HOLIDAY PREDICTIONS 2017

Methodology

Most comprehensive report of its kind in industry

*Based on analysis of aggregated and anonymous data via:*

- Adobe Analytics measures 80% of online transactions at the largest 100 U.S. web retailers**
- Report based on analysis of 1 trillion visits to over 4,500 retail websites and 55 million SKUs
- Analysis based on 6 million average daily orders during November and December
- Companion research based on survey of 1,100+ U.S. consumers and 440+ U.S. retailers that sell products online
- 12M Social Mentions From August 1 – October 11, 2017

**Source Internet Retailer 2017.
Key findings

1. **The 2017 U.S. online holiday season is poised to be the first to break $100 billion.** Online revenues during the holiday season are 13.8% higher in the U.S. than last year (compared to 3.8% for all U.S. holiday retail)

2. **Big and small retailers are the winners, beating out the middle.** Big retailers have higher order values and desktop conversion rates while small retailers have the highest mobile conversion rates

3. **Consumers are buying more and buying cheaper:** for toys and consumer electronics (amongst others), unit growth is outpacing revenue growth

4. **Mobile is key to winning.** Fast mobile growth is closely correlated with fast revenue growth, but desktop orders remain the biggest

5. **Novelty and nostalgia drive top product buzz.** The most buzzed about products on social include throwbacks to the 80s and 90s (like Teddy Ruxpin and the Super Nintendo Classic) and new offerings like the Nintendo Switch
Online holiday shopping season breaks $100 billion

Online holiday shopping season (Nov-Dec) revenue in the U.S. is projected to be $107.4B in 2017, 13.8% more than online holiday spending in 2016

Just how much money is $100B?
• Those two months of revenue are enough to buy every National Football League team*, with $20B left to spare

Double digit growth, but for how long?
• Since 2015, online holiday season revenue growth has been slowing
• Online revenue growth during holiday continues to outpace overall retail growth (13.8% online vs 3.8% overall**)
• Online will continue to gain share, but it won’t fully offset the “retail apocalypse”

SURVEY SAYS
Consumers say they’ll spend 55% of their holiday budget online, up from 53% last year

Methodology
Prediction based on Adobe analysis of aggregate and anonymous online visits and shopping trends from U.S. retailers conducting eCommerce
*Source: Forbes estimate of NFL team valuations
**Source: The National Retail Federation estimates overall holiday retail will increase between 3.6% and 4.0%
HOLIDAY PREDICTIONS 2017

The big get bigger

Thanksgiving weekend online revenue growth consistently outpaces holiday daily averages, but year-over-year growth plateaus

- The Thanksgiving weekend* generates $19.7 billion or $1 in $6 (18%) of online holiday shopping
- Cyber Monday is set to remain the overall leader with both the highest predicted revenue ($6.6B) and fastest growth (16.5% year-over-year)

Glossary

*The Thanksgiving shopping weekend is Thanksgiving Day through Cyber Monday

SURVEY SAYS

More than half of all retailers (51%) report offering Black Friday promotions, while a third (33%) plan to offer online door-crashers or major coupons
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It pays to be big... or small

Big retail, bigger baskets
• Big retailers (>-$100M annual revenue) get bigger orders on every device
• This contributes to large retailers growing revenue twice as fast in first half of 2017 vs. other retailers

Small retail, mobile dominance
• Small retailers (<-$10M annual revenue) have the best mobile conversion rate (1.9%)

Average retailers can’t find foothold
• The “in-betweeners” are in a tough spot. Their average conversion rates (2.4%) fall behind both large (3.2%) and small companies (2.7%)

Glossary
Small retailers: under $10M annual sales
Medium retailers: Between $10M and $100M annual sales
Large retailers: Over $100M annual sales
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Making the move towards cheaper products

Online toy sales poised to grow
• During the holiday season, online shoppers buy more items at lower prices
• 4 out of 5 measured product categories show higher unit growth than revenue growth, suggesting that consumers are orienting towards lower priced products
• Toys and apparel are seeing significant unit growth (39% and 20%, respectively) while jewelry trails the pack with a holiday season decline of 3%

Methodology Based on Adobe analysis of hundreds of thousands products and millions of transactions as measured by the Adobe Analytics Cloud
Top products: consumer electronics

- Ear buds, VR, and home assistants dominate top electronics
- Air Pods, Playstation VR, Oculus, and Google Home lead overall social buzz

<table>
<thead>
<tr>
<th>Product</th>
<th>Social Mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Pods</td>
<td>508</td>
</tr>
<tr>
<td>Playstation VR</td>
<td>438</td>
</tr>
<tr>
<td>Oculus</td>
<td>386</td>
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<tr>
<td>Google Home</td>
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<td>HTC Vive</td>
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<td>Amazon Echo</td>
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<tr>
<td>Pixel Buds</td>
<td>284</td>
</tr>
<tr>
<td>Home Pod</td>
<td>95</td>
</tr>
</tbody>
</table>

Source: 12 million Adobe Social Mentions August 1 – October 11

SURVEY SAYS

For shoppers that use social media for help in holiday shopping, 56% use social media to get new gift ideas.
HOLIDAY PREDICTIONS 2017

Top products: toys

- Top sellers in toys from 2016 offer new versions in 2017: Shopkins, Paw Patrol, Hatchimals
- Nostalgia is big in toys this year: NERF Guns, Teddy Ruxpin

Source: 12 million Adobe Social Mentions August 1 – October 11th
HOLIDAY PREDICTIONS 2017

Top products: video games & consoles

- Top selling video games also pick up on nostalgia: Super Mario Odyssey and Pokemon Ultra Sun & Moon
- First holiday season for the Nintendo Switch is driving buzz
- Super Nintendo (SNES) Classic release is set to be just as popular as last year’s Nintendo Classic release

### Video Games

- **Super Mario Odyssey**: 374
- **Assassin’s Creed Origins**: 303
- **Call of Duty WW2**: 293
- **Battlefront 2**: 257
- **Pokemon Ultra Sun/Moon**: 149

### Video Game Consoles

- **Nintendo Switch**: 4,223
- **PlayStation Pro**: 2,264
- **Xbox One X**: 670
- **Nintendo 3DS**: 417
- **SNES Classic**: 358

Source: 12 million Adobe Social Mentions August 1 – October 11th
The best day* to do your online holiday shopping based on low prices.

*Best day varies by product category and reflects average price savings in the category since October 1st.

**November 22**
- **Christmas Décor**
  - Save 23%

**Thanksgiving**
- **Sporting Goods**
  - Save 11%
- **Computers**
  - Save 16%
- **Apparel**
  - Save 15%
- **Video Games & Consoles**
  - Save 10%
- **Tools & Home Improvement**
  - Save 3%

**Black Friday**
- **Appliances**
  - Save 18%
- **Tablets**
  - Save 24%
- **Televisions**
  - Save 24%
- **Jewelry**
  - Save 12%

**Giving Tuesday**
- **Furniture & Bedding**
  - Save 13%
- **Pet Products**
  - Save 22%

**Cyber Monday**
- **Toys**
  - Save 19%

*Discount percentage is an average.
Find out when your favorite products are likely to be out-of-stock for the holiday season.

Out-of-stock varies by product category.

**THANKSGIVING**
- **SPORTING GOODS**
  - Out Of Stock
- **APPLIANCES**
  - Out Of Stock
- **TABLETS**
  - Out Of Stock
- **TELEVISIONS**
  - Out Of Stock
- **VIDEO GAMES & CONSOLES**
  - Out Of Stock

**BLACK FRIDAY**
- **FURNITURE & BEDDING**
  - Out Of Stock
- **JEWELRY**
  - Out Of Stock
- **TOOLS & HOME IMPROVEMENT**
  - Out Of Stock
- **COMPUTERS**
  - Out Of Stock

**CYBER MONDAY**
- **APPAREL**
  - Out Of Stock
- **TOYS**
  - Out Of Stock

*Out of stock defined as the days when products are most likely to be out of stock, on average by category.*

**NOVEMBER 19**
- **PET PRODUCTS**
  - Out Of Stock

**NOVEMBER**

**HOLIDAY SEASON 2017**

19 23 24 27  **DECEMBER**
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Cyber Monday shoppers are last-minute closers

The Golden Hours of retail

- Three hours on Cyber Monday (8PM-10PM local time) bring in more revenue than an entire average day’s worth of revenue
- Conversion rates reach their yearly peak the last hour of Cyber Monday (11PM-12AM local time) at 4x the annual average

The early bird gets the worm

- Customers that shop in the small hours of Cyber Monday morning will find more in stock and are most likely to find the deals they’re looking for

SURVEY SAYS

Only 22% of shoppers are finished holiday shopping by the end of Black Friday, making Cyber Monday a key day for shoppers

Cyber Monday brings in more revenue from 8-11PM than an entire average day.

Source: Adobe Analytics
Mobile is where people shop, and sometimes buy
• High-growth companies see more smartphone visit and revenue growth than below-average growth companies (23% and 32% respectively)

Holiday season set to cross mobile traffic tipping point
• While desktop purchases still account for two-thirds of revenue, mobile is the starting point for shoppers: for the first time, consumers will visit retailer websites from mobile devices more than desktops
S.F., Seattle, and D.C. prove mobile x-factor

DMAs with high smartphone growth from revenue see most overall revenue growth

$30 Higher average order value in Top 10 Revenue Markets

0.9% Higher conversion rates of Top 10 Revenue Markets

Glossary DMA: “Designated Market Area”
STOCKING STUFFERS
HOLIDAY PREDICTIONS 2017

The bigger the TV, the bigger the discounts

- Shoppers for 70-inch TVs can save over $1,100 during the holiday season
- As TV screen size increases, the larger potential discounts increase

Methodology Based on analysis of televisions sold during the holiday season in 2016

Glossary Average discount is defined as the average maximum discount for specific TVs at various screen sizes, compared to prices on October 1
Consumers bought 5x as many 8 foot+ artificial trees last holiday season.

*compared to 2015  
Source: Adobe Analytics
Americans bought **6,760 football fields** worth of wrapping paper during the 2016 holiday season.

Source: Adobe Analytics
APPENDIX
HOLIDAY PREDICTIONS 2017

Daily price deflation shows steep price savings on key days

- Discounts were steeper on TVs in 2016 rather than 2015
- Shoppers saw the steepest deflation (-24.0%, from Oct. 1st) for TVs on Thanksgiving weekend last year

Methodology Based on Adobe analysis of hundreds of thousands products and millions of transactions as measured by the Adobe Analytics Cloud
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Shop around on key days for toys, electronics

- Shopping around pays, especially on key days. Discounts from shopping around peaked last year on the weekend including Cyber Monday for toys (33.0% price difference between the highest and lowest price for the same product) and electronics (22.0%)
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Apps are part of the season, but e-mail dominates

- App installs are down year-over-year on key dates, but usage is up. App downloads peak the day before key shopping days.
- E-mail marketing still drives revenue over the Black Friday – Cyber Monday weekend.

SURVEY SAYS

- 64% of shoppers have a retail app downloaded on their mobile device but only 32% will download an app specifically for holiday shopping.
- 37% of shoppers say e-mail remains their favorite way to receive an offer on their mobile device.
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Shape of the holiday season 2017

- Half of all online U.S. holiday revenue will accrue before November 29th
- With 12 days left before Christmas, last-minute shoppers will account for 25% of online U.S. holiday revenue