

# 2024 Holiday Review

## KEY TAKEAWAYS

- 1 2024 U.S. holiday sales rose 3.8%, driven by promotions which remained in-line with 2023 levels.
- 2 Online spending (+6.7%) outpaced in-store growth (+2.9%), with Cyber 5 contributing a record \$41 billion.
- 3 Mobile Shopping surpassed desktop two years in a row, accounting for 54.5% of total online shopping.
- 4 Buy Now Pay Later (BNPL) usage skyrocketed, with consumers spending \$18.20 billion through these services.
- 5 Though holiday sales continued to advance, we remain concerned about the impact of deep discounts on margins and profitability in a pressured retail environment.

## OVERVIEW

The 2024 holiday shopping season delivered solid results despite ongoing economic challenges, including lingering inflation and elevated interest rates, which impacted consumer spending levels and their approach to the season. Despite these challenges, consumer spending remained resilient, with a 3.8% increase in holiday sales (November 1 to December 24), according to data from Mastercard. Gains outpaced Mastercard's initial 3.2% forecast and outpaced last year's 3.1% growth. These gains were even more impressive considering the holiday period was nearly a week shorter than in the year prior. As in previous years, rather than being concentrated around Black Friday and Cyber Monday, consumers started their holiday shopping as early as October, driven by early promotions and their desire to spread out their expenses in a more challenging economic environment. A surge in credit card debt and growing retailer offerings prompted shoppers to opt for BNPL services for gift purchases. Younger generations, in particular, gravitated towards these flexible payment plans, and Cyber Monday proved to be the biggest day to date for BNPL purchases. Though holiday sales were up overall, online accounted for a growing share of the gains as consumers have increasingly become accustomed to its convenience and improved experience. According to Mastercard, online sales outpaced in-store sales, growing 6.7% and 2.9%, respectively. Although growth was modest, in-store sales still make up 70% of total retail spending, according to the NRF.

### Mastercard SpendingPulse<sup>TM</sup>

U.S. Holiday Retail Sales  
November 1 – December 24

2024 vs. 2023

|                                |      |
|--------------------------------|------|
| <b>Total retail (ex. auto)</b> | 3.8% |
| <b>Online (ex. auto)</b>       | 6.7% |
| <b>In-store (ex. auto)</b>     | 2.9% |
| <b>Apparel</b>                 | 3.6% |
| <b>Apparel – Online</b>        | 6.7% |
| <b>Apparel – In-store</b>      | 0.2% |
| <b>Electronics</b>             | 3.7% |
| <b>Jewelry</b>                 | 4.0% |
| <b>Department stores</b>       | 1.6% |
| <b>Restaurants</b>             | 6.3% |



Source: Mastercard SpendingPulse measures in-store and online retail sales, representing all payment types and is not adjusted for inflation. Final spending growth figures may differ nominally following the close of the month.

This underscores the resilience and value of brick-and-mortar stores. Additionally, exclusive in-store promotions and the holiday atmosphere were key drivers of increased traffic. Of the categories covered by Mastercard, restaurants saw the highest growth (6.3%), followed by jewelry (4%), electronics (3.7%) and apparel (3.6%). Meanwhile, department stores were up a modest 1.6%.

NRF reported holiday sales (November 1 to December 31) grew slightly higher, at 4% to a record \$955.60 billion, surpassing its initial forecast of 2.5% to 3.5%. For online and non-store retail sales, NRF reported growth of 8.6%. The report also noted that the unexpected growth during this holiday season was back to pre-pandemic levels, indicating a good start heading into 2025.

## ECOMMERCE INSIGHTS

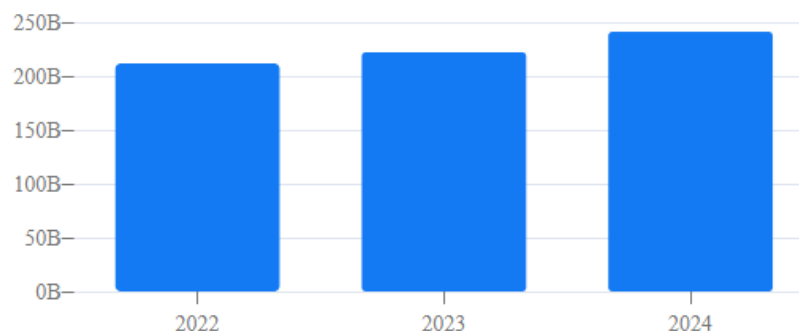
Based on Adobe's online shopping data (November 1 to December 31), online sales totaled \$241 billion this holiday season. This represents an 8.7% year-over-year increase, which aligns closely with the Company's prediction of 8.4% growth. Over half (54%) was driven by just three categories: electronics (\$55 billion), apparel (\$46 billion) and furniture/home goods (\$29 billion). Other strong performers included grocery (up 13% to \$21.5 billion) and cosmetics (up 12.2% to \$7.7 billion).

### Deconstructing Online Spending This Holiday Season:

- November holiday sales totaled \$112.60 billion, marking an 8.8% YoY decrease, largely due to the Thanksgiving holiday being later in the month, pushing sales into December. This was partially offset by a strong Cyber Week, which generated \$41.10 billion in online spend, up 8.2% YoY.
- Black Friday and Cyber Monday contributed \$10.80 billion and \$13.30 billion, respectively.
- In December, consumer spending reached \$128.80 billion online, skyrocketing 30.6% YoY, primarily as a result of Thanksgiving Sunday and Cyber Monday's positioning in December due to the later-than-usual Thanksgiving Day.

## Consumer spend during the holiday season

Revenue dollars: 2022 vs 2023 vs 2024



■ Spend in billion

Source: Adobe Analytics

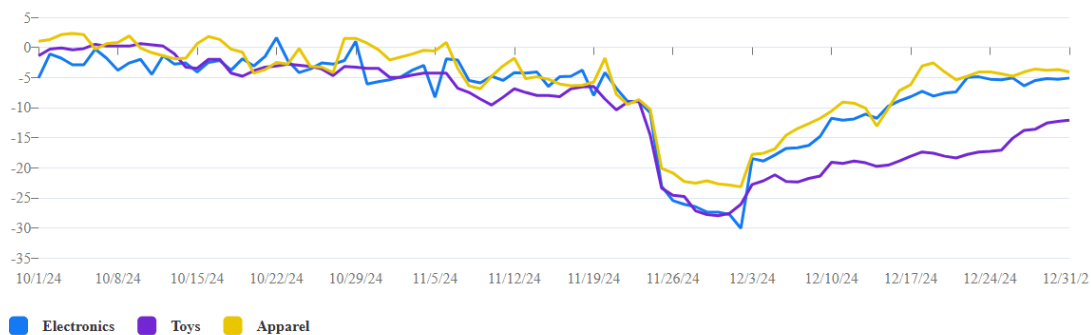
## Notable Discounts Across Ecommerce Categories:

- Electronics saw discounts as deep as 30.1% off the listed price (compared to 31% in 2023).
- Toys and apparel saw similar discounts to previous years of 28% (previously 28%) and 23% (previously 24%), respectively.
- Other categories experienced strong discounts as well, including televisions at 24% (previously 23%), computers at 23% (previously 24%), sporting goods at 20% (previously 18%), appliances at 19% (previously 18%) and furniture at 19% (previously 21%).

### Discounts

See when the best prices show up for top categories. Click the products below to filter your view.

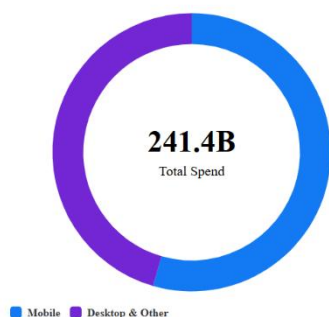
Nov 1st – Dec 31st, 2024



Source: Adobe Analytics

### Spend by Device Type

Nov 1st – Dec 31st, 2024



Source: Adobe Analytics

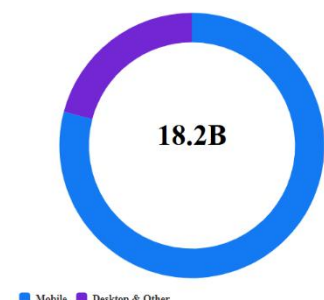
## MOBILE SHOPPING

■ Mobile shopping has outpaced desktop shopping for two years in a row, accounting for 54.5% of all online shopping. Notably, on Christmas Day (Dec. 25), mobile shopping peaked at 65% of online sales (63% in 2023) as consumers utilized their smartphones to seize last-minute deals or redeem gift cards.

■ Although growth has slowed from pandemic highs, curbside pickup has maintained its popularity as a fulfillment method, with 17.5% of online orders utilizing it, compared to 18.4% in 2023. Notably, curbside pickup experienced its peak usage on December 23, as anxious shoppers leveraged this service to ensure timely receipt of their gifts, driving 37.8% of online orders.

### BNPL Spend by Device Type

Nov 1st – Dec 31st, 2024



Source: Adobe Analytics

## BNPL USAGE

BNPL services reached a record high during the holiday season, contributing \$18.20 billion in online spend, up 9.6% YoY. This amount exceeded last year's holiday season spending by \$1.60 billion. Cyber Monday emerged as the top day with \$991.2 million spent (up 5.5% YoY).

## HOLIDAY RETURN PREDICTIONS

According to a recent report from NRF, it is estimated that retailers will see nearly 16.9% of their annual sales in 2024 returned on average, with total returns expected to reach \$890 billion for the year. Retailers continue to recognize the importance of a hassle-free return process, which enhances customer satisfaction and elevates trust in consumer–retailer relationships. One NRF survey found that 67% of people say a negative return experience would discourage them from shopping with that retailer again. NRF VP of Industry and Consumer Insights Katherin Cullen commented, “Returns play an important role within the retail ecosystem and offer an additional touchpoint for retailers to provide a positive interaction with their customers. Retailers recognize the value of returns and their integration with brand loyalty, and many are prioritizing their returns capacity to ensure a seamless customer experience.”

## TAKEAWAY

Despite facing challenges from consumer headwinds, a shortened holiday season and shoppers’ hesitance to spend, retailers were able to drive strong holiday demand by continuing to introduce deep discounts early in the year, especially in discretionary categories that consumers had largely ignored throughout 2024. BNPL also significantly supported retailers’ efforts this holiday season as consumers leaned into these payment services to extend their budgets. However, though sales momentum remained strong, we remained concerned about the impact of promotions, online gains and BNPL on margins.

The following table reflects sales performance for those retailers that disclosed holiday results:

| 2024 Holiday Comps Performance      |      |      |      |
|-------------------------------------|------|------|------|
|                                     | 2024 | 2023 | 2022 |
| <b>Apparel and Footwear</b>         |      |      |      |
| <b>Buckle</b>                       | 4%   | -6%  | 7%   |
| <b>Citi Trends</b>                  | 7%   | 0%   | -18% |
| <b>Destination XL</b>               | -7%  | -9%  | 8%   |
| <b>Genesco</b>                      | 6%   | -4%  | 3%   |
| Journeys                            | 14%  | -6%  | -2%  |
| Schuh Group                         | 3%   | -5%  | 18%  |
| Johnston & Murphy                   | -1%  | 11%  | 15%  |
| <b>Tilly's</b>                      | -10% | -12% | -14% |
| <b>Urban Outfitters</b>             | 6%   | 6%   | 2%   |
| Anthropologie                       | 10%  | 14%  | 7%   |
| Urban Outfitters                    | -4%  | -13% | -10% |
| Free People                         | 9%   | 20%  | 15%  |
| <b>Zumiez</b>                       | 6%   | -6%  | -24% |
| <b>Department Stores</b>            |      |      |      |
| <b>Macy's</b>                       | 0%   | N/A  | N/A  |
| <b>Nordstrom</b>                    | 6%   | N/A  | N/A  |
| <b>Big Box</b>                      |      |      |      |
| <b>Costco (U.S., excluding gas)</b> | 5%   | 8%   | 6%   |
| <b>Five Below</b>                   | -3%  | 4%   | 1%   |
| <b>Target</b>                       | 2%   | N/A  | N/A  |
| <b>Median</b>                       | 4%   | 0%   | 2%   |
| <b>Average</b>                      | 2%   | -1%  | -3%  |

\*Comps relative to the two-year ago period

## RETAILER HOLIDAY COMMENTARY

### American Eagle

American Eagle Outfitters' revenues for the fourth QTD period through January 4, 2025, were up about 2%, with namesake brands American Eagle and Aerie both reporting positive results. Based on these results, management is raising 4Q24 profit guidance to be approximately \$135 million, up from previous guidance of \$125 million to \$130 million, and total revenue to be down approximately 5%, as the retail calendar is expected to adversely affect total revenue.

### Citi Trends

Citi Trends sales for the quarter-to-date period ended January 4, 2025, were up 3.2% to \$174.4 million, on strong comps of 7.1%, compared to the same period in FY23. The Company stated that its implied 4Q23 sales are expected to be roughly flat to down low-single digits vs. 4Q23 due to the 53<sup>rd</sup> week last year and increased store closures. The Company expects comp store sales to be on the high end of the range of up low- to mid-single digits compared to 2H23 and 4Q EBITDA on the high end of the range of \$1.5 million to \$4 million.

### Costco

Costco does not report holiday sales as an individual figure; however, we can look at its monthly sales reports for November and December to see how the Company performed during the holiday period. In November 2024, sales rose 5.6%, while Company-wide comps (ex-fuel) increased 4.3%. Food and sundries were up mid-single digits, and fresh food was up high-single digits. The non-food category increased by mid-single digits. In December 2024, sales rose 9.9% while Company-wide comps (ex-fuel) advanced 9.8%. E-commerce saw a significant gain of 35.7% during the period. For the two months combined, sales increased 7.8%, and comps (ex-fuel) rose 7.1%.

### Destination XL

For the nine-week holiday period ended January 4, 2025, Destination XL sales and comps dropped 7.5% and 7.4%, respectively. Management narrowed FY23 guidance, with total sales in the range of \$467 million to \$470 million, down from \$522 million in FY23, and an adjusted EBITDA margin of 4.2% to 4.5%, down from 10.7% last year. CEO Harvey Kanter said, "Our sales results for the 9-week holiday period were mostly in line with our expectations given the late Thanksgiving holiday and continued headwinds and challenges regarding consumer spending. Our customers have been very price conscious and, when they shop, they are gravitating toward our more moderate and entry-level price points. We had a slow start to the quarter with November sales down 11.8%, but our customer responded positively to strategic promotions during our Black Friday and Cyber Monday deals which drove improvement in comparable sales to a decline of 4.4% in December."

### Five Below

Five Below's sales for the holiday period between November 3, 2024, and January 4, 2025, increased 8.7% as comparable sales for the holiday period fell 3.2%. Executive Chairman and Co-Founder Tom Vellios said, "We were pleased to deliver holiday results in line with our plans. The increased focus on product, value and store experience to better engage our customers is underway. We are encouraged by early customer response to these investments, and we look forward to continuing to make progress in 2025. Based on our holiday results and forecast for January, we now expect to deliver fourth-quarter sales in the upper half of our guidance range and are reiterating our EPS outlook."

### Urban Outfitters

Urban Outfitters' sales for the two-month holiday period ended December 31, 2024, increased 10% compared to 2023. Comps for the same period increased 10% at Anthropologie and 9% at Free People while falling 4% at Urban Outfitters. FP Movement brand retail segment's comparable net sales increased 23%, and Free People brand retail segment's comparable net sales increased 6%. Nuuly segment net sales increased 55%, primarily driven by a 53% increase in average active subscribers in the current period vs. the prior year period. Wholesale segment net sales increased 29%, driven by an increase in Free People wholesale, reflecting higher sales to specialty customers and department stores.

## Zumiez

For the nine-week holiday period ended January 4, 2025, Zumiez reported comps were up 5.6% and North American comps advanced 6.9%. The women's category posted the largest positive comps growth, followed by men's and footwear, while accessories were the lowest category, followed by hardgoods. Based on the holiday results, the Company lowered its guidance for 4Q, with sales now expected to be between \$275 million and \$277 million, a 2% decline at the midpoint and down from prior guidance of \$284 million to \$288 million.

## Target

Total sales increased 2.8% in November and December, with comps advancing 2%. Digital sales grew nearly 9%, reflecting more than 30% growth in same-day delivery through Target Circle 360, while the Company also saw nearly 50% growth in Target Plus. Guest traffic increased almost 3% during this period, and December marked the Company's eighth consecutive month of year-over-year traffic growth. Both the Black Friday and Cyber Monday promotional periods saw record-high sales. Based on the strong holiday sales, the Company now expects comp sales to advance roughly 1.5% in 4Q, up from prior expectations of flat growth.

## lululemon


After the holidays, lululemon raised its 4Q guidance and now expects net revenue to be from \$3.56 billion to \$3.58 billion, an 11–12% increase from 4Q23; previous guidance was \$3.48 billion–\$3.51 billion. The Company also said it now expects gross margin for 4Q24 to increase by approximately 30 bps, compared to previous guidance of a decline of 20 to 30 bps.


## Macy's

Following the holiday season, Macy's reported QTD comps growth, with Macy's first 50 locations and luxury nameplates Bloomingdale's and Bluemercury all continuing their positive comps trend. Macy's management commented, "Our Bold New Chapter strategy continues to gain traction, putting us on track to achieve our second quarter of sequential comparable sales improvement. Reflecting ongoing positive response to Macy's First 50 locations, we are excited to expand initiatives to an additional 75 Macy's locations in FY25."

## Nordstrom

For the nine-week holiday period ended January 4, 2025, the Company reported that Nordstrom banner net sales increased 3.7%, with comps increasing 6.5%, while Nordstrom Rack banner net sales increased 7.4% and comps advanced 4.3%. Based on holiday results, the Company has updated its FY24 sales outlook. The Company now expects revenue growth (including retail sales and credit card revenues) of 1.5% to 2.5%, which includes an approximately 135 bps unfavorable impact from the 53<sup>rd</sup> week, compared to its prior outlook of flat to 1% growth. The Company also expects comparable sales growth of 2.5% to 3.5% vs. 52 weeks in FY23, compared with its prior outlook of 1% to 2% growth. The Company did not update its earnings guidance. Commenting on the holiday performance, CEO Erik Nordstrom stated, "As a result of our efforts to remain competitive in the promotional environment and the strength of our offering, our holiday sales in November and December exceeded the expectations we shared during our most recent earnings call."

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