AlixPartners

The paradox of consumer behavior

Consumers say they shouldn't spend money. They're going to anyway.

2026 U.S. Retail Holiday Outlook Special Report

Introduction

For years, consumer sentiment surveys have reported deep pessimism about the economy. Consumers consistently state they intend to spend less, cut back on discretionary purchases, and tighten budgets. Yet actual spending data tells a different story.

Consumers are absorbing inflation increases and spending above prior year levels. Spending is up on average 5% each month in 2026 over the previous year, per Census data. They are not pulling back as their sentiment suggests they would. Instead, they are optimizing spending across seven specific dimensions, trading down thoughtfully, shopping differently, and using credit strategically, while maintaining and even growing total spend.

However, credit card balances reached $1.26 trillion in the second quarter of 2026 (+5.9% YOY), per Lending Tree, which is outpacing overall sales growth and is indicating that spending is being fueled by credit. Consumers are using credit to extend their purchasing power, and in fact the sharpest growth is among younger consumers. Despite lower absolute debt levels, they are experiencing the fastest credit growth and the highest concentration of serious delinquency (90+ day delinquency is at 12.8%, the highest since 2011), according to Federal Reserve data, signaling they are taking on debt they cannot sustain.

AlixPartners conducts multiple consumer surveys each year, sampling over 15,000 consumers across the U.S. and covering grocery, home-delivery, footwear, hospitality, travel, leisure, restaurants, and general retail. An analysis of these data sets reinforces our view of the current consumer mindset.

The key insight: Consumers want to spend less, believe they should spend less, and say they are spending less, but their actual purchasing behavior shows they are finding sophisticated ways to maintain and even grow their spending while appearing to be budget-conscious and value-focused.

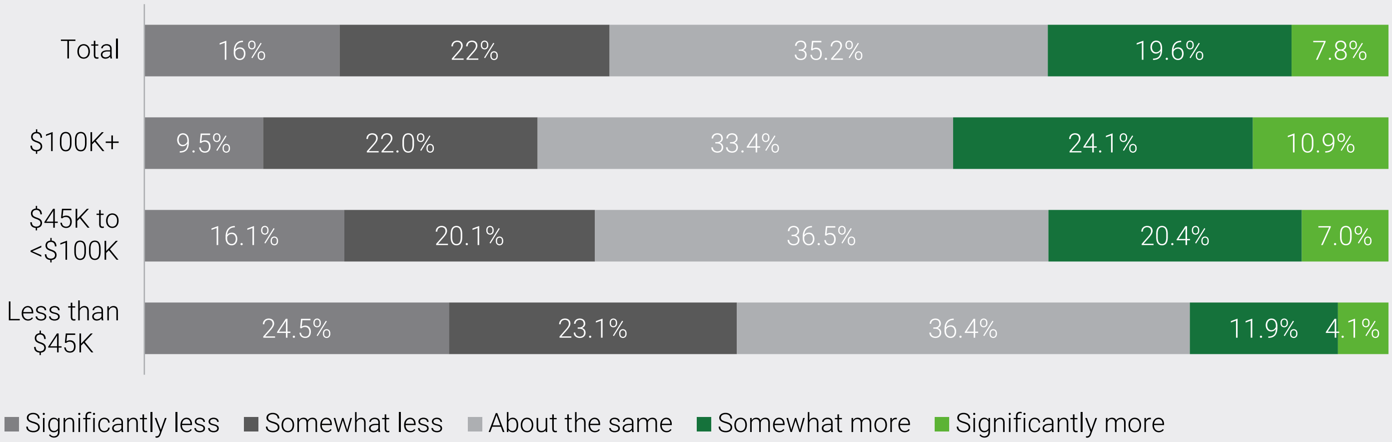
They are spending with their hearts (they still want things) but are using their heads (being thoughtful about fitting those purchases into a tighter budget, balancing price with quality, and deferring the budgetary crunch with credit).

How they feel	What they say	What they do
57%	37%	+5%
think we are worse off this year compared to last	say they will spend less this holiday season	higher spend month over month in 2026

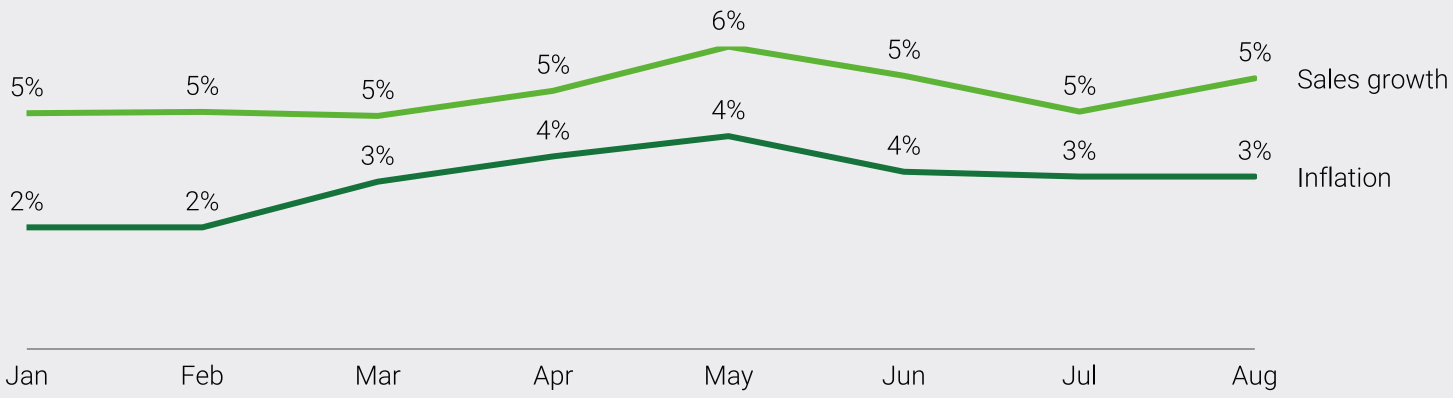
Holiday sales prediction

+4-7%

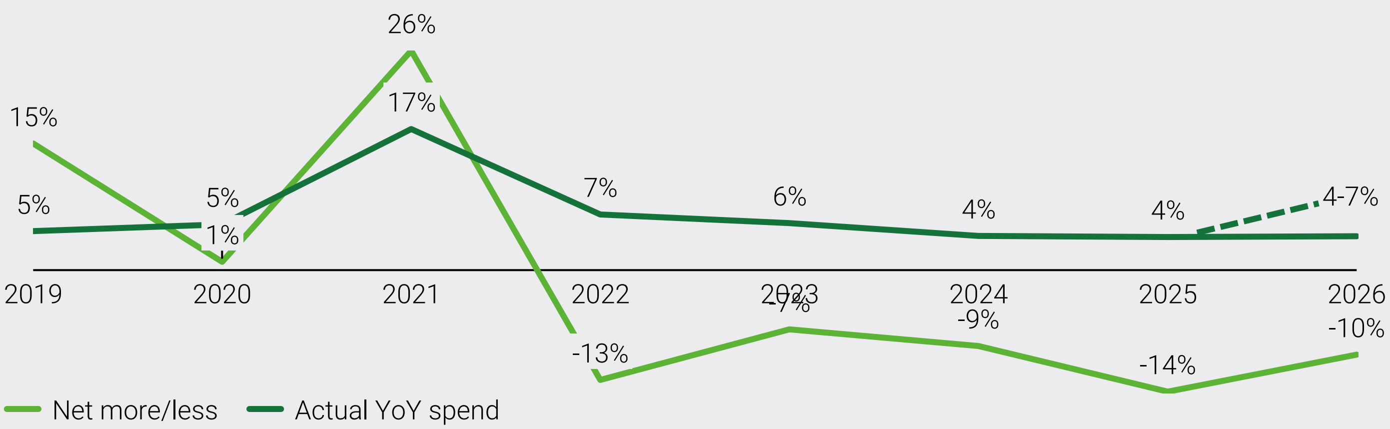
Consumers intend on spending less, particularly low & mid-income households[1]



Spend is outpacing inflation[2]

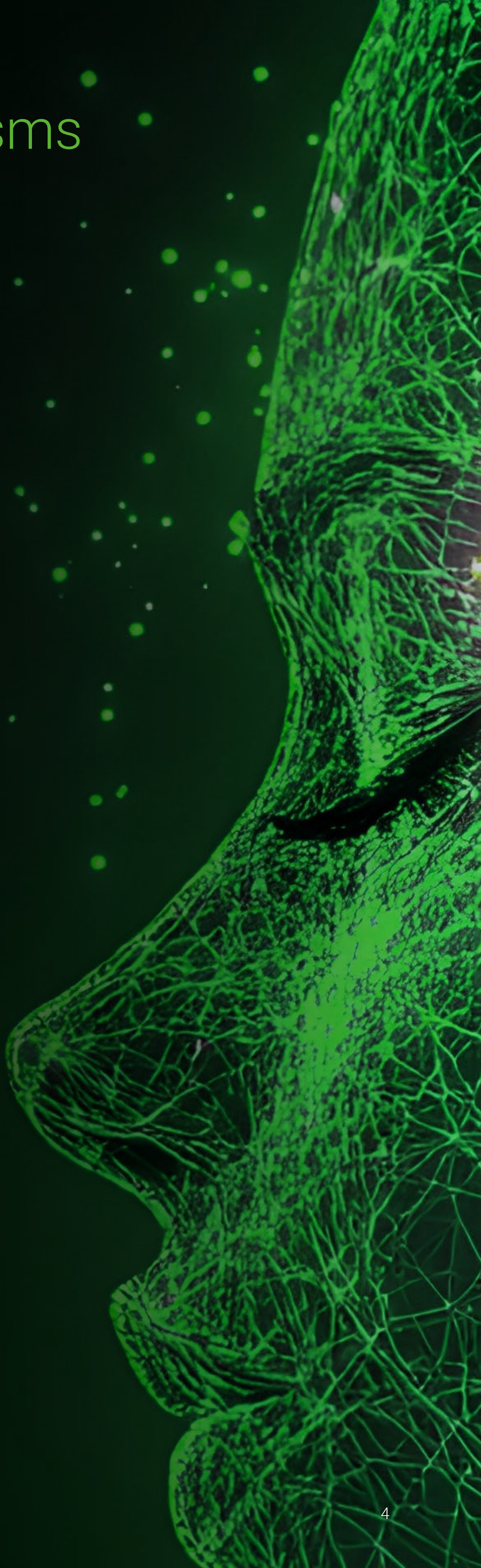


Consumers underestimate how much they spend[3]



Source: 1, AlixPartners 2026 U.S. Holiday Shopping Survey (N=1,107);, 2. Census.gov: Retail & food services (excl. motor veh. and parts and gasoline stations); U.S. Bureau of Labor Statistics: All items in U.S. city average, all urban consumers, not seasonally adjusted; 3. AlixPartners 2019- 2026 U.S. Holiday Shopping Survey; Census.gov: Retail & food services (excl. motor veh. and parts and gasoline stations)

The 7 consumer mechanisms that are boosting spend



01	Trading down selectively, not across the board
02	Migrating to value retailers
03	Buying fewer (higher-quality) items
04	Shopping in smaller baskets, more frequently
05	Shopping earlier to lock in prices
06	Triaging categories
07	Leaning on BNPL and credit to extend budgets

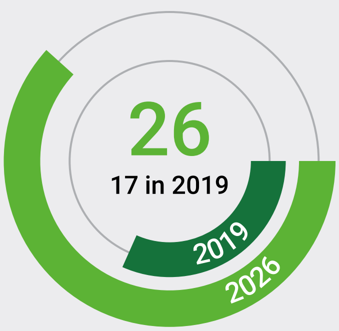
Consumers are reconciling pessimism with continued spending through seven interrelated mechanisms. These aren't isolated behaviors; they're part of an optimization strategy that allows consumers to make rational tradeoffs and maximize value for money, while maintaining total spend levels and refusing to compromise on quality.

Trading down selectively, not across the board

Consumers are making deliberate, strategic choices about which categories to prioritize and which to cut. Within their priority categories, they're switching from traditional premium brands to private label or mid-tier alternatives, but only when they believe quality is equivalent or superior. They're not chasing the absolute lowest price; they're finding the best value within the categories they've strategically selected to fund. This represents a shift from passive, habit-driven spending to active budget allocation decisions where each dollar is deployed with intention across competing priorities.

Leading indicators of trade-down behaviors

Household private label spend[1]

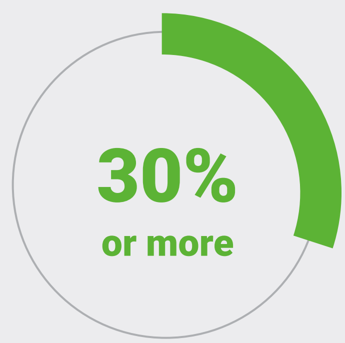


+53% spend growth
Household spend in private label brands has increased 53% from 2019 to 2026 among high income households.

Reliance on promotions[2]

2 in 3 shoppers
on sales and promo: two-thirds expect at least a third of their purchases will be on promo.

Compelling promotion to drive purchase



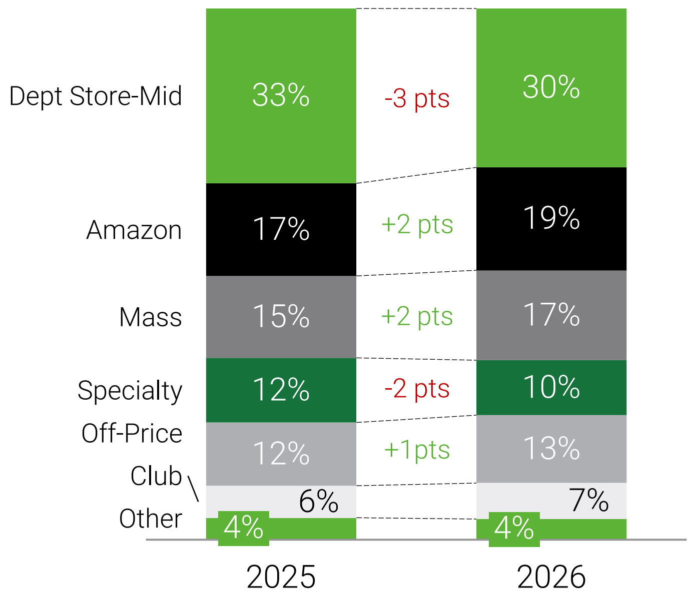
56% of consumers indicate that **promotions of 30%+ are compelling**, anything less will not move the needle

Source: 1. Numerator Consumer Receipt Panel: Jan 1- July 31 2026 vs. Jan 1- July 31 2025, High Income Households ($125K+); 2, 2026 U.S. Holiday Shopping Survey; 3. AlixPartners Back-to-school footwear survey 2026

Migrating to value retailers

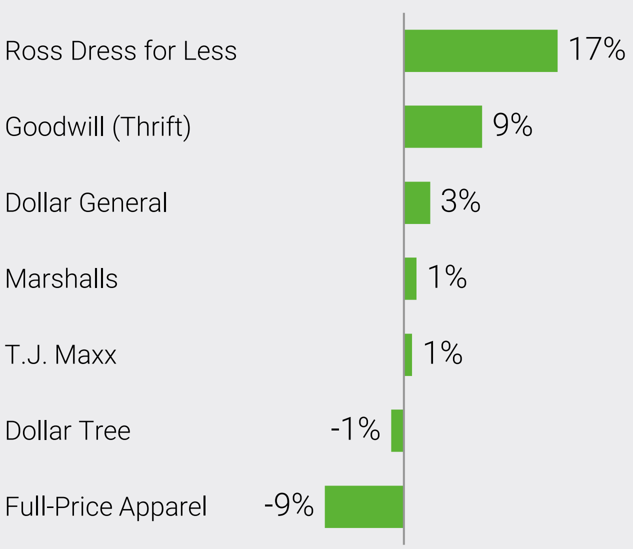
Consumers are switching from the retailers they traditionally shopped to value formats where they can find the same brands at lower prices. The shift is retailer-driven rather than brand-driven. For example, consumers who shopped mid-tier department stores in 2025 have shifted their apparel, footwear, and accessories spend away from department stores and specialty retailers to off-price, mass market, club, and online formats. This represents a fundamental channel migration driven by value-seeking behavior.

Share of wallet among mid-tier department store shoppers is shifting away from full-price retailers, and toward value



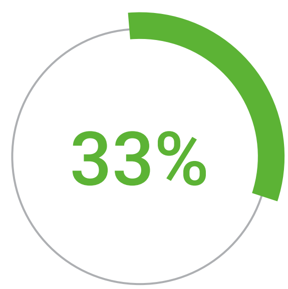
Source: Numerator year to date through 7/31 vs. prior year-share of apparel, footwear & accessories wallet for consumers purchasing at Nordstrom, Macy's, Dillards, Belk, JCPenney, Kohl's

Store trips to value players have out-paced full-price apparel retailers

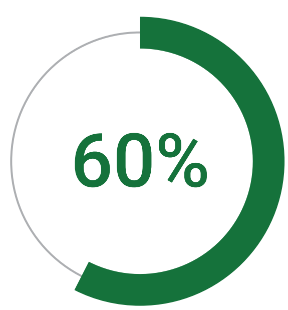


Source: Placer.AI Jan–early Sep 2026 vs. same period 2025

Consumers are price checking and switching retailers to save



of consumers are switching to lower-cost retailers as a cost-control mechanism, according to our 2026 back-to-school footwear study.



of consumers are price checking their items across retailers during the holidays to ensure that are getting the absolute lowest price on the item or brand that they want.

Source: AlixPartners Back-to-school footwear survey 2026, 2026 U.S. Holiday Shopping Survey

Buying fewer (higher-quality) items

Instead of buying multiple lower-quality items, consumers buy one high-quality/durable item that lasts longer. Quality is a priority, they're reducing quantity, not quality. This reduces frequency of repurchase and total spend per category while maintaining satisfaction where brand may matter most.

"Brands still matter to the consumer, and in many cases, they will pull back on units to afford the brands they love. But the key reason is because they understand the price-quality relationship from these brands—if you reduce quality to improve margin, they **will notice**."

Meghan Hayward
Director, AlixPartners

Leading indicators

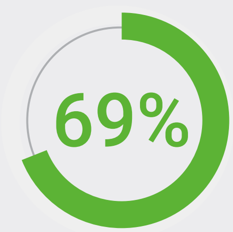
Consumer top 3 cost-saving measures in footwear

1 Stick to brands—but buy fewer pairs
39%

2 Switch to lower-price retailers
33%

3 Buy fewer pairs of shoes overall
30%

Key drivers of purchase in fashion



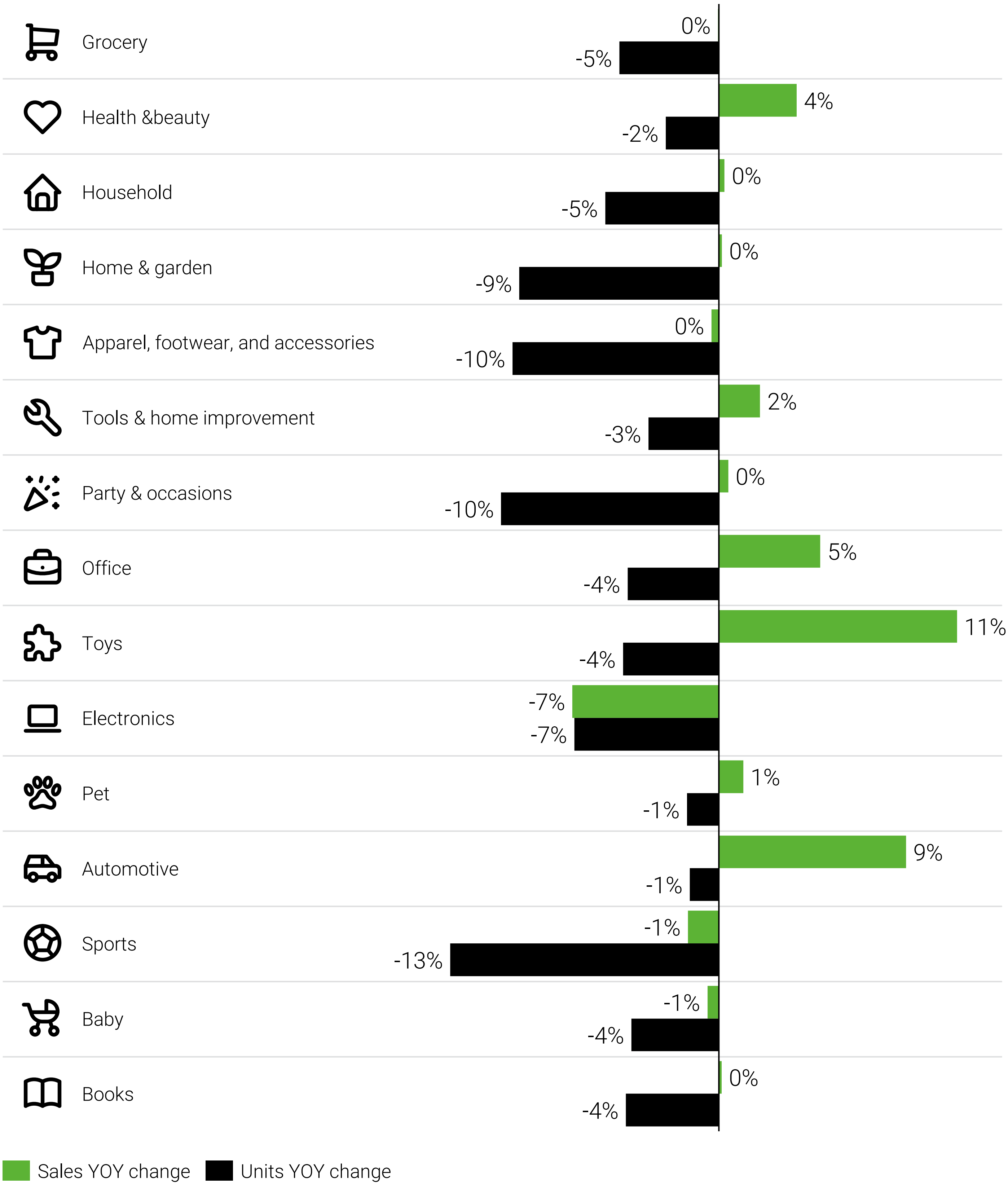
of respondents indicate **product quality as "very important" or their #1 driver of purchase,** when it comes to product overall

of respondents indicate **quality aligns with price** as "very important" or their #1 driver of purchase

Our annual Fashion Consumer Sentiment Index highlighted product and price as the key drivers of purchase for the category

Source: AlixPartners Back-to-school footwear survey 2026, AlixPartners Consumer Insights Index- Fashion

Across sectors consumers are pulling back on units



Source: Numerator Consumer Receipt Panel: Jan 1- July 31 2026 vs. Jan 1- July 31 2025

Shopping in smaller baskets, more frequently

Rather than one large shopping trip, consumers make multiple smaller purchases across the month. This distributed shopping pattern gives them a psychological sense of control, spreads spend decisions, and allows real-time budget adjustments. It manifests even in essential categories. In AlixPartners' Grocery Shopper Perspectives Report, 61% said "meal planning and resisting impulse buys" was their #1 spending adaptation, and 41% were buying fewer items overall. Combined with this is a reduction in impulse buying across channels: consumers research more, compare alternatives longer, and reduce spontaneous purchases. Smaller, intentional baskets are replacing large, habitual trips.

"The historical idea of the weekly stock-up shop... is dead."

Matt Hamory
Partner & Managing Director, AlixPartners

Taking a cue from grocery: we see that frequency is going up, particularly with low and mid-income consumers indicating they are shopping for needs as opposed to stocking up

Hain type	PY Freq	CY Freq	Change	YOY %
Discount / Value	1.91	2.11	+0.20	**+10.5%**
Club / Warehouse	1.82	1.99	+0.17	**+9.4%**
Traditional Grocery	3.01	3.10	+0.10	**+3.2%**
Mass / Supercenter	2.92	2.88	-0.04	**-1.5%**

Source: Placer.ai: LTM Sept 2025 through Aug 2026 vs. previous year

36%

of shoppers buy groceries online weekly or more frequently; households with kids show 57% at weekly+ frequency, confirming multiple smaller shopping trips as normalized behavior

Source: AlixPartners Grocery Shopper Perspectives. 2026 Report, Survey of 1,600+ primary shoppers

Shopping earlier to lock in prices

Consumers shift shopping timing to earlier in the season (starting holiday shopping as early as August) to capture prices before expected inflation-driven increases and ensure availability. Early action is seen as a financial strategy to preserve budget.

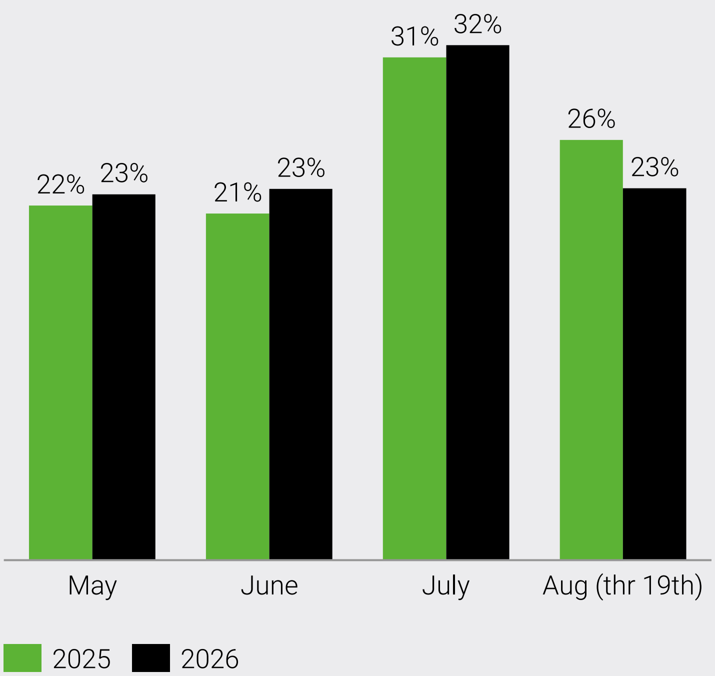
47% (+8 –ppts)

start before Halloween:
15% already shopping in August.

Source: Holiday Spending Consumer Survey. Internal AlixPartners consumer research, 2026

Back-to-school behaviors can be an indicator of how consumers will approach the holiday. In 2026, the playbook was to start early, lock in prices when you see sales, and spread your budget over a longer time period.

Share of spending in back-to-school categories



shifted to earlier in the season- similar performance expected for holiday

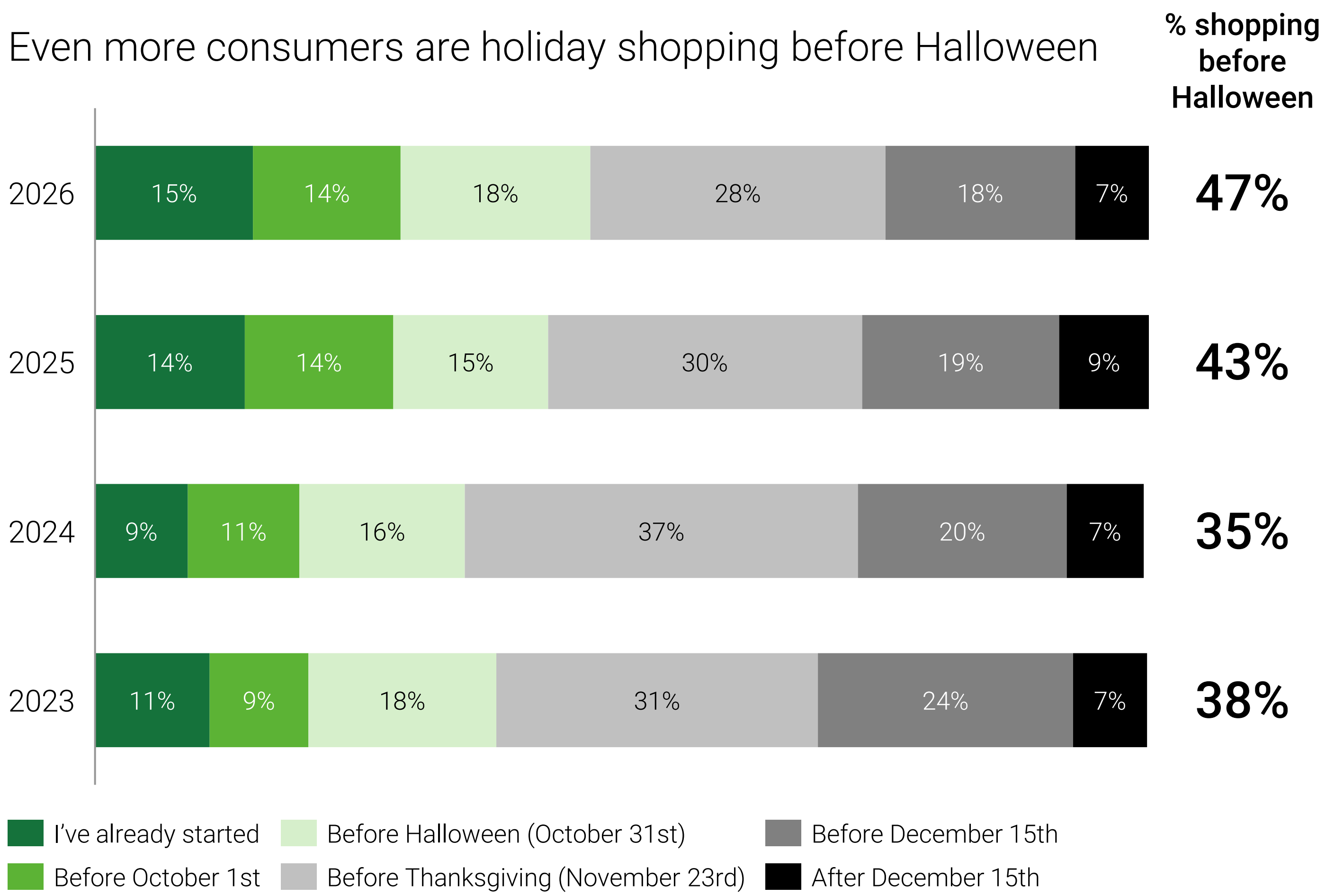
30% of consumers started earlier this year

25% of consumers cited earlier spend to lock in prices/deals

17% of consumer cited they wanted to spread out their budget over a longer period of time

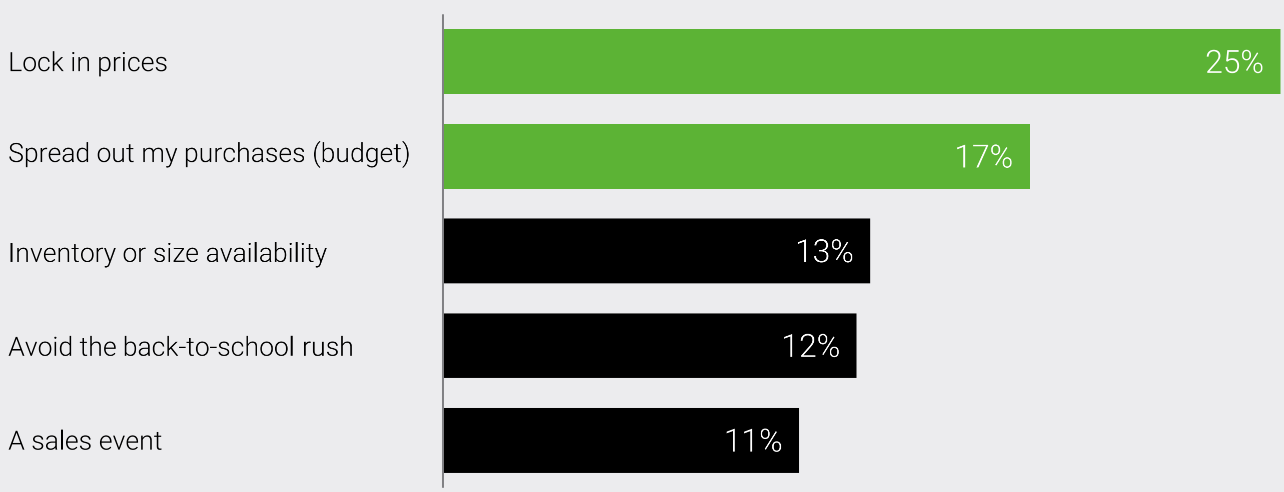
Source: 2026 U.S. Holiday Shopping Survey, Numerator May-Aug 19th 2026 vs. 2025 (Boys/Girls apparel, footwear, accessories, backpacks & other back to school supplies), AlixPartners Back-to-school footwear survey 2026

Even more consumers are holiday shopping before Halloween



Source: 2026 U.S. Holiday Shopping Survey

Consumers are shopping early to lock in prices and spread their budget over time



Source: AlixPartners Back-to-school footwear survey 2026

Triaging categories

Throughout our surveys this year, one thing remains consistent: consumers are identifying their "must-spend" categories (whether that's gifting for others during the holidays or groceries and gas during the year) and making trade-offs in discretionary categories (self-gifting, experiences) to offset. This triage allows them to maintain overall spend while appearing budget-conscious. During the holidays, consumers prioritize gift-giving over items for themselves, adjusting their budget to reduce self-purchase and reallocating these funds to gifts. Just shy of half rank "gifts for others" as their #1 priority, while 37% cut back on self-gifting (impulse control), revealing clear category prioritization. They are also able to manage budgets and shift funds by being more strategic about their essentials purchases through meal planning (61%), buying fewer but quality items (41%), and prioritizing private brand (47% in 2025, up from 32% in 2024) to reduce costs while protecting quality. Within discretionary categories, health and beauty have become the standout priority (for 63% of BHW consumers), suggesting that Americans have rationalized the investment as a need, not a treat.

Consumers are spending wisely in categories like grocery and household goods to shift spend into categories like health & beauty and toys/crafts

	Purchase frequency	Spend
Sector	**% change**	**% change**
Grocery	-2.1%	-1.1%
Health & beauty	+0.1%	+2.5%
Household	-1.3%	-0.8%
LSR (Limited Service Restaurant)	-2.3%	+0.2%
Toys	+2.4%	+10.9%

Consumers are shifting priorities from impulse and self purchasing to gifts for others

Item	Avg. rank
Gifts for others	3.42
Food & beverage costs for holiday meals at home	4.05
Food & Beverage costs for holiday meals out	4.85
Holiday decorations	5.08
Gifts for myself	5.65
Holiday travel	5.92
Services for myself (e.g., haircut, makeover, massage)	6.08
Shows or Experiences	6.31
Subscription services for myself	6.52
Clothing rentals for myself	7.12

Source: Numerator- YTD through July 31 2026 vs. 2025, all sectors, AlixPartners 2026 U.S. Holiday Shopping Survey

Consumers are spending more wisely in "needs" categories to buy into "wants" categories

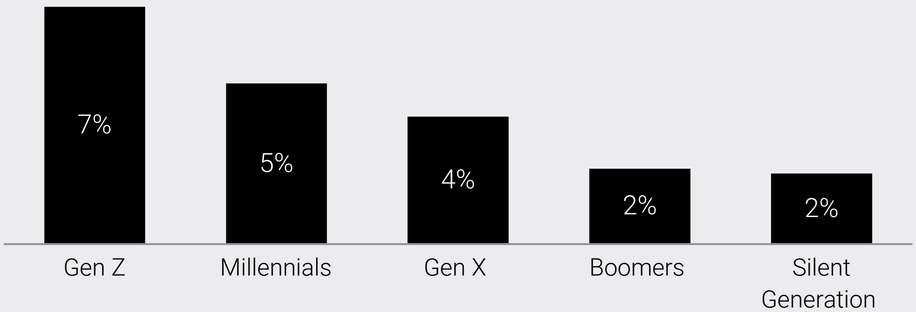
	Purchase frequency	Spend
Sector	**% change**	**% change**
Grocery	-2.1%	-1.1%
Health & beauty	+0.1%	+2.5%
Household	-1.3%	-0.8%
Home & garden	-2.4%	-1.0%
Apparel, footwear, and accessories	-1.0%	-1.3%
LSR (Limited Service Restaurant)	-2.3%	+0.2%
Tools & home improvement	+0.7%	+0.8%
Party & occasions	-4.4%	-0.2%
Office	+1.1%	+3.7%
Toys	+2.4%	+10.9%
Electronics	-4.1%	-7.1%
Pet	-1.2%	+0.4%
FSR (Full Service Restaurants)	+1.9%	+0.7%
Automotive	+1.1%	+7.1%
Sports	-2.8%	-1.3%
Baby	-1.4%	-1.8%
Books	-3.1%	+0.4%
Tobacco products and accessories	-6.9%	+0.2%
Entertainment	-1.9%	+14.3%

Source: Numerator- YTD through July 31 2026 vs. 2025, all sectors

Leaning on BNPL and credit to extend budgets

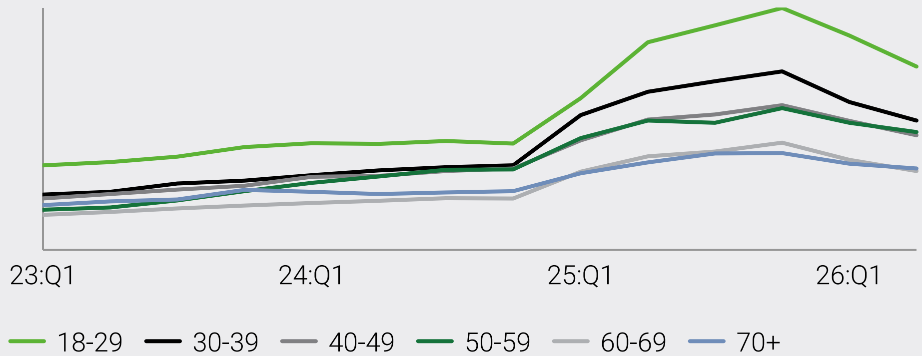
Consumers use installment payments and buy-now, pay-later (BNPL) arrangements to defer payment over 3-6 months, allowing them to buy now while spreading the budget impact over time. Credit is the mechanism enabling continued spend despite tighter monthly budgets. Younger consumers are adopting credit at the fastest rate, but also experiencing the highest concentration of serious delinquency, suggesting they are using credit to maintain baseline spending they cannot otherwise afford.

Debt is increasing across generations



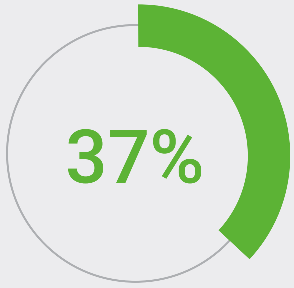
Younger consumers are increasing their reliance on credit at a greater rate – up 7% to last year – while Boomers & the Silent Generation's credit debt is only up +2%.

Delinquency is on the rise

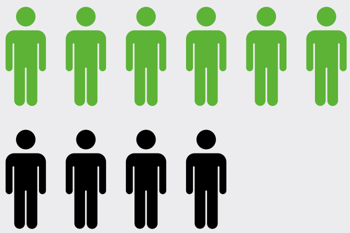


Younger consumers have even higher rates of delinquency.

BNPL usage is on the rise



of consumers surveyed by JD Power in early 2026 made BNPL purchases in the past 90 days (a 5 pp increase YOY).



Nearly 6 in 10 Gen Zers use BNPL, per Experian, though 90% say they will abandon a purchase over hidden fees.

Source: Capital One, New York Federal Reserve Quarterly, Household Debt and Credit Report, JD Power 2026 US Buy Now Pay Later Satisfaction Study, Experian- Buy Now Pay Later Holiday Survey

What retailers must do to enable the 7 consumer mechanisms

01 Trading down selectively, not across the board

Make value shopping feel premium and quality-driven. Invest in quality signaling, elevated packaging, and clear communication about why value options deliver equivalent or superior performance. Show durability metrics, material specifications, and comparative testing. Consumers will trade down as long as they believe they're not sacrificing quality.

02 Migrating to value retailers

Strengthen value brand positioning and retailer reputation. Help consumers understand that discount formats offer the same brands they love at lower prices. Market discount channels not as compromises but as smart shopping strategies. Make sure customers can find familiar brands in value retail environments.

03 Buying fewer, high-quality items

Emphasize durability and function over features and novelty. Comfort (41%) and durability (39%) drive premium spending within footwear; tech features (4%) don't. Make functional benefits explicit. Help consumers justify price increases through clearer communication about longevity and performance per wear/use.

04 Shopping in smaller baskets, more frequently

Create omnichannel inventory transparency and perfect operational execution. Consumers are shopping smaller baskets across multiple channels. Real-time inventory visibility across stores/online is essential. Fifty percent of returns are due to damage, 47% due to misdescriptions; both retailer-controlled problems. Invest in fulfillment quality, packaging, and product information clarity.

05 Shopping earlier to lock in prices

Shift promotional calendars earlier and make them dynamic and much more targeted. Repeating last year's Black Friday focus will miss early shoppers (43% starting before Halloween, per the 2026 Holiday Survey). Front-load promotions to August-September, assess discount depths- (as consumers indicate promotions at 30% or greater are compelling), and ensure margin structures make them profitable. Build flexibility to respond in real-time to early engagement signals.

06 Triaging categories

Segment by generation and income. Gen X wants loyalty and transparent deals. Gen Z wants personalization and experience. One strategy fails both. Implement personalized offer engines and separate communication by cohort. Protect essential categories with stable pricing; optimize discretionary with promotions. For younger consumers especially, consider entry-price options to reduce the need for unsustainable credit.

07 Leaning on BNPL and credit to extend budgets

Integrate BNPL and credit seamlessly into checkout. Ensure transparent terms, zero surprises, and clear communication. Monitor the consumer landscape for signs of unsustainable debt accumulation among younger consumers and provide supportive options (extended terms, lower minimums).

Cross-cutting imperatives

Use AI for demand forecasting, not just discounting. Retailers are increasing AI budgets in 2026, but most use it for pricing optimization. Deploy AI to forecast which products will see higher demand from the "thoughtful buyer" cohort, and ensure availability. Stockouts cost loyalty.

Make price transparency non-negotiable. Show total price upfront. Consumers will accept increases, if they understand why.

Support the vulnerable segment. While enabling affluent "optimizers," retailers must also serve younger and subprime consumers who can't execute the 7 mechanisms sustainably. Offer accessible BNPL, support payment plans with realistic terms, and help younger consumers avoid unsustainable debt spirals.

The retail opportunity

The consumer paradox is not a problem, it's a roadmap. Consumers are not spending **less;** they are spending **differently**. The seven mechanisms show exactly how they're doing it.

The K-shaped credit market means there are two strategies required: Enable the seven mechanisms for affluent "optimizers" who are managing credit well and want to feel smart about their spending. Support and protect vulnerable consumers, particularly younger consumers growing their credit usage at unsustainable rates, by offering realistic payment options and entry-price products that reduce the need for excessive debt.

> Retailers who understand the seven mechanisms and build operations around enabling them will win. Those who ignore the shift and continue with last year's playbook will lose.

The data is clear.

AlixPartners

Contact the authors

Bryan Eshelman
Americas Leader of Retail, PMD
beshelman@alixpartners.com

Meghan Hayward
Director
mhayward@alixpartners.com

About us

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.