

Coronavirus Outbreak: Assessing the Impact on E-Commerce Retailers and Consumer Brands

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BY KARTHIK

The Coronavirus, otherwise known as COVID-19, has made landfall on U.S. shores. At the time of writing this article, there are over 230 confirmed cases in the country and 12 deaths. The growing unease about the virus, which has quickly accumulated 95,000+ confirmed cases globally, has, among other things, adversely affected businesses and stock markets the world over.

In the wake of this outbreak, U.S. based retailers and brands would be prudent to brace themselves and plan ahead to minimize disruptions as much as possible.

Businesses and consumers in China, the global epicenter of the epidemic, have been dealing with these challenges over the last couple of months. It's likely that some of the trends observed in China would be mimicked in the U.S. as well, something that domestic retailers and brands would do well to study and prepare for.

The Inadvertent E-commerce Wave

When the outbreak happened in China, it caused an **uptick in e-commerce adoption** as shoppers were reluctant to step out of their homes and instead, opted to shop for their goods online.

Reports indicate that Chinese online retailer JD.com's online grocery sales grew 215% YoY over a 10-day period between late January and early February. Similarly, Carrefour's vegetable deliveries grew by 600% YoY during

the Lunar New Year period. Online sales of Dettol, a disinfectant produced by Reckitt Benckiser, **rose 643% YoY** between 10 February and 13 February on China's Suning.com.

In Singapore, another region affected by the virus more recently than in China, Lazada's grocery arm, RedMart, and Supermarket chain, NTUC FairPrice, both reported an unprecedented surge in demand, which tested their delivery capabilities to the limit.

This bump in online sales isn't just restricted to grocery, but other categories as well. Jean-Paul Agon, CEO of L'Oréal, **recently said** that online sales of the brand's beauty products increased in China in February.

Given such a consistent shift in shopping behavior across coronavirus-affected regions, it's logical to expect that a similar trend would be followed in the U.S. – in fact, it might already be underway.

A **recent survey** by Coresight Research indicated that 27.5% of U.S. respondents are avoiding public areas at least to some extent, and 58% plan to if the outbreak worsens. Of those who have altered their routines, more than 40% say they are “avoiding or limiting visits to shopping centers/ malls” and more than 30% are avoiding stores in general. The survey also found consumers will likely begin to avoid restaurants, movie theaters, sporting events and other entertainment venues.

Therefore, it's essential for U.S. retailers and brands to swiftly energize their e-commerce readiness and be fully prepared to cater to the circumstances-induced shift in shopping behavior, inclined toward online.

A Logistical Nightmare

The most obvious area of impact for retailers and brands is in their supply chain and order fulfillment operations.

A large portion of consumer product manufacturers rely to some extent on China, and the potential impact of the virus on supply chain processes is inescapable. Chinese factories have been **operating at partial capacity**, impacting supply chains globally. This has largely affected highly popular e-commerce categories like consumer electronics, fashion and furniture.

Shares in the U.S. of furniture e-commerce retailer, Wayfair, fell as much as 26% toward the end of February, according to a **Bloomberg report**. The is particularly revealing, as the online retailer reportedly relies on China for half of its merchandise.

Retailers struggling to cope with this stress in their supply chain systems would do well to warn their customers beforehand about delays in deliveries, like AliExpress has **just done**.

For categories like CPG, as consumers increasingly shop online, retailers that offer Buy Online Pick Up In Store (BOPIS), should expect a surge in its adoption, and reinforce their online infrastructure and in-store operations to cater to the rising demand.

In addition to disruptions in the supply chain, several other mission-critical areas are likely to get affected too.

Keeping Up With The Online Surge

As with any event of this magnitude, the business implications reach far and wide. The following are a few areas that we've identified as critical, based on our experience working with retailers and brands. Being aware of and focusing on these issues are likely to alleviate some of the issues faced by consumers today.

Fair pricing: There have been several [reports](#) of price gouging on e-commerce platforms. Examples include 2-ounce Purell bottles being sold for \$400 and face masks for up to \$20. While these prices have mostly been set by third party merchants, brands are likely to face the flak from consumers. A recent Bloomberg [article](#) reported that online retailers still rely partly on employees to manually monitor these items. This approach has obvious limitations, such as products quickly reappearing on the website after being de-listed. Brands and e-commerce platforms will need to explore automated ways of controlling their online pricing practices at large scale.

3P merchant and counterfeit management: Often, unauthorized third-party merchants selling an original manufacturer's goods are the ones who unreasonably inflate prices. These merchants tend to test the markets on online marketplaces with their pricing, which adversely affects the brand image of the manufacturer. Further still, they sometimes list counterfeit or fake goods that make incorrect or extravagant claims. Brands will need to swiftly identify and de-list these merchants from online marketplaces.

Ensuring stock availability: During times like these, it's a common sight to see empty aisles at supermarkets selling items like canned food, water, paper products and personal care products. Consumers will benefit from brands monitoring their stock availability at stores, which will help them better align their supply chain operations to the rapidly changing demand patterns across the U.S. map. This way, efforts can be more targeted at regions with severe shortages.

Content compliance: Helium 10, a technology provider for Amazon sellers, [reported](#) that since 26 February, 90% of searches on Amazon are coronavirus related, and searches for hand sanitizers spiked to 1.5 million searches in February compared to 90,000 in November. As a result, to arrest exploitative practices, some online marketplaces have [announced](#) policy guidelines on product content claiming health benefits. Words like 'Coronavirus', 'COVID-19', 'Virus' and 'epidemic' are, in fact, prohibited. Amazon has already de-listed several merchants claiming fraudulent cures. Ebay has gone as far as to [ban all new listings](#) for face masks, hand sanitizers, and disinfecting wipes, due to regulatory restrictions. In this context, retailers and brands will benefit from deploying tracking mechanisms that quickly identify offenders.

The areas of business presented above are by no means a comprehensive list for retailers and brands to rely on during this time. Still, these are critical

impact areas for them to address, even as huge efforts are made toward managing highly stressed supply chains.

DataWeave Offers Support

The coronavirus outbreak is likely to get worse before it gets better. As we enter uncharted territories, DataWeave is offering to contribute in small ways, pro bono, by leveraging our expert talent and competitive intelligence technology platform, to address some of the challenges faced by retailers and brands.

We're announcing a limited-time, no-cost offer to detect and report on **price gouging**, the presence of **unauthorized third-party merchants**, as well as **stock availability** across U.S. ZIP-codes. This offer will be valid for 4-6 weeks (timeline will be flexible based on how the outbreak develops) and limited to monitoring the top 10 U.S. online marketplaces, as well as critical product categories such as medicinal and hygiene-related products, emergency food items, survival-related products, fuel, etc.

[Reach out to us](#) for further details.

- **Karthik Bettadapura**

Co-founder & CEO at DataWeave, 6th Mar, 2020

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