

Booming e-commerce sales approach pandemic high, testing US retailers

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Commodity Insights

Online shopping is booming in the US again after a pandemic rush, a trend that poses a fresh challenge to retailers already grappling with higher-for-longer interest rates and [lingering supply chain issues](#).

E-commerce sales peaked at the start of the pandemic and are now on track to eclipse the quarterly record set in the second quarter of 2020. Online sales accounted for 15.9% of total quarterly retail sales in the first quarter of 2024, with growth for the segment far outpacing total sales, according to the latest data published by the US Census Bureau. First-quarter e-commerce sales recorded 8.6% year-over-year growth, well above the 1.5% growth for total retail sales over the same period.

The trend shows no signs of slowing down as shoppers have grown accustomed to the ease of online shopping. Yet it poses a real test for retailers in the post-pandemic economy: either compete online as well as in person or face potentially lost business and financial hardships.

"We saw a sea change in consumer behavior during the pandemic, with so much more available to buy online," said Michael Zdinak, an economist who leads the US consumer markets service at S&P Global Market Intelligence. "People got used to buying online and that trend hasn't retreated."

E-commerce's share of total retail sales nears pandemic-era peak (%)



Data as of June 3, 2024.
 Estimated quarterly US retail e-commerce sales as a percentage of total quarterly retail sales.
 Source: US Census Bureau.
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Pandemic, convenience grew online sales

The pandemic accelerated an already existing trend toward online shopping, as consumers opted to minimize contact with others by buying online and having purchases delivered to their residences. Even as the health threat has faded, the change in shopping preferences has proven to be anything but temporary.

The National Retail Federation has forecast non-store and online sales to grow by 7% to 9% in 2024 compared to the previous year, while overall retail sales are expected to see between 2.5% and 3.5% growth.

Near-equal numbers of consumers say they are spending more, or less, compared to last year (%)



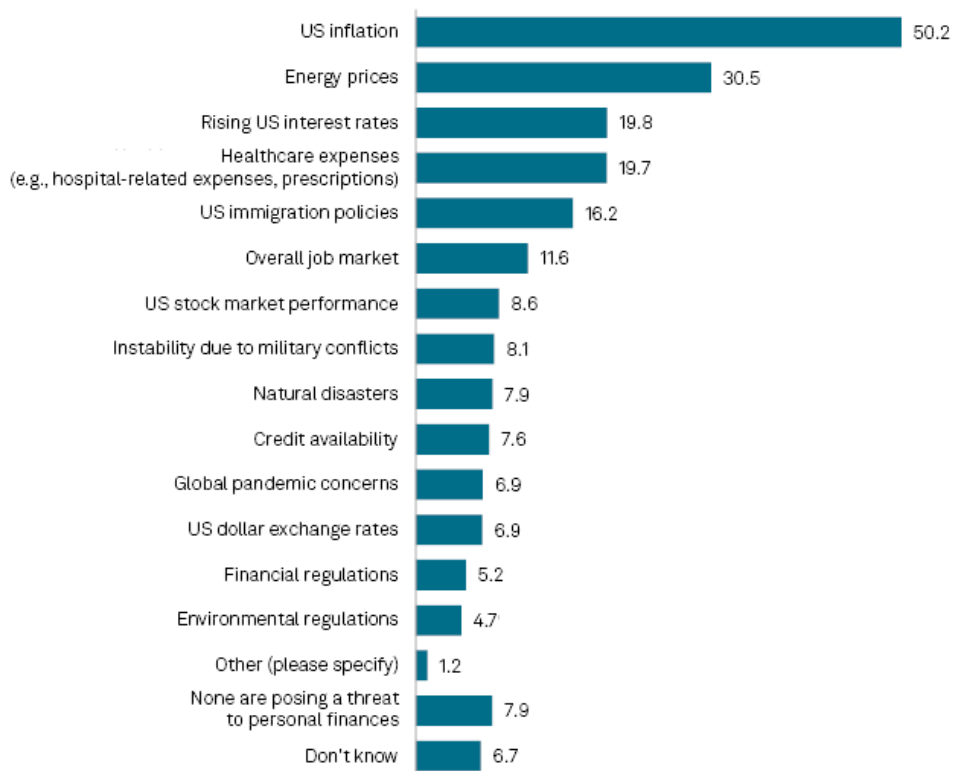
Data as of June 3, 2024.
 Survey responses to the question "Would you say your overall spending over the next 90 days will be more than last year, less than last year, or the same as last year?" 1,662 total respondents.
 451 Research's Voice of the Customer: Macroeconomic Outlook, Consumer Spending, Sentiment and Expectations 2024.
 Source: S&P Global Market Intelligence.
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Retail sales are expected to grow even as consumers remain concerned about inflation. In a recent consumer survey conducted by Market Intelligence, 50.2% of respondents said US inflation represented the greatest threat to their finances, followed by energy prices and interest rates.

Still, inflation and comparison shopping were not the main factors driving consumers from brick-and-mortar locations to online shopping, said Duleep Rodrigo, US sector leader for consumer and retail at KPMG.

"The number one factor influencing a consumer's decision to shop online is convenience, followed by delivery and availability of product," said Rodrigo. "Other key factors are free shipping and ease in returning products."

Consumers perceive inflation and energy prices as the greatest threats to their personal finances (%)



Data as of June 3, 2024.

Survey responses to the question "Which of the following macroeconomic forces, if any, are posing the greatest threat to your personal finances? (Choose no more than three)" 1,662 total respondents.

451 Research's Voice of the Customer: Macroeconomic Outlook, Consumer Spending, Sentiment and Expectations 2024.

Source: S&P Global Market Intelligence.

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Although e-commerce still accounts for less than a fifth of total US retail sales, offering the online option may be an essential component in attracting and retaining consumers.

"Online sales aren't necessarily taking away from in-store sales," said Mark Mathews, executive director of research at the National Retail Federation. "In many cases, online is actually adding to in-store sales and changing the role of the store, with online transactions being fulfilled by the stores themselves."

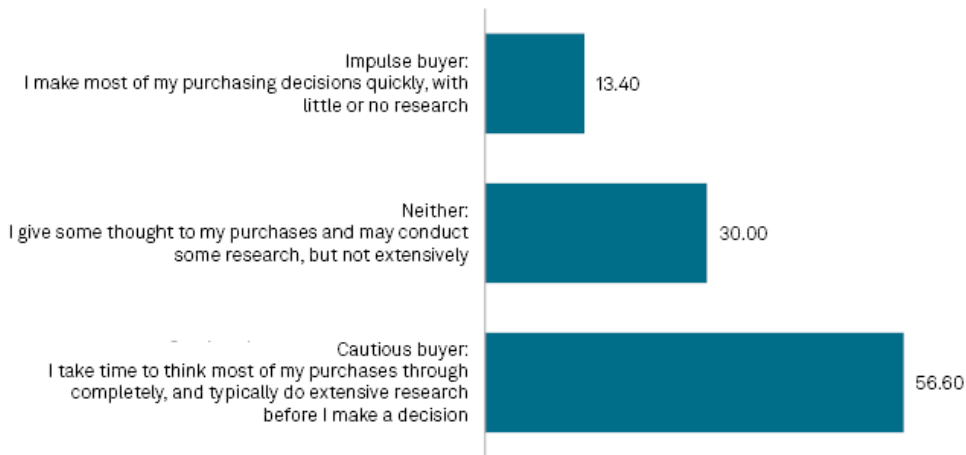
Retail impact

Many retailers, including [Costco Wholesale Corp.](#) and [Walmart Inc.](#), have successfully embraced a more diversified approach to their sales channels, offering online, hybrid and in-person options. However, others' ability to adapt has been marred by existing supply chain bottlenecks, labor shortages and transportation problems. For some, that reality has come at the cost of staying in business.

Music store operator [Sam Ash Music Corp.](#) filed for bankruptcy in May, saying it had "lost significant market share when customers converted to online shopping" that could not be regained post-pandemic.

Clothing retailer [Express Inc.](#), which sought bankruptcy protection in April, was confronted with similar problems. In a court filing, the company said it could not "keep up with its rivals who had invested heavily in e-commerce" and meet the needs of younger customers who were "more inclined to order items on the internet."

Most consumers say they are cautious online buyers (%)



Data as of June 3, 2024.
 Survey responses to the question "When it comes to making online purchases, which of the following best describes yourself?"
 1,662 total respondents.
 451 Research's Voice of the Customer: Macroeconomic Outlook, Consumer Spending, Sentiment and Expectations 2024.
 Source: S&P Global Market Intelligence.
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Still, even a robust online presence does not guarantee success for a retailer in the competitive post-pandemic environment, said Mathews with the National Retail Federation.

"Loyalty used to mean buying from the same place, buying the same brand over and over again," said Mathews. "Loyalty today means I'm going to go to you first, but if you don't have what I need, I have everything that I need at my fingertips to go ahead and find it somewhere else, at the price point that I want."

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