largest economy by 2030. Private consumption remains a key driver of this momentum, led by discretionary and services spending. Together, these forces are expected to drive the Indian retail market to nearly ₹200Tn over the next decade.

Organized retail has historically outperformed underlying categories but of late the headway over category growth has reduced drastically, particularly in offline channels. This signals the need for renewed differentiation and operating model evolution. While near-term challenges exist – there is industry confidence supported by strong fundamentals and long-term structural tailwinds.

Key themes driving the next phase of retail success and its imperatives:

Theme 1: Winning retailers anchor their strategy around a clearly defined focus cohort and make explicit trade-offs to deliver a differentiated yet profitable customer value proposition. Rather than attempting to serve the entire market, they deliberately deprioritize certain segments and align the operating model to reinforce their chosen positioning. Such retailers have outperformed the market on profitable growth and more-so in recent years. The report lays out empirical evidence around the same and a few stories.

Theme 2: Agentic commerce has moved from experimentation to reality. Nearly 42% of US urban consumers have already used GenAI. Given existing adoption of social media and even GenAI platforms we expect this to pick up in urban India as well soon led by GenZs. As GenAI increasingly shapes research and purchase decisions, the implications for retailers are existential rather than incremental. Report explores priorities that retailers need to address to compete effectively with the meta shifts in shopping experience. This also re-energizes online discovery footprint and brings even omni-channel fulfillment to the front.

Theme 3: AI is also transforming core retail functions at scale, delivering step-change improvements in speed, quality, and cost. Retailers that pursue AI-led functional transformation are achieving structural gains of 40-60%, while legacy, use-case-driven approaches typically deliver only 10-15% improvement. In a core retail function such as merchandising, we expect the role of merchant to dramatically change in the future, focusing more on strategic inputs with AI agents picking up repetitive tasks.

Winning with AI will require a fundamental redesign of talent, operating model, and governance. These changes move retailers beyond incremental adoption and demand a structural rethink of roles, capabilities, organizational design, and executive ownership. We expect roles to shift dramatically, with fewer roles having a wider scope. This report explores the organizational implications of AI adoption at scale to ensure positive outcomes for retailers.

We believe there is a large opportunity to re-ignite growth and this must be led by organized retailers (particularly offline). We need to challenge existing beliefs on what is possible, make trade-offs to create 'wow' for target consumers and adopt large scale AI transformation in a big way. We believe retail community has the potential to make the ₹200Tn retail market a reality and for organized retailers to get lion's share in the same.

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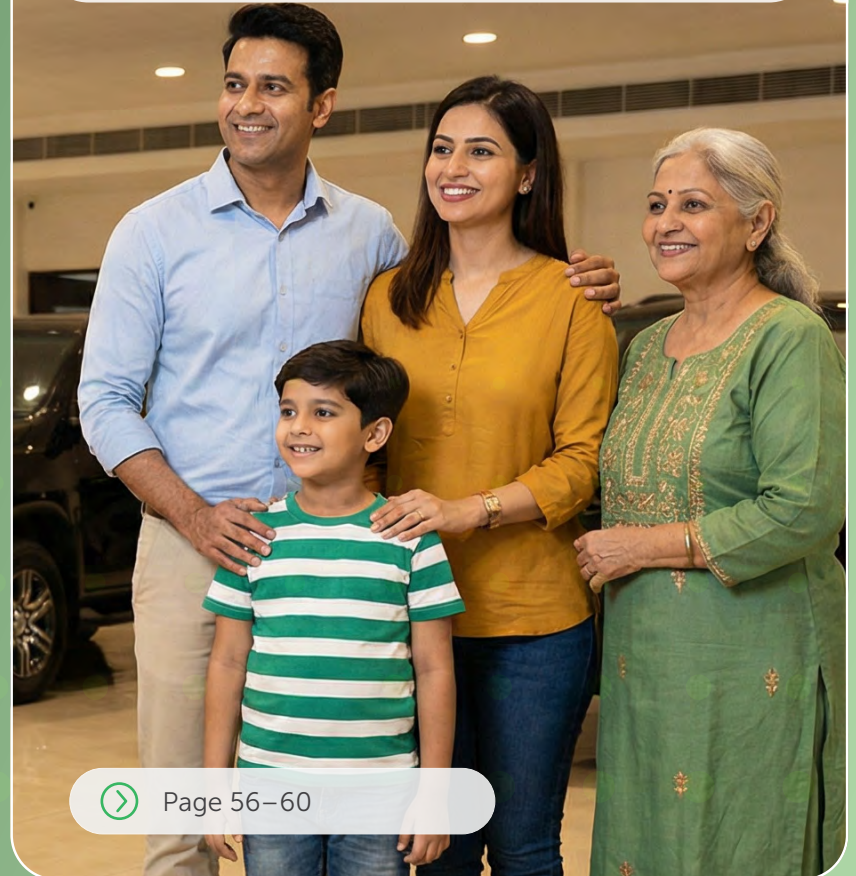Image generated using ChatGPT

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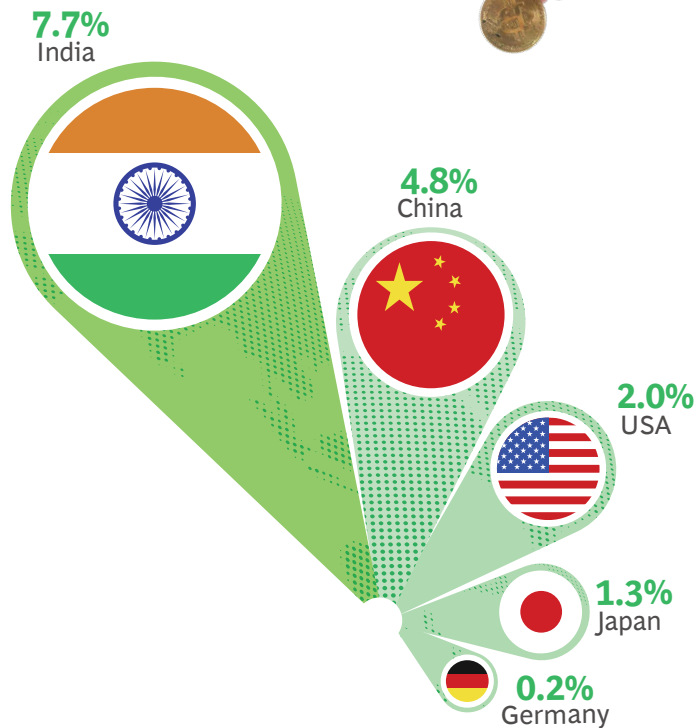# 01

Retail in India remains an **exciting opportunity**

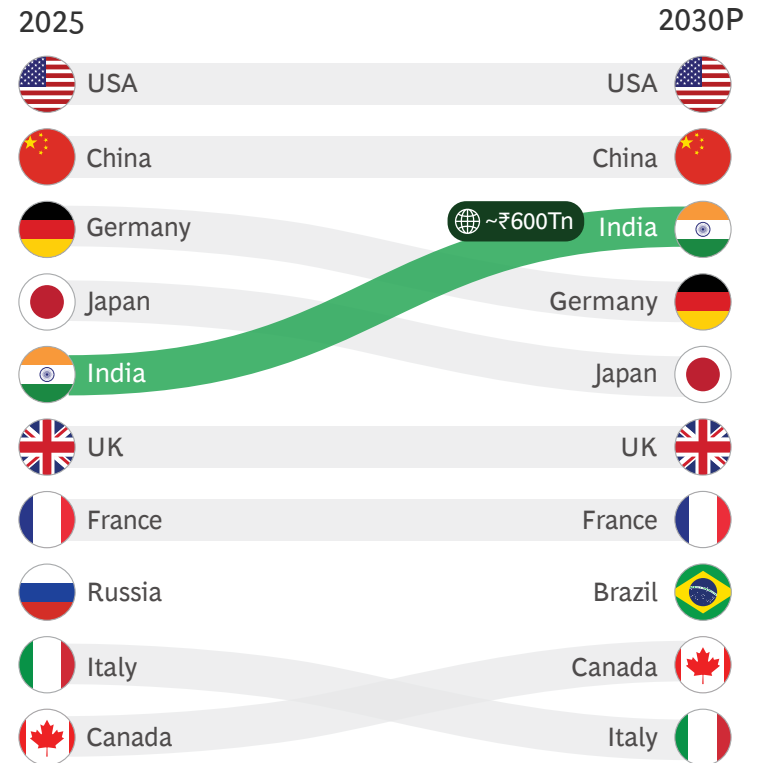# India continues to be the **fastest growing major economy** with a strong outlook

2025 vs 2024

Real GDP growth rate (%) of top 5 economies

7.7%
India

4.8%
China

2.0%
USA

1.3%
Japan

0.2%
Germany

Ranking by Nominal GDP

2025	2030P
USA	USA
China	China
Germany	~₹600Tn India
Japan	Germany
India	Japan
UK	UK
France	France
Russia	Brazil
Italy	Canada
Canada	Italy

Source: RBI; MOSPI; Oxford Economics; BCG analysis

Economic growth being **driven by consumption**

Consumption CAGR% (2015-25)
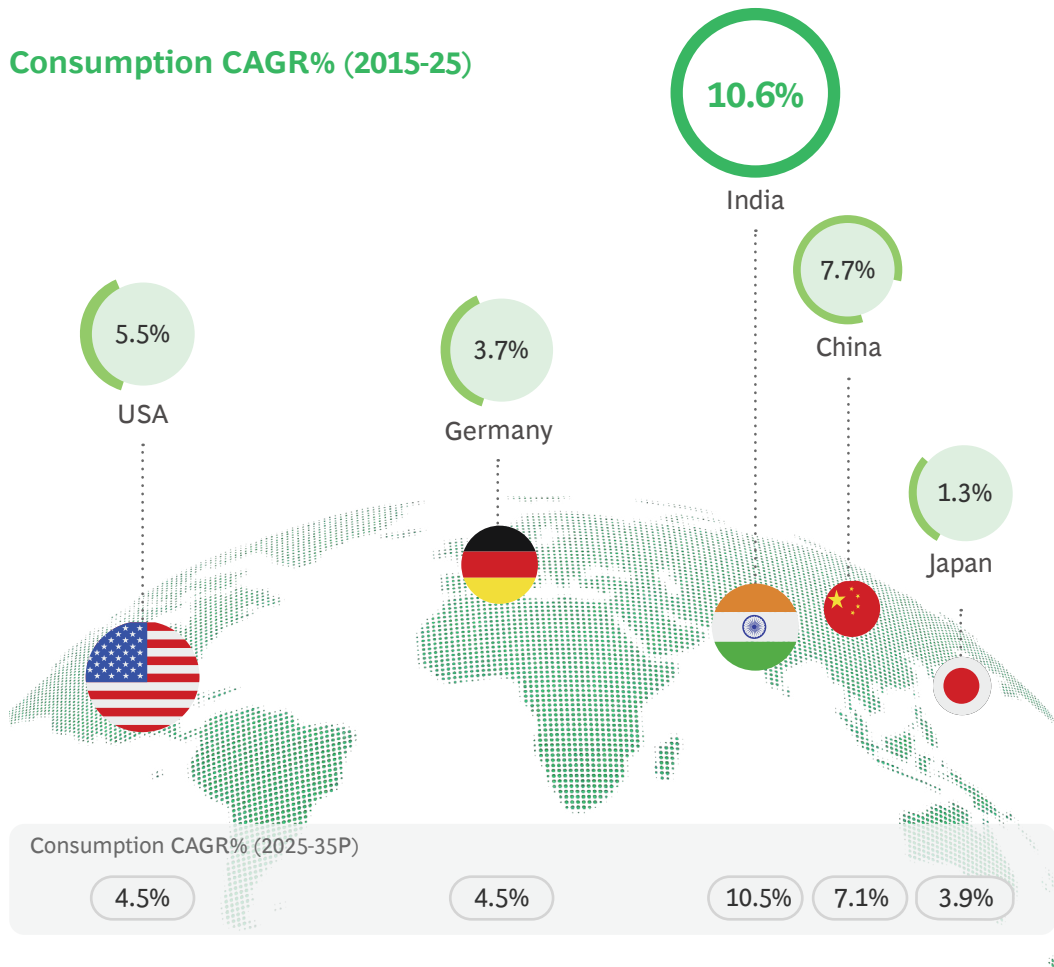
India maintained the highest growth in consumption levels amongst the top five economies

10.6%
India

7.7%
China

5.5%
USA

3.7%
Germany

1.3%
Japan

Consumption CAGR% (2025-35P)

4.5%	4.5%	10.5%	7.1%	3.9%

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Note: Private consumption expenditure at current market prices (Nominal private consumption)
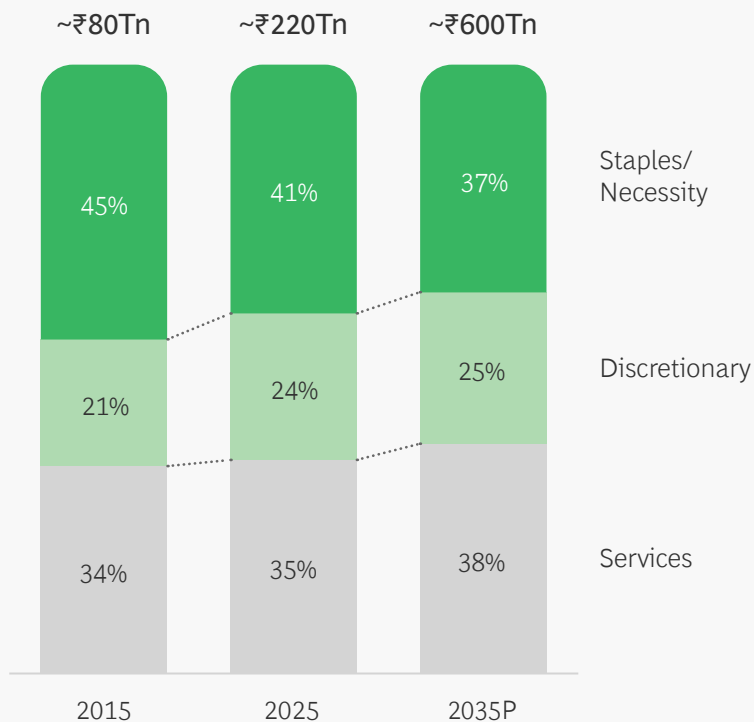**Source:** Oxford Economics

However, **consumption growth** varied across categories

Consumption of discretionary products and services growing faster

~₹80Tn	~₹220Tn	~₹600Tn		CAGR%	
				(2015-25)	(2025-35P)
45%	41%	37%	Staples/Necessity	9.6%	9.5%
21%	24%	25%	Discretionary	12.3%	10.8%
34%	35%	38%	Services	11.0%	11.3%
2015	2025	2035P			

These images are AI generated. Image generated using ChatGPT

Note: Staples/Necessity includes food, non-alcobev, clothing, footwear, housing etc.; Discretionary includes alcobev, tobacco, narcotics, communication goods, recreational and cultural goods, vehicle purchases etc.; Services includes restaurants, transport services, accommodation services, package holidays, cultural services etc.; Metric used is consumer spending, nominal, LCU
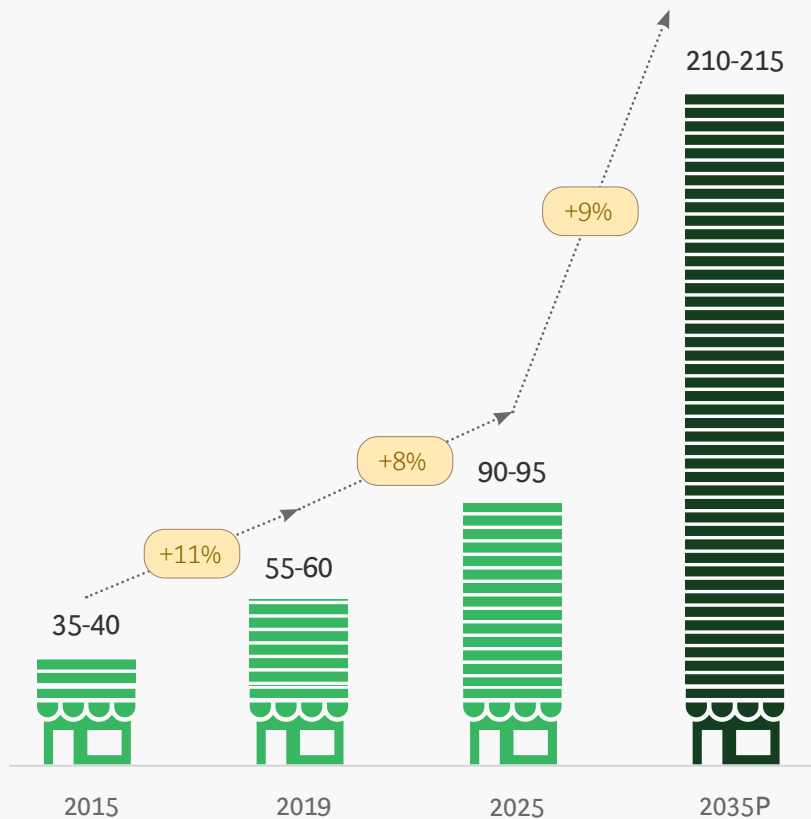**Source:** Oxford Economics

Retail in India has grown in line with consumption; **expected to exceed ₹200Tn by 2035**

India retail market size (₹Tn)[1]

+11%

+8%

+9%

35-40 — 2015

55-60 — 2019

90-95 — 2025

210-215 — 2035P

1. Retail size market includes size of categories like grocery, electronics, fashion, jewelry. All years referred represent calendar years
Source: Euromonitor; Oxford Economics

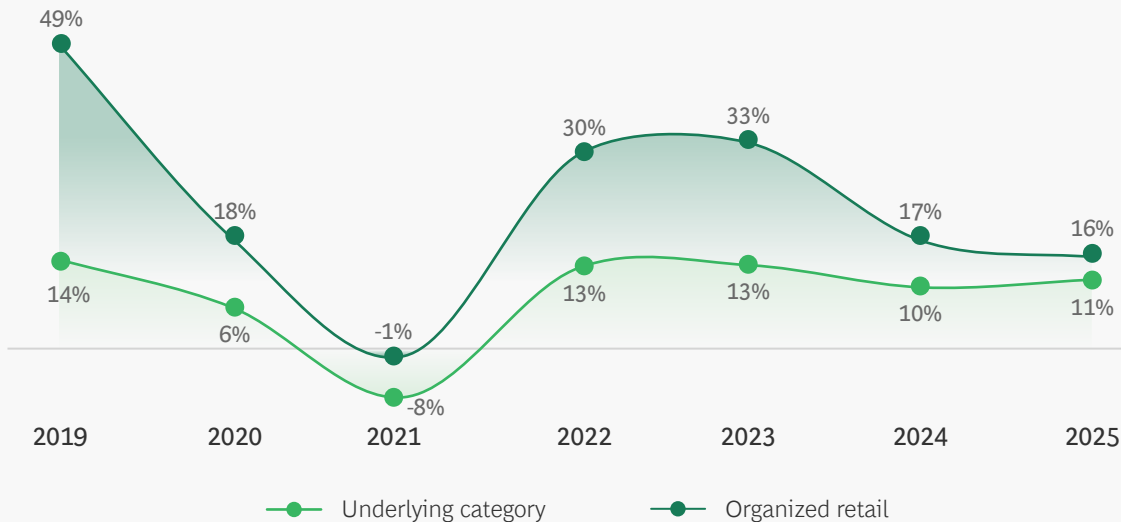This image is AI generated.
Image generated using ChatGPT

Organized retail growth getting closer to underlying category growth...

YOY growth for top organized retailers[1] and underlying India retail market (%)

Organized retail = Offline + Online combined

Underlying category ———— Organized retail

Organized retail's growth advantage over the broader market is shrinking, underscoring the need for reinvention to remain competitive

Lack of relevance and differentiation will not help even in a growing market.

P Venkatesalu
MD and CEO, Trent

1. Organized retail growth calculated based on fiscal company filings of 96 retailers (of which 78 retailers are 'Offline') across sectors
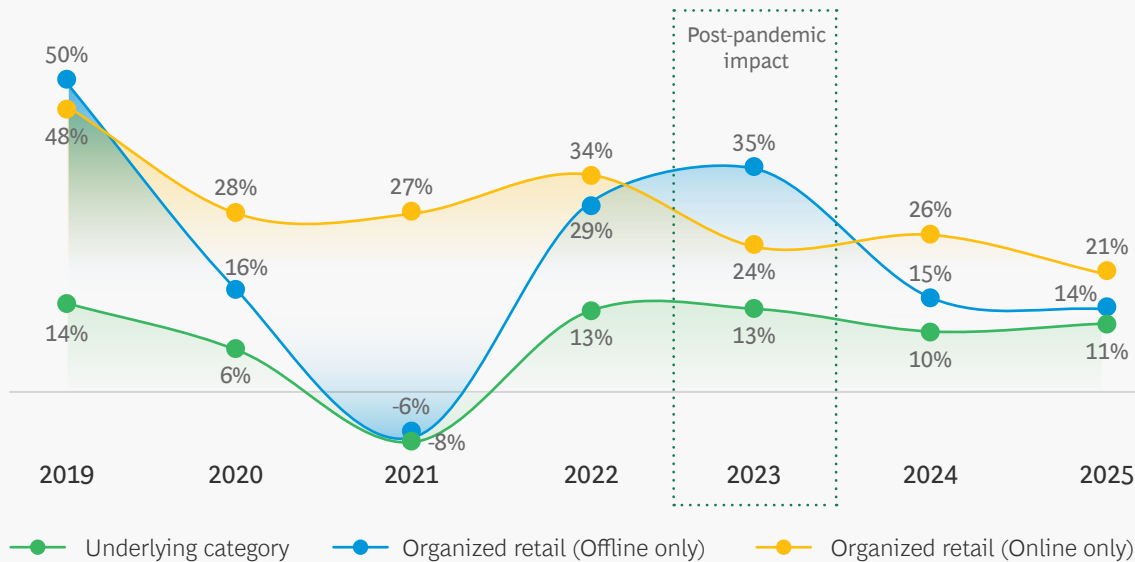**Source:** Euromonitor; ACE Equity; Company Filings; Investor Presentations; BCG analysis

…and advantage is even **lower in offline retail** need for an introspection

YOY growth for top organized retailers[1] and underlying India retail market (%)

Organized retail = Offline + Online separate

Post-pandemic impact

- 50% | 48% | 14% (2019)
- 16% | 28% | 6% (2020)
- -6% | 27% | -8% (2021)
- 29% | 34% | 13% (2022)
- 35% | 24% | 13% (2023)
- 15% | 26% | 10% (2024)
- 14% | 21% | 11% (2025)

● Underlying category ● Organized retail (Offline only) ● Organized retail (Online only)

Online players have maintained an edge due to their scaled innovation and expanded offerings

Offline retail faces a pivotal opportunity to reinvent and adopt similarly agile, customer-centric approaches

Overexpansion in saturated micromarkets at mass-premium price point has led to slower growth for offline organized retailers.

Siddharth Bindra
MD, BIBA Fashion

1. Organized retail growth calculated based on fiscal company filings of 96 retailers (of which 78 retailers are 'Offline') across sectors
Source: Euromonitor; ACE Equity; Company Filings; Investor Presentations; BCG analysis

Offline retail remains structurally cash-generative, however, online players (on average) have shown strong reduction in cash burn

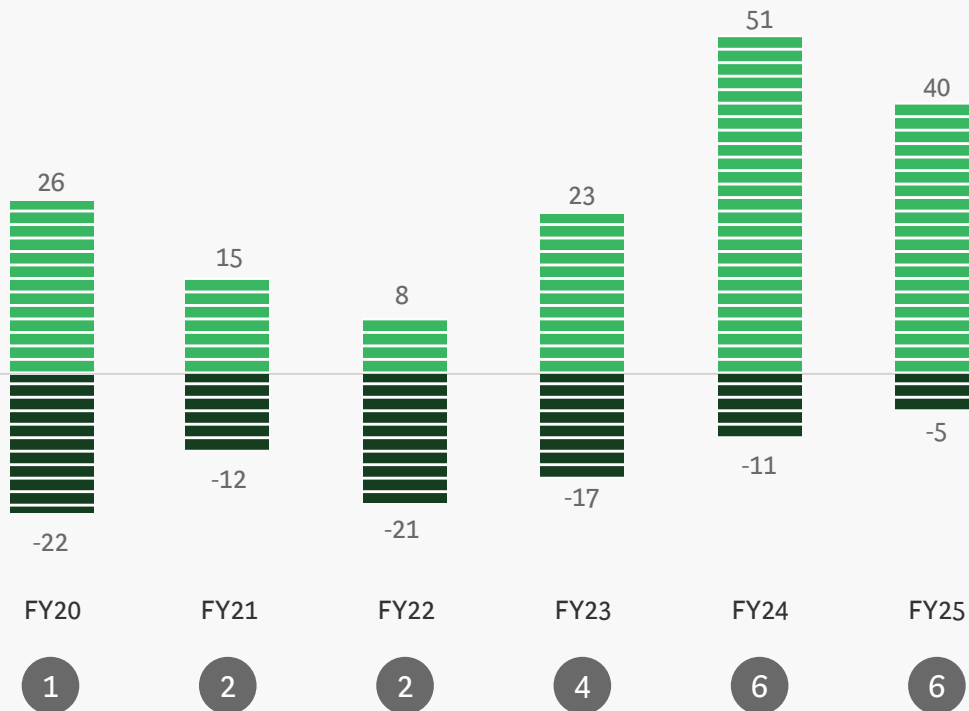## Offline vs Online players - Cash from operations (₹'000 Cr)

>**50%**
Rise in cash generated FY20–25

80%
Reduction in burn FY20–25

Number of online retailers that broke even or turned profitable

FY20	FY21	FY22	FY23	FY24	FY25
26	15	8	23	51	40
-22	-12	-21	-17	-11	-5
1	2	2	4	6	6

Offline retailers
show strong and accelerating cash growth driven by better operating leverage, pricing power, and stabilized demand post COVID volatility

Online retailers
moved from heavy losses (FY20–22) to near break-even by FY25, due to scale and reach benefits and cost discipline

━━ Offline retailers ━━ Online retailers

Note: Based on annual company filings of 66 retailers (of which 53 retailers are 'Offline') across sectors
Source: ACE Equity; Company Filings; Investor Presentations; BCG analysis

Industry leaders positive on consumption outlook

Sustained consumption uptick and Tier 2+ recovery supported by accelerated formalization… overall a positive outlook on consumption.

Shibashish Roy
MD and CEO, Infiniti Retail (Croma)

Despite the disruption and volatility, there are green shoots now, and consumption should start stabilizing and improving from here. We had a good third quarter. We are already seeing stronger demand in value and digital channels.

Farah Malik Bhanji
MD, Metro Brands

Outlook remains positive owing to how critical wedding jewelry is to the ethos of India. However, the average weight has come down due to price rise.

G.R. Radhakrishnan
MD, GRT Jewellers

Over the next 4 quarters, consumption is expected to grow faster. Discretionary spending will return, driven by premiumization, GST rationalization, easing inflation, digital and quick commerce, and improved affordability.

Shashwat Goenka
Vice Chairman, RP-Sanjiv Goenka Group

Source: Discussions with Retail Leaders

02

Themes for **success in retail** in the next decade

Shifts in journeys and decision-making impacting retail winning codes

Consumer choice is more complex and context-driven

🔲 More segments, missions, and expectations

🔲 Online and offline integration

🔲 Higher demand for convenience and differentiation

Technology is rewiring shopper journeys

🌐 Discovery mediated by AI and agents
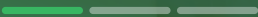
🌐 Evaluation guided by algorithms, not heuristics

🌐 Transactions increasingly automated and delegated

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Winning codes for retailers

2.1
Target focus segments with sharp trade-offs to deliver on CVP profitably

2.2
Re-think marketing and shopping experiences to cater to evolving shopper journeys

2.3
Drive end-to-end AI-led functional transformation and capability reset

2.1

Target focus segments with sharp trade-offs to deliver on CVP profitably

2.2

Re-think marketing and shopping experiences to cater to evolving shopper journeys

2.3

Drive end-to-end AI-led functional transformation and capability reset

Global Retailers
Four examples to illustrate the need for clear value proposition, associated trade-offs and relentless execution

Multiple successful models with focused value propositions emerge across categories
Select examples are highlighted below

Illustrative

Trend-led fashion retailer	Everyday value grocery retailer	Price-driven electronics retailer	End-to-End home project retailer
🛒 Young consumers seeking rapid access to runway fashion	🛒 Households seeking quality fresh products at value	🛒 Value-conscious, tech-savvy consumers	🛒 Customers looking for home improvement products
🛍 Curated on-trend assortment at accessible prices	🛍 Private-label-led tight assortment at value pricing	🛍 Broad assortment with deal-led merchandising and price leadership	🛍 Mission-led assortment with multi-mode fulfillment and E2E support
👎 Wide range of styles or superior quality	👎 One-stop shop or gourmet experience	👎 Boutique brands or premium experience	👎 Lowest price value proposition

🛒 Target segments   🛍 What they offer   👎 What they don't offer

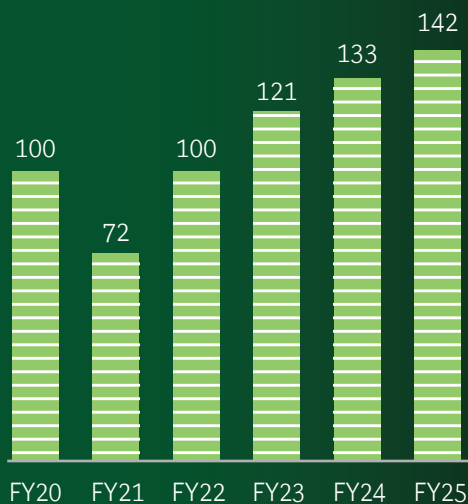**Source:** Company Websites; Investor Presentations; Analyst Reports; BCG analysis

#1 | International fashion retailer focuses on **trend leadership** rather than price leadership, winning through speed and relevance

Overview and Target Cohort

» Global fast-fashion retailer with vertically integrated operations

» Targets young, fashion-forward consumers seeking rapid access to runway-inspired, on-trend styles

Indexed Revenue

	FY20	FY21	FY22	FY23	FY24	FY25
	100	72	100	121	133	142

Prioritizes rapid trend translation and frequent refreshes; does not aim to win on price leadership

👁 What they offer

» Latest on-trend fashion assortment

» Accessible price point

» Well-curated range of options

👁 What they don't offer

» Superior quality or comfort-first everyday wear

» Lowest price points

» Widest range of styles

Investments to support the proposition

📱 Strong trend detection and design capability (team and tech)

⚙ Vertically integrated, near-shored supply chain

🚀 Large percentage of factory capacity reserved for in-season changes

🔄 Small-batch production and fast rotation

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Note: Indexed to FY20 revenues
Source: Company Website; Investor Presentations; Analyst Reports; BCG analysis
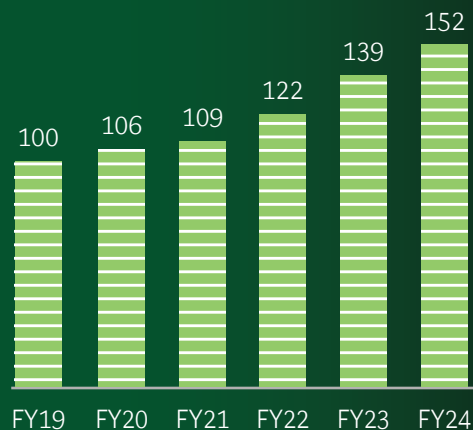
#2 | European grocery retailer prioritizes **everyday value and efficiency,** positioning itself as the go-to low-cost grocery stop

Overview and Target Cohort

» Large-scale European grocery retailer with standardized store formats

» Targets households seeking high-quality fresh products, household goods, and value-for-money

Indexed Revenue

FY	Value
FY19	100
FY20	106
FY21	109
FY22	122
FY23	139
FY24	152

Provides value through everyday low prices and private-labels; does not aim to offer premium experiences

What they offer

» Everyday low pricing
» Tight range focused on value assortment
» Simple, efficient shopping experience

What they don't offer

» Premium or gourmet focus
» One-stop shop for all needs
» Newest innovative products

Investments to support the proposition

| Predominantly private-label assortment to control quality and margins | Long-term, integrated supplier partnerships to drive shared productivity gains | Standardized store layouts and operating processes to maximize efficiency at scale | Continuous SKU rationalization to protect simplicity, speed, and cost leadership |

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Note: Indexed to FY19 revenues
Source: Company Website; Investor Presentations; Analyst Reports; BCG analysis
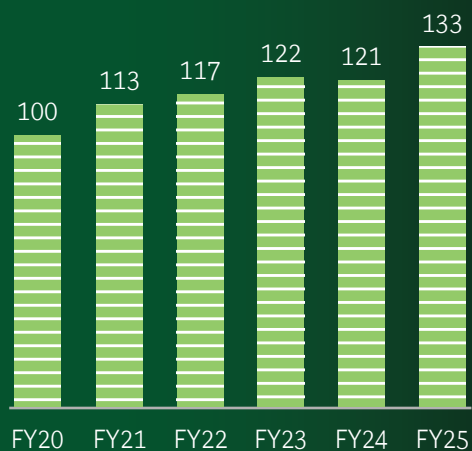
#3 | Multi-market electronics retailer **prioritizes price and range**, positioning itself as the go-to value electronics retailer

Overview and Target Cohort

» Large-format electronics retailer offering home consumer products, including electronics and appliances

» Targets value-conscious, tech-savvy consumers

Indexed Revenue

FY20	FY21	FY22	FY23	FY24	FY25
100	113	117	122	121	133

Competes on price and range through scale buying, not on premium retail experience

What they offer

» Wide, one-stop consumer electronics selection
» Competitive pricing on tech products
» Knowledgeable staff for tech recommendations

What they don't offer

» Luxury, premium or boutique brands
» Premium in-store experience

Investments to support the proposition

Strong vendor negotiations and volume commitments to secure competitive pricing at scale

Price-match guarantees, open to bargain with store staff, "chaos branding" aesthetic, bargain bins and bright signs to convey "value" and "urgency" to customers

Lean and direct to store supply chain - minimizing storage and transport costs

This image is AI generated. Image generated using ChatGPT

Note: Indexed to FY20 revenues
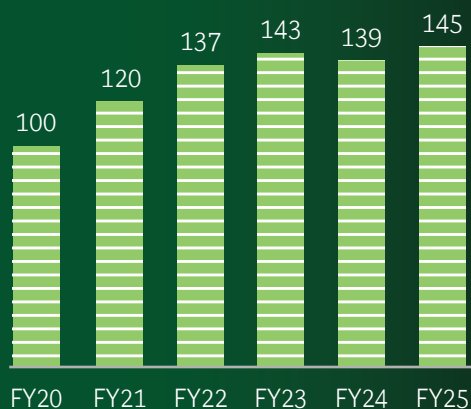**Source:** Company Website; Investor Presentations; Analyst Reports; BCG analysis

#4 | Global home improvement retailer **wins by owning end-to-end project missions** for DIY and Pro customers

Overview and Target Cohort

» Home improvement retailer, selling tools, construction products, appliances, and garden supplies for DIY and Pro customers

» Targets people looking for one-stop access to home improvement products

Indexed Revenue

FY20	FY21	FY22	FY23	FY24	FY25
100	120	137	143	139	145

Serves DIYers and Pros with a mission-led assortment, avoiding non-home or lifestyle adjacencies

What they offer

» Specialized home-improvement assortment
» E2E service and staff support for contractors and DIYers
» Functional, project-first store experience

What they don't offer

» Assortment beyond home or lifestyle needs
» Absolute lowest pricing
» Premium in-store experience

Investments to support the proposition

Investing in Pro-specific supply chain infrastructure (such as distribution centers for bulky items)

Strategic acquisitions to deepen core market offerings (e.g., building materials distributor)

Integrated app, online, and stores to let customers complete end-to-end home projects in one ecosystem

This image is AI generated. Image generated using ChatGPT

Note: Indexed to FY20 revenues
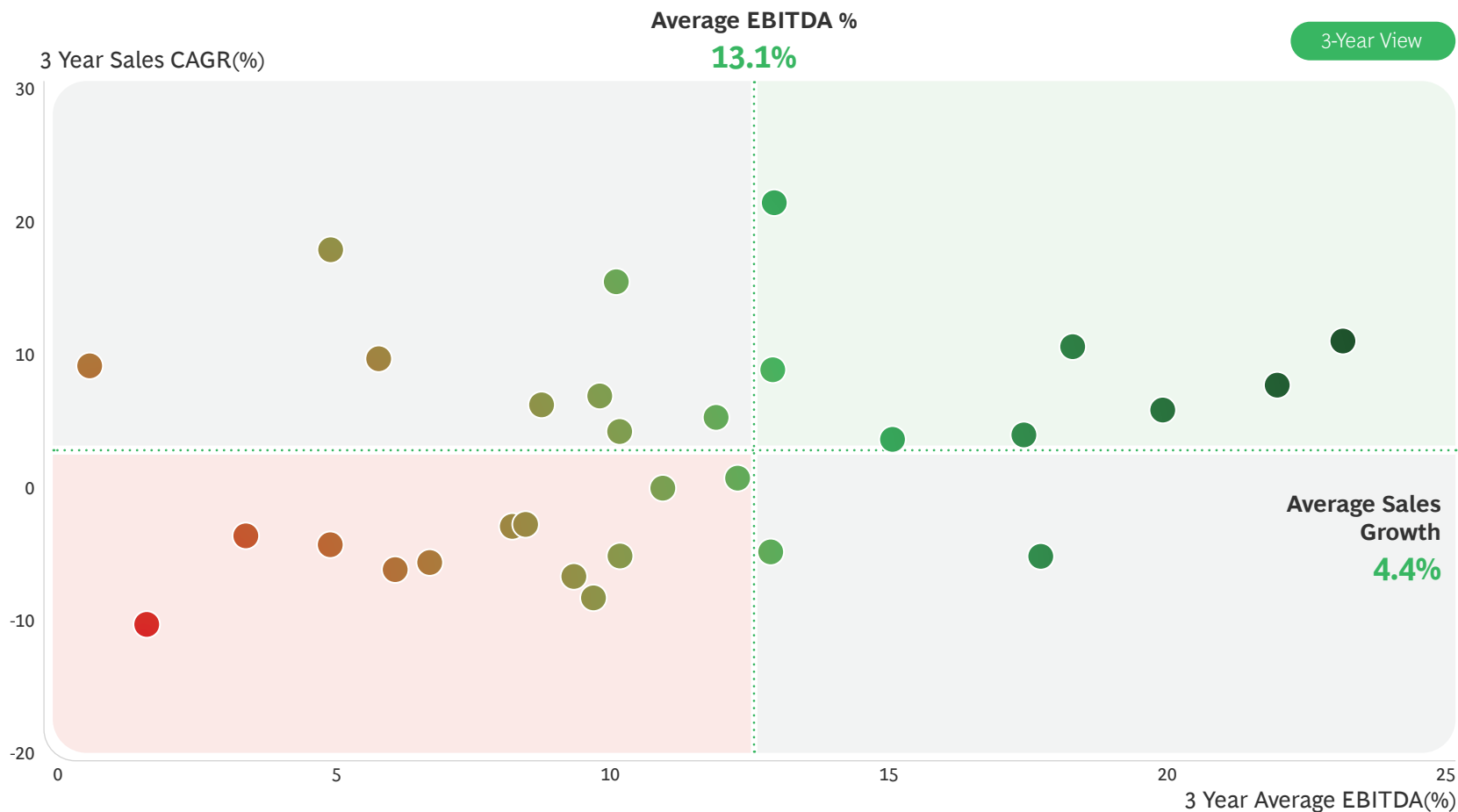**Source:** Company Website; Investor Presentations; Analyst Reports; BCG analysis

Global Retailers
Learnings derived from retailers who have grown profitably

Apparel | **Profitable and growing retailers have made hard choices across fashion vs quality vs price**

Average EBITDA %
13.1%

3-Year View

3 Year Sales CAGR(%)

3 Year Average EBITDA(%)
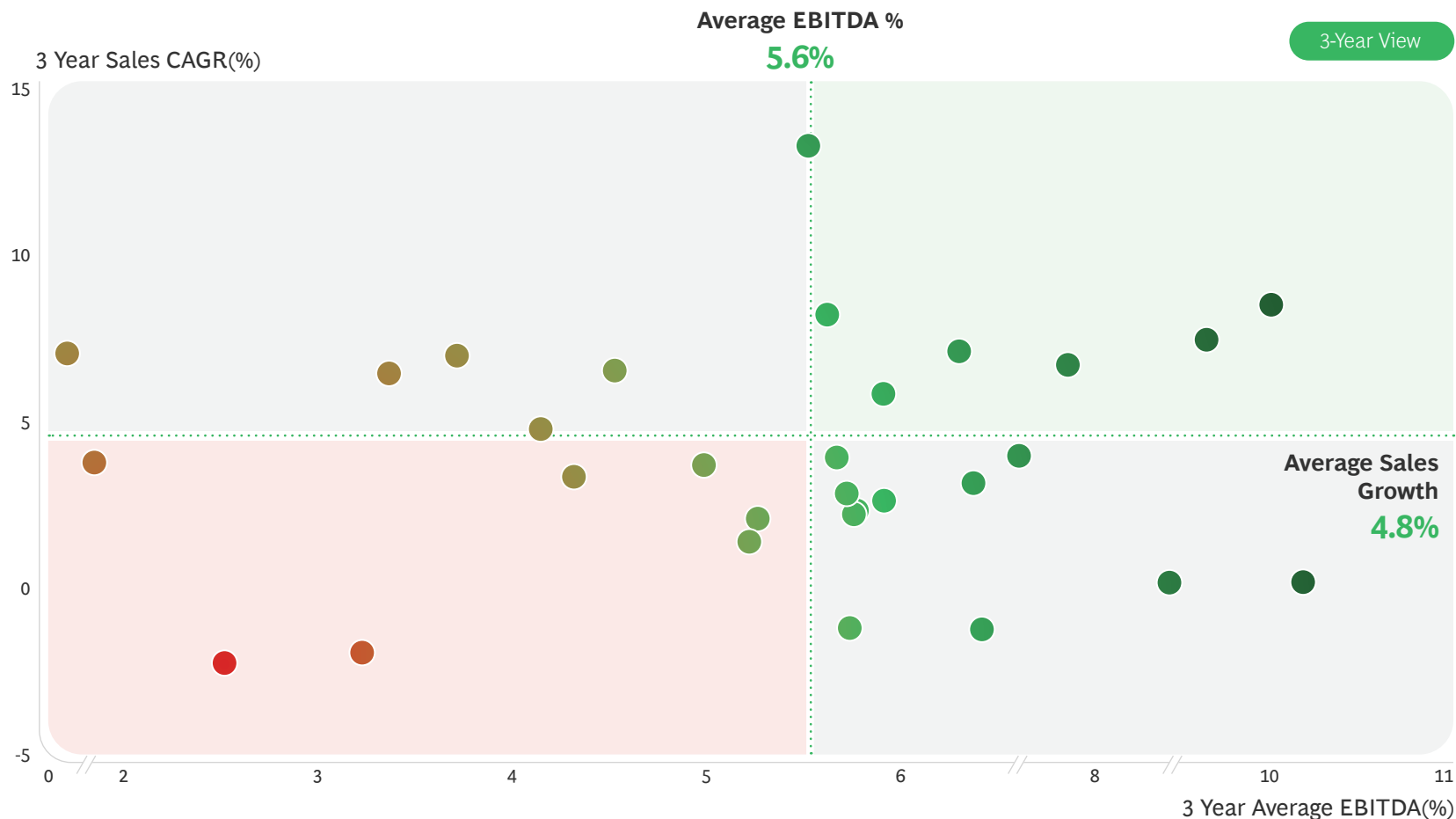
Average Sales Growth
4.4%

1 2 3 4

Global Retailers
Learnings derived from retailers who have grown profitably

Grocery and Food Retail | Profitable and growing retailers have made trade-offs across assortment width, branded vs private label, price and convenience

Average EBITDA %
5.6%

3-Year View

3 Year Sales CAGR(%)

Average Sales Growth
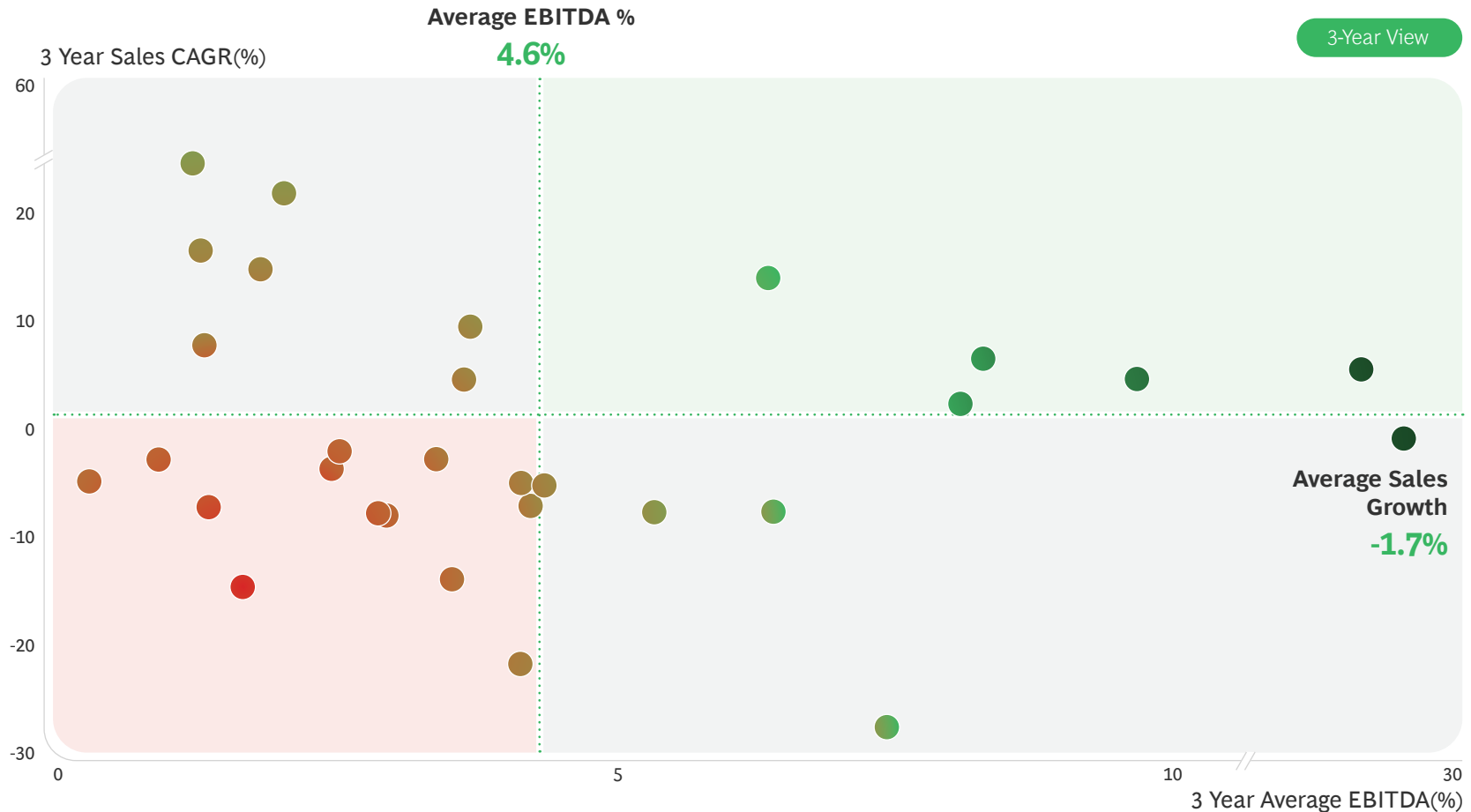**4.8%**

3 Year Average EBITDA(%)

Global Retailers
Learnings derived from retailers who have grown profitably

Electronics and Appliances | Profitable and growing retailers have made choices on brand tier coverage, level of assistance and omnichannel investments

Average EBITDA %
4.6%

3 Year Sales CAGR(%)

3-Year View

Average Sales Growth
-1.7%

3 Year Average EBITDA(%)

Note: Sales and Average EBITDA % represent weighted-averages of the companies on display based on their latest year sales; time period for sales CAGR is FY2022-2025 where available and FY2021-2024 where FY2025 data was not available

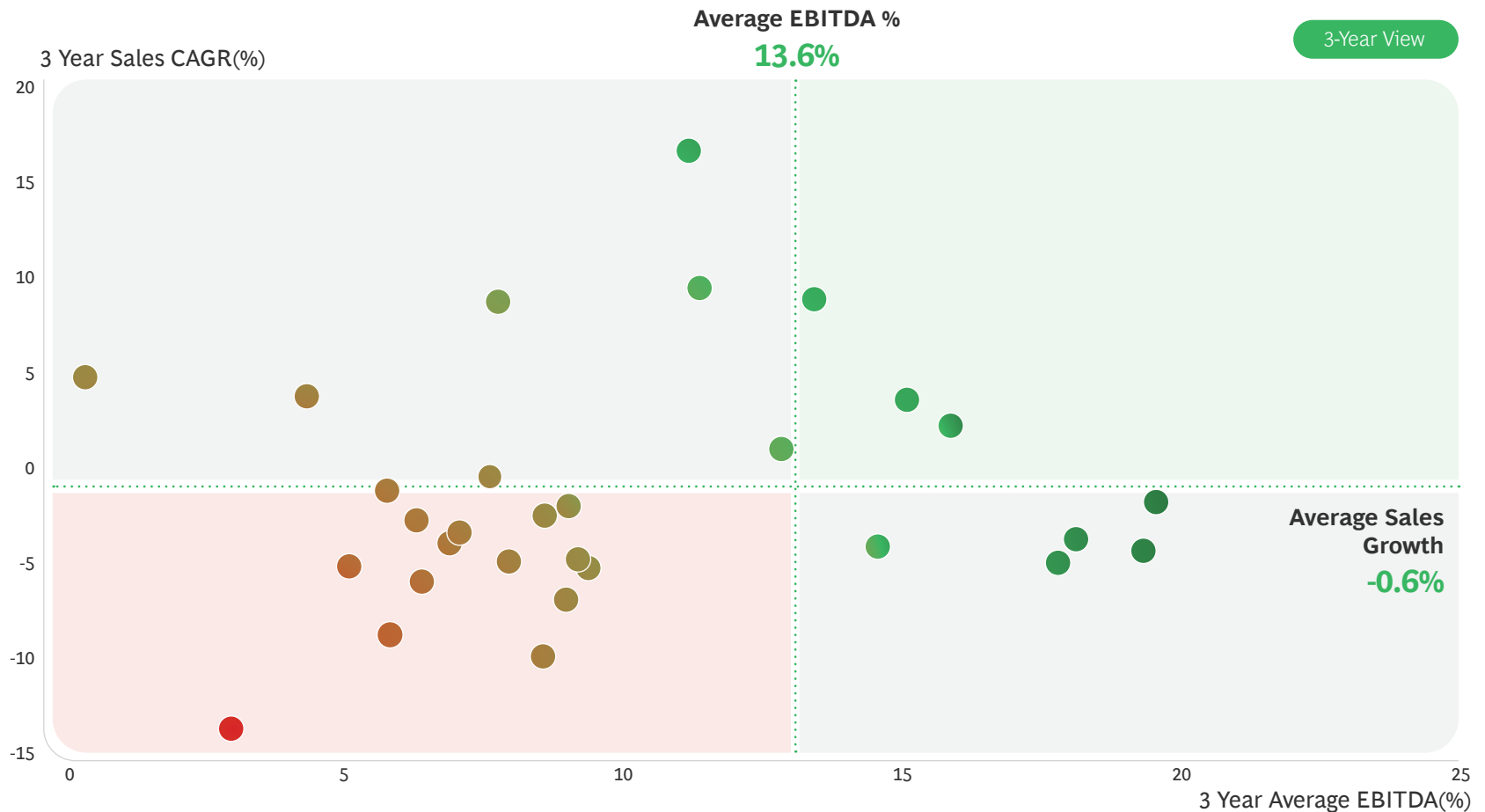**Source:** Capital IQ; Company Filings; BCG analysis

1 2 3 4

Global Retailers
Learnings derived from retailers who have grown profitably

Home and Garden | Profitable and growing retailers have made hard choices on consumers vs contractors - hence assortment vs pricing

3-Year View

Average EBITDA %
13.6%

3 Year Sales CAGR(%)

Average Sales Growth
-0.6%

3 Year Average EBITDA(%)

Note: Sales and Average EBITDA % represent weighted-averages of the companies on display based on their latest year sales; time period for sales CAGR is FY2022-2025 where available and FY2021-2024 where FY2025 data was not available
Source: Capital IQ; Company Filings; BCG analysis

Retail winners establish a **self-reinforcing flywheel** for profitable growth

Chosen Advantage
What you win on

Cater to wedge and deliver on CVP
(And define trade-offs/areas to deprioritize)

Investment/choices to reinforce CVP
(Capabilities + op model)

Deliver distinctive offer
(Product/price/experience)

Customer pull compounds
(Uplift in traffic, frequency, loyalty)

Scale advantage
(Better terms, faster learning)

Economics improve
(Turns, margins, cash to reinvest)

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Sharp choices create a **self-reinforcing flywheel of growth** and profitability

Value-led fashion retailer
Winning on value and merchandising

Offering affordable fashion at scale
(Deprioritize premium fashion and online sales)

Focus on affordable prices, lower op cash flow
(100% Private label for E2E control on each aspect)

Latest fashionwear at speed and low prices
(Low ideation time, new designs in stores in less than 2 weeks)

Higher footfall, sell-through,
SPSF per store vs. peers
*(Best in class store productivity metrics)*

Revenue uplift → rapid expansion →
better supplier terms and end prices
(Tier 2/3 expansion + improved supplier terms and end prices)

Sustained profitability reinvested into growth
(Economics driven by high-volume, low-cost model)

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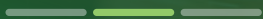Image generated using ChatGPT

2.1

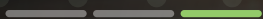Target focus segments with sharp trade-offs to deliver on CVP profitably
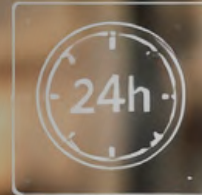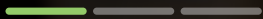
2.2

Re-think marketing and shopping experiences to cater to evolving shopper journeys

2.3

Drive end-to-end AI-led functional transformation and capability reset

AI is rewriting Retail with major strategic implications

Agentic commerce is here...

~42%	of urban US consumers have already used GenAI tools
~46%	trust product recommendations from AI more than friends in urban US hubs
~47x	growth in AI traffic to retail websites in last year
~7%	share price gain when Walmart announced adoption of ChatGPT Instant Checkout

...with existential implications for retail

! **Margin dilution** due to price transparency and platform fees (as well as potentially lower basket size and higher returns)

! **Direct traffic loss** as discovery and purchase shift to AI (with implications on retail media, cross-sell and impulse buys, etc.)

! **Eroding loyalty and intensified competition** as agents optimize purely for utility

☆ **Increased consumption** as agentic customer journeys effortlessly tie purchases to consumer needs

☆ **Pressure on eCommerce** as AI platforms offers broader assortment, lower prices and higher trust

☆ **Share gain for retailers that leverage unique strengths** (e.g., expertise, consumer trust, assortment, supply chain, cost advantage)

! Potential risk   ☆ Potential opportunity

Source: BCG CCI GenAI Consumer Usage Survey (2025, n=12308); University of Virginia Darden Report (2025); Adobe Digital Insights (2025); TrendSpider (2025)

Shopper journey getting significantly impacted by GenAI (Illustration – US)…

1 **Research**
AI-assisted discovery and information gathering

From
Keyword search and marketplace browsing driven by user queries

20-25%
of urban US consumers

2 **Consideration**
AI-led recommendation and trade-off evaluation

From
Manual comparison using filters, reviews, and feature trade-offs

14-18%
of urban US consumers

3 **Purchase**
AI-enabled transaction execution on customer's behalf

From
Retailer-owned checkout initiated and completed manually by the user

10-13%
of urban US consumers

To
AI-led discovery and research shaping the initial shortlist

To
GenAI guided recommendations narrowing choices as per preferences

To
AI-enabled transaction execution applying preferences, payments, and post-purchase actions

These images are AI generated. Image generated using ChatGPT

Source: BCG CCI GenAI Consumer Usage Survey (2025, n=12308); University of Virginia Darden Report (2025); Adobe Digital Insights (2025); TrendSpider (2025)
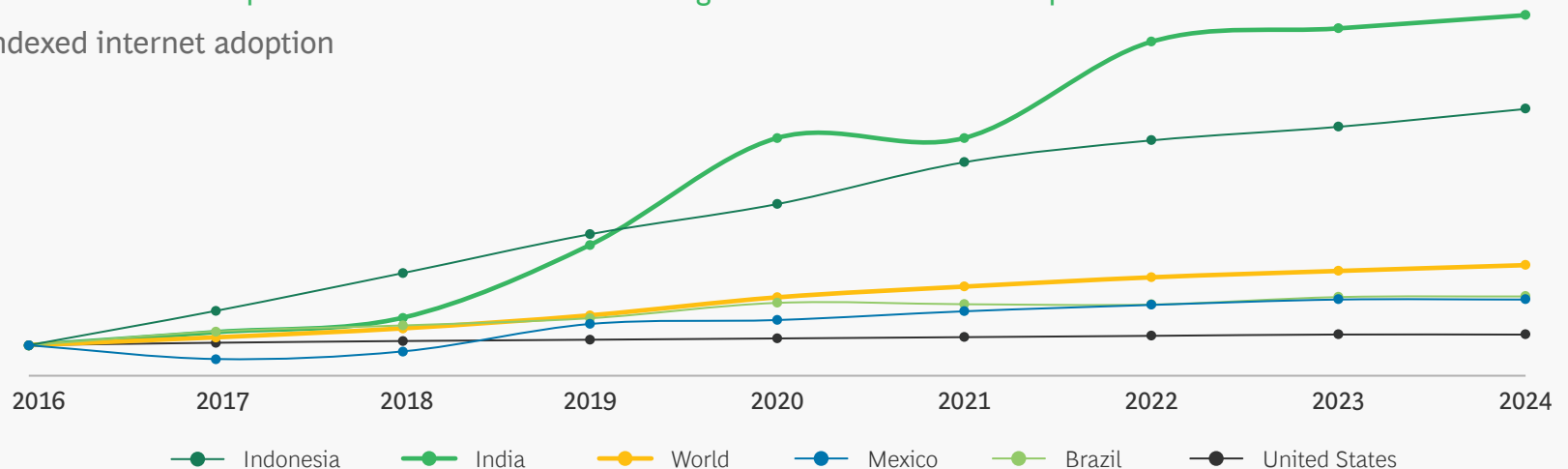
...with India expected to pick up – given the digital adoption history

India's internet adoption demonstrates faster convergence momentum versus peers...

Indexed internet adoption

Legend: Indonesia | India | World | Mexico | Brazil | United States

X-axis: 2016 2017 2018 2019 2020 2021 2022 2023 2024

...indicating a likely strong readiness for AI-enabled shopping eCommerce

» India demonstrates high adoption elasticity once technologies becomes usable and affordable (e.g., Internet, social media, e-payment, eCom)

» A large, internet-enabled consumer base creates strong conditions for AI adoption in retail consumer journey

» As AI becomes accessible, localized, and embedded, India is positioned to adopt GenAI powered journeys alongside peer markets

This image is AI generated. Image generated using ChatGPT

Note: Values are indexed to 2016 (value in 2016 = 100) to show relative adoption momentum. This highlights how quickly countries expanded internet usage relative to their own starting point, rather than absolute penetration levels

Source: World Bank; Oxford Economics

To win in the new normal...

1 | **3rd party agents**

Earned visibility

Paid visibility

Agent ecosystems
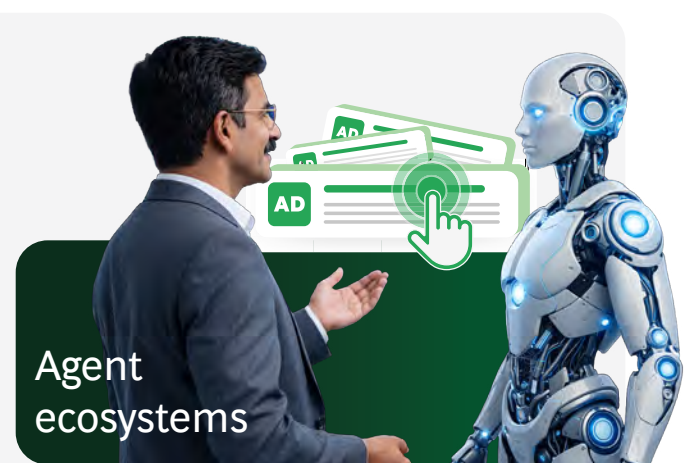
2 | **Retailer owned agents**

Personalized experience

Guided decisions

Real-time availability and OTIF

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...investment in four pillars is necessary

3 | **AI-powered offline retail**

Storefront agents

Robotic execution layer

AI control systems

4 | **Agentic foundations**

AI and data platform

Measurement

Operating model and governance

Talent and skills

These images are AI generated. Image generated using ChatGPT

Robust strategy needed to build visibility and interact with agent ecosystems

Earned Visibility

- » Adopt **Generative Engine Optimization (GEO)** for discovery
- » Structure content for **machine readability and citation**
- » Measure **brand presence** across AI answers and journeys

Paid Visibility

- » Prepare for **AI-native monetization** and ad placements
- » Track **generative ad placements** across AI formats[1]
- » **Dynamically allocate** spend for insight and conversion

Agent Ecosystems

- » Syndicate trusted, **real-time data** into agent ecosystems
- » Enable **agent interactions** across key journey stages
- » Deploy brand agents to **represent, interact and transact**

These images are AI generated. Image generated using ChatGPT

1. e.g., AI Mode, Explore feeds

AI-assistance can be turned into **durable retail advantage** using owned agents

Personalized Experience

Improved shopper relevance:

» Personalized and intent-based search and discovery

» Real-time recommendations tailored to shopper context

Higher engagement:

» Higher visits, views and CTR

» Stronger repeat visits

» 4-8x more high-intent behaviors (e.g., checkout starts)[1]

Example applications at scale

» AI-driven product suggestions

» Real-time hyper-personalized product picks

Guided Decisions

Faster path to purchase:

» Contextual product advice

» Insight-led category-specific choices

» Personalized bundles, targeted offers, and in-chat price negotiation

Increased conversion and ATV:

» Faster, confident purchase decisions

» Reduce choice overload and drop-offs

» Higher basket size and mix quality

» 5-15% lift in purchase rate

Example applications at scale

» AI-powered virtual try-on

» Conversational AI purchase assistance

Real-time Availability and OTIF

Trusted post-purchase experience:

» Real-time inventory availability

» Accurately predict delivery promise

» Orchestrate fulfillment options proactively at checkout

Enhanced trust-led fulfillment:

» Lower checkout abandonment

» Fewer cancellations and delivery fails

» Higher delivery trust

» 2-5% stockout reduction

Example applications at scale

» AI-led demand forecast and logistics optimization

» Predictive inventory for OTIF

1. Behaviors correlated to conversion include add-to-cart events, product page views with high intent, starting checkout, email, or text sign ups, and more
Source: Public disclosures; Company Websites; BCG analysis

AI can turn stores into intelligent agent and robot-enabled execution engines
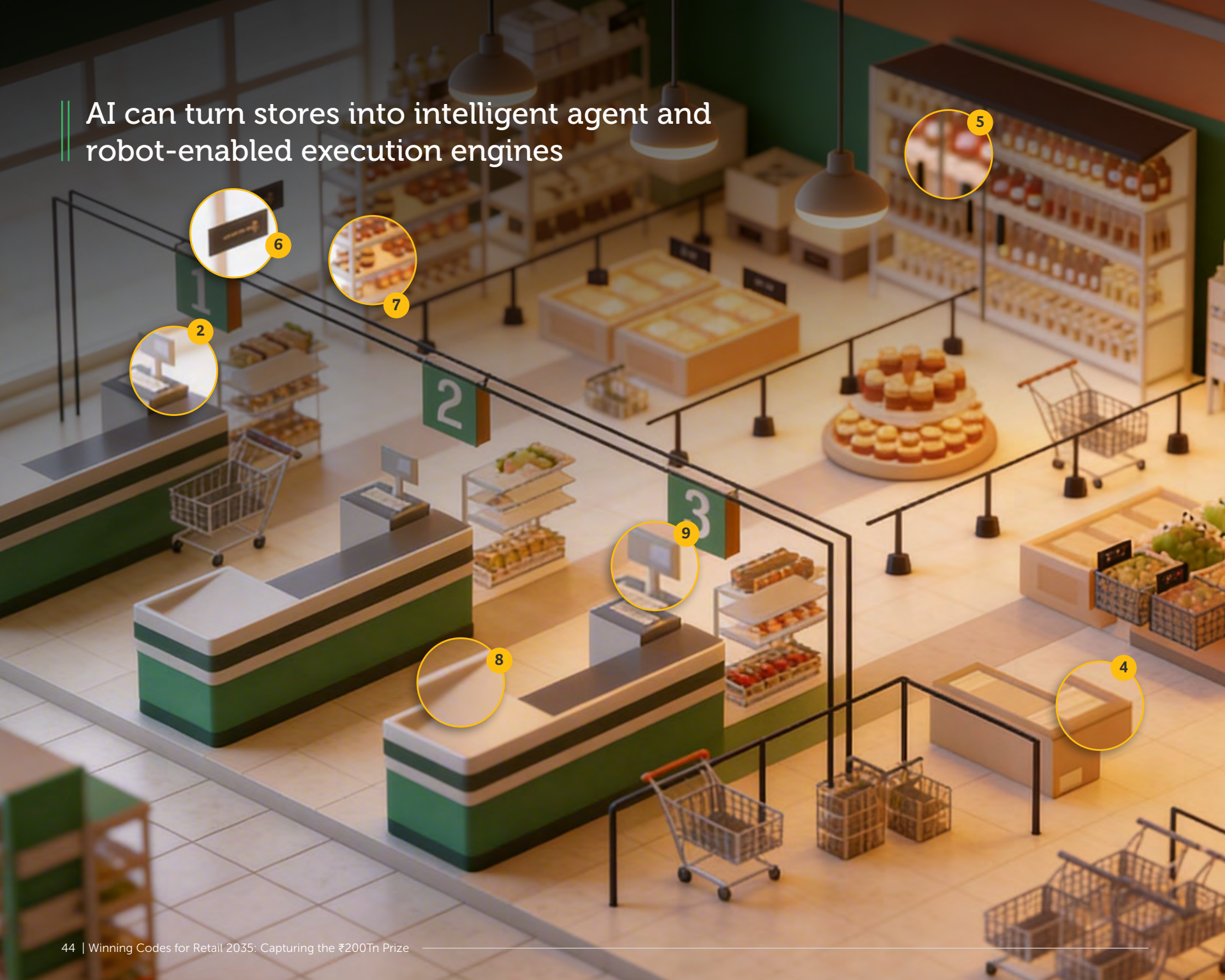
1 Customer assistance agent

2 Personalized shopping agent

3 Dynamic promotion engine

4 Inventory scanning robots

5 Temperature and motion sensors

6 AI agent-assisted checkout

7 Dynamic shelf and price labels

8 Store decision cockpit

9 Artificial intelligence data systems

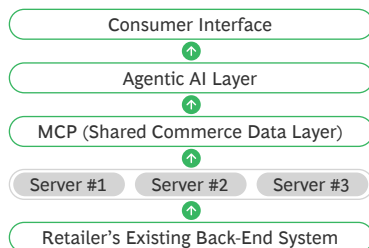These images are AI generated. Image generated using ChatGPT

# Agentic foundations to convert AI ambition into scalable and governed execution

AI and Data Platform

» AI-ready data platforms
» MCP[1] to standardize agent-system connectivity
» Decouple agents from tools and secure interoperability

Consumer Interface
⬆
Agentic AI Layer
⬆
MCP (Shared Commerce Data Layer)
⬆
Server #1   Server #2   Server #3
⬆
Retailer's Existing Back-End System

Measurement

» Advanced analytics tools to monitor brand visibility
» Measure citations, mentions, and AI-driven rankings
» Translate visibility signals into content and SEO actions

Brand Coverage

Brand 1
Brand 2
Brand 3
Brand 4
Brand 5
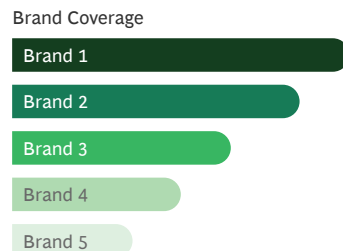
Operating Model and Governance

» Establish clear AI decision rights and ownership
» Embed Responsible AI and regulatory controls by design
» Ensure continuous AI risk and performance oversight

1 AI Governance Foundation
2 Responsible AI Framework and Risk management
3 Tech and Tools
4 Ambition and Training

Talent and Skills

» Redesign roles around agent execution and human oversight
» Augment existing roles with GenAI-native capabilities
» Formalize continuous training beyond entry-level roles

AI-First organization

AI driven
AI delivering outcomes, humans shape, maintain and orchestrate

1. MCP (Model Context Protocol), much like a universal adaptor, is an emerging standard that simplifies integrations across diverse AI platforms

Illustration
End-to-end pragmatic reimagination of merchandising

Merchandising Value Chain

Illustrative

New Product Design	Category Management	Buying and Inventory Planning	Buying and Supply-Chain Operations	Channel and Visual Merchandising

Today

New Product Design	Category Management	Buying and Inventory Planning	Buying and Supply-Chain Operations	Channel and Visual Merchandising
» Trends inferred from last season data	» Periodic reviews on lagging data	» Static assortments and pricing	» Manual vendor coordination	» Top-down channel planning
» Long, manual design cycle	» Manual growth and margin trade-offs	» Slow response to demand shifts	» Delays identified after impact materializes	» Static space and VM decisions
» Siloed idea generation	» Limited local relevance	» Reactive inventory moves	» Inventory availability led by firefighting	» Fragmented product master

Future with GenAI

New Product Design	Category Management	Buying and Inventory Planning	Buying and Supply-Chain Operations	Channel and Visual Merchandising
» Live demand-led ideation	» Category P&L steered in real time	» Dynamic local pricing	» Automated vendor coordination	» Channel demand drives allocation
» Rapid variant generation	» Continuous demand/margin optimization	» Store and channel level optimization	» Predictive delay detection	» Continuously optimized planograms
» Revenue-tested concepts pre-freeze	» Localized assortment updates	» Predictive inventory placement	» Exception-driven replenishment	» Single, reusable product master

Impact

New Product Design	Category Management	Buying and Inventory Planning	Buying and Supply-Chain Operations	Channel and Visual Merchandising
~20-40% faster design cycles; higher launch hit-rates	**40% time savings** through automation and GenAI	**~100–300 bps profit** upside	**2.5-5% reduction in COGS**	**80-90% lower visual asset production costs** using GenAI
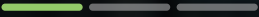
Source: BCG research and experience

2.1

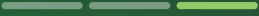Target focus segments with sharp trade-offs to deliver on CVP profitably

2.2

Re-think marketing and shopping experiences to cater to evolving shopper journeys

2.3

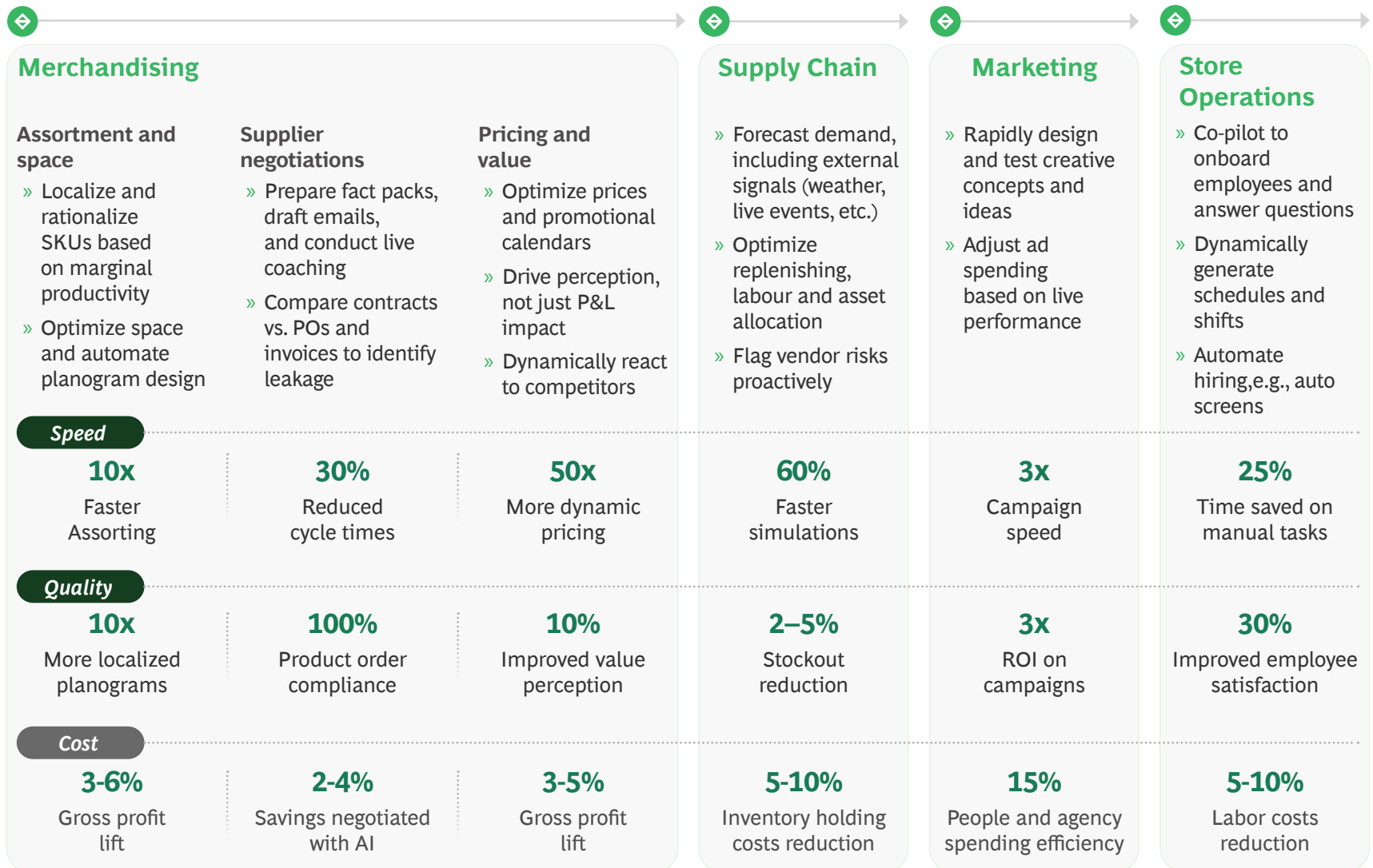Drive end-to-end AI-led functional transformation and capability reset

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Image generated using ChatGPT

Agents and AI are transforming core functions end to end
Radical gains in speed, quality, and cost

Merchandising

Assortment and space
- » Localize and rationalize SKUs based on marginal productivity
- » Optimize space and automate planogram design

Supplier negotiations
- » Prepare fact packs, draft emails, and conduct live coaching
- » Compare contracts vs. POs and invoices to identify leakage

Pricing and value
- » Optimize prices and promotional calendars
- » Drive perception, not just P&L impact
- » Dynamically react to competitors

Supply Chain
- » Forecast demand, including external signals (weather, live events, etc.)
- » Optimize replenishing, labour and asset allocation
- » Flag vendor risks proactively

Marketing
- » Rapidly design and test creative concepts and ideas
- » Adjust ad spending based on live performance

Store Operations
- » Co-pilot to onboard employees and answer questions
- » Dynamically generate schedules and shifts
- » Automate hiring, e.g., auto screens

	Merchandising			Supply Chain	Marketing	Store Operations
Speed	**10x** Faster Assorting	**30%** Reduced cycle times	**50x** More dynamic pricing	**60%** Faster simulations	**3x** Campaign speed	**25%** Time saved on manual tasks
Quality	**10x** More localized planograms	**100%** Product order compliance	**10%** Improved value perception	**2–5%** Stockout reduction	**3x** ROI on campaigns	**30%** Improved employee satisfaction
Cost	**3-6%** Gross profit lift	**2-4%** Savings negotiated with AI	**3-5%** Gross profit lift	**5-10%** Inventory holding costs reduction	**15%** People and agency spending efficiency	**5-10%** Labor costs reduction

Source: BCG project experience

Bold **functional transformation creates more value** vs incremental change

Efficiency unlock ···•

10-15%   **40-60%**

Today's functional models follow a use-case-led approach…

Siloed functions and sub-functions
GenAI layered as point tools with limited scale and agility

IT-led ownership of GenAI initiatives
Business teams remain downstream of decisions

Initiative and use-case driven transformation
Localized optimization and process enhancement without E2E redesign

Fragmented value realization
Limited productivity uplift

…while winning retailers are shifting to a function-led approach

Workflow orientation enabled by GenAI
GenAI-first model with E2E services and redefined process accountabilities

Function-led ownership of outcomes
GenAI embedded directly into how decisions are made

Function-level transformation
Rewired decision rights, roles, and processes

Structural value creation
Step-change productivity, lower cost-to-serve

This image is AI generated.
Image generated using ChatGPT

Success of AI transformation requires focus on people and operating model

Typical contribution to generate value from GenAI

10%
Business use cases powered by algorithms

» Business use case selection
» Algorithm selection and tuning

20%
Data and Technology

» Data as an asset
» Data management (architecture, governance, etc.)
» IT architecture, systems, tools and software
» User interfaces

70%
People and Operating Model

» Internal skills and capabilities
» Operating model
» Process re-design
» Ways of working
» Accountability and P&L impact
» Change management

Winning with AI demands a ground-up redesign of talent and operating model...

Future with GenAI → | **Illustrative Examples** →

Talent and Skills

🔧 **Changing skillset requirements**	» Existing roles will evolve into new AI-based roles demanding strong GenAI fluency	Dynamic category strategists refining categories and pricing with predictive AI using GenAI-based forecasting and reporting
✋ **Training and upskilling**	» Continuous, role-based upskilling and capability building	Focused sessions on GenAI use-cases, simulations, and prompt design, anchored in domain expertise

Organization and Operating Model

🏛 **Revamped organization structure**	» Flatter org structure with GenAI embedded across core workflows	Senior members leading strategy with GenAI leveraged for trend capture, insight synthesis, and creating in-house content
⟳ **Process redesign**	» E2E redesign for leaner workflows, reducing admin tasks and emphasizing strategic work	Data integration via custom GPTs, automated analysis, and AI-driven reports

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CULTURE AND CHANGE | **GOVERNANCE AND STEERING**

KEY ENABLERS

🔀 **Change Management** | 🌾 **Ways of Working** | 🏛 **AI Governance** | 🧠 **Accountability and P&L Impact**

...along with strong steering, change management & governance

AI first mindset and culture

» Anchor AI in enterprise purpose and strategy

» Foster a learning mindset and encourage experimentation and knowledge sharing

» Enable continuous upskilling as AI evolves

Leadership owned AI roadmap

» AI strategy and roadmap owned jointly by the executive team

» AI execution tightly linked to business value pools

» Leaders accountable for impact, adoption, and risk

Communication and change management

» Clarify how roles evolve and address any accountability and job concerns

» Role-model AI usage and coach teams through new ways of working

» Build trust through transparency and dialogue

(De)central governance for responsible AI

» Clear governance and escalation mechanisms in place

» Clearly defined roles and owners for AI behavior and compliance

» Responsible AI use integrated throughout the lifecycle

Merchant of the future is an orchestrator of agents

Illustrative

Example AI applications and impact

Negotiation agent

» Supplier prioritization and targeting
» Autonomous negotiations
» Invoice leakage detection

AI closes long-tail negotiations, delivering illustrative savings

Price and promotion agent

» Dynamic price adjustments
» Promotion calendar optimization
» Cross-lever orchestration

AI pricing engines grow sales and profit through customer-led pricing

Replenishment agent

» Store-SKU demand forecasting
» Dynamic inventory rebalancing
» Waste and stockout reduction

AI inventory management reduces food waste by 40%

Assortment agent

» Whitespace identification
» Store-level assortment localization
» Productivity-led planograms

AI curates assortment based on local customer needs

This image is AI generated.
Image generated using ChatGPT

Source: Public disclosures; Company Websites; BCG analysis

03

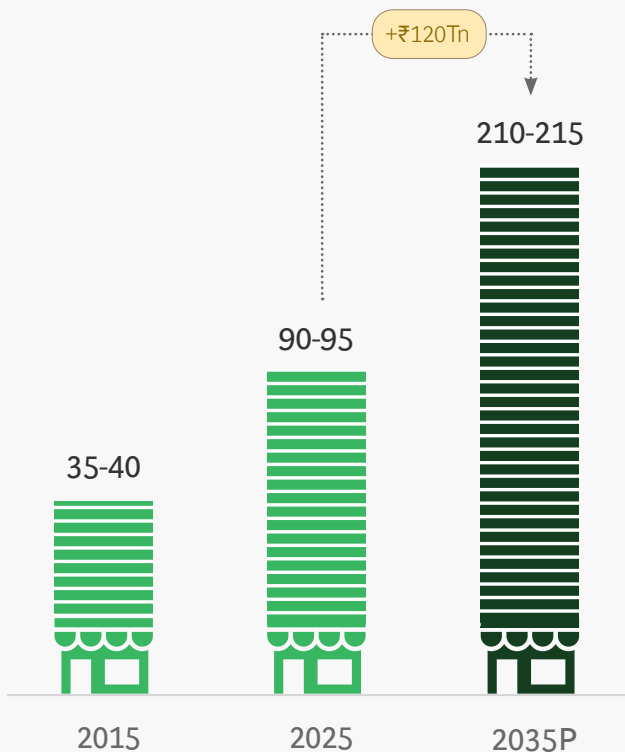# Imperatives for **Retailers**

This image is AI generated.
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Multiple pockets of demand available to capture as retail market approaches ₹200Tn by 2035

India retail market size (₹Tn)[1]

+₹120Tn

2015: 35-40
2025: 90-95
2035P: 210-215

Affluents and aspirers[2] remain the backbone of retail growth
55%+ — Share of consumption growth by affluent+

Tier 2–4 cities drive the next wave of growth, as urbanization gains scale
30%+ — Contribution of growth from Tier 2-4 cities

GenZ is a powerful and growing force in India's retail story
~₹180Tn — GenZ consumer spending by 2035

Large, under-served cohorts continue to expand retail market
~₹60Tn — Consumption by mature customers in 2025

Traditional trade anchors consumption, as Q-commerce scales rapidly
~₹3-4Tn — Size of quick commerce in India by 2030

1. Retail market size includes size of categories like grocery, electronics, fashion, jewelry. All years referred represent calendar year
2. Affluents: Consumers with annual gross household income between INR10-20 lacs; Aspirers: Consumers with annual gross household income between INR5-10 lacs
Source: Euromonitor; BCG analysis

Five winning imperatives for the "retailer of the future"

01

Make explicit choices on "where to play" and realign the business choices making hard trade-offs

02

Reorient propositions around online-first urban premium journeys to sustain advantage

03

Embrace AI to power agent-led experiences and redesign core functions for advantage

04

Rebuild talent, governance, and ways of working as AI reshapes roles, rules and accountability

05

Embed AI into discovery, consideration, and purchase as the shopper journey gets redefined

Retail leaders confident about **the opportunity and aligned** to winning codes

Winners will embed technology across the business – front end, back end, store operations, customer care and finance.

Subhash Chandra
MD, Sangeetha Gadgets

There is enough opportunity to succeed, but not by trying to be everything for everyone… Make explicit choices on "where to play" and realign around those choices.

P Venkatesalu
MD and CEO, Trent

Retailers today need to have clear distinct focus on brand proposition, adopt tech to be with the curve and drive efficiency in cost control.

Siddharth Bindra
MD, BIBA Fashion

AI is evolving daily and will not be a choice in 6-months time...eventually differentiating between winners and losers.

Farah Malik Bhanji
MD, Metro Brands

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