

The awakening of e-commerce in the retail sector

- The pandemic has had a profound impact on face-to-face retail sales. E-commerce has thus emerged as an alternative to soften the blow.
- The sector's strong ability to adapt to online sales channels has led to a significant and prolonged growth in e-commerce.

The measures imposed to curb the spread of the pandemic have had a major impact on many sectors of the economy. One of the hardest hit is retail,¹ as many shops had to lower their shutters during the first wave of the pandemic and, more recently, have witnessed how the new restrictions introduced to combat the second wave have once again slowed their recovery. In this context, the online sales channel is helping many retail establishments to cushion the blow of the crisis.

E-commerce spending has experienced a significant boom since the start of the pandemic, reaching three-digit growth rates during the months of April, May and June. Although this growth rate moderated as the mobility restrictions were relaxed, it has remained very high and has picked up again with the recent tightening of measures to contain the COVID-19 pandemic. This trend contrasts with that of face-to-face sales, which fell sharply during the first lockdown and again in October, albeit to a lesser extent (see first chart).

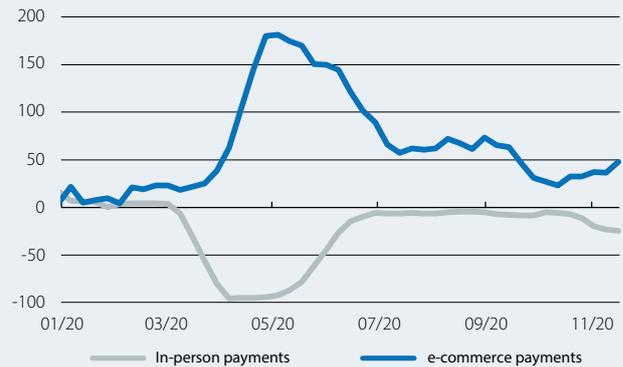
To better assess the scale of the rise in online sales, we analysed the trend in online sales relative to those carried out in person and paid for by card using Point of Sale (POS) terminals.² As shown in the second chart, during the month of May – the first month in which many shops reopened as the lockdown was gradually lifted, although some mobility restrictions remained in place – the relative weight of e-commerce experienced a significant spike in shop categories across the board. This highlights the sector's enormous adaptive capacity, as it was able to multiply its e-commerce turnover by a factor of almost three, barely two months after the outbreak of the pandemic. In addition, the investment that many shops have made to boost their online sales seems to be bearing fruit. Indeed, in October, a month with far fewer mobility restrictions in place, the relative weight of e-commerce still remained significantly above that recorded a year earlier.

1. Retail is defined as encompassing all shops selling textiles, footwear, jewellery, furniture, books and stationery, household appliances and sporting goods, as well as department stores. Food shops are not included because the consumption of essential goods has shown a very different behaviour 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. This metric does not reflect the actual share of the online sales channel, as it does not take into account sales paid for in cash. To the extent that there has been an increase in card payments in place of cash payments in recent months, this approach may be underestimating the increase in the relative weight of the online channel observed in 2020.

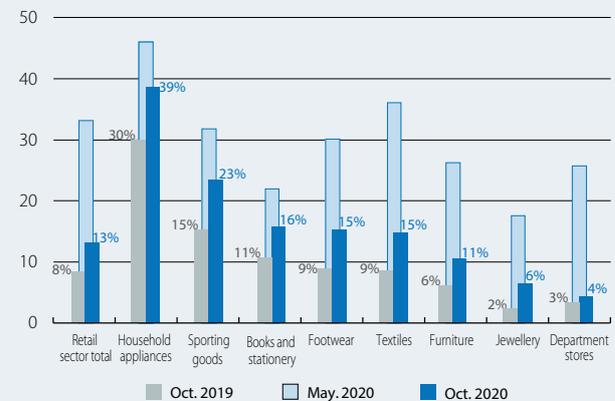
Spain: retail spending by sales channel

Year-on-year change (%)



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

Spain: relative weight of e-commerce spending (% of the total spending registered on POS terminals)



Source: CaixaBank Research, based on internal data.

CaixaBank's internal data also indicate that the increase in online sales is not limited to just a few shops – quite the opposite. Although large retail businesses continue to take a large share of online sales, the current context has prompted small and medium-sized retail businesses to open and promote this sales channel over the past few months.

All this suggests an acceleration in the growth of e-commerce following the outbreak of the pandemic, a channel that is proving key to softening the blow of the COVID-19 crisis on face-to-face sales, although it is still too early to emphatically state that we are witnessing a permanent shift in consumption habits.

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