PREDICTIONS REPORT

Predictions 2026: Retail

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Summary

Profitability over growth at any cost is the imperative that defines the retail landscape in 2026. Retailers must recalibrate their strategy: Every decision will be measured by its contribution to the bottom line. It's a big shift. For years, retailers have prioritized market share expansion and customer acquisition. Add to that rising interest rates, persistent inflation, and evolving consumer behaviors, and companies must make tough decisions about store footprints, return policies, and technology investments. The winners will be those that can balance customer experience with operational efficiency, leveraging AI and data analytics to optimize everything from inventory management to personalized service delivery.

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Economic Headwinds Will Force Retailers To Pivot To Profitability

Look for a singular imperative to drive retail in 2026: profitability over reckless growth. After years of prioritizing market share expansion and customer acquisition, retailers are confronting the harsh reality that sustainable success requires disciplined financial management. Several factors — rising interest rates, persistent inflation, and evolving consumer behaviors — are forcing companies to make tough decisions about store footprints, return policies, and technology investments.

The winners will be those that can balance customer experience with operational efficiency, leveraging AI and data analytics to optimize everything from inventory management to personalized service delivery. This shift represents a fundamental recalibration of retail strategy, where every decision will be measured against its contribution to the bottom line. In 2026, we predict that:

- **Three US specialty retailers will go bankrupt.** The ongoing challenges of high interest rates, the continued consumer preference for online shopping, and competition from mass and value merchants will force more vulnerable specialty chains into insolvency. Several large firms are likely to follow with closures like those that have already happened to Joann and At Home, and those with large debt loads such as Guitar Center could be likely next.

  There's no time for resting on laurels: Specialty retailers with decent financial positioning like Dick's or Best Buy must bolster their future growth prospects by aggressively pursuing omnichannel strategies, reducing physical footprints, and focusing on unique experiential offerings (think Dick's House of Sport) that can't be replicated online. First and foremost, the financially precarious will need to pay down as much debt as possible if they want to have any hope of surviving.

- **Twenty-five percent of consumers will use specialty retail chatbots like Rufus.** As AI technology becomes more sophisticated and consumers grow comfortable with conversational commerce, chatbots will become essential for product discovery, comparison shopping, and customer service across retail platforms. Already, 41% of US and 45% of UK online adults say they use Amazon to research in some way, and the prevalence of a chatbot link across the mobile experience is a growing part of that statistic.

The success of these tools will be driven by their ability to provide customers with personalized recommendations and to streamline post-transaction communications around order status and returns; these areas are ripe for cost savings and customers want to receive them. Retailers should invest in developing proprietary AI shopping assistants across the shopping journey, including the post-transaction funnel, and ensure their platforms integrate seamlessly with emerging conversational commerce technologies.

- **Two major global retailers will claw back their return strategy.** The rising costs of processing returns, combined with supply chain pressures and margin erosion, will force retailers to implement stricter policies as generous return windows become financially unsustainable. While Amazon and Walmart are currently known for breaking traditional return models with "keep the item" returns in the case of low-margin items, that approach is ripe for exploitation by savvy shoppers.

  In 2026, we expect merchants to be stricter, not more generous, with returns to offset costs. These same retailers will lean into machine learning algorithms to understand the behavior of their best and highest-margin shoppers to selectively offer more generous returns policies to just them. That selective largesse will help retailers keep the profitable customers, many of whom convert online due to generous return policies, while ditching unprofitable shoppers.

- **GLP-1 drugs will cause noticeable declines in some grocery store staples.** The widespread adoption of appetite-suppressing medications will reduce the consumption of processed foods, snacks, and carb-heavy beverages. Already, major CPGs like Kraft Heinz are reporting declines in sales. We expect this consumption shift will have a downstream impact on grocery stores, which are heavily dependent on "middle of the store" dry goods. Alcohol sales will be similarly impacted: US consumers are drinking significantly less alcohol, which bodes poorly for companies like AB InBev and Diageo. In June 2025, one-third of online adults in the US (33%) and UK (32%) said that they had spent less on alcoholic beverages since the beginning of the year.

  Brands and retailers need to be vigilant toward changing consumer consumption trends and lean into shifts where they can, particularly around health, sustainability, and fitness. Wellness-oriented products are likely to be better received in the years to come.

- **TikTok Shop will experience flatlining revenue.** TikTok continues to grow, but the promise of social commerce is elusive. Major players like Facebook — including Instagram, Pinterest, and YouTube — have failed to enable transactions successfully for major brands and retailers on their sites, in spite of being strong shopper discovery engines. Anecdotally, TikTok Shop has traction with small sellers. Plus, one-quarter of online adults in the US (25%) and the UK (24%) say they use TikTok to research products — and that number is close to double for online adults 34 years and younger in both markets. But ultimately, its fate is likely to be the same as its predecessors. We expect TikTok to see slowing growth and user saturation in 2026.

  Retailers are better off focusing on influencer-led content that surfaces during search on social platforms, rather than encouraging transactions on the platform. They are best served by owning their shoppers and not relying on a third party for the shopping cart. The winners in the next era of commerce won't be the large platforms but the creators who are platform-agnostic.

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