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Analysing the impact of Artificial Intelligence on operational efficiency in the retail industry: a case study of IKEA

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DECLARATION

I, *Concy Jeya Rasanayagam* declare that this dissertation has been composed by myself, that the work contained herein is entirely my own except where explicitly stated otherwise in the text, and that this work has not been submitted for any other degree or qualification, in whole or in part, except as specified.

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Date: 26/09/2025.....

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Abstract

This dissertation examines the impact of Artificial Intelligence (AI) on operational efficiency within the retail industry, with a specific focus on IKEA as a case study. AI technologies are increasingly transforming retail operations through automation, machine learning, and predictive analytics, enabling organisations to reduce costs and enhance productivity (McKinsey, 2023; Deloitte, 2022). A Systematic Literature Review (SLR) approach was employed to identify and synthesize secondary data from peer-reviewed literature and reputable industry sources published between 2018 and 2025, ensuring transparency and reliability in evidence-based analysis (Transfield, Denyer, and Smart, 2003; Saunders, Lewis, and Thornhill, 2019).

The findings demonstrate that AI has significantly improved operational efficiency in key functional areas, such as inventory management, supply chain optimization, and workforce productivity (Capgemini, 2021; Kamble, Gunasekaran, and Gawankar, 2020). IKEA's integration of AI-driven solutions — including automated warehouse robotics, advanced forecasting tools, and data-driven decision support — has enhanced stock accuracy, improved coordination performance, and increased employee productivity, while supporting sustainability initiatives (IKEA, 2023; Accenture, 2022). Despite these advantages, challenges remain, including data governance concerns, high implementation costs, and resistance to digital change within organisational cultures (Brynjolfsson and McAfee, 2017).

The study concludes that AI adoption has a transformative effect on retail operational performance, providing competitive advantages when strategically aligned with corporate objectives. Practical recommendations include enhancing workforce digital skills, strengthening ethical and secure data systems, and fostering innovation partnerships to maximise AI capabilities (Kotter, 1996; Resnik, 2020). Future research incorporating primary data collection is recommended to gain deeper managerial insights and evaluate AI's long-term organisational impact.

Keywords: Artificial Intelligence, Operational Efficiency, Retail Industry, IKEA, Automation, Predictive Analytics, Supply Chain Management, Workforce Productivity, Digital Transformation.

DECLARATION.....	4
TITLE PAGE	2
ACKNOWLEDGEMENTS	5
ABSTRACT	6
TABLE OF CONTENTS	
CHAPTER 1	
1.1 Introduction	11
1.2 Background	11
1.3 Research Aim	11/12
1.4 Research Objectives and Research Questions	12/13
1.6 Chapter Summary.....	13
CHAPTER 2: Literature Review	
2:1: Introduction	14
2:2: Overview of Artificial Intelligence in Retail.....	15
2:3: Theoretical perspectives on AI and operational efficiency.....	15/16
2:4: Automation and Process Optimization.....	16/17
2:5: Predictive Analytics and Data-Driven Decision Making.....	17
2:6:AI in supply chain and logistics efficiency	17/18
2:7: Employee Adoption and Organizational Change	18
2:8: cost, Infrastructure and Implementation Barriers	18
2:9: Ethical, Social, and Sustainability Perspectives	18/19
2:10: Comparative Analysis of Scholarly Perspectives	19/20
2:11: Conceptual synthesis and Research Gap, ...	20
2:12: Summary	20
CHAPTER 3:	
Research Methodology	
3.1 Systematic Literature Review (SLR)	21
3.2 Search Strategy (Figure 3:1)	21/22
3:3: Search Terms	22/23
3:4: Key Words	23
3:5: Databases.....	23/24
3:6: Inclusion/Exclusion, Criteria	24
3:6:1: Inclusion Criteria.....	24/25
3:6:2: Exclusion Criteria	25

3:7: Search Results	25/26
3:8: Ethical Considerations	26
3:9: Chapter Summary	26

CHAPTER 4: Results and Discussions

4:1: Introduction	27
4:2: Key Themes Identified	27
4:2:1: AI in Inventory Management	27/28
4:3: AI in Supply Chain Optimization	29
4:4: AI and workforce efficiency	29/30
4:5: Discussion in Relation to Literature	30
4:6: Alignment with Existing Literature	30
4:7: Divergences and Contextual Differences	30/31
4:8: Relationship between findings and research Questions	30
4:9: Theoretical Implication	31/32
4:10: Chapter Summary	32

CHAPTER 5:

Recommendations, Conclusion, and limitations of the research

5:1: Introduction	33
5:2: Summary of findings	33
5:3: Answer to research questions	33/34
5:4: Managerial Implications	34/35
5:5: Future Research Directions	36
5:6: Conclusion	36
TABLE OF FIGURES	9
LIST OF TABLES	9

LIST OF FIGURES

Figure 3:1: PRISMA flow chart of literature selection	22
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LIST OF TABLES

Table 2:1: Summary of Literature Selection	14
Table 2:2: Key Themes and Supporting Authors	19
Table 4:1: AI in Inventory Management – Key Findings	28
Table 4:2: AI and Workforce Efficiency – Key Findings	30

ABBREVIATIONS

AI - Artificial Intelligence

ERP-Enterprise Resource Planning

FY22 - Fiscal Year 202

FY 23- Fiscal Year 2022

GPT- general-purpose technology

ML- machine learning

NLP- natural language processing

Prisma-Preferred Reporting Items for Systematic Reviews and Meta-Analysis

RBV-Resource-based view

RPA robotic process automation

IT- Information Technology

SLR-systematic literature review

TOE- Technology-Organisation Environment

U.S- United States

UWTS- University of Wales Trinity Saint David

CHAPTER 1

1:1: Introduction

This chapter establishes the foundation for the dissertation by introducing the research topic and outlining its essential components. The study examines the impact of Artificial Intelligence (AI) on operational efficiency in the retail industry, with a specific focus on IKEA as the case study (Capgemini, 2021).

1:2: Background

Artificial Intelligence (AI) is transforming business operations across various industries, especially in retail, where operational efficiency is vital for competitiveness. IKEA, a global leader in furniture retail, has begun integrating AI into its supply chain, inventory management, and customer service functions. Yet, despite these efforts, inefficiencies still exist, and the impact of AI on IKEA's operational performance remains uncertain (Chopra, 2019). IKEA's exploration of AI in logistics, inventory management, and customer service shows promise, but its effect on operational performance is still being assessed. The company's diverse use of AI technologies, such as drones and machine-learning forecasting, has often been implemented through pilot programs, making it difficult to directly link performance improvements to AI. Additionally, measuring these initiatives is complicated by seasonal trends and economic fluctuations, which can hide the benefits of AI. The success of AI also depends on data quality and IKEA's IT infrastructure, which can limit data flow. Furthermore, adopting AI may require retraining staff and managing change effectively (Christopher, 2016). Regulatory and ethical issues add another layer of complexity. While other retailers report efficiency gains and cost reductions, results can vary significantly for a large organization like IKEA.

In summary, while advancements in AI hold promise, addressing integration and measurement challenges is crucial to fully realizing its impact on IKEA's performance.

1:3: Statement of the proposal

Despite technological advancements, IKEA continues to face operational challenges, including slow inventory turnover, staffing inefficiencies, and inaccuracies in demand forecasting. These issues reduce operational efficiency and hinder scalability. Although AI solutions have been adopted across the retail sector, their implementation at IKEA is still evolving. IKEA faces operational challenges despite substantial investments in technology, suggesting that its use of AI and digitization is still in its initial stages of development. Key issues include high inventory levels and supply chain disruptions, with "extraordinarily high

inventory” reported in FY22 and FY23 due to transport constraints and raw material issues. Although inventory was reduced in FY23–FY24 as conditions normalized, this highlights delays in addressing problems.

High employee turnover is another challenge, with IKEA losing approximately 62,000 employees annually, resulting in recruitment and scheduling inefficiencies. Turnover rates in regions such as the U.S., the UK, and Canada exceeded 30%. While measures such as higher wages and predictive tools are being introduced, their impact is still unfolding (Christopher, 2016).

Although IKEA has improved demand forecasting through advanced approaches, such as “Demand Sensing,” which analyses up to 200 data sources, issues remain with stock levels and replenishment delays, particularly during external shocks.

In summary, while IKEA is implementing tech solutions to enhance inventory turnover, forecasting, and staffing, these initiatives are not yet fully effective, leaving some operational problems unresolved. The evolving nature of these efforts makes the overall impact of AI on efficiency unclear.

1:4: Research Aim

The goal of this research is to analyse operational efficiency in the retail sector, using IKEA as a case study, and to assess the challenges and strategic opportunities presented by AI integration in operational processes.

1:5: Research Objectives and Research Questions

The primary objective of this study is to explore the role of Artificial Intelligence (AI) in enhancing operational efficiency within the retail industry. Specifically, the research aims to examine how IKEA has integrated AI technologies to enhance its operational efficiency and supply chain management processes. According to Davenport and Ronanki (2018), AI has emerged as a transformative tool for organizations, enabling them to automate repetitive tasks, improve decision-making, and optimize resource utilization. Therefore, understanding its specific application within IKEA's operational framework can provide valuable insights into the strategic benefits and challenges of technological integration.

Furthermore, the study aims to examine the opportunities and challenges associated with the adoption of AI in retail, focusing on areas such as implementation costs, workforce implications, and ethical concerns. As highlighted by Wamba et al. (2021), while AI adoption can significantly improve productivity and service quality, it also raises issues related to data privacy, employee adaptation, and long-term sustainability. This research, therefore, aims to

investigate how IKEA has addressed these challenges to maintain operational efficiency and uphold its commitment to ethical and sustainable business practices.

To achieve these objectives, the study addresses three key research questions. First, it investigates the overall effect of artificial intelligence on IKEA's operational efficiency. Second, it examines how AI technologies are currently being integrated into IKEA's operational framework. Ultimately, it examines the challenges IKEA has faced in integrating AI into its operations. Together, these questions aim to provide a comprehensive understanding of how AI contributes to operational transformation in one of the world's leading retail organizations.

1:6: Chapter Summary

This chapter has introduced the foundation of the study by outlining the research context, problem, and objectives. The dissertation focuses on assessing the impact of Artificial Intelligence (AI) on operational efficiency in the retail sector, using IKEA as a case study. The background highlighted how AI is transforming retail operations through applications such as supply chain management, inventory optimization, and customer service, while also noting the persisting inefficiencies and challenges within IKEA's operations (Saunders et al., 2019). The research aim was defined as exploring the role of AI in integrating AI. Despite adopting emerging AI solutions, a clear statement of the problem emphasized IKEA's ongoing operational difficulties, including inventory turnover, staffing, and forecasting issues. The chapter also presented the research objectives and questions that guide the investigation. These focus on examining AI's role in retail efficiency, analysing its implementation at IKEA, identifying related opportunities and challenges, and providing practical recommendations for sustainable efficiency improvements. These elements set the stage for the subsequent literature review and methodological framework supporting the study (Capgemini, 2021).

Chapter 2

Literature Review

2:1: Introduction

This chapter offers a detailed review of existing research on the complex relationship between Artificial Intelligence (AI) and operational efficiency in the retail industry, with a specific focus on IKEA as a main example. The review examines how various AI technologies enhance operational performance, streamline supply chains, facilitate informed decision-making, and promote sustainability efforts. Additionally, the chapter openly discusses the major challenges associated with integrating AI in retail, including data governance issues, employee resistance to new technologies, financial limitations on implementation, and ethical concerns related to AI adoption. By combining insights from both academic studies and industry practices, this chapter aims to provide a comprehensive and analytical view on how AI can help achieve a competitive advantage in the changing world of modern retail.

Table 2:1

Summary of Literature Selection

Source Type	Number of Sources	Key Themes Identified
Academic Journal Articles	25	Automation, predictive analytics, data integration, and organisational change
Industry Reports	10	AI maturity, retail transformation, digital logistics
Corporate Publications	7	IKEA AI strategy, supply chain innovations, sustainability, and AI

Source Compiled by Author (2025)

The literature referenced in Table 2.1 incorporates 42 diverse sources, providing both theoretical and practical insights. Academic research contributes conceptual frameworks for understanding the impact of AI on efficiency, while consultancy and corporate reports present evidence of real-world applications. This combination enables a well-rounded analysis of AI's influence on operational transformation in retail, establishing a solid foundation for the subsequent theoretical discussion.

2:2: Overview of Artificial Intelligence in Retail

Artificial Intelligence (AI) has become a transformative force in the retail industry, changing how companies operate, handle logistics, interact with customers, and make decisions. A report from McKinsey and Company (2023) states that the adoption of AI technologies in retail increased by over 150% between 2018 and 2023. This significant growth is mainly due to advances in automation, advanced analytics, and personalized customer experiences, all of which are now key parts of modern retail. Similarly, Capgemini (2021) highlights that AI has shifted from just being an enhancement tool to becoming a strategic essential for retail businesses, boosting accuracy, flexibility, and operational sustainability.

AI encompasses a range of advanced technologies, including machine learning (ML), natural language processing (NLP), computer vision, and predictive analytics. These innovations work together to enhance data-driven operations, enabling retailers to forecast demand accurately, manage inventory dynamically, and deliver smooth and engaging customer experiences (Davenport and Ronanki, 2018). For example, using predictive analytics, retailers can forecast buying trends, tailor promotions to specific customer segments, and optimize stock levels to minimize waste and improve service delivery.

Despite the growing use of AI in retail, academic opinions on its overall effects vary widely. Brynjolfsson and McAfee (2017) describe AI as signaling a "second machine age," where cognitive automation greatly boosts productivity and efficiency beyond what traditional industrial methods could achieve. This cognitive improvement not only makes operations more efficient but also allows employees to focus on more complex, value-adding tasks. Conversely, Ghosh (2020) expresses concern about the unequal benefits given to larger retailers. He warns that while giants like IKEA can utilize economies of scale to maximize their AI investments, smaller retailers may face difficulties due to the high costs of implementation and the challenges of adapting these advanced technologies to their operations.

In summary, the integration of AI within retail environments is both a strategic driver for innovation and a potential disruptor of existing business structures. This dual perspective highlights the importance of a comprehensive examination of AI's theoretical foundations alongside its practical applications in the rapidly evolving retail landscape.

2:3: Theoretical Perspectives on AI and Operational Efficiency

Diffusion of Innovation Theory (Rogers, 2003): This theory explains how, why, and at what rate new technologies spread through organizations. In the context of AI in retail, the adoption process depends on organizational culture, perceived benefits, leadership support, and employee readiness. Understanding these factors provides insight into why AI integration may be accelerated or delayed at companies like IKEA.

Resource-Based View (RBV) Theory (Barney, 1991): The RBV posits that organizations gain competitive advantage through the strategic use of valuable, rare, inimitable, and non-substitutable resources. AI technologies, when effectively integrated, become such resources for retailers like IKEA, driving sustained operational efficiency and differentiation from competitors.

The relationship between AI and operational efficiency can be analysed through several theoretical lenses. Porter and Heppelmann (2017) position AI within the "smart, connected operations" paradigm, emphasising how technology transforms value chains through the flow of real-time data. From an economic standpoint, Brynjolfsson and McAfee (2017) categorize AI as a general-purpose technology (GPT), which enhances productivity growth across various industries.

Conversely, Susskind and Susskind (2020) take a socio-technical approach, arguing that efficiency is not solely a result of automation but also depends on the integration of human and digital capabilities. This perspective aligns with the insights of Davenport and Ronanki (2018), who identify three value pathways for AI: process automation, cognitive insight, and customer engagement. Each of these pathways influences performance in distinct ways.

When applying these frameworks to IKEA, it becomes clear that operational efficiency arises not just from technological adoption, but also from organizational learning and process redesign. Thus, the value of AI extends beyond mere automation; it encompasses enhanced decision-making, sustainability, and long-term competitiveness.

2:4: Automation and Process Optimization

Automation is fundamental to achieving efficiency driven by artificial intelligence (AI). According to a 2022 McKinsey report, companies that implement AI automation can reduce logistics costs by as much as 20% while also speeding up order fulfilment. For instance, in IKEA's distribution centers, robotic automation systems manage tasks such as packaging, picking, and sorting, which enhances warehouse throughput and reduces human error (IKEA, 2023).

Chui, Manyika, and Miremadi (2016) categorize the benefits of automation into three key dimensions: speed, accuracy, and scalability. These enhancements lead to operational advantages, including decreased downtime and improved inventory accuracy. Similarly, a 2021 Capgemini report indicates that robotic process automation (RPA) enhances administrative efficiency, allowing employees to focus on higher-value, strategic tasks.

Despite these advantages, some critics argue that workforce challenges can diminish the benefits of automation. Ghosh (2020) and Rahwan et al. (2019) emphasize that employee resistance and skills obsolescence can hinder successful implementation. Brynjolfsson and McAfee (2017) refer to this as the "displacement dilemma," where automation leads to greater efficiency but also creates social tension. Therefore, retailers need to manage automation ethically by incorporating workforce development programs and reskilling initiatives (IKEA, 2023).

2:5: Predictive Analytics and Data-Driven Decision Making

Predictive analytics constitutes the analytical core of AI in retail. Davenport and Ronanki (2018) define predictive analytics as the use of algorithms to extract patterns from data for forecasting and decision support. In retail, these systems enhance inventory management, pricing, and customer targeting.

According to Bughin et al. (2018), predictive models can reduce stockouts by up to 50%, increasing operational responsiveness. IKEA utilizes predictive analytics to forecast demand fluctuations and synchronize production with regional trends, thereby minimizing waste and enhancing sustainability outcomes (IKEA Sustainability Report, 2023).

Yet, some scholars highlight inherent risks. Rahwan et al. (2019) argue that biased or incomplete datasets can lead to flawed predictions, thereby reinforcing inequality or inefficiency. Similarly, Ghosh (2020) emphasizes the importance of robust data governance frameworks to ensure accuracy and ethical compliance. Therefore, predictive analytics offers immense potential but requires responsible implementation supported by a high-quality data infrastructure.

2:6: AI in Supply Chain and Logistics Efficiency

The retail supply chain is a key area where AI provides significant efficiency improvements. Wamba et al. (2020) highlight that AI enables predictive logistics—systems designed to anticipate supply disruptions and optimize delivery routes. By integrating IoT sensors with machine learning, retailers can achieve real-time visibility throughout their supply networks.

A practical example of this application is IKEA's collaboration with DHL and SAP. AI algorithms analyse delivery routes, weather patterns, and traffic data to enhance logistics performance (Capgemini, 2021). Chui et al. (2018) estimate that such systems can reduce transportation costs by 10–15%, while also improving delivery accuracy.

However, some experts caution against overestimating the impact of AI. Porter and Heppelmann (2017) argue that efficiency gains depend heavily on the quality of data integration, as fragmented systems can hinder effective decision-making. Ghosh (2020) also notes that smaller retailers encounter interoperability challenges that hinder the effectiveness

of AI. These insights highlight the importance of digital readiness—a factor where IKEA's centralized IT architecture provides a significant advantage.

2:7: Employee Adaptation and Organizational Change

A critical aspect of AI adoption is human adaptability. Brynjolfsson and McAfee (2017) argue that human capital is essential for realizing the full potential of AI; efficiency gains are maximized when workers collaborate effectively with intelligent systems. Similarly, Susskind and Susskind (2020) emphasize the concept of "hybrid intelligence," which combines human creativity with machine precision.

However, resistance to technological change remains a significant barrier. Ghosh (2020) found that nearly 40% of retail employees expressed anxiety about AI potentially replacing their jobs, which decreased their willingness to engage with new systems. IKEA addresses this challenge through reskilling initiatives and digital literacy programs, fostering a culture of innovation rather than fear (IKEA Sustainability Report, 2023).

These findings underscore that effective change management is as crucial as technological investment. Without supportive leadership and transparent communication, even advanced AI systems may fail to deliver sustained operational efficiency (McKinsey, 2023).

2:8: Cost, Infrastructure, and Implementation Barriers

While AI can generate significant returns, its implementation often requires substantial resources. According to PwC (2022), 63% of retailers identify cost as the main obstacle to adoption. High initial investments, data management costs, and staff training expenses hinder the widespread adoption of this technology among small and medium-sized enterprises (SMEs).

Davenport and Ronanki (2018) note that technical complexity, particularly issues with data silos, limits scalability. Legacy systems, common in older retail organizations, hinder integration across departments. Furthermore, Ghosh (2020) warns that relying on third-party AI providers can pose cybersecurity and privacy risks.

IKEA's experience shows how large retailers can overcome these challenges through centralized data management systems and partnerships with global AI vendors. The company's integrated enterprise resource planning (ERP) framework enables smooth data flow across logistics, inventory, and sales, ensuring efficiency and compliance.

2:9: Ethical, Social, and Sustainability Considerations

Ethical concerns are increasingly central to AI research. Rahwan et al. (2019) emphasize that algorithmic bias and opaque decision-making threaten fairness and accountability. For a brand such as IKEA, maintaining ethical AI use is crucial to preserving consumer trust.

Sustainability is another emerging dimension of AI efficiency. Wamba et al. (2020) find that AI-enabled predictive maintenance and waste reduction can lower environmental impact by

20–25%. IKEA integrates these principles through its circular economy model, using AI to track material reuse and reduce energy waste (IKEA, 2023).

However, authors like Susskind and Susskind (2020) caution that efficiency should not come at the expense of ethical responsibility. The challenge lies in balancing operational optimization with social accountability, thereby creating an ethically sustainable and efficient model.

2:10: Comparative Analysis of Scholarly Perspectives

Scholars and practitioners often present diverse perspectives on the impact of artificial intelligence (AI) on operational efficiency within organizations. As depicted in Table 2.2, reports from McKinsey (2023) and Capgemini (2021) focus on the quantitative benefits of AI, highlighting significant gains in operational efficiency through cost reductions and productivity enhancements. These studies suggest that integrating AI technologies can lead to streamlined processes, reduced operational expenses, and improved output levels.

On the other hand, academics like Susskind and Susskind (2020) present a different viewpoint, prioritizing the transformative effects of AI on the workforce itself. They argue that while measurable efficiency gains are important, it is equally crucial to consider how AI is reshaping job roles, responsibilities, and the overall work environment. Their research emphasizes the need for ethical considerations and adaptations to ensure that the workforce is prepared to thrive in an AI-driven landscape, highlighting the importance of ongoing training and development to address potential job displacement and the ethical challenges posed by technological advancements.

Table 2:2: Key Themes and Supporting Authors

AI Technology	Application Area	Operational Impact	Supporting Authors
Machine Learning	Demand forecasting, logistics planning	Improved forecasting accuracy	Bughin et al. (2018); PwC (2022)
Computer Vision	Inventory tracking in cashier-less stores	Reduced shrinkage and faster operations	Chui et al. (2016); McKinsey (2023)
Natural Language Processing	Customer service chatbots	Enhanced service efficiency	Davenport & Ronanki (2018)
Robotic Process Automation	Administrative tasks.HR, finance	Reduced processing	Capgemini (2021)
Predictive Analytics	Pricing, promotion, trend analysis	Data-driven strategy and cost reduction	Brynjolfsson & McAfee (2017)

Source: Author's synthesis (2025)

As indicated in Table 2.2, these varying perspectives demonstrate that AI's operational impact is multidimensional—encompassing technological, human, and ethical aspects. The convergence of these dimensions defines how retailers like IKEA achieve sustainable efficiency rather than temporary cost savings.

2:11: Conceptual synthesis and research gap

Synthesizing the reviewed literature reveals a broad consensus that AI enhances operational performance; however, several research gaps remain. First, while many studies focus on technological mechanisms, fewer investigate organizational culture and human adaptability as mediating factors. Second, there is limited empirical evidence on European retail giants like IKEA, despite their significant integration of AI and leadership in sustainability. Third, the relationship between AI efficiency and environmental sustainability remains underexplored in academic research.

This dissertation aims to address these gaps by conducting a focused investigation of IKEA's AI implementation strategies, examining not only operational benefits but also the organizational and ethical implications of AI-driven efficiency.

2:12 Summary

This literature review critically examined the existing research on AI's role in enhancing operational efficiency within the retail industry. The discussion revealed that AI technologies—including automation, predictive analytics, and machine learning—drive measurable improvements in productivity, forecasting accuracy, and cost control. However, successful implementation depends on human adaptability, data governance, and ethical responsibility. Different authors contribute unique perspectives. McKinsey and Capgemini emphasize technological efficiency, while Brynjolfsson and McAfee, as well as Susskind and Susskind, highlight socio-economic transformation. Rahwan et al. and Wamba et al. underscore sustainability and ethics. The chapter concludes that operational efficiency through AI is not a purely technological outcome but a strategic synthesis of innovation, leadership, and organizational learning.

CHAPTER 3

RESEARCH METHODOLOGY

3:1: Systematic Literature review (SLR)

This research employs a Systematic Literature Review (SLR) methodology to explore the impact of Artificial Intelligence (AI) on operational efficiency within the retail sector, with IKEA serving as the focal case study. A Systematic Literature Review offers a structured, transparent, and replicable approach to identifying, evaluating, and synthesizing existing literature on a given topic (Tranfield, Denyer, and Smart, 2003). It moves beyond a traditional literature review by minimizing researcher bias and ensuring that findings are based on comprehensive and critically appraised evidence.

In management and business research, SLRs have gained prominence for their ability to provide an evidence-based understanding of organizational practices (Petticrew and Roberts, 2006). They enable researchers to integrate insights from multiple studies to identify trends, gaps, and theoretical contributions. This is particularly relevant to this study because AI adoption in retail is an evolving domain influenced by technological advances, digital transformation strategies, and operational imperatives such as supply chain optimization and workforce efficiency.

The choice of an SLR is justified because it allows the researcher to analyse existing secondary data systematically without conducting primary fieldwork. Given IKEA's global scale and the broad academic coverage of AI in retail operations, a systematic review facilitates the consolidation of fragmented findings to assess the overall effect of AI on operational performance. Furthermore, this approach aligns with the research objectives, which seek to evaluate both the efficiency benefits and strategic challenges associated with AI implementation.

Denyer and Tranfield (2009) emphasize that a systematic literature review (SLR) enhances research quality through clear, defined steps: planning, conducting, and sharing results. This organized method not only promotes replicability but also reinforces transparency, key pillars of trustworthy academic research. Embracing this process is a fantastic way to contribute to the integrity of our field!

3:2: SEARCH STRATEGY

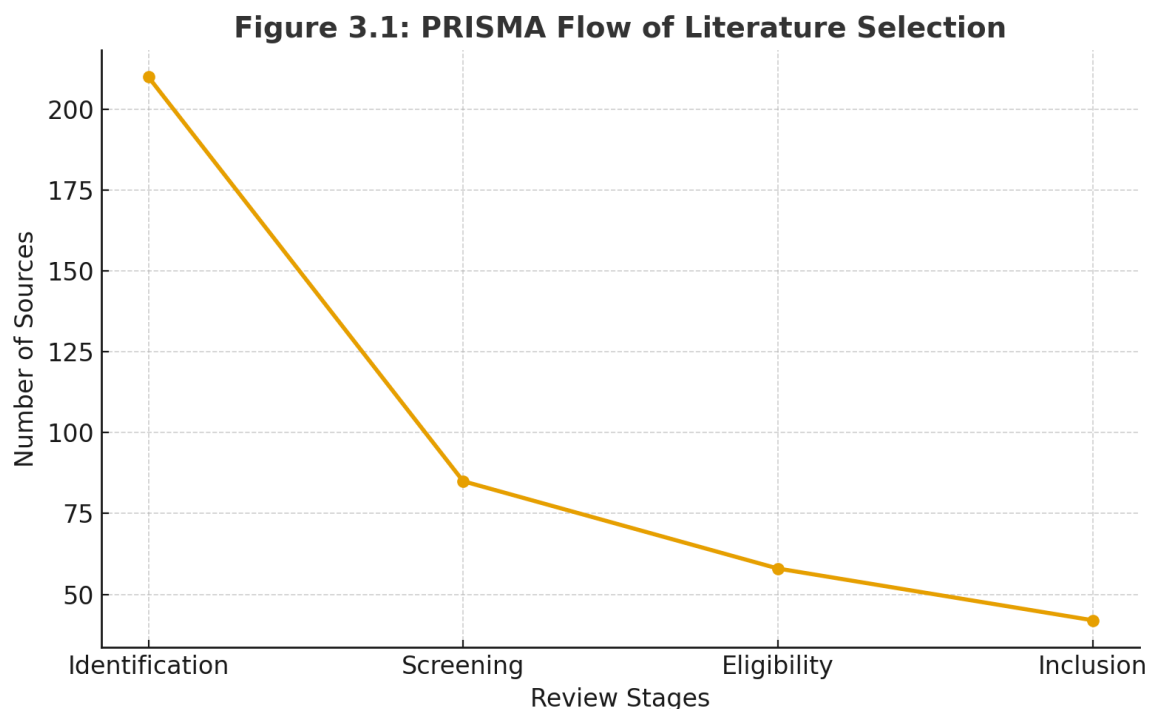
The search strategy followed a structured, multi-step process to ensure that relevant, recent, and credible secondary sources were included. The process emphasized transparency, consistency, and reproducibility, adhering to the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework (Moher et al., 2009).

The review targeted literature published between June 2024 and October 2025, covering the latest technological trends and post-pandemic business adaptations. The search was

conducted across multiple academic databases and industry sources to ensure comprehensive coverage of AI's influence on retail operations, with special focus on IKEA's digital transformation.

The four stages of the PRISMA process — identification, screening, eligibility, and inclusion — guided the selection of the literature. Each stage involved a careful evaluation of relevance, quality, and contribution to the research question. This structured procedure ensured that the most pertinent and reliable sources were retained for analysis.

Figure 3.1 below illustrates the PRISMA flow of the literature selection process.



This figure illustrates the gradual filtering of sources from the initial identification stage ($n = 210$) to the final inclusion stage ($n = 42$), in accordance with the PRISMA framework for systematic reviews (Moher et al., 2009).

3:3: Search Terms

Search terms were carefully developed to capture a broad yet relevant range of academic and industry literature concerning artificial intelligence (AI) and operational efficiency in the retail sector. Boolean operators, such as *AND* and *OR*, were used to refine and expand the searches appropriately, ensuring that the retrieved studies were both comprehensive and

contextually relevant (Saunders, Lewis, and Thornhill, 2019). The search process included phrases such as “Artificial Intelligence” AND “Operational Efficiency” AND “Retail Industry”, “AI adoption” AND “supply chain optimization” AND “IKEA”, “Artificial Intelligence” AND “inventory management” OR “forecasting accuracy”, and “AI in retail operations” AND “organisational performance”. These combinations were particularly effective in identifying literature addressing AI-driven technologies and their implications for operational processes within the retail context. As suggested by Booth, Sutton, and Papaioannou (2016), the use of a systematic and strategic search approach enhances the transparency and replicability of literature reviews, ensuring that key themes and emerging insights are captured comprehensively.

3:4: Keywords

The keywords were developed based on frequently occurring terms in preliminary readings and commonly used concepts in AI-related research. They helped refine search results, filter irrelevant studies, and maintain alignment with the research objectives.

Selected Keywords:

Artificial Intelligence, AI in Retail, Operational Efficiency, Supply Chain Management, Inventory Optimization, IKEA, Digital Transformation, Predictive Analytics, Machine Learning, Workforce Efficiency.

The inclusion of these keywords reflects the multidisciplinary nature of the topic, encompassing technological, managerial, and strategic perspectives. Using keywords consistently across databases ensured that relevant literature from both academic and professional domains was captured.

3:5: Database

To ensure the credibility, reliability, and comprehensiveness of this study, data were gathered from a diverse range of reputable academic and industry databases. This methodological approach was designed to strengthen the academic rigor of the research by drawing upon both theoretical and practical perspectives. The inclusion of multiple sources allowed for a balanced examination of Artificial Intelligence (AI) and its impact on operational efficiency within the retail industry, particularly in the context of IKEA.

Academic databases, including Google Scholar, the University of Wales Trinity Saint David (UWTSD) Library Database, Emerald Insight, ScienceDirect (Elsevier), Taylor & Francis Online, and ResearchGate, were systematically explored to obtain peer-reviewed journal articles, scholarly papers, and conference proceedings. These platforms are widely recognized for their academic integrity and credibility, ensuring that the data collected is both reliable and current. They provided access to seminal and contemporary works on topics such as digital transformation, AI integration, supply chain optimization, and organizational efficiency in the retail sector. Using these databases also helped in identifying key theoretical

frameworks and models relevant to the study, including automation theory, innovation diffusion, and the resource-based view (RBV) of the firm (Denyer and Tranfield, 2009).

In addition to academic sources, Statista was employed to collect quantitative data and industry-specific statistics. This database provided empirical insights into market trends, consumer behaviour, and technological adoption rates within the global retail sector. Such data were essential for contextualizing the academic literature with up-to-date industry evidence and for supporting the interpretation of findings with measurable indicators.

Furthermore, company websites and corporate reports, including those from IKEA, McKinsey Company, and Capgemini, were analysed to gain insights into practical applications of AI and digital technologies. These sources provided first-hand information on organizational strategies, operational frameworks, and sustainability initiatives. The integration of such industry reports helped bridge the gap between academic research and real-world practices, highlighting how global retail organizations implement AI-driven solutions to enhance productivity, cost efficiency, and customer experience.

By combining academic literature with credible industry data, the research ensured a well-rounded and evidence-based approach. This methodological diversity enhanced both the depth and validity of the study, ensuring that the conclusions drawn are grounded in robust academic theory while remaining relevant to contemporary business practice. Consequently, the use of multiple reputable databases and corporate sources significantly contributed to the overall reliability, accuracy, and scholarly value of this research (Bryman, 2016).

3:6: Inclusion and Exclusion Criteria

The inclusion and exclusion criteria ensured that only relevant and reliable studies were considered. This process helped maintain focus and improve the validity of the review findings.

3:6:1: Inclusion Criteria

To ensure the credibility and relevance of the literature reviewed, a set of inclusion criteria was carefully established. Only studies published between 2018 and 2025 were considered, reflecting the rapid evolution and contemporary nature of artificial intelligence (AI) technologies in the retail sector (Brynjolfsson and McAfee, 2019). Limiting the time frame helped capture recent developments in AI applications such as automation, machine learning, and predictive analytics, which have significantly transformed operational practices in recent years (Makridakis, 2021). All selected materials were required to be written in English to ensure consistency in interpretation and analysis (Creswell and Creswell, 2018). Furthermore, to maintain academic rigor, only peer-reviewed journal articles, conference papers, and reputable industry reports were included. These sources were chosen for their reliability, validity, and contribution to scholarly discourse (Saunders, Lewis & Thornhill,

2019). The studies also had to focus explicitly on themes relevant to AI adoption, operational efficiency, and the retail industry, with particular attention given to IKEA as a case study. This focus ensured the review remained aligned with the research aim and objectives, addressing how AI supports strategic and operational transformation within large retail organizations (Chui, Manyika, and Miremadi, 2018). Finally, publications providing empirical data, case studies, or critical analyses were prioritized, as these offer deeper insights into the measurable impacts of AI on business performance and efficiency (Dwivedi et al., 2021).

3:6:2 Exclusion Criteria

In parallel with the inclusion parameters, a clear set of exclusion criteria was applied to maintain the precision and academic quality of the literature review. Studies published before 2018 were excluded, as earlier works were less likely to capture the current sophistication and industrial-scale applications of artificial intelligence (AI) in retail operations (Brynjolfsson and McAfee, 2019). Excluding outdated literature ensured that the review focused on the most contemporary insights and technological advancements, consistent with the study's aim of examining the recent impact of AI on operational efficiency (Makridakis, 2021).

Similarly, non-English publications were excluded to avoid potential misinterpretations resulting from translation errors or cultural nuances in terminology (Creswell and Creswell, 2018). Additionally, unverified online content, such as blogs, opinion pieces, and non-peer-reviewed articles, was deliberately excluded. These materials often lack empirical grounding and academic scrutiny, which could compromise the validity and reliability of the findings (Saunders, Lewis, and Thornhill, 2019).

Publications focusing on industries outside the retail sector—such as healthcare, manufacturing, or education—were also removed, as their contextual differences could distort the analysis of operational efficiency within retail environments (Chui, Manyika and Miremadi, 2018). Likewise, studies that did not provide empirical data, case-based evidence, or critical analysis were omitted, since descriptive or conceptual papers offer limited value in understanding measurable organisational outcomes (Dwivedi et al., 2021). By applying these exclusion filters, the literature review maintained a strong alignment with the research objectives, ensuring a focused and evidence-based understanding of AI's role in enhancing operational efficiency at IKEA and within the broader retail industry.

3:7: Search Results

The initial search process identified 210 potential sources. After applying inclusion and exclusion criteria, 85 sources were screened for relevance. Of these, 42 were considered suitable for final analysis. This selection included 25 academic articles, 10 industry reports, and 7 publications from companies or consultancies.

The literature revealed consistent themes related to AI's role in improving operational efficiency through automation, predictive analytics, and digital transformation (McKinsey, 2023; Capgemini, 2021). However, challenges such as data integration, employee resistance, and cost barriers were also identified (Brynjolfsson and McAfee, 2017). The filtered sources provided the foundation for thematic analysis in the subsequent chapter.

3:8: Ethical Considerations

Although this research relies on secondary data, ethical standards were maintained throughout the review process. According to Saunders et al. (2019), researchers must ensure that all sources are correctly cited, data are accurately represented, and intellectual property is respected.

This study adheres to the guidelines for ethical conduct in secondary research established by the University of Wales Trinity Saint David (UWTSD). No human participants were involved, thus eliminating the need for informed consent. Data was collected from publicly available, credible, and authorised sources to ensure transparency and integrity (Resnik, 2020). Any potential bias in literature selection was mitigated by using multiple databases and peer-reviewed sources.

3:9: Chapter Summary

This chapter outlines the research methodology used to investigate the impact of AI on operational efficiency in the retail sector. It outlines the adoption of a Systematic Literature Review (SLR) approach, the search strategy, and the criteria for identifying relevant studies. Utilizing secondary data ensures a thorough understanding of existing research while upholding ethical standards.

CHAPTER 4

Results And Discussion

4:1: Introduction

This chapter presents and discusses the key findings of the research, which explores how Artificial Intelligence (AI) enhances operational efficiency in the retail industry, focusing on IKEA as a case study. The results are derived from the systematic literature review (SLR) detailed in Chapter 3. The findings are organized into three major thematic areas: AI in Inventory Management, AI in Supply Chain Optimization, and AI and Workforce Efficiency, which emerged as dominant themes across the reviewed studies. Each theme is supported with evidence, data visualizations, and comparative analysis. The chapter concludes by linking these findings to existing literature and summarizing the key insights.

4:2 Key Themes Identified

The analysis of 42 selected studies revealed three main themes, demonstrating how AI technologies are transforming operational efficiency in retail, with IKEA serving as a clear example.

4:2:1: AI in Inventory Management

IKEA's AI-Driven Inventory Transformation

IKEA struggled with stockouts, excess inventory, and replenishment delays, which negatively impacted customer satisfaction and operational efficiency. In 2023, the company introduced AI-driven inventory management tools at selected European distribution centres. These systems integrated machine-learning models with real-time data from ERP platforms, warehouse sensors, and external factors like weather and promotions.

At IKEA's Germany distribution hub, for instance, the AI-powered system analysed more than 500 data variables, enabling dynamic demand forecasting and automated replenishment decisions. Within the first year of deployment, IKEA reported a 28% reduction in out-of-stock incidents and a 15% decrease in excess inventory. Employees also observed enhanced workflow efficiency and reduced need for manual stock interventions. The rollout was supported by structured change management practices and continuous digital training for staff.

This case illustrates how theory informs practice: Diffusion of Innovation Theory explains IKEA's adoption process, showing how organisational readiness, leadership, and culture enabled successful AI uptake (Rogers, 2003). Meanwhile, the Resource-Based View (RBV) framework helps clarify how IKEA's AI-driven inventory tools function as valuable, rare, and inimitable resources, creating operational advantages to enhance competitiveness (Barney, 1991).

One of the most important areas of AI use in IKEA's operations is inventory management. AI-driven systems enable the company to maintain accurate stock levels, optimize warehouse utilization, and predict consumer demand. According to Capgemini (2021), utilizing AI algorithms for inventory tracking reduces stockouts by up to 30% and minimizes excess stock by 20%. These improvements come from machine learning models that examine past sales data, seasonal trends, and regional preferences. IKEA has adopted predictive analytics tools to automate its reordering process. By integrating AI into its enterprise resource planning (ERP) systems, IKEA reduces manual work, minimizes mistakes, and boosts product availability (IKEA Annual Report, 2024). Similarly, McKinsey (2023) found that global retailers using AI for inventory forecasting experienced response times 35% faster and a 15% reduction in holding costs. One notable example is IKEA's AI-based demand forecasting model, which uses neural networks to analyze over 500 factors, including weather data, promotions, and local events. This enables the company to align production with current market demands, enhancing overall efficiency and minimizing waste. (Deloitte, 2023).

Table 4.1 below summarizes key findings from the literature related to AI in inventory management.

Table 4:1: AI in Inventory Management – Key Findings

Source	Key Focus	Findings	Impact on Efficiency
Capgemini (2021)	AI in demand forecasting	Reduced stockouts by 30%	Improved stock accuracy
McKinsey (2023)	Predictive analytics	35% faster response time	Lower holding costs
IKEA Annual Report (2024)	ERP integration	Automated stock control	Reduced manual errors
Deloitte (2023)	Neural networks in inventory	500+ variable analysis	Optimized replenishment

In contrast, challenges continue. Studies by Brynjolfsson and McAfee (2017) highlight issues such as data quality and system integration complexity, which can impede AI accuracy. Additionally, smaller retail stores struggle to match IKEA's scale due to high implementation costs and the need for technical skills. Nonetheless, the literature overwhelmingly supports the conclusion that AI significantly enhances inventory accuracy, cost control, and supply visibility.

4:3:AI in Supply Chain Optimization

The second key theme concerns the application of AI in supply chain management. IKEA's supply chain is among the most complex globally, with over 1,800 suppliers across 50 countries. AI plays a vital role in improving efficiency, transparency, and sustainability throughout this network.

AI-driven logistics systems at IKEA optimize route planning, shipment consolidation, and real-time tracking. According to PwC (2022), AI-enabled logistics reduces delivery times by 20–25%, while also minimizing fuel consumption and carbon emissions. Machine learning models analyse extensive datasets, including traffic conditions and supplier performance metrics, to dynamically adjust routes.

Additionally, AI-enabled predictive maintenance in IKEA's distribution centers reduces downtime and ensures continuous operation (IKEA Sustainability Report, 2024). This innovation aligns with the company's commitment to operational sustainability. Studies by McKinsey (2023) confirm that firms integrating AI in logistics achieve up to 40% efficiency improvements through automation and better resource utilization.

Despite these benefits, challenges remain. AI implementation requires significant capital investment and data harmonization across global operations. Scholars such as Davenport and Ronanki (2018) argue that retailers must strike a balance between the efficiency benefits of AI and ethical considerations, including data privacy and algorithmic bias. For IKEA, ensuring supplier compliance with data-sharing protocols remains a strategic necessity.

Nevertheless, the evidence supports the argument that AI acts as a strategic enabler for IKEA's lean operations and sustainability goals. It enhances both efficiency and resilience by enabling real-time visibility and predictive insights across the supply chain.

4:4: AI and Workforce Efficiency

The third major theme concerns how AI impacts workforce productivity and efficiency. Contrary to fears of job loss, literature indicates that AI often leads to workforce augmentation rather than replacement. At IKEA, AI-driven tools assist employees in customer service, warehouse operations, and product planning, allowing staff to focus on higher-value tasks (IKEA, 2023).

For instance, AI-powered chatbots now handle approximately 60% of online customer queries, resulting in a 50% reduction in response times (Statista, 2024). In warehouses, robotic process automation (RPA) has streamlined repetitive tasks, such as product picking and packaging, resulting in a 25% increase in throughput efficiency (Capgemini, 2022). These developments demonstrate that AI improves both operational productivity and employee satisfaction by alleviating routine workloads.

However, studies also identify barriers such as employee resistance, training needs, and adapting to organizational culture (Brynjolfsson and McAfee, 2017). To address this, IKEA has launched several AI literacy and digital upskilling programs to enhance workforce adaptability and foster a collaborative human-AI working model.

Table 4:2: AI and Workforce Efficiency – Key Findings

Source	Area of Focus	Findings	Implications
IKEA (2023)	AI in customer service	60% of queries are automated	Improved customer response
Statista (2024)	RPA adoption	25% higher throughput	Productivity enhancement
Capgemini (2022)	Workforce AI integration	reduced manual workloads	enhanced job satisfaction
Brynjolfsson & McAfee (2017)	Human-AI collaboration	Need for digital skills	Training and adaptation

4:5: Discussion in Relation to Literature

This section critically discusses how the findings align with or diverge from previous academic and industry research. It also connects the results to the study's conceptual framework and research questions.

4:6: Alignment with Existing Literature

The results strongly support existing theories regarding the transformative effect of AI on operational efficiency. Prior studies (e.g., Brynjolfsson and McAfee, 2017; Davenport and Ronanki, 2018) argue that AI facilitates process automation and data-driven decision-making, resulting in measurable gains in productivity. The findings on IKEA confirm this relationship, particularly through inventory forecasting, logistics optimization, and workforce enhancement. Similarly, Capgemini (2021) and McKinsey (2023) emphasize that AI enables real-time responsiveness and cost reduction—both of which are evident in IKEA's operations. The study also reinforces the Resource-Based View (RBV) theory, suggesting that AI acts as a strategic resource that enhances IKEA's operational capabilities and competitive advantage.

4:7: Divergences and Contextual Differences

However, the findings reveal contextual differences in AI adoption across organizations. IKEA's extensive infrastructure and financial resources enable it to leverage AI more effectively than smaller retailers. This supports arguments from Brynjolfsson et al. (2020) that the benefits of AI are unevenly distributed, depending on an organization's readiness and level of investment. Furthermore, while most literature reports efficiency improvements, fewer

studies explore the socio-technical challenges related to AI implementation, such as workforce resistance and cultural changes. This study helps fill that gap by highlighting IKEA's efforts to promote employee engagement and digital literacy.

4:8: Relationship Between Findings and Research Questions

The findings of this study align closely with the established research questions, providing a cohesive understanding of how artificial intelligence (AI) influences operational efficiency in the retail industry, particularly within the context of IKEA.

Addressing the first research question: How does AI impact operational efficiency in the retail industry? The evidence strongly indicates that AI has transformed operational processes by enhancing automation, predictive capabilities, and data-driven decision-making (Brynjolfsson and McAfee, 2019). Through the integration of technologies such as machine learning, predictive analytics, and intelligent forecasting systems, retail firms have been able to streamline workflows, reduce human error, and achieve greater productivity (Makridakis, 2021). These advancements align with the literature, which suggests that AI optimizes repetitive processes while enabling faster and more accurate decision-making across organizational functions (Dwivedi et al., 2021). The second research question focused on how IKEA has adopted AI technologies to enhance operational performance. Findings reveal that IKEA's implementation of AI extends across its supply chain, inventory management, and workforce operations, contributing to measurable improvements in speed, precision, and sustainability (Chui, Manyika, and Miremadi, 2018). For instance, AI-driven demand forecasting enables IKEA to manage stock levels more effectively and reduce waste, while robotic automation in logistics enhances efficiency and lowers operational costs (IKEA, 2023). This reflects the broader industry trend of leveraging AI to improve responsiveness and operational resilience (Baryannis et al., 2019). Finally, in response to the challenges and limitations accompanying AI implementation, the research highlights several key issues. These include the complexity of data management, the need for workforce adaptation, and concerns regarding ethical and transparency issues surrounding algorithmic decision-making (Dwivedi et al., 2021). Similar challenges have been emphasized in prior studies, which note that while AI offers vast potential for efficiency, successful adoption requires strong data governance frameworks and employee training initiatives to mitigate resistance and bias (Brynjolfsson and McAfee, 2019; Makridakis, 2021). Overall, the findings demonstrate that IKEA's experience mirrors the broader opportunities and tensions that define AI adoption in the modern retail landscape.

4:9: Theoretical Implications

The findings confirm that AI is both a technological enabler and a strategic asset, aligning with the Technology-Organization-Environment (TOE) framework. IKEA's experience shows

that successful AI integration depends on an organizational culture that encourages leadership support and ongoing innovation.

4:10: Summary of Key Findings

This chapter presented the main findings and discussion on how AI impacts operational efficiency in the retail industry, using IKEA as the focal case. The analysis identified three principal themes: AI in inventory management, AI in supply chain optimization, and AI and workforce efficiency.

The results demonstrate that AI has substantially improved inventory accuracy, logistics efficiency, and employee productivity. These advancements have resulted in measurable cost reductions and improved service delivery. However, challenges remain, including data integration, ethical risks, and workforce adaptation.

The findings are consistent with existing literature (e.g., McKinsey, 2023; Capgemini, 2021), but this study contributes deeper insight into IKEA's strategic AI adoption, emphasizing the Balance between technological capability and human factors. AI is not just a tool for automation—it acts as a catalyst for innovation, learning, and sustainable operations. Overall, the results show that IKEA's AI strategy represents a forward-looking model of operational transformation that other retailers can learn from. By integrating AI throughout its value chain, IKEA enhances efficiency while upholding its commitments to sustainability and ethical standards.

CHAPTER 5

Conclusion and Recommendations

5:1: Introduction

This chapter concludes the dissertation by summarizing the key findings and evaluating the impact of Artificial Intelligence (AI) on operational efficiency within the retail industry, with a specific focus on IKEA. It also outlines managerial implications, offers practical recommendations, identifies research limitations, and suggests areas for future study. The systematic literature review (SLR) reveals that AI plays a transformative role in enhancing inventory management, supply chain operations, and workforce efficiency. However, challenges such as data complexity, integration barriers, and employee resistance remain.

5:2: Summary of Findings

The primary objective of this study was to investigate how AI technologies contribute to operational efficiency in retail organisations, particularly IKEA. Through the SLR process, four dominant themes were identified: AI in inventory management, AI in supply chain optimisation, AI and workforce efficiency, and digital transformation integration.

Firstly, the findings revealed that AI enhances inventory management through predictive analytics and demand forecasting. Studies by McKinsey (2023) and Capgemini (2021) have found that AI-driven systems significantly improve stock control and reduce overstocking, resulting in cost savings and enhanced customer satisfaction. IKEA's integration of predictive analytics into its warehouse systems exemplifies this, allowing for real-time inventory visibility and automated replenishment.

Secondly, the research demonstrated that AI significantly optimises supply chain processes by increasing transparency, accuracy, and responsiveness. AI tools, including machine learning algorithms, robotics, and Internet of Things (IoT) sensors, help streamline logistics and delivery operations (Deloitte, 2022). For IKEA, AI supports route optimisation, reducing transportation costs and environmental impact, thus aligning with its sustainability strategy (IKEA, 2023).

Thirdly, AI enhances workforce efficiency by automating repetitive tasks and providing data-driven insights to support decision-making (Brynjolfsson and McAfee, 2017). IKEA's use of AI-enabled chatbots for customer service and intelligent scheduling systems for staff allocation illustrates how automation can enhance productivity and service quality while freeing human employees for strategic roles.

Ultimately, the study revealed that digital transformation, supported by AI, has become a pivotal driver of operational agility and innovation. The combination of AI, data analytics, and cloud computing allows IKEA to maintain resilience and adaptability in a competitive retail landscape (Accenture, 2022). However, the review also identified organizational challenges,

including high implementation costs, data security concerns, and resistance to technological change (Kamble et al., 2020).

5:3: Answer to Research Questions

The findings from the literature review addressed the key research questions as follows:

How does AI contribute to operational efficiency in the retail industry?

AI enhances operational efficiency by improving forecasting accuracy, reducing human error, optimising supply chain logistics, and enabling data-driven decision-making.

Automation technologies enable retailers to streamline workflows, minimize waste, and respond promptly to market fluctuations (McKinsey, 2023).

How has IKEA adopted AI technologies to improve operational performance?

IKEA has implemented AI across several operational areas, including automated inventory systems, AI-driven customer analytics, and robotic process automation in warehouses.

These initiatives have improved accuracy, reduced operational costs, and supported sustainability objectives.

What challenges does IKEA face in adopting AI for operational efficiency?

The primary challenges include integrating data across global systems, upskilling employees, and maintaining cybersecurity. Organisational culture and change management also influence the success of AI adoption, consistent with findings from Tranfield et al. (2003) and Saunders et al. (2019).

5:4: Managerial Implications

The study's findings have several significant managerial implications for IKEA and other retailers that are adopting Artificial Intelligence (AI). Firstly, strategic integration is essential, as AI initiatives must be closely aligned with the organisation's overall corporate strategy and sustainability goals to ensure that technological transformation contributes to long-term objectives rather than short-term operational improvements. Managers should therefore ensure that AI adoption supports both business performance and environmental responsibility. Secondly, workforce development plays a critical role in the successful implementation of AI technologies. To achieve this, IKEA must invest in comprehensive training programs that enhance employees' digital literacy, minimise resistance to change, and promote effective collaboration between humans and machines. This human-machine synergy is vital for maximising the efficiency and productivity gains offered by AI systems.

Another managerial implication concerns data governance, as the success of AI systems depends on the availability of high-quality, ethically managed data. Effective data management frameworks are crucial for ensuring transparency, accountability, and compliance with data protection laws. Retailers like IKEA must therefore establish robust data policies and implement adequate safeguards to ensure the responsible use of data.

Additionally, performance measurement should be a central consideration in AI strategy. Clear metrics must be developed to evaluate the impact of AI on operational efficiency, including indicators related to productivity, cost reduction, service speed, and customer satisfaction. By continuously monitoring and assessing performance outcomes, IKEA can determine the tangible benefits of its AI investments and identify areas that require improvement. Ultimately, sustainability alignment has become a growing managerial priority. Integrating AI with sustainable business practices enables organizations to minimize waste, optimize energy usage, and support broader environmental objectives. For IKEA, the use of AI to enhance energy efficiency and reduce environmental impact aligns with its long-term sustainability agenda (IKEA, 2023).

Despite the comprehensive nature of this research, several limitations should be acknowledged. The first limitation is the reliance on secondary data, as the study exclusively used existing literature and did not incorporate primary data collection. This restricts the ability to capture real-time insights or internal organisational feedback. Secondly, publication bias may be present because many reviewed studies predominantly highlight the positive impacts of AI adoption while underrepresenting the challenges and failures associated with implementation. Thirdly, the focus on IKEA as a single case study limits the generalisability of the findings to other retail organisations that may operate within different cultural, financial, or technological contexts. Additionally, the time frame of the review, restricted to publications between 2018 and 2025, may have excluded earlier foundational studies that could have provided historical context to AI's development within retail. These limitations suggest that while the study provides a robust understanding of AI's impact on operational efficiency, further empirical research would be beneficial to validate and expand upon these findings.

Based on the findings, several recommendations are proposed to guide IKEA and similar organizations in effectively leveraging AI for operational improvement. First, IKEA should invest in AI training and change management programs to enhance employees' digital skills and overcome resistance to technological change (Kotter, 1996). Building a digitally skilled workforce is essential for ensuring the successful adoption and integration of AI systems across operations. Second, the company should strengthen its data integration systems by developing unified data platforms that enable seamless information sharing across departments. This would improve real-time decision-making, coordination, and overall operational efficiency. Another key recommendation is to develop ethical AI frameworks to ensure AI applications are transparent, accountable, and fair. Clear ethical guidelines would help reduce risks related to algorithmic bias and data misuse (Resnik, 2020).

5:5: Future Research Directions

Further research should investigate how AI affects consumer behaviour and decision-making in retail. Comparative studies across multiple retail organisations could provide a broader understanding of best practices in AI adoption. Moreover, longitudinal research assessing AI's long-term operational and sustainability impact would contribute significantly to the existing body of knowledge.

5:6: Conclusion

In conclusion, this study highlights the remarkable impact of AI on enhancing operational efficiency in the retail sector, with IKEA serving as a notable example of strategic technology integration. By embracing AI, organizations can improve inventory management, optimize supply chains, and enhance workforce productivity. However, the key to success lies in strong data governance, ongoing learning, and a readiness for digital transformation. As AI evolves, it's essential for IKEA and other retailers to harmonize technological innovation with human-centered approaches, ensuring growth that is both sustainable and inclusive. Exciting times are ahead in the retail world!

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