



# Challenger Retail 2025

How Gen Z & Millennials Are  
Powering the Next Winners



## **The State Of Retail: Cost vs Value, Reputation Still Matters, And Why Millennials Are Your Next Big Opportunity.**

Retail is a tough sell in the US right now. The cost-of-living crisis still bites with the price of essentials like grocery and utilities still rising. [Analysts say](#) we're expecting "the highest long-term inflation expectation rate since 1995".

Per The Harris Poll, [Nearly two-thirds \(61%\)](#) of US consumers say they've seen their grocery costs rise, with 60% saying they expect tariffs to push them up still further. Most (59%) are already bracing themselves for more rises. Consumers haven't stopped shopping, but they're being savvier than ever. Gen Z, for example, are more likely (29%) than Boomers (22%) to buy second-hand for anything from cars to apparel. Overall, 43% of consumers plan to switch to lower-priced products, while 26% will switch retailer.

### **What does this mean for retailers with long-established strategies, customer bases and price points?**

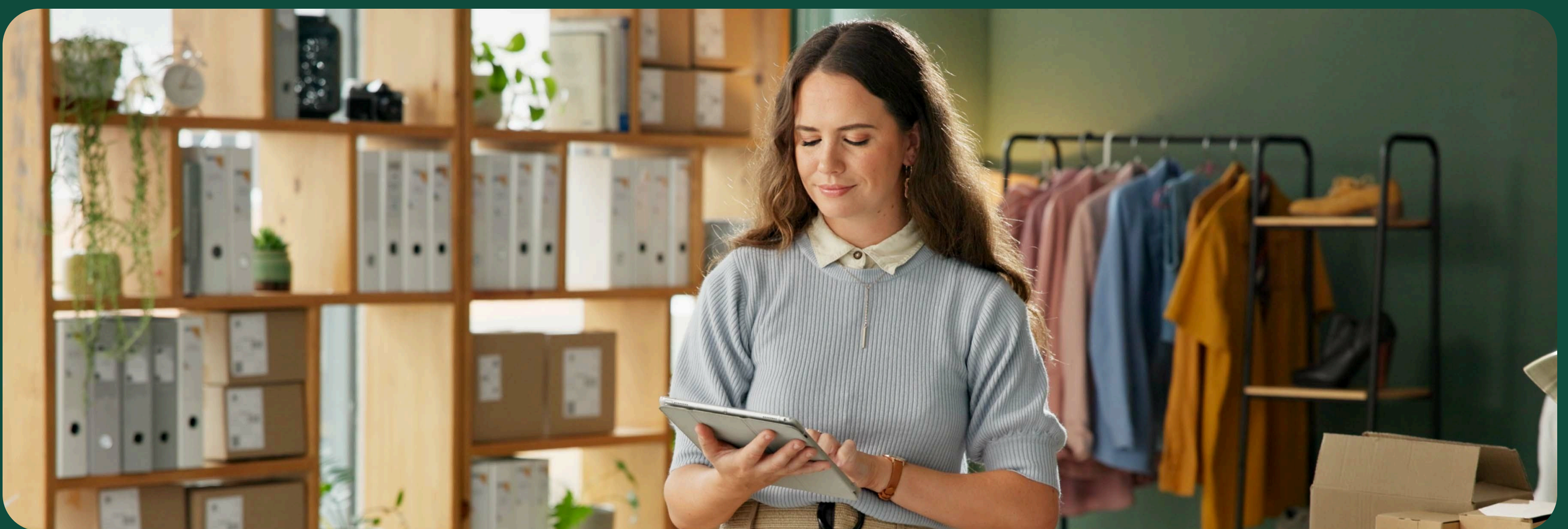
This report combines industry insight with exclusive benchmarking data from [QuestBrand](#) by The Harris Poll to show the trends and areas of opportunity retailers should be capitalizing on today.



## It's a tough climate right now, but what opportunities can retailers seize to secure growth into **H2 2025** and beyond?

**Tariff trade-offs:** President Trump's tariff tango continues to worry consumers with tariffs nearly the top concern, behind inflation. Gap noted tariffs could cost the business anywhere between \$100m and \$150m this year. Macy's CEO admitted there would have to be "selective price increases" while Walmart and HomeDepot are among other retailers confessing they will have to pass on at least some costs to consumers.

However, savvy retailers are finding ways to mitigate costs or at least avoid passing them on to consumers. **TJ Maxx** noted recently that its buying model of settling on price first and working backwards to establish the acceptable cost of stock leaves both tariffs and price increases out of the equation. Direct imports from China also make up a very small fraction of its business, leaving it less exposed. Temu, by contrast, saw a 58% drop in platform users in May after the de minimis exemption on imported goods ended....





## **The generation game:** Don't sleep on generational differences to make your mark across shoppers of different ages.

Millennials, now becoming parents with young kids, **dominate retail purchasing across categories**, accounting for over a third (35.2%) of shoppers on average – a significant 9.2 percentage points higher than Gen X, the next largest buying group. Baby Boomers (19.5%) and Gen Z (17.9%) trail further behind, with the Silent Generation and Greatest Generation making up a very small share of shoppers. **Millennials are becoming a pivotal audience for retailers**, influencing not only sales volumes but also the emotional and style-driven trends shaping the market. While Gen Z is often in the spotlight for trendsetting, their current share of purchases still lags far behind Millennials.

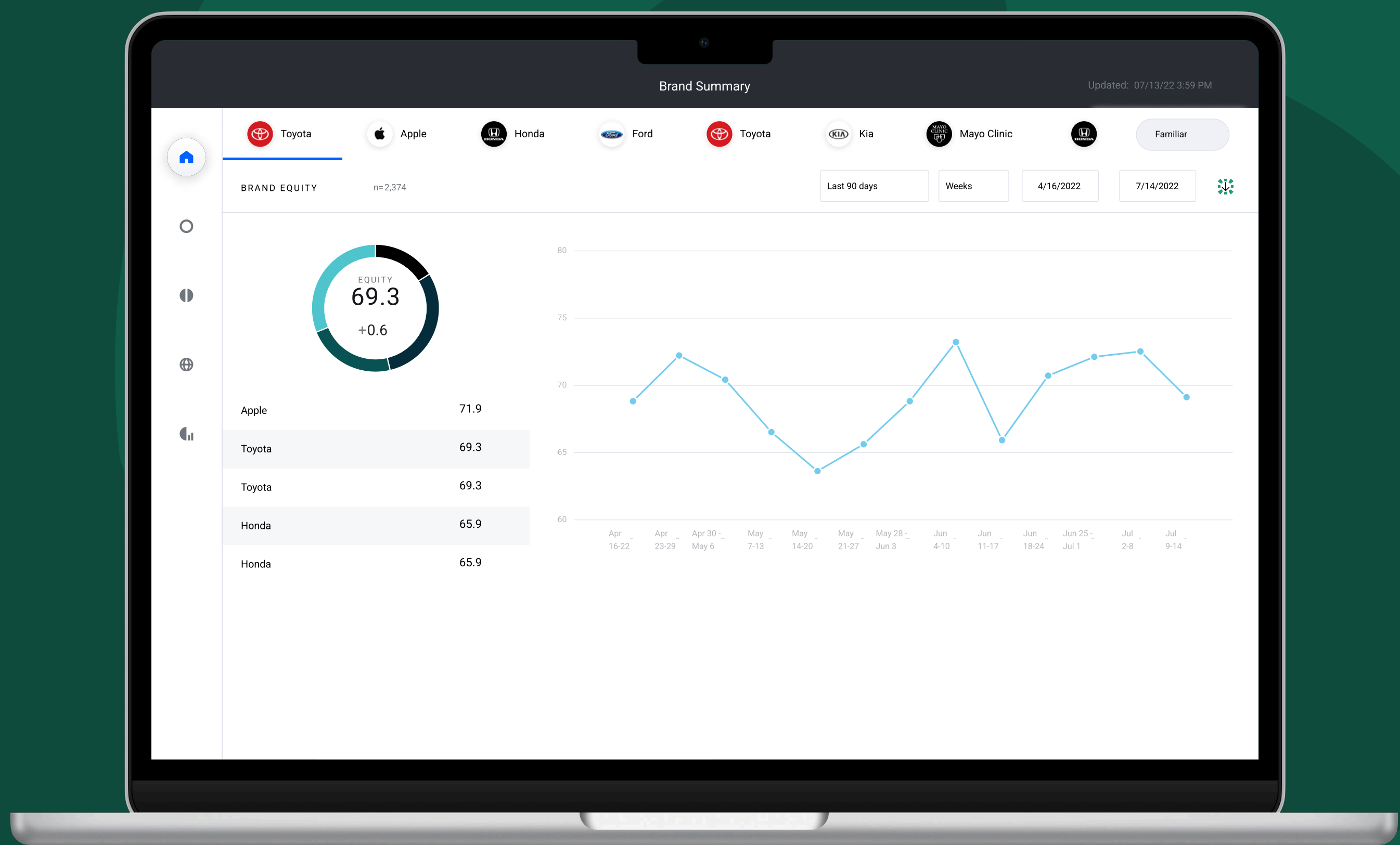




## Challenger Brands, Durable Plays: How They're Winning Right Now

In a tougher spending climate, these brands are gaining share by pairing disciplined pricing with constant product newness, tilting their channel mix toward owned stores and high-margin DTC, and broadening audience reach (Gen Z → older Millennials; premium → accessible; DTC → omnichannel).

Let's explore what they launched (H1–H2 2025), the campaigns that moved the needle, and where QuestBrand conversion data confirms the strategy is converting awareness into trial.





## What your peers are doing about tariffs (and what actually works)

**Gap Inc.** quantified the impact and still held guidance, warning new tariffs could add \$250–\$300M to costs this year (\$100–\$150M after mitigation). Transparency builds credibility with investors and customers alike.  
[NBC New York](#)[Yahoo Finance](#)[Chain Store Age](#)

**Macy's** told investors it will take “surgical/selective” price increases while negotiating vendor concessions—an approach several department and mass players are signaling. [MarketWatch](#)

**TJX (T.J. Maxx)** reiterated its price-first buying model (“set the retail first, work back to cost”), which naturally insulates against tariff shocks.



### Equity Growth Gen Z Millennials

#### Trends: Equity/Total

Brand Equity is a composite score (average) of 4 key metrics: Familiarity, Consideration, Quality & Momentum





## Emotional drivers behind brand momentum in retail

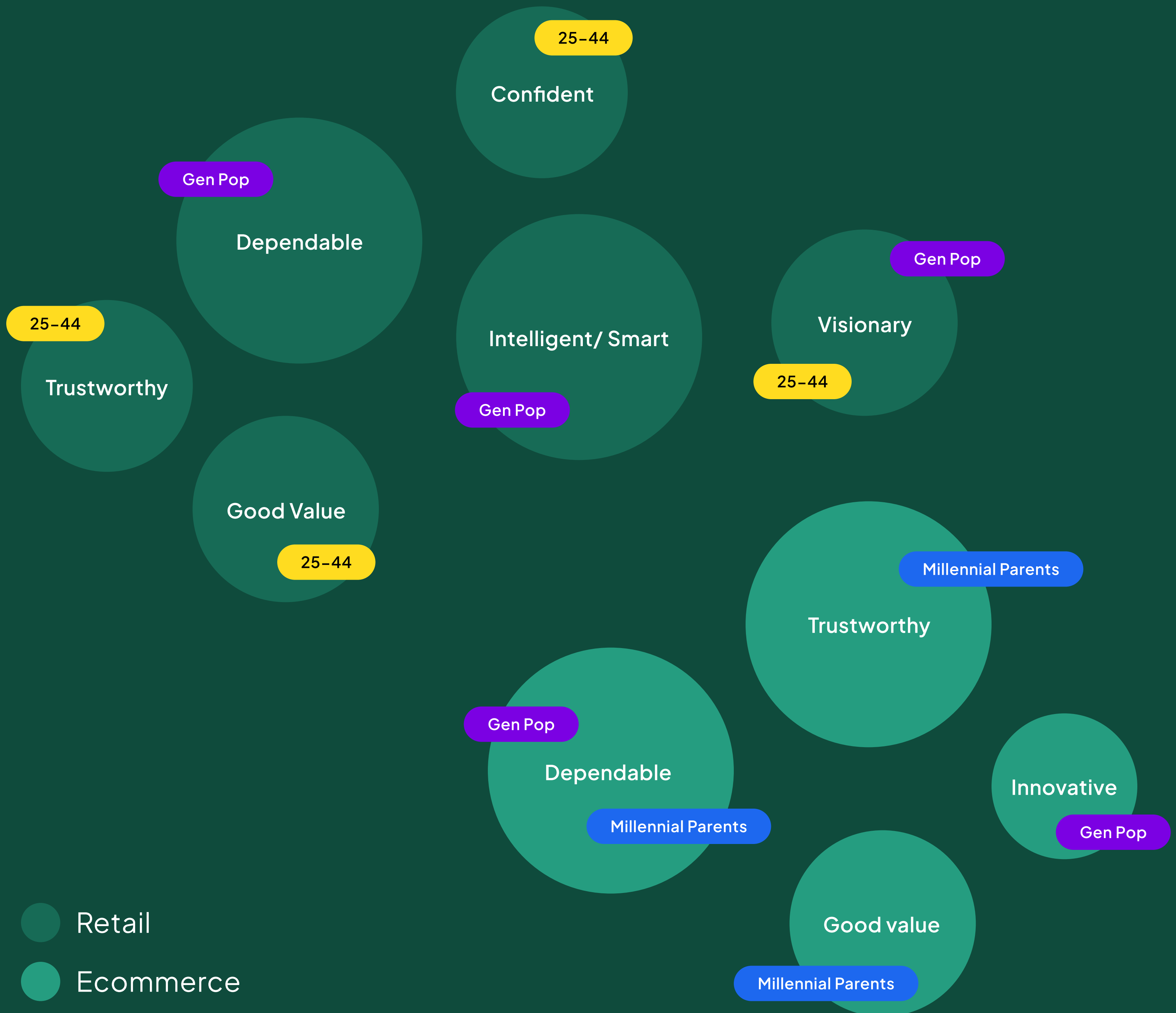
Across Retail, QuestBrand shows that brands winning today share attributes of Dependable and Smart, with a Visionary edge; among ages 25–44, brand momentum concentrates where Good Value and Trustworthy show up clearly in the experience.

In E-commerce, consumers gravitate to the Dependable, and Innovative shopping experiences such as ease of checkout, seamless returns, and reliable customer service which reduces purchase anxiety. For Millennial Parents, Dependable + Trustworthy + Good Value is the conversion core.

### What to do:

-  **Make reliability obvious** (inventory accuracy, delivery SLAs, label-free returns) and surface it before checkout. Free/clear returns are a top store-choice driver; **unexpected fees are the #1 abandonment trigger**. [National Retail Federation+1](#)
-  Frame value as **price fairness** for the quality/fit, not “lowest price.” Use transparent price storytelling (e.g., direct-from-factory narratives like Quince) and **bundles that match real use cases**. [Quince](#)
-  Keep the experience **modern and fast**: fewer steps to buy, trusted payments, and proactive order comms. Retail sales are holding up, but **shoppers are choosy**—ease of purchase wins them over. [Barron's](#)
-  **Innovate formats to remove friction** (IKEA’s small-format “Plan & order” + pick-up) and maintain the “treasure hunt” excitement without promo whiplash (TJX playbook).

QuestBrand data shows the top emotional attributes driving brand momentum right now in Retail are:



Brand perception is the overall feeling a customer has about what your brand represents. QuestBrand maps 25 distinct emotional attributes to deepen your understanding of your own brand perception across audiences and competitors.



# Challenger brand deep-dives: who's winning now (and why)

## Abercrombie & Fitch (incl. Hollister)

### Why it's working now

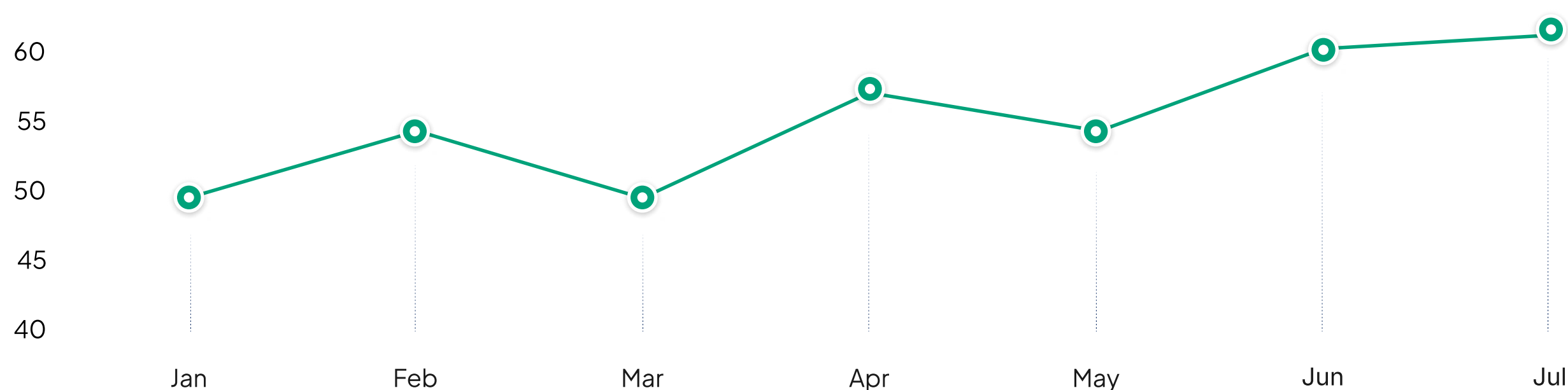
- Another record Q1:** net sales +8% to \$1.1B; Hollister +22%. Management explicitly baked ~\$50M tariff expense into FY guidance and still raised outlook—pricing/mix are doing the work.
- Product engine:** elevated fits (denim/occasion), and YPB active continue to lift AURs.
- Campaigns & heat:** the TikTok-powered “fit-first” revival and inclusive casting continue to recruit older Millennials without losing teens (Hollister).  
**Tariff playbook:** diversified sourcing + transparent guidance; Hollister's value tiers cushion trade-down.
- QuestBrand data** shows that the strategy is working, especially amongst core audiences Gen Z and Millennials, to strengthen brand equity.



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1/1/2025–7/31/2025 GenZ & Millennials, US Gen Pop, N=438

## Birkenstock

### Why it's working now

-  **FY25 momentum intact;** company reaffirmed targets with double-digit revenue growth and margin expansion despite currency/tariff noise.
-  **Mix shift** into **closed-toe** and broader seasonality lifts AUR and sell-through; **DTC store openings** + strong wholesale keep traffic flowing.
-  **Storytelling/collabs** sustain pricing power vs. fashion cycles.  
**Tariff playbook:** European manufacturing + selective increases + channel mix.

## Skims

### Why it's working now

-  **Aggressive physical rollout** (U.S. and abroad) to complement wholesale—bringing the “fit/feel” into owned retail.
-  **Expansion beyond shapewear** into mens, swim, loungewear; celebrity/athlete capsules keep always-on desire and conversion. [Forbes](#)  
**Tariff playbook:** premium positioning + multi-sourcing + international mix allow selective price actions without volume loss.

## Quince

### Why it's working now

-  **Two raises in 2025: \$120M Series C (Jan) and \$200M Series D (Jul); valuation ~\$4.5B** —investors are voting for the model at scale. [Williams-Sonoma, Inc. Furninfo](#)
-  **M2C (manufacturer-to-consumer)** keeps quality up and prices sharp; social-led demand engine keeps CAC efficient]
-  **Category expansion** (home, jewelry, luggage, wellness) creates cross-sell and opportunities and keeps consumers onsite with the benefits of one-stop-shop.  
**Tariff playbook:** factory-direct model gives price/margin headroom.



## REVOLVE

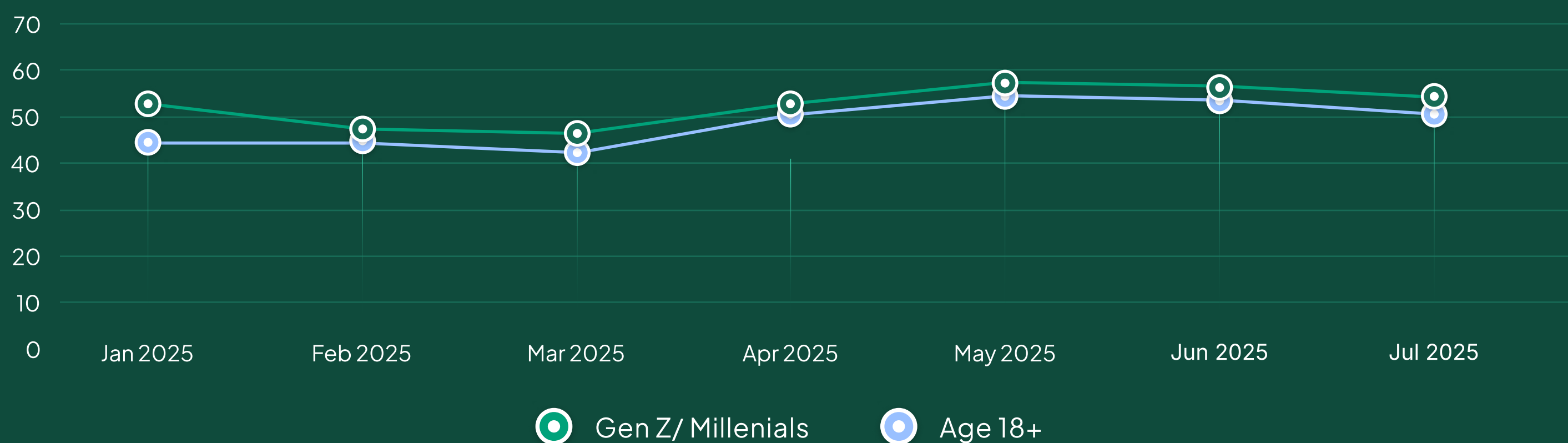
### Why it's working now

- Q2 2025 net sales +9% YoY; international +17%; highest adj. EBITDA margin in ~3 years. [Patch](#)
- Exclusive drops and owned labels support full-price sell-through; influencer calendar (festival moments) drives conversion with less ad waste.
- Tariff playbook: agile buy model + owned/exclusive mix to protect AUR.

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## Williams-Sonoma (Pottery Barn, West Elm, W-S)

### Why it's working now

- Q1 '25 comps +3.4%; op margin 16.8%; FY outlook reaffirmed—best-in-class profitability amid cost pressure.
- Newer engines (e.g., Modern Baby expansion; IP collabs like Bluey; design services) keep customer feeling fresh.
- Tariff playbook: long-running multi-sourcing + selective increases; service/design attach raises ticket and smooths freight/duty shocks.

## IKEA (U.S.)

### Why it's working now

- 8 new U.S. small-format locations in 2025 (“Plan & Order” + “Pick-up”) to lower trip friction and widen coverage; several Texas openings announced.
  - Smaller service-led formats drive room-level orders, delivery/assembly upsell, and omnichannel convenience.
- Tariff playbook: scale sourcing + flat-pack logistics; services offset landed-cost volatility.

## Bath & Body Works

### Why it's working now

- Q1 '25: net sales +3% to \$1.4B, EPS +29%, FY guide maintained inclusive of current tariff rates; Reuters flagged minimal tariff exposure given its predominantly U.S. supply base.
- Innovation cadence (new fine fragrance + home fragrance) sustains repeat visits.

## Goodr (value sunglasses, DTC-led) — a nimble niche winner

### Why it's working now

- Rapid online growth in 2025 with playful, collab-heavy marketing (e.g., National Parks Foundation limited editions) and sports tie-ins; broad wholesale (REI/Dick's) plus one flagship.
  - Tactics: loud creative, frequent drops, and category expansion (golf, pickleball, cycling) to keep AOVs ~\$75–\$100 online. (Trade press/commerce trackers.)
- Tariff lens: low price points + DTC control likely buffer shocks, though no formal public strategy disclosed.



## How these winners map to the QuestBrand **conversion data**

-  **High-heat, premium-accessible** brands (Birkenstock, Skims, A&F) show **sustained or rising trial among the familiar** as they **refresh product** (closed-toe, mens/loungewear, elevated basics) and **extend channels** (owned stores, DTC).
-  **Marketplace** gravity remains strong (SHEIN/Temu), but **retailers with premium in-store experiences (Williams-Sonoma, Ulta)** convert awareness at comparable or higher rates showcasing that the shopping experience does matter even in the “good value” era.
-  **Breakout disruptor (Quince)** already posts **60% trial among the familiar** on its first QuestBrand reading—strong for an emerging brand—supported by funding, category expansion, and a clear “**affordable luxury**” message.



## QuestBrand Outlook for Retailers

### 1. “Good Value” is trending across the board. Develop price architectures you can defend.

-  Brands with perceptions of “good value” are leading the pack across Gen Pop audiences according to QuestBrand data. We find these perceptions to be linked to emotional drivers that influence brand momentum. Value doesn’t always mean low prices. Consider ways to add value to your core audiences in the midst of turbulent economic landscapes.

### 2. Consumers are paying attention to brand authenticity.

-  The brands we see surging in equity and momentum right now have nailed brand authenticity from advertising to collaborations to activations – they know what their core audience cares about and they double down on it. We’ve seen this hold true for Revolve, Quince, Gym Shark, Carhartt, all the way to giants like Walmart and TJ Maxx.

### 3. Aim Millennials, don’t ignore Gen Z.

-  Use **Millennial-friendly positioning** (quality + fit + fairness) with **Gen Z discovery mechanics** (TikTok creators, drops, resale).



## Notes on QuestBrand data

All brand conversion/trial figures cited are from [QuestBrand by The Harris Poll, U.S., Jan 2024–Jul 2025](#) (table provided). Shaded increases/decreases reflect [stat-sig change vs. prior period \(95% CI\)](#).

