

FORERUNNER

c  *nsuumer*

TREND REPORT 2024

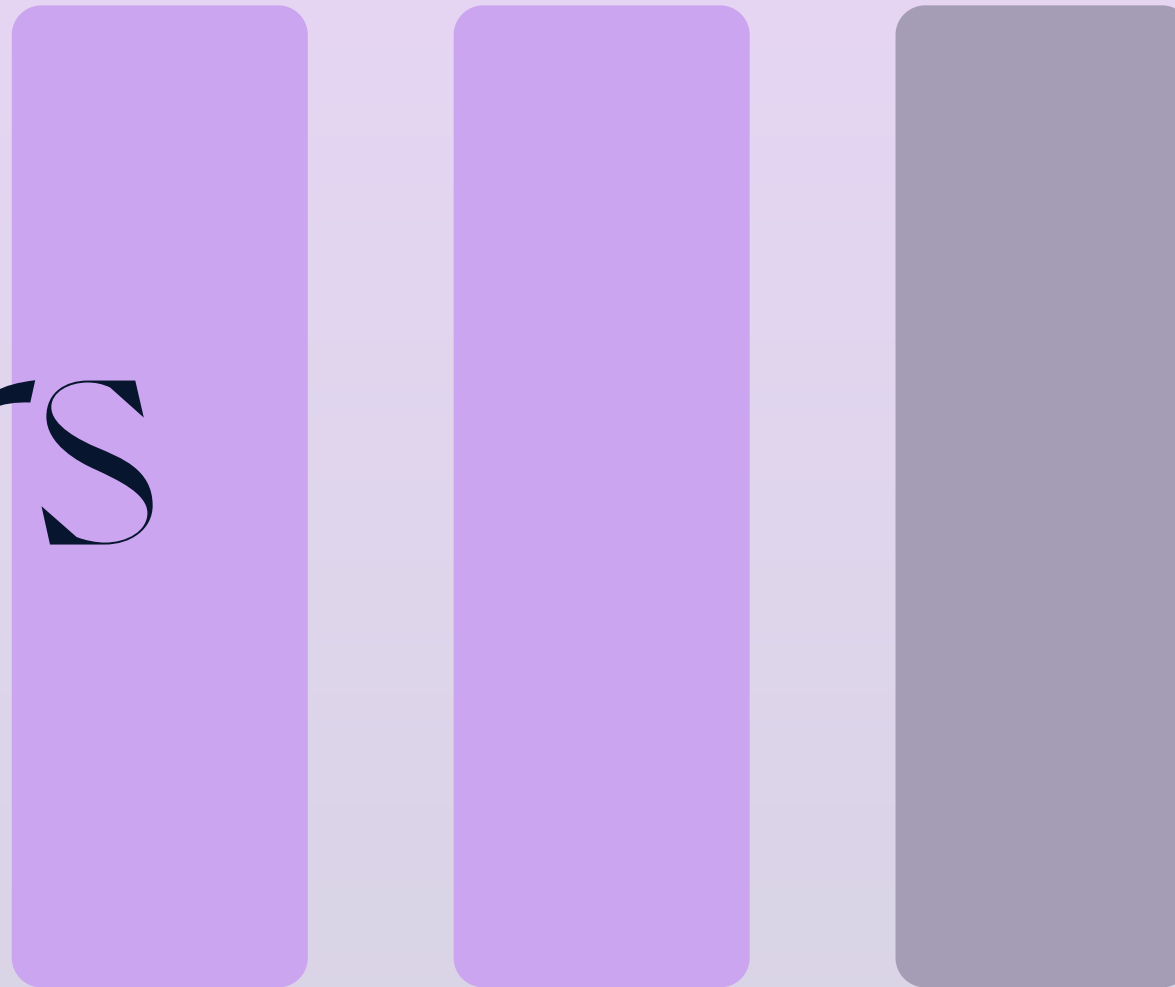
We're Forerunner.

Founded in 2012, Forerunner is a 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 and 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 on 3 values shifts and 1 technological shift, including the potential upsides and downsides, the innovative companies spurring the shift, 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. 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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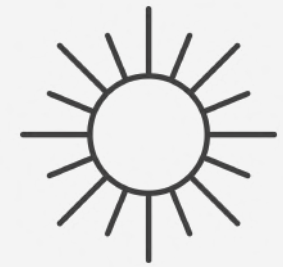
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At Forerunner,
we obsess over
the **values shifts**

driving
consumers

and the
technological shifts
underpinning

consumer
adoption

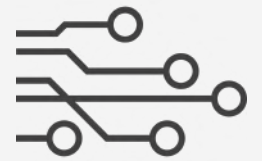


Values shifts

are as rare as



technological shifts



Forerunner's

Market Lens



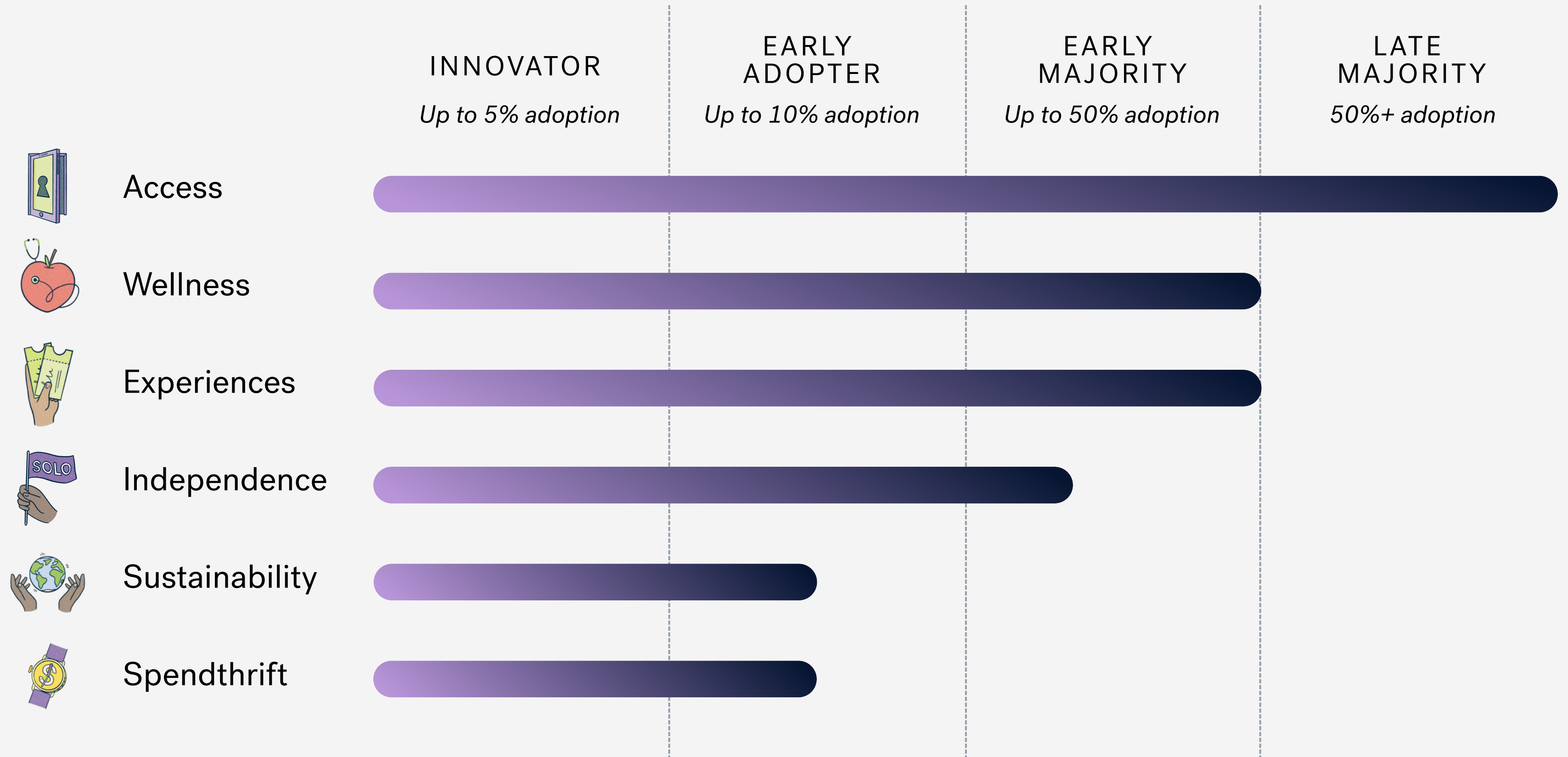
Consumer
values shifts create

new needs

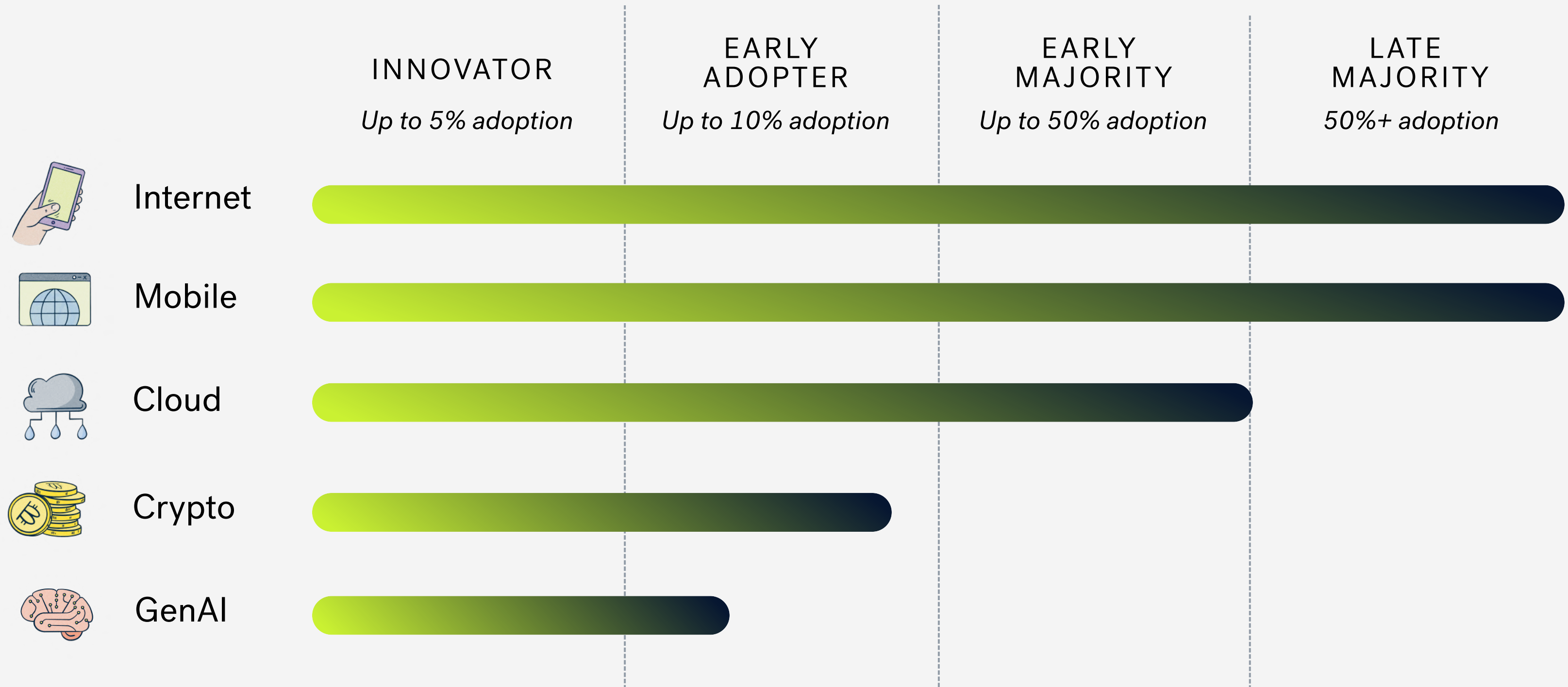


and new needs create
opportunity for new businesses

Leading values shifts



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	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

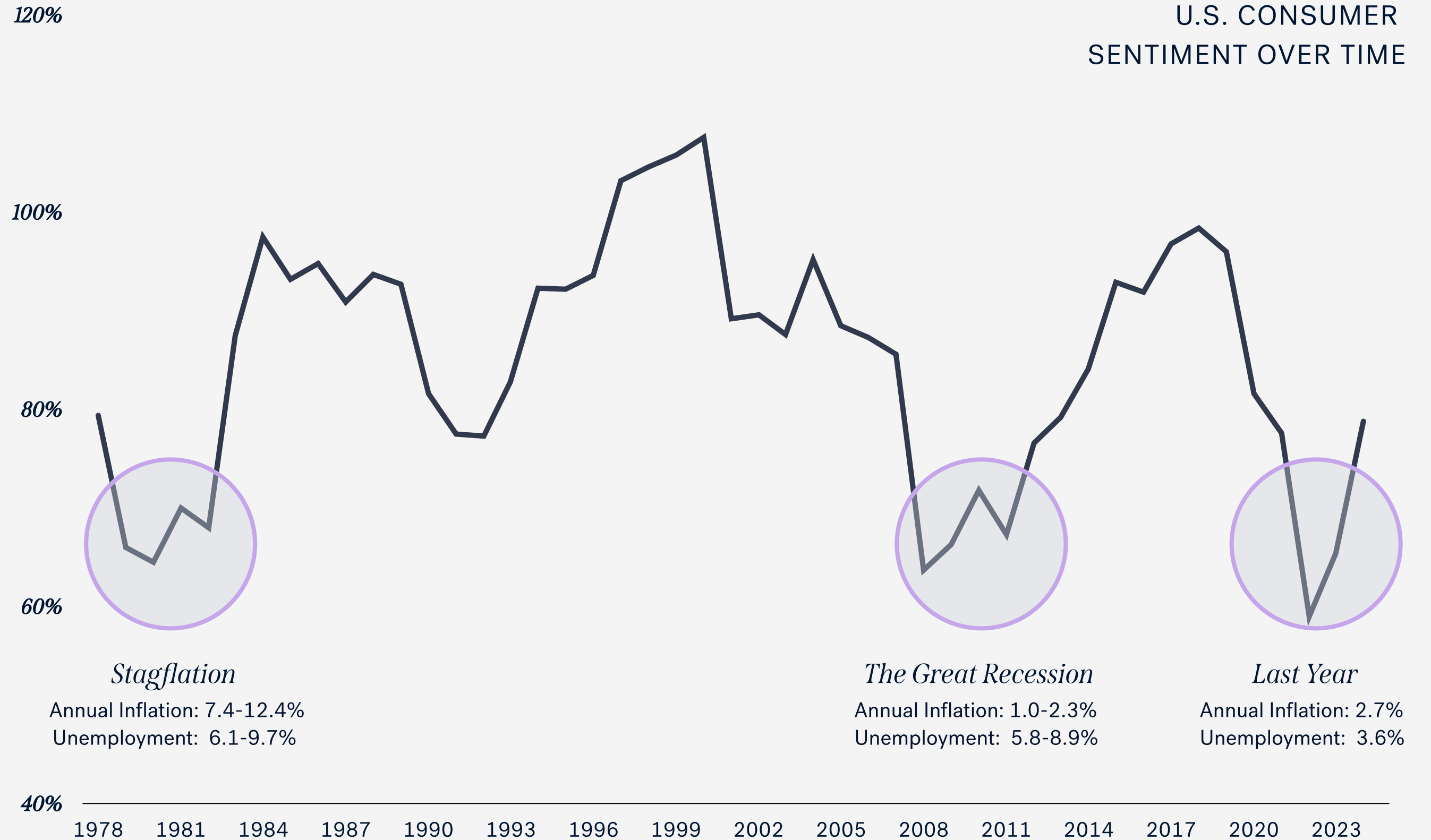
Market Vitals All signs point to a healthy economy: consumer wallets are on the mend after inflation burned a hole

Expenses

Economic Indicator	2023	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

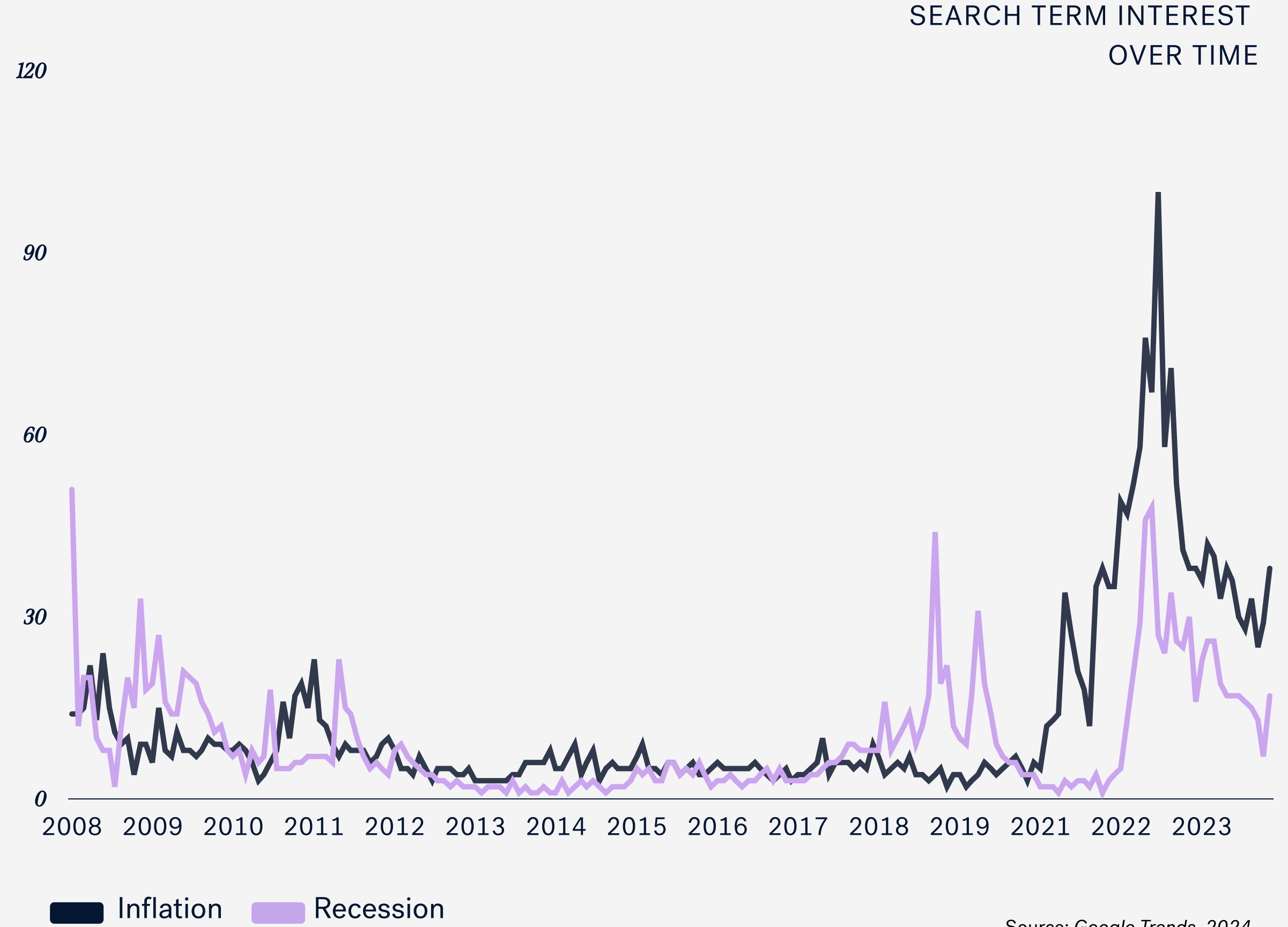
Source: Fred, St. Louis Fed, 2024

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



Source: U.S. Bureau of Labor, 2023 & University of Michigan, 2023

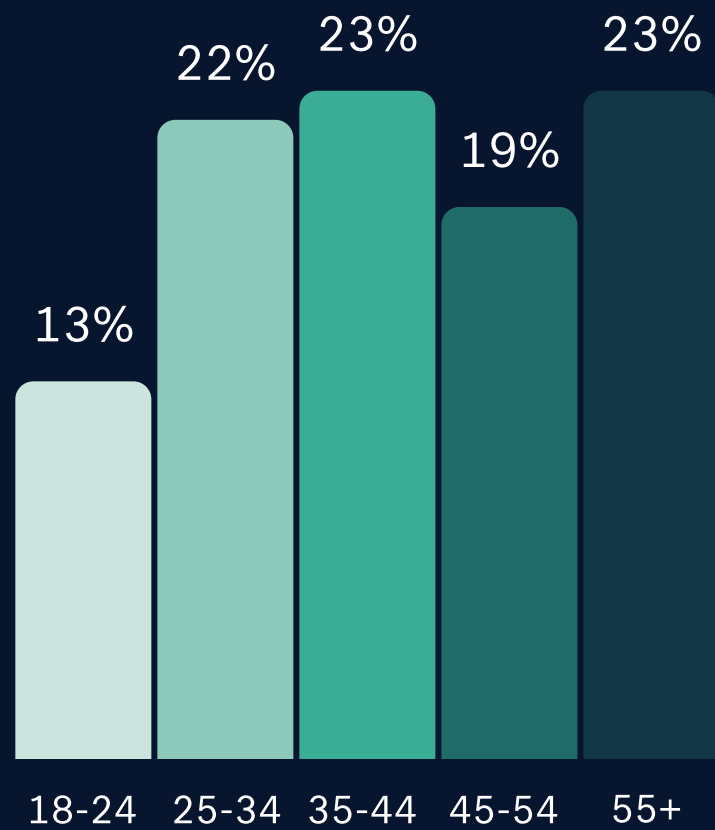
We're not surprised consumer response took time: in our always-on life, the inflation hammer and recession fears came down hard on consumers



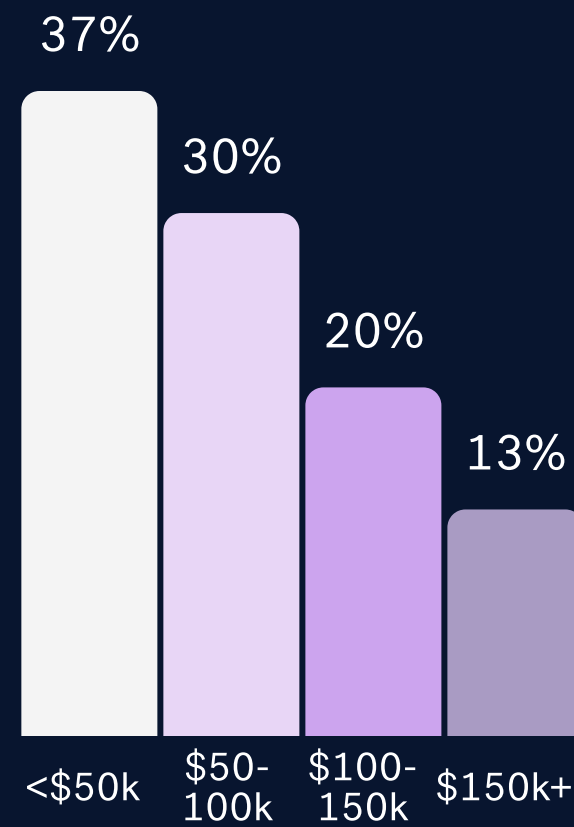
Source: Google Trends, 2024

Our consumer survey confirms a positive start to the year

2,501 respondents



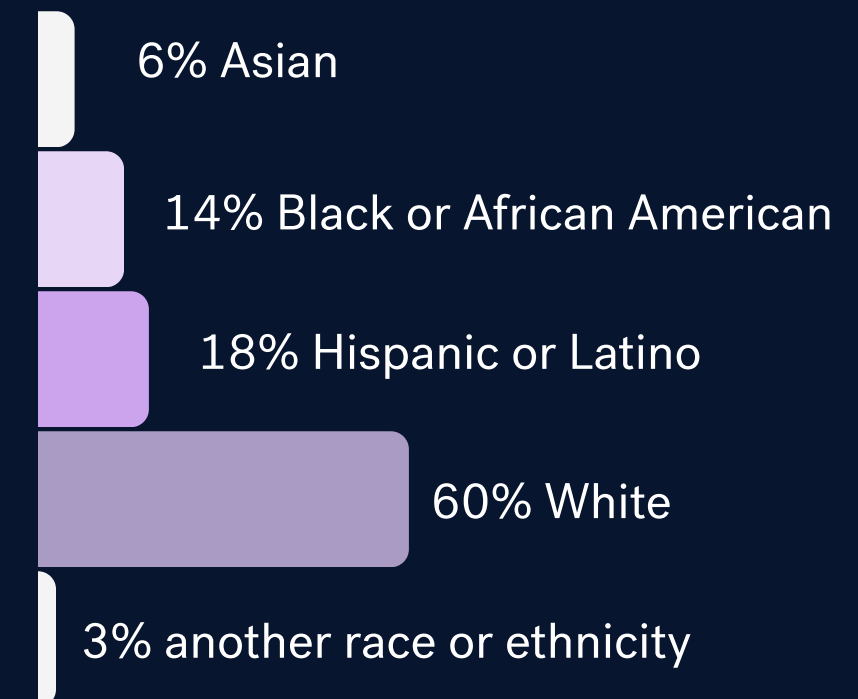
Age



Household Income

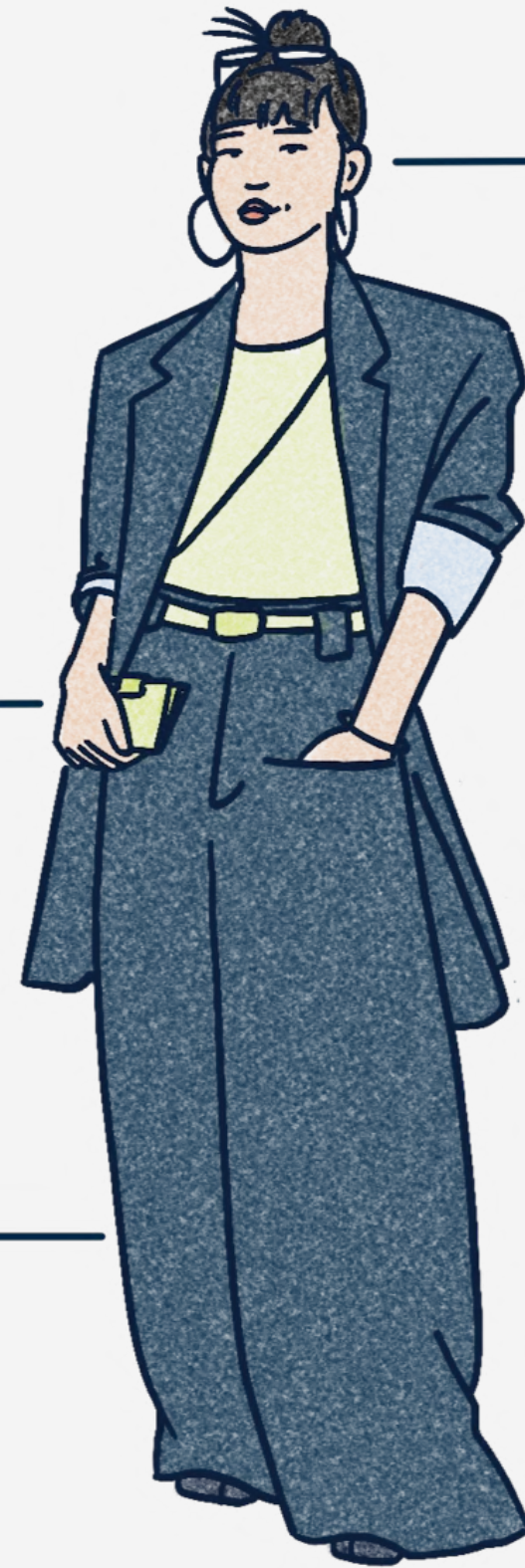


Gender Identity

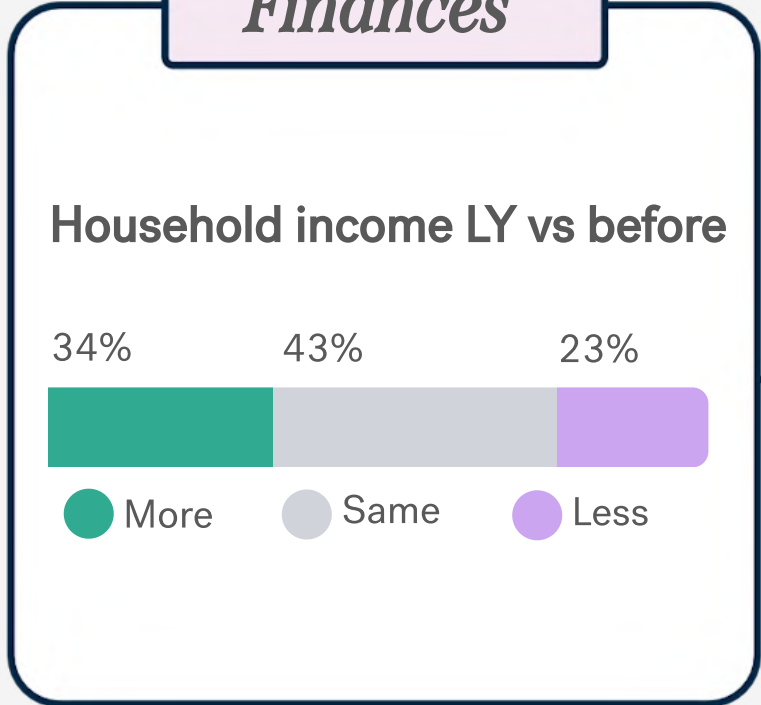


Race / Ethnicity

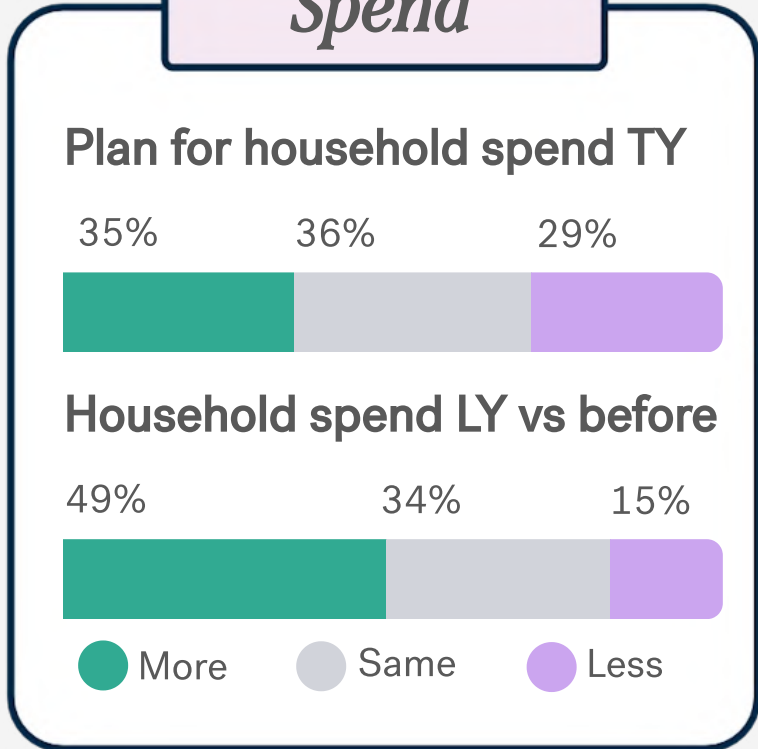
Consumer vitals: the new year is starting on a positive



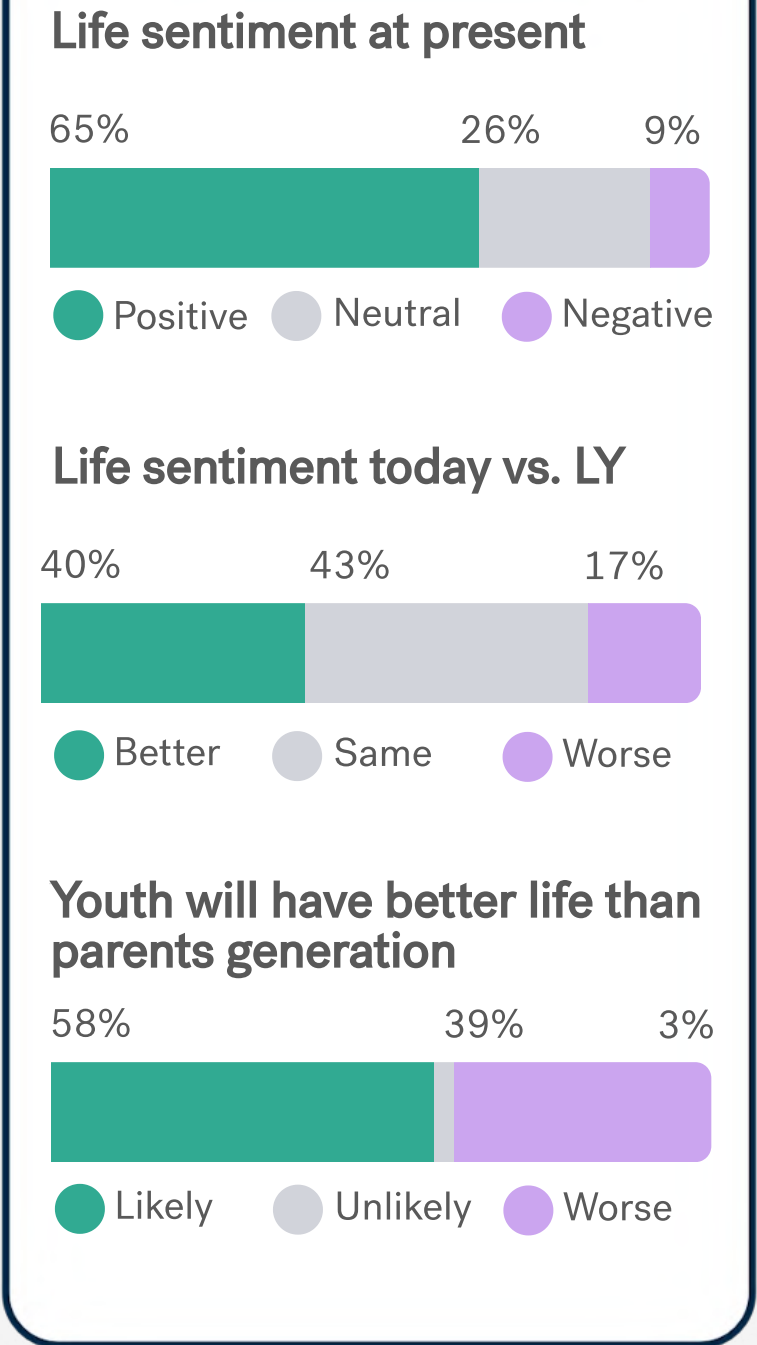
Finances



Spend

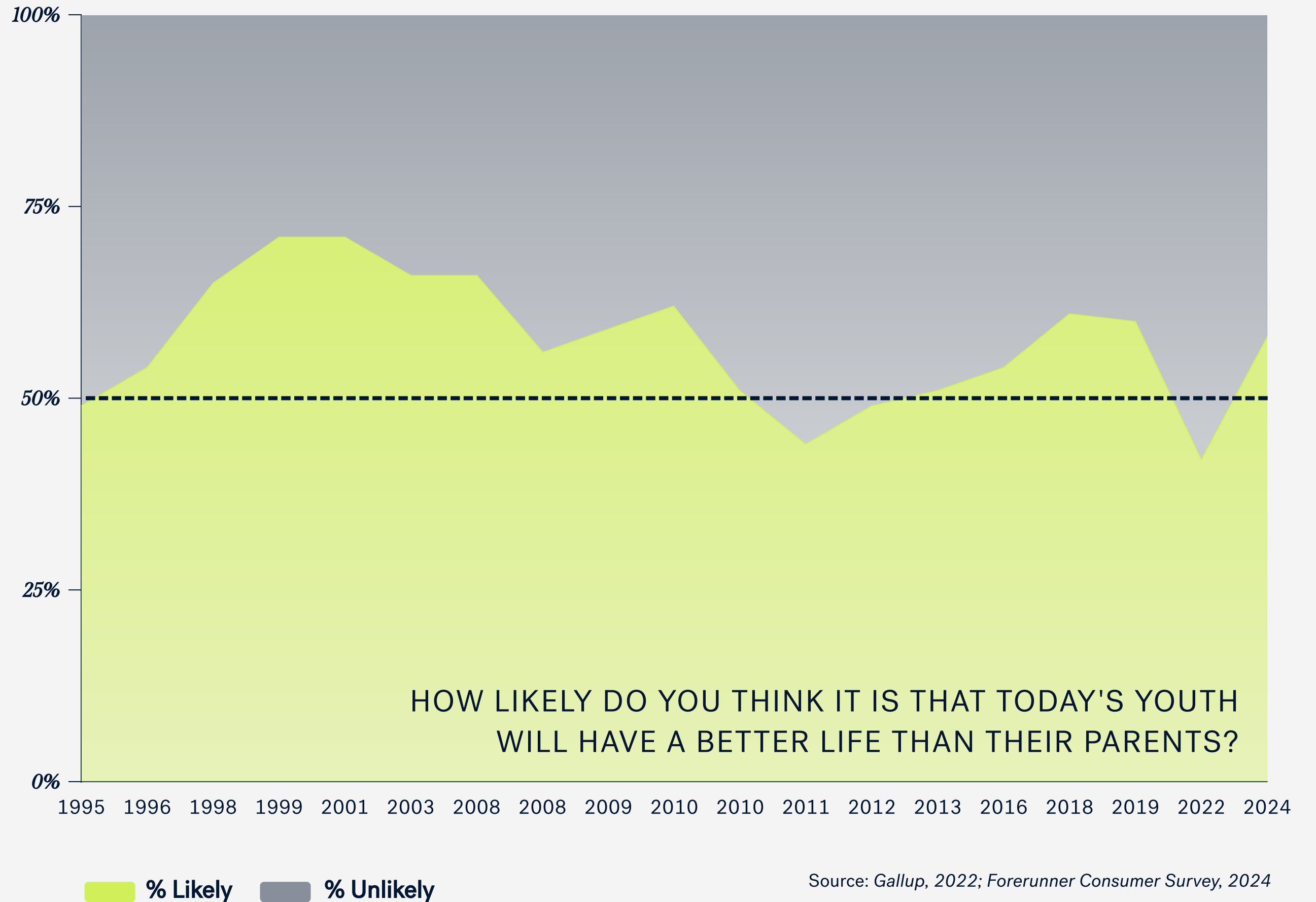


Sentiment



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

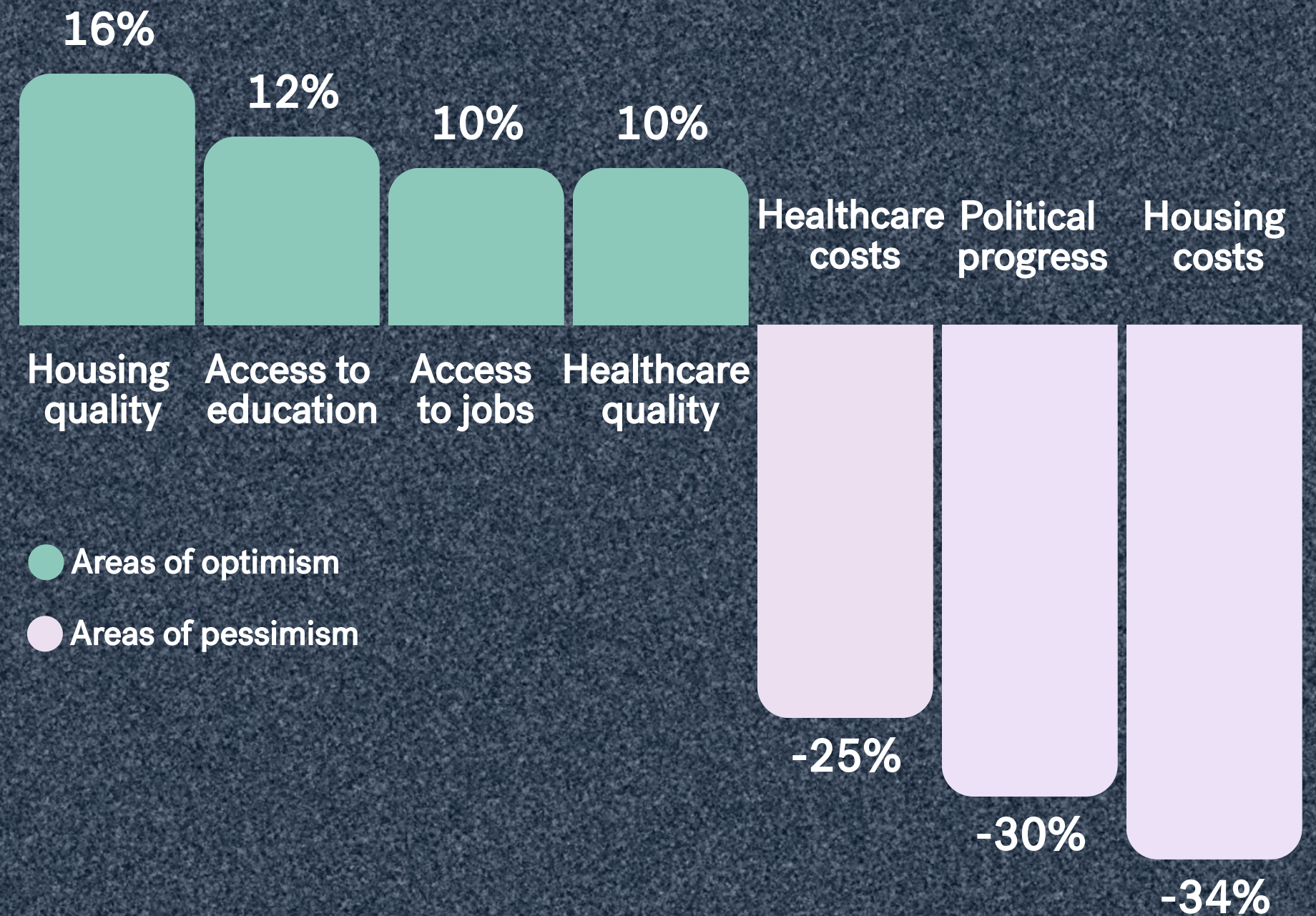


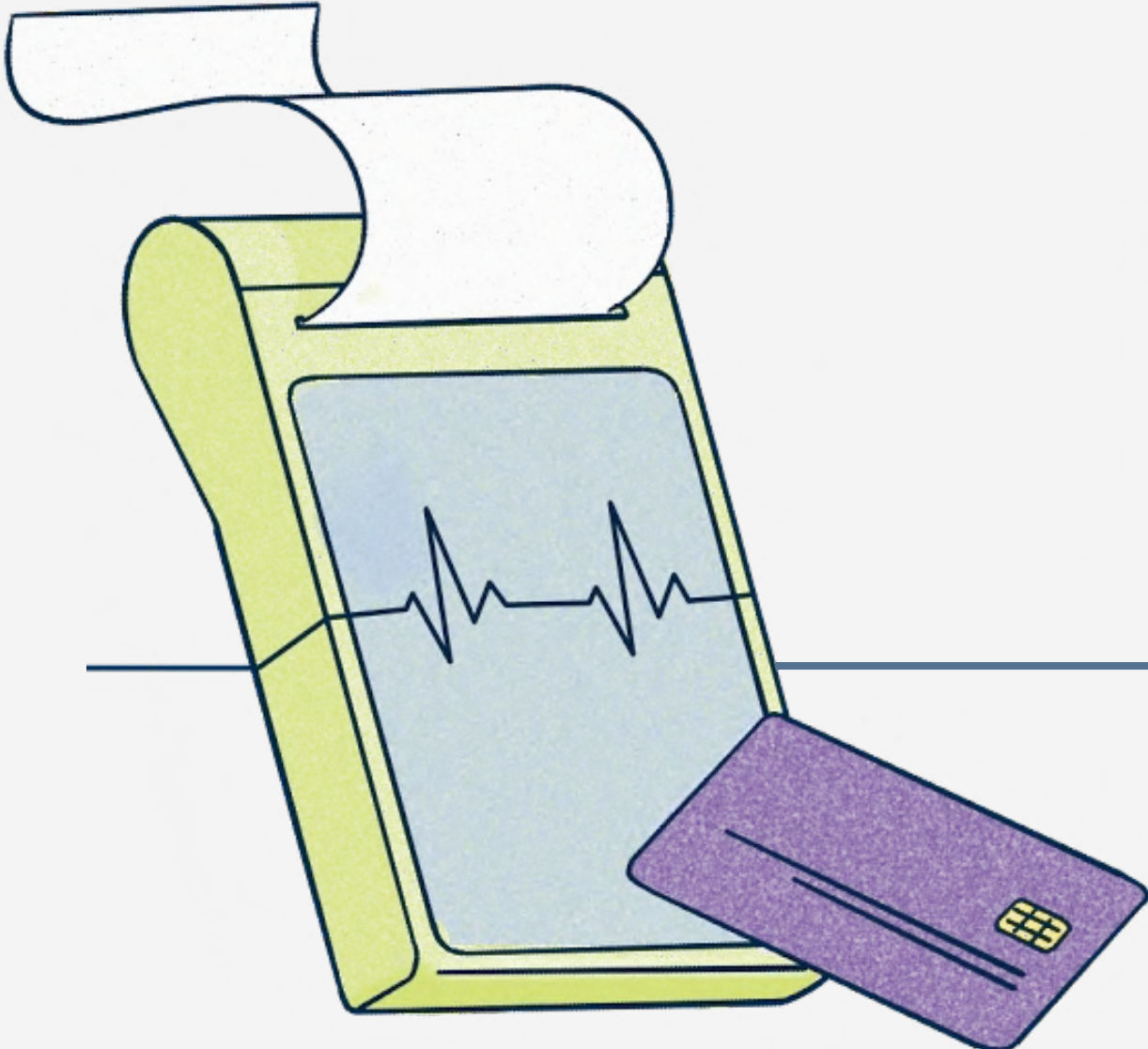
Source: Gallup, 2022; Forerunner Consumer Survey, 2024

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

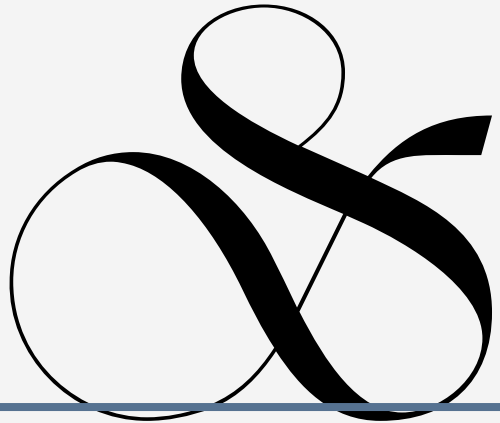
Which of the below would you say are reasons for optimism or pessimism?

Calculated as difference of % optimistic and pessimistic respondents





Now back
to values



technological
shifts

Values Spotlight

2

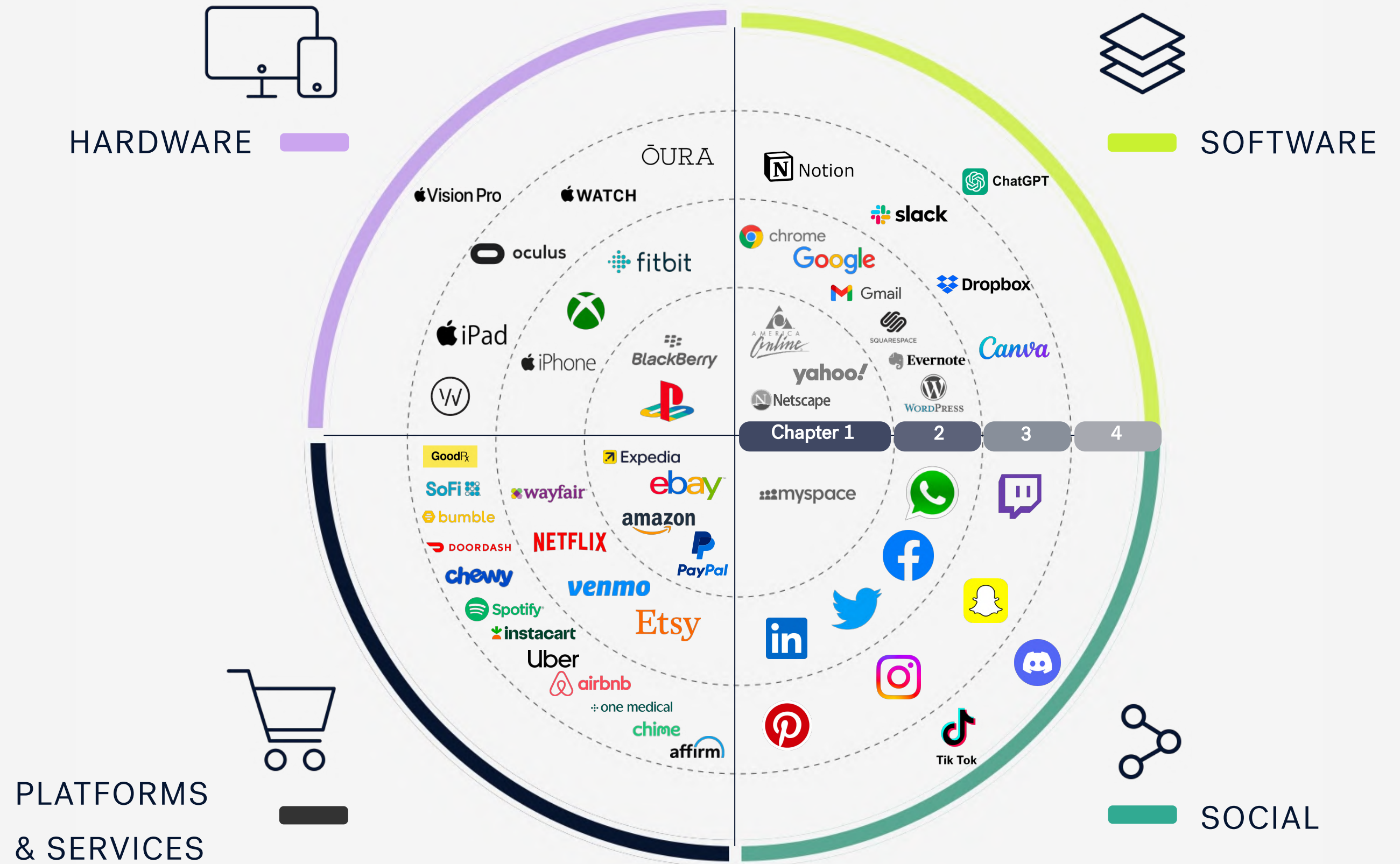
VALUE 1

Access

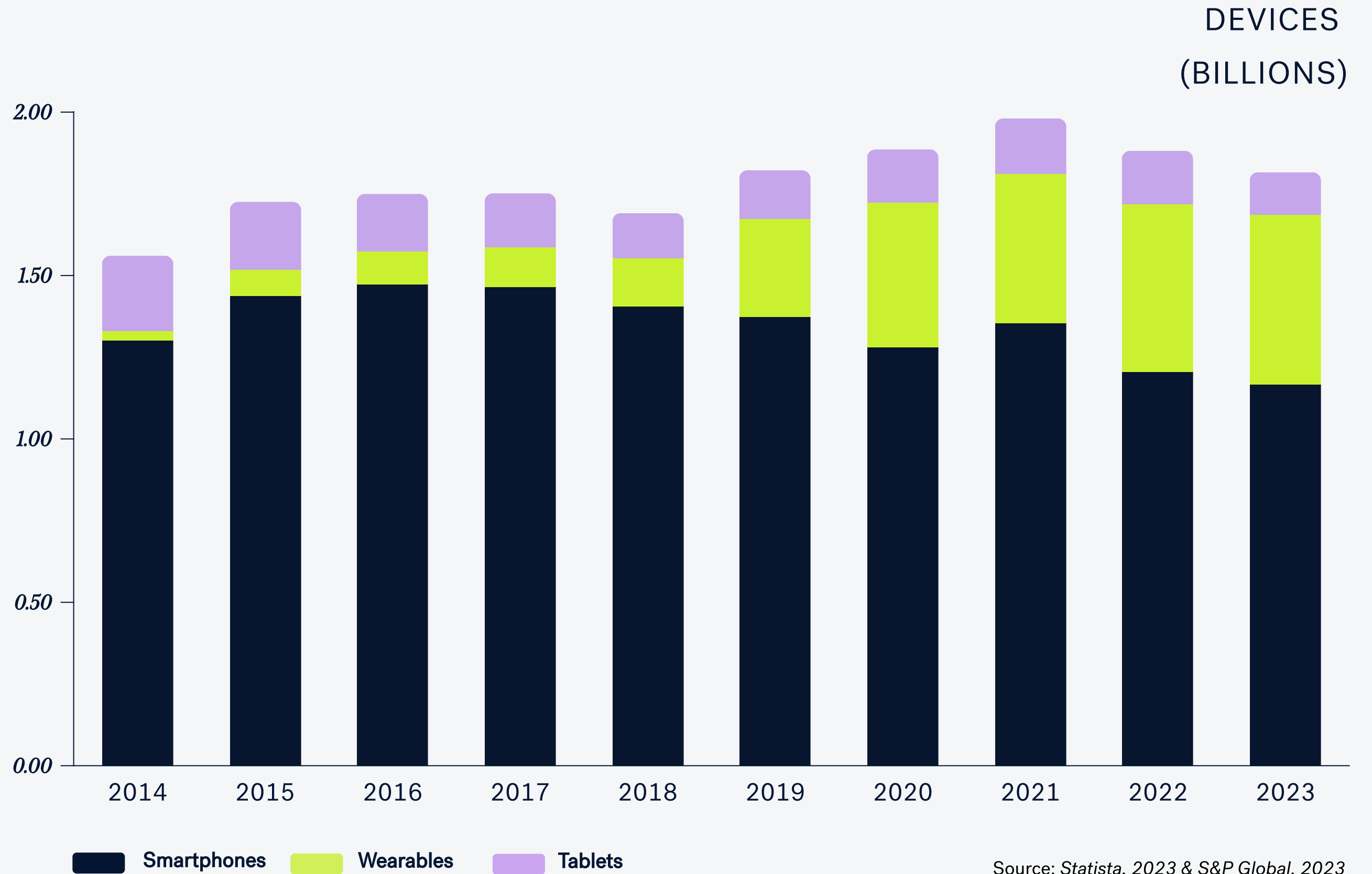
All in sight, all top of mind, all the time —
personal stress compounds with societal
stress in the age of mainstream access.



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

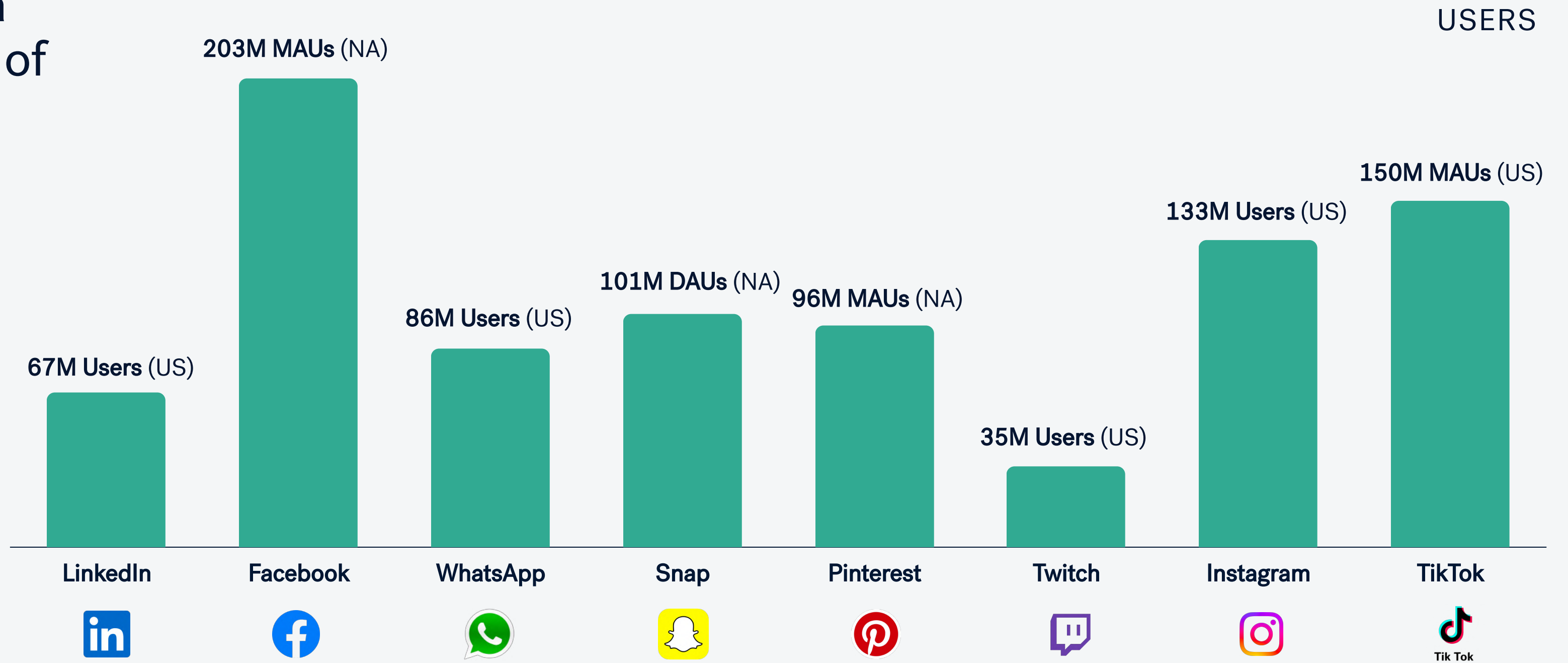


Source: Statista, 2023 & S&P Global, 2023

Social media remains a mainstay of daily life



SOCIAL



WHO YOU KNOW
Text & Images

WHAT YOU LIKE
Video

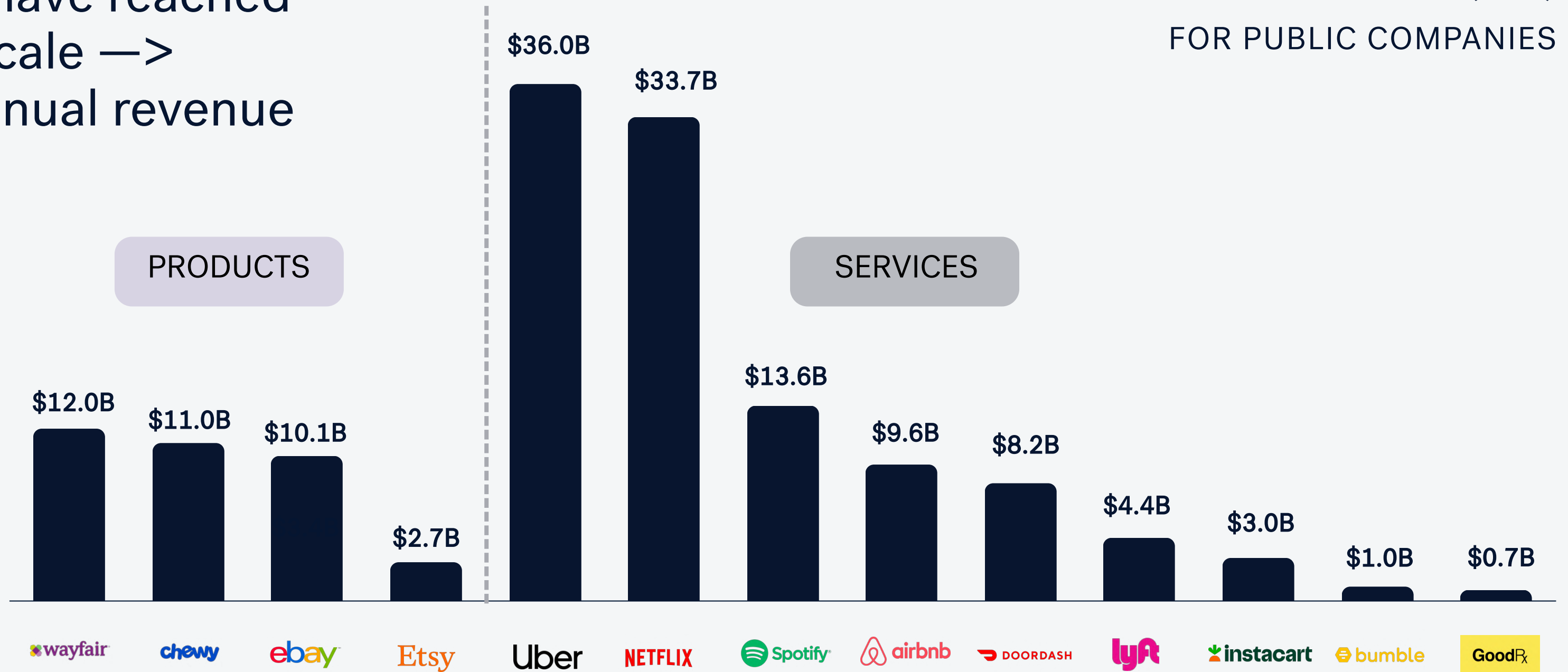
Source: Meta, Snap, Pinterest, Variety.com, Statista, Insider Intelligence, 2023

Digital platform & service businesses have reached significant scale —> \$120B in annual revenue

TOTAL REVENUE (TTM)
FOR PUBLIC COMPANIES



PRODUCTS
& SERVICES

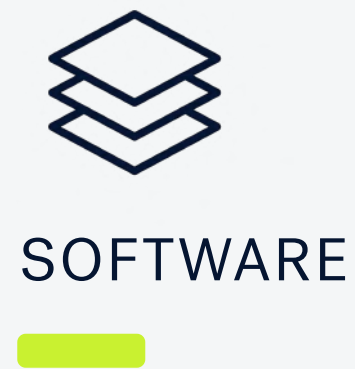


PRODUCT
PLATFORMS

SERVICE
MARKETPLACES

Source: PitchBook

Prosumer software continues to penetrate the market



700M (2023)



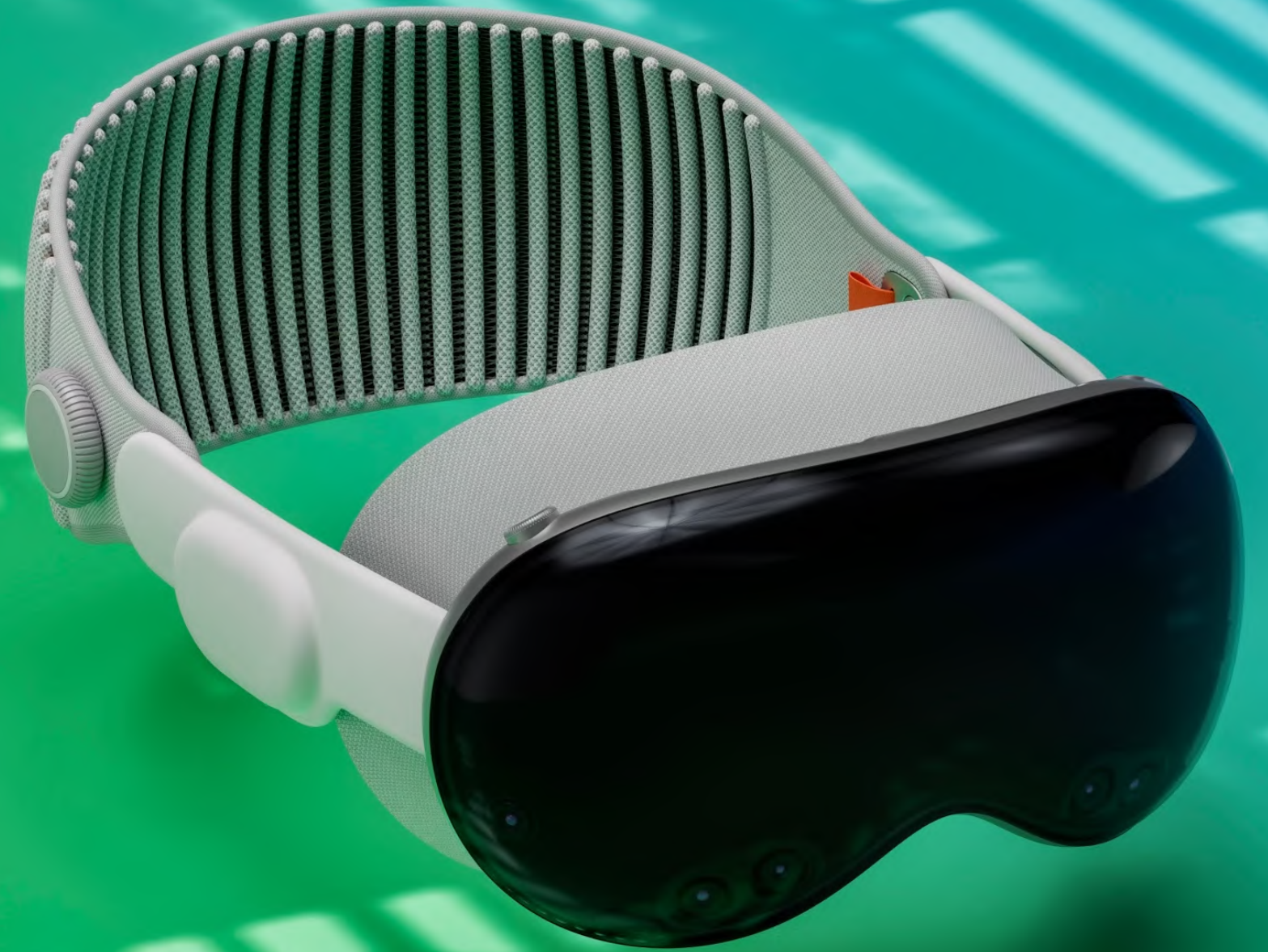
170M (2023)



18M (2022)

USERS

What will the next layer of access look like?

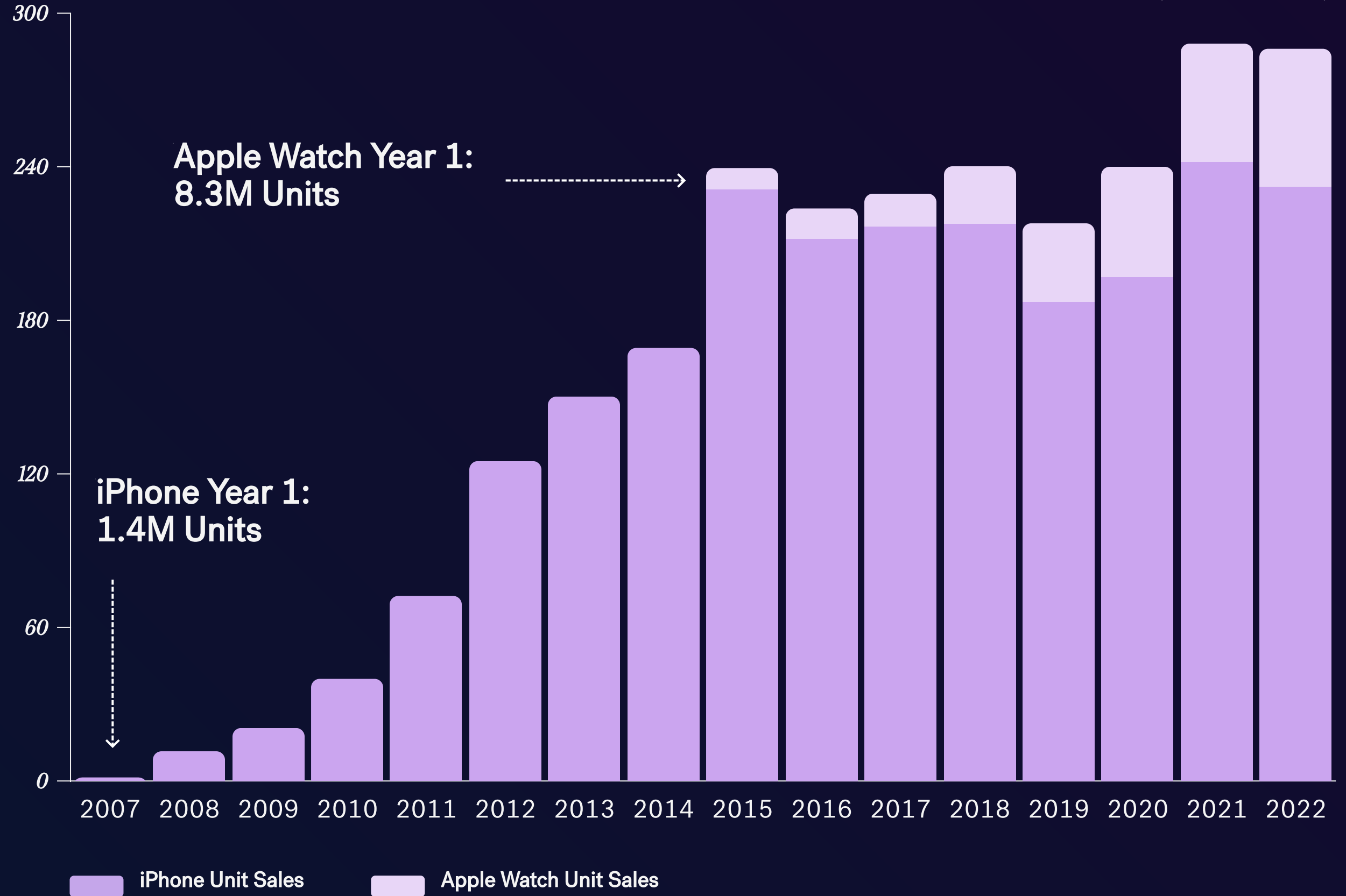


Hardware requires time to penetrate the market; Vision Pro will not be an exception

200,000

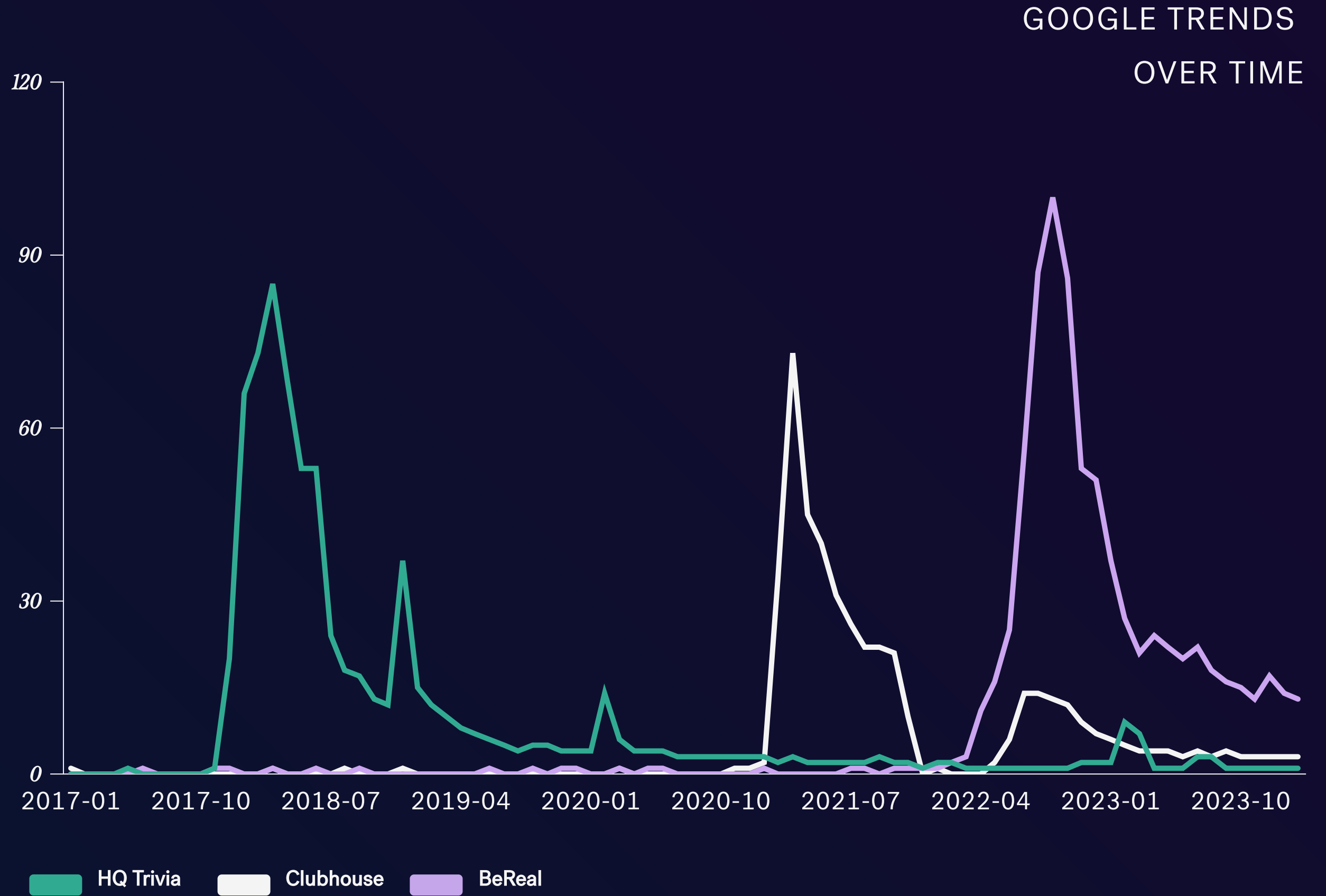
Vision Pro Sold in Month 1

IPHONE UNITS SOLD BY YEAR (MILLIONS)



Source: Statista; Mashable

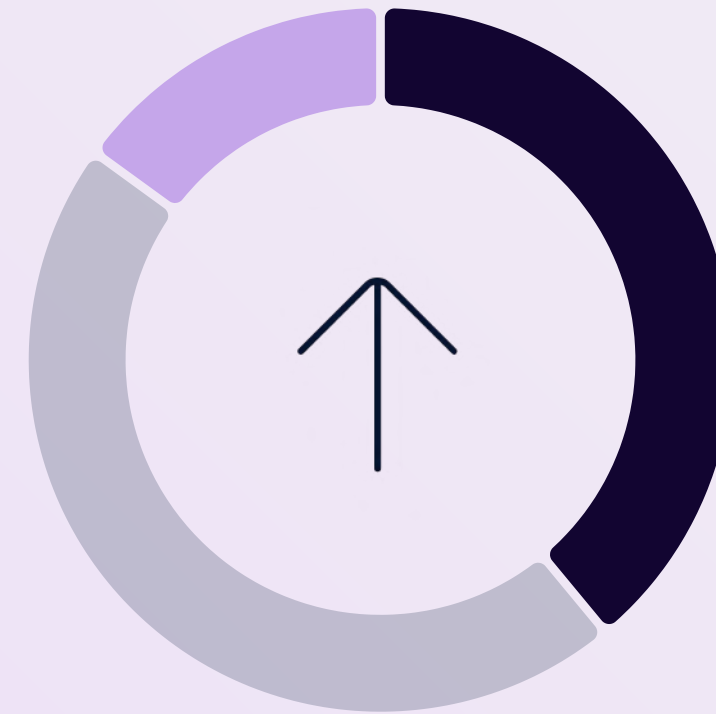
New social apps have popped, though struggle to hold attention as users move onto the next



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: 33%
■ Same: 52%
■ Decreased: 15%

We see stress levels

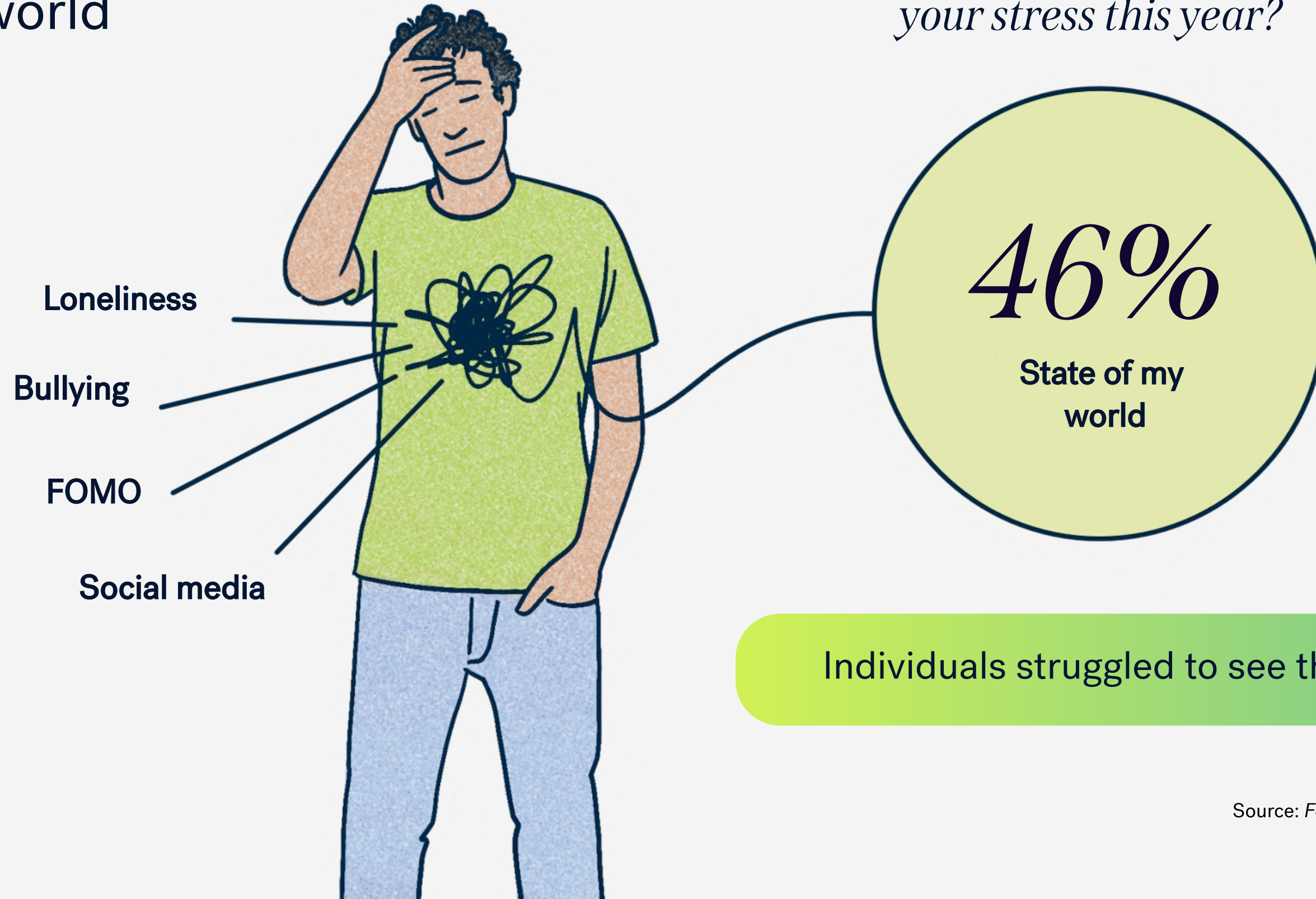
as a harbinger for
what's next

Though
stress looks

different today



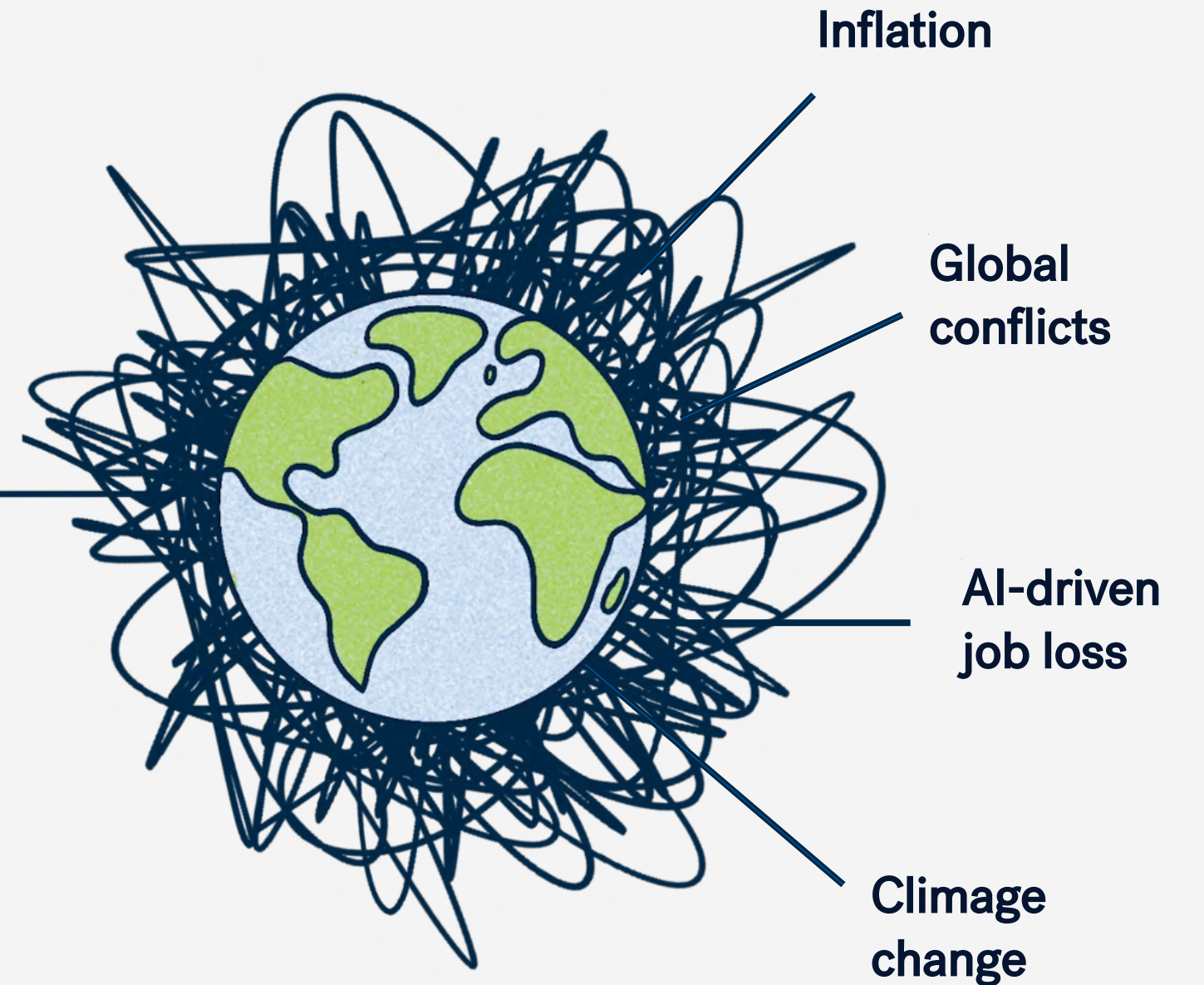
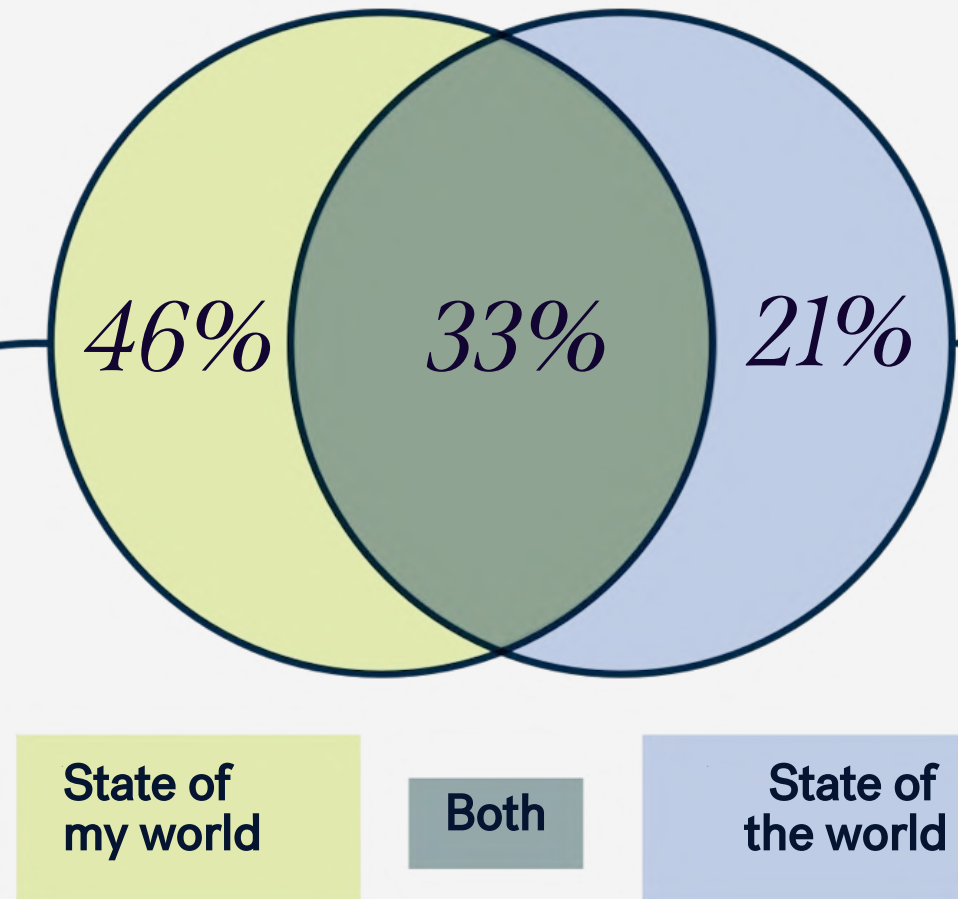
Leading up to the 2020s, stress centered on an individual's corner of the world



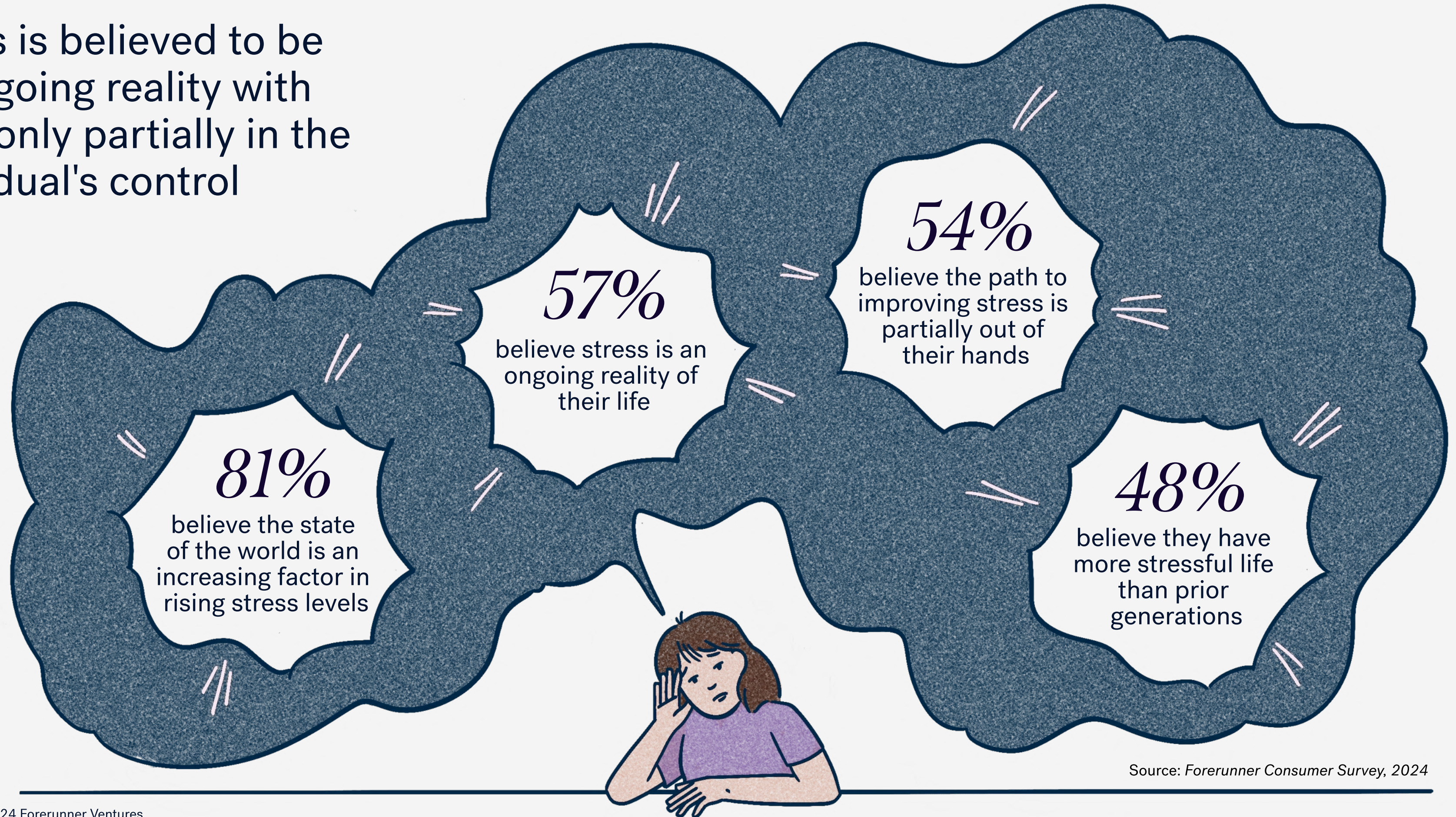
Today, stress has compounded and increasingly includes the global world

Individuals struggle to see the present and the future

What contributed most to your stress this year?



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



Source: Forerunner Consumer Survey, 2024

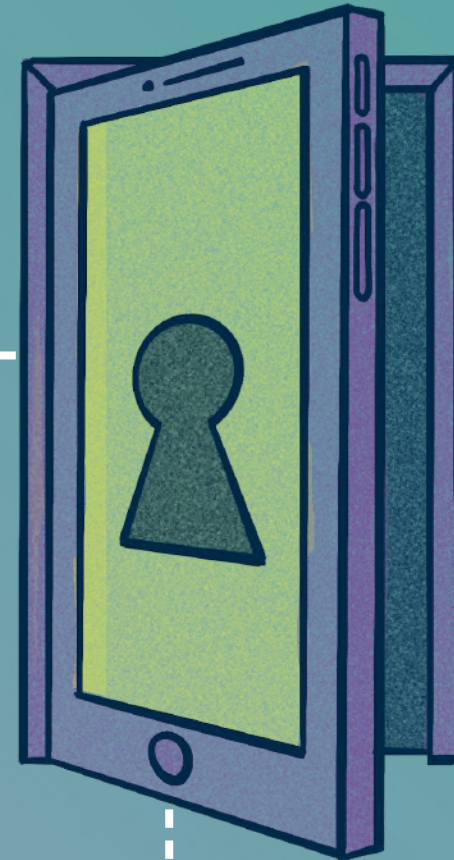
Heightened
stress levels

are here
to stay



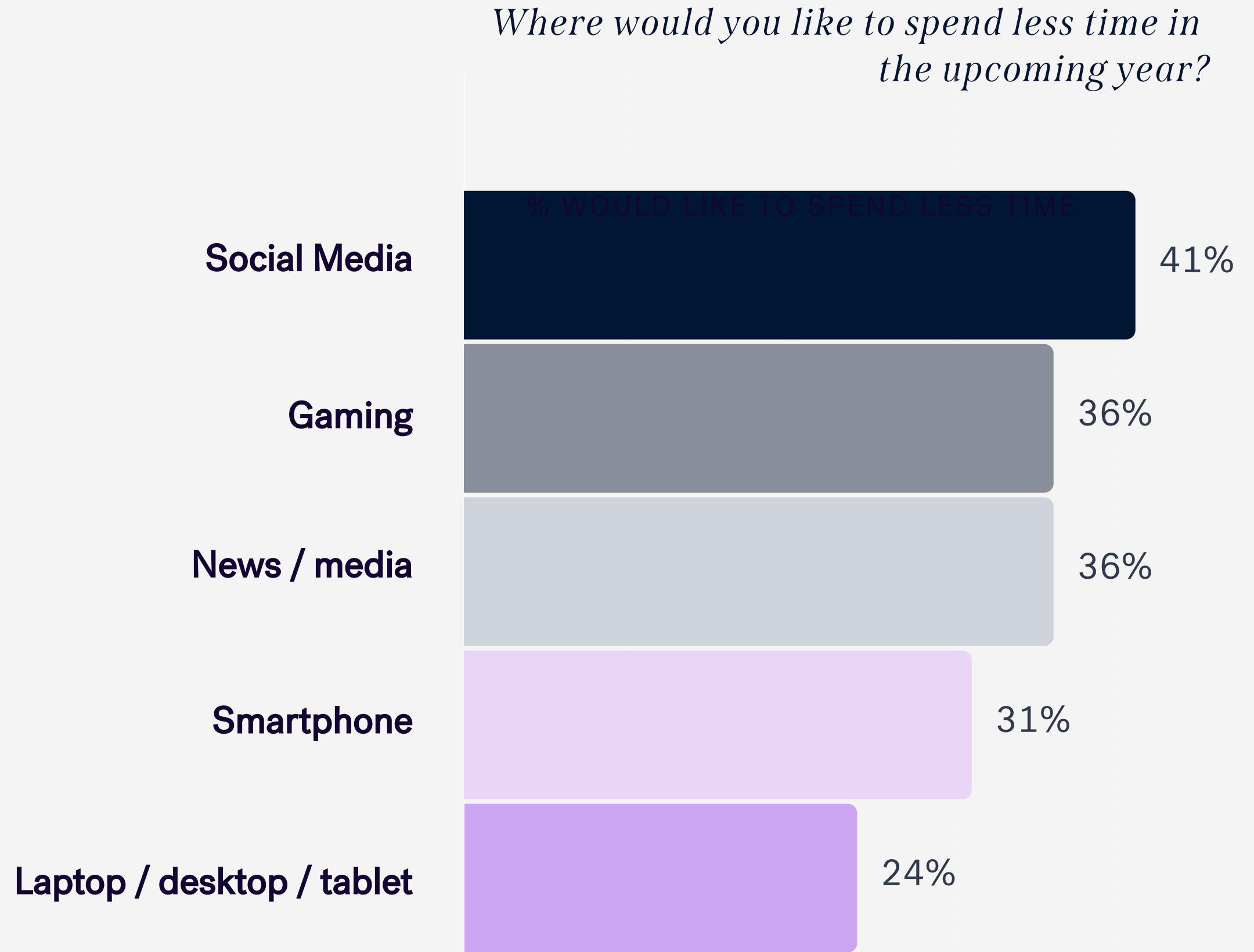
What does this mean
for access?

Access shifts



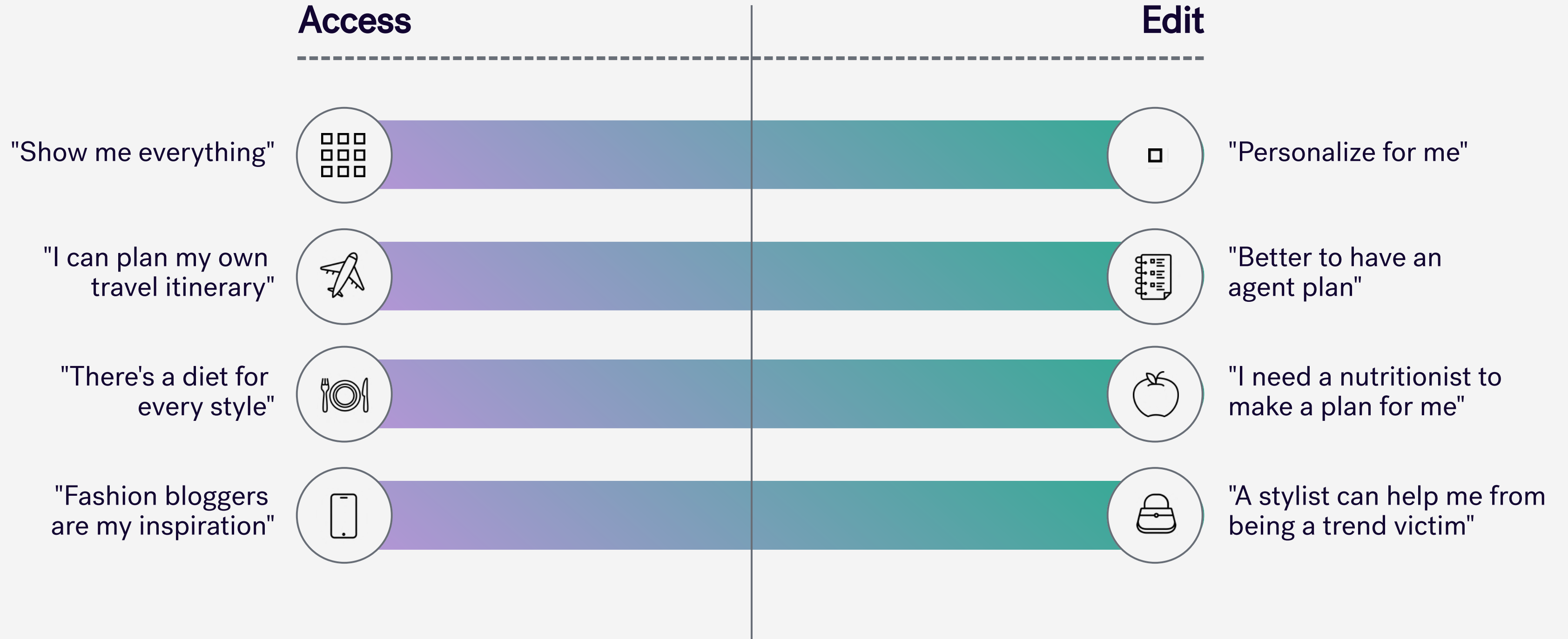
to edit

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

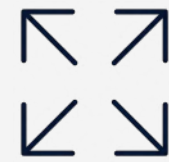


AI offers the promise of personalization, the ultimate edit, at cost-effective scale



Understanding user preferences

- Behavioral analysis
- Predictive modeling



Contextual awareness

- Real-time contextualization
- Situational adaptation



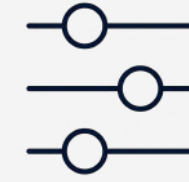
Continuous learning & adaptation

- Machine learning algorithms
- Feedback loops



Enhanced content discovery

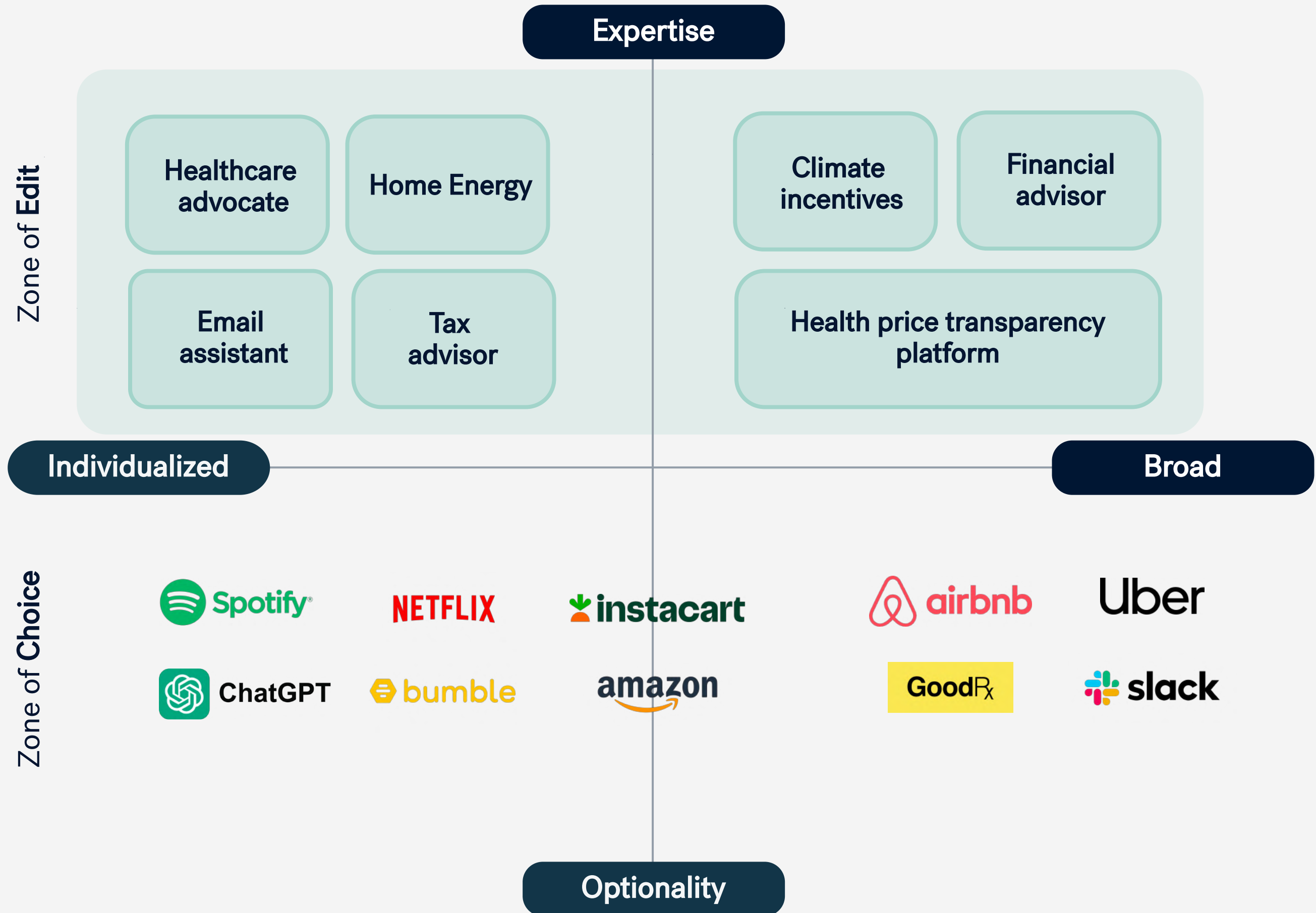
- Diverse recommendations
- Filtering at scale



Customization & control

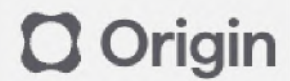
- User-controlled filters
- Privacy & transparency

A shift from optionality to expertise underpins the 'Zone of Edit'



Sample 'Zone of Edit' companies

Financial Advisor



Range Playbook Farther

Personal Finance Management

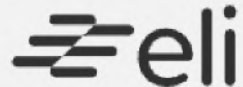


wallyGPT Monarch YNAB.

Tax Advisor



Climate Incentives & Home Energy



Healthcare Advocate & Navigation



Health Price Transparency



VALUE 2

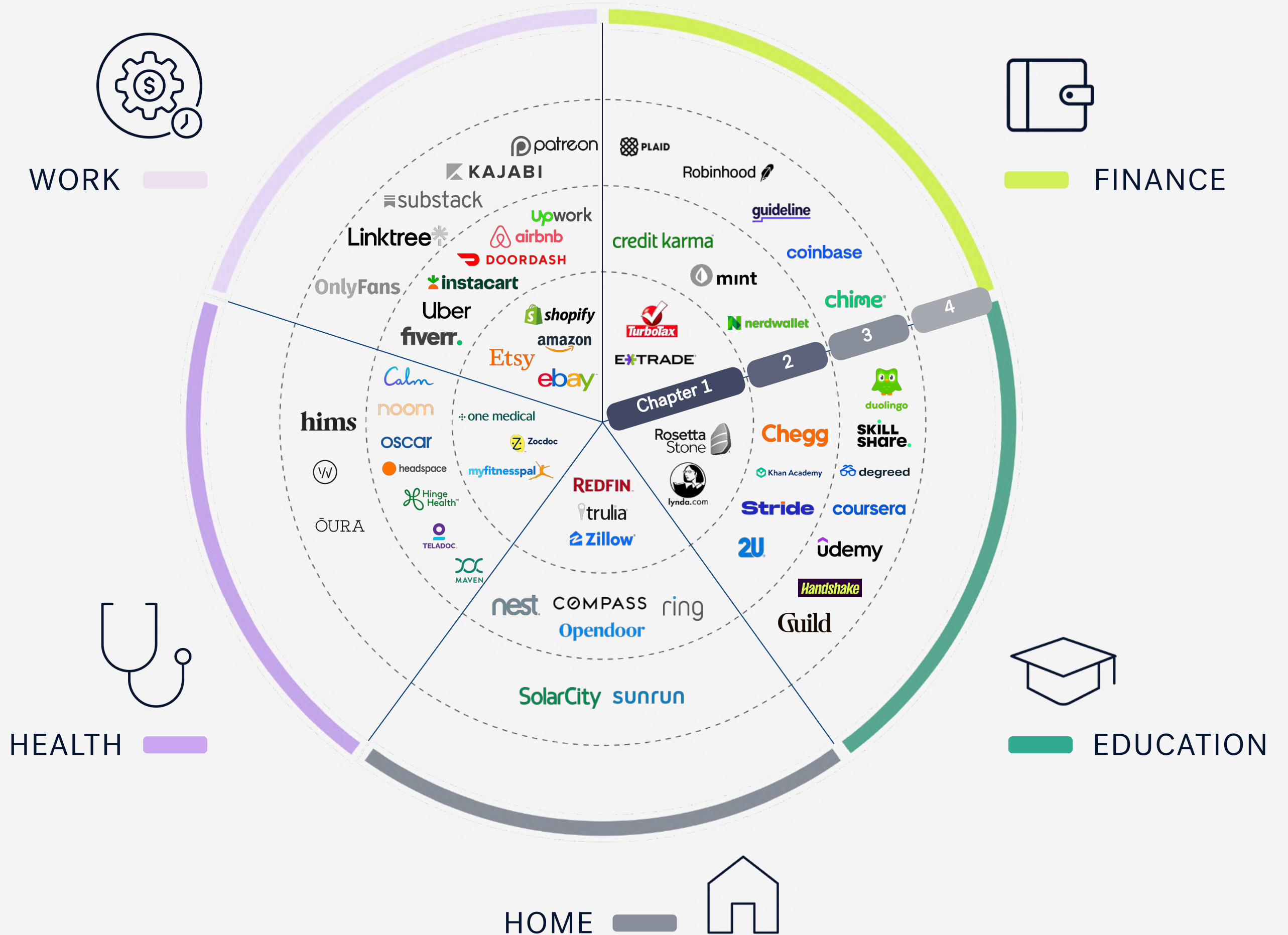
Independence

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



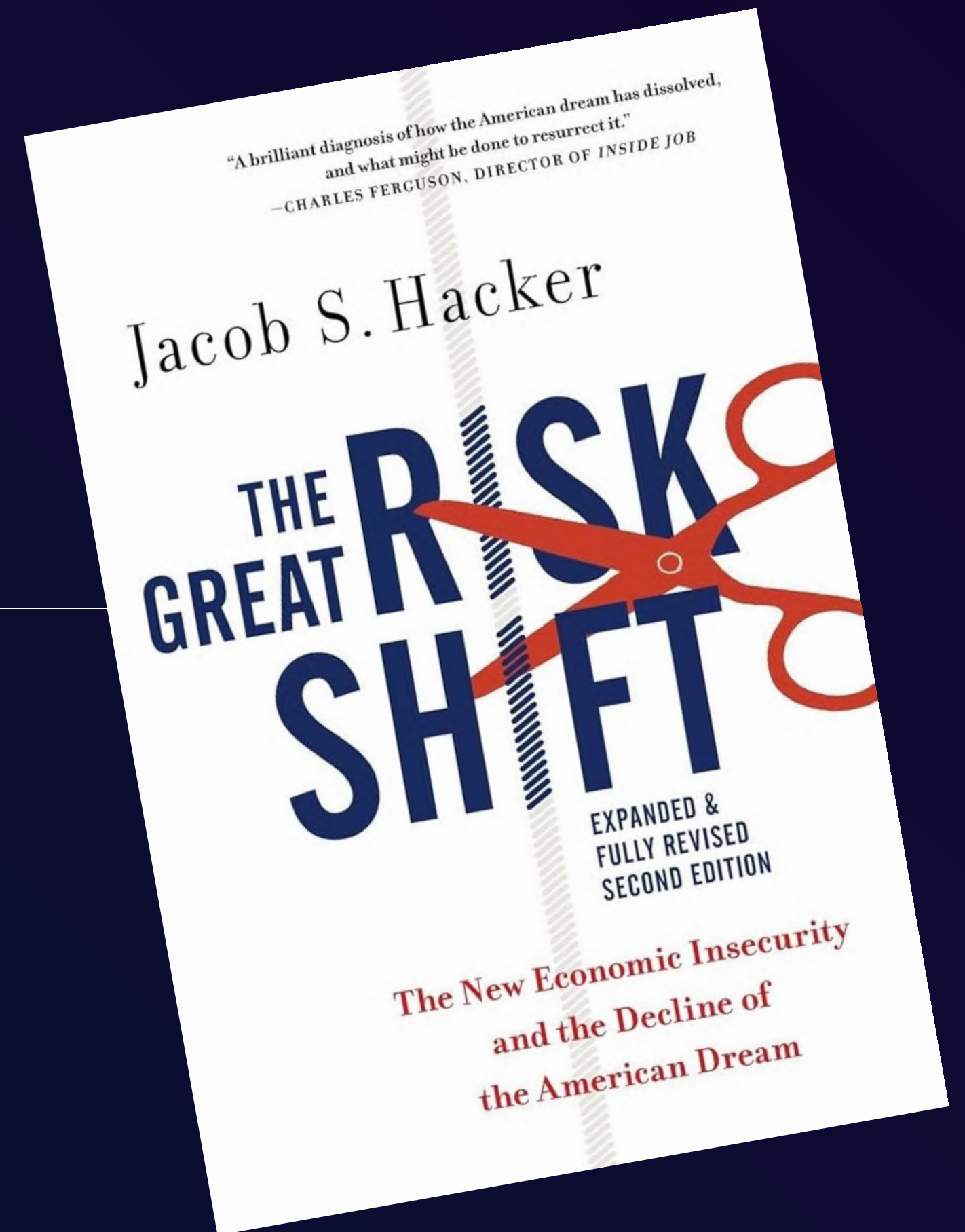
As faith in institutions has faded and in parallel with increasing access, consumers are comfortable taking matters into their own hands

Source: Forbes, 2023



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

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

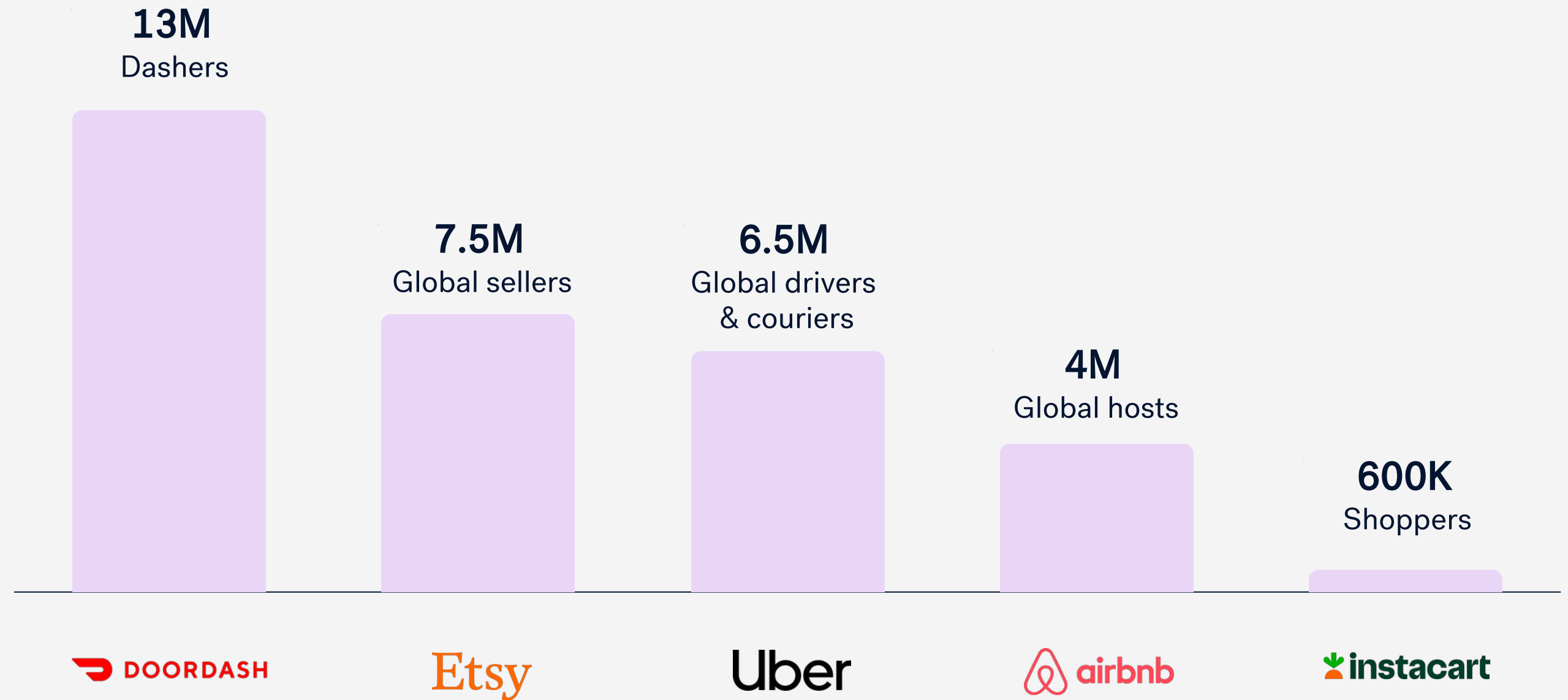
Mainstream beyond gig and creator economy



working for self

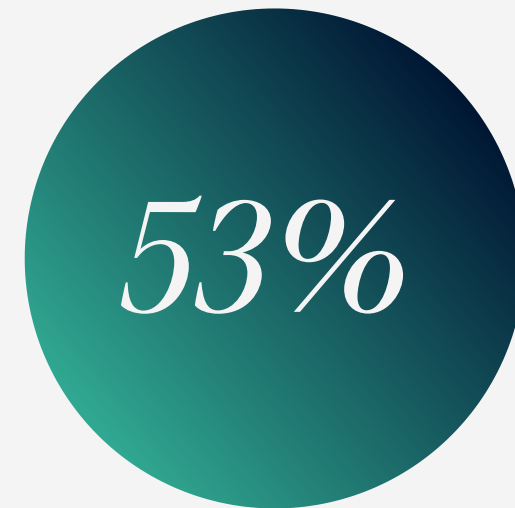
The gig economy ignited the "working for self" trend

GIG ECONOMY WORKERS

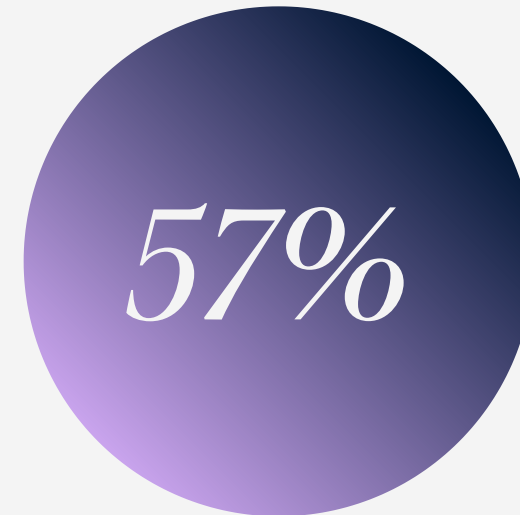


The creator economy propelled "working for self" to cross the chasm

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



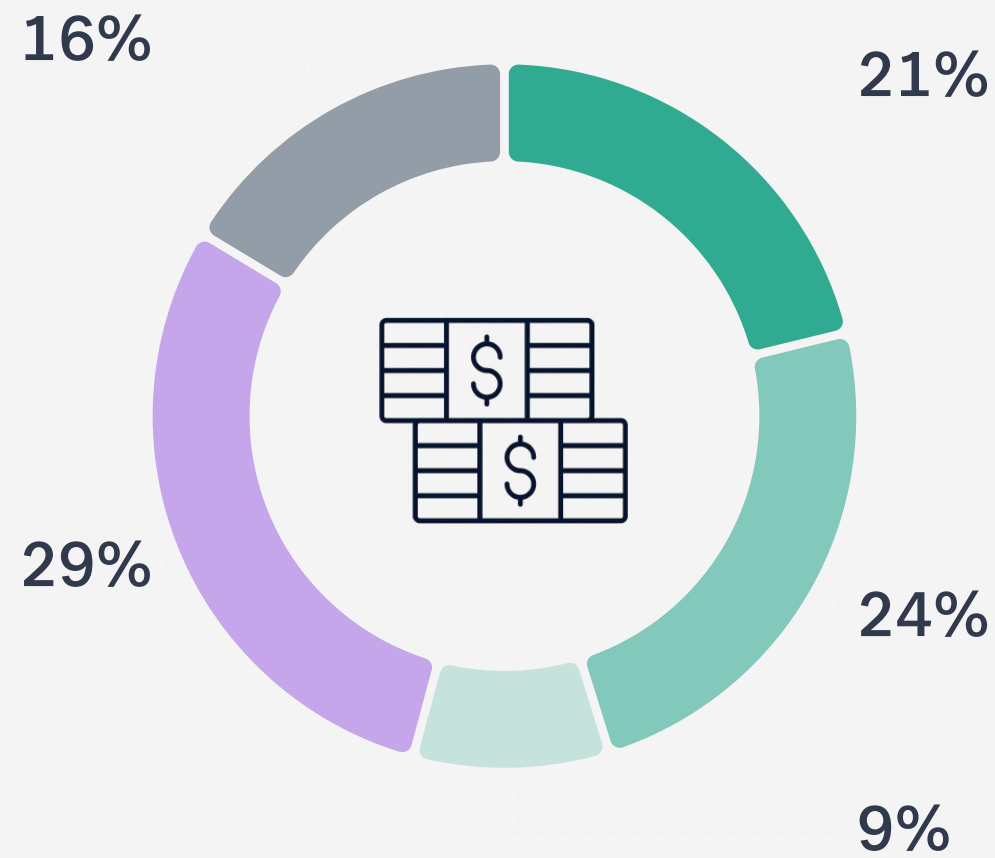
Number of influencers worldwide

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



\$15M revenue run rate

At present do you have a side hustle?



- Yes, I do for spending money
- Yes, I do for saving money
- Yes, I do for fun / learning
- No, but I would like to
- No, and I do not want to



Would you prefer to work for yourself or a company?

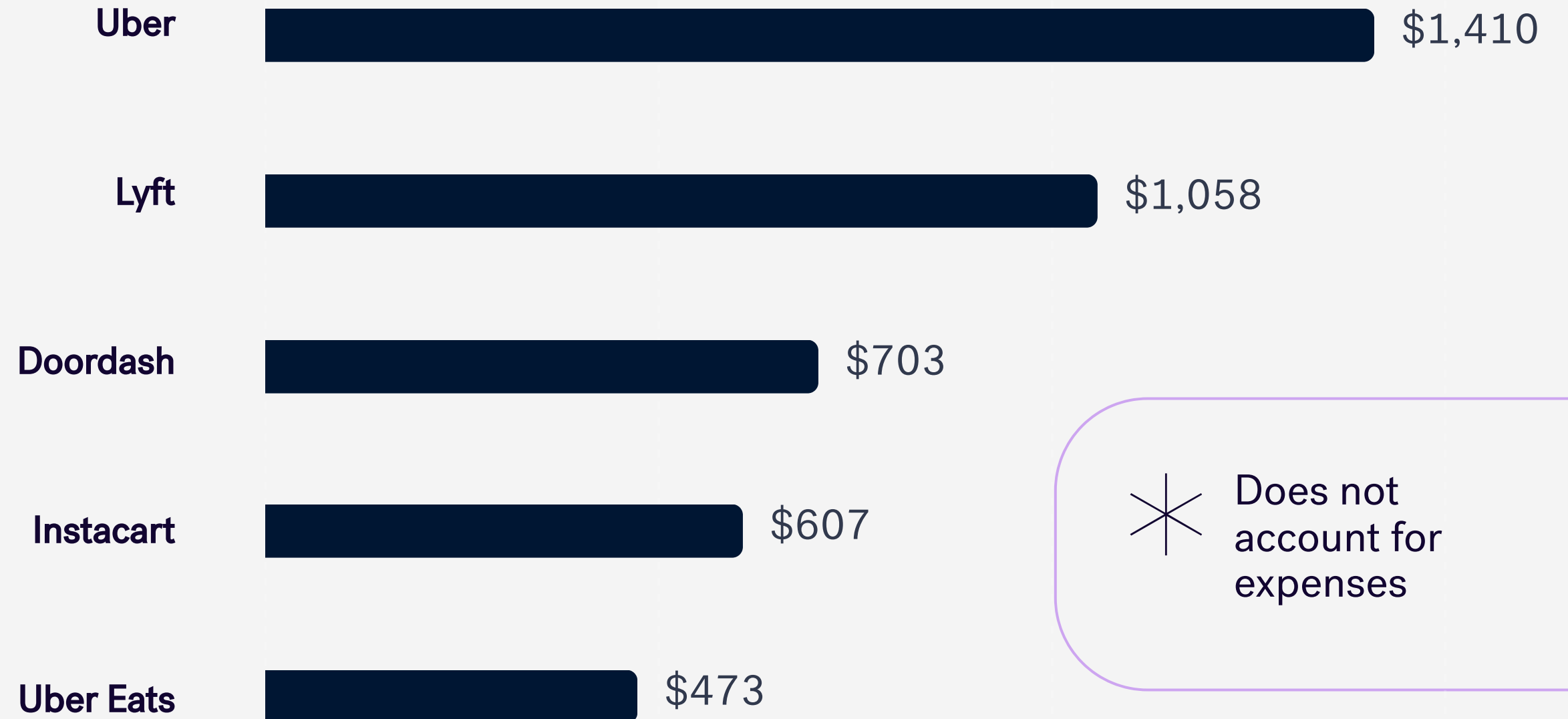


- Work for myself
- Work for a company

Source: Forerunner Consumer Survey, 2024

Gig work can provide supplemental income

MONTHLY GROSS EARNINGS



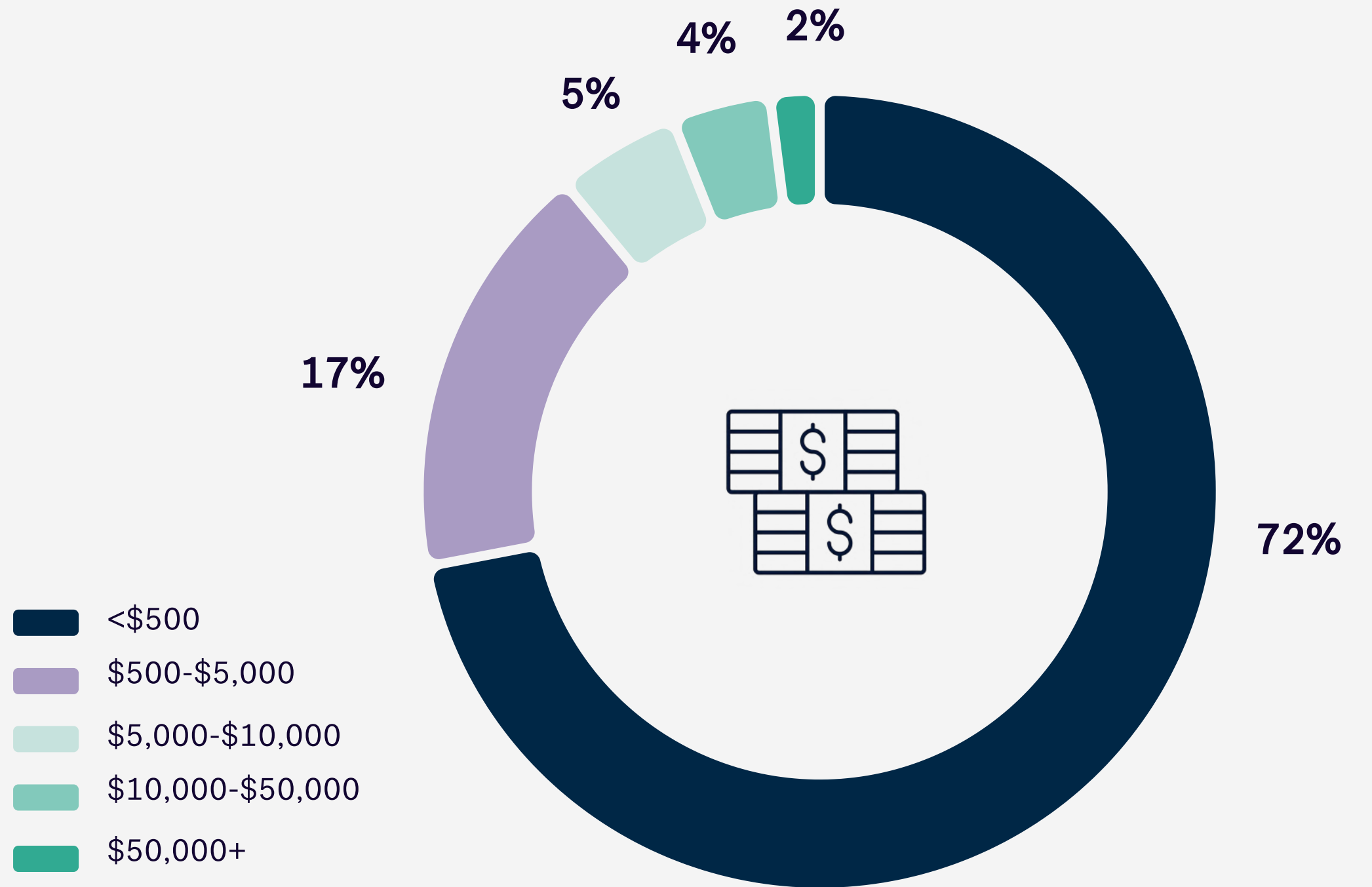
* Does not account for expenses

2023 Monthly Gross Earnings

Source: Gridwise, 2023

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

ANNUAL GROSS EARNINGS



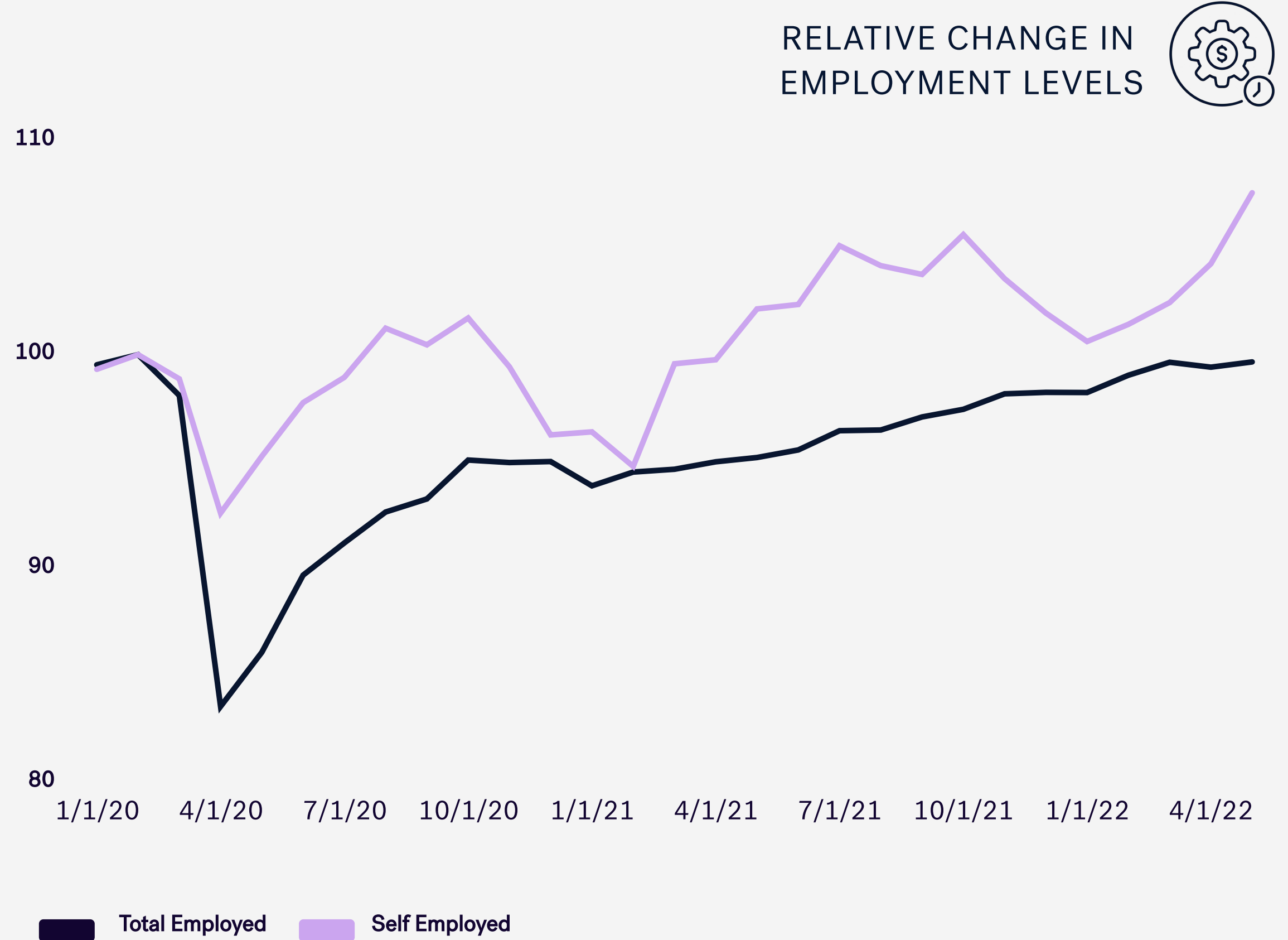
The next inflection point: skilled remote workers enter freelance market as the cost of forgoing connection, mentorship, and advancement in full time roles sets in

IMPACT OF TELEWORK ON WORK & PERSONAL LIFE



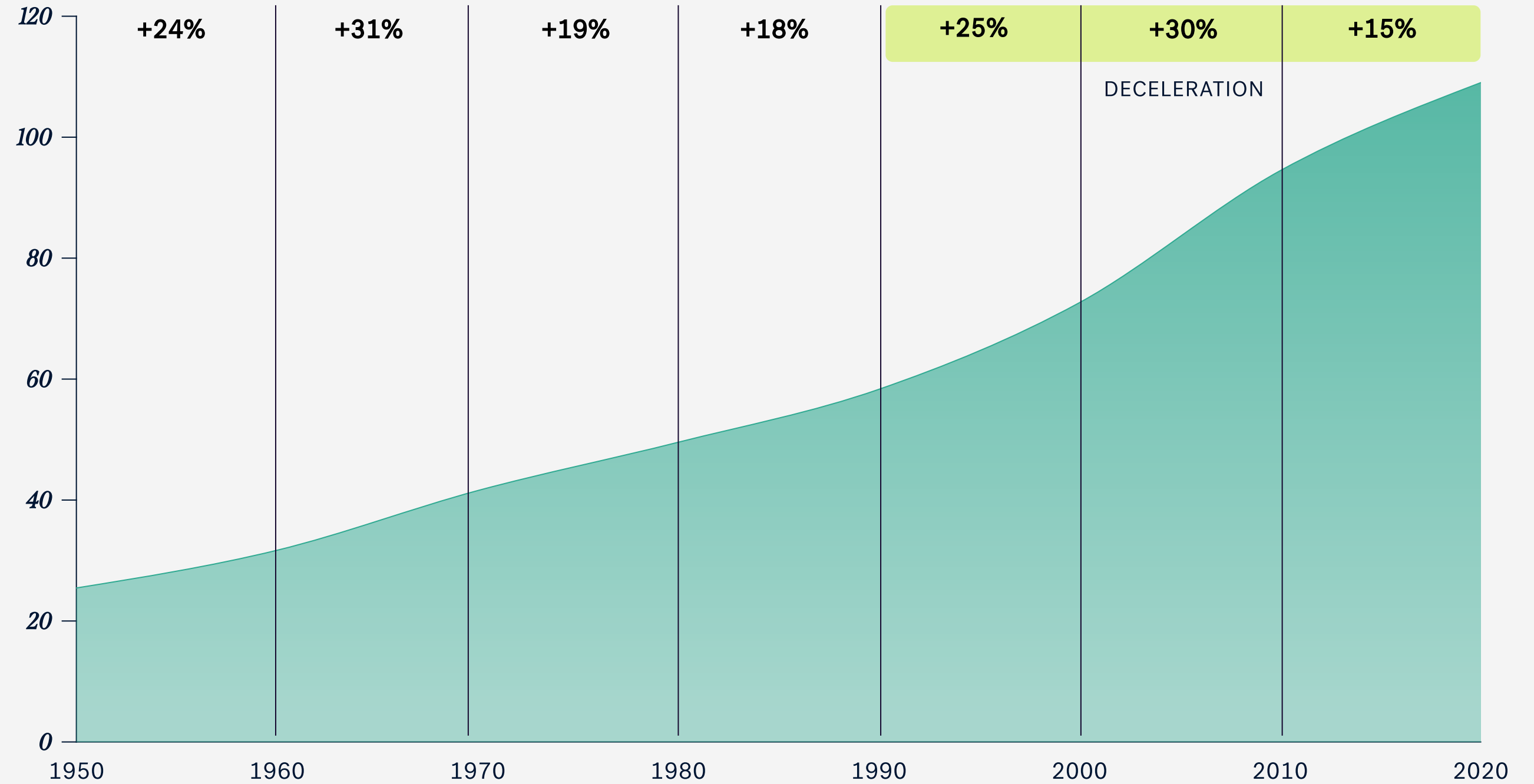
Source: Pew Research, 2023

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



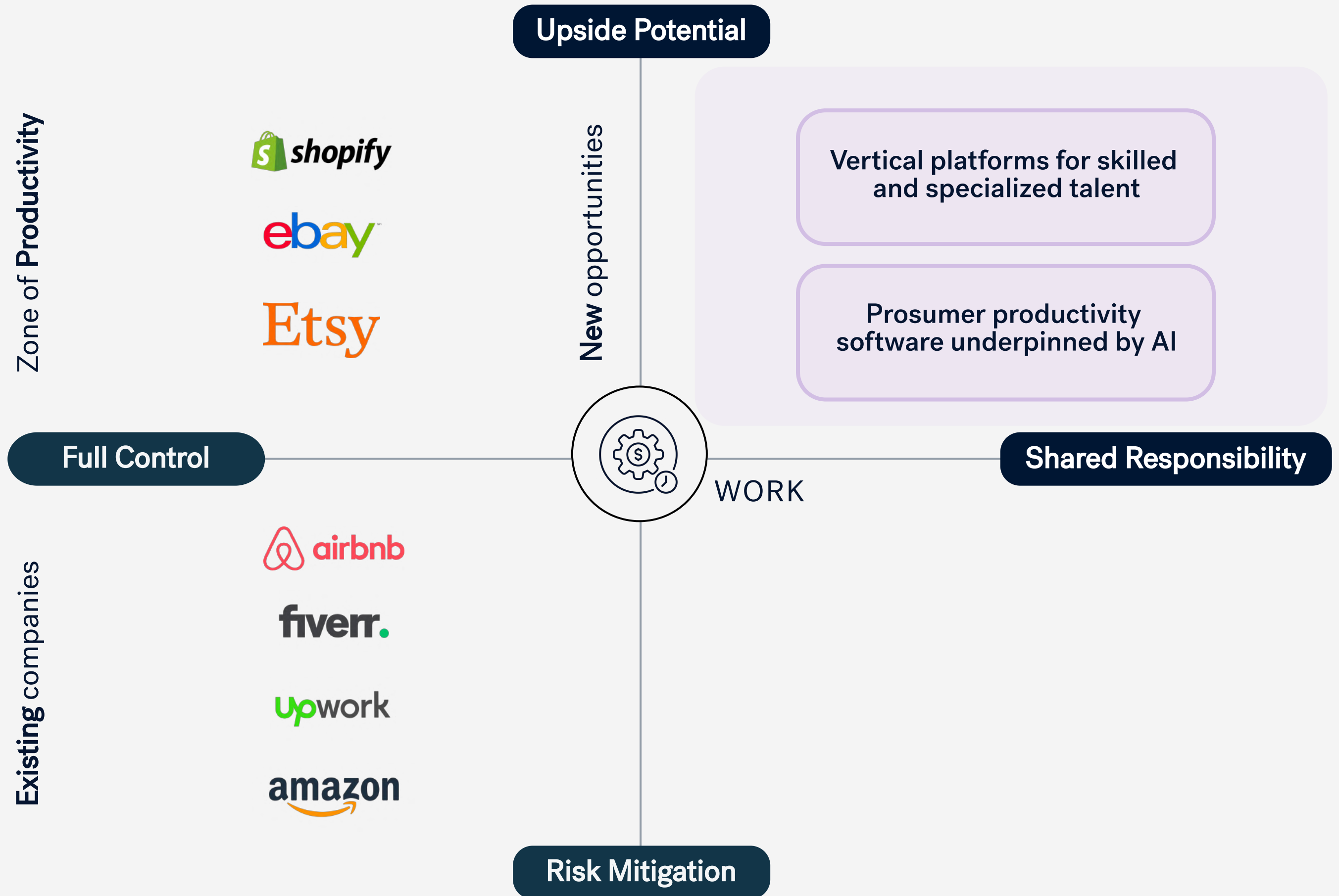
Self-employed workers have as much (arguably more) to gain in AI-driven productivity as full-time workers

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

medely duet Fay Nourish

Freelancers

Toptal GoFractional

continuum contra

MarketerHire

Home

StreetFair 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



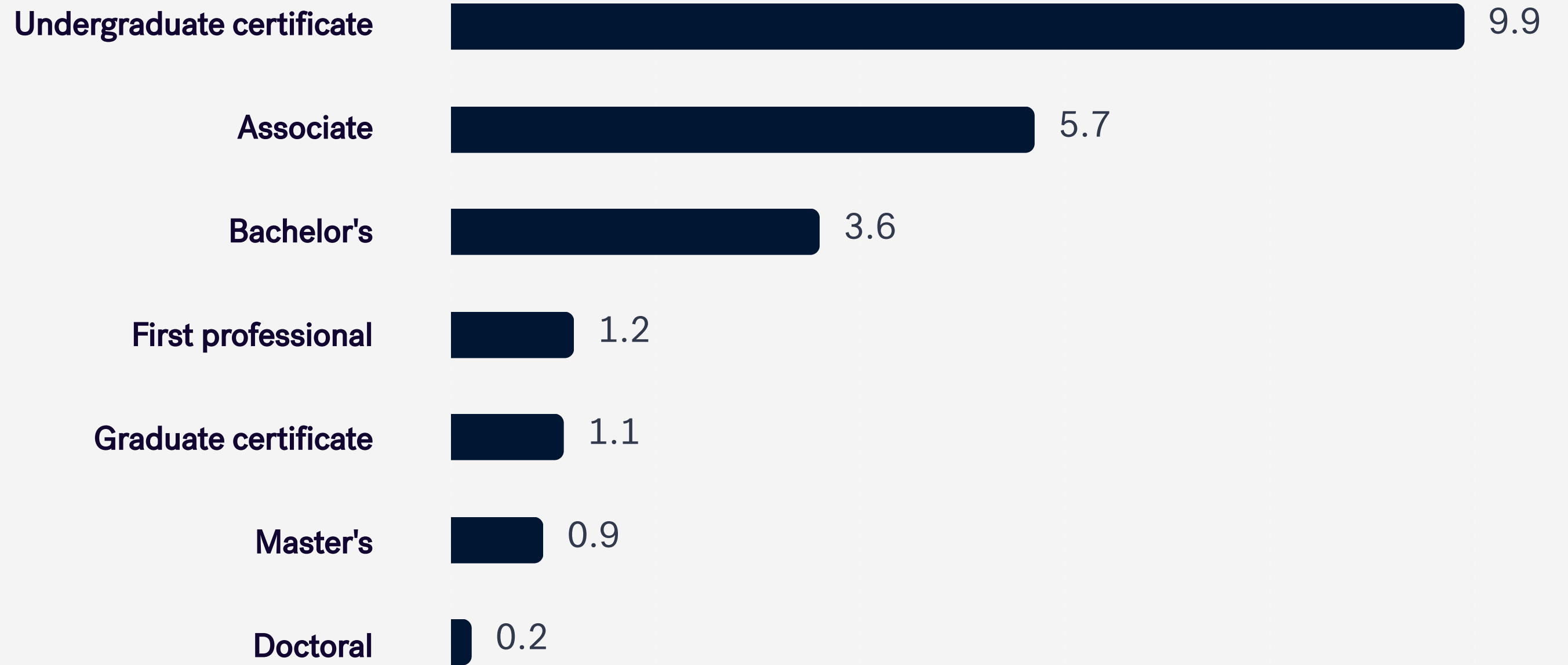
As student loan collections restart, millions are not yet paying



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

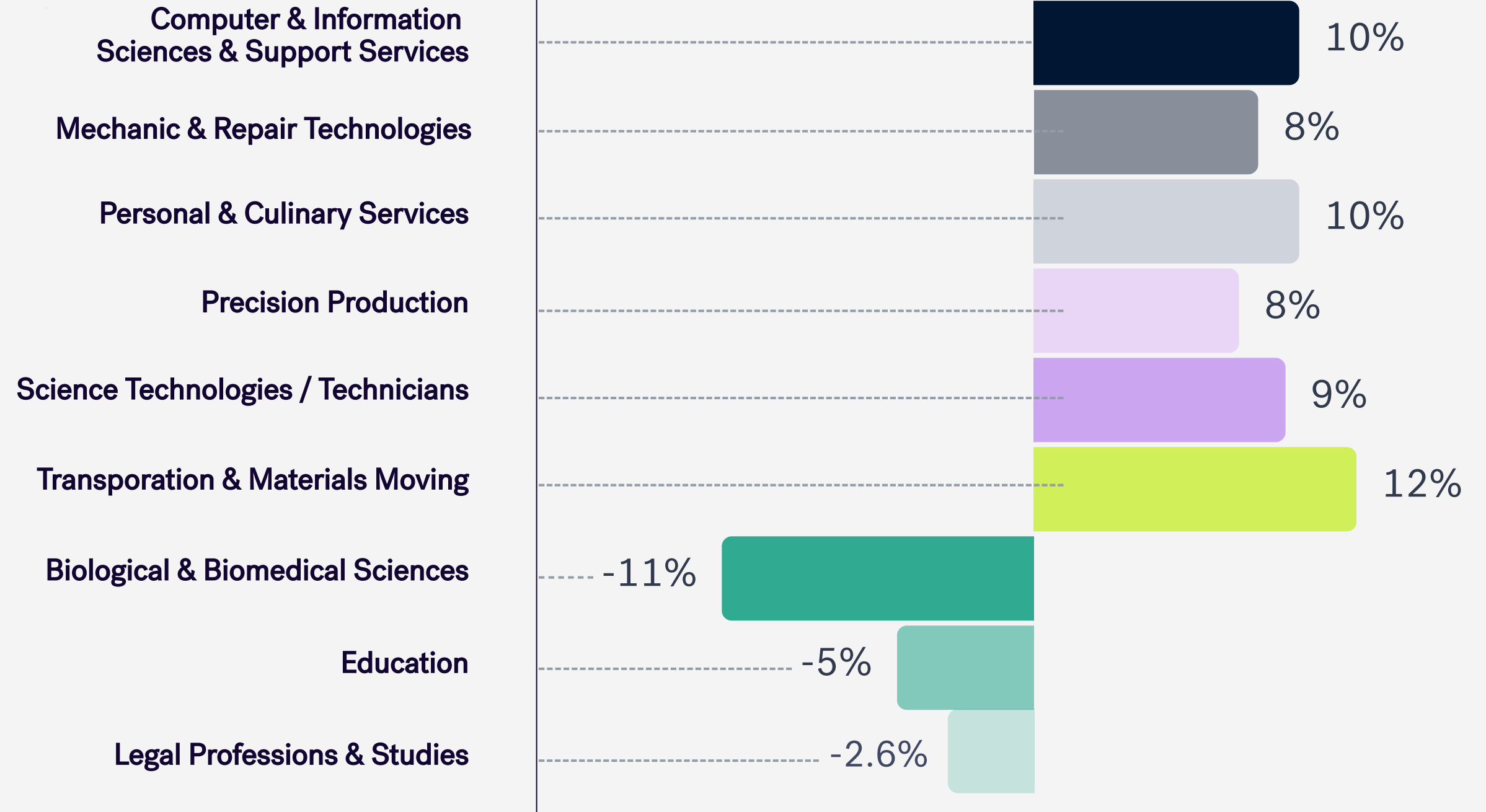
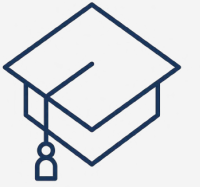


Fall 2023

Source: Higher Ed Dive, 2023

Two-year program interest focuses on technical skills sets

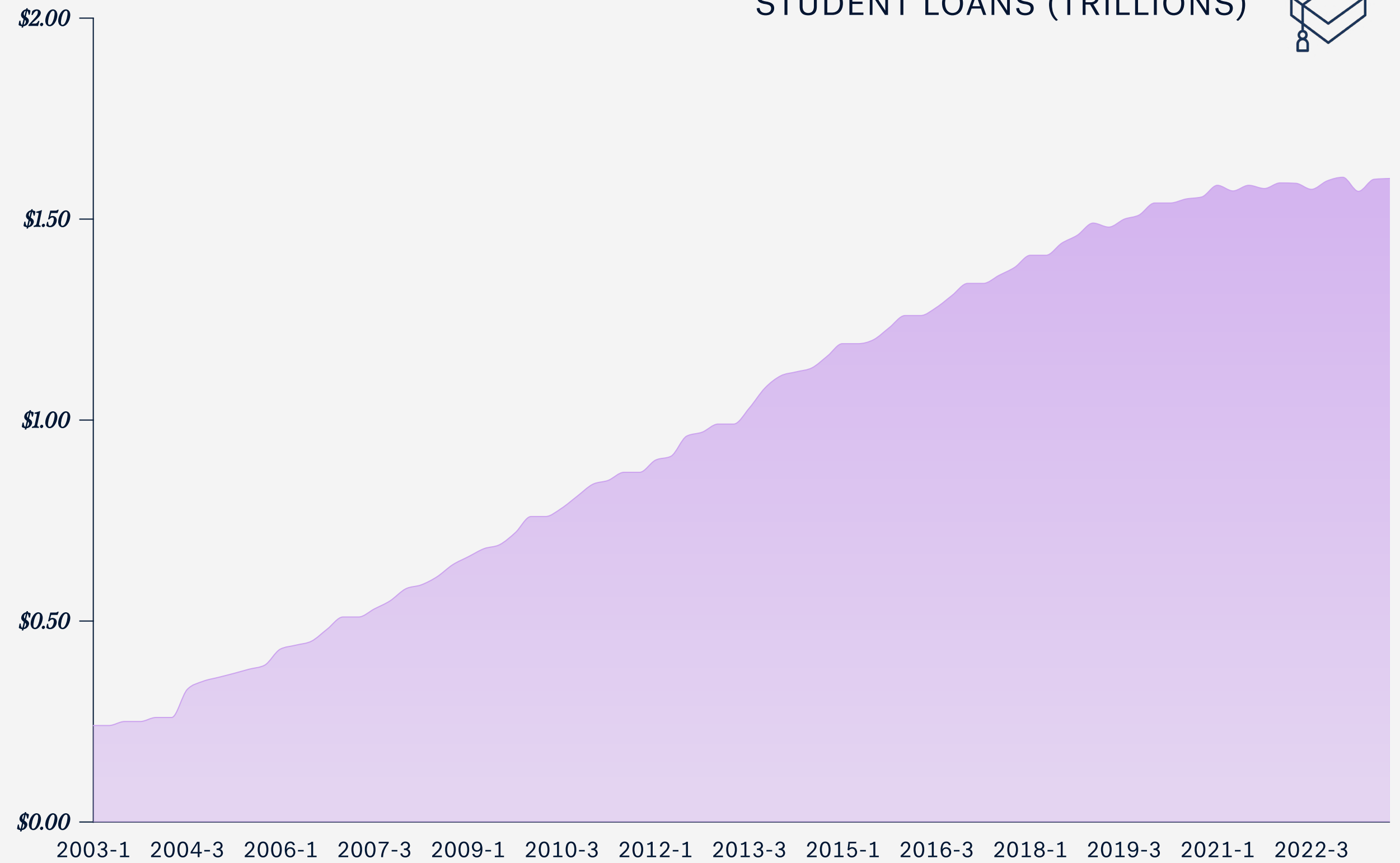
2023 CHANGE IN TWO-YEAR INSTITUTION ENROLLMENT BY MAJOR



Source: NSC Research Center, 2023

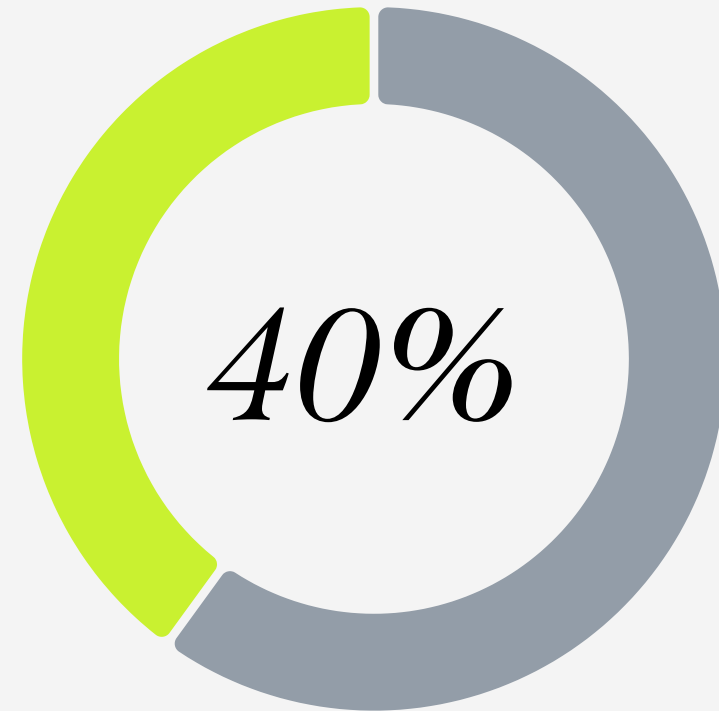
In line, student loan growth rate has leveled

STUDENT LOANS (TRILLIONS)

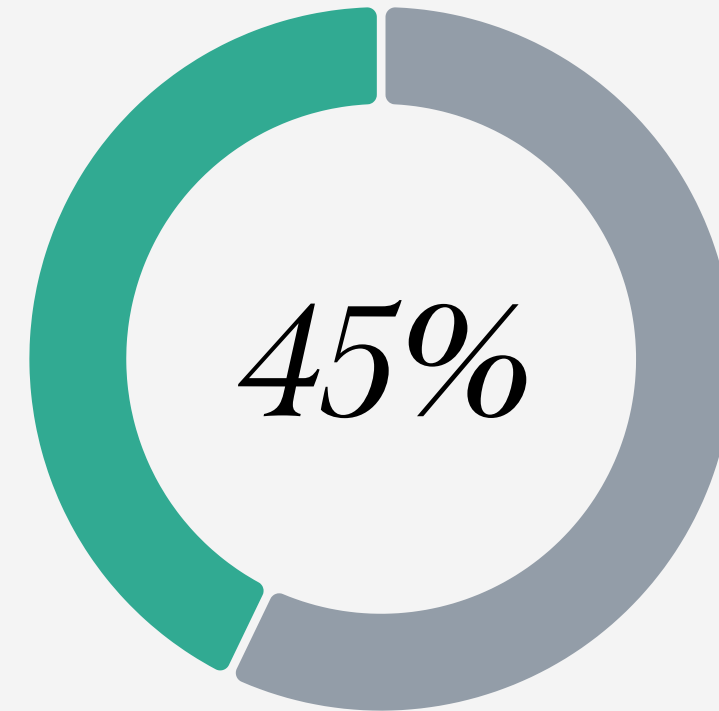


Source: Fred St Louis Fed, 2023

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



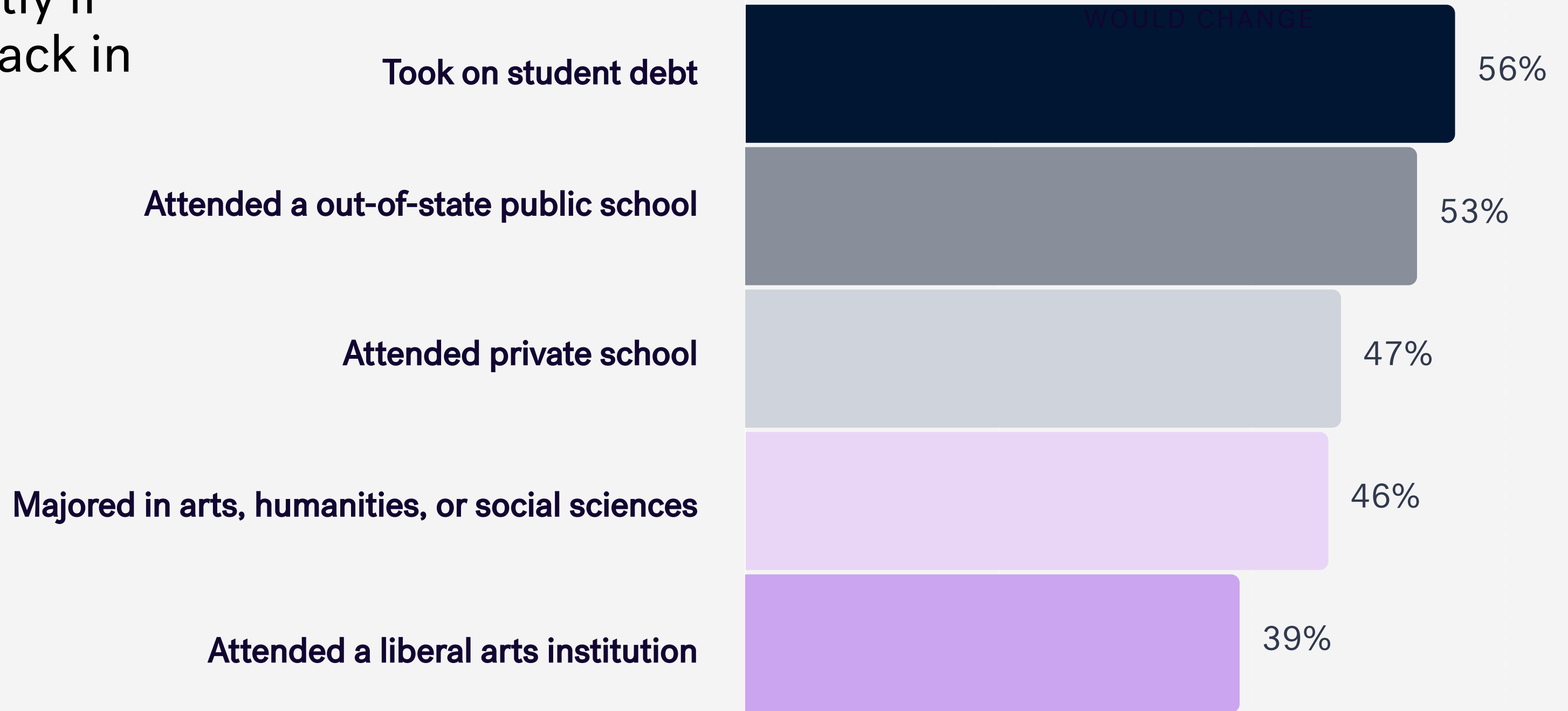
Percentage of core skills that will change by 2025



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

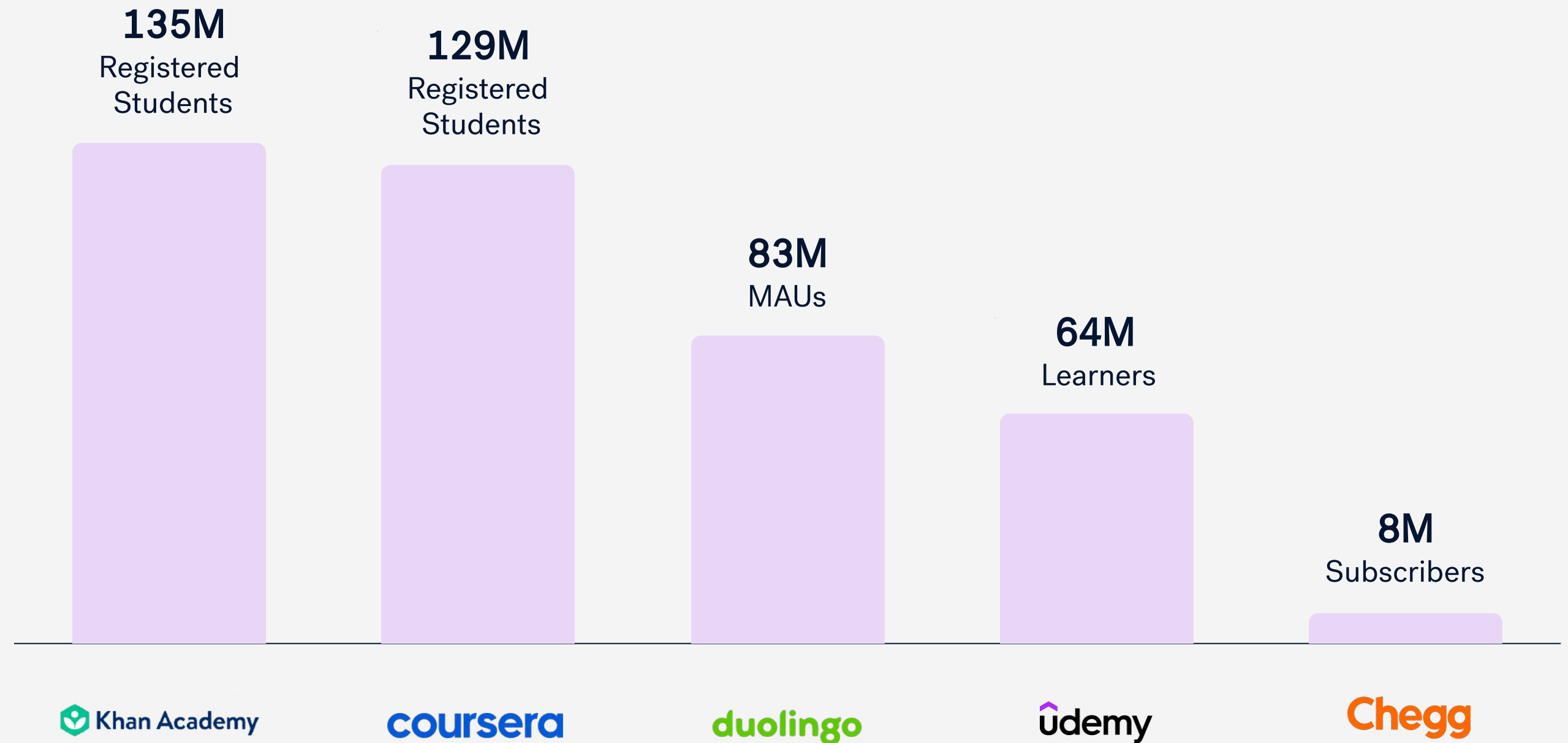
% of adults who attended college and what they would change about their college experience



Source: Forerunner Consumer Survey, 2024

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



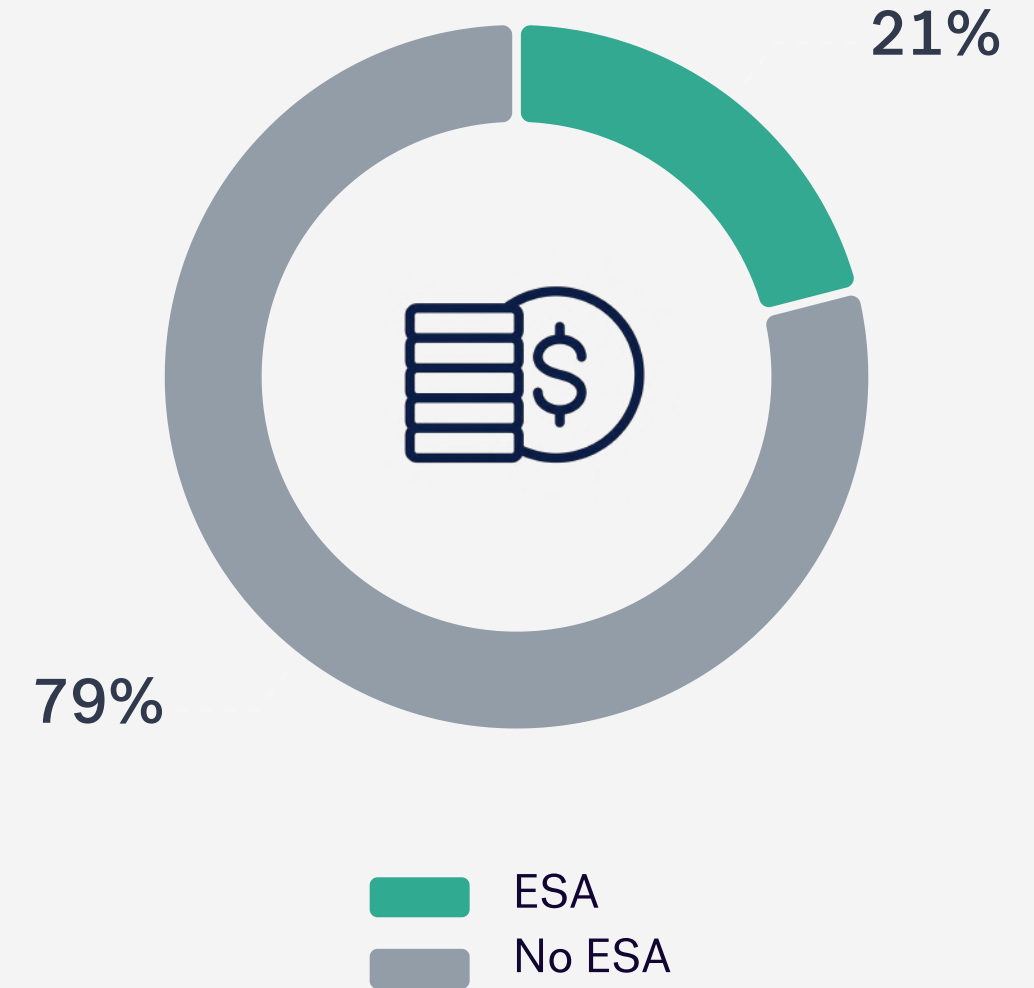
125K

Microschools in 2023



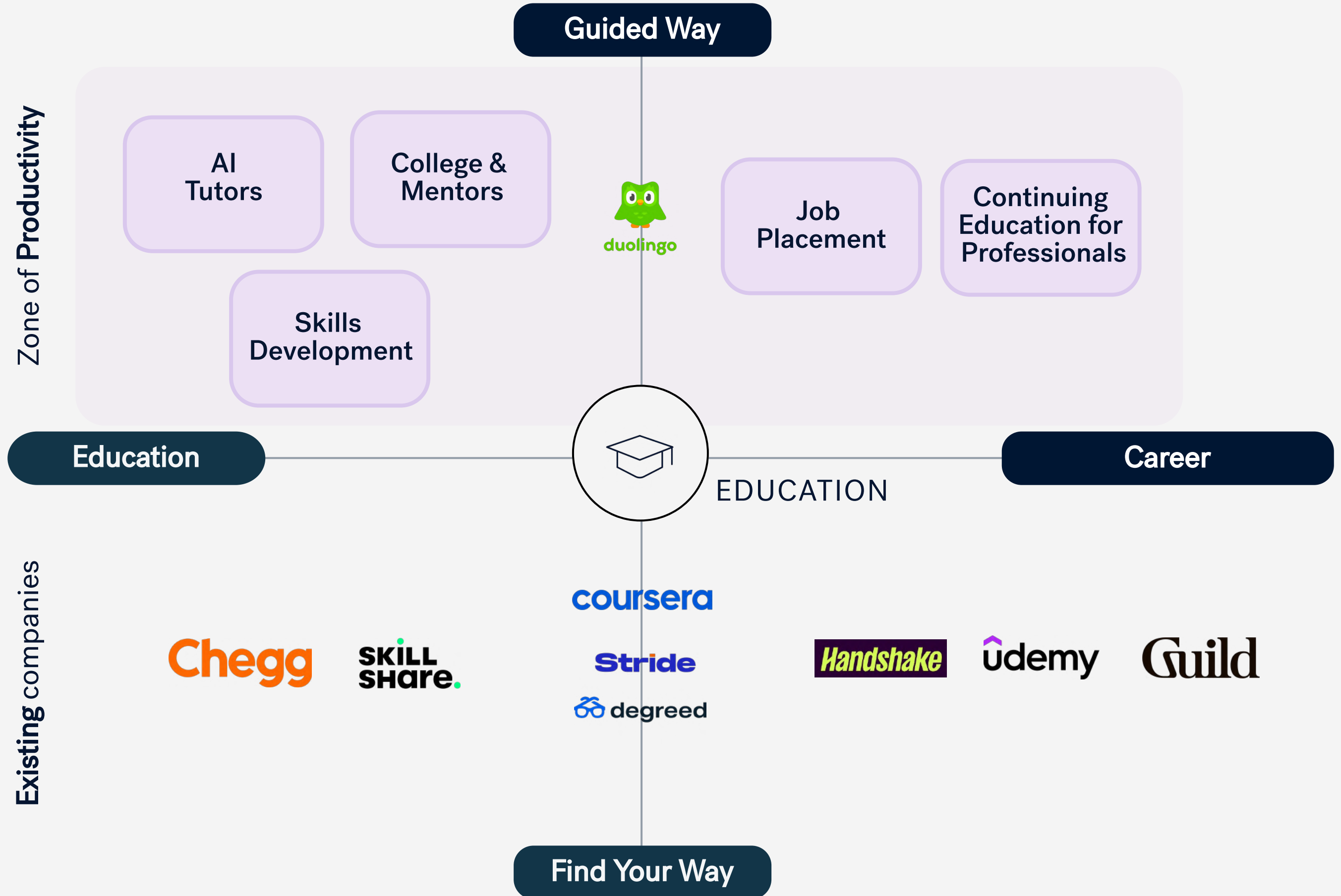
US POPULATION LIVING IN STATE WITH EDUCATION SAVINGS ACCOUNTS (ESA)

9 of 11 states started ESAs since 2021



Source: Education Week, 2023

Shift toward guided learning underpins the 'Zone of Productivity'

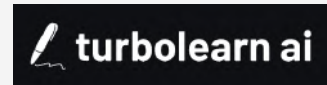


Sample 'Zone of Productivity' companies in Education

AI Tutor

 sizzle

 studdy

 turbolearn ai

 Cactus

 SKETCHY

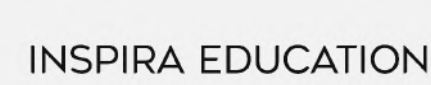
 juni

Coaches & Mentors

 Leland

 SOMETHINGS



 EMPOWERLY


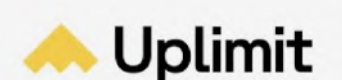
 INSPIRA EDUCATION

 curious cardinals

Skills Development

 Stepful  Dreambound

 campus  UpSmith
BUILD YOUR FUTURE

 opus  Uplimit

Job Placement

 teal

 Ladder

 EarnBetter

 draftboard

 Wrangle

 Class≡t

Professional Continuing Education

 Medallion

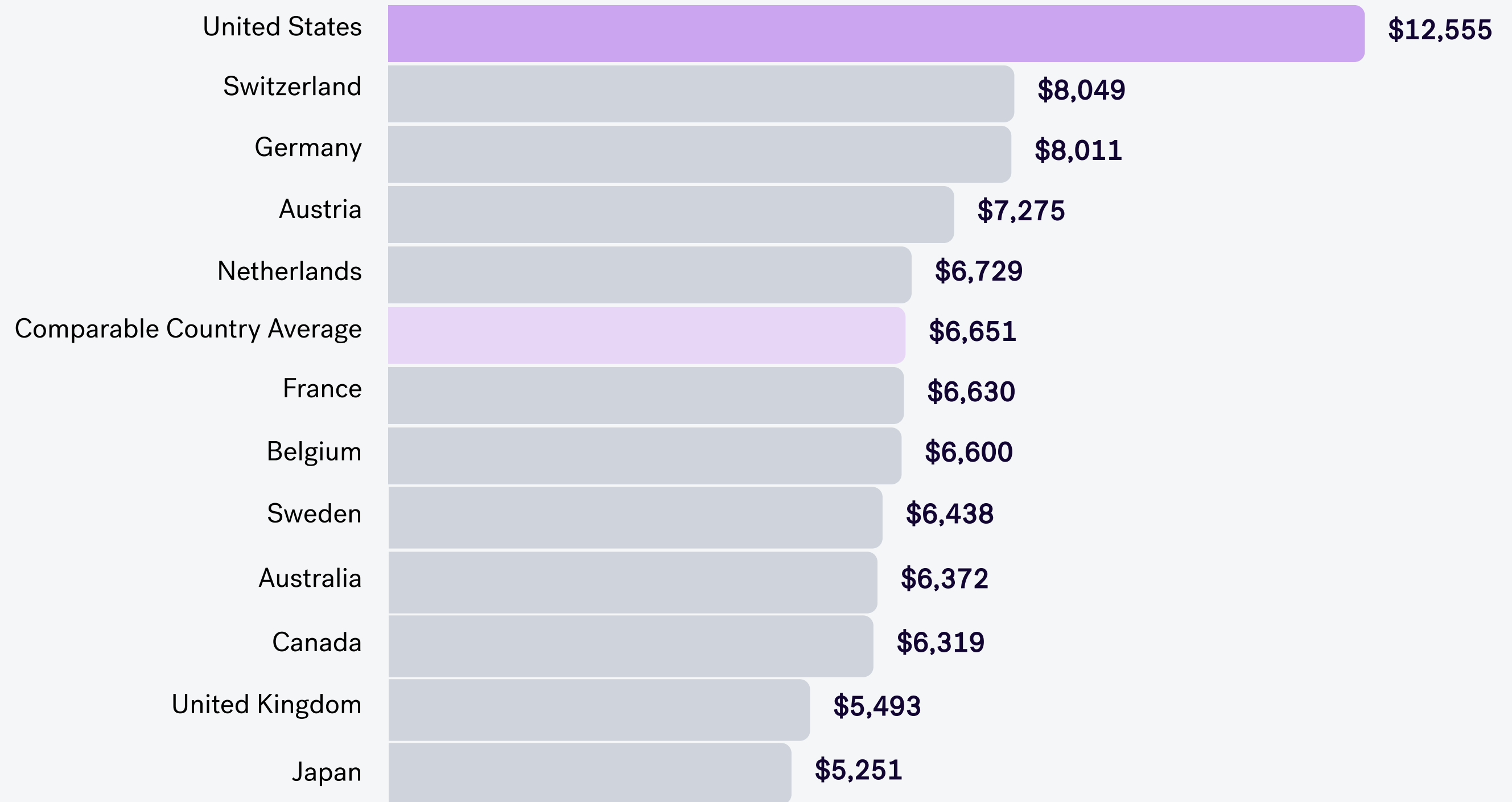
Taking your **health** back from the system



Care that *works* for you

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

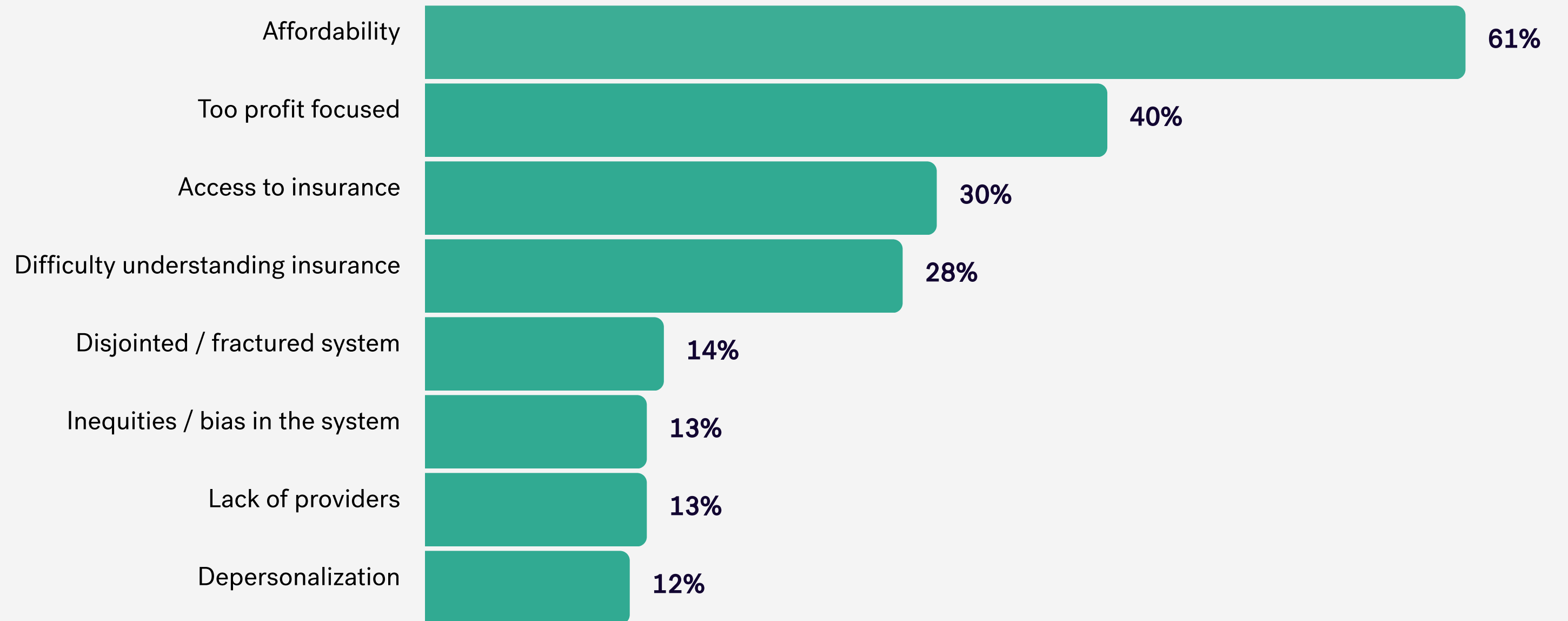
HEALTH EXPENDITURES PER CAPITA,
U.S. DOLLARS 2022
(Current prices and PPP adjusted) 



Source: KFF analysis of OECD data, 2022

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

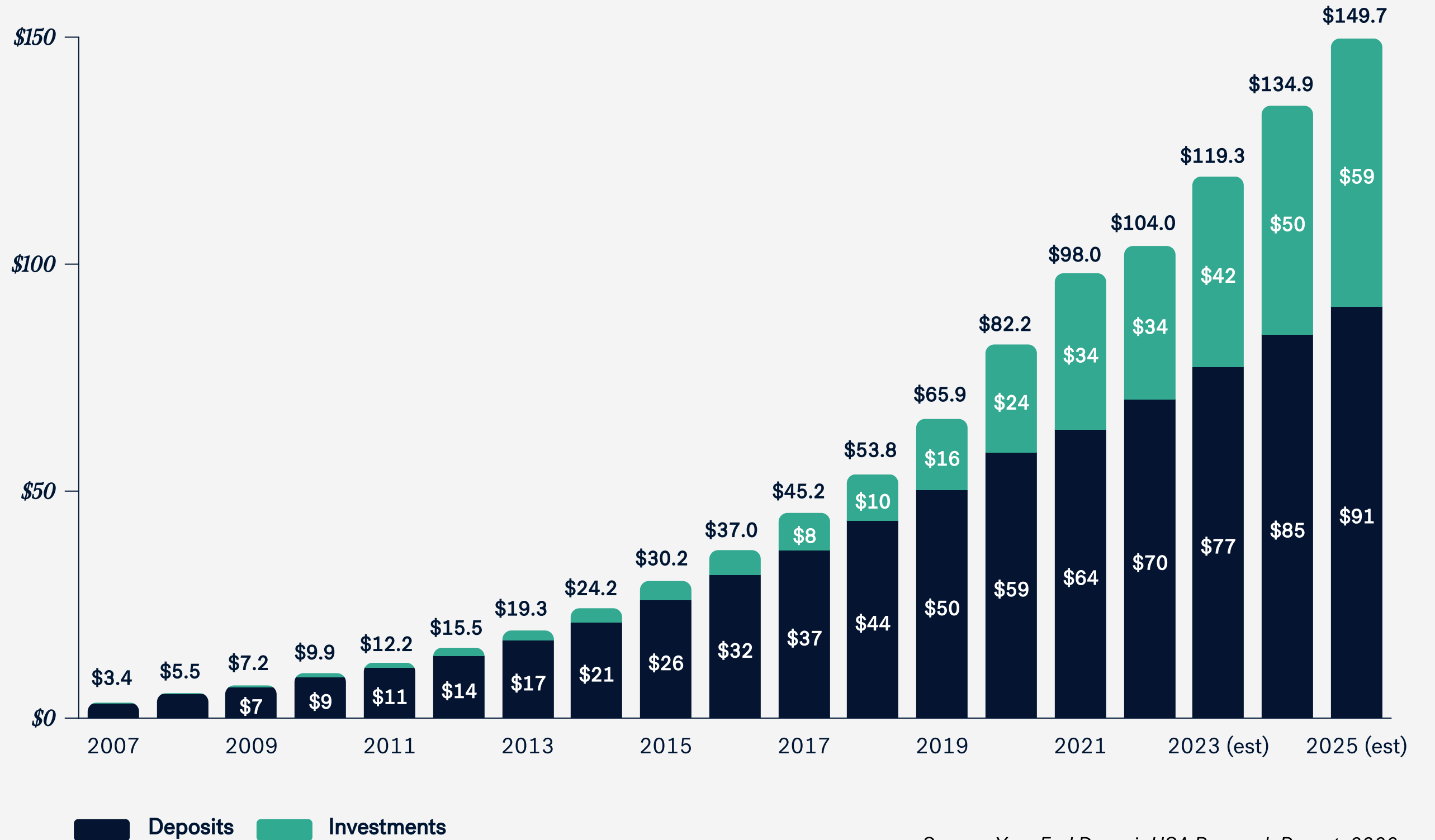
WHAT DO YOU CONSIDER TO BE THE BIGGEST BARRIERS TO ACCESS TO HEALTHCARE IN THE U.S. HEALTH CARE SYSTEM?



Source: *Time*, 2023

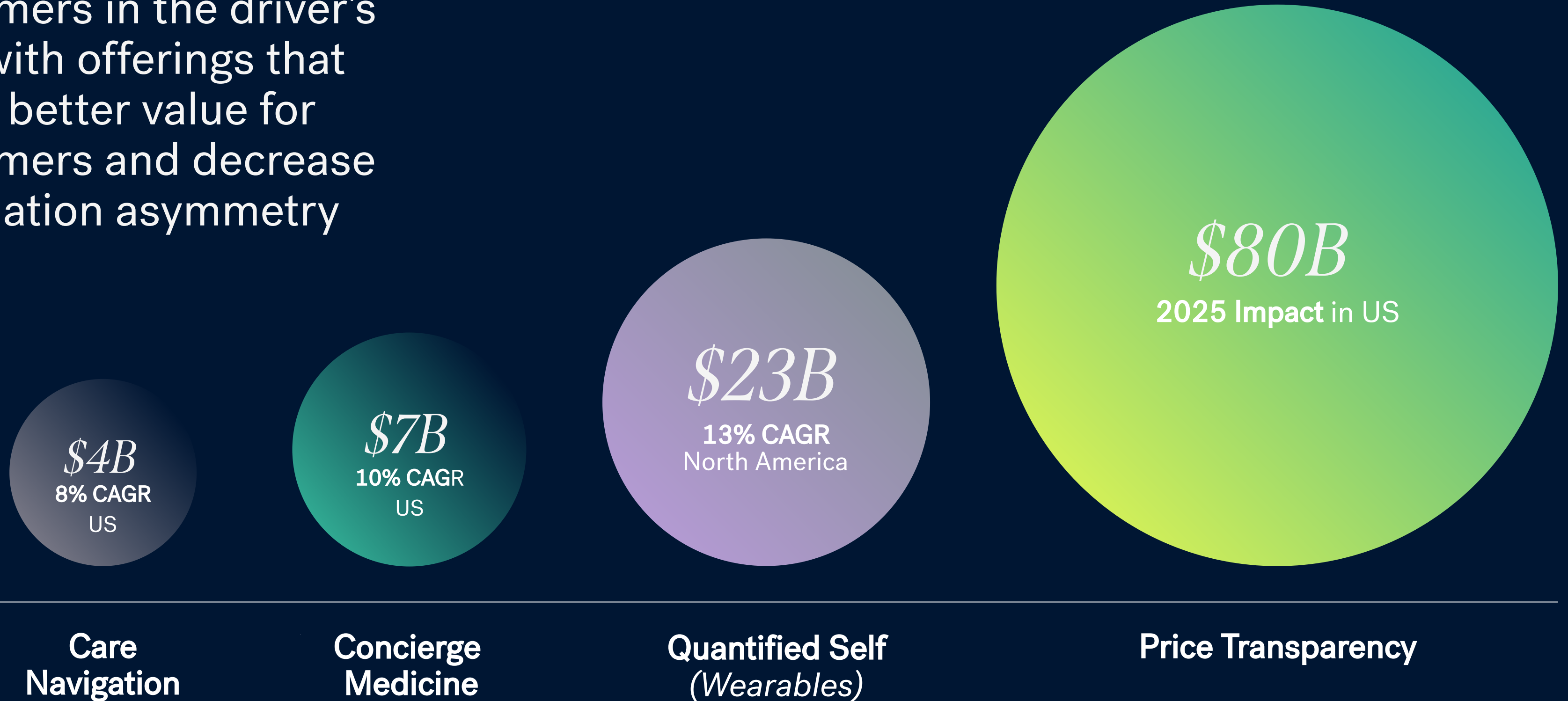
In an effort to assert more direct control, consumers have saved \$100B into their HSAs; a potential unlock for new health offerings

TOTAL HSA ASSETS (IN BILLIONS) 



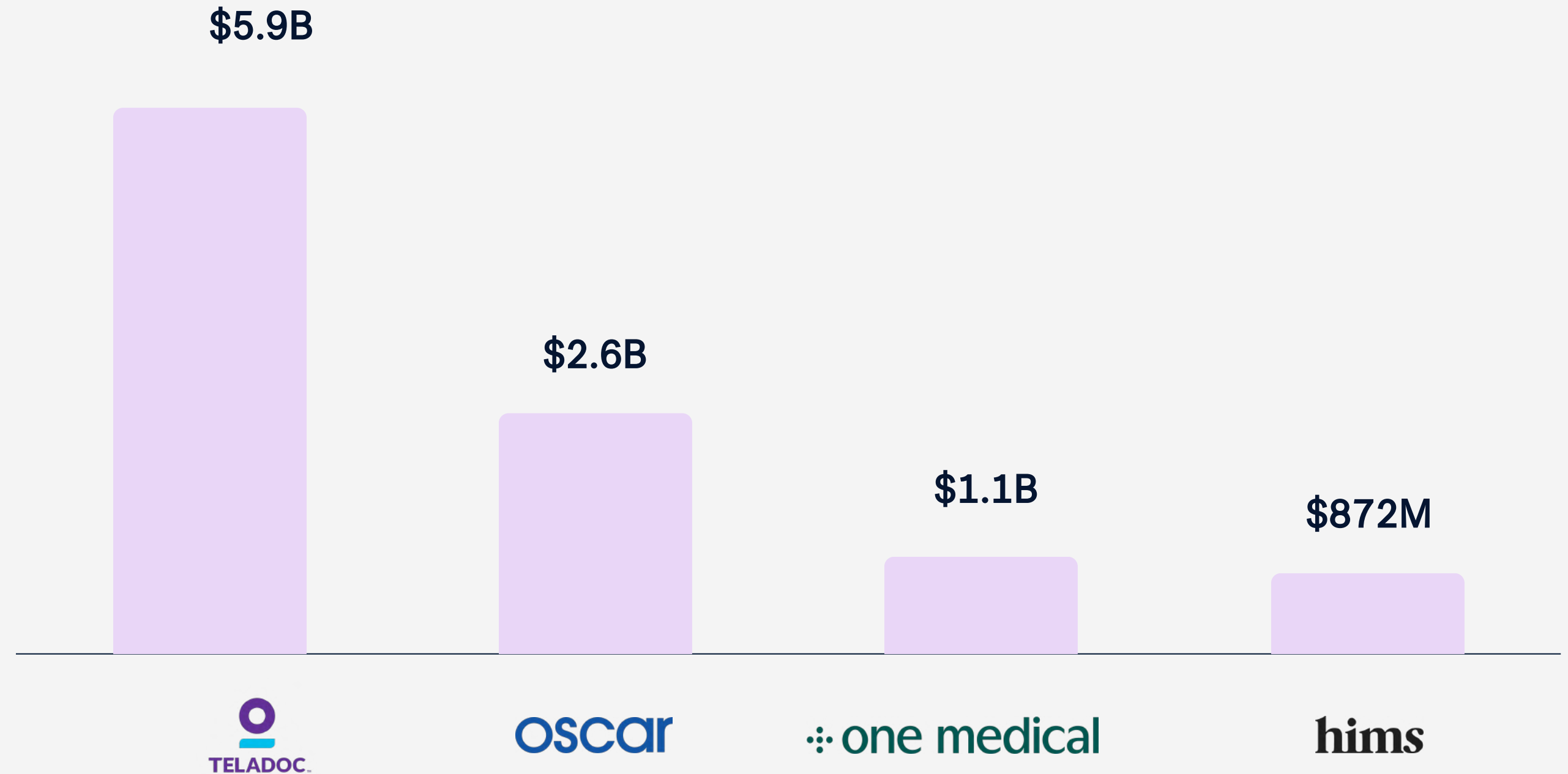
Source: Year-End Devenir HSA Research Report, 2022

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

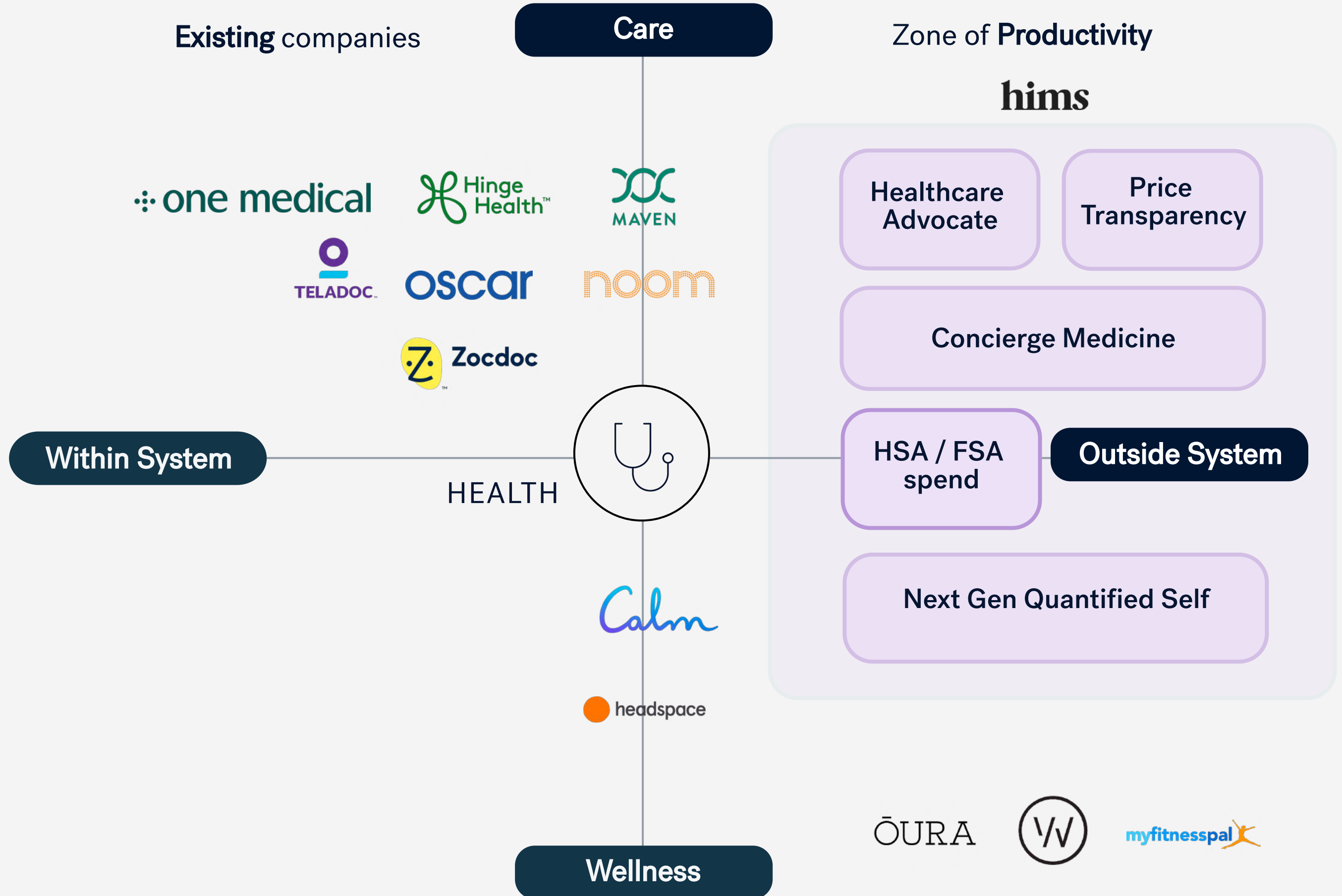


Notable consumer-first care companies have reached critical mass

HEALTH COMPANY REVENUE 



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



Sample 'Zone of Productivity' companies in Health

Concierge Medicine



Healthcare Advocate



Price Transparency



Next Gen Quantified Self



HSA / FSA



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

independence

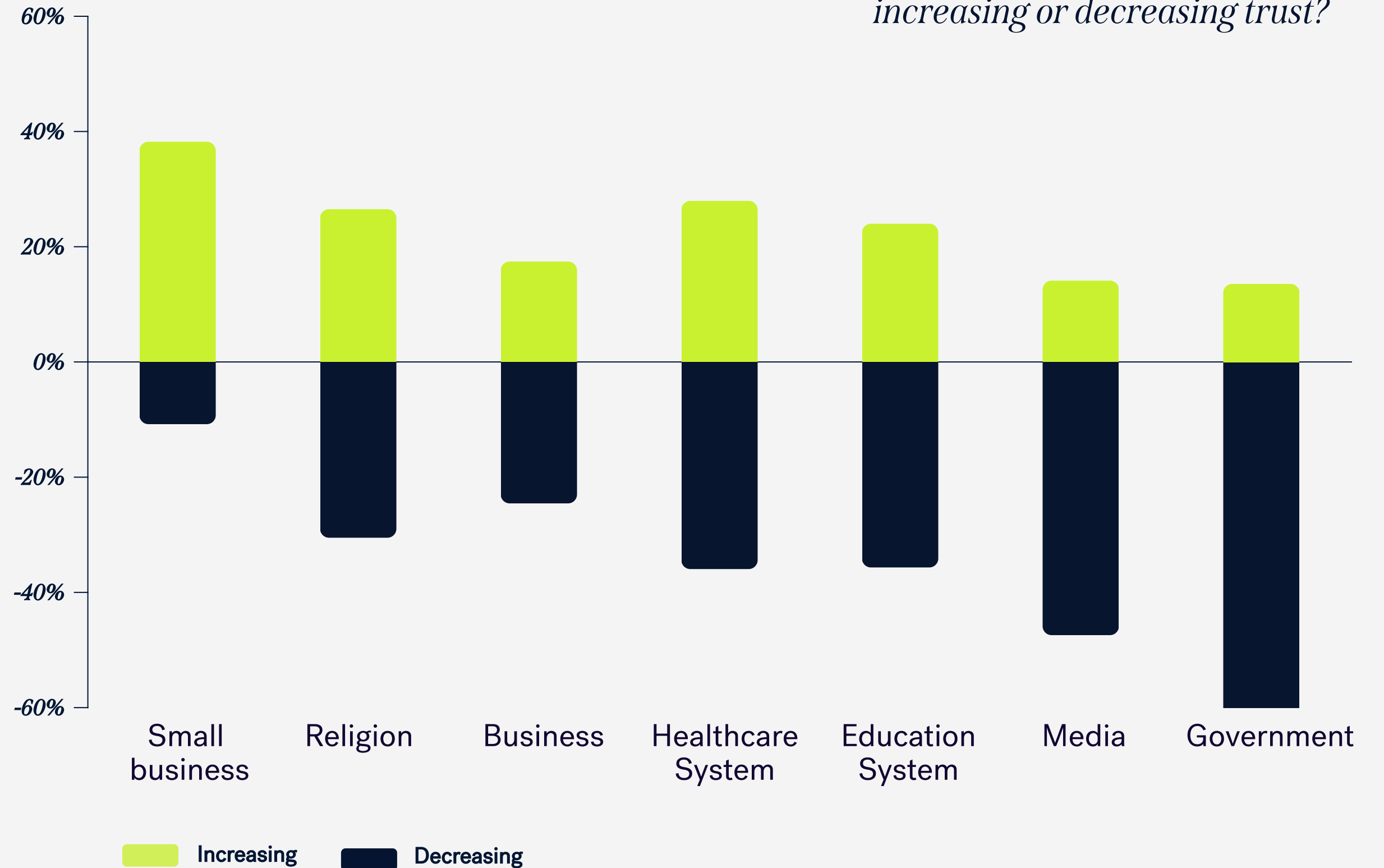


In parallel to the shift, trust in institutions has thinned to concerning levels

F A I R E

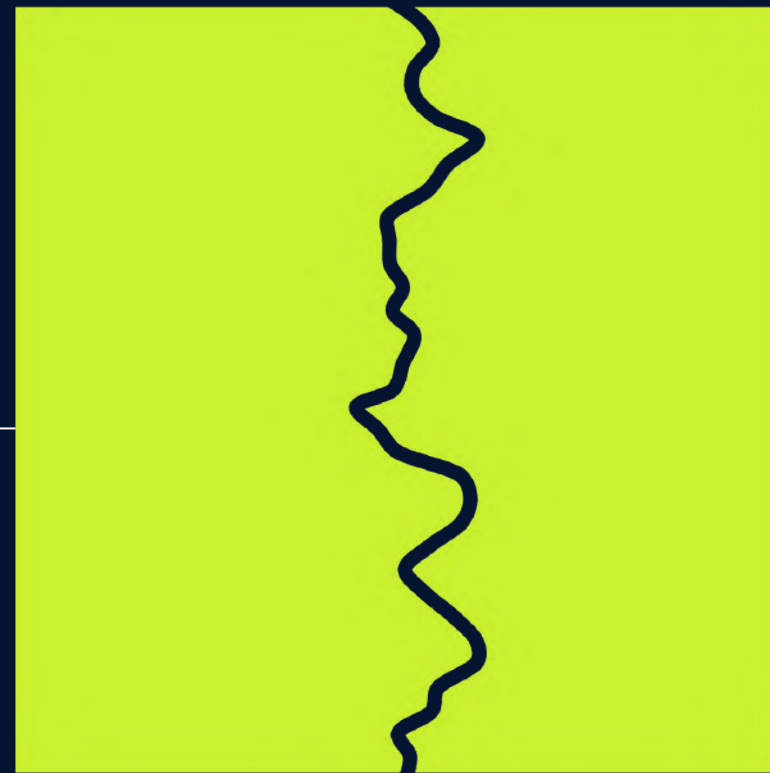
Hundreds of thousands of verified independent (small business) retailers

Which of the below institutions do you have increasing or decreasing trust?



Source: Forerunner Consumer Survey, 2024

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



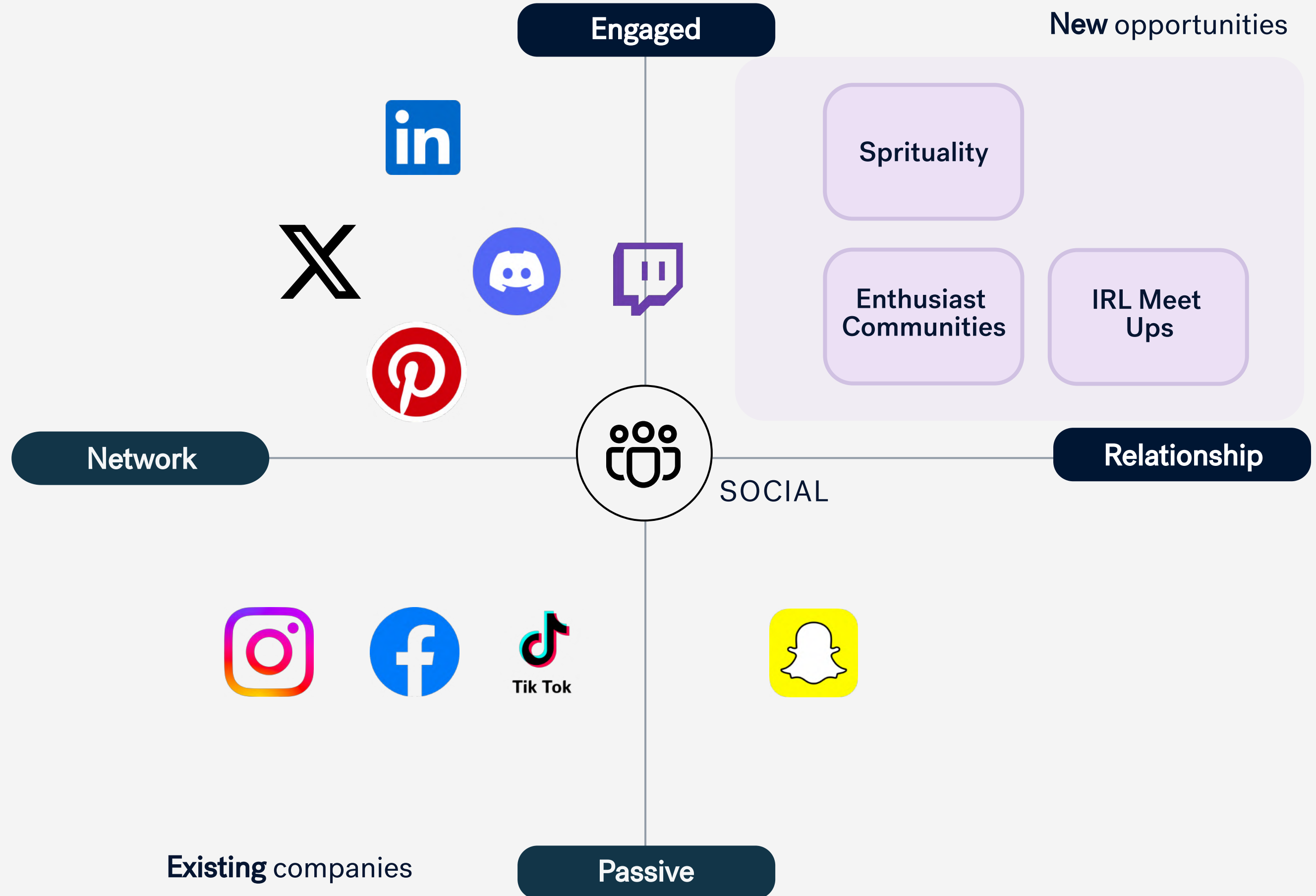
Must exist with the
dependence and
connection to society

*Independence
shifts*



*to
interdependence*

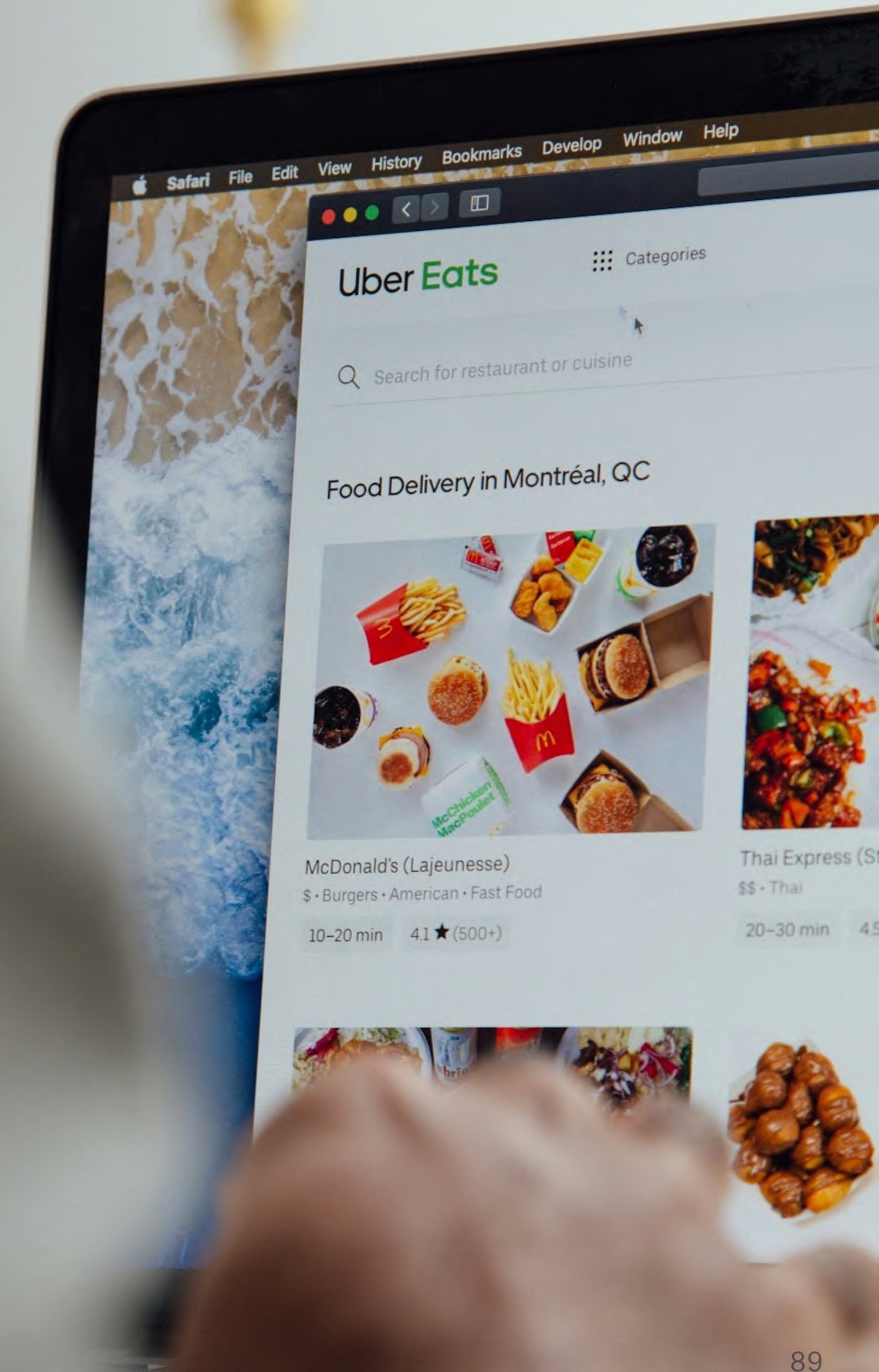
In line with interdependence, social could move beyond the feed and do more to bring people together



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



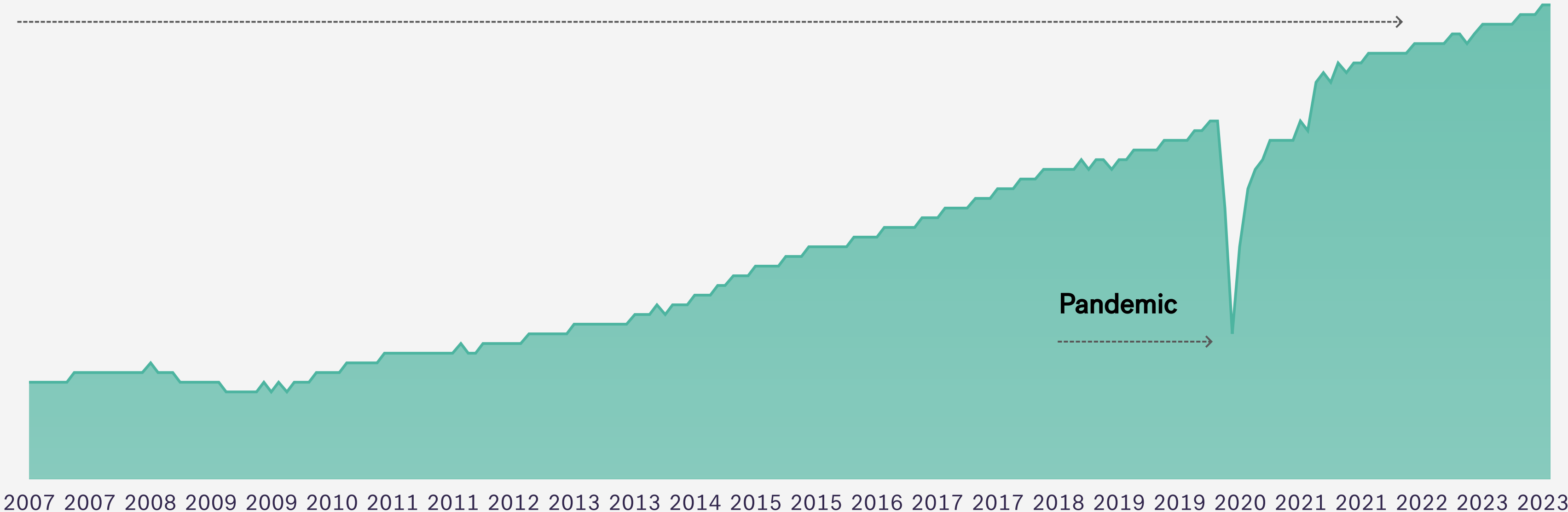
SERVICES



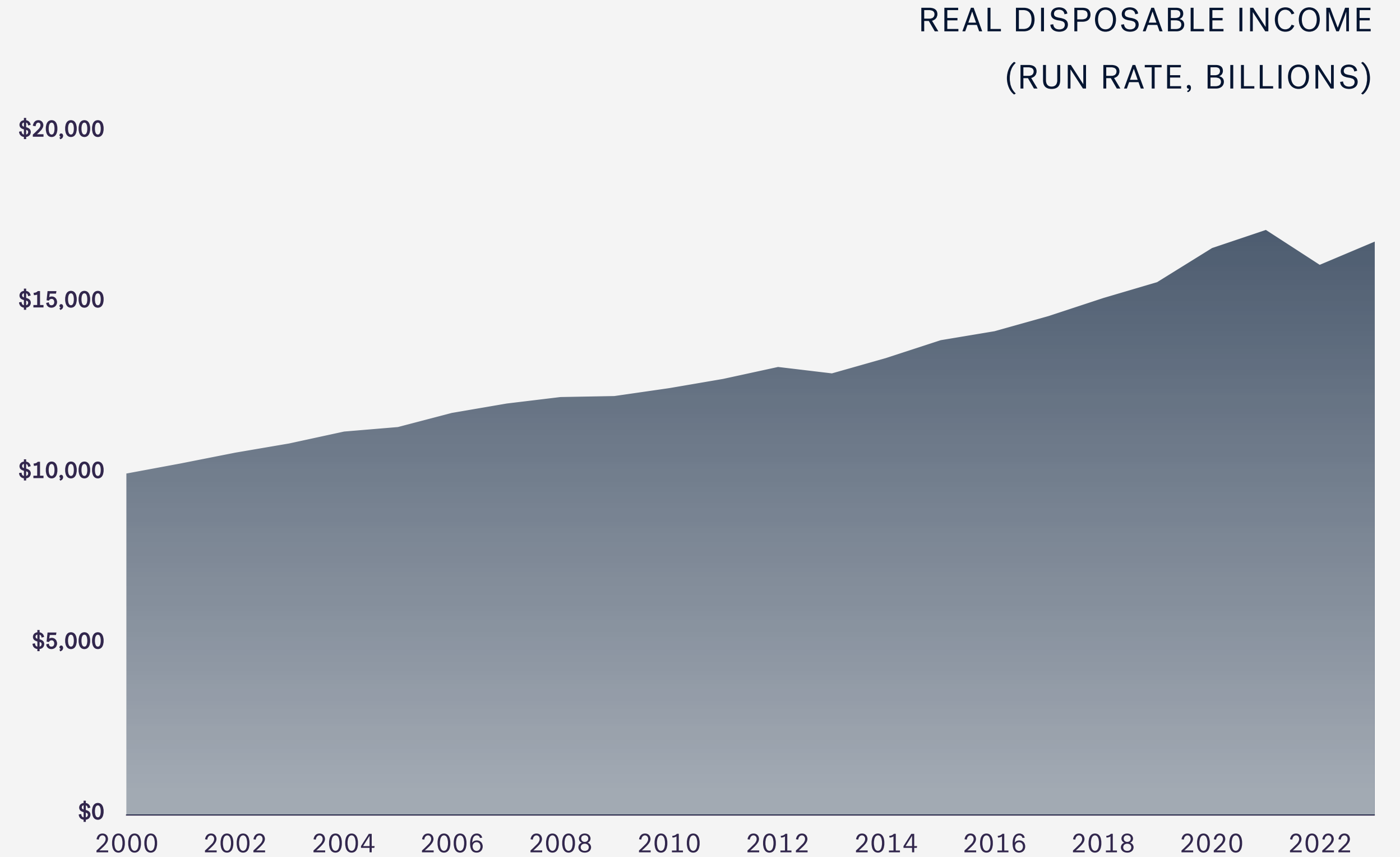
38% increase in real consumer spend since 2007 matches the growing expectations

REAL PERSONAL CONSUMPTION EXPENDITURE GROWTH

Spend increased 38% from 2007 to today adjusted for inflation

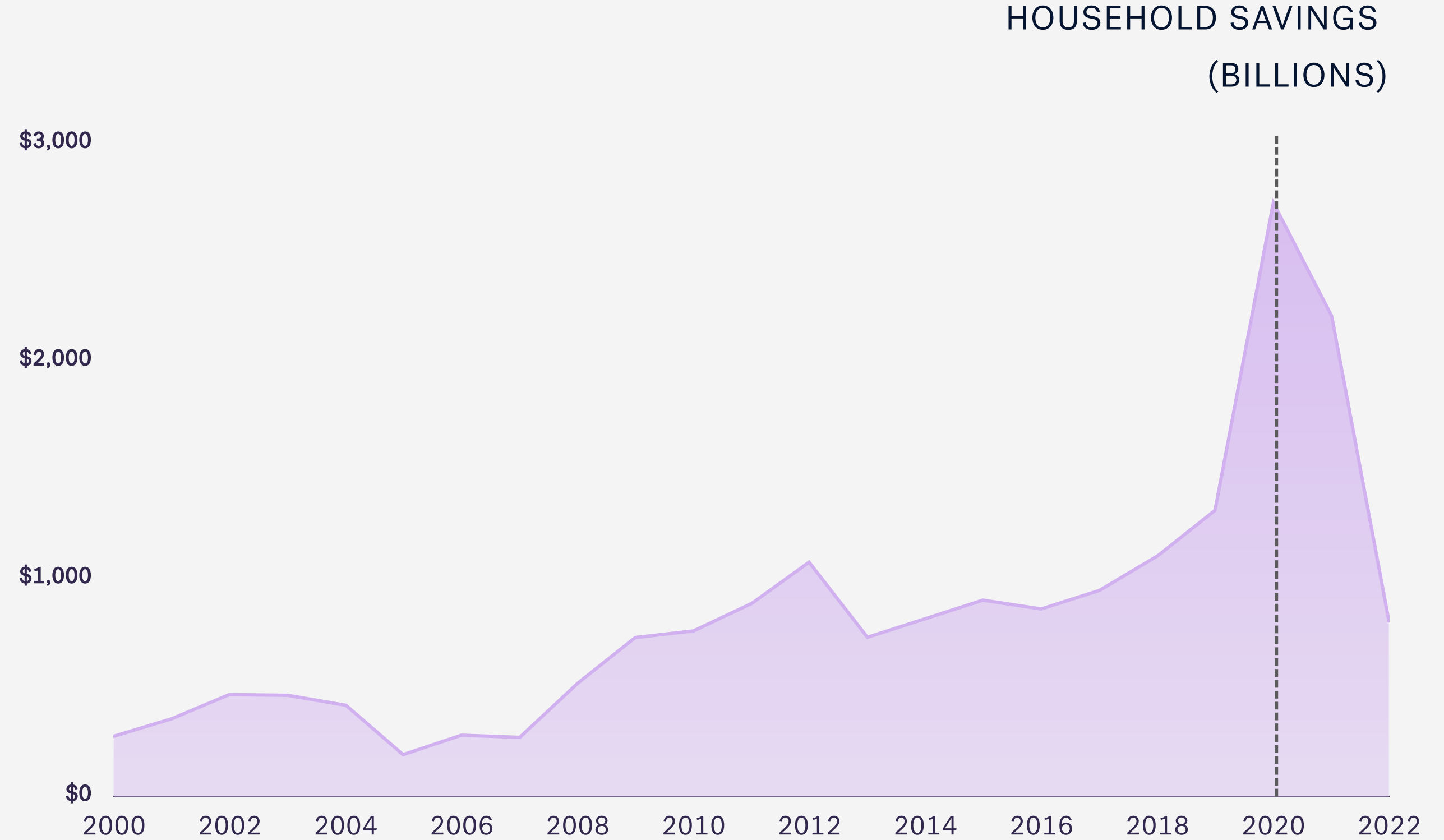


On the one hand, consumers have more money to support this spend: compared to 2000, today's median consumer has +50% disposable dollars adjusted for inflation



Source: Fred St Louis Fed, 2022

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 New York Times



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*



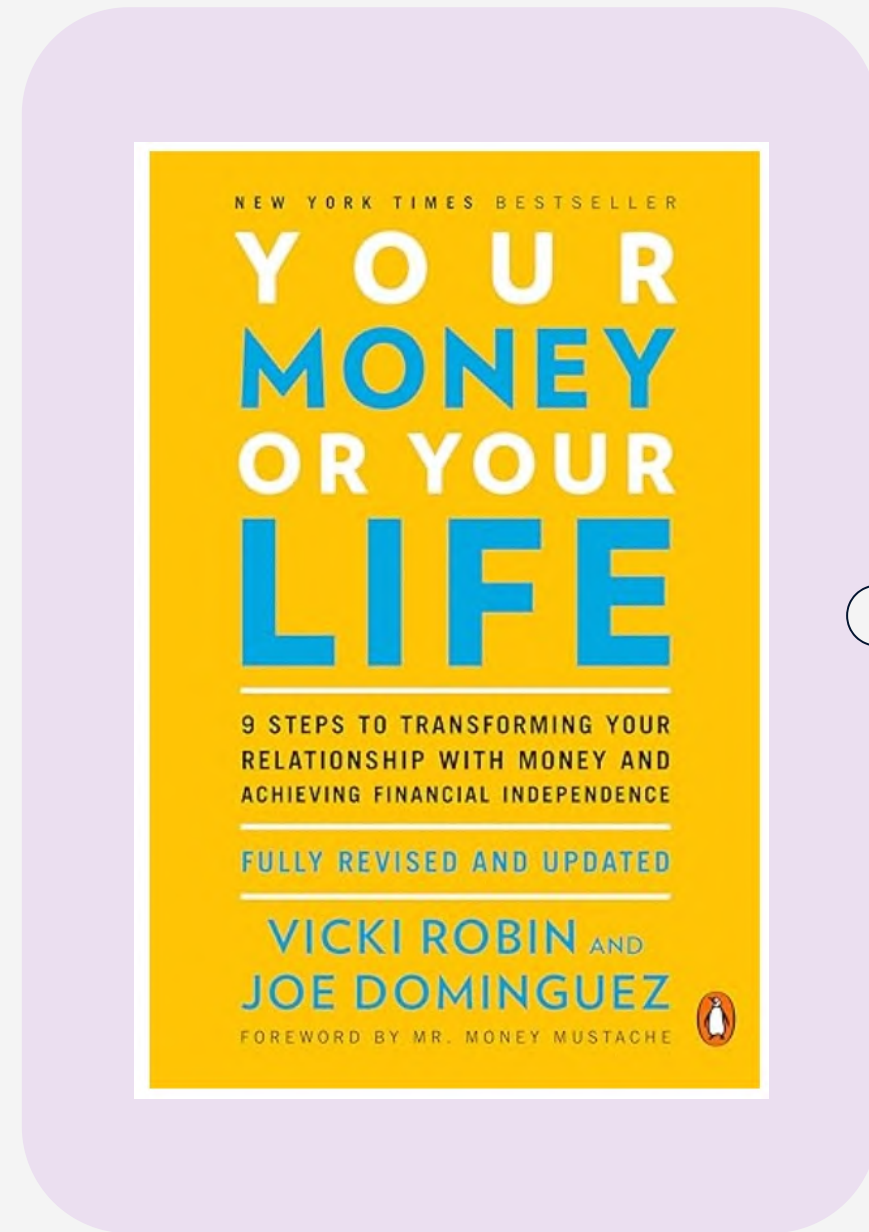
*Credit card and
BNPL debt*



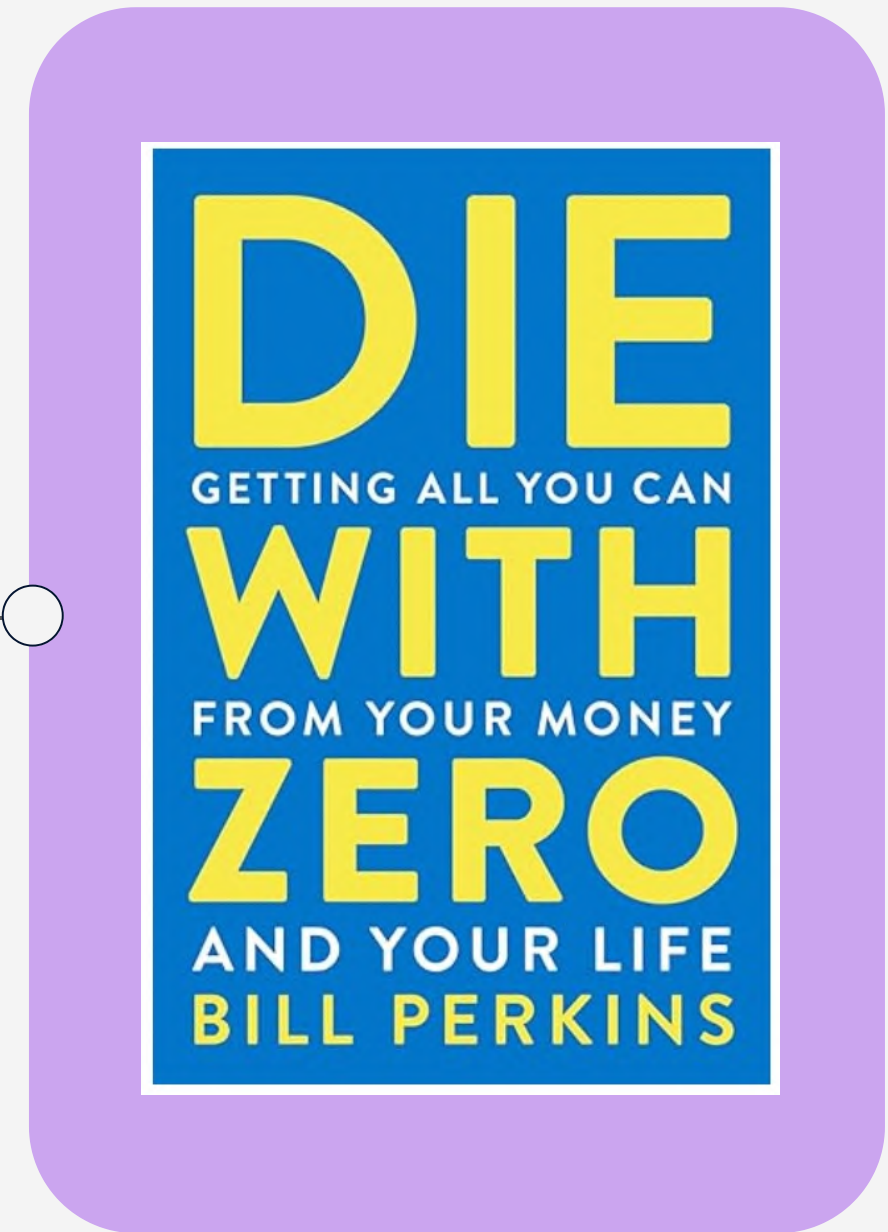
*Frictionless
payment methods*

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

Financially Independent Retire Early (FIRE)

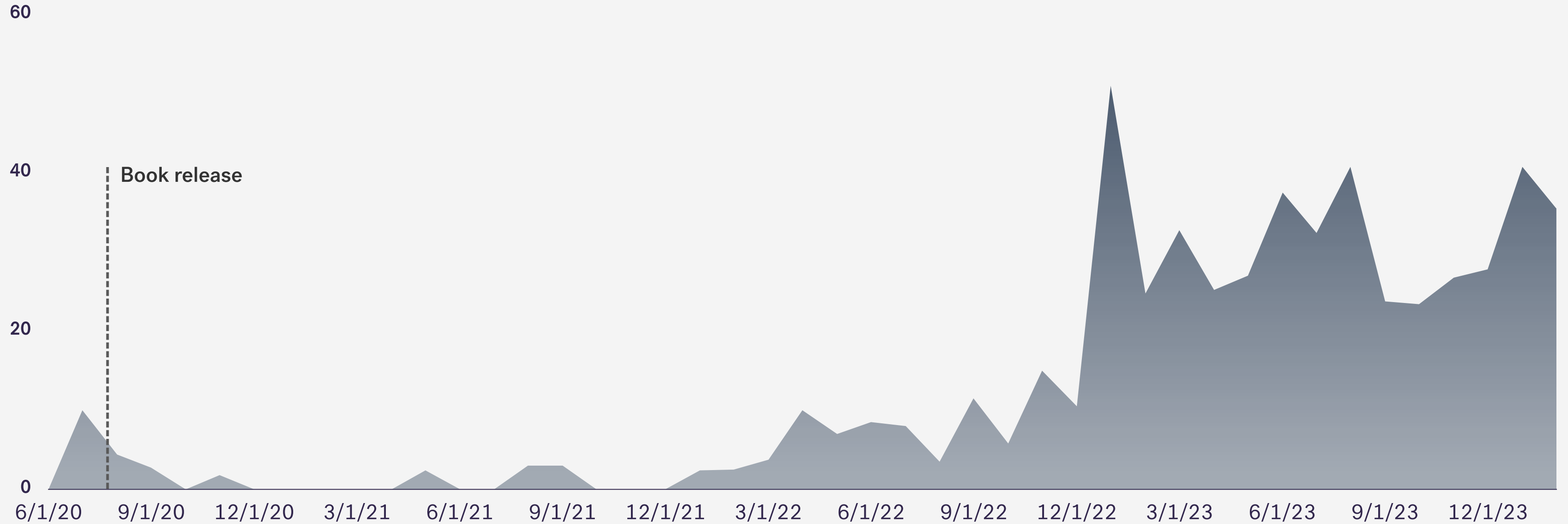


Net Fulfillment Over Net Worth



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?



- Spend to live in the moment
- Save to retire as early as possible

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



- Yes
- No

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?

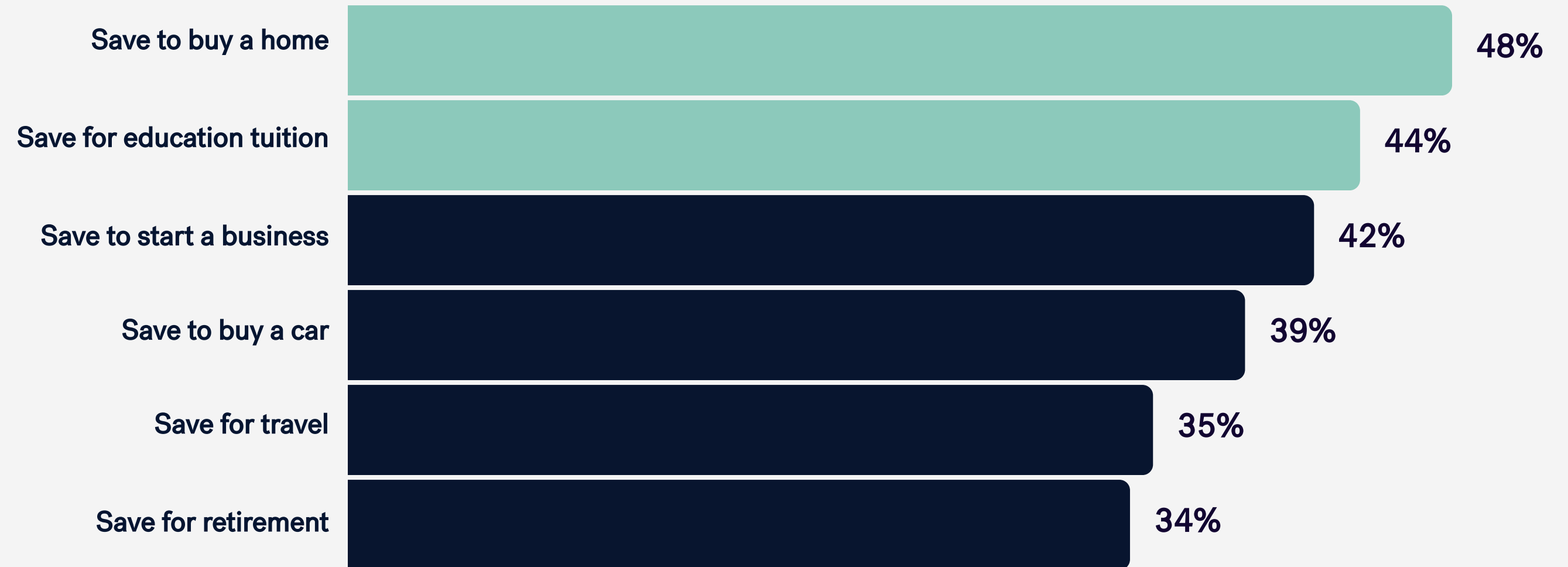


Spend to live in the moment
Put the dollars towards other financial goals

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

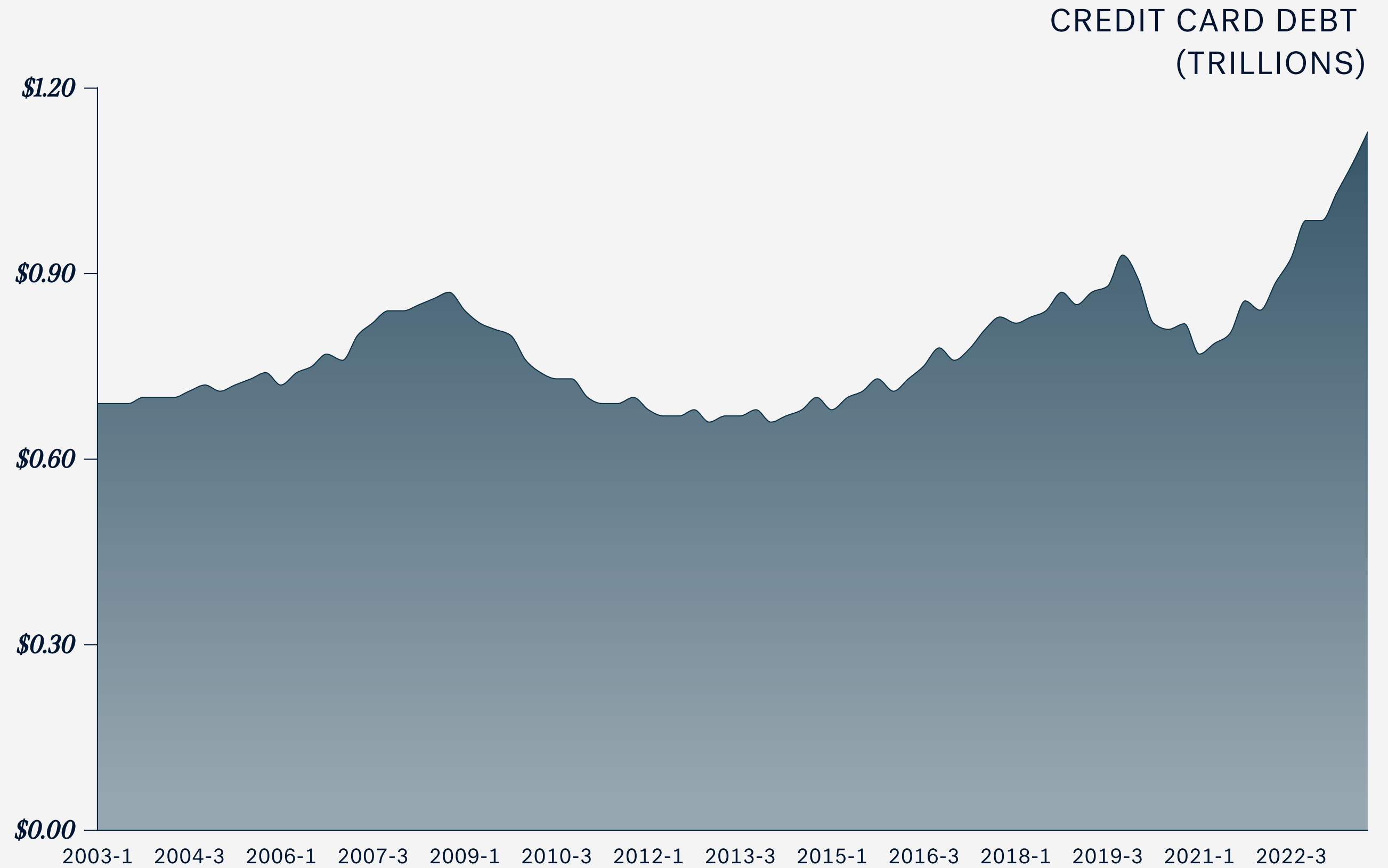
Which financial goals did you stop saving for because you believe you will not be able to achieve the goal?

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



Source: Forerunner Consumer Survey, 2024

Third, credit card debt is on the rise

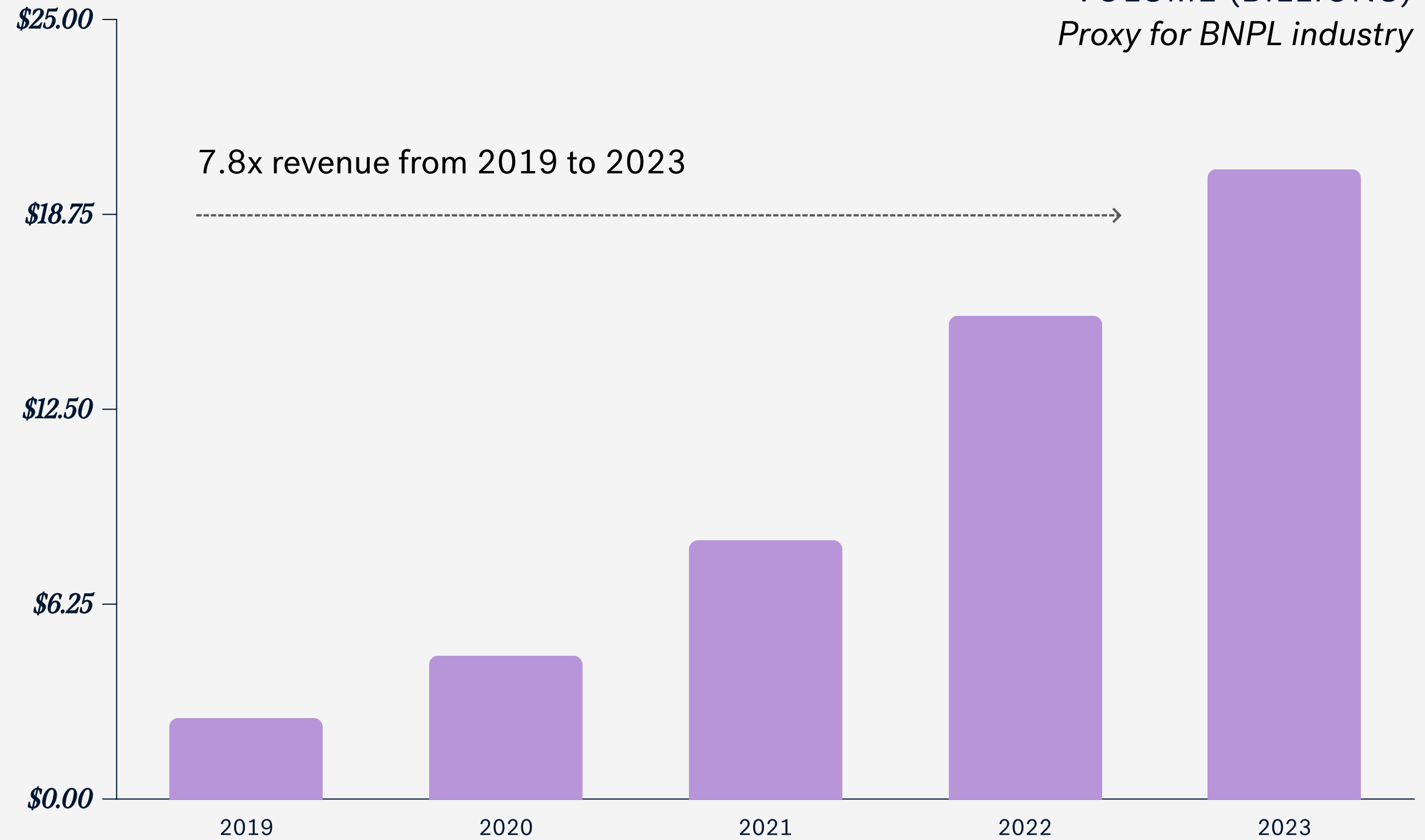


Source: Federal Reserve NY, 2023

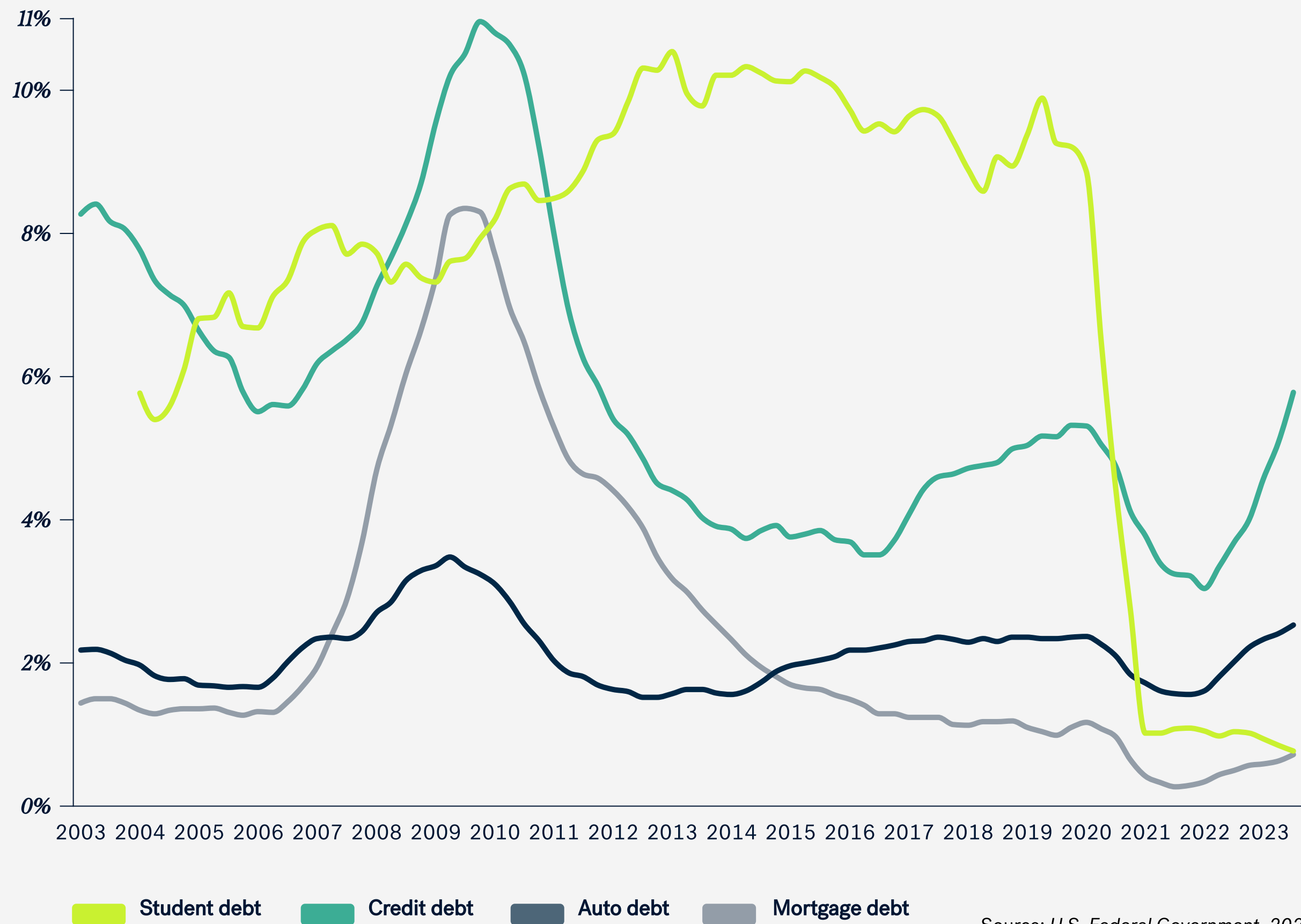
While BNPL popularity continues to rise



GROSS MERCHANDISE VOLUME (BILLIONS)
Proxy for BNPL industry

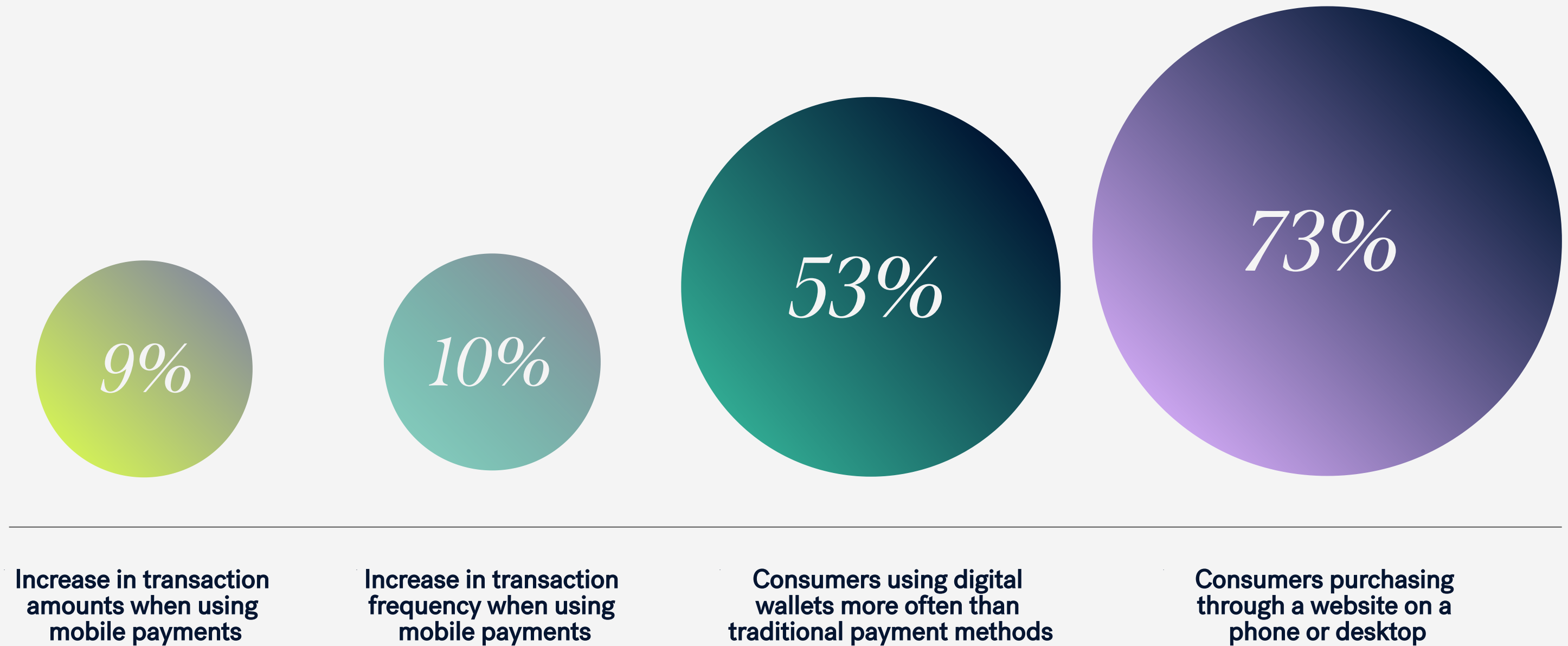


And new seriously delinquent debt (90+ days) trends up



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

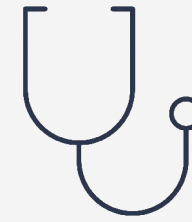


Today, living expenses go beyond essentials and include expected discretionary spend

ESSENTIALS



Shelter



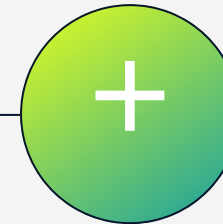
Health



Education



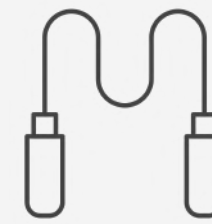
Food



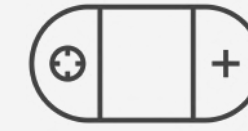
EXPECTED DISCRETIONARY



Travel



Fitness



Gaming



Coffee Shops



Delivery



Beauty & Skincare



Coach



Ridesharing

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

Disproportionate 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?

GROCERIES	38.82%
HOBBIES / ACTIVITIES	31.47%
DINING OUT	29.67%
TRAVEL	28.87%
APPAREL / ACCESSORIES	24.43%
PETS	22.35%
BEAUTY / PERSONAL CARE	21.59%
HOUSING	18.83%
HEALTHCARE	16.91%
FITNESS	16.39%
INSURANCE	15.39%
LIVE EVENTS	14.75%
CARS	12.95%
EDUCATION	11.52%

Where are you spending less because you need to?

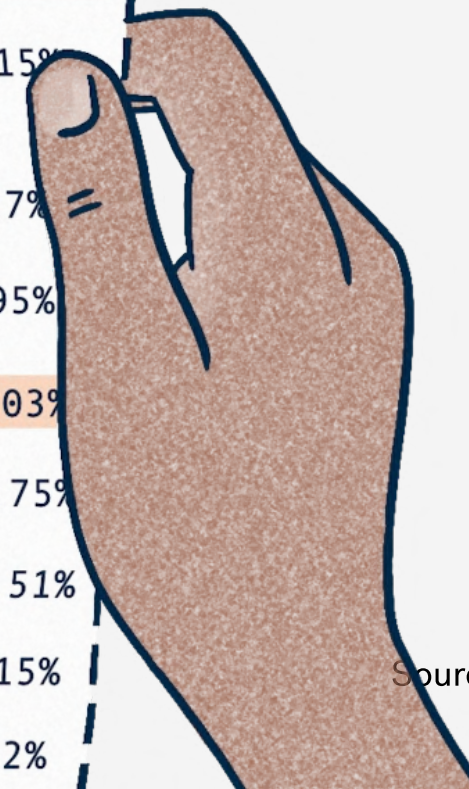
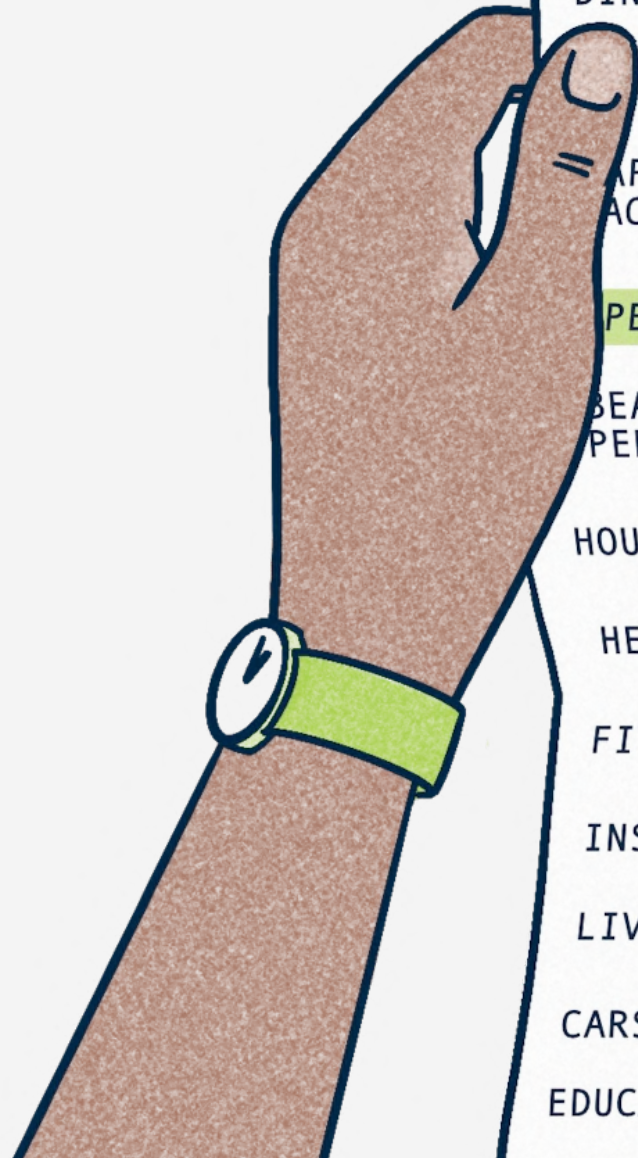
DINING OUT	38.82%
GROCERIES	34.83%
APPAREL / ACCESSORIES	28.43%
TRAVEL	27.03%
HOBBIES / ACTIVITIES	26.99%
LIVE EVENTS	23.43%
BEAUTY / PERSONAL CARE	22.15%
HEALTHCARE	19.27%
INSURANCE	18.95%
CARS	18.03%
HOUSING	17.75%
FITNESS	15.51%
PETS	13.15%
EDUCATION	10.92%



\$800M revenue runrate



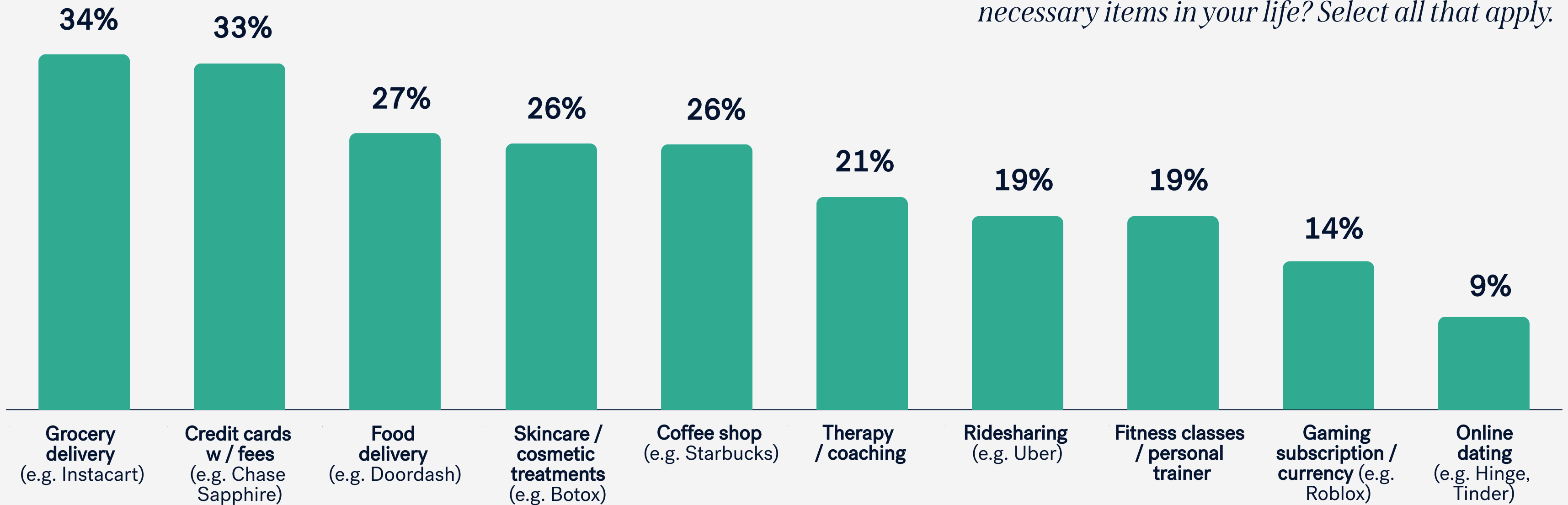
\$3B TTM revenue



Source: Forerunner Consumer Survey, 2024

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

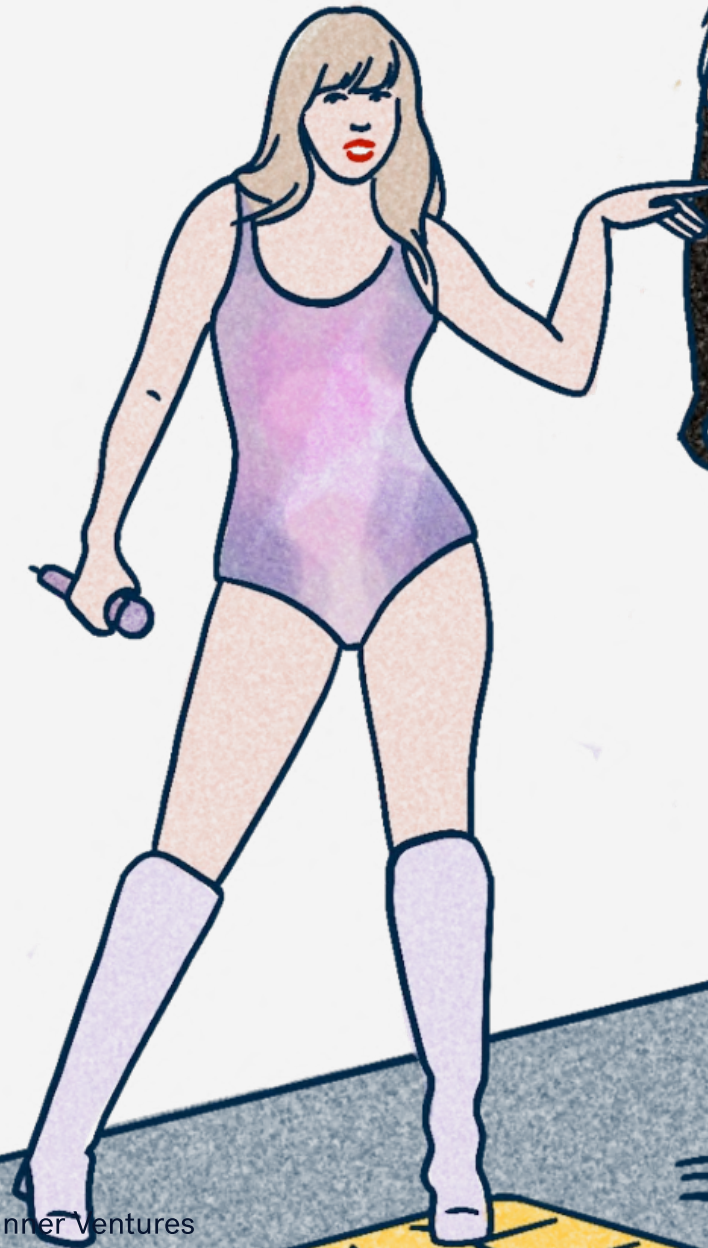
When it comes to spending, which of the below are necessary items in your life? Select all that apply.



Source: Forerunner Consumer Survey, 2024

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



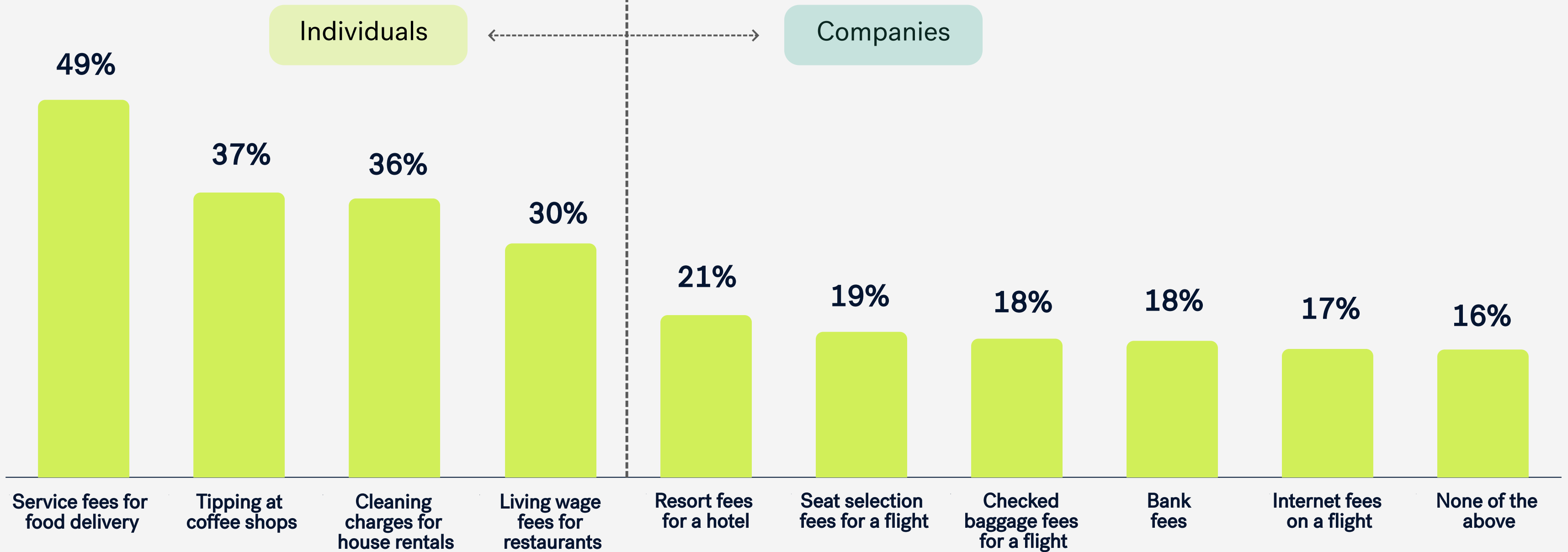
And buzzy drinks take center stage



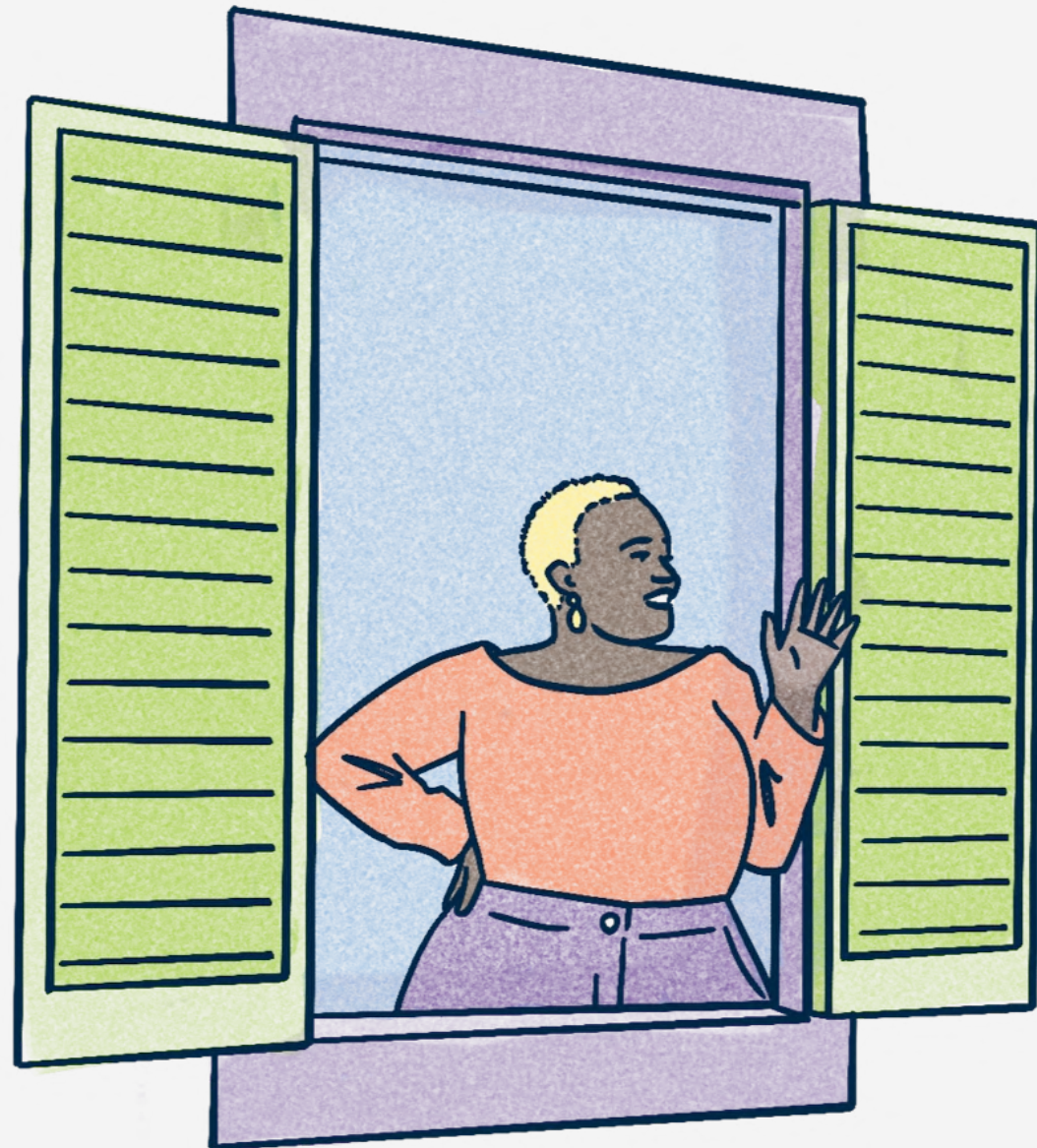
Source: Celsius Holdings, 2023; Bloomberg, 2023; Forbes, 2023; Axios, 2023 & Seeking Alpha, 2024

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

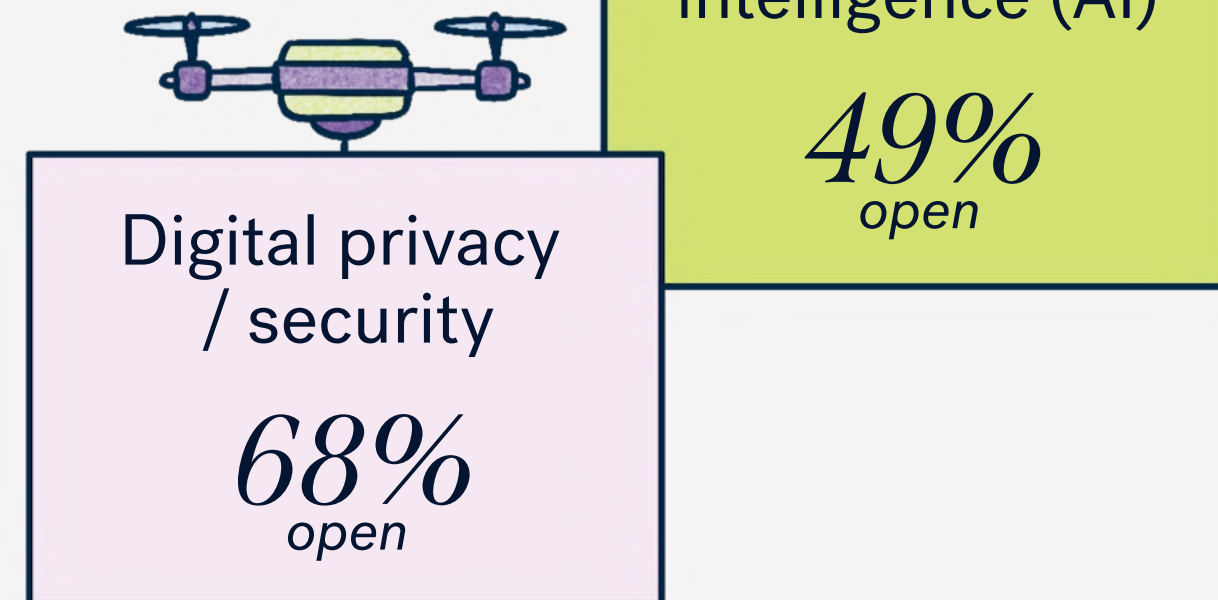
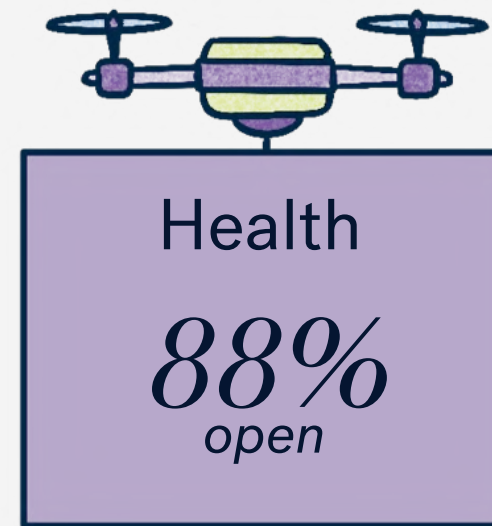
When it comes to spending, which of the below believe are appropriate to pay for? Select a



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?



Source: Forerunner Consumer Survey, 2024

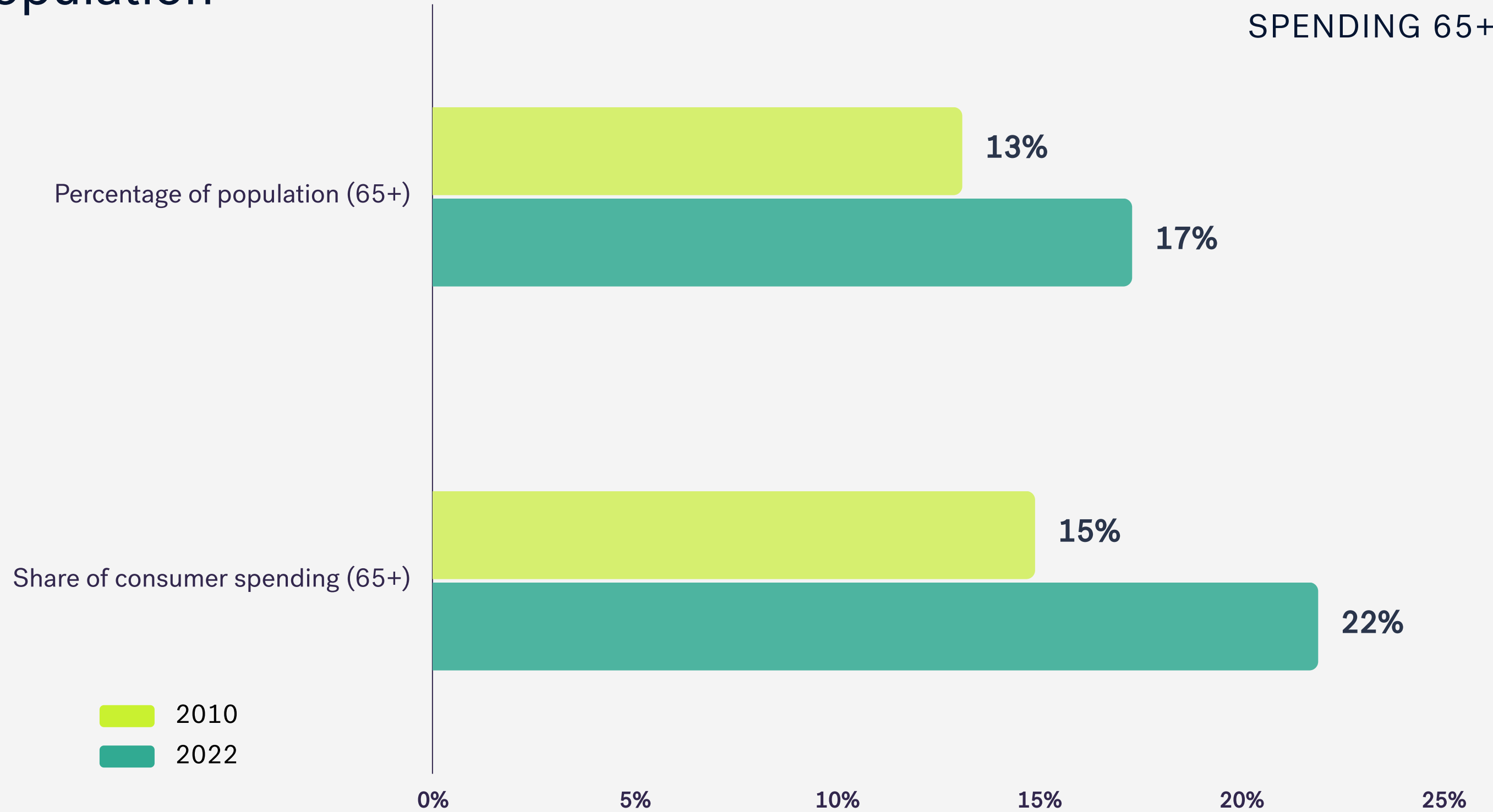
And let's not forget
about retiring

Baby Boomers



Share of spend for retirees outpaces share of population

CONSUMER POPULATION &
SPENDING 65+



2010
2022

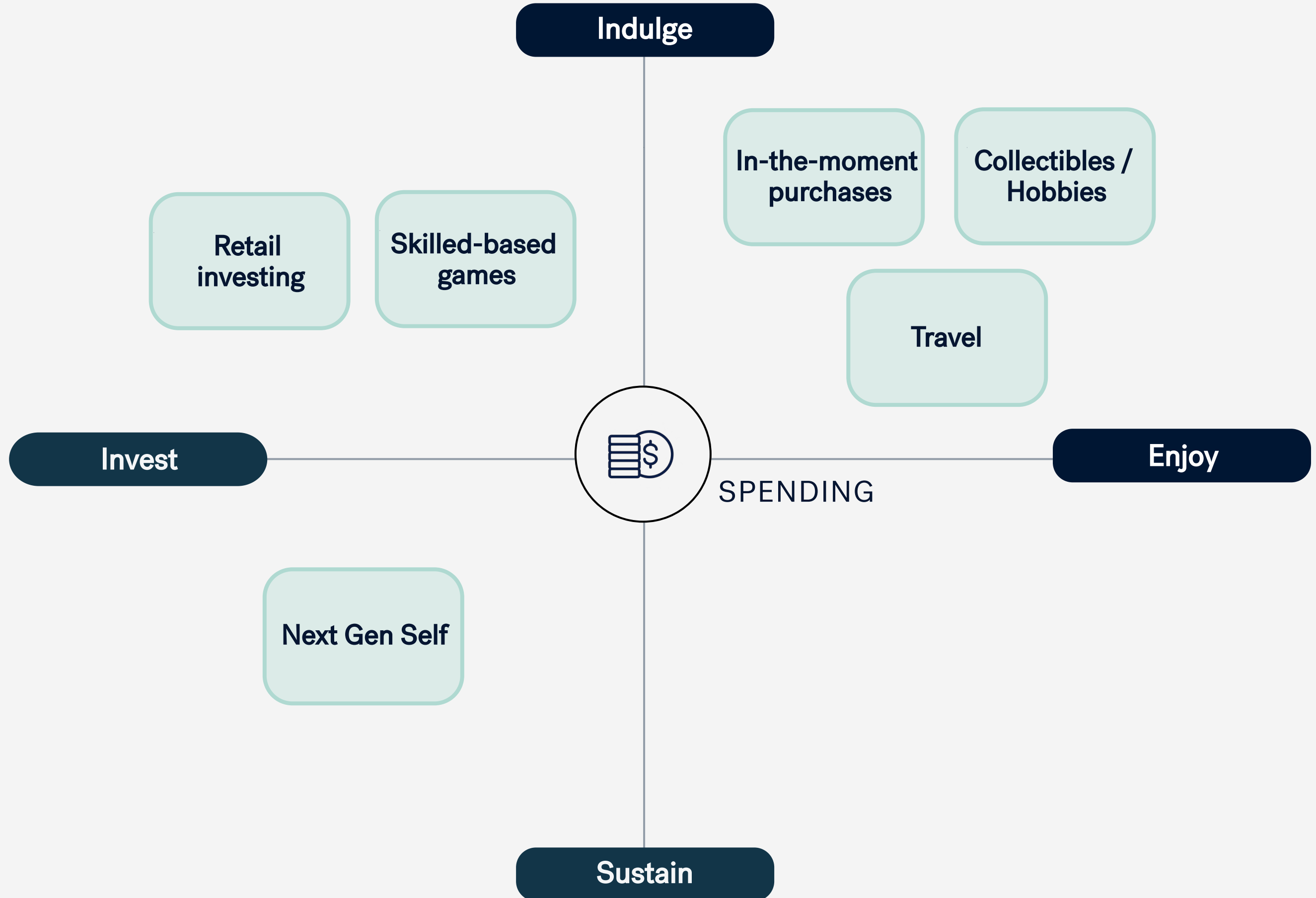
Source: WSJ, 2023 & Statista, 2022

What's on the
horizon for

living to spend?

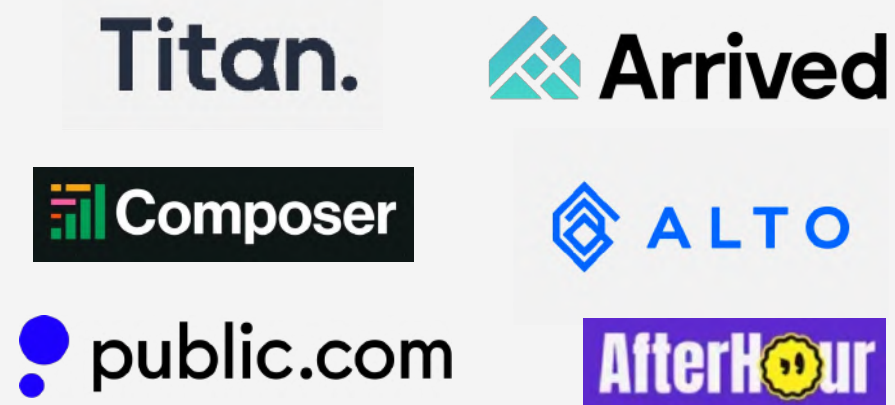
Mix of fun and needs underpins 'Zone of Living'

Zone of Living



Sample 'Zone of Living' companies

Retail Investing



Skilled-Based Games



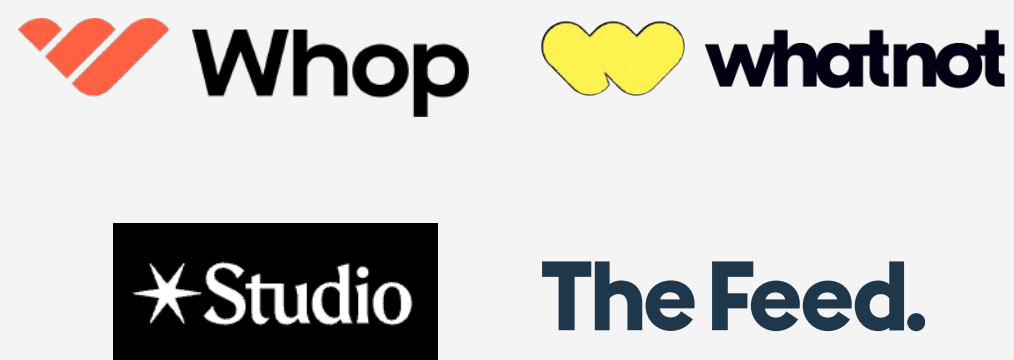
Travel



In-The-Moment Purchases



Hobbies / Collectibles



Next Gen Self



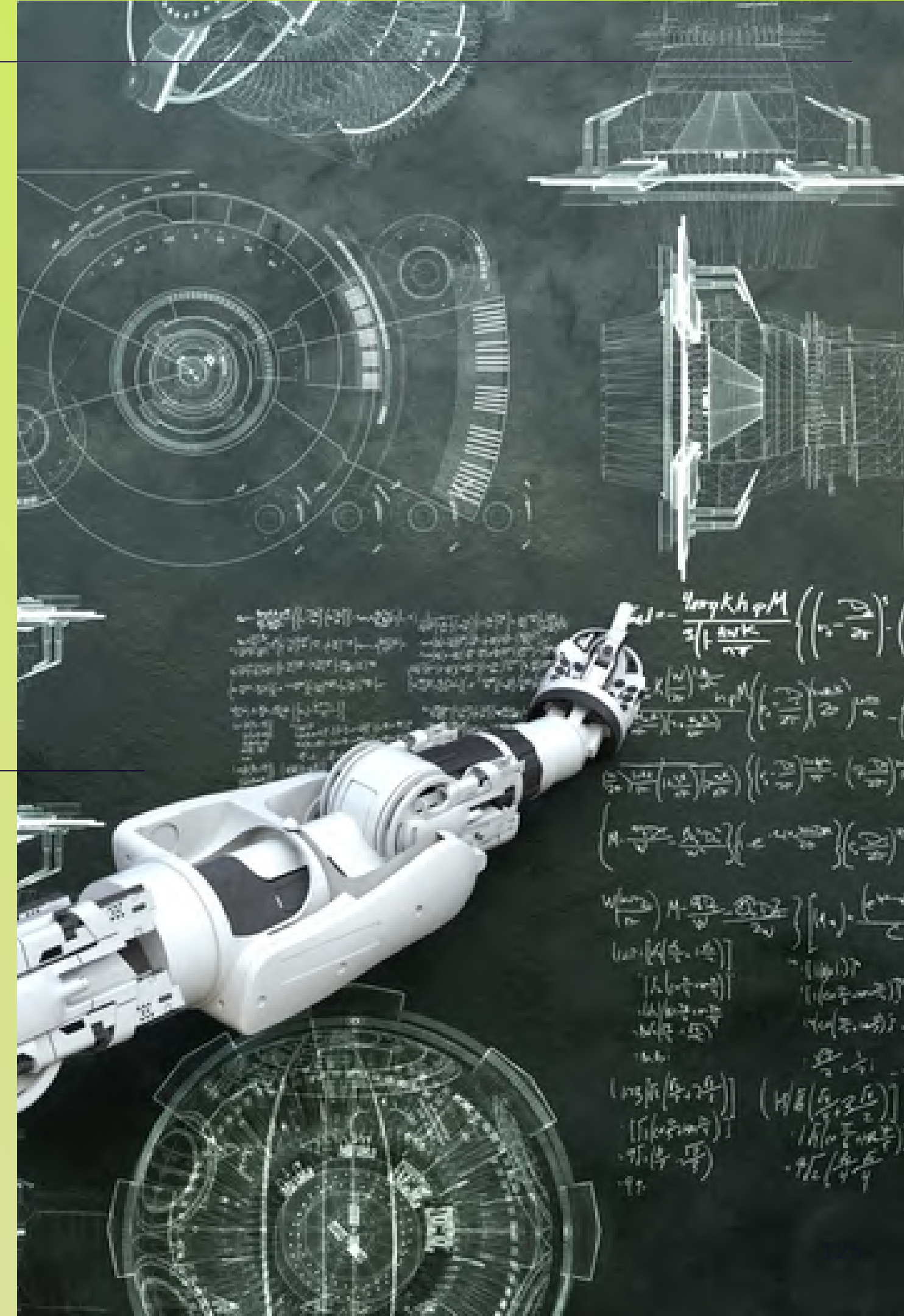
Technology Spotlight

3

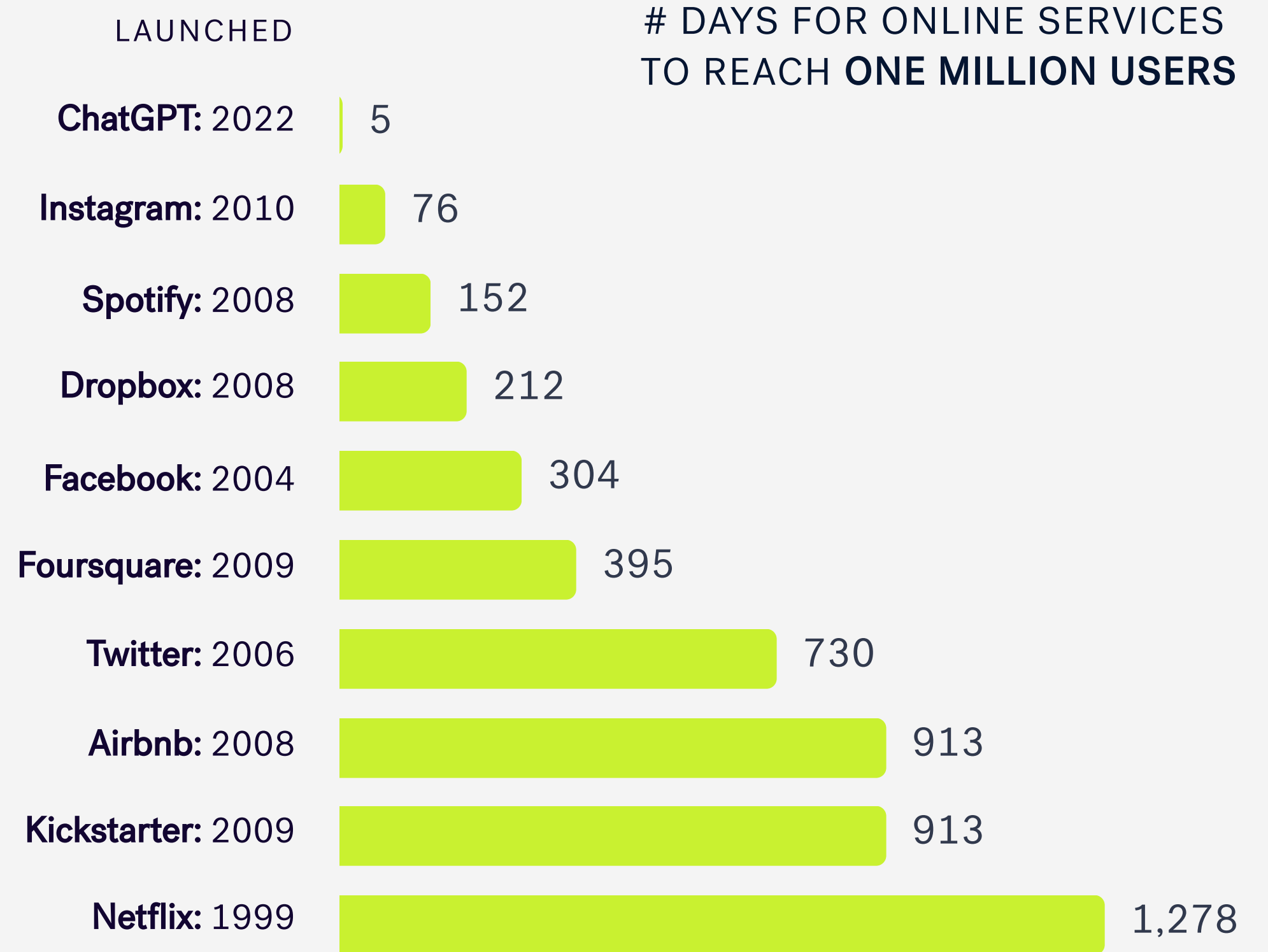
TECHNOLOGY 1

Generative AI

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



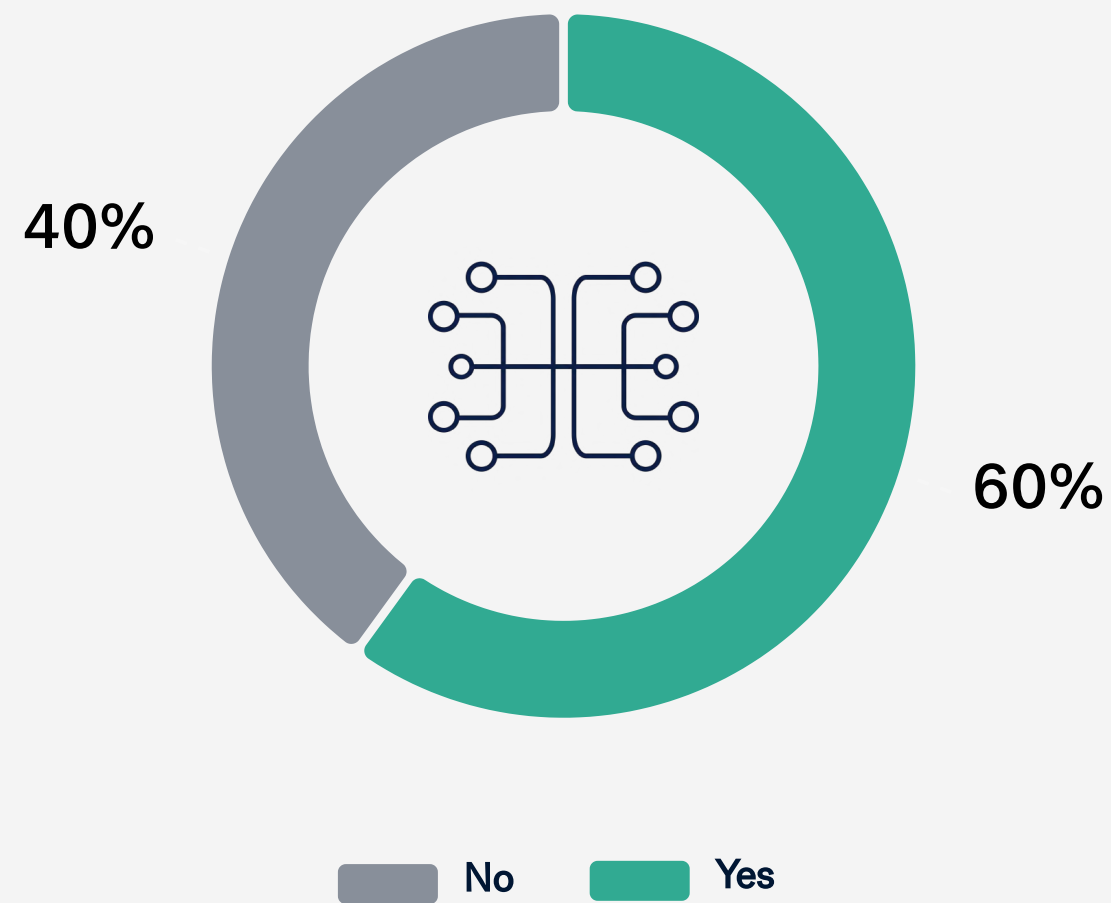
Generative AI: moving faster than any technological shift to date and will no doubt define the future



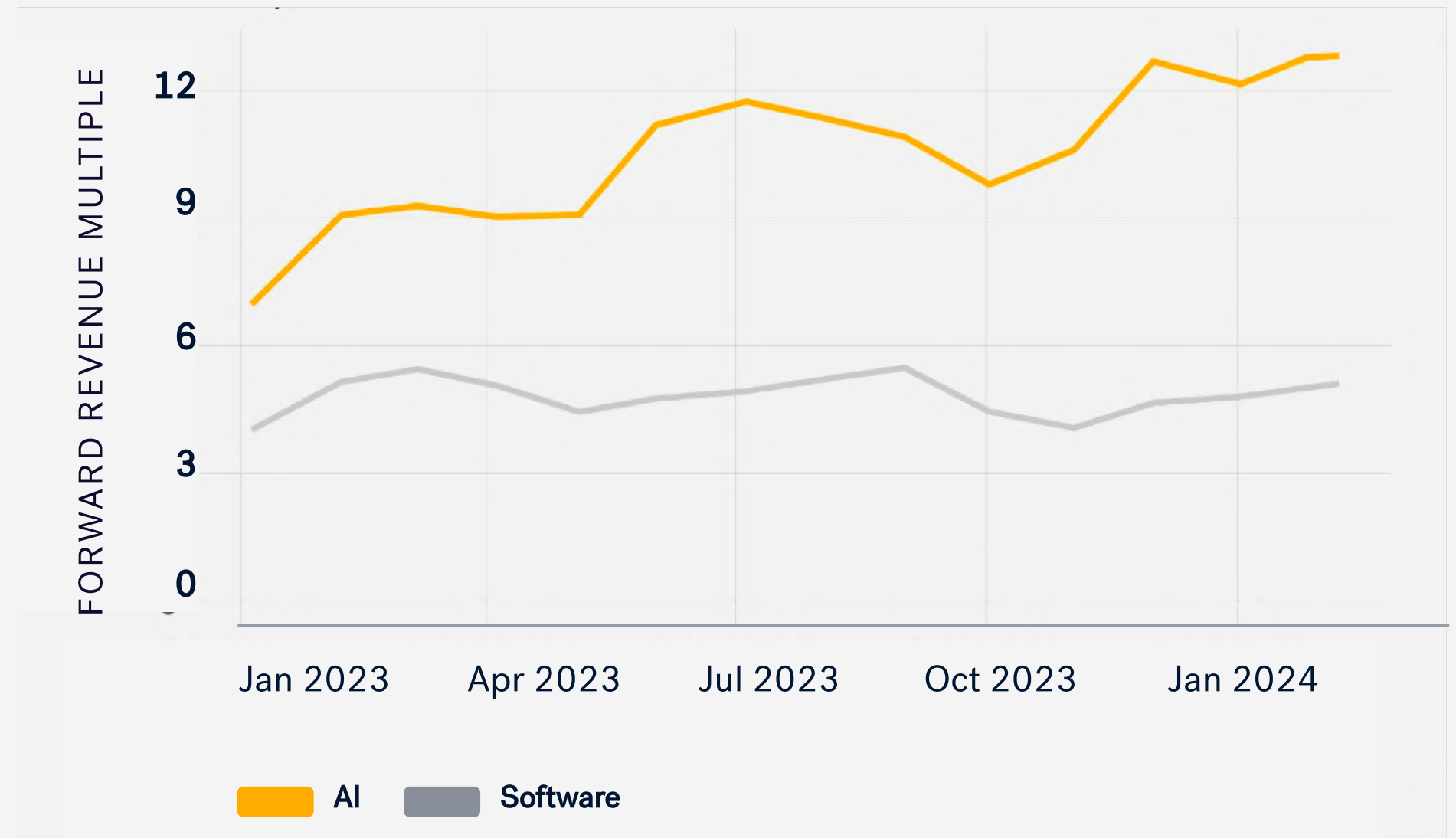
Source: Statista, 2023

The heat is on in the public and private markets

*Percentage of YC founders building *AI* companies in Winter 24 Batch*



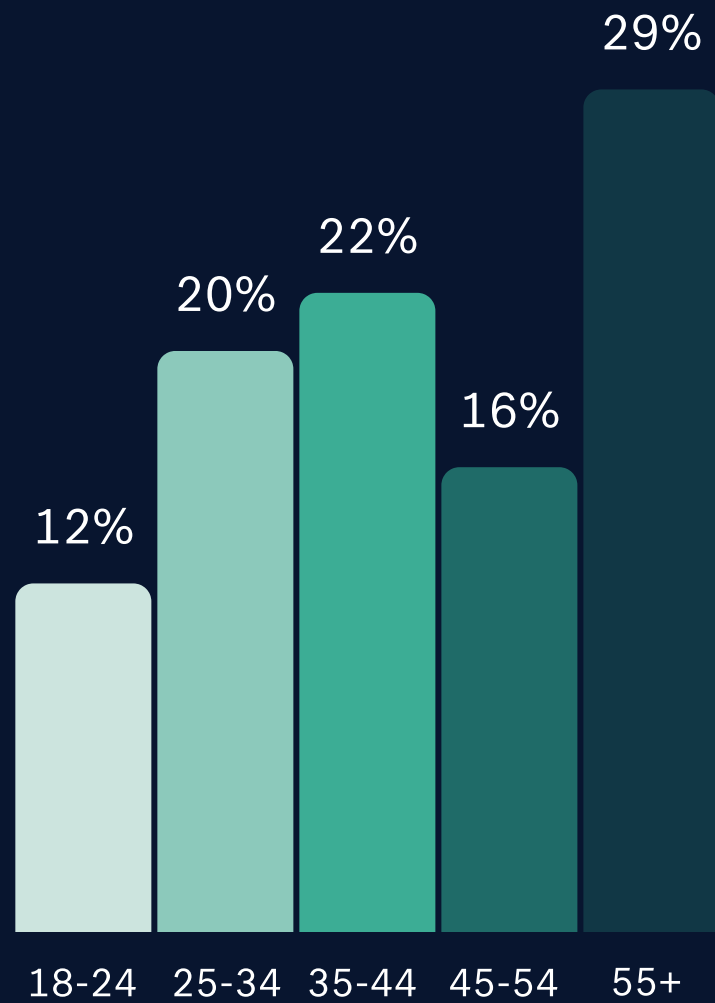
Multiples for public AI companies approach 3x public software companies



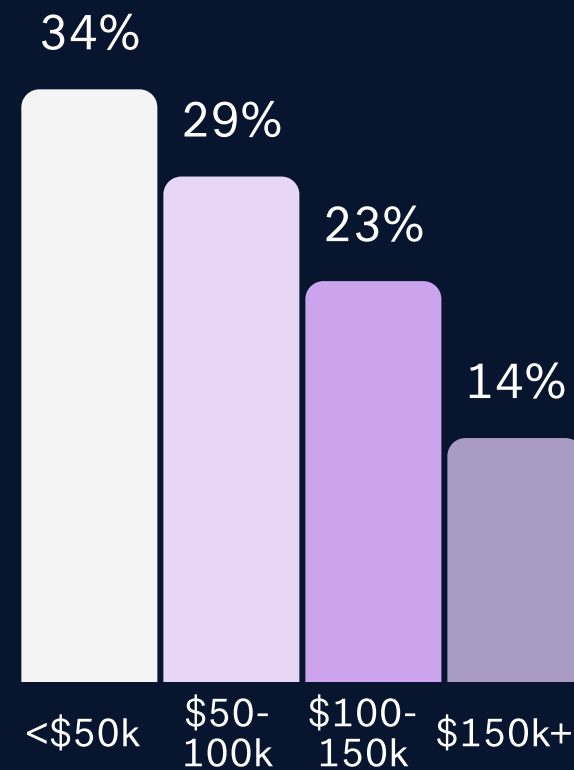
Source: The Information, 2024; Theory Ventures, 2024

Our consumer survey confirms a positive start to the year

2,504 respondents



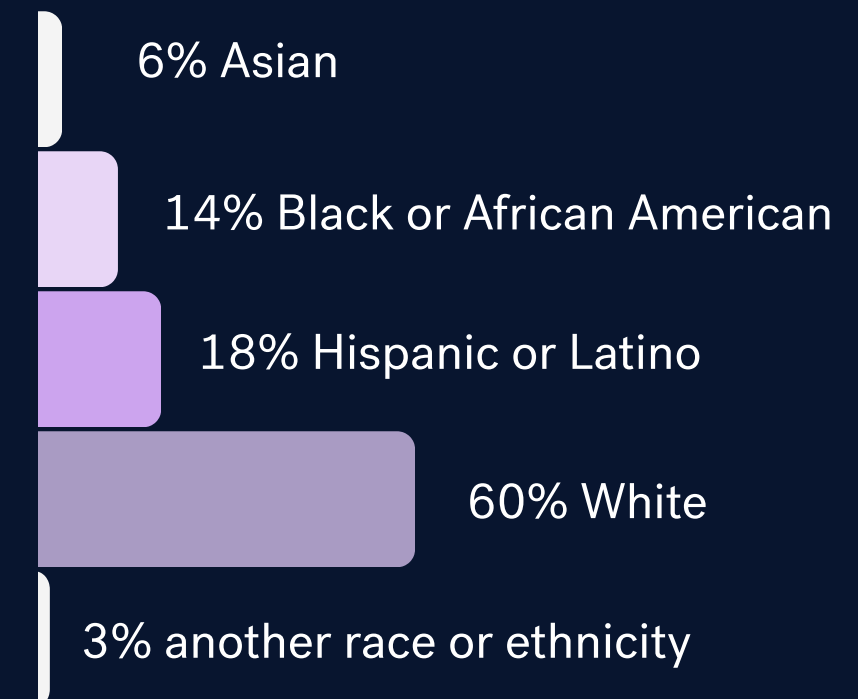
Age



Household Income



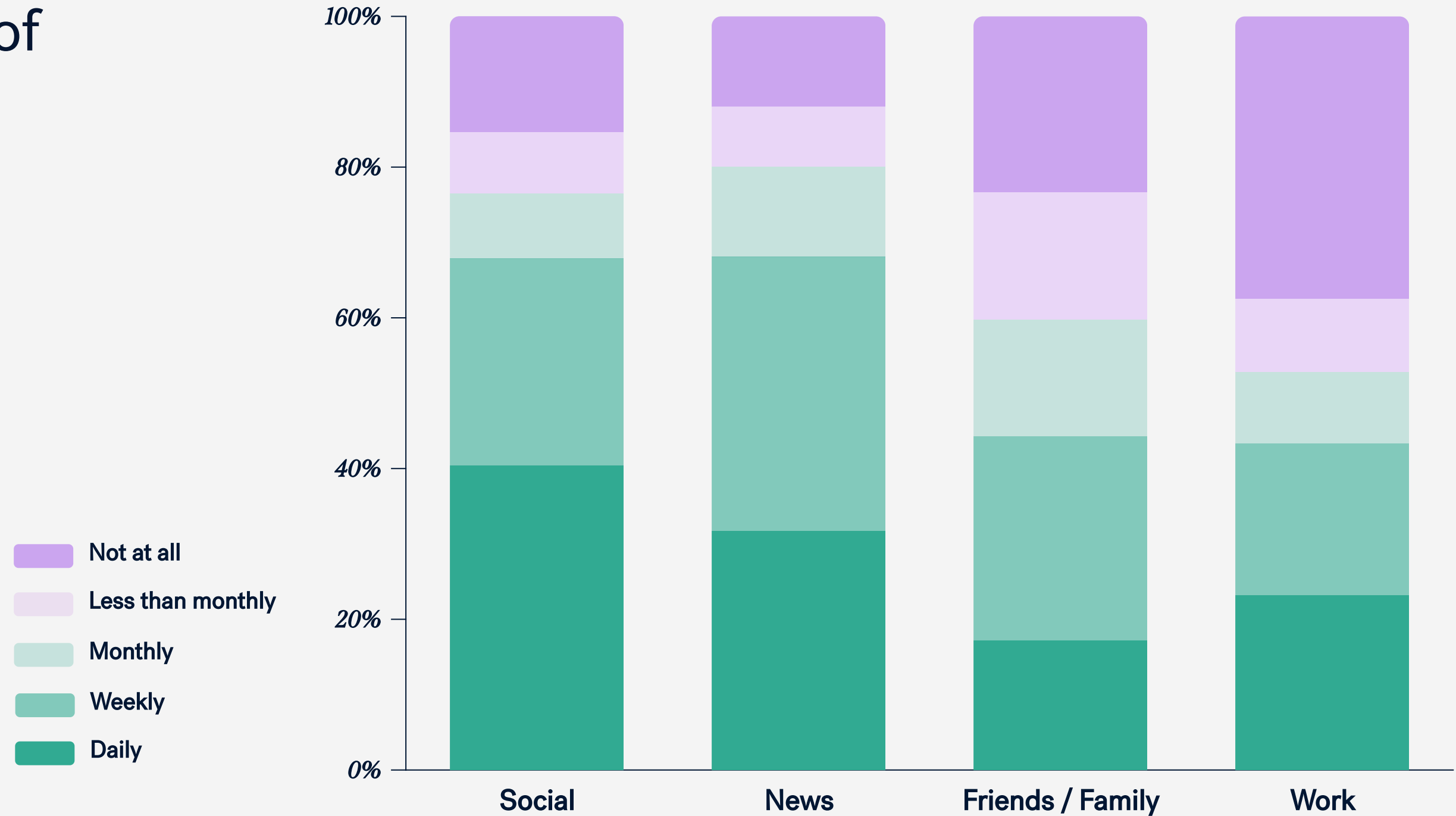
Gender Identity



Race / Ethnicity

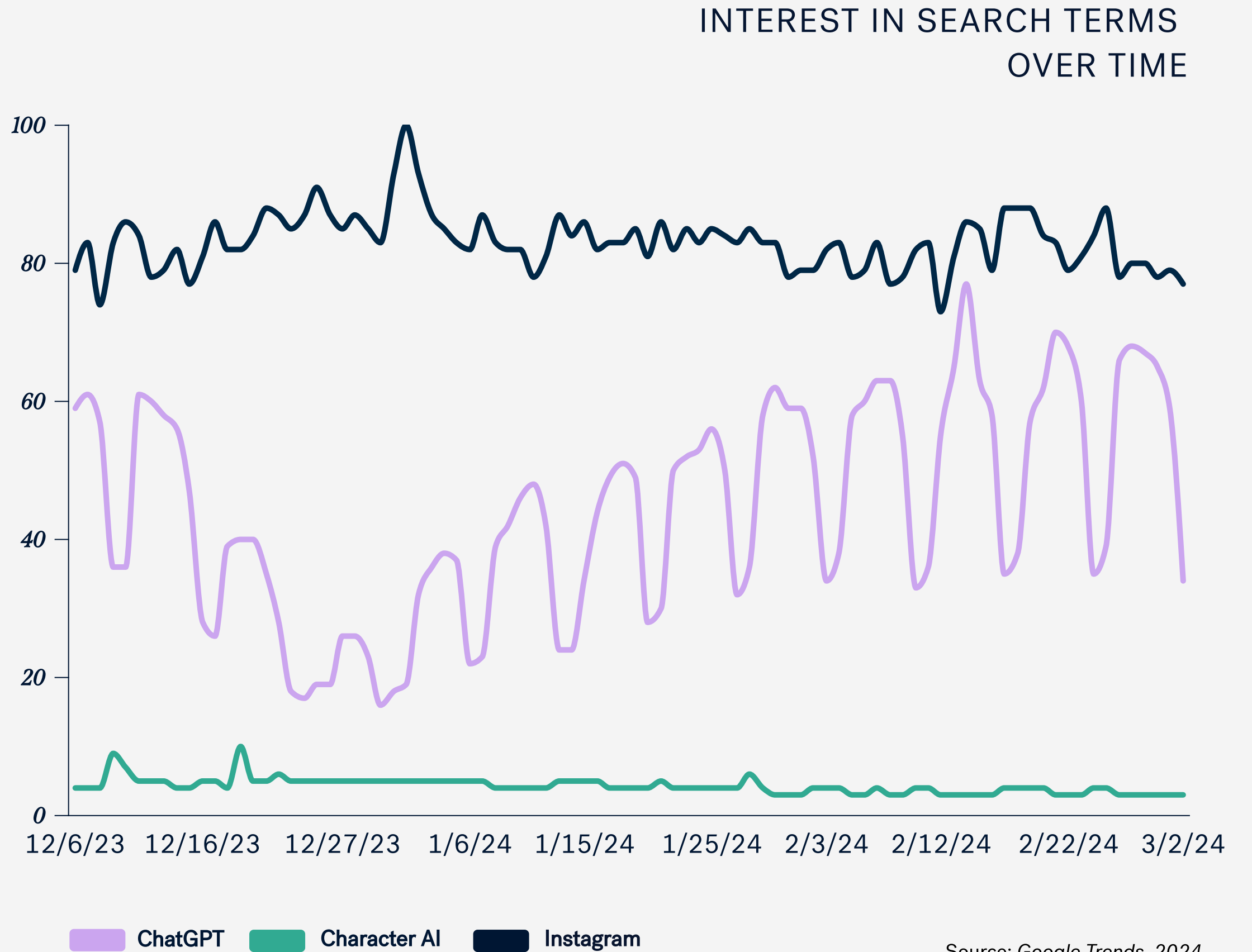
For consumers, AI comes up weekly for 50%+, with social media and news the most likely sources of information

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



Source: Forerunner Consumer Survey, 2024

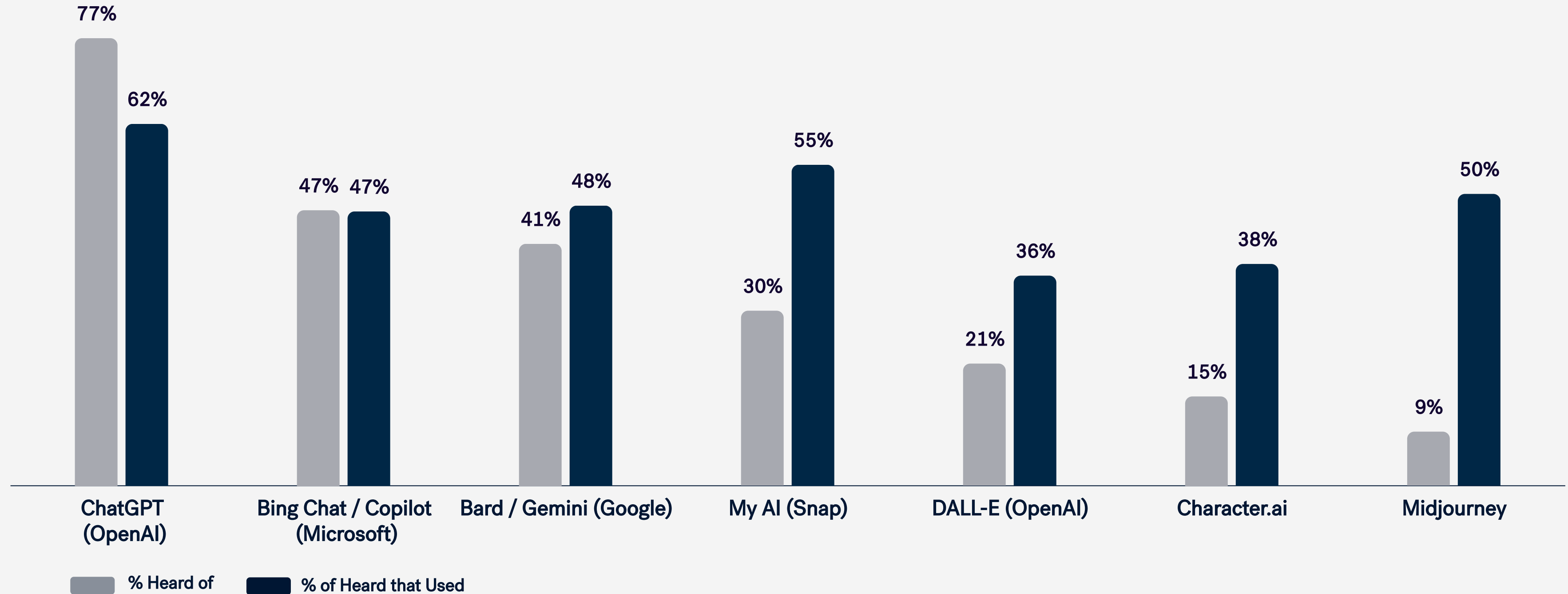
ChatGPT can already garner as much mindshare as Instagram



Source: Google Trends, 2024

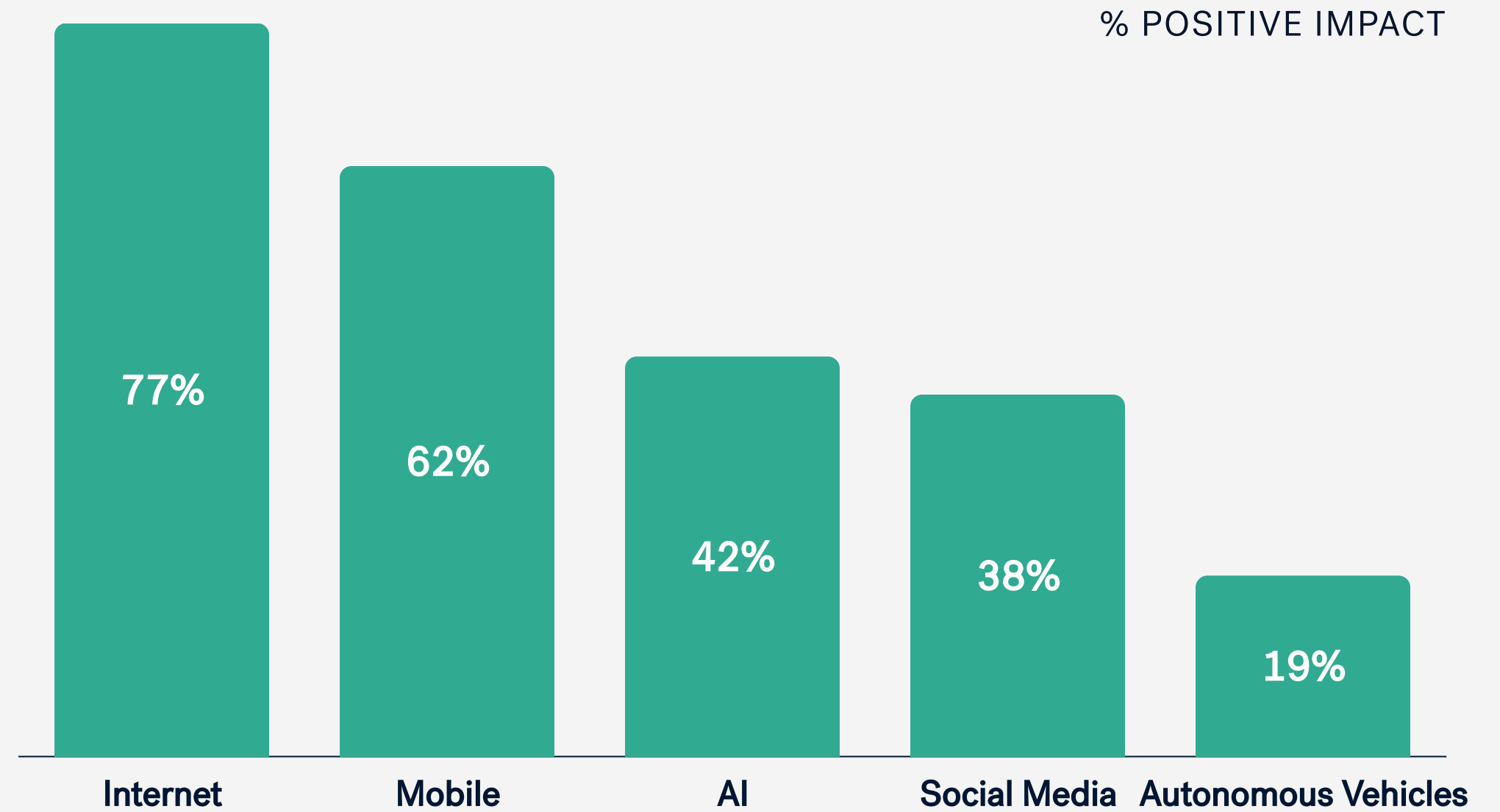
Consumer awareness and trial are high in the early innings of AI hype

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



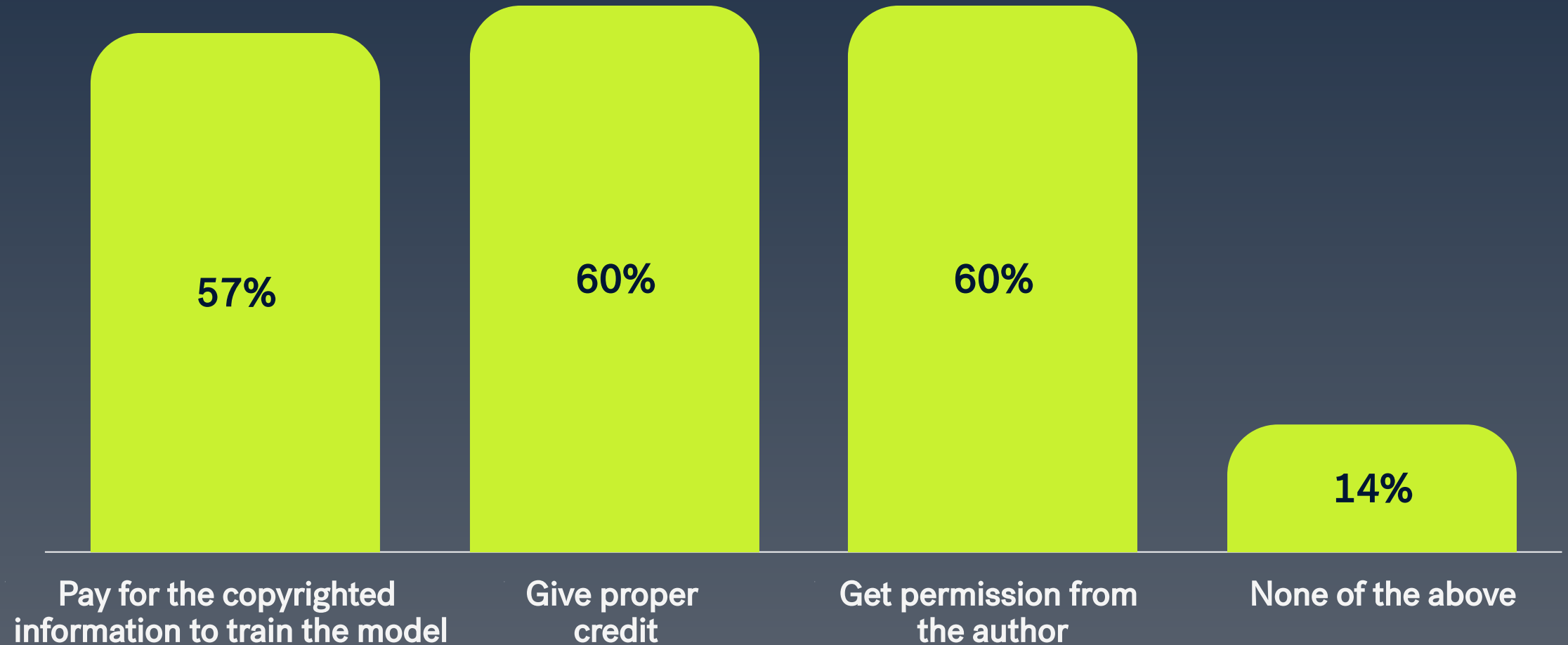
Though AI has the burden of proof to show positive impact on society

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

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

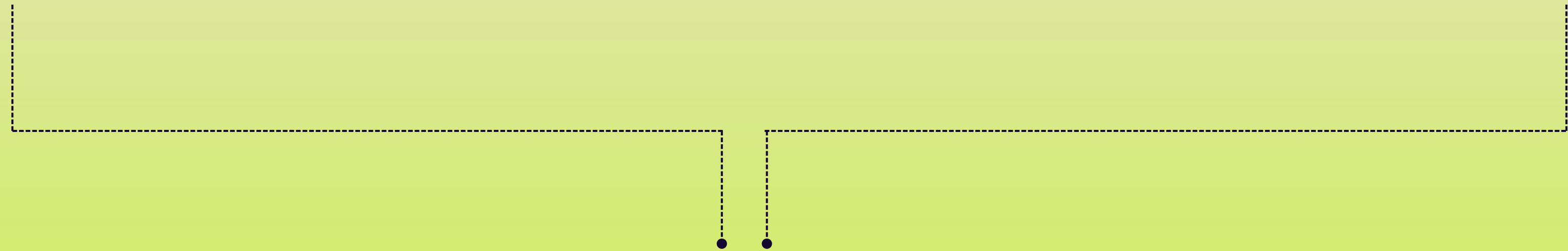


Bloomberg

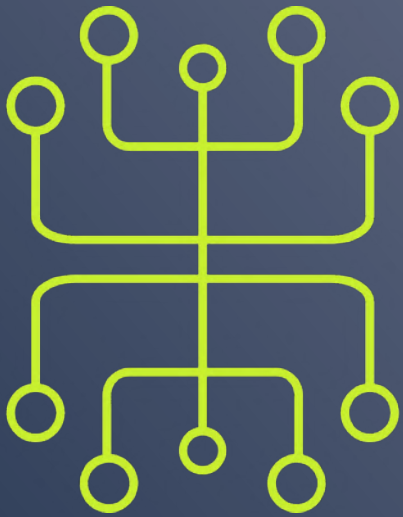
Reddit Signs AI Content Licensing Deal Ahead of IPO

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

There are likely more opportunities 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

Learning / professional development

Health

Personal finances

For which of the below would you be open to using AI?

% OPEN

80%

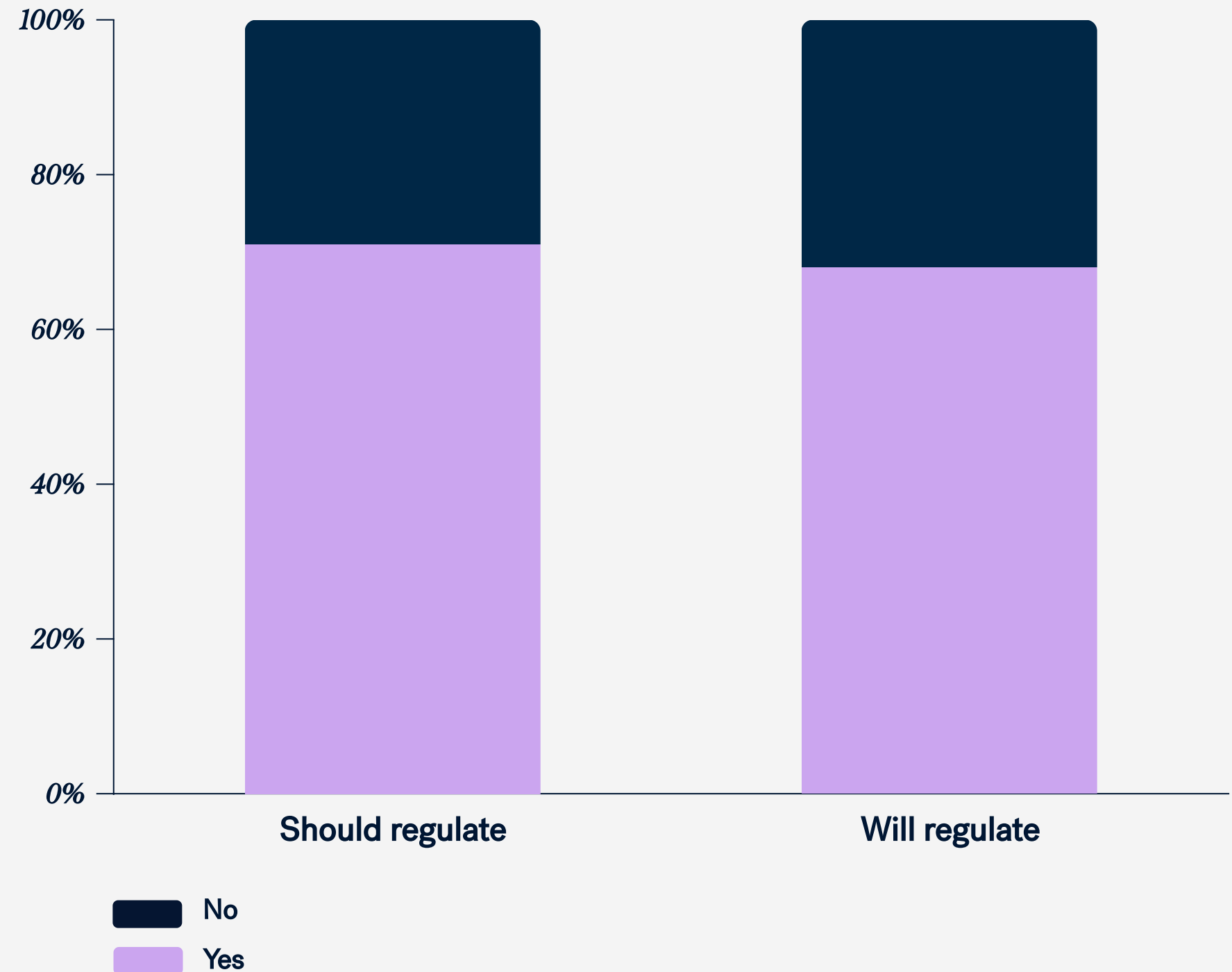
59%

57%

Source: Forerunner Consumer Survey, 2024

The majority of consumers believe government should and will regulate AI

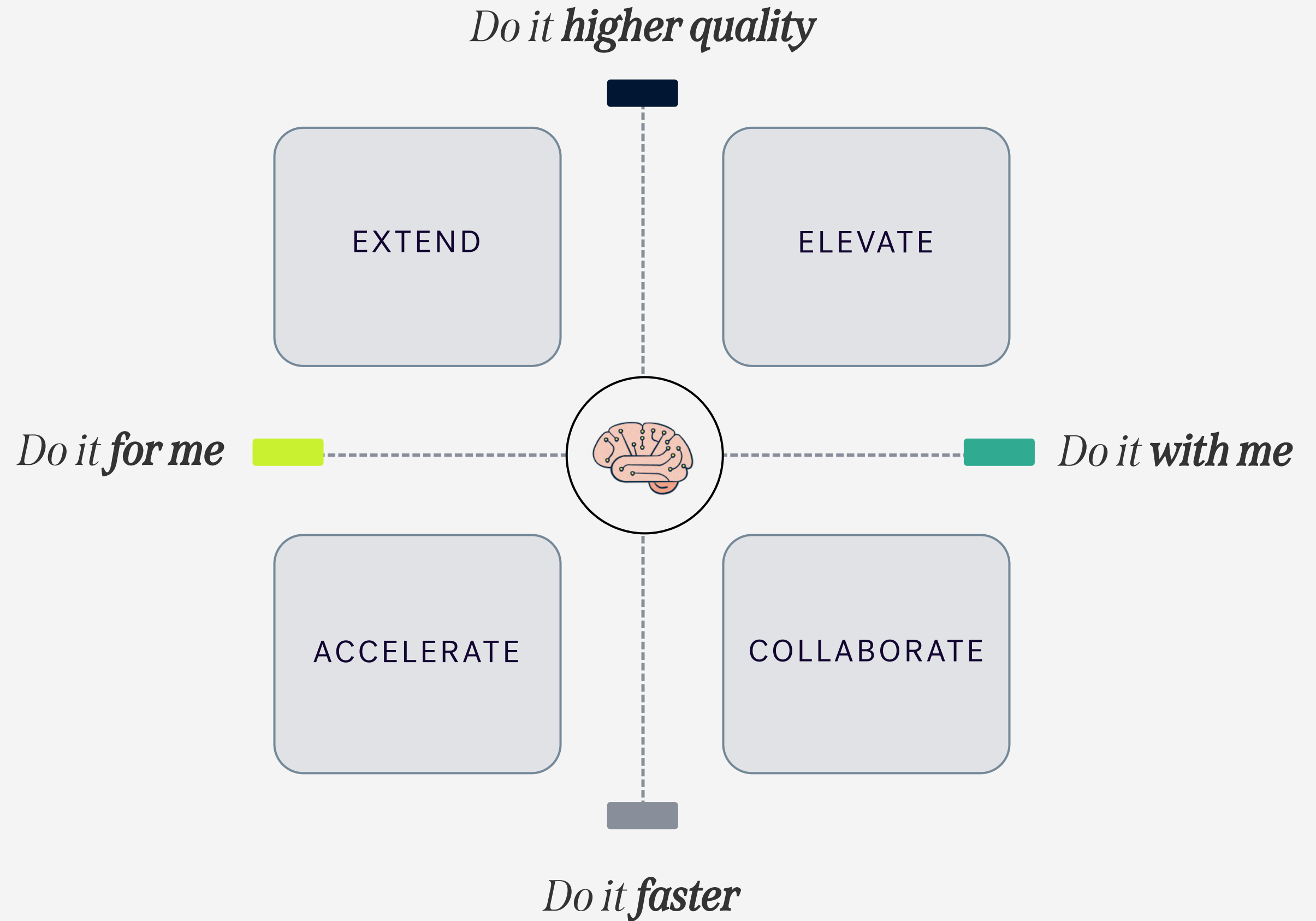
CONSUMER VIEWS ON GOVERNMENT REGULATION OF AI



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

Source: Forerunner Consumer Survey, 2024

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

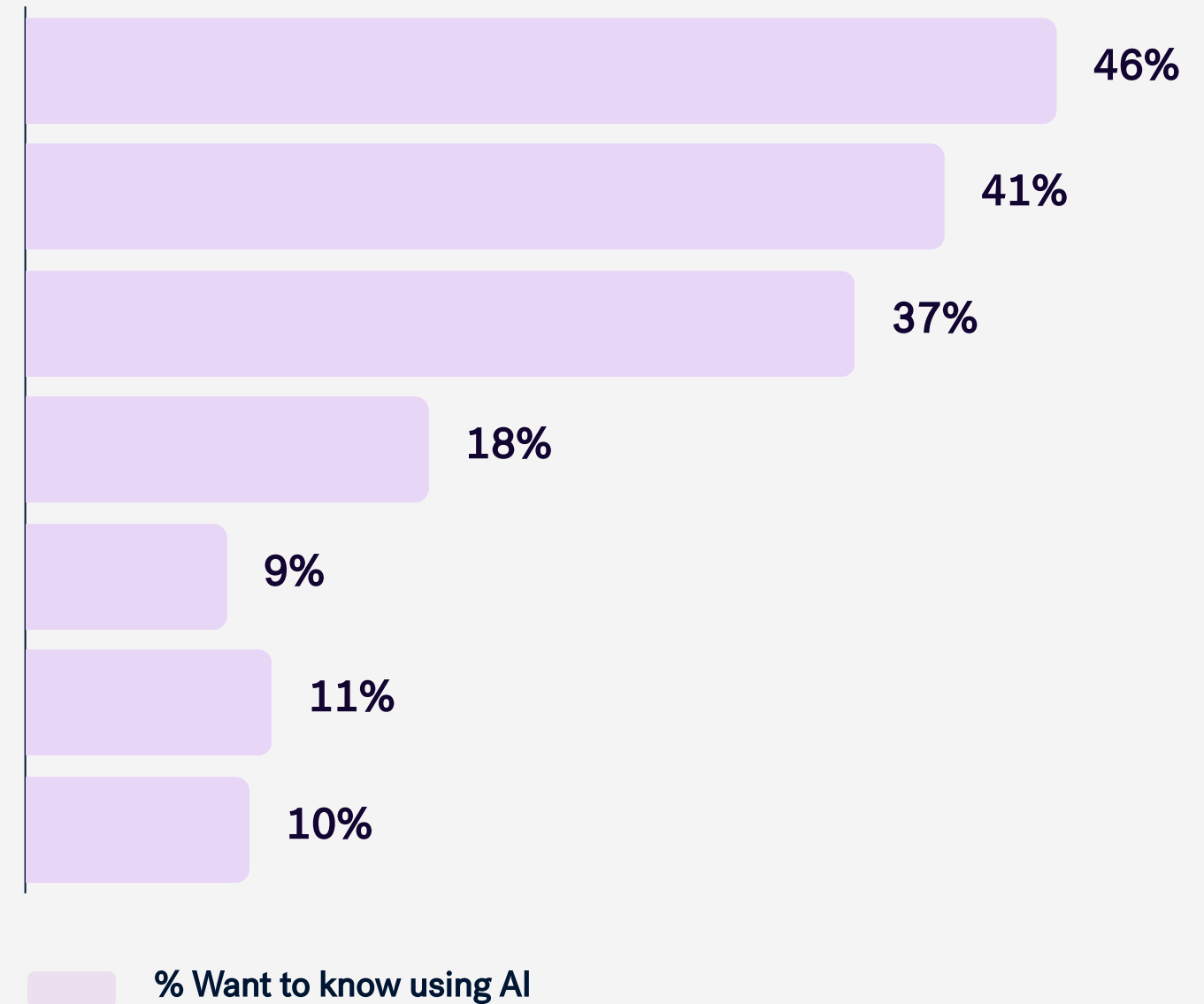


Learning and professional development

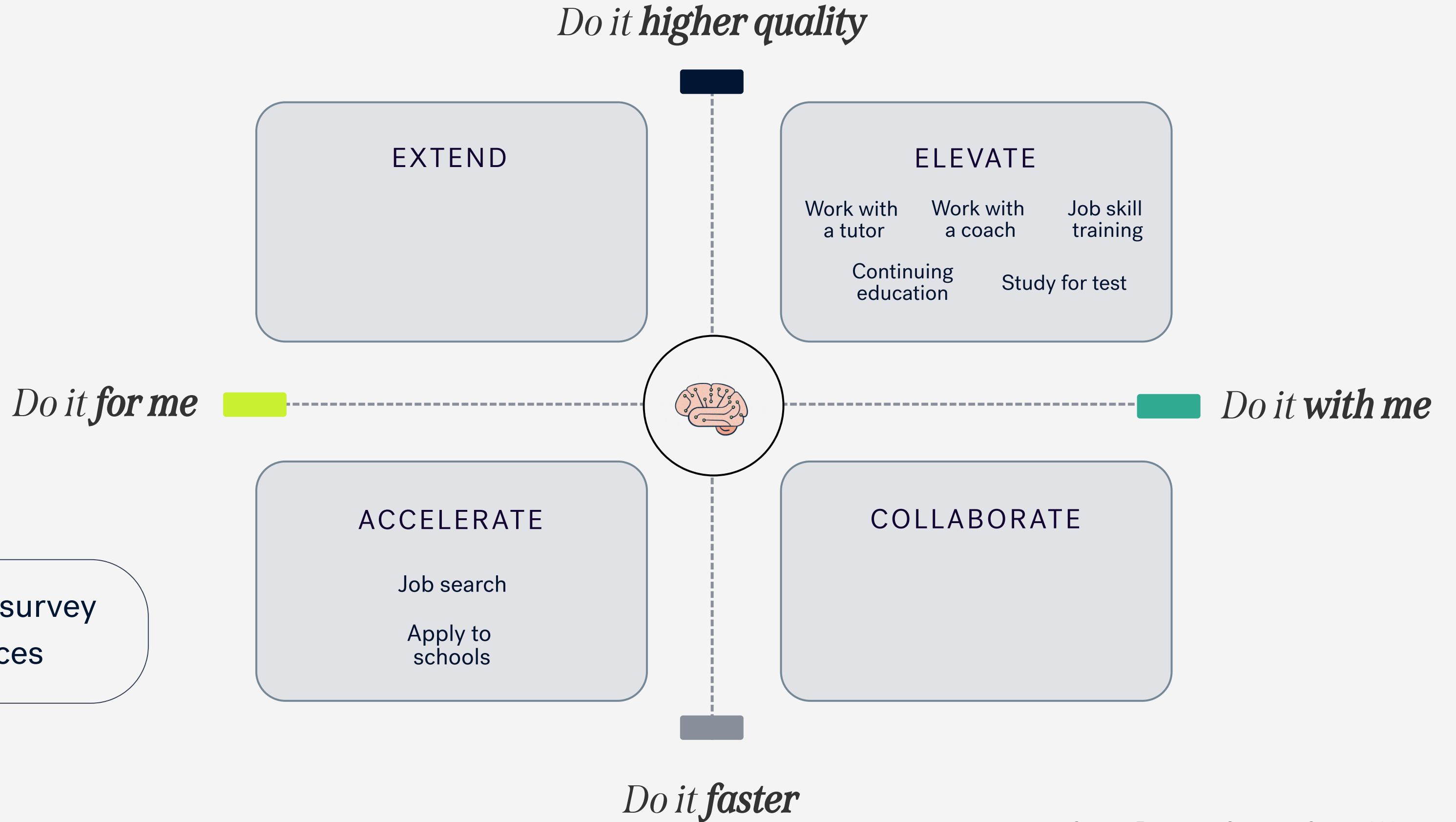
Which do you do regularly? Of those, which are you open to using AI?



Do you want to know you're using AI?



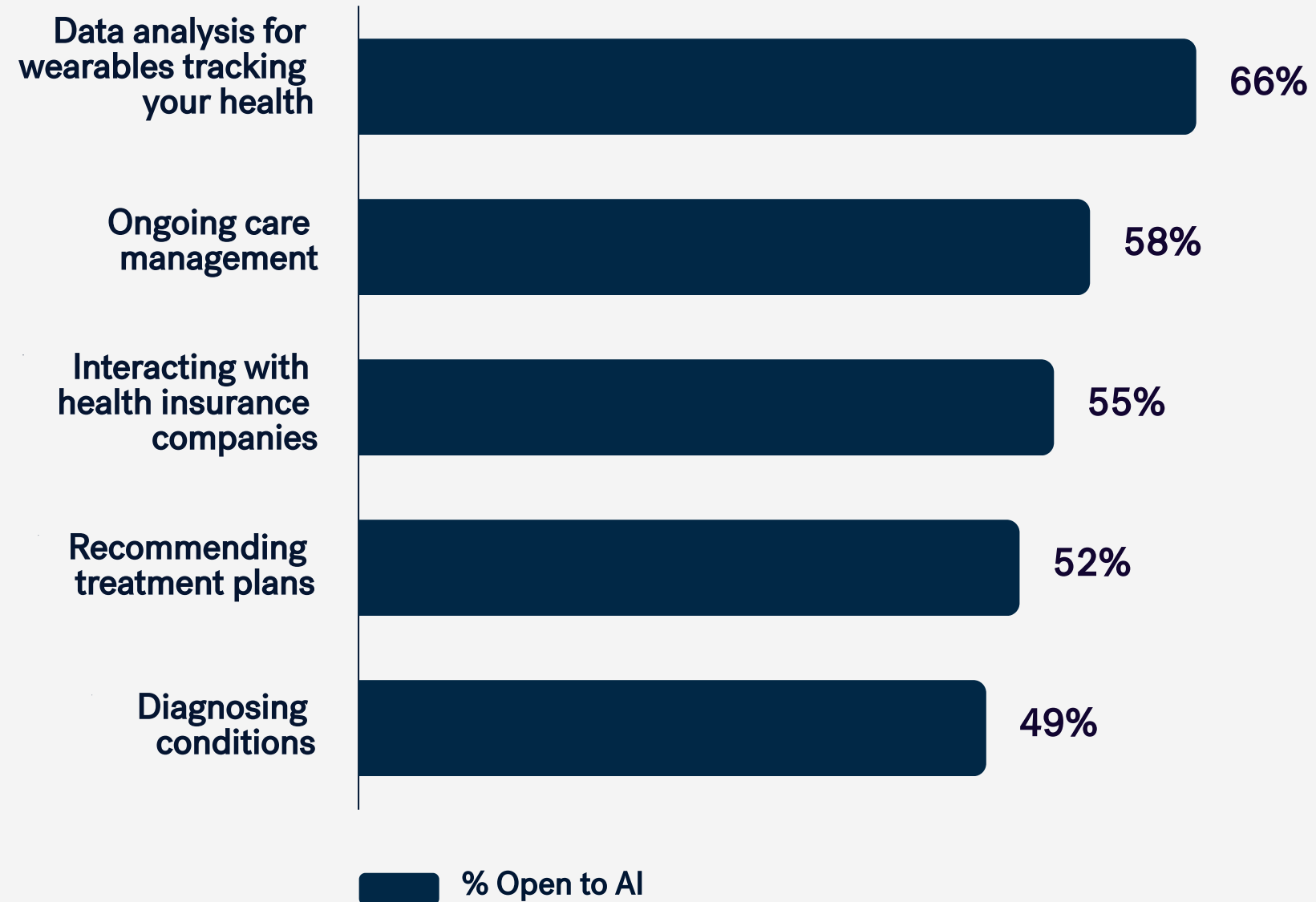
Learning and professional development



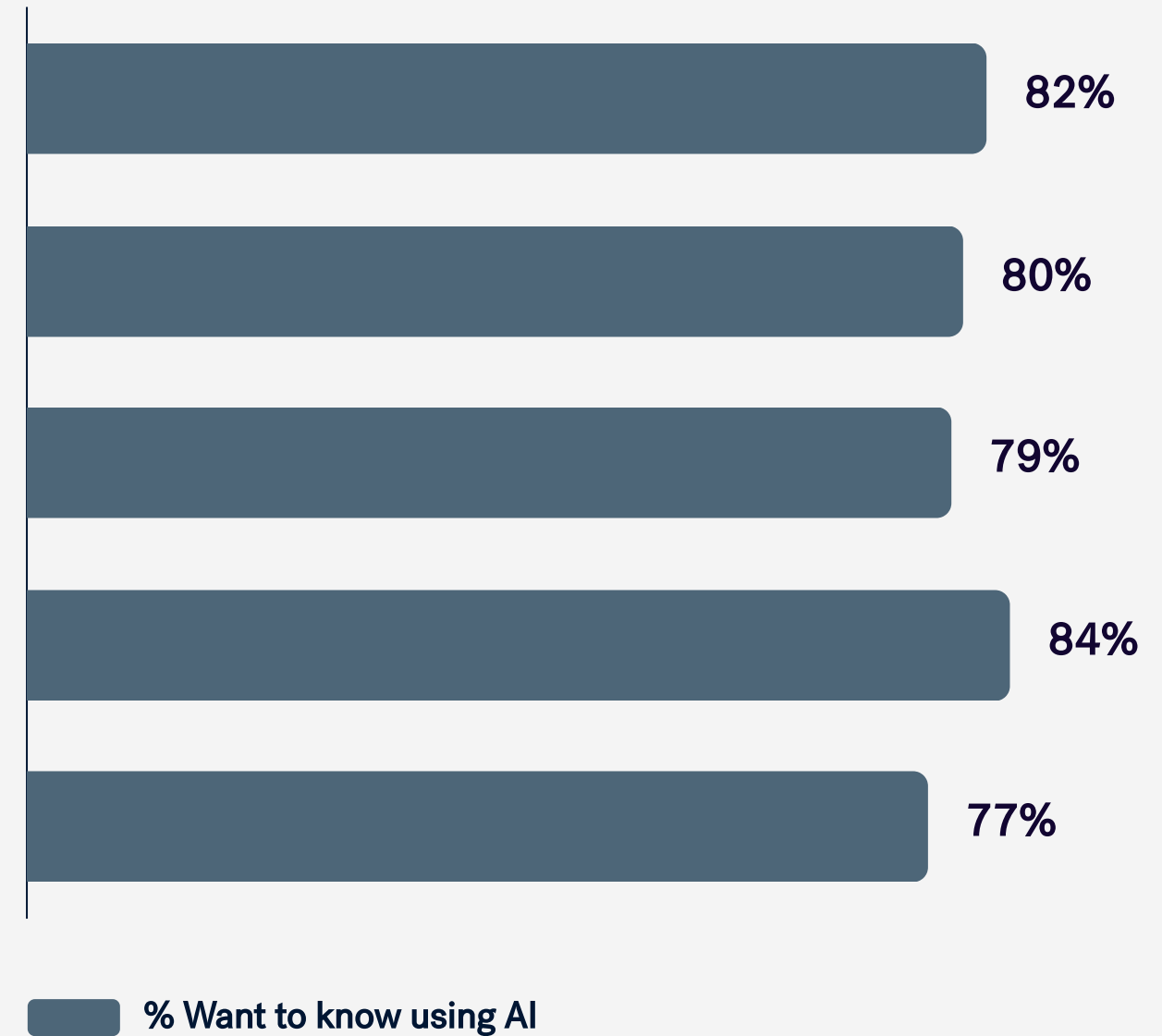
Placement based on survey respondent preferences

Healthcare

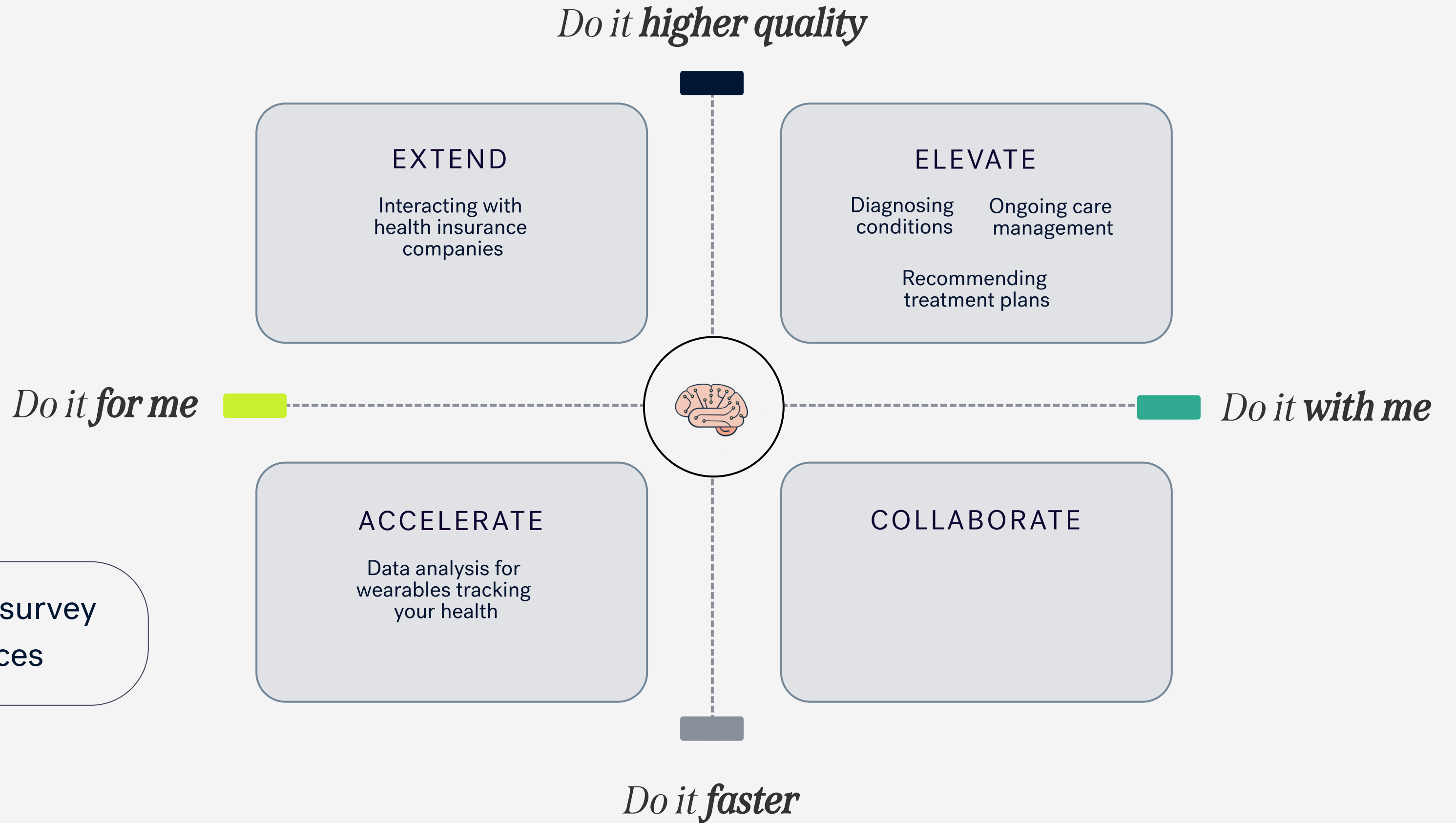
Are you open to using AI?



Do you want to know you're using AI?

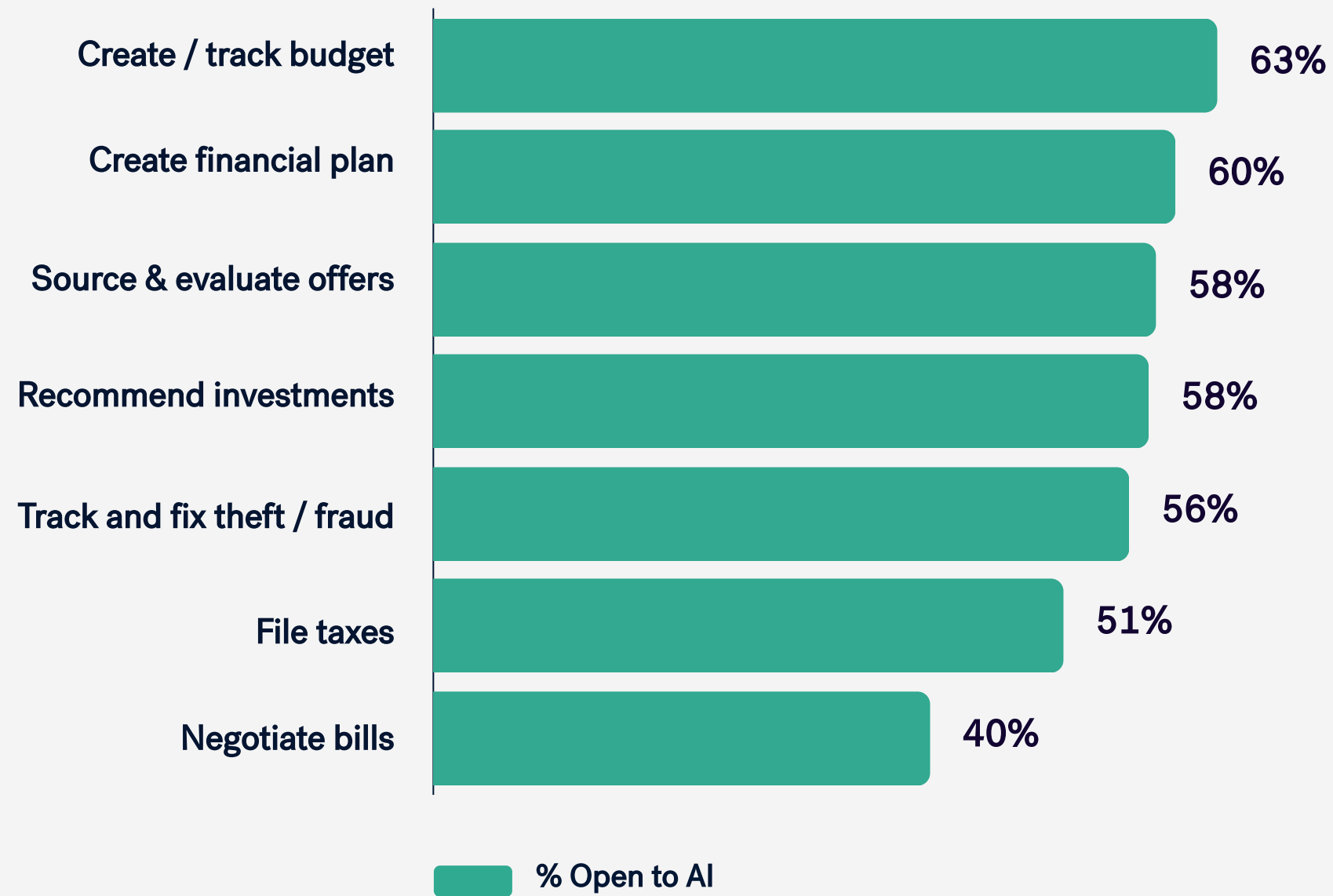


Healthcare

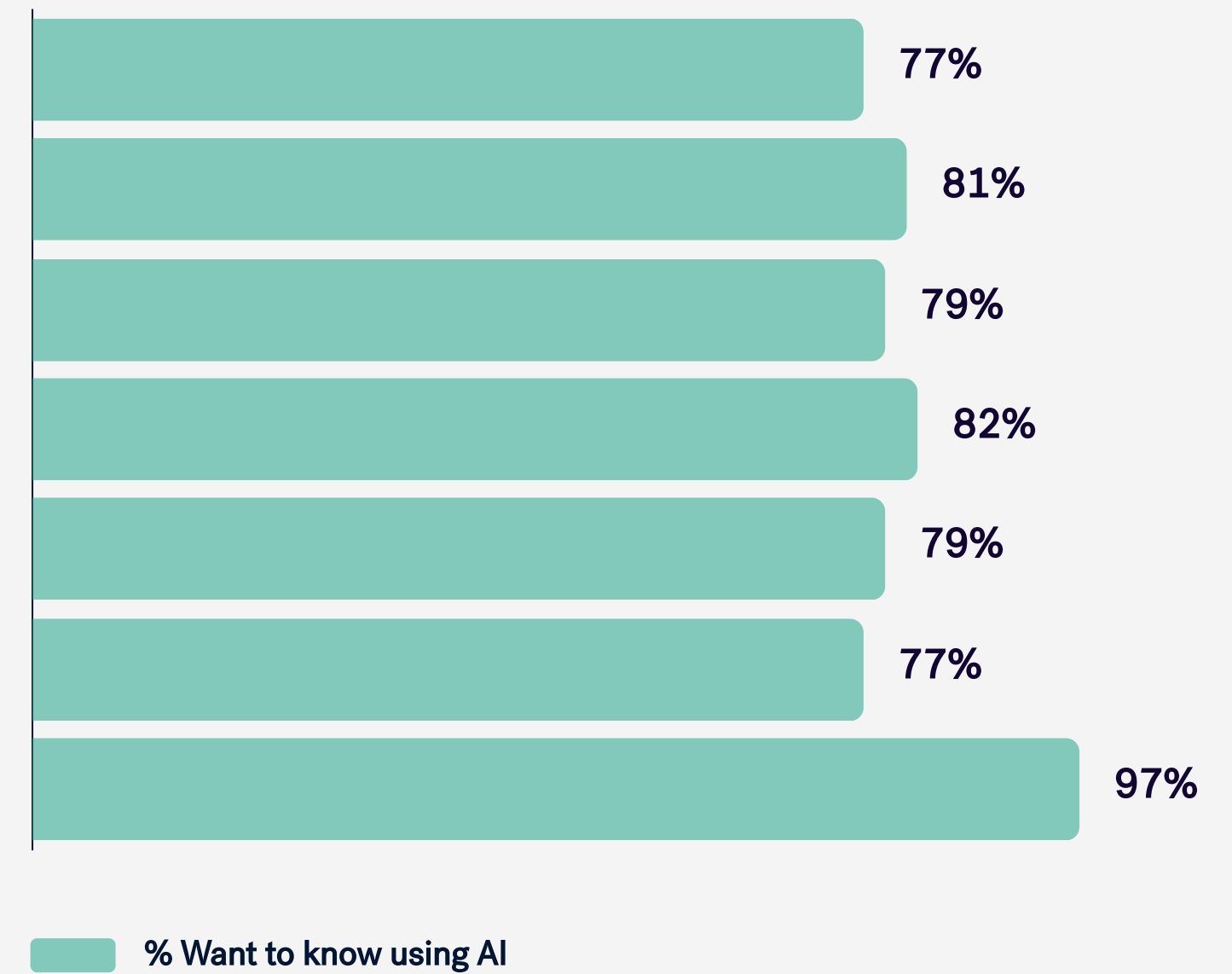


Personal finances

Are you open to using AI?

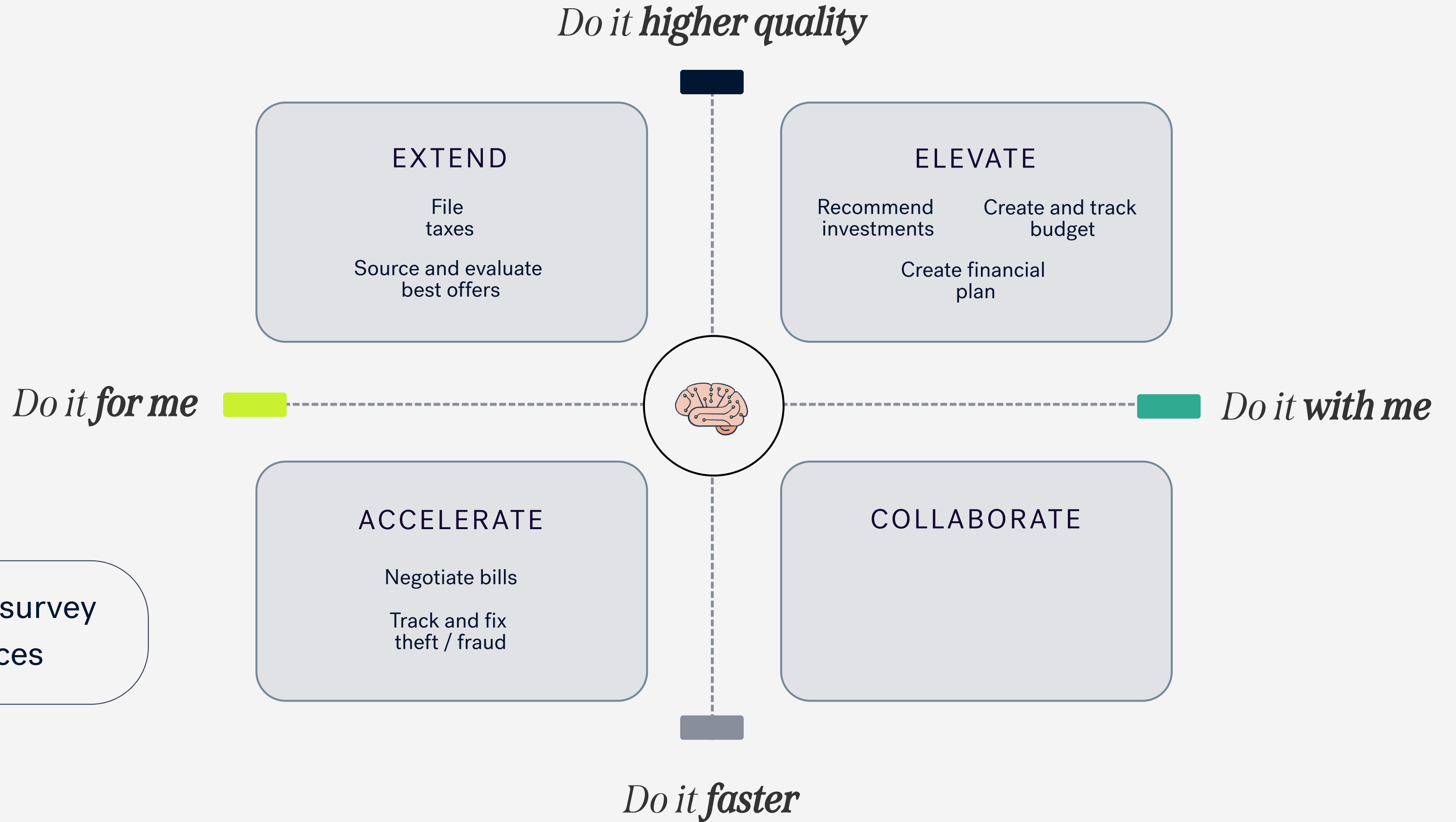


Do you want to know you're using AI?



Source: Forerunner Consumer Survey, 2024

Personal finances








Placement based on survey respondent preferences

Consumer intrigue, however,
tracks ahead of

*willingness
to pay*

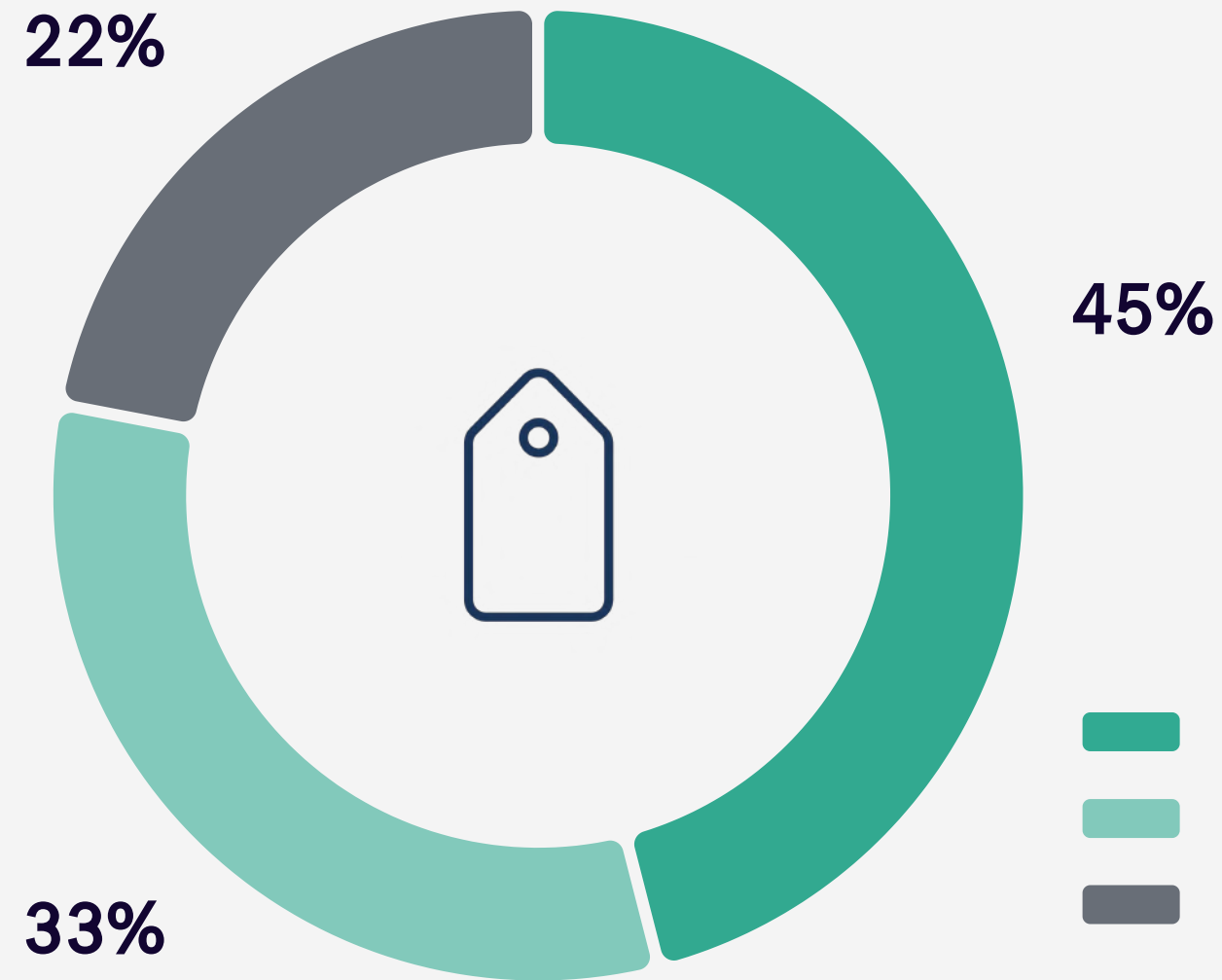


Big AI businesses are already being built

	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

Source: CNBC, 2023; The Information, 2024; Financial Times, 2024; Sacra, 2024

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

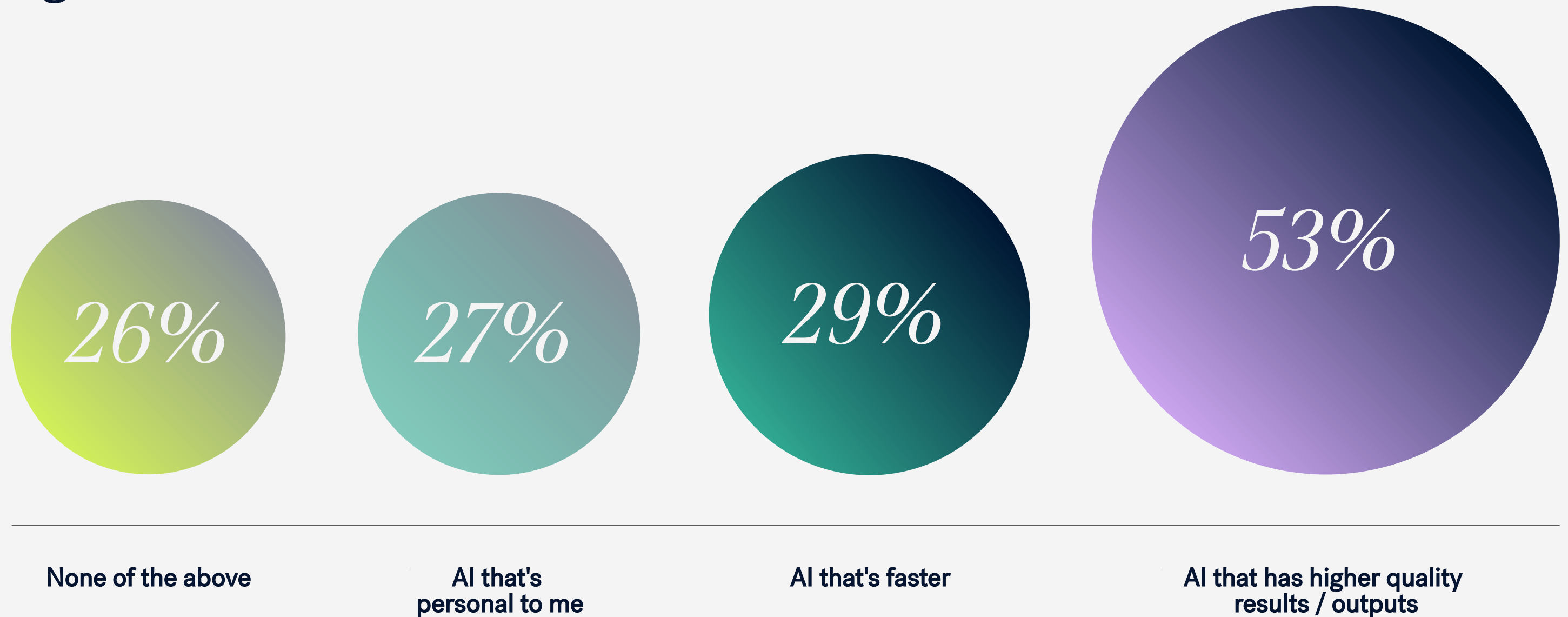


What do you think is a fair way for a company to charge for AI?

- 45%: \$0.20 / use for 100 uses
- 33%: \$15.00 / month flat fee + \$0.05 / use for 100 uses
- 22%: \$20.00 / month flat fee for 100 uses

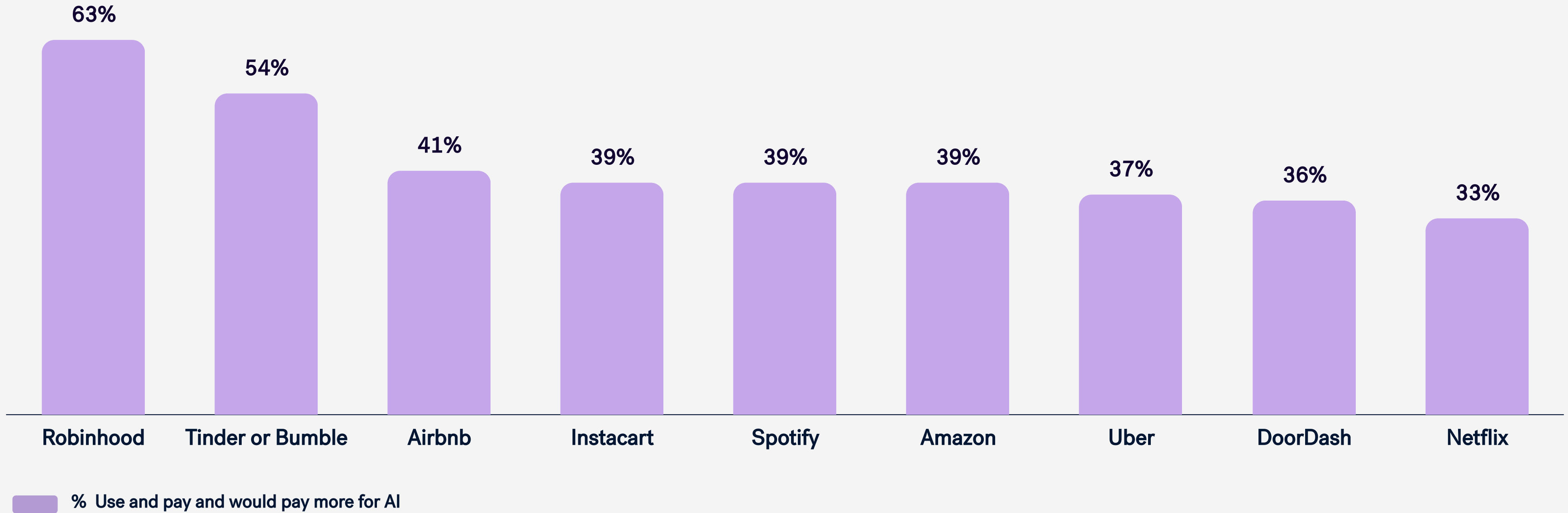
Higher quality results and output are most likely to increase consumer willingness to pay

Which would you be willing to pay more for?



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

Which of the below do you use and pay for? Which would you pay more for to access AI features?



Source: Forerunner Consumer Survey, 2024

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

Source: *Our World in Data*

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

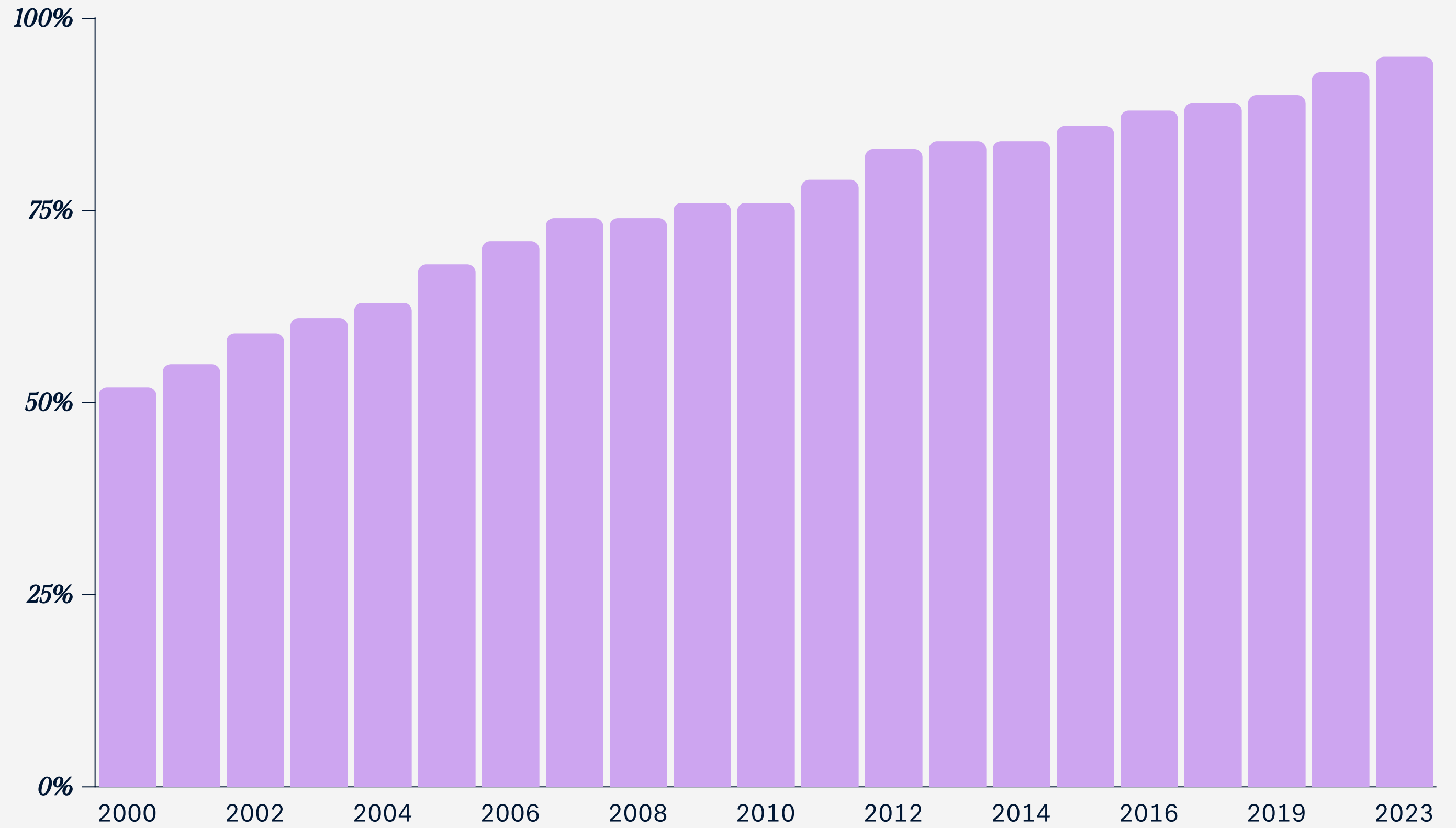
Smartphone Penetration

Time Spent on Devices

Social Media Usage

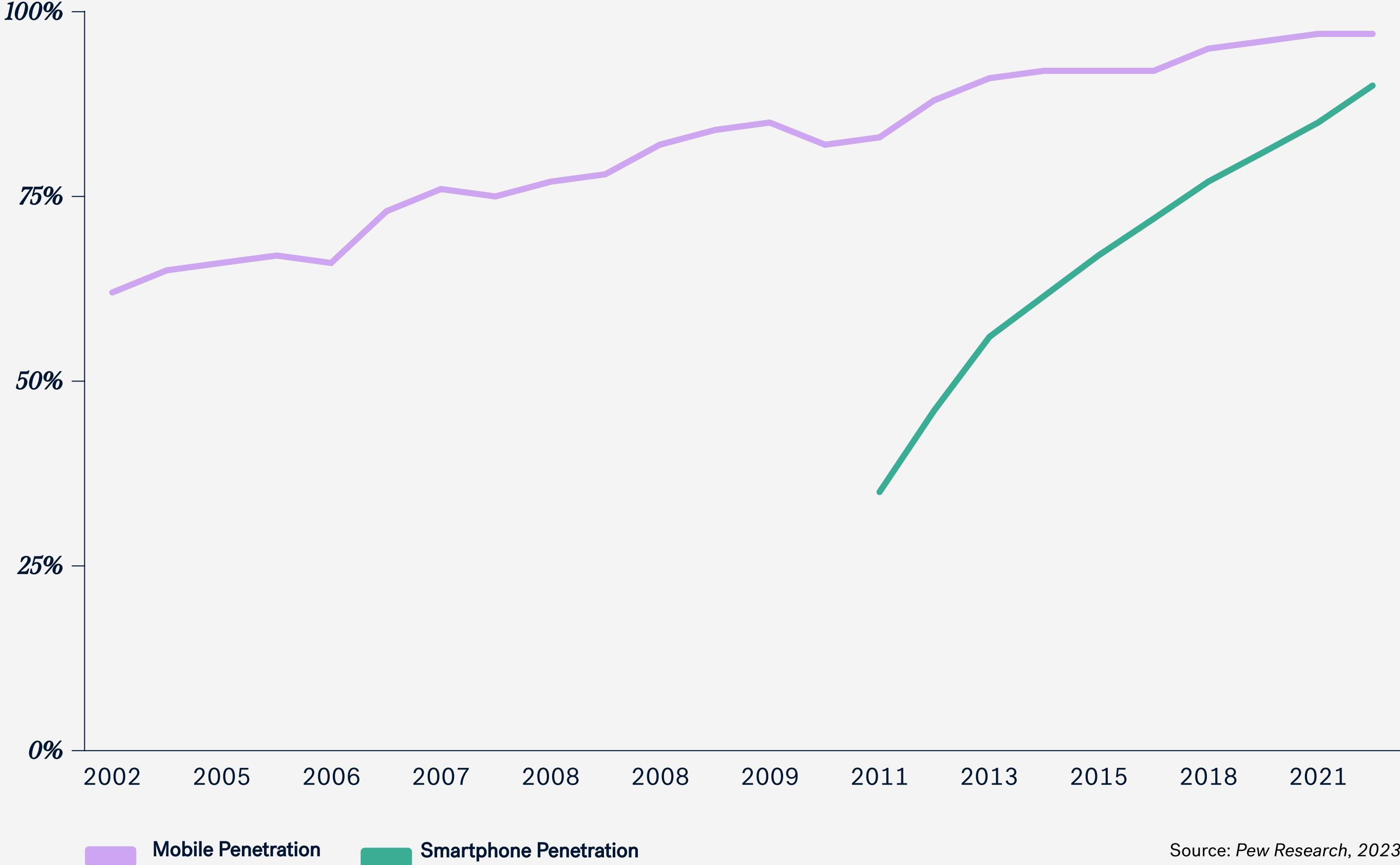
Video Usage

Internet Penetration



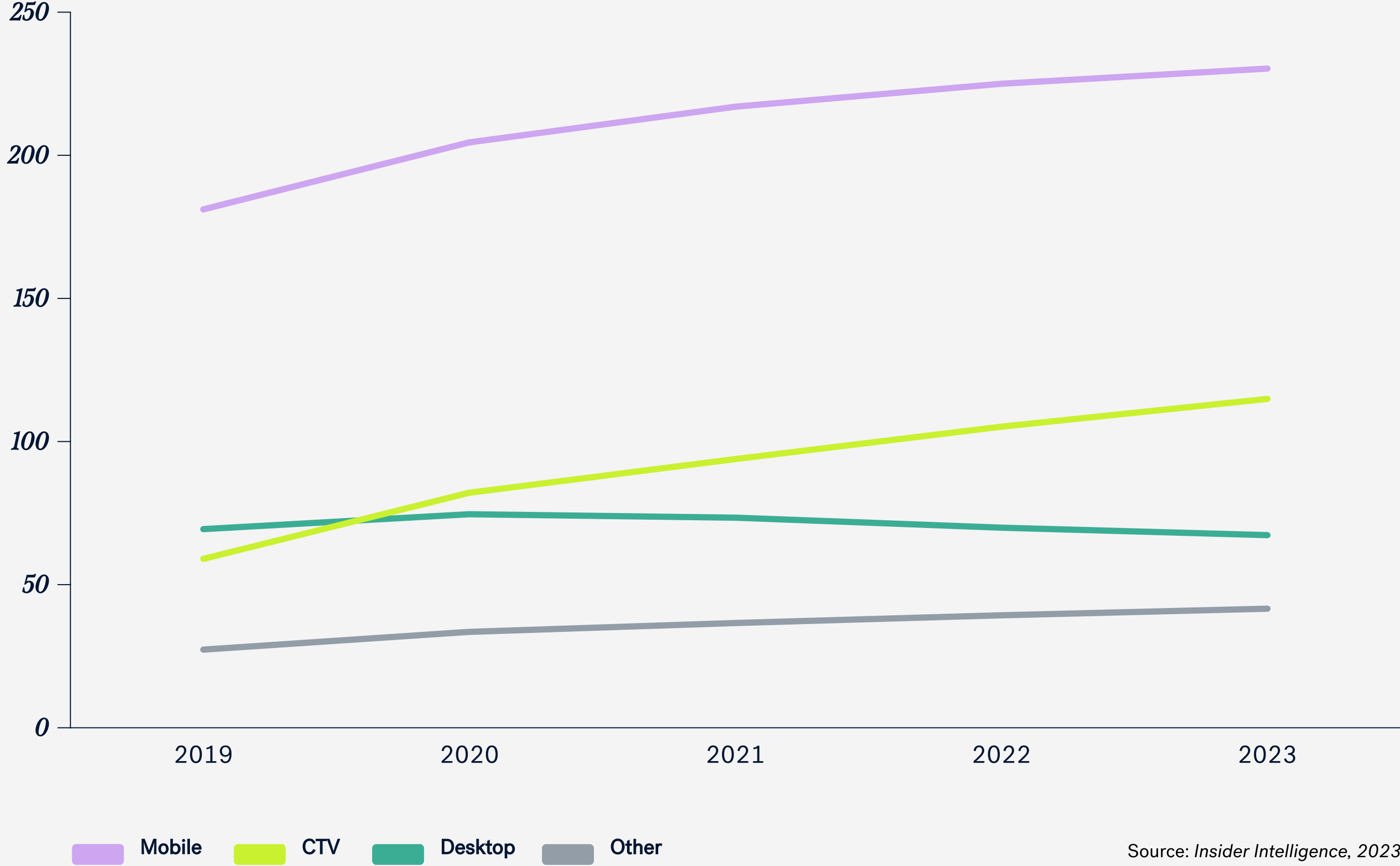
Source: Pew Research, 2023

Smartphone & Mobile Penetration



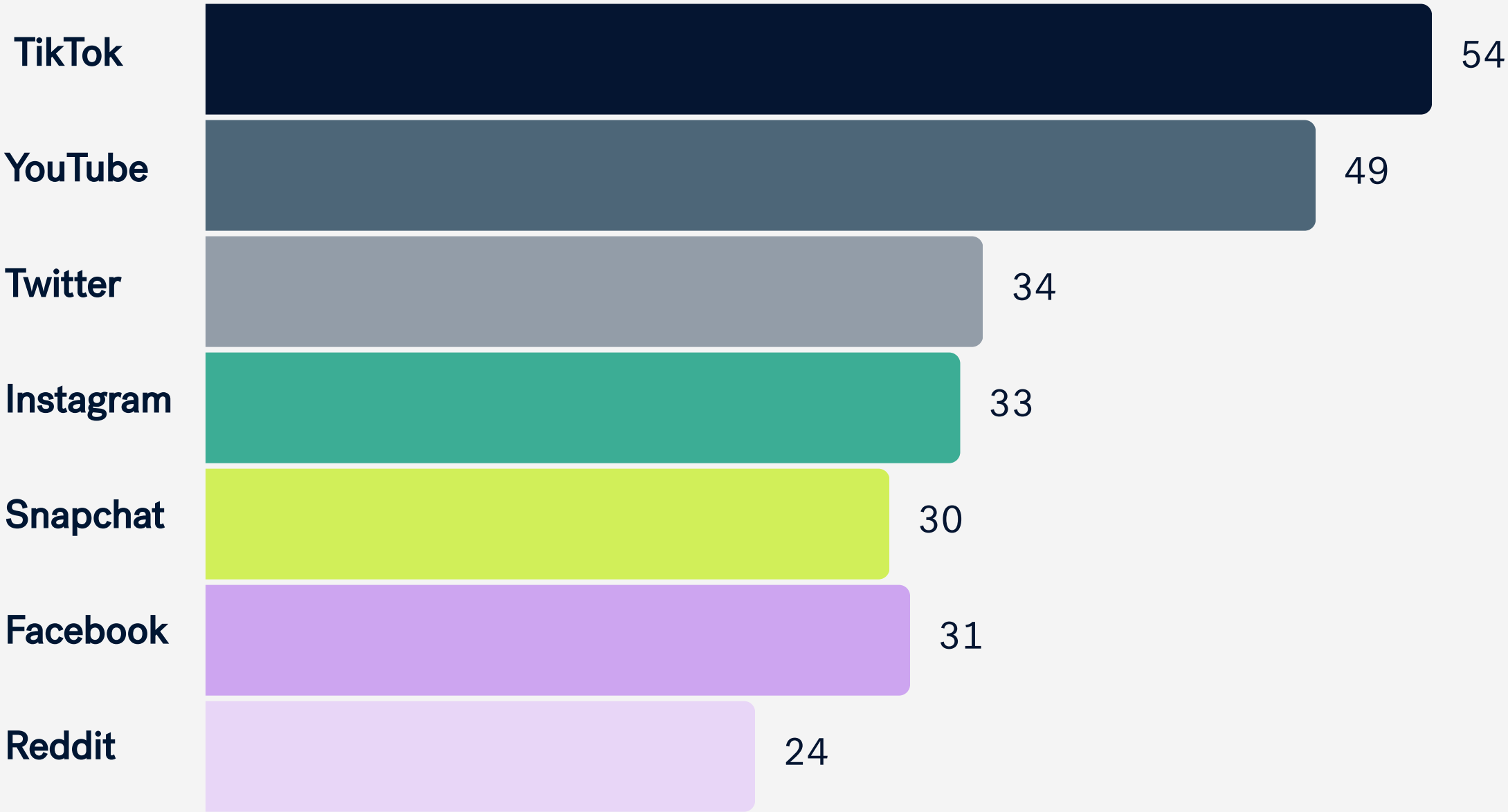
Source: Pew Research, 2023

Average Minutes Per Day by Device



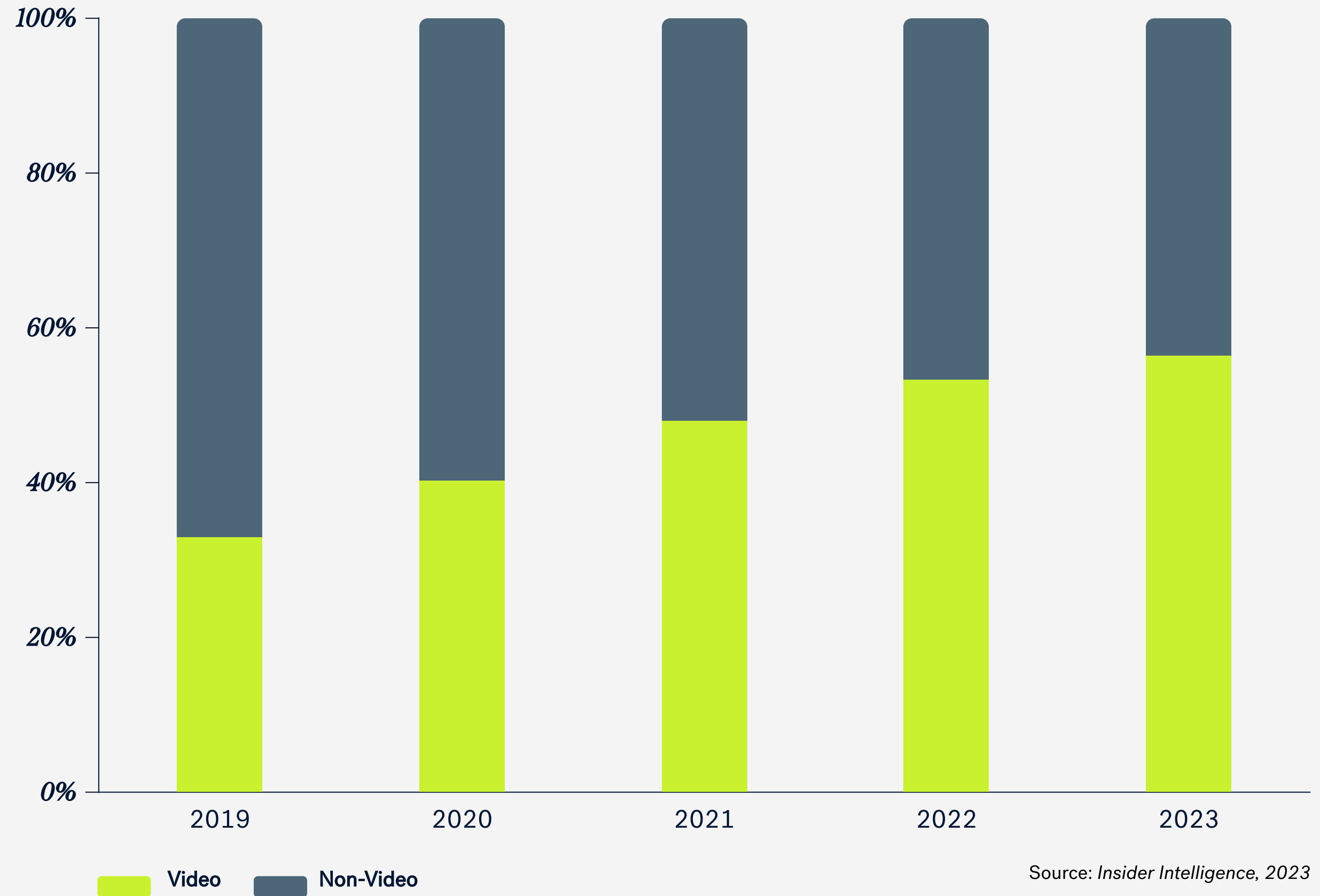
Source: Insider Intelligence, 2023

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

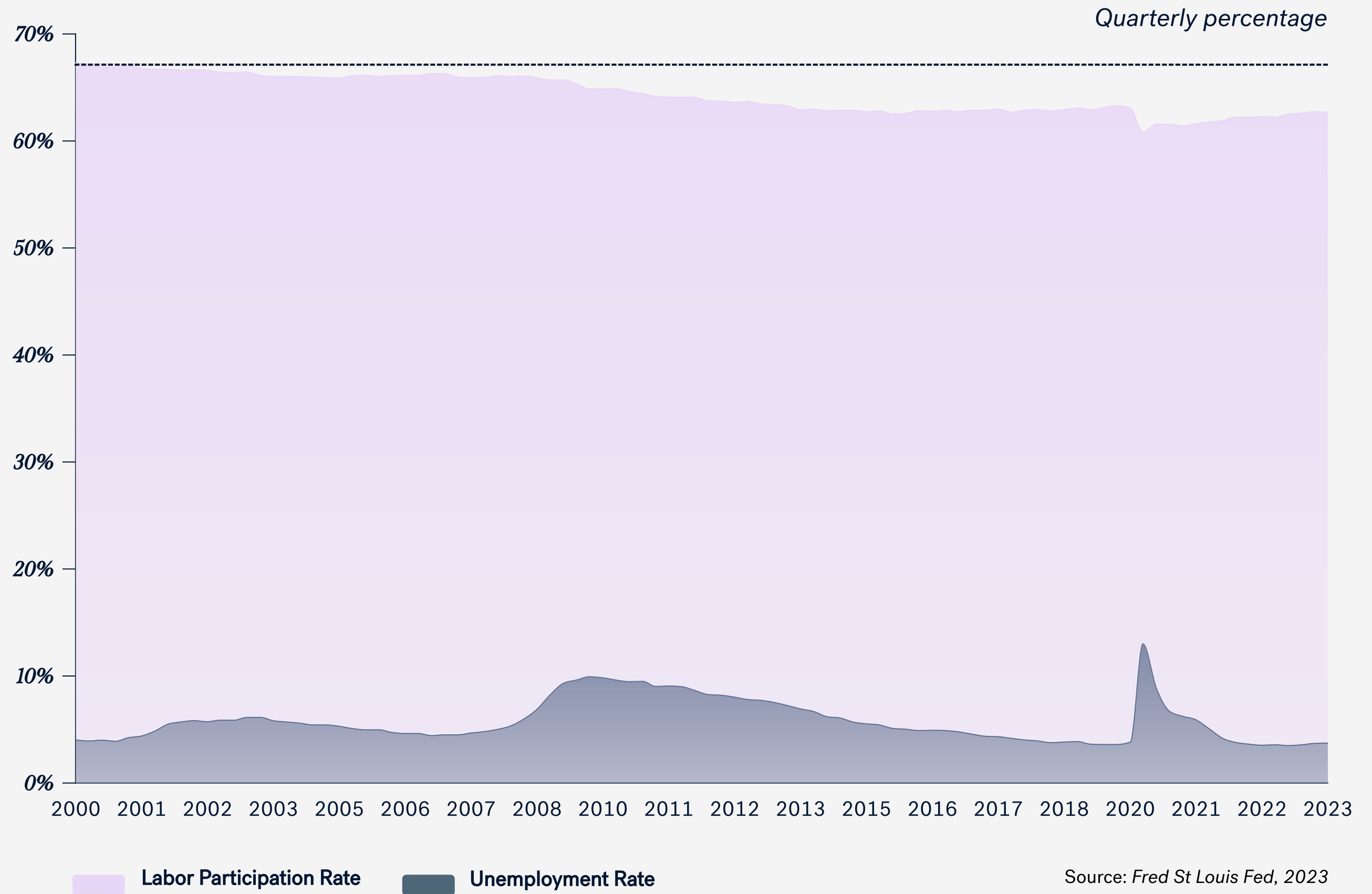
Jobs

Wages

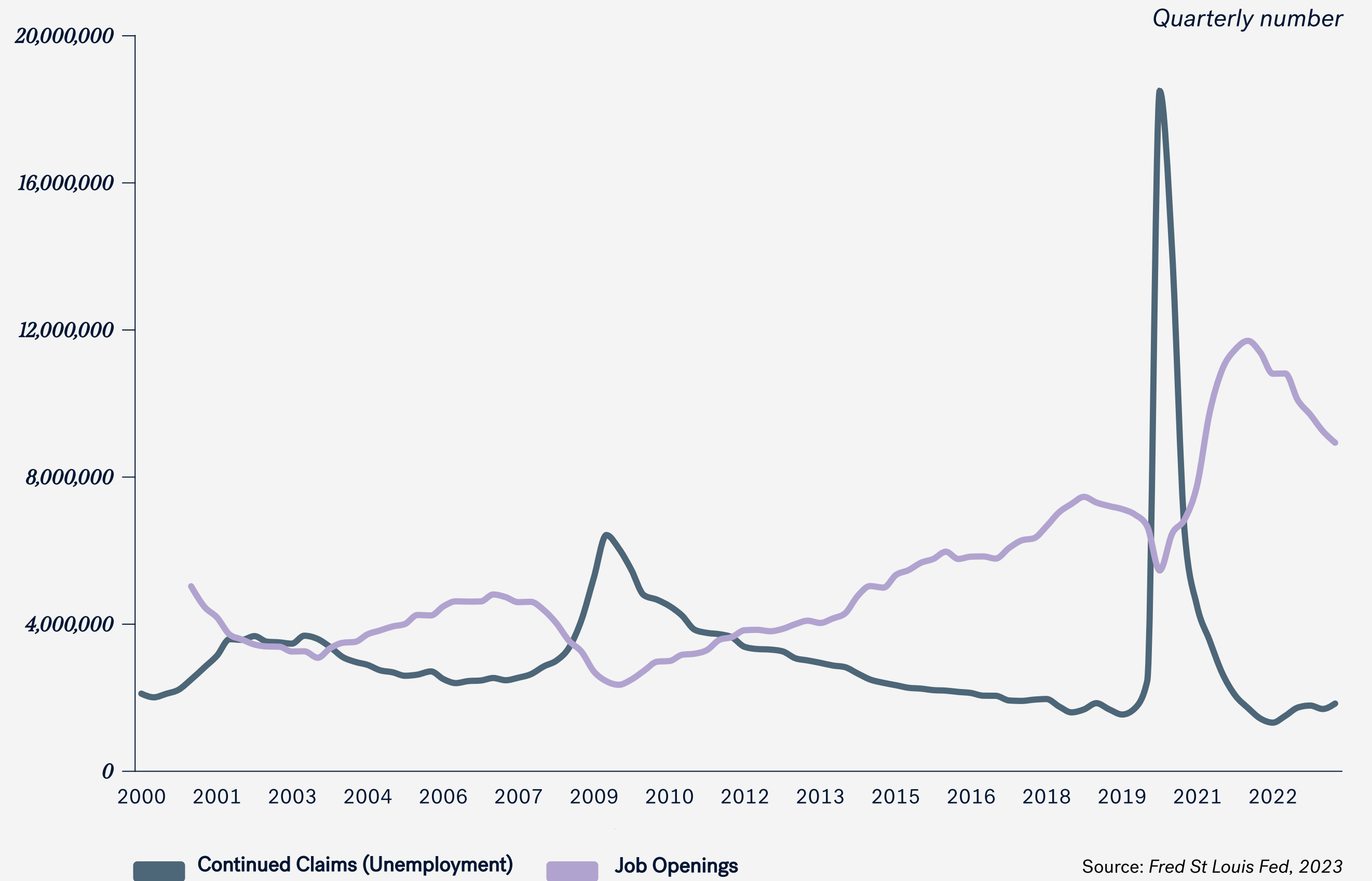
Income

Savings

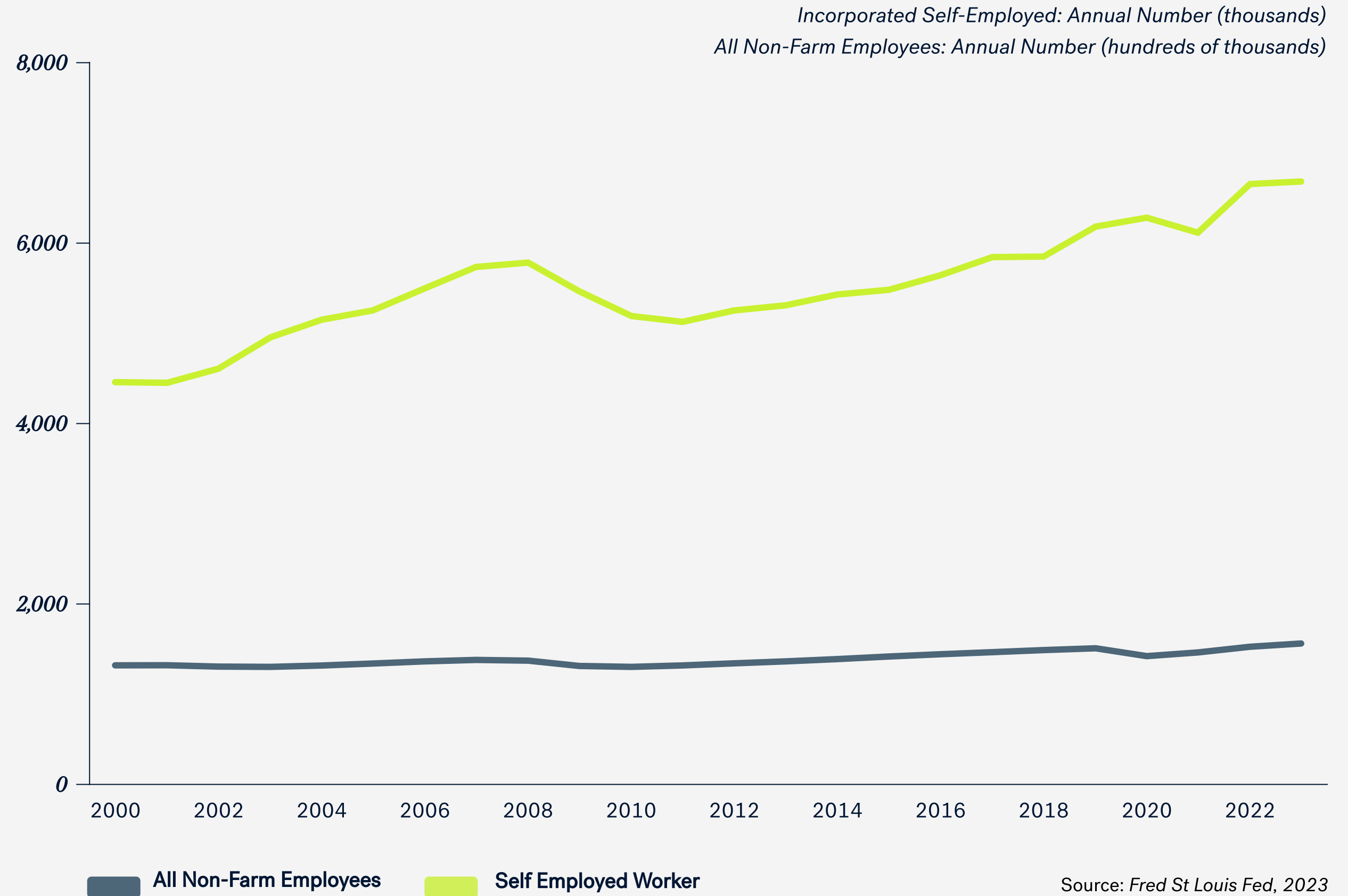
Labor Participation Rate & Unemployment Rate



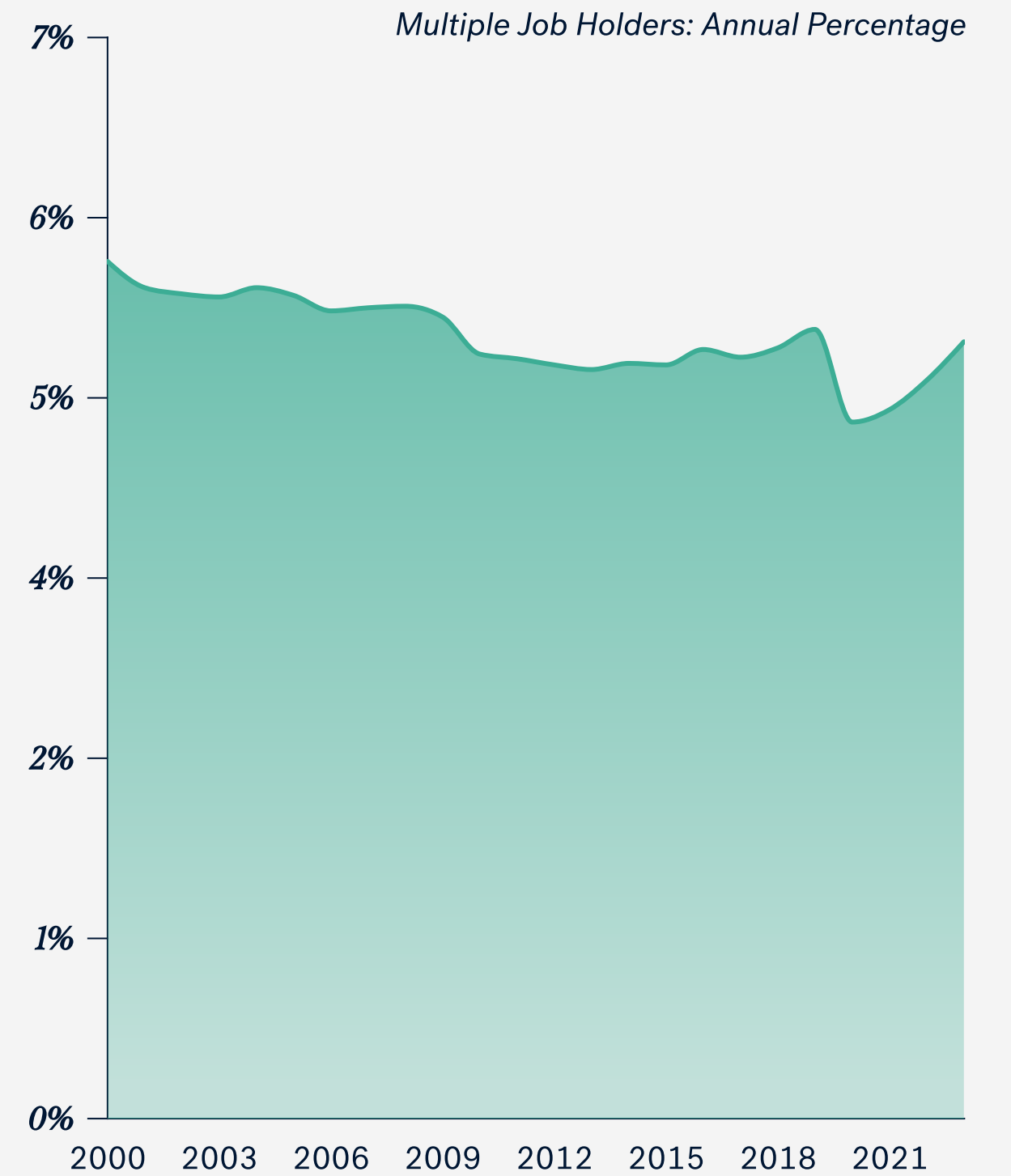
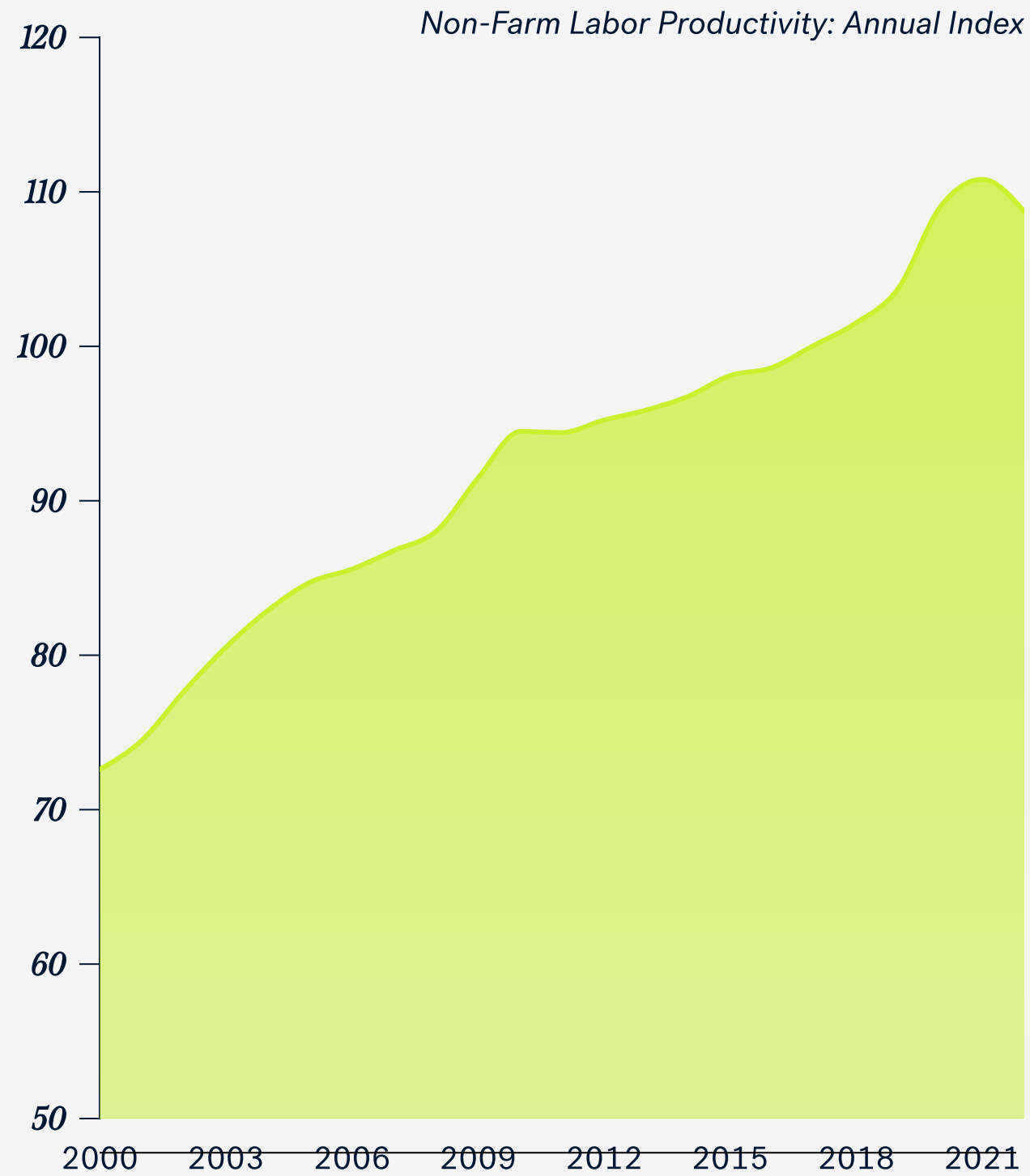
Continued Claims & Job Openings



Incorporated Self-Employed Workers & All Non-Farm Employees



Non-Farm Labor Productivity & Multiple Job Holders

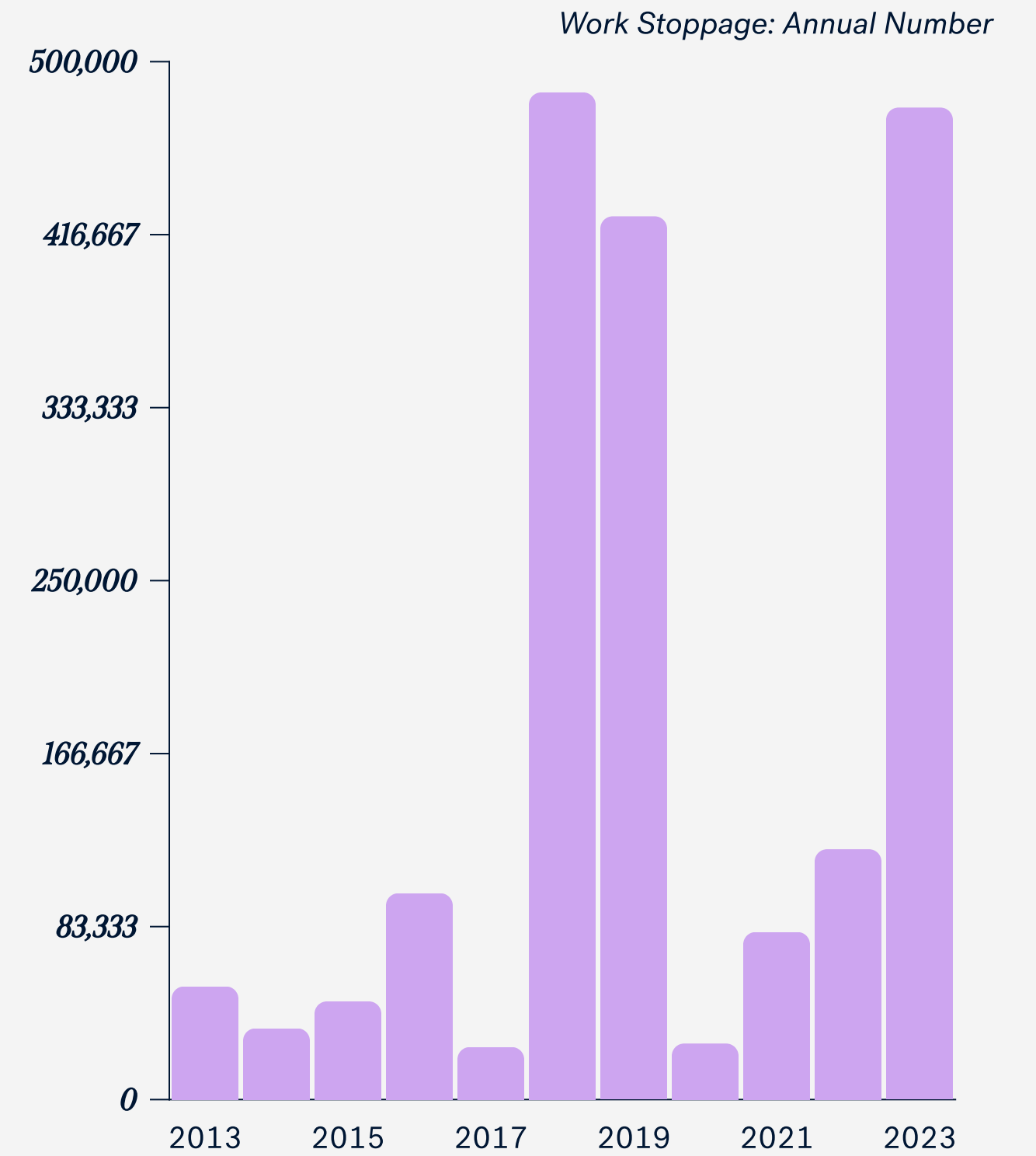
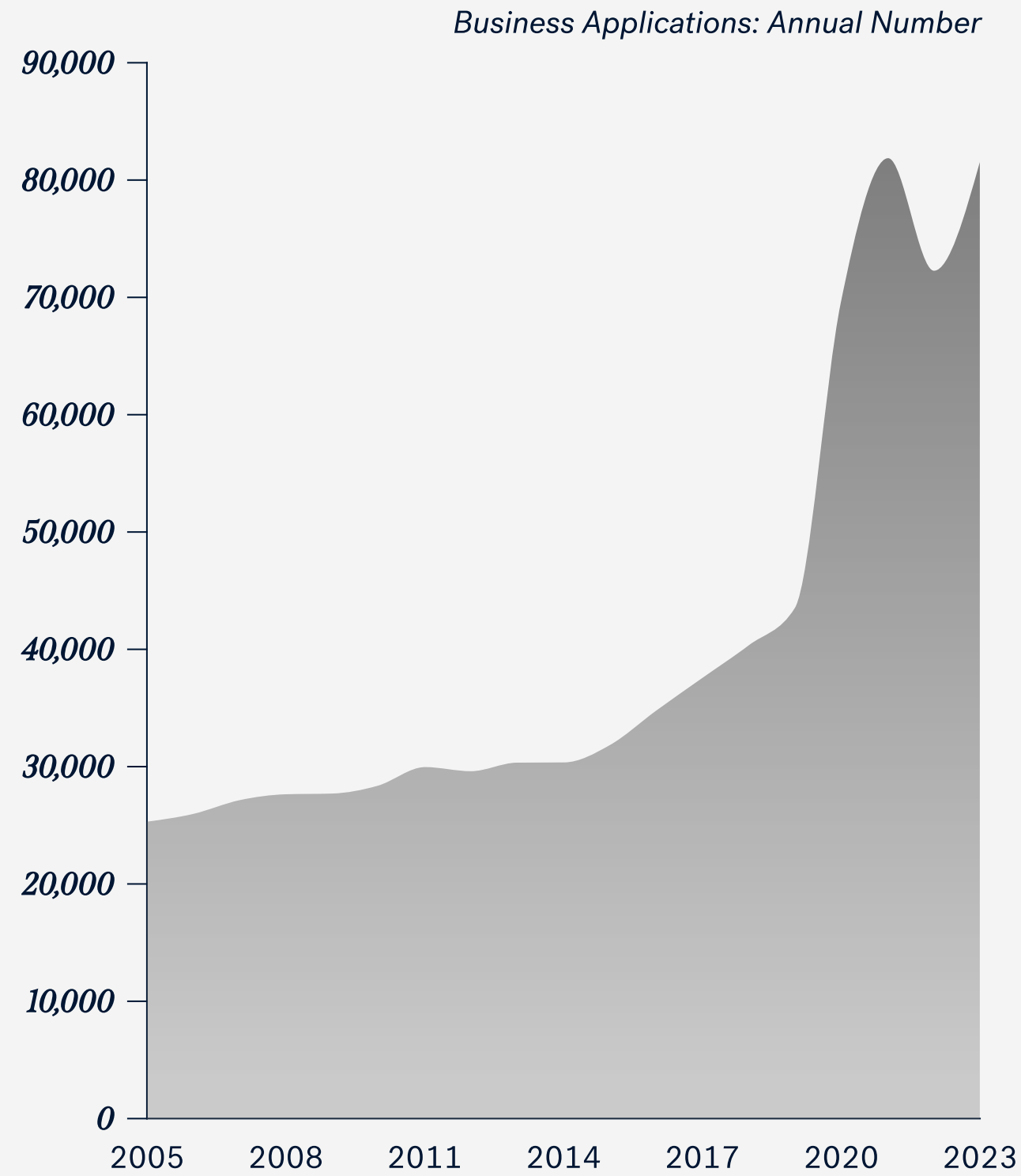


Non-Farm Labor Productivity

Multiple Job Holders
(as % of employed)

Source: Fred St Louis Fed, 2023

Business Applications & Work Stoppage

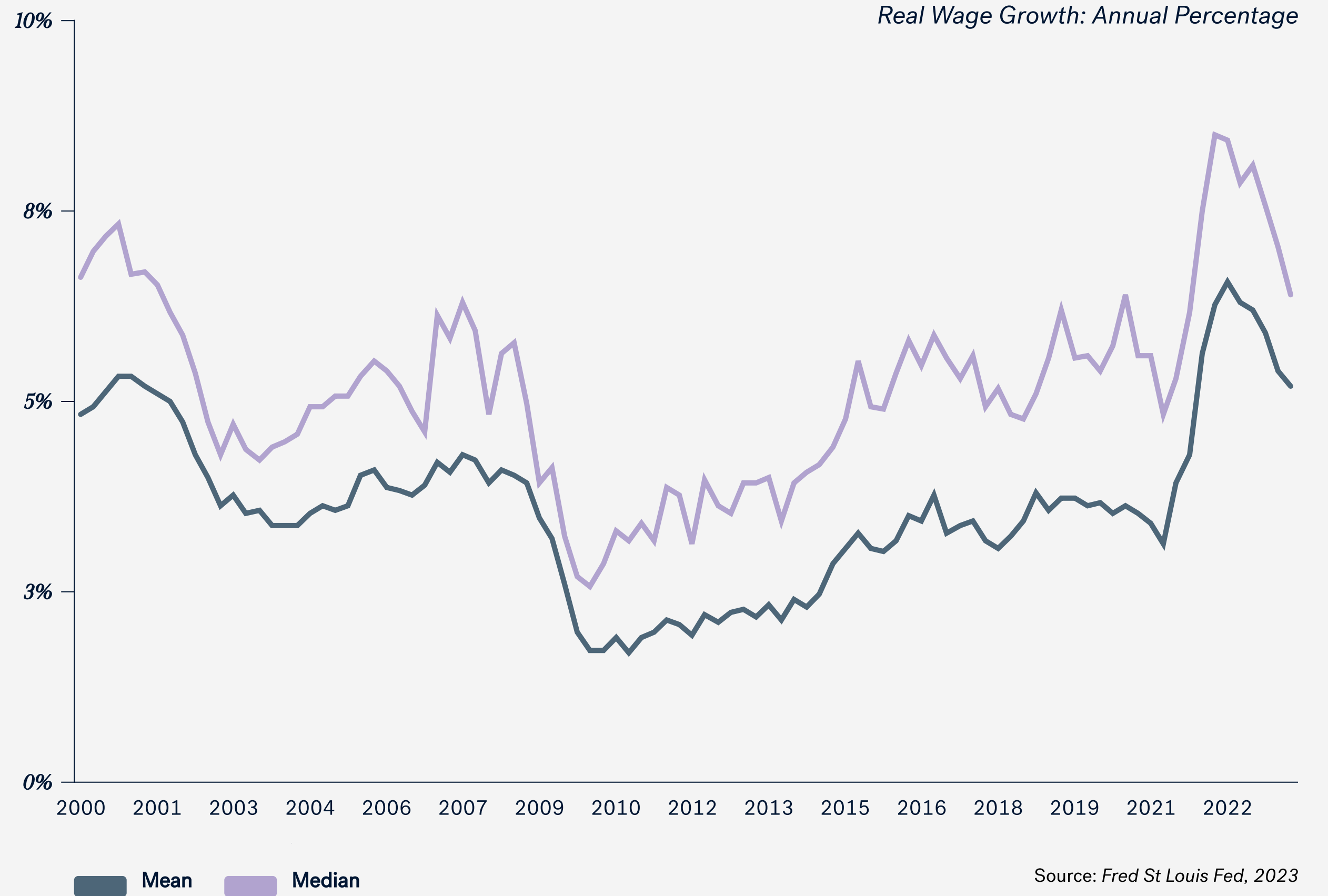


 Business Applications

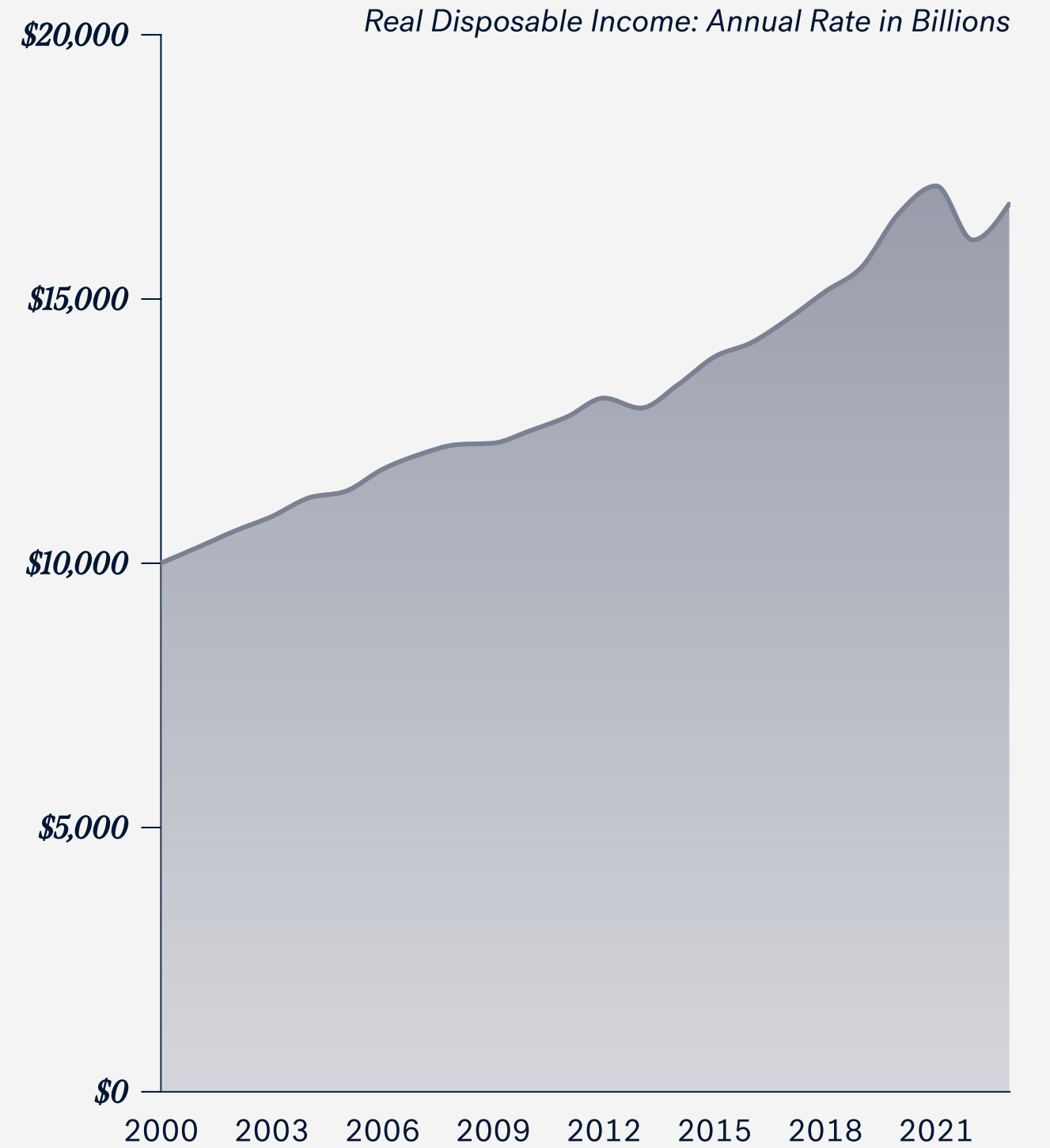
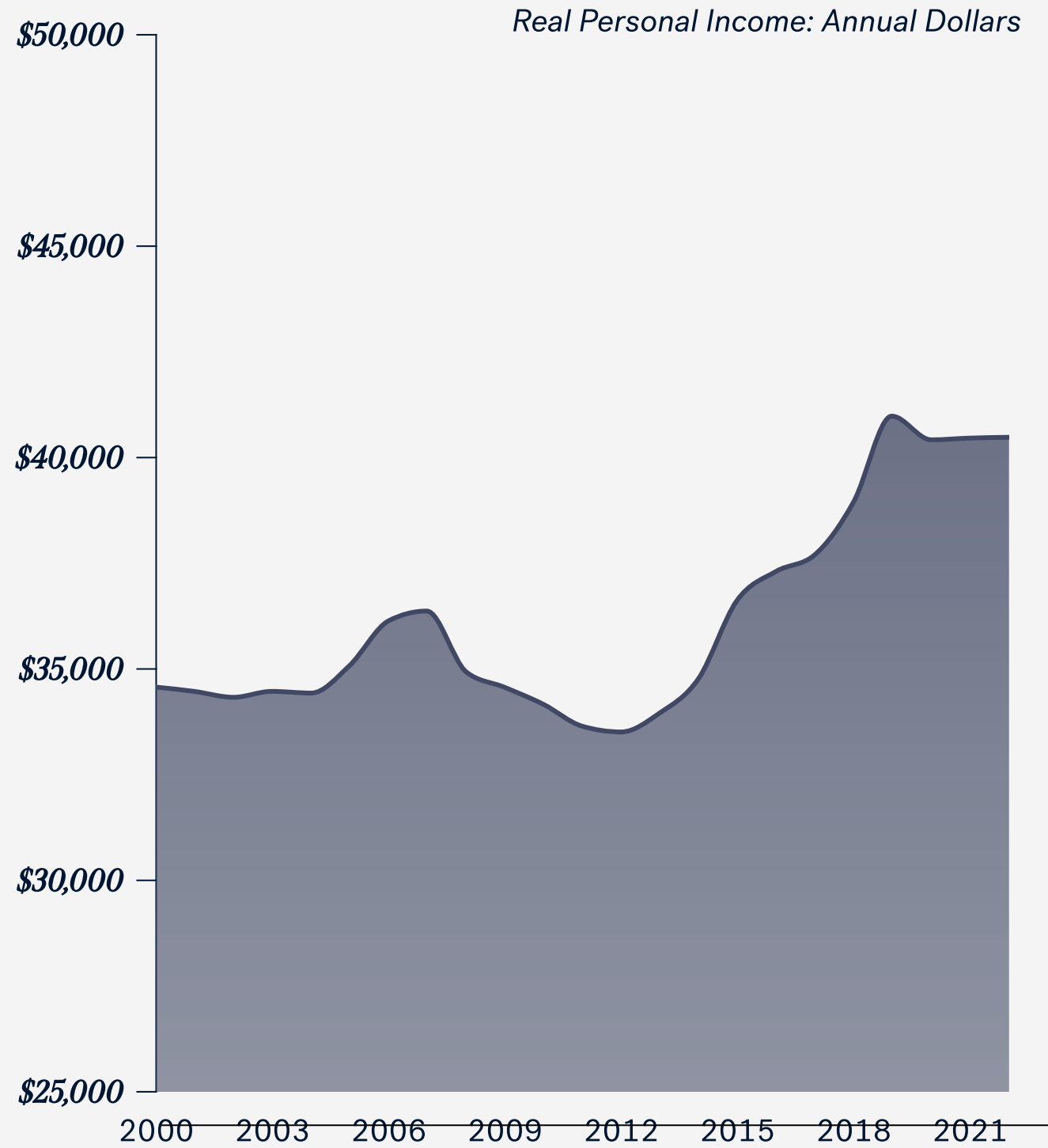
 Work Stoppage

Source: Fred St Louis Fed, 2023

Real Wage Growth



Real Personal Income & Real Disposable Income

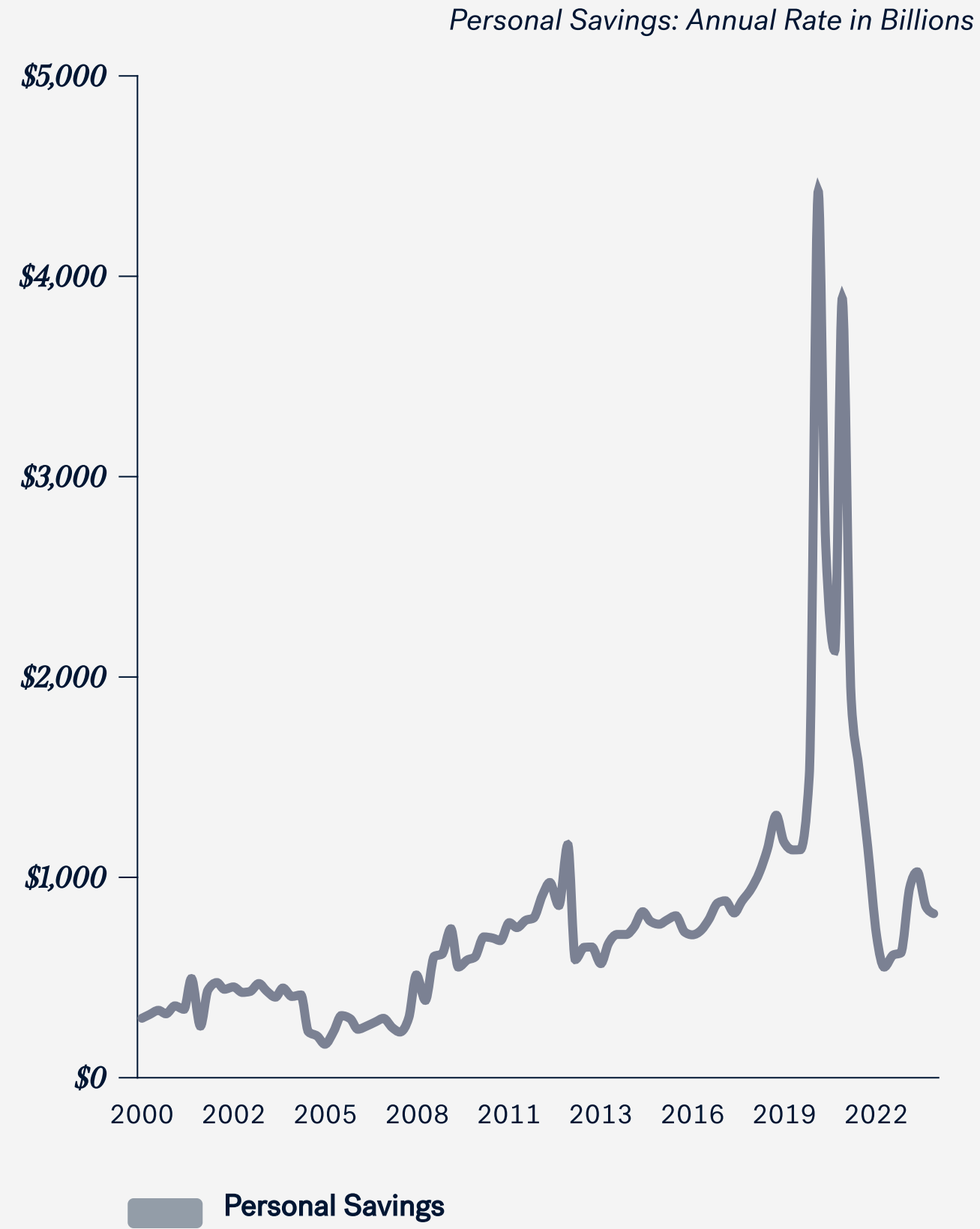


Real Disposable Personal Income (per person)

Real Disposable Income (aggregate)

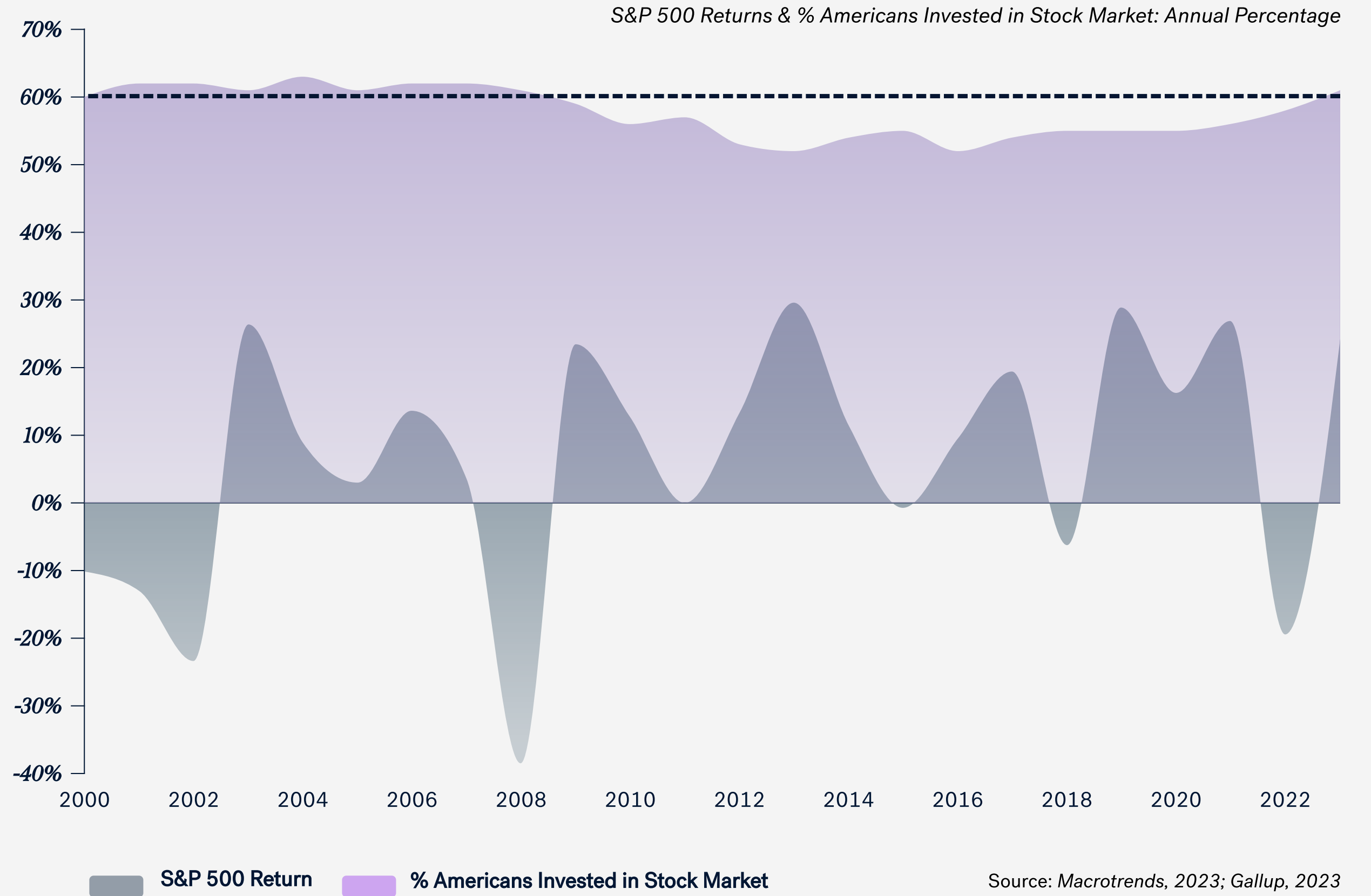
Source: Fred St Louis Fed, 2023

Personal Savings & Personal Savings Rate

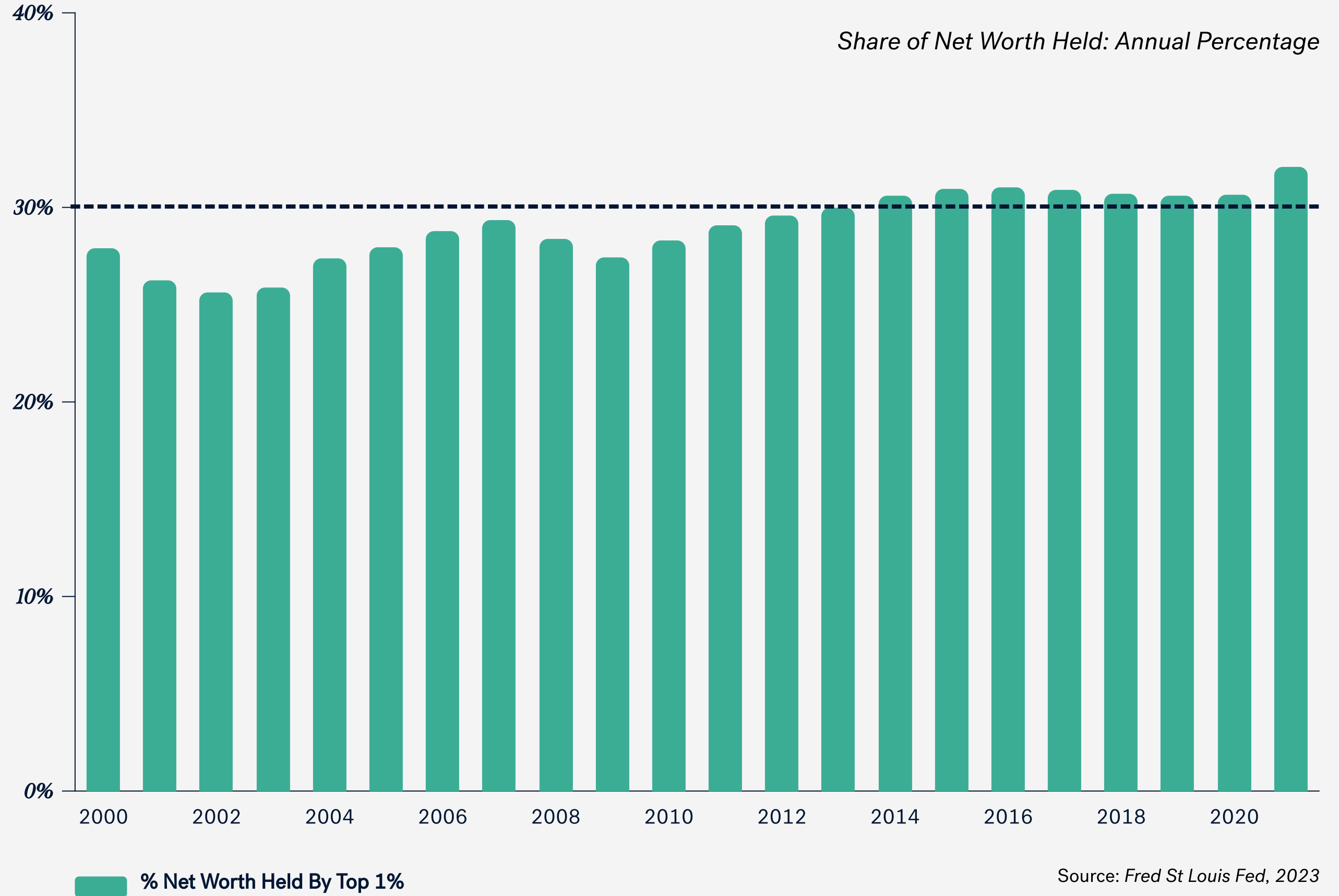


Source: Fred St Louis Fed, 2023

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

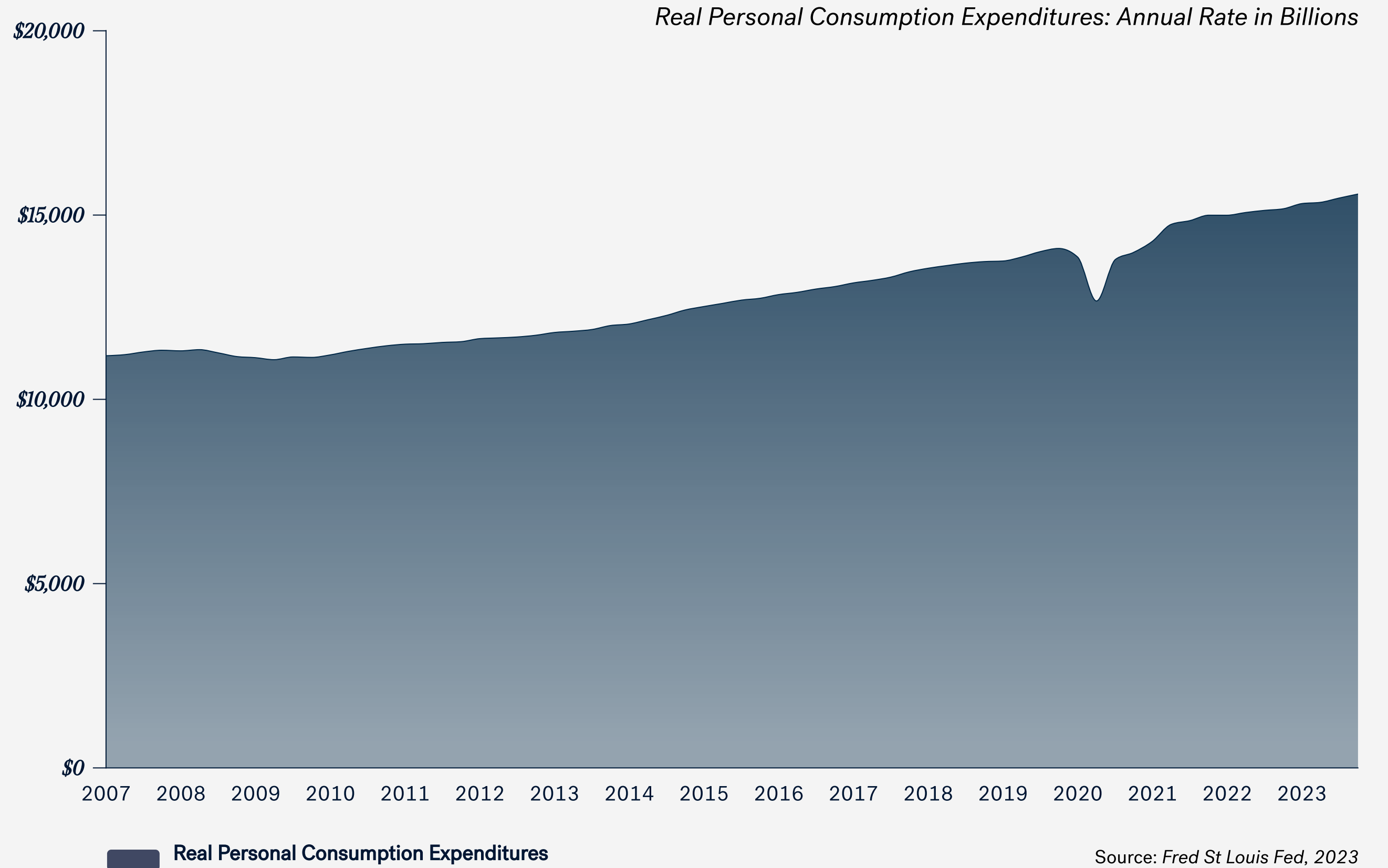
Taxes

Interest Payments

Inflation

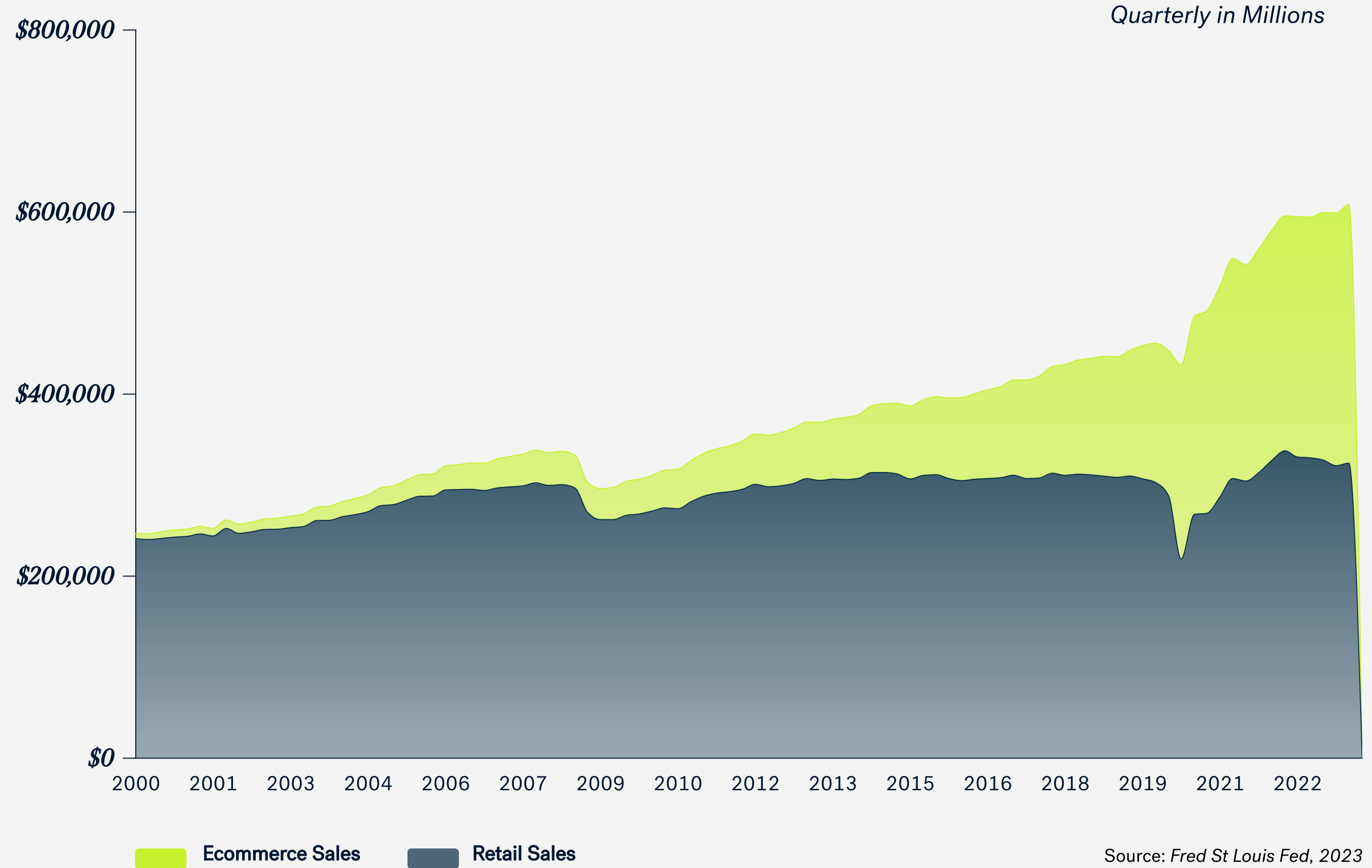
Home Ownership

Real Personal Consumption Expenditures



Source: Fred St Louis Fed, 2023

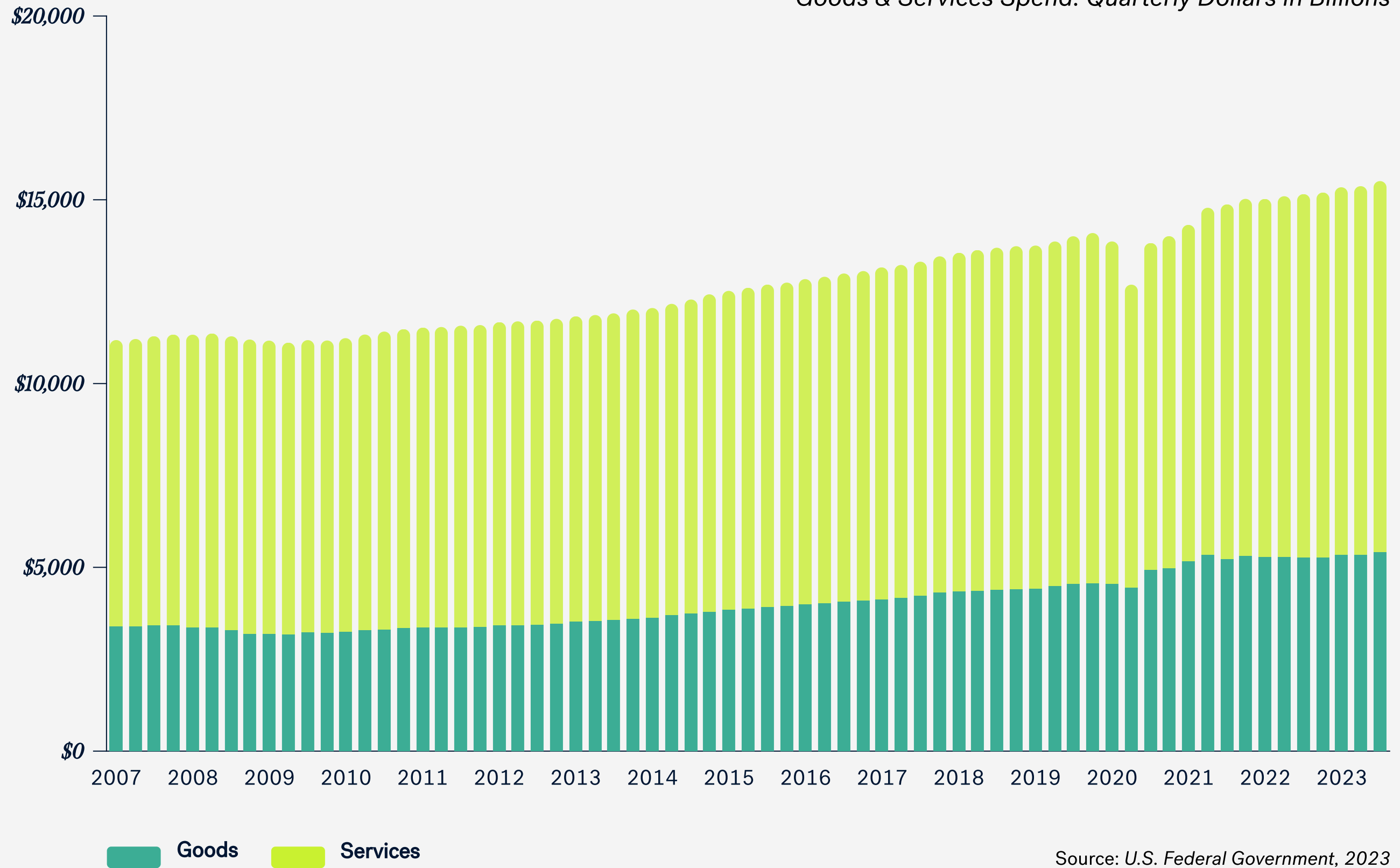
Advanced Retail Sales & Ecommerce Retail Sales



Source: Fred St Louis Fed, 2023

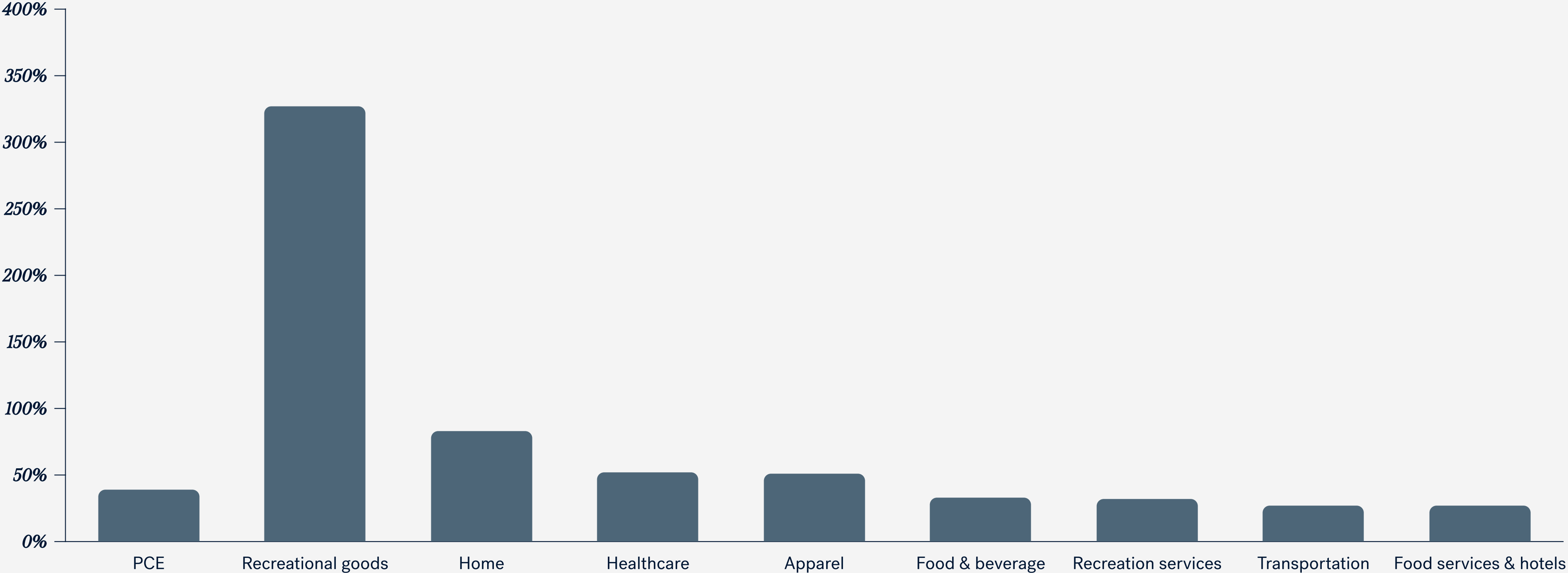
Goods & Services Spend

Goods & Services Spend: Quarterly Dollars in Billions



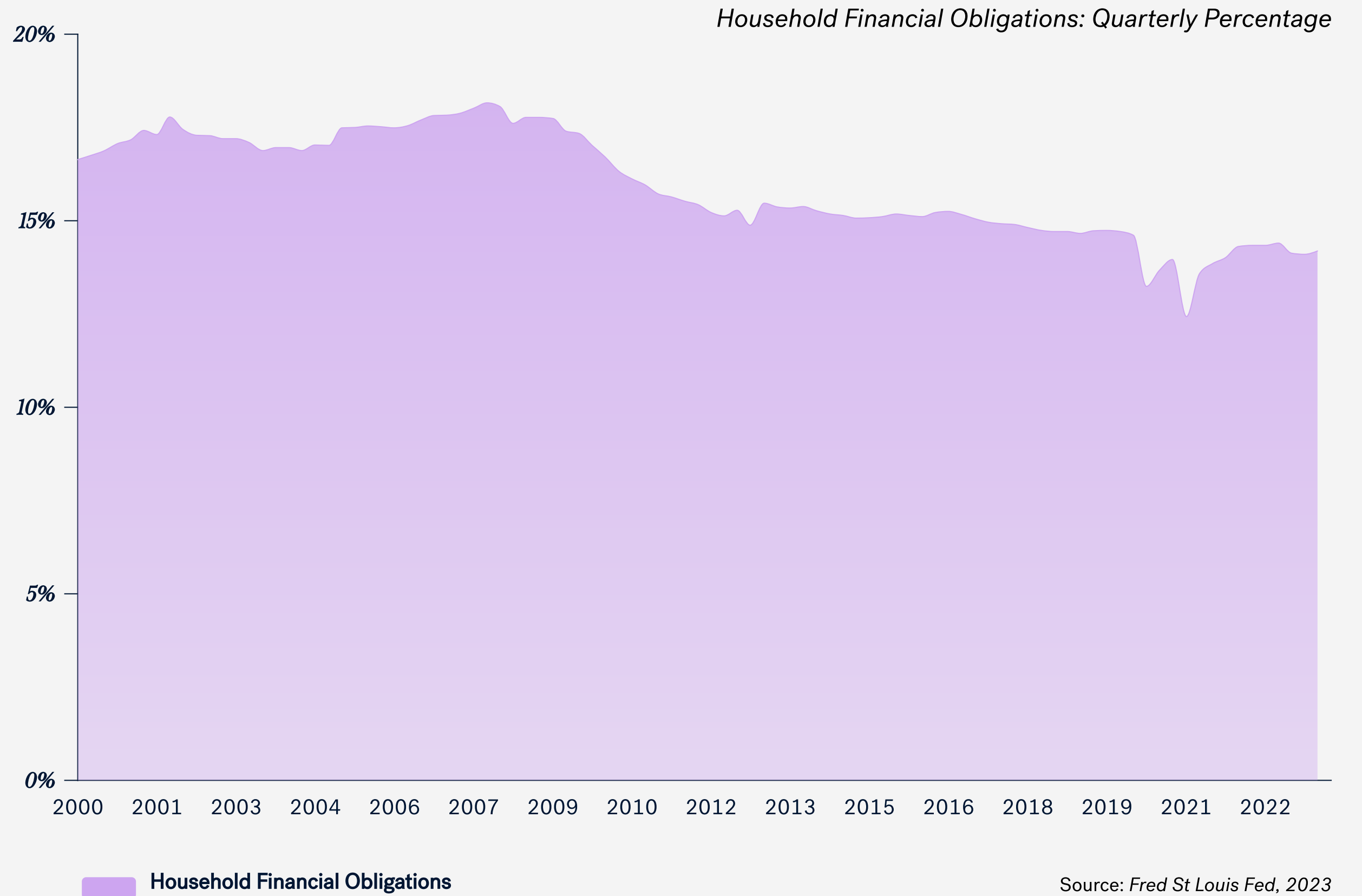
Source: U.S. Federal Government, 2023

Consumer Spending Index Relative to 2007



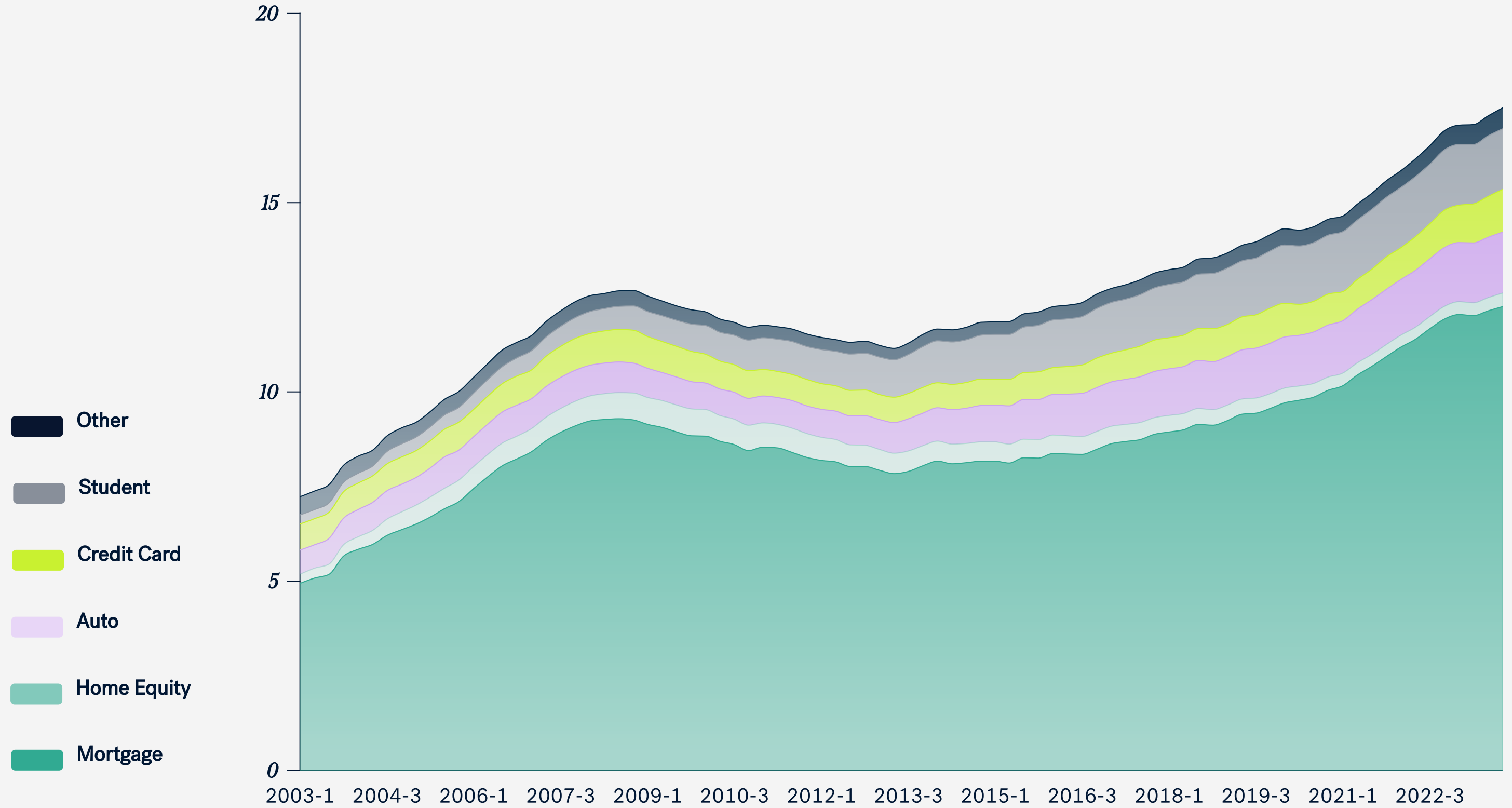
Source: U.S. Federal Government, 2023

Household Financial Obligations as % of Disposable Personal Income



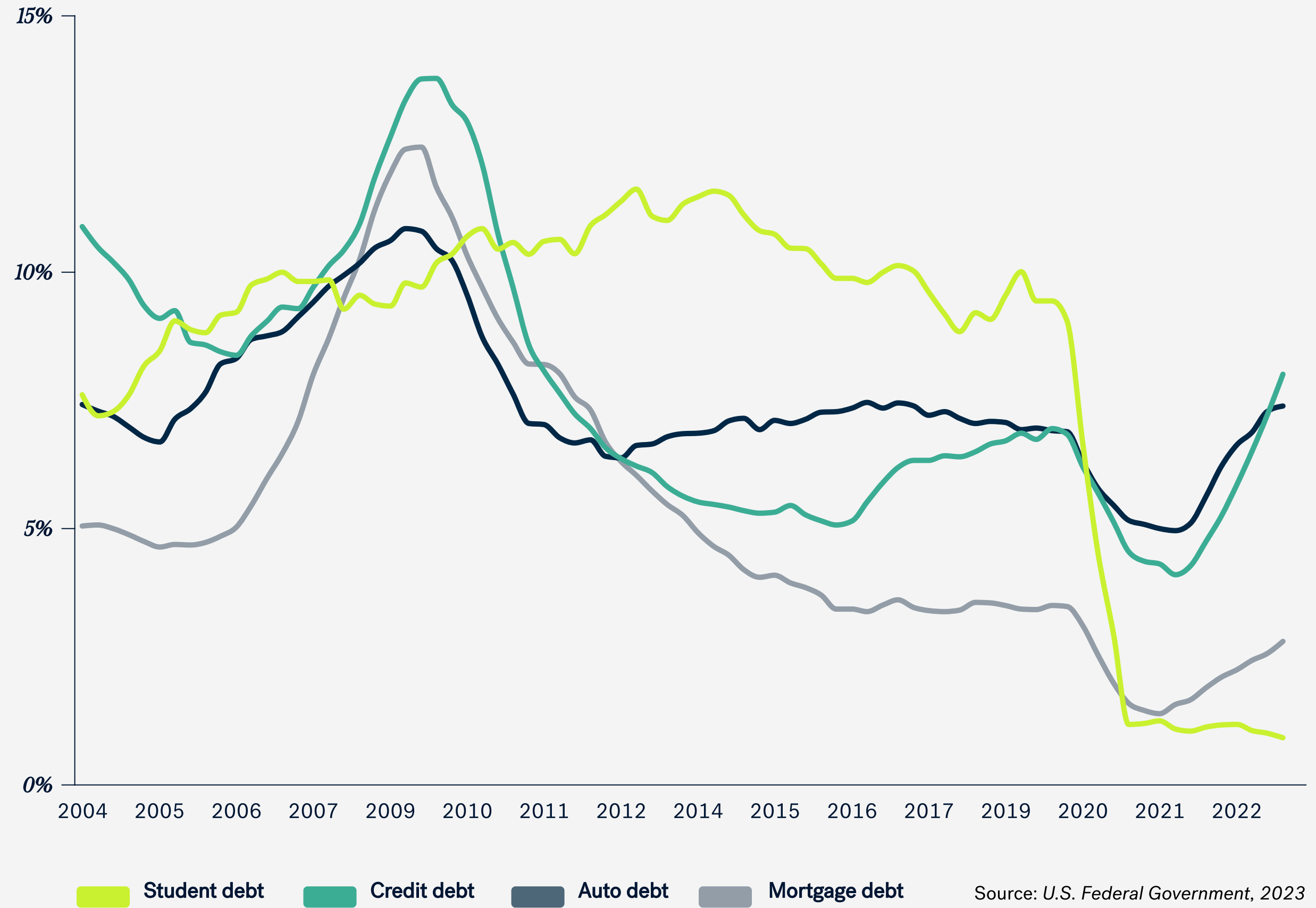
Source: Fred St Louis Fed, 2023

Debt



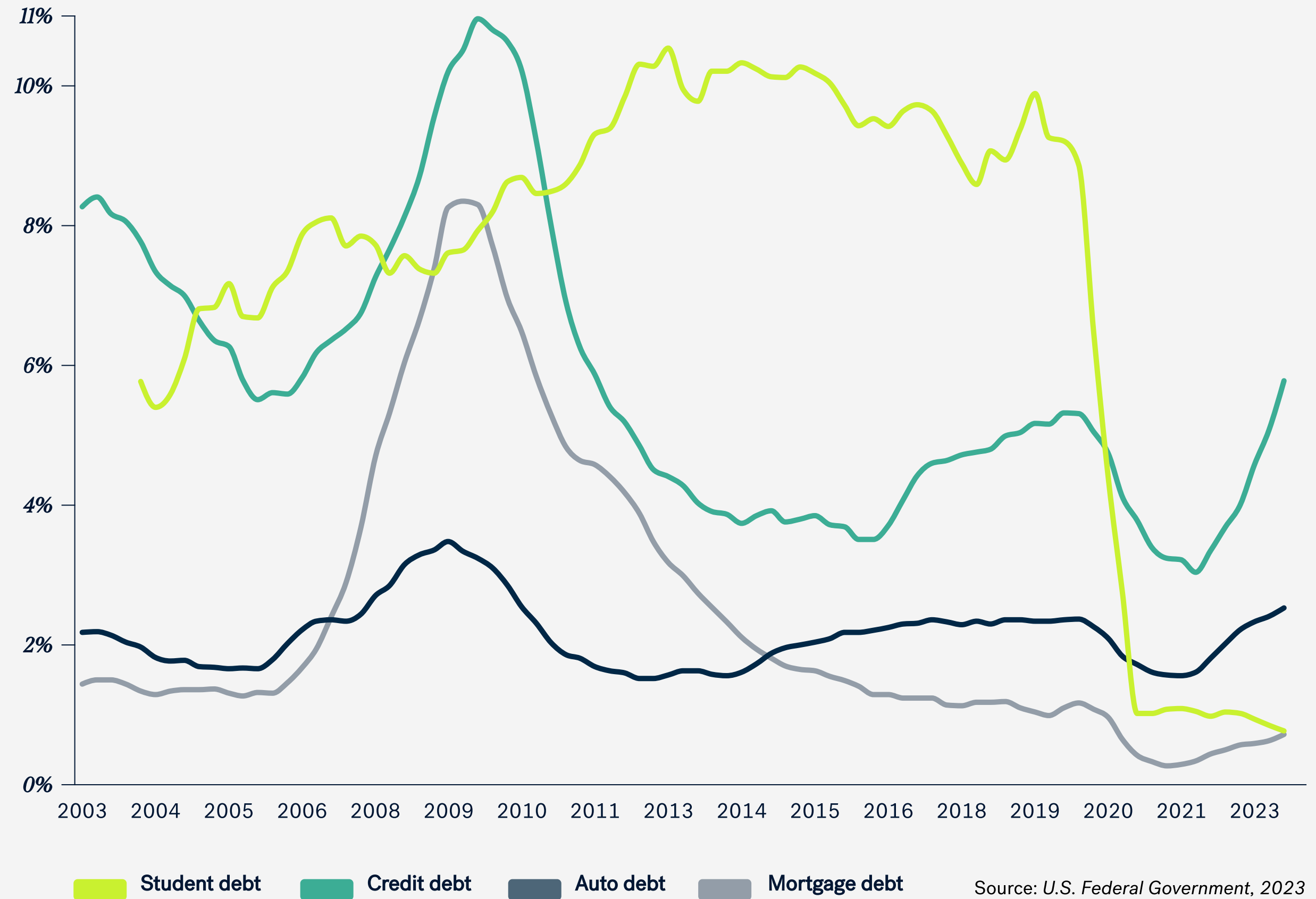
Source: Fred St Louis Fed, 2023

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



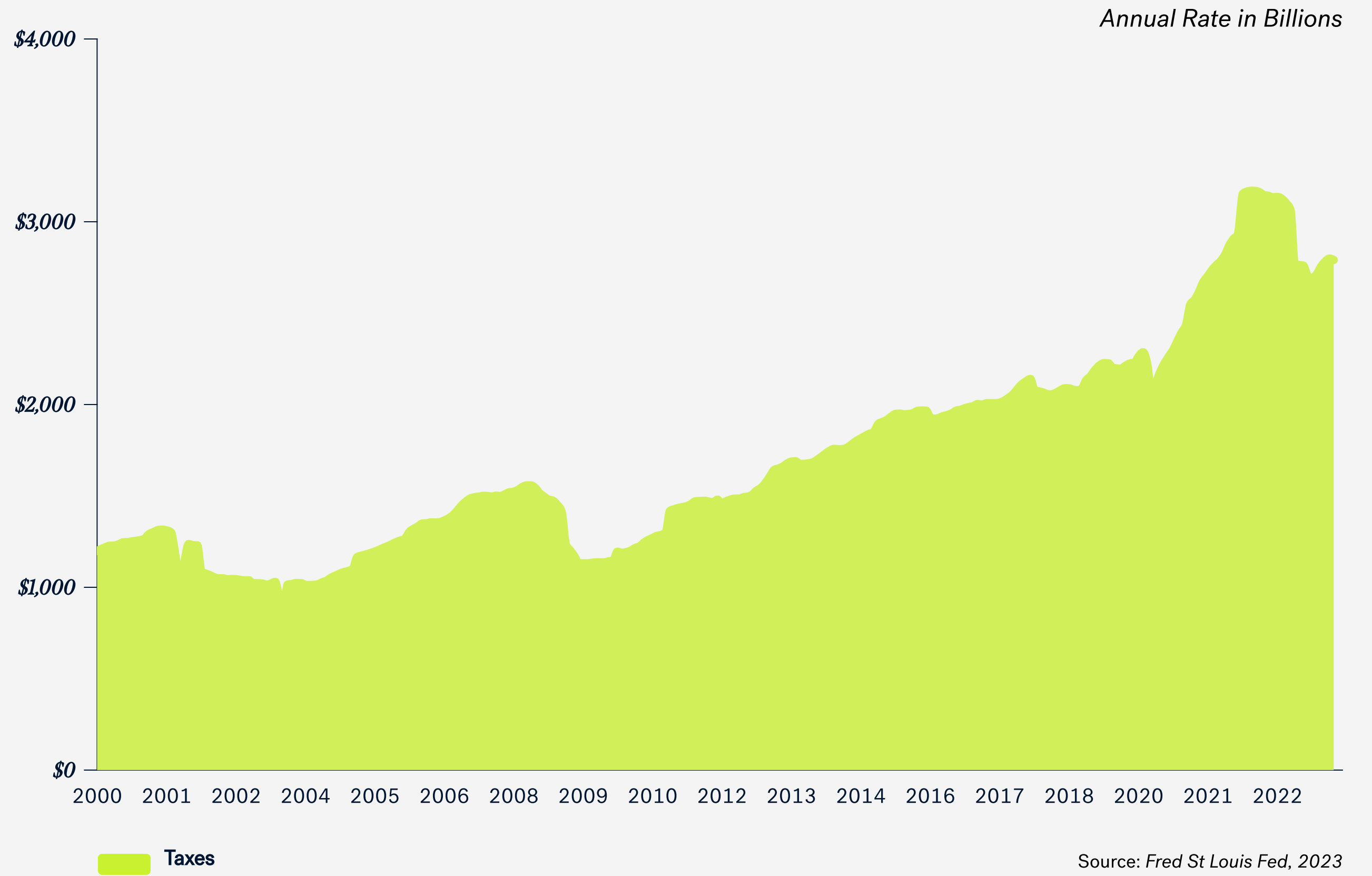
Source: U.S. Federal Government, 2023

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



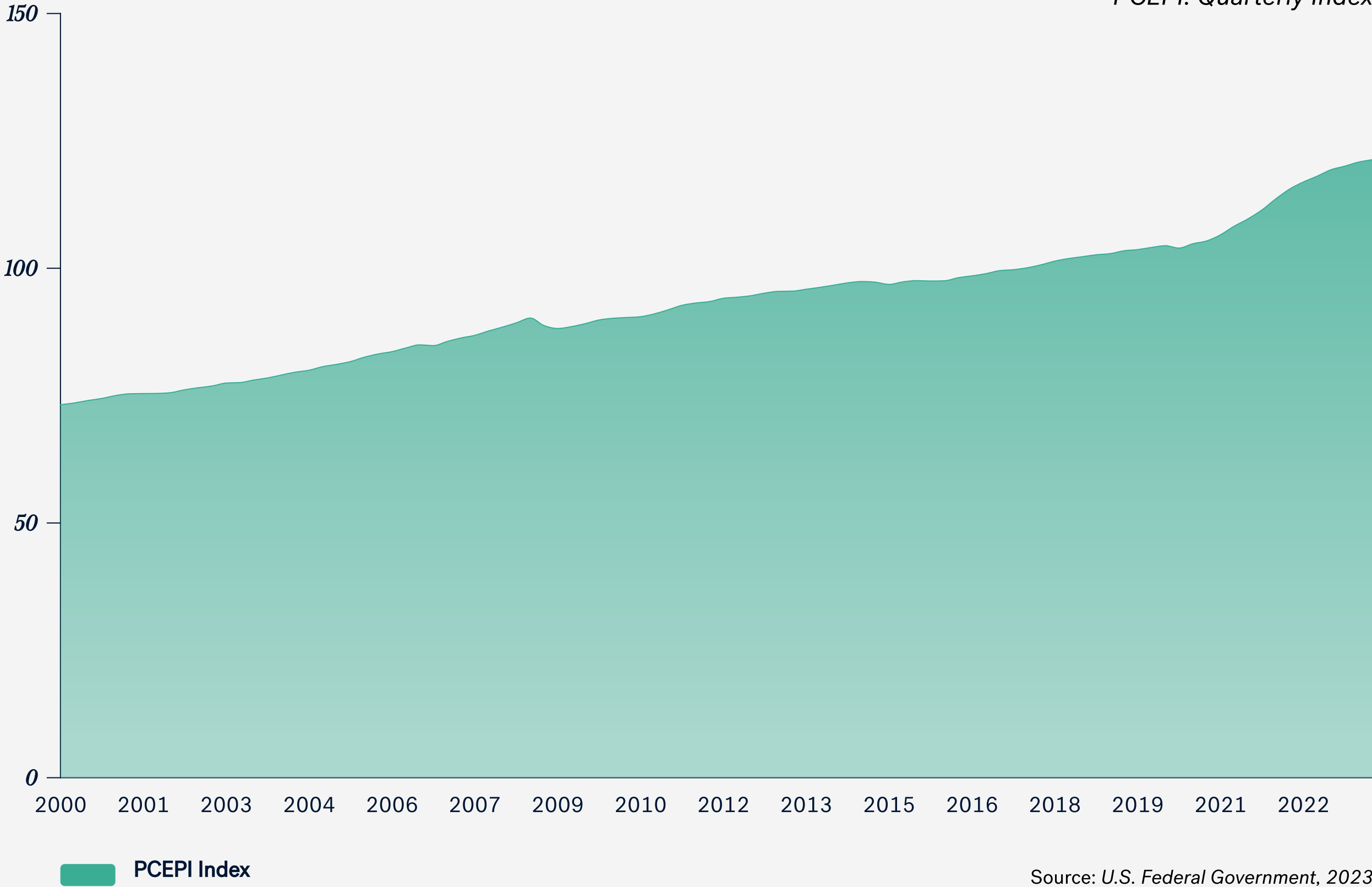
Source: U.S. Federal Government, 2023

Taxes



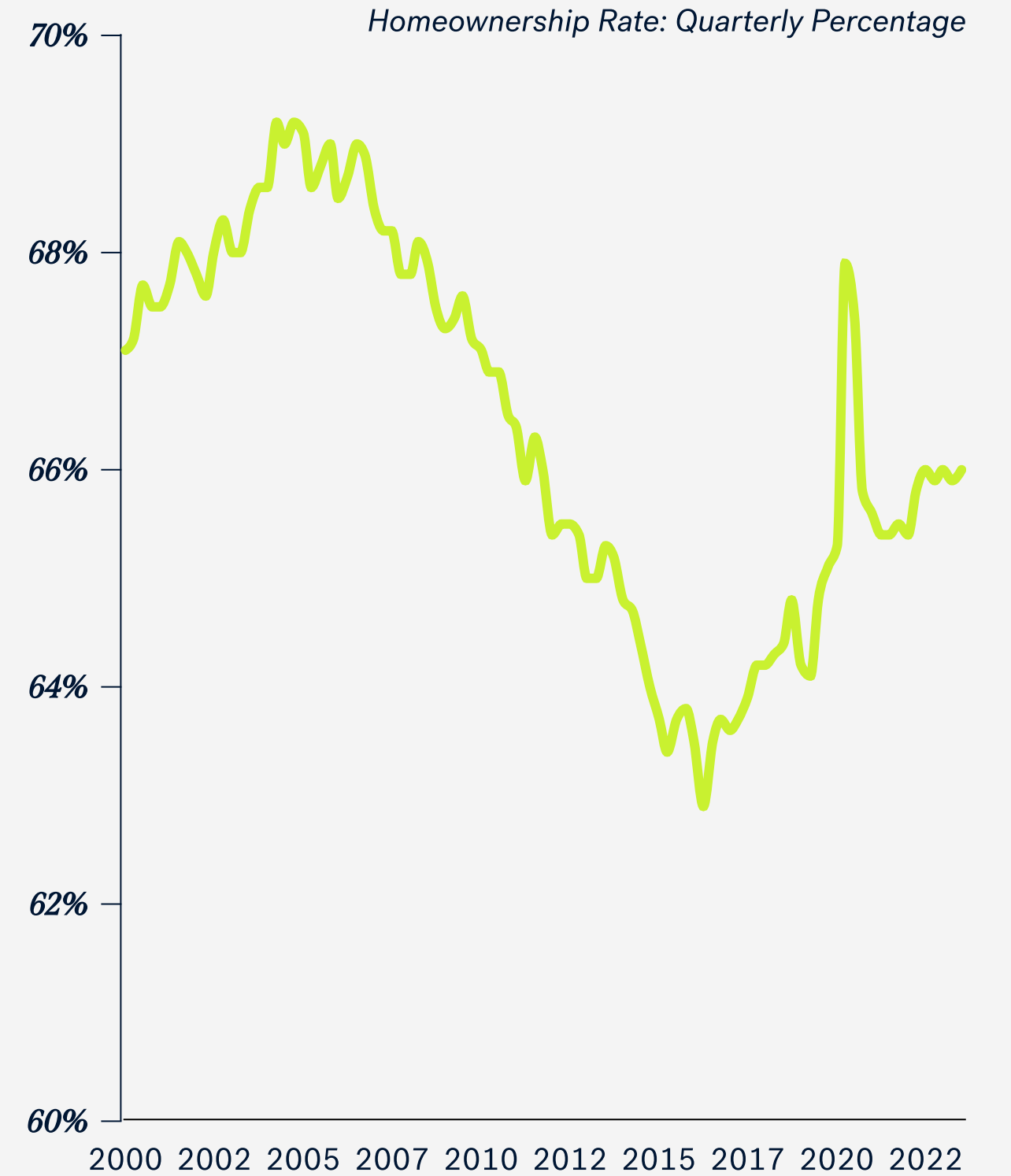
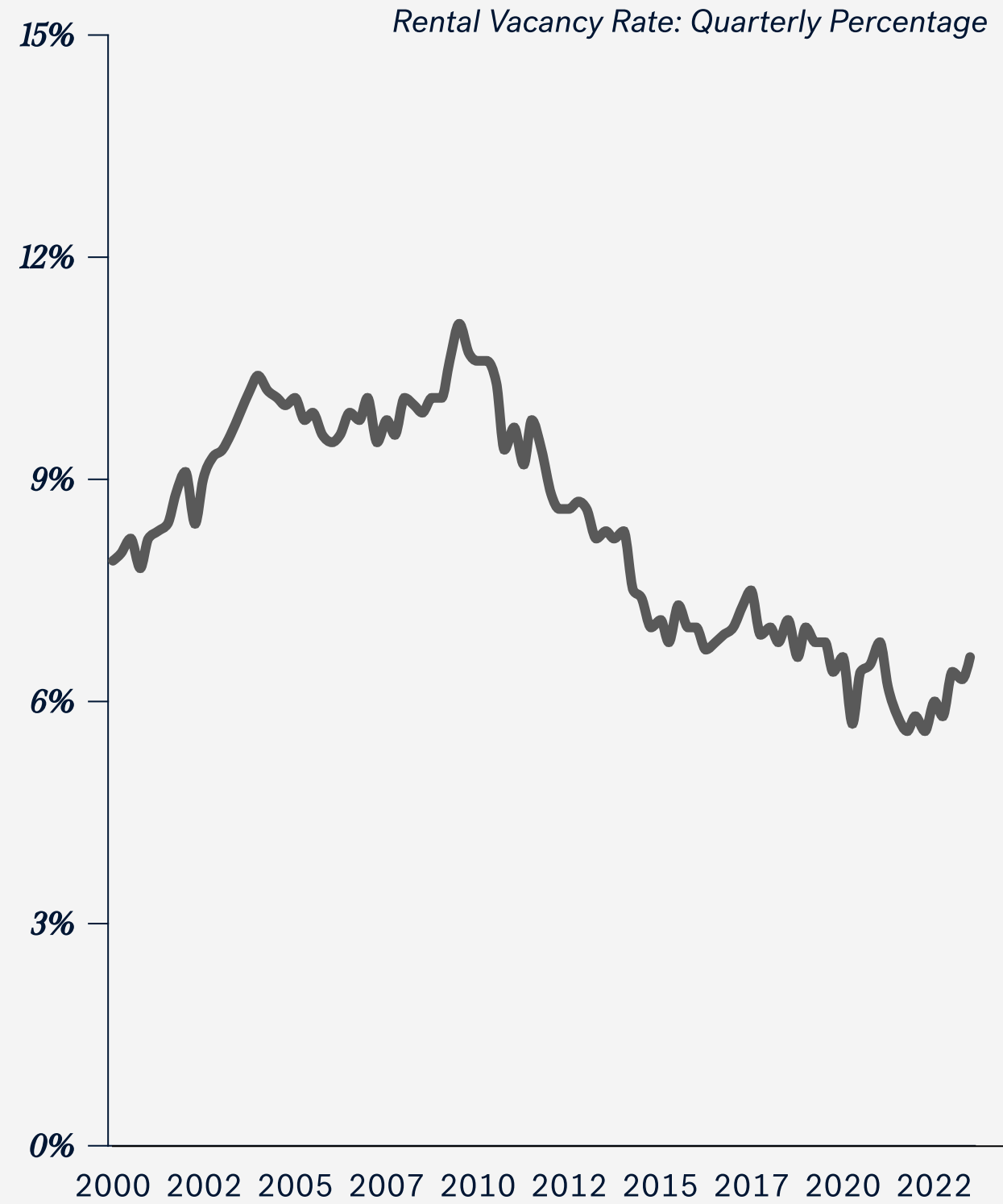
PCEPI

PCEPI: Quarterly Index



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

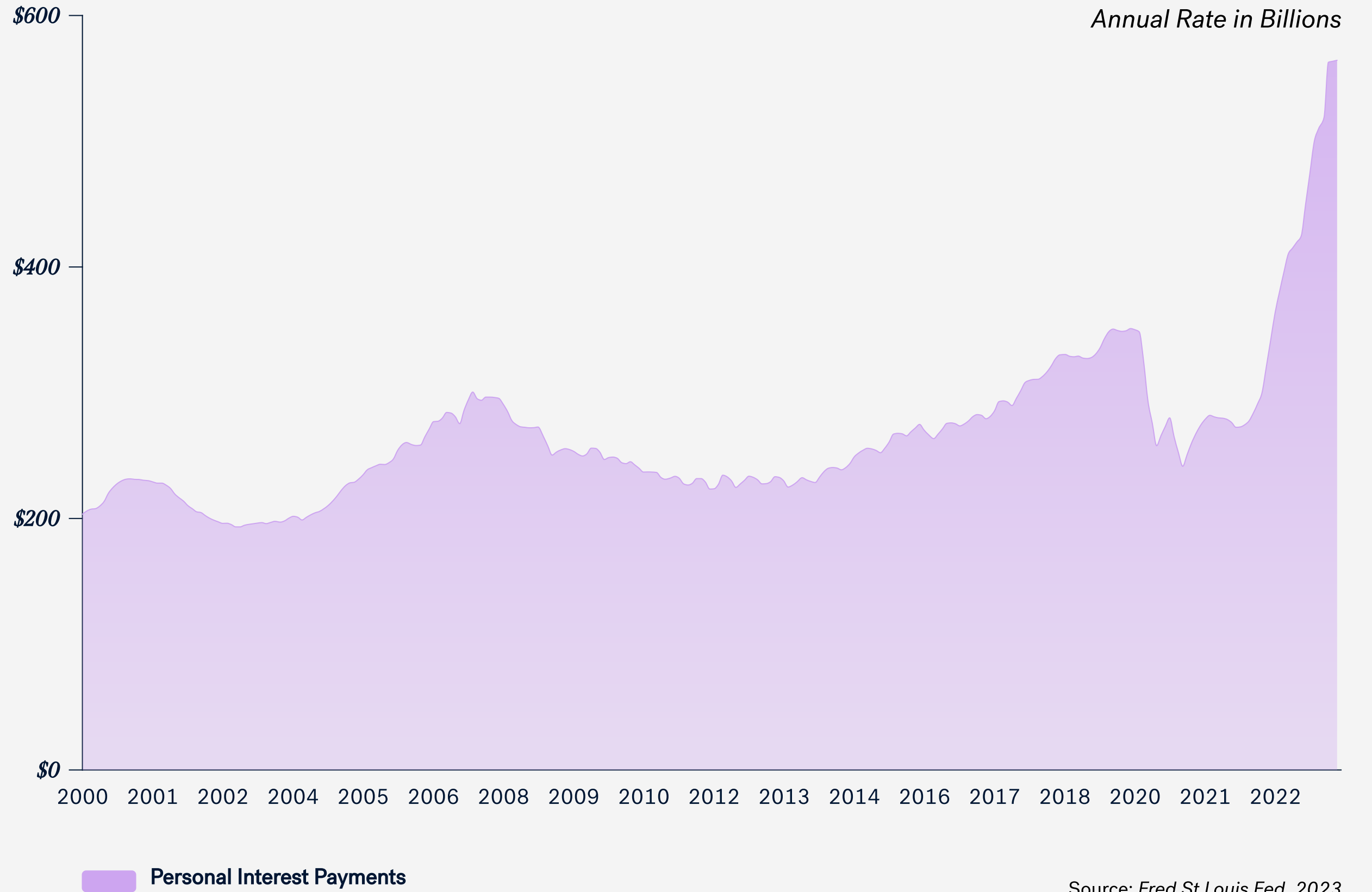
M2

GDP

Imports

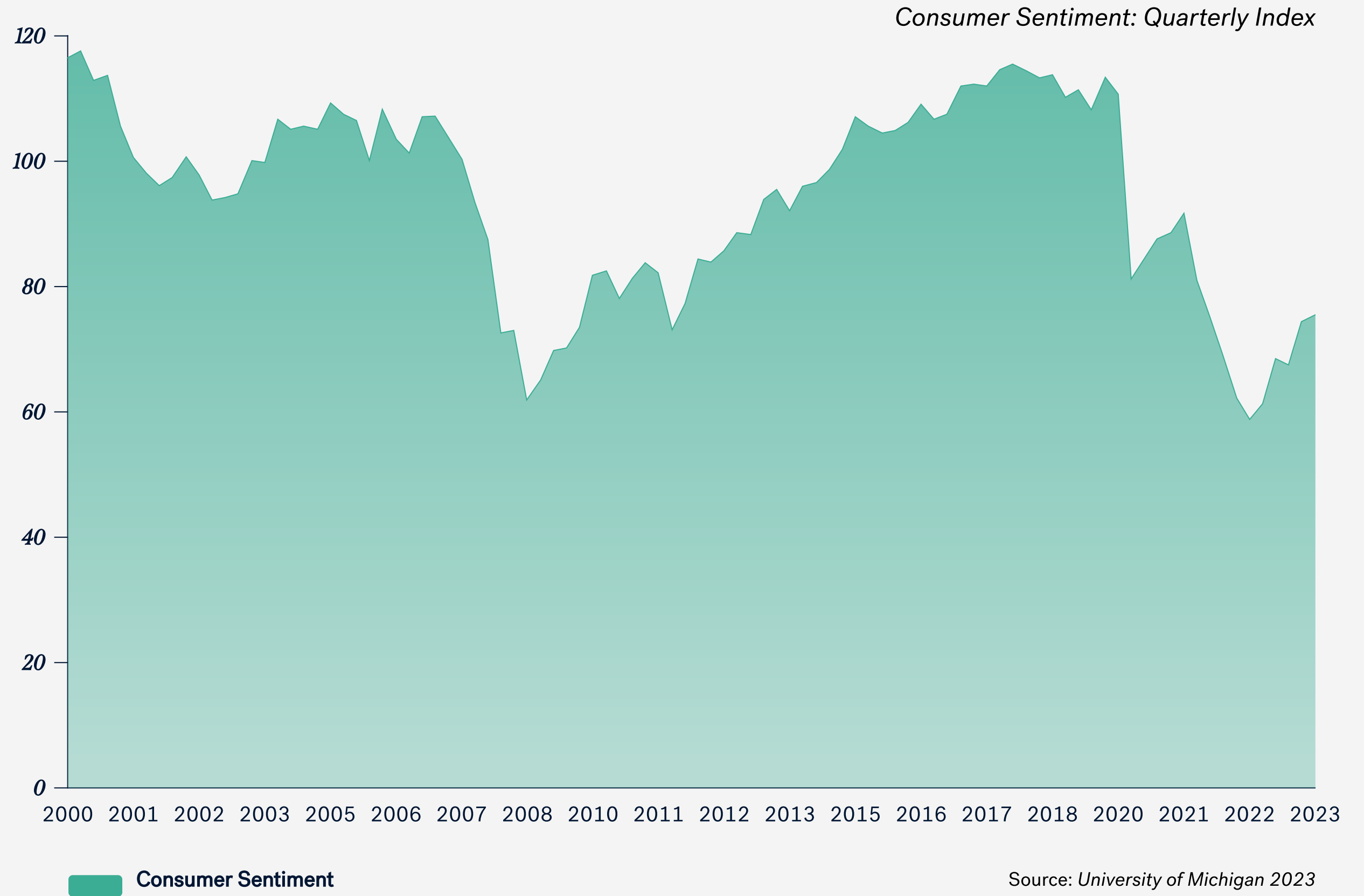
Exports

Personal Interest Payments



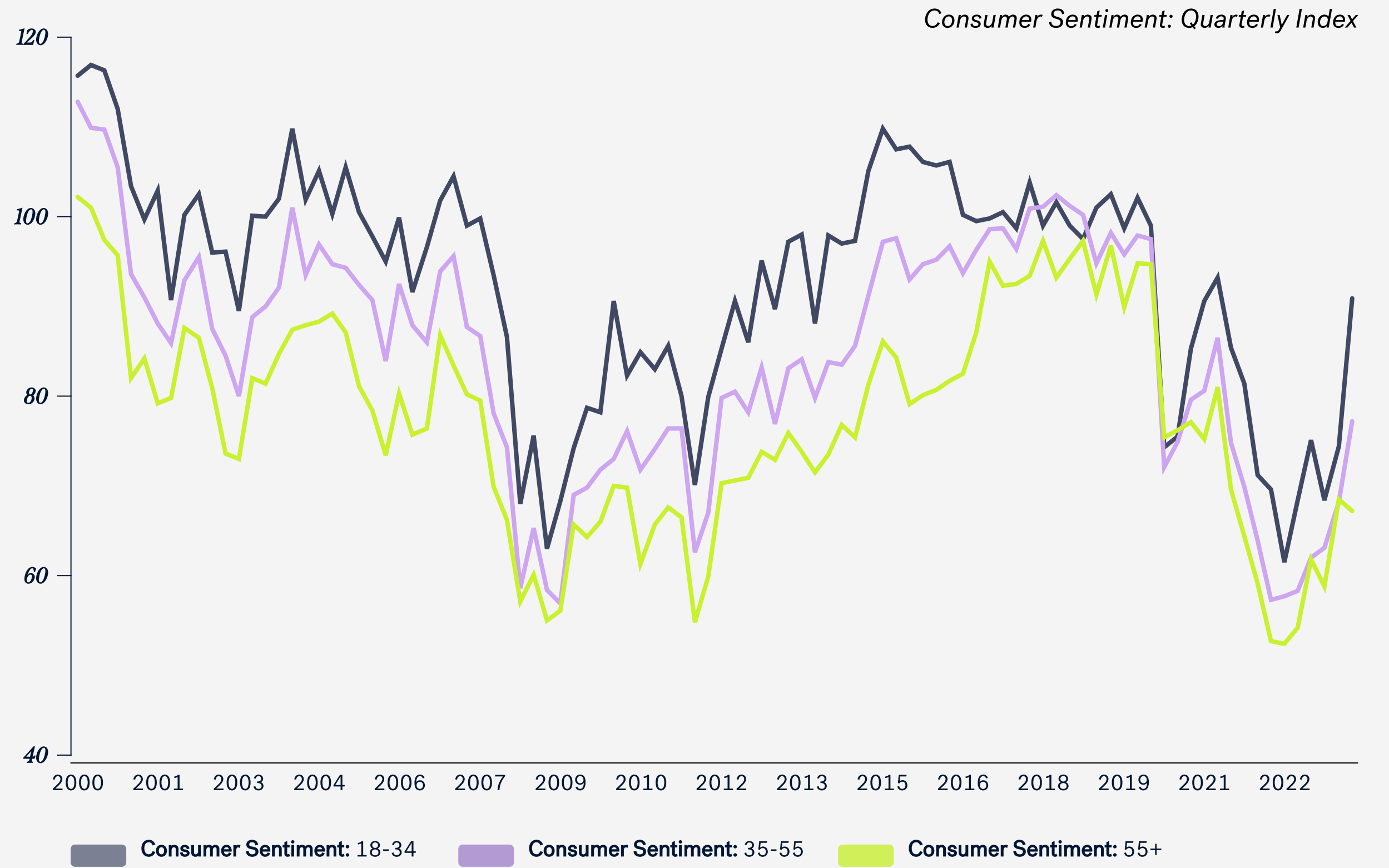
Source: Fred St Louis Fed, 2023

Consumer Sentiment Index



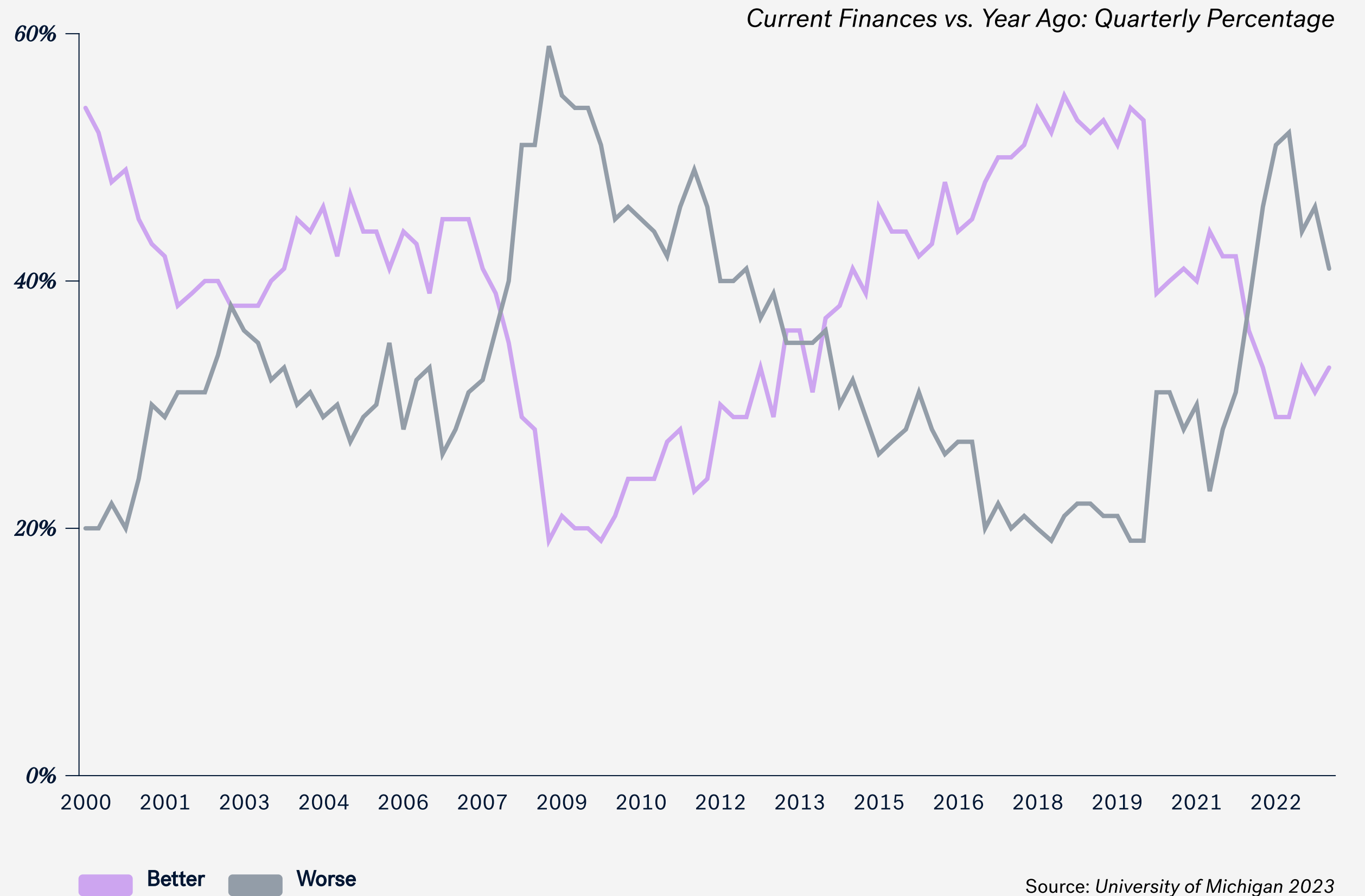
Source: University of Michigan 2023

Consumer Sentiment Index by Age



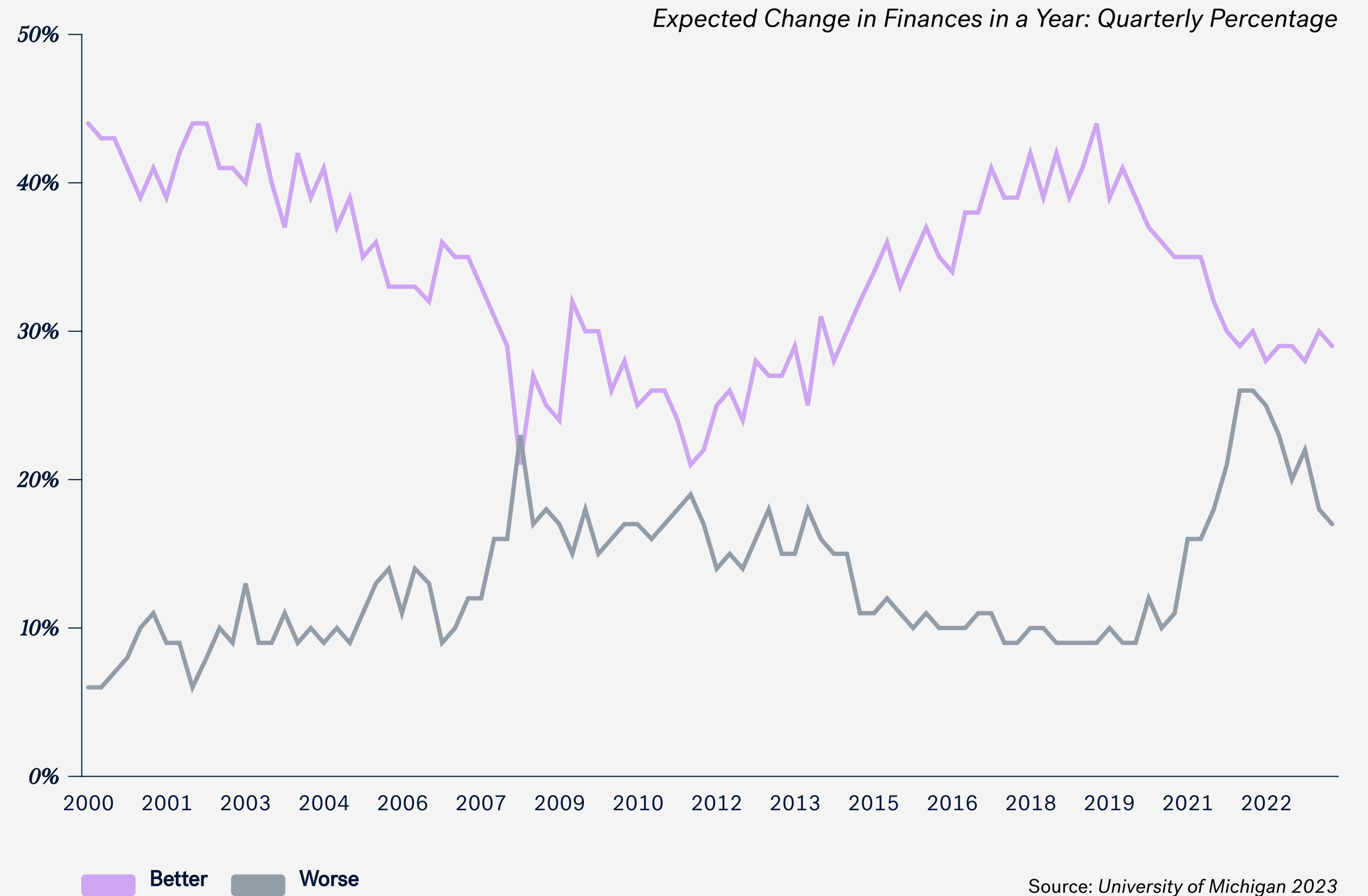
Source: University of Michigan 2023

Current Finances vs. Year Ago



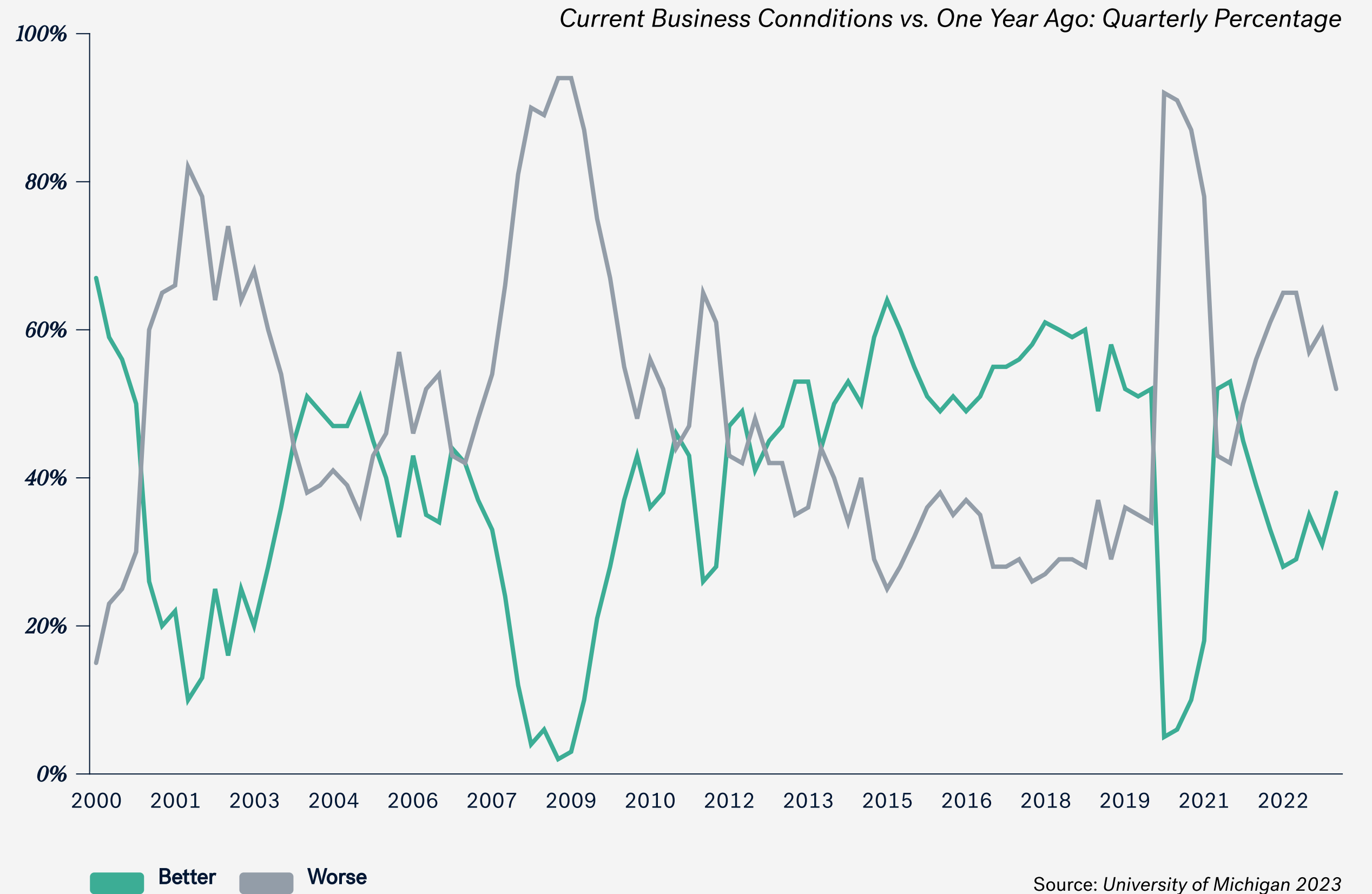
Source: University of Michigan 2023

Expected Change in Finances in a Year



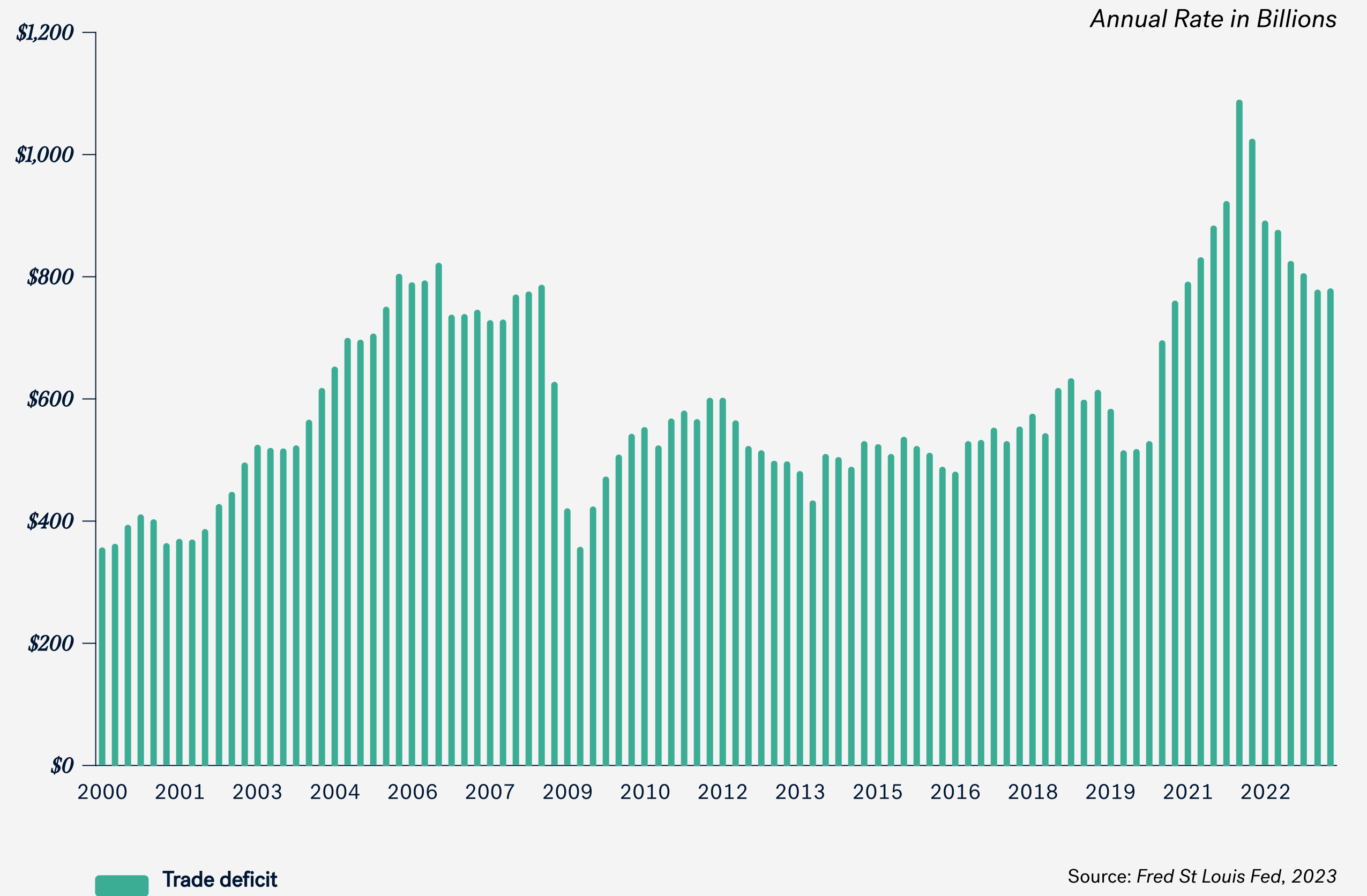
Source: University of Michigan 2023

Current Business Conditions vs. One Year Ago



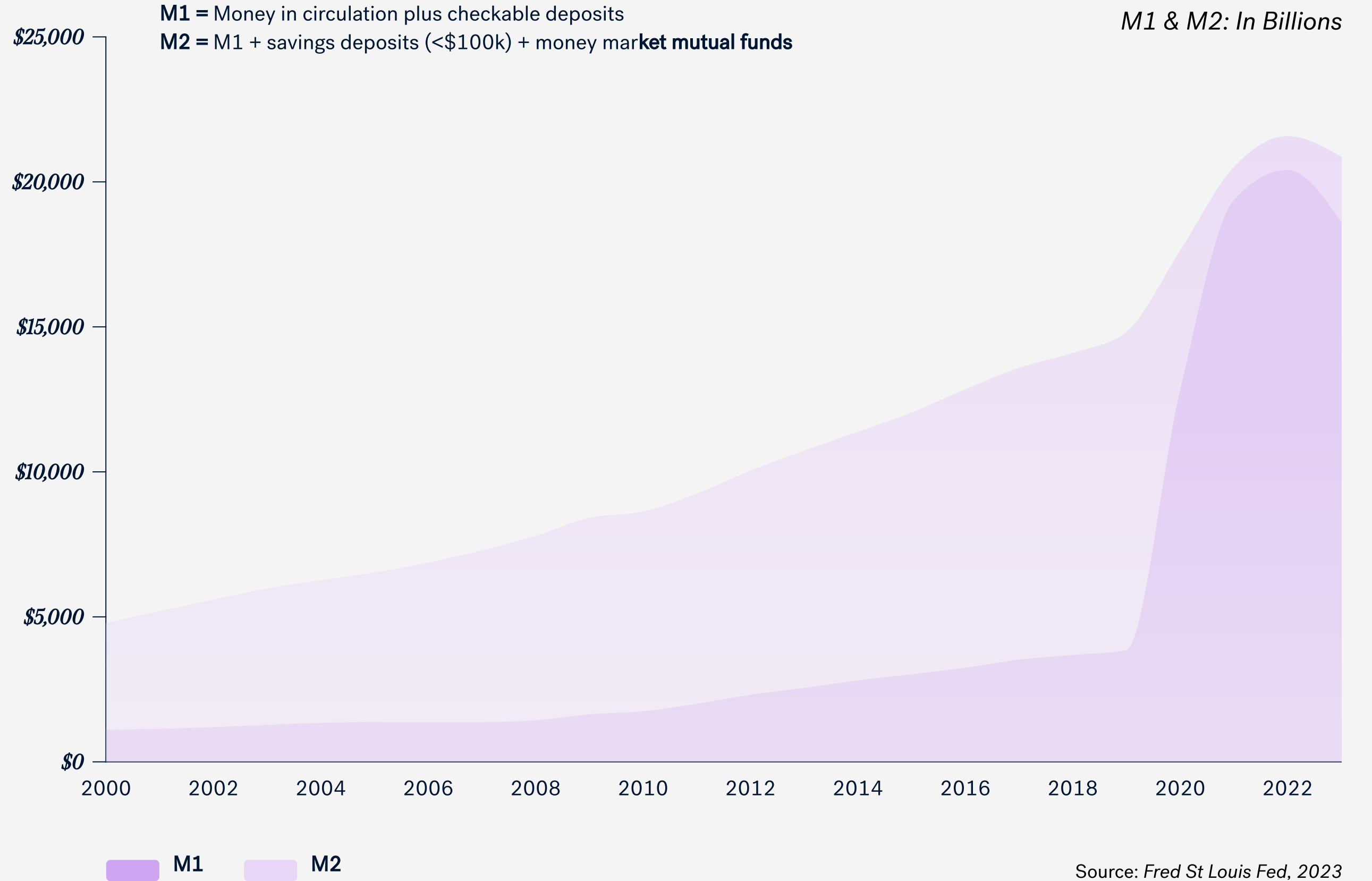
Source: University of Michigan 2023

Trade Deficit (Imports - Exports)



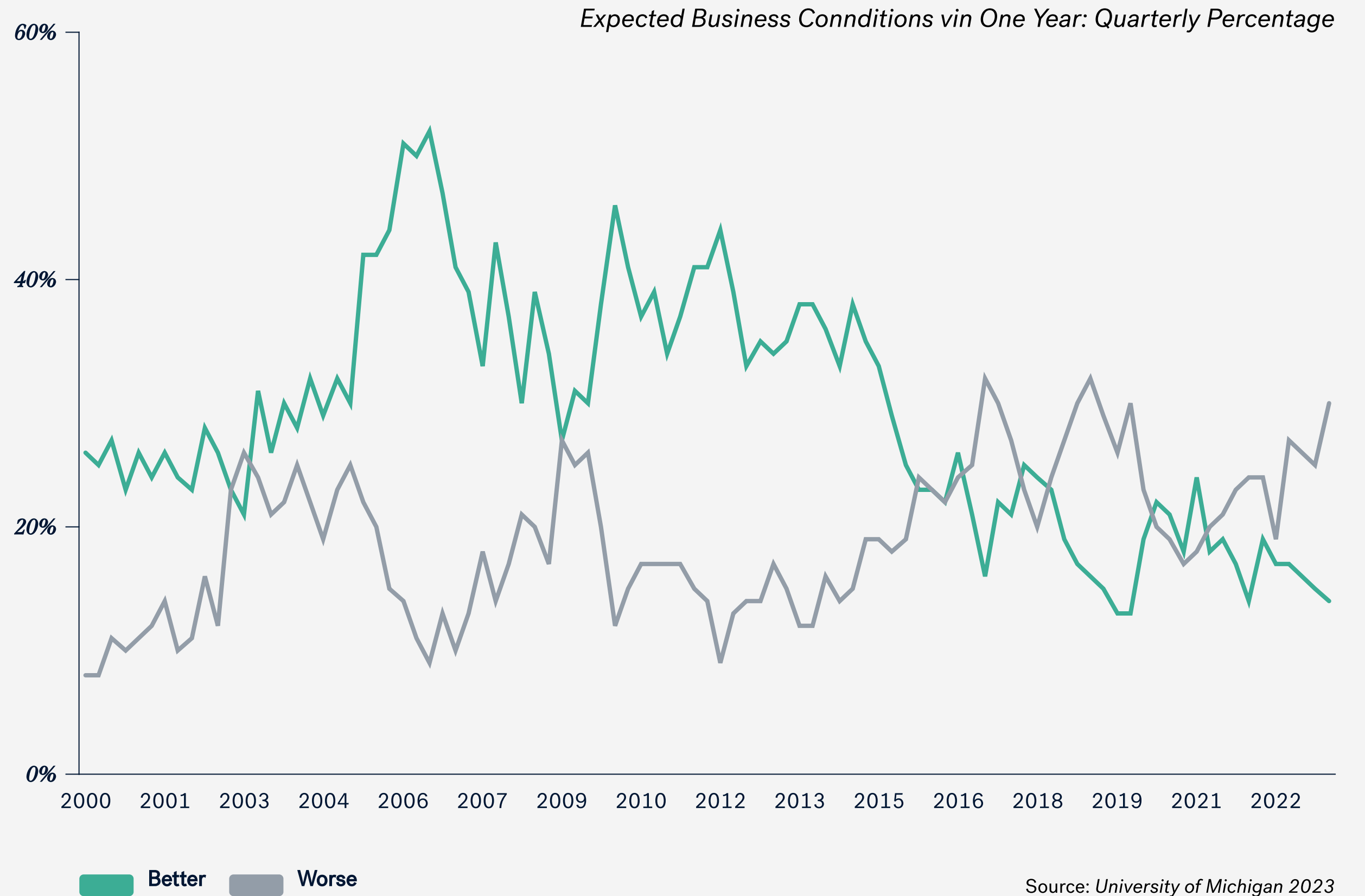
Source: Fred St Louis Fed, 2023

M1 & M2



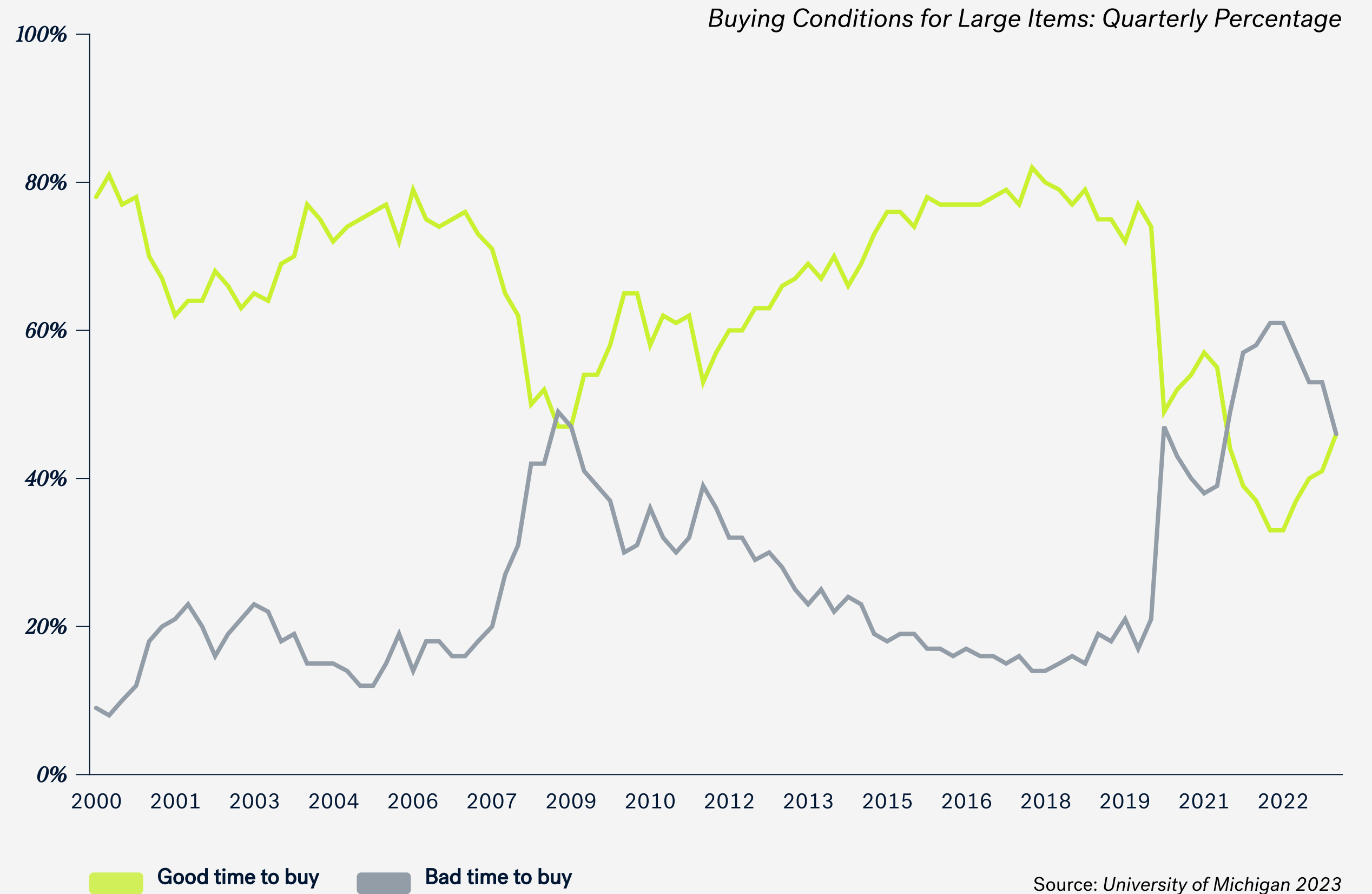
Source: Fred St Louis Fed, 2023

Expected Business Conditions in One Year



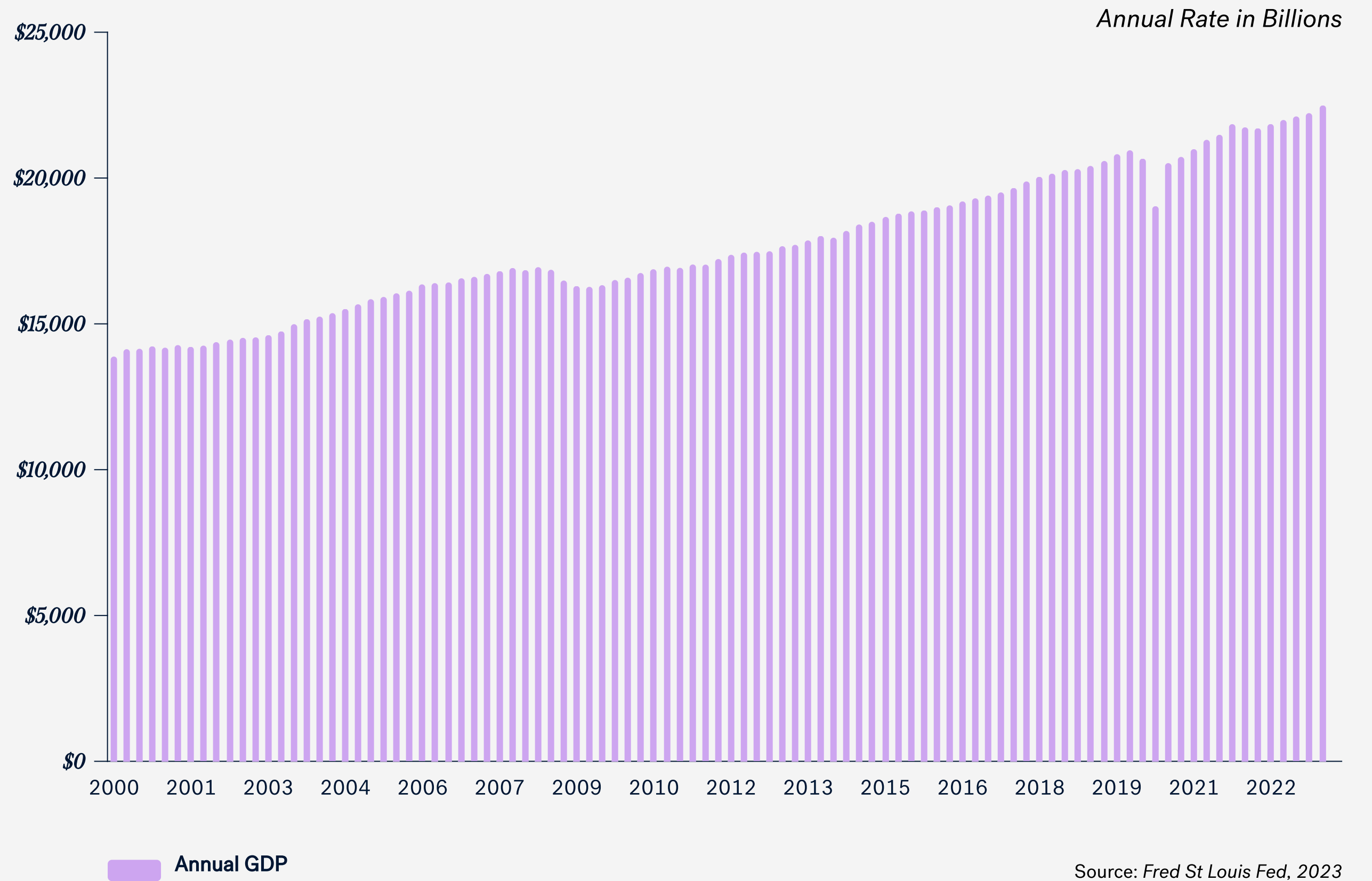
Source: University of Michigan 2023

Buying Conditions for Large Items



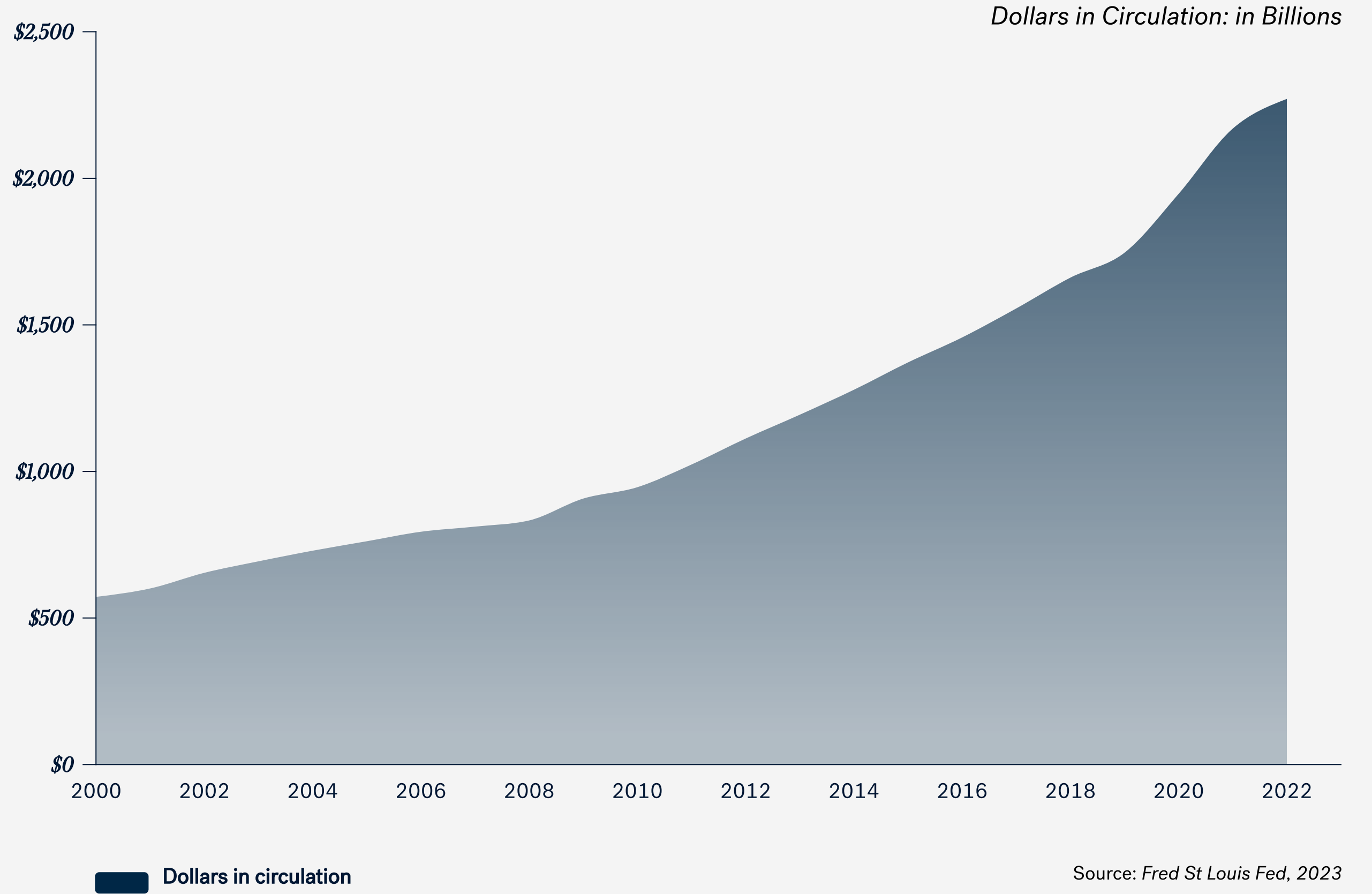
Source: University of Michigan 2023

Real GDP



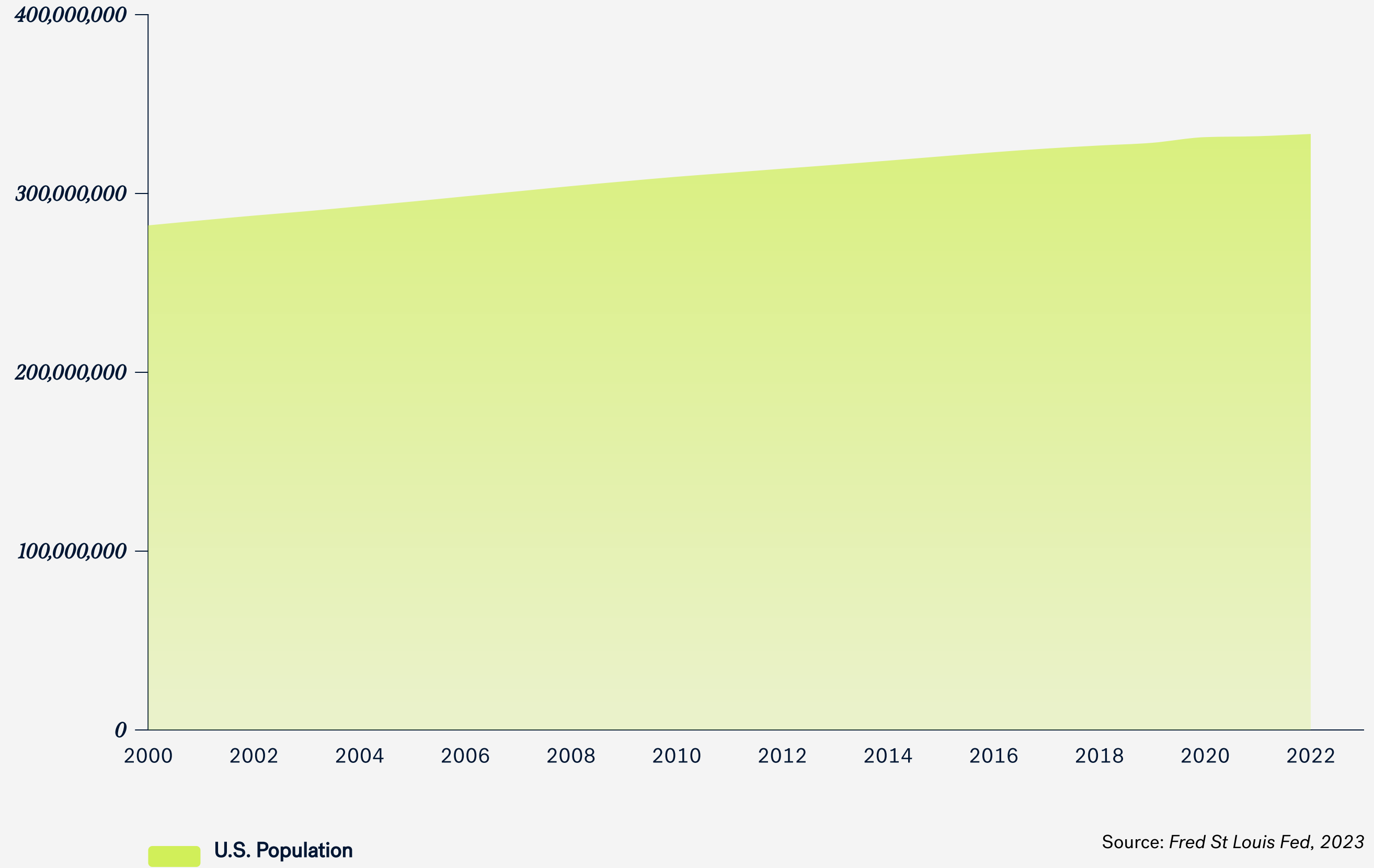
Source: Fred St Louis Fed, 2023

Dollars in Circulation



Source: Fred St Louis Fed, 2023

US Population



Source: Fred St Louis Fed, 2023

