



RETAIL - INDUSTRY REPORT

Private-Label Expansion and Smart Automation

Redefine the US Retail
Industry

September 2026



Abstract

This comprehensive report examines the structural evolution, financial performance, and market dynamics driving the US retail industry. Driven by resilient consumer spending and rapid e-commerce expansion, the sector is experiencing a major shift as artificial intelligence (AI) transitions from standalone pilots into the foundational operating layer of modern retail ecosystems. To protect profitability and capture consumer wallet share amid persistent inflation, retailers are prioritizing portfolio focus, high-margin retail media networks, and private-label expansion over traditional low-margin product sales.

This structural shift is altering customer engagement and supply chain strategies, accelerating the adoption of agentic AI and intelligent workflow automation, while strengthening consolidated omnichannel infrastructure across key formats. Against a backdrop of concentrated dealmaking, growing private equity (PE) M&A in transformational assets, and shifting household financial buffers, this report evaluates macro growth drivers, lower-middle and middle-market M&A trends, and strategic implications for market participants navigating an increasingly value-driven market



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Executive Summary

The broader US consumer sector is experiencing steady evolution as investment accelerates across digital commerce, retail media, and operational technologies. Within this landscape, the US retail industry continues to expand, driven by steady consumer spending and ongoing channel transformation. Supported by these momentum drivers, retail sales are expected to grow 4.4% annually in 2026 to \$5.6 trillion.

AI is rapidly becoming a key operational layer across modern retail ecosystems. Rather than remaining isolated pilots, intelligent tools are being integrated into core enterprise functions spanning merchandising, demand forecasting, customer discovery, inventory allocation, and store operations. Technology adoption is widespread across the sector, highlighted by NVIDIA's 2026 State of AI in Retail and consumer packaged goods (CPG) survey, which found that 91% of retail and CPG respondents were using or assessing AI.

In addition to technology integration, market strategies are shifting toward private-label expansion, high-margin commerce media networks, and consolidated omnichannel infrastructure. Simultaneously, capital in consumer dealmaking is concentrating on high-conviction category leaders and transformative assets. Retailers combining proprietary customer data, dense fulfillment networks, and clear productivity gains will continue to secure the strongest market position.

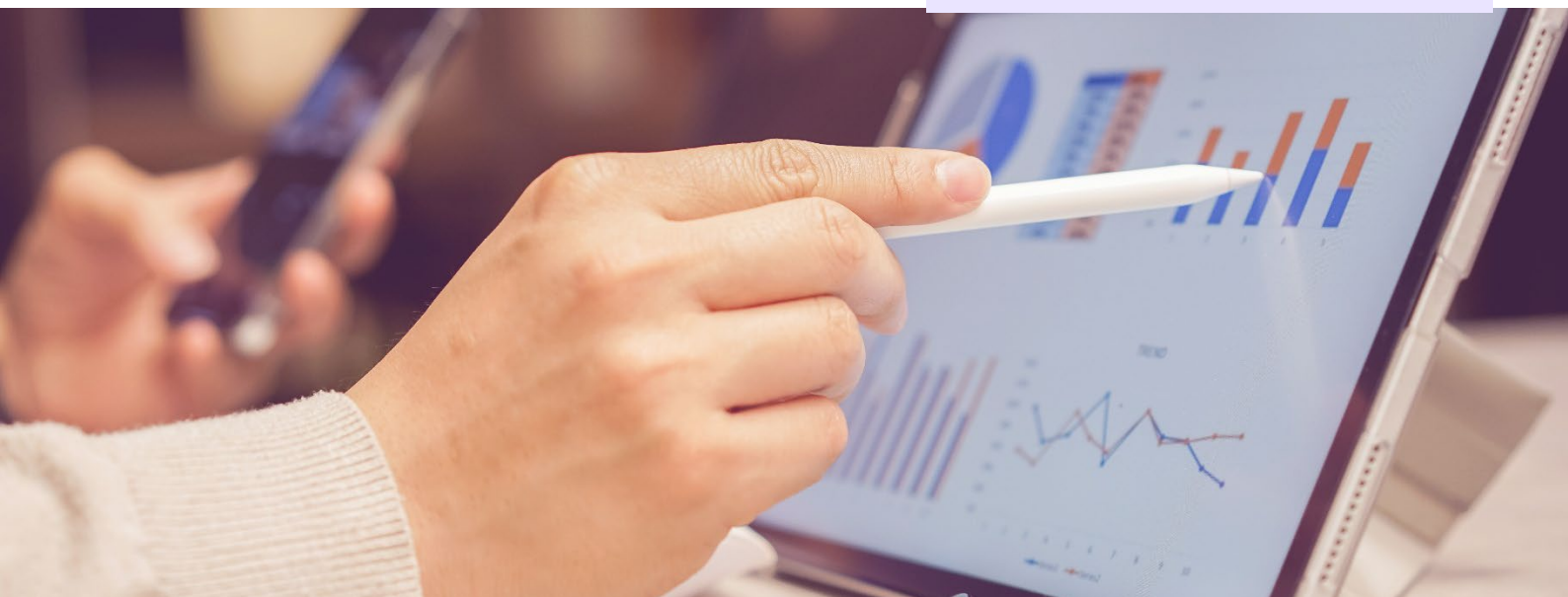
\$5.6 Trillion

is the projected retail sales volume in the US by 2026, growing at an annual rate of 4.4%, as per the National Retail Federation (NRF)



91%

is the proportion of retail and CPG respondents using or assessing AI, as per NVIDIA's 2026 State of AI in Retail and CPG survey





US Consumer Sector | Market Highlights

US Consumer Demand Remains Resilient Despite Pressure on Household Finances

US consumer demand remains resilient in 2026, supported by continued income growth, although persistent inflation and low household savings are increasing pressure on purchasing power. In July 2026, disposable personal income increased 0.5% month over month (MoM), while personal consumption expenditures increased 0.2%.

0.5%

MoM growth in US disposable personal income | Jul-26

\$712 Billion

US personal savings | Jul-26

3%

US personal saving rate | Jul-26

Source: US Bureau of Economic Analysis

Market Drivers



Income Growth Continues to Support Consumption

US household income continues to provide underlying support to the Consumer sector. In July 2026, personal income increased \$115.1 billion, while disposable personal income increased \$125.9 billion. This provides continued spending capacity even as consumers become more selective about where incremental dollars are allocated.



Goods and Services Spending Diverges

The composition of consumer spending is shifting. In July 2026, the \$36.3 billion increase in personal consumption expenditures reflected an increase of \$86.2 billion in services spending, partly offset by a \$49.9 billion decline in spending on goods. The divergence increases competition for consumer wallets and creates a more challenging environment for goods-oriented consumer companies.



Household Financial Buffers Remain Limited

US consumers are saving a relatively small share of disposable income. The personal saving rate stood at 3% in July 2026, indicating limited household financial cushions and increasing sensitivity to changes in inflation, employment, interest rates, and income growth.



Consumer Companies Prioritize Portfolio Focus

Consumer-products companies are reassessing where they compete. Deloitte's 2026 outlook finds that accepted advantages around breadth, scale, and optimization are increasingly being challenged by the need for focus, speed, and agility. Consequently, half of surveyed executives plan to rationalize stock-keeping units as portfolios shift toward stronger categories.

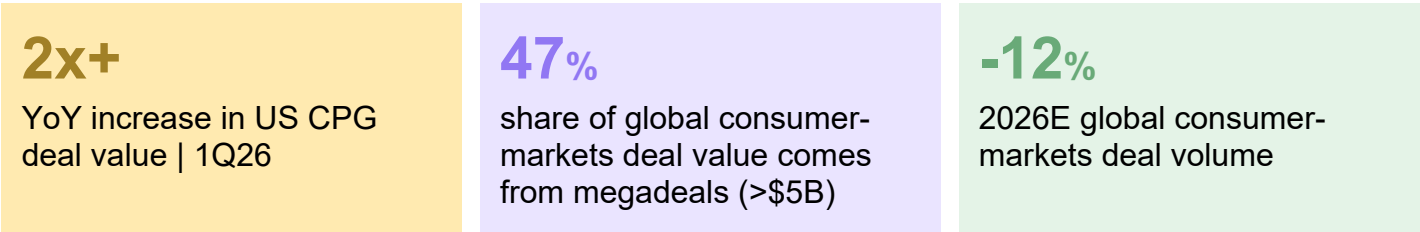
Investor Implication: Consumer-sector resilience increasingly depends on where companies participate rather than aggregate spending growth alone. Businesses positioned in categories with durable demand, differentiated propositions, and greater ability to capture consumer wallet share should be better placed as household financial flexibility remains constrained.





US Consumer M&A Value Rises as Capital Concentrates on Transformational Assets

Consumer M&A activity is becoming increasingly concentrated in large, strategically important transactions. US CPG deal value more than doubled year-over-year (YoY) in 1Q26 even as deal volume continued to fall, highlighting a shift toward fewer but significantly larger transactions.



Source: PwC

Deal Value and Volume Continue to Diverge

The recovery in Consumer M&A is not broad-based. PwC estimates that transactions worth more than \$5 billion account for 47% of global consumer-markets deal value in 2026, up from 23% in 2024, while overall deal volume is on track to decline 12%. Capital is concentrating around a relatively small number of high-conviction assets.

What Buyers Are Prioritizing

Category Leadership	Resilient demand and defensible positions in attractive consumer categories
Wellness & Health	Exposure to changing health preferences and growing scrutiny of ingredients
First-Party Consumer Data	Proprietary customer relationships that improve personalization and marketing effectiveness
Portfolio Focus	Acquisitions and divestitures that concentrate resources behind stronger businesses
Take-Private Opportunities	Public consumer businesses where sponsors see a valuation disconnect
Supply-Chain Control	Assets that strengthen sourcing, distribution, customer access, and resilience

Investor Implication: Rising Consumer deal value should not be interpreted as a broad recovery in transaction activity. Capital is increasingly concentrating around category leaders and assets offering portfolio transformation, differentiated consumer access, or clear operational value-creation opportunities.

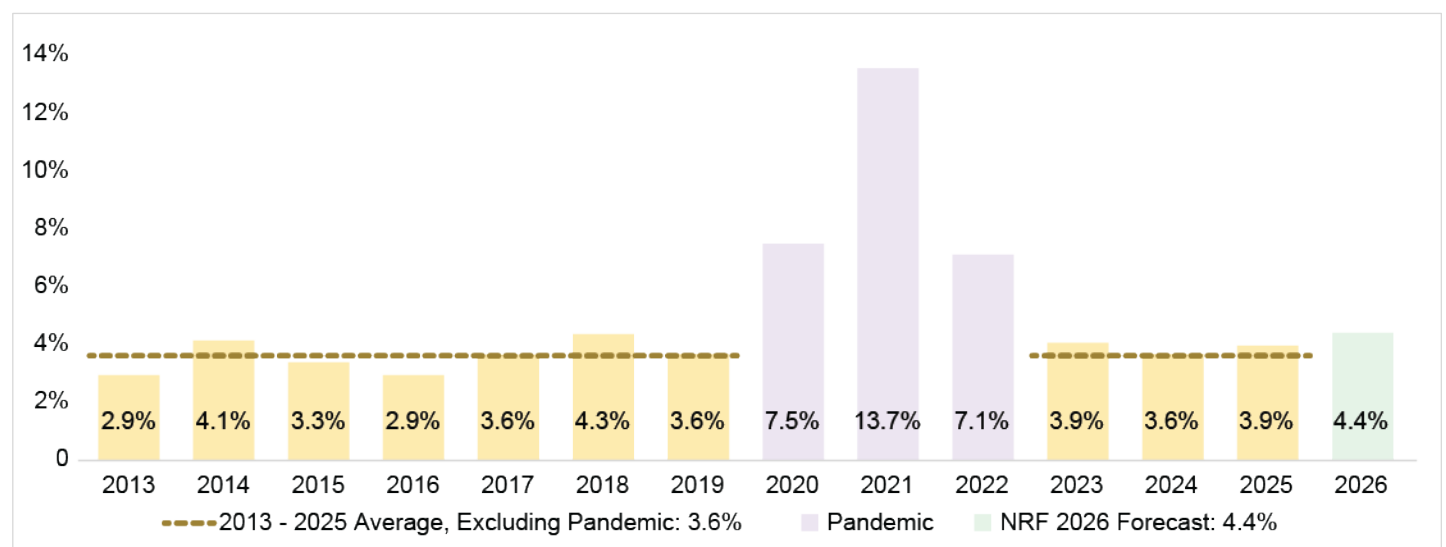
US Retail Industry | Market Overview

The US retail industry is the world's largest consumer marketplace, spanning grocery, general merchandise, apparel, home improvement, and specialty formats across stores and digital channels. Under this report's scope, automobiles, gasoline stations, restaurants, and wholesalers are excluded. The NRF expects retail sales to grow 4.4% annually in 2026 to \$5.6 trillion, above the 3.6% 10-year average excluding pandemic years. E-commerce continues to outpace overall industry growth. According to US Census Bureau estimates, 2025 online retail sales reached \$1.2 trillion, up 5.4% YoY to account for 16.4% of total sales compared to 3.5% growth for total retail.

Scaled omnichannel operators such as Walmart, Amazon, Costco, Kroger, Home Depot, and Target lead the competition. Growth is supported by resilient household consumption, mobile commerce, faster fulfillment, private-label expansion, loyalty ecosystems, and higher-margin advertising and marketplace businesses. Retailers face price-sensitive consumers, uneven discretionary demand, tariffs, inflation, labor and logistics costs, shrink, and technology investment. These pressures favor companies with purchasing scale, differentiated assortments, dense store networks, strong first-party data, and disciplined inventory management. For investors, the industry's key divide is between retailers that will likely compound traffic while monetizing media, memberships, marketplaces, and private brands, and those reliant on low-margin product sales alone.

The US retail industry continues to expand, driven by steady consumer spending and rapid e-commerce growth. Large omnichannel companies lead the market through scale, dense store networks, and high-margin services like media and memberships. However, cost pressures, inflation, and shifting demand increasingly favor resilient operators over low-margin, product-only retailers.

Figure 1: Historical Retail Sales and 2026 Forecast



Source: US Census Bureau, NRF, Oxford Economics

Note: Forecast excludes automobile dealers, gasoline stations, and restaurants



Macro Drivers



Resilient Consumer Spending Supporting Retail Demand

Consumer spending remains a key support for US retail despite economic uncertainty and uneven conditions. Retail sales are projected to grow 4.4% in 2026, while unemployment is expected to remain below 4.5%, supporting household purchasing power and demand.



Persistent Inflation Increasing Consumer Price Sensitivity

Persistent inflation continues to constrain household purchasing power and increase sensitivity to prices and promotions. US PCE inflation reached 3.7% YoY in July 2026, reinforcing pressure on retailers to protect affordability while managing merchandise, sourcing, labor, and operating costs.



Consumer Credit Conditions Shape Discretionary Spending

Consumer borrowing remains available, but elevated credit costs and growing household leverage continue to influence discretionary spending capacity. US credit-card balances reached \$1.26 trillion in 2Q26, while total household debt stood at \$18.8 trillion, increasing sensitivity to borrowing costs and repayment obligations.



E-commerce Continues to Reshape Retail Demand

Digital commerce continues to reshape US retail as consumers move more purchasing activity across online and omnichannel journeys. Retailers are responding by strengthening digital storefronts, fulfillment capabilities, inventory visibility, and cross-channel experiences to capture demand while maintaining convenience and service.



Retail's Large Employment Base Increases Focus on Workforce Efficiency

Retail remains the nation's largest private-sector employer, supporting more than 55 million US jobs. Workforce constraints and changing employee expectations are increasing the importance of productivity, automation, flexible staffing, and workforce development as retailers balance service quality with operating efficiency.



Emerging US Retail Trends

Private Labels Gain Ground on Value, Differentiation, and Margins

Private labels are moving from low-cost substitutes to strategic growth and margin platforms as US shoppers scrutinize value across income groups. Deloitte's 2026 Retail Industry Global Outlook found that four in ten Americans exhibit deal-driven or cost-conscious behavior, while nearly seven in ten retail executives view trading down and shifting to value channels as structural rather than temporary. Retailers are therefore widening opening-price-point assortments while investing in quality, design, health, and premium tiers that increase differentiation.

The commercial momentum is visible in 2025 results. PLMA, using Circana Unify+ data, reported record US store-brand sales of \$282.8 billion in 2025, up 3.3% versus 1.2% for national brands. Store-brand dollar share reached 21.3% from 2021 to 2025, and unit share hit 23.5%. Retailers are responding at scale as Walmart is redesigning almost 10,000 Great Value food and consumables products over two years, while Kroger is extending premium Private Selection offerings. These portfolios let retailers control price architecture, react faster to demand, and reduce direct comparability with competing stores. For investors, private label is expected to support gross margin, loyalty, and supplier negotiating leverage, but gains are not automatic. Retailers must maintain quality, product safety, innovation, and reliable availability, because excessive price gaps or unnecessary assortment duplication can quickly erode consumer trust. Top-performing retailers will use customer data to identify unmet needs, develop category-specific tiers, and pair private brands with loyalty and retail-media capabilities. The shift favors scaled grocers, club stores, and mass merchants that will likely spread product development, sourcing, and marketing costs across large volumes, while intensifying pressure on national brands and undifferentiated retailers.

\$282.2 Billion

in Record US Store-Brand Sales was reported in 2025, as per PLMA



3.3%

store brand dollar growth nearly tripled national brands' 1.2% through late 2025, as per PLMA





AI Reshapes Product Discovery and the Retail Shopping Journey

AI is emerging as a new consumer interface for US retail as shoppers increasingly use conversational tools to research products, compare alternatives, and make purchase decisions. AI-driven traffic to US retail websites increased 393% YoY in 1Q26, while 39% of consumers had used AI for online shopping, as per Adobe's survey of 5,000 US respondents. The quality of this traffic is also improving, with AI-referred shoppers converting 42% better than visitors arriving through non-AI channels in March 2026.

Retailers are responding by integrating AI directly into the shopping journey. Walmart's Sparky helps customers compare products, summarize reviews, build lists, and receive personalized recommendations. Target enables consumers to discover products and build baskets through Google Gemini, Microsoft Copilot, and ChatGPT. Consequently, AI-driven traffic to Target increased 2,000% YoY in 1Q26. However, consumers remain cautious about delegating purchases. Gartner found that only 11% of US consumers were willing to allow AI to make purchases on their behalf. For investors, the shift favors retailers with strong product data, trusted brands, differentiated digital experiences, and direct customer relationships as AI becomes an increasingly important gateway to commerce.

The transition improves flexibility and lets vendor revenue expand with customer value, but reduces billing predictability. According to Zylo, 78% of 218 IT leaders encountered unexpected AI- or consumption-related charges over the past year. Consequently, hybrid models combining recurring platform fees with metered usage or outcomes are emerging as the bridge between revenue stability and value-aligned monetization.

42%

higher conversion was recorded from AI-referred retail traffic versus non-AI channels in March 2026, as per Adobe's survey



Retail Media Expands as a Higher-Margin Revenue Stream

Retail media networks are becoming a strategic profit pool as retailers monetize purchase data, digital traffic, loyalty audiences, stores, and connected-TV inventory. IAB expects US commerce-media spending to increase 12.1% in 2026, outpacing total ad-market growth of 9.5%. Advertisers will likely target customers close to purchase and link impressions to transactions, while retailers add a relatively capital-light revenue stream that can offset thin merchandise margins.

Leading operators are extending beyond sponsored search. Walmart Connect sales rose 41% in fiscal 4Q26 excluding Vizio, alongside broader expansion into connected TV and off-site media. Target says Roundel generates more than \$2 billion of value and aims to double that level between 2025 and 2030. Kroger is integrating media, loyalty, and insights under Precision Marketing. In-store screens, streaming placements, and non-endemic advertisers are broadening the addressable market.

The investor opportunity is attractive but increasingly concentrated. Scale, authenticated first-party data, closed-loop measurement, and advertiser access determine which networks will likely sustain pricing and growth. Smaller retailers may need partnerships to aggregate audiences and technology. Measurement inconsistency, privacy concerns, ad saturation, and conflicts between shopper experience and monetization remain constraints. Retail media should therefore be valued as a differentiated ecosystem capability rather than an automatic margin uplift.

12.1%

Is the projected growth in US commerce-media ad spending in 2026, as per IAB's 2026 Outlook Study





Operationalizing AI in the US Retail Industry

AI Becomes Embedded Across Retail Operations and Workforce Productivity

AI is being embedded across demand forecasting, inventory allocation, assortment, pricing, digital search, service, fraud, marketing, and supply chains. Retailers are shifting from stand-alone copilots to agents connected to real-time product, customer, and logistics data, allowing teams to forecast demand, surface stock issues, generate product content, guide associates, and automate repetitive decisions. NVIDIA's 2026 State of AI in Retail and CPG survey found that 91% of retail and CPG respondents were using or assessing AI, while 89% said it increased annual revenue and 95% said it reduced annual costs.

Operational deployment is widening. Target uses AI to flag low-stock items for hour-by-hour store action and is expanding agents across merchandising, inventory, and digital marketing. Home Depot has introduced agentic tools that combine project guidance with local inventory and aisle locations; its route-intelligence system uses customer constraints, weather, road conditions, and imagery to anticipate delivery failures. Walmart is scaling automation across its US supply chain while using AI to personalize shopping and improve operating productivity.

The payoff depends on data foundations and execution. AI is expected to raise availability, improve forecast accuracy, reduce markdowns, optimize labor, and shorten service resolution, but fragmented legacy systems, poor product data, hallucinations, privacy risks, and model costs will likely dilute returns. Retailers need human oversight for pricing, safety, employment, and customer-facing decisions, alongside clear ROI measurement. Investors should distinguish companies reporting operational outcomes, including inventory turns, fulfillment cost, conversion, and labor productivity, from those announcing pilots. The durable advantage will accrue to retailers that combine proprietary transaction data, scaled distribution assets, AI governance, and rapid workflow redesign.

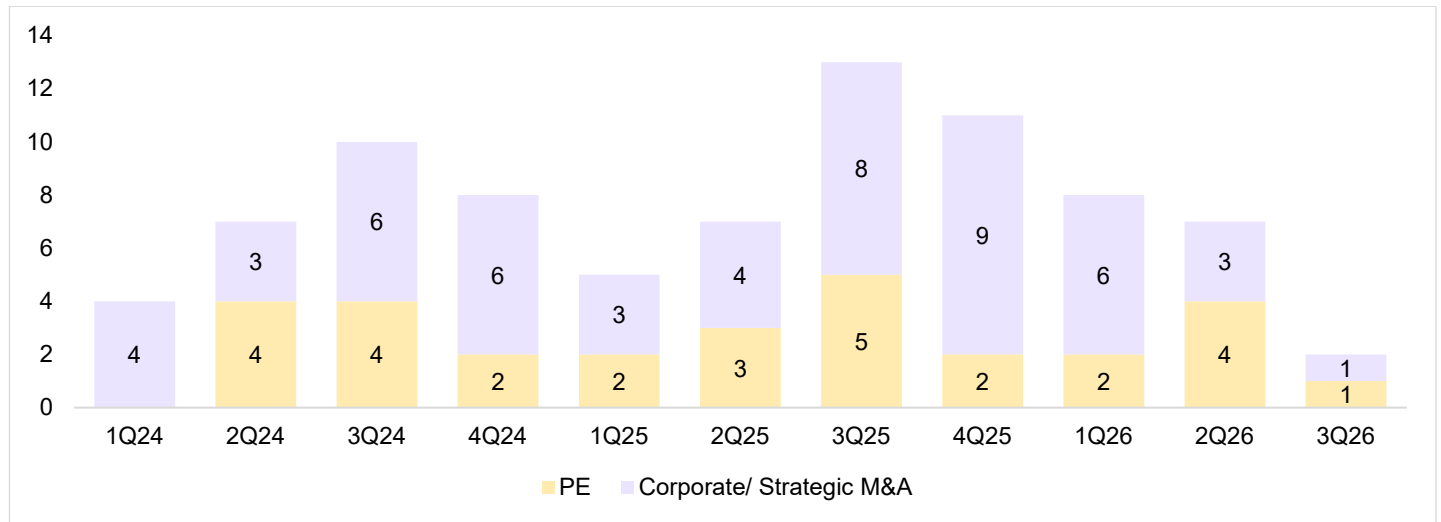
AI is moving into core retail workflows spanning merchandising, inventory, stores, fulfillment, marketing, and service. The strongest operators will convert proprietary data and distribution scale into higher availability, lower costs, better conversion, and faster decisions, while maintaining human oversight, governance, and measurable returns. Execution, not experimentation, will define the next generation of industry leaders.

95%

of retail and CPG respondents said AI decreased annual costs, as per NVIDIA's 2026 State of AI in Retail and CPG

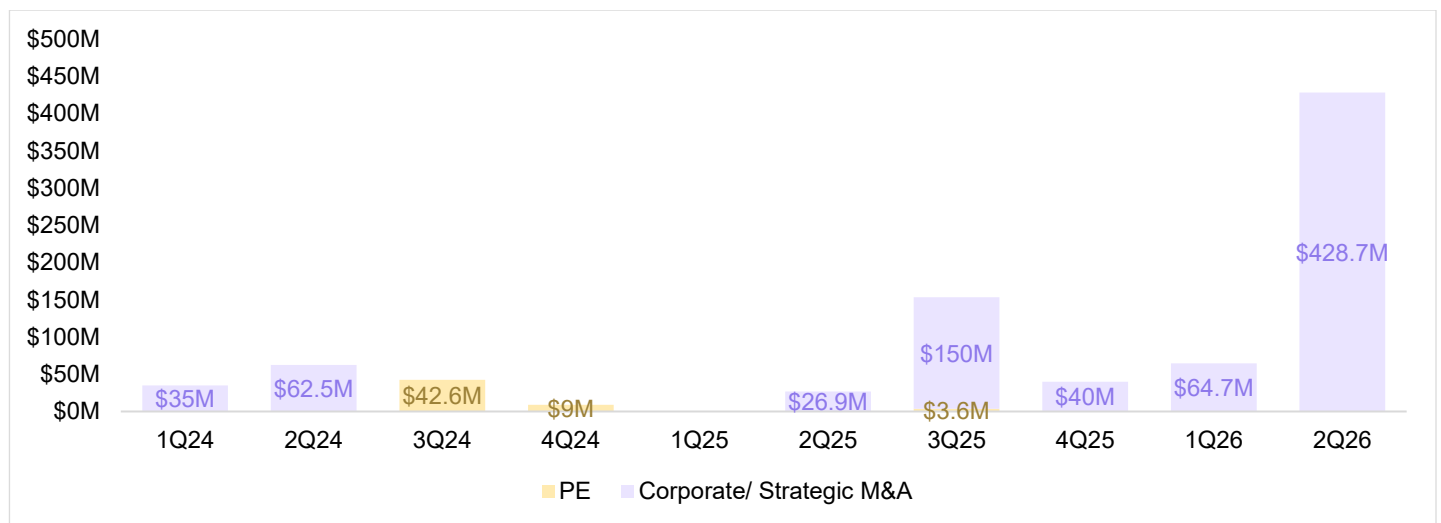
Key US Retail Deals

Figure 2: Retail Lower Middle Market and Middle Market Deal Count



Source: PitchBook, data as of August 13, 2026

Figure 3: Retail Lower Middle Market and Middle Market Capital Raised

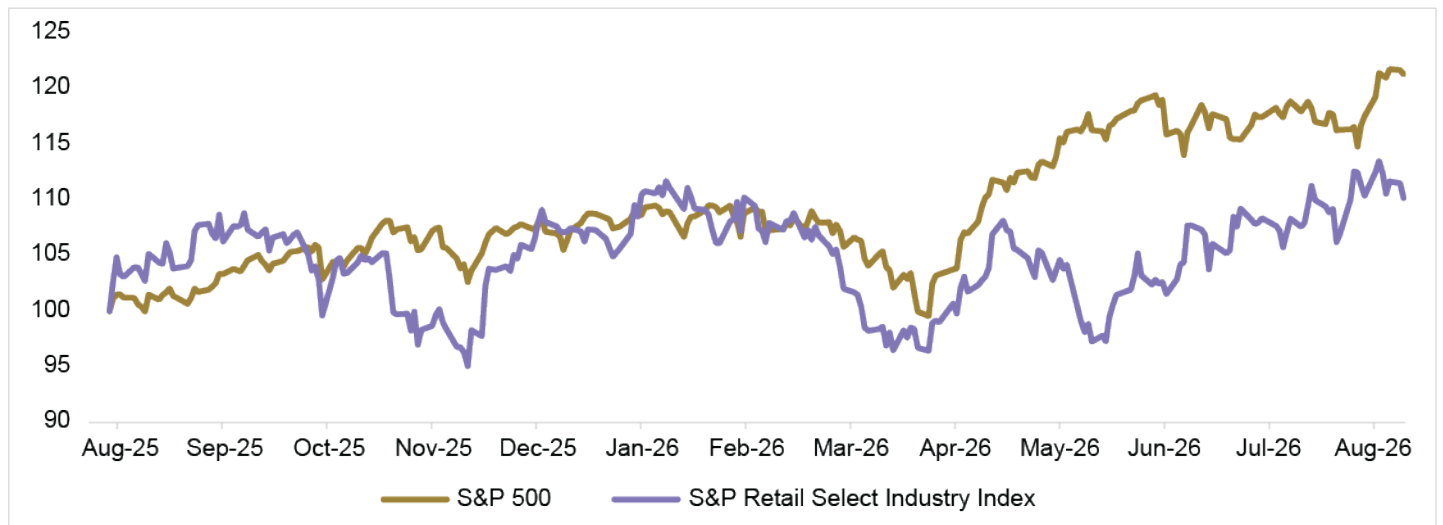


Source: PitchBook, data as of August 13, 2026

Retail Lower Middle Market and Middle Market Deal Summary

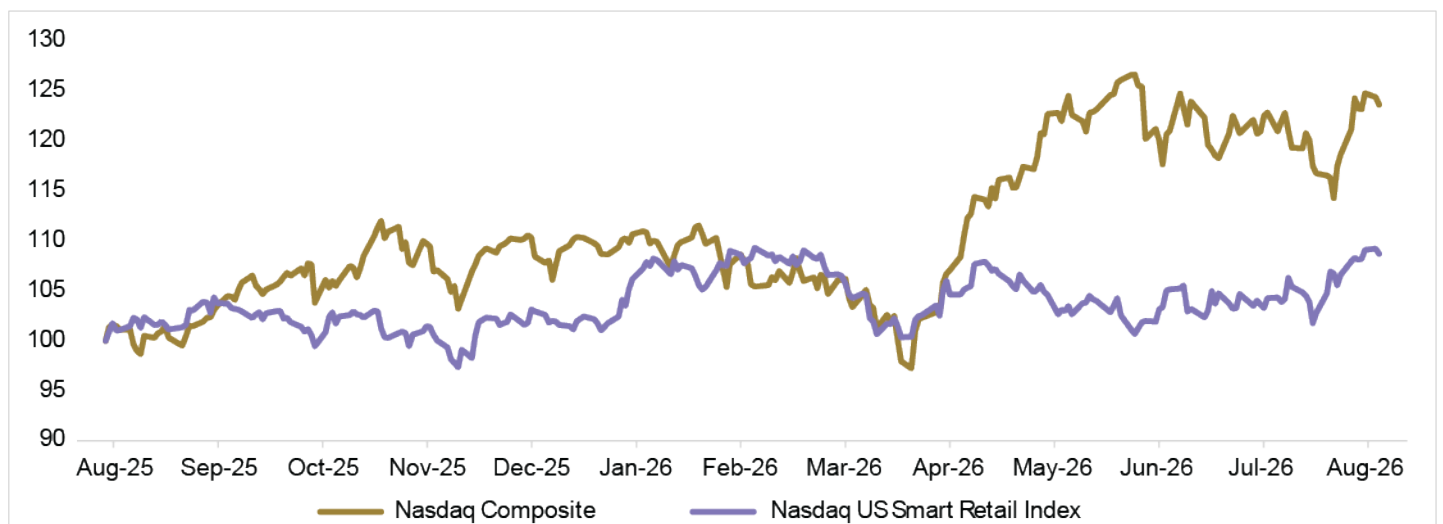
Companies 77	Deals 84	Investors 81	Exits 57	Largest Deal \$425M	Capital Invested \$870M
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Figure 4: S&P Retail Select Industry Index YTD Performance



Source: S&P Global, data as of August 11, 2026

Figure 5: Nasdaq US Smart Retail Index YTD Performance



Source: NASDAQ, data as of August 11, 2026



Key Private Equity Deals Tombstones

February 12, 2026  PROMISE HOLDINGS, LLC (led the investor group) to Acquire  a specialty retailer of wigs, hair products, cosmetics, and beauty supplies, for an undisclosed amount.	February 3, 2026  Acquires  a rent-to-own retailer and franchisor of furniture, appliances, electronics, and home goods, for an undisclosed amount.	November 10, 2025 CARLYLE Acquires (Controlling Stake)  a provider of multi-category online retail and integrated flexible payment services, for an undisclosed amount.
October 2, 2025   Acquire  a retailer of sporting goods, equipment, and accessories, for approximately \$112.7 million.	September 19, 2025  Acquires (North American operations and IP)  an accessories and ear-piercing retailer, for approximately \$140 million.	May 20, 2025   Acquire  a pure-play omnichannel retailer of vitamins and nutritional supplements, for approximately \$193.5 million.

Retail Upcoming Events

NRF Emerging Retail Leaders Summit 2026	September 9–11, 2026	Eaton DC Hotel, Washington, DC
CX Retail Exchange USA	September 14–15, 2026	Grand Hyatt Buckhead, Atlanta, GA
Total Retail Tech	September 14–16, 2026	Renaissance Dallas Hotel, Dallas Market Center, Dallas, TX



About Straive SG Analytics

SG Analytics (SGA), a Straive company, is a global data, analytics, and AI consulting firm specializing in turning data into actionable insights and operationalizing AI at scale.

With expertise across BFSI, Capital Markets, TMT (Technology, Media & Telecom), Supply Chain & Manufacturing, and other high-growth industries, SGA empowers clients with Ins(AI)ghts for Business Success.

SGA's 1,400+ experts operate across the U.S., U.K., and India, bringing together domain expertise, data, innovation, and AI capabilities. Recognized by Gartner, Everest Group, and ISG, and featured in the Deloitte Technology Fast 50 India 2024 and Financial Times & Statista APAC 2025 High-Growth Companies, SGA helps organizations translate intelligence into better decisions and scalable AI deployment..

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