



Briefing Note: COVID-19 and Retail E-Commerce

This briefing note is part of a series on COVID-19 and its impact on the retail trade sector. This report provides a brief outline of the current relationship between e-trade and in-person sales within the retail trade industry. Our first series of briefing notes, published in fall 2020, focused on retail trade employers, the link between retail trade in Niagara and the tourism sector, COVID-19 impacts on employment in retail, and insights on what a post-pandemic reality might resemble for Niagara's retail trade sector.

The current realities of retail trade

As outlined in our introductory note on [COVID-19 and the retail trade sector](#), Canadian businesses have adapted to COVID-19 in part by accelerating the rate at which they adopted to e-commerce and other online methods of consumer engagement. COVID-19 has produced a substantial period of turmoil for retail trade businesses and will likely continue to do so for a lengthy period of time.

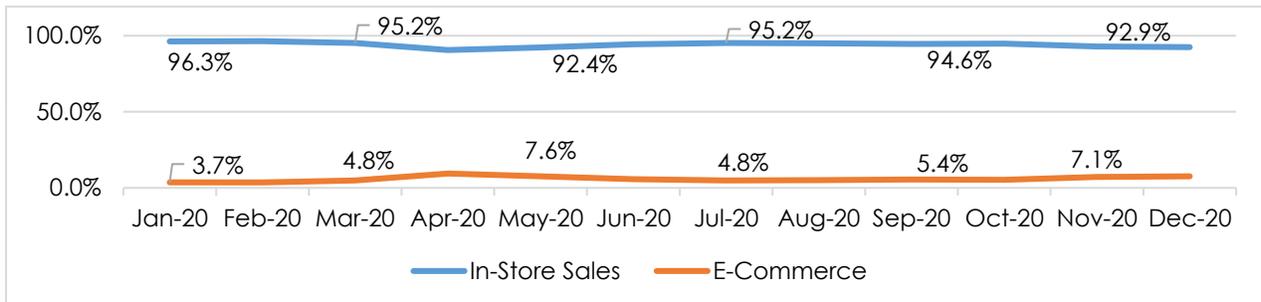
Consultations with local businesses and economic development offices have established a clear and growing need for local retailers to have an online strategy. Provincial, regional, and municipal governments have worked to support local businesses in embracing this shift to an online presence. Specifically, these supports have included the creation of online hubs for businesses (e.g., Shop Lincoln¹) and *Digital Mainstreet*, an initiative that includes online resources to assist in the development of a suitable web platform, digital training for management and employees, and grants to finance the necessary digital tools.² Our consultations further highlighted that even businesses that traditionally had no interest in utilizing online marketing strategies realized the benefit of a digital platform and worked to integrate these methods with their in-person experience.

At the same time, national data suggest that the in-person retail experience is not going to disappear overnight. Specifically, prior to the pandemic, in February 2020, approximately 96.4% of all retail trade was done in-person. During the height of the "first wave" in April 2020, in-person activity was lower, but still represented approximately 90.6% of the market share (see Figure 1). As lockdown measures eased, the percentage of retail trade done in-person increased accordingly, rising to 95.2% in July 2020, nearly returning to pre-pandemic levels. However, as the "second wave" of lockdowns began in fall 2020, in-store sales again decreased, dropping to 92.4% of sales in December 2020. It is unclear at what level in-person sales will stabilize to as the vaccine rollout facilitates a more permanent return to in-person activities.

¹ <https://www.shoplincoln.ca/>

² Rickett, C. 2018. *Toronto's Digital Main Street Program to Expand Across Ontario*. <https://digitalmainstreet.ca/torontos-digital-main-street-program-to-expand-across-ontario/>

Figure 1. Percentage of retail sales by method of sale, Canada 2020



Source: Statistics Canada. Table 20-10-0072-01 Retail e-commerce sales

As can be seen, while e-commerce is increasing, in-store sales still represent the vast majority of retail sales. Buttressing this, in a webinar hosted by the Goodman Group, Deepak Chopra, ex-President and CEO of Canada Post, suggested that an online experience should supplement rather than supplant in-person shopping. Mr. Chopra noted that supporting in-store sales through more at-home engagement is not new; he instead claimed that e-commerce was merely an iteration of previous ideas, for example the historic ability to purchase goods over the phone that consumers wanted to purchase via mailed-out flyers. As such, Mr. Chopra asserts that successful businesses will continue to focus on in-store engagement alongside new digital methods.

These assertions are echoed by previous research examining retail trade. Specifically, the importance of having an online presence is highlighted in a 2017 report on the status of US Commerce, which reported that 88% of customers, regardless of where they intended to complete the purchase, began their pre-purchase research online.³ Moreover, a 2017 Harvard Business Review report of 46,000 shoppers argued that “omnichannel” retailing gives physical storefronts a competitive edge over those that rely on either online or in-person sales alone.⁴ In addition, customers who complete their sale in-store tend to be more loyal⁵ and spend more per trip,⁶ than online consumers. Together, these data showcase the importance for local businesses to have an online presence that complements, rather than replaces, a physical store front.

This project has focused on the changing nature of retail trade, specifically those dynamics most impacted by COVID-19. As the pandemic begins to recede and vaccination rollouts progress, it is likely that many of the adaptations related to e-commerce that we have seen arise remain in place. As such, it is likely that, moving forward, retail trade businesses will necessarily need to blend physical storefront experiences with digital engagement in order to remain competitive.

³ Short, Kelly. 2017. *The rise of webrooming: a changing consumer landscape*.

⁴ Sopadjeva, E.; Dholakia, U.; Benjamin, B. 2017. *A study of 46,000 shoppers shows that omnichannel retailing works*. Harvard Business Review.

⁵ Ibid.

⁶ Jezerc, G. 2019. *The State of Consumer Spending: In-store impulse shopping stands test of time*. First Insight.