

**COMMERCE
LIVE** 

 Profitero

Hitting Reset: Planning for a Post Pandemic World

Agile planning & execution amidst exponential change



Discuss the session live:

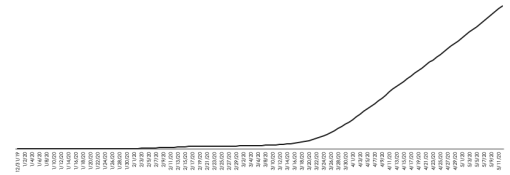
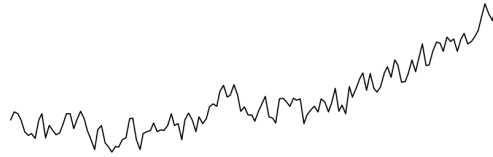
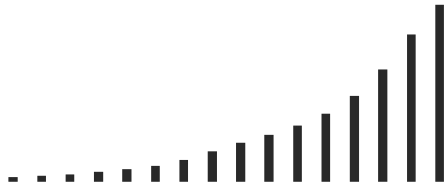
#5-hitting-reset



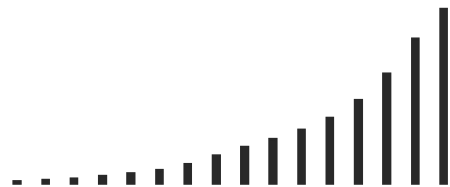
Keith Anderson

SVP Strategy & Insight,
Profitero

Non-Linear Growth Trajectories

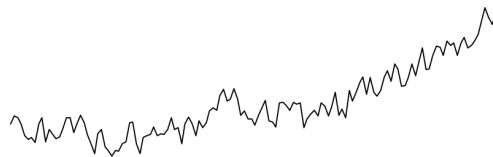


Non-Linear Growth Trajectories

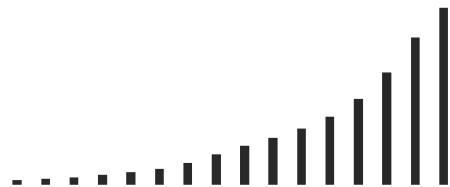


Amazon's Growth

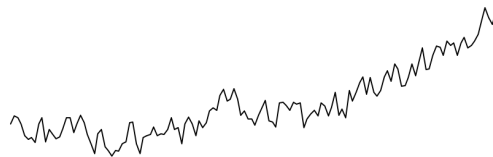
2004 - 2019



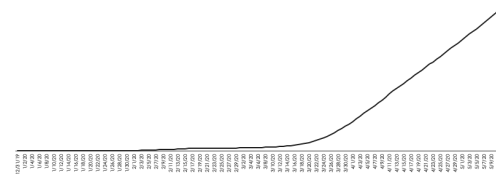
Non-Linear Growth Trajectories



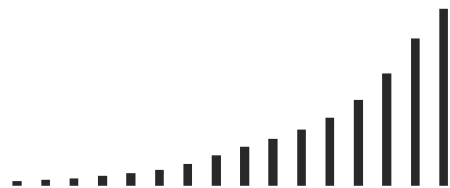
Amazon's Growth
2004 - 2019



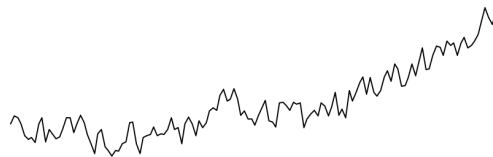
Global Average Temperature
1880 - 2019



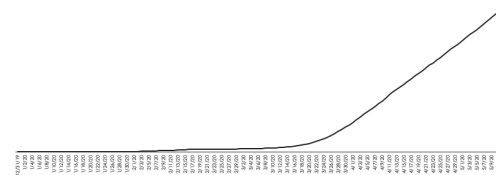
Non-Linear Growth Trajectories



Amazon's Growth
2004 - 2019

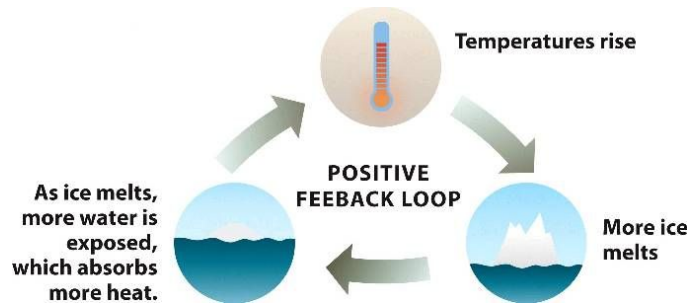
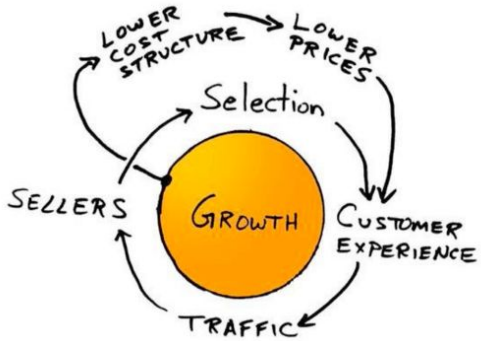


Global Average Temperature
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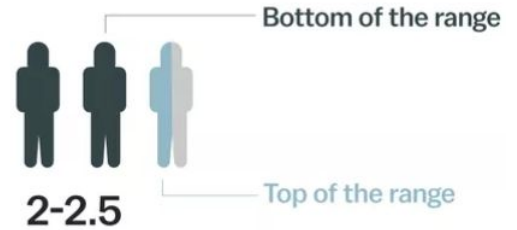


Global Coronavirus Cases
Dec 31, 2019 - May 11, 2020

From Funnels to Growth Loops



COVID-19



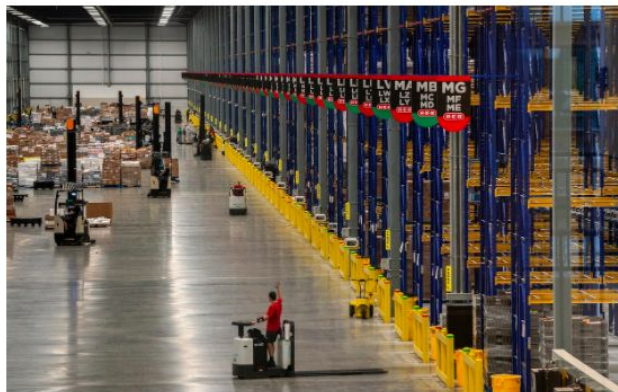
Flywheels and Feedback Loops Favor Those Who Move Quickly with Conviction

FOOD & DRINK

Inside the Story of How H-E-B Planned for the Pandemic

The grocer started communicating with Chinese counterparts in January and was running tabletop simulations a few weeks later. (But nothing prepared it for the rush on toilet paper.)

BY **DAN SOLOMON** AND **PAULA FORBES**



H-E-B employees work at the new super-regional warehouse in San Antonio on March 21, 2020.

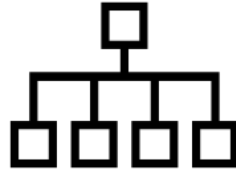
Photograph by Tamir Kalifa

The coronavirus pandemic has transformed the country in just a handful of weeks. As Americans focus on the essentials—feeding our families and ensuring we have the necessary supplies to keep our households clean and safe—grocery stores and pharmacies have demonstrated just

Constraints Disrupting Demand Patterns & Supply Chains



Choice of outlets



Choice of categories

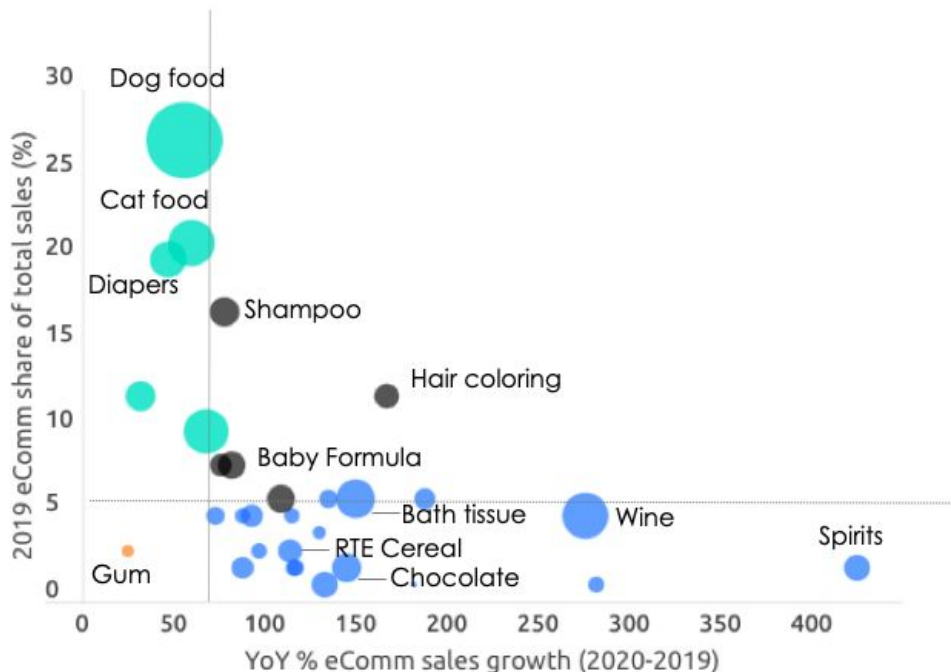


Choice of brands

Category Migration Acceleration — 5 Years in 5 Weeks

eCommerce share of totals sales and growth by category

March – April, 2020 vs year ago



Legend

High penetration, below-average growth

eComm sales share: **above** the median
Sales growth (YoY): **below** the average

High penetration, above-average growth

eComm sales share: **above** the median
Sales growth (YoY): **above** the average

Low penetration, above-average growth

eComm sales share: **below** the median
Sales growth (YoY): **above** the average

Low penetration, below-average growth

eComm sales share: **below** the median
Sales growth (YoY): **below** the average

○ Bubble size = online category sales

Source: Nielsen / Rakuten intelligence data
N=124 categories
Time period: March 1, 2020 - April 25, 2020 vs same weeks year ago
Average YoY growth = 71%
eComm share of sales median = 6%

Hitting Reset

1

Reset Plans

Check every assumption, open your aperture, cover downside risk, tighten feedback loops, and plan for multiple scenarios

2

Ruggedize Supply Chains

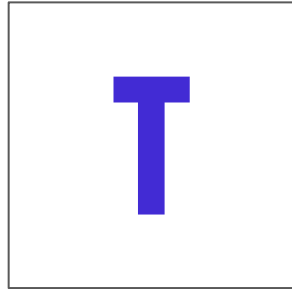
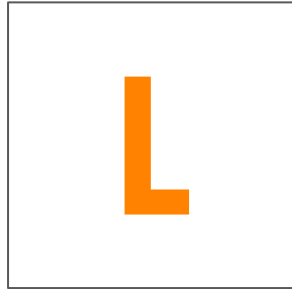
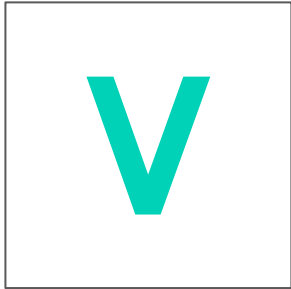
Increase optionality, minimize dependencies

3

Create & Capture Demand

Reinvent for relevance

Plan for Multiple Scenarios, with “Triggers” (Not Dates) as Guideposts



Don't Bank on Brand Loyalty in a Crisis

85%

say brand names don't matter during times of crisis

Source: Shopkick survey

69%

will purchase different brands if their preferred one is not available

Source: Shopkick survey

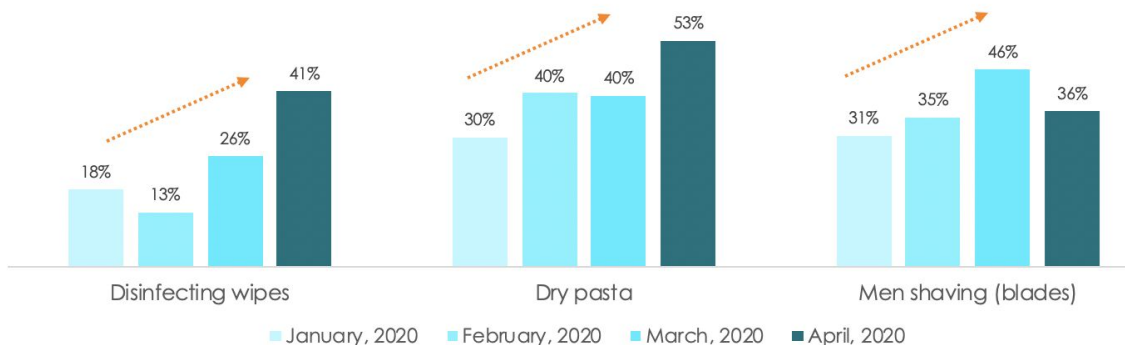
30-45%

would stick with a new brand they tried during the pandemic

Source: Alix Partners survey, Mar 27-31

Manufacturer-switching rates when substituting a product

Selected categories

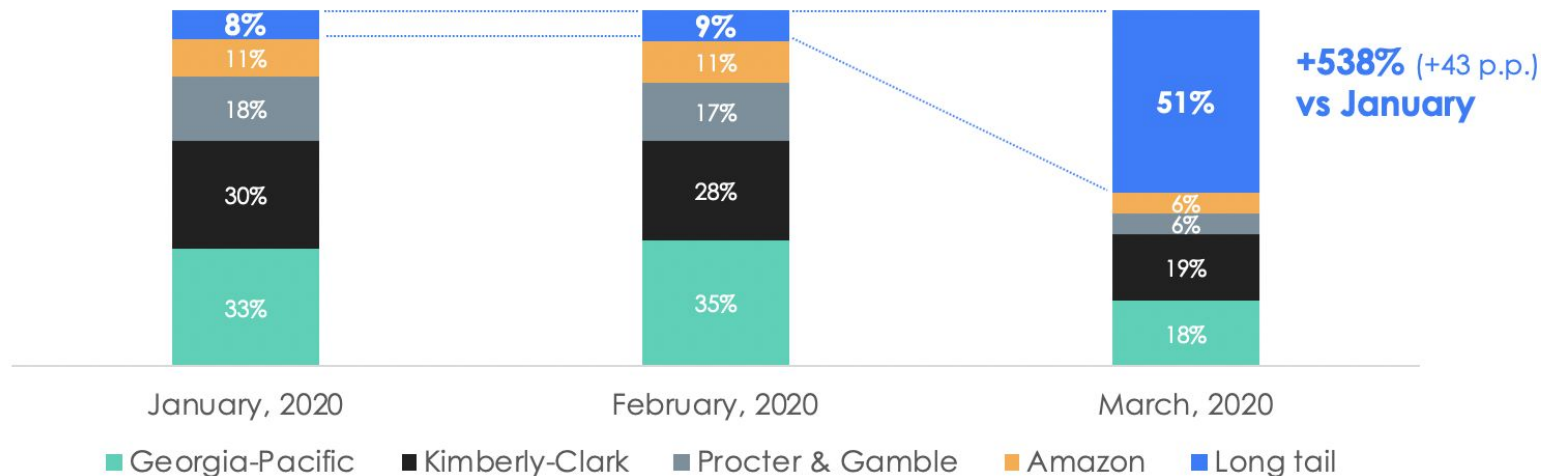


Retailer: Amazon.com, men shaving's data corresponds to Amazon UK
Source: Proflero, Amazon
**Substitution rates consider the top 5 products substituting the original ASIN

Voids Open the Door to New Entrants

Share of Page 1 on Amazon search results

Keywords: Toilet paper, bath tissue

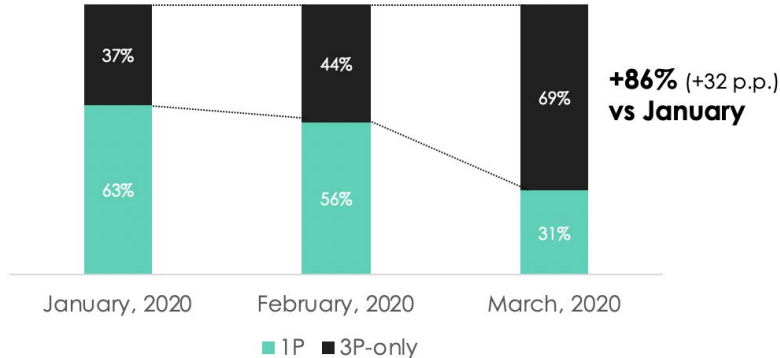


Retailer: Amazon.com
Time period: January- March, 2020

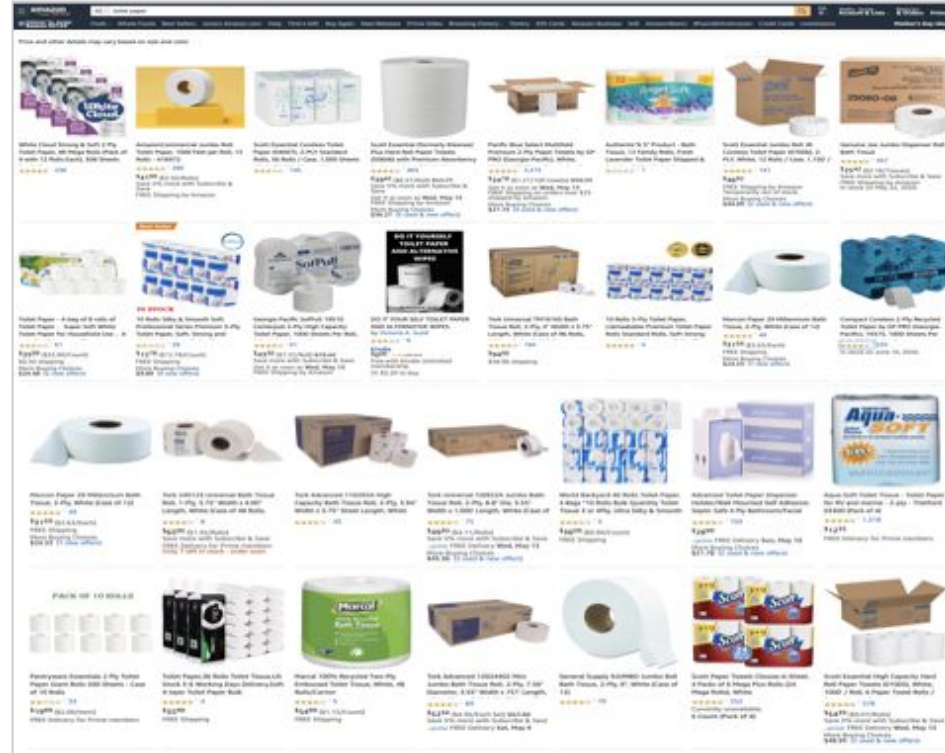
Opportunists Abound

Challenger brands and 3P may have gained ground during the pandemic

1P/3P mix on Amazon search results
Keywords: Toilet paper, bath tissue



Amazon.com Page 1 search results
Keyword: toilet paper

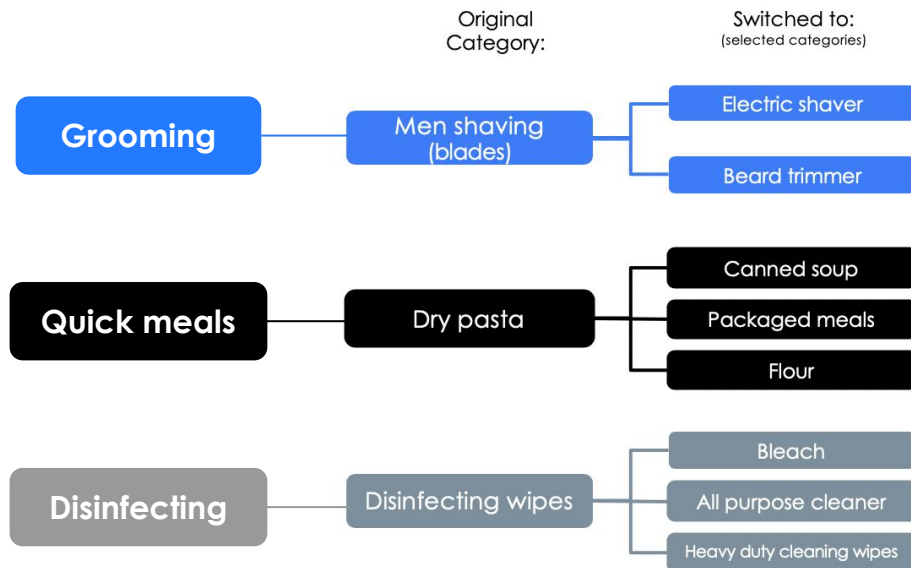


Open your Aperture to See Around Corners

Lots of wild switching, substitution and replacement behavior — everything is up for grabs

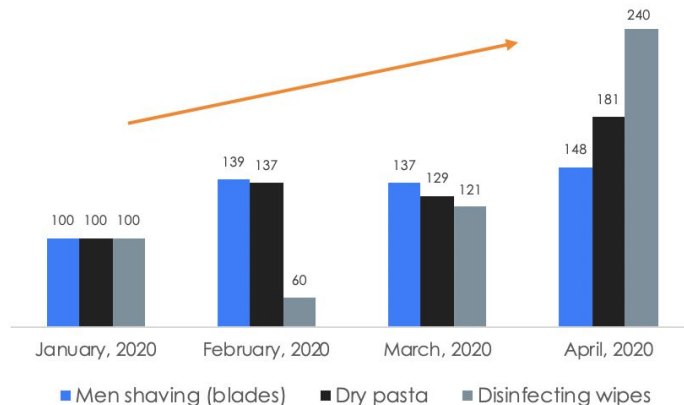
Job to Be Done

Category switching



Category switch index

Switching from the original category to a different category
Index 100 = substitution rate of pasta to a different category on January, 2020



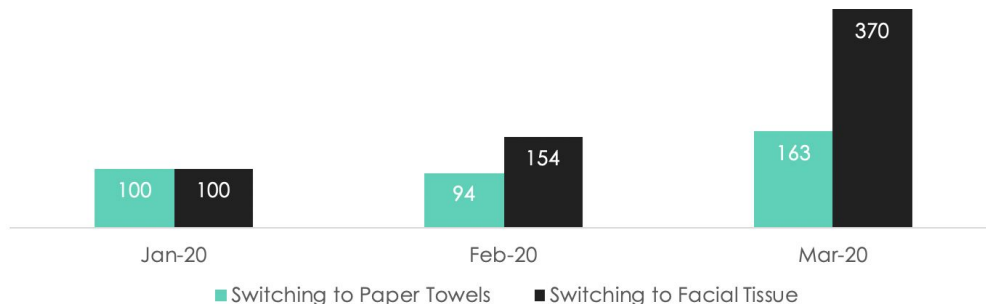
Retailer: Amazon.com, men shaving's data corresponds to Amazon UK
Source: Proflero, Amazon
**Substitution rates consider the top 5 products substituting the original ASIN

Shoppers Seek *Solutions*. Which Substitutes Could Change Your Trajectory?

Q: Are consumers switching to other categories when substituting products?

Category Switch Index – Toilet Paper

Index 100 = substitution rate of toilet paper to one of the selected categories on January, 2020



**Substitution rates consider the top 5 products substituting the original ASIN

Retailer: Amazon.com

Example of alternative products spiking on BSR

Amazon U.S. Best Seller rank

Highest rank January: 114,733

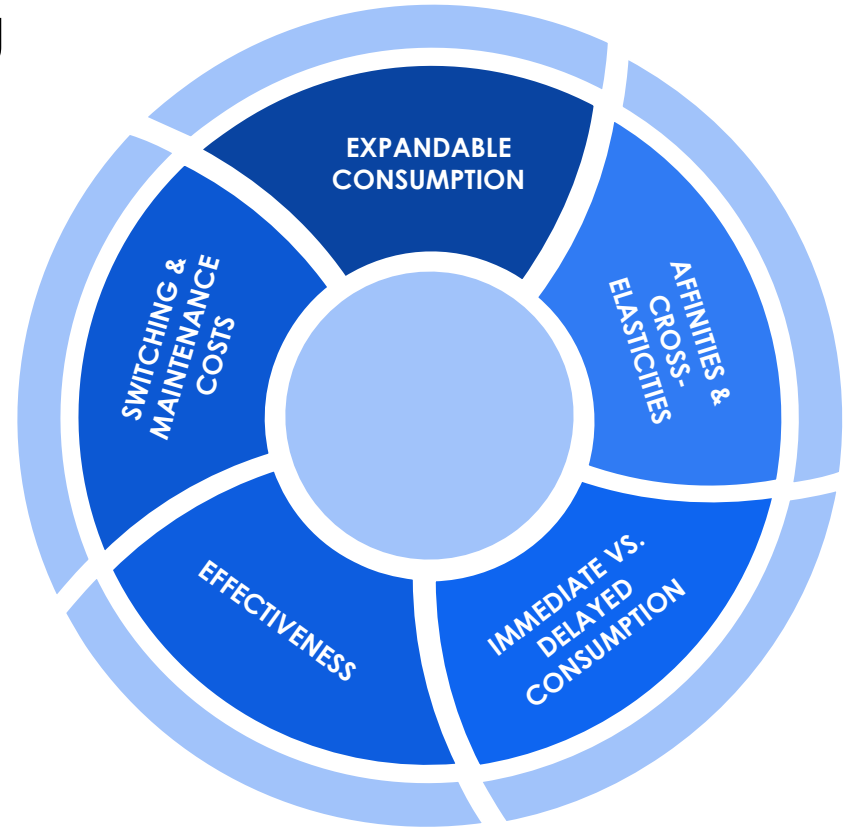
Highest rank February – March: 72

+159,251%



Bidet. Daimo DDB02S2 Non-Electric (Frontal & Rear/Feminine Wash) Bidet Toilet Attachment with Self-Cleaning Dual Nozzle, Fresh Water Toilet Bidet with Adjustable Water Pressure for Easy Installation

Assessing and Anticipating New Demand & Competitive Dynamics



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Ruggedize Supply Chains

Increase optionality, minimize dependencies

3

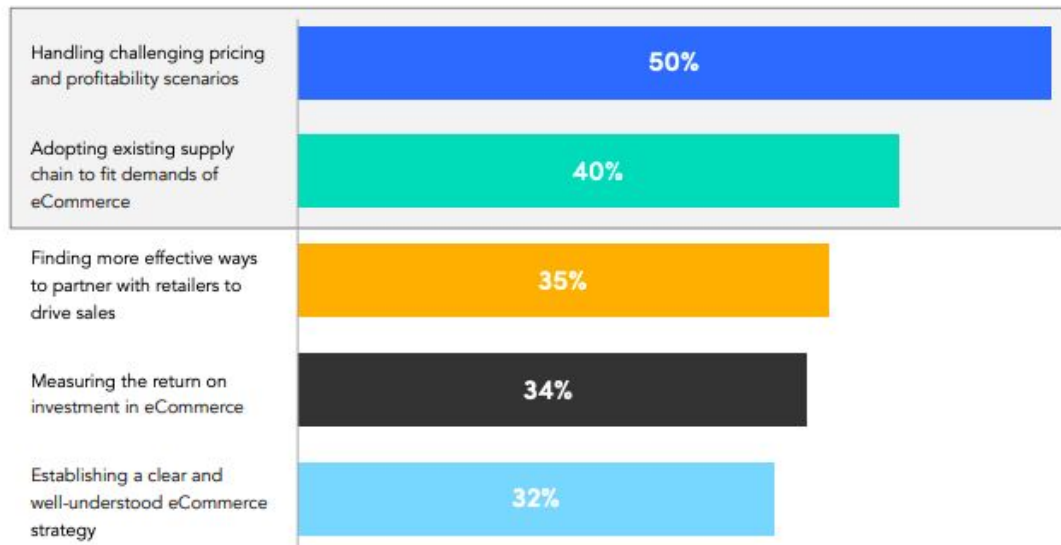
Create & Capture Demand

Reinvent for relevance

Pre-C-19, Supply Chains and Unit Economics Were Top of

**Q: What are the top challenges that you have around organizing for eCommerce?
(Rank top 3)**

Source: Kantar/Profitero 2019 eCommerce Benchmarking survey



50%

considered pricing & profitability a top challenge

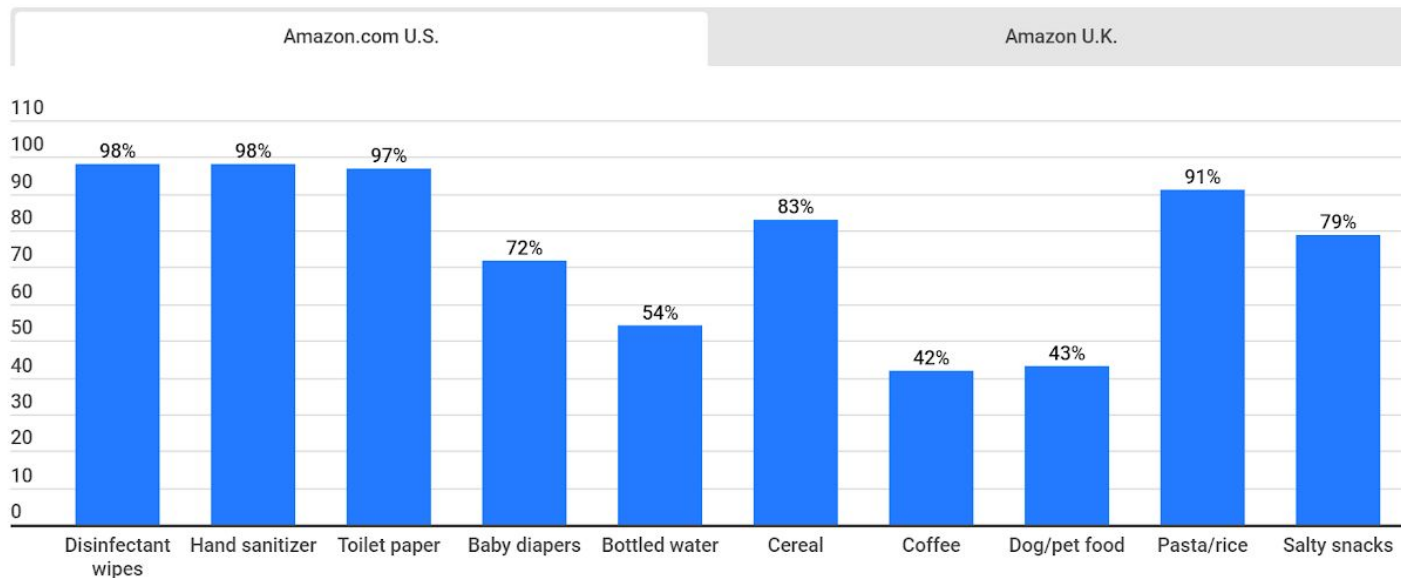
40%

considered supply chain adaptation a challenge

How are we feeling now?

From Just-in-Time to Just-in-Case

Amazon OOS Rates on Key Pantry Stock-up Categories



Source: Profitero
Week ending April 04, 2020
OOS rates include unavailable products.

Forecasting is an Art

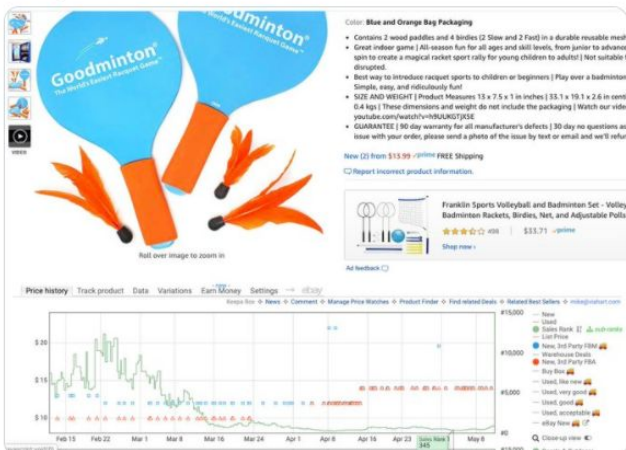


Molson Hart
@Molson_Hart

Forecasting is art, not science.

I built a forecasting system that looks at the last 180 days of our sales. It weights all 180 days equally and takes into consideration seasonality.

What it doesn't do is weight recent data (last 30 days) more heavily than older data (last 150).



Molson Hart @Molson_Hart · 13h

Our best selling goodminton went from being a so so seller with a sales rank in the 5,000 to 10,000 range (lower sales rank is better. If you are #1, you are the best seller in your category) to #345 and lower. That's a MASSIVE increase in sales.



Molson Hart @Molson_Hart · 13h

Unfortunately, because I'm a dumbass, I just followed our excel formulas and didn't realize that we should have weighted the more recent data more heavily and now we are going out of stock, resulting in massive lost revenue and another problem I cannot even talk about...grrrrrr



Molson Hart @Molson_Hart · 13h

Usually we have the reverse problem. During the Australian wildfires we were selling tons of Australian animals, but that was clearly a one-off.

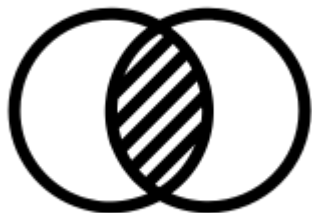
tl;dr

Forecasting is art, not science. You must combine quantitative with qualitative to do a good job.



Ruggedizing the Supply Chain

HYBRID SELLING



SFP

Seller Fulfilled Prime in 5 easy steps

- Step 1** Qualify for Seller Fulfilled Prime and complete the trial period
- Step 2** Store inventory in your own warehouse
- Step 3** Process your orders and buy shipping labels from approved carriers
- Step 4** Pick, pack and ship your orders same day
- Step 5** Seller Fulfilled Prime carriers collect and deliver orders in two days to customers



DTC



3PL/DROP-SHIP



Strategy: Lock-in Demand Independent of Supply

PREORDERS

HOME / SHOP / PRO MASK / PREORDER - THE ADMIRAL PRO

PREORDER - THE ADMIRAL PRO

£24.95

ATTENTION: This item will be shipped in Wave 14 by Early August or soon after.

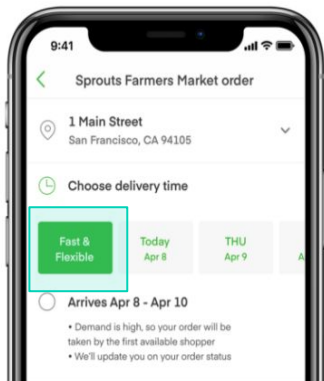
WAVE 1, 2 3, 4, and 5 are SHIPPED.

WAVE 6, 7, 8, 9, 10, 11, 12 and 13 are SOLD OUT!

WAVE 14 is Selling now!

NOTE: Wave 12+ PRO masks, priced at 24.95 GBP, will be shipped with all accessories and warranty information in our new packaging. A slight increase in shipping fees will apply.

FLEX FULFILLMENT



SUBSCRIPTIONS

DEHYDRATED - LIMITED INGREDIENT CHICKEN RECIPE (THRIVE)

DOG FOOD

In stock

★★★★★ 196 Reviews

~~\$89.99~~

Your Special Price

\$85.49

SAVE 5% — Set up a Recurring Order. [Learn More](#)

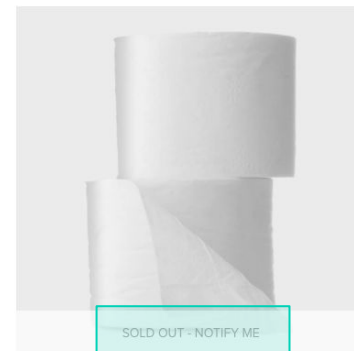
10 LB BOX

4 LB BOX

2 LB BOX

4 X 10 LB BOXES

RESTOCK ALERTS



Tree Free Toilet Paper

\$6.00 6 ct

★★★★☆
120 Reviews

Hitting Reset

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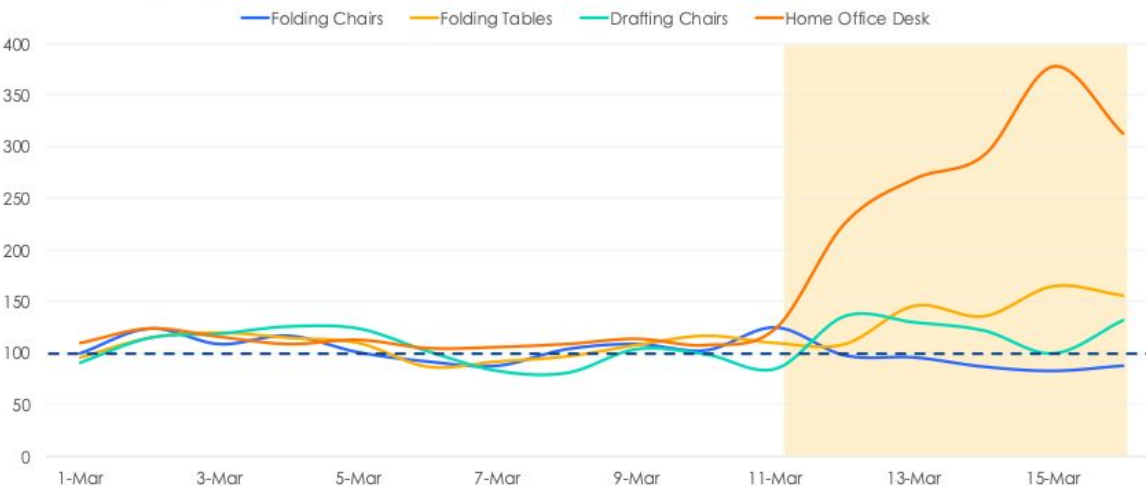
Prioritize Leading Indicators of Demand

Search Themes:

- Home
- Foldable
- Desk
- Office
- Small Spaces
- Chair

Keyword	January	February	March TD
desk for home office	989,162	244,124	70,868
computer monitor stand for desk	796,748	208,229	50,771
ergonomic office desk chair	683,985	572,527	91,242
home office desks	667,603	Not on List	186,944
home office chairs	604,040	Not on List	109,142
desk with drawer	203,912	145,047	52,007
home desk	92,626	107,502	42,711
folding desk	21,520	23,951	10,772
couch desk for laptop	687,151	Not on List	369,218
foldable desks for small spaces	342,382	354,441	148,146
folding desks for small spaces	157,305	198,037	74,666
desk chair ergonomic	507,902	655,773	298,688
ergonomic office chair lumbar support	300,314	286,367	87,524
folding computer desk	123,985	158,313	76,607
foldable computer desk	299,986	300,539	175,560
folding computer table	713,645	763,023	471,908
fold up desk	231,516	245,371	194,352
foldable desk for small spaces	Not on List	Not on List	654,763
at home desk	Not on List	Not on List	378,457
desk chair grey	Not on List	Not on List	584,356
home computer desk	757,097	629,262	452,076
foldable desk table	Not on List	Not on List	491,201
ergo office chair	806,245	Not on List	634,731
folding laptop desk	534,639	637,498	508,095
foldable office desk	Not on List	Not on List	502,740

Index 100 = average daily total unit sales of the month of February 2020



Getting Tactical

COVID-19 Deep Dive: Executive Summary

	Questions	COVID-19 Impact	Action/Recommendation
AMZ Sales & Share	What brands & SKUs are winning during the COVID-19 crisis?	COVID-19 has impacted shopper behavior in the [redacted] category – winning products are largely immune boosters and vitamin c supplements	Identify areas of opportunity in your assortment that meet the current shopper's needs and allocate resources to optimize merchandising strategy Evaluate digital shelf strategies used by top-performing brands and adjust your brand's strategy
Availability	How does your availability measure up to your competitors & across retailers?	Your In Stock Rates are decreasing on Amazon Classic and fall short of competition	Identify products that meet the current shopper's needs and tailor demand forecasts to the COVID-19 shopper demand to plan for supply Set up alerts within Profitero to identify when a product becomes Out of Stock or Unavailable and notify your sales teams & retailers
Promotions	Have you and/or your competitors stopped promoting in the face of stock shortages?	Your competitors are now promoting less due to COVID-19 shortages	Analyze the profit margins of your current promotional strategy on Amazon Determine whether aggressive or passive promotional strategy is the best fit while weighing revenue generation & shopper expansion
Placement	What keywords are surging and are you taking advantage?	You have below your "fair share" of Page 1 on keywords that are trending up	Sponsor relevant keywords that have seen improved Amazon Search Frequency Rank Monitor high-growth Amazon Search Frequency Rank keywords to sponsor and defend your position
3P Seller Analysis	How has your Buy Box win rate been affected by COVID-19?	[redacted] began losing the Buy Box at a higher rate due to 3P lowering prices	Consider implementing a MAP policy to contend with 3P sellers dropping price to win the Buy Box



Thank you



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