BlueYonder
Move beyond boundaries

Predictions 2026

AI becomes the true heart of the supply chain

The Supply Chain Compass

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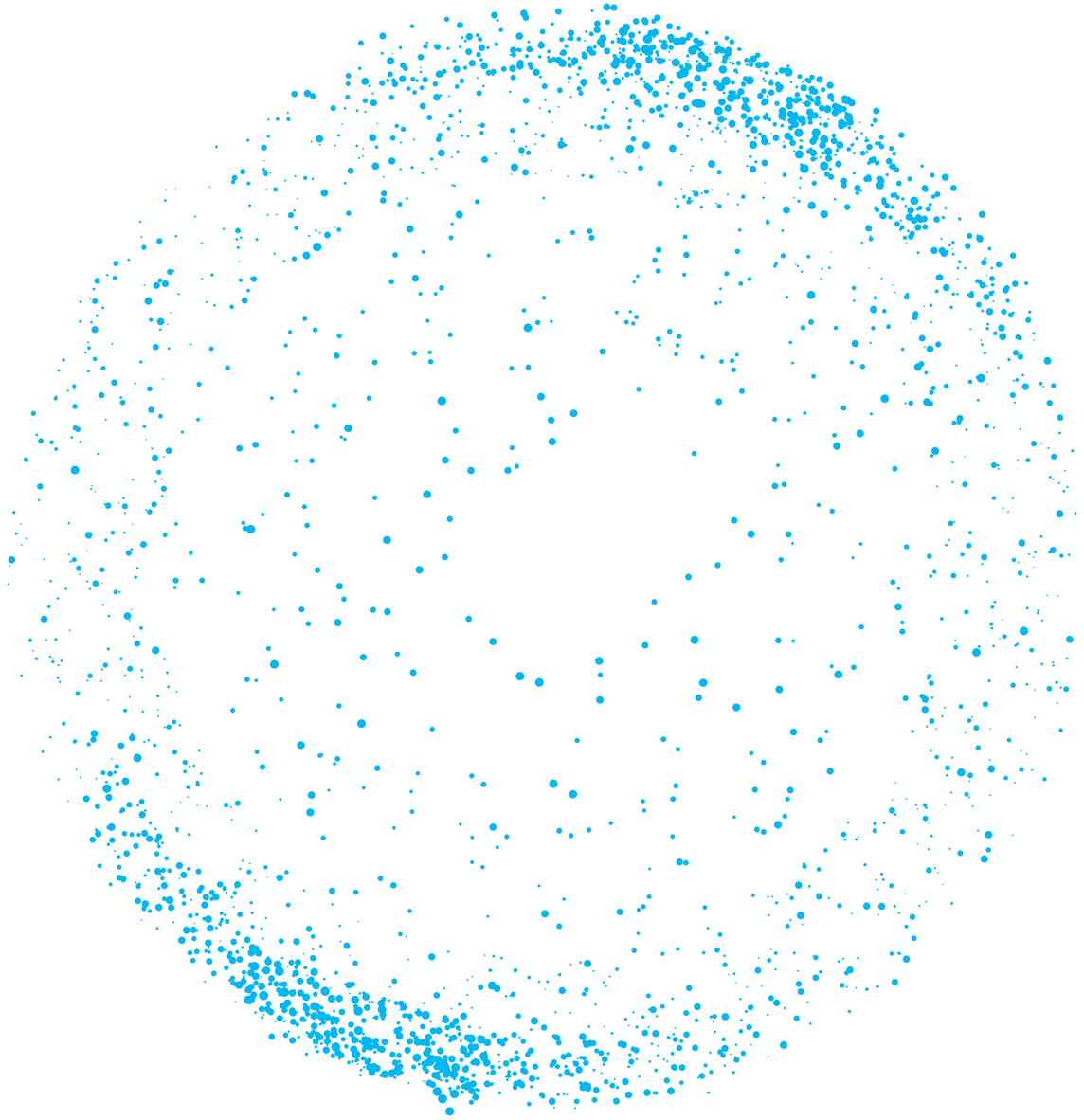

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Predictions 2026—AI becomes the true heart of the supply chain

We recently looked back on 2025, arguing that the year's events were more than just a series of isolated crises and trends—they were collective proof that we need a fundamental rethinking of supply chain management. In addition, 2025 also served as the proving ground where promising new technologies—like agentic AI—moved from theoretical promise to proven, practical capability across the enterprise.

Now, as we look ahead to 2026, the trajectory is clear: The age of siloed AI projects is over. We predict a dramatic implementation wave where AI evolves from a supportive feature into the beating heart of the supply chain.

This new generation of intelligent systems won't just help you survive disruptions—they will connect insight directly with action, enabling companies to dominate their markets with unmatched speed and scale.

The stage is set for a revolution where AI will help make every decision with speed and precision. Here are our top predictions for 2026, and how AI will be at the heart of its transformation.

→ **Read the blog—2025 in supply chains: A retrospective**

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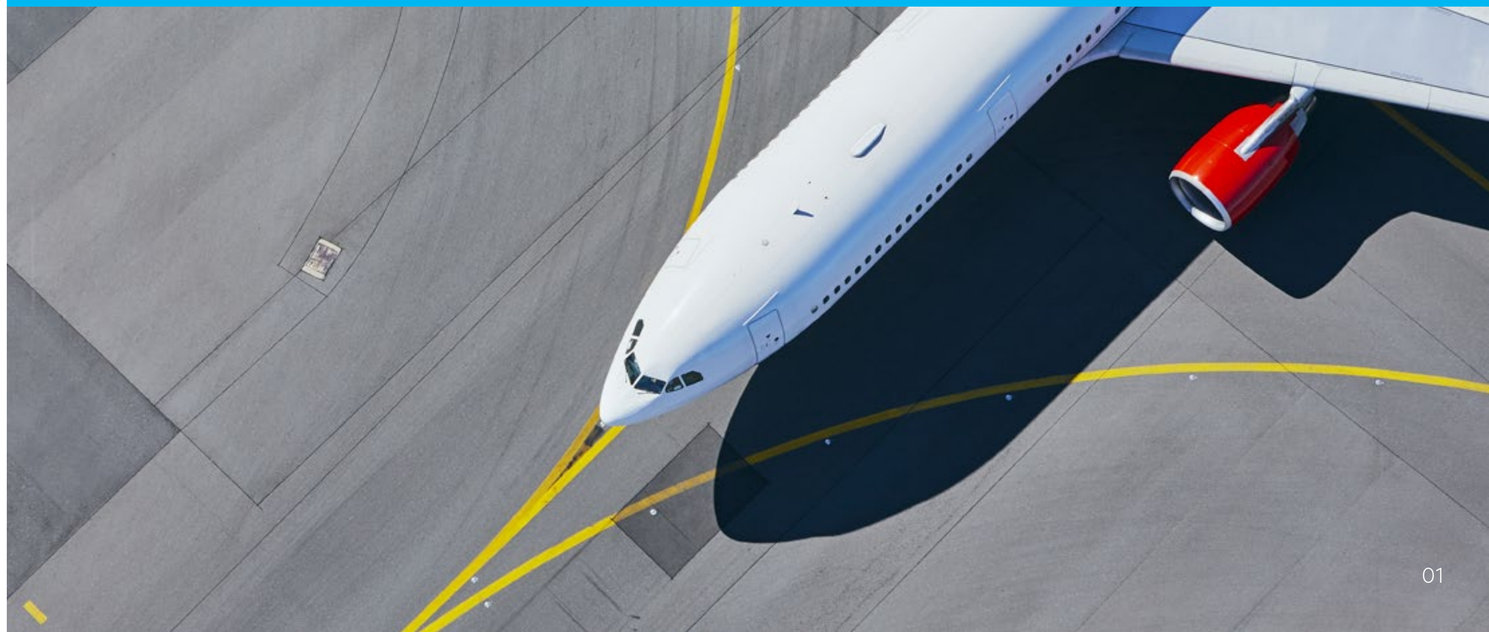
Gurdip Singh
Chief Product Officer,
Blue Yonder

"In 2026, the era of 'fake it till you make it' in AI solutions for supply chains is finally, and thankfully, over! Businesses can now benefit from the performance, scale, and explainability of domain-specific, fine-tuned LLMs, surpassing traditional optimization techniques at enterprise scale and at a fraction of the cost."



2026 in retail—Middle markets to be squeezed further

The emergence of a K-shaped economy, particularly in the U.S., is going to put increased pressure on middle-market retailers over the next year. On one side, affluent households continue to spend on luxury and premium goods. On the other hand, lower-income consumers are stretching every dollar to cope with rising costs. Consumers are either upgrading to luxury goods or aggressively seeking value, causing businesses that cater to the middle segment to be squeezed even further. They will be looking at new ways of driving efficiency and growth by streamlining inventory, improving planning, and enhancing the customer experience.

Many U.S. retailers will also have already worked through the pre-tariff inventory they had stockpiled, adding another layer of cost pressure that must be managed through smarter sourcing and supply chain optimization. This doesn't just effect retailers, but will put the entire supply chain will be under pressure to adapt. Companies will need to implement AI technologies to forecast with greater precision and agility, keeping the right amount of inventory in the right locations while managing cost pressures and boosting operational efficiency at scale.

In particular, retailers will turn to AI to prevent profit margins from being further eroded, implementing technologies, such as:

- **Dynamic pricing and promotion:** AI agents can now continuously scan competitor pricing, allowing retailers to adjust their own prices and promotions in real- time to capture demand and protect margins. This necessitates a supply chain with automated procurement and tighter demand-planning loops.

- **Intelligent returns management:** Retailers can no longer afford to treat returns as a cost of business, but will rely on AI to drive revenue and optimize the resale of returned goods. By predicting which returned items will be in high demand, and in which locations, and route them accordingly. This data-driven approach will dramatically improve the efficiency of converting returns into revenue.

What else is in store for retail in 2026?

Beyond these core challenges, retailers must also account for emerging trends that could reshape consumer markets in unpredictable ways. One of the most discussed is the rise of GLP-1 weight-loss drugs like Ozempic. As these medications become more accessible, they could lead to a significant contraction in the food and beverage market as consumers simply buy less, as well as the fashion industry, where consumers will be buying smaller sizes. Retailers in fashion and grocery will need to adjust their forecasts and assortment strategies to account for a market that is literally shrinking, while some fashion retailers may choose to contract sizing availability to increase margins.

Chris Burchett
Senior Vice President,
Generative AI, Blue Yonder

"AI Agents can continuously scan prices and move demand instantly when competitors change pricing. As a result, supply chains will need more automated procurement and tighter demand planning to execution loops. There will also need to be more dynamic and intelligent pricing and promotion to enable retailers to respond to the pressures they will experience."

Jim Hull
Senior Industry Strategies
Director, Blue Yonder

"High-end retailers are thriving, while discount stores are seeing a surge in traffic. Meanwhile, brands traditionally serving the middle market are struggling as their target customer either seeks premium experiences or hunts for the absolute lowest price."

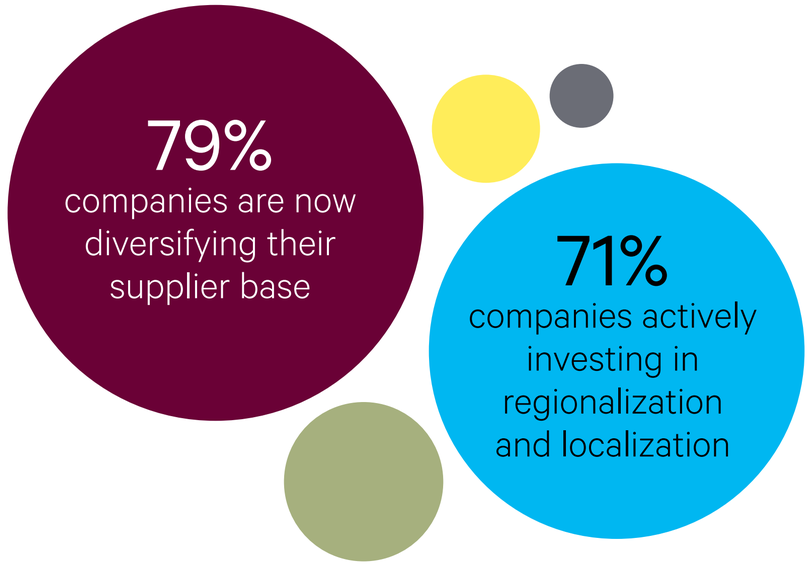
Tim Robinson
Senior Vice President
Sales, Blue Yonder

"2026 will be the year when retailers of all shapes and sizes shift their returns strategies from being anchored on low-cost disposal to full-value resale. Returns will become valuable, live inventory from which customer demand can be fulfilled and AI will be used to predict which returning items are likely to be in demand in which stores, geographies, or customer groups."

2026 in manufacturing—Nearshoring and friendshoring continue to rise

After years of unprecedented disruption, the manufacturing industry has seen a shift towards nearshoring, reshoring, and source diversification. Nearly 8 out of 10 companies (79%) are now diversifying their supplier base, with 71% actively investing in regionalization and localization to mitigate future disruptions*.

Over the next year, we will continue to see a rise in nearshoring intent, particularly as tariff implications continue to hit the U.S. Over the next 10-15 years we might anticipate increased investment to reshore manufacturing to the U.S., which will require a level of technological sophistication and infrastructure that, in many cases, does not yet exist. This is due to a shortage of skilled labor to operate these advanced systems and a lack of modern factory infrastructure, including the roads, ports, and electrical grids needed to support a manufacturing renaissance.



In the short term, many manufacturers will rely on “friendshoring”, rerouting manufacturing from countries like China to Mexico, and implement AI-powered platforms to:

- **Model complete network risk in real- time:** Continuously simulate the impact of potential disruptions—from a sudden tariff change to a port closure or extreme weather event—on every node of the supply chain.
- **Analyze trade-offs automatically:** Evaluate thousands of potential sourcing, production, and logistics scenarios simultaneously, weighing the impact on cost, service levels, and carbon emissions.
- **Prescribe optimal actions:** Move beyond simply identifying problems to recommending specific, actionable solutions, such as shifting production to an alternate facility or re-routing a shipment through a different logistics network.
- **Save hours of manual labor:** AI agents handle the relentless work of monitoring data, predicting disruptions before they happen, and executing your recommended solutions across transportation, warehousing, inventory, and the entire network. This frees your team to focus on game-changing decisions and breakthrough strategies that drive real competitive advantage.

→ ***Read the Capgemini Research Institute report**

Simon Bowe
Corporate Vice President,
Industry Advisory, Blue Yonder

"After years of disruption from crises, tariffs, and climate events, companies have realized that resilience is not just about surviving shocks—it's about building systems that learn, adapt, and anticipate. Nearshoring and "friendshoring" continue to go mainstream as companies seek shorter, more reliable routes to market. AI will take the lead in supporting this regionalization by modeling trade-offs between cost, lead time, and risk through automated, continuous scenario planning."

2026 in sustainability—It's time to enter the accountability era

2026 will see sustainability conversations slowly start to transition from aspirations to accountability, driven by new regulations and a fundamental shift in consumer behavior. For example, the European Union's Ecodesign for Sustainable Products Regulation (ESPR) is a landmark piece of legislation that will ban the destruction of unsold goods and mandate unprecedented supply chain transparency. The ESPR is forcing companies to confront the true cost of their waste, a cost that will be felt globally as multinational corporations adapt their entire value chains to comply.

As well as regulatory changes, companies will also be facing pressure from a growing consumer appetite for reuse and resale, particularly among lower-income consumers, who are keen to extract the maximum value from their money.

There's also an increasing trend amongst Gen Z shoppers for an "analogue resistance", where consumers are actively turning to older technology like vinyl record players, flip phones, and early-generation iPods to "unplug" from the constant stream of digital content and subscription models.

This trend has profound implications for businesses, suggesting a renewed appreciation for products built to last and designed to have a life beyond their first owner.

We predict this analogue movement may even fuel a resurgence of brick-and-mortar retail. As consumers seek more authentic and tangible experiences, the physical store becomes a destination for discovery, community, and hands-on interaction with products. For retailers, this presents an opportunity to create immersive spaces that blend new products with curated secondhand collections catering to a new generation of hybrid consumers.

Saskia van Gendt
Chief Sustainability Officer,
Blue Yonder

"The year ahead will see circular economy principles embedded in core business models. Companies will redesign products for durability, reuse, and recyclability while investing in technologies that provide full visibility from raw material to resale. AI will be central to this shift, driving efficiencies through predictive demand planning, energy optimization, and smarter reverse logistics. By connecting data across supply chain tiers, AI will enable companies to trace materials, verify compliance, and prevent waste before it occurs."

Get ready for 2026 and beyond

We can't tell you what's going to happen in 2026 exactly, but we do know that there will be new trends, new disruptions, and new challenges, for supply chains to overcome with speed, agility and precision.

As we've predicted above, implementing AI is how supply chains will be able to stay ahead for 2026 and beyond—no matter what happens.

In 2025 we launched a suite of supply chain tools on a shared, connected platform. Our Cognitive Solutions will ensure you have the intelligence, insights, and tools to turn disruptions into your competitive advantage.

→ **Read the press release—Blue Yonder unveils advanced AI-driven Cognitive Solutions**

→ **Read the blog—Empower speed and precision in a time of uncertainty**

Click here to sign up to the Supply Chain Compass Newsletter for a monthly roundup of curated supply chain news, conversations, and analysis.

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