

Spotlight

DAVID MAZZA, MANAGING DIRECTOR, HEAD OF PRODUCT

FROM ABERCROMBIE TO PELOTON

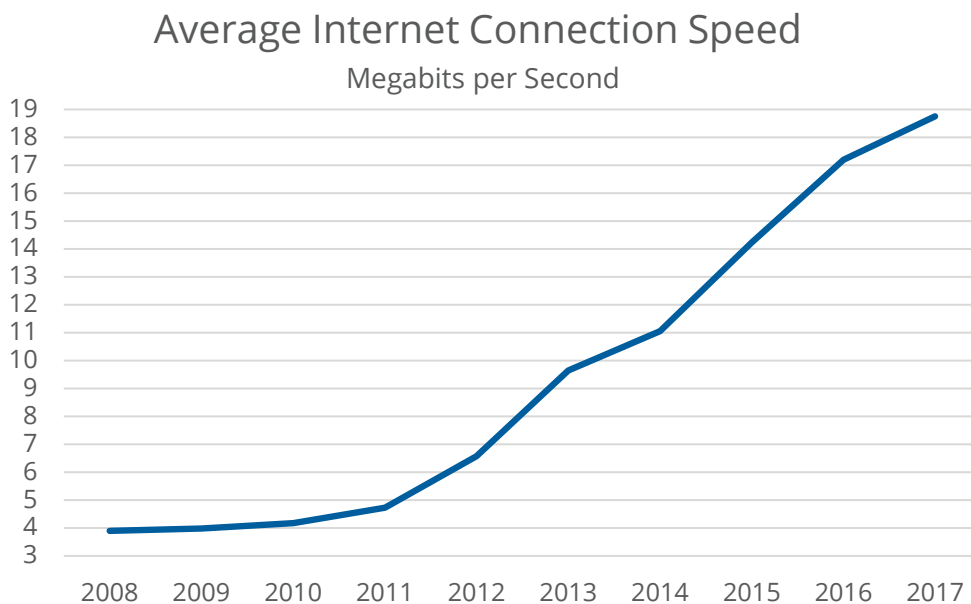
ACCELERATING THE CONNECTED CONSUMER OPPORTUNITY

I am not ashamed to admit it. I worked at Abercrombie & Fitch in high school and college. Admittedly, I am still a young person, but I am old enough to have worked there when they were on top of the retail world. By that, I mean, they could produce suggestive catalogues, sell t-shirts with borderline offensive messages, and aggressively spray cologne in your face upon entry. All the while, kids like me (and/or their parents) would pump their earnings into buying their muscle tees, crop tops, and short shorts.

The era of me working in a New Hampshire mall and Boston's Faneuil Hall seems like an entirety ago, but back then, internet at my mom's house was still coming in the mail. Technically, the internet was dial-up, but we needed a CD-ROM from AOL to get online. Before the widespread introduction of broadband, the internet was not good for much more than surfing the web.

To put it into context, current internet speeds are over 300 times faster today than available at the time. This makes nearly everything we do at our homes or on our phones impossible back then. Even looking at data beginning in 2008 shows how considerable an acceleration has occurred over a 10-year period to 2017. In 2020, the average internet speed across the US is over 30 megabits per second.

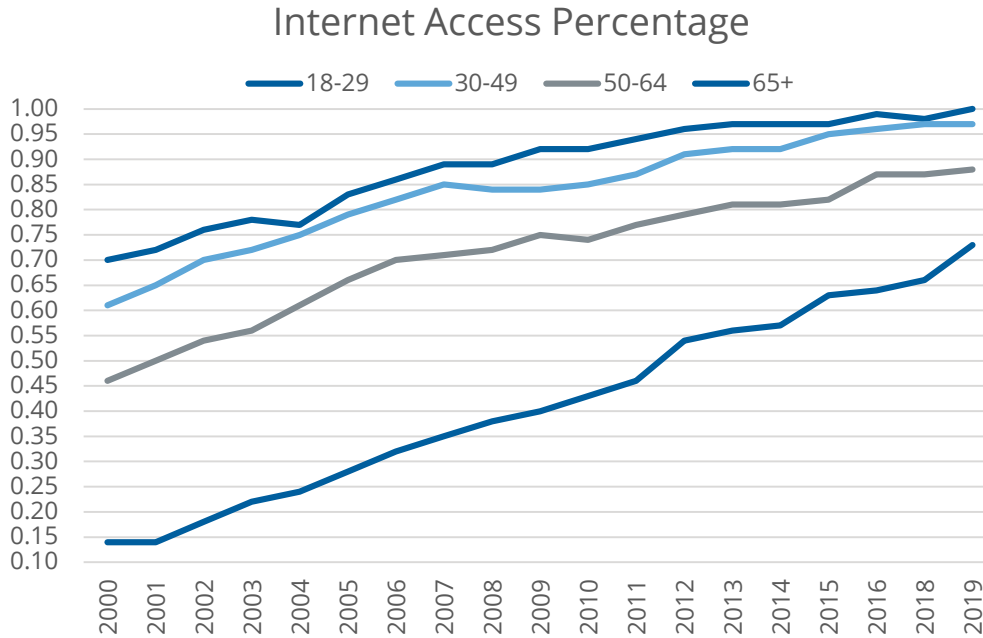
INTERNET CONNECTION SPEEDS HAVE JUMPED



Source: Statista, retrieved August 2020.

Today, most of us take this for granted as e-commerce has exploded with online sales comprising 27% of total retail sales in April 2020 from 6% in 2009. In addition to faster speeds, a key driver powering the ability for this to occur is access. In 2000, only 52% of Americans used the internet. Today, over 90% have internet access with nearly 100% of both 18 to 29 and 30 to 49 year olds having ability to do so.

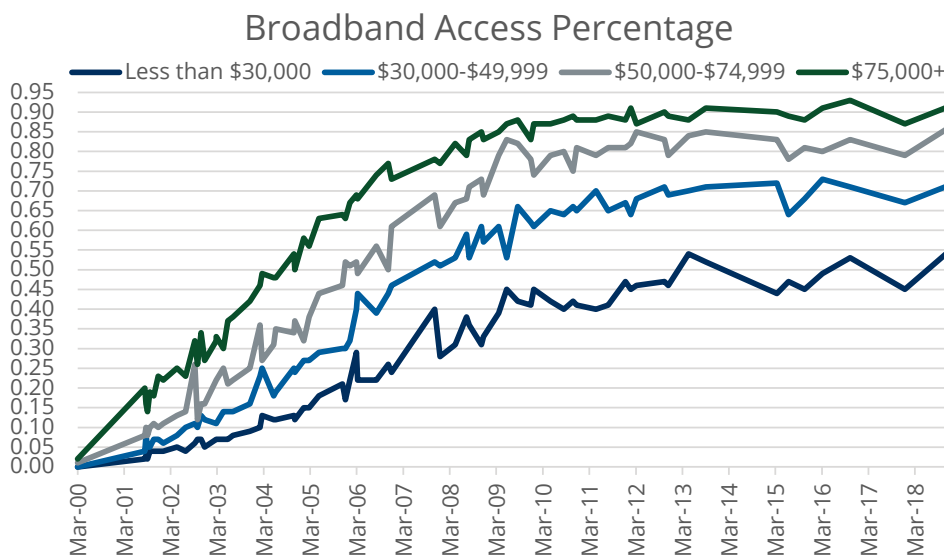
INTERNET ACCESS HAS BROADENED SIGNIFICANTLY



Source: Pew Research Center, as of December 2019.

Internet access has not just expanded, but its quality has even across income groups. What is remarkable is over 50% of households making less than \$30,000 a year have broadband access. The wealthiest cohort has always led the way with 92% of those making over \$75,000 a year having access in 2019.

BROADBAND ACCESS HAS INCREASED ACROSS INCOME SPECTRUMS



Source: Pew Research Center, as of February 2019.

Simply put, the transition to more connected consumption model is only possible in today's world. The COVID-19 pandemic caused major disruptions to our day-to-day lives including an acceleration of how consumers behave. This trend is more than simply a shift from in-person to online purchases. It includes how we entertain ourselves, such as an increased use of streaming services, gaming, and e-sports. Other historically in-person interactions have also changed including connecting with friends and family through social media and other communication tools. It includes education whether it be new means of accessing traditional schooling or adults learning new skills for an evolving economy. It also permeates how we keep ourselves healthy including virtual wellness experiences and healthcare services. The explosion of Peloton, which doubled subscribers to 886,100 in the first quarter, epitomizes this disruption as people embrace the benefits of high quality fitness experiences from top instructors available within one's home.

Our connected lifestyles will continue to increase due to shifts in customer preferences, increased convenience, and improved enablement technologies, such as fast broadband and mobile access. Post COVID-19, these trends are likely to see lasting engagement driven by older generations behaving similar to millennials and Gen Z were doing prior to the crisis.

It also means if I keep it up on the Peloton, I may be able to fit into that sweet muscle tee from 1999, but it is likely better suited for a life like an AOL CD-ROM at this point.

The Direxion Connected Consumer ETF

(Ticker: CCON) offers exposure to companies across four technology pillars, allowing investors to capture those companies that stand to benefit from consumers connecting to products and services in new ways, especially virtual ones. The four pillars include Home Entertainment, Online Education, Remote Health and Well-Being, and Virtual and Digital Social Interaction.

[More on Direxion's New ETFs for a New World](#)

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