Coronavirus Disruption: 10 ways brands can succeed in eCommerce

REPRISE

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The new normal that will change retail forever

In the past several months, the world has had to adjust to a new normal. As COVID-19 has swept across the globe, we've found ourselves shifting our daily habits. Weddings, concerts, birthday parties, and other social activities have been put on hold. Disney has shut down its parks.

Non-essential stores have been shut down, and even things as simple as a trip to the grocery store have become subject to a risk-reward analysis. We're hunkering down, we're stocking up, and we're abiding by social distancing.

As a result, there's been a very sudden shift to eCommerce, unlike any seen prior. As physical stores close, consumers have been turning to eCommerce equivalents. The local jewelry store may be closed, but its online storefront is still open and still shipping daily. The surge in eCommerce and changing consumer behaviors are likely to reshape the retail landscape forever.

Focusing on marketplaces, and in particular Amazon, we explore the impacts of the recent events, uncover learnings from previous examples and, more importantly, arm you with a comprehensive list of actionable insights you can activate in these uncertain times.

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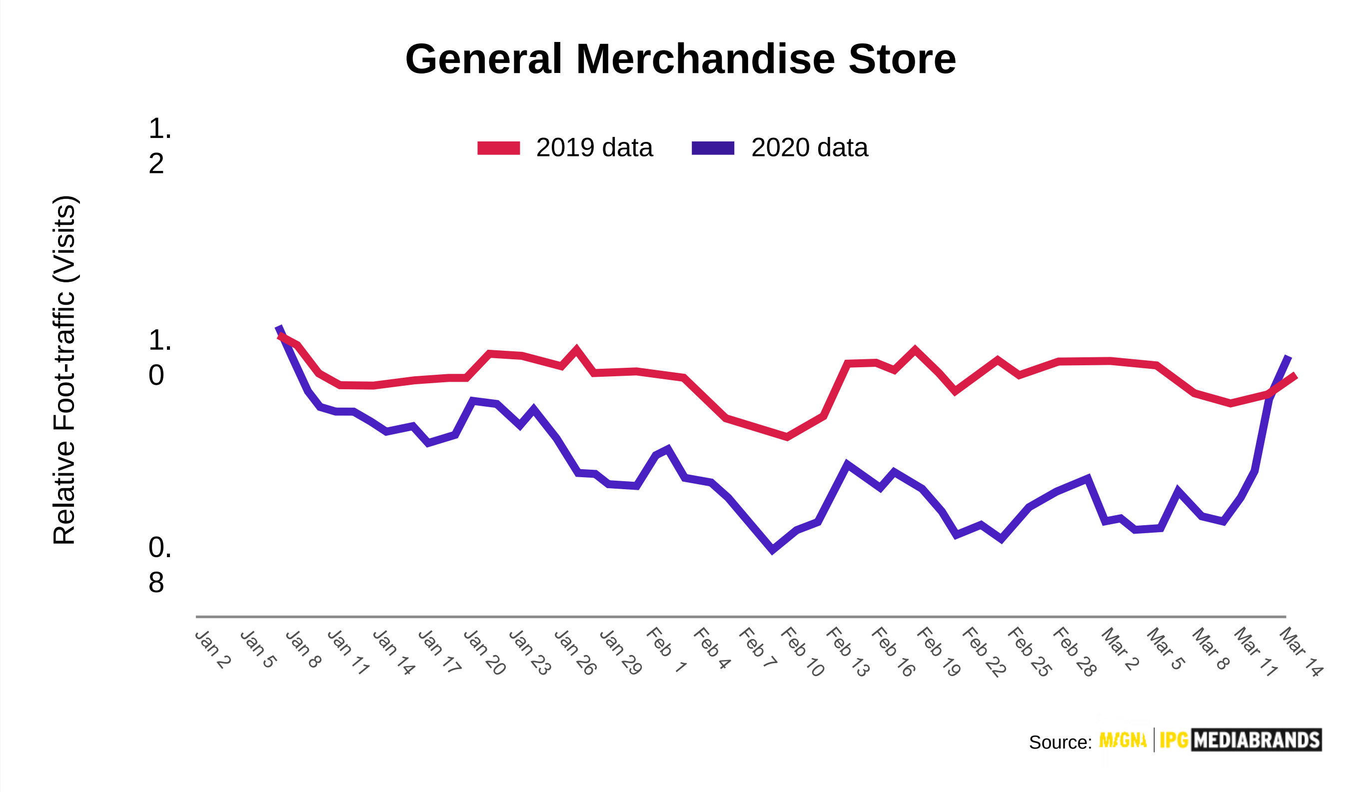
What we have already seen in the past weeks

Physical retail initially exploded

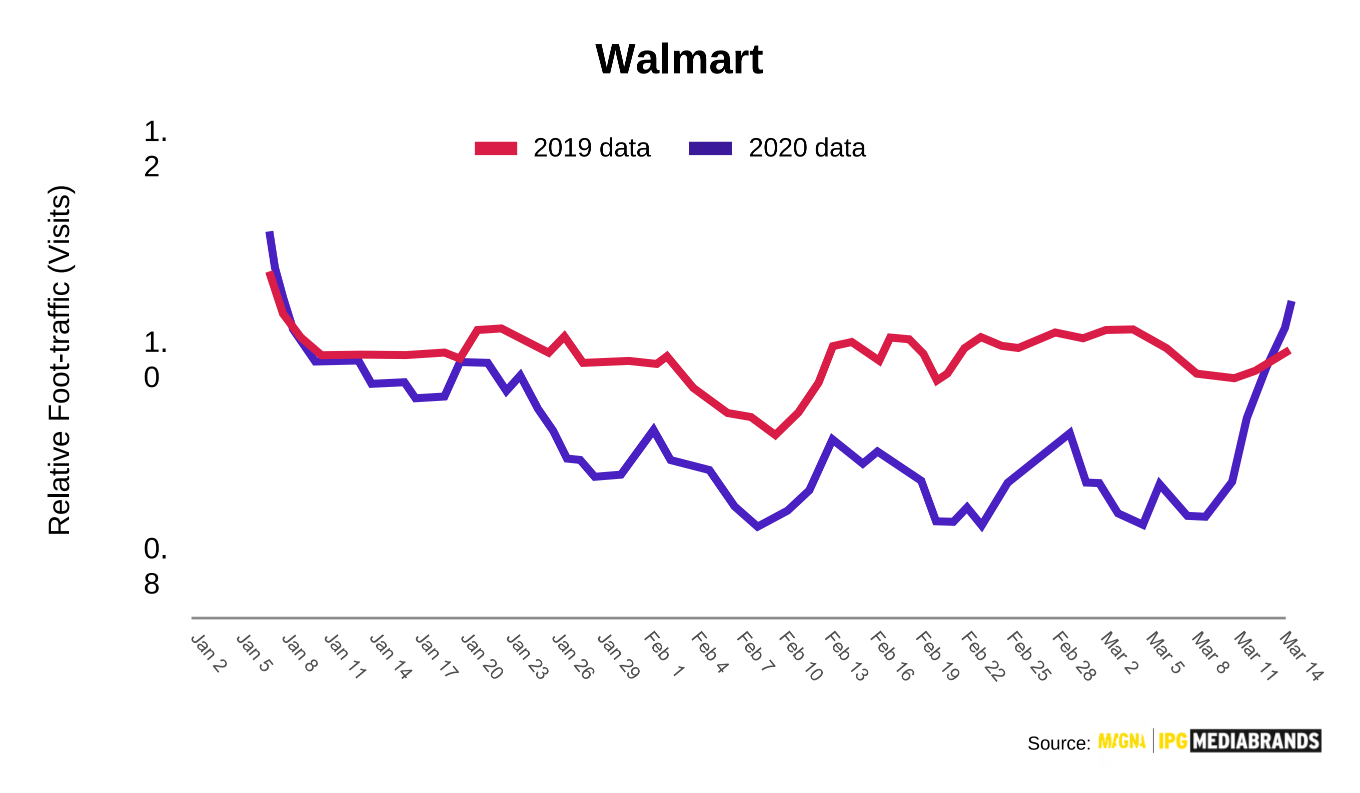
Early consumer response to COVID-19 resulted in a sudden surge in retail foot-traffic. 2020 began with less foot-traffic than 2019, predictably, as consumers were continuing their steady shift to eCommerce shopping. However, as COVID-19 began dominating headlines, stores in the US saw a rapid increase. Consumer flow swelled as shoppers began to realize they'd need a longer lasting supply of necessities. In the opening weeks of COVID-19, physical retail surged.



Then physical retail came to a grinding halt

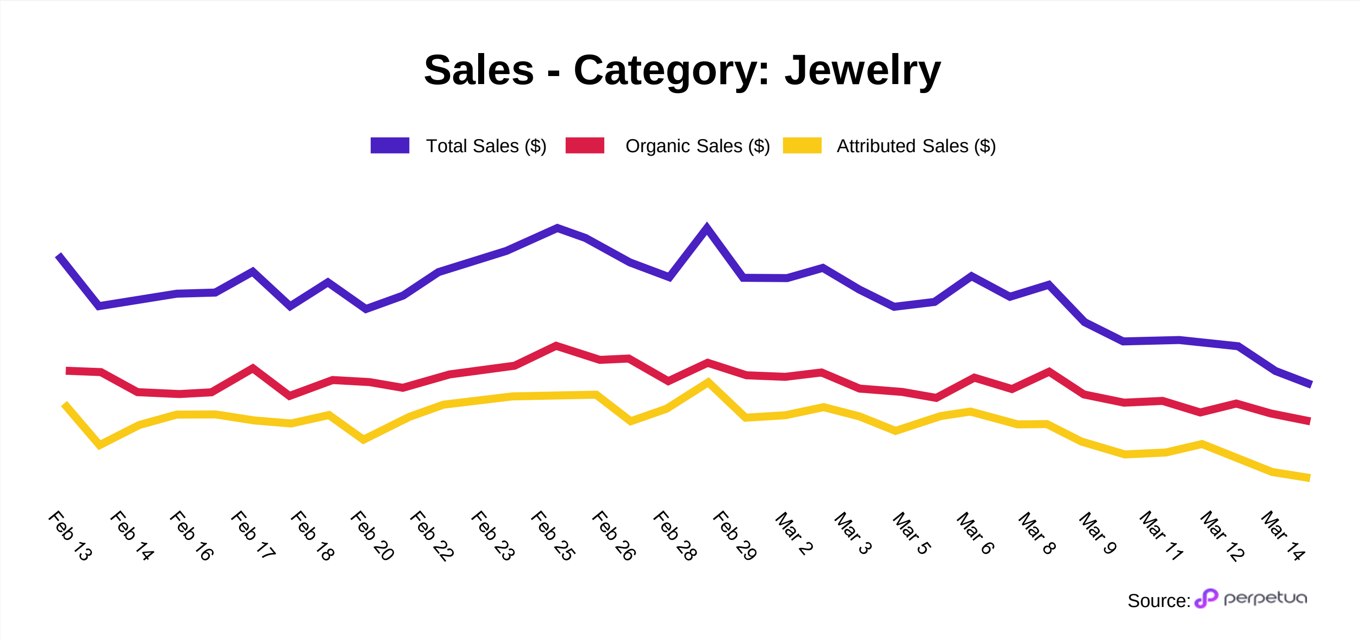
As regions began enacting social distancing, this trend came to a swift close. This was spearheaded by the Italian government, when on 3/9 Prime Minister Conte imposed a national quarantine, the first of its kind in the post-war era.

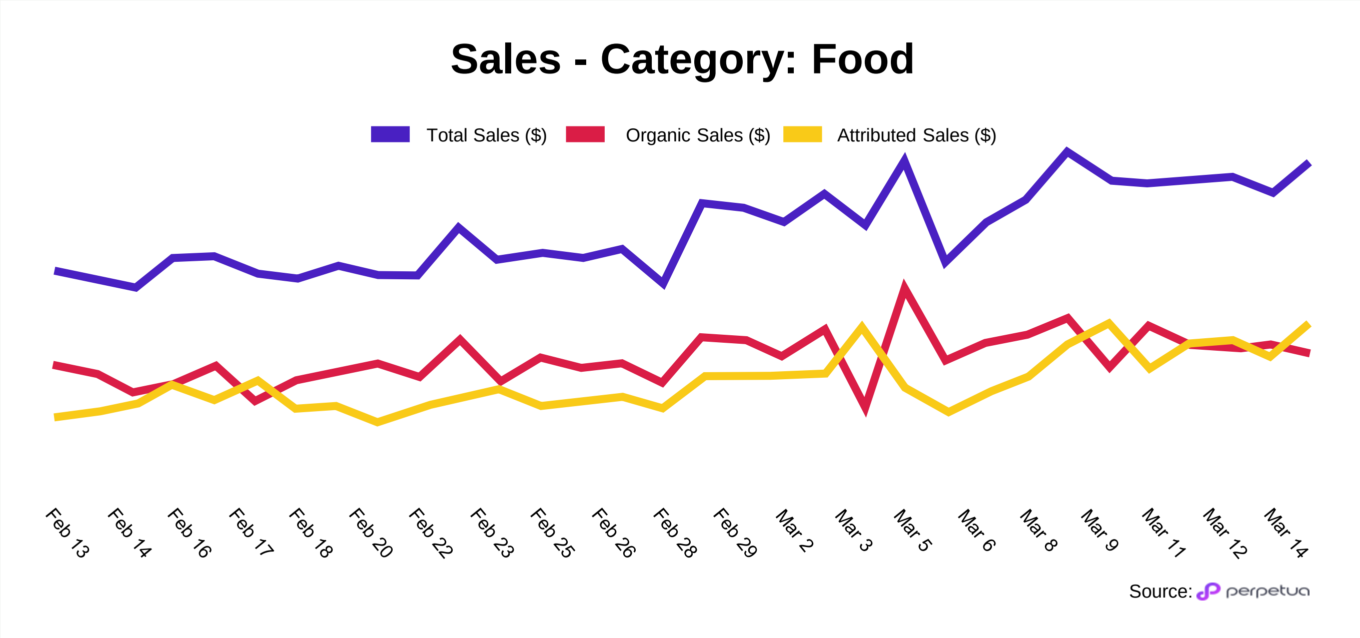
Two weeks later both New York City and Los Angeles followed and closed all “non-essential” stores. Supply shifted primarily to eCommerce, with demand still high, leading to a rapid growth in eCommerce revenue.



Different categories were affected in unique ways

The surge hasn’t been spread equally across categories. Consumers have initially shifted their spending to staples and necessities. This comes from concerns about supply, as well as concerns about their financial well-being amidst plummeting stock markets and widespread news of layoffs. As discovered by Perpetua, categories such as Jewelry and consumer electronics have seen a decrease in sales, while Food has seen an increase.



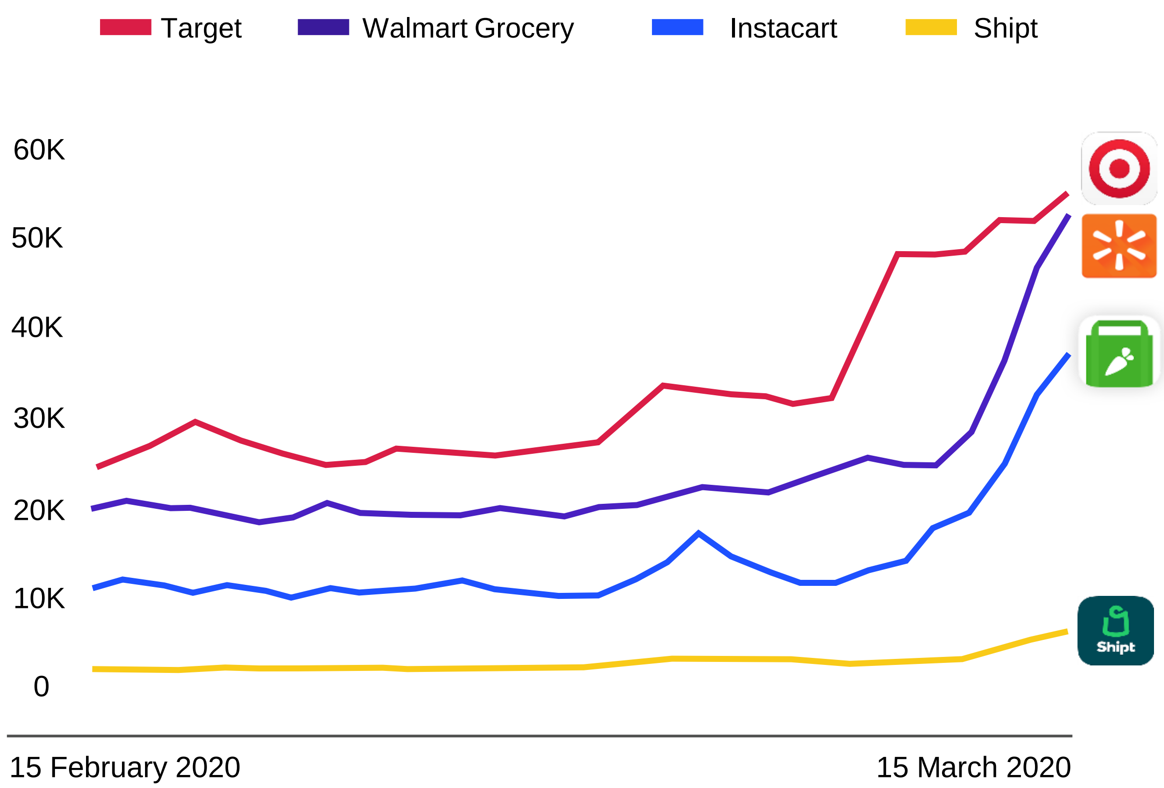


Online grocery shopping goes mainstream

A notable shift has been the increased growth of grocery eCommerce globally. Per Bricks Meet Clicks, eCommerce only represented 6.3% of the grocery category in 2019, up from 5.8% in 2018, and expected to hit 7.0% in 2020. However, COVID-19 has changed the trajectory of online grocery.

US Daily Downloads of Select eCommerce and Grocery Delivery Apps

15 February - 15 March 2020



Source: apptopia

US Daily Downloads of Select Ecommerce and Grocery Delivery Apps, March 9-15, 2020

	3/9	3/10	3/11	3/12	3/13	3/14	3/15
Target	39,894	46,993	46,893	47,213	50,312	50,239	53,150
Walmart Grocery	26,708	25,861	25,926	29,415	37,245	47,813	53,974
Instacart	14,265	15,133	19,001	20,689	25,701	33,679	38,543
Shipt	4,013	4,046	4,267	4,418	5,385	6,595	7,285

Source: Apptopia as cited in company blog, March 16, 2020

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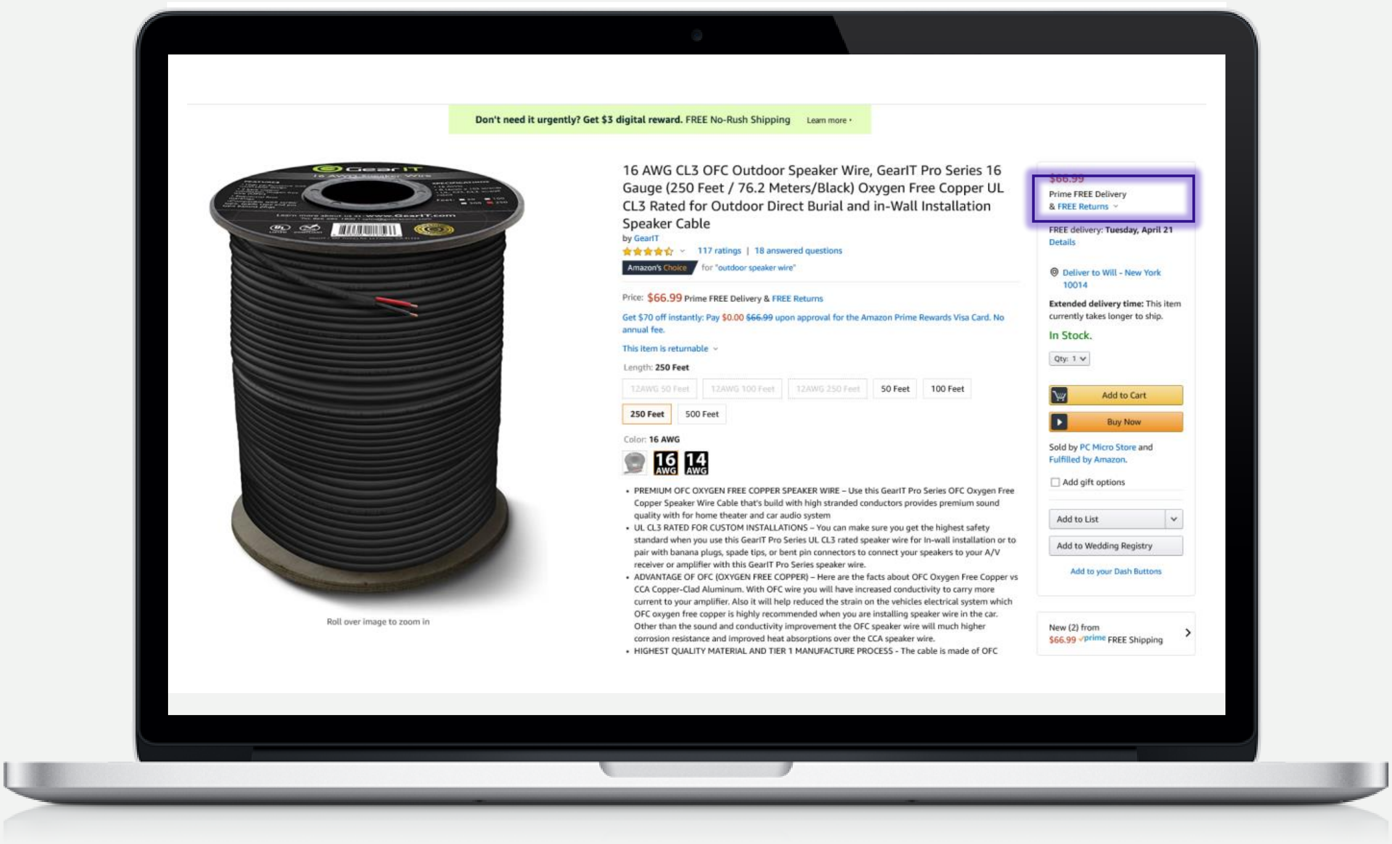
Consumers are adopting eCommerce grocery faster than ever. Downloads of grocery apps have typically hovered at a steady 10,000-25,000 per month, depending on the application. These have gone up nearly 300% since COVID-19 reached US shores.

It must be noted though that US is well behind China in terms of online grocery delivery from a distribution and consumer comfort perspective, with Europe being further behind. Retailers like Ooshop and Carrefour and making headway, but consumer demand, readiness and infrastructure are making adoption challenging.

Changing eCommerce SLAs are likely to influence consumer behavior

The last impact has been directly on Amazon's ability to ship and receive products. In the early days of the US outbreak, Amazon stopped accepting seller shipments of non-essential products. Shortly thereafter, Amazon began delaying shipments to consumers, as well. As of 3/22, Amazon started slowing Fulfilled By Amazon deliveries, scheduling them almost a month out. In the face of this crisis, delivery has become less dependable, making it difficult for brands to predict.

Non-essential items are largely limited to a 4/21 delivery date. Other items have been delayed several days, with virtually all non-essential orders in New York City set to be delivered a minimum of four days out, rather than Amazon's usual SLA.



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What can we learn from the SARS epidemic?

While it is early days these initial observations demonstrate how the retail landscape is changing rapidly almost week by week. It is therefore more important than ever to stay close to how trends are shaping up for the short, mid and long term. It is also important to learn from similar situations we may have faced in the past.

Given the similarities of the SARS outbreak, marketers, performance specialists, eCommerce experts and analysts should look at the learnings and see how we can use them today in order to better respond in this challenging environment.

Online and offline integration is key

During the SARS outbreak demand significantly outstripped supply for many goods and it was clear that there was no real integration between online and offline supplies. This has changed markedly in the Asian market since. SARS produced a swell of O2O platforms which were able to better supply customers, particularly in times of increased demand. O2O platforms involve both an online and offline component, such as click-and-collect, allowing consumers to buy online but receive the product in-store. Although the West has clearly developed immeasurably since SARS, we do predict a swell of similar solutions to appear as a direct result of COVID-19. One prestige beauty company, for example, is already ramping up activity around their online consultation service and instore booking function. We expect O2O platforms to grow coming out of this crisis.

Supplement a short-term plan with a long-term strategy

During SARS Jack Ma, founder of Alibaba, locked up the company headquarters in order for a select team to solely focus on the development of Taobao. What started as a short-term development project during the crisis resulted in the birth of a platform that significantly changed the Chinese eCommerce giant. In 2019, gross merchandize volume on Taobao exceeded 3 trillion yuan. They always had an eye on the longer term. Companies like JD, who similarly benefitted economically from the SARS outbreak continued to create supportive content and advice during the crisis and subsequently converted consumers of that content into customers in the following years.

Prepare for a possible post pandemic surge in demand

In 2003 post-SARS revenue growth in the FMCG market slowed from 16% to 10% in the two months straight afterwards before exploding in the following quarter. It would be prudent for brands to have promotions ready to capture this increased demand. Successfully navigating a social and economic crisis like this can be a springboard for a lucrative periods that follow.

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10 things you should do now to succeed in eCommerce

1 Don't go dark

2 Don't get caught in a negative flywheel

3 Move your spend to e-retail, the COVID-19 battleground

4 Determine how all your assets can support eCommerce

5 Don't forget about your D2C customers

6 Create a "war room mentality"

7 Stay ahead of stock

8 Delist out-of-stock products to maintain ranking

9 Manage hybrid accounts on Amazon

10 Develop a robust Amazon specific content strategy

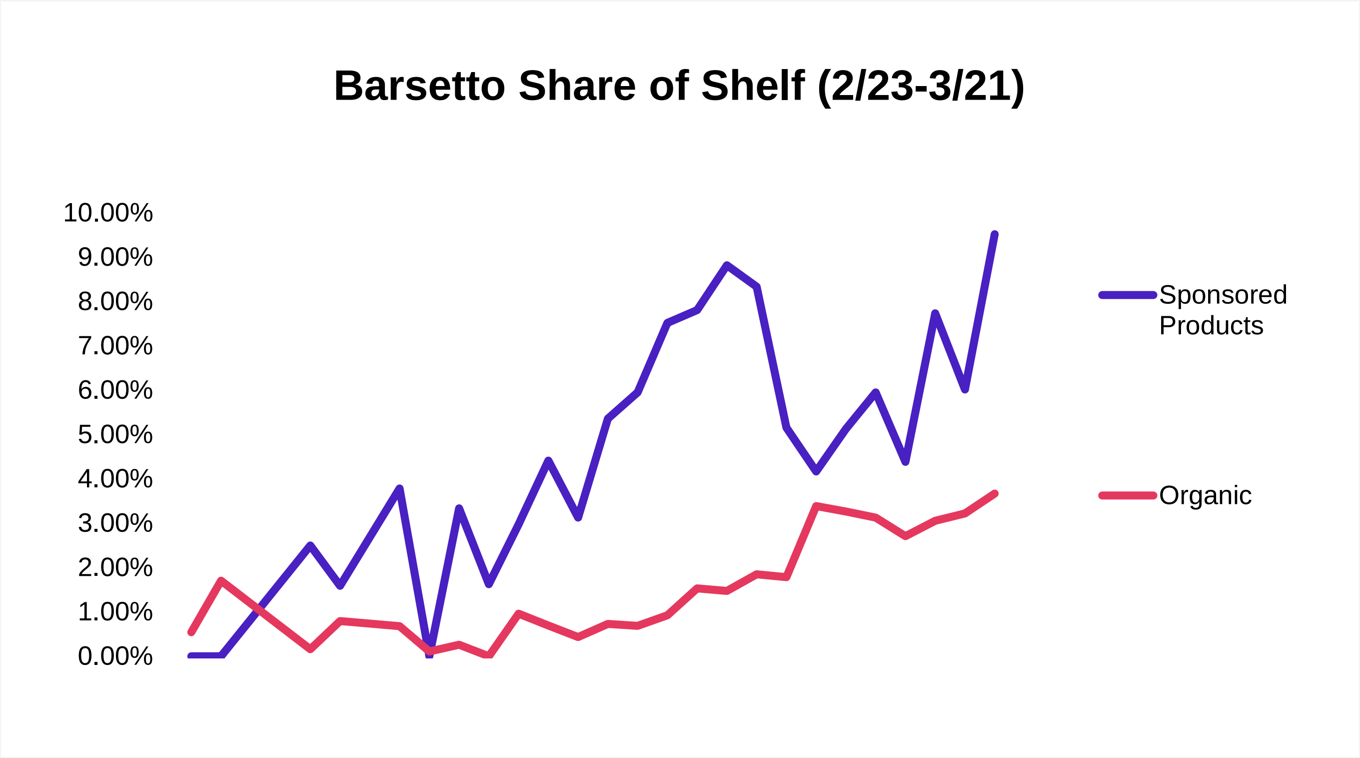
1. Don’t go dark

We understand the urge for brands to dramatically reduce, or even stop, all of their digital advertising. With events canceled, and revenue falling, there’s often a desire to have ad spend follow that trend. We strongly urge against this. While consumers are shifting their spending habits, they’re still spending. Importantly, they’re also still planning future spending.

When brands shut down their advertising, it creates a void. When competitors see a void, they rush to fill it. We’re seeing this particularly from small, nimble challenger brands. They’re rapidly evaluating category and competitor keywords and moving quickly when they see a gap that they can efficiently fill. At a time when consumers are shifting their shopping habits, these challenger brands are ensuring they’re being found by doubling or even tripling budgets. This is giving them a foothold, as consumers are isolated at home discovering, buying, and enjoying these brands.

It’s critical that brands keep up on their branded SEM, to avoid letting competitors own their sponsored ad placements. It is equally important to maintain a strong presence in category terms, to keep a strong defense against feisty, nimble challengers.

We’ve seen this occurring in several categories. In the Coffee Machine category, for example, Barsetto has been taking advantage of a significant increase in consumers needing their caffeine fix while working from home. In the 30 days prior to 3/21, they’ve increased their Sponsored Products spend. They’ve gone from no Sponsored Products to nearly 10% of the Sponsored Product placements for their key terms. As a result, their organic share of shelf has gone from 0.54% to 3.67% in that same time. They’re pushing out more established competitors and paying their way to sales and share.



2. Don’t get caught in the negative flywheel

By now, most advertisers know about Amazon’s flywheel and how it drives revenue. The A9 Algorithm is an important part of this as it serves consumers the products it thinks they’re most likely to buy for the keyword they searched. In general, it calculates consumers will buy the products other consumers had purchased. It therefore uses product sales history to generate organic search results.

Brands can jumpstart this process by sending traffic to their product pages. More traffic means more page views, higher conversion, and more revenue. In turn, these result in a higher organic ranking, which then means more page views and more revenue. It’s a feedback loop.

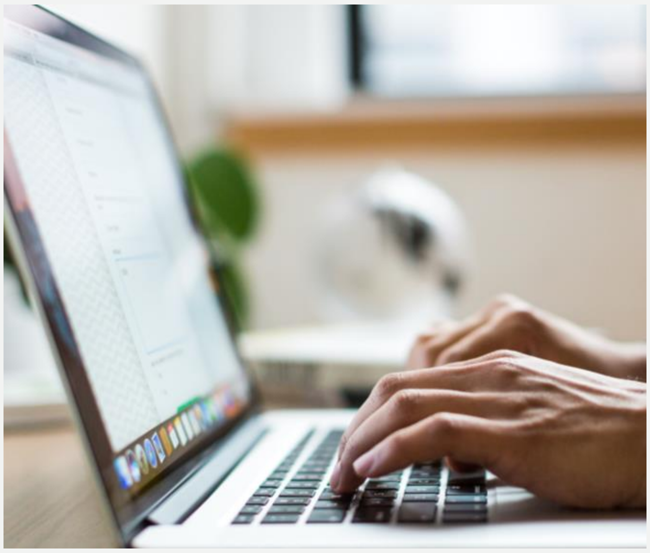
When a product goes dark, it’s breaking this system. Instead of feeding the flywheel, it’s starving it. The A9 algorithm is still monitoring the product history, only now there are fewer click-throughs and less revenue. Organic search ranking declines as a result. Instead of a positive feedback loop, the product is now in a negative death spiral. As it falls, its competitors rise. It can take months to reclaim the share lost to competitors, meaning that a few weeks of going dark now can lead to decreased revenue for months to come.

3. Move your spend to e-retail, the COVID-19 battleground

Instead of going dark, shift more heavily into channels that are still performing. Many brands split their efforts between driving online revenue and driving foot traffic. With foot traffic less a part of the COVID-19 world, more tactics should be shifting to e-retail. Evaluate where consumers have been searching for your product and split your spend accordingly. This will allow brands to maintain share, and move ahead of competitors that have been letting panic drive their media decisions.

Due to the economic uncertainty, consumers are seeking stability. They have a high degree of trust in large marketplaces and believe the marketplaces’ scale makes it more likely that they’ll receive their orders in a timely manner. In addition, consumers are visiting these large marketplaces to stock up on their necessary supplies. Non-essential brands should be seeking to be part of the larger baskets of necessities consumers are increasingly ordering from these marketplaces.

Brands should be taking advantage of this and directing traffic generated by Google Ads and social campaigns to e-retail platforms. Conversion rates and order velocity have only strengthened on e-retailers, while they’ve largely been steady or dropped elsewhere. Staying in front of consumers and making conversion as frictionless as possible will help brands keep their presence fresh. It will also help compete with other brands making this shift, feeding into A9 algorithm flywheel via external traffic.



4. Move other resources to eCommerce as well

While increasing spend is a critical tactic, brands can realize gains by putting additional, alternate resources into eCommerce. This has been proven successful during China's COVID-19 response. Agile Chinese enterprises rapidly redeployed sales efforts to new channels both in B2C and B2B enterprises. For example, cosmetics company Lin Qingxuan was forced to close 40% of its stores during the crisis, including all of its locations in Wuhan. However, the company redeployed its 100+ beauty advisors from those stores to become online influencers who leveraged digital tools, such as WeChat, to engage customers virtually and drive online sales. As a result, its sales in Wuhan grew 200% compared to the prior year's sales.

5. Don't forget about your D2C customers

We fully respect that many brands have built strong D2C presences and have cultivated large lists of loyal consumers. This is a good time to run more campaigns through Amazon DSP.

Amazon DSP allows audience matching and exclusions, so that brands can drive consumers with an existing D2C relationship to the brand.com, and consumers without that relationship to e-retailers. Well run campaigns are optimized to send consumers where they're most likely to convert, keeping sales steady during these times.

6. Create a "war room mentality"

Once brands have decided to approach this situation with strength, they'll need to properly organize for efficient action. With the market being dynamic, fluid, and above all volatile, brands need to approach the next few weeks as if each day were Black Friday or Prime Day.

This means creating a war room with standing meetings designed to increase collaboration between media teams and sales teams. KPIs and metrics that were previously looked at only weekly or monthly now need to be monitored and actioned upon daily. In order for brands to be stronger after COVID-19 than before, all hands need to be on deck.

A key part of this is to ensure correct KPI's are in place. n part, this is to understand how consumer demand shifts are impacting your brand and category specifically, but also to understand how partners, competitors and 3Ps are reacting, and making certain you're reacting to the most current information. An advantage of increased eCommerce spend is that brands have more direct revenue and ROAS metrics to strategically evaluate.

Revenue

This is the obvious metric, but determining the impact of your actions isn't always simple. To aid, brands must track their change in revenue vs other channels. As soon as POS data is available, brands should determine their Year over Year change for each channel. In addition, brands should calculate the eCommerce share for omnichannel retailers. Brands correctly optimizing will see a strong shift here.

Search Ranking

Brands should be paying very close attention to both paid and organic search ranking. Monitor your priority keywords carefully. Your organic ranking should be steady to improving. Importantly, your paid coverage should not be declining. If others are encroaching, it’s important to know who they are, and how they’re doing it. Your largest competitors are likely increasing spend, but some may be stepping off the gas, allowing you to capitalize on their missteps. Meanwhile, those challenger brands are definitely trying to make a splash right now.

Are they able to sustain that splash all day, or are they running out of budget halfway through the day? If their budget isn’t lasting all day, there is opportunity to have them blow through their budget even sooner. Knowing the search ranking landscape will help brands adapt by seeing who is increasing strength, and who is leaving room.

Pricing

Category instability can lead to unusual pricing steps. 3Ps may be coming in with oddly priced products, or individual e-retailers may make large swings. Staying on top of this will help brands maintain an equilibrium in times of price volatility. In particular, brands should be charting any and all MAP violations to determine who is driving them, and how to work with retailers to steady prices and keep consumer loyalty and trust.

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7. Stay ahead of stock

A primary impact of COVID-19 has been an increasingly erratic stock situation. We’ve seen unexpected runs of product, generating weeks of demand in a period of several days. Adding to this, retailers have begun reducing or stopping inbound shipments of non-essential items. As a result, stock has become unpredictable.

This is where the war room mentality will drive success. Media decisions need to be made with fresh inventory information. As products go in and out of stock, media needs to be adjusted accordingly. In many cases, this means shifting spend from one e-retailer to another as one goes out of stock, including changing which e-retailer is receiving traffic from external sources. Beyond this, brands may need to rapidly shift which products are being featured in Sponsored Ads. If a core product goes out of stock, brands need a plan for which products step up in priority. Dollars being spent driving to products consumers can’t buy, or can only buy from 3P Sellers, are wasted ad dollars. By keeping on top of a fluid stock situation, efficiency can be maintained.

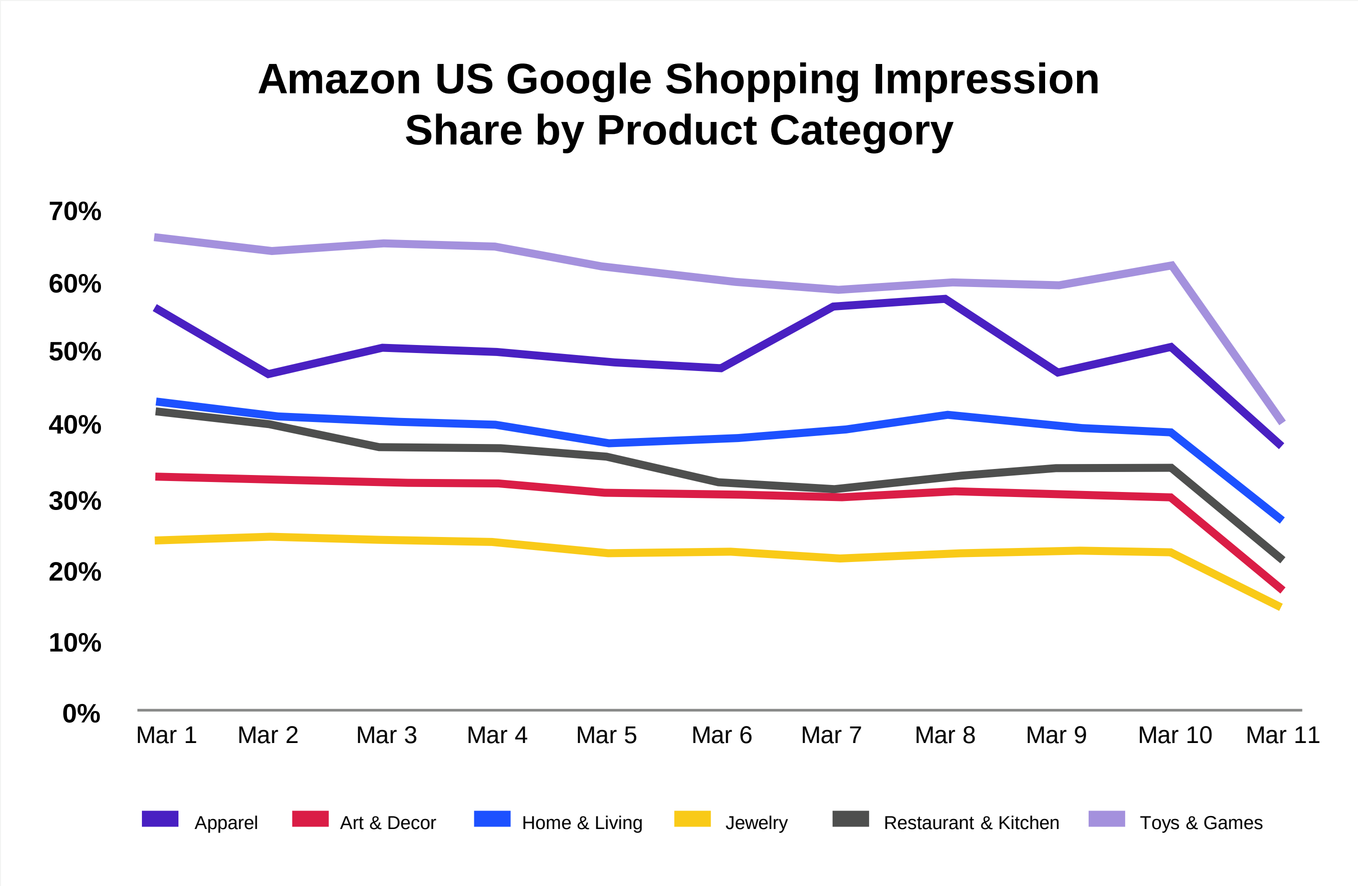
8. Delist out-of-stock products to maintain ranking

Out-of-stock products can also have a more fundamental impact. Stock issues are going to be part of today’s environment. Brands should ensure they don’t hurt rankings.

For Sellers, this is easy. As soon as a product goes out of stock, close the listing. This can be done in Seller Central, and allows you to temporarily shut down a product listing. When stock is back, you can reactivate it, with all the data remaining. The content will remain, the reviews will remain, and importantly, the sales history will remain. There will be no period of negative activity to influence the A9 Algorithm. For Vendors, this is more complicated, and depends upon your Vendor Manager. There may be opportunity to shut down listings, though this is handled on a case by case basis, category by category.

9. Manage Hybrid Accounts on Amazon

When the pandemic fully started to take hold, Amazon was swift to announce a halt on all Fulfilled By Amazon (FBA) accounts bar medical supplies. This then also led to all search adverts being paused for products that they can't fulfill.



Relying solely on Amazon has historically been a risky strategy as changes to the online retail giant's approach, commission rates and shipping policies can have a significant impact on a sellers bottom line. By switching from a 1P to 3P strategy this risk is reduced and in times of crisis this can be advantageous. When switching to a hybrid model there are a number of watch outs.

- Look to partner with other vendors when it comes to distribution, you can often find complementary brands and save vast sums of money.

- Transition slowly over a number of SKUs – ensure that the transition happens over a period of months rather than and closely monitor the data, especially customer feedback on delivery.

- Closely track the ‘buy box’ as you may have less control, AI platforms like bGenius can help with this and integrate into existing bid management tools.

Many big brands still have solely a 1P approach to Amazon fulfilment, which is ideal during the best of times. However, we recommend a hybrid approach to spread the risk and give you the opportunity to be ready in case of any eventuality. If this pandemic has taught us anything, it’s to expect the unexpected!

10. Develop a robust Amazon specific content strategy

Brands have long used Amazon purely as a fulfilment channel and as such created content aimed at delivering on this premise. SARS and COVID-19 have shown that user intent changes significantly and customers tend to have more time to browse, engage and consume branded content. Having a longer-term content strategy is critical and should take into consideration the below points.

- Content needs to be sensitive to the situation and provide correct information. Brands that have embraced this approach have great affinity post-pandemic.

- Focus on Stores Pages and push the limitations of rich media in the area. Amazon is becoming a destination and as such brands are choosing to drive traffic directly there over other platforms.

- 56% of all product searches in 2019 started on Amazon. Ensuring keywords are incorporated to the content is hugely important.

5

What are the long-term implications?

A new shopping culture is emerging, as a result of lockdowns and shopper concerns. As we enter this new normal, for however long it is, the important thing is to remain calm and strategic in all your ecommerce activities. Shopping revenue is shifting to eCommerce faster than previously. Brands that understand this and manage consumer flow, and rapidly shift spend based upon inventory, will be able to weather this time better than brands that are slower to adapt, or shutting funding altogether.

In a world full of change, there is one certainty: Amazon will emerge stronger

Just as investors turn to gold in times of crisis, consumers will turn to products and services that they can rely on. And we know Amazon fills that role for consumers across the globe. As its predominantly offline competitors struggle, Amazon's traffic will likely grow substantially.

If you are not spending on Amazon and your products fit, you should deploy and Amazon-focused strategy immediately for these key reasons:

- Trust is vital, and in this crisis, consumers trust Amazon to fulfil orders over smaller supply chains.
- Counterfeit, fake or simply more agile competitor brands will be willing to occupy brand space that should be right be yours
- The platforms market share, traffic and sales are all increasing as a result of this pandemic and this could provide you with an opportunity to plug sales shortfalls, particularly when we are seeing conversions via brand.com suffer.

For further advice, or if you're concerned about your eCommerce strategy, Reprise's eCommerce team is ready to help evaluate how you are doing and guide you towards growth in these uncertain times and beyond.

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