



STATE OF COMMERCE REPORT

The 2025 Retail Outlook

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I. Executive Summary



Our 2025 Outlook

As the retail industry enters 2025, it builds on the resilience shown in 2024, a year characterized by steady economic growth and changing consumer behaviors. The U.S. economy surpassed expectations last year, with a 2.7% GDP growth driven by job creation and rising wages. Although 2025 is projected to experience slower growth at 2.0%, inflation is anticipated to stabilize at 2.5%, providing a cautiously optimistic outlook.

However, uncertainties persist, especially concerning potential policy changes. These changes include trade tariffs and shifting economic priorities, which could affect supply chains, production costs, and consumer spending.

Key Trends Shaping 2025

1

CONSUMER SPENDING PRIORITIES

- Consumer spending remains steady, driven by wage growth and easing borrowing costs, but value-driven behaviors persist across all income groups.
- Generational trends highlight the growing influence of Gen Z and Millennials in driving social commerce, alongside increased spending by “silver” consumers aged 55+, who now control 73% of U.S. wealth.

2

RETAIL TRENDS & GROWTH AREAS

- Trading down continues to dominate, with 74% of consumers opting for lower-cost alternatives and prioritizing value in everyday purchases.
- Retail sales are forecasted to grow 3-4% YoY, with strength in categories such as home decor and furnishings (3-4%), travel (4-7%), and health and beauty (3-10%).

3

TECHNOLOGICAL ADVANCEMENTS IN RETAIL

- AI integrations are transforming operations, as retailers adopt tools meant to drive efficiency and personalization.
- Social commerce and video platforms are reshaping discovery and engagement, blending entertainment with seamless purchasing experiences.

A Path Forward for Retailers

The 2025 retail landscape offers opportunities for growth, backed by a stable labor market, moderating inflation, and improving consumer sentiment, especially among middle- and higher-income households. Although ongoing macroeconomic headwinds and uncertainties persist, retailers still have the opportunity to find success this year. Staying agile and focusing on strategies centered around value-driven offerings, tailored marketing, and omnichannel innovation will be crucial in navigating the changing landscape. Embracing AI and keeping pace with the evolving digital landscape will enable brands to capture demand while maintaining resilience in a competitive market.



II.

Introduction



2025 Economic Considerations

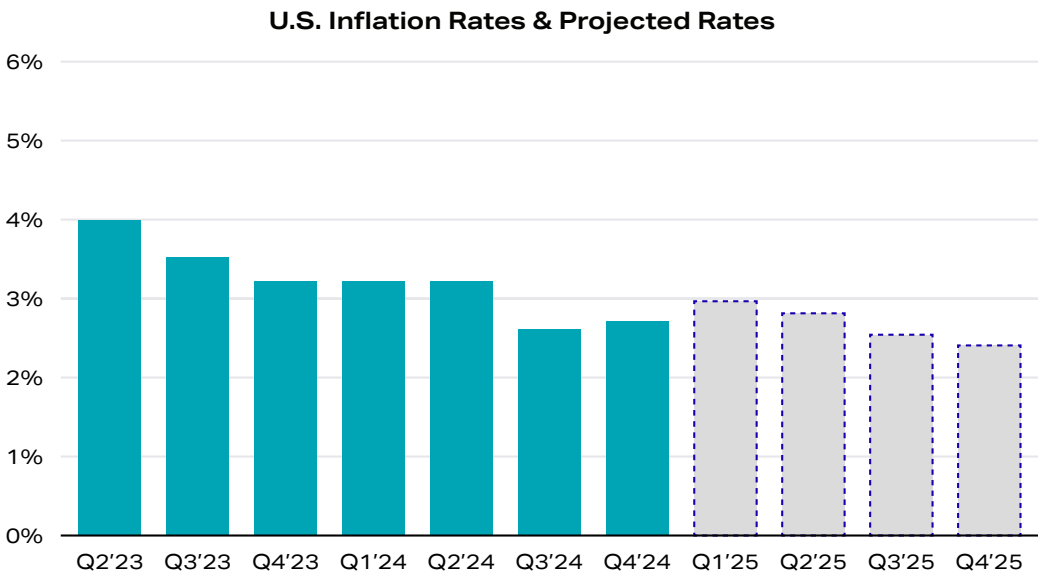
As we approach 2025, the retail landscape continues to evolve against a backdrop of economic resilience, shifting consumer behavior, and emerging trends in technology and marketing. With the U.S. economy [expected to grow](#) by 2.0% in 2025, retailers are positioned to capitalize on the strong momentum from 2024 while facing challenges such as persistent inflation and changing global trade policies. This report offers a comprehensive analysis of the macroeconomic environment, consumer sentiment, and key retail trends shaping the industry, providing actionable insights for brands to succeed in the year ahead.

Navigating Momentum & Emerging Challenges

Despite widespread concerns about a potential recession or soft landing over the past year, the U.S. economy in 2024 outperformed expectations, demonstrating resilience through steady growth and robust consumer spending. Strong job creation, increasing wages, and moderating inflation contributed to the sustained economic momentum, defying forecasts of a deeper slowdown.

With 2025 beginning on more solid footing, the U.S. economy reflects the strength of the previous year. While **economic growth in 2025 is forecasted to moderate to 2.0%**, this pace remains above long-term trends, providing a stable basis for ongoing retail and consumer activity.

Inflation in 2024 eased to an average of 3%, indicating a steady return to stability and fostering cautious optimism among consumers. Although core inflation remained elevated in essential areas like housing and groceries, declining pressures in other sectors contributed to a more balanced economic environment, allowing for steady growth across retail sectors. Looking ahead, inflation in **2025 is projected to average 2.5%**, still above the Fed’s target of 2%. Core inflation is expected to remain slightly [elevated](#) due to potential policy-driven pressures, [including](#) tariffs.



Source: U.S. Bureau of Labor Statistics, Trading Economics

Macroeconomic Balance of Stability & Uncertainty

The 2025 retail landscape is shaped by a mix of stabilizing and uncertain macroeconomic factors that affect consumer behavior, business planning, and retail growth strategies:

SHIFTING ECONOMIC AND POLITICAL LANDSCAPES

The new presidential administration brings uncertainty regarding [trade policies](#) and tariffs on key trading partners such as China, Canada, and Mexico, potentially impacting supply chains and pricing. Businesses and retailers are closely monitoring developments while proactively addressing possible disruptions.

FEDERAL RESERVE POLICY

Interest rate adjustments seek to support economic growth and alleviate inflationary pressures. Lower borrowing costs may encourage spending on big-ticket items like home goods and luxury products, although effects will differ across income groups. Nevertheless, the Fed is [anticipated](#) to adopt a moderate approach to rate cuts in early 2025.

BUSINESS OPTIMISM

The stock market has generally responded positively to President Donald Trump's return to office, driven by optimism surrounding tax policies and deregulation prospects. The S&P 500 [noted](#) its best first week under any president since 1985. However, potential volatility lingers as markets react to trade shifts, monetary policy changes, and geopolitical events.

This blend of stability and uncertainty demands that businesses stay agile, balancing opportunities with strategic resilience to maneuver through a changing economic landscape.





III.

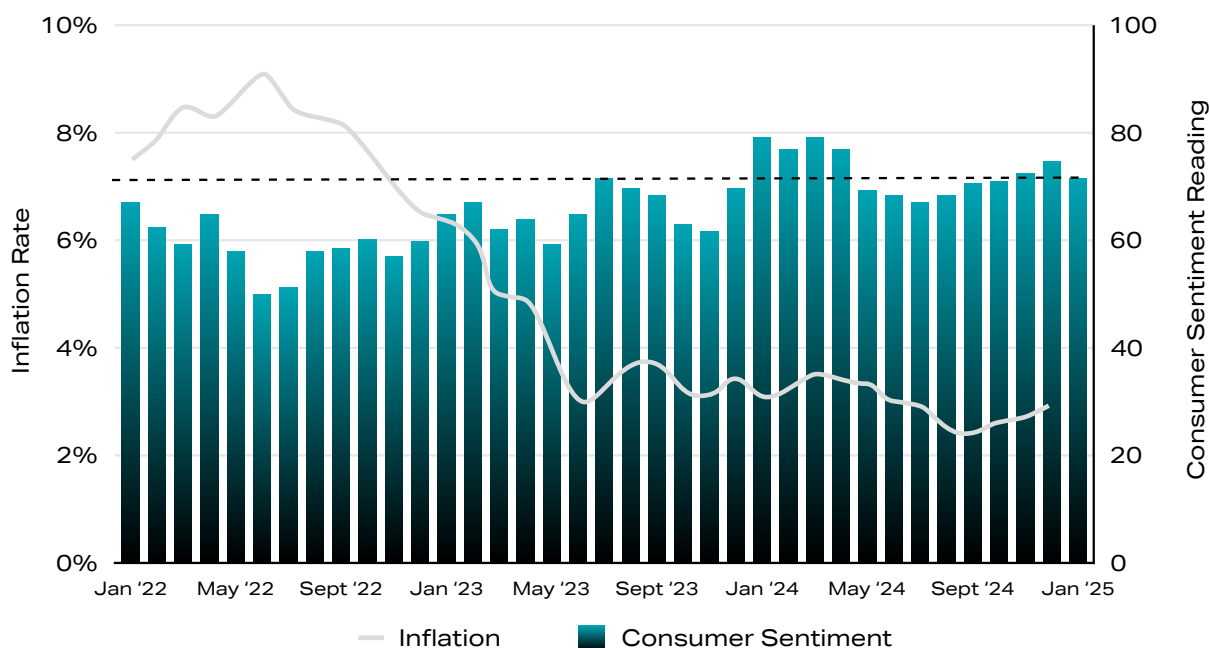
*2025 Consumer
Spending Trends*

The Spending Patterns Shaping the Year Ahead

2024 Lookback: Resilience Amid Economic Challenges

Consumer spending in 2024 reflected a mix of cautious optimism and value-seeking behaviors, influenced by a complex economic landscape. Positive signs such as low unemployment, consistent job growth, and increasing wages bolstered steadily improving sentiment, while the outcomes of the U.S. election brought clarity and a measure of predictability. Despite this optimism, spending patterns remained restrained as many households prioritized savings, traded down to cost-effective alternatives, and focused on essentials.

Inflation vs. Consumer Sentiment



Sources: 1. [U.S. Bureau of Labor Statistics](#) 2. [University of Michigan](#)

Consumer Spending in 2024: Moderation & the Pursuit of Value

TRADING DOWN CONTINUED THROUGHOUT 2024

A significant 74% of consumers continued to trade down, opting for lower-priced goods, delaying purchases, or prioritizing value—a trend that persisted across income levels and exceeded expectations ([McKinsey](#)). **Similarly, PMG's latest survey highlighted that 50% of respondents identified “value for money” as their primary consideration when purchasing fashion items.**

CAUTIOUS DISCRETIONARY SPENDING

Spending on discretionary and luxury goods remained limited, as consumers prioritized long-term financial stability over immediate gratification. **According to PMG's survey, clothing was among the categories that consumers were least likely to reduce spending on, even amid economic uncertainty.** This indicates a careful reallocation of budgets rather than an overall reduction in spending. Additionally, promotions significantly influenced purchasing decisions, as consumers actively looked for deals to maximize value.

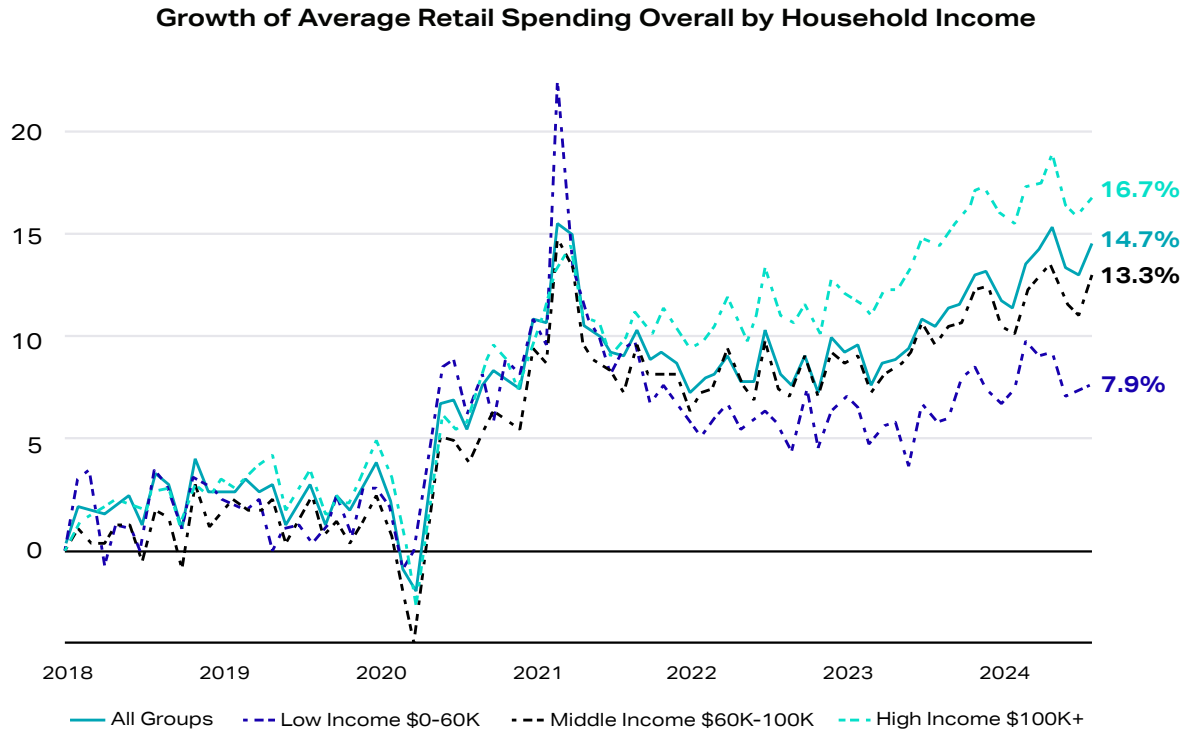
What This Means for 2025



CONSUMERS' SPENDING PATTERNS STILL REFLECT MODERATION AND THE PURSUIT OF VALUE.

Their continued trading-down behavior and pride in seeking out deals underscore the necessity for brands to strengthen their value propositions by clearly communicating product benefits, building brand equity, and adopting a strategic approach to promotions. Retailers that emphasize value, affordability, and personalized solutions are best positioned to meet evolving consumer preferences and create a solid foundation for growth in 2025.

Diverse Spending Patterns Across Income Groups



Source: *Federal Reserve*

Note: The data are monthly from January 2018 through August 2024. All series are adjusted for inflation using the chain indexed PCE deflator for goods and foods services excluding motor vehicles and are shown as growth relative to January 2018. All series are seasonally adjusted using X13-ARIMA-SEATS. Based on Federal Reserve calculations using Numerator data.

AFFLUENT CONSUMERS

Accounting for over 56% of total spending, [affluent households](#) remain a critical audience for discretionary categories such as travel, dining, and premium goods. Increased wealth, supported by robust equity and housing markets, positions this group to spur growth in experiential and high-end retail categories. **To engage this demographic, retailers should emphasize personalized, experience-focused marketing and exclusive offerings.**

MIDDLE-INCOME STABILITY

Contributing [nearly 30% of spending](#), middle-income households continue to prioritize value-driven purchases. Steady employment and cautious spending habits make them a key target for practical yet high-quality offerings. **Promotions, loyalty incentives, and bundling strategies that clearly define value are important tools to engage this group.**

ESSENTIAL-FOCUSED LOWER-INCOME CONSUMERS

With rising interest payments and tighter budgets, lower-income households prioritize spending on essentials such as groceries and household necessities. **Retailers can maintain engagement by providing personalized promotions that emphasize value and quality-driven messaging, along with cost-effective product bundles.**

Generational Spending: Harnessing the Power of Younger & Older Consumers

Generational spending trends are transforming the retail landscape, with both younger and older consumers emerging as key drivers of growth. **Affluent Gen Z and Millennial consumers have significantly increased their spending,** fueled by rising after-tax wages and salaries. This surge in disposable income, combined with improved consumer sentiment among higher-income households, positions these younger generations as crucial in shaping retail trends for 2025. **Retailers have an opportunity to align with consumer preferences by emphasizing innovation, personalized experiences, and digital-first strategies that appeal to tech-savvy shoppers.**

At the other end of the spectrum, “silver spending” among consumers aged 55 and older is gaining prominence. This demographic now controls 73% of the nation’s wealth and

accounts for 37% of income in the U.S., reflecting a rise in financial independence driven by decades of workforce participation and increasing retirement incomes. Contrary to traditional assumptions about older consumers, this group prioritizes health and wellness, travel, and premium products, signaling a shift toward quality and experiential spending ([Bank of America](#), [NIQ](#)). **Retailers can tap into this lucrative market by providing customized solutions that highlight quality products, innovative wellness options, and personal services.**

By recognizing the distinct spending patterns and priorities of these generational groups, retailers can craft strategies that address their unique needs, fostering loyalty and unlocking growth opportunities across diverse consumer segments.

Holiday 2024 Lookback

The 2024 holiday season demonstrated the power of early promotions and ecommerce, with total retail sales rising by 3.8% year-over-year. Online sales particularly excelled, increasing by 6.7%, while in-store sales grew by 2.9%. The last five days of the season represented 10% of total holiday spending, highlighting strong last-minute demand. **Apparel, jewelry, and electronics emerged as standout categories during the recent holiday season, with growth rates of 3.6%, 4%, and 3.7%, respectively.** Strategic promotions were essential in driving these increases, as retailers capitalized on consumer interest in gifting essentials. Emphasizing discounts and curated offerings allowed these categories to capture significant consumer attention, establishing them as top-performing sectors during the peak shopping period.

The shift toward digital shopping continued to dominate the holiday retail landscape, with ecommerce channels excelling in both engagement and sales. **Digital-first strategies, including curbside pickup and same-day delivery, played a crucial role in enhancing convenience for consumers.** These features not only met the growing expectations for flexibility

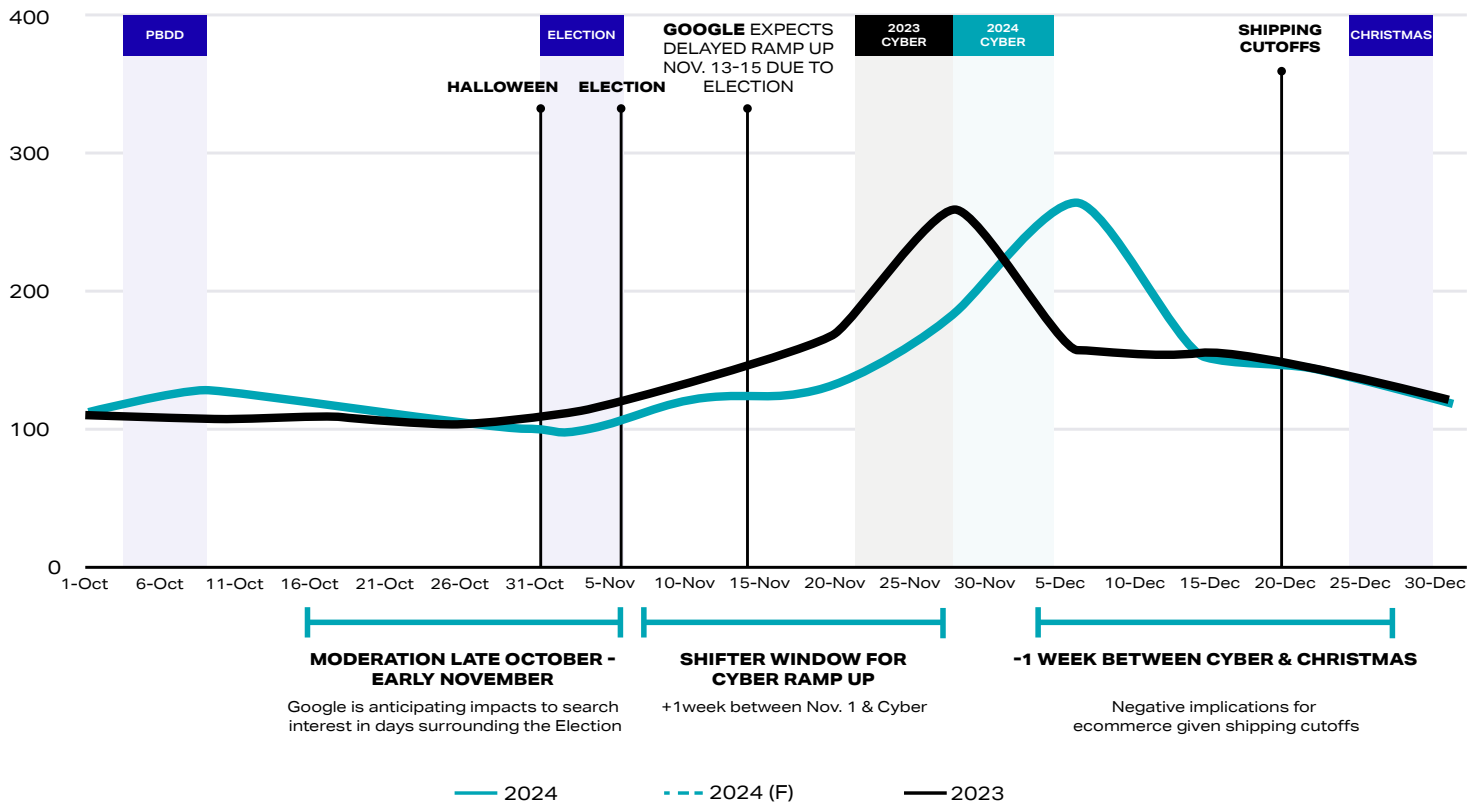
The shift toward digital shopping continued to dominate the holiday retail landscape.

but also enabled retailers to bridge the gap between online and in-store experiences, ensuring seamless and efficient transactions.

Beyond traditional gift-giving, experiential spending made a notable comeback during the holiday season. Dining and travel emerged as key priorities for consumers, with restaurant spending increasing by 6.3%. This resurgence reflects a growing desire to prioritize experiences alongside material gifts, highlighting an important shift in consumer preferences. **Retailers and service providers responding to this trend stand to benefit by offering packages or promotions that combine products with experiential value.**

¹Mastercard SpendPulse

Indexed Total Site Traffic, Tracked Retailers



Source: PMG Proprietary Insights, Google Retail Holiday Narrative 2024

Note: Based on a subset of retailers analyzed.

Data shown represents an average of total site traffic indexed to October 3 (2023) across the tracked retailer set.

With 2025 well underway, consumer spending is showing steady growth, supported by resilience and adaptation to changing economic conditions. Strength in the labor market continues to drive wage gains, increasing real disposable income and boosting consumer confidence, especially among middle- and higher-income households.

These trends create valuable opportunities for retailers to utilize personalization, omnichannel strategies, and targeted marketing efforts. ***By staying attuned to evolving consumer priorities and varied spending patterns, retailers can position themselves for success in a competitive landscape while fostering sustained growth.***

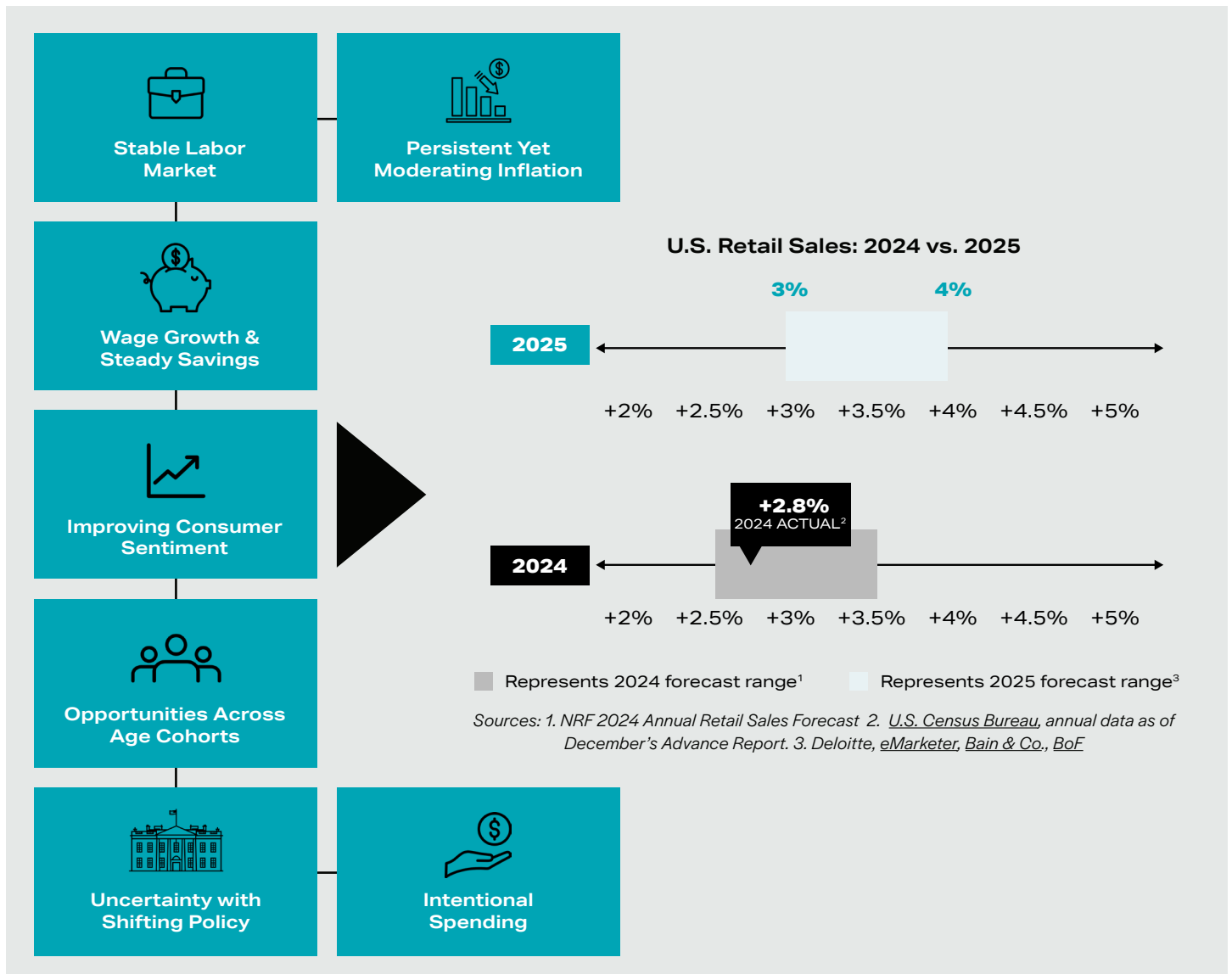
IV.

Key Retail Trends



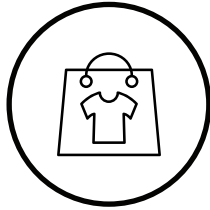
Emerging Technologies & Evolving Consumer Preferences Shape 2025 Retail Strategies

Retail sales are projected to grow steadily in 2025, with PMG estimating year-over-year growth of 3% to 4%. This momentum reflects a mixture of economic resilience, shifting consumer spending habits, and ongoing investments in innovation throughout the sector. As both ecommerce and in-store experiences take on pivotal roles, retailers have substantial opportunities to seize demand through personalization, omnichannel strategies, and improved customer engagement. These projections create an optimistic outlook for the retail industry as it navigates a competitive and dynamic landscape.



Retail Outlook by Category

Shifting economic conditions and evolving consumer priorities are shaping spending patterns across key retail categories in 2025. From a surge in home-related purchases driven by easing borrowing costs to record-breaking projections in electronics and steady growth in travel and beauty, each sector presents unique opportunities for retailers to capture demand. The following insights highlight anticipated trends and spending behaviors that will define the retail landscape in the year ahead.



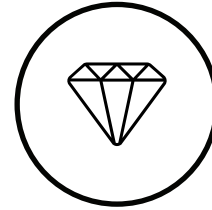
APPAREL & FOOTWEAR

The apparel industry is [projected](#) to experience low single-digit growth in 2025, reflecting its status as a discretionary category sensitive to economic pressures and evolving consumer priorities. Ecommerce is anticipated to spearhead this growth, [fueled](#) by rising mobile penetration, AI-driven tools, augmented reality, and the convenience of online shopping, which appeals to budget-conscious and time-strapped consumers. The resale and off-price segments are also likely to expand as shoppers look for affordable and sustainable options, further emphasizing value-driven purchasing in a competitive market.

3-4% YoY

Apparel 2025 Forecasted Growth

Source: [Statista](#), [eMarketer](#), [Business of Fashion](#)



LUXURY GOODS & FASHION

The U.S. luxury market in 2025 is expected to experience measured growth, with a rebound [anticipated](#) by mid-year, fueled by resilient high-income and aspirational consumers, pent-up demand, and targeted brand expansions. Brands are increasingly focusing on untapped opportunities outside major cities, targeting affluent secondary markets such as Austin, Texas, while also strengthening direct-to-consumer approaches. Despite uncertainties like potential tariffs and global economic challenges, luxury brands are better positioned to endure impacts compared to non-luxury segments. Analysts also [emphasize](#) the potential of the “silver generation,” with Americans aged 55 and older controlling over 70% of the nation’s wealth and projected to account for nearly half of incremental consumer spending, ensuring the U.S. remains a key driver of global luxury growth this year.

3-5% YoY

Personal Luxury Goods & Fashion 2025
Forecasted Growth

Source: [Statista](#), [eMarketer](#), [Business of Fashion](#)



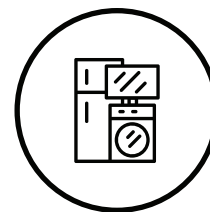
HOME DECOR & FURNISHINGS

As the Federal Reserve gradually adjusts interest rates, borrowing costs are expected to decrease by mid-2025, driving renewed demand for major purchases such as homes and furniture. Falling mortgage rates are likely to encourage home buying, which will, in turn, boost activity in areas like home renovations, furnishings, and appliances.

3-4% YoY

Home Decor & Furniture 2025
Forecasted Growth

Source: [Statista](#), [eMarketer](#)



ELECTRONICS

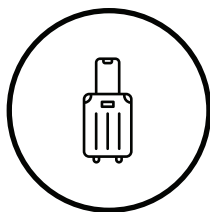
Moderate growth in the consumer electronics category is likely to be driven by consumers entering replacement cycles for devices purchased during previous spending surges, particularly smaller electronics with typical lifespans of three to five years. Advancements in technology, such as augmented on-device AI capabilities, more compact designs, and improved battery life, are expected to further accelerate upgrade cycles. However, potential policy changes, including proposed tariffs on imports, could impact pricing and consumer demand, possibly reducing tech sales by \$90 billion to \$130 billion, according to the [Consumer Technology Association](#).

1-3% YoY

Consumer Electronics 2025
Forecasted Growth

Source: [Statista](#), [Circana](#), [Consumer Technology Association](#)





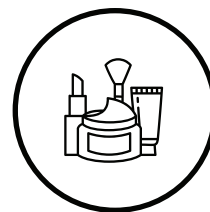
TRAVEL

Consumer interest in travel and experiences continues to drive spending, laying the groundwork for significant growth in 2025. Building on the momentum from 2024, air travel demand soared during the Thanksgiving holiday week, with TSA checkpoint activity increasing by 3% year-over-year. Road travel also experienced gains, as gas transactions rose by 2%, supported by lower fuel prices that gave consumers more spending power. The U.S. Travel Association expects steady growth in domestic travel spending this year, driven by strong consumer resilience, ongoing industry investments, and major events promoting international tourism.

4-7% YoY

Travel 2025 Forecasted Growth

Source: Skift, U.S. Travel Association



HEALTH & BEAUTY

Consumers in 2025 are expected to increasingly prioritize holistic health, longevity, and self-expression, driving strong growth in the beauty and wellness sector. Ecommerce is set for significant growth compared to physical retail, fueled by rising demand for transparency, clean formulations, and non-toxic products. The convenience and wealth of information available online make ecommerce a preferred option for assessing product safety and effectiveness, boosting its growth alongside broader trends toward online shopping.

3-10% YoY

Health & Beauty 2025 Forecasted Growth

Source: Statista, eMarketer



Anticipated Growth by Category

Replacement cycles & tech advancements drive **moderate growth** amid **tariff uncertainties**.

1-3%
Electronics

3-4%
Home

Lower borrowing costs are set to **boost home and furniture spending** by mid-2025.

Value-driven growth fueled by **ecommerce, resale, and off-price** segments in a competitive market.

3-4%
Apparel

4-5%
Luxury

Cautious growth led by **affluent consumers**, strategic **brand expansions**, and **untapped markets**.

Strong consumer demand for **experiences** supports steady growth in **air and road travel**.

4-7%
Travel

3-10%
Health & Beauty

Holistic health and **self-expression** drive growth, with **ecommerce leading**.

Trends Driving Retail & Customer Engagement

As retailers navigate a dynamic economic and consumer landscape, several key trends are set to shape strategies and opportunities in 2025. Changing consumer behaviors, advancements in technology, and evolving media trends are driving significant changes throughout the retail sector.

AI-DRIVEN PERSONALIZATION & OPERATIONAL EFFICIENCY

AI adoption is continuing to transform the retail landscape, with applications ranging from customer service and personalization to operational efficiency and improved customer experiences. Tools such as Target's Store Companion illustrate how generative AI can streamline in-store operations by offering employees real-time assistance for tasks such as troubleshooting registers or enrolling customers in loyalty programs, allowing staff to concentrate on customer engagement.

Beyond in-store applications, AI is transforming online experiences by providing personalized product recommendations, review summaries, and guided search features. These innovations foster greater customer engagement and allow brands to optimize inventory management, refine marketing strategies, and enhance operational efficiency across channels. By implementing AI-driven solutions, retailers can boost employee productivity and consumer satisfaction, positioning themselves for success in an increasingly competitive market.

ELEVATING THE CUSTOMER EXPERIENCE THROUGH SEAMLESS & PERSONALIZED EXPERIENCES

RETAILERS WILL CONTINUE TO INVEST IN PHYSICAL STORES & OFFER IMMERSIVE EXPERIENCES

Retailers increasingly prioritize investments in physical retail to create immersive experiences that resonate with today's consumers, particularly younger demographics. Ecommerce players like Cider are expanding their digital-first strategies with experiential pop-ups in global cities such as New York, London, and Seoul, while luxury brands like Valentino leverage technology to provide personalized, frictionless in-store interactions, such as digitally matching lip colors.

Established retailers like Macy's are collaborating with brands such as Shiseido to enhance in-store engagement through sensory experiences that educate and captivate shoppers. Furthermore, Louis Vuitton illustrates the trend toward multifaceted retail environments by incorporating dining into its flagship NYC store, merging commerce with cultural and lifestyle appeal. As experiential marketing advances, this strategic emphasis is anticipated to boost foot traffic and reinforce customer loyalty in a competitive retail landscape through 2025 and beyond.



Cider, an ecommerce-only brand known for its trendy, affordable clothing, has expanded its presence through pop-up experiences in New York City, London, and Seoul.



Shiseido's pod in Macy's educated visitors on product ingredients through an immersive, sensory experience that included fragrance and cool wind.
Photo by: Will Tee Yang / Shiseido



The Valentino Beauty pop-up automatically digitally dressed visitors in one of a number of lip colours, eliminating their need to interact with the tech to select a colour. *Photos by: Valentino Beauty and Fface.me*



In December 2024, Louis Vuitton added a restaurant element to its multi-level NYC flagship store, enhancing its blend of retail, dining, and cultural experiences.



Sources: 1. Vogue Business, November 2024 2. Retail Touchpoints

TAILORED & PERSONALIZED SHOPPING EXPERIENCES

To remain competitive in a dynamic retail landscape, brands are doubling down on strategies that prioritize seamless and personalized shopping experiences. **Omnichannel integration is now essential rather than optional, as retailers invest in martech, loyalty programs, and streamlined operations to minimize friction and enhance the customer journey.** Advances in AI are driving tailored shopping experiences, enabling hyper-personalization through precise recommendations and customized promotions that engage consumers across both online and in-store touchpoints. Additionally, the rise of more integrated discovery channels, including social media, podcasts, and video platforms, is transforming how shoppers explore products. By leveraging these emerging platforms, brands can boost visibility and connect with consumers where they spend their time, leading to deeper engagement and loyalty.

V.

The Evolving Digital Landscape



2025 Advertising & Technology Trends

The rapid evolution of digital channels continues to redefine how brands connect with consumers. In 2025, changing behaviors, advancing technologies, and increasing expectations for seamless engagement will transform the way advertisers approach media. Below are the key channel trends we expect to play a larger role.

The Evolving Role of Search

In 2025, search is shifting from a transactional tool to a dynamic discovery platform. **AI-driven innovations like Perplexity and OpenAI Search are reshaping user interactions, fostering curiosity and exploration rather than simple keyword queries.** This evolution positions search as a top-of-the-funnel strategy, enabling brands to connect with consumers earlier in their journey.

Traditional SEM, SEO, and feed optimization remain essential, with SEO optimizations often benefiting conversational AI platforms. However, these platforms generate content in new ways, requiring brands to adapt their strategies. While paid opportunities in conversational AI are currently limited, more are expected, particularly within Google's Gemini ecosystem.

Search is no longer just a channel—it's an interconnected ecosystem that spans SEO, SEM, conversational AI, Amazon, video (like YouTube), and social search. Its foundation is multimodal content—text, audio, images, and video—across owned properties and external platforms such as social media, affiliates, and public relations efforts. This content shapes brand visibility within AI-generated responses.

Search is no longer just a channel—it's an interconnected ecosystem spanning SEO, SEM, conversational AI, Amazon, video (like YouTube), and social search.

AI agents such as OpenAI's Operator could further impact shopping behaviors by automating research and purchases. However, their effectiveness and consumer adoption remain uncertain. Meanwhile, social platforms like TikTok and Pinterest continue to integrate search with commerce, merging discovery with action to create immersive shopping experiences.

STRATEGIC RECOMMENDATION

For brands, this expanded role of search offers new opportunities to build awareness and strengthen connections with consumers. **Prioritizing dynamic, high-quality content and experimenting with conversational and discovery-focused ad formats will be essential for maintaining visibility in this evolving landscape.** As search increasingly bridges the gap between inspiration and action, brands that align their strategies with these changes will gain a competitive advantage in capturing consumer attention and driving engagement.

Driving Discovery & Commerce Through Social Media

Social media continues to redefine how consumers discover products, engage with brands, and make purchases. **Platforms like TikTok, Instagram, and Pinterest have evolved beyond their traditional roles as content-sharing spaces to become integral parts of the consumer journey, seamlessly blending discovery and commerce in unprecedented ways.** This shift is especially pronounced among Gen Z, who increasingly turn to platforms like TikTok as search engines, using them to explore trends, research products, and seek recommendations in a visually engaging format.

To remain competitive, it's important to integrate strategies that prioritize creator-driven content, leveraging influencers and micro-creators to build authentic connections with their audiences.

Social commerce is leading this transformation. **Platforms like TikTok Shop and Amazon's partnerships with Pinterest and Meta have streamlined the journey from discovery to purchase, creating seamless pathways for consumers to interact with brands and convert within the same platform.**

These integrations make it easier than ever for users to find, evaluate, and buy products without leaving their social feeds. The result is a dynamic, frictionless shopping experience that aligns with the preferences of younger, digitally savvy audiences.

For brands, the opportunities in social commerce are immense. To stay competitive, it's important to integrate strategies that prioritize creator-driven content, using influencers and micro-creators to build authentic connections with their audiences. In-app features like live shopping events, shoppable posts, and direct-to-cart integrations offer new ways to drive engagement and conversions. Furthermore, the rise of AI-powered tools on platforms such as Meta and TikTok enables brands to refine their targeting, optimize campaigns, and create personalized experiences that resonate with individual consumers.

STRATEGIC RECOMMENDATION

As social media continues to blur the lines between entertainment and ecommerce, brands must embrace these changes to stay relevant. **By focusing on authenticity, seamless shopping experiences, and partnerships with creators, businesses can effectively capture attention, build loyalty, and drive growth in an increasingly competitive social landscape.** With volatility anticipated regarding TikTok, it's important for brands to diversify their creator partnerships and explore other platforms for creator-driven activity.

Video: Balancing Creativity, Context & Cross-Channel Strategies

Video will continue to be a cornerstone of marketing strategies in the coming year, with its reach and impact covering both digital and traditional formats. Streaming platforms like YouTube, TikTok, and connected TV (CTV) services are growing rapidly, capturing a significant share of consumer attention. Meanwhile, linear TV maintains a substantial presence, accounting for 48.3% of total viewing time. **This dual dominance requires a balanced approach, compelling brands to integrate streaming and traditional broadcast channels into a cohesive video strategy that maximizes reach and engagement.**

Creative and contextual alignment are key drivers of growth in video advertising. Advanced tools now allow brands to deliver dynamic, personalized ads that align with their surrounding content, enhancing relevance and viewer engagement. For instance, contextual targeting tools can analyze sentiment and themes within video content, enabling advertisers to ensure their messaging resonates with the audience and fits seamlessly into the viewing experience. Additionally, we have observed technology evolving to insert products dynamically within scenes, linked to both audience and contextual triggers. **The video ecosystem, while vast, is working to become more relevant and personal, making it easier for brands to navigate the fragmented landscape while maintaining high-impact storytelling.**

Cross-channel video measurement frameworks have become crucial as viewing habits become increasingly fragmented.

Consumers now engage with video across numerous platforms, devices, and formats, making it essential for brands to standardize metrics and analyze performance holistically. By integrating data from streaming, social video, and traditional TV, marketers can gain clearer insights into campaign effectiveness and optimize creative assets for maximum impact.

Video will remain a cornerstone of marketing strategies in the year ahead, with its reach and impact spanning both digital and traditional formats.

STRATEGIC RECOMMENDATION

To succeed in the changing video landscape, brands need to embrace a flexible and data-informed strategy. This involves focusing on high-quality, contextually relevant creative content, utilizing advanced targeting tools, and developing comprehensive measurement strategies.

A close-up photograph of a smiling Black man with a short beard, wearing a dark button-down shirt. He is holding a pair of dark-rimmed glasses in front of him with both hands. The background is a blurred display of various eyeglasses on shelves in an optical shop. The entire image is framed by a solid teal border.

VI.

*The Path
Forward*

What to Expect in 2025

Economic Resilience Supports Cautious Optimism Across Retail Categories

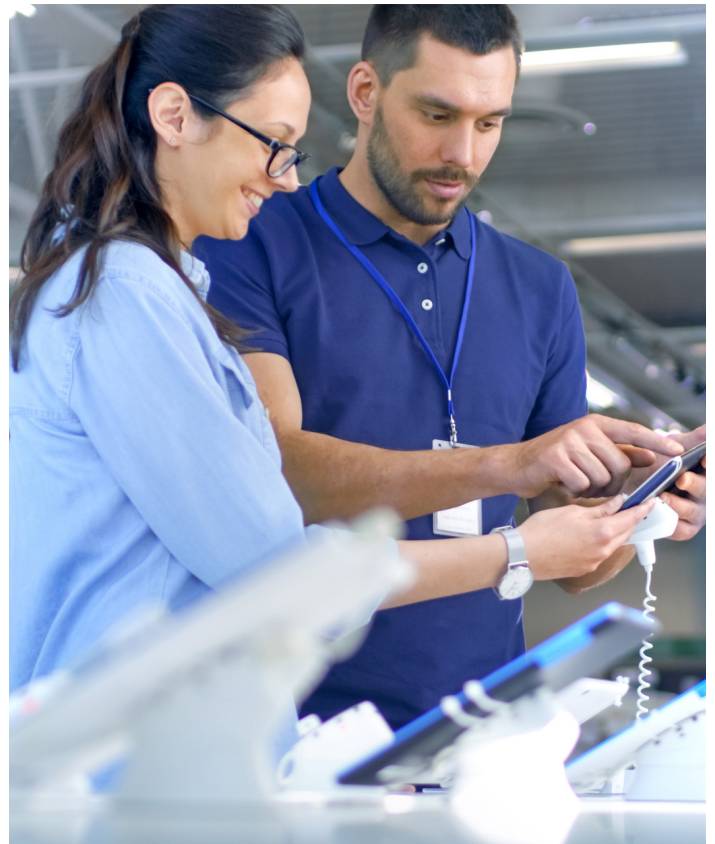
The U.S. economy enters 2025 with steady momentum, bolstered by a projected 2.0% GDP growth and inflation easing to 2.5%. While inflationary pressures persist in essential categories like housing and groceries, decreasing costs in other areas present opportunities for growth, especially in sectors such as travel, health and beauty, and home-related purchases. Potential uncertainties, including tariffs and global economic shifts, could influence costs and supply chains. Retailers should remain adaptable, emphasizing strategic planning and operational efficiency to capitalize on growth opportunities and navigate the evolving market conditions.

Shifting Consumer Spending Priorities Creates New Growth Opportunities

Consumer spending in 2025 will reflect adaptation to economic conditions. Affluent households are expected to drive growth in discretionary categories such as luxury, travel, and premium goods, while middle-income groups prioritize value. Generational trends highlight the increasing influence of Gen Z and Millennials, alongside the “silver generation,” which now controls over two-thirds of the nation’s wealth and accounts for nearly half of incremental consumer spending. Retailers who address diverse spending behaviors through personalization, omnichannel strategies, and tailored solutions can capture demand across various segments.

Technology Redefines Advertising & Retail Strategies

Advancements in AI and digital media are transforming retail, with AI driving personalization, programmatic advertising, and operational efficiency. Video remains a key channel, with platforms like TikTok, YouTube, and connected TV enabling creative, cross-channel campaigns. Social commerce, including TikTok Shop and shoppable posts, is simplifying discovery and purchases, merging entertainment with ecommerce. By adopting these innovations, retailers can boost engagement, streamline operations, and maintain competitiveness in a rapidly changing landscape.



Methodology

PMG Portfolio Performance Analysis Methodology

APPROACH OVERVIEW

Portfolio analyses are conducted using an anonymized subset of PMG retail brands. While the majority of these retailers fall within the specialty and luxury apparel sectors, other verticals are also included in the broader portfolio. Available metrics include demand, traffic, orders, conversion rate (CVR), and average order value (AOV).

INTERPRETING PORTFOLIO PERFORMANCE

In order to accurately benchmark PMG retailers within the portfolio set, all data is aggregated and evaluated based on a last-touch attribution model. Consequently, overall performance themes may differ from an individual brand's performance as reported regularly by channel and CS teams. It is also important to recognize that numerous other variables, including strategic shifts (business and media-related), promotional activities, and investment changes, contribute to the unique positioning of each retailer within the portfolio.

CHANNEL CATEGORIZATIONS

Since channel management and groupings can differ across brands, PMG's Strategy Team evaluates and compares 'Owned Channel' versus 'Paid Channel' performance using the following categorizations:

- I. **Total Site:** Direct, Email, SEO, Paid Search, Shopping, Paid Social, Display, Affiliate, Push, SMS, 'Other'
- II. **Owned channels:** Direct, Email, SEO
- III. **Paid channels:** Paid Search, Shopping, Paid Social

PROMOTIONAL VERSUS LESS PROMOTIONAL

In certain reports, PMG's retailers are grouped into 'Highly Promotional' and 'Less Promotional' categories. These classifications are generally based on whether a brand was running promotions for more than 50% or less than 50% of the monitored period. As such, the groupings may fluctuate over time.

DATA VARIANCES

Data reported by retailers utilizing Google Analytics 4 may exhibit variances typically within a 1-5% range between initial estimates and finalized figures. This discrepancy arises as data stabilizes and actualizes, a process that can extend up to seven days post-initial collection.

ADDITIONAL NOTES ON CHANNEL CLASSIFICATIONS

- I. Total site includes all available data across channels. This includes all channels listed in the Owned and Paid Channel rollups, in addition to Affiliate, Push, SMS, and 'Other'. The 'Other' category typically includes sources such as referral, organic social, brand media, etc.
- II. Push, SMS, and 'Other' are typically excluded from the Owned Channel rollup due to data being inconsistently available for all retailers.
- III. Programmatic display is omitted from the Paid Channel rollup as not all portfolio brands activate display media.
- IV. Affiliate is omitted from the owned versus paid comparison due to its inconsistent management across brands.

About PMG

PMG is a global independent marketing services and technology company that seeks to inspire people and brands that anything is possible. Driven by shared success, PMG uses business strategy and transformation, creative, media, and insights, as well as its proprietary marketing intelligence platform Alli, to deliver meaningful impact. Our team is made up of over 900 employees globally, and our work for brands like Apple, Best Western Hotels & Resorts, CKE Restaurants, Experian, Intuit, Kohler, Nike, Sephora, Therabody, and Whole Foods runs across 85+ countries and has received top industry recognition from Cannes Lions to Adweek Media Plan of the Year.

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