REPORT

COVID-19 Retail Impact Check-In

An update to sector spending trends as states begin to re-open

May 20, 2020
In our initial COVID-19 Impact report, we were looking at the immediate consumer response to the national emergency. There was a quick flight to safety — discretionary purchases were slashed, travel and leisure spending was all but erased, and consumer staples were stockpiled.

Our second report focused on the changes to how Americans purchased food. Sit-down restaurants suffered the biggest declines with dine-in service banned, but quick service restaurants were also hit. The few bright spots were reserved for food-delivery services that delivered either groceries or restaurant meals.

In this report, we are revisiting some of those industries to see which ones are still falling, stabilizing, or growing. Some industries will benefit as states emerge from lockdowns, but others will need a larger turn in consumer confidence.
Although most states were under stay-at-home orders, actual consumer responses varied by state. In hard hit areas like New York and Massachusetts, total consumer spending fell between 30-40% year-over-year for the entire month. Less severe areas like Georgia and Texas only saw declines like that during the first week of April and spent most of the month down only 15-20%.
Restaurant spending mirrored those differences — New York and Massachusetts again showed more severe declines than Georgia or Texas. If that stays true, then restaurant spending looks likely to improve as more states open.
General Merchandise and Grocery stores are a different story. This group of big box, pharmacy, and grocery stores showed much smaller disparities across states than the restaurants. Where Georgia and Texas were 30% better off than New York and Massachusetts with restaurant spending, they were only 5-10% better in this industry. Here, reopening does not seem to offer a meaningful boost to spend.
Could Delayed Taxes Help?

With the IRS delaying the tax season until July 15th, later than normal tax returns could become a new stimulus. The typical April rush to file taxes was completely erased in 2020, with spend on tax prep services 30% below prior year levels.
Travel Industry Still Waiting for a Pulse

Later in the report, we will talk about some bright spots. Unfortunately, the travel industry is not one. The cruise industry fell first with the first major outbreak on the *Diamond Princess*. The airlines quickly followed as people stopped booking new trips (airlines charge at time of booking), and both car rentals and hotels were next as people stopped traveling altogether (both charge at checkout). For almost three weeks, our data has shown cruise operators refunding more money than they are booking.
Wholesale Club Customers Working Through Stockpiles and Moving Online

Wholesale clubs like Sam’s Club and Costco saw the earliest boost in spend as consumers stocked up. However, sales moderated through April as people worked through their stockpiles. Between 20-30% percent of wholesale club customers had made an extra purchase during March and average purchases were up 20% from normal levels. With so much March activity, early April was bound to suffer.
Store closures and limited store capacity from social distancing have led to one big opportunity — a chance to increase online penetration. Wholesale clubs have been slow to integrate a full digital platform. Recently, online penetration has doubled from 6-12% of total sales.

WHOLESALE CLUB ONLINE SHARE OF NON-GAS SALES
Total sales also doubled year-over-year. This is giving retailers a chance to improve their online merchandising strategies with a captive audience.
Consumer Staples Mostly Thriving, but Pharmacies are Just Surviving

In general, stores that cater to consumer staples have held up better than those focused on discretionary spending. Panic buying at big box and grocery stores has slowed to more normal growth levels. On the other hand, pharmacies have a different, lower trend. In March, there was 20% more spend than January and February monthly levels. Pharmacy purchases tend to be longer lasting than groceries, so panic buying created a slower-consumable stockpile. That meant by April, sales fell to 16% below January and February levels to offset the March increase.
New Clothes Aren’t a Priority

In the first weeks of the shutdown clothing-based stores were among the hardest hit. Store-based retailers bottomed out at an 80% year-over-year decline in late March, and internet-based retailers fared slightly better down 60%. Department stores fell by a similar amount. Since then, apparel retailers have staged a small rally to exit April down 50% while department stores are only slightly off their lows.
For the store-based retailers, state-level spending was not clearly tied to lockdowns. While New York was about 10% below the national average, Massachusetts was above average, and Texas was right at average. Massachusetts’ lockdown was more severe than Texas’. People are getting more comfortable spending money on clothing whether or not their state is reopening.
Home Improvement is Booming

While people are sitting at home, they have made it a priority to improve their surroundings. The big winner has been home improvement, with sales accelerating in the back half of April.
Furniture and other home furnishings spend has depended on the channel. Traditional store-based retailers saw their total sales (in-store and online) fall by 50% before slowly recovering, while internet-based retailers are experiencing record growth.
Total spending across all three industries has improved at a national level. While less hard hit and quicker to open states have outperformed the national average, even New York and California lockdowns have not stopped home spending from recovering. Here, reopenings might not increase spend. As additional leisure activities become available, home improvement projects could stall.

**HOME IMPROVEMENT AND FURNISHING SPEND, YEAR-OVER-YEAR**

Like travel, most leisure industries are still waiting for a change. Gym memberships are still on hold as most remain closed. While we are starting to see small accelerations in Georgia, it is too soon to see if the increase is real or just automated billing coming back online. Theme parks are also shut down, but summer spending is still a month away for parks outside of Florida, Texas, and California.

With trends changing every day, be sure to follow our dashboards at [1010data.exabel.com/covid-19/](http://1010data.exabel.com/covid-19/) for updated information.
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.