

Amazon USA Weekly Update, April 7th, 2020

On March 17th, Amazon announced a focus on essential categories. What does this mean?

- Essential categories include: Medical, Science/Industrial, Food & Beverage, Health and Beauty (excluding Luxury Beauty), Pet, Baby and Household
- Sellers not falling within these categories are prohibited from sending additional inventory into Amazon's Fulfillment Centers
- Amazon is gradually loosening up some of the restrictions around this mandate and issued the following statement to Sellers:

"While we will continue prioritizing the products we can receive beyond April 5, we are now able to broaden the list. Given our constrained capacity, we are doing this on an item-by-item basis. We have updated the Restock Inventory page and Restock report in Seller Central so you can check which products are eligible for shipment creation..."

What we have been seeing:

Operations:

- **Increased ship times to consumers**, and an improvement in the last few days. For example, a product page might read, "available April 23rd" and the product will actually arrive in 2-3 days.
- **Continued out-of-stocks** of major conventional brands in key categories like toilet paper and hand-sanitizer.
- **Delays in inventory receiving at Amazon FCs**
- **Prime Pantry suspended**
- **More than average systems glitches** - from UPC rejections to Seller account approval, etc.
- **Longer than usual resolution times for glitches** – we don't know how Covid-19 is impacting their call centers around the world and this may be the result.
- **Even less live contact options available**
- **Amazon prioritizing ship-time over Prime designation when necessary**, so for the first time ever, a product "Fulfilled by Merchant" may win the Buy Box over an FBA brand.
- **Recommendation:** Increase inventory in Amazon FCs, closely monitor sales so that you can anticipate and react to increased demand. Try not to make extraordinary shifts within your Seller Account right now. If you break something, it will be really hard to fix!

Marketing:

- **Sales volume for brands in essential categories increasing** - in some cases, exponentially
- **Advertising opportunities open up for smaller brands**, as larger brands have scaled back advertising due to out-of-stocks from current demand and medium-sized brands are cutting back as a budgetary reaction.
- **Cost Per Click (CPC) in advertising is decreasing in some categories**, with the exception of highly competitive categories like Pet and Baby. Conversion costs lower than usual.
- **New coupon creation suspended** – originally until April 5th but now extended
- **Opportunities for smaller/newer brands to fill voids** that are left by out-of-stocks
- **Half of Amazon's growth coming from new users** (How many? We don't yet know), new Prime Members (How many? We don't yet know)

- **“Essential” buying habits changing throughout Shelter-In-Place** - first health & safety, then pantry-loading/shelf-stable and now support for sanity through digital streaming, games and activities and treats (snacks, chocolate, etc.)
- **Recommendation:** Take advantage of the opportunity to advertise. *Do not* spend money on discounting but rather on advertising to get eyes on your brand. Focus on top sellers to drive volume during this time. Great content is more important than ever and even though you may not be able to change anything on your Amazon pages right now, think about necessary upgrades for the future. Customer service is essential but don't bug your customers with unnecessary emails (we are all getting too many Covid-related emails) and be mindful of your messaging during this sensitive time.

Miscellaneous:

- **Amazon is still allowing set-up of new Seller Accounts**
- **Current dynamic may provide a chance to introduce new items** while stores are on hold
- **Amazon has hired 80,000 new employees since March 17th** and hiring more, to help meet consumer demand
- **Recommendation:** Plan for long-term eComm growth and not just short-term COVID strategy. The new eComm norm has been accelerated and this may mean looking at your needs and building out your team and capabilities. Stay calm and well during this challenging time!

KIA ORA,

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