Perceptive Retail

The AI agenda for fashion, apparel, and home goods retailers

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Profitable growth leads the agenda—powered by experience, personalization, and operational resilience

The agenda for fashion, apparel and home goods retailers over the next 12–18 months reflects a dual mandate: deliver profitable growth while raising the bar on customer experience. Priorities cluster around commercial outcomes and differentiated engagement, but the operational "how" is nearly as clear. Leaders want greater supply chain agility, tighter inventory and working-capital discipline, and stronger data privacy and cybersecurity. Taken together, the pattern signals a sector aiming to win on the front end through better experiences and relevance, while hardening the back end so it can execute at speed, protect trust, and preserve margin in a volatile demand environment. The leaders won't choose between growth and operational control; they'll operationalize both.

Top mission-critical objectives

Out of this list, which are your top 3 mission-critical organizational objectives for the next 12-18 months? n=165 (Less frequent responses not shown.)

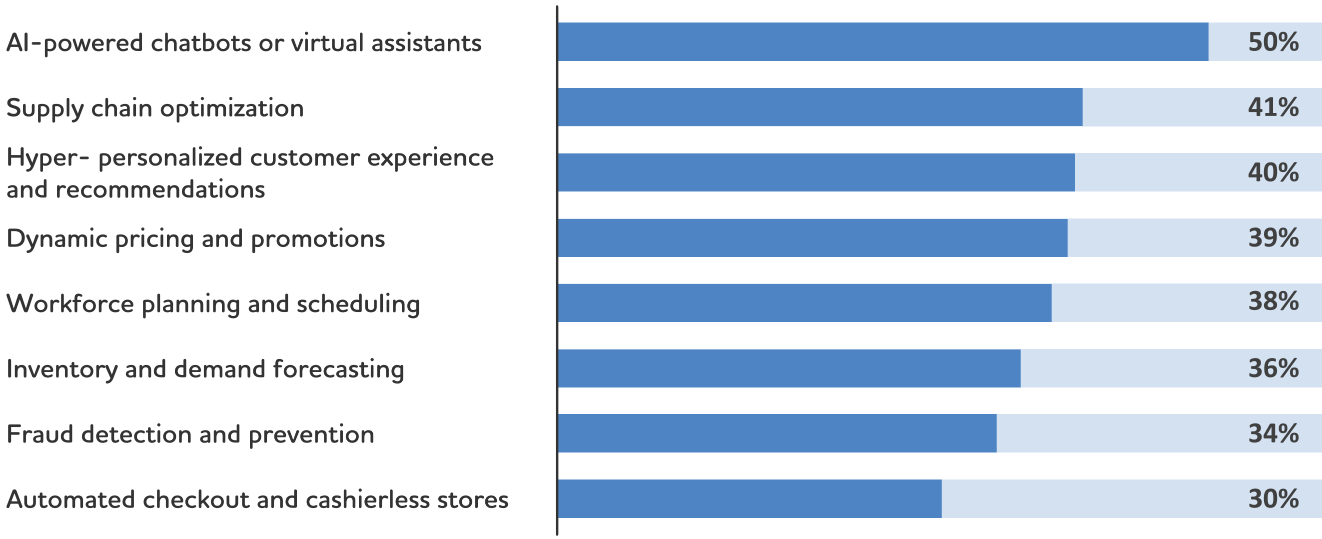
Of the 817 global retail executives surveyed for this study, 165 worked for fashion, apparel and home goods retailers. Some questions were asked only of respondents who selected specific priorities or challenges; base numbers are shown for each chart.

AI priorities balance assisted shopping with margin and execution discipline

Fashion retailers are prioritizing AI initiatives that improve the shopping journey while tightening execution behind the scenes. At the top of the list are AI-powered chatbots and virtual assistants, an indicator that customer interaction, guided discovery, and service automation are becoming core capabilities. Close behind are use cases that protect margin in a high-volatility category: supply chain optimization, dynamic pricing and promotions, workforce planning, and inventory and demand forecasting. The mix suggests that leaders are not treating AI as a single "experience" program or a single "efficiency" program; they are building a portfolio that connects demand signals to commercial decisions and coordinated response. The result is practical: help shoppers find what they want, then fulfill it reliably and profitably—even as assortments, demand, and costs shift.

Fashion industry Pacesetters are nearly twice as likely as Followers to prioritize automated checkout (37% vs 19%) and are more focused on inventory and demand forecasting (38% vs 26%)—signals that leaders are investing in both friction reduction and tighter sell-through control.

Top AI-led initiatives



What are the top AI-led initiatives currently being prioritized within your organization? n=165 (Less frequent responses not shown.)

Pacesetters vs. Followers

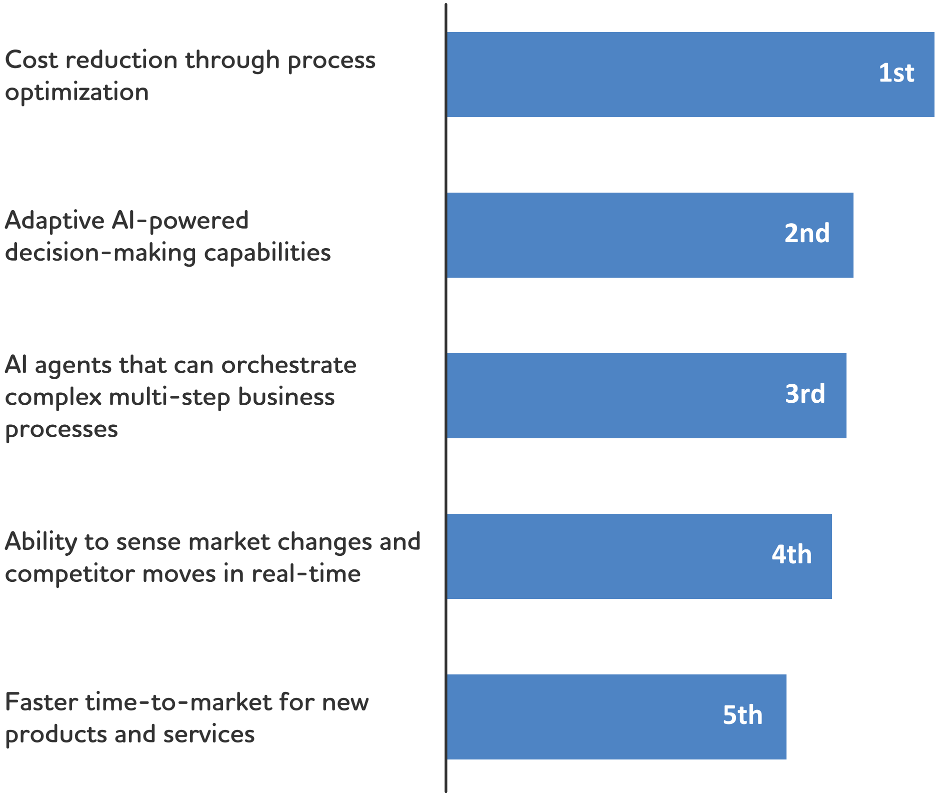
To understand how financially successful companies approach AI, technology, and transformation, the top-performing group in each subsector was categorized as Pacesetters based on a combination of revenue growth and profit growth over a three-year period. The lowest-performing group was categorized as Followers. Among fashion, apparel and home goods companies, Pacesetters account for 92 of the 165 companies surveyed; Followers account for 53

Fashion's capability agenda: optimize, automate, and adapt

Fashion retailers' capability priorities suggest a pragmatic definition of success: run tighter, decide faster, and execute more consistently across channels and functions. The highest-ranked capabilities emphasize cost and process discipline, but the list quickly moves beyond classic efficiency measures toward more intelligent ways of running the business. Retailers are prioritizing capabilities that improve decision quality and responsiveness, including using data and automation to anticipate demand shifts, optimize supply and inventory, and orchestrate complex multi-step processes. The pattern points to an agenda that connects sensing to action: standardize what can be standardized, and apply automation where it can remove friction and variability. In a category defined by fast cycles and volatile demand, these capabilities support faster time-to-market for new products and services and help build a repeatable engine for margin, availability, and speed.

Most critical capabilities for success

The top-ranked capabilities combine efficiency discipline with faster, data-driven decisioning.

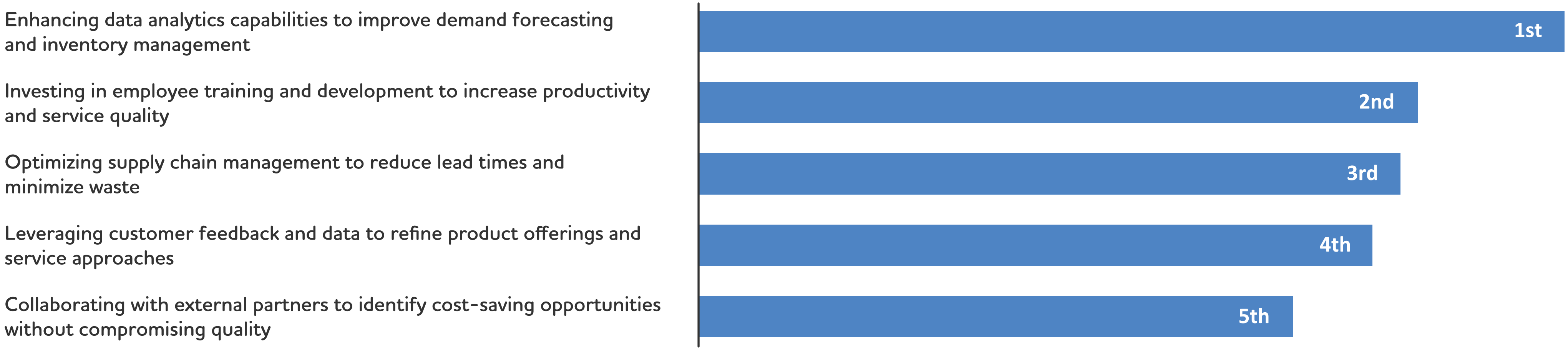


As market conditions become increasingly volatile which one of these capabilities is most critical for your organization's success? n=165 (Lower ranked capabilities not shown.)

Optimization priorities emphasize repeatability, speed, and margin control

Fashion retailers' top optimization approaches point to a clear sequence. The first moves focus on improving the fundamentals that drive day-to-day decisions: strengthening data and analytics to improve demand forecasting and inventory management, investing in employee training and development to raise productivity and service quality, and tightening supply chain management to reduce lead times and minimize waste. From there, the agenda shifts to scaling execution. Teams want to reduce manual effort, remove friction in handoffs, and apply automation where it can improve speed and reliability. For fashion retailers, this is not an abstract efficiency program. It is a practical response to volatility: faster turns, shorter cycles, and constant margin pressure. The message is that optimization is becoming the backbone for everything that follows, including AI adoption. Without clean data, capable teams, and clear accountability, automation does not scale. With them, it becomes a lever for speed and resilience.

Top approaches to optimize operations

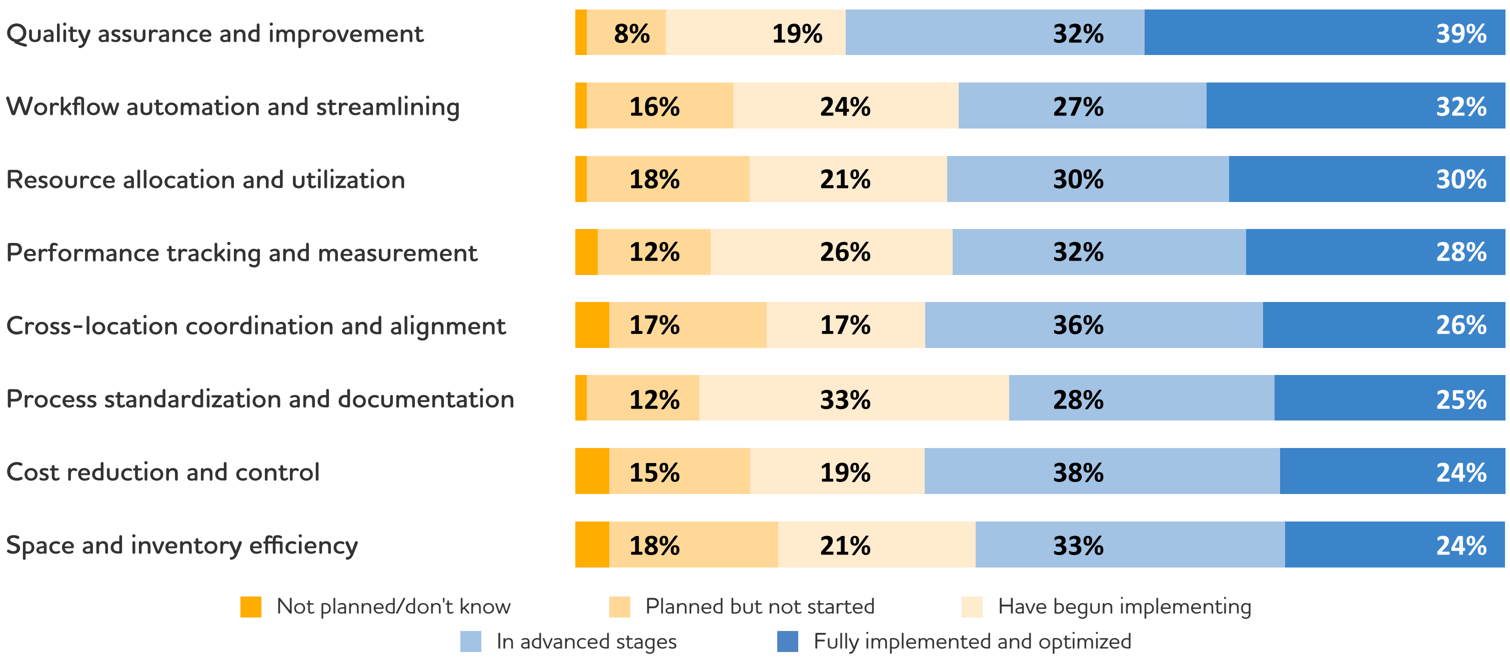


Rank the top three approaches most important for improving efficiency and reducing costs while maintaining (or enhancing) the quality of products and customer service.
n=165 (Lower ranked approaches not shown.)

Optimization moves into implementation, but unevenly across strategies

Fashion retailers are making measurable progress turning optimization priorities into day-to-day execution, but implementation is uneven across strategies. The most advanced efforts are those that can be standardized and governed, such as strengthening quality assurance, streamlining workflows, and using performance metrics to drive continuous improvement. Strategies that require deeper integration across data, systems, and teams tend to be earlier in the journey, especially when they depend on end-to-end visibility. The implication is practical: the path to scale is not to launch more initiatives, but to finish the fundamentals. Clear ownership, consistent ways of working, and reliable data make it easier to move from pilots to enterprise rollout. This also sets the conditions for AI to deliver sustained value, since automation performs best when processes are stable and outcomes are measurable.

Progress on optimization strategies

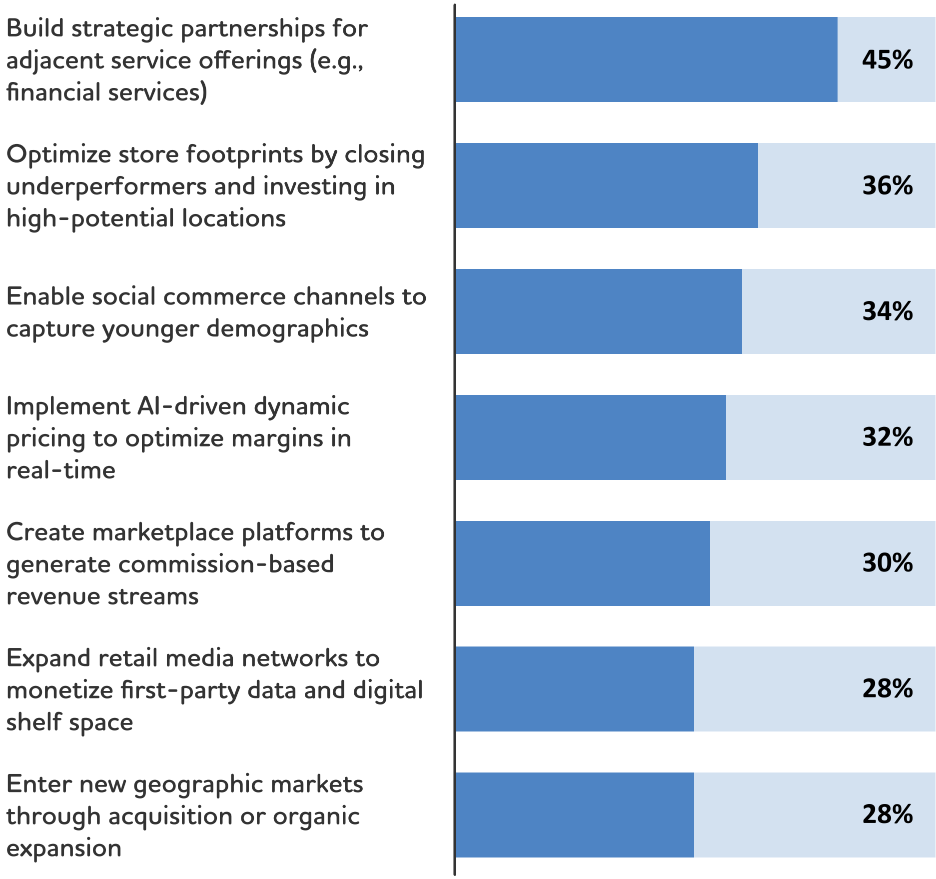


To what extent has your company implemented each of these strategies to optimize operations and reduce costs while maintaining or improving the effectiveness of merchandising, supply chain, marketing, and technology functions? n=165

- Implementation is strongest for strategies that can be standardized and measured
- Enterprise-wide rollout lags where strategies require cross-location coordination and process standardization

Profitable growth plans emphasize new channels and sharper execution

Top actions to drive profitable growth



Select up to 3 ways you plan to drive profitable growth. n=53 respondents selecting "driving profitable growth" as a mission-critical objective. (Less frequent responses not shown.)

Fashion retailers that prioritize profitable growth are pursuing a practical mix of expansion and efficiency. The most selected levers point to ways to capture demand while protecting margin, including partnerships and ecosystem plays, optimizing store and fulfillment footprints, and improving product and inventory decisions. The emphasis suggests that growth is not being treated as a single big bet. Instead, retailers are looking for multiple, reinforcing moves that can be executed in parallel: widen reach, reduce friction in the path to purchase, and improve sell-through and working-capital performance. For leaders, the differentiator is likely to be how well these moves are connected. Growth initiatives work best when they are tied to tighter planning cycles, better demand signals, and clear governance, so teams can respond quickly as consumer preferences and costs shift.

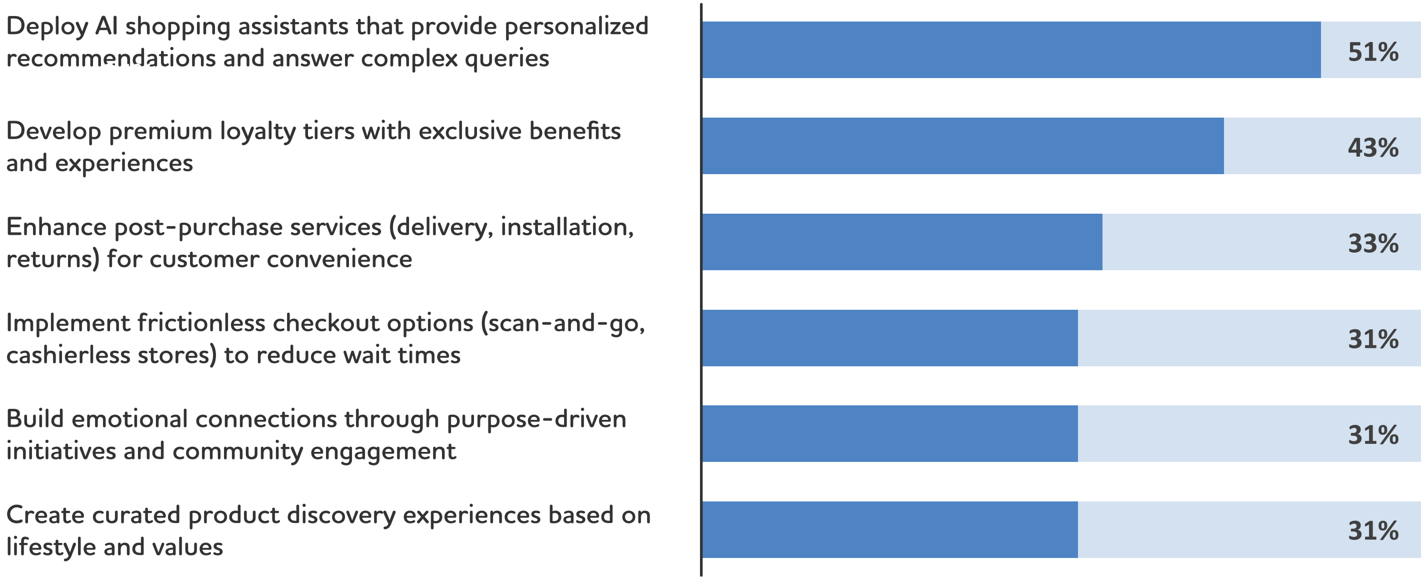
Among retailers selecting “driving profitable growth” as a mission-critical objective, Pacesetters and Followers take different approaches to profitable growth. Pacesetters are far more likely to prioritize AI-driven dynamic pricing (45% vs 11%). Pacesetters also lean more toward margin-structure plays such as private label (34% vs 16%) and subscriptions or memberships (28% vs 11%), which do not appear in the top seven for the fashion sector as a whole.

Followers, by contrast, place relatively greater emphasis on footprint reshaping and expansion moves, including partnerships for adjacent services (53% vs 41%), store footprint optimization (42% vs 28%), and entering new geographic markets (37% vs 24%).

Loyalty plans focus on making shopping more helpful, rewarding, and frictionless

Fashion retailers' customer experience and loyalty priorities point to a clear goal: earn repeat purchases by making shopping easier and more rewarding. The most common actions emphasize practical improvements that customers feel immediately, including assisted shopping, better service, and reduced friction in discovery and checkout. At the same time, the agenda suggests a push toward higher-value relationships, with loyalty experiences designed to differentiate the brand and increase retention, not just drive short-term promotions. Personalization reinforces this direction. Rather than treating personalization as a standalone initiative, many retailers are building the foundations that make loyalty and experience more relevant at scale, including richer customer profiles and more tailored interactions. (See the accompanying box below showing the top personalization and engagement actions fashion retailers plan to take.) The message is that loyalty depends on execution: consistent experiences across channels, better insight into customer intent, and the ability to act on that insight quickly.

Top actions to improve customer experience and loyalty



To what extent has your company implemented each of these strategies to optimize operations and reduce costs while maintaining or improving the effectiveness of merchandising, supply chain, marketing, and technology functions? n=165

Top personalization and engagement plans

51% Build comprehensive customer data platforms (CDPs) for 360-degree customer views

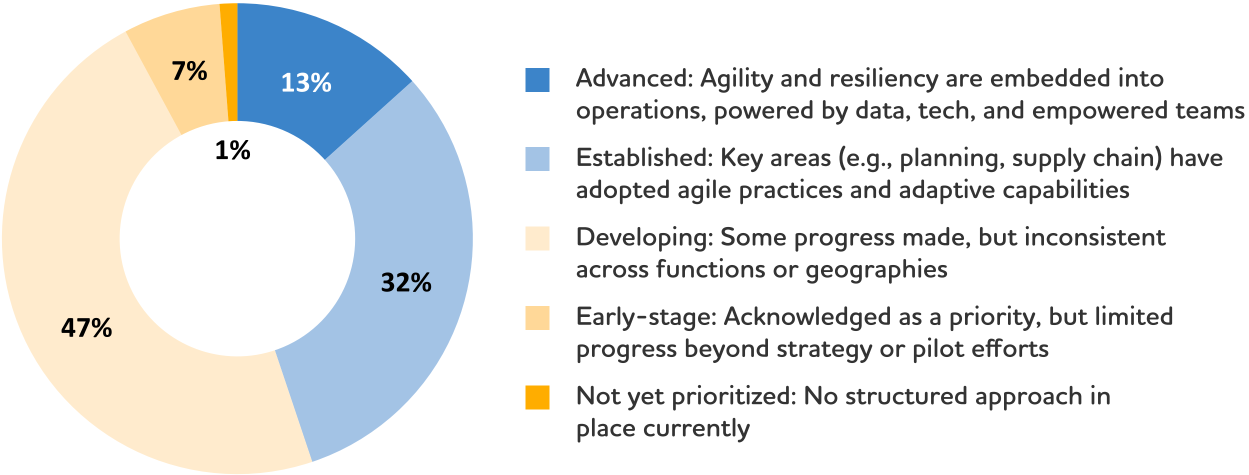
37% Develop personalized marketing campaigns using generative AI for content

Select up to 3 ways you plan to enhance personalization and customer engagement. n=43 respondents selecting "enhancing personalization and customer engagement" as a mission-critical objective. (Less frequent responses not shown.)

Agility maturity is improving, but readiness is still developing

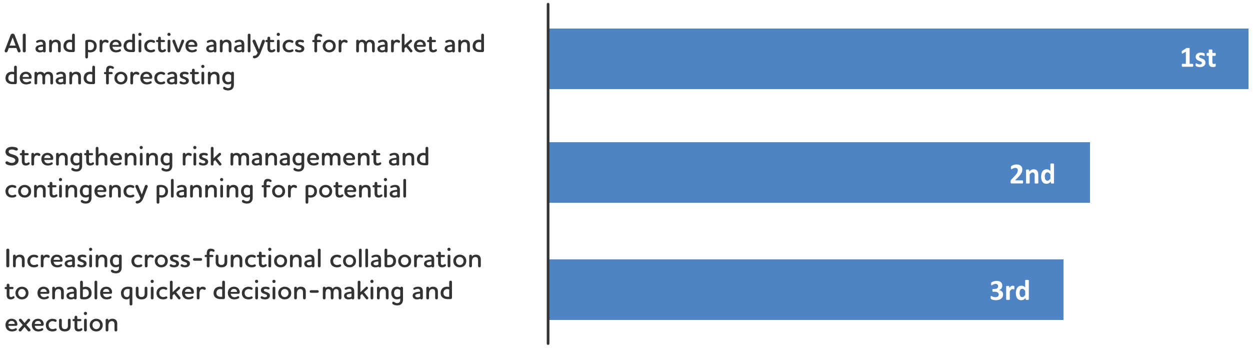
Fashion retailers describe agility and resilience maturity as still developing. Many organizations report making progress, but fewer indicate they have reached an advanced level of readiness across the business. That gap matters because resilience in fashion retail depends on speed: sensing changes in demand and supply, deciding quickly, and executing consistently across merchandising, supply chain, and channels. When maturity is still developing, the most effective response is to focus on the priorities that reduce risk and protect performance. The resilience priorities retailers rank highest point to where they want to strengthen the business first, whether that means improving visibility and forecasting, strengthening risk management and contingency planning, or improving cross-functional collaboration so teams can decide and act faster. Together, the two views show a practical picture: readiness is still being built, but the direction of investment is becoming more specific.

Overall agility and resiliency maturity



How would you rate your organization's overall agility and resiliency maturity? n=165

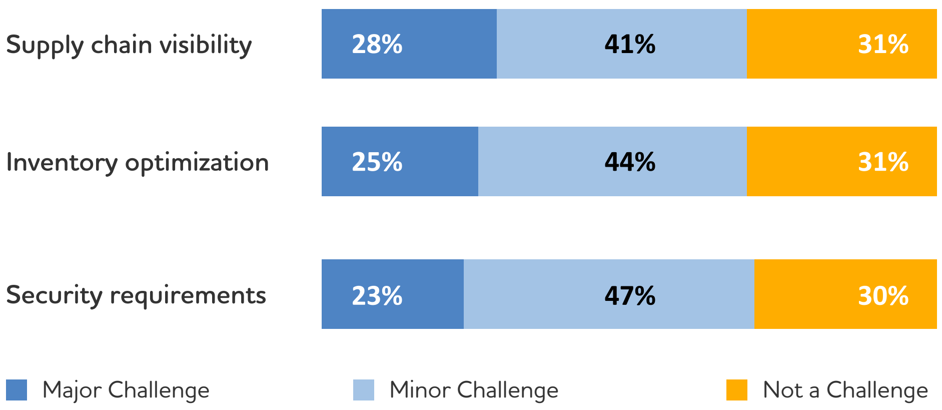
Top resilience priorities



Rank the top three priorities most critical for increasing agility and resiliency to meet rapidly changing market conditions and potential disruptions. n=165 (Lower ranked answers not shown.)

Visibility, security, and inventory remain the biggest obstacles to resilience

Most anticipated obstacles ahead



What do you anticipate your biggest obstacles will be for your organization's success in 2026?
n=165 (Less challenging obstacles not shown.)

Fashion retailers' biggest obstacles reinforce a practical message: resilience depends on seeing what is happening, protecting the business, and acting quickly on inventory decisions. Limited supply chain visibility ranks as the top challenge, with inventory optimization and security requirements close behind. Together, these challenges show why end-to-end execution is difficult: execution breaks down when information is fragmented, access is constrained, and inventory decisions must be made faster than planning cycles allow. The implications are straightforward. Retailers need better visibility across suppliers, inbound flows, and inventory positions, but also security practices that enable data sharing and automation without creating bottlenecks. They also require tighter inventory discipline so they can respond to demand shifts without driving markdowns or stockouts. Addressing these obstacles strengthens resilience and improves day-to-day performance.

Supply chain visibility: Limited end-to-end visibility makes it harder to anticipate disruptions and coordinate timely responses across suppliers, inbound flows, and inventory positions.

Inventory optimization: Real-time tracking and control across channels and locations remains difficult, increasing the risk of stockouts, overstocks, and markdowns.

Security requirements: Protecting customer and business data is essential, but security constraints can slow data sharing and automation if they become bottlenecks.

Action agenda: three moves to turn priorities into performance

Fashion retailers' priorities point to a practical agenda: improve execution discipline, make loyalty more helpful and more valuable, and remove the blockers that slow response. The goal is not to run more initiatives, but to connect insight to action across merchandising, supply chain, and channels, so teams can react faster while protecting margin and customer trust.

Strategy	Execution: industrialize what works	Loyalty: make shopping more helpful and more rewarding	Resilience: fix the response blockers
Tactics	• Standardize processes across locations and channels, then reinforce consistency through training • Reduce manual handoffs with workflow automation where it improves speed and reliability • Track performance so teams can replicate improvements and finish enterprise rollout	• Deploy AI shopping assistants to improve discovery and service at scale • Build premium loyalty tiers and experiences that increase retention, not just transactions • Strengthen customer data foundations and scale personalized content to keep experiences relevant	• Improve end-to-end supply chain visibility across suppliers, inbound flows, and inventory positions • Tighten inventory control across channels to reduce stockouts, overstocks, and markdowns • Apply security requirements in ways that enable data sharing and automation without bottlenecks
Proof points	• Process standardization ranks as the top optimization approach; implementation progress is uneven	• AI shopping assistants lead loyalty actions (51%); premium tiers follow (43%); customer data platforms lead personalization actions (51%)	• Top obstacles are supply chain visibility, inventory optimization, and security requirements; priorities emphasize predictive analytics, flexibility, and rapid response
Pacesetters' edge	• Pacesetters over-index on AI-driven dynamic pricing (45% vs 11% for Followers) and private label goods (34% vs 16%) as margin levers	• Pacesetters are nearly twice as likely to prioritize automated checkout (37% vs 19% for Followers)	• Pacesetters place more emphasis on inventory and demand forecasting (38% vs 26% for Followers), supporting faster response when conditions shift

Selected results based on conditional bases shown on prior pages

About the study

The TCS Global Retail Outlook is designed to provide insights into how retail leaders can leverage generative and agentic AI technologies to enhance customer experiences, drive revenue growth, address disruption, and anticipate market changes by enabling more adaptive operations.

The study was conducted in late 2025 and surveyed more than 800 senior retail executives across 18 countries and five key retail subsectors. Some data presented may not add up to one hundred percent due to rounding or ranking factors.Since 2009, the TCS Thought Leadership Institute has initiated conversations by and for executives to advance the purpose-driven enterprise. Led by Serge Perignon, the Thought Leadership Institute conducts primary research to deliver forward-looking and practical insights around key business issues to help organizations achieve long-term, sustainable growth. For more information, visit **tcs.com/insights/global-studies**

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