



# COVID-19 Missouri Economy Indicators

## E-Commerce and Online Sales

ISSUE 16, 2 NOVEMBER 2020

Many businesses are considering new ways to increase sales as COVID-related capacity limits, restrictions or changes in consumer behavior negatively impact revenue. E-commerce, which involves selling goods and services through an online platform, has gained popularity as one strategy to generate revenue.

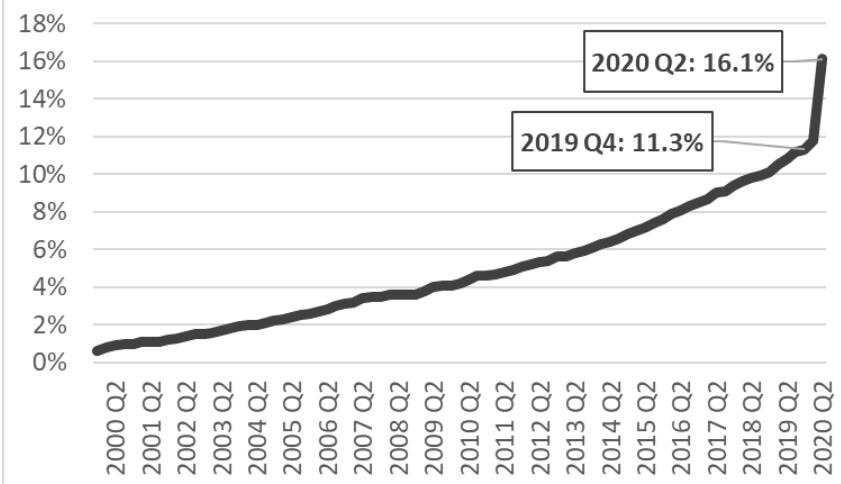
### COVID-19 Causes E-commerce Sales to Spike in the U.S.

Use of e-commerce as a sales channel steadily rose during the past 20 years (Figure 1).<sup>1</sup> In 2000, e-commerce sales constituted less than 1% of total U.S. retail sales. E-commerce's share of retail sales grew by about half a percentage point annually and reached 11.3% in the fourth quarter of 2019—before the COVID-19 pandemic emerged in the U.S.

From fourth-quarter 2019 to second-quarter 2020, e-commerce's share of retail sales spiked nearly 5 percentage points as the pandemic majorly shifted consumers' modes of purchase.

Figure 1: E-Commerce as a Percent of Total Retail Sales

Quarterly at the National Level



Source: U.S. Census Quarterly E-Commerce Report

Responses to the U.S. Census Bureau's Small Business Pulse Survey confirm COVID-19's impact on e-commerce.<sup>2</sup> The survey asked respondents whether they had increased their businesses' use of online sales platforms since March 13 of this year. As of early October, 22.7% of Missouri small businesses said they had increased use of online sales platforms. Of all U.S. businesses responding, 24.3% said they had used e-commerce more often. One-third of Missouri small business said they used online sales platforms but had not increased their usage during the pandemic. This was slightly higher than the U.S. rate of 30.4%. More than two in five (43.6%) Missouri small businesses said they do not use online sales platforms. At the national level, a slightly higher proportion of small businesses, 45.4%, said they do not use online sales platforms.

At both the state and national levels, COVID-19 has triggered a large and sudden increase in e-commerce platform use, building on a decades-long trend of increasing e-commerce prevalence. However, a large proportion of small businesses still do not utilize online sales platforms.

## Industries use online sales platforms to different extents

As of early October, nearly 55% of U.S. small businesses used online sales platforms, but this number varied widely by industry (Table 1).<sup>2</sup> *Educational Services* (e.g., tutoring) and *Information* (e.g., software development) more commonly used online sales platforms than other industries. Overall, eight other U.S. industries had a majority of their small businesses utilizing online sales platforms.

**Table 1: Online Platform Usage Prevalence by Industry**

|          | Proportion of Businesses Using Online Platforms |
|----------|---|
| Top 5    | Educational Services <b>83%</b>                 |
|          | Information <b>80%</b>                          |
|          | Finance and Insurance <b>67%</b>                |
|          | Accommodation and Food Services <b>66%</b>      |
|          | Retail Trade <b>63%</b>                         |
| ...      |   |
| Bottom 5 | Construction <b>37%</b>                         |
|          | Transportation and Warehousing <b>37%</b>       |
|          | Utilities <b>37%</b>                            |
|          | Management of Companies <b>26%</b>              |
|          | Mining <b>24%</b>                               |

Nationwide, a majority of small businesses in seven industries did not utilize online sales platforms. Many of these industries conduct high-dollar work that is specific to each client and must be conducted in-person. Thus, online sales seem less logical. Industries that used online sales platforms the least include *Mining*, *Management of Companies* and *Utilities*.

### Online sales platform usage will likely continue to grow

When asked about expectations for the next six months, 16.1% of Missouri small business

owners—compared with 13.1% of U.S. small business owners—said they need to develop online sales platforms or websites.<sup>2</sup> This number varies by industry—from 4% for U.S. *Transportation and Warehousing* small businesses to 23% for U.S. *Retail Trade* small businesses. Thus, e-commerce will continue to grow in importance across all industries as businesses look to sustain or increase sales.

## Additional Resources

- **U.S. Small Business Administration Online Sales Guide** explores five ways to conduct online sales: your own e-commerce store, hosted e-commerce platforms, marketplace sites, social media and e-commerce add-ons. Find this guide at <https://www.sba.gov/blog/5-ways-start-selling-online>

## Sources:

1. U.S. Census, Quarterly E-Commerce Report, 18 Aug 2020. Accessed at <https://www.census.gov/retail/index.html#ecommerce>
2. U.S. Census, Small Business Pulse Survey, 2020. Accessed at <https://portal.census.gov/pulse/data/#data>

*This brief is the 16th in a series meant to explore economic indicators associated with the COVID-19 pandemic. Future updates will be available at [tinyurl.com/ExceedEconomyIndicators](https://tinyurl.com/ExceedEconomyIndicators)*

Author: Catherine Isley, Exceed Graduate Research Assistant, [catherine.isley@mail.missouri.edu](mailto:catherine.isley@mail.missouri.edu)



The Missouri SBDC is funded in part through a Cooperative Agreement with the U.S. Small Business Administration and is a University of Missouri Extension partner. All opinions, conclusions, and/or recommendations expressed herein are those of the author(s) and do not necessarily reflect the views of the SBA.

