2026 Retail Predictions

The retail landscape is transforming, as automation and AI unlock new possibilities for businesses and the consumers they serve. While the implications vary by geography, sector, and a multitude of other factors, giving retailers across the globe different views of the future, the overall picture is one of fundamental change.

Based on BCG's analysis of the forces, trends, and challenges impacting retailers and consumers, we have developed six predictions for the year ahead.

01 FRONTLINE ROLES FRAGMENT

As evolving consumer expectations and wage pressures push retailers to aggressively eliminate low-value tasks and redesign how and where service shows up, frontline consumer-facing retail work will fragment into higher-skilled in-store positions and new advisory roles. Automation will elevate the role of the store associate, pairing greater autonomy and training with GenAI-powered task orchestration and on-demand chat and video support to problem solve. "Staff-light" or staff-less convenience formats will continue to emerge as well. To derive full value from this approach, retailers need to understand which human touchpoints drive the most value and therefore merit investment.

### Impact of AI and automation on store operations

Employee automation & AI tools support efficiencies across the store. BCG experience has found:

5-10%
Labor cost reduction
Automation reduces the total hours or allows for lighter staffing models

25%
Employee time saved on manual tasks
Inventory checks, price updates, basic customer questions

30%
Improvement in employee satisfaction
Employees spend more time on meaningful, customer-facing or advisory activities, and less on tedious, repetitive work

Source: BCG project experience

02 TECH STACK SECURITY IS NON-NEGOTIABLE

A series of high-profile, sophisticated agentic ransomware and third-party breaches have forced retailers to treat cybersecurity not as an "IT problem" but as a precondition to rolling out AI, automation, and omnichannel platforms. While AI adoption was once constrained primarily by talent and budget, the central challenge for most retailers is now building cyber architecture fit for today's risks. These risks go beyond internal systems to include elements of the broader ecosystem such as supply chains, payments, and technology vendors. We expect that retailers will reprioritize investment, delaying some "shiny" innovations until they have proven, secure architectures, shared controls with partners, and AI-specific guardrails in place.

Attackers' breakout time (how long it took to go from initial access to compromising other devices)

48 minutes
2024
↓
18 minutes
mid-2025

Source: Security firm ReliaQuest
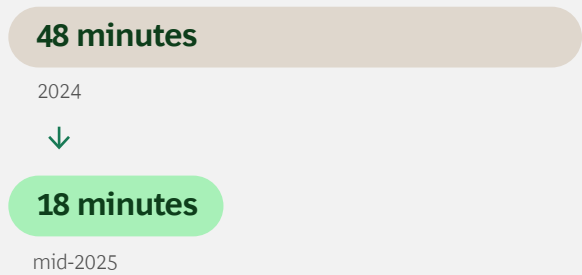
03 TWO PATHS TO LOCAL RELEVANCE

The most successful retailers will use AI to orchestrate hyper-local experiences across their national store networks: language and content tuned to specific communities, offers that flex to local shoppers' paydays and events, and experiences that consistently carry across super-apps, marketplaces, and channels. Retailers that can't match the tech depth which enables this level of sophisticated personalization can still compete by going deeper on community, and not just by tweaking their end caps to the season. They can do so by empowering store managers as micro-merchants, partnering with local creators and brands, and tailoring experiences through authentic, place-based insights rather than algorithms alone.

In the US, Gen Z and Millennials are more comfortable than Gen X and Boomers with personalization using public data

Respondents who say they are very uncomfortable with companies using publicly available information about them to create a personalized experience (%)
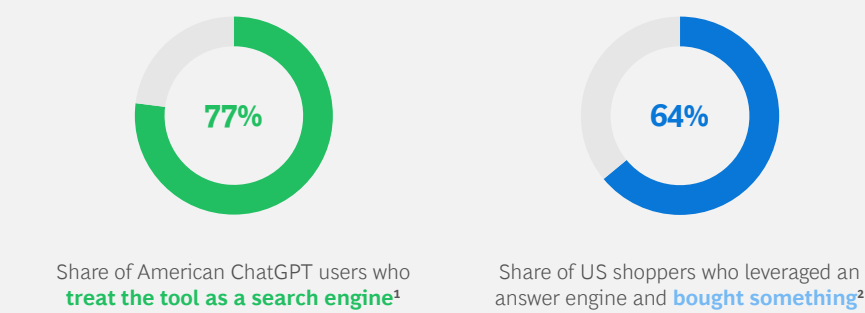

	Gen Z (18-27)[1]	Millennials (28-43)	Gen X (44-59)	Baby Boomers or older (60+)
Very uncomfortable	9	16	18	27
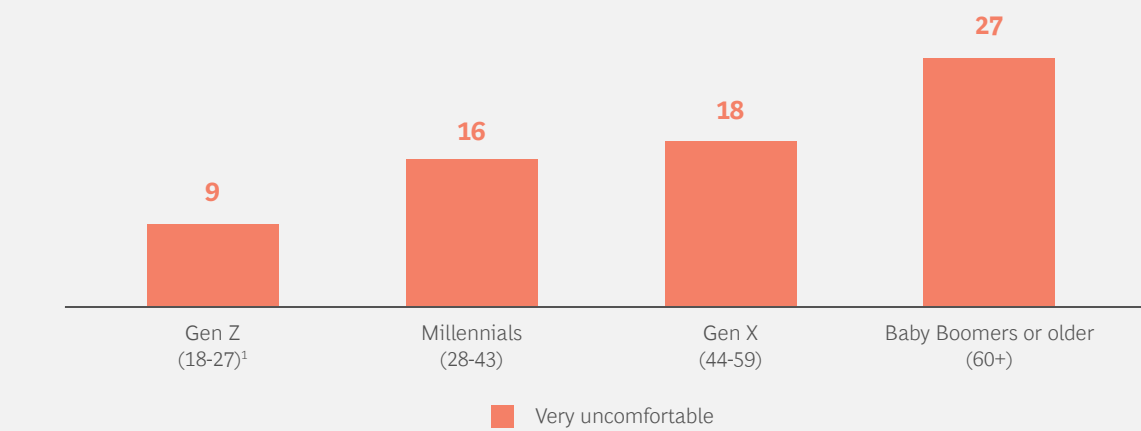
1. Sample size for Gen Z was under 100.
Source: BCG Consumer Sentiment Survey, Sep 2024 (n = 23,130, unweighted), representative within ± 3 percentage points of census.
Question text: "Overall, how comfortable are you with companies using publicly available information about you (such as age, gender, maritals status, social media activity, home address, zip code, income) to create a personalized experience for you?" (n= 68-234). Reported results are for the US only.

04 RIP TRADITIONAL SEARCH FILTERS

Product discovery will shift from clicking filters to simply asking questions through chat-based search. The default for many consumers is becoming "ask someone or something in chat"—a friend, a creator, a bot, or an AI assistant embedded in WhatsApp, WeChat, or TikTok. A paradigm shift is taking place, led by consumers, as retailers find they must design for agentic commerce and ecosystems they don't fully control, moving from search engine optimization (SEO) to answer engine optimization (AEO). As retail media programs reach an inflection point as an EBIT driver for many retailers, this shift will force retailers to determine how sponsored visibility and media investment are protected in answer-led environments. In the end, retailers who still treat search as a box on their website will lose share to those that design their catalog, content, and fulfillment to be queryable and transactable inside broader ecosystems. Structured product and fulfillment data will become successful retailers' competitive edge in achieving visibility in search response.

Many users are using answer engines in place of search engines

77%
Share of American ChatGPT users who **treat the tool as a search engine**[1]

64%
Share of US shoppers who leveraged an answer engine and **bought something**[2]

1. Sourced from 2025 Adobe survey
2. Sourced from Pew Research Center July 2025 report

05 STORE NETWORKS BECOME ORCHESTRATED PORTFOLIOS

Stores remain critical, but their importance now extends far beyond their individual four-wall P&L. Retailers will evaluate each store as a node within a broader ecosystem, contributing to customer convenience, delivery speed, click and collect, media reach, brand presence, and even climate resilience. This holistic approach will lead to some important decision-making: for example, whether to keep an unprofitable flagship that anchors a mall and fuels a retail media audience; convert some stores into micro-fulfillment and returns hubs; or deploy small, staff-light nodes to extend coverage. To make this approach work, real estate and strategy teams will need to harness data and analytics to understand each store's role in the network and how to meet its individual KPIs, moving away from one-size-fits-all formats toward a coordinated, purpose-built portfolio.

Consumer rank in-store experience and events as most memorable

% of US adults, Feb 2025

Q: How often do you notice and remember the following types of brand experiences?

In-store experience or events	79%
In-store window displays	72%
Physical mail	71%
Packaging	69%
Online ads	67%
Catalogs	63%
Social media ads	59%

Note: n=2,068 ages 18+; combined "sometimes," "always," and "often" responses
Source: Quad, "The Return of Touch: Reimagining Consumer Engagement in 2025" conducted by The Harris Poll, May 13, 2025
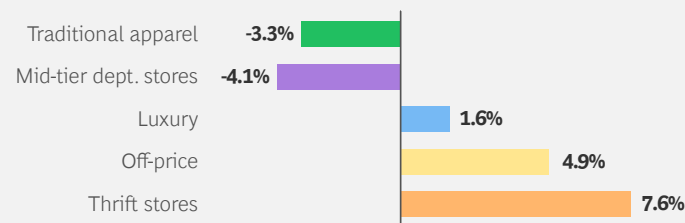
06 ALL SHOPPERS ARE VALUE SHOPPERS —BUT "VALUE" IS A MOVING TARGET

In 2026, shoppers' needs can be boiled down to "show me the best value package," seeking the right mix of product quality, price, speed, reliability, sustainability claims, and membership perks, bundled together. Discount and ecosystem giants will be able to fund extreme convenience, while mid-tier retailers survive only if they offer unmistakable differentiation: curated ranges, culturally resonant brands, and service and execution that justify choosing them over ecosystems and discounters.
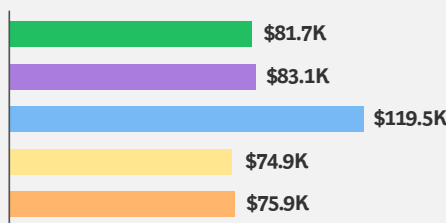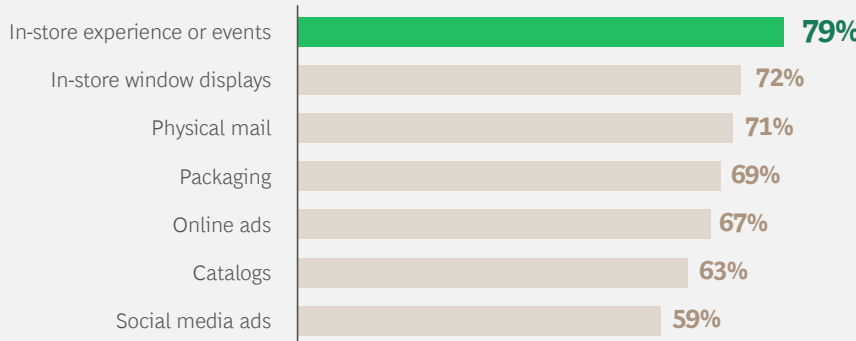
Value & luxury apparel visits grow & median HHI is bifurcated

October 2024 to September 2025

Visits compared to previous year / Trade area median household income[1]

	Visits compared to previous year	Trade area median household income[1]
Traditional apparel	-3.3%	$81.7K
Mid-tier dept. stores	-4.1%	$83.1K
Luxury	1.6%	$119.5K
Off-price	4.9%	$74.9K
Thrift stores	7.6%	$75.9K

1. Based on STI: PopStats dataset combined with Placer.ai data for captured trade areas

THE YEAR AHEAD

The pace of change in retailing has accelerated, demanding clarity and action grounded in data and a strong foundation in the core retail business. While we can't predict the future with precision, we can read the signals. Right now, these include accelerated AI adoption, shifting consumer expectations, margin compression, and shrinking decision windows. In this environment, "waiting" is in fact a decision, and it is the riskiest path a retailer can take.