

The haves and have-nots: Divides deepen across retail amid the pandemic

ARTICLE |

Cindy Liu

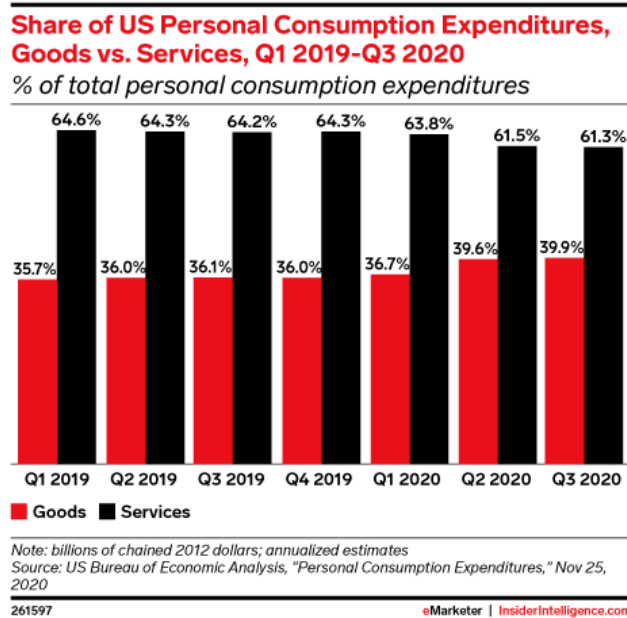
One of the major themes to emerge from the pandemic has been the growing divide between the haves and have-nots. Some trends that have deepened the divide—such as the shift to ecommerce—are hardly new. But others will be short-lived trends that none of us could have predicted at the beginning of 2020. It remains to be seen when things will return to normal, but one thing is for certain: New habits formed in 2020 have altered the future of retail.

Goods vs. services

While the pandemic has affected many industries, its degree of impact on certain sectors is clear. As people spend more time at home, the share of consumer spending on services such as restaurants, travel, and leisure has declined, while the share spent on goods such as groceries, home fitness equipment, and other household items has risen.

According to data from the US Bureau of Economic Analysis, the share of personal consumption expenditures on services fell to 61.5% in Q2 2020 from 63.8% in Q1 2020. By contrast, the share

expended on goods rose to 39.6% from 36.7% over the same time frame. These trends continued into Q3 2020.



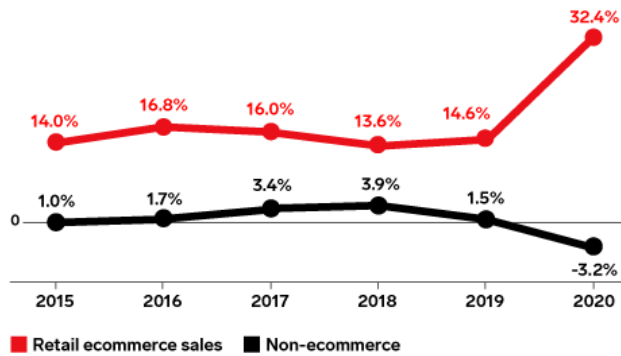
That said, spending habits will likely snap back to pre-pandemic reality when a vaccine is widely available and consumers are more comfortable venturing outside again.

Ecommerce vs. brick-and-mortar

Brick-and-mortar sales growth has been dwindling for years as consumers increasingly turn to online channels, and the pandemic has only accelerated this trend. We forecast a 32.4% increase in ecommerce sales in 2020, while brick-and-mortar sales will fall by 3.2%.

US Retail Ecommerce vs. Non-Ecommerce Sales Growth, 2015-2020

% change



Note: excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales; ecommerce refers to the sale of products or services ordered using the internet, regardless of the method of payment or fulfillment
Source: eMarketer, Sep 2020

261595

eMarketer | InsiderIntelligence.com

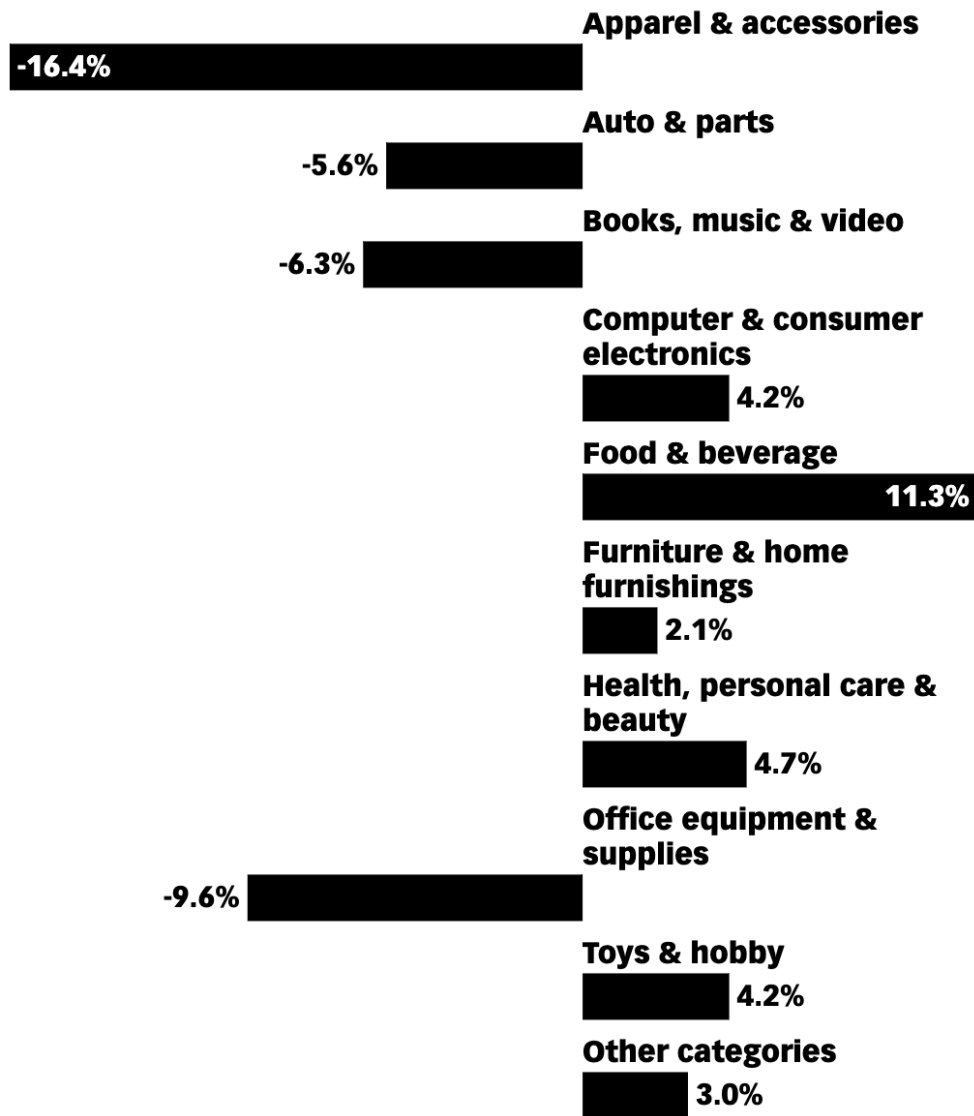
With many people shopping digitally for the first time, and more buying in new categories such as online grocery, the shift to ecommerce seems to show no signs of slowing down.

Essentials vs. nonessentials

What is deemed essential may vary from person to person, but one clear theme has been the shift in spending priorities toward essentials and home goods—including food, household items, furniture, and computers—and away from goods used for activities outside the home, like apparel and accessories.

Retail Sales Growth, by Product Category

US, 2020, % change



Source: eMarketer, September 2020

www.eMarketer.com

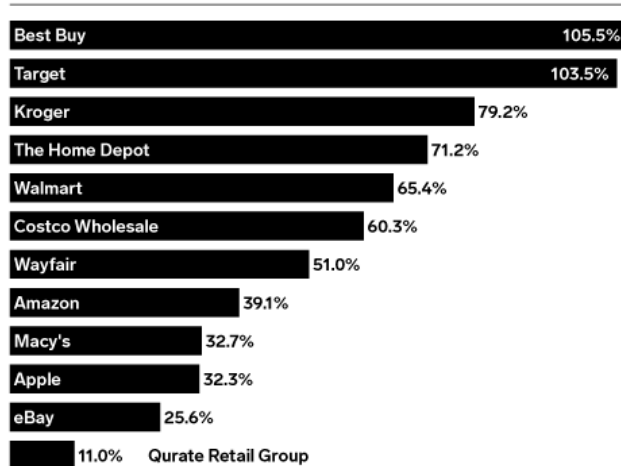
As with goods and services, once some semblance of normalcy returns, we'll likely see consumers reallocate their spending in these categories according to pre-pandemic levels.

Department stores vs. big-box stores

Many of the retailers in our list of top 10 US ecommerce companies are big-box stores, or stores that offer a mix of merchandise. Retailers such as Target, The Home Depot, Walmart, and Costco have seen their ecommerce sales soar, while department stores such as Macy's have fallen out of step. Collectively, our top 10 have only gotten bigger during the pandemic, as consumers turn to them for one-stop shopping.

Top US Ecommerce Retailers*, Ranked by Sales Growth, 2020

% change vs. prior year



Note: represents the growth in the gross value of products or services sold on the website of each company listed (via browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets; *among the top US retail ecommerce sites by sales
Source: eMarketer, Oct 2020

262189

eMarketer | InsiderIntelligence.com

In addition, many of these retailers were able to provide in-store and curbside pickup, which allowed them to capitalize on the suddenly accelerated shift to ecommerce. We will likely see more of this trend, with department stores continuing to lose relevance among shoppers.