Observations on Amazon amidst COVID-19 – WEEK THREE – April 1, 2020

By Chris Moe and Jonathan Willbanks

Hi everyone,

In the last week, Amazon has continued to "shrink" their definition of essential goods, driven at the operations level, as the surge in buying seems to have tapered as people get used to being at home. At the same time, Amazon says they will slowly expand the "essential goods" list in the coming weeks.

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 – 5-10% tapering in sales, wide OOS, large Vendor Central POs

- The last week of March brought a slight tapering in sales vs prior week for all brands still in stock on Amazon.
  - We continue to see drops in conversion, suggesting buyers are becoming browsers and spend-conscious
- **Post-COVID, 5%+ of total sales shifted to 45+ age demo.** While 25-45 age still accounts for 50%+ of buyers, a lot of our net new buyers in March were in older demographics. Largest shift was in 55-64 range.
- **Out of stock issues continued**, though the first big restock wave (3/16) will be in stock in the next 7 days.
- **Promotional levers come back live Monday 4/5 - maybe.** Amazon has softened on the April 5 date to restrict POs and ship-in of non-essential items, so other promotional features will likely come back in waves.
- **This week had some of the biggest Vendor Central POs ever.** They do not match normal PO logic, suggesting Amazon is trying to build slack in their supply chain. We expect PO volume to soften in coming weeks.
- **In-home activities are popular – including baking.** Aside from cleaning and paper products, puzzles, the Nintendo Switch, and resistance bands are top searched items on Amazon. In food, baking is having a big moment: flour, yeast, and baking supplies are extremely popular.

We're finally seeing signs of the sales trough we've been expecting. At the same time, it's been exciting to see evidence of demographic specific changing customer behavior to eCommerce in food categories.

SUPPLY (and logistics) – Shipping and restock times now vary by product, FC receiving stabilizing (for now)

- Amazon FCs are shipping out **10-40% more packages than normal,** even with the focus on essentials.
- Amazon workers held a strike on COVID handling in NYC FC – still ongoing management challenges with COVID.
- **"Essential items" definition now enforced by item, not category.** Amazon is now managing which items are essential, based upon: "customer demand, fulfillment network capacity, and government/health guidelines".
  - Much is being driven at the operations level, outside the purview of Vendor and Category Managers
  - Ship delays (detail page: "Arrives April 19-23") have moved by product daily. Anecdotally, this is pure demand suppression: ordering these products results in them arriving 2-4 days later.
- **Receiving times have improved slightly.** We're seeing products received in just 1-2 weeks now, but don't expect this to improve further as Amazon broadens their list of items being accepted.

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

- **Monitor your items daily for inventory and ship speeds.** Now that Amazon has confirmed they are enforcing controls by item, it's important to monitor your catalog carefully to adjust as your catalog treatments change.
    - Be aware that demographics are changing, and conversion is dropping – check your brand specifics in the Brand Analytics dashboards. This could affect your positioning or spend levels.
- **Keep an eye on demand baselines.** As demand tapers, look for leading indicators of where demand is trending.
    - Be aware of daily velocities. This is also a good way of identifying if your products are being treated differently by Amazon – Amazon typically won't inform you of these changes.
    - Check your branded advertising click volume – this is often a good leading indicator of volume in your category.
- **Be ready to promo next week**. With a moratorium on promotions the past couple weeks, there's been a big shuffling of Salesrank. Many brands will start promotions next week and it's important to consider promos as a lever in your strategy to set velocities for the remainder of the year.
    - If you have jumped in Salesrank this past month, consider running promos to defend your position, as competitors will be looking to reclaim market share.
    - If your Salesrank has dropped, or you've gone out of stock, consider running promos to bring you back to your prior Salesrank and velocity.
    - Competitors out of stock present an opportunity to steal even more share with promos.

Our Future Outlook

We're seeing evidence of a "new normal" of eCommerce demand and the extended national quarantine increases the chance that these new customer behaviors become habits. Getting food delivered to your doorstep with just a few clicks is magical experience and we think that lots of these new shoppers will keep shopping on Amazon long term.

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
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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.