

Amazon USA Weekly Update, April 14th, 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 announced that they will more widely open up for nonessential items later this week though plan to monitor and limit inventory levels where they see fit.

What we have been seeing/April 14th update:

250,000 retail stores in the US are currently closed. Estimate from Washington Post is that 15,000 will be permanently closed

Amazon.com March sales were +35% over same period last year, with grocery sales up 400%

Walmart March sales were +20% over same period last year, with grocery sales +50%

Amazon Fresh increased delivery capacity by 60% but still it is not enough to meet demand. Delivery appointment times have stretched out to several days so Amazon is prioritizing existing customers and wait-listing new customers. Grocery pick-up locations have increased from 80 to 150.

After hiring 100,000 new employees to meet demand, Amazon announced this week that they will hire an additional 75,000

Operations:

- **Still seeing increased ship times to consumers**, and improvement is being hampered by fulfillment personnel issues:
 - Up to 30% decrease in employee attendance due to employees who don't want to risk infection or are currently ill
 - Employee walk-outs due to concerns over COVID-19 screening and precautions in fulfillment centers
- **Amazon is asking Sellers to add Fulfillment-by-Merchant** to existing FBA model where possible in order to meet the demand and reduce shipping times to consumers
- **Continued out-of-stocks** of major conventional brands in key categories like toilet paper and hand-sanitizer.
- **Continued delays in inventory receiving at Amazon FCs**
- **Amazon has stopped suspension of accounts** for infractions like high cancellation rates, late shipments and out-of-stocks due to the universally volatile nature of operations inside and outside of Amazon.
- **Storage fees waived for 2 weeks**
- **Amazon has tasked their Seller Central Business Development team** to actively recruit needed medication supply companies. This is taking attention away from helping new sellers in other categories (including grocery) with account activation and listing issues.
- **Medical Supplies** are not as readily available to consumers on Amazon but are now being diverted to hospitals

Recommendation: Focus on your core business. Now is not the time to be making major changes within your Seller (or Vendor) account that could render your account inoperable. Continue with increased inventory in Amazon FCs and monitor closely.

Marketing:

- **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 (for the 2nd week)
- **Opportunities for smaller/newer brands to fill voids** that are left by out-of-stocks
- **We are starting to see the shift in consumer needs**, after party-loading to entertainment, family activities and indulgence
- **Seeing increased invitations to join Amazon Launchpad**, and if this accelerator program for new brands (to Amazon) makes sense for you, this would be the time to take advantage of it (typically a 3-5% fee on sales)

Recommendation: Take advantage of the opportunity to advertise. *Do not* spend money on discounting but rather on advertising to get eyes on your brand. This is great time to promote products that fall into the “maker” space (like cheese-making and beer-making kits) for increased entertainment demands.

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