

Amazon Observations amidst COVID-19 - June 11, 2020

By Chris Moe and Jonathan Willbanks

Hi everyone,

Life on Amazon is getting closer to "normal", despite the broader world feeling anything but. Almost all promotional levers are now available on Amazon, and Amazon is rolling out new ad formats. The last month has been slow: flat to slightly down for most brands in grocery, although overall category trend seems to be less of a driver vs. brand-specific growth.

Regards,

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Co-founders, Cartograph

Cartograph

We help CPG brands
build sustainable
Amazon businesses

What we have been seeing:

DEMAND – slower for May and start of June - flat to down across grocery. Almost all promo levers now active.

- May was down 20-50%+ from the peaks seen in March and April but is still **up 20-30% from pre-COVID times**.
 - Most of the sales uplift is driven by increases in conversion, not traffic increases – people are being more deliberate in their shopping. "Buying, not shopping" is what we've heard to describe retail behavior as well.
- Share of sales by age trends have reverted strongly, with 7%pp shifting to the 18-44 demo, from the 45+ age group which had grown in late March and early April.
- Amazon changed the algorithm for Best Seller Rankings in 15 categories, consolidating rank between all child ASINs in the twist. In other words, your rank is the sum of all "flavors" that share a page, versus flavors individually.
 - Why it matters: Best Seller Badge. You now might be near #1 – if sales are spread evenly between flavors.
- Amazon ads have released Sponsored Brand Video and are pushing their refreshed Sponsored Display. We've seen OK results with SB Video; we think DSP is a better alternative to cover the same inventory as Sponsored Display.

From a brand perspective, we are now able to operate close to "normal" as before. While the 45+ age demographic had come to Amazon to shop in the early months of COVID-19, those shoppers seem to have gone back to B&M retail as stores begin to open around the country. Amazon also reportedly is running a Summer Deals event at the end of June, which is focused on soft lines.

SUPPLY / LOGISTICS – Born to Run now active for Vendor Central, Vine open

- Born to Run, the Vendor program for front-loading Purchase Orders for new launches, has been turned back on.
- Vine is now available. Free on seller central, great for new products with <30 reviews to get a boost.
- The Prime Day deal deadline was moved back a week. We suspect there is soft demand, and Prime Day could move.
- Bundles of grocery items have started to appear on Amazon. This can be a low friction way to move inventory and cross-sell but has downsides: it does not pull reviews from the items, and you don't get an FBA fee break. Kitting at a 3PL (or at manufacturing) will still likely be better margin at scale.

Amazon's unlocking of Born to Run and Vine open the door for new product launches. New VC launches have had inconsistent Purchase Order volume, and this tool lets you ensure PO volume is able to stay on.

We are no longer seeing many ship delays, although this may vary by region.

What should grocery brands do on Amazon right now?

- **Launch Born to Run and Vine for your new products** to accelerate launches.
 - You can issue multiple Born to Run POs, and have 10 weeks to sell thru the inventory. We recommend going with 4-6 weeks, and refilling as necessary.
 - Vine: consider separating items in your variation twist – if they have <30 reviews, you can enroll in Vine.
- **Reconsider twisting strategies.** The consolidation of BSR on a single variation throws a new variable into the variation twisting equation. You should already be considering customer psychographics, merchandising on branded search, review count and CTR, and many other variables – but you now may quality for a Best Seller badge.
- **Take a look at Instacart Advertising.** Instacart has now taken over Walmart as the largest online grocery retailer. We're very excited about this channel, and have seen great results – it's a rare way to drive in-store retail turns, especially now that demos are less available.

Our Future Outlook

It feels like uncertainty in the world is only increasing by the day. On one hand we have had states opening up, and on the other hand we are increasingly hearing of a second wave of COVID. One of the most interesting trends was how fast a spike in Amazon sales by older demographics reverted – once they felt comfortable to leave their home, sales went back to B&M. Old habits die hard – this could be an argument that eCommerce adoption will be driven by Gen Z having disposable income, rather than changing behaviors of older generations.

We suspect Prime Day – leaked before as in the middle of September – could be pushed back further. This has some interesting implications: it means Amazon is concerned about their supply chain and fulfillment center having capacity to ramp up to this huge sales period in the 60 days prior. This could be 2 things they are worried about, both related to COVID: demand spikes again due to lockdowns, or (more likely) lowered FC capacity due to COVID cases.

One thing that is here to stay: bigger companies betting on eCommerce. Pepsi launched two major DTC websites to sell their products directly to consumers.

Amazon placed a very large homepage banner in support of the Black Lives Matter movement – a move that makes sense given their very large workforce of color, particularly in their FCs. In an unusual move for Amazon, Jeff Bezos publicly replied to customers unhappy about the banners that he would be happy to lose them. Historically, Amazon has been extremely customer first, and criticized for treatment of FC workers. We at Cartograph are very pleased with this change, as well as the increased wages and safety measures for FC employees, and hope it's a trend that continues.

As always, please reach out with any questions or if you'd like to chat anything Amazon!

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We'd love to hear from you! If you'd like more information, please reach out at contact@gocartograph.com.

ABOUT CARTOGRAPH

Cartograph is an eCommerce focused agency that helps food brands sell their products on Amazon. Their mission is to help brands grow products that are better for people and the planet. They support brands with strategy, pricing, SEO, advertising, and operations and logistics. Cartograph is based in Austin, TX.