CONSUMER ELECTRONICS REPORT

Adobe Digital Insights

METHODOLOGY

- Analysis of more than 1 trillion visits to U.S. based retail websites.
- Product and pricing insights based on analysis of sales of more than 100 million unique products.
- Companion research based on a survey of 1k U.S. consumers (18+ yrs) in December 2020.
- For comparison purposes, other key retail segments have been broken out by their primary product lines
  - Consumer Electronics
  - Apparel & Footwear
  - Home Furnishings & Décor
  - Sports
  - Health & Pharmacy
  - DIY & Tools
  - Jewelry & Cosmetics
  - Automotive
  - Major Chains
  - Gifts

Adobe Experience Cloud

*Per Internet Retailer 2018 eGuide

Main takeaways

- Consumer Electronics segment saw strong growth at the beginning of the COVID-19 pandemic as consumers shifted their shopping online.
    - While the revenue trend rose slower than overall ecommerce during early days of the pandemic it surpassed the totals during the first weeks of the holiday season thru Cyber Monday.
- As an expensive purchase, Consumer Electronics retailers see lower levels of key benchmark metrics
    - Larger order value dampens both conversion of visits to orders and use of mobile devices
- The evening of Cyber Monday represents the golden hours of shopping for consumer electronics
    - On Black Friday the mid-day hours saw highest share of sales
- By the holiday weekend, prices for computers and televisions dropped 18% from the October benchmark

Adobe

ADOBE DIGITAL INSIGHTS 2019

COVID and Consumer Electronics Segment

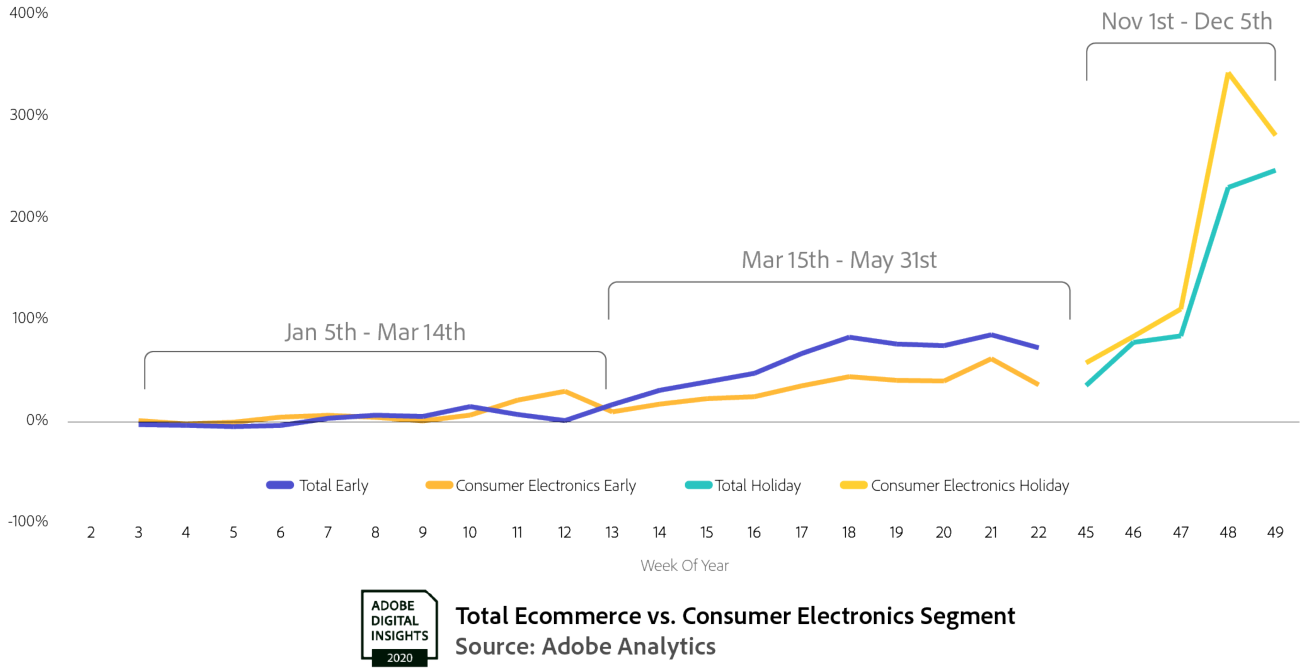
Prior to declaration of a national emergency in mid-March, the Consumer Electronics segment tracked with over all e-commerce.

During first 10 weeks of the pandemic (mid-March to end of May) Consumer Electronics saw strong growth over early January but not as strong as overall ecommerce..

- 10-week avg of 33% for CE vs. 53% overall

But given emphasis of electronics during holiday sales, Consumer Electronics retailers outpaced the overall growth in the first part of the season.

- 5-week avg of 176% vs. 135% overall



Total Ecommerce vs. Consumer Electronics Segment
Source: Adobe Analytics

Data: trend based on first full week of January 2020

Consumer Electronics Generate the Largest Online Orders

Consumer Electronic orders are 2.4x larger than the typical ecommerce transaction ($381 vs. $157)

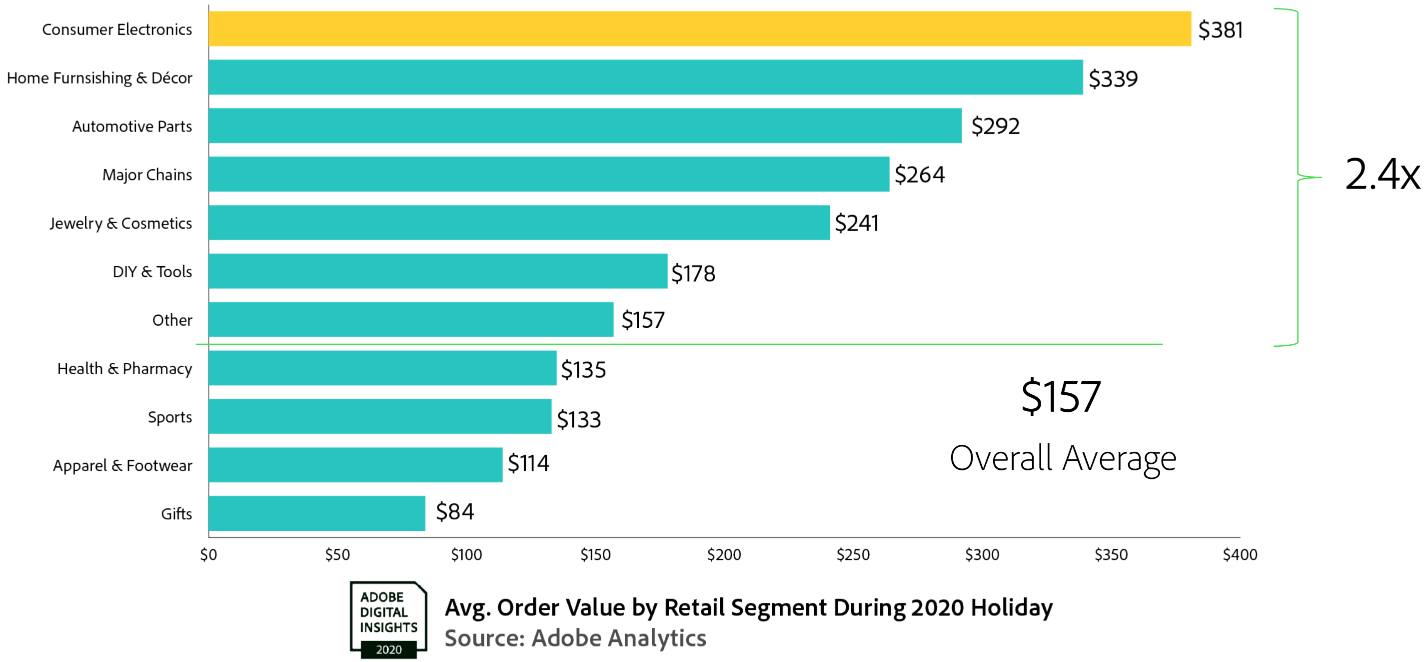
- AOV down from last year's value of $416

Consumers are willing out to dole out more dollars towards their next TV purchase.

$500-$999 (37% up from 34 percent in 2019)
$1000+ (26% up from 22 percent in 2019)

The second closest category, Home Furnishing & Décor, comes in at $42 less per order.

The overall average AOV ($157) is driven down by the large Apparel & Footwear category with AOV of $114



Avg. Order Value by Retail Segment During 2020 Holiday
Source: Adobe Analytics

Data from Nov 1 to Dec 10, 2020 .

Consumer Electronics has Low Conversion Rate, As Do Other Higher Priced Categories

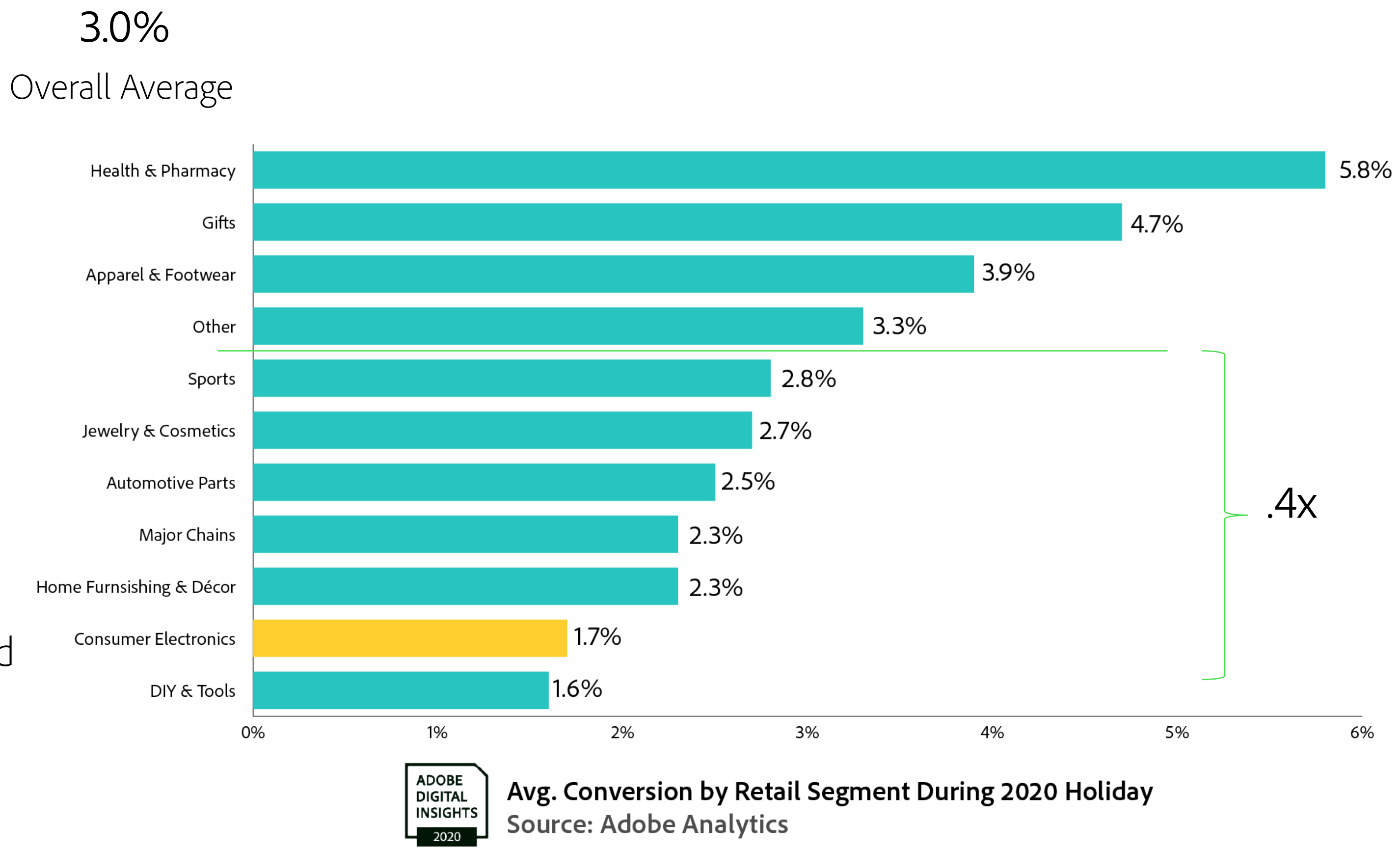
Consumer Electronics conversion of visits into orders is nearly half the average (1.7% vs. 3.0%)

- Last year conversion was lower at 1.4% of visits

Complex and expensive choice requires multiple visits driving the conversion rate down.

According to our survey, 61% of consumers will spend 5+ days to research and purchase a big-ticket electronic device ($500+)

Looking for something with intent? Health & Pharmacy and Gifts generate the highest conversion rates.



Avg. Conversion by Retail Segment During 2020 Holiday
Source: Adobe Analytics

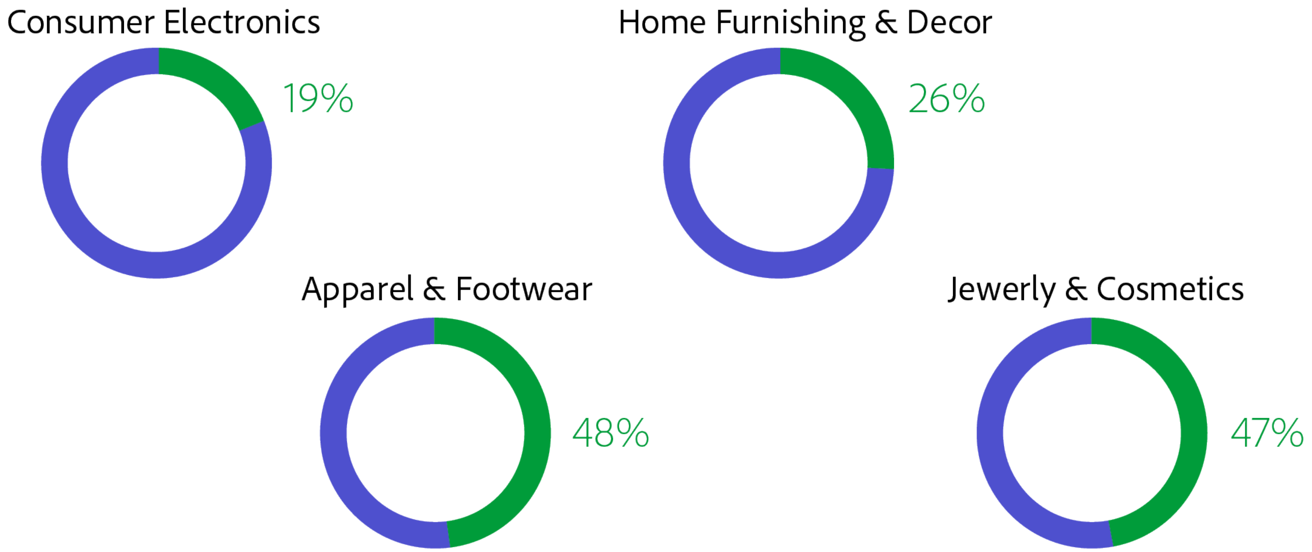
Smartphone's Contribution to Revenue Varies By More than 2x Across Categories

Desktop still dominates in some categories:

- Consumer Electronics has **lowest share of revenue** from smartphones: 19%. Driven by:
  - Lower share of visits (33% vs. 59% avg)
  - Lower conversion (0.7% vs. 2.0% avg)
  - Lower order value ($324 vs. $411)

Smartphone is more prevalent in personal categories:

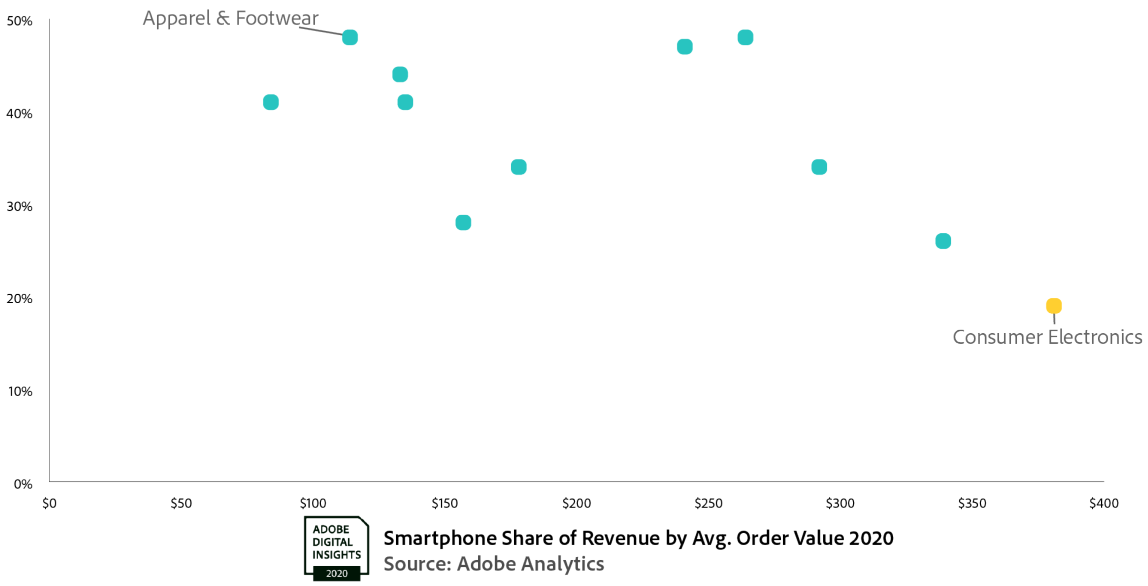
- Much higher shares in Apparel & Footwear (48%) and Jewelry & Cosmetics (47%)



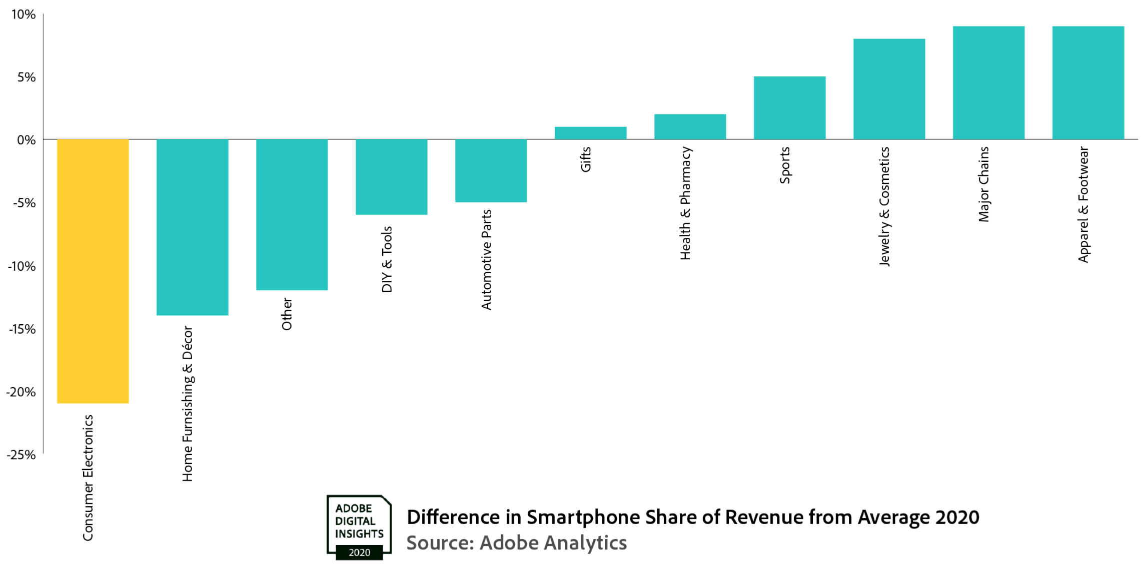
ADOBE DIGITAL INSIGHTS 2020

Smartphone Share of Revenue 2020
Source: Adobe Analytics

Large Orders Dampen Smartphone Revenue; Consumer Electronics is Half the Overall Holiday Value



Smartphone Share of Revenue by Avg. Order Value 2020
Source: Adobe Analytics



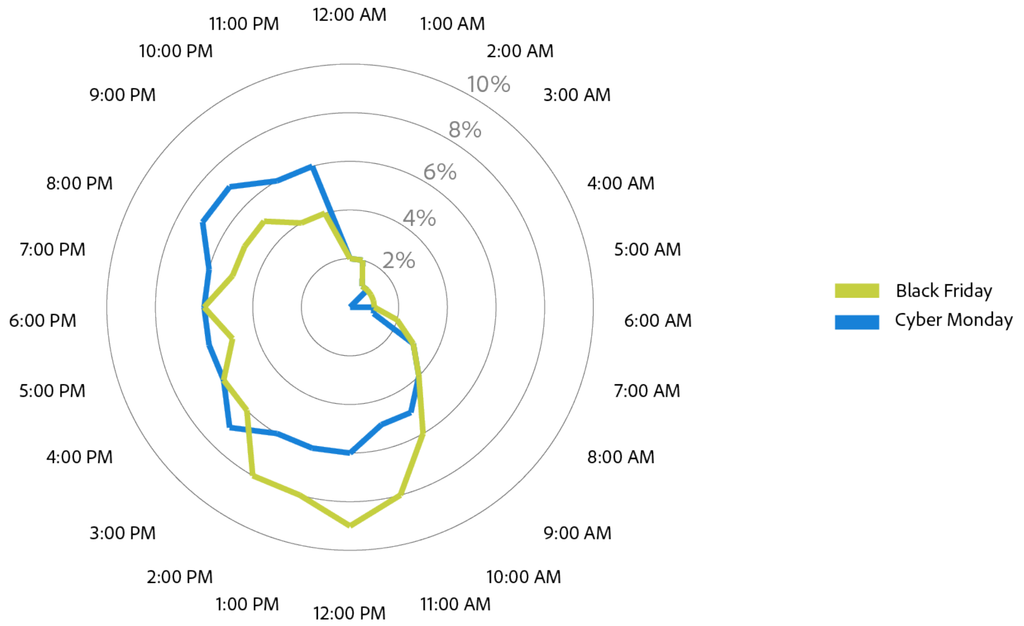
Difference in Smartphone Share of Revenue from Average 2020
Source: Adobe Analytics

- Consumer Electronics involves research not just hitting "buy now", as a result little revenue comes from smartphones – much less than the more impulsive Apparel & Footwear segment
- For Consumer Electronics: 19% of the revenue comes from smartphones, that less than half of the overall ecommerce figure of 39% -- by contrast, Apparel & Footwear is 48%
- For every $100 increase in AOV, the role of smartphones decreases 14%

Consumers Waited Till End of Cyber Monday to Snag Consumer Electronics Deals

On Cyber Monday just over $1 in $4 (26%) came between 8PM and Midnight with 9-10 PM the most active hour.

For Black Friday the figure is nearly $1 in $5 (18%) since more shopping occurred mid day peaking between Noon and 1PM AM.



ADOBE DIGITAL INSIGHTS 2020

Consumer Electronics Online Revenue by Hour on Black Friday and Cyber Monday
Source: Adobe Analytics

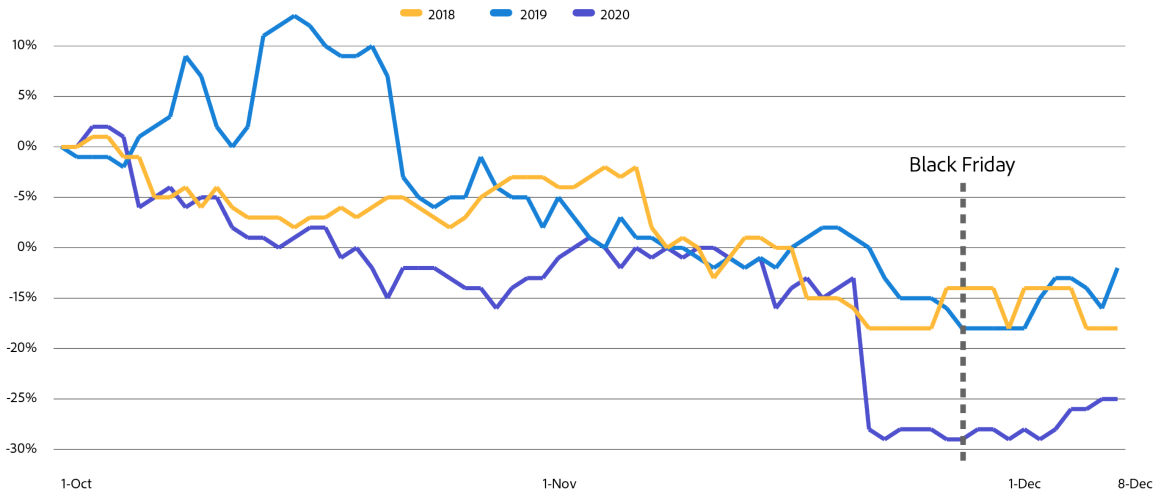
Retailers Took Different Approach to Pricing this Year

Computer prices showed small price decreases up until the beginning of Black Friday week (Nov 22nd) when prices took a step change.

Prices dropped 29% since October 1st by Black Friday

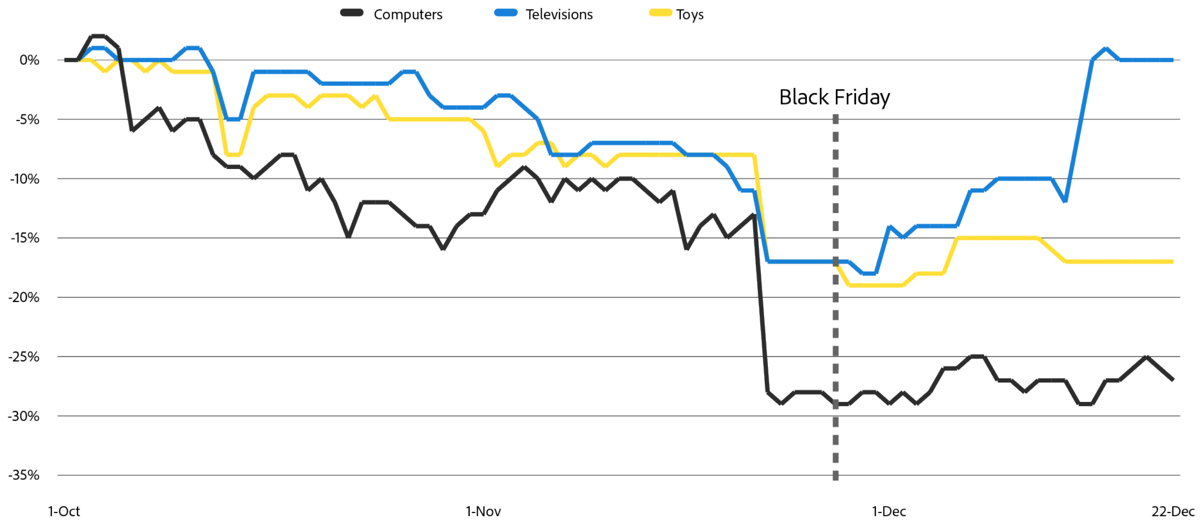
Toys and Televisions also saw a drop in prices that same week as retailers started offering early deals.

Both product categories saw prices dip 19% below their October 1st benchmark before starting to rise a bit



ADOBE DIGITAL INSIGHTS 2020

Computer Price Index Over 3 Years
Source: Adobe Analytics



ADOBE DIGITAL INSIGHTS 2020

Computers, Televisions and Toys Price Index in 2020
Source: Adobe Analytics

Data: Adobe's DPI where prices are anchored on October 1st

Penetration of many consumer technologies increased year over year

Consumers picked up more electronic devices in 2020. When we asked consumers what devices they own, almost every product saw an increase.

	2019	2020
Smartphone	89%	89%
Gaming console	37%	35%
Smart TV	51%	56%
Smart home devices, not including smart speakers	18%	22%
Smart watch	15%	20%
Smart speaker	26%	31%
Tablet	51%	55%
Desktop computer	43%	44%
Laptop computer	62%	66%
Car with voice assistant	12%	16%
Streaming device	32%	35%

Virtual Reality (VR) technology still isn't reaching the masses, **1 out of 4** consumers have tried VR, **75% of those that have tried VR** rate their experience **satisfying**.

1 out of 3 consumers have purchased a **voice-controlled device** in the past year, with Millennials and Gen Z leading the charge

Source: Adobe survey 2020

The pandemic spurred consumers to improve working/learning from home, but privacy is a concern.

20% of consumers **upgraded their home office** in 2020, and **30%** upgraded their **distance learning environment**.

Top 5 upgrades:

Home Office

44%	Mouse
40%	Chair, Keyboard
35%	Monitor
34%	Desk
31%	Webcam

Home Classroom

35%	Mouse, Desk
34%	Keyboard
32%	Chair
30%	Monitor
28%	Noise Canceling Headphones

Majority of U.S. consumers (74%) have privacy/security concerns when they are online, Baby Boomers being the most concerned, and GenZ being the least concerned.

84%	Having their identity and personal information stolen
53%	Being recorded without their knowledge
44%	Having their data destroyed
44%	Tracking their location

Source: Adobe survey 2020

Quality remains the feature consumers deem most important in making choices.

Top buying criteria of electronic devices:

82%	Quality
77%	Ease of use
74%	Price
72%	Product features
57%	Warranty
54%	Product reviews
54%	Design of the product
47%	Brand name
42%	Previous experience of a friend/colleague/family
33%	Environment friendliness
21%	Salesperson recommendation

Social recommendations twice as important as salesperson recommendation: 42% to 21%

Top criteria consumers look for when purchasing a new TV:

81%	Picture Quality
72%	Screen size
48%	Audio quality
16%	Smart/Voice control capability
11%	Weight
5%	None of the above
3%	Other

Source: Adobe survey 2020

Adobe