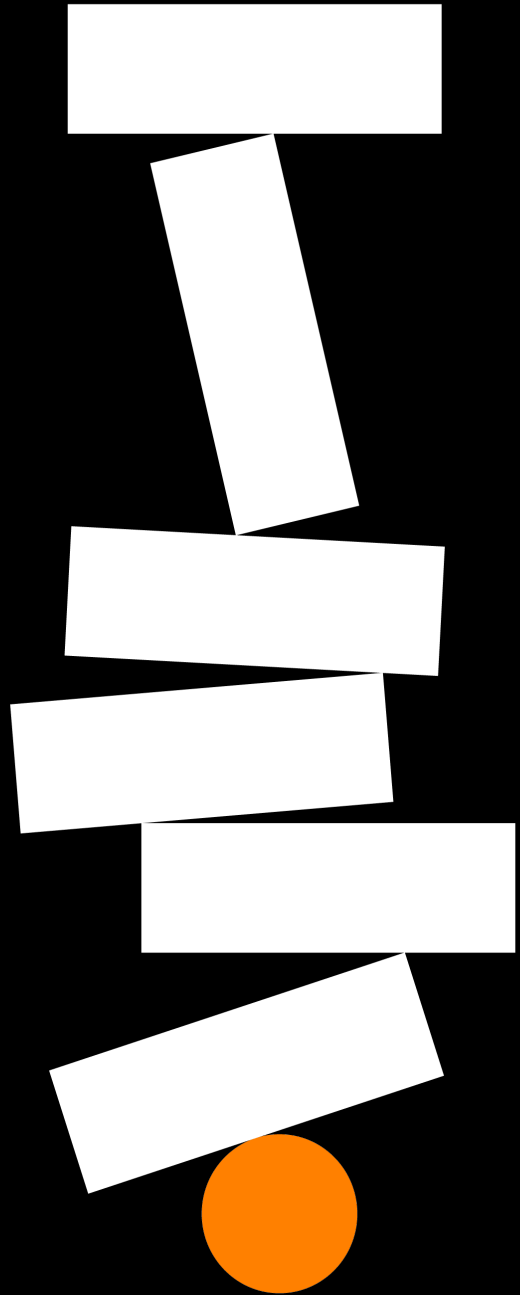


From hysteria to hysteresis

Long term impacts of
Covid-19 on ecommerce

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From hysteria to hysteresis: long term impacts of Covid-19 on ecommerce

In economics, hysteresis describes effects that persist after the initial causes of those effects are removed. In other words, permanent change caused by an inexorable force. The COVID-19 global pandemic has upended our daily lives, shut down markets and forced consumers to change their purchase journeys in nearly every category. When the hysteria ends, what changes will stay with us?

Amidst the COVID-19 crisis, ecommerce has emerged as the one bright spot for brands and businesses everywhere – indeed, in some instances it has become the only route to market that has been operational. There is no denying that the world has become much more adept at shopping online across audience and category types. This has of course led to a huge disruption in the way that brands are communicating right now as almost overnight ecommerce has come into sharp focus for all brands – L’Oreal reports that their ecommerce business is up 52% for this quarter, now accounting for 20% of their business. As we look past the immediate crisis and ecomm becomes much more centre stage to consumers’ lives – as we think about communications after the crisis, brands should look at what their plans are for how they relate to this

new consumer that has just gone through a massive crash course on ecommerce. We see five key things that brands who want to succeed in the new world order need to incorporate in their plans.

01 Ecommerce is not a silo:

As media investments in ecommerce, particularly in e-retail have grown driving Amazon to become the third largest digital media owner after the duopoly, several brands have hived this off into a separate bucket. However, what has become abundantly clear is that brands need to think of their investments in brand building, performance marketing and ecommerce through a holistic lens. The brands that managed to quickly capitalize on the shift were the ones who were able to swiftly move budgets from cancelled sports sponsorships and unprinted magazines to doubling down on ecomm media – little surprise then that Amazon's Q1 earnings were up to \$75.5B, and ad revenue was up 44%. Equally, the reverse is true: some retailers like Walmart limited the ability of brands to advertise on their platforms which meant that even high demand categories were left with unspent monies – which were then diverted to channels that build more equity so that whenever the consumer did encounter a choice in the aisle, digital or real, they chose that brand. This agility is going to be critical to brands – while we will hopefully not have another pandemic, the benefits of having the ability to look through your entire communications journey and equally set up teams to execute swiftly are now obvious for all to see. What is going to become clearer still is the need for brands to understand the entirety of how the consumers interact with them across media types and how each influences the other.

02 Ecommerce is not optional:

The growth of ecommerce has been astonishing – both in categories that have been dominant in ecommerce (Skincare grew by 99%) as well as those that are more emergent (Bottled Beverages grew by 153% per Stackline). There simply isn't a category that has not seen ecommerce have a massive impact – of course, some categories have also declined like fashion and luggage, but that is tied to overall demand for those products declining in the current climate. Arguments have also been made that ecommerce is not for all buyers – that it's for a younger, more premium buyer; a perception that has been rendered untrue as consumers young

and old, rich and poor have shopped online for necessities. Sampling is a cornerstone of retail, and once the audiences who were reluctant to shop online have sampled ecommerce, it may well become their first port of call. Some categories like prestige beauty have significantly changed category dynamics – per the NPD group, US prestige beauty, previously a 20% ecommerce category has reported a 47% increase week of March 28, and captures nearly 90% of beauty spend. We have seen brands evolve from manufacturers that do ecommerce to ecommerce businesses that also do their own manufacturing – and this is the category of brands poised to win.

03 Ecommerce is not average:

The most perplexing behaviour to come out of the crisis is the a polarisation of purchase journeys: buying fast, and buying slow. In some cases we've seen time spent increase significantly – for example technology buyers in Singapore doubled how long their purchase journeys were after Covid-19, per data from Affectv, while in other instances, consumers are simply doing confirmation shopping. This is seriously problematic for the large number of brands that sit in the middle – not only does this mean that you need to have an engaging brand experience at the point of sale, but also you have to massively drive up mental availability when a consumer is shopping in convenience mode. For categories like luxury, treating their website as simply a point of sale is simply not enough: if your ecomm presence effectively becomes your brand world, the website needs to do more than be effectively a catalog on the internet. It is easy to underestimate the power that physical interaction can have, and when taken away must be accounted and compensated for. To use a diametrically opposite example, when the brand power that is derived from 45 flavours of Doritos arranged in an array goes away, brands need to not only think about digital visibility on platforms, but also ensure that the consumer is coming into the purchase journey with an awareness of them. It is unrealistic to think that a customer will dutifully click on the product page or website for each brand, and so brands need to win the battle before the consumer so much as unlocks their phone.

04 Ecommerce is not just one route to market:

The hard truth that many brands have been left facing in this crisis is that they had put all their eggs

in one basket – say Amazon, or eRetail or DTC. This led to problems where if Amazon deemed a product non essential and ceased to buy it, brands were left without that go to market channel. Equally, many DTC players faced the challenge that comes with not having any diversification of distribution: if their fulfilment centre shut down, they simply had no way to get the product to the consumer. When Walmart forbade advertising on essentials, that may have meant a body blow to a new product launch. The ecomm value chain is just that – a chain, and like any chain it is only as strong as its weakest link. When that is outside of a brand’s control that can be seriously problematic. We should expect the points of sale to proliferate – indeed, this will mean the acceleration of ecommerce models with multiple points of sale which builds multiple fluid routes to market and reduce reliance on any one channel. It also does mean that many brands will explore DTC more seriously as a business driver and not a vanity project, and DTC brands may well look at what a marketplace strategy looks like for them.

05 Ecommerce is too complicated:

Perhaps the most common excuse given for slow progression on ecommerce is that it is complex, or too technical, or too time consuming. That myth has been rapidly busted – Heinz, noticing a surge in pantry loading created a website that sells a bundle of 16 tins of their products. That website was up in a matter of days, not months or years. While it may win no design awards, it created a clear communication outlet for Heinz. It will also maybe not make Heinz tens of millions but can easily become the backbone of a data strategy and is actually a smart way to make themselves part of the conversation in a supportive and sensible way. Its almost as if the brand thought that their consumers weren’t “ecommerce audience” but a group of regular people who happen to need to shop online because it just made sense for them.

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