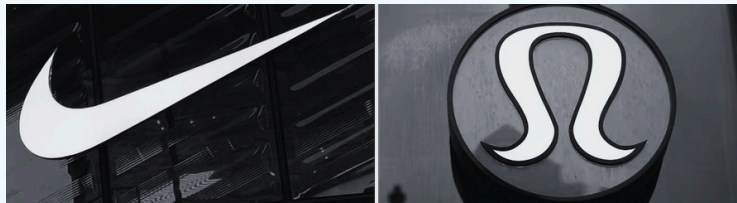


Babbage Spend Insights

September 2024



Why is Nike struggling when Lululemon is doing so well?



1. **Nike US has been struggling with comps throughout 2024:**
 - a. Online revenues account for nearly 60% of revenues
 - b. Only one month of online revenues has comped positive
 - c. For H124 online revenues are down nearly 7% contributing to a total revenue decline
2. **By comparison, Lululemon has been performing very well:**
 - a. Stores are a key part of Lululemon's strategy
 - b. The majority of revenues (52%) occur instore
 - c. In-store revenues have increased YoY every month this year.
3. **Nike's online focus at the expense of stores has hurt sales:**
 - a. New stores increase both in-store and online spending in the market
 - b. However, closing a store decreases both in-store AND online spending in the market

Nike Stock Crashes: Unexpected Sales Forecast Slashes \$28bn from Market Value

On June 28th, [Nike's](#) stock plummeted following an unexpected forecast predicting a decline in sales. Investors were caught off guard, leading to a staggering \$28 billion loss in market valuation, marking one of the worst days in the company's financial history.

Fonrouge, G. (2024, June 28). Nike CEO John Donahoe comes under fire as stock sees worst day on record. CNBC. <https://www.cnbc.com/2024/06/28/nike-ceo-john-donahoe-under-fire-from-wall-street.html>



I think when you have management missing key consumer shifts, there's a problem with your company ... something changed and they've missed the mark.

Kevin McCarthy, a senior research analyst at Neuberger Berman

Nike's 2024 Revenue Trending Down

September 2024

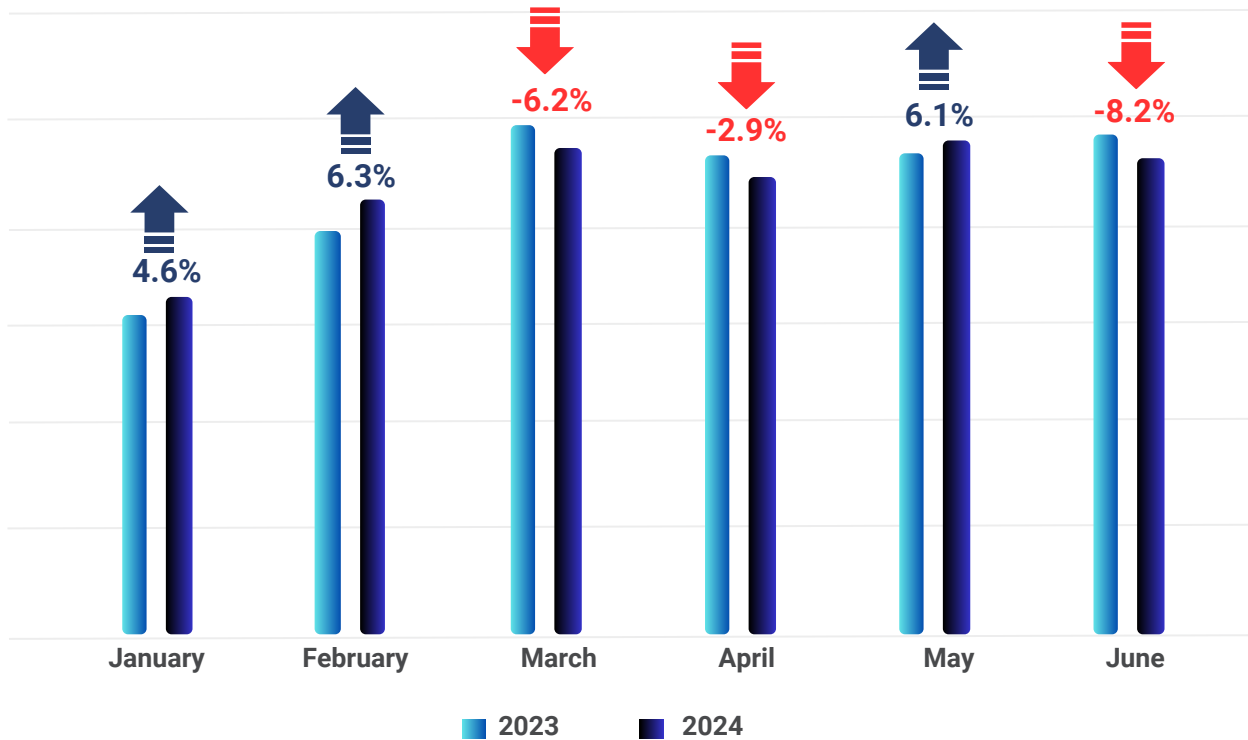


National Revenue Trend : Nike

The slowdown of Nike 2024 revenue is driven by weak online results

Nike sales are down -0.7% YoY for 2024

Nike total Revenues have declined in three out of the last six months. In-store they have only declined YoY for one month while online they declined every month but one including a 20.6% drop in June.



The emphasis of online at the expense of physical distribution channels started in 2020 and resulted in 250bps erosion in gross margin from 2022 to 2023

Lululemon's 2024 Revenue Growing Strongly

September 2024

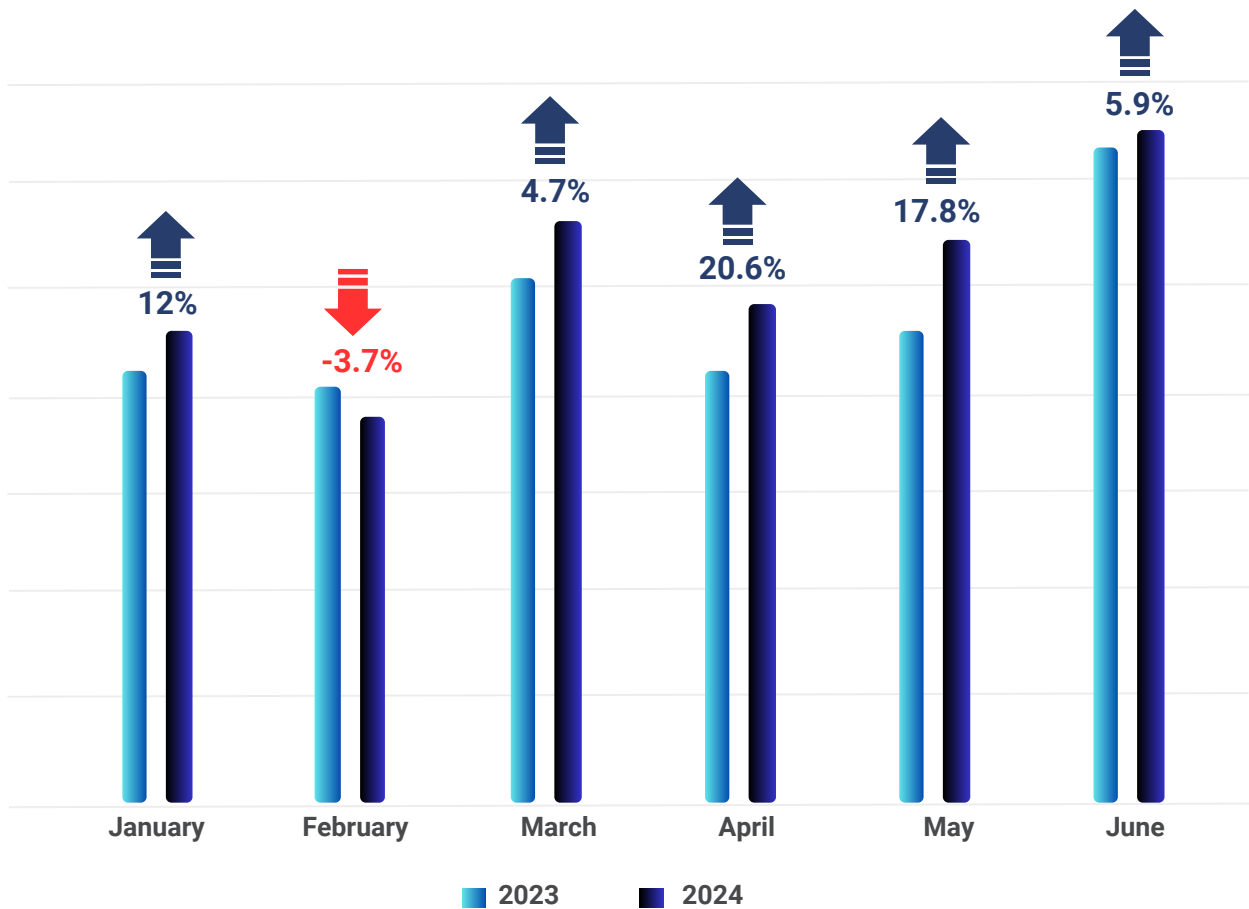


National Revenue Trend : Lululemon

Lululemon continued strong growth in revenues for 2024 led by in-store performance.

Lululemon sales are up 9.3% YoY for 2024

Lululemon revenues are up more than 9% and have increased in all but one of the last six months. In-store and online are performing synergistically, up 10.3% and 8.3% respectively.



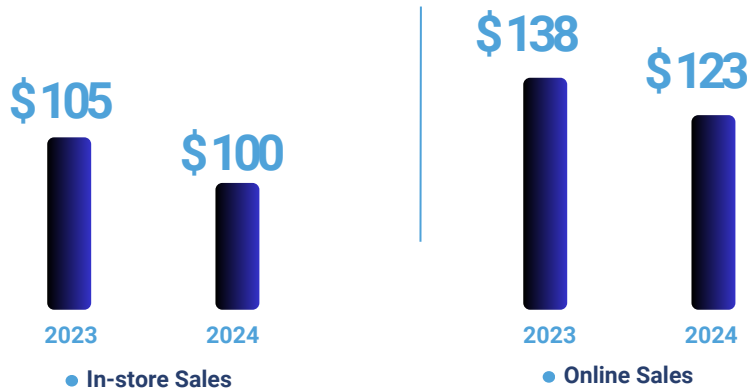
Lululemon drives revenues with in-store emphasis and higher Average Purchase

September 2024



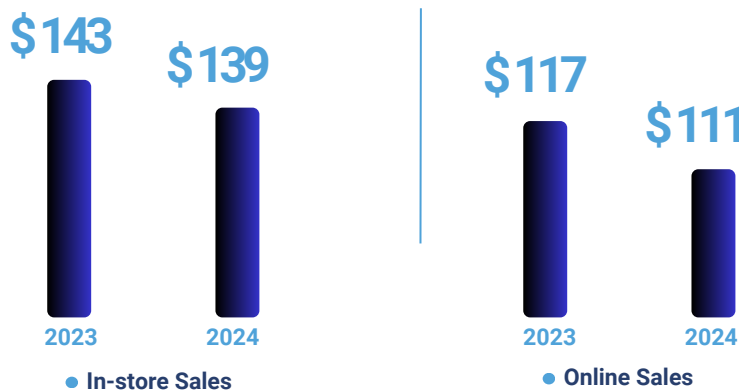
Average Purchase In-store vs. Online : Nike

While average transactions have dipped in 2024 vs 2023 for both Nike and Lululemon reflecting consumer spending, Nike's lower average transactions in-store coupled with high online returns rate have left Nike more vulnerable.



Average Purchase In-store vs. Online : Lululemon

Lululemon sees higher Average In-store Purchase compared to Online, reflecting the value of the store environment in converting visitors to revenues.



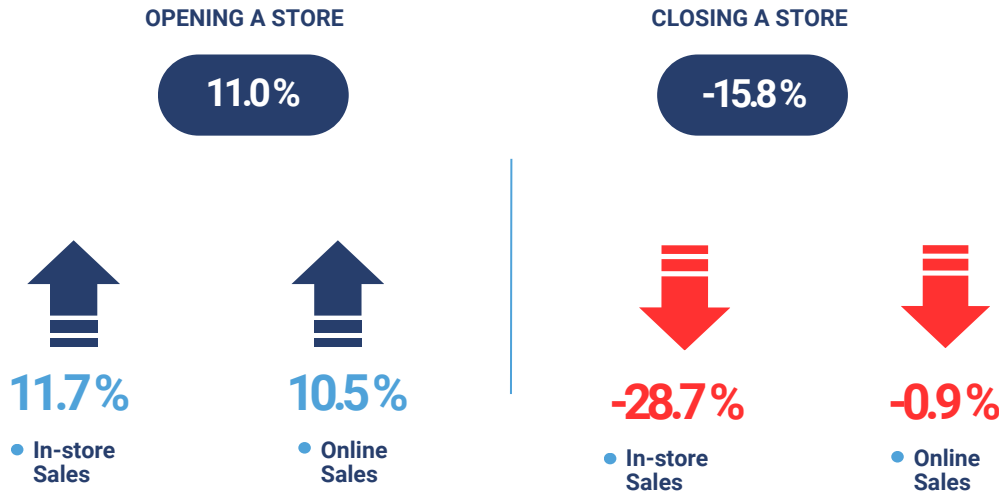
The Halo Effect: How opening and closing physical stores affects online sales

September 2024



Impact on Total Spending: Nike

When closing a physical store, Nike sees a decrease in both in-store and online sales in the market.



Impact on Total Spending: Lululemon

Opening a Lululemon location drives a 20.4% revenue increase in the store trade area compared to a -38.8% decrease if Lululemon closes a store. Some of the sales from the store transfer to online, but the majority are lost.



Frequently Asked Questions | Babbage Spend



Babbage Spend

Babbage Spend is a proprietary curated data set, providing clients with insightful data on actual consumer spending through physical and online channels. Utilizing anonymized debit and credit card transactions, Babbage Spend offers meaningful insights into actual consumer behavior, helping our clients gain a deeper understanding of their markets and their tenants' performance both in-store and online.

How do you know what they are spending?

We analyze credit, debit and post-pay spending in-store and online for named retailers arising from US-based shoppers using Babbage Spend at the national and trade area level. Key performance metrics include:

- Share of spending in-store vs online by category and retailer
- Average Order Value (AOV or Average Purchase) by category and retailer
- Returns rate by channel by category and retailer
- Trade area spending
- Location specific spending

What is the coverage of the Babbage Spend data?

We see the majority of Visa/Mastercard credit, debit and post-pay transactions in the U.S., organized by major retailer, category, consumer, and retailer ZIP by week. Data is available from January 2019 to present, with a 21-day lag. Data is sourced in a privacy-first manner and no Personally Identifiable Information (PII) is collected. A minimum of 30 transactions must be present for the smallest reporting unit to be published, for example one retailer across one channel in one ZIP must have 30 transactions.

How is Net Revenue defined?

Net Revenue is the sum of observed In-Store and Online transactions minus returns.

Our Products

Privacy Compliant - Curated, Discrete Data Sets with white-glove consulting support delivering actionable insights and solutions



Measure Consumer Spending by retailer and ZIP, online and in-store by week.

- ✓ U.S Credit, Debit and post-pay card
- ✓ Online and in-store sales and returns
- ✓ Over 1,400 merchants, 400,000 doors
- ✓ Historic data from 2019



Quantify Who, When, and Where for location and your competitors.

- ✓ Location-aware apps continuously reporting their GPS location
- ✓ Accurate to - 10 feet
- ✓ 120M U.S Consumers
- ✓ Historic data from 2019



Identify What engages the consumer and how to reach them - social/online interests and digital media behaviors

- ✓ Analyze what your visitors like, follow, read, and engage with
- ✓ 60+ social networks and every major media outlet, blogging and public message platform



Questions about another retailer? Contact us!



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