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How 3 Apparel Brands are Adapting to Tariffs in 2025

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TL;DR: *Lululemon, American Eagle Outfitters (AEO), and Gap face significant tariff headwinds and are in the midst of adjusting sourcing regions, balancing margin and select price increases, and leaning on new, innovative product to capture consumer attention.*

2 minute read

We continue to closely track the retail market to understand how brands and retailers are responding to tariffs.

Today's briefing considers three apparel category examples with recent earnings releases from Lululemon, American Eagle Outfitters (AEO) and Gap, collectively accounting for nearly $32 billion in global sales this year, forecast to grow +2.3% in 2025 (vs. +4.1% in '24).

Like other categories, these apparel brands are looking to diversify sourcing (primarily away from China), invest in new innovation to drive demand, and selectively raise price where they have no other alternatives.

What's Top of Mind?

- What are the pricing implications stemming from tariffs?
- How are brands responding with inventory management, promotional activity, and ability to maintain customer value perception?
- What are the long-term implications of increased promotional activity?

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