

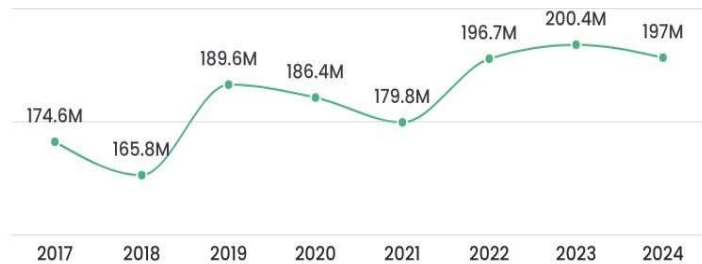
Holiday Weekend Recap

Key Takeaways

- 1** Holiday shopping season off to a strong start; in-store traffic up 4%. Online Sales up 8% over the five-day shopping weekend.
- 2** Promotions remain the key to driving traffic.
- 3** Consumers increasingly turning to credit and buy now, pay later (BNPL) schemes, which hit record usage during 3Q.

Retailers were uncertain heading into the holiday shopping season, given the current macroeconomic headwinds, the extensive reliance on early promotions and the shortened 2024 shopping period. However, all indications lead to a better-than-expected Thanksgiving holiday shopping weekend (Thanksgiving-Cyber Monday). According to the National Retail Federation (NRF), 197 million shoppers participated in the five day shopping event online and in-store, surpassing initial expectations of 183 million; it was the second most shoppers on record for the holiday weekend, falling just short of last year's record of 200.4 million.

Thanksgiving weekend shoppers over the years



Source: NRF's 2024 Thanksgiving Weekend Consumer Survey, conducted by Prosper Insights & Analytics



Thanksgiving weekend in-store and online shoppers by day*



* Results cannot be summed to determine the number of unique shoppers because some consumers may have shopped both in-store and online.

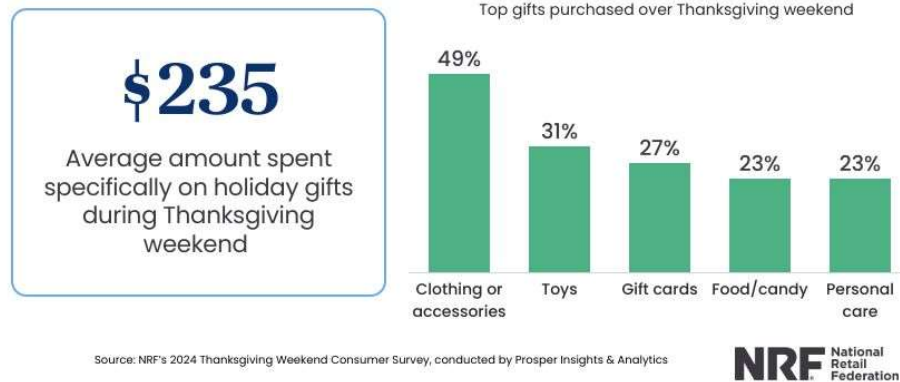
Source: NRF's 2024 Thanksgiving Weekend Consumer Survey, conducted by Prosper Insights & Analytics



Black Friday remained the strongest day of the weekend. In-store shoppers increased 7.2% to 81.7 million, the highest level since the pandemic. Online shoppers totaled 87.3 million, down roughly 3.6% from last year.

During the five-day period, the top gifts were clothing and accessories, followed by toys, gift cards, food and candy and personal care/beauty items.

Thanksgiving weekend shopping trends



NRF expects holiday spending to grow 2.5% to 3.5% this season, down from 3.9% growth in 2023 and hit a record \$984 billion at midpoint. Online spending is expected to outpace in-store spending, rising 8% to 9% to between \$295 billion and \$298 billion and representing just over 30% of total holiday sales.

Holiday sales for 2024 are expected to increase between 2.5% and 3.5% over 2023.







As we have commented previously, early promotions have been a key to driving traffic, as many retailers began launching their holiday sales events in early October, putting less importance on the Thanksgiving weekend promotions, especially given the five fewer days for shopping between Thanksgiving and Christmas this year. According to the NRF, consumers reported that 38% of shoppers took advantage of sales specifically during the week before the Thanksgiving holiday weekend, reassuring the importance of retailers' early holiday promotions. Adobe Analytics reported that online sales hit records on each of the five days from Thanksgiving to Cyber Monday compared to last year, with Black Friday leading the pack (10.2%), followed by Thanksgiving Day (8.8%), Cyber Monday (7.3%) and the weekend of November 30 and December 1 (5.8%). Cyber Monday remains the biggest online shopping day of all time, with total sales of \$13.3 billion, surpassing Adobe's initial projection of \$13.2 billion. For the entire five-day shopping period, online sales reached \$41.1 billion, up 8.2% year-over-year. Adobe reports that online sales were largely driven by strong demand for electronics, toys and apparel—which also saw the deepest discounts.



Additionally, the strong online performance was driven by net-new demand vs. higher prices. Adobe's digital price index reported e-commerce prices have fallen consecutively for 26 months. To juggle their narrow holiday budgets, consumers continue to use credit or flexible payment plans to finance their purchases. Credit card debt rose to an all-time high of \$1.17 trillion during the third quarter, an 8.1% increase year-over-year. BNPL services also hit a record high this holiday season, contributing to \$991.2 million of the \$13.30 billion spent on Cyber Monday (up 5.5% YoY), which is only expected to grow, with Adobe reporting shoppers are expected to spend a record \$18.50 billion using BNPL services for holiday purchases during the last quarter of the year.

Breaking spending down by generational cohort, Gen Z is anticipated to be leading the charge, with projected holiday purchases of \$1,638, more than double the boomer average of \$681, as of December 4, 2024 (The Harris Poll). The same study suggests that Gen Z and millennials are looking to technology to reduce stressful tasks like shopping by using generative AI. Lastly, The Harris Poll noted the importance of brick-and-mortar stores to the shopping experience as 68% of Gen Z and millennials consider mall shopping a prized custom; similarly, it's said that 40% of shoppers will specifically choose malls for their holiday spending adventures, with 65% indicating that mall shopping reduces their holiday-related stress and saves time.

Ultimately, though early holiday spending indications remain strong, given the ongoing pressure on the consumer, we remain cautious for the period ahead. Due to elevated spending, consumer balance sheets continue to weaken, raising the risk of a slowdown in spending. Additionally, while retailers have improved inventory management this year, and early indications indicate a solid holiday sales season, retailers are still very dependent on discounts to drive sales and foot traffic, particularly for discretionary items, which will impact margins. This trend of heavy promotion is expected to persist throughout the rest of the shopping season, which will further pressure profits.

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