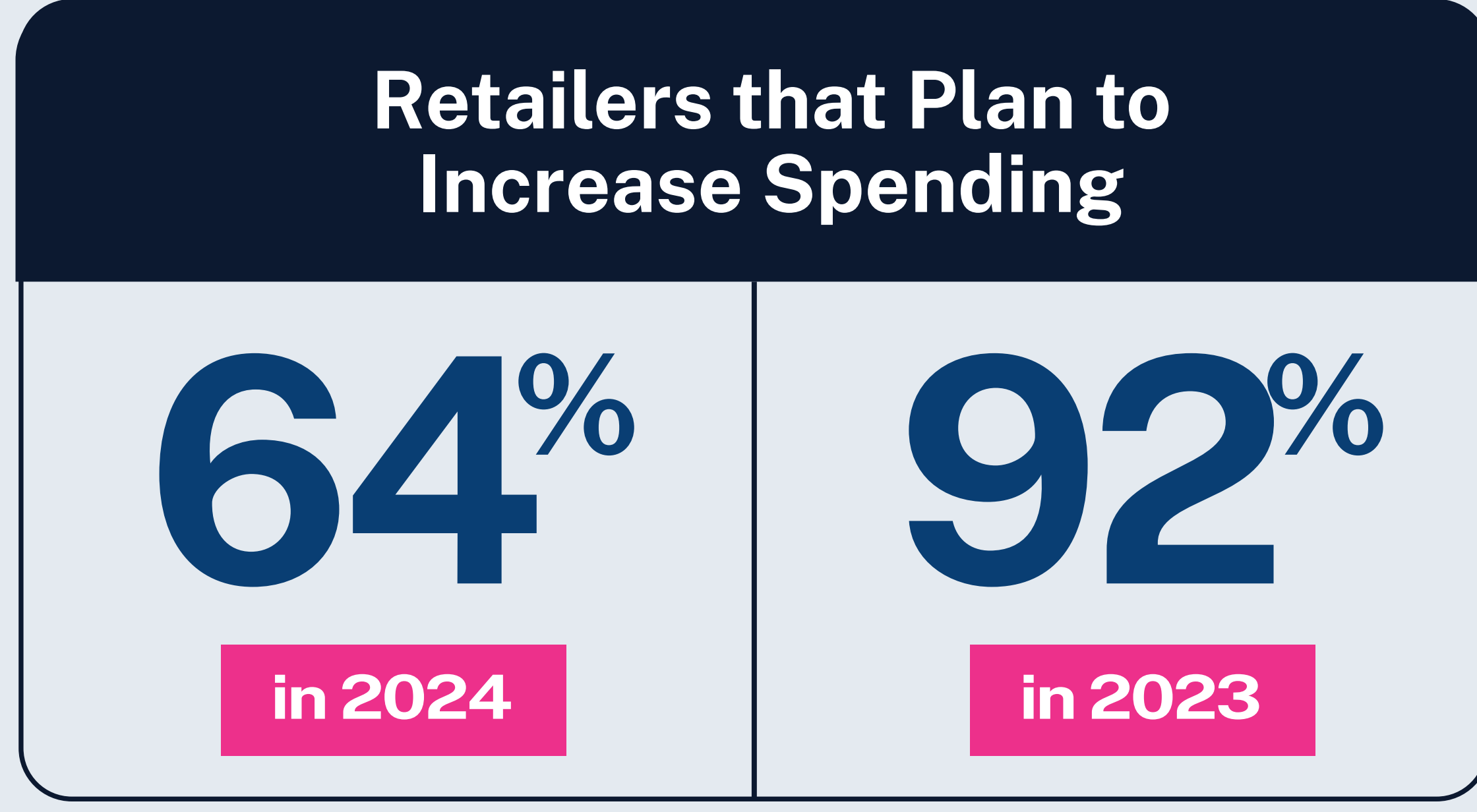


# The State of Generative AI in Retail 2024

As Gen AI becomes more powerful, trial and error won't survive as a strategy. The question from 2023's study still stands:

How do executives know what to do next, why, and how do they compare to others in the race to adopt **generative AI**?

Here are key findings from the 2024 State of Generative AI in Global Business:

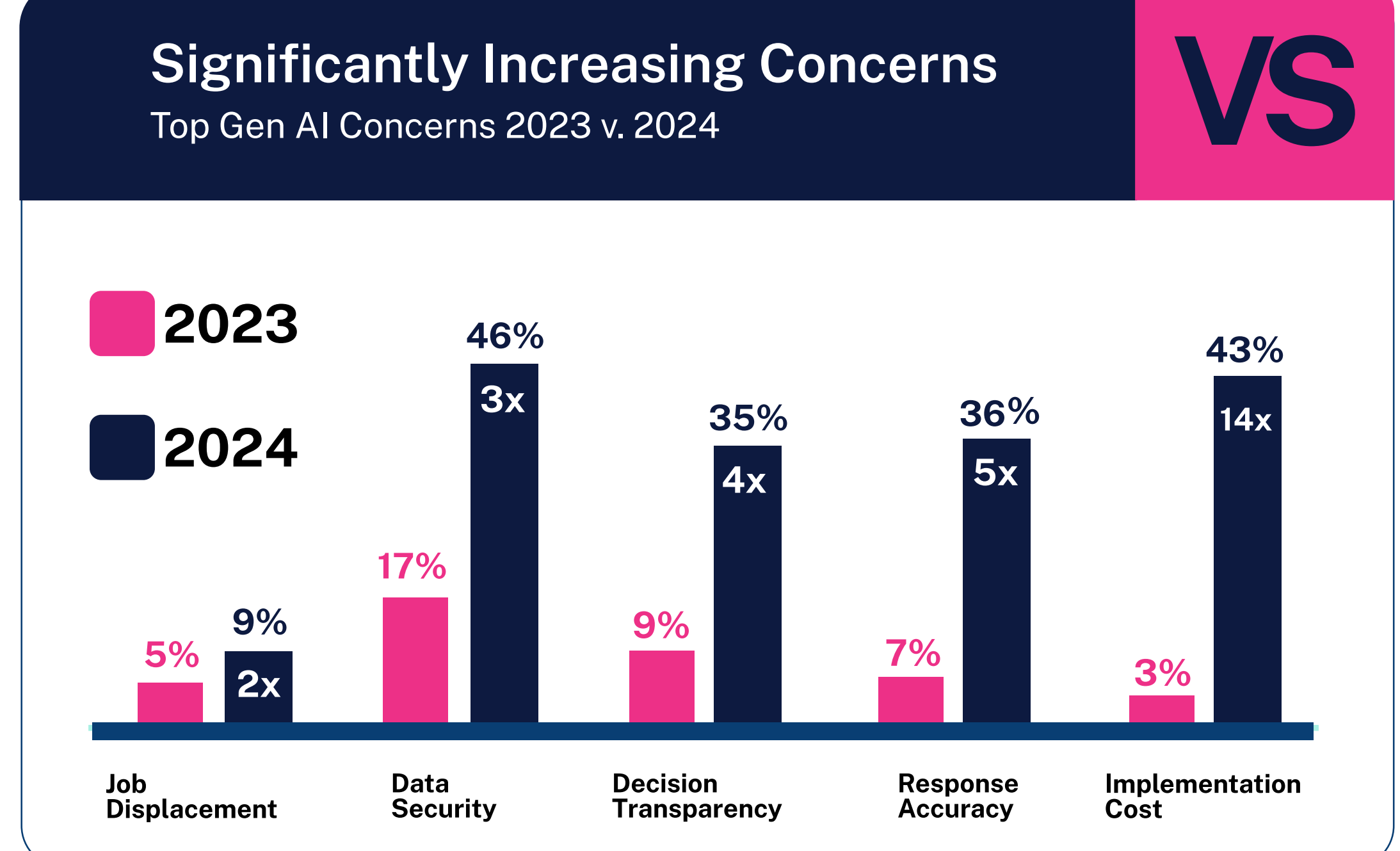


## 1 Flattened Spending Points to More Thoughtful **Planning**

Generative AI's explosive growth is cooling as businesses face cost and security hurdles. Global AI spending plans are down sharply, with only 64% of retailers planning increases (vs. 92% last year). While investment remains high, more companies are prioritizing thoughtful planning to balance the potential of this new technology with managing risks and costs.

## 2 Implementation Costs Raise **Alarms**

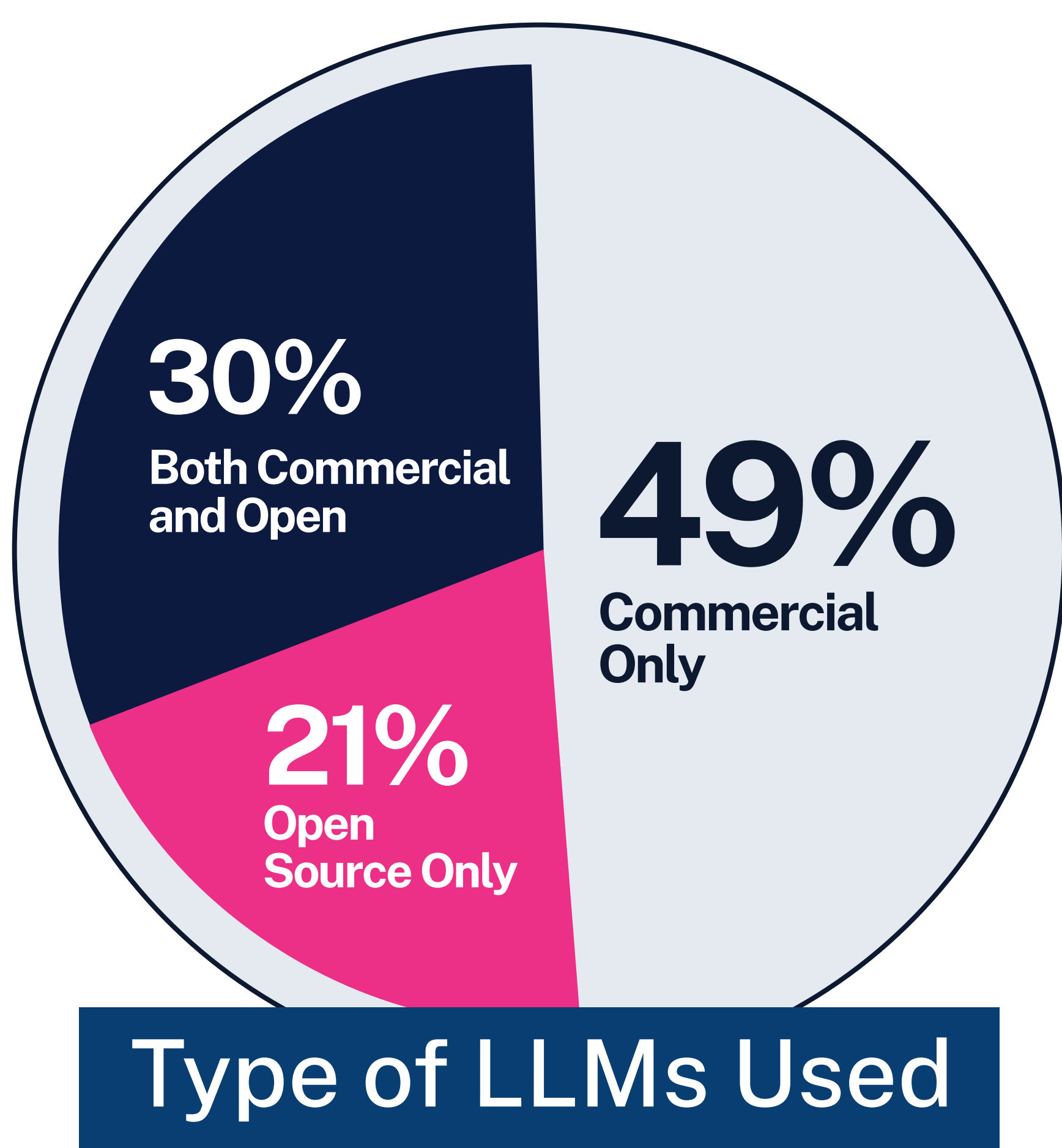
Security remains a top concern for business leaders across all industries, but cost worries have surged 14x in the past year. Retailers are particularly concerned about costs (63%), but they are still rapidly adopting AI and experiencing fewer delays than other industries. Additionally, concerns around response accuracy have risen 5x, likely due to issues with hallucinations. This highlights the need for careful large language model selection to balance needs with cost and ensure accurate, secure results.



## 3 Retailers Report Higher than Average Deployments and Realized **Benefits**

Slow deployment and low success rates are commonplace, with only 25% of planned projects fully implemented so far. However, retail leads deployment in revenue and growth initiatives, and is second in total AI deployments across all industries. Retailers are also seeing strong financial benefits from AI, with nearly half already reporting increased revenue and cost savings as a result of initiatives.

"In 2023, nearly 50% of retailers had a positive view of AI, one of the highest percentages across the industries surveyed. That initial wave of enthusiasm translated into one of the most successful deployment rates in 2024," said Mike Sinoway, CEO, Lucidworks. "Retailers are constantly under pressure to innovate and adopt new technologies to enhance customer experiences, often setting the pace for other industries. The key for retailers moving forward is to strike the right balance between reaping the rewards of AI, managing costs, and mitigating potential risks."



## 4 Commercial LLMs **Dominate**

Nearly eight in 10 companies use commercial LLMs such as Gemini and ChatGPT and 21% have opted for open source only such as LLaMA 3 and Mistral. This will likely shift as open source models become more capable and have advantageous features at a lower cost. For now, using more than one model is the best (and most expensive way) to satisfy the broad needs of commerce, knowledge management, and customer support search.

## 5 Retailers Race to Future-Proof **AI Initiatives**

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Lucidworks clients are 2.5x more likely to successfully deploy generative AI initiatives than their peers. Learn how Lucidworks can power your path to **Gen AI success**.