

## Observations on Amazon amidst COVID-19 – WEEK TWO – March 25, 2020

By Chris Moe and Jonathan Willbanks

Hi everyone,

Sharing a second update on Amazon and eCommerce. Things continue to evolve very quickly. Amazon has indeed “shrunk” their definition of essential goods in the last week. We hope that this can provide some helpful context for what we may see in the world of CPG on Amazon.

Please reach out if you have any questions or need any Amazon support – we’re here to be your friendly resource.

Regards,

Jonathan Willbanks and Chris Moe

Co-founders, Cartograph LLC

### What we are seeing

#### **DEMAND – spikes for food sustain until sell out; some products shipping only in mid-April**

- We’ve seen sustained lift for most food brands. Remarkably, while peak was 3/12-3/16 for many brands, most increased demand (60%+) has sustained
  - Lift was phased in an intuitive order: long shelf life foods, baby food, core food, followed by indulgences
- **Lift was driven by new purchasers.** Units per order and \$/order increased modestly, by 20-40%. On a few anecdotes, we’re noticing % New to Brand purchases up by 10-20%pp.
  - This has been a great time to launch a new product or brand. If you can solve the supply side, there’s a lot of opportunity and demand.
- Almost all major brands are facing **serious out of stock issues**, rendering demand commentary difficult. Many “back of catalog” items have jumped in sales as a result, as well as follower brands in specific categories
  - Almost all the top 50 best sellers in almond milk, for example, are OOS until mid-April.
  - For some essential categories, we’ve seen quantity limits per order.
  - There is going to be a meaningful shakeup in Salesrank in categories. This is a huge opportunity for brands to “claim” top spots in their category, if they are fortunate with inventory.
  - Globally, detail page conversion has dropped by 25%+, we think due to OOS and delayed shipping
- **Amazon has stopped many promotional levers.** Brands can no longer activate coupons. Lightning deals have been suspended until April 5.

Demand has sustained stronger than we expected and will probably continue as retail options for consumers shrink. Demand is changing regional as quarantine has been implemented. We continue to hear of empty grocery store shelves, or lines to get in. We anticipate a shift to more eCommerce shopping as fewer customers venture into retail stores.

#### **SUPPLY (and logistics) – receiving at Amazon FCs lengthen, ship out times increase**

Fulfillment Centers (FCs) remain very behind on operating metrics: they’re not shipping or receiving fast enough.

- Workers in 8+ warehouses have tested positive for COVID-19, prompting closures for cleaning
- Amazon raised Associate pay from \$15 to \$17, a nearly 15% pay raise paired with ample 1.5x paid overtime
- **Shipments into Amazon have been further restricted.** Some products within “essential” categories are not able to ship in replenishment orders. Receiving times at FCs have stayed very long – 2-3+ weeks. This won’t get better until everyone restocks to catch up to the increased demand.
- **Amazon has shrunk their “essential items” definition – by delaying shipments.** Starting this week, many products started reading “available for delivery April 21 or 22”, instantly dropping conversion on these products.

- We expect April 21 to move depending upon how much Amazon can clear out of their ship-out queue.
- “Ship delayed” products vary by category – there’s no clear logic. We’ve seen lots of products in skincare, confection, protein, and pet.
- Notably, this seems to impact Amazon Business shoppers less than ordinary Prime subscribers.
- This is changing daily – check your products daily for the latest ship window.

### **What should grocery / essential category brands do on Amazon right now?**

- **Aggressively replenish inventory now – and set up a dropship solution.** Same as last week. It’s looking like the last 7 days is getting closer to a “new normal” demand baseline for setting restock quantities.
  - Having a way to dropship your products from your warehouse is increasingly important to keep fulfilling orders. This is often slimmer margins than Amazon fulfillment and takes many weeks to set up. One option is to sell full master cases. 3PLs are very busy right now, so it may be difficult to set one up.
  - In addition to shipping via small parcel, consider arranging 3<sup>rd</sup> party freight which can improve ship in time (though appointment times are being pushed much later).
  - Vendor Central brands have seen ship windows for POs moved back.
- **Adjust advertising budgets to manage delayed shipping or pending out of stock situations.** Advertising suddenly has two directions: ramp down to save in out of stock, vs. ramp up to capture heightened traffic to Amazon’s grocery categories.
  - Be aware of your inventory coverage. If you’re going out of stock, ramp down your ad spend – you’ll lose a lot of your momentum when you go out of stock.
  - If you are delayed until April 21, turn your ads down – conversion will drop significantly. Monitor daily: this date could move, and given current slow ship times, folks may start buying 1-2 weeks before that date.
  - Considering the reduced promotional levers, consider spending more on ads to play offense or defense, as it will be harder to overtake competition the coming month.
  - If competitive brands go out of stock, consider launching targeted Sponsored Brand or DSP campaigns to capture terms or shoppers they were winning.
- **Consider launching new products online.** Traffic online is extremely busy. There will be many stops and starts, but online launches are performing well right now. Brands counting on resets that have been delayed can divert some of this product to Amazon.
  - Note there are changing restrictions on shipping in new products, so consider dropship options.
  - Outside Amazon, CPCs are down as Facebook and Google have lost events/travel advertising revenue.

### **Our Future Outlook**

While eCommerce demand is higher than ever, brands’ ability to capitalize on this demand is severely limited by the current constraints on supply chains both inside and outside Amazon. We’re also beginning to see increased layoffs across all industries.

We will continue to provide updates. Don’t hesitate to reach out if you’d like to chat. Stay safe and stay healthy.

### **Cartograph Leadership Team**

Chris Moe and Jonathan Willbanks  
Co-founders, Cartograph

We’d love to hear from you! If you’d like more information, please reach out at [contact@gocartograph.com](mailto: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.