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HOLIDAY QUICK TAKE

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Overall Results



Despite cautious consumers and shifting value strategies, economists remained optimistic about the holiday sales forecast

DESPITE PESSIMISTIC CONSUMERS...



YoY* decline in average expected holiday spend, down to \$1,595, which was likely driven by negative economic outlook for 2026¹

Of consumers **expected higher prices in the 2025 holiday shopping season**, pushing consumers to shop more deals this year¹

77%

*The year-over-year (YoY) decreased and decline rates stated in this document are based on nominal dollars and do not account for inflation

...SALES FORECAST REMAINED POSITIVE

↑2.9 – 3.4%

Expected YoY growth in total retail sales, likely due to anticipated growth in disposable personal income (DPI)²

Expected YoY growth in total ecommerce sales, likely due to online deals allowing consumers to stretch their budgets²

↑ 7.0 – 9.0%

HIGHLIGHTING THE GAP BETWEEN
HOW CONSUMERS FEEL AND HOW THEY ACT

Total YoY retail spending growth exceeded expectations, both online and in-store

2025 HOLIDAY RESULTS

YEAR-OVER-YEAR GROWTH^{2,3,4,5}

2025 vs. 2024

(Nov 1 – Dec 21; unadjusted for inflation and excluding automotive)

TOTAL RETAIL

IN-STORE

ONLINE

ACTUAL

3.9%

2.9%

7.4%

FORECAST

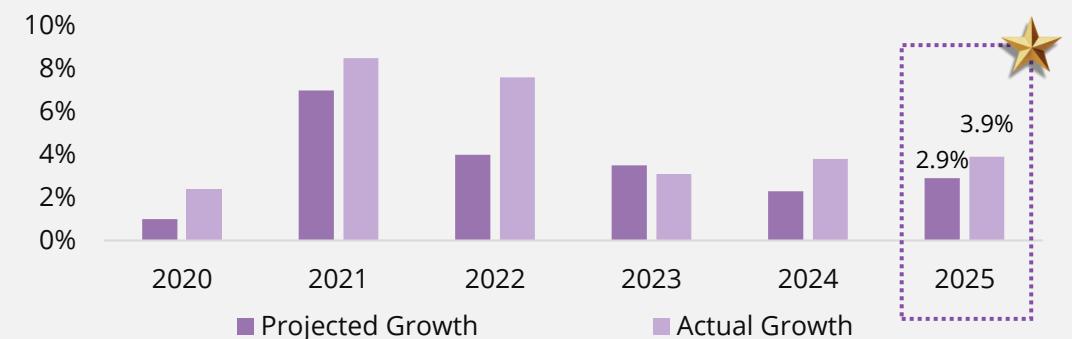
2.9%

2.3%

7.0%

HISTORICAL YEAR-OVER-YEAR GROWTH^{2,5}

2020 - 2025



What's really behind holiday growth? Unpacking the disconnect between sentiment and spend

KEY THEMES IN HOLIDAY 2025

When and how they shopped



Consumers

- Overall sales growth largely reflected **price increases in line with inflation**
- The US consumer landscape is increasingly divided, with a **clear K-shaped economy emerging** as financial stability strengthens for some while others face growing constraints
- Online shopping continued to shift toward mobile, with **smartphones driving the majority of digital holiday spend** and digital wallets increasingly preferred



Categories & Retailers

- Growth was uneven: **heavy promotions boosted some categories**, others struggled with weaker sales
- Digital and AI **investments improved conversion** by personalizing offers and shopper journeys
- Retailers rolled out festive pop-ups, giveaways, and themed events to make **in-store shopping feel like an occasion** and boost early traffic

Where and what they bought

Who and what made it possible



Infrastructure

- Strong supply chain execution kept **deliveries efficient even as record parcel volumes** and tariff concerns persisted
- Logistics/facility hiring offset **broader retail job softness**
- Seamless digital infrastructure proved critical this holiday season, as even **brief disruptions stalled transactions**, reminding both retailers and consumers **how crucial reliability is** during peak shopping periods

Consumer



Smartphones accounted for the majority of U.S. online holiday spend, and digital wallets edged out physical cards for Gen Z shoppers



The highest day of mobile spend was Christmas Day, making up **66.5%** of online sales, up from 65% in 2024²



Digital wallets edged out physical cards for Gen Z³

36% vs. 34%

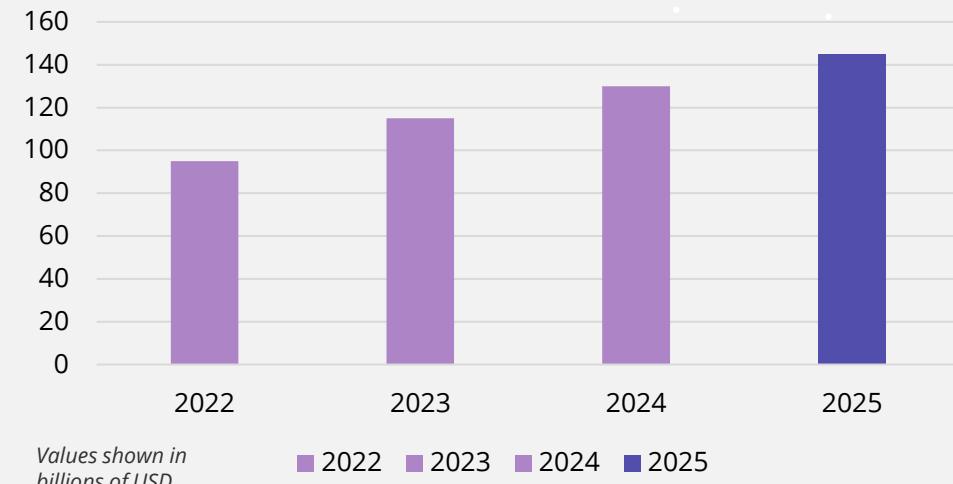
Likely to use digital wallet

Likely to use physical card



56.4% of online sales were completed on a mobile device¹
Nov. 1 – Dec. 31

Holiday Season Mobile Spend¹



\$145.2B

\$ mobile spend¹
Nov. 1 – Dec. 31

10.7%

Increase from previous year¹

Higher prices partially drove increased total spending, with higher income households accounting for much of the growth

The “K-shaped” economy and inflation are underlying contributors to increased holiday shopping spending...



+2.2%

When adjusted for inflation, the rise in retail sales for the first seven weeks of the holiday period through mid December vs. +3% last year¹



... shown by lower-income households increasing their average card spend by 0.4% YoY compared to 2.4% for higher income households²



Lower income households made more frequent and **smaller** holiday purchases²



Lower income households engaged in **deal seeking behavior** with their spending peaking in October²



Across all income groups, **holiday spending was strongest early on** in October and November²

Buy Now Pay Later hit a record high this holiday season, as many utilized this payment method while shopping on mobile devices

BUY NOW PAY LATER (BNPL) SPEND¹

\$20B

+9.8% YoY

\$1.8B more than last season

Online BNPL Spend

82%

Of BNPL purchases were made via smartphone

Device of Choice

\$1B

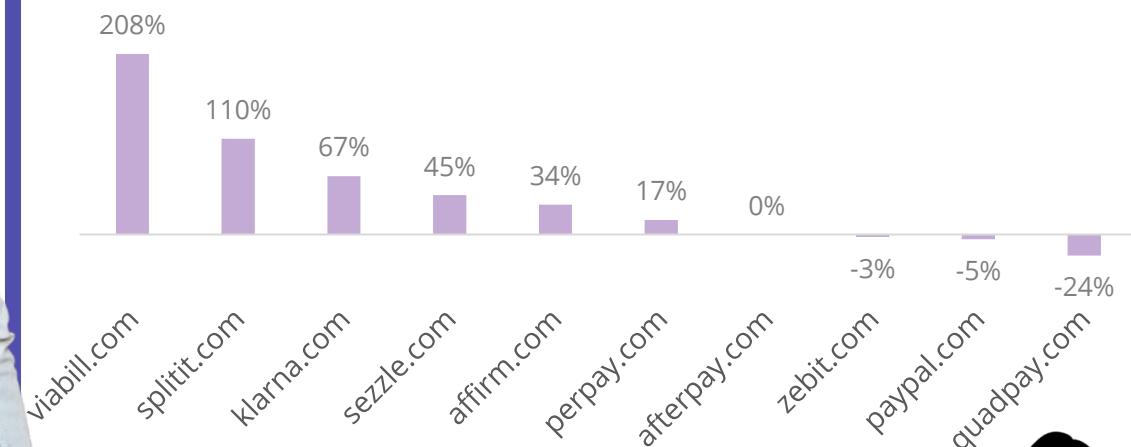
Cyber Monday
+4.2% YoY

Highest BNPL Spend



BNPL WEBSITE TRAFFIC¹

The BNPL landscape is evolving, with certain providers gaining share relative to others



With a rise of economic concerns, more holiday budget was spent on secondhand gifts to find better value products



Nearly two-thirds of both generations (65% Gen Z and 62% of millennials) planned to increase or maintain their purchasing of secondhand gifts this year¹

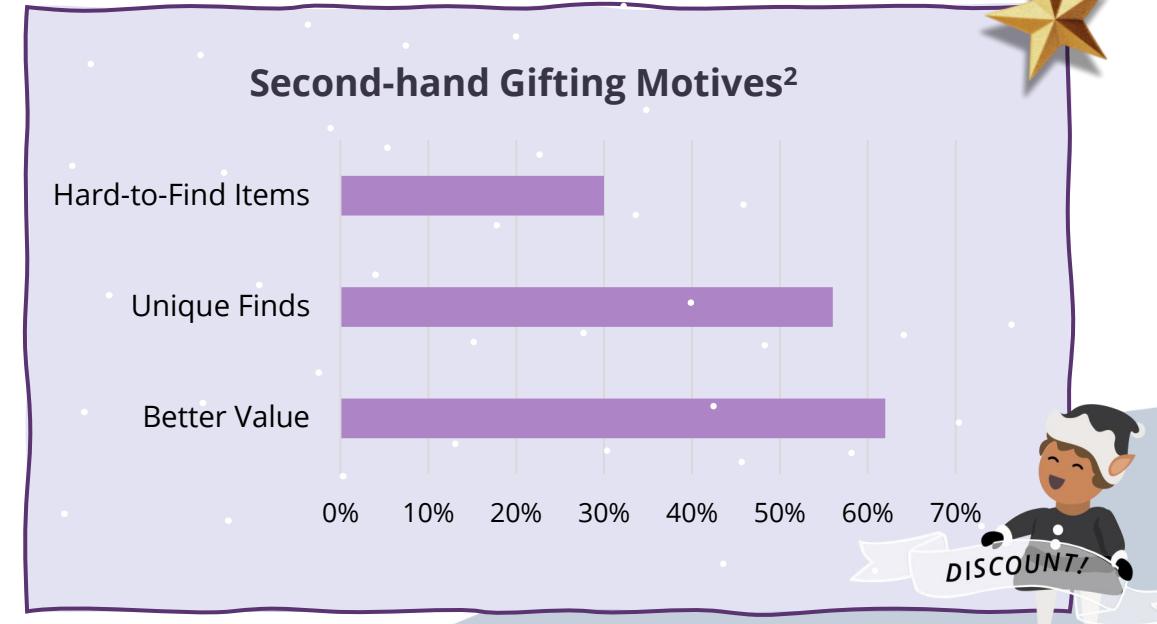
40%  10%

Of consumers' holiday budgets were allocated toward secondhand gifts²

from everyday shopping budgets²

11.7%

Increase in thrift store traffic from previous year³

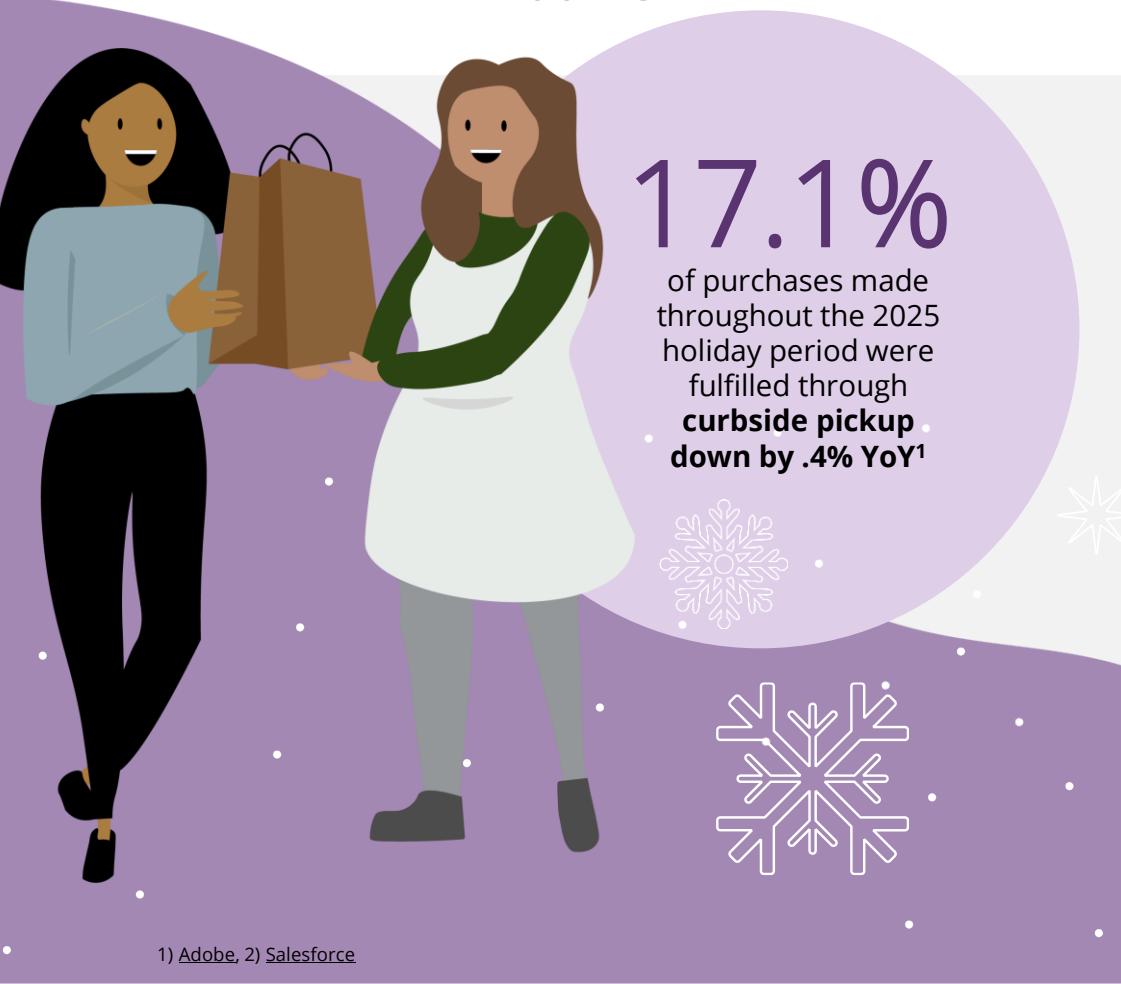


Consumers were motivated by **scarcity** and **value** with secondhand wish lists driven by²:

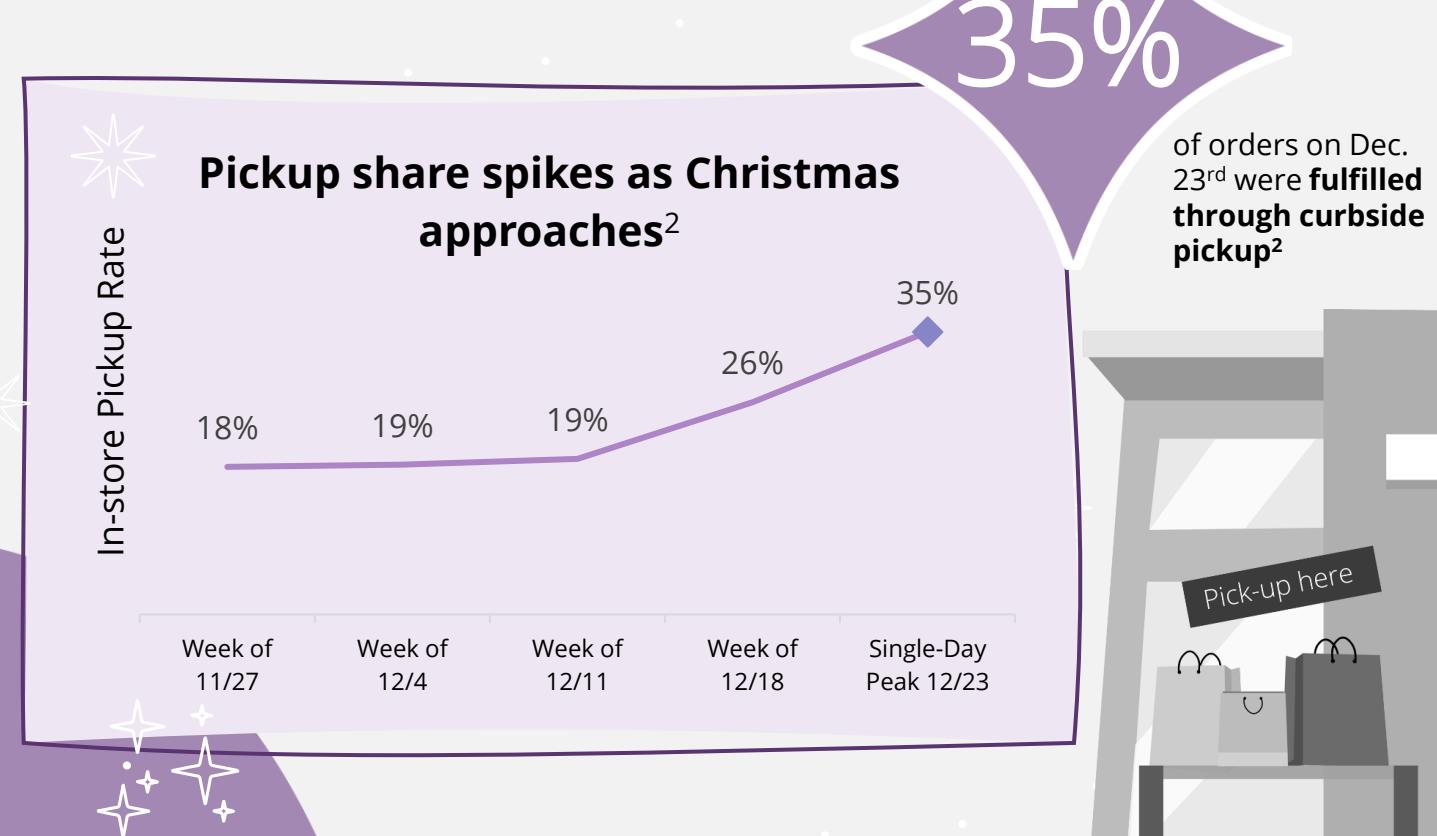
-  Vintage Items (46%)
-  Rare or collectible items (39%)
-  Luxury goods (30%)

Hybrid fulfillment remained an important channel for holiday shoppers and became the “deadline solution” as shipping cutoffs hit

Pickup remained a meaningful holiday shopping channel...



... and spiked leading up to Christmas on December 23rd





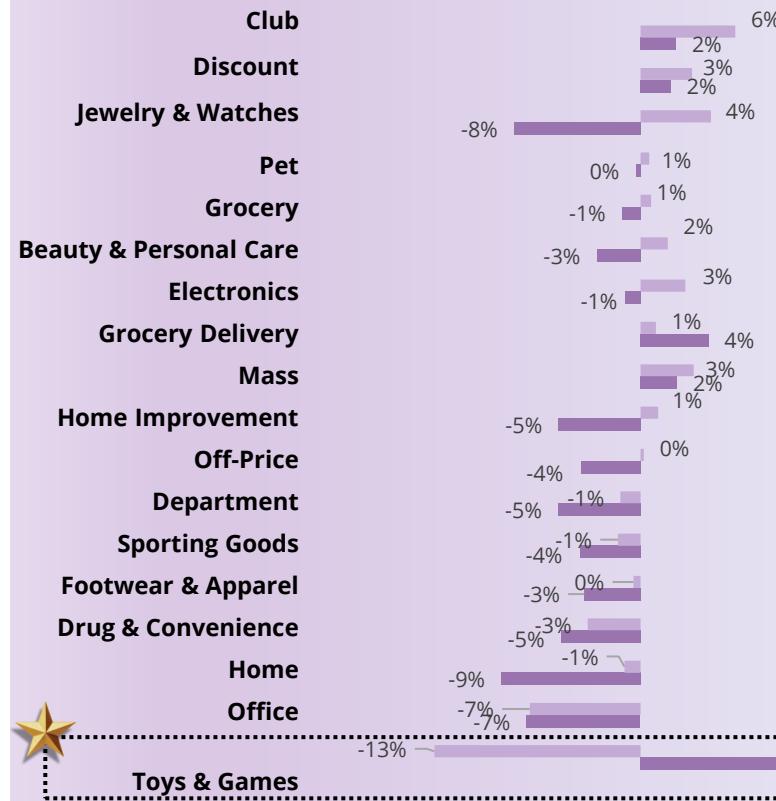
* *Categories & Retailers*



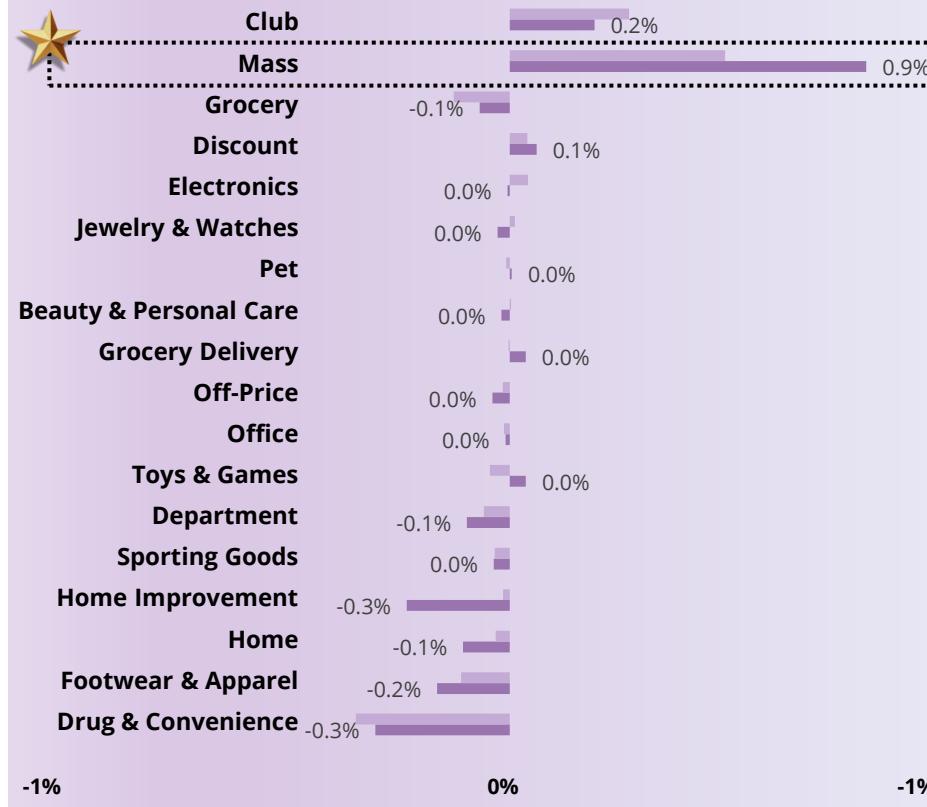
CATEGORIES & RETAILERS

Toys and Games saw the greatest positive gains in consumer spend, while Mass took away share from smaller players

Average YoY % Change of Retail Spend by Subsector¹
(October – December, 2023 - 2025)



Difference in Share of Retail Spend by Subsector¹
(October – December, 2025 vs. 2024 vs. 2023)



Toys & Games outpaced other retailers in growth, at **12% YoY**, a significant difference from its decline between 2023 and 2024¹
Toys & Games and Grocery Delivery were the only subsectors that saw **increased growth in spend YoY¹**

Consumers spent **relatively more in Mass** – while spend share on specialty declined or remained flat¹

Share of Spend **increased YoY on Mass**, at **faster pace** than its increase in 2024¹

Retailers rolled out earlier and bigger promotions for consumers managing tight budgets

EARLIER PROMOTIONS

Nearly half of consumers started shopping before November to spread out their budgets and avoid last-minute stress, prompting retailers to start promotions early¹

+8.2% YoY growth of e-commerce sales in October, driven by major retailers' early holiday sales events²

HOLIDAY SHOPPING TIMELINE

October 2025						
S	M	T	W	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Pre-Black Friday Deals⁶

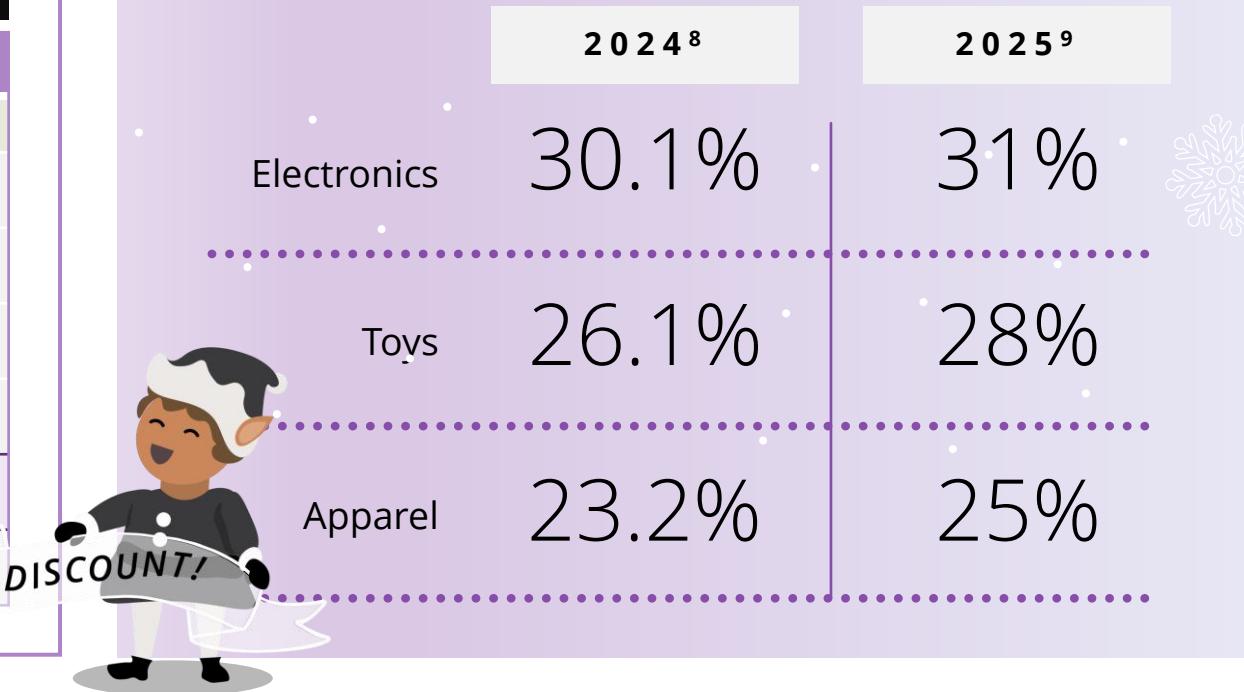
November 2025						
S	M	T	W	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	Dec 1					

Circle Week³
Big Deals Day⁴
Walmart Deals⁵

BIGGER PROMOTIONS

Retailers rolled out deeper promotions in the face of economic headwinds and negative consumer outlooks across all major categories (i.e., furniture, appliances, sporting goods, etc.)

PEAK CYBER MONDAY DISCOUNTS INCREASED BY UP TO 7.8% YoY⁷



Retailers created experiential concepts and in-store perks to drive value beyond promotions

IN-STORE EXPERIENCES AND PERKS DURING HOLIDAY 2025



T.J. Maxx

T.J. Maxx introduced a holiday "Maxxinista Express" bus tour, taking superfans on full-day festive, multi-store shopping experiences with contests and themed experiences in select cities¹



QVC

QVC launched a two-day NYC holiday pop-up, Mrs. Claus' Holiday House, featuring Kathy Hilton, immersive themed rooms, exclusive product collaborations, and a live TikTok shopping event to promote festive products²



Target

Target gave the first 100 shoppers in line a limited-edition holiday tote bag filled with freebies and, in some cases, higher-value prizes like gift cards and electronics to draw early Black Friday foot traffic³



Lowe's

Lowe's offered the first 50 customers a free "Bucket of Gifts" — a branded bucket filled with products and a chance to score a grand prize certificate redeemable for a major appliance⁴

EXPERIENTIAL CONCEPTS

EXCLUSIVE IN-STORE PERKS



GenAI enabled retailers to capture and convert holiday demand, highlighting the growing influence of AI across the sector

RETAILERS WINNING IN AI SHOPPING
DURING CYBER WEEK¹

November 23 – December 1, 2025

Electronics



Appliances



Wearables



Furniture



Beauty



Toys



Retailers **saw 9X higher conversion** from AI-based search referrals compared to social media referrals⁴

AI and agents became “operational heroes” as retailers leaned on them to navigate the holiday rush, **managing 142% more tasks**, like returns and shipping updates⁴



Rufus, Amazon’s AI assistant, received more than 50 enhancements ahead of Black Friday 2025 that improved product search, category discovery and personalized recommendations to help shoppers navigate the busiest period of the season²



Partnered with OpenAI in October 2025 ahead of the holiday shopping season, enabling customers to shop and complete purchases directly within ChatGPT³



This holiday season, traffic to retail websites driven by GenAI tools **increased by 693.4% YoY**⁵

Year over year holiday returns fell, as retailers enforced stricter return policies in response to margin pressures

Although returns persist, the rate is lower than last holiday season¹

14% of all returns occurred in the days after Christmas (Dec 26 – 31)

\$181B

Purchases made between Nov. 1 – Dec. 31 were returned²

↓ 1.2%

YoY decrease in U.S. returns

Common Return Trends in 2025⁴



BRACKETING

Purchasing different sizes/types of the same product and returning the products that don't fit/work



FRAUD

Overstating the number of returns, sending empty boxes, returning counterfeit items, etc.

Free returns are becoming less common³

Retailers are more aware of return fraud, bracketing, and the benefits of instituting some form of a return fee

26%

Of merchants say return fraud has led to updated policies

53%

Of merchants say adding return fees lowered return rates

Notable Return Policies³

Abercrombie & Fitch

\$7 shipping fee on all mail returns

Best Buy

\$45 fee for products requiring activation (e.g., iPhone)

Macy's

Rewards members get free returns, non-members pay \$9.99 return fee



Infrastructure



Several outages on key shopping platforms impacted holiday shopping this season

MAJOR OUTAGES OCCURRED THIS HOLIDAY SEASON



"Shopify Breaks Down on Busy Cyber Monday¹"



"Venmo announces it is 'back up and running' following widespread service outage²"



"[Retailer] System Outage Disrupts Holiday Shopping, Erodes Customer Trust³"

Dec 19

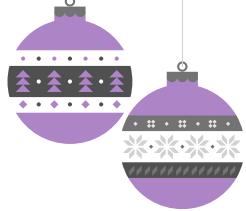
CREATING VAST ISSUES FOR MERCHANTS & CUSTOMERS

Shopify outage is estimated to have impacted up to a potential of **5,000+ merchants** across **\$15-30 million** of transactions⁴

Venmo outage is estimated to have affected up to **71,000+ users**, impacting the day-to-day user and small business owners that rely on the app⁵

A retailer's system outage left **customers unable to complete online orders** and **cashiers with unresponsive point-of-sales** systems³

Big box retailers and parcel carriers had bright spots with on-time delivery, despite consumer worries



Worrisome consumer sentiment heading into the holiday season

The top 2 online shopping frustrations were related to shortages and carrier performance¹



1

Slow or delayed shipping

2

Items being out of stock

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¹ Deloitte, ² Freight Waves ³ Digital Commerce 360 ⁴ Ship Wise

Despite the concern, parcel carriers dealt with greater volume while still delivering on-time

More parcels were delivered in 2025 and carriers stepped up to the challenge^{2,3}

568M (+6.6% YoY)

Total parcels were handled during 2025 Cyber Week, a 6.8% increase in volume from the same one-week period in 2024

98% (+3.85% YoY)

Of express, next-day and ground shipments through FedEx and USPS were on time within one day from 12/1 – 12/6, a 3.85% increase from 2024



How did carriers deliver on time?

The three major parcel carriers implemented peak season surcharges including fixed penalties, variable volume-based fees, and tiered pricing structures⁴



There was a modest rise in seasonal job postings YoY, concentrated on logistics roles, however overall numbers remain below typical levels



With great anticipation, we wait to see what we will be gifted in the coming year



What to watch for in 2026¹⁾



AI-Driven "Agentic Commerce"

Retailers will debut AI-powered shopping assistants that proactively manage wish lists, curate products across brands, and secure early-bird deals—personalizing the experience from discovery to delivery in ways we're only beginning to witness.

Value-Seeking Consumers

"Value" is being redefined—beyond low prices, smart shoppers seek quality, loyalty benefits, and trust. Retailers are retooling offerings to deliver deeper, data-driven value across every interaction.

Disciplined Margin Management

Cost control, agile pricing, and private labels are fueling profitability, as disciplined retailers balance risk, trust, and growth in a dynamic marketplace.

Supply Chain Transformation

Agility is essential—retailers are investing in technology to synchronize, localize, and future-proof supply chains for 2026 and beyond.

AI-Enabled Personalization

The integration of digital and physical retail will reach new heights. Consumers expect frictionless transitions between online discovery, in-store fulfillment, and post-purchase support, with AI-driven solutions ensuring consistent, personalized service at every touchpoint.



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