

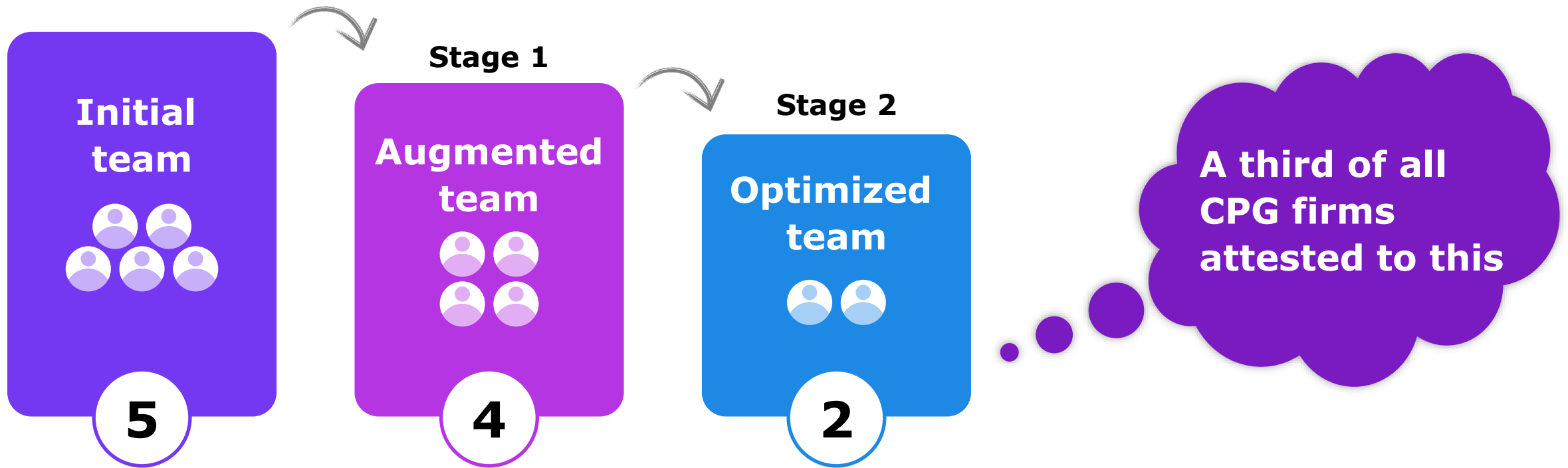
HFS Spring Summit 2025

**THE RISE OF
SERVICES-AS-SOFTWARE**
THE AGENTIFICATION OF EVERYTHING

**What the AI?! Seven Quirks and
Spending View from the CPG Frontlines**

Ashish Chaturvedi
Practice Leader, HFS Research

AI will not replace you, someone using AI will...is not the entire truth



Source: In-depth interviews with 16 senior CPG executives across US and Canada

Inflexible annual budgeting is innovation's invisible handcuffs

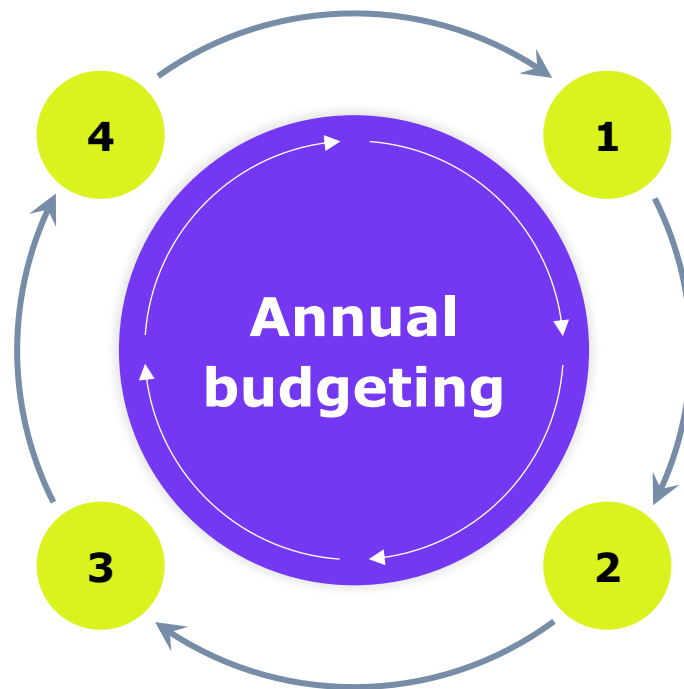
Cultural and process debt

Accumulate inefficiencies and missed opportunities



Opportunity lost

Missed chance due to delay



Identify AI opportunity

Recognize a potential AI innovation



Wait for budget cycle

Delay implementation until next cycle



Source: In-depth interviews with 16 senior CPG executives across US and Canada

The true value of AI can be leveraged when you think 'ecosystem integration'

Should the brand prioritize selling more bourbons than whiskeys?



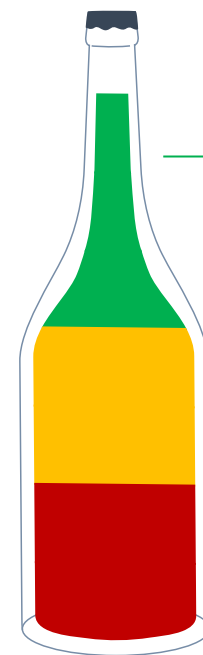
Prioritize bourbons

AI insights suggest higher demand and profitability in bourbon sales

Maintain whiskey focus

Distributors resisting change stating it doesn't see a clear business case

Distributor-brand relationship



AI-driven integration

Achieves synchronized strategies and mutual wins

Data sharing

Co-creates roadmap with shared insights

Distributor dominance

Resists change without a clear business case

This spectrum illustrates how AI-driven insights can bring eco-system level profitability

Source: In-depth interviews with 16 senior CPG executives across US and Canada

With AI, it's swinging both ways

Digital shelf automation

Achieves efficiency and market visibility



Perishable replenishment

Requires human oversight for accuracy

Worked well

AI in business

Failed

Boosts visibility

Increased market visibility as AI increased in capturing long tail search traffic by 30%

01

Reduces manual work

AI significantly reduces manual work, achieving up to 90% reduction

02

Enhances efficiency

100% digital shelf images generated by AI

03

Overzealous orders

AI placed overzealous orders, requiring human intervention

01

Human intervention needed

Human intervention became necessary to correct AI errors in timebound activities

02

Efficiency loss

AI efficiency gains are negated by time spent correcting its mistakes

03

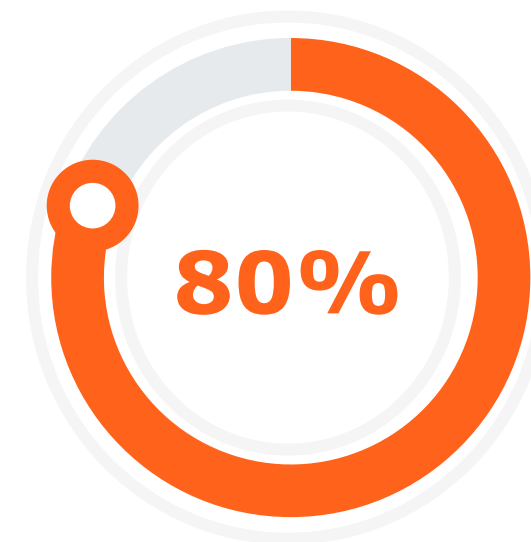
Source: In-depth interviews with 16 senior CPG executives across US and Canada

AI investment is still an afterthought; with leftover budgets



Dedicated AI Budget

Firms with specific AI funding

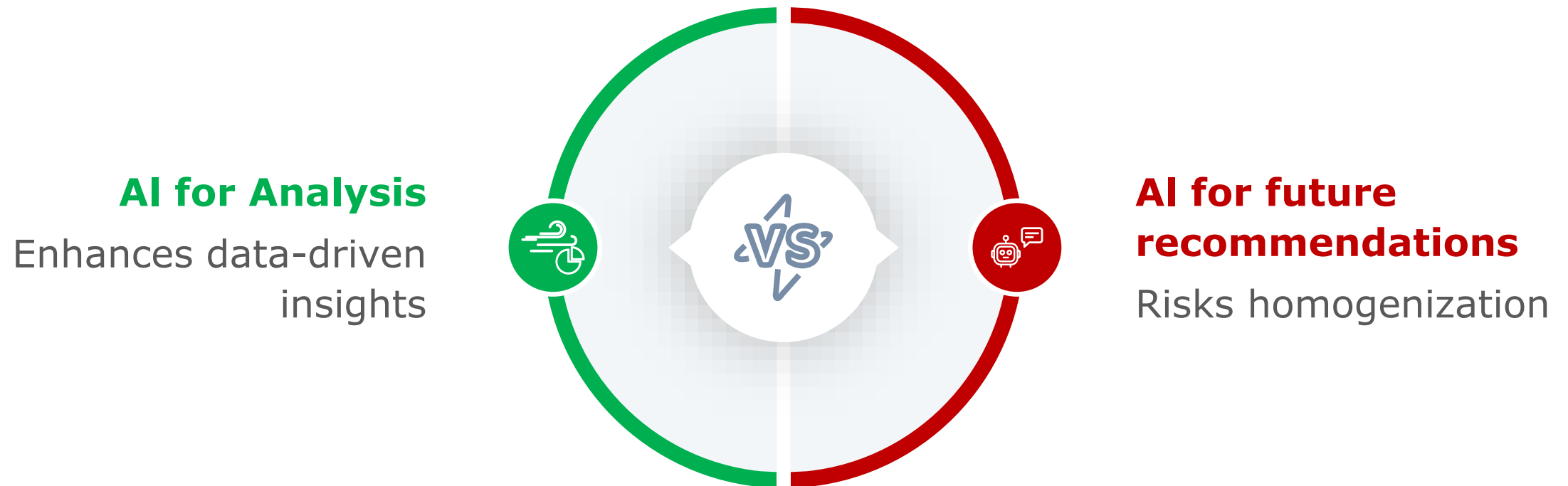


Leftover IT/Digital Budget

AI funded from surplus IT funds

Source: In-depth interviews with 16 senior CPG executives across US and Canada

AI is displacing creative roles as well, but not the forward-looking ones – a consumer goods firm tried and immediately repented



Source: In-depth interviews with 16 senior CPG executives across US and Canada

Neither isolated ivory tower of innovation is working, nor decentralized innovation hubs – success lies somewhere in the middle



Centralized labs

Doesn't grasp each business unit's nuances, innovation doesn't feel like a shared responsibility



Decentralized labs

Duplication of effort, limited cross-functional innovation



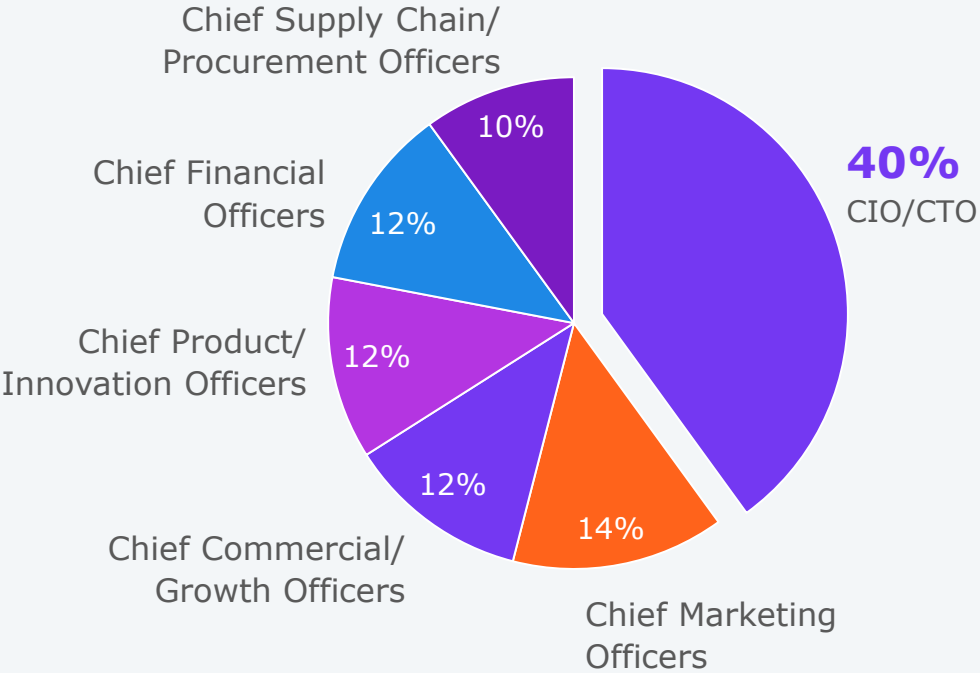
Hybrid decision-making + governance

Run by IT, champions from each dept., small budget initiatives can be run by BUs, knowledge sharing mechanism in place.

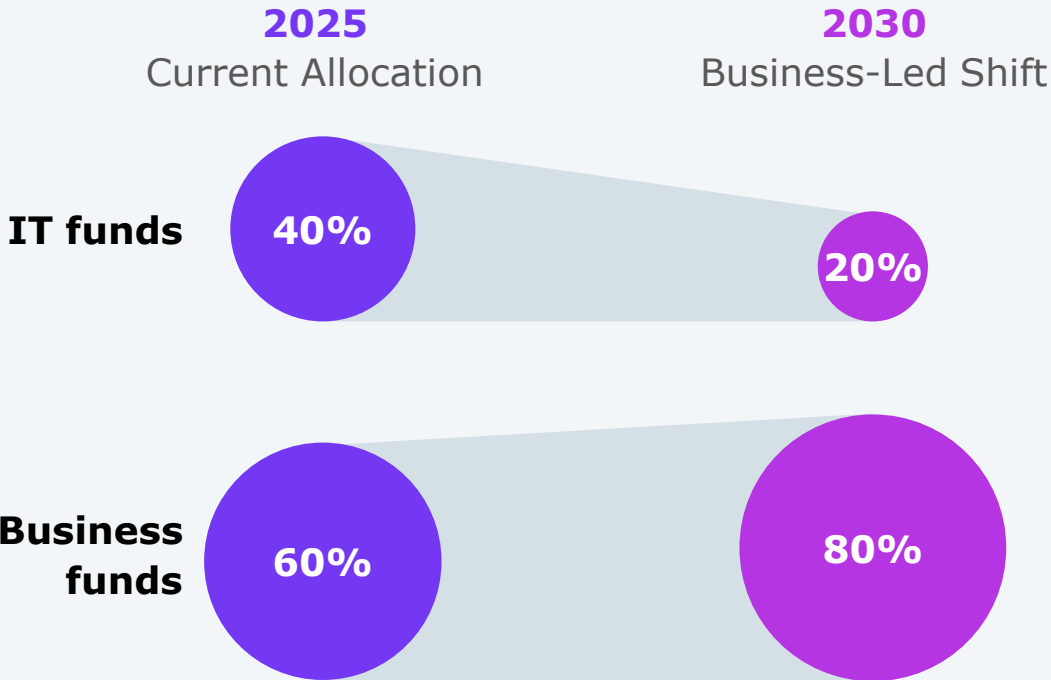
Source: In-depth interviews with 16 senior CPG executives across US and Canada

Majority of AI spending is happening outside the CIO office, and the trend is likely to continue

Distribution of AI spending by business units



Shifting AI investment allocation (2025-2030)



Source: In-depth interviews with 16 senior CPG executives across US and Canada

The Bottom Line



Hybrid-governance models and eco-system integration can exponentially scale AI, internally and externally



The ambit of AI transcends the CIO office so plan accordingly



Be prepared; AI will upend the economics of business - rethink budgets, rethink people, rethink purpose

HFS

Thank you.

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