Over the last three years, the euphoria of the 2010s seems to have waned among e-retailers

By matching the business tendency surveys with those on the use of information and communications technologies (ICT), some cyclical developments in e-commerce could be tracked. In the retail sector, e-commerce boomed during the 2010s, resulting in tremendous optimism on the part of online retailers. However, as e-commerce became more widespread, it became commonplace: this great optimism, measured continuously from 2014 to the end of 2021, and which peaked during the health crisis, has been eroded over the last three years. For a time in 2022, there were more e-retailers than retailers as a whole reporting cash flow difficulties. At the end of 2024, however, renewed optimism has emerged among e-retailers.

Charles-Marie Chevalier

Online retail sales grew strongly until 2021 but then stalled in 2022 and 2023

Retail e-commerce, which represents about a third of e-commerce as a whole (**▶Montecino, 2022**), has developed in contrasting ways over the last fifteen years. Between 2009 and 2019, turnover in the online retail trade doubled (**▶Montecino, 2022**), driven by the traditional major retailers. At the same time, the composition of employment in retail trade changed profoundly: between 2016 and 2020, the number of employees in logistics and self-service increased by 12%, whereas sales representatives fell by 14% (**▶Arion, 2023**).

Subsequently, during the health crisis, online sales helped maintain or even increase turnover, particularly for non-food trade which was subject to restrictions on opening times (**▶Faquet and Malardé, 2020**; **▶Bezard-Falgas, Guillet and Montecino, 2023**). More recently, however, for the distance sales sector, which includes major specialists in the field (**▶Method**), sales fell in 2022 and then again in 2023: -3.3% and -1.7% respectively, after +15.3% in 2021 (**▶Insee, 2022a** ; **▶Insee, 2023**).

The e-retail sector is made up of two main types of player, interviewed in the business tendency surveys

From the monthly tendency survey in the retail trade sector, these dynamics can be confirmed over time and the most recent signals highlighted. Every month, since 1991, this survey has recorded trends across the sector, and especially in the two main categories of e-retailer questioned: on the one hand, those retailers for whom e-commerce lies at the heart of their business activity (sometimes called "pure players") and who are classified in the distance sales sub-sector of the classification of French activities (NAF); on the other hand, businesses using online sales and classified in general trade (especially food) or specialist trade (apparel, furniture, electrical household appliances, etc.). The respective share of these two categories of player in online retail sales has changed over the last 15 years: pure players represented about 60% of retail e-commerce at the beginning of the 2010s, around half in 2019 and only 37% in 2020 (**▶Imberti, 2022**, **▶Figure 1**).

In order to reconstruct an aggregate for e-commerce within retail trade and analyse its specific short-term characteristics, we match the responses to the business survey with those from the information and communications technology survey (ICT), which records annually the share of turnover attributable to online sales (**▶Method**). The matching of the two surveys is not exhaustive[1] but the companies interviewed in the business tendency survey represent over 80% of turnover in online retail sales. For this study, companies' responses to the business survey are weighted according to their online turnover, with the annual share of online sales taken from the ICT survey.[2] For e-commerce specialists (**▶Method**), online trade often represents more than 80% of their turnover, whereas for hyper- and supermarkets or specialist trade, this share is around 10%.

After the euphoria of the 2010s and the health crisis, the short-term outlook for the online retail sector has been returning to normal since 2022

Virtually all short-term balances of opinion (on sales, workforce, order intentions, cash-flow situation, excluding inventories) confirm that the momentum in online business

1 The sample from the ICT survey is renewed every year, whereas that for the business tendency survey is generally renewed every three years. However, both surveys regularly question the largest business entities domiciled in France.

2 If the company did not respond to the ICT survey in a given year, the value for the nearest year was used

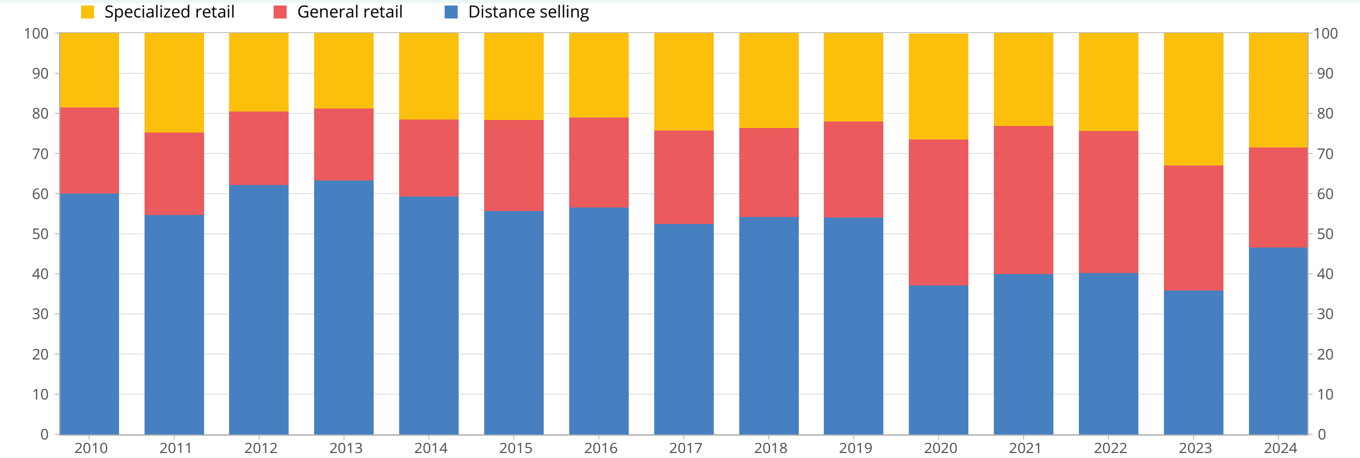
was continuously more favourable between 2014 and 2021 (►Figure 3). However, the responses of e-retailers have been returning to normal since the beginning of 2022 and are now in line with those of the sector as a whole. Regarding their cash flow, at the end of 2021 and in 2022, it occasionally happened that more e-retailers than other types of retailer considered that they were having difficulties, whereas from 2014 to 2021, they had almost constantly considered that their situation was easier. The composite climate for e-retailers reproduces these relative trends and confirms the slowdown in online sales, which have lost their status as the driving force behind trade (►Figure 2).

Towards an upturn in online retail trade by the end of 2024?

Over the two most recent months of the survey (October and November 2024), the economic outlook for online retail trade seems to be improving once again, while that of the retail sector as a whole is stagnating. This improvement is due in particular to the more favourable opinions of e-retailers concerning past sales and expected changes in workforce. Turnover data also reveal an earlier improvement from August 2024 which does not show up in the business tendency surveys. In the next few months the diagnosis will be refined and it will be possible to assess whether this is another turning point or simply a sudden flare-up. ●

►1. Proportions of online retail sales by sub-sector

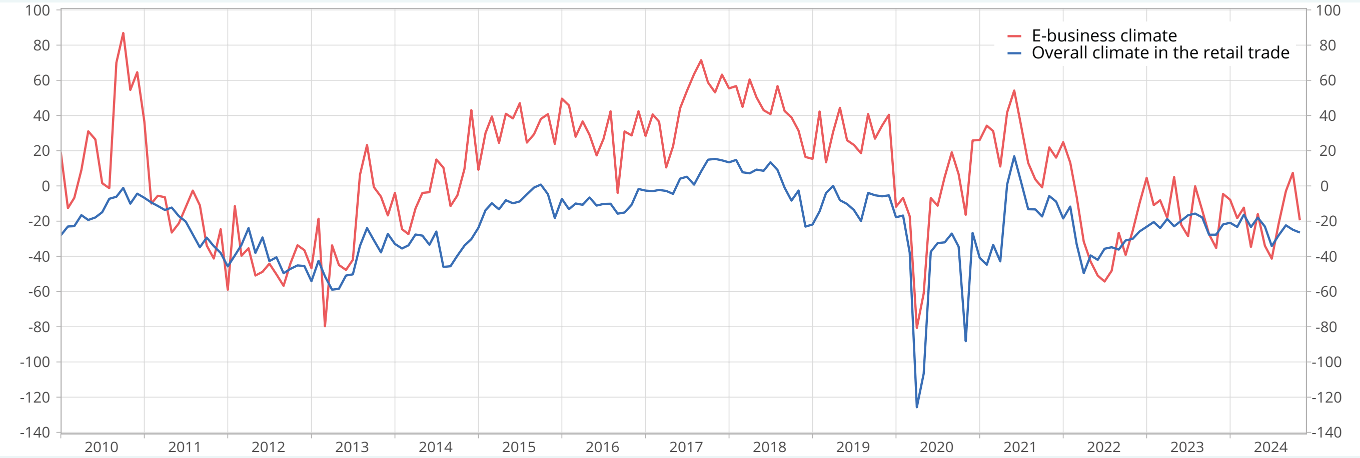
(in %)



Note: scope is limited to retail trade excluding the automotive sector (NAF code 47). Online sales are calculated from turnover figures in the business tendency surveys and shares of online sales in the ICT surveys then reprocessed (►Method). Concerning the trade and repair of automobiles, this is generally a smaller proportion, less than 15% over the period studied. For 2024, the data do not take into account the December tendency survey.
Source: INSEE, business surveys and ICT surveys.

►2. Business climate

(averages of opinion balances, not centred and not standardised)



Note: non-standardised climates, calculated over the study period (2010-2024) for e-commerce and for all retail trade. This latter climate differs from that usually published, as it is calculated over a longer period, from 1991, and standardised (►Method).
How to read it: in November 2024, the business climate was -19.5 in retail e-commerce and -26.5 across all retail trade.
Source: INSEE, business surveys and ICT surveys.

►3. Main balances of opinion on activity and workforce

(seasonally adjusted response balances, in points)

How to read it: in November 2024, the balance of opinion on general expectations for business activity was -25.8 in retail e-commerce and -22.7 across all retail trade.
Source: INSEE, business surveys and ICT surveys.

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Method

The e-commerce considered here focuses on retail trade and thus does not include online sales in other services and industry, which account for approximately two-thirds of online sales in France (►**Montecino, 2022**). The online sales specialists mentioned are in the distance sales retail trade sub-sector (NAF rev.2 class 47.91), which also includes mail order sales. The scope does not include warehousing companies, which are not included in the tendency survey in the retail sector. Finally, e-commerce is limited in this study to sales made online via a website, without taking into account sales via electronic data interchange (EDI), which are a minority in the retail trade sector.

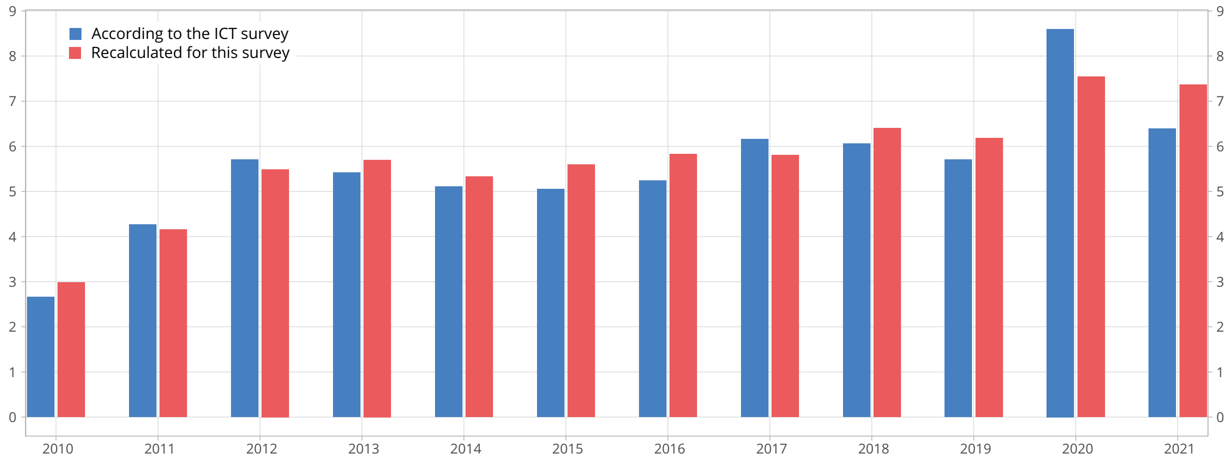
The study used the business tendency survey and the ICT survey between 2010 and 2023. Responses were monthly for the former and annual for the latter. Each individual response was weighted according to the turnover declared in the tendency survey multiplied by the share of sales made online as reported in the ICT survey for the corresponding year (or by the closest known value). Different imputation methods were tested (last value or average throughout the observation period) and produced results that were qualitatively equivalent. Some outliers were removed at the very beginning of the sample if there was an erroneous declaration or an overestimated imputation on major companies.

Ultimately, the share of online sales in the turnover of all retail trade obtained using this method is very similar to that obtained directly from the ICT survey (►**Figure 4**), which is itself consistent with the associated statistics published annually (see for example ►**Insee, 2022b**).

Using this method, the balances of opinion calculated for online retail trade give a non-standardised climate for the period studied (2010-2024), and this is reproduced for the whole sector (this climate therefore differs from that usually published, which is calculated over a longer period, from 1991, then standardised). For 2023 and 2024, the share of online sales is extended using the last known value from the ICT survey. Finally, in order to ensure the consistency of the climate comparison, the scope includes automotive trade and repair, unlike some analyses of online retail trade, such as in ►**Imberti (2022)**. ●

►4. Share of online sales in the total turnover of retail trade

(in %)



Note: scope includes retail trade and automotive trade and repair (NAF codes 45 and 47).
How to read it: in 2021, the share of online sales in the total turnover of retail trade was 7.4% according to the matched data and 6.4% according to the ICT survey data.
Source: INSEE, business surveys and ICT surveys.