



Executive
Perspectives

AI-First Companies Win the Future

Consumer Products

July 2025

Introduction

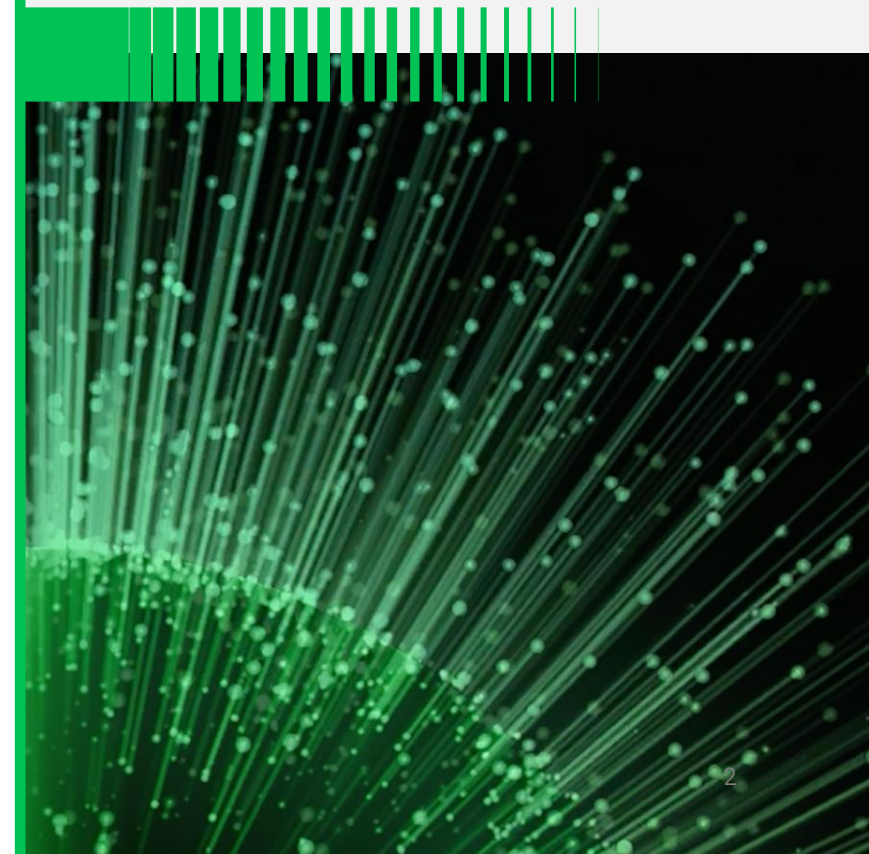
We meet often with CEOs to discuss AI – a topic that is both captivating *and* rapidly changing. After working with over 2,000 clients in the past 2+ years, we are sharing our most recent learnings in a new series designed to help CEOs navigate AI. With most sectors going through major shifts, the focus in 2025 is on how to leverage predictive, generative, and agentic AI to **fully transform organizations and create new sources of competitive advantage.**

In this edition, we discuss the future of consumer products, and the role AI will play in turbocharging growth. We address key questions on the minds of CP executives:

- How can I leverage AI to win with the new economic equation?
- What does an AI-first enterprise look like?
- What are sector leaders doing differently, and how are they using AI solutions to accelerate their transformation?
- How do I get started...and how do I get this right?

This document is a guide for CP executives to cut through the hype around AI and understand what creates value now and in the future.

**In this BCG
Executive Perspective,
we articulate the vision
and value of the future
of consumer products
with AI**



Executive summary | Future of consumer product companies with E2E AI transformation

WHY

now is the right time to act

- Accelerating AI capabilities – including agentic AI – can create **up to 800bps of value for CP companies** and help build organizations that are more innovative, more resilient, and more relevant
- **Opting out is not a possibility** as the CP ecosystem is evolving – consumers and customers are adopting AI rapidly
- In the medium term, AI will **reshape P&Ls**, change organizations' **workforce and operating model shapes**, and **shift the consumer journey and competitive advantage** by lowering scale effects and increasing brand value and market access

WHAT

an AI-first organization looks like

- AI leaders are **focusing on competitive essentials** and **reshaping end-to-end functions and workflows**, such as through:
 - **Research and innovation** – augmented concept drafting, in silico formulation, documentation automation
 - **Brand building and consumer activation** – augmented insights and creativity, automated production and activation workflow, marketing ROI prediction and simulation
 - **Commercial execution** – augmented and virtual sellers, automated support
 - **Planning and performance management** – AI-based planning, reporting, and performance analysis
- Leaders also invest in **inventing new consumer experiences and services** by leveraging **agentic AI systems** – positioning their brands to win the AI-first product discovery and shopping journey

HOW

to start the journey to transform into an AI-first org

Five common roadblocks in CP need to be actively lifted:

- **Governance** – moving from bottom up and tech-led effort to a more centralized, business driven set of priorities
- **Talent and skills** – investment in key internal capabilities to steer partner ecosystem, creating an AI-first mindset
- **Data** – synchronization of data remediation efforts with business priorities and elevating data quality as a core imperative
- **Tech ecosystem** – de-coupling AI efforts from the necessary evolution of a fragmented landscape of core applications
- **Financial resources** – creating space for risk taking and incentives to broad scale-up and adoption across BUs and markets

Consumer sector is undergoing major changes in 2025



Economic uncertainty

- While the economy continues to avoid a recession, **consumer sentiment remains cautious amid ongoing uncertainty** and **years of price taking**



Spending shift across categories

- **Mass consumers are under stress**, fed up with price hikes, seeking value and trade-down
- **Volumes are declining** due to less discretionary consumption and increased away-from-home eating
- **Small growth is occurring in premium ranges** as income bifurcation re-emerges



Blurring of sales channels

- **Distribution channels continue to blur** as online/omni grows and retailers adjust assortments across price segments



Rise of GLP-1s

- In the US, **GLP-1 patients are reporting an all-around consumption reduction** with material shifts in food and beverage spending



Supply chain volatility

- Macroeconomic and geopolitical changes **require continued investments in supply chain resilience** to build flexibility and responsiveness

Advances in AI are accelerating, creating new opportunities for CP companies

In the past 5 years...

Prediction and simulation models have become mature, optimizing decisions in revenue management, marketing, and supply chain

Generative AI models have improved worker productivity through better knowledge retrieval and content drafting

In the past 12 months...

AI agents have unlocked end-to-end automation of full workflows

Automated video creation has become highly realistic, disrupting content production

Voicebots have become indistinguishable from humans, opening the possibility for AI-based interactions

In the next 3 years...

Improved AI reasoning capabilities could allow AI to solve complex business problems or discover breakthrough innovation

Physical AI could step-change robotics and manufacturing productivity

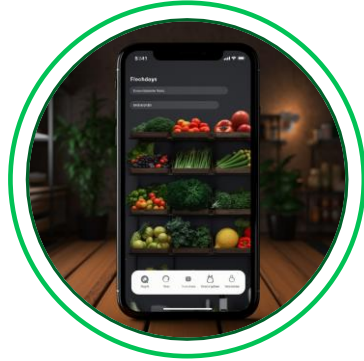
Agentic AI will continue to reset consumer journeys, transforming how shoppers discover and buy products

CP companies cannot opt out of AI as players along the value chain are embracing it



Consumers

The consumer **journey is rapidly changing** – 20% of decisions are influenced by LLMs; agentic AI is redefining how consumers discover, evaluate, and purchase products



Retailers

Retailers are **investing heavily in AI capabilities** for merchandising, procurement, pricing and promo – need to be equipped to have meaningful engagement



Competitors

AI leaders in CP are **widening the gap** – 20% of players with at-scale impact in some functions, while investing more and yielding higher results – **reinforcing the flywheel**



Employees

Battle for talent will require adaptation to provide the best working environment – strong expectation for an **AI-augmented workplace**

AI-first CP companies will look drastically different from companies today



Faster

2x faster from insight to in-market products, leveraging automation in innovation, R&D, operations, marketing and sales



More relevant

For consumers, with AI-augmented content and tailored agentic and AI-driven experiences
For customers, with AI-generated value creation plans and outlet-level recommendations



More innovative

Exploring a **2x larger innovation space and zeroing-in on ideas likeliest to succeed**, leveraging consumer insight and AI-based simulation



More resilient

Dynamically adjusting end-to-end resource allocation (commercial investment, pricing, inventory, capacity) to predicted evolution of market conditions



Leaner

30-50% productivity gains enabling workforce to focus on strategic work and unlock resources for **new AI-native roles** that will emerge

Illustrative examples

FMCG

Marketing processes reduced from **months to weeks**

3x faster time from insights to concept, higher quality

Beverages

30% improvement in engagement through **AI-first content**

2-3pts sales uplift per outlet with **PoS-level recommendations**

Multi-category

2x improvement in identifying optimal formulation starting points for new products

Multi-category

15% increase in marketing ROI

2pts EBIT impact from AI-based net revenue mgmt.

+10pts forecast accuracy

Consumer Health

15% FTE reduction and **40% time saved** in marketing and R&D functions with agentic automation

AI will reshape the winning playbook for CP companies as key foundations – from P&L to competitive advantage – begin to shift



Reshaped P&L model

- Releasing 500-800bps of value, reinvested in brand and consumer access
- Reducing white collar spending by 20-30%, and increasing tech spending by 50-100%



Evolved workforce and operating model

- Collapsing roles and de-siloed processes – rise of multi-skilled, smaller teams of humans and agents; lower value of siloed expertise
- Top talent role focus on judgment, strategy, and human-agent collaboration
- Thinning intermediary layers (e.g. regional); 30% less people for same output



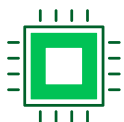
Agentic-AI driven sales and CX

- Collapsing consumer funnel with shopping agents, from discovery to purchase
- Personal AI agents interacting with CP employees on behalf of consumers
- Direct consumer connections as cost of advisory goes from dollars to cents



Changing sources of competitive advantage

- Growing value of brand trust, consumer access, IP and data, ability to attract and grow AI-augmented talent
- Team scale, premium content production, and concentrated expertise losing their edge as competitive differentiators



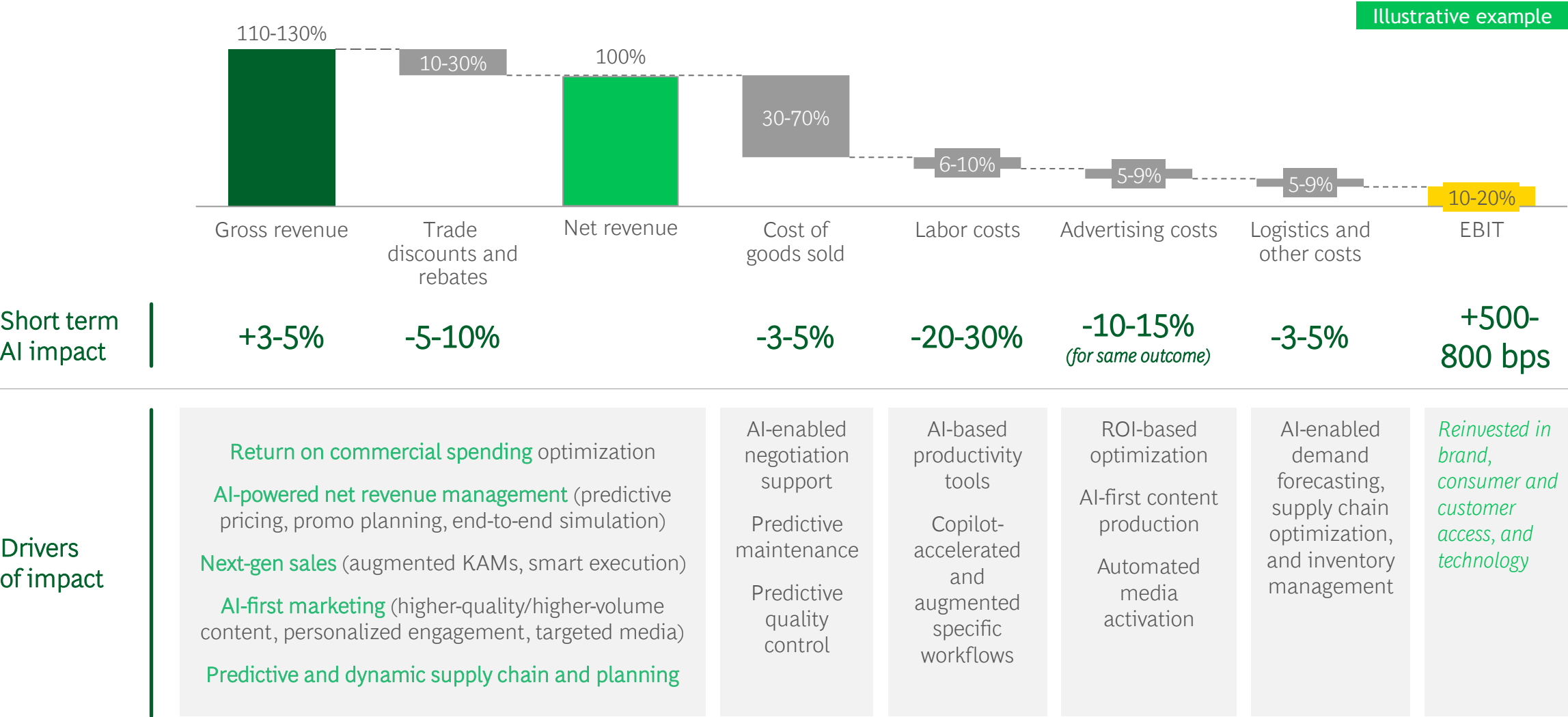
Revisited tech governance

- Enterprise-wide AI platforms and agent ecosystems are maintained by IT
- Business units are given autonomy to own and deploy AI solutions with increased speed and independence



Deep-dive to follow

Reshaped P&L model | Full potential of GenAI for CP companies up to 500-800bps – to be reinvested in brand, consumer access and technology



Source: BCG analysis

Evolved workforce & operating model | GenAI Is transforming org models, talent, and team structures across CP companies



Organizational structure

Flatter, leaner organizations with fewer regional or intermediary layers, enabling faster decision-making and greater agility



Talent

Shift from deep specialists to multi-skilled generalists, with fewer management layers and greater focus on adaptability and AI fluency



Team structure

Integrated, cross-functional teams that blend human expertise with agentic AI, enabling more collaborative and dynamic execution



As AI drives productivity and concentrates expertise, CP companies must **accelerate upskilling** to meet **rising demands for tech fluency** in core roles and talent

Agentic-AI driven sales and CX | Agentic AI is dramatically changing the online customer journey



Discovery

How It Used to Work...

Consumers discover, search, or browse manually (influencers, ads, brand website...)

How It Works Now...

LLMs pull from trusted sources and answer customers directly



Research and Comparison

Consumers read reviews, watch tutorials, check specs

Agents summarize reviews and compare options based on consumer preferences



Selection and Purchase

Consumers decide based on emotion + brand + info; transact offline and online

Agents recommend products and prices based on logic and value; directly shop on behalf of consumer

AI will impact **every step of the consumer journey** – requiring CP companies to rethink their brand-building playbook

CP AI leaders are investing in all three strategic plays to maximize value

Focus of this document

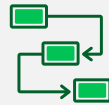


Deploy

Embed AI in the day to day, delivering diffuse productivity (10-15%) and reducing the need for additional hires and daily operating friction

Examples of 'Deploy'

- Knowledge search
- Office productivity
- Meeting summary
- Automated reporting and dashboarding



Reshape

Transform end-to-end processes and functions for radical gains (30-50%+) in speed, quality, and cost

Examples of "reshape"

- Research and innovation
- Operations and supply chain
- Brand building and consumer activation
- Customer engagement and field execution
- Planning and performance management



Invent

Launch consumer-facing offerings that unlock new experiences and revenue opportunities

Examples of "invent"

- Virtual advisors
- Personalized products and experiences
- eB2B platform (including AI-based recommendations to outlets)
- AI-based consumer services (e.g., planning, booking)
- Proprietary data monetization (to customers and suppliers)



End-to-end transformation across all 3 plays

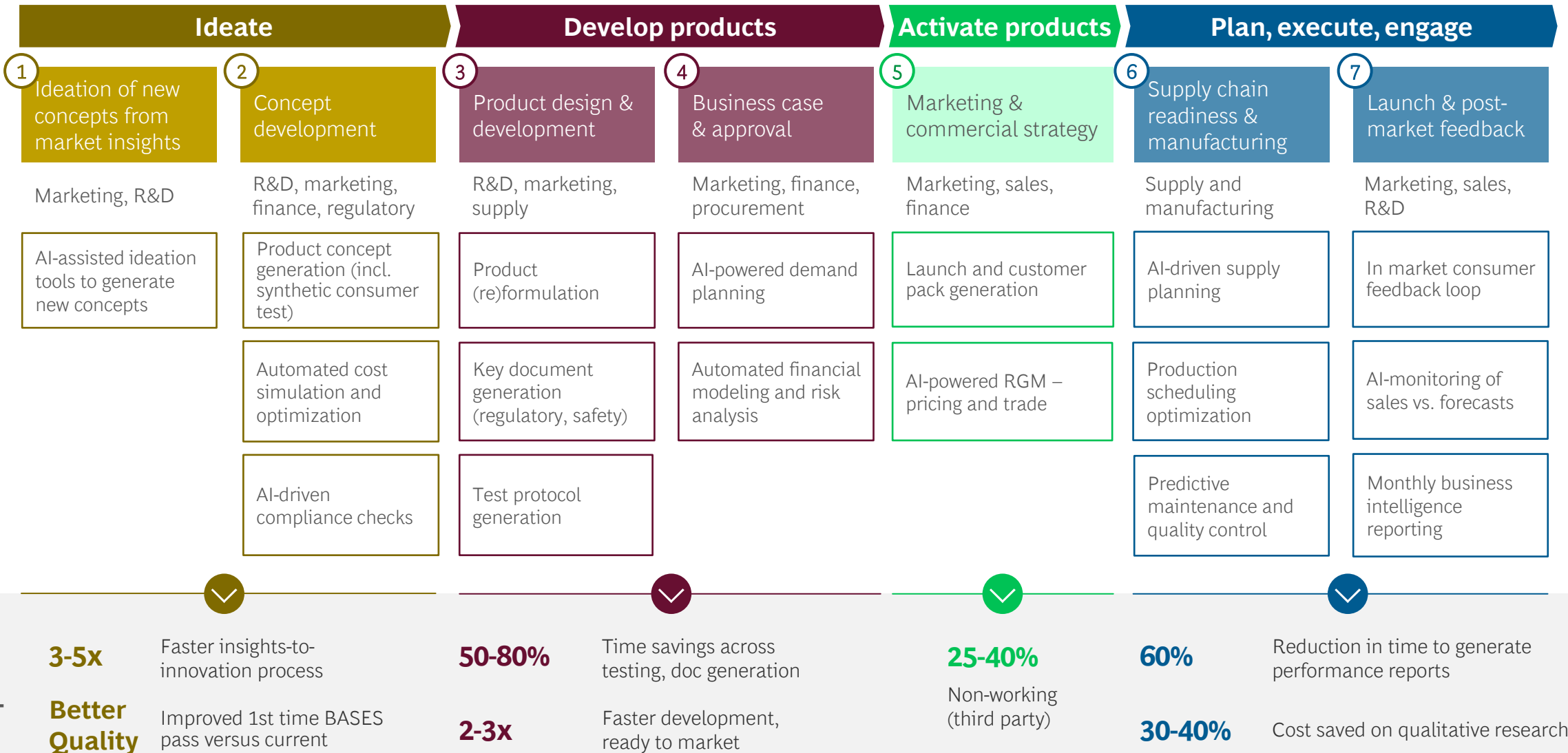


Combine multiple AI initiatives for an end-to-end transformation

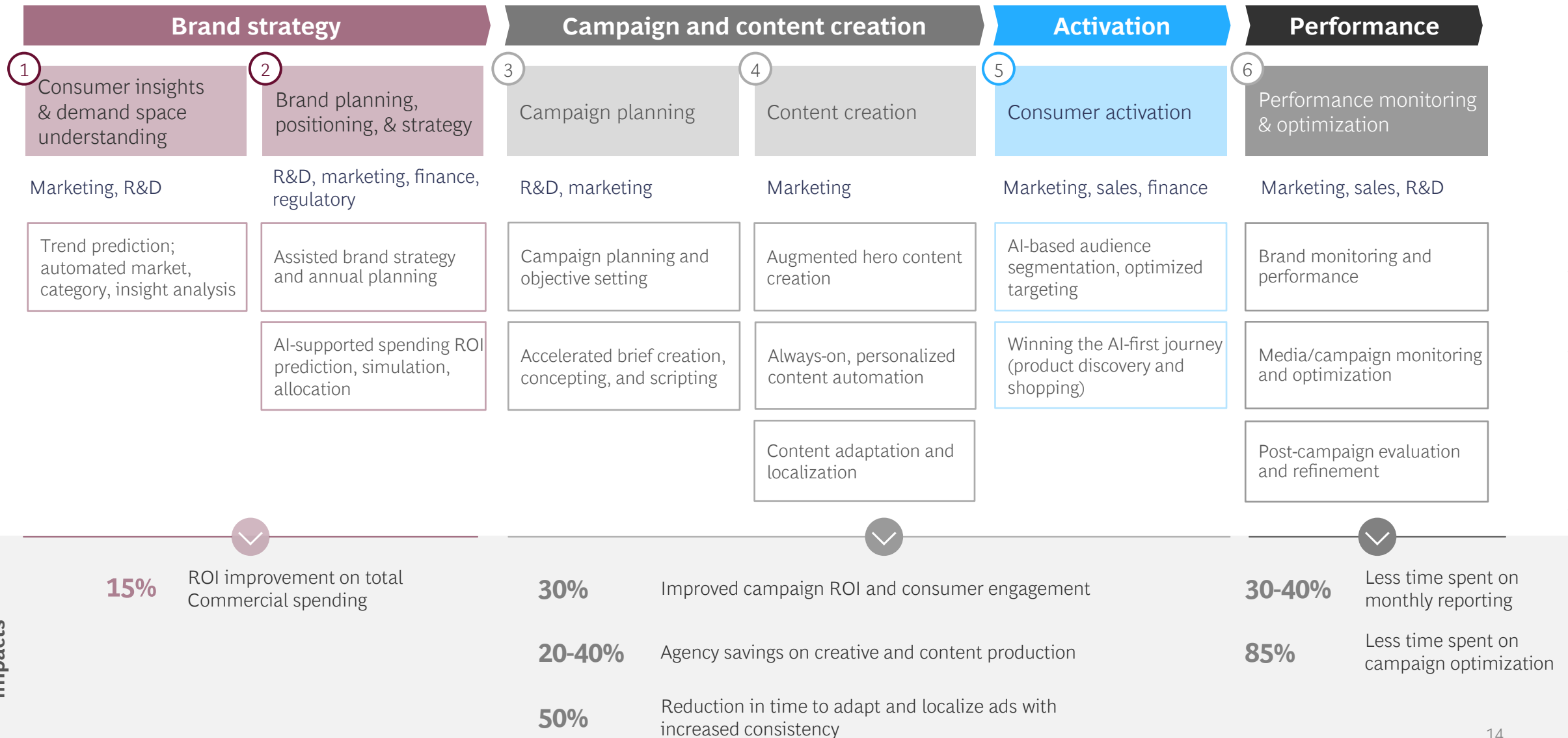


Scale from functional transformation to company-wide transformation

RESHAPE | AI-first model supports innovation across the product lifecycle



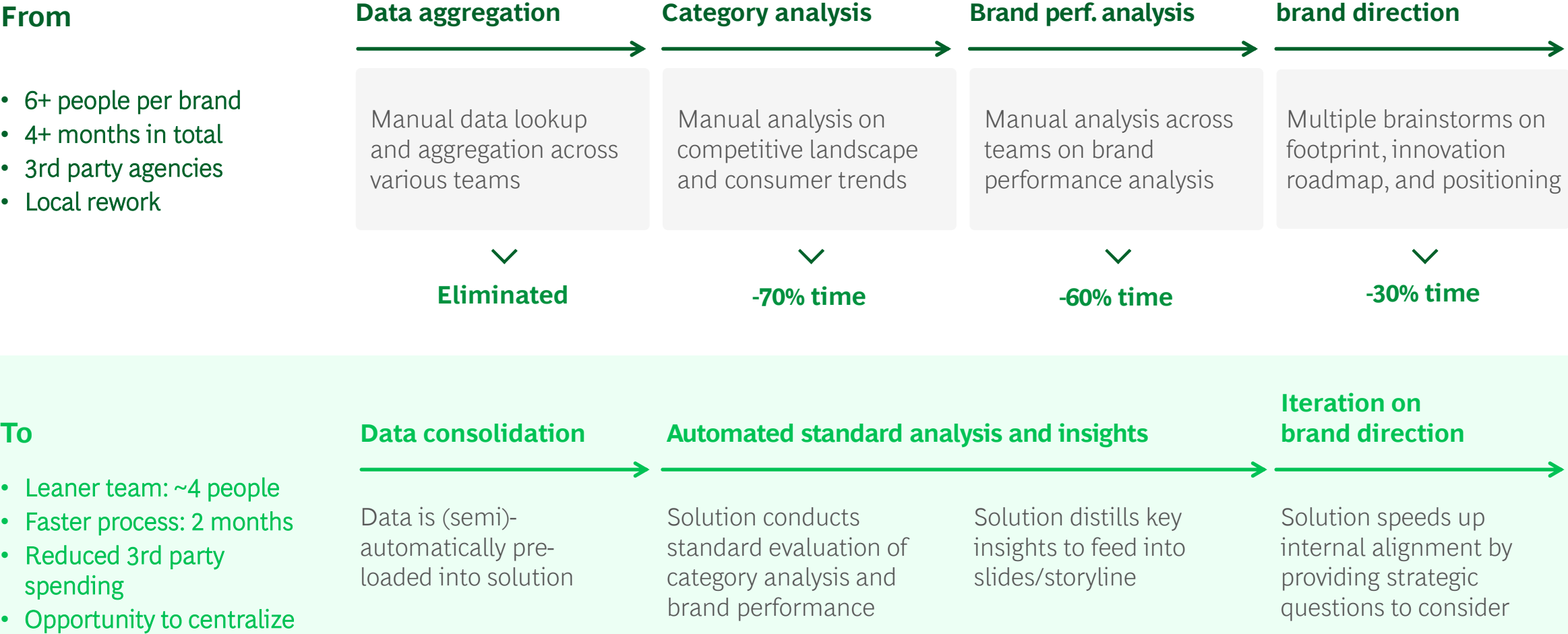
RESHAPE | Firms can accelerate brand growth through AI-first strategy



Deep dive illustration | CP company reshapes its brand strategy review process using AI



E.g. Brand strategy review process



INVENT | True AI-enabled innovation can unlock new revenue growth



New consumer experiences

Hyper-personalized experiences driving greater loyalty, engagement, and brand advocacy

88% of companies are developing new consumer value propositions

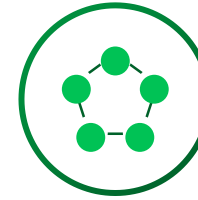
52% are identifying new target customers



New line of products

Data-driven, dynamic product development, leveraging insights to drive faster time to market

64% of companies are developing new products or services



New business models

Enhanced consumer value, optimized retail engagement, and **new revenue streams unlocked**

46% of companies are developing new pricing/cost structures

Example

A beauty and personal care company developed a beauty assistant with a GenAI knowledge base to deliver personalized recommendations and 24/7 support, as well as to boost consumer engagement.

Deep dive to follow

A multinational CP company collaborated with a food-tech startup to develop a line of vegan products using AI, optimizing for taste, texture, and overall eating experience

A global CP company utilized AI-powered freezers that analyze sales data and optimize product placement, increasing retail orders and boosting sales by up to 30%

Deep dive illustration | AI-powered beauty chat reinvents the consumer experience



Reimagined experience

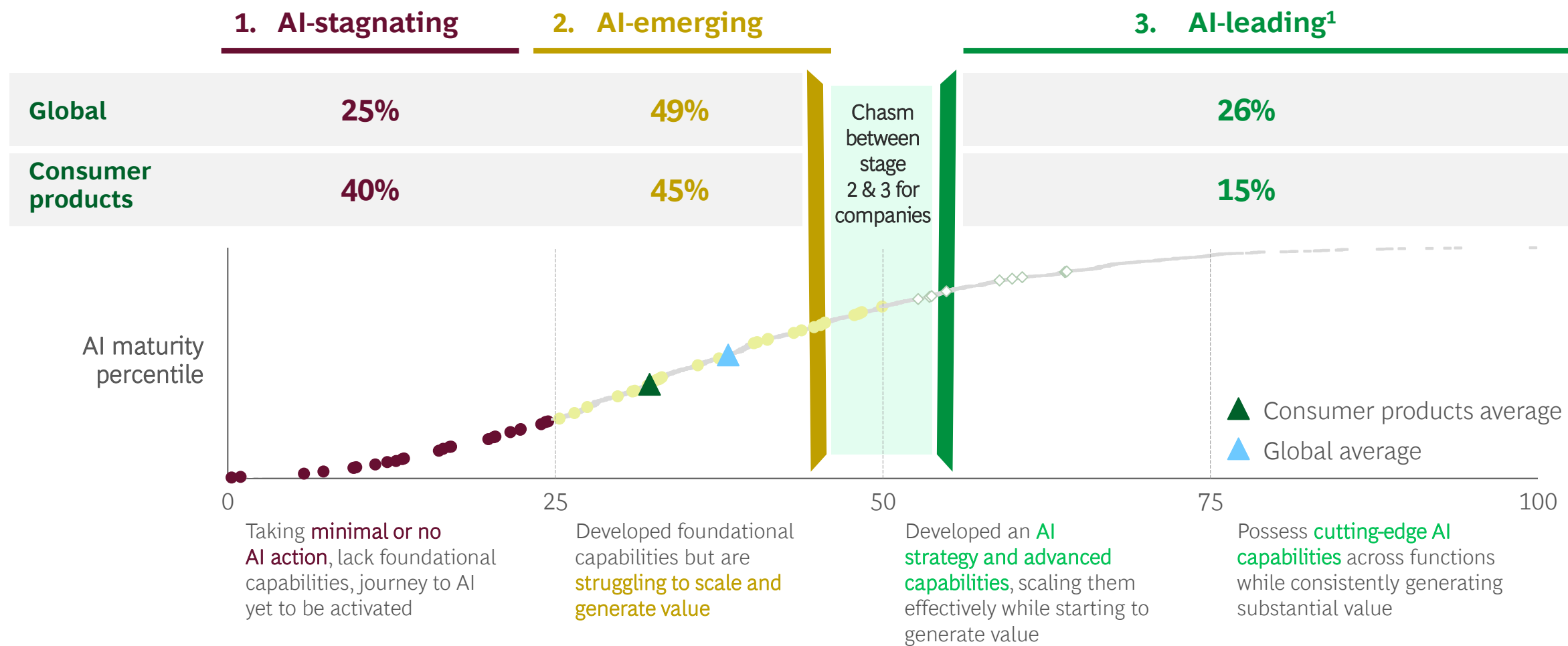
- Beauty Genius, a 24/7 GenAI assistant, **goes beyond traditional chatbots**, delivering AI-powered beauty recommendations as a first-of-its-kind virtual gateway for consumers
- Provides a **hyper-personalized beauty experience** leveraging L'Oréal's proprietary knowledge
- Offers **customized diagnostics and routines, tailored recommendations** from 750+ L'Oréal products, **curated educational resources**, and answers to user questions

Impact unlocked

- Enables a **cost-efficient, always-on, direct-to-consumer touchpoint**, making assisted sales scalable for mass brands
- Replicates the **beauty advisor sales model at a fraction of the cost** of human advisors
- **Engages new customer segments**, including those who prefer AI-driven guidance over human advisors (e.g., for sensitive health topics)
- **Unlocks data that was previously inaccessible** (e.g., implicit consumer sentiment expressed through chat), driving deeper insights and personalization



CP companies are behind the curve on AI maturity, with only 15% achieving real impact



Source: BCG Build for the Future 2024 Global Study (merged with DAI); n=65 consumer product; n=1,000 global
Note: Based on 30 relative importance-weighted AI-specific foundational capabilities derived by regressing 53 BFF capabilities against AI value generation.
1. "AI-leading" include AI future-built and AI scaling companies

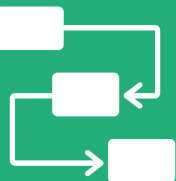
AI leaders share common threads and key success factors



Align with enterprise strategy, focus on few bets

Leading with competitive essentials (key sources of advantage that AI can augment) and aligning enterprise and AI strategic agendas

Focusing on few opportunities, primarily critical business functions (e.g., innovation, marketing), new services, and consumer experiences



Start from outcomes, transform end-to-end

Starting from target outcomes rather than existing processes, and transforming end to end using predictive, generative, and agentic AI

Applying the 10/20/70 principle: 10% of effort on algorithms, 20% on tech and data, 70% on people and processes







Set up the right governance, build foundations in parallel with value






Putting business in the lead, enabling scale through centralized tech platforms, and managing the effort as a transformation with robust value tracking

Building core capabilities, including data, tech backbone, RAI guardrails, and AI talent – anchored in business priorities and prioritizing value over structure

CP illustrations | These leaders are taking steps toward an AI-first vision

		Illustration 1 (\$20B, FMCG)	Illustration 2 (\$30B, Beauty)	Illustration 3 (\$10B, Beverages)
	Strategic focus	<ul style="list-style-type: none"> Used AI to streamline the org, reduce SG&A by 200bps, and reinvest in growth 	<ul style="list-style-type: none"> Reinforced innovation superiority, speed to market, and impact of consumer activation to fight against niche brands 	<ul style="list-style-type: none"> Unlocked brand portfolio value by building an enterprise platform that simplified decision making for markets
	End-to-end transformations	<ul style="list-style-type: none"> Started with marketing, analyzing 300 outcomes, prioritizing 20 to reshape Redesigned teams and workflows, scaled to 10 markets, and expanded into R&D and other functions 	<ul style="list-style-type: none"> Focused on these areas: R&I (simulation, task automation), marketing (resource allocation, content, media), and consumer experience (virtual assistants) 	<ul style="list-style-type: none"> Transformed commercial decision-making across marketing (ROI simulation and resource allocation), revenue management, and field force deployment
	Governance and foundations	<ul style="list-style-type: none"> Led by global functions (marketing, R&D), orchestrated by tech Value delivery office - tech & finance 50 FTE central platform team to support solution build & deployment 	<ul style="list-style-type: none"> Global function leads (R&I, Marketing) led impact delivery Central AI acceleration team enabled solution deployment 	<ul style="list-style-type: none"> Led by the chief growth officer, backed by a dedicated AI acceleration team 150 FTE global team, integrated across functional expertise and tech
	Impact delivered	<ul style="list-style-type: none"> 15% FTE savings through automation 3x faster concept generation 40% time saved, 30% higher quality of outcomes on average 	<ul style="list-style-type: none"> 10-15% total marketing ROI improvement 50-70% automation of repetitive tasks 2x engagement uplift 	<ul style="list-style-type: none"> Delivered 200bps EBIT gain, with 15% lift in marketing ROI and 2- to 3-pt sales uplift Scaled solutions to cover 80% of total revenue

Deep dive | Key foundations support the scale-up of AI efforts in CP companies

	Typical starting point	Key Characteristics of AI leaders
1.  Governance	Local entrepreneurship limiting ability to scale Bottom-up AI efforts	<ul style="list-style-type: none">• Clear priorities aligned across BUs/markets, centrally governed and resourced• AI delivery office tracking value, ensuring enterprise alignment
2.  Talent and Skills	Low AI education at all levels Limited internal AI talent , high degree of outsourcing	<ul style="list-style-type: none">• Broad, continuous AI upskilling for all levels• Proactive talent strategy to prepare for an AI-first org• Targeted talent acquisition to strengthen internal capabilities
3.  Data	Historic underinvestment in harmonization, quality ; broad efforts launched, with limited ROI	<ul style="list-style-type: none">• Data treated as strategic asset, with clear business owners to ensure data capture and quality• Focused remediation efforts, aligned with business initiatives
4.  Tech Ecosystem	Budgets/resources focused on large system migrations/renovations Highly fragmented app landscape	<ul style="list-style-type: none">• Global AI platform driving standards and reusable components• Modular architecture to accommodate local ecosystem• Decoupling of AI efforts and tech modernization
5.  Financial Resources	Limited mechanisms to support cross-BU/market innovation	<ul style="list-style-type: none">• Sanctuaried AI funding, aiming for 20% of total IT budget• Specific funding mechanisms derisking AI efforts for pilot markets/BUs

Journey | Typical steps toward large scale value delivery with AI



Underpin the transformation journey with **increasing investments in enterprise foundations** including core tech and data, people, and responsible AI

Getting started | Six steps for executives to set their company on an AI-first path

1.



Refocus strategic priorities – define what you’re solving for, which competitive advantages to strengthen, and which consumer and customer shifts to anticipate

2.



Align governance, resourcing, business and technology efforts to a few game changers – and preserve space for bottom-up innovation and experimentation

3.



Adapt tech strategy for agility – create optionality in choices of tech partners, decouple AI efforts from existing backbone modernization

4.



Set up a focused AI delivery office – anchor the AI program in a central delivery team connected to transformation and finance

5.



Anticipate medium-term impacts – plan for changes to org design, talent strategy, and competitive dynamics as AI scales

6.



Drive cultural change – shape new behaviors and mindsets through leadership posture and organization-wide upskilling

BCG experts | Key Consumer Products contacts for AI transformation

Americas



Yotam Ariav
Global Leader,
Consumer
Products



Julie Jefson
People & Org.



Allison Bailey
People & Org.



Shishir Pathak
Consumer
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Technology
Advantage



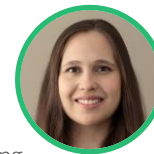
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Jeffrey Walters
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Tech & Digital



Olivier Bouffault
Operations



Henry Leon
Marketing,
Sales, & Pricing



Ben Shuttleworth
People & Org.



Alexander Duerloo
Consumer
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Jessica Apotheker
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