US 2024 ADOBE QUARTERLY FORECAST REPORT

ADOBE DIGITAL INSIGHTS

Methodology

The Adobe Digital Economy Index offers the **most comprehensive set of insights** of its kind, based on analysis via Adobe Analytics that covers over *one trillion* visits to U.S. retail sites and over *100 million* SKUs—more than any other technology company.
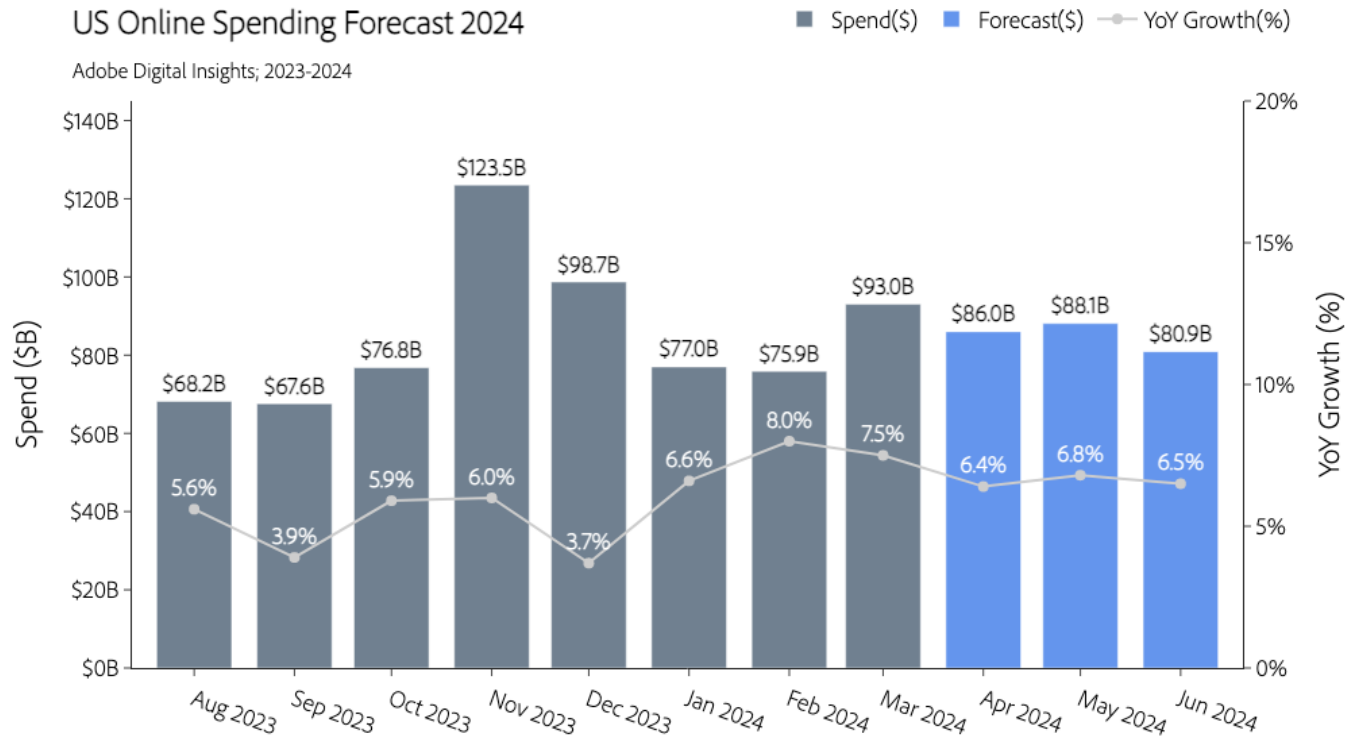
Analysis is significantly **more in-depth and accurate** compared to survey-based reports, because only Adobe has access to this volume of real-time, transactional consumer data. It is aggregated and anonymized, to provide insights on consumer spending and online prices.

Summary Findings

- US online retail is growing and is expected to remain positive in 2024

- Spend growth is continuing to be propped up by major categories like grocery & cosmetics

- Consumers are spending more on cheaper goods, as high prices persist across certain categories

- Price sensitivity remained high in online grocery sales, but was relatively low in online cosmetics sales

- Mobile spend share is growing, despite mobile conversion performance lagging laptop/desktop devices

- Buy-Now-Pay-Later (BNPL) adoption continues to grow at a solid pace

- Curbside pick-up utilization is trending down across most categories apart from grocery

- TikTok traffic to retail sites is continuing to surge and is helping drive revenue share for social as a channel
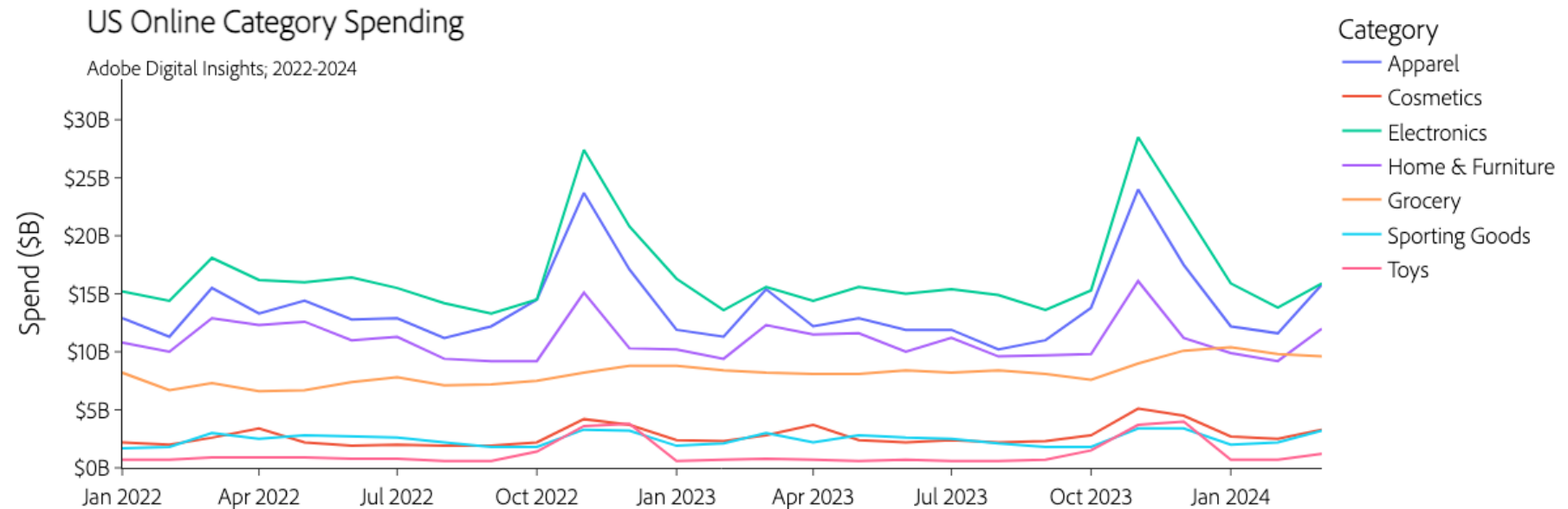
Online Spend & Growth Trends in 2024

- 2024 has shown early growth and the momentum is poised to continue well into the summer.

- Online spending in Q1 is $245.9B with 7.4% YoY growth

- Online spending grew at
  o Jan: 6.6%
  o Feb: 8.0%
  o Mar: 7.5%

- Growth is forecasted to be 6.6% year-over-year in Q2.

- Projected spend in the first half of 2024 is $500B with 6.8% year-over-year growth.

US Online Spending Forecast 2024
Adobe Digital Insights; 2023-2024

Legend: Spend($) — Forecast($) — YoY Growth(%)

Month	Spend	YoY Growth
Aug 2023	$68.2B	5.6%
Sep 2023	$67.6B	3.9%
Oct 2023	$76.8B	5.9%
Nov 2023	$123.5B	6.0%
Dec 2023	$98.7B	3.7%
Jan 2024	$77.0B	6.6%
Feb 2024	$75.9B	8.0%
Mar 2024	$93.0B	7.5%
Apr 2024	$86.0B	6.4%
May 2024	$88.1B	6.8%
Jun 2024	$80.9B	6.5%

Category spending in Jan and Feb 2024

Spending in 2023 was primarily driven by categories like Grocery (+13.2%YoY $101.4B), Cosmetics (15.6% YoY $35B) and Sporting Goods (1.2% $29.6B) while Apparel (-4.6%YoY $163.9B), Electronics (-0.7%YoY $200.5B), Home & Furniture* (-1%YoY $132.6B), and Toys (-2.9% $15.1B) have seen flat to negative growth.

- January 2024
  - Apparel: 2.4% & $12.2B
  - Electronics: -2.3% & $15.9B
  - Grocery: 18.6% & $10.4B
  - Home & Furniture: -3.5% & $9.9B
  - Cosmetics: 9.5% & $3B
  - Sporting Goods: 5.8% & $2.6B
  - Toys: 1.2% & $1.5B

- February 2024
  - Apparel: 3.2% & $11.6B
  - Electronics: 1.1% & $13.8B
  - Grocery: 16.5% & $9.8B
  - Home & Furniture: -2.2% & $9.2B
  - Cosmetics: 7.7% & $2.8B
  - Sporting Goods: 6.6% & $2.2B
  - Toys: 1.1% & $1.3B

- March 2024
  - Apparel: 2.2% and $15.8B
  - Electronics: 2.1% and $16B
  - Grocery: 17.3% and $9.6B
  - Home & Furniture: -2.0% and $12B
  - Cosmetics: 7.1% and $3.2B
  - Sporting Goods: 6.3% and $3.2B
  - Toys: 1.5% and $1.2B

US Online Category Spending
Adobe Digital Insights; 2022-2024

Category: Apparel, Cosmetics, Electronics, Home & Furniture, Grocery, Sporting Goods, Toys

* Home & Furniture includes furniture, bedding, floor & window coverings, and garden.

Increasing online grocery revenue share in the overall spending

- Grocery boasts the strongest share growth, clocking monthly double-digit growth in 2023. It is trailed by Cosmetics with more than 7% YoY growth each month.

- Grocery revenue share nearly tripled from 4% in 2019 to 14% in 2023. It is projected to be on par with electronics and apparel in the next 3 years.

- Electronics has maintained its share and Apparel's share is declining.

- Toys has shown strong growth in the holiday season, leading up to Christmas.

- Sporting Goods has shown stronger seasonal growth in the summer and winter months.

Increasing online groceries revenue share
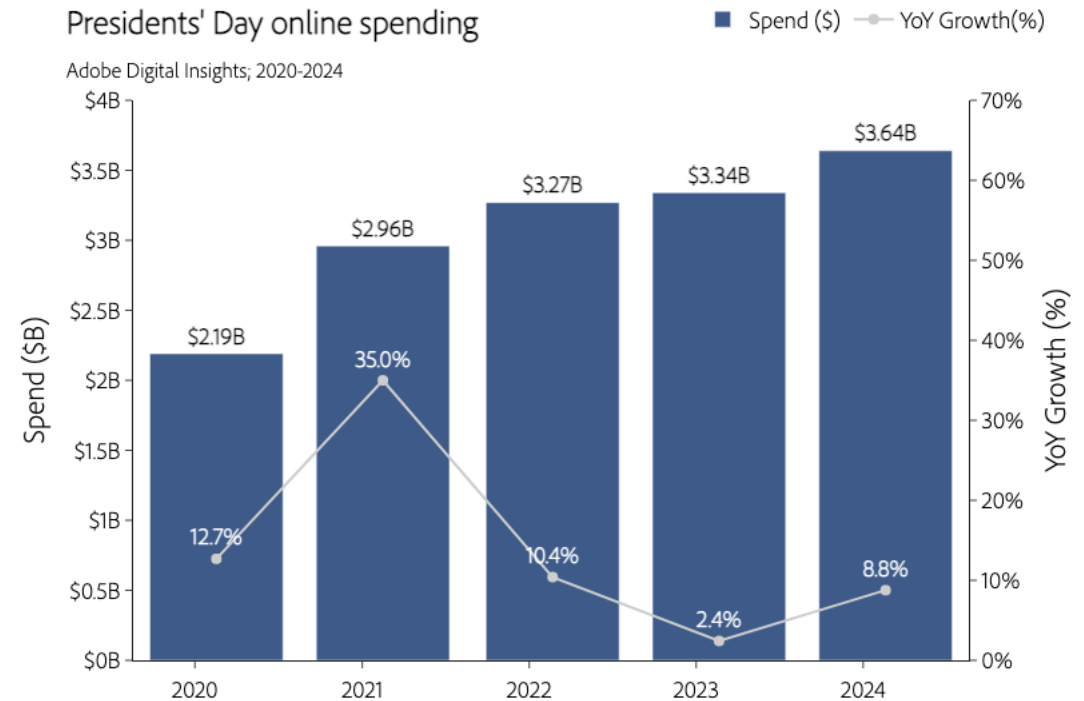Adobe Digital Insights; 2019-2024
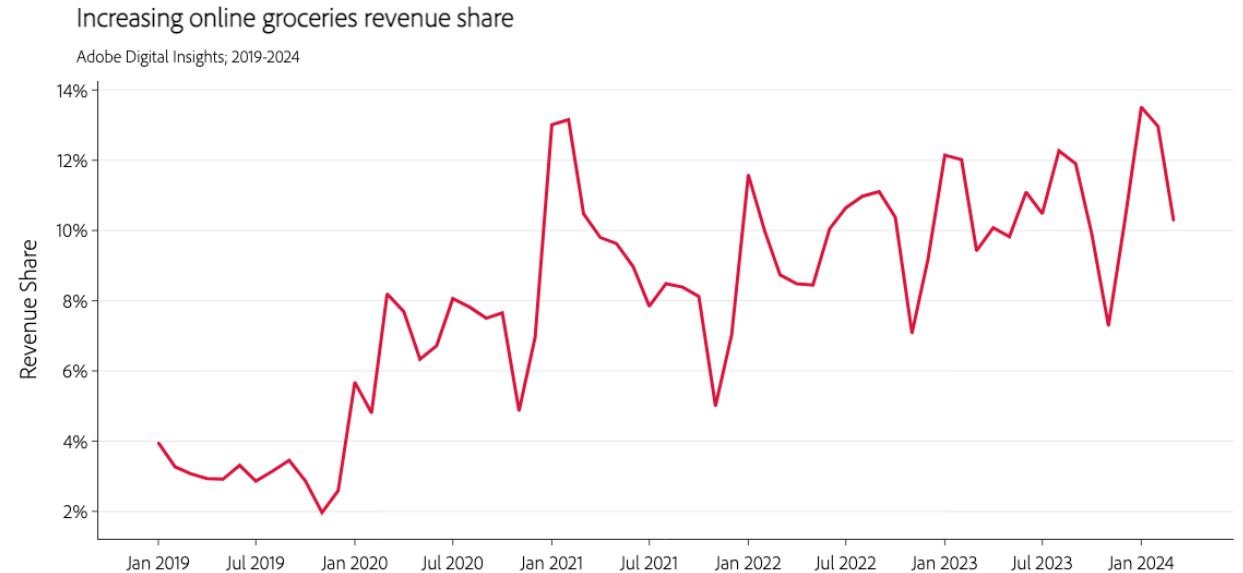
Increasing mobile revenue share in the overall spending

- Mobile revenue share surpassed desktop share for the first time, up to 51%, during the 2023 holiday season.

- It peaked at 61% on Christmas Day

- The momentum is expected to continue in 2024 and projected to be 52.5% by Nov-Dec 2024.

- Mobile spend in Q1 is $115.9B with 10.2% year-over-year growth.

- Mobile devices are able to convert visits to orders only half as well as desktop/laptop devices

Increasing Mobile Revenue Share

Adobe Digital Insights; 2019-2024

Mobile Share — Forecast
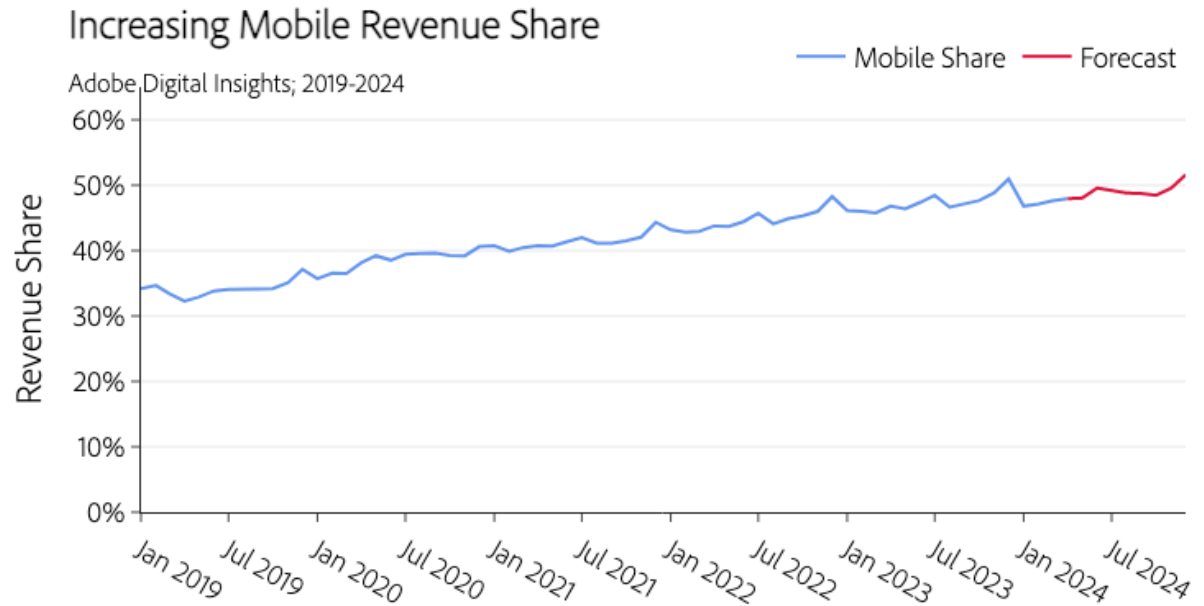
President's Day Growth shows strong affinity to Sales Holidays

- President's Day is the first major shopping holiday in the year

- 2024 saw President's day drive $3.64B at 8.8% YoY growth

- President's day sales weekend growth over-performing the month's average growth, shows that discounts and promotions are still effectively incentivizing overall spending

- President's Day performance bodes well for Memorial Day and July 4th weekend sales

Presidents' Day online spending
Adobe Digital Insights; 2020-2024

■ Spend ($)　━ YoY Growth(%)

Year	Spend
2020	$2.19B
2021	$2.96B
2022	$3.27B
2023	$3.34B
2024	$3.64B

YoY Growth: 2020: 12.7%, 2021: 35.0%, 2022: 10.4%, 2023: 2.4%, 2024: 8.8%
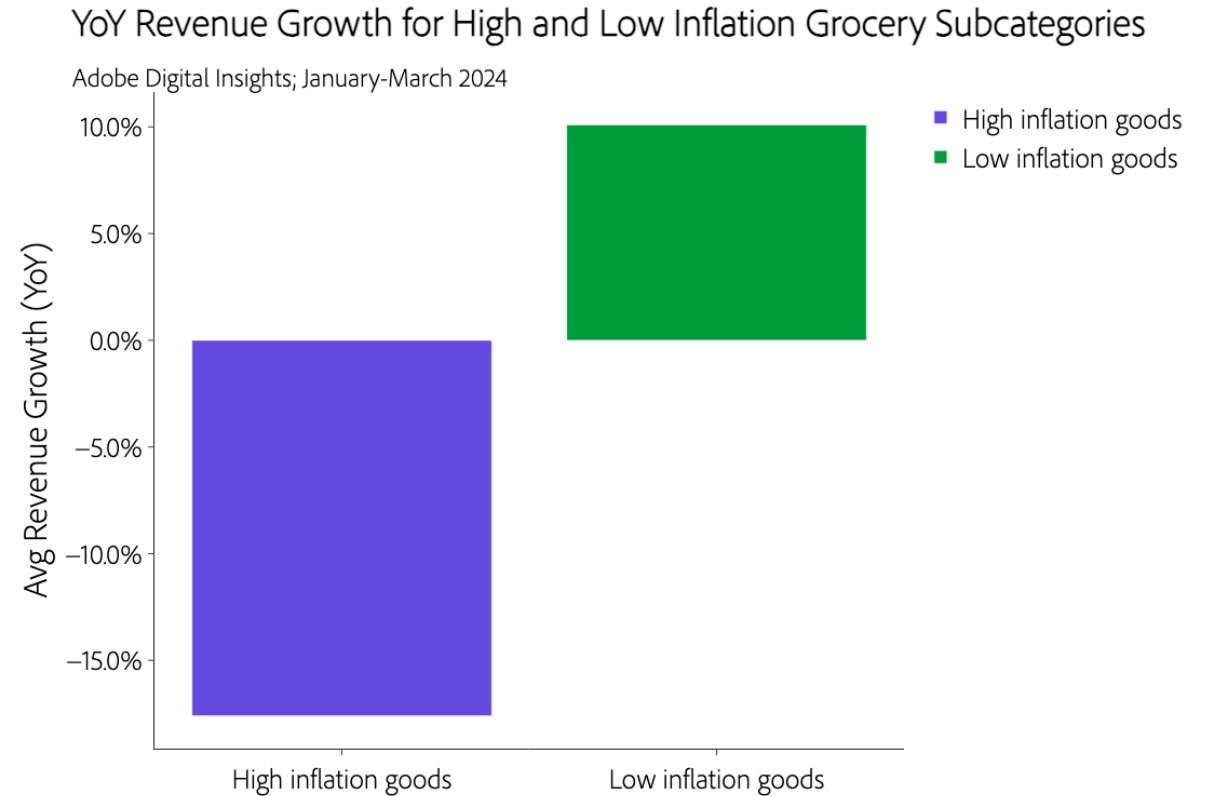
Consumer preference for cheaper goods has grown substantially since 2019

- As consumers have contended with rising prices over the past 5 years, we have seen a sustained trend in consumer behavior toward buying cheaper goods within online retail categories.

- The shares of the cheapest goods purchased have increased significantly across Personal Care Products (**107%**), Electronics (**68%**), Furniture and Bedding (**42%**), and Grocery (**33%**) since January 2019.

Share of Units Sold in Most and Least Expensive Price Quartiles

Adobe Digital Insights: January 2019 - March 2024

Price-sensitivity in online grocery shopping

- In Jan-Mar 2024 year over year inflation across some staple grocery categories like eggs, milk, cheese, and other dairy products reached the lowest levels since 2021.

- These lower-inflation groceries saw 10.1% revenue growth in Jan-Mar of 2024.

- The highest-inflation categories (juices and nonalcoholic drinks, sugar and sweets, and coffee and tea) saw revenue growth at -17.6%.

YoY Revenue Growth for High and Low Inflation Grocery Subcategories
Adobe Digital Insights; January-March 2024

- High inflation goods
- Low inflation goods

Price-sensitivity in online cosmetics shopping

- Personal care products saw overall price decreases in Feb 2024 for the first time since Nov 2021.

- 51.3% of brands decreased the average price of cosmetics products sold online in Jan-Mar 2024 compared to the same period in 2023, while 48.7% increased their average product price.

- Brands with decreased average prices saw an average YoY revenue growth of 1.97%, while brands with increased prices saw an average growth of –0.7%.

Avg YoY Growth for Cosmetics Brands with Increased v. Decreased Prices

Adobe Digital Insights; January-March 2024
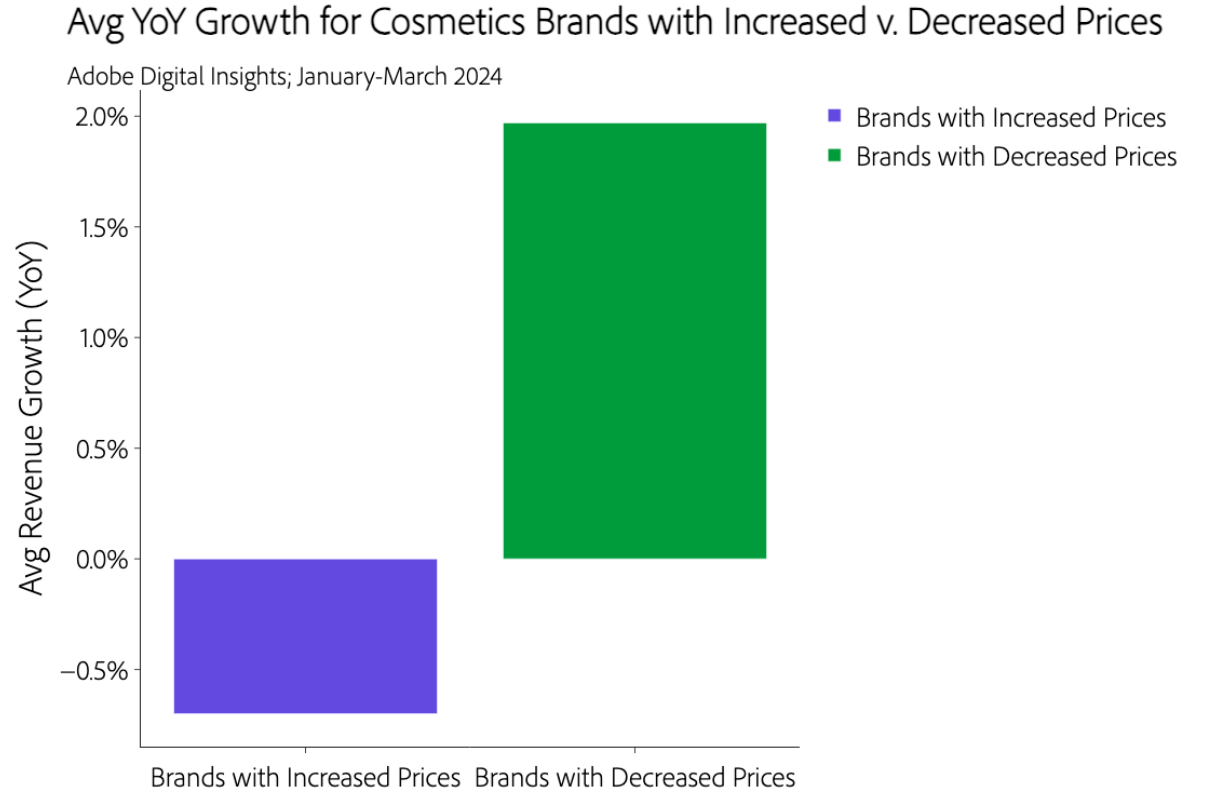
Buy Now, Pay Later Picks Up In February and March

- After a slow start in January, Buy Now, Pay later growth is picking back up.

- January 2024 saw slower BNPL revenue share growth at 2.8% over January 2023.

- February and March saw BNPL growth pick back up as both months grew at 8.1% year over year.

- Strong growth in February and March make 2024 the fastest growing first quarter since 2020.

- BNPL order share is up 4.6% in 2024 so far compared to the same period last year. This is slightly slower growth than the first two months of 2023 which grew at 8.3%.

January - March BNPL Revenue Share Growth
Adobe Digital Insights; 2021 - 2024
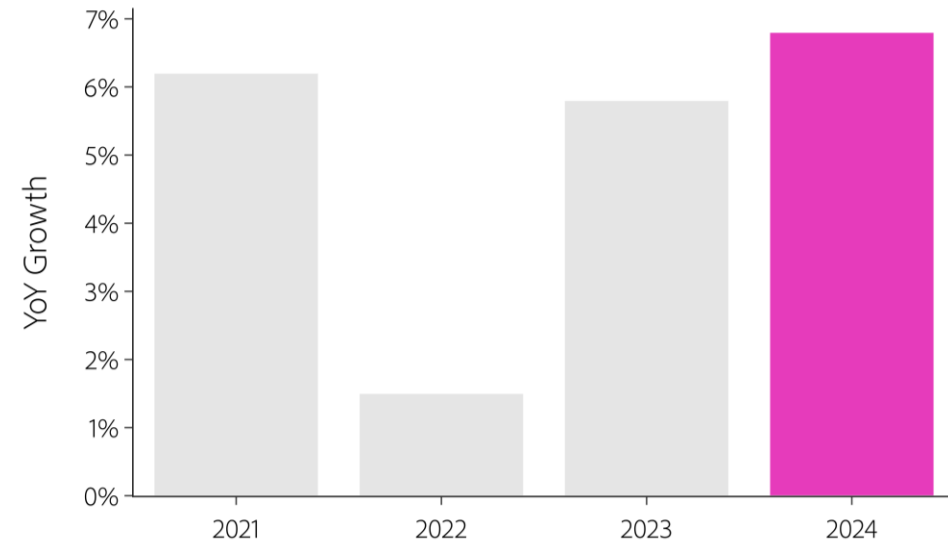
Buy Now, Pay Later Online Spend Sees Continued Growth

- Consumers continue to turn to Buy Now, Pay Later (BNPL) with online spend seeing continued growth so far this year.

- So far, $19.2 billion dollars have been spent through BNPL services in 2024.

- This is up 12.3% from the same period in 2023.

- In March, consumers spent $7.5 billion dollars through BNPL. This is up 13.7% year over year.

BNPL Monthly Spend
Adobe Digital Insights; January 2023 - March 2024

Legend: BNPL Spend, YoY Growth (%)
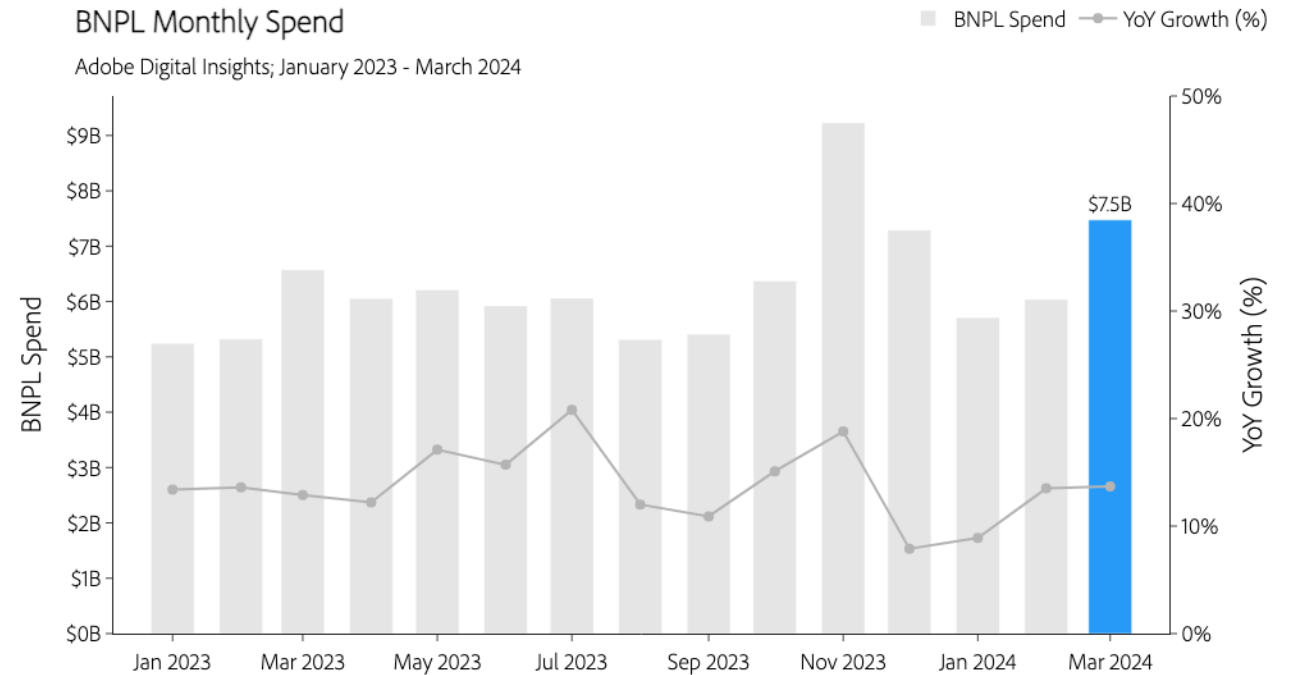
Buy Now, Pay Later Spend Forecasted to Hit $82.9 Billion in 2024

- Buy Now, Pay Later spend is expected to continue to grow throughout 2024.

- We forecast Buy Now, Pay Later spend for the entire year to grow between 8% and 13%, putting total spend to 2024 to be between $81 billion and $84.8 billion dollars spent through the service.

- In the first half of 2024, we expect BNPL spend to land between $38.2 billion dollars and $39.9 billion dollars.
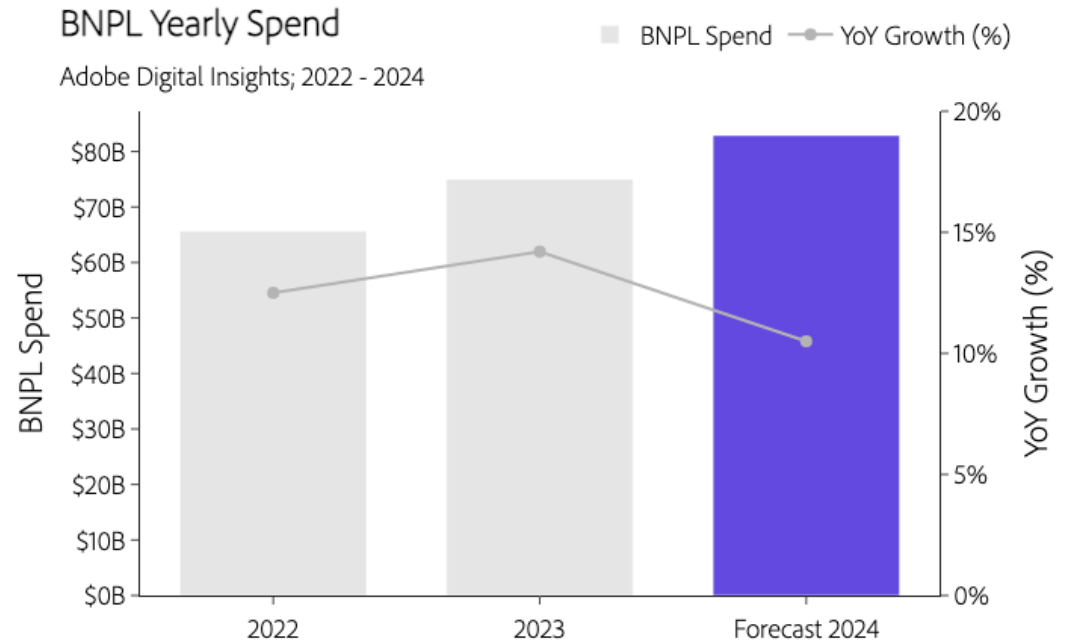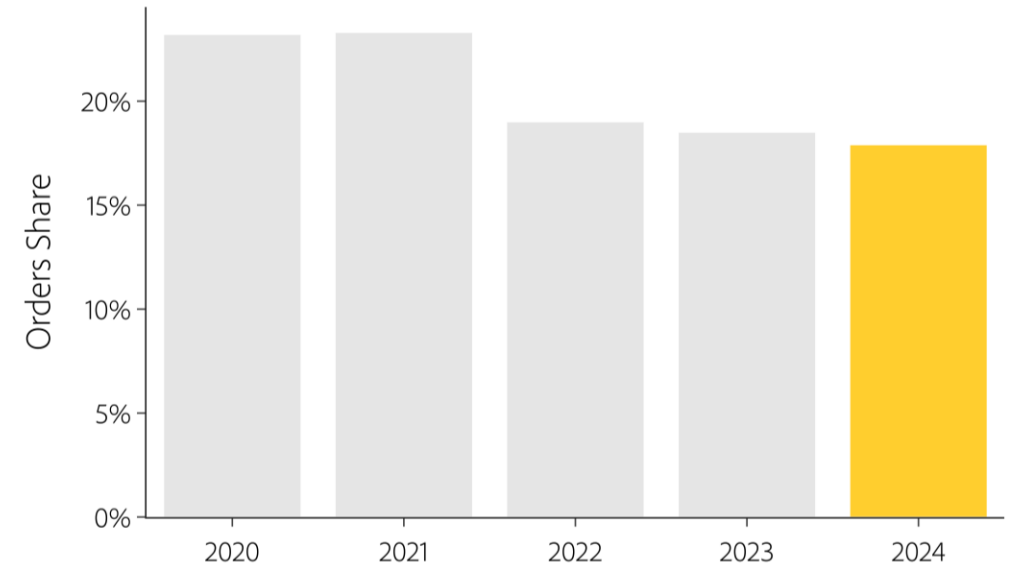
Buy Online, Pick Up in Store Trends Down

- Curbside pickup utilization has slowed since pandemic highs as consumers return to stores.

- Buy Online, Pick Up In Store (BOPIS) in 2023 accounted for 18.5% of orders for retailers who offered the service, down from 19% in 2022.

- So far this year (Jan 1 – Mar 31), curbside pickup has accounted for 17.9% of orders

Curbside Pickup Order Share
Adobe Digital Insights; 2020-2024

Buy Online, Pick Up In Store Remains Strong for Groceries

- While consumers are decreasing their utilization of curbside pickup overall, January saw an increase in usage of the pickup option for groceries.

- The share of revenue from curbside grocery orders increased 17.5% year-over-year in January.

- In contrast, consumers are reducing their curbside usage for apparel and furniture and home goods.

- The share of revenue of online orders using curbside pickup for apparel fell 1.6% year-over-year, and furniture and home fell 14%.

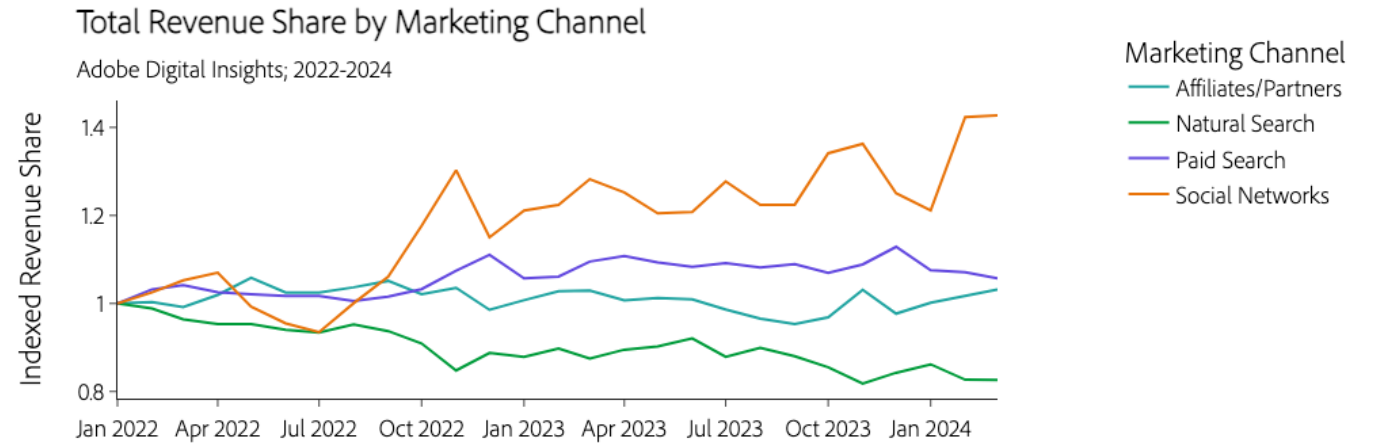### Curbside Revenue Share Growth by Category
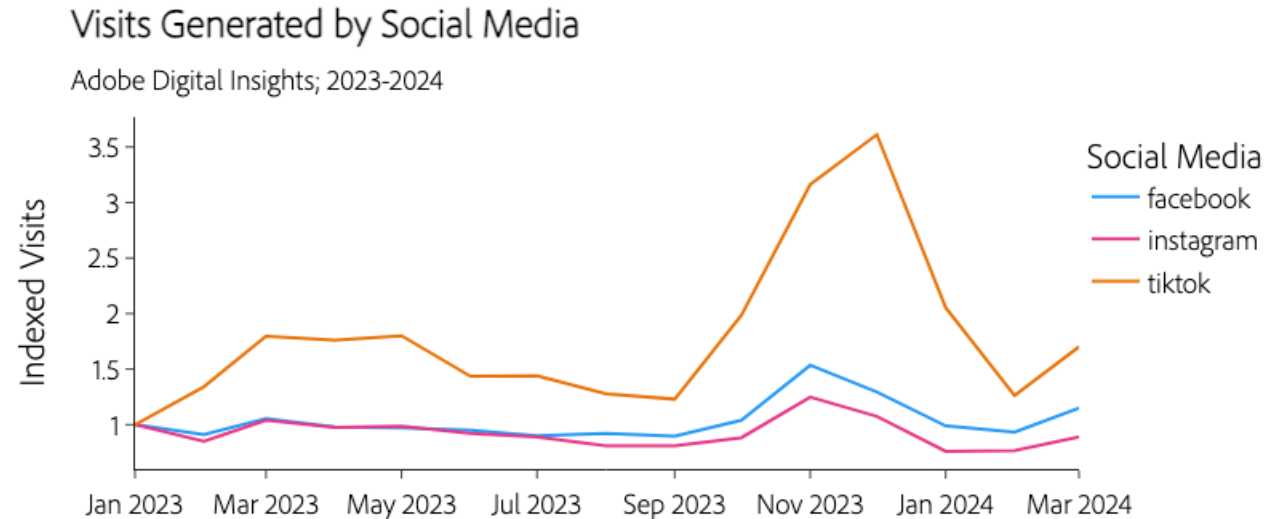Adobe Digital Insights; January 2024
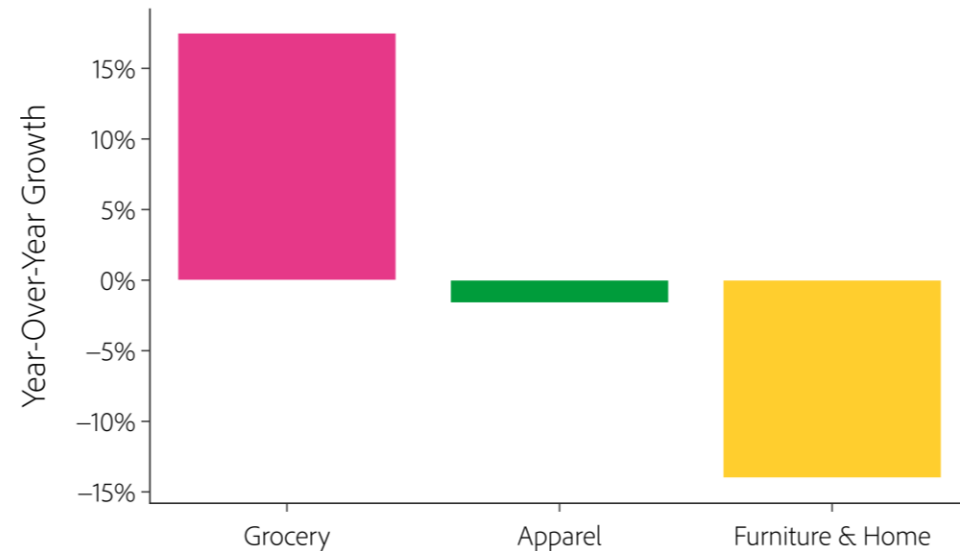
Social Networks Grows Significantly while Natural Search Declines

- Between 2022 and 2024, Paid Search has continued to experience growth, rising by 4.7% of its revenue share since January 2022.

- Similarly, Social Networks, although small in its revenue share, has grown by 18.3% since 2022, reflecting significant growth overall.

- In the first quarter of 2024, Affiliates/Partners has increased by 3.6% with respect to the same period in 2023 but remained stable year-over-year between 2023 and 2022.

- In contrast, Natural Search continues its downward trend, albeit at a slower pace. In the first quarter of 2024, the rate of decline has decreased to 5.7% with respect to the same period in 2023 after experiencing a 10% rate of decline between 2023 and 2022.

Total Revenue Share by Marketing Channel
Adobe Digital Insights; 2022-2024

Marketing Channel
- Affiliates/Partners
- Natural Search
- Paid Search
- Social Networks

TikTok Referrals Surge Doubling Visit Volume

- Referrals from TikTok drive growth in the Social Network space, increasing visits by 129.0% between the first quarter of 2023 and the first quarter of 2024.

- Meanwhile, Instagram experiences a decline of 18.8% from the first quarter of 2023 to the first quarter of 2024.

- In the first quarter of 2024, visits driven by Facebook have decreased by 7.9% with respect to the first quarter of 2023.

Visits Generated by Social Media

Adobe Digital Insights; 2023-2024

Social Media
- facebook
- instagram
- tiktok

Paid Search Remains Primary Revenue Driver with 28% of Revenue Share

- Year-to-date, Paid Search maintains its lead over other marketing channels, with 28.3% revenue share

- The marketing channel with the next largest share of revenue is Direct Traffic with a share of 19.6%

- Meanwhile, Social Networks trails behind the other channels with a share of 3.0% in 2024.

Average Revenue Share by Marketing Channel

Adobe Digital Insights; January - March 2024

Marketing Channel
- Paid Search
- Direct Traffic
- Affiliates/Partners
- Natural Search

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