Amazon Observations amidst COVID-19 - April 30, 2020

By Chris Moe and Jonathan Willbanks

Cartograph

We help CPG brands build sustainable Amazon businesses

Hi everybody,

Returning to our newsletter format to share the latest observations on Amazon. It feels weird to say, but the last 3 weeks have been relatively "stable" on Amazon despite feeling far from it.

Regards,

Chris Moe and Jonathan Willbanks

Co-founders, Cartograph

What we have been seeing:

DEMAND – *new normal baseline established for most food brands. Still limited promo, ship delays*

- Sales have been flat to slightly down since the last week of March (but still up since before COVID).
- Ship delays have continued – many major publications have gone to print outlining Amazon's "demand suppression".
- Ship times estimates seem to vary significantly by region, and often are overstated. We are seeing many more customer complaints of getting the wrong product, likely from mis-labeling with lots of new Amazon team members being onboarded.
- The Early Review Program has been reactivated – the first of promotional levers to be returned.
- Amazon significantly cut affiliate marketing rates – for grocery this went from 5% to 1%. Some traffic from bloggers/publishers (e.g., Buzzfeed) will be hurt long-term as they shift to more lucrative categories.
- Amazon's window for Prime Day deals closes 5/8 (though it may have been pushed out – it's unclear). While we don't when Prime Day is (likely Aug), Seller Central accounts can cancel deals up to the week prior without penalty.

Amazon is very slowly opening up additional product categories and further restocking. That said, we expect normal (e.g., promotional levers) to still be a long ways away.

SUPPLY / LOGISTICS – *restock limits in FBA set for many items, FC slowdowns expected to continue*

- Restock quantity limits have been set for many products – for many, amounts to a couple weeks of inventory or a few dozen units.
- This seems to affect new, old, essential, and non-essential items – not determined by brand, or by category.
- Older items have higher limits, which seem to be set algorithmically. They're being adjusted on a weekly basis, likely as a function of unit velocities.
- Item limits include all inbound, reserved, and in-stock inventory.
- Amazon FCs have enacted social distancing, which greatly impacts their operations. Until COVID situation changes (or rigorous testing implemented), we expect FCs to continue to operate below prior capacity.
- Timeline for "stabilizing" is extended, as operationally this implies redesigning significant workflows.

Amazon's restock limitation is probably in response to the overstocking brands did after going out of stock in March. This is probably here to stay, especially as Amazon opens more categories, and FC operations remain slow.

What should grocery brands do on Amazon right now?

- **Just-in-time restocking.** This is tough, but necessary if you're facing restock limits in FBA. Keep an eye on daily velocities, and prep shipments in days ahead to keep your inventory stocked at a maximum. The good news is receiving times seem to have improved, but brands should accelerate receiving any way they can (e.g., non-Amazon freight, FBA labeling in-house).
    - Brands should set up FBM dropship offers as a backup in case their products go out of stock.
- **Moderate advertising and even pricing**. With restocking issues comes the opportunity to use both ads and pricing as a lever for both velocity and margin. This can be especially helpful for brands looking to preserve cash.
- **Consider alternate promotional options**. With deals and coupons on hold for some time, and affiliates being shaken up, brands need to get creative in driving additional traffic to their listings. In addition to normal social channels, budgets can be redirected to advertise prior affiliate articles featuring your products.
- **Submit Prime Day Deals.** Though Prime Day will likely be in August earliest, some brands are seeing the deadline to submit deals about a week from now. Seller Central brands can cancel these deals up to the week before the date without penalty – especially relevant for meltable items.

Our Future Outlook

We think demand is getting closer to a normal and steady state. This makes it a lot easier for brands to inventory plan and forecast for the remainder for 2020. That said, the limitation on promotion will require brands who are doubling down on eCommerce – which includes many brands we know – to get creative in ways to capture new eyeballs and consumers.

The more important insight here is that we don't think Amazon FCs are going to get meaningfully faster very soon. Workers are staging a large strike this week, and while Amazon has put together a COVID taskforce, a return-to-normal does not feel like it's very soon.

All this said, we know many brands who have very exciting growth or launch curves in the last couple months. The world on Amazon looks different than it did two months ago, but there is still opportunity for great products to grow on the platform.

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

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Co-founders, Cartograph

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.

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