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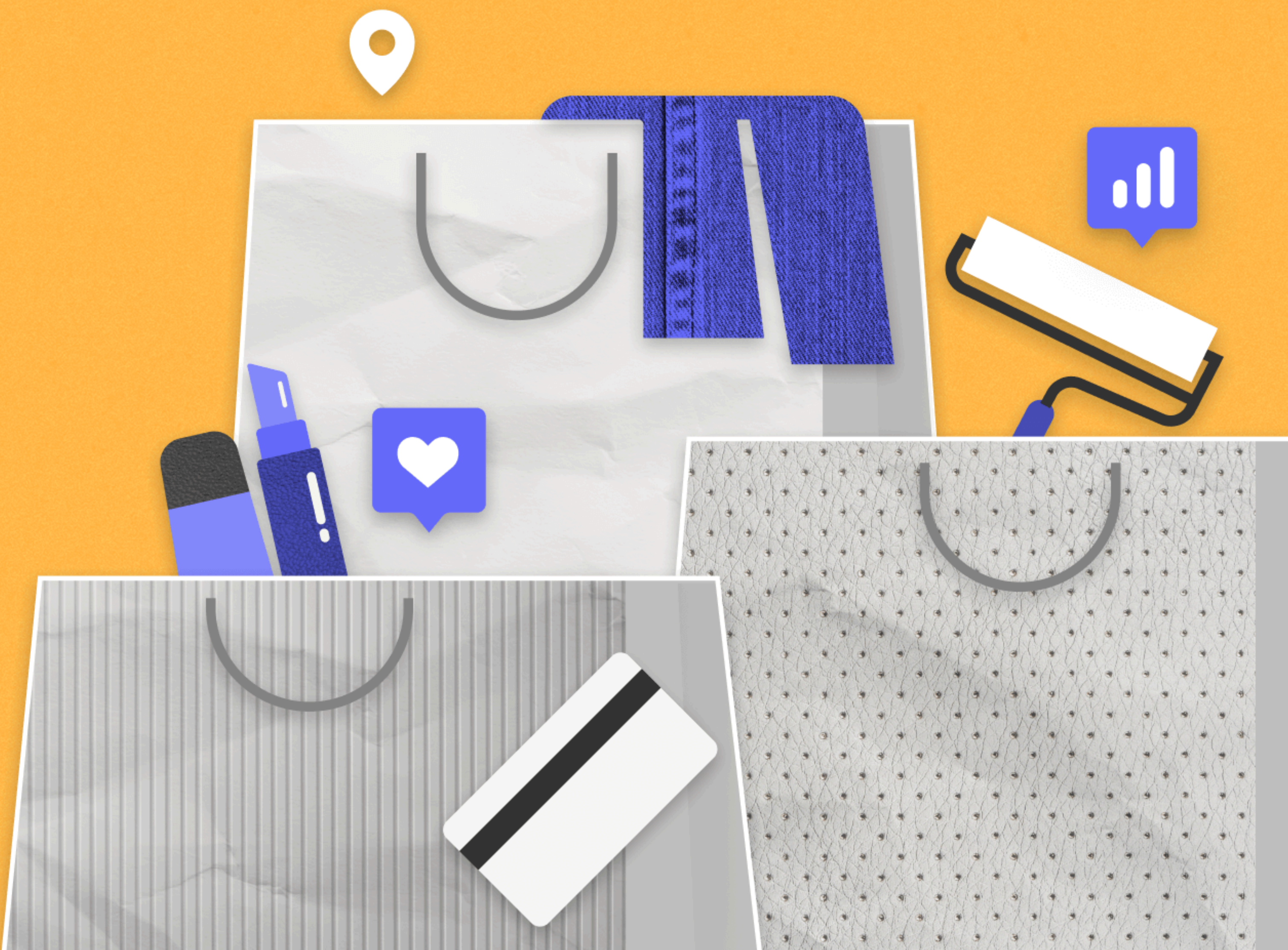
Report —— October 2025

What is Driving Discretionary Spending in 2025?

See which discretionary retail categories are gaining momentum by delivering value, accessible upgrades, and immersive experiences.



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Key Takeaways:

1. **Value Wins in 2025**: Discount & Dollar Stores and Off-Price Apparel are outperforming as consumers prioritize value and the “treasure-hunt” experience.
2. **Small Splurges Over Big Projects**: Clothing and Home Furnishing traffic remains strong as shoppers favor accessible wardrobe updates and decor refreshes instead of major renovations.
3. **Big-Ticket Weakness**: Electronics and Home Improvement visits continue to lag, reflecting a continued deferment of larger purchases.
4. **Bifurcation in Apparel**: Visits to off-price and luxury segments are growing, while general apparel, athleisure, and department stores face ongoing pressures from consumer trade-downs.
5. **Income Dynamics Shape Apparel**: Higher-income shoppers sustain luxury and athleisure, while off-price is driving traffic from more lower-income consumers.

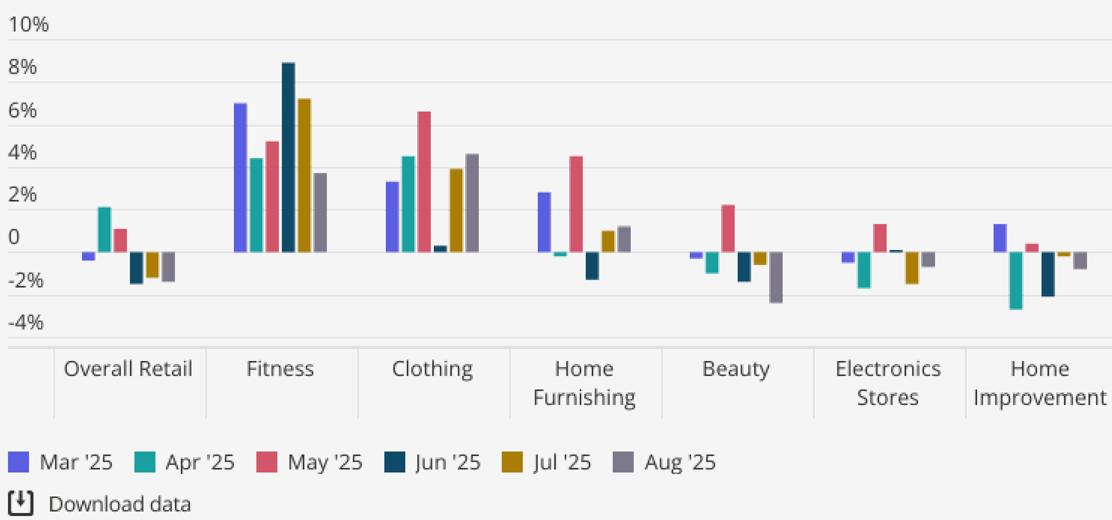
6. **Beauty Normalizes but Stays Relevant**: After a pandemic-driven surge, YoY declines likely indicate that beauty visits are stabilizing; shorter trips are giving way to longer visits as retailers deploy new tech and immersive experiences.

An Overview of Discretionary Retail Traffic

Economic headwinds, including tariffs and higher everyday costs, are limiting discretionary budgets and prompting consumers to make more selective choices about where they spend. But despite these pressures, foot traffic to several discretionary retail categories continues to thrive year-over-year (YoY).

Year-Over-Year Change in Visits to Leading Discretionary Retail Categories

Discretionary retail traffic is strongest in fitness, off-price apparel, and home furnishings, driven by value-seeking and lifestyle shifts. Meanwhile, electronics and home improvement face big-ticket headwinds and beauty sees softer visits after years of growth.



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Fitness and Apparel Lead

Of the discretionary categories analyzed, fitness and apparel had the strongest year-over-year traffic trends – likely thanks to consumers finding perceived value in these segments.

Fitness and apparel (boosted by off-price) appeal to value-driven, experience seeking consumers – fitness thanks to its membership model of unlimited visits for an often low fee, and off-price with its discount prices and treasure-hunt dynamic. Both categories may also be riding a cultural wave tied to the growing use of GLP-1s, as more consumers pursue fitness goals and refresh their wardrobes to match changing lifestyles and sizes.

Electronics and Home Improvement Lag While Home Furnishing Pulls Ahead

Big-ticket categories, including electronics, also faced significant challenges, as tighter consumer budgets hamper growth in the space. Traffic to home improvement retailers also generally declined, as lagging home sales and consumers putting off costly renovations likely contributed to the softness in the space.

But home furnishing visits pulled ahead in July and August 2025 – benefitting from strong performances at discount chains such as HomeGoods – suggesting that consumers are directing their home-oriented spending towards more accessible decor.

Beauty Faces Challenges

The beauty sector – typically a resilient "affordable luxury" category – also experienced declines in recent months. The slowdown can be partially attributed to stabilization following several years of intense growth, but it may also mean that consumers are simplifying their beauty routines or shifting their beauty buying online.

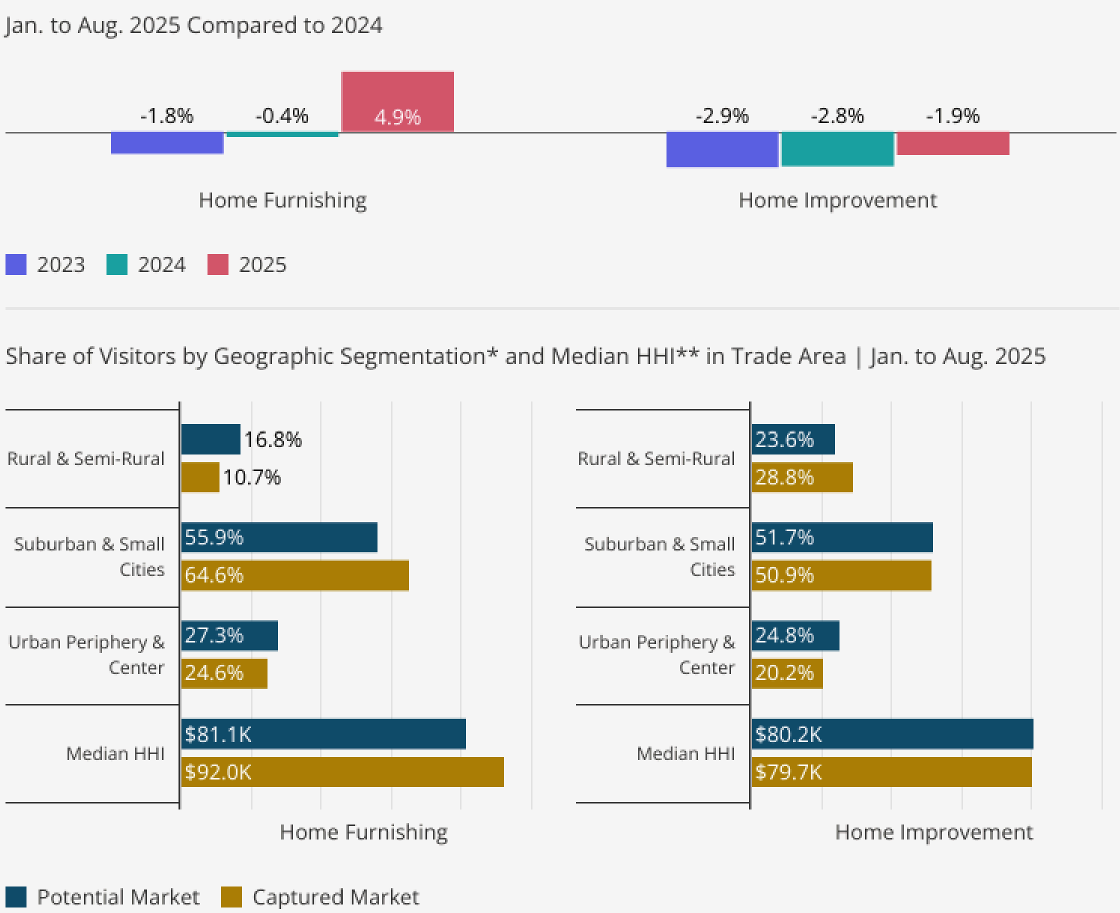
Bottom Line:

- Traffic to fitness and apparel chains – led by off-price – continued to grow YoY in 2025, as value and experiences continue to draw consumers.
- Consumers are shopping for accessible home decor upgrades to refresh their space rather than undertaking major renovations.
- Shoppers are holding off on big-ticket purchases, leading to YoY declines in the electronics and home improvement categories.
- Beauty has experienced softening traffic trends as the sector stabilizes following its recent years of hypergrowth as shoppers simplify routines and shift some of their spending online.

The Home Furnishings Category Makes A Turnaround

Home Furnishing Outperforming Home Improvement Thanks to More Suburban & Affluent Visitor Base

Home furnishing attracts a more affluent audience and offers a wider selection of small-ticket items to spruce up living spaces, helping the segment outpeform the home improvement category.



Based on *Esri: Tapestry & **STI:PopStats data combined with Placer.ai True Trade Area data

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Suburban And Small Town Visits Drive Gains

After two years of visit declines, the Home Furnishings category rebounded in 2025, with visits up 4.9% YoY between January and August. By contrast, Home Improvement continued its multi-year downward trend, though the pace of decline appears to have slowed.

So what's fueling Home Furnishings' resurgence while Home Improvement visits remain soft? Probably a combination of factors, including a more affluent shopper base and a product mix that includes a variety of lower-ticket items.

Home Furnishing's More Affluent Audience

On the audience side, this category draws a much larger share of visits from suburban and urban areas, with a median household income well above that of home improvement shoppers. The differences are especially pronounced when analyzing the audience in their captured markets – indicating that the gap stems not just from store locations, but from meaningful differences in the types of consumers each category attracts.

Home improvement's larger share of rural visits is not accidental – home improvement leaders have been intentionally expanding into smaller markets for a while. But while betting on rural markets is likely to pay off down the line, home improvement may continue to face headwinds in the near future as its rural shopper base grapples with fewer discretionary dollars.

Home Improvement Impacted by Slowdown in Big-Ticket Items

On the merchandise side, home improvement chains cater to larger renovations and higher-cost projects – and have likely been impacted by the slowdown in larger-ticket purchases which is also impacting the electronics space. Meanwhile, home furnishing chains carry a large assortment of lower-ticket items, including home decor, accessories, and tableware.

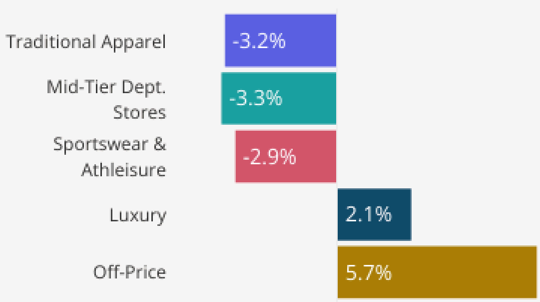
Consumers are still spending more time at home now than they were pre-COVID, and investing in comfortable living spaces is more important than ever. And although many high-income consumers are also tightening their belts, upgrading tableware or even a piece of furniture is still much cheaper than undertaking a renovation – which could explain the differences in traffic trends.

Consumer Preferences Drive Changes in Apparel

Off-Price & Luxury Lead Apparel With More Visits & Longer Dwell TImes

In 2025, activewear demand has softened but still remains well above pre-pandemic levels. Bifurcated consumer behavior is weighing on mid-tier department stores and traditional retailers and fueling growth at luxury and off-price chains, where longer dwell times underscore their experiential appeal.

Year-Over-Year Change in Visits | Jan. to Aug. 2025



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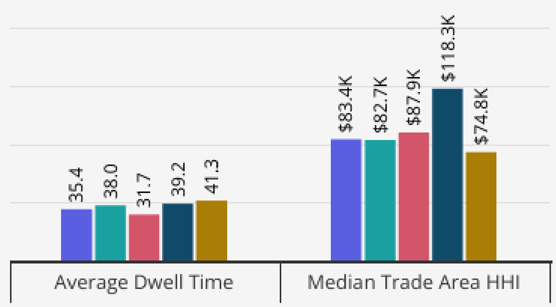
Trade Area Median Household Income* | Jan. to Aug.
Based on STI: Popstats & Placer.ai Data for Captured Market



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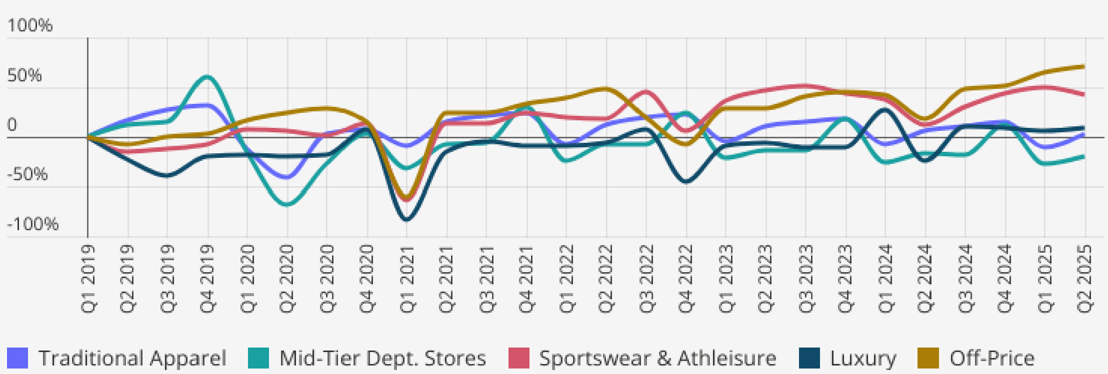
Change in Quaterly Visits Compared to a Q1 2019 Baseline



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Different Context For Traffic Trends by Segment

Traditional apparel, mid-tier department stores, and activewear chains all experienced similar levels of YoY traffic declines in 2025 YTD, as shown in the graph above. But analyzing traffic data from 2021 shows that each segment's dip is part of a trajectory unique to that segment.

Traffic to mid-tier department stores has been trending downward since 2021, a shift tied not only to macroeconomic headwinds but also to structural changes in the sector. The pandemic accelerated e-commerce adoption, hitting department stores particularly hard as consumers seeking one-stop shopping and broad assortments increasingly turned to the convenience of online channels.

Traffic to traditional apparel chains has also not fully recovered from the pandemic, but the segment did consistently outperform mid-tier department stores and luxury retailers between 2021 and 2024. But in H1 2025, the dynamic with luxury shifted, so that traffic trends at luxury apparel retailers are now stronger than at traditional apparel both YoY and compared to Q1 2019. This highlights the current bifurcation of consumer spending also in the apparel space, as luxury and off-price segments outperform mid-market chains.

In contrast, the activewear & athleisure category continues to outperform its pre-pandemic baseline, despite experiencing a slight YoY softening in 2025 as consumers tighten their budgets. The category has capitalized on post-lockdown lifestyle shifts, and comfort-driven wardrobes that blur the line between work, fitness, and leisure remain entrenched consumer staples several years on.

Evidence of the Resilient High-Income Consumer and a Trade-Down to Value Segments in the HHI Data

The two segments with the highest YoY growth – off-price and luxury – are at the two ends of the spectrum in terms of household income levels, highlighting the bifurcation that has characterized much of the retail space in 2025. And luxury and off-price are also benefiting from larger consumer trends that are boosting performance at both premium and value-focused retailers.

In-store traffic behavior reveals that these two segments enjoy the longest average dwell times in the apparel category, with an average visit to a luxury or off-price retailer lasting 39.2 and 41.3 minutes, respectively. This suggests that consumers are drawn to the experiential aspect of both segments – treasure hunting at off-price chains or indulging in a sense of prestige at a luxury retailer. Together, these patterns highlight that – despite appealing to different consumer groups – both ends of the market are thriving by offering shopping experiences that foster longer engagement.

Bottom Line:

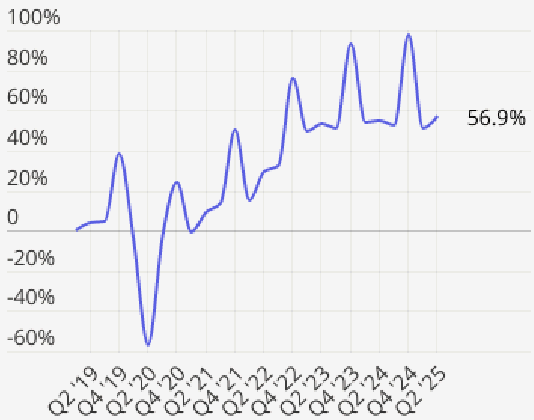
- Off-price and luxury segments are outperforming, while general apparel, athleisure, and department store visits lag YoY under tariff pressures and consumer trade-downs.
- Looking over the longer term reveals that athleisure is still far ahead of its pre-pandemic baseline – even if YoY demand has softened.
- Luxury and off-price both are thriving by offering shopping experiences that foster longer engagement.

Is Beauty Still A Resilient Discretionary Category?

In-Store Beauty Behavior Shifted Into a New Normal Post-Pandemic

Visits to the Beauty category increased post-pandemic while visit duration shortened, highlighting heightened demand for beauty products and a shift to more purposeful trips and increased online product discovery. Now, visit duration is lengthening again, reflecting renewed in-store engagement driven by tech-enabled discovery and immersive experiences.

Change in Quarterly Visits to the Beauty Industry Compared to a Q1 2019 Baseline



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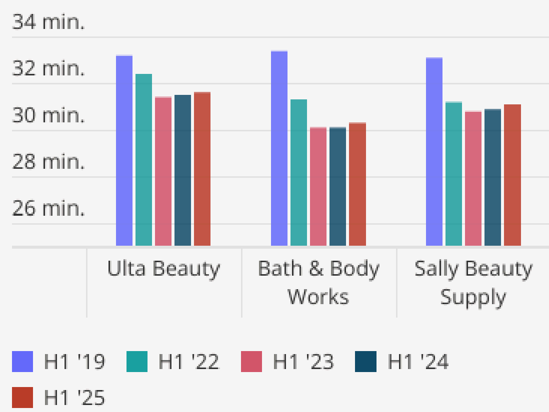
Average Dwell Time to Leading Beauty Chains in Minutes



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Beauty Retail's Transformation Since the Pre-Pandemic Era

The beauty sector has long benefitted from the "lipstick effect" — the tendency for consumers to indulge in small luxuries even when discretionary spending is constrained. And while the beauty category's softening in today's cautious spending environment could suggest that this effect has weakened, a longer view of the data tells a more nuanced story.

Beauty visits grew significantly between 2021 and 2024, fueled by a confluence of factors including post-pandemic "revenge shopping," demand for bolder looks as consumers returned to social life, and new store openings and retail partnerships. Against that backdrop, recent YoY traffic dips are likely a sign of stabilization rather than true declines. Social commerce, and minimalist skincare routines may be moderating in-store traffic, but shoppers are still engaged, even as they blend online and offline shopping or seek out lower-cost alternatives to maximize value.

The Evolving Role of Physical Retail in the Beauty Space

Analysis of average visit duration for three leading beauty chains – Ulta Beauty, Bath & Body Works, and Sally Beauty Supply – highlights the shifting role but continued relevance of physical stores in the space.

Average visit duration decreased post-pandemic – likely due to more purposeful trips and increased online product discovery. But that trend began to reverse in H1 2025, signaling the changing role of physical stores. Enhanced tech for in-store product exploration and rich experiences may be helping drive deeper engagement, underscoring beauty retail's staying power even in a more measured spending environment.

Bottom Line:

- Beauty's slight YoY visit declines point to a period of normalization following a post-pandemic boom, while longer-term trends show the category remains stronger than pre-pandemic levels.
- Visits grew shorter post-pandemic, driven by more purposeful trips and increased online product discovery – but dwell time is now lengthening again, signaling renewed in-store engagement driven by tech-enabled discovery and immersive experiences.

Selective Spending Shapes Discretionary Retail in 2025

Foot traffic data highlight major differences in the recent performance of various discretionary apparel categories. Off-price, fitness, and home furnishings are pulling ahead, well-positioned to keep capitalizing on shifting priorities. Luxury also remains resilient, likely thanks to its higher-income visitor base.

At the same time, beauty's normalization and the slowdown in mid-tier apparel, electronics, and home improvement show that caution persists across discretionary budgets. Moving forward, retailers that align with consumers' demand for value, accessible upgrades, and immersive experiences may be best placed to thrive in this era of selective spending.