REPORT
COVID-19 Retail Impact

Sector spending in the face of a pandemic

March 26, 2020
This is the first of a series of reports that will be looking at retail sector spending trends in the face of a pandemic. 1010data, a leader in analytical intelligence and provider of consumer transaction data to hedge funds, other asset managers, retailers & CPG organizations provides an analysis derived from their proprietary data sets surrounding COVID-19 and its impact on retail.
The ongoing coronavirus pandemic has rapidly grown from a localized health issue to an international pandemic. As governments, health care workers, and scientists fight to contain the outbreak and save lives, the virus has also torn through the global economy. While of no measure to the loss of human lives, the shutdown of retail, restaurant, and travel industries threatens the economic livelihood of millions of Americans. At 1010data, we have access to multiple datasets that track US consumer activity. We are using them to understand which sectors are being impacted the hardest and will continue to monitor the virus’ impact over the coming months.

*Year to date through the first half of February, US consumer spending was growing at roughly 1.5% year over year. At that point, discretionary spending began to slow and was partially replaced by a stock up of consumer staples. While the stock up drove a brief return to growth, spending has since slowed to a high single digit decline through the first half of March.*
Travel Industry is First to Suffer

Despite a first confirmed US case of coronavirus in late January, the quarantining of the Diamond Princess cruise ship on February 4th was the first time many Americans heard of COVID-19. The cruise industry immediately suffered. **Within a week, sales were down more than 10% year over year.** They briefly stabilized in mid-February before rapidly falling through March. **By the time President Trump addressed the nation on March 11, sales were down more than 90% year over year.**

![US CRUISE INDUSTRY YoY SALES](chart)

This response was more than just cruise ship fear. We compared the current environment to the thirty days after the two largest cruise outbreaks of the past decade — the Explorer of the Seas norovirus outbreak in January 2014 and the Oasis of the Seas norovirus outbreak of January 2019. While both saw a brief slowdown in sales, they were nothing like today’s fallout.

![YoY CRUISE SALES FOLLOWING VIRAL OUTBREAK](chart)
The rest of the travel industry followed the decline long before President Trump announced the ban on travel to Europe. Airlines, hotels, and car rentals all decelerated after the *Diamond Princess* quarantine, **but the airlines fell hardest**. We should call out that this is partially a feature of our data — flights are charged at the time of booking, but hotels and car rentals are often charged upon checkout. As a result, we are likely understating the amount of cancelled future reservations at hotels and car rental agencies.

**TRAVEL INDUSTRY YoY SALES**

![Travel Industry YoY Sales Graph](image-url)
Emptying the Shelves: Consumer Rush for Groceries, Sanitizer, and Toilet Paper

The travel industry immediately slowed in February, but most other industries took longer to see an impact. Wholesale clubs, grocers, pharmacies, and big box stores were running roughly flat year over year through the first three weeks of February. Afterwards, US consumers began a rush to grab groceries, hand sanitizer, and toilet paper at record levels.

*Wholesale clubs saw the first bump, and they have continued to grow at the fastest pace among stores offering like goods. In the last week of February, sales accelerated from a mid-single digit run rate to almost forty percent and continued to climb from there. In fact, March 12th was the single highest day of sales for Costco (COST) in our dataset going back through 2010. The average Costco customer has spent 20% more year over year in the first half of March.*
If there was a tipping point in the consumer journey around COVID-19, it would be President Trump’s March 11th Oval Office address to the nation. From March 11th to March 12th, sales rapidly accelerated across the country as consumers accepted the severity of the outbreak. This was not a regional story — whether the state was hit early, like California, or later, like Texas, consumers rushed to stock their houses from both brick and mortar and online stores.

ACCELERATION IN CONSUMER STAPLE SALES, 3/12 VS. 3/11
Discretionary Spending Isn’t Dead — It’s Discretionary

Retailers around the country are trying to understand what people want, when they want it, and if stores will even be open long enough to sell. The industry is justifiably concerned.

Apparel and accessories have been down across the board since the beginning of March. **While online sales are holding up better, they are also down from prior year levels.** This is a trend we will continue to watch — at some point, even people working from home will want new clothes.

![Apparel and Accessories YoY Sales](chart.png)

However, the entire retail industry is not suffering — yet. Many stores have seen sales growth as people hunt for specific products like pet food and office supplies that were either sold out or not available at a grocery store.
Office supply stores are having a brief respite after a long, secular decline. After years of negative sales growth, working from home spurred the first year over year growth in our panel in more than three years. Another likely cause of the increase, though, were the bottles of hand sanitizer and cleaning supplies available at most of these stores.

Pet owners also stocked up at similar levels to other staples.

WHAT’S NEXT?
With the impact of COVID-19 likely to linger, we will continue monitoring these trends over the coming months. Follow 1010data for upcoming check-ins on the industries mentioned in this report, restaurants, a more detailed look at the customers who stocked up, here: 1010data.com/covid-19/
This report was built using 1010data’s panel of US consumer transactions that tracks the credit and debit card spending of 5 million US consumers. These findings are not adjusted for cash transactions or store credit spend. All findings presented in this report relate to this panel of consumers and is not an attempt to reflect the behavior of all US consumers.