

 **DATA REPORT:**

Initial Impact of COVID-19 on Amazon Sellers

The Story Behind How Consumer Behavior is Changing
and What You Can Do About it



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Introduction

While we should all take heart in the progress that has been made, the harsh reality is that COVID-19 will continue to drive a humbling humanitarian and economic toll both within the United States and around the globe. As our knowledge of the virus continues to evolve, so will our understanding of the long-lasting impacts to the global economy, consumer habits, and buying behavior.

In the near term, an analysis by Teikametrics shows that businesses on

Amazon are experiencing an extremely wide range of outcomes. In a near-even split, some online businesses have reaped the benefits of consumers' dramatic shift to ecommerce channels around specific classes of goods, while others are seeing dramatically negative impacts due to a range of factors.

Additionally, rather than seeing a distribution of outcomes on a traditional 'bell'-type curve, performance changes from prior months on a per-seller basis were

weighted more toward both negative and positive extremes. Other data further emphasizes that, rather than impacting all sellers relatively equally, performance differences have split primarily along category lines. However, it's worth noting that with recent developments back toward pre-COVID normalcy in the supply chain and Amazon's fulfillment back-end, along with the evolving needs of consumers, these differences are likely to evolve in the coming weeks and months.

Methodology

To analyze the initial impact of COVID-19 across Teikametrics' seller base on Amazon, the data science team examined ad spend, clicks, conversions, ad-derived sales and organic sales on a per-seller basis between January 1, 2020 and March 31, 2020. In order to qualify for the larger sample, the seller had to spend at least \$1 on Amazon ads in each of the three months studied. In total, the sample consisted of roughly 1,500 individual Amazon sellers with a collective ad spend of tens of millions of dollars.

For the sake of easily comparing pre- and post-COVID activity on a per-month basis, January and February data was combined and averaged, and changes were mapped against the activity observed over the month of March.

Verticalized data is based on the mapping of individual keywords bid on by the sampled advertisers to the Amazon recommended product category for that given search. Only keywords that were within the top

750,000 search terms on Amazon during the month of January, as outlined by Amazon's Search Term Report, were included in this analysis.

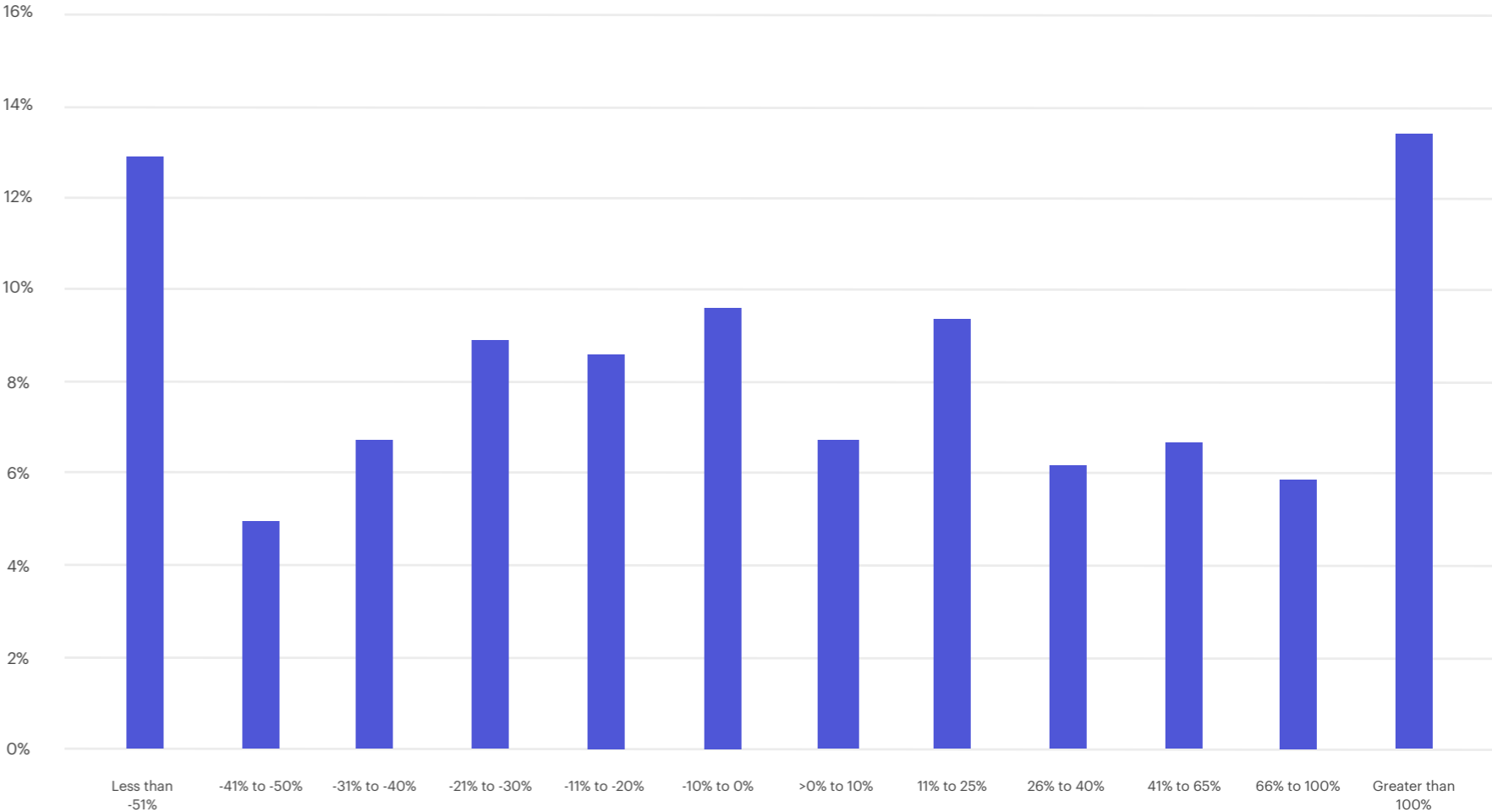
As a note, Teikametrics' seller base consists of both 1P and 3P sellers on Amazon, but is more heavily weighted towards the latter group.

On Amazon, COVID's Impact Has Varied Wildly

Aggregated across Teikametrics' seller base, total Amazon sales were up 14%, but that growth wasn't equally distributed. 48% of sampled sellers saw a revenue increase in March as compared to their January/February average, while 52% saw a decline over the same period. These relatively even splits belie the extreme impact of COVID. The range of outcomes was enormous, and by a significant margin, the two largest groups in terms of revenue change were the +100% and -51% cohorts.

Change in March Total Amazon Revenue

Compared to Jan/Feb Average



This divergent range of outcomes illustrates how, during the initial few weeks of COVID entering the collective American consciousness in early to mid March, businesses were dealing with a wide range of on-the-ground realities. In some cases, supply chain issues out of China and other nations hit earlier in the crisis were extremely sharp during this period. In others, Amazon's move to temporarily restrict FBA to only essential goods abruptly cut off the main or only fulfillment method a seller used.

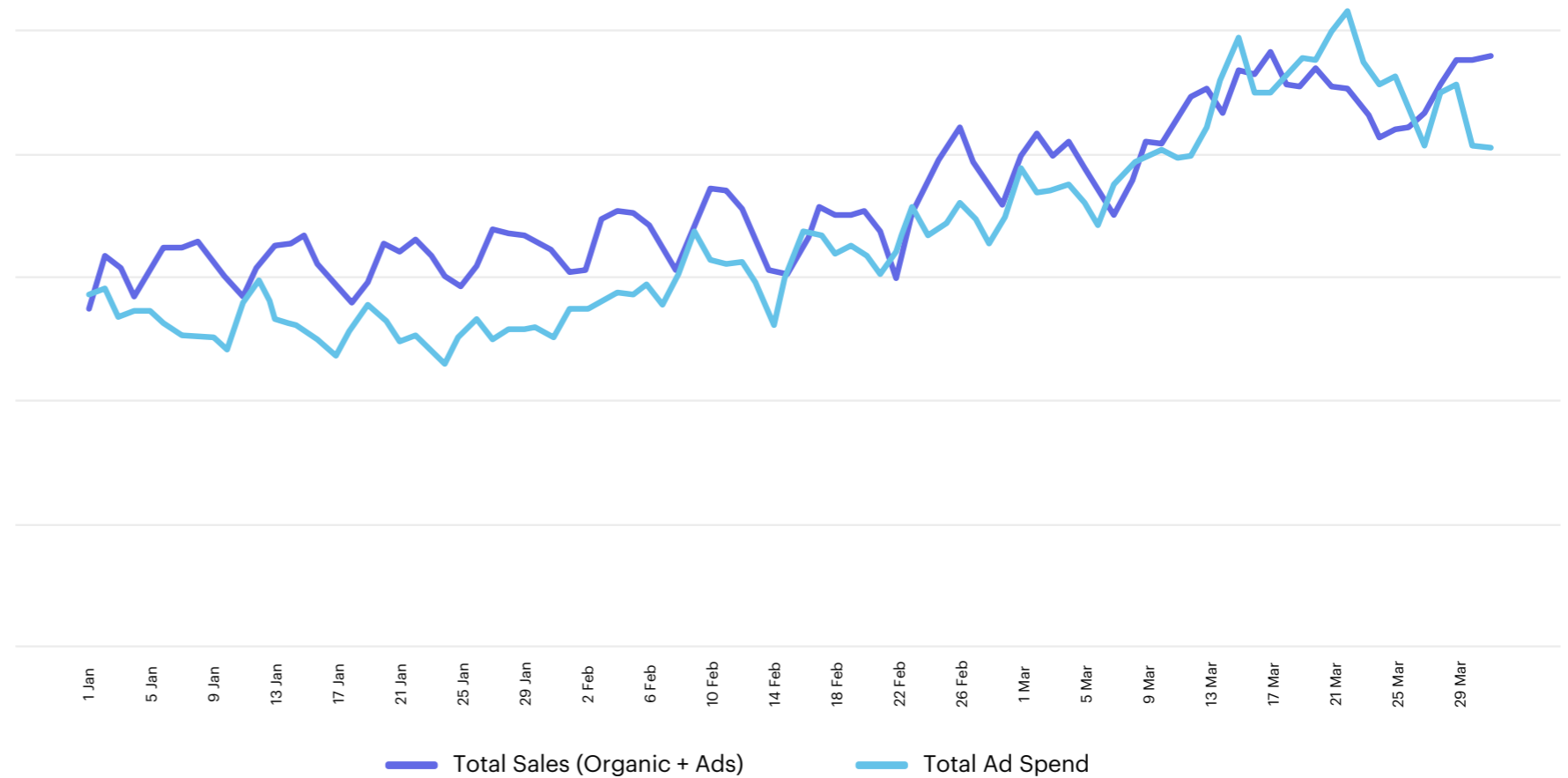
On the opposite side of the spectrum, businesses selling certain classes of items saw remarkable demand as consumers either stocked up or bought items in preparation for their at-home lock down.

Brands that Were Able to Increase Spend, Drove Good Results

Sellers who avoided major supply chain or fulfillment issues had the flexibility to use advertising more readily during late February and the month of March. Roughly half of all sampled advertisers raised their spending during March as compared to their respective January/February average. Many of these sellers were naturally operating in industries seeing higher demand, which underscores why their ad spending was matched by a marked increase in total sales. This trend may also have been influenced by Teikametrics'

Spend and Overall Sales Volume

Amongst Sellers that Increased March Ad Spend



Note: To better illustrate the growth of both sales and ad spend, the above graph plots each on a separate Y-axis.

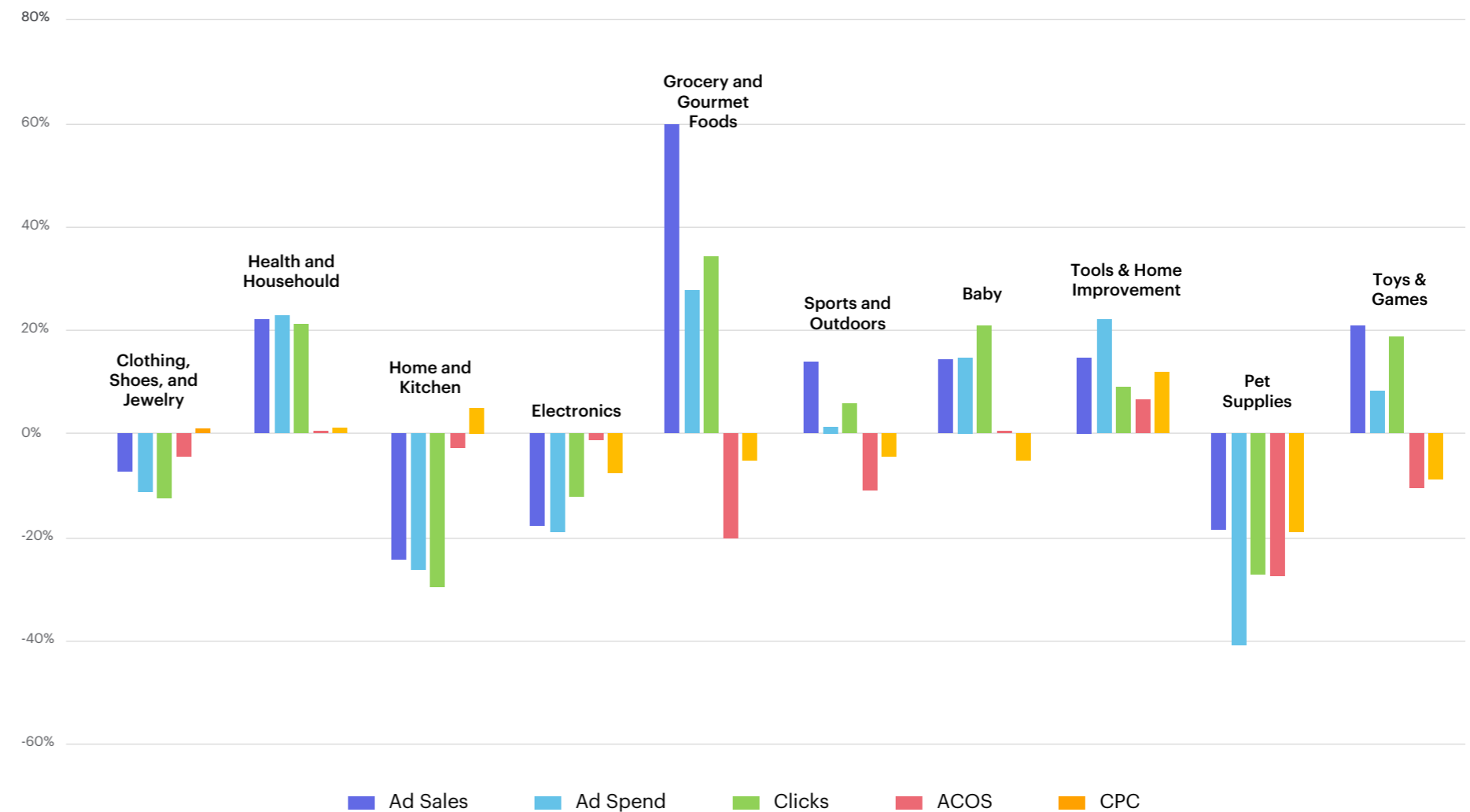
general recommendation to sellers
to uncap budgets around campaigns
generating a consistently positive
Value per Click (VPC). This situation is
more likely to drive significant sales
growth in times of high demand.

...But that Ability Was Very Industry Dependent

The combination of supply chain issues, a lightning quick change in consumer buying behavior, and Amazon's FBA changes naturally ended up impacting certain industries more than others. The 'Grocery and Gourmet' food category understandably saw the largest gains, with ad-derived sales in March jumping an average of 60% from the January/February average. Click volume in this category jumped up 34% from the January/February average, underscoring a rapid boost in activity from customers, which overall helped push ACOS down by an average of 20%. To a lesser degree

Change in March in Amazon Ad Activity and Results

Compared to Jan/Feb Average



you also saw these same dynamics play out in the 'Toys and Games' and 'Sports and Outdoors' categories. The 'Tools and Home Improvement', 'Baby' and 'Health and Household' categories experienced more of a mixed, but still generally positive result, with increased sales matched by either flat or slightly worse efficiency metrics.

The remaining categories studied demonstrated decidedly negative impacts during the month of March. Despite Amazon including 'Pet Supplies' within its shortlist of categories it would prioritize during the early portion of the crisis, this category

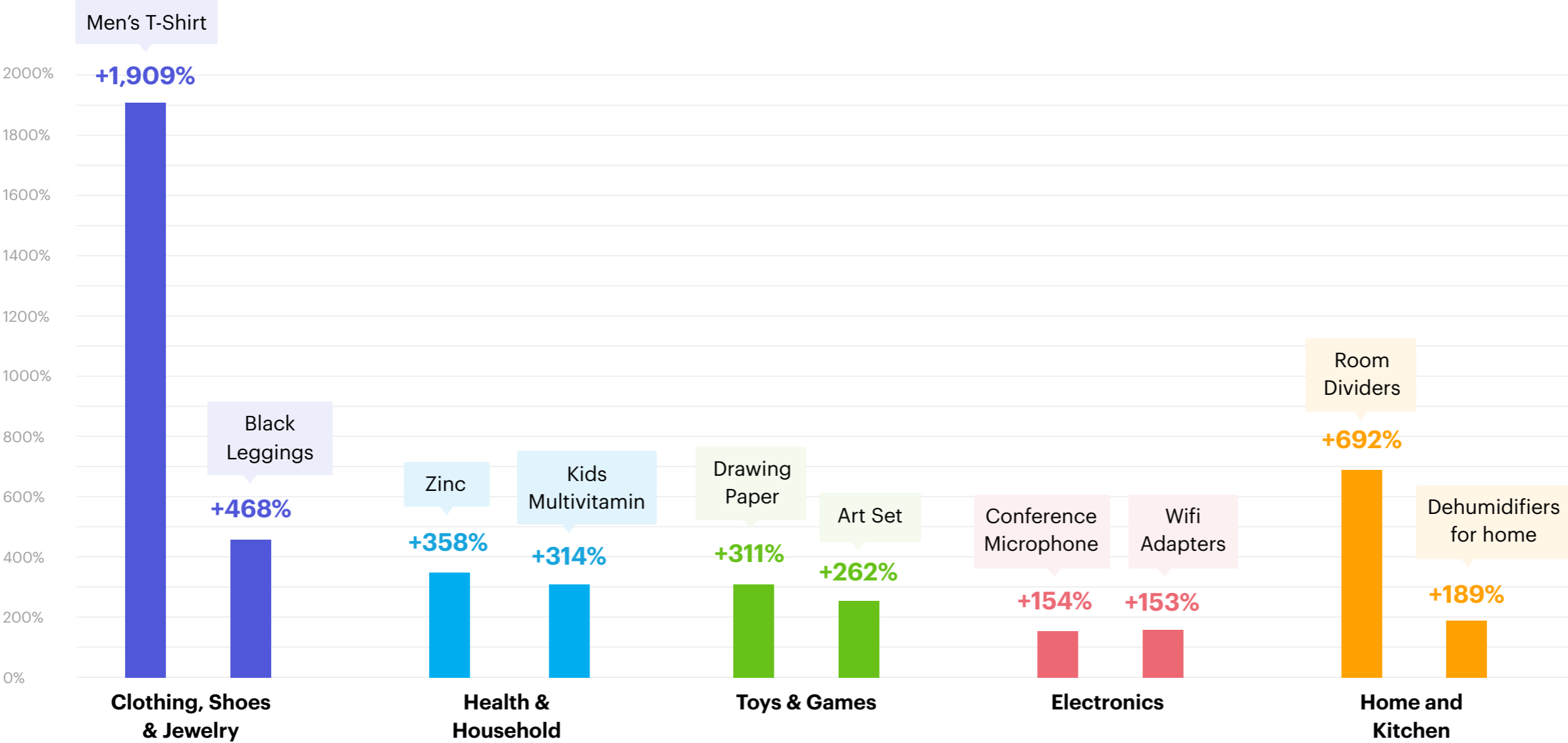
seemed to be hit the hardest, likely due to lagging supply chain issues out of China reducing on-hand inventory and thus, the flexibility to advertise. Other categories showing negative trends also likely experienced some supply chain issues, but were further impacted by Amazon's FBA changes.

Overall, the industry-by-industry graphic below paints a stark picture of the varying fortunes of businesses during the month of March as business shutdowns and shelter-in-place orders rolled out across the country. It's likely that these changes have bled into April as well. However, with Chinese

supply chains slowly returning to some degree of pre-COVID normalcy, Amazon doing the same around FBA, and the needs of consumers shifting as lockdowns continue, this graph may look very different in a matter of weeks or months.

Notable Changes of Specific Keywords

Biggest Click Volume Gainers by Category During the Month of March compared to January/February Average



Note: included terms averaged at least \$100 of spend per month over the January-March time period

Tips for Going Forward

It's worth noting that the changes we see in the marketplace will not remain static. Even if lockdowns continue across many states, as expected, consumer shopping behavior will slowly shift from what may have particularly acute needs and wants during the months of March and April. As a simple example, think of outdoor goods and other items associated with getting out in the warmer weather that will become top of mind, even if people are just venturing out to their front lawns.

At a deeper level, as a seller you may yet need to navigate an improving or changing supply chain. With that context in mind, you should be closely tracking performance on a category and product basis in order to effectively decide where to place resources. More than any other time in recent memory, *"set it and forget it"* when it comes to advertising will not be effective. In order to outperform your competitors during this time, it's critical that you maintain some degree

of agility and have the data to make smart decisions on the fly.

While this time is unlikely to be easy for any seller out there, by staying scrappy and smart, businesses can survive or even thrive during this period.