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Consumer Morsel

Is online spending creating new holiday hotspots?

04 October 2024

Key takeaways

- Bank of America internal credit and debit card data suggests that the share of online spending in August has increased year-over-year (YoY), likely driven by lower-income households as they pivot from brick-and-mortar (B&M) to online to search for deals.
- This trend is also evident in holiday spending. Compared to 2019, 5% of in-person B&M spending during the holidays has shifted away from Black Friday and Christmas Eve last year, as consumers shop earlier and online. Meanwhile, Cyber Monday has gained 2% of holiday spending share, as consumers skip the lines for online carts.
- Higher earners don't seem to have turned their backs on the mall as much as their lower-income counterparts, though. While aggregate spending surged at shopping malls in 2021 after closures during the pandemic, it has since fallen back sharply for those on lower incomes versus, down 20% compared to just 4% for higher earners. This suggests much more stability for higher-end shopping malls.

Online retail spending share "boots up" as brick-and-mortar stalls

The share of spending online rose in 2020, during the pandemic, as people were stuck at home. But even several years later, the increased share of online spending has continued or even increased. What does this change in the shopping landscape imply for holiday shopping and traditional retail locations like shopping malls?

Using Bank of America internal credit and debit card data, shopping where the card is not present at the point of purchase (our proxy for online spending) made up around 26% of total retail card spending in August 2024. The share of online retail increased nearly 1.5 percentage points over the past two years, with the majority of this gain occurring in the past year (Exhibit 1).

Exhibit 1: The August 2024 online retail share of total retail card spending is starting to increase again after surging in 2021, post-pandemic
Online retail spending as a share of total retail spending via BAC aggregated debit and credit card data (three-month moving average, %)

Source: Bank of America internal data

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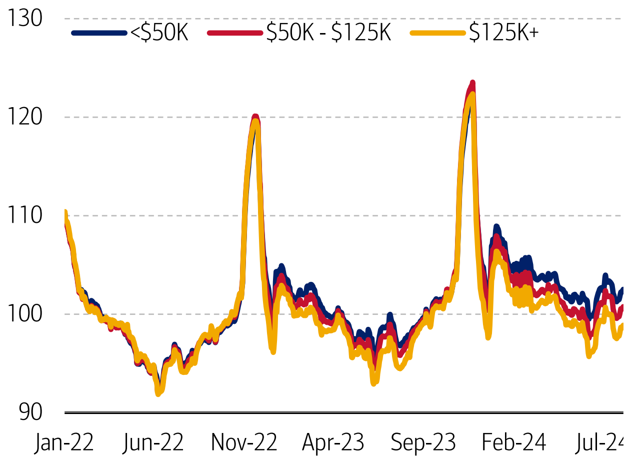
It appears that the majority of the growth in this online spending share over the past year has been driven by lower-income (<$50K) households and, to a smaller extent, middle-income ($50K - $125K) households (Exhibit 2). This might suggest the recent rise is related to the increase in the trends for 'value shopping' and 'trading down' that we have previously noted (see: [Trading down is the new dressing up](#)). Exhibit 3 suggests that the growing share of online retail spending by lower- and middle-income households is due to both a decline at brick-and-mortar (B&M) retailers and an increase in online retail spending year-over-year (YoY).

Exhibit 2: Lower-income households have experienced the largest increase in online retail spending share in the past year relative to the 2022 average

Online retail spending as a share of total retail spending via debit and credit card by household income (three-month moving average, index 2022 average = 100)



Source: Bank of America internal data

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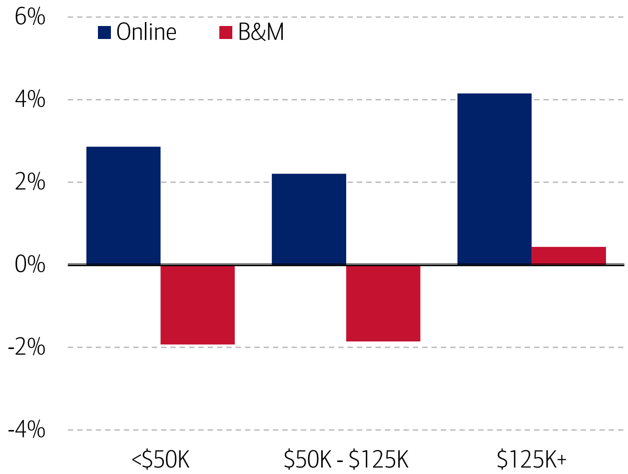
Exhibit 3: Lower- and middle-income households have experienced an increase in online retail spending, but a decline in B&M retail spending in August 2024

Year-over-year retail spending online compared to brick and mortar retail card spending by household income (three-month moving average, %)



Source: Bank of America internal data

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Trading lines for screens during the holidays

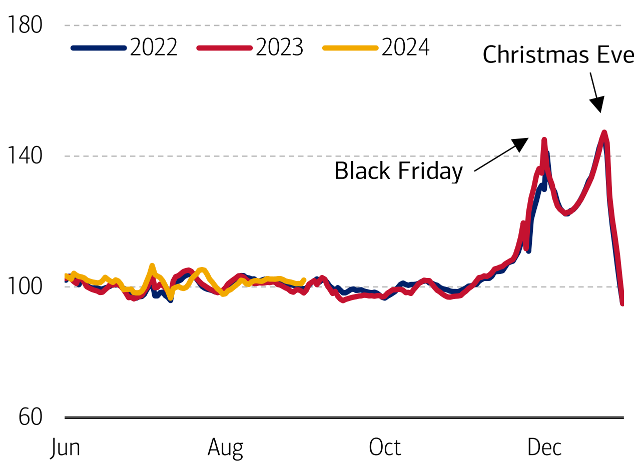
As we head into the key holiday shopping season, what could the recent rise in online sales mean for holiday spending?

To focus particularly on holiday gift buying and décor, we look at Bank of America internal card data spending on retail excluding groceries, restaurants and gas. Traditional brick-and-mortar retail spending during the holiday period (November 1 – December 31) typically peaks on Black Friday and again closer to Christmas Eve, as people go to the shops for last-minute gifts (Exhibit 4).

On the other hand, BAC internal data suggests that online retail spending during the holidays peaks around Cyber Monday, the Monday immediately following Black Friday when retailers typically offer online discounts, with another bump occurring a few days before Christmas, as consumers allow some time for shipping (Exhibit 5). And this year through August, online retail spending (excluding gas, groceries, and restaurants) is up 4% YoY compared to only a 1% increase this time last year.

Exhibit 4: While brick and mortar retail sales, compared to June, peak around Black Friday and again on Christmas Eve

Aggregate brick and mortar retail shopping excluding groceries, restaurants, and gas (seven-day moving average, index June 2022 = 100)



Source: Bank of America internal data. Data compared to June in order to highlight retail spending increases during the holiday period.

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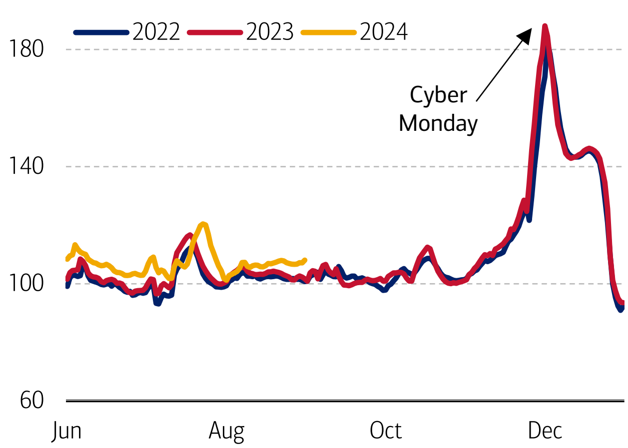
Exhibit 5: Online retail shopping, compared to June, peaks around Cyber Monday every year, with another bump a few days before Christmas

Aggregate online retail shopping excluding groceries, restaurants, and gas (seven-day moving average, index June 2022 = 100)



Source: Bank of America internal data. Data compared to June in order to highlight retail spending increases during the holiday period.

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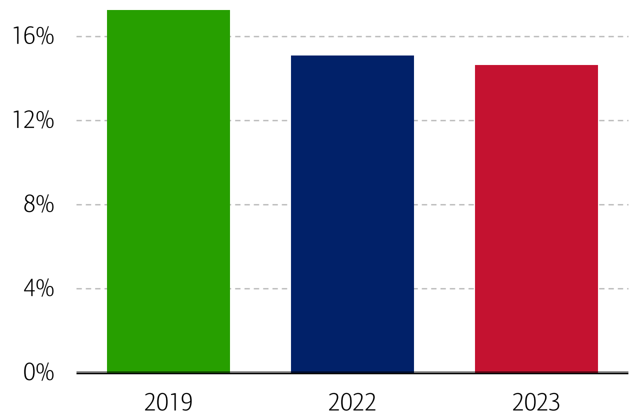
In our view, elevated levels of online spending generally could also pull some holiday spending online and/or earlier in the season, as consumers look for convenience and cost savings.

Although brick-and-mortar retail spending in the two weeks up to Christmas Eve still accounts for a higher share of retail spending during the holiday period, this share is decreasing. In 2023, B&M retail spending was nearly 15% of retail spending, down almost 3 percentage points compared to 2019 levels, according to Bank of America internal card data (Exhibit 6).

Similarly, the share of B&M retail spending in the two weeks around Black Friday has decreased nearly 2.5 percentage points compared to 2019 and dropped to slightly over 13% of spending during the holidays (Exhibit 7).

Exhibit 6: Brick-and-mortar spending up to Christmas Eve has accounted for a smaller share of retail spending excl. food and gas during the holiday period since 2019

B&M retail spending excluding gas, groceries, and restaurants in the two weeks up to Christmas Eve as a share of retail spending excluding gas, groceries, and restaurants during the holiday period (yearly, %)



Source: Bank of America internal data

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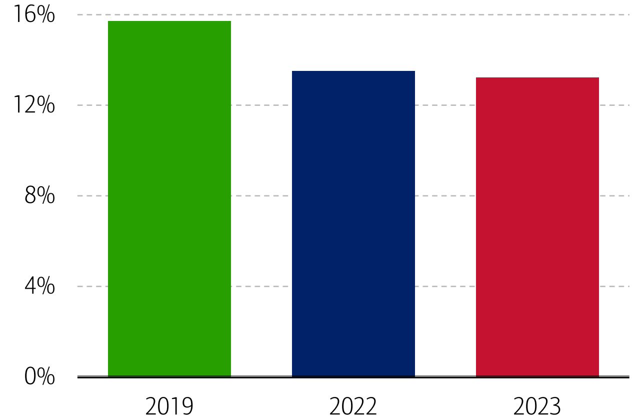
Exhibit 7: Brick-and-mortar spending around Black Friday has also accounted for a smaller share of retail spending excl. food and gas during the holiday period since 2019

B&M retail spending excluding gas, groceries, and restaurants for Black Friday and the week before and after as a share of retail spending excluding gas, groceries, and restaurants during the holidays (yearly, %)



Source: Bank of America internal data

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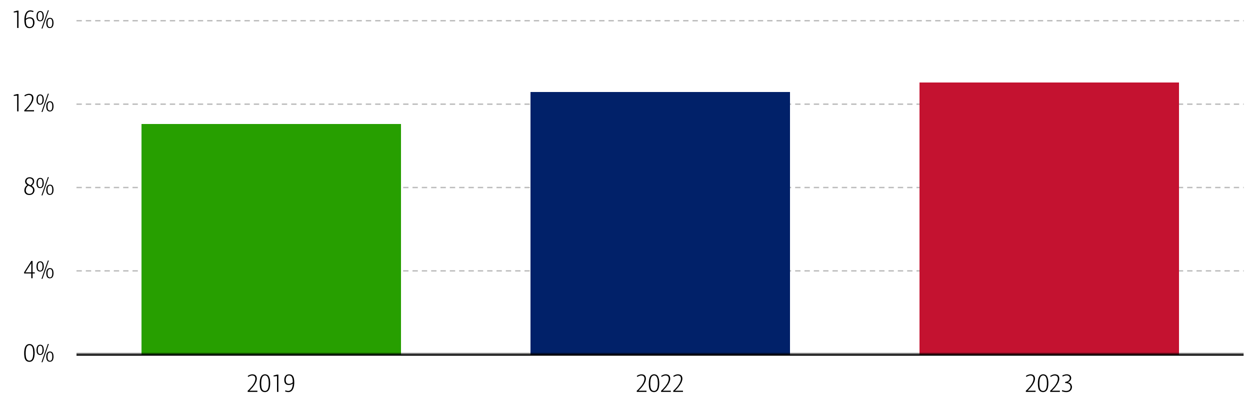
So, it's likely that some of these volumes have shifted earlier and/or online, in our view. In fact, 13% of 2023 total retail (excluding groceries, restaurants and gas) spending during the holidays occurred online in the two weeks around Cyber Monday, up 2 percentage points compared to 2019 and now accounting for nearly the same share of retail spending during the holidays as B&M retail spending around Black Friday (Exhibit 8).

Exhibit 8: Online retail spending around Cyber Monday has accounted for a larger proportion of holiday sales since 2019

Online retail spending excluding gas, groceries, and restaurants for Cyber Monday and the week before and after as a share of retail spending excluding gas, groceries, and restaurants during the holidays (yearly, %)



Source: Bank of America internal data

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Online spending takes a byte out of spending at shopping malls

Increasing online retail spending may be putting further pressure on US shopping malls. A 2022 study from the Federal Reserve Bank of Richmond suggested that malls were already closing pre-pandemic due to consumer preferences shifting towards less expensive (see: [Trading down is the new dressing up](#)) and more convenient options online.

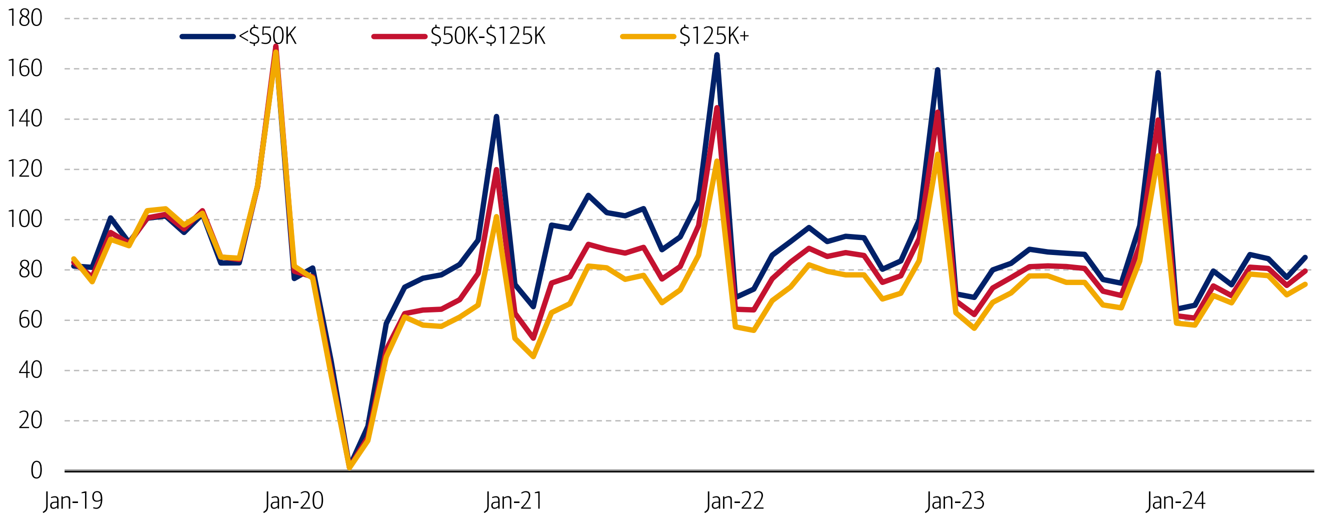
Looking at stores that are typically located at shopping malls (see methodology), Bank of America internal data suggests that, after falling in 2020, during the pandemic, aggregate spending at malls saw a resurgence in 2021, especially for lower-income households that may have been boosted by stimulus.

However, Exhibit 9 shows that YoY spending at shopping malls has decreased slightly every year since, likely a continuation of pre-pandemic trends at traditional shopping malls. Contrary to the gains in online retail spending, lower-income households have experienced the largest decreases in spending at shopping malls, down nearly 20% since the 2021 resurgence, possibly as they seek more clearance rack items or move some of their spending from shopping malls to low-cost online retailers.

Interestingly, the declines from higher-income households have been much more muted. This may suggest that higher-end, luxury-focused shopping malls are doing better than their less expensive counterparts.

Exhibit 9: BAC card spending at shopping malls has declined YoY, especially for lower-income households

In-person B&M BAC aggregated card retail spending at shopping malls by household income (three-month moving average, index 2019 average = 100)



Source: Bank of America internal data

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It remains to be seen if and how the recent port strikes across the eastern US could affect these trends. According to BofA Global Research, these strikes aren't likely to create significant shortages or price increases in consumer goods unless there's a prolonged work stoppage. In our view, if the port strikes don't last long, given the competition in the retail space, businesses are likely to absorb some of the costs incurred instead of passing them along to the consumer.

Overall, it appears possible that an increasing share of retail spending will continue to move online as we head into the 2024 holiday season, with people shopping earlier. At the same time, lower-income households appear to be increasingly driven by value and bargains, so this part of the retail landscape is likely to be competitive.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Online spending is 'card not present' and is the share of card spending not overall spending, so it excludes cash or checks. Shopping mall index is based on merchants and departments stores commonly found in traditional shopping malls.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Discretionary spending consists of total payments across credit card, debit card, ACH, wires, bill pay, business/peer-to-peer and checks. minus necessities (food at home, childcare, housing, autos, etc.) and other outflows (transfers, debt payments, cash, etc.). Investments include transfers internally and externally to brokerage and wealth management firms.

The data on inflows and outflows into direct deposit accounts data is based on BAC internal data, it is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US at a highly aggregated level. Inflows and outflows are calculated as six-month averages.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995

2. Younger Millennials: born between 1989-1995

3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Additional information about the methodology used to aggregate the data is available upon request.

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Disclosures

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