EXECUTIVE ANALYSIS · RETAIL & CONSUMER INDUSTRY

The 2026 U.S. Holiday Retail Outlook

Growth Will Be Earned, Not Given — and AI Becomes the New Gateway to the Consumer

Prepared for retail C-suite executives and investors

A synthesis of published 2026 outlooks from The Grayson Company, NRF, Deloitte, McKinsey & Company, and Bain & Company · July 2026

The most strategically demanding holiday in years

Growth will stay positive, but it will be won on execution — not created by demand.

The 2026 season is defined by persistent value-seeking, widening consumer income divergence, AI-enabled shopping, and continued margin pressure. Holiday sales are expected to grow roughly **2.5%–3.5%**, with e-commerce expanding **6%–8%** and materially outpacing physical stores.

Winning depends less on creating demand than on capturing increasingly selective demand through superior execution — and the season's defining shift is the rise of AI as a new competitive intermediary between retailers and consumers.

FOUR FORCES DEFINING THE SEASON

- **Value-seeking** — A structural mindset, no longer a reaction to inflation
- **Income divergence** — A two-speed consumer economy splits the market
- **AI-enabled shopping** — Discovery moves to conversational assistants
- **Margin pressure** — Discipline separates leaders from laggards

Sources: NRF 2026 Retail Sales Forecast (with Oxford Economics); Deloitte 2026 Global Retail Industry Outlook; McKinsey & Company; Bain & Company.

QUANTITATIVE OUTLOOK

Modest top-line growth, a widening digital-physical gap

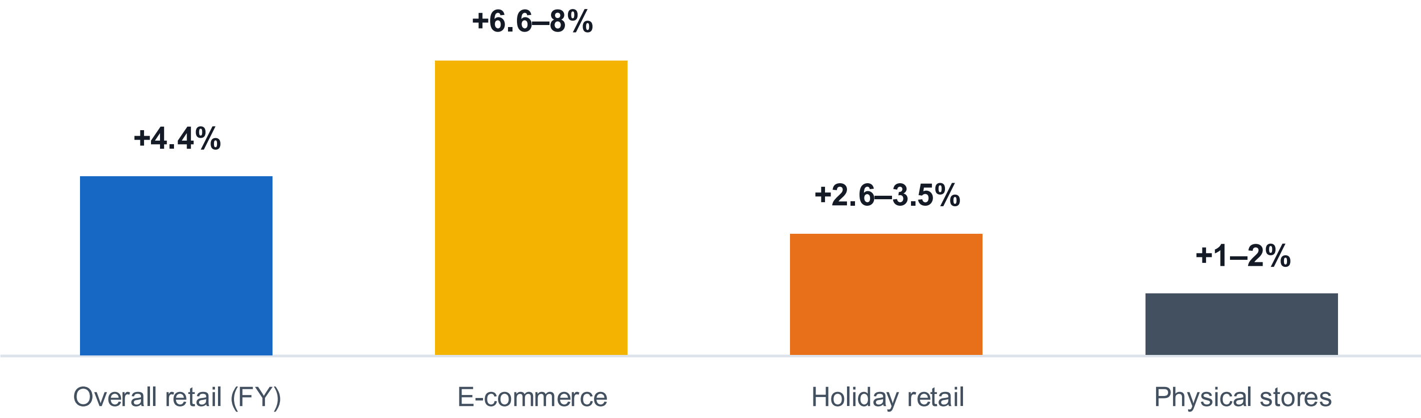
+4.4%
Overall U.S. retail sales, full year (NRF)

+2.6–3.5%
Holiday retail sales

+6.6–8%
E-commerce growth

+1–2%
Physical store growth · low single digits

Representative 2026 growth rates; e-commerce and holiday figures reflect midpoints of forecast ranges.



WHAT THE NUMBERS MEAN

The decade-long digital-physical divergence continues — but the more important development is that AI is becoming a new shopping channel, not merely another marketing tool.

Nearly every major retailer operates in the same macro environment, so advantage now depends on execution rather than conditions.

Source: National Retail Federation 2026 Retail Sales Forecast (with Oxford Economics); Deloitte 2026 Global Retail Industry Outlook.

A new intermediary now sits between retailers and consumers

The defining feature of Holiday 2026 is not the pace of consumer demand — it is the emergence of **AI as a new competitive intermediary** between retailers and consumers.

MCKINSEY & COMPANY

AI is redefining how consumers discover products, how stores create value, and how retailers organize operations.

BAIN & COMPANY

AI is no longer just another technology investment — it is the operating system for productivity, merchandising, and engagement.

Source: McKinsey & Company — Shopping in the Age of AI; Rewiring Retail: The AI Imperative. Bain & Company— retail and consumer sector perspectives.

THE STRUCTURAL LANDSCAPE

Five forces will shape Holiday 2026

01

Bifurcated spending

A two-speed consumer economy splits premium and value markets.

02

Value is permanent

Value-seeking is now a structural feature of shopping behavior.

03

AI is the new front door

Discovery shifts from keyword search to conversational assistants.

04

Stores as experience

Physical retail becomes destination, service, and fulfillment.

05

Margin over revenue

Operational excellence matters more than top-line growth.

Synthesis of Deloitte 2026 Global Retail Industry Outlook, NRF 2026 Forecast, The Grayson Company Gray Matter articles, and McKinsey & Company / Bain & Company perspectives.

Two consumer economies, two operating models

PREMIUM EXPERIENCE ECONOMY

Affluent households keep spending

- Strong household wealth and equity-market gains
- Home-equity appreciation
- Stable employment and healthy labor markets
- Prioritize quality, exclusivity, and convenience

PRECISION VALUE ECONOMY

Constrained households seek value

- Accumulated inflation and elevated debt servicing
- Tighter household budgets
- Greater reliance on promotions and coupons
- Extensive comparison and price-checking

Strategic implication: Polarization favors retailers with clear positioning while generalist middle-market merchants face intensifying pressure. A single merchandising and pricing strategy can no longer serve the entire customer base.

Sources: NRF (Matthew Shay); Bain & Company retail perspectives; McKinsey & Company.

Value becomes permanent as AI becomes the front door

VALUE IS A PERMANENT MINDSET

Deloitte finds value-seeking is now structural, not a temporary response to inflation. Holiday buying is defined by:

- Earlier purchasing across an extended October–December calendar
- More comparison shopping and higher coupon usage
- Strategic category prioritization and longer consideration
- Selective splurging rather than broad discretionary spend

AI IS THE NEW FRONT DOOR TO COMMERCE

Consumers increasingly ask assistants instead of typing keyword searches:

"Best gifts for teenagers under $100"

"Create my family's holiday shopping list"

"Find sustainable luxury gifts"

Competition now happens before consumers ever reach a website. The new battleground: AI recommendation visibility, structured product data, semantic descriptions, brand authority, and rich content.

Sources: Deloitte 2026 Global Retail Industry Outlook; McKinsey & Company — Shopping in the Age of AI.

THE JOURNEY HAS CHANGED

The holiday funnel has been replaced

TRADITIONAL — a linear path to purchase

Then

Awareness → Consideration → Search → Website visit → Purchase

HOLIDAY 2026 — mediated by AI

Now

Intent → AI interpretation → AI recommendation → Retailer selection → Purchase

Being absent from AI-generated recommendations may soon be as damaging as being absent from the first page of search was twenty years ago. Retailers must optimize for Generative Engine Optimization (GEO), not only SEO.

Source: McKinsey & Company — Shopping in the Age of AI; Rewiring Retail: The AI Imperative.

Stores become experience centers, not information centers

As AI absorbs product discovery online, stores no longer compete on inventory information. Their new role is to create value that a chat interface cannot — experience, service, and speed.

Inspiration

Immersive holiday environments and exclusive launches

Validation

Try, touch, and confirm before buying

Fulfillment

BOPIS, curbside, and same-day delivery

Service

Personalized, advisory, human help

Community

Seasonal entertainment and events

Brand memory

Experiences that build loyalty and pricing power

"Store visits may become less frequent but more valuable." Experience creates pricing power — and, as online discounting deepens, an increasingly valuable margin-preservation strategy.

Source: McKinsey & Company — Shopping in the Age of AI.

AI becomes the retail operating system

The public conversation fixates on chatbots. The greater economic value is behind the scenes — where AI improves the operating decisions that determine margin.

- **Demand forecasting**
- **Inventory allocation**
- **Markdown optimization**
- **Pricing decisions**
- **Labor scheduling**
- **Supply-chain planning**
- **Customer segmentation**
- **Merchandising**

Holiday 2026 rewards operational excellence over aggressive top-line growth — amid wage inflation, logistics and fulfillment costs, tariff uncertainty, promotional intensity, and technology investment.

THE MARGIN DIVIDEND

Hundreds of billions

in potential value generative AI could create across consumer and retail — largely through productivity and operating efficiency (McKinsey Global Institute).

Winners will use AI to improve return on invested capital — not merely to lift sales. Financial discipline and margin management separate leaders from laggards.

Sources: The Grayson Company Gray Matter, McKinsey Global Institute — The Economic Potential of Generative AI; Bain & Company; Deloitte 2026 Global Retail Industry Outlook.

THE COMPETITIVE FIELD

What leading retailers are doing

Walmart

Everyday value at scale

- Everyday value and price leadership
- AI-enabled personalization
- Supply-chain automation and predictive inventory
- Omnichannel convenience

Confidence that operational efficiency, not promotions, drives share.

Amazon

The default shopping advisor

- Generative-AI shopping assistants
- Conversational commerce
- Recommendation quality and fulfillment speed
- Advertising optimization

Aiming beyond largest online retailer toward default advisor.

Target

Differentiation beyond price

- Owned brands and differentiated merchandising
- Same-day fulfillment
- Deep digital integration
- Loyalty-ecosystem expansion

Protecting margins despite heightened promotional activity.

Synthesis of company commentary reported in the source analyses (The Grayson Company, NRF, Deloitte, McKinsey & Company, Bain & Company).

THE AGENDA

Six strategic priorities for retail CEOs

01 Price precision

Personalize offers, optimize markdown timing, and use AI-driven pricing — avoid blanket promotions.

02 AI discovery (GEO)

Prepare catalogs for AI-mediated commerce with structured data, rich attributes, and semantic content.

03 Inventory accuracy

Sharpen AI demand prediction, localized assortment, and real-time, predictive replenishment.

04 Experience differentiation

Compete on service, exclusivity, convenience, and personalization — not price alone.

05 Omnichannel excellence

Deliver frictionless mobile, desktop, store, curbside, and delivery journeys.

06 Profit discipline

Prioritize profitable revenue, inventory productivity, and customer lifetime value over volume.

Synthesis of strategic priorities from The Grayson Company, Deloitte, McKinsey & Company, and Bain & Company.

THE STRATEGIC IMPLICATION

The year competition shifted to algorithmic preference

2026 will not be remembered for extraordinary demand. It will be remembered as the year retail competition shifted decisively toward **AI-assisted commerce, precision merchandising, and operational excellence.**

Earn advantage

Integrate predictive analytics, AI discovery, disciplined pricing, and differentiated experiences to outperform even as growth stays modest.

Treat AI as infrastructure

Recognize AI as a new layer of market infrastructure — and embed it across the enterprise operating model.

Win on execution

Adaptability, intelligence, and disciplined execution distinguish 2026's leaders (Deloitte).

The next era is defined by competition for algorithmic preference — not marginal differences in holiday demand.

REFERENCES

Sources & references

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National Retail Federation — 2026 Annual Retail Sales Forecast; NRF Forecast FAQ (developed with Oxford Economics). Commentary from Matthew Shay, President & CEO.

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McKinsey & Company — Shopping in the Age of AI: Redefining Stores for a New Era; Rewiring Retail: The AI Imperative.

McKinsey Global Institute — The Economic Potential of Generative AI: The Next Productivity Frontier.

Bain & Company — Consumer Products and Retail Insights; Luxury Goods Worldwide Market Study; retail and consumer sector perspectives.

Prepared as an executive synthesis for retail and consumer industry leaders. Figures and quotations are drawn from the sources above; where forecasts are expressed as ranges, midpoints are used for illustrative charting.