

FORERUNNER

*c*nsumer

TREND REPORT 2024

We're Forerunner.

Founded in 2012, Forerunner is the venture capital firm dedicated to partnering with ambitious entrepreneurs who are defining and pioneering a new generation of business.

Through the trends and data explored in this Report, we aim to deepen our understanding of what drives consumers, including where we believe consumers are heading and **opportunity exists.**

Our approach to the report prioritizes Forerunner's unique lens of the consumer.

Consumers drive our economy



Consumers drive
2/3 of U.S. GDP \$

Source: White House, October 2023

In this year's report:

We discuss the latest developments of three values shifts and one technological shift, including the potential upsides and downsides, the innovative companies spurring change, and open white space of opportunity.

VALUES



Access
Consumers have embraced the world at their fingertips — information, products, services, and experiences from across the globe. But Access has reached a **stressful** tipping point and, looking forward, consumers will be more discerning.



Independence
Comfort with risk has increased since the Great Risk Shift and Great Recession. Put these two together with the backdrop of technological advancements of the Internet, Mobile, and Cloud and you have a compelling setup for people to become more **self-reliant** across more aspects of their life.



Spendthrift
The digital transformation of the 2010s **elevated consumer expectations** — consumers were more than ever able to access what they want, when they want, how they want. Couple that with the uncertain state of today's world and a new dimension to the want-need paradigm comes into focus: *living* expenses.

TECHNOLOGY



Gen AI
Moving faster than any technological shift to date (consumer awareness plus model and chip progress), Generative AI will no doubt define the future. Consumer intrigue remains high and we have our eye on adoption of AI-first applications and willingness to pay with staying power.

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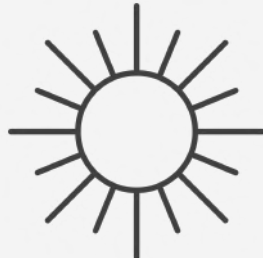
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At Forerunner,
we obsess over
the **values shifts**

driving
consumers

and the
technological shifts
underpinning

consumer
adoption



Values shifts are as rare as



technological shifts 

Forerunner's

Market Lens



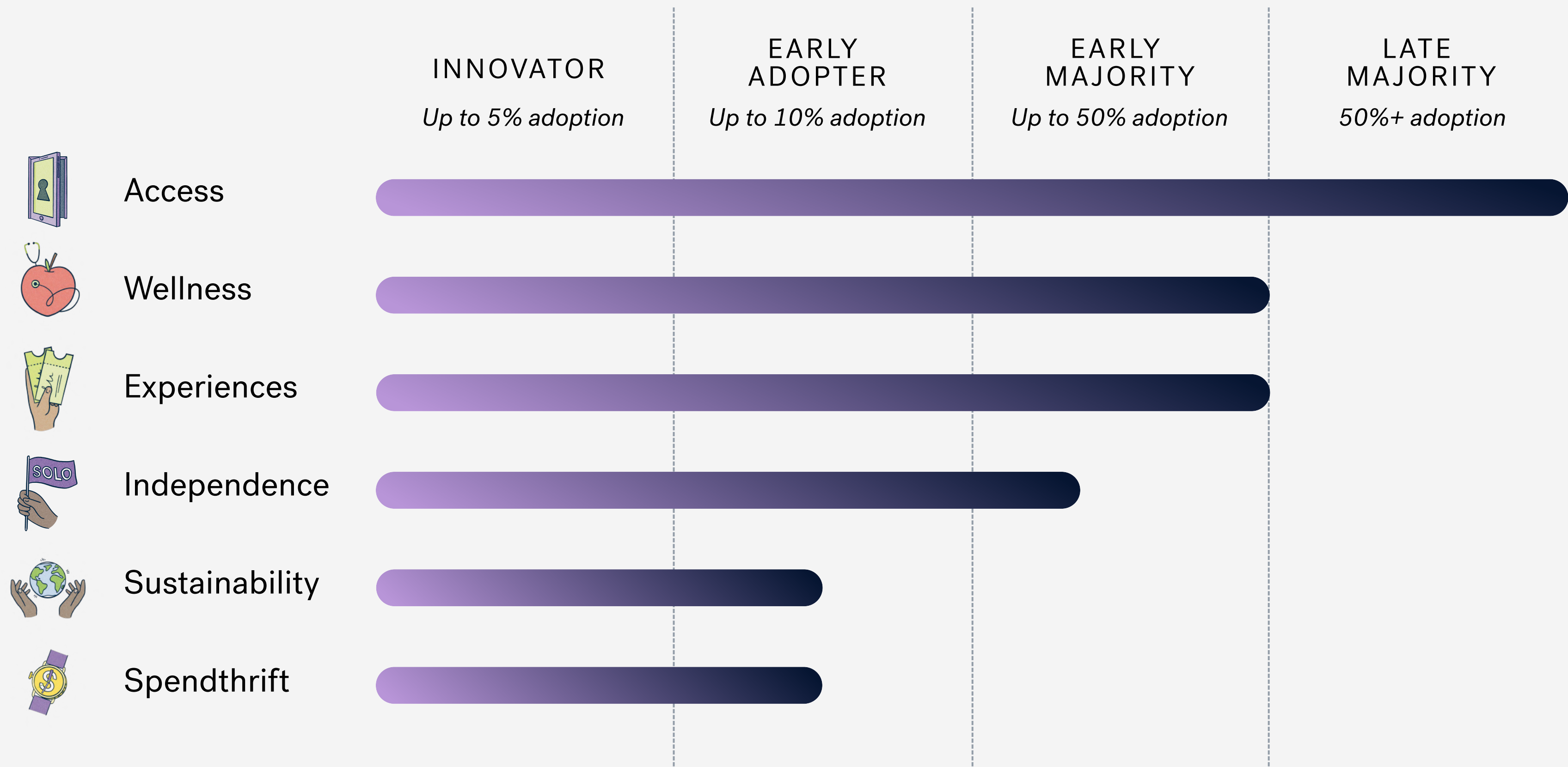
Consumer
values shifts create

new needs

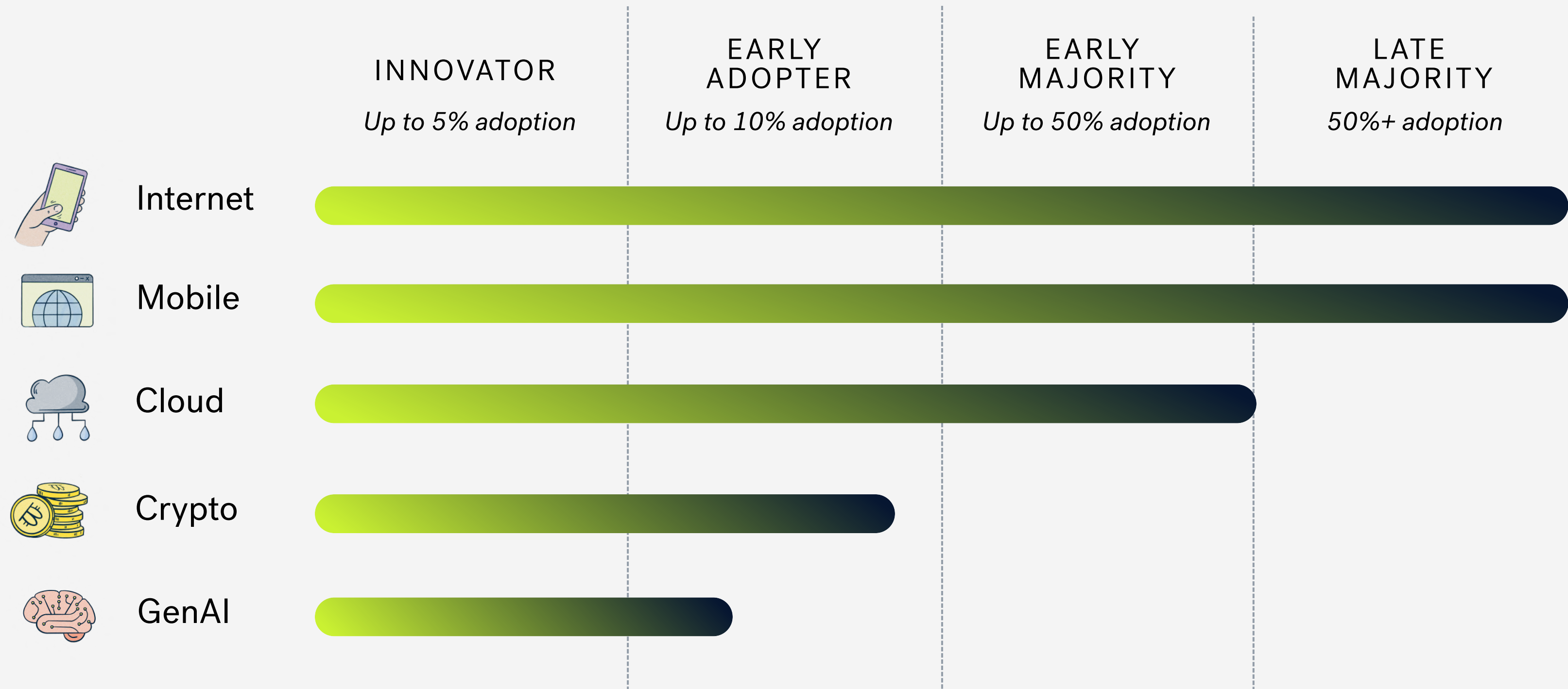


and new needs create
opportunity for new businesses

Market penetration of the leading values shifts



Market penetration of the leading technological shifts



But first,
let's check *vitals*



Market & Consumer Vitals

1

Market Vitals

All signs point to a healthy economy: consumer wallets are on the mend after inflation burned a hole

Income

Economic Indicator	2023 vs. 2022	YoY Trend	
Personal Income Growth Rate	4.6%		Down
Real Disposable Income Growth Rate	4.2%		Up
Median Wage Growth Rate	5.7%		Down
Unemployment Rate	3.6%		Same
Labor Participation Rate	62.6%		Up
S&P 500 Return Rate	24.2%		Up
Personal Savings Growth Rate	32%		Up
Personal Savings Rate	4.5%		Up

Source: Fred, St. Louis Fed, 2024

Market Vitals

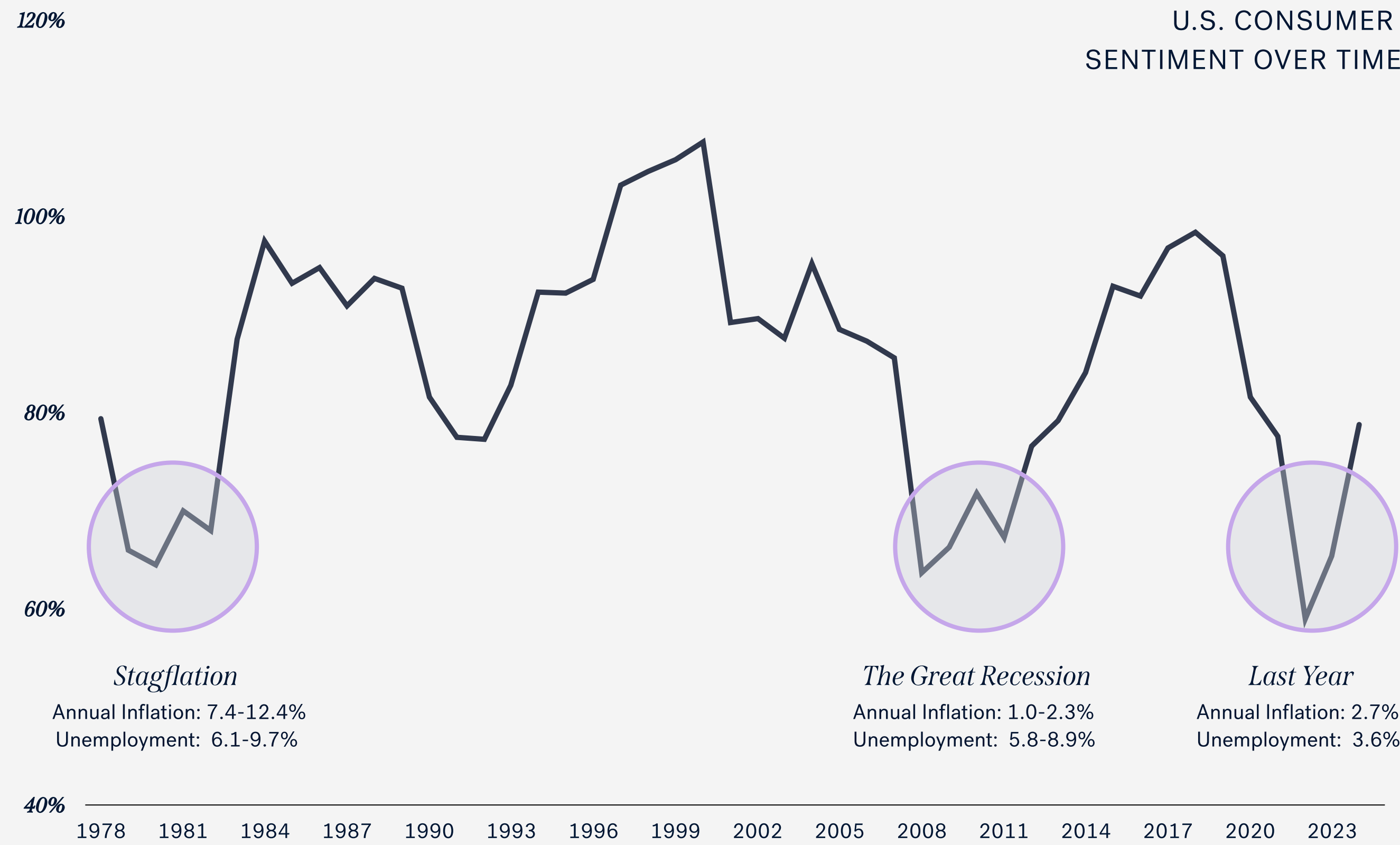
All signs point to a healthy economy: consumer wallets are on the mend after inflation burned a hole

Expenses

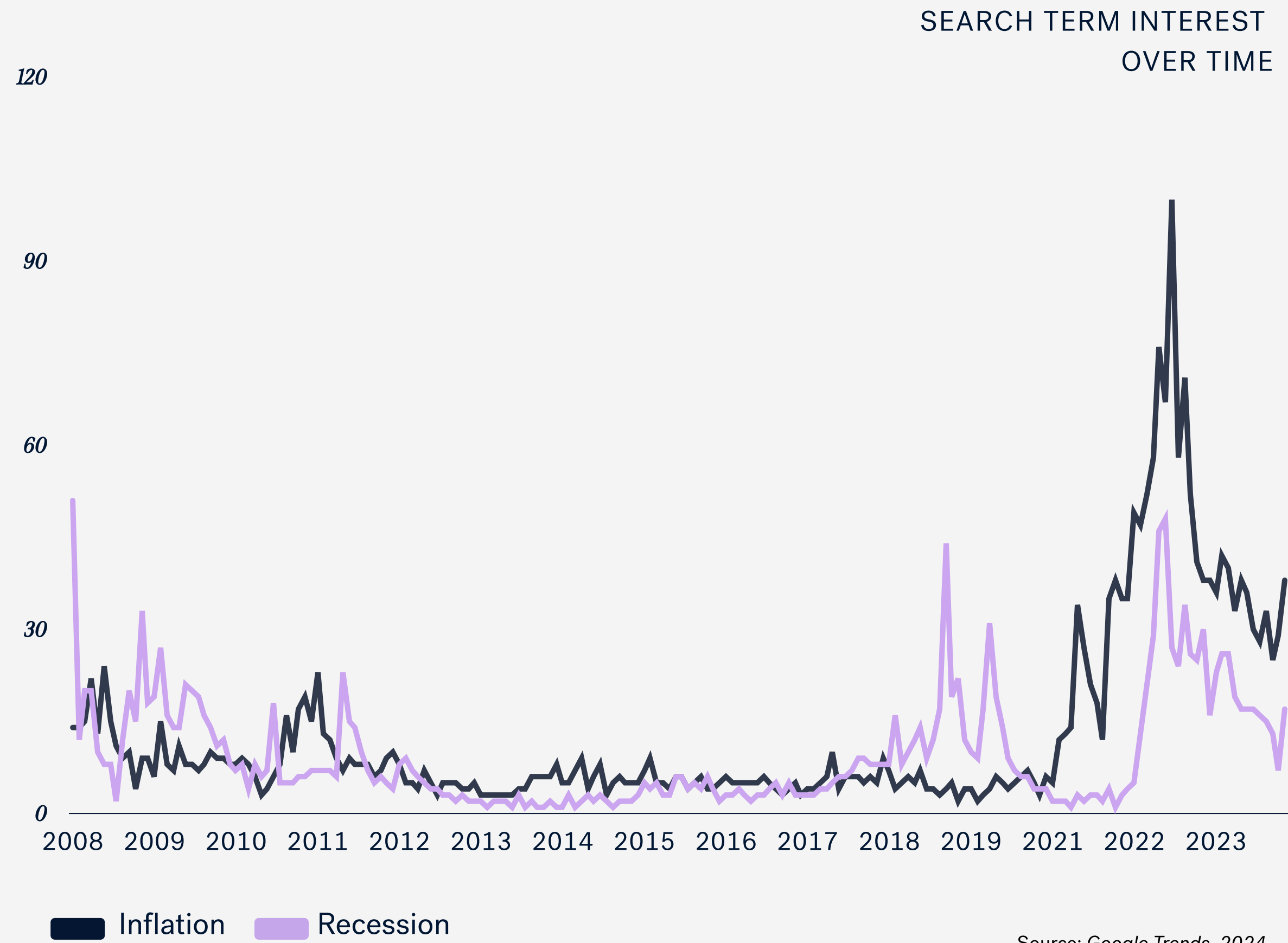
Economic Indicator	2023 vs. 2022	YoY Trend	
Real Personal Consumption Growth Rate	2.6%		Up
Advanced Retail Sales Growth Rate	2.3%		Down
Ecomm Retail Sales Growth Rate	7.6% (Q3)		Up
Interest Payments Growth Rate	42.6%		Down
Inflation (PCEPI) Growth Rate	2.7%		Down
Debt Balance Growth Rate	3.6%		Down
30+ Day Debt Delinquency Rate	1.0%		Up
90+ Day Debt Delinquency Rate	0.2%		Up

Source: Fred, St. Louis Fed, 2024

Consumer sentiment finally responds accordingly, turning a corner from recession-level lows



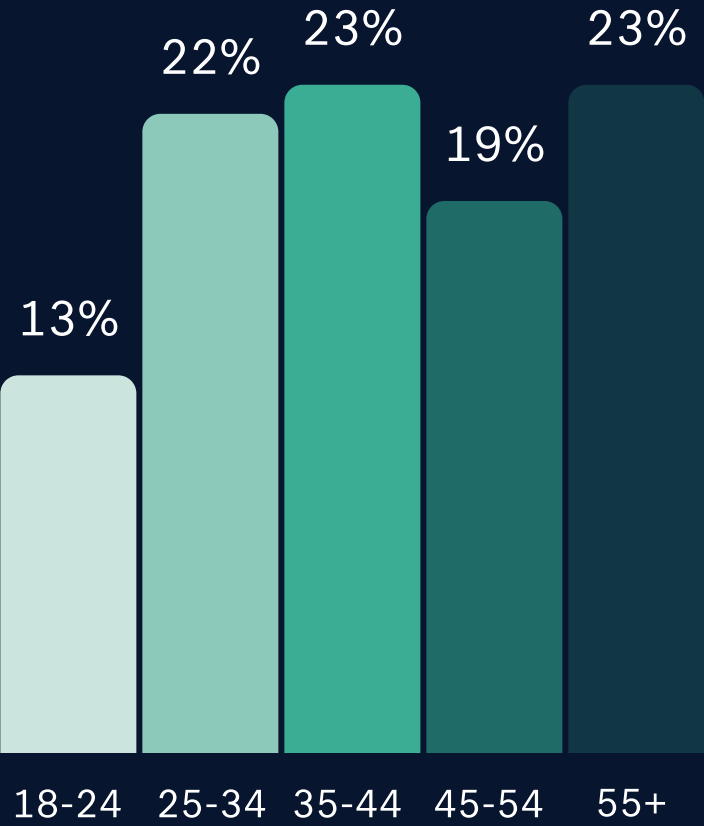
We're not surprised
consumer response took
time: in our always-on life,
the inflation hammer and
recession fears came
down hard on consumers



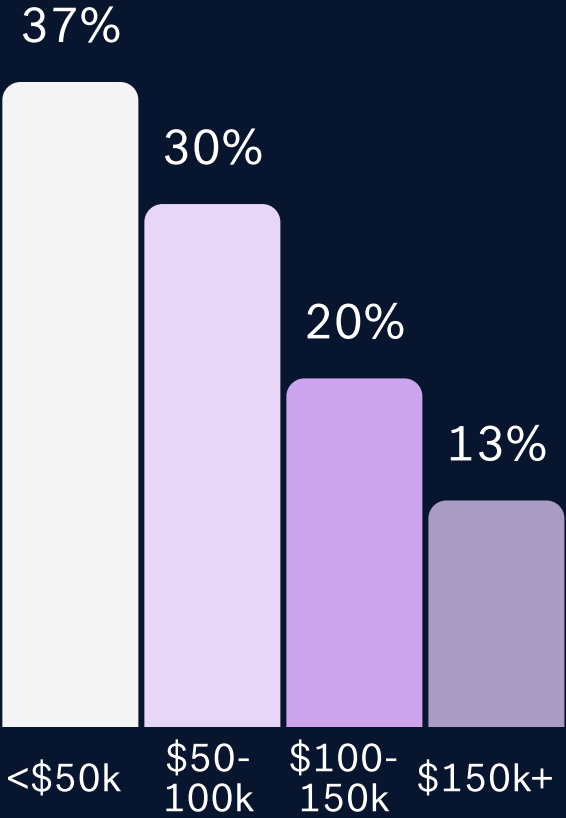
Source: Google Trends, 2024

The demographic data of
our consumer survey

2,501 respondents



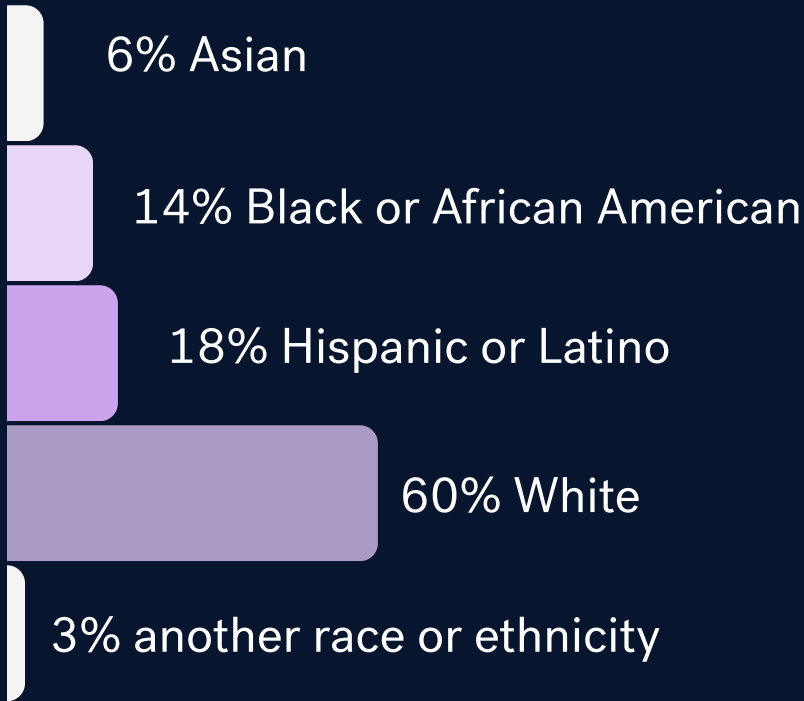
Age



Household Income

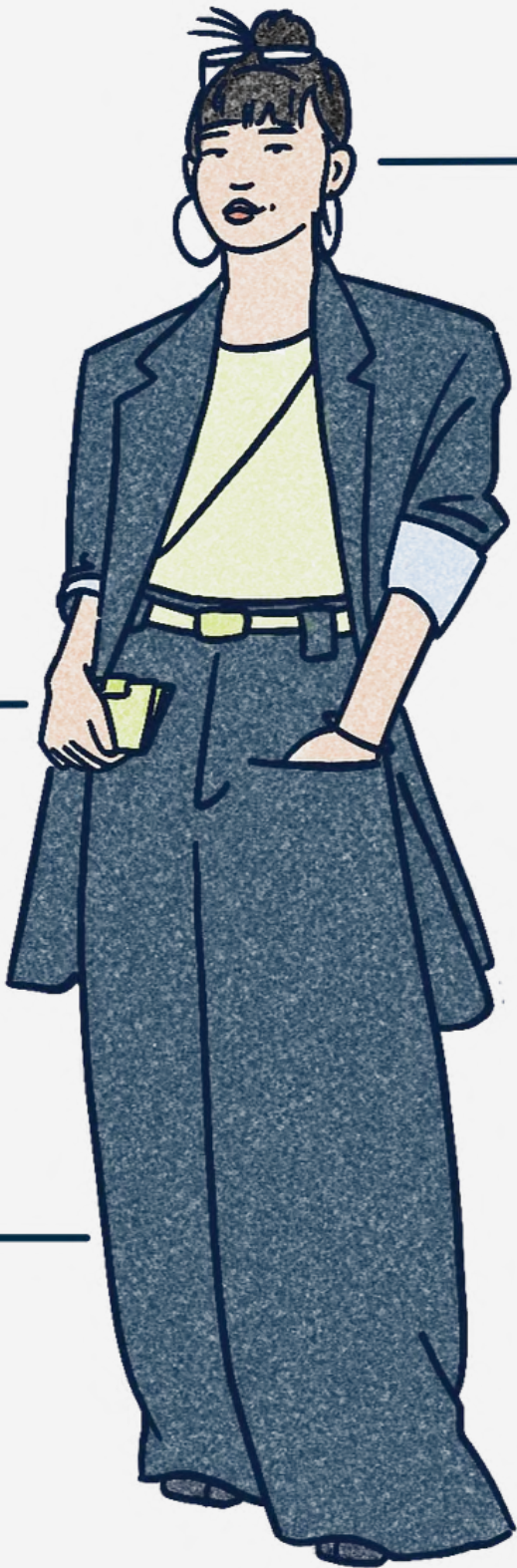


Gender Identity



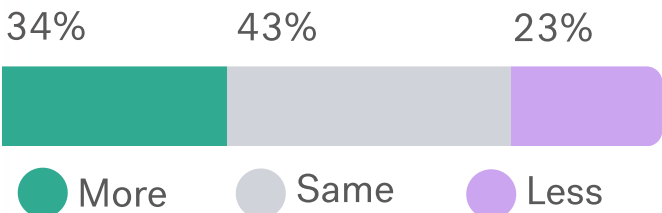
Race / Ethnicity

Consumer vitals: the new year is starting on a positive



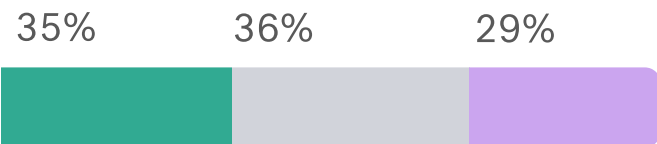
Finances

Household income last year vs before

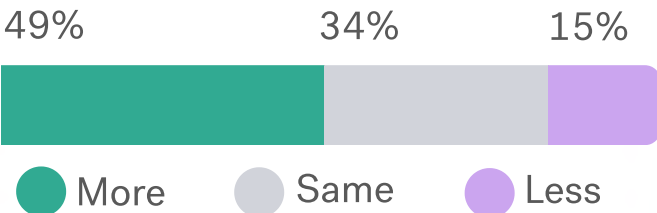


Spend

Plan for household spend this year

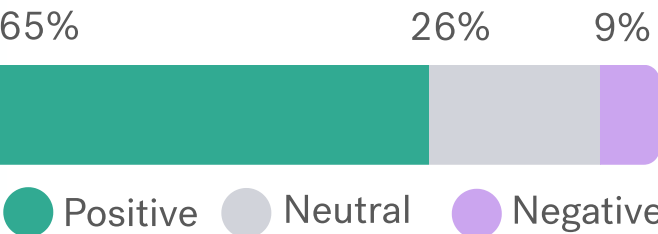


Household spend LY vs before

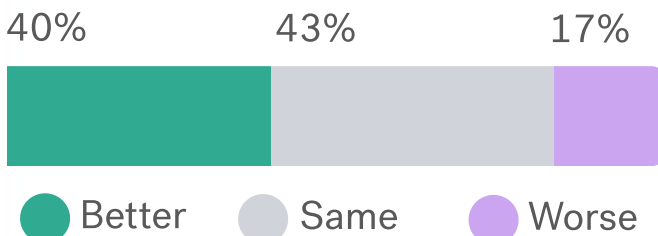


Sentiment

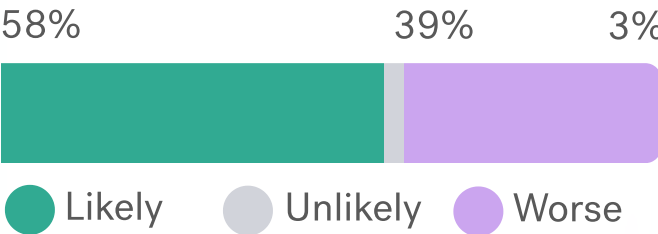
Life sentiment at present



Life sentiment today vs. last year



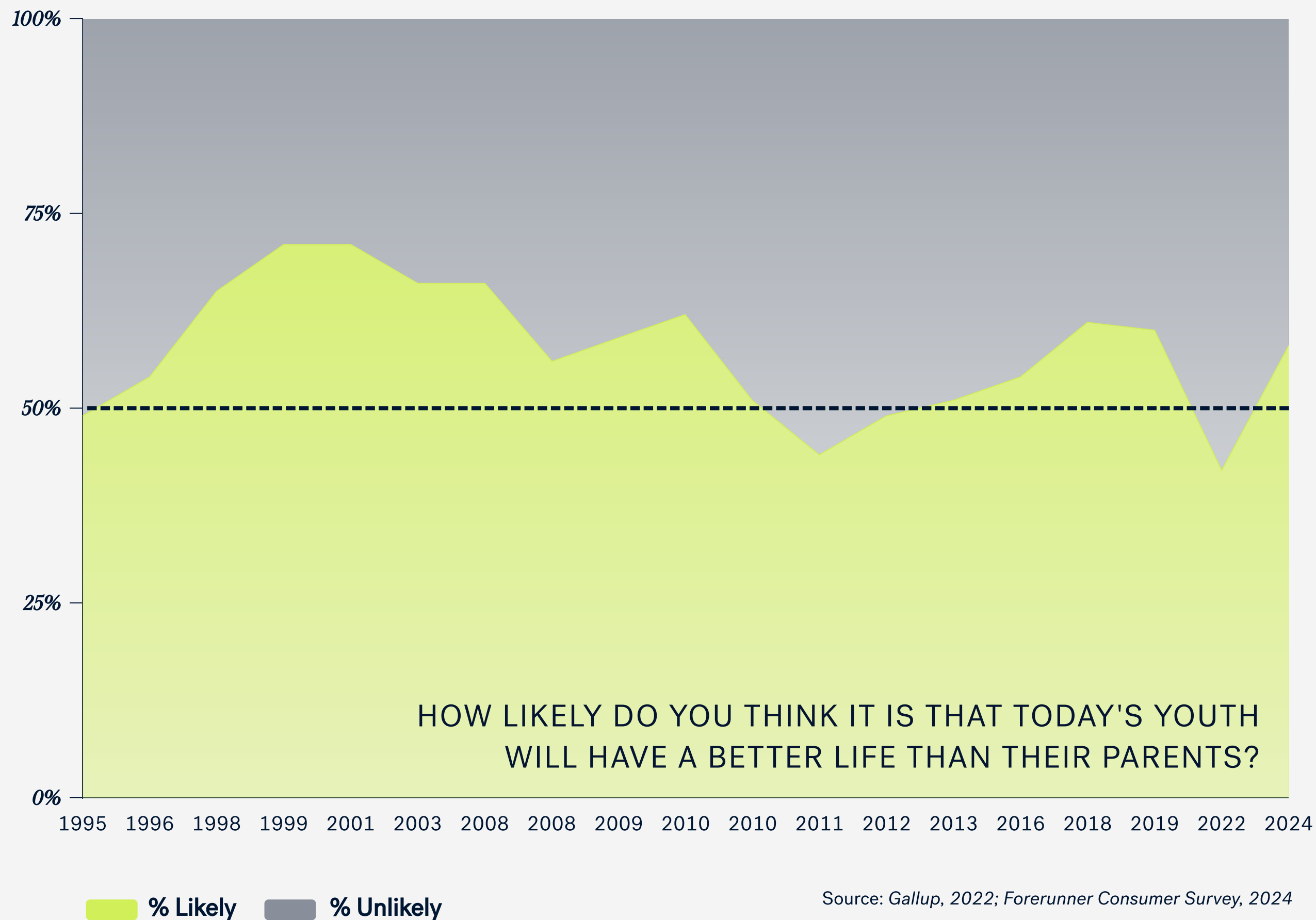
Youth will have better life than parents generation



TY = This Year; LY = Last Year

Source: Forerunner Consumer Survey, 2024

Outlook for future generations improves, though remains historically low, after a concerning downward trend

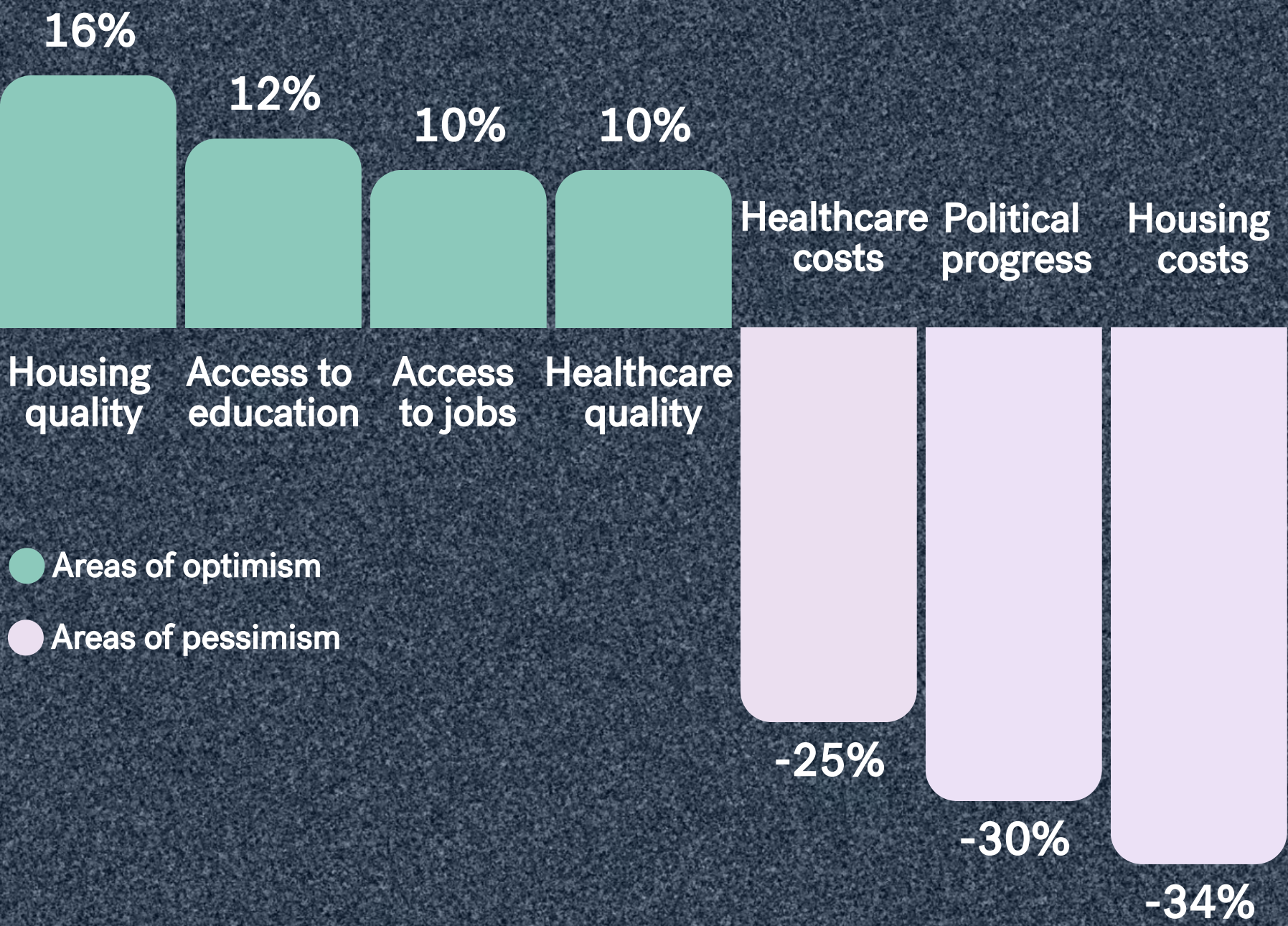


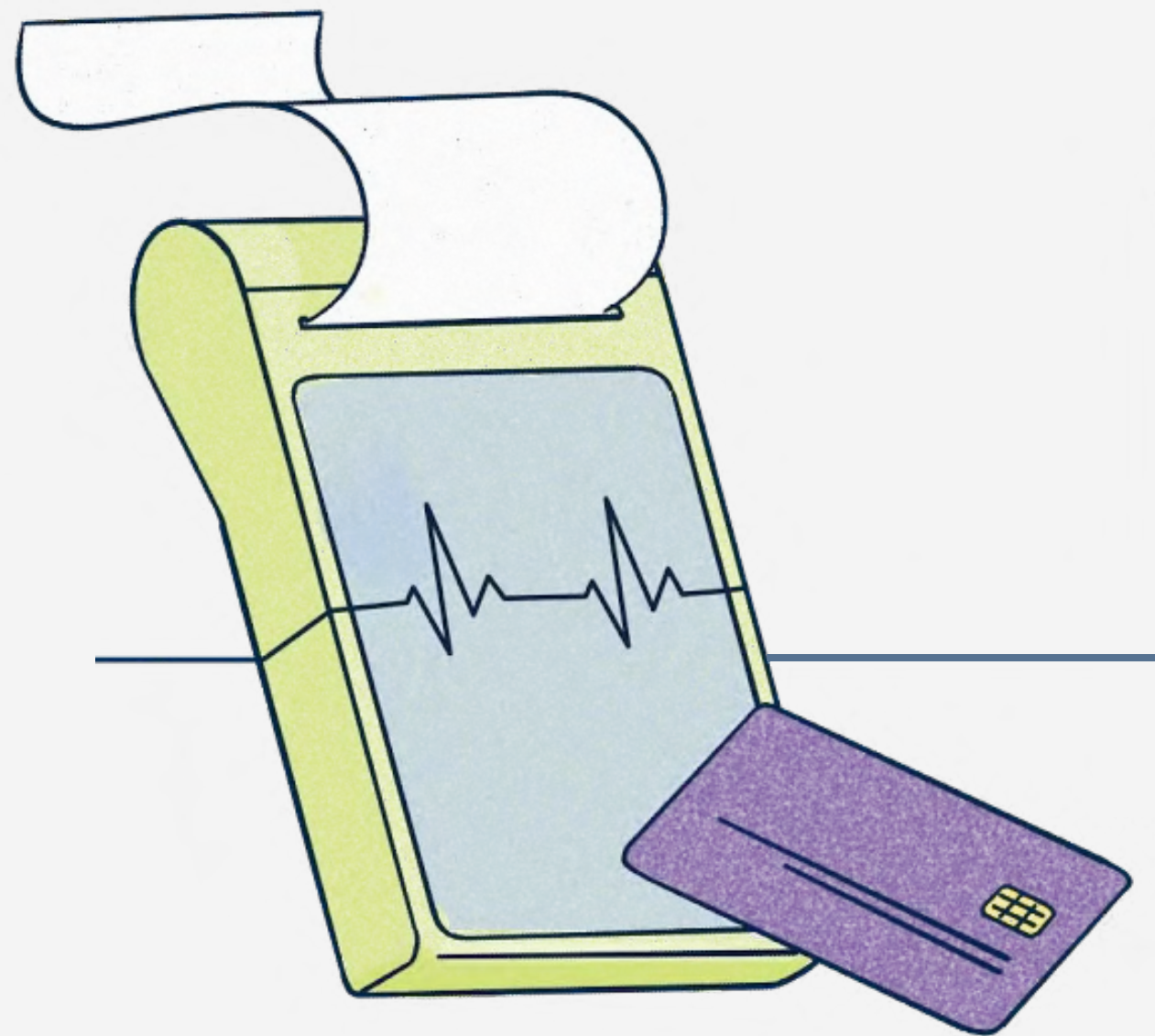
Access and quality drive optimism for future generations while cost and politics drive pessimism



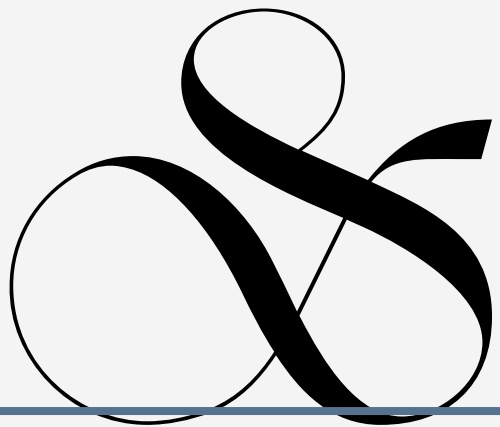
Which of the below would you say are reasons for optimism or pessimism?

Calculated as difference of % optimistic and pessimistic respondents





Now back
to values



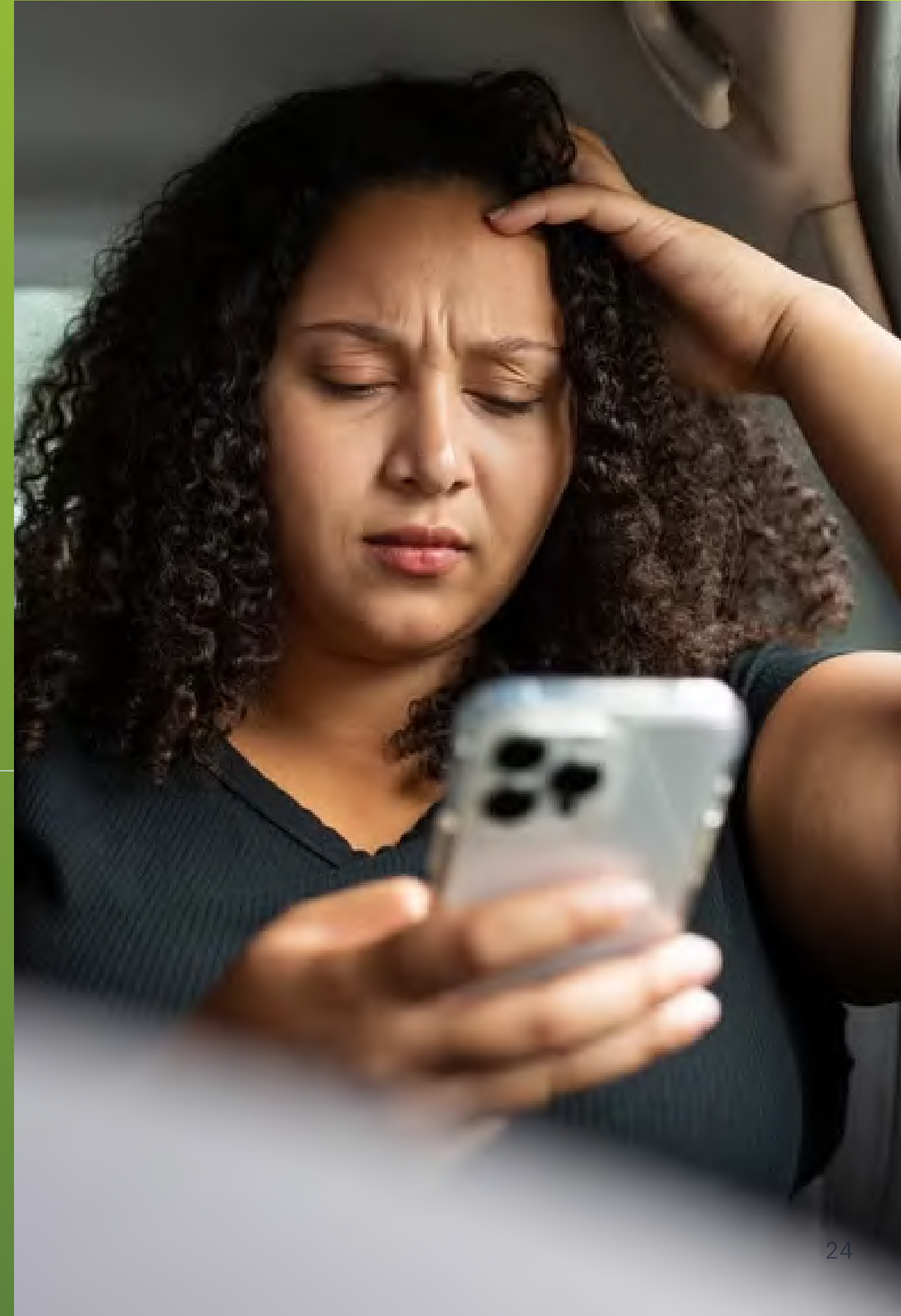
technological
shifts

Values Spotlight

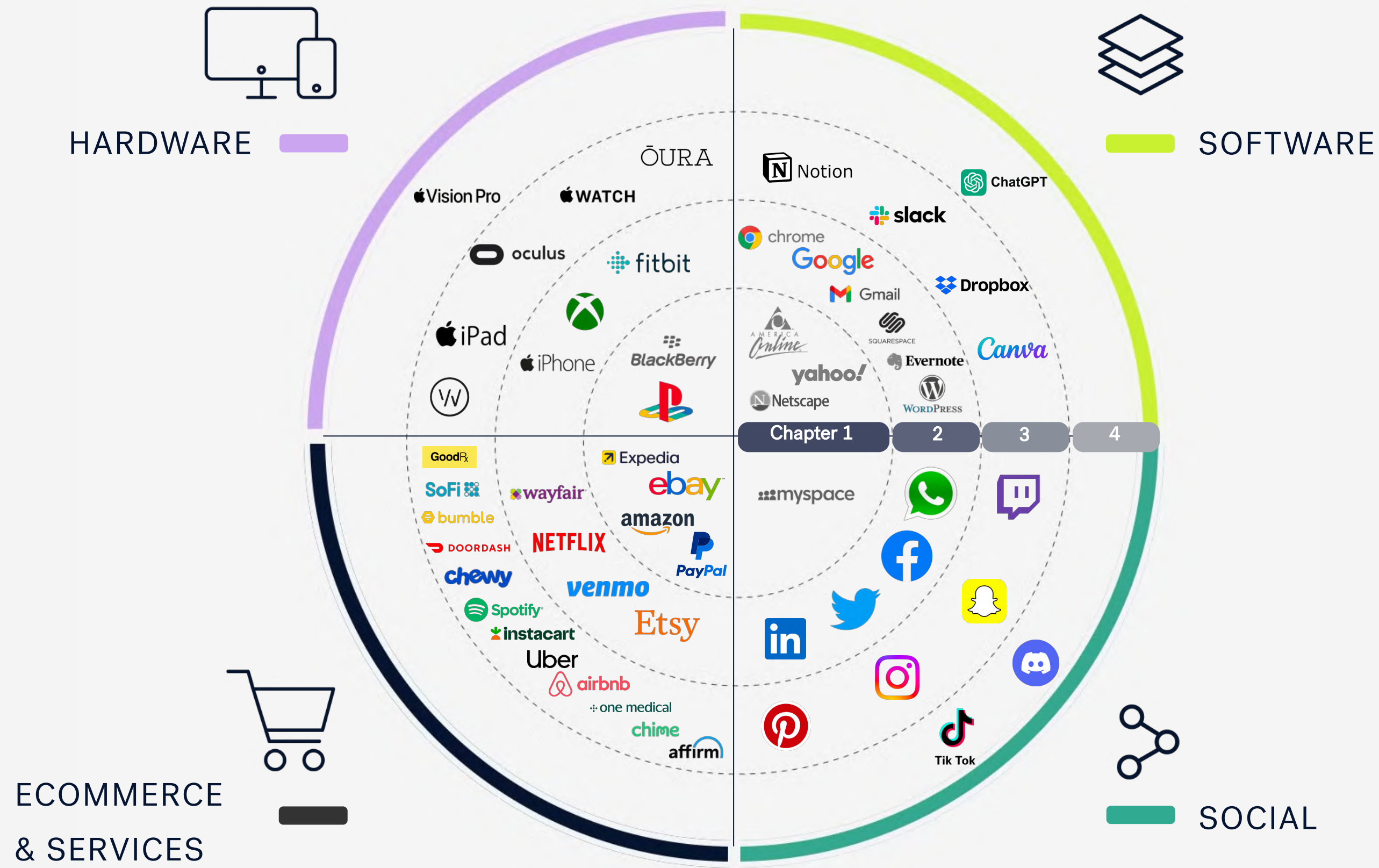
2

VALUE 1 Access

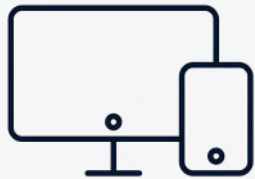
All in sight, all top of mind, all the time —
personal stress compounds with societal
stress in the age of mainstream access.



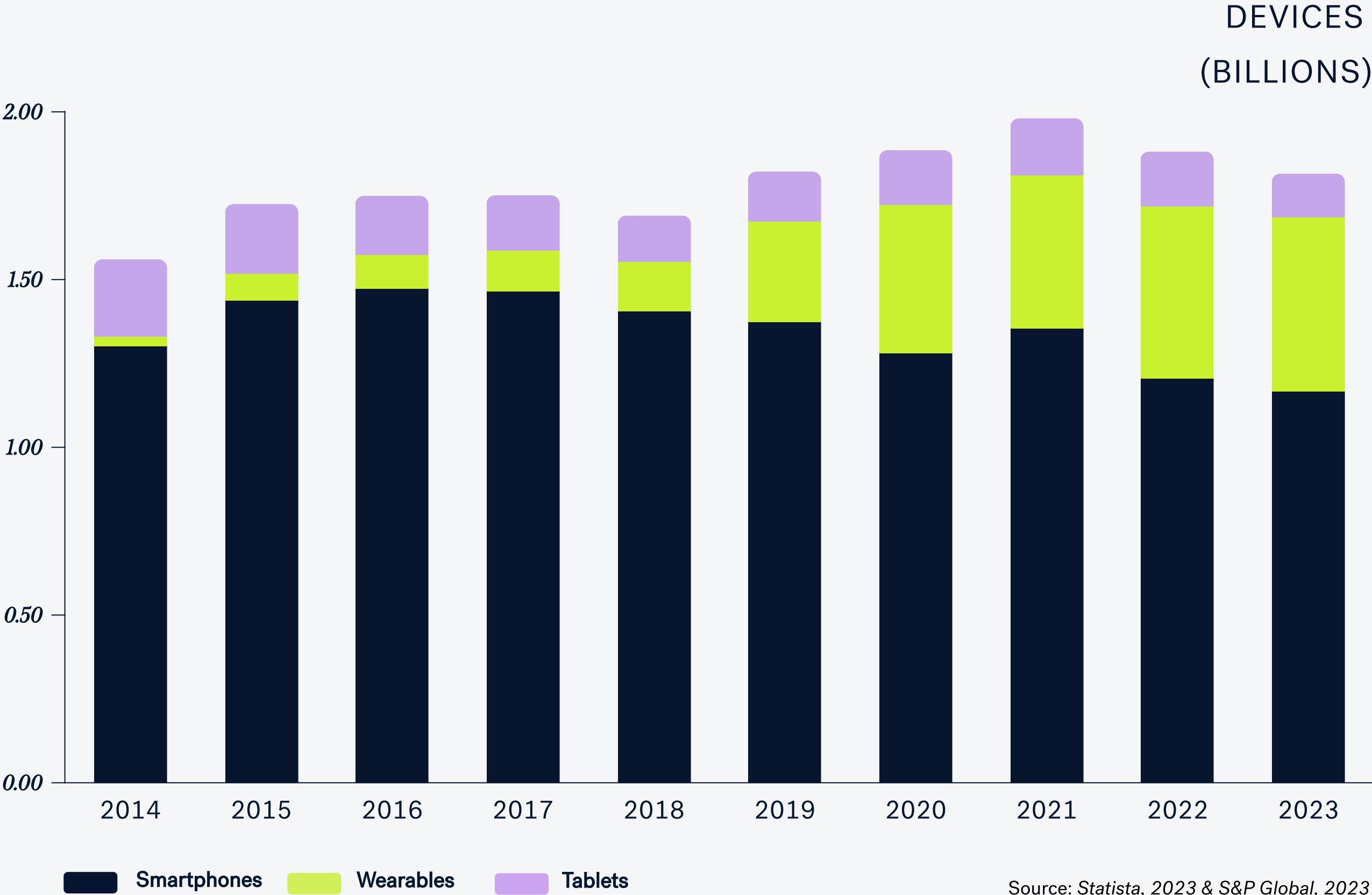
In the 21st century, innovative companies unlocked consumer access across four key dimensions, introducing a new way of life



Device sales have reached a scaled and steady state, with wearables gaining share



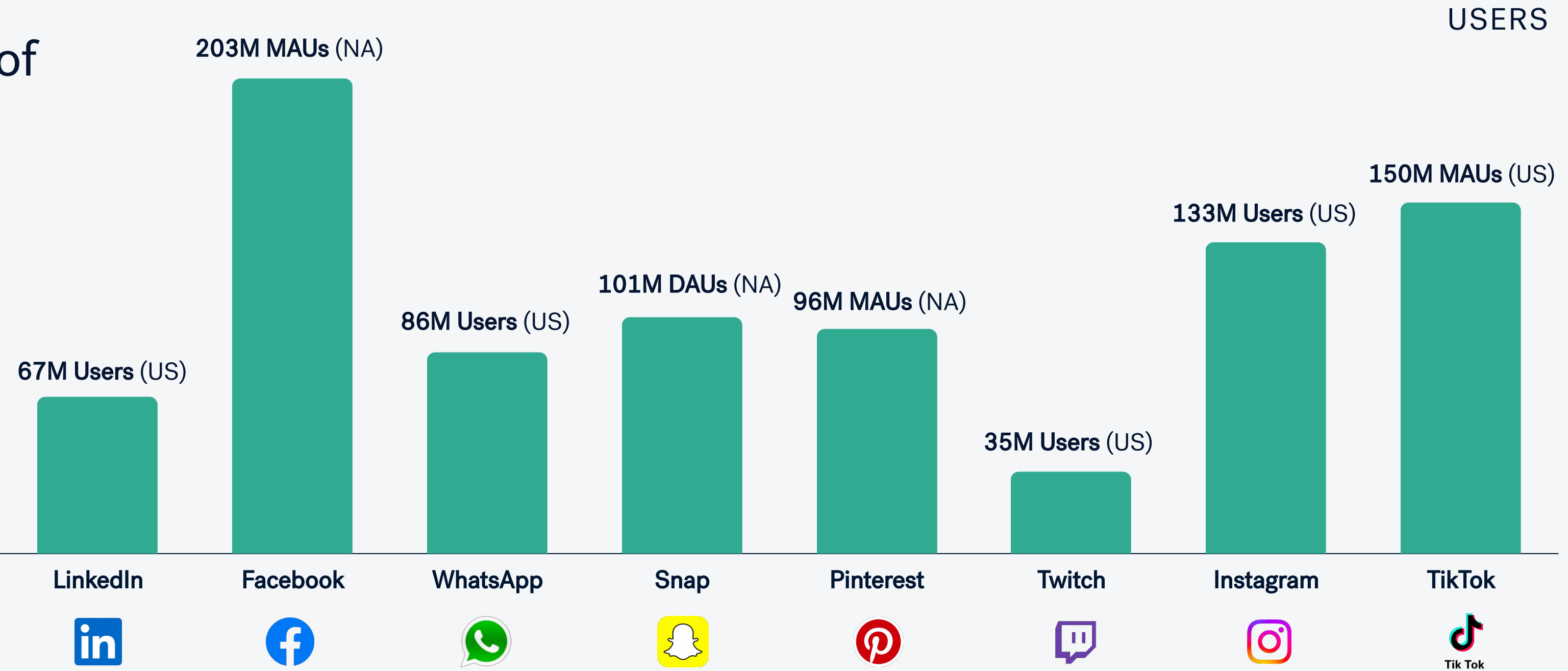
HARDWARE



Social media
remains a
mainstay of
daily life



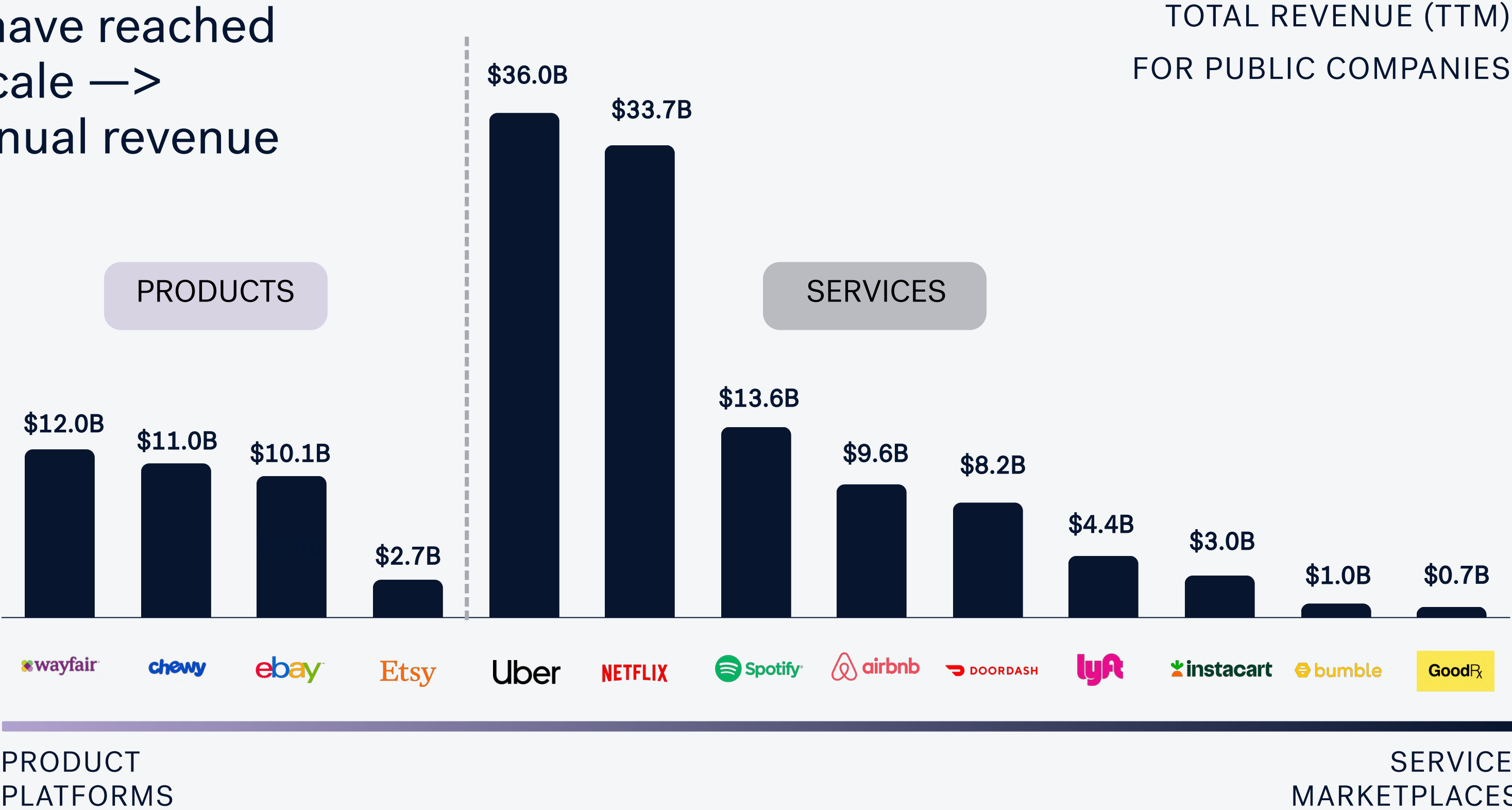
SOCIAL



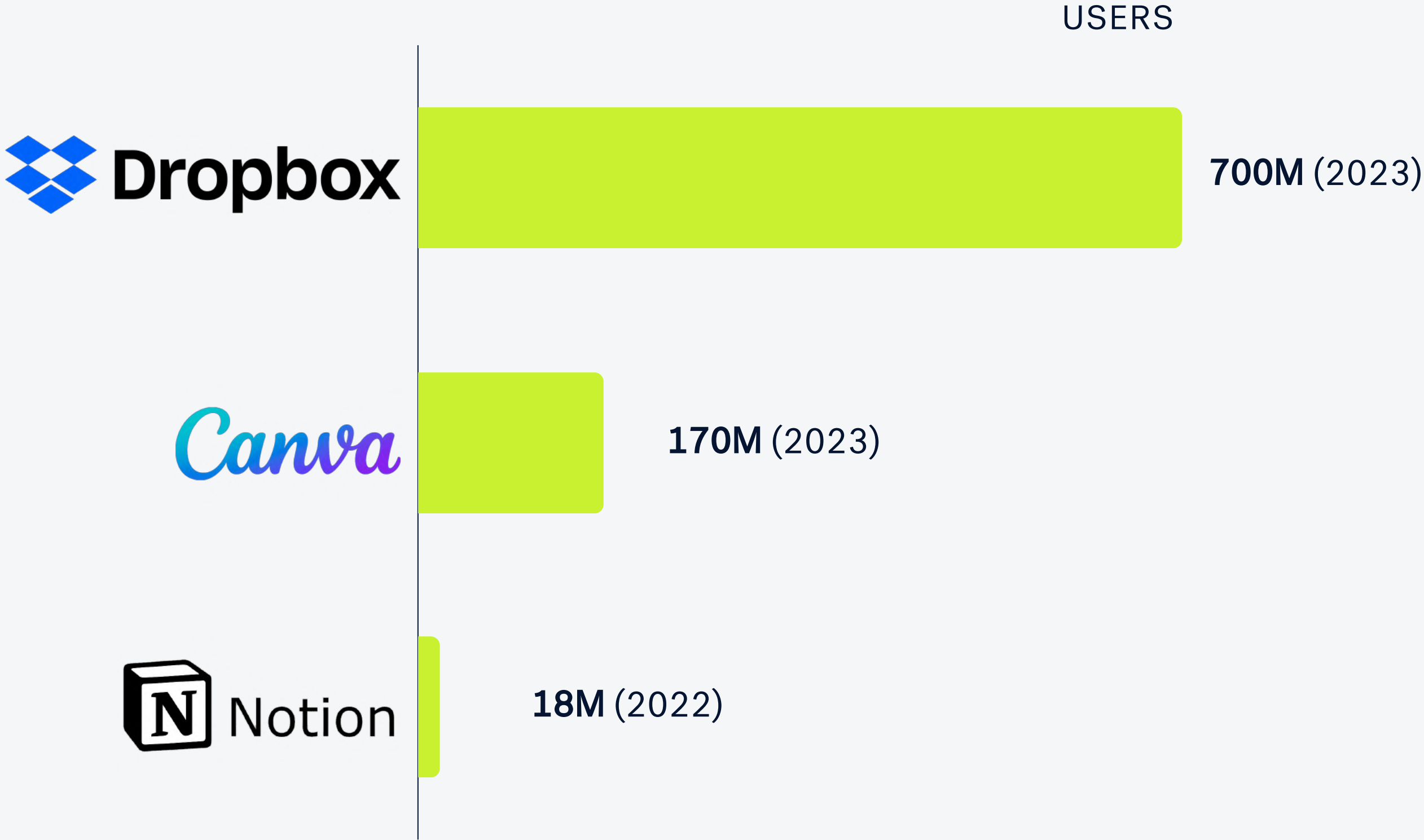
WHO YOU KNOW
Text & Images

WHAT YOU LIKE
Video

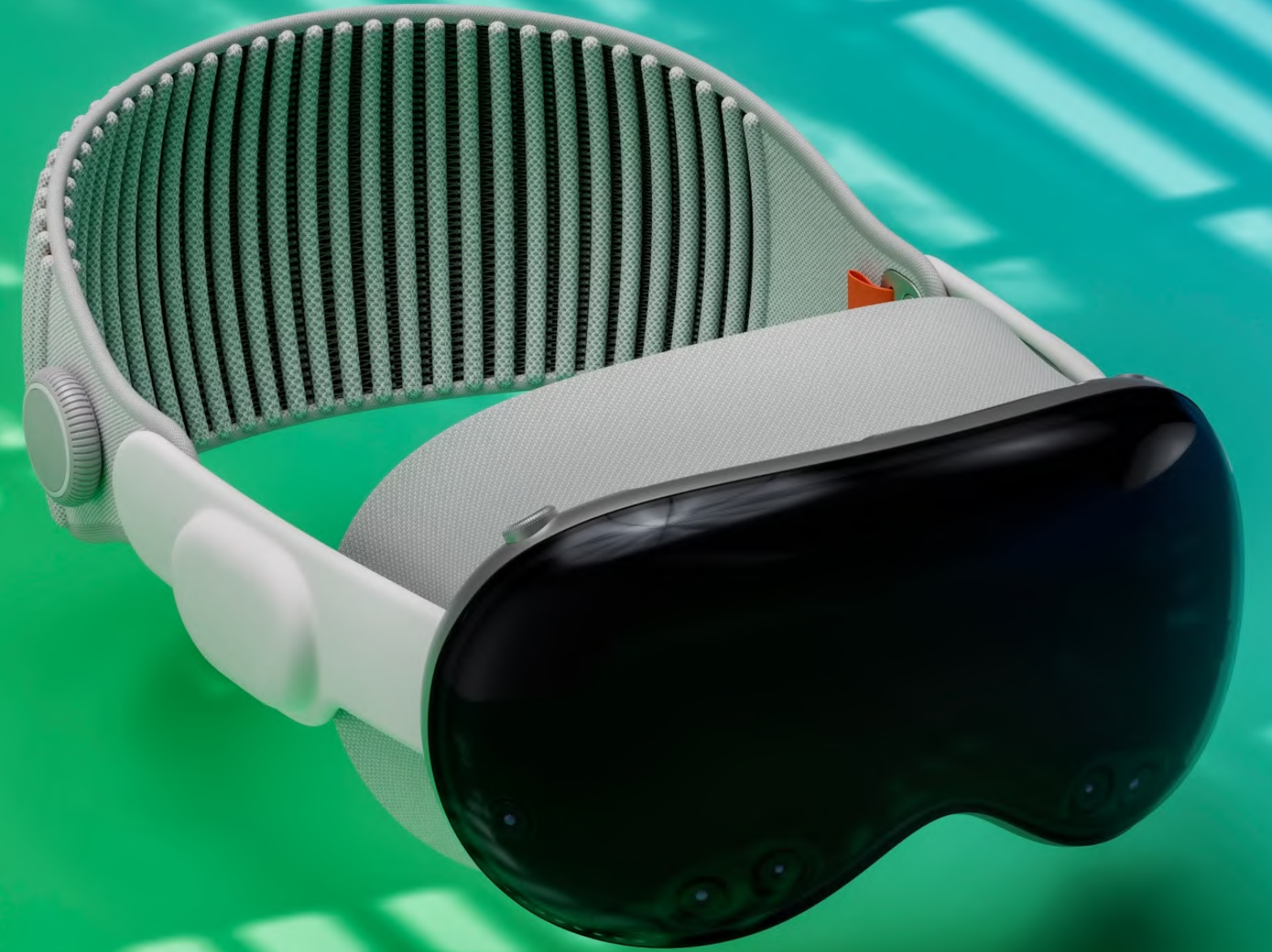
Ecommerce & services businesses have reached significant scale —> \$120B in annual revenue



Prosumer software continues to penetrate the market

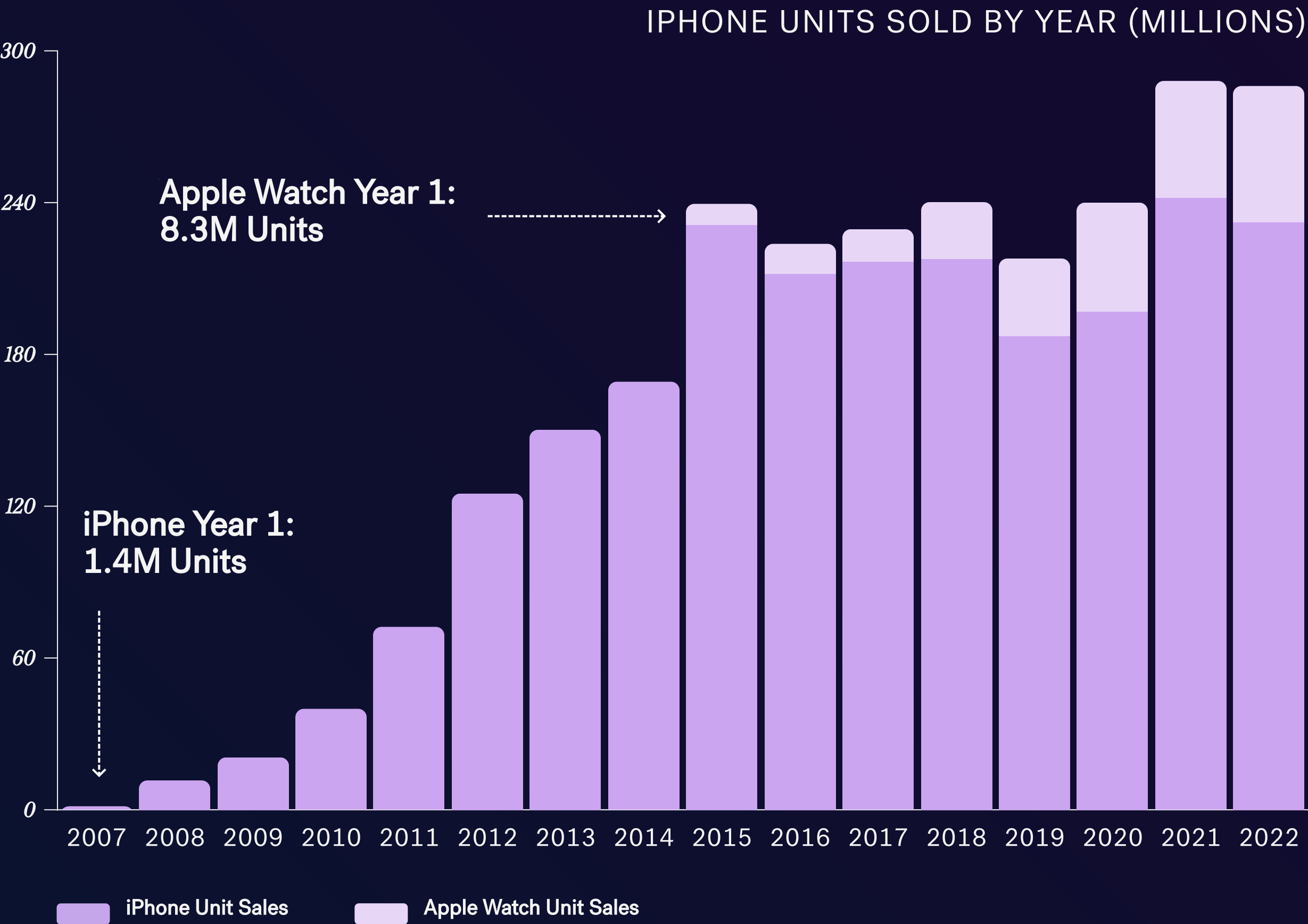


What will the
next layer of
access look
like?



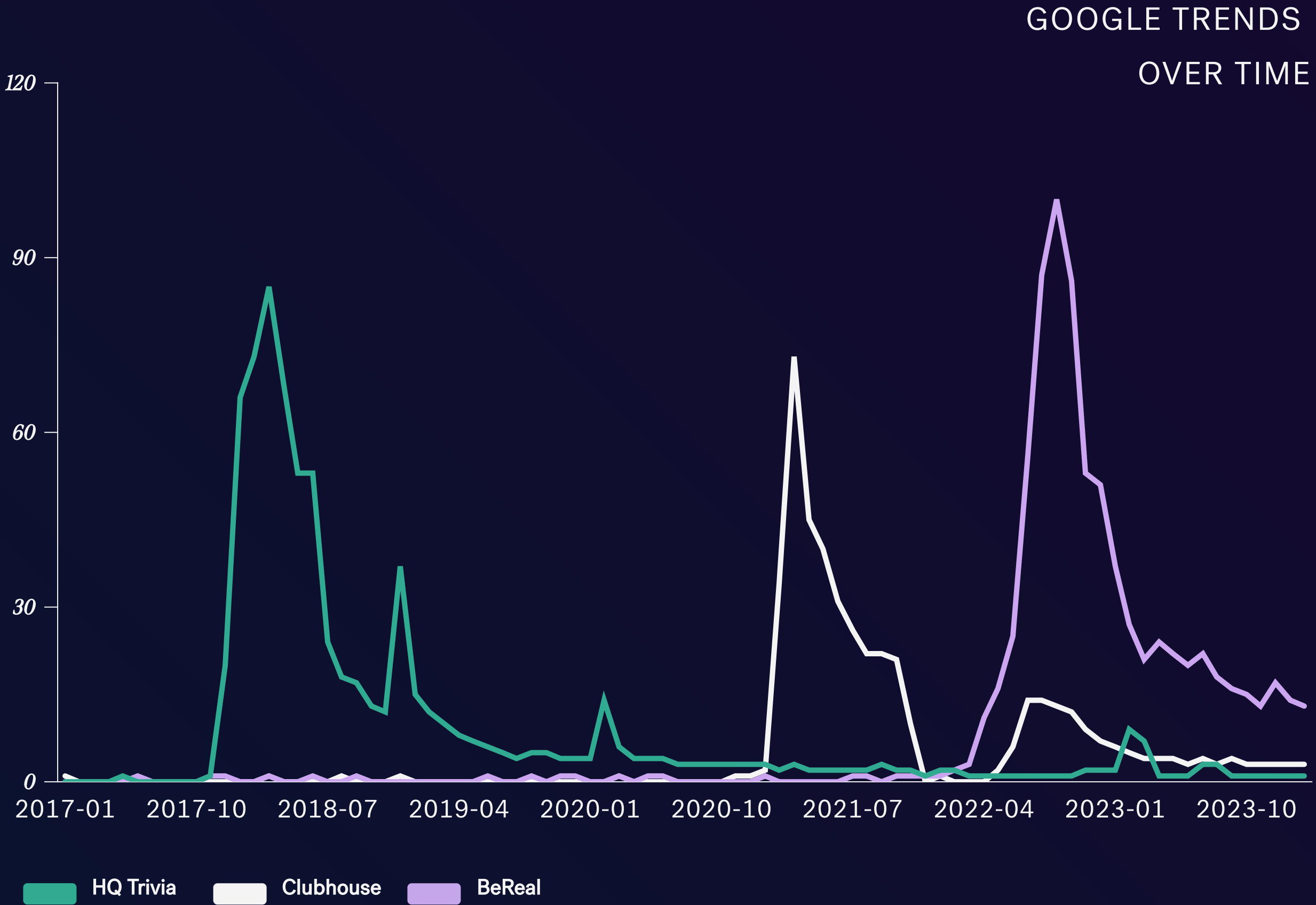
Hardware requires time to penetrate the market; Vision Pro will not be an exception

200,000
Vision Pro Sold in Month 1



Source: Statista; Mashable

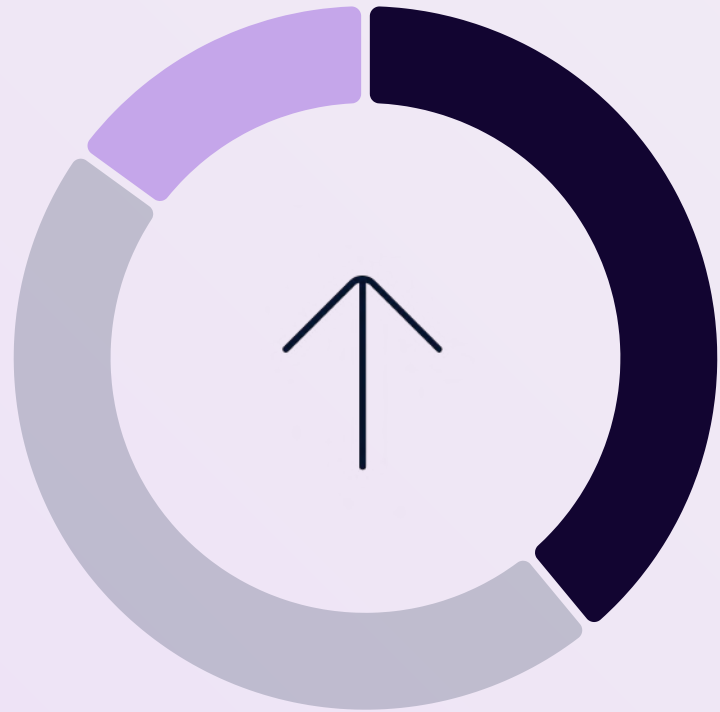
New social apps have popped, though struggle to hold attention as users move onto the next



Meanwhile, stress has grown in our always-on, all-access digital lives



32%
of Americans frequently experience stress in their daily life



39%
report increase in stress levels over LY

- Increased: 39%
- Same: 46%
- Decreased: 15%

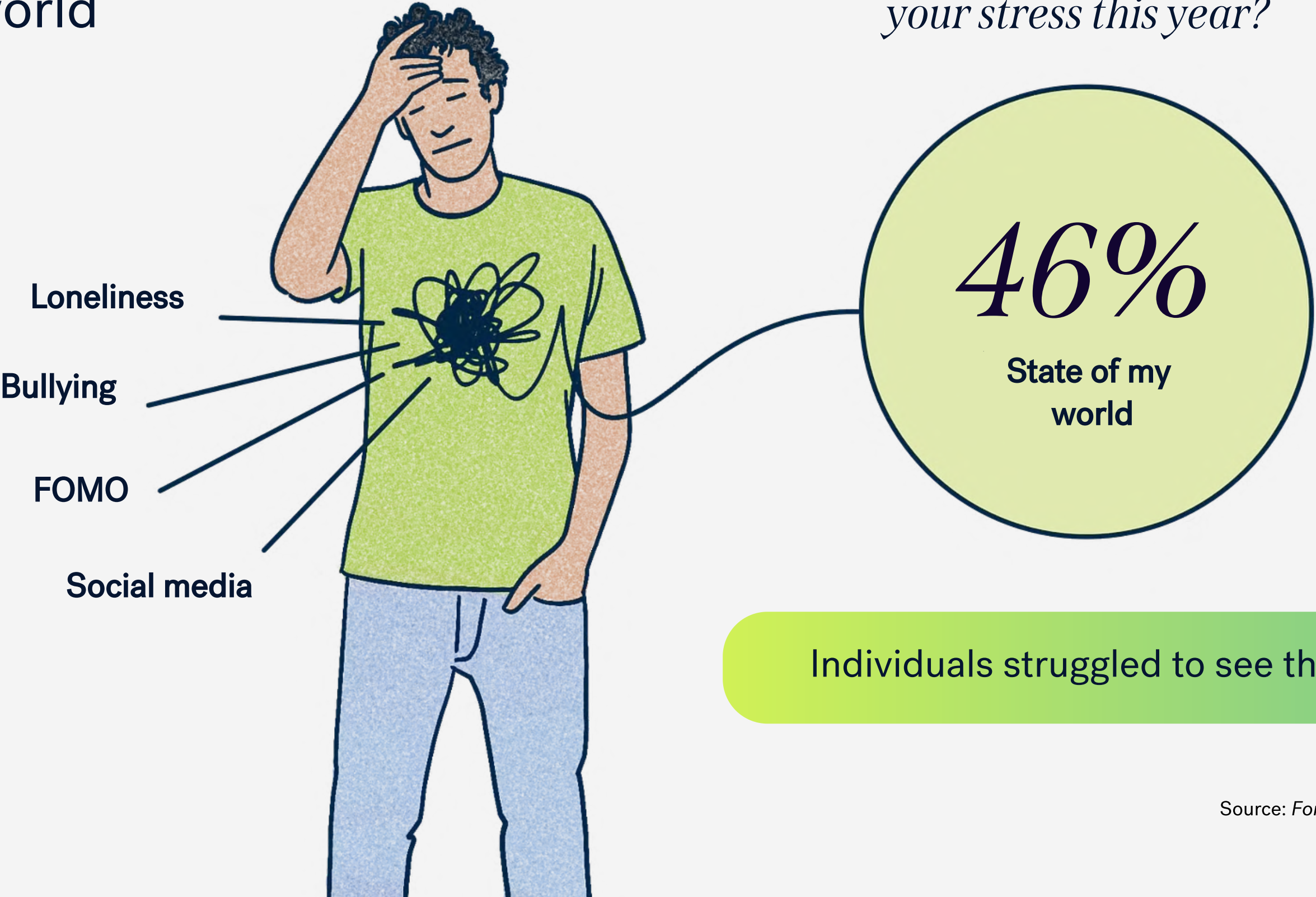
We see stress levels

as a harbinger for
what's next

Though stress looks different today

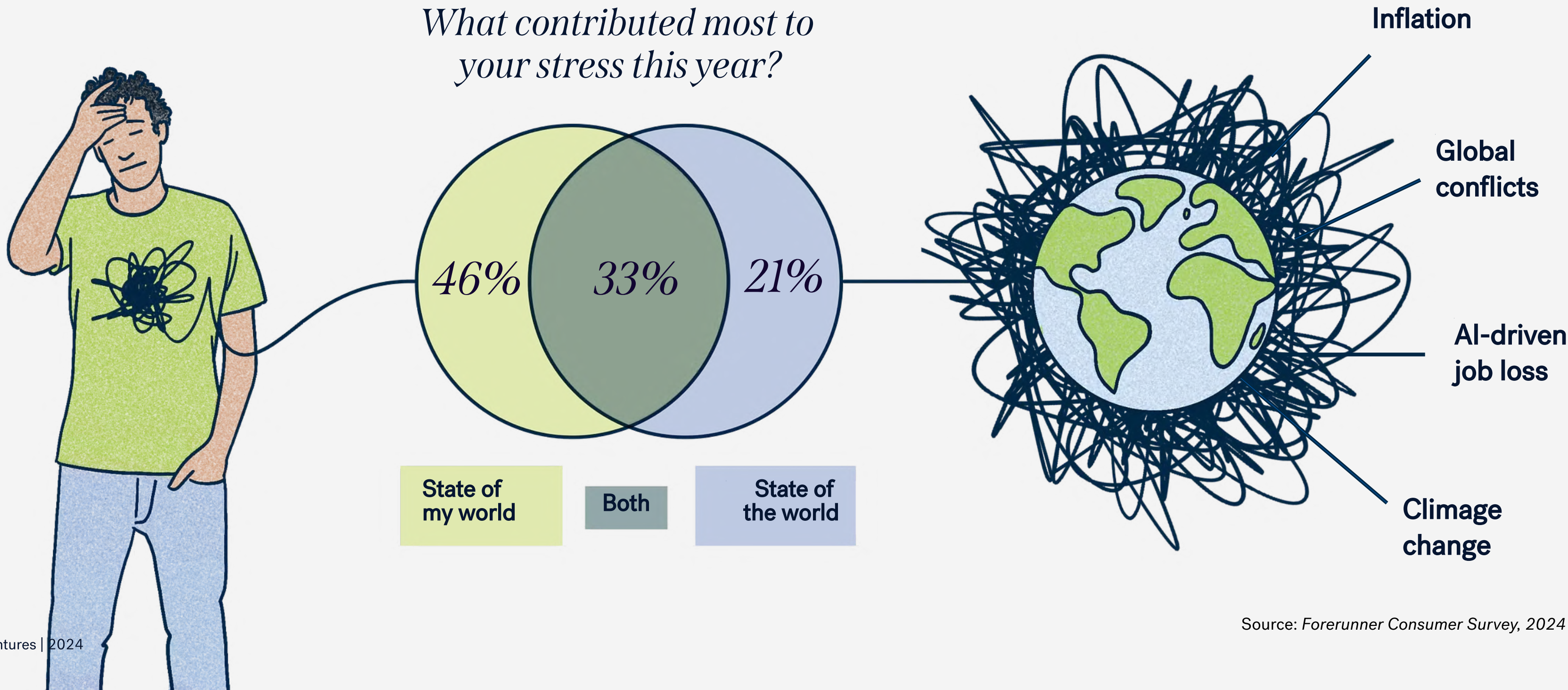


Leading up to the 2020s, stress centered on an individual's corner of the world

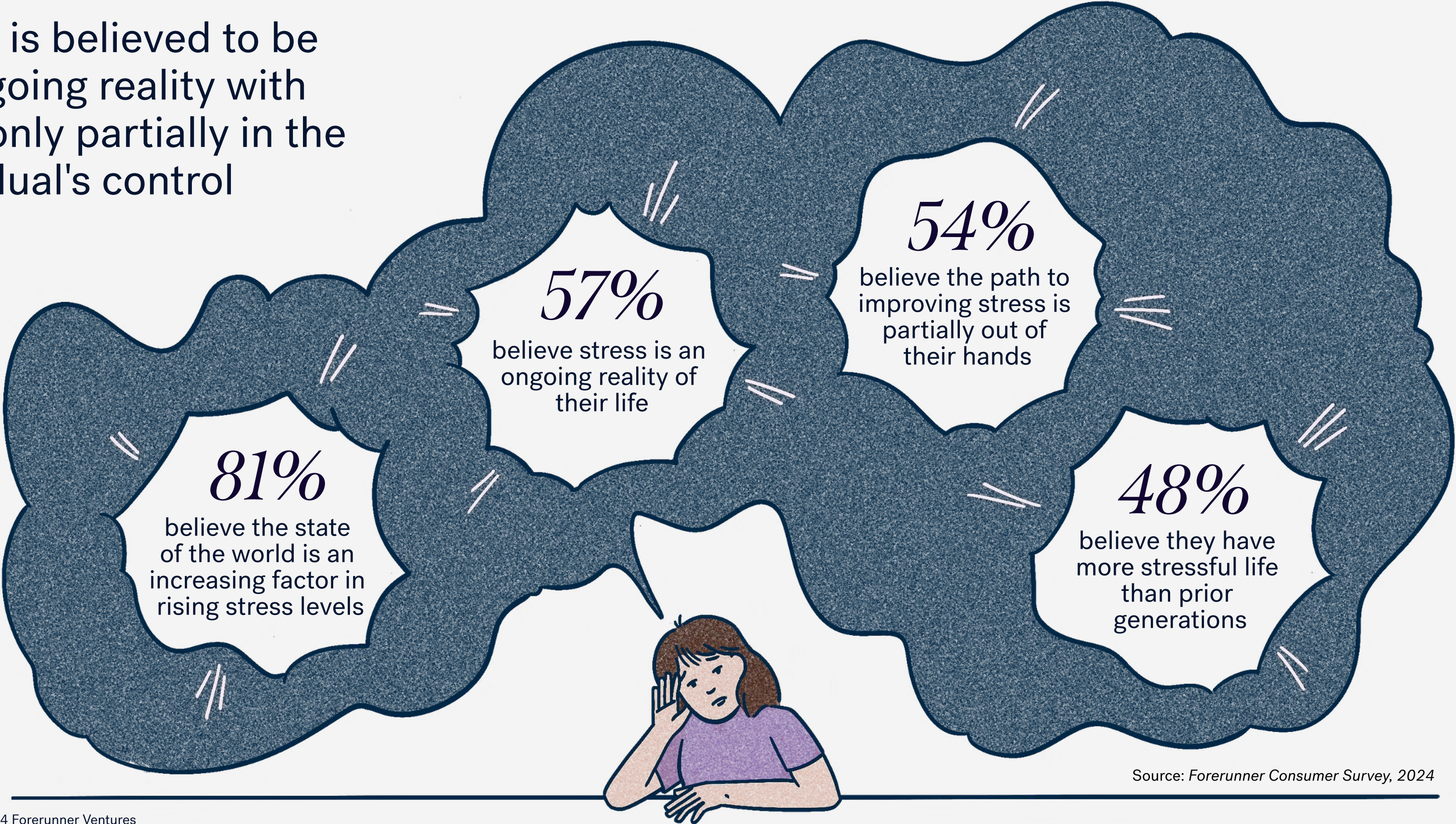


Today, stress has compounded and increasingly includes the global world

Individuals struggle to see the present and the future



Stress is believed to be an ongoing reality with relief only partially in the individual's control



Source: Forerunner Consumer Survey, 2024

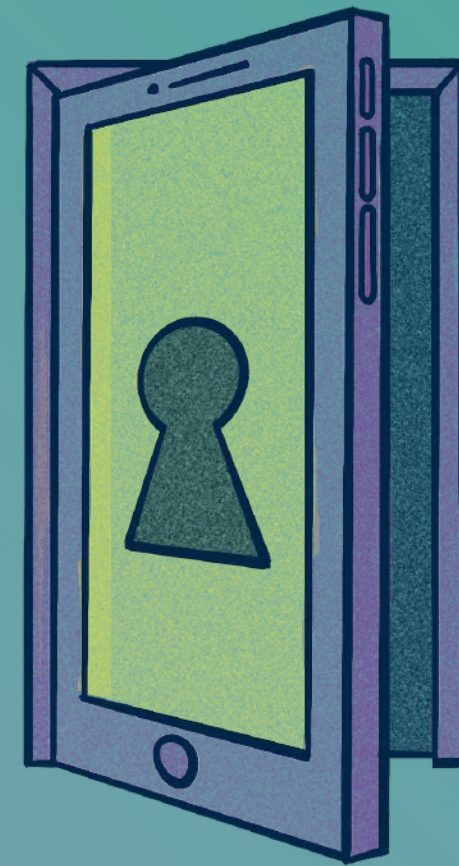
Heightened
stress levels

are here
to stay



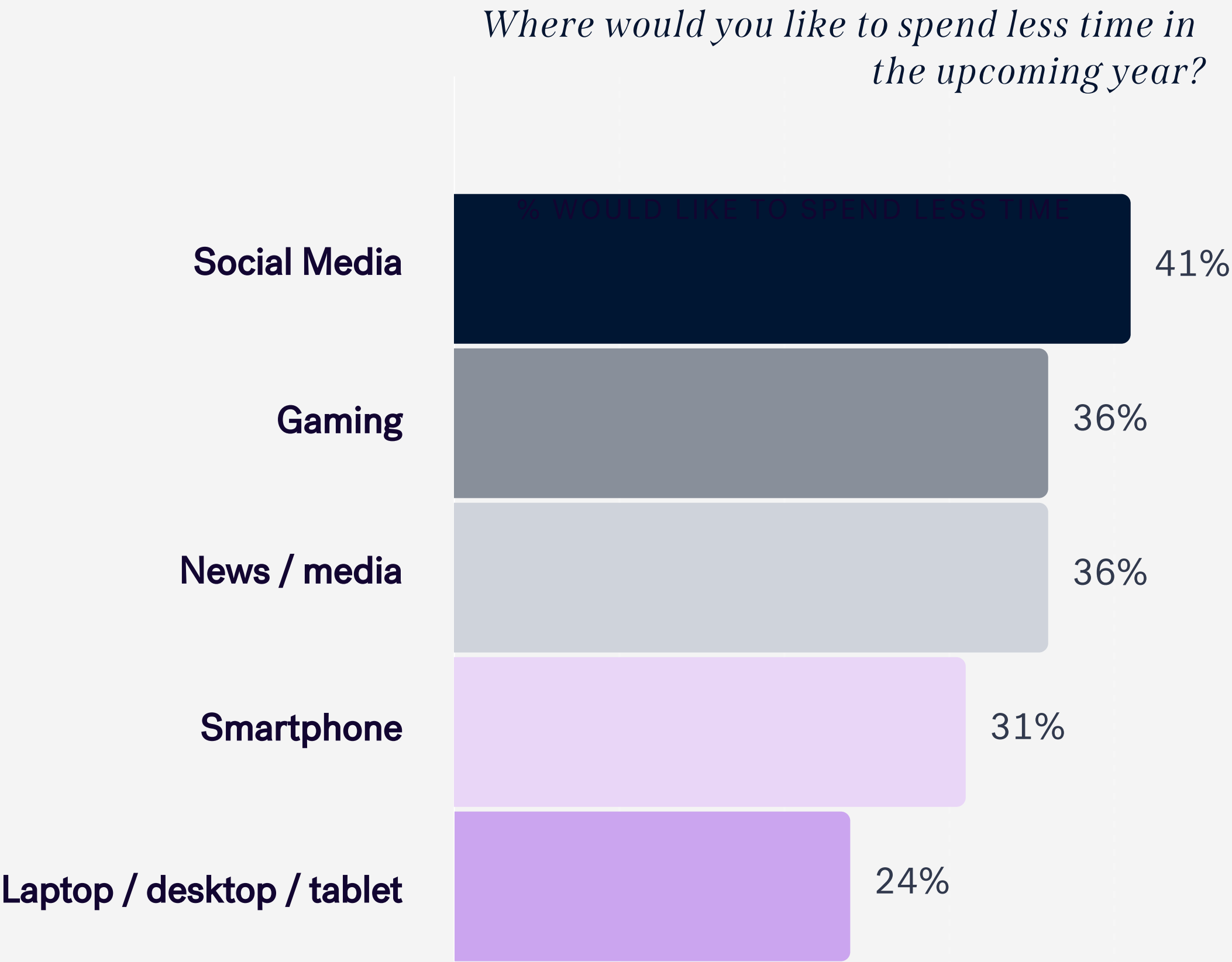
What does this mean
for access?

Access will shift



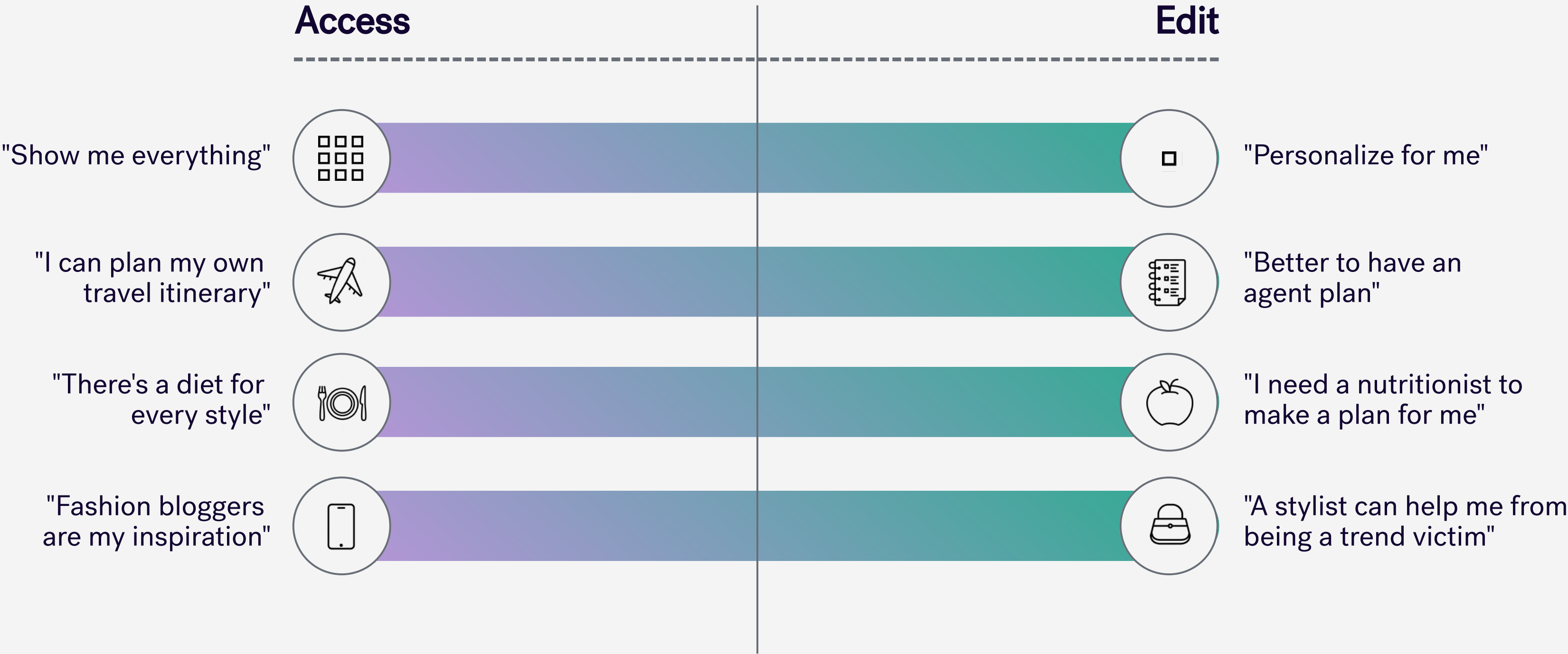
to edit

Nearly a third of consumers want to spend less time on social media, gaming, news, or smartphones



Source: Forerunner Consumer Survey, 2024

Expertise can support the shift to edit



AI offers the promise of personalization, the ultimate edit, at cost-effective scale



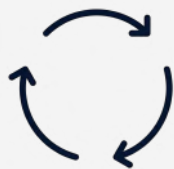
Understanding user preferences

- Behavioral analysis
- Predictive modeling



Contextual awareness

- Real-time contextualization
- Situational adaptation



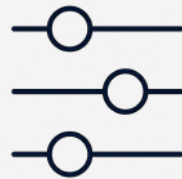
Continuous learning & adaptation

- Machine learning algorithms
- Feedback loops



Enhanced content discovery

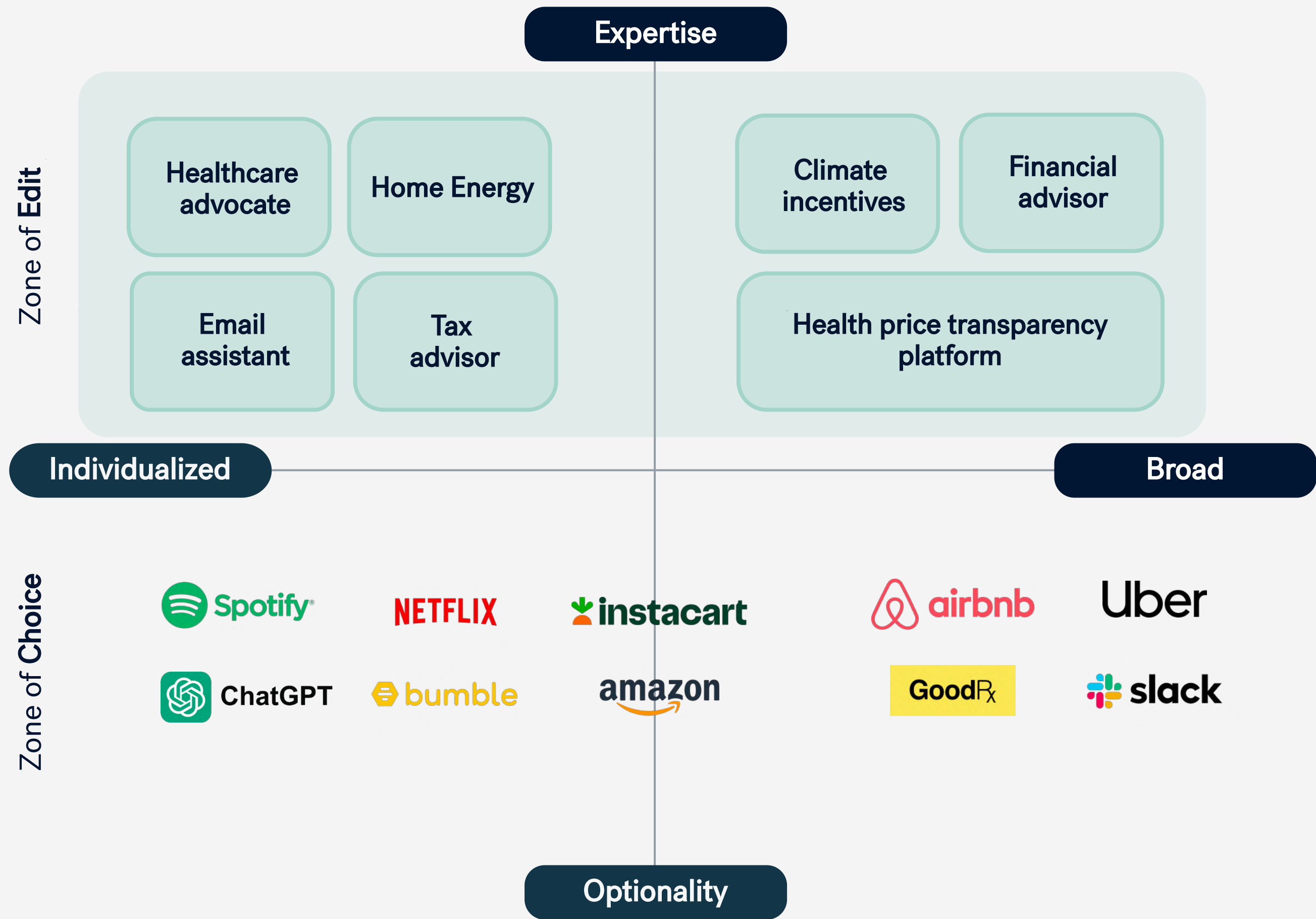
- Diverse recommendations
- Filtering at scale



Customization & control

- User-controlled filters
- Privacy & transparency

AI will drive a shift from access and optionality to expertise and editing, driving the 'Zone of Edit'



Sample 'Zone of Edit' companies

Financial Advisor

Origin

Savvy

era

Range

Playbook

Farther

Personal Finance Management

Copilot

CLEO

BUDDY

wallyGPT

Monarch

YNAB.

Tax Advisor

Gelt

lettuce

Rivet

Ownwell

HARNESS WEALTH

AGENT

Climate Incentives & Home Energy

Kopperfield

eli

DAVID ENERGY

Arbor

Haven

TC

Healthcare Advocate & Navigation

sheerhealth

Goodbill

Solace

rightway

Pairtu

homeward.

Health Price Transparency

certainly

Solv.

SESAME

milu health

Turquoise Health

CostPlus

HealthTap

VALUE 2

Independence

Expansion of self-reliance and questioning of societal norms in the absence of predictability.

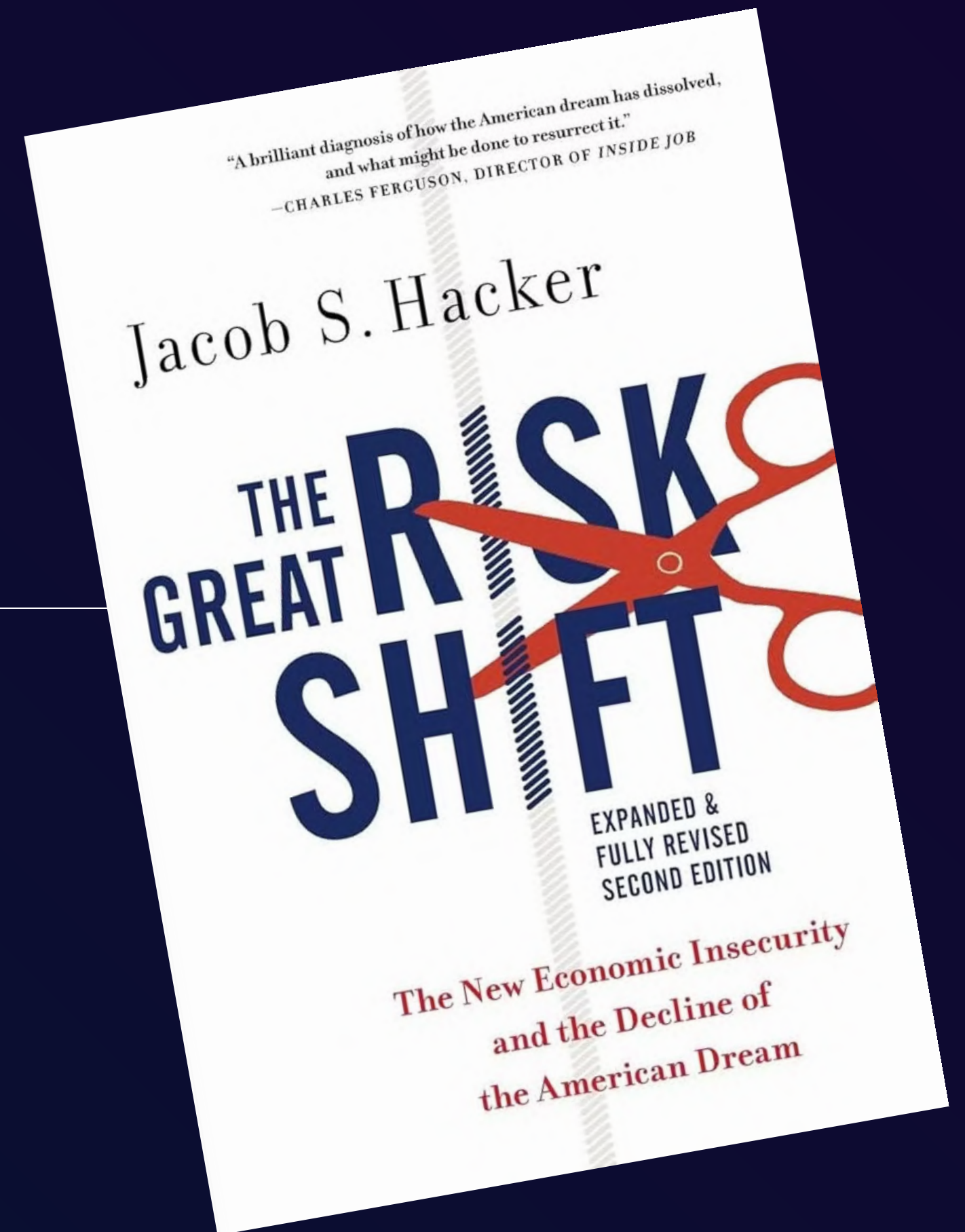


Forerunner Ventures | 2024



The independence movement
traces back to the

"The Great Risk Shift"



We're not
talking about



this kind of risk



We are talking about responsibility shifting from companies and government to individuals

Pensions to 401K

35M Americans now have a 401K, while 14M have a defined benefit plan

High-deductible health plans

29% of Americans are enrolled in a HDHP, up from 4% in 2006

Full-time to freelancer

Incorporated self-employed workers up 50% since 2000, total workers up 15%

Debt for College Education

Student debt up 210% to \$1.6T since 2007

We're talking about consumers taking bold action to assert independence

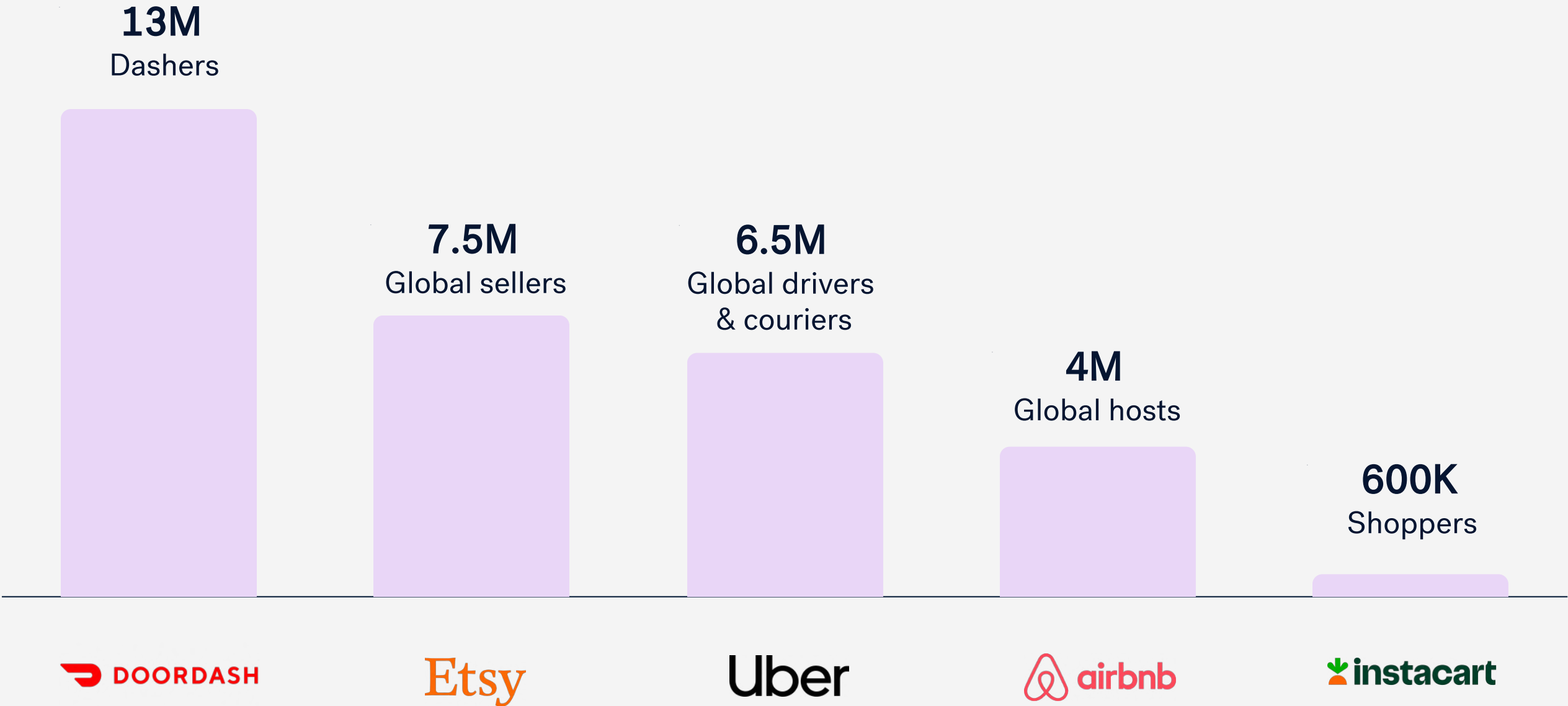
 <i>Working for Self</i> Flexibility, empowerment, and upside from freelancing and side hustles	 Up: 1099s
	 Down: 9a-5p workday
 <i>Education</i> Hallmark of education looks more affordable and practical going forward	 Up: Practical & flexible schooling
	 Down: Liberal arts
 <i>Selfcare</i> Proactive engagement in selfcare is a must as healthcare fails	 Up: Advocacy & transparency
	 Down: System convenience

Mainstream beyond gig and creator economy



working for self

The gig economy ignited the "working for self" trend



The creator economy propelled "working for self" to cross the chasm

CREATOR ECONOMY



Gen Zers that see becoming an influencer as a reputable career



Gen Zers that would like to become an influencer if given the chance

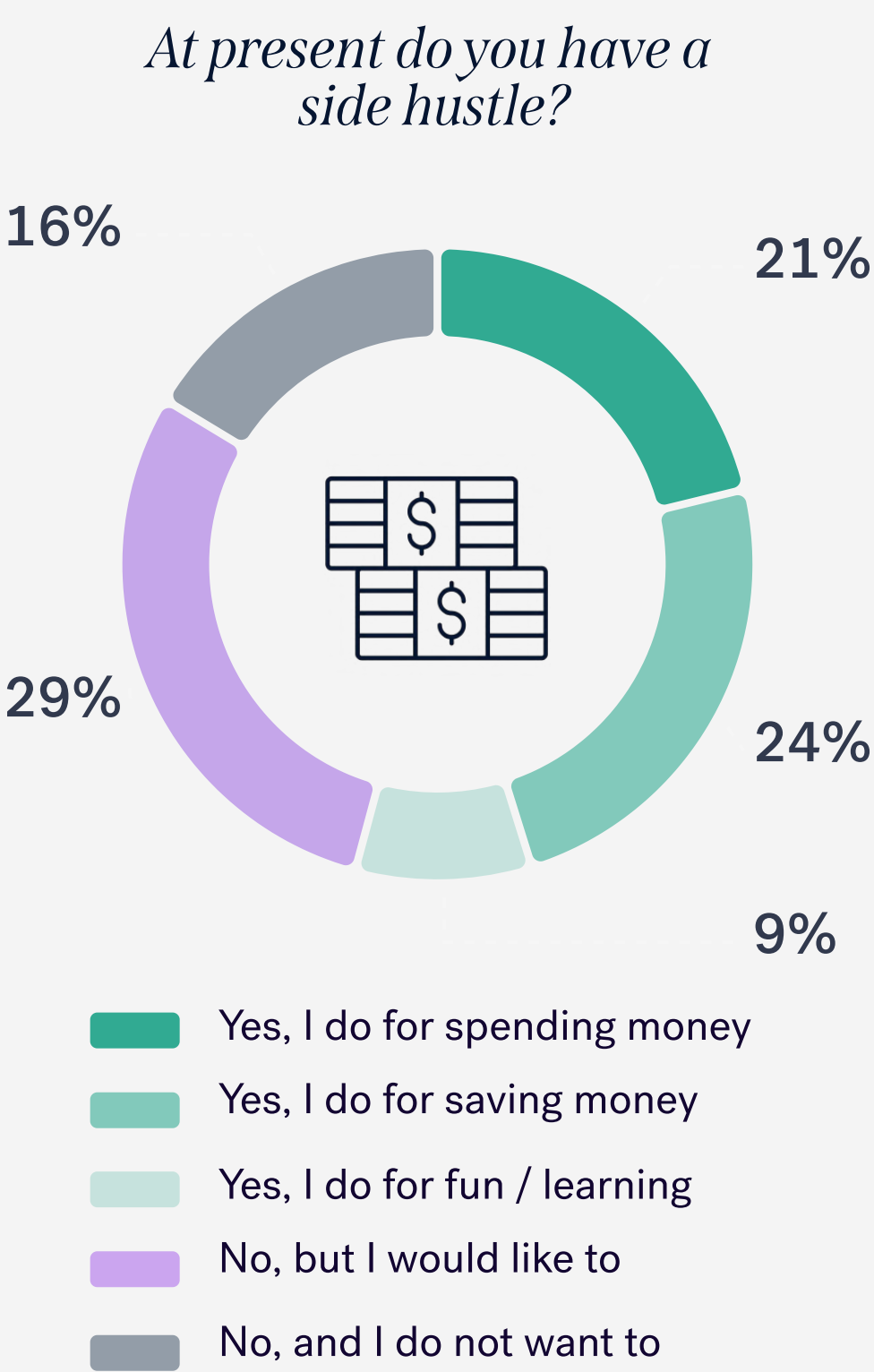


Number of influencers worldwide

Today, "working for self" is mainstream: 75%+ of consumers have or want a side hustle and 60% would prefer to work for themselves

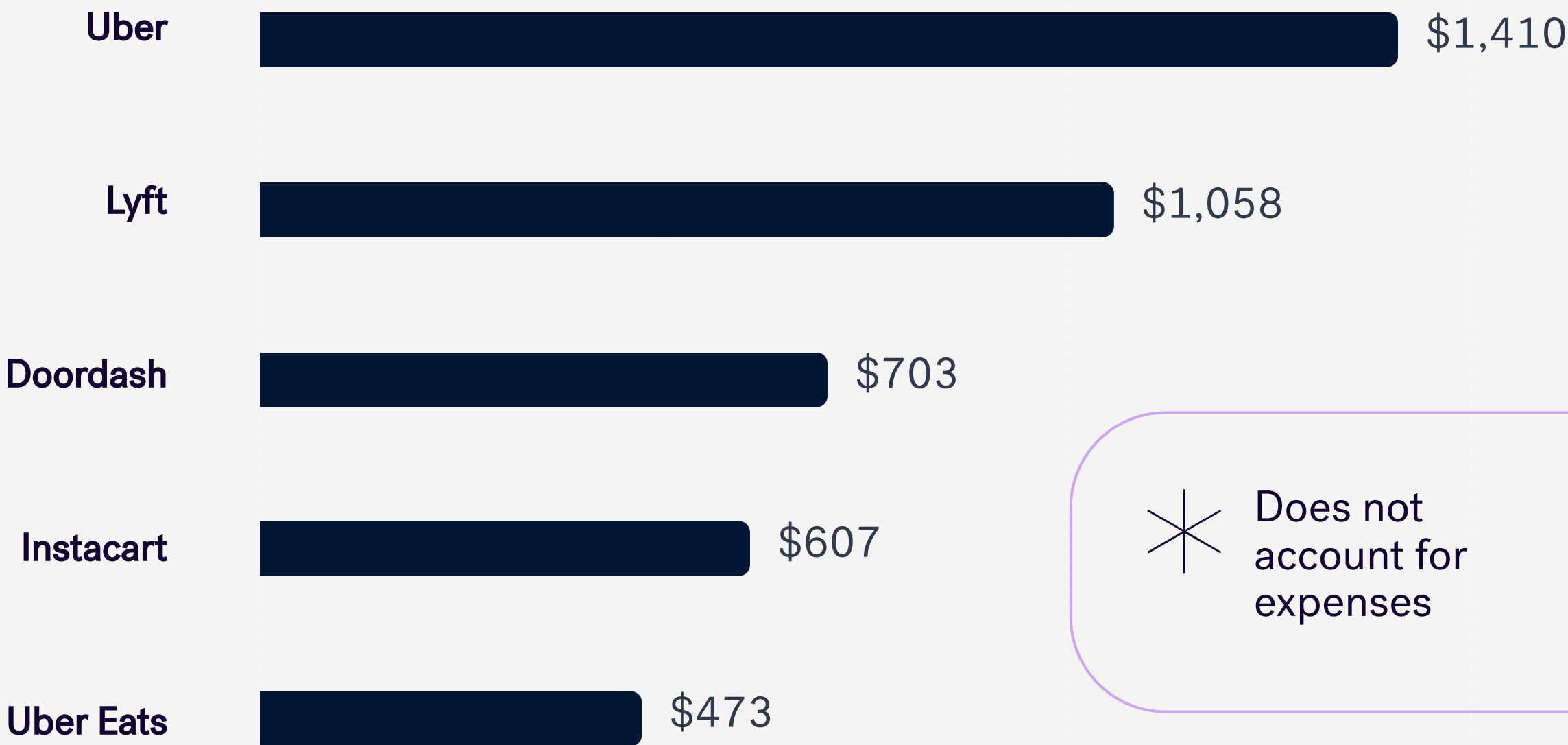


The Shopify for creators
\$25M revenue run rate



Gig work can provide supplemental income

MONTHLY GROSS EARNINGS 

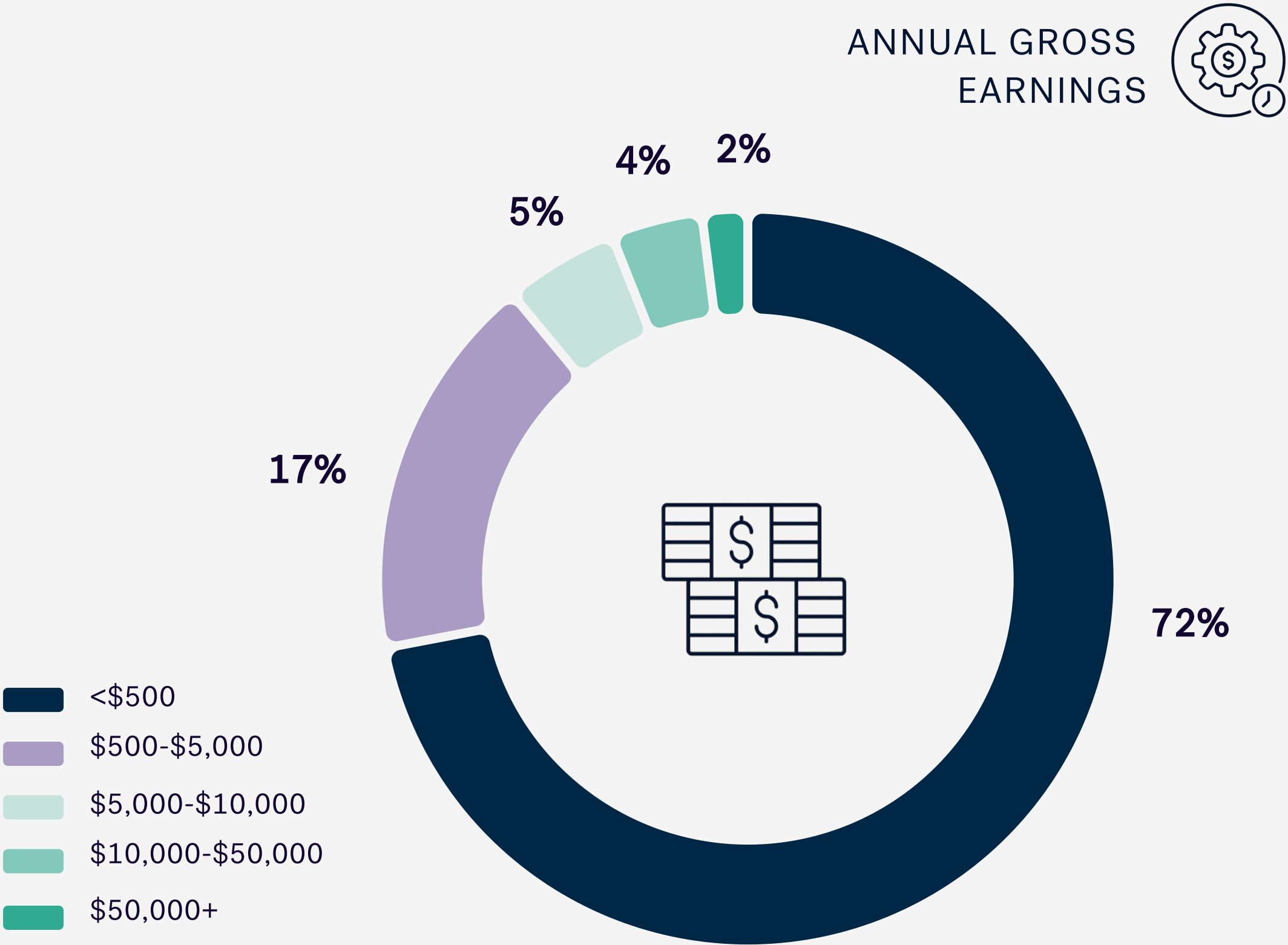


* Does not account for expenses

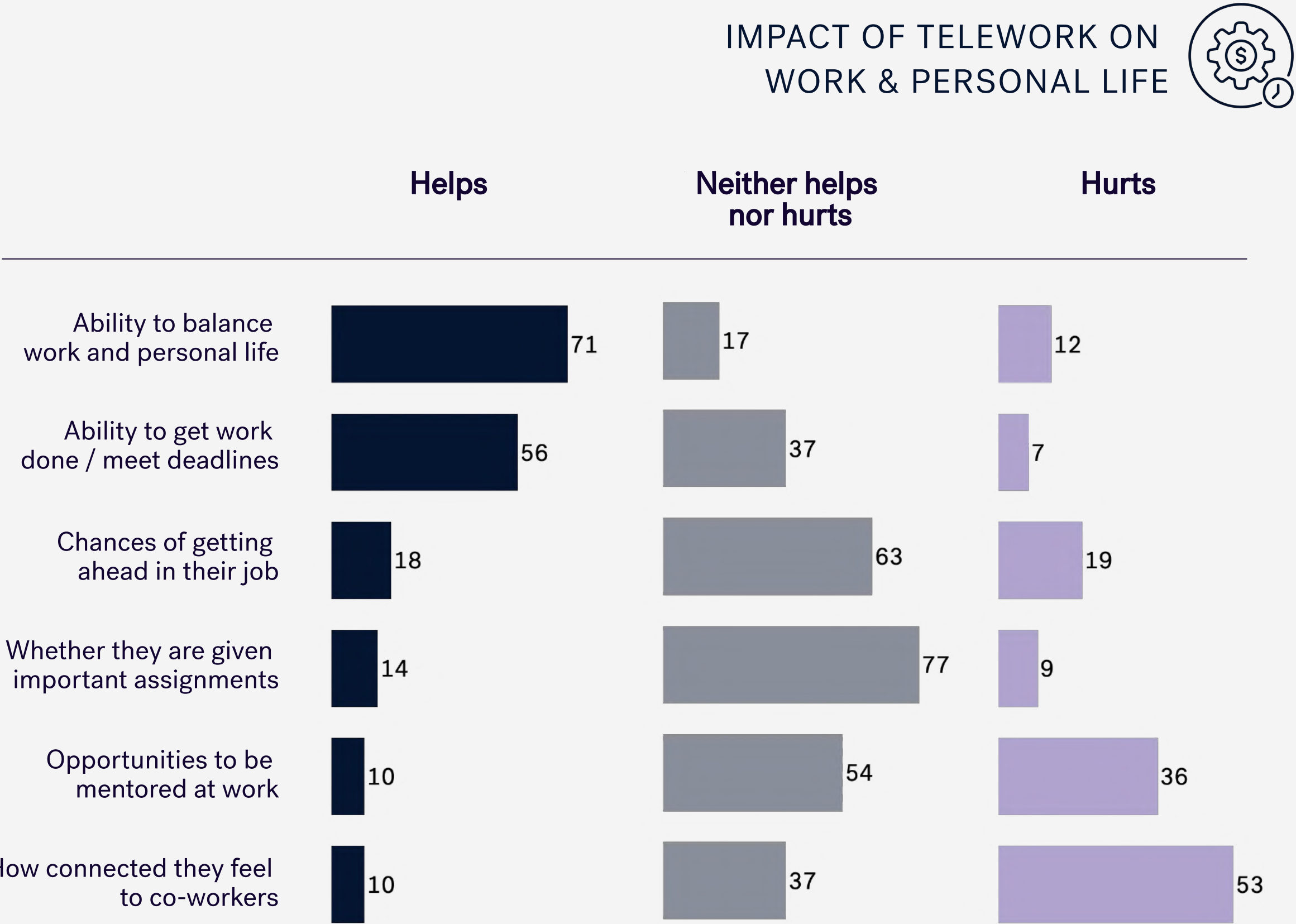
 2023 Monthly Gross Earnings

Source: Gridwise, 2023

Creator economy
more likely to be a
side hustle than a
living

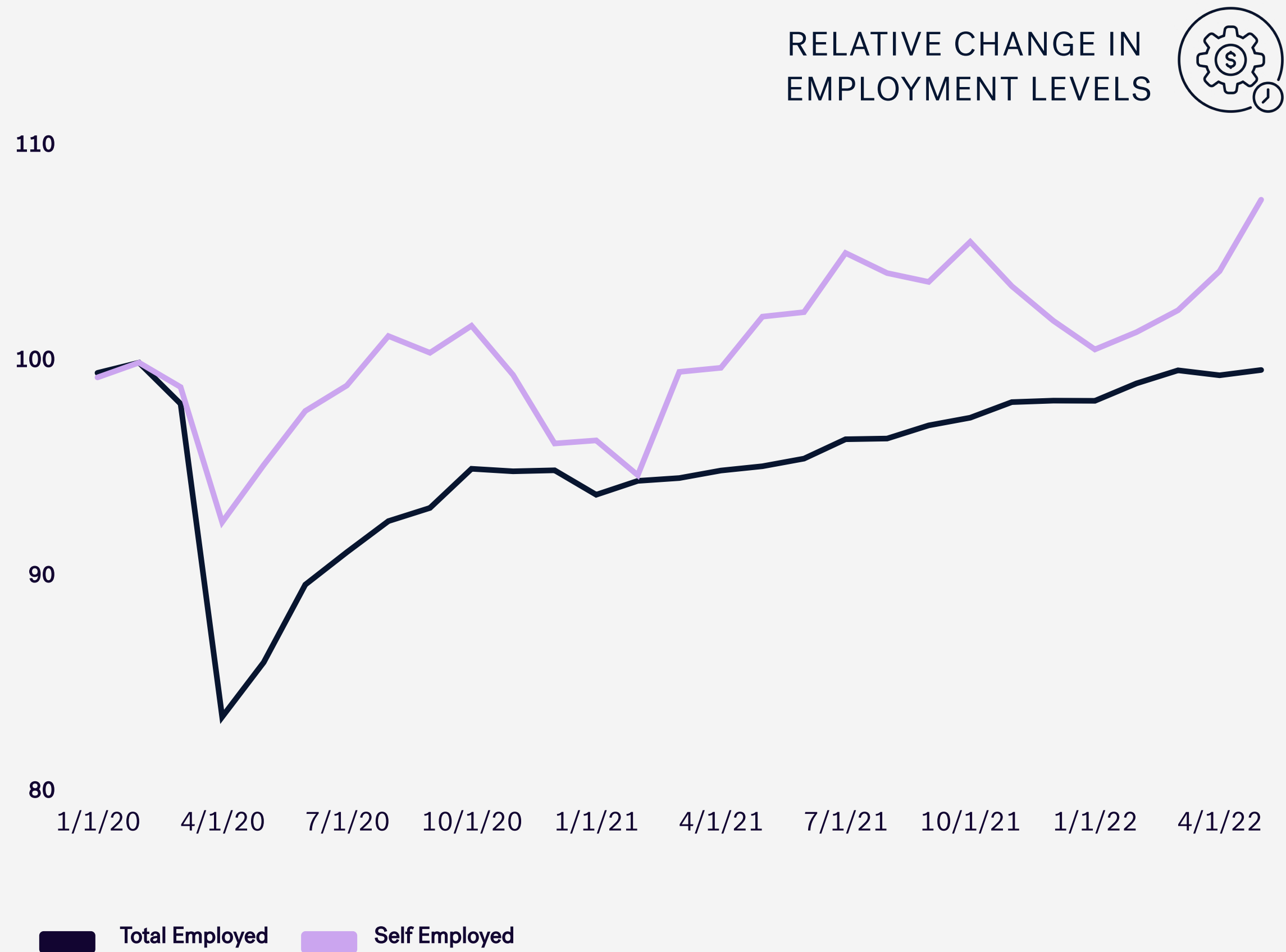


The next inflection point: skilled remote workers enter freelance market as the cost of forgoing connection, mentorship, and advancement in full time roles sets in



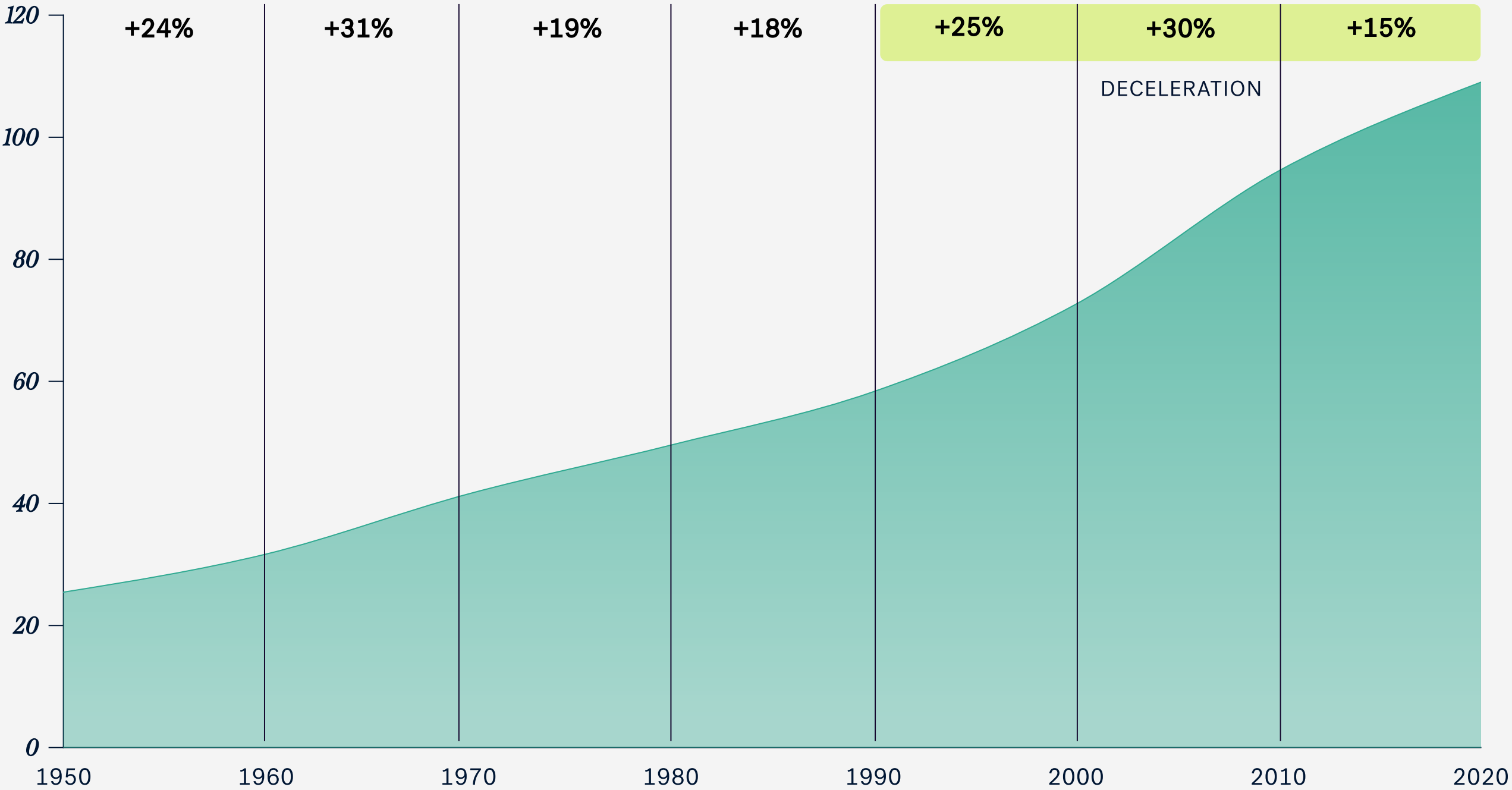
Source: Pew Research, 2023

Data points to an inflection already in motion: self-employed workers up 5-10% since the pandemic while number of total employed workers is flat



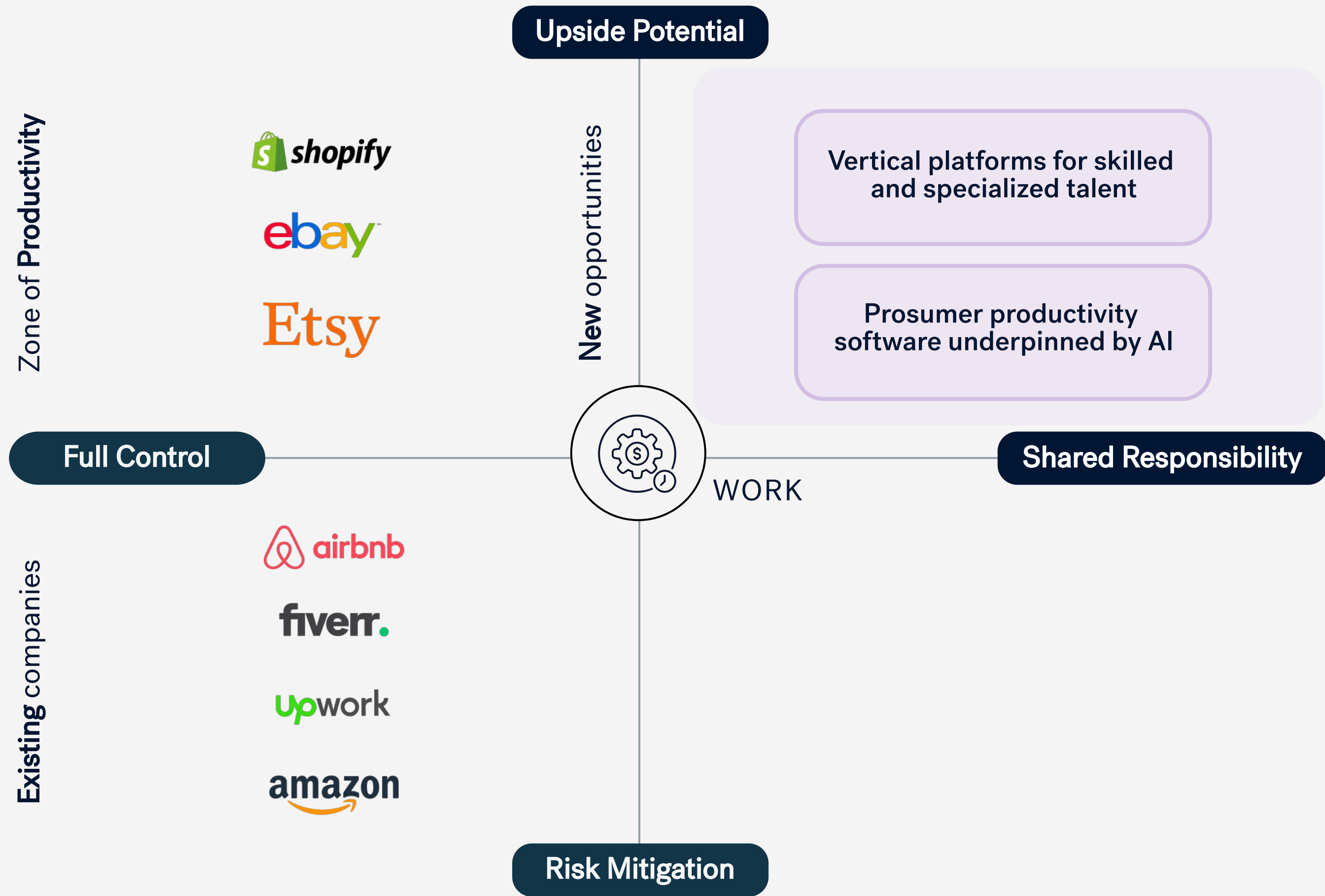
Self-employed workers have as much (arguably more) to gain in AI-driven productivity as full-time workers

WORKER PRODUCTIVITY OVER TIME
(FULL-TIME & SELF-EMPLOYED)



Source: Fred, St Louis Fed, 2020

Shift toward shared responsibility and upside potential underpins the 'Zone of Productivity'



Sample 'Zone of Productivity' companies in Work

Finance

Savvy

Modern Life

HARNESS WEALTH

Farther

Health

Headway

Solace

Pairtu

grow therapy

wheel

finni

Honeydew

Fay

Nourish

Shasta Health

duet

Freelancers

Toptal

GoFractional

continuum

contra

MarketerHire

Home

StreetFair

PIPEDREAMS

HOIST

Owners

daisy

HouseAccount

Craftwork

GOODSMITH

TOPLINE PRO

Wellness

momence

GLOSS GENIUS

arketa

Moxie

Walla

Prosumer

mem

perplexity

1 duckbill

copy.ai

Delphi

Rewind

MultiOn

PhotoRoom

durable

A new paradigm for

education



Four-year college degree, the hallmark of education, has come under greater scrutiny

“



Harvard Report Shows 79% A-Range Grades Awarded in 2020-2021, Sparking Faculty Discussion

“



As student loan collections restart, millions are not yet paying

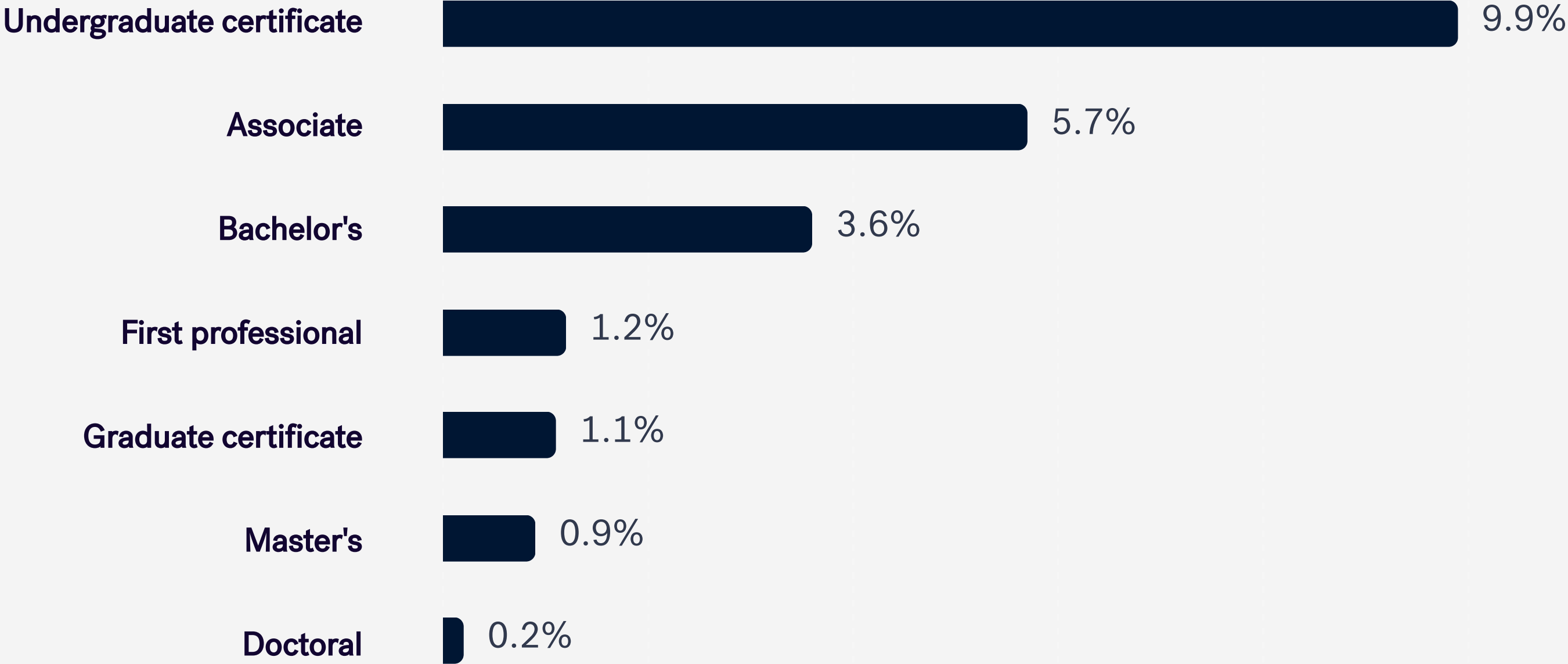
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After a disastrous testimony, three college presidents face calls to resign

Associate degrees and certificates are increasing in popularity

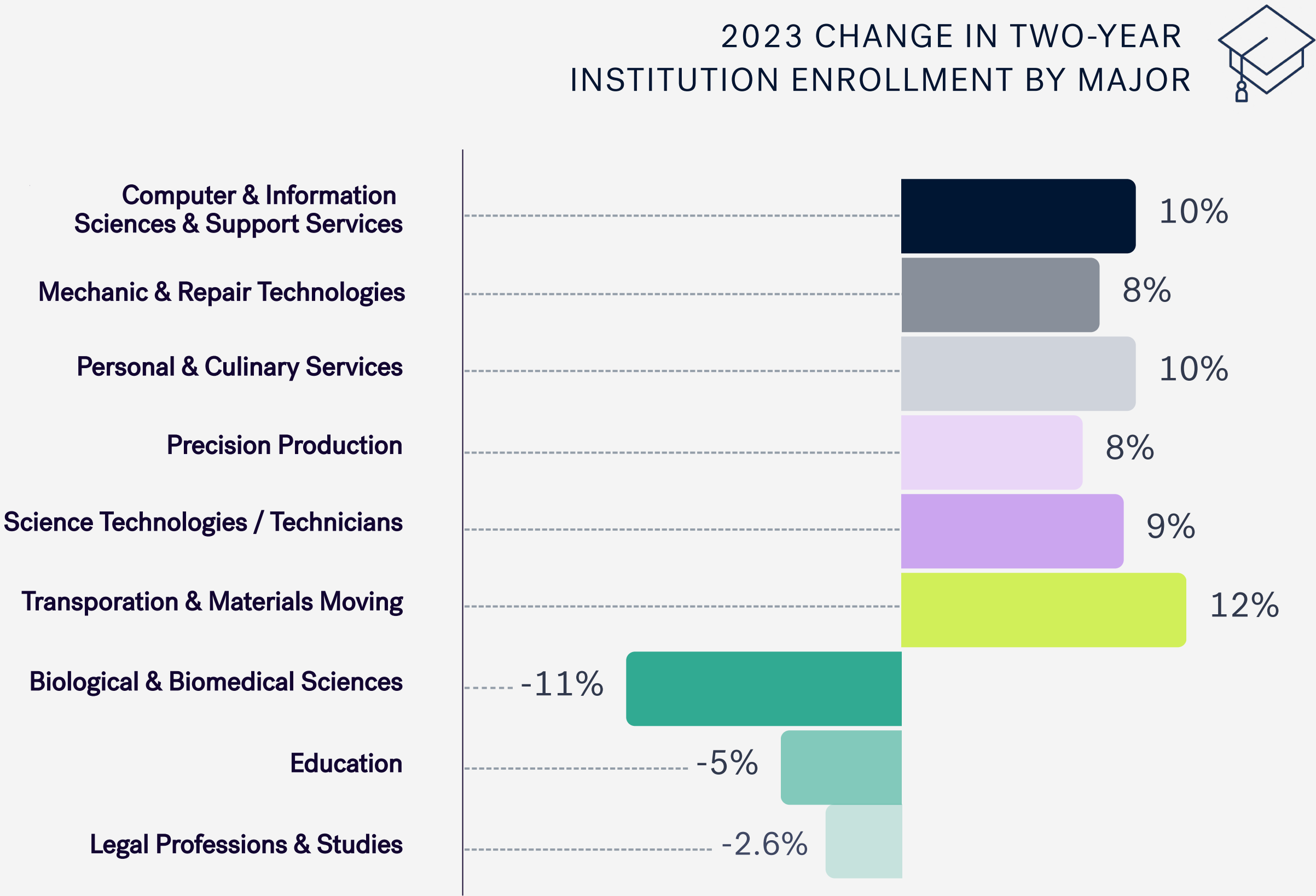
YEAR-OVER-YEAR CHANGE IN ENROLLMENT BY CREDENTIAL TYPE



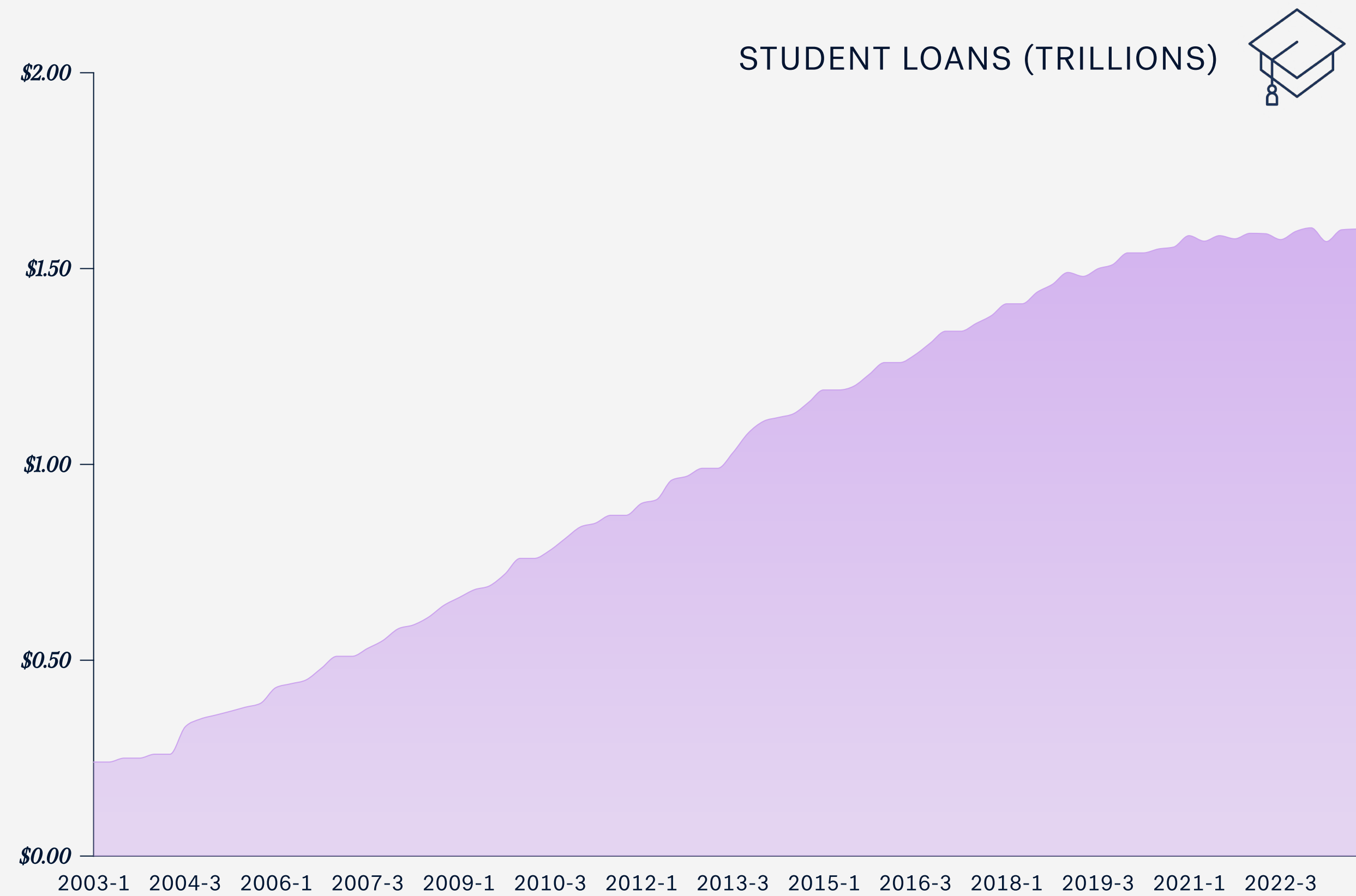
Fall 2023

Source: Higher Ed Dive, 2023

Two-year program interest focuses on technical skills sets

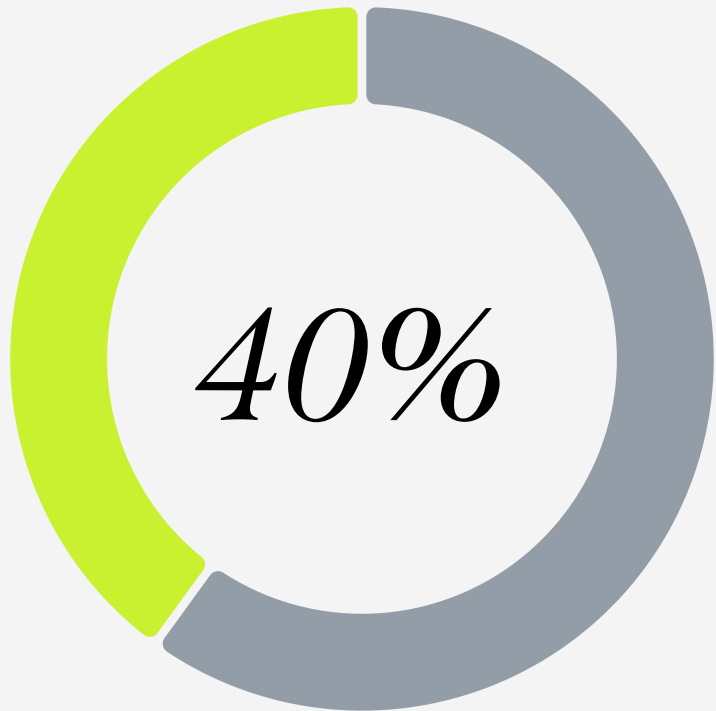


In line, student
loan growth
rate has leveled

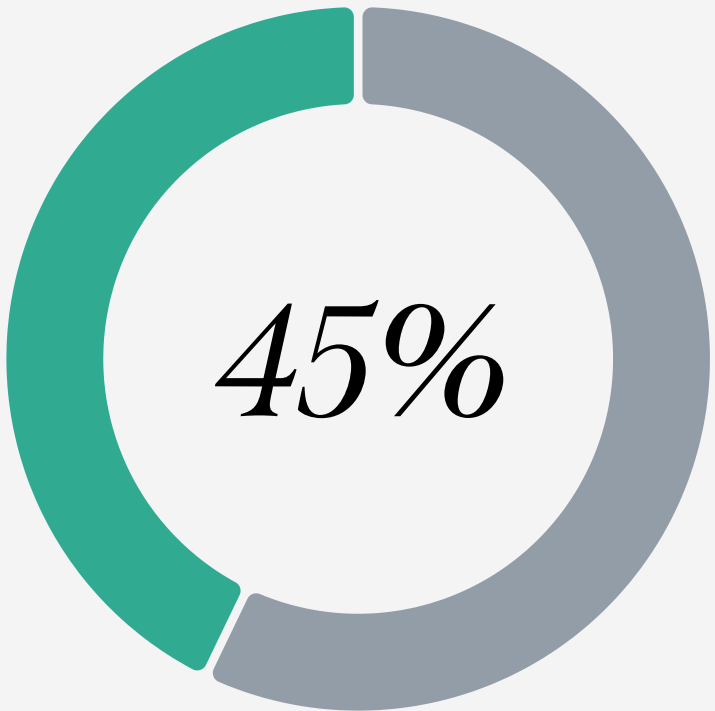


Source: Fred St Louis Fed, 2023

Shift toward shorter and more cost-effective programs aligns with the need for learning agility in the workforce

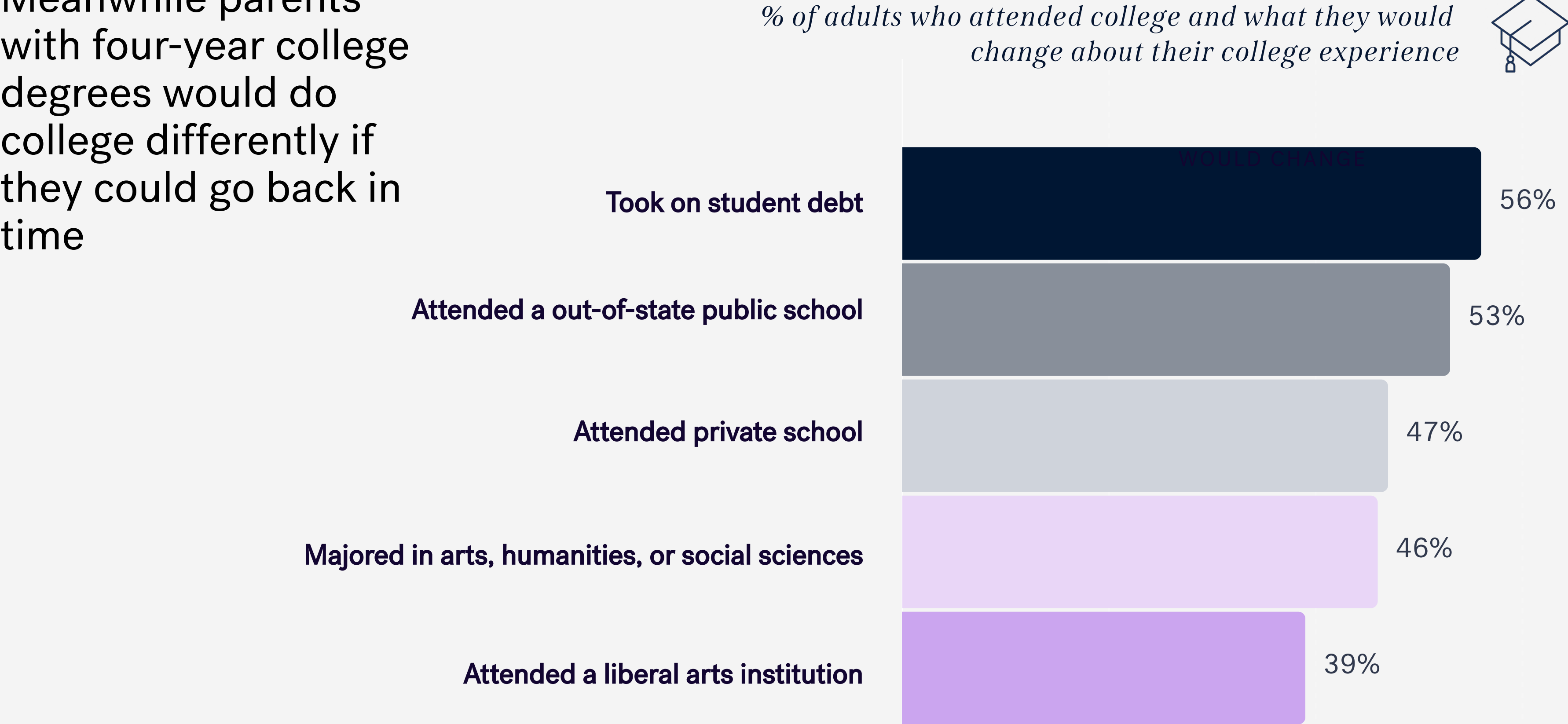


Percetange of core skills that will change by 2025



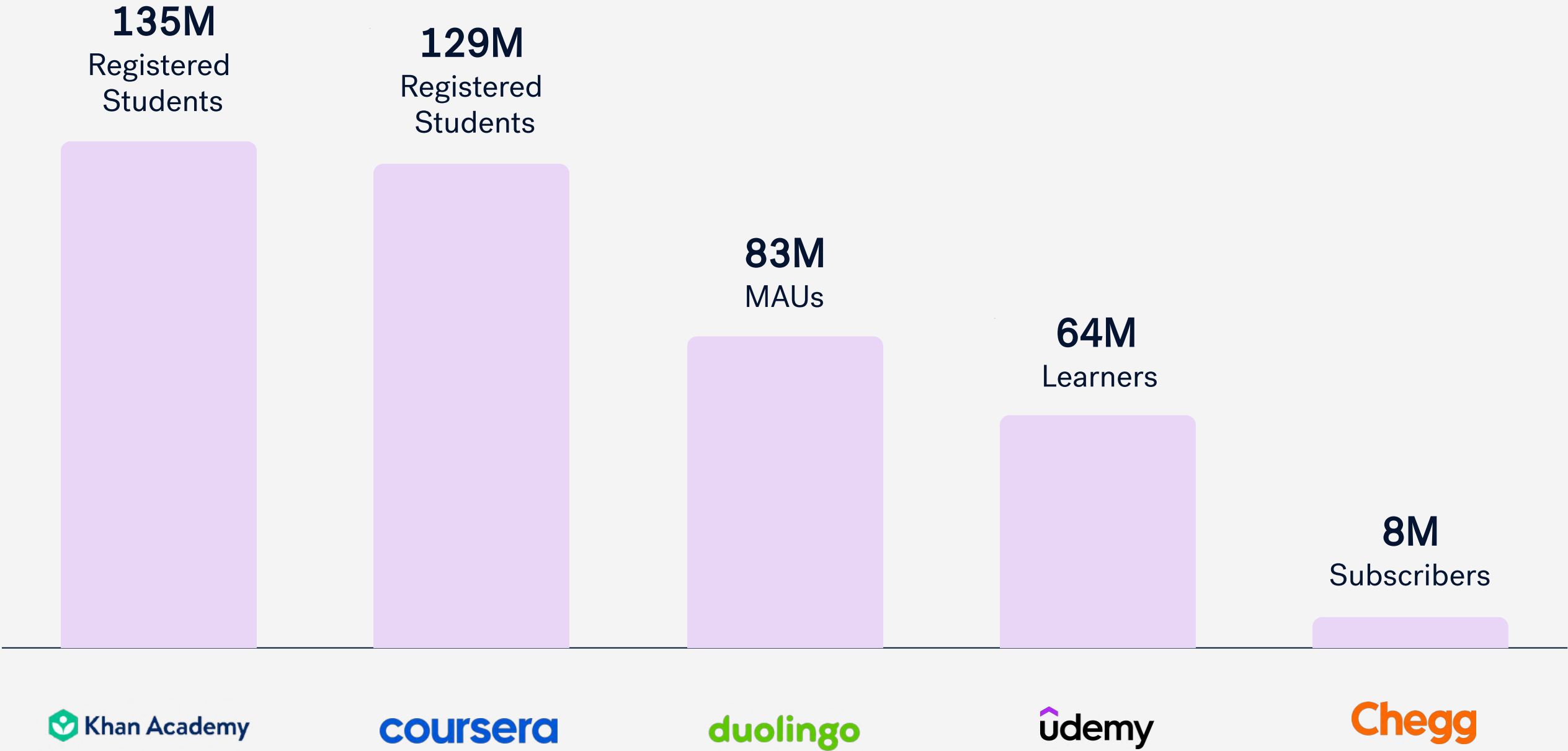
Percentage of college-educated workers remain underemployed

Meanwhile parents with four-year college degrees would do college differently if they could go back in time



Broad appeal of online education begins to fill the gap

EDTECH USERS 

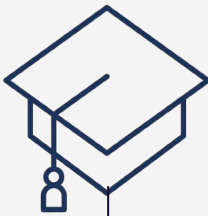


While the opportunity to start a specialized path for primary and secondary schooling emerges



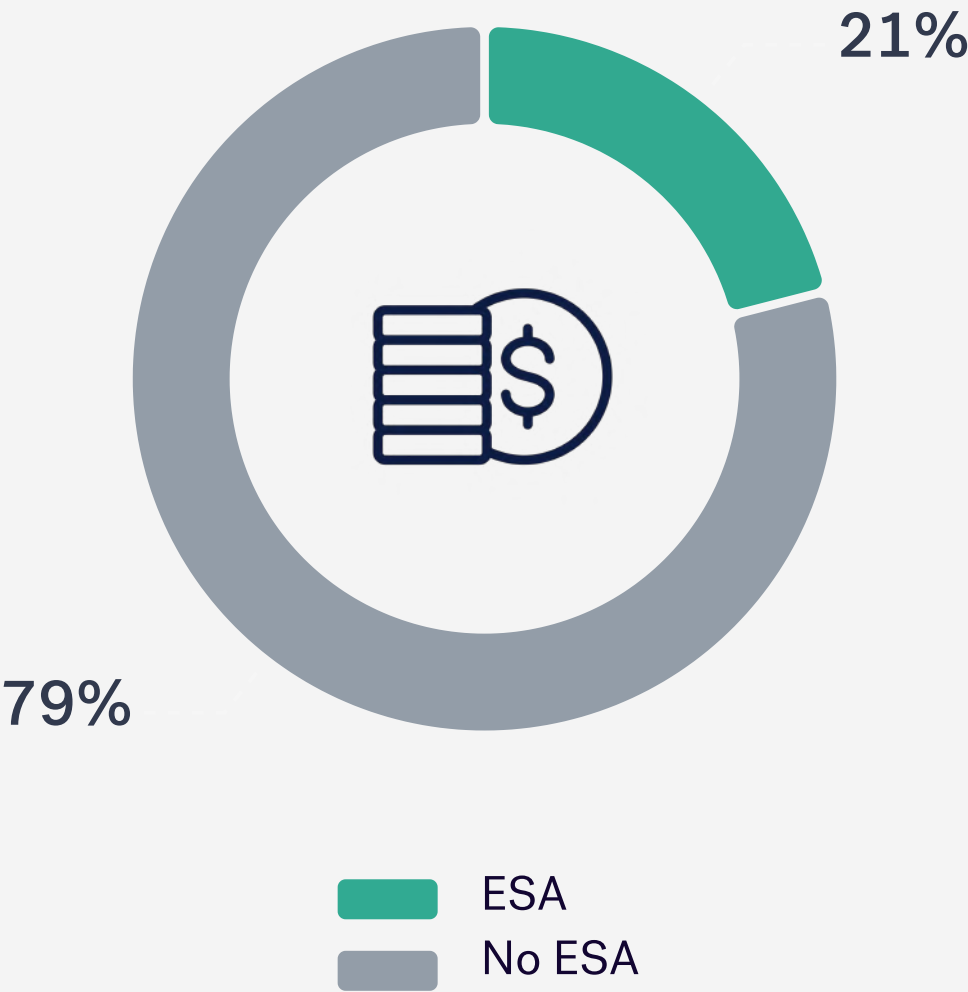
125K

Microschools in 2023



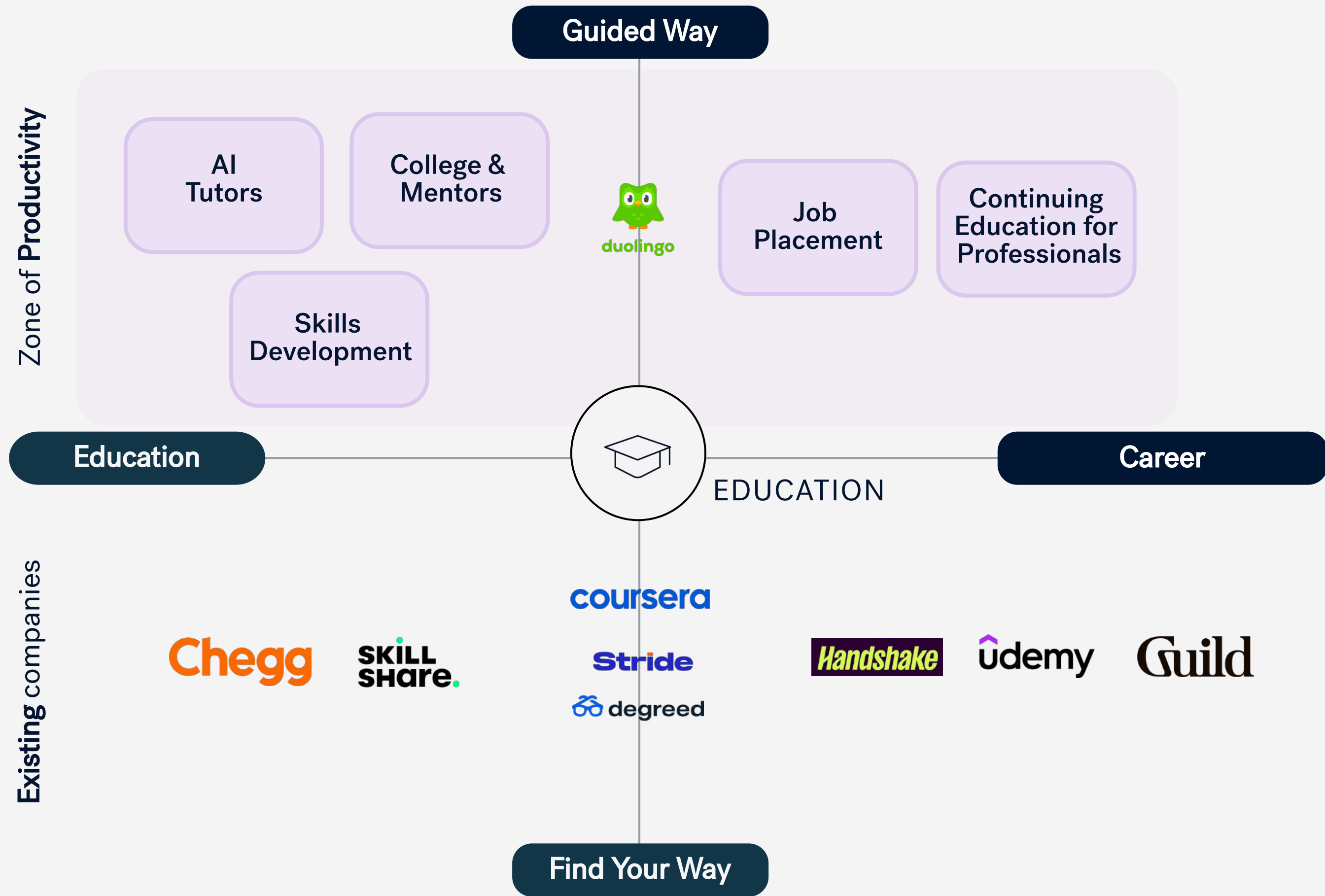
US POPULATION LIVING IN STATE WITH EDUCATION SAVINGS ACCOUNTS (ESA)

9 of 11 states started ESAs since 2021



Source: Education Week, 2023

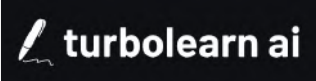
Shift toward guided learning underpins the 'Zone of Productivity'



Sample 'Zone of Productivity' companies in Education

AI Tutor

 sizzle

 turbolearn ai

 SKETCHY

 studdy

 Cactus

 juni

Coaches & Mentors

 Leland

 EMPOWERLY

 curious cardinals

 SOMETHINGS

 INSPIRA EDUCATION

Skills Development

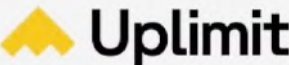
 Stepful

 campus

 opus

 Dreambound

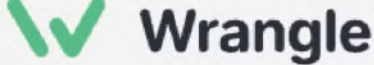
 UpSmith

 Uplimit

Job Placement

 teal

 EarnBetter

 Wrangle

 Ladder

 draftboard

 Class≡t

Professional Continuing Education

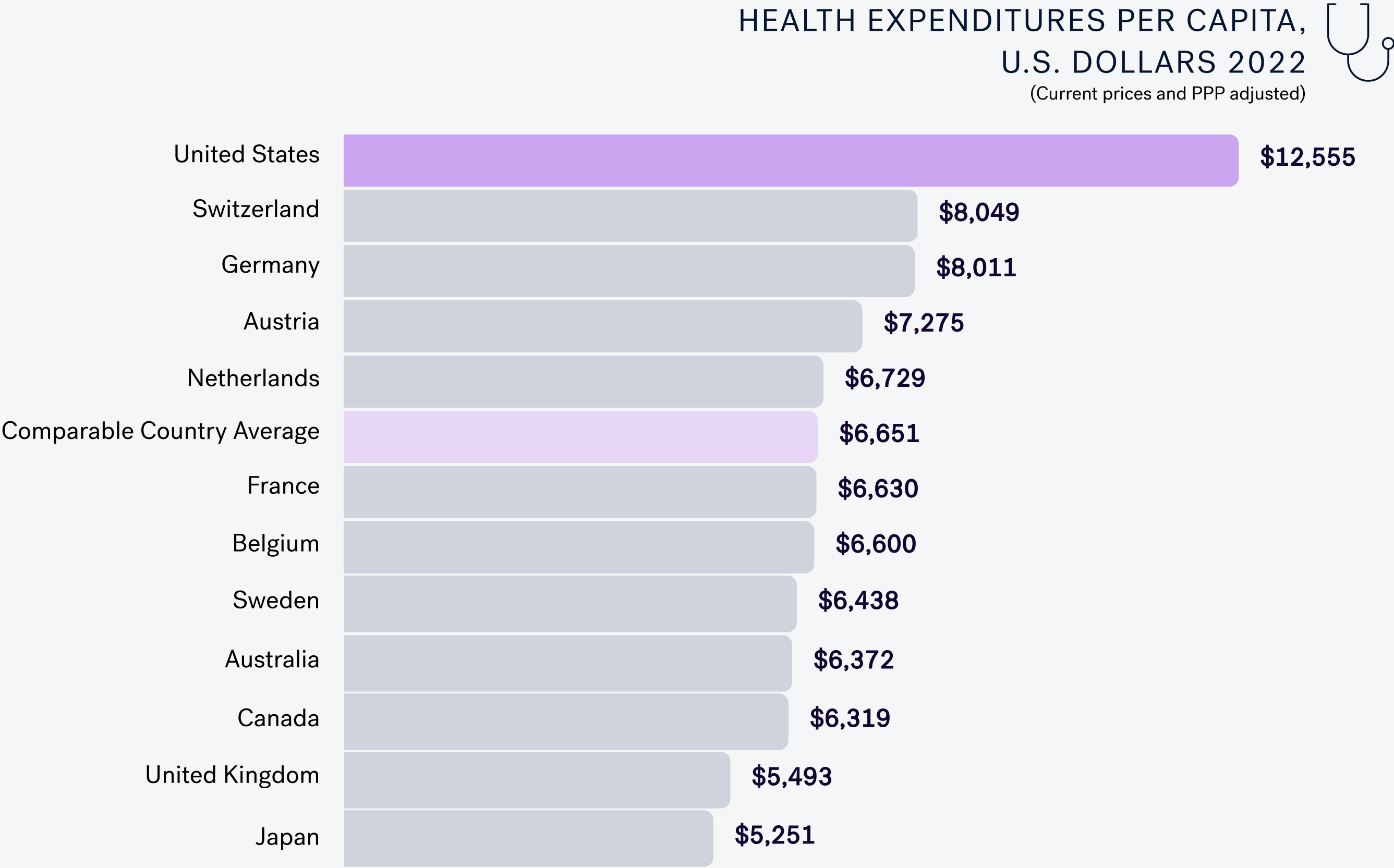
 Medallion

Taking your **health** back from the system

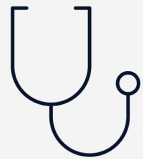


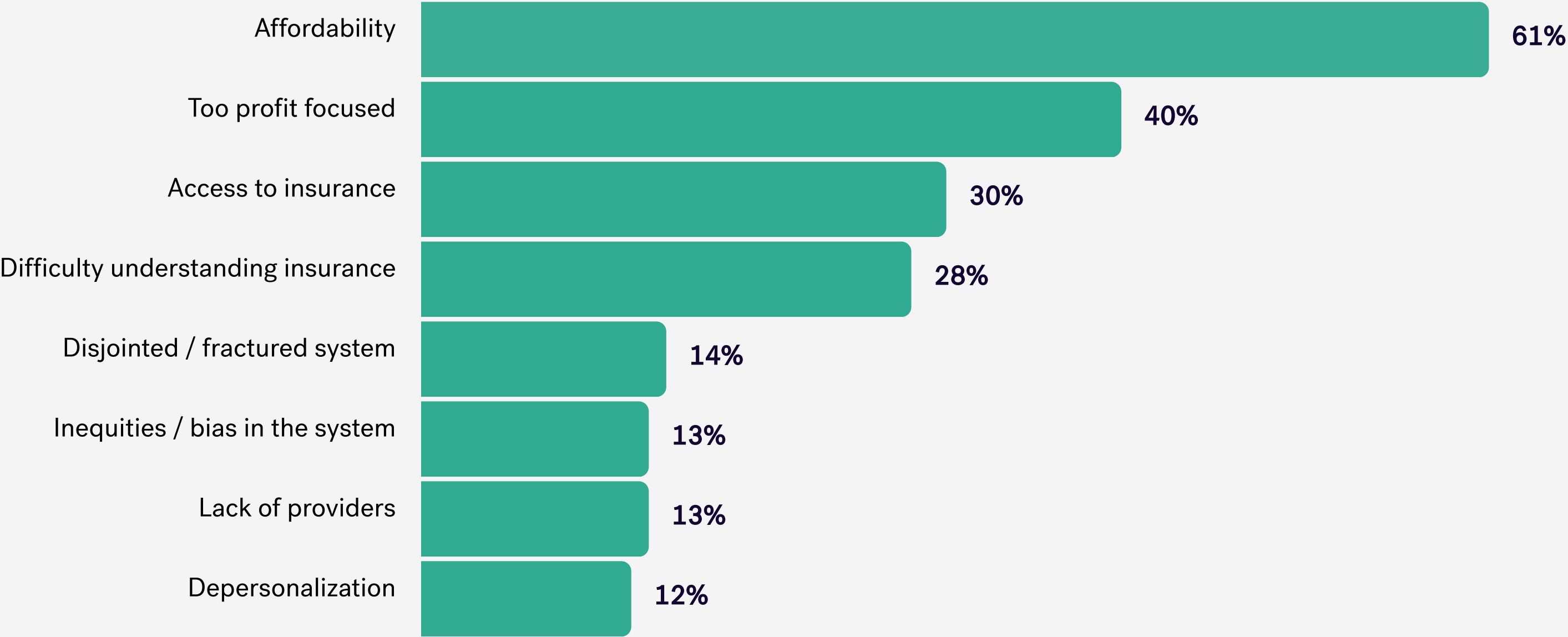
Care that *works* for you

US spends over 50% more on health care per capita than the next highest country

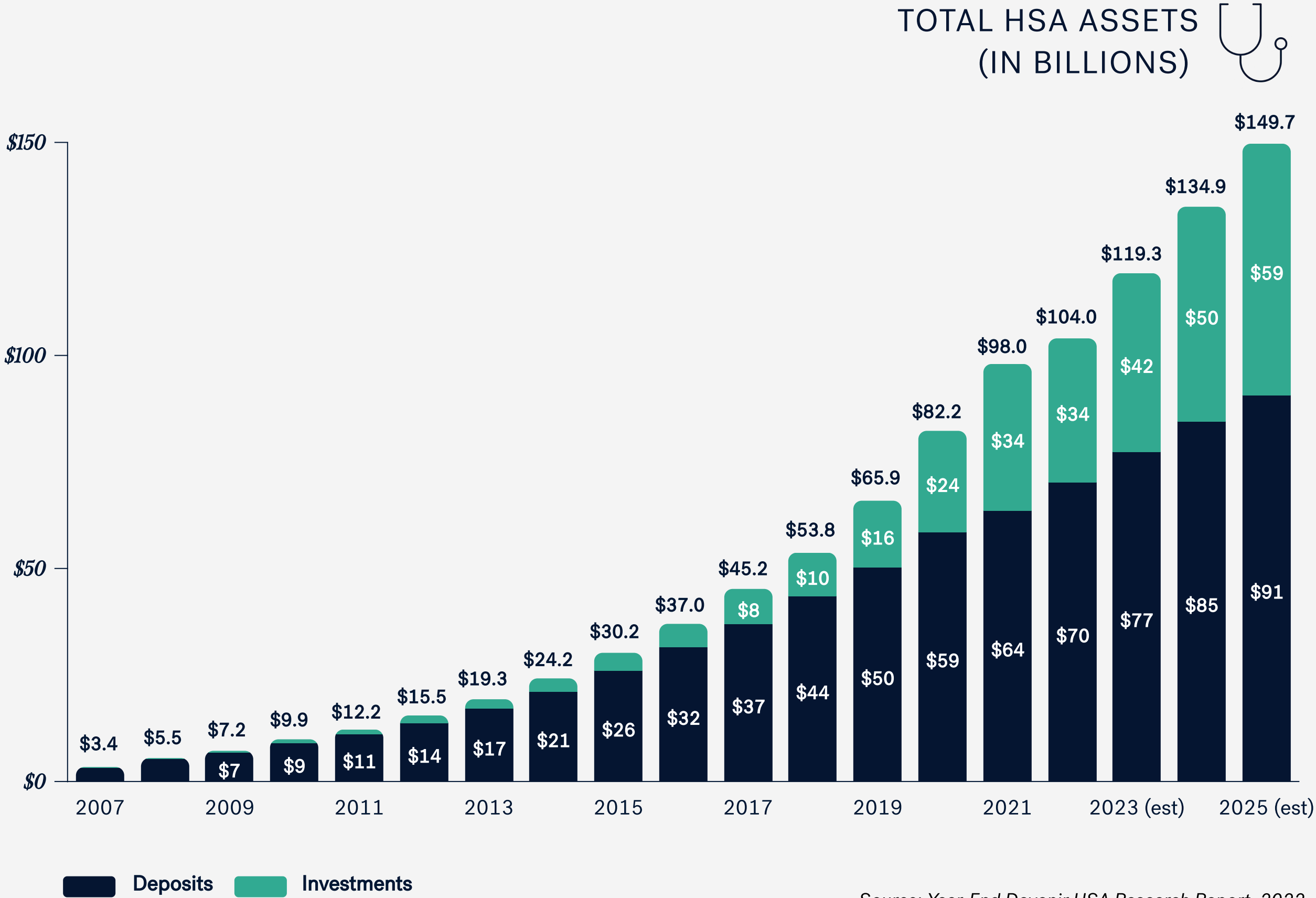


Meanwhile, the dollars do not appear to be *working* for the consumer as access feels inadequate

WHAT DO YOU CONSIDER TO BE THE BIGGEST BARRIERS TO ACCESS TO HEALTHCARE IN THE U.S. HEALTH CARE SYSTEM? 



In an effort to assert more direct control, consumers have saved \$100B into their HSAs; a potential unlock for new health offerings



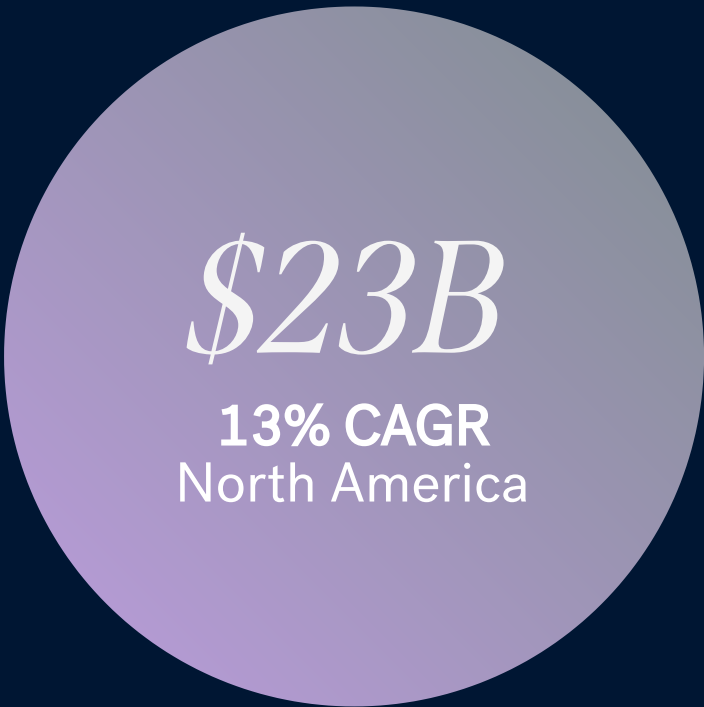
New forms of care will put consumers in the driver's seat, with offerings that create better value for consumers and decrease information asymmetry



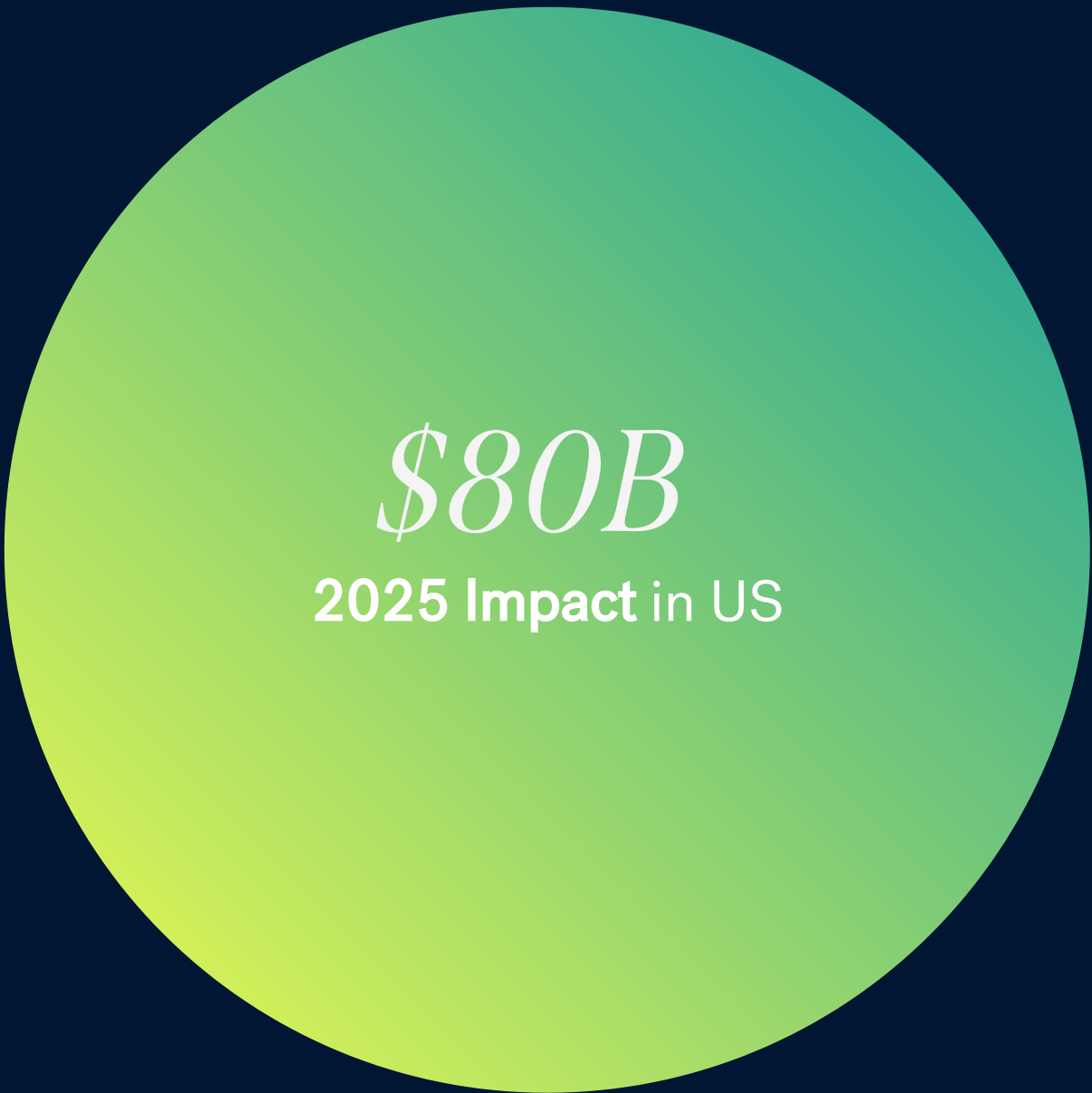
Care
Navigation



Concierge
Medicine



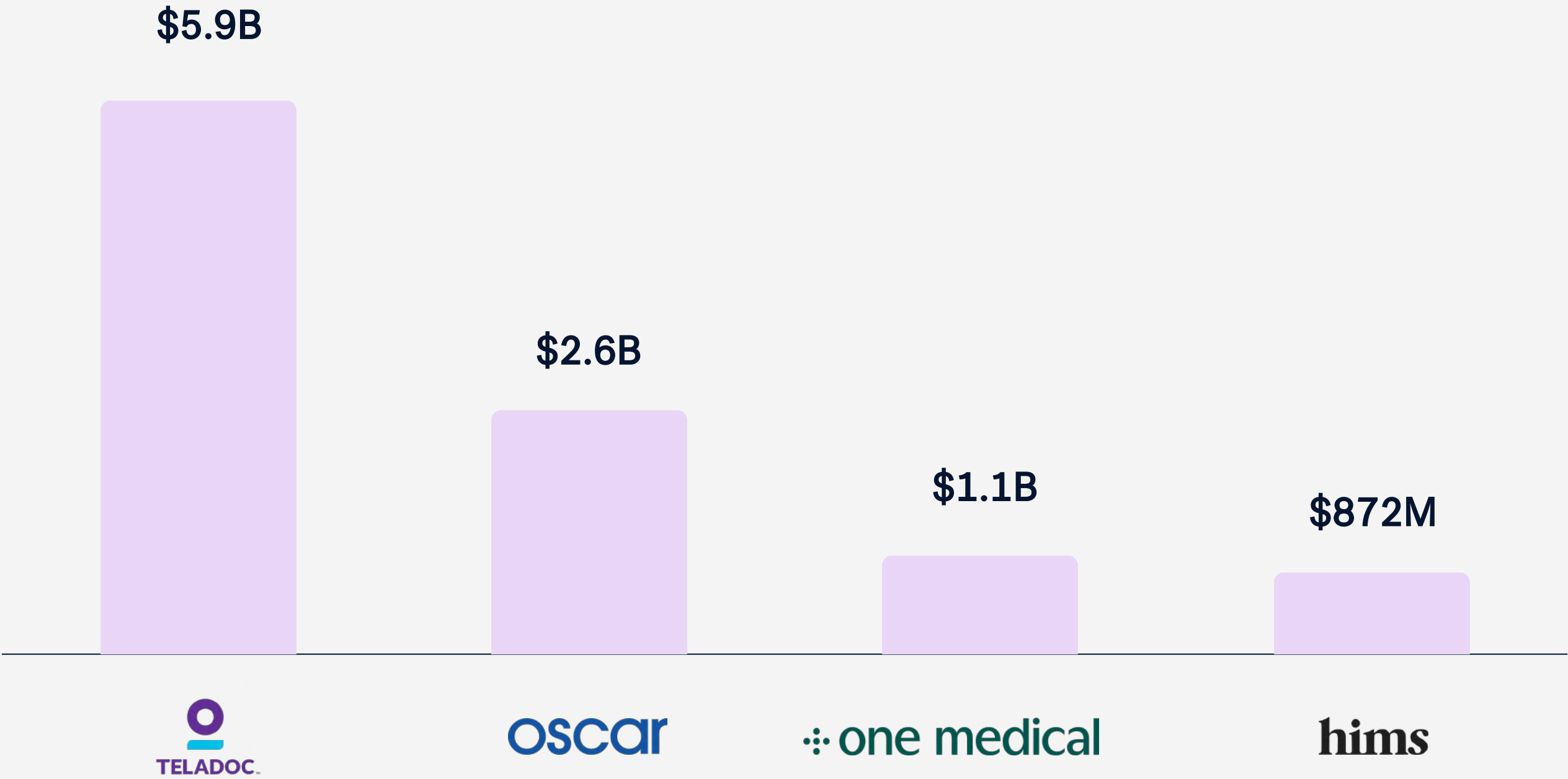
Quantified Self
(Wearables)



Price Transparency

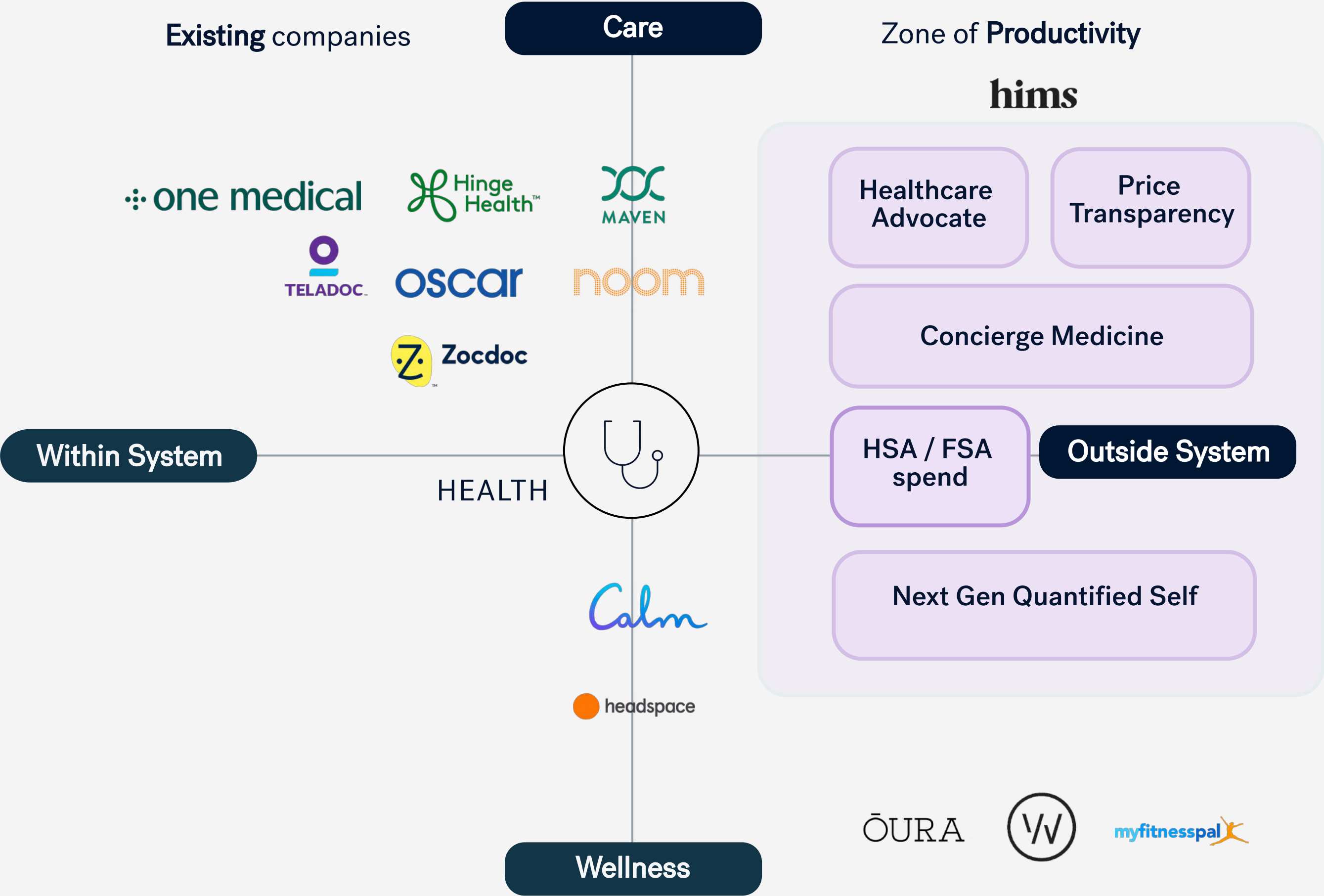
Notable consumer-first
care companies have
reached critical mass

HEALTH COMPANY REVENUE 



Source: Yahoo! Finance

Shift toward dollars outside of the system underpins 'Zone of Productivity'



Sample 'Zone of Productivity' companies in Health

Concierge Medicine

Bionic Health

SOLLIS HEALTH

transcarent

Healthcare Advocate

sheerhealth

Goodbill

Solace

rightway

Pairtu

homeward

Price Transparency

certainly

Solv

SESAME

milu health

Turquoise Health

CostPlus DRUG COMPANY

HealthTap

Next Gen Quantified Self

prenuvo

superpower

ezra

LEVELS

Nectar

NEKO

Function

tally HEALTH

HSA / FSA

Truemed

SIKA

flex

benepass

Lively

Wait a minute,
though: there's a
potential downside of

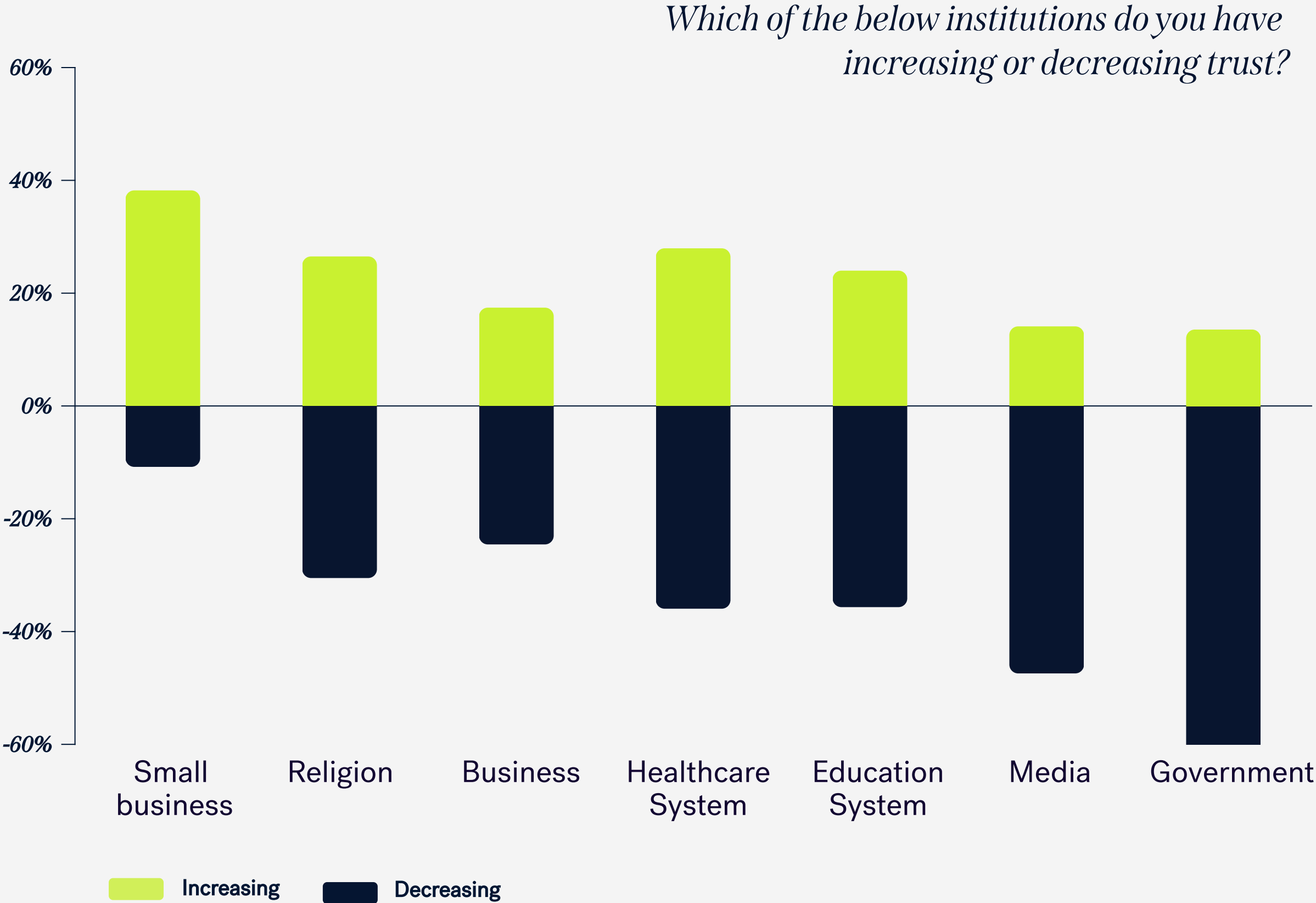
independence



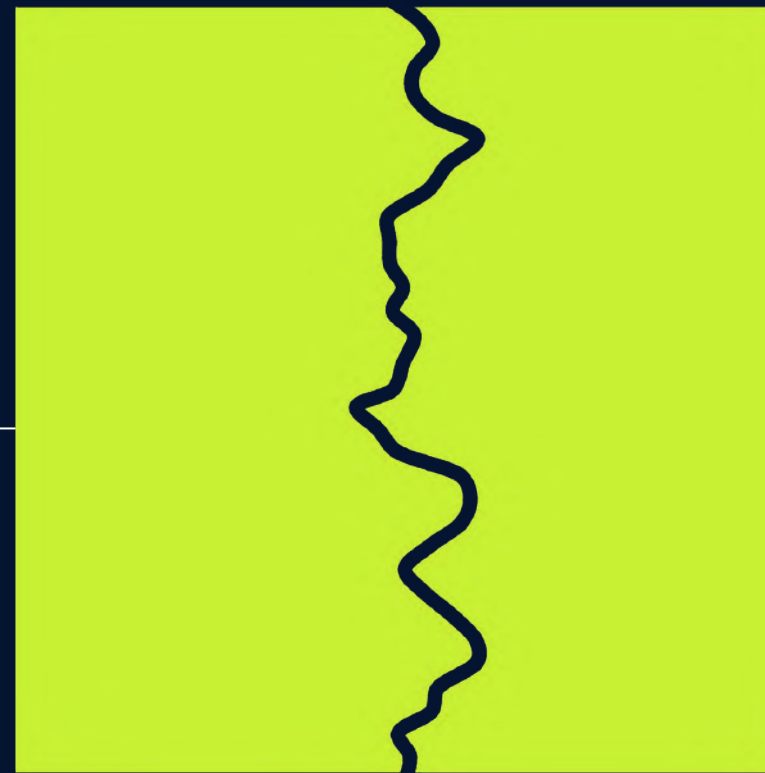
In parallel to the shift, trust in institutions has thinned to concerning levels

FAIRE

Hundreds of thousands of verified independent (small business) retailers



A divisive
society could
become even
more divided.



There's nothing good
that comes from
independence...

...rooted
in distrust

What could happen if independence goes too far?



More individualistic



Less tolerance for others



Less trust



Less compromise



Less loyalty

Autonomy and
self-reliance

Of
individuals



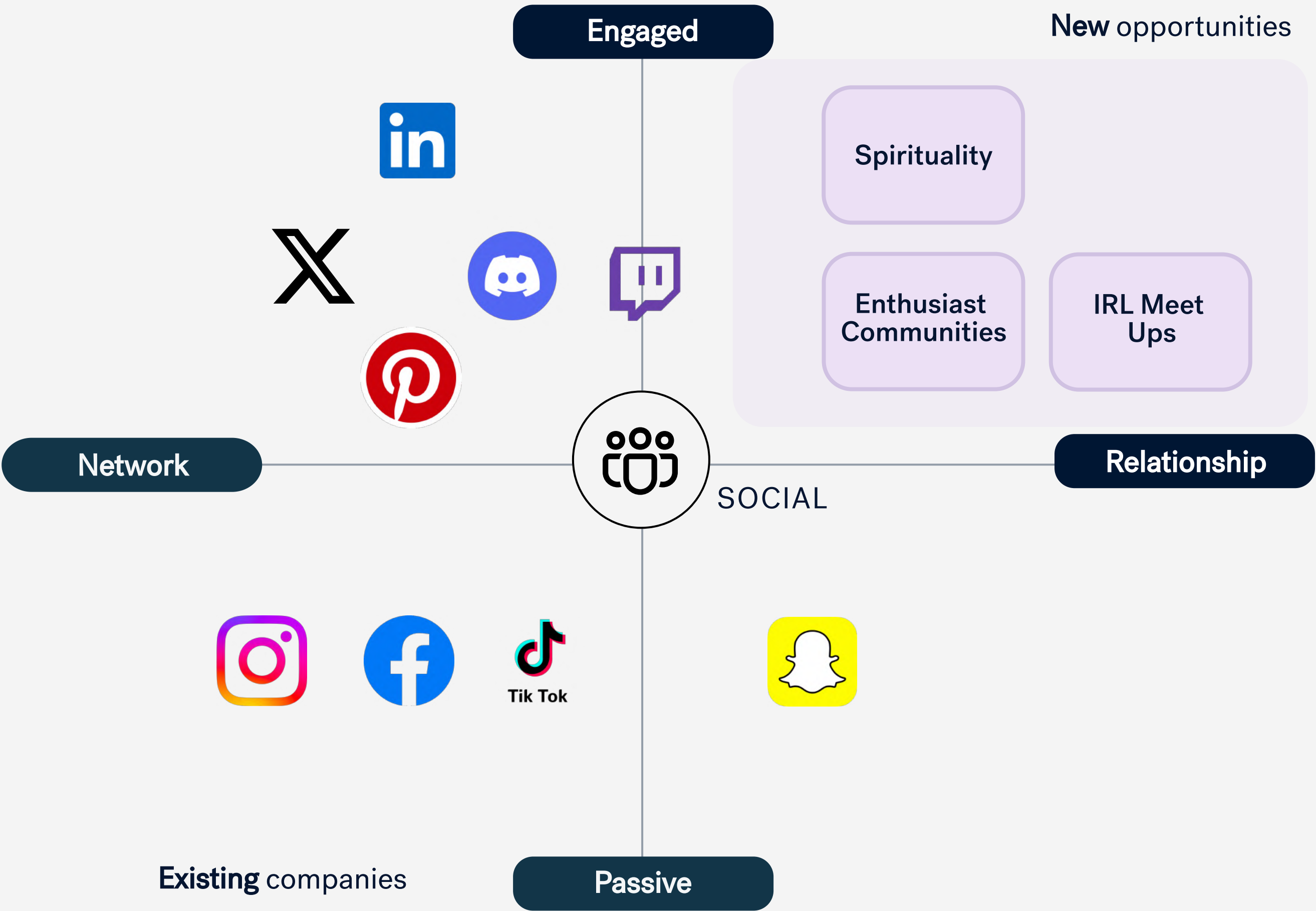
Must exist with the
dependence and
connection to society

*Independence
shifts*



*to
interdependence*

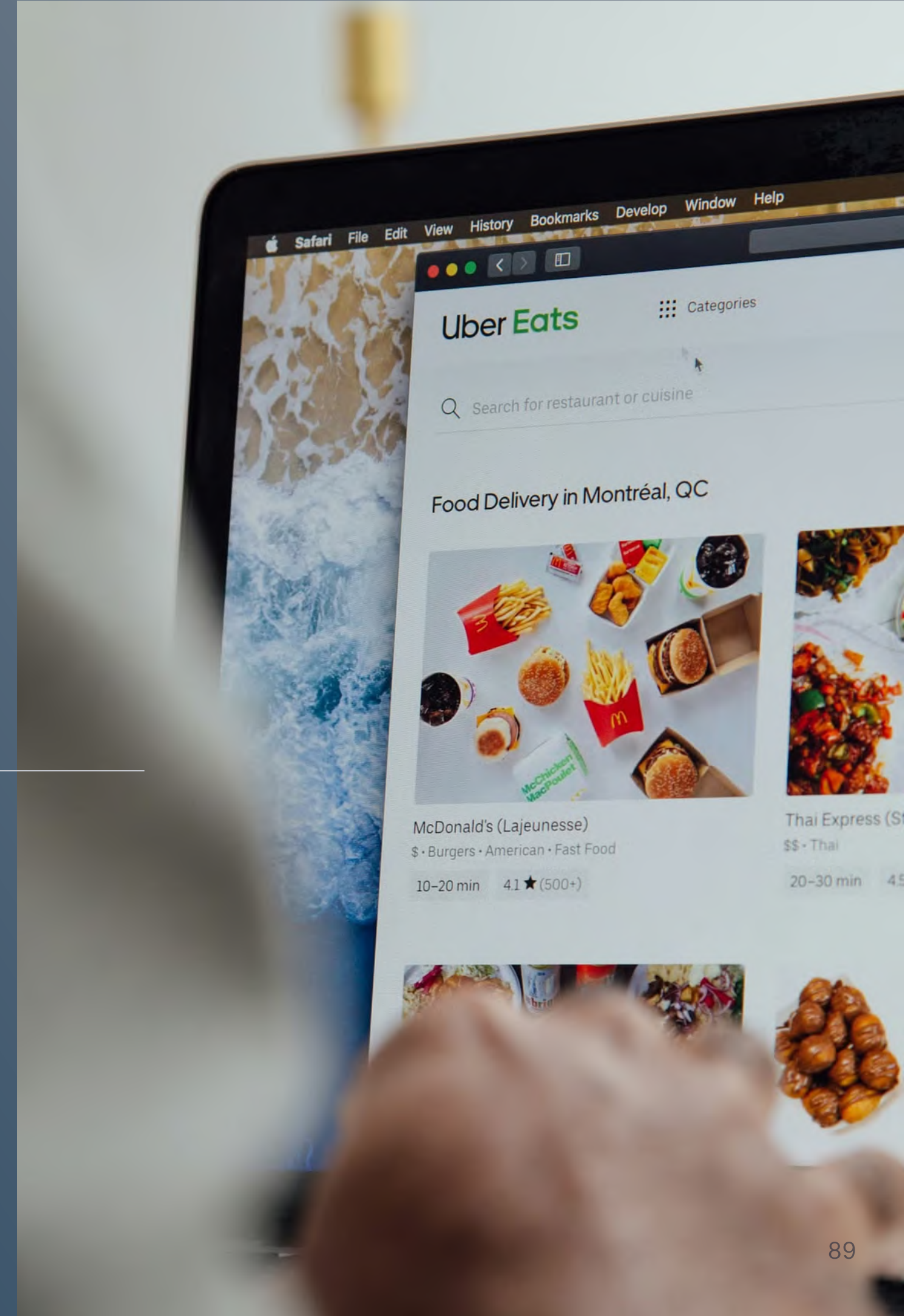
In line with interdependence, social could move beyond the feed and do more to bring people together



VALUE 3

Spendthrift

Spending like there's no tomorrow — or living your life? A case for the latter.



Consumer spend today includes products, services, and experiences that look discretionary but have become expected

PRODUCTS



EXPERIENCES



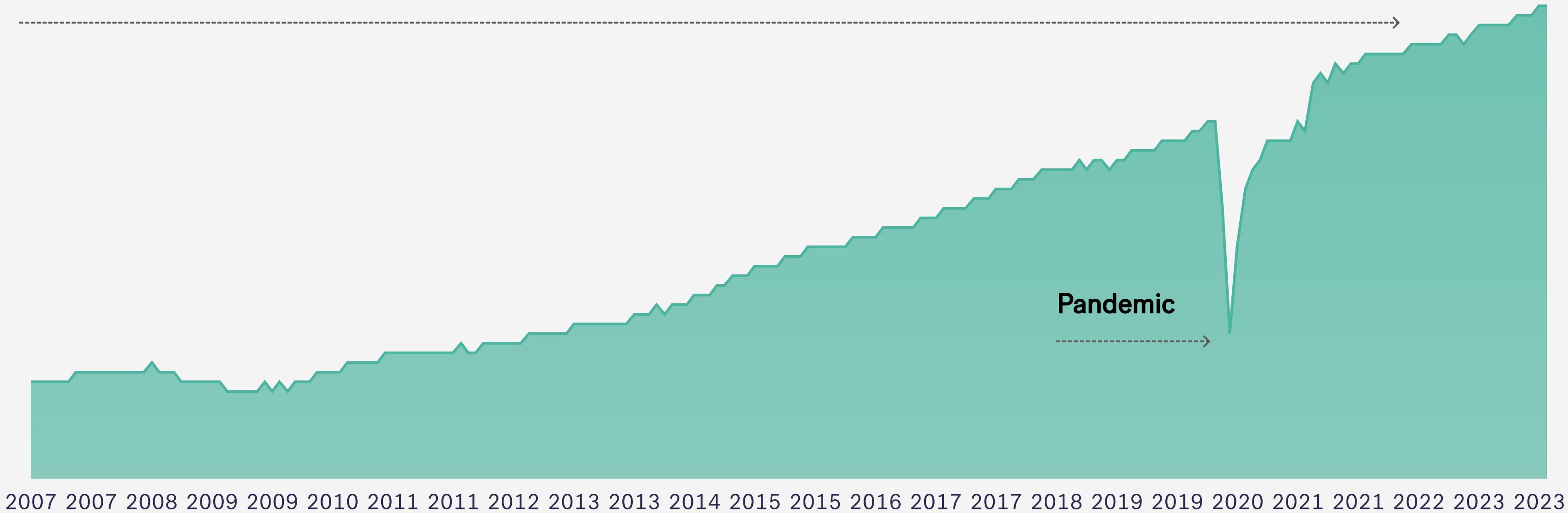
SERVICES



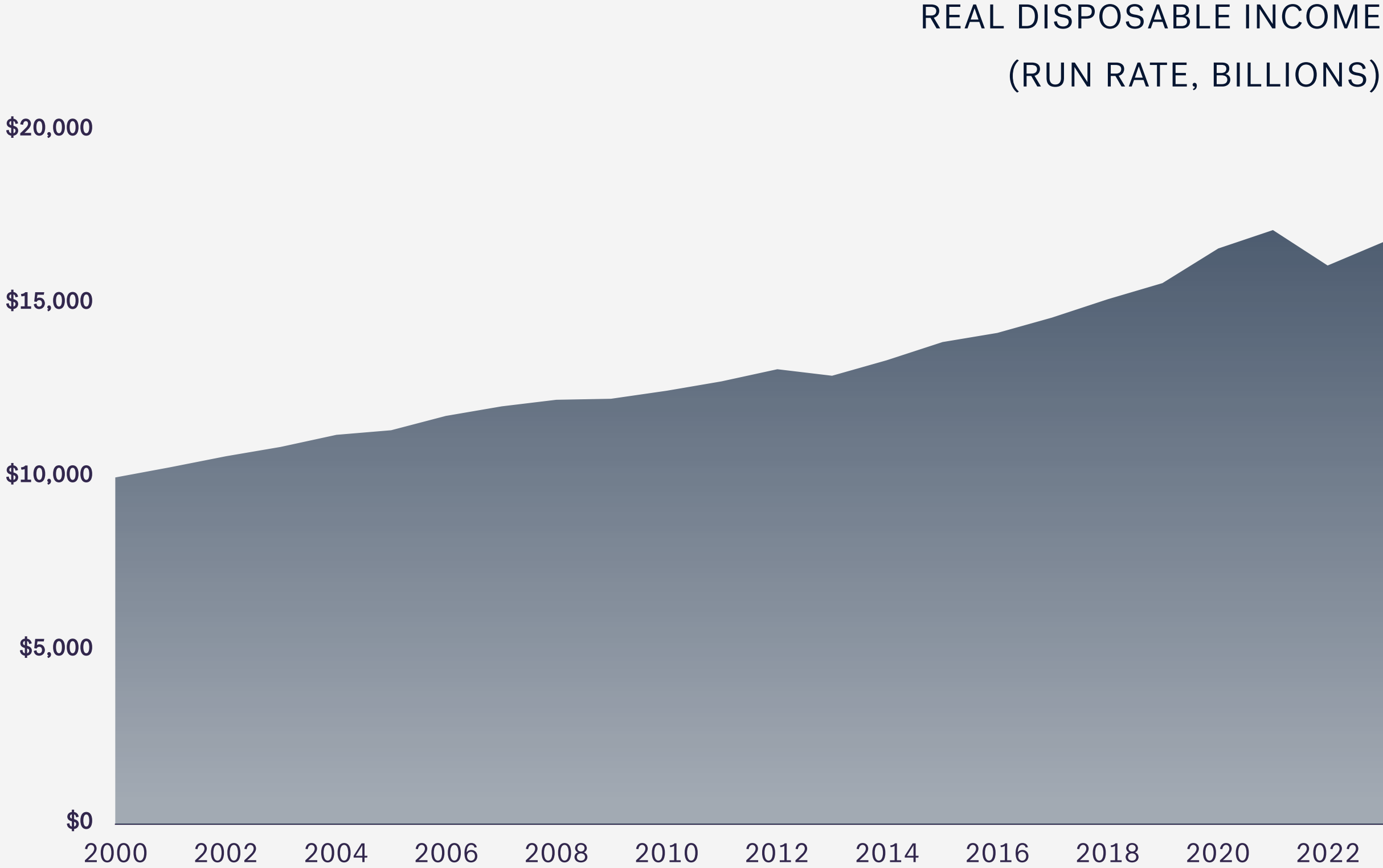
38% increase in real consumer spend since 2007 matches the growing expectations

REAL PERSONAL CONSUMPTION
EXPENDITURE GROWTH

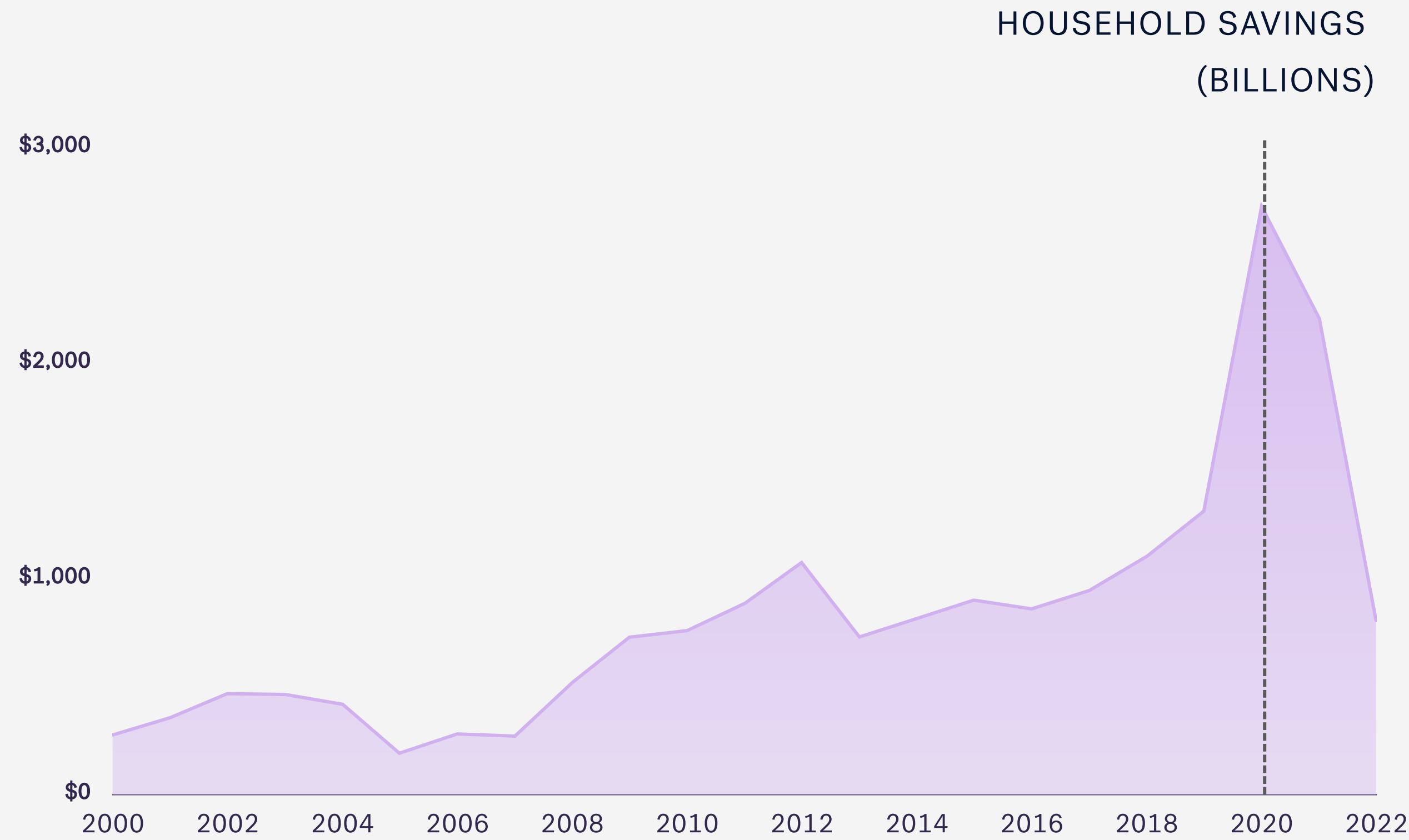
Spend increased 38% from 2007 to today adjusted for inflation



On the one hand, consumers have more money to support this spend: compared to 2000, today's median consumer has +50% disposable dollars adjusted for inflation



On the other hand,
pandemic savings
propping up consumer
spend the past few
years has run out



Source: *Fred St Louis Fed*, 2022

The question on
the market's mind:

how can spend
remain high?



The New York Times

U.S. consumers are showing signs of stress, retailers say

The New York Times

Revenge spending helped push prices higher. The trend is turning

CNN

The mighty American consumer is about to hit a wall, investors say

THE WALL STREET JOURNAL

'Revenge travel' fizzles for budget airlines



Bloomberg

Amazon Prime day flashes warning for retailers

Bloomberg

American spending has kept the economy going since the pandemic. It may finally be stopping, in charts

BANK OF AMERICA

Gen Z is tightening its belt, with 73% modifying lifestyles due to inflation

State of today's world and
the digital transformation
of the 2020s prompts

a reset of consumer priorities



Priority reset drives
unlocks for additional

spendthrift dollars



*Die With Zero
mindset*



*Pausing long-term
financial goals*



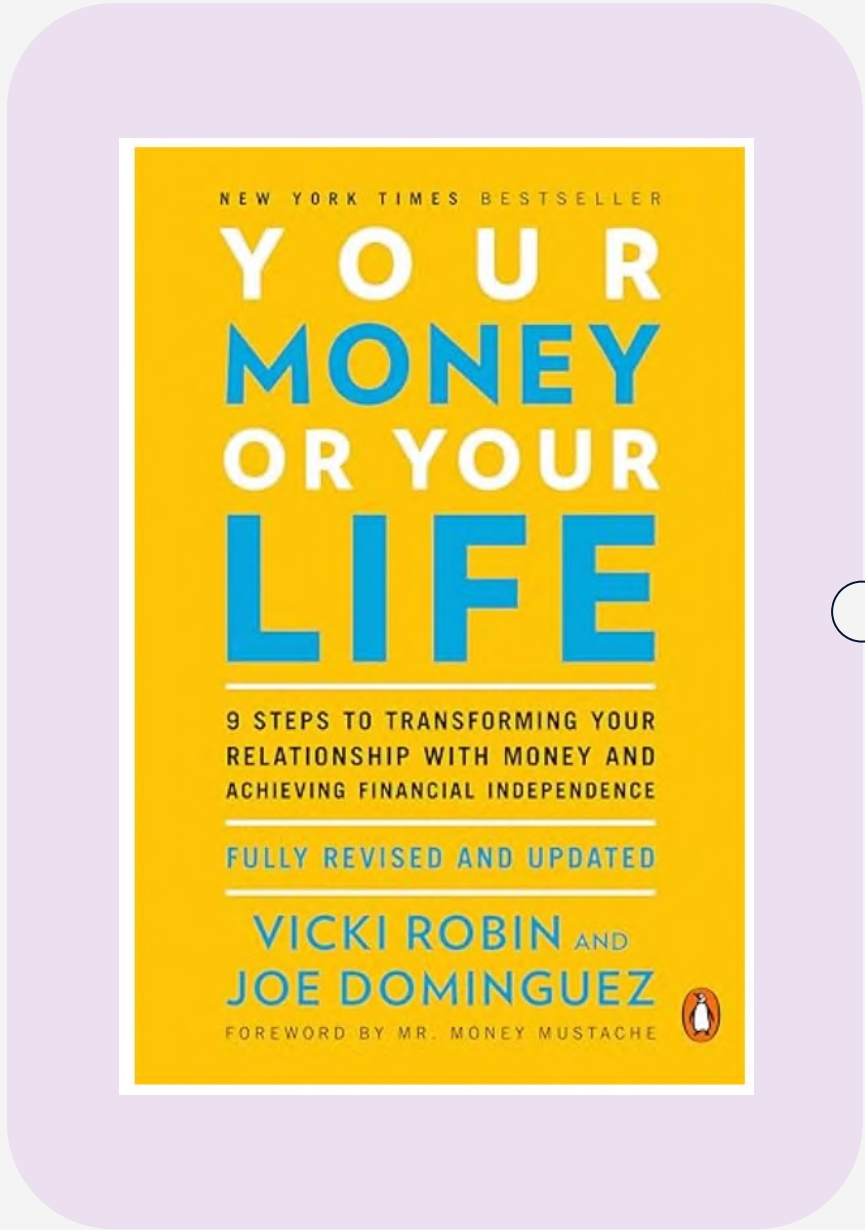
*Credit card and
BNPL debt*



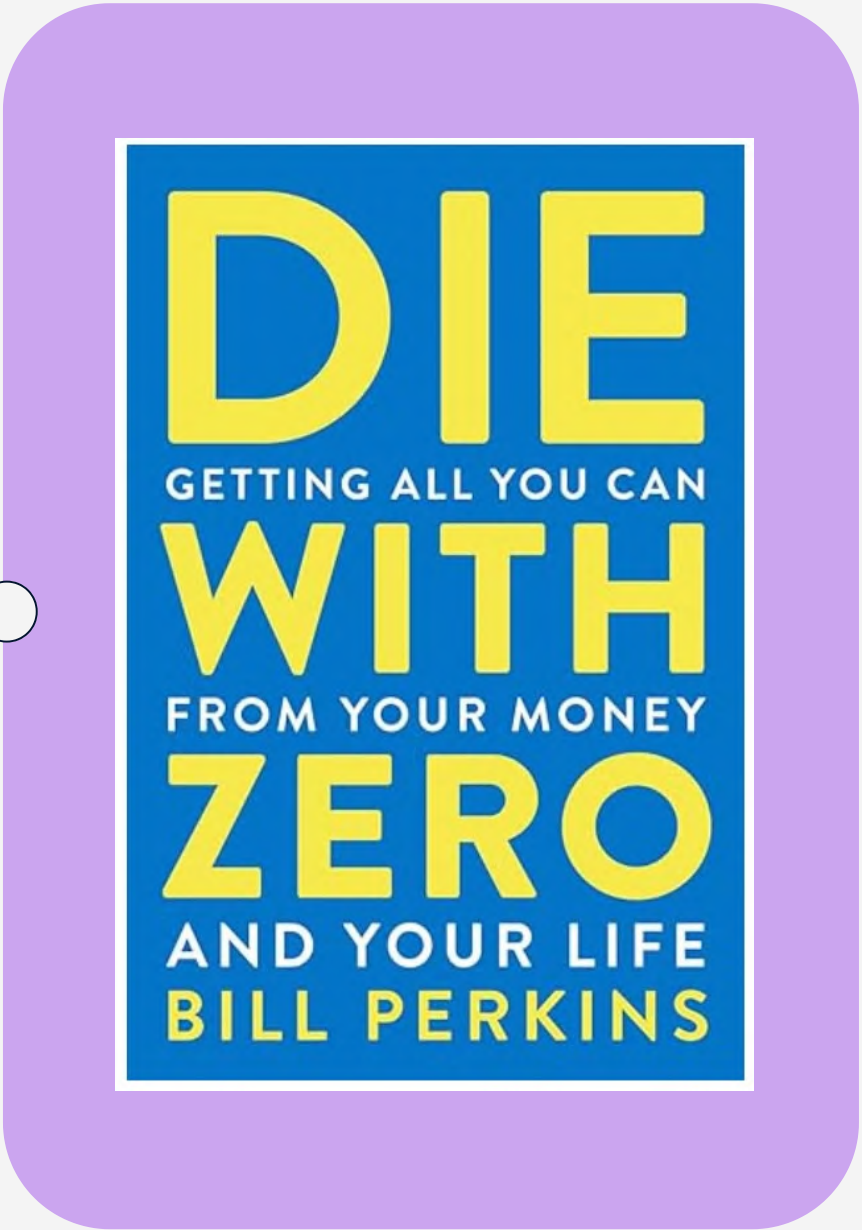
*Frictionless
payment methods*

First, consumers are evaluating a new approach to finances: YOLO > FIRE

Financially Independent Retire Early (FIRE)

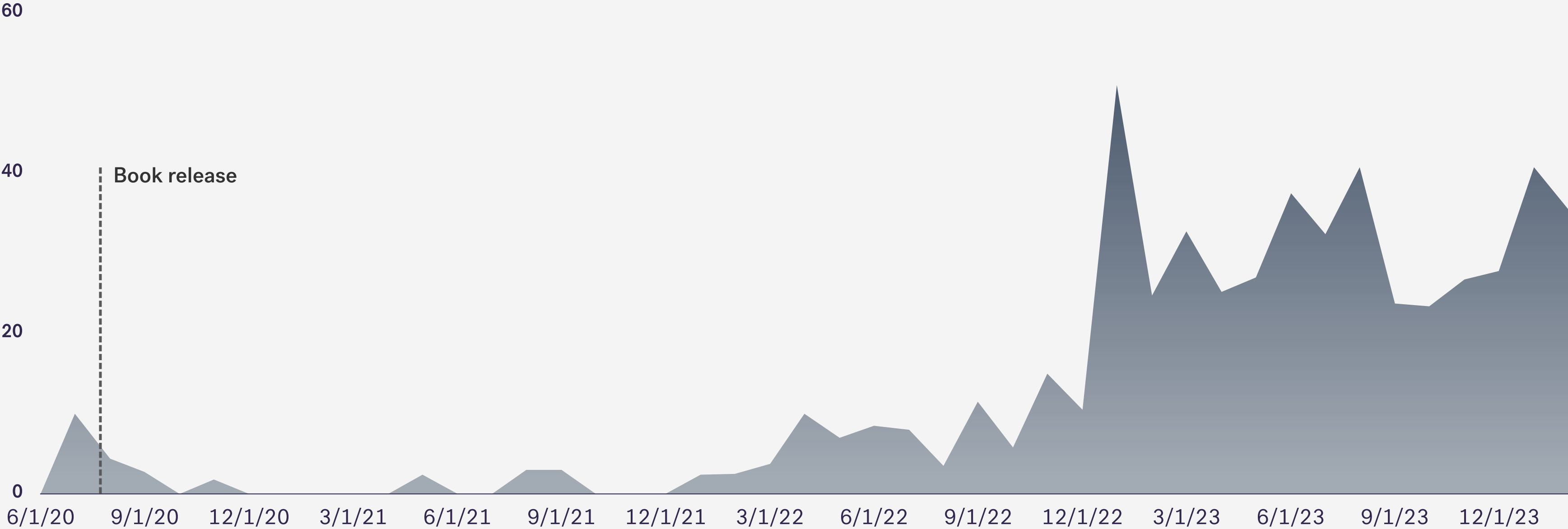


Net Fulfillment Over Net Worth



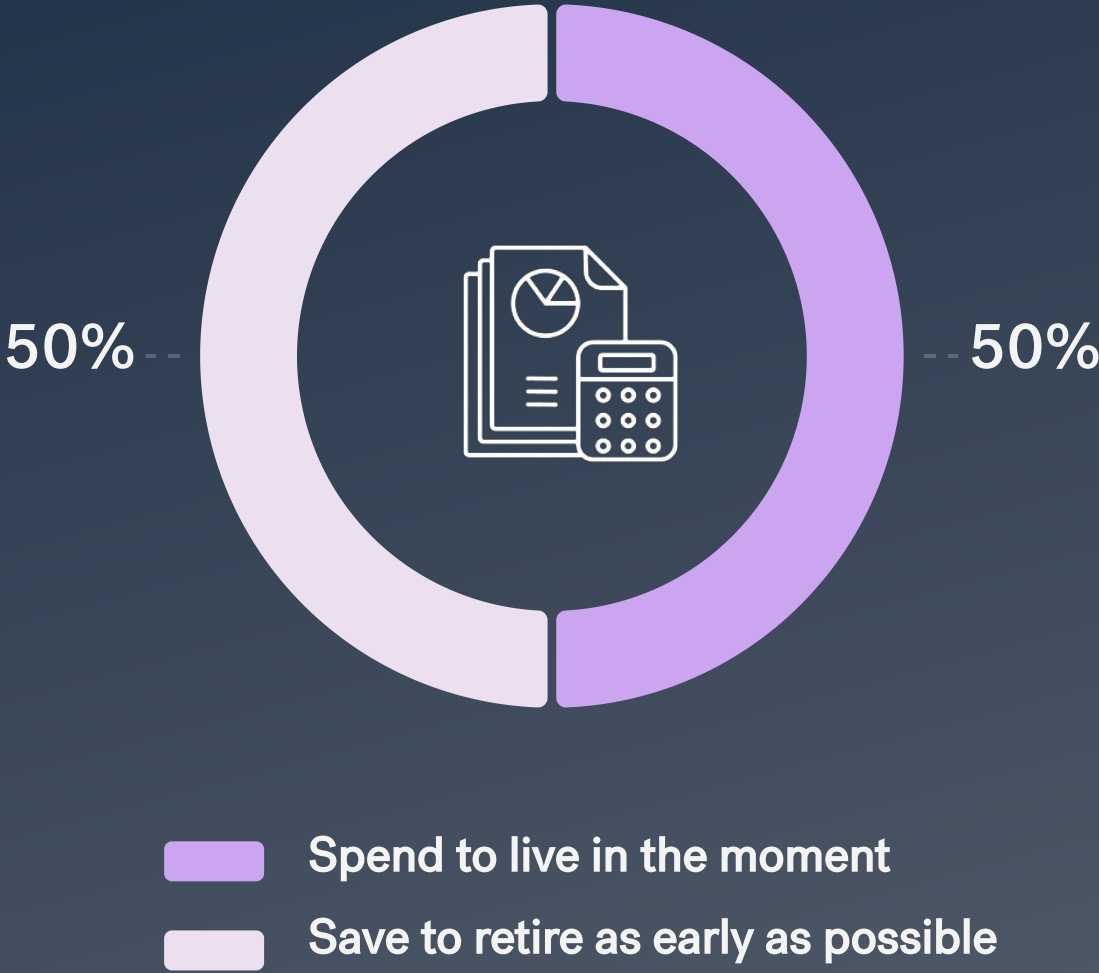
Interest in the headline: *Die with Zero* peaked in early 2023 and remains elevated

INTEREST IN SEARCH
TERM OVER TIME

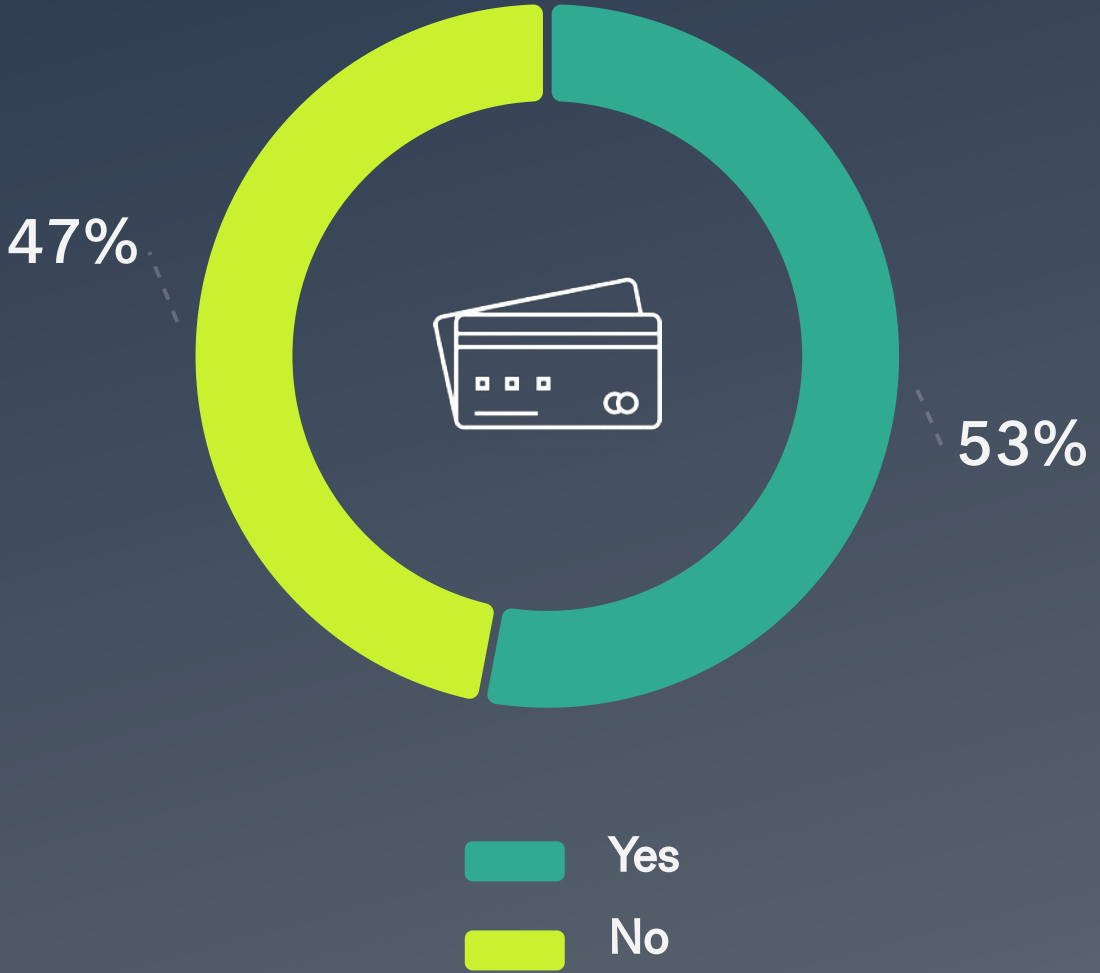


Spending to enjoy life in the moment takes precedence over retirement

Which best describes your approach to spending and budgeting in life?



Did you switch your approach over the past few years to spending in the moment?



Source: Forerunner Consumer Survey, 2024

Second, with stress and unattainable long-term goals in mind, 55% of consumers have stopped saving for financial goals with over 40% unlocking dollars to live in the moment

Did you stop saving for a financial goal last year because you did not believe you could achieve the goal?



- Yes
- No

For the financial goals you stopped saving for, what do you plan to do with those dollars?

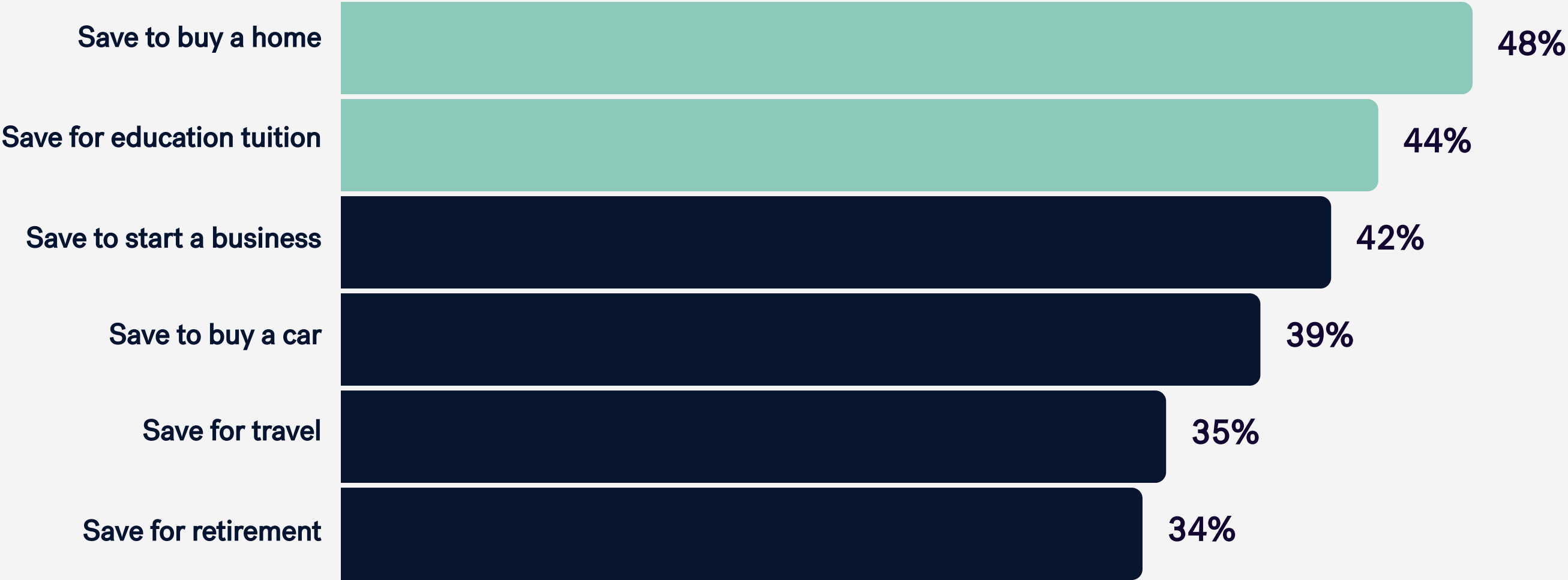


- Spend to live in the moment
- Put the dollars towards other financial goals

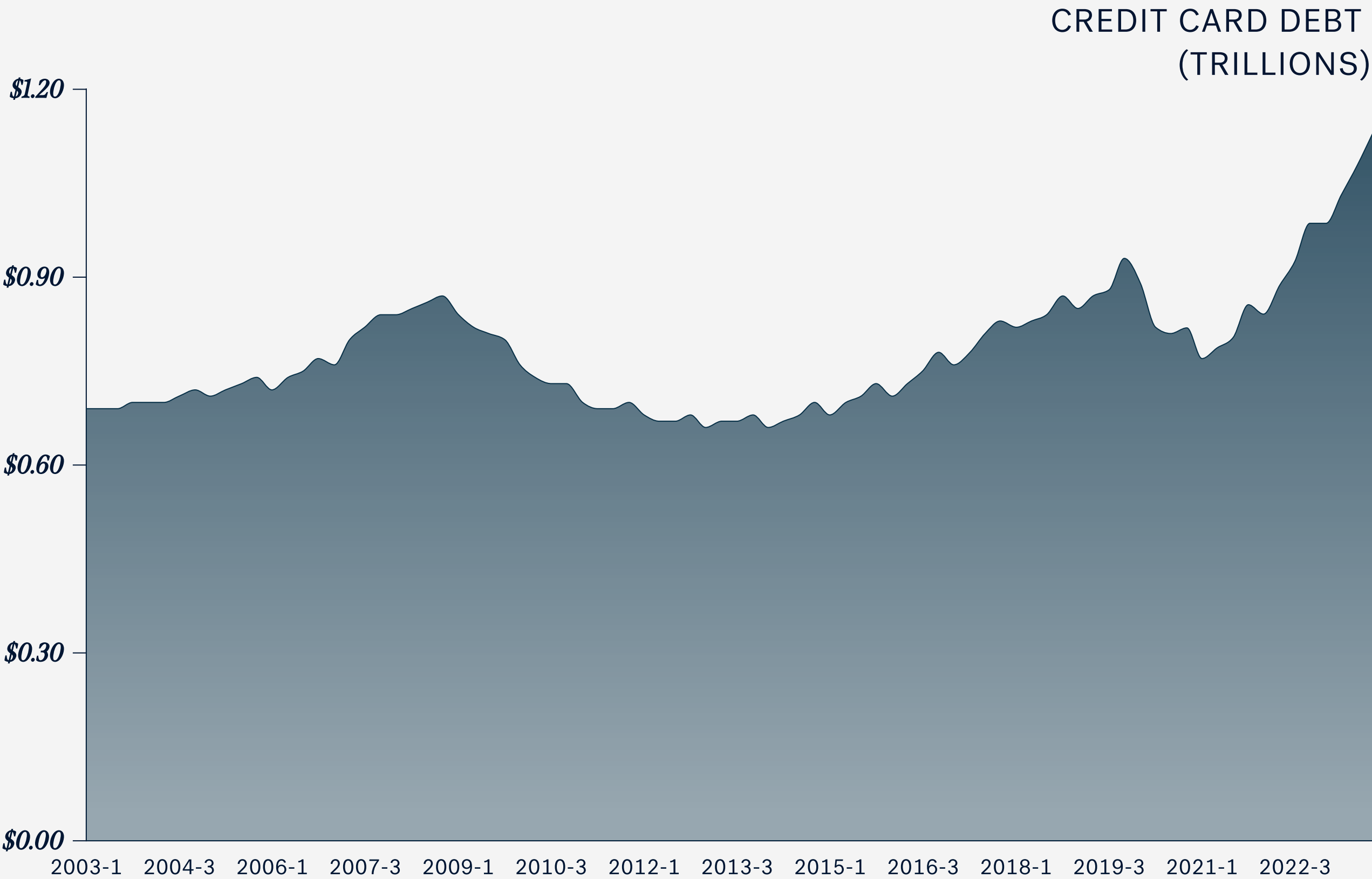
Consumers were most likely to stop saving for two of the hallmarks of the American Dream: buying a home and education tuition

Which financial goals did you stop saving for because you believe you will not be able to achieve the goal?

Percentage of respondents that have the goal and stopped saving for the goal



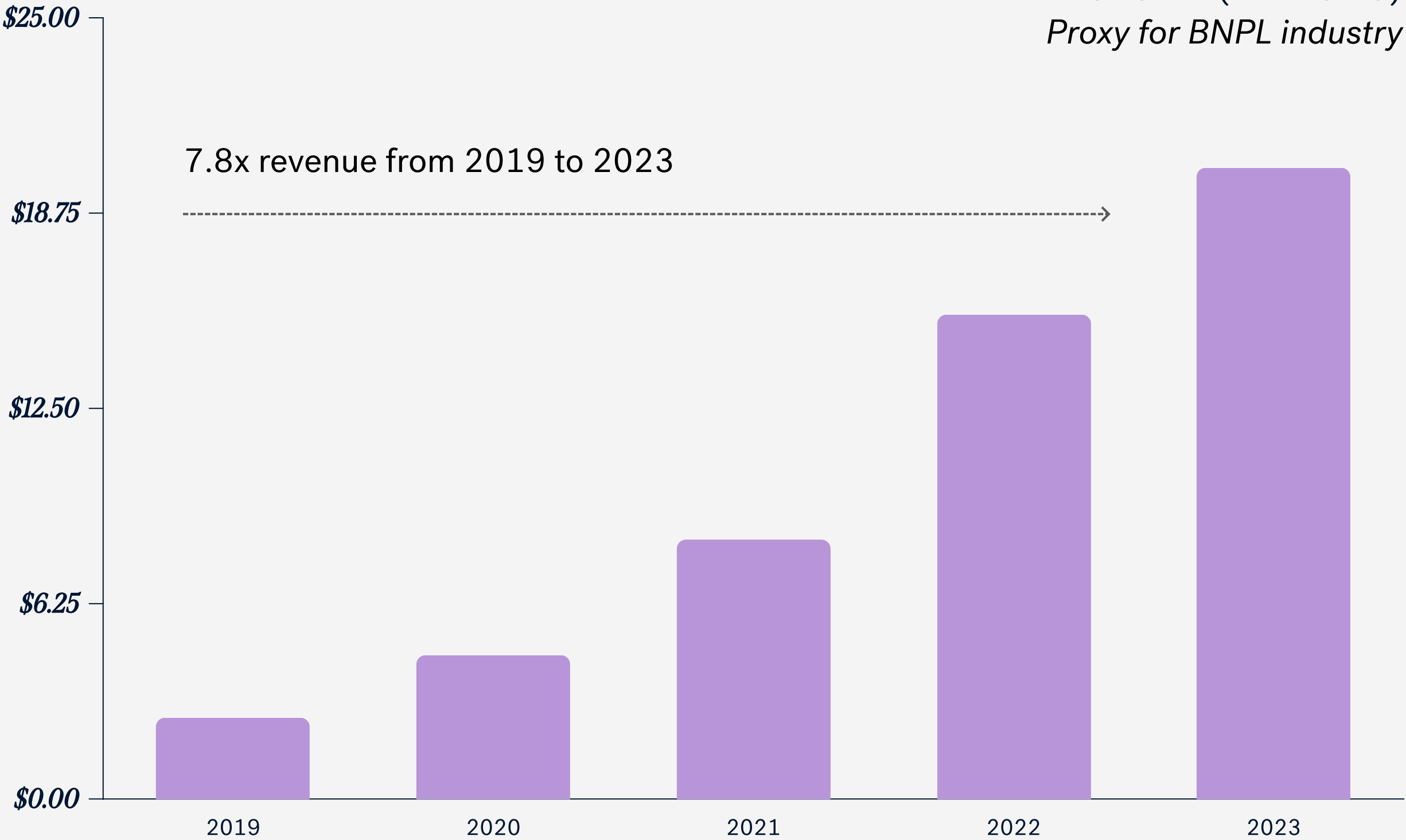
Third, credit card debt is on the rise



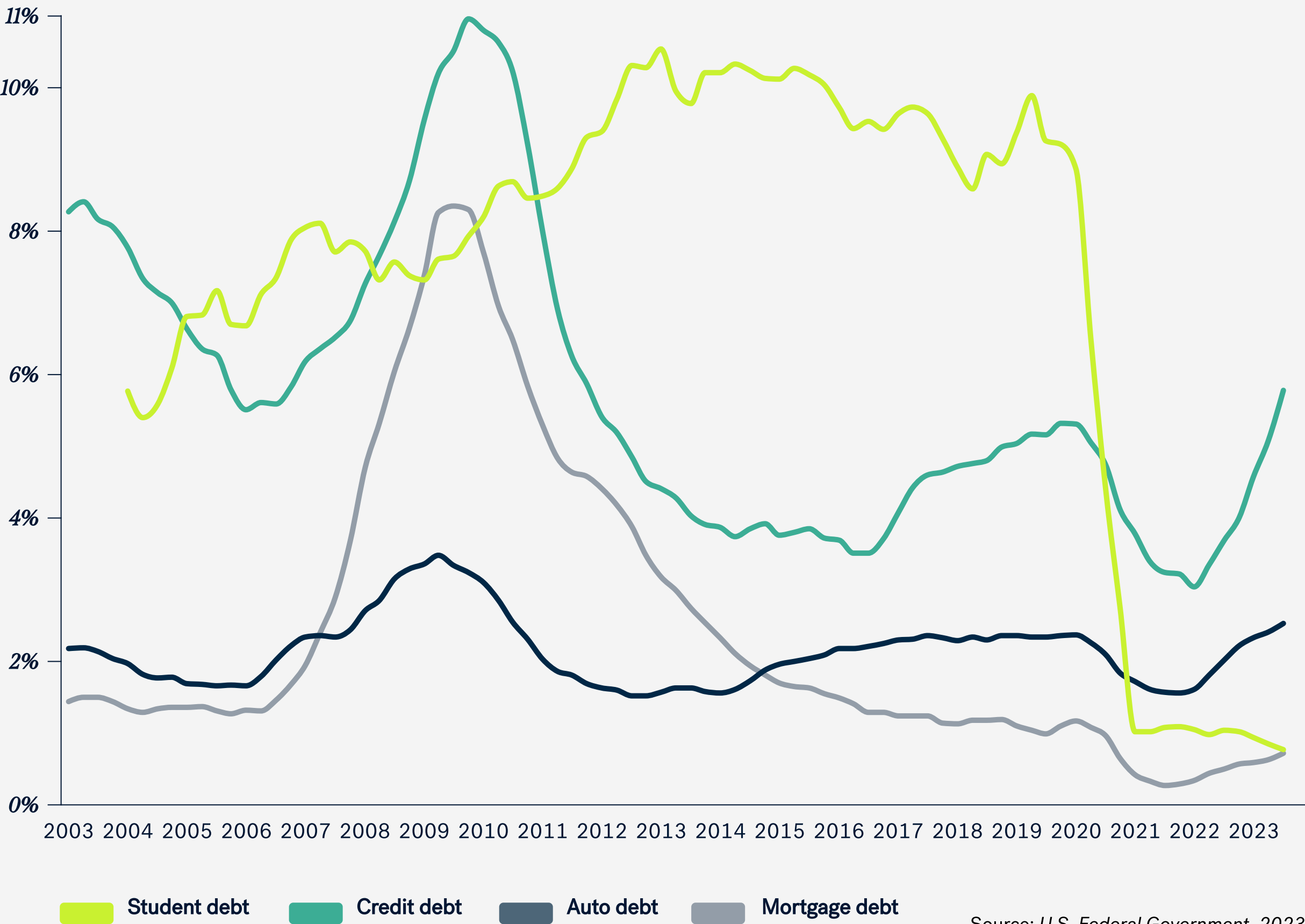
Source: Federal Reserve NY, 2023

While BNPL popularity continues to rise

affirm GROSS MERCHANDISE VOLUME (BILLIONS)
Proxy for BNPL industry

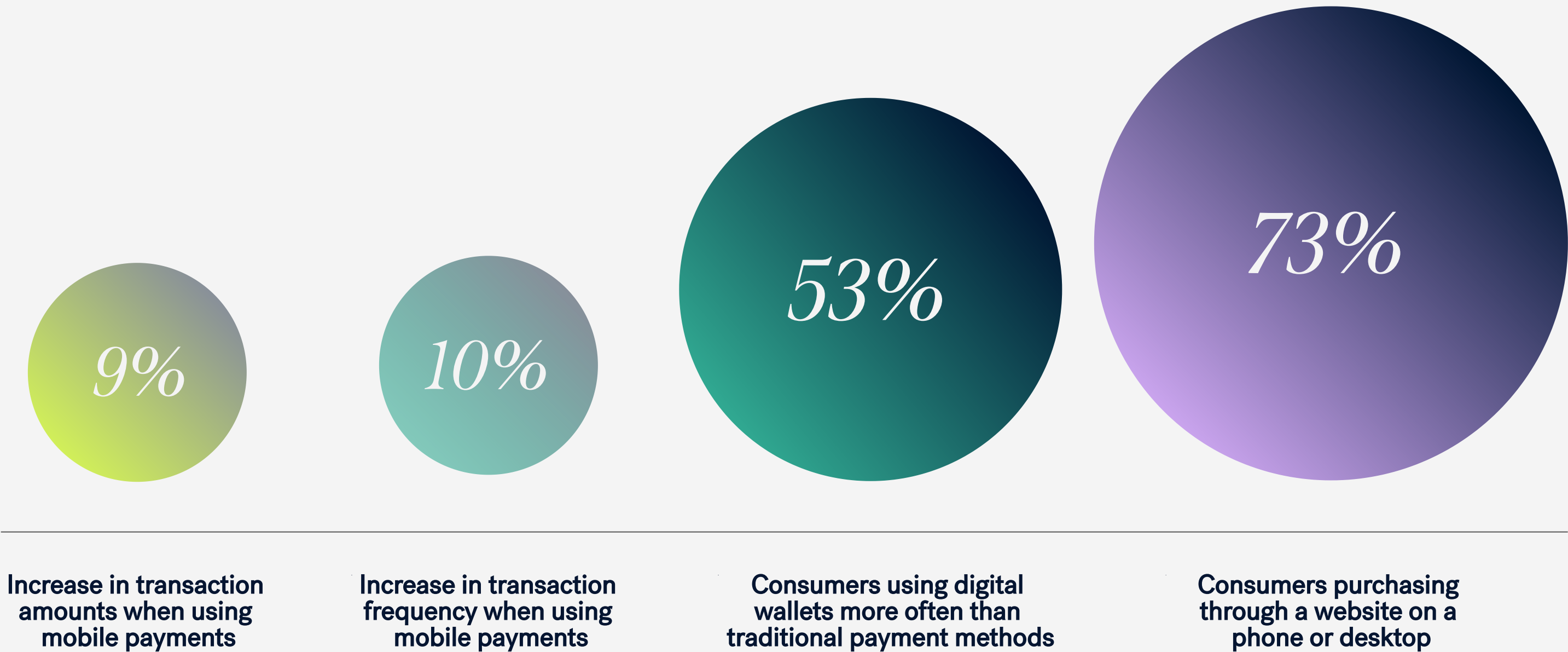


And new seriously delinquent debt (90+ days) trends up



Source: U.S. Federal Government, 2023

Fourth, rising use of digital payment methods makes for frictionless buy experience

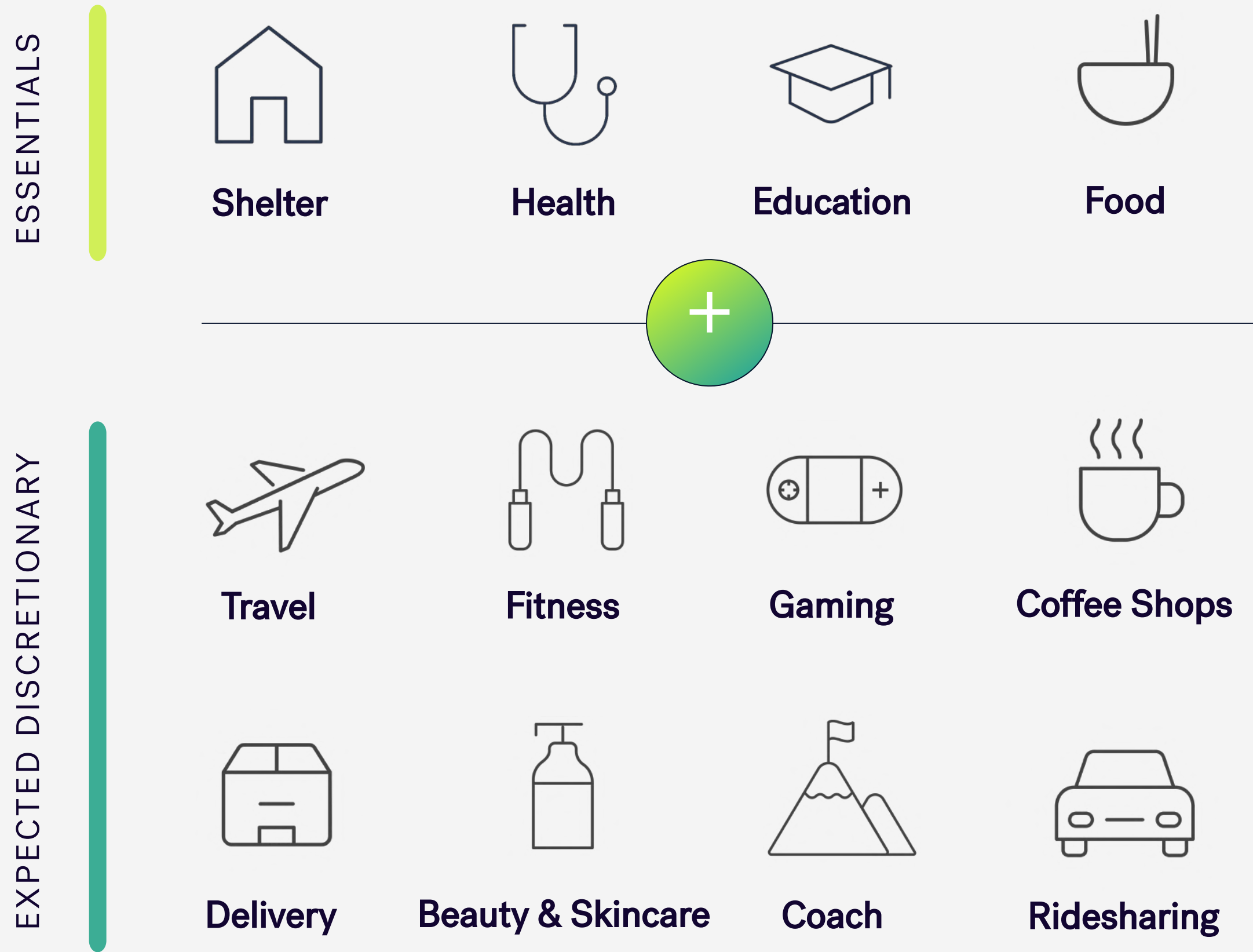


Introducing an expanded view of

living expenses



Today, living expenses go beyond essentials and include expected discretionary spend



So, where do consumers
plan to allocate this

living spend?



*It's about more
than lipstick*

Bigger expectations and
evolved budgets are the

new baseline

A significant percentage of consumers are choosing to spend more on groceries, hobbies, and pets while dining out, apparel, live events, and cars are up for debate

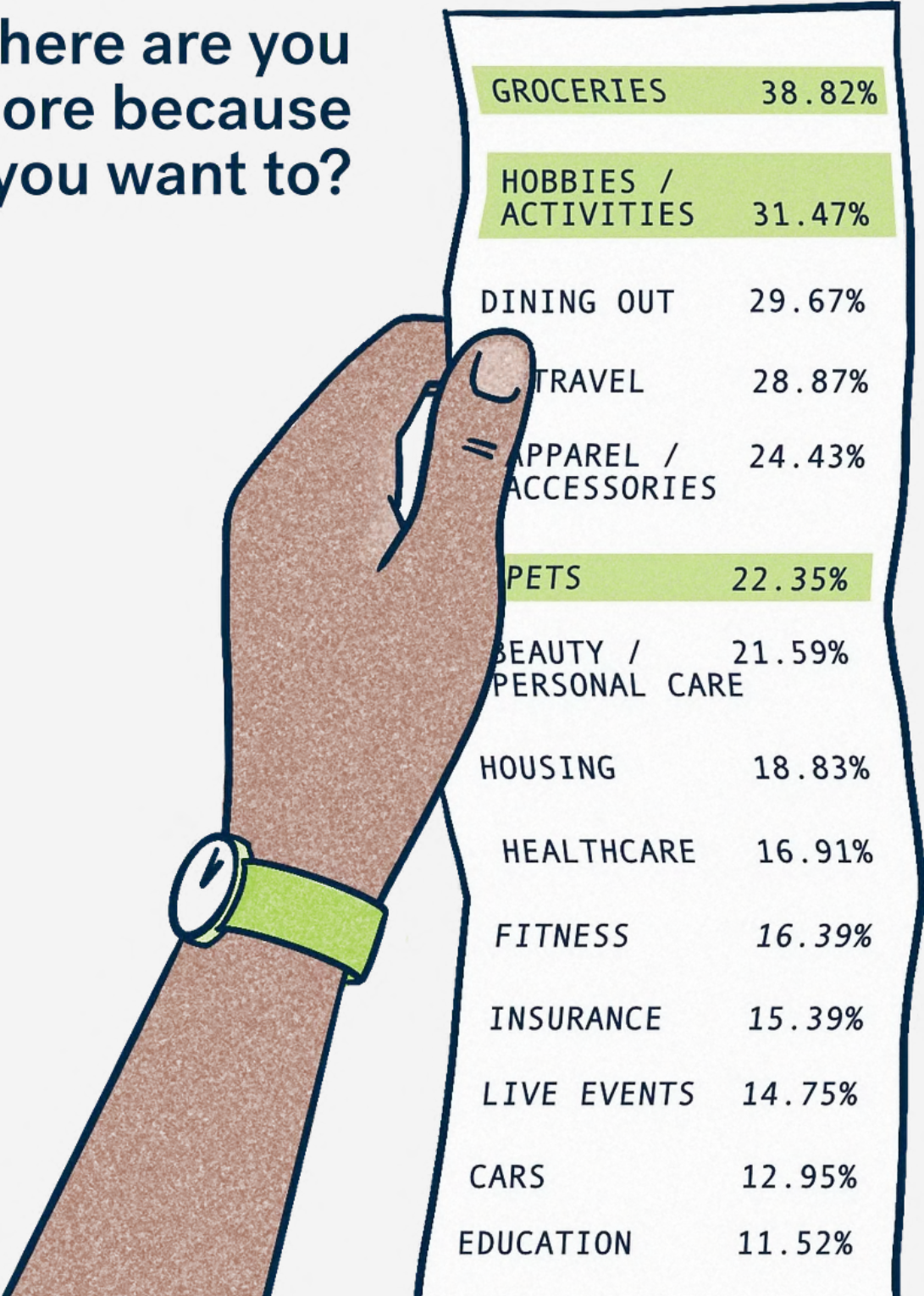
Where are you spending more because you want to?



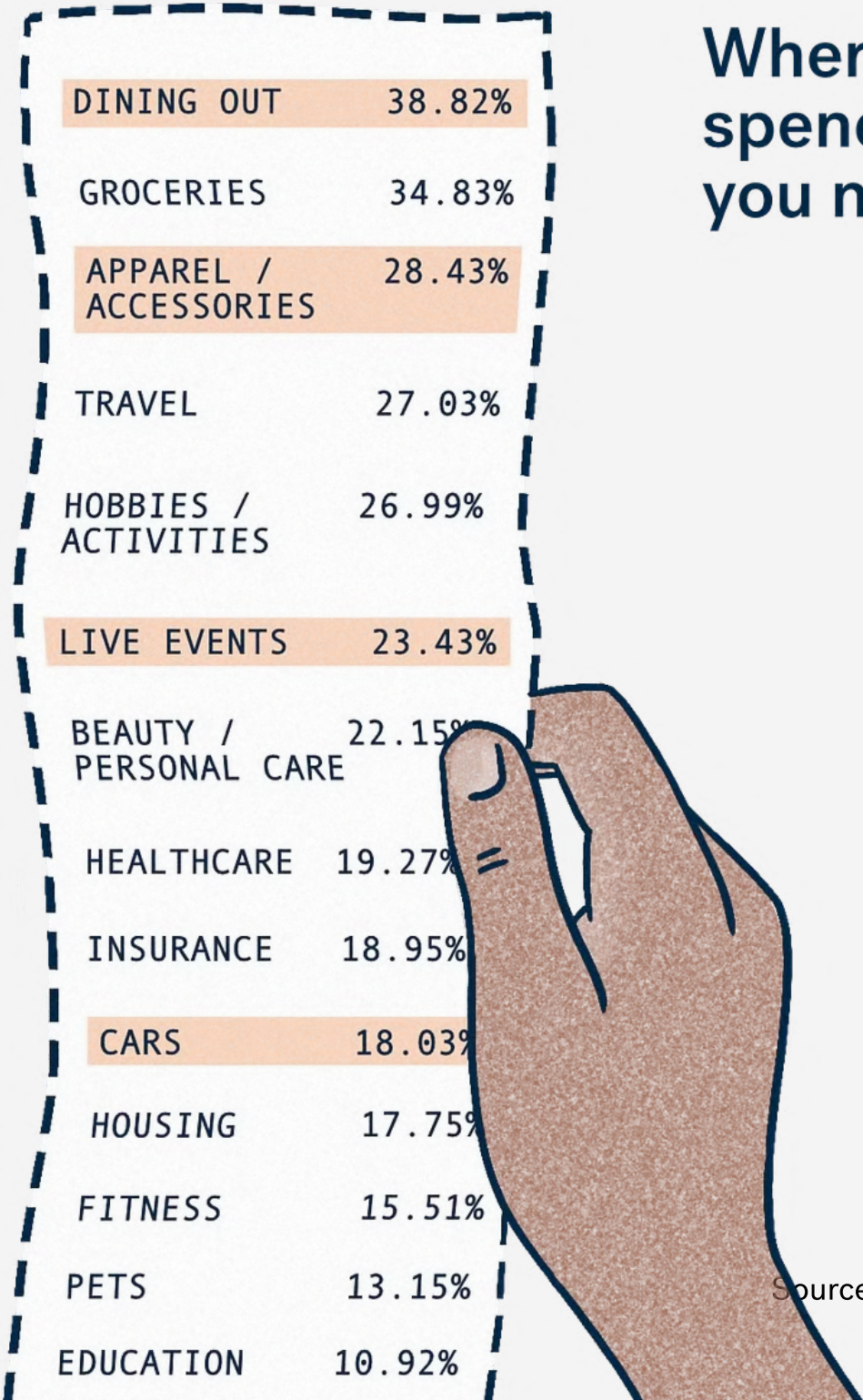
\$800M
revenue
runrate



\$3B
TTM
revenue



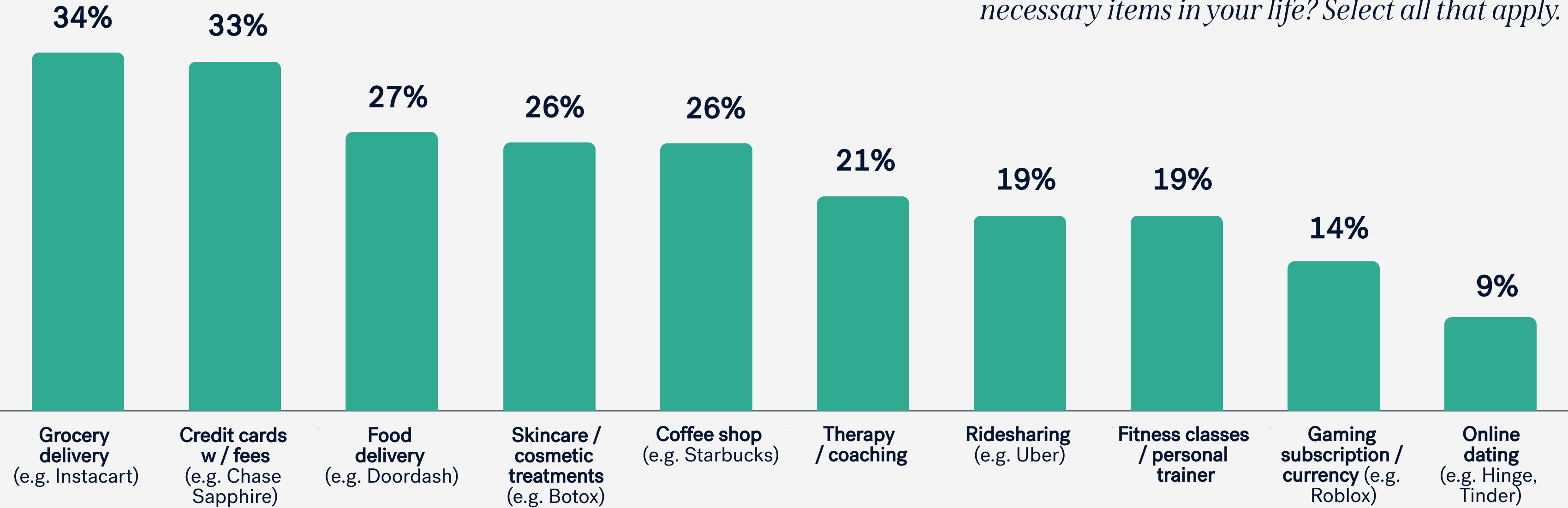
Where are you spending less because you need to?



Source: Forerunner Consumer Survey, 2024

Consumer offerings that did not exist 10 years ago have become necessary items in consumer budgets

When it comes to spending, which of the below are necessary items in your life? Select all that apply.



The experience economy reigns supreme

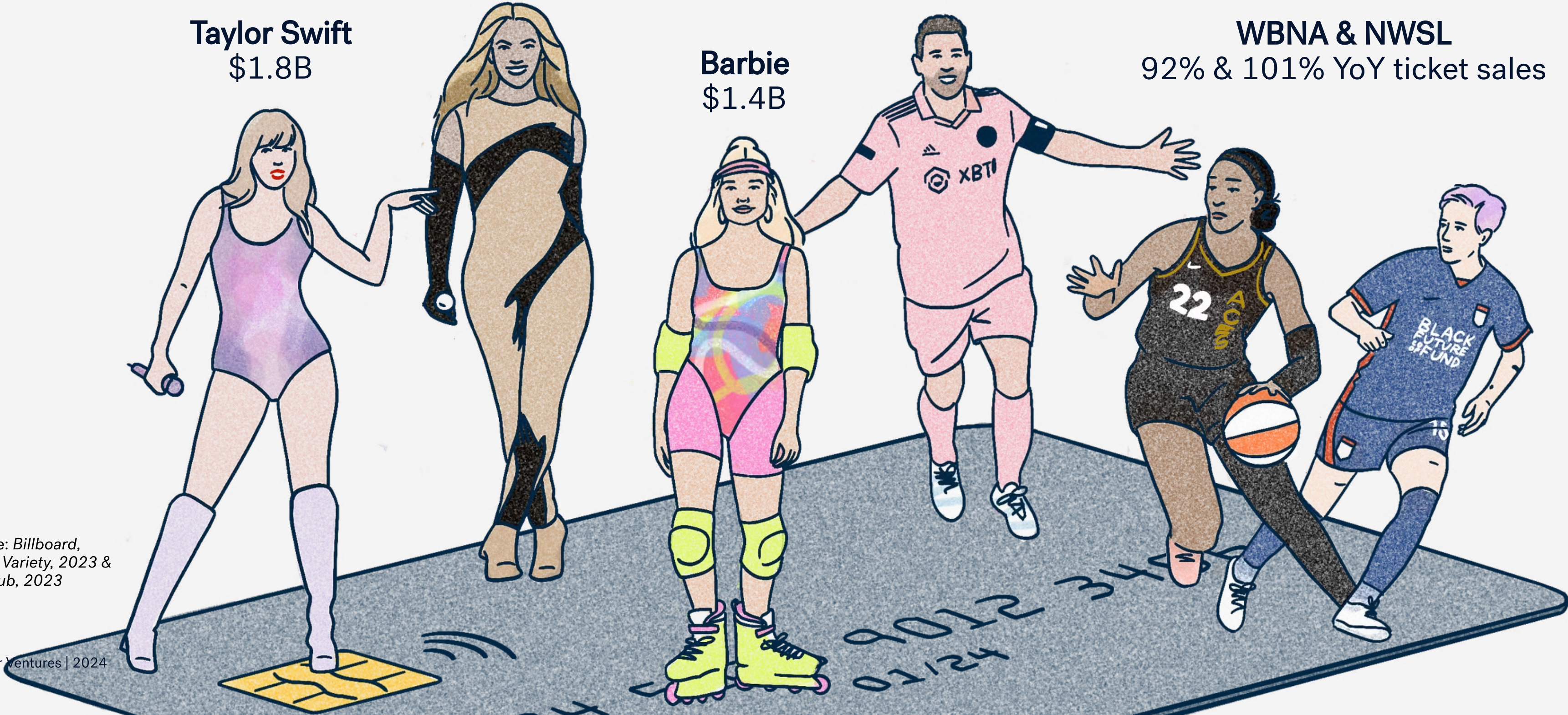
Taylor Swift
\$1.8B

Beyoncé
\$580M

Barbie
\$1.4B

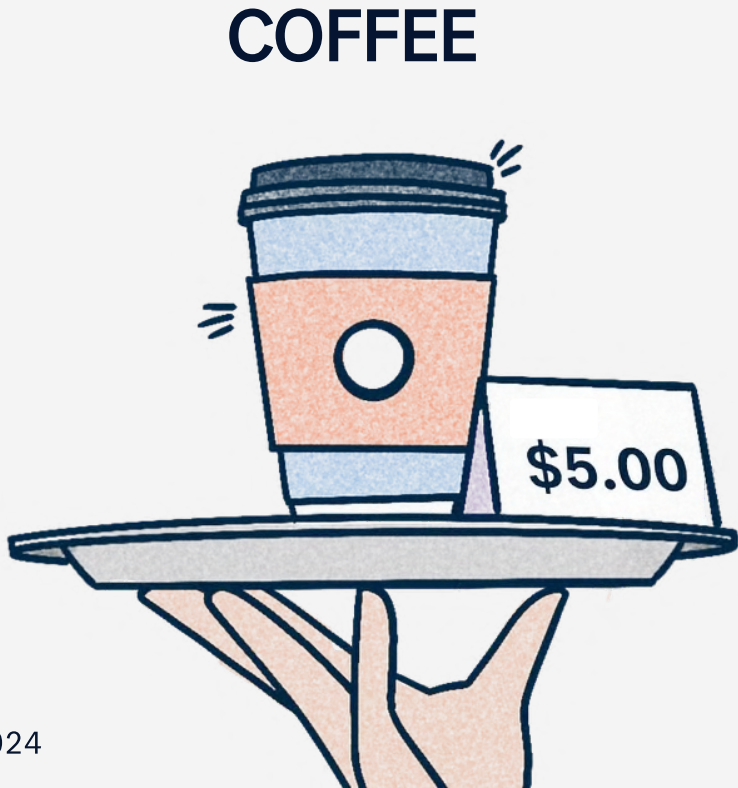
MLS
160% YoY ticket sales

WBNA & NWSL
92% & 101% YoY ticket sales



Source: *Billboard*, 2023; *Variety*, 2023 & *Stubhub*, 2023

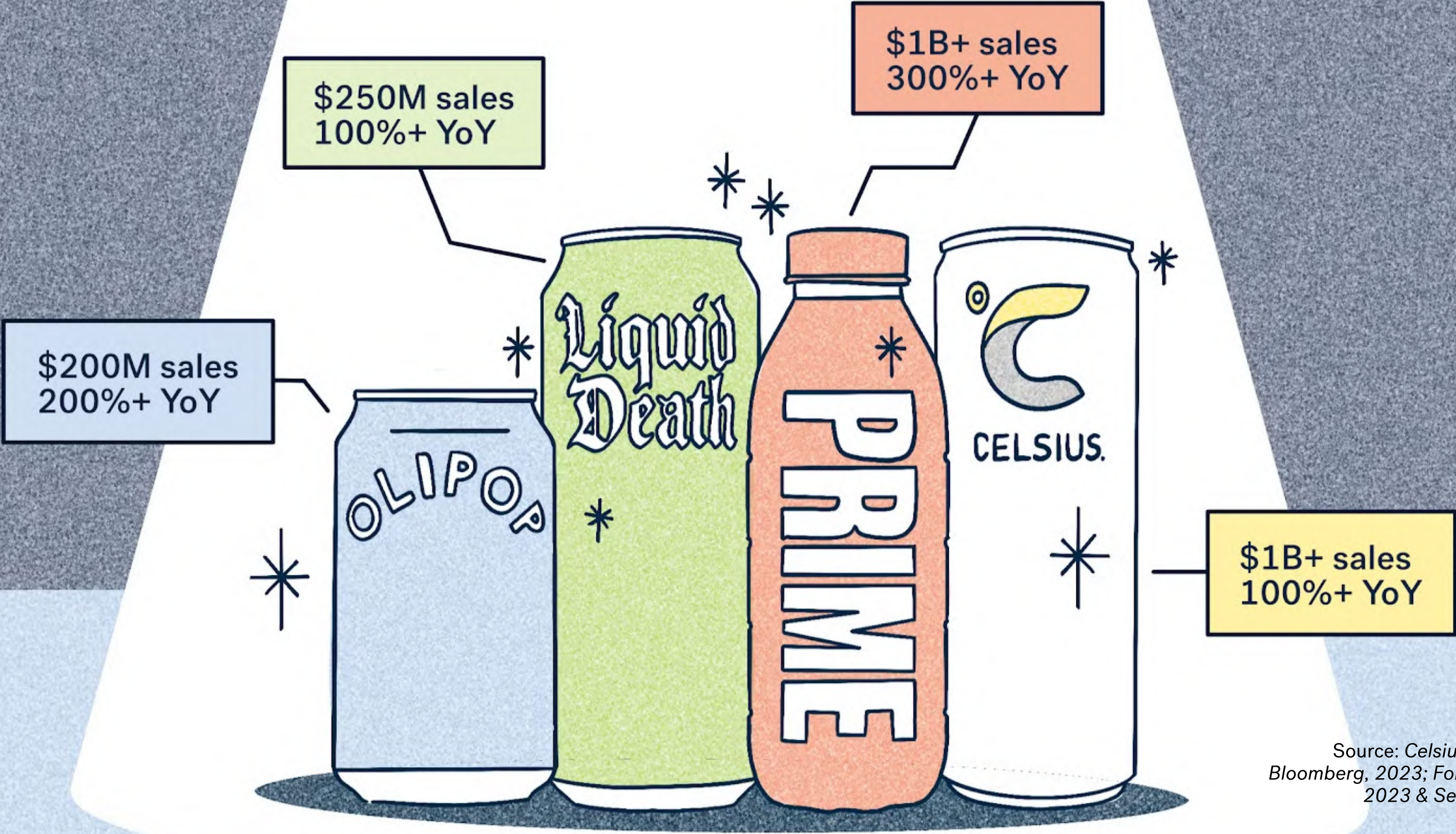
Median willingness to pay for everyday items has reached high-end status



WORKOUT CLASS



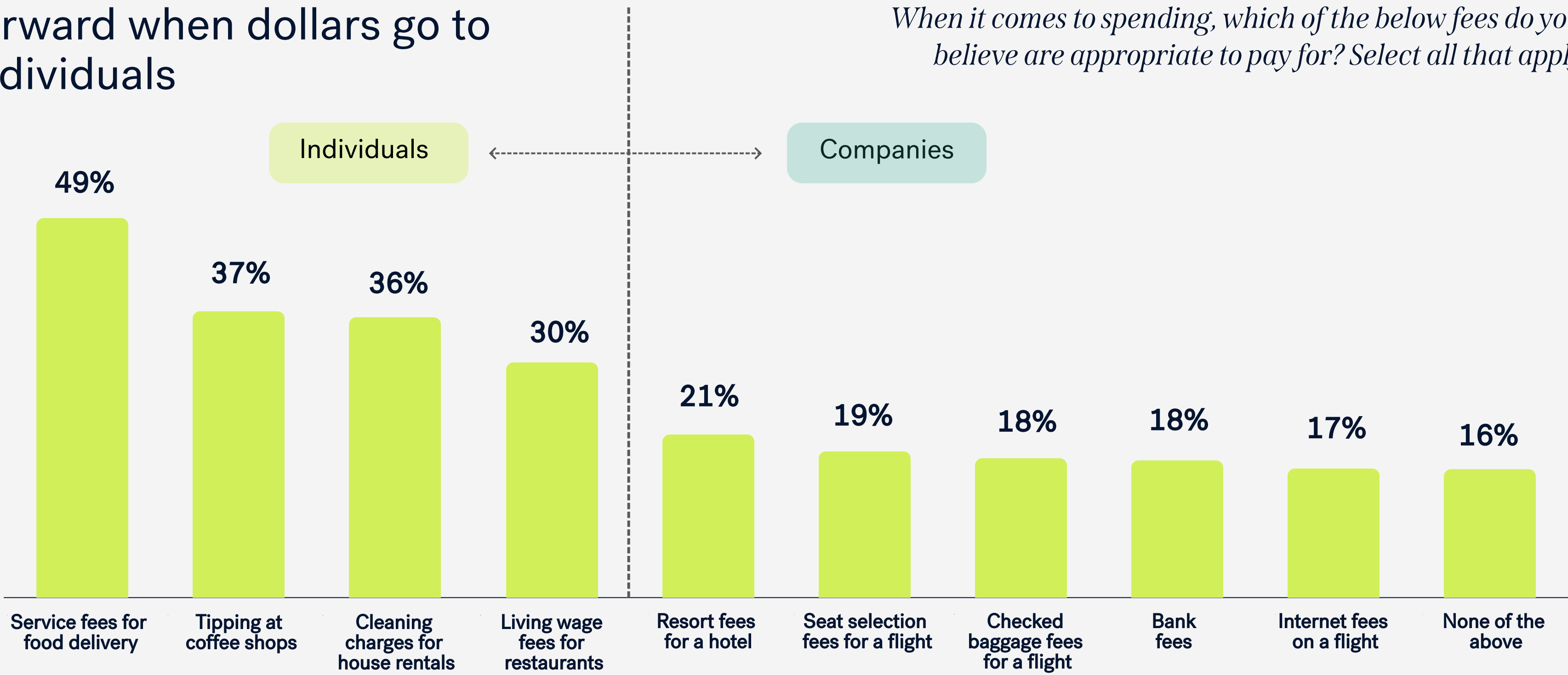
And buzzy drinks take center stage



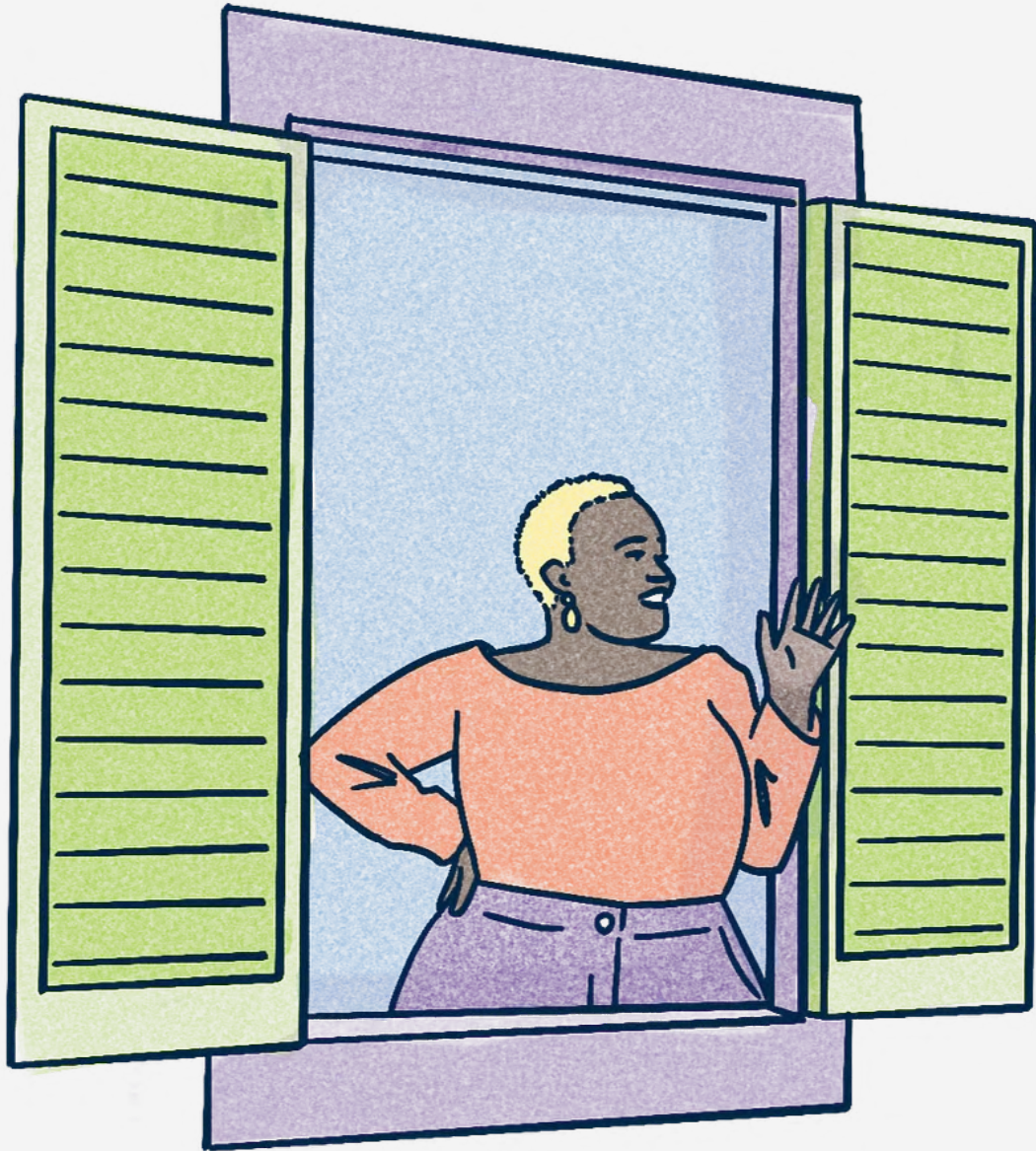
Source: Celsius Holdings, 2023; Bloomberg, 2023; Forbes, 2023; Axios, 2023 & Seeking Alpha, 2024

And fee-flation secures a budget line item going forward when dollars go to individuals

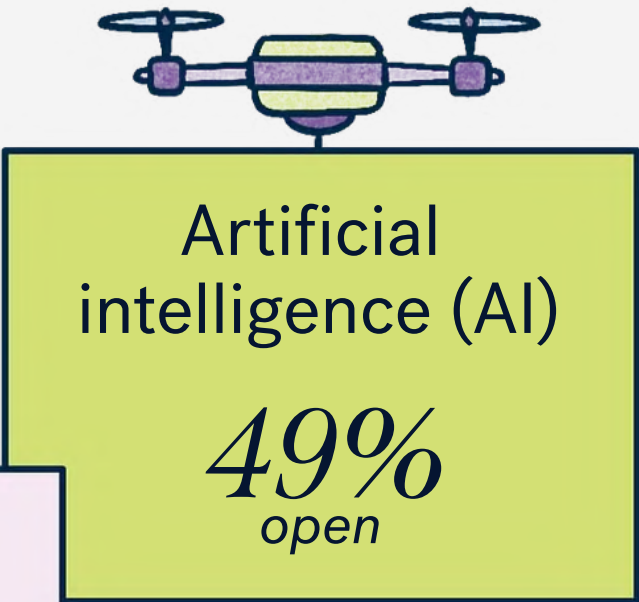
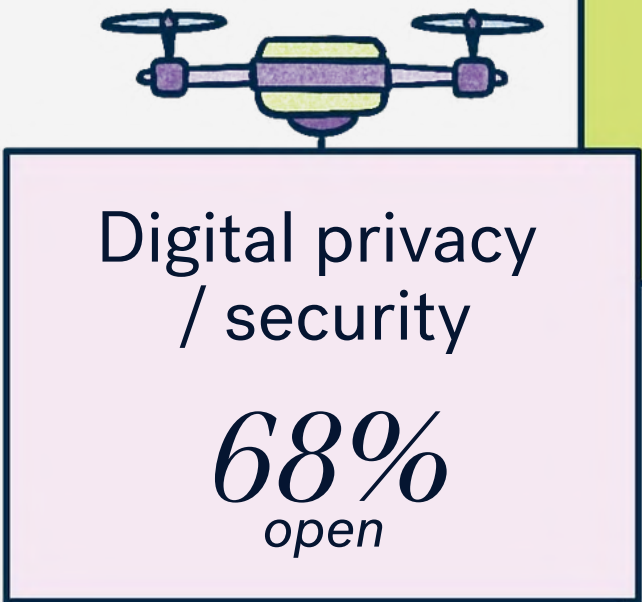
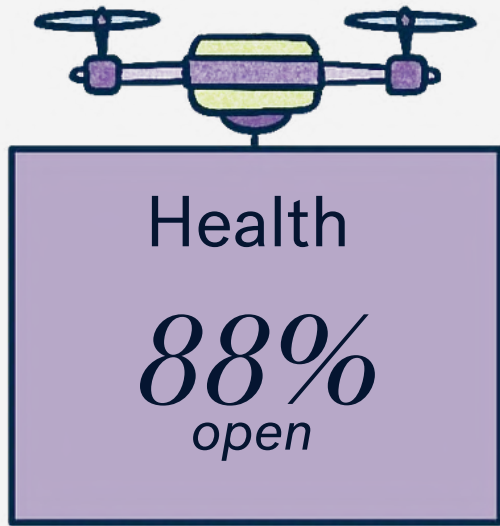
When it comes to spending, which of the below fees do you believe are appropriate to pay for? Select all that apply.



Appeal for future spend centers around tangible categories with a *surprisingly* high appetite for AI



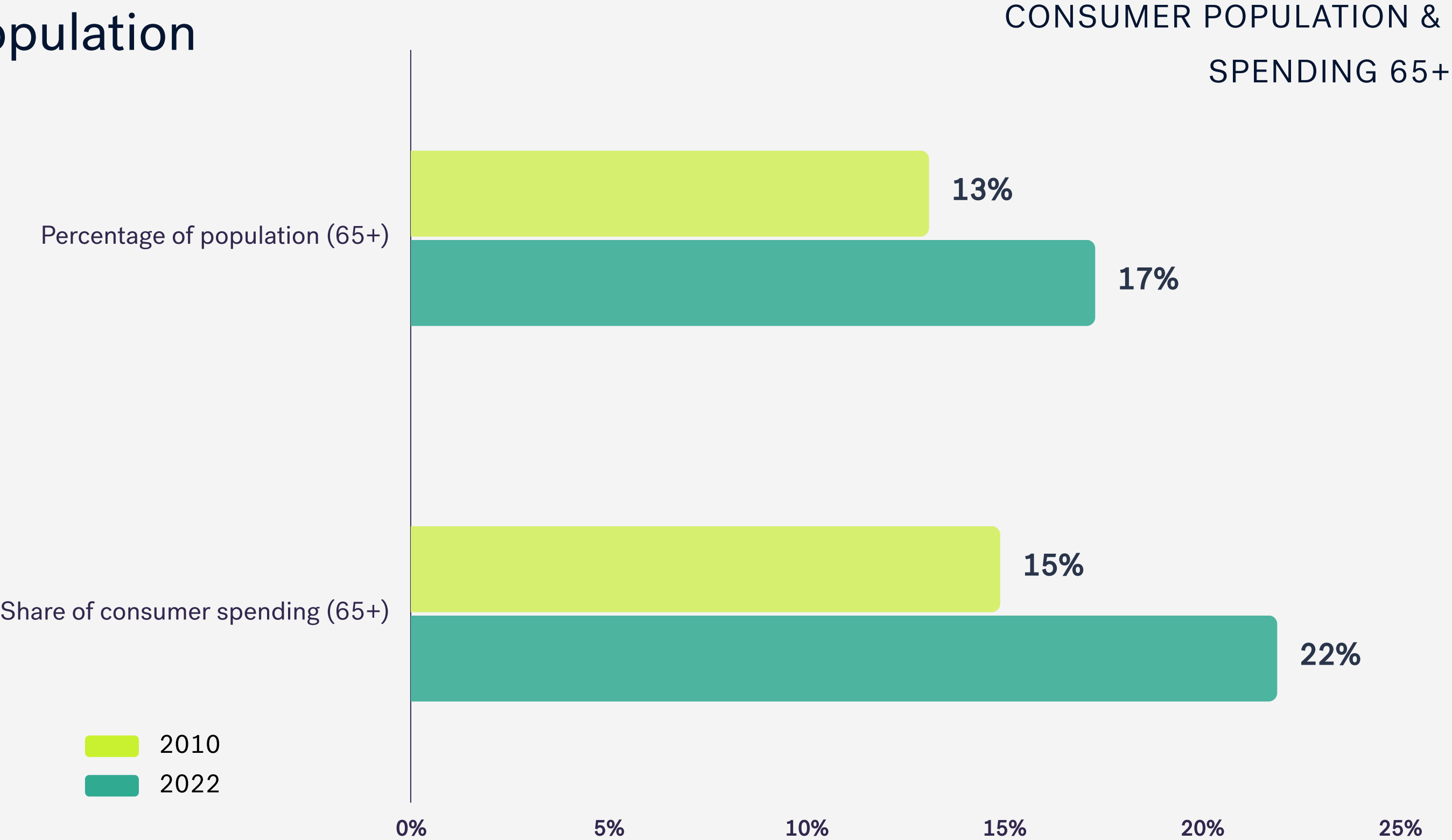
Which describes your current openness to purchasing new technology / offerings in the below categories?



And let's not forget about retiring Baby Boomers



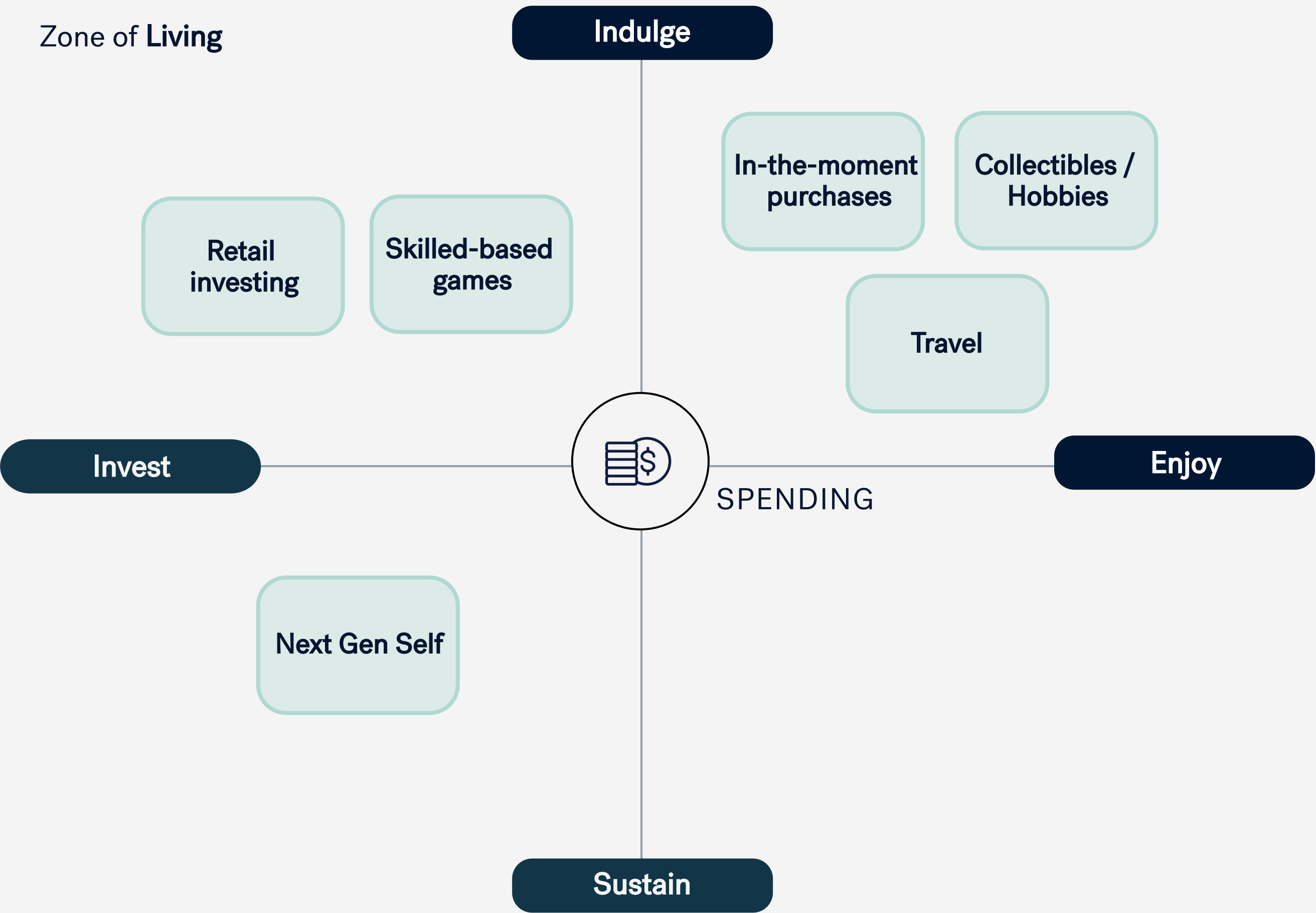
Share of spend for retirees outpaces share of population



What's on the
horizon for

living to spend?

Mix of fun and needs underpins 'Zone of Living'



Sample 'Zone of Living' companies

Retail Investing

Titan.

Arrived

Composer

ALTO

public.com

AfterHour

Skilled-Based Games

Kalshi

Omada

sleeper

Polymarket

Travel

FORA

KINDRED

Wander

Summer

In-The-Moment Purchases

the expert

yes more co.

yaysay

FLIP

jump

checkmate.

Hobbies / Collectibles

Whop

whatnot

Studio

The Feed.

Next Gen Self

prenuvo

superpower

ezra

LEVELS

Nectar

NEKO

Function

tally

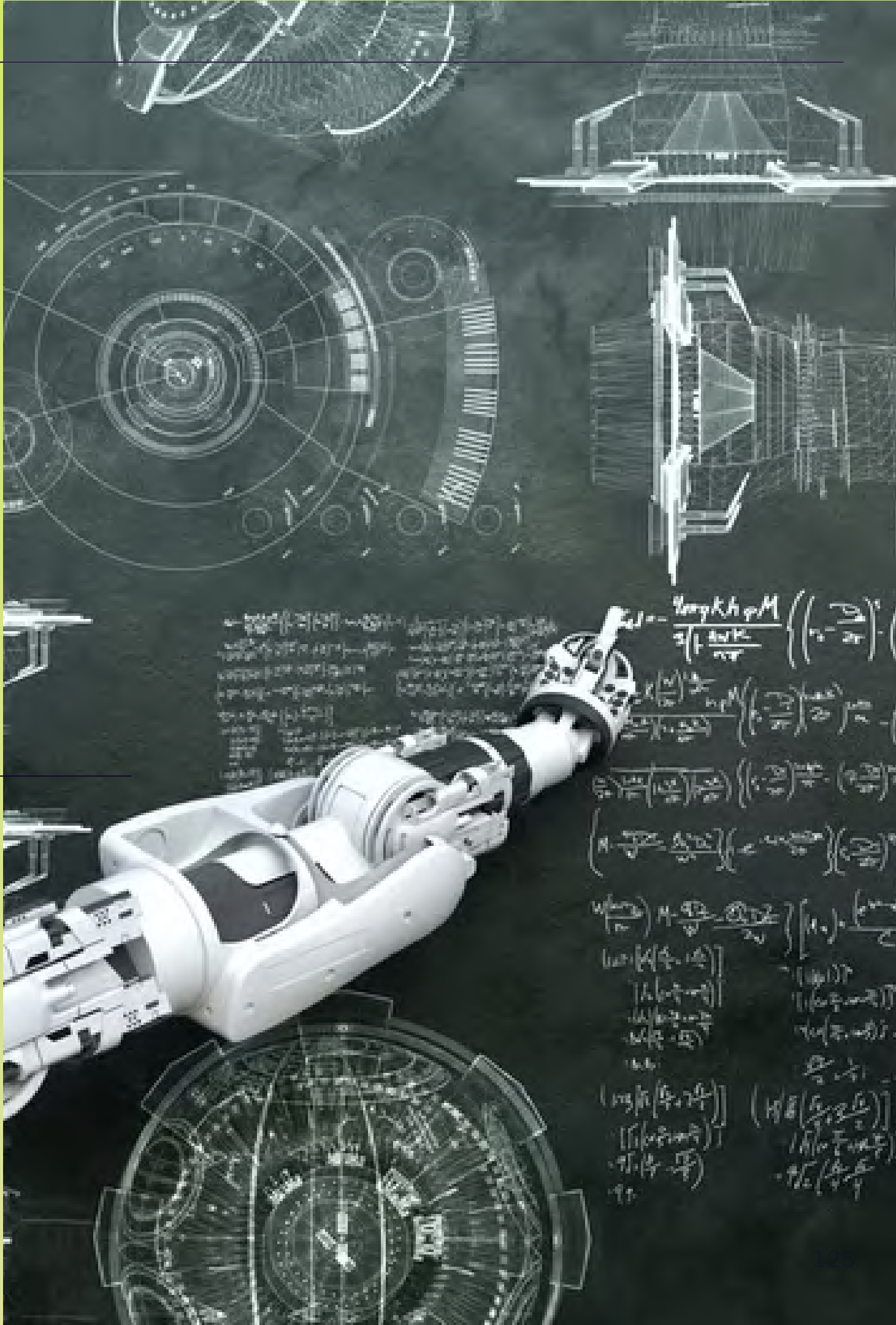
Technology Spotlight

3

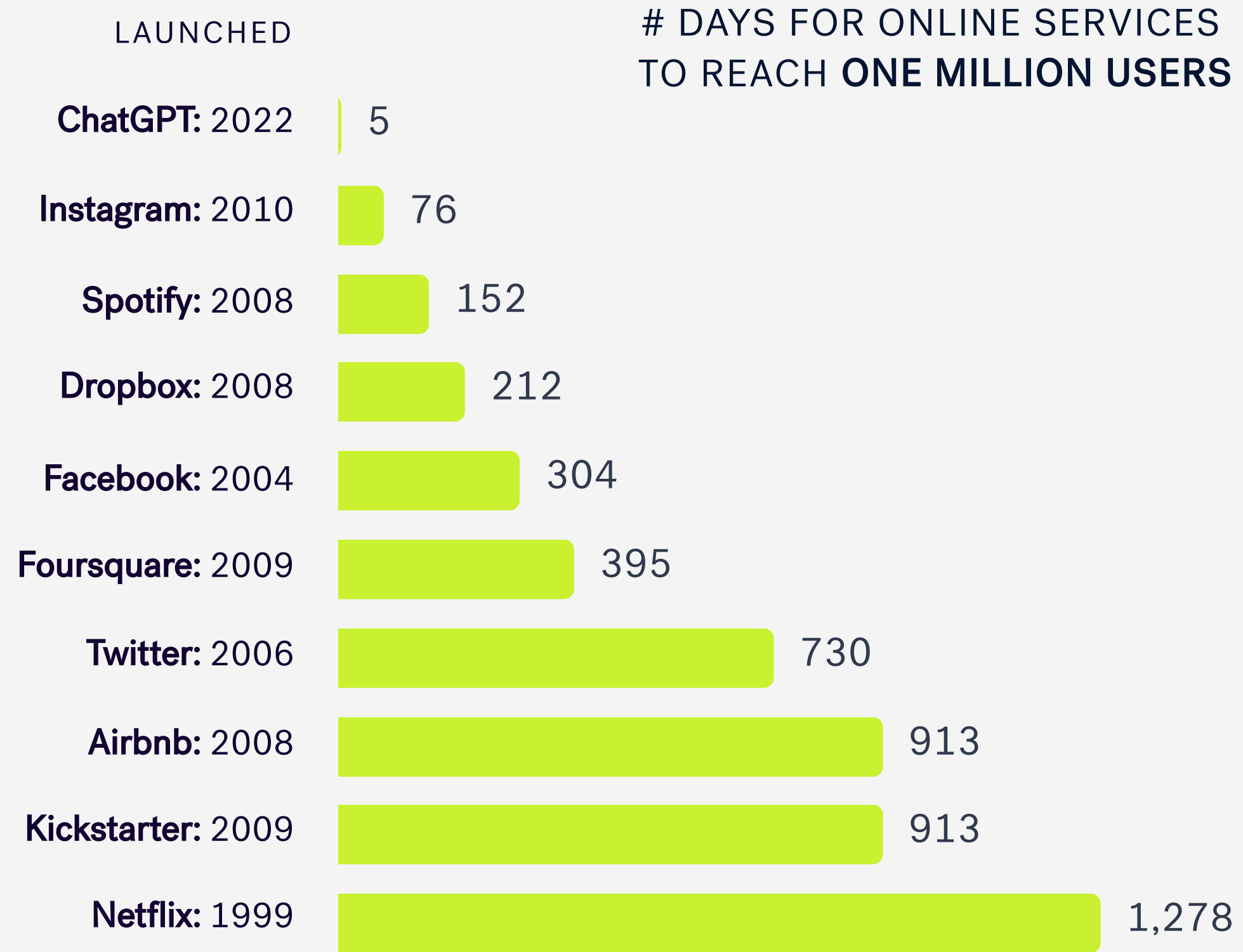
TECHNOLOGY 1

Generative AI

Market intrigue remains high. We have our eye on consumer adoption and willingness to pay.

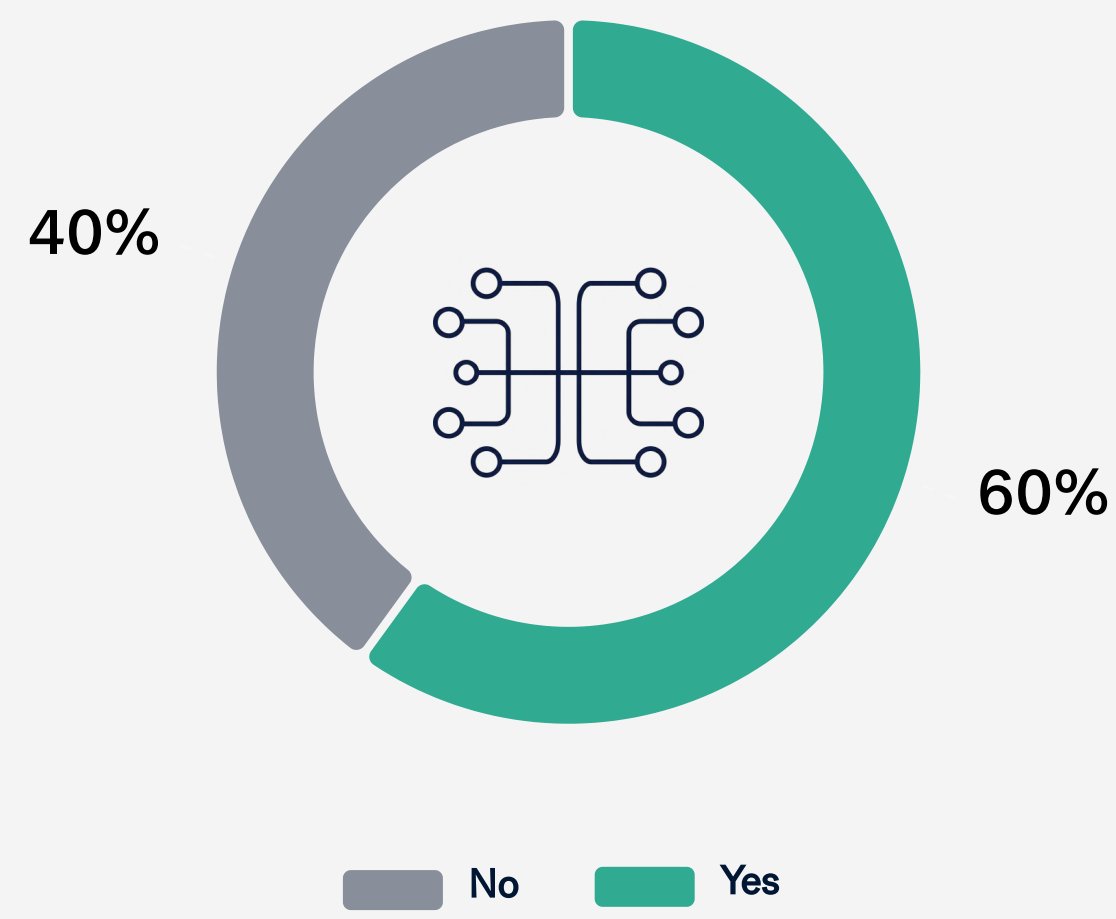


Generative AI: moving faster than any technological shift to date and will no doubt define the future

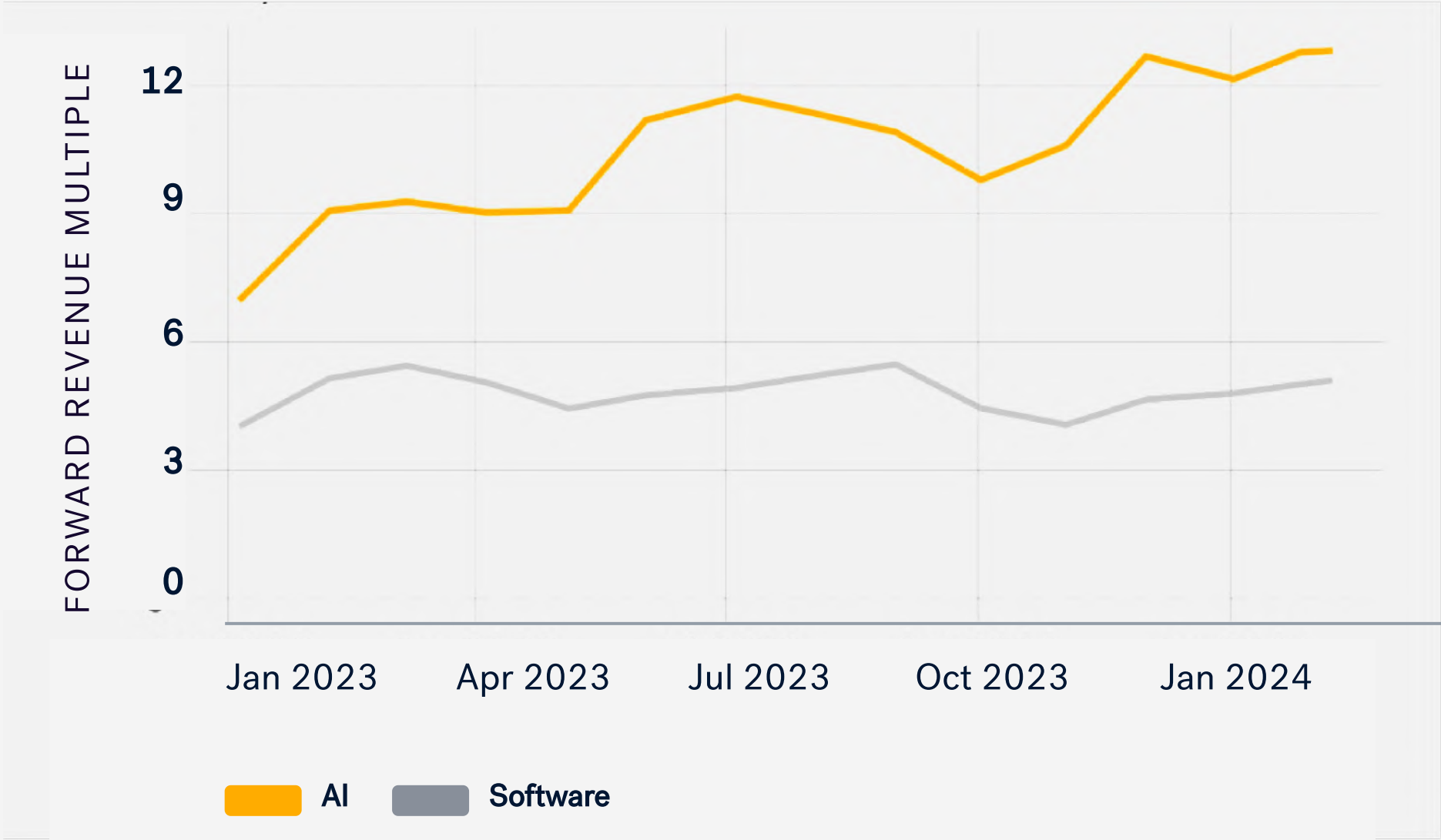


The heat is on in the public and private markets

Percentage of YC founders building
AI companies in Winter 24 Batch



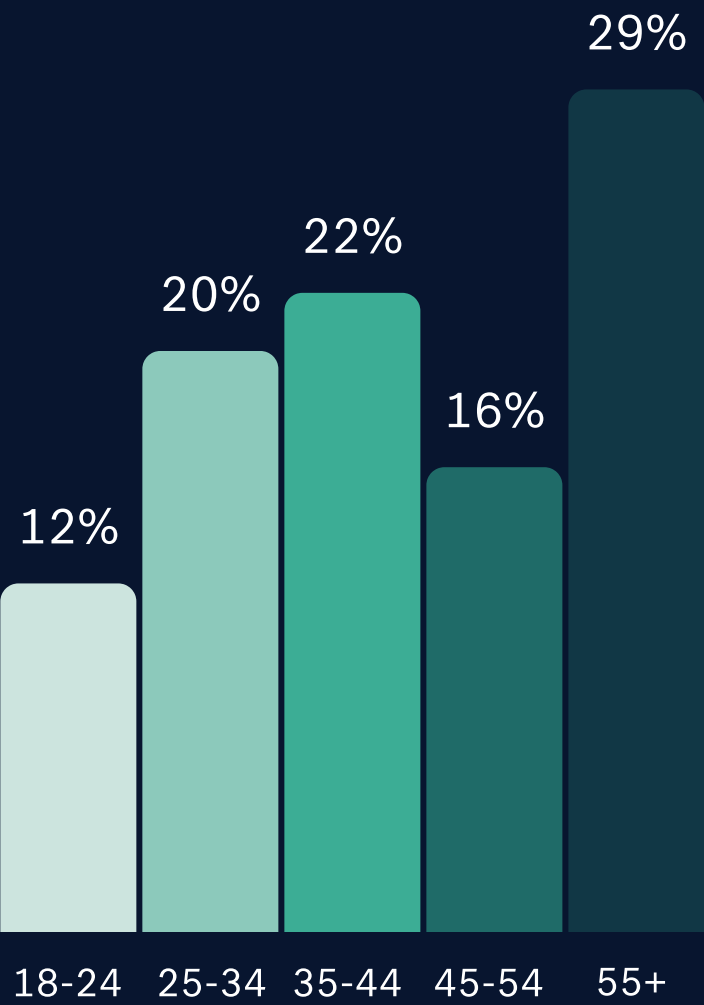
Multiples for public AI companies approach 3x
public software companies



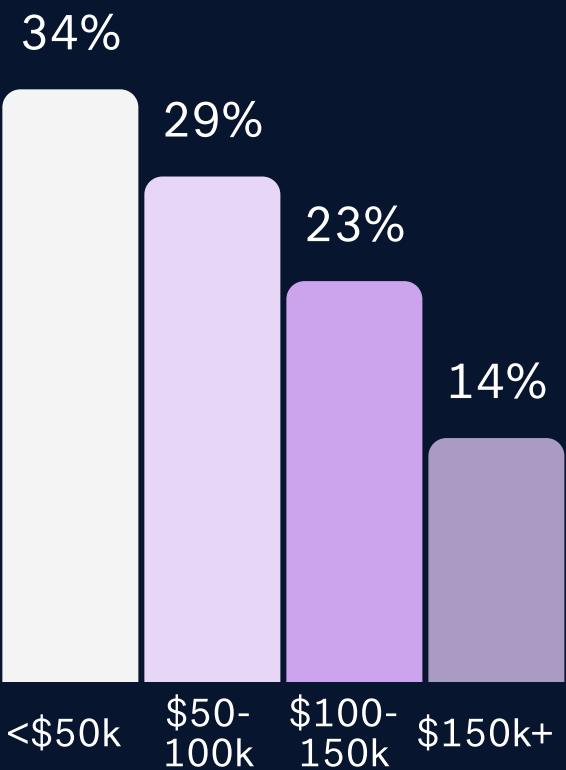
Source: The Information, 2024; Theory Ventures, 2024

Demographic data for our
Generative AI consumer
survey

2,504 respondents



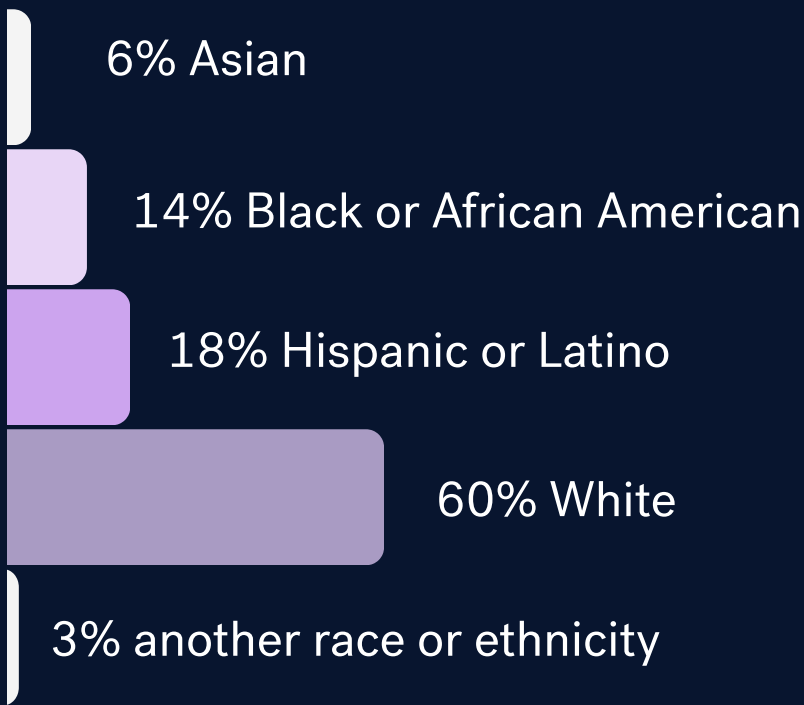
Age



Household Income



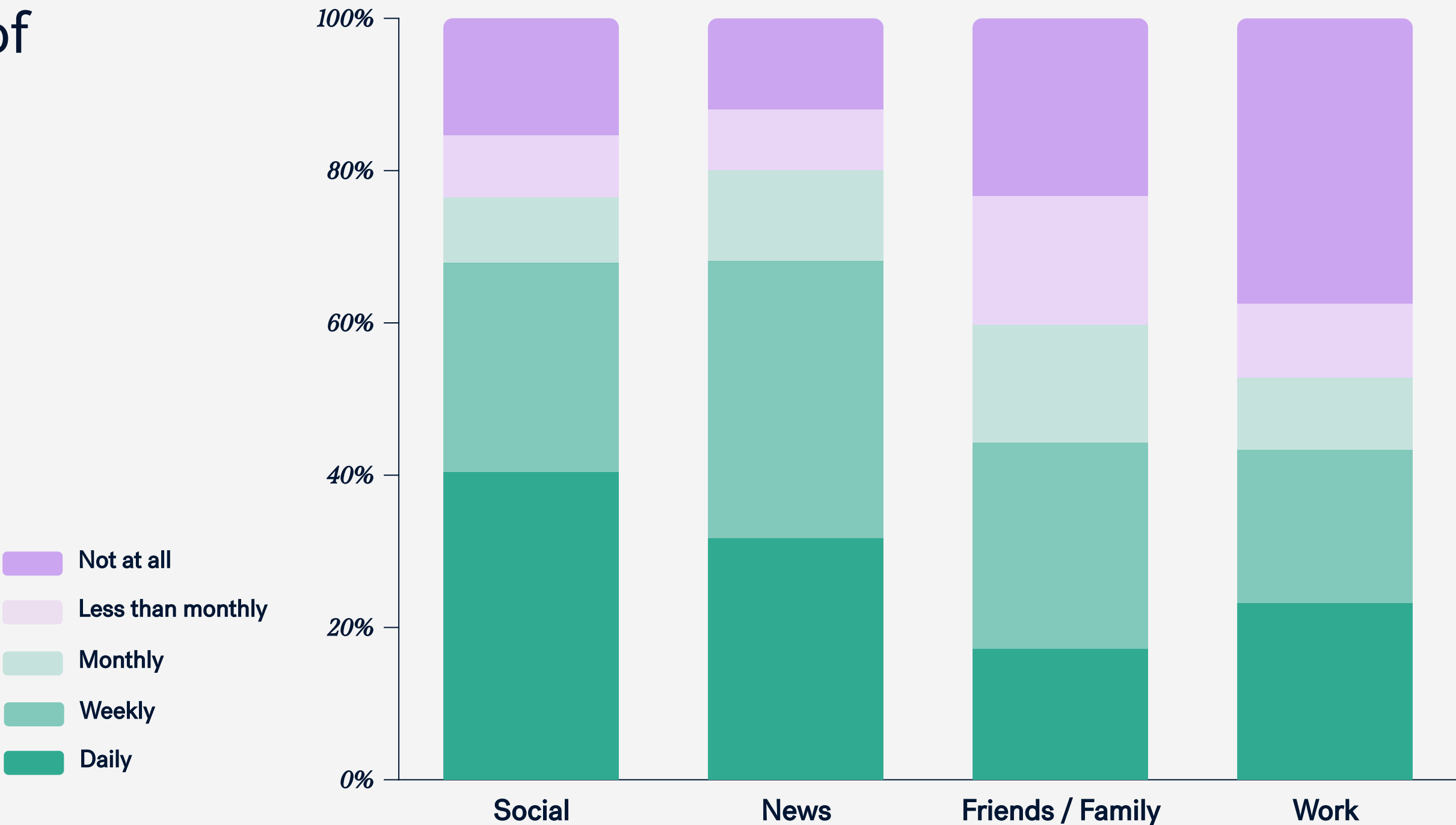
Gender Identity



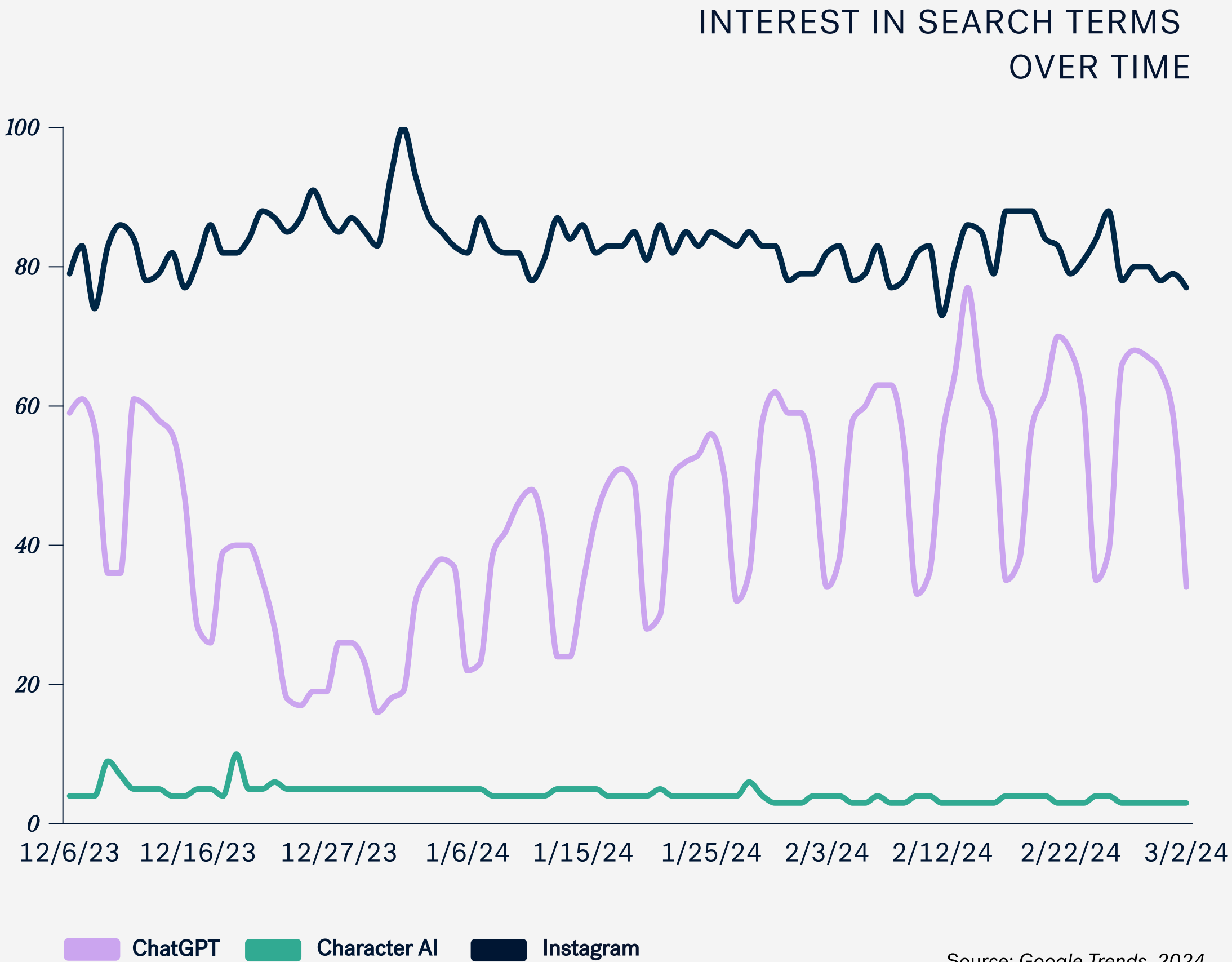
Race / Ethnicity

For consumers, AI comes up weekly for 50%+, with social media and news the most likely sources of information

How often does the topic of AI come up in your life?

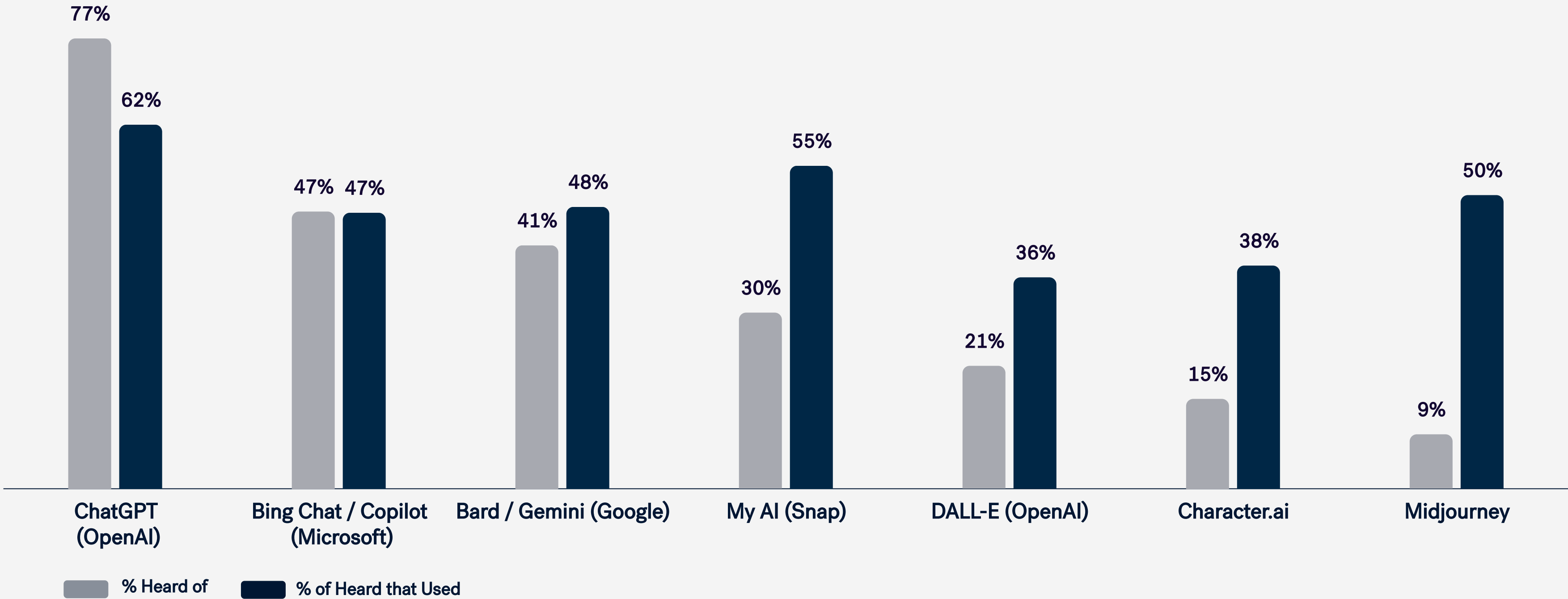


ChatGPT can already garner as much mindshare as Instagram



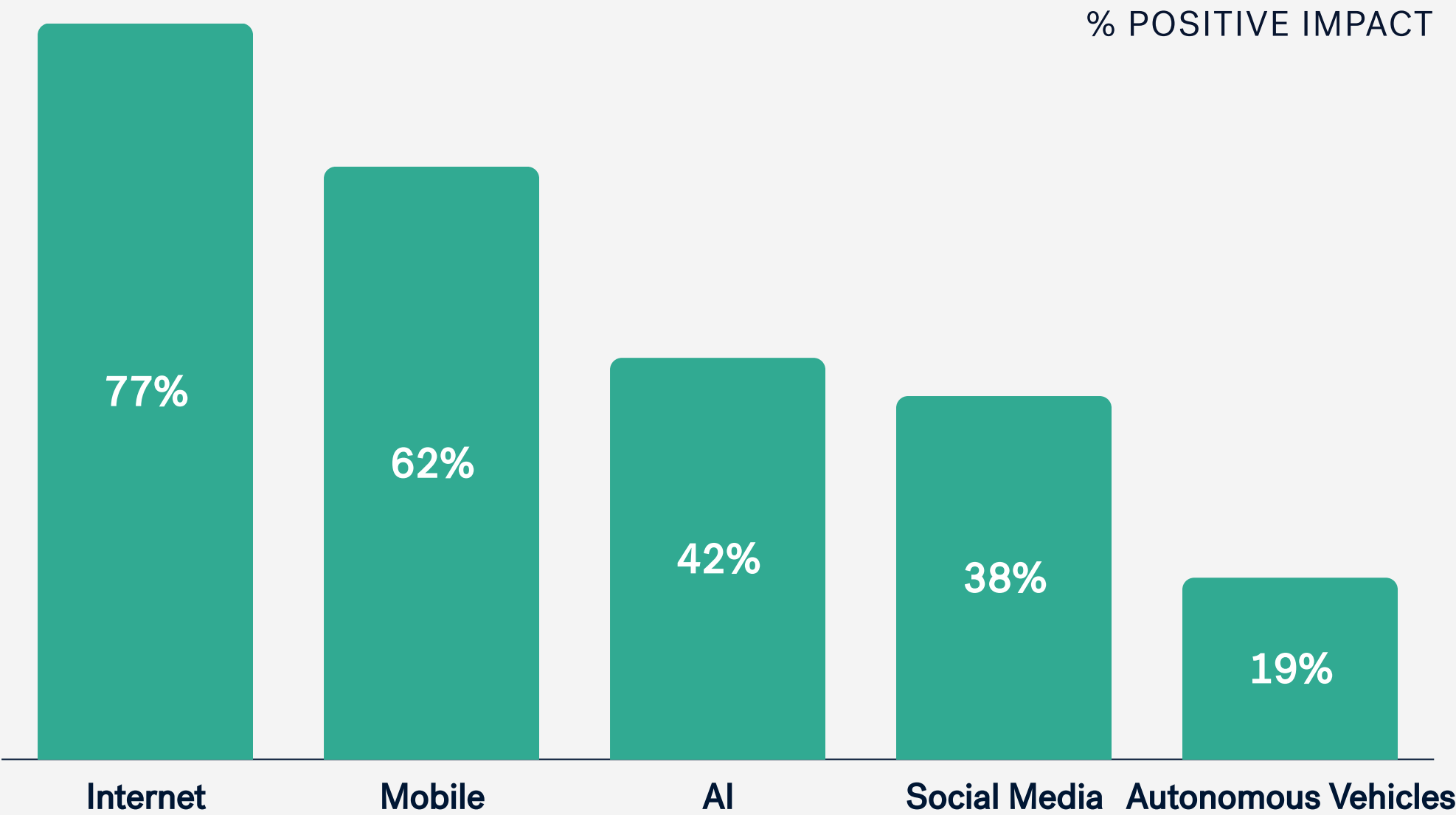
Consumer awareness and trial are high in the early innings of AI hype

*Which of the below have you heard of?
Which have you used?*



Though AI has the burden of proof to show positive impact on society

On the whole, which of the below technologies do you believe have had a positive impact on society?

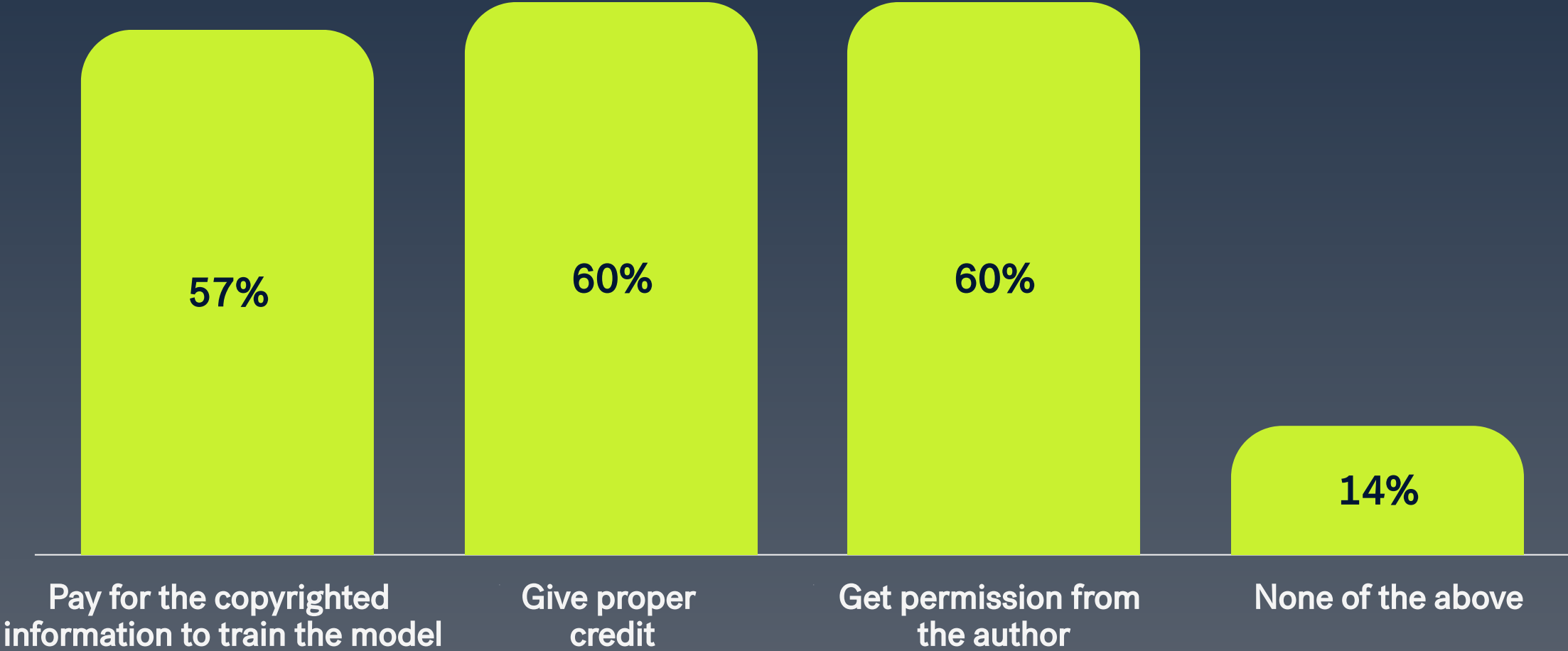


The majority also believe foundational models owe permission, credit and payment to owners and creators — a potential new revenue stream for content / IP

Bloomberg

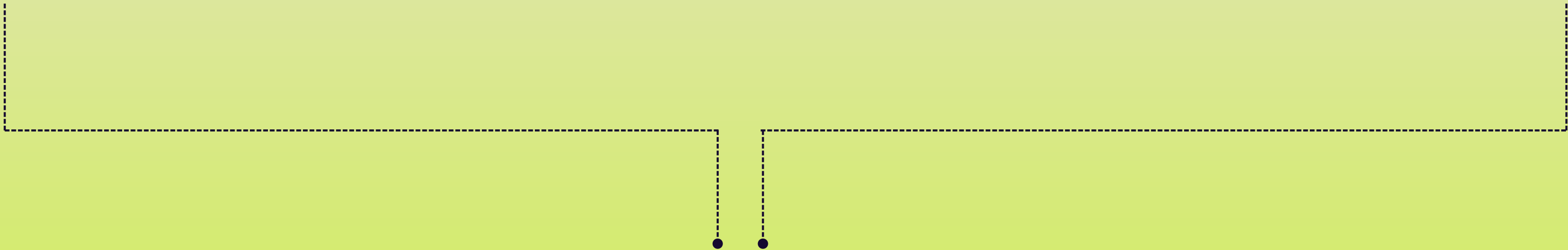
Reddit Signs AI Content Licensing Deal Ahead of IPO

Which of the below should companies that create AI models do?

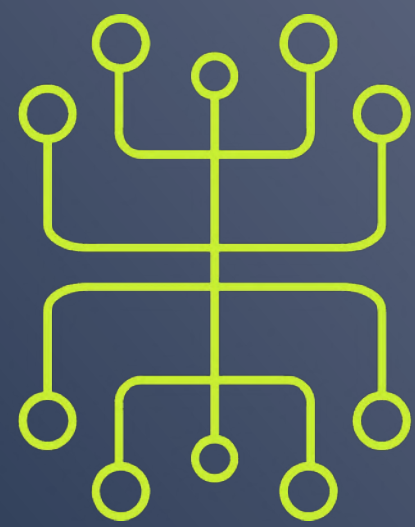


With generative AI, there
are clear consumer
opportunities that we
can visualize today

There are likely
more opportunitites
that we
cannot yet fathom



We're interested in both



Today we're in the

creativity chapter



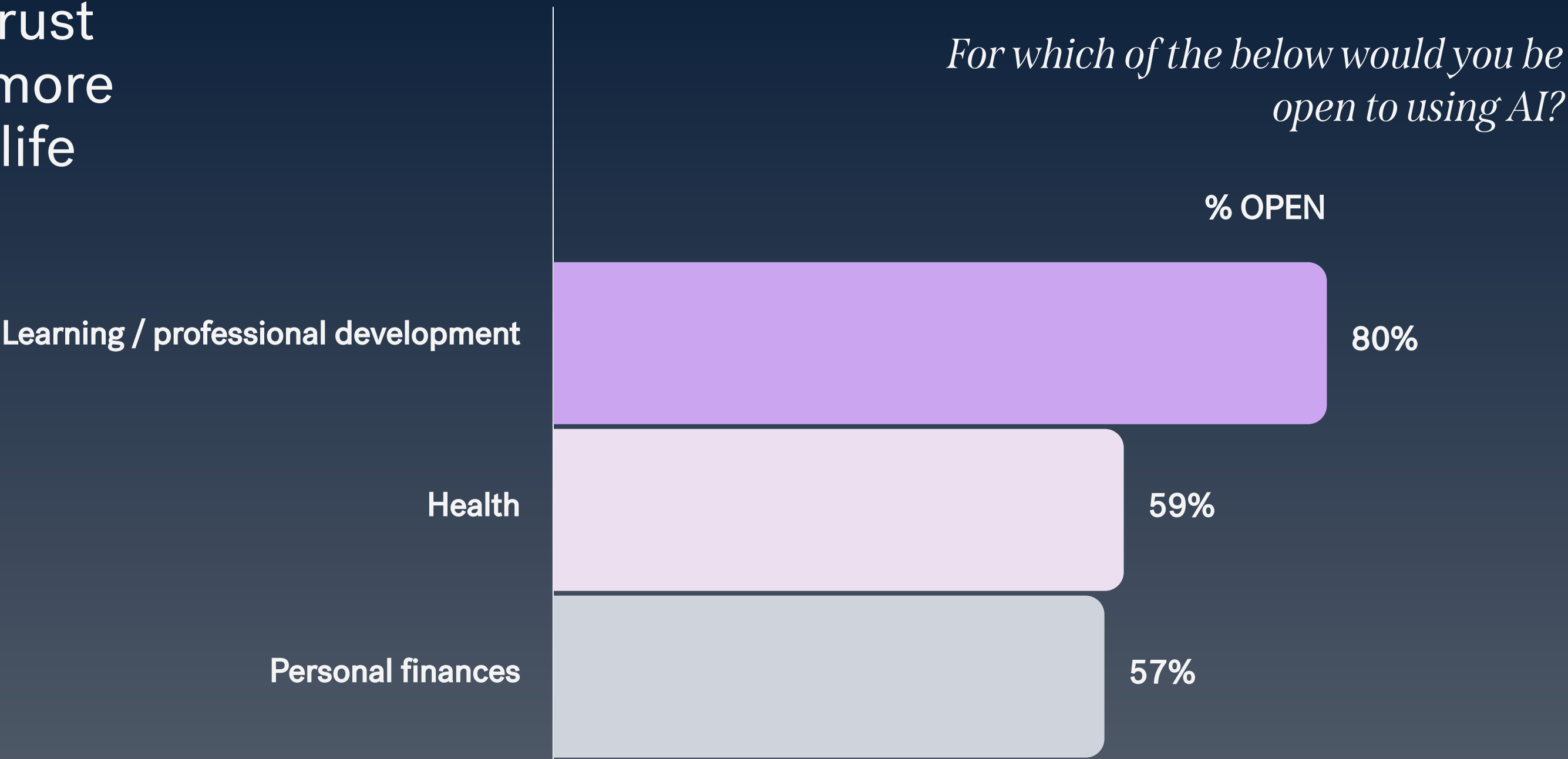
Ahead of the next chapter, consumers
have an opportunity to ask
"how do we *want* AI to affect life?"



instead of
"how *will* AI affect life?"

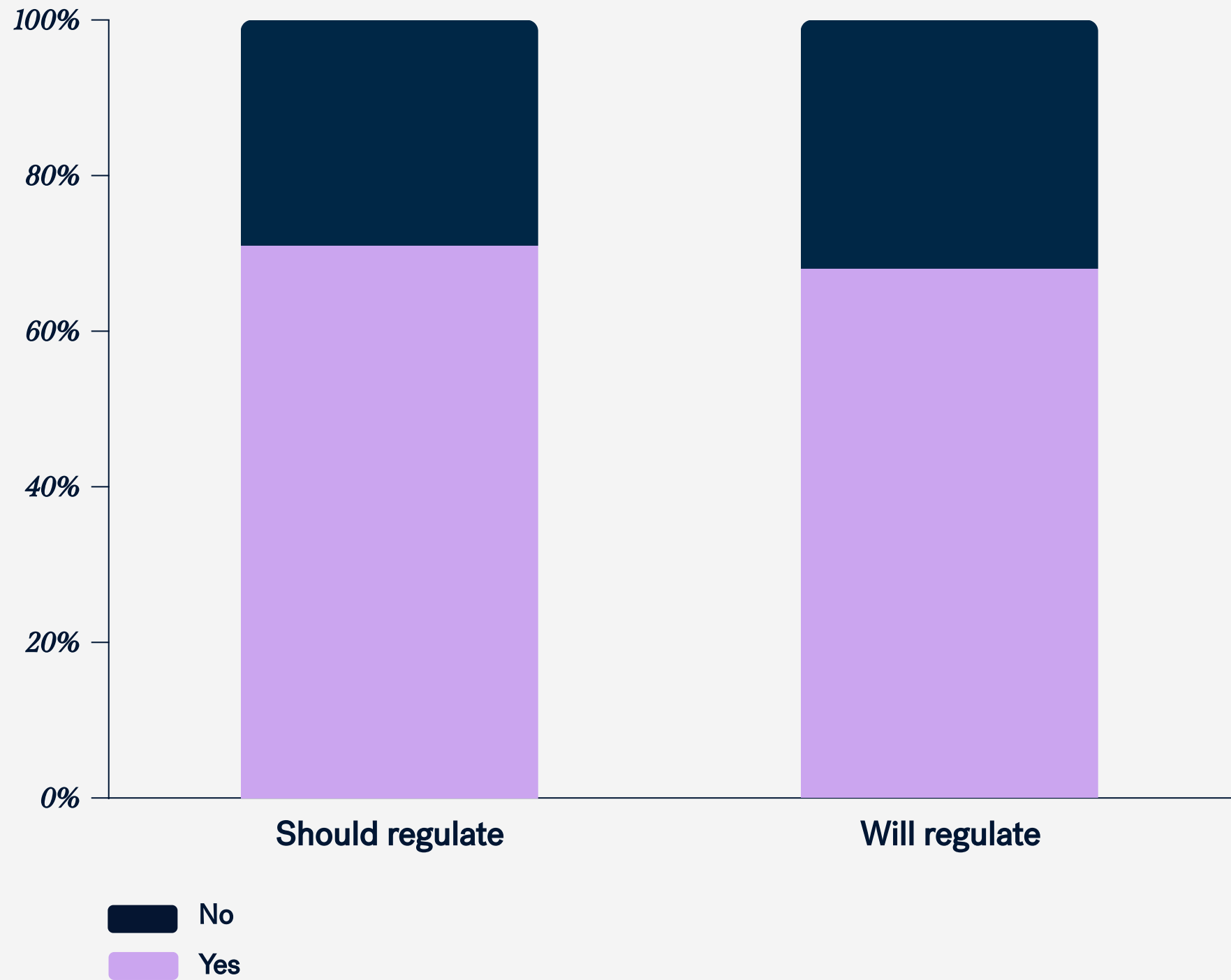


Consumers are open to using AI, though trust must be built for more sensitive parts of life



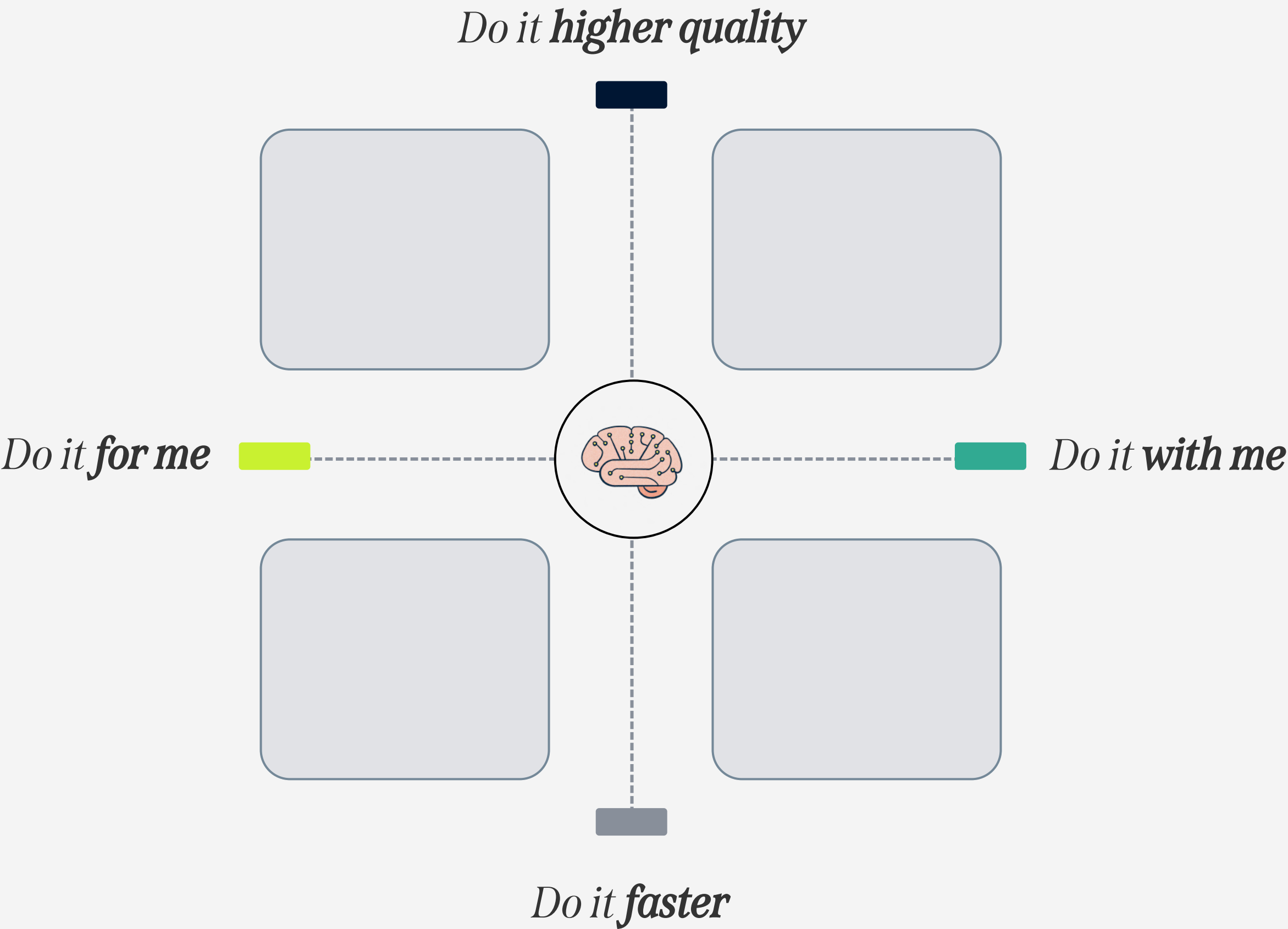
The majority of consumers believe government should and will regulate AI

CONSUMER VIEWS ON GOVERNMENT REGULATION OF AI



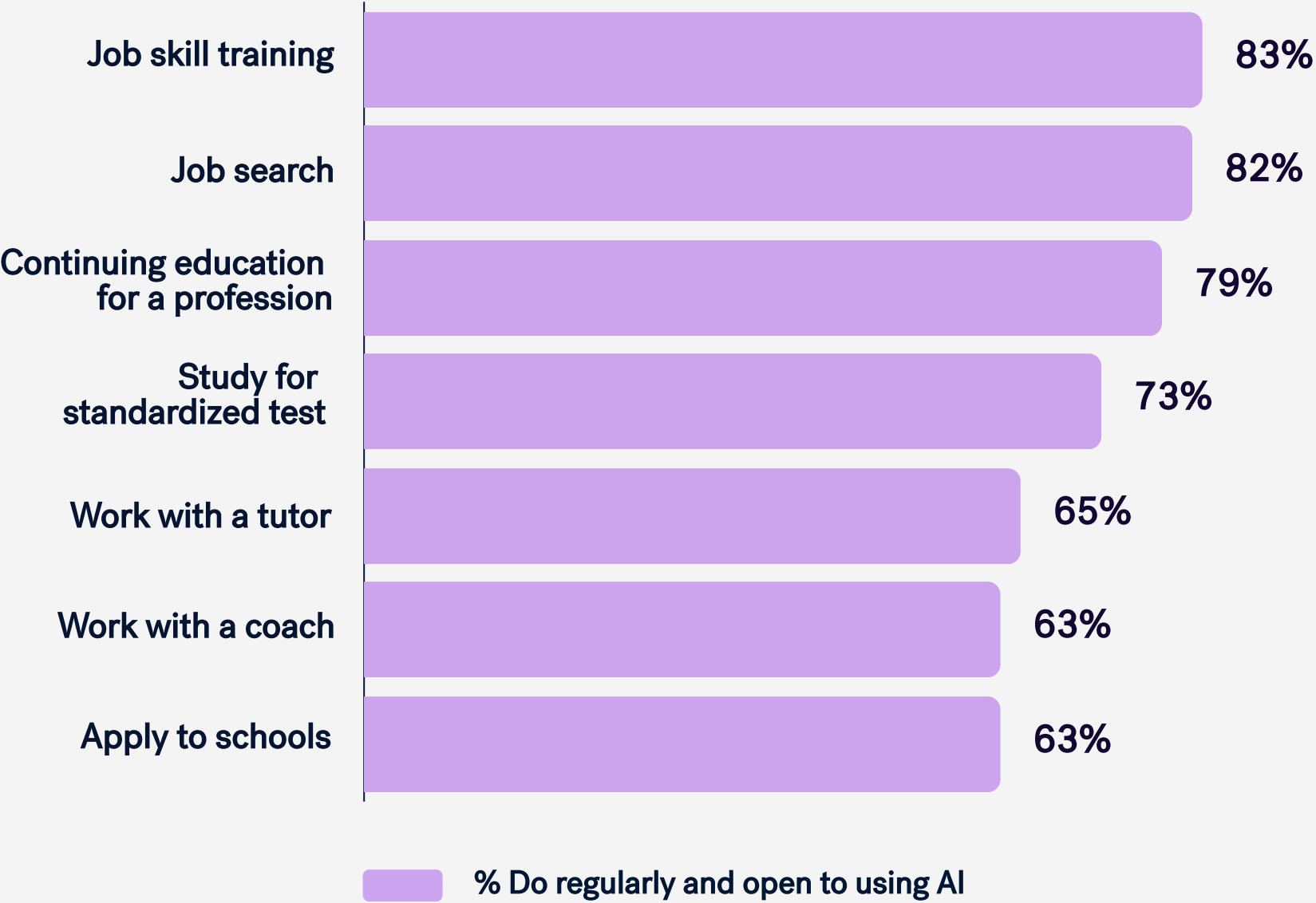
The New York Times
OpenAI's Sam Altman
Urges A.I. Regulation in
Senate Hearing

Consumers have clear, though likely evolving, preferences for where they would like to use AI

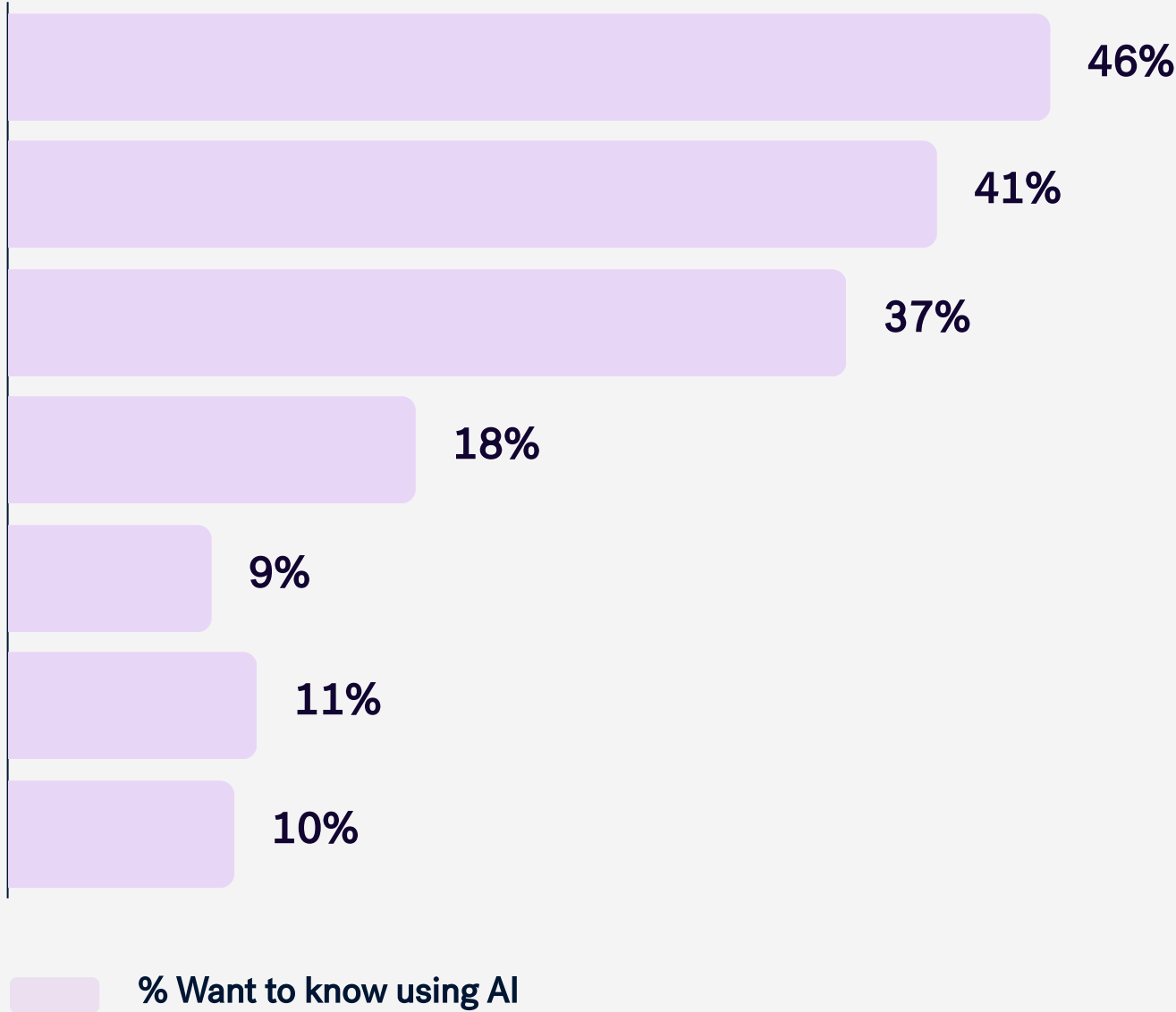


Learning and professional development

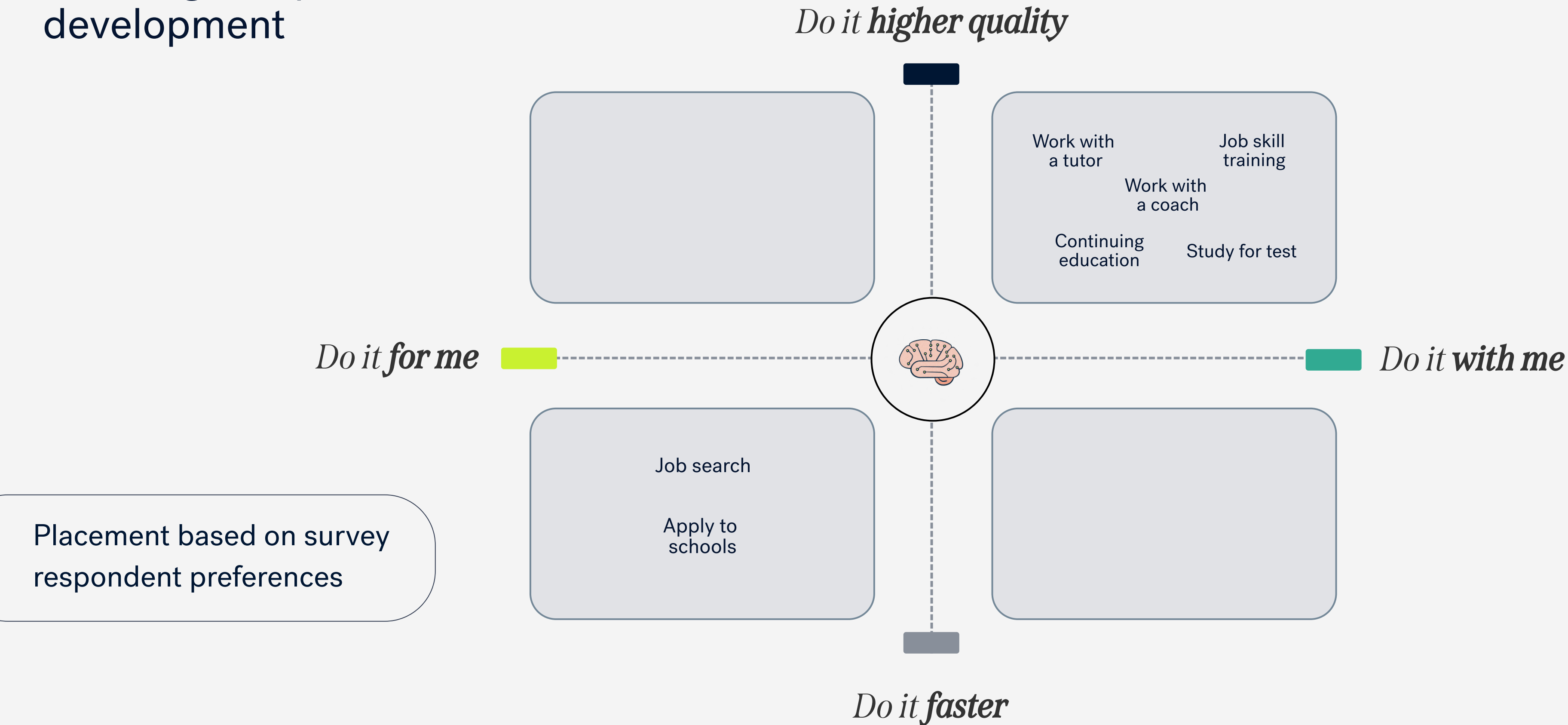
Which do you do regularly? Of those, which are you open to using AI?



Do you want to know you're using AI?

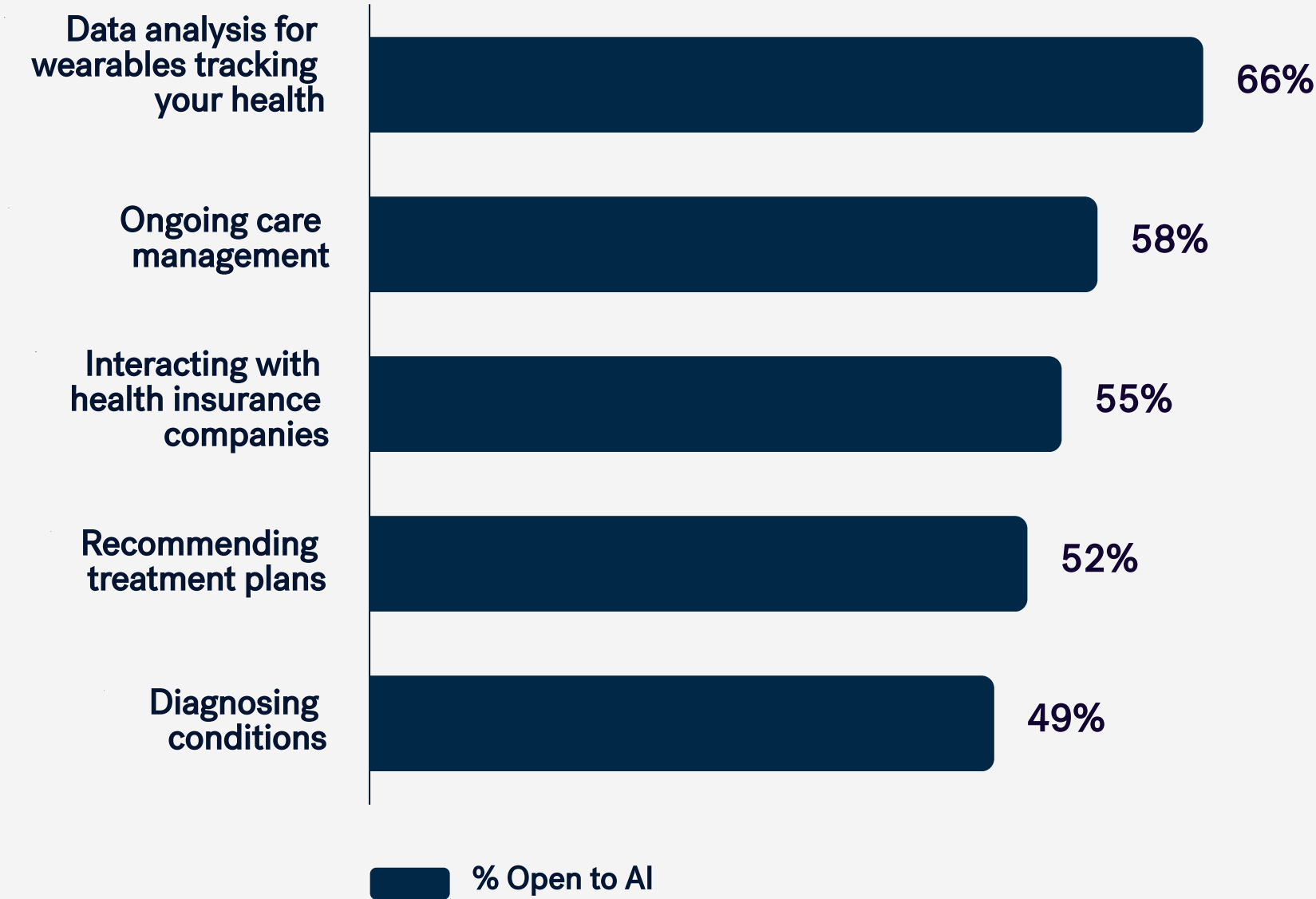


Learning and professional development

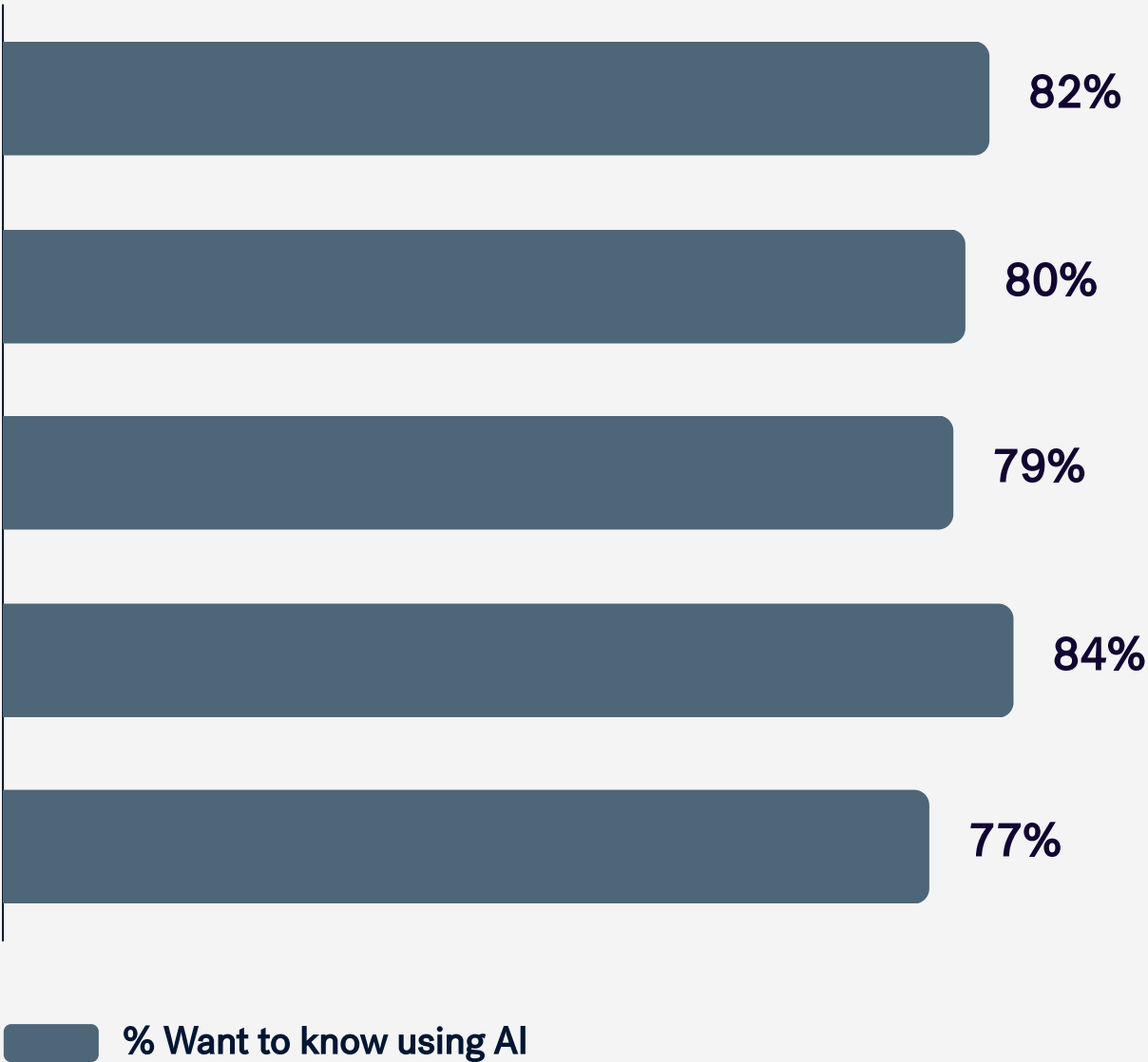


Healthcare

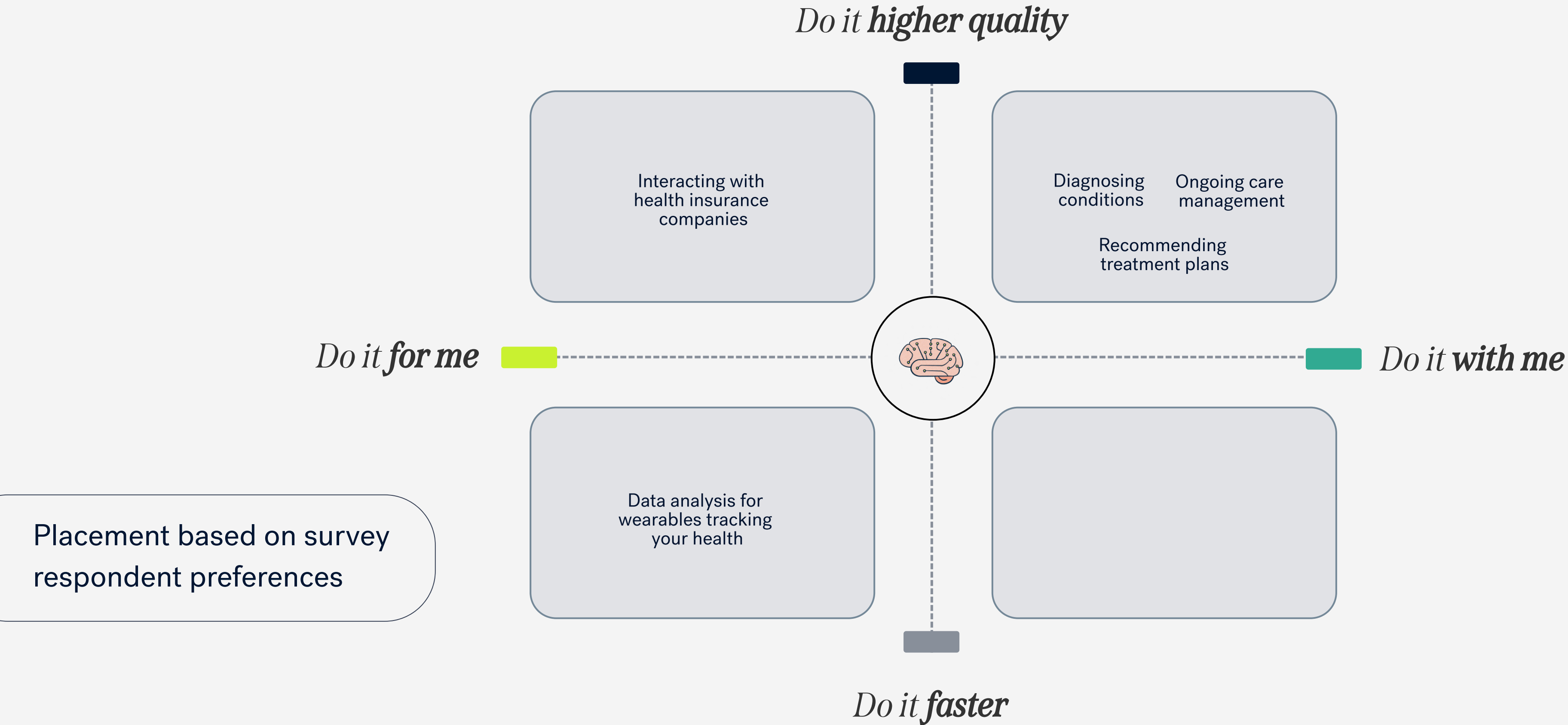
Are you open to using AI?



Do you want to know you're using AI?

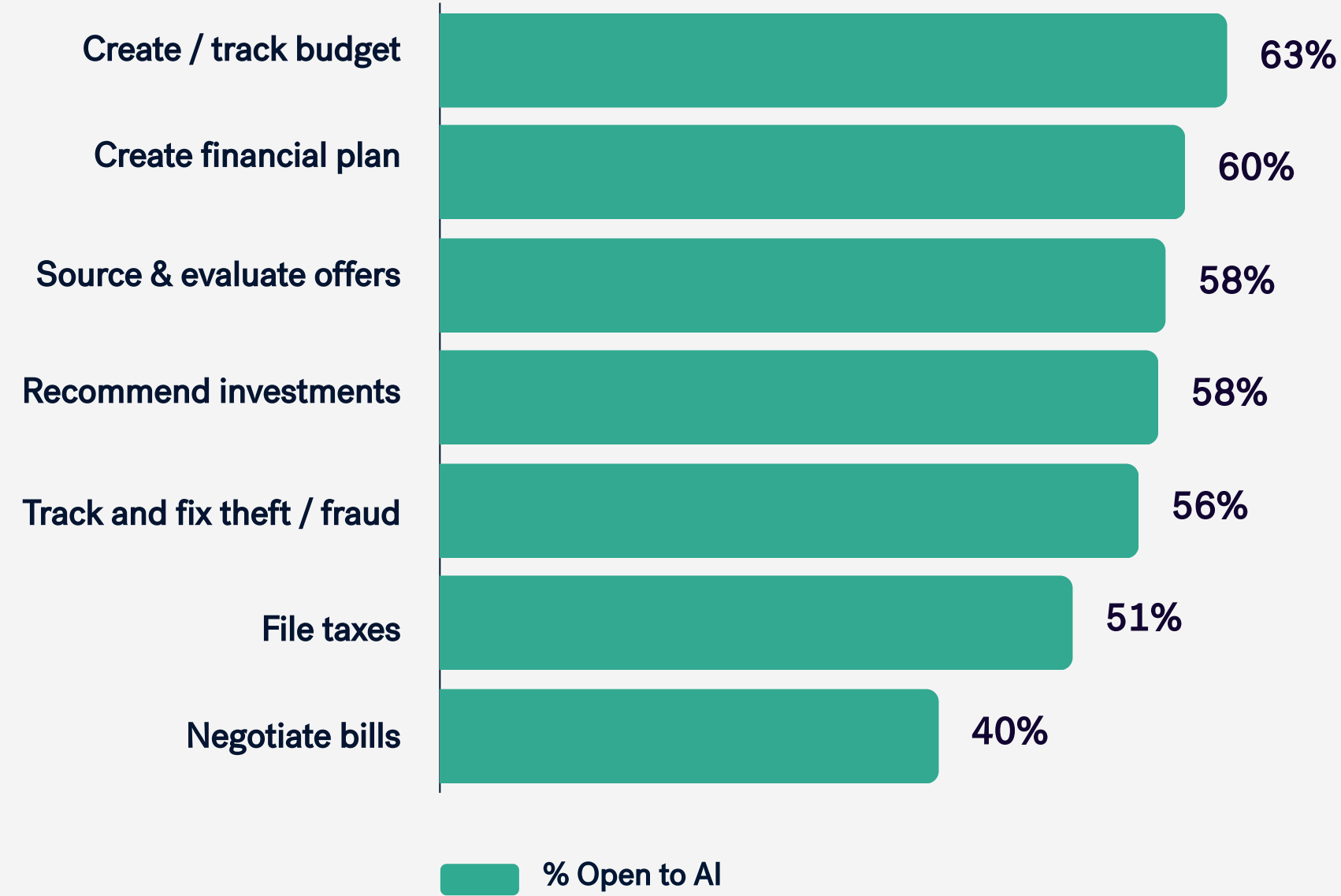


Healthcare

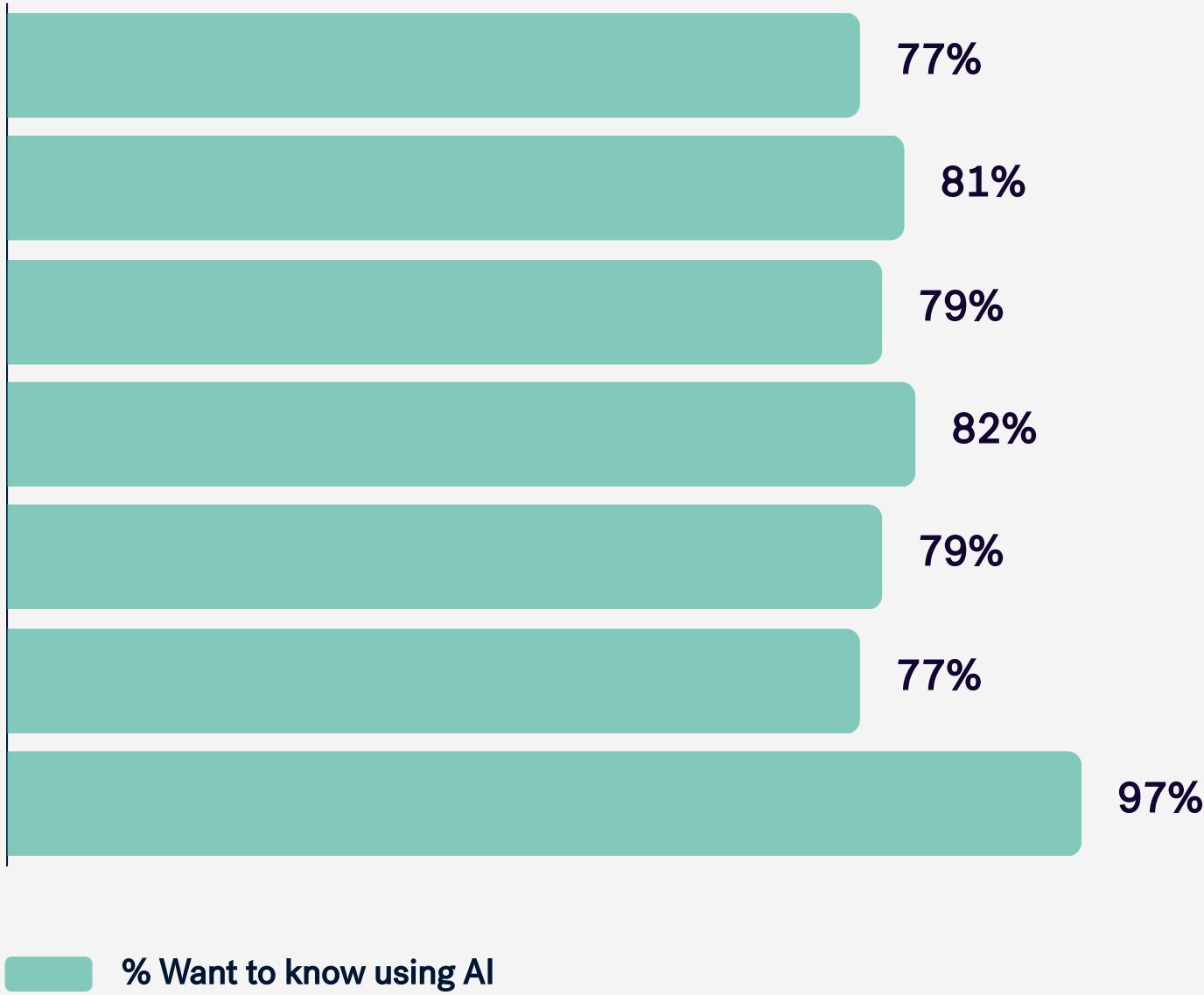


Personal finances

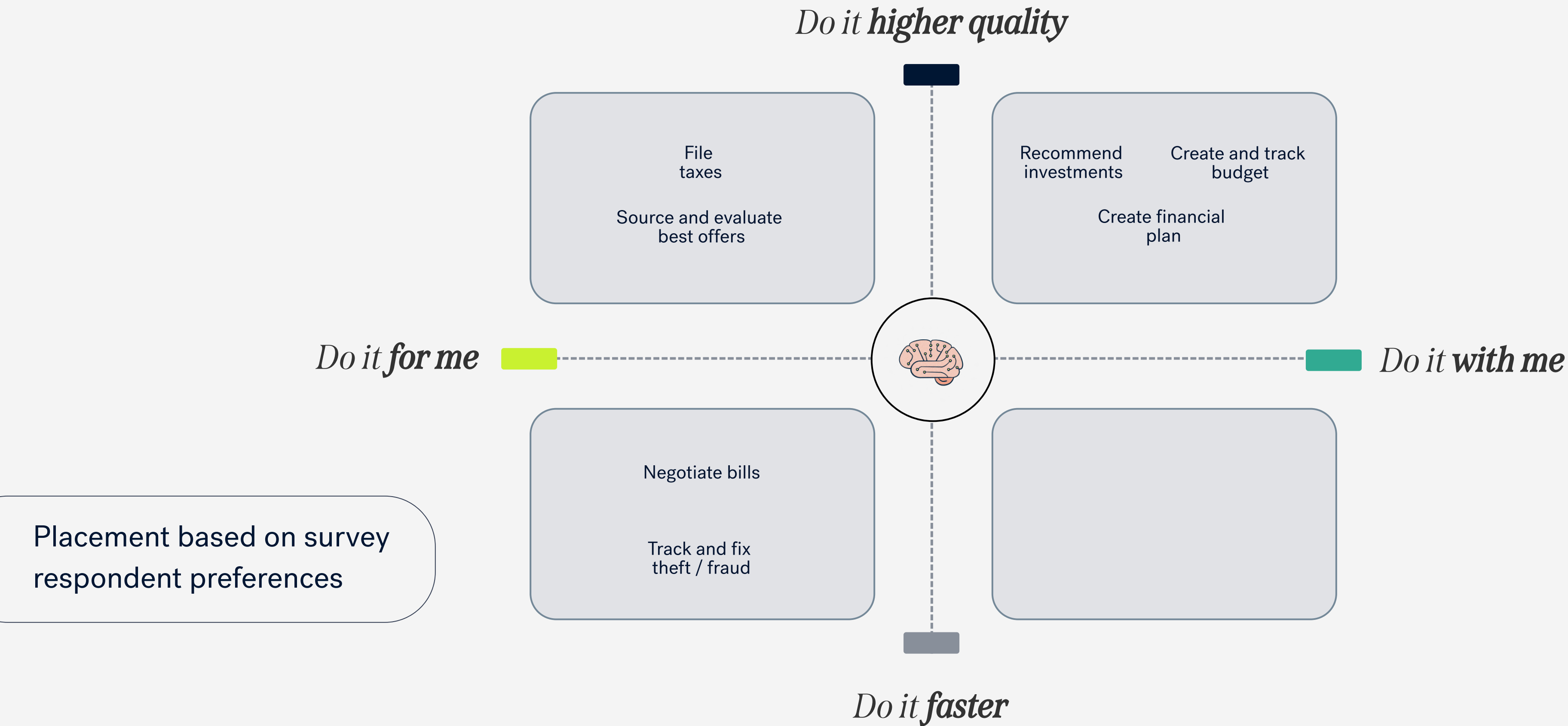
Are you open to using AI?



Do you want to know you're using AI?



Personal finances



Placement based on survey respondent preferences

Consumer intrigue, however,
tracks ahead of

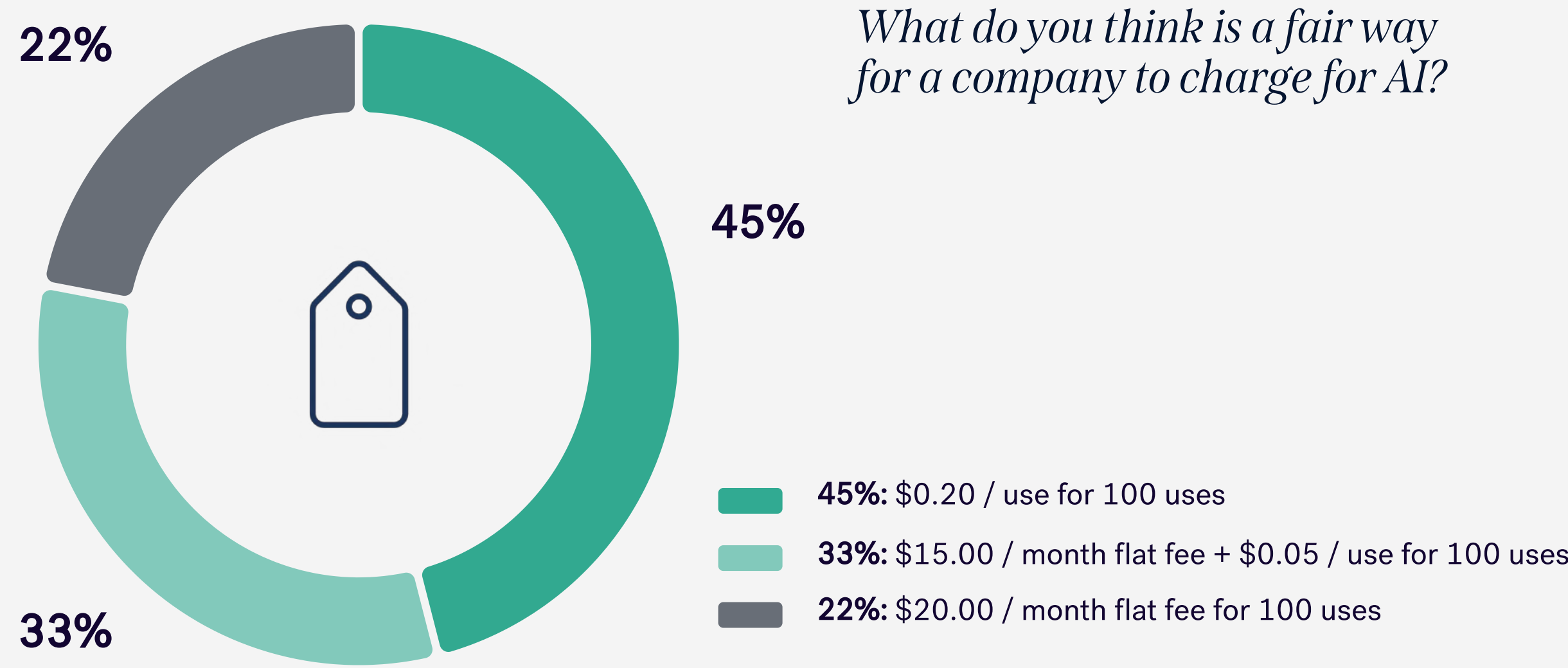
*willingness
to pay*



Big AI businesses are already being built

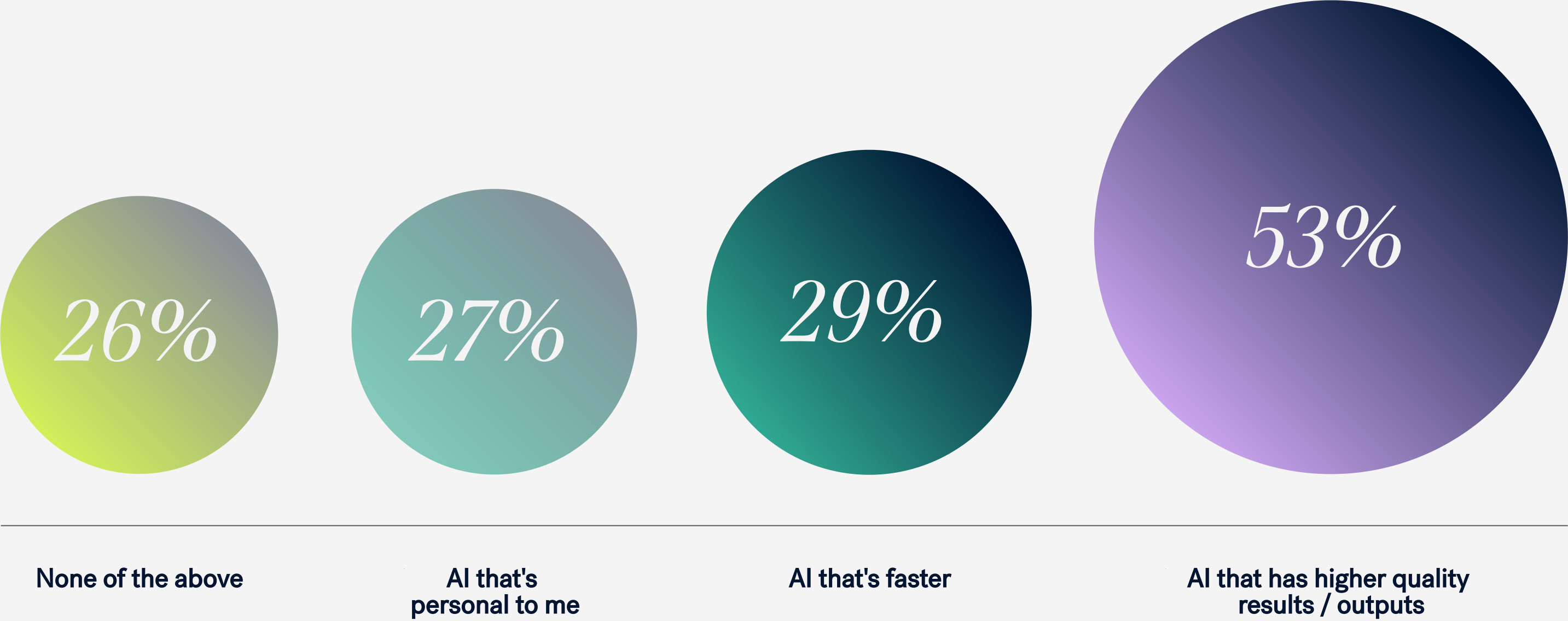
	PRICE	REVENUE
 ChatGPT	\$20 / month	\$2B —> \$5B by 2025
 Copilot	\$30 / month	\$10B+ by 2026
 Gemini	\$19.99 / month	Not Available
 perplexity	\$20 / month	\$3M —> \$11M in 3 months
 Speechify	\$24 / month	#1 rated AI text to speech app

Until AI use become ubiquitous consumers prefer a usage based pricing model vs subscription



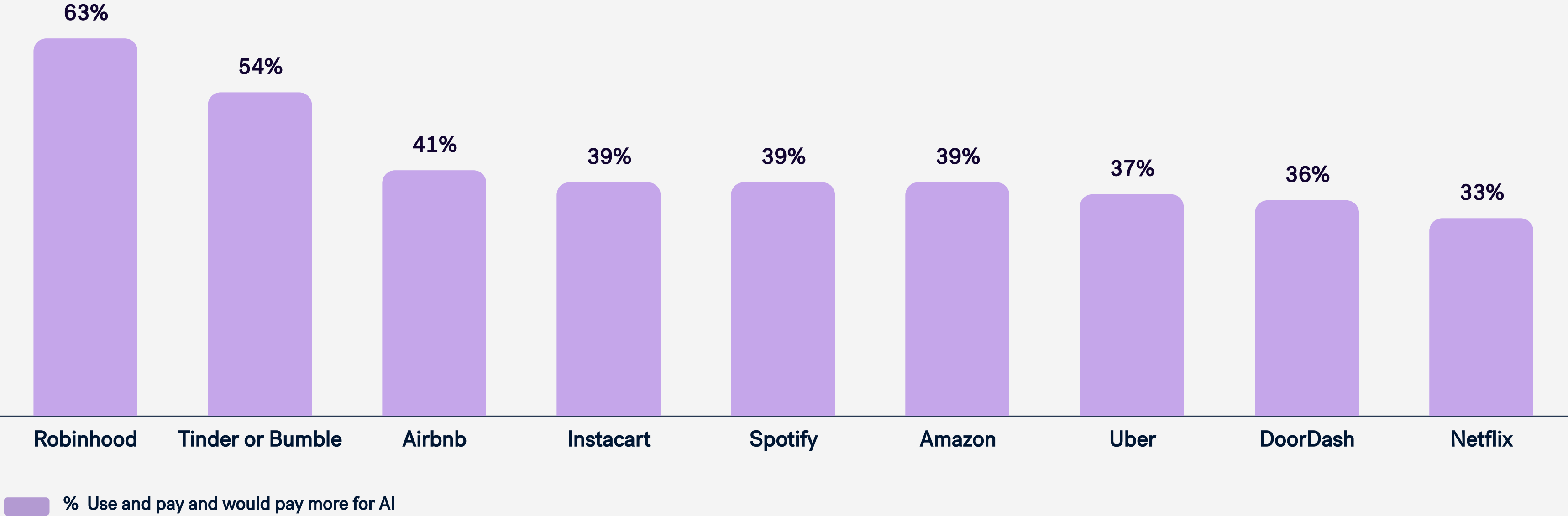
Higher quality results
and output are most
likely to increase
consumer willingness
to pay

Which would you be willing to pay more for?



Willingness to pay for familiar consumer offerings is lukewarm outside of dating and investing

Of the products below that respondents pay for, which would they pay for to access AI features?



Experts say AGI will be reached in as soon as a few years.

Yet what the first AGI use case will look like *is unclear*

Four priority research topics must be solved for AI to become what today's discourse suggests

 Context windows

How long can a model remember an exchange?

 Data quality & availability

How can input integrity be measured and connected to quality of outputs?

 Inference & training costs

How will the cost to train and support a model come down?

 Usability & explainability

How can a better understanding of how models work build trust?

AI can exponentially decrease cost and change how companies charge for services

“ *Sell work, not software* ”

Rather than sell software to improve an end-user's productivity, AI founders should consider what it would look like to sell the *work itself*.

When you sell work, the sales cycle is different, it's priced relative to the cost of a human performing the work instead of as a productivity improver, and the competition for a similar product

Sarah Tavel, Benchmark

“ *Moore's Law for Everything* ”

The best way to increase societal wealth is to decrease the cost of goods, from food to video games. AI will rapidly drive that decline in many categories.

Imagine a world where, for decades, everything—housing, education, food, clothing, etc.—became half as expensive every two years.

Sam Altman, OpenAI

“ *AI-driven SKUs for Service* ”

You can buy a lightbulb in one click on Amazon, but hiring an electrician is still about as hard as it was 100 years ago because you don't know what you need and how much it will cost.

What is really good at exploring a messy decision space in back and forth dialogue? Humans. And increasingly, LLMs trained on humans doing a lot of that in the past.

Dan Hockenmaier, Faire

AI can also shift power from skills (to taste) and aggregators (to entrants)

“ *Tensions of Creativity* ”

We’ve shifted from a world where we had to find someone with skills to tell our story to one where we can tell our own story. We’ve shifted from being skills-constrained to being imagination-constrained.

Until now, skills have been a major differentiator for humanity. However, in the age of AI, taste will become more important than skills as much of skill-based work and productivity is offloaded to compute. Taste seems more scarce these days.

Scott Belsky, Adobe

“ *Aggregator's AI Risk* ”

Aggregator power comes from controlling demand; the ability to control demand is a function of providing a discovery mechanism for the abundance of supply.

Generative AI flips this paradigm on its head: suddenly, there isn’t an abundance of supply, at least from the perspective of the end users; there is simply one answer.

Ben Thompson, Stratechery

Summary



Summarizing this year's report:

VALUES



Access
When evaluating new access offerings, consumers will have a discerning eye toward a layer of edit.



Independence
Consumers will continue to embrace independence, though will seek opportunities that maintain a sense of interdependence.



Spendthrift
Consumers want to enjoy life and will increasingly spend to live-in-the-moment rather than save for the future.

TECHNOLOGY



Gen AI
Consumer intrigue remains high and willingness to pay will increase as consumers recognize how AI can fit into their lives.

Appendix

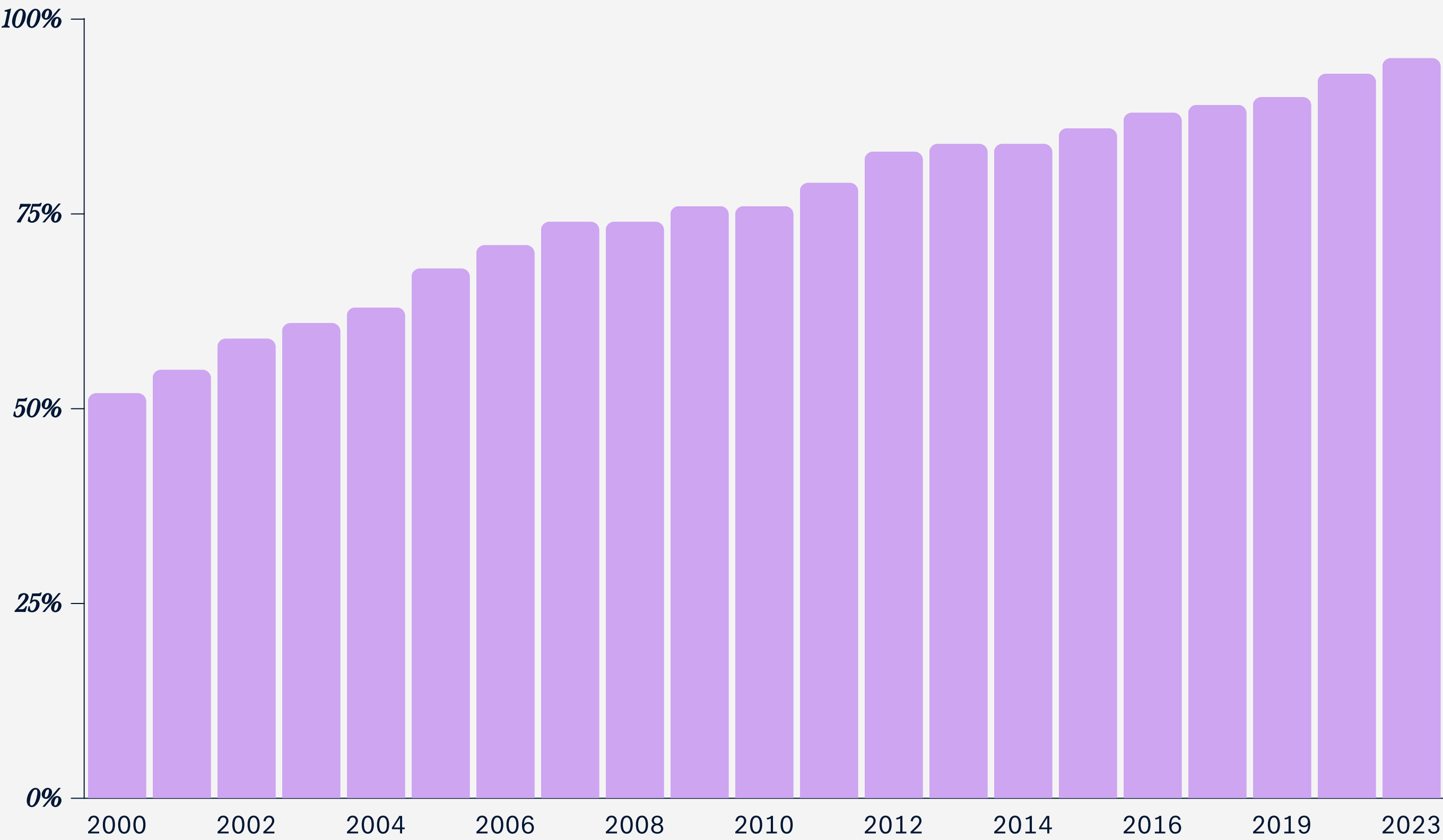
5



Digital engagement

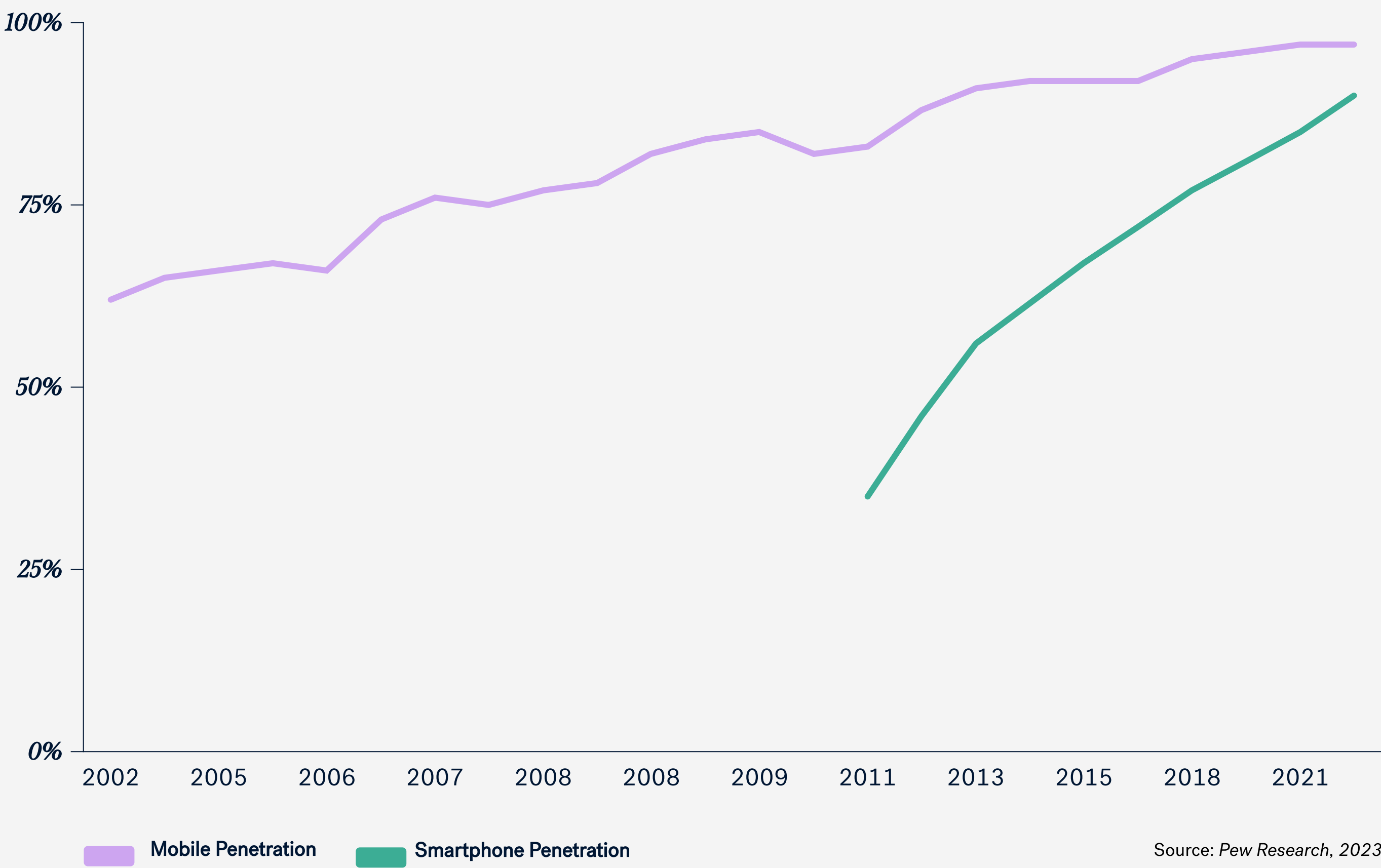
Internet Penetration
Smartphone Penetration
Time Spent on Devices
Social Media Usage
Video Usage

Internet Penetration



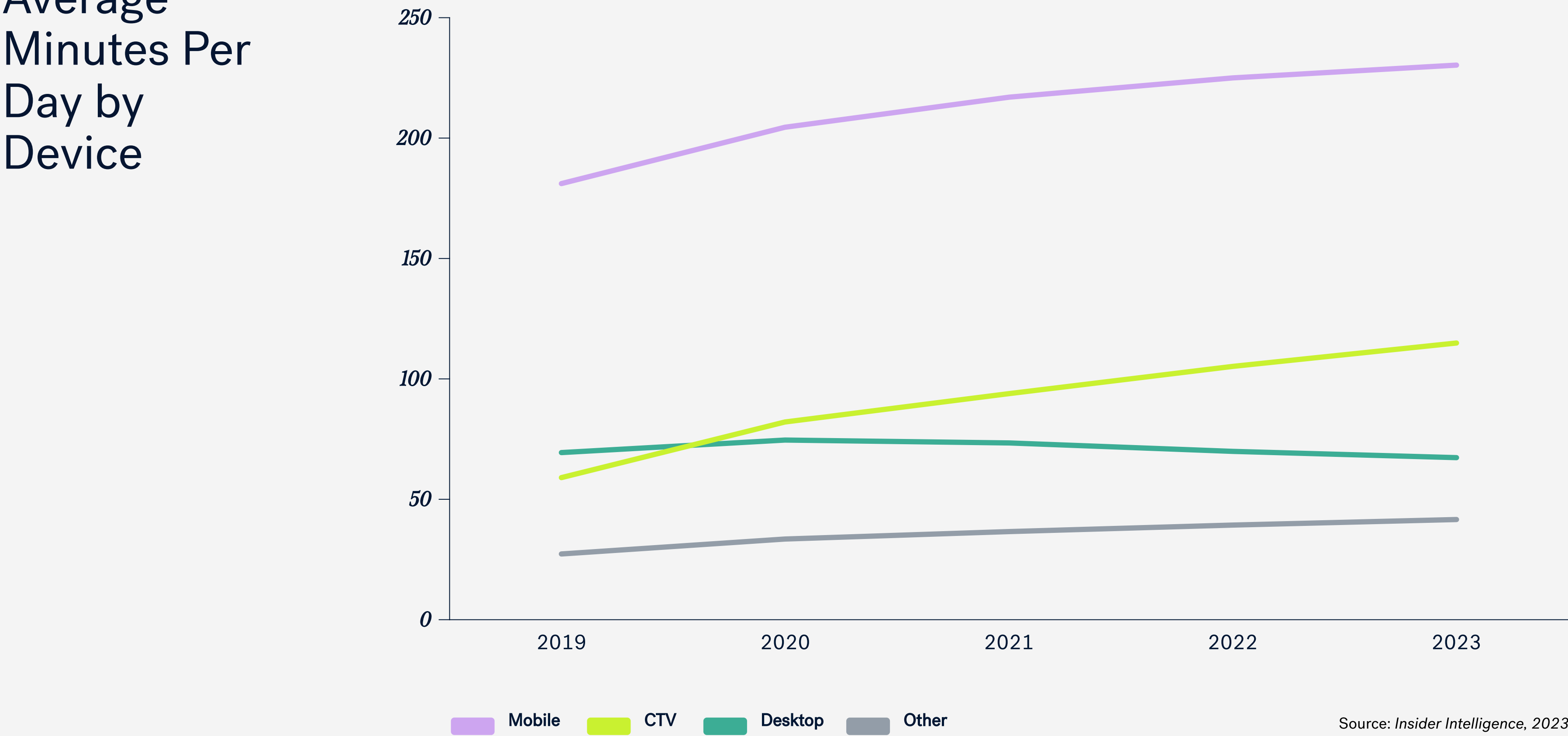
Source: *Pew Research*, 2023

Smartphone & Mobile Penetration



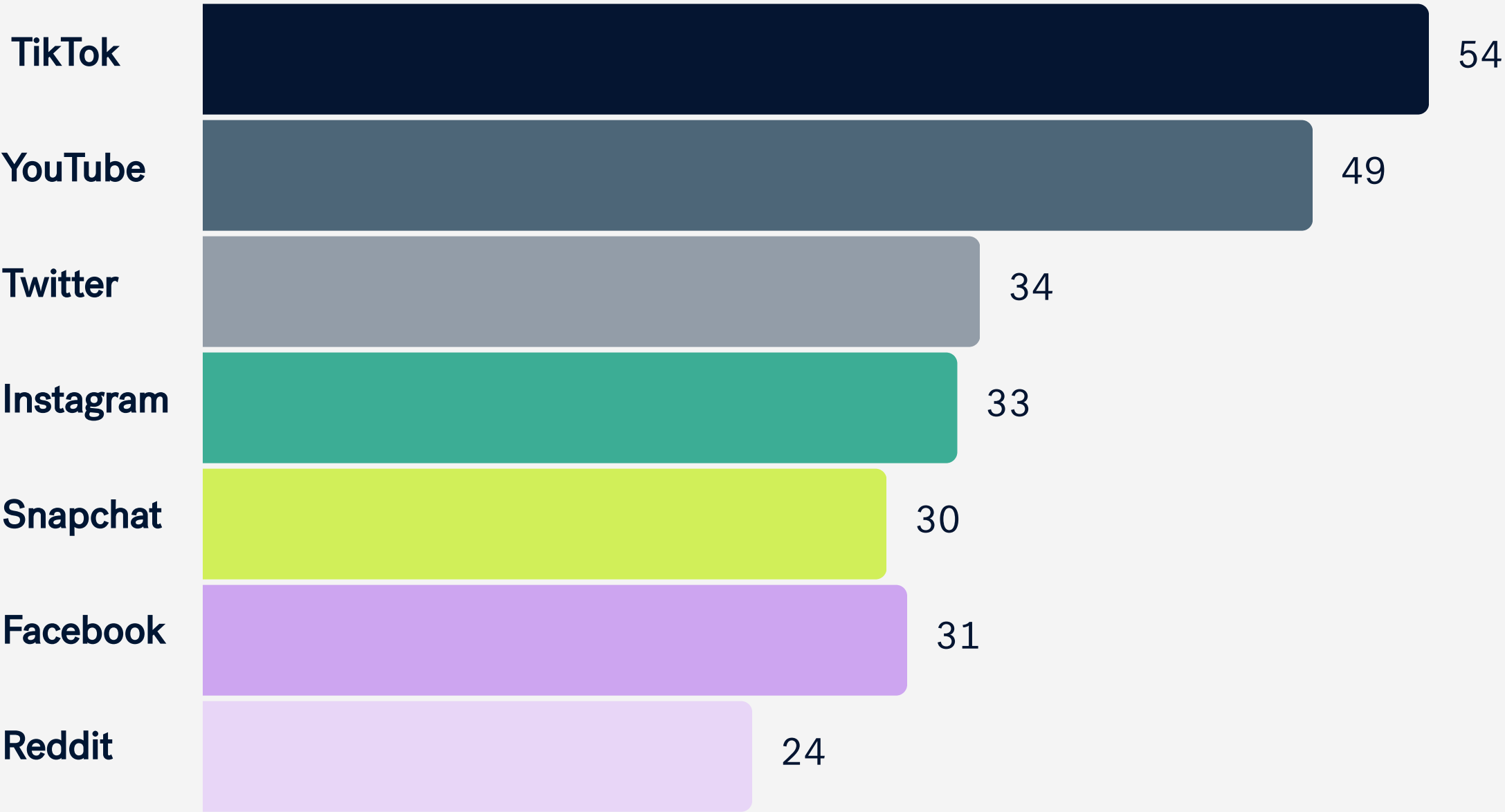
Source: *Pew Research*, 2023

Average Minutes Per Day by Device



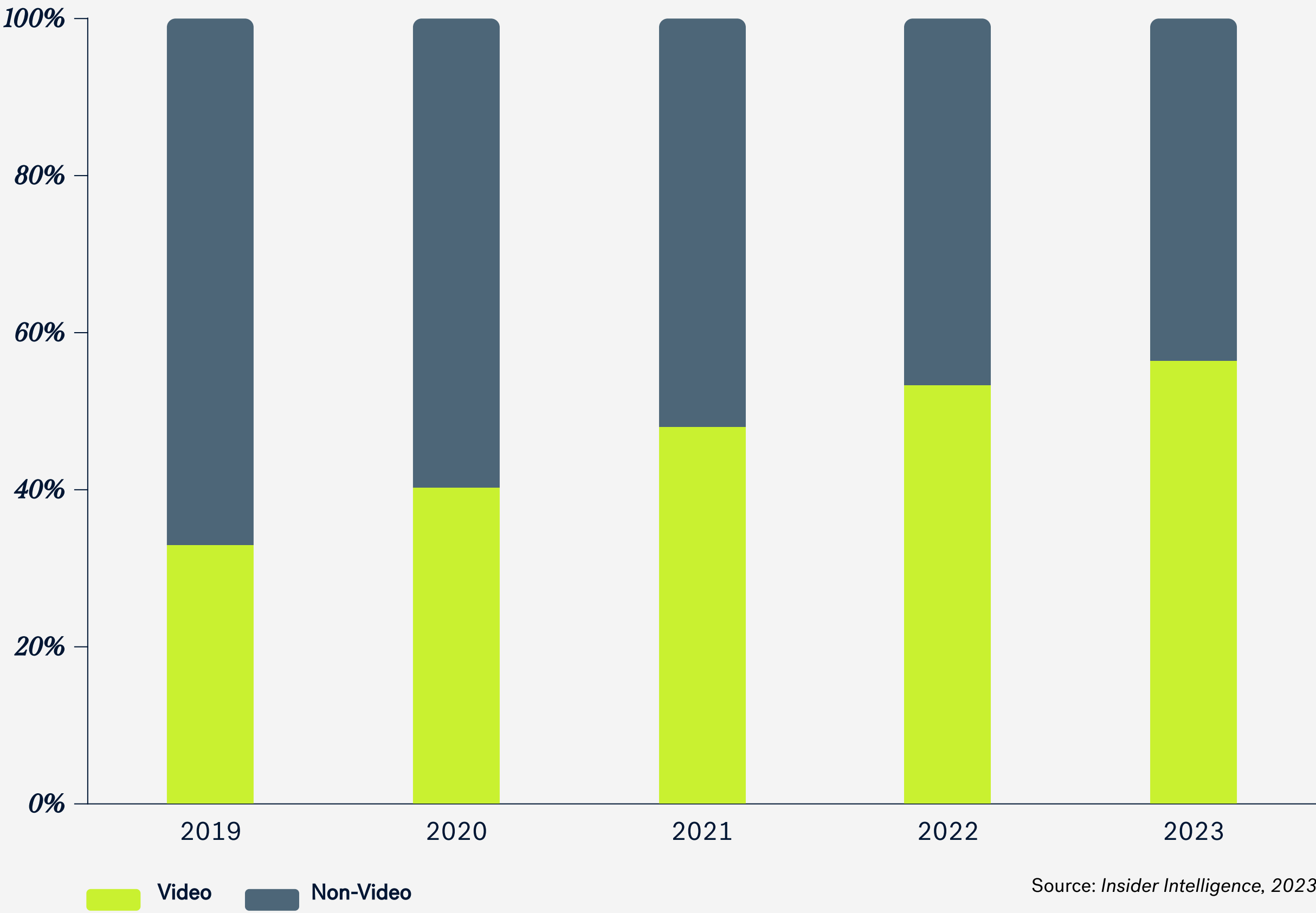
Source: Insider Intelligence, 2023

Average Minutes Per Day By Social Media Platform



Source: Insider Intelligence, 2023

Video Share of Average Daily Social Media Time

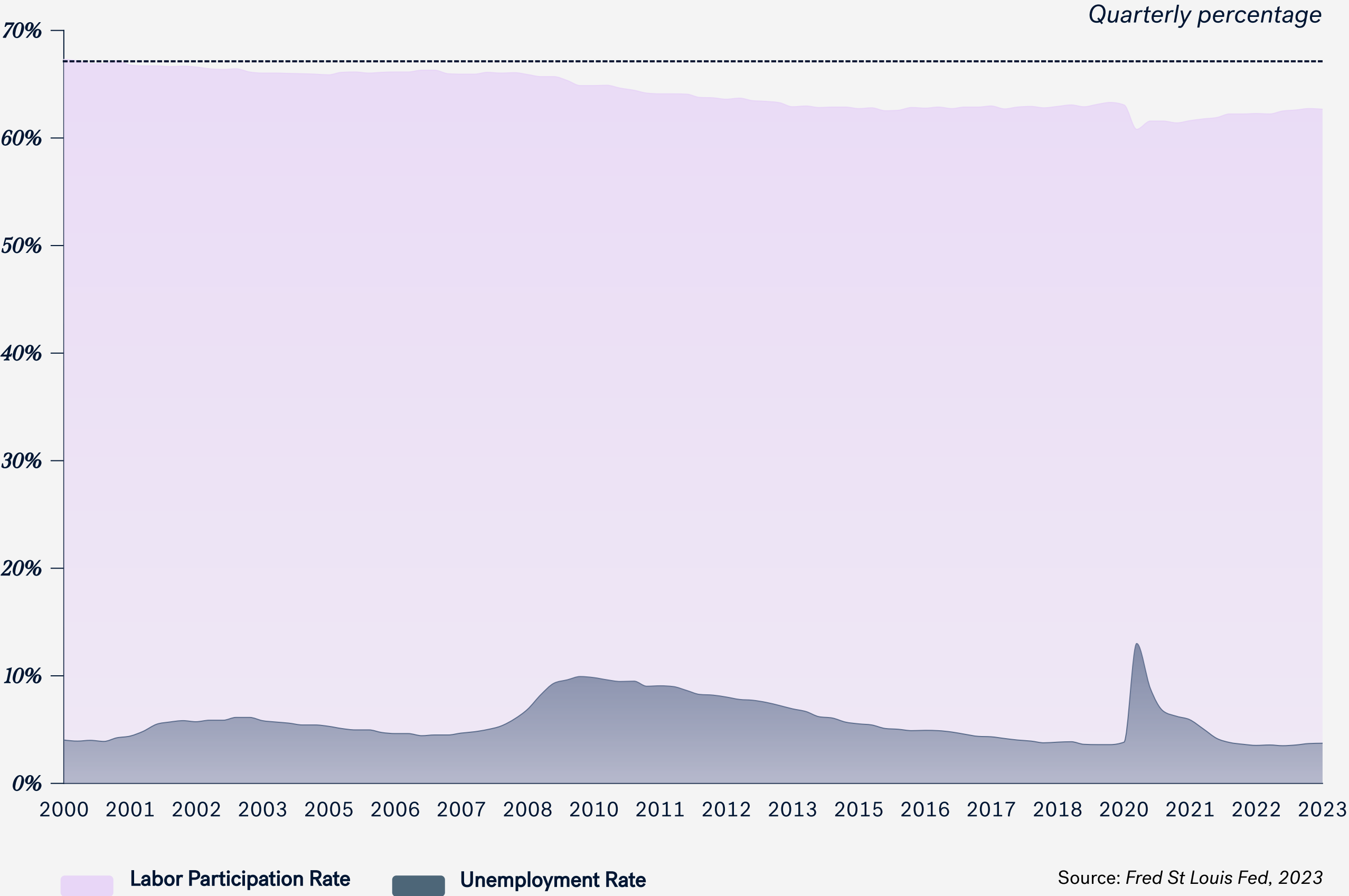


Source: Insider Intelligence, 2023

Dollars in

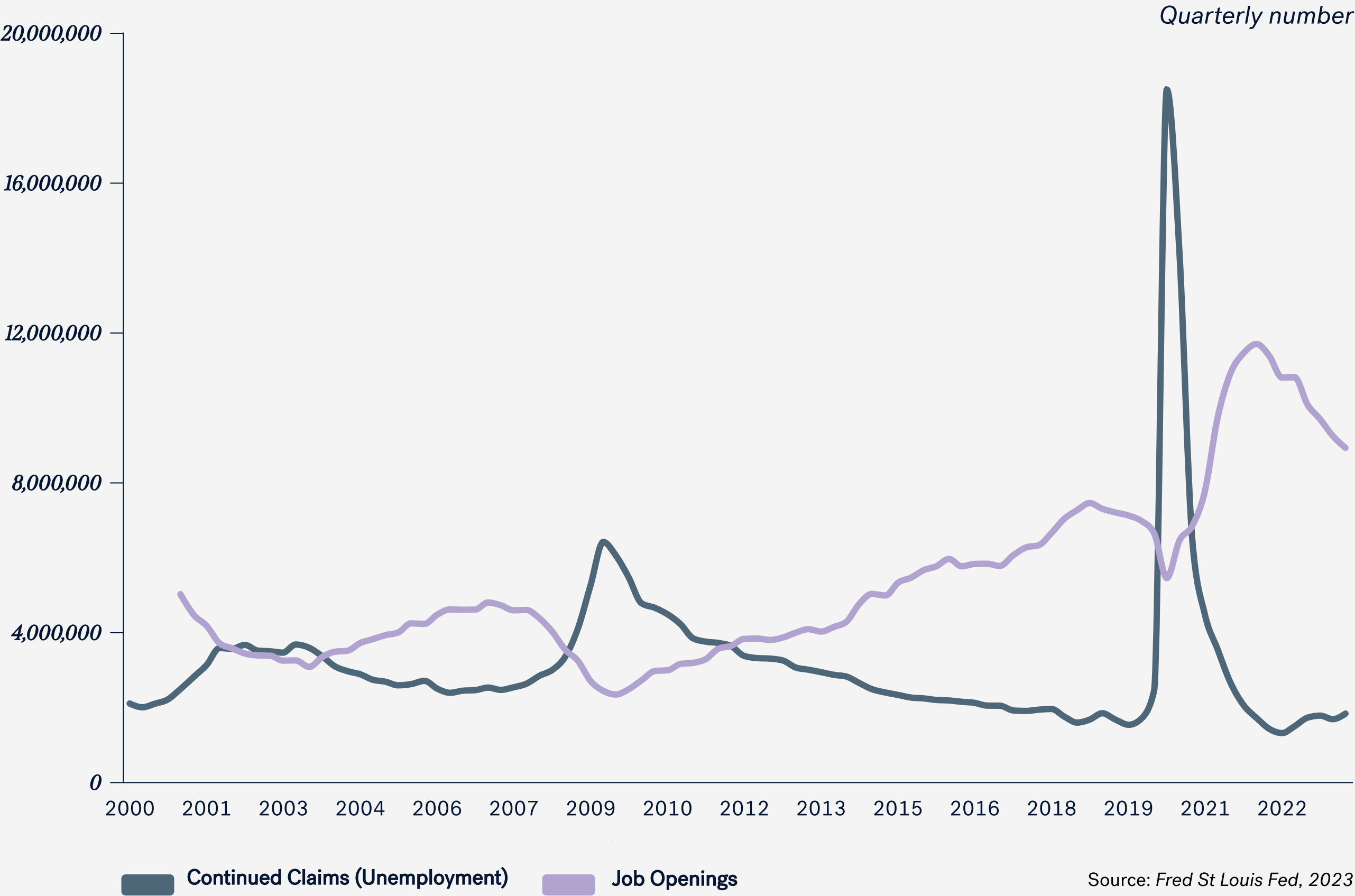
- Jobs
- Wages
- Income
- Savings

Labor Participation Rate & Unemployment Rate



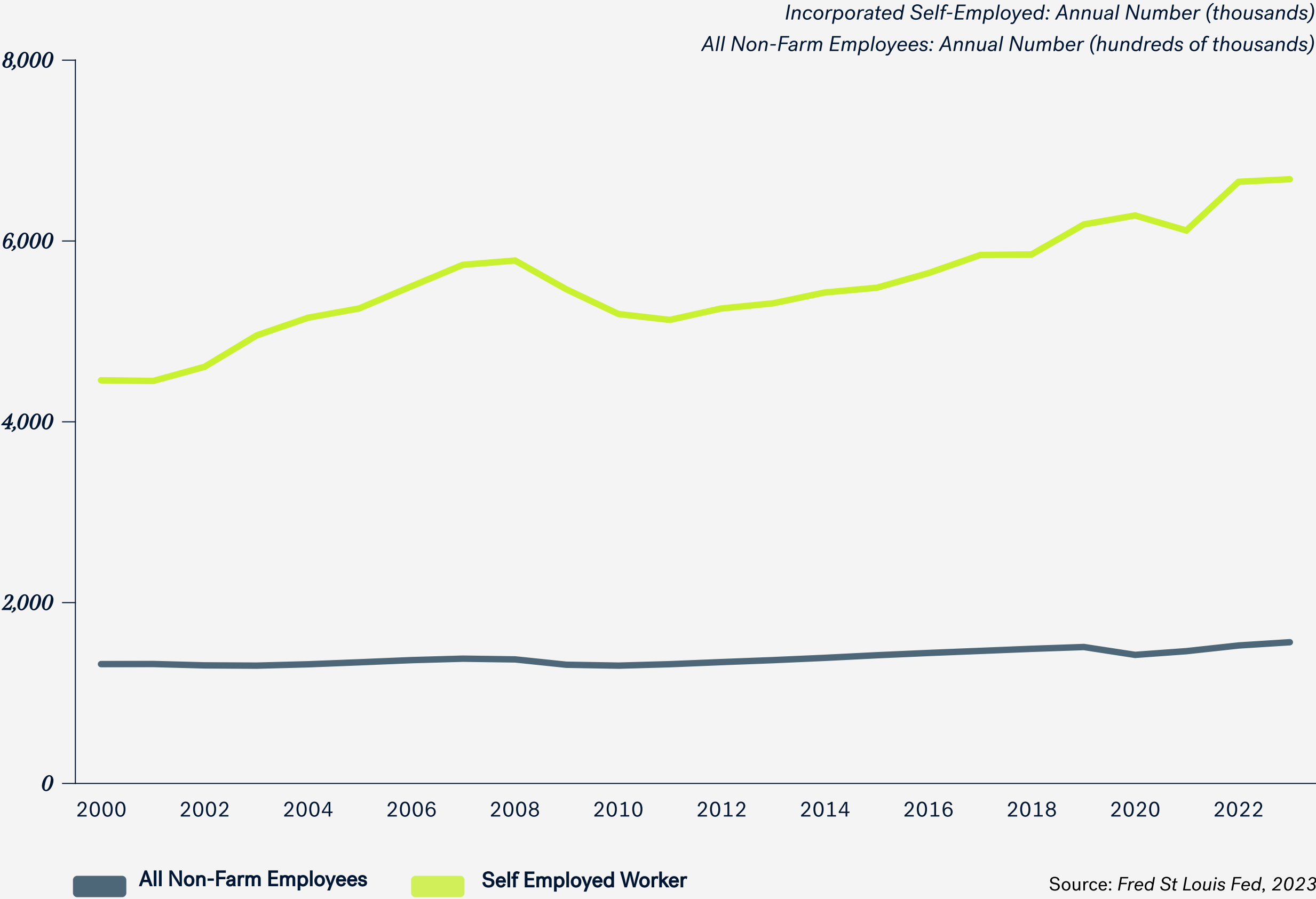
Source: Fred St Louis Fed, 2023

Continued Claims & Job Openings

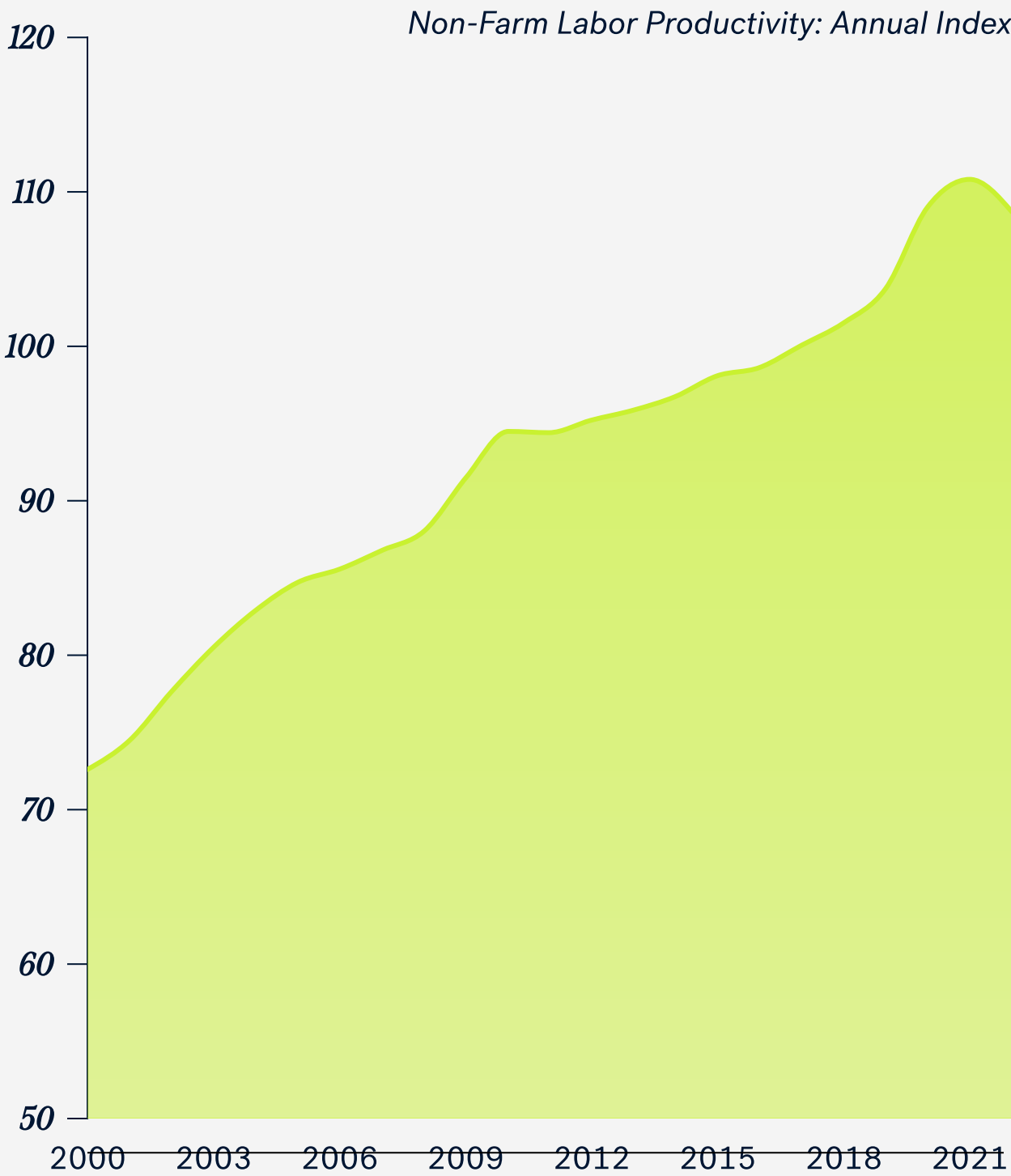


Source: Fred St Louis Fed, 2023

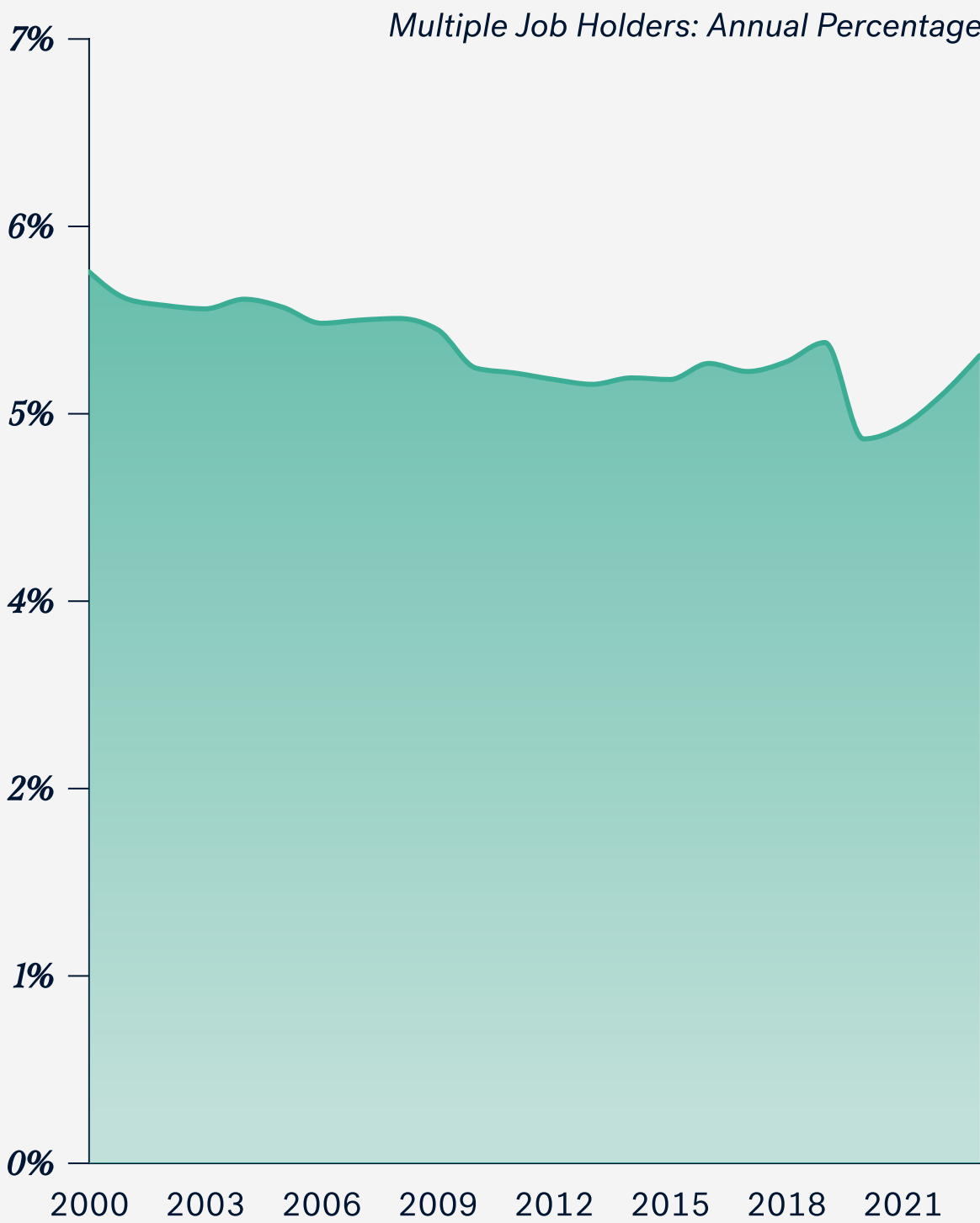
Incorporated Self-Employed Workers & All Non-Farm Employees



Non-Farm Labor Productivity & Multiple Job Holders



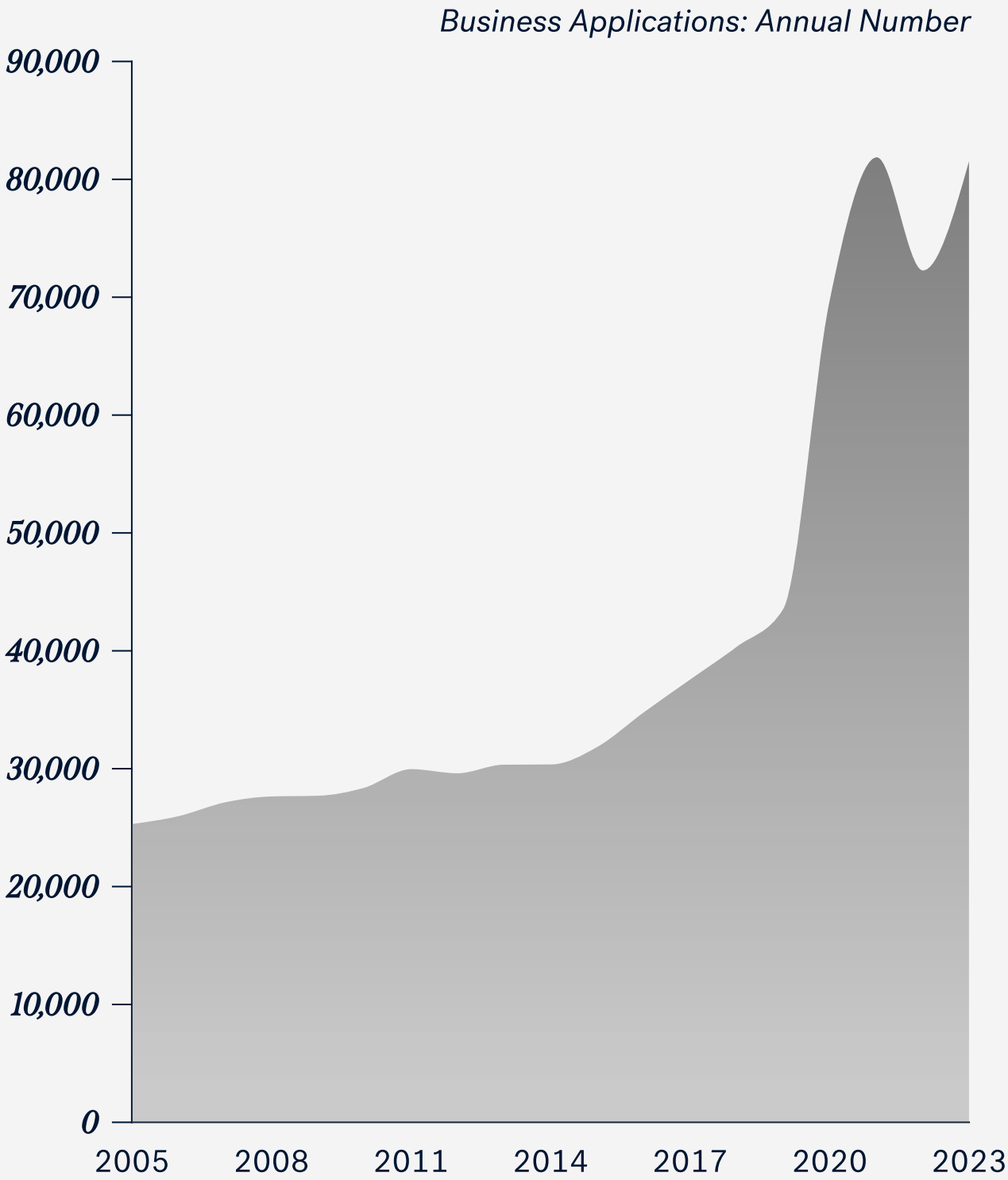
Non-Farm Labor Productivity



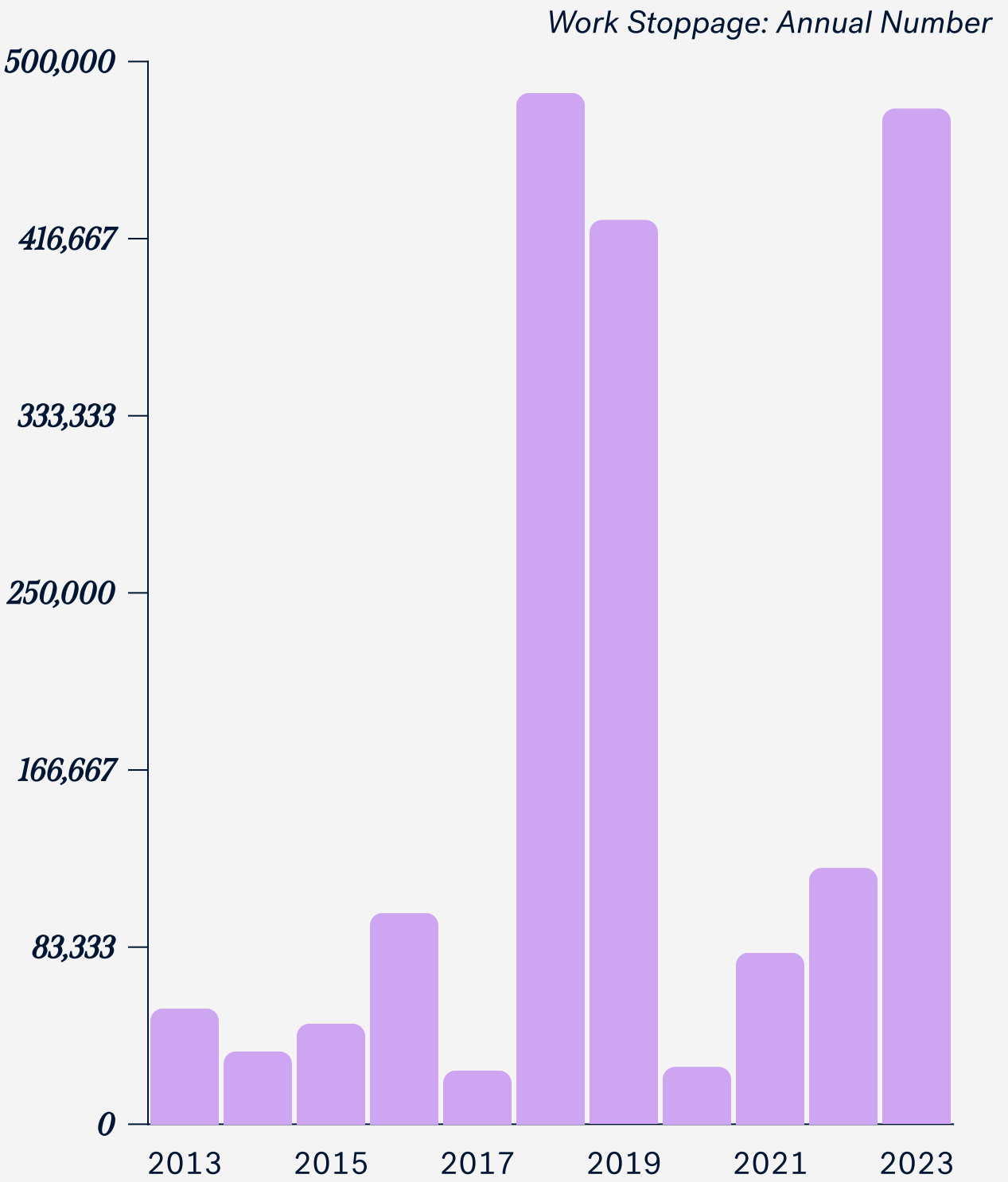
Multiple Job Holders
(as % of employed)

Source: Fred St Louis Fed, 2023

Business Applications & Work Stoppage



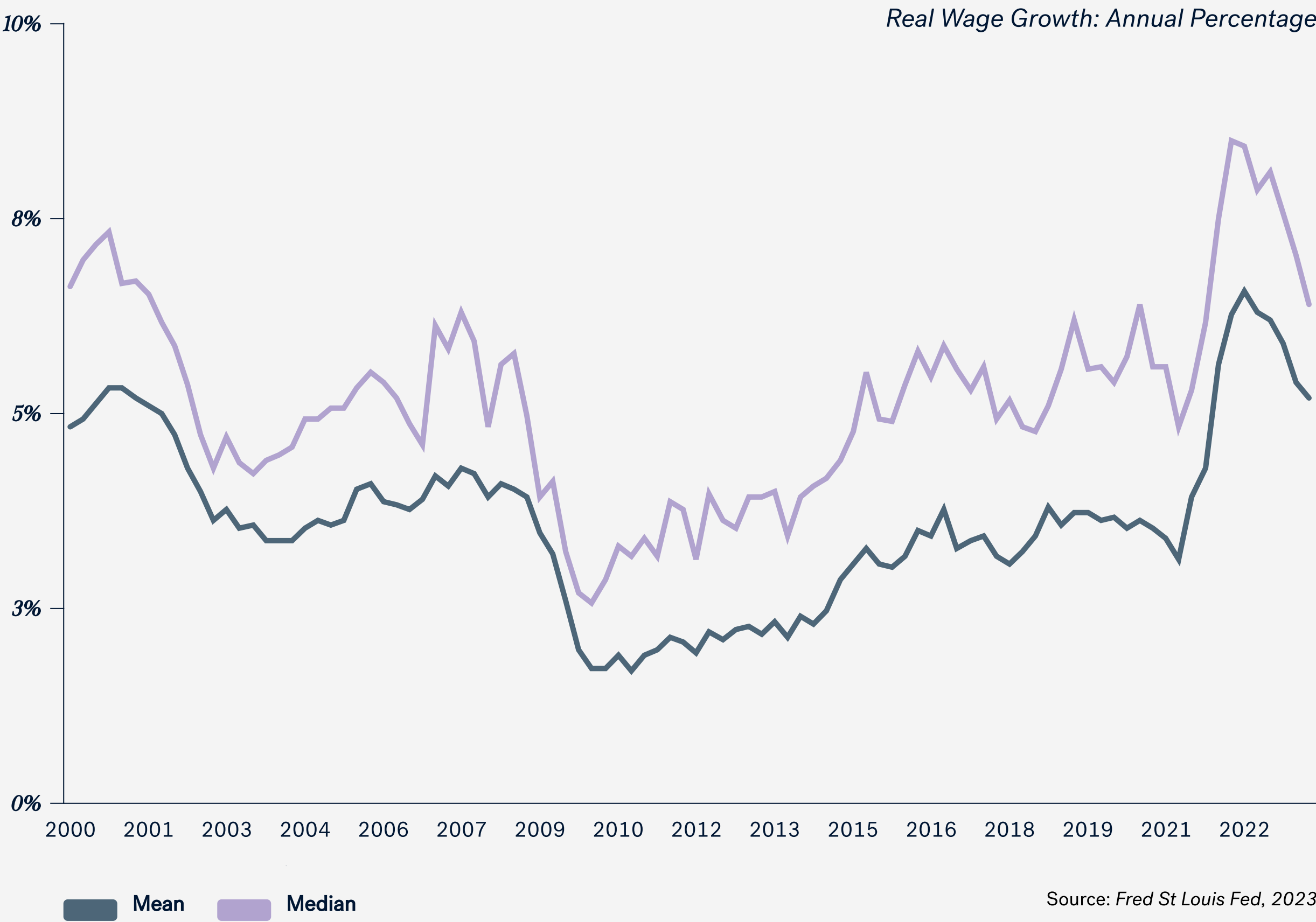
Business Applications



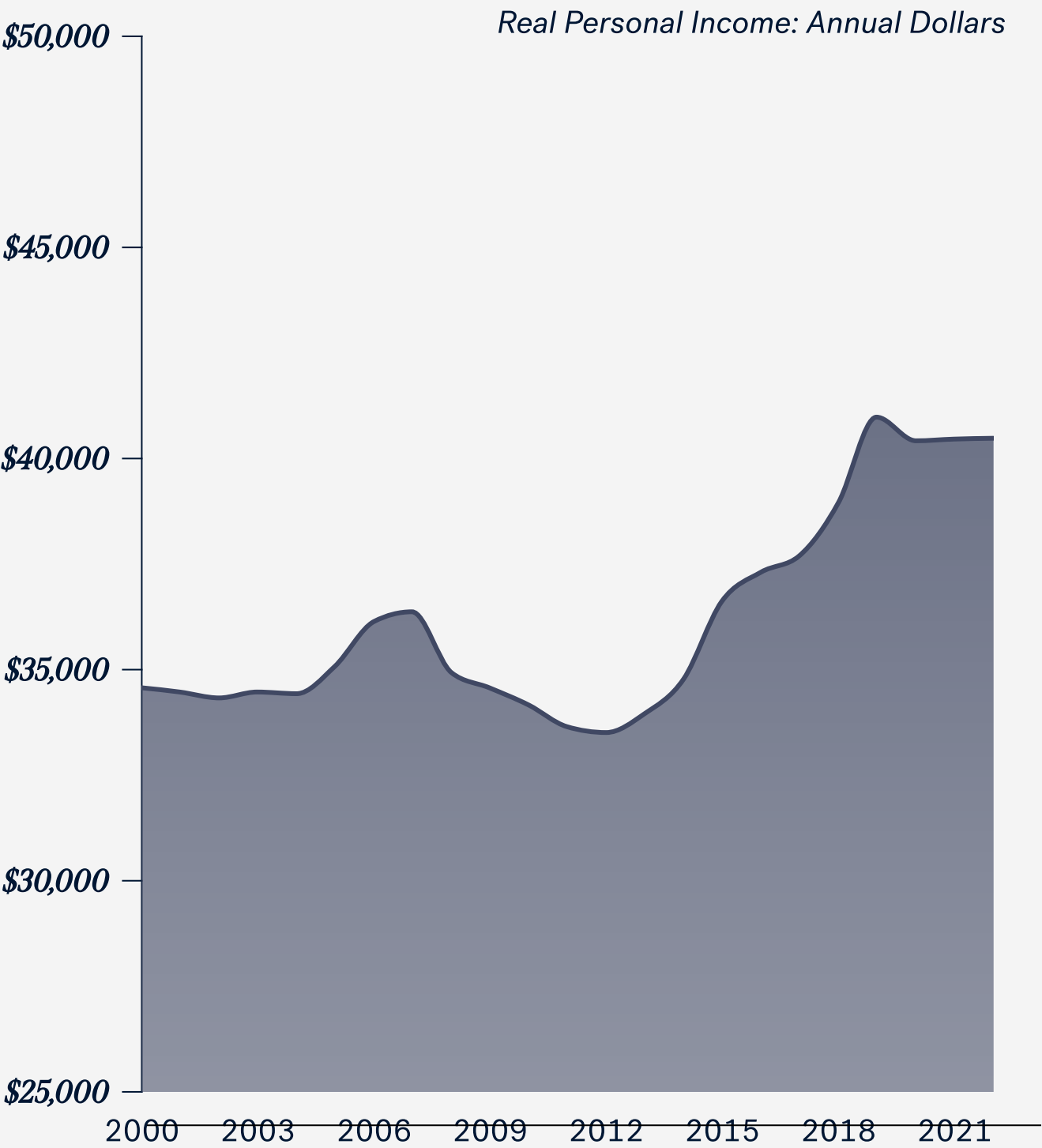
Work Stoppage

Source: Fred St Louis Fed, 2023

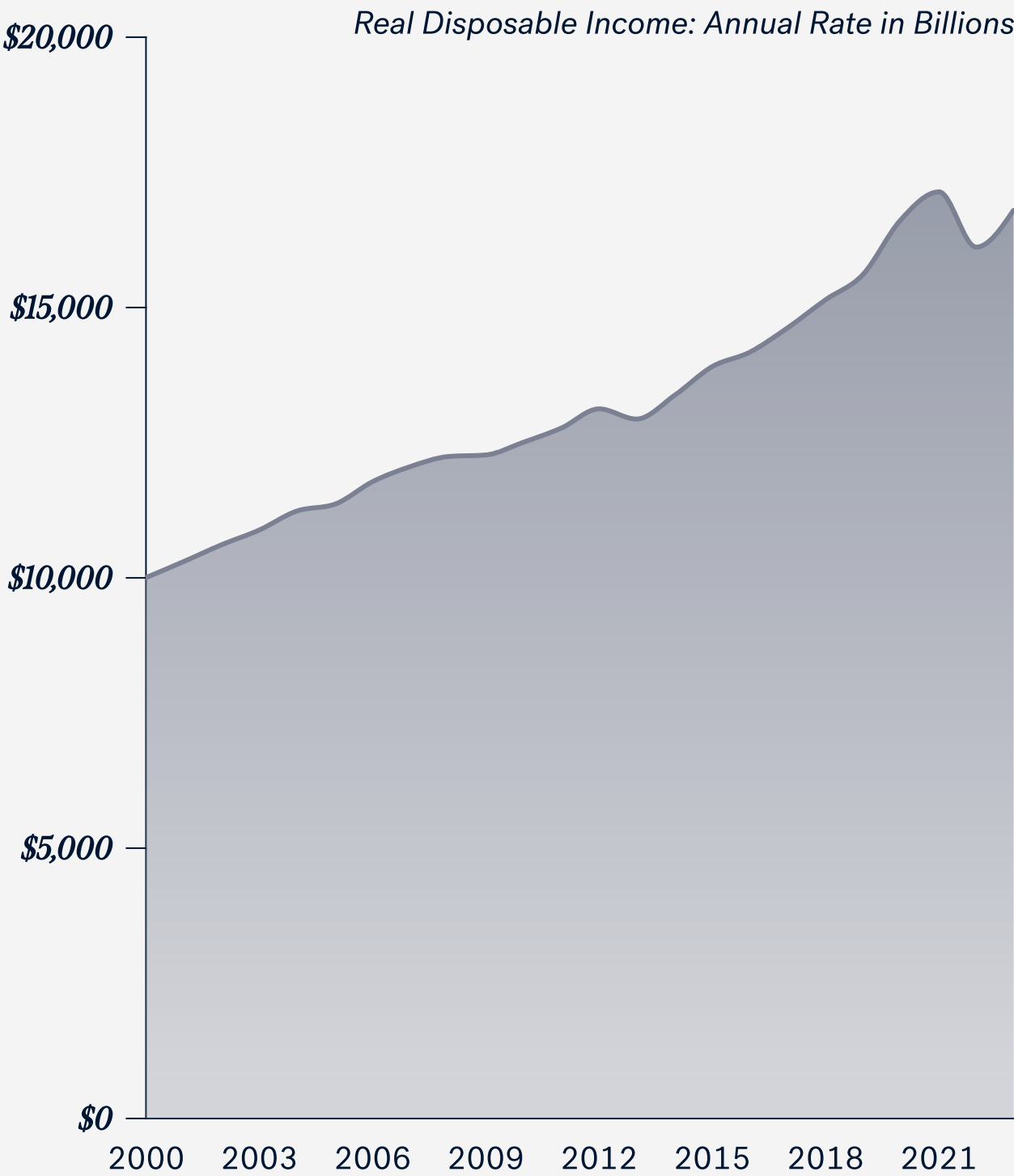
Real Wage Growth



Real Personal Income & Real Disposable Income



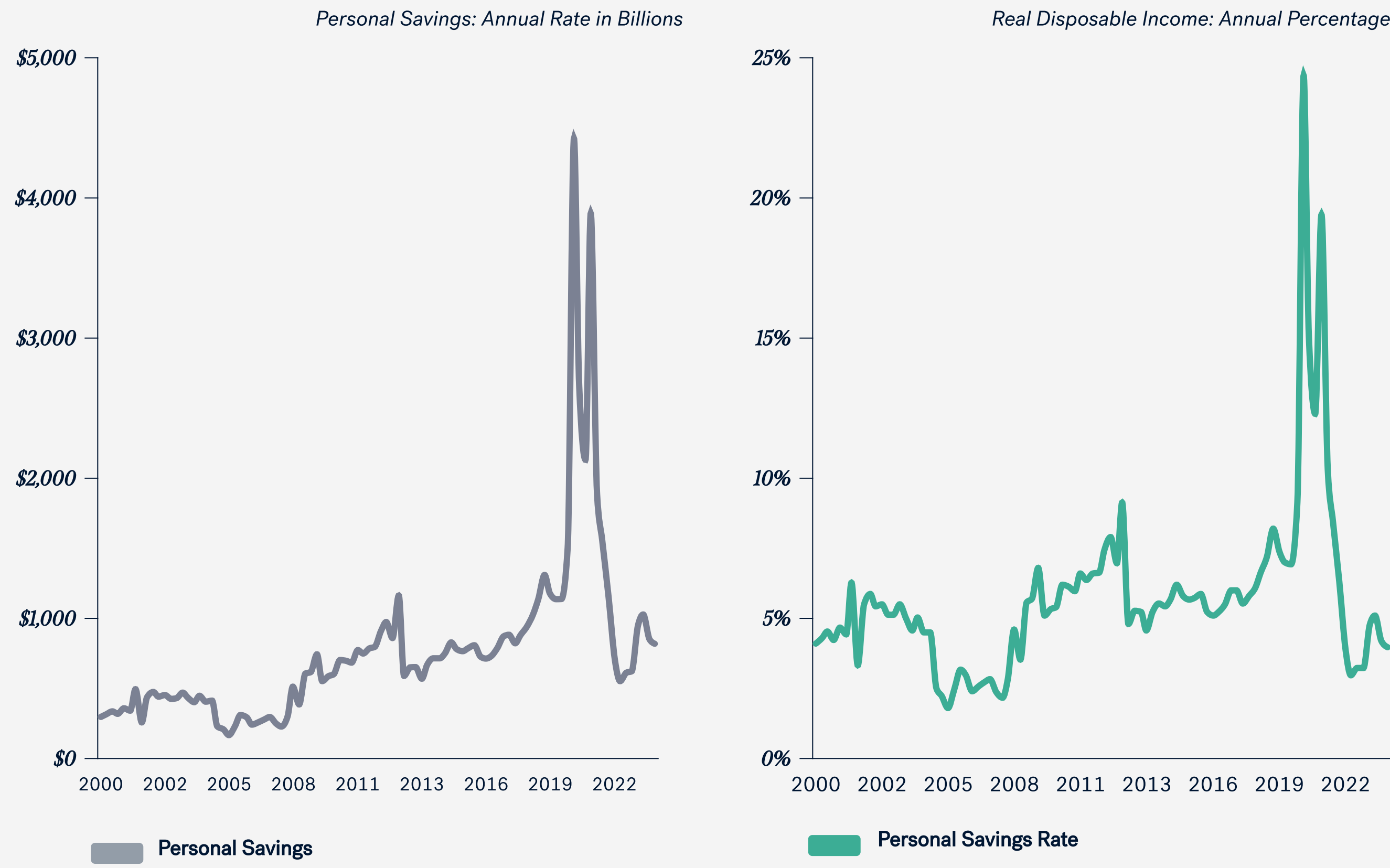
Real Disposable Personal Income (per person)



Real Disposable Income (aggregate)

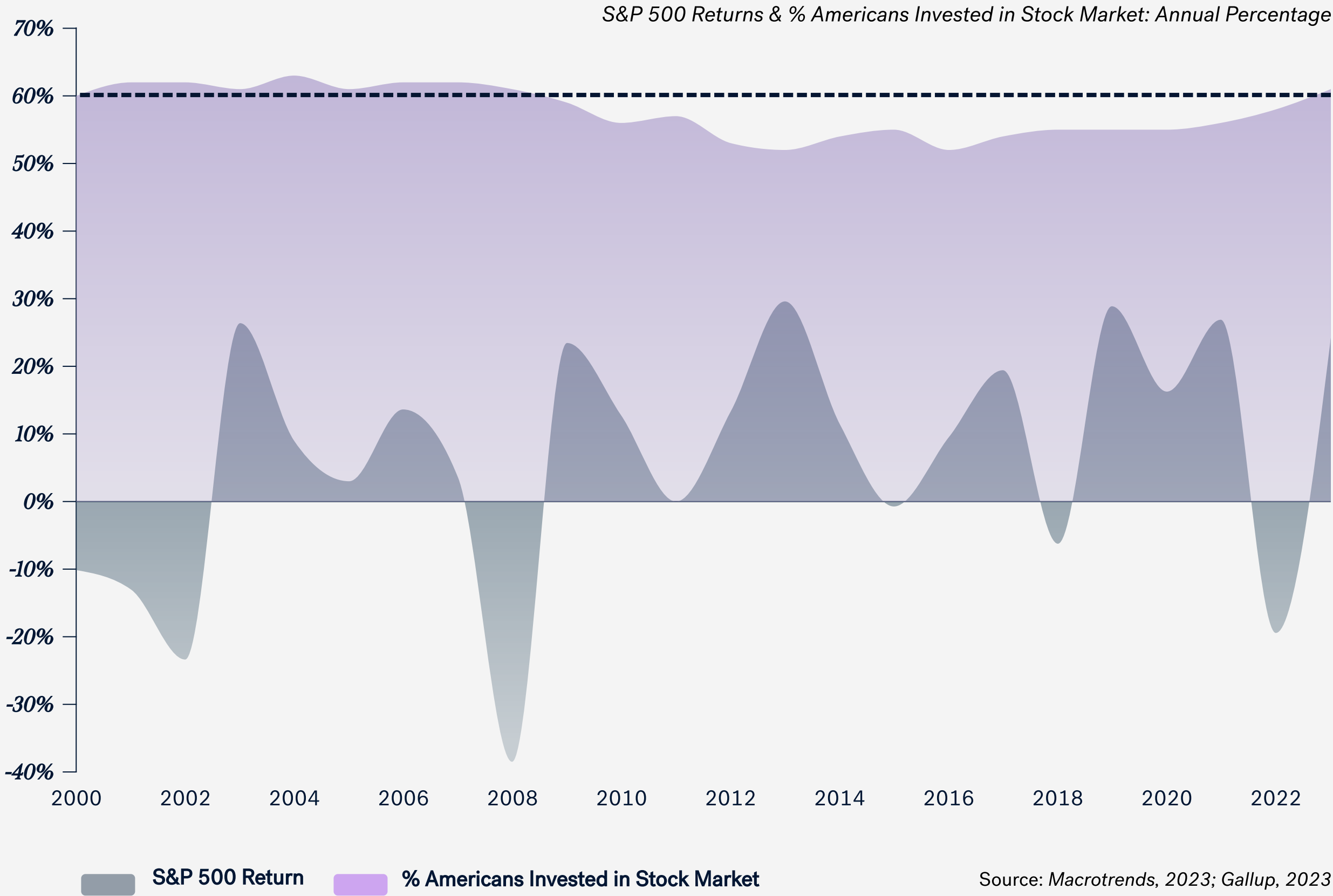
Source: Fred St Louis Fed, 2023

Personal Savings & Personal Savings Rate

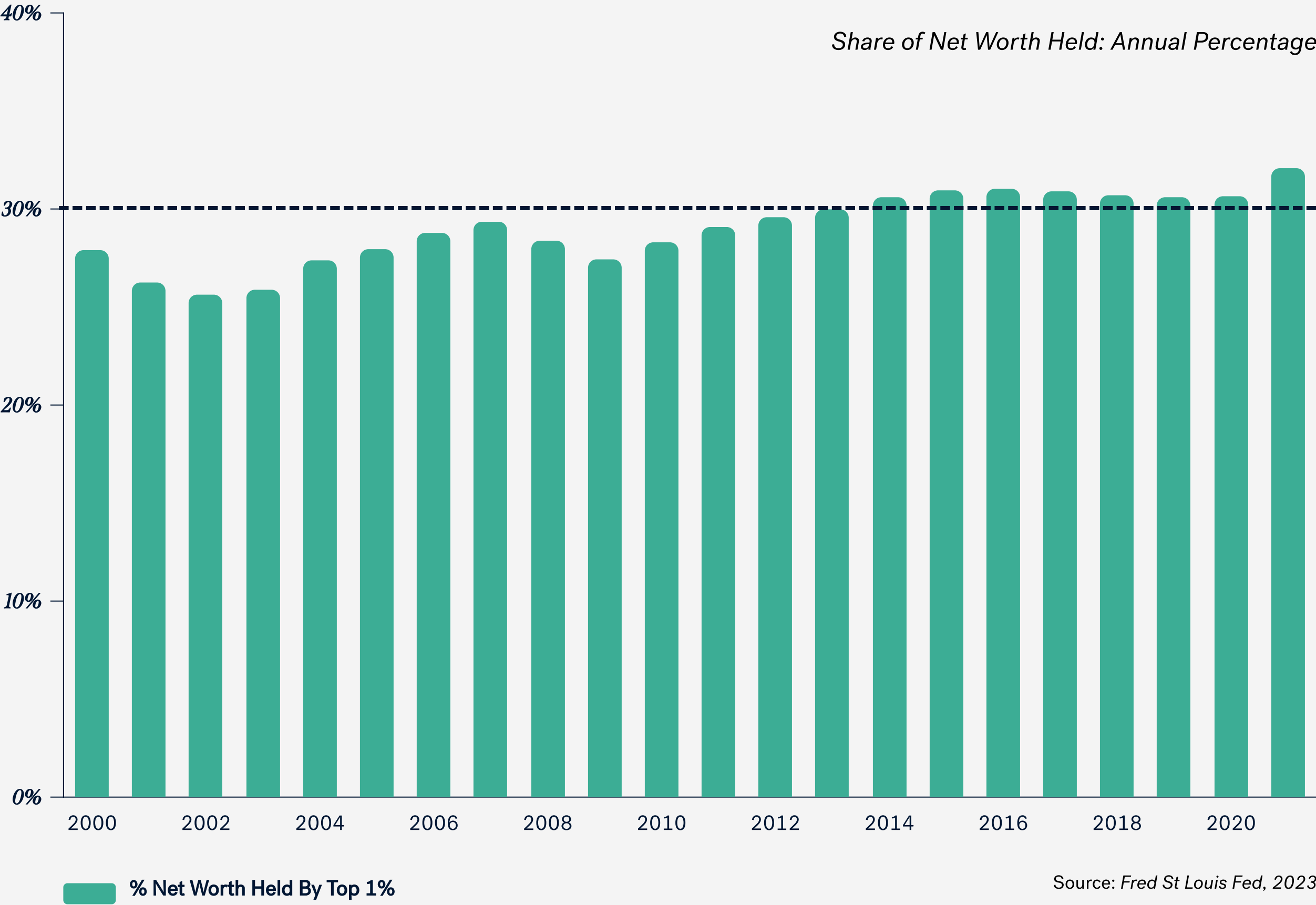


Source: Fred St Louis Fed, 2023

S&P 500 Return & Percent Americans Invested in Stock Market



Share of Net Worth Held By Top 1%



Source: Fred St Louis Fed, 2023

Dollars out

Personal Consumption

Retail & Ecomm Sales

Financial Obligations

Debt

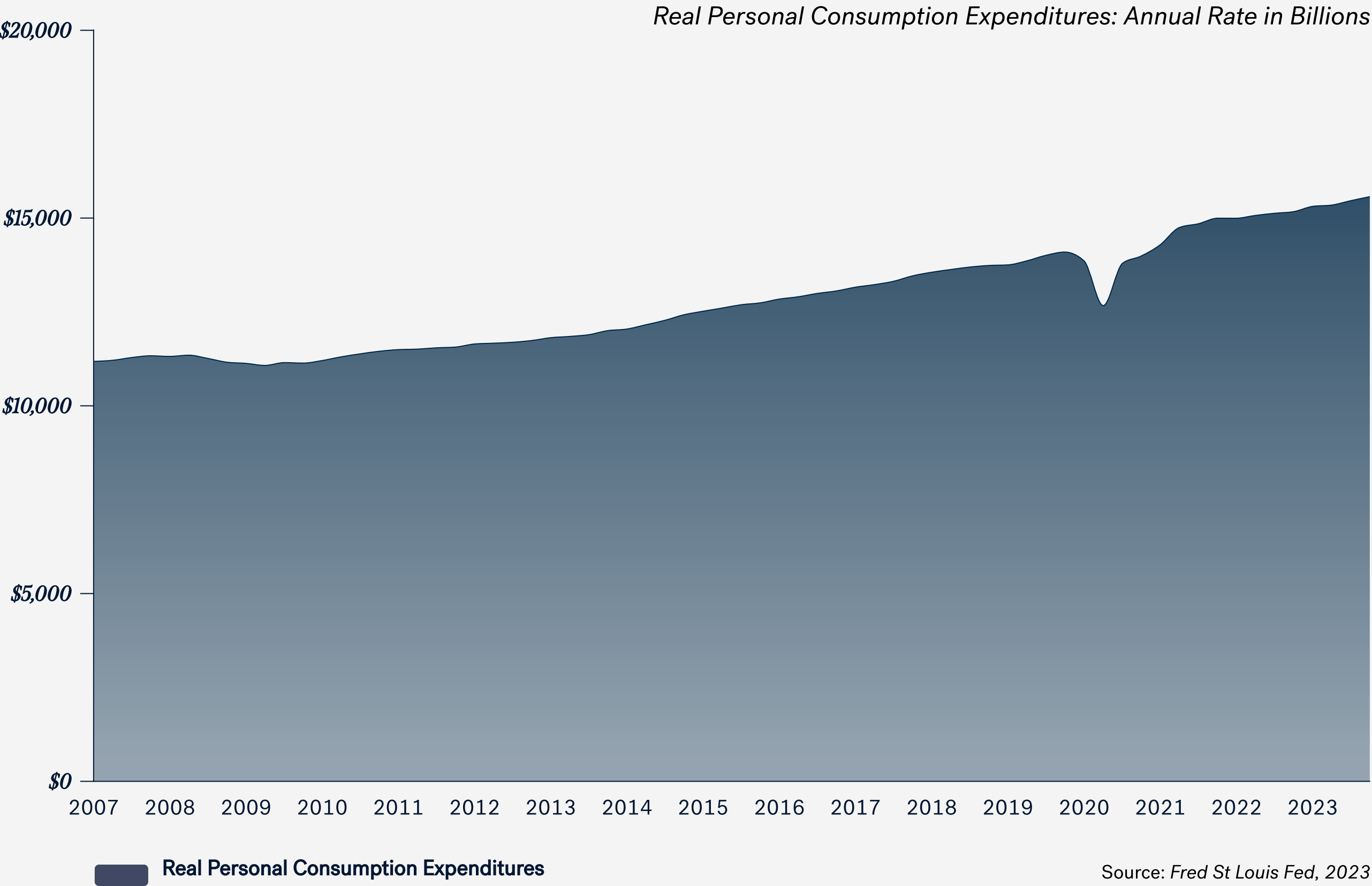
Taxes

Interest Payments

Inflation

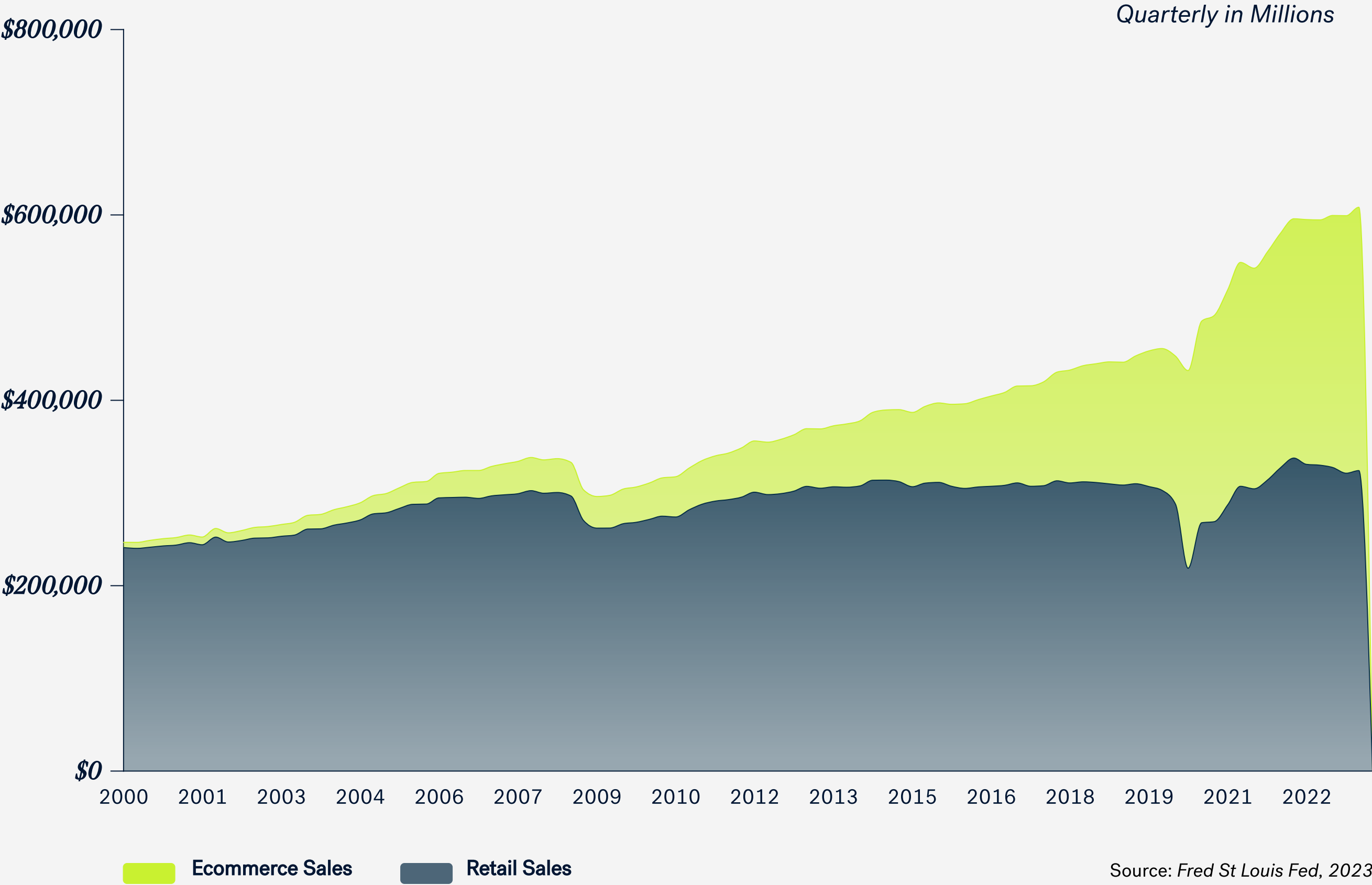
Home Ownership

Real Personal Consumption Expenditures

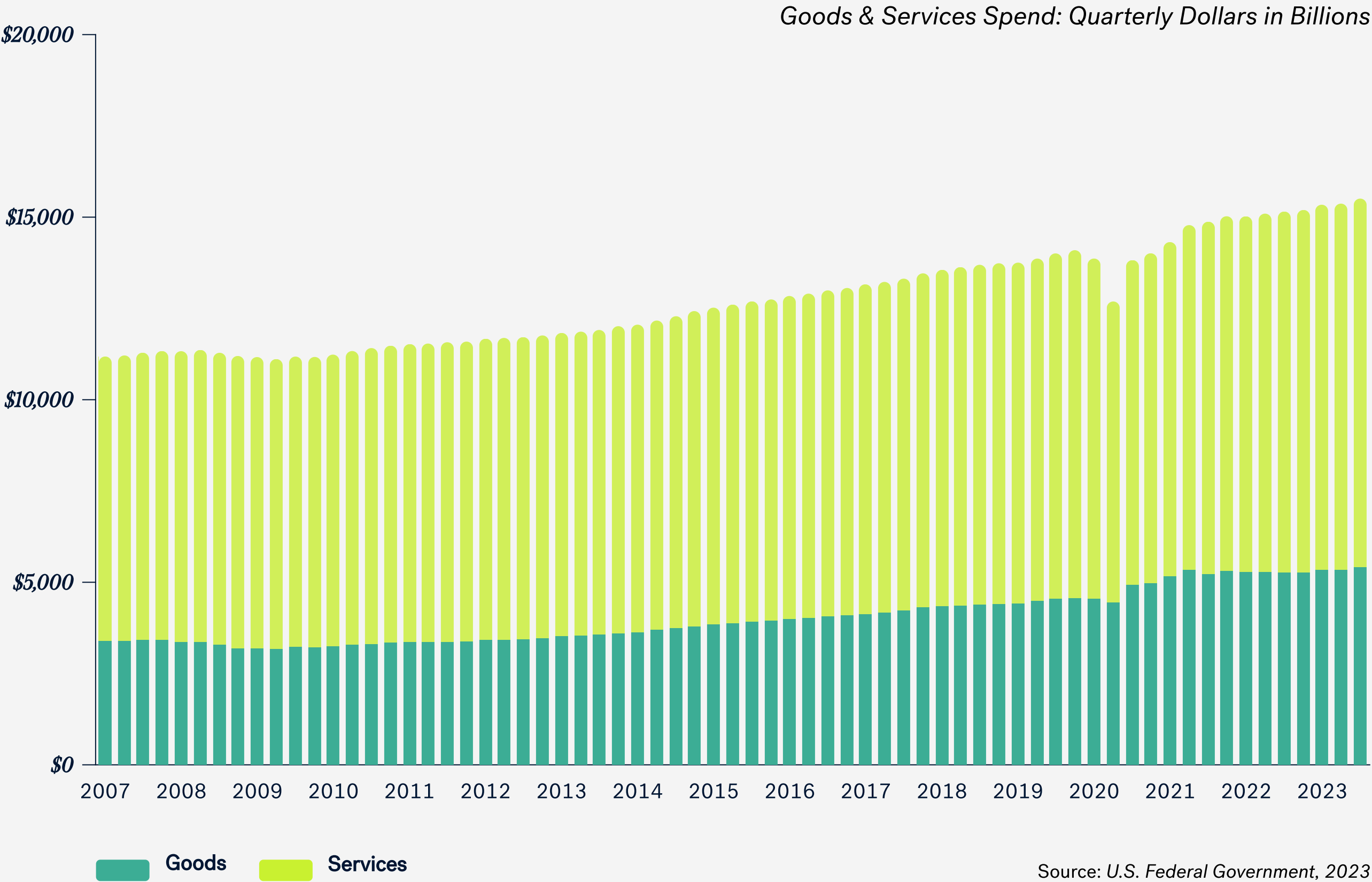


Source: Fred St Louis Fed, 2023

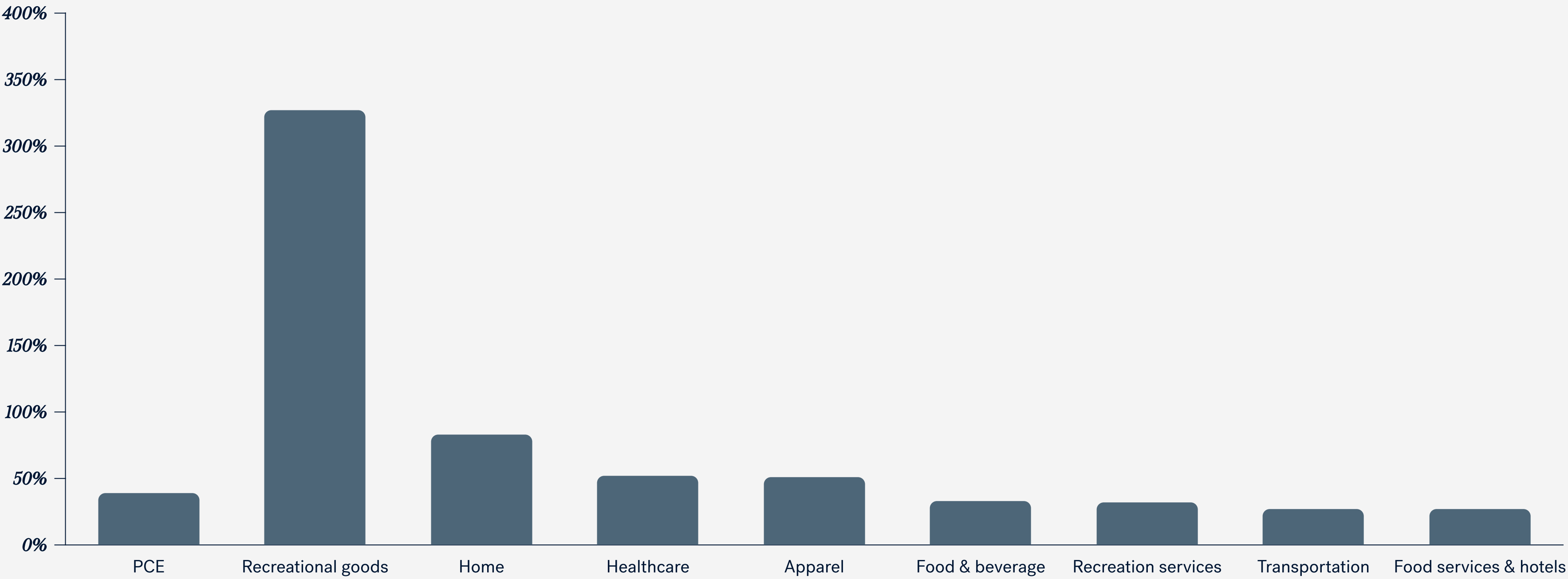
Advanced Retail Sales & Ecommerce Retail Sales



Goods & Services Spend

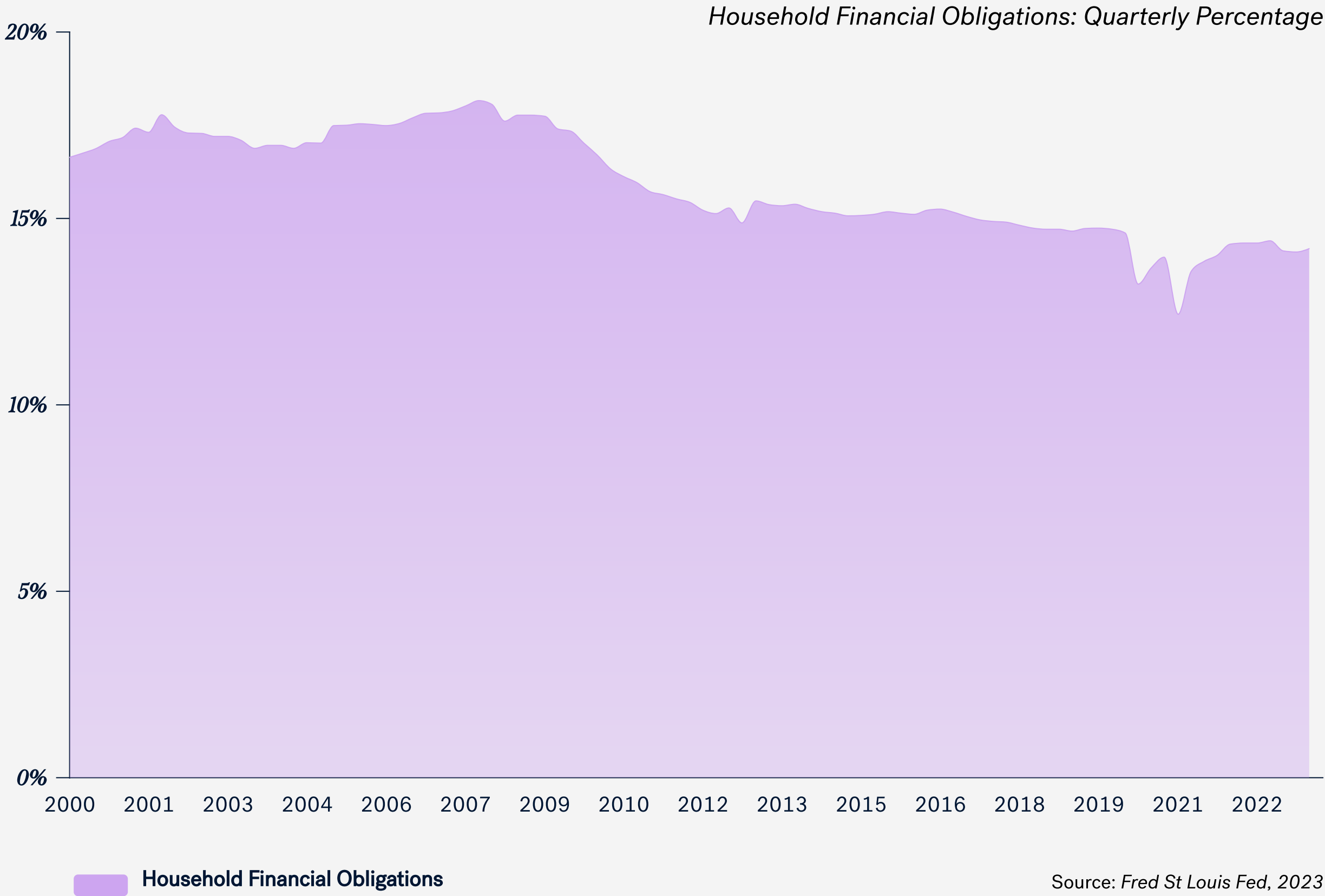


Consumer Spending Index Relative to 2007



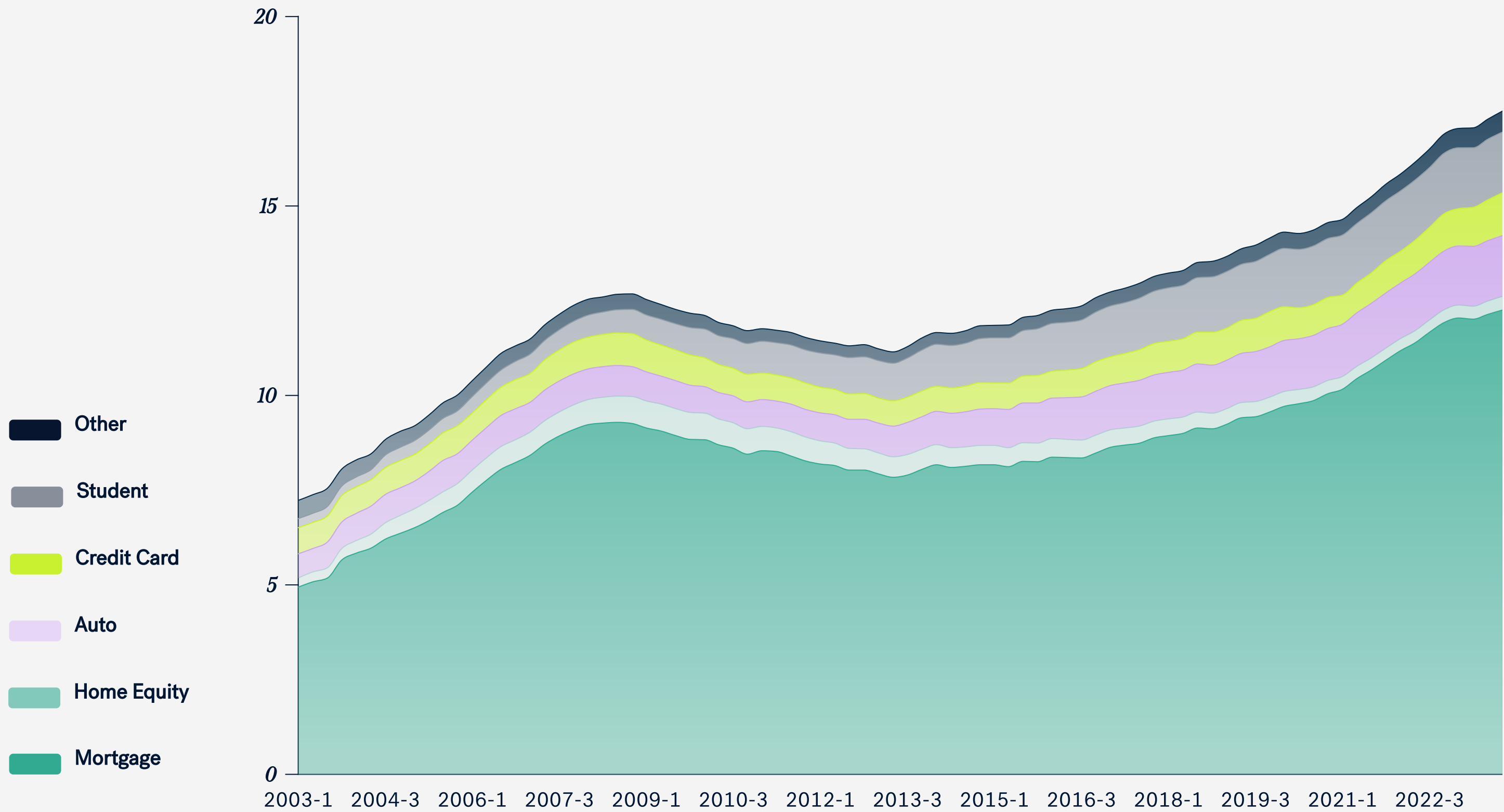
Source: U.S. Federal Government, 2023

Household Financial Obligations as % of Disposable Personal Income



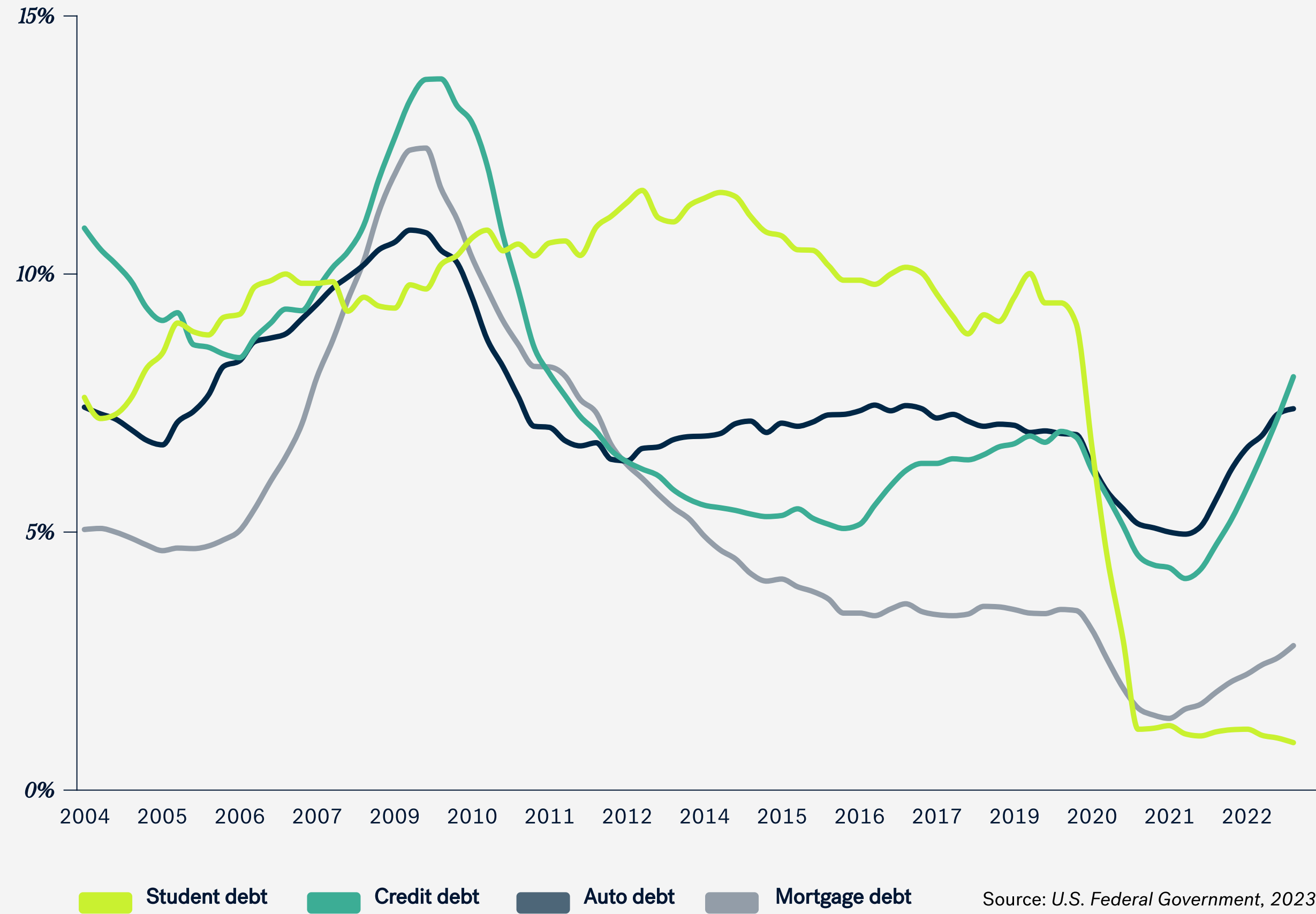
Source: Fred St Louis Fed, 2023

Debt



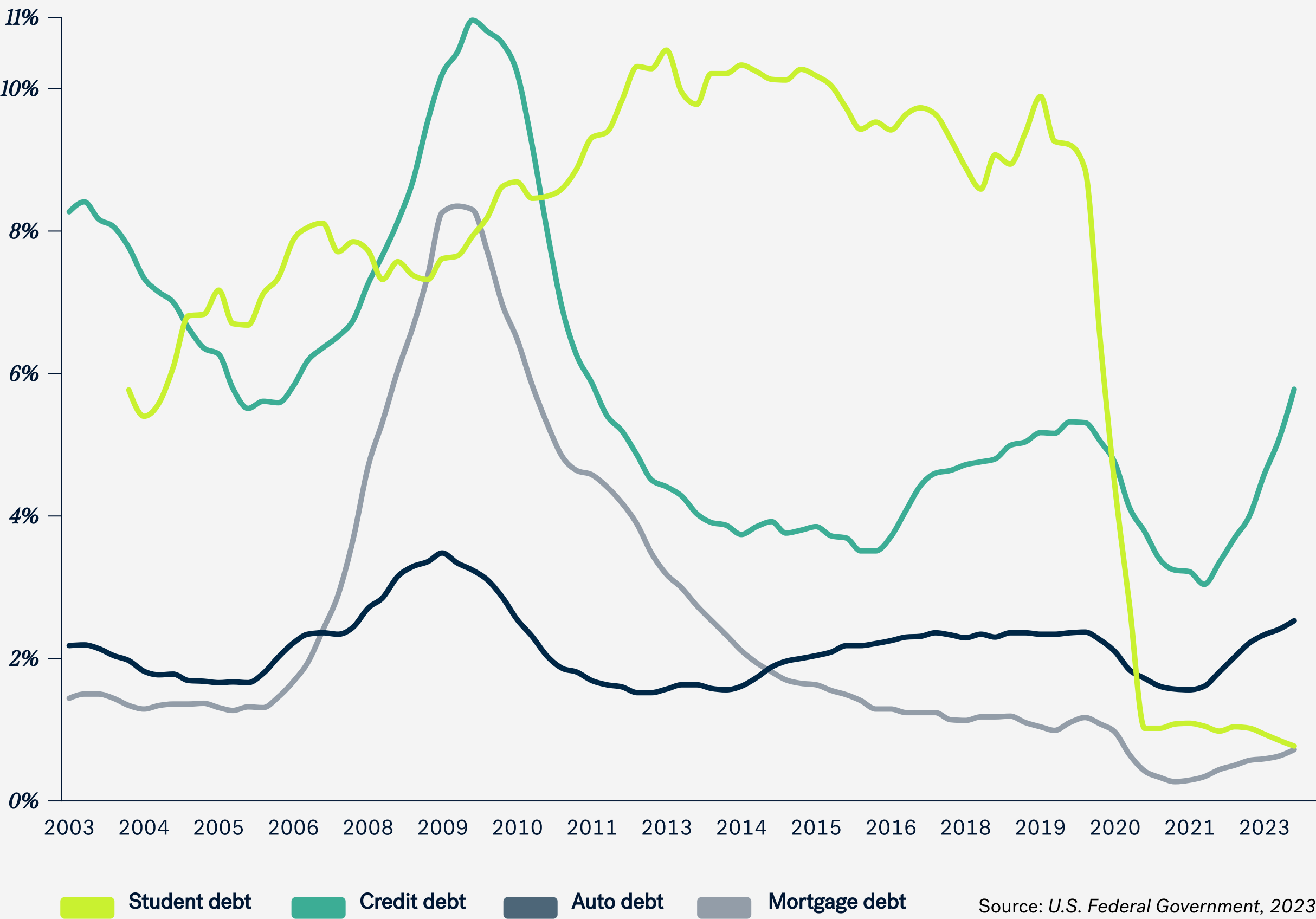
Source: Fred St Louis Fed, 2023

New Delinquent Debt (30+ days): Mortgage, Auto, Credit, Student

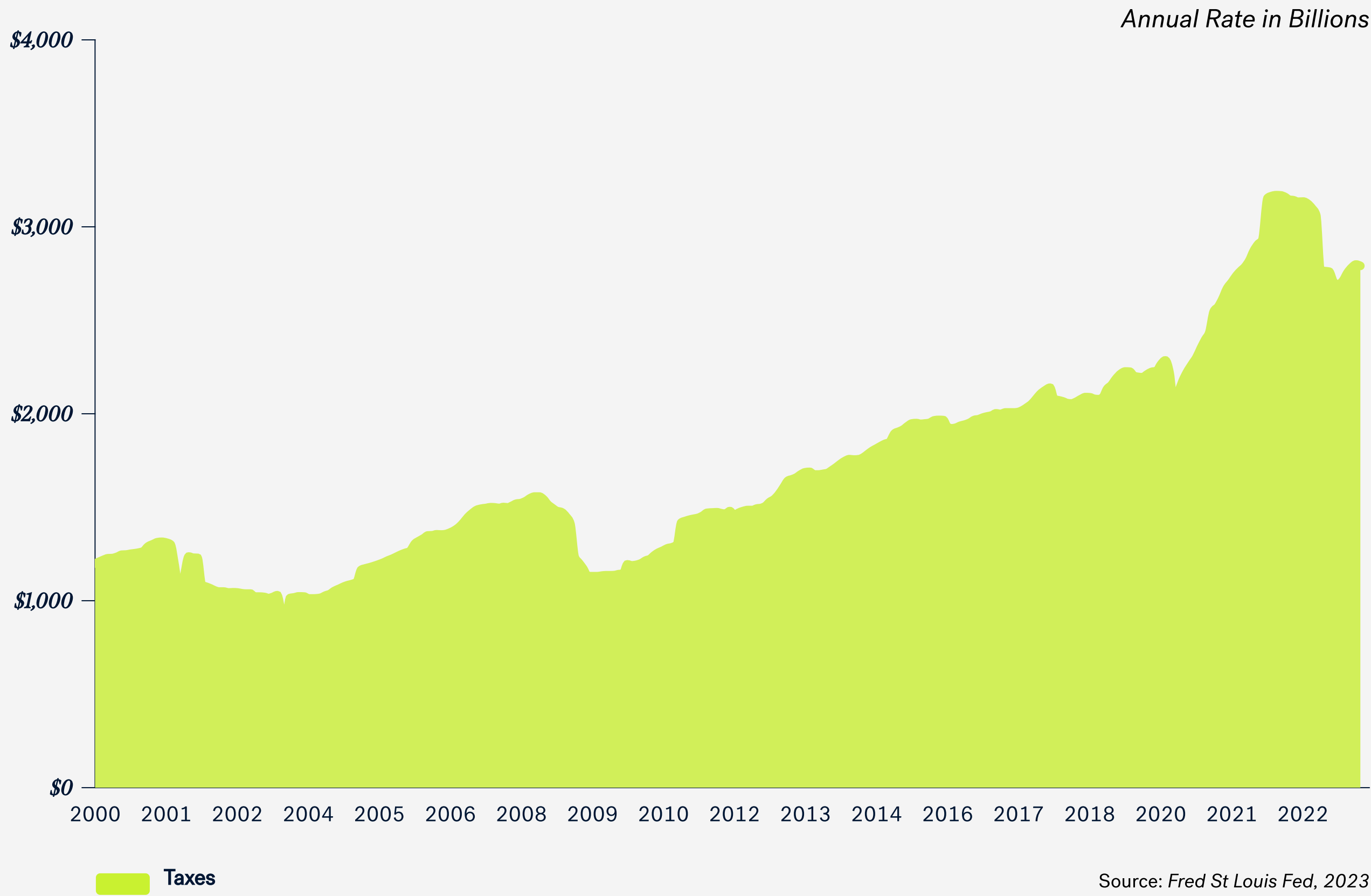


Source: U.S. Federal Government, 2023

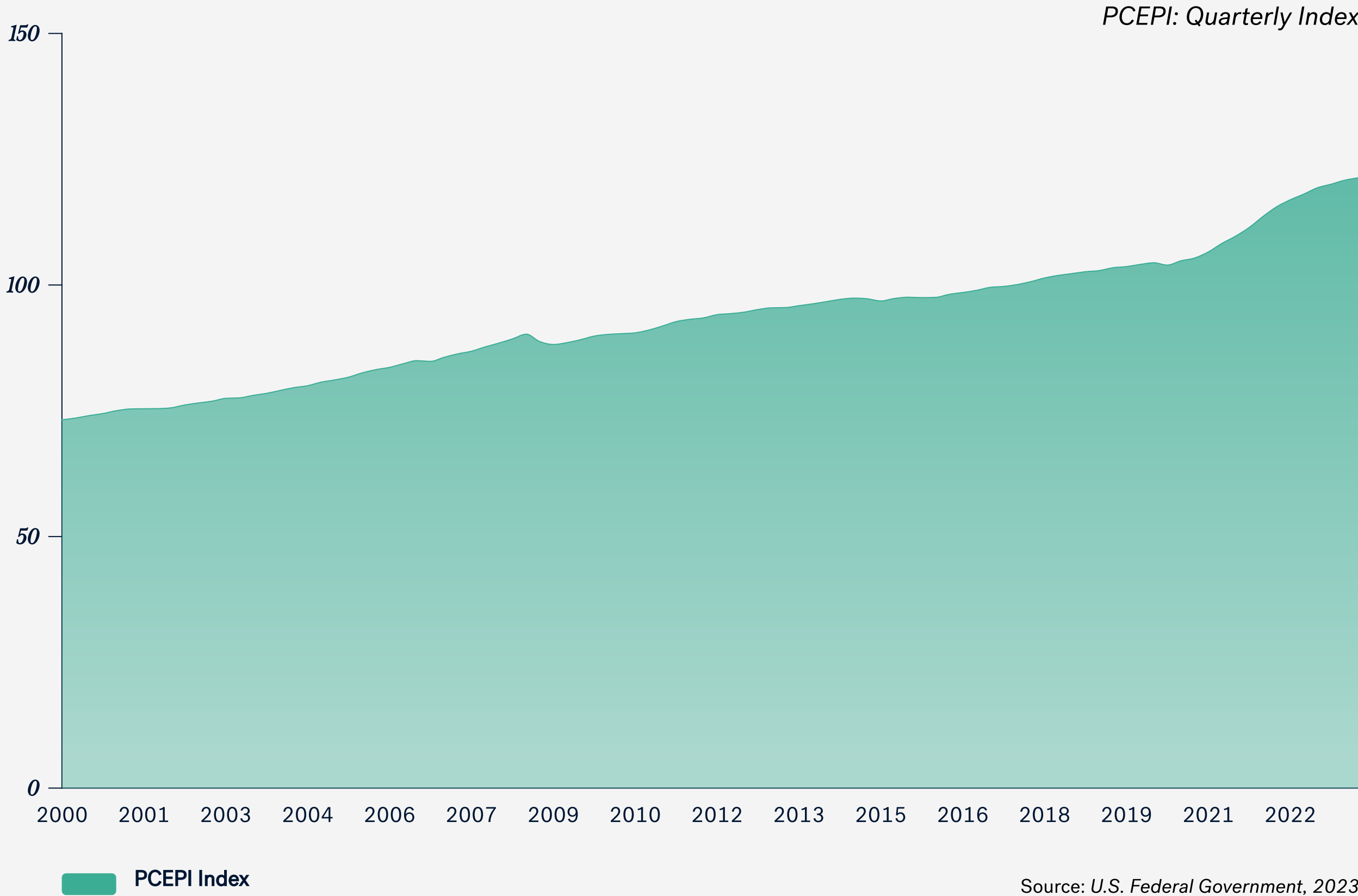
New Seriously Delinquent Debt (90+ days): Mortgage, Auto, Credit, Student



Taxes

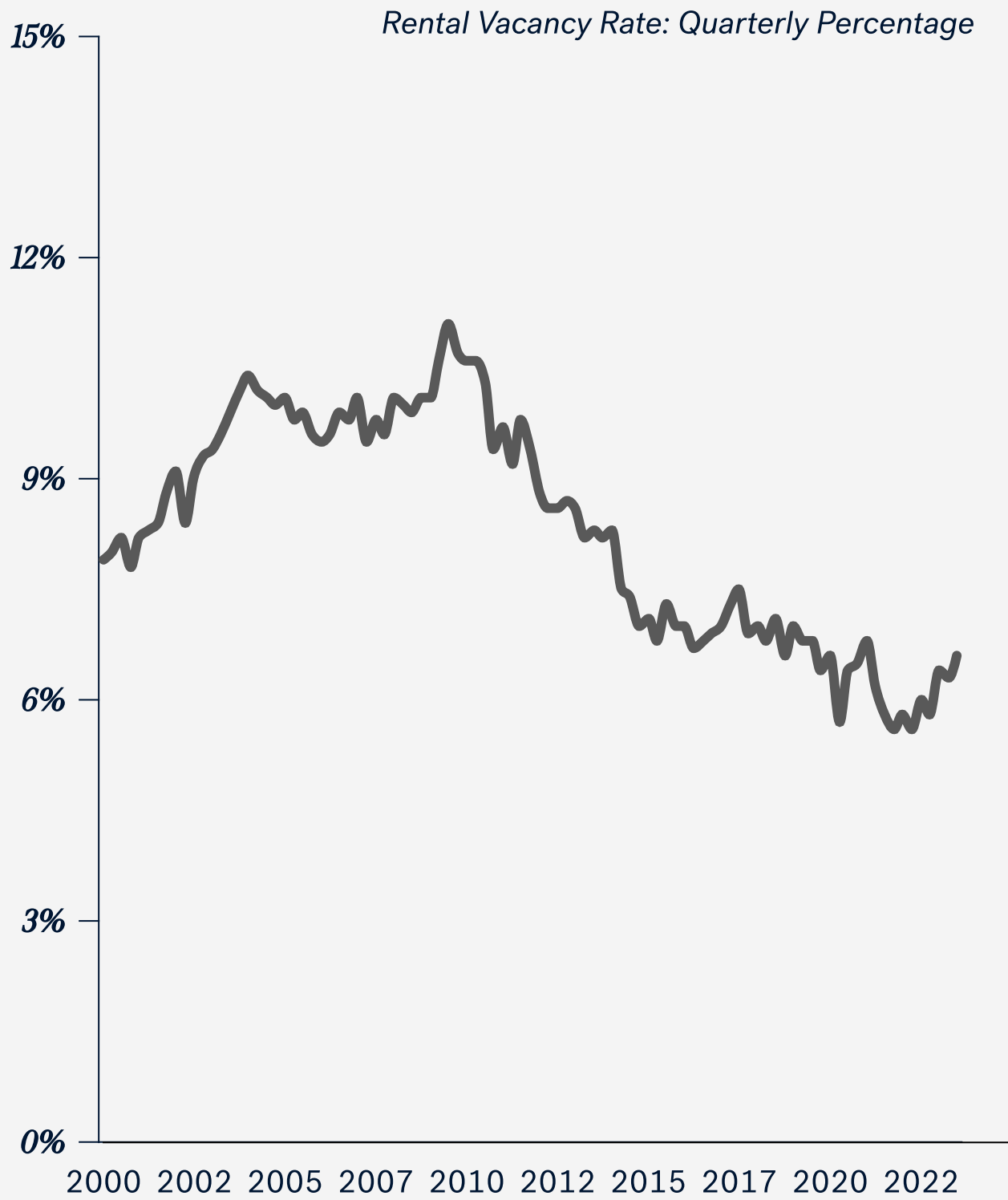


PCEPI

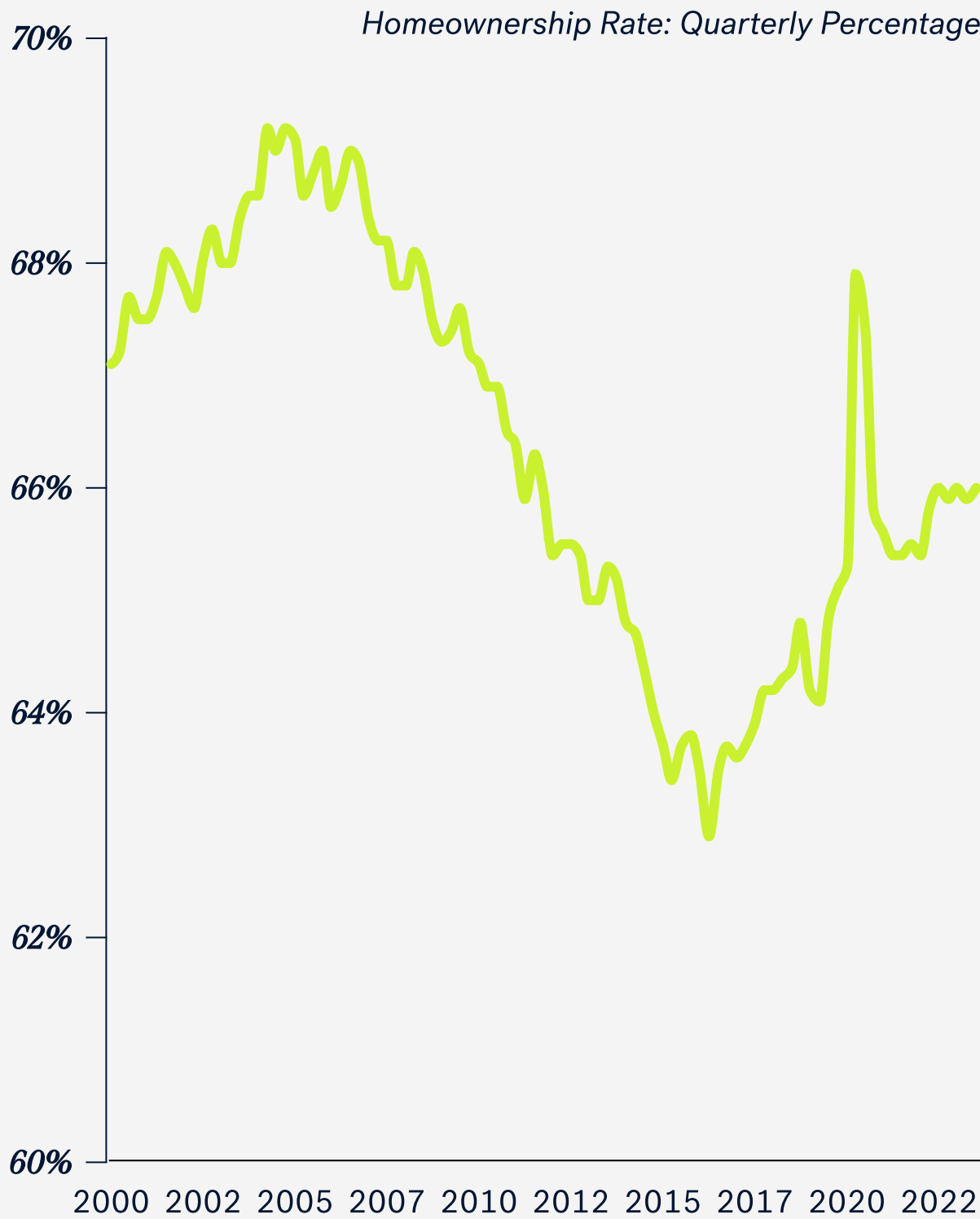


Source: U.S. Federal Government, 2023

Rental Vacancy Rate & Homeownership Rate



Rental Vacancy Rate



Homeownership Rate

Source: Fred St Louis Fed, 2023

Mindset & Macro

M1

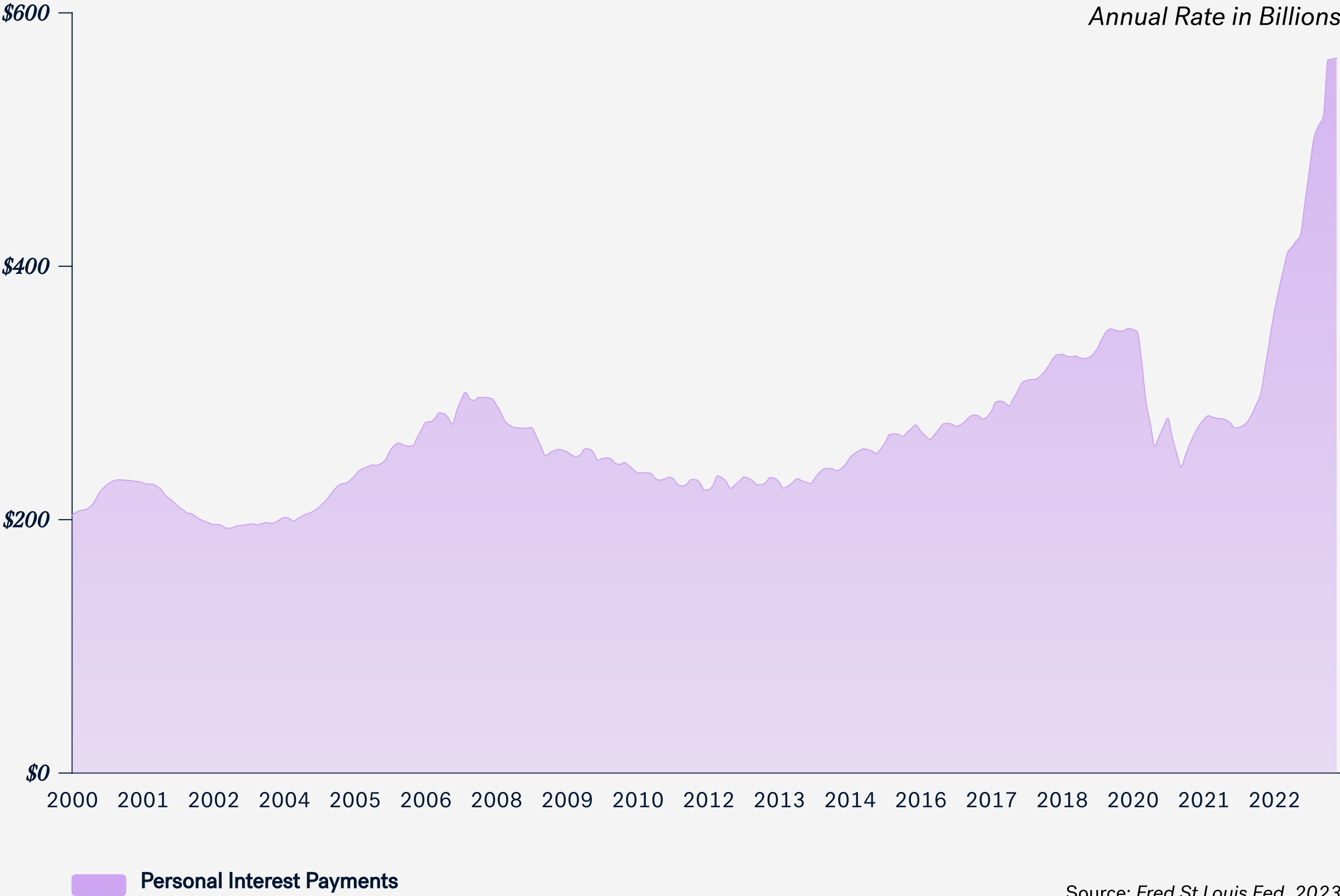
M2

GDP

Imports

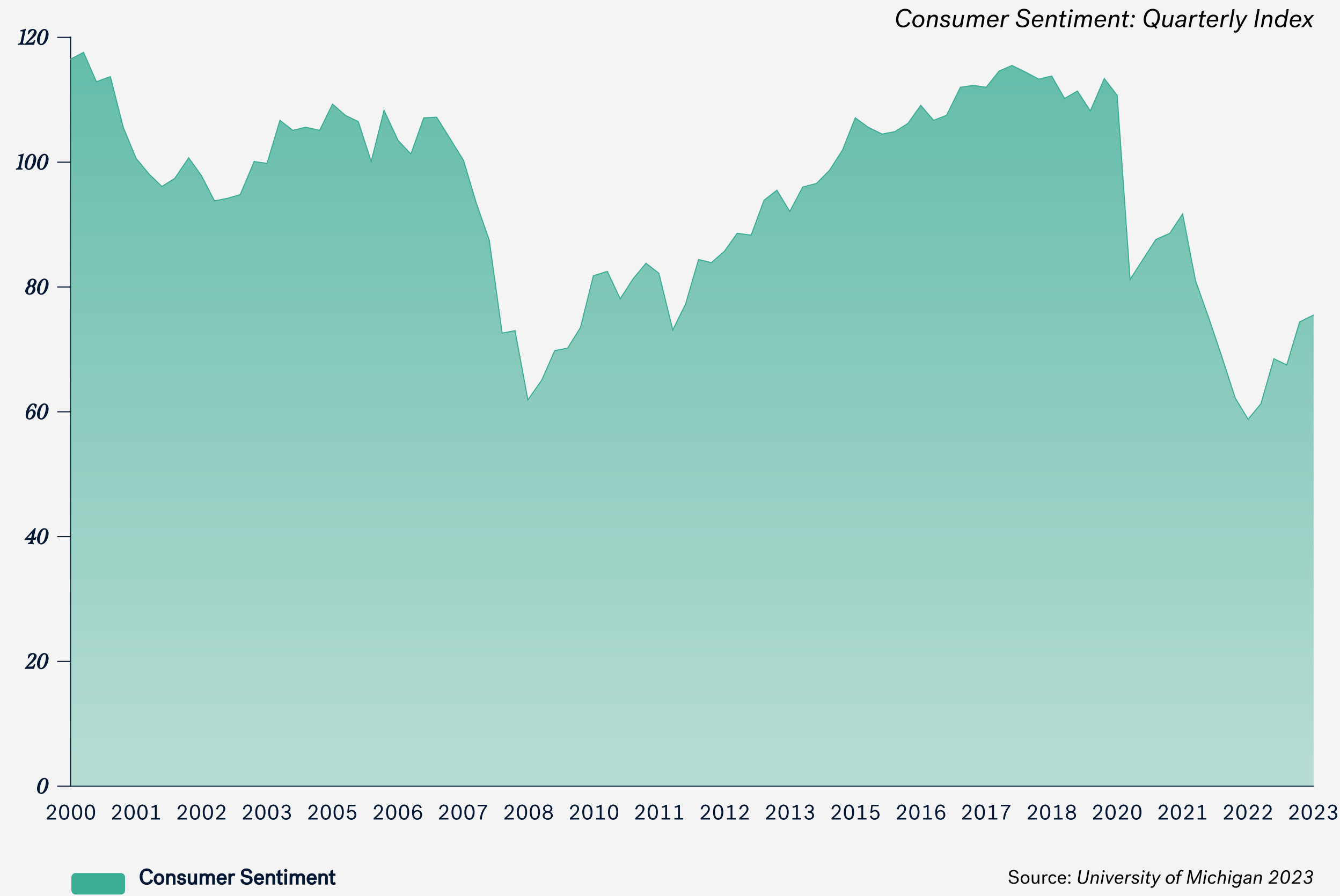
Exports

Personal Interest Payments



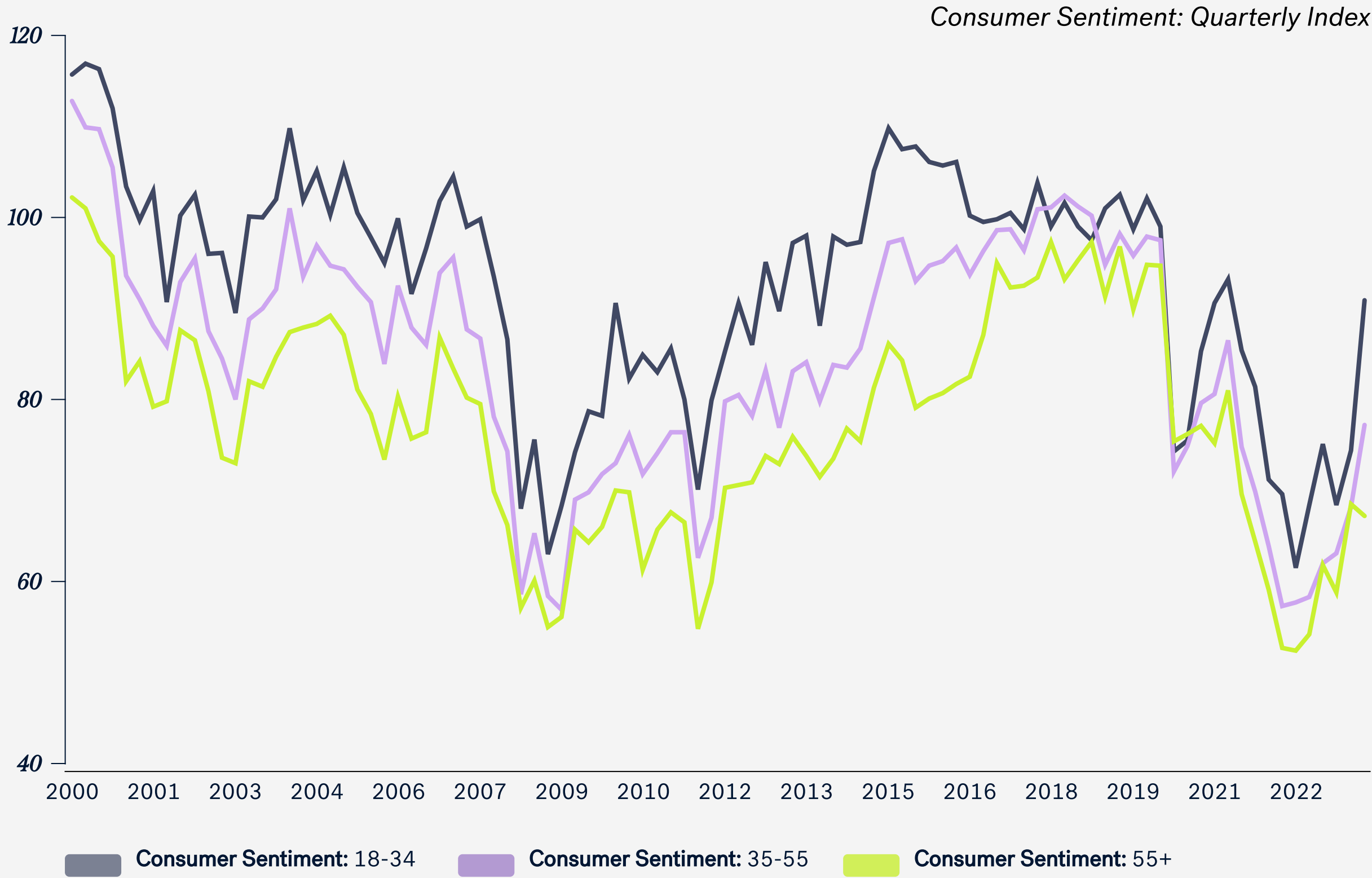
Source: Fred St Louis Fed, 2023

Consumer Sentiment Index



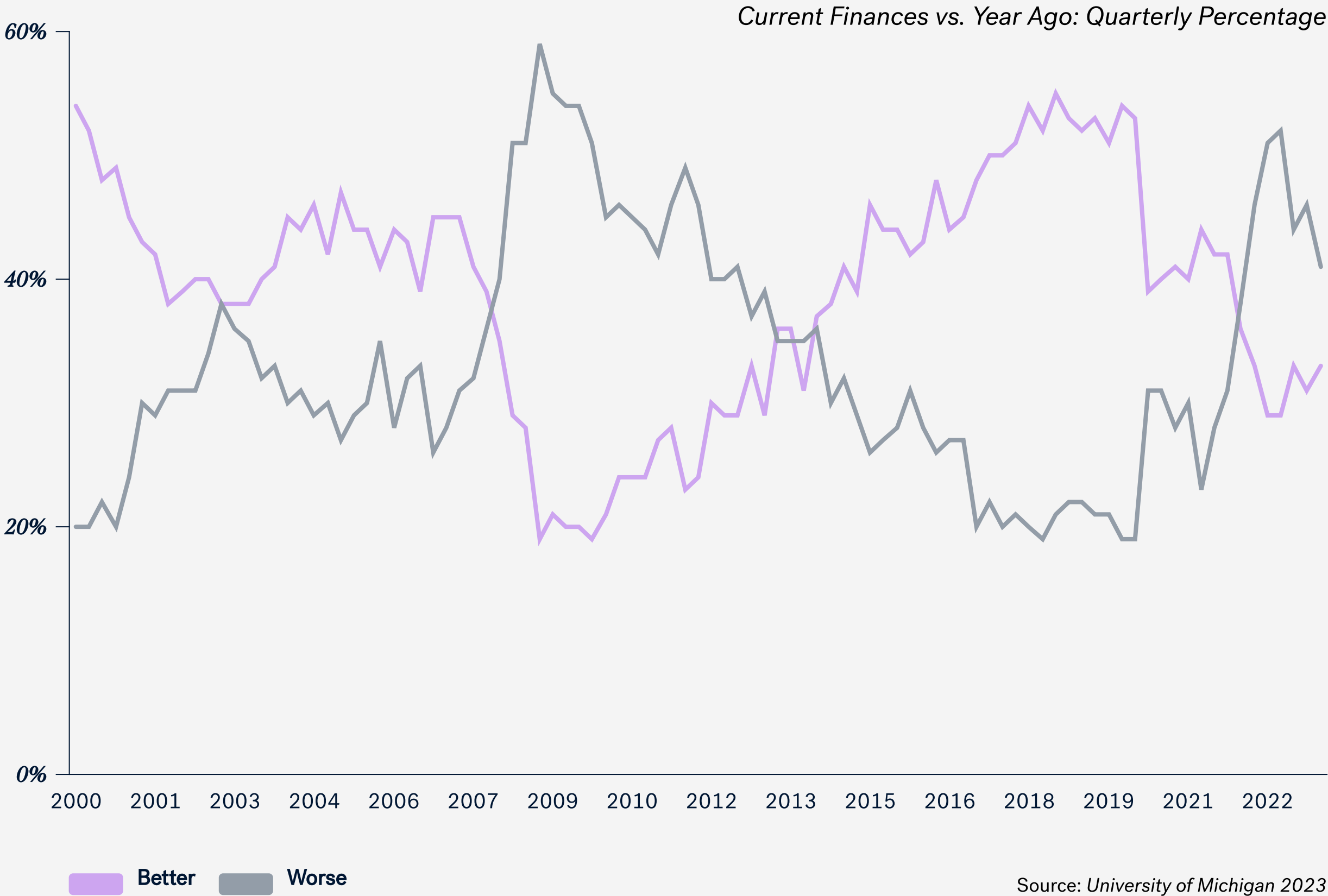
Source: University of Michigan 2023

Consumer Sentiment Index by Age



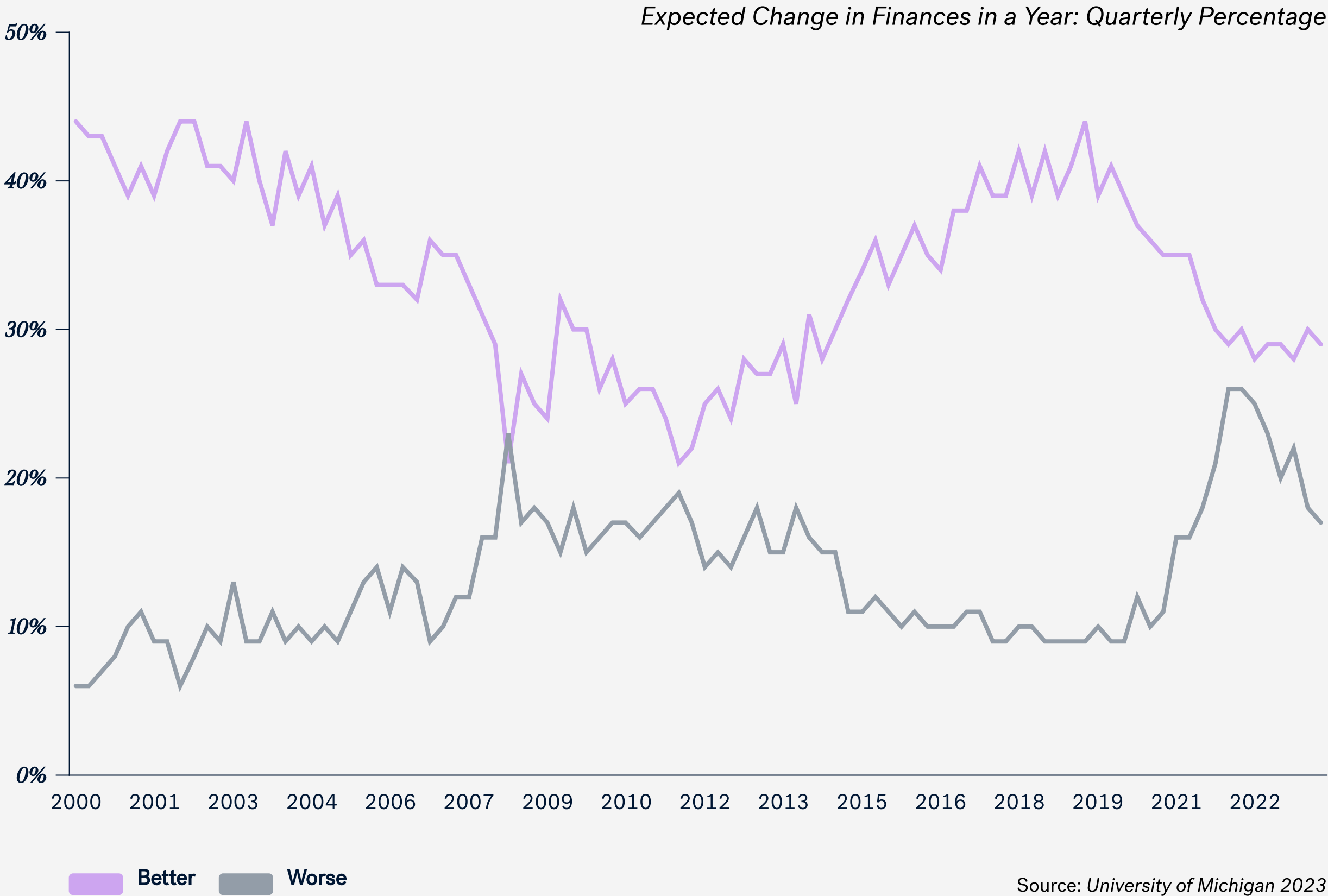
Source: University of Michigan 2023

Current Finances vs. Year Ago



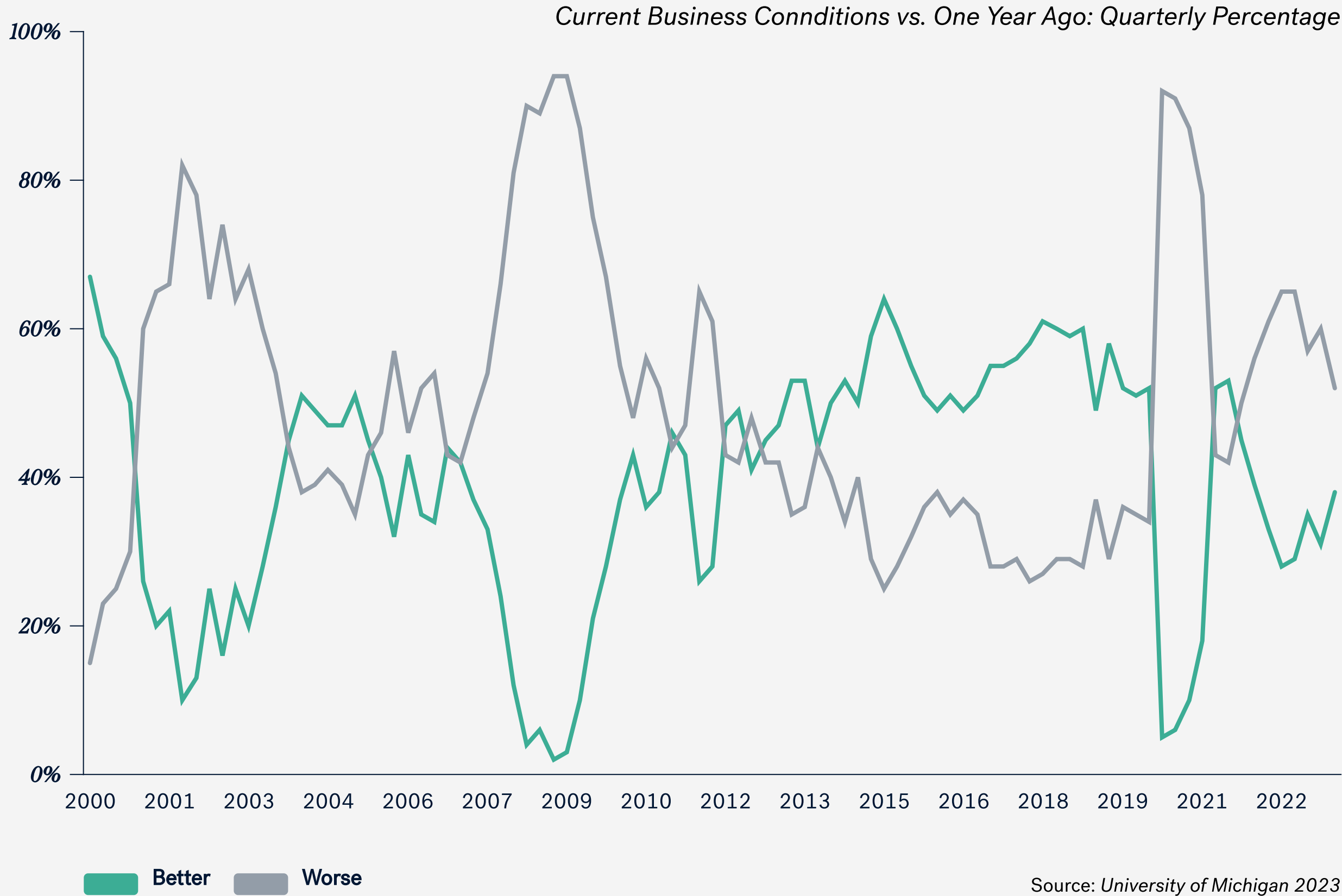
Source: University of Michigan 2023

Expected Change in Finances in a Year



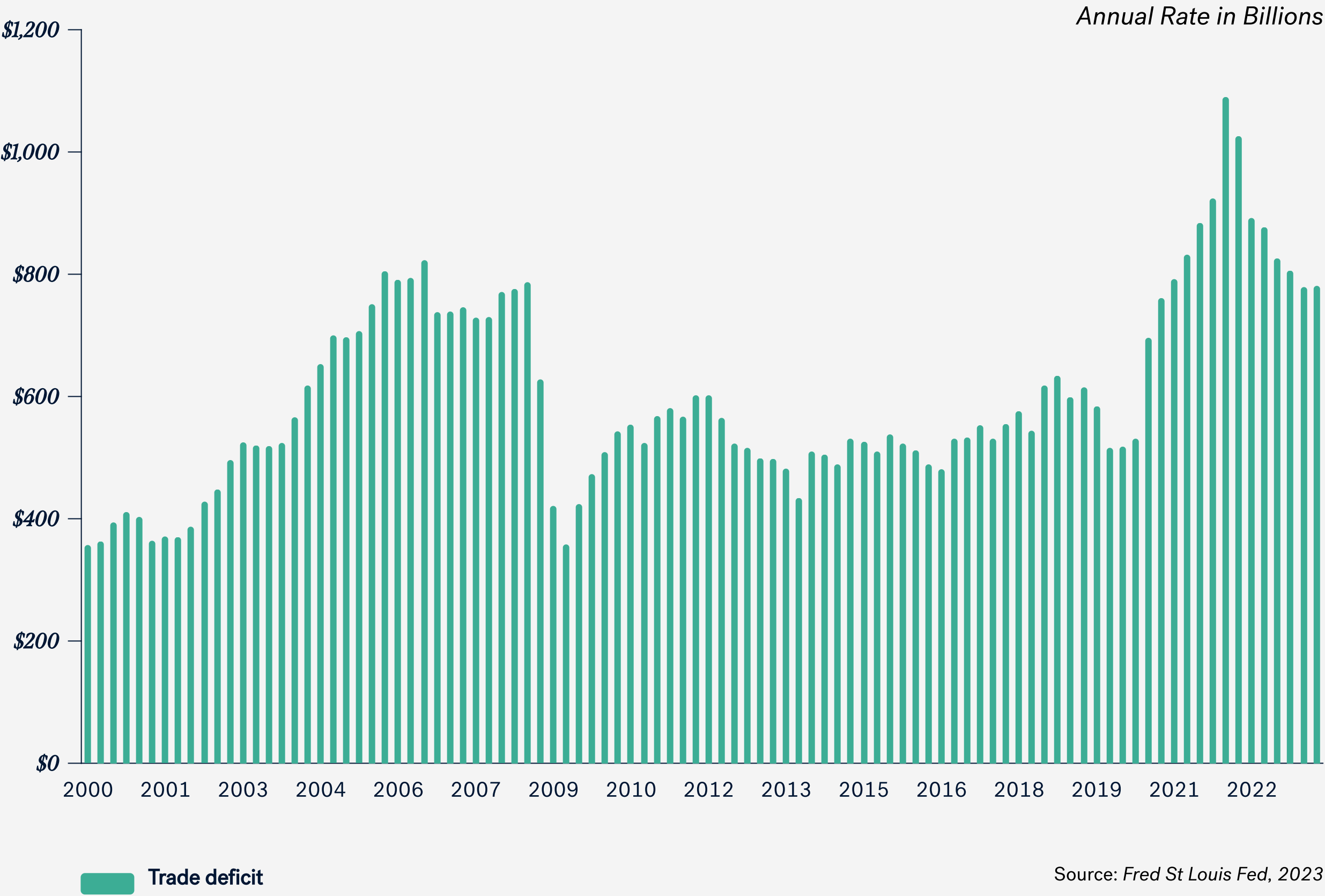
Source: University of Michigan 2023

Current Business Conditions vs. One Year Ago



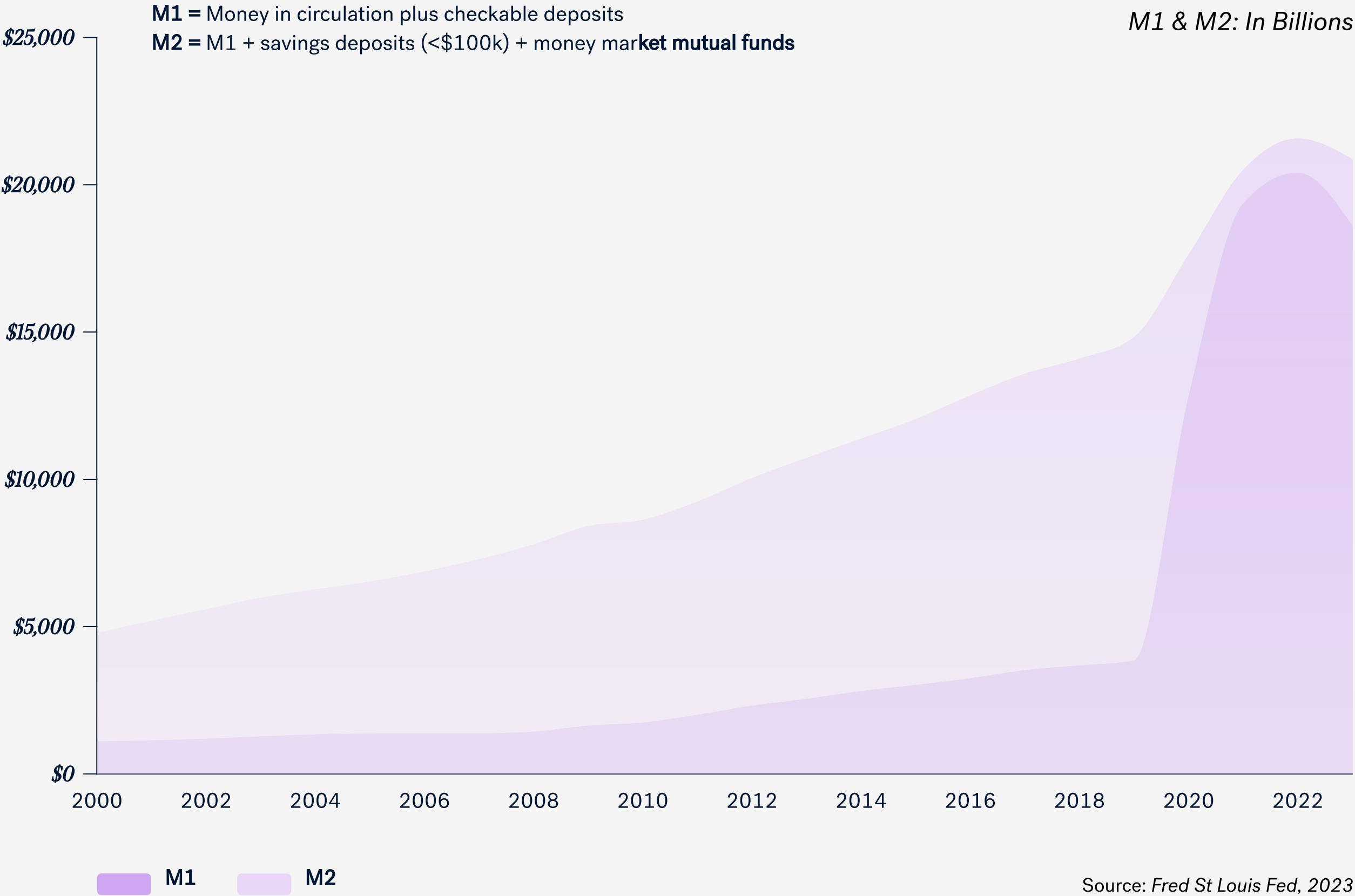
Source: University of Michigan 2023

Trade Deficit (Imports - Exports)

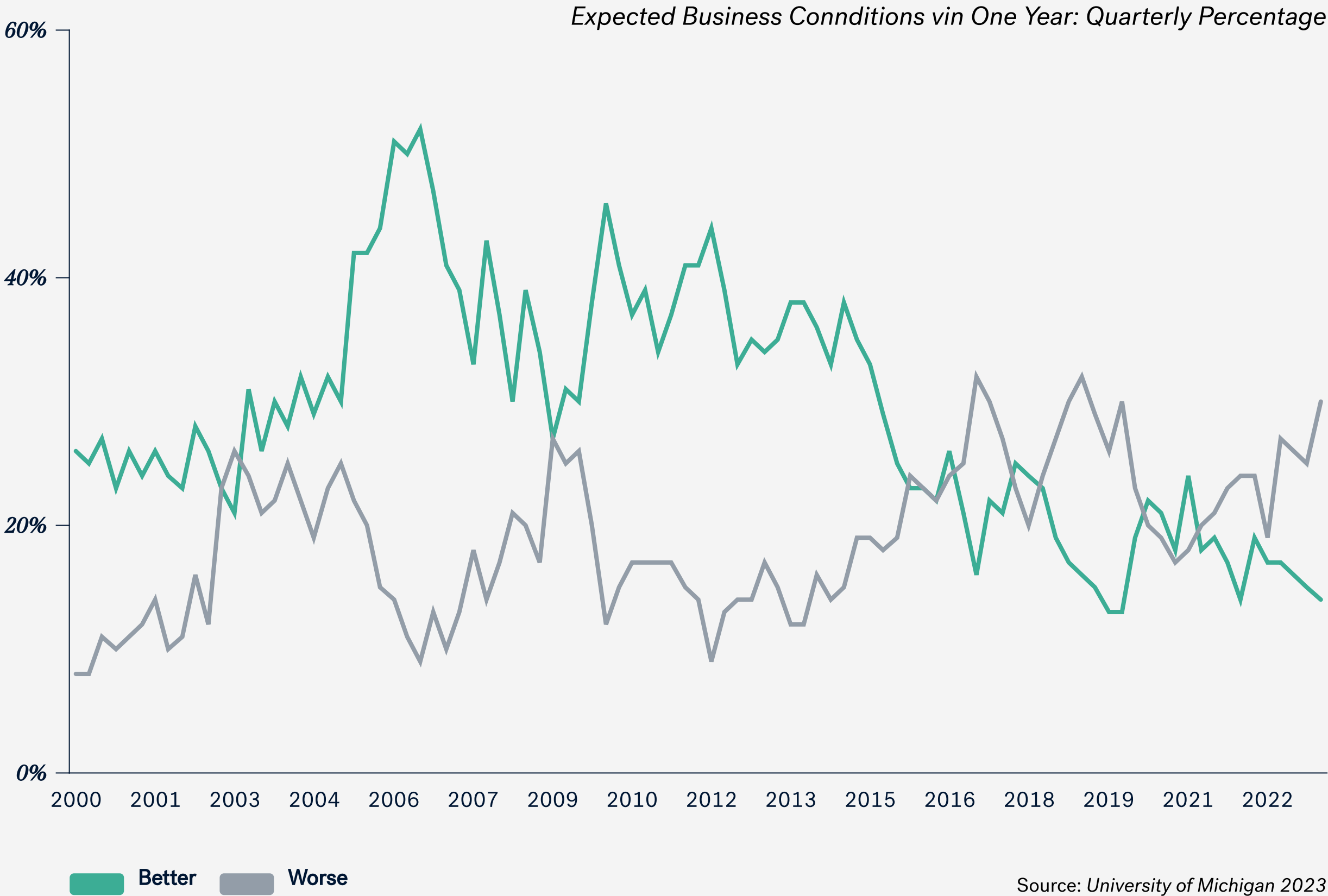


Source: Fred St Louis Fed, 2023

M1 & M2

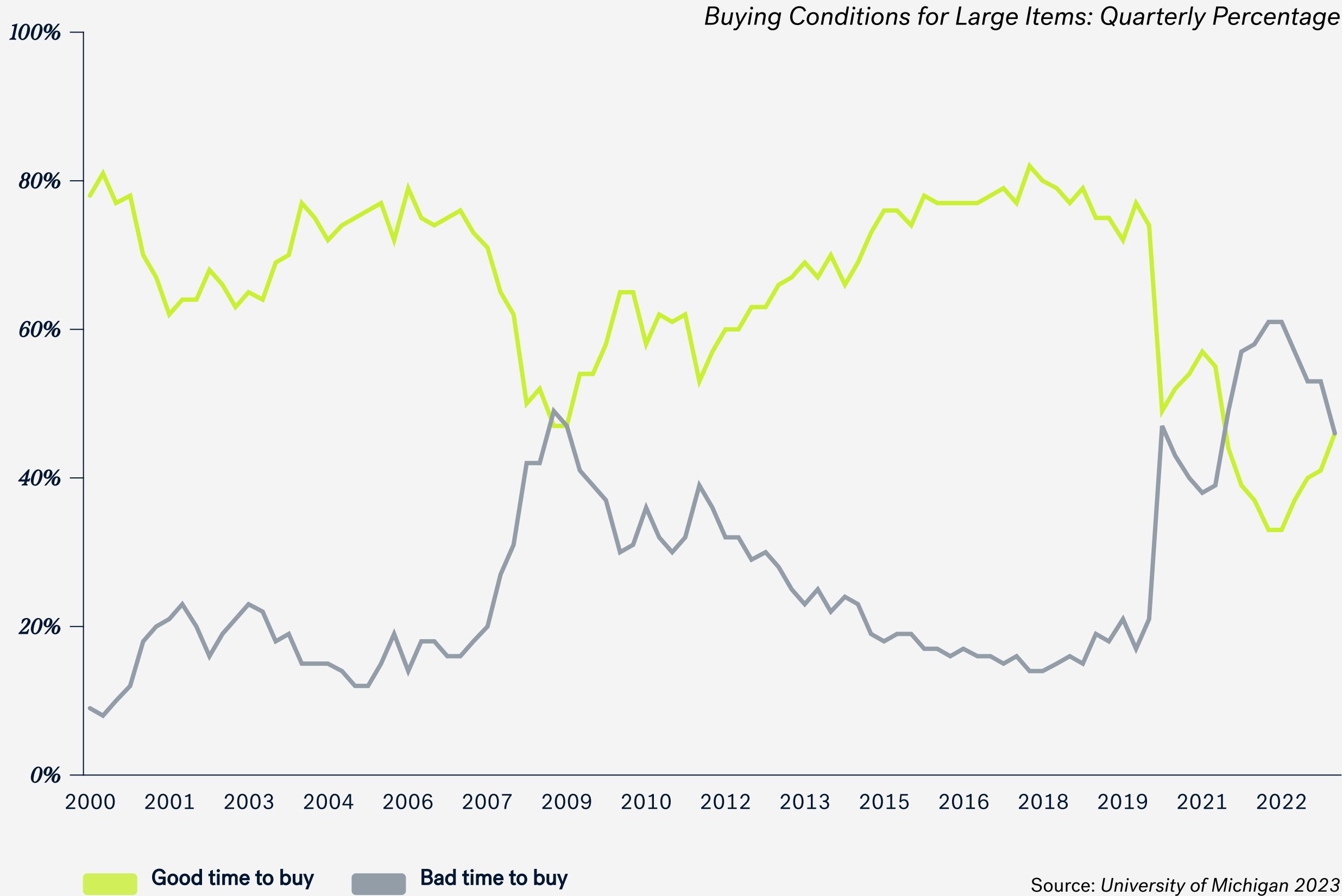


Expected Business Conditions in One Year



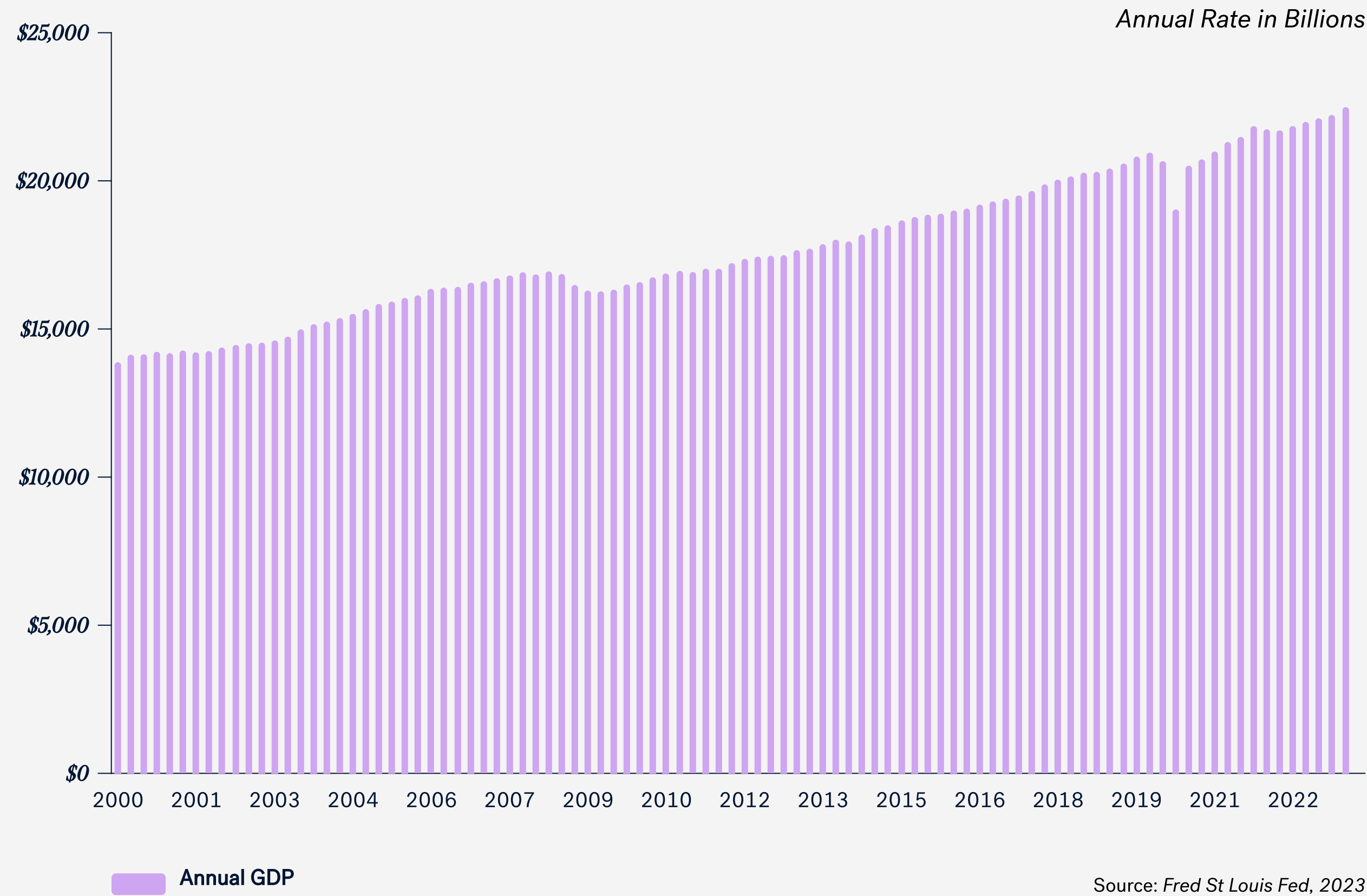
Source: University of Michigan 2023

Buying Conditions for Large Items



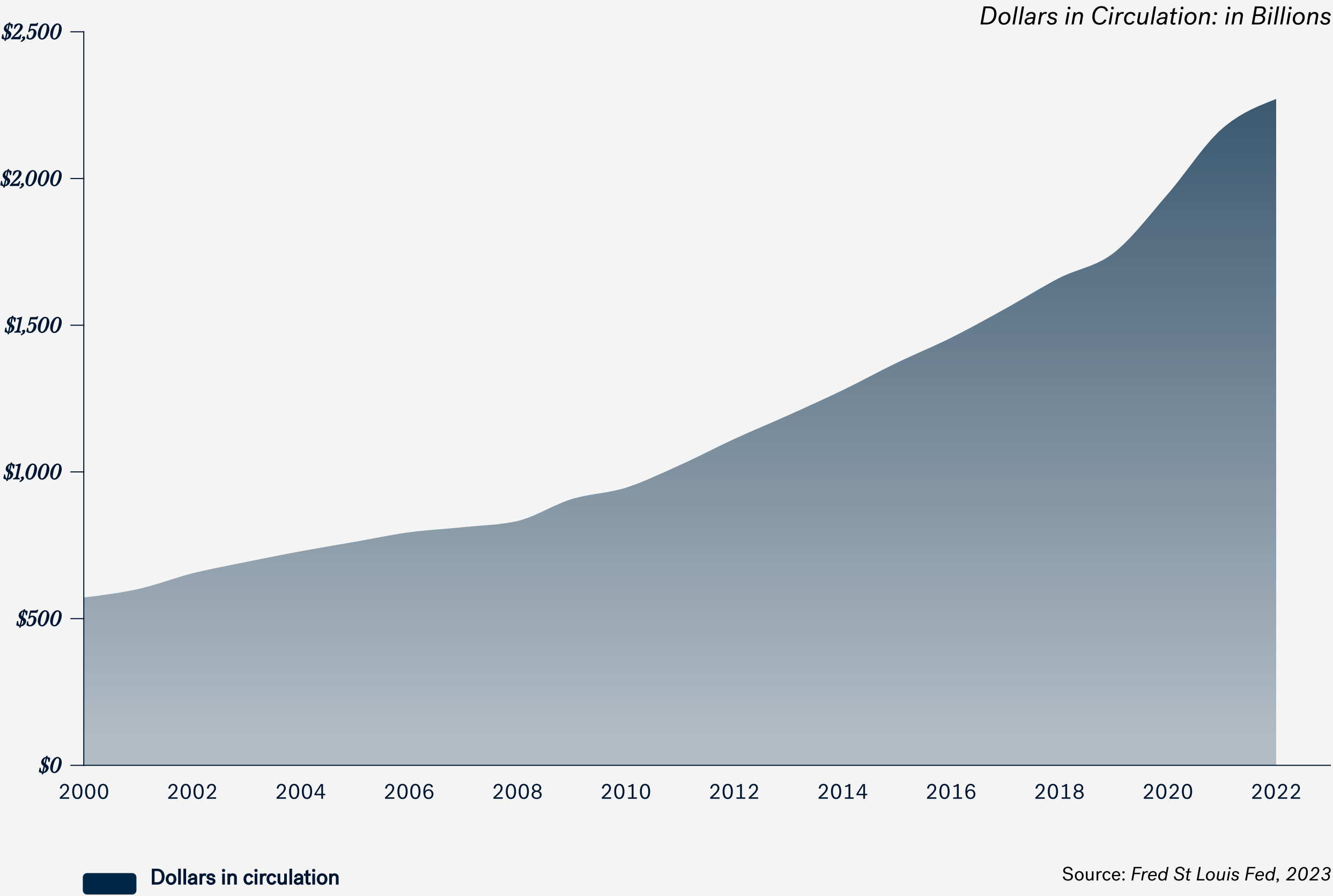
Source: University of Michigan 2023

Real GDP



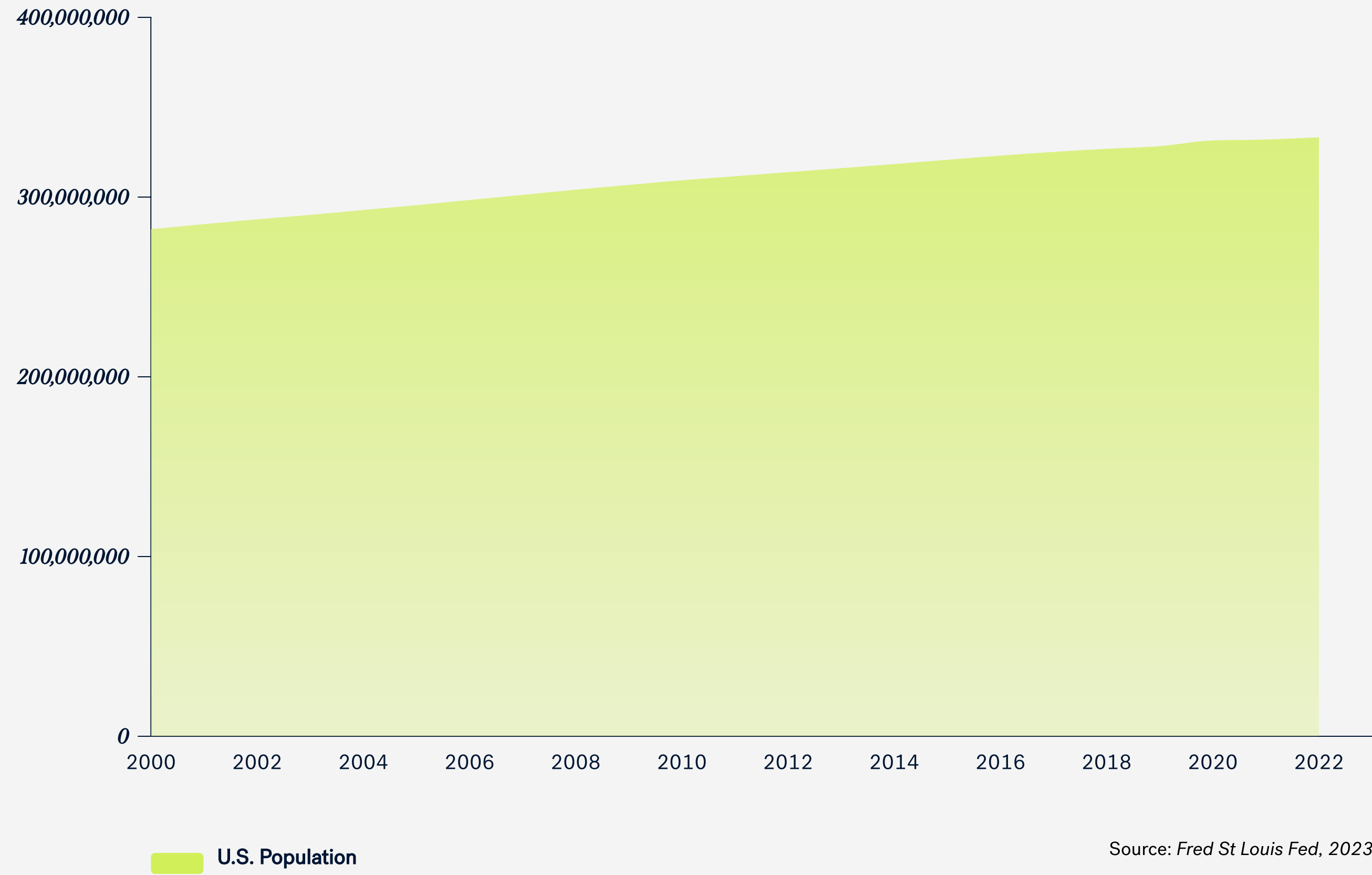
Source: Fred St Louis Fed, 2023

Dollars in Circulation



Source: Fred St Louis Fed, 2023

US Population



Source: *Fred St Louis Fed*, 2023

