

Amazon Observations amidst COVID-19 - May 13, 2020

By Chris Moe and Jonathan Willbanks

Hi everyone,

The last couple weeks have been slow on Amazon – flat to slightly down for most brands. In a move that's probably related, Amazon has removed stocking limits, turned coupons on, and started accepting deals. This was faster than we expected and we suspect grocery will be entirely "ungated" soon.

Regards,

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Cartograph

We help CPG brands
build sustainable
Amazon businesses

What we have been seeing:

DEMAND – slower for May - flat to down across grocery. Most promo levers now active, some new ad formats

- Sales have been flat to down (5-15%) for the first two weeks of May. This seems to span many grocery categories, including the formerly white-hot baking category. The trend is still up vs. Feb, but demand seems to be softening.
 - ~5% of sales have shifted back to younger age groups (<45 years), as it was before COVID.
- Coupons are live again, and deals are being accepted. We mostly see deals available for early June, though a few brands have been able to do earlier. (Note: Vine is still inactive.)
- Ship times estimates have continued a slow march back to 1-2 day speeds, although significant variation still exists.
- The window to accept Prime Day deals was extended to early June. We still think Prime Day will be at earliest in August or later (maybe even folded into Black Friday).
- New ad formats: enhanced sponsored brand ads display a second image, and sponsored brand campaigns can now target ASINs. We're testing both as incremental levers. SC ads are now live in Amazon Advertising (formerly VC).
- A number of our clients had their items suppressed for using 'flags' on the main image that called out size or quantity. This affected Seller Central accounts only – Vendor was unaffected.

We were surprised how fast coupons and deals came back, but suspect it has to do with decreased consumer demand. The "post-stocking up" sales trough, states relaxing quarantine, and growing economic uncertainty all are likely factors.

SUPPLY / LOGISTICS – restock limits lifted for FBA items, VC POs for new items still small

- Inventory restock limits have been lifted for our clients in both grocery and other categories, e.g. skincare.
- Several of our clients have been dealing with lost inventory, which later appears as being sold by Vendor Central: "Ships from and sold by Amazon.com". While sometimes this can be due to distributors selling direct to Amazon, we suspect this was due to over capacity FCs in March and April.
- For new items, we are still seeing small Vendor Central POs. Born to Run, the PO pre-ordering program, is still closed. Though difficult to exactly ascertain, it feels like new items are not yet fully at normal demand.

The inventory restocking limit came and went very quickly. We expect this lever could come back in high demand periods like Q4. From a logistics perspective, it's getting easier to launch new items on Amazon's network, but we're not yet at full speed.

What should grocery brands do on Amazon right now?

- **Launch coupons and apply for deals.** These promotional levers are back and should help to offset the slower May that we're seeing. Even if you don't have aggressive budgets, monitor your category and consider launching as defense against competitors. Many brands will be conquering with additional focus on eComm amidst COVID.
 - Deals will start to ramp up in the next couple weeks – so brands should plan now and monitor.
- **Explore the new ad formats.** Enhanced sponsored brand ads really stand out vs. the old format. Brands should jump on these, as well as other new options (such as sponsored brand video) to help push their conversion.
- **Look at your demographic shifts and adjust retargeting.** The swing in sales by age ranges over the last couple months have been substantial. Use Brand Analytics to understand how your customer has changed over the last two months. Launch or enhance retargeting campaigns to retain recently acquired customers.

Our Future Outlook

The softening demand on Amazon has come quite quickly. This, paired with the shrinking pool of older demographic consumers tells a very interesting story: it remains to be seen how habits will adjust (or which habits have been formed) in the post-COVID world.

Many brands that we know have been reallocating resources to Amazon and eCommerce, and even perishables brands are revisiting eComm to figure out a direct consumer model. In-store spend and product availability has been lost as stores have prioritized products from larger CPG. Furthermore, brands need to prepare for increasing online advertising costs as competition in 2020 moves into eCommerce.

Amazon's Q2 earnings was a surprise to the street: reinvesting all profits into COVID-19 response. To us, this sounds like growing capacity to meet customer demand, and adjusting the supply chain to limit interruptions while increasing worker safety.

Amazon extended work from home for corporate until October 2 was also interesting to note – paired with some roles being offered remote work indefinitely. It's clear that Amazon has experienced significant business interruptions from COVID and are doing everything they can to mitigate any further issues.

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.