

Big fish and not so big fish in the e-commerce retail sector

- The pandemic has accelerated the growth of e-commerce in the retail sector. Even with the reopening of the face-to-face channel in the second half of 2020, this growth remained well above pre-pandemic levels.
- Although the contribution from new entrants had its ups and downs throughout the year, on the whole it was quite significant.

The COVID-19 outbreak has led to a paradigm shift in many aspects of the economy, such as consumption habits and e-commerce in the retail sector in particular.¹ As shown in the first chart, which is built using internal data on card payments registered on CaixaBank POS terminals, e-commerce in the retail sector experienced strong growth between the end of March and April, reaching unprecedented levels of growth. After moderating as the mobility restrictions were eased and businesses reopened, this growth continued during the second half of 2020 and remained well above pre-pandemic levels.

With this knowledge, it is worth asking to what extent this growth in e-commerce can be attributed to businesses that were already selling online prior to the pandemic compared to new entrants.

As the second chart shows, during the first part of the year (from January to mid-March) the contribution from new entrants steadily increased. However, this upward trend was truncated when the state of emergency was declared.

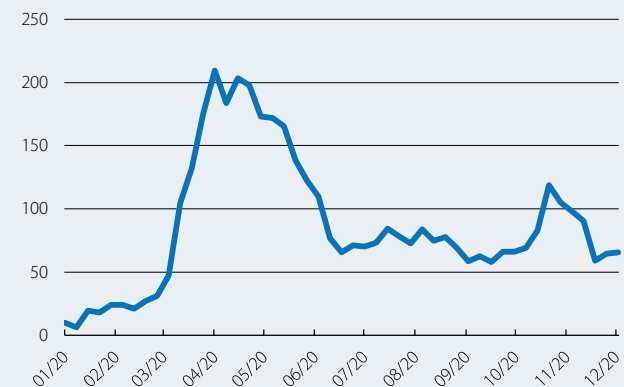
In our view, there are two non-exclusive hypotheses that could explain this shift. On the one hand, the residential lockdown and the resulting restrictions on mobility prevented many businesses that may have wanted to open the online channel from doing so for operational reasons.² On the other hand, we cannot rule out the possibility that some of the new consumers who joined the world of e-commerce during the residential lockdown, and who were unaccustomed to using this sales channel, may have opted to buy from better-known businesses whom they considered more trustworthy.³ Indeed, part of this effect can be seen in the third chart, which shows how the market share of the top 10

1. Retail is defined as encompassing all textile, footwear, jewellery, furniture, book and stationery, domestic appliance, sport and department store shops. Food shops are not included, as the consumption of essential goods has followed a very different pattern from the rest since the outbreak of the pandemic (see the Focus «Analysing private consumption during the COVID-19 crisis» in the MR07/2020).

2. In addition to acquiring the necessary knowledge, operational aspects such as developing an efficient logistics system and building a team to handle administrative and digital marketing tasks (social media, SEO, SEM, etc.) are also very important in the world of e-commerce.

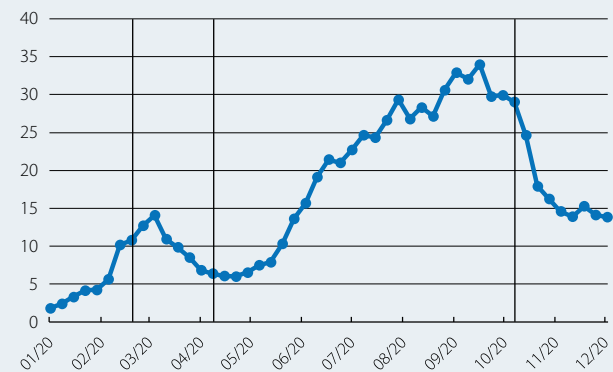
3. Another possible explanation could be the difference in web positioning between businesses with a long history in online sales and new entrants. In this regard, consumers who are less accustomed to buying online are more likely to choose businesses that appear higher up in the list of results of the major search engines.

Spain: e-commerce spending in the retail sector
Year-on-year change (%)



Note: A simple four-week moving average has been applied to the series.
Source: CaixaBank Research, based on internal data.

Spain: contribution from new entrants to the growth of e-commerce in the retail sector
(%)



Note: To calculate the series, first we select businesses which had no online sales in 2019 but did in 2020. Then, for each week of 2020, we divide the turnover of those businesses by the increase in total turnover between 2019 and 2020 in that same week. The complementary series would be the contribution from businesses that were already present in 2019. A simple four-week moving average has been applied to the series.
Source: CaixaBank Research, based on internal data.

e-commerce businesses (measured by turnover in this segment during 2019) increased considerably with the start of the residential lockdown in March.⁴

In a third phase of the year, marked by the gradual lifting of restrictions and the «new normal» (starting from May), there was a further change. As the restrictions were

4. Unlike the first two charts, which use card payments registered on CaixaBank POS terminals, the third chart has been built with payments made using cards issued by CaixaBank. In this way, we can capture retail businesses that have a POS terminal registered outside Spain.

lifted, those businesses which had been unable to start selling online during the residential lockdown were finally able to do so.⁵ This intuition is clearly reflected in the second chart, where the contribution from new entrants recovered the upward trend which it had shown in the pre-pandemic period. At the same time, the other side of the coin can also be seen in the third chart, which shows how during this period the market share of the top 10 remained above pre-pandemic levels but below the high point reached during the residential lockdown.

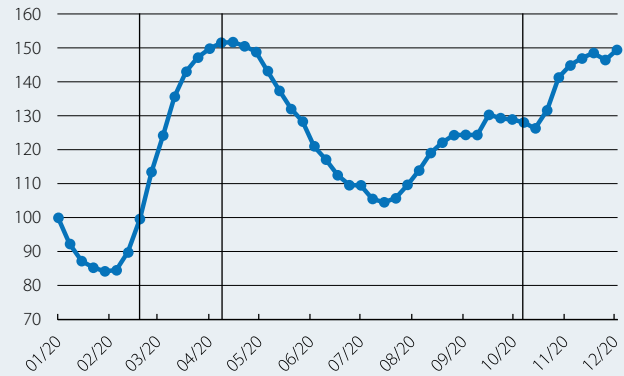
The story of e-commerce in the retail sector during 2020 does not end here: we still have a final phase of the year to analyse, marked by the November sales which culminate in the last week of the month with Black Friday and the beginning of the Christmas campaign. In the second chart we can see how, in this period, new entrants once again lost steam. This change could be explained by the greater capacity which large e-commerce businesses have to carry out more aggressive promotional campaigns compared to new entrants, many of which had been hit hard by the fall in sales in the face-to-face channel. Again, this intuition is confirmed in the third chart, where we can see how from November the share of the top 10 rebounded and converged with the peak registered during the residential lockdown.

In short, the pandemic triggered many changes in 2020 that are likely to persist over time. One of them affects e-commerce in the retail sector, which has experienced vastly accelerated growth. Although the contribution from new entrants had its ups and downs throughout the year, on the whole it was quite significant. In fact, this sales channel has been the main mechanism for offsetting the decline in turnover in the face-to-face channel experienced by new entrants into the online sales channel. For this reason, we can expect to see more and more retail businesses jumping on the e-commerce bandwagon in the short and medium term.

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Spain: market share of the top 10 in total retail e-commerce turnover

Index (100 = January 2020)



Note: To calculate the series, we first select the 10 businesses with the highest turnover in 2019. Then, for each week of 2020, we divide the turnover of those businesses by the total turnover in that same week. A simple four-week moving average has been applied to the series.

Source: CaixaBank Research, based on internal data.

5. This desire to start selling online should not come as a surprise, since the outbreak of the pandemic highlighted how the online channel could serve as a buffer for the sharp drop in sales registered in the face-to-face channel.