The 2025 State of Retail:

MID-YEAR OUTLOOK & HOLIDAY PREVIEW

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I. Introduction

Retail Performance in 2025 Remains Steady

As we enter the second half of 2025, the retail landscape is being shaped by a more cautious and complex economic reality. While the year began with strong retail sales and steady wage increases, macroeconomic volatility has intensified in recent months. An unexpected Q1 GDP contraction, ongoing inflation, and newly implemented tariffs have created cost pressures and increased consumer uncertainty, changing both sentiment and spending priorities.

Despite these headwinds, consumers have remained engaged, focusing on essentials, seeking value, and adjusting their behaviors rather than pulling back completely. Retail performance remains steady in many categories, and innovation in media, technology, and personalization continues to create new opportunities for growth.

This report provides a mid-year update on the macroeconomic outlook, consumer mindset, media landscape, and early holiday projections, equipping brands with timely insights to guide planning and decision-making for Q3, Q4, and beyond.

II.

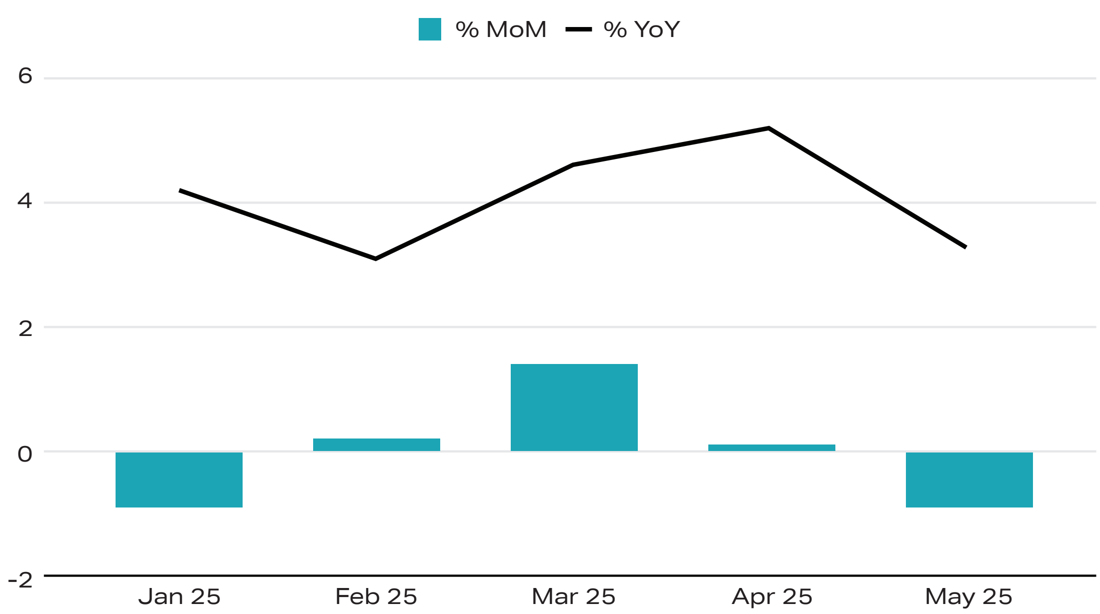
The Retail Landscape: Mid-Year 2025 Checkpoint

Understanding the State of Retail Today

The first half of 2025 has shown a mixed economic landscape, balancing cautious signals with encouraging signs of consumer resilience. Retail sales have remained steady across many categories, even as persistent inflation, tariff-related cost pressures, and a contraction in Q1 GDP have created new challenges as the year progresses.

Yet despite these broader challenges, retail sales have consistently exceeded expectations. As of May, same-store sales tracked by NRS were up 4.9% year-over-year, while retail and food services sales in April increased 5.2% YoY, according to the U.S. Census Bureau. Year-to-date, retail sales are up 4.8%, beating the National Retail Federation's 2025 forecast range of 2.7% to 3.7%. This momentum suggests that consumers continue to prioritize essential categories and maintain spending, particularly where value and utility are clear, even as overall sentiment remains mixed.

YTD Retail Sales



Source: The U.S. Census Bureau

Retail sales in 2025 have remained positive year-over-year, indicating continued consumer demand; however, monthly trends reveal increasing volatility. After a strong March, momentum slowed in April and reversed in May, with both MoM and YoY growth declining. This softening suggests increasing price sensitivity as inflation and tariff impacts begin to take hold, prompting more selective consumer spending heading into the second half of the year.

Tariff Pressures Are Fueling Inflation, Slowing Growth

As of June, the average U.S. tariff rate surpasses 15%, the highest since the 1930s, with steep tariffs on Chinese goods (30%), steel and aluminum (50%), and other imports (10%). According to the OECD, these tariffs are directly causing a slowdown in GDP growth, from 2.8% in 2024 to an estimated 1.6% in 2025, and pushing inflation toward 4% by year-end.

While early-year inventory stockpiling has delayed the full impact on consumers, price hikes are expected to accelerate in Q3 and Q4, especially in tariff-sensitive categories such as electronics, apparel, home goods, and food.

Many retailers managed to soften the initial impact by stockpiling inventory and delaying price hikes earlier in the year, but these strategies are becoming less effective as costs continue to rise. The Penn Wharton Budget Model estimates that if tariffs are fully passed on to consumers, the long-term cost could average $22,000 for middle-income households.

Retailers are reacting in different ways. Some are already increasing prices, while others, particularly in competitive or low-margin industries, have postponed passing costs to consumers, hoping for future policy changes. However, with trade negotiations stalled, more brands are likely to raise prices in Q3 and Q4.

This cautious approach reflects a broader sense of uncertainty throughout the retail industry. Several publicly traded companies, such as Target and Kroger, have already lowered their full-year revenue guidance, citing rising costs and softer demand.

Retailers currently navigating this environment most successfully are those investing in diversified supply chains, flexible sourcing, and transparent communication about pricing. With back-to-school and holiday seasons approaching, staying ahead with proactive messaging that highlights value, quality, and product availability will be crucial in keeping consumers engaged as pricing pressures increase.

INFLATION IS EASING, THOUGH PROGRESS REMAINS UNEVEN

U.S. inflation continues to show signs of moderation, although some pressures persist, especially in categories such as housing, groceries, and services, where prices remain high. The May Consumer Price Index (CPI) increased by 2.4% year-over-year, slightly above April's 2.3% but below expectations of 2.5%. Core CPI, which excludes food and energy, rose by 2.8%, hitting a four-year low and coming in under forecasts. This marks the third consecutive month of declining core inflation, indicating a slow but steady disinflation in many discretionary categories, such as apparel and household goods.

Shelter, which includes the cost of mortgages and rent, totaling over a third of the CPI, remains the main driver of monthly inflation, with food away from home not far behind. Both categories have been slower to cool compared to the broader index, which has kept overall inflation high.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics

While U.S. inflation has cooled significantly from its 2022 peak, it remains elevated compared to pre-pandemic levels. As of May 2025, year-over-year price increases are hovering around 3%, indicating that inflationary pressures persist, particularly in essential categories such as shelter and food. The current trend reflects a slower path back to the Federal Reserve's 2% target, with prices stabilizing but not yet returning to long-term historical norms.

Lower energy prices have helped ease inflation, but rising costs of shelter and food continue to put pressure on prices. The Fed's preferred measure, the PCE index, recorded a 2.1% headline and a 2.5% core inflation rate in April, indicating slow progress toward the 2% goal. However, the latest CPI data suggests inflation may stay uneven in the coming months. As tariff-related cost pressures intensify in the second half of the year, particularly for imported goods, we may see temporary inflation spikes that could challenge the overall cooling trend.

The U.S. Consumer in 2025

While consumer demand has remained stronger than expected, the overall macroeconomic environment is still changing. Tariffs, inflation, and labor market trends will all be key factors in shaping the second half of the year. Understanding how these forces interact and affect consumer behavior will be essential as retailers prepare for Q3 and the busy holiday season.

The U.S. consumer remains a key factor in shaping demand, especially as brands prepare for the fourth quarter. While economic pressures, such as tariffs and inflation, continue to affect sentiment and behavior, recent data indicate a cautious yet still engaged consumer.

LABOR MARKET SHOWS SIGNS OF RESILIENCE

The U.S. job market is experiencing steady and sustained growth, with the latest data as of May 2025 showing 139,000 new jobs added and the unemployment rate remaining at 4.2%. Although job growth has slowed compared to previous years, it is still positive overall. Wage growth, at 3.9% year-over-year, is also moderating but continues to outpace inflation, resulting in improved real wages for workers.

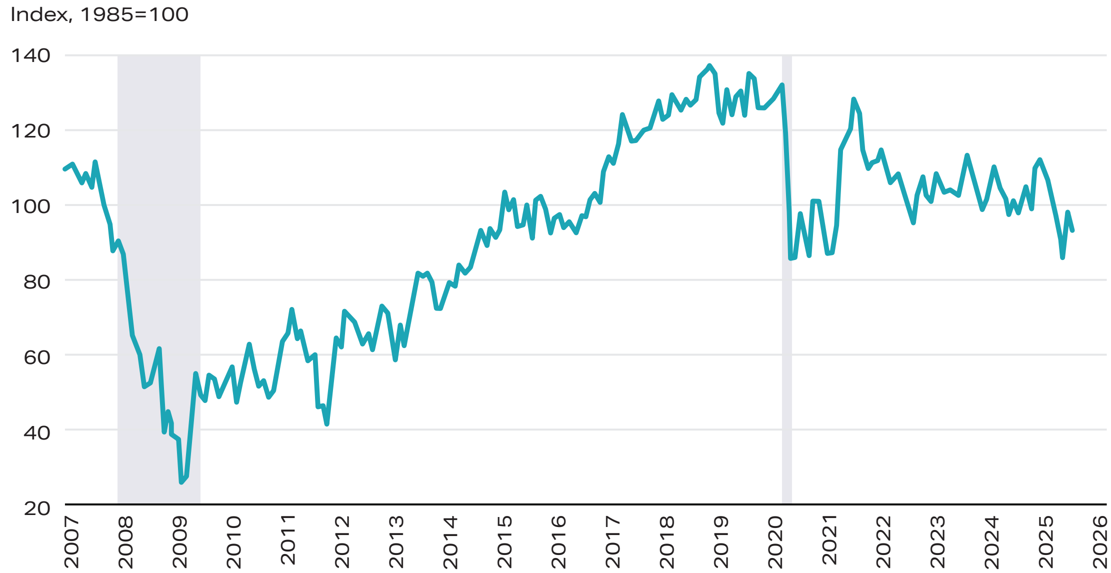
CONSUMER CONFIDENCE SLIPS IN JUNE, HIGHLIGHTING LINGERING CAUTION AMID ECONOMIC UNCERTAINTY

After a brief rebound in May, U.S. consumer confidence declined in June 2025, erasing nearly half of the previous month's gains. The Conference Board's Consumer Confidence Index® fell 5.4 points to 93.0, down from 98.4 in May. Both the Present Situation Index and the Expectations Index declined month-over-month, indicating a softening of perceptions regarding current conditions and the short-term outlook. The Expectations Index dropped to 69.0, well below the 80-point level that often signals rising recession concerns, indicating that long-term optimism remains subdued.

This pullback was broad-based across income and age groups, with a particularly sharp decline among Republican respondents. Tariffs and inflation continued to weigh heavily on sentiment, with many citing their impact on prices and the broader economy. Still, there were early signs of improvement, as the share of respondents reporting easing inflation ticked up, and 12-month inflation expectations declined slightly to 6.0% from 6.4% in May.

Looking at the broader trend, consumer confidence in the first half of 2025 was marked by volatility, with steady declines through April followed by a sharp rebound in May and another sharp decline in June. This inconsistency reflects lingering uncertainty in the economic environment. Heading into the second half of the year, sentiment is likely to remain sensitive to shifts in inflation, tariff impacts, and labor market signals.

Consumer Confidence Index



Note: Shaded area represents recession

Source: The Conference Board; NBER

Consumer confidence has rebounded from its 2020 low but remains well below pre-pandemic highs. After peaking in early 2022, sentiment trended downward through 2023 and early 2025. While May 2025 showed a modest uptick, confidence levels continue to reflect consumer caution amid ongoing economic uncertainty.

Despite the overall decline, there were pockets of resilience. The outlook for household finances reached a four-month high, and intent to spend in discretionary areas, such as dining out and auto purchases, remained steady. However, overall sentiment remains fragile, with confidence levels still trailing those of last year across most demographics, and perceived recession risk is edging upward.

For retailers, this renewed caution underscores the importance of adaptive messaging, value-driven strategies, and real-time monitoring of shopper sentiment as they head into Q3. While wage growth and employment trends remain relatively stable, consumers are approaching purchases with increased scrutiny in response to persistent price pressures and broader uncertainty.

CONSUMER SPENDING: A SHIFT TOWARD CAUTION, BUT SUPPORTIVE TAILWINDS REMAIN

As we shift focus from sentiment to actual spending, patterns from the first half of 2025 reveal how consumers are adapting in real-time, showing signs of selectivity rather than a slowdown. From January to May 2025, consumer spending exhibited a clear shift, transitioning from strong post-holiday momentum to more measured, value-conscious behavior.

JANUARY

Spending per household rose 1.9% YoY, driven by strong wage growth and broad-based demand.

FEBRUARY

Growth held steady, but early signs of price sensitivity emerged as shoppers leaned into value.

MARCH

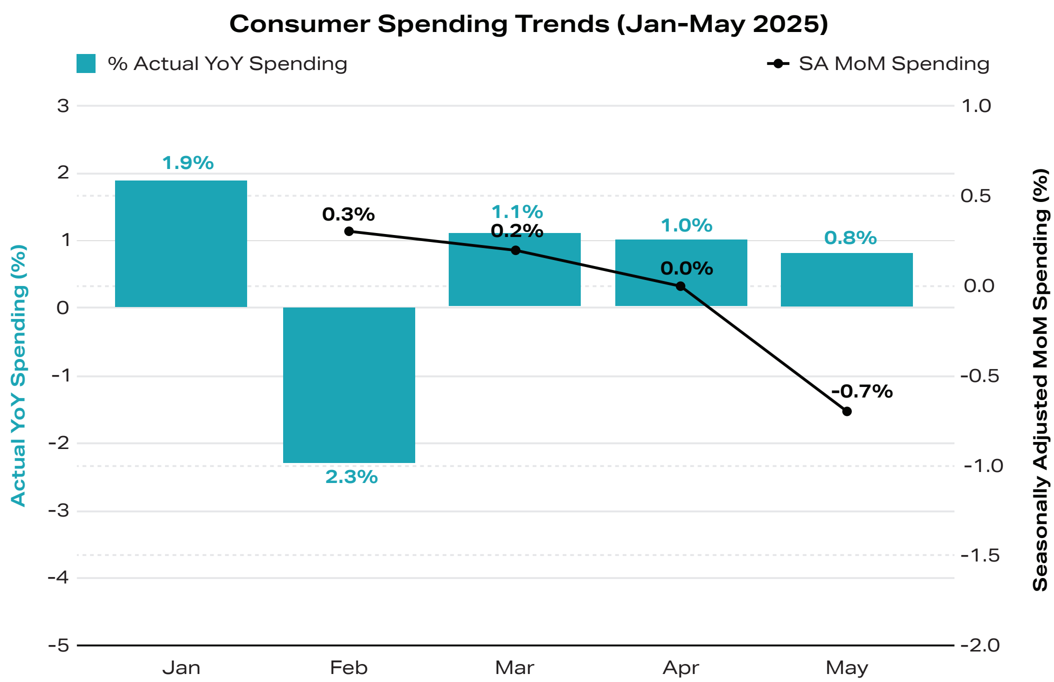
Spending remained flat overall, but shifted toward durable goods, likely reflecting pre-tariff buy-ahead behavior, while discretionary services like dining and travel began to cool.

APRIL

Growth flattened month-over-month across all income groups. Airfare and lodging continued to decline; wage growth among lower-income households remained sluggish.

MAY

Spending declined -0.7% MoM (seasonally adjusted), driven by a natural pullback after early durable purchases, falling gas prices, and poor weather. Younger consumers were especially strained by housing, childcare, and student debt pressures.



Source: Bank of America internal data

Consumer spending showed modest year-over-year gains from March to May 2025, following a sharp dip in February. However, seasonally adjusted month-over-month trends reveal a gradual slowdown, with spending flat in April and declining by 0.7% in May. This suggests that while consumers are still spending more than they were a year ago, momentum is softening, likely reflecting inflationary pressures, higher prices from new tariffs, and growing economic uncertainty.

Even amid ongoing pricing pressures, steady job growth and income stability are helping sustain consumers' spending capacity and continue supporting spending potential in the second half of the year. Spending data indicates that shoppers aren't pulling back entirely; instead, they're becoming more deliberate, focusing on value-driven purchases and optimizing timing, rather than increasing volume.

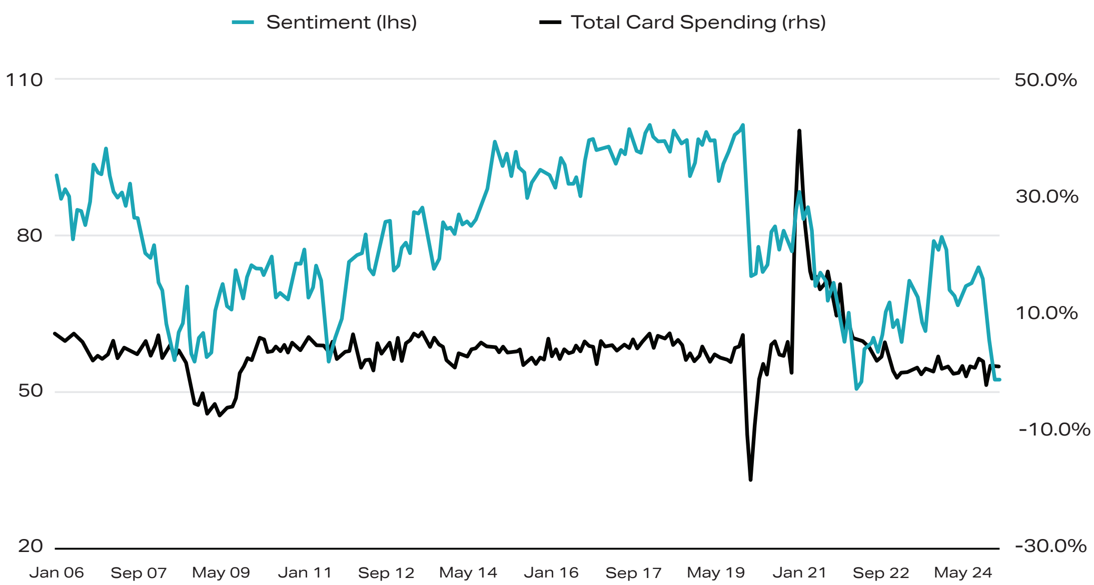
CONSUMER SENTIMENT VERSUS SPENDING: AN INCONSISTENT STORY

As we examine consumer sentiment patterns from the first half of 2025 and pair them with actual spending trends, a clear divergence emerges. While sentiment fluctuated, marked by several months of decline followed by a brief uptick in May and renewed softness in June, consumer spending held relatively steady overall. This disconnect isn't new. Historical data from the Bank of America Institute shows that confidence and spending often move independently.

Between 2012 and 2019, for instance, sentiment improved steadily, while spending remained relatively stable. Similarly, even recent dips in confidence haven't consistently translated to pullbacks in purchasing behavior, suggesting that consumers may be compartmentalizing economic concerns while continuing to spend.

Consumer Sentiment Often Diverges from Consumer Spending Growth

University of Michigan consumer sentiment index (left hand side (lhs), 1Q66=100, monthly) and total card spending per household (right hand side (rhs), non-seasonally adjusted, YoY%, monthly)



Source: Haver Analytics, Bank of America internal data

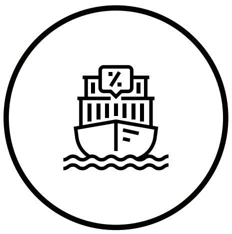
While consumer sentiment and card spending are often thought to move in tandem, the data shows they frequently diverge. Over the past two decades, confidence has fluctuated more sharply than actual spending. Most recently, sentiment has remained historically low, but consumer card spending has held relatively steady, suggesting that even in periods of low optimism, spending can persist, especially when supported by wage gains or driven by essential purchases.

This divergence reinforces a key insight: what consumers say doesn't always reflect how they spend. Behavioral signals, like transaction data, category shifts, and purchase timing, tend to be more reliable indicators of actual demand.

For retailers, this means moving beyond headlines and sentiment surveys. The most effective planning for Q4 2025 will come from closely monitoring real-time shopping behavior, supported by an understanding of the broader economic context. Agile planning, flexible promo strategies, and ongoing optimization will be crucial to meeting demand as it unfolds, especially if conditions remain volatile.

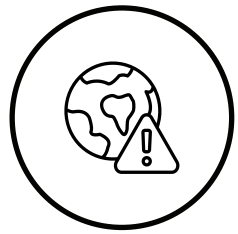
What to Watch for in the Second Half

As we enter the second half of 2025, the economic outlook has become more complex, influenced by a combination of domestic policy changes and emerging global tensions. Several factors will affect the path of growth and consumer behavior in the coming months.



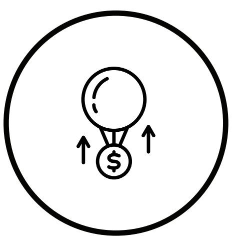
TARIFF FALLOUT

Ongoing trade uncertainties and escalating retaliatory actions between the U.S. and its major partners, particularly China, Mexico, and Canada, continue to strain supply chains and erode retailer margins. Rising input costs are likely to speed up consumer price increases in the second half of the year.



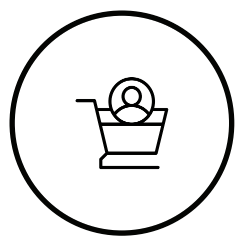
GEOPOLITICAL RISK

The increasing tensions in the Middle East, including recent events between the U.S. and Iran, have introduced additional volatility into global energy markets. While direct effects on retail remain limited for now, rising oil prices could lead to higher logistics and transportation costs, which may impact inflation and consumer sentiment depending on the situation's development.



INFLATION PROGRESS

Inflation is gradually easing, albeit at a slower pace than initially expected. The Federal Reserve has not yet started cutting rates, but markets are pricing in a possible shift later this year. Any change in monetary policy could affect borrowing costs, consumer confidence, and demand in interest-sensitive sectors.



CONSUMER BEHAVIOR

Retail spending remains strong, surpassing early-year projections, but value-consciousness continues, especially among lower-income households. Shoppers continue to prioritize core needs and appear to be leaning in more heavily to promotions, while some are delaying or trading down in discretionary categories.

While core economic fundamentals such as employment and wage growth remain intact, the outlook for late 2025 is less certain than it was at the start of the year. In this environment, retailers should prepare for various scenarios, focusing on value-driven messaging, maintaining supply chain flexibility, and planning responsive promotional strategies to quickly adapt to changing consumer and market conditions.

Strategic Considerations for Advertisers

As the economic landscape continues to evolve, advertisers face a more selective and value-conscious consumer heading into the second half of 2025. While spending has remained steady, growing price sensitivity and policy-driven cost pressures are influencing how shoppers engage. Marketers should respond by prioritizing flexibility, relevance, and data-informed decision-making.

- **Deliver What Matters Most:** As consumers weigh every purchase more carefully, messaging should emphasize product utility, quality, and long-term value, rather than just discounts. In early 2025, promotional moments revealed that consumers often wait to purchase until the final days of promotions, rather than making purchases earlier. This means from a media perspective, we need to prime with branding to build mindshare and then pulse value-driven messaging with a sense of urgency.
- **Tailor Messaging to Varying Mindsets:** Inflation and cost-of-living concerns are not felt equally across demographics. Use audience data to localize and personalize creative based on regional economic conditions, household income, and category relevance.
- **Invest in Flexibility Across Channels:** As demand becomes more reactive to promotions and external triggers (e.g., economic headlines, shipping deadlines, weather), flexible budgeting and cross-channel activation strategies will be critical. Diversification of media mixes and media optimization strategies is key. Those who are leaning into full-funnel presences and adopting new AI-driven campaign types, such as ASC, Performance+, and Performance Max, are seeing more cost efficiencies compared to those who are only investing in low-funnel activities.
- **Monitor Real-Time Signals:** Prioritize dynamic signals, such as real-time conversion trends, cart behaviors, and inventory shifts, over static planning to guide media pacing and creative rotation.
- **Diversify Creative Mix:** Those who have a diversified creative library are outperforming those with limited assets. Diversified creative allows for more unique reach within the platforms' algorithms and opens brands up to new inventory sources. Incorporating the voice of creators within this mix has proven to drive performance across the funnel.
- **Plan for Shifting Timelines:** Early shopping intent has rebounded for 2025, but actual behavior will depend on pricing strategies and economic conditions. Retailers should be prepared to meet demand early but remain agile to capitalize on conversion opportunities throughout the season.

III.

Planning for Holiday 2025: Balancing Optimism with Preparedness

Two Potential Scenarios Are Emerging for Holiday 2025

Following a stronger-than-expected 2024 holiday season, retailers entered 2025 with measured optimism. Although recent economic developments have presented new challenges, the second half of the year still offers solid opportunities, especially for brands that remain adaptable and closely attuned to changing consumer needs. As holiday planning begins, inflation, new tariff dynamics, and shifting expectations will require thoughtful navigation, but resilient consumer behavior and ongoing demand for value continue to create a strong foundation for holiday success.

Looking ahead to Q4, two scenarios are emerging, each with major implications for how retailers plan, pace, and execute their holiday strategies. The scenario that ultimately unfolds will depend on several key economic and behavioral variables in the coming months, specifically the path of inflation, consumer confidence, wage growth, and discretionary spending trends through late Q3.

01. BASELINE SCENARIO: STEADY GROWTH & CONSUMER RESILIENCE

If the economy remains relatively stable compared to the conditions at the end of Q2, the 2025 holiday season may be similar to 2024. In this scenario, we can expect moderate yet stable year-over-year growth, driven by:

- Early-season promotions that successfully pull demand forward
- Strong engagement across all omnichannel touchpoints
- Continued emphasis on value-for-money messaging, without deep discounting across the board
- Solid performance in giftable essentials, home, apparel, and personal tech categories that remained resilient last year

02. DOWNSIDE SCENARIO: PRICE SENSITIVITY & SPENDING PULLBACKS

If inflation reaccelerates or consumer sentiment deteriorates further, we could see holiday performance trend closer to patterns seen during past periods of economic stress. In this environment, growth may taper, shaped by:

- Smaller basket sizes as consumers prioritize essential spending
- A more aggressive and promotional consumer mindset, with demand clustering around doorbusters and final-week deals
- Greater reliance on discount-led traffic drivers, especially in low-margin categories
- A potential shift in volume from discretionary goods to necessity-based gifting or experience-based alternatives

KEY TAKEAWAY

While both scenarios are possible, Scenario 1 becomes more likely when retailers take control through full-funnel planning, real-time signal monitoring and precise execution. Building early momentum, sustaining interest with compelling product storytelling, and agile demand capture during peak will be essential. Success hinges on activating the full arc of the season, from awareness through conversion, using real-time messaging and smart media pacing to stay ahead of shifting consumer behaviors.

To prepare effectively, retailers should track a core set of indicators in the coming months that will help clarify which scenario is unfolding. These signals will offer valuable insights into consumer behavior, pricing pressures, and operational challenges, providing the lead time needed to adjust plans before the season begins in full.

Retailers should be closely watching signals, such as:

- Amazon Prime Day in July 2025 will be the first major test of consumer demand and promotional effectiveness as we head into the second half of the year. Performance during this retail event, particularly in terms of participation rates, conversion behavior, and average order value, will serve as key indicators of how consumers will approach spending in Q3 and Q4.
- Inflation data from August and September (CPI/PCE) will help gauge pricing pressure.
- Back-to-school sales will serve as an early sign of consumer demand and sensitivity to promotions.
- Real-time data on card spending and wages, along with labor market indicators like job growth and unemployment rates—recently showing signs of slowing—may influence consumer confidence and spending capacity later in the year.
- Additionally, tariff enforcement timelines are crucial, particularly the expiration of the 90-day reciprocal tariff pause on July 9 and the conclusion of the U.S.-China trade enforcement pause on August 14, both of which could impact retail pricing, margins, and inventory planning in the coming months.

By late September or early October, many of these signals will become clearer, giving retailers a better understanding of the landscape and the ability to more confidently adjust their plans toward either a baseline or downside scenario. The ability to flex promotional levers, media pacing, inventory allocation, and messaging based on these early indicators will be critical to navigating a season that, while still full of opportunity, is unlikely to follow a single, predictable path.

Holiday 2025 Calendar Considerations

As retailers start planning for Q4, the calendar itself will significantly influence how the season develops, affecting everything from promotional timing and shipping deadlines to consumer shopping patterns and in-store traffic.

This year's calendar provides slightly more flexibility for both retailers and consumers compared to 2024. There are 28 days between Thanksgiving and Christmas this year (versus 27 in 2024), allowing for an extended core shopping season. Thanksgiving falls on Thursday, November 27, this year, with Black Friday on November 28 and Cyber Monday on December 1. This closely resembles the 2024 calendar, where Cyber Monday also occurred in December, ensuring more consistent year-over-year comparisons and a steady promotional rhythm heading into the season's final month.

Christmas lands on a Thursday, making the weekend of December 20-21 a crucial period for in-store shopping and last-minute ecommerce activity, with digital shopping likely to surge from Monday to Wednesday (December 22-24) before the holiday. Notably, Hanukkah begins earlier in 2025 (December 14-22), shifting demand for Hanukkah gifts to mid-December, overlapping with Cyber Week and early gift campaigns.

November & December 2025 Calendar

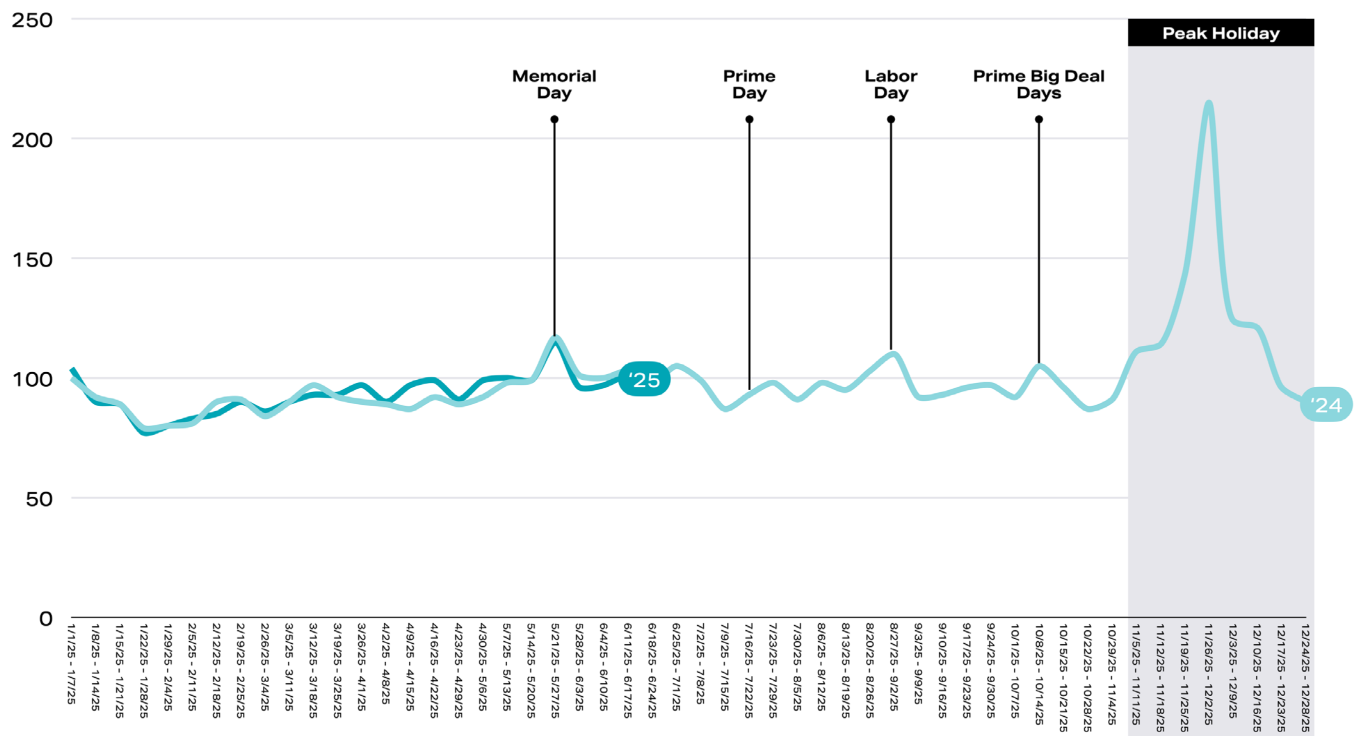
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
23	24	25	26	27 **THANKSGIVING**	28 **BLACK FRIDAY**	29 **SMALL BUSINESS SATURDAY**
30	1 **CYBER MONDAY**	2 **GIVING TUESDAY**	3	4	5	6
7	8	9	10	11	12	13 *FedEx Ground Cutoff*
14 **HANUKKAH BEGINS**	15	16	17 *UPS Ground Cutoff*	18 *USPS Retail Ground Cutoff*	19 *USPS Priority Mail Cutoff* *UPS 3-Day Select Cutoff*	20 ***Final Shopping Weekend*** *UPS 2nd Day Air Cutoff*
21 ***Final Shopping Weekend*** *USPS Mail Express Cutoff*	22 *FedEx Standard & Priority Overnight Cutoff*	23 *UPS Next Day Air Cutoff* *FedEx Same Day Cutoff*	24 **CHRISTMAS EVE**	25 **CHRISTMAS DAY**	26 **KWANZAA BEGINS** **BOXING DAY**	27
28	29	30	31	1	2	3

November 2025 **December 2025**

Key Calendar Differences: 2025 vs. 2024

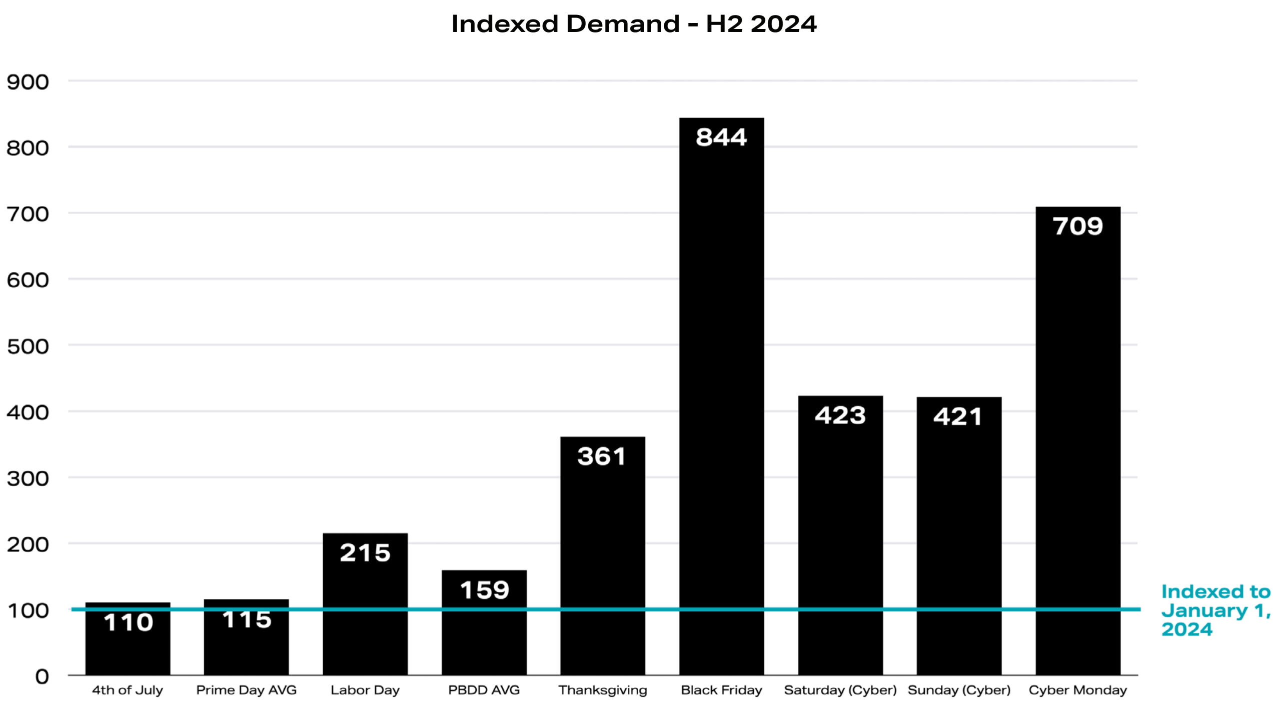
	2024	2025	Strategic Impact
Shopping Days **(Thanksgiving & Christmas)**	27	28	Retailers have slightly more flexibility to space out promotions, optimize messaging cadence, and extend conversion windows.
Thanksgiving	Nov. 28 (late)	Nov. 27 (late)	2025 gains one more day before the end of November, giving more days in Cyber Week for sales to carry into the month-end.
Cyber Monday	Dec. 2	Dec. 1	This clean transition into December extends campaign momentum and potentially encourages longer promotional windows.
Hanukkah	Dec. 25 - Jan. 2	Dec. 14 - Dec. 22	The earlier holiday arrival shifts gift-buying activity into mid-December and aligns it more closely with Cyber Week promotions.
Christmas	Wed, Dec. 25	Thu, Dec. 25	The final weekend (Dec 20–21) will be a key in-store and last-minute ecommerce moment, with high-intent digital shopping likely to spike Mon–Wed (Dec 22–24) ahead of the holiday.

Total Site Indexed Traffic



Source: PMG portfolio data

This chart illustrates weekly indexed site traffic trends across a subset of retailers managed by PMG. Indexed to 100, traffic remains relatively stable throughout the year with modest seasonal upticks around Memorial Day, Prime Day, and Labor Day. While early 2025 trends are consistent with prior-year benchmarks, the dramatic Q4 spike observed in 2024, driven by Peak Holiday events, reinforces the critical role of holiday periods in driving site engagement and traffic volume.



Source: PMG portfolio data

This chart highlights indexed demand across major shopping events in the second half of 2024, benchmarked to January 1, 2024. Demand remained relatively soft through summer, with only modest lifts during Prime Day. Labor Day emerged as the next key holiday to watch before momentum accelerates into Q4. While Black Friday retained its lead as the highest-demand day for most brands, Cyber Monday followed closely—and in some cases, even surpassed it. These patterns reinforce the importance of preparing for the demand ramp starting in early fall.

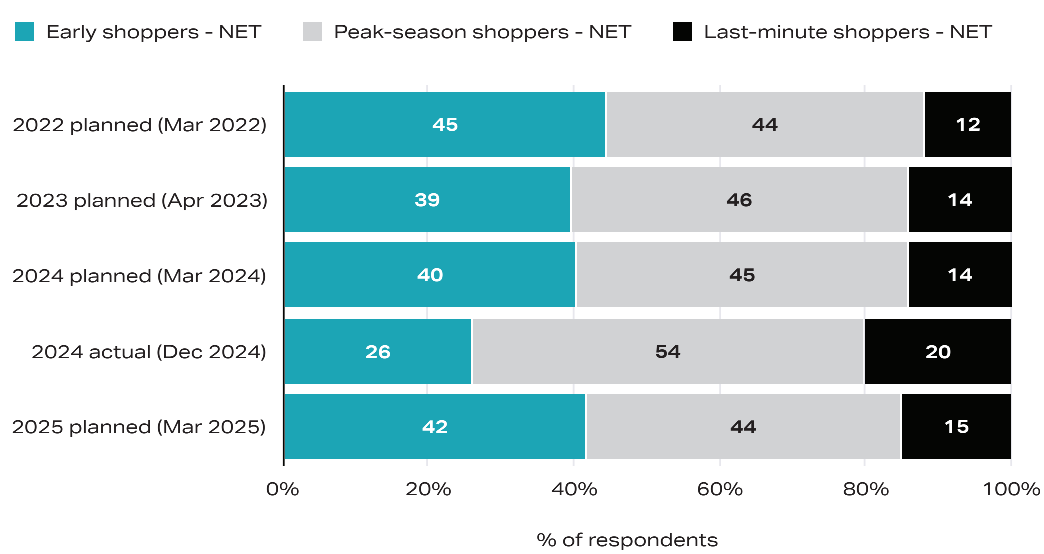
Holiday 2025 Timing Signals

While the 2025 calendar provides a more favorable setup for holiday planning and promotion, understanding when consumers intend to shop is just as important as knowing the duration of the season. Recent trend data from Mintel suggests that shopper behavior may be returning to its earlier engagement levels after a significant dip in 2024.

According to the chart below, early shopping plans for 2025 have rebounded to 42% of respondents, a notable increase from the 26% who actually shopped early in 2024. This shift back to early-season planning aligns with pre-2024 expectations and likely reflects consumers' desire to secure value, avoid inventory shortages, and spread out their spending amid economic uncertainty.

Meanwhile, the share of peak-season shoppers (those purchasing mainly during Black Friday through mid-December) stays relatively steady year-over-year, while the percentage of last-minute shoppers remains slightly above pre-2024 levels. The gap between planned and actual shopping behavior in 2024 offers a valuable lesson: while consumers aim to shop early, real-time factors such as promotions, pricing, and macroeconomic conditions still influence their final decision. Therefore, retailers should be prepared to capture demand early but stay flexible throughout the season to adapt to shifting intent and maximize conversions across the full calendar window.

U.S.: Year-over-Year Comparison of Shopping Timeframes, 2022-25



Source: Mintel

Holiday shopping behaviors have shifted notably in recent years, with a growing gap between planned and actual early-season purchases. In 2024, just 26% of consumers followed through on early shopping, well below the 40% who said they would. Meanwhile, peak-season and last-minute shopping grew, suggesting many consumers delayed spending due to economic uncertainty. For 2025, early shopping intent has returned to 42%, but follow-through will likely depend on macro conditions and promotional strategies in Q4.

Retailers should be prepared to capture demand early but remain agile throughout the season to capture shifting consumer intent and maximize conversions across the full calendar window.

Key Considerations for Holiday 2025 Planning

Although holiday 2025 may bring new dynamics compared to recent years, retailers have a strong base of insights to build upon. A stronger-than-expected 2024 season, combined with clear behavioral signals from the first half of this year, provides a solid foundation for informed and agile planning. Success this season will depend on how effectively brands apply those insights in real time, adapting to meet consumers where they are across channels, price points, and mindsets.

The following takeaways are drawn from PMG's portfolio performance during holiday 2024, which spans a broad mix of retail categories and shopper segments. Across the board, top-performing brands shared several traits: they engaged early, communicated clearly, and responded quickly to shifting consumer behavior. When combined with emerging trends from 2025, these lessons provide a strategic roadmap for navigating what is expected to be a highly competitive and fast-paced Q4.

START EARLY, LAUNCH FULL-FUNNEL, STAY CONSISTENT

Holiday messaging and promotional activity started earlier than ever in 2024. By mid-October, many brands had already launched preview messaging, gift guides, and festive creative. By November 20, nine days before Black Friday, nearly 44% of tracked brands had activated Black Friday-themed campaigns, almost doubling the rate from the previous year.

The most effective strategies included:

- Introducing early access and gifting language to engage audiences.
- Transitioning to full campaigns just before Thanksgiving while maintaining consistent promotional offers to avoid shopper confusion.
- Providing clear messaging with minimal mid-week adjustments, with only 26% of brands changing offers between Black Friday and Cyber Monday.

Brands should plan to start messaging in early October and launch full promotions by mid-November to stay ahead of a more compressed and competitive Cyber Week window.

MAINTAIN PROMOTIONAL CLARITY & URGENCY

Consumers remained highly receptive to urgency-driven messaging, especially as shipping deadlines neared. Seventy-four percent of brands offered promotions in the final weeks of the 2024 season, often focused on "last chance" offers and shipping cutoff reminders. These tactics drove success during the final ecommerce push.

Promotions should gradually increase from October through December, with urgency and shipping transparency ramping up in the final two weeks. Brands should avoid over-rotating promotions and maintain clear, cohesive messaging throughout Cyber Week.

PREPARE FOR A FINAL WEEK BRICK-AND-MORTAR SURGE

In-store traffic, as reported by Placer AI, increased during the final week before Christmas in 2024, particularly in categories such as Sporting Goods (+42%), Electronics (+32%), and Department Stores (+29%). Since Christmas Eve falls on a Tuesday, retailers benefited from a whole weekend of shopping leading directly into the holiday, creating more opportunities to capture last-minute purchases and boost foot traffic.

Brands should focus on store readiness, local messaging, and last-minute gifting promotions to capture demand from shoppers planning in-person purchases in the final days leading up to Christmas. As shipping cutoff dates pass, retailers should also shift media and messaging toward “drive to store” strategies, emphasizing convenience, availability, and immediacy to convert high-intent, last-minute shoppers.

OPTIMIZE MEDIA FOR HIGH-INTENT MOMENTS

Urgency and recency were crucial in the final days of Cyber Week. In 2024, Cyber Monday evening (8 PM – 1 AM ET) saw especially strong conversion rates as last-minute messaging took effect. PMG portfolio data indicated that brands that refreshed their creative on Sunday night before Cyber Monday experienced a +15% increase in traffic, supported by lower Meta CPCs (-7%) and improved efficiency across platforms. Plan creative refreshes for key decision windows and tailor copy to reflect urgency, product availability, and shipping assurances.

MESSAGING THAT REFLECTS SHOPPER MINDSET WINS

Throughout the season, Google search trends showed high interest in unique (+16%) and luxury (+15%) gifts, along with a surge in searches for fast delivery (+25%) and last-minute gifts (+150%). Meanwhile, interest in “holiday stress” dropped 58%, indicating that consumers, while budget-conscious, still wanted to enjoy the holiday moment. Messaging should focus on the emotional and functional reasons for gift-giving. Pair personalized and premium product storytelling with practical delivery timelines, and adjust tone to mirror evolving consumer sentiment.

The first half of 2025 has revealed a complex and evolving consumer and economic environment, defined by resilience in retail spending, volatility in sentiment, and the return of inflationary pressures. As brands finalize their Q3 and Q4 strategies, success will hinge on staying close to real-time signals, balancing optimism with preparedness, and planning across a range of possible outcomes. With tariffs, inflation, and confidence levels still in flux, agility will be critical. Retailers and advertisers who lean into adaptability, lead with value, and meet the moment will be best positioned to capture growth this holiday season and beyond.

IV. About This Report

Methodology

PMG PORTFOLIO ANALYSIS

A qualitative and quantitative analysis of the PMG portfolio was conducted using an anonymized subset of retail brands. While the majority of these retailers operate within the specialty and luxury apparel sectors, the analysis also includes brands from other verticals represented in the broader portfolio. Key performance metrics evaluated include demand, traffic, conversion rate (CVR), and average order value (AOV).

To ensure consistent benchmarking across the portfolio, all data was aggregated and assessed using a last-touch attribution model. As a result, overarching performance trends may differ from individual brand results as typically reported by channel or client strategy teams within PMG.

It is important to note that numerous variables—such as strategic shifts, promotional activities, and changes in media investment—contribute to the relative performance of each retailer in the analysis. These factors help shape the unique positioning of each brand within the portfolio and should be considered when interpreting aggregate trends.

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 brings together business strategy and transformation, creative, media, and insights, all powered by our proprietary marketing operating system, Alli. With offices in New York, London, Dallas & Fort Worth, Austin, Atlanta, Boston, Brighton, Costa Rica, and Cleveland, our team is made up of 1,000 employees globally, and our work for brands like Apple, CKE Restaurants, Dropbox, Experian, Intuit, Kimberly-Clark, Kohler, Sephora, Travelex, and Whole Foods has received top industry recognitions including Cannes Lions and Adweek Media Plan of the Year.

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