

Observations on Amazon amidst COVID-19 – WEEK FOUR – April 8, 2020

By Chris Moe and Jonathan Willbanks

Hi everyone,

It's starting to feel a bit closer to normal on Amazon, though we're still far from it. Demand has been steady, and Amazon's supply chain is starting to improve in performance, albeit slowly.

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 – “new normal” sales stabilizing, non-essentials recovering, POs stocking to 12-20 weeks, still no promo

- Last week sales were flat vs prior. This could be **“new normal” demand baseline: up 50-150%** from pre-COVID.
- **Demand for non-essential categories** has started to recover. People are buying even with long delivery times.
 - Organic sales are leading ad driven sales, suggesting there's an opportunity to invest right now
- **Vendor Central is stocking to 12-20 weeks of inventory.** Some newer items stocking to 30-50+ weeks. Be careful: check PO volume vs. velocity to understand rational limits and potentially cut POs, especially if you have shorter dated items.
 - If you're getting large POs, check to see if Amazon has rights to undamaged overstock returns. Amazon has temporarily suspended fill rate chargebacks for the time being, so if you have an undamaged overstock return agreement and believe they are ordering irrational volumes, you can confirm a lower number and without incurring fines.
 - Amazon might lower price to sell thru excess, harming their profit – will hit terms negotiations next year
- **Promotional levers did not return.** Coupons and lightning deals still restricted, now indefinitely.
 - Some **brands are dropping price** to boost CTR and conversion – a “coupon” substitute
 - Brands can still **run social media coupons** – an option for reclaiming Amazon market share
- **Prime day postponed** to August at earliest. Prime day deal offers have been released.

Somewhat surprisingly demand has stabilized the last two weeks, and some brands saw minor upticks this week. We're also seeing boosts in cocktails and confection for both spring and Easter – shoppers haven't forgotten about holiday and seasonal goods.

SUPPLY (and logistics) – Ship dates continue to push out, some word from Amazon Ads on situation

- **Ship delays have continued** to move – in both directions. Unfortunately, while things seem to be normalizing, the situation has not improved across the board.
 - Some listings have a future in stock date, which we observe to not be true – more demand suppression
 - Ship delays and “in stock dates” on detail pages do not associate 1:1 with being able to ship into Amazon
- **Amazon advertising released an FAQ** on the current situation. It didn't share much but is the first large-scale info sharing we've seen from Amazon about the current situation. <https://advertising.amazon.com/resources/fag>
 - Keywords related to protective equipment are prohibited from advertising

- **“Essential items” definition is being broadened, slowly.** Amazon is now managing which items are essential, based upon: “customer demand, fulfillment network capacity, and government/health guidelines”.
 - Brands can see which products are “essential” by checking the “Restock Inventory” report

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

- **Be smart about restock quantities, especially on Vendor Central.** Amazon’s ordering logic has been tweaked, and big orders aren’t always in your favor. Check PO volume against weekly sales velocity.
 - If you’re getting large POs, check to see if Amazon has rights to undamaged overstock returns
- **Keep checking status of your products,** for both ship-in rights and ship-out timelines. These are frustratingly fickle, and changes to both should change your stance on advertising.
 - Check the restock inventory report on Seller Central for products that qualify to ship-in
- **Think about running “alternative” promo options.** With coupons and deals being suspended, brands should get creative, either with outside Amazon promo and social media codes, or price drops.
- **Consider holding off on Prime Day Deals.** While ultimately, we don’t see major downside to agreeing to deals now, it’s hard to inventory plan for a sale a moving target 4+ months from now.

Our Future Outlook

The past couple weeks were the first weeks with big reported drops in B&M grocery retail foot traffic. These weeks – now lower than Feb, presumably driven by social distancing rules as well as changing customer behavior, follows big weeks for most of March. This could bring a ‘second wind’ for eCommerce.

Many more brands, including shelf stable products, are turning on merchant fulfilled options. It’s very early, but we are seeing early indicators of increased viability of higher priced (e.g., cases of product) and non-Prime items. This could be an additional impact of more traffic moving online: broadening product sets for which there is meaningful demand online.

Please reach out if you have any questions – always more than happy to chat!

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.