



On Artificial Intelligence: Productivity or pioneering? Your industry's GenAI adoption play

Reinvention has been the lifeblood of organisations' fortitude for decades. History presents us with numerous examples in which transformed work methods or new sources of value served as the factor that decides between an organisation that thrives or falters. Netflix's shift from mailing DVDs to streaming services and original productions exemplifies reinvention driven by technology. Likewise, Samsung and Amazon have also successfully reinvented themselves.

PwC's 28th Annual Global CEO Survey reveals four in ten CEOs (42%) say their company will remain viable for less than ten years if it continues in its current path, with technology being the strongest force for reinvention. Generative AI (GenAI) is expected to transform work and disrupt markets.

Looking forward, almost half of CEOs say that their biggest priorities over the next three years are integrating AI (including GenAI) into technology platforms as well as business processes and workflows. About half (49%) of CEOs expect GenAI to increase profitability in the year ahead, like expectations a year ago, 42%. However, many leaders focus too much on costs and narrow use cases, which fails to seize broader opportunities for transformation. While productivity gains are important, the real impact will come from business model reinvention or disruption.

Which industries will GenAI impact most?

PwC analysis indicates that GenAI adoption impacts will vary across industries, with significant variation among organisations. The technology industry is expected to see the highest gains, with a potential 19%-point uplift in operational margins. GenAI can enhance software development by assisting with coding, documentation, and data extraction. Companies like Microsoft, SAP, and Adobe have already begun integrating GenAI into their products. The innovation on the horizon promises an explosion of new software. It will enhance current functions and create entirely new applications. This highlights the transformative potential of GenAI across various sectors.

Luxury goods could see a significant uplift from GenAI adoption, with an average increase of 14.5% points in operational margins. This technology enables hyper-personalised advertisement, customer experiences, and product designs. Brands like Gucci, Bally, Moncler, Zegna, and Valentino has already leveraged GenAI for product design and advertising. More importantly for investors and business leaders, industries with lower margins, such as transport and logistics, could nearly double their margins with a potential 1.8%-point uplift through applications like route optimisation and real-time pricing. Of course, much of the low-hanging value gains available today will erode over time. They're largely derived from efficiencies afforded by GenAI and from applying the technology to an organisation as it operates. Organisations should use current integrations as a foundation for transformative applications to stay competitive and enter new markets.

The state of play: A view through the industry lens

Industry dynamics play a starring role in determining the speed with which organisations are likely to capitalise on GenAI opportunities, particularly those that spark significant

reinvention, whether that be a dramatic business model shift or a more modest reimagining of a specific function or key business process. GenAI uptake in each industry depends on two factors:

I. Level of disruption: GenAI will have transformative impacts across industries, but the nature and extent of disruption will vary. In some sectors, like entertainment, it will significantly reshape business models, product offerings, pricing, and customer engagement. Others, such as consumer packaged goods, will be operationally disruptive, which, in turn, will streamline the processes and upskill the workforce. Early adoption of GenAI can provide a competitive edge in industries like professional and legal services, where market share is crucial.

II. Ease of adoption: Adopting GenAI varies by industry and depends on factors like data availability, volume, and complexity, as well as the need for model customisation. Internal factors, such as workforce readiness and cultural acceptance of innovative technology has influence on adoption ease. Industries like retail and financial services, where customer service is key, will see more disruption in worker tasks and roles. Customer expectations and data sensitivity present varying challenges to responsible AI practices, including governance, transparency, and security.

Four potential scenarios for industry adoption of GenAI

I. Trailblazers (high ease of adoption and high level of disruption): Trailblazing sectors are poised to leverage GenAI for transformative applications that disrupt the status quo. GenAI tools offer cost saving and personalisation, potentially disintermediating traditional services, because of the change in marketing services. More significant disruption could be on the horizon as the move toward agentic systems, which act autonomously on a user's or organisation's behalf, accelerates. Industries must quickly build the necessary platforms and capabilities to ensure long-term survival and capitalise on these transformative opportunities.

II. Disruptors (low ease of adoption and high level of disruption): Disruptor industries, like pharmaceuticals, face challenges such as regulatory hurdles and the need for customisation but are motivated to integrate GenAI due to the potential for major disruption. GenAI is revolutionising drug discovery and patient care by predicting molecular responses and personalising treatments, significantly speeding up development and increasing profit margins. Companies like Insilico Medicine and Pfizer are already using GenAI for drug development and marketing. Medical technologies and healthcare providers are also rapidly adopting GenAI for clinical notes, diagnoses, and patient care.

III. Streamliners (high ease of adoption and lower level of disruption): Streamliner sectors adopt GenAI to enhance efficiency and productivity rather than reinvent business models immediately. In the grocery industry, AI optimises supply chains and inventory management, while tools like Walmart's Text to Shop improve customer and employee experiences. Asset and Wealth Management (AWM) sectors use GenAI for investment research, report generation, and customer service, with tools like Bloomberg's GenAI

functionality and Morgan Stanley's internal tool. Although efficiency is the current focus, disruptive services like automated, personalised investment portfolios emerge day in and day out. In the power and utilities sector, AI adoption may be slower due to regulatory concerns but can lead to more efficient energy use and reliable services.

IV. Multitaskers (low ease of adoption and low level of disruption): Multitasker industries, like telecommunications, view GenAI as one of many technologies supporting operations. Despite competing upgrades like 5G and IoT, telecoms could see a 13%-point uplift in operating margins through AI applications in sales, marketing, infrastructure management, and internal operations. Retail banking may adopt AI more slowly due to regulatory concerns, particularly for hyper-personalised offerings. However, areas like software development and customer service chatbots are already in use by some local banks.

The GenAI value-realisation flywheel

The flywheel concept prioritises deployments that accelerates GenAI's value creation that is of benefit to all industries. It assesses high-value areas and determines if GenAI can unlock more value. For instance, sales, marketing, and core service delivery are fundamental areas for many industries. But for disruptor industries like pharmaceuticals, more significant value might lie in research and development, ease of adoption, and responsible execution due to their exposure to regulatory risks.

Organisations should look for patterns to avoid technical debt and maximise long-term value after they identify key use cases of GenAI. Sometimes, the most valuable use case is not the best starting point if it does not support additional use cases. For example, a software company wanted to create a GenAI assistant for policy information retrieval. Instead of a siloed approach, they identified a pattern across use cases and created a flexible data model for broader applications. This approach enabled them to build multiple products using the same architecture, setting the stage for true operational reinvention.

Conclusion: A whole new world is unfolding and forming right in front of our eyes. As we venture forward toward this future, as every organisation forges ahead in pursuit of their diverse goals driven by their respective purpose, business leaders are confronted with choices about what to do to capture the immense productive gains and transformational prospects offered by GenAI, while navigating its potential to disrupt existing paradigms.

The early tremors of transformative change are already palpable in some industries, foreshadowing the widespread shifts that others will soon encounter. Our research shows that leaders are aware of the impending evolution and recognise the imperative to steer their enterprises through these massive shifts to remain competitive. From our PwC's 28th Annual Global CEO Survey, leaders who have taken the initial steps are already experiencing efficiency gains, with 34% saying GenAI adoption increased their profitability in the last 12 months.

The challenge—and opportunity—lies in transcending the quick allure of mere automation and isolated solutions. Forward-thinking organisations will discern broader patterns and leverage these insights to catalyse reinvention. This approach can prepare them to both survive the forthcoming waves of change and set the new standard for their industry in an AI-dominated future.

