

Catalogue no. 11-621-M
ISSN 1707-0503
ISBN 978-0-660-47339-0

Analysis in Brief

Retail e-commerce and COVID-19: How online sales evolved as in-person shopping resumed

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Release date: February 21, 2023



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Table of contents

Retail e-commerce sales higher than pre-pandemic levels	4
E-commerce remained a popular option for consumers and businesses in some subsectors	5
Final thoughts	7
Note to readers	8
Appendix A	8

Retail e-commerce and COVID-19: How online sales evolved as in-person shopping resumed

by **Salim Zanzana** and **Jessica Martin**

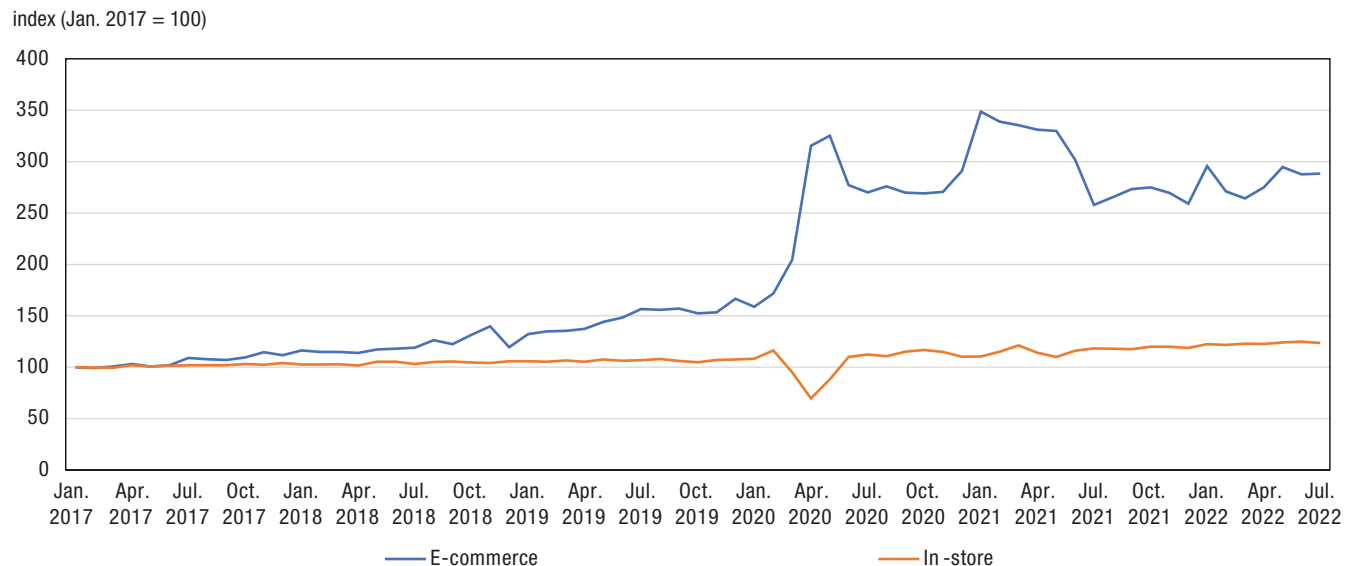
In 2022, all remaining COVID-19 public health restrictions on Canadian retailers were gradually lifted allowing consumers to resume unrestricted in-person shopping. Despite the reopening of the Canadian economy, e-commerce remains an important platform for business operations. From February 2020 to July 2022, retail e-commerce sales increased by 67.9%, and the share of e-commerce sales as a proportion of total retail sales increased markedly from 2019 to 2022 (July year to date).¹ The persistence of retail e-commerce sales above pre-pandemic levels suggests that the switch to e-commerce during COVID-19 lockdown periods may have prompted a long-term change in consumer spending habits and retailer operating models.

This follow-up study updates a previous paper that investigated the growing importance of e-commerce sales to the retail trade sector in the early stages of the pandemic.² The current study precedes the transition to the [2022 North American Industry Classification System \(NAICS\)](#) in the retail industry,³ which will allow Statistics Canada to look more closely at industry-based retail e-commerce sales on an ongoing basis.

Retail e-commerce sales higher than pre-pandemic levels

After a sharp increase at the onset of the pandemic, retail e-commerce sales have receded as of July 2022 but remain well above pre-pandemic levels. The share of retail e-commerce sales, as a proportion of total retail sales, rose from 3.9% in 2019 to 6.2% in 2022 (July year to date). During the height of the pandemic in 2020 and 2021, the shares of retail e-commerce sales were 6.6% and 6.9%, respectively. The retail e-commerce share of total retail sales peaked in 2021, as retailers were impacted by a second wave of store closures during the first half of that year.

Chart 1
Indexed monthly retail e-commerce sales vs. in-store sales



Source: Statistics Canada, Monthly Retail Trade Survey.

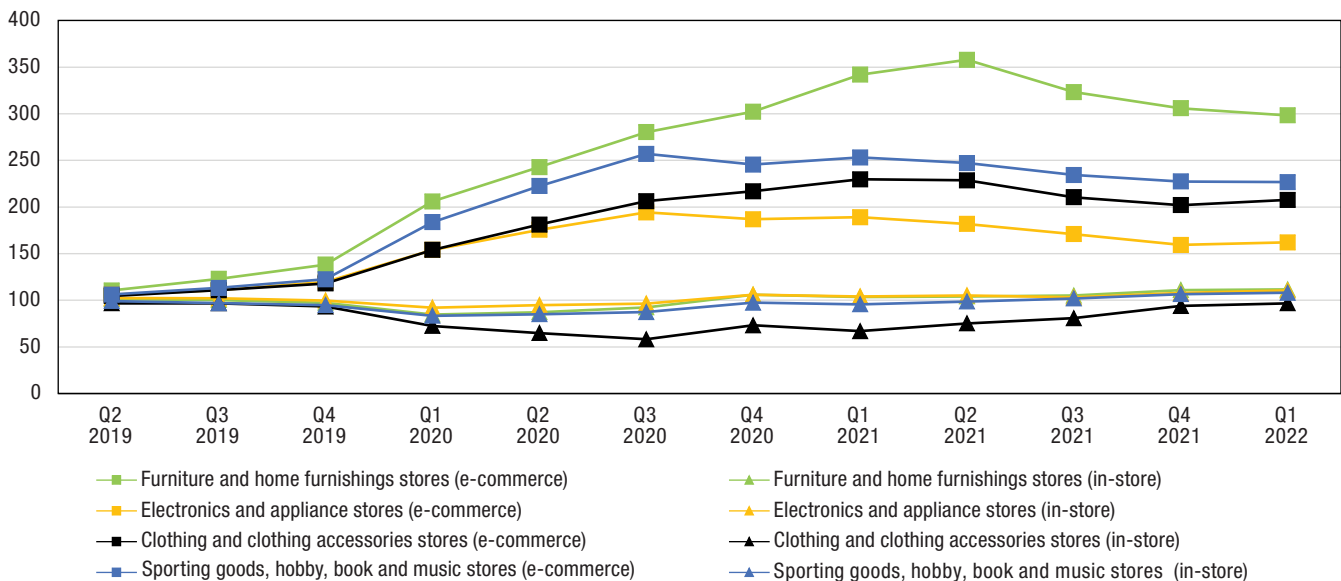
1. Total retail sales exclude sales at gasoline stations.
2. Businesses that sell goods and services to Canadians online through foreign legal operating entities will not be captured by Canadian business surveys. More information on measuring Canadian e-commerce can be found in [this e-commerce infographic](#).
3. The changes made to the North American Industry Classification System are the most important in over two decades and relate mainly to the digital economy. These changes impact broadcasting, publishing and retail trade industries the most and will be implemented in the statistical process in 2023.

E-commerce remained a popular option for consumers and businesses in some subsectors

At times throughout the pandemic, retailers were mandated to cease in-store sales to help reduce the spread of COVID-19. Many businesses bolstered their online platforms to lessen the negative impacts of these closures on their sales. Early in the pandemic, increases in retail e-commerce sales and declines in in-store sales were observed for most retail subsectors. In 2022, retail e-commerce sales continued to remain elevated in some subsectors, while in others, the resumption of in-store operations has led consumers and businesses to transition closer to pre-pandemic shopping preferences.

Chart 2
Indexed retail e-commerce sales vs. in-store sales, selected subsectors

index (Q1 2019 = 100)



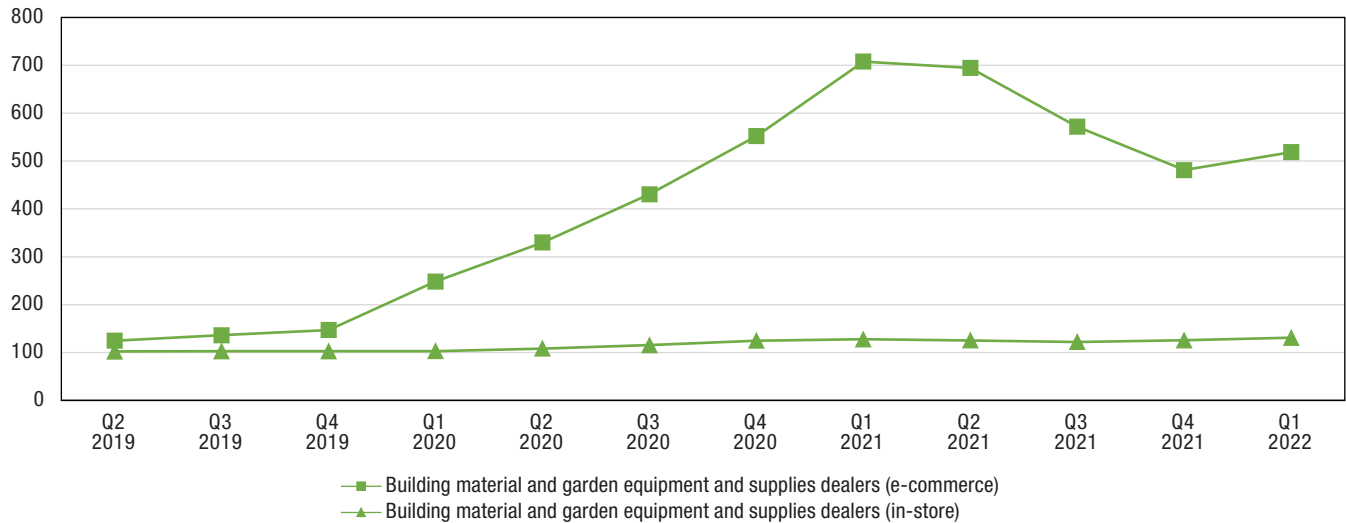
Note: Data in this chart are centered quarterly moving averages.

Source: Statistics Canada, Monthly Retail Trade Survey.

For businesses in retail subsectors deemed to be non-essential—such as clothing and clothing accessories stores; furniture and home furnishings stores; electronics and appliance stores; and sporting goods, hobby, book and music stores—retail e-commerce sales increased, while in-store sales fell as a result of store closures at the onset of the pandemic (Chart 2). As public health restrictions were lifted across the country in 2021 and consumers resumed in-store shopping, retail e-commerce sales began to decline across these subsectors, while in-store sales trended upward. Despite the pullback in online shopping, retail e-commerce sales are stabilizing at levels above those observed before the pandemic. These higher levels of retail e-commerce sales may signal a structural change in both consumer preferences and retailer business models.

Chart 3**Indexed retail e-commerce sales vs. in-store sales, building material and garden equipment and supplies dealers**

index (Q1 2019 = 100)

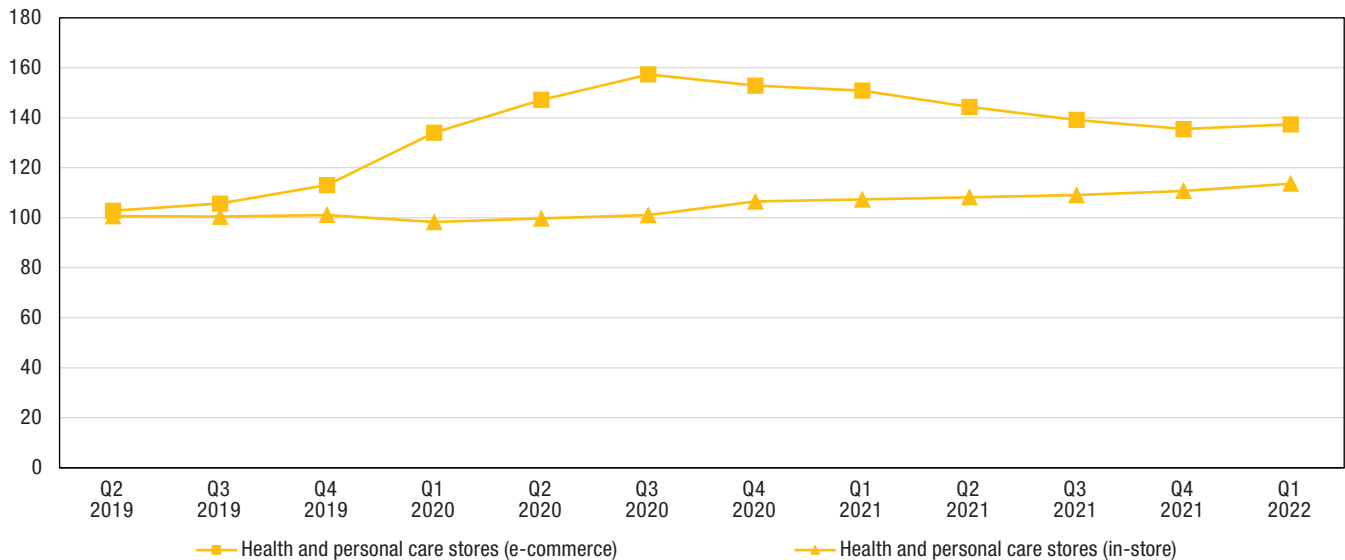
**Note:** Data in this chart are centered quarterly moving averages.**Source:** Statistics Canada, Monthly Retail Trade Survey.

Building material and garden equipment and supplies dealers were deemed essential businesses during the pandemic. Despite the availability of in-store shopping, businesses in this subsector experienced large increases in retail e-commerce sales. Higher sales in this subsector were bolstered by strong demand related to Canadians' investments in their homes and by price pressures of some commonly purchased products. Retail e-commerce sales for this subsector peaked in the first quarter of 2021, followed by a steep decline observed throughout the remainder of the year (Chart 3). In-store retail sales rose following the initial shock of the pandemic and have continued to trend upward. Both in-store and e-commerce retail sales remained above pre-pandemic levels moving into 2022. Whether e-commerce will persist above pre-pandemic levels remains to be seen as consumer shopping patterns change and external factors continue to impact demand for products in this subsector.

Health and personal care stores saw slower growth in retail e-commerce sales relative to other subsectors. In the first quarter of 2020, in-store retail sales declined while e-commerce sales rose as public health restrictions limited capacity forcing consumers online (Chart 4). After peaking in the third quarter of 2020, retail e-commerce sales began to decline as in-store sales approached pre-pandemic levels. Many products sold in this subsector were deemed essential allowing consumers to continue making purchases in stores rather than online. The gap between in-store and e-commerce retail sales is narrowing as consumers shift back toward in-store shopping at health and personal care stores.

Chart 4
Indexed retail e-commerce sales vs. in-store sales, health and personal care stores

index (Q1 2019 = 100)



Note: Data in this chart are centered quarterly moving averages.

Source: Statistics Canada, Monthly Retail Trade Survey.

Final thoughts

Canadians became increasingly reliant on retail e-commerce platforms in the face of COVID-19. Retail consumers have shown that, as restrictions were lifted, e-commerce remained an attractive method of shopping as some businesses increased their online presence and continued to [invest in online sales and e-commerce capabilities](#). As the pandemic runs its course, the changes in business offerings and consumer preferences during the past few years may have long-term impacts on the structure of the retail trade sector.

Note to readers

All data in this paper are seasonally adjusted and are expressed in current dollars, unless otherwise noted.

A standard usage of the 2017 North American Industry Classification System (NAICS) groups all Internet-only retailers together under NAICS code 45411, regardless of their associated retail subsector. To determine e-commerce sales by subsector for this study, establishments classified under NAICS 45411 were combined with their brick-and-mortar retail NAICS code. In addition, establishments with no related brick-and-mortar retail NAICS code were assigned a new code based on the products they sell. This results in different figures when comparing data in this paper with data from Statistics Canada's Monthly Retail Trade Survey releases. The implementation of [NAICS 2022](#) will classify all Internet-only retailers in the same groupings as their non-digital counterparts.

Goods and services sold to Canadian consumers online from legal entities operating in foreign countries are not included in Canadian retail sales figures.

Appendix A

Table A.1

Annual retail sales by method of sale (percentage of total retail sales)

North American Industry Classification System	Method	2017	2018	2019	2020	2021	2022 (January to July)
		percent					
Retail trade (44–45)	In store	97.1	96.7	96.1	93.4	93.1	93.8
	E-commerce	2.9	3.3	3.9	6.6	6.9	6.2
Motor vehicle and parts dealers (441)	In store	99.4	99.1	98.6	98.0	98.1	97.1
	E-commerce	0.6	0.9	1.4	2.0	1.9	2.9
Furniture and home furnishings stores (442)	In store	96.7	95.2	93.9	87.0	84.6	87.0
	E-commerce	3.3	4.8	6.1	13.0	15.4	13.0
Electronics and appliance stores (443)	In store	81.6	79.5	74.0	62.3	64.1	68.1
	E-commerce	18.4	20.5	26.0	37.7	35.9	31.9
Building material and garden equipment and supplies dealers (444)	In store	99.0	99.0	98.7	96.8	95.0	95.9
	E-commerce	1.0	1.0	1.3	3.2	5.0	4.1
Food and beverage stores (445)	In store	99.5	99.4	99.3	98.3	97.9	98.2
	E-commerce	0.5	0.6	0.7	1.7	2.1	1.8
Health and personal care stores (446)	In store	96.4	96.4	95.0	93.0	93.8	94.5
	E-commerce	3.6	3.6	5.0	7.0	6.2	5.5
Clothing and clothing accessories stores (448)	In store	91.6	90.8	89.3	76.5	76.9	81.0
	E-commerce	8.4	9.2	10.7	23.5	23.1	19.0
Sporting goods, hobby, book and music stores (451)	In store	91.3	90.4	88.9	77.9	79.1	81.3
	E-commerce	8.7	9.6	11.1	22.1	20.9	18.7
General merchandise stores (452)	In store	97.2	97.0	97.0	95.2	94.1	95.8
	E-commerce	2.8	3.0	3.0	4.8	5.9	4.2
Miscellaneous store retailers (453)	In store	86.9	86.7	86.9	80.3	81.8	86.4
	E-commerce	13.1	13.3	13.1	19.7	18.2	13.6

Source: Statistics Canada, Monthly Retail Trade Survey.